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November 4, 2015

**Via Email**  
**Original via Mail**

British Columbia Utilities Commission  
Sixth Floor, 900 Howe Street  
Vancouver, B.C. V6Z 2N3

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

**Re: FortisBC Inc. (FBC)**

**Multi-Year Performance Based Ratemaking Plan for 2014 through 2019  
approved by British Columbia Utilities Commission (the Commission) Order G-  
139-14 – Annual Review for 2016 Rates (the Application)**

**Response to Workshop Undertakings**

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In accordance with Commission Order G-139-15 setting out the Regulatory Timetable for the review of the Application, FBC respectfully attaches its responses to the five undertakings from the Workshop held on October 26, 2015.

After discussion with Commission staff regarding the appropriate proceeding in which to request approval of the Celgar Interim Period Billing Adjustment deferral account, FBC attaches a revised Draft Order which removes its request for approval of the deferral account from this proceeding.

A portion of the response to Undertaking No. 1 has been redacted and is being filed on a confidential basis with the Commission only as it contains Celgar's energy forecast which is provided to FBC on a confidential basis in Celgar's response to the load forecast survey.

If further information is required, please contact the undersigned.

Sincerely,

**FORTISBC INC.**

***Original signed:***

Diane Roy

Attachments

cc (email only): Registered Parties

**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER**

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**DRAFT ORDER**

IN THE MATTER OF  
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by FortisBC Inc.  
for Approval of 2016 Rates  
Pursuant to the Multi-Year Performance Based Ratemaking Plan  
Approved for 2014 through 2019 by Order G-139-14

**BEFORE:**

(Date)

**WHEREAS:**

- A. On September 15, 2014, the British Columbia Utilities Commission (Commission) issued its Decision and Order G-139-14 (the PBR Decision) approving for FortisBC Inc. (FBC) a Multi-Year Performance Based Ratemaking (PBR) Plan for 2014 through 2019;
- B. Pursuant to the PBR Decision, under the PBR Plan, FBC is to conduct an Annual Review process to set rates for each year;
- C. On September 11, 2015, FBC submitted an application for its Annual Review of 2016 Rates (the Application);
- D. On October 21, 2015, FBC submitted an Evidentiary Update to the Application;
- E. The Commission has reviewed the Application and concludes that approval is warranted.

**NOW THEREFORE** pursuant to Section 59 to 61 of the *Utilities Commission Act*, the Commission approves the following:

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1. Interim rates for all customers effective January 1, 2016 as proposed in the Application, resulting in an increase of 3.12 per cent compared to 2015 rates.
2. The creation of non-rate base deferral accounts, for the following upcoming regulatory proceedings as described in Section 7.5 of the Application:
  1. Capacity and Energy Purchase and Sale Agreement (CEPSA) application and regulatory proceeding, financed at FBC's short term interest rate; and
  2. 2017 Rate Design Application, financed at FBC's weighted average cost of debt.
3. Amortization of \$5.000 million of the 2015 closing balance of the 2014 Interim Rate Variance deferral account, with the remainder to be amortized in 2017, as set out in Section 12.4.2.1 of the Application
4. Depreciation rates in the amounts set out in Table 12-2 in Section 12 of the Application.
5. Net salvage rates in the amounts set out in Table 12-3 in Section 12 of the Application.

**DATED** at the City of Vancouver, In the Province of British Columbia, this       day of <MONTH>, 2015.

BY ORDER

**FortisBC Inc.**  
**Multi-Year PBR 2014-2019 Annual Review of 2016 Rates**  
**Workshop October 26, 2015**

**UNDERTAKING No. 1**

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**WORKSHOP DATE:** October 26, 2015

**TRANSCRIPT**

**REFERENCE:** Volume 1, Page 14, Line 16 to Page 16, Line 8.

**QUESTION:** Reconcile the changes in revenue from the evidentiary update to the Stage IV Decision in the Stepped and Stand-by Rates for Transmission Voltage Customers proceeding. Break down the reconciliation between 2015 and 2016 and Rate Schedules 31 and 37.

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**RESPONSE:**

A portion of this response has been redacted below and is being filed on a confidential basis as it contains Celgar's energy forecast which is provided to FBC on a confidential basis in Celgar's response to the load forecast survey.

FBC provides the following background relating to the Stepped and Stand-by Rates for Transmission Voltage Customers (Stepped and Stand-by Rate Application) proceeding.

Since January 2, 2011, Celgar has been billed on FBC's industrial rate schedule, Rate Schedule 31. Pursuant to Order G-188-11 in the matter of a complaint by Celgar, its rate was made interim as of March 25, 2011.

The Stage III decision in the Stepped and Stand-by Rate Application dated May 29, 2015, set Celgar's RS 31 Contract Demand at 3 MVA and the Stand-by Demand Limit at 42 MVA, given Celgar's load of 45 MVA<sup>1</sup>.

The Stage IV decision in the Stepped and Stand-by Rate Application dated September 22, 2015, established Celgar's Stand-by Billing Demand (SBBD) at 40 percent of its Stand-by Demand Limit, or 16.8 MVA (40% of 42 MVA) under the Stand-by Rate, Rate Schedule 37.<sup>2</sup> Under Rate Schedule 37, Celgar is billed at the SBBD monthly. Provided that Celgar provides notice as required by Rate Schedule 37, elects to utilize Stand-by Service for generation outages, and has not exhausted its annual allowance of Stand-by Service, no additional demand charges apply unless actual load exceeds the sum of the Stand-by Demand Limit of 42 MVA and the RS31 Contract Demand of 3 MVA. The Company expects this to be the case.

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<sup>1</sup> Order G-93-15, page (ii).

<sup>2</sup> Order G-149-15, page (i).

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The combined approval of the stand-by rate, Rate Schedule 37 and the determination of Celgar's load entitlements under the two rate schedules (31 and 37), results in lower billings to Celgar under the industrial/standby rates than was forecast in the Annual Review for 2016 Rates Application (the Application) which included all of Celgar's revenues under Rate Schedule 31. FBC therefore needs to adjust both its 2015 and the 2016 revenue forecasts for Celgar. The calculations are set out below.

As set out in FBC's Electric Tariff, hourly energy charges for Rate Schedule 37 are determined by:

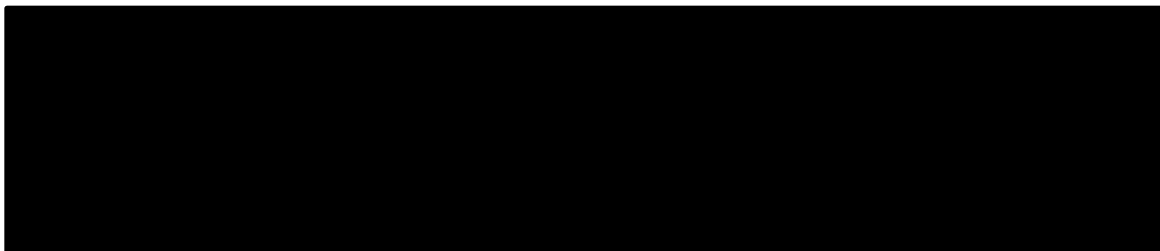
- (i) The hourly Powerdex Mid-Columbia (Mid-C) per kWh price for the hour in which the Stand-by Energy is taken by the Customer; in hours in which the Mid-C price is negative, a value of \$0.00 will be used;
- (ii) System losses as per Rate Schedule 109;
- (iii) Hourly transmission charges from the Mid-C hub to the border of \$0.0040 per kWh; and
- (iv) Administrative premium of 10 percent.<sup>3</sup>

In the calculation of the Celgar RS 37 revenue, FBC used the August 2015 mid-C price of \$0.03105 / kWh and transmission losses of 6.08% as set out in RS 109. The hourly energy charge is therefore calculated as:

$$(1 + \text{loss rate } \%) \times (\text{Mid-C} + 0.0040) \times 1.10 \text{ or}$$

$$(1 + 0.0608) \times (0.03105 + 0.004) \times 1.10 = 0.04090.$$

The calculation of the 2016 adjustment between the amount calculated under the industrial service rate (RS 31) to the amount calculated under the industrial/stand-by rates (RS31 and RS37) is shown below. The result is that FBC expects that 2016 revenue will be lower than forecast in the Application by \$2.64 million.



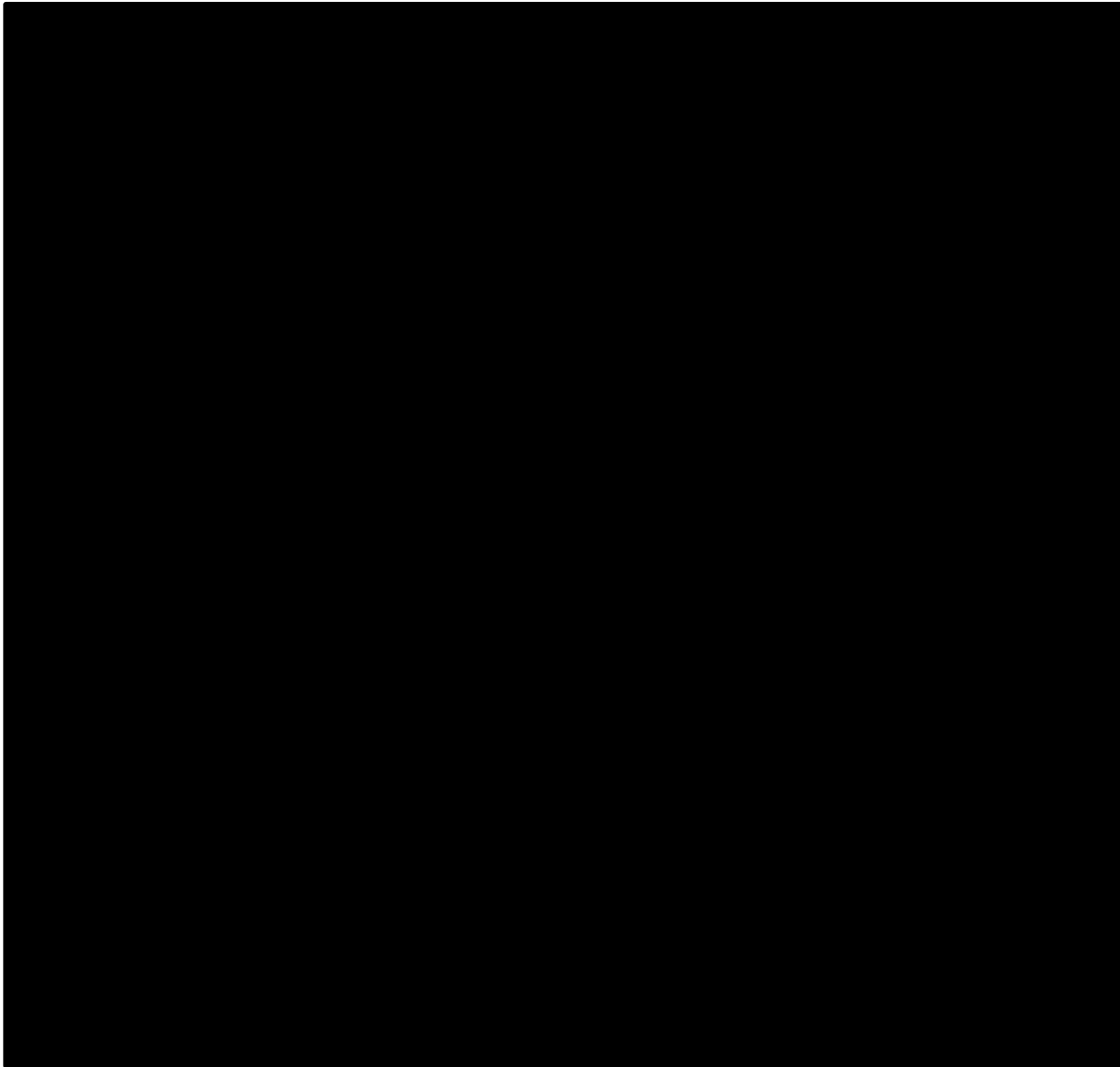
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<sup>3</sup> FortisBC Inc. Electric Tariff No. 2, Sheet 12CC.

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At the time of filing of the Evidentiary Update, FBC and Celgar were engaged in negotiations regarding the interim period billing adjustment. FBC assumed for the purpose of the Evidentiary Update that the interim billing period would end on June 30, 2015, and as a result FBC has forecast a reduction to industrial revenue in 2015 of one half the 2016 value, or \$1.32 million.

The Agreement between FBC and Celgar, filed on October 22, 2016 defined the interim period for that agreement to extend to July 31, 2015 rather than June 30, 2015 as forecast. FBC has not adjusted for the one month difference as it considers that the \$1.320 million is a reasonable estimate of the reduced 2015 industrial revenue for the purpose of setting 2016 rates and notes that all variances from the forecast revenues included in 2015 rates will be trued up by way of the Flow-through deferral account.

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**UNDERTAKING No. 2**

**WORKSHOP DATE:** October 26, 2015

**TRANSCRIPT**

**REFERENCE:** Volume 1, Page 42, Line 17 to Page 44, Line 10.

**QUESTION:** Provide the 10 year history of the Urgent Repairs budget and actual amounts by category.

**RESPONSE:**

The ten year history of Urgent Repairs by cause compared to budget, is in the table below. Amounts are in thousands.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Actual										
Equipment Failure	\$ 597	\$ 464	\$ 2,022	\$ 1,650	\$ 1,981	\$ 1,579	\$ 957	\$ 1,267	\$ 1,095	\$ 1,374
Storm Damage	2	138	1,047	278	-	-	1,713	1,141	1,400	1,031
Wildfires	-	-	-	-	-	-	-	-	-	-
Trees/ Landslides	2	-	-	-	58	8	8	68	182	44
Other	415	184	-	167	105	263	162	252	-	-
Cost of Removal	126	4	(105)	643	480	239	1,542	522	522	523
Total	\$ 1,142	\$ 790	\$ 2,964	\$ 2,738	\$ 2,624	\$ 2,089	\$ 4,382	\$ 3,250	\$ 3,199	\$ 2,971
Budget	\$ 1,123	\$ 1,378	\$ 1,564	\$ 1,951	\$ 1,840	\$ 2,472	\$ 2,443	\$ 2,605	\$ 2,624	\$ 2,636
Variance	\$ 19	\$ (588)	\$ 1,400	\$ 787	\$ 784	\$ (383)	\$ 1,939	\$ 645	\$ 575	\$ 335

**Notes:**

1. Costs of removal are not tracked by cause.
2. 2006 to 2013 budget amounts were included in FBC's Capital Expenditure Plans. The 2013 amount included in Base Capital Expenditures under the PBR Plan has been escalated according to the capital expenditure formula for 2014 and 2015.
3. The 2015 wildfires have been excluded from the table.

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**UNDERTAKING No. 3**

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**WORKSHOP DATE:** October 26, 2015

**TRANSCRIPT**

**REFERENCE:** Volume 1, Page 109, Line 2 to Page 110, Line 12.

**QUESTION:** Provide an example using January 2015 figures of a cost per transaction for customer service and an explanation of how that is calculated for a charge from FEI to FBC.

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**RESPONSE:**

In January 2015, FEI handled 120,230 customer interactions at a total cost of \$1,147,850. This resulted in a cost of \$9.55 per interaction. In that same month, FEI handled 236 interactions on behalf of FBC. FBC's portion of the total contact center costs was therefore  $236 * \$9.55$  or \$2,253.

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**UNDERTAKING No. 4**

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**WORKSHOP DATE:** October 26, 2015

**TRANSCRIPT**

**REFERENCE:** Volume 1, Page 114, Line 1 to Page 114, Line 20.

**QUESTION:** Can any causes be identified to explain the larger variances in the commercial and residential customer load forecast in 2014, as shown in the responses to CEC IRs 1.7.3 and 1.8.1.

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**RESPONSE:**

The relatively larger variances that occurred in 2014 in the residential and commercial rate schedules are primarily due to two factors: (i) the reclassification of a subset of previous City of Kelowna (CoK) customers and (ii) a Residential Conservation Rate (RCR) impact that was larger than forecast. As shown below, after removing the estimated impacts of these two factors, the residential variance for 2014 is -3.1%, and the commercial variance for 2014 is 3.6%, which is consistent with variances reported in prior years.

Reclassification of CoK Customers

CORIX was the data provider<sup>1</sup> to the CoK prior to the integration. A group of customers in the CORIX database system that were labeled as “municipal” were initially understood by FBC to be residential customers and were classified as such in 2013 when the CoK integration occurred. These customers were later determined to be commercial customers and were reclassified to the commercial rate schedule in 2014, which resulted in migration of load from the residential rate schedule to the commercial class. The estimated impact of this rate switching is approximately 25 GWh. When normalized for weather, it is equivalent to 27.5 GWh for the residential rate schedule and 25 GWh for the commercial class. This was a one-time only occurrence which was not foreseeable at the time of preparing the forecast for 2014, which was developed in early 2013.

Impact of Residential Conservation Rate

An additional factor that increased the variance for the residential rate schedule forecast in 2014 was a larger than forecast RCR impact. The RCR impact is estimated to be approximately 35.5 GWh in 2014 with an upper range of 49.9 GWh on a normalized basis, using the estimates from the Residential Conservation Rate Information Report FBC filed on November 28, 2014. This factor lowered the 2014 residential load more

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<sup>1</sup> CORIX read the meters and provided the data regarding those customers and their consumption to the CoK.

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than what was expected in the original forecast.

Normalization of Residential and Wholesale Classes

In CEC IRs 1.7.3 and 1.8.1, the CEC requested a comparison of forecast and actual data and FBC's responses did not use weather-normalized data. However, the historical accuracy of the forecast should be assessed by comparing normalized data to remove the impact of variances in the weather. As explained in section 1.1 of Appendix A3 of the Application, only the residential and wholesale classes are normalized due to their sensitivity to weather.

The following table shows 10 years of normalized data for all load classes and is an extension of the table provided in the response to BCUC IR 1.1.

**Table 1: Normalized Energy 2005-2014**

Energy (GWh)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Normalized</b>										
Residential	1,040	1,064	1,165	1,196	1,239	1,242	1,249	1,229	1,274	1,296
Commercial	576	616	650	661	675	660	657	681	725	866
Wholesale	939	979	878	908	908	895	910	899	904	567
Industrial	360	348	314	218	216	234	271	291	291	381
Lighting	11	13	13	13	13	14	13	13	13	16
Irrigation	44	43	48	46	49	40	40	38	40	40
Net	2,970	3,064	3,068	3,042	3,100	3,085	3,140	3,151	3,248	3,166
Gross	3,342	3,430	3,414	3,351	3,416	3,369	3,447	3,422	3,526	3,436
<b>Forecast</b>										
Residential	1,064	1,080	1,099	1,193	1,222	1,248	1,261	1,264	1,276	1,402
Commercial	570	589	620	686	678	682	671	696	709	813
Wholesale	964	935	948	891	921	915	940	926	935	581
Industrial	343	369	352	240	224	291	233	250	255	389
Lighting	10	12	12	13	14	15	12	14	14	13
Irrigation	47	46	46	51	48	50	45	44	43	42
Net	2,999	3,031	3,077	3,087	3,100	3,199	3,162	3,193	3,233	3,240
Gross	3,368	3,401	3,453	3,396	3,416	3,509	3,472	3,502	3,543	3,519
<b>Variance (GWh)</b>										
Residential	(24)	(16)	66	3	17	(6)	(12)	(35)	(3)	(106)
Commercial	6	27	30	(25)	(3)	(22)	(14)	(16)	16	53
Wholesale	(25)	44	(70)	17	(13)	(20)	(30)	(27)	(31)	(14)
Industrial	17	(21)	(38)	(22)	(8)	(57)	38	41	36	(9)
Lighting	1	1	1	0	(1)	(1)	1	(0)	(0)	3
Irrigation	(3)	(3)	2	(5)	1	(10)	(4)	(6)	(3)	(2)
Net	(29)	33	(9)	(45)	-	(114)	(22)	(43)	15	(75)
Gross	(26)	29	(39)	(45)	-	(140)	(25)	(81)	(17)	(83)
<b>Variance (%)</b>										
Residential	-2.3%	-1.5%	5.7%	0.2%	1.4%	-0.5%	-1.0%	-2.9%	-0.2%	-8.2%
Commercial	1.0%	4.4%	4.6%	-3.8%	-0.4%	-3.4%	-2.1%	-2.3%	2.3%	6.1%
Wholesale	-2.7%	4.5%	-8.0%	1.9%	-1.4%	-2.2%	-3.4%	-3.0%	-3.4%	-2.5%
Industrial	4.8%	-5.9%	-12.1%	-10.2%	-3.8%	-24.5%	13.9%	14.1%	12.4%	-2.2%
Lighting	9.6%	4.7%	6.5%	3.0%	-5.3%	-3.6%	10.4%	-3.5%	-1.5%	18.2%
Irrigation	-6.4%	-7.1%	4.9%	-10.3%	2.0%	-23.8%	-10.8%	-14.9%	-8.7%	-4.9%
Net	-1.0%	1.1%	-0.3%	-1.5%	0.0%	-3.7%	-0.7%	-1.4%	0.5%	-2.4%
Gross	-0.8%	0.8%	-1.1%	-1.3%	0.0%	-4.2%	-0.7%	-2.4%	-0.5%	-2.4%

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**UNDERTAKING No. 4**

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Summary

Using normalized data, the residential variance for 2014 is -8.2% and the commercial variance (which was not impacted by the normalization) is 6.1%. After adjusting the residential variance by 27.5 GWh for the reclassification of CoK customers and 35.5 GWh for the revised RCR impact, the residential variance is -3.3%<sup>2</sup>. After adjusting the commercial variance by 25 GWh for the reclassification of CoK customers, the commercial variance is 3.2%<sup>3</sup>. Both of these variances are in line with variances seen in prior years.

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<sup>2</sup>  $-106 \text{ GWh} + 27.5 \text{ GWh} + 35.5 \text{ GWh} = -43 \text{ GWh} / 1,296 \text{ GWh} = -3.3\%$ .

<sup>3</sup>  $+53 \text{ GWh} - 25 \text{ GWh} = 29 \text{ GWh} / 866 \text{ GWh} = 3.2\%$ .

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**UNDERTAKING No. 5**

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**WORKSHOP DATE:** October 26, 2015

**TRANSCRIPT**

**REFERENCE:** Volume 1, Page 125, Line 16 to Page 126, Line 6.

**QUESTION:** Confirm that sales revenues increased by approximately 25 percent over the period provided in response to Gabana IR 1.5.

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**RESPONSE:**

FBC confirms that sales revenue increased by 28.6 percent between 2010 and 2014.