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November 26, 2024

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

Attention: Patrick Wruck, Commission Secretary

Dear Patrick Wruck:

Re: FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC)
Application for Approval of a Rate Setting Framework for 2025 through 2027
(Application)
Response to the British Columbia Utilities Commission (BCUC) Panel
Information Request (IR) No. 1

On April 8, 2024, FortisBC filed the Application referenced above. On November 21, 2024, the BCUC responded by email with BCUC Panel IR No. 1.¹

For convenience and efficiency, if FEI has provided an internet address for referenced reports instead of attaching the documents to its IR responses, FEI intends for the referenced documents to form part of its IR responses and the evidentiary record in this proceeding.

FEI respectfully submits the attached response to BCUC Panel IR No. 1.

If further information is required, please contact the undersigned.

Sincerely,

on behalf of FORTISBC

Original signed:

Sarah Walsh

Attachments

cc (email only): Registered Interveners.

¹ Exhibit A-8.

1.0 Reference: PROPOSED RATE SETTING FRAMEWORK

Exhibit B-1 (Rate Framework Application); BCUC Mandatory Reliability Standards (MRS) Planning Coordinator Function Registration and Planning Coordinator Issues, Decision and Order R-23-24 dated November 6, 2024 (MRS Planning Coordinator Decision), pp. 6, 9

FBC – Mandatory Reliability Standards Planning Coordinator

On November 6, 2024, the BCUC issued its decision in respect of the BCUC-initiated proceeding to address Planning Coordinator issues and registration under the MRS Program. On page 6 of the MRS Planning Coordinator Decision, the BCUC notes that FBC estimated the incremental costs for assuming the role of Planning Coordinator for its own bulk electric system assets to range from “\$40,000 to \$80,000 for one-time implementation and \$35,000 to \$70,000 for on-going sustainment.” On page 9 of the MRS Planning Coordinator Decision, the BCUC directed FBC to register as a Planning Coordinator under the MRS Program for its own bulk electric system assets, effective October 1, 2025.

1.1 Please discuss the impact, if any, of the MRS Planning Coordinator Decision on the proposed Rate Framework Application.

Response:

The MRS Planning Coordinator Decision will have no impact on the proposed Rate Framework Application, as FBC will only incur incremental costs due to assuming the Planning Coordinator (PC) role in October 2025 after the new PC Mandatory Reliability Standards (MRS) come into effect. FBC has proposed to treat these and other incremental costs flowing from new MRS Assessment Reports as a flow-through cost that would be forecast at each Annual Review, with variances from forecast captured in the Flow-through deferral account to be returned to/recovered from customers.

FBC will be registering to be a PC effective October 1, 2025 and, as FBC discussed in the proceeding referenced in the preamble,¹ FBC does not expect any incremental costs of assuming the PC role under the MRS that are currently in effect. However, if the new PC MRS comes into effect, FBC estimates that the incremental costs for assuming the role of PC for its own bulk electric system assets will range from \$40,000 to \$80,000 for one-time implementation and \$35,000 to \$70,000 for on-going sustainment. As the PC Assessment Report proceeding has been adjourned, FBC does not know when the new PC MRS will become effective.

¹ Exhibit C1-13 of the BCUC-Initiated MRS Planning Coordinator function registration and Planning Coordinator Issues Proceeding, BCUC IR1 1.2 to Transmission Planners:
https://docs.bcuc.com/documents/proceedings/2024/doc_78226_c1-13-fortisbc-bcuc-ir1-transmissionplanners-responses.pdf.

FBC has already proposed to treat incremental costs associated with MRS Assessment Reports as flow-through for the term of the Rate Framework.² Consistent with the proposed flow-through treatment of incremental MRS Assessment Report costs, FBC will include a forecast of incremental costs related to the PC role if and when they are expected to occur as part of the Annual Review process, and variances between forecast and actual costs will be captured in the Flow-through deferral account. Considering the uncertainty in the amount and timing of the MRS PC costs, FBC's proposal to treat these costs as flow-through is reasonable and appropriate.

1.2 Please provide an updated estimate, if applicable, of FBC's forecast incremental costs for the Planning Coordinator for each year of the proposed Rate Framework (i.e. 2025, 2026, 2027). Please include a breakdown of these updated incremental costs by: (i) costs estimated to be one-time in nature (i.e. implementation costs); and (ii) costs estimated to be recurring (i.e. for on-going sustainment).

Response:

FBC does not have an updated estimate for the one-time and ongoing incremental costs of assuming the Planning Coordinator role beyond what was provided in the response to BCUC IR1 1.2 to Transmission Planners as part of the MRS Planning Coordinator Proceeding. The estimates provided at that time remain reasonable and valid.

1.3 Please clarify, and explain with rationale, whether the incremental costs identified in Panel IR 1.2 are formula or flow-through operations and maintenance expenses under the proposed Rate Framework.

Response:

Please refer to the response to BCUC Panel IR1 1.1.

² FortisBC 2025-2027 Rate Framework Application, Exhibit B-1, Section C2.5.2, pp. C-64 to C-66.

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| FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC or the Company) Application for Approval of a Rate Setting Framework for 2025 through 2027 (Application) | Submission Date: November 26, 2024 |
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2.0 Reference: 2025 ANNUAL REVIEWS

Exhibit B-20 (FBC's 2025 Interim Rates Application), p. 2; Exhibit B-21 (FEI's 2025 Interim Delivery Rates Application), p. 2

FortisBC – 2025 and 2026 Annual Reviews

On November 5, 2024, FortisBC filed its 2025 interim rates and delivery rates applications for FBC and FEI, respectively. On page 2 of FBC's 2025 Interim Rates Application, it states that any changes resulting from the BCUC's final decision on the Rate Framework Application will be reflected in FBC's 2025 Annual Review of Rates when it applies for rates on a permanent basis. A similar statement is included on page 2 of FEI's 2025 Interim Delivery Rates Application.

2.1 Please discuss how long (i.e. how many weeks) it will require for FortisBC to draft and file FBC's 2025 Annual Review of Rates application and FEI's 2025 Annual Review of Delivery Rates application, respectively, after the issuance of the BCUC's final decision on the Rate Framework Application. Please provide separate estimated timelines, if applicable: i) if no significant changes to the proposed Rate Framework are directed; and ii) if significant changes to the proposed Rate Framework are directed.

Response:

Subject to the BCUC's decision on the Rate Framework Application, and consistent with the approach taken in the first Annual Review subsequent to the issuance of the 2020-2024 MRP Decision and Orders G-165-20 and G-166-20 (MRP Decision), FortisBC is planning to file a combined 2025 and 2026 Annual Review for each of FEI and FBC in the typical Annual Review timeframe (i.e., late July or early August). FortisBC considers this to be the most appropriate and efficient approach for the following reasons:

- This approach is consistent with the approach taken for the FEI and FBC 2020-2021 Annual Reviews under the Current MRP, in which the circumstances and timing were relatively similar to the current proceeding. Specifically, similar to the Current MRP, the rates for the first year of the proposed Rate Framework (i.e., 2025) will be set as interim pending the decision on the Rate Framework, and a decision is not expected until part way into the first year of the Rate Framework (albeit the decision on the current Application is likely to be issued earlier in the year than the MRP Decision).
- Based on the current regulatory timetable for the Application, FortisBC expects a decision from the BCUC in late Q1 or early Q2 of 2025. As such, filing a combined 2025 and 2026 Annual Review for each of FEI and FBC in the normal timeframe of late July or early August will provide sufficient time for FortisBC to consider and determine any impact from the BCUC's decision on the proposed Rate Framework.
- Filing separate Annual Reviews to set 2025 and then 2026 rates would be inefficient and resource-intensive for the Companies, the BCUC, and interveners, and would likely result

in an overlap in the regulatory processes for the 2025 Annual Reviews and the 2026 Annual Reviews. Subsequent to the issuance of the BCUC's decision on the proposed Rate Framework, FortisBC must first review the decision, incorporate any changes directed by the BCUC, and likely file compliance filings with the BCUC. Then, assuming no further process on the Decision is required (such as clarification requests or reconsiderations), FortisBC would immediately commence preparing the 2025 Annual Reviews for each of FEI and FBC. FortisBC would likely require approximately two months to prepare and file the 2025 Annual Reviews, resulting in the 2025 Annual Reviews being filed in May or June (assuming a BCUC decision on the Rate Framework in March or April of 2025). FEI and FBC would then immediately commence preparing the 2026 Annual Reviews to have those applications filed in the usual timeframe of late July / early August, as the Companies would want to have permanent rates in place for both 2025 and 2026 before January 1, 2026. In essence, there would be four separate Annual Review processes overlapping during 2025. In addition to being resource-intensive, there would likely be duplication of topics, confusion over which Annual Review addresses which issues and, as a result, duplication of IRs and arguments.

- By filing the 2025 Annual Reviews together with the 2026 Annual Reviews in late July or early August, FEI and FBC will be able to include more 2025 actual information to inform the 2025 year-end projections, thereby providing the benefit of minimizing the variance in the 2025 projected Flow-through deferral account.
- Filing the 2025 Annual Reviews in late July or early August allows the full year of 2024 actual information to be incorporated into the filings, since the 2024 Annual Reports are typically filed with the BCUC at the end of April of each year.

As discussed above, FortisBC estimates it will need up to two months to prepare the 2025 Annual Reviews for both FEI and FBC (assuming the same level of detail and content is included in the Annual Reviews as those filed under the Current MRP). This estimate is assuming that there are no significant changes to the proposed Rate Framework. If there are significant changes directed to the proposed Rate Framework, FortisBC would require time to first determine the impact of the changes and potential resolutions before it could estimate a timeline for filing the 2025 Annual Reviews. However, FortisBC strongly believes that the best and most efficient approach is to file combined 2025 and 2026 Annual Reviews in the typical timeframe (i.e., late July or early August).

2.2 Please discuss whether FortisBC plans to combine the 2025 annual reviews with the 2026 annual reviews for each of FBC and FEI, respectively. Please explain why or why not.

Response:

Please refer to the response to BCUC Panel IR1 2.1.