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March 25, 2015

Via Email
Original via Mail

B.C. Sustainable Energy Association c/o William J. Andrews, Barrister & Solicitor 1958 Parkside Lane North Vancouver, B.C. V7G 1X5

Attention: Mr. William J. Andrews

Dear Mr. Andrews:

Re: FortisBC Inc. (FBC)

Multi-Year Performance Based Ratemaking Plan for 2014 through 2019 approved by British Columbia Utilities Commission Order G-139-14 - Annual Review for 2015 Rates (the Application)

Response to the B.C. Sustainable Energy Association and Sierra Club of British Columbia (BCSEA) Information Request (IR) No. 1

On February 6, 2015, FBC filed the Application referenced above. In accordance with the British Columbia Utilities Commission Order G-21-15 setting out the Regulatory Timetable for the review of the Application, FBC respectfully submits the attached response to BCSEA IR No. 1.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC INC.

Original signed:

Diane Roy

Attachments

cc: Commission Secretary Registered Parties (e-mail only)



FortisBC Inc. (FBC or the Company) Application for Approval of 2015 Delivery Rates pursuant to the Mulit-Year Performance Based Ratemaking Plan (the PBR Plan) approved for 2014 through 2019 by Order G-139-14 (the Application)	Submission Date: March 25, 2015
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1 1.0 Topic: Demand Side Management

2 Reference: Exhibit B-1,

The Application provides the following Forecast 2015 DSM Savings:

Table 3-1: Forecast 2015 DSM Savings (MWh)

Forecast 2015 DSM Energy	MWh
Residential	9,177
Commercial	8,746
Industrial	1,502
Wholesale	4,462
Lighting	497
Irrigation	985
Loss	2,206
Total	27,575

The FBC 2015-2016 DSM Expenditure Schedule filing, p.9, provided the following DSM Savings forecasts for 2015:

Table 4-1: FBC DSM Expenditures & Savings - 2013 Plan/Actual and 2015 Plan

		-	20	2015				
	Program Area	PI	an	Act	ual			
ProgramArea		Savings MWh	Cost (\$000s)	Savings MWh	Cost (\$000s)	Savings MWh		TRC B/C ratio
1	Programs by Sector							
2	Residential	16,946	3,944	16,122	3,168	12,100	3,160	2.0
3	Commercial	11,980	2,085	10,885	1,909	12,530	2,530	2.5
4	Industrial	2,580	364	2,520	324	1,540	200	5.7
5	Subtotal Programs	31,506	6,393	29,526	5,401	26,170	5,890	2.2
6	Supporting Initiatives		725		706		675	-
7	Planning & Evaluation		760		748		725	
8	Total (including Portfolio spend)		7,878		6,855		7,290	2.0
9	Income Tax Impact				(1,789)		(1,823)	100
10	Total deferred (net of tax)				5,066		5,468	

 1.1 Please reconcile the DSM Savings forecasts for 2015 between Table 3-1 of the Application and Table 4-1 of the 2015-2016 DSM Application. Are the Residential and Commercial figures in Table 3-1 lower than the corresponding figures in Table 4-1 because in Table 3-1 Wholesale is broken out? Are there any substantive difference in the two forecasts?

Response:

There is no substantive difference between the two forecasts, they are simply presented in a different format. The 2015 DSM Plan Savings (Table 4-1) are *annual* energy savings targets by sector, that are transformed into a cumulative *time-series* by rate class in the Forecast 2015 DSM Savings (Table 3-1).



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- 1 The notional difference occurs as a result of the way the plan savings are attributed, 2 disaggregated, and presented in the forecast savings:
 - When undertaking a DSM project the plan savings are attributed to that calendar year. However for forecasting purposes, a portion of the savings may be attributed to the year following. To illustrate that concept: if a project with 12,000 kWh of savings was completed in December 2013 the Plan shows all of those savings in 2013; whereas the Forecast numbers account for 1/12 of the savings in 2013 (1,000 kWh of savings in December 2013) and the remaining 11/12 in 2014 (11,000 kWh of savings from January to November 2014). Thus, some of the plan savings may be attributed to the following year in the forecast.
 - For forecasting purposes FBC also disaggregates the plan figures into customer rate classes. The DSM Plan is built based on the three primary sectors shown in Table 4-1, covering the entire FBC service area including Wholesalers. For example, "Residential" in the plan savings includes the residential portion of the "Wholesale" savings (for the City of Penticton and the other municipal utilities) presented in the load forecast. Similarly the "Commercial" plan savings contain the "[Street] Lighting" and "Irrigation" values shown in the load forecast. Please also refer to the response to CEC IR 1.11.2 for a further discussion of the methodology used to disaggregate the plan figures into customer rate classes.



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2.0 Topic: AMI-base revenue protection programs

2 Reference: Exhibit B-1, pp.14-15

"This DSM savings forecast is deducted from the before-savings forecast. The residential energy sales are further reduced by other savings from the RCR and CIP, but increased by recovered sales from the AMI-based revenue protection programs. Rate-1 driven reductions in load due to price elasticity are also taken into account₈ and deducted from the before-saving loads. All forecast values in this section are shown after being reduced by DSM and other savings unless explicitly stated otherwise." [underline added]

2.1 Please explain "recovered sales from the AMI-based revenue protection programs." Please explain whether and if so how this relates to the AMI deferral account.

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Response:

- AMI metering facilitates the detection of energy theft, the majority of which is attributed to indoor
- 16 marijuana grow sites. 1 FBC expects that AMI will impact grow sites in two ways. First, some
- 17 marijuana grow site operators (most likely those engaged in energy theft) will cease operation.
- 18 This will reduce gross energy volume (theft through unmetered sites is now recorded as part of
- 19 FBC's energy losses) and hence power purchase expense. Second, some marijuana grow site
- 20 operators will continue in legally metered sites, which will increase billable load and sales
- 21 revenue (referred to as "recovered sales").
- 22 FBC does not have a specific deferral account for AMI-related revenues or expenses. All
- variations from forecast revenue and power purchase expense are captured in the Flow-through
- 24 deferral account and returned to, or recovered from, customers in the subsequent year.
- 25 Other AMI related O&M costs and savings are tracked outside of the PBR formula and
- 26 variances are also captured in the Flow-through deferral account and amortized in the
- 27 subsequent year.

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¹ Energy theft reduction due to AMI implementation is discussed in section 5.3.2 (page 80) of FBC's 2012 application for a CPCN for its AMI Project.



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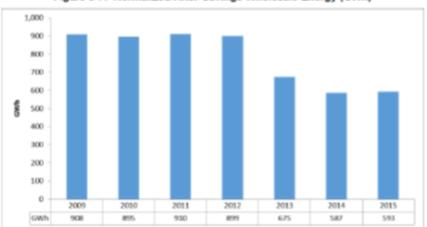
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1 3.0 Topic: Wholesale load forecast

2 Reference: Exhibit B-1, 3.3.5

Figure 3-7: Normalized After-Savings Wholesale Energy (GWh)



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3.1 What explains the apparent step change between 2013 and 2014?

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Response:

The City of Kelowna integration took place in April 2013, so the change between 2013 and 2014 was a result of the fact that City of Kelowna still remained in the Wholesale load class for part of 2013 and was not excluded from the Wholesale load class for a full year until 2014.



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1	4.0	Topic	:	AMI		
2				Reference: Exhibit B-1, p.19; p.36		
3 4 5		8 per	cent as	lysis of billing reports of individual accounts for the gross loss rate to be used over the for expected to further reduce the losses in future." [p	precasting period. AMI los	
6 7 8 9 10		following appropriate forecast	ing an e val of ar BR Appl ast savin	elated O&M costs were lower than approved duextensive CPCN review process and the Common opt-out program prior to meter installation. A lication FBC expected a net reduction in O&Mongs are now also delayed. Forecast 2015 costsubstantially complete during 2015." [p.36, und	mission's directive to file for Although at the time of filin M expense during 2015, the osts are \$0.452 million; the	or ig ie
12 13 14 15	Resp	4.1 onse:		e confirm that AMI Loss Savings are different th atively, please explain.	han AMI-related O&M costs	3.
16 17 18	Confir	med. F	Please al	Iso refer to the response to BCSEA IR 1.2.1.		
19 20 21 22 23	Resp	4.2 onse:		ne AMI system expected to be substantially consses expected to be reduced due to the AMI sys	•	ar
24 25	The re	eductior		ses due to AMI is attributable to theft deterren / been identified and is attributed in whole or in	•	

at this time whether the impact on losses will be measurable in 2015.



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5.0 Topic: Rate base and deferred DSM expenses
 Reference: Exhibit B-1, 7.1 Rate Base, 7.6 Rate Base Deferred Charges
 "Also included in Rate Base are certain other expenditures approved

"Also <u>included in Rate Base are</u> certain other expenditures approved by the Commission, primarily comprised of the plant acquisition adjustment related to generation plants, <u>deferred DSM expenses</u> and other deferred expenditures." [underline added]

5.1 Please confirm that "deferred DSM expenses" included in Rate Base are actual, as distinct from forecast, DSM expenses. Alternatively, please explain.

Response:

Deferred DSM expenditures included in rate base include: the actual DSM expenditures (net of amortization) to December 31 of the previous year; current year amortization based on the December 31 actuals; and forecast additions for the year. The 2015 mid-year DSM balance in rate base is shown below.

	<u> </u>	millions	Reference to Section 11, Schedule 7, Line 4
2015 Opening Balance	\$	18.278	Column (2) + Column (3)
Less:			
One-half of 2015 am ortization		(1.231)	[Column (4) + Column (5)] * 0.5
Mid-Year Value of Actual DSM Expenditures		17.047	
Add:			
One-half of forecast 2015 expenditures		2.736	Column (7) * 0.5
Mid-Year Rate Base	\$	18.278	-
•	\$		-

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1	6.0	Topic:	Service Quality Indicators
2			Reference: Exhibit B-1,
3		"Phase I -	Identification of SQI results for discussion at Annual Review
4 5 6 7		brief disc	that is subject to the Annual Review in question will provide the results and a ussion for all SQ is required by the PBR Decision. It will provide additional on an SQI at an Annual Review if either of the two following circumstances ne SQI:
8 9		a.	the SQI score in the prior calendar year during the term of the PBR Plan is inferior to the agreed threshold; or
10 11		b.	the SQI score in two successive calendar years during the term of the PBR Plan has been between the benchmark and the threshold.
12 13 14 15		provide fu utility or a information	ification of the two circumstances which will trigger the utility's obligation to urther explanation at the Annual Review does not eliminate the ability of the any stakeholder to raise any issue or concern in relation to any SQI, or to ask on requests on any SQI as part of the Annual Review, or to propose a change hold based on new information."
17 18 19 20		14 the	eknowledging that the SQI Consensus Recommendation approved in Order G- -15 speaks in terms of SQI scores in prior calendar years "during the term of e PBR Plan," please provide for information the available historical information sQI scores.

Response:

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- 23 Provided in the table below are the available historical information for the SQIs.
- Please note for the Telephone Abandon Rate SQI, the 2014 result has been revised from the previously reported result of 13.00 percent to an updated lower number of 12.38 percent.



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Service Quality Indicator		2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	Benchmark	Threshold
1	Emergency Response Time - Calls responded to within two hours	n/a	n/a	93%	92%	94%	92%	95%	92%	91%	94%	91%	>= 93%	90.6%
2	Telephone Service Factor - Calls answered in 30 seconds or less	n/a	n/a	n/a	70%	70%	70%	70%	70%	70%	70%	48%	>= 70%	68%
3	First Contact Resolution	n/a	73%	73%	>= 78%	72%								
4	Billing Index	n/a	0.1	2.34	<= 5	<= 5								
5	Meter Reading Accuracy - Number of scheduled meter reads that were read	n/a	n/a	n/a	98%	98%	98%	98%	98%	98%	51%	98%	>= 97%	94%
6	System Average Interruption Duration Index - Normalized - three year rolling average	n/a	n/a	2.49	2.51	2.62	2.40	2.51	2.33	2.22	1.94	2.09	<= 2.22	2.62
6a	System Average Interruption Duration Index - Normalized - annual results	2.44	2.09	2.93	2.50	2.42	2.28	2.84	1.86	1.95	2.01	2.32	n/a	n/a
7	System Average Interruption Frequency Index - Normalized - three year rolling average	n/a	n/a	3.22	3.09	2.78	1.87	1.96	1.71	1.64	1.31	1.39	<= 1.64	2.50
7a	System Average Interruption Frequency Index - Normalized - annual results	2.39	3.07	4.19	2.00	2.14	1.48	2.27	1.38	1.27	1.27	1.64	n/a	n/a
8	All Injury Frequency Rate - three year rolling average	n/a	n/a	2.87	1.85	2.13	2.00	2.00	1.54	1.64	2.01	2.58	<=1.64	2.39
8a	All Injury Frequency Rate - annual results	4.77	2.02	1.80	1.71	2.87	1.41	1.72	1.48	1.72	2.82	3.21	n/a	n/a
9	Generator Forced Outage Rate	0.2%	0.0%	6.2%	0.1%	0.1%	0.9%	0.1%	0.1%	0.5%	5.2%	1.7%	Informational	n/a
10	Customer Satisfaction Index	7.1	8.0	8.5	8.6	8.6	8.6	8.8	8.7	8.4	8.0	8.1	Informational	n/a
11	Telephone Abandonment Rate	n/a	n/a	2.47%	1.82%	1.97%	2.18%	1.93%	1.70%	1.88%	2.00%	12.38%	Informational	n/a