



Doug Slater
Director, Regulatory Affairs

Gas Regulatory Affairs Correspondence
Email: gas.regulatory.affairs@fortisbc.com

Electric Regulatory Affairs Correspondence
Email: electricity.regulatory.affairs@fortisbc.com

FortisBC
16705 Fraser Highway
Surrey, B.C. V4N 0E8
Tel: (778) 578-3874
Cell: (778) 214-3842
Fax: (604) 576-7074
Email: doug.slater@fortisbc.com
www.fortisbc.com

September 16, 2019

British Columbia Public Interest Advocacy Centre
Suite 803 470 Granville Street
Vancouver, B.C.
V6C 1V5

Attention: Ms. Leigha Worth, Executive Director

Dear Ms. Worth:

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 Public Interest Advocacy Centre
representing the British Columbia Old Age Pensioners' Organization, Active
Support Against Poverty, Disability Alliance BC, Council of Senior Citizens'
Organizations of BC, and the Tenant Resource and Advisory Centre *et al.*
(BCOAPO) Information Request (IR) No. 2**

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 the review of the Application, FortisBC respectfully submits the attached response to BCOAPO IR No. 2.

If further information is required, please contact the undersigned.

Sincerely,

**FORTISBC ENERGY INC.
FORTISBC INC.**

Original signed:

Doug Slater

Attachments

cc (email only): Commission Secretary
Registered Parties

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 1

1 **122.0 Reference: Exhibit B-10, BCUC 1.13.2**

2 122.1 The response makes reference to both input cost inflation and price inflation.
3 Does FBC consider its proposed I-factor (as described on page B-25 of the
4 Exhibit B-1) to be a measure of each Company's input cost inflation or its price
5 inflation?
6

7 **Response:**

8 The Inflation factor (I-Factor) is a measure of input price inflation. However, assuming a zero
9 productivity growth trend, the change in unit cost (referred to as input cost inflation) will be equal
10 to input price inflation (I-Factor). The relationship between unit cost trend, inflation factor and the
11 productivity trend is explained below:

12 Change in Cost is a function of change in input price and change in input quantity used. This
13 can be explained mathematically as:

14 [1] Trend in cost = Trend in input prices + Trend in input

15 Similarly, change in revenue is a function of change in output price and output quantity:

16 [2] Trend in revenue = Trend in output price + Trend in output

17 Assuming that the over the long term, changes in costs will be equal to changes in revenues,
18 we can conclude:

19 [3] Trend in output price + Trend in output quantity = Trend in input prices + Trend in
20 input quantity

21 Which can be restated as:

22 [4] Trend in input prices - Trend in output price = Trend in output quantity - Trend in input
23 quantity

24 Replacing the Trend in input in formula [1] by its equivalent from formula [4] will arrive at the
25 following:

26 [5] Trend in cost = Trend in input prices + [Trend in output price - Trend in input prices] +
27 Trend in output

28 Productivity growth is defined as the difference between changes in output and changes in input
29 which, as provided in formula [4], is equal to the difference between changes in input prices and
30 changes in output prices:

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 2

1 [6] Productivity Trend (TFP) = Trend in output – Trend in input = Trend in input prices -
2 Trend in output price

3 Considering the definition of the productivity growth in formula [6] we can express the trend in
4 cost (input cost inflation) in formula [5] as:

5 [7] Trend in cost = Trend in input prices – Trend in productivity + Trend in output

6 To express the formula on a unit cost basis, formula [7] can be restated as:

7 [8] Trend in cost – Trend in output = Trend in input prices – Trend in productivity

8 Where,

- 9 - [Trend in cost – Trend in output] equals the change in unit cost (unit cost inflation)
- 10 - Trend in input prices equals inflation factor
- 11 - Trend in productivity equals the TFP growth

12 That is, the formula [8] can be expressed as follows:

13 [9] Unit cost trend (unit cost inflation) = Inflation factor – TFP growth

14 As indicated, assuming the TFP growth is zero, the trend in input prices (input price inflation or
15 I-Factor) will be equal to the trend in unit costs (input cost inflation).

16

17

18 122.2 If the I-factor is viewed as a measure of price inflation please explain why with
19 reference to its components.

20

21 **Response:**

22 Please refer to the response to BCUC IR 2.122.1.

23

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 3

1 **123.0 Reference: Exhibit B-10, BCUC 1.22.11**

2 123.1 For each of FBC and FEI were there non-labour related O&M costs that
3 increased at less than the CPI-based inflation during the Current PBR Plan
4 terms?

5
6 **Response:**

7 In the referenced IR, FortisBC provided three examples of costs that had increased at greater
8 than CPI-based inflation during the Current PBR Plan term. In contrast, two examples of non-
9 labour related O&M costs that have increased at less than CPI-based inflation during the
10 Current PBR Plan term include:

- 11 • Meter Reading for FEI: From 2014 to 2018, meter reading pricing (i.e. per meter read)
12 increased at less than CPI-based inflation. As discussed in the response to BCUC IR
13 1.25.3, for the first two years of the Current PBR Plan, 2014 and 2015, the meter reading
14 pricing was fixed. Then from 2016 to 2018, pricing increases were limited to one-half of
15 CPI. This has led to lower costs (i.e. costs rising less than inflation) which were offset by
16 increases in the total number of meter reads, with the costs for the higher number of
17 meter reads reflected in the total meter reading costs. From 2015 to 2018, total meter
18 reading costs increased on average approximately 1.2 percent per year, even though
19 meter reading pricing increased approximately 0.5 percent per year. The difference is
20 attributed mostly to a higher number of meter reads. After accounting for the increase in
21 costs for higher meter reading activities, based on total meter reading costs of
22 approximately \$11 million per year, the difference in costs between that based on CPI
23 inflation and that based on lower inflation (i.e. one-half) and including higher meter read
24 activities is relatively minor.
- 25 • Cost of Uniforms for FEI Operations: Uniforms for Operations employees are currently
26 procured under a lease and launder program. Over the term of the Current PBR Plan,
27 the price per unit to lease and launder uniforms did not increase. However, the lower
28 costs (i.e. costs rising less than inflation) were offset by a higher number of uniforms
29 used, in part, due to an increase in the number of Operations employees. In 2014,
30 Operations' uniform costs were approximately \$400 thousand with costs in 2018 at
31 approximately \$500 thousand.

32
33 The above examples are not intended to be an exhaustive list, just as FortisBC did not attempt
34 to provide an exhaustive list of all costs that increased at greater than inflation. The examples
35 have been provided to demonstrate that while there may be reduced costs from lower unit
36 pricing due to increases less than inflation, on an overall basis, the lower costs (i.e. costs rising
37 less than inflation) may be offset by increased activities. FortisBC also notes that, in general,
38 over time costs will rise and although there may be periods of time when cost increases vary

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 4

1 from inflation, over a longer time period there is no reason to expect a significant variance from
2 CPI.

3 Similar to managing cost pressures, FortisBC will manage any cost savings that result from
4 costs rising less than inflation on an ongoing basis, with these and any other savings achieved
5 used to meet other business priorities or shared 50/50 with customers under the earnings
6 sharing mechanism.

7 Over the term of the proposed MRPs, FortisBC expects to see its non-labour costs generally
8 increasing at or higher than CPI-based inflation.

9
10
11
12 123.2 If yes, please provide a full accounting of those that did.

13
14 **Response:**

15 Please refer to the response to BCOAPO IR 2.123.1.
16

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 5

124.0 Reference: Exhibit B-10, BCUC 1.23.1, Attachment 23.1

124.1 With respect to the actual FortisBC Inc. O&M expense for 2018 reported in Attachment 23.1, please reconcile the value(s) reported with the 2018 Actual Base O&M value of \$53.839 M (per Exhibit B-1, page C-44) used in the determination of FBC's 2019 Base O&M.

Response:

The following is a reconciliation of FortisBC Inc.'s 2018 Actual O&M expense as reported in Attachment 23.1 to BCUC IR 1.23.1 with the 2018 Actual Base O&M per Exhibit B-1, page C-44 of the 2020-2024 MRP Application.

	2018 Actual \$000's
2018 Actual O&M Expense per Attachment 23.1	\$ 57,355
Add (Deduct) O&M Tracked Outside of Formula Pension/OPEB O&M Portion	\$ (2,659)
Insurance Premiums	(1,245)
Advanced Metering Infrastructure Costs/Savings	1,203
Mandatory Reliability Standards Incremental O&M	(1,024)
Upper Bonnington Unit 3 Annual Inspection	40
MSP Reduction	168
Total	<u>\$ (3,517)</u>
2018 Actual Base O&M per Exhibit B-1, page C-44	<u>\$ 53,839</u>

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 6

1 **125.0 Reference: Exhibit B-10, BCUC 1.23.4**

2 125.1 With respect to FBC's Total O&M FTEs, please explain the increase from 229 in
3 2017 to 247 in 2018.

4
5 **Response:**

6 FBC provides below revised tables for Total O&M FTEs and Total Capital FTEs, which correct
7 the 2017 and 2018 allocation between O&M and Capital for Operations Support previously
8 reported in BCUC IR 1.23.4. In the response to BCUC IR 1.23.4, the allocation of FTEs
9 between O&M and Capital for Operations Support was incorrectly stated as approximately 28
10 FTEs for O&M and 8 FTEs for Capital. The corrected numbers are 14 FTEs for O&M and 21
11 FTEs for Capital, with a minor difference between the two totals (36 vs 35) due to rounding.
12 With the correction, the increase in FTEs from 2017 to 2018 remains the same at 18 (2017 –
13 215, 2018 – 233) as shown in the O&M FTE table below compared to the 18 previously reported
14 (2017 – 229, 2018 – 247).

15 Contributing to the increase in the O&M FTEs in 2018 compared to 2017 was the following:

- 16 • Increased staffing in the Operations and Engineering departments, with two additional
17 load desk operators hired and trained to support succession;
- 18 • In Engineering, five FTEs were required in support of MRS AR No. 8 and Compliance
19 Audit; and
- 20 • In Generation, the increase was primarily related to more O&M work completed by
21 Generation employees with higher labour hours charged to Generation O&M.

22
23 Other contributing factors to the variations in the FTE level observed were the timing of hires
24 and filling of vacancies, succession planning, and normal variation in the employees' time spent
25 between O&M, capital and third party work.

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAP) Information Request (IR) No. 2	Page 7

FBC
Average FTE by Department

	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual
Generation	13	19	20	23	20	24
Operations	43	53	56	56	58	61
Customer Service	51	64	62	43	42	43
Communications & External Relations	2	2	2	4	3	4
Energy Management	-	-	-	-	-	-
Energy Supply	5	5	6	6	5	5
Information Systems	16	17	19	18	19	20
Engineering & PMO	21	20	21	22	21	28
Operations Support	12	16	15	16	14	14
Facilities	4	3	3	4	4	4
Environment Health & Safety	3	3	3	2	3	3
Finance & Regulatory Services	19	18	17	15	13	14
Human Resources	9	10	9	8	6	7
Governance	3	3	3	4	3	3
Corporate	7	6	5	4	4	3

1 **Total O&M FTEs**

209 239 242 224 215 233

2

FBC
Average FTE by Department

	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2,018 Actual
Generation	40	59	63	63	72	72
Operations	67	82	88	92	92	96
Customer Service	9	12	18	14	12	11
Communications & External Relations	5	5	4	2	3	3
Energy Management	11	11	13	14	14	14
Energy Supply	0	-	-	-	-	0
Information Systems	12	13	13	16	16	14
Engineering & PMO	45	44	46	44	45	43
Operations Support	15	21	20	18	21	21
Facilities	0	-	-	-	-	-
Environment Health & Safety	2	2	2	3	3	3
Finance & Regulatory Services	2	2	2	4	6	6
Human Resources	2	3	4	3	4	4
Governance	1	1	1	0	-	1
Corporate	-	-	-	-	-	-

Total Capital FTEs ¹

212 253 275 272 288 288

3 ¹ include Capital, 3rd Party, Deferral, Intercompany and Others

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 8

1 **126.0 Reference: Exhibit B-10, BCUC 1.147.1.1**

2 126.1 In various places, the response makes reference to 2020 and how the purpose of
3 preparing C2-14 is to establish a forecast that will be utilized to set base O&M for
4 2020. Please reconcile the references to 2020 with the fact that Table C2-14 in
5 setting out the determination of the 2019 Base O&M.

6
7 **Response:**

8 FortisBC's response to BCUC IR 1.147.1.1 included a Proposed Alternative Table C2-14 based
9 on a format specifically requested in the IR. It starts with 2018 actual Base O&M and then
10 makes various adjustments, including removing the actual 2018 FI/FHI corporate services,
11 applying an inflator, and then adding in a 2019 forecast FI/FHI corporate services management
12 fee to arrive at a 2019 Base O&M. Included in this requested table is a 2019 forecast FI/FHI
13 corporate services management fee allocated to FBC, forecast at \$3.339 million.

14 The references to 2020 in the response to BCUC IR 1.147.1.1 specifically relate to the FI/FHI
15 corporate services fees. The intent of determining a 2019 Base O&M is to establish a base
16 O&M that will be effective for 2020 and throughout the term of the MRP. The response to BCUC
17 IR 1.147.1.1 elaborates with the following:

18 ...while FBC agrees that, in principle, that the above table provides a reasonable
19 approach to incorporating the allocation methodology for FI and FHI corporate
20 services to FBC, it does not consider that the forecasted FI/FHI corporate
21 services management fee allocated to FBC in 2020 will differ from the forecasted
22 fee for 2019.....The purpose of preparing C2-14 is to establish a forecast that
23 will be utilized to set base O&M for 2020 and therefore it should reflect the
24 expected increase in 2020 FI/FHI corporate services.

25 This part of the IR response is intended to clarify that FI/FHI corporate service fees were not
26 forecast to increase from 2018 actuals through to 2020 at an annual inflation rate, as would be
27 the case for other 2018 Base O&M items. The conclusion to BCUC IR 1.147.1.1 then redirects
28 to BCUC IR 1.34.1 by stating:

29 ...FortisBC provides a revised Table C2-14 with the expected financial effects of
30 the FHI management fee included in 2019 Base O&M to be used for setting 2020
31 rates. FortisBC recommends the approach in the table in the response to BCUC
32 IR 1.34.1 with the \$57.670 million of 2019 Base O&M, rather than the approach
33 in the above table in the response to this IR.

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 9

1 In order to establish a 2019 FBC Base O&M per Revised Table C2-14 in the response to BCUC
2 IR 1.34.1, it was necessary to start with the 2020 FI/FHI corporate services fee of \$3.439 million
3 provided in Table D5-4, on page D-51 of the Application which reflects the estimated impact on
4 2020 costs based on the new corporate services methodology. This 2020 value was then
5 discounted back by one year to reflect the estimated annual inflation to arrive at a 2019 value of
6 \$3.374 million for the 2019 Normalized Forecast FHI Management fee. In this way, the value
7 becomes a 2019 value and not a 2020 value, as was assumed in the question.

8 Also, for clarity, the reference in the response to BCUC IR 1.147.1.1 to “.... will be utilized to set
9 base O&M for 2020....” should be changed to “.... will be utilized to set the O&M base to
10 determine 2020 index-based O&M”.

11

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 10

1 **127.0 Reference: Exhibit B-5, BCOAPO 1.42.1**

2 **Exhibit B-10, BCUC 1.34.1**

3 127.1 BCOAPO 1.42.1 referred to the determination of FBC's 2019 Base O&M per
4 Table C2-14. The response make reference to BCUC 1.24.1 which only deals
5 with FEI's 2019 Base O&M per Table C2-1. Please confirm whether the
6 reference in the response is correct.

7
8 **Response:**

9 The correct references for FBC are BCUC IRs 1.34.1 and 1.147.1.1.

10

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 11

127.2 Are the revisions to the determination of FBC's 2019 Base O&M as set out in BCUC 1.34.1 meant to address the issue raised in BCOAPO 1.42.1? If yes, please explain how.

Response:

Yes, the Revised Table C2-14 FBC 2019 Base O&M included in the response to BCUC IR 1.34.1 is intended to address the question raised in BCOAPO IR 1.42.1 which asked the following:

If the Corporate/Shared Services Studies impact of \$0.705 million is a 2019 value (per Footnote 131), why is the impact included in the Adjusted 2018 O&M Base and then subjected to the 2019 Inflator as opposed to being included as one of 2019 adjustments?

The original Table C2-14 provided in the Application included the \$0.705 million, which consisted of both Shared Services and Corporate Services amounts of \$0.338 million and \$0.367 million, respectively, as described in Footnote 131.

The Shared Services amount of \$0.338 million is a 2018 value and not a 2019 value, as described in the response to BCUC IR 1.34.1 which states: "the Shared Services Study amount remains unchanged as it is based on 2018 actual expenditures as described in Appendix D-4 FEI and FBC Shared Service Study". Therefore, this 2018 value is appropriately subject to the 2019 Inflator in determining a forecasted 2019 Base O&M.

The Corporate Services amount of \$0.367 million included in the original Table C2-14 was also intended to represent a 2018 value that would be subject to a 2019 inflator. It was determined by taking the forecast 2020 impact of \$0.383 million, included in Table D5-4, on page D-51 of the Application, and discounting back two years at inflation to arrive at an estimated 2018 value.

The Revised Table C2-14 in BCUC IR 1.34.1 shows the following adjustments to ensure that only forecast 2019 Corporate Service values allocated to FBC are appropriately incorporated in the 2019 Base O&M as they are not expected to change from 2018 to 2019 based on annual inflation:

- Removal of 2018 amounts from the Adjusted 2018 Base O&M that would otherwise be subject to inflation:
 - (\$1.023 million) of 2018 actual FHI corporate services direct charged to FBC
 - (\$1.615 million) of 2018 actual FI corporate services direct charged to FBC

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 12

- After the adjusted 2018 Base O&M was subject to a 2019 inflator of 1.02382, the following 2019 forecast FI/FHI Corporate Service values were included as adjustments to determine the forecast 2019 Base O&M:
 - \$3.374 million of 2019 Normalized Forecast FHI Management Fee
 - (\$0.308 million) of FBC Costs to be included in FHI Corporate Services

These adjustments were necessary to include the appropriate 2019 FI corporate services forecast for the O&M Base.

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 13

1 **128.0 Reference: Exhibit B-5, BCOAPO 1.43.2**

2 128.1 The original question asked about the treatment of the \$0.5 M in O&M savings
3 above the formula expected to be received achieved in 2019. The response only
4 dealt with savings expected to be achieved in 2018 (and carried over to 2019).
5 Please respond to the original question.

6
7 **Response:**

8 FortisBC confirms that all permanent savings are captured in the 2019 Base O&M. FBC's
9 response to BCOAPO IR 1.43.2 explained that approximately \$0.44 million of permanent
10 savings achieved and expected to carry forward into 2019 have been embedded in (treated as a
11 reduction to) the 2019 Base O&M. The \$0.5 million in savings in 2019 reflects the fact that the
12 \$0.44 million in permanent savings in 2018 is carried forward and expected to be achieved
13 again in 2019. Reducing the 2019 Base O&M by this amount again would therefore be double
14 counting.

15 FBC also confirms that the forecasted \$0.5 million O&M savings above the formula in 2019 will
16 be accounted for as part of the existing earnings sharing mechanism in the Current PBR Plan,
17 with the expected O&M savings shared 50/50 between customers and FBC.

18

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 14

1 **129.0 Reference: Exhibit B-5, BCOAPO 1.45.1**

2 **Exhibit B-1, page C-46**

3 129.1 What is the estimated increase in Other Revenue for 2019 from manual meter
4 read fees?

5

6 **Response:**

7 The estimated increase in Other Revenue is \$0.180 million, which is equivalent to the increase
8 in O&M expense from manual meter reading, as shown in the Revised Table C2-14 (refer to the
9 response to BCUC IR 1.34.1). The manual meter read fees are set at a level that offsets the
10 cost of meter reading.

11

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 15

1 **130.0 Reference: Exhibit B-10, BCUC 1.39.4**

2 130.1 The response states that Base 2019 in this table (i.e., Table C2-16) represents
3 the Company's 2019 Projection and the existing funding available in 2019 under
4 the Current PBR Plan. Please demonstrate, with reference to FBC's Annual
5 Review for 2019 Rates, that the values reported are "the existing funding
6 available in 2019 under the Current PBR Plan".

7
8 **Response:**

9 By "existing funding available in 2019 under the Current PBR Plan", FBC meant that the Base
10 2019 amounts in Table C2-16 are the existing funding in 2019 that FBC forecast for these items
11 under the Current PBR Plan. The Base 2019 value for the items listed total to \$0.981 million
12 and represents only a portion of the overall formula O&M funding available in 2019. Regarding
13 the 2019 formula O&M funding available, as set out in the 2019 FBC Annual Review, formula
14 O&M funding is \$56.077 million. Since the O&M formula provides funding at an overall level,
15 there is no formula amount specific to these individual items.

16

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 16

1 **131.0 Reference: Exhibit B-5, BCOAPO 1.48.1**

2 131.1 Please provide a revised response where the values are normalized for major
3 events.

4
5 **Response:**

6 Please refer to the table below for both FBC total and Kootenay area SAIDI and SAIFI results
7 from 2013 to 2018 that is normalized for major events.

	2013	2014	2015	2016	2017	2018
FortisBC Total SAIDI - Normalized	2.01	2.32	2.13	2.10	4.05	3.14
Kootenay Area SAIDI - Normalized	4.25	3.53	3.99	3.03	6.74	6.35
FortisBC Total SAIFI - Normalized	1.27	1.65	1.56	1.34	1.80	1.72
Kootenay Area SAIFI - Normalized	2.65	2.35	2.52	1.64	3.71	3.89

8

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 17

132.0 Reference: Exhibit B-5, BCOAPO 1.48.4 and 1.50.4

Exhibit B-10, BCUC 1.17.7 and BCUC 1.8.4

Exhibit B-5, BCOAPO 1.23.1

Preamble: The responses to both BCOAPO IRs refer to BCUC 1.17.7. The response to BCUC 1.17.7 makes reference to both BCUC 1.8.4 and BCOAPO 1.23.1.

132.1 Please confirm that the Current PBR Plan and the proposed MRPs both include an annual adjustment to the Base O&M for inflation.

Response:

Confirmed.

132.2 With respect to the response to BCOAPO 1.23.1, please re-do the analyses of the relationship between Base O&M and Customer Count for FEI and FBC using Base O&M values that have been normalized for inflation (i.e., express the Base O&M values for each year in 2014 \$ using the inflation factor from the Current PBR Plan.

Response:

The correlation coefficient, slope and intercept for the requested information using 2014\$ is provided in the following table.

	2014	2015	2016	2017	2018	2019P	Correlation	Slope	Intercept
FEI <i>New attachments</i>	13,583	16,213	17,261	20,825	22,439	18,540	0.96	5.060	(41,451)
<i>Actual Growth Capital (\$000)</i>	\$ 24,230	\$ 44,759	\$ 45,694	\$ 55,889	\$ 75,348	\$ 56,165			
FEI <i>Average Number of Customers</i>	959,196	968,766	983,807	997,380	1,016,353	1,024,962	(0.69)	(0.069)	287,528
<i>Actual Formula O&M (\$000)</i>	\$ 223,970	\$ 220,354	\$ 217,338	\$ 218,242	\$ 216,998	\$ 219,000			
FBC <i>Average Number of Customers</i>	129,525	131,016	132,480	134,246	137,300	138,649	(0.86)	(0.283)	87,922
<i>Actual Formula O&M (\$000)</i>	\$ 52,046	\$ 50,723	\$ 49,868	\$ 49,299	\$ 48,946	\$ 49,292			

As can be seen in the table above and explained in response to CEC IR 1.13.3.1, using real O&M amounts during the six-year Current PBR Plan term results in negative correlation and would not provide any meaningful conclusions. This is due to the fact during the Current PBR Plan term, FEI's and FBC's O&M expenses increased at less than inflation.

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 18

- 1 As for FEI's Growth Capital, the regression analysis suggests that FEI would require \$5,060 per
- 2 each new attachment, whereas FEI is requesting \$3,811 per new attachment (the proposed
- 3 base unit cost per new attachment in the formula).
- 4

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 19

1 **133.0 Reference: Exhibit B-5, BCOAPO 1.49.2**

2 133.1 Based on the seven year cycle, how many dam safety reviews will be required in
3 each year of the proposed MRP?

4
5 **Response:**

6 FBC will conduct one dam safety review for each of the following dams in 2020: LBO, UBO and
7 SLC.

8 Additional expenditures will be required in all years during the MRP term to maintain and
9 enhance FBC's ability to meet the requirements under the BC Dam Safety regulation. As
10 explained in the response to BCUC IR 1.39.8, this includes activities related to inspections,
11 instrumentation requirements, and documentation required to support dam safety compliance.
12 Also included are Single Device Isolation Certifications and penstock assessments.

13 Because this line item requires expenditures in all years of the MRP term, it is appropriately
14 included as an average in the calculation of Base O&M, regardless of the timing of the actual
15 safety reviews themselves.

16

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 20

134.0 Reference: Exhibit B-9, MoveUP 1.6.3

134.1 The discussion regarding FBC's incremental funding indicates that FBC plans on adding nine new employees in 2019. As of August 31, 2019 how many of these new employees have actually been hired and what is the status of the remaining planned hires for 2019?

Response:

Of the nine new employee hires planned for 2019, (four new employees for System Operations, Integrity and Security and five new employees for Cybersecurity), eight have been hired. For Cybersecurity, four of the five new MoveUp positions have been filled and selection of the last position is nearing completion. For System Operations, Integrity and Security, four new employees have been hired including three pre-apprentices and one employee for dam safety.

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 21

1 **135.0 Reference: Exhibit B-10, BCUC 1.50.3**

2 135.1 During the MRP period what information will FBC be providing the Commission
3 on an annual basis in order for it to determine whether, for capital projects below
4 the proposed CPCN thresholds, a CPCN Application should be required?

5
6 **Response:**

7 As set out in the response to BCUC IR 1.50.3, “(t)he Commission can require any utility,
8 including FEI and FBC, to apply for a CPCN if it is of the view that there is a significant public
9 interest issue or issues”. The capital projects included in Section C3 of the Application are all
10 below the \$20 million CPCN threshold and do not have significant public interest issues. If, in
11 FBC’s view, a potential public interest issue were to arise, FBC would identify the issue so that
12 the BCUC could make a determination on the need for a CPCN application. FBC expects that
13 public concern over a potential project would be the most likely reason for a public interest
14 issue.

15

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 22

1 **136.0 Reference: Exhibit B-10, BCUC 1.64.2**

2 136.1 The response states that “Under the proposed mechanism, the Companies retain
3 50 percent of any benefits of efficiencies and are responsible for 50 percent of
4 any overspending for the MRP period. Amending the ratio to 75/25 for the
5 ratepayer/utilities would reduce the incentive for FortisBC to manage its capital
6 expenditures below the amounts embedded in rates.” Based on this logic,
7 please discuss the merits of using a ratio of 25/75.

8

9 **Response:**

10 Using an earnings sharing ratio of 25/75 (ratepayer/utility) would increase the strength of the
11 incentive for the Utilities to manage O&M and Growth Capital expenditures below the amounts
12 embedded in rates. FortisBC’s 50/50 symmetrical earnings sharing model has been
13 successfully employed in its previous PBR plans. FortisBC believes that a 50/50 ESM is
14 appropriate because it balances the risks and rewards between shareholders and customers.

15

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 23

137.0 Reference: Exhibit B-5, BCOAPO 1.63.2

137.1 Please indicate specifically those Small Growth projects that were considered to be flexible during Current PBR period and for which spending was reduced/eliminated.

Response:

The required scope and in-service dates for Small Growth projects are determined based on the completion of load flow studies in FBC's distribution system model. Depending on the location and magnitude of load growth in FBC's distribution system, the need for additional capacity, voltage regulation, or system reconfiguration may be identified through these studies.

During the Current PBR Plan period, mandatory and essential system needs were addressed through the scoping and execution of Small Growth projects. The following flexible Small Growth projects were deferred beyond the Current PBR Plan period, allowing funds to be reallocated to other programs or projects based on re-prioritization:

- Hedley - HED2 Regulator Bank
- A.A Lambert - AAL2 Regulators
- Glenmore - GLE7 Reconductor
- Christina Lake - CHR1 Regulator Bank

137.2 Please identify those areas in FBC's service area where higher forecast expenditures for the 2020 to 2024 period are required due to significant load growth in recent years and required upgrades.

Response:

Distribution Small Growth projects are required in all areas of FBC's service area. Projects will be undertaken in the North Okanagan (Kelowna), South Okanagan, and Kootenay Boundary regions in the 2020 to 2024 period in order to ensure continuing acceptable standards of service.

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 24

138.0 Reference: Exhibit B-5, BCOAPO 1.70.3

138.1 The response states that: i) the 2019 Transmission Line Condition Assessment has not been completed and ii) as the number of structures to be rehabilitated cannot be known in advance, the unit costs are determined on the basis of poles assessed, which assumes a constant proportion of poles for rehabilitation to poles assessed. However, the response also indicates that the forecast for 2020 assumes a higher number of poles will require rehabilitation. Please reconcile the assumption that a higher number of poles will need to be replaced with point (ii) in the previous sentence.

Response:

As explained in the response to BCOAPO IR 1.70.3.2, since the number of structures to be rehabilitated cannot be known in advance, the forecast costs are determined on the basis of the number of poles to be assessed and assuming the proportion of poles for rehabilitation to poles assessed remains the same.

Between 2016 and 2018, the average number of poles assessed was 1,296 per year. The 2019 Transmission Line Condition Assessment project includes 2,296 poles for assessment, which means that it is assumed that more poles will require rehabilitation. This is the primary driver for the increased 2020 Transmission Line Rehabilitation forecast.

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 25

139.0 Reference: Exhibit B-5, BCOAPO 1.74.1

139.1 Please explain why it is not possible to more evenly “pace” the expenditures required for Generation Station Assets over the five-year MRP period.

Response:

The Generator step-up stations program addresses known issues with legacy Generation Stations equipment and structures. The main contributor to the uneven capital expenditure is the South Slokan concrete and metal structure remedial action project.

If FBC were to more evenly pace the expenditures required for Generation Station Assets over the five-year MRP term, it would require additional staging of the South Slokan project, which would add mobilization and demobilization costs and result in lost efficiencies.

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 26

1 **140.0 Reference: Exhibit B-5, BCOAPO 1.75.1**

2 140.1 What is the basis for the forecast spending on Ground Grid Upgrades if the
3 condition assessment for the locations noted have not be undertaken as of yet?

4
5 **Response:**

6 The Ground Grid Upgrades program forecast spending is based on the following items:

- 7 1. Required corrective work and remedial action to mitigate known deficiencies, including
8 those identified in the response to BCOAPO IR 1.75.1;
- 9 2. Estimated cost to complete the required condition assessment inspections and
10 grounding study reviews for stations listed in the response to BCOAPO IR 1.75.1. The
11 estimated expenditures for completion of inspections and studies comprise the majority
12 of the forecast for 2022 and 2024. The estimated cost to update studies was based on
13 factors such as the age of the substations and known increases to the available short
14 circuit current levels; and
- 15 3. Deficiencies identified in 2022 and 2024 condition assessment inspections and
16 grounding studies will be mitigated on a priority basis with remaining funds.

17

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 27

1 **141.0 Reference: Exhibit B-7, CEC 1.30.2**

2 **Exhibit B-1, Table C3-21**

3 141.1 Please provide the rationale for the material increase in FBC's Growth Capital
4 spending in 2020 over 2019. In particular do the economic forecasts for 2019
5 and 2020 differ sufficiently to support such a material increase?

6
7 **Response:**

8 The material increase in FBC's Growth Capital spending in 2020 is due primarily to three
9 projects:

- 10 1. The Sexsmith 2nd Transformer Addition project (\$4.6 million forecast expenditure in
11 2020).
- 12 2. The DG Bell Feeder 4 Addition (\$2.0 million forecast expenditure in 2020).
- 13 3. New Connects (2020 forecast spending is \$2.2 million higher than 2019 projected
14 spending).

15
16 The Sexsmith and DG Bell projects are driven by past and ongoing growth in Kelowna, and the
17 need for these projects is not contingent on economic forecasts for 2020.

18 As described in Section C3.4.1.1.3 of the Application, the New Connects forecast is based on
19 the rolling average of historical expenditures adjusted for anomalous years and inflation.
20 Economic forecasts are not an input into the calculation of the New Connects forecast.

21

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 28

1 **142.0 Reference: Exhibit B-7, CEC 1.31.2**

2 142.1 Please confirm that FBC plans to track and have the capability to report on the
3 flow-through variances associated with spending related to EV charging stations.

4
5 **Response:**

6 Confirmed. Provided that EV charging stations are approved for inclusion in rate base, FBC will
7 track the forecast and actual capital expenditures, operating costs, and tariff revenue associated
8 with the charging stations. Financing and depreciation costs will be determined from the capital
9 investment and all of the variances will be included in the flow-through calculation.

10

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 29

143.0 Reference: Exhibit B-10, BCUC 1.92.1.1

143.1 Is it reasonable to view the Meter Reading SQI to be reporting the combined performance of both manual and electronic meter reads?

Response:

FBC believes it is reasonable to view the performance of manual and electronic meter reads on a combined basis as this SQI reflects the collective group of customers and as such is representative of the overall level of service quality provided with respect to meter reading.

FBC does not believe it would be beneficial to create an additional meter reading SQI and have separate SQIs for manual and electronic reads, for the following reasons:

- The impact of both electronic and manual reads is currently accounted for in the meter reading SQI and being combined as one SQI reflects the overall level of service quality experienced by customers;
- A separate manual meter reading SQI could be subject to large variations that are not reflective of the overall service quality experienced by manually read customers because the subset of customers is small (approximately 2 percent or 2,100 customers);
- Separate and different thresholds and benchmarks would need to be considered, which may imply a different level of service quality expectations. More specifically, the relatively small base of manual meter read customers may create the need for a threshold level that accommodates for the potential variations noted above and as such may appear low relative to the electronic meter reading SQI; and
- Separate SQIs would imply equal weighting and importance since both metrics would appear on the SQI list and there is no method to weight them for importance. In this instance, undue weighting would be placed on an SQI that reflects the experience of the 2 percent of customers that have manual meter readings.

143.2 Would it be more appropriate to have separate SQIs for manual and electronic meter reading? If not, why not?

Response:

Please refer to the response in BCOAPO IR 2.143.1.

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 30

144.0 Reference: Exhibit B-10, BCUC 1.94.4.2

144.1 The referenced quote from Appendix C5-2 makes reference to “providing the proposed benchmark based on a three year rolling average”. Is FBC proposing that during the MRP period the “benchmark” will be changed each year based on a three-year historical rolling average or that the benchmark for the entire MRP period will be based on 2017-2019 results?

Response:

To clarify, FBC is not proposing to change the “benchmark” (i.e. target) each year during the MRP period based on a three-year historical rolling average. Rather, FBC is proposing the benchmark (i.e. target) for SAIDI will be based on the 2017 to 2019 results for the entire MRP period. FBC acknowledges the use of the word ‘rolling’ in the response to BCUC IR 1.94.4.2, as noted in the preamble, was incorrect.

The proposed three-year average of recent actual results is consistent with that used by the BCUC for setting benchmarks for some of the SQI metrics for the Current PBR Plan. FBC is proposing the same approach for setting the benchmark for SAIFI to be used for the entire term of the MRP (Appendix C5-2, page 14).

The three-year average approach, using 2017 to 2019 actuals to set the benchmark provides an appropriate basis to establish a suitable benchmark to measure SAIDI performance over time as the results can be variable year to year for a variety of reasons. Both the FBC system and the environment in which it operates are evolving constantly. A three-year average balances the need to smooth some of the variability in the data while ensuring that the benchmark accurately reflects current operating conditions.

144.1.1 Why is the proposed approach appropriate?

Response:

Please refer to the response to BCOAPO IR 2.144.1.

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 31

145.0 Reference: Exhibit B-5, BCOAPO 1.89.1

Exhibit B-1-1, Appendix C5-2, page 7

145.1 Reference is made in Appendix C5-2 to the use of the industry average for call performance in setting the current benchmark for call centre performance with respect to first contact resolution. How does the proposed 78% benchmark compare with more recent industry average performance?

Response:

Please refer to the response to BCUC IR 2.233.6.

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 32

1 **146.0 Reference: Exhibit B-5, BCOAPO 1.90.2**

2 146.1 The response references BCUC 1.91.1 which states: “The proposed benchmark
3 and threshold levels take into consideration that there are a combination of
4 factors reflected in the index, which may create larger fluctuations if issues occur
5 even if they may be relatively minor.” Doesn’t the fact the measure takes into
6 consideration a number of factors dampen the impact that large fluctuation in one
7 factor will have on the overall measure and therefore have the opposite effect to
8 that stated?
9

10 **Response:**

11 No. The referenced sentence was explaining that the billing index can be volatile as it is
12 comprised of three sub-measures and that even relatively minor issues, such as an external
13 server error event, can have a large impact on one or more of the sub-measures and the overall
14 index. While each of the three sub-measures carry the same weight in the calculation of the
15 overall billing index, the sub-measures are related in that an issue experienced in one may lead
16 to impacts on other sub-measures. This potential volatility of the billing index should be taken
17 into consideration so that fluctuations due to minor events do not trigger a result above the
18 Threshold or Benchmark.

19

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 33

1 **147.0 Reference: Exhibit B-4, BCMEU 1.6.1**

2 147.1 Please explain how O&M per customer can be considered a “service quality”
3 indicator.

4
5 **Response:**

6 The discussion of O&M per customer in the context of service quality indicators was in response
7 to BCMEU IR 1.6, which FortisBC interpreted as a request to add O&M Cost per Customer as
8 another service quality indicator, as part of an overall broader set of indicators including
9 financial performance, to use in the assessment of the Companies’ effectiveness.

10 As indicated in the response to BCMEU IR 1.6, the measure of O&M Cost per Customer,
11 typically used to measure financial performance, is already embedded in the proposed MRPs.
12 As such, it is not necessary to also include it as part of the suite of service quality indicators
13 which are focused on ensuring an adequate level of service for safety, responsiveness to
14 customers needs and safety.

15

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 34

148.0 Reference: Exhibit B-10, BCUC 1.134.1

148.1 Please explain why it is appropriate to exclude interest from the Lead-Lag Study.

Response:

As explained in the response to BCOAPO IR 1.99.1, payment of interest on debt is not a function of a utility's operations like other operating expenditures included in the lead-lag studies. Rather, interest expense is a function of the financing of a utility, along with the cost of equity. It forms a component of the rate of return and does not involve the day-to-day operations. Therefore, it is appropriate to exclude interest expense from the lead-lag studies and the calculation of the cash working capital allowance which deals with day-to-day operations of a utility. The exclusion of interest expense from the lead-lag studies is consistent with FEI's historical lead-lag studies that have been subject to review with KPMG and have been reviewed and approved as part of previous regulatory proceedings.

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 35

1 **149.0 Reference: Exhibit B-5, BCUC 1.136.1 and BCUC 1.137.1**

2 149.1 In the response to BCUC 1.36.1 the appropriateness of the Cost Driver approach
3 is justified on the basis that the difference between it and the Time Sheet
4 approach is only \$0.34 M based on 2018 values. However, the response to
5 BCUC 1.137.1 indicates that in earlier years (i.e., 2013-2017) the differences
6 ranged from \$0.93 M to \$5.0 M. Given this range of results, does FBC still
7 consider the implementation of the Cost Driver approach to be appropriate and, if
8 yes, why?

9
10 **Response:**

11 Please refer to the responses to BCUC IRs 2.253.2 and 2.253.3.

12

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAP) Information Request (IR) No. 2	Page 36

1 **150.0 Reference: Exhibit B-1-3, Table C2-14**

2 **Preamble:** Table C2-14 has been revised as follows:

Table C2-14: FBC 2019 Base O&M¹³¹

2018 actual Base O&M	\$ 53.839
Add temporary savings	0.500
Shared Services Studies Impact	0.338
Deduct 2018 actual FHI services direct charged to FBC	(1.023)
Deduct 2018 actual FI services direct charged to FBC	(1.615)
Adjusted 2018 Base O&M	\$ 52.039
2019 Inflation	1.02382
2019 Base O&M before adjustments	\$ 53.279
Adjustments:	
Exogenous Factors:	
2019 Z factor (EHT net of MSP)	0.240
2019 Z factor - MRS	1.540
Deferrals:	
Manual meter read	0.180
Flow Through treatment:	
AMI Project cost reductions	(1.161)
BCUC levies	(0.237)
2019 Normalized Forecast FHI Management Fee	3.374
FBC Costs included in FHI Corporate Services	(0.308)
Total adjustments	3.628
New funding for MRP term	\$ 0.763
2019 Base O&M	\$ 57.670

3

4 150.1 Please provide references as to where in the evidence the following values are
5 explained/provided:

6

7

8 150.1.1 2018 Actual FHI services charged to FBC

9

10 **Response:**

11 As explained on page D-43 of the Application and on page 7 of Appendix D5 of the Application,
12 FHI has been direct charging FBC for the corporate service it provides to FBC since 2011. The
13 2018 actual FHI services direct charged to FBC in the amount of \$1.023 million included in the
14 revised Table C2-14 (provided in response to BCUC IR 1.34.1) are the direct charges in 2018,
15 similar to the 2019 projected value of \$1.197 million for FHI services direct charged to FBC
16 shown in the Table D5-4, page D-51 of the Application.

17 Please refer to pages D-48 to D-51 and Sections 4 and 6 of Appendix D5 of the Application for a
18 description of the FHI Corporate Services and the FHI Corporate Services allocation
19 methodology. Table D5-4 includes the projected 2019 FI and FHI allocations to regulated

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 37

utilities and did not include the 2018 actuals amounts referred to in the preamble to this question.

150.1.2 2018 Actual FI services charged to FBC

Response:

As explained on page D-43 of the Application and page 7 of Appendix D5 of the Application, FI has been direct charging FBC for the corporate service it provides to FBC since 2011. The 2018 actual FI services charged to FBC in the amount of \$1.615 million included in the revised Table C2-14 (provided in the response to BCUC IR 1.34.1) are the direct charges in 2018, similar to the 2019 projected value of \$1.544 million for FI services direct charged to FBC shown in the Table D5-4 on page D-51 of the Application.

Please refer to pages D-43 to D-47 and Sections 4 and 5 of Appendix D5 of the Application for a description of FI Corporate Services and the FI Corporate Services allocation methodology. Table D5-4 includes the projected 2019 FI and FHI allocations to regulated utilities and did not include the 2018 actual amounts referred to in the preamble to this question.

150.1.3 2019 Normalized Forecast FHI Management Fee

Response:

The 2019 Normalized Forecast FHI Management Fee in the amount of \$3.374 million included in the revised Table C2-14 (provided in the response to BCUC IR 1.34.1) is similar to the 2020 FHI management fee of \$3.439 million for FHI services allocated to FBC as shown in Table D5-4, page D-51 of the Application. The 2020 FHI management fee of \$3.439 million incorporates a 2020 forecast of FI corporate services and therefore, the aggregate 2020 FHI management fee has been discounted back by inflation to arrive at a forecasted 2019 value. This 2019 value has then been included in the revised Table C2-14 in order to determine the 2019 Base O&M.

While Table D5-3 on page D-50 of the Application included a forecasted 2018 FHI Corporate Services amount of \$3.400 million, that exact amount was not the basis for determining the 2019 or 2020 FHI Corporate Service costs shown in the revised Table C2-14 in the response to BCUC IR 1.34.1 or Table D5-4, respectively. Footnote (1) in Table D5-4 references the \$3.400 million as having been projected forward; however, to clarify, it is meant to indicate that the

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 38

allocation methodology has remained consistent for 2020, yet the forecast 2020 FI corporate services has not increased with annual inflation.

The determination of the 2019 Normalized FHI Management fee as further explained in the response to BCUC IR 1.147.1.1:

...it is more appropriate to incorporate the 2020 forecasted FI/FHI corporate services allocation fee estimated to be charged to FBC and discounted back to 2019 for inflationary purposes in order to reflect the forecasted costs for 2020. The purpose of preparing C2-14 is to establish a forecast that will be utilized to set base O&M for 2020 and therefore it should reflect the expected increase in 2020 FI/FHI corporate services.

Please refer to pages D-48 to D-51 of the Application for a description of the FHI Corporate Services and the FHI Corporate Services allocation methodology.

150.1.4 FBC costs included in FHI Corporate Services

Response:

The FBC costs included in FHI Corporate Services in the amount of \$0.308 million included in the revised Table C2-14 is equivalent to the 2020 FBC costs projected for inclusion in FHI corporate services of \$0.315 million shown in Table D5-4 on page D-51 of the Application, and discounted by inflation back to the 2019 value in order to determine the 2019 Base O&M.

As explained in Note (2) to Table D5-4, these costs were historically in FBC, but will now be included in the FHI corporate services pool of costs, and therefore need to be deducted when calculating the 2019 Base O&M.

Please refer to pages D-48 to D-51 Corporate Services Study in the Application for a description of FHI Corporate Services and the FHI Corporate Services allocation methodology. Table D5-4 includes the projected 2020 FI and FHI allocations to regulated utilities and did not include the 2019 FBC costs included in FHI Corporate Services referred to in the preamble to this question.

150.1.5 The \$0.428 M referenced in the revised footnote #131

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 39

1 **Response:**

2 The \$0.428 million referenced in the revised footnote 131 on page C-44 of the Application
 3 Errata filed June 21, 2019, reflects the total of the 2018 and 2019 FHI and FI corporate services
 4 and management fee adjustments listed in the revised Table C2-14 in the response to BCUC IR
 5 1.34.1 shown as follows:

(In \$ millions)	Amount
Remove 2018 actual FHI corporate services direct charged to FBC	(1.023)
Remove 2018 actual FI corporate services direct charged to FBC	(1.615)
add: 2019 Normalized Forecast FHI Management Fee	3.374
add: 2019 FBC Costs included in FHI Corporate Services	(0.308)
	<u>0.428</u>

6
 7 Therefore, the \$0.428 million is a combination of 2018 and 2019 values, as described in the
 8 response to BCOAPO IR 2.127.2, and is not a single adjustment to the 2018 or 2019 Base
 9 O&M.

10

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 40

1 **151.0 Reference: Exhibit B-10, BCUC 1.75.5; BCUC 1.79.3 and BCUC 1.79.6**

2 **Exhibit B-1, page C-145**

3 **Preamble:** The response to BCUC 1.79.3 states “the Clean Growth Innovation Fund
4 spending will span the entire utility value chain and will provide cost-
5 effective energy solutions to all customers”.

6 The response to BCUC 1.79.6 states “The Innovation Fund will provide a
7 direct benefit to customers by improving how they use and benefit from
8 FortisBC’s energy products”.

9 151.1 Both references quoted in the preamble indicated that customers will benefit by
10 improving how they use FortisBC’s products (e.g. electricity and natural gas).
11 Given this basis for the benefits, please explain why FBC considers that all
12 customers benefit equally from the Innovation Fund regardless of their usage
13 level (per BCUC 1.75.5).

14
15 **Response:**

16 FortisBC assumes that the reference to FBC in the question should refer to FortisBC (both FEI
17 and FBC). The benefits from the Innovation Fund are not necessarily realized equally by all
18 customers, although emissions reductions will benefit all customers and British Columbians
19 generally. Some benefits, such as energy cost reductions, may benefit customers
20 disproportionately depending on factors such as their usage patterns, customer class and use of
21 RNG for example. Please also refer to the responses to BCUC IRs 2.214.7, 2.214.10 and
22 2.214.11.

23

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 41

1 **152.0 Reference: Exhibit B-10, BCUC 1.82.4**

2 152.1 Please explain why projects that are already underway would require/should be
3 eligible for funding.

4
5 **Response:**

6 FortisBC interprets this question as asking why projects that are underway and not currently
7 receiving funding from FortisBC would require/should be eligible for funding.

8 FortisBC would evaluate projects that are underway on a case-by-case basis. If a project did
9 not require additional funding, FortisBC would expect that the proponent would not apply for
10 funding per the process outlined in the response to BCUC IR 2.218.3. In the event that a
11 proponent applies for Innovation Fund funding for an ongoing project, FortisBC would consider
12 providing funding for such reasons as:

- 13 • Initial work has started, but additional funding is required to complete an existing
14 milestone;
- 15 • Funding is required for a new project milestone.
- 16

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 42

1 **153.0 Reference: Exhibit B-5, BCOAPO 1.5.1**

2 153.1 Will there be business cases demonstrating that projects meet at least one of the
3 definitions provided for “cost-effective” prior to funding being provided?

4
5 **Response:**

6 No, “cost-effectiveness” will not be an explicit criterion used for selection of projects and formal
7 business cases will not be developed for proposed innovative projects. Instead, innovation
8 projects will be selected through the governance process described in the response to BCUC IR
9 2.218.3.

10 FortisBC notes that the application of Selection Criterion #4 “energy cost reductions” described
11 in the response to BCUC IR 2.218.3 will favour innovation proposals that are less expensive for
12 a specific benefit.

13 For more discussion about the evaluation of cost-effectiveness, please refer to the response to
14 BCOAPO IR 2.1571.

15
16

17
18 153.1.1 If not, why not?

19
20 **Response:**

21 Please refer to the response to BCOAPO IR 2.153.1.

22
23
24

25 153.1.2 If yes, will they be publically available?

26
27 **Response:**

28 Please refer to the response to BCOAPO IR 2.153.1.

29

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 43

154.0 Reference: Exhibit B-4, BCMEU 1.12.1

154.1 The response states that “The FBC Customer Charge will be increased by the approved amount of the Clean Growth Innovation Fund rate rider”. Do all rate schedules in FortisBC’s approved Electric Tariff currently have a “customer charge”?

Response:

Not all rate schedules have a customer charge or basic charge. The Clean Growth Innovation Fund rate rider will be applied to the residential, commercial, large commercial (industrial), wholesale and irrigation rate schedules (Rate Schedules RS 01 to RS 43 and RS 60 to 61 inclusive). Each of these rate schedules includes a Customer Charge, and the rider will be applied to each instance of the Customer Charge that appears on the bills for the account, including cases where customer bills include delivery to more than one service point resulting in more than one Customer Charge. The rider will not be applied to Lighting Accounts, which do not include a Customer Charge, but are billed on a per-fixture rather than on a consumption basis.

The remaining schedules that do not have a customer charge are rate schedules for extensions and service installations, meter connection/reconnection, reading and testing, account transfers, custom work, electric vehicle charging, transmission service, and sale of power. The rider will not be applied to these charges.

154.1.1 If not, please identify those schedules that don’t and indicate whether the proposal would be to add a \$0.30 per month customer charge.

Response:

Please refer to the response to BCOAPO IR 2.154.1.

154.2 Please confirm whether the Clean Growth Innovation Fund rate rider will apply to each customer account or to each delivery point (given that some customers may have more than one delivery point).

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 44

1 **Response:**

2 Please refer to the response to BCMEU IR 1.12.1.

3
4

5

6 154.3 Assuming a Wholesale customer has one delivery point, why is it reasonable for
7 a Wholesale customer, who in turn serves a large number of retail customers, to
8 only be levied \$0.30/month?

9

10 **Response:**

11 FortisBC's proposal for a per customer charge for its innovation rate rider recognizes that the
12 large majority of its customers are residential with similar characteristics and should contribute
13 similarly to the innovation fund. This led FortisBC to propose a per customer charge to be
14 applied to all customers; however, FortisBC acknowledges that there may be other appropriate
15 structures for collection of the innovation fund.

16 Please also refer to the responses to BCUC IRs 2.214.7 and 2.214.8.

17

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 45

1 **155.0 Reference: Exhibit B-6, BCSEA 1.21.5**

2 155.1 If FortisBC considers there to be an essential need to invest in order to
3 accelerate innovation and adoption of new technologies to meet policy objectives
4 why not, in the case of FortisBC Inc., simply include the forecast spending in the
5 Capital Expenditures proposed for the MRP period?

6
7 **Response:**

8 For clarity, FortisBC has reproduced its response to BCSEA IR 1.21.5 below:

9 Regardless of the BCUC's decision, FortisBC will continue to seek innovative
10 ways to fulfil its role and responsibilities to help British Columbians move towards
11 a lower carbon future, as it has for over ten years since the Province's original
12 climate plan was introduced. However, a denial of the Innovation Fund would be
13 a failure to address the essential need to invest to accelerate innovation and
14 adoption of new technologies to meet policy objectives.

15 The term 'invest' was used to describe an investment in O&M expenditures in order to
16 accelerate innovation and the adoption of new technologies. These expenditures do not
17 generally qualify for capital treatment.

18 Regardless, FortisBC interprets the question as asking whether there are alternative cost
19 treatments, such as funding innovation through index-based O&M or flow-through O&M.
20 FortisBC acknowledges that these other funding mechanisms could work if they establish
21 predictable levels of funding over the MRP term¹ for innovation with the flexibility to allocate
22 funds between investment areas. This predictable level of funding is important to ensure
23 certainty, flexibility, and to create efficiency in the regulatory process. Please also refer to the
24 response to BCUC IR 2.214.12.

25 Finally, FortisBC does not see a distinction between FEI and FBC that would justify a different
26 cost treatment between the utilities.

27

¹ Exhibit B-1. Application. Section C6.4.3.4, Page C-141.

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 46

1 **156.0 Reference: Exhibit B-10, BCUC 1.148.1**

2 156.1 Why are the actual capitalized overheads set equal to the approved value as
3 opposed to applying the approved percentage to the actual total Gross O&M?

4
5 **Response:**

6 Recording the actual capitalized overhead amount equal to the approved capitalized overhead
7 amount is more administratively efficient and more predictable than the alternative method.
8 Applying the approved overhead rate percentage to the actual total Gross O&M has the
9 following drawbacks:

- 10 1. A different amount of capitalized overhead would be applied to the many asset classes
11 than had been forecast, which would require a "true up" process for each capital asset
12 class once the final O&M figure is known (after year-end);
- 13 2. Additional uncertainty would be introduced to the capital budgeting process with an
14 additional element of variation that would need to be managed by the asset owners; and
- 15 3. Additional analysis and allocations would be required due to the different treatment of
16 the variances for this item. Variances related to flow-through O&M or capital would need
17 to be captured in a deferral account, while variances related to index-based O&M and all
18 other capital would be subject to earnings sharing.

19
20 Further, recording actual capitalized overheads set to the approved amount is the same
21 treatment that both FEI and FBC have applied to Overheads Capitalized in the last several PBR
22 and revenue requirement applications going back to prior to the early 2000s.

23 Overall, the use of actual Gross O&M as the base for capitalized overhead would introduce an
24 incremental layer of complexity, costs and volatility to rates. Therefore, the current method of
25 setting capitalized overheads to the approved value, which has previously been reviewed,
26 approved and accepted, mitigates the additional complexities and variability in the determination
27 of variances between forecast and actual cost of service, capital expenditures and sharing
28 mechanisms.

29

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 47

157.0 Reference: Exhibit B-5, BCOAPO IR 1.5.1

The IR and response are reproduced below.

5.1 With respect to Table A1-5, under the “Responsive to Customer Expectations” feature please explain what is meant by cost-effective.

Response:

Cost effective refers to the focus of the Clean Growth Innovation Fund being on initiatives that will result in commercial solutions which are cost-effective from a customer perspective. Cost effectiveness in this context means the lowest reasonable cost for clean products and services offered by FortisBC to its customers, and also considers solutions that maintain or increase load to keep rates affordable for customers.

157.1 What type of metric, yardstick, or external benchmarks or comparators will FEI be employing to gauge its own offerings in order to ensure that FEI's ratepayers receive clean products at the 'lowest reasonable cost' and also enjoy rates that are 'affordable'?

Response:

As noted in the response to BCOAPO IR 1.5.1, the term “cost effective” refers to the lowest reasonable cost for clean products and services. This means that FortisBC will need to measure or compare its offerings to ensure that ratepayers receive clean products at the lowest reasonable cost with consideration given to:

- Their cost competitiveness in relation to equivalent, comparable alternatives;
- Their performance and efficiency related to comparable alternatives;
- Their alignment with government policy and regulation; and
- The specific needs of the customer.

FortisBC notes that when considering cost competitiveness, it is important that the basis for comparison is an equivalent, comparable alternative. For instance, RNG is a more affordable alternative as compared to an electric heat pump for an existing natural gas customer seeking to reduce their emissions. In this scenario, RNG both avoids the upfront costs of installing the heat pump, and also is lower cost than electricity. Accordingly, RNG presents a cost effective energy solution that, while more expensive than traditional natural gas, is a more affordable and cost effective means for existing natural gas customers seeking to lower their emissions.

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 48

1 **158.0 Reference: Exhibit B-5, BCOAPO IR 1.5.3**

2 158.1 Please explain why surveying customers is not appropriate and not one of the
3 best ways to determine the level of customer satisfaction.

4
5 **Response:**

6 FortisBC has interpreted this question to be asking about surveys related specifically to the
7 Innovation Fund, and not surveying customers generally to determine customer satisfaction.
8 FortisBC does survey customers and reports its Customer Satisfaction Index in its Annual
9 Reviews.

10 Surveys are useful tools to establish customer satisfaction for products and services provided to
11 customers. Similar to many of our DSM rebates and offer assessments, FortisBC anticipates
12 that evaluations directed to customers post-purchase or adoption of a new product or service
13 may well be applicable. However, the activity only makes sense after any Innovation Fund-
14 related offerings materialize.

15 Using customer satisfaction surveys that rely upon a random customer or general-public sample
16 to measure the success of the Clean Growth Innovation Fund, which is not itself a product or
17 service, has two shortcomings. First, and as stated in the response to BCOAPO IR 1.5.2,
18 particular avenues of investigation and subsequent product or service commercialization are
19 likely to occur well after original Innovation Fund investments. This time lag will make it
20 impossible for all but the most informed customers to provide satisfaction ratings. Second, it will
21 take varying lengths of time for offerings to garner significant adoption. Gathering statistically
22 reliable response rates about satisfaction using random sampling is not feasible until there is
23 substantial market penetration.

24

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 49

1 **159.0 Reference: Exhibit B-5, BCOAPO IR 1.7.1**

2 159.1 Given FEI's response, is it plausible that cost-of-service regulation for the six-
3 year test period would have resulted in lower rates today for FEI's ratepayers and
4 a similar quality of service?

5
6 **Response:**

7 As FEI believes that the savings achieved were driven in full or in part by the incentive
8 mechanisms of the Current PBR Plan, FEI does not believe it is plausible that cost of service
9 regulation for the test period would have resulted in lower rates today for FEI ratepayers.

10 Please also refer to the response to CEC IR 1.3.2.

11

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 50

160.0 Reference: Exhibit B-5, BCOAPO IR 1.12.3

160.1 Has it been FEI's experience that Rate Schedule 1 customer numbers are typically under-forecast?

Response:

No, it has not been FEI's experience that Rate Schedule 1 customer numbers are typically under-forecast.

As shown in the response to BCOAPO IR 1.12.2, the Rate Schedule 1 customer forecast was lower than the actual additions for the five year period from 2014 through 2018. However, when considering a shorter time period (for example five years) the probability of all the forecast variances having the same sign (positive or negative) is higher than when a longer time frame is considered (such as the ten years reported in the Annual Review appendices).

The following table is similar to the one presented in Appendix A-2 of each Annual Review and has been updated to include 2018 actual results and shows the forecast variance for the most recent 13 years:

Customer Additions	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Rate Schedule 1														
Forecast	15,829	16,267	14,603	9,827	7,012	7,724	8,984	9,352	6,647	9,710	9,461	11,522	9,141	136,079
Actual	12,744	15,794	11,321	7,723	9,186	6,911	6,371	9,139	10,472	12,508	11,359	13,357	19,257	146,142
Error = (ACT-FCST)	(3,085)	(473)	(3,282)	(2,104)	2,174	(813)	(2,613)	(213)	3,825	2,798	1,898	1,835	10,116	10,063
Percent Error = (Error/ACT)	-24.2%	-3.0%	-29.0%	-27.2%	23.7%	-11.8%	-41.0%	-2.3%	36.5%	22.4%	16.7%	13.7%	52.5%	6.9%
Over/under Forecast	↓	↓	↓	↓	↑	↓	↓	↓	↑	↑	↑	↑	↑	

FEI notes the following observations:

- Seven years were under-forecast (54 percent);
- Six years were over-forecast (46 percent);
- A 6:7 split is as close to 50:50 as is possible in a sample of 13 data points; and
- The aggregate variance over 13 years was 10,063 customers on an aggregate actual total of 146,142 which is 6.9 percent.

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 51

161.0 Reference: Exhibit B-5, BCOAPO IR 1.14.1

161.1 Has FEI always accounted for pension and OPEB costs as capital costs?

Response:

FEI confirms that there has always been a component of FEI's pension and OPEB expense that has been allocated to capital. Prior to 2010, only the current service cost component of pension expense was eligible for capitalization for rate-setting purposes. Beginning in 2010, as part of FEI's 2010-2011 Revenue Requirements Application, the current service cost component of both pension and OPEB expense was captured in benefits loadings and allocated to capital. This accounting treatment was in anticipation of adopting IFRS and was approved by BCUC Order G-141-09.

In 2014, as part of FEI's PBR Application, all components of pension and OPEB expense were eligible for capitalization pursuant to BCUC Order G-138-14. This regulatory accounting treatment was supported by ASC 715 *Compensation-Retirement Benefit* as a result of FEI adopting US GAAP for rate-setting purposes.

Effective 2018, as part of FEI's Annual Review for 2018 Rates, only the current service cost component of FEI's pension and OPEB expense was once again eligible for capitalization pursuant to BCUC Order G-196-17. This change was driven by the Financial Accounting Standards Board (FASB) issuance of Accounting Standards Update No. 2017-07, *Compensation-Retirement Benefit (Topic 715) Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* in 2017. The amendments in this US GAAP update allowed only the current service cost component of pension and OPEB expenses to be eligible for capitalization. These amendments were intended to provide explicit guidance around the components of net benefit cost eligible for capitalization.

161.2 Please confirm that FEI's accounting treatment of these items is consistent with the applicable accounting standards (e.g., FASB, GAAP, etc.).

Response:

Confirmed. Please refer to the response to BCOAPO IR 2.161.1.

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 52

1 **162.0 Reference: Exhibit B-5, BCOAPO IR 1.15.2**

2 162.1 Has FEI ever been regulated under a two-year or multi-year cost-of-service
3 regime? If so, please provide details including regulatory costs incurred.

4
5 **Response:**

6 Yes. FEI's most recent cost of service application relates to the 2012-2013 revenue requirement
7 proceeding. A comparison of regulatory costs from that proceeding to the 2014 PBR proceeding
8 is provided in Table B2-7 of the Application. For more information regarding FortisBC's
9 evaluation of regulatory efficiency under PBR/MRP frameworks and cost of service rate-setting,
10 please refer to section B2.3.3 of the Application.

11

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 53

1 **163.0 Reference: Exhibit B-5, BCOAPO IR 1.35.1**

2 163.1 Were the FTE increases for Tilbury and Supporting planned or foreseen by FEI
3 when the expiring multi-year plan was proposed or did they evolve (and hence
4 were unanticipated)?

5
6 **Response:**

7 The level of these increases was not known at the time the Current PBR Plan was proposed.
8 FEI proposed that costs related to Tilbury 1A and Rate Schedule 46 be forecast annually
9 because the level of cost associated with these activities was unknown at the time. This
10 treatment was accepted by the BCUC.

11 The FTEs for maintenance were determined through the Reliability Centered Maintenance
12 (RCM) process through 2018 and the spring of 2019 that was completed by Asset Management
13 and Operations. This was completed in light of the evolving regulatory environment, including
14 new CSA Z276 requirements. The need for a maintenance manager was determined after
15 recognizing the number of maintenance employees that would be required at Tilbury. The need
16 for additional management support around safety and compliance was established as the
17 number and scope of the employee roles were determined.

18

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 54

1 **164.0 Reference: Exhibit B-5, BCOAPO IR 1.35.2**

2 164.1 Please comment on the usefulness of the formula O&M costs for Tilbury, Mt.
3 Hayes, and Supporting, given that in 2019 the formulaic O&M costs are
4 exceeded by non-formula flow-through O&M costs for these facilities/
5 functionality.

6
7 **Response:**

8 The question is regarding the allocation of costs during the Current PBR Plan term, which FEI
9 explains below. The Application requests a different allocation than what exists today, and as
10 shown in Tables C2-4 and C2-5, increases the costs included in Base O&M such that there are
11 more costs in Base O&M than in Flow-through.

12 In the Current PBR Plan term, the accounting for LNG-related O&M costs for Tilbury, Mt. Hayes
13 and Supporting activities as formula and non-formula flow-through has been appropriate and
14 useful as it was designed to recognize the introduction of Rate Schedule 46 activities and the
15 related O&M costs as approved by the BCUC. That is, at the time the Base O&M was
16 developed in 2013, the Tilbury Expansion facility was not in existence, and LNG revenues were
17 not significant. As such, the Base O&M incorporated the existing Tilbury and Mt Hayes facilities
18 and their usage at that time. Accounting for the incremental O&M costs to support Rate
19 Schedule 46 activities as non-formula O&M was necessary due to the increasing level and
20 unpredictable nature of the costs during a period of time when the Tilbury Expansion facility was
21 under construction, and when the LNG for transportation service was undergoing a period of
22 significant growth. It is therefore by design, and not surprising, that these costs have grown to
23 be greater than the costs in the Base.

24 For the MRP, FEI has proposed a revised cost allocation approach that accounts for LNG O&M
25 as Fixed or Variable. Formula O&M (Base O&M) will include the portion of total O&M costs
26 representing the fixed costs to operate the LNG plant, regardless of its use for peak shaving
27 storage or LNG production for sales. These costs are expected to be relatively stable over the
28 term of the proposed MRP and are therefore appropriate to be included in Base O&M. All the
29 remaining LNG O&M costs representing the variable costs for the production of LNG will be
30 accounted for as non-formula flow-through O&M, recognizing these costs are dependent on
31 sales volumes which are difficult to forecast and expected to increase over time.

32 The revised approach will provide a clear and representative view of the fixed costs to operate
33 and maintain the LNG facility safely, regardless of the final use of the LNG, while providing
34 transparency on the variable costs of production of LNG which are correlated with FEI's LNG
35 sales volumes and revenues and peaking shaving activities.

36 Please refer to page C-24 of the Application for further details regarding the allocation of LNG
37 O&M costs between Base O&M (formula) and Flow Through (non-formula).

38

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 55

1 **165.0 Reference: Exhibit B-5, BCOAPO IR 1.40.14 and 40.15**

2 165.1 The first referenced IR indicates that gas control costs have risen by 91.6% from
3 2014 to 2019, representing an average annual compounded growth rate of
4 13.9%. The second referenced IR indicates that gas control FTEs have
5 increased by only 40% over the same period. Please explain fully.

6
7 **Response:**

8 The first referenced IR (BCOAPO IR 1.40.14) does not show FEI's historical gas control costs.
9 FEI's historical gas control costs are shown in Table C2-13 of the Application. FEI explained
10 the primary drivers for the increases in gas control costs from 2014 to 2019 in response to
11 BCOAPO IR 1.40.17, and discussed the reasons for the increase from 2014 to 2018 in
12 response to BCUC IR 1.32.2.

13 The increase from 2014 to 2019 is 53 percent (as referenced and explained in the response to
14 BCOAPO IR 1.40.17) and not 91.6 percent as indicated in the preamble to this question.
15 Therefore, the correct comparison is a 53 percent increase in O&M as compared to a 40
16 percent increase in FTEs.

17 The primary reason the costs have increased at a higher rate than the FTEs is due to the first
18 item explained in the response to BCOAPO IR 1.40.17 – “the amalgamation of gas utilities
19 resulted in reclassification of FEVI-related gas control costs to O&M”. The FEVI amalgamation
20 in 2015 introduced a one-time 13 percent Gas Control O&M increase.

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 56

1 **166.0 Reference: Exhibit B-5, BCOAPO IR 1.54.2**

2 166.1 Please explain why 2019 growth capital unit net costs are more than 50% above
3 2014 growth capital unit net costs.

4
5 **Response:**

6 FEI's projected 2019 Growth Capital unit net costs are expected to be more than 50 percent
7 above 2014 Growth Capital unit net costs primarily due to the factors set out on pages C-61 and
8 C-62 of the Application. In addition to these items, growth in larger industrial mains additions
9 and evolving local government requirements have contributed to the overall increase in growth
10 capital unit costs since 2014. FEI provides a discussion of these two factors below:

11 1. **Growth in Large Industrial Mains Additions** – FEI anticipates a significantly higher
12 number of large industrial customers to connect to FEI's system in 2019 compared to
13 2014. Currently, several large mains installations projects are underway where the cost
14 per meter of main is considerably higher than the average unit cost. Mains installations
15 required to connect these large industrial customers usually require larger diameter,
16 more costly mains compared to that of typical mains jobs.

17 2. **Local Government Requirements** – Local governments have implemented regulations
18 that have placed increased requirements on utilities. Additional working requirements,
19 working arrangements and restricted working hours have added cost pressures to
20 Growth Capital. In 2019, FEI is incurring higher labour hours, hydrovac, paving and
21 traffic control costs as compared with similar capital growth projects in 2014 due to these
22 additional municipal requirements.

23
24 Please also refer to the response to BCUC IR 1.8.10 and Appendix B8-1 – FEI Capital
25 Directives for further discussion related to the above factors contributing to the increase in
26 Growth Capital net unit costs.

27

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 57

1 **167.0 Reference: Exhibit B-5, BCOAPO 1.22**

2 FortisBC did not confirm that its deferral account recommendation does not pass all risks
3 to customer, but only customer variances are subject to deferral.

4 167.1 Please fully explain why customers should bear the risk of customer variances
5 and not the shareholders. In the response, please fully discuss the PBR
6 principles and the impact of customers bearing the risk of customer variances on
7 those principles.

8
9 **Response:**

10 FEI clarifies that customers will not bear the risk of variances between forecast and actual
11 customer counts. This is because FEI has proposed a true-up mechanism that will hold both
12 shareholder and customers whole from variances between actual and forecast customer counts
13 as indicated in the response to BCOAPO IR 1.22.1.

14 Please refer to page C-8 of the Application for a detailed discussion of the true-up mechanism.

15

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 58

1 **168.0 Reference: Exhibit B-5, BCOAPO 1.23**

2 In 1.23.2, BCOAPO requested 10 years of history, In the response, FortisBC refers
3 BCOAPO to the response to 1.23.1, which only provided 5 years of actual data (2014-
4 2018) and one year of forecast data.

5 168.1 Please confirm that the data in the table in 23.1 for 2014-2018 is actual costs
6 related to the formula, and not the output of the formula. If not confirmed, please
7 fully explain and provide the actual related costs.
8

9 **Response:**

10 Confirmed.

11
12

13
14 168.2 If 2.1 above is confirmed, please provide the formula output for each of the years.
15

16 **Response:**

17 FortisBC assumes that “2.1” is actually referring to “168.1”.

18 FortisBC provided formula Growth Capital and O&M in Tables B2-4, B2-2 and B2-3 of the
19 Application. For reference, FortisBC has reproduced the requested information in the table
20 below.

\$ millions	2014	2015	2016	2017	2018	2019
FEI Formulaic Growth Capital	21.5	28.5	33.3	33.5	37.5	40.1
FEI Formulaic O&M	198.5	235.6	238.1	240.4	243.6	248.9
FBC Formulaic O&M	52.7	53.0	53.6	54.1	54.8	56.1

21
22

23
24 168.3 Please provide related actual data for each of the years 2009-2013.
25

26 **Response:**

27 Please refer to the response to CEC IR 1.23.1 for the requested actual data for FEI's Growth
28 Capital for years 2009 – 2013.

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 59

1 FortisBC provides the requested O&M (gross) data for FEI² and FBC below.

\$ millions	2009	2010	2011	2012	2013
FEI	219.5	237.1	245.9	254.2	264.9
FBC	46.0	46.1	53.1	53.5	56.7

2

3

4

5 168.4 Please provide actual data for 2014-2018 and forecast for 2019 for
6 FortisBC New Attachments.

7

8 **Response:**

9 FortisBC confirms that the requested information, including actual data for 2014-2018 and
10 forecast for 2019 for FEI's new attachments, was provided in the response to BCOAPO IR
11 1.23.1.

12 If the question is regarding New Connects for FBC, then that information was provided in the
13 response to BCUC IR 1.52.1.

14

15

16

17 168.5 Please provide formula outputs for 2014-2018 and 2019 for FortisBC new
18 attachments.

19

20 **Response:**

21 Please refer to the response to BCOAPO IR 2.168.2 for the formula for FEI Growth Capital.
22 There was no formula specific to New Attachments.

23 If the question is regarding New Connects for FBC, this information cannot be provided as there
24 was also no formula for New Connects for FBC.

25

26

27

28 168.6 Please provide related FortisBC actual data for each of the years 2009-2013.

29

² For comparison purposes FEI equals FEI + FEVI + FEW.

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 60

1 **Response:**

2 Please refer to the response to BCOAPO IR 2.168.3 for FEI's information, and BCOAPO IR
3 2.168.4 for FBC's information.

4
5

6
7 168.7 Please provide confirm that the inflation factors provided in BCOAPO 1.1 are the
8 related inflation factors for each of 2014-2019 that was used in each formula.

9

10 **Response:**

11 Not confirmed. The source of the inflation factors provided in response to BCOAPO IR 1.1.1 is
12 from the same source³ used to develop the formula each year of the Current PBR Plan term;
13 however, when filing the Annual Review for rates, FortisBC uses July through June (of the next
14 year) to develop the I Factor⁴. In contrast, the inflation factors provided in response to BCOAPO
15 1.1.1 use the calendar year January through December indices as they represent the actual
16 annual inflation.

17
18

19
20 168.8 Please provide the inflation factor related to the factors provided in response to
21 2.7 for 2009-2013.

22

23 **Response:**

24 FortisBC assumes that "2.7" refers to "168.7".

25 FEI was not under PBR for years 2010 through 2013 and FBC was not under PBR for years
26 2012 and 2013. Consequently, inflation factors are not available for those years. FortisBC has
27 provided the related factors for the years where the Utilities were under PBR in the table below.

	2009	2010	2011	2012	2013
FEI	2.1%	n/a	n/a	n/a	n/a
FBC	2.1%	2.0%	2.3%	n/a	n/a

28
29

³ Stats Canada BC-CPI and BC-AWE indices.

⁴ Order G-164-14.

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 61

169.0 Reference: Exhibit B-5, BCOAPO 1.28.3

In BCOAPO 1.28.3, FortisBC is asked to explain why a productivity factor is not appropriate. In the response, FortisBC refers to BCUC 1.6.3. In that response, FortisBC asserts that incentives are not impacted by the size of the productivity factor:

169.1 Please confirm that another purpose of a productivity factor is to pass a portion of expected efficiencies to customers during the term of the incentive plan. If not confirmed, please fully explain.

Response:

Although the productivity improvement factor does ensure that part of the expected industry productivity growth (if any) during the plans' terms is passed to customers regardless of the actual performance of the utilities, this is not its primary purpose. The main purpose of the productivity factor is to ensure that the economy-wide inflation factor used in the formulas reflects the inflation experienced by an average firm in the utility industry (it adjusts the economy-wide inflation factor using the average industry productivity growth). The theory of the productivity factor is explained in the response to BCUC IR 1.13.2.

FortisBC further notes that the main purpose of another PBR element, the earnings sharing mechanism, is to share a portion of achieved productivities with customers during the MRP term.

169.2 Given the FortisBC assertion that incentives are not impacted by the selection of a particular productivity factor value, please confirm that FortisBC would accept that an expected industry productivity factor would be appropriate. If not confirmed, please fully explain.

Response:

It is true that incentives are not impacted by the value of the productivity factor, but this does not imply that the value of the productivity factor is irrelevant or should be selected randomly. The value of a productivity factor is typically based on the expected TFP growth for the relevant utility industry. In some instances, particularly in a utility's first PBR plan, it is sometimes also deemed appropriate to add a stretch factor to a productivity based X-Factor. This has become a standard approach in North America because North American regulators have accepted that relying on industry based productivity trends rather than the company's own expected cost changes satisfies the just and reasonable standard for rates setting. Picking a productivity factor

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 62

1 at random and without reference to productivity trends will not be compatible with just and
2 reasonable utility rates.

3 While FortisBC did not commission a new productivity study for its recommended X-Factor, it
4 did reference industry productivity evidence that has been submitted elsewhere. FortisBC's
5 proposed productivity factor of zero was developed through an analysis of recent productivity
6 analyses that have been submitted and utilized in other jurisdictions by regulators in approved
7 MRPs. FortisBC's adopted this approach because it is less costly and contentious than
8 commissioning a new study whose results would likely not have differed significantly from the
9 existing productivity studies the Company examined.

10 The Company did however, commission a benchmarking study which indicated that a stretch
11 factor value of zero percent is appropriate. For these reasons FortisBC believes its
12 recommended productivity factor of zero is both appropriate and consistent with an "expected
13 industry productivity factor".

14

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 63

170.0 Reference: Exhibit B-5, BCOAPO 1.82

170.1 Please confirm that investments such as NGT Fueling Stations, LNG Production costs or EV Charging stations could be provided by unregulated entities, with investment by shareholders, who take the risk and reap the benefits of the investment. If not confirmed, please fully explain.

Response:

As noted in the response to BCUC IR 2.225.1, FBC is currently awaiting the B.C. Government's response to the BCUC's recommendations contained in its Phase Two Report of the Inquiry into the Regulation of Electric Vehicle Charging Service and understands that the B.C. Government may be contemplating new regulation relating to EV charging services based on the recommendations contained in the Phase 2 Report. Although the determination of what entities provide the referenced services is outside of the scope of this proceeding, FortisBC provides the following discussion below, which summarizes the main arguments from the proceedings that have addressed this issue.

In the case of EV Charging stations, FortisBC believes that a mix of regulated and unregulated investment will continue to be required to support provincial EV objectives. The willingness of unregulated entities to invest in particular types of EV charging stations will provide a signal that a particular sector is becoming more competitive such as in the case with Level 2 charging in populated areas. However, the EV Charging station market (particularly Level 3 or Direct Current Fast Charging) is currently underserved and requires support by governments, utilities, businesses and municipalities. Moreover, with few Level 3 DCFC stations, the underlying rationale for regulation in order to protect consumers from excessive pricing or poor quality service is present. Therefore, FortisBC believes that regulated public utilities have an important role to play in establishing adequate and reliable services in these emerging markets in BC, particularly as the adoption of electric vehicles is accelerating.

In contrast to EV Charging, the NGT Fueling stations and LNG production market does not exhibit the characteristics of a competitive market. Currently, the "retail" LNG and CNG markets are underserved with few other unregulated entities offering LNG or CNG as a transportation fuel in BC. Further, with large upfront infrastructure costs and a lack of alternative service providers, the underlying rationale for regulation in order to protect consumers from excessive pricing or poor quality service is present. Therefore, FortisBC believes that regulation and regulated investment is warranted and supports the underlying consumer protection rationale, preventing unnecessary duplication of utility infrastructure, which may not be in the public interest. In this context, utilities should be encouraged to take a lead role in the deployment of infrastructure to facilitate emissions reductions in the transportation sector, which supports public policy objectives.

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 64

1
2 170.2 Please fully discuss the impact of having a regulated entity provide services in an
3 industry that could be served by competitive unregulated entities. Please fully
4 discuss the impact on the development of a competitive market.

5
6 **Response:**

7 Please refer to the response to BCOAPO IR 2.170.1.

8

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 65

1 **171.0 Reference: Exhibit B-5, BCOAPO 1.83**

2 171.1 Please confirm that a utility has the duty to support its applications with evidence.
3 If not confirmed, please fully explain.
4

5 **Response:**

6 Yes, a utility should support its applications with the evidence.

7 The premise of BCOAPO IRs 2.171.1 and 2.171.2 appears to be that a BCUC decision could
8 not be an exogenous factor because any adverse decision is due to the utility's failure to prove
9 its case with evidence. There are several reasons why this premise is inaccurate, such as the
10 following:

- 11 • A BCUC decision may be an exogenous factor even if it approves the utility's
12 application. For example, a BCUC decision approving a rate design change that the
13 utility requested could meet the exogenous factor criteria.
- 14 • A BCUC decision that is adverse to the utility's application may not be due to a lack of
15 evidence, but due to other factors, such as a change in approach taken by the BCUC or
16 a disagreement regarding the interpretation or application of the evidence.
17

18 It is not necessary or valuable to attempt to determine in advance what circumstances might
19 constitute an exogenous factor. Each proposed exogenous factor will need to be assessed
20 based on the evidence at the time using the exogenous factor criteria approved by the BCUC.

21
22

23

24 171.2 Please fully explain how a failure of a utility to provide adequate evidence to
25 support its case is an exogenous adjustment.
26

27 **Response:**

28 Please refer to the response to BCOAPO IR 2.171.1.
29
30

31
32

32 171.3 Please confirm that a decision of a parent organization, or a controlling
33 shareholder cannot be, by definition, an exogenous event. If not confirmed,
34 please fully explain.
35

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 66

1 **Response:**

2 Not confirmed. FEI corrects the response to BCOAPO IR 1.83.1 as follows. It is possible that a
3 decision of a parent company could be an exogenous factor. A parent company makes
4 decisions that are not in the control of the utility and that could impact its costs. For example, a
5 parent company's decision to sell off other operations could reduce economies of scale of the
6 corporate services provided to the utility. However, any exogenous factor would need to be
7 evaluated at the time based on the approved exogenous factor criteria.

8

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 67

1 **172.0 Reference: Exhibit B-5, BCOAPO 1.85**

2 In response to BCOAPO 1.85.2, starting at line 27, FortisBC states

3 It is in the best interest of customers, the Utilities and society for the Utilities to
4 pursue projects which address strategic and emerging issues, serve customer
5 needs, and maintain the long term health of the Utilities. In this regard, FortisBC
6 believes its interests are aligned with its customers.

7 172.1 Please provide a detailed discussion of how it is in the “best interest of
8 customers, the Utilities and society for the Utilities to pursue projects which
9 address strategic and emerging issues, serve customer needs, and maintain the
10 long term health of the Utilities.”

11
12 **Response:**

13 In addition to the responses to BCUC IRs 1.2.4 and 1.81.1, please refer to the responses to
14 BCUC IRs 2.207.1 to 2.207.3.

15
16

17
18 172.2 Please provide all independent research, articles or other research that FortisBC
19 is aware of that demonstrates that **THE PROGRAMS** FortisBC is proposing is in
20 the “best interest of customers, the Utilities and society for the Utilities to pursue
21 projects which address strategic and emerging issues, serve customer needs,
22 and maintain the long term health of the Utilities.”

23
24 **Response:**

25 In the quote above from the response to BCOAPO IR 1.85.2, FortisBC was referring to projects
26 funded through the Clean Growth Innovation Fund. There is considerable evidence on the
27 record, including independent research, in FortisBC’s Application and IR responses that
28 addresses why FortisBC’s funding of projects through the Clean Growth Innovation Fund is in
29 the public interest. For example, please refer to Section C-6 and Appendix C-6 of the
30 Application and the responses to BCUC IRs 1.81.1 and 1.83.1, and BCUC IRs 2.207.1 to
31 2.207.3.

32

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 68

1 **173.0 Reference: Exhibit B-5, BCOAPO 1.85**

2 In response to BCOAPO 1.85.3, starting at line 10, FortisBC states

3 FortisBC expects to provide grant funding to assist in accelerating the
4 commercialization of clean innovations. It does not intend to take an equity
5 position in any related companies or own any intellectual property developed in
6 the partnerships.

7 173.1 Please provide a detailed discussion of the processes and criteria for assessing
8 any program that FortisBC would provide grants to. In the response please
9 provide the criteria for assessing any proposal. In the response please provide
10 all references to the application or IR responses where the criteria are discussed.

11

12 **Response:**

13 Please refer to the response to BCUC IR 2.218.3, which describes the processes and criteria for
14 assessing innovation proposals. Please also refer to the responses to BCUC IRs 2.210.2,
15 2.218.9, 2.218.12, 2.218.12.1 and 2.218.13.

16

17

18

19 173.2 Please fully explain whether customers or their representatives will be involved in
20 the selection of projects to be given grants or not. In the response please
21 provide the FortisBC reasons for its response.

22

23 **Response:**

24 FortisBC expects that intervener groups representing customers will volunteer to be part of the
25 External Advisory Council, and through that participation they will provide input to the selection
26 of projects to be given grants. Please also refer to the responses to BCUC IRs 2.218.3,
27 2.218.12.1 and 2.218.13.

28

29

30

31 173.3 Please confirm that no affiliates of FortisBC will be given grants under any
32 program. If not confirmed, please fully explain.

33

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 69

1 **Response:**

2 Confirmed.

3

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 70

1 **174.0 Reference: Exhibit B-5, BCOAPO 1.93**

2 174.1 In response to BCOAPO 1.93.3, FortisBC mentions discussions with
3 stakeholders. Please provide a detailed list of stakeholders consulted copies of
4 all information gathered from each stakeholder.

5
6 **Response:**

7 The reference to “were chosen in consultation between the Company and stakeholders” is in
8 reference to the consultation efforts undertaken by FortisBC regarding the benchmarking study.

9 Please refer to page B-48 Section B2.4.2 Stakeholder Consultation Process of the Application
10 outlining the process followed to select the consultant (Concentric) for the benchmarking study.
11 In addition to the list of stakeholders consulted, also outlined are the different consultation
12 efforts conducted including a Benchmarking Study Workshop held on November 13, 2018 for
13 stakeholders to discuss the results of the Benchmarking study. Please also refer to the minutes
14 from the workshop in Appendix C2-4 for details of the discussion with stakeholders. Included in
15 the slide deck (Introduction – slides 8 to 10) used at the Benchmarking workshop was a
16 summary of stakeholder comments received in response to FortisBC’s email on August 29,
17 2018 on the “Next Steps for Determining Broad Terms of Reference and Selection of
18 Consultant”. Please refer to Attachment 174.1 for a copy of the summary of stakeholder
19 comments.

20

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 71

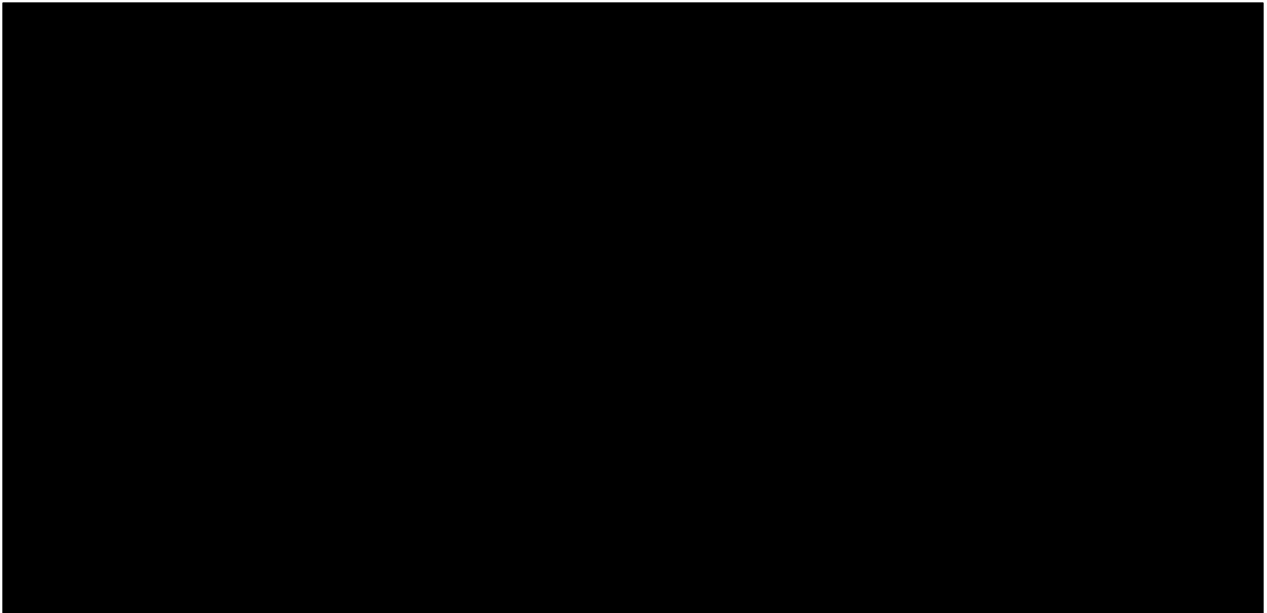
175.0 Reference: Exhibit B-5, BCOAPO 1.96

175.1 In response to BCOAPO 1.96.1, Concentric refuses to provide a list of customers. Please provide a summary of Concentric customers that just list the number of customers that are:

- (i) Regulatory Boards or Commissions
- (ii) Regulated natural gas or electric distribution utilities
- (iii) Regulated natural gas or electric transmission utilities.
- (iv) Customer groups that intervene in regulatory proceedings.
- (v) Unregulated entities
- (vi) Any other customer groups.

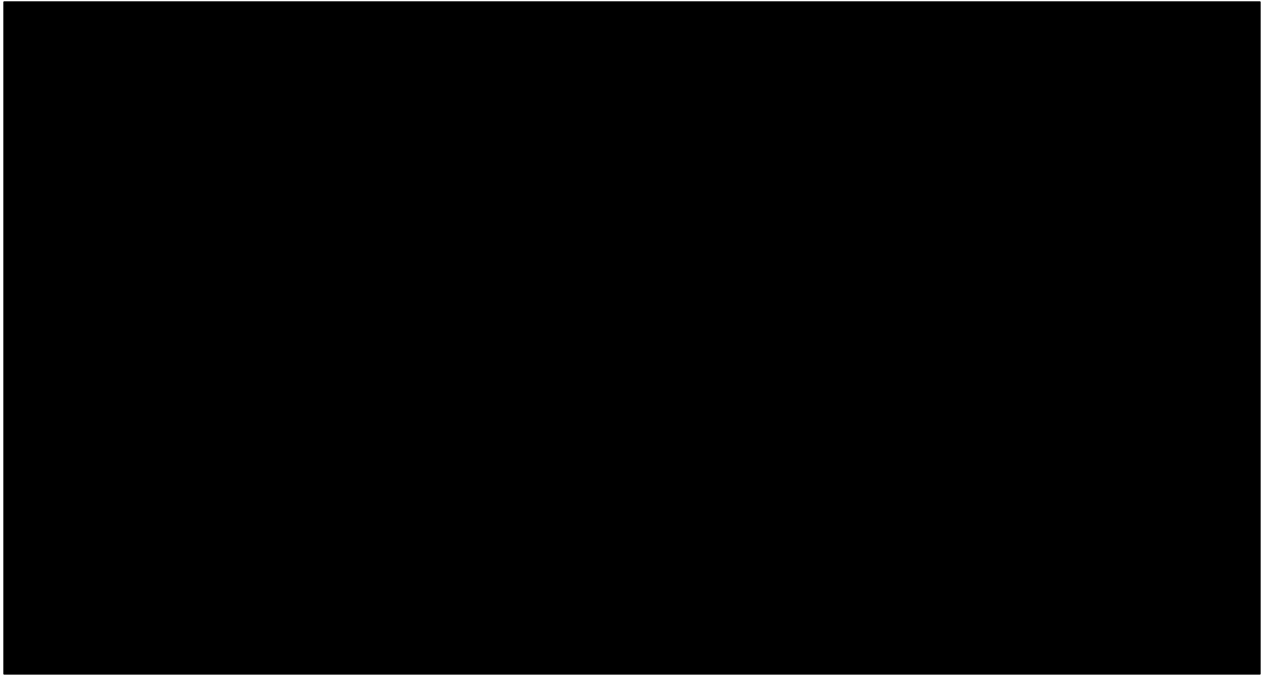
Response:

FortisBC is filing the following response on a confidential basis pursuant to Section 18 of the BCUC's Rules of Practice and Procedure regarding confidential documents as set out in Order G-15-19. The information in this response is the confidential information of Concentric which Concentric has consented to provide for the purpose of responding to this information request, on the condition that it remains confidential in this proceeding. Interveners may obtain a copy of the confidential information upon executing the BCUC's Confidentiality Declaration and Undertaking form.



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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 72

1



2 FortisBC adds the following comment:

3 FortisBC consulted interveners, including BCOAPO, regarding the terms of reference and the
4 selection of a consultant for the benchmarking study. BCOAPO did not suggest a specific
5 consultant or object to the list of potential consultants that included Concentric. Please refer to
6 page B-48 Section B2.4.2 Stakeholder Consultation Process of the Application outlining the
7 process used to select the consultant for the benchmarking study.

8

9

10

11 175.2 In response to BCOAPO 1.96.5, Concentric confirms that all customers within a
12 rate class pay the same rate. Please fully discuss how a voluntary program for
13 innovation funding could be implemented, where customers can voluntarily
14 provide funding.

15

16 **Response:**

17 While it is possible to design an innovation fund where customers can decide the amount they
18 wish to contribute or even which initiatives they wish to support, FortisBC does not recommend
19 any of these options for the following reasons:

- 20 1. Customers want FortisBC to deliver energy solutions: The Long-Term Electric Resource
21 Plan found that customers expect FBC to provide greater assistance in managing

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 73

energy costs while also finding solutions to reduce GHG emissions.⁵ As a corollary, FortisBC does not believe that customers are interested in making those decisions for FortisBC.

2. Higher overhead and increased administration: FortisBC expects that optional contributions to the Innovation Fund would increase costs associated with creating and maintaining billing system, website and call centre processes related to this billing option. Although these costs have not been estimated, it is probable that additional call centre and billing staff would be required, reducing the funding available for innovation activities.

3. Less stable funding: A voluntary contribution model will provide less stable funding. Stable and predictable funding is one of the key features of the Clean Growth Innovation Fund as funding instability constrains the ability to fund multi-year innovation projects while also creating uncertainty over future available funding.

4. Inequitable realization of benefits: FortisBC believes that it is likely that some customers will choose not to fund innovative activities, but will ultimately benefit from the lower emissions and ongoing viability of the natural gas system that will result.

In summary, a voluntarily funded innovation program will have less stable funding, higher administrative costs, and an inequitable distribution of benefits.

⁵ Exhibit B-1. Application, Section B-1.6.1, Page B-23.

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
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre <i>et al.</i> (BCOAPO) Information Request (IR) No. 2	Page 74

1 **176.0 Reference: Exhibit B-5, BCOAPO 1.111**

2 In the response, FortisBC indicates that formula O&M is before capitalized overhead.

3 176.1 Please confirm that “before capitalized overhead” means before any credits to
4 O&M related to capitalized overhead. If not confirmed, please fully explain.

5
6 **Response:**

7 Confirmed, with the clarification that the formula O&M is not actually credited in practice; rather,
8 the capitalized overhead credit resides as its own line item distinct from formulaic O&M in the
9 determination of revenue requirement.

10

11

12

13 176.2 If 11.1 above is confirmed, please provide updated tables related to formula that
14 includes overhead after any credits related to capitalized overhead, including the
15 tables provided in response to BCOAPO 1.1 and 23.1.

16

17 **Response:**

18 Please refer to Attachment 176.2 for an Excel file containing tables from the responses to
19 BCOAPO IRs 1.1.1 and 1.23.1, updated to include capitalized overhead.

20

Attachment 174.1

Summary of Stakeholders Comments Regarding the Benchmarking Study for Selection of Consultant and Proposed Terms of Reference – November 2, 2017

	BC Sustainable Energy Association (BCSEA)	BC Pensioners' and Seniors' Organization (BCOAPO)	Commercial Energy Consumer Association of BC (CEC)	MoveUP	Irrigation Ratepayers Group (IRG)	Industrial Customer Group (ICG)	British Columbia Municipal Electrical Utilities (BCMEU)
Represented by:	Bill Andrews, Thomas Hackney	Leigha Worth, Russ Bell	David Craig, Chris Weafer, Janet Rhodes	Jim Quail, Iain Reeve, Cindy Lee	Fred Weisberg	Robert Hobbs	Alex Love, Dan Geissler, Marg Craig
Considerations for the Benchmarking Study							
Suggestions for Benchmarking Consultant	BCSEA has no comments at this time regarding the candidate consulting firms.	BCOAPO has no further comments on the proposed next steps by FortisBC.	See response provided by CEC.	<i>"We think that Elenchus is overwhelmingly the best choice for the tasks for the reasons we discussed way back when. They include John Todd's familiarity and comfort level that I would expect on the part of interveners and the Commission."</i>	IRG has no further comments or feedback at this stage, and does not object to the approach outlined by FortisBC.	Object to using Black Concentric Elenchus Navigant PEG PSE (no reasons provided)	
Terms of References and Parameters for the Benchmarking study	BCSEA sought clarification of why certain benchmarking metrics included in the 2010 CAMPUT study were not included in the metrics proposed by FortisBC.	BCOAPO has no further comments on the proposed next steps by FortisBC.	See response provided by CEC.		IRG has no further comments or feedback at this stage, and does not object to the approach outlined by FortisBC.	Include four more metrics: <ul style="list-style-type: none"> • Rate base per customer • Total financing costs per customer • Residential, Commercial and Industry rates, you 	In the Customer Care Service levels there should be a metric that speaks to how long it takes to resolve an issue or receive a response. This would include rate payers and wholesale customers.

	BC Sustainable Energy Association (BCSEA)	BC Pensioners' and Seniors' Organization (BCOAPO)	Commercial Energy Consumer Association of BC (CEC)	MoveUP	Irrigation Ratepayers Group (IRG)	Industrial Customer Group (ICG)	British Columbia Municipal Electrical Utilities (BCMEU)
Represented by:	Bill Andrews, Thomas Hackney	Leigha Worth, Russ Bell	David Craig, Chris Weafer, Janet Rhodes	Jim Quail, Iain Reeve, Cindy Lee	Fred Weisberg	Robert Hobbs	Alex Love, Dan Geissler, Marg Craig
						<p>will need to make assumptions about consumption. For industrial rate comparisons, please use firm service with three consumption and load factor scenarios.</p> <ul style="list-style-type: none"> • DSM expenditures per customer, with and without incentives 	
Other Comments provided	<p>Indicated that for the gas side, there should be a metric for GHG emissions, such as provincially reported annual GHG emissions.</p> <p>Initially indicated that there should be a metric for conservation effort. After clarification provided by FortisBC, BCSEA agreed that it was no longer required.</p>			<p><i>"As I advised at the time, my own view is that FortisBC would be wise to adopt a more proactive and strategic approach to this process, as the parameters of what you are benchmarked for, and how it is done, will have an impact on the company's future trajectory and development. Fortis should think about what it wants to become and what "space" it wants to occupy, and propose a benchmarking regime that helps map that out.</i></p>			<p>With reference to Survey Participants, we suggest that they include publicly traded electrical utilities governed by a Utility Commission and municipally owned electrical utilities.</p>

	BC Sustainable Energy Association (BCSEA)	BC Pensioners' and Seniors' Organization (BCOAPO)	Commercial Energy Consumer Association of BC (CEC)	MoveUP	Irrigation Ratepayers Group (IRG)	Industrial Customer Group (ICG)	British Columbia Municipal Electrical Utilities (BCMEU)
Represented by:	Bill Andrews, Thomas Hackney	Leigha Worth, Russ Bell	David Craig, Chris Weafer, Janet Rhodes	Jim Quail, Iain Reeve, Cindy Lee	Fred Weisberg	Robert Hobbs	Alex Love, Dan Geissler, Marg Craig
				<i>I don't need to tell you how dramatically the energy sector is changing and that the rate and depth of change are certain to accelerate. This framework looks too "20th century" to me."</i>			
Comments provided by stakeholder (date)	September 12, 2017	October 24, 2017 by Leigh Worth at the FBC Annual Review workshop.	Response received on October 27.	September 21, 2017	October 4, 2017	October 3, 2017	September 12, 2017
Selection of Consultant and Proposed Terms of Reference by FortisBC							
FortisBC provided in an email dated August 29, 2017 suggested next steps to finalize the Terms of Reference and narrow down the list of potential consultants to include a proposed Request for Proposal (RFP) process regarding the benchmarking study.							

Summary of Stakeholder responses to consultants they “would object to using” for the benchmarking study

Please advise which consultants you "would object to using" for the benchmarking study

Stakeholder	Consulting Firm							
	Black and Veach	Concentric Energy Advisors	EES Consulting	Elenchus Research Associates	First Quartile Consulting	Navigant Consulting	Pacific Economics Group	Power Systems Engineering
BC Sustainable Energy Association	No Objection	No Objection	No Objection	No Objection	No Objection	No Objection	No Objection	No Objection
BC Pensioners’ and Seniors’ Organization	No Objection	No Objection	No Objection	No Objection	No Objection	No Objection	No Objection	No Objection
Commercial Energy Consumer Association of BC	Refer to email from CEC	Refer to email from CEC	Refer to email from CEC	Refer to email from CEC	Refer to email from CEC	Refer to email from CEC	Refer to email from CEC	Refer to email from CEC
MoveUp	No objection but not preferred	No objection but not preferred	No objection but not preferred	Overwhelmingly the best choice	No objection but not preferred	No objection but not preferred	No objection but not preferred	No objection but not preferred
Irrigation Ratepayers Group	No Objection	No Objection	No Objection	No Objection	No Objection	No Objection	No Objection	No Objection
Industrial Customer Group	Object To	Object To	No Objection	Object To	No Objection	Object To	Object To	Object To
British Columbia Municipal Electrical Utilities	No Objection	No Objection	No Objection	No Objection	No Objection	No Objection	No Objection	No Objection
FortisBC		Preferred	Preferred	Preferred	Preferred			

Attachment 176.2

REFER TO LIVE SPREADSHEET MODEL

Provided in electronic format only

(accessible by opening the Attachments Tab in Adobe)