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January 30, 2023

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

Attention: Ms. Sara Hardgrave, Acting Commission Secretary

Dear Ms. Hardgrave:

Re: FortisBC Inc. (FBC)

Application for Reconsideration and Variance of British Columbia Utilities Commission (BCUC) Order G-382-22 – FBC Annual Review for 2023 Rates (Reconsideration Application)
Supplemental Information

FBC writes in response to BCUC Order G-12-23 setting out the regulatory timetable for the review of the Reconsideration Application which also directed FBC to provide supplemental information to the Reconsideration Application.

The requested Supplemental Information is provided below.

- 1. Please confirm, or explain otherwise, that in Table 1 on page 4 of the Application for Reconsideration and Variance of Decision and Order G-382-22 (Reconsideration Application), the forecast 2023 rate base additions of \$13.611 million for the Corra Linn Spillway Gate Replacement Project for the completion of spillway gates 1, 2, and 3 reflect that those gates became used and useful in 2022.**

Response:

Confirmed.

- 2. Please confirm, or explain otherwise, that in the second row of Table 1 on page 4 of the Reconsideration Application, the impact of the \$11.808 million total for Corra Linn Spillway Gate Replacement Project removal costs included in rate base for the years 2018 to 2022 was captured in rates in each of those corresponding years.**

Response:

FBC confirms that the \$11.808 million in removal costs were added to FBC's rate base from 2018 to 2022. There is a one-year lag between when the costs are added to rate base and when the impact of the rate base additions are incorporated into rates. Therefore, the revenue requirement impact of the removal costs entering rate base annually from 2018 to 2022 has been captured in rates from 2019 to 2023. For example, the projected rate base additions of \$0.059 million in 2022 are reflected in the opening balance of the 2023 rate base; therefore, the associated revenue requirement impact is included as part of 2023 rates.

FBC is not expecting any further removal costs for the Corra Linn Spillway Gate Replacement Project (Corra Linn Project) in 2023 or beyond, other than to true up the actual removal costs for 2022, as the amount added to rate base in 2022 (which was included in 2023 rates) was a projection. FBC further clarifies this point below.

The \$0.059 million of removal costs (as shown in Table 1 on page 4 of the Reconsideration Application) was a projected value for 2022 at the time of filing the 2023 Annual Review. Since the removal costs are part of a CPCN project, the revenue requirement impact of any variance between the forecast/projected amount and the actual amount added to rate base will be captured in the Flow-through deferral account and will be included in the amortization expense for the Flow-through deferral account in 2024 (and accordingly will impact rates in 2024). This impact in 2024 is limited to the aforementioned true up between projected and actual removal costs.

- 3. Please provide the revenue requirements impact, in dollars, for 2023 that would result from the removal of \$2.540 million from FBC's 2023 rate base relating to the Corra Linn Spillway Gate Replacement Project close-out costs in 2024.**

Response:

The revenue requirement impact for 2023 would be a reduction of \$143 thousand (i.e., a reduction to the proposed total revenue requirement from \$426.073 million to \$425.930 million, which is approximately a 0.034 percent reduction to the proposed revenue requirement).

- 4. Please explain why the substantial completion of the Corra Linn Spillway Gate Replacement Project is delayed to Q1 2023, and why that delay should impact the remaining project close-out costs of \$2.540 million only in 2024.**

Response:

While FBC first noted the delay to the Corra Linn Project's substantial completion in the response to BCOAPO IR1 33.1 in the 2023 Annual Review proceeding, FBC also reported on this delay in the Q3 2022 Progress Report on the Corra Linn Project which was filed with the BCUC on October 31, 2022. In the Q3 2022 Progress Report, FBC reported that all the spillway gates had been replaced and returned to operations, but that the substantial completion date was now delayed to Q1 2023 due to the inability to complete certain close-out activities prior to winter, including repairing the defective painting on the superstructure and spillway gates.

Since the filing of this Reconsideration Application, FBC has filed the Q4 2022 Progress Report on the Corra Linn Project with the BCUC (filed on January 30, 2023). In the Q4 2022 Progress Report, FBC advised that it is now expecting the substantial completion to be further delayed to Q3 2023 because the installation of the hoist cart enclosures cannot be completed until the end of spring freshet. The work on the defective painting as well as the hoist cart enclosures have no impact on the operation of the spillway gates, as they will continue to be operational while the painting repair work and installation of the hoist cart enclosures is being completed.

FBC still expects the Corra Linn Project to be completed in 2023 and the remaining close-out costs, currently forecast to be \$2.540 million, to be incurred in 2023 and therefore added to rate base on January 1, 2024 (consistent with the treatment of CPCN and Major Project capital costs). As part of the 2024 Annual Review, FBC will include the actual close-out costs (or projected costs depending on the timing of the Project's substantial completion and the filing of the 2024 Annual Review) in the forecast 2024 rate base. The difference between the forecast and actual/projected close-out costs will be reflected in 2024 rates.

5. Please provide the cost to FBC to adjust the rates and refund the difference to customers if FBC is directed to implement the change in rates due to a reduction of \$2.540 million to 2023 rate base. As part of that response, please discuss whether that cost is material to FBC. Why or why not?

Response:

There are no material additional administration costs to implement a rate change part way through the year and refund the difference to customers due to the reduction of the \$2.540 million from FBC's 2023 rate base. However, such an approach has the potential to create customer confusion and customer dissatisfaction, which would likely result in increased inquiries and complaints to FBC's customer contact centre. In FBC's view, the potential negative impact to customers' understanding and acceptance does not warrant implementing this relatively small rate change and refund (as shown in the response to Question #6 below).

As highlighted on page 5 of the Reconsideration Application, there is already an existing mechanism in place to true up differences between forecast and actual costs, i.e., the approved flow-through treatment for CPCN and Major Project capital costs. Variances between forecast and actual costs are expected, which is why the BCUC has approved flow-through treatment for these (and other) types of costs. Thus, directing the removal of these forecast costs, which as explained in response to Question #3 above would only result in a reduction to the 2023 revenue requirement of \$143 thousand, would be inconsistent with the treatment of other CPCN and Major Project capital cost forecasts.

However, in the event that the BCUC does direct that FBC adjust its 2023 rate base to remove the \$2.540 million, FBC requests that its 2023 rates not be adjusted until the permanent 2023 rate change is implemented. FBC notes that permanent rates may be implemented subsequent to the BCUC's decision on the Reconsideration Application (if FBC's request to reconsider and vary the permanent rate directive in Order G-382-22 is denied), or permanent rates may be implemented subsequent to the BCUC's decision on Stage 1 of the Generic Cost

of Capital proceeding (if FBC's request to reconsider and vary the permanent rate directive in Order G-382-22 is approved). Otherwise, FBC would potentially need to implement two additional rate changes in 2023, which would be even more confusing for customers and further negatively impact customer understanding and acceptance.

- 6. Please confirm, or explain otherwise, that the average residential customer refund of approximately 4 cents, as stated on page 5 of the Reconsideration Application, is the average residential customer refund reflecting a one-month¹ difference in rates between the interim rates approved by Order G-349-22 and the rates due to a reduction of \$2.540 million to 2023 rate base. If the changes to rates were implemented later (e.g. end of Q1, March 31, 2023), please explain and provide the supporting calculation(s) for the estimated amount of the average residential customer refund under that scenario.**

Response:

FBC confirms that the refund of approximately 4 cents reflects the difference in rates for an average residential customer for just one month, i.e., assuming the rate changes are implemented on February 1, 2023. Essentially, the refund for the average residential customer would be approximately 4 cents per month² for each month until the rate change is implemented. The actual refund will be dependent on the individual customer's consumption over the period and the timing (and outcome) of the BCUC's decision on the Reconsideration Application.

Please refer to Table 1 below which shows the calculation of the 4 cents per month refund to an average residential customer.

Table 1: Calculation of the Estimated Refund per Month to Average Residential Customer Bill

Line	Particular	Reference	Amount (\$)
1	Average Residential Annual Bill Impact (2023 Proposed)	FBC 2023 Annual Review, BCUC IR1 1.1	60.18
2	2023 Proposed Rate Change		3.98%
3	Existing Average Residential Customer Bill	Line 1 / Line 2	1,513
4			
5	2023 Rate Change with Reduction of 2023 Rate Base (\$2.540 million)	Page 5 of FBC's Reconsideration Application	3.94%
6	Average Residential Annual Bill Impact (2023 New)	Line 3 x Line 5	59.65
7			
8	Difference in Annual Bill Impact (2023 Proposed - 2023 New)	Line 1 - Line 6	0.53
9	Average Refund per month	Line 8 / 12	0.04

¹ For rates implemented February 1, 2023.

² Based on the 2023 Forecast of average annual residential consumption of approximately 10,000 kWh or 830 kWh per month (FBC's 2023 Annual Review).

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC INC.

Original signed:

Diane Roy

cc (email only): Registered Interveners