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July 8, 2019

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

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

**Re: FortisBC Energy Inc. and FortisBC Inc. (collectively FortisBC)**

**Project No. 1598996**

**Application for Approval of a Multi-Year Rate Plan (MRP) for 2020 through 2024  
(Application)**

**FortisBC Written Submission for Procedural Conference of July 9, 2019**

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FortisBC files these written submissions to provide its comments on the procedural matters outlined by the Panel in its letter of July 3, 2019 (Exhibit A-5) and we will review and expand on some of these matters, as necessary, at the Procedural Conference.

In summary, FortisBC proposes that the written process steps, including a second round of information requests and intervener evidence if any, be followed by a second procedural conference to determine the scope of any oral public hearing or other process required for the efficient and effective review of the Application.

### **1. Intervener Evidence**

The first topic identified by the Panel is whether interveners intend to file intervener evidence. If interveners do intend to file intervener evidence, FortisBC requests the opportunity to pose information requests to interveners on their evidence and to file rebuttal evidence.

### **2. Written or Oral Public Hearing, Or Some Other Process**

The second item identified by the Panel is whether the review of the Application should proceed by way of a written or oral public hearing, or some other process. FortisBC is open

to a written or oral public hearing, or other process, as the BCUC considers appropriate for the resolution of the Application.

FortisBC proposes that there be a second round of information requests to FortisBC, followed by interveners filing notice of whether they intend to file evidence. As noted above, if interveners do file evidence, FEI proposes that there would be an opportunity for information requests on that evidence and the filing of rebuttal evidence.

FortisBC proposes that a second procedural conference be held after the above steps to determine if further process, such as an oral component, is needed and, if so, what the scope of the oral component should include. FortisBC considers that after the information request process is complete and intervenor evidence, if any, is filed, the issues in the proceeding will be more crystalized and it will be clearer what, if any, further process or oral component is required.

If the BCUC determines that an oral public hearing is needed, FortisBC submits that the scope of the hearing should be clearly defined to include only those items requiring further examination. In this case, FortisBC submits that it would be efficient and effective to have a series of hearing days that are structured similar to a streamlined review process (SRP) and focussed on particular topics. For example, there could be an “SRP-like” hearing day devoted to the innovation fund and others devoted to other topics of interest in the proceeding. In FortisBC’s view, the experience with annual reviews during the Current PBR Plans and SRPs on other matters has demonstrated that the SRP structure is an effective and efficient process that is more conducive to an open and fruitful dialogue. In FortisBC’s view, the topics in the Application, which are often quite theoretical in nature, would be more suitable to this type of process than a more formal oral hearing process.

Prior to making this submission, FortisBC canvassed some of the parties with respect to the potential to resolve some aspects of the Application by way of a negotiated settlement process, including the proposed Innovation Fund and Targeted Incentives. Based on the comments received, FortisBC considers it premature to make such a proposal at this time. However, FortisBC remains open to more collaborative ways to resolve components of the Application, including the formation of working groups or a negotiated settlement process for aspects of the Application. The success of such processes, however, will likely require clear parameters to be set by the BCUC. FortisBC suggests that this could be an item for further discussion at the next procedural conference.

### **3. Process Steps and Timetable**

FortisBC’s proposed process steps and timetable are set out in the table below.

Action	Dates (2019)
BCUC Issues Procedural Order	Tuesday, July 16
BCUC Information Requests (IR) No. 2	Wednesday, August 14
Intervener IR No. 2	Wednesday, August 21
FortisBC’s Responses to IRs No. 2	Monday, September 16

Action	Dates (2019)
Notification of Intent to File Intervener Evidence	Monday, September 23
Procedural Conference to Determine Further Process, if no intervener evidence	Monday September 30
Placeholder for Potential Oral Public Hearing/SRPs, if no intervener evidence	Week of Monday October 28
Intervener Evidence (if any)	Monday, October 7
Parties IRs on Intervener Evidence (if any)	Monday, October 28
Interveners Response to IRs on Evidence (if any)	Tuesday, November 19
Rebuttal Evidence (if any)	Tuesday, November 26
Procedural Conference to Determine Further Process, if intervener evidence filed	Thursday, December 5
Placeholder for Potential Oral Public Hearing/SRPs, if intervener evidence filed	Week of Monday December 16

#### 4. Questions regarding Interim Rates

In this section, FortisBC responds to the Panel's questions related to FEI and FBC's interim rates applications. For reference, the Panel requested the following of FortisBC:

FortisBC is requested to provide the following information regarding the future filing for approval by the BCUC of interim 2020 rates for FortisBC Inc. and FortisBC Energy Inc.:

- a. Whether a joint interim rate application or separate applications will be filed;
- b. The expected timing of the interim rate application(s);
- c. The proposed review process for the interim rate application(s); and
- d. The basis upon which interim rates are proposed to be set, including identification of any information that will be used to set interim rates that has not been included within the Application.

FEI and FBC intend to file separate applications for interim rates.

The expected timing of the interim rate applications is October, 2019.

The BCUC has customarily approved interim rates without process upon the filing of prima facie evidence supporting the proposed interim rates. The rates are interim only and, as such, any difference between interim and final rates will be returned to or recovered from customers. While usually there is no process around interim rates, FEI and FBC will be filing

the interim rate applications in October, which provides time for a process if the BCUC determines one is needed.

FEI and FBC will propose interim rates based on the proposed MRPs. The interim rate applications would not include the proposed innovation fund and rate rider, as this could not be easily implemented on an interim basis. FEI and FBC would also not include items that would not be determined until the end of the year, such as the earning sharing mechanisms and targeted incentives.

In their respective interim rate applications, FEI and FBC will each file information in addition to the information already provided in the MRP Applications and Information Requests to support the proposed interim rates on a prima facie basis with the best information available. This evidence would include:

- A 2020 forecast of all items that are forecast annually under the proposed MRP framework; the majority of these will be trued up to actual amounts in the following year under the proposed MRP framework;
- A demand and revenue forecast;
- A cost of energy forecast;
- A calculation of all cost items determined by formula;
- Full financial schedules showing the line by line revenue requirements and requested rates which will include the rebasing of 2018 actual and 2019 projected rate base amounts; and
- The depreciation, shared and corporate services, overheads capitalized and lead lag study results as proposed in the MRP Applications.

In short, FEI and FBC's proposed interim rates would be supported by the best information available at the time of filing. The interim rates would be set on fully refundable/recoverable basis, with any difference between the interim rates and final rates either returned to or collected from customers.

## **5. Questions Regarding Permanent Rates**

In this section, FortisBC's responds to the Panel's questions related to the setting of permanent rates. For reference, the Panel questions were as follows:

What alternatives would be available to the BCUC for setting permanent rates for 2020 in the event that some or all of the elements of the rate-setting mechanisms proposed in the Application are not approved? As part of this response, please also address the following:

- a. What additional information not currently in evidence would be required?

- b. What impact would such a determination have on interim 2020 rates? For instance, would FortisBC propose that interim rates remain in effect subsequent to such a determination? What should the proposed process and basis be for setting permanent 2020 rates in the event of such a determination?
- c. Is it appropriate to consider alternatives to the proposed MRP rate-setting mechanisms in the current proceeding? If not, what would be the appropriate process and timing to review these alternatives?

FortisBC respectfully submits that, in this proceeding, the BCUC should consider FEI and FBC's proposed MRPs based on the evidence before it. Alternative rate setting mechanisms can also be considered in this proceeding, through the evidentiary and argument phases. For example, information requests have explored the difference between cost of service and performance based ratemaking. In response to BCMEU IR No. 1.17.1, for instance, FBC noted that it expects 2020 rates would not be materially different under cost of service or its proposed MRPs. FortisBC would expect that interveners would pursue these topics in argument if it were their view that an alternative ratemaking approach should be considered.

Ultimately, the BCUC will make a final determination in this proceeding whether it will approve FortisBC's proposed MRPs, approve a MRP framework with changes, or make some other determination. For example, in its Decisions on FEI and FBC's 2014 Performance Based Rates Applications, the BCUC accepted some parts of the PBR plans proposed by FEI and FBC and modified others. The BCUC adjusted the proposed O&M and capital formulas, for example. Following the BCUC's Decision, FEI and FBC filed compliance filings reflecting the BCUC's determinations and permanent rates were set.

In its Decisions on the Current PBR Plans, the BCUC also directed the initiation of separate proceedings to resolve some elements of the Current PBR Plans. There was a process to set the benchmarks and thresholds for the Service Quality Indicators. There was also a process to set the capital materiality and CPCN thresholds for FEI and FBC. After these proceedings were concluded, all the elements were approved and incorporated into the Current PBR Plans.

Similarly, following a Decision on this Application, FEI and FBC anticipate that an MRP framework will be approved, either as proposed or with changes directed by the Panel. Following a Decision by the Panel, FEI and FBC will file their respective Annual Review materials for setting permanent 2020 rates which will be in compliance with the BCUC's directions in its Decision.

If the BUC did not approve some or all of the elements of the MRPs, the additional information that would be required to set permanent rates would depend on what particular elements of the MRPs were not approved and what direction or determinations were made by the BCUC. If the BCUC directed adjustments to the O&M formula mechanisms, for example, FEI and FBC would adjust the mechanisms accordingly in their Annual Review filings. Other changes could require additional process or filings.

While it cannot be known at this time what additional evidence, if any, would be required, FortisBC expects that, through the annual review process, permanent rates will be set for 2020. Once permanent rates are set, then any difference between interim and final rates would be returned to or recovered from customers.

### **Conclusion**

FortisBC has made the above proposals for the Panel's consideration, but is open to any process the BCUC determines is appropriate for the efficient and effective review of the Application. FortisBC looks forward to working with the BCUC and interveners throughout this proceeding

If further information is required, please contact the undersigned.

Sincerely,

**FORTISBC ENERGY INC.**  
**FORTISBC INC.**

***Original signed:***

Doug Slater

cc (email only): Registered Parties