



Diane Roy
Vice President, Regulatory Affairs

Gas Regulatory Affairs Correspondence
Email: gas.regulatory.affairs@fortisbc.com

Electric Regulatory Affairs Correspondence
Email: electricity.regulatory.affairs@fortisbc.com

FortisBC
16705 Fraser Highway
Surrey, B.C. V4N 0E8
Tel: (604) 576-7349
Cell: (604) 908-2790
Fax: (604) 576-7074
www.fortisbc.com

November 6, 2020

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

Attention: Ms. Marija Tresoglavic, Acting Commission Secretary

Dear Ms. Tresoglavic:

Re: FortisBC Energy Inc. (FEI) Fort Nelson Service Area
Application for Deferral Account Treatment for 2021 and Changes to the
Revenue Stabilization Adjustment Mechanism (RSAM) Rider (Application)

Attached please find FEI's Application for Deferral Account Treatment for 2021 and Changes to the RSAM Rider for the Fort Nelson Service Area.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc (email only): Registered Parties in the FEI 2019 and 2020 Revenue Requirements and Rates Application for the Fort Nelson Service Area



FORTISBC ENERGY INC.
FORT NELSON SERVICE AREA

**Application for Deferral Account
Treatment for 2021 and Changes to the
RSAM Rider**

November 6, 2020

Table of Contents

1. Purpose of the Application, Approvals Sought and Proposed Regulatory Process	1
1.1 <i>Purpose of the Application</i>	1
1.1.1 Response to Direction Regarding Postage Stamping FEFN Rates	1
1.2 <i>Approvals Sought</i>	2
1.3 <i>Proposed Regulatory Process</i>	2
2. Revenue Surplus	3
2.1 <i>Use Per Customer</i>	4
2.2 <i>O&M Expense</i>	4
2.2.1 Determination of O&M	4
2.2.2 Forecast O&M.....	4
2.3 <i>Property Taxes</i>	6
3. Deferral Accounts	6
3.1 <i>Fort Nelson Revenue Surplus Deferral Account</i>	7
4. RSAM Rate Rider Calculation	8
5. Update on Prophet River First Nation Extension	9
6. Summary and Approvals Sought	9

List of Appendices

Appendix A Draft Order

Appendix B Deferral Account Filing Considerations

Appendix C FEI Fort Nelson Semi-Annual Report on the Prophet River First Nations Gas Distribution System Extension, dated September 8, 2020

1. PURPOSE OF THE APPLICATION, APPROVALS SOUGHT AND PROPOSED REGULATORY PROCESS

1.1 PURPOSE OF THE APPLICATION

FortisBC Energy Inc. (FEI) is filing this application with the British Columbia Utilities Commission (BCUC) to maintain existing rates for the Fort Nelson service area (FEFN) for 2021 and seek related rate approvals effective January 1, 2021 (Application). FEI has reviewed its revenue requirements for FEFN for 2021 and is forecasting a revenue surplus of \$195 thousand based on the continuation of the existing 2020 rates approved by Order G-48-19. FEI proposes to hold this forecast revenue surplus in a new deferral account to mitigate or phase in future rate increases, including any that result from FEI's upcoming application to move FEFN to common rates with FEI, as discussed below. FEI is also seeking approval to adjust the Revenue Stabilization Adjustment Mechanism (RSAM) rider (RSAM Rider 5) for Rate Schedules (RS) 1, 2 and 3, to be set to a refund of \$0.054 per GJ.

1.1.1 Response to Direction Regarding Postage Stamping FEFN Rates

In its Decision and Order G-48-19 in the matter of the *FEI Application for Approval of 2019-2020 Revenue Requirements and Rates for the Fort Nelson Service Area* (FEFN 2019-2020 RRA Decision), the BCUC directed FEI to include a discussion of postage stamping FEFN's rates with the rest of FEI, as follows:¹

Accordingly, the Panel directs FEI to include in the next RRA for FEFN, a discussion of the potential for postage stamping rates in FEFN along with the rest of FEI, including the following information:

- The forecast rate impact of moving to postage stamp rates for each of FEFN's rate schedules for 2021 and 2022 (or the applicable test period, if different from the two years referenced);
- FEI's assessment of the pros and cons of moving to postage stamp rates in the near future;
- FEI's assessment of the likelihood of the occurrence of factors and circumstances that could result in a reduced or increased rate impact in the near future;
- Proposed mechanisms to reduce or mitigate negative rate impacts to an acceptable level; and
- A proposed time period to implement postage stamp rates.

¹ Page 11.

FORTISBC ENERGY INC. FORT NELSON SERVICE AREA
APPLICATION FOR DEFERRAL ACCOUNT TREATMENT FOR 2021

1 In response to the directive above, FEI is in the process of developing a common rates
2 application for FEFN. However, it was not possible for FEI to include a proposal in the present
3 Application to implement common rates for 2021, for two reasons:

- 4 • FEI needed to wait for the resolution of its Multi-year Rate Plan (MRP) Application
5 proceeding, as it directly impacts how FEI would propose to incorporate FEFN into FEI's
6 larger revenue requirements. The BCUC's Decision and Order G-165-20 (MRP
7 Decision) were issued June 22, 2020.
- 8 • FEI's public consultation efforts for the common rates application need to be carefully
9 planned due to the ongoing COVID-19 pandemic.

10
11 As a result, to allow enough time for consultation, FEI currently expects to file its application for
12 common rates by May 2021 with a planned implementation date of January 1, 2022.

13 **1.2 APPROVALS SOUGHT**

14 FEI is applying for approval for FEFN of the following, pursuant to sections 59 to 61 of the
15 *Utilities Commission Act* (UCA):

- 16 • The continuation of existing delivery rates, effective January 1, 2021 on a permanent
17 basis;
- 18 • The Revenue Stabilization Adjustment Mechanism (RSAM) rider (RSAM Rider 5) for
19 Rate Schedules (RS) 1, 2 and 3, to be set to a refund of \$0.054/GJ (a change of
20 \$0.231/GJ from the current approved RSAM rate, which is a recovery of \$0.177/GJ)
21 effective January 1, 2021; and
- 22 • Creation of a new non-rate base deferral account attracting a weighted average cost of
23 capital return (Fort Nelson Revenue Surplus deferral account) to record the forecast
24 2021 revenue surplus of \$195 thousand and any BCUC direct costs or PACA costs
25 related to the review of this Application, with amortization of any balance to be
26 determined in the next rate setting proceeding.

27
28 A draft form of order is attached as Appendix A.

29 **1.3 PROPOSED REGULATORY PROCESS**

30 FEI submits that it is in the public interest to conduct a limited regulatory review process for this
31 Application. There are three primary reasons for a limited regulatory review:

- 32 1. The approvals sought are very limited. FEI is not seeking any rate increase in this
33 Application. The primary approval sought in this Application is for the creation of a new
34 deferral account to record the forecast revenue surplus of \$195 thousand (credit) and
35 any regulatory review costs for this Application (debit). FEI is also seeking approval to

FORTISBC ENERGY INC. FORT NELSON SERVICE AREA
 APPLICATION FOR DEFERRAL ACCOUNT TREATMENT FOR 2021

reduce the RSAM rate rider. FEI believes these requests can be reviewed without material process.

2. Given FEFN's small size and small customer base, regulatory proceeding costs for more significant regulatory review processes can have a material rate impact and could significantly erode any revenue surplus available to offset any future rate increases.

3. FEI expects to file an application for approval of common rates for FEFN by May 2021. This will provide opportunity for the BCUC to review FEFN's rates in a relatively short period of time following this Application.

Given these factors, FEI proposes that any information requests on the Application be limited to the BCUC and, if the BCUC determines that any participation by stakeholders or interveners is required, their participation be limited to letters of comment. In this way, costs for the proceeding will be minimized for the benefit of FEFN customers, and the review process will be efficient and cost effective.

2. REVENUE SURPLUS

FEI forecasts an overall revenue surplus of \$195 thousand in 2021, based on its allowed Return on Equity (ROE) and capital structure as approved by Order G-129-16. A summary of the overall cost of service and revenue surplus is provided in Table 1 below.

Table 1: Fort Nelson Revenue Surplus Details (\$000)

Cost of Service	Approved 2020	Projected 2020	Forecast 2021
Operation and Maintenance	893	803	823
Depreciation and Amortization	596	584	587
Property Tax	128	153	151
Other Operating Revenue	(17)	(9)	(14)
Income Tax Expense	121	121	72
Earned Return	800	800	791
Total Margin	2,521	2,451	2,410
			Forecast 2021
Rate Impacts			
Delivery Margin @ Existing Rates			2,605
Margin Surplus			(195)
Margin Surplus as a Percent of Revenue Requirements			-7.49%

FORTISBC ENERGY INC. FORT NELSON SERVICE AREA
APPLICATION FOR DEFERRAL ACCOUNT TREATMENT FOR 2021

The following sections discuss the two key drivers of the 2021 revenue surplus: (i) use per customer (UPC); and (ii) operations and maintenance (O&M) expense. These items are offset in part by an increase in property taxes.

2.1 USE PER CUSTOMER

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

2.2 O&M EXPENSE

In 2021, FEFN O&M expenses are forecast to decrease by approximately 8 percent from 2020. Approved primarily due to lower IBEW labour costs, partially offset by a higher shared services fee from FEI.

2.2.1 Determination of O&M

Consistent with past years, the following process is used to determine the actual and forecast FEFN-related total O&M costs:

1. Determine the FEFN direct O&M costs. These costs consist of labour for the two employees noted below, vehicle usage, and materials and services used in direct system operations.
2. Allocate O&M costs from those FEI departments that provide functional support to FEFN. These shared services costs include charges related to Information Systems, Energy Supply and Resource Development, Transmission, Customer Service, Energy Solutions and External Relations, Engineering Services, Finance and Regulatory, Operations Support, Governance, Human Resources, Environment, Health and Safety, and Corporate (shown as "Fees and Administration Costs" in Table 2 below). The shared services allocation for these departments for 2021 is based on FEFN's customers as a percentage of FEI's customers. The combined customer total for FEI and FEFN is forecast to be approximately 1,056,000 for 2021, while the FEFN portion is approximately 2,300 customers, resulting in an allocation factor of 0.222 percent.
3. Apply FEFN's approved overhead capitalization rate of 12 percent to the sum of the direct and allocated O&M costs to calculate the net O&M costs.

2.2.2 Forecast O&M

Table 2 below provides a combined resource view of direct and allocated O&M costs for years 2019 through 2021. The O&M forecast for 2021 was determined in accordance with the methodology described above.

FORTISBC ENERGY INC. FORT NELSON SERVICE AREA
APPLICATION FOR DEFERRAL ACCOUNT TREATMENT FOR 2021

Table 2: O&M Resource View (\$ thousand)

Particulars	2019 Approved	2019 Actual	2020 Approved	2020 Projection	2021 Forecast
M&E Costs	\$ 19	\$ 17	\$ 19	\$ 17	\$ 18
IBEW Costs	327	227	331	255	\$ 242
Labour Costs	345	244	350	272	260
Vehicle Costs	44	20	45	27	\$ 26
Employee Expenses	20	8	20	9	\$ 12
Materials and Supplies	8	7	8	2	\$ 2
Fees and Administration Costs	540	515	535	567	\$ 587
Contractor Costs	21	5	22	16	\$ 15
Facilities	36	29	37	33	\$ 34
Recoveries & Revenue	(2)	(8)	(2)	(1)	\$ (1)
Non-Labour Costs	668	577	665	653	675
Total Gross O&M Expenses	1,013	821	1,015	925	935
Less: Capitalized Overhead	(122)	(121)	(122)	(122)	(112)
Total O&M Expenses	\$ 892	\$ 700	\$ 893	\$ 803	\$ 823

Discussion of the significant changes in the expense items is provided below.

IBEW Labour Costs

The Operations staffing at FEFN includes two full-time IBEW employees, supported periodically by specialized pressure control technicians and management staff in Prince George. The IBEW labour costs forecast for 2021 are expected to be consistent with that projected for 2020 and the 2019 actuals. FEFN staff turnover has been reduced and the higher training costs (time charged to training) incurred in prior years have returned to more normal levels. In addition, certain processes have been streamlined resulting in less required support from Prince George IBEW staff starting in 2019. These factors have contributed to the lower IBEW costs observed in 2019 compared to 2019 Approved and are expected to continue, as reflected in the lower IBEW costs for the 2020 Projection and 2021 Forecast.

Fees and Administration Costs

Fees and Administration costs consist of the shared services fee from FEI. The fees and administration costs forecast for 2021 are expected to be higher than recent years. The increase in the 2020 Projection and 2021 Forecast costs is due to higher O&M costs expected for FEI.

FORTISBC ENERGY INC. FORT NELSON SERVICE AREA
APPLICATION FOR DEFERRAL ACCOUNT TREATMENT FOR 2021

Table 3 provides details of the 2019, 2020 and 2021 shared services fee calculations.

Table 3: FEFN Shared Services Fee (\$ thousand)

	2019 Actuals	2020 Forecast	2020 Projection	2021 Forecast
FEI Gross O&M ¹	282,731	285,961	312,603	327,543
Less: O&M not subject to allocation ²	59,327	57,255	60,805	62,847
O&M Allocation Base	223,404	228,706	251,798	264,696
Multiplied by Allocation Factor	0.00230	0.00232	0.00225	0.00222
Shared Services Fee	515	531	567	587
Average Number of Customers				
FEFN	2,378	2,409	2,354	2,343
FEI	1,031,862	1,036,685	1,043,259	1,053,292
Total	1,034,240	1,039,094	1,045,613	1,055,635
Allocation Factor (FEFN/Total)	0.00230	0.00232	0.00225	0.00222

Notes

(1) The 2021 Forecast Gross O&M from Section 11, Schedule 20 of the FEI Annual Review for 2020 and 2021 Delivery Rates.

(2) Distribution common costs that do not provide functional support to Fort Nelson accounted for as direct costs.

Overhead Capitalization

The forecast overhead capitalized amount for 2021 is based on the current approved overhead capitalization rate of 12 percent.

2.3 PROPERTY TAXES

In 2019, FEI and BC Assessment reviewed the inventory of properties subject to property tax, including areas within the Northern Rockies Regional Municipality and the Fort Nelson Indian Band. This review, combined with updates to pipeline tax rates, resulted in increased property taxes for FEFN, along with the rest of FEI's service territory, starting in 2020.

3. DEFERRAL ACCOUNTS

In this Application, FEI requests approval of one new deferral account discussed in Section 3.1.

The mid-year balances of the deferral accounts are provided in Table 4 below. All the deferral accounts listed in the table have already been approved by the BCUC in past proceedings, with the exception of the one new deferral account requested below.

FORTISBC ENERGY INC. FORT NELSON SERVICE AREA **APPLICATION FOR DEFERRAL ACCOUNT TREATMENT FOR 2021**

Table 4: Forecast Deferral Balances for 2021

FortisBC Energy Inc. - Fort Nelson
Rate Base Deferral Accounts
(\$000)

Particulars	Forecast Balance 12/31/2020	Opening Balance Adjustment	Gross Additions	Less Taxes	Net Additions	Amortization Expense	Recoveries		Balance 12/31/2021	Mid-Year Average 2021
							Rider	Tax on Rider		
<u>Forecasting Variance Accounts</u>										
Revenue Stabilization Adjustment Mechanism (RSAM)	(37)	-	-	-	-	-	25	(7)	(19)	(28)
Interest on RSAM	-	-	-	-	-	-	-	-	-	-
Gas Cost Reconciliation Account	104	-	(143)	39	(104)	-	-	-	-	52
Property Tax Variance	21	-	-	-	-	5	-	-	26	24
Interest Variance Deferral	(7)	-	-	-	-	2	-	-	(5)	(6)
<u>Benefits Matching Accounts</u>										
Demand-Side Management (DSM)	161	72	72	(19)	53	(28)	-	-	258	246
2019-2020 Revenue Requirement Application	(15)	-	-	-	-	15	-	-	-	(8)
2017 Rate Design Application	26	-	-	-	-	(9)	-	-	17	22
Gains and Losses on Asset Disposition	46	-	-	-	-	(12)	-	-	34	40
Net Salvage Provision/Cost	(229)	-	131	-	131	(102)	-	-	(200)	(215)
Billing system costs for FEFN Rate changes	4	-	-	-	-	(1)	-	-	3	4
Total Deferred Charges for Rate Base	74	72	60	20	80	(130)	25	(7)	114	131

FortisBC Energy Inc. - Fort Nelson
Non-Rate Base Deferral Accounts
(\$000)

Particulars	Forecast Balance 12/31/2020	Opening Balance Adjustment	Gross Additions	Less Taxes	Net Additions	Amortization Expense	Recoveries		Balance 12/31/2021	Mid-Year Average 2021
							Rider	Tax on Rider		
<u>Rate Smoothing Accounts</u>										
FEFN Revenue Surplus	4	-	(194)	52	(142)	-	-	-	(138)	(67) (Note 1)
<u>Benefits Matching Accounts</u>										
Demand-Side Management (DSM)	72	(72)	144	(38)	106	-	-	-	106	53
<u>Other Accounts</u>										
FN Right-of-Way Agreement	147	-	8	-	8	-	-	-	155	151
Total Deferred Charges for Non Rate Base	223	(72)	(42)	14	(28)	-	-	-	123	137

Note 1 - Gross additions of (\$194) in the FEFN Revenue Surplus Deferral Account are comprised of (\$195) in forecasted surplus, \$5 for application costs and (\$4) in financing.

3.1 FORT NELSON REVENUE SURPLUS DEFERRAL ACCOUNT

As discussed in Section 2, FEI is forecasting a revenue surplus of \$195 thousand for FEFN for 2021. FEI is proposing to capture the forecast revenue surplus in the new Fort Nelson Revenue Surplus deferral account and to use the surplus to mitigate future rate increases.

FEI will also include any regulatory review costs for this Application (debit) as an offset to the credit balance. For clarity, FEI intends to record any BCUC direct costs and any PACA granted by the BCUC in the new deferral account. If the review process established by the BCUC for this Application is a limited written review process involving one round of information requests from the BCUC as proposed, these amounts are expected to be minimal and are estimated at approximately \$5 thousand (on a pre tax basis) in each of 2020 and 2021.

FORTISBC ENERGY INC. FORT NELSON SERVICE AREA
 APPLICATION FOR DEFERRAL ACCOUNT TREATMENT FOR 2021

This deferral account would be non-rate base and attract a weighted average cost of capital return.

On May 3, 2017, the BCUC issued its Regulatory Account Filing Checklist². The stated purpose of the checklist is to assist regulated entities when filing regulatory account requests and to facilitate an efficient review by the BCUC.

The checklist classifies deferral accounts as one of: (a) forecast variance account; (b) rate smoothing account; (c) benefit matching (capital-like) account; (d) retroactive expense account; or (e) other. FEI has classified its existing deferral accounts for FEFN in accordance with this classification.

Appendix B, Table 1 addresses the considerations identified in the Regulatory Account Filing Checklist as they pertain to the new deferral account requested for FEFN.

4. RSAM RATE RIDER CALCULATION

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. This amount will be recovered over two years, which is consistent with past practice. The calculation of the 2021 RSAM rider is as set out in Table 5 below.

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:

As indicated in the table, the RSAM rider is estimated to be a refund of \$0.054/GJ, a change of \$0.231/GJ from the current approved RSAM rider, which is a recovery of \$0.177/GJ.

² Log No. 53608, Appendix B.

1 As approved in the FEI 2016 Rate Design Application Order and Decision³, the RSAM rider for
2 RS 5 and RS 25 is to be phased out effective January 1, 2021.

3 **5. UPDATE ON PROPHET RIVER FIRST NATION EXTENSION**

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

7 As discussed in Appendix C, the commencement of the construction activities such as meter
8 installations, riser relocation, and any additional main replacement work will depend on FEI
9 receiving the Section 28(2) permit. As FEI anticipates the Section 28(2) permit will be finalized
10 before the end of 2020, FEI is expecting to complete the construction activities from Spring to
11 Summer of 2021 as the seasonal conditions in Northern British Columbia during the late fall and
12 winter months are not conducive to construction activity. Given this timing, FEI will be able to
13 incorporate any forecast 2022 revenue requirement impacts into its upcoming common rates
14 application.

15 **6. SUMMARY AND APPROVALS SOUGHT**

16 In summary, FEI is forecasting a revenue surplus for its Fort Nelson service territory of \$195
17 thousand for 2021. Taking into consideration the time and resource costs necessary for a full
18 revenue requirement proceeding, FEI believes that the most appropriate approach is to maintain
19 the existing delivery rates, and capture the 2021 forecast revenue surplus in the proposed Fort
20 Nelson Revenue Surplus deferral account.

21 In 2021, FEI will bring forward an application to implement common rates for FEFN to be the
22 same as those in existence for FEI's other customers. Minimizing the process for this current
23 Application will allow for FEI, the BCUC, interveners, and impacted customers to focus on FEI's
24 important upcoming common rates application. Furthermore, adding the 2021 surplus of \$195
25 thousand to a deferral account will assist in mitigating or phasing-in future rate increases,
26 including those that may result from a transition to common rates with FEI. Consequently, FEI
27 believes that a limited regulatory review process for this Application is appropriate.

³ G-135-18, page 56.

ORDER NUMBER

G-xx-xx

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc. - Fort Nelson Service Area
Application for Deferral Account Treatment for 2021 and Changes to the Revenue Stabilization Adjustment
Mechanism Rider

BEFORE:

[Panel Chair]
Commissioner
Commissioner

on **Date**

ORDER

WHEREAS:

- A. On November 6, 2020, FortisBC Energy Inc. (FEI) applied to the British Columbia Utilities Commission (BCUC), pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA) for approval to maintain the existing rates for the Fort Nelson service area (FEFN), effective January 1, 2021, to set the Revenue Stabilization Adjustment Mechanism (RSAM) rider for various rate schedules, and to establish a new deferral account to record the forecast revenue surplus for 2021 of \$195 thousand, based on continuation of existing rates (Application);
- B. The Application seeks the following specific approvals:
1. The continuation of existing delivery rates, effective January 1, 2021 on a permanent basis;
 2. The RSAM rider (RSAM Rider 5) for Rate Schedules (RS) 1, 2 and 3, to be set to a refund of \$0.054/GJ (a change of \$0.231/GJ from the current approved RSAM rate, which is a recovery of \$0.177/GJ), effective January 1, 2021; and
 3. Creation of a new non-rate base deferral account attracting a weighted average cost of capital return (Fort Nelson Revenue Surplus deferral account) to record the forecast 2021 revenue surplus of \$195 thousand and any BCUC direct costs or Participant Assistance/Cost Awards (PACA) granted by the BCUC related to the review of this Application, with amortization of any balance to be determined in the next rate setting proceeding.
- C. FEI expects to file its common rates application for FEFN in accordance with Order G-48-19 by May 2021 for implementation on January 1, 2022; and

D. The BCUC has reviewed the Application and considers that approval is warranted.

NOW THEREFORE pursuant to sections 59 to 61 of the UCA, the BCUC orders as follows:

1. FEI is approved to maintain the existing delivery rates for FEFN, effective January 1, 2021.
2. The RSAM Rider 5 is approved to be set to a refund of \$0.054/GJ for RS 1, RS 2, and RS 3, effective January 1, 2021.
3. FEI is approved to establish a new non-rate base deferral account attracting a weighted average cost of capital return (Fort Nelson Revenue Surplus deferral account) to record the forecast 2021 revenue surplus of \$195 thousand and any BCUC direct costs or PACA granted by the BCUC related to the review of this Application, with amortization of any balance to be determined in the next rate setting proceeding.

DATED at the City of Vancouver, in the Province of British Columbia, this (XX) day of (Month Year).

BY ORDER

(X. X. last name)
Commissioner

Appendix B

DEFERRAL ACCOUNT FILING CONSIDERATIONS

FORTISBC ENERGY INC. FORT NELSON SERVICE AREA

APPLICATION FOR DEFERRAL ACCOUNT TREATMENT FOR 2021

APPENDIX B
Table 1: Deferral Account Filing Considerations

Item	Consideration	Determination
		FEFN Revenue Surplus Deferral Account
I.	Indicate if the request is: (a) for a modification or a change in scope to an existing Commission approved regulatory account; or (b) to establish a new regulatory account.	FEFN requests the establishment of a new deferral account, the FEFN Revenue Surplus Deferral Account.
a)	If the request is for a modification or change in scope to an existing regulatory account, explain why the existing regulatory account is an appropriate account to use (specifically addressing the existing account's intended and approved purpose, mechanism for recovery, timeline for recovery and carrying costs).	N/A
b)	If the request is for approval of a new regulatory account, state the purpose of the regulatory account and explain its intended use.	The purpose of the revenue surplus account is to capture the FEFN forecast 2021 revenue surplus and to utilize the surplus at a later date to smooth rates and to mitigate future rate increases. FEFN also intends to capture the BCUC direct costs and any Participant Assistance/Cost Awards (PACA) that may be granted by the BCUC regarding the 2021 regulatory proceeding costs.
II.	Propose a term (i.e. length of time) that the regulatory account should be approved for and explain why that term is appropriate.	The term is for one year to capture FEFN's 2021 forecast surplus and 2021 regulatory proceeding costs.
III.	Identify any alternate treatments that were considered, including an overview of what the accounting treatment would be in the absence of approval of the request to establish a regulatory account, and explain why these alternate treatments may not be appropriate.	In the absence of the deferral account to capture the revenue surplus and 2021 regulatory proceeding costs, delivery rates for FEFN could be reduced for 2021 and could subsequently increase in a future application, creating rate instability.

FORTISBC ENERGY INC. FORT NELSON SERVICE AREA

APPLICATION FOR DEFERRAL ACCOUNT TREATMENT FOR 2021

APPENDIX B

Item	Consideration	Determination
		FEFN Revenue Surplus Deferral Account
IV.	Address:	<p>The 2021 forecast revenue surplus is a combination of revenue and costs. The cost component is predominantly controllable by management (except items such as taxes), however the revenue component of the surplus is outside of management control. Also, once a regulatory proceeding is identified, the costs of that proceeding cannot be accurately forecast by the utility given that they can vary substantially, are not known at the time of making the regulatory account request, are unique to the circumstances for each application, may change as the regulatory review process unfolds, and are dependent on factors not within the utility's control. Factors not within the control of the utility include the regulatory process determined by the BCUC and the degree of involvement of interveners.</p>
a)	whether, or to what extent, the item is outside of management's control;	
b)	the degree of forecast uncertainty associated with the item;	
c)	the materiality of the costs	
d)	any impact on intergenerational equity	Low impact
V.	Classify the regulatory account as either: (a) forecast variance account; (b) rate smoothing account; (c) benefit matching account; (d) retroactive expense account; or (e) other.	Rate smoothing account
VI.	Identify if the regulatory account is a cash or non-cash account.	The account is a cash account.
VII.	Specify what additions to the regulatory account are being requested (i.e. type and amount of additions), including whether the account is intended to capture additions for a specific period of time or on an ongoing basis.	The account will capture the variance between delivery revenues and forecast costs and regulatory proceeding costs, such as BCUC's direct costs and PACA costs, associated with this Application.

FORTISBC ENERGY INC. FORT NELSON SERVICE AREA

APPLICATION FOR DEFERRAL ACCOUNT TREATMENT FOR 2021

APPENDIX B

Item	Consideration	Determination
		FEFN Revenue Surplus Deferral Account
VIII.	Propose a mechanism for recovery (e.g. how the balance in the regulatory account will be recovered or refunded to ratepayers) and explain why it is appropriate.	Refer to IX.
IX.	Propose a timeline for recovery (e.g. the period over which the regulatory account balance is either collected or refunded; also referred to as the amortization period) and explain why it is appropriate.	FEI 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.
X.	Propose a carrying cost for the balance in the regulatory account and explain why it is appropriate.	The Revenue Surplus Deferral Account will be treated as non-rate base attracting the weighted average cost of capital (WACC).
XI.	Outline a recommended regulatory process for the Commission's review of the application.	The proposed deferral account can be reviewed as part of the present proceeding.

Appendix C

**SEMI-ANNUAL REPORT ON THE PROPHET RIVER FIRST
NATIONS GAS DISTRIBUTION SYSTEM EXTENSION,
DATED SEPTEMBER 8, 2020**



Diane Roy
Vice President, Regulatory Affairs

Gas Regulatory Affairs Correspondence
Email: gas.regulatory.affairs@fortisbc.com

Electric Regulatory Affairs Correspondence
Email: electricity.regulatory.affairs@fortisbc.com

FortisBC
16705 Fraser Highway
Surrey, B.C. V4N 0E8
Tel: (604) 576-7349
Cell: (604) 908-2790
Fax: (604) 576-7074
www.fortisbc.com

September 8, 2020

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

Attention: Ms. Marija Tresoglavic, Acting Commission Secretary

Dear Ms. Tresoglavic:

Re: FortisBC Energy Inc. (FEI)

**Fort Nelson 2019 and 2020 Revenue Requirements and Rates – British Columbia Utilities Commission (BCUC) Decision and Order G-48-19 Compliance Filing - Prophet River First Nations (PRFN) Gas Distribution System Extension
Semi-Annual Report for the Period March 1, 2020 to September 1, 2020**

On September 4, 2018, FEI filed the Fort Nelson Service Area 2019 and 2020 Revenue Requirements and Rate Application (Application) requesting approval of, among other things, a Certificate of Public Convenience and Necessity (CPCN) for an extension of FEI's distribution system in Fort Nelson resulting from its purchase of the gas distribution assets from PRFN (the PRFN Extension).

On March 5, 2019, the BCUC issued its Decision and Order G-48-19, approving the PRFN Extension and directing FEI to file with the BCUC the final executed Asset Purchase Agreement along with the right of way permit within 15 days of execution by all parties to the agreement. In addition, the BCUC directed FEI to file within six months from the issuance of the Decision:

Semi-annual progress reports on the PRFN Extension that show the planned versus actual schedule and costs, and any variances or difficulties that FEI may be encountering with the PRFN Extension¹

¹ BCUC Decision and Order G-48-19, Appendix A, page 18.

Attached is the third Semi-Annual Progress Report for the PRFN Extension, for the period March 1 to September 1, 2020.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments



FORTISBC ENERGY INC.

**Prophet River First Nations (PRFN) Gas
Distribution System Extension**

**Semi-Annual Report for the Period
March to September 2020**

**Submitted to the
British Columbia Utilities Commission**

September 8, 2020

Table of Contents

1. PROJECT STATUS.....	1
1.1 Project Background.....	1
1.2 General Project Status	1
1.2.1 Key Project Accomplishments.....	2
1.3 Project Challenges and Issues	2
1.4 Plans for Next Period	3
2. PROJECT SCHEDULE	4
2.1 Schedule Summary	4
3. PROJECT COSTS.....	5
3.1 Project Cost Summary	5

1. PROJECT STATUS

1.1 PROJECT BACKGROUND

On September 4, 2018, FEI filed the Fort Nelson Service Area 2019 and 2020 Revenue Requirements and Rate Application (Application) requesting approval of, among other things, a Certificate of Public Convenience and Necessity (CPCN) for an extension of FEI's distribution system in Fort Nelson resulting from its purchase of the gas distribution assets from PRFN (the PRFN Extension).

On March 5, 2019, the BCUC issued its Decision and Order G-48-19, approving the PRFN Extension and directing FEI to file with the BCUC the final executed Asset Purchase Agreement along with the right of way permit within 15 days of execution by all parties to the agreement. In addition, the BCUC directed FEI to file within six months from the issuance of the Decision:

Semi-annual progress reports on the PRFN Extension that show the planned versus actual schedule and costs, and any variances or difficulties that FEI may be encountering with the PRFN Extension¹

On September 3, 2019, FEI filed the first semi-annual progress report on the PRFN Extension which noted the original Asset Purchase Agreement had been revised as Her Majesty the Queen in Right of Canada was no longer required to be a party to the agreement.

On March 5, 2020, FEI filed the second semi-annual progress report on the PRFN Extension, which noted the revised Asset Purchase Agreement had not been signed by PRFN at that time.

On June 26, 2020, FEI filed the final executed Asset Purchase Agreement, effective May 27, 2020 to the BCUC. FEI noted the Section 28(2) right of way permit had not been issued at that time.

This is the third Semi-annual Progress Report for the PRFN Extension, which covers the period from March to September 2020.

1.2 GENERAL PROJECT STATUS

As discussed above, the PRFN Extension has been delayed due to the final Asset Purchase Agreement not being executed until May 27, 2020. However, in accordance with the final executed Asset Purchase Agreement, the purchase transaction is conditional upon FEI obtaining a Section 28(2) permit for the requisite land tenure rights to own and operate the PRFN Extension within PRFN reserve lands. The executed Asset Purchase Agreement is a pre-requisite for the Section 28(2) application. FEI submitted the right of way agreement to Indigenous Service Canada in June 2020. FEI continues to engage with Indigenous Service Canada regarding the

¹ BCUC Decision and Order G-48-19, Appendix A, page 18.

Section 28(2) permit. FEI currently anticipates that the Section 28(2) permit will be finalized before the end of 2020.

As per the terms of the Asset Purchase Agreement, FEI has since completed the leak survey and mains inspection in August 2020. However, as discussed above, the commencement of the construction activities such as meter installations, riser relocation, and any additional main replacement work will depend on FEI receiving the Section 28(2) permit. As FEI anticipates the Section 28(2) permit will be finalized before the end of 2020, FEI is therefore expecting to complete the construction activities from Spring to Summer of 2021 as the seasonal conditions in Northern British Columbia during the late fall and winter months are not conducive to construction activity.

1.2.1 Key Project Accomplishments

As discussed above, the PRFN Extension has been delayed due to the Final Asset Purchase Agreement not being executed until May 27, 2020. Up until the end of August 2020, FEI progressed the PRFN Extension and achieved key accomplishments as follows:

- Leak survey:

- Completed by FEI on July 29th, 2020; and
- No below grade leaks were detected.

- Main Inspection:

- Completed by FEI on August 26th, 2020;
- Six locations on the existing system were exposed and inspected. The conditions of the distribution main at all six locations were determined to be in fair condition with adequate depth of cover; and
- A separate section of the distribution main, approximately 550 m x 26 mm, identified to be in poor condition with capacity constraints due to small diameter. Planned for replacement in 2021.

1.3 PROJECT CHALLENGES AND ISSUES

FEI has experienced the following challenge during this reporting period as described below:

- As discussed above, the final purchase transaction is conditional upon FEI obtaining a Section 28(2) permit for the requisite land tenure right to own and operate the PRFN Extension within the PRFN reserve lands. FEI submitted the right of way agreement in June 2020. FEI expects to finalize the Section 28(2) before the end of 2020, however, a delay in obtaining the Section 28(2) permit could further delay the commencement of

1 construction activities such as meter installations, riser relocation, and any additional main
2 replacement work, which FEI is expecting to complete in Spring to Summer of 2021.

3 **1.4 PLANS FOR NEXT PERIOD**

4 The next semi-annual reporting period will cover the period from September 2020 to March 2021.
5 Given the Section 28(2) permit is not finalized and the seasonal conditions in Northern British
6 Columbia during the late fall and winter months, FEI is not expecting to complete any construction
7 activities in the next reporting period. However, FEI hopes to receive the Section 28(2) permit
8 during the next period.

2. PROJECT SCHEDULE

2.1 SCHEDULE SUMMARY

As discussed in previous sections, FEI is expecting the construction activities to commence between Spring and Summer of 2021; this timeline anticipates finalizing the Section 28(2) permit prior to Spring 2021. Table 1 below shows the planned and actual schedule of the PRFN Extension:

Table 1: PRFN Extension Project Schedule

Activities	Estimated Dates per CPCN	Actual Complete Date	Forecast Complete Date	Status
Leak Survey	September 2019	August 2020	Not applicable	Complete
Mains Inspection/Replacement	September 2019	Not applicable	August 2021	In Progress
Meter Installations	September 2019	Not applicable	September 2021	Not Started
Riser Relocation	September 2019	Not applicable	September 2021	Not Started

3. PROJECT COSTS

3.1 PROJECT COST SUMMARY

Table 2 below shows the PRFN Extension costs and variances to date:

Table 2: PFRN Extension Costs and Variances

Activities	CPCN Estimate (1) (\$000s)	Spent to Date (2) (\$000s)	Estimate to Complete (3) (\$000s)	Forecast Total to Complete (4) (\$000s)	Variance Over/Under (5) = (4) - (1) (\$000s) (%)	
Meter						
Hardware	32	-	32	32	-	0%
Installation	14	-	14	14	-	0%
Main and Service						
Riser Relocation	29	-	29	29	-	0%
Leak Survey	3	1.5	-	1.5	(2)	-50%
Mains Inspection/Replacement	15	4	11	15	-	0%
Planning and Admin	3	-	3	3	-	0%
Contingency	8	-	8	8	-	0%
TOTAL	104	6	97	103	(2)	-1%

The current variances between the original estimate and the actual costs incurred to date is primarily due to the actual leak survey cost being less than the original estimate.