

FBC Annual Review of 2015 Rates

Workshop

April 1, 2015



Agenda

Introduction	<i>Diane Roy</i>	<i>Director, Regulatory Services</i>
Opening Remarks	<i>Roger Dall'Antonia</i>	<i>Executive Vice President, Customer Service and Regulatory Affairs</i>
Revenue Requirements and Rates	<i>Joyce Martin</i>	<i>Manager, Regulatory Affairs</i>
Load Forecast	<i>David Bailey</i>	<i>Customer Energy & Forecasting Manager</i>
Power Supply	<i>Jamie King</i>	<i>Power Supply Operations Manager</i>
Service Quality Indicators (SQIs)	<i>James Wong</i>	<i>Director, Finance and Planning</i>
<ul style="list-style-type: none"> • Customer Service SQIs 	<i>Dawn Mehrer</i>	<i>Director, Customer Contact Centres</i>
<ul style="list-style-type: none"> • Operational SQIs 	<i>Marko Aaltomaa</i>	<i>Manager Network Services</i>
Summary and Closing	<i>Diane Roy</i>	<i>Director, Regulatory Services</i>

FBC Annual Review

PBR Term from 2014 to 2019

4.6 Percent Rate Increase for
2015

Service
Quality
Indicators

Formula-Driven
Items (Earnings
Sharing)

Forecast Items
(Flow-through
Deferral)

Responsiveness to
Customer Needs
Reliability and
Safety

Opening Remarks

2014 Highlights and Future Outlook

Roger Dall'Antonia – Executive Vice President, Customer Service and Regulatory Affairs



Company Priorities During 2014

Productivity

- O&M below formula by \$0.699 million
- Capital expenditures above formula by \$0.804 million

Customer Focus

- Achieving service quality
- Implementation of Advanced Metering Infrastructure (AMI) Project

Financing

- \$200 million debt issuance October 2014
- 30 year term at 4% interest rate

Stabilization

- Employees returned to work December 2013

Company Priorities During the PBR Term

Productivity

- O&M savings
- Capital efficiency

Customer Focus

- Achieving and maintaining SQLs

Initiatives

- AMI Implementation
- Finalizing and optimizing power supply structure and resources

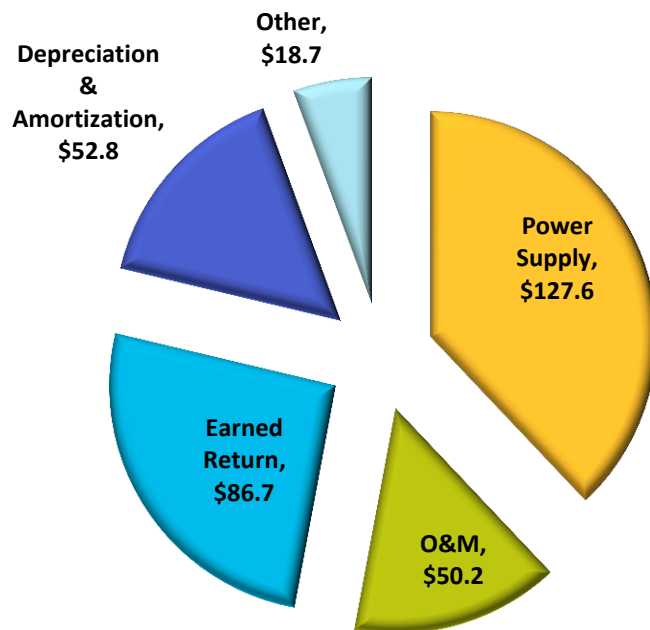
Revenue Requirements and Rates

Joyce Martin – Manager, Regulatory Affairs



Summary

Revenue Requirement & Components of Rate Change (\$ Million)



Revenue Requirement of \$336.1 million

	<u>Increase</u>	
Sales Volume (GWh)	(17)	
Power Supply	\$ 8.742	
WAX Capacity Purchase Agreement	21.800	
Formula O&M	0.240	
Forecast O&M	(1.857)	
Taxes & Other	1.976	
Depreciation of Plant and Equipment	2.469	
Amortization Deferred	8.988	
Financing and Return	(0.023)	
2014 Interim Rates	<u>(29.682)</u>	
Total	12.653	4.6%
2015 Interim Rates	<u>(8.970)</u>	
Final Rate Adjustment	\$ 3.683	2.2%

Gross O&M Expense Reduced by \$1.618 Million

$$\$52.745 \text{ M} + \$0.144 \text{ M} + \$0.095 \text{ M} = \$52.985 \text{ M}$$

2014 Formula O&M + Inflation + Customer Growth = 2015 Formula O&M

Forecast O&M Components	2014		2015		Difference
	Approved		Forecast		
Pension/OPEB (O&M Portion)	\$	5.904	\$	3.925	\$ (1.979)
Insurance Premiums		1.460		1.380	(0.080)
Advanced Metering Infrastructure		0.600		0.452	(0.148)
2015 Mandatory Reliability Standards Audit		-		0.350	0.350
Forecast O&M	\$	7.964	\$	6.107	\$ (1.857)

Advanced Metering Infrastructure

Net O&M Expense

(\$ million)

	2014			2015		2016
	Projected	Approved	CPCN	Forecast	CPCN	CPCN
AMI Costs	0.531	0.750	1.116	1.591	1.859	1.893
AMI Savings	(0.100)	(0.150)	(0.516)	(1.139)	(1.977)	(3.976)
Net AMI Costs	0.431	0.600	0.600	0.452	(0.118)	(2.083)

Capital Expenditures Reduced by \$17.458 Million

$$\$42.193\text{ M} + \$0.115\text{ M} + \$0.076\text{ M} = \$42.384\text{ M}$$

2014 Formula Capex + Inflation + Customer Growth = 2015 Formula Capex

Forecast Capital Components	2014		2015		Difference
	Approved		Forecast		
Pension/OPEB (Capital Portion)	\$	6.396	\$	4.253	\$ (2.143)
PCB Compliance - Substations		6.062		0.200	(5.862)
Advanced Metering Infrastructure		18.772		28.139	9.367
2013 Deferred Capital		25.303		6.291	(19.012)
Forecast Capital Expenditures	\$	56.533	\$	38.883	\$ (17.650)

Deferral Accounts

Rate Base	Pension and OPEB Funding Liability	<ul style="list-style-type: none">• Request to include in Rate Base
Non-Rate Base	Amortization of 2014 Interim Rate Variance Account	<ul style="list-style-type: none">• Propose to amortize 20% (\$5.928M) in 2015• Determine remaining percentages in 2016
	New Accounts for Regulatory Matters	<ul style="list-style-type: none">• Residual Capacity Agreement Tariff Application• 2015 – 2016 DSM Plan Application• 2016 Long Term Electric Resource Plan

Summary of Requests

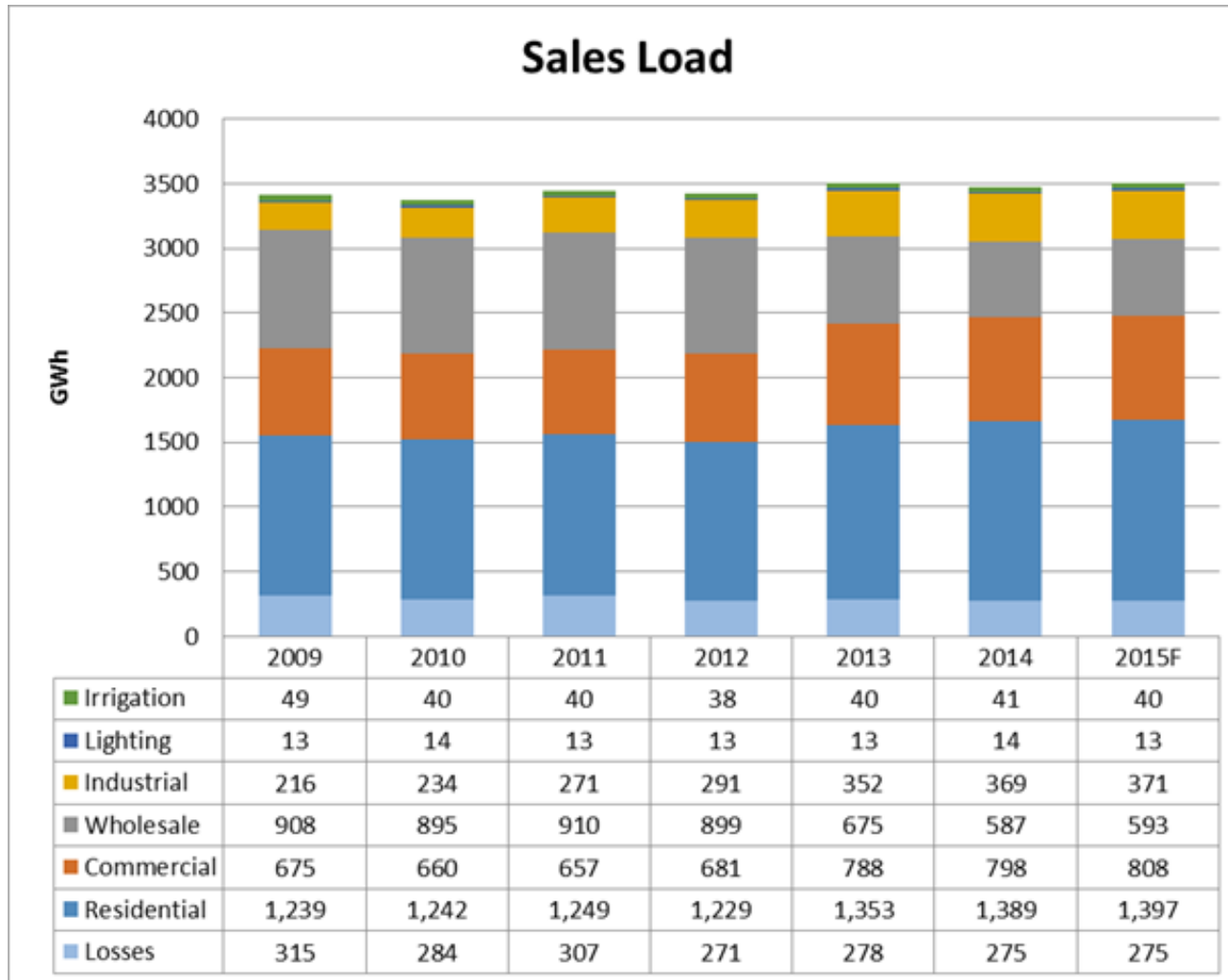
- Approval of existing interim rates as permanent effective January 1, 2015
- General rate increase of 2.2% if implemented July 1, 2015
- Amortization of 20% (\$5.9M) of the 2014 Interim Rate Variance deferral account
- Three new deferral accounts related to regulatory proceedings
- Pension and OPEB Funding Liability credit to be included in rate base

Load Forecast

David Bailey – Customer Energy & Forecasting Manager



Annual Sales Load

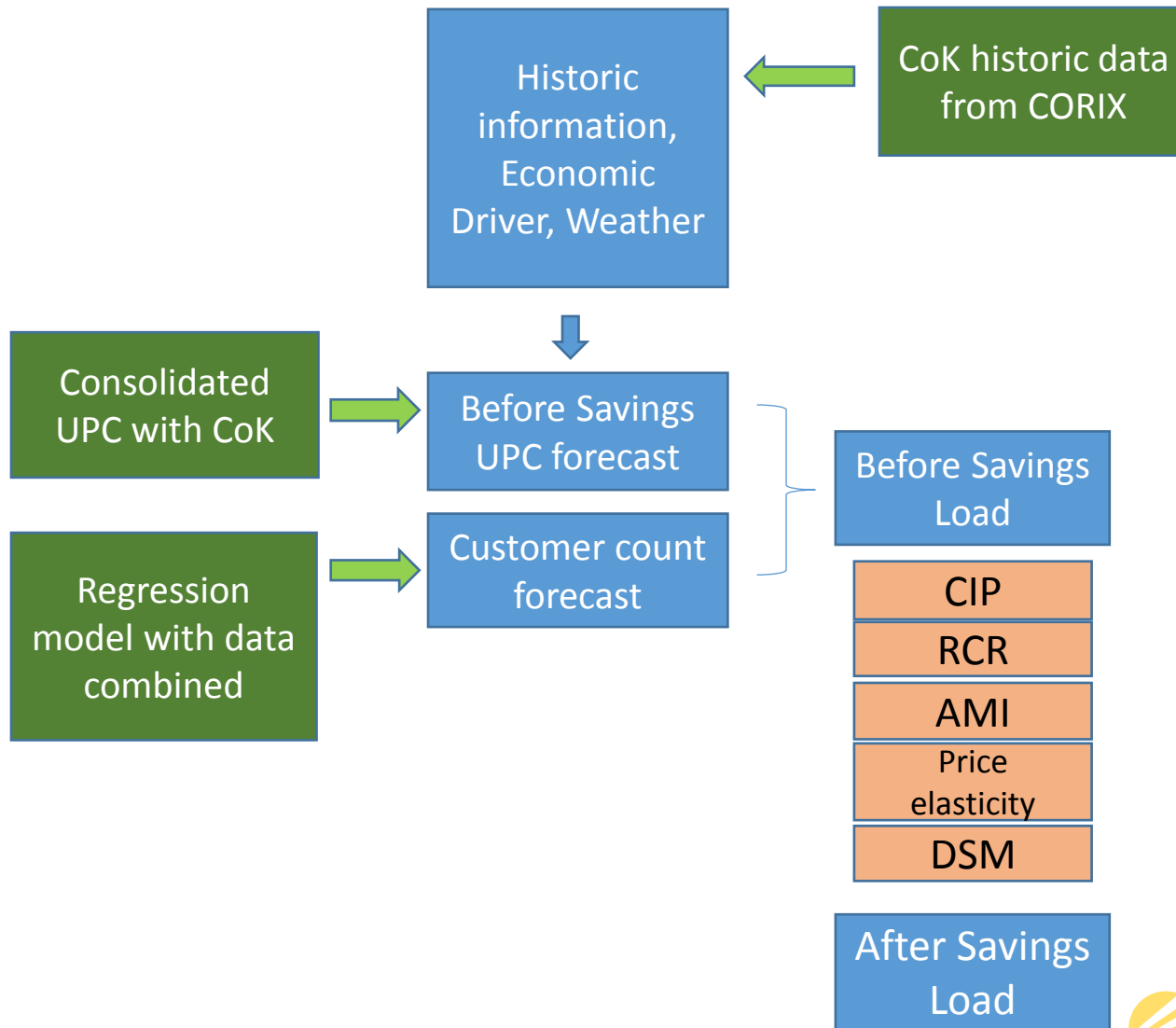


- Normalized
- 2015: 3,499 GWh
- 2014: 3,473 GWh
- Increase: 26 GWh or 0.7%

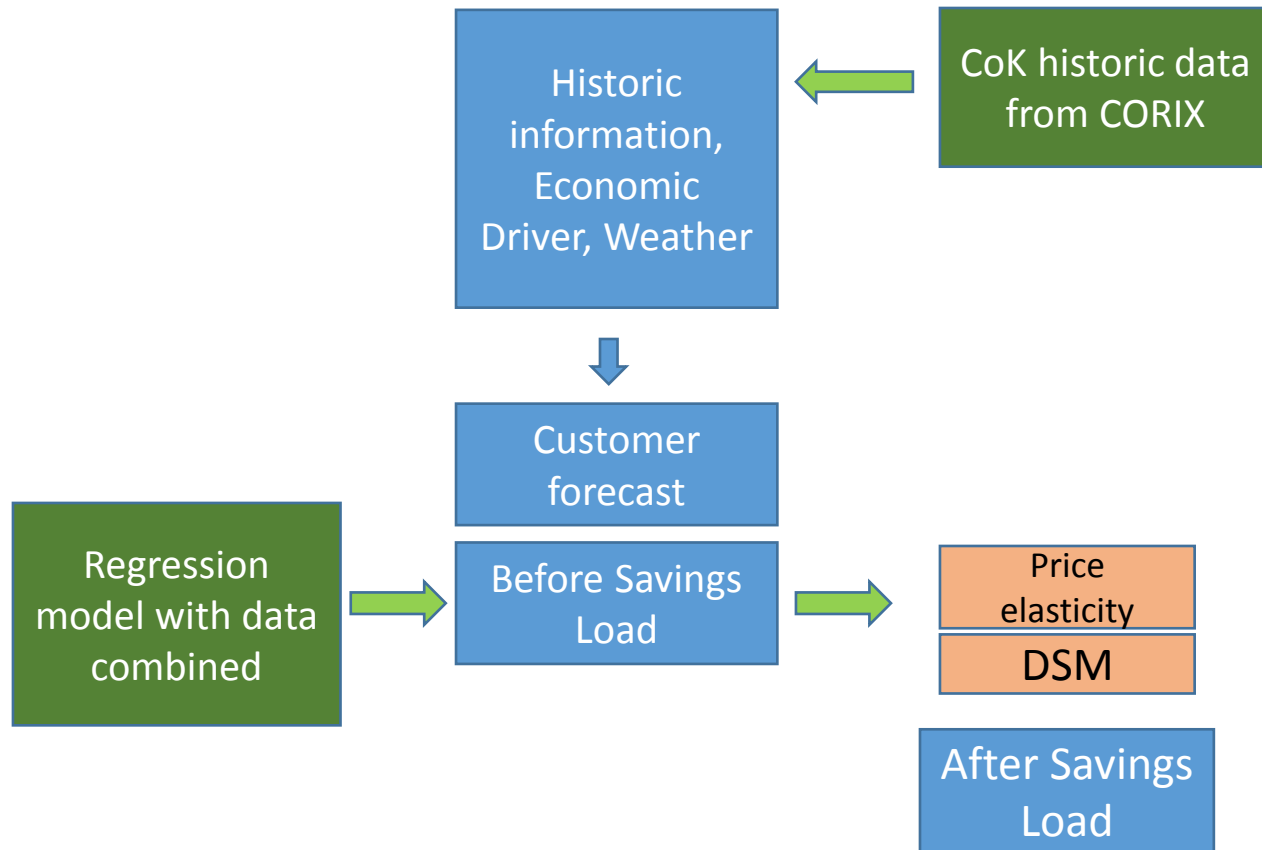
Before Savings Methodology Overview

Load Class	Customers	UPC	Load	% of Total
Residential	BC STATS regression	3 year average of normalized actuals	Calculated UPC X Customers	39.4%
Commercial	CBOC GDP regression	Calculated Load/Customers	Regression using CBOC GDP forecast	22.8%
Wholesale			Survey	28.1%
Industrial			Survey + Sector GDP	9.1%
Lighting			Trend Analysis	0.4%
Irrigation			5 Year Average	1.2%

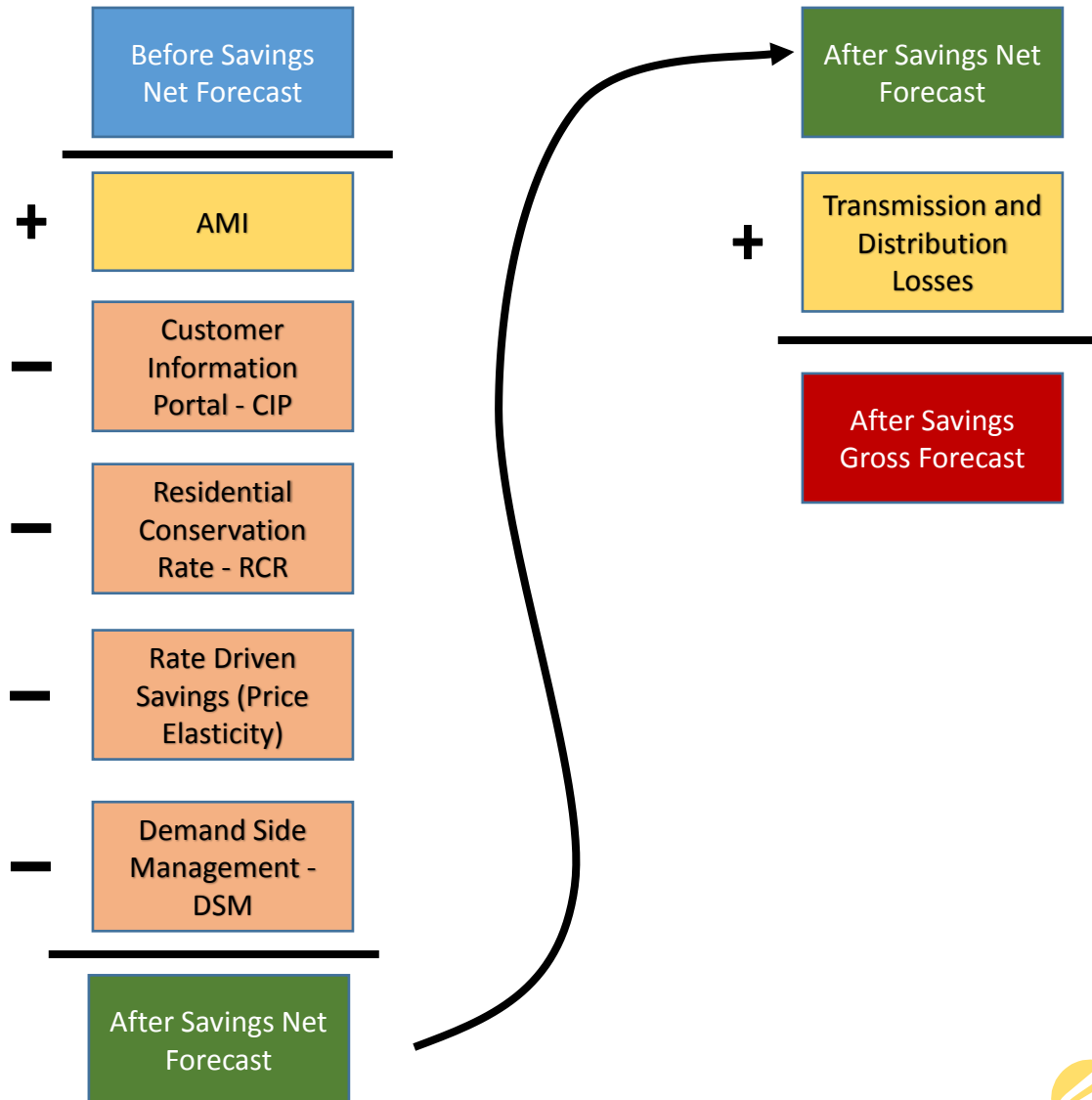
Residential Load Forecast Process with CoK



Commercial Load Forecast Process with CoK



Savings



Summary

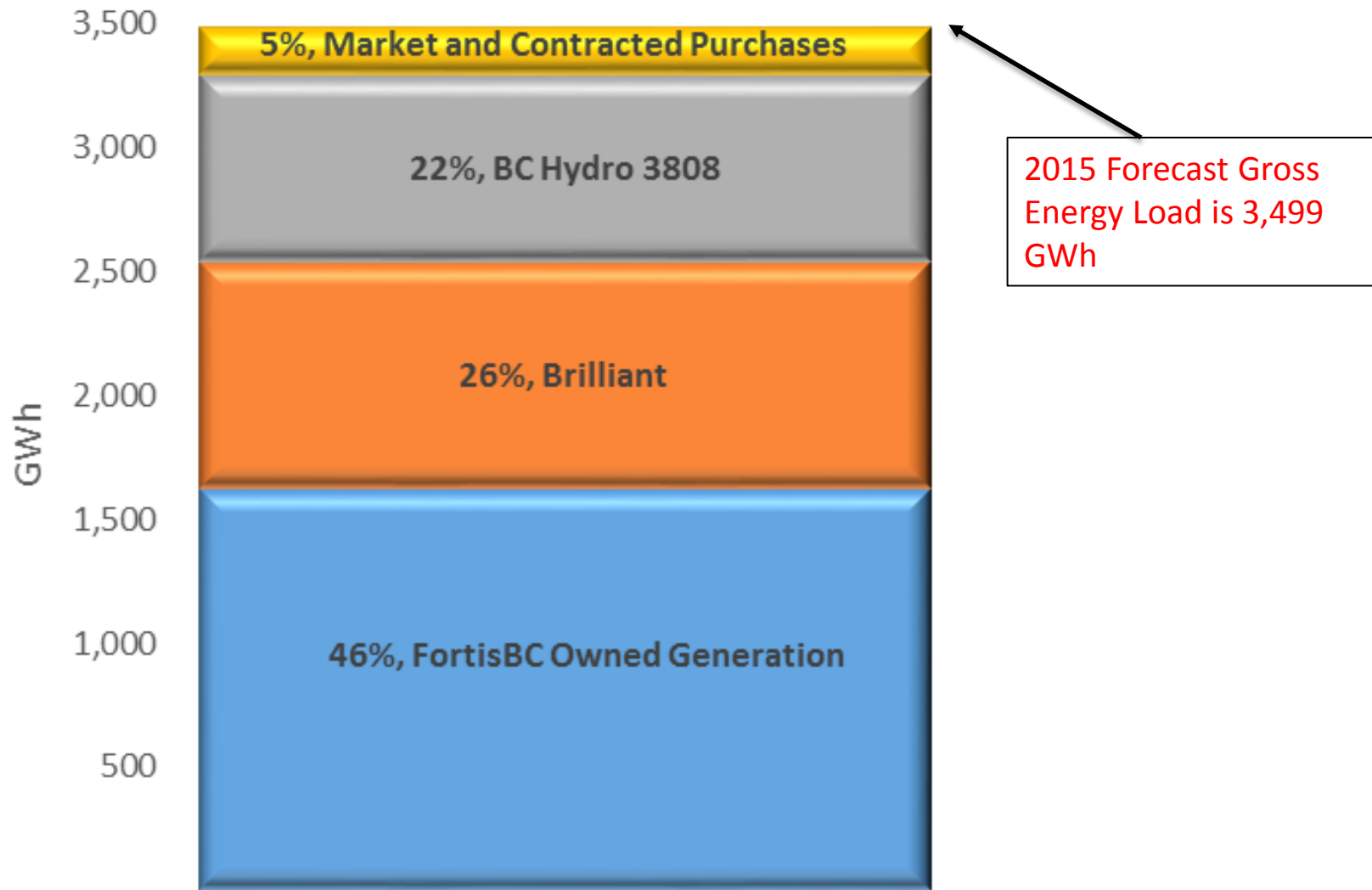
2015	Customers	UPC	Sales Load
Residential	↑	↓	↑
Commercial	↑	↓	↑
Industrial	↔	NA	↑
Wholesale	↔	NA	↑
Irrigation	↔	NA	↓
Lighting	↔	NA	↓
Total	↑	NA	↑

Power Supply

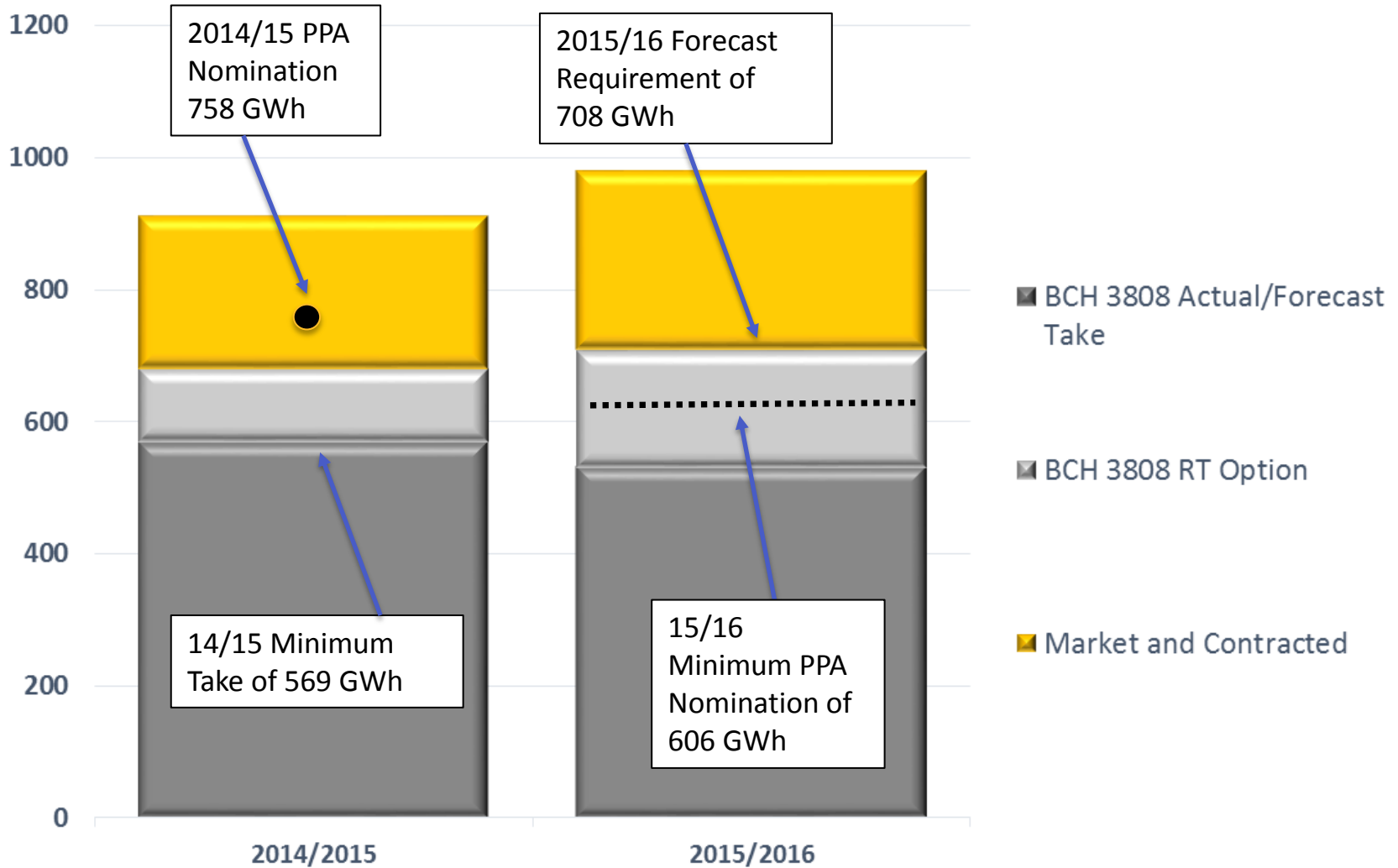
Jamie King – Power Supply Operations Manager



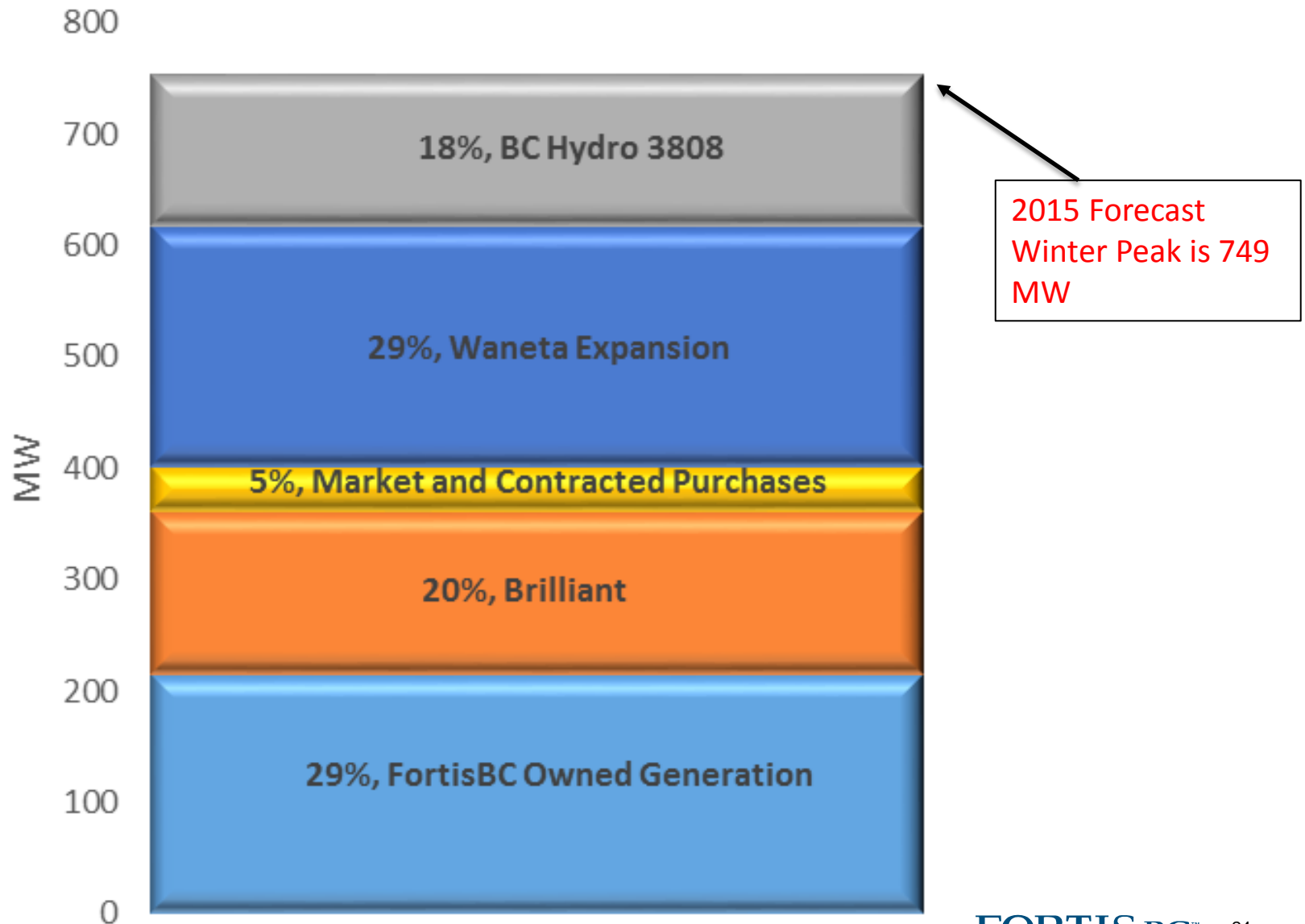
FBC'S 2015 Energy Resources



Incremental Energy Requirements



FBC'S 2015 Peak Capacity Resources



Power Purchase Expense Forecast

(\$ millions)	2014 Projection	2015 Forecast	Difference
Brilliant	\$ 35.742	\$ 37.069	\$ 1.327
BC Hydro PPA	\$ 35.273	\$ 45.460	\$ 10.187
Waneta Expansion	\$ -	\$ 25.808	\$ 25.808
Independent Power Producers	\$ 0.447	\$ 0.164	\$ (0.283)
Market and Contracted Purchases	\$ 16.068	\$ 9.380	\$ (6.688)
Sale of Surplus Power	\$ (0.320)	\$ -	\$ 0.320
CPA Balancing Pool	\$ (1.185)	\$ (0.044)	\$ 1.141
Special and Accounting Adjustments	\$ 0.311	\$ -	\$ (0.311)
Total	\$ 87.336	\$ 117.837	\$ 30.501
Gross Load (GWh)	3,450	3,499	49

Service Quality Indicators

FBC 2014 - 2019 Multi-Year PBR Plan

Dawn Mehrer, Director, Customer Contact Centres

Marko Aaltomaa, Manager, Network Services

James Wong, Director, Finance and Planning



Overview of Service Quality Indicators

Highlights from the BCUC decision

From page 155

“For this reason, the Panel directs the Companies, in consultation with stakeholders, to develop a performance range for each SQI covering the range of scores where performance would be found to be satisfactory.”

“In establishing the performance range for SQIs, the Panel expects the Companies and the stakeholders to take into consideration the following factors:

- ❑ The variance that has been experienced in the benchmark historically;*
- ❑ The historic trend in the benchmark;*
- ❑ The level of the benchmark relative to the SQI levels achieved by other utilities, including utilities in other jurisdictions;*
- ❑ The sensitivity of the benchmark to external factors such as weather or economic conditions; and*
- ❑ The impact of lower SQI levels on the provision of reliable, safe or adequate service.”*

Overview of Service Quality Indicators

Highlights from the BCUC decision

From page 156

“When assessing the magnitude of any reduction in each Company’s share of the incentive earnings, the Commission will take into account the following factors:

- ▣ Any economic gain made by each Company in allowing service levels to deteriorate;*
- ▣ The impact on the delivery of safe, reliable and adequate service;*
- ▣ Whether the impact is seen to be transitory or of a sustained nature; and*
- ▣ Whether each Company has taken measures to ameliorate the deterioration in service.”*

Overview of Service Quality Indicators

Development of Performance Ranges

- Stakeholder consultation process
 - Involved interested interveners
 - Three workshops held (Nov 21, Dec 12, Dec 19)
 - Factors taken into consideration include historical variances, historical trend, etc.
- Consensus agreement
 - Agreed thresholds for SQIs with benchmarks
 - Two-phase process for examination of SQL results at each Annual Review

Responsiveness to Customer Needs

Responsiveness to Customer Needs

Service Quality Indicator	Benchmark	Threshold	2014 Results	Status
Responsiveness to the Customer Needs SQIs				
First Contact Resolution	78%	72%	73%	Between Benchmark and Threshold
Billing Index	5.0	<=5.0	2.34	Better than Benchmark
Meter Reading Accuracy	97%	94%	98%	Better than Benchmark
Telephone Service Factor (Non-Emergency)	70%	68%	48%	Inferior to Threshold
	2012	2013	2014	
Customer Satisfaction Index - <i>informational</i>	8.4	8.0	8.1	n/a
Telephone Abandon Rate - <i>informational</i>	1.9%	2.0%	12.4%	n/a

Safety and Reliability

Safety and Reliability

Service Quality Indicator	Benchmark	Threshold	2014 Results	Status
Safety SQIs				
Emergency Response Time	93%	90.6%	91%	Between Benchmark and Threshold
All Injury Frequency Rate (AIFR)	1.64	2.39	2.58	Inferior to Threshold
Reliability SQIs				
System Average Interruption Duration Index (SAIDI) - Normalized	2.22	2.62	2.09	Better than Benchmark
System Average Interruption Frequency Index (SAIFI) - Normalized	1.64	2.50	1.39	Better than Benchmark
	2012	2013	2014	
Generator Forced Outage Rate - <i>informational</i>	0.52%	5.20%	1.74%	n/a

2014 SQL Performance

Service Quality Indicator	Status
Safety SQLs	
Emergency Response Time	Between Benchmark and Threshold
All Injury Frequency Rate (AIFR)	Inferior to Threshold
Responsiveness to the Customer Needs SQLs	
First Contact Resolution	Between Benchmark and Threshold
Billing Index	Better than Benchmark
Meter Reading Accuracy	Better than Benchmark
Telephone Service Factor (Non-Emergency)	Inferior to Threshold
Customer Satisfaction Index - <i>informational</i>	n/a
Telephone Abandon Rate - <i>informational</i>	n/a
Reliability SQLs	
System Average Interruption Duration Index (SAIDI) - Normalized	Better than Benchmark
System Average Interruption Frequency Index (SAIFI) - Normalized	Better than Benchmark
Generator Forced Outage Rate - <i>informational</i>	n/a

Questions

Summary & Closing

Diane Roy – Director, Regulatory Services

