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May 15, 2025

British Columbia Utilities Commission Suite 410, 900 Howe Street Vancouver, B.C. V6Z 2N3

Dear Commission Secretary:

Re: FortisBC Inc. (FBC)

2025 Cost of Service Allocation (COSA) and Revenue Rebalancing (Application) Response to the British Columbia Utilities Commission (BCUC) Information Request (IR) No. 1

On February 14, 2025, FBC filed the Application referenced above. In accordance with the regulatory timetable established in BCUC Order G-60-25 for the review of the Application, FBC respectfully submits the attached response to BCUC 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:

Sarah Walsh

Attachments

cc (email only): Registered Interveners



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6					
7	Α.	2025 COSA STUDY METHODOLOGY AND RESULTS			
8	1.0	Reference: 2025 COSA STUDY METHODOLOGY AND RESULTS			
9 10 11		Exhibit B-1 (Application), Section 5.1.1, p. 12; FBC 2017 Co Service Allocation (COSA) and Rate Design Application, Ex Attachment A, pp. 8 and 21	st of khibit B-1,		
12		Rate Schedule (RS) 37 and RS 38			
13		On page 8 of Attachment A to the 2017 COSA and Rate Design Application, FBC stated:			
14 15 16 17 18 19 20 21 22 23		For the purposes of the COSA, an additional \$1.4 million in revenues from Rate 37 was deducted from the revenues [sic] requirements. This offset to reflect the fact that the Rate 37 sales are for standby power sold FortisBC's Rate 31 customers. The customer takes 3 MW [megawatts] of firm power under Rate 31 and those sales are included in the Rate 31 Because the standby sales are sold at rates below the full embedded co from the COSA, it was determined that the revenues should be treated at to the revenue requirements and allocated to all customers to compensuse of the system paid for by all customers, including those within [<i>Emphasis added</i>]	m Standby was made to one of of standard rate class. st resulting as an offset sate for the n Rate 31.		
24		On page 21 of Attachment A to the 2017 COSA and Rate Design Application, F	BC stated:		
25		Other customers are better off having the standby sales because the	alternative		
26 27		would provide no additional revenues. Without the standby service of customer would reduce its service to just the portion taken under Pr	tering, the		
28 29 30		would forgo standby service. The Rate 37 revenues, even at a rec provide a contribution to the fixed costs on the system, which to customers. These revenues are allocated on the basis of all rat	luced rate, benefits all te base in		
31 32 33 34		consideration of the contribution to all fixed costs of the system. [<i>Emphasis added</i>] On page 12 of the Application, FBC states that since conducting the 2020 COSA study, FBC has had an additional rate approved by the BCUC. This rate, the Large Commercial Interruptible Rate (RS 38), is a non-firm, market-based rate.			



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1.1 Please confirm, or explain otherwise, that customers taking service under RS 37 for standby service must also take service under RS 31 for standard firm power, and that those customers pay for their share of the system through RS 31 rates that reflect the full embedded cost resulting from the COSA framework.

6 **Response:**

7 Confirmed; however, the portion of the customer's load contracted under RS 31 may be minimal.

8 Typically, a customer served on RS 31 and RS 37 will only have a minimal amount of RS 31 9 Contract Demand, such that the resulting cost allocation reflected in the COSA is minimal. For

10 example, the load served under RS 31 could be less than 10 percent of the customer's total load.

In contrast to RS 31, RS 37 was not developed through a COSA process and RS 37 load is not reflected in the COSA and therefore does not attract cost allocation and contribute to the embedded cost of the system. The RS 37 revenue is therefore dispersed to all rate classes as compensation for use of the system required to serve the customer load that is normally selfsupplied.

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- 191.2Please confirm, or explain otherwise, that customers taking service under RS 3820for non-firm interruptible power have no obligation to also take service under RS2131 for firm power.
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1.2.1 If confirmed, please discuss whether customers taking non-firm interruptible power under RS 38 otherwise pay for their share of the system through rates that reflect the full embedded cost resulting from the COSA framework.

27 **Response:**

FBC confirms that a customer that elects to take service under RS 38 is not required to also take service under RS 31 (or RS 30), although an RS 38 customer may choose to serve a portion of its load through one of these firm rates provided there is available capacity.

The RS 38 rate directly recovers the incremental cost to serve the RS 38 customer and also includes an Hourly System Adder that provides additional revenues for the benefit of other customers. The system costs are fully recovered through the firm rates charged to other customers on the system. RS 38 revenues are therefore reasonably allocated to the other customer classes as an offset to system costs, providing a benefit to those customers.

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- Please confirm, or explain otherwise, that customers under RS 38 can either be 1 1.3 2 an entirely new load, or a load that used to be served under RS 31 and switched 3
 - to RS 38.
- 4
- 5 Response:
- 6 Confirmed.



1	2.0	Refere	nce: 2025 COSA STUDY METHODOLOGY AND RESULTS
2 3			FBC Large Commercial Interruptible Rate, Decision and Order G- 136-23 dated June 12, 2023, p. 9; Exhibit B-1, Section 5.1.2.1, p. 13
4			Benefits of RS 38 to Other Ratepayers
5		On pag	e 9 of Decision and Order G-136-23, it stated:
6 7 8 9			FBC indicates that new RS 38 load from completely new customers is positive for ratepayers, and the benefits to other ratepayers of RS 31 load that switches to RS 38 are dependent on the ability of FBC to add additional customers where firm capacity has become available. [Emphasis added]
10 11 12 13 14 15 16 17	Respo	2.1	Please discuss whether RS 38 interruptible load from completely new customers is positive for ratepayers because those ratepayers already pay for the system through rates that reflect the full embedded cost resulting from the COSA framework, making these customers better off having the new interruptible sales because the alternative (no new interruptible sales) would provide no additional revenues.
18 19	The be from tl	enefit to he fact t	existing ratepayers from the Large Commercial Interruptible Rate (LCIR) is derived at a completely new RS 38 customer will provide incremental revenue, as RS 38

20 customers will pay for any incremental cost to serve them, along with adders included in the rate

21 that ensure a positive contribution.

FBC described the economic rationale for the LCIR on page 13 of the Large Commercial
 Interruptible Rate Application (LCIR Application) as follows:¹

24 The justification for the offering of the LCIR to a customer that is entirely new to 25 FBC service is straightforward. Such a customer will connect to a location where 26 service is available on a non-firm basis. The customer served on the LCIR will only 27 be served when it funds any interconnection costs, and when the energy charges 28 under the rate exceed FBC's incremental power supply costs. In this case, FBC 29 will recover its marginal cost to serve, and will receive an additional contribution 30 towards the fixed costs of the system - thus providing a benefit to all FBC 31 ratepayers.

As the LCIR is focused primarily on allowing load to connect in instances where it would not
 otherwise be possible, and the LCIR customer is responsible for all related costs, other customers
 are better off having the new interruptible sales.

¹ <u>https://docs.bcuc.com/documents/proceedings/2022/doc_67190_b-1-fbc-large-commercial-interruptible-rate-application.pdf.</u>



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- 2.2 Please discuss whether selling non-firm power to completely new RS 38 customers has the same benefits on ratepayers as selling standby power to customers taking service under RS 37. Please discuss why or why not.
- 6 7

8 **Response:**

9 While the purposes of RS 37 and RS 38 differ, as do the details of the rates themselves, the 10 benefits provided to other ratepayers through the additional revenues derived from the rates are 11 essentially the same, warranting consistent treatment within the COSA.

12 The RS 37 and RS 38 rates are both non-embedded-cost, market-based charges that fully 13 recover FBC's power supply costs and provide additional revenue through the adders included in 14 the rates. The benefit provided to ratepayers (including those RS 37 and RS 38 customers also 15 taking service on RS 31) is the same in each case, that is, the revenues provide an offset to the 16 overall revenue requirement.

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- 20 2.3 Please elaborate on why other ratepayers would only benefit from an existing RS 21 31 customer switching to RS 38 if FBC were able to add new customers on the 22 system to replace the firm capacity under RS 31 that became available after the 23 load switch. As part of the response, please discuss whether there are any benefits 24 to ratepayers if FBC were not able to replace the firm capacity under RS 31.
- 25

26 Response:

27 FBC clarifies that it is not the case that other ratepayers would "only" benefit from an existing RS 28 31 customer switching to RS 38 if FBC were able to add new customers on the system to replace 29 the firm capacity under RS 31 that became available after the load switch.

30 If the former RS 31 customer is able to increase its overall load due to the non-firm nature of the 31 supply, or the margin on the RS 38 revenues exceeds that which would have occurred on the 32 former RS 31 load, a net benefit to other ratepayers could occur even without an infill customer.

- 33 34 35 36 2.4 Please discuss whether selling non-firm power to RS 38 customers that have
- 37 switched from RS 31 when FBC is able to replace the corresponding firm capacity



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- under RS 31 has the same benefits on ratepayers as selling standby power to 1 2
- 3 4 **Response:**

customers taking service under RS 37. Please explain why or why not.

5 The benefit in the case of both RS 37 and RS 38 is additional revenue that accrues to all 6 ratepayers that would not otherwise be collected from the customers utilizing these two optional 7 rates.

8 However, it is not the nature of the benefits provided by the rates that determines the treatment 9 of the RS 37 and RS 38 revenues as an offset to the revenue requirement within the COSA. The 10 treatment of those benefits, as described in the response to BCUC IR1 2.2, is tied to the nature 11 of the rates themselves and how they were developed and previously approved by the BCUC. It 12 is the case for both rates that they were developed outside of the COSA process without the 13 intention of recovering embedded costs that are already recovered through existing rates.

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17 On page 13 of the Application, FBC states that at the time of filing the Application, it had 18 a single customer taking service under RS 38 and that this customer's load was served 19 under RS 31 at the time of the 2024 test year.

- 20 2.5 Please discuss whether FBC was able to add new customers under RS 31 since 21 the load switch. If so, please provide details on those new customers including 22 when they became customers, how many new customers signed up for firm RS 31 23 service, and whether the newly available firm capacity from the load switch was 24 filled partially or entirely.
- 25
- 26 Response:
- 27 FBC has not added any RS 31 customers since its first RS 38 agreement was put in place.
- 28



3.0 2025 COSA STUDY METHODOLOGY AND RESULTS 1 **Reference:** 2 Exhibit B-1, Section 5.1.1, p. 12, Section 5.1.2, p. 14, Table 5.5, p.19 3 **Proposed Treatment of RS 38 Revenues** 4 On page 12 of the Application, FBC states: "For the purposes of the 2025 COSA study, 5 FBC has treated both the revenues and costs of RS 38 in a manner that is consistent with 6 how RS 37 revenues and costs are treated." 7 On page 14 of the Application, FBC states: 8 Since both the RS 37 and RS 38 rates are calculated based on the hourly Mid-C 9 price in effect when the service is used, FBC applied the same treatment approved 10 for RS 37 as part of the 2017 COSA and RDA Decision to the revenues of RS 38, 11 which is allocated to all customers as an offset to the revenue requirement for 12 compensating for the use of the system paid by all customers. [Emphasis added] 13 3.1 Please confirm, or explain otherwise, that the reason why the revenues of RS 37 14 are deducted from the revenue requirement is not because the RS 37 rates are 15 calculated based on the hourly Mid-C price in effect when the service is used but 16 rather because other firm customers, including RS 31 customers, already pay for 17 the system through rates calculated per the COSA framework and are better off 18 having the standby sales, even at a reduced rate, to contribute to the system's 19 fixed costs. 20

21 Response:

22 The fact that RS 37 and RS 38 are calculated based on the Mid-C rate is significant because it 23 shows that the calculation of these rates is outside the COSA framework. The referenced 24 paragraph on page 14 of the Application also refers to the fact that the use of the system is paid 25 for by all customers. Both of these factors support why revenues of RS 37 should be allocated to 26 all customers as an offset to the revenue requirement. This is consistent with Decision and Order 27 G-40-19, where the BCUC Panel concluded that the approach to RS 37 revenues was, 28 "...appropriate because all customers are contributing to the fixed costs of FBC's system which is providing service to RS 37; thus, all customers should receive the benefits of the RS 37 29 30 revenue. Further, RS 37 rates are calculated based on the hourly Mid-C price in effect when 31 stand-by service is used and are therefore outside of the embedded COSA framework."

Please also refer to the response to BCUC IR1 2.2 for further explanation as to why it isappropriate to apply the same treatment to the revenues of both RS 37 and RS 38.

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FORTIS BC ^{**}		2025 COSA and Revenue Rebalancing (Application)	May 15, 2025
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3.2 Given the differences between RS 37 and RS 38, please explain vit appropriate to apply the same offsetting treatment to RS 38 reven COSA study as was previously approved for RS 37.			BC views n the 2025
Response:			
Please refer to	the res	sponse to BCUC IR1 2.2.	
	3.2.1	Please discuss whether another method would be more appretties the treatment of RS 38 revenues. If so, please describe that	opriate for method. If
<u>Response:</u>			

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FBC considers its proposed approach as the most appropriate treatment for RS 38 revenues.

Please refer to the response to BCUC IR1 1.2 for further explanation as to why this treatment is

most appropriate.

An alternative, though less appropriate method, would be to create a separate rate class for RS 38 by assigning certain applicable costs or by the netting of direct assignments of pass-through costs. This approach, however, has some practical limitations. For example, even if the resulting R/C ratio of RS 38 was below the range of reasonableness, it would not make sense to apply rebalancing because the RS 38 rate is based on a flow-through (the hourly Mid-C price).

While FBC does not support this alternative approach, to be responsive, FBC provides Table 1 below which shows the changes to the R/C ratios if FBC treated RS 38 as a separate rate class.

FBC notes that, while responding to BCUC and Intervener IRs, it identified some errors in the COSA model. As a result of correcting these errors, most of the R/C ratios have changed. FBC has filed an Updated Application concurrently with these IR responses reflecting the changes and has summarized each change in the cover letter to the Updated Application. Table 1 below reflects the corrected R/C ratios (before rebalancing).

Table 1: Difference in R/C Ratios if RS 38 is Treated as a Separate Rate Class

Customer Class	R/C Ratios with RS 38 as Separate Class	R/C Ratios per Updated Application	Difference
RS 01 – Residential	99.0%	99.5%	-0.5%
RS 20 – Small Commercial	107.1%	107.5%	-0.4%
RS 21 – Commercial	102.0%	102.4%	-0.4%
RS 30 – Large Commercial Primary	100.5%	100.7%	-0.2%
RS 31 – Large Commercial Transmission	105.2%	105.3%	-0.1%



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Customer Class	R/C Ratios with RS 38 as Separate Class	R/C Ratios per Updated Application	Difference
RS 50 – Lighting	99.2%	99.8%	-0.6%
RS 60 – Irrigation	77.0%	77.3%	-0.3%
RS 40 – Wholesale Primary	93.6%	94.0%	-0.4%
RS 41 – Wholesale Transmission	98.1%	98.3%	-0.2%
RS 38 – Large Commercial Interruptible	97.5%	N/A	N/A

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2 3 4	As shown in treated as a s of reasonable	Table 1 eparate ness wh	above, the R/C ratios of all rate classes are lowered slightly if RS 38 is class. However, no additional rate classes are moved outside of the range en RS 38 is treated as a separate class.
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8	3.3	Please	discuss the impact, both qualitatively and quantitatively, on the revenue-to-
9		cost (R	/C) ratios of all of FBC's rate schedules if RS 38 revenues were not treated
10		as an o	ffset in the Application.
11		3.3.1	Please provide a version of Table 5-5 (2025 COSA Study Revenue to
12			Cost Ratios) under such a scenario and discuss whether any of the
13			proposed rebalancing options would be impacted.
14			
15	Response:		
16	If the DC 20	rovopu	as were removed with no other adjustments, there would be a small

16 If the RS 38 revenues were removed with no other adjustments, there would be a small17 percentage impact to all rate classes.

Please refer to Table 1 below showing the impact of just removing RS 38 revenues with no other changes. FBC notes that, while responding to BCUC and Intervener IRs, it identified some errors in the COSA model. As a result of correcting these errors, most of the R/C ratios have changed. FBC has filed an Updated Application concurrently with these IR responses reflecting the changes and has summarized each change in the cover letter to the Updated Application. Table 1 below reflects the corrected R/C ratios (before rebalancing).

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Table 1: Difference in R/C Ratios if Offsetting Revenue from RS 38 is Removed from All Rate Classes

Customer Class	Revised R/C Ratios with Offsetting Revenue from RS 38 Removed	R/C Ratios per Updated Application	Difference
RS 01 – Residential	99.4%	99.5%	-0.1%
RS 20 – Small Commercial	107.5%	107.5%	0.0%
RS 21 – Commercial	102.5%	102.4%	+0.1%



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Customer Class	Revised R/C Ratios with Offsetting Revenue from RS 38 Removed	R/C Ratios per Updated Application	Difference
RS 30 – Large Commercial Primary	100.8%	100.7%	+0.1%
RS 31 – Large Commercial Transmission	105.6%	105.3%	+0.3%
RS 50 – Lighting	99.4%	99.8%	-0.4%
RS 60 – Irrigation	77.3%	77.3%	0.0%
RS 40 – Wholesale Primary	94.0%	94.0%	0.0%
RS 41 – Wholesale Transmission	98.5%	98.3%	+0.2%

- 2 As shown in Table 1 above, the changes to the R/C ratios are small. There is no change to the
- 3 rate classes that need rebalancing before and after removing the offsetting revenue from RS 38.



4.0 2025 COSA STUDY METHODOLOGY AND RESULTS 1 **Reference:** 2 Exhibit B-1, Section 5.1.2, p. 13 3 **RS 38 Revenue Forecast** 4 On page 13 of the Application, FBC states: 5 Revenues for RS 38 are difficult to forecast due to the uncertainty arising from the 6 relationship between Mid-C pricing and the Customer's nominated Price Cap, as 7 well as the likelihood of interruption. The actual hours of service provided to the 8 RS 38 Customer cannot be known in advance. Based on the customer's 2022 total 9 load served under RS 31 and the initial nominated Price Cap of 15 MW as determined in the RS 38 Agreement, FBC has estimated the revenue to be 10 approximately \$3,574,198 using the hourly Mid-C pricing during the same period 11 for the purposes of the 2025 COSA study. 12 13 4.1 Please clarify why using the customer's 2022 load under the firm service RS 31 is 14 appropriate to estimate whether the customer's service would be interrupted in the 15 2024 test year. Specifically, how can using the 2022 firm load provide an indication 16 of interrupted load in the 2024 test year? 17 18 Response:

FBC did not use the customer's 2022 load under the firm service RS 31 to estimate whether the customer's service would be interrupted in the 2024 test year. Rather, the 2022 total load was used to estimate the total load of the customer under a combination RS 31 and RS 38, as will be the normal service situation going forward. 2022 metered hourly load is the basis for all other rate classes' cost allocation factors and the most appropriate data for making known and measurable adjustments based on current rates for customers in RS 31, including those taking service under RS 38 for load that was served under RS 31 in 2022.

To arrive at the RS 38 revenue, FBC then applied the conditions that would predicate an interruption under the RS 38 tariff for the period in question and the market conditions at the time if RS 38 had been in place. While the actual hours of interruption cannot be known in advance, the use of historical interruptions is a reasonable way of estimating RS 38 revenues.

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4.2 Please provide the step-by-step calculations used to forecast the RS 38 revenues at approximately \$3,574,198 for the 2024 test year.

36 **Response:**

37 FBC's reference to a "nominated Price Cap of 15 MW" on page 13 of the Application is incorrect.

38 The 15 MW should have been identified as the RS 38 customer's RS 31 Contract Demand, which



- 1 delineates the portion of total service taken under RS 31 from that portion taken under RS 38.
- 2 FBC has corrected the description in the Updated Application filed concurrently with these IR
- 3 responses. The corrected description is consistent with other references to the treatment of the
- 4 overall load of the RS 38 customer in the Application.

5 The following response has been provided by EES Consulting:

- 6 The step-by-step calculations are as follows:
- **Step 1:** Determine the hourly load for the RS 38 customer for 2022.
- Step 2: Subtract 15 MW from every hour where the load exceeded 15 MW to reflect the
 portion of total service taken under RS 31.
- Step 3: Compare the hourly Mid-C market price to the Mid-C Price Cap for each of the hours where there was excess demand over the 15 MW RS 31 load. If the market price was higher than the Mid-C Price Cap, then the RS 38 load was zero or interrupted. If the market price was lower than the Mid-C Price Cap, then the load was multiplied by the market price. The resulting amount was \$3,028,505.
- **Step 4:** Add the Hourly Service Adder of \$10/MWh. This added \$459,078.
- **Step 5:** Add or account for the value of losses. This added \$86,615.
- 17 The resulting total from the above process was \$3,574,198.

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Response:

- 25 Please refer to the response to BCUC IR1 4.2.
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1	5.0	Refere	ence:	2025 COSA STUDY METHODOLOGY AND RESULTS					
2 3 4 5				Exhibit B-1, Section 5.2.2, p. 17, Attachment A, p. 17, Appendix B, pp. 41–42; FBC 2017 COSA and Rate Design Application, Decision and Order G-40-19 dated February 25, 2019 (2017 COSA Decision), pp. 12–14					
6				Minimum System Study (MSS) Approach					
7 8 9		On pag split be in the 2	ge 17 o etween (2017 C(f the Application, FBC states that an MSS was performed to determine the customer- and demand-related costs and that a similar approach was taken OSA.					
10 11 12 13 14 15	On page 17 of Attachment A to the Application, it states that FBC's third-party COSA expert, EES Consulting Inc. (EES), "did not use the 100% demand approach because previous studies used the minimum system approach that reflects that the system is built in part to connect customers to the system, regardless of load level. In addition, EES reviewed methodologies from other jurisdictions and that review supported maintaining the current approach."								
16 17 18 19	On pages 41 to 42 of Appendix B in Attachment A to the Application, Table 8-1 lists eight utilities for the comparative analysis of methodologies to allocate distribution system costs (i.e. BC Hydro, ATCO Electric Alberta, Fortis Alberta, Manitoba Hydro, Hydro Quebec, Nova Scotia Power, Newfoundland Power, and New Brunswick Power).								
20 21 22 23		On pag variety the util least ty	ge 14 c of appr ities rev vo exar	of the 2017 COSA Decision, the BCUC acknowledged that utilities use a roaches to classify distribution costs and that while only a limited number of viewed by EES in its jurisdictional analysis appear to use MSS, there are at nples of utilities in other jurisdictions that do.					
24 25 26 27		5.1	Please compa COSA	e confirm, or explain otherwise, that EES reviewed the same utilities for the rative analysis of methodologies in the 2025 COSA study as in the 2017 study.					
28	<u>Respo</u>	nse:							
29	The fo	llowing	j respo	nse has been provided by EES Consulting:					
30 31	Confirr study a	med. EE as the 2	ES revie 017 CC	wed the same utilities for the comparative analysis table in the 2025 COSA Study.					
32 33									
34 35 36 37		5.2	Please approa suppor	e clarify whether a majority or a minority of the utilities reviewed use the MSS ach to classify distribution costs and explain how the jurisdictional review rts maintaining the current MSS approach.					



2 Response:

3 The following response has been provided by EES Consulting:

A majority of the utilities use the MSS approach; that is, they do not classify 100 percent of
investment in distribution plant accounts related to Poles, Towers & Fixtures, Conductors &
Devices, and Line Transformers as Demand.

- 7 EES provides the following summary from its jurisdictional review:
- For Poles, Towers & Fixtures, BC Hydro assigns 50% to customer, ATCO assigns 65-75% of Secondary to Customer, Hydro Quebec allocates 20.2% to customer, Nova Scotia allocates 74% to customer, Newfoundland Power allocates 37% to customer, and New Brunswick Power allocates 50% to customer. This compares with the EES MSS results of 86% customer. Of the 8 utilities reviewed by EES, 6 of the 8 use an MSS approach and do not assign Poles, Towers & Fixtures 100% demand.
- For Conductors & Devices, BC Hydro assigns 50% to customer, ATCO assigns 65-75% of Secondary to Customer, Hydro Quebec allocates 20.2% to Customer, Nova Scotia allocates 54.3% to customer, Newfoundland Power allocates 28% to customer, and New Brunswick Power allocates 50% to customer. This compares with the corrected EES MSS results of 65% customer. Of the 8 utilities reviewed by EES, 6 of the 8 use an MSS approach and do not assign Conductors & Devices 100% demand.
- For Line Transformers, BC Hydro assigns 50% to customer, ATCO assigns 52.4% to Customer, Hydro Quebec allocates 20.2% to Customer, Newfoundland Power allocates 28% to customer, and New Brunswick Power allocates 25% to customer. This compares with the EES MSS results of 43% customer. Of the 8 utilities reviewed by EES, 5 of the 8 use an MSS approach and do not assign Line Transformers 100% demand.

Further, an MSS approach ensures that equipment required to deliver one KWh to a metered service is not 100 percent demand related and much of the equipment would be required to just complete the circuit. The review demonstrates that a majority or utilities agree with that premise, and it is reflected in their studies.

- EES believes that this jurisdictional survey demonstrates that FBC is still in the majority of regional utilities to employ the MSS approach. Based on the prevalence of round number percentages in the survey, EES concludes that the MSS is more robust than some of those surveyed. These conclusions from the survey justify continuing to use the current MSS approach.
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- 36 On page 11 of the 2017 COSA Decision, when asked to describe the methods used by 37 the other six utilities, EES responded as follows:



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- It does not appear that any of the six utilities used a zero-intercept method in developing the splits. In most cases there is not analysis presented in the rate filings to support the splits and in many cases they have been used for many years. The percent splits are often round numbers, like 70 percent/30 percent or 50 percent/50 percent, leading us to believe they were not based on a pure analytical approach.
- 7 On page 12 of the 2017 COSA Decision, the BCUC noted:
- 8 In addition to these alternatives, EES states it has increasingly seen the use of 9 more detailed studies that look at the actual use of the distribution system by 10 various customer classes, rather than completing the classification and allocation 11 steps required by an MSS. Such an approach requires more detailed data than the 12 MSS approach and provides a greater level of complexity. Additionally, the 13 analysis is usually completed for a sample of the system rather than for the entire 14 system. EES submits that in its experience, any shift away from the MSS is towards 15 more complex methods rather than to a more simple approach such as the 100 16 percent demand approach. The reason for this shift is that there is greater data 17 availability arising from new technologies.
- 18 5.3 Please discuss, with justification, whether FBC would be amenable to providing a 19 comprehensive assessment of the appropriateness of continuing with the MSS 20 approach to classify distribution costs versus using a simpler approach (like that 21 used by the six utilities surveyed) or using more complex methods (as observed 22 by EES) to inform FBC's next COSA. This assessment may include discussion of 23 the pros and cons of each approach, the impact on the accuracy in the splits between demand- and customer-related distribution costs, and the administrative 24 25 costs of adopting these different approaches.
- 26 27 **Response:**

FBC continues to consider the MSS approach to be reasonable and appropriate for classifying distribution costs. The benefits of continuing with the MSS approach are:

- The MSS approach is theoretically sound and the calculations reasonable, providing
 assurance that the results can be reasonably relied on.
- Maintaining a consistent method means that results are comparable to previous COSA
 study results.
- 34 3. The MSS approach strikes a reasonable balance between simplicity and complexity:
- a. it is more detailed than the approaches taken by most of the other utilities surveyed
 and relies on real engineering data which is a better approach than simply making
 an industry-informed general assumption; but
- 38 b. avoids the time and cost of more complex methods.



- 1 FBC does not see any cons to continuing with the MSS approach.
- 2 FBC does not see any material advantage of undertaking more complex methods. A more
- 3 comprehensive assessment would result in additional time and cost, but may not lead to better
- 4 results than those provided using the MSS approach. However, FBC would be amenable to
- 5 undertaking such an assessment to inform its next COSA if directed by the BCUC.
- 6 A more simplified approach may save some time and cost, but there would be less confidence in
- 7 the reasonableness of the results and there may be impacts to residential and other classes with
- 8 relatively low average load factors. FBC notes that the MSS data only impacts Distribution Plant
- 9 allocations; it does not impact Transmission or Power Supply allocations for rate classes that do
- 10 not take distribution service. If a simplified approach is taken, such as allocating the Distribution
- 11 Plant based on demand only, then the results would shift additional costs to rate classes with a
- 12 larger difference between the average use and their maximum use or load factors. As such, rate
- 13 classes such as the residential class, which have a relatively lower average of load factors but a
- 14 large number of customers, would be most impacted by this type of change in methodology.



1 6.0 Reference: 2025 COSA STUDY METHODOLOGY AND RESULTS

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Exhibit B-1, Attachment A, p. 19, Appendix B, pp. 40–42; FBC 2017 COSA and Rate Design Application, Exhibit B-1, Attachment A, Appendix B, pp. 57–58 and 60; 2017 COSA Decision, p. 11

MSS Results

6 On page 11 of the 2017 COSA Decision, it stated that EES confirmed that only two out of 7 the eight utilities surveyed (Hydro Quebec and Newfoundland Power) use a minimum 8 system approach.

9 Using information from the Application and FBC's 2017 COSA and Rate Design 10 Application, BCUC Staff has created the following comparative table:

	Poles	Conductors	Transformers
FBC 2017 COSA	81% customer	65% customer	69% customer
	19% demand	35% demand	31% demand
FBC 2025 COSA	86% customer	71% customer	43% customer
	14% demand	29% demand	57% demand
Hydro-Quebec	20.2% customer	20.2% customer	20.2% customer
	79.8% demand	79.8% demand	79.8% demand
Newfoundland Power	37% customer	37% customer	28% customer
	63% demand	63% demand	72% demand
	FBC 2017 COSA FBC 2025 COSA Hydro-Quebec Newfoundland Power	PolesFBC 2017 COSA81% customer 19% demandFBC 2025 COSA86% customer 14% demandHydro-Quebec20.2% customer 79.8% demandNewfoundland Power37% customer 63% demand	PolesConductorsFBC 2017 COSA81% customer 19% demand65% customer 35% demandFBC 2025 COSA86% customer 14% demand71% customer 29% demandHydro-Quebec20.2% customer 79.8% demand20.2% customer 79.8% demandNewfoundland Power37% customer 63% demand37% customer 63% demand

196.1Considering that FBC used the same MSS approach in both the 2017 COSA and202025 COSA studies, please explain what caused the increase in the percentage21of customer-related costs for poles and conductors and the decrease in the22percentage of customer-related costs for transformers between the two COSAs.

24 Response:

23

25 The following response has been provided by EES Consulting:

The increase in the percentage of customer-related costs for poles is due to a larger percentage of poles being of the minimum system length proportionally to the total system costs of all poles. Based on the information gathered from FBC subject matter experts, this is likely due to growth on the system occurring in more rural areas.

The decrease in the percentage of customer-related costs for transformers is due to the minimum system class of transformers being a smaller proportion to the total system costs of all transformers. Based on the information gathered from FBC subject matter experts, this is likely due to transformer costs changing significantly between the two studies.

With regard to the conductors, while responding to these IRs, EES discovered that FBC inadvertently excluded neutral conductors from the line length data provided to EES as part of the 2025 MSS analysis. The impact of correcting for this error (i.e., including the neutral conductors) is that the customer-related portion of conductor costs decreases from 71 percent to 65 percent. The corrected percentage for conductors shows that there has been no change in the percentage



- of customer-related costs compared to the 2017 COSA (65 percent in 2025 vs 65 percent in 2017).
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6 6.2 Considering that Hydro-Quebec and Newfoundland Power also use the MSS 7 approach, please explain why the percentage of customer-related distribution 8 costs is notably lower, and the percentage of demand-related costs is notably 9 higher for Hydro-Quebec and Newfoundland Power compared to FBC for poles, 10 conductors and transformers.

12 **Response:**

13 The following response has been provided by EES Consulting:

14 MSS results will vary based on the characteristics of the system, the climate, the density of 15 meters, and other factors. For example, because the MSS compares volumes of the lowest sized 16 and typically lowest cost MSS equipment to the melded cost of all equipment actually purchased 17 and installed, higher or lower volumes of lower priced equipment on different systems can change 18 the results. As another example, some utilities may size more expensive minimum sized 19 transformers or other equipment differently, which can result in more of the cost being demand-20 related or other. While EES cannot comment specifically on the characteristics of other utilities 21 such as Hydro-Quebec, it is expected that the results will vary based on the points noted above.

- 22
- 23
- 24 25 On page 40 of Appendix B in Attachment A to this Application, it states that FBC has a 26 total of 7,417 kilometers of overhead conductors of various sizes and configurations. The 27 installed cost, before overhead, ranges from \$1,130 to \$42,430 per kilometer based on 28 the current purchase price.
- 29 On page 60 of Appendix B in Attachment A to the FBC 2017 COSA and Rate Design 30 Application, it stated that FBC has a total of 16,070 kilometers of overhead conductor of 31 various size and configuration. The installed cost, before overheads, ranges from \$690 to 32 \$42,430 per kilometer based on the current purchase price.
- 6.3 Please discuss why the length of overhead conductors, in kilometers, declined
 from 16,070 in 2017 to 7,417 in 2024.
- 35

36 Response:

37 Please refer to the response to BCUC IR1 6.1.



1	7.0	Refer	ence:	2025 COSA STUDY METHODOLOGY AND RESULTS
2 3				Exhibit B-1, Attachment A, Section 3.4.1, p. 17; FBC 2017 COSA and Rate Design Application, Exhibit B-1, Attachment A, p. 24
4				Classification of Generation Rate Base
5		On pa	ge 17 of	Attachment A to the Application, it states:
6 7 8 9 10 11 12			In the generat product method consum have a generat	case of FortisBC, the Kootenay River Plants are the only utility-owned tion, and costs associated with the plants are a small percentage of total tion costs. This makes it difficult to use many of the standard classification lologies and the small level of costs involved does not warrant a time- ning or expensive study of the issue. On the other hand, BC Hydro does great deal of utility-owned generation and has had their classification of tion costs reviewed and approved through the regulatory process.
13 14 15 16 17 18 19			To dever plants w the sar betwee for purp and 80° previou	elop the classification split for FortisBC, the output from the Kootenay River was priced as if as if [sic] the energy and capacity of the plant were priced ne as BC Hydro's RS 3808 to determine the equivalent split in costs n demand and energy. This split then applies to actual costs of these assets poses of classification. The resulting split is roughly 20% demand-related % energy-related. This is the same approach used in the 2017 COSA and sly approved by the Commission.
20 21 22 23 24		On pa stated provid applic metho	age 24 o : "As a r le a mor ation. W od."	f Attachment A in the FBC 2017 COSA and Rate Design Application, it result of concerns from the Commission, BC Hydro has been ordered to re thorough analysis of generation plant classification in its next rate hen this is completed FortisBC will re-examine its own classification
25 26		7.1	Please genera	indicate whether BC Hydro has provided the above-mentioned analysis of tion plant classification.
27 28 29			7.1.1	If yes, please summarize BC Hydro's updated analysis of generation plant classification, with references, and explain the extent to which FBC's own classification method would need to be updated as a result.
30 31 32			7.1.2	If no, please discuss the expected timing of this analysis, per FBC's knowledge, for the purposes of FBC's next COSA.
33	<u>Resp</u>	<u>onse:</u>		
34 35 36 37 38	BC H of the 07). metho 55 pe	ydro was BCUC As part odologie ercent c	s directed s Phase of its 2 s used b lemand-r	d to provide a detailed analysis of the generation plant classification as part 1 Decision on the BC Hydro 2007 Rate Design Application (Order G-130- 2015 Rate Design Application, BC Hydro provided a summary of the y other utilities, but noted only that it classifies its hydro plant in service as related and 45 percent energy-related because that was the direction

39 received pursuant to Order G-130-07.



- 1 The most recent fully allocated cost of service study (FACOS) available on the BC Hydro website
- 2 (F2024) indicates that functionalized generation plant is still being classified as 55 percent
- 3 demand-related and 45 percent energy-related, consistent with 2007.²
- 4 Given that BC Hydro has not changed its practice between 2007 and 2024, there is no reason for
- 5 FBC to update its methodology, which is based on BC Hydro's cost structure for the same period.
- 6 FBC will continue to monitor the related filings of BC Hydro but is unaware of any specific timing
- 7 as to when this matter will be considered again.
- 8

² <u>https://www.bchydro.com/content/dam/BCHydro/customer-portal/documents/corporate/regulatory-planning-documents/regulatory-filings/facos/2025-05-07-bch-facos-f2024.pdf</u>



1	В.	REVE	REVENUE REBALANCING PROPOSALS								
2	8.0	Refere	nce: REVENUE REBALANCING PROPOSALS								
3			Exhibit B-1, Section 7.2.6, Tables 7-6 and 7-7, p. 35								
4			Options for Rate Rebalancing								
5 6 7 8		In Tab the res in both the five	e 7-6 on page 35 of the Application, FBC summarizes the revenue shifts as well as ulting R/C ratios of each rate schedule and, in Table 7-7, the estimated bill impact percentage and in dollars for the average customer by rate schedule for each of e rebalancing options discussed.								
9 10 11 12 13 14		8.1	Please provide the following for each of the following three additional rebalancing options: (i) updated Tables 7-6 and 7-7, (ii) tables similar to Tables 7-1 to 7-5 (2025 COSA R/C Ratio Results after the Revenue Rebalancing options) in the Application, and (iii) an assessment against the Bonbright rate design criteria 2 (fair apportionment of costs among customers), 4 (customer understanding and acceptance) and 6 (rate stability):								
15 16 17 18 19		a)	<u>Option 6</u> : rebalancing the revenues between RS 20, 40, 41 and 60, with no revenue change to the other rate schedules. Under Option 6, please reduce the R/C ratio of RS 20 to 105 percent, increase the R/C ratios of RS 40 and RS 41 to 95 percent, and calculate the resulting R/C ratio of RS 60 to ensure the overall rebalancing is revenue neutral.								
20 21 22 23 24 25		b)	<u>Option 7</u> : rebalancing the revenues between RS 20, 40, 41 and 60, with no revenue change to the other rate schedules. Under Option 7, please increase the R/C ratios of RS 40 and RS 41 to 95 percent, and increase the R/C ratio of RS 60 to somewhere between 85 and 90 percent so that an average RS 60 customer will see a rate increase of approximately 5 percent (i.e. between 2.5 and 8.6 percent). To ensure revenue neutrality, please credit the excess revenue to RS 20.								
26 27 28 29 30 31	Respo	c)	Option 8: rebalancing the revenues between RS 20, 40, 41 and 60, with no revenue change to the other rate schedules. Under Option 8, please increase the R/C ratios of RS 40, 41 and 60 to 95 percent and credit the excess revenue to RS 20 to ensure revenue neutrality.								
32 33	While As a re	respond esult of (ling to BCUC and Intervener IRs, FBC identified some errors in the COSA model. correcting these errors, the R/C ratios of most rate classes have changed. While for								

most rate classes the adjustments to the R/C ratios are minor, one rate class – Large Commercial
 Transmission (RS 31) – has now moved outside of the range of reasonableness (RoR), and one
 rate class – Wholesale Transmission (RS 41) – has moved within the RoR. Given the updated
 R/C ratios, FBC has developed new rebalancing options and proposed a new preferred

- 38 rebalancing option. These new options and new rebalancing proposal are reflected in Sections
- 39 7.2 and 7.3 of the Updated Application which FBC has filed concurrently with these IR responses.



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FBC provides the requested analysis for Option 6, Option 7, and Option 8 as identified in this question in points a) to c) below. For clarity, FBC will be referring to these rebalancing options as BCUC Option 6, BCUC Option 7, and BCUC Option 8. Please also refer to Point d) below for the updated Tables 7-6 and 7-7 for the comparison of revenue shifts as well as bill impacts that include BCUC Options 6 to 8.

6 a) <u>BCUC Option 6:</u>

FBC notes that BCUC Option 6 is consistent with the new Option 2 presented in Section
7.2.2 of the Updated Application. Please refer to Section 7.2.2 of the Updated Application
for the details of this option, including a table presenting the required revenue shifts and
monthly bill impacts, as well as an assessment of this option against Bonbright principles
2, 4 and 6.

As discussed in the Section 7.3 of the Updated Application, Option 2 is now FBC's proposed rebalancing option. In order to mitigate the rate impact to RS 60 customers from rebalancing, FBC is also proposing to phase-in the impact to RS 60 customers over a fiveyear period.

16 **b)** <u>BCUC Option 7</u>:

17 As described in the Updated Application, RS 41 is now within the RoR, while RS 31 is 18 outside of the RoR. As such, FBC provides the following evaluation of BCUC Option 7 19 based on rebalancing the revenue of the four rate schedules that are now outside of the 20 RoR (RS 20, 31, 40, and 60). This rebalancing is achieved by reducing the R/C ratio of 21 RS 31 to 105 percent, increasing the R/C ratio of RS 40 to 95 percent, increasing the R/C 22 ratio of RS 60 such that the average Irrigation customer will see an increase of 23 approximately 5 percent, and using RS 20 to maintain revenue neutrality. FBC notes that BCUC Option 7 is similar to the new Option 4 presented in Section 7.2.4 of the Updated 24 25 Application, with the difference being that FBC's new Option 4 uses RS 40 to maintain overall revenue neutrality while BCUC Option 7 uses RS 20 to maintain overall revenue 26 27 neutrality.

Please refer to Table 1 below for the revenue shifts for rebalancing under BCUC Option 7,
the approximate bill impact per month in percentage and in dollars, and the final R/C ratios
after the revenue shift.



Table 1: BCUC Option 7 – 2025 COSA R/C Ratio Results after Revenue Rebalancing

			Approx.		
		Revenue	Monthly Bill	Approx. Monthly	COSA after
	Initial COSA	Shift	Impact	Bill Impact	Rebalancing
Rate Schedule	R/C	(\$000s)	(%)	(\$)	R/C
RS 01 Residential	99.5%	-	-	-	99.5%
RS 20 Small Commerical	107.5%	(729)	(1.5%)	(4.0)	105.9%
RS 21 Commerical	102.4%	-	-	-	102.4%
RS 30 Large Commercial Primary	100.7%	-	-	-	100.7%
RS 31 Large Commerical Transmission	105.3%	(55)	(0.3%)	(1,156.1)	105.0%
RS 40 Wholesale Primary	94.0%	581	1.1%	4,838.0	95.0%
RS 41 Wholesale Transmission	98.3%	-	-	-	98.3%
RS 50 Lighting	99.8%	-	-	-	99.8%
RS 60 Irrigation	77.3%	204	5.0%	15.4	81.2%

- Under BCUC Option 7, the average RS 20 and RS 31 customer will see a rate reduction
 of approximately 1.5 percent and 0.3 percent, respectively, while RS 40 and RS 60
 customers will see rate increases of approximately 1.1 percent and 5.0 percent,
 respectively.
- 7 When assessed against the Bonbright rate design principles, BCUC Option 7 aligns with8 principle 6:
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Principle 6 – Rate Stability (Customer rate impact should be managed)

- The rate impacts to all impacted rate classes are well below 10 percent, with the impacts ranging from a decrease of 1.5 percent to an increase of 5.0 percent.
- 12 However, BCUC Option 7 does not align with principles 2 or 4:
 - Principle 2 Fair apportionment of costs among customers
- Under BCUC Option 7, two rate schedules (RS 20 and 60) will still be outside the RoR,
 which is the most out of all rate schedules evaluated. Further, RS 60, with an R/C ratio
 of 81.2 percent after rebalancing, will still be well below the lower bound of the RoR.
- 17

Principle 4 – Customer understanding and acceptance

- 18This option ranks poorly for customer understanding and acceptance, as RS 20 will19still be above the RoR, while RS 60 will still be significantly below the RoR.
- 20 c) <u>BCUC Option 8</u>:

As described in the Updated Application, RS 41 is now within the RoR, while RS 31 is outside of the RoR. As such, FBC provides the following evaluation of BCUC Option 8 based on rebalancing the revenue of the four rate schedules that are now outside of the RoR (RS 20, 31, 40, and 60). This rebalancing is achieved by reducing the R/C ratio of RS 31 to 105 percent, increasing the R/C ratio of RS 40 to 95 percent, increasing the R/C ratio of RS 60 to 95 percent, and using RS 20 to maintain revenue neutrality.



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Please refer to Table 2 below for the revenue shifts for rebalancing under BCUC Option 8, the approximate bill impact per month in percentage and in dollars, and the final R/C ratios after the revenue shift.

Table 2: BCUC Option 8 – 2025 COSA R/C Ratio Results after Revenue Rebalancing

			Approx.		
		Revenue	Monthly Bill	Approx. Monthly	COSA after
	Initial COSA	Shift	Impact	Bill Impact	Rebalancing
Rate Schedule	R/C	(\$000s)	(%)	(\$)	R/C
RS 01 Residential	99.5%	-	-	-	99.5%
RS 20 Small Commerical	107.5%	(1,458)	(3.0%)	(7.9)	104.3%
RS 21 Commerical	102.4%	-	-	-	102.4%
RS 30 Large Commercial Primary	100.7%	-	-	-	100.7%
RS 31 Large Commerical Transmission	105.3%	(55)	(0.3%)	(1,156.1)	105.0%
RS 40 Wholesale Primary	94.0%	581	1.1%	4,838.0	95.0%
RS 41 Wholesale Transmission	98.3%	-	-	-	98.3%
RS 50 Lighting	99.8%	-	-	-	99.8%
RS 60 Irrigation	77.3%	933	22.9%	70.5	95.0%

- 6 Under BCUC Option 8, as shown in Table 2 above, an average RS 20 and RS 31 customer 7 will see a rate reduction of approximately 3.0 percent and 0.3 percent, respectively, while 8 an average RS 41 and RS 60 customer will see a rate increase of approximately 9 1.1 percent and 22.9 percent, respectively. The rate impact of 22.9 percent for RS 60 10 customers (equivalent to approximately \$70.50 per month) would be considered rate 11 shock.
- When assessed against the Bonbright rate design principles, Option 8 aligns with principle2:
- 14 Principle 2 Fair apportionment of costs among customers
 - All R/C ratios of the applicable rate schedules would fall within the RoR of 95 percent to 105 percent. Therefore, the cost recovery through each rate schedule closely reflects the fair apportionment of costs from each customer group.
- 18 However, Option 8 does not align with Bonbright principles 4 and 6:
- 19 Principle 4 Customer understanding and acceptance
- 20Only customers in RS 20, 31, 40 and 60, whose R/C ratios are outside the RoR, will21be impacted by the revenue rebalancing. This minimizes the number of customers that22will be impacted by the revenue rebalancing. However, in order to achieve revenue23neutrality under this option, RS 20 will be rebalanced below the upper bound of the24RoR (i.e., 104.3 percent). This could erode the level of understanding and acceptance25for other rate schedules (i.e., RS 31) that would only be moved to the boundary of the26RoR.



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• Principle 6 – Rate Stability (Customer rate impact should be managed)

The rate impact of approximately 22.9 percent to RS 60 customers would be significant under BCUC Option 8. This level of rate increase would be considered rate shock.

d) <u>Summary:</u>

Please refer to the updated Tables 7-6 and 7-7 of the Updated Application below, comparing the revenue shifts and bill impacts between all options, including BCUC Options 6, 7, and 8.

Updated Table 7-6: Summary of Revenue Shifts and Resulting R/C Ratios Between Rate Schedules for All Rebalancing Options

	Option 1		Optic	on 2	Optic	n 3	Optio	on 4	Optic	on 5	BCUC Option 6		BCUC Option 7		BCUC Option 8	
	Revenue		Revenue		Revenue		Revenue		Revenue		Revenue		Revenue		Revenue	
	Shift	R:C	Shift	R:C	Shift	R:C	Shift	R:C								
	(\$000s)	Ratio	(\$000s)	Ratio	(\$000s)	Ratio	(\$000s)	Ratio								
RS 01	-	99.5%	-	99.5%	195	99.6%	-	99.5%	-	99.5%			-	99.5%	-	99.5%
RS 20	(1,134)	105.0%	(1,134)	105.0%	(1,134)	105.0%	(1,134)	105.0%	(666)	106.0%				105.9%	(1,458)	104.3%
RS 21	(233)	102.0%	-	102.4%	-	102.4%	-	102.4%	-	102.4%				102.4%	-	102.4%
RS 30	(90)	100.4%	-	100.7%	-	100.7%	-	100.7%	-	100.7%			-	100.7%	-	100.7%
RS 31	(55)	105.0%	(55)	105.0%	(55)	105.0%	(55)	105.0%	(55)	105.0%	Same as	Option 2	(55)	105.0%	(55)	105.0%
RS 40	581	95.0%	581	95.0%	581	95.0%	986	95.7%	581	95.0%			581	95.0%	581	95.0%
RS 41	-	98.3%	-	98.3%	8	98.4%	-	98.3%	-	98.3%			-	98.3%	-	98.3%
RS 50	-	99.8%	-	99.8%	2	99.9%	-	99.8%	-	99.8%			-	99.8%	-	99.8%
RS 60	933	95.0%	609	88.9%	405	85.0%	204	81.2%	141	80.0%			204	81.2%	933	95.0%



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Updated Table 7-7: Summary of Monthly Bill Impact in % and \$ for an Average Customer in Each Rate Schedule for All Rebalancing Options

	Option 1		Opti	on 2	Opti	on 3	Opti	on 4	Option 5		BCUC Option 6		BCUC Option 7		BCUC Option 8			
	Approx.	Approx.	Approx.	Approx.	Approx.	Approx.	Approx.	Approx.	Approx.	Approx.	Approx.	Approx.	Approx.	Approx.	Approx.	Approx.		
	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly		
	Bill Impact	Bill Impact	Bill Impact	Bill Impact	Bill Impact	Bill Impact	Bill Impact	Bill Impact	Bill Impact	Bill Impact	Bill Impact	Bill Impact						
	(%)	(\$)	(%)	(\$)	(%)	(\$)	(%)	(\$)	(%)	(\$)	(%)	(\$)	(%)	(\$)	(%)	(\$)		
RS 01	-	-	-	-	0.1%	0.1	-	-	-	-					-	-	-	-
RS 20	(2.4%)	(6.2)	(2.4%)	(6.2)	(2.4%)	(6.2)	(2.4%)	(6.2)	(1.4%)	(3.6)				(4.0)	(3.0%)	(7.9)		
RS 21	(0.3%)	(10.9)	-	-	-	-	-	-	-	-			-	-	-	-		
RS 30	(0.3%)	(198.3)	-	-	-	-	-	-	-	-			-	-	-	-		
RS 31	(0.3%)	(1,156.1)	(0.3%)	(1,156.1)	(0.3%)	(1,156.1)	(0.3%)	(1,156.1)	(0.3%)	(1,156.1)	Same as	Option 2	(0.3%)	(1,156.1)	(0.3%)	(1,156.1)		
RS 40	1.1%	4,838.0	1.1%	4,838.0	1.1%	4,838.0	1.8%	8,214.7	1.1%	4,838.0			1.1%	4,838.0	1.1%	4,838.0		
RS 41	-	-	-	-	0.1%	636.0	-	-	-	-			-	-	-	-		
RS 50	-	-	-	-	0.1%	0.1	-	-	-	-			-	-	-	-		
RS 60	22.9%	70.5	14.9%	46.0	9.9%	30.6	5.0%	15.4	3.5%	10.7			5.0%	15.4	22.9%	70.5		

As discussed above, BCUC Option 6 is consistent with FBC's new Option 2 presented in the Updated Application, which is the preferred rebalancing option as discussed in Section 7.3 of the Updated Application. With regard to BCUC Options 7 and 8, FBC does not consider either of these to be superior to the preferred Option 2. BCUC Option 7 will result in two customer classes (i.e., RS 20 and 60) remaining outside of the RoR, and BCUC Option 8 will result in a significant rate increase to RS 60 customers of 22.9 percent.

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8.1.1 For Options 7 and 8, please weigh the pros and cons of increasing the R/C ratio of RS 60 to either 95 percent or a level closer to that end of the range of reasonableness and decreasing the R/C ratio of RS 20 to a level



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within the range of reasonableness, as opposed to the 105 percent end of the range.

2

4 Response:

As discussed in the response to BCUC IR1 8.1, FBC considers the preferred Option 2 (with a 5 year phase-in period for RS 60 customers) to be more closely aligned with Bonbright's rate design
 principles relative to BCUC Option 7. FBC provides the following pros and cons of BCUC Option
 7:

9 <u>Pros:</u>

BCUC Option 7 addresses the issue of rate shock to RS 60 customers by limiting the bill impact to 5 percent through a smaller R/C adjustment (i.e., this option moves RS 60's R/C ratio from 77.3 percent to 81.2 percent).

13 <u>Cons:</u>

• The R/C ratio of RS 60 would still be well below the lower bound of the RoR.

The R/C ratio of RS 20 would remain above the upper bound of the RoR at 105.9 percent after revenue rebalancing. This not only conflicts with Bonbright principle 2, but it could lead to a lack of understanding and acceptance by RS 20 customers, particularly given that there are other options which would mitigate the rate impact to RS 60 customers while also moving RS 20 customers' R/C ratio down to the RoR.

- In the case of BCUC Option 8, which moves the R/C ratio of RS 60 to exactly 95 percent while reducing the R/C ratio of RS 20 to below 105 percent, the pros and cons are as follows:
- 22 **Pros:**
- All customer classes' R/C ratios will be at or within the RoR, thus aligning with Bonbright
 principle 2 (fair apportionment of costs).
- The bill savings to RS 20 customers will increase to approximately 3.0 percent or \$7.90 per month which, as shown in the Updated Table 7-7 in the response to BCUC IR1 8.1, provides the largest amount of savings for RS 20 customers out of all options explored.
- 28 <u>Cons:</u>

The rate impact to the average RS 60 customer of increasing the R/C ratio to 95 percent is approximately 22.9 percent or \$71 per month, which is well above the level considered to be rate shock. As explained in the response to BCUC IR1 8.1.2 below, even if the rate impact is phased in over a 5-year period, it will still be relatively high, particularly when combined with FBC's annual general rate increases.



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• BCUC Option 8 would reduce the R/C ratio of RS 20 to below the upper bound of the RoR to 104.3 percent, while RS 31 customers will only get rebalanced down to 105 percent. This could be difficult for RS 31 customers to understand and accept.

8.1.2 For Option 8, please discuss options that FBC could use to address possible rate shock for RS 60 customers.

10 Response:

If the BCUC determined that FBC should implement BCUC Option 8, the primary option for addressing potential rate shock for RS 60 customers would be to phase-in the rate increase over multiple years. FBC provides Table 1 below which shows the effective annual rate impact of phasing in the revenue rebalancing resulting from BCUC Option 8 over one to seven years.

15 As shown in Table 1 below, even if the rate increase is smoothed over five years, the impact to 16 RS 60 customers is still relatively high in each year, especially when considering the annual rate 17 increase for Irrigation customers with load during the in-season months only (i.e., April to 18 October). Further, when factoring in FBC's annual general rate increases, which have been in the 19 range of 4 to 6 percent in recent years, even a 5-year phase-in period would likely bring RS 60 20 customers close to rate shock. While FBC could phase in the rebalancing for RS 60 customers 21 over a period longer than five years (such as six or seven years as presented in Table 1 below), 22 this would likely result in the rebalancing still being phased in when the next COSA study is filed.

23	Table 1: Rate Impact of RS 60 based	on a Phase	e-in of R	evenue	Rebalar	ncing of	1 to 7 y	ears
	Phase-in Period	1 year	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years

	Phase-in Period	1	year	2	/ears	3 Y	ears	<u>4 Y</u>	'ears	<u>5</u> Y	'ears	6 Y	ears	<u>7 Y</u>	ears
	Revenue Shift per year (\$000s)	\$	933	\$	467	\$	311	\$	233	\$	187	\$	156	\$	133
	Total Rate Increase to RS 60 per year (%)		22.9%		11.4%		7.6%		5.7%		4.6%		3.8%		3.3%
	RS 60 Irrigation season (Apr to Oct) Rate Increase (Net of		20 /0/		1 / /0/		0.70/		7 20/		E 0%/		E 00/		1 20/
	savings from RS 20 for rebalancing during Off-Season)		20.4%		14.470		9.7%		1.5%		5.9%		5.0%		4.5%
24	Appox. Monthly Bill Impact to RS 60 Customers - Year 1 (\$)	\$	70.5	\$	35.2	\$	23.5	\$	17.6	\$	14.1	\$	11.7	\$	10.1

FBC therefore does not consider BCUC Option 8 (or phasing in the rate increase resulting from
 BCUC Option 8) to be superior to the proposed Option 2 in the Updated Application.

Although the proposed Option 2 does not rebalance the R/C ratio of RS 60 to 95 percent (i.e., RS 60's R/C ratio will move to 88.9 percent), Option 2 moves the R/C ratio closer to the lower bound of the RoR than most of the other options considered, while still aligning with Bonbright's principle 6 through the proposed phase-in over five years. Further, as R/C ratios tend to vary over time, this approach allows FBC to reassess RS 60 in the next COSA to see if further increments of rebalancing towards 95 percent are necessary, or if RS 60's R/C ratio has naturally moved closer to (or within) the RoR between COSA studies.



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- 8.2 Considering all eight options, please explain with justification, which option strikes the best balance between the three relevant Bonbright rate design criteria, in FBC's view.
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5 **Response:**

6 For the reasons described in the Updated Application and in the responses to BCUC IR1 8.1,

7 8.1.1 and 8.1.2, FBC considers its proposed Option 2 to strike the best balance between the three

8 relevant Bonbright rate design criteria.



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9.0 Reference: REVENUE REBALANCING PROPOSALS

Exhibit B-1, Section 7.3, Table 7-8, p. 37; 2017 COSA Decision – 2020 Compliance Filing (2020 Compliance Filing), Table 3, p. 3

Rebalancing of RS 40/41

5 On page 3 of the 2020 Compliance Filing, FBC provided the below Table 3 that shows the 6 R/C ratios for all rate classes for both the 2017 and 2020 COSAs:

Rate Class	2017 Revenue to Cost Ratio (Before Rebalancing)	2020 Revenue to Cost Ratio
Residential	98.4%	99.7%
Small Commercial	102.2%	101.5%
Commercial	104.7%	99.5%
Large Commercial Primary	104.0%	105.7%
Large Commercial Transmission	107.0%	110.4%
Lighting	92.2%	84.9%
Irrigation	97.2%	96.5%
Wholesale Primary	96.7%	96.7%
Wholesale Transmission	103.9%	95.8%
Total	100.0%	100.0%

Table 3: Revenue to Cost Ratios 2017 and 2020

- 7 8
- Further on page 3 of the 2020 Compliance Filing, FBC stated:
- 9 FBC has a number of customer classes with significant load spread over a relatively small number of customers. Specifically, Rate Schedule (RS) 31 - Large 10 Commercial Transmission has five customers, and the Wholesale class (RS 40 11 12 and RS 41) has a combined six customers. This fact results in a situation where 13 year-over-year variation in consumption in the class may result in swings in class 14 load factor leading to R/C ratios that fluctuate in the short term, but that should not 15 necessarily be the cause of rate rebalancing since a reversal may occur in 16 subsequent years. Over the longer term, it is expected that R/C ratios would be 17 relatively stable. In the 2020 COSA, FBC has addressed this tendency by using 18 an average load factor for RS 31, RS 40, and RS 41 in the model that considers 19 load factors from the test years of both the 2017 and 2020 COSA studies. [Emphasis added] 20
- 21 On page 37 of the Application, FBC provides Table 7-8, with the final 2025 COSA study 22 results for the proposed revenue rebalancing:



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Rate Schedule	Initial COSA R/C	Revenue Shift (\$000s)	COSA after Rebalancing R/C
RS 01 Residential	99.6%	-	99.6%
RS 20 Small Commerical	108.3%	(1,481)	105.0%
RS 21 Commerical	103.9%	-	103.9%
RS 30 Large Commercial Primary	99.3%	-	99.3%
RS 31 Large Commerical Transmission	104.7%	-	104.7%
RS 40 Wholesale Primary	92.1%	1,340	94.4%
RS 41 Wholesale Transmission	94.6%	31	95.0%
RS 50 Lighting	100.3%	-	100.3%
RS 60 Irrigation	82.9%	110	85.0%

29.1Based on the underlined statement in the quote from the 2020 Compliance Filing,3please clarify whether there is less rationale to rebalance RS 40 and RS 41 now4even though their R/C ratios from the 2025 COSA study are outside the range of5reasonableness given that their R/C ratios from the 2017 and 2020 COSAs both6fell within the range of reasonableness and that over the longer term, these ratios7are expected to be relatively stable.

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9 Response:

10 As explained in the Updated Application filed concurrently with these IR responses, as a result of

11 the correction of some errors to the COSA model, the R/C ratios of most rate classes have 12 changed. In the case of RS 41, the R/C ratio has moved within the RoR; thus, no rebalancing is

13 proposed.

14 With regard to RS 40, FBC is now proposing to rebalance the R/C ratio up to 95 percent (from 94.0 percent) as part of the proposed new Option 2. As shown in Table 1 below, there has not 15 16 been a wide swing in the R/C ratio for the Wholesale Primary class, but as the R/C ratio has now 17 dropped below the RoR, FBC considers it appropriate to rebalance RS 40 in accordance with 18 Bonbright principle 2. FBC also notes that there has been a change in circumstances related to 19 the RS 40 Wholesale Primary class since the 2020 COSA – i.e., the Grand Forks Bypass 20 Agreement approved by Order G-173-21. The impact of the Grand Forks Bypass Agreement is a 21 permanent annual reduction in the RS 40 revenue relative to class load, which was not a factor 22 in 2017 or 2020. For these reasons, FBC considers it appropriate to rebalance RS 40 at this time.

23

Table 1: R/C Ratio of RS 40 Wholesale Primary from the 2017, 2020 and 2024 COSA Studies

	2017 R/C Ratio	2020 R/C Ratio	2024 R/C Ratio (Updated Application)
RS 40 Wholesale Primary	96.7%	96.7%	94.0%

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- 9.2 To address the short-term fluctuations in R/C ratios in the 2025 COSA study, please discuss whether FBC has used an average load factor for RS 31, RS 40 and RS 41 in the model that considers load factors from more than one test year. If not, please explain why not.
 - 9.2.1 If an average load factor was not used, please discuss whether the R/C ratios of RS 40 and RS 41 would be within the range of reasonableness had FBC used an average load factor in the model that considered more than one test year, for example the test years of both the 2020 and 2025 COSA studies. If so, please discuss how FBC's proposal for rate rebalancing would be impacted.

12 **Response:**

FBC notes that, while responding to BCUC and Intervener IRs, it identified some errors in the
 COSA model. As a result of correcting these errors, most of the R/C ratios have changed. FBC
 has filed an Updated Application concurrently with these IR responses reflecting the changes and

16 has summarized each change in the cover letter to the Updated Application. Table 1 below reflects

17 the corrected R/C ratios (before rebalancing).

The current COSA study does not use averaged load factors for any rate class. All classes are treated the same based on the loads in 2022. EES did not make adjustments to the 2025 COSA to average certain load factors across studies because the data overall was more complete due to the availability of AMI readings, and averaging a more complete data set with aspects of a less complete data set would tend to dilute the value of the higher quality data.

If average load factors were used, with no other changes to the COSA model, RS 40 would still
 be out of range, but RS 31 would move into range. No other rate classes would move in or out of
 the RoR. Please refer to Table 1 below for a comparison between the R/C ratios from the Updated

Application and the new R/C ratios based on average load factors of RS 31, 40 and 41.

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Table 1: Difference in R/C Ratios if Average Load Factors Used for RS 31, 40, ad 41

Customer Class	R/C Ratios Based on Avg. LF for RS 31, 40, and 41	R/C Ratios (Updated Application)	Difference
RS 01 – Residential	99.9%	99.5%	+0.4%
RS 20 – Small Commercial	109.7%	107.5%	+2.1%
RS 21 – Commercial	101.9%	102.4%	-0.5%
RS 30 – Large Commercial Primary	98.4%	100.7%	-2.3%
RS 31 – Large Commercial Transmission	100.2%	105.3%	-5.1%
RS 40 – Wholesale Primary	93.9%	94.0%	-0.1%
RS 41 – Wholesale Transmission	103.3%	98.3%	+5.0%
RS 50 – Lighting	100.0%	99.8%	+0.2%
RS 60 – Irrigation	86.9%	77.3%	+9.6%



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- 1 Based on the new R/C ratios from Table 1 above, if the average load factor was used for RS 31,
- 2 40, and 41, FBC's proposed rebalancing would be affected as follows.
- RS 20 would still require rebalancing and the reduction in rates would be higher since the
 R/C ratio has increased to 109.7 percent.
- RS 31 would no longer required rebalancing.
- 6 RS 40 would still require rebalancing.
- There would be no change to RS 41, though the R/C ratio would see a fairly large increase
 within the RoR.
- RS 60 would still require rebalancing, but the increase would be substantially reduced
 since the R/C ratio would be increased to 86.9 percent if the average load factor is used.
- Although the R/C ratios of all other rate classes would change if average load factors for
 RS 31, 40, and 41 are used, none of them would require rebalancing as the R/C ratios
 remain within the RoR.
- However, as discussed above, FBC does not consider using average load factors for RS 31, 40,and 41 as proposed in this question to be appropriate.



ELECTRIC TARIFF 1 C.

2	10.0	Reference:	ELECTRIC TARIFF
3 4			Exhibit B-1, Section 2.1, p. 2, Attachment D (FBC Electric Tariff – Blacklined)
5			Changes in Tariff Values
6 7 8 9		On page 2 c changes to v updated tran proposed rev	of the Application, FBC outlines its approvals sought including percentage various billing-determinant-related rate components of rate schedules and sformation discounts for certain rate schedules that are affected by FBC's enue rebalancing.
10 11		Attachment I electric tariff	D to the Application provides a blacklined version of the pages from FBC's that are affected by FBC's proposed revenue rebalancing.

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10.1 Please complete the following table for all affected rate schedules identified in Attachment D and the approvals sought as outlined on page 2 of the Application:

Rate Schedule	Component	Current Value	Blacklined Value	\$ Change	% Change
20 – Small	Bi-monthly rate	12.788	12.392	-0.396	-3.10%
Commercial	Customer charge	58.84	57.02	-1.82	-3.09%
Service					
21 – Commercial	Discount	0.409	0.247	-0.162	-39.61%
Service					

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16 **Response:**

- 17 FBC provides the completed table below, which reflects the results of the revised COSA model 18 and revised rebalancing proposal filed as part of the Updated Application.
- 19 In calculating the updated rates provided in the blacklined version of FBC's Electric Tariff pages, 20 FBC used the following formula:
- 21 Current Rate x (1+ Rebalancing Percentage)³

22 With regard to the various transformation discounts for which approval of changes is also 23 requested in Section 2.1 of the Updated Application, these have been provided in the table below 24 (highlighted in green). FBC notes that these amounts are not derived from the rebalancing 25 increases; therefore, the dollar and percentage change columns for those values is not relevant. 26 Rather, the transformation discounts are calculated from the COSA model as described in Section

27 8 of the Updated Application.

³ For RS 60 (and 61), the rebalancing percentage is calculated based on the revenue on an annual basis, which includes the in-season RS 60/61 rates from April to October and RS 20/21 rates during the off-season from November to March. As shown in Table 7-10 of the Updated Application, under the preferred Option 2, a 3.0 percent increase for Irrigation customers on an annual basis means the in-season RS 60/61 rates will have to increase by 3.9 percent to offset the savings from RS 20/21 due to revenue rebalancing.



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Rate Schedule	Component	Charge Basis	Current Value	Blacklined Value	\$ Change	% Change
20 – Small Commercial	Bi-monthly rate	\$ per kW.h	0.12788	0.12481	-0.003	-2.40%
Service	Customer Charge	\$ per two-month period	58.84	57.43	-1.412	-2.40%
21 – Commercial Service	Discount	\$ per kW	0.409	0.4841	0.075	18.36%
	Summer On-Peak Hours	\$ per kW.h	0.19338	0.18874	-0.005	-2.40%
	Summer Off-Peak Hours	п	0.06267	0.06117	-0.002	-2.40%
22A - Commercial Service - Secondary - Time of Use	All Other Months - On Peak Hours	n	0.19338	0.18874	-0.005	-2.40%
	All Other Months - Off Peak Hours	n	0.06267	0.06117	-0.002	-2.40%
	Customer Charge	\$ per month	21.08	20.57	-0.506	-2.40%
30 - Large Commercial Service - Primary	Discount per kVA of Billing Demand	\$ per kVA	6.727	5.98	-0.747	-11.10%
	Energy Charge	\$ per kW.h	0.06631	0.06611	0.000	-0.30%
31 - Large Commercial	Customer Charge	\$ per month	3,946.97	3935.13	-11.841	-0.30%
Service - Transmission	Wires Charge	\$ per kVA	6.09	6.07173	-0.018	-0.30%
	Power Supply Charge	\$ per kVA	4.25	4.23725	-0.013	-0.30%
	Winter On-Peak Hours	\$ per kW.h	0.22475	0.22408	-0.001	-0.30%
	Winter Off-Peak Hours	n	0.06365	0.06346	0.000	-0.30%
	Summer On-Peak Hours	п	0.29973	0.29883	-0.001	-0.30%
33 - Large Commercial	Summer Off-Peak Hours	н	0.04955	0.04940	0.000	-0.30%
- Time of Use	Shoulder (all other months) On-Peak Hours	II	0.07192	0.07170	0.000	-0.30%
	Shoulder (all other months) Off-Peak Hours	п	0.03792	0.03781	0.000	-0.30%
	Customer Charge	\$ per month	3,663.74	3652.75	-10.991	-0.30%
	Wires Charge	\$ per kVA	11.49	11.62	0.126	1.10%
	Power Supply Charge	\$ per kVA	6.17	6.24	0.068	1.10%
	Energy Charge	\$ per kW.h	0.06890	0.06966	0.0008	1.10%
40 - Wholesale Service	Customer Charge	\$ per point of delivery per month	5,783.49	5,847.11	63.62	1.10%
, mary	Delivery Voltage Discount applied to the Energy Charge	\$ per kW.h	0.00985	0.00926	-0.0006	-5.99%
	Delivery Voltage Discount applied to the Wires Charge	\$ per kVA	3.390	3.780	0.390	11.50%



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Rate Schedule	Component	Charge Basis	Current Value	Blacklined Value	\$ Change	% Change
	Winter On-Peak Hours	\$ per kW.h	0.31236	0.31580	0.0034	1.10%
	Winter Off-Peak Hours	н	0.06368	0.06438	0.0007	1.10%
	Summer On-Peak Hours	н	0.29993	0.30323	0.0033	1.10%
	Summer Off-Peak Hours	n	0.04957	0.05012	0.0005	1.10%
42 - Wholesale Service - Primary - Time of Use	Shoulder (all other months) On-Peak Hours	n	0.07195	0.07274	0.001	1.10%
	Shoulder (all other months) Off-Peak Hours	n	0.03786	0.03828	0.0004	1.10%
	Customer Charge	\$ per month per Point of Delivery	3,382.57	3,419.78	37.208	1.10%
60 - Irrigation and	Monthly Rate	\$ per kW.h	0.09258	0.09619	0.004	3.90%
Drainage	Customer Charge	\$ per month	28.25	29.35	1.102	3.90%
	Winter On-Peak Hours	\$ per kW.h	0.24598	0.25557	0.0096	3.90%
	Winter Off-Peak Hours	"	0.06167	0.06408	0.0024	3.90%
	Summer On-Peak Hours	"	0.23671	0.24594	0.0092	3.90%
61 - Irrigation and	Summer Off-Peak Hours	"	0.05115	0.05314	0.0020	3.90%
Drainage - Time of Use	Shoulder (all other months) On-Peak Hours	u	0.06774	0.07038	0.0026	3.90%
	Shoulder (all other months) Off-Peak Hours	n	0.04249	0.04415	0.0017	3.90%
	Customer Charge	\$ per month	65.98	68.55	2.57	3.90%

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10.2 For any rows in the above table that do not reconcile to the percentage increases in the approvals sought on page 2 of the Application, please explain the difference or provide an updated approval sought/blacklined electric tariff as appropriate.

8 Response:

9 Please refer to the response to BCUC IR1 10.1. FBC also notes that a revised blacklined Tariff

10 page reflecting the changes to the proposed revenue rebalancing option is included in Appendix D

11 of the Updated Application, filed concurrently with these IR responses.



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1 D. OTHER MATTERS

2 11.0 Reference: OTHER MATTERS

Exhibit B-1, Section 2.1, pp. 2–3; FortisBC Energy Inc. (FEI) 2024 Annual Review of Delivery Rates, Exhibit B-2, Section 7.5.1, p. 73

COSA Deferral Account

On pages 2 to 3 of the Application, FBC states that it is seeking approval of the establishment of a new rate base deferral account, titled the 2025 COSA deferral account, to record the costs associated with the regulatory review of the Application. FBC estimates the total regulatory proceeding costs to be \$450 thousand including BCUC costs, participant cost award funding, external legal fees, and consulting fees for EES Consulting.

- 12 On page 73 of Exhibit B-2 to the FEI 2024 Annual Review of Delivery Rates, it states:
- 13 FEI is requesting approval to establish a rate base deferral account to capture the 14 regulatory costs associated with the 2023 COSA Study and Revenue Rebalancing 15 Application. These costs include BCUC costs, participant funding costs, external 16 legal fees, and miscellaneous facilities, stationery, and supplies costs. FEI 17 forecasts costs of \$0.056 million (0.041 million after-tax) in 2023 and \$0.084 million 18 (\$0.061 million after-tax) in 2024. Actual costs will vary depending on how the 19 regulatory proceeding progresses and will be confirmed after the regulatory 20 process is completed.
- 2111.1Please explain the main drivers for the higher estimated regulatory costs for the22FBC COSA proceeding compared to the FEI COSA proceeding. As part of the23response and to the best of FBC's knowledge, please provide the actual FEI 202324COSA Study and Revenue Rebalancing Application regulatory costs incurred and25discuss the differences from the estimated amount.

27 **Response:**

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28 FBC notes that, while responding to BCUC and Intervener IRs, it identified some errors in the 29 COSA model. As a result of correcting these errors, most of the R/C ratios have changed. FBC 30 has filed an Updated Application concurrently with these IR responses reflecting the changes and 31 has summarized each change in the cover letter to the Updated Application. Additionally, and as 32 discussed in the cover letter to the Updated Application, FBC is proposing a second round of IRs 33 due to the substantive nature of the changes to the revenue rebalancing proposals in the Updated 34 Application. FBC is not proposing to revise the forecast of the regulatory proceeding costs in the 35 Updated Application, as the requested deferral account will ultimately capture the actual costs, 36 which are expected to vary to some degree from the forecast proceeding costs. Accordingly, the 37 following response is based on the forecast provided in the original Application.

The main driver for the higher estimated regulatory costs for the FBC 2025 COSA and Revenue Rebalancing proceeding as compared to the FEI 2023 COSA and Revenue Rebalancing



- 1 proceeding is the costs for the use of an external consultant in the FBC proceeding (EES
- 2 Consulting). FBC's COSA study has historically been and continues to be developed and 3 supported by external consultants, whereas FEI's COSA study was developed and supported
- 4 using FEI's internal staff.
- 5 For clarity, the cost of FEI and FBC internal staff time is not included in the deferral accounts for 6 regulatory proceeding costs, as internal staff time is part of each utility's respective formula O&M.
- The actual total costs for FEI's 2023 COSA proceeding were approximately \$160 thousand, which
 was approximately \$20 thousand higher than the forecast.
- 9 FBC estimates that consulting costs for the direct work on the development and support of the
- 10 2025 COSA Study will represent approximately \$250 thousand out of the \$450 thousand forecast
- 11 proceeding costs. If the estimated consulting costs are excluded, the forecast for regulatory
- 12 proceeding costs would be \$200 thousand, which is comparable to FEI's actual 2023 COSA and
- 13 Revenue Rebalancing proceeding costs of approximately \$160 thousand.



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1 12.0 Reference: OTHER MATTERS

Exhibit B-1, Section 1.0, p. 1

Filing of Next COSA

- 4 On page 1 of the Application, FBC explains the history of its COSA filings including recent 5 prior filings in 2017 and 2020.
- 6 12.1 Please explain how frequently FBC expects to update its COSA moving forward 7 and why this scheduled timeframe is considered appropriate. As part of the 8 response, please explain whether there are circumstances that would necessitate 9 updating the COSA sooner than the scheduled timeframe and if so, please list the 10 circumstances.
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12 **Response:**

FBC does not consider it necessary to assign a specific timeframe or frequency to when COSA studies are filed. In fact, it is common for the frequency of utility COSA studies (and rate design applications) to vary. For example, prior to the 2017 COSA study (and the 2020 COSA study which was filed in compliance to the 2019 COSA and RDA Decision and Order G-40-19), the last

17 COSA study completed by FBC was in 2009.

18 COSA studies are generally completed following significant changes in circumstances such as 19 changes to the internal operation of a utility or the environment in which the utility operates. For 20 example, FEI filed a COSA and Rate Design Application in 2016 in compliance with a BCUC 21 directive in Order G-21-14 following the amalgamation of FEI, FortisBC Energy (Vancouver 22 Island) Inc., and FortisBC Energy (Whistler) Inc., as well as the implementation of common rates, 23 which was considered a significant change to the operation of the utility. A COSA study can also 24 be used to support significant changes to the design of rates (for example, moving to a flat rate 25 from an inclining or declining block rate).

However, should the BCUC consider it necessary to direct a specific timeframe or frequency for conducting future COSA studies, FBC recommends a minimum of five years between COSA studies. If significant changes occurred to FBC's internal operations, or external events resulted in significant changes to FBC's operations or structure, FBC would undertake a COSA study sooner if necessary, irrespective of a prescribed timeframe. At this time, however, the rates and rate designs generally continue to perform as intended, as evidenced by the results of the 2025 COSA study, which indicate that only a limited amount of revenue rebalancing is required.