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December 11, 2019

British Columbia Utilities Commission  
Suite 410, 900 Howe Street  
Vancouver, B.C.  
V6Z 2N3

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

Dear Mr. Wruck:

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

**Project No. 1598996**

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

**Response to the British Columbia Utilities Commission (BCUC) Information  
Request (IR) No. 3 on 2020 Interim Rates**

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On March 11, 2019, FortisBC filed the Application referenced above. In accordance with BCUC Order G-272-19 setting out the Regulatory Timetable for the review of the Application, FortisBC respectfully submits the attached response to BCUC 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): 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   **1.0   Reference:   CAPITAL**

2                           **Exhibit B-12, BCUC IR 187.2; Exhibit B-21 (FEI Application for**  
3                           **Approval of 2020 Rates on an Interim Basis), p. 7**  
4                           **FEI Base Growth Capital**

5           In response to British Columbia Utilities Commission (BCUC) Information Request (IR)  
6           187.2, FortisBC Energy Inc. and FortisBC Inc. (collectively FortisBC) FortisBC stated the  
7           following:

8                           FortisBC notes that, in preparing the revised table above, the expected increase  
9                           of approximately \$1.3 million for New Customer Services due to the muster kit  
10                          material change was revised to an increase of approximately \$900 thousand, a  
11                          reduction from the \$1.3 million originally expected... the net impact of the  
12                          changes in the muster kit material charges for mains and services is  
13                          approximately \$300 thousand, rather than the \$642 thousand as indicated on  
14                          pages C-61 and C-62 of the Application. FEI proposes to update its proposed  
15                          Growth capital Base unit cost for the above correction to the Muster Kit and  
16                          Material Allocation Impact in its filing for 2020 permanent rates following the  
17                          BCUC's Decision in this proceeding. [*Emphasis Added*]

18           On page 7 of Exhibit B-21, FortisBC Energy Inc. (FEI) states that its 2020 Growth  
19           Capital Expenditures of \$69.534 million are determined using an inflation-indexed unit  
20           cost per gross customer addition (\$/GCA) which is derived by multiplying the 2020 Unit  
21           Cost Growth Capital (UCGC) by a 2020 forecast of gross customer additions. FEI  
22           explains in footnote 9 that the 2020 UCGC is equal to 2019 UCGC multiplied by 1 plus  
23           the inflation factor.

24           1.1   Please confirm, or explain otherwise, that the 2019 UCGC used to derive FEI's  
25           2020 Growth Capital Expenditures is before the proposed update to FEI's Growth  
26           capital Base unit cost as discussed in response to BCUC IR 187.2.

27  
28   **Response:**

29   Confirmed.

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32  
33           1.1.1   If confirmed, please confirm, or explain otherwise, that FEI proposes to  
34           update its proposed Growth capital Base unit cost for the correction  
35           identified in response to BCUC IR 187.2 as part of its application for  
36           2020 permanent rates.



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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2 **Response:**

3 Confirmed.

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: December 11, 2019
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1    **2.0    Reference:    CAPITAL**

2                                    **Exhibit B-21, Appendix B, Table 3; Exhibit B-1 (Application), Table**  
3                                    **B2-4, p. B-34**

4                                    **Exhibit B-1-3 (Errata to the Application), Table B2-5, p. B-36**

5                                    **FEI Projected 2019 Base Capital Expenditures**

6                                    Table 3 in Appendix B of Exhibit B-21 shows the Projected Base Capital Expenditures  
7                                    (line 34) in 2019 for FEI are \$224,325,000 (line 34).

8                                    **Table B2-4 in Exhibit B-1 shows the Projected Growth Capital**  
9                                    **Expenditures in 2019 for FEI are \$63,328,000.**

10                                   **Finally, Table B2-5 in Exhibit B-1-3 shows the Projected Sustainment**  
11                                   **and Other Capital Expenditures in 2019 for FEI are \$144,359,000.**

12                                   2.1    Please confirm, or explain otherwise, that the Projected 2019 Base Capital  
13                                   Expenditures originally submitted are \$207,687,000 (\$63,328,000 +  
14                                   \$144,359,000) for FEI.

15  
16    **Response:**

17    While responding to this information request, FEI noted that the 2019 Fort Nelson capital  
18    projection of \$0.743 million was incorrectly included in its 2019 capital projection in Exhibit B-21,  
19    Table 3. This will be corrected when filing for 2020 permanent rates. Further, FEI has removed  
20    the \$0.743 million related to Fort Nelson for the purposes of responding to this information  
21    request (i.e. \$224.325 million is corrected to \$223.582 million).

22    FEI confirms that the 2019 Base Capital Expenditures originally submitted are \$63.328 million  
23    and \$144.359 million for Growth Capital and Sustainment & Other Capital, respectively. FEI  
24    notes that these figures, as presented in Exhibit B-1 and B-1-3, are net of CIAC and exclude  
25    pension and OPEB to be comparable with historical and approved amounts.

26    FEI's updated forecast in Exhibit B-21 includes the impact of higher 2019 year-to-date results.  
27    The comparable figures (net of CIAC and excluding pension and OPEB) are \$78.992 million and  
28    \$144.590 million for Growth Capital and Sustainment & Other Capital, respectively.

29    A comparison of the amounts from Exhibit B-1/B-1-3 and B-21 is provided in the table below.

\$ millions	Exhibit B-1 & B-1-3	Exhibit B-21	Difference
Growth	63.3	79.0	15.7
Sustainment & Other	144.4	144.6	0.2
<b>Total</b>	<b>207.7</b>	<b>223.6</b>	<b>15.9</b>

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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2 Approximately \$11 million of the variance in FEI's Growth Capital projection is due to large new  
3 customer main extensions not included in the original projection; these mains will be installed in  
4 2019. The remaining variance in Growth Capital is primarily attributed to an increase in the  
5 number of service line additions, increased costs related to higher than forecast customers per  
6 service line (multi-unit residential buildings) and contractor price increases.

7 Sustainment and Other capital expenditures remain very close to the forecast included in  
8 Exhibits B-1 and B-1-3.

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2.1.1 If confirmed, please provide an explanation of the difference between  
the Projected 2019 Base Capital Expenditures originally submitted  
(\$207,687,000) and the updated amount (\$224,325,000). In your  
response, please include the category of capital expenditure under  
which the differences relate to.

18

19 **Response:**

20 Please refer to the response to BCUC IR 3.2.1.

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2.1.2 If not confirmed, please provide the calculation showing the Projected  
2019 Base Capital Expenditures originally applied for.

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27 **Response:**

28 Please refer to the response to BCUC IR 3.2.1.

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2.2 Please provide a calculation of 2019 projected earnings sharing (i.e. Table 3 in  
Appendix B of Exhibit B-21) using the amount above as the Projected 2019 Base  
Capital Expenditures (i.e. \$207,687,000 or other amount confirmed above).

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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 **Response:**

2 As discussed in response to BCUC IR 3.2.1 above, FEI's 2019 projected capital expenditures  
3 equal \$223.582<sup>1</sup> million and this is the correct amount to use when calculating earnings sharing.

4 Since both the \$223.582 million and the \$224.325 million are greater than the dead band and  
5 because capital expenditures outside of the dead band are added to opening balance plant in  
6 the following year (2020 in this case), the change to the projected capital expenditures does not  
7 change earnings sharing, but it does change the amount to be added to 2020 opening plant.  
8 The addition to opening balance plant would be \$0.743 million lower with the above noted  
9 correction, but there would be no measurable impact on the 2020 revenue deficiency or rate  
10 calculation.

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14 2.2.1 Please provide and discuss the impact of the difference between the  
15 calculation above and the calculation of the 2019 projected earnings  
16 sharing as presented in Table 3 (Exhibit B-21, Appendix B) on the  
17 following:

18 i. Total earnings sharing to be shared with customers in 2020  
19 (i.e. Exhibit B-21, Appendix B, Table 2); and

20 ii. The interim and refundable rate increase of 3.67 percent as  
21 shown in the Financial Schedules (i.e. Exhibit B-21, Appendix  
22 A, Schedule 1).

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24 **Response:**

25 Please refer to the response to BCUC IR 3.2.2.

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<sup>1</sup> Corrected from \$224.325 million.