

# FBC Annual Review of 2024 Rates

Workshop

October 23, 2023



# Agenda

Topic	Presenter(s)
Approvals Sought, Generic Cost of Capital (GCOC) Stage 1 Decision, and Evidentiary Update	<b>Sarah Walsh</b> <i>Director, Regulatory Affairs</i>
Revenue Requirements & Rates	<b>Anthony Ho</b> <i>Manager, Rates and Revenue</i>
Power Supply	<b>Shannon Price</b> <i>Power Supply Operations Manager</i>
Wildfire Impacts and Operational Response	<b>Carrie Grant</b> <i>Regional Manager, Network Services</i>  <b>Derek Rinn</b> <i>Regional Manager, Interior South</i>
Climate Change Operational Adaptation	<b>Lisa Ruchkall</b> <i>Senior Regional Engineer</i>
Service Quality Indicators (SQIs)	<b>James Wong</b> <i>Director, Budgeting &amp; Strategic Initiatives</i>  <b>Brooklyne Maligaspe</b> <i>Manager, Customer Experience &amp; Business Performance</i>
Open Question Period	All

# Approvals Sought

- **Permanent 2024 Rate Increase of 6.74%**
- **A three-year amortization period for the 2023 Revenue Deficiency deferral account, commencing January 1, 2024**
- Creation of five new rate base deferral accounts
  - ❑ 2025 Multi-year Rate Plan (MRP) Application deferral account
  - ❑ 2024 Mandatory Reliability Standards (MRS) Audit deferral account
  - ❑ PST Rebate on Select Machinery and Equipment deferral account
  - ❑ BC Cost of Living Credit deferral account
  - ❑ Climate Change Operational Adaptation (CCOA) Plan deferral account

# GCOC Stage 1 Decision and Compliance Filing

- Key Determinations in GCOC Stage 1 Decision:
  - ▣ Deemed equity component of 41.0%
  - ▣ Allowed Return on Equity (ROE) of 9.65%
  - ▣ Changes to deemed equity and allowed ROE effective January 1, 2023
- GCOC Compliance Filing Approvals:
  - ▣ Approved to make permanent the existing interim 2023 rate increase of 3.98%, effective January 1, 2023
  - ▣ Approved to record the 2023 incremental revenue deficiency of \$6.213 million in a new deferral account – 2023 Revenue Deficiency deferral account. Disposition of the deferral account to be reviewed in the 2024 Annual Review

# Evidentiary Update

- Updated 2024 rate increase of 6.74%.
- Amendment to Table 1 and Table 3 of Evidentiary Update

	Revenue Deficiency / (Surplus) \$ millions	Rate Impact (%)
<b>August 4, 2023 Filing</b>	<b>\$ 20.674</b>	<b>4.83%</b>
Update AWE-BC to I-Factor Calculation <sup>(1)</sup>	-	0.00%
2024 Impact related to GCOC (G-236-23)	6.125	1.43%
Amortization of 2023 Revenue Deficiency Deferral Account	2.071	0.48%
<b>Evidentiary Update</b>	<b>\$ 28.870</b>	<b>6.74%</b>

\$ millions	2024 Deficiency due to GCOC Decision (\$000s)	Rate Impact (%)
Deemed Equity and ROE Change	\$ 5.092	1.19%
Debt Financing Rate and Ratio Change	(0.726)	(0.17)%
<b>Subtotal - Change in Return on Capital</b>	<b>\$ 4.366</b>	<b>1.02%</b>
Change in Amortization	(0.091)	(0.02)%
Change Income Tax Expense	1.850	0.43%
<b>Total</b>	<b>\$ 6.125</b>	<b>1.43%</b>

# Proposed 3-Year Amortization Period for 2023 Revenue Deficiency Deferral Account

- FBC considered one to five year amortization periods
- Key considerations were rate smoothing and timely recovery of balance

	Amortization Period				
	1 Year	2 Years	3 Years	4 Years	5 Years
Changes to Proposed 2024 Rate Increase (%)	0.97%	0.24%	0.00%	-0.12%	-0.19%
Proposed 2024 Rate Increase (%)	7.71%	6.98%	6.74%	6.62%	6.55%
<b>Average Bill Impact (\$)</b>					
Residential	\$ 120	\$ 109	\$ 105	\$ 103	\$ 102
Commercial	\$ 499	\$ 452	\$ 436	\$ 428	\$ 424
Industrial	\$ 91,419	\$ 82,763	\$ 79,917	\$ 78,494	\$ 77,664

Source: Table 7 from Evidentiary Update, Exhibit B-13

Questions?



# Revenue Requirements & Rates

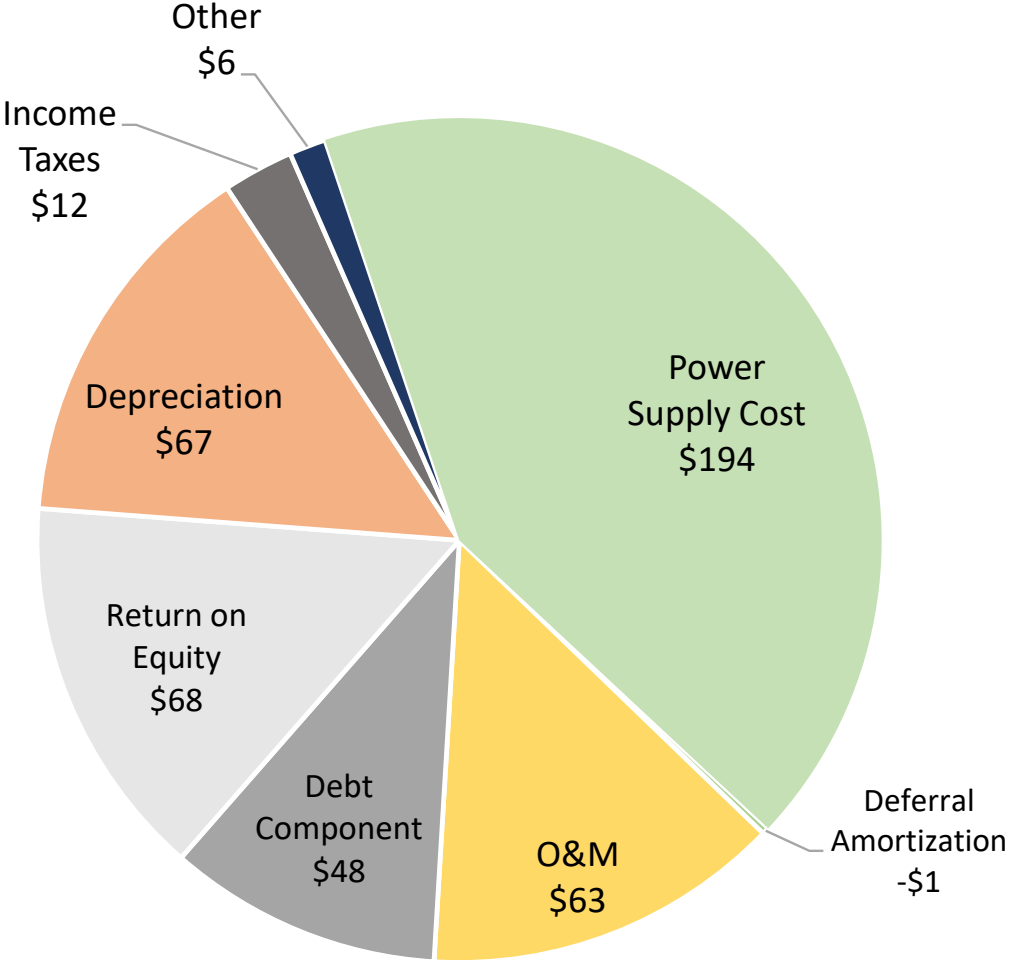
*Anthony Ho, Manager, Rates and Revenue*





# 2024 Revenue Requirement Summary

Total Revenue Requirement of \$457 million



# Summary of 2024 Deficiency

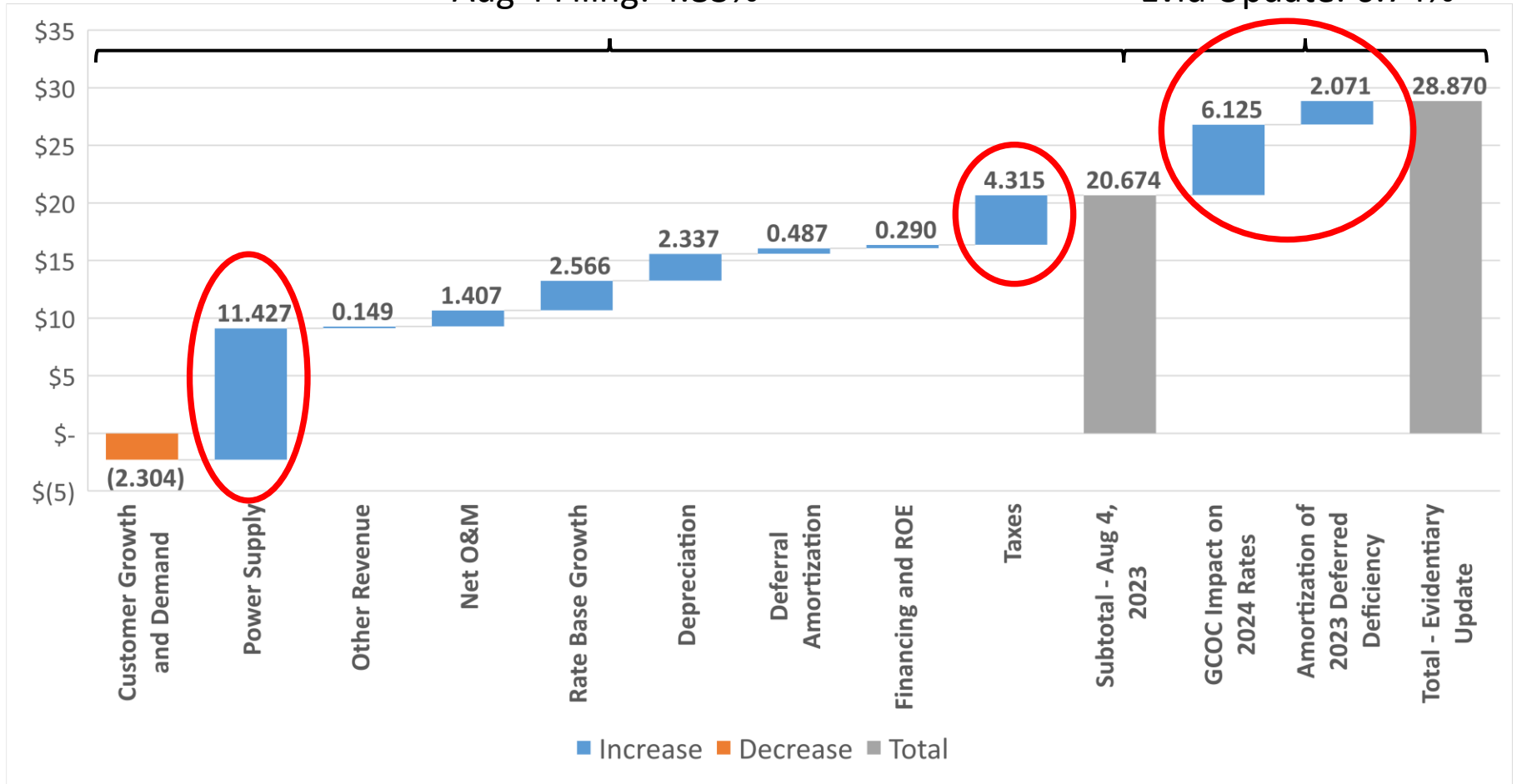
- Deficiency of \$28.870 million:
  - ❑ Total 2024 revenue requirement is \$457.247 million, less
  - ❑ Revenue at existing 2023 approved rates of \$428.377 million
  
- Major drivers of deficiency:
  - ❑ Power Supply: 2.67%
  - ❑ GCOC: 1.43% and Amortization of 2023 Deficiency: 0.49%
  - ❑ Taxes: 1.01%

Components	\$ millions	%
Customer Growth and Demand	(2.304)	-0.54%
Power Supply	11.427	2.67%
Other Revenue	0.149	0.03%
Net O&M	1.407	0.33%
Rate Base Growth	2.566	0.60%
Depreciation	2.337	0.55%
Deferral Amortization	0.487	0.11%
Financing and ROE	0.290	0.07%
Taxes	4.315	1.01%
<b>Subtotal - Aug 4, 2023</b>	<b>20.674</b>	<b>4.83%</b>
GCOC Impact on 2024 Rates	6.125	1.43%
Amortization of 2023 Deferred Deficiency	2.071	0.48%
<b>Total - Evidentiary Update</b>	<b>28.870</b>	<b>6.74%</b>

# Summary of 2024 Deficiency

Aug 4 Filing: 4.83%

Evid Update: 6.74%



# Key Deficiency Drivers: GCOC Decision

\$ millions	2024 Deficiency due to GCOC Decision (\$000s)	Rate Impact (%)
Deemed Equity and ROE Change	\$ 5.092	1.19%
Debt Financing Rate and Ratio Change	(0.726)	(0.17)%
<b>Subtotal - Change in Return on Capital</b>	<b>\$ 4.366</b>	<b>1.02%</b>
Change in Amortization	(0.091)	(0.02)%
Change Income Tax Expense	1.850	0.43%
<b>Total</b>	<b>\$ 6.125</b>	<b>1.43%</b>
2023 Deferred Deficiency (Amortization over 3 years)	2.071	0.48%
<b>Total incl. 2023 Deficiency Amortization</b>	<b>\$ 8.196</b>	<b>1.91%</b>
<b>Change in Amortization</b>		
Due to change in 2023 AFUDC Rate	\$ (0.004)	
Flow-Through Deferral <sup>(1)</sup>	(0.087)	
<b>Total</b>	<b>\$ (0.091)</b>	
<b>Reconciliation of Change in Income Tax Expense</b>		
Change in Return on Capital	\$ 4.366	
Less: Change in Interest Expense	0.726	
Adjustment to Taxable Income:		
Change in Amortization	(0.091)	
<b>Accounting Income After Tax</b>	<b>\$ 5.001</b>	
<b>Income Tax Expense <sup>(2)</sup></b>	<b>\$ 1.850</b>	

(1) Due to change in Variance between 2023 Projected and 2023 Approved Interest Expense resulting from the GCOC Decision

(2)  $\$5,001 / (1 - 27\%) \times (27\%) = \$1,850$

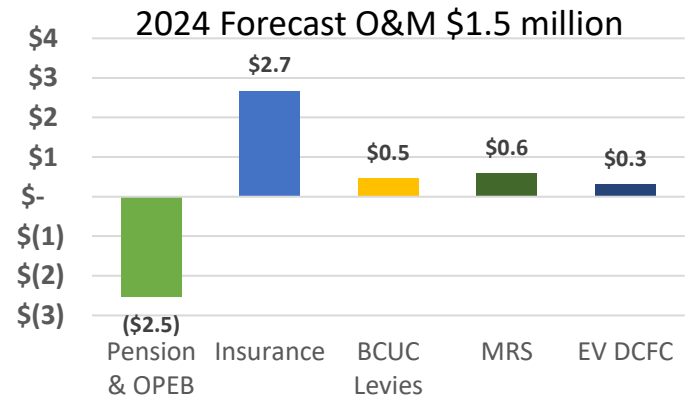
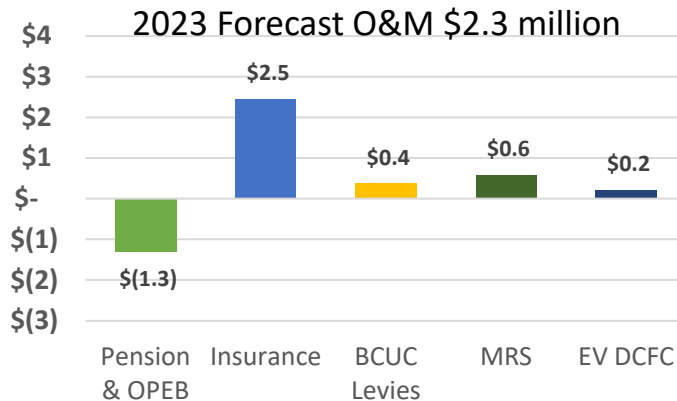
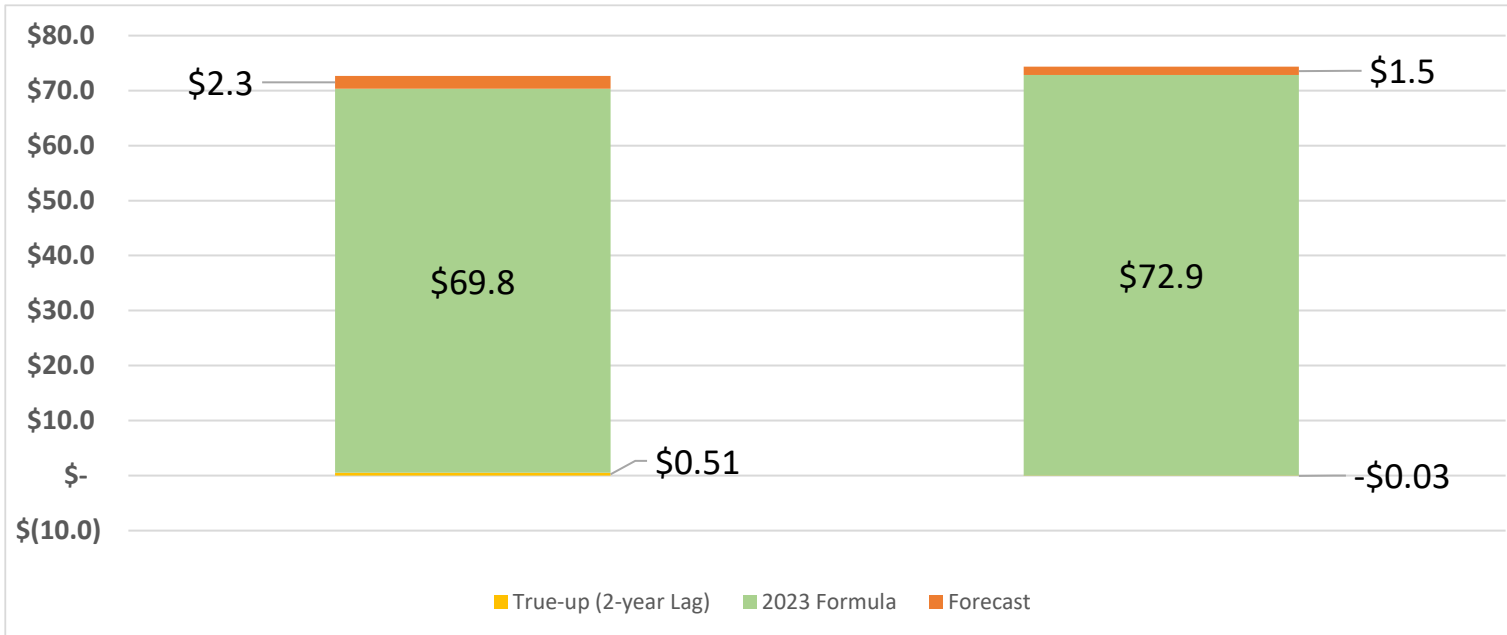
# Key Deficiency Drivers: Income Tax (Excl. GCOC)

- Income Taxes higher by \$4.002 million (or 65.9%) before GCOC Decision
- Accelerated Investment Incentive (AII) is being phased-out starting 2024 and ending in 2028
  - ❑ Allowed FBC to take accelerated CCA income tax deductions
  - ❑ Phase-out provides stepped reductions over the next few years
  - ❑ Lower CCA deductions increases income tax expenses by \$2.208 million (BCUC IR1 20.2)

# O&M – 2023 Approved vs. 2024 Forecast

2023 Approved Gross O&M \$72.6 million  
(\$61.8 million after capitalized overheads)

2024 Forecast Gross O&M \$74.3 million  
(\$63.2 million after capitalized overheads)



Questions?



# Power Supply

Shannon Price, *Power Supply Operations Manager*



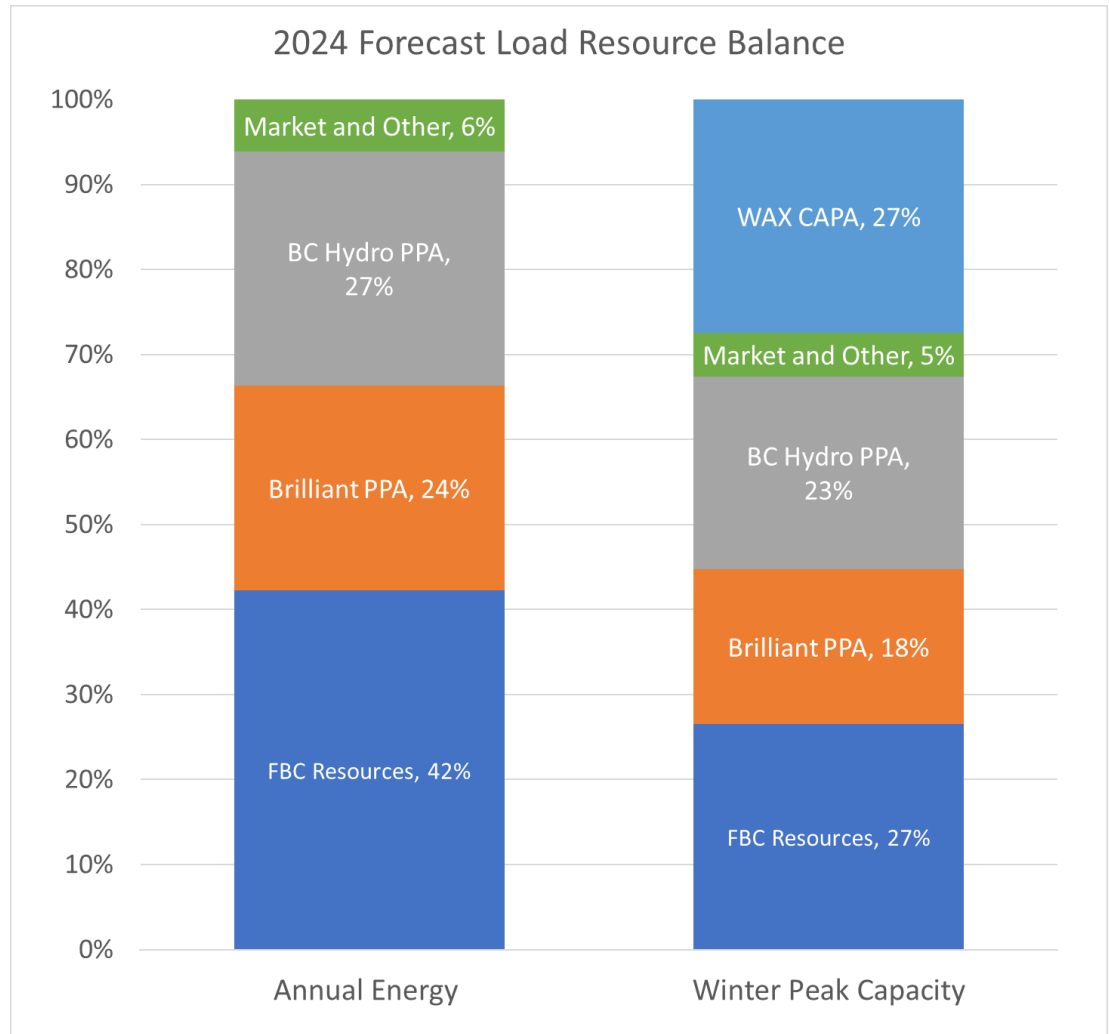


# Introduction: Role of Power Supply

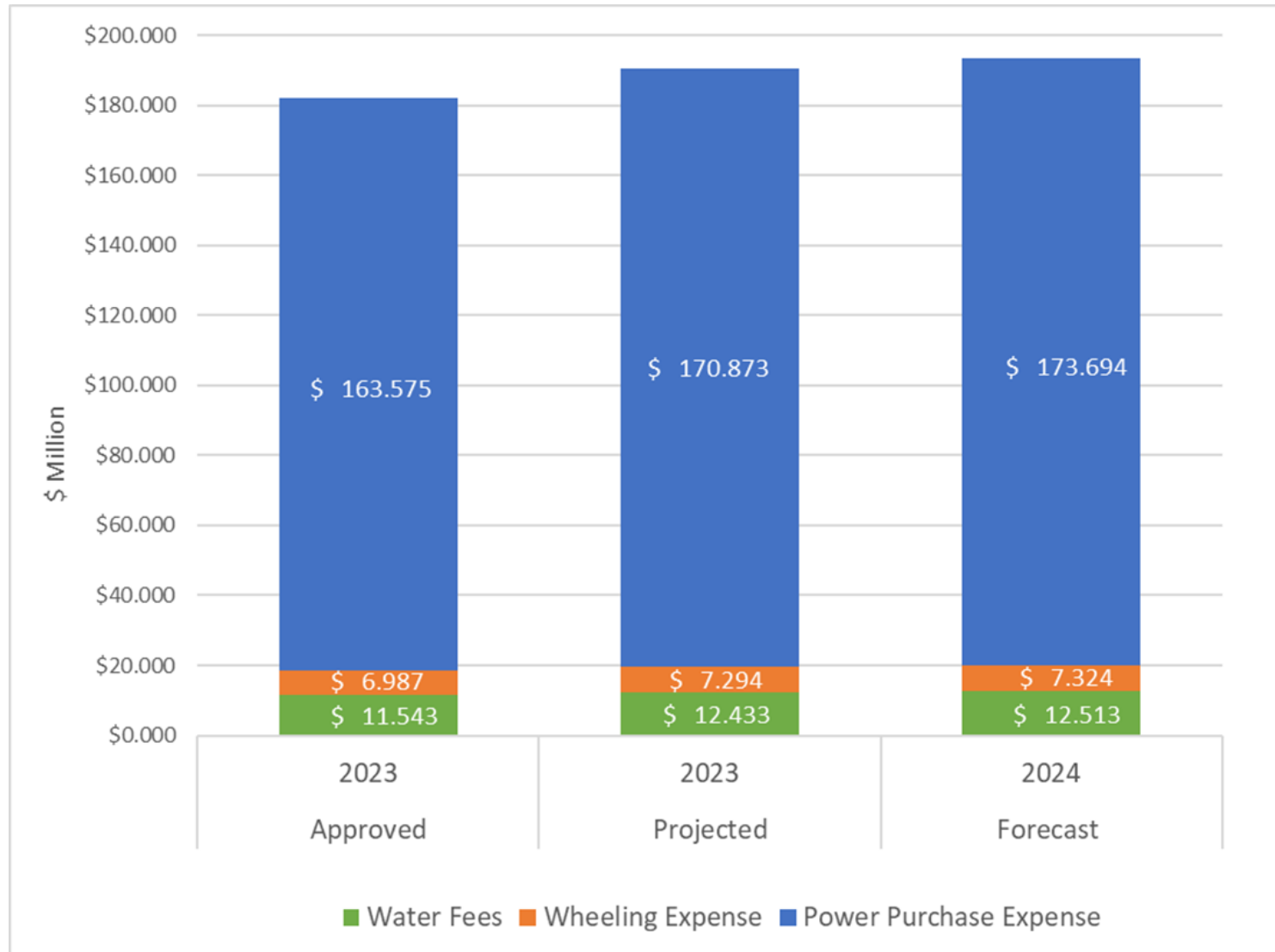


# Introduction: Power Supply Portfolio

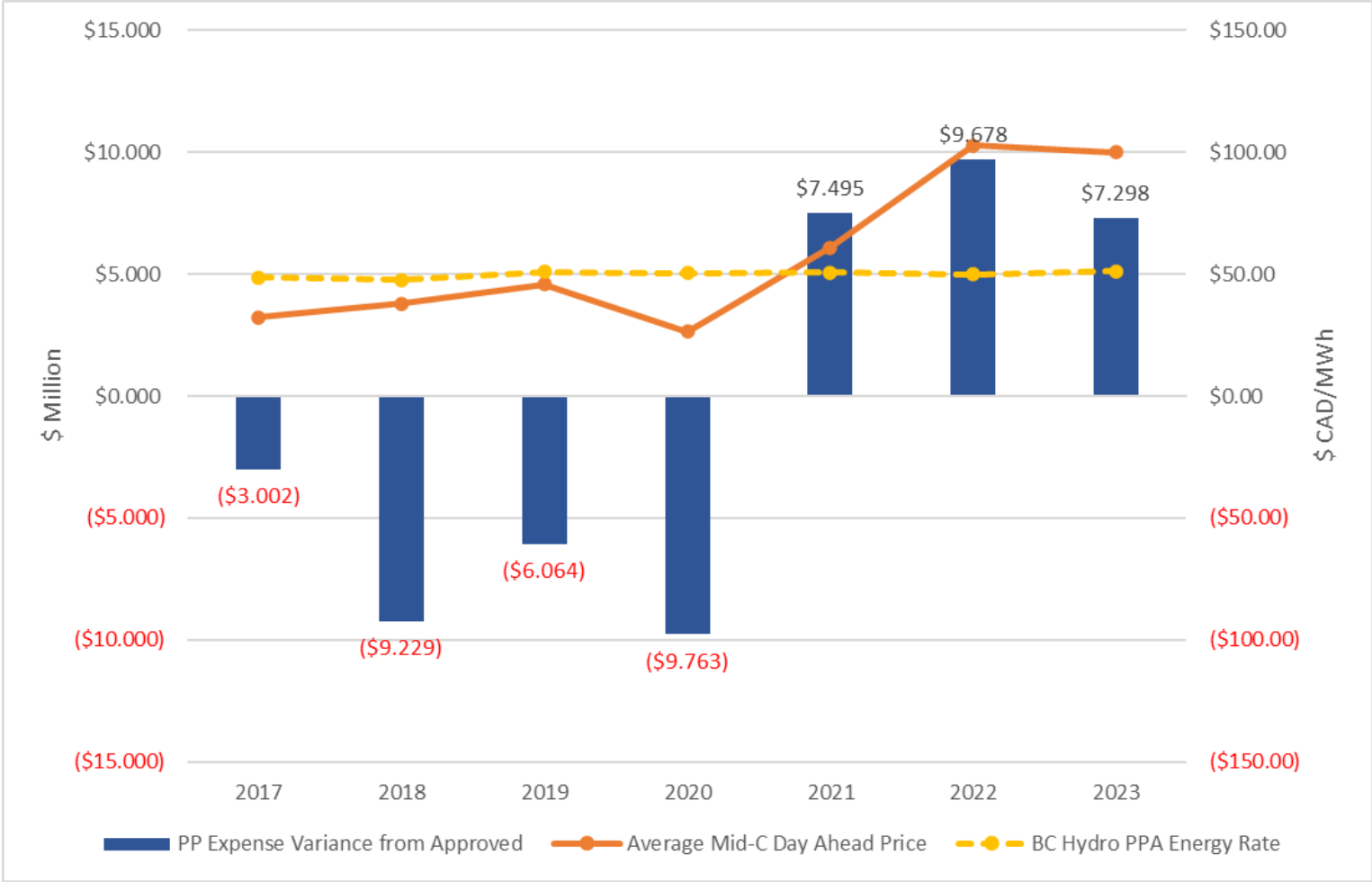
- FBC owns generation resources on the Kootenay River
- FBC also is a party to long term power supply contracts
- A portion of requirements is purchased from the wholesale electricity market



# Total Power Supply Cost



# Power Purchase Expense Variance vs. Approved

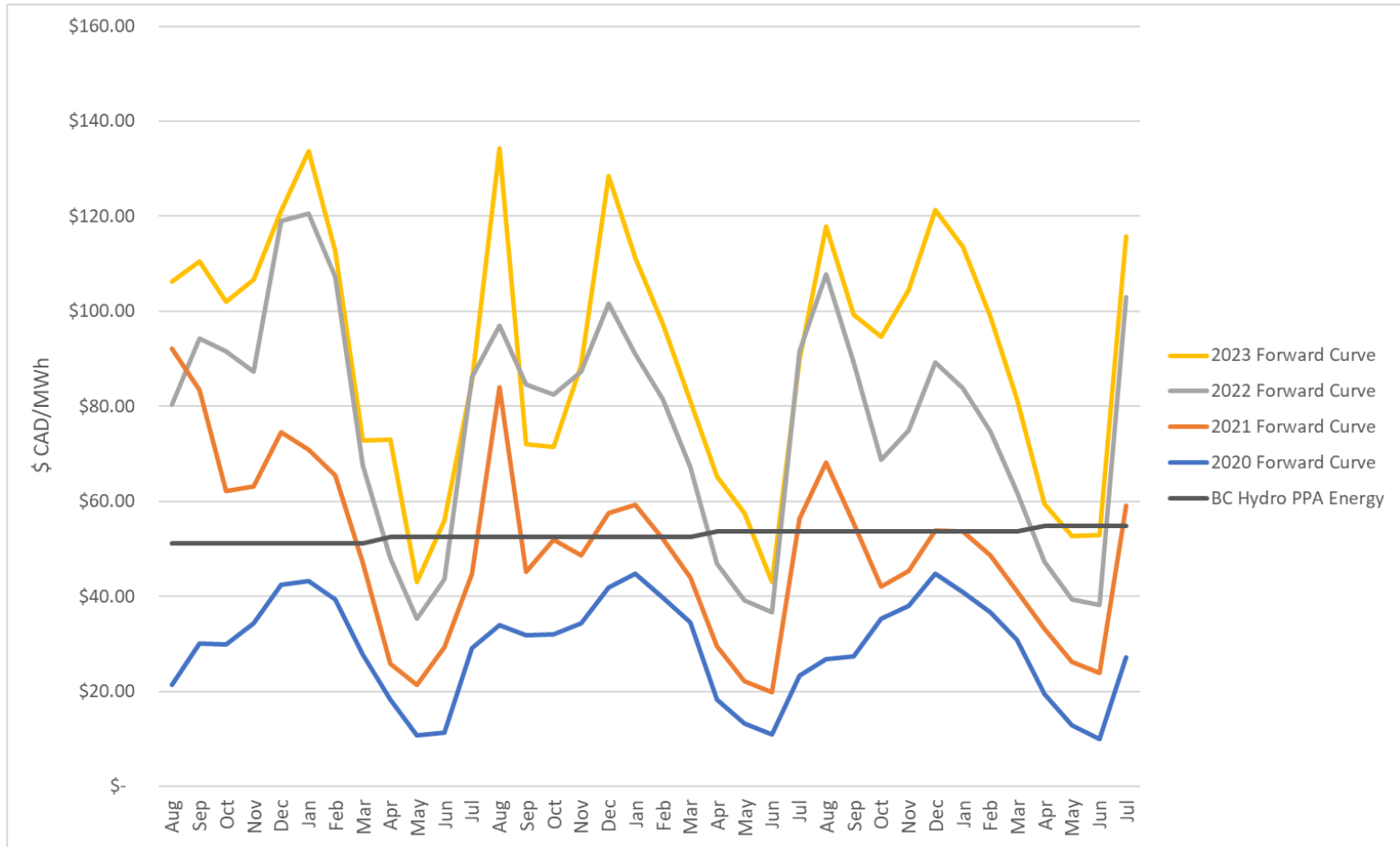


# Wholesale Market Environment: Resource Adequacy Concerns

- Resource Adequacy risks to the Western Interconnection are likely to increase in upcoming years as a result of:
  - ❑ Coal Retirements
  - ❑ Growing Demand
  - ❑ Resource Variability
  - ❑ Extreme Weather
- Changes are affecting how and when entities can rely on imports

# Wholesale Market Environment: Price Signals

2020-2023 Mid-C Off Peak Forward Curves vs 2023-2025 BC Hydro PPA Energy Rate



# Implications

- As wholesale prices go up, mitigation goes down
- FBC optimizes between PPA and the wholesale market
  - currently PPA is more economic than market, which is why FBC has been increasing its PPA nomination year over year
- Expectations are that the wholesale market will continue to be tight over the next several years
- Extreme events can result in exposure to high costs, as well as large surplus capacity sales
- FBC ensures security of supply and reduces exposure to potential extreme prices by entering fixed price contracts to address supply gaps

Questions?





# Climate Change, Wildfires & Evolving Operations

Derek Rinn & Carrie Grant, *Regional Managers*



# Agenda



- Changing Conditions
- Evolving Operational Response
- FBC Fire Impacts & Response
- Looking Ahead

# BC Wildfire Statistics

Year	Total Hectares Burned
2023 (YTD)	<b>2,486,794</b>
2022	108,751
2021	<b>869,195</b>
2020	15,010
2019	21,138
2018	<b>1,354,284</b>
2017	<b>1,216,053</b>
2016	100,366
2015	280,605
2014	369,168
2013	18,298

- 2017 – record for most area burned, previous record of 856,000 set in 1958
- 2018 – new record
- 2021 – third highest year recorded for area burned
- 2023 – new record – 4 of last 7 years has exceeded 1958 value

# Evolving with Climate Change



- Vegetation Management
- Fire Retardant application
- Training
  - S100 Fire Suppression and Safety
  - Employee Safety
- Emergency management through Incident Command System, communications w/ BCWS + local fire departments
- Software tools: Indji, FIRMS (Fire Information for Resource Management)

# Tactical Application of Fire Retardant



- 2023 Osoyoos – Lone Pine Creek Fire
- 740 homes evacuated
- Threatened FBC transmission line
- Area Command Center Activated
- Contingency Plans in place
- No asset damage



# BC Wildfire Service Support



- 2022 Kalamalka Provincial Park Fire
- Small – grasslands – rapid start/spread
- 2 transmission supply lines for Kelowna
- Contingency plans were developed
- Wooden structures protected by BCWFS
- No customer impacts, but potential for larger regional area outage

# Emergency Management – 2023 Kelowna Wildfires



- Fast moving fire with high winds and dry conditions
- Multiple ACCs and EOC Activated
- Electrical supply critical for fire suppression efforts
- Tactical application of fire retardant
- Electrical Asset Impact 15 distribution poles burned
- Support BC Hydro through mutual aid in West Kelowna

Questions?





# Climate Change Operational Adaptation (CCOA)

Lisa Ruchkall, *Senior Regional Engineer*



# Climate Change Operational Adaptation (CCOA)

Wildfires



Flooding



Windstorms



Snowstorms



Extreme Temp



Landslides



Lightning

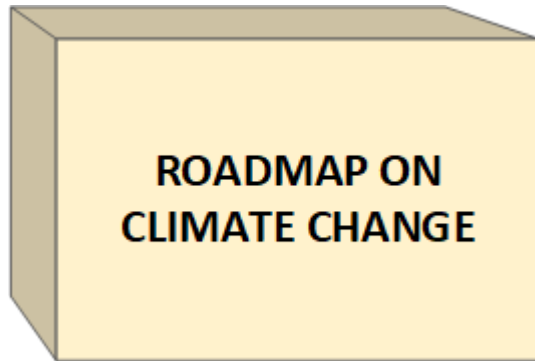


Freeze-Thaw



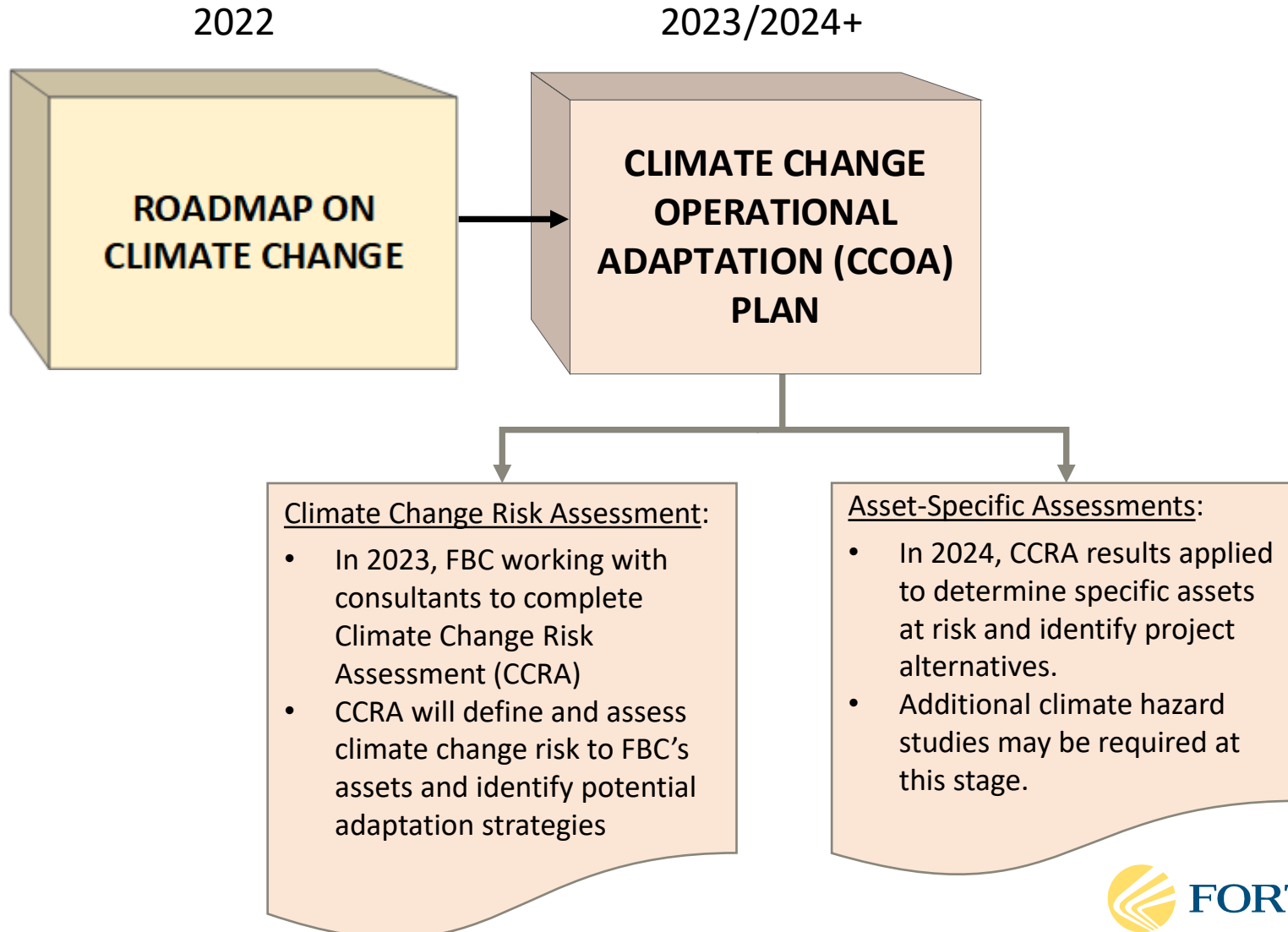
# Climate Change Operational Adaptation (CCOA)

2022

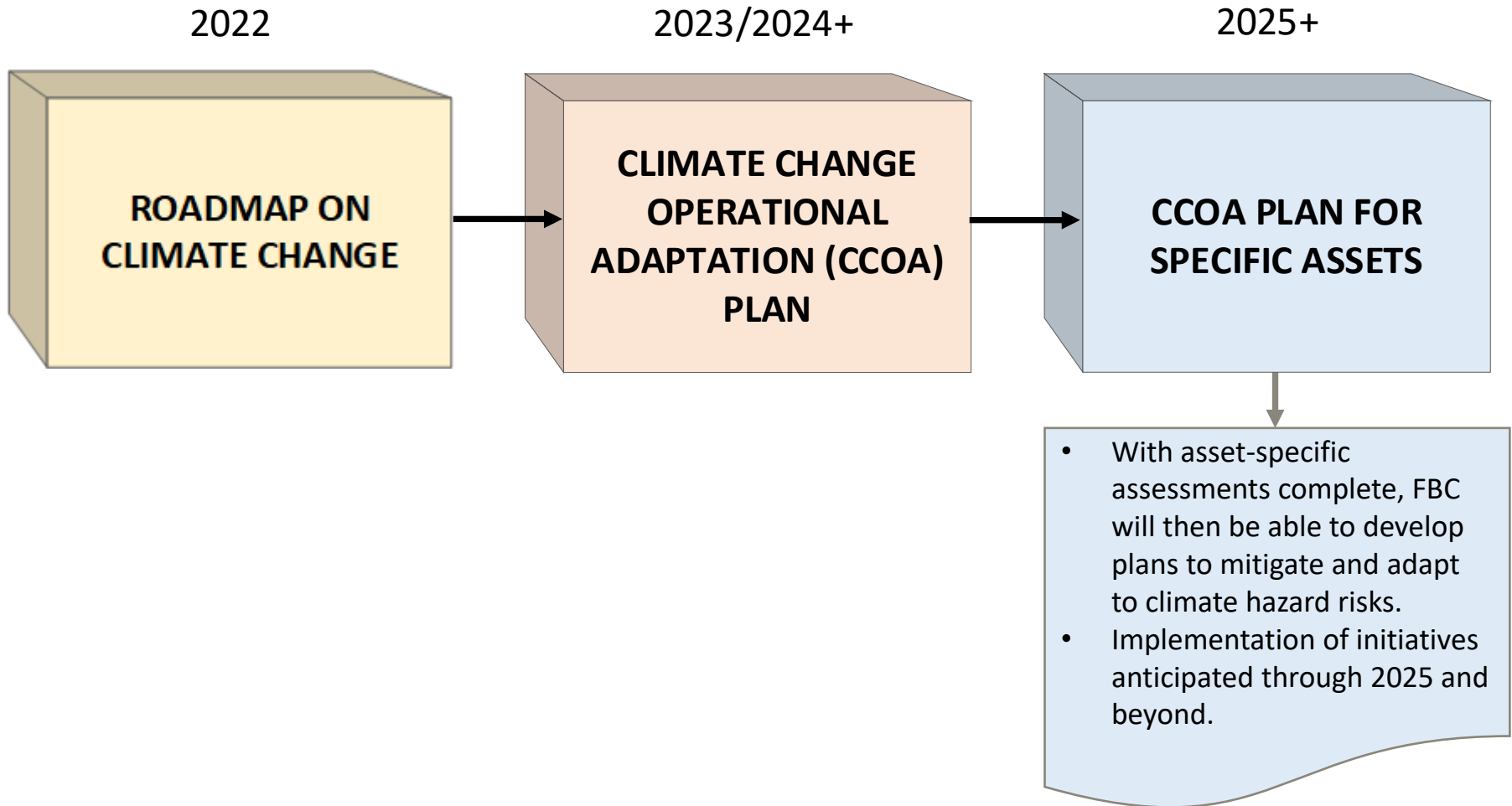


- FBC developed roadmap for climate change.
- Roadmap provides overall structure and approach for climate change adaptation.
- First step identified in the roadmap was the CCOA Plan.

# Climate Change Operational Adaptation (CCOA)



# Climate Change Operational Adaptation (CCOA)



Questions?



# Service Quality Indicators

*James Wong, Director, Budgeting and Strategic Initiatives*

*Brooklyne Maligaspe, Manager, Customer Experience-Business Performance*



# Safety and Reliability

	2021 Results	2022 Results	2022 Status (Relative to Benchmark)	2023 August YTD Results	2023 Status (Relative to Benchmark)	Benchmark	Threshold
<b>Safety SQIs</b>							
Emergency Response Time	93%	93%	Meets Benchmark	92%	Better than threshold	93.0%	90.6%
All Injury Frequency Rate	0.67	1.42	Meets Benchmark	1.98	Better than threshold	1.64	2.39
<b>Reliability SQIs</b>							
SAIDI - Normalized	4.27	2.42	Meets Benchmark	3.25	Better than threshold	3.22	4.52
SAIFI - Normalized	2.08	1.52	Meets Benchmark	1.64	Better than threshold	1.57	2.19
<b>Informational Indicator</b>	<b>2021 Results</b>	<b>2022 Results</b>		<b>2023 August YTD Results</b>			
Generator Forced Outage Rate	0.23%	0.50%	n/a	0.61%	n/a		
Interconnection Utilization	99.90%	99.94%	n/a	99.99%	n/a		

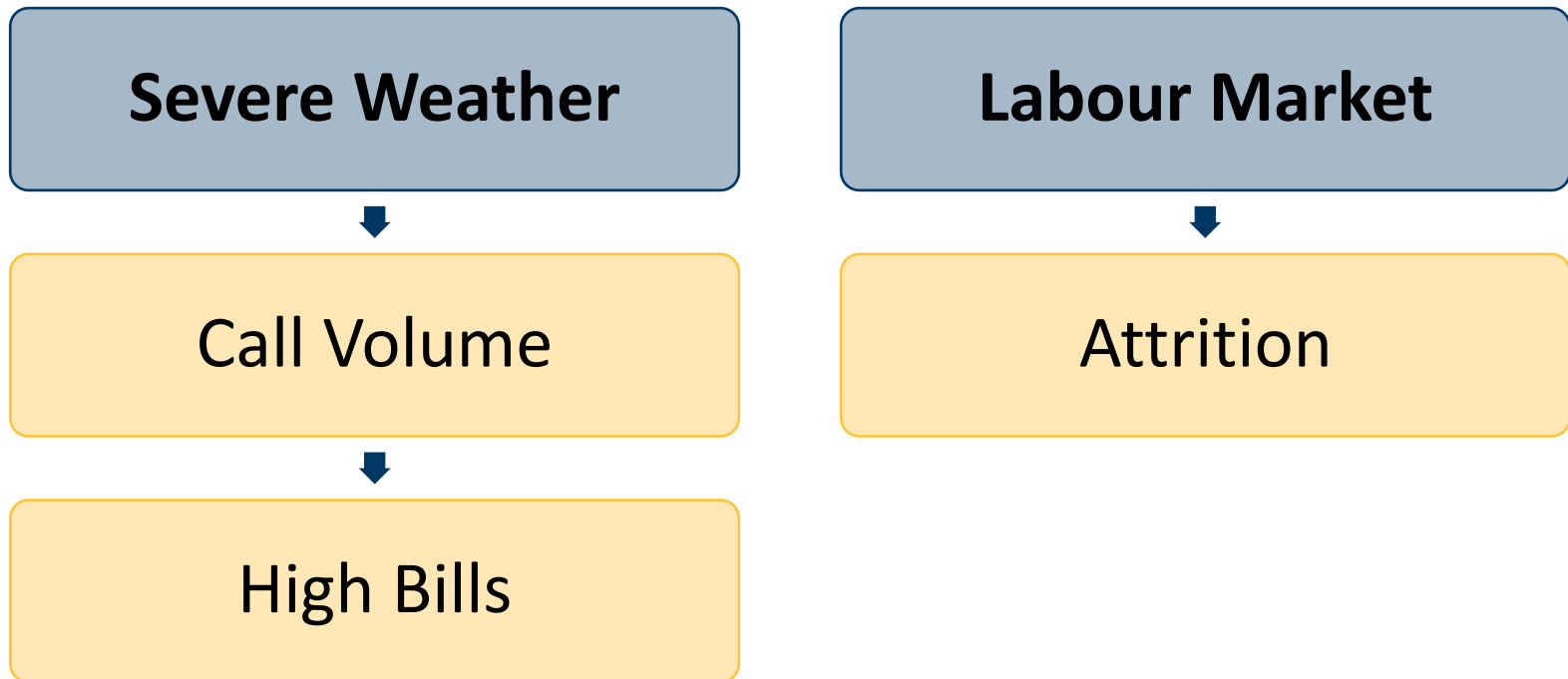


# Customer

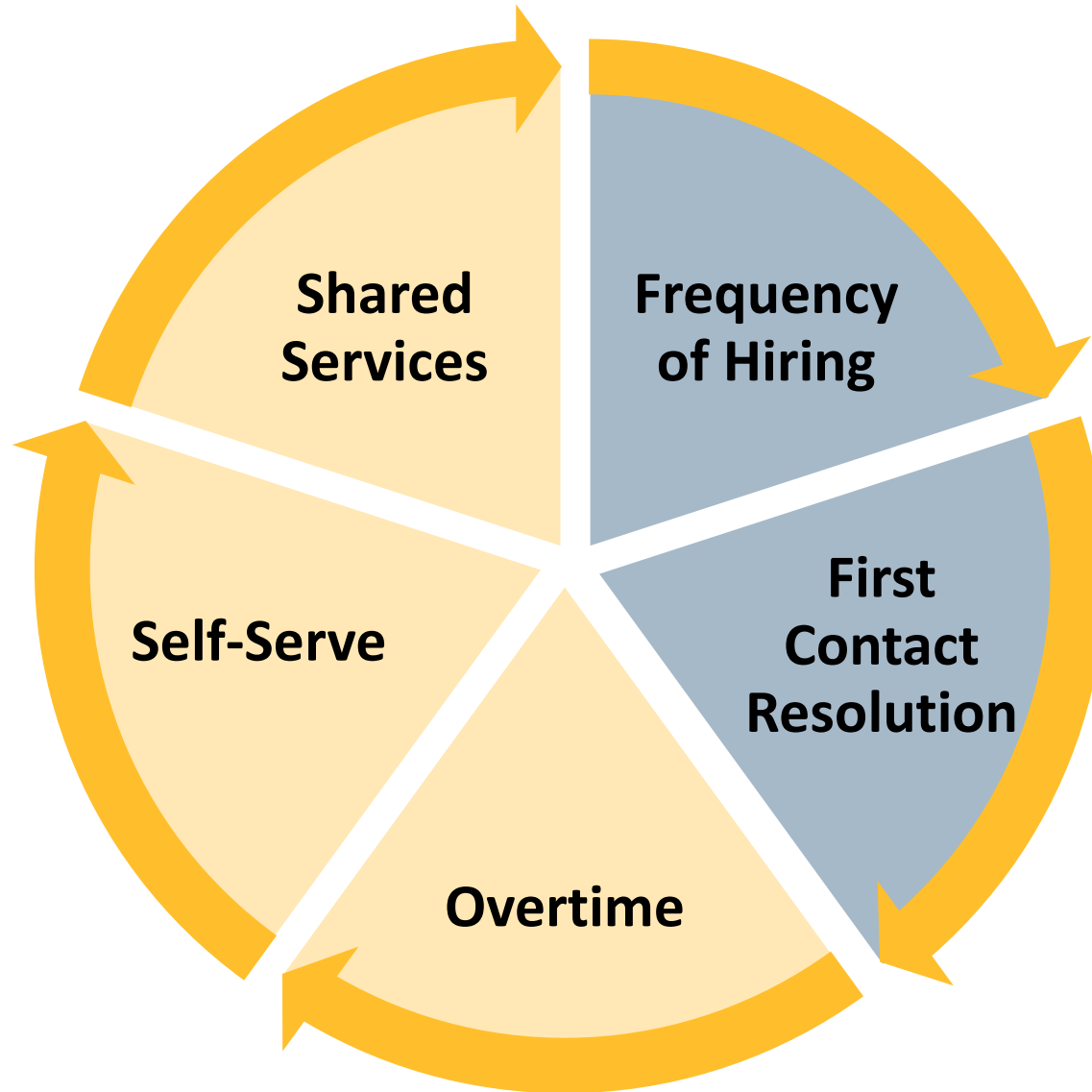
Service Quality Indicator	2021 Results	2022 Results	2022 Status (Relative to Benchmark)	2023 August YTD Results	2023 Status (Relative to Benchmark)	Benchmark	Threshold
<b>Customer SQIs</b>							
First Contact Resolution	82%	77%	Better than threshold	79%	Meets Benchmark	78%	74%
Billing Index	0.1	0.1	Meets Benchmark	2.08	Meets Benchmark	<=3.0	5.0
Meter Reading Accuracy	99%	99%	Meets Benchmark	99%	Meets Benchmark	98%	96%
Telephone Service Factor (Non-Emergency)	70%	65%	Lower than threshold	71%	Meets Benchmark	70%	68%

Informational Indicator	2021 Results	2022 Results		2023 August YTD Results			
Customer Satisfaction Index	8.4	8.4	n/a	8.5	n/a		
Average Speed of Answer	65 sec.	98 sec.	n/a	64 sec.	n/a		

# Impacts on Telephone Service Factor and Average Speed of Answer in 2022



# Prevention and Mitigation Efforts



# Overall Customer Satisfaction

- Customer Satisfaction Index and First Contact Resolution remained stable in 2022
- 2023 Telephone Service Factor and First Contact Resolution are expected to perform at benchmark
- Average Speed of Answer to be around 1-minute for remainder of 2023

Questions?



# Question Period