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October 3, 2018

British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

Re: FortisBC Inc. (FBC)
Project No. 1598967
Annual Review for 2019 Rates (the Application)
Evidentiary Update to the Application

On August 10, 2018, FBC filed the Application referenced above. On September 25, FBC filed its responses to information requests in the proceeding, which stated that the Company would be filing this Evidentiary Update concurrently with its responses. The following four items have changed the Application and resulting rates, effective January 1, 2019, which are reflected in this Evidentiary Update:

1. Update to AWE-BC
2. Revised 2018 Formula Capital Expenditures and Contributions in Aid of Construction;
3. Revised Capital Expenditures and O&M Expense for Non-formula projects; and
4. Updates to certain deferral account balances and amortization expense.

Each of the four items is discussed in more detail below.

1. Update to AWE-BC

At the time of filing the Application, the latest available AWE-BC result was for May 2018, which was used as a placeholder for June 2018. The June AWE-BC result is now available, and is \$963.19 as compared to \$959.86 used in the Application (June 2018 placeholder). During the issuance of the June AWE-BC results, Statistics Canada updated the May AWE-BC results to \$957.81, as compared to \$959.86 and this amount has also been updated in FEI's I-Factor calculation.

2. Revised 2018 Formula Capital Expenditures and Contributions in Aid of Construction

In its response to BCUC IR 1.7.4 and 1.7.8, FBC stated that at the time of filing the IR responses, it was reviewing its capital expenditure forecasts for 2018 and compiling its forecast for 2019. These forecasts have now been completed. For 2018, FBC has increased its forecast formula capital expenditures by \$3.635 million (from \$58.842 million to \$62.477 million). The primary reason for this increase is higher forecast customer connections, which is the result of higher than expected customer growth in 2018. The revised forecast also includes an increase of \$0.868 million related to three customer-funded projects. The revised 2018 expenditures forecast increases the amount of spending in excess of the two-year dead band by the same \$3.635 million, which is reflected in the opening balance adjustment for January 1, 2019 (Schedules 6 and 6.1). There is no impact on the projected 2018 ESM calculation.

In order to forecast the impact of the change in 2018 formula capital expenditures on rate base and revenue requirements it was necessary to review the forecast of 2018 additions to Contributions in Aid of Construction (CIAC). CIAC increases by \$3.677 million as a result of the higher customer additions and the customer-funded projects, including a \$1.041 million customer contribution which had been omitted in the August 10, 2018 filing. The net decrease to rate base is \$(0.042) million (\$3.635 million increase in capital expenditures less \$3.677 million increase in CIAC).

FBC is filing concurrently with this Evidentiary Update the responses to BCUC IRs 1.7.4, 1.7.8, and a small number of other responses or revisions related to this Evidentiary Update.

3. Revised Capital and O&M Costs for Non-Formula Projects

FBC has reduced its expenditures forecast for the Ruckles Substation Rebuild Project by \$0.474 million to reflect the near completion of the project, as explained in the response to BCUC IR 1.44.3. Additionally, in its response to CEC IR 1.23.3, FBC identified that the avoided O&M savings pertaining to the annual unit inspections of the Upper Bonnington Old Units Refurbishment project should have been escalated beginning in 2018. FBC has therefore adjusted the 2019 O&M savings by the cumulative amount of \$0.002 million.

4. Updates to Deferral Account Balances and Amortization Expense

In its response to BCUC IR 1.27.1, FBC reduced its projected 2018 costs for the 2017 Rate Design Application and the 2016 Long Term Electric Resource Plan deferral accounts by an aggregate total of \$0.435 million before tax. The response to BCUC IR 1.32.1 also identified a need to correct the financing costs for the Electric Vehicle Charging Stations Rate Design and Tariff Application deferral account from a short term interest rate to a weighted average cost of debt financing rate. These changes affect the opening balances and/or amortization expense for 2019.

Summary of Impacts:

The combined impact of the items identified above, and the original \$5.759 million revenue surplus identified in the Application, is a surplus of \$5.736 million. This is equivalent to a rate decrease of approximately 1.55 percent.

The impacts of each of the items are set out in the table below.

Table 1: Revenue Requirement Impacts of Evidentiary Update

Evidentiary Update - 2019 Rates			
Line Item	Reference	Revenue Surplus Impact (\$ millions)	Rate Impact
August 10, 2018 Filing		\$ 5.759	1.55 %
May/June AWE Update	Application, Page 15	(0.003)	(0.00)%
Formula Capital Projects	BCUC IRs 1.7.4, BCUC IR 1.7.8	(0.160)	(0.04)%
Non-Formula Capital Projects	BCUC IR 1.44.3, CEC 1.23.3	0.040	0.01 %
Deferral Account Updates	BCUC IR 1.27.1, BCUC IR 1.32.1	0.100	0.03 %
October 3, 2018 Evidentiary Update		\$ 5.736	1.55 %

When the \$5.736 million revenue surplus is added to the 2018 deferred revenue deficiency of \$0.896 million (before tax), the net balance is \$4.840 million credit (\$3.533 credit after tax), a change of \$0.017 million from the August 10, 2018 filing.

FBC has completed the revisions to its financial schedules that result from the items listed above. Attached in Appendix A are revised Section 11 Financial Schedules which reflect the changes identified above. FBC has also attached an amended Draft Order to this Evidentiary Update in Appendix B reflecting the revised financing rate for the Electric Vehicle Charging Stations Rate Design and Tariff Application deferral account and the removal of FBC's request regarding the capitalization of the Cloud computing implementation costs as discussed in the response to BCUC IR 1.31.1.

If there are any further changes to FBC's 2019 rates resulting from the Commission's decision in this Application, or in other applications, FBC proposes that the 2018 – 2019 Revenue Surplus Deferral account be adjusted so that rates remain at 2018 levels. Any such items will be reflected in the compliance filing following the Commission's decision in this Application.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC INC.

Original signed:

Diane Roy

Attachments

cc (email only): Registered Parties

Appendix A

FINANCIAL SCHEDULES

EVIDENTIARY UPDATE DATED OCTOBER 3, 2018

FORTISBC INC.

October 3, 2018

Section 11

**SUMMARY OF RATE CHANGE
FOR THE YEAR ENDING DECEMBER 31, 2019
(\$000,000s)**

Schedule 1

Line No.	Particulars	2019 Forecast		Cross Reference
	(1)	(2)	(3)	(4)
1	VOLUME/REVENUE RELATED			
2	Customer Growth and Volume	(14.194)		
3	Change in Other Revenue	(0.852)	(15.046)	
4				
5	POWER SUPPLY			
6	Power Purchases (net of customer growth and volume)	11.994		
7	Wheeling	0.064		
8	Water Fees	0.257	12.315	
9				
10	O&M CHANGES			
11	Gross O&M Change	0.610		
12	Capitalized Overhead Change	(0.091)	0.519	
13				
14	DEPRECIATION EXPENSE			
15	Depreciation from Net Additions	1.857	1.857	
16				
17	AMORTIZATION EXPENSE			
18	CIAC from Net Additions	(0.259)		
19	Deferrals	(5.810)	(6.070)	
20				
21	FINANCING AND RETURN ON EQUITY			
22	Financing Rate Changes	0.264		
23	Financing Ratio Changes	0.010		
24	Rate Base Growth	1.318	1.592	
25				
26	TAX EXPENSE			
27	Property and Other Taxes Changes	0.029		
28	Other Income Taxes Changes	(1.827)	(1.798)	
29				
30	2018 Revenue Deficiency		0.896	
31	2019 Revenue Surplus		5.736	
32				
33	Revenue Deficiency (Surplus)		\$ -	Schedule 16, Line 6, Column 4
34				
35	Revenue at Existing Rates		370.534	Schedule 16, Line 5, Column 3
36	Rate Change		0.00%	

**UTILITY RATE BASE
FOR THE YEAR ENDING DECEMBER 31, 2019
(\$000s)**

Line No.	Particulars	2018 Approved	2019 at Revised Rates	Change	Cross Reference
	(1)	(2)	(3)	(4)	(5)
1	Plant in Service, Beginning ¹	\$ 1,966,584	\$ 2,040,679	\$ 74,095	Schedule 6.1, Line 14, Column 3
2	Opening Balance Adjustment	8,744	12,007	3,263	Schedule 6.1, Line 14, Column 4
3	Net Additions	73,890	66,540	(7,350)	Schedule 6.1, Line 14, Columns 5+6+7
4	Plant in Service, Ending	2,049,218	2,119,226	70,008	
5					
6	Accumulated Depreciation Beginning	\$ (591,854)	\$ (631,022)	\$ (39,168)	Schedule 7.1, Line 14, Column 5
7	Opening Balance Adjustment	2,147	-	(2,147)	Schedule 7.1, Line 14, Column 6
8	Net Additions	(43,386)	(42,176)	1,210	Schedule 7.1, Line 14, Columns 7+8+9+10
9	Accumulated Depreciation Ending	(633,093)	(673,198)	(40,105)	
10					
11	CIAC, Beginning	\$ (187,217)	\$ (199,444)	\$ (12,227)	Schedule 9, Line 1, Column 2
12	Opening Balance Adjustment	-	-	-	
13	Net Additions	(6,120)	(8,876)	(2,756)	Schedule 9, Line 1, Column 4
14	CIAC, Ending	(193,337)	(208,320)	(14,983)	
15					
16	Accumulated Amortization Beginning - CIAC	\$ 68,323	\$ 71,910	\$ 3,587	Schedule 9, Line 3, Column 2
17	Opening Balance Adjustment	-	-	-	
18	Net Additions	3,913	4,172	259	Schedule 9, Line 3, Column 4
19	Accumulated Amortization Ending - CIAC	72,236	76,082	3,846	
20					
21	Net Plant in Service, Mid-Year	\$ 1,280,876	\$ 1,303,960	\$ 23,085	
22					
23	Adjustment for timing of Capital additions	\$ 12,644	\$ 7,170	\$ (5,474)	
24	Capital Work in Progress, No AFUDC	8,921	8,921	-	
25	Unamortized Deferred Charges	11,624	13,458	1,835	Schedule 11, Line 17, Column 8
26	Working Capital	1,660	2,106	446	Schedule 13, Line 15, Column 3
27	Utility Plant Acquisition Adjustment	5,493	5,307	(186)	
28					
29	Mid-Year Utility Rate Base	\$ 1,321,217	\$ 1,340,923	\$ 19,706	
30					

31 Note 1: Pursuant to Order G-9-18, the costs of FBC's Electric Vehicle DCFC stations are excluded from rate base until the Commission directs otherwise.
FBC has excluded 2017 capital expenditures of \$0.316 million and CIAC of \$0.177 million from rate base.

FORTISBC INC.

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Section 11

**FORMULA INFLATION FACTORS
FOR THE YEAR ENDING DECEMBER 31, 2019
(\$000s)**

Schedule 3

Line No.	Particulars (1)	Reference (2)	2014 (3)	2015 (4)	2016 (5)	2017 (6)	2018 (7)	2019 (8)	Cross Reference (9)
1	Cost Drivers for Formulaic Capital and O&M								
2	CPI		0.473%	0.879%	0.980%	1.627%	1.979%	2.345%	
3	AWE		2.277%	1.646%	2.050%	1.250%	1.473%	2.646%	
4	Labour Split								
5	Non Labour		45.000%	45.000%	45.000%	45.000%	45.000%	45.000%	
6	Labour		55.000%	55.000%	55.000%	55.000%	55.000%	55.000%	
7	CPI/AWE	(Line 2 x Line 5) + (Line 3 x Line 6)	1.465%	1.301%	1.569%	1.420%	1.701%	2.511%	
8	Productivity Factor		-1.030%	-1.030%	-1.030%	-1.030%	-1.030%	-1.030%	
9	Net Inflation Factor for Costs	Line 7 + Line 8	0.435%	0.271%	0.539%	0.390%	0.671%	1.481%	
10									
11	Average Customer Growth		0.326%	0.181%	0.613%	0.494%	0.629%	0.888%	
12	Inflation Factor	(1 + Line 9) x (1 + Line 11)	100.758%	100.452%	101.155%	100.886%	101.304%	102.382%	

FORTISBC INC.

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Section 11

**CAPITAL EXPENDITURES
FOR THE YEAR ENDING DECEMBER 31, 2019
(\$000s)**

Schedule 4

Line No.	Particulars	CapEx	Forecast CapEx	Total CapEx	Cross Reference
	(1)	(2)	(3)	(4)	(5)
1	2013				
2	Base	\$ 41,875			
3	2014				
4	Net Inflation Factor	100.758%			Schedule 3, Line 12, Column 3
5	Formula Capex	42,193			
6	2015				
7	Net Inflation Factor	100.452%			Schedule 3, Line 12, Column 4
8	Formula Capex	42,384			
9	2016				
10	Net Inflation Factor	101.155%			Schedule 3, Line 12, Column 5
11	Formula Capex	42,874			
12	2017				
13	Net Inflation Factor	100.886%			Schedule 3, Line 12, Column 6
14	Formula Capex	43,254			
15	2018				
16	Net Inflation Factor	101.304%			Schedule 3, Line 12, Column 7
17	Formula Capex	43,818			
18	2019				
19	Net Inflation Factor	102.382%			Schedule 3, Line 12, Column 8
20	Formula Capex	44,862		\$ 44,862	
21					
22					
23	Capital Tracked Outside of Formula				
24	Pension & OPEB (Capital Portion)		\$ 3,612		
25	AMI Sustainment Capital		937		
26	Mandatory Reliability Standards Incremental Capital		2,780		
27	Employer Health Tax		624		
28	MSP Premium Reduction		(182)		
29	Corra Linn Spillway Gate Replacement		12,750		
30	Upper Bonnington Old Units Refurbishment		7,449		
31	Total		\$ 27,970	\$ 27,970	
32					
33	Total Capital Expenditures before CIAC			<u>\$ 72,832</u>	

**CAPITAL EXPENDITURES TO PLANT RECONCILIATION
FOR THE YEAR ENDING DECEMBER 31, 2019
(\$000s)**

Schedule 5

Line No.	Particulars (1)	2019 (2)	Cross Reference (3)
1	CAPITAL EXPENDITURES		
2			
3	Formula Capital Expenditures	\$ 44,862	Schedule 4, Line 20, Column 4
4	Forecast Capital Expenditures	7,771	Schedule 4, Lines 24 to 28, Column 3
5	Total Regular Capital Expenditures	<u>\$ 52,633</u>	
6			
7	CPCN and Special Projects		
8	Corra Linn Spillway Gate Replacement	12,750	Schedule 4, Line 29, Column 3
9	Upper Bonnington Old Units Refurbishment	7,449	Schedule 4, Line 30, Column 3
10	Total CPCN and Special Projects	<u>\$ 20,199</u>	
11			
12	Total Capital Expenditures	<u>\$ 72,832</u>	
13			
14			
15	RECONCILIATION OF CAPITAL EXPENDITURES TO PLANT		
16			
17	Regular Capital Expenditures	\$ 52,633	
18	Add - Capitalized Overheads	8,880	Schedule 20, Line 36, Column 4
19	Add - Direct Overheads	5,000	
20	Add - AFUDC	692	
21	Less: Removal costs	(2,633)	Schedule 7.1, Line 14, Column 9 - Schedule 5, Row 29
22	Gross Capital Expenditures	<u>\$ 64,572</u>	
23	Change in Work in Progress	-	
24	Total Additions to Plant	<u>\$ 64,572</u>	
25			
26			
27	CPCN and Special Projects	\$ 20,199	
28	Add - AFUDC	2,082	
29	Less: Removal costs	(3,084)	
30	Gross Capital Expenditures	<u>19,197</u>	
31	Change in Work in Progress	(4,857)	
32	Total Additions to Plant	<u>\$ 14,340</u>	
33			
34	Grand Total Additions to Plant	<u>\$ 78,912</u>	Schedule 6.1, Line 14, Columns 5 + 6

FORTISBC INC.

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Section 11

**PLANT IN SERVICE CONTINUITY SCHEDULE
FOR THE YEAR ENDING DECEMBER 31, 2019
(\$000s)**

Schedule 6

Line No.	Account	Particulars	12/31/18	Opening Bal. Adjustment	CPCNs	Additions	Retirements	12/31/19	Cross Reference
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1		Hydraulic Production Plant							
2	330	Land Rights	\$ 962	\$ -	\$ -	\$ -	\$ -	\$ 962	
3	331	Structures and Improvements	16,763	67	32	359	(15)	17,206	
4	332	Reservoirs, Dams & Waterways	34,886	163	202	875	(50)	36,076	
5	333	Water Wheels, Turbines and Gen.	101,161	8	5,967	45	(553)	106,628	
6	334	Accessory Equipment	44,596	75	1,383	404	(456)	46,002	
7	335	Other Power Plant Equipment	46,006	104	-	561	(19)	46,652	
8	336	Roads, Railroads and Bridges	1,287	-	-	-	-	1,287	
9			<u>\$ 245,661</u>	<u>\$ 417</u>	<u>\$ 7,584</u>	<u>\$ 2,244</u>	<u>\$ (1,093)</u>	<u>\$ 254,813</u>	
10		Transmission Plant							
11	350	Land Rights-R/W	\$ 9,753	\$ 38	\$ -	\$ 206	\$ -	\$ 9,998	
12	350.1	Land Rights-Clearing	8,983	38	-	206	-	9,228	
13	353	Station Equipment	238,436	2,571	501	13,826	(227)	255,107	
14	355	Poles Towers & Fixtures	112,563	652	-	3,508	(301)	116,423	
15	356	Conductors and Devices	107,992	537	-	2,889	(332)	111,086	
16	359	Roads and Trails	1,121	-	-	-	-	1,121	
17			<u>\$ 478,848</u>	<u>\$ 3,837</u>	<u>\$ 501</u>	<u>\$ 20,636</u>	<u>\$ (860)</u>	<u>\$ 502,963</u>	
18		Distribution Plant							
19	360	Land Rights-R/W	\$ 4,256	\$ -	\$ -	\$ -	\$ -	\$ 4,256	
20	360.1	Land Rights-Clearing	10,847	-	-	-	-	10,847	
21	362	Station Equipment	263,643	-	6,255	-	(423)	269,475	
22	364	Poles Towers & Fixtures	261,558	3,689	-	19,841	(484)	284,605	
23	365	Conductors and Devices	306,338	1,101	-	5,923	(786)	312,576	
24	368	Line Transformers	138,748	551	-	2,961	(1,461)	140,799	
25	369	Services	9,521	-	-	-	-	9,521	
26	370	Meters	(238)	-	-	-	(20)	(258)	
27	370.1	AMI Meters	40,988	165	-	888	-	42,042	
28	371	Installation on Customers' Premises	938	-	-	-	-	938	
29	373	Street Lighting and Signal System	11,971	-	-	-	(57)	11,913	
30			<u>\$ 1,048,570</u>	<u>\$ 5,506</u>	<u>\$ 6,255</u>	<u>\$ 29,613</u>	<u>\$ (3,231)</u>	<u>\$ 1,086,713</u>	

FORTISBC INC.

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Section 11

**PLANT IN SERVICE CONTINUITY SCHEDULE
FOR THE YEAR ENDING DECEMBER 31, 2019
(\$000s)**

Schedule 6.1

Line No.	Account	Particulars	12/31/18	Opening Bal. Adjustment	CPCNs	Additions	Retirements	12/31/19	Cross Reference
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1		General Plant							
2	389	Land	\$ 11,003	\$ -	\$ -	\$ -	\$ -	\$ 11,003	
3	390	Structures - Frame & Iron	12	-	-	-	-	12	
4	390.1	Structures - Masonry	60,817	140	-	753	-	61,709	
5	391	Office Furniture & Equipment	6,029	31	-	165	(530)	5,696	
6	391.1	Computer Equipment	103,414	1,491	-	8,017	(3,943)	108,978	
7	391.2	AMI Software	9,597	9	-	50	-	9,657	
8	392	Transportation Equipment	29,118	384	-	2,066	(1,749)	29,820	
9	394	Tools and Work Equipment	15,422	143	-	768	(405)	15,929	
10	397	Communication Structures & Equipment	27,218	48	-	257	(562)	26,961	
11	397.1	AMI Communications Structure & Equipment	4,970	-	-	3	-	4,972	
12			<u>\$ 267,600</u>	<u>\$ 2,246</u>	<u>\$ -</u>	<u>\$ 12,079</u>	<u>\$ (7,188)</u>	<u>\$ 274,737</u>	
13									
14		Total Plant in Service	<u>\$ 2,040,679</u>	<u>\$ 12,007</u>	<u>\$ 14,340</u>	<u>\$ 64,572</u>	<u>\$ (12,372)</u>	<u>\$ 2,119,226</u>	
15									
16		Cross Reference			Schedule 5 Line 32 Column 2	Schedule 5 Line 24 Column 2			

**ACCUMULATED DEPRECIATION CONTINUITY SCHEDULE
FOR THE YEAR ENDING DECEMBER 31, 2019
(\$000s)**

Line No.	Account	Particulars	Gross Plant for Depreciation	Depreciation Rate	12/31/18	Opening Bal. Adjustment	Depreciation Expense	Retirements	Cost of Removal	Adjustments	12/31/19	Cross Reference
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
1		Hydraulic Production Plant										
2	330	Land Rights	\$ 962	2.60%	\$ (800)	\$ -	\$ 25	\$ -	\$ -	\$ -	\$ (775)	
3	331	Structures and Improvements	16,862	1.29%	5,007	-	218	(15)	(44)	-	5,166	
4	332	Reservoirs, Dams & Waterways	35,251	1.78%	6,972	-	627	(50)	(2,808)	-	4,742	
5	333	Water Wheels, Turbines and Gen.	107,137	1.79%	17,890	-	1,918	(553)	(150)	-	19,104	
6	334	Accessory Equipment	46,054	2.28%	12,148	-	1,050	(456)	(81)	-	12,661	
7	335	Other Power Plant Equipment	46,110	2.05%	15,995	-	945	(19)	(25)	-	16,896	
8	336	Roads, Railroads and Bridges	1,287	1.47%	352	-	19	-	-	-	371	
9			<u>\$ 253,662</u>		<u>\$ 57,564</u>	<u>\$ -</u>	<u>\$ 4,802</u>	<u>\$ (1,093)</u>	<u>\$ (3,109)</u>	<u>\$ -</u>	<u>\$ 58,164</u>	
10		Transmission Plant										
11	350	Land Rights-R/W	\$ 9,791	0.00%	\$ (183)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (183)	
12	350.1	Land Rights-Clearing	9,022	1.23%	2,255	-	111	-	-	-	2,366	
13	353	Station Equipment	241,508	2.45%	78,998	-	5,917	(227)	(965)	-	83,722	
14	355	Poles Towers & Fixtures	113,215	2.53%	29,144	-	2,864	(301)	(219)	-	31,489	
15	356	Conductors and Devices	108,529	2.52%	22,995	-	2,735	(332)	(180)	-	25,218	
16	359	Roads and Trails	1,121	2.88%	338	-	32	-	-	-	370	
17			<u>\$ 483,186</u>		<u>\$ 133,546</u>	<u>\$ -</u>	<u>\$ 11,659</u>	<u>\$ (860)</u>	<u>\$ (1,365)</u>	<u>\$ -</u>	<u>\$ 142,981</u>	
18		Distribution Plant										
19	360	Land Rights-R/W	\$ 4,256	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
20	360.1	Land Rights-Clearing	10,847	1.23%	2,348	-	133	-	-	-	2,482	
21	362	Station Equipment	269,898	2.57%	71,919	-	6,936	(423)	-	-	78,432	
22	364	Poles Towers & Fixtures	265,248	2.67%	63,655	-	7,082	(484)	(760)	-	69,494	
23	365	Conductors and Devices	307,439	2.89%	99,346	-	8,885	(786)	(227)	-	107,218	
24	368	Line Transformers	139,299	2.74%	33,917	-	3,817	(1,461)	(113)	-	36,159	
25	369	Services	9,521	0.50%	6,743	-	48	-	-	-	6,791	
26	370	Meters	(238)	6.68%	2,696	-	(16)	(20)	-	-	2,659	
27	370.1	AMI Meters	41,153	5.00%	2,359	-	2,058	-	(34)	-	4,382	
28	371	Installation on Customers' Premises	938	0.00%	938	-	-	-	-	-	938	
29	373	Street Lighting and Signal System	11,971	4.65%	4,170	-	557	(57)	-	-	4,670	
30			<u>\$ 1,060,332</u>		<u>\$ 288,091</u>	<u>\$ -</u>	<u>\$ 29,500</u>	<u>\$ (3,231)</u>	<u>\$ (1,134)</u>	<u>\$ -</u>	<u>\$ 313,225</u>	

FORTISBC INC.

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Section 11

Schedule 8

SCHEDULE NOT APPLICABLE

FORTISBC INC.

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Section 11

**CONTRIBUTIONS IN AID OF CONSTRUCTION CONTINUITY SCHEDULE
FOR THE YEAR ENDING DECEMBER 31, 2019
(\$000s)**

Schedule 9

Line No.	Particulars	12/31/18	Adjustment	Additions	Retirements	12/31/19	Cross Reference
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	CIAC	\$ 199,444	\$ -	\$ 8,876	\$ -	\$ 208,320	
2							
3	Amortization	(71,910)	-	(4,172)	-	(76,082)	
4							
5	Net CIAC	<u>\$ 127,534</u>	<u>\$ -</u>	<u>\$ 4,704</u>	<u>\$ -</u>	<u>\$ 132,237</u>	

FORTISBC INC.

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Section 11

Schedule 10

SCHEDULE NOT APPLICABLE

**UNAMORTIZED DEFERRED CHARGES AND AMORTIZATION - RATE BASE
FOR THE YEAR ENDING DECEMBER 31, 2019
(\$000s)**

Schedule 11

Line No.	Particulars	12/31/18	Opening Bal./ Transfer/Adj.	Gross Additions	Less Taxes	Amortization Expense	12/31/19	Mid-Year Average	Cross Reference
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	<u>1. Forecasting Variance Accounts</u>								
2									
3	<u>2. Rate Smoothing Accounts</u>								
4									
5	<u>3. Benefits Matching Accounts</u>								
6	Demand Side Management	\$ 24,483	\$ -	\$ 8,100	\$ (2,187)	\$ (4,069)	\$ 26,326	\$ 25,405	
7	Deferred Debt Issue Costs	3,543	-	-	(29)	(162)	3,352	3,448	
8	Preliminary and Investigative Charges ¹	191	-	300	-	-	491	341	Note 1
9	Accounting Treatment of non-AMI Meters	1,082	-	-	-	(1,082)	-	541	
10		<u>\$ 29,298</u>	<u>\$ -</u>	<u>\$ 8,400</u>	<u>\$ (2,216)</u>	<u>\$ (5,313)</u>	<u>\$ 30,170</u>	<u>\$ 29,734</u>	
11	<u>4. Retroactive Expense Accounts</u>								
12									
13	<u>5. Other Accounts</u>								
14	Pension and OPEB Liability	(16,805)	-	1,059	-	-	(15,746)	(16,276)	
15		<u>\$ (16,805)</u>	<u>\$ -</u>	<u>\$ 1,059</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,746)</u>	<u>\$ (16,276)</u>	
16									
17	Total Rate Base Deferral Accounts	<u>\$ 12,493</u>	<u>\$ -</u>	<u>\$ 9,459</u>	<u>\$ (2,216)</u>	<u>\$ (5,313)</u>	<u>\$ 14,424</u>	<u>\$ 13,458</u>	
18									

19 Note 1: Gross additions for Preliminary and Investigative Charges are after transfers to Construction Work in Progress.
Additions of \$0.400 million - transfers of \$0.100 million = \$0.300 million.

UNAMORTIZED DEFERRED CHARGES AND AMORTIZATION - NON-RATE BASE cont'd
FOR THE YEAR ENDING DECEMBER 31, 2019
(\$000s)

Schedule 12.1

Line No.	Particulars	12/31/18	Opening Bal./ Transfer/Adj.	Gross Additions	Less Taxes	Amortization Expense	12/31/19	Mid-Year Average	Cross Reference
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Deferral Accounts Financed at Weighted Average Cost of Debt								
2									
3	<u>1. Forecasting Variance Accounts</u>								
4									
5	<u>2. Rate Smoothing Accounts</u>								
6	2018 - 2019 Revenue Surplus	\$ -	\$ 654	\$ (5,736)	\$ 1,549	\$ -	\$ (3,533)	\$ (1,440)	
7									
8	<u>3. Benefits Matching Accounts</u>								
9	CPCN Projects Preliminary Engineering ¹	\$ 255	\$ -	\$ (255)	\$ -	\$ -	\$ -	\$ 127	
10	2016 Long Term Electric Resource Plan	412	-	-	-	(103)	309	360	
11	2017 Rate Design Application	746	-	100	(27)	(164)	655	701	
12	Transmission Customer Rate Design	-	-	-	-	-	-	-	
13	2020 Revenue Requirements	164	-	975	(263)	-	876	520	
14	2019 - 2022 Multi-Year DSM Expenditure Schedule	158	-	60	(16)	(50)	151	155	
15	2018 Joint Pole Use Audit	117	-	-	-	(29)	88	102	
16	Electric Vehicle Charging Stations Rate Design and Tariff Application	44	-	-	-	-	44	44	
17		\$ 1,896	\$ -	\$ 880	\$ (306)	\$ (346)	\$ 2,123	\$ 2,009	
18	<u>4. Retroactive Expense Accounts</u>								
19									
20	<u>5. Other Accounts</u>								
21	US GAAP Pension and OPEB Transitional Obligation	\$ 1,901	\$ -	\$ (512)	\$ -	\$ -	\$ 1,389	\$ 1,645	
22	Advanced Metering Infrastructure Radio-Off Shortfall	88	-	-	-	-	88	88	
23		\$ 1,989	\$ -	\$ (512)	\$ -	\$ -	\$ 1,477	\$ 1,733	
24									
25									
26	Total Deferral Accounts at Weighted Average Cost of Debt	\$ 3,885	\$ 654	\$ (5,368)	\$ 1,242	\$ (346)	\$ 67	\$ 2,303	
27									
28	Financing Costs at WACD	\$ 148	\$ -	\$ 121		\$ (148)	\$ 121	\$ 135	
29									
30	Deferral Accounts Financed at WACC								
31									
32	<u>3. Benefit Matching Accounts</u>								
33	On Bill Financing (OBF) Participant Loans	\$ 8	\$ -	\$ (1)	\$ -	\$ -	\$ 7	\$ 7	
34									
35	Financing Costs at AFUDC	\$ 1	\$ -	\$ -		\$ (1)	\$ -	\$ 0	
36									
37	Deferral Accounts Non-Interest Bearing	\$ 50	\$ -	\$ -	\$ -	\$ -	\$ 50	\$ 50	
38									
39	Total Non Rate Base Deferral Accounts (including financing)	\$ (9,317)	\$ -	\$ (5,546)	\$ 1,242	\$ 13,138	\$ (481)	\$ (4,899)	

40 Note 1: Gross additions for CPCN Projects Preliminary Engineering after transfers to Construction Work in Progress.

FORTISBC INC.

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Section 11

**WORKING CAPITAL ALLOWANCE
FOR THE YEAR ENDING DECEMBER 31, 2019
(\$000s)**

Schedule 13

Line No.	Particulars	2018 Approved	2019 Forecast	Change	Cross Reference
	(1)	(2)	(3)	(4)	(5)
1	Cash Working Capital				
2	Cash Working Capital	\$ 4,930	\$ 5,076	\$ 146	Schedule 14, Line 42, Column 5
3					
4	Add: Funds Unavailable				
5	Customer Loans	430	470	40	
6	Employee Loans	310	350	40	
7	Uncollectible Accounts	1,700	2,000	300	
8	Inventory (average monthly investment)	680	650	(30)	
9					
10	Less: Funds Available				
11	Average Customer Deposits	(5,150)	(5,470)	(320)	
12	Average Provincial Sales Tax	(690)	(600)	90	
13	Average Goods and Services Tax	(550)	(370)	180	
14					
15	Total	\$ 1,660	\$ 2,106	\$ 446	

FORTISBC INC.

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Section 11

**CASH WORKING CAPITAL
FOR THE YEAR ENDING DECEMBER 31, 2019
(\$000s)**

Schedule 14

Line No.	Particulars	2019 at Revised Rates	Lag (Lead) Days	Extended	Weighted Average Lag (Lead) Days	Cross Reference
	(1)	(2)	(3)	(4)	(5)	(6)
1	REVENUE					
2	Sales Revenue					
3	Residential Tariff Revenue	\$ 187,887	50.5	\$ 9,488		
4	Commercial Tariff Revenue	94,508	49.4	4,669		
5	Wholesale Tariff Revenue	49,519	33.2	1,644		
6	Industrial Tariff Revenue	32,414	33.2	1,076		
7	Lighting Tariff Revenue	2,661	50.1	133		
8	Irrigation Tariff Revenue	3,544	45.3	161		
9						
10	Other Revenue					
11	Apparatus and Facilities Rental	4,878	27.4	134		
12	Contract Revenue	1,766	43.6	77		
13	Transmission Revenue	1,230	15.2	19		
14	Interest Income	16	15.2	0		
15	Late Payment Charges	861	90.0	77		
16	Other Utility Income	517	44.7	23		
17						
18	Total	<u>\$ 379,802</u>		<u>\$ 17,501</u>	46.1	
19						
20	EXPENSES					
21	Power Purchases	\$ 145,065	41.7	6,049		
22	Wheeling	5,235	40.2	210		
23	Water Fees	10,465	(1.0)	(10)		
24	<u>Operating Labour</u>					
25	Salaries and Wages	17,138	5.3	91		
26	Employee Benefits	10,104	13.2	133		
27	Contracted Labour	12,690	50.6	642		
28	Rental of T&D Facilities	3,345	48.6	163		
29	Office Lease	569	(15.2)	(9)		
30	Materials	5,192	45.6	237		
31	Insurance	1,283	(182.5)	(234)		
32	Interest	40,930	85.2	3,487		
33	Property Taxes	16,713	1.4	23		
34	Income Tax	7,806	15.2	119		
35						
36	Total	<u>\$ 276,535</u>		<u>\$ 10,901</u>	(39.4)	
37						
38	Net Lag (Lead) Days				6.7	
39						
40	Total Expenses				\$ 276,535	
41						
42	Cash Working Capital				<u>\$ 5,076</u>	

FORTISBC INC.

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Section 11

Schedule 15

SCHEDULE NOT APPLICABLE

FORTISBC INC.

October 3, 2018

Section 11

**UTILITY INCOME AND EARNED RETURN
FOR THE YEAR ENDING DECEMBER 31, 2019
(\$000s)**

Schedule 16

Line No.	Particulars (1)	2018	2019 Forecast			Change (6)	Cross Reference (7)
		Approved (2)	at Existing Rates (3)	Revised Revenue (4)	at Revised Rates (5)		
1	ENERGY VOLUMES						
2	Sales Volume (GWh)	3,213	3,319		3,319	106	Schedule 17, Line 9, Column 3
3							
4	REVENUE						
5	Sales	\$ 356,340	\$ 370,534	\$ -	\$ 370,534	\$ 14,194	Schedule 17, Line 19, Column 3
6	Deficiency (Surplus)	-	-	-	-	-	
7	Total	356,340	370,534	-	370,534	14,194	Schedule 18, Line 8, Column 5
8							
9	EXPENSES						
10	Cost of Energy	148,450	160,765	-	160,765	12,315	Schedule 19, Line 31, Column 3
11	O&M Expense (net)	49,802	50,321	-	50,321	519	Schedule 20, Line 37, Column 4
12	Depreciation & Amortization	52,667	48,454	-	48,454	(4,213)	Schedule 21, Line 11, Column 3
13	Property Taxes	16,684	16,713	-	16,713	29	Schedule 22, Line 7, Column 3
14	Other Revenue	(8,416)	(9,268)	-	(9,268)	(852)	Schedule 23, Line 9, Column 3
15	2018 - 2019 Revenue Surplus	(896)	5,736	-	5,736	6,632	
16	Utility Income Before Income Taxes	98,048	97,813	-	97,813	(235)	
17							
18	Income Taxes	9,633	7,806	-	7,806	(1,827)	Schedule 24, Line 13, Column 3
19							
20	EARNED RETURN	\$ 88,416	\$ 90,008	\$ -	\$ 90,008	\$ 1,592	Schedule 26, Line 5, Column 7
21							
22	UTILITY RATE BASE	\$ 1,321,217	\$ 1,340,923		\$ 1,340,923	\$ 19,706	Schedule 2, Line 29, Column 3
23	RATE OF RETURN ON UTILITY RATE BASE	6.69%	6.71%		6.71%	0.02%	Schedule 26, Line 5, Column 6

FORTISBC INC.

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Section 11

**VOLUME AND REVENUE
FOR THE YEAR ENDING DECEMBER 31, 2019
(\$000s)**

Schedule 17

Line No.	Particulars	2018 Approved	2019 Forecast	Change	Cross Reference
	(1)	(2)	(3)	(4)	(5)
1	ENERGY VOLUME SOLD (GWh)				
2	Residential	1,280	1,349	69	
3	Commercial	912	935	23	
4	Wholesale	586	594	8	
5	Industrial	379	385	6	
6	Lighting	15	13	(2)	
7	Irrigation	41	42	1	
8					
9	Total	3,213	3,319	106	
10					
11	REVENUE AT EXISTING RATES				
12	Residential	\$ 178,976	\$ 187,887	\$ 8,911	
13	Commercial	90,669	94,508	3,839	
14	Wholesale	48,565	49,519	954	
15	Industrial	31,712	32,414	702	
16	Lighting	2,903	2,661	(241)	
17	Irrigation	3,515	3,544	29	
18					
19	Total	\$ 356,340	\$ 370,534	\$ 14,194	

FORTISBC INC.

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Section 11

**REVENUE AT EXISTING AND REVISED RATES
FOR THE YEAR ENDING DECEMBER 31, 2019
(\$000s)**

Schedule 18

Line No.	Particulars	2018 Approved Revenue	2019 Forecast			Average Number of Customers	GWh	Cross Reference
			Revenue at Existing Rates	Effective Increase	Revenue at Revised Rates			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Residential	\$ 178,976	\$ 187,887	\$ -	\$ 187,887	120,405	1,349	
2	Commercial	90,669	94,508	-	94,508	16,405	935	
3	Wholesale	48,565	49,519	-	49,519	6	594	
4	Industrial	31,712	32,414	-	32,414	51	385	
5	Lighting	2,903	2,661	-	2,661	1,511	13	
6	Irrigation	3,515	3,544	-	3,544	1,080	42	
7								
8	Total	<u>\$ 356,340</u>	<u>\$ 370,534</u>	<u>\$ -</u>	<u>\$ 370,534</u>	<u>139,459</u>	<u>3,319</u>	
9								
10	Effective Increase				<u>0.00%</u>			

**COST OF ENERGY
FOR THE YEAR ENDING DECEMBER 31, 2019
(\$000s)**

Line No.	Particulars	2018 Approved	2019 Forecast	Change	Cross Reference
	(1)	(2)	(3)	(4)	(5)
1	POWER PURCHASES				
2	Gross Load (GWh)	3,485	3,602	116	
3					
4	Power Purchase Expense				
5	Brilliant	\$ 39,632	\$ 41,865	\$ 2,233	
6	BC Hydro PPA	44,906	52,174	7,267	
7	Waneta Expansion	37,437	40,221	2,784	
8	Market and Contracted Producers	10,951	10,637	(314)	
9	Independent Power Producers	80	76	(4)	
10	Self-Generators	66	93	27	
11	Balancing Pool	-	-	-	
12					
13	Total	\$ 133,071	\$ 145,065	\$ 11,994	
14					
15	WHEELING				
16	Wheeling Nomination (MW months)				
17	Okanagan Point of Interconnection	2,490	2,400	(90)	
18	Creston	444	471	27	
19					
20	Wheeling Expense				
21	Okanagan Point of Interconnect	\$ 4,590	\$ 4,514	\$ (75)	
22	Creston	534	577	44	
23	Other	48	144	96	
24	Total	\$ 5,171	\$ 5,235	\$ 64	
25					
26	WATER FEES				
27	Plant Entitlement Use in previous year (GWh)	1,568	1,574	7	
28					
29	Water Fees	\$ 10,208	\$ 10,465	\$ 257	
30					
31	Total	\$ 148,450	\$ 160,765	\$ 12,315	

FORTISBC INC.

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Section 11

**OPERATING AND MAINTENANCE EXPENSE
FOR THE YEAR ENDING DECEMBER 31, 2019
(\$000s)**

Schedule 20

Line No.	Particulars	Formula O&M	Forecast O&M	Total O&M	Cross Reference
	(1)	(2)	(3)	(4)	(5)
1	<u>2013</u>				
2	Base O&M	\$ 60,159			
3	Less: O&M tracked outside of Formula	(7,810)			
4	O&M Subject to Formula	<u>52,349</u>			
5	<u>2014</u>				
6	Net Inflation Factor	<u>100.758%</u>			Schedule 3, Line 12, Column 3
7	Formula O&M	52,746			
8	<u>2015</u>				
9	Net Inflation Factor	<u>100.452%</u>			Schedule 3, Line 12, Column 4
10	Formula O&M	52,984			
11	<u>2016</u>				
12	Net Inflation Factor	<u>101.155%</u>			Schedule 3, Line 12, Column 5
13	Formula O&M	53,596			
14	<u>2017</u>				
15	Net Inflation Factor	<u>100.886%</u>			Schedule 3, Line 12, Column 6
16	Formula O&M	54,071			
17	<u>2018</u>				
18	Net Inflation Factor	<u>101.304%</u>			Schedule 3, Line 12, Column 7
19	Formula O&M	54,776			
20	<u>2019</u>				
21	Net Inflation Factor	<u>102.382%</u>			Schedule 3, Line 12, Column 8
22	Formula O&M	56,081		\$ 56,081	
23					
24	O&M Tracked Outside of Formula				
25	Pension & OPEB (O&M Portion)		\$ 1,692		
26	Insurance Premiums		1,283		
27	Advanced Metering Infrastructure Costs/Savings		(1,161)		
28	Mandatory Reliability Standards Incremental O&M		940		
29	Upper Bonnington Unit 1 Annual Inspection		(42)		
30	Employer Health Tax		576		
31	MSP Premium Reduction		(168)		
32	Total		<u>\$ 3,120</u>	3,120	
33					
34	Total Gross O&M			<u>\$ 59,201</u>	
35					
36	Capitalized Overhead - 15% of Total Gross O&M			(8,880)	
37	Net O&M Expense			<u>\$ 50,321</u>	

FORTISBC INC.

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Section 11

**DEPRECIATION AND AMORTIZATION EXPENSE
FOR THE YEAR ENDING DECEMBER 31, 2019
(\$000s)**

Schedule 21

Line No.	Particulars (1)	2018 Approved (2)	2019 Forecast (3)	Change (4)	Cross Reference (5)
1	Depreciation				
2	Depreciation Expense	\$ 58,408	\$ 60,265	\$ 1,857	Schedule 7.1, Line 14, Column 7
3					
4	Amortization				
5	Rate Base deferrals	\$ 5,131	\$ 5,313	\$ 182	Schedule 11, Line 17, Column 6
6	Non-Rate Base deferrals	(7,146)	(13,138)	(5,992)	Schedule 12.1, Line 39, Column 6
7	Utility Plant Acquisition Adjustment	186	186	-	
8	CIAC	(3,913)	(4,172)	(259)	Schedule 9, Line 3, Column 4
9		(5,741)	(11,811)	(6,070)	
10					
11	Total	\$ 52,667	\$ 48,454	\$ (4,213)	

FORTISBC INC.

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Section 11

**PROPERTY AND SUNDRY TAXES
FOR THE YEAR ENDING DECEMBER 31, 2019
(\$000s)**

Schedule 22

Line No.	Particulars	2018 Approved	2019 Forecast	Change	Cross Reference
	(1)	(2)	(3)	(4)	(5)
1	Generating Plant	\$ 3,080	\$ 3,082	\$ 2	
2	Transmission and Distribution	6,672	6,705	33	
3	Substation Equipment	3,731	3,741	10	
4	Land and Buildings	1,192	1,019	(173)	
5	1% In-Lieu of Municipal Taxes	2,009	2,166	157	
6					
7	Total	<u>\$ 16,684</u>	<u>\$ 16,713</u>	<u>\$ 29</u>	

FORTISBC INC.

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Section 11

**OTHER REVENUE
FOR THE YEAR ENDING DECEMBER 31, 2019
(\$000s)**

Schedule 23

Line No.	Particulars	2018 Approved	2019 Forecast	Change	Cross Reference
	(1)	(2)	(3)	(4)	(5)
1	Apparatus and Facilities Rental	\$ 4,736	\$ 4,878	\$ 142	
2	Contract Revenue	1,769	1,766	(3)	
3	Transmission Access Revenue	1,170	1,230	60	
4	Interest Income	16	16	-	
5	Late Payment Charges	-	861	861	
6	Connection Charge	368	376	7	
7	Other Recoveries	356	142	(215)	
8					
9	Total	\$ 8,416	\$ 9,268	\$ 852	

INCOME TAXES
FOR THE YEAR ENDING DECEMBER 31, 2019
(\$000s)

Schedule 24

Line No.	Particulars	2018 Approved	2019 Forecast	Change	Cross Reference
	(1)	(2)	(3)	(4)	(5)
1	EARNED RETURN	\$ 88,416	\$ 90,008	\$ 1,592	Schedule 16, Line 20, Column 5
2	Deduct: Interest on Debt	(40,059)	(40,930)	(871)	Schedule 26, Lines 1+2, Column 7
3	Adjustments to Taxable Income	(22,311)	(27,973)	(5,662)	Schedule 24, Line 29, Column 3
4	Accounting Income After Tax	\$ 26,045	\$ 21,105	\$ (4,941)	
5					
6	1 - Current Income Tax Rate	73.00%	73.00%	0.00%	
7	Taxable Income	\$ 35,678	\$ 28,910	\$ (6,768)	
8					
9	Current Income Tax Rate	27.00%	27.00%	0.00%	
10	Income Tax - Current	\$ 9,633	\$ 7,806	\$ (1,827)	
11					
12	Previous Year Adjustment	-	-	-	
13	Total Income Tax	\$ 9,633	\$ 7,806	\$ (1,827)	
14					
15					
16	ADJUSTMENTS TO TAXABLE INCOME				
17	Addbacks:				
18	Depreciation	\$ 58,408	\$ 60,265	\$ 1,857	Schedule 21, Line 2, Column 3
19	Amortization of Deferred Charges	(2,015)	(7,825)	(5,810)	Schedule 21, Lines 5+6, Column 3
20	Amortization of Utility Plant Acquisition Adjustment	186	186	-	Schedule 21, Line 7, Column 3
21	Pension & OPEB Expense	6,289	5,304	(985)	
22					
23	Deductions:				
24	Capital Cost Allowance	(66,505)	(67,203)	(698)	Schedule 25, Line 19, Column 6
25	CIAC Amortization	(3,913)	(4,172)	(259)	Schedule 21, Line 8, Column 3
26	Pension & OPEB Contributions	(5,594)	(5,537)	57	
27	Overheads Capitalized Expensed for Tax Purposes	(8,789)	(8,880)	(92)	Schedule 20, Line 36, Column 4
28	All Other	(379)	(111)	268	
29	Total	\$ (22,311)	\$ (27,973)	\$ (5,662)	

FORTISBC INC.

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Section 11

**CAPITAL COST ALLOWANCE
FOR THE YEAR ENDING DECEMBER 31, 2019
(\$000s)**

Schedule 25

Line No.	Class	CCA Rate	31/12/2018 UCC Balance	Adjustments	2019 Additions	2019 CCA	31/12/2019 UCC Balance
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	1(a)	4%	\$ 181,529	\$ -	\$ -	\$ (7,261)	\$ 174,268
2	1(b)	6%	32,218	-	616	(1,952)	30,883
3	2	6%	14,606	-	-	(876)	13,729
4	3	5%	930	-	-	(47)	884
5	6	10%	4	-	-	(0)	3
6	8	20%	4,616	-	753	(999)	4,371
7	9	25%	-	-	-	-	-
8	10	30%	4,833	-	1,712	(1,707)	4,838
9	12	100%	-	-	-	-	-
10	14.1	5%	9,259	-	-	(463)	8,796
11	14.1	7%	819	-	338	(69)	1,088
12	17	8%	113,760	-	21,639	(9,966)	125,432
13	42	12%	3,901	-	205	(480)	3,626
14	45	45%	6	-	-	(2)	3
15	46	30%	7,165	-	-	(2,150)	5,016
16	47	8%	438,316	-	36,414	(36,522)	438,208
17	50	55%	4,922	-	7,278	(4,709)	7,492
18							
19	Total		\$ 816,884	\$ -	\$ 68,956	\$ (67,203)	\$ 818,637

Section 11

Schedule 26

Line No.	Particulars	2018 Approved Earned Return	2019				Earned Return Change	Cross Reference	
			Amount	Ratio	Average Embedded Cost	Cost Component			Earned Return
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Long Term Debt	\$ 38,068	\$ 735,000	54.81%	5.18%	2.84%	\$ 38,068	\$ -	Schedule 27, Line 9, Column 6
2	Short Term Debt	1,992	69,554	5.19%	4.12%	0.21%	2,863	871	
3	Common Equity	48,357	536,369	40.00%	9.15%	3.66%	49,078	721	
4									
5	Total	<u>\$ 88,416</u>	<u>\$ 1,340,923</u>	<u>100.00%</u>		<u>6.71%</u>	<u>\$ 90,008</u>	<u>\$ 1,592</u>	
6									
7	Cross Reference		Schedule 2						
			Line 29						
			Column 3						

FORTISBC INC.

October 3, 2018

Section 11

**EMBEDDED COST OF LONG TERM DEBT
FOR THE YEAR ENDING DECEMBER 31, 2019
(\$000s)**

Schedule 27

Line No.	Particulars	Issue Date	Maturity Date	Average Principal Outstanding	Interest Rate	Interest Expense	Cross Reference
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Series G	August 28, 1993	August 28, 2023	\$ 25,000	8.800%	\$ 2,200	
2	Series I	December 1, 1997	December 1, 2021	25,000	7.810%	1,953	
3	Series 1 - 05	November 9, 2005	November 9, 2035	100,000	5.600%	5,600	
4	Series 1 - 07	July 4, 2007	July 4, 2047	105,000	5.900%	6,195	
5	MTN - 09	June 2, 2009	June 2, 2039	105,000	6.100%	6,405	
6	MTN - 10	November 24, 2010	November 24, 2050	100,000	5.000%	5,000	
7	MTN - 14	October 28, 2014	October 28, 2044	200,000	4.000%	8,000	
8	MTN - 17	December 4, 2017	December 6, 2049	75,000	3.620%	2,715	
9	Total			<u>\$ 735,000</u>		<u>\$ 38,068</u>	
10							
11	Average Embedded Cost				<u>5.18%</u>		

Appendix B

AMENDED DRAFT ORDER

EVIDENTIARY UPDATE DATED OCTOBER 3, 2018

ORDER NUMBER

G-xx-xx

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Inc.
Annual Review for 2019 Rates

BEFORE:

[Panel Chair]
Commissioner
Commissioner

on **Date**

ORDER

WHEREAS:

- A. On September 15, 2014, the British Columbia Utilities Commission (BCUC) issued its Decision and Order G-139-14 approving for FortisBC Inc. (FBC) a Multi-Year Performance Based Ratemaking (PBR) Plan for 2014 through 2019 (the PBR Decision). In accordance with the PBR Decision, FBC is to conduct an Annual Review process to set rates for each year;
- B. By letter dated July 26, 2018, FBC proposed a regulatory timetable for its annual review for 2018 rates;
- C. By Order G-142-18 dated July 31, 2018, the BCUC established the Regulatory Timetable for the annual review for 2019 rates which included the anticipated date for FBC to file its annual review materials, the deadline for intervener registration, one round of information requests, a workshop, FBC's response to undertakings requested at the workshop, and written final and reply arguments;
- D. On August 10, 2018, FBC submitted its Annual Review for 2019 Rates Application materials (Application) seeking approval of, among other things, to maintain existing 2018 rates, effective January 1, 2019. The Application is made pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA);
- E. On October 3, 2018, FBC submitted its Evidentiary Update; and
- F. The BCUC has reviewed the Application and evidence filed in the proceeding and makes the following determinations.

NOW THEREFORE pursuant to sections 59 to 61 of the *Utilities Commission Act*, the BCUC orders as follows:

1. FortisBC Inc. (FBC) is approved to maintain 2019 rates at the approved 2018 levels, effective January 1, 2019;
2. Approval is granted for FBC for the following non-rate base deferral account requests:
 - Creation of a deferral account for the 2018 DSM Expenditure Schedule application, to be financed at the Company's short term interest (STI) rate, with a one-year amortization period;
 - Creation of a deferral account for the Rate Design and Rates for Electric Vehicle (EV) Direct Current Fast Charging Service Application, to be financed at FBC's weighted average cost of debt (WACD) rate, with disposition to be proposed in a future application;
 - Creation of a deferral account for costs related to FBC's participation in British Columbia Hydro and Power Authority's (BC Hydro) Waneta 2017 Transaction application, to be financed at FBC's STI rate, with a one-year amortization period;
 - The addition of the 2019 revenue surplus of \$4.187 million after tax to the existing 2018 Revenue Deficiency Deferral Account, which will be renamed to the 2018 – 2019 Revenue Surplus Deferral Account, and the financing of this account at FBC's WACD rate;
 - A four-year amortization period for the existing Multi-Year (2019-2022) Demand Side Management Expenditures deferral account, commencing in 2019;
 - A five-year amortization period for the existing 2017 Cost of Service Analysis and Rate Design Application deferral account, commencing in 2019; and
 - Amortization of the existing Castlegar Office Disposition deferral account in 2019.
3. Z-factor treatment is approved for the 2019 Employer Health Tax, 2018 and 2019 MSP premium reductions, and 2018 incremental operations and maintenance expenses and capital expenditures related to Mandatory Reliability Standards Assessment Reports No. 8 and 10, as described in Section 12.2 of the Application.

DATED at the City of Vancouver, in the Province of British Columbia, this (XX) day of (Month Year).

BY ORDER

(X. X. last name)
Commissioner

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Appendix C

BLACKLINED REVISIONS TO THE APPLICATION

EVIDENTIARY UPDATE DATED OCTOBER 3, 2018

1.2 APPROVALS SOUGHT

With this Application, FBC requests Commission approval for the following pursuant to sections 59 to 61 of the *Utilities Commission Act*:

1. Maintain 2019 rates at approved 2018 levels;
2. The following non rate base deferral account approvals, as described in Section 12.4 of the Application:
 - Creation of a deferral account for the 2018 DSM Expenditure Schedule application, to be financed at the Company's short term interest (STI) rate, with a one-year amortization period;
 - Creation of a deferral account for the Rate Design and Rates for Electric Vehicle (EV) Direct Current Fast Charging Service Application, to be financed at FBC's weighted average cost of debt (WACD) rate, with disposition to be proposed in a future application;
 - Creation of a deferral account for costs related to FBC's participation in British Columbia Hydro and Power Authority's (BC Hydro) Waneta 2017 Transaction application, to be financed at FBC's STI rate, with a one-year amortization period;
 - The addition of the 2019 revenue surplus of \$4.204 million after tax to the existing 2018 Revenue Deficiency Deferral Account, which will be renamed to the 2018 – 2019 Revenue Surplus Deferral Account, and the financing of this account at FBC's WACD rate.
 - A four-year amortization period for the existing Multi-Year (2019-2022) Demand Side Management Expenditures deferral account, commencing in 2019.
 - A five-year amortization period for the existing 2017 Cost of Service Analysis and Rate Design Application deferral account, commencing in 2019.
 - Amortization of the existing Castlegar Office Disposition deferral account in 2019.
3. Z-factor treatment for the 2019 Employer Health Tax, 2018 and 2019 MSP premium reductions, and the 2018 incremental O&M and capital expenditures related to the Mandatory Reliability Standards (MRS) Assessment Reports No. 8 and No. 10, as described in Section 12.2 of the Application.

A draft order is included in Appendix E.

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provided to customers. Customers and other users (e.g. potential customers, contractors, businesses, media, government, etc.) usually visit the FortisBC website with a specific objective in mind. They seek answers to “How do I... ?” questions. Redesigning the website to be more customer centric with self-service options will make it easier for customers to quickly interact with the Company and find answers to their questions. Additionally, operational efficiencies will result from the use of a new content management technology platform and workflow functionality with content authoring and publishing becoming more streamlined. Estimated annual savings are forecast to be \$0.15 million shared between FEI and FBC. The project is currently underway with completion expected in 2019.

1.4.3 Overview of Capital Expenditures

FBC is projecting that capital expenditures will be above the formula in 2018.

1.4.3.1 Capital Spending Results

FBC’s capital spending has been above the formula amount in each year of the PBR term to date, and this trend is expected to continue. Table 1-3 below shows the capital spending from 2014 to 2018.

Table 1-3: Capital Expenditures 2014 to 2018 (\$ millions)

	2014			2015			2016		
	Actual	Formula	Variance	Actual	Formula	Variance	Actual	Formula	Variance
Formula Capital	\$ 42,665	\$ 42,193	\$ 0,472	\$ 44,791	\$ 42,384	\$ 2,408	\$ 45,838	\$ 42,874	\$ 2,964
Pension/OPEB	6,396	6,396	-	4,253	4,253	-	3,674	3,674	-
Total	\$ 49,061	\$ 48,589	\$ 0,472	\$ 49,043	\$ 46,637	\$ 2,408	\$ 49,512	\$ 46,548	\$ 2,964
Variance			0.97%			5.16%			6.37%

	2017			2018			Cumulative		
	Actual	Formula	Variance	Forecast	Formula	Variance	Actual	Formula	Variance
Formula Capital	\$ 59,053	\$ 43,254	\$ 15,799	\$ 58,847	\$ 43,818	\$ 15,029	\$ 251,193	\$ 214,523	\$ 36,670
Pension/OPEB	3,539	3,539	-	3,630	3,630	-	21,492	21,492	-
Total	\$ 62,592	\$ 46,793	\$ 15,799	\$ 62,477	\$ 47,448	\$ 15,029	\$ 272,685	\$ 236,015	\$ 36,670
Variance			33.76%			31.67%			15.54%

As shown in Table 1-3, Projected 2018 capital expenditures excluding items forecast outside of the PBR formula, are \$15,029 million higher than the formula amount. There are a number of contributing factors which are discussed below.

One set of contributing factors consists of reductions to the capital formula envelope. Specifically, in the Commission’s PBR Decision, the approved PBR capital formula included the following decreases to the allowed spending as compared to what had been proposed:

1. The growth factor for net customer additions was reduced by one-half,⁵ resulting in an impact of \$0.3 million in 2018 and \$1.0 million cumulative; and

⁵ In addition, the lag in timing of when customer growth is reflected in the formula as compared to when customers are actually added causes pressure on the formula in years of higher customer growth.

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the capital expenditure level utilized in calculating the earnings sharing is adjusted up or down by the same amount;

- The result of exceeding the capital dead band is that there is no earnings sharing for amounts outside of the dead band;
- If the capital dead band is exceeded, FBC will make a recommendation in the Annual Review regarding whether there is a need to adjust (or “rebase”) the capital formula amount for the following year.

This treatment was approved by Order G-38-18⁶:

The Panel approves FBC’s proposal to remove the capital expenditures in excess of the cumulative dead band from the earnings sharing calculation and add it to FBC’s opening 2018 plant additions balance.

In the same paragraph, the Panel stated the following regarding rebasing of the capital formula:

...it is the Panel’s view that initiating a process to determine any adjustments to base capital is not an efficient solution to the capital expenditures in excess of the dead band given the short time remaining in the current PBR term. The current PBR term is 2014–2019 and the Panel acknowledges that any adjustments to base capital may not be determined until the final year of the PBR or later. Therefore, the Panel does not consider it appropriate to undertake a re-basing process during the current PBR term.

FBC agrees that re-basing of capital expenditures should not be undertaken during the remainder of the current PBR term. While FBC is continuing to experience capital cost pressures, the dead band mechanism remains a reasonable way to deal with capital cost pressures by ensuring no sharing of negative earnings impacts with customers for capital expenditures in excess of 10 percent of the formula amount or 15 percent over two years.

To calculate the 2018 dead band adjustment, FBC notes that its actual 2017 capital exceeded the formula by approximately 8.63 percent, after the 2017 dead band adjustment. FBC is further expecting to exceed the 2018 formula by 31.67 percent as shown in Table 1-3. Therefore, the cumulative amount over the capital formula for calculating the two-year dead band adjustment is 40.30 percent. FBC must exclude from the Earnings Sharing calculation the greater of:

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⁶ G-38-18, page 14.

- The one-year capital dead band difference between the projected capital spending overage of 31.67 percent and the one year dead band limit of 10 percent, for a net adjustment of 21.67 percent; or

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- The two-year capital dead band difference between the cumulative projected capital spending overage of 40.30 percent and the two year cumulative dead band limit of 15 percent, for a net adjustment of 25.30 percent.

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Accordingly, FBC added 25.30 percent of its 2018 formula capital, or \$12.007 million⁷ to its opening plant in service for 2019 so that the two-year cumulative capital variance is within the two year dead band of 15 percent. FBC also reduced the cumulative capital expenditures utilized in the earning sharing mechanism by the same amount (\$12.007 million), such that the earnings sharing with customers is increased (see section 10 of the Application). In this way, there is no earnings sharing on the amount by which FBC exceeded the dead band.

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FBC has also included a true-up to the 2017 dead band adjustment in this Application. In FBC's Annual Review for 2018 Rates FBC had projected a 2017 dead band adjustment of \$11.268 million that was added to 2018 opening plant balance for rate making purposes. The actual 2017 dead band adjustment is \$11.759⁸ million due to additional growth capital pressures beyond what was forecast. Consequently, FBC has increased the 2018 opening balance plant for this Application by the actual 2017 dead band adjustment of \$11.759 million. Both the 2017 Actual and the 2018 Projected dead band adjustments are included in rate base in calculating 2019 rates.

1.4.3.3 Conclusion on Capital Spending

While FBC is continuing to experience capital cost pressures, the capital spending is required to add customers and limit increasing risk exposure in the system, and avoid unplanned and urgent capital work that reduces productivity and drives up project costs by reducing FBC's ability to plan and execute the work.

1.4.4 Summary

In summary, FBC's experience in 2014 through 2018 has resulted in the realization of earnings sharing on O&M with no rate increases for two of the six years. The experience during the PBR Plan term has also shown the challenges of the capital formula.

1.5 REVENUE REQUIREMENT AND RATE CHANGES FOR 2019

The proposed rates for 2019 flowing from the approved formulas and forecasts set out in the Application, including returning the forecast earnings sharing to customers, result in a 1.55

⁷ 2018 Actual expenditure of \$62.477 million - \$12.007 million = \$50.470 million. This results in a revised capital spending variance of 6.37% over one year and 15% over two years.

⁸ Section 10, Table 10-2, Line 28

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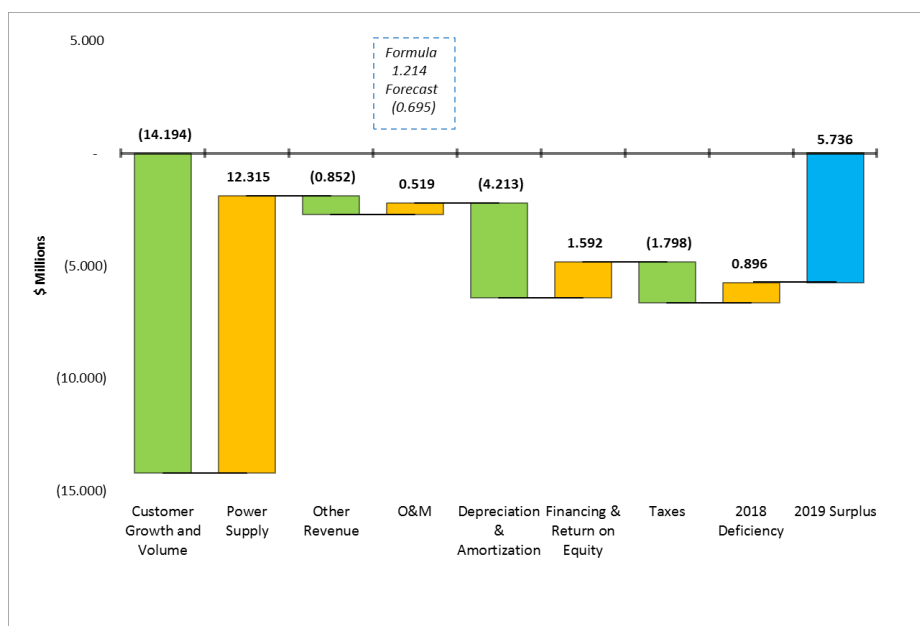
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percent decrease from 2018 rates; however, FBC is proposing to maintain 2019 rates at existing levels and to capture the revenue surplus in the existing Revenue Deficiency deferral account.

The following chart summarizes the items that contribute to the 2019 revenue surplus including the proposed credit to the Revenue Deficiency account so that rates are maintained at existing levels. The chart shows each item that increases the deficiency in yellow and each item that decreases the deficiency in green. The 2019 surplus, \$5.736 million, is then the sum of all of the previous bars and is shown at the end of the chart in blue, to bring the total revenue deficiency or surplus to zero.

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Figure 1-1: 2019 Revenue Surplus (\$ millions)



Each of the categories is discussed briefly below.

1.5.1 Load Forecast (Section 3)

In 2019, sales load is forecast to increase by 106 GWh from 2018 Approved primarily due to higher residential usage on a per customer basis and to higher commercial loads. Wholesale and Industrial loads also increased compared to 2018 Approved. Based on 2018 rates, FBC's 2019 revenue forecast at existing rates is \$370.534 million.

10. EARNINGS SHARING

The PBR Decision (at pages 120-121) stated that the inclusion of symmetric earnings sharing is beneficial to both FBC and its customers, and approved an earnings sharing mechanism where gains and losses are shared equally between FBC and customers. For 2019, FBC is proposing to distribute a \$0.345 million pre-tax credit (\$0.252 million after tax) as shown in Table 10-1 below. This amount is composed of:

- 2018 projected sharing on formula O&M and capital expenditures;
- An adjustment for actual customer growth; and
- The true-up of the 2017 projected earnings sharing to actual.

Table 10-1: Summary of Earnings Sharing to be Returned in 2019²⁸ (\$ millions)

Line No.	Description	After-tax Amount	Reference
1	2018 Projected Sharing	\$ (0.129)	Table 10-2, Line 48
2	2017 Actual Customer Growth Adjustment	0.006	Table 10-3, Line 18
3	2017 Projected vs. Actual Ending Balance True-Up	(0.129)	Table 10-4, Line 3
4			
5	2019 After-Tax Amount Returned to Customers	(0.252)	
6	2019 Pre-Tax Amount Returned to Customers	(0.345)	

Each of these items is discussed in the sections below.

10.2 2018 PROJECTED SHARING

As set out in FBC's letter dated November 7, 2014 in response to Order G-163-14 and as approved by Order G-107-15 for FBC's Annual Review for 2015 Rates, the earnings sharing is calculated each year as one-half of the pre-tax earnings impact of the variances in the formula-driven gross O&M and cumulative capital expenditures, as follows:

Formula-driven O&M less actual base O&M²⁹ x 50% +

((Cumulative formula-driven capital expenditures less cumulative actual base capital expenditures³⁰) x equity percentage x approved return on equity x 50%) divided by
(1 – the tax rate)

As discussed in Sections 1.4.4 and 1.4.3.1, FBC is projecting 2018 formula-driven O&M savings at \$1.000 million, and 2018 capital expenditures in excess of the formula by \$15.029 million. The \$15.029 million excess 2018 capital expenditures will exceed the dead band by \$12.007

²⁸ Financing on the deferral account balances is included in the deferred charges schedule in Section 11, Schedule 12, Line 33.

²⁹ Excluding items that are forecast outside of the formula.

³⁰ Ibid.

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million, therefore FBC has removed the \$12.007 million amount above the dead band in the calculation of 2018 earnings sharing, as shown in Line 28 of Table 10-2 below.

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Table 10-2: Calculation of 2018 Projected Earnings Sharing (\$ millions)

Line No.	Description	Reference
1	Approved Formula O&M	\$ 54.776
2		
3	Actual/Projected Gross O&M	57.374
4		
5	Less: O&M Tracked Outside of Formula	
6	Pension/OPEB (O&M Portion)	2.659
7	Insurance Premiums	1.246
8	Advanced Metering/Infrastructure Costs/Savings	(1.139)
9	MRS Incremental Operating Expense	1.040
10	Upper Bonnington Old Units Annual Inspection	(0.040)
11	MSP Premium Reduction	(0.168)
12	Total	3.598
13		Sum of Lines 6 - 11
14	Actual/Projected Base O&M	53.776
15		Line 3 - Line 12
16	O&M Subject to Sharing	\$ (1.000)
17		Line 14 - Line 1
18		Annual Capital Expenditures
19		2014 2015 2016 2017 2018
20	Cumulative Formula Capital Expenditures	\$ 214.523 \$ 42.193 \$ 42.384 \$ 42.874 \$ 43.254 \$ 43.818
21		G-139-14
22	Cumulative Total Regular Capital Expenditures	272.685 49.061 49.043 49.512 62.592 62.477
23		Notes 1, 2
24	Less: Capital Expenditures Tracked Outside of Formula	
25	Cumulative Pension and OPEB	21.492 6.396 4.253 3.674 3.539 3.630
26		
27	Actual/Projected Base Capital Expenditures	251.193 42.665 44.791 45.838 59.053 58.847
28	Deadband Adjustment	(23.766) - - - (11.759) (12.007)
29	Actual/Projected Base Capital Expenditures for ESM Calculation	227.427 42.665 44.791 45.838 47.294 46.840
30		Line 22 - Line 25
31	Actual/Projected Cumulative Base Capital Expenditure Variance	12.904 0.472 2.408 2.964 4.040 3.022
32		Adjustment to stay within deadband
33	Single Year Deadband % Variance (After Adjustment)	0.97% 5.16% 6.37% 8.63% 6.37%
34	Two Year Cumulative Deadband % Variance (After Adjustment)	6.13% 11.53% 15.00%
35		Line 31 + (Lines 20 + 25)
36	Equity Component of Rate Base	40.00%
37	Approved Return on Equity	9.15%
38	After Tax Capital Expenditures Subject to Sharing	0.472
39		G-139-14
40	Tax Rate	27.00%
41		G-75-13/G-47-14
42	Before Tax Capital Expenditures Subject to Sharing	0.647
43		Product of Lines 31, 36 & 37
44	Total Before Tax Sharing Account	(0.353)
45	Sharing Percentage	50.00%
46		G-139-14
47	2018 Projected Earnings Sharing (Pre-Tax)	\$ (0.177)
48	2018 Projected Earnings Sharing (After-Tax)	\$ (0.129)
49		Line 44 x Line 45
50		Line 47 x (1- Line 40)

Note 1: 2014 through 2016 are actual results from BCUC Annual Reports. 2014 Regular Capital Expenditures restated to correct treatment of capitalized inventory and transfer of land purchased for the Kootenay Operations Centre to CPCN-related capital upon approval of the project.

Note 2: Pursuant to Order G-9-18, the costs of FBC's Electric Vehicle DCFC stations are excluded from rate base until the Commission directs otherwise. FBC has removed expenditures of \$0.316 million from 2017 formula capital expenditures as reported in the BCUC Annual Report for 2017.

10.2 ACTUAL CUSTOMER GROWTH ADJUSTMENT

Order G-15-15 stated the following in relation to formula capital expenditures:

FEI and FBC are approved to recover the variance in earned return driven by the use of prior year customer additions for the growth term when compared to the actual customer additions. This positive or negative variance in earned return