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October 6, 2022

B.C. Sustainable Energy Association
c/o William J. Andrews, Barrister & Solicitor
70 Talbot Street
Guelph, ON
N1G 2E9

Attention: Mr. William J. Andrews

Dear Mr. Andrews:

Re: FortisBC Inc. (FBC)

Annual Review for 2023 Rates (Application)

Response to the B.C. Sustainable Energy Association (BCSEA) Information Request (IR) No. 1

On August 5, 2022, FBC filed the Application referenced above. In accordance with the regulatory timetable established in British Columbia Utilities Commission Order G-193-22 for the review of the Application, FBC respectfully submits the attached response to BCSEA IR No. 1.

For convenience and efficiency, FBC has occasionally provided an internet address for referenced reports instead of attaching lengthy documents to its IR responses. FBC intends for the referenced documents to form part of its IR responses and the evidentiary record in this proceeding.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC INC.

Original signed:

Diane Roy

Attachments

cc (email only): Commission Secretary
Registered Parties

1.0 Topic: 2023 Rate Increase

Reference: Exhibit B-2, page 1

"The proposed rates for 2023 flowing from the approved formulas and forecasts set out in the Application, including returning the actual 2021 earnings sharing to customers, result in a 3.99 percent rate increase from 2022 rates. The increase is primarily due to an increase in power purchase expense (PPE) as well as rate base growth." [p.1, underline added]

1.1 Please provide a graph and table showing cumulative annual rate increases from 2007 to 2023. Please show a representative inflation index for comparison.

Response:

Please refer to Table 1 and Figure 1 below for the approved and cumulative rate changes from 2007 to 2022, and the proposed rate change for 2023. FBC notes the average rate increase per year from 2007 to 2023 is 2.66 percent (i.e., 45.24 percent / 17 years). The table and graph also provide a comparison of the rate changes with BC CPI between 2007 and 2022 (up to August 2022).

Table 1: FBC Annual and Cumulative Rate Increase from 2007 to 2022 Approved and 2023 Proposed with Comparison to BC CPI from 2007 to 2022 (up to August 2022)

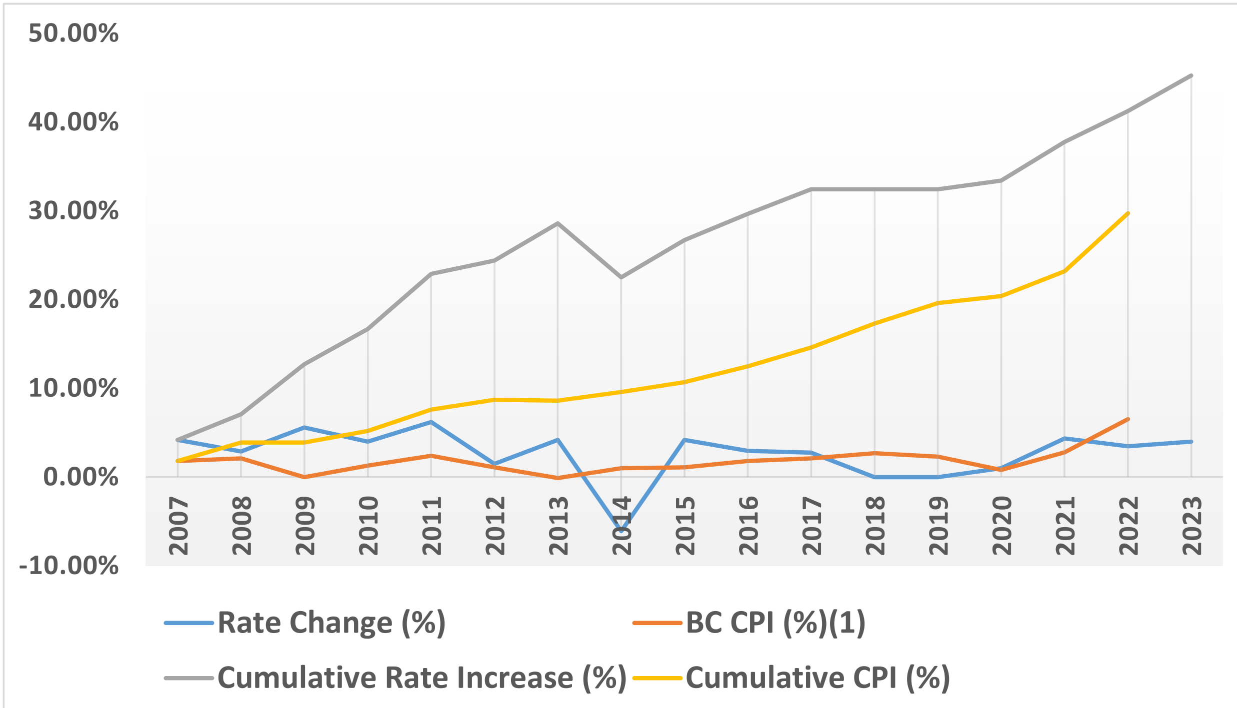
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Rate Change (%)	4.20%	2.90%	5.60%	4.00%	6.20%	1.50%	4.20%	-6.10%	4.20%	2.96%	2.76%	0.00%	0.00%	1.00%	4.36%	3.47%	3.99%
Cumulative Rate Increase (%)	4.20%	7.10%	12.70%	16.70%	22.90%	24.40%	28.60%	22.50%	26.70%	29.66%	32.42%	32.42%	32.42%	33.42%	37.78%	41.25%	45.24%
BCUC Order	G-126-06 & G-20-07	G-147-07	G-193-08	G-162-09	G-184-10	G-110-12	G-110-12	G-139-14	G-107-15	G-202-15	G-8-17 & G-11-17	G-38-18 & G-131-18	G-246-18 & G-74-19	G-42-21	G-42-21	G-374-21	
BC CPI (%)[1]	1.80%	2.10%	0.00%	1.30%	2.40%	1.10%	-0.10%	1.00%	1.10%	1.80%	2.10%	2.70%	2.30%	0.80%	2.80%	6.52%	
Cumulative CPI (%)	1.80%	3.90%	3.90%	5.20%	7.60%	8.70%	8.60%	9.60%	10.70%	12.50%	14.60%	17.30%	19.60%	20.40%	23.20%	29.72%	
																See Note 2	

Notes to Table:

1 Source: Statistics Canada, Table 18-10-0005-01 (https://www2.gov.bc.ca/assets/gov/data/statistics/economy/cpi/cpi_annual_averages.pdf)

2 2022 BC CPI from January 2022 to August 2022

Figure 1: FBC Annual and Cumulative Rate Increase from 2007 to 2022 Approved and 2023 Proposed with Comparison to BC CPI from 2007 to 2022 (up to August 2022)



2.0 Topic: Approvals Sought

Reference: Exhibit B-2, page 1; section 8 Financing and Return of Equity, page 77

FBC requests interim approval of its rate increase. FBC states:

> "1. Approval to recover the 2023 revenue requirement and resultant rate change on an interim basis, effective January 1, 2023, as filed in the Application and subject to any adjustments identified by FBC during the regulatory process and from any directives or determinations made by the BCUC in its decision on the Application. Rates will remain interim pending the outcomes of the BCUC's current generic cost of capital (GCOC) proceeding and FBC's 2023-2027 Demand Side Management (DSM) Plan proceeding." [underline added]

On page 77, FBC states:

> "... In Order G-156-21 and accompanying Reasons for Decision, the BCUC found that the effective date to implement a new cost of capital will depend on the timing and progress of the GCOC proceeding. As explained in Section 1.2, FBC is seeking approval of interim 2023 rates pending the outcome of Stage 1 of the GCOC proceeding as well as a decision on FBC's 2023-2027 DSM Expenditure Plan. When a decision is reached on these proceedings, FBC will update its rate calculations and apply for permanent 2023 rates."

2.1 When does FBC anticipate the outcomes of the BCUC's current GCOC proceeding?

Response:

According to the updated regulatory timetable provided in Order G-217-22 in the ongoing Generic Cost of Capital (GCOC) proceeding, FortisBC's written reply to interveners' final arguments (the last step in the regulatory process in the current timetable) is set for February 9, 2023. Assuming no further changes to the regulatory timetable are ordered and assuming the BCUC Panel issues its decision within approximately 90 days of FortisBC's reply argument being filed, a decision could be expected in May/June of 2023.

2.2 What magnitude of effect does FBC expect the current GCOC proceeding could have on FBC's 2023 rate increase?

Response:

If the proposed FBC capital structure of 40 percent common equity and a return on common equity of 10.0 percent is approved, and it is effective January 1, 2023, then the 2023 rate increase for FBC would be 5.90 percent instead of 3.99 percent.

3.0 Topic: DSM Savings

Reference: Exhibit B-2

3.1 Please provide 2022 DSM forecast and planned spending and savings by program area.

<u>Response:</u>

As of August 2022, the DSM Plan and forecast 2022 DSM expenditures and energy savings by program area are as follows:

Program Area	Expenditures ($000s)		Incremental Annual Energy Savings (GWh/year)	
	DSM Plan (including carryover)	Forecast	DSM Plan (including carryover)	Forecast
Residential	$2,654	$2,998	6.5	6.4
Commercial	$2,927	$2,572	15.5	14.0
Industrial	$1,549	$1,549	10.1	8.9
Low Income	$930	$965	1.3	0.8
CEO	$666	$666	-	-
Supporting Initiatives	$1,069	$1,069	-	-
Portfolio	$956	$925	-	
Demand Response	$240	$240	-	-
Total	$10,991	$10,984	33.3	30.2

**<u>Note</u>: Totals do not exactly sum due to rounding.*

3.2 What effects has the COVID-19 pandemic had on FBC's 2022 DSM spending and savings, and how has FBC responded?

<u>Response:</u>

Similar to the response to BCESA IR1 1.1 in the 2022 Annual Review proceeding, FBC believes there is minimal impact from the COVID-19 pandemic on the 2022 DSM spending and savings beyond the Rental Apartment Efficiency Program (RAP) and Energy Conservation Assistance Program (ECAP). FBC continues to see lower market demand from residential customers and property managers to engage with programs that involve the direct installation of energy savings measures in their premises.

FEI and FBC are reviewing potential amendments to the RAP in 2023 based on program evaluation and customer feedback. FBC and FEI continue to discuss ECAP program promotion and delivery improvements with program partner BC Hydro.

4.0 Topic: Data Analytics and DSM

Reference: Exhibit B-2, Section 1.4.2 Productivity Initiatives, page 5

On page 5, FBC states:

> "This is an initiative to centralize the Company's data sources coupled with a suite of analytic tools to analyze and use the data to inform decision-making. Data analytics is the process of extracting and analyzing data sets to identify or uncover patterns, correlations, trends, customer preferences and other information for the purpose of allowing an organization to make more informed business decisions. Better decisions will lead to improved business operations and customer service and increased productivity."

4.1 Does FBC's Data Analytics initiative apply to FBC's design and delivery of its DSM programs or the integration of FBC's DSM planning into its overall resource planning? Please explain.

Response:

The Data Analytics initiative does not include any DSM-related use cases at this time. However, like many parts of the business, DSM planning and program delivery is likely to benefit from the initiative through better access to internal and external data sources and improved analytical tools in the future.

5.0 Topic: Paperless Billing

Reference: Exhibit B-2, Section 1.4.2 Productivity Initiatives, page 6

On page 6, FBC states:

> "7. Paperless Billing Customer Campaigns: This initiative focuses on working with customers to encourage the switch to paperless billing. In addition to the convenience for customers of receiving their bill electronically and the environmental considerations of less paper and physical transport of the bills, an increased percentage of customers making the switch to paperless billing results in ongoing printing and postage cost savings. At the start of 2021, FBC had approximately 69,000 customers choosing paperless billing as their preferred bill delivery method. Following the success of several internal programs that encouraged employees to highlight this option with customers and including an external social media campaign that resulted in donations to food banks in need, FBC achieved an increase of approximately 8,000 customers choosing this option in 2021. This increase equates to approximately $0.07 million in printing and postage cost savings in 2021 as compared to 2020." [pdf p.15, footnote omitted]

5.1 Please provide statistics on paperless billing on a percentage of customers basis.

Response:

At the end of 2021, approximately 53 percent of FBC customers were delivered their bills on a paperless basis. As of June 2022, the percentage increased to approximately 55 percent.

5.2 Does FBC see room for further growth in the proportion of customers choosing paperless billing?

Response:

Yes, FBC believes that there is room for further growth in the proportion of customers choosing paperless billing and FBC will continue to promote this option and consider how best to inform and encourage customers to take advantage of the opportunity.

5.3 Does FBC experience significant amounts of churn with paperless billing (i.e., customers choosing to return to paper billing)?

Response:

FBC does not experience a significant amount of churn in paperless billing, with only approximately 550 to 750 customers choosing to return to paper bills every year. This represents less than approximately 0.4 percent of the customer base.

5.4 What does FBC see as the main impediments to customers choosing paperless billing. Which of these are amenable to action by FBC?

Response:

FBC believes that there are various reasons that could be impeding customers from choosing paperless billing, including the following:

- Awareness and interest;
- Security concerns around online access;
- Accessibility to reliable internet in some rural areas;
- Accounting requirements and practices for commercial and industrial customers requiring paper bills; and
- Customers using physical bills as payment reminders.

While FBC may not be able to directly address all of these potential impediments, FBC believes that customer awareness and interest and providing payment reminders will continue to be two areas that FBC can focus on and achieve success with.

5.5 What entities does FBC see as its peers for comparison regarding paperless billing? How does FBC's percentage of customers choosing paperless billing compare with FBC's peers?

Response:

FortisBC considers mid-size regulated Canadian energy utilities as its peers for comparison on paperless billing. Based on information from a recent utilities survey[1] showing 2021 paperless billing adoption numbers, the highest percentage of paperless billing observed was 56 percent

[1] Chartwell 2021 Billing Utility Industry Survey.

and the lowest was 32 percent. FBC's paperless billing adoption stands at 53 percent as at the end of 2021.

6.0 Topic: Carbon Credits

Reference: Exhibit B-2, 5.3 Clean Growth Initiative – EV DCFC Stations Carbon Credits, page 40, pdf p.49

FBC notes on page 49 that:

> "The revenues to be included in FBC's regulated accounts include the Other Revenue from the sale of carbon credits related to EV stations earned under the Renewable Low Carbon Fuel Requirements Regulation (RLCFRR), which is embedded in the rate design of the EV DCFC stations."

After noting that as of the 2022 Annual Review FBC did not have any carbon credits validated by the British Columbia Low Carbon Fuel Standard (BC-LCFS), FBC states:

> "However, as of the end of the first quarter of 2022, the BC-LCFS has validated approximately 1,337 carbon credits for FBC that have accumulated since 2019, with an approximate market value of $0.625 million. FBC anticipates monetizing these credits prior to the end of 2022 and has therefore reflected them in the 2022 Projected column in Table 5-1 above, and also included the $0.625 million credit in the Flow-through deferral account, to be returned to customers in 2023."

6.1 What does 1,337 carbon credits correspond to in terms of the amount of electricity delivered and avoided GHG emissions?

<u>Response:</u>

The equivalent electricity delivered is 1,462,190 kWh. Using the prescribed emission intensity factors as set out in the Renewable and Low Carbon Fuel Requirements Regulation [2] for both the electricity delivered as well as the gasoline displaced, the equivalent avoided GHG emissions equates to 1,337 tCO2e.

6.2 Has FBC had any of its applied-for carbon credits rejected? If so, why?

<u>Response:</u>

No, FBC has not had any applications for carbon credits rejected to date.

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2 Renewable and Low Carbon Fuel Requirements Regulation (gov.bc.ca)

6.3 Please describe how FBC anticipates monetizing its accumulated credits. For example, will FBC attempt to maximize revenues by timing the market?

Response:

As stated in the preamble, FBC has been accumulating carbon credits since 2019. Given the extended time period since these credits have been earned and validated, FBC believes that it is most appropriate to accelerate the return of these credits to customers. FBC anticipates the sale of these credits will occur prior to the end of 2022. The actual revenue received from the sale of the accumulated carbon credits will be dependent on market conditions at the time and actual offers received from potential buyers.

7.0 Topic: Carbon Credits

Reference: FBC Annual Review for 2022 Rates, Exhibit B-6, response to BCSEA IR 4.3.2

In the Annual Review for 2022 Rates, in response to BCSEA IR 4.3.2, FBC stated:

> "FBC has proposed to record carbon credit revenue from its EV Charging Stations in Other Revenue and to flow through any variances to customers, as stated in the response to BCSEA IR1 4.2. To date, FBC has not sold any of the carbon credits arising from its EV DCFC stations. FBC has claimed (but not sold) carbon credits for electricity provided to charge EVs where it reasonably expects that the electricity sold at the meter will be exclusively for transportation by the customer. This includes both public charging stations owned by FBC as well as public stations owned by other entities (metered commercial accounts). FBC does not currently claim credits for non-public EV charging services for either commercial or residential customers. <u>Beginning in 2022, FBC will only be permitted to claim credits for charging stations owned by FBC as detailed in Information Bulletin RLCF-020. FBC is exploring mechanisms for quantifying and claiming credits generated from EV charging at residential buildings that include fewer than five dwelling units (including single-family detached housing) as per Information Bulletin RLCF-020.</u>
>
> To date, FBC has claimed approximately 60 credits in 2019 and approximately 140 credits in 2020 for FBC-owned public fast charging stations. These credits are still pending validation." [underline added]

7.1 Please provide an update regarding the EV charging situations for which FBC is permitted to claim credit.

<u>Response:</u>

Prior to 2022, FBC was permitted to claim carbon credits for residential and commercial EV charging, regardless of who owned the charging equipment. As of 2022, FBC is permitted to claim carbon credits for EV charging related to residential buildings with less than five dwelling units, privately owned charging stations for fleet and workplace charging, and FBC owned public charging stations. FBC is no longer eligible to claim carbon credits for third-party public chargers. For clarity, as discussed in Section 5.8 of the Application, specifically in Footnote 20, the 1,337 carbon credits that FBC has accumulated since 2019 and expected to be monetized in 2022 include credits from FBC owned public charging stations as well as public stations owned by third parties. These credits were originally claimed in 2019 and 2020, which are now validated by BC-LCFS, and therefore, can be monetized.

8.0 Topic: Public EV Fast Charging Service

Reference: Decision and Order G-341-21, https://www.ordersdecisions.bcuc.com/bcuc/decisions/en/516736/1/document.do

In it November 24, 2021, Decision and Order G-341-21 regarding FBC's application for approval of Rate Design and Rates for Electric Vehicle Direct Current Fast Charging Service, the Panel stated:

> "The Panel makes the following key findings:
>
> …a time-based rate for EV DCFC service is currently the only option for FBC since there are currently no Measurement Canada approved meters for DCFCs. However, FBC is directed to apply for a dispensation from the Electricity and Gas Inspection Act to have the option to charge energy-based rates within 30 days of the issuance of this order; … [page i]

8.1 What is the status of FBC's request to Measurement Canada for a dispensation from the federal *Electricity and Gas Inspection Act* to have the option to charge energy-based rates for FBC's public EV fast charging service?

<u>Response:</u>

On December 21, 2021, FBC filed its Dispensation Request to Measurement Canada. On February 10, 2022, FBC received a letter from Measurement Canada stating that, "…*although temporary dispensation is not an option Measurement Canada can legally exercise for EVSE, at least until they be first approved for type, MC is currently engaged in a phased approach to ensure that all charging technologies can offer electric charging based on energy measurement*."

Measurement Canada has indicated that a process has begun to allow in-service DCFCs to bill on consumption, stating that, "*…in the fall of 2022, we will launch consultations to support the finalization of a framework that will allow kilowatt-hour (kWh) billing for Level 3+ EVCS already in use in the existing marketplace*."[3]

8.2 More generally, to FBC's knowledge, what is the status of Measurement Canada's development of standards for meters for energy-based billing for DCFC service?

<u>Response:</u>

Please refer to the response to BCSEA IR1 8.1.

[3] Electric vehicle charging stations - Measurement Canada

8.3 What steps will be involved in FBC's consideration of whether and how to switch to energy-based rates for its public EV fast charging service in the event that FBC has the option to charge energy-based rates?

Response:

The anticipated steps in FBC's consideration of energy-based rates are incorporating customer feedback, existing station compatibility, rate design, Measurement Canada approval and regulatory approval. FBC has received customer feedback in favour of transitioning its RS 96 rates to include an energy-based charge that varies with consumption.

8.4 Please confirm, or otherwise explain, that BCUC approval would be required for FBC to change from time-based to energy-based rates for FBC's public EV fast charging service?

Response:

Confirmed.

9.0 Topic: Public EV Fast Charging Service

Reference: Exhibit B-2, p.42, pdf p.51; Decision and Order G-341-21

The Panel in Decision and Order G-341-21 required FBC to file an assessment of the EV DCFC service. In the Annual Review application, FBC states on page 42:

> "As directed by Order G-341-21, FBC is to file a detailed assessment of the EV DCFC service by no later than December 31, 2022 or within six months of Measurement Canada's approval of DCFC energy-based metering for FBC, whichever is earlier. FBC is not expecting to receive approval from Measurement Canada prior to December 31, 2022; thus, FBC will file the detailed assessment report by December 31, 2022. As directed by the BCUC, the detailed assessment will include:
>
> - An update of the financial models with actual and forecast information and updated assumptions;
> - A detailed assessment of RS 96 and alternative rate design options;
> - An overview of the current EV fast charging service market and rates across Canada and the United States;
> - A proposal for a depreciation rate for its EV DCFC stations and information to support its proposal; and
> - An assessment as to whether idling fees are warranted." [pdf p.51]

9.1 When FBC files its EV DCFC Service report with the BCUC will FBC notify interested parties, such as interveners in the proceeding that led to Decision and Order G-341-21?

<u>Response:</u>

Yes, FBC will provide notification of the filing to participants in the regulatory process that led to the Decision and Order G-341-21.

10.0 Topic: EV DCFC Stations – Capital Expenditures

Reference: Exhibit B-2, section 7.2.2.1, EV DCFC Stations, pp.63 – 64

FBC states on pp.63 – 64:

> "… At this time, FBC is not expecting to construct any additional stations or sites beyond the two additional DCFC stations noted above; however, station utilization will continue to be monitored to determine if any additional stations are warranted to meet customer demand. For 2023, FBC is forecasting to complete accessibility improvements for its existing EV DCFC sites. These improvements include new or additional lighting as the stations are available for use 24 hours a day, and paving for wheelchairs access to the charger."

10.1 Please outline how FBC will monitor EV DCFC station utilization and how FBC will determine whether additional stations are needed.

Response:

FBC reviews statistics such as the number of charge events, charging duration and occupancy rate. These statistics will be used to determine whether there is a need for site expansion.

10.2 Please describe the accessibility improvements that FBC is forecasting it will complete in 2023. Will they result in all FBC's DCFC stations being fully accessible to persons with disabilities?

Response:

In 2023, FBC will complete lighting, signage and paving work at sites which do not currently have those features. Lighting improves the safety and usability of the sites. Signage assists with information on how to use the chargers and nearby amenities. And, finally, paving enables better access for those in wheelchairs to navigate around the charging sites. FBC will continue to evaluate the accessibility of its stations and will implement improvements as needed.

11.0 Topic: Employee Retention

Reference: Exhibit B-2, Section 13.2.2.4 Telephone Service Factor (Non-Emergency), page 136, pdf p.145

The 2022 Year to Date figure for Telephone Service Factor (Non-Emergency) is below the benchmark and the threshold. Related, the 2022 Year to Date figure for the informational Average Time to Answer is well above previous years' figures (i.e., worse.) On page 136, FBC states:

> "Customer Service is experiencing higher than expected levels of attrition, having lost approximately 20 percent of its Customer Service Representatives in 2021." [footnote omitted]

11.1 Does FBC see its employee retention difficulties in Customer Service as an indication of a potential for having employee retention difficulties in other areas of the Company?

<u>Response:</u>

Please refer to the response to MoveUP IR1 1.4.