FASKEN

Fasken Martineau DuMoulin LLP
Barristers and Solicitors
Patent and Trade-mark Agents

550 Burrard Street, Suite 2900
Vancouver, British Columbia V6C 0A3
Canada

T +1 604 631 3131
+1 866 635 3131
F +1 604 631 3232

fasken.com

Christopher R. Bystrom
Direct +1 604 631 4715
Facsimile +1 604 632 4715
cbystrom@fasken.com

February 8, 2019
File No.: 240148.00882

Electronic Filing

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

Attention: Mr. Patrick Wruck, Commission Secretary

Dear Sirs/Mesdames:

Re: FortisBC Energy Inc. 2019 and 2020 Revenue Requirements Application for the Fort Nelson Service Area ~ Project No. 1598970

We enclose for filing in the above proceeding the Reply Argument of FortisBC Energy Inc., dated February 8, 2019.

Yours truly,

FASKEN MARTINEAU DuMOULIN LLP

[Original signed by]

Christopher Bystrom

Encl.

BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF THE UTILITIES COMMISSION ACT,

R.S.B.C. 1996, CHAPTER 473

and

FORTISBC ENERGY INC.

APPLICATION FOR 2019 AND 2020

REVENUE REQUIREMENTS AND RATES FOR THE

FORT NELSON SERVICE AREA

REPLY SUBMISSION OF

FORTISBC ENERGY INC.

FEBRUARY 8, 2019

TABLE OF CONTENTS

PART ONE: INTRODUCTION

1. In this reply submission, FortisBC Energy Inc. ("FEI") responds to the argument filed by the Commercial Energy Consumers Association of British Columbia ("CEC") with respect to the Application for 2019 and 2020 Revenue Requirements and Rates for the Fort Nelson Service Area ("FEFN"). The CEC generally expresses support for the approvals sought by FEI.[1] This submission responds to specific CEC requests and recommendations.

PART TWO: FEI WILL CONTINUE TO UPDATE BCUC ON POSTAGE STAMPING RATES

2. The BCUC should not accept the CEC's recommendation that FEI provide further examination of the various circumstances that are likely to influence rate impacts and identify an appropriate time period for postage stamp rates to be staged into place.[2] Such an examination would not be useful as FEI cannot predict future trends in FEFN's rates due to various factors beyond FEI's control that could lead to the rate impact being reduced or increased in the near future.[3] However, in future revenue requirements applications, FEI will continue to update the BCUC on the comparison between FEI and FEFN delivery rates and whether FEI is considering applying to postage stamp Fort Nelson rates.

PART THREE: DEMAND FORECAST IS REASONABLE

A. Demand Forecast Variances are Well Below Industry Average

3. Contrary to the CEC's submission that demand has been over-forecast in the past,[4] the residential demand forecast has been reasonable and well below the industry average variance, and is based on a sound forecast method.

---

1 CEC Final Argument, paras 4-6.

2 CEC Final Argument, para 21.

3 Exhibit B-2, BCUC IR 1.1.2.

4 CEC Final Argument, paras 26, 32.

4. The residential demand variances observed over the past 10 years are presented in Table A2-3:[5]

Table A2-3: FEFN Demand Variances

Rate Schedule 1 - Residential	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Forecast	291,154	272,606	263,045	258,951	273,297	274,309	270,571	268,635	267,546	261,825
Actual	268,169	266,370	271,367	267,722	269,235	270,062	267,589	265,419	262,275	251,350
Error = (ACT-FCST)	(22,985)	(6,236)	8,322	8,771	(4,063)	(4,247)	(2,982)	(3,216)	(5,271)	(10,475)
Percent Error = (Error/ACT)	-8.6%	-2.3%	3.1%	3.3%	-1.5%	-1.6%	-1.1%	-1.2%	-2.0%	-4.2%

5. Table A2-3 demonstrates that five of the last six years had variances of 2 percent or less.[6] As discussed in the Application, the 10-year mean absolute percent error of the demand forecast is 2.9 percent for residential demand.[7] This compares favorably with the industry average of 4 percent, based on the annual ITRON survey.[8] In short, historical variances have been minor and the forecast has performed better than the industry average. FEI has explained its forecasting methodology in detail in Appendix A3 of the Application. The CEC has not identified any flaw in FEI's method, or suggested any alternative. FEI submits that its demand forecast is reasonable and should be approved as filed.

B. Use Per Customers (UPC) Forecast is Reasonable

6. Contrary to the CEC's submission that the residential UPC is over forecast,[9] the historical variances have been immaterial and FEI's method is sound. Further, the UPC forecast variance is captured by the Revenue Stabilization Adjustment Mechanism ("RSAM") account and returned to, or recovered from, customers.

7. The UPC variances for FEFN Rate Schedule 1 are presented in Table A2-4:[10]

5 Exhibit B-1, Application, Appendix A2, p. 3.

6 Exhibit B-3, CEC IR 1.4.1.

7 Exhibit B-1, Application, p. 22.

8 Exhibit B-3, CEC IR 1.4.1.

9 CEC Final Argument, paras 44-46.

10 Exhibit B-1, Application, Appendix A3, p. 3.

Table A2-4: FEFN UPC Variances

Rate Schedule 1 - Residential	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Forecast	149	140	136	133	140	140	138	136	135	133
Actual	140	138	141	138	139	139	137	136	134	130
Error = (ACT-FCST)	(9)	(2)	5	5	(1)	(1)	(1)	(1)	(1)	(3)
Percent Error = (Error/ACT)	-6.6%	-1.2%	3.6%	3.5%	-1.1%	-1.0%	-0.8%	-0.5%	-0.4%	-2.6%

8. The minor variances in recent years are immaterial. For context, from 2012-2016, the variances observed equate to 1 GJ. Variances in Use per Customer are also captured and trued-up by the RSAM.[11] As stated above, FEI has explained its forecasting methodology in detail in Appendix A3 of the Application. The CEC has not identified any flaw in FEI's approach, or suggested any alternative. As such, FEI submits that the UPC forecast is reasonable and should be approved as filed.

C. Further Work on Forecast Methods would be an Unnecessary Cost for Customers

9. The BCUC should reject the CEC's recommendations for further work on the FEFN demand forecast,[12] such as an examination for bias due to global warming[13] and the long term effects contributing to the decline in UPC.[14] The cost of such investigations would impose an unnecessary burden on FEFN customers for the following reasons:

- As discussed above, the historical variances between forecast and actual demand are minor, and well below the industry average.[15]

- FEI's current forecast methods remain appropriate. By applying a trend to, or averaging, the most recent data, annual fluctuations are minimized and smoothed out. Smoothing techniques such as trending and averaging are

---

11 Exhibit B-1, p. 19.

12 CEC Final Argument, paras 26, 32.

13 CEC Final Argument, para 34.

14 CEC Final Argument, para 56.

15 Exhibit B-2, BCUC IR 1.2.1.

common and well-established practices to minimize year-over-year fluctuations.[16]

- There is no evidence of a "cold bias" in FEI's forecasting results. FEI normalizes residential and commercial UPC using a regression model as described in Appendix A3. This method captures weather trends adequately for short term forecasting, as evidenced by the performance of the short term forecast.[17] As explained in response to similar comments from the CEC on its Long Term Gas Resource Plan, FEI's method of weather normalization uses 10 years of data for normalization, which corresponds to the recommendations in the Scott Madden Management Consultants report referenced by the CEC in that proceeding.[18]

- It is unclear what benefit would flow from undertaking a study of customer operations to better understand the contributing factors to declining UPC. An improvement in the forecast is unlikely as FEI's UPC forecast method already takes into account statistically significant historical trends if one is present; otherwise, a three-year average is used.[19] However, FEI would be pleased to consider any information that CEC may be able to share from its clients, explaining why commercial customers are experiencing a decline in UPC.

- Variances in Use per Customer are captured by the RSAM account.[20] Customers are not adversely impacted by any variance between forecast and actual UPC.

- Given that the BCUC has already given directions for the evaluation of alternative methods, and FEI will be reporting in compliance with those directives, FEI submits that another directive on the same topic would be redundant and unnecessary. FEI recently examined and reported on alternative

---

16 Exhibit B-3, CEC IR 1.4.1. Exhibit B-1, Appendix A3.

17 Exhibit B-1, Appendix A3, pp. 3-4.

18 FEI 2017 Long Term Gas Resource Plan. FEI Reply Argument, paras 15-17.

19 Exhibit B-1, Appendix A3, pp. 11 and 14

20 Exhibit B-1, p. 19.

forecasting methods as directed by the BCUC.[21] A full report summarizing FEI's comparison of the forecast methods over the PBR period, including a recommendation regarding which forecasting method to use going forward, will be filed in 2019 as part of FEI's multi-year rate plan application. In the event that FEI is recommending a change to the forecasting method going forward, FEI will include an implementation plan for FEFN in the same report.[22]

10. Given that FEFN has a small customer base, small differences between actual and forecast amounts can lead to high percentage variance. Despite this, FEI's forecast for FEFN has performed better than industry averages and variances have been immaterial. FEI therefore submits that its forecast should be approved as filed and CEC's request for further work should be rejected.

PART FOUR: ENERGY EFFICIENCY AND CONSERVATION ("EEC")DEFERRAL ACCOUNTS

11. CEC submits that it would be appropriate to adopt FEI's two deferral account approach.[23] FEI confirms that it is amenable to adopting the two deferral account approach for FEFN.

---

21 FEI Annual Review for 2017 Rates, Exhibit B-2, Appendix A4, p. 11.

22 Exhibit B-2, BCUC IR 1.2.2.

23 CEC Final Argument, para 140.

PART FIVE: CONCLUSION

12. FEI submits that the evidence provided in this proceeding and the submissions of CEC, demonstrate that the approvals sought by FEI are just and reasonable and should be approved by the BCUC.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Dated: February 8, 2019 ***[original signed by Christopher Bystrom]***
Christopher Bystrom
Counsel for FortisBC Energy Inc.

Dated: February 8, 2019 ***[original signed by Madison Grist]***
Madison Grist
Counsel (Articled Student) for FortisBC Energy Inc.