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December 11, 2019

B.C. Sustainable Energy Association
c/o William J. Andrews, Barrister & Solicitor
1958 Parkside Lane
North Vancouver, B.C.
V7G 1X5

Attention: Mr. William J. Andrews

Dear Mr. Andrews:

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 B.C. Sustainable Energy Association and Sierra Club of British
Columbia (BCSEA) 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 BCSEA 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
Response to BC Sustainable Energy Association and Sierra Club BC (BCSEA) Information Request (IR) No. 3 on 2020 Interim Rates	Page 1

1 **45.0 Topic: FBC 2020 Interim Refundable Rates**

2 **Reference: Exhibit B-22, FBC Application for Approval of Interim and Refundable**
3 **2020 Rate Increase; Exhibit B-21, FEI Application for Approval of Interim and**
4 **Refundable 2020 Rate Increase**

5 FBC requests BCUC approval for a general rate increase, on an interim and refundable
6 basis, of 1.00 percent effective January 1, 2020. [Exhibit B-22, p.2]

7 FBC's 2020 interim revenue requirements results in a revenue deficiency based on
8 existing rates of \$8.065 million, equivalent to a rate increase of 2.16 percent. [Exhibit B-
9 22, p.2]

10 FBC retains a net revenue surplus of \$4.737 million before tax that, by itself, would
11 provide a rate decrease of approximately 1.25 percent at existing rates. [Exhibit B-22,
12 p.3]

13 FBC is not requesting approval to amortize the revenue surplus in this Application. FBC
14 will request approval for disposition of some or all of the revenue surplus in the Annual
15 Review for 2020 Rates. [Exhibit B-22, pp.3-4]

16 FBC's request for an interim increase of 1.00 percent instead of the 2.16 percent
17 calculated in the Financial Schedules recognizes that some or all of the net revenue
18 surplus will be available for mitigation of the 2020 permanent rates. [Exhibit B-22, p.4]

19 FEI requests BCUC approval for a general rate increase, on an interim and refundable
20 basis, of 2.00 percent effective January 1, 2020. [Exhibit B-21, p.2]

21 FEI's 2020 interim revenue requirements results in a revenue deficiency based on
22 existing rates of \$29.874 million, equivalent to a rate increase of 3.67 percent. [Exhibit B-
23 21, p.2]

24 FEI retains a net revenue surplus in respect of 2017 and 2018 revenue requirements of
25 \$42.854 million before tax which, by itself would provide a rate decrease of
26 approximately 1.66 percent at existing rates. [Exhibit B-21, p.3]

27 FEI is not requesting approval to amortize the revenue surplus in this Application. FEI
28 will request approval for disposition of some or all of the revenue surplus in the Annual
29 Review for 2020 Rates. [Exhibit B-21, p.3]

30 FEI's request for an interim increase of 2.00 percent, instead of the 3.67 percent
31 calculated in the Financial Schedules, recognizes that some or all of the surplus will be
32 available for mitigation of the 2020 permanent rates. [Exhibit B-21, p.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: December 11, 2019
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1 45.1 Please confirm, or otherwise explain, that size of FBC’s and FEI’s requested
2 interim and refundable 2020 rate increases – 1.00 percent in the case of FBC
3 and 2.00 percent in the case of FEI – is the result of an approximation or
4 ‘rounding off’ exercise, and is not intended to be precise to two decimal points.
5

6 **Response:**

7 Confirmed. Because FEI and FBC intend to use the surplus balances in their respective
8 revenue deficiency/surplus deferral accounts to offset the difference between interim and final
9 rates, FEI and FBC chose round numbers for their proposed interim rates.

10 FEI and FBC have proposed that the determination of permanent rates for 2020 will take place
11 as part of the Annual Reviews for 2020 rates, which will likely not be complete until the fourth
12 quarter of 2020. The forecasts provided in the 2020 interim rates filings are subject to change in
13 the Annual Review filings, due to changes in 2019 actual results and also to revised estimates
14 for 2020. In these processes, FEI and FBC will propose dispositions from FEI’s and FBC’s
15 respective revenue surplus deferral accounts. For this reason, and to leave some discretion as
16 to how much of the revenue surplus accounts to amortize in 2020, FEI and FBC did not include
17 the amortization of the full amounts of the revenue surplus balances, but rounded the result to
18 2.00 and 1.00 percent, respectively.

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22 45.2 Is the size of the requested interim and refundable 2020 rate increases – 1.00
23 percent for FBC and 2.00 percent for FEI – intended to produce a roughly equal
24 possibility of over-collection or under-collection of the amount of revenue that is
25 approved on a final basis in due course? If so, please confirm that in FortisBC’s
26 view the proposed interim and refundable 2020 rate increases meet this
27 intention. If not, please explain how the size of the proposed interim and
28 refundable rates is determined.

29
30 **Response:**

31 Not confirmed. Please refer to the response to BCSEA IR 3.45.1.

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