



**Diane Roy**  
Vice President, Regulatory Affairs

**Gas Regulatory Affairs Correspondence**  
Email: [gas.regulatory.affairs@fortisbc.com](mailto:gas.regulatory.affairs@fortisbc.com)

**Electric Regulatory Affairs Correspondence**  
Email: [electricity.regulatory.affairs@fortisbc.com](mailto:electricity.regulatory.affairs@fortisbc.com)

**FortisBC**  
16705 Fraser Highway  
Surrey, B.C. V4N 0E8  
Tel: (604) 576-7349  
Cell: (604) 908-2790  
Fax: (604) 576-7074  
[www.fortisbc.com](http://www.fortisbc.com)

October 1, 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. 1**

---

On August 19, 2020, FBC filed the Application referenced above. In accordance with British Columbia Utilities Commission Order G-211-20 setting out the Regulatory Timetable for the review of the Application, FBC respectfully submits the attached response to CEC IR No. 1.

If further information is required, please contact the undersigned.

Sincerely,

**FORTISBC INC.**

***Original signed:***

Diane Roy

Attachments

cc (email only): Commission Secretary  
Registered Parties

FortisBC Inc. (FBC or the Company) Annual Reivew for 2020 and 2021 Rates ~ Project No. 1599119 (Application)	Submission Date: October 1, 2020
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 1

1    1.    **Reference:    Exhibit B-2, page 13**

The following sections set out the results of the load forecast. In the figures provided in the load forecast sections, the following three time periods are shown:

- **Actual Years:** Actual years are those for which actual data exists for the full calendar year. For this Annual Review the latest calendar year for which full actual data exists is the 2019 calendar year.
- **Projected Year:** The Projected Year (2020P) is the year prior to the first forecast year. The Projected Year is forecast based on the latest years of actual data available (through 2019). The January through June forecast values were then replaced with Actual 2020 values.
- **Forecast Year:** This is the year or years for which the forecast is being developed. This can be one year (in the case of the Annual Review) or a range of two or more years depending on the filing. In this Application, the forecast year is 2021 (2021F).
- Also included in the figures in this section is the prior year's forecasts, 2019F as presented in the Annual Review for 2019 Rates.

2

3            1.1    Please confirm that the 'years' used for rate-setting purposes are also calendar  
4            years and are not Fiscal years.

5            1.1.1    If not confirmed, please explain why and provide the fiscal year ends.

6

7    **Response:**

8    The calendar year and fiscal year for FBC are the same: January 1 to December 31. Therefore,  
9    the "years" used for rate-setting purposes are both the calendar year and the fiscal year.

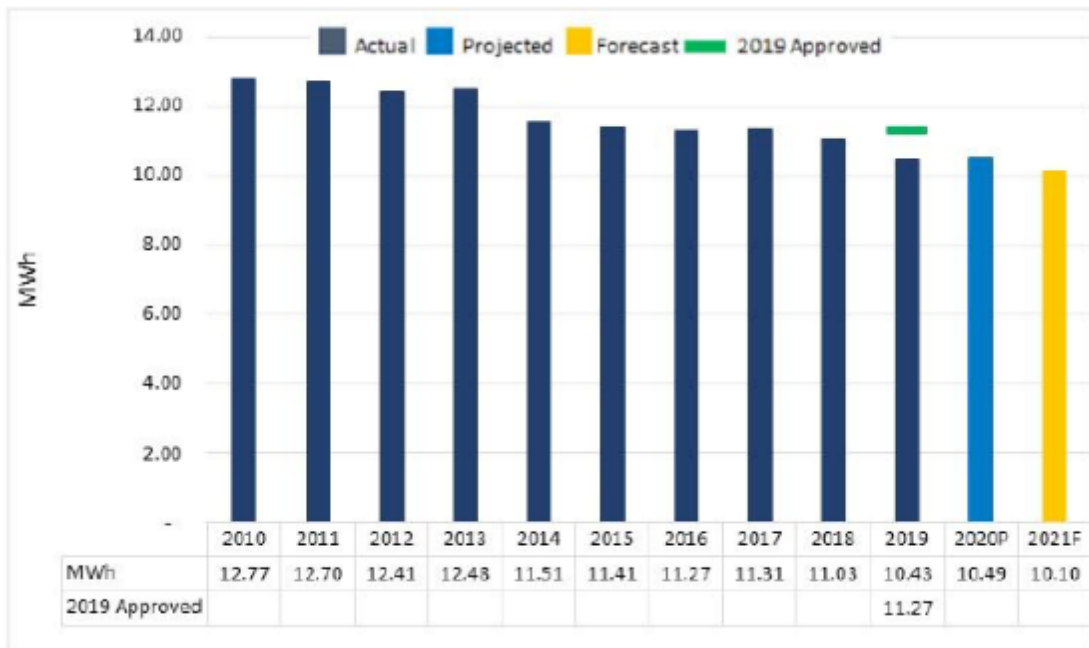
10

1    2.    **Reference:    Exhibit B-2, page 17 and Appendix A2, page 12**

**3.4.1.2 Residential UPC**

Normalized historical UPCs are obtained by dividing the weather-normalized residential load by the average customer count in each year. The before-savings UPC is forecast by applying a ten-year trend to the normalized historical UPCs. For 2020P, the first six months of the forecast were replaced by actual values. The before-savings UPC forecast is then multiplied by the forecast average customer count to derive the before-savings load forecast. DSM savings, which are incremental to the savings embedded in the historical data to 2019, are then deducted from the before-savings load forecast to determine the after-savings load forecast. The after-savings UPC forecast is then calculated by dividing the after-savings load forecast by the average customer count. As shown in Figure 3-3 below, the residential after-savings UPC is projected to remain close to 2019 Actual levels in 2020P and is forecast to decrease by 0.39 MWh during 2021F.

**Figure 3-3: Normalized After-Savings Residential UPC (MWh)**



2

**6.4 RESIDENTIAL UPC, NORMALIZED ACTUAL TO FORECAST**

Residential UPC (MWh)	2017	2018	2019
After- Savings Normalized Actual UPC	11.31	11.03	10.43
Forecast	11.71	10.92	11.27
Variance	(0.40)	0.11	(0.84)
Variance (%)	-3.5%	1.0%	-8.0%

3

4

5

6

2.1    There is a significant downward trend in Normalized After-Savings Residential UPC. Please provide FBC's understanding of why this is occurring.

1    **Response:**

2    In the response to BCUC IR1 5.1, FBC identified a number of factors that influence residential  
 3    UPC. Among the factors that would act to reduce UPC are increased efficiencies in lighting and  
 4    appliances and/or improvements in building envelopes. Changes in how appliances or  
 5    equipment are used and/or the number of people in a home may also increase or decrease  
 6    UPC depending on individual circumstances.

7  
8  
9

10       2.2    Please provide FBC’s understanding as to why the 2019 UPC forecast was 8%  
 11               higher than actual.

12  
13    **Response:**

14    Please refer to the response to BCUC IR1 5.1.

15  
16  
17

18       2.3    If FBC is able to break out before and after savings of the normalized UPC,  
 19               please do so for the above years.

20  
21    **Response:**

22    The table below shows residential UPC before and after DSM savings for the years 2010 to  
 23    2021F.

24                                   **Before and After DSM Savings Residential UPC (MWh)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Before Savings UPC (MWh)	12.83	12.74	12.47	12.58	11.57	11.44	11.35	11.37	11.05	10.47	10.50	10.15
After Savings UPC (MWh)	12.77	12.70	12.41	12.48	11.51	11.41	11.27	11.31	11.03	10.43	10.49	10.10

25  
26  
27  
28

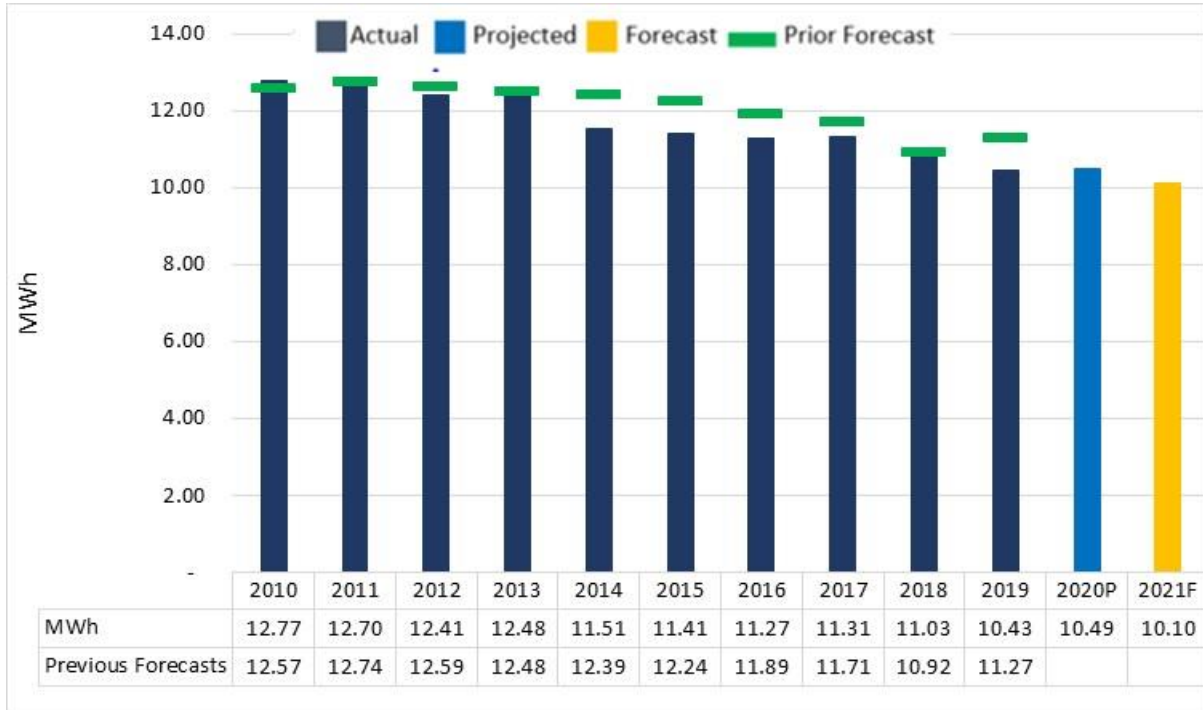
29       2.4    Please provide FBC’s originally Forecast Normalized After-Savings Residential  
 30               UPC for the years 2010 through to 2018 by marking on Table 3-3 (i.e. as is done  
 31               for 2019).

32  
33    **Response:**

34    The figure below shows the previous forecasts of the After-Savings Residential UPC forecasts  
 35    from 2010 to 2019.

1

**Figure 3-2: Normalized After-Savings Residential UPC (MWh)**



2

3

1    **3.    Reference:    Exhibit B-2, Appendix A3 page 4**

**Table A3-3: Results of UPC Trend Analysis**

Regression	UPC
Start Year	2010
End Year	2019
R <sup>2</sup>	0.95
Adjusted R <sup>2</sup>	0.90
df	9
Intercept	488
Slope UPC	-0.24

2

3            3.1    Please confirm that the regression analysis would account for any declining  
 4            trend.

5            3.1.1    If no, please explain why not.

6

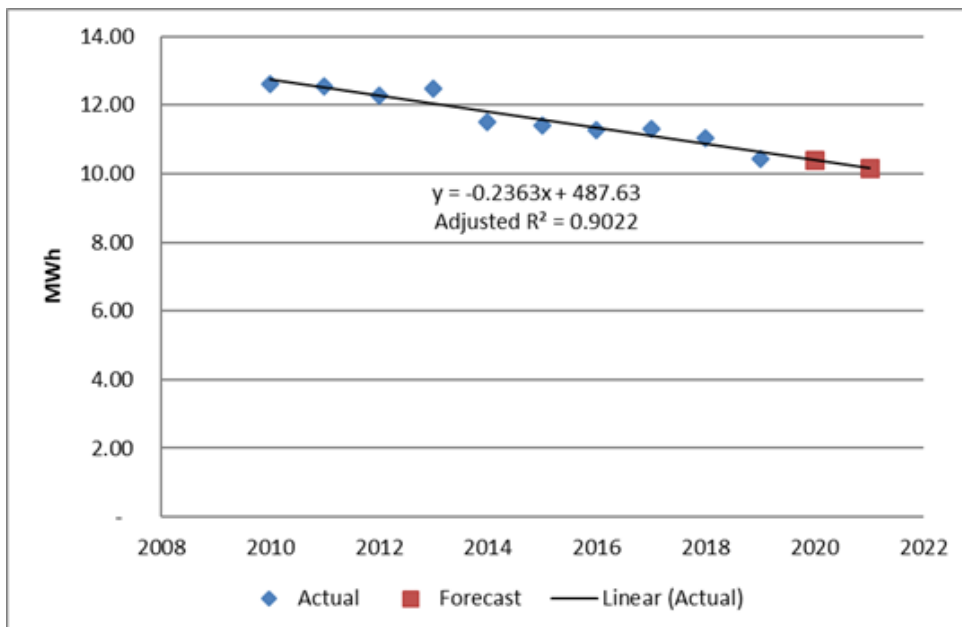
7    **Response:**

8    Confirmed. The regression results in Table A3-3 indicate a declining trend as seen by the  
 9    negative coefficient for Slope UPC in the final row. The R<sup>2</sup> value of 0.95 indicates there is high  
 10    confidence in the regression results.

11    The chart below shows the normalized actual UPC, which were the inputs to the regression and  
 12    the outputs 2020P and 2021F before-savings UPCs. (The January to June 2020 monthly UPCs  
 13    from the regression output were replaced with actuals to calculate the 2020P UPC.)

14

**Before-Savings UPC**



15

1 4. Reference: Exhibit B-2, pages 18-20

3.4.2 Commercial

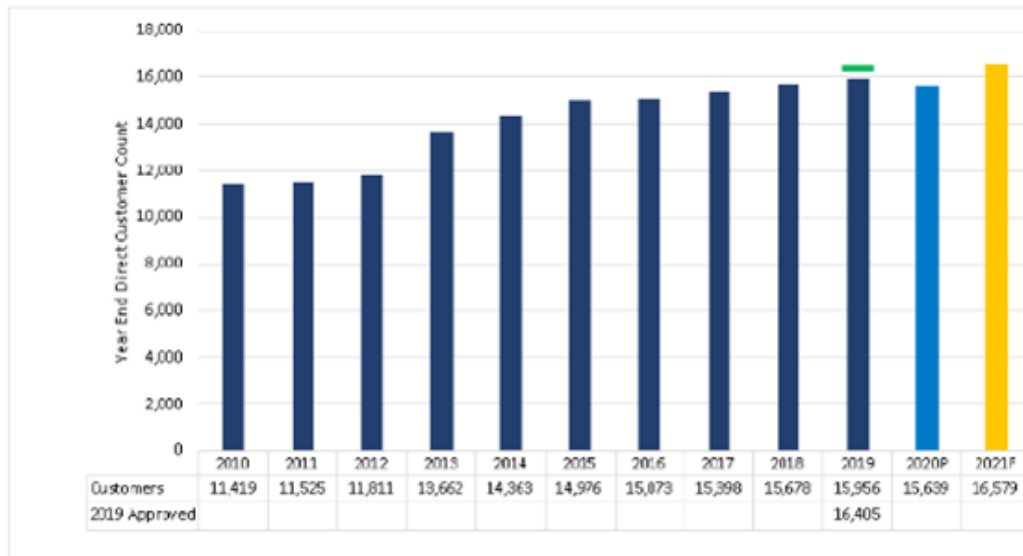
3.4.2.1 Commercial Customers

The forecast commercial customer count is determined by a regression of the year-end customer accounts on the provincial GDP forecast from the CBOC, which is included in Appendix A1.

Figure 3-5 shows the year-end commercial customer count for FBC.

2

Figure 3-5: Year-End Direct Commercial Customer Count



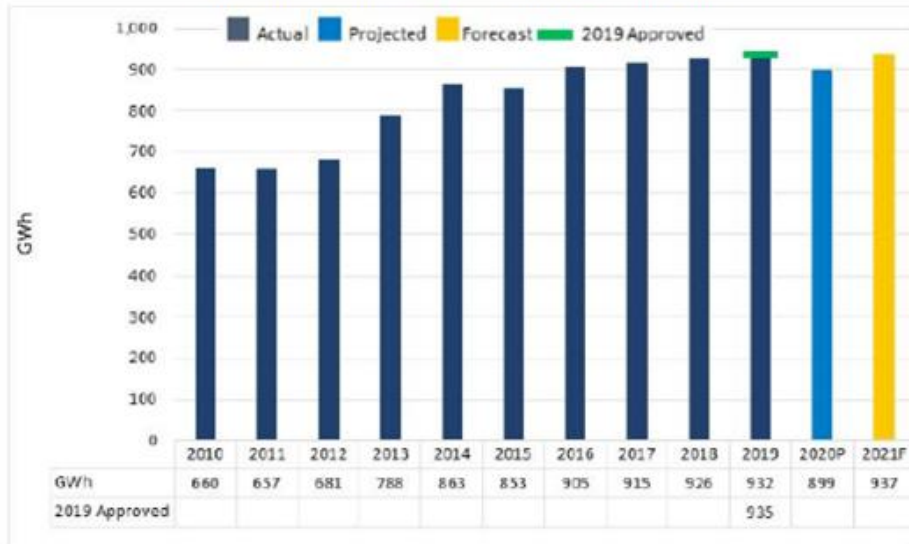
3

3.4.2.2 Commercial Load

The commercial class is forecast based on a regression of load on the provincial GDP forecast obtained from the CBOC. As shown in Figure 3-6 below, Commercial after-savings load is forecast to decrease by 33 GWh in 2020P from 2019 Actuals and increase by 38 GWh in 2021F from 2020P. The 2020P and 2021F fluctuations are due to a GDP projection from the CBOC that includes COVID-19 impacts and the projected economic recovery (-3.2 percent in 2020P and 6.3 percent in 2021F).

4

**Figure 3-6: After-Savings Commercial Load (GWh)**



1

2 4.1 Is the commercial load weather normalized? Please explain why or why not.

3

4 **Response:**

5 The commercial load has been weather normalized from 2014 forward, reflecting FBC's  
 6 determination that there is a correlation between weather and the commercial class.

7

8

9

10 4.2 If FBC is able to break out before and after savings for commercial load, please  
 11 do so for the years 2010 through to 2021.

12

13 **Response:**

14 The table below shows the commercial loads before and after DSM savings from 2010 to  
 15 2021F.

16 **Commercial Before and After Savings Loads (GWh)**

Commerical Load (GWh)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Before Savings	670	675	694	796	867	858	910	928	943	942	904	956
After Savings	660	657	681	788	863	853	905	915	926	932	899	937

17

18

19

20

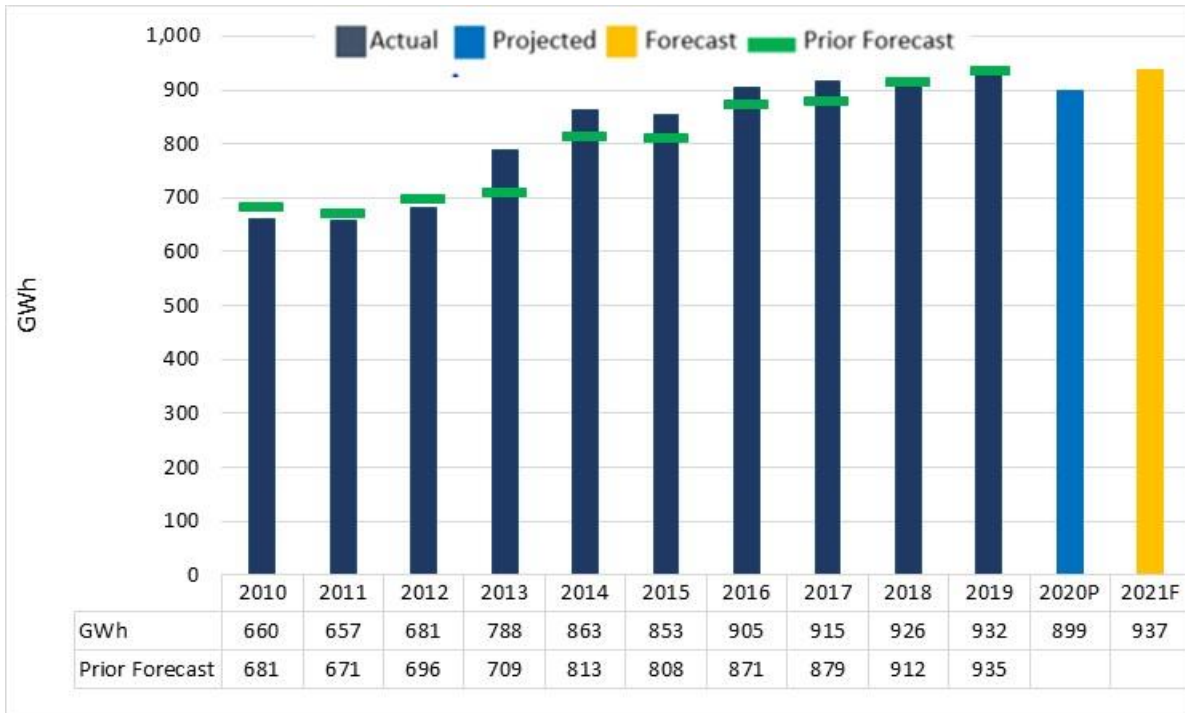
21 4.3 Please provide FBC's originally Forecast After-Savings Commercial Load for the  
 22 years 2010 through to 2018 by marking Table 3-6, as is done for 2019.



1  
2 **Response:**

3 The figure below shows forecasts for the commercial class from 2010 to 2019.

4 **Figure 3-4: Normalized After-Savings Commercial Load (GWh)**



5  
6 Note: The 2013 forecast included the City of Kelowna (CoK) as a single (wholesale) customer  
7 since the application for the acquisition of the CoK had not been filed at the time the forecast  
8 was prepared for the 2012-2013 Revenue Requirements. The CoK commercial customers  
9 became direct customers of FBC on March 31, 2013, resulting in an increase in FBC's  
10 commercial load for a portion of 2013 and the full year in 2014.

11

FortisBC Inc. (FBC or the Company) Annual Reivew for 2020 and 2021 Rates ~ Project No. 1599119 (Application)	Submission Date: October 1, 2020
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 9

1    **5.    Reference:    Exhibit B-2, Appendix A3, page 4**

**1.2.2 Commercial**

The expected before-savings commercial load in year  $t$  is forecast based on the provincial GDP supplied by the CBOC. The relationship was estimated from the following equation.

$$\text{Before Savings Load}_t = b_0 + b_1 \times \text{GDP}_t + b_2 \times \text{Princeton Event}_t + b_3 \times \text{CoK Event}_t$$

Princeton Event $_t$  is a binary variable for the Princeton Light and Power (PLP) integration event in 2007, CoK $_t$  is a binary variable for the City of Kelowna integration event in 2013. Coefficients  $b_0$ ,  $b_1$ ,  $b_2$ , and  $b_3$  are obtained from an ordinary least squares (OLS) regression analysis on the 2005 to 2019 data.

**Table A3-5: Results of Commercial Regression**

Regression	Commercial
Start Year	2005
End Year	2019
R <sup>2</sup>	0.99
Adjusted R <sup>2</sup>	0.98
df	14
Intercept	110,014
Slope GDP	2.61
Slope PLP Event	36,536
Slope CoK Event	134,808

2

3            5.1    Why does FBC use 15 years of data for commercial and only 10 years for  
 4            residential?

5

6    **Response:**

7    Using 15 years of data resulted in a high R<sup>2</sup> for the commercial load regression of 0.99 as  
 8    shown in the preamble.

9    However, including the older data points in the 15-year residential regression resulted in an R<sup>2</sup>  
 10    of only 0.68. Using 10 years of data for the residential regression resulted in a higher R<sup>2</sup> at 0.99,  
 11    indicating a stronger regression. As a result, the residential regression was limited to the most  
 12    recent 10 years of data.

13

14

15

16            5.2    Please provide further explanation of the regression using the GDP forecast used  
 17            in determining load and how it relates to customer count.



FortisBC Inc. (FBC or the Company) Annual Reivew for 2020 and 2021 Rates ~ Project No. 1599119 (Application)	Submission Date: October 1, 2020
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 10

1

2 **Response:**

3 GDP is a measure of economic growth, which is correlated with the formation and dissolution of  
4 business entities (captured for the FBC service territory in the commercial customer count).

5 Once a correlation is confirmed, a regression equation is developed. The  $R^2$  value is a measure  
6 of how much a change in commercial customers can be explained by a change in GDP. In this

7 case, the  $R^2$  is very high at 0.99 indicating high confidence in the equation. A forecast of future  
8 GDP can then be used to predict commercial customer count. In the case of commercial

9 customers, “dummy” variables are used to account for the Princeton Light and Power (PLP)  
10 integration in 2007 and the CoK integration in 2013.

11

1 **6. Reference: Exhibit B-2, page 21**

**3.4.4 Industrial**

Consistent with past practice, the industrial forecast is determined through a combination of customer load surveys and, when not available, escalation of the most recent annual loads by the corresponding provincial GDP growth rates for individual industries.

FBC sends all existing industrial customers a load survey that requests the customer's anticipated use for the next 5 years. A survey is used because individual industrial customers have the best understanding of what their future load will be. This year FBC received a response from 80 percent (41 of 51) of the surveys sent out. The responding customers represent approximately 92 percent of the total industrial load.

FBC forecasts industrial loads from new customers in 2020P and 2021F based on information from Key Account Managers.

As shown in Figure 3-8 below, after-savings industrial load is forecast to decrease by 31 GWh in 2020P when compared to 2019 Actual. Industrial load is forecast to increase by 73 GWh in 2021F compared to 2020P. This increase is mostly due to the addition of new customers and the expansions of existing customer loads in the FBC system.

**Figure 3-8: After-Savings Industrial Load (GWh)**



2

3 6.1 Does the industrial load likely reflect information from COVID-19? Please  
 4 explain.

5

6 **Response:**

7 The industrial surveys were returned between February and April 2020. As a result, responses  
 8 from some customers may have reflected the impacts of the COVID-19 pandemic, while others  
 9 may not have. FBC is not aware of which customers made allowances for the pandemic or  
 10 what the magnitude of those allowances might have been. Once the operational adjustments



FortisBC Inc. (FBC or the Company) Annual Reivew for 2020 and 2021 Rates ~ Project No. 1599119 (Application)	Submission Date: October 1, 2020
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 12

1 made by some large customers are accounted for, FBC is not observing any significant impact  
2 to the monthly industrial load as compared to 2019.

3 Impacts related to the pandemic from March to June 2020 have been accounted for because  
4 actual loads were used in place of forecast values for those months.

5  
6

7

8 6.2 If no, what steps has FBC taken to verify load expectations in light of the  
9 pandemic?

10

11 **Response:**

12 Please refer to the response to CEC IR1 6.1.

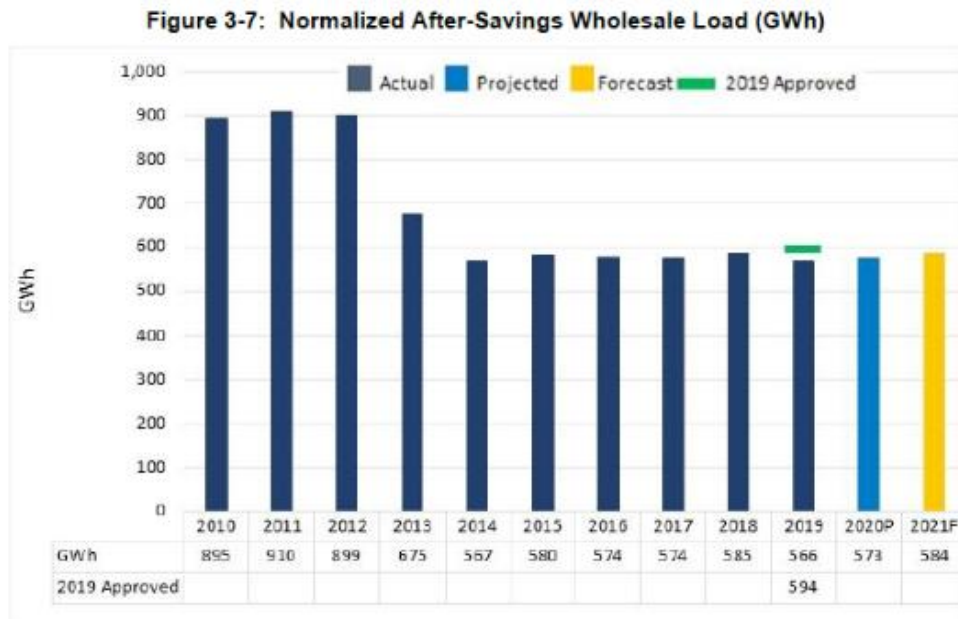
13

1    7.    **Reference:    Exhibit B-2, page 20**

**3.4.3    Wholesale**

FBC sells wholesale power to municipalities for service to certain customers within its service territory that own and operate their own electrical distribution systems, and to BC Hydro. The wholesale customers' load composition is a combination of residential, commercial, industrial and street lighting.

Consistent with past practice, the wholesale class is forecast using survey information from each of the individual wholesale customers. FBC believes that the individual wholesale customers are best able to forecast their future load growth. All of the wholesale customers responded with their load forecast projections. As shown in Figure 3-7 below, after-savings wholesale load is forecast to increase by 7 GWh in 2020P and 11 GWh in 2021F.



2

**5.2    NORMALIZED AFTER-SAVINGS WHOLESALE LOAD**

Wholesale (GWh)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020P	2021F
BCH Lardeau	10	8	6	6	6	6	6	8	8	7	7	8
BCH Kingsgate	3	3	5	5	5	5	5	5	5	5	5	5
City of Grand Forks	41	41	41	41	39	41	41	39	46	37	38	38
City of Nelson	90	88	80	83	81	83	80	86	88	84	86	81
City of Penticton	341	344	341	348	342	348	345	338	340	338	340	343
District of Summerland	97	96	95	98	94	97	98	98	99	95	97	108
City of Kelowna	314	329	332	94								
<b>Total</b>	<b>895</b>	<b>910</b>	<b>899</b>	<b>675</b>	<b>587</b>	<b>580</b>	<b>574</b>	<b>574</b>	<b>585</b>	<b>566</b>	<b>573</b>	<b>584</b>

3

4

5

7.1    When did FBC send out its annual survey?



FortisBC Inc. (FBC or the Company) Annual Reivew for 2020 and 2021 Rates ~ Project No. 1599119 (Application)	Submission Date: October 1, 2020
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 14

1 **Response:**

2 FBC sent out the wholesale surveys on February 13, 2020 and received responses from the  
3 middle of March to April 2020.

4  
5

6

7 7.2 Please provide FBC's expectations as to whether or not the Wholesale load  
8 would be impacted by COVID-19 and explain why.

9 7.2.1 If FBC expects that wholesale load will be impacted, please provide  
10 quantification.

11

12 **Response:**

13 FBC expects its wholesale load to be impacted in approximately the same way as its overall  
14 load because the wholesale load is made up of a mix of customer classes including commercial,  
15 residential and industrial. FBC observes that reduced commercial sales are partially offset by  
16 residential increases as shown from March to June 2020 as set out in the response to BCUC  
17 IR1 8.1. Overall, the wholesale load from March through June 2020 was down by 2 GWh (1.1  
18 percent) from the forecasts received by FBC from wholesale customers.

19

FortisBC Inc. (FBC or the Company) Annual Reivew for 2020 and 2021 Rates ~ Project No. 1599119 (Application)	Submission Date: October 1, 2020
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 15

1 **8. Reference: Exhibit B-2, pages 29 and 30**

As shown in Table 4-1 below, the 2020 Projected Power Supply cost of \$155.347 million represents a \$5.418 million or 3.4 percent decrease compared to the 2019 Approved cost of \$160.765 million. The decrease in the 2020 Projected Power Supply cost is attributed to increased market savings as well as a decrease in gross load, both of which result in decreased purchases under the Company's power purchase agreement with BC Hydro. This decrease is slightly offset by increased rates for Waneta Expansion supply. The 2020 Projected wheeling expense is forecast to increase due to increased wheeling rates as well as increased use of the Open Access Transmission Tariff (OATT) and Teck 71 Line (71L) wheeling. 2020 Projected water fees have increased due to increased entitlement generation in 2019.

Also shown in Table 4-1, the 2021 Forecast Power Supply cost of \$163.089 million represents an increase of \$7.742 million or 5.0 percent compared to the 2020 Projected cost of \$155.347 million. The increase in the 2021 Forecast Power Supply cost is mainly due to a gross load increase from 2020 Projected gross load, and therefore increased purchases under the Company's power purchase agreement with BC Hydro, as well as increased rates for BC Hydro and Waneta Expansion supply. The 2021 Forecast wheeling expense is forecast to increase due to increased wheeling rates. The 2021 Forecast water fees have increased due to increased rates.

Any variances between forecast and actual Power Supply costs are recorded in the Flow-through deferral account and returned to or recovered from customers in the subsequent year.

**Table 4-1: Power Supply Cost (\$ millions)**

Line No.	Description	Approved 2019	Actual 2019	Projected 2020	Forecast 2021
1	Power Purchase Expense	\$ 145.065	\$ 139.002	\$ 138.612	\$ 146.260
2	Wheeling Expense	5.235	5.896	5.767	5.783
3	Water Fees	10.465	10.396	10.968	11.045
4	Total Power Supply Cost	<u>\$ 160.765</u>	<u>\$ 155.294</u>	<u>\$ 155.347</u>	<u>\$ 163.089</u>
5					
6	Gross Load (GWh)	3,602	3,618	3,562	3,646

2

**4.3 PORTFOLIO OPTIMIZATION**

The primary objectives of FBC's power supply portfolio planning are to ensure that the Company has sufficient firm resources to meet expected load requirements, to ensure the availability of cost-effective reliable power for FBC's customers, to prudently manage exposure to the cost and availability of market power supplies, and to optimize the value of any surplus resources that are not needed to meet load requirements.

The Company currently has long-term, firm resources from which it can supply substantially all of its 2020 Projected and 2021 Forecast annual energy and capacity requirements. The nature of FBC's contracted resources, in particular the BC Hydro PPA, provides the Company some flexibility to participate in the market when conditions are favourable to mitigate the cost of holding those firm resources. Furthermore, although FBC's load requirements are forecast to grow over time, the amount of capacity provided under the WAX CAPA is currently greater than FBC's capacity requirements in most months, and FBC sells the surplus capacity to mitigate power purchase expense. FBC has contracted to release a 50 MW block of capacity purchased under the WAX CAPA to BC Hydro under the Residual Capacity Agreement (RCA), which was approved by the BCUC in Order G-161-14. The remaining surplus WAX CAPA will be sold to Powerex Corp. (Powerex) on a day-ahead basis, if and when it is not required to meet FBC load requirements. These sales are completed under the Capacity and Energy Purchase and Sale Agreement (CEPSA) with Powerex, accepted pursuant to Order E-10-15, and amended in the First Amending Agreement dated April 20, 2019, accepted pursuant to Order E-19-19 dated October 24, 2019.

3





FortisBC Inc. (FBC or the Company) Annual Reivew for 2020 and 2021 Rates ~ Project No. 1599119 (Application)	Submission Date: October 1, 2020
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 16

1           8.1     Please confirm that in the company's view the power supply and associated  
2                   costs will be optimized to the greatest extent possible.

3                   8.1.1     If not confirmed, what other steps could FBC take to optimize the power  
4                           supply and minimize power expense for ratepayers.

5  
6     **Response:**

7     Confirmed. FBC actively considers strategies to reduce power purchase expense as outlined in  
8     the Annual Electric Contracting Plan filed with the BCUC. FBC continues to evaluate whether  
9     additional measures could be taken to reduce power purchase expense without impacting  
10    reliability. If any such measures were identified, FBC would consider taking the necessary steps  
11    to implement them. FBC is actively pursuing all available opportunities to optimize power supply  
12    and associated costs.

13

1 **9. Reference: Exhibit B-2, page 36**

**5. OTHER REVENUE**

**5.1 INTRODUCTION AND OVERVIEW**

This section discusses FBC's forecasts of Other Revenue. In the MRP Decision (page 74), FBC was approved for variances between forecast and actual Other Revenue to be subject to earnings sharing.

FBC is projecting Other Revenue for 2020 to be \$1.377 million higher than the amount approved for 2019. The main drivers of this increase are higher Apparatus and Facilities Rental due to a new pole attachment contract, and higher Contract Revenue due to a three-year asset refurbishment project for a third party. These increases are partially offset by lower Late Payment Charges as a result of customer relief measures implemented by FBC during the COVID-19 pandemic.

Other Revenue for 2021 is forecast to be \$1.576 million higher than 2020 Projected due to higher Contract Revenue resulting from the timing of work expected to be performed on the asset refurbishment project for a third party, as well as a return to normal forecast of Late Payment Charges.

**Table 5-1: Other Revenue (\$ millions)**

Line No.	Description	Approved 2019	Actual 2019	Projected 2020	Forecast 2021
1	Apparatus and Facilities Rental	\$ 4.878	\$ 5.915	\$ 5.843	\$ 5.930
2	Contract Revenue	1.766	2.076	2.305	3.088
3	Transmission Access Revenue	1.230	1.054	1.496	1.501
4	Interest Income	0.016	0.005	0.020	0.020
5	Late Payment Charges	0.861	0.929	0.205	0.829
6	Connection Charges	0.376	0.524	0.394	0.476
7	Other Recoveries	0.142	0.124	0.382	0.377
8	Total	\$ 9.268	\$ 10.627	\$ 10.645	\$ 12.221

4 9.1 Why was 2019 Actual higher than the Approved 2019? Please explain.

**Response:**

7 Please refer to the response to BCUC IR1 28.3 for an explanation of the increase for Apparatus  
8 and Facilities Rental revenue.

9 Also contributing to the increase in Other Revenue was \$0.310 million in higher than forecast  
10 Contract Revenue and \$0.216 million in higher than forecast Late Payment Charges and  
11 Connection Charges. The higher actual Contract Revenue results from an increase in the  
12 amount of work performed for third parties based on customer requirements. The higher actual  
13 Late Payment Charges and Connection Charges are attributable to behaviour and activity,  
14 which can vary from what was forecast.

FortisBC Inc. (FBC or the Company) Annual Reivew for 2020 and 2021 Rates ~ Project No. 1599119 (Application)	Submission Date: October 1, 2020
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 18

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23

9.2 Will FBC earn Earnings Sharing on the new pole attachment contract, or is this only earned if the Other Revenue exceeds the forecast? Please explain.

**Response:**

As approved in the MRP Decision, variances between forecast and actual Other Revenue, which includes any variances between Apparatus and Facilities Rental revenue, will be subject to earnings sharing. The increased revenue related to the new pole attachment contract is entirely to the benefit of customers as it is included in FBC's Projected 2020 amount for Apparatus and Facilities Rental revenue of \$5.843 million. Only the variances between the Projected 2020 amount and the Actual 2020 amount will be subject to earnings sharing.

9.3 Please provide further details of the new pole attachment contract and explain when FBC first become aware of the contract option, and when it entered into the new pole attachment contract.

**Response:**

Please refer to the response to BCUC IR1 10.1.

FortisBC Inc. (FBC or the Company) Annual Reivew for 2020 and 2021 Rates ~ Project No. 1599119 (Application)	Submission Date: October 1, 2020
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 19

1   **10. Reference: Exhibit B-2, page 37 and 38**

2           **5.6 LATE PAYMENT CHARGES**

FBC implemented a number of customer relief measures in 2020 due to the COVID-19 pandemic, including the suspension of Late Payment Charges. As a result, 2020 Projected Late Payment Charges are expected to be lower than 2019 Approved. In 2021, FBC expects the amount of Late Payment Charges to return to a more normal level.

The 2021 Forecast for Late Payment Charges as part of Other Revenue is based on the 2017 to 2019 average of Late Payment Charges earned, while the calculation for 2020 Projected includes six months of actual results.

2

3           10.1 How would FBC's earnings sharing be affected if the Late Payment charges are  
4           either higher or lower than anticipated? Please explain.

5

6           **Response:**

7           As approved in the MRP Decision, variances between forecast and actual Other Revenue,  
8           which includes any variances between forecast and actual Late Payment Charges, will be  
9           subject to earnings sharing.

10          If actual Late Payment Charges are higher than forecast, the positive variance between actual  
11          and forecast revenue (all else being equal) will increase FBC's achieved Return on Equity  
12          (ROE) and will be shared 50/50 with customers. The shared amount would be included in the  
13          Earnings Sharing deferral account and amortized into rates in a subsequent year as a credit to  
14          the revenue requirement, reducing the forecast revenue requirement for that year.

15          If actual Late Payment Charges are lower than forecast, the reverse would occur. The negative  
16          variance between actual and forecast revenue (all else being equal) will decrease FBC's  
17          achieved ROE and will be shared 50/50 with customers. The shared amount would be included  
18          in the Earnings Sharing deferral account and would be amortized into rates in a subsequent  
19          year as a debit to the revenue requirement, increasing the forecast revenue requirement for that  
20          year.

21

1    11.    **Reference:    Exhibit B-2, page 41**

**Table 6-3: System Operations, Integrity and Security New/Incremental Spending**

System Operations, Integrity and Security		2020 Formula O&M <sup>1</sup>	Forecast 2020 O&M	2020 Forecast/Actual Variance	Cumulative Forecast/Actual Variance <sup>2</sup>
\$ millions					
<b>Tree Management</b>	\$ 0.075	\$ 0.077	\$ 0.077	\$ -	\$ -
<b>Generation Dam Safety</b>	\$ 0.232	\$ 0.237	\$ 0.237	\$ -	\$ -
<b>Network Operations Apprentice Program</b>	\$ 0.197	\$ 0.202	\$ 0.202	\$ -	\$ -
<b>Cyber Security</b>	\$ 0.080	\$ 0.082	\$ 0.082	\$ -	\$ -
<b>Data Analytics</b>	\$ 0.099	\$ 0.101	\$ 0.101	\$ -	\$ -
<b>Other</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	\$ 0.683	\$ 0.699	\$ 0.699	\$ -	\$ -

**Notes:**

- (1) 2020 Formula O&M is the incremental funding with Net Inflation factor applied (2.309%)
- (2) Cumulative Forecast/Actual variance is the same as the 2020 (first year of MRP) Forecast/Actual variance.

At the time of preparing this Application, FBC has critical initiatives underway and is in the process of finalizing its plans to implement further activities. As shown in the table above, FBC is forecasting to spend all of the incremental funding approved. For 2020, given that the MRP Decision was issued part way through the year, there will likely be a variance between the actual expenditures in 2020 and the amounts calculated using the formula escalators. Over the term of the MRP, FBC anticipates that the total new/incremental spending in the combined categories of System Operations, Integrity and Security required will be relatively close to the cumulative approved formula amounts, although there will continue to be variations from year to year.

2

3            11.1    Please label the 2nd column.

4

5    **Response:**

6    The title of the second column in Table 6-3 should be “Approved Base O&M”. The column  
 7    contains the amounts for the System Operations, Integrity and Security New/Incremental O&M  
 8    funding requests approved by the BCUC as part of the Base O&M for the MRP.

9

10

11

12            11.2    If FBC expects there to be a variance in spending 2020, why does it not record it  
 13            in the 2020 forecast/variance column?

14            11.2.1    If FBC knows what the actual spending is likely to be, please record the  
 15            information in the appropriate columns.

16

17    **Response:**

18    FBC’s forecast that 2020 O&M will be the same as 2020 Formula O&M for System Operations,  
 19    Integrity and Security incremental funding is reasonable, as it reflects FBC’s plan and efforts to



FortisBC Inc. (FBC or the Company) Annual Reivew for 2020 and 2021 Rates ~ Project No. 1599119 (Application)	Submission Date: October 1, 2020
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 21

1 spend all of the approved incremental funding. While a variance of some kind is likely due to  
2 the timing of the MRP Decision, FBC does not expect any variance to be material and has no  
3 information at this time on which to quantify what that variance may be.

4

1 **12. Reference: Exhibit B-2, page 44**

**6.3.2 Insurance Premiums**

The component of insurance expense tracked outside of Formula O&M relates to the insurance premium expense allocated to FBC by Fortis Inc. as set out in Table 6-6 below.

**Table 6-6: Insurance Premiums (\$ millions)**

Line No.	Description	Approved 2019	Actual 2019	Projected 2020	Forecast 2021
1	Insurance Premiums	\$ 1.283	\$ 1.381	\$ 1.691	\$ 1.916
2	Total	\$ 1.283	\$ 1.381	\$ 1.691	\$ 1.916

The projected insurance premium expense for 2020 of \$1.691 million, which incorporates FBC's July 2020 insurance renewals, is an increase of \$0.408 million from what was approved for 2019. The higher premiums experienced in 2020 are expected to continue into 2021. The forecast insurance premium expense for 2021 is \$1.916 million, an increase of \$0.225 million from 2020. The forecast for 2021 is calculated as the amount of the first six months of the known annual insurance premium for July 2020 to June 2021 of \$1.734 million and applying a 5 percent increase for the remaining six months, as well as including the annual cost of fire fighting premium of \$138,500.<sup>20</sup> FBC has experienced significant increases in insurance expense in the last two renewals as a result of various insurers reducing their capacity and increasing restrictions and retentions.

2

3 12.1 How did FBC select 5% as the appropriate increase for the remaining six  
 4 months? Did FBC seek input from its insurers as to likely increases, or did FBC  
 5 rely on historical data? Please explain.

6 12.1.1 If FBC did not request information from its insurers, please explain why  
 7 not.

8

9 **Response:**

10 FEI uses a 5 percent escalation unless there are indications that suggest significant increases  
 11 are forthcoming as a result of loss history for the company or the industry as a whole. To gauge  
 12 the potential increase in premiums for July of 2021, FBC obtained indicative pricing information  
 13 from insurance brokers. Based on market trending, the expected price increases suggest an  
 14 increase of up to 20 percent in premiums. However, as there is significant uncertainty regarding  
 15 the determination of future premiums at this time, FBC decided to incorporate only the 5 percent  
 16 historical based increase. Only six months of the 2021 forecast is affected by the 5 percent  
 17 assumption, therefore a 20 percent instead would increase the annual expense by only \$13  
 18 thousand.

19

FortisBC Inc. (FBC or the Company) Annual Reivew for 2020 and 2021 Rates – Project No. 1599119 (Application)	Submission Date: October 1, 2020
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 23

1   **13. Reference: Exhibit B-2, page 46 and 49**

**6.3.5 Clean Growth Initiative – Electric Vehicle (EV) Charging Stations**

The cost of service associated with EV charging stations is subject to flow-through treatment, contingent upon approval by the BCUC for inclusion of EV charging stations in rate base.<sup>23</sup> FBC's application for rates for EV charging stations was adjourned in 2018; however, on July 10, 2020 the BCUC issued Order G-183-20 re-starting the review process. Following BCUC approval, FBC will forecast the associated cost of service annually. At this time, FBC has not forecast any amounts for O&M or other cost of service items related to EVs, but will capture any amounts that are approved in the Flow-through deferral account and recover them from or return them to customers in future rates.

2

---

<sup>23</sup> Costs related to EV charging stations are held outside of rate base pending BCUC approval, pursuant to Order G-9-18.

*EV Charging Stations*

As identified in Section 6.3, as a Clean Growth Initiative, EV charging stations expenditures are subject to flow-through treatment, contingent upon approval by the BCUC for inclusion of EV charging stations in rate base. At this time, FBC has not included its forecast capital expenditures related to EVs as the BCUC directed FBC in Order G-9-18 to exclude its EV assets from rate base. However, EV charging stations are now a prescribed undertaking under the *Greenhouse Gas Reduction (Clean Energy) Regulation* (GGRR)<sup>25</sup> and the BCUC has recommenced a proceeding to consider FBC's Application for Approval of Rate Design and Rates for Electric Vehicle Direct Current Fast Charging Service. Upon BCUC approval, FBC will transfer its existing EV charging stations to rate base and commence forecasting expenditures on EV charging stations in future annual reviews.

3

4           13.1   Given that the flow-through treatment is contingent upon approval by BCUC, how  
5                   will FBC's historical O&M or capital costs be treated if the application is denied?  
6                   Please explain.

7                   13.1.1   Please provide an estimate of those costs if available.

8

9    **Response:**

10   On September 30, 2020, FBC filed an updated EV Charging application with the BCUC. In the  
11   updated application, FBC provides evidence showing that each of FBC's existing and planned  
12   EV DCFC charging stations are prescribed undertakings pursuant to section 5 of the  
13   *Greenhouse Gas Reduction (Clean Energy) Regulation*. As the stations are prescribed  
14   undertakings, pursuant to section 18 of the *Clean Energy Act*, the BCUC must set rates that  
15   allow FBC to collect sufficient revenue in each fiscal year to enable it to recover its costs  
16   incurred with respect to the stations.

17   In each Annual Review, FBC will include a forecast of the capital and O&M related to FBC's EV  
18   stations. In accordance with the MRP Decision, any variances between forecast and actual  
19   costs will be captured in the Flow-through deferral account and recovered from or returned to  
20   customers in the following year.





FortisBC Inc. (FBC or the Company) Annual Reivew for 2020 and 2021 Rates ~ Project No. 1599119 (Application)	Submission Date: October 1, 2020
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 24

- 1 FBC expects to have incurred net<sup>1</sup> capital expenditures of approximately \$2.25 million by the
- 2 end of 2020 related to its public DC fast charger deployment project. Please also refer to FBC's
- 3 application for EV charging rates filed on September 30, 2020.
- 4

---

<sup>1</sup> Net of contributions in aid of construction.

FortisBC Inc. (FBC or the Company) Annual Reivew for 2020 and 2021 Rates ~ Project No. 1599119 (Application)	Submission Date: October 1, 2020
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 25

1    **14.    Reference:    Exhibit B-2, pages 50-51 and Appendix B**

2            The Playmor Substation Upgrade Project proposes to rebuild the Playmor substation in South  
3            Slocan, BC on an expanded station footprint in order to increase station capacity. The project is  
4            necessary to meet load growth from existing customers and new customer requests, and to  
5            continue reliably supplying electricity to the surrounding area, including several large  
6            commercial and industrial customers. The forecast cost of the Playmor Substation Upgrade  
7            Project is \$10.922 million, inclusive of AFUDC and cost of removal, with expenditures of \$0.490  
8            million, \$9.024 million, and \$1.408 million in 2020, 2021, and 2022, respectively. Project  
9            expenditures will enter rate base on January 1, 2023 upon completion. The business case for  
10           the project is provided in Appendix B.

11           14.1    Will FBC be seeking approval for the Playmor Substation Upgrade Project in  
12           another proceeding, or is this the primary proceeding under which it would be  
13           approved?

14           **Response:**

15           FBC is seeking approval of the Playmor Project in this proceeding. Please refer to FBC's  
16           response to BCUC IR1 14.1 for a discussion of the reasons why the Playmor Project is being  
17           proposed as part of this Annual Review process.

18           14.2    Does Appendix B represent the full business case approved by the Company, or  
19           is this an abridged Business Case?

20           **Response:**

21           Appendix B represents the full business case approved by the Company.

FortisBC Inc. (FBC or the Company) Annual Reivew for 2020 and 2021 Rates ~ Project No. 1599119 (Application)	Submission Date: October 1, 2020
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 26

1   **15. Reference: Exhibit B-2, Appendix B page 4**

**2.1 GROWTH CAPACITY**

PLA area load experiences its peak load in the winter season. The existing winter limit for PLA T1 in normal operation is 16.6 MVA as a result of equipment condition issues with the load tap changer (LTC) as noted in section 2.3.

Due to capacity constraints at the station, two potential new large load requests could not be connected at the requested load levels. To accommodate native load growth, load increases for existing commercial/industrial customers and the recent large capacity requests, it is necessary to increase the station capacity.

For each of the Alternatives, Figures 3 and 4 below show the actual/forecast winter peak PLA area load and the actual/forecast winter peak PLA area load including the potential new loads that could not be recently connected at the requested load levels.

The actual/forecast winter peak load will exceed the existing winter limit in normal operation in year 2028 assuming native load growth. However, if the potential new loads are also considered, the limit would be exceeded immediately. The winter rating in normal operation for the upgraded station would be 47.5 MVA (each 20 MVA transformer has a normal winter rating of 23.75 MVA as confirmed by the manufacturer), providing incremental capacity of 30.9 MVA compared to the current winter limit of 16.6 MVA.

2

3

15.1 Please provide a brief description and size estimate of the two new large load requests that could not be connected.

4

5

15.1.1 Does FBC expect to be able to connect these loads in the future if the Project is approved, or have the loads essentially gone elsewhere?

6

7

15.1.2 What evidence does FBC have that additional loads are likely to occur beyond native load growth? Please explain and provide quantification for the expected size of additional load and the timing of when it would occur.

8

9

10

15.1.3 If FBC did not anticipate additional loads, would it be acceptable to defer the capital project until closer to 2028? Please explain why or why not.

11

12

13

14

15 **Response:**

16 Please refer to the response to BCUC IR1 31.1 which identifies the additional loads that will connect in 2020 and 2021.

17

18 Prior to the emergence of these new loads, FBC anticipated this project to be carried out in the 2026/2027 timeframe based on equipment condition.

19

20

FortisBC Inc. (FBC or the Company) Annual Reivew for 2020 and 2021 Rates ~ Project No. 1599119 (Application)	Submission Date: October 1, 2020
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 27

1    **16.    Reference:    Exhibit B-2, Appendix B page 7**

**2.3    *AGING INFRASTRUCTURE AND EQUIPMENT CONDITION***

PLA T1 was manufactured in 1966 and is now 54 years old. Recent Dissolved Gas Analysis (DGA) results indicate a fast paper insulation aging process. Additionally, the LTC for PLA T1 is experiencing abnormal arcing. The LTC is obsolete and repair is not possible because of the unavailability of parts. Replacing the LTC would not be cost-effective, compared to replacement of the transformer itself.

Other substation components are also in need of replacement. The PLA metal-clad switchgear is obsolete and there are no spare breakers. The arc shoots are also suspected to contain asbestos. The arc flash hazard at PLA is on the higher side (Category 3 with 13 cal/cm<sup>2</sup> incident energy at the switchgear). Failure of the switchgear would result in a substation outage with no ability to restore service until replacement parts or switchgear could be sourced. The switchgear needs to be replaced by 2027, even without the substation upgrade.

Furthermore, there is a deficiency in the station DC system that continues to trigger ground fault alarms. Properly addressing this issue requires replacing the station circuitry and the obsolete DC panel.

As a result of these equipment deficiencies, it is not feasible to replace these individual components, and it is therefore necessary to rebuild the substation.

2

3            16.1    Please provide context for the importance of the aging infrastructure and  
4            equipment condition.    Would FBC rebuild the substation as a result of the  
5            equipment condition only, or is this condition tolerable for a period of time?  
6            Please explain.

7

8    **Response:**

9    Equipment condition, age, and availability of parts and service support from the original  
10    equipment manufacturer are important considerations as they affect the operating life of the  
11    equipment. A sudden failure of equipment, which may result if replacement is unreasonably  
12    delayed, could result in extended damage, lengthy outages to customers, and higher repair  
13    costs for urgent repairs.

14    Considering only equipment condition and aging infrastructure, PLA T1 would need to be  
15    replaced by 2026 and the switchgear would need to be replaced by 2027.

16    To gain efficiencies, the transformer and switchgear replacement should be executed at the  
17    same time. As discussed in the response to BCUC IR1 30.7, a piece-by-piece replacement  
18    would likely result in a higher cost than a station rebuild and would not provide the best overall  
19    solution to upgrade the station.

20

1    **17. Reference: Exhibit B-2, Appendix B page 13**

Criteria	Alternative A – Two Transformers	Alternative B – Single transformer	Alternative C – Do Nothing
Addresses station capacity constraints	Yes	Yes	No
Addresses reliability issues	Yes	No	No
Addresses aging infrastructure and equipment condition issues	Yes	Yes	No
Resolution Window	> 20 Years	14 years	1-2 years
<b>Alternative Evaluation</b>			
Ranking	1	2	3

Alternative A, installing two 20 MVA transformers, is the preferred option as it achieves all of the Project criteria, and provides the longest term solution for the area (>20 years). By installing two transformers at PLA, a single transformer could carry the entire forecast station load during a PLA transformer outage for the next 20 years. With the ability to offload the entire station load to either transformer, no customer outages would be required during a transformer outage under Alternative A. Furthermore, although Alternative B has a lower capital cost initially, it would require future capital expenditures after 2036 (not included in the table above) to ensure the winter peak station load could be supplied during a PLA transformer outage. Finally, the rate impact to customers is 0.01 percent higher for Alternative A as compared to Alternative B.

2

3            17.1 Please explain what is meant by ‘resolution window’.

4

5    **Response:**

6    The “Resolution Window” referenced in the table above represents the expected number of  
 7    years that the alternative provides a solution after which additional capital expenditures are  
 8    required.

9    For example, under Alternative B, in 14 years either a second transformer at PLA would need to  
 10   be installed or a larger mobile transformer would need to be purchased.

11

FortisBC Inc. (FBC or the Company) Annual Reivew for 2020 and 2021 Rates ~ Project No. 1599119 (Application)	Submission Date: October 1, 2020
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 29

1 **18. Reference: Exhibit B-2, page 54**

***7.7.1.3 2020 Cost of Service Analysis***

FBC will file a Cost of Service Analysis (2020 COSA) on or before December 31, 2020 as directed in Order G-40-19. As provided for in the accompanying Decision to Order G-40-19, the 2020 COSA will provide an update to the Revenue to Cost ratios derived as part of the 2017 COSA and Rate Design Application such that there will be an opportunity for rebalancing before customer classes move too far outside the range of reasonableness. FBC anticipates it will incur \$0.080 million (\$0.058 million after tax) of costs in 2020 and an additional \$0.020 million (\$0.015 million after tax) in 2021 to manage any regulatory process. FBC will apply for disposition of the account in a future annual review.

2

3 18.1 Please confirm or otherwise explain that FBC is still on track to deliver the 2020  
4 COSA before the end of the year.

5

6 **Response:**

7 Confirmed. FBC intends to file the 2020 COSA by December 31, 2020.

8

9

10

11 18.2 When does FBC expect to conduct any rebalancing that may be suggested by  
12 the COSA? Please explain.

13

14 **Response:**

15 Work on the 2020 COSA has not progressed to the point where revenue to cost ratios have  
16 been developed that would indicate any need for rebalancing. Should a need for rebalancing be  
17 recommended, FBC would request a schedule be approved by the BCUC based on the specific  
18 outcome, with any rebalancing being implemented January 1, 2022 or later.

19

FortisBC Inc. (FBC or the Company) Annual Reivew for 2020 and 2021 Rates ~ Project No. 1599119 (Application)	Submission Date: October 1, 2020
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 30

1 **19. Reference: Exhibit B-2, page 64**

*(b) Bill credits provided to small commercial customers*

The 3-month bill credit program offered to small commercial customers for April through June 2020 has been estimated using the customer balances of \$0.161 million as of July 2020.

**Table 7-7: Bill Credit Forecast**

COVID-19 Deferral Account	Year	Opening Bal.	Gross Additions	Less Taxes	Amortization Expense	Ending Bal.
COVID-19 Customer Recovery Fund - Bill Credits	<b>2020</b>	-	161	(43)	-	118
COVID-19 Customer Recovery Fund - Bill Credits	<b>2021</b>	118	-	-	-	118

While the bill credits are available for the three-month period from April through June 2020, the forecast balance of bill credits are still subject to change after June 2020. This is primarily due to the expectation that there could still be small commercial customers that have yet to apply for bill credit relief for the qualifying three-month period, as well as certain billing cycles yet to be completed.

2

3 19.1 Please confirm or otherwise explain the CEC's understanding that FBC is  
 4 addressing medium and large commercial customer COVID-19 issues on a case-  
 5 by-case basis.

6 19.1.1 Please provide a brief summary of the requests received by FBC from  
 7 such customers, and any actions that FBC has undertaken on behalf of  
 8 medium and large commercial customers to date.

9

10 **Response:**

11 Confirmed.

12 FBC is working with medium and large customers on an individual basis to address their unique  
 13 needs during the COVID-19 pandemic, whether those needs relate to creating customized  
 14 payment arrangements, pausing disconnections or providing customized energy advice and  
 15 energy efficiency options. This customized approach provides an opportunity for the larger  
 16 volume customers that are challenged by the pandemic to receive the support they need based  
 17 on their unique business scenario, while avoiding the potentially large financial impact that could  
 18 result from a utility-wide program.

19

FortisBC Inc. (FBC or the Company) Annual Reivew for 2020 and 2021 Rates ~ Project No. 1599119 (Application)	Submission Date: October 1, 2020
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 31

1    **20.    Reference:    Exhibit B-2, page 64 and 65**

*(c) Unrecovered revenue resulting from customers being unable to pay their bills due to the COVID-19 pandemic.*

Unrecovered revenues are representative of accounts receivable balances that are determined to be uncollectible due to COVID-19 and therefore include the write-offs of bad debts. These forecast balances are meant to represent the unrecovered revenues specific to COVID-19 that are recognized in the deferral account and therefore are in excess of the normal course forecast bad debt expense that is recognized in indexed-based O&M. While FBC has currently forecast the bad debt expense to be recognized in indexed-based O&M for 2020 and 2021 as representative of the normalized bad debt expense that was embedded in the Base O&M, the actual bad debt expense recognized in O&M could differ. This is in part due to the timing of recognizing the bad debt expense in O&M versus the write-offs of bad debts in the deferral account, as well as the uncertainty around the duration and significance of the pandemic on customers' ability to pay their bills.

**Table 7-8: Unrecoverable Revenue Forecast**

COVID-19 Deferral Account	Year	Opening Bal.	Gross Additions	Less Taxes	Amortization Expense	Ending Bal.
COVID-19 Customer Recovery Fund - Unrecoverable Revenue	<b>2020</b>	-	801	(216)		585
COVID-19 Customer Recovery Fund - Unrecoverable Revenue	<b>2021</b>	585	1,747	(472)	-	1,860

For residential and small commercial customers, the loss rate took into account the relative increase in the forecast 2020 unemployment rate for BC from 5.0 percent prior to the pandemic to 8.2 percent. Similarly, there was a loss rate applied for industrial and large commercial customers which incorporated the forecast 2020 GDP decrease in BC of 4.5 percent. The loss rate was then applied to forecast revenues from March 2020 through to December 2020. The unemployment and GDP indicators are macroeconomic factors based on forecasts from five financial institutions and corroborated through the Conference Board of Canada.

2

3            20.1    Please break out the Unrecoverable Revenue by rate class.

4            20.2    If FBC has the information available, please break out the forecast additions by  
 5            rate class by month.

6

7    **Response:**

8    The forecast additions to the COVID-19 deferral account, which commence in September 2020,  
 9    are representative of forecast write-offs (unrecoverable revenue) attributable to the COVID-19  
 10    pandemic and have been forecast based on principles of US GAAP ASU 2016-13 Financial  
 11    Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments. Please  
 12    refer to the table below for the forecast additions by rate class and month.



FortisBC Inc. (FBC or the Company) Annual Reivew for 2020 and 2021 Rates – Project No. 1599119 (Application)	Submission Date: October 1, 2020
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 32

### 2020 Unrecoverable Revenue Forecast

Amounts in \$'000s

<b>Customer class</b>	<b>30-Sep-20</b>	<b>31-Oct-20</b>	<b>30-Nov-20</b>	<b>31-Dec-20</b>	<b>Total</b>
Residential	7	13	12	10	<b>42</b>
Small commercial	2	3	2	2	<b>9</b>
Wholesale	1	3	3	3	<b>10</b>
Large commercial	51	105	118	138	<b>412</b>
Industrial	48	96	93	91	<b>328</b>
<b>Total</b>	<b>109</b>	<b>220</b>	<b>228</b>	<b>244</b>	<b>801</b>

1

2

### 2021 Unrecoverable Revenue Forecast

Amounts in \$'000s

<b>Customer class</b>	<b>31-Jan-21</b>	<b>28-Feb-21</b>	<b>31-Mar-21</b>	<b>30-Apr-21</b>	<b>31-May-21</b>	<b>30-Jun-21</b>	<b>Total</b>
Residential	13	13	10	12	15	19	<b>82</b>
Small commercial	3	3	3	3	3	3	<b>18</b>
Wholesale	4	4	3	3	4	5	<b>23</b>
Large commercial	152	152	125	137	144	148	<b>858</b>
Industrial	130	131	131	125	126	123	<b>766</b>
<b>Total</b>	<b>302</b>	<b>303</b>	<b>272</b>	<b>280</b>	<b>292</b>	<b>298</b>	<b>1,747</b>

3

4 There is uncertainty around the duration and significance of the pandemic on customers' ability  
 5 to pay their bills, with the potential for unrecoverable revenue to shift between periods or vary  
 6 from the forecast. Due to the timing of collection cycles, the additions to the deferral account in  
 7 2021 are representative of write-offs related to revenues billed in 2020, which is why the  
 8 additions end in June 2021.

9

FortisBC Inc. (FBC or the Company) Annual Reivew for 2020 and 2021 Rates – Project No. 1599119 (Application)	Submission Date: October 1, 2020
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 33

1    **21.    Reference:    Exhibit B-2, page 147**

Responsiveness to Customer Needs SQIs				
First Contact Resolution	Percent of customers who achieved call resolution in one call	>=78%	74%	82% <sup>43</sup>
Billing Index	Measure of customer bills produced meeting performance criteria	<=3.0	5.0	0.20
Meter Reading Accuracy	Number of scheduled meters that were read	>=98%	96%	99%
Telephone Service Factor (Non-Emergency)	Percent of non-emergency calls answered within 30 seconds or less	>=70%	68%	73%
Customer Satisfaction Index	Informational indicator - measures overall customer satisfaction	-	-	8.4
Average Speed of Answer	Informational indicator – the amount of time it takes to answer a call (seconds)	-	-	47

<sup>43</sup> First Contact Resolution surveying was suspended from Mar 23 - May 3 2020 as a result of the COVID-19 pandemic, thus the YTD figure does not contain data for the period that surveys were suspended.

2

3            21.1    Why was First Contact Resolution metric suspended during the first months of  
 4                            the pandemic?

5

6    **Response:**

7    The SQM surveys to customers, which provide the data for the First Contact Resolution metric,  
 8    were suspended from March 23, 2020 through May 3, 2020. During the early stages of the  
 9    pandemic, customers were dealing with considerable stress and uncertainty. Therefore, FBC  
 10    made the decision to only contact customers for matters of an urgent nature during this time.

11

FortisBC Inc. (FBC or the Company) Annual Reivew for 2020 and 2021 Rates ~ Project No. 1599119 (Application)	Submission Date: October 1, 2020
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 34

1 **22. Reference: Exhibit B-2, page 148**

**13.2.1 Safety Service Quality Indicators**

Emergency Response Time

Emergency Response Time is the time elapsed from the initial identification of a loss of electrical power (via a customer call or internal notification) to the arrival of FBC personnel on site at the trouble location. This metric provides ongoing information to assess FBC crew sizes and crew locations in response to system trouble. The target measures the percentage of emergency calls responded to within two hours. The measure is calculated as follows:

$$\frac{\text{Number of emergency calls responded to within two hours}}{\text{Total number of emergency calls in the year}}$$

There are many variables affecting the response time, including time of day (i.e., during business hours or after business hours), number and type of events (i.e., widespread outages), available resources, location (i.e., travel times and traffic congestion) and weather conditions.

The June 2020 year-to-date performance is 91 percent, which is above the threshold.

For comparison, the Company's annual results under the 2014-2019 PBR Plan and 2020 year-to-date emergency response time results are provided below. While the results have been relatively consistent, variables such as the location and severity of outage and the number of trouble calls contribute to the observed volatility in the annual performance for this metric.

**Table 13-2: Historical Emergency Response Time**

Description	2014	2015	2016	2017	2018	2019	June 2020 YTD
Results	91%	92%	97%	93%	94%	92%	91%
Benchmark	93%	93%	93%	93%	93%	93%	93%
Threshold	90.6%	90.6%	90.6%	90.6%	90.6%	90.6%	90.6%

2

3 22.1 FBC's Emergency Response time has been frequently lower than Benchmark  
 4 and is now approaching Threshold levels. Does FBC have any plans to meet the  
 5 Benchmark level in the future? Please explain why or why not.

6 22.1.1 If yes, please provide a brief outline of the plans to meet Benchmark in  
 7 the future and when that can be expected to occur.

8

9 **Response:**

10 While there is volatility in the annual performance of this metric, primarily due to the volume and  
 11 location of outages, for the six-year period from 2014 through 2019, FBC's average  
 12 performance was slightly above the benchmark of 93 percent. Moreover, in all six years,  
 13 performance was better than the threshold. FBC reviews emergency response time  
 14 performance regularly and uses that information to improve internal workflows and inform  
 15 staffing decisions across our service area to balance service levels and cost.

16

1    **23.    Reference:    Exhibit B-2, page 156**

For comparison, the Company's 2014 to 2019 annual and 2020 year-to-date results are provided below. From 2014 to 2019, the benchmark and the threshold reflect the values established under the PBR Plan using three-year rolling average results. For 2020, the benchmark is based on an average of the most recent three-year results (i.e., 2017, 2018 and 2019) with the threshold based on historical volatility as described above.

**Table 13-11: Historical SAIDI Results**

Description	2014	2015	2016	2017	2018	2019	June 2020 YTD
Annual normalized results	2.32	2.13	2.10	4.05	3.15	2.45	3.36
Benchmark	2.22	2.22	2.22	2.22	2.22	2.22	3.22
Threshold	2.62	2.62	2.62	2.62	2.62	2.62	4.52

2

3            23.1    The CEC notes that the SAIDI value is often slightly worse than Benchmark.  
 4                            Does FBC have any plans to improve SAIDI in order to meet or exceed  
 5                            Benchmark? Please explain.

6

7    **Response:**

8    System safety and reliability are top priorities for FBC. There are several reliability related  
 9    programs currently being executed or in development, with the goal of these programs being to  
 10    proactively reduce the frequency and/or duration of outages for our customers. Some of these  
 11    programs include:

- 12            •    Transmission Line ROW Improvements;
- 13            •    Installing Animal Guard on Substation Equipment;
- 14            •    Porcelain Cutout Replacement Program;
- 15            •    Canadian Ohio Brass Insulator Replacement Program; and
- 16            •    Smart Grid Device Deployment.