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May 15, 2025

Commercial Energy Consumers Association of British Columbia
c/o Owen Bird Law Corporation
Vancouver Centre II
2900 – 733 Seymour Street
Vancouver, BC
V6B 0S6

Attention: David Craig

Dear David Craig:

Re: FortisBC Inc. (FBC)

2025 Cost of Service Allocation (COSA) and Revenue Rebalancing (Application)

Response to the Commercial Energy Consumers Association of British Columbia (CEC) 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 CEC IR No. 1.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC INC.

Original signed:

Sarah Walsh

Attachments

cc (email only): Commission Secretary
Registered Interveners

2025 COSA Study Methodology and Results

1. References: Exhibit B-1, Section 5.1.2.1, Page 13; BCUC Decision and Order G-136-23, Page 29 and Page 30 (Summary Table); and Exhibit B-1, Appendix A, Page 3

> At the time of filing this Application, FBC has a single customer taking service under RS 38. However, there were no RS 38 revenues for the 2024 test year as the customer's load was served under RS 31 at the time. FBC considers it appropriate to reflect the change in the COSA load apportionment as a known and measurable change to the test year.
>
> Revenues for RS 38 are difficult to forecast due to the uncertainty arising from the relationship between Mid-C pricing and the Customer's nominated Price Cap, as well as the likelihood of interruption. The actual hours of service provided to the RS 38 Customer cannot be known in advance. Based on the customer's 2022 total 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 approximately $3,574,198 using the hourly Mid-C pricing during the same period for the purposes of the 2025 COSA study.

> The Panel is satisfied with FBC's proposed reporting to provide an annual summary of RS 38 related activity as a starting point to gather information about RS 38 as FBC and its customers gain experience with the new service. To enable a thorough understanding of the new rate design, the Panel finds that additional information is warranted to evaluate the success of RS 38 over the pilot period. **Therefore, FBC is directed to file a report (RS 38 Report), on an annual basis over the pilot period, which will include RS 38 related activities and additional items as outlined below. The first RS 38 Report must be submitted to the BCUC by no later than 90 days after the end of the first full year of RS 38 implementation.**

> [7] During the study period, FortisBC negotiated with the largest RS 31 customer to include only load below 15 MW and to pass through power supply costs above 15 MW based on RS 38. This reduces energy for RS31 compared to previous filings but provided a better perspective for other RS 31 cost of service.

1.1. Given that FBC affirms that in 2024 there was no energy uptake by the sole RS 31 customer under RS 38, please confirm that the 2025 COSA Study methodology presumes that the market dynamics in 2025 and thereafter will result in customer energy uptake under RS 38. If confirmed, please identify the share of the uptake (in percent against total RS 31 consumption and total RS 31 revenue) and please discuss future market dynamics or other load serving reasons (vis-a-vis 2024) that justify the embedded assumption.

Response:

The study methodology presumes that there will be some customer energy uptake under RS 38 as used in the analysis that generated the RS 38 revenue projections. An explanation of the assumptions and the process for determining the RS 38 revenue is detailed in the responses to BCUC IR1 4.1 and 4.2. The RS 38 revenue represents approximately 20.6 percent of the total RS 31 revenues, and the RS 38 uptake represents approximately 21.0 percent of the RS 31 kWh sales. In general, future market dynamics include both high- and low-price periods with some long-term softening of the market due to macroeconomic uncertainty. It is unclear what the net effect of those dynamics will be on the customer. However, from a load serving perspective, the separate rate protects other FBC customers from those costs and risks.

1.2. Please clarify what assumptions are embedded in the 2025 COSA study with respect to the RS 38 hourly service adder and how it is incorporated or reflected in the revenue and/or cost components of the COSA study.

Response:

The RS 38 revenue amount includes both the flow-through cost of market energy and a $10/MWh Hourly Service Adder to each MWh of purchases. There are no other assumptions regarding this adder embedded in the model.

1.3. Please clarify whether FBC has filed any RS 38 Report(s) to date, and please provide the anticipated timing for the filing of the next report.

Response:

FBC filed its first RS 38 Annual Report on October 25, 2024, which covered the period from August 1, 2023 to July 30, 2024. Please refer to Attachment 1.3 for the report.

Since FBC did not have any RS 38 customers during this period, the report was limited to providing information on the program status.

FBC anticipates that it will file the second RS 38 Annual Report in October of 2025.

Load, Average Customer Count and Load Analysis

2. References: Exhibit B-1, Section 5.1.4, Page 14 and Exhibit B-1, Appendix A, PDF Page 58

> The gross load and average customer count used for the 2025 COSA study is based on the 2024 Approved forecasts. Table 5-4 below provides the summary of the gross load and average customer count used for the 2025 COSA study, which are 3,396 GWh and 152,006 customers, respectively. FBC notes that the gross load of 3,396 GWh excludes the projected load in RS 37 as well as the projected load in RS 31 that would be served through RS 38. The peak demand forecast used for the 2025 COSA cost allocations is 777 MW in the winter months and 629 MW in the summer months. The detailed gross load and average customer count used for the 2025 COSA are provided in the EES COSA Report in Appendix A, Schedule 8.4.

TABLE 2-3: FORECASTED LOADS COMPARISON

Forecasted Loads (GWh)	2017 COSA	2020 COSA	2024 COSA
Residential	1,354	1,326	**1,299**
Other Retail	1,341	1,401	**1,507**
Wholesale	587	567	**590**
Total System	**3,282**	**3,294**	**3,396**

2.1. Please provide the reasons for the declining forecasted residential load from the 2017 COSA to the 2024 COSA. And please provide the actual residential, retail and wholesale loads for the (corresponding) years to the 2017, 2020 and 2025 COSA studies, in the same format as Table 2-3 of Appendix A to the Application.

Response:

The residential load forecast each year is developed based on the historical normalized use-per-customer (UPC) and the forecast of customer count. FBC notes that the historical UPC has been declining each year since 2009 with the exception of 2013 and 2020, thus resulting in a declining load forecast for the residential class. FBC is unable to identify the specific reasons behind the declining UPC with certainty given the circumstances are expected to vary among residential customers; however, FBC believes the decline is likely attributable to a combination of stricter building codes, installation of more energy-efficient products, LED lighting technology, and economic conditions.

Please refer to the response to CEC IR1 2.2 for the actual residential, retail, and wholesale load corresponding to the 2017, 2020, and 2025 COSA studies.

2.2. Please provide the load forecast variance (in GWh and percent versus actual load) in total and by rate classes as itemized in Schedule 8.4, for each of the 2017, 2020 and 2025 COSA studies

Response:

Please refer to Table 1 below for the difference between forecast and actual load (in GWh and in percent) by rate class for each of the 2017, 2020 and 2025 COSA studies. As the 2025 COSA was completed using the 2024 Approved forecast revenue requirement, the corresponding forecast and actual load year shown in Table 1 below is 2024. This is in comparison to the 2017 and 2020 COSA studies, where the forecast and actual load year used in Table 1 below is 2017 and 2020, respectively. FBC also notes that Table 1 below (as well as Schedule 8.4 of Appendix A of the COSA Report) does not include the load forecast for RS 37 and RS 38, as explained in Section 5.1.4 of the Application[1].

Table 1: Comparison between Forecast and Actual Loads Corresponding to the 2017, 2020, and 2025 COSA Studies

	2017 COSA				2020 COSA				2025 COSA (2024)			
	Load (GWh)		Difference		Load (GWh)		Difference		Load (GWh)		Difference	
Rate Class	Forecast	Actual	GWh	%	Forecast	Actual	GWh	%	Forecast	Actual	GWh	%
Residential	1,354	1,371	17	1.2%	1,326	1,334	8	0.6%	1,299	1,321	22	1.7%
Small Commercial	304	337	33	10.9%	312	328	16	5.1%	349	326	(23)	-6.7%
Commercial	575	579	4	0.7%	589	589	0	0.1%	624	634	10	1.6%
Large Commerical - Primary	311	272	(39)	-12.6%	263	251	(12)	-4.7%	268	226	(42)	-15.8%
Large Commerical - Transmission	96	96	0	0.4%	190	176	(14)	-7.5%	218	340	122	56.1%
Lighting	14	16	2	13.9%	11	11	0	0.4%	9	9	(0)	-5.4%
Irrigation	40	42	2	4.9%	35	37	2	6.2%	38	39	1	3.5%
Wholesale - Primary	505	505	(0)	-0.1%	485	478	(7)	-1.4%	507	501	(6)	-1.1%
Wholesale - Transmission	81	86	5	6.4%	82	82	0	0.0%	83	87	4	4.8%
Total	**3,280**	**3,304**	**24**	**0.7%**	**3,293**	**3,287**	**(6)**	**-0.2%**	**3,395**	**3,482**	**87**	**2.6%**

2.3. Please provide the impact on the resulting R/C ratios if actual loads were used (in retrospect) for each of the 2017, 2020, 2025 COSA studies, as opposed to the respective load forecast driving each study.

Response:

FBC respectfully declines to provide the new R/C ratios for 2017, 2020, and 2025 requested in this question. As explained below, using R/C ratios that are calculated based on actual revenue in conjunction with the forecast cost of service (or revenue requirement) is not appropriate to evaluate rates and rate design.

FBC's rates (and revenue) are set based on the forecast demand and forecast cost of service; therefore, it is appropriate to calculate the R/C ratios based on the forecast revenue and forecast cost of service in the COSA model and use the resulting ratios to inform the need for revenue rebalancing. It would be incorrect to use actual revenue to calculate the R/C ratios and use these results to determine if the rates of each individual customer group are recovering the fair

[1] There are no changes to the discussion in Section 5.1.4 of the Updated Application filed concurrently with these IR responses, or to the load amounts used in the updated COSA model.

apportionment of cost to serve them, when the rates are set based on the forecast cost of service, not the actual cost of service.

Further, variances in revenue due to the difference between forecast and actual load are captured in the approved Flow-through deferral account. As such, the amortization and any associated deferral account financing costs are already part of FBC's forecast cost of service used to set rates. In other words, variances in revenue due to differences between forecast and actual load are already included in the COSA model and are part of the calculation of the R/C ratios of each rate schedule.

There are also many factors that could lead to variances in actual versus forecast revenue, such as weather, energy efficiency advancement in electrical equipment, and economic circumstances that have no relevance toward the fair apportionment of costs to serve each customer group. Therefore, using actual revenue (based on actual load from prior years) would introduce a degree of inaccuracy in the COSA that is not related to the fair apportionment of costs. For example, if the R/C ratio of a particular rate schedule is at 95 percent based on the forecast revenue and cost of service, but due to weather or other economic factors, the R/C ratio becomes 94 percent when it is calculated based on actual revenue, this would inappropriately lead to rebalancing, as the R/C ratio would now be outside of the RoR.

Finally, using actual load/revenue and the actual revenue requirement in the calculation of the R/C ratios is impractical, as it extends the length of time between the data used to determine the R/C ratios and the implementation of the changes to the R/C ratios through rebalancing. Using the 2025 COSA as an example, the most recent actuals that FBC could have used would be 2023, and the earliest implementation of any proposed changes from the COSA study would be 2026, resulting in a three-year gap between the actual data used for evaluation and the implementation on any proposed changes. In contrast, the 2025 COSA was based on 2024 forecast revenue, thus shortening the time between the data used for evaluation and the implementation of the results of the data.

2.4. Please discuss to what extent FBC's load forecasting accuracy has impacted the resulting R/C ratios for each of the 2017, 2020 and 2025 COSA studies, and please provide a commentary on the impacts of FBC's load forecasting accuracy on the resulting R/C ratios for commercial customer classes.

Response:

FBC notes that it has demonstrated in various past rate-setting processes that its load forecasts are reasonably accurate. FBC most recently described the accuracy of its load forecasts in the FortisBC 2025-2027 Rate-Setting Framework (RSF) Application.[2] The BCUC Panel, in its decision

[2] Exhibit B-1, Section C4.2.2.

on the RSF Application, accepted FBC's load forecast methods for the term of the RSF.[3] Given the relatively high degree of accuracy of FBC's annual load forecasts, FBC does not consider the question of accuracy to be a compelling reason to potentially depart from the long-standing and accepted approach to developing COSA studies. Please also refer to the response to CEC IR1 2.3.

[3] Decision and Order G-170-25, pp 73-74.

3. References: Exhibit B-1, Appendix A, PDF Page 132, Schedule 8.4

Historic Energy, Demand And Customer Count
Historic Year

	Total	Residential	Small Commercial 20	Commercial 21/22	Large Comm Primary 30/32	Large Comm Transmission 31	Lighting	Irrigation	Wholesale Primary 40	Wholesale Transmission 41	Net Metering
Input Recorded Data											
Energy Sales (kWh)	3,396,293,260	1,299,000,000	349,268,877	624,731,123	268,127,895	218,165,365	9,000,000	38,000,000	506,820,191	83,179,809	12,492,095
Total Billing Capacity (kVa)											
Avg. Monthly Billing Capacity (kVa)											
Number of Customers	284,400	132,389	15,345	1,780	38	4	1,341	1,103	10	1	976
Ratio of NCP to Avg. Billing Capacity											
Rate Classes NCP Demand at Meter	1,152,126	359,822	72,905	107,494	45,738	32,555	1,433	15,652	123,777	32,824	5,999
Estimated Based on Recorded Data											
Annual NCP Load Factor	49%	41%	55%	66%	67%	76%	72%	28%	47%	29%	24%
Rate Classes CP Demand at Input Voltage	1,149,022	359,822	64,813	107,654	45,471	42,356	1,359	12,064	123,013	32,647	5,897
Annual CP Load Factor	51%	41%	62%	72%	106%	59%	78%	318%	47%	29%	24%

3.1. Please provide in a table format the annual NCP load factors and the annual CP load factors for the rate classes captured in Schedule 8.4, for each of the 2017, 2020 and 2025 COSA studies.

Response:

The following response has been provided by EES Consulting:

The following table provides the annual NCP and CP load factors for the 2025 COSA study (using the historical year 2022), the 2020 COSA study (using the historical year 2019) and the 2017 COSA study (using the historical year 2016).

	Total	RS 01	RS 20	RS 21	RS 30	RS 31	RS 50	RS 60	RS 40	RS 41
Historic Year 2022										
Annual NCP Load Factor	49%	41%	55%	66%	67%	76%	72%	28%	47%	31%
Annual CP Load Factor	52%	41%	62%	72%	106%	59%	78%	318%	47%	31%
Historic Year 2019										
Annual NCP Load Factor	51%	44%	56%	64%	56%	73%	49%	26%	53%	33%
Annual CP Load Factor	55%	44%	67%	74%	77%	80%	91%	352%	52%	38%
Historic Year 2016										
Annual NCP Load Factor	48%	42%	54%	55%	57%	60%	47%	53%	52%	31%
Annual CP Load Factor	50%	39%	57%	67%	79%	72%	104%	814%	52%	31%

Overall, the comparison shows that most classes have relatively stable relationships between the annual NCP and CP load factors across the studies. For the total system, there is only a 7 percent spread across the data sets, indicating stability in these factors overall.

EES provides the following discussion on the results for each rate class:

- **RS 1:** The Annual CP and NCP factors have remained relatively consistent over the three studies, ranging from 39 percent to 44 percent. RS 1 represents approximately 50 percent of the rate revenue in the study.

- **RS 20:** The Annual NCP factor has remained very consistent among the three studies, and the Annual CP factor has varied from 57 percent to 67 percent, which indicates a fairly stable trend. RS 20 represents approximately 11 percent of the rate revenue in the study.
- **RS 21:** There has been some variation in the Annual CP and NCP factors; however, overall the results have remained relatively consistent over the three studies. RS 21 represents approximately 15 percent of the rate revenue in the study.
- **RS 30:** The Annual CP and NCP factors are between 56 percent and 106 percent, with a 50 percent spread across the three data sets and large increase in the most recent data. The high result in the most recent data was due to a low peak in December for the rate class compared to other months, resulting in the 106 percent CP load factor. Setting aside the coincident month result, other factors would only have a 23 percent spread across the studies. It is generally expected that when there are fewer and larger services, as is the case with RS 30, more variability will occur.
- **RS 31:** The Annual CP and NCP factors are between 59 percent and 80 percent. Similar to the discussion regarding RS 30, when there are fewer and larger services, more variability is expected.
- **RS 50:** Peak load and energy loads are very similar from month to month and a small change can provide a seemingly large percentage impact.
- **RS 60:** The CP month of December is an off-season month and thus a very low peak compared to the in-season peak. This results in a very high CP factor.
- **RS 40:** The Annual CP and NCP factors have remained relatively consistent over the three studies, ranging from 47 percent to 53 percent. RS 40 represents approximately 12 percent of the rate revenue in the study.
- **RS 41:** The Annual CP and NCP factors have remained relatively stable over the three studies.

Considering that RS 1, RS 20, RS 21 and RS 40 account for approximately 87 percent of revenues and all had a reasonably tight spread, EES considers the overall results to be reasonably stable over the three studies.

3.2. Please provide commentary on any notable trends with respect to the observed NCP and CP load factors.

Response:

Please refer to the response to CEC IR1 3.1.

Revenue / Cost Rebalancing

4. Reference: Exhibit B-1, Section 7.2, Pages 27-34

> Option 1 involves rebalancing RS 20 down to an R/C ratio of 105 percent, and rebalancing RS 40, RS 41, and RS 60 up to 95 percent. This requires a reduction to the revenue recovered (at

4.1. Please explain as to whether in exploring rebalancing options, FBC seeks to always rebalance to the end points of the ROR (i.e. exactly 95% and 105% respectively), or can FBC propose rebalancing to 100% R/C ratios in some cases if it chooses to.

Response:

FBC considers a variety of factors when assessing the appropriate level of rebalancing, and assesses potential rebalancing options based on Bonbright's rate design principles. The RoR provides the range in which a customer class's R/C ratio is considered to be recovering its fair apportionment of costs to serve that customer class. FBC therefore generally aims to rebalance customer classes so that their respective R/C ratios are within the RoR.

As explained in Section 6.2 of the Application (which is unchanged in the Updated Application filed concurrently with these IR responses), this approach is consistent with recent BCUC decisions as well as the decisions in other jurisdictions such as the Ontario Energy Board (OEB) and Nova Scotia Utility and Review Board (NSURB). Specifically, as highlighted on page 23 of the Application, the BCUC stated in its decision on FortisBC Energy Inc.'s (FEI) 2016 Rate Design Application (RDA) that:[4]

- Any R/C ratio that is within the defined RoR can be considered to be full cost recovery;
- Rebalancing should be undertaken to move all classes that are outside the approved range to the nearest boundary;
- It is not appropriate to periodically rebalance to R/C ratios of 1.00; and
- Elenchus is not aware of any jurisdiction that periodically rebalances rates so that all R/C ratios are 1.00.

Further, in the BCUC's recent decision on FEI's 2023 COSA and Revenue Rebalancing Application, the BCUC explicitly rejected a proposal to rebalance rate schedules that are outside the RoR to unity:[5]

> The evidence in this proceeding suggests that an R:C ratio calculation is derived from forecast revenues and costs for the test year and the COSA is reliant upon numerous assumptions and judgements. Thus, an R:C ratio has inherent uncertainty and it follows that R:C ratios are best interpreted as a range on either side of a theoretical mid-point of unity. Therefore, the Panel agrees with FEI's

[4] FEI 2016 RDA Decision and Order G-135-18, p. 42.

[5] FEI 2023 COSA and Revenue Rebalancing Decision and Order G-144-24, pp. 20-21.

> approach to use an R:C range within which a rate schedule's revenue is considered to be recovering its costs to assess the need to rebalance a rate class. Because of this, the Panel is not persuaded by the CEC that there is a need to achieve unity and rejects the CEC's recommendation to depart from the use of a range of reasonableness to assess the need for and the degree of rebalancing required, in this or the next COSA study.

As such, and as explained above, FBC generally aims to rebalance all rate schedules to within the RoR but not to unity.

FBC assesses potential rebalancing options in consideration of Bonbright's rate design principles. In the case of FBC's new preferred Option 2 as presented in the Updated Application, FBC proposes to not rebalance one rate schedule (RS 60) all the way to the lower bound of the RoR due to the resulting customer rate impact. This is an example of a situation where, after consideration of the circumstances and weighing the applicable Bonbright principles, FBC determined that it was more reasonable to move one customer class closer, but not fully, to the RoR.

Proposed Changes to Transformation Discounts

5. References: Exhibit B-5, Section 8, Page 38

> assuming a higher voltage level for the class in question. The difference was calculated independently for each class where such a discount is offered but assumed the entire class rather than specific customers were served at the higher voltage level. None of the load data or allocation factors were changed for the various classes when completing the calculation. The only difference is that certain costs were no longer assigned to the class. The resulting difference in the unit costs for each class was then taken from the 2025 COSA to determine the appropriate discount level on a per kVA basis.

5.1. Please provide in a table format for each of the 2017 COSA, 2020 COSA and 2025 COSA: a) the number of average monthly customers in each of RS 21, RS 30 and RS 40; b) the number of average monthly customers in each of RS 21, RS 30, and RS 40 sub-grouped by the voltage level at which they are served; and c) further sub-grouped by whether or not they are receiving transformation discounts.

Response:

The table below shows the number of customers per rate that are receiving service at a voltage higher than standard for the rate and are, therefore, receiving the transformation discount.

	Customer Count Per Service Voltage								
	RS 21			RS 30			RS 40		
	Secondary	Primary (Discount)	Total	Primary	Transmission (Discount)	Total	Primary	Transmission	Total
2017	1,531	30	1.561	45	1	46	5	0	5
2020	1,802	24	1,826	46	1	47	5	0	5
2025	1,753	27	1.780	36	2	38	5[1]	0	5

Note to Table:

[1] In 2025, all RS 40 customers still take Primary service; however, one customer receives the transformation discount pursuant to a Bypass Agreement.

5.2. Please provide in a table format, the average monthly billing differential (in percent and $) associated with the proposed changes to transformation discounts for the average customer that is served at the higher voltage level in each of RS 21, RS 30 and RS 40.

Response:

Please refer to the table below showing the average monthly billing differential in $ and % associated with the proposed changes to the transformation discounts. Given that RS 30 and RS 40 have only 2 and 1 customer(s), respectively, receiving the transformation discount, FBC used

individual customer data for 2024 load and 2025 rates. For RS 21, due to the higher number of customers and the amount of manual data input that would be required to use individual customer data, total class load, revenue and customers from the COSA was used to approximate the change in average bills resulting from the change in the discount amount.

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, the transformation discounts 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.

For reference, the changes to the transformation discounts are:

- For RS 21, an increase in the transformation discount from $0.409 per kW of Billing Demand to $0.4841 per kW of Billing Demand;
- For RS 30, a reduction in the transformation discount from $6.727 per kVA of Billing Demand to $5.98 per kVA of Billing Demand; and
- For RS 40, an increase in the transformation discount under the Wires Charge from $3.390 per kVA of Billing Demand to $3.78 per kVA of Billing Demand, and a reduction to the Energy Charge from $0.00985 per kWh to $0.00926 per kWh.

The discount amount flows directly from the COSA model as described in Section 8 of the Updated Application and the changes are due to a combination of factors, such as changes in the proportion of primary versus secondary demand customers as a proportion of total system demand, and changes to the customer portion of the minimum system versus the demand portion split between primary and secondary. FBC also notes that a reduction in the discount may result when cost savings associated with service at the higher voltage are diminished.

The changes to the transformation discounts result in the following impacts to average monthly bills. FBC notes that RS 30 Customer #2 in the table below is the FEI compressor station near Hedley, BC.

	Average Bill Difference ($)	Average Bill Difference (%)
RS 21 Rate Class	(2.55)	(0.08)
RS 30 Customer #1	390	1.62
RS 30 Customer #2	1,610	4.20
RS 40	(1,054)	(0.36)

5.3. Please explain whether it is viable for a commercial customer to routinely and easily switch the level of voltage at which it receives service. Given the

explanation, please discuss why in its COSA methodology FBC assumes that the entire class (rather than specific customers) were served at the higher voltage level and describe the implications and provide the calculations for the resulting transformation discounts if the COSA methodology presumed that only specific customers were served at the higher voltage level.

Response:

The following response has been provided by EES Consulting:

It is generally not practical for a commercial customer to switch between different voltage levels routinely and easily as it requires coordination with the line extension and engineering processes for connecting services. The COSA methodology makes a class assumption for service voltage by rate class like previous studies. This is appropriate for the level of cost allocation intended by the study, assigning rate base and other costs by rate class on a class average customer basis. However, transformation discount rates take into account the delivery unit cost differences between rate classes and service levels, thus they do not penalize or reward a particular class and are accounted for separately.

EES COSA Report – Net Metering

6. References: Exhibit B-1, Appendix A, Section 3.1 and Exhibit B-1, Appendix A, Excel Spreadsheet Attachment: Appendix A – C_EES COSA Report Load Summary, Tab: COSA Factors Summary – Net Metering

> A COSA allocates the costs of providing utility service to the various customer classes served by the utility based upon the cost-causal relationship between specific expenditures and customer classes. This approach is taken to develop a fair and equitable assignment of costs to each customer class so that customers pay for the costs that they cause. Because most costs are not directly incurred for any one type of customer, the COSA becomes an exercise in spreading joint and common costs among the various classes using factors appropriate to each type of expense. COSA is the second step in a traditional three-

6.1. For each of the 2017, 2020 and 2025 COSA studies, please provide the average monthly number of net metering customers and total monthly production/consumption data (in GWh), and (if applicable) please provide the data split between residential and commercial net metering applications.

Response:

The following response has been provided by EES Consulting:

EES maintained the net-metering data for consistency across historical COSA modeling, however, net metering is not part of the overall proposal and does not impact the COSA results. EES did not examine commercial net metering separately, nor does FBC propose any rebalancing related to net metering.

The table below shows net consumption for residential net metering across the three studies.

Residential Net Metering	2017 COSA	2020 COSA	2025 COSA
Net Consumption (kWh)	2,787,141	8,205,509	12,492,095
Average Monthly Customers	171	449	976

6.2. Please explain whether the energy (in GWh) figures included in the above referenced excel spreadsheet attachment under the 'COSA Factors Summary' tab (in the Net Metering column) are net generation figures, or net consumption figures or other.

Response:

The following response has been provided by EES Consulting:

The figures are net consumption.

6.3. Please provide the NCP and CP load factors, for the residential class with and without net metering supply.

Response:

The following response has been provided by EES Consulting:

	Residential	Residential without Net Metering	Net Metering Only
Annual NCP Load Factor	41.2%	41.5%	23.8%
Annual CP Load Factor	41.2%	41.5%	24.2%

Cost of Service ("COS") Analysis

7. References: Exhibit B-1, Appendix A, Page 18; Exhibit B-1, Appendix A, Page 23; and Exhibit B-1, Appendix A, Page 24

> The process of cost classification is the area within the COSA that can create considerable cost variability between customer classes due to differences in system configurations, demand measurements and system planning criteria. The complexity of the entire COSA process compounds when the classification category is clear, but the specific allocator is not. For example, a particular cost item may clearly be peak demand-related but that demand can be measured as either a single coincident peak (1 CP) for the year, a combined winter and summer coincident peak (2 CP) approach to reflect seasonal considerations, the sum of 12 monthly coincident peaks (12 CP), or through some other approach.

> Table 3-6 below shows a comparison of the average load factors which are a major factor in overall cost allocation of energy and demand related costs. See Appendix C – Load Summary for hourly loads by rate class.

TABLE 3-6: COMPARISON OF PREVIOUS AND 2024 INDIVIDUAL LOAD FACTORS BY CUSTOMER CLASS

	2017 COS Average Load Factor	2020 COS Average Load Factor	2024 COS Average Load Factor
Residential	21.4%	20.1%	22.4%
Small Commercial	37.5%	36.4%	35.2%
Commercial	50.3%	52.7%	53.7%
Large Commercial Primary	56.7%	49.6%	57.9%
Large Commercial Transmission	65.1%	63.7%	88.3%
Lighting	50.1%	50.1%	50.1%
Irrigation	59.5%	34.7%	27.1%
Wholesale Primary	68.8%	62.1%	58.8%
Wholesale Transmission	50.4%	47.3%	35.1%

> The most notable change in load factors over the course of the studies are the increase in RS 31 load factors due to the addition of one large and steady running service and slight declines in irrigation and wholesale factors. The removal of the above 15 MW from on RS 31 customer also keeps that class load factor high under a reduced overall load scenario.

FBC states that for the large commercial transmission class, the 2025 COSA study load factor is high under a reduced overall load scenario arising from the removal of the 15 MW from one RS 31 customer related to energy uptake under RS 38:

7.1. Please clarify whether the average load factor for the large commercial transmission class is 88.3% as per Table 3-6 referenced above or 83.8% (see spreadsheet provided as Appendix C of Appendix A to the Application, Table: Customer NCP Load Factor, Column RS 31). And please confirm that, all else equal, a higher average load factor for RS 31 (versus 56.7% and 49.6% respectively in the prior COSA studies) would result in higher demand-related costs allocated to RS 31, all else equal.

Response:

The following response been provided by EES Consulting:

The individual load factor for RS 31 Large Commercial Transmission is 88.3 percent, as shown in Table 3-6 of the 2025 COSA Study and as shown on the Load tab of the COSA model (Cell H130). EES does not confirm that a higher average load factor for RS 31 would necessarily result in higher demand-related costs allocated to RS 31, all else equal. Typically, a lower load factor indicates higher maximum demand compared to average energy and would result in higher demand-related allocations proportional to other costs.

7.2. Please explain the rationale for removing the 15 MW 'energy block' from the 'MWh side' of the equation for load factor calculation purposes for the one RS 31 customer (affecting the load factor for the entire RS 31 class), given that there was no energy uptake by this same customer in 2024 under RS 38 (see also CEC IR 1.1 herein).

Response:

The following response has been provided by EES Consulting:

EES did not remove the 15 MW energy block. Rather, it removed the energy related to load above 15 MW. The rationale for removing the energy related to load above the 15 MW energy block is that, for a customer taking service under RS 31 and RS 38, anything above the 15 MW energy block is subject to interruption and is not a firm obligation.

7.3. Please clarify whether FBC considered adjusting the load factor calculation for the one RS 31 customer (affecting the load factor for the entire RS 31 class) to also accommodate removing the 15 MW 'block' from the 'MW side' of the equation for load factor calculation purposes. If not, why not.

Response:

The following response has been provided by EES Consulting:

Because the calculation was actual metered load, with everything above 15 MW removed on an hourly basis, there was a natural adjustment to the load factor. However, the result of removing the actual load is that the load factor slightly increases from 83 percent to 88 percent because there is a flattening effect at 15 MW for that load.

Attachment 1.3

Sarah Walsh
Director, Regulatory Affairs

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October 25, 2024

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

Attention: Patrick Wruck, Commission Secretary

Dear Patrick Wruck:

Re: FortisBC Inc. (FBC)

Rate Schedule (RS) 38 – Large Commercial Interruptible Rate

RS 38 Annual Report for 2024 in Compliance with British Columbia Utilities Commission (BCUC) Order G-136-23

On June 12, 2023, the BCUC issued its Decision and Order G-136-23 on FBC's Application for Approval of a Large Commercial Interruptible Rate granting approval of RS 38 for the Large Commercial Interruptible Service on a pilot basis for a period of five years (Decision). Further, by Order G-170-23, the BCUC approved FBC's compliance filing to the Decision accepting the revised RS 38 Tariff, effective August 1, 2023. The first year of the five-year pilot for RS 38 was from August 1, 2023 to July 30, 2024. This submission constitutes FBC's 2024 Annual Report for RS 38 (RS 38 2024 Report).

Directive 3 of Order G-136-23 directed FBC as follows:

> FBC is directed to file a report (RS 38 Report), on an annual basis over the pilot period, which will include RS 38 related activities and additional items as outlined in Section 3.3 of the Decision. The first RS 38 Report must be submitted to the BCUC by no later than 90 days after the end of the first full year of RS 38 implementation.

Section 3.3 of the Decision includes 15 specific informational requirements for the RS 38 Report.[1]

FBC confirms that, while there has been interest in RS 38, to date, FBC has not yet provided service to a customer pursuant to RS 38. Accordingly, the majority of the report requirements do not have any associated data for the RS 38 2024 Report. Consequently, in lieu of providing a full report, FBC provides the following update to the BCUC which addresses three of the

[1] Decision, p. 30.

applicable information requirements contained in Items 1, 7, and 11. Items 1, 7 and 11 requested a summary of RS 38 related activities or additional items as follows:

1. Applications for RS 38 service that are under review.
7. Options to expand interruptible service beyond the initial 50 MVA offering, maintain the initial cap or reduce the initial cap.
11. Identify customers who are new to FBC and those who are shifting service from RS 30 and RS 31 to RS 38 (including service in whole or in part).

Informational Requirements 1 and 11:

There is currently one RS 38 application under review by FBC. If the review process results in an Agreement consistent with the terms and conditions of the RS 38 tariff, an existing RS 31 customer would transfer a portion of its load to RS 38. Discussions with this customer are sufficiently advanced to the point where FBC fully expects to commence RS 38 service within a timeframe that will allow full reporting to be included in the next annual report (i.e., the 2025 report).[2]

To-date, FBC has not had any applications from a new customer (i.e., a customer that is both new to FBC and new to RS 38).

Informational Requirement 7:

With regard to the appropriateness of the 50 MVA program cap, FBC has stated that the initial 50 MVA cap on participation will provide FBC with the experience necessary to subsequently set the Large Commercial Interruptible service limit at a level where FBC is confident that additional load can be interconnected.[3] Given that FBC has not yet had operational experience with RS 38, there is no information available to suggest that the program cap should be adjusted at this time.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC INC.

Original signed:

Sarah Walsh

[2] Expected to be filed no later than 90 days after the end of the second full year of RS 38 implementation (i.e. by October 30, 2025).
[3] Exhibit B-10, FBC response to BCOAPO IR2 51.1.