## FBC Annual Review of 2016 Rates

Workshop

October 26, 2015



# Agenda

Introduction & Overview	Diane Roy	Director, Regulatory Services
Revenue Requirements & Rates	Joyce Martin	Manager, Regulatory Affairs
Depreciation Study	Brett Henderson	Director, Finance and Accounting
Z-Factor Wildfire	Rob Maschek	Project Manager
Z-Factor Mandatory Reliability Standards	Lavern Humphrey	Program Manager, Reliability and Compliance
Service Quality Indicators (SQIs)	James Wong Marko Aaltomaa Dean Stevenson	Director, Finance and Planning Manager, Network Services Director, OH&S and Technical Training
Open Question Period		
Summary and Closing	Diane Roy	Director, Regulatory Services



## **Approvals Sought**

- Rate increase of 3.12 percent with an annual bill impact of approximately \$48
- Three deferral accounts
  - Capacity and Energy Purchase and Sales Agreement (CEPSA)
    Application
  - > 2017 Rate Design Application
  - Celgar Interim Period Billing Adjustment
- 2016 Amortization of the Interim Rate Variance deferral account
- Depreciation and net salvage rates



# 2015 Earnings Sharing



Total Earnings Sharing for 2015 is \$0.4 million



## **Revenue Requirements and Rates**

Joyce Martin, Manager, Regulatory Affairs



## Evidentiary Update October 21, 2015

	Reference	Reven	ue Deficiency	Rate Increase
		(	millions)	
September 11, 2015 Filing		\$	6.797	1.98%
Property Taxes	BCUC IR 1.16.3		(1.913)	
CEPSA Deferral Account	BCUC IR 1.21.3		(0.016)	
2015P and 2016F Industrial Revenue Adjustment	Order G-149-15		3.960	
2014 Interim Rate Variance Amortization			1.623	
Tax and Working Capital Impacts of 2015 Adjustments		_	0.160	
October 21, 2015 Evidentiary Update		\$	10.611	3.12%



## Summary of Revenue Deficiency





## **Depreciation and Net Salvage Rates**

Brett Henderson, Director, Finance and Accounting



## Summary of Approach

- Gannett Fleming, a leading depreciation specialist, completed the study
- Depreciation studies regularly completed (every 3 to 5 years) to incorporate most recent data
  - > Review of retirement data for assets
  - > Operational interviews with FBC staff
  - Comparison to industry peers



#### Change in Net Salvage Treatment for 2016

➤ Historical treatment (up to December 31, 2015)

- > Actual costs of removal are incurred
- Subsequent depreciation studies recover the historical costs of removal through future depreciation rates
- Proposed new treatment (as of January 1, 2016)
  - > Net salvage accruals accumulate in a reserve (credit)
  - This reserve is then drawn down (debited) when actual net salvage costs (or costs of removal) are incurred
  - Recommended practice by depreciation consultant
  - Better matching of benefits and cost of an asset



#### **Drivers of Depreciation Rate Changes**

Composite depreciation rate decreases from 3.16% to 2.41%:

- Longer estimated service lives of assets
- > True-up process between actual compared to calculated depreciation reserve
- Composite base depreciation rate of 2.41% plus the net salvage rate of 0.65% equals "all-in" rate of 3.06%
  - > Overall decrease from 3.16% to 3.06%

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 Revenue requirement decrease of approximately \$3 million or an approximate 1% rate decrease

No.	Description	Exis	sting	Recom	mended	Cha	ange
1	Depresiation	¢	E0 1	¢	11.2	¢	(12.0)
I	Depreciation	Φ	00. I	φ	44.5	Φ	(13.0)
2	Net Salvage		-		10.1		10.1
3	Subtotal		58.1		54.4		(3.7)
4	CIAC		(4.3)		(3.5)		0.8
5	Total	\$	53.9	\$	50.9	\$	(3.0)

Table 12-1: Impact of Implementing Depreciation Study Recommendations (\$ millions)



## **Z-Factor Wildfire**

Rob Maschek, Project Manager



## Overview of 2015 Wildfires

- Unusually dry conditions in 2015 throughout British Columbia and Washington state
- Number of fires were within yearly averages but the area burnt was higher than normal. The fires also burned rapidly due to the unusually dry conditions
- Three fires of note (approx 10,000 hectares) that caused damage to FBC System
  - > Rock Creek Fire
  - Oliver area fires
    - Wilson Mountain Fire
    - Festalinden Creek Fire



## Damage Caused to the System

- Transmission and distribution assets were damaged:
  - Rock Creek Fire damaged 115 distribution poles (for approximately 14 km)
  - > Wilson Mountain Fire damaged 5 transmission structures with distribution underbuild (for approximately 0.5 km)
  - Testalinden Creek Fire damaged an estimated
    15-20 structures (for approximately 4 km)



## **Rock Creek Fire**





## Wilson Mountain Fire





#### **Testalinden Fire**





#### Restoration Effort – Resources Deployed

- During the course of the fire events from August 13 to August 29, over 8,000 labour hours of work were completed
- Crews worked 16 hour days
- > Not a single safety incident occurred



## Z-Factor Mandatory Reliability Standards

Lavern Humphrey, Program Manager, Reliability and Compliance



#### Where we are today

- British Columbia Energy Plan (2007)
- Section 125.2 Utilities Commission Act
- M039 MRS Regulation 32/2009
- OIC 731 Administrative Penalty Regulation (Nov 2012)
- M325 MRS Regulation amendment (Oct 2014)
- Rules of Procedure for Reliability Standards in BC (June 2015)
  - > Appendix 1 Registration Manual
  - > Appendix 2 Compliance Monitoring Program
  - > Appendix 3 Penalty Guidelines
  - FERC Federal Energy Regulatory Commission
  - NERC North American Electric Reliability Corporation
  - WECC Western Electricity Coordinating Council
  - MRS Mandatory Reliability Standards



#### Standards and Requirements

	Standards	<u>Requirements</u>
Adopted – currently in effect	86	436
Adopted – future effective dates	21	82
Pending PA/PC resolution	4	28
(applicable to FBC)		

#### Involves effort from:

Engineering	System Control	Generation
Planning	Human Resources	Facilities
Security	Operations (Veg Mgmt.)	Station Maintenance
C&M	Information Systems	Power Supply
Training		

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## Assessment Report 8

2016 Effort

- EOP-010-1 Geomagnetic Disturbances
- FAC-001-2 Facility Connection Requirements
- PER-005-2 System Personnel Training
- PRC-005-2 Protection System Maintenance
- VAR-001-4 & VAR-002-3 Maintaining Network Voltage
- CIP Version 5 Critical Infrastructure Protection

Reference: BCUC IR1.13.8



## CIP Version 5 – 2016 Effort

- CIP-002 Bulk Electric System Categorization
- CIP-003 Security Management Controls
- CIP-004 Personnel and Training
- CIP-005 Electronic Security Perimeters
- CIP-006 Physical Security of Bulk Electric System Cyber Assets
- CIP-007 System Security Management
- CIP-008 Incident Reporting and Response Planning
- CIP-009 Recovery Plans for Bulk Electric System Cyber Systems
- CIP-010 Change Management and Vulnerability Assessments
- CIP-011 Information Protection



#### **MRS Summary**

- How we got to where we are today
- Standards and requirements
- Assessment Report process
- Adopted standards requiring effort in 2016



## Service Quality Indicators

James Wong, Director, Finance and Planning Marko Aaltomaa, Manager, Network Services Dean Stevenson, Director, OH&S and Technical Training



#### 2015 September Year-to-Date SQI Performance

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



## **Responsiveness to Customer Needs**

Service Quality Indicator	2015 Sep YTD Results	<b>Status</b> (Relative to Benchmark and Threshold)	Benchmark	Threshold
Responsiveness to Customer Needs SQI	S			
First Contact Resolution	77%	Between	78%	72%
Billing Index	0.41	Better	5.0	<=5.0
Meter Reading Accuracy	96%	Between	97%	94%
Telephone Service Factor (Non-Emergency)	71%	Better	70%	68%

	2015 Sep		2013	2014
Informational Indicators	YTD Results		Actuals	Actuals
Customer Satisfaction Index	8.0	n/a	8.0	8.1
Telephone Abandon Rate	2.8%	n/a	2.0%	12.4%



## Safety and Reliability

Service Quality Indicator	2015 Sep YTD Results	<b>Status</b> (Relative to Benchmark and Threshold)	Benchmark	Threshold
Safety SQIs				
Emergency Response Time	91%	Between	93.0%	90.6%
All Injury Frequency Rate	2.68	Inferior	1.64	2.39
Reliability SQIs				
SAIDI - Normalized	2.21	Better	2.22	2.62
SAIFI - Normalized	1.50	Better	1.64	2.50

Informational Indicators	2015 Sep YTD Results		2013 Actuals	2014 Actuals
Generator Forced Outage Rate - informational	0.15%	n/a	5.20%	1.74%



#### Emergency Response Time (within 2 hours)



- Factors influencing 2015 YTD results of 91% for ERT
  - > High trouble call volumes in June, July and August
  - Major events in July (windstorm) and August (wildfires)
- Future improvement forecasted for ERT



# Safety



## All Injury Frequency Rate (AIFR)

The 2015 AIFR through September 30, 2015 is 2.02, resulting in a three year rolling average AIFR of 2.68

- Safety is a core value; improvement is our priority
- > Two major components to an effective safety program
  - Safety Management System (SMS)
  - > Human factors
- A mature SMS that continues to meet COR certification standards
- Increased resources better address human factors



## Safety Vision, Philosophy, Strategy

#### ➤ Vision

- > Zero recordable injuries and incidents
- > Philosophy
  - Corporate alignment to the vision, philosophy, and strategy
  - > Everyone working everyday in a manner that prevents injuries and incidents
  - > Continuous improvement drives success

#### ➢ Strategy

- > Demonstrated leadership in safety at all levels
- Simple and relevant communications
- Employee safety affinity, affiliation and autonomy



## Safety at FortisBC





## **Target Zero**

What is it?

FortisBC's new safety awareness program

Why Target Zero?

- Offers a launching point to increase engagement and involvement of employees
- Provides an understanding of how our employees perceive safety

What new program elements does Target Zero bring?

- Annual employee safety perception survey
- Safety performance analysis and safety action plans for all business units
- Employee based safety program



## **Question Period**

