



Diane Roy
Vice President, Regulatory Affairs

Gas Regulatory Affairs Correspondence
Email: gas.regulatory.affairs@fortisbc.com

Electric Regulatory Affairs Correspondence
Email: 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

November 23, 2020

B.C. Sustainable Energy Association
c/o William J. Andrews, Barrister & Solicitor
1958 Parkside Lane
North Vancouver, B.C.
V7G 1X5

Attention: Mr. William J. Andrews

Dear Mr. Andrews:

Re: FortisBC Inc. (FBC)
Project No. 1599119
Annual Review for 2020 and 2021 Rates (Application)
Response to the B.C. Sustainable Energy Association (BCSEA) 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 BCSEA 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

1 **9.0 Topic: Revised 2021 Rate Increase**

2 **Reference: Exhibit B-14, Evidentiary Update**

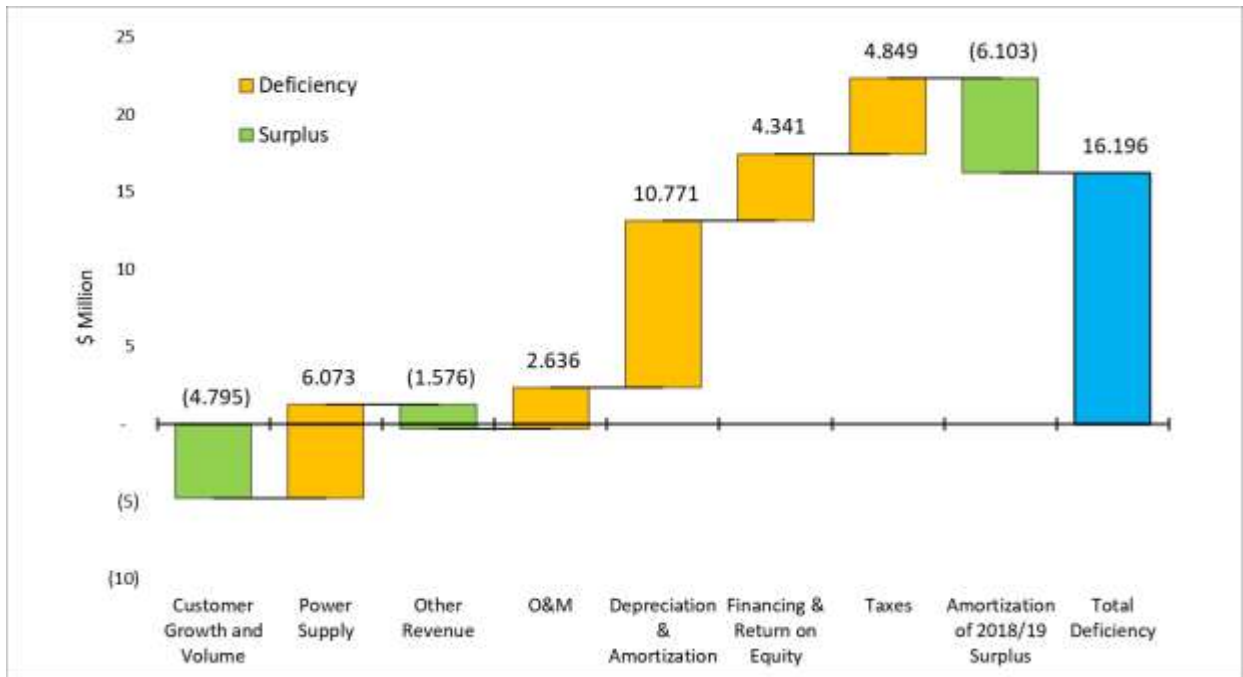
3 In the Evidentiary Update, FBC revises its requested 2021 rate increase from 6.37
 4 percent to 4.36 percent.

5 In Figure 1-2 of the Application, FBC provided a ‘waterfall graph’ showing the 2021
 6 Delivery Revenue Deficiency.

7 9.1 Please provide a waterfall graph showing the revised 2021 Delivery Revenue
 8 Deficiency.
 9

10 **Response:**

11 FBC has provided the requested graph below. FBC notes that for the electric utility the
 12 deficiency is not a delivery revenue deficiency as described in the IR, but rather a total revenue
 13 deficiency.



14

15

FortisBC Inc. (FBC or the Company) Annual Review for 2020 and 2021 Rates – Project No. 1599119 (Application)	Submission Date: November 23, 2020
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1 **10.0 Topic: 2021 Year-End Customer Count Forecast**

2 **Reference: Exhibit B-14, Evidentiary Update; Exhibit B-15, Undertaking 2**

3 On page 2 of the Evidentiary Update, FBC states:

4 “BCOAPO noted in the Workshop that the actual aggregate customer count at
5 June 2020 was greater than the aggregate projected customer count at
6 December 2020. Following its investigation into the noted discrepancy, FBC has
7 adjusted the 2020 projected customer count and, consequently, the 2021
8 forecast customer count, including follow-on impacts to revenue, formula O&M
9 and power supply cost. Please refer to Undertaking No. 2 filed concurrently with
10 this Evidentiary Update for more details on the adjustment to the 2020 customer
11 count.”

12 On pdf p.4 of Undertaking 2, FBC states:

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

21 On pdf p.6 of Undertaking 2, FBC states regarding Residential Customers:

22 “The following figure shows the result of the updated residential forecast for 2020
23 and 2021. Given the uncertainty due to the pandemic, FBC maintained the 2021
24 year-end customer count consistent with the results from the BC STATS
25 regression at 124,603 customers.” [underline added]

26
27 10.1 Please confirm, or otherwise explain, that the forecast monthly residential
28 customer growth rate for 2021 has been reduced from 100 per month in the
29 Application to 44 per month in the Evidentiary Update and Undertaking 2.

30
31 **Response:**

32 Confirmed. Please refer to the response to BCUC IR2 38.1.

33
34

35
36 10.2 Please explain in more detail why FBC maintained the 2021 year-end residential
37 customer count (forecast), rather re-running the regression using the higher-than-



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1 expected January to June 2020 actual values. Was this decision due entirely to
2 the uncertainty associated with the COVID-19 pandemic? Or was there a
3 methodological reason as well?
4

5 **Response:**

6 Please refer to the response to BCUC IR2 38.1.

7

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1 **11.0 Topic: Residential Customer Additions Variance**

2 **Reference: Exhibit B-15, Undertaking 2, pdf p.3**

3 FBC states:

4 “As also described in Appendix A3, residential customers are forecast using a
5 regression on service territory population as forecast by BC STATS. The result of
6 that regression was a projected increase of 471 customers by June 2020.
7 However, FBC actually added 824 residential customers by June 2020.”
8 [underline added]

9 11.1 Does FBC have any insight into why the January to June 2020 actual residential
10 customer count increase (824) was so much higher than the projected increase
11 (471)?

12
13 **Response:**

14 FBC does not currently have any insight as to why the January to June 2020 actual residential
15 customer count increased by 353 above forecast; however, large monthly forecast variances
16 are common. As explained in response to BCUC IR2 38.1, FBC forecasts the year-end
17 customer count, not the growth rate, which is simply a by-product to get to the year-end
18 customer count. It is therefore not surprising that there can be large variances between the
19 monthly increase in the forecast based on a linear growth rate and the actual monthly customer
20 additions, which will naturally fluctuate depending on a number of factors including time of year
21 and residential construction.

22
23

24
25 11.2 Further to BCSEA IR 10.2, above, is a variance of this magnitude common?
26 Could this be a step change rather than a random fluctuation?

27
28 **Response:**

29 FBC assumes that BCSEA meant to reference BCSEA IR2 11.1, not 10.2.

30 As large monthly forecast variances are common, at this time FBC believes that the increase is
31 reflective of a fluctuation in the timing of customer additions in 2020. There is also insufficient
32 data to conclude that the variance is a sustained trend or a step change. If there is a sustained
33 trend or step change, this will be reflected in future BC STATS forecasts and, in turn, FBC’s
34 future demand forecasts.

35

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1 **12.0 Topic: Power Purchase Agreement with BC Hydro**

2 **Reference: Exhibit B-14, Evidentiary Update**

3 In the Evidentiary Update, FBC states on page 2:

4 “While the increase in 2021 forecast gross load put upward pressure on the 2021
5 forecast power supply cost, there is a net decrease to the 2021 power supply
6 forecast mainly due to the inclusion of an additional \$2.0 million forecast market
7 savings compared to the savings identified in the Application. FBC has had a
8 strong start to its 2020/21 PPA contract year due to colder than expected
9 conditions in October (the contract year runs from October 2020 to September
10 2021). This means that FBC has been able to schedule more PPA energy than
11 expected. Because FBC has been able to take more PPA than planned, the
12 amount of PPA that FBC is obligated to take later in the contract year is reduced,
13 thus increasing the potential opportunities to purchase less expensive energy
14 during low market conditions in the spring of 2021.” [underline added]

15 12.1 Please explain more fully how taking more PPA power earlier in the contract year
16 allows FBC to take less PPA power later in the contract year. Does the obligation
17 arise from a nomination by FBC?

18
19 **Response:**

20 Yes, the obligation to take PPA power is a direct result of an annual nomination submitted by
21 FBC. The current PPA contract year (2020/21) spans October 1, 2020 through September 30,
22 2021. FBC submitted its PPA nomination for the current contract year on June 30, 2020. Under
23 the PPA agreement with BC Hydro, FBC must take or pay for 75 percent of the nominated
24 amount. By taking more PPA energy at the beginning of the contract year, FBC is obligated to
25 take less PPA later in the contract year. In this case, using more PPA energy than expected
26 during October creates the potential for FBC to take less PPA and more market power when
27 wholesale prices are lower, such as during freshet.

28

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1 **13.0 Topic: Intergenerational Equity**

2 **Reference: Exhibit B-14, Evidentiary Update, p.3**

3 In the Evidentiary Update, FBC states on page 3:

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

9 13.1 In FBC’s view, does the proposed reduction of the 2021 rate increase from 6.37
10 percent to 4.36 percent run counter to the principle of intergenerational equity?

11
12 **Response:**

13 The proposed reduction to the 2021 rate increase does not run counter to the principle of
14 intergenerational equity, as FBC is not proposing to defer costs (or revenues) from 2021 to
15 future years. As explained in the Evidentiary Update, as a result of more actual information
16 becoming available for 2020, FBC has been able to make adjustments to its load forecast and
17 power supply cost which have resulted in reductions to the 2020 and 2021 revenue deficiencies.
18 These updates to the 2020 Projection and 2021 Forecast are based on the most up to date
19 information available and are reflective of FBC’s expectations of revenues and costs for 2020
20 and 2021.