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October 27, 2023

British Columbia Utilities Commission  
Suite 410, 900 Howe Street  
Vancouver, BC  
V6Z 2N3

Attention: Patrick Wruck, Commission Secretary

Dear Patrick Wruck:

**Re: FortisBC Inc. (FBC)**  
**Annual Review for 2024 Rates (Application) ~ Project No. 1599549**  
**Response to Workshop Undertakings**

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On August 4, 2023, FBC filed the Application referenced above. In accordance with the amended regulatory timetable in British Columbia Utilities Commission (BCUC) Order G-249-23 for the review of the Application, FBC respectfully files the attached response to the undertakings from the Workshop held on October 23, 2023.

If further information is required, please contact the undersigned.

Sincerely,

**FORTISBC INC.**

***Original signed:***

Sarah Walsh

cc (email only): Registered Interveners

**FortisBC Inc. (FBC or the Company)**  
**Annual Review for 2024 Rates Application**

**UNDERTAKING No. 1**

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**HEARING DATE:** Workshop, October 23, 2023

**TRANSCRIPT REFERENCE:** Volume 1, page 21, lines 16 to 21; page 95, lines 18 to 25

**REQUESTOR:** BCUC Staff and Ms. Mis, BCOAPO

**WITNESS:** Mr. Ho

**QUESTION:** Reconcile the deficiency of approximately \$8 million shown in Table 1 of the Evidentiary Update with Schedule 1 of the Financial Schedules (Appendix A to the Evidentiary Update). Also reconcile Schedule 24.

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**RESPONSE:**

FBC clarifies the following regarding the financial schedules from Section 11 of the Application, the financial schedules from Appendix A of the Evidentiary Update, as well as Table 1 of the Evidentiary Update:

- i. The financial schedules in Section 11 of the Application filed on August 4, 2023, provide a comparison between the 2023 interim revenue and rates (Decision and Orders G-382-22 and G-87-23) and the 2024 Forecast prior to the GCOC Decision;
- ii. The financial schedules in Appendix A of the Evidentiary Update filed on October 10, 2023, provide a comparison between the 2023 Approved revenue and rates (GCOC Decision and Order G-236-23 and Order G-276-23 approving the GCOC Compliance Filing) and the 2024 Forecast with the GCOC Decision included; and
- iii. Table 1 of the Evidentiary Update provides a comparison between the 2024 Forecast from the Application filed on August 4, 2023 (i.e., from the schedules provided in Section 11 of the Application as discussed in item i above) and the 2024 Forecast from the Evidentiary Update filed on October 10, 2023 (i.e., from the schedules provided in Appendix A of the Evidentiary Update as discussed in item ii above). The difference between the two forecasts is the \$8.196 million.

As such, the \$8.196 million from Table 1 of the Evidentiary Update (i.e., item iii above), which represents the incremental 2024 deficiency included in the Evidentiary Update, would not be directly shown in Schedule 1 of Appendix A of the Evidentiary Update (i.e., item ii above). However, below FEI provides a reconciliation between the two items.

First, please refer to Table 1 below which shows FBC's revenue requirement, with references to the Financial Schedules, for 2023 Interim (Orders G-382-22 and G-87-23), 2023 Approved (Orders G-236-23 and G-276-23), 2024 Forecast from the Application (August 4, 2023 Filing), and 2024 Forecast from the Evidentiary Update (October 10, 2023 Filing).

**FortisBC Inc. (FBC or the Company)**  
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**Table 1: FBC’s Revenue Requirement for 2023 Interim (Orders G-382-22 and G-87-23), 2023 Approved (Orders G-236-23 and G-276-23), 2024 Forecast (Aug 4, 2023 Filing), and 2024 Forecast (Evidentiary Update)**

Line	Components	Reference: 1) 2023 Interim & 2024 Application: Section 11 of Application; 2) 2023 Approved & 2024 Evid Update: Appendix A of Evid Update	2023 Interim	2023 Approved -	2024	2024 Evid
			(G-382-22 & G-87-23)	GCOE Compliance (G-276-23)	Application (Aug 4, 2023)	Update (Oct 10, 2023)
			(1)	(2)	(3)	(4)
1	Other Revenue	Schedule 16, Line 14, Column 2 and 5	(12,241)	(12,241)	(12,092)	(12,092)
2	Power Supply	Schedule 16, Line 10, Column 2 and 5	182,105	182,105	193,532	193,532
3	Net O&M	Schedule 16, Line 11, Column 2 and 5	61,767	61,767	63,174	63,174
4	Depreciation	Schedule 21, Line 2, Column 2 and 3	69,474	69,474	72,053	72,053
5	CIAC from Net Additions	Schedule 21, Line 7 + Line 8, Col. 2 and 3	(4,881)	(4,881)	(5,123)	(5,123)
6	Deferral Amortization	Schedule 21, Line 5 + Line 6, Col. 2 and 3	(3,347)	(3,335)	(2,860)	(1,439)
7	Earned Return	Schedule 16, Line 20, Column 2 and 5	108,863	113,164	111,719	116,085
8	Property Tax	Schedule 16, Line 13, Column 2 and 5	18,260	18,260	18,573	18,573
9	Income Tax	Schedule 16, Line 18, Column 2 and 5	6,073	7,973	10,075	12,484
10	Deferred 2023 Revenue Deficiency	Schedule 16, Line 15, Column 2 and 5	-	(6,213)	-	-
11	<b>Total Delivery Margin</b>	<b>Sum of Line 2 to Line 10</b>	<b>426,073</b>	<b>426,073</b>	<b>449,051</b>	<b>457,247</b>
12	Less: Revenue at Existing Rate	Schedule 1, Line 34	(426,073)	(426,073)	(428,377)	(428,377)
13	<b>Deficiency</b>	<b>Line 11 + Line 12</b>	<b>-</b>	<b>-</b>	<b>20,674</b>	<b>28,870</b>

Second, please refer to Table 2 below which provides a reconciliation of the \$8.196 million in Table 1 of the Evidentiary Update, which is the difference between the 2024 Forecast revenue deficiency from the Application (Column 3 of Table 1 above) and the Evidentiary Update (Column 4 of Table 1 above).

**Table 2: Reconciliation of 2024 Forecast between Application (Aug 4, 2023) and Evidentiary Update (Oct 10, 2023)**

Line	Components	Change between 2024 Application and 2024 Evid Update			
		2024 Application (Aug 4, 2023)	2024 GCOC Impact	Amortization of 2023 Revenue Deficiency	2024 Evid Update (Oct 10, 2023)
		Table 1: Col 3	FBC Workshop, Slide 12		Table 1: Col 4
1	Other Revenue	(12,092)	-	-	(12,092)
2	Power Supply	193,532	-	-	193,532
3	Net O&M	63,174	-	-	63,174
4	Depreciation	72,053	-	-	72,053
5	CIAC from Net Additions	(5,123)	-	-	(5,123)
6	Deferral Amortization	(2,860)	(91)	1,512	(1,439)
7	Earned Return	111,719	4,366	-	116,085
8	Property Tax	18,573	-	-	18,573
9	Income Tax	10,075	1,850	559	12,484
10	Deferred 2023 Revenue Deficiency	-	-	-	-
11	<b>Total Delivery Margin</b>	<b>449,051</b>	<b>6,125</b>	<b>2,071</b>	<b>457,247</b>
12	Less: Revenue at Existing Rate	(428,377)	-	-	(428,377)
13	<b>Deficiency</b>	<b>20,674</b>	<b>6,125</b>	<b>2,071</b>	<b>28,870</b>

**FortisBC Inc. (FBC or the Company)**  
**Annual Review for 2024 Rates Application**

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Finally, please refer to Table 3 below which provides a reconciliation to Schedule 1 of Appendix A from the Evidentiary Update, which is the difference between the 2023 Approved from Order G-276-23 (Column 2 of Table 1 above) and the 2024 Forecast from the Evidentiary Update (Column 4 of Table 1 above).

**Table 3: Reconciliation of Schedule 1 of Appendix A of Evidentiary Update**

		Reconciliation to Schedule 1 of 2024 Evid Update			
Line	Components	2023 Approved - GCOC Compliance (G-276-23)	2024 Evid Update (Oct 10, 2023)	Change	Reference to Sch. 1 of Appendix A, Evid Update
		Table 1: Col 2	Table 1: Col 4		
1	Other Revenue	(12,241)	(12,092)	149	Schedule 1, Line 3, Col. 2
2	Power Supply	182,105	193,532	11,427	Schedule 1, Line 8, Col. 3
3	Net O&M	61,767	63,174	1,407	Schedule 1, Line 12, Col. 3
4	Depreciation	69,474	72,053	2,579	Schedule 1, Line 15, Col. 3
5	CIAC from Net Additions	(4,881)	(5,123)	(242)	Schedule 1, Line 18, Col. 2
6	Deferral Amortization	(3,335)	(1,439)	1,896	Schedule 1, Line 19, Col. 2
7	Earned Return	113,164	116,085	2,921	Schedule 1, Line 24, Col. 3
8	Property Tax	18,260	18,573	313	Schedule 1, Line 27, Col. 2
9	Income Tax	7,973	12,484	4,511	Schedule 1, Line 28, Col. 2
10	Deferred 2023 Revenue Deficiency	(6,213)	-	6,213	Schedule 1, Line 30, Col. 3
11	<b>Total Delivery Margin</b>	<b>426,073</b>	<b>457,247</b>	<b>31,174</b>	<b>Sum of Line 2 to Line 10</b>
12	Less: Revenue at Existing Rate	(426,073)	(428,377)	(2,304)	Schedule 1, Line 2, Col. 2
13	<b>Deficiency</b>	<b>-</b>	<b>28,870</b>	<b>28,870</b>	<b>Line 11 + Line 12; Sch. 1, Line 32, Col. 3</b>

As demonstrated above, both Tables 2 and 3 originate from the same revenue requirements for 2023 and 2024 from Table 1 above, with the only difference being the starting point of each comparison. I.e., for Table 2 (which is also Table 1 of the Evidentiary Update), the starting point of the comparison is the 2024 Forecast from the Application filed on August 4, 2023, while for Table 3 (which is also Schedule 1 of Appendix A from the Evidentiary Update), the starting point of the comparison is the 2023 Approved from the GCOC Compliance Filing. As such, although the \$8.196 million is not specifically shown in Schedule 1 of Appendix A of the Evidentiary Update, it is implicitly included and is part of FBC's 2024 revenue requirement from the Evidentiary Update.

As requested by BCOAPO, please also refer to Table 4 below which provides a reconciliation between the income tax impact shown in Table 3 of the Evidentiary Update<sup>1</sup> and Schedule 24 of Appendix A of the Evidentiary Update.

<sup>1</sup> As amended on Slide 12 of FBC's Workshop.

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**UNDERTAKING No. 1**

**Table 4: Reconciliation of 2024 Forecast of Income Tax Expense (Schedule 24) between Application (Aug 4, 2023) and Evidentiary Update (Oct 10, 2023)**

Line	Particular	Reference	2024 Application (Aug 4, 2023)	Change		2024 Evid Update (Oct 10, 2023)
				2024 GCOC Impact	Amortization of 2023 Revenue Deficiency	
1	Earned Return	Table 2 of Undertaking 1	111,719	4,366	-	116,085
2	Deduct: Interest on Debt		(48,970)	726	-	(48,244)
3	Adjustments to Taxable Income	Line 28	(35,508)	(91)	1,512	(34,087)
4	Accounting Income After Tax	Sum of Line 1 to 3	27,241	5,001	1,512	33,754
5						
6	1 - Current Income Tax Rate	1 - Line 9	73%	73%	73%	73%
7	Taxable Income	Line 4 / Line 6	37,316	6,851	2,071	46,238
8						
9	Current Income Tax Rate		27%	27%	27%	27%
10	<b>Income Tax Expense</b>	<b>Line 7 x Line 9</b>	<b>10,075</b>	<b>1,850</b>	<b>559</b>	<b>12,484</b>
11						
12	<b>ADJUSTMENTS TO TAXABLE INCOME</b>					
13	Addbacks:					
14	Depreciation		72,053	-	-	72,053
15	Amortization of Deferred Charges	Table 2 of Undertaking 1	(2,860)	(91)	1,512	(1,439)
16	Amortization of Utility Plant Acquisition Adjustment		186	-	-	186
17	Pension Expense		(1,501)	-	-	(1,501)
18	OPEB Expense		844	-	-	844
19						
20	Deductions:					
21	Capital Cost Allowance		(81,899)	-	-	(81,899)
22	CIAC Amortization		(5,309)	-	-	(5,309)
23	Pension Contributions		(3,811)	-	-	(3,811)
24	OPEB Contributions		(752)	-	-	(752)
25	Overheads Capitalized Expensed for Tax Purposes		(11,148)	-	-	(11,148)
26	Removal Costs		(1,200)	-	-	(1,200)
27	All Other		(111)	-	-	(111)
28	Total	Sum of Line 14 to 27	(35,508)	(91)	1,512	(34,087)

**FortisBC Inc. (FBC or the Company)  
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**UNDERTAKING No. 2**

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**HEARING DATE:** Workshop, October 23, 2023

**TRANSCRIPT**

**REFERENCE:** Volume 1, pages 81 and 82, lines 22 to 26 and lines 1-13

**REQUESTOR:** Mr. Weafer, CEC

**WITNESS:** Mr. Wong

**QUESTION:** Provide the same table for FBC that was provided in the response to CEC IR1 2.2 from the FEI Annual Review for 2024 Delivery Rates and include 2023 year-to-date.

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**RESPONSE:**

Provided below are FBC's FTE vacancies and average time experienced to fill a position, similar to that provided in the response to CEC IR1 2.2 in the FEI Annual Review for 2024 Delivery Rates. FBC also includes information for August 2023 YTD actuals. Factors such as the actual higher/lower allocation of labour to O&M, Capital and Other (Deferral) activities compared to that planned, and the use of consultants and overtime to temporarily backfill for vacancies, affect the ability to estimate the impact of FTE labour vacancies on total O&M spending.

	2018	2019	2020	2021	2022	Aug YTD 2023
Vacancies (FTEs)	9	11	15	22	46	46
Avg Time to Fill a position (Days)	n/a	n/a	55	49	54	54

**FortisBC Inc. (FBC or the Company)**  
**Annual Review for 2024 Rates Application**

**UNDERTAKING No. 3**

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**HEARING DATE:** Workshop, October 23, 2023

**TRANSCRIPT  
REFERENCE:** Volume 1, page 89, lines 16 to 26

**REQUESTOR:** Ms. Worth, BCOAPO

**WITNESS:** Ms. Walsh

**QUESTION:** Confirm whether the 2024 Forecast CIAC is consistent with what was approved as part of the Updated Regular Capital forecasts in the FBC Annual Review for 2023 Rates Decision (and Reconsideration Decision). Explain why the CIAC amount has decreased.

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**RESPONSE:**

Decision and Order G-382-22 regarding FBC's Annual Review for 2023 Rates (and Reconsideration Decision and Order G-83-23) approved FBC's update to the 2023 and 2024 Regular Capital Expenditures; however, these approvals did not include CIAC.

This can be seen in Table 7-1 (Line 1) and Table 7-2 (Line 4) of the Annual Review for 2024 Rates Application (Application). The Updated Forecast Capital that was approved by Orders G-382-22 and G-83-23 is reflected on Line 1 of Table 7-1 of the Application (i.e., 2023 Approved of \$92.440 million and 2024 Forecast of \$93.433 million). These amounts are further shown and broken down in Table 7-2 of the Application. As can be seen from both of these tables, these approved amounts do not include FBC's forecasts for CIAC, which are reflected on Line 4 of Table 7-1 and are not reflected in Table 7-2.

FBC's reference in the response to CEC IR1 5.1 that the 2023 Approved and 2023 Projected CIAC amounts should be the same was intended to convey that FBC does not typically provide an updated projection for CIAC in the annual reviews (i.e., the slight difference in the 2023 Projected was a typo). The explanation was not meant to convey that the amount should stay the same because it was previously approved.

For the 2024 Forecast, and as discussed in the response to CEC IR1 5.1, FBC reduced the 2024 Forecast of CIAC based on recent years' actual amounts, which have been lower than the forecast amounts. While CIAC is not always directly proportional to the amount of growth capital expenditures, FBC's reduced 2024 Forecast of CIAC is consistent with the approved reduction in Regular Growth Capital in 2024 Forecast/Approved (as shown in Table 7-2, Line 1 of the Application) compared to 2023 Approved.