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

Attention: Ms. Sara Hardgrave, Acting Commission Secretary

Dear Sirs/Mesdames:

Re: FortisBC Inc. - Annual Review for 2023 Rates - Reply Submission

In accordance with the regulatory timetable in the above proceeding, we enclose for filing the Reply Argument of FortisBC Inc., dated November 9, 2022.

Yours truly,

FASKEN MARTINEAU DuMOULIN LLP

[Original signed by]

Christopher Bystrom*
*Law Corporation

CRB/NR
Encl.

BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF THE UTILITIES COMMISSION ACT, R.S.B.C. 1996, CHAPTER 473

AND

FORTISBC INC.

ANNUAL REVIEW FOR 2023 RATES

REPLY SUBMISSION

OF

FORTISBC INC.

November 9, 2022

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PART ONE: INTRODUCTION AND OVERVIEW

1. This is the annual review for the fourth year of the 2020 to 2024 Multi-Year Rate Plan (MRP) approved by British Columbia Utilities Commission (BCUC) Order G-166-20, issued on June 20, 2020 (MRP Decision).[1] In its Annual Review for 2023 Rates Application (Application) filed on August 5, 2022,[2] FortisBC Inc. (FBC or the Company) is seeking approval of 2023 rates on an interim basis pending the BCUC's determination of FBC's 2023-2027 demand-side management (DSM) expenditures and cost of capital. FBC submits that it has presented its 2023 revenue requirements in a clear and transparent manner and, through its responses to information requests (IRs) and discussion at the Workshop, has responded to the questions raised by the BCUC and interveners in this proceeding. In this Reply Submission, FBC seeks to respond further to the comments of interveners in their final submissions.

2. On October 6, 2022, FBC responded to IRs from the BCUC and interveners, including the British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre (BCOAPO), BC Sustainable Energy Association (BCSEA), Commercial Energy Consumers Association of BC (CEC), Industrial Customers Group (ICG), Canadian Office and Professional Employees Union, Local 378 (known as Movement of United Professionals or MoveUP), and the Residential Consumer Intervener Association (RCIA). A workshop was held on October 20, 2022 (Workshop), and FBC's presentation materials and the transcript of the Workshop were placed on the record in the proceeding.[3] FBC filed its response to the one undertaking from the Workshop on October 24, 2022.[4]

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1 Online: https://docs.bcuc.com/Documents/Decisions/2020/DOC_58466_2020-06-22-FortisBC-MRP-2020-2024-Decision.pdf.

2 Exhibit B-2, Application.

3 Exhibit B-11. The Workshop Transcript is available on the BCUC's website at: https://docs.bcuc.com/Documents/Transcripts/2022/DOC_68383_2022-10-20-Workshop-Volume1.pdf.

4 Exhibit B-12.

3. Between October 29 and November 3, 2022, the British Columbia Municipal Electrical Utilities (BCMEU), BCOAPO, BCSEA, CEC, ICG, MoveUP and RCIA filed final arguments. The submissions of interveners show broad support for FBC's Application. RCIA has "no objections" to the approvals sought, and requests further information regarding FBC's power purchase expense (PPE) and contract revenue relevant to future annual review proceedings.[5] BCOAPO submits that the BCUC should grant the approvals sought subject to its comments on interim rates and requests for clarification on a few points.[6] BCSEA supports FBC's requests, including the approval of interim rates.[7] CEC generally finds the Application well-supported, but makes a number of recommendations.[8] ICG provides four recommendations, including with respect to FBC's load forecasting, deferral accounts and capital expenditures.[9] BCMEU's only comment is to recommend that the BCUC approve permanent rates.[10] MoveUP states that the BCUC should approve the approvals sought by FBC.[11]

4. In the remainder of this Reply Submission, FBC responds to various comments and recommendations of interveners. Silence in this submission on a particular statement in an intervener submission does not indicate FBC's agreement. The sections below are organized around the following points:

- FBC's 2023 rates are required to be interim to implement BCUC decisions on DSM and cost of capital effective January 1, 2023.
- FBC has correctly calculated the formula elements of the MRP.
- FBC's load forecast is reasonable and additional reporting requested by interveners is not required.
- FBC's evidence regarding power purchase expense and related contract revenue has been sufficient.

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5 RCIA Final Argument, p. 6.

6 BCOAPO Final Argument, p. 55.

7 BCSEA Final Argument, p. 3.

8 CEC Final Argument, paras. 1-28.

9 ICG Final Argument, p. 4.

10 BCMEU Final Argument, p. 1.

11 MoveUP Final Argument, p. 6.

- FBC has reasonably explained the recategorization of forecast electric vehicle direct current fast charging (EV DCFC) station costs.
- FBC's forecast level of regular capital for 2023 and 2024 is reasonable and well-supported.
- FBC's deferral account requests are just and reasonable.
- Service Quality Indicators (SQIs) show that FBC is maintaining a high level of service quality.

PART TWO: REPLY TO INTERVENER COMMENTS

A. INTERIM RATES ARE REQUIRED TO IMPLEMENT BCUC DECISIONS ON DEMAND-SIDE MANAGEMENT AND COST OF CAPITAL EFFECTIVE JANUARY 1, 2023

5. As set out in the Application, FBC's rates should be approved on an interim basis only, pending the outcomes of the BCUC's current Generic Cost of Capital (GCOC) proceeding and FBC's 2023-2027 Demand Side Management Plan (2023-2027 DSM Plan) proceeding. BCSEA and MoveUP support the approval of 2023 rates on an interim basis pending the outcome of the 2023-2027 DSM Plan and GCOC proceedings.[12] BCMEU, BCOAPO and CEC recommend that the BCUC approve FBC's 2023 rates on a *permanent* basis citing, in particular, concern about the potential impacts of retroactive increases to rates.[13]

6. In Exhibit A-4, the BCUC requested that FBC address the following specific matters as part of its Reply Argument:

1. Whether there are legal, regulatory or practical impediments, if any, to the BCUC approving permanent 2023 rates for FBC based on the evidence and evidentiary update filed in this proceeding, pending the resolution of ongoing BCUC proceedings involving FBC; and

2. If the BCUC approves interim 2023 rates as applied for by FBC:

    a. Which, if any, of the related approvals sought by FBC in this proceeding should be approved on an interim basis and/or deferred; and

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[12] BCSEA Final Argument, p. 3; MoveUP Final Argument, p. 2.

[13] BCMEU Final Argument, pp. 1-2; BCOAPO Final Argument, p. 5; CEC Final Argument, p. 2.

b. Which of the related approvals sought by FBC should be approved on a permanent basis?

7. In the subsections below, FBC responds to the questions from the BCUC and to intervener submissions, making the following points:

(a) There are two legal impediments to the approval of permanent rates.

(b) The only approval sought by FBC that would be interim would be the rates themselves.

(c) CEC's oppositions based on the rate impacts of the GCOC proceeding would lead the BCUC into legal error.

(d) BCMEU's position improperly seeks to tie the hands of the GCOC Panel.

(a) There Are Two Legal Impediments to Approving Permanent Rates

8. In response to question 1 from the BCUC, all of FBC's requests and forecast revenue requirements in this proceeding can be approved on a permanent basis, subject to two factors:[14]

(a) FBC's proposed rates for 2023 include the 2023 impact of its 2023-2027 DSM Plan, which is currently before the BCUC for review and acceptance.

(b) FBC's proposed rates for 2023 include FBC's current cost of capital, which is being reviewed and considered by the BCUC in the GCOC proceeding.

9. These circumstances present an impediment to permanent rates for two legal reasons.

DSM Expenditures Must be Accepted Before Permanent Rates are Approved

10. First, pursuant to section 44.2(2) of the *Utilities Commission Act* (UCA), the BCUC may not approve permanent rates for the purpose of recovering DSM expenditures unless the DSM expenditures have been the subject of an accepted DSM expenditure schedule:

> (2) The commission may not consent under section 61 (2) to an amendment to or a rescission of a schedule filed under section 61 (1) to the extent that the amendment or the rescission is for the purpose of recovering expenditures referred to in subsection (1) (a) of this section, unless

[14] Exhibit B-2, Application, pp. 1-2.

> (a) the expenditure is the subject of a schedule filed and accepted under this section, or
>
> (b) the amendment or rescission is for the purpose of setting an interim rate.

11. Pursuant to the above section of the UCA, because FBC's proposed 2023 rates incorporate the 2023 impact of FBC's 2023-2027 DSM Plan, the BCUC must accept FBC's 2023-2027 DSM Plan before it may approve FBC's 2023 rates on a permanent basis. Since it is uncertain whether a BCUC decision on FBC's 2023-2027 DSM expenditure schedule will be issued before the end of the year, FBC has proposed that its 2023 rates be approved on an interim basis only.

12. BCOAPO states that FBC revised its position at the Workshop to be that the BCUC's decision on its 2023-2027 DSM Plan "would not change the Utility's 2023 requested rate increase".[15] BCOAPO's interpretation is incorrect. For clarity, Ms. Walsh stated that FBC does not *anticipate* that a decision regarding its 2023-2027 DSM Plan would change interim rates and not that they *would* not.[16] Clearly, whether it will change FBC's proposed rates will depend on the decision of the BCUC Panel in FBC's 2023-2027 DSM Plan proceeding. Furthermore, whether the decision will impact FBC's rates or not, FBC's rates must remain interim until the 2023-2027 DSM Plan is accepted due to section 44.2(2) of the UCA.

Rates Should Be Made Interim to Allow for the Potential Implementation of the GCOC Decision as of January 1, 2023

13. Second, it is well-established by the Courts that retroactive ratemaking is not permissible. For example, in *ATCO Gas & Pipelines Ltd v Alberta (Energy & Utilities Board)*, the Supreme Court of Canada states: "It is well established throughout the various provinces that utilities boards do not have the authority to retroactively change rates…"[17] The two common exceptions to retroactive ratemaking are the use of interim rates and deferral accounts.

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15 BCOAPO Final Argument,

16 Workshop Transcript, p. 12, ll. 22-26 (Walsh).

17 *ATCO Gas & Pipelines Ltd v Alberta (Energy & Utilities Board)*, 2006 SCC 4 at para. 71. Online: https://www.canlii.org/en/ca/scc/doc/2006/2006scc4/2006scc4.pdf.

14. As a result, if the BCUC Panel in this Annual Review were to make FBC's rates permanent effective January 1, 2023, then any change to FBC's rates resulting from the BCUC's decision on the GCOC proceeding could not be implemented back to January 1, 2023.[18] The evidence on the fair return for FBC is currently being considered and, based on the regulatory schedule for the GCOC proceeding, a decision is expected in 2023. Once the fair return has been determined by the BCUC, it must be implemented and FBC submits that the appropriate implementation date would be as of January 1, 2023.

15. If, as expected, the GCOC Panel directs a change in the cost of capital effective January 1, 2023, FBC will need to incorporate the impact of that change and adjust 2023 rates accordingly. Barring the deferral account approach, this requires rates to be set on an interim basis now, so that permanent rates can reflect the 2023 impact of any decision in the future.[19]

16. As FBC explained in the Workshop, the approval of interim rates preserves the most "optionality" for the BCUC for implementing permanent rates following its GCOC decision. Ms. Walsh explained:[20]

> We don't have -- well, we don't have concerns in that we have a number of options that we can use, that we can deploy depending on the timing of the GCOC decision and what that decision is. We did walk the panel and the staff and interveners through that during the FEI annual review workshop. But essentially we have a few levers that we can use and it could be a retroactive or forward-looking billing adjustment. Or we can utilize a deferral account approach. It would really depend at that time on the -- yeah, basically on the timing and the changes that needed to result. <u>But ultimately the best time to decide that is by the GCOC panel at that time and it, as I said, it preserves optionality for that panel and for Fortis in terms of its proposal</u>.
>
> So we would certainly -- the key consideration would be how best to implement any changes to permanent rates, keeping customers in mind, absolutely. [Emphasis added]

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18 Unless the BCUC were to approve a deferral account to capture these impacts, as discussed further below.

19 Workshop Transcript, p. 9, ll. 18-23 (Walsh).

20 Workshop Transcript, p. 13, ll. 6-24 (Walsh).

17. Preserving the options noted above is an important benefit. Notably, a retroactive billing adjustment is the only option that allows 2023 rates to be accurately corrected for a change in the cost of capital. The ability to implement a retroactive billing adjustment back to January 1, 2023 requires rates to be set on an interim basis.

18. The alternative to interim rates is to approve a deferral account to capture the impacts of the GCOC decision. With a deferral account approach, the impact of any change in the cost of capital could not be recovered in 2023, and would need to be recovered beginning in 2024. This approach would, therefore, have negative impacts in that the balance in the deferral account would not be able to be recovered until 2024 at the earliest, which would delay recovery by the utility and have rate implications for customers in 2024.

19. Therefore, the most practical and beneficial approach to addressing the current circumstances, where there are outstanding BCUC decisions that will impact rates, is to make rates interim. FBC emphasizes that making FBC's 2023 rates interim does not impact the substance of the decisions to be made by the BCUC on FBC's 2023-2027 DSM Plan or the GCOC proceeding, but preserves the ability for the decisions in those proceedings to be implemented back to January 1, 2023. Further, making rates interim also provides the most options for implementing the BCUC's GCOC decision.

(b) The Only Approval Sought that is Interim Would be the Rates Themselves

20. In response to question 2 from the BCUC, FBC's approvals sought set out in Section 1.2 of the Application as updated[21] reflect FBC's interim rate request. The only approval sought that is on an interim basis is the actual proposed rates themselves. This is reflected in the wording of the approval sought in item 1 of Section 1.2 of the Application and item 1 of the Draft Order.[22]

21. FBC is seeking all other approvals on a permanent basis, as they are not dependent in any way on the GCOC or DSM decisions or any other decision of the BCUC, and the decision of the BCUC in this proceeding will have considered and resolved all matters except those two matters

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[21] Exhibit B-2, Application, Section 1.2, as updated in Exhibit B-11, Workshop Presentation, slide 10.

[22] Exhibit B-2, Application, Appendix D.

– the cost of capital and the DSM amount for 2023. For example, if FBC's proposed 2023-2027 DSM Plan is accepted, and there is either no change to FBC's cost of capital, or the change is not effective in 2023, then the interim rates approved in this proceeding will be the same as permanent rates, and there will be no adjustment to customers' bills.

22. No approvals sought by FBC in this proceeding should be deferred.

(c) CEC's Submissions on Interim Rates Would Lead the BCUC into Legal Error

23. The CEC submits that it is concerned about the potential for retroactive rate increases due to a decision on FBC's cost of capital in the GCOC proceeding.[23] CEC's submissions are improper and would lead the BCUC Panel into legal error, and should not be given weight.

24. As required by the UCA and as confirmed by the Supreme Court of Canada,[24] a public utility's fair return cannot be judged based on the rate impacts associated with it. As explained in the BCUC's 2016 Cost of Capital Decision, under the Fair Return Standard, rates must reflect a Fair Return (that meets the three standards of comparable investment, financial integrity and capital attractiveness standards), and not the rate impacts associated with meeting that standard:[25]

> The Panel has not considered rate impacts that result from the revenue required to yield the fair return. The Panel recognizes that once a revenue requirement that has been established consistent with the Fair Return Standard and the regulatory compact, an assessment is required to determine not only that the rates give the utility the opportunity to realize its revenue requirements but also to ensure the rates that are set are structured so that they are consistent with the UCA requirement that they must not be "unjust" or "unreasonable" by being "more than a fair and reasonable charge for the service of the nature and quality provided by the utility.

Consistent with the BCUC's determination above, the BCUC may not consider the rate impacts that result from the revenue required to yield the fair return for the utility. Just as the BCUC panel

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23 CEC Final Argument, paras. 214-215.

24 *Northwestern Utilities v. City of Edmonton* [1929] S.C.R. 186.

25 Decision and Order G-129-16, dated August 10, 2016, p. 4. Online: https://www.ordersdecisions.bcuc.com/bcuc/decisions/en/169142/1/document.do.

in the GCOC proceeding cannot consider the rate impacts, neither can this Panel consider the rate impact from that proceeding in setting rates in the annual review.

(d) Interim Rates Will Leave the Options Open for the GCOC Panel to Implement its Decision

25. BCMEU requests that "the Panel in this proceeding find that the FBC Rates are final as approved and that any findings made by the GCOC Panel should apply going forward from the date of the decision of the GCOC determinations."[26] FBC submits that this submission is improper and should not be accepted. FBC respectfully submits that the Panel in this proceeding should not, and cannot, dictate the date on which the GCOC panel should implement the GCOC decision.

26. BCMEU's stated reason for its request is that municipal utilities do not have the ability to implement interim rates and will risk a shortfall if there is a retroactive implementation of the GCOC results.[27] FBC submits that this reasoning is incorrect and should not be accepted. While BCMEU claims that municipalities cannot implement interim rates themselves, it has provided no explanation as to why municipalities need to implement interim rates to recover the costs of the implementation of the GCOC proceeding or why municipalities are at risk of a shortfall in revenue. The municipalities are aware of the GCOC proceeding and the potential for interim rates, and it is their responsibility to plan accordingly. Municipalities have jurisdiction over the rates charged to their customers and should plan to approve rates to recover their costs as needed.

27. Furthermore, interim rates are a common mechanism used by the BCUC and, indeed, by regulators across the country. While FBC seeks to have rates made permanent by January 1 each year, this cannot always be accomplished, and interim rates are a necessary and beneficial approach. The BCUC's jurisdiction to implement interim rates is clear and the BCUC remains free to use interim rates where just and reasonable to do so, despite the preferences of municipalities.

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[26] BCMEU Final Argument, p. 1.

[27] BCMEU Final Argument, p. 1.

28. Finally, FBC submits that its proposal that rates be made interim is the just and reasonable approach. In contrast to CEC and BCMEU's approach, which would effectively tie the hands of the GCOC panel, FBC's proposal to make rates interim will not require the GCOC panel to implement the GCOC decision in any particular way, but will simply leave the GCOC's panel's options open. FBC submits that this is the just and reasonable approach in the circumstances.

B. FBC HAS CORRECTLY CALCULATED THE FORMULA ELEMENTS OF THE MRP

(a) FBC's Calculation of the Inflation Factor Is Consistent with the MRP Decision and Has Been Addressed in Previous Annual Reviews

29. The CEC acknowledges that FBC's calculation of the inflation factor (I-Factor) is consistent with the approved methodology, but reiterates its position from last year's annual review that the I-Factor should be reviewed and set on the basis of a seven-year average.[28] The BCUC rejected the CEC's position as part of FBC's Annual Review for 2022 Rates decision, as follows:[29]

> The Panel is satisfied that the methodology for calculating the I-Factor should remain as approved in the MRP Decision and therefore rejects the CEC's recommendation of adjusting the I-Factor to 2.67 percent. In our view, the CEC has not provided sufficient evidence or justification for using a seven-year average to calculate the I-Factor.

30. The Panel's reasoning in last year's annual review proceeding remains applicable this year. The CEC has provided no further evidence or justification for a seven-year average. FBC remains subject to inflationary forces[30] and the I-Factor has been reasonably set based on the latest data from Statistics Canada that remains a valid and objective measure of the economy-wide inflation in BC and has been approved by the BCUC for the term of the MRP.[31]

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[28] CEC Final Submission, paras. 41 and 47-48.

[29] Decision and Order G-374-21, dated December 15, 2021, p. 20. Online: https://docs.bcuc.com/Documents/Decisions/2021/DOC_65117_G-374-21-FBC-Annual-Review-for-2022-Rates-Decision.pdf.

[30] Exhibit B-3, BCUC IR1 2.3.

[31] Exhibit B-3, BCUC IR1 2.5.

31. Further, the BCUC has confirmed that revisiting the terms of the MRP is not within the scope of annual reviews. Citing the MRP Decision, the BCUC stated in FBC's Annual Review for 2020-2021 Rates decision:[32]

> The purpose of the Annual Review is not to unravel or revisit the MRP Decision, rather, as the BCUC stated in that decision, the 'Annual Review process is designed to provide the BCUC, interveners and interested parties the opportunity to review the performance of [FBC] over the prior year.

32. In FBC's Annual Review for 2022 Rates decision, the BCUC confirmed this approach:[33]

> Once an MRP is approved, it should be given the opportunity to work as intended and should not be adjusted due to annual fluctuations in certain individual components of the plan. The Panel agrees with the BCUC's statement in FBC's Annual Review for 2020-2021 Rates that adjusting individual components of the formula O&M is outside the scope of any Annual Review. The purpose of the Annual Review is not to unravel or revisit the MRP Decision but to provide the BCUC, interveners and interested parties the opportunity to review the performance of FBC over the prior year and to assess the reasonableness of proposed rates for the following test period. [Footnote omitted]

33. The MRP also includes an off-ramp based on variances from FBC's allowed return on equity (ROE). The off-ramp has not been triggered. Indeed, FBC's actual ROE after-sharing has been very close to FBC's allowed ROE of 9.15 percent (i.e., 9.30 percent in 2020 and 9.26 percent in 2021).[34] Furthermore, FBC has no expectation that the off-ramp will be triggered over the remaining term of the MRP due to inflationary factors.[35]

34. FBC, therefore, submits that the methodology for calculating the I-Factor should remain as approved.

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32 Decision and Order G-42-21, dated February 12, 2021, p. 14. Online: https://docs.bcuc.com/Documents/Other/2021/DOC_60995_Decision-with-Order-G-42-21-FBC-2020-2021-AnnualReview.pdf; see also MRP Decision, p. 165.

33 Decision and Order G-374-21, pp. 20-21.

34 Exhibit B-3, BCUC IR1 1.2.

35 Exhibit B-3, BCUC IR1 2.3.

(b) Adjustment to the Inflation Factor Would Not Constitute an Exogenous Factor

35. CEC also submits that the BCUC should "establish an adjustment to the I-Factor as an exogenous Z-Factor".[36] However, CEC has not explained how an adjustment to the I-Factor meets the criteria for a Z-Factor. Z-Factors were designed to capture the impact of unforeseen events on FBC's operations,[37] not changes to the O&M formula over the course of the MRP term. As described in the MRP Decision, examples of exogenous factors that are beyond FBC's control include:[38]

- Judicial, legislative or administrative changes, orders or directions;
- Catastrophic events;
- A major seismic event;
- Acts of war, terrorism or violence; or
- Changes in revenue requirements due to BCUC decisions.

Examples of such Z-Factor events have been the COVID-19 pandemic, forest fires, floods and new mandatory reliability standards. FBC submits that CEC's submission that a change to the formula can be implemented as a Z-Factor is not a reasonable interpretation of how the MRP is designed to function.

C. FBC'S LOAD FORECAST IS REASONABLE

(a) Commercial Use Per Customer (UPC) Information is of Limited Value

36. The CEC recommends that the BCUC direct FBC to continue to report on the UPC for small and large commercial customers in its annual review applications.[39] First, to clarify, contrary to the CEC's statement that FBC provided commercial UPC information in its Annual Review for 2022 Rates,[40] FBC provided this information in response to a CEC IR in that proceeding, not in the

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[36] CEC Final Argument, para. 50.
[37] Exhibit B-2, Application, p. 117.
[38] MRP Decision, p. 62.
[39] CEC Final Argument, para. 84.
[40] CEC Final Argument, p. 78.

annual review application (or appendices). Notably, however, the CEC did not ask for the same UPC information in the current proceeding, which is consistent with FBC's view that the information is not relevant to the review of the Application.

37. Second, FBC has not provided commercial UPC values in its annual review applications, as FBC does not use UPC information to derive the commercial forecast. Rather, as explained in Section 3 of the Application, FBC forecasts the load from commercial classes based on a regression of load on the provincial GDP forecast obtained from the Conference Board of Canada (CBOC).[41] In addition to the description of the forecast in Section 3 of the Application, FBC also provides detailed supplementary information in Appendices A1, A2 and A3 to the Application. As such, FBC submits that the Application provides the appropriate level of information on the load forecast, and that the CEC's recommendation would add little, if any, value and should not be accepted.

(b) FBC's Method of Forecasting Residential UPC Remains Accurate

38. While BCOAPO does not make any recommendations regarding FBC's residential UPC forecast, BCOAPO reiterates its previously rejected view that FBC double counts DSM savings and advocates for the approach to forecasting residential UPC that it explored in BCOAPO IR1 9.2 and 9.3.[42] BCOAPO acknowledges that any variance would be small and would be captured in the Flow-through deferral account.[43]

39. In reply, FBC reiterates its position that it is not double counting DSM savings. The BCUC has repeatedly accepted FBC's position, most recently in the last decision on FBC's Annual Review for 2022 Rates, in which it stated:[44]

> As in the FBC Annual Review for 2020 and 2021 Rates, the Panel is not persuaded that FBC has double-counted DSM savings in its residential or commercial UPC forecast. As there has been no change to FBC's UPC forecast methodology and

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41 Exhibit B-2, Application, p. 20.

42 BCOAPO Final Argument, p. 13.

43 BCOAPO Final Argument, p. 13.

44 Decision and Order G-374-21, p. 33.

> BCOAPO has not submitted any new evidence to support that there is indeed double-counting, the Panel finds that there is no need for FBC to revise the UPC forecast in the 2023 Annual Review. [Footnote omitted]

40. FBC also reiterates the following concerns with BCOAPO's approach:[45]

- The regression based on the approach (suggested in BCOAPO IR1 9.2 to 9.4) would have a worse R2 value than the regression in FBC's approach. As shown in Table A3-5 of Appendix A3, the regression under FBC's approach would be 0.84, compared to 0.69; and
- The approach suggested by BCOAPO, which is a regression without all cumulative DSM savings where the DSM savings are instead added back later, would require an assumption that there is no change related to those DSM savings in all years since 2012. For instance, if certain DSM measures were implemented in 2012 such as a new LED light bulb, it is entirely possible that the LED light bulb could have been removed or replaced with a newer LED light bulb over the years. If the regression is completed before the DSM savings, then any changes to the DSM savings would not have been captured in the regression. On the other hand, FBC's approach would be a regression on all historical load, which would capture all changes embedded in the historical load, including any changes related to the DSM savings.

41. Finally, FBC's forecasting approach has been accurate[46] and FBC does not see any benefit to adjusting its UPC forecast at this time.

(c) Additional Reporting Regarding FBC's System Load Factor and Load Losses is Not Necessary

42. CEC recommends that the BCUC direct FBC to continue to report its System Load Factor in future annual review applications along with a commentary on contributing factors, including any potential interaction with load losses. In addition, CEC recommends that FBC be directed to provide a commentary on what options might be available to reduce load losses in the future.[47] FBC submits that the CEC's recommendations would not add value and should not be accepted.

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[45] Exhibit B-6, BCOAPO IR1 9.4.

[46] Exhibit B-2, Application, Appendix A2, pp. 9-10.

[47] CEC Final Argument, para. 120.

43. First, FBC already reports on its System Load Factor,[48] and has explained that its utility load losses are highly variable, being driven by the amount of power that flows over the system in addition to losses due to wheeling over BC Hydro's system and unaccounted for load (meter reading inaccuracy and theft).[49] Second, FBC is already actively trying to reduce losses caused by theft, and reducing losses due to power flows on the system would require significant long-term system improvements, the cost of which would outweigh any reduction to power purchase expense.[50] Therefore, FBC submits that the reporting requested by CEC would have little, if any, value and should not accepted.

(d) FBC Will Continue to Provide Peak Demand as Part of the Application

44. CEC recommends that the BCUC direct FBC to continue to report on both its winter and summer peak demand in future annual review applications, along with a commentary on trends or contributing factors to changes in the peaks and particularly the summer peak.[51] FBC submits that no direction is required as it already provides its peak demand as part of the Application.[52] If there are any notable trends, FBC would provide commentary as appropriate.

(e) Additional Rate Impact Analysis in Future Annual Reviews is Unnecessary

45. ICG submits that FBC should be directed to provide further analysis in the next annual review application regarding why there is a rate increase whether the load increases or decreases compared to forecast.[53] FBC submits that no further analysis is necessary. FBC explained the rate impact analysis in the response to BCUC IR1 5.1 as follows: [54]

> …under the scenarios where the load increases by 10 percent or 5 percent, the 2023 rate also increases. This is due to the impact of the increased load on FBC's power supply cost. Access to BC Hydro's embedded cost energy (at a rate of $50.94 per MWh; Tranche 1 Energy Price as of April 1, 2022) under the BC Hydro

48 Exhibit B-2, Application, Appendix A2, p. 12.

49 Exhibit B-2, Application, pp. 25-26; Exhibit B-9, CEC IR1 8.1 and 8.2.

50 Exhibit B-5, CEC IR1 8.3.

51 CEC Final Argument, para. 122.

52 Exhibit B-2, Application, pp. 26-28.

53 ICG Final Argument, p. 2.

54 Exhibit B-3.

> Power Purchase Agreement (PPA) is based on an annual nominated amount. For any amount that exceeds the annual nominated amount, the energy price will increase to 150 percent of the Tranche 1 Energy Price up to a maximum amount of 1,041 GWh. Above 1,041 GWh and up to the maximum of 1,752 GWh, the energy cost increases to $109.35 per MWh (Tranche 2 Energy), which is equal to BC Hydro's RS 1823 Tier 2 rate. For both the scenarios of plus 5 percent and plus 10 percent, the increase in total load would exceed the Tranche 1 Energy limit of 1,041 GWh. As such, the increase in power purchase expense would outweigh the increase 1 in revenue, resulting in an overall increase to the proposed 2023 rate.
>
> For the scenarios of minus 5 percent and minus 10 percent, the loss of revenue due to the reduced load outweighs the reduced power purchase expense, resulting in an overall increase to the proposed 2023 rate as well.

46. FBC submits that the analysis is clear and that no further explanation is needed.

D. FBC'S EVIDENCE REGARDING POWER PURCHASE EXPENSE AND RELATED CONTRACT REVENUE HAS BEEN SUFFICIENT

47. RCIA requests that the BCUC require FBC to provide more details on its power purchase expense (PPE) and related contract revenues in future annual rate applications and the next MRP application.[55] FBC submits that no direction is required, as RCIA has not established any particular areas of concern, and that RCIA should instead pursue any questions it has regarding FBC's costs in future proceedings as appropriate within the scope of those proceedings.

48. With respect to the management of the Brilliant assets, RCIA states that it appreciates that FBC has set up a management committee, but "there is no truly independent Arm's Length entity that works to ensure residential ratepayers are paying for optimum costs."[56] There is, however, no requirement that there be an independent, arms-length entity to oversee the management of these assets or any of FBC's assets. FBC prudently manages its assets without any such committee, and submits that the BCUC itself is the only independent entity that is required to review FBC's expenditures.

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[55] RCIA Final Argument, pp. 8-9.

[56] RCIA Final Argument, p. 8.

49. As explained by Mr. Aaltomaa at the Workshop, FBC uses the same asset management department to manage the Brilliant facility as it does its own assets. The difference is that FBC also works with Columbia Power Corporation, the owner, to have an annual review to approve all expenses.[57] FBC explained:[58]

> There is a Brilliant Management Committee, comprised of two appointees from FBC and two appointees from either Columbia Power Corp (CPC) or Columbia Basin Trust (CBT), the independent joint owners of the Brilliant dam. Part of the responsibilities of the committee include approving an operating plan and budget for the upcoming year. While the committee is not completely independent, since two appointees are from FBC, it does comprise two members who are independent from FBC and serves a governance function that is necessary for approval of annual scopes of work and O&M costs through joint decision-making. Considerations involved in the annual plan include FBC's recommendations for work to be performed, and budgeting priorities of CPC and CBT.

This added layer of review should provide additional comfort that FBC's expenses with respect to the Brilliant facilities are prudent.

50. RCIA states that it wants to review and challenge power supplier flow-through costs and contract revenues in the context of the next MRP for FBC and FortisBC Energy Inc. ("FEI").[59] FBC submits that RCIA is free to do so if and when FBC files for approval of its next MRP, but that this is beyond the scope of this proceeding and FBC's next annual review which are governed by the currently approved MRP. As such, FBC submits that the RCIA's recommendations for FBC to file further information in its next annual review should not be accepted.

51. Further, FBC submits that RCIA's request for further information in FBC's next MRP is premature as the current MRP is still in progress, and RCIA has not established any particular concern with respect to FBC's costs that warrant a BCUC direction. Moreover, RCIA is free to pursue its interests in future proceedings as necessary.

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57 Workshop Transcript, pp. 28-29 (Aaltomaa).

58 Exhibit B-7, RCIA IR1 5.1.

59 RCIA Final Argument, p. 8.

E. FBC HAS EXPLAINED THE RECATEGORIZATION OF FORECAST EV DCFC STATIONS O&M COSTS

52. In the context of FBC's 2023 Forecast EV DCFC Stations O&M expense, BCOAPO suggests that FBC may want to clarify why correcting the inadvertent inclusion of these stations as FBC's cost of energy under RS 21, rather than O&M, caused a reduction to the 2023 rate increase.[60] As FBC explained in the response to BCUC IR1 12.1, in correcting this error FBC only needed to adjust the 2023 Forecast O&M (not the 2022 Projected), whereas both the 2022 Projected and 2023 Forecast cost of energy required an adjustment.[61] The changes in 2023 Forecast were simply a recategorization between cost of energy and O&M, thus resulting in no change to the 2023 rates; however, the adjustment to the 2022 Projected cost of energy resulted in an offset which will be captured in the Flow-through deferral account and will impact the 2023 amortization expense of that deferral account, thus leading to a small reduction in the 2023 rate increase.

F. FBC'S PROPOSED LEVEL OF 2023 AND 2024 CAPITAL IS REASONABLE AND WELL-SUPPORTED

(a) FBC Has Justified its Updated Level of Capital for 2023 and 2024

53. ICG submits that the BCUC should only approve FBC's Original Forecasts for 2023 and 2024. The only rationale provided by ICG is that the opportunity to review the new capital plans was "limited".[62] FBC submits that ICG's submission is not supported and that FBC's updated level of capital for 2023 and 2024 is reasonable and should be approved.

54. First, FBC submits that the regulatory process has been sufficient for ICG to raise its concerns. ICG asked IRs on capital (e.g., ICG IR1 10 to 15 series), had an opportunity to review FBC's responses to IRs submitted by the BCUC and other interveners, attended the Workshop where FBC provided further information regarding its capital expenditures[63] and had an opportunity to ask additional questions, and provide written submissions based on the totality

60 BCOAPO Final Argument, p. 22.

61 Exhibit B-3.

62 ICG Final Argument, p. 3.

63 Workshop Transcript, pp. 49-69.

of the evidence in this proceeding. Despite these opportunities, ICG provides no argument as to why FBC's updated level of regular capital is not reasonable.

55. Second, FBC currently has no approved level of regular capital for 2023 and 2024. Therefore, FBC's updated forecasts for growth, sustainment and other capital are not *increases*, but rather, reflect the level of capital forecast for the remainder of the MRP term. FBC compared its updated forecast to the original forecast as a reference point only. The original forecast was not approved by the BCUC in the MRP Decision as it recognized that reliance on a five-year forecast would be "fraught with challenges to reliability" and would contain "inherent uncertainties" when facing an evolving operating environment.[64] Therefore, the BCUC directed FBC to apply for its regular capital for 2023 and 2024 in this proceeding.[65] As such, FBC's proposed level of regular capital is fully consistent with the MRP Decision. Moreover, given the BCUC's rejection of FBC's original level of regular capital for 2023 and 2024, it would be a surprising result if the BCUC were to approve it now, three years later.

56. Third, FBC's level of regular capital is supported by FBC's evidence in the Application, IR responses, and the Workshop. FBC has described the general cost pressures influencing its regular capital, which includes inflation, but has also provided a breakdown of its growth and sustainment capital projects and programs, with additional detail on those projects over $2 million.[66] ICG does not provide any argument as to why the identified projects are not reasonable or should not proceed as proposed.

57. Fourth, the fact that FBC's regular capital is increasing due to inflation is supported by the report prepared by Wood Mackenzie Supply Chain Consulting[67] and is consistent with the global issues causing rising inflation. FBC has also reasonably explained why it cannot isolate the exact amount of inflation in its projects. FBC continually manages a portfolio of hundreds of active

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64 MRP Decision, p. 131.

65 MRP Decision, p. 131.

66 Exhibit B-3, BCUC IR1 14.1; Exhibit B-2, Application, pp. 55-58 and Appendix C-2; Workshop Transcript, pp. 51-52 (Ruchkall).

67 Exhibit B-2, Application, Appendix C1.

growth and sustainment capital projects at various stages of the project lifecycle (from initial development through to project closing).[68] As such, the multiple factors driving 2023 and 2024 regular capital expenditures, including inflation, impact FBC's specific projects and programs differently and, due to the large number of individual projects which FBC undertakes annually, it is not possible for FBC to isolate the impact of inflation.[69] FBC explains:[70]

> The 2023 and 2024 Updated Forecasts, which include individual projects (single-year and multi-year projects) as well as ongoing programs, were developed using the most recent pricing that is available to FBC, such as current contractor pricing or recent bid pricing for similar work. The prices received for projects vary depending on the scope and project category. Additionally, while the prices include consideration of current inflationary pressures, FBC does not have visibility into the extent that inflationary pressures have impacted the overall pricing. For instance, the contractor hourly rates or the recent bid pricings would not normally have a separate line item for inflationary pressures. Inflationary pressure is also not tracked separately for projects that are currently in execution. For example, project managers are required to submit change controls throughout the execution stage of individual projects such that the most recent information is available for the purpose of forecasting future costs; however, these change controls are not categorized for inflation. [Emphasis added]

58. In summary, FBC has reasonably justified its requested level of regular capital for 2023 and 2024 and submits that it should be approved as filed.

(b) Need for Beaver Park Substation Upgrade Project is Well-Supported

59. BCOAPO states that it is not clear whether the proposed second transformer at the Beaver Park Substation is needed to meet expected load growth or to avoid the need to employ a mobile transformer.[71] To clarify, there are three key drivers underlying the need for the Beaver Park Substation Upgrade project: (1) the deteriorated condition of equipment (i.e., the existing transformer and switchgear is 57 years old and is at risk of failure[72]); (2) necessary enhancements

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68 Exhibit B-3, BCUC IR1 14.1.

69 Exhibit B-3, BCUC IR1 14.1; Exhibit B-6, BCOAPO IR1 30.2.

70 Exhibit B-6, BCOAPO IR1 30.2.

71 BCOAPO Final Argument, p. 27.

72 As Ms. Ruchkall explained at the Workshop, the load tap changer on the only transformer at the Beaver Park Substation is a vital component that can no longer be maintained as spare parts are no longer available from the manufacturer. Further, this type of load tap changer has failed at other FortisBC substations: Workshop

to the reliability of the substation; and (3) the need to increase capacity to accommodate a current request related to an upgrade to a municipal facility in the area.[73] BCOAPO's submissions relate to driver (2).

60. With respect to the proposed reliability enhancements, FBC has proposed to add a second transformer at the substation to provide resiliency if a single transformer failure were to occur. This upgrade will ensure continued reliable service to the Trail area. As Ms. Ruchkall explained:[74]

> During summer and winter peak seasons, the Beaver Park load cannot be entirely transferred to neighbouring substations and a mobile transformer would be required to support all load during an outage to Beaver Park T1. Through the addition of a second transformer, all customers could be supplied during a single transformer outage at the Beaver Park Station and no mobile transformer would be required.

61. Transformers are a vital component of any substation and installing a second transformer avoids the need to rely on a mobile transformer in the event of a transformer failure and avoids a number of disadvantages associated with a temporary solution of this kind. In particular, FBC cannot guarantee that it will have an available mobile transformer in the event of a transformer failure. Even if FBC could source a mobile transformer, it may not be located in close proximity to the Beaver Park Substation, prolonging the duration its customers are without service. Further, if a mobile transformer was not already in the Trail area, accessing the Beaver Park Substation during the winter or during extreme weather conditions may further impede FBC's efforts to restore service.

62. In summary, FBC has supported the need for the Beaver Park Substation Upgrade project, including the installation of a second transformer, which will replace deteriorated equipment, provide reliability benefits to customers, and ensure sufficient capacity to meet expected load.

Transcript, p. 55, l. 14 to p. 56, l. 3 (Ruchkall); see also Exhibit B-2, Application, Appendix C2, p. 2 and Exhibit B-8, ICG IR1 21.3.

73 Workshop Transcript, p. 55, ll. 9-12 (Ruchkall).

74 Workshop Transcript, p. 56, ll. 4-15 (Ruchkall).

(c) Impact of DG Bell Feeder 4 Addition Project is Properly Reflected in Rates

63. BCOAPO suggests that FBC may want to clarify why a reduction in its distribution growth capital, due to the inadvertent inclusion of the DG Bell Feeder 4 Addition project in this portfolio, led to an increase of 0.01 percent to FBC's proposed interim rates.[75] While this question was not raised during the Workshop, FBC clarifies that the reason for this slight increase to interim 2023 rates is primarily due to the unfavourable impact on tax expense due to the loss of available capital cost allowance deductions in 2023.

G. FORECAST OF INCREMENTAL NEW PROPERTY TAXES REFERS TO ELECTRICITY

64. BCOAPO suggests FBC may want to clarify whether it meant 'electricity' rather than 'gas' in the response to BCUC IR1 22.2.[76] As apparent from the context, FBC confirms that it meant to refer to electricity rather than gas in its response.

H. FBC'S DEFERRAL ACCOUNT REQUESTS SHOULD BE APPROVED AS PROPOSED

(a) Rate Base Treatment of the Joint Pole Use Audits Deferral Account is Just and Reasonable

65. ICG submits that the BCUC should approve a non-rate base deferral account for the costs of FBC's joint pole use audits.[77] FBC submits that rate base treatment is the most appropriate treatment and is consistent with the approved treatment of FBC's deferral accounts established in recent years, including for all new deferral accounts requested in the 2020-2021 and 2022 annual review proceedings.[78] This issue was fully canvassed in FBC's Annual Review for 2022 Rates in which the BCUC accepted FBC's position in its Decision, as follows:[79]

> FBC incurs costs to finance its deferral accounts. A deferral account creates a timing difference between when funds are spent and when those costs are returned to or recovered from ratepayers, and that timing difference leads to financing costs for the utility. Rate base treatment is comparable to other

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75 BCOAPO Final Argument, p. 28.

76 BCOAPO Final Argument, pp. 41-42.

77 ICG Final Argument, p. 2.

78 Exhibit B-3, BCUC IR1 19.1

79 Decision and Order G-42-21, p. 22.

> circumstances where FBC's recovery of costs are deferred, such as capital expenditures included in rate base as well as a working capital component. The Panel accepts FBC's justification for rate base treatment for these deferral accounts since it results in the amounts expended on behalf of customers being financed for rate making purposes at the same rate they are financed by the utility. Furthermore, rate base treatment is consistent with recent BCUC decisions, including the MRP Decision as well as the FEI 2020-2021 Annual Review Decision, which is based on the same MRP Decision. [Emphasis added]

66. FBC continues to rely on its reply submissions set out at pages 15-19 of its Annual Review for 2020-2021 Rates proceeding and, in particular, reiterates that "denying FBC a rate base return on its deferral accounts would be an error of law as it would unreasonably and unjustifiably deny recovery of FBC's prudently incurred costs, which would prevent FBC from earning a fair return on its investment in the provision of utility service to its customers."[80] As FBC explained in the response to BCUC IR1 19.1:[81]

> The costs FBC forecasts to incur for the 2023 audit of the joint use pole agreements will be financed, for rate-making purposes, at the same rate as they are financed by the utility. As such, and as stated by the BCUC Panel in the FBC 2020-2021 Annual Review Decision, a rate base deferral account for the 2023 joint pole use audit is the appropriate treatment.

67. Further, the difference in terms of the levelized rate impact (when compared to the 2022 Approved rates) over the five-year amortization period between the two treatments is small – only 0.001 percent, and there is no change to the proposed 2023 rate increase when rounded to two decimal places.[82]

68. ICG states that because the treatment of deferred costs is being considered in the GCOC proceeding, the BCUC should use the treatment it approved in 2018 for the last joint pole use audit.[83] FBC submits that this logic is not sound, as the BCUC's determination in 2018 is inconsistent with its later decisions, including Decision and Order G-42-21 quoted above. ICG has

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80 FBC Annual Review of 2020 to 2021 Rates, FBC Reply Argument. Online: https://docs.bcuc.com/Documents/Arguments/2020/DOC_60029_2020-12-07-FBC-Reply-Argument.pdf.

81 Exhibit B-3, BCUC IR1 19.1.

82 Exhibit B-3, BCUC IR1 19.1.

83 ICG Final Argument, p. 2.

provided no reasoning for why the BCUC should revert to a practice that it has explicitly rejected in more recent decisions. While the BCUC is considering the financing of deferred costs in the GCOC proceeding, it has not made any determination to date and a decision is not expected until at least 2024, after completion of stage 1 and stage 2 of the GCOC proceeding.[84] In the meantime, the BCUC should maintain the status quo as FBC has proposed in the Application.

(b) COVID-19 Customer Recovery Fund Deferral Account is Appropriately Recovered from All Customers

69. ICG submits that the balance in the COVID-19 Customer Recovery Fund Deferral Account should be recovered by customer class.[85] FBC disagrees and submits that its proposal to distribute the balance to all customers is just and reasonable.

70. The COVID-19 Customer Recovery Fund has benefited all customers by minimizing to the extent possible the level of unrecovered revenue due to the pandemic.[86] As FBC's bad debt is recovered from all customers, it is reasonable that the balance in the COVID-19 Customer Recovery Fund Deferral Account also be recovered from all customers. For example, a large bad debt from an industrial customer is not recovered only from industrial customers.

71. Further, recovering the balance by customer class would require the use of rate riders, which is not warranted given the total revenue requirement for the account in 2023 is only approximately $169 thousand plus tax and the earned return on the rate base deferral account,[87] and therefore, would result in an immaterial change to rates.

72. FBC's proposal for the recovery of the balance in the COVID-19 Customer Recovery Fund Deferral Account is through a three-year amortization period, in a manner consistent with how

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84 BCUC Order G-205-21, dated July 7, 2021. Online: https://www.ordersdecisions.bcuc.com/bcuc/orders/en/item/499884/index.do?q=G-205-21.

85 ICG Final Argument, p. 3.

86 Exhibit B-2, Application, Section 7.6.2.1.

87 Exhibit B-2, Application, Section 11, Schedule 11, Line 22, Column 6 – Amortization Expense of $169 thousand. Tax and earned return calculated based on the mid-year average of the unamortized deferral account balance of $423 thousand (Section 11, Schedule 11, Line 22, Column 8).

FBC's deferral accounts are typically approved for recovery. FBC submits that this approach should be approved.

I. SERVICE QUALITY INDICATOR PERFORMANCE INDICATES A HIGH LEVEL OF OVERALL SERVICE QUALITY

73. FBC submits that its SQIs are indicative of a high level of service quality. In the subsections below, FBC responds to the comments from interveners on FBC's performance related to the Telephone Service Factor (TSF) (Non-Emergency) SQI and the average speed of answer (ASA) informational indicator, in addition to the All Injury Frequency Rate (AIFR) SQI and Generator Forced Outage Rate informational indicator.

(a) Responsiveness to Customer Needs SQIs for 2021 Remain Above Benchmark and Consistent with Past Results

74. MoveUP submits that FBC's customer service-related SQIs have fallen below an acceptable standard.[88] This is not correct, as all of FBC's 2021 customer service-related SQIs met or exceeded the approved benchmark.[89] Further, the two customer service-related informational indicators were also consistent with past results for 2021, including the ASA informational indicator which improved from 2020 to 2021.[90]

75. Both BCOAPO and MoveUP focus their submissions on FBC's 2022 year-to-date performance of the TSF (Non-Emergency) SQI and the ASA informational indicator.[91] Consistent with past BCUC determinations, it is the 2021 actual results that should be the subject of review in this proceeding, while 2022 actual results will be evaluated in the next annual review. As the BCUC explained in its Decision accompanying Order G-44-16, in each annual review the BCUC will review actual SQI results from the prior year:[92]

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88 MoveUP Final Argument, p. 2.

89 Exhibit B-2, Application, pp. 133-137.

90 Exhibit B-2, Application, pp. 138-139.

91 BCOAPO Final Argument, p. 48-49 and 50-51; MoveUP Final Argument, p. 5.

92 Decision and Order G-44-16, dated April 1, 2018. Online: https://www.ordersdecisions.bcuc.com/bcuc/orders/en/143220/1/document.do.

> The Panel finds that the most appropriate timing for determining if a serious degradation of service has occurred and if a financial penalty is warranted is during the following year's annual filing. FortisBC Inc. is directed to address its 2015 service quality and/or penalties in its next Annual Review filing, anticipated in the summer or fall of 2016. Going forward, it is anticipated that this same timing will be used to make final determinations on questions of serious degradation of service and financial penalties for subsequent years covered by the Performance Based Ratemaking regime. The Panel agrees with FBC that this lag provides for a more complete evidentiary record on which to make the necessary determinations. Further, as compared to a transition to midyear SQIs, this approach provides a more elegant and effective solution to the problem contemplated in the Reasons to Order G-202-15.

76. While FBC's 2022 year-to-date results are not the subject of review in this proceeding, FBC has explained the causes of the results to date. In particular, FBC experienced higher than normal attrition levels in the contact centre which, when coupled with colder weather that resulted in approximately 27 percent more high bill inquiries in the first quarter of 2022 than the average of the preceding two years, adversely impacted its year-to-date performance.[93] As FBC explained in the Application, these challenges have had a compounding effect. For example, a higher number of high bill inquiries due to colder temperatures, which is a type of call that often takes longer to resolve and may require investigation and follow-up, are generally more difficult to address with fewer employees prepared to support these types of calls.[94]

77. FBC has also explained that it is taking steps to improve TSF (Non-Emergency) and ASA performance, including:[95]

- Making adjustments to the timing of new hire classes. For example by accelerating the timing of planned new hire classes as well as the size of these classes in both 2021 and 2022;
- Making adjustments and improvements to onboarding and training of new employees;
- Making use of overtime (where possible);

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[93] Exhibit B-2, Application, p. 136.

[94] Exhibit B-2, Application, p. 137.

[95] Exhibit B-2, Application, p. 136; Exhibit B-3, BCUC IR1 27.1.

- Continuing to promote self-service options for customers and its call back feature; and
- Maintaining coaching and development time for employees and managers to ensure a heightened focus on First Contact Resolution (FCR) and overall service quality.

78. While FBC has experienced the challenges described above, MoveUP's characterization that FBC is having a "crisis" in its contact centre[96] is hyperbolic. As shown in the attrition numbers in the response to MoveUP IR1 5.7, while attrition is higher than normal at the end of 2021 and first two quarters of 2022, there is no evidence indicative of a crisis.[97] Moreover, customers continue to identify a high level of quality service received – as supported by the 2022 year-to-date FCR SQI that is at the benchmark and the Customer Service Index (CSI) informational indicator which is within the normal range.[98] Finally, FBC notes that 2022 results for the TSF (Non-Emergency) have stabilized[99] and FBC is expecting to recover to the threshold within the fourth quarter.[100] Similarly, FBC expects the monthly ASA to be in the 60 seconds range in the fourth quarter.[101]

(b) FBC's All Injury Frequency Rate Exceeds the Benchmark

79. BCOAPO submits that continued deterioration in the AIFR performance should be of concern even if the benchmark is exceeded.[102] FBC remains focused on worker safety and is continuing worker safety initiatives, consistent with "strengthening the safety culture" being a key internal company driver.[103] However, FBC disagrees in principle that SQI results that are better than the benchmark "should be of concern." On the contrary, the fact that FBC's AIFR SQI

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96 MoveUP Final Argument, p. 5.

97 Exhibit B-4, MoveUP IR1 5.7.

98 Exhibit B-3, BCUC IR1 27.1; see also Exhibit B-11, Workshop Presentation, slide 49.

99 Workshop Transcript, p. 94, ll. 7-14 (Carman).

100 Exhibit B-3, BCUC IR1 27.1.

101 Exhibit B-3, BCUC IR1 27.1.

102 BCOAPO Final Argument, p. 47.

103 Exhibit B-2, Application, p. 133; Workshop Transcript, p. 87, l. 17 to p. 88, l. 1 (Aaltomaa) and p. 89, ll. 1-13 (Walsh).

results have exceeded the benchmark since 2015[104] is indicative of a consistently high level of service quality.

(c) FBC Will Continue to Report its Generator Forced Outage Rate Informational Indicator

80. CEC recommends the BCUC direct FBC to continue to report on the Generator Forced Outage Rate informational indicator, including a commentary of contributing factors.[105] FBC is already required to report on its SQIs and informational indicators under the MRP and submits that an additional direction to report and comment is unnecessary.[106] While FBC is not opposed to providing information regarding its Generator Forced Outage Rate, and indeed already does so, it opposes in principle the proliferation of unnecessary and duplicative directions to report which must then be tracked and maintained by the utility. No questions or concerns were raised by the BCUC or interveners regarding FBC's Generator Forced Outage Rate informational indicator performance through the evidentiary phase of this Annual Review. FBC submits that should CEC have additional questions regarding this informational indicator in future years, it can pose these questions through the IR and/or workshop components of the annual review proceeding.

PART THREE: CONCLUSION

81. The final submissions of interveners broadly support FBC's Application, reflecting a constructive information-sharing process undertaken through IRs and the Workshop. FBC submits that its approvals sought are just and reasonable and should be approved as filed.

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[104] Exhibit B-2, Application, pp. 132-133.

[105] CEC Final Argument, para. 253.

[106] MRP Decision, p. 99.

82. ALL OF WHICH IS RESPECTFULLY SUBMITTED

Dated:	November 9, 2021	***[original signed by Chris Bystrom]***
		Chris Bystrom Counsel for FortisBC Inc.
Dated:	November 9, 2021	***[original signed by Niall Rand]***
		Niall Rand Counsel for FortisBC Inc.