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November 23, 2020

Commercial Energy Consumers Association of British Columbia
c/o Owen Bird Law Corporation
P.O. Box 49130
Three Bentall Centre
2900 – 595 Burrard Street
Vancouver, BC
V7X 1J5

Attention: Mr. Christopher P. Weafer

Dear Mr. Weafer:

Re: FortisBC Inc. (FBC)

Project No. 1599119

Annual Review for 2020 and 2021 Rates (Application)

Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 2

On August 19, 2020, FBC filed the Application referenced above. In accordance with the British Columbia Utilities Commission Order G-287-20 setting out the amended Regulatory Timetable for the review of the Application, FBC respectfully submits the attached response to CEC IR No. 2.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC INC.

Original signed:

Diane Roy

Attachments

cc (email only): Commission Secretary
Registered Parties

24. Reference: Exhibit B-14, page 2

> While the increase in 2021 forecast gross load put upward pressure on the 2021 forecast power supply cost, there is a net decrease to the 2021 power supply forecast mainly due to the inclusion of an additional $2.0 million forecast market savings compared to the savings identified in the Application. FBC has had a strong start to its 2020/21 PPA contract year due to colder than expected conditions in October (the contract year runs from October 2020 to September 2021). This means that FBC has been able to schedule more PPA energy than expected. Because FBC has been able to take more PPA than planned, the amount of PPA that FBC is obligated to take later in the contract year is reduced, thus increasing the potential opportunities to purchase less expensive energy during low market conditions in the spring of 2021.

24.1 Please provide a brief description of the terms of the PPA that influence the amount of market energy that FBC can acquire.

Response:

Please refer to the response to BCSEA IR2 12.1.

24.2 Please provide the relevant information and calculations supporting the $2.0 million forecast savings.

Response:

The additional $2.0 million forecast market savings is included as a reduction within the 2021 BC Hydro PPA expense. The 2021 forecast BC Hydro PPA expense in the Application of $48.882 million was reduced to $47.440 million in the Evidentiary Update. This reflects a reduction of $2.0 million due to the additional forecast market savings, which was offset by an increase of $0.558 million due to the increased load forecast, for a net reduction of $1.442 million.

The additional $2.0 million is an estimate primarily based on a 53 GWh reduction in the 2021 PPA forecast obligation. This is a result of higher than anticipated October 2020 PPA purchases of 35 GWh, and an 18 GWh increase in the 2021 load forecast. Based on current forward prices, FBC estimates this power can be supplied from the market at a rate of $38 CAD/MWh less than the PPA rate.

25. Reference: Exhibit B-14, page 3

> **4. Update to AWE-BC**
>
> At the time of filing the Application, the latest available AWE-BC result was for May 2020, which was used as a placeholder for June 2020. The June AWE-BC result is now available, and is $1,097.39 compared to $1,123.79 used in the Application (June 2020 placeholder). When issuing the June AWE-BC results, Statistics Canada also updated the May AWE-BC result to $1,126.59, as compared to $1,123.79. These changes have been included in FBC's I-Factor calculation, resulting in a zero[1] impact to Formula O&M.
>
> [1] Unit Cost O&M (UCOM) is rounded to the nearest dollar. The change to UCOM from the updated I-factor was small enough such that the UCOM was unaffected when rounded to the nearest dollar.

25.1 Is the June AWE-BC result specified as the evidence that would be used in setting the I-Factor, or is it expected that FBC will make use of the latest available information?

Response:

FBC will be using the June AWE-BC results provided in the Evidentiary Update to set the I-Factor for 2021. In the Application (page 9), FBC stated that once the results for the June 2020 AWE-BC were made available by Statistics Canada, FBC would replace the May 2020 AWE-BC placeholder with the actual June 2020 results through either an Evidentiary Update or a Compliance Filing. Moreover, as Statistics Canada provided an update to the May AWE-BC results when issuing the June AWE-BC results, FBC has also updated the May AWE-BC result as part of the Evidentiary Update. There will be no further updates made to the I-Factor beyond what has been provided in this Evidentiary Update, as the inclusion of the index results to June of the year prior to the test year in the calculation is the method of calculating the I-Factor that has been approved by the BCUC.

25.2 How often, and when, are AWE-BC results available?

Response:

AWE-BC results are published on a monthly basis, approximately two months after the end of the reference period. A schedule of the 2020 AWE-BC release dates from Statistics Canada is provided below for reference.

Reference Period	Release Date
Jan-20	27-Mar-20
Feb-20	30-Apr-20
Mar-20	28-May-20
Apr-20	25-Jun-20
May-20	30-Jul-20
Jun-20	27-Aug-20
Jul-20	24-Sep-20
Aug-20	29-Oct-20
Sep-20	26-Nov-20
Oct-20	22-Dec-20
Nov-20	28-Jan-21
Dec-20	25-Feb-21

25.2.1 If there are other, more recent, results available, please provide.

25.2.2 If there are other, more recent, results available, why does FBC not make use of those results in the calculation of the I-Factor? Please explain.

Response:

The May 2020 and June 2020 AWE-BC results included in the Evidentiary Update are the most recent results available for the time periods relevant to this Application (up to June of 2020).

26. Reference: Exhibit B-14, page 3

Summary of Impacts

The combined impact of the items identified above on 2020 rates is a revised rate increase of 0.81 percent compared to the rate increase forecast in the Application of 1.93 percent. FBC continues to propose to set permanent 2020 rates at the existing level of 1.00 percent; therefore, the impact of the change to the 2020 revenue deficiency/surplus is that a surplus of $0.683 million will be added to the 2018-2019 Revenue Surplus deferral account and a larger balance therefore remains in the deferral account to reduce the 2021 revenue deficiency and 2021 rate increase.

The combined impact of the items identified above, including the additional available surplus remaining in the 2018-2019 Revenue Surplus deferral account, is a reduction to the 2021 rate increase from 6.37 percent to 4.36 percent, and a reduction to the 2021 revenue deficiency from $23.543 million to $16.196 million.

26.1 If FBC were to set the permanent rate increase to 0.81%, instead of 1%, how would FBC adjust for this change?

Response:

Setting the permanent rate increase for 2020 at 0.81 percent is neither appropriate nor practical.

There are less than two months remaining in 2020, and, given the amended regulatory timetable established by Order G-274-20, it appears unlikely that a decision on the Application could be issued before the end of 2020. As such, adjusting the permanent rate increase to 0.81 percent would have no impact on the rates charged to customers during 2020. Instead, the difference between interim and permanent rates would be recovered through a bill refund in the first customer bill after a BCUC decision is issued on the Application. Such an approach would increase the administrative burden for FBC through additional billing and tariff amendment efforts and would potentially create customer confusion.

Setting the permanent 2020 rate at 0.81 percent would also result in a higher rate increase for 2021 because there would be a lower surplus balance in the 2018-2019 Revenue Surplus deferral account, which FEI intends to use to offset 2021 rates. Please refer to the response to BCUC IR2 37.1 for a calculation of this revised 2021 rate increase of 4.54 percent.

FBC has filed a request with the BCUC to make the existing 2020 interim rates permanent, effective January 1, 2020, and to approve an increase of 4.36 percent on an interim basis, effective January 1, 2021 (Interim Rate Application). For the reasons stated above and in the Interim Rate Application, FBC believes this is the best course of action in the circumstances.

26.2 Please provide the change in bill impacts by rate class, if FBC were to set the rate increase to 0.81% instead of to 1%.

Response:

FBC has provided the following table showing the requested bill impacts:

Rate Class	Average Monthly Consumption Assumptions	Monthly Bill Impact		Change in Bill Impact
		1%	0.81%	
Rate Schedule 01 – Residential	1,100 kWh	$3.98	$3.47	($0.51)
Rate Schedule 03 – Exempt Residential	1,100 kWh	$2.57	$2.07	($0.50)
Rate Schedule 20 – Small Commercial	2,000 kWh	$11.20	10.40	($0.80)
Rate Schedule 21 – Commercial	35,000 kWh 85 kW	$15.55	9.67	($5.88)
Rate Schedule 30 – Large Commercial	575,000 kWh 1,500 kVA	$457.00	$363.75	($93.25)
Rate Schedule 31 – Large Commercial	2,000,000 kWh 4,500 kVA	$1,370.34	$1,105.34	($265.00)
Rate Schedule 40 – Wholesale	8,000,000 kWh 16,000 kVA	$8,437.43	$7,077.43	($1,360.00)
Rate Schedule 60 – Irrigation	6,500 kWh	$5.81	$4.90	($0.91)

27. Reference: Exhibit B-14, page 3 and 4

Summary of Impacts

The combined impact of the items identified above on 2020 rates is a revised rate increase of 0.81 percent compared to the rate increase forecast in the Application of 1.93 percent. FBC continues to propose to set permanent 2020 rates at the existing level of 1.00 percent; therefore, the impact of the change to the 2020 revenue deficiency/surplus is that a surplus of $0.683 million will be added to the 2018-2019 Revenue Surplus deferral account and a larger balance therefore remains in the deferral account to reduce the 2021 revenue deficiency and 2021 rate increase.

Table 1: 2020 Revenue Requirement Impacts of Evidentiary Update

Evidentiary Update - 2020 & 2021 Rates			
2020		Revenue Deficiency/ (Surplus) $ million	Rate Impact
Line Item	Reference		
August 19, 2020 Filing		$ 3.587	1.00%
2020 Projected Average Customer Count and Load revenue change	FBC Annual Workshop Undertaking 2	(4.352)	-1.20%
2020 Projected Power Purchase Expense	FBC Annual Workshop Undertaking 2	0.140	0.04%
Revised Formula O&M	FBC Annual Workshop Undertaking 2	0.259	0.07%
Other Earned Return, Depreciation & Income Taxes effects		(0.012)	0.00%
Change Revenue Surplus Amortization		4.009	1.10%
October 28, 2020 Evidentiary Update		$ 3.633	1.00%

Table 2: 2021 Revenue Requirement Impacts of Evidentiary Update

Evidentiary Update - 2020 & 2021 Rates			
2021		Revenue Deficiency/ (Surplus) $ million	Rate Impact
Line Item	Reference		
August 19, 2020 Filing		$ 23.544	6.37%
2020 Projected Average Customer Count and Load revenue change	FBC Annual Workshop Undertaking 2	(1.804)	-0.50%
2021 Projected Power Purchase Expense	FBC Annual Workshop Undertaking 2	(1.530)	-0.42%
Revised Formula O&M	FBC Annual Workshop Undertaking 2	0.159	0.04%
AWE Update	Final June 2020 AWE	-	0.00%
Annual Review 2020 - 2024 Rate deferral addition	BCUC IR1 15.1	0.001	0.00%
Indigenous Utilities Regulation deferral amortization	BCUC IR1 18.1	0.060	0.02%
Other Earned Return, Depreciation & Income Taxes effects		(0.225)	-0.06%
Change Revenue Surplus Amortization		(4.009)	-1.09%
October 28, 2020 Evidentiary Update		$ 16.196	4.36%

27.1 Please relate the above tables to the Revised Section 11 Schedules, providing line items for items in the above tables.

Response:

Only the bottom line item from each table can be referenced to the revised Section 11 Schedules. The $3.633 million from Table 1 above can be found in Section 11 – 2020, Schedule 1, Line 35 ($2 difference due to rounding). The $16.196 million from Table 2 above can be found in Section 11 – 2021, Schedule 1, Line 33.

All of the detailed line items in the above tables are derived by comparing the revised Evidentiary Update schedules to the original Application schedules, and provide a reconciliation of the revenue deficiency as filed on August 19, 2020 compared to the revised revenue deficiency filed in the Evidentiary Update. Therefore, these line items cannot be found in the Section 11 Schedules.