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October 18, 2018

British Columbia Utilities Commission  
Suite 410, 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)**  
**Response to Workshop Undertakings**

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On August 10, 2018, FBC filed the Application referenced above. In accordance with British Columbia Utilities Commission Order G-142-18 setting out the Regulatory Timetable for the review of the Application, FBC respectfully files the attached responses to the eight undertakings from the Workshop held on October 10, 2018.

If further information is required, please contact the undersigned.

Sincerely,

**FORTISBC INC.**

***Original signed:***

Diane Roy

Attachments

cc (email only): Registered Parties

**FortisBC Inc.**  
**Annual Review of 2019 Rates**  
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**UNDERTAKING No. 1**

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**TRANSCRIPT**

**REFERENCE:** Volume 1, Page 17, Lines 3 to 11

**REQUESTOR:** Mr. Weafer (CEC/BCMEU)

**QUESTION:** Provide a discussion of costs recorded in deferral account for BC Hydro review of the Waneta project in comparison to the PACA Guidelines.

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**RESPONSE:**

For the reasons explained in its response to BCUC IR 1.33.2, FBC did not claim PACA funding for its intervention in the BC Hydro 2017 Waneta Transaction. FBC does not believe that the PACA Guidelines are directly applicable to utilities' participation in regulatory proceedings and, therefore, there is no relevant comparison between the PACA Guidelines and the costs incurred by FBC for its participation in the proceeding. Nevertheless, FBC provides the following discussion in regard to its participation and expenditures.

The Waneta transaction had the potential to significantly impact FBC's customers. The transaction included BC Hydro's future acquisition of Teck Metals Ltd.'s (Teck) transmission line 71 Line between Waneta and the U.S. border, by which FBC has historically had access to US wholesale electricity market. FBC relies on 71 Line in order to optimize its power supply options to minimize expense. The transaction also affected elements of the multi-party Canal Plant Agreement (CPA), which provides significant benefits to FBC's operations, including cost reduction. The implications of FBC experiencing adverse outcomes with respect to 71 Line access and changes to the CPA as a result of the transaction could potentially be valued in the millions of dollars annually.

FBC's participation in the proceeding entailed significant efforts to defend and obtain its rightful access to portions of the filing over which BC Hydro claimed confidentiality. In addition to filing information requests and procedural submissions, in order to adequately protect FBC's customers, FBC was required to file two comprehensive legal submissions defending its right to access this confidentially-filed information.

As a result of FBC's participation in the proceeding, FBC was able to reach agreements with BC Hydro and Teck which ultimately improved stability and certainty in terms of FBC's access to 71 Line for the benefit of customers. Those agreements sufficiently protected the interests of FBC's customers and ultimately led to FBC supporting the transaction, thereby avoiding the necessity for FBC to file intervenor evidence and

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lengthy legal argument. As a result, the costs associated with filing of intervener evidence and the resulting additional regulatory process in the proceeding were avoided.

As is apparent from the above, FBC's position in the Waneta proceeding was unique and not one that other interveners in the proceeding could defend on behalf of FBC's customers. As such, the need for maintaining and protecting the interests of FBC's customers through FBC's intervention was required.

With respect to legal or professional fees, regardless of whether FBC is the applicant or an intervener/participant, FBC uses external legal services in a judicious and cost-effective manner, giving consideration to the necessary qualifications, expertise, and experience, while also taking into consideration counsel's familiarity and understanding of FBC's business, processes, and the complexity of interrelated issues. FBC's practices are consistent with the PACA Guidelines in Section 7.1, "*to use professional services in a cost-effective manner and to make efforts to avoid duplication of services among legal counsel*", and in Section 7.4, which states: "*Participants are expected to use legal services in a cost-effective manner, giving regard to the years of experience required to perform tasks*".

The external legal costs to support FBC's participation in the BC Hydro Waneta Transaction proceeding were necessary and prudently incurred on behalf of ratepayers to protect their interests and access to 71 Line. As such, these costs are appropriately recoverable from customers.

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**UNDERTAKING No. 2**

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**TRANSCRIPT**

**REFERENCE:** Volume 1, Page 28, Line 16 to Page 29, Line 10

**REQUESTOR:** Ms. Ross (BCUC Staff)

**QUESTION:** For Table 3-2, provide the 2018 and 2019 forecast and year-to-date customer accounts.

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**RESPONSE:**

The requested information is in Table 1 below, which includes the 2018 customer count forecast from the 2018 and 2019 Annual Review filings and the 2018 year to date September actuals. The table below indicates that 2018 customer counts will be higher than the Seed Forecast for 2018. Any favourable impact on revenues and offsetting unfavourable impact on power supply costs due to higher customer counts will be captured in the Flow-through deferral account and returned to or recovered from customers in 2020 rates.

**Table 1: Customer Count Forecasts and September YTD Actuals**

	<b>2018 Approved from 2018 Annual Review</b>	<b>2018 Seed Forecast from 2019 Annual Review</b>	<b>2018 September YTD Actuals</b>
<b>Residential</b>	117,774	118,934	119,651
<b>Commercial</b>	16,122	16,110	15,609
<b>Industrial</b>	50	51	51
<b>Wholesale</b>	6	6	6
<b>Irrigation</b>	1,090	1,080	1,083
<b>Lighting</b>	1,559	1,511	1,492
<b>Total</b>	136,601	137,692	137,892

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**UNDERTAKING No. 3**

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**TRANSCRIPT**

**REFERENCE:** Volume 1, Page 29, Line 18 to Page 31 Line 8

**REQUESTOR:** Ms. Ross (BCUC Staff)

**QUESTION:** For Table B2-1, was there specific factors driving the 2018 increase in capital expenditures for system improvements to accommodate growth?

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**RESPONSE:**

System improvements related to growth (New Connects) increased in 2018 (YTD) due to a number of factors including:

- an increase in commercial development in the North Okanagan Region (11 percent higher than 2017 actuals);
- an increase in irrigation development in the South Okanagan and Kootenay Regions (200 percent higher than 2017 actuals, but in small amounts); and
- an increase in residential services in the Kootenay Region (32 percent higher than 2017 actuals).

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**UNDERTAKING No. 4**

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**TRANSCRIPT**

**REFERENCE:** Volume 1, Page 79, Line 26 to Page 80, Line 18

**REQUESTOR:** Ms. Worth (BCOAPO)

**QUESTION:** Can FBC provide the percentage of reports of outages due to AMI communication failures?

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**RESPONSE:**

FBC confirms that it does not track instances of false outages due to AMI communications failures. FBC believes that such instances would be very rare and, as such, would have a negligible impact on O&M costs.

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**UNDERTAKING No. 5**

**TRANSCRIPT**

**REFERENCE:** Volume 1, Page 82, Line 21 to Page 83, Line 2

**REQUESTOR:** Ms. Worth (BCOAPO)

**QUESTION:** Provide a revised Table 2-1 showing it setting out the I-factor calculation with the updated AWE.

**RESPONSE:**

Below is an update to Table 2-1 from the Application, showing the I-Factor calculation updated for the June and May AWE-BC results as provided on page 1 of FBC's Evidentiary Update.

**Updated Table 2-1: I-Factor Calculation**

	CANSIM 326-0020 2002=100		CANSIM 281-0063		12-Month Average		Year over Year % Change		I-Factor %	PBR Year
	BC CPI Index	BC AWE \$	CPI Index	AWE \$	CPI %	AWE %				
Jul-16	123.3	916.30								
Aug-16	123.4	922.72								
Sep-16	123.2	919.27								
Oct-16	123.1	918.42								
Nov-16	122.7	927.27								
Dec-16	122.7	931.13								
Jan-17	123.5	930.35								
Feb-17	123.6	930.17								
Mar-17	124.2	934.96								
Apr-17	124.4	936.88								
May-17	125.0	940.14								
Jun-17	125.2	944.40	123.7	929.33						
Jul-17	125.6	937.98								
Aug-17	125.9	941.65								
Sep-17	125.7	952.43								
Oct-17	125.6	952.38								
Nov-17	125.9	952.81								
Dec-17	125.2	957.62								
Jan-18	126.1	956.68								
Feb-18	127.0	958.80								
Mar-18	127.4	963.03								
Apr-18	127.7	952.75								
May-18	128.4	957.81								
Jun-18	128.6	963.19	126.6	953.93	2.345%	2.646%	2.511%	2019		

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**UNDERTAKING No. 6**

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**TRANSCRIPT**

**REFERENCE:** Volume 1, Page 85, Line 15 to Page 86, Line 19

**REQUESTOR:** Ms. Worth (BCOAPO)

**QUESTION:** Explain why residential DSM and other savings are higher in 2016 than in 2017. Provide a reference to where the corrected 2016 DSM savings is on the record.

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**RESPONSE:**

The response to BCOAPO IR 1.7.1 (Exhibit B-5) shows residential DSM and Other Savings of 14,009 MWh for 2016 and 12,539 MWh for 2017. These savings are the incremental values for each year, and are not cumulative as suggested by Ms. Worth at Lines 18 – 23 of the transcript. It is therefore incorrect to assume that the 2017 savings would be higher than in 2016. The response to BCOAPO IR 1.5.2 identifies the savings components and is summarized for the residential class in the table below.

Residential DSM and Other Savings 2016 and 2017 (GWh)

	2016	2017
Advanced Metering Infrastructure	4	5
Customer Information Portal	-	(2)
Residential Conservation Rate	(4)	(4)
Demand Side Management	(13)	(11)
Rate-Driven	(1)	(1)
	<u>(14)</u>	<u>(13)</u>

FBC's reference to a correction in the 2016 DSM values refers to a correction to Table 5-3 of Appendix A2 in the Application, which was provided in the response to BCOAPO IR 1.5.1. That table provides total DSM and Other Savings for all customer classes, not simply residential.



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**UNDERTAKING No. 7**

**TRANSCRIPT**

**REFERENCE:** Volume 1, Page 87, Lines 3 to 24

**REQUESTOR:** Ms. Worth (BCOAPO)

**QUESTION:** Errata dated September 25, 2018, revised Table 3-4, provide any update to the note as a result of the updated table.

**RESPONSE:**

Below is a reproduction of Table 3-4 from the September 25, 2018 Errata filing with the update to the note.

**Table 3-4: System Losses Before and After AMI, 2013 – 2019**

Line No.	Year	Normalized Actuals and After-Savings Gross Load (GWh)	Before AMI		After AMI		
			% of Gross Load	Normalized Actual and Forecast Losses (GWh)	AMI Impact (GWh)	Losses (GWh)	% of Gross Load
1	2013 Actual	3,500.0	7.95%	277.9			
2	2014 Actual	3,433.6	7.86%	269.9			
2	2015 Actual	3,446.2	7.91%	272.5			
4	2016 Actual	3,480.3	7.87%	274.1			
5	2017 Actual	3,511.8	8.02%	281.8			
6	2018 Seed	3,570.0	8.00%	285.5	(3.0)	282.5	7.91%
7	2019 Forecast	3,601.6	8.00%	288.2	(5.4)	282.8	7.85%

Note: The AMI impacts are incremental to the losses before AMI in each year, and are incorporated into the forecast for the following year (the 2019 forecast includes a 2018 forecast reduction of 3.0 GWh plus a 2019 forecast reduction of 2.4 GWh).

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**UNDERTAKING No. 8**

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**TRANSCRIPT**

**REFERENCE:** Volume 1, Page 89, Line 25 to Page 90, Line 5

**REQUESTOR:** Ms. Ross (BCUC Staff)

**QUESTION:** Provide a breakdown of the \$2.7 million MRS capital costs shown in the response to BCUC IR 1.29.1.

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**RESPONSE:**

The breakdown of the 2019 estimated capital costs to become compliant with the mandatory reliability standards associated with Assessment Report No. 10 is as follows.

	(thousands)
Hardware & Material	\$ 700
Software Licensing	350
Vendor Services / Contract	350
Labour	900
Project Management	100
Contingency	300
<b>Total</b>	<b>\$ 2,700</b>