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January 14, 2021

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

Attention: Ms. Marija Tresoglavic, Acting Commission Secretary

Dear Ms. Tresoglavic:

Re: FortisBC Energy Inc. (FEI) Fort Nelson Service Area (FEFN)

Application for Deferral Account Treatment for 2021 and Changes to the Revenue Stabilization Adjustment Mechanism (RSAM) Rider for the Fort Nelson Service Area (Application)

Response to the British Columbia Utilities Commission (BCUC) Information Request (IR) No. 1

On November 6, 2020, FEI filed the Application referenced above. In accordance with BCUC Order G-316-20 establishing an amended Regulatory Timetable for the review of the Application, FEI respectfully submits the attached response to BCUC IR No. 1.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc (email only): Registered Parties

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6	A. PURPOSE OF THE APPLICATION	
7	1.0 Reference: PURPOSE OF THE APPLICATION	
8	Exhibit B-1 (Application), Section 1.1.1, pp. 1–2; Order G-48-19 with	
9	reasons for decision, Section 2, p. 11	
10	Postage stamp rates	
11	By Order G-48-19 dated March 5, 2019, FortisBC Energy Inc. (FEI) was directed to	
12	include in the next revenue requirements application (RRA) for the Fort Nelson Service	
13	Area (FEFN) a discussion of the potential for postage stamping rates in FEFN with the	
14	rest of FEI, including specific information.	
15	On November 6, 2020, FEI filed an application with the British Columbia Utilities	
16	Commission (BCUC) for approval of deferral account treatment for 2021 and changes to	
17	the Revenue Stabilization Adjustment Mechanisms (RSAM) rider for the FEFN	
18	(Application). On pages 1 and 2 of the Application and in response to the above-noted	
19	directive, FEI states that it:	
20	... is in the process of developing a common rates application for FEFN.	
21	However, it was not possible for FEI to include a proposal in the present	
22	Application to implement common rates for 2021, for two reasons:	
23	• FEI needed to wait for the resolution of its Multi-year Rate Plan (MRP)	
24	Application proceeding, as it directly impacts how FEI would propose to	
25	incorporate FEFN into FEI's larger revenue requirements. The BCUC's	
26	Decision and Order G-165-20 (MRP Decision) were issued June 22, 2020.	
27	• FEI's public consultation efforts for the common rates application need to	
28	be carefully planned due to the ongoing COVID-19 pandemic.	
29	As a result, to allow enough time for consultation, FEI currently expects to file its	
30	application for common rates by May 2021 with a planned implementation date of	
31	January 1, 2022.	
32	1.1 Please clarify whether FEI intends to file a discussion of the potential for postage	
33	stamping rates in FEFN along with the rest of FEI, including the list of specific	

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information, in response to the directive contained in Order G-48-19 as part of the expected common rates application or at some other time.

Response:

Confirmed that the information will be filed with the common rates application.

1.1.1 Based on the preceding response, please clarify whether FEI is seeking a variance to the directive in Order G-48-19 regarding the discussion of postage stamping FEFN's rates and outline the variance sought.

Response:

FEI does not believe that a variance to the directive in Order G-48-19 is necessary. As confirmed in response to BCUC IR1 1.1, FEI intends to provide all of the information directed by the Panel on page 11 of the Reasons for Decision accompanying Order G-48-19 (FEFN 2019-2020 RRA Decision) as part of the planned common rates application in 2021. The primary purpose of the current Application is to seek approval for the continued use of 2020 approved rates through 2021 to provide FEI with adequate time to prepare the common rates application, which will undergo a more fulsome public hearing process. Given the limited scope of the current Application, the upcoming filing of the larger common rates application in 2021 may be most accurately described as FEFN's next revenue requirements application. Therefore, FEI believes that it would be in compliance with the directive in Order G-48-19 by providing the information pertaining to "postage stamping" FEFN rates in the upcoming common rates application, as opposed to the current Application.

However, if the BCUC considers that a variation to the direction is warranted, FEI would request a variation to the directive to direct FEI to file the discussion and information regarding postage stamp rates in 2021, rather than in its next revenue requirements application.

1.2 Considering the directive contained in Order G-48-19 regarding common rates, please discuss whether any specific regulatory process is required in advance of the expected filing of a common rates application. Please explain why or why not.

Response:

FEI does not believe that a process in advance of filing for common rates is required, as it would only serve to delay the determination on whether common rates for Fort Nelson is reasonable

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1 and appropriate. FEI intends to submit an application that will include, among other things, the
2 consultation process and results, financial analysis, phase-in approach (if any) and customer
3 impact. FEI expects that the public hearing process will provide the opportunity for IRs on FEI's
4 evidence, comments from interested parties, and submissions from interveners. Based on the
5 evidentiary record developed in that process, FEI expects that the BCUC Panel will be able to
6 make a determination on whether common rates are reasonable and appropriate, and, if so, the
7 mechanism by which FEFN will move to common rates.

8 If the BCUC were to determine that a separate advanced process was required to determine the
9 merits of filing for common rates, it would, in FEI's view, unnecessarily bifurcate the matter and
10 could lead to more confusing and duplicative review processes.

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14 1.3 Please describe the consultation process FEI intends to undertake prior to the
15 expected filing of a common rates application with the BCUC, including the
16 parties FEI plans to involve in the consultation process.

17
18 **Response:**

19 FEI intends to engage and consult with FEFN's customers, to solicit timely feedback to help
20 inform FEI's common rates application (anticipated to be filed in May of 2021).

21 FEI's engagement and consultation will include reaching out to the two local first nations, Fort
22 Nelson First Nation and Prophet River First Nation, to advise them of the planned workshops
23 (i.e., timing, purpose and how to participate) and to provide information on what the common
24 rates application will include, as well as how the nations can participate in the regulatory
25 process.

26 FEI will hold virtual workshops for customers in the Fort Nelson service area. The purpose of
27 these sessions will be to inform customers of the potential change to their bills from a move to
28 common rates, possibly through a phased-in approach, and to gather customer feedback.
29 BCUC staff will be invited to participate in the workshops.

30

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B. LOAD FORECAST

2.0 Reference: LOAD FORECAST

**Exhibit B-1, Section 2.1, p. 4; Section 4, p. 8; Exhibit B-3
(Supplemental Information), Item 2, pp. 2–3; Appendix A, pp. 4–6
Customer count**

On page 2 of the Supplemental Information, FEI provides the following tables showing actuals, forecast and demand variances in customer count and use rates for FEFN by rate class:

Actual	Rate Schedule 1			Rate Schedule 2			Rate Schedule 3			Rate Schedule 25	
	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)
2019	1,898	244,434	128.1	460	185,202	402.2	14	70,419	4,910.8	1	37,185
2020 Jan-Oct	1,875	184,560	97.6	448	131,761	289.1	15	45,712	3,105.8	1	29,070

Forecast	Rate Schedule 1			Rate Schedule 2			Rate Schedule 3			Rate Schedule 25	
	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)
2019	1,941	244,160	125.2	465	160,160	349.3	19	61,061	3,164.0	1	41,500
2020 Jan-Oct	1,912	166,353	86.1	467	106,224	228.3	19	38,632	2,033.3	1	26,026
2020 Nov-Dec	1,918	70,547	36.8	468	44,153	94.4	19	14,601	768.4	1	15,474
2021	1,862	228,978	122.5	466	175,032	375.2	15	96,899	6,460.0	-	-

Variance	Rate Schedule 1			Rate Schedule 2			Rate Schedule 3			Rate Schedule 25	
	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)
2019	(43)	274	3	(5)	25,042	59	(5)	9,358	1,746	-	(4,395)
2020 Jan-Oct	(37)	18,207	12	(19)	25,537	61	(4)	7,080	1,073	-	3,044

Variance %	Rate Schedule 1			Rate Schedule 2			Rate Schedule 3			Rate Schedule 25	
	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)
2019	-2.3%	0.1%	2.2%	-1.1%	13.5%	13.2%	-35.7%	13.3%	35.6%	0.0%	-11.8%
2020 Jan-Oct	-2.0%	9.9%	11.8%	-4.2%	19.4%	21.0%	-26.7%	15.5%	34.5%	0.0%	10.5%

On page 8 of the Application, FEI states:

The variance from forecast delivery margin revenues in 2020 due to variances between approved and actual use rates is being captured in the RSAM deferral account and added to the opening 2021 balance.

2.1 Please confirm, or explain otherwise, that the only deferral account capturing load variances for FEFN is the RSAM, which captures the variances in use rates for rate schedules 1, 2 and 3.

Response:

FEI confirms the RSAM deferral account is the only deferral account capturing delivery rate related load variances for FEFN.

FEFN also has the Gas Cost Reconciliation Account (GCRA), which captures gas cost recovery rate related load variances.

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On page 2 of the Supplemental Information, FEI states that the Rate Schedule (RS) 2 customer variance in 2020 “is likely due to general economic conditions in the area, exacerbated by the global pandemic, which could be expected to cause a reduction in customers in 2020.”

On pages 4 and 5 of Appendix A to the Supplemental Information, FEI explains how the residential customer additions forecast were developed for RS 1 and provides the resulting growth rates and further provides an example showing how the 2021 forecast customers for single family dwellings (SFD) were calculated, as follows:

Table A-4: Growth Rates

	2020S	2021F
SFD	-4.4%	-12.2%
MFD	-20.6%	-6.4%

Table A-5: FEI Proportions of Actual Account Additions by SFD and MFD

	Internal Split		2019A			2020S			2021F		
	SFD	MFD	Total	SFD	MFD	SFD	MFD	Total	SFD	MFD	Total
	A	B	C	D	E	F	G	H	I	J	K
Ft Nelson	75%	25%	(21)	(16)	(5)	(15)	(4)	(19)	(13)	(4)	(17)

For example, the Ft Nelson 2021F SFD value of -13 (column I) is derived as follows:

- Ft Nelson 2019 Internal Split – SFD percentage = 75% (column A);

- Ft Nelson 2019 Actual additions = -21 (column C)

$$FTN\ 2019\ Actual\ SFD = 75\% \times -21 = -16\ (column\ D)$$

$$FTN\ 2020\ Seed\ SFD = (1 - 4.4\%) \times -16 = -15\ (column\ F)$$

$$FTN\ 2021\ Forecast\ SFD = (1 - 12.2\%) \times -15 = -13\ (column\ I)$$

On page 6 of Appendix A to the Supplemental Information, FEI provides the following work showing the calculation of commercial customer additions:

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Commercial customer additions are calculated as an average of the net customer additions by rate class from the prior three years.

The following table shows the customer additions for RS 2.

Table A-6: Customer Additions for RS 2

Year	Customers	Customer Additions	Average 2017-2019
2016	452		
2017	453	1	
2018	457	4	
2019	460	3	3
2020S	463		
2021F	466		

The three-year average additions was 3, so 3 net additions are forecast in each of 2020 and 2021.

$$2020S \text{ Customers} = 2019 \text{ Customers} + 3 \text{ Yr Avg Additions}$$

Using the data above:

$$2020S = 463 = 460 + 3$$

2.2 Please discuss the reasonableness of the RS 2 forecast number of customers for 2021 of 466, as compared to the 2020 January to October actual number of customers of 448.

Response:

The 2020 preliminary actual customer counts and use rates for FEFN are now available and FEI considers that the preliminary actual data, while not finalized, is now the best information on which to base its forecast, especially given that 2020 has been impacted by the COVID-19 pandemic. Consequently, FEI has updated the FEFN 2021 RS 2 demand forecast based on the preliminary actual customer counts and use rates from 2020.

FEI has also reforecast the 2021 demand for RS 1 and RS 3 using the preliminary actual 2020 customer counts and use rates for those rate schedules, and updated FEFN's 2021 financials and approvals sought. FEI has included these updates in the January 14, 2021 evidentiary update (Evidentiary Update) filed with these IR responses.

2.3 In the context of the impact of the COVID-19 pandemic on the number of customers, please discuss the reasonableness of using 2019 actual customers, which is prior to the onset of the COVID-19 pandemic, to develop the forecast 2021 number of customers for each rate class.

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1 **Response:**

2 As noted in response to BCUC IR1 2.2, the 2021 customer, use rate and demand forecasts in
3 each rate class have been re-calculated using preliminary actual customer totals and use rates
4 from 2020, which is the most recent data available and includes the impact that the COVID-19
5 pandemic may have had on 2020 customer counts and use rates. While the preliminary actual
6 data is not final and therefore subject to change, FEI considers that in the circumstances, it is
7 the best information available on which to base its forecast.

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11 2.4 Please provide the rate impact of using the 2020 actual number of customers in
12 developing the forecast 2021 number of customers and discuss the pros and
13 cons of this approach.

14

15 **Response:**

16 As noted in response to BCUC IR1 2.2 and 2.3, the 2021 demand forecast has been
17 recalculated using the 2020 preliminary actual customer totals and use rates. The pros of using
18 the 2020 year-end preliminary actual data include:

- 19 • 2020 preliminary actual data represents the most recent information available;
20 • 2020 preliminary actual data includes the impact of the COVID-19 pandemic; and
21 • Using year-end data is consistent with FEI's forecast methods.

22

23 The cons are that the preliminary actual data is subject to change, as it is not yet finalized.
24 However, FEI considers that the pros outweigh the cons in these circumstances.

25

26

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28 On page 4 of the Application, FEI states:

29 FEI is forecasting a higher UPC for RS 3 in 2021 compared to 2020 leading to
30 higher overall demand and revenue of approximately \$80 thousand. Since
31 producing the demand forecast for 2020, FEI has added three new RS 3 (large
32 commercial) customers with relatively high UPCs leading to an increased 2021
33 demand forecast.

34 On page 3 of the Supplemental Information, FEI states:

35 FEI notes that as of November 2020 the single RS 25 customer moved to RS 3
36 and this is reflected in the increased demand forecast for 2021 and the matching
37 reduction in the demand forecast for RS 25.

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2.5 Please confirm whether the RS 3 forecast number of customers for 2021 reflects the three new customers, as mentioned in the Application, and the one customer that moved from RS 25.

2.5.1 If confirmed, please explain why the RS 3 forecast number of customers for 2021 has not increased by at least these four customers from the 2019 actual number of customers. If not confirmed, please explain why not.

Response:

Not confirmed.

When preparing the forecast that supported Fort Nelson's 2019 & 2020 Revenue Requirement application FEI had to predict which commercial customers, from Fort Nelson's legacy rate schedules 2.1 and 2.2, would fall into RS 2 and RS 3¹ based on their historical consumption. Since that time, Fort Nelson commercial customers have settled into the appropriate rate schedules. The paragraph in the Application was an attempt to explain that three of the customers included in the forecast supporting this Application had higher than average UPCs than were used when developing the forecast for the 2019 & 2020 revenue requirements, resulting in a higher delivery revenue forecast in this Application. These customers were not really new customers, but rather different customers than FEI had expected would settle into RS 3.

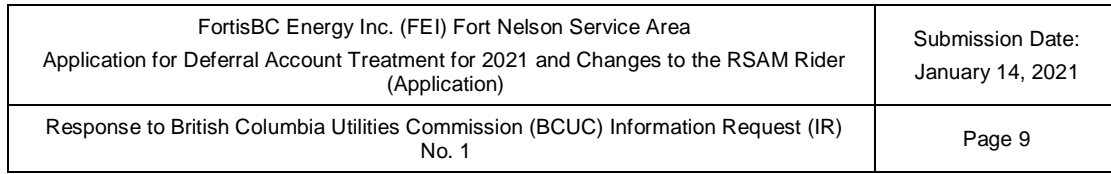
At the end of 2019, FEFN had 14 RS 3 customers, in February 2020 one customer was added to RS 3. In November 2020, one customer was added to RS 3 (this was the customer that moved from RS 25 to RS 3), And finally, in December 2020 one more customer was added to RS 3. Therefore, the actual RS 3 preliminary customer count at the end of 2020 was 17.

Due to the low customer count in RS 3 and the high average use rate², FEI has forecast the customer count for 2021 based solely on the 2020 preliminary actual data, so that the 2021 customer forecast equals the 2020 preliminary actual customer count. As FEI is unaware of any new RS 3 customers that will be taking service in 2021, or any that will be ceasing service, FEI has not forecast any additions to the 2020 preliminary actual customer total.

Year	Customers	Customer Additions	Average 2018-2020
2016	20		
2017	20	0	
2018	20	0	
2019	14	-6	
2020 Prelim. Actual	17	3	-1
2021F	17		

¹ The separation point between RS 2.1 and 2.2 was 6,000 GJ per year whereas the separation point between RS 2 and RS 3 is 2,000 GJ per year.

² With a low customer count and a high average use rate, customer count forecast variances can result in large variances in revenue.



2.6 Please provide the calculations for the 2021 forecast number of customers for RS 3, in the same format as the customer additions for RS 2 in Section 4 of Appendix A to the Supplemental Information.

Please refer to response to BCUC IR1 2.5.

³ FEI, FEFN Rate Design, Order G-135-18.

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3.0 Reference: LOAD FORECAST

Exhibit B-1, p. 1; Exhibit B-3, p. 2

Sensitivity analysis

On page 1 of the Application, FEI requests to maintain existing rates for FEFN for 2021 and is forecasting a revenue surplus of \$195,000 for 2021.

On page 2 of the Supplemental Information, FEI provides its load forecast table for 2019, 2020 and 2021.

3.1 In a table format, please provide a sensitivity analysis showing how the load forecast impacts FEFN's revenue surplus and requested maintenance of existing rates for 2021, if the load forecast in the following rate classes are -10%, -5%, 0%, +5%, and +10% than the forecast presented in the Application, respectively, assuming all else equal:

- Residential (RS 1);
- Small Commercial (RS 2);
- Large Commercial (RS 3); and
- Equal adjustment to the demand across all rate classes.

3.1.1 Please explain all assumptions used to produce the above analysis.

Response:

FEI has provided tables below outlining the revised volumes, delivery revenues, and revenue surplus, as well as the change to the revenue surplus for each of the -10 percent, -5 percent, +5 percent and +10 percent scenarios requested.

To develop the scenarios, FEI started with the use rate forecast underlying the Evidentiary Update, then changed the use per customer in each of the rate schedules by each of the percentages requested to determine a new demand forecast. Then FEFN's existing delivery rates were applied to the revised demand forecasts to determine the delivery revenue. The delivery revenue was then compared to the 2021 revenue requirement to determine the revised revenue surplus. Finally, the change in the revenue surplus was determined by comparing the revised revenue surplus to the revenue surplus calculated in the Evidentiary Update.

In the Evidentiary Update, FEI has included updated financial schedules that reduce the revenue surplus to \$132 thousand, from the \$165 thousand reflected in the Supplementary Information filed on December 9, 2020. The revised surplus is used in the scenarios below.

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1 **Residential (RS 1): -10 percent, -5 percent, +5 percent and +10 percent**

2021	10% Decrease	5% Decrease	As Filed January 14, 2021	5% Increase	10% Increase
Demand (TJ)					
RS 1	212	224	235	247	259
RS 2	167	167	167	167	167
RS 3	90	90	90	90	90
Total	469	481	492	504	516
Delivery Revenue (\$000)					
RS 1	1124	1172	1221	1269	1318
RS 2	944	944	944	944	944
RS 3	369	369	369	369	369
Total	2,437	2,485	2,534	2,582	2,631
Revenue Surplus	35	83	132	180	229
Change in Revenue Surplus	(97)	(49)	-	48	97

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4 **Small Commercial (RS 2): -10 percent, -5 percent, +5 percent and +10 percent**

2021	10% Decrease	5% Decrease	As Filed January 14, 2021	5% Increase	10% Increase
Demand (TJ)					
RS 1	235	235	235	235	235
RS 2	150	159	167	175	184
RS 3	90	90	90	90	90
Total	476	484	492	501	509
Delivery Revenue (\$000)					
RS 1	1221	1221	1221	1221	1221
RS 2	870	907	944	981	1018
RS 3	369	369	369	369	369
Total	2,460	2,497	2,534	2,571	2,608
Revenue Surplus	58	95	132	169	206
Change in Revenue Surplus	(75)	(37)	-	37	74

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1 **Large Commercial (RS 3): -10 percent, -5 percent, +5 percent and +10 percent**

2021	10% Decrease	5% Decrease	As Filed January 14, 2021	5% Increase	10% Increase
Demand (TJ)					
RS 1	235	235	235	235	235
RS 2	167	167	167	167	167
RS 3	81	86	90	95	99
Total	483	488	492	497	501
Delivery Revenue (\$000)					
RS 1	1221	1221	1221	1221	1221
RS 2	944	944	944	944	944
RS 3	335	352	369	387	404
Total	2499	2517	2534	2551	2569
Revenue Surplus	97	115	132	149	167
Change in Revenue Surplus	(35)	(17)	-	17	35

2
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4 **Adjustment across all rate schedules: -10 percent, -5 percent, +5 percent and +10 percent**

2021	10% Decrease	5% Decrease	As Filed January 14, 2021	5% Increase	10% Increase
Demand (TJ)					
RS 1	212	224	235	247	259
RS 2	150	159	167	175	184
RS 3	81	86	90	95	99
Total	443	468	492	517	542
Delivery Revenue (\$000)					
RS 1	1124	1172	1221	1269	1318
RS 2	870	907	944	981	1018
RS 3	335	352	369	387	404
Total	2328	2431	2534	2637	2740
Revenue Surplus/(Deficiency)	(74)	29	132	235	338
Change in Revenue Surplus	(206)	(103)	-	103	206

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4.0 Reference: LOAD FORECAST

**Exhibit B-1, Table 5, p. 8; Exhibit B-3, p. 2; Appendix C, Schedule 12;
Appendix D, Schedule 13**

Demand forecast

On page 8 of the Application, FEI provides Table 5 showing the calculation of the RSAM rider for 2021:

Table 5: Calculation of RSAM Rider 5 for 2021

RSAM + RSAM Interest, Projected December 31, 2020 Balance ^(1*)	(37.2)
Amortization Period (years)	2
2021 Amortization post-tax (\$000)	(18.6)
Tax Rate	27%
2021 Amortization pre-tax (\$000)	(25.0)

RSAM (Rider 5) Calculation			
RSAM Amortization			
Rate Class	(\$000)	2021 Volume (TJ)	Rider (\$/GJ)
Rate 1		229.1	(0.054)
Rate 2		175.0	(0.054)
Rate 3		59.7	(0.054)
	(25)	463.8	(0.054)

(1*) The projected December 31, 2020 balance is based on 9-months recorded and 3-months projected.

Notes:

In Schedule 13 of Appendix D to the Supplemental Information, FEI provides the 2021 forecast demand by customer class in Column 3. The following is a BCUC staff extract of this schedule:

Line No.	Particulars	2020 Approved	2021 Forecast
	(1)	(2)	(3)
1	ENERGY VOLUME SOLD (TJ)		
2	Residential		
3	Rate Schedule 1	236.9	229.1
4	Commercial		
5	Rate Schedule 2	150.4	175.0
6	Rate Schedule 3	53.1	96.8
7	Industrial		
8	Rate Schedule 25	41.3	-
9	Total	481.7	500.9

4.1 Please provide an explanation for the discrepancy in the 2021 RS 3 forecast volume between the 2021 demand of 59.7 TJ shown in Table 5 of the Application and the 2021 demand of 96.8 TJ shown in Schedule 13 of Appendix D to the Supplemental Information.

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4.1.1 If required, please re-calculate the RSAM rider in Table 5 of the Application and please provide the revised calculation. Please clarify whether FEI is seeking approval of the revised RSAM rider.

Response:

There was an error in the underlying figures used to calculate the 2021 RSAM Rider 5 due to not updating the calculation with the revised demand forecasts used in the Supplemental Information filed December 9, 2020.

In the table below, FEI has amended the projected December 31, 2020 balance based on the preliminary actuals included in the Evidentiary Update, and revised the calculation of the 2021 RSAM Rider 5. FEI is seeking approval of the revised RSAM rider, which is a refund of (\$0.333)/GJ. FEI has amended the approvals sought to reflect this change (please see Appendix A to the Evidentiary Update for the amended draft order).

Table 5: Calculation of RSAM Rider 5 for 2021

RSAM + RSAM Interest, Projected December 31, 2020 Balance ^(1*)	(239.1)
Amortization Period (years)	2
2021 Amortization post-tax (\$000)	(119.6)
Tax Rate	27%
2021 Amortization pre-tax (\$000)	(164.0)

RSAM (Rider 5) Calculation			
RSAM Amortization			
Rate Class	(\$000)	2021 Volume (TJ)	Rider (\$/GJ)
Rate 1		235.3	(0.333)
Rate 2		166.8	(0.333)
Rate 3		90.2	(0.333)
	(164)	492.4	(0.333)

Notes: (1*) The projected December 31, 2020 balance is based on preliminary actuals.

On page 2 of the Supplemental Information, FEI provides tables showing demand by customer class for 2019, 2020 and 2021. One line of the tables shows 2020 actual demand for January to October. Another line shows the 2020 forecast for November to December, as follows:

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Actual	Rate Schedule 1			Rate Schedule 2			Rate Schedule 3			Rate Schedule 25	
	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)
2019	1,898	244,434	128.1	460	185,202	402.2	14	70,419	4,910.8	1	37,105
2020 Jan-Oct	1,875	184,560	97.6	448	131,761	289.1	15	45,712	3,105.8	1	29,070

Forecast	Rate Schedule 1			Rate Schedule 2			Rate Schedule 3			Rate Schedule 25	
	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)
2019	1,941	244,160	125.2	465	160,160	349.3	19	61,061	3,164.8	1	41,500
2020 Jan-Oct	1,912	166,353	86.1	467	106,224	228.3	19	38,632	2,033.3	1	26,026
2020 Nov-Dec	1,918	70,547	36.8	468	44,153	94.4	19	14,601	768.4	1	15,474
2021	1,862	228,978	122.5	466	175,032	375.2	15	96,899	6,460.8	-	-

In Schedule 12 of Appendix C to the Supplemental Information, FEI provides the 2020 demand projection by customer class in Column 3. The following is a BCUC staff extract of this schedule:

Line No.	Particulars	2020 Approved	2020 Projection
	(1)	(2)	(3)
1	ENERGY VOLUME SOLD (TJ)		
2	Residential		
3	Rate Schedule 1	236.9	255.5
4	Commercial		
5	Rate Schedule 2	150.4	185.5
6	Rate Schedule 3	53.1	76.2
7	Industrial		
8	Rate Schedule 25	41.3	28.8
9	Total	481.7	546.0

4.2 Please confirm, or explain otherwise, that for each customer class, 2020 actual demand for January to October plus 2020 forecast demand for November to December should equal the 2020 projection.

Response:

Not confirmed.

The supplemental information request asked that FEI provide an analysis of the variance between 2020 forecast and actual demand. Consequently, for 2019 and 2020, the forecast amounts shown in the second table in the preamble reflect the forecast approved by Order G-48-19 from FEFN's 2019-2020 Revenue Requirement. These forecast amounts were then compared to the actual demand from 2019 and from January to October 2020 (the first table in the preamble).

The 2020 Forecast was separated into two lines in the second table because only January to October actuals were available for 2020, so it was only for that ten-month period that a comparison of actual to forecast was possible. As a result, the 2020 approved forecast in that table was separated between January to October 2020, and November/December 2020.

In comparison, the 2020 Projection in Schedule 12 includes the ten months of actuals (January to October 2020) shown in Table 1 above, but the remaining two months were projected based on more recent information and therefore do not equal the forecast demand for those two months that was approved by Order G-48-19.

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Therefore, the ten months of actual plus the two months of forecast that was approved by Order G-48-19 do not and should not equal the 2020 projection.

FEI notes that, now that the preliminary 2020 customer count, demand and use rates are known, FEI has used those results as the 2020 Projection in the Evidentiary Update.

4.3 Please confirm whether the 2020 actuals impact the 2021 demand forecast.

Response:

Confirmed, as the demand forecast has been recalculated based on 2020 preliminary actuals. Please also refer to the response to BCUC IR1 2.2.

4.3.1 If confirmed, please explain the discrepancy between the 2020 combined actual and forecast demand for RS 2 in the tables provided on page 2 of the Supplemental Information and the 2020 projected demand for RS 2 on Column 3 of Schedule 12 of Appendix C.

Response:

Please refer to the response in BCUC IR1 4.2.

4.3.2 If confirmed, please explain the discrepancy between the tables on page 2 of the Supplemental Information and Schedule 12, Column 3 for 2020 projected demand for RS 3 and RS 25. Please clarify whether this discrepancy is due to the move of the single RS 25 customer to RS 3 in November 2020.

Response:

Please refer to the response to BCUC IR1 4.2.

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4.3.3 If required, please update and re-submit the tables on page 2 of the Supplemental Information with the latest 2020 forecast and actual information.

Response:

As set out in response to BCUC IR1 4.2, FEI confirms that an error was not made with respect to the tables included in response to Item 2 in the Supplemental Information filing. However, given that FEI has now amended the 2020 projection included in the Evidentiary Update, FEI has recalculated the tables using all of the 2020 preliminary actuals and included a revised version below. Please note that variance explanations for 2019 and 2020 are largely the same.

Actual	Rate Schedule 1			Rate Schedule 2			Rate Schedule 3			Rate Schedule 25	
	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)
2019	1,898	244,434	128.1	460	185,202	402.2	14	70,419	4,910.0	1	37,105
2020PA	1,880	244,004	129.3	451	173,761	382.8	17	66,501	4,359.7	-	29,070
Forecast	Rate Schedule 1			Rate Schedule 2			Rate Schedule 3			Rate Schedule 25	
	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)
2019	1,941	244,160	125.2	465	160,160	349.3	19	61,061	3,164.0	1	41,500
2020	1,918	236,900	122.9	468	150,377	322.7	19	53,232	2,801.7	1	41,500
Variance	Rate Schedule 1			Rate Schedule 2			Rate Schedule 3			Rate Schedule 25	
	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)
2019	(43)	274	3	(5)	25,042	53	(5)	9,358	1,746	-	(4,395)
2020	(38)	7,104	6	(17)	23,384	60	(2)	13,269	1,558	(1)	(12,430)
Variance %	Rate Schedule 1			Rate Schedule 2			Rate Schedule 3			Rate Schedule 25	
	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)	Use Rate (GJ)	Customers	Demand (GJ)
2019	-2.3%	0.1%	2.2%	-1.1%	13.5%	13.2%	-35.7%	13.3%	35.6%	0.0%	-11.8%
2020	-2.0%	2.9%	4.9%	-3.8%	13.5%	15.7%	-11.8%	20.0%	35.7%	NA	-42.8%

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C. DEFERRAL ACCOUNTS

5.0 Reference: DEFERRAL ACCOUNTS

Exhibit B-1, pp. 1–2; Appendix B, p. 3

Fort Nelson Revenue Surplus deferral account

On page 2 of the Application, FEI outlines the approvals sought, including:

Creation of a new non-rate base deferral account attracting a weighted average cost of capital [WACC] return (Fort Nelson Revenue Surplus deferral account) to record the forecast 2021 revenue surplus of \$195 thousand and any BCUC direct costs or PACA [Participant Assistance/Cost Award] costs related to the review of this Application, with amortization of any balance to be determined in the next rate setting proceeding.

On page 3 of Appendix B to the Application, FEI states that it “will propose a disposition period in a subsequent application with the intention of the disposition period or amounts to smooth forward rates to the greatest extent possible.”

On page 1 of the Application FEI states that it “...currently expects to file its application for common rates by May 2021 with a planned implementation date of January 1, 2022.”

5.1 Please discuss the rationale for the proposed interest rate of WACC to be applied to the Fort Nelson Revenue Surplus deferral account.

Response:

In FEI’s submission, deferrals should attract a rate base rate of return (or an equivalent weighted average cost of capital (WACC) return for non-rate base deferral accounts). This treatment recognizes the financing that is associated with the timing difference between when there is an outlay of funds and when those costs are recovered from customers, or in this case, between when revenues are collected from customers and when they are returned to customers.

For Fort Nelson specifically, a WACC return is appropriate because it is consistent with the treatment of FEFN’s previously approved deferral accounts. With the exception of the Fort Nelson Right-of-Way Agreement deferral account, all of FEFN’s deferral accounts are approved to earn a WACC or rate base return.

Additionally, a WACC return for the Fort Nelson Revenue Surplus deferral account is consistent with the BCUC’s previously approved treatment of revenue surpluses in FEI. In 2017, FEI was approved in the Annual Review for 2017 Delivery Rates Decision and Order G-182-16 to establish the 2017 Revenue Surplus deferral account and to accrue carrying charges on this deferral account based on FEI’s approved WACC. FEI was again approved this treatment for the 2018 revenue surplus as part of the Annual Review for 2018 Delivery Rates Decision and

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Order G-196-17. FEFN has also been previously approved to establish a rate base revenue surplus deferral account⁴.

5.2 Please provide an updated 2021 forecast addition to the Fort Nelson Revenue Surplus deferral account, broken down by the forecast revenue surplus and any BCUC direct costs and PACA costs.

Response:

FEI has re-calculated the Fort Nelson revenue surplus to be equal to \$132 thousand in the Evidentiary Update. The updated 2021 forecast addition to the Fort Nelson Revenue Surplus deferral account is \$123 thousand, which includes the updated forecast revenue surplus, as well as an updated forecast for regulatory proceeding costs and carrying charges. In the original Application, FEI had forecast \$10 thousand for regulatory proceeding costs, which reflected the proposed limited regulatory process (the deferral addition included a \$5 thousand addition in 2020 and a \$5 thousand addition in 2021). Based on the regulatory timetable established by Order G-316-20, FEI has increased the forecast regulatory proceeding costs to \$16 thousand (a \$5 thousand addition to the deferral account in 2020 and an \$11 thousand addition in 2021).

For completeness, FEI has provided a continuity of the forecast Revenue Surplus deferral additions for 2020 and 2021 and the forecast balance at the end of 2021, broken down into the categories requested. The application costs, BCUC direct costs and PACA costs together represent the forecast 2021 regulatory proceeding costs of \$11 thousand referenced in the above paragraph (PACA costs are forecast to be zero as there is no intervener participation in this proceeding).

	\$000	\$000
2020 Opening Balance	-	
Application Costs	5	5 2020 Additions
WACC Financing	0	
Income Taxes	(1)	
2020 Closing Balance	4	
2021 Revenue Surplus	(132)	(123) 2021 Additions
Application Costs	10	
BCUC Direct Costs	1	
PACA Costs	-	
WACC Financing	(2)	
Income Taxes	33	
2021 Closing Balance	(86)	

⁴ FortisBC Energy Utilities (FEU) 2012-2013 Revenue Requirements and Rates Decision and Order G-44-12 (page 106 of the Decision).

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1

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3

4 5.3 Considering FEI's statement that it expects to file an application for common
5 rates by May 2021 with a planned implementation date of January 1, 2022,
6 please clarify if FEI intends to refund the balance of the deferral account to FEI
7 FEFN customers only upon disposition of the deferral account.

8

9 **Response:**

10 FEI confirms that it intends to refund the balance in the Revenue Surplus deferral account only
11 to FEFN customers and only upon approval of the disposition of the deferral account by the
12 BCUC. FEI intends to apply for disposition of the balance in the Revenue Surplus deferral
13 account as part of the common rates application.

14

⁵ WACC financing is included on the 2020 addition, however it appears as zero upon rounding for this response.

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6.0 Reference: DEFERRAL ACCOUNTS

Exhibit B-3, Item 8, p. 7

Fort Nelson First Nations Right-of-Way Agreement

On page 7 of the Supplemental Information, FEI states:

As at November 30, 2020, FEI has incurred actuals costs of \$111 thousand related to this Agreement.

Negotiations with Fort Nelson First Nations have again stalled due to personnel priority changes within the band. In August 2020, the Fort Nelson First Nations has gone through a Chief and Council election resulting in new leadership. FEI has reached out to the nation to restart the negotiations. Aside from attracting FEI's weighted average cost of capital, no costs have accrued to the deferral account since 2018.

As the negotiations in finalizing this agreement are still continuing and there remains uncertainty about the ultimate dollar value to be spent, FEI proposes to continue to record the actual costs in the existing deferral account and apply for disposition of this account in a future proceeding once the final costs are known.

6.1 Please provide an update on the following items in relation to the Fort Nelson First Nations Right-of-Way Agreement deferral account:

- i. The current status of the negotiations with Fort Nelson First Nations;
- ii. The timing of when FEI anticipates the Right-of-Way Agreement will be completed; and
- iii. The expected cost to complete the Right-of-Way Agreement.

Response:

FEI has responded to the items below.

- i. There are currently no active negotiations underway with the Fort Nelson First Nation. FEI and Fort Nelson First Nation were nearing completion of the Right-of-Way Agreement when the Fort Nelson First Nation underwent governance changes. With the August 2020 changes in governance at the Fort Nelson First Nation, FEI remains uncertain as to when they will be prepared to reengage with the Right-of-Way Agreement negotiations. FEI is prepared to engage when invited by the Fort Nelson First Nation.
- ii. Timing for completion of the Right-of-Way Agreement depends on when the Fort Nelson First Nation will be prepared to reengage with FEI. FEI expects there will be a period where the work completed to date (the survey work, land appraisal, terms of agreement) will be reviewed and assessed by the Fort Nelson First Nation. If the previous work is found to be consistent with the Fort Nelson First Nation's objectives, then FEI

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1 optimistically anticipates a Right-of-Way Agreement could be ready for execution within
2 6 months of reengagement. If further work is identified, or rework required, additional
3 time may be required.

- 4 iii. The expected costs to complete the Right-of-Way Agreement will include the following
5 additional costs: (a) right-of-way arrears of \$6,500 per year; (b) new land appraisal of
6 \$5,000 to \$7,500 to determine rent for the next 5-year period; and (c) additional legal
7 fees of \$10,000 to \$20,000. FEI estimates the total costs to complete the Right-of-Way
8 Agreement to be \$21,500 to \$34,000. This amount does not include the right-of-way fees
9 for the next 5-year interval that will be determined by the new land appraisal.

10

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1 **D. CAPITAL**

2 **7.0 Reference: CAPITAL**

3 **Exhibit B-3, Item 7, pp. 5–6; FEI 2019 and 2020 Revenue**
4 **Requirements and Rates Application for FEFN, BCUC Information**
5 **Request 10.5**

6 **Recreation Centre District Station project**

7 On pages 5 and 6 of the Supplemental Information, FEI Fort Nelson discusses the
8 Recreation Centre District Station project and states the following:

9 The Recreation Centre District Station project is planned to be completed by the
10 end of 2023. Leading up to construction and installation in 2022, FEI is currently
11 and will be further undertaking an evaluation and comparison of options,
12 updating the project cost estimate based on the selected option, and starting the
13 procurement of long lead time materials.

14 The projected cost of the project is currently \$682,000, based on modifying the station at
15 the existing site (option 1), which FEI states “will address all safety and operations
16 concerns but will not address the request from the municipality to relocate the station.”

17 7.1 Please provide the rate impact associated with this project for 2021.

18
19 **Response:**

20 Since FEI is proposing to hold 2021 rates at 2020 levels, there is no rate impact in 2021
21 associated with this project. However, embedded in the 2021 forecast surplus of \$132 thousand
22 is a deficiency of approximately \$2 thousand related to this project, which would cause an
23 approximate 0.1 percent increase to rates if it were flowed through.

24
25

26
27 Section 45(5) of the *Utilities Commission Act* (UCA) states that:

28 If it appears to the commission that a public utility should, before constructing or
29 operating an extension to a utility plant or system, apply for a separate certificate
30 of public convenience and necessity, the commission may, not later than 30 days
31 after construction of the extension is begun, order that subsection (2) does not
32 apply in respect of the construction or operation of the extension.

33 7.2 For each of the four options for River Centre District Station project presented on
34 page 5 of the Supplemental Information, please explain whether, in FEI’s opinion,
35 this project meets the definition of an “extension” under section 45(5) of the UCA
36 and whether the option results in any changes in capacity.

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Response:

This response addresses BCUC IR1 7.2, 7.3 and 7.3.1.

Of the four options described in Item No. 7 of the Supplemental Information filing, Options (1) and (2) would potentially increase the capacity of the system because FEI would either be modifying the existing piping significantly (Option 1) or building a new station (Option 2). Either of these options provides the opportunity to increase gas flows through the station and thus increase system capacity. Option (3) would result in a decrease to system capacity until such time as FEI installs system improvements to increase the tail end pressures of the system. Option (4) does not impact system capacity.

While Options (1) and (2) do, in FEI's view, meet the definition of an "extension" under section 45(5) of the UCA, FEI does not believe that it is necessary or appropriate to seek approval of the Recreation Centre District Station project as a "major project" (i.e., as either a CPCN or a section 44.2 filing).

FEI's preferred option, which is modifying the station at the existing site, has an estimated total capital cost of \$682 thousand. While FEI acknowledges that there is no "major project" threshold (either a CPCN or section 44.2 threshold) for the Fort Nelson service area, FEI believes that the estimated cost of the Recreation Centre District Station project is not of a magnitude that would warrant the filing of a CPCN or section 44.2 application.

Generally, when considering an appropriate "major project" threshold, FEI believes that an appropriate balance should be struck between ensuring prudent capital spending through proper regulatory oversight while avoiding unnecessary administrative burden and costs. The avoidance of unnecessary administrative burden and costs is of particular importance to a small service area like Fort Nelson, as the cost of regulatory processes can have a material impact on customer rates.

FEI reviewed FEFN's historical capital projects and notes that in the past 10 years there have been two CPCN filings and one section 44.2 filing, though only one of these projects was reviewed outside of a revenue requirement application. The most recent CPCN request was for the Prophet River First Nation gas distribution system extension, which was filed as part of the 2019-2020 RRA. A CPCN was requested for this project because it results in an expansion of FEFN's distribution system through the purchase of distribution assets and had increased complexities such as Indigenous consultation and federal permitting approvals.

The other CPCN request for the Fort Nelson service area occurred in November 2013 – the Application for a CPCN to Construct and Operate a Transmission Pressure Pipeline Crossing of the Muskwa River (Muskwa River Crossing Project). The Muskwa River Crossing Project clearly fell under the "major project" classification as it was estimated to cost approximately \$7 million, which, at the time of filing, exceeded the CPCN materiality threshold for FEI of \$5 million⁶. FEI originally sought approval of the Muskwa River Crossing Project as part of the 2011 FEFN RRA under section 44.2 of the UCA. Based on the project alternative identified at that time, the

⁶ As approved by Orders G-120-15 and G-165-20, FEI's CPCN threshold is now \$15 million.

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1 estimated project cost was \$3 million. However, subsequent to approval in the 2011 FEFN RRA
2 Decision, FEI was required to pursue a different project alternative due to the Public Works and
3 Government Services Canada rejection of the preferred project alternative, which significantly
4 increased the cost and complexity of the project, thereby triggering the need for FEI to file for a
5 CPCN.

6 In consideration of FEFN's historical "major projects" and of FEFN's regular sustainment and
7 growth capital projects that have been approved through RRAs, FEI considers that a reasonable
8 "major project" materiality threshold is \$1.2 million for the Fort Nelson service area. This
9 threshold equates to approximately 10 percent of FEFN's 2020 approved mid-year rate base⁷
10 and, in general, reflects the fact that projects below this threshold are not of a complex or
11 significant nature and therefore do not warrant the cost and administrative burden on all parties
12 of a "major project" filing. FEI notes that such a threshold does not preclude FEI from
13 requesting, or the BCUC from requiring, a CPCN for projects below the threshold for reasons
14 such as significant public interest considerations or a high level of complexity. FEI also notes
15 that a CPCN threshold of \$1.2 million is relatively consistent with the informal CPCN filing
16 threshold for Pacific Northern Gas (N.E.) Ltd. of \$1.5 million. This informal threshold was stated
17 by the BCUC Panel as being reasonable.⁸

18
19
20
21 7.3 Please confirm whether FEI intends to file a major project filing (i.e. either a
22 Certificate of Public Convenience and Necessity or 44.2 filing) for this project in
23 advance of construction and discuss why or why not.

24 7.3.1 Please explain whether, in FEI's opinion, this project is of a magnitude
25 that would require a major project filing.
26

27 **Response:**

28 Please refer to the response to BCUC IR1 7.2.
29
30

31
32 7.4 Please clarify whether 2020 and 2021 capital expenditures for the project will
33 include only project development costs and confirmation of the chosen
34 alternative, and not construction costs.
35

⁷ FEFN Supplemental Information Filing, Appendix B, Schedule 2, Line 32.

⁸ PNG (N.E.) 2020-2021 Revenue Requirements Application for the Fort St. John/Dawson Creek and Tumbler Ridge Divisions, pp. 24-25 and Order G-263-20.

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1 **Response:**

2 2020 and 2021 capital expenditures for the project will include project development costs to
3 confirm the chosen alternative, and detailed design of the chosen alternative. Also, during 2021
4 some long lead time materials will be ordered and shop fabrication may be initiated late in the
5 year with costs accounted for in capital work in process. Shop fabrication should be completed
6 before the end of Q2-2022. Field construction and installation is planned for 2022 and will likely
7 occur in Q3-2022.

8
9

10

11 7.5 Please provide the expected timing for the start of construction for this project.

12

13 **Response:**

14 Please refer to FEI's response to BCUC IR1 7.4.

15
16

17

18 In response to BCUC Information Request 10.5 in FEI's 2019 and 2020 Revenue
19 Requirements and Rates Application for FEFN, FEI states the following in relation to the
20 Recreation Centre District Station project:

21 Additionally, the City of Fort Nelson has requested that FEI relocate the station.
22 This will likely result in a complete replacement of the station with installation at a
23 different location.

24 7.6 If FEFN proceeds with option 1, please explain whether the City of Fort Nelson
25 could continue to request FEI to relocate the station, resulting in costs being
26 incurred twice for this project. Please discuss the likelihood of this occurring.

27

28 **Response:**

29 FEI understands that the City of Fort Nelson is not demanding that the station be relocated, but
30 that FEI consider relocating the station if significant alterations to the station are undertaken.
31 FEI understands that the City of Fort Nelson appreciates that it is necessary to consider the
32 cost, complexity and customer impact associated with any option and that relocation may not be
33 reasonable or practical when comparing possible solutions.

34 At a recent meeting, the City of Fort Nelson advised that they are willing to create a formal land
35 agreement for the existing site which will replace any verbal agreement from the past. This will
36 allow the station to remain where it is and the concern raised in the question about additional
37 costs being incurred will not materialize.

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- 1 If FEI proceeds with Option 1, it will continue to consult with the City of Fort Nelson regarding
- 2 other beautification options to make the site more visually acceptable.
- 3

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8.0 Reference: CAPITAL

Exhibit B-3, pp. 4–5

Telemetry and odourization system project

On pages 4 and 5 of the Supplemental Information, FEI describes capital expenditures of \$186,000 for a telemetry and odourization system project.

8.1 Please explain whether the current system at this location consists of an odourization system. If yes, please explain why the odourization system requires replacement.

Response:

The description of the telemetry project on pages 4 to 5 of FEI's Supplemental Information filing (i.e., the second bullet under the heading Transmission) incorrectly included reference to an updated odourization system. The capital expenditure forecast of \$186,000 does not include the cost of a new odourization system. Although the capital expenditure forecast for this project had already been refined to exclude the cost of a new odourization system, the project description had not yet been updated and continued to identify the need for a new odourization system.

To clarify, there is an existing odourization system at this location that does not need to be replaced. The existing odourization system will be satisfactory if an additional method of monitoring its operation is installed. Therefore, replacement of the existing odourization system is not proposed.

The project will allow telemetry to be used to monitor the flow rate through the station and the level of odourant in the tank. Having the additional monitoring will help to prevent running out of odourant at this remote location and allow for planned refills of the tank at opportune times. It will also allow for better analysis of odourant usage that may indicate that adjustments to the system are necessary to ensure appropriate odourization of the gas and reliable detection of leaks.

8.2 Please explain why telemetry is needed at this time and discuss whether this project could be delayed or re-prioritized.

Response:

As stated in Item No. 5 of the Supplemental Information filing, the installation of telemetry at this site will allow remote monitoring of the inlet and outlet pressures of the pressure control station and the operating status of the odourization system to ensure the safe and compliant operation of the downstream pipeline and system odourization.

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1 The installation of telemetry and remote monitoring of pressure control facilities is standard
2 practice in the industry. In the past, it had been limited to significant facilities; however, now it is
3 even common on less significant facilities to confirm proper operation and to facilitate corrective
4 or emergency response. This site is one that limits the pressure in the downstream transmission
5 pipeline to ensure compliance with CSA Z662, oil and gas pipeline systems. Also, being remote,
6 FEI considers this site a prime candidate for having telemetry so the site can be monitored
7 continuously.

8 Considering other projects and possible future work on the FEFN system, this project is
9 considered a priority and FEI does not see a benefit to delaying or re-prioritizing it.

10
11
12
13 8.3 Please explain whether FEFN intends to update odourization systems at other
14 locations in its service territory in future.

15
16 **Response:**

17 FEFN has only two odourization systems and there is currently no plan at this time to alter the
18 smaller odourization system located at Prophet River.

19
20
21
22 8.4 Please explain whether FEFN has telemetry on its other odourization systems in
23 its service territory. If not, please explain why.

24
25 **Response:**

26 FEFN has telemetry at its Prophet River station, the location of the only other odourization
27 system. However, as a result of the low volume of gas that flows through the station and the
28 resulting small size of the odourant storage tank, it is not practical to install an odourant level
29 monitoring device as discussed in response to BCUC IR1 8.1.

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9.0 Reference: CAPITAL

Exhibit B-3, p. 5

Distribution mains renewal project

On page 5 of the Supplemental Information, FEI describes capital expenditures of \$329,000 for its distribution mains renewal program.

9.1 Please provide an update on the distribution mains renewal program, including scope and cost to date, work planned to be completed in the test period, and any lessons learned from the program roll-out so far.

Response:

Up until the end of 2020, approximately 3,200 metres of main and 63 services will have been replaced under the distribution mains renewal program.

During 2021, the plan is to replace approximately 825 metres of main and 50 services.

There is no change in our understanding of the system. Generally, past leaks were a result of corrosion of the steel mains and services due to insufficient levels of cathodic protection at specific locations. This is due to pipe coating that is in poor condition or adverse soil conditions. As well, the extensive use of non-welded mechanical couplings to join sections of main together or to attach services to mains are sources of leaks, often due to the ground freeze-thaw cycle. FEI's recent experience has shown that more of these fittings have been used than is indicated in the available documentation. Removing portions of the distribution system suspected of having these conditions reduces the likelihood of a leak and the need for emergency response, possibly in poor weather conditions. Consequently, with respect to this program, FEI is focusing its efforts on locations with higher perceived risk to public safety.

9.2 Please explain whether the 2021 planned capital expenditures on this program are consistent with prior years, increased or decreased.

Response:

The 2021 planned capital expenditures on this program are higher than prior years. The average annual expenditure during the years from 2017 to 2020 was approximately \$233 thousand with an average main replacement of 791 metres along with 16 service replacements. The forecast for 2021 is to include approximately 825 metres of main and 50 services.

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9.3 Please provide information on what work remains outstanding to complete the distribution mains renewal program.

Response:

FEI expects that the current expenditure levels and main replacement rate that has occurred over the last 6 years, including 2021, should be sufficient to complete the proactive replacement of mains that contain the conditions that are of concern. However, the scope of work may change as mains are exposed and our assessment changes regarding the condition of the mains remaining in service.

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1 **10.0 Reference: CAPITAL**

2 **Exhibit B-1, Section 5, p. 9; Exhibit B-3, Item 9, p. 7**

3 **Prophet River First Nation extension**

4 On page 9 of the Application, FEI states:

5 FEI filed its semi-annual report on the Prophet River First Nations (PRFN) Gas
6 Distribution System Extension on September 8, 2020. This report is included as
7 Appendix C to the Application.

8 On page 7 of the Supplemental Information, FEI states that “there is no impact to the
9 test year 2021’s revenue requirement from the completion of the PRFN Extension in
10 2021.”

11 10.1 Please confirm that FEI is not requesting that the Prophet River First Nation
12 extension semi-annual progress report be reviewed as part of this Application.

13
14 **Response:**

15 Confirmed.

16