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October 6, 2022

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)
Annual Review for 2023 Rates (Application)
Response to the Commercial Energy Consumers Association of British
Columbia (CEC) 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 CEC IR No. 1.

For convenience and efficiency, if FBC has provided an internet address for referenced reports instead of attaching the 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

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

2.2 INFLATION FACTOR CALCULATION SUMMARY

In the MRP Decision, the BCUC approved an I-Factor using the actual CPI-BC and BC-AWE indices from the previous year and the actual labour weighting based on the most recent completed year of actuals. FBC uses inflation data from July through June and Statistics Canada Table 18-10-0004-01 for CPI-BC and Table 14-10-0223-01 to determine AWE-BC. The supporting Statistics Canada tables are provided in Appendix A1. The latest available month of April 2022 for AWE-BC has been used as a placeholder, as results to June 2022 have not been released by Statistics Canada. Once results for these periods are available, this placeholder will be replaced with actuals and included in an Evidentiary Update or Compliance Filing.

As shown in Table 2-1 below, the I-Factor has been calculated utilizing actual CPI-BC and AWE-BC data. Applying the actual 2021 labour weighting of 60 percent, the calculation of the 2023 I-Factor is (4.940 percent x 40 percent) + (4.235 percent x 60 percent) = 4.517 percent.

2
3 1.1 Please confirm that the I-Factor is not expected to be significantly different based
4 on the information in the Evidentiary Update.

5
6 **Response:**

7 FBC clarifies that it is not intending to file an Evidentiary Update at this time. However, FBC
8 confirms that based on the CPI and AWE-BC data currently available, the revised I-Factor would
9 change to 4.336 percent and would not have a material impact on the proposed rate increase
10 included in the Application. FBC will include the most up-to-date CPI and AWE-BC data in the
11 Compliance Filing which will be filed subsequent to the BCUC's decision on the 2023 Annual
12 Review. Please also refer to the response to BCOAPO IR1 5.2.

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14
15
16 1.2 Please explain whether or not the AWE-BC inflation data is consistent with FBC's
17 own average weekly earnings inflation, and please quantify any significant
18 differences.

19
20 **Response:**

21 Please see the table below comparing the FBC IBEW and MoveUP union labour rate increases
22 to the AWE-BC index for 2022. The amount and timing of when labour inflation is experienced by
23 FBC will be influenced by when the various collective agreements expire. For example, MoveUP
24 CS is not included in the table below as the existing MoveUP CS collective agreement expired in
25 2021 and a new agreement has not yet been reached; thus the impact on 2022 wage inflation is
26 unknown. 2023 is also excluded as new agreements are not currently in place for all three
27 bargaining units.

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	2022
IBEW	2.250%
MoveUP	2.000%
MoveUP CS	n/a
BC AWE	6.455%

While the current AWE-BC trend may not be reflective of the wage increases being experienced by FBC at a point in time, FBC expects that over time the higher AWE-BC trend will continue to reverse. The levelling-off of the AWE-BC data can be seen to some extent when comparing the AWE-BC inflation data used in the 2022 Annual Review of 6.455 percent, to the AWE-BC inflation data used in the 2023 Annual Review of 4.235 percent.

Further, the I-Factor used for determining FBC's index-based O&M funding consists of both the AWE-BC for labour and the CPI-BC for non-labour. In contrast to the AWE-BC, the CPI-BC used for the 2023 Formula O&M is lower than the current CPI, and not necessarily reflective of the more recent inflationary pressures seen in the broad economy. A recent news release from Statistics Canada¹ (reproduced below) reports the August 2022 CPI at about 7 percent. In contrast, the calculated CPI for 2023 in the Application is 4.940 percent.

Consumer Price Index, August 2022

Text	Tables	Related information	Release schedule	Previous release	PDF (265 KB)
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Released: 2022-09-20

In August, the Consumer Price Index (CPI) rose 7.0% on a year-over-year basis, down from a 7.6% gain in July. This was the second consecutive slowdown in the year-over-year price growth and was largely driven by lower gasoline prices in August compared with July.

The AWE-BC and CPI-BC data used in the Application are based on the approved data from Statistics Canada and remain a valid and objective measure of the economy-wide labour inflation in BC, despite some lag in the timing of when they are incorporated in rates. FBC considers that there is no evidentiary basis on which to deviate from the approved method for calculating the Inflation Factor (I-Factor) during the MRP term.

¹ [The Daily — Consumer Price Index, August 2022 \(statcan.gc.ca\).](https://www150.statcan.gc.ca/n1/pub/24628x/202209001-eng.htm)

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1 2. **Reference: Exhibit B-2, Appendix A2, page 6**

3. **CUSTOMER FORECAST**

3.1 **CUSTOMERS**

Customer Count	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022S	2023F
Residential	99,228	111,862	113,431	114,166	115,772	117,748	120,291	122,465	124,966	126,678	129,336	132,015
Commercial	11,811	13,662	14,363	14,976	15,073	15,398	15,678	15,956	16,165	16,504	16,995	17,498
Wholesale	7	6	6	6	6	6	6	6	6	6	6	6
Industrial	39	47	49	50	50	50	52	51	43	42	42	42
Lighting	1,739	1,644	1,620	1,590	1,559	1,511	1,482	1,467	1,443	1,407	1,379	1,349
Irrigation	1,091	1,097	1,103	1,095	1,090	1,080	1,078	1,082	1,091	1,103	1,103	1,103
Total Direct	113,915	128,318	130,572	131,883	133,550	135,793	138,587	141,027	143,714	145,830	148,861	152,011

3.2 **CUSTOMER ADDITIONS**

Customer Additions	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022S	2023F
Residential	912	12,634	1,589	735	1,806	1,976	2,543	2,174	2,501	1,712	2,658	2,679
Commercial	106	1,851	701	613	97	325	280	278	209	429	401	501
Wholesale	-	(1)	-	-	-	-	-	-	-	-	-	-
Industrial	1	8	2	1	-	-	2	(1)	(8)	(1)	-	-
Lighting	(27)	(95)	(24)	(30)	(31)	(48)	(29)	(15)	(24)	(36)	(28)	(30)
Irrigation	17	6	6	(8)	(5)	(10)	(2)	4	9	12	-	-
Total Direct	1,009	14,403	2,254	1,311	1,667	2,243	2,794	2,440	2,687	2,116	3,031	3,150

2

3 2.1 Please explain why the customer additions are expected to increase by nearly 900

4 customers in 2022 and explain what caused the decline in 2021.

6 **Response:**

7 FBC cannot definitively explain the cause of the decline in 2021 customer additions from prior

8 years, as it is the result of many factors that can be both compounding and offsetting. Customer

9 additions comprise various activities such as new customer attachments, move-ins, move-outs

10 and vacancies (disconnects and non-disconnects). FBC notes 2021 was in the midst of the

11 COVID-19 pandemic with various lock-downs, including travel restrictions within the Province,

12 which may have contributed to lower growth in customer additions in 2021.

13 For further discussion of the increase in residential customer additions, please refer to the

14 responses to the BCOAPO IR1 10 series.

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17

18 2.2 Please provide FBC's customer additions to date for 2022.

19

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1 **Response:**

2 As of August 31 2022, FBC's customer additions were 1,604. Based on planning for the rest of
3 the year, FBC expects the actuals will continue to trend towards the total projected additions of
4 3,031 in 2022 as shown in the tables of the preamble above.

5

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1 **3. Reference: Exhibit B-2, pages 15- 16 and Appendix A2, page 8**

The forecast incremental DSM savings for 2023 are summarized in Table 3-1 below, and are the forecast savings incremental to the savings embedded in the historical loads. Historical DSM savings can be found in Appendix A2.

Table 3-1: Forecast Incremental 2023 DSM Savings (GWh)

Line No.	Description	DSM 2023
1	Residential	(8.9)
2	Commercial	(22.6)
3	Wholesale	(7.7)
4	Industrial	(16.2)
5	Lighting	(0.3)
6	Irrigation	(0.2)
7	Net	(55.9)
8	Losses	(4.6)
9	Gross Load	(60.5)

5.3 DSM (GWh) WITHOUT LOSSES

Energy (GWh)	2017	2018	2019	2020	2021	2022S	2023F
Demand Side Management	(28)	(31)	(26)	(26)	(30)	(28)	(56)

3.1 Please provide the DSM savings by year from 2017-2022, broken down by rate class, with losses as shown in Table 3-1 of the Application.

Response:

FBC cannot provide the historical DSM savings broken down by rate class as shown in Table 3-1 for the reasons discussed in the response to BCUC IR1 3.1. Instead, the DSM savings broken down by DSM program area from 2017-2022, with losses, are shown in the table below.

Incremental DSM Savings (GWh)						
Program Area	2017	2018	2019	2020	2021	2022
Residential	(10.2)	(5.2)	(6.5)	(7.2)	(7.9)	(6.4)
Low Income	(0.7)	(0.7)	(1.3)	(0.8)	(0.7)	(0.8)
Commercial	(16.1)	(23.9)	(15)	(11.2)	(12.3)	(14.0)
Industrial	(0.9)	(1.6)	(3.0)	(6.8)	(8.7)	(8.9)
Net	(27.8)	(31.4)	(25.8)	(25.9)	(29.7)	(30.2)
Losses	(2.1)	(2.4)	(2.0)	(2.0)	(2.3)	(2.3)
Gross Load	(30.0)	(33.8)	(27.8)	(27.9)	(31.9)	(32.5)

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FBC notes the 2022 values shown in the above table are forecast as of August 2022 and are therefore more up-to-date than the 28 GWh value shown in Section 5.3 of Appendix A2 to the Application.

3.2 Please explain why the Incremental DSM savings are expected to more than double between 2022S and 2023F, and please explain key changes occurring in any of the rate classes.

Response:

For clarity, as discussed in Section 3.3 of the Application, DSM savings that are already embedded in historical loads are up to and including 2021 only. As such, the DSM savings for 2022S and 2023F shown in the table in Section 5.3 of Appendix A2, as referenced in the preamble above, are incremental to the 2021 actuals only. The incremental DSM savings for 2022S when compared to 2021 Actual would be approximately 28.7 GWh while the incremental DSM savings for 2023F when compared to 2021 Actual would be approximately 55.9 GWh, which includes the 28.7 GWh² from 2022S and the 27.2 GWh from 2023F. Please also refer to the responses to BCUC IR1 3.1 and 3.3.

² FBC notes there is a rounding difference in Appendix A2 showing the 2022 incremental DSM savings to be 28 GWh.

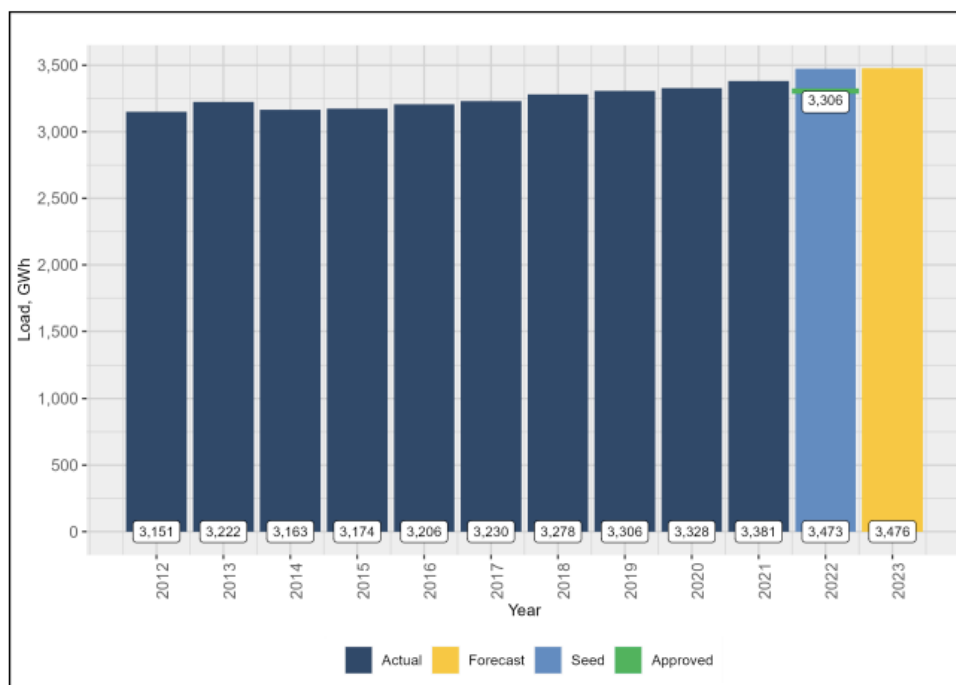
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1 **4. Reference: Exhibit B-2, page 15 and page 17**

- **Seed Year:** The Seed Year is the year prior to the first forecast year. The Seed Year is forecast based on the latest years of actual data available,⁷ and will be different than the original forecast for that year in the previous filing. For example, for this Application the Seed Year is 2022 (2022S) and the Seed Year forecast is based on the latest actual years, including 2021. As such, the 2022 Seed Year forecast in this Application will differ from the 2022 Forecast presented in the Annual Review for 2022 Rates, for which 2021 actual data was not available.

⁷ FBC's load forecast is developed using only complete years of historical data. FBC requires the complete year of load data in order to validate it, including the review of and potential adjustments to unbilled energy. For this reason, partial year data is not used in forecasting.

Figure 3-1: Total Net Load (GWh)



4.1 Please explain how the Seed data is calculated, if not using partial 2022 data.

Response:

The 2022 Seed (2022S) forecast is an update to the 2022 Approved forecast using the more recent full year of 2021 Actual data. The 2022 Approved forecast which was included in the 2022 Annual Review was completed in mid-2021 and included actual data up to 2020, whereas the 2022S forecast included in this Application was completed in mid-2022 and includes actual data up to 2021.

The methods for the 2022 Approved, 2022S and 2023F are identical. The 2022S forecast can be thought of as a “bridge” between the 2021 Actual and the 2023F which takes advantage of the

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1 more recent 2021 actual data to update the 2022 Approved forecast as well as projecting forward
2 to 2023.

3 Incorporating mid-year actuals into the seed forecast can lead to poor results because of timing
4 issues. Housing projects completed just before or just after the mid-year data cut-off date are
5 expected to skew the year-end totals, as well as any forecast based off of those totals. For
6 example, assuming the residential customer additions are typically 1,500 per year, if a housing
7 project with 1,000 new customers were completed right before the cut-off date of May 1 for mid-
8 year actuals, then based on 1,000 new customers in five months at the same growth rate, the
9 forecast for the full year would have been 2,400 customer additions and well above the normal
10 1,500 additions per year. Such timing issues could be expected to occur randomly which could
11 offset or compound one another each year, resulting in larger future variances. Therefore, FBC's
12 current forecasting method using final year-end actual data provides more consistency and
13 stability.

14 FBC also notes that, as shown in Table 12-2 of the Application, any variance between the actual
15 and forecast revenue will be captured in the Flow-through deferral account and returned
16 to/recovered from customers in subsequent years. Given this mechanism for keeping customers
17 whole and the potential increased inaccuracy of forecasting results discussed above, FBC
18 considers the current method for forecasting to be the most appropriate.

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22 4.2 Please elaborate on why FBC is not able to use partial year data and correct for
23 the remainder of the year using historical data.
24

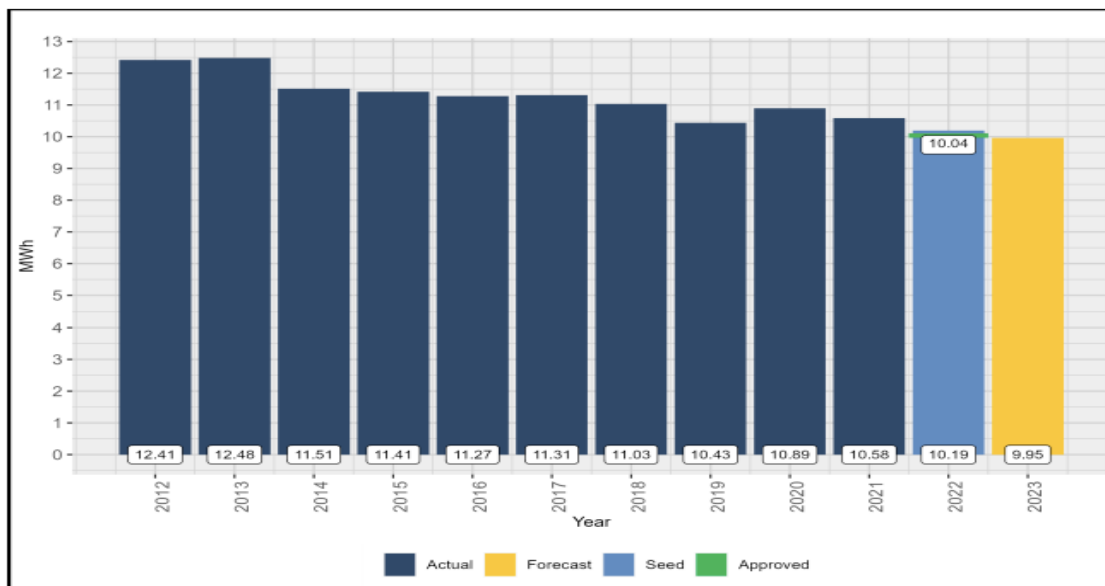
25 **Response:**

26 Please refer to the response to CEC IR1 4.1.
27

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

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



2
3 5.1 Please provide FBC's views as to the reasons for the ongoing decline in UPC.

4
5 **Response:**

6 Based solely on the regression on current DSM savings as shown in Section 5.3 of Appendix A2
7 of the Application, FBC expects UPC to decline by approximately two percent per year on average
8 over the next five years. However, FBC notes there are many factors, which could be both
9 compounding and offsetting, that impact residential UPC in a given year. Therefore, FBC cannot
10 identify the factors with certainty that contributed to the decline. Besides FBC's DSM efforts, other
11 factors might include customer behavior, new technologies, and increased appliance efficiency,
12 as well as various conservation measures taken by the individual customers outside of FBC's
13 DSM programs.

14 Additionally, while FBC expects the UPC to decline over the next five years, this decline could be
15 offset by an increase in the number or type of appliances used in a home (e.g., heat pumps) as
16 well as the potential for significant EV home charging in the near future.

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20 5.2 How, if at all, has FBC accounted for potential increases in load due to the rise of
21 EV charging at home?
22

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1 **Response:**

2 As explained in Appendix A3 of the Application, the residential UPC is forecast based on a 10-
3 year historical trend of annual UPCs from 2012 to 2021; therefore, any EV home charging
4 included in the actual results up to 2021 would be reflected in the residential UPC forecasts for
5 2023. FBC notes the forecast is completed on an annual basis, such that any growth in EV home
6 charging going forward will be reflected in the 10-year historical trend of actual UPCs in the future
7 forecasts of residential UPC.

8

9

10

11 5.3 Does FBC expect that the UPC will continue to decline over the next 5 years, and
12 if so, by what %?

13

14 **Response:**

15 Please refer to the response to CEC IR1 5.1.

16

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6. Reference: Exhibit B-2, page 21 and page 22

3.4.3 Wholesale

Consistent with past practice, the wholesale class is forecast using survey information from each of the individual wholesale customers, as the individual wholesale customers are best able to forecast their future load growth. For 2023, all but one of the wholesale customers responded with their load forecast projections.

In the Annual Review for 2022 Rates Decision, the BCUC Panel directed FBC “to provide any efforts it has undertaken to improve the accuracy of its forecasts of wholesale customer load in the 2023 Annual Review, including the results of such efforts.”⁸ The BCUC Panel further requested that FBC work more closely with wholesale customers to develop more accurate forecasts. As such, in April of this year, FBC met with the City of Penticton, the District of Summerland and the City of Nelson to discuss load forecast methods, techniques and tools, as well as each City’s/District’s individual load forecasts. Both FBC and the Cities/District found the workshops to be informative and productive, and FBC intends to continue to conduct these workshops on an annual basis in the future.

6.1 Please provide the total % Wholesale Load that responded with their forecast load projection.

Response:

Five out of the six wholesale customers responded with their forecast load projections which represented 94 percent of the actual 2021 normalized wholesale load.

6.2 Please breakdown the load by wholesale Customer.

Response:

The normalized after-savings wholesale load broken down by customer is provided in Appendix A2, Section 5.2 of the Application, and has been copied below for ease of reference. FBC notes that there was a minor typographical error in Section 5.2 in which the column “2021S” should have been labelled “2022S” and the column “2022F” should have been labelled “2023F”. This has been corrected in the table below and has no impact on the results in the table or the Application.

Wholesale (GWh)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022S	2023F
BCH Lardeau	6	6	6	6	6	8	8	7	6	6	7	7
BCH Kingsgate	5	5	5	5	5	5	5	5	5	4	5	5
City of Grand Forks	41	41	39	41	41	39	46	37	38	36	36	36
City of Nelson	80	83	81	83	80	86	88	84	82	86	79	78
City of Penticton	341	348	342	348	345	338	340	338	340	337	351	351
District of Summerland	95	98	94	97	98	98	99	95	99	97	101	101
City of Kelowna	332	94	-	-	-	-	-	-	-	-	-	-
Total	899	675	567	580	574	574	585	566	569	566	579	578

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1
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3
4 6.3 Please identify any customers other than the City of Penticton, the District of
5 Summerland, and the City of Nelson that FBC did not meet with, and please
6 identify the proportion of load typically associated with those customers.

7
8 **Response:**

9 FBC clarifies that it did meet with the City of Penticton, the District of Summerland and the City of
10 Nelson.

11 FBC did not meet with the City of Grand Forks which accounts for an average of 40 GWh or six
12 percent of the wholesale load over the past 10 years. FBC also did not meet with BC Hydro who
13 owns Kingsgate and Lardeau which accounts for an average of 10 GWh or two percent of the
14 wholesale load over the past 10 years. FBC notes that the BC Hydro load has also been very
15 consistent as shown in the table above.

16
17
18
19 6.4 What practices will be in place to evaluate the workshops, and whether they are
20 resulting in improved forecasting?

21
22 **Response:**

23 As explained in the Application (and included in the preamble to this IR), both FBC and the
24 Cities/District found the workshops to be informative and productive, and FBC intends to continue
25 to conduct these workshops on an annual basis in the future. FBC expects that the results of the
26 most recent forecasting year will be discussed at next year's workshop and that the Company
27 and the wholesale customers will continue to discuss forecasting methods and approaches with
28 the goal of improving understanding and sharing knowledge.

29 As demonstrated in Section 6.2 of Appendix A2 to the Application, the average wholesale
30 customer class forecast variance from 2016 through 2021 was very low at -1.8 percent. While the
31 intent of the workshop presentations and the sharing of tools and techniques was to assist
32 wholesale customers with their forecasting, with such a low average variance already being
33 experienced, FBC cannot provide any certainty that the methods presented will improve the
34 forecast results. However, where wholesale customers do feel that a different technique could
35 improve their results, FBC recommends that these changes be tested over time and only
36 implemented after careful consideration. If and when such changes are made, the goal would be
37 that the already low forecast variance would be further reduced.

38

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

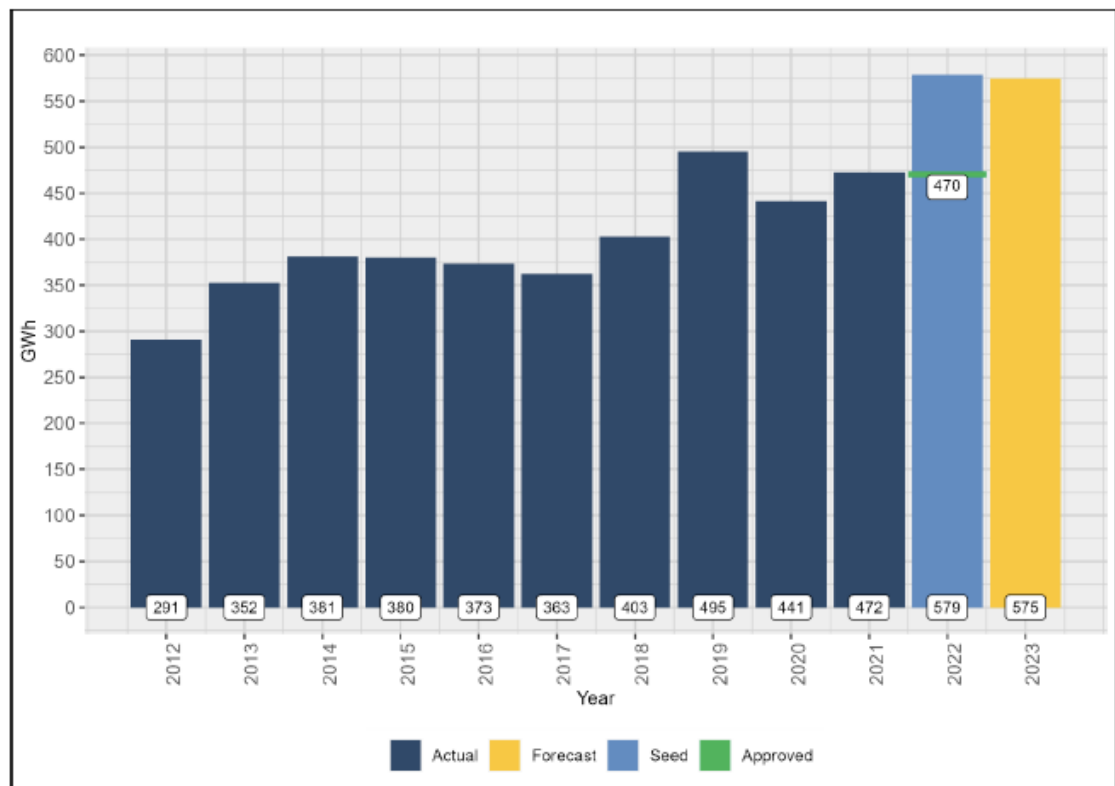
3.4.4 Industrial

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 five 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 81 percent (34 of 42) of the surveys sent out. The responding customers represent approximately 90 percent of the total industrial load.

As shown in Figure 3-7 below, after-savings industrial load is forecast to decrease by 4 GWh in 2023F when compared to 2022S and increase by 105 GWh in 2023F compared to 2022 Approved. The increased forecast in 2022S and 2023F compared to 2022 Approved is primarily due to projected increases in data centre loads.

Figure 3-7: After-Savings Industrial Load (GWh)



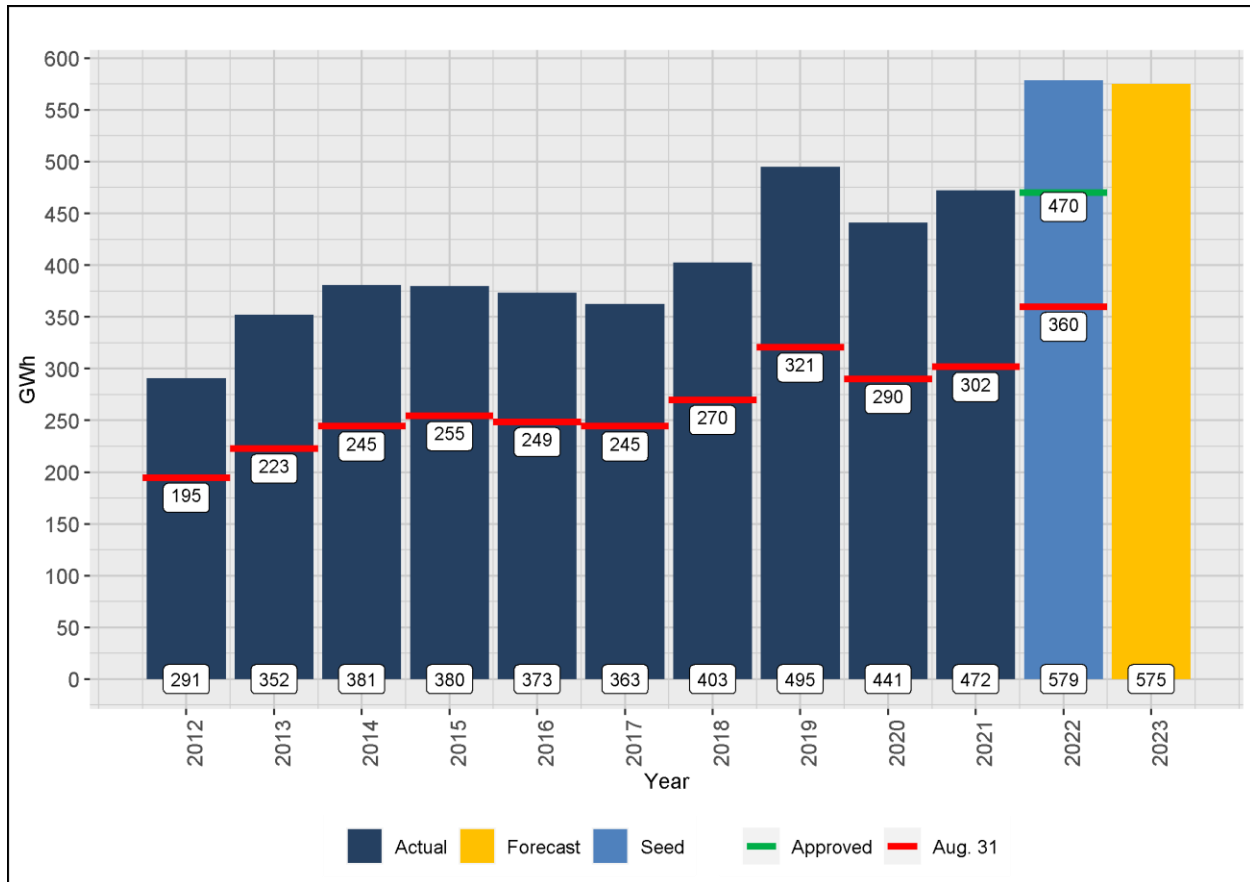
3
4 7.1 On the above Figure, please provide FBC's Industrial load for January 1 to
5 September 15, for each year including 2022.
6

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1 Response:

2 FBC is unable to provide half-month industrial load data because many of the industrial customer
3 account meter reads are imported into FBC's system on a monthly basis and include only monthly
4 data. The figure below has been updated to include the industrial loads from January 1 to August
5 31 from 2012 to 2022.

6 Updated Figure 3-7: Including After-Savings Industrial Load from January 1 to August 31 (GWh)



7

8

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1 **8. Reference: Exhibit B-2, page 25 and 26**

3.4.7 Losses and Company Use

FBC conducted a Losses Study in 2019⁹ and, consistent with that study, has assumed a loss rate of 7.6 percent of gross load (excluding company use). System losses consist of:

- Losses in the transmission and distribution system;
- Losses due to wheeling through the BC Hydro system; and
- Unaccounted-for load (meter inaccuracies and theft).

As shown in Figure 3-10 below, after-savings load losses are forecast to remain constant in 2023F because the gross load is forecast to be relatively stable when compared to 2022S. When compared to 2022 Approved, the 2023F after-savings load losses are forecast to increase by 14 GWh due to increased load. FBC has separated company use in the graph below, which is forecast at 13 GWh per year in 2023F, consistent with 2022S.

8.1 Please provide comparable data from other jurisdictions, if available.

Response:

The only readily available comparable loss rates are BC Hydro's loss rates. FBC has calculated that the BC Hydro gross load loss rate is 9.20 percent (compared to FBC's loss rate of 7.60 percent)³ and the BC Hydro transmission loss rate is 6.28 percent (compared to FBC's transmission loss rate of 2.86 percent).

FBC losses are not directly comparable to many other jurisdictions due to the wheeling agreement with BC Hydro which makes FBC's losses unique.

8.2 Please explain what activities FBC undertakes to reduce losses.

Response:

FBC is actively trying to reduce losses caused by theft by partnering with Crime Stoppers. Losses are driven by the amount of power that flows over the Company's system in addition to wheeling losses. As such, they are highly variable depending on actual generation levels and Company load. In general, as the Company upgrades its system, losses on that part of the system will tend

³ The 9.20 percent was calculated by taking the average of the F2022 and F2023 Total System Losses (GWh) divided by the Total Gross System Requirements (GWh) from the BC Hydro 2021 Integrated Resource Plan, Exhibit B-1, Appendix G, Table G-1.

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to decrease as a result of the upgrades, although FBC does not undertake infrastructure projects solely for the purpose of reducing losses.

8.3 Please provide a ballpark estimate of the rate impact if FBC were able to reduce losses to 5% or 6%.

Response:

FBC has no reasonable basis to conclude that losses of 5 percent or 6 percent are realistic without significant system upgrades. FBC's estimated losses of 7.6 percent are based on its Losses Study from 2019, as filed in its MRP Application.

Please refer to Table 1 below for the changes in the calculated 2023 rate increase if FBC were to, for the purposes of setting the 2023 rates, reduce the estimate of losses to 5 percent or 6 percent, instead of 7.6 percent of gross load (excluding company use), all else equal. FBC notes that reducing the estimate of losses will reduce the forecast power purchase expense, thus reducing the rate impact for 2023. However, the analysis below does not include any capital investment to FBC's infrastructure that would be necessary to reduce FBC's system loss from the currently estimated level of 7.6 percent to 5 percent or 6 percent. The practical implications of reducing losses would be that FBC would need to undertake significant long-term system improvements which would offset any decreases in rates.

Table 1: Changes to 2023 Rate Impact if Loss Rate is 5% or 6%

Particular	5% Loss	6% Loss	7.6% Loss (As-Filed)
2023 Rate Increase	2.07%	2.80%	3.99%

FBC also notes that 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.

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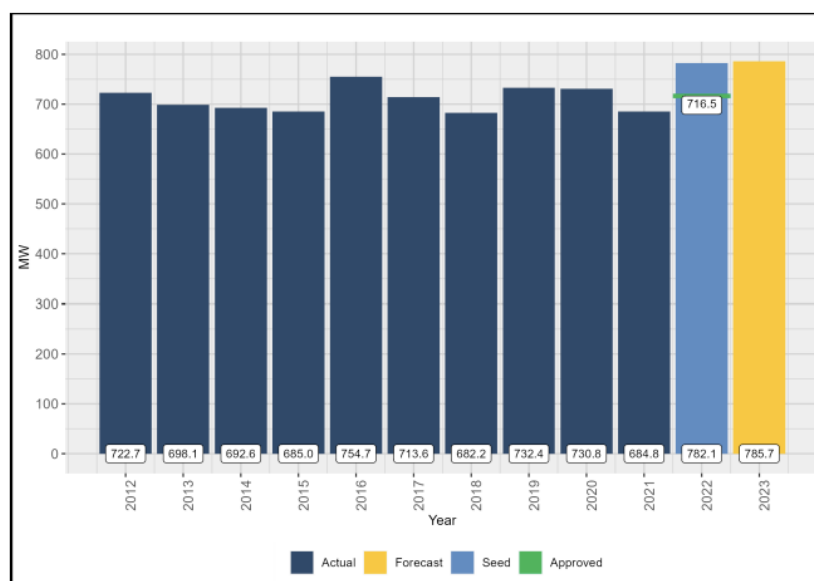
9. Reference: Exhibit B-2, page 26 and 27

3.4.8 Peak Demand

The peak demand forecast is produced using the 10-year average of historical peaks, including peaks from the June 2021 "heat dome" event. The historical peak data is escalated by the gross load growth rate before it is averaged to account for the growth of demand on the FBC system.

Normalized after-savings historical winter and summer peaks are shown below along with 2022S and 2023F. The peaks shown below are seasonal, where the winter peak can fall in either November or December of the current year or January and February of the following year, while the summer peak falls in June, July or August of the current year.

Figure 3-11: After-Savings Winter Peaks (MW)

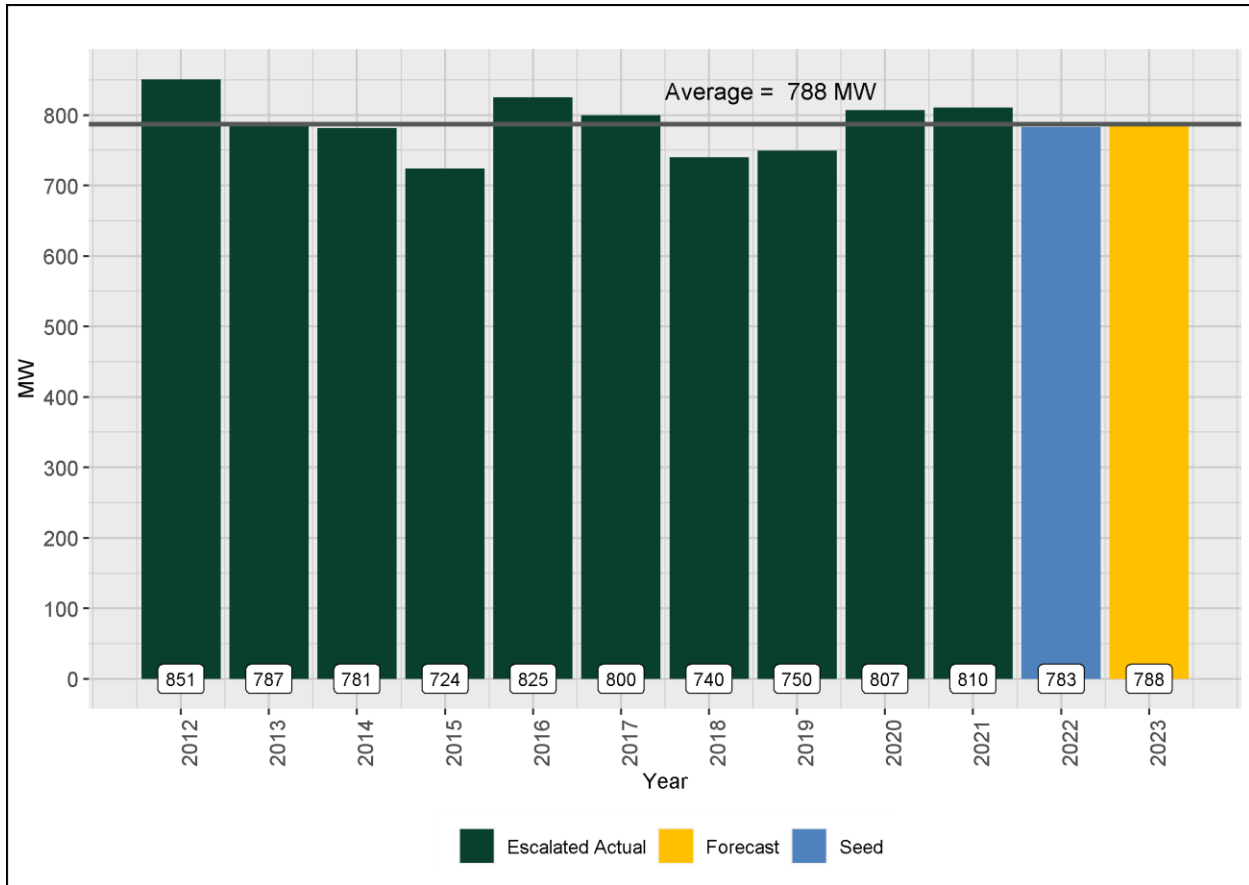


9.1 Please explain why the winter peak seed year (2022) and Forecast year (2023) are significantly higher than 2022 approved, and higher than any other year in the last decade.

Response:

FBC clarifies that the historical winter peaks (dark blue bars) shown in Figure 3-11 are weather normalized so that non-weather-related peak load growth would be more apparent. However, the peak forecasts for 2022S and 2023F are based on the average of actual peak data which would include the impacts of increased industrial loads in recent years, such as data centres. Please refer to the figure below which shows 10 years of actual winter peaks (i.e., not weather normalized) from 2012 to 2021 escalated by the annual energy load growth rates (i.e., green bars). The average of the 10 years escalated actual winter peak was then used to forecast the 2023 winter peak. FBC notes the winter peak is the maximum forecast between the months of November and February and is usually on one of the coldest days of the year.

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10. **Reference: Exhibit B-2, page 30**

4.2 SUMMARY OF POWER SUPPLY RESOURCES

FBC uses a combination of Company-owned generation entitlements, firm contracted supply, and market purchases to meet its load requirements. The Company's firm resources consist of:

1. Canal Plant Agreement (CPA) Entitlements associated with the generation facilities owned by FBC. The costs associated with FBC-owned generation are not included in the power purchase estimates, except for the Balancing Pool adjustments, which account for year-to-year timing differences in the entitlement energy storage under the CPA;
2. The Brilliant Power Purchase Agreement (BPPA), a 125 MW contract (Order E-7-96), and an amendment to the BPPA which reflects the purchase of 20 MW of Brilliant Upgrade

10.1 Please explain where the costs associated with FBC-owned generation are accounted for.

Response:

FBC-owned generation assets are included as part of FBC's rate base under the asset classes for Hydraulic Production Plant (Section 11 of the Application, Schedule 7, Lines 2 to 8). Therefore, the cost of service of FBC-owned generation assets, including the depreciation, earned return, property tax, as well as the related O&M expense (which is funded under FBC's formula O&M) are included in rates for all customers.

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1 **11. Reference: Exhibit B-2, page 31**

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 all of its 2023 forecast annual energy requirements, and most of its forecast capacity requirements with the exception of a small number of hours during June and July. These forecast capacity gaps result from the Company's updated, increased load forecast. As mentioned in previous Annual Reviews, 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. However, in contrast to recent years, the regional electricity market has experienced a step change over the past year due to several factors that include resource adequacy concerns, increased natural gas prices, and increased severe weather events. This change in the market price environment has resulted in little opportunity to displace PPA purchases on a forward basis. 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 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 made under the Capacity and Energy Purchase and Sale Agreement (CEPSA) with Powerex dated February 17, 2015, and accepted by Order E-10-15.

2
3 11.1 Please confirm that FBC undertakes its best efforts to optimize the portfolio for the
4 benefit of its ratepayers.

5 11.1.1 If not confirmed, what if any changes could be made to improve the
6 portfolio optimization activities?

7
8 **Response:**

9 FBC is actively pursuing available opportunities to optimize power supply and associated costs.
10 FBC actively considers strategies to reduce power purchase expense as outlined in the Annual
11 Electric Contracting Plan (AECPP) filed annually with the BCUC and continues to evaluate whether
12 additional measures could be taken to reduce power purchase expense without impacting
13 reliability. If any such measures were identified, FBC would consider taking the necessary steps
14 to implement them. FBC notes, however, that portfolio optimization is becoming increasingly
15 challenging in the current high-priced, rapidly evolving environment.

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11.2 Please elaborate on the ‘step-change’ to the regional electricity market, including quantification if possible.

Response:

The largest electricity trading hub in the Northwest is the Mid-Columbia River hub (Mid-C) which is located along the Columbia River on the border between Washington and Oregon. Roughly half of FBC’s market purchases physically come from the US. However, all of the market energy purchased under the Capacity and Energy Purchase and Sale Agreement (CEPSA) with Powerex Corp. (Powerex) is based on Mid-C prices.

Prior to 2021, Mid-C prices in recent years have maintained normal year-over-year fluctuations and have generally been within a range of \$20 to \$35 USD per MWh. In 2021, Mid-C prices experienced an upward step change compared to previous years. Overall, hourly Mid-C prices averaged \$40.40 USD per MWh, which is 63 percent higher than the average price of the preceding four years of \$24.77 USD per MWh. This trend has continued so far in 2022 with prices continuing to exceed those seen in recent years. The table below shows the average hourly Mid-C price by year from 2017 to 2021 as well as from January through August from 2017 to 2022.

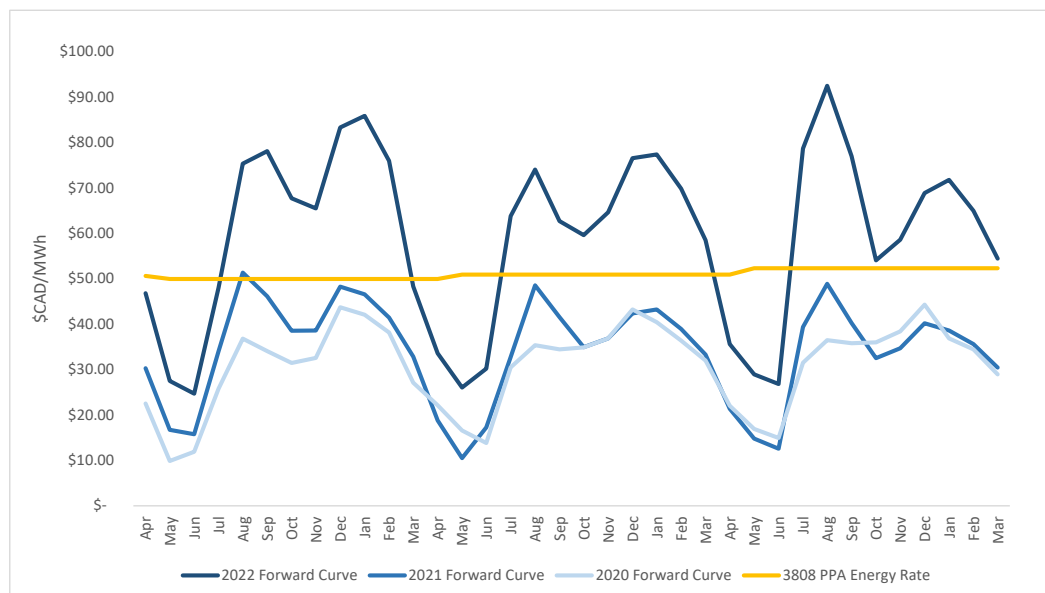
Table 1: Mid C Hourly Prices 2017 to 2022 YTD

\$ USD Per MWh	2017	2018	2019	2020	2021	2022
Annual Average	20.98	27.27	30.87	19.51	40.40	N/A
August YTD Average	19.08	21.96	30.14	16.23	35.37	46.35

A similar trend is observed in the forward market. In comparison to previous years, there is a risk premium on summer prices that is increasing the forward market price for those months. The figure below illustrates the risk premium by comparing the off-peak forward curve prices from 2019 to 2021. Each of the three blue lines represents the next 36 months of forward prices from March 16 of that year plotted against the BC Hydro 3808 PPA energy rate. This graph shows that relative to 2020 and 2021, the market is placing a much higher premium on summer energy and commanding higher prices in all months. Please also refer to the response to BCOAPO IR1 18.1.

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1 **2020-2022 Mid-C Off Peak Forward Curves⁴ vs 2022-2024 BC Hydro 3808 PPA Energy Rate**



2 3 4 5 6 **11.3 Please discuss the resource adequacy concerns and causes.**

7 8 **Response:**

9 The Pacific Northwest region is facing an upcoming period of resource adequacy concerns, and
10 price and reliability uncertainty. Natural gas fired-generation, increased renewable generation
11 projects, and regional provincial and state developments are expected to change the region's
12 resource dynamics. The regional power marketplace has recently been in an energy and capacity
13 surplus due to hydropower and gas-fired combined-cycle power generation; however, due to coal
14 plant retirements, lower hydro-generation, and greater summer demand, the Pacific Northwest is
15 facing a potential shortfall in resources. Capacity shortfalls could result in greater price volatility
16 in the wholesale market and greater interdependency between natural gas and electricity markets,
17 resulting in uncertainty and reliability risk. For further details on this topic, please refer to Section
18 2.4 of FBC's 2021 Long Term Electric Resource Plan (LTERP).

19

4 The Intercontinental Exchange (ICE) price quotes in Figure 15 are for the Mid-C trading hub from trades dated on March 16 of 2020, 2021, and 2022 in U.S. dollars. To arrive at the rates in this graph, a transmission adder of \$2 USD was added to the ICE quote and the total converted to Canadian dollars at an assumed exchange rate of 1.25 CAD/USD.

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12. Reference: Exhibit B-2, page 34

Table 4-3: 2023 Forecast Power Purchase Expense (\$ millions)

Line No.	Description	Projected 2022	Forecast 2023	Difference
		-		
1	Brilliant	\$ 42.367	\$ 44.050	\$ 1.683
2	BC Hydro PPA	49.539	71.302	21.763
3	Waneta Expansion	41.434	41.834	0.400
4	Market and Contracted Purchases	21.672	6.326	(15.346)
5	Independent Power Producers	0.058	0.062	0.004
6	Self-Generators	-	-	-
7	CPA Balancing Pool	(1.252)	-	1.252
8	Transmission Service Loss Recoveries	-	-	-
9	Special and Accounting Adjustments	(0.654)	-	0.654
10	Total	\$ 153.164	\$ 163.575	\$ 10.412
11				
12	Gross Load (GWh)	3,786	3,775	(11)

12.1 Please provide the actuals for 2017-2021, and the Approved for 2022.

Response:

The table below shows the 2017 to 2021 Actual and 2022 Approved power purchase expense.

Line No.	Description	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Approved 2022
1	Brilliant	39.358	\$ 39.618	\$ 41.848	\$ 41.507	\$ 41.014	\$ 41.841
2	BC Hydro PPA	40.507	31.542	40.740	42.434	43.333	44.062
3	Waneta Expansion	37.454	35.133	38.763	40.185	37.560	42.701
4	Market and Contracted Purchases	16.768	18.137	17.168	15.887	26.453	15.102
5	Sale of Surplus Power	-	-	(0.577)	-	-	-
6	Independent Power Producers	0.083	0.084	0.063	0.057	0.069	0.073
7	Self-Generators	0.101	0.049	0.059	0.176	0.000	-
8	CPA Balancing Pool	(1.049)	(0.684)	0.784	(1.109)	3.772	0.000
9	Transmission Service Loss Recoveries	-	-	-	-	-	-
10	Special and Accounting Adjustments	(0.008)	(0.036)	0.154	0.218	0.271	-
11	Total	\$ 133.214	\$ 123.842	\$ 139.002	\$ 139.354	\$ 152.472	\$ 143.779
12							
13	Gross Load (GWh)	3,594	3,530	3,618	3,574	3,764	3,591

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13. **Reference: Exhibit B-2, page 38**

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

Line No.	Description	Approved 2022	Projected 2022	Forecast 2023
1	Apparatus and Facilities Rental	\$ 6.018	\$ 6.018	\$ 6.108
2	Contract Revenue	2.277	2.750	2.367
3	Transmission Access Revenue	1.771	1.788	1.834
4	Interest Income	0.020	0.020	0.030
5	Late Payment Charges	0.875	1.095	0.994
6	Connection Charges	0.505	0.505	0.553
7	EV Stations Carbon Credits	-	0.625	-
8	Other Recoveries	0.366	0.366	0.355
9	Total Other Revenue	\$ 11.832	\$ 13.167	\$ 12.241

13.1 Please provide the actuals for 2017-2021 inclusive.

Response:

Please refer to Table 1 below for the 2017 to 2021 Actual, 2022 Approved and Projected, and 2023 Forecast Other Revenue.

Table 1: Other Revenue (\$ millions)

Line No.	Description	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Approved 2022	Projected 2022	Forecast 2023
1	Apparatus and Facilities Rental	4.808	5.808	5.915	5.487	5.751	6.018	6.018	6.108
2	Contract Revenue	1.915	1.939	2.076	2.426	3.283	2.277	2.750	2.367
3	Transmission Access Revenue	1.190	1.111	1.054	1.520	1.533	1.771	1.788	1.834
4	Interest Income	0.043	0.029	0.005	0.058	0.029	0.020	0.020	0.030
5	Late Payment Charges	0.896	0.939	0.929	0.203	0.892	0.875	1.095	0.994
6	Connection Charges	0.606	0.589	0.524	0.486	0.601	0.505	0.505	0.553
7	EV Stations Carbon Credits	-	-	-	-	-	-	0.625	-
8	Other Recoveries	1.162	0.663	0.124	0.402	0.313	0.366	0.366	0.355
9	Total Other Revenue	\$ 10.620	\$ 11.078	\$ 10.627	\$ 10.582	\$ 12.402	\$ 11.832	\$ 13.167	\$ 12.241

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1 **14. Reference: Exhibit B-2, page 40**

At the time of the 2022 Annual Review, FBC did not have any carbon credits validated by the British Columbia Low Carbon Fuel Standard (BC-LCFS); as such, and as reflected in Table 5-1 above, FBC did not forecast any revenue from the sales of the credits for 2022 Approved. 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 million²¹. 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.

Consistent with the practice from the 2022 Annual Review, FBC does not forecast revenue from the sale of credits that are pending validation; FBC is therefore not forecasting any of these revenues in 2023.

As part of the 2022 Annual Review Decision, FBC was directed to include the following in future Annual Review filings:²²

14.1 Please explain the process for monetizing credits. Is there a cost to the monetizing, and if so, is the \$0.625 million a net figure? Please explain.

Response:

Before FBC can monetize any credit, the credit itself must be validated by the Ministry of Energy, Mines and Low Carbon Innovation under the British Columbia Low Carbon Fuel Standard (BC-LCFS). Once the credits are validated, FBC will solicit bids from prospective buyers. FBC will then undergo negotiation and execute a contract with the successful bid, with the transaction subject to Ministry approval. Once the Ministry approves the transfer of the credit, the credit is monetized with the purchaser owing the transfer fee.

As stated in Section 5.8 of the Application, the \$0.625 million is based on 1,337 credits at an average market price of \$467.32 from the Q1-2022 Market Report⁵ from the Ministry of Energy, Mines and Low Carbon Innovation. Incremental costs associated with monetizing credits would be minimal.

⁵ <https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/electricity-alternative-energy/transportation/renewable-low-carbon-fuels/rldf-017.pdf>.

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1 **15. Reference: Exhibit B-2, page 48**

6.3.4 Clean Growth Initiative – Electric Vehicle (EV) DCFC Stations

As discussed in Section 5.8, FBC's EV DCFC stations are prescribed undertakings under section 5 of the GGRR²⁷ and the cost of service associated with EV DCFC stations is subject to flow-through treatment. Please refer to Table 5-2 in Section 5.8 which provides a summary of the EV DCFC stations' costs and revenues from 2021 Actual to 2023 Forecast.

As shown in Table 6-7 below, the 2022 Projected EV DCFC station O&M expense is expected to be consistent with 2022 Approved²⁸, and consists of network management, repairs and maintenance, inspection fees and FBC labour costs. The 2023 Forecast EV DCFC station O&M expense is anticipated to be similar to the 2022 Projected level, with an approximate increase of \$6 thousand primarily due to inflation.

Table 6-7: Clean Growth Initiative – EV DCFC Stations (\$ millions)

Line No.	Description	Approved 2022	Projected 2022	Forecast 2023	Reference
1	Clean Growth Initiative - EV DCFC	\$ 0.187	\$ 0.187	\$ 0.193	Section 11, Schedule 20, Line 19
2	Total	\$ 0.187	\$ 0.187	\$ 0.193	

2

3 15.1 Please explain what activities/processes FBC undertakes to ensure that costs

4 associated with EV DCFC stations are kept to a minimum, and that value for

5 spending is optimized.

6

7 **Response:**

8 FBC is part of many working groups across Canada and the United States who share learnings

9 and best practices regarding new technology, industry development, and installation techniques

10 for public charging infrastructure. FBC is responsibly growing its EV infrastructure by only adding

11 stations where site usage warrants an additional station. FBC is committed to prudently managing

12 the expenses by facilitating a competitive tender process for its EV DCFC O&M contracts. FBC

13 is also reviewing other DCFC stations to ensure the most cost effective equipment is selected for

14 future deployments.

15

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1 **16. Reference: Exhibit B-2, page 49**

The following table provides the 2022 Approved and Projected and the 2023 Forecast of incremental O&M related to MRS AR13.

Table 6-8: Incremental O&M for MRS AR13 (\$ millions)

Line No.	Description	Approved 2022	Projected 2022	Forecast 2023	Reference
1	Labour	\$ 0.335	\$ 0.200	\$ 0.490	
2	Non-Labour	0.280	0.250	0.095	
3	Contingency	0.150	0.050	-	
4	Total	\$ 0.765	\$ 0.500	\$ 0.585	Section 11, Schedule 20, Line 18

The 2022 Projected O&M expense is lower than 2022 Approved by \$0.265 million. The reduction of \$0.265 million is a result of less overall effort required to modify existing programs and processes as mentioned above than originally expected.

The 2023 Forecast O&M expense of \$0.585 million is related to the expected ongoing efforts to maintain procedures and processes, hardware and software that address supply chain risk assessments, ongoing licensing and maintenance of the hardware and software, and the documentation to maintain compliance of AR13. The 2023 Forecast is based on the expected costs in 2022 Projected and is therefore less than the 2022 Approved level. These costs are annual and will continue in future years.

16.1 If the 2023 Forecast is based on the 2022 Projected, please explain why it is \$0.085 million higher than 2022 Projected.

Response:

FBC notes that while the 2023 Forecast is based on and informed by the 2022 Projected activities and costs, FBC did not state in the Application that the costs would be equal. As explained in the Application (and included in the preamble to this IR), the 2022 Projected costs are related to FBC's one-time efforts to become compliant with the AR13 standards, while the 2023 Forecast costs are related to the ongoing effort to maintain compliance going forward. FBC's expectations for the level of costs and activities for 2023 and going forward are informed by the activities required to become compliant, which are being undertaken in 2022. Given that some of the activities and resulting costs will be different for maintaining compliance versus becoming compliant, it is reasonable to expect that the costs will differ somewhat between 2023 and 2022.

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1 **17. Reference: Exhibit B-2, page 52 and 53**

As further explained below, FBC has begun to experience pressures due to a variety of factors which are outside of the Company's control and could not have been anticipated at the time of the MRP proceeding, including supply chain issues and rising commodity prices and other inflationary pressures brought on by the COVID-19 pandemic and the war in Ukraine. These factors, as well as the increased cost and complexity in permitting and land acquisition as well as increased growth, are impacting FBC's ability to execute on all of its planned capital projects and programs. While FBC has pursued various mitigation measures to manage through the spending

pressures, FBC requires an increase in its capital spending for 2023 and 2024 compared to its original forecasts to execute on its planned activities.

Table 7-2: Regular Capital Expenditures, 2020-2022 Approved and 2023-2024 Original Forecasts (\$ millions)

<u>Line</u> <u>No.</u>	<u>Description</u>	Approved 2020	Approved 2021	Approved 2022	Original Forecast 2023	Original Forecast 2024
1	Growth Capital	27.029	23.042	24.339	26.283	23.170
2	Sustainment Capital	50.463	49.818	42.830	44.377	53.470
3	Other Capital	15.752	14.712	14.756	15.281	15.134
4	Total	93.244	87.573	81.925	85.941	91.774

Table 7-3: Regular Capital Expenditures, 2020-2021 Actual, 2022 Projected and 2023-2024 Updated Forecasts (\$ millions)

<u>Line</u> <u>No.</u>	<u>Description</u>	Actual 2020	Actual 2021	Projected 2022	Updated Forecast 2023	Updated Forecast 2024
1	Growth Capital	28.799	21.865	29.868	30.973	24.568
2	Sustainment Capital	47.325	49.601	41.486	45.797	58.673
3	Other Capital	16.036	15.349	16.381	17.658	17.213
4	Total	92.160	86.815	87.735	94.428	100.454

17.1 Please explain when the supply chain issues, rising commodity prices and other inflationary pressures first began impacting FBC's ability to execute on all of its planned capital projects and programs.

Response:

FBC started to experience supply chain issues as early as March 2020 which was at the early stage of the COVID-19 pandemic and which led to significant challenges related to international shipping, particularly into and out of Asia Pacific ports. Rising commodity prices and other inflationary pressures arose soon after. Initially, FBC was able to manage the inflationary pressure with the mitigation strategies discussed on page 58 of the Application; however, the increase started to become impactful in late 2020 with price increases continuing throughout 2021 and also into 2022. FBC notes that its experiences generally align with the average escalation shown in the Wood Mackenzie Report provided in Appendix C1 of the Application. It can be seen from the

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Wood Mackenzie Report that the capital costs for transmission and distribution (T&D) experienced by electric utilities across North America began to increase sharply at around Q3 of 2020 and continued into 2022. This is particularly evident with the material cost escalation for electric T&D capital which showed an average market increase of 50.5 percent between Q1 of 2020 to Q1 of 2022.

17.2 Has FBC undertaken project deferrals in order to meet, or be below its spending limitations? If yes, please provide a rundown of the projects that have been deferred, over what period of time they were deferred, and the associated spending.

Response:

In developing its detailed capital plans for 2020 through 2022, FBC has considered its annual budget when prioritizing capital spending. Please refer to the response to BCUC IR1 14.1 for further explanation of FBC's prioritization and optimization process for capital planning.

With regard to specific projects that have been deferred, FBC provided a list and description of all of its projects over \$1 million which were planned to be undertaken during the MRP term and which have been undertaken or are planned to be undertaken in the remainder of the MRP term in Appendix C2 to the Application. Please also refer to the responses to the BCOAPO IR1 29 series for further explanations of growth capital variances and the BCOAPO IR1 30 series for further explanations of sustainment capital variances. FBC did not defer any projects within the other capital category.

17.3 Assuming FBC is successful in its application for increased funding, please explain whether or not FBC will have, at the end of 2024, entirely completed all of the capital projects and programs that were originally contemplated during the MRP proceeding.

17.3.1 If no, please explain why not.

Response:

For the reasons described below, FBC will not have completed all of the projects and programs at the conclusion of the MRP term which were included in the Original 2020-2024 Forecasts in the MRP Application. This is to be expected with any five-year capital spending plan, as priorities change and new unanticipated projects are brought forward.

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FBC has described in detail in Appendix C2 why certain projects which were originally contemplated in the MRP Application have been deferred and why others have been completed or are planned to be completed which were not contemplated at the time of the MRP Application. Examples of projects which were included in the MRP Application but have been delayed beyond the MRP term are the Summerland Transformer Replacement, the DG Bell Second Transformer Addition and the Kaleden Transformer Replacement. These projects have been deferred for reasons such as changes in load projections and the need to accommodate new, higher risk projects, including the Keremeos Second Transformer Addition. Other projects, such as the Duck Lake Second Transformer Addition, are forecast to commence during the MRP term but will not be completed until after the MRP term is over (see page 2 of Appendix C2). FBC prepares its forecasts for growth capital projects based on the expected demand for new customers and/or load growth; however, the timing of when the demand materializes can vary from what was expected. Additionally, factors such as land acquisition and third-party requests can result in projects being delayed or moved up.

With regard to capital programs, many of the programs are ongoing; they were being undertaken prior to the MRP Application and they will continue to be undertaken subsequent to the MRP term. For example, and as explained in the MRP Application (page C-89), the Transmission Line Condition Assessment program is based on an eight-year cycle of inspecting and testing all of FBC's transmission line facilities. Therefore, the program will continue on its eight-year cycles beyond the MRP term. Another example is the Transmission Urgent Repair program. This program allots annual capital funding to repair or replace components that are in poor condition and in danger of immediate failure due to weather, defective equipment, animal intrusions, vandalism, abnormal operating conditions, vehicle collision or other unexpected reasons that can cause outages or present risks.

As outlined in Section C3.2 of the 2020-2024 MRP Application, FBC has implemented an Asset Investment Planning (AIP) process to support risk informed decision-making in capital planning. This process supports the creation of consistent, defensible and optimized decisions on which projects to invest growth and sustainment capital dollars. The foundation of the AIP tool is the value framework that is used to quantify the value, or the risk reduction, of potential investments. Investments are quantitatively valued through the value framework, and projects that provide the greater value, or greater risk reduction, are prioritized over projects that provide a lesser value or risk reduction.

As explained in the response to BCOAPO IR1 1.1, FBC is seeking approval of the level of forecast growth, sustainment and other capital expenditures to be incorporated in rates for the years 2023 and 2024 in this Application, rather than the approval of specific projects and programs. Pursuant to section 45(2) of the *Utilities Commission Act*, FBC has a deemed CPCN for extensions to its system and does not require approval to proceed with specific projects or programs below the CPCN threshold set by the BCUC.

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1
2 17.4 Please identify any and all projects contemplated in the MRS proceeding that will
3 not be complete, and please quantify any spending that was expected to be
4 undertaken but will not have been undertaken by 2024.

5
6 **Response:**

7 FBC confirms that the MRS requirements are being met. However, if this information request is
8 intended to refer to the MRP proceeding, please refer to the responses to CEC IR1 17.2 and 17.3.

9

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1 **18. Reference: Exhibit B-2, page 53**

Table 7-5: Growth Capital Expenditures 2023 and 2024 (\$ millions)

<u>Line</u> <u>No.</u>	<u>Description</u>	2023	2023	2024	2024
		Original Forecast	Updated Forecast	Original Forecast	Updated Forecast
1	Transmission Growth	5.195	6.223	1.086	1.088
2	Distribution Growth	1.899	2.800	1.921	1.716
3	New Connects	19.188	21.951	20.163	21.764
4	Total Growth Capital	26.283	30.973	23.170	24.568

As shown in Table 7-5 above, FBC's Updated Forecasts for growth capital have increased by \$4.690 million in 2023 and \$1.398 million in 2024 compared to the Original Forecasts. FBC is forecasting increases in all three growth capital portfolios in 2023. For 2024, the increase is primarily in the New Connects portfolio, with FBC reducing the expenditures for the Distribution Growth portfolio to offset some of the required increases. These increases are described in Section 7.2.1.1.3 below.

18.1 Please provide details as to exactly which inflationary pressures are expected to result in a 19.8% increase in transmission growth in 2023 and why.

18.1.1 Please explain if any of the increases in Transmission Growth are as a result of projects being deferred from earlier.

Response:

Please refer to the response to BCOAPO IR1 29.6.

18.2 Please provide details as to exactly which inflationary pressures are expected to result in a 47.4% increase in Distribution growth in 2023 and why.

18.2.1 Please explain if any of the increases in Distribution Growth are as a result of projects being deferred from earlier.

Response:

Please refer to the response to BCOAPO IR1 29.8.

18.3 Please provide details as to exactly which inflationary pressures are expected to result in a 14% increase in New Connects in 2023, followed by another 8% in 2024, and please explain why.

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1 18.3.1 Please explain if any of the increases in New Connects are as a result of
2 projects being deferred from earlier.

3
4 **Response:**

5 Please refer to the response to BCOAPO IR1 29.1.

6

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1 **19. Reference: Exhibit B-2, page 55**

Table 7-6: Sustainment Capital Expenditures 2020-2022 (\$ millions)

<u>Line</u> <u>No.</u>	<u>Description</u>	2020 Approved	2020 Actual	2021 Approved	2021 Actual	2022 Approved	2022 Projected
1	Generation	6.697	5.884	6.766	6.949	6.309	6.731
2	Transmission Sustainment	8.353	12.506	6.387	10.667	5.698	7.841
3	Stations Sustainment	13.538	4.821	13.624	12.083	5.279	6.889
4	Distribution Sustainment	20.057	21.530	20.058	17.479	19.262	17.439
5	Telecommunications	1.818	2.584	2.983	2.423	6.280	2.587
6	Total Sustainment Capital	50.463	47.325	49.818	49.601	42.830	41.486

Table 7-7: Sustainment Capital Expenditures 2023 and 2024 (\$ millions)

<u>Line</u> <u>No.</u>	<u>Description</u>	2023 Original Forecast	2023 Updated Forecast	2024 Original Forecast	2024 Updated Forecast
1	Generation	7.008	7.623	6.514	7.225
2	Transmission Sustainment	7.951	9.159	7.591	12.800
3	Stations Sustainment	3.793	7.928	15.971	15.229
4	Distribution Sustainment	19.710	17.480	19.922	18.219
5	Telecommunications	5.915	3.606	3.472	5.199
6	Total Sustainment Capital	44.377	45.797	53.470	58.673

As shown in Table 7-7 above, FBC's Updated Forecasts for sustainment capital have increased by \$1.420 million in 2023 and \$5.203 million in 2024 compared to the Original Forecasts. For 2023, the increases are primarily in the Transmission Sustainment and the Stations Sustainment portfolios, with FBC proposing to reduce the expenditures for the Distribution Sustainment and the Telecommunications portfolios to offset some of the required increases. For 2024, the increases are primarily in the Transmission Sustainment and Telecommunications portfolios, with FBC proposing to reduce the expenditures for the Distribution Sustainment and the Stations Sustainment portfolios to offset some of the required increases. These increases are described in Section 7.2.1.1.3 below.

FBC has experienced significant inflationary pressures during the first three years of the MRP term and expects these pressures will continue into 2023 and 2024. In particular, FBC has experienced the most significant inflationary cost pressures for poles, transformers and wires/cables. The projects in Transmission, Distribution and Station growth and sustainment portfolios have been impacted by incremental increases in the cost of these materials since 2020. Cost escalation is also impacting FBC due to steel commodity prices in North America, which have increased approximately 117 percent from the first quarter of 2020.

As shown in the Wood Mackenzie Report, it is expected that the average capital costs for electric utilities will continue to rise until the fourth quarter of 2024, although at a slower pace than what was experienced between the first quarter of 2020 and the first quarter of 2022, and will not come back down to the 2020 level. This expectation also aligns with the Bank of Canada's July 2022 Monetary Policy Report³⁷ which projects that CPI is expected to hover around 8 percent in the third quarter of 2022 before decreasing to approximately 3 percent by the fourth quarter of 2023 and 2 percent in 2024.

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19.1 The CEC notes that FBC has been underspending the sustainment capital formulas for 2020-2022, even though it states it has been experiencing significant inflation during that period. Please explain how FBC was able to accomplish this.

Response:

Please refer to the response to BCOAPO IR1 30.1 for an explanation of the variances in sustainment capital for 2020 and 2021. Please also refer to the response to BCOAPO IR1 30.2 for a discussion of the variances between the Original 2022-2024 Forecasts and the 2022 Projected and 2023 and 2024 Updated Forecasts.

19.2 Why does FBC consider that it needs additional expenditures in 2024 when inflation is expected to decline in 2023 and 2024?

Response:

Although inflation is expected to be lower in 2023 and 2024 than the level seen in 2022, given the compounding effects of inflation, FBC is not expecting capital costs related to electric transmission and distribution will return to pre-2020 levels unless significant deflation in the global market occurs within the next couple of years (i.e., negative inflation). FBC has no evidence that would support the assumption that capital costs would be returning to pre-2020 levels or that there will be significant deflation. FBC expects the capital costs for electric transmission and distribution will continue to grow which is supported by the market research information shown in the Wood Mackenzie Report included in Appendix C1 of the Application. Given that the Original 2023 and 2024 Forecasts were based on costs from 2018/2019 plus an annual escalation of 2 percent, the Original Forecasts would not have included the significant inflationary pressures that FBC has experienced since 2020; as such, the additional increases for 2023 and 2024 are necessary.

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1 **20. Reference: Exhibit B-2, page 58**

FBC Employed Mitigation Strategies to Limit Cost Pressures

FBC has implemented the following strategies to mitigate the impact of the aforementioned cost pressures:

- Re-scheduling projects that can be safely re-scheduled to 2023 to accommodate other project costs increase that could not be deferred. As detailed in Section 3.2 (Capital Planning Process – page C-52) of the MRP Application, FBC manages its capital investment plan to maintain a safe and reliable system, optimize resources and spending, and achieve efficiencies and cost savings. The capital plan contains a mix of projects, some of which are time-sensitive and others that have some schedule flexibility. The plan is developed with the understanding that conditions change, and the plan must be capable of adapting. This provides FBC flexibility to manage and execute normal levels of unforeseen urgent work that is expected to occur throughout the year within the resource and budget constraints of the capital plan. While FBC has delayed some work with flexible timing to accommodate the increased demands in 2022, this has only mitigated part of the capital pressures due to the magnitude of market pressures;
- Entering into long-term supply contracts for many commonly used materials and service providers (e.g., engineering consultants, construction contractors, etc.);
- Competitively tendering large contracts for materials and services to ensure competitive pricing;
- Communicating with critical suppliers and contractors to discuss issues and mitigation strategies;
- Negotiating collective agreement with unionized FBC employees that provide longer-term stability for internal labour rates (IBEW and MoveUP agreement expires in 2023); and
- Optimally allocating construction work to internal or external construction crews as appropriate.

2
3 20.1 Please confirm or otherwise explain that FBC receives benefits from deferring
4 projects and being underspent in certain years.

5
6 **Response:**

7 FBC does not defer projects in order to receive financial benefits. Under the approved MRP
8 Earnings Sharing Mechanism, variances in regular capital spending (either over or under the
9 approved forecasts) are shared 50/50 with customers. For the first two years of the MRP term
10 (i.e., 2020 and 2021), FBC's actual regular capital was very close to the approved amounts (i.e.,
11 actual capital spending was \$1.842 million less than approved). For 2022, FBC is projecting that
12 its capital spending will be higher than approved by \$5.810 million. Overall, spending over the
13 first three years of the term is greater than allowed, meaning that FBC and customers have shared
14 equally in the impacts of the greater spending through the earnings sharing mechanism, although
15 the impact is relatively small given the small cumulative spending difference.

16 The forecasts for regular sustainment, growth and other capital put forward and approved by the
17 BCUC for 2020 to 2022 in the MRP Decision and Order G-166-20 were based on the best

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1 information available to FBC at that time, including expectations of system load growth, inflation
2 and third-party driven projects, among other assumptions. As explained in the Application,
3 changes in these circumstances, including increased costs due to inflationary pressures and
4 supply chain issues, and changes in system load growth and third-party requests, resulted in FBC
5 deferring projects in some cases in the first three years of the MRP term.

6 With regard to the Updated 2023 and 2024 Forecasts, FBC was directed in the MRP Decision
7 and Order G-166-20 to file updated regular capital forecasts for these years as part of the 2023
8 Annual Review, specifically in order to address the inherent uncertainties that were thought to
9 exist in the forecasts put forth by FBC in the MRP Application. It was therefore anticipated by the
10 BCUC that the 2023 and 2024 capital forecasts would change.

11
12
13
14 20.2 Please confirm that deferring projects into later years, and seeking increased
15 funding for those years, would result in FBC receiving financial benefits if it
16 underspent in any of the years and having customers pay for the increased costs
17 of the deferred projects.

18
19 **Response:**

20 Please refer to the response to CEC IR1 20.1.
21

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1 **21. Reference: Exhibit B-2, page 65**

Table 7-13 below shows the incremental capital expenditures related to MRS AR13 with a breakdown between labour, non-labour and contingency for 2022 Approved, 2022 Projected and 2023 Forecast.

Table 7-13: Incremental Capital Expenditures for MRS AR13 (\$ millions)

Line No.	Description	Approved 2022	Projected 2022	Forecast 2023	Reference
1	Labour	\$ 0.580	\$ 0.680	\$ -	
2	Non-Labour	0.205	0.140	-	
3	Contingency	0.150	0.050	-	
4	Total	<u>\$ 0.935</u>	<u>\$ 0.870</u>	<u>-</u>	Section 11, Schedule 4, Line 8

As shown in the table above, the 2022 Projected capital expenditures are approximately \$0.065 million less than 2022 Approved. The reason for the variance is that FBC was able to purchase some software early (i.e., at the end of 2021 instead of 2022). Overall, there is no change to the original total estimate of \$0.935 million (i.e., \$0.065 million in 2021 Actual and \$0.870 million in 2022 Projected).

21.1 Why is there no change to the original total estimate if FBC was able to purchase software at a \$0.065 million reduction to approved?

Response:

FBC did not purchase the software at a reduced cost. As explained in the Application (and provided in the preamble), FBC purchased some of the software in 2021 instead of 2022. Therefore, the 2022 Projected amount is less than the 2022 Approved amount by \$0.065 million. However, the 2021 Actual was higher, reflecting the \$0.065 million of software purchases. This is purely a timing difference, with the overall total capital cost of \$0.935 million remaining the same (\$0.065 million in 2021 plus \$0.870 million in 2022).

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1 **22. Reference: Exhibit B-2, page 72**

(a) Bill payment deferrals provided to residential and small commercial customers

The bill payment deferral program was offered to residential and small commercial customers affected by the COVID-19 pandemic. FBC experienced high collection rates in regard to this program, recovering approximately 85 percent of the outstanding balances through the regular monthly instalments. The remaining customer balances that were ultimately deemed unrecoverable have been designated as unrecoverable revenue and as such, a total of \$0.119 million has been transferred to the COVID-19 Customer Recovery Fund Deferral Account. These additions to the deferral account are forecast in section (c), Table 7-18 *Unrecoverable Revenue Amounts*.

FBC ceased accepting new applications effective June 1, 2021 and is therefore not forecasting further additions related to this relief measure.

Table 7-16: Bill Payment Deferral Forecast Amounts (\$ millions)

	2020 Actual	2021 Actual	2022 Projected	2023 Forecast
Opening Balance	-	0.563	0.005	-
Additions	0.803	-	-	-
Repayments	(0.240)	(0.444)	-	-
Transfers	-	(0.114)	(0.005)	-
Ending Balance	0.563	0.005	-	-

22.1 Please provide a breakdown of the program by residential and commercial customers including number of customers, \$ value of bill payment deferrals, \$ value of collections received, and \$ value of outstanding balances, and number of customers with outstanding balances.

Response:

Please refer to the tables below for a breakdown of the bill payment deferral program by customer class.

Residential Customers	2020 Actual	2021 Actual	2022 Projected
Opening Balance (\$ millions)	-	0.487	0.004
Additions	0.688	-	-
Repayments	(0.201)	(0.373)	-
Transfers	-	(0.110)	(0.004)
Ending Balance (\$ millions)	0.487	0.004	-
Total Number of Customers Enrolled ⁶	2,302	2,297	2,297
Number of Customers with Outstanding Balances at Year End	825	14	-

⁶ The decrease in the Number of Customers Enrolled from 2020 to 2021 is a result of accounts with no balance outstanding or closed accounts at the time of enrollment.

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Commercial Customers	2020 Actual	2021 Actual	2022 Projected
Opening Balance (\$ millions)	-	0.076	0.001
Additions	0.115	-	-
Repayments	(0.039)	(0.071)	-
Transfers	-	(0.004)	(0.001)
Ending Balance (\$ millions)	0.076	0.001	-
Total Number of Customers Enrolled ⁷	309	307	307
Number of Customers with Outstanding Balances at Year End	86	1	-

1

⁷ The decrease in the Number of Customers Enrolled from 2020 to 2021 is a result of accounts with no balance outstanding or closed accounts at the time of enrollment.

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1 **23. Reference: Exhibit B-2, page 72**

(b) Bill credits provided to small commercial customers

The bill credit program offered to small commercial customers has been calculated using the existing balance of \$0.132 million as of April 2022. Given the duration and period these credits were available for, as well as the June 1, 2021 closure of the program for new applications, FBC does not expect additional credits to be offered to customers throughout the remainder of 2022 or in 2023. As such, FBC is proposing to amortize the \$0.132 million over three years, with the 2023 amortization amount shown in Table 7-17 below.

Table 7-17: Bill Credit Amounts (\$ millions)

	2020 Actual	2021 Actual	2022 Projected	2023 Forecast
Opening Balance	-	0.130	0.132	0.132
Additions	0.178	0.003	-	-
Tax	(0.048)	(0.001)	-	-
Amortization ⁴⁹	-	-	-	(0.044)
Ending Balance	0.130	0.132	0.132	0.088

2

3 23.1 How many small commercial customers participated in the Bill Credit program?

4

5 **Response:**

6 FBC received a total of 774 applications from small commercial customers to participate in the
7 Bill Credit program. Of the total applications received, 682 customers met the application criteria
8 and were enrolled in the program.

9

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1 **24. Reference: Exhibit B-2, page 78 and 79**

The 3-Month T-Bill forecast for 2023 is 3.14 percent, which is a significant increase from the 0.47 percent approved in 2022. FBC is in a rising interest rate environment due to high inflation, Russia's invasion in Ukraine, and the removal of monetary policy actions that were prevalent during the initial years of the COVID-19 pandemic (i.e., 2020 and 2021). In addition, on July 13, 2022 the Bank of Canada completed its fourth rate hike of the year, raising the benchmark interest

rate to 2.5 percent from 0.25 percent at the beginning of 2022 and signalling that more rate hikes will be announced in 2022. The market volatility is expected to persist given many ongoing elevated risk variables.

For 2023, FBC forecasts a similar level of other financing fees to the 2022 Approved amount. Other financing fees include the fees that FBC incurs for its letters of credit under the \$150 million credit facility, as well as interest paid on customer deposits. The short-term borrowing rate forecast is shown in Table 8-1 below.

Table 8-1: Short Term Interest Rate Forecast

FBC Short Term Interest Rate	Approved 2022	Projected 2022	Forecasted 2023
3-Month T-Bill Rate ¹	0.47%	3.08%	3.14%
Spread to CDOR	0.39%	0.36%	0.36%
CDOR Rate	0.86%	3.44%	3.50%
Spread to CP	-0.32%	-0.36%	-0.36%
CP Dealer Commission	0.10%	0.10%	0.10%
ST Interest Rate on Credit Facilities	0.64%	3.18%	3.24%
 Fixed Financing Fees ²			
Standby fee on Undrawn Credit ³	0.44%	0.39%	0.44%
Renewal Fee on Undrawn Credit	0.17%	0.11%	0.12%
Other Financing Fees	0.26%	0.35%	0.44%
ST Interest Rate on Fixed Financing Fee	0.87%	0.84%	1.00%
 FBC Short Term Rate	1.51%	4.02%	4.24%

Notes to Table:

¹ 3-Month T-Bill Rate for 2023 is a weighted average rate based on forecasts provided by Canadian Chartered banks in July 2022.

² Fixed financing fees represent the costs of maintaining the \$150 million credit facility and letter of credit facility, which are fixed fees incurred regardless of whether FBC draws from the credit facility. The fees have been converted into a short-term rate for forecast purposes.

³ A standby fee of 20 bps is charged on undrawn credit facility amounts, which would change if credit facility amounts are drawn through banker acceptances or prime loans. However, the forecast assumes FBC will borrow through commercial paper and will not change the undrawn credit facility fee percentage.

⁴ Other financing fees include commercial paper issuance fees, letter of credit fees, customer deposit interest expense and miscellaneous bank administration costs. The letter of credit fees, customer deposit interest and miscellaneous bank administration costs are incurred regardless of whether FBC draws from the credit facility.

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24.1 Please confirm or otherwise explain that when pointing out the signal of more rate hikes, FBC has essentially already factored the September rate hike into its assessments.

Response:

FBC utilized forecasts provided by Canadian Chartered banks in July 2022 with most banks pricing in the September rate hike. However, debt capital markets have been extremely volatile in 2022 and the interest rate forecasts have since changed, with most banks now forecasting one or more additional rate hikes by the end of 2022 compared to what was forecast in July and included in this Application. To demonstrate this, FBC has included below a comparison of the 3-Month T-Bill Rate based on July versus September forecasts provided by Canadian Chartered Banks.

	Per the 2023 Annual Review ¹ 2022	Latest Forecast ² 2022	Per the 2023 Annual Review ¹ 2023	Latest Forecast ² 2023
3-Month T-Bill Rate	3.08%	3.58%	3.14%	3.79%

Notes to Table:

¹ Average rate based on forecasts provided by Canadian Chartered Banks in July 2022 and included in FBC's 2023 Annual Review.

² Average rate based on the latest forecasts provided by Canadian Chartered Banks in September 2022.

FBC notes that the interest rate forecasts shown in the table above are at a point in time. Any variances between forecast and actual interest rates will be captured in the Flow-through deferral account and will be recovered from/returned to customers in subsequent years.

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1 **25. Reference: Exhibit B-2, page 120**

2 **12.2.1.3.2 O&M COST REDUCTIONS OFFSET INCREASED COSTS**

3 The cost reductions that FBC achieved consist primarily of lower employee expenses, in part as
4 a response to the travel restrictions, including in and out of Province travel, and the effect that the
5 COVID-19 pandemic has had on social interactions. Employee expenses that were not incurred
6 include course fees, travel, meals and accommodation, Company function expenses, and
7 employee hiring and relocation expenses.

8 For the years 2020 and 2021, the reduced employee expenses were estimated at approximately
9 \$2.34 million.

10 25.1 Considering the significant increases in, and normalization of, video-conferencing
11 that has occurred as a result of the pandemic, please explain whether or not FBC
12 believes it can implement some or all of the cost reductions, such as reduced travel
13 on a long-term basis.

14 25.1.1 If yes, please provide ballpark estimates of the cost reductions that may
15 be achieved.

16 25.1.2 If no, please explain why not.

17 **Response:**

18 Please refer to the discussion of the productivity initiative “Technology Investments to Support
19 Enhanced Communications” (page 4 of the Application) on how FBC expedited the use of the
20 Microsoft Teams platform, introduced enhancements, and plans to invest in further enhancements
21 to enable employees to productively work remotely.

22 FBC views the Microsoft Teams platform as an important contributor to creating a productive work
23 environment for its employees to complete their work, with the benefit of not requiring time away
24 from the home office and lost productivity. It was, and continues to be, a platform to reduce travel
25 requirements for staff, providing options to meet in person less often, which enables continued
26 savings on fuel costs, hotels, meals, and wear and tear on vehicles.

27 At this time, FBC is not able to quantify any expected permanent lower employee costs as a result
28 of using Microsoft Teams. While there have been reduced costs to date with the adoption of the
29 technology, FBC has recently been experiencing higher costs for employee travel due to high
30 inflation, which may likely serve to offset some of the lower costs observed. Also, FBC may be
31 required to reprioritize some of the funding to help with managing other cost pressures that the
32 Company may experience in other parts of its business. In accordance with the approved
33 treatment under FBC’s 2020-2024 MRP, should there be any remaining cost reductions, these
34 will be shared equally with customers through the Earnings Sharing Mechanism.

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1 **26. Reference: Exhibit B-2, page 136 and 137**

3 Customer Service is experiencing higher than expected levels of attrition, having lost
4 approximately 20 percent of its Customer Service Representatives in 2021.⁶⁷ All exits were in the
5 last half of 2021, resulting in fewer and less experienced employees prepared to support call
6 volumes in the first quarter of 2022. To mitigate the impact of this, FBC accelerated the timing of
7 planned new hire classes as well as the size of new hire classes in both 2021 and 2022. While

2
3 some success has been achieved, FBC has continued to face challenges recruiting and retaining newly hired contact centre employees in 2022. In addition, it takes on average approximately 12 months for new employees to be proficient and fully trained in order to support all customer inquiries and calls, and as such, average call handle times remain higher than normal while a greater portion of employees gain this experience.

Table 13-8: Historical TSF Results

Description	2014	2015	2016	2017	2018	2019	2020	2021	June 2022 YTD
Annual Results	48%	71%	70%	70%	72%	70%	70%	70%	63%
Benchmark	70%								
Threshold	68%								

4
5 26.1 Why does FBC expect that it lost more customer service reps than is usually
6 experienced, and why is FBC continuing to face challenges recruiting and retaining
7 newly-hired contact centre employees?

8 26.1.1 What actions is FBC undertaking to ensure that high attrition rates revert
9 to normal?

10
11 **Response:**

12 All employees exiting the Company are invited to participate in exit interviews. Exit interviews are
13 offered so that FBC may better understand if there are any trends behind the reasons given for
14 the exits. Based on the interviews conducted, the primary reason cited for leaving was family
15 and/or personal change in circumstances.

16 Specific actions that FBC has undertaken with respect to recruitment include an updated and
17 simplified customer service representative job posting to highlight the role and benefits. In
18 addition, the postings have been advertised on multiple online platforms to help improve
19 attraction. During the recruitment process, the Company highlights corporate values, culture and
20 employee benefits. FortisBC also participates in various career fairs near customer service
21 locations and encourages employee referral opportunities.

22 With respect to retention, FortisBC Customer Service management encourages and supports
23 celebration of various forms of recognition including employee milestones, team successes and

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- 1 friendly competitions, and peer to peer recognition opportunities. Committees that include
- 2 employees to provide feedback on retention improvements within the Customer Service
- 3 department have also been created.

4

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1 **27. Reference: Exhibit B-2, page 139**

13.2.2.6 Average Speed of Answer

The Average Speed of Answer (ASA) is an informational indicator that measures the amount of time it takes for a customer service representative to answer a customer's call (seconds).

The 2021 result was 65 seconds, and the June 2022 year-to-date performance is 98 seconds.

As with previous years, 2021 remained within a reasonable range from a customer experience perspective in that, on average, calls to the contact centre were answered in and around the one-minute mark. With respect to 2022, the year-to-date performance reflects the challenging circumstances in the first quarter of the year described above for the Telephone Service Factor (Non-Emergency). Recovery of the ASA back towards normal performance is expected to continue through the remainder of the year.

For comparison, the Company's results under the 2014 to 2019 PBR Plan, the 2020 and 2021 results and the June 2022 year-to-date results are provided below.⁶⁸

Table 13-10: Average Speed of Answer

Description	2014	2015	2016	2017	2018	2019	2020	2021	June 2022 YTD
Annual Results	226	49	48	49	49	49	71	65	98
Benchmark	n/a								
Threshold	n/a								

2

3 27.1 On what basis did FBC determine that about 1 minute is a reasonable speed of

4 answer from a customer service perspective?

5

6 **Response:**

7 FBC does not have a specific range that it considers reasonable; rather, FBC relies on customer

8 feedback and after-call survey results to determine whether wait times may be challenging for

9 customers and whether further action or alternatives are required. Anecdotally, and based on

10 FBC's participation in industry related events, FBC is aware that some utilities in Canada have

11 varying ranges of ASA, from under one minute to four minutes.

12 In this regard, despite the ASA being longer than typical for FBC customers, feedback from

13 customers indicates that that overall service quality remains high with the Customer Service Index

14 (CSI) aligned with performance in previous years and resolution continuing to remain high with

15 the First Contact Resolution (FCR) achieving the benchmark on a YTD basis.

16

17

18

19 27.2 Please provide the minimum speed of answer and the maximum speed of answer

20 experienced for 2014 through to June 2022 and, if possible, provide a graphic of

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the distribution of average speed of answer data for each year 2014 through 2022 to the extent FBC has the information to be able to provide this level of understanding of its service level.

Response:

Please refer to the table below for additional information on ASA. As demonstrated in the table below, for 2022 year to date the most frequently occurring wait time experience is less than one minute and for three quarters of customers, the wait time experience is just over one minute and a half (on an August 31 year-to-date basis). Please note that comparisons to 2022 should take into account that it is a partial year and that the impacts of seasonality are not fully reflected and, as a result, it cannot be directly compared to previous years.

Daily ASA Range (seconds)	2014	2015	2016	2017	2018	2019	2020	2021	2022 (As of Aug 31st)
Min ASA	7	9	8	7	7	4	4	5	4
Median ASA	46	30	37	35	35	37	31	36	52
75th Percentile ASA*	127	49	50	50	47	51	58	65	95
Max ASA	1556	148	171	120	167	159	593	505	594

* 75% of Daily ASA Values for the Specified Year are at or below this value.

