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September 16, 2019

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

Attention: Ms. Marg Craig

Dear Ms. Marg Craig:

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

**Project No. 1598996**

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

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

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On March 11, 2019, FortisBC filed the Application referenced above. In accordance with the British Columbia Utilities Commission Order G-156-19 setting out the Regulatory Timetable for review of the Application, FortisBC respectfully submits the attached response to BCMEU IR No. 2.

If further information is required, please contact the undersigned.

Sincerely,

**FORTISBC INC.**

***Original signed:***

Doug Slater

Attachments

cc (email only): Commission Secretary  
Registered Parties

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1    **19. Reference: Exhibit B-4, BCMEU IR 3.1.2**

3.1.2    Has FortisBC in its review of Current PBR Plans in its consultations with any ratepayer stakeholder had any ratepayer stakeholder indicate that a productivity factor was not a desirable part of a PBR Plan from a ratepayer perspective?

**Response:**

From a ratepayer perspective, in its final argument submission in FEI's Annual Review for 2019 Rates proceeding, MoveUP commented that there are likely less realizable efficiencies for FEI to pursue in its next ratemaking plan which suggests a Productivity Factor (X Factor) may not be required.

On pages B-64 and B-65 of the Application, FortisBC noted MoveUP's position as follows :

Also in its final argument, MoveUP commented and agreed that it is likely that there are less realizable efficiencies for FEI to pursue in its next ratemaking agreement:

**Prospects Looking Forward: "Low-Hanging Fruit"**

9.    The rationale for a further PBR term becomes much weaker in light of the decayed availability of realizable efficiencies. This is particularly the case given Fortis' own acknowledgement, in response to a series of MoveUP IRs, that (as we put it), the "low-hanging" efficiency opportunities were harvested early in the 2014-2019 PBR, and that significant further gains are getting thinner on the ground, and that there is little basis to expect that this trend would not continue into a second consecutive PBR cycle.

2

3            19.1    The BCMEU have requested FortisBC identify which ratepayer stakeholders in  
4            their consultation indicated that a productivity factor was not a desirable part of a  
5            PBR of the plan from a ratepayer prospective. FortisBC has referenced  
6            MoveUP's position. Does FortisBC consider MoveUP to be a ratepayer  
7            stakeholder?

8

9    **Response:**

10    In its request for intervener status for this proceeding, MoveUP provided the following  
11    information:

12            MoveUP represents employees of the Fortis utilities and has an interest in the  
13            regulation of the utilities. MoveUP has participated as an intervenor in rate-  
14            setting and other proceedings for many years. Key issues of interest to MoveUP

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1 in the MRP are sustainable management of the utilities and issues directly  
2 affecting the workforce such as FTE levels and contracting out.

3 From the perspective that MoveUP represents employees, many of whom are also ratepayers,  
4 MoveUP could be considered a “ratepayer stakeholder”.

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8 19.2 Would FortisBC agree that the union representation of MoveUP would be  
9 concerned that utilization of a productivity factor may put pressure on FortisBC to  
10 seek efficiencies which may result in impact on MoveUP members who may be  
11 employees of FortisBC?

12

13 **Response:**

14 Union representation may have concerns about the impacts of cost reductions, but FortisBC  
15 cannot speak for MoveUP with respect to their position on the productivity factor.

16

17

18

19 19.2.1 Did any stakeholder, whether ratepayer or not, indicate that a  
20 productivity factor was not a desirable part of a PBR Plan from a  
21 ratepayer perspective?

22

23 **Response:**

24 The topic of the productivity factor (X-factor) was discussed with stakeholders at the November  
25 13, 2018 Benchmarking Study Workshop. During the workshop, an intervener asked how the  
26 benchmarking study would be used in the context of FortisBC’s next MRP application. FortisBC  
27 commented that consistent with the BCUC directive, the Benchmarking Study along with other  
28 considerations were intended to inform the BCUC’s decision on the determination of the X-  
29 Factor for its next MRP.

30 However, the question “Is a productivity factor a desirable part of the PBR Plan from a ratepayer  
31 perspective?” was not discussed during the consultation sessions.

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1   **20.   Reference:   B-4, BCMEU IR 4.1**

- **Load growth** - FBC is seeing load growth from Electric Vehicles and greenhouse operations related to the emerging cannabis industry. In addition, FBC has seen load growth of approximately 10 percent through increases in residential, commercial and industrial load.

2

3           20.1   The BCMEU is interested in the load growth commentary of FortisBC. The  
4           response indicates “in addition, FBC has seen load growth of approximately 10%  
5           through increases in residential, commercial and industrial load”. Over what  
6           period has this 10% growth occurred?

7

8    **Response:**

9    The 10 percent was calculated over the period from 2014 to 2018. However, the response to  
10   BCMEU IR 1.4.1 should have stated that FBC combined with FEI has experienced load growth  
11   of approximately 10 percent over the Current PBR Plan period from 2014 to 2018.

12

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14

15           20.2   Please provide the reference where in the application the details regarding the  
16           load growth from Electric Vehicles and green house operations is provided.

17

18   **Response:**

19   The details were not provided as no load forecast has been provided in this Application. FBC  
20   has provided its load forecast for each year of the Current PBR Plan in its Annual Review  
21   materials.

22   FBC has anecdotal evidence of load growth related to EVs based on the increasing number of  
23   EVs visible within FBC’s service territory.

24   Additionally, since the legalization of cannabis in Canada last October, FBC has seen a rising  
25   interest for power from the cannabis sector. Over the course of the Current PBR Plan term, FBC  
26   has attached seven new customers from the sector who are in various stages of becoming  
27   operational. Since cannabis projects can be energy intensive, FBC believes that load growth in  
28   this industry will also drive investments in capacity to meet demand.

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1   **21. Reference: B-4, BCMEU IR 5.1**

2                   **Response:**

FBC continuously works with all customers to improve its level of service and agrees that wholesale customers should receive the same high level of service as direct customers.

Representatives from FBC will be discussing overall service and specific concerns with its wholesale customers at the British Columbia Municipal Electric Utility meeting in June. This direct feedback will help FBC to ensure it continually improves its levels of service with the wholesale customers.

2

3

21.1 In response to BCMEU IR 5.1.1, FortisBC states “representatives from FBC will be discussing overall service and specific concerns with its wholesale customers at the British Columbia Municipal Electrical Utility meeting in June. This direct feedback will help FBC to ensure it continually improves its level of service with the wholesale customers”.

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At the June meeting, the BCMEU was advised that communication in relation to outages impacting wholesale customers could be identified through FBC’s online outage tool. On the day of the meeting there was an outage impacting Penticton which did not show up on the online outage tool. This deficiency was communicated to FBC, and BCMEU remains concerned as wholesale customers, who can serve thousands of customers, and are looking for more effective ways for FBC to “continually improve its level of service”.

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Please confirm that FortisBC recognizes the BCMEUs service thousands of customers and interruption to their service should not be viewed as interruption to a single customer.

16

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19

**Response:**

20

FBC recognizes that the BCMEU members service thousands of their own customers beyond the point of interconnection with FBC. However, consistent with CEA guidelines for reliability reporting, each BCMEU point of interconnection is defined as a single metered service and counted as one customer.

21

22

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24

Further, while the four BCMEU members only represent 12 service points out of FBC’s 138,600 total customers, all BCMEU members have individual interconnection agreements with FBC which establish service level obligations and resolution mechanisms if disputes under the terms of the agreements occur. These agreements afford a more direct level of interaction and communication between FBC and the BCMEU members than that available to other customers who have the majority impact on FBC’s SAIDI and SAIFI performance.

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21.1.1 Furthermore, confirm that FortisBC will accept amendments to the Joint Operating Orders to include protocol for unplanned outage notification and that the protocol will include 45min interval updates on the FortisBC outage portal.

**Response:**

FBC will work with each BCMEU member to amend the respective Joint Operating Orders to include protocol for unplanned outage notifications. While FBC is unable to commit to 45-minute interval updates, information on the outage portal is maintained as accurately as possible for each outage and every customer.

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1   **22.   Reference:   B-4, BCMEU IR 7.1**

2           22.1   Please advise whether the FBC is prepared to accept an interconnection  
3                   utilization measurement as a measurement which will have consequences on the  
4                   earnings sharing mechanism if there is degradation of service over the course of  
5                   the PBR.

6  
7   **Response:**

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8   FBC has proposed that the interconnection utilization measurement remain an informational  
9   SQI for multiple reasons. The metric itself is simply an indication of the total time that the  
10   interconnections were both available and in service. However, included within this data are a  
11   number of scenarios where the interconnection could be unavailable due to factors outside of  
12   FBC control. Some examples are:

- 13           • The interconnection may be out of service due to an issue on the customer system;
- 14           • The interconnection may be out of service at the request of the customer to  
15           accommodate maintenance, emergency repairs, etc.; and
- 16           • Following an interruption, there may be a delay in returning the system to normal  
17           configuration since the customer has switched its customers to an alternate supply.

18  
19   In addition, the current reporting for SAIDI and SAIFI reflects the reliability of the FBC system as  
20   a whole, including the wholesale customers. The infrastructure that delivers energy to the  
21   wholesale customers is also shared with our direct customers and FBC applies the same  
22   standard of care in planning, designing, operating and maintaining the shared infrastructure.  
23   Further, variations in the interconnection utilization metric may not be reflective of an overall  
24   degradation in service quality as this metric applies to a subset of customers. Finally, since SQI  
25   metrics are not weighted, this might also imply equal weighting with other broader ranging SQIs  
26   such as SAIDI and SAIFI.

27   For these reasons, FBC believes that the current reliability SQIs are appropriate and that the  
28   interconnection utilization metric should be provided as an informational SQI.

29



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1 **Response:**

2 Please refer to the table below that shows the number of interruptions and duration for each  
 3 utility by year from 2009 to 2018.

4 Please note that momentary interruptions are included in the number of interruptions, but are  
 5 not included in the duration due to their momentary nature. Also, the outage duration is an  
 6 average for each point of interconnection. For example, a one-hour outage to a municipality  
 7 with two interconnections would contribute 0.5 hours in the table.

Utility		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>City of Nelson</b>	<b>Number of Interruptions</b>	6	6	9	6	10	6	15	3	17	10
	<b>Duration (Hrs.)</b>	12.5	0.8	4.5	13.4	6.0	2.7	26.2	3.1	26.8	11.7
<b>City of Penticton</b>	<b>Number of Interruptions</b>	2	5	4	4	4	2	1	2	0	1
	<b>Duration (Hrs.)</b>	0.2	0.1	0	0.5	0.9	0.4	1.5	0.6	0	0
<b>City of Summerland</b>	<b>Number of Interruptions</b>	1	2	0	1	1	2	0	2	0	3
	<b>Duration (Hrs.)</b>	0	0.2	0	7.6	0	0.6	0	0	0	2.9
<b>City of Grand Forks</b>	<b>Number of Interruptions</b>	2	3	1	5	2	4	0	2	2	6
	<b>Duration (Hrs.)</b>	0	0.5	0.4	3.0	0.9	3.3	0	0.8	3.5	7.1

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1    **24.    Reference:    B-4, BCMEU IR 10.1**

2           24.1    Does FortisBC have any documentation or procedures which describe how FBC  
3                   prioritizes responding to outages where a single meter may be an individual  
4                   customer versus a wholesale customer which, when impacted by an outage, may  
5                   see hundreds if not thousands of customers not receiving service?  
6

7    **Response:**

8    FBC does not have any documentation or procedures that describe how FBC prioritizes  
9    response to outages. There are a numbers of factors that must be considered in each situation  
10   including the number of customers impacted, the location of outages, staff resources required,  
11   and whether any critical infrastructure is affected (hospitals, police/fire stations, etc.).

12   In almost every scenario, the goal is to restore the most customers and critical infrastructure as  
13   quickly as possible. This means that transmission outages which generally impact a greater  
14   number of customers would be prioritized over distribution outages. In general terms, these  
15   same criteria would be applied to the BCMEU members and their customers during times when  
16   there are multiple outages that require prioritization.

17  
18

19  
20           24.2    Does FortisBC have any prioritization schedule with respect to outages where  
21                   the wholesale customer is facing an outage and a large number of “indirect”  
22                   customers may be impacted?  
23

24    **Response:**

25    Please refer to the response to BCMEU IR 2.24.1.

26  
27

28  
29           24.2.1    If not, does FortisBC believe that the reduction in reliability which  
30                   increases the number of outages for a wholesale customer serving  
31                   large numbers of indirect customers is a material reduction in quality of  
32                   service?  
33

34    **Response:**

35    FBC believes that its current practices for managing outage response are appropriate and that  
36    indirect customers have not seen any material reduction in the quality of service. The reliability



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1 of service to wholesale customers is generally strong with the exception of Nelson Hydro's  
2 distribution service at Coffee Creek. This substation is primarily served by 30 Line, which is  
3 operated as a radial feed and is routed through remote and rugged terrain and which is subject  
4 to outages due to severe weather and contacts from trees outside of the right of way. As stated  
5 in the response to BCUC IR 1.95.4, FBC is working on a number of current and future initiatives  
6 to improve the reliability of supply in the region for both Nelson Hydro and FBC customers.

7

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1   **25.   Reference:   B-4, BCMEU IR 14.1**

**Response:**

          The passive portfolio is a calculation of total power purchase expense that would have occurred if FBC did not engage in any optimization activities, and relied strictly on its long-term resources to meet load in every hour. For a detailed example, please refer to the response to BCUC IR 1.102.2.

2

3           25.1   Has FBC historically engaged in optimization activities?

4

5           **Response:**

6           Yes, FBC has historically engaged in optimization activities, and has historically had incentive  
7           mechanisms to share in the optimization benefits as discussed in Section 1.1 of Appendix C7 of  
8           the Application.

9

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1   **26.   Reference:   B-4, BCMEU IR 14.2**

14.2   Please confirm that customers will bear the risk of any increase in power purchase expense above the forecast power purchase expense in the “passive portfolio”.

**Response:**

For the MRP, FBC is proposing that any variance in power purchase expense, excluding the Company share of the Power Supply Incentive (PSI), will flow through to customers, consistent with the Current PBR Plan. The PSI does not increase this risk for customers, and any optimization activity that FBC undertakes will be subject to acceptance through FBC’s Annual Electric Contracting Plan. Further, the passive portfolio is not used for ratemaking purposes, nor for setting a forecast for power purchase expense. The passive portfolio is only used as a basis to calculate the Eligible Mitigation Benefits for the PSI. FBC will continue to forecast power purchase expense based on the best available information at the time of the Annual Review, and any variance between approved and actual power purchase expense, with the exception of any PSI incentive payment, will flow through to customers by way of the Flow-through deferral account. Please also refer to the response to BCUC IR 1.102.25.

2

3           26.1   Please confirm the response to the question that customers will bear the risk of  
4           any increase in power purchase expense above the forecast power purchase  
5           expense in the “passive portfolio”.

6

7   **Response:**

8   Not confirmed. FortisBC clarifies that the passive portfolio is only used to calculate the  
9   mitigation benefits achieved by FBC, from which a reasonable sharing of benefits between FBC  
10   and the customer can be calculated.

11   FBC will continue to forecast PPE with the best available information at the time of the Annual  
12   Reviews with the intent of minimizing variances from forecast. Consistent with the Current PBR  
13   Plan, FBC is proposing that all variances in PPE (between actual and approved) with the  
14   exception of FBC’s share of the PSI, will flow through to customers.

15

16

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18           26.1.1   For greater certainty, if the power purchase expense ends up being  
19           greater than the approved power purchase expense, will the expense  
20           will be borne by the ratepayers?

21



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1 **Response:**

2 Yes. Consistent with the treatment in the Current PBR Plan, during the MRP term, any  
3 variances in PPE (increases or decreases) will flow through to customers with the exception of  
4 FBC's share of the PSI.

5

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1   **27. Reference: B-4, BCMEU IR 17.1**

2                   **Response:**

3                   The rate projection in Section C9 of the Application is indicative only and will be updated in  
4                   FBC's request for interim rates to be filed later in 2019 and again once a decision is received in  
5                   this proceeding. However, FBC expects that the 2020 rate impact would not be materially  
6                   different under cost of service.

7

8                   27.1 FBC indicates "however, FBC expects that the 2020 rate impact would not be  
9                   materially different under cost of service". Please describe how FBC arrived at  
10                   that conclusion.

11

12                   **Response:**

13                   Please refer to the responses to ICG IR 2.8.1 and BCUC IR 2.161.3.

14

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17                   27.1.1 At the workshop dated May 1, 2019, FBC indicated that the filing in this  
18                   proceeding essentially provided any and all information that would be  
19                   required for cost of service application. Please provide a detailed  
20                   description of what information would be required to be produced by  
21                   FBC to file a cost of service application in the event participants in this  
22                   proceeding took the position that was the appropriate form of regulatory  
23                   oversight for FBC in the test.

24

25                   **Response:**

26                   FortisBC has not stated that the Application provides the information that would be required for  
27                   a cost of service application. For example, in response to ICG IR 1.1.2, FortisBC stated that  
28                   “(t)he materials on the record in this proceeding are not sufficient to approve rates on a cost of  
29                   service basis for 2020.” [Emphasis added.] Please refer to the response to ICG IR 1.8.5.

30                   Regardless of whether some participants in the current proceeding advocate for cost of service  
31                   regulation for FBC, the Company will await the decision of the BCUC on the Application. As  
32                   stated in the response to CEC IR 2.59.4, if the BCUC denies FortisBC's proposed MRPs,  
33                   FortisBC expects that it would analyze the BCUC's reasoning and directions to determine what  
34                   further filings would be required to have rates set for the coming year(s).

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27.1.2 If the information is readily available to provide the Commission with that base of information, please provide it.

**Response:**

Please refer to the response to BCUC IR 2.161.3.

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1 28. Reference: Procedural Conference, Transcript page 183, line 4 to page 184, line  
2 14

4 In response to some of the concerns we  
5 heard, we have adjusted the approach so that for  
6 instance, all the capital is based on a forecast, cost  
7 of service basis. And in fact, the majority of the  
8 application is a cost of service application. There  
9 are only two portions that are based on a formula.  
10 Those are the O&M, the vast majority of the O&M, and  
11 then the growth capital for FEI.

12 And it's important for me to explain a  
13 little bit how the company's determined those amounts  
14 for 2020. So for the O&M formula amount, the  
15 companies took their 2018 actual amounts and made  
16 adjustments to come up with what is required O&M for  
17 2020. For growth capital, the proposal is that the  
18 company would be forecasting customer additions, just  
19 like it would do under cost of service. It would then  
20 multiply it by the unit costs which are calculated  
21 using actuals with adjustments to come up with the  
22 2020 requirements.

23 The point of those submissions is that for  
24 2020 the proposal is very similar, if not the same, as  
25 a cost of service approach. And in fact, if you ask  
26 the companies, what would your forecast cost of

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1 service be for O&M or for growth capital for FEI  
2 today, the answer would be the same as what we  
3 proposed in the application. Our application has set  
4 out what we believe we need, and the numbers would not  
5 change materially if it were under a cost of service  
6 approach.

7 And so when we say in our IR responses that  
8 we don't anticipate that the rates for 2020 would be  
9 materially different under the cost of service versus  
10 what we proposed, the reason for that primarily is  
11 because there's only two things that are not cost of  
12 service. And the way we proposed those things, we  
13 said is that for 2020, that would be the base that  
14 would reflect our needs in that year.

1  
2 28.1 FortisBC counsel indicates that the application filed has a number which would  
3 not change materially if it were under a cost of service approach. Please provide  
4 what the numbers would be in the application if a cost of service approach was  
5 being taken.

6  
7 **Response:**

8 Please refer to the responses to BCUC IR 2.161.3 and ICG IR 2.8.1.

9





FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC) Application for Approval of a Multi-Year Rate Plan for 2020 through 2024 (the Application)	Submission Date: September 16, 2019
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1 and final rates is returned to or recovered from customers once the final rates are  
2 set.<sup>2</sup>

3 The appropriate forum in which to examine the 2020 revenue requirements will be the  
4 Companies' applications for 2020 permanent rates, which will be filed after a Decision on the  
5 MRP Applications.

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<sup>2</sup> Transcript Volume 2, page 129 lines 8-14.

