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October 13, 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 (Commission) Order G-139-14 (the PBR Plan) – Annual Review for 2016 Rates (the Application)

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

On September 11, 2015, FBC filed the Application referenced above. In accordance with Commission Order G-139-15 setting out the Regulatory Timetable for the review of the Application, FBC respectfully submits the attached response to BCSEA IR No. 1.

Due to a small number of updates to the forecasts in the Application, FBC will be filing an Evidentiary Update prior to the Annual Review Workshop. The Evidentiary Update will include the items listed below:

- Update to incorporate the forecast 2016 reduction in property taxes (see response to BCUC IR 1.16.3);
- Update to the balance in the Capacity and Energy Purchase and Sale Agreement with Powerex Corp. Application deferred account (see response to BCUC IR 1.21.3); and

- Update to 2015 and 2016 revenue to give effect to certain determinations of the Commission in the Stage IV Decision regarding Celgar's Stand-by Billing Demand (Order G-14-15).

If further information is required, please contact Joyce Martin at 250-368-0319.

Sincerely,

FORTISBC INC.

Original signed by: Joyce Martin

For: Diane Roy

Attachments

cc: Commission Secretary
Registered Parties (email only)



FortisBC Inc. (FBC or the Company) Multi-Year Performance Based Ratemaking Plan for 2014 through 2019 Annual Review for 2016 Rates (the Application)	Submission Date: October 13, 2015
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1 **1.0 Topic: DSM Savings Forecast**

2 **Reference: Exhibit B-1, Figure 1-1: 2016 Revenue Deficiency; Section 3, Load**
3 **Forecast and Revenue at Existing Rates, Table 3-1: Forecast 2016**
4 **DSM Savings**

5 “Overall, the gross forecasting accuracy for the past four years has been in the range of
6 0.6 percent to 2.6 percent. This is on par with the current industry benchmark of 1.5
7 percent on average.” [p.13]

8 1.1 Forecast DSM savings for 2016 and hence forecast load for 2016 is used to
9 determine 2016 Revenue at Existing Rates. Please describe the mechanism by
10 which any difference between 2016 forecast and actual load results in adjusted
11 utility revenue and rates in a later year.

12
13 **Response:**

14 To the extent that actual loads differ from forecast, the result will be variances in both revenue
15 and the cost of power supply to serve the load variance. Both revenue and power supply costs
16 are subject to true-up by way of the Flow-through deferral account. Table 12-5 at page 107 of
17 the application shows the revenue and power supply variances forecast for 2015, which
18 includes variances due to load variation.

19 The balance in the 2015 Flow-through deferral account is included in 2016 revenue
20 requirements by way of amortization expense, as shown in Section 11, Schedule 12, at line 8
21 column 6. Similarly, the balance in the 2016 Flow-through deferral account will be included in
22 2017 revenue requirements by way of amortization expense.

23
24

25
26 1.2 Please confirm, or otherwise explain, that there is no determination of an ‘Actual
27 DSM Savings’ for rate setting purposes.

28
29 **Response:**

30 Confirmed. Achieved DSM savings are embedded in the historical load data and cannot be
31 accurately quantified.

32
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34



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1 1.3 Please explain why FBC does not have an incentive to over-estimate 2016 DSM
2 savings in order to reduce forecast 2016 revenue and increase 2016 rates.

3
4 **Response:**

5 FBC seeks to manage rate increases wherever possible and does not over estimate DSM
6 savings in order to reduce revenue. Any overestimation of DSM savings would impact the
7 variance between FBC's forecast and actual demand. As noted in the preamble, FBC's
8 forecasting accuracy is on par with the current industry benchmark. In any case, revenue and
9 power supply costs are subject to flow-through treatment, as described in the response to
10 BCSEA IR 1.1.1. The flow-through of revenue and costs may create a temporary shift in
11 revenue between years but ultimately does not harm or benefit either the shareholder or FBC's
12 customers.

13
14

15
16 1.4 When and in what form will FBC provide its verification of the forecast 2016 DSM
17 savings?

18
19 **Response:**

20 Please refer to the response to BCUC IR 1.5.3.

21

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1 **2.0 Topic: SQI, Emergency Response Time**

2 **Reference: Exhibit B-1, section 13.2.1**

3 The Emergency Response Time 2015 YTD result is 91%, compared to the benchmark of
4 93% and the threshold of 90.6%. FBC states: “Year-to-date performance indicates that,
5 overall, trouble calls and/or unplanned system interruptions are being addressed in a
6 prompt and timely manner.”

7 “The June 2015 year-to-date results have been impacted by a widespread outage in the
8 Kootenay area due to a windstorm at the end of June, where restoration efforts took
9 several days. Due to the number of outages to the distribution system during the storm,
10 the monthly response time in June dropped to the lowest level of the year at 83%. Prior
11 to June’s monthly results the 2015 year-to-date results were at the benchmark level of
12 93%.”

13 2.1 Is FBC’s conclusion, that “Year-to-date performance indicates that, overall,
14 trouble calls and/or unplanned system interruptions are being addressed in a
15 prompt and timely manner,” based on the June 2015 YTD figure or on an
16 expectation that by the end of 2015 the result will be at or better than the
17 benchmark?

18 **Response:**

19 FBC’s conclusion that “Year-to-date performance indicates that, overall, trouble calls and/or
20 unplanned system interruptions are being addressed in a prompt and timely manner,” was
21 based on the June 2015 YTD figure.
22

23 FBC’s target is to meet the benchmark level for the SQI Emergency Response time in 2015. In
24 September the number of trouble calls was at annual average levels and FBC’s monthly
25 response time was 95 percent within 2 hours of the call. Overall results up to September 2015
26 YTD are 91 percent for Emergency Response Time.

27 Please also refer to the response to CEC IR 1.25.1 and BCOAPO 1.20.1.

28



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1 **3.0 Topic: SQI, All Injury Frequency Rate**

2 **Reference: Exhibit B-1, section 13.2.1**

3 “Although the number of incidents is of concern, the majority 1 (85) of the lost days were
4 attributable to a single injury involving a First Aid attendant which did not have an impact
5 on the quality of service being provided to customers.”

6 FBC discusses the Target Zero safety program that it will officially launch in January
7 2016. FBC states, “As discussed above, the Company is taking steps to improve
8 performance.” [p.113]

9 3.1 Would FBC agree that the All Injury Frequency Rate is not intended to be a direct
10 measure of service to customers and therefore evaluation of the AIFR result is
11 not affected by whether a particular injury had an impact on the quality of service
12 being provide to customers?

13
14 **Response:**

15 FBC agrees that the AIFR is not intended to be a direct measure of service to customers.
16 Recognizing that the Commission has found that a component of safe, reliable and adequate
17 service includes protection of the safety of the public "which includes both ratepayers and
18 employees of the Utilities", the AIFR is indicative of one component of quality of service.

19 The observation that the injuries have not had an impact on the quality of service being provided
20 to customers is relevant to the Commission’s determination of whether there has been a serious
21 degradation of service. As stated by the Commission on page 19 of the Decision accompanying
22 Order G-107-15, one of the factors relevant to the determination of whether any degradation of
23 service is “serious” is the impact on the delivery of safe, reliable and adequate service. Thus,
24 FBC believes it is relevant to note that the AIFR results did not impact any other components of
25 the quality of service.

26
27

28
29 3.2 Does FBC expect that implementation of the Target Zero safety program will
30 result in an improved annual AIFR figure by June 2016 YTD?

31
32 **Response:**

33 FBC expects the Target Zero safety program will lead to improved safety results. The new
34 Target Zero safety program focuses on continuous improvement. The Target Zero initiative
35 provides a higher level of safety support to all business units to improve safety leadership and



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1 accountability over time and to continue to improve employee knowledge and engagement over
2 time. An overall increase in the awareness of workplace hazards and the measures used to
3 control those hazards is anticipated.

4 The Company believes that the Target Zero program will improve the long term safety
5 experience. However, as has from time to time been the experience of the peer Fortis entities
6 studied, safety experience can decrease for short periods. Given the unpredictability in
7 forecasting injuries in any given period of time, the goal is long term sustained improvement in
8 the Company's safety experience.

9
10

11
12 3.3 By when does FBC expect to have the AIFR three-year rolling average figure (a)
13 down to the threshold of 2.39 and (b) down to the benchmark of 1.64?

14

15 **Response:**

16 FBC's goal is long term sustained improvement in safety experience as the Company targets
17 the elimination of all workplace injuries. The new Target Zero safety program focuses on
18 continuous improvement. Although FBC expects to reach the three-year rolling average
19 threshold of 2.39 over time, it is not possible to predict the exact timing of when the threshold
20 will be achieved. FBC will continue targeting the approved benchmark of 1.64; however, due to
21 the three-year rolling average formula, the benchmark may not be achieved during the term of
22 the PBR Plan.

23

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1 **4.0 Topic: SQI, Meter Reading Accuracy**

2 **Reference: Exhibit B-1, section 13.1**

3 “FBC notes that it will be challenging to maintain this level of performance in the second
4 half of the year due to staffing challenges as the Company transitions from manual to
5 automated meter reading. In addition, several meter reading routes had to be estimated
6 during August due to forest fires destroying advanced metering routers and limiting road
7 access for meter readers.”

8 4.1 Does the possibility of reduced performance on the Meter Reading Accuracy
9 metric in the second half of 2015 validate the continuing requirement to report the
10 Meter Reading Accuracy metric?

11
12 **Response:**

13 Although FBC does not oppose the requirement to report on the Meter Reading Accuracy, the
14 particular events in the second of 2015 do not validate the continuing requirement to report the
15 metric. Forest fires destroying routers is the only type of event that caused meter reading
16 performance issues in the second half of 2015 that would be relevant in a post-AMI
17 environment. A forest fire destroying routers is a rare event and not within FBC’s control, and
18 therefore is not a compelling reason to continue the metric.

19
20

21
22 4.2 Has the experience of losing AMI routers due to forest fires caused FBC to
23 change its approach toward having the capability to read meters manually even
24 after the AMI meters are being ‘read’ electronically?

25
26 **Response:**

27 No. FBC has always intended to retain some manual meter reading capability which could be
28 used if there was an extended outage of the AMI system.

29

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1 **5.0 Topic: SQI, SAIFI, SAIDI**

2 **Reference: Exhibit B-1, section 13.1**

3 “FBC measures transmission and distribution system reliability as adjusted by the
4 Institute of Electrical and Electronics Engineers (IEEE) method of normalizing reliability
5 statistics by excluding “major events”. Major events are identified as those that cause
6 outages exceeding a threshold number of customer-hours. Threshold values are
7 calculated by applying a statistical method called the “2.5 Beta” adjustment to historical
8 reliability data. Any single outage event that exceeds the threshold value is excluded
9 from the reliability data. Major event days in the FBC service territory have been caused
10 by mudslides, windstorms and wildfires.” [p.117]

11 “SAIFI is the average number of interruptions per customer served per year (i.e. the
12 number of times the average customer would have to reset their clock during the year)
13 calculated as follows: ...” [p.118]

14 “Up to June 2015 year-to-date, FBC has experienced one major event due to a
15 windstorm on June 29, 2015. The windstorm impacted the transmission and distribution
16 systems in the Kootenay area, and affected 16,000 customers and resulted in 101,000
17 customer hours of interruption, with customer restoration efforts extending into July 1,
18 2015 due to the extent of damage to the distribution system.” [p.118]

19 5.1 Please confirm, or otherwise explain, that a more complete description would be
20 “the number of times the average customer would have to reset their clock during
21 the year due to an outage of one-minute duration or longer and excluding an
22 outage due to a “major event.”

23
24 **Response:**

25 Correct. The SAIFI number excludes “major events” and only outages greater than one minute
26 in duration are included.

27
28

29
30 5.2 If the June 29, 2015 windstorm outages was a “major event,” then are the
31 outages included in the SAIDI and SAIFI figures (or are they excluded by the
32 Beta 2.5 method)?

33



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1 **Response:**

2 “Major events” are defined as those that cause outages exceeding the 2.5 Beta threshold for
3 customer hours. All major events such as the June 29 windstorm are excluded from the
4 normalized SAIDI and SAIFI data reported.

5
6

7

8 5.3 In its discussions of SAIDI and SAIFI, when FBC uses the term “major event”
9 does the term always mean outages that are excluded from the SAIDI and SAIFI
10 calculations?

11

12 **Response:**

13 Yes. Please refer to the response to BCSEA IR 1.5.2.

14
15

16

17 5.4 When FBC states in summary “However, the [SAIDI and SAIFI] results can be
18 influenced by uncontrollable events such as storms that occur in a year,” the
19 reference is to events such as storms that cause outages that are not sufficiently
20 extensive and lengthy to be categorized as a “major event.” Is that correct?

21

22 **Response:**

23 That is correct. The normalized SAIDI and SAIFI results are influenced by uncontrollable events
24 such as storms, and motor vehicle impacts. Only events that meet the “major event” criteria are
25 excluded from the normalized SAIDI and SAIFI results.

26

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1 **6.0 Topic: Service Quality Indicators, Presentation of Data**

2 **Reference: Exhibit B-1, section 13**

3 Comment: In order to compare the June 2015 YTD results for a particular Performance
 4 Measure with the Historical results and the Benchmark and Threshold figures one has to
 5 flip back and forth between the Historical table and Table 13-1.

6 6.1 As an example, please provide a table for the Emergency Response Time
 7 performance measure that has columns for the years 2009 to 2014 and June
 8 2015 YTD and rows showing Results, Benchmark and Threshold. (It is
 9 recognized that values for Benchmark and Threshold may not be applicable for
 10 years prior to the PBR period.)

11
 12 **Response:**

13 Provided below is the requested information for the Emergency Response Time performance
 14 measure.

Description	2009	2010	2011	2012	2013	2014	June 2015 YTD
Results	92%	95%	92%	91%	94%	91%	91%
Benchmark	n/a	n/a	n/a	n/a	n/a	93%	93%
Threshold	n/a	n/a	n/a	n/a	n/a	90.6%	90.6%

15
 16

17
 18 6.2 Does FBC agree that the type of table in the previous information request would
 19 be a useful way to present the key figures regarding each Performance Measure
 20 in a single table? If so, would FBC use this method in future PBR annual
 21 reviews? If not, why not?

22
 23 **Response:**

24 FBC agrees that providing the requested information in the format suggested allows for a more
 25 convenient way to compare the historical performance of the indicator.

26 In the future, FBC will provide the SQI performance data in such a format.

27

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1 **7.0 Topic: Deferral Account, 2017 RDA**

2 **Reference: Exhibit B-1, 12.4.1.2 2017 Rate Design Application**

3 FBC seeks Commission approval for a deferral account for 2017 Rate Design
4 Application, financed at FBC's weighted average cost of debt.

5 "FBC will be filing a Rate Design Application on or before December 31, 2017. In order
6 to meet this filing date, work on the application will commence in 2016. As such FBC is
7 requesting approval for a deferral account to capture costs related to the application."

8 7.1 Does FBC intend to consult with stakeholders about its 2017 Rate Design
9 Application? If so, when will this consultation begin? If not, why not?

10

11 **Response:**

12 Yes, FBC intends to consult with stakeholders in advance of filing the Rate Design Application.
13 FBC expects consultation to commence in late 2016 or early 2017, after initial data collection
14 and analysis has been completed.

15

16

17

18 7.2 Is FBC familiar with BC Hydro's consultation regarding its recently filed 2015
19 Rate Design Application? If FBC plans stakeholder consultation regarding its
20 2017 RDA will it be similar to the format and style of BC Hydro's RDA
21 consultation? If not, why not?

22

23 **Response:**

24 FBC has taken part in BC Hydro's consultation and is familiar with the format and style. The
25 Company has not begun planning for its own consultation so it is premature to state with
26 certainty the format that will be used; however, the Company does intend to engage in a public
27 process that will include a review of the Cost of Service Analysis and workshops to discuss rate
28 options.

29

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1 **8.0 Topic: AMI**

2 **Reference: Exhibit B-1, section 3.5.7.1 Advanced Metering Infrastructure (AMI)**
3 **Impact on Losses; Table 3-4, System Losses Before and After AMI,**
4 **2012 – 2019**

5 “Although current forecast loss reductions remain unchanged from those provided as
6 part of the CPCN application FBC expects to have an improved understanding of electric
7 theft trends once the deployment of the AMI system is complete and the feeder meter
8 energy balancing program implemented in 2016. The ability of the AMI system to provide
9 time-synchronized meter reads for the determination of overall system losses will
10 provide FBC a more accurate understanding of annual loss trends, and if warranted will
11 allow FBC to update its forecast loss reductions related to theft detection and
12 deterrence. The table provided below details the normalized losses for 2012 – 2014, as
13 well as the forecast losses (both with and without the AMI impact) for 2015 – 2019.”
14 [p.23, underline added]

15 8.1 Will FBC be able to provide a quantitative estimate of AMI impact on losses? If
16 so, will this provided in the 2017 annual review?
17

18 **Response:**

19 Although FBC is unable to directly measure the overall reduction in losses that can be attributed
20 to theft deterrence, overall annual system losses will be determined with greater accuracy once
21 deployment of the AMI system is complete and system losses for one calendar year have been
22 calculated using time synchronized reads obtained from the AMI system. As the majority of
23 deployment will not be completed until the end of 2015, the earliest that FBC can begin using
24 the AMI system for calculating annual system losses is 2016. Given that the Annual Review for
25 2017 Rates will occur part way through 2016, FBC does not anticipate being able to provide an
26 estimate of the AMI impact on losses (using the actual observed loss trends to facilitate that
27 estimate) until the Annual Review for 2018 Rates.

28
29

30
31 8.2 With reference to Table 3-4, Line no. 4, please explain how the 2015 Seed figure
32 was arrived at. What was the 2015 Forecast figure?
33

34 **Response:**

35 The AMI impact noted in Table 3-4 is the 2015 forecast which is consistent with the forecast
36 used in the AMI CPCN decision, and represents the annual incremental change in the forecast
37 number of high-load theft sites as modeled in the AMI CPCN application. 2014 Actual is the



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- 1 base year, and all forecast savings related to AMI begin in 2015 and are cumulative for 2016 –
- 2 2019 as shown in the AMI Impact (GWh) column.
- 3