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July 4, 2025

British Columbia Municipal Electrical Utilities
c/o Nelson Hydro
101- 310 Ward Street
Nelson, BC
V1L 5S4

Attention: Scott Spencer

Dear Scott Spencer:

Re: FortisBC Inc. (FBC)

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

Response to the British Columbia Municipal Electrical Utilities (BCMEU) Information Request (IR) No. 2

On February 14, 2025, FBC filed the Application referenced above. In accordance with the amended regulatory timetable established in BCUC Order G-127-25 for the review of the Application, FBC respectfully submits the attached response to BCMEU IR No. 2.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC INC.

Original signed:

Sarah Walsh

Attachments

cc (email only): Commission Secretary
Registered Interveners

1.0 Reference: Response to BCMEU IR1-6.0

FBC indicates that the BC Hydro 3808 energy rate is used in calculating an energy allocator, based on forecast prices. The prices vary by month, due to the expected timing in 2025 of the BC Hydro rate changes, and the use of over-nomination energy by FBC.

1.1 Please describe the process used by FBC to develop its nomination amount, the timing for making such nomination, and the reason FBC would nominate an energy amount that leads to a need for higher priced over-nomination energy.

Response:

The exposure to over-nomination energy volumes is a forward risk resulting from the requirement under the PPA for FBC to nominate volume on a forecast basis in advance of actual consumption. FBC seeks to avoid over-nomination energy as explained below.

FBC develops its BC Hydro PPA nomination amount through the Annual Electric Contracting Plan (AECP), which is filed confidentially with the BCUC each spring. This filing occurs prior to the PPA nomination deadline in June. The AECP outlines FBC's strategy for energy procurement, including the nomination of PPA energy volumes, portfolio optimization, and the acceptance of energy supply contracts. A key objective of the AECP is to minimize total energy costs for customers by optimizing the use of FBC's own resources, market purchases, and contracted supply.

The nomination amount is based on forecast load, expected market conditions, and contractual constraints. While FBC aims to avoid exposure to higher-cost over-nomination energy, several factors can lead to such exposure. These include:

- **Load forecast uncertainty:** Load forecast changes/actual customer demand may exceed forecasted levels;
- **Market conditions:** Unfavourable market prices may limit the ability to economically displace PPA energy; and
- **Contractual limitations:** The PPA includes rules that restrict the extent to which nomination volumes can be adjusted year over year.

These factors can result in a nomination amount that, while reasonable at the time of submission, may ultimately lead to the exposure to or use of over-nomination energy. FBC actively monitors these risks throughout the year and adjusts its procurement strategy as needed to mitigate cost impacts.

1.2 Please provide a detailed explanation why over-nomination energy is only considered to be consumed in July to September.

Response:

The BC Hydro PPA contract year runs from October to September. Once the annual nomination amount is fully used, over-nomination surcharges apply for the remainder of the contract year. In this case, based on forecast load, those surcharges could take effect from July through September.

1.3 Please provide a description over the course of a year that leads to the consumption of over-nomination energy? For example, does above forecast use in winter contribute to the annual consumption that ultimately leads to the consumption of over-nomination energy in summer? Or is it only energy consumption in summer that leads to this incremental cost?

Response:

BC Hydro PPA energy consumption is tracked on a cumulative basis over the entire contract year (October to September) with respect to the use of nominated energy. Higher-than-forecast energy use at any point in the year, including winter, could contribute to the total annual consumption that eventually leads to over-nomination energy being used later in the year.

If actual load exceeds the forecast and the market conditions do not support economically displacing PPA energy (either at the Tranche 1 or over-nomination rate), this can result in over-nomination energy being consumed. FBC continuously monitors forecast versus actual energy use and evaluates market conditions to manage exposure to over-nomination energy. Procurement decisions are made with the intent to mitigate this exposure while ensuring reliable service and cost-effective energy delivery.

1.4 If winter or spring or fall usage is a contributor to the need to consume over-nomination energy, please indicate why it is appropriate to allocate all over-nomination energy to the summer months, as proposed by FBC.

Response:

Please refer to the response to BCMEU IR2 1.2.

1.5 As the COSA results will not be approved and in effect with respect to rates until well into 2025, please explain the rationale for including values that predate an early 2025 BC Hydro rate change in developing the allocators.

Response:

FBC used the values available when the power supply analysis was completed for the Annual Review of 2024 Rates. It is standard COSA practice to use values for all COSA inputs that share a common point in time constituting the test year.

1.6 Please provide a version of the COSA that develops the 3808 allocator based on average energy price across the year, based on the $52.31/MWh prevailing price plus whatever over-nomination consumption FortisBC expects for the year, spread across all months equally. The end result should be that all energy units are priced equally in each month, the same as the 2017 COSA.

Response:

The following response has been provided by EES Consulting:

Please refer to the following table which provides the R/C ratios based on the inputs requested in this question, with a comparison to the R/C ratios from the Updated Application.

Rate Schedule	RS 01	RS 20	RS 21	RS 30	RS 31	RS 50	RS 60	RS 40	RS 41
BCMEU IR2 1.6	99.3%	107.6%	102.6%	101.1%	106.2%	100.3%	77.8%	93.8%	98.6%
Updated COSA	99.5%	107.5%	102.4%	100.7%	105.3%	99.8%	77.3%	94.0%	98.3%

The following additional response has been provided by FBC:

The power supply scenario used in the EES COSA model best reflects the expectations of FBC's Power Supply department regarding how resources will be managed and is therefore the appropriate approach. However, as demonstrated in the above table, changing the assumptions as requested in this question has a minor impact on the results.

1.7 If a customer reduced their energy use in summer (all else being equal), would that customer contribute to helping avoid the need for higher priced over-nomination energy?

Response:

Yes, a reduction in energy use at any point in time, including the summer, would help avoid the need for over-nomination energy.

2.0 Reference: Response to BCMEU IR1-4.2

2.1 In respect of the response to IR BCMEU 4.2 providing the transformer ratings, please also provide the transmission capacity limits, by winter and summer season, for each delivery location, and indicate for each delivery location any other limits on transfer capacity.

Response:

In the response to BCMEU IR1 4.2, FBC has already provided the transmission capacity limits for each point of delivery by winter and summer season for wholesale primary and wholesale transmission.

However, FBC has finalized some updated capacity limits as a result of recent studies and provides these updates below. With the exception of these updates to the City of Penticton and the District of Summerland, the response to BCMEU IR1 4.2 remains unchanged.

District of Summerland

- Donaldson Drive – Summer/Winter: 20 MVA / 23 MVA

City of Penticton

- Huth Substation 13 kV – Summer/Winter: 32 MVA / 38 MVA
- Waterford Substation – Summer/Winter: 40 MVA / 47 MVA
- Westminster Substation – Summer/Winter: 38 MVA / 42 MVA
- R.G. Substation – Summer/Winter: 40 MVA / 47 MVA