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October 5, 2021

British Columbia Municipal Electrical Utilities  
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. 1599231**  
**Annual Review for 2022 Rates (Application)**  
**Response to the British Columbia Municipal Electrical Utilities (BCMEU)**  
**Information Request (IR) No. 1**

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On August 6, 2021, FBC filed the Application referenced above. In accordance with the regulatory timetable established in British Columbia Utilities Commission Order G-226-21 for the review of the Application, FBC respectfully submits the attached response to BCMEU 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

|   |                                     |
|---|-------------------------------------|
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1    **1.    Reference: Page 1, lines 30-32**

30    and identifying areas for productivity initiatives. An area of focus for potential productivity  
31    opportunities is initiatives that offer financial and customer service benefits and leverage  
32    technology and innovation as enablers. Additionally, the group is focused on fostering a

3        1.1    Can you please elaborate on what is intended by this “area of focus” and provide  
4            examples.

6    **Response:**

7    FBC is unable to elaborate or provide specific examples at this time beyond what has been  
8    described in the Application, as the working group is still in the process of reviewing and identifying  
9    areas for productivity initiatives. As stated in the Application, FBC will be in a better position to  
10   report back to the BCUC on the initiatives identified in the 2023 Annual Review. FBC intends to  
11   focus its efforts on productivity opportunities that offer financial and customer service benefits. A  
12   generic example of such a potential productivity opportunity could be introducing technology in  
13   FBC’s interactions with customers to improve communications, while also reducing FBC’s  
14   operating costs.

18        1.2    Does FBC foresee working with Wholesale Customers as part of the target  
19            customer group?

21   **Response:**

22   FBC works with all customer groups, including wholesale customers, to improve its level of  
23   service. Representatives from FBC have met with wholesale customers to discuss overall service  
24   and specific concerns and FBC plans to continue to meet to discuss service levels in the future.  
25   For example, FBC Operations representatives are planning to meet with a BCMEU member (the  
26   City of Nelson) to discuss reliability concerns in mid-October.

30        1.3    Has FBC made efforts to identify other areas of synergy with Wholesale Customers  
31            which may add to efficiency of operations to FBC and the Wholesale Customers?

33   **Response:**

34   Yes, FBC introduced the Interconnection Utilization SQI in the MRP to respond to concerns raised  
35   by the BCMEU that the existing SQIs did not address wholesale/municipal customers’ concerns.  
36   FBC would welcome any proposals from its wholesale customers regarding opportunities for

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1 synergies. As noted in the Application, recent performance for the Interconnection Utilization SQI  
2 has been generally consistent with prior years' results, other than the City of Nelson  
3 interconnection at Coffee Creek, which has been negatively impacted by major events (e.g., wind  
4 or snow storm events) outside of FBC's control. Please also refer to the response to ICG IR1  
5 16.2.

6  
7

8

9 1.4 What are criteria FBC uses to assess the opportunities it assesses in looking at  
10 these areas of focus, and other types of opportunities, to work with Wholesale  
11 Customers and with customers generally to find productivity gains?  
12

13 **Response:**

14 The broad criteria that FBC considers in its assessment of potential productivity opportunities  
15 include: the level of investment required, the benefits (including cost savings and customer  
16 service improvements), alignment with FBC's business priorities, and the resources required and  
17 timelines for implementation.

18

19

20

21 1.4.1 Can customers raise opportunities and if so by what process? And who  
22 would be the FBC contact to raise such opportunities with?  
23

24 **Response:**

25 Information on appropriate FBC contacts to discuss concerns about service to wholesale  
26 customers or opportunities for efficiencies can be obtained either through FBC's Regulatory  
27 department or the Community & Indigenous Relations Manager responsible for the area in which  
28 the municipality is located. As discussed in the response to BCMEU IR1 1.2, FBC plans to  
29 continue to meet with wholesale customers to discuss overall service and specific concerns. Any  
30 opportunities could be raised as part of those meetings.

31

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1    **2.      Reference: Page 18, lines 11 – 13, section 3.4.3.**

11    their load forecast projections. As shown in Figure 3-6 below, after-savings wholesale load is  
12    forecast to decrease by 1 GWh in 2022F from 2021S and decrease by 24 GWh in 2022F from  
13    2021 Approved.

2  
3      2.1    The company forecasts a decrease of 24 GWh in 2022F from 2021 Approved.  
4      Does FBC follow up with Wholesale Customers to discuss load forecasts to  
5      determine accuracy or underpinning of forecasts and make any adjustments or  
6      does it rely solely on the forecast given by the Wholesale Customers?  
7

8      **Response:**

9      FBC follows up with the wholesale customers after the surveys have been received if and when  
10     FBC has questions or requires clarification for some aspect of the response. Other than correcting  
11     typographical errors, FBC relies on the survey information that the wholesale customers provide  
12     and does not make any other adjustments. FBC believes that each wholesale customer is best  
13     able to forecast the load requirements for their service territory. The survey provides each  
14     customer with an opportunity to comment on their forecast.

15     On average over the last six years the wholesale load has been only 1.7 percent below forecast,  
16     as shown in Exhibit B-2, Appendix A2, Section 6.2. FBC believes this small variance from forecast  
17     demonstrates that FBC's wholesale customers are providing reasonable survey responses.

18  
19  
20  
21            2.1.1    Are any adjustments made to the forecast when they are consolidated by  
22            FBC for the purpose of making its forecast?  
23

24      **Response:**

25      FBC does not make any adjustments to the forecasts when they are consolidated. The summation  
26      of the forecasts becomes the gross wholesale load forecast.

27      At later stages of preparing the forecast, losses and incremental FBC DSM are deducted,  
28      consistent with all rate classes.

29

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1    **3.        Reference: Page 31, lines 5 – 7**

5        BC Hydro PPA

6        BC Hydro PPA expense is forecast to increase in 2022 by \$8.072 million compared to the 2021  
7        Projected expense. The drivers of the increase are a higher purchased volume (132 GWh),

3        3.1        BC Hydro PPA purchases increase PPA expense by \$8.072 million compared to  
4        2021 Projected Expense. While BCMEU understands over-forecasts may result  
5        in savings in the year are captured in the Flow-through deferral account and  
6        returned or recovered from customers in a subsequent year please discuss the  
7        risk of over-forecasting being used to build a “buffer “ against rate increases in  
8        subsequent years. What mechanisms in the process to protect against that risk?

9  
10       **Response:**

11       FBC does not over-forecast to build a “buffer” against rate increases in subsequent years. FBC  
12       reasonably forecasts BC Hydro PPA purchases by embedding a forecast of potential market  
13       savings within the total BC Hydro PPA expense figures. The 2022 Forecast BC Hydro PPA  
14       expense was reduced by \$4.0 million in order to account for potential real-time opportunities to  
15       displace PPA purchases with lower cost market purchases.

16

1 **4. Reference: Page 40, Table 6-3**

**Table 6-3: System Operations, Integrity and Security New/Incremental Spending (\$ millions)**

| Line No. | Description                           | Approved Base O&M | 2020 Formula O&M <sup>1</sup> | Actual 2020 O&M | 2020 Forecast/Actual Variance | Cumulative Forecast/Actual Variance <sup>2</sup> |
|----------|---------------------------------------|-------------------|-------------------------------|-----------------|-------------------------------|--|
| 1        | Tree Management                       | \$ 0.075          | \$ 0.077                      | \$ 0.049        | \$ (0.028)                    | \$ (0.028)                                       |
| 2        | Generation Dam Safety                 | 0.232             | 0.237                         | 0.162           | (0.076)                       | (0.076)  |
| 3        | Network Operations Apprentice Program | 0.197             | 0.202                         | -               | (0.202)                       | (0.202)  |
| 4        | Cyber Security                        | 0.080             | 0.082                         | 0.332           | 0.250                         | 0.250  |
| 5        | Data Analytics                        | 0.099             | 0.101                         | -               | (0.101)                       | (0.101)  |
| 6        | Other                                 | -                 | -                             | 0.309           | 0.309                         | 0.309  |
| 7        | <b>Total</b>                          | <b>\$ 0.683</b>   | <b>\$ 0.699</b>               | <b>\$ 0.851</b> | <b>\$ 0.153</b>               | <b>\$ 0.153</b>                                  |

2

3 4.1 Table 6-3 shows an underspend in tree management incremental spending in  
 4 2020, but page 40, line 20 indicates additional expenses were incurred for tree  
 5 management. Were tree management expenses included in the \$0.309 million  
 6 unplanned spend on "Other"?

7

8 **Response:**

9 Please refer to the response to CEC IR1 16.1.

10

11

12

13 4.2 If so why was it not allocated to tree management so that it was clear how much  
 14 FortisBC is spending in this area?

15

16 **Response:**

17 Please refer to the response to CEC IR1 16.1.

18

19

20

21 4.3 What did FortisBC spend on tree management in 2020?

22

23 **Response:**

24 Please refer to the response to CEC IR1 16.1.

25

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1    **5.        Reference: Page 106, 12.2.2.4 2021, COVID-19 Pandemic Impact**

27    **12.2.2.4 2021 COVID-19 Pandemic Impact**

28    Based on the current outlook regarding the COVID-19 pandemic in BC, FBC expects the impact  
29    on the Company's operating costs to decline in the coming months and eventually end. FBC's  
30    current plans are to resume normal operations coinciding with the Province achieving Step 4 of  
31    the Province of BC Four Step Restart Plan, currently planned for September 7, 2021. Step 4  
32    includes the lifting of restrictions with normal social contact allowed and workplaces fully  
33    reopened.

2  
3        5.1        Given ongoing fluctuations in the COVID -19 Pandemic impacts generally has FBC  
4        made any adjustments or does it presently expect any adjustments to its costs and  
5        revenues since filing the application and does it expect to file any evidentiary  
6        update in this topic before the Workshop review?  
7

8    **Response:**

9    FBC has not made any adjustments nor does it expect to make any adjustments to its costs or  
10    revenues related to the COVID-19 pandemic through an evidentiary update. As explained in  
11    Section 12.2.2.5 of the Application, FBC will report to the BCUC on the final estimated net  
12    incremental O&M costs in the 2023 Annual Review, as FBC will know the total impact of the  
13    COVID-19 pandemic on 2020 and 2021 net incremental O&M costs at that time.

14    FBC has filed an Evidentiary Update concurrently with these IR responses to address the O&M  
15    and capital costs associated with the recent wildfires in 2021, which have resulted in an  
16    exogenous factor event, and minor updates to FBC's Flow-through expense calculation related  
17    to the cost of removal error discussed in Section 12.4.1.2.2 of the Application. These two items  
18    are the only changes made in the Evidentiary Update.

19



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1     **6.     Reference: Page 113, lines 5 – 18: Errors in Financial Schedule**

2     FBC is, however, requesting approval to recover its unrecovered revenue in 2021 of \$859  
3     thousand through a one-time adjustment to the Flow-through deferral account. The 2021  
4     amount of \$859 thousand is shown on Line 37 in Table 12-2 above, and a calculation of how  
5     that amount was derived is included in Table 12-3 below.

6     FBC apologizes for the error in its 2020 and 2021 financial schedules. FBC makes best efforts  
7     to avoid such errors; however, the scope and complexity of modern regulatory processes makes  
8     a standard of perfection unachievable. While correcting for the impacts of the error in 2021  
9     requires the collection of unrecovered 2021 revenue in FBC's proposed 2022 rates, the  
10    unrecovered revenue was due to an unintentional clerical error, rather than any inaccuracy in  
11    FBC's forecast that would properly be the responsibility of FBC to manage. While in this  
12    instance the error resulted in an under-collection from customers, clerical errors of this nature  
13    could positively or negatively impact customers. Had the error resulted in an over-collection  
14    from customers, FBC would have refunded the amounts to customers, as has been the practice  
15    with similar items in the past. It is also relevant that FBC is applying to correct the error in 2021  
16    rates during 2021, before 2021 actuals have been finalized and as part of the flow-through of  
17    other variances that occurred in 2021. In these circumstances, FBC submits that its proposal to  
18    remedy the impacts of the error in 2021 through a one-time adjustment to the Flow-through  
19    deferral account reflects a just balancing of interests between FBC and its customers.

2  
3     6.1    FBC refers to the \$859,000 under-recovered amount in 2021 as a “clerical error”  
4     indicating the scope and complexity of modern regulatory processes makes a  
5     standard of perfection unachievable”. What steps has FBC taken to avoid such  
6     errors in future?  
7

8     **Response:**

9     Please refer to the response to BCUC IR1 27.8.  
10  
11

12  
13    6.2    How would these circumstances have been dealt with under traditional cost of  
14    service regulation and would any different approach have to be taken?  
15

16    **Response:**

17    The mechanism for recovery of the cost of removal error would be the same under cost of service  
18    rate-making as it is under the MRP, as in both cases the variance would be captured in a deferral  
19    account and recovered from customers through amortization of the deferral.

20    The main difference under cost of service would be the amount that would be recorded in the  
21    deferral account related to the cost of removal error. Due to the 50/50 earnings sharing  
22    mechanism under the MRP, only 50 percent of the cost of removal error is not being recovered  
23    from customers. In the absence of a sharing mechanism (under cost of service), none of the cost  
24    of removal error would have been recovered from customers; therefore, the full cost of removal  
25    error (as opposed to 50 percent) would be recorded in a deferral account and recovered from



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1 customers through amortization expense. This would not change the ultimate amount that would  
2 be recovered from customers, only the timing of when the amounts are recovered.

3 The other potential difference, depending on the timing of the filing of the hypothetical cost of  
4 service revenue requirement application (RRA) and the number of years the RRA had set rates  
5 for, is in what proceeding FBC might have requested recovery of the cost of removal error.  
6 Through the annual review process under the MRP, applications are filed annually to set rates for  
7 the upcoming year; thus, the cost of removal error for 2021, once discovered, was able to be  
8 addressed before the end of 2021 as part of the 2022 Annual Review. Had FBC filed a cost of  
9 service RRA that set rates for 2021 and 2022, approval of the RRA would likely have occurred  
10 before FBC discovered the error, and FBC would likely have filed a separate application with the  
11 BCUC requesting deferral account treatment of the error.

12

1 7. Reference: Page 118, Table 13-1

1 **Table 13-1: Approved SQIs, Benchmarks and Actual Performance**

| Performance Measure  | Description   | Benchmark          | Threshold | 2020 Results      | June 2021 YTD Results |
|--|---|--------------------|-----------|-------------------|-----------------------|
| <b>Safety SQIs</b>   |   |                    |           |                   |                       |
| Emergency Response Time  | Percent of calls responded to within two hours  | >=93%              | 90.6%     | 92%               | 94%                   |
| All Injury Frequency Rate (AIFR)                                 | 3 year average of lost time injuries plus medical treatment injuries per 200,000 hours worked                                 | <=1.64             | 2.39      | 0.87              | 0.65                  |
| <b>Responsiveness to Customer Needs SQIs</b>                     |   |                    |           |                   |                       |
| First Contact Resolution   | Percent of customers who achieved call resolution in one call   | >=78%              | 74%       | 82% <sup>37</sup> | 81%                   |
| Billing Index  | Measure of customer bills produced meeting performance criteria   | <=3.0              | 5.0       | 0.13              | 0.16                  |
| Meter Reading Accuracy   | Number of scheduled meters that were read   | >=98%              | 96%       | 99%               | 98%                   |
| Telephone Service Factor (Non-Emergency)                         | Percent of non-emergency calls answered within 30 seconds or less   | >=70%              | 68%       | 70%               | 69%                   |
| Customer Satisfaction Index                                      | Informational indicator - measures overall customer satisfaction  | -                  | -         | 8.5               | 8.4                   |
| Average Speed of Answer  | Informational indicator – the amount of time it takes to answer a call (seconds)  | -                  | -         | 71                | 66                    |
| <b>Reliability SQIs</b>  |   |                    |           |                   |                       |
| System Average Interruption Duration Index (SAIDI) – Normalized  | Annual SAIDI (average of cumulative customer outage time)   | 3.22 <sup>38</sup> | 4.52      | 3.17              | 2.90                  |
| System Average Interruption Frequency Index (SAIFI) - Normalized | Annual SAIFI (average customer outage)  | 1.57               | 2.19      | 1.64              | 1.64                  |
| Generator Forced Outage Rate                                     | Informational indicator – Percent of time a generating unit is removed from service due to component failure or other events. | -                  | -         | 1.26%             | 0.04%                 |

2

| Performance Measure         | Description  | Benchmark | Threshold | 2020 Results | June 2021 YTD Results |
|-----------------------------|--|-----------|-----------|--------------|-----------------------|
| Interconnection Utilization | Informational indicator – percent of time that an interconnection point was available and providing electrical service to wholesale customers. | -         | -         | 99.89%       | 99.87%                |

3

4 7.1 Are SAIDI and SAIFI results available by service area?

5 7.1.1 If so, please provide a breakdown by service area.

6

1 **Response:**

2 SAIDI and SAIFI results for 2020 are presented below by service area. Please note that results  
 3 in the table below are not normalized and, as such, include the four days that qualified as Major  
 4 Events in 2020, the vast majority of which impacted customers in the Kootenay area.

| 2020 Reliability Data (Non-Normalized) |       |       |
|--|-------|-------|
| Region                                 | SAIDI | SAIFI |
| North Okanagan                         | 1.09  | 0.41  |
| South Okanagan                         | 0.52  | 0.31  |
| Kootenay                               | 4.22  | 1.27  |

5  
6

7

8 7.2 Please provide a breakdown of Interconnection Utilization 2020 and June 2021  
 9 YTD Results for each point of interconnection.

10

11 **Response:**

12 The table below provides a breakdown of Interconnection Utilization for 2020 and June 2021 YTD  
 13 results for each point of interconnection.

| City of Grand Forks |          |           |           |          |         |          |
|---------------------|----------|-----------|-----------|----------|---------|----------|
| Year                | GFT FDR1 | RUC FDR 1 | RUC FDR 2 |          |         | Total    |
| 2020                | 99.94 %  | 99.93 %   | 99.93 %   |          |         | 99.93 %  |
| 2021 June YTD       | 99.99 %  | 100.00 %  | 100.00 %  |          |         | 100.00 % |
| City of Penticton   |          |           |           |          |         |          |
| Year                | HUT 8kV  | Hut 13 kV | RGA       | WAT      | WES     | Total    |
| 2020                | 100.00 % | 99.98 %   | 100.00 %  | 100.00 % | 99.98 % | 99.99 %  |
| 2021 June YTD       | 100.00 % | 100.00 %  | 100.00 %  | 100.00 % | 99.98 % | 100.00 % |
| City of Nelson      |          |           |           |          |         |          |
| Year                | COF      | RSM       |           |          |         | Total    |
| 2020                | 99.16 %  | 99.96 %   |           |          |         | 99.56 %  |
| 2021 June YTD       | 98.58 %  | 99.98 %   |           |          |         | 99.28 %  |
| City of Summerland  |          |           |           |          |         |          |
| Year                | SUM      | TRC       |           |          |         | Total    |
| 2020                | 99.94 %  | 99.81 %   |           |          |         | 99.88 %  |
| 2021 June YTD       | 100.00 % | 99.98 %   |           |          |         | 99.99 %  |

14