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December 11, 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. 3 on 2020 Interim Rates**

On March 11, 2019, FortisBC filed the Application referenced above. In accordance with the British Columbia Utilities Commission Order G-272-19 setting out the Regulatory Timetable for the review of the Application, FortisBC respectfully submits the attached response to BCOAPO IR No. 3 on 2020 Interim Rates.

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: December 11, 2019
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1 **A. FBC 2020 INTERIM RATES**

2 **177.0 Reference: Exhibit B-22, page 3**

3 **Order G-246-18, Appendix A - Reasons for Decision, page 6**

4 177.1 Please confirm that the 2018-2019 net revenue surplus of \$3.458 million after
5 tax, referenced on page 3 is an update to the \$3.533 M referenced in Order G-
6 246-18. If not, please provide an updated value comparable to that noted in G-
7 246-18.

8
9 **Response:**

10 Confirmed. FBC's Compliance filing for 2019 rates was filed on March 15, 2019, and provided
11 the following explanation and reconciliation for the change in the 2019 pre-tax revenue surplus.

12 The adjustments to the financial schedules compared to FBC's October 3,
13 2017 Evidentiary Update, including the 2018-2019 Revenue Surplus Deferral
14 account, are as set out in Table 1 below, resulting from:

- 15 • On February 25, 2019, the BCUC issued Order G-40-19 regarding
16 FBC's 2017 Cost of Service Analysis and Rate Design Application,
17 directing FBC to amortize the balance in the Radio-Off Shortfall
18 Deferral account over a five-year period beginning in 2019. The
19 forecast 2019 opening balance has been updated to the balance of
20 \$0.105 million to give effect to this directive (Schedule 12.1 Line 22);
21 and
- 22 • An increase of \$2.800 million in DSM expenditures included in rate
23 base, as approved by Order G-47-19 (Schedule 11 Line 6).

24

25 **Table 1: Revenue Requirement and Rate Change Summary**

Particulars	Revenue Surplus (\$ millions)	Rate Change
October 3, 2018 Evidentiary Update	\$ 5.736	0.0%
Amortization of Radio-Off Shortfall Deferral Account	(0.027)	0.0%
Increase in DSM Expenditures	(0.076)	0.0%
March 15, 2019 Compliance Filing	\$ 5.633	0.0%

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1 Table 2 below shows the calculation of the after-tax values for the 2018-2019 net revenue
2 surplus, consistent with Order G-246-18 and the 2019 Compliance Filing which was approved
3 by Order G-74-19.

4 **Table 2: Calculation of After-Tax 2018-2019 Net Revenue Surplus (\$ millions)**

Particulars	Order G-246-18	Order G-74-19
2019 Revenue Surplus	\$ 5.736	\$ 5.633
2018 Revenue Deficiency	(0.896)	(0.896)
2018-2019 (Pre-Tax) Net Revenue Surplus	4.840	4.737
Income Tax at 27%	(1.307)	(1.279)
2018-2019 (After-Tax) Net Revenue Surplus	\$ 3.533	\$ 3.458

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1 **178.0 Reference: Exhibit B-22, Appendix B, Table 3**

2 **Exhibit B-1-3, page C-44 (Updated)**

3 178.1 Based on the current projections for 2019, please provide an update to 2019
4 Base O&M before adjustments value (\$53.279 M) set out in Table C2-14.

5

6 **Response:**

7 Following is an updated Table C2-14 based on the current projections for 2019 compared to the
8 revised Table C2-14 provided in the response to BCUC IR 1.34.1. The 'before adjustments'
9 values remain the same as those previously provided as they are based on the 2018 actual
10 expenditures, the starting point for the O&M Base. The updated Adjustments values provided
11 represent the latest projections available for 2019 with the final results remaining to be
12 determined. Overall, the updates to the 2019 Projection for the Adjustments are close to the
13 original estimates provided.



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FBC 2019 Base O&M (millions)

	Revised Table C2-14 (BCUC IR 1.34.1)	2019 Current Projection BCOAPO IR 3.178.1
2018 actual Base O&M	\$ 53.839	\$ 53.839
Add temporary savings	\$ 0.500	\$ 0.500
Shared Services Studies impact	0.338	0.338
Deduct 2018 actual FHI services direct charged to FBC	(1.023)	(1.023)
Deduct 2018 actual FI services direct charged to FBC	(1.615)	(1.615)
 Adjusted 2018 Base O&M	 \$ 52.039	 \$ 52.039
 2019 Inflator	 1.02382	 1.02382
2019 Base O&M before adjustments	<u>\$ 53.279</u>	<u>\$ 53.279</u>
 <u>Adjustments:</u>		
Exogenous Factors:		
2019 Z factor (EHT net of MSP)	0.240	0.211
2019 Z factor - MRS	1.540	1.490
Deferrals:		
Manual meter read	0.180	0.227
Flow Through treatment:		
AMI Project cost reductions	(1.161)	(1.161)
BCUC levies	(0.237)	(0.238)
2019 Normalized Forecast FHI Management Fee	3.374	3.492
FBC Costs included in FHI Corporate Services	(0.308)	(0.427)
 Total adjustments	 <u>3.628</u>	 <u>3.594</u>
 New funding for MRP term	 <u>\$ 0.763</u>	 <u>\$ 0.763</u>
 2019 Base O&M	 <u>\$ 57.670</u>	 <u>\$ 57.636</u>

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178.2 Based on the current projections for 2019, please provide an update to the Adjustments portion of Table C2-14 (previously totaling \$3.628 M).

Response:

Please refer to the response to BCOAPO IR 3.178.1.



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1
2 178.3 Based on current projections for 2019, please provide an updated customer
3 count comparable to the 138,649 referenced in Exhibit B-1-3, page C-44.

4
5 **Response:**

6 Based on the year to date customer count, FBC is projecting average customers of 139,867 for
7 2019.

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1 **179.0 Reference: Exhibit B-22, page 7**

2 179.1 Please provide a revised version of the Table 2-3 that also includes a column
 3 with the current projected values for 2019 and provide an explanation of any
 4 variances from the 2019 Approved values that exceed 5% (plus or minus).

5
 6 **Response:**

7 The requested revised Table 2-3 for FBC follows.

Description	2020 Forecast \$000s	2019 Approved \$000s	2019 Projected \$000s	2019 Variance \$000s	Variance %	2019 Variance Explanation for Values that exceed 5%
Pension and OPEB (O&M Portion)	\$ 1,025	\$ 1,692	\$ 1,692	\$ -	0%	
Insurance Premiums	\$ 1,596	\$ 1,283	\$ 1,387	\$ (104)	-8%	Variance due to higher premiums
Advanced Metering Infrastructure Project	\$ -	\$ (1,161)	\$ (1,161)	\$ -	0%	
Mandatory Reliability Standards Incremental O&M	\$ -	\$ 940	\$ 890	\$ 50	5%	Variance due to delay in hiring for AR10 O&M
Upper Bonnington Old Unit Annual Inspections	\$ (41)	\$ (42)	\$ (42)	\$ -	0%	
Employer Health Tax	\$ -	\$ 576	\$ 548	\$ 28	5%	No significant variance
MSP Reduction	\$ -	\$ (168)	\$ (166)	\$ (2)	1%	
BCUC Levies	\$ 237	\$ -	\$ -	\$ -	0%	Cost of BCUC levies not treated as flow-thru in 2019. Total BCUC fees 2019 Projection is \$0.238 m.
Forecast O&M	\$ 2,817	\$ 3,120	\$ 3,148	\$ (28)	-1%	

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1 **180.0 Reference: Exhibit B-22, Appendix A, Schedule 4**

2 **Exhibit B-1, page C-81, Table C-20 and Table C-21**

3 180.1 Please provide a table the compares FBC's Regular Capital Expenditures for
4 2019 as currently projected with those set out in Table C-20 and explain any
5 variances that exceed 5% (plus or minus).
6

7 **Response:**

8 The comparison requested is provided in the following table.

9 To facilitate the requested comparison, the values from Table C3-20 in Exhibit B-1 have been
10 restated to conform to the definition of formula capital expenditures under the 2014-2019 PBR
11 Plan as presented in Schedule 4 of Exhibit B-22. The restatement is due to the addition of
12 direct overheads, elimination of cost of removal, and the elimination of expenditures forecast on
13 an annual basis under the Current PBR Plan. The variances for growth capital and sustainment
14 capital that exceed five percent are explained below.

15 ***2019 Projected Capital Expenditures***

	Exhibit B-1			Exhibit B-22	
	Table C3-20	Restatement	Schedule 4 Equivalent	Schedule 4	Percent Difference
Growth Capital	17,519	(1,498)	16,021	18,910	18.0%
Sustainment Capital	33,227	(480)	32,747	30,865	-5.7%
Other Capital	15,225	(3,880)	11,345	11,534	1.7%
Total Regular Capital	65,971	(5,859)	60,112	61,309	2.0%

16
17 Projected expenditures for Growth Capital have increased due to higher customer connections
18 than previously forecast. The forecast of customer connections in the Application, filed in March
19 2019, was based on historical expenditures adjusted for anomalous years and inflation, as
20 stated in Section C3.4.1.1.3 of the Application.

21 A number of factors contribute to a reduction in the projected expenditures for Sustainment
22 Capital.

23 Urgent Repairs and Forced Upgrades have been lower than forecast. Condition Assessment
24 and Line Rehabilitation programs were lower than forecast as a result of lower than anticipated
25 unit costs, and the delayed rerouting of a portion of FBC's 37 Line transmission line which is
26 awaiting a lands agreement.



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1 Partially offsetting these reductions are costs related to additional scope in the removal of some
2 distribution poles and transformer disposals and additional crew relocation costs. Finally, some
3 scope within the PCB Environmental Compliance program was advanced in order to coordinate
4 outages with other sustainment work.

5

6

7

8 180.2 Will any of these variances impact the 2020 forecast for Regular Capital
9 Expenditures as set out in Table C-21 of the initial Application and also used in
10 Appendix A, Schedule 4 of the Exhibit B-22?

11

12 **Response:**

13 Of the variances identified, the 37 Line Re-route Project may be completed in 2020, depending
14 on the resolution of the lands agreements. If completed in 2020, this would impact FBC's 2020
15 Regular Capital expenditures. The cost of this project was estimated at \$0.354 million. FBC is
16 not proposing to adjust its 2020 forecast, but instead will seek to manage this potential cost
17 within the 2020 Forecast amount set out in the Application.

18



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1 **181.0 Reference: Exhibit B-22, page 8**

2 **Exhibit B-22, Appendix A, Schedule 21**

3 181.1 Please provide a revised version of Schedule 21 that also includes the current
 4 projected values for 2019.

5 **Response:**

6
 7 FBC has provided a revised Schedule 21 below with 2019 Projected values included as column
 8 3. None of the variances between the 2019 Approved and 2019 Projected expenses exceed
 9 five percent.

Line No.	Particulars	2019 Approved	2019 Projected	2020 Forecast	Change	Cross Reference
	(1)	(2)	(3)	(4)	(5)	(6)
1	Depreciation					
2	Depreciation Expense	\$ 60,265	\$ 61,007	\$ 60,695	\$ 430	Schedule 7.1, Line 19, Column 7
3						
4	Amortization					
5	Rate Base deferrals	\$ 5,313	\$ 5,313	\$ 4,633	\$ (680)	Schedule 11, Line 16, Column 6
6	Non-Rate Base deferrals	(13,119)	(13,119)	(5,952)	7,167	Schedule 12.1, Line 38, Column 6
7	Utility Plant Acquisition Adjustment	186	186	186	-	
8	CIAC	(4,172)	(4,198)	(4,199)	(27)	Schedule 9, Line 3, Column 4
9		(11,792)	(11,792)	(5,332)	6,460	
10						
11	Total	<u>\$ 48,473</u>	<u>\$ 49,215</u>	<u>\$ 55,363</u>	<u>\$ 6,890</u>	

10
11

12 During the Current PBR Plan, plant additions have been determined through formula and these
 13 formulaic additions do not match actual additions. Consequently, the plant embedded in rates
 14 over the term of the Current PBR Plan is different (lower) than actual plant. The 2020 Projected
 15 Depreciation and CIAC Amortization presented in the table above reflects the depreciation on
 16 FBC's actual Plant in Service as of January 1, 2019, compared to the 2019 Approved (formula-
 17 based) Plant in Service embedded in rates.

18 Any depreciation and amortization variances will not affect years beyond 2019 except by way of
 19 the Flow-through deferral account in 2020. The Flow-through deferral account currently
 20 captures the variance between actual and approved depreciation and returns it to (when
 21 approved is greater than actual) or recovers it from (when approved is less than actual)
 22 customers in the following year.

23 On January 1, 2020, the capital expenditures excluded from rate base under the terms of the
 24 Current PBR Plan will enter rate base, and will be the basis for 2020 depreciation included in
 25 revenue requirements. In the case of FBC, the increase in depreciation expense resulting from
 26 the addition of the excluded amounts is mitigated by a reduction in the gross value of Plant and
 27 Equipment. This reduction is due to the retirement of certain General Plant accounts that are
 28 being transitioned to amortization accounting, as explained on page D-26 of the Application.



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181.2 Please provide additional details regarding any variances between the approved and currently projected depreciation and amortization expense for 2019 that exceed 5% (plus or minus).

Response:

Please refer to the response to BCOAPO IR 3.181.1.

181.3 Please indicate whether/how these variances carry forward and impact the projected depreciation and amortization expense for 2020.

Response:

Please refer to the response to BCOAPO IR 3.181.1.



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1 **182.0 Reference: Exhibit B-22, page 8**

2 182.1 What is the current sales forecast (kWh) for 2019? Please also provide on a
3 weather-corrected basis.

4

5 **Response:**

6 The current actual sales forecast for 2019 is projected to be 3,325 GWh, and the weather
7 normalized forecast for 2019 is projected to be 3,280 GWh.

8

9

10

11 182.2 Please explain the variance between the current (weather-corrected) forecast
12 and the approved forecast for 2019.

13

14 **Response:**

15 The 2019 Projected weather-adjusted sales load is 39 GWh lower than the Approved forecast.
16 This is due to decreases in the residential, commercial, and wholesale classes which have been
17 partially offset by increases in the industrial class. The following table shows the variances.

18 **Updated 2019 Normalized Forecast and 2019 Approved Forecast Variance (GWh)**

	Residential	Commercial	Wholesale	Industrial	Lighting	Irrigation	Net
2019 Projected	1,283	932	575	440	12	38	3,280
2019 Approved Forecast	1,349	935	594	385	13	42	3,319
19 Variance	(66)	(4)	(19)	55	(1)	(3)	(39)

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1 **183.0 Reference: Exhibit B-22, page 8 and Appendix A, Schedule 19**

2 183.1 Please provide a version of Schedule 19 that also includes the current projected
 3 values for 2019.

4
 5 **Response:**

6 The current projected values for 2019 are included in the following table.

Line No.	Particulars (1)	2019 Approved (2)	2019 Projected (3)	2020 Forecast (4)	Change (4-2) (5)	Cross Reference (6)
1	POWER PURCHASES					
2	Gross Load (GWh)	3,602	3,648	3,727	125	
3						
4	Power Purchase Expense					
5	Brilliant	\$ 41,865	\$ 41,847	\$ 41,540	\$ (325)	
6	BC Hydro PPA	52,174	42,971	53,849	1,675	
7	Waneta Expansion	40,221	39,115	39,986	(235)	
8	Market and Contracted Producers	10,637	14,168	13,579	2,942	
9	Independent Power Producers	76	62	86	10	
10	Self-Generators	93	24	75	(18)	
11	Balancing Pool	-	1,835	-	-	
12						
13	Total	<u>\$ 145,065</u>	<u>\$ 140,022</u>	<u>\$ 149,115</u>	<u>\$ 4,050</u>	
14						
15	WHEELING					
16	Wheeling Nomination (MW months)					
17	Okanagan Point of Interconnection	2,400	2,400	2,400	-	
18	Creston	471	471	438	(33)	
19						
20	Wheeling Expense					
21	Okanagan Point of Interconnection	\$ 4,514	\$ 4,520	\$ 4,610	\$ 96	
22	Creston	577	598	548	(29)	
23	Other	144	490	279	135	
24	Total	<u>\$ 5,235</u>	<u>\$ 5,608</u>	<u>\$ 5,437</u>	<u>\$ 202</u>	
25						
26	WATER FEES					
27	Plant Entitlement Use in previous year (GWh)	1,574	1,575	1,624	50	
28						
29	Water Fees	<u>\$ 10,465</u>	<u>\$ 10,420</u>	<u>\$ 11,076</u>	<u>\$ 611</u>	
30						
31	Total	<u>\$ 160,765</u>	<u>\$ 156,050</u>	<u>\$ 165,628</u>	<u>\$ 4,863</u>	

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1
2 183.2 Please explain the variance in BC Hydro purchases (\$ and kWh) as between the
3 2019 approved forecast and the current projection for 2019.

4
5 **Response:**

6 The variance between the 2019 Projected BC Hydro PPA cost of \$42.971 million and the 2019
7 Approved BC Hydro PPA cost of \$52.174 million is \$9.203 million. Subsequent to filing the
8 Annual Review for 2019 Rates, FBC was able to enter into additional market purchases, thereby
9 reducing the amount of BC Hydro purchases required to meet load in 2019. FBC optimizes its
10 power supply portfolio when possible by displacing higher cost BC Hydro purchases using
11 future and spot market purchases. Projected purchases from BC Hydro in 2019 are lower than
12 the 2019 Approved by 146 GWh and 39 MW.

13



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1 **B. FEI 2020 INTERIM RATES**

2 **184.0 Reference: Exhibit B-21, Appendix B, Table 3, Exhibit B-1-3, page C-19**
3 **(Updated)**

4 184.1 Based on the current projections for 2019, please provide an update to 2019
5 Base O&M before adjustments value (\$256.150 M) set out in Table C2-1.
6

7 **Response:**

8 Following is an updated Table C2-1 based on the current projections for 2019 compared to the
9 revised Table C2-1 provided in the response to BCUC IR 1.24.1. The 'before adjustments'
10 values remain the same as those previously provided as they are based on the 2018 actual
11 expenditures, the starting point for the O&M Base. The updated Adjustments values provided
12 represent the latest projections available for 2019 with the final results remaining to be
13 determined. Overall, the updates to the 2019 Projection for the Adjustments are close to the
14 original estimates provided.

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	Revised Table C2-1 (BCUC IR 1.24.1)	2019 Current Projection (BCOAPO IR 3.184.1)
2018 actual Base O&M	\$ 238.693	\$ 238.693
Add temporary savings	1.677	1.677
Shared Services Studies impact	(0.338)	(0.338)
Deduct 2018 actual FHI management fee	<u>(12.383)</u>	<u>(12.383)</u>
Adjusted 2018 Base O&M	\$ 227.649	\$ 227.649
2019 Inflator	1.02198	1.02198
2019 Base O&M before adjustments	<u>\$ 232.653</u>	<u>\$ 232.653</u>
<u>Adjustments:</u>		
Exogenous Factors:		
2019 Z factor (EHT net of MSP)	0.972	1.041
Deferrals:		
FAES overhead	0.786	0.777
BCUC levies	(2.839)	(2.839)
NGIF funding	(0.409)	(0.313)
Flow Through treatment:		
Integrity Digs	(2.600)	(3.200)
LNG Plant O&M	5.101	5.014
2019 Normalized Forecast FHI Management Fee	11.682	11.682
2019 Reclass of FHI corporate services charged only to FEI	0.387	0.387
Total adjustments	<u>13.081</u>	<u>12.549</u>
New funding for MRP term	<u>\$ 10.416</u>	<u>\$ 10.416</u>
1 2019 Base O&M	<u>\$ 256.150</u>	<u>\$ 255.618</u>

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5 184.2 Based on the current projections for 2019, please provide an update to the
6 Adjustments portion of Table C2-1 (previously totaling \$13.081 M).

7

8 **Response:**

9 Please refer to the response to BCOAPO IR 3.184.1.



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: December 11, 2019
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184.3 Based on current projections for 2019, please provide an updated customer count comparable to the 1,024,962 customers referenced in Exhibit B-1-3, page C-19.

Response:

Based on the year to date customer count, FEI is projecting average customers of 1,034,397 for 2019.



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1 **185.0 Reference: Exhibit B-21, page 6**

2 185.1 Please provide a revised version of the Table 2-3 that also includes a column
 3 with the current projected values for 2019 and provide an explanation of any
 4 variances from the 2019 Approved values that exceed 5% (plus or minus).

5
 6 **Response:**

7 The following is a revised version of FEI Table 2-3 as requested.

Revised Table 2-3 - FEI

Description	2020 Forecast \$000s	2019 Approved \$000s	2019 Projected \$000s	2019 Variance \$000s	Variance %	2019 Variance Explanation for Values that exceed 5%
Pension and OPEB (O&M Portion)	\$ 14,917	\$ 13,795	\$ 13,795	\$ -	0%	
Insurance	\$ 7,560	\$ 5,473	\$ 6,294	\$ (821)	-15%	Variance due to higher premiums
Biomethane O&M	\$ 1,797	\$ 1,369	\$ 1,600	\$ (231)	-17%	Variance due to increase in resources assigned to developing RNG supply. This amount is offset by an equal amount transferred to the Biomethane Variance Account.
NGT O&M	\$ 1,574	\$ 2,339	\$ 1,522	\$ 817	35%	Forecasted CNG stations in 2019 have been delayed and are projected to be constructed in 2020. Also, forecasted in the 2019 Approved was that we would be successful in purchasing CNG stations from Translink, but did not win the RFP.
LNG Production O&M	\$ 5,797	\$ 7,432	\$ 9,862	\$ (2,430)	-33%	Higher costs due to increased liquefaction over Approved due to deferral of LNG production from fall 2018 to 2019 (Enbridge Incident) and increased sales (Top Speed Contract). Higher labor costs due to increased sales. Higher freight charges for LNG loading at Mt Hayes due to low tank levels at Tilbury in Q1 2019.
Integrity Digs	\$ 2,500	\$ -	\$ -	\$ -	0%	Costs for Integrity Digs not treated as flow-thru in 2019. 2019 Projection is for approximately \$3.2 m.
BCUC fees	\$ 5,109	\$ -	\$ -	\$ -	0%	Costs for BCUC fees over that allowed in the formula is treated as flow thru in 2019. Total BCUC fees 2019 Projection is \$5.2 m.
Employer Health Tax	\$ -	\$ 2,630	\$ 2,732	\$ (102)	-4%	
MSP	\$ -	\$ (829)	\$ (851)	\$ 22	-3%	
Total	\$ 39,254	\$ 32,209	\$ 34,954	\$ (2,745)	-9%	

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1 **186.0 Exhibit B-21, page 10, Exhibit B-21, Appendix A, Schedule 21**

2 186.1 Please provide a revised version of Schedule 21 that also includes the current
 3 projected values for 2019.

4

5 **Response:**

6 FEI has provided as revised Schedule 21 below with 2019 Projected values included as column
 7 3.

**DEPRECIATION AND AMORTIZATION EXPENSE
 FOR THE YEAR ENDING DECEMBER 31, 2020
 (\$000s)**

Schedule 21

Line No.	Particulars	2019 Approved	2019 Projected	2020 Forecast	Change	Cross Reference
	(1)	(2)	(3)	(4)	(5)	(6)
1	Depreciation					
2	Depreciation Expense	\$ 201,052	\$ 197,948	\$ 199,707	\$ (1,345)	Schedule 7.2, Line 35, Column 7
3	Depreciation & Amortization Transferred to Biomethane BVA	(510)	(504)	(511)	(1)	Schedule 7.2, Line 36, Column 7
4	Vehicle Depreciation Allocated To Capital Projects	(1,206)	(1,517)	(1,546)	(340)	Schedule 7.2, Line 37, Column 7
5		199,336	195,927	197,650	(1,686)	
6						
7	Amortization					
8	Rate Base Deferrals	\$ 67,260	\$ 67,260	\$ 89,111	\$ 21,851	Schedule 11.1, Line 22, Column 6
9	Rate Base Deferrals - Net Salvage Amortization Transferred to Biomethane BVA	(26)	(26)	(26)	-	Schedule 11.1, Line 23, Column 6
10	Non-Rate Base Deferrals	(26,871)	(26,871)	(34,795)	(7,924)	Schedule 12, Line 23, Column 6
11	CIAC	(9,028)	(8,958)	(8,449)	579	Schedule 9, Line 13, Column 5
12	CIAC Amortization Transferred to Biomethane BVA	28	28	28	-	Schedule 9, Line 19, Column 5
13		31,363	31,433	45,869	14,506	
14						
15	Total	\$ 230,699	\$ 227,360	\$ 243,519	\$ 12,820	

8

9 During the Current PBR Plan, plant additions have been determined through formula and these
 10 formulaic additions do not match actual additions. Consequently, the plant embedded in rates
 11 over the term of the Current PBR Plan is different (lower) than actual plant. The 2020 Projected
 12 Depreciation and CIAC Amortization presented in the table above reflect the depreciation on
 13 FEI's actual Plant in Service as of January 1, 2019, compared to the 2019 Approved (formula-
 14 based) Plant in Service embedded in rates.

15 Vehicle Depreciation Allocated to Capital Projects is the only item with a variance greater than
 16 five percent. This variance is because 2019 projected depreciation is calculated from actual
 17 gross plant which includes capital expenditures outside the dead band as discussed above. This
 18 and other depreciation and amortization variances will not affect years beyond 2019 except by
 19 way of the Flow-through deferral account in 2020. The Flow-through deferral account currently
 20 captures the variance between actual and approved depreciation and returns it to (when
 21 approved is greater than actual) or recovers it from (when approved is less than actual)
 22 customers in the following year.



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1 On January 1, 2020, the capital expenditures excluded from rate base under the terms of the
2 PBR Plan will enter rate base, and will form the basis for 2020 depreciation included in revenue
3 requirements.

4

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8 186.2 Please provide additional details regarding any variances between the approved
9 and currently projected depreciation and amortization expense for 2019 that
10 exceed 5% (plus or minus).

11

12 **Response:**

13 Please refer to the response to BCOAPO IR 3.186.1.

14

15

16

17 186.3 Please indicate whether/how these variances carry forward and impact the
18 projected depreciation and amortization expense for 2020.

19

20 **Response:**

21 Please refer to the response to BCOAPO IR 3.186.1.

22