



Diane Roy
Vice President, 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: (604)576-7349
Cell: (604) 908-2790
Fax: (604) 576-7074
www.fortisbc.com

September 28, 2020

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. (FEI)

Project No. 1599120

Annual Review for 2020 and 2021 Delivery Rates (the 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. 1

On August 12, 2020, FEI filed the Application referenced above. In accordance with the British Columbia Utilities Commission Order G-209-20 setting out the Regulatory Timetable for the review of the Application, FEI respectfully submits the attached response to BCOAPO IR No. 1.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc (email only): Commission Secretary
Registered Parties



FortisBC Energy Inc. (FEI or the Company) Annual Review for 2020 and 2021 Delivery Rates (Application)	Submission Date: September 28, 2020
Response to 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 <i>et al.</i> (BCOAPO) Information Request (IR) No. 1	Page 1

1 **1.0 Reference: Exhibit B-2, page 5**

2 **Preamble: The referenced page states:**

3 The proposed delivery rates for 2021, after drawing down the balance of the 2017 &
 4 2018 Revenue Surplus deferral account, result in a 6.59 percent increase from 2020
 5 delivery rates.

6 1.1 Please provide what the percentage increase in 2021 delivery rates would be if
 7 FEI did not have any balance in the Revenue Surplus Deferral Account to draw
 8 down.
 9

10 **Response:**

11 The increase in 2021 delivery rates would be 10.87 percent if FEI did not have any balance in
 12 the 2017 & 2018 Revenue Surplus deferral account to draw down. Please refer to the table
 13 below for the corresponding calculation.

Line No.	Particular	Reference	2021 Forecast Revenue Deficiency (Surplus) (\$millions)
1	Volume Revenue Related	Section 11 - 2021, Schedule 1, Line 3, Column 3	(13.686)
2	O&M Changes	Section 11 - 2021, Schedule 1, Line 7, Column 3	12.543
2	Depreciation Expense	Section 11 - 2021, Schedule 1, Line 10, Column 3	9.980
3	Amortization Expense	Section 11 - 2021, Schedule 1, Line 14, Column 3	38.301
3	Financing and Return on Equity	Section 11 - 2021, Schedule 1, Line 19, Column 3	10.262
4	Tax Expense	Section 11 - 2021, Schedule 1, Line 23, Column 3	21.938
4	2020 Revenue Deficiency - Year End Projection	Section 11 - 2021, Schedule 1, Line 25, Column 3	10.338
5			
5	Revenue Deficiency (Surplus)	Sum of Line 1 to 4	\$ 89.676
6	<i>Before 2017 & 2018 Revenue Surplus Deferral Account</i>		
6			
7	Non-Bypass Margin at 2020 Approved Interim Rates	Section 11 - 2021, Schedule 1, Line 30, Column 3	824.897
8			
9	Rate Change (2021)	Line 5 / Line 7	10.87%
10	<i>Before 2017 & 2018 Revenue Surplus Deferral Account</i>		

FortisBC Energy Inc. (FEI or the Company) Annual Review for 2020 and 2021 Delivery Rates (Application)	Submission Date: September 28, 2020
Response to 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 <i>et al.</i> (BCOAPO) Information Request (IR) No. 1	Page 2

1 **2.0 Reference: Exhibit B-2, page 15, Figure 3-1**

2 2.1 For each year, 2010-2019 inclusive please provide what FEI had forecasted for
3 total demand in order to compare ex ante forecasted with actual.
4

5 **Response:**

6 Please refer to Section 3.4 of Appendix A2 of the Application which provides the ex-ante
7 analysis requested. Included in Section 3.4 of Appendix A2 are the 2010 – 2019 demand
8 forecasts, normalized demand (actuals), variances (errors), and percent errors. FEI has
9 provided this information for total FEI demand in the last table of Section 3.4.

10



FortisBC Energy Inc. (FEI or the Company) Annual Review for 2020 and 2021 Delivery Rates (Application)	Submission Date: September 28, 2020
Response to 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 <i>et al.</i> (BCOAPO) Information Request (IR) No. 1	Page 3

1 **3.0 Reference: Exhibit B-2, page 16, Figure 3-2**

2 3.1 For each year, 2010-2019 inclusive please provide what FEI had forecasted for
3 net residential additions in order to compare ex ante forecasted with actual.
4

5 **Response:**

6 Please refer to Section 3.2 of Appendix A2 of the Application which provides the ex-ante
7 analysis requested. Included in Section 3.2 of Appendix A2 are the 2010 – 2019 net residential
8 customer additions forecasts, actuals, variances (errors), and percent errors. FEI has provided
9 this information by rate schedule, with the residential analysis under Rate Schedule 1 captured
10 in the first table of Section 3.2.

11



FortisBC Energy Inc. (FEI or the Company) Annual Review for 2020 and 2021 Delivery Rates (Application)	Submission Date: September 28, 2020
Response to 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 <i>et al.</i> (BCOAPO) Information Request (IR) No. 1	Page 4

1 **4.0 Reference: Exhibit B-2, page 18, Figure 3-4**

2 4.1 For each year, 2010-2019 inclusive please provide what FEI had forecasted for
3 normalized residential demand in order to compare ex ante forecasted with
4 actual.

5
6 **Response:**

7 Please refer to Section 3.4 of Appendix A2 of the Application which provides the ex-ante
8 analysis requested. Included in Section 3.4 of Appendix A2 are the 2010 – 2019 residential
9 demand forecasts, normalized residential demand (actuals), variances (errors), and percent
10 errors. FEI has provided this information by rate schedule, with the residential analysis under
11 Rate Schedule 1 captured in the first table of Section 3.4.



FortisBC Energy Inc. (FEI or the Company) Annual Review for 2020 and 2021 Delivery Rates (Application)	Submission Date: September 28, 2020
Response to 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 <i>et al.</i> (BCOAPO) Information Request (IR) No. 1	Page 5

1 **5.0 Reference: Exhibit B-2, page 23**

2 **Preamble: The referenced page states:**

3 As seen in Figure 3-11 below, the demand from the industrial rate schedules is forecast
4 to increase by 1.3 PJ in 2020P compared to 2019 Approved and then decrease 4.1 PJs
5 in 2021F compared to 2020P.

6 5.1 Does FEI have a view as to why 2021 industrial demand will decrease in 2021?
7 If so, please provide it.

8

9 **Response:**

10 Please refer to the response to CEC IR1 8.1.

FortisBC Energy Inc. (FEI or the Company) Annual Review for 2020 and 2021 Delivery Rates (Application)	Submission Date: September 28, 2020
Response to 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 <i>et al.</i> (BCOAPO) Information Request (IR) No. 1	Page 6

1 **6.0 Reference: Exhibit B-2, page 29**

2 **Preamble: The referenced page states:**

3 UAF refers to gas that is not specifically accounted for in gas energy balance of receipts,
4 deliveries, and operations use. UAF includes measurement variances and line loss of
5 gas that is flowing in the transmission and distribution systems. Sources of UAF
6 comprise, but are not limited to, system leakage, lost gas (gas lost as a result of utility
7 and third party activities, including gas theft), and measurement inaccuracies. The cost
8 of UAF related to the Sales rate classes is included in the cost of gas and recovered
9 from core customers²¹ via the gas cost rates.

10 6.1 Please provide the volume and cost of UAF included in sales rates for core
11 customers for each of the years 2015-2019 inclusive.
12

13 **Response:**

14 The table below summarizes the forecast quantity and cost of UAF that was included in the
15 sales rates (via the Storage and Transport or Midstream Charge) for core customers for each of
16 the years 2015 to 2019.

UAF Quantities and Costs Included in FEI Core Customer 2015-2019 Sales (Midstream) Rates

		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Five-Year Rolling Average UAF ⁽¹⁾	(%)	0.4%	0.6%	0.7%	0.7%	0.8%
Forecast Core Sales Quantity ⁽²⁾	(TJ)	121,383	121,180	123,733	134,485	135,901
Forecast UAF Quantity	(TJ)	486	727	866	941	1,087
Forecast Weighted Average Unit						
Cost of Midstream Commodity ⁽²⁾	(\$/GJ)	\$ 3.459	\$ 1.987	\$ 1.843	\$ 2.157	\$ 2.918
Forecast UAF Cost	(\$000)	\$ 1,679	\$ 1,445	\$ 1,596	\$ 2,031	\$ 3,172

Notes:

- (1) As part of its determination of midstream rates, FEI utilizes a five-year rolling average UAF percentage based on the simple average of the recorded UAF amounts, as a percentage of the sales quantity, for each of the latest available five years.
- (2) The forecast core sales quantities and weighted average unit cost of midstream commodity amounts shown correspond to the amounts presented at Tab 1, Page 7 of the Fourth Quarter Gas Cost Report used in setting the midstream rates for each year during the 2015-2019 period.



FortisBC Energy Inc. (FEI or the Company) Annual Review for 2020 and 2021 Delivery Rates (Application)	Submission Date: September 28, 2020
Response to 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 <i>et al.</i> (BCOAPO) Information Request (IR) No. 1	Page 7

1 **7.0 Reference: Exhibit B-2, page 64**

2 **Preamble: The referenced page states:**

3 7.5.1.1 Annual 1 Reviews for 2020 – 2024 Rates

4 FEI is requesting approval to establish a deferral account to capture the costs related to
5 the Annual Reviews for 2020 – 2024 Rates. Consistent with other deferral accounts
6 related to regulatory applications, the Annual Review deferral account will capture costs
7 such as BCUC costs, intervener and participant funding costs, consulting costs, legal
8 fees, and miscellaneous facilities, stationary and supplies costs. FEI forecasts additions
9 of \$0.100 million (\$0.073 million after tax) in each of 2020 and 2021.

10 7.1 Can FEI confirm that there are no amounts included in its O&M expenses that
11 are related to regulatory affairs in respect of regulatory reviews?

12
13 **Response:**

14 The requested deferral account will capture regulatory proceeding costs as noted in the
15 referenced paragraph, of which there are no related amounts included in O&M. FEI includes
16 amounts in O&M expenses for labour associated with regulatory staff who work on applications
17 and related proceedings as well as some external costs for FEI's participation in other utilities'
18 proceedings where FEI does not seek cost recovery. None of these amounts relate to the costs
19 to be captured in the requested deferral account.

20
21

22
23 7.2 Please confirm that the requested deferral account will not capture any amounts
24 for recovery that are already recovered in rates.

25
26 **Response:**

27 Confirmed.

28