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October 28, 2020

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Ms. Marija Tresoglavic, Acting Commission Secretary

Dear Ms. Tresoglavic:

Re: FortisBC Inc. (FBC)
Project No. 1599119
Annual Review for 2020 and 2021 Rates (Application)
Response to Workshop Undertakings

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 files the attached responses to the two undertakings from the Workshop held on October 21, 2020.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC INC.

Original signed:

Diane Roy

Attachments

cc (email only): Registered Parties

FortisBC Inc. (FBC)
Annual Review for 2020-2021 Rates Application

UNDERTAKING No. 1

HEARING DATE: Workshop, October 21, 2020

TRANSCRIPT

REFERENCE: Volume 1, Page 34, Line 16 to Page 40 Line 12; Page 44, Lines 3 to 12

REQUESTOR: Ms. Worth/Mr. Hobbs

WITNESS: Ms. Roy

QUESTION: Provide a sensitivity analysis of the impact on rates of using the 2020 AWE instead of the 2021 AWE.

RESPONSE:

When using the 2020 AWE in place of the 2021 AWE for calculating the revenue requirement and rate change for 2021, the rate change decreases by 0.25 percent from 6.37 percent to 6.12 percent. The effect on a typical residential customer's annual bill is a reduction of approximately \$3.50 (\$0.29 per month).

As FBC noted in the response to BCOAPO IR1 4.3, while it is clear that the pandemic has impacted AWE, FBC is unable to quantify that impact. Further, while in 2021 the increase to Formula O&M has been higher due to the higher I-Factor, this trend will likely reverse in 2022 as the labour impacts from COVID-19 lessen and AWE returns to more normal levels.

In indexing formulas (such as that applied to FBC's Base O&M), the I-Factor reflects the expected changes in the price of inputs in the economy. The I-Factor calculated in any given year may be different from the actual inflationary pressures experienced by the utility; however, this does not mean that an adjustment is required, as variances will tend to be insignificant when looked at over a longer period of time. Such is the case with the impact of COVID-19 on AWE-BC. Further, in the I-X formulas, the X-Factor is set in relation to the inflation factor. It would therefore be inappropriate to adjust the inflation factor due to the pandemic without adjusting the expected industry productivity factor, which may also be negatively impacted by the pandemic.

The 2021 AWE used in the Application is based on the latest data from Statistics Canada and remains a valid and objective measure of the economy wide labour inflation in BC. Therefore, FBC continues to believe that there is no evidentiary basis on which to deviate from the approved method for calculating the inflation factor for 2021.

FortisBC Inc. (FBC)
Annual Review for 2020-2021 Rates Application

UNDERTAKING No. 2

HEARING DATE: Workshop, October 21, 2020

TRANSCRIPT

REFERENCE: Volume 1, Page 84, Line 18 to Page 85, Line 3; Page 143, Line 21 to Page 144, Line 20

REQUESTOR: Ms. Mis/Ms. Worth

WITNESS: Ms. Roy

QUESTION: Update the customer forecasts in BCUC IR1 8.1 and 8.1.1 with September actuals and reconcile the actuals we are seeing today with what we forecast for 2020.

RESPONSE:

BCOAPO noted in the FBC Workshop that the actual aggregate June 2020 customer count was greater than the aggregate December forecast customer count for 2020. FBC has investigated and has determined that an update to its projected customer count is warranted.

Explanation of Difference between Actual June 2020 Customer Count and December Forecast Customer Count for 2020

As described in Appendix A3, commercial customers are forecast using a regression on B.C. GDP as forecast by the Conference Board of Canada (CBOC). As of April 2020, the CBOC forecast was negative (-3.2 percent) for 2020. A negative forecast results in a year-over-year reduction of customers. Consistent with the CBOC forecast, FBC projected a loss of 317 commercial customers in 2020, with a loss of 161 commercial customers by June 2020. The December 2020 commercial customer total was therefore expected to be less than the June 2020 count, representing a continued reduction of customers. However, the actual commercial customer change for the period from January through June 2020 was positive, with FBC gaining 115 customers (rather than losing 161 customers). By June 2020, the gap between the projected and actual commercial customer count was 276 (161 + 115).

As also described in Appendix A3, residential customers are forecast using a regression on service territory population as forecast by BC STATS. The result of that regression was a projected increase of 471 customers by June 2020. However, FBC actually added 824 residential customers by June 2020.

As a result of the above factors, the aggregate actual June 2020 customer count was 141,956 and was higher than the 2020 year end projection of 141,616, representing a difference of 340 customers (0.24%). When FBC prepared the 2020 projection, January to June projected values were replaced with actual values, and the replacement values were not used to re-forecast the second half of 2020.

FortisBC Inc. (FBC)
Annual Review for 2020-2021 Rates Application

UNDERTAKING No. 2

Revision to Customer Count Forecast

As explained in detail below, in light of the higher customer additions and the departure of actuals from projection, FBC has revised the residential and commercial customer projections. In addition, the table presented in the response to BCUC IR1 8.1.1 has been updated.

FBC notes that the revised customer projection analysis presented in this undertaking is not a permanent change to the current forecast methods, as published in Appendix A3. The methods described in Appendix A3 provide a forecast for the year after the current year, as ordinarily FBC would be filing for approval of rates for the following year. As a result, no mid-year actuals would ordinarily be available with which to make adjustments to the forecast. The issue arises in the current proceeding only because FBC is forecasting both the current year (2020) and the year after the current year (2021).

As is explained in detail in an Evidentiary Update being filed concurrently with this Undertaking response, the 2020 revised customer count and consequent load projection has caused a revised customer count and load forecast for 2021, resulting in a revised (reduced) rate increase for 2021.

FortisBC Inc. (FBC)
Annual Review for 2020-2021 Rates Application

UNDERTAKING No. 2

Updated Table 1 from BCUC IR1 8.1.1

Table 1: Customer Count Forecast and Actual from January to September 2020

Customer Count	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Actual Customer Count									
Residential	122,746	122,924	122,909	123,010	123,166	123,289	123,788	123,876	123,944
Commercial	15,966	15,956	15,978	15,981	16,024	16,071	16,096	16,144	16,160
Wholesale	6	6	6	6	6	6	6	6	6
Industrial	52	52	52	52	52	52	52	44	44
Lighting	1,463	1,469	1,469	1,473	1,452	1,450	1,442	1,443	1,443
Irrigation	1,086	1,086	1,087	1,089	1,084	1,088	1,094	1,094	1,093
Total	141,319	141,493	141,501	141,611	141,784	141,956	142,478	142,607	142,690
Forecast Customer Count									
Residential	122,543	122,622	122,700	122,779	122,857	122,936	123,014	123,093	123,171
Commercial	15,924	15,898	15,872	15,846	15,821	15,795	15,769	15,743	15,717
Wholesale	6	6	6	6	6	6	6	6	6
Industrial	52	52	52	52	52	53	53	54	54
Lighting	1,451	1,454	1,450	1,444	1,441	1,434	1,435	1,431	1,432
Irrigation	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082
Total	141,058	141,114	141,163	141,210	141,259	141,305	141,359	141,409	141,462
Customer Variance									
Residential	203	302	209	231	309	353	774	783	773
Commercial	42	58	106	135	203	276	327	401	443
Wholesale	-	-	-	-	-	-	-	-	-
Industrial	-	-	-	-	-	(1)	(1)	(10)	(10)
Lighting	12	15	19	29	11	16	7	12	11
Irrigation	4	4	5	7	2	6	12	12	11
Total	261	379	338	401	525	651	1,119	1,198	1,228
Variance (%)									
Residential	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.6%	0.6%	0.6%
Commercial	0.3%	0.4%	0.7%	0.8%	1.3%	1.7%	2.0%	2.5%	2.7%
Wholesale	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Industrial	0.0%	0.0%	0.0%	0.0%	0.0%	-1.9%	-1.9%	-22.7%	-22.7%
Lighting	0.8%	1.0%	1.3%	1.9%	0.8%	1.1%	0.5%	0.8%	0.8%
Irrigation	0.4%	0.4%	0.5%	0.6%	0.2%	0.6%	1.1%	1.1%	1.0%
Total	0.2%	0.3%	0.2%	0.3%	0.4%	0.5%	0.8%	0.8%	0.9%

Note, in the table above, a decrease in actual industrial customers results from 10 small industrial customers being moved to commercial rate schedules because they no longer meet the energy requirements to take service as industrial customers.

The following sections set out the method by which FBC revised its 2020 projected customer count and its 2021 forecast customer count.

FortisBC Inc. (FBC)
Annual Review for 2020-2021 Rates Application

UNDERTAKING No. 2

Residential Customers

The following figure shows the result of the updated residential forecast for 2020 and 2021. Given the uncertainty due to the pandemic, FBC maintained the 2021 year-end customer count consistent with the results from the BC STATS regression at 124,603 customers. The following numbered points correspond to the matching numbers in the chart.

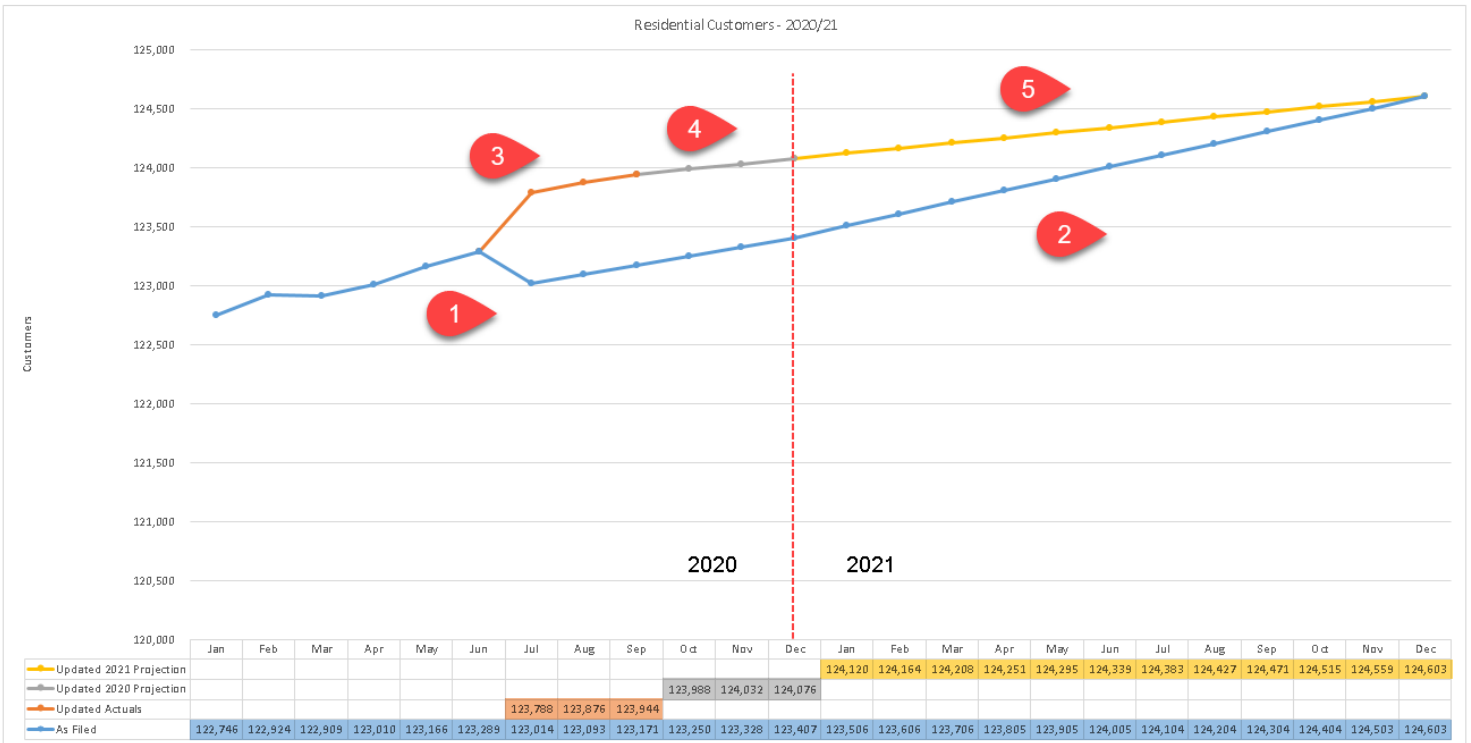
- 1) The projection as filed used actual values from January through June 2020 followed by the results from the BC STATS regression for July through December 2020.
- 2) The as-filed forecast for 2021 reflects the results from the BC STATS regression for 2021 from January to December. The as-filed forecast for 2021 is 124,603 customers. The as-filed 2021 monthly customer growth rate was 100 customers/month.
- 3) The actual customers from July to September are trending above the original projection. FBC replaced the original projection for these months with these actuals.
- 4) FBC revised its projection for the remaining months of 2020 (October, November and December) by deriving a monthly customer additions projection using a simple interpolation from the existing 2021 year-end customer count forecast of 124,603 back to the September 2020 actual customer count value of 123,944.
- 5) The interpolation was also used to forecast the 2021 monthly values starting at 124,076¹ and ending at 124,603². The forecast monthly customer growth rate is 44 customers per month.

¹ 2020 ending customer count.

² 2021 ending customer count.

FortisBC Inc. (FBC)
Annual Review for 2020-2021 Rates Application

UNDERTAKING No. 2



Commercial Customers

As set out in Appendix A3, the commercial customer forecast is prepared using a regression against the CBOC GDP forecast. The CBOC GDP report published April 6, 2020 predicted a 3.2% decline in GDP for 2020. As a result, the commercial customer totals were also projected to decline as shown by the blue line in the chart below.

However, actual commercial customer totals continue to increase and, as of September 2020, the gap between the projected (15,717) and the actuals (16,160) was 443 customers.

As a result, FBC replaced July to September projected counts with actuals and prepared a revised projection for October through December 2020 (as illustrated below).

Given the uncertainty due to the COVID-19 pandemic, FBC maintained the 2021 year-end customer count consistent with the results from the CBOC GDP regression at 16,579 customers.

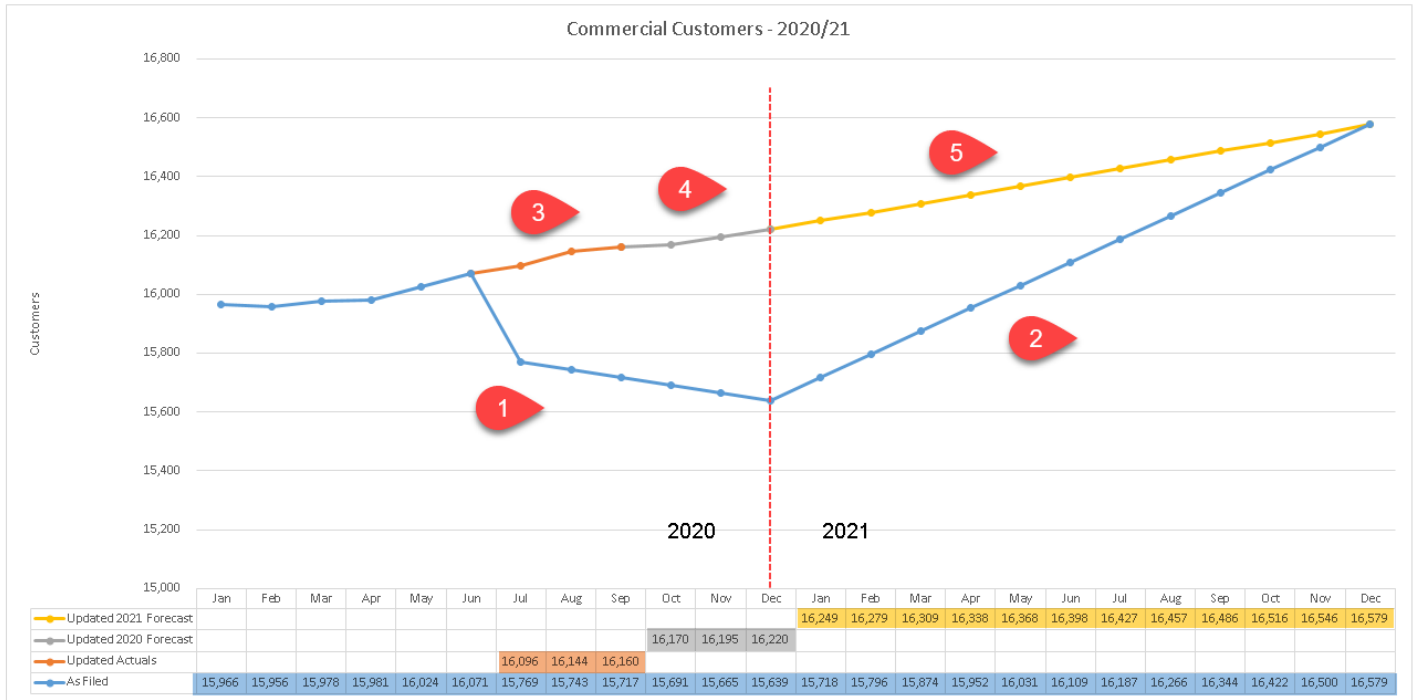
The following numbered points correspond to the matching numbers in the chart.

1. The forecast as filed used actual values from January through June 2020, followed by the results from the existing CBOC GDP regression for July through December 2020.

FortisBC Inc. (FBC)
Annual Review for 2020-2021 Rates Application

UNDERTAKING No. 2

2. The as-filed forecast for 2021 reflects the results from the CBOC GDP regression for 2021 from January to December. The as-filed year-end forecast for 2021 is 16,579 customers. The forecast 2021 monthly customer growth rate was 78 customers/month.
3. The actual customers from July through September 2020 are trending above the original projection. FBC replaced the original projection for these months with actuals.
4. As a result of some volatility in the historical data, FBC used a time series linear regression of actual customers through to September 2020 to develop a revised projection for October through December 2020.
5. A simple interpolation was used to forecast the 2021 monthly values starting at 16,220³ and ending at 16,579⁴. The forecast monthly customer growth rate is 30 customers per month.



³ 2020 ending customer count.
⁴ 2021 ending customer count.