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September 28, 2016

B.C. Sustainable Energy Association
c/o William J. Andrews, Barrister & Solicitor
1958 Parkside Lane
North Vancouver, B.C.
V7G 1X5

Attention: Mr. William J. Andrews

Dear Mr. Andrews:

Re: FortisBC Inc. (FBC)

Project No. 3698887

Multi-Year Performance Based Ratemaking Plan for 2014 through 2019 approved by British Columbia Utilities Commission (Commission) Order G-139-14 – Annual Review for 2017 Rates (the Application)

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

On August 8, 2016, FBC filed the Application referenced above. In accordance with Commission Order G-123-16 setting out the Regulatory Timetable for the review of the Application, FBC respectfully submits the attached response to BCSEA IR No. 1.

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

Sincerely,

FORTISBC INC.

Original signed:

Diane Roy

Attachments

cc (email only): Commission Secretary
Registered Parties

1.0 Topic: Rate Increase

Reference: Exhibit B-2, p.1

FBC seeks Commission approval of a 3.60 percent rate increase in 2017 over 2016 rates.

1.1 Please provide a table or figure showing the proposed 3.6% rate increase for 2017 in the context of FBC's rate increases in the preceding ten years.

Response:

The requested table is provided below.

Year	Rate Increase
Jan 2007	1.2%
Apr 2007	2.1%
Jan 2008	2.9%
May 2008	0.8%
Jan 2009	4.6%
Sep 2009	2.2%
Jan 2010	6.0%
Sep 2010	2.9%
Jan 2011	6.6%
Jun 2011	1.4%
Jan 2012	1.5%
Jan 2013	4.2%
Jan 2014	3.3%
Jan 2015	3.5%
Aug 2015	1.6%
Jan 2016	2.96%
Jan 2017 (Proposed)	3.60%

2.0 Topic: Celgar deferral account

Reference: Exhibit B-2, p.1 ; Appendix B-1, p.3, pdf p.156

FBC proposes to fully amortize in 2017 the Celgar Order G-214-15 deferral account.

2.1 Why does FBC propose to fully amortize the Celgar deferral account in a single year, noting that Order G-214-15 requites the deferral account to be fully amortized within <u>five</u> years of the date of the Order?

<u>Response:</u>

Order G-214-15 set out the maximum five year amortization period for the Celgar Interim Period Billing Adjustment deferral account, but did not specify that the account must be amortized over the five year period.

When considering the amortization period to be requested for a deferral account, FBC considers the size of the balance in the deferral account, the nature of the deferral, and any applicable benefit period of the deferral. This information is considered in the context of overall rate increases.

As stated at page 97 of the Application, FBC proposed a one-year amortization of this account ($6.301 million debit, after tax) in order to partially offset the amortization of the remaining credit balance of $12.457 million (after tax) in the 2014 Interim Rate Variance deferral account, which, pursuant to Order G-107-15, is required to be fully amortized in 2017. Amortizing the full value of the Celgar Interim Period Billing Adjustment account in 2017 will contribute to a more stable rate profile between 2017 and 2018, than would otherwise result due to the amortizing of the large credit balance in the 2014 Interim Rate Variance account in 2017.

2.2 What percentage point of the requested 3.6% rate increase for 2017 is attributable to amortization of the Celgar deferral account?

<u>Response:</u>

If the amortization of the Celgar Interim Period Billing Adjustment deferral account were entirely eliminated, the 2017 rate increase would be reduced by approximately 2.4 percent. As explained in the response to BCSEA IR 1.2.1, the amortizing of the large credit balance in the 2014 Interim Rate Variance account (which is approximately twice as large in absolute terms as the Celgar Interim Period Billing Adjustment account) would, on its own, contribute to a more volatile rate profile in 2017 and 2018 compared to FBC's proposal to amortize the Celgar Interim Period Billing account over one year in 2017.

3.0 Topic: Service Quality Indicators, Telephone Abandon Rate

Reference: Exhibit B-2, p.112, pdf p.121.

"Abandon rates can be due to waiting times, or due to customers receiving their required information through informational messages in the Company's Interactive Voice Response (IVR) system such that the customer no longer needs to speak to an agent."

3.1 Would it be feasible to distinguish between wait time and successful IVR as the cause of telephone call abandon events by reporting separately on calls abandoned within a short period of time typical of a successful IVR result and calls abandoned after a longer period of time, suggesting customer frustration with the length of the wait?

Response:

No. While calls could be categorized based on time intervals, FBC would still not be able to determine with certainty whether the customer disconnected due to the information provided by the IVR, wait times or some other reason.

Moreover, FBC believes that there is no need to distinguish further between the potential factors that influence the Telephone Abandon rate. The abandon rate has remained relatively consistent over the last several years. Further, customer satisfaction is driven by a variety of factors and one cannot say that call abandonment due to wait times and IVR messages are negative or positive indicators of satisfaction. FBC believes that a primary driver of customer satisfaction is whether FBC resolves the issue that led to the customer's call. For example, an IVR message may provide information about an outage but a customer may have low satisfaction simply because an outage has occurred. Or, a customer may abandon a call due to wait times, but may subsequently call back or contact the Company through another means, achieve a resolution, and be highly satisfied as a result.

3.2 If so, would doing so improve the usefulness of this informational measure?

Response:

Please refer to the response to BCSEA IR 1.3.1.

4.0 Topic: AMI Radio-Off

Reference: Order G-220-13; Order G-201-15; Exhibit B-2, Schedule 12.1, p.75, line 14, pdf p.84

Pursuant to Order G-220-13 FBC is required to file a report on the AMI Radio-Off program by September 30, 2016.

The commission panel in Order G-202-15 regarding FBC's 216 rates denied FBC's request for recovery of AMI Radio-Off shortfall amounts and directed FBC to record the shortfall amounts in a deferral account the disposition of which will be determined in the future. The panel explained:

> "In making this determination, the Panel considered that the information before us is limited, particularly in contrast to the more complete and detailed treatment of the issue that will be available from the upcoming Radio-off Report. The Commission will be better equipped to make decisions on establishing just and reasonable rates for all ratepayers with the benefit of that additional information." [Order G-202-15, Appendix A, page 21 of 34]

The project mid-year 2017 average AMI Radio-Off Shortfall deferral account at WACD is $110,000: Schedule 12.1, p.75, line 14.

4.1 Please file in this proceeding the AMI Radio-Off report referenced in Order G-220-13.

Response:

The AMI Radio-Off Report is due to be filed with the Commission on September 30, 2016. FBC will file a copy of the report in this proceeding once it is available.

4.2 What are FBC's views regarding whether the current proceeding is an appropriate forum to address (a) the AMI Radio-Off report and (b) the AMI Radio-Off Shortfall deferral account?

Response:

FBC has not filed the AMI Radio-Off Report as of the date of filing the responses to these information requests and the Commission has not determined the need for a public review of the Report. FBC does not consider that the current Annual Review would be an appropriate forum to address either the AMI Radio-Off Report or the AMI Radio-Off Shortfall deferral account because a review of the Radio-Off Report cannot be reasonably incorporated into the established regulatory timetable for the Annual Review.

5.0 Topic: Advanced Metering Infrastructure

Reference: Exhibit B-2, section 3.5.7.1 Advanced Metering Infrastructure (AMI) Impact on Losses; section 6.3.3 AMI Project

5.1 Please explain at a high level how the recovery of the AMI project's costs and savings fit together. Please address CPCN and non-CPCN, PBR and non-PBR, and capital and O&M.

<u>Response:</u>

All capital expenditures, O&M costs and O&M savings related to the AMI project are excluded from the capital and O&M formula envelopes under the PBR Plan.

AMI-related O&M costs and savings are forecast annually for inclusion in revenue requirements (see Table 6-3 of the Application, Line 3) and are trued up by way of the Flow-through deferral account (see Table 12-2 of the Application, Line 11).

CPCN-approved capital expenditures are excluded from the PBR formula amount. They include the AMI project costs and the capital costs associated with the installation of radio-off AMI meters, both of which will be completed in 2016. The final 2016 expenditures of $5.973 million[1] will enter rate base on January 1, 2017.

AMI-related expenditures for sustainment capital, which result from the addition of new software required by the AMI project as described on page 44 of the Application[2], are forecast annually (see Table 7-3 of the Application, Line 2), enter rate base in the year of expenditure, and are excluded from the PBR formula amount.

Finally, the net costs and fees recovered for manual reading of radio-off AMI meters are recorded in the AMI Radio-Off Shortfall deferral account (Section 11, Schedule 12.2, Line 14), for disposition at a later time.

5.2 Please identify the past decisions of the Commission regarding recovery of AMI costs and savings, and indicate what future regulatory proceedings FBC anticipates will address recovery of AMI costs and savings.

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[1] Section 11, Schedule 6.1, Row 14, Column 4

[2] These sustainment expenditures were described in relation to the AMI Project at page 226 of FBC's 2014 PBR Application.

Response:

Previous Commission decisions related to recovery of costs and savings for AMI are as follows:

- AMI CPCN Decision and Order C-7-13, dated July 23, 2013, approved the AMI project subject to FBC filing an application for a provision for customers to opt out of wireless transmission of meter reads;
- AMI Radio-Off Decision and Order G-220-13, dated December 19, 2013 ,approved the opt-out provision and determined the set-up fees and bimonthly meter read fees for radio-off meters;
- AMI Billing Options Decision Order G-169-14, dated November 7, 2014, directed that the incremental costs and savings related to AMI-enabled billing options be flowed through to customers together with the AMI-related costs and savings;
- PBR Decision and Order G-139-14, dated September 15, 2014, confirmed the recovery of AMI-related capital and O&M outside of the PBR formula amounts, and directed that certain annual software costs, including some AMI-related software costs, be classified as O&M Expense; and
- Annual Review for 2016 Rates Decision and Order G-202-15, dated December 14, 2015, directed FBC to record the shortfall between costs and recoveries related to manual reading of radio-off meters in a deferral account for future disposition.

In addition, the Annual Review for 2015 Rates Decision and Order G-107-15, dated June 23, 2015, directed FBC to report on the impact of AMI on losses through theft deterrence in its Annual Reviews during the term of the PBR Plan.

The impact of AMI on system losses will continue to be included in Annual Review materials for the duration of the PBR term. AMI O&M costs and savings as identified in Table 6-3 will also continue to be recovered outside of the O&M formula amounts for the duration of the PBR term. FBC expects that the AMI costs and savings will be incorporated into O&M Expense in its next cost of service based revenue requirements or an application for rebasing of a PBR plan, which will occur in 2019 for the 2020 test year.

5.3 Please clarify whether FBC seeks any remedy in the current proceeding regarding the costs and savings of the AMI project.

Response:

Consistent with past Annual Reviews, all capital expenditures, O&M costs and O&M savings related to the AMI project are forecast outside the formula and are included in FBC's revenue requirements and proposed rates in the Application.

> "FBC is beginning to leverage the tamper detection functionality of the AMI system for theft identification, and is also preparing for the full implementation of its energy balancing program in late 2016. FBC expects to have fully implemented its energy balancing theft detection program as described in the AMI CPCN application by Q4 2016." [p24, pdf p.33]

5.4 Please provide the current status of the energy balancing program described as being expected to be fully implemented in late 2016.

Response:

FBC has taken delivery of the feeder meters for the energy balancing program and is preparing to commence deployment in Q4 2016. In advance of this deployment, FBC has started conducting detailed audits of secondary lines in key areas to confirm network connectivity information prior to commencing energy balancing analyses.

5.5 Table 3-4, System Losses Before and After AMI, 2012 – 2019, shows System Losses After AMI % of Gross Load declining from 2016S to 2019 from 7.91% down to 7.64%. Please explain how these System Loss projections are determined. Are they the same as the projections in the AMI CPCN application, adjusted for delays in implementing the AMI project? Are they current estimates?

Response:

The System Loss projections for the AMI Project resulting from theft reduction efforts are determined based on the year-to-year forecast change in the number of high load theft sites, multiplied by the assumed annual energy usage per theft site (113.4 MWh). These System Loss projections are consistent with the information provided as part of the AMI CPCN application, adjusted for the Commission's determinations as provided in Order C-7-13, which reduced the assumed annual energy per theft site from 151.2 MWh to 113.4 MWh.

5.6 FBC says the AMI project is due to be completed during 2016 and that as directed by the Commission in Order C-7-13 FBC will file a detailed cost/benefit report AMI costs and savings within six months of completion of the AMI project. [Exhibit B-2, p.39] Please provide an update on the expected date of completion of the AMI project and the filing of the AMI costs and savings report.

<u>Response:</u>

The AMI project is expected to be complete by the end of 2016. FBC intends to file the AMI costs and savings report in June 2017.

"Incremental O&M costs related to the implementation of the AMI project will be offset by post implementation savings, resulting in a net decrease to O&M Expense during the PBR period. Because of the high variability of AMI costs and savings during the implementation period, <u>net AMI costs, including the costs of AMI-enabled billing options, are forecast and tracked outside of the PBR formula</u>." [Exhibit B-2, p.38]

"The AMI project is expected to be completed during 2016, such that <u>2017 will be the first year of fully realized costs and savings for the AMI project</u>." [p.39, underline added]

5.7 In what year will the incremental AMI O&M costs and savings be brought into the revenue requirement, i.e., into rates?

<u>Response:</u>

The incremental AMI O&M costs and savings referred to in the excerpt above are the costs and savings currently being tracked outside the PBR formula (shown in Table 6-3 of the Application). These incremental AMI costs and savings have been included in revenue requirements and rates since 2014.

5.8 In what proceeding or type of proceeding does FBC anticipate the net AMI savings that are tracked outside the PBR being reviewed by the commission and stakeholders?

Response:

These costs and savings are currently being reviewed for recovery in rates during the Annual Review process, and are trued up to actuals each year by way of the Flow-through deferral account.

FBC will also file a compliance report to the Commission on AMI costs and savings following completion of the AMI project, as required by Order C-7-13.

5.9 In Table 6-5, AMI Costs and Savings, the last line, “Net AMI Savings” appears to have the sign reversed, or the row heading should be “Net AMI Costs.” Please clarify.

Response:

For clarity, the heading in row 5 should read “Net AMI Costs/(Savings)“ because a positive value in row 5 represents a net cost and a negative value represents a net savings. The revised table is provided below. The revised table also includes a corrected value for actual 2014-2015 AMI Costs, AMI Savings, and Net AMI Costs/(Savings).

Revised Table 6-5: AMI Costs and Savings ($millions)

Line No.		2014-2015			2016			2017	
1		Actual	Approved	CPCN	Projected	Approved	CPCN	Forecast	CPCN
2		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
3									
4	AMI Costs	1.860	2.341	2.975	1.481	1.481	1.892	1.992	1.925
5	AMI Savings	(1.158)	(1.289)	(2.493)	(2.816)	(3.281)	(3.976)	(3.118)	(3.970)
6	Net AMI Costs/(Savings)	0.703	1.052	0.482	(1.335)	(1.800)	(2.084)	(1.126)	(2.045)

6.0 Topic: Load forecast

Reference: Exhibit B-2, Table 3-2, p.16, pdf p.25

Table 3-2: Year-End Direct Customer Count

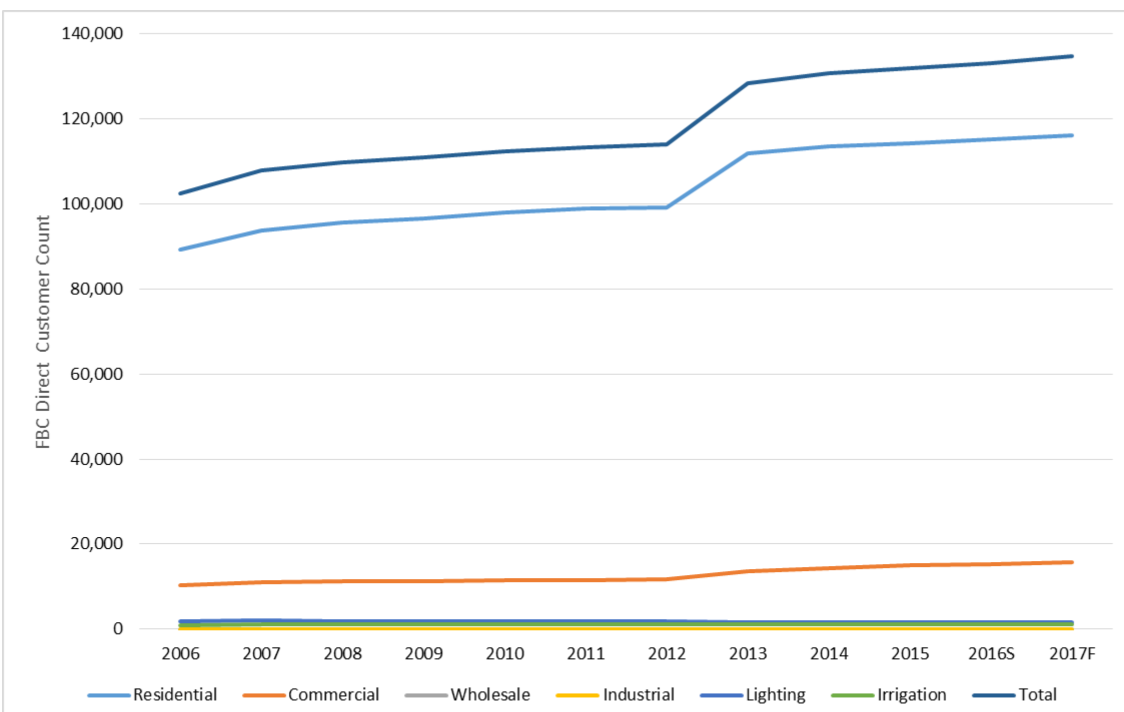
Line No.	Description	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016S	2017F
1	Residential	89,181	93,647	95,502	96,565	97,883	98,795	99,228	111,862	113,431	114,166	115,080	116,031
2	Commercial	10,285	11,010	11,216	11,308	11,419	11,525	11,811	13,662	14,363	14,976	15,167	15,813
3	Wholesale	8	7	7	7	7	7	7	6	6	6	6	6
4	Industrial	37	38	36	33	35	36	39	47	49	50	50	50
5	Lighting	1,905	1,932	1,910	1,874	1,830	1,803	1,739	1,644	1,620	1,590	1,590	1,590
6	Irrigation	997	1,090	1,048	1,066	1,075	1,092	1,091	1,097	1,103	1,095	1,095	1,095
7	Total	102,413	107,724	109,719	110,853	112,249	113,258	113,915	128,318	130,572	131,883	132,988	134,585

6.1 Please provide a line graph showing the figures in Table 3-2 in order to indicate visually the changes in year-end direct customer count over the past ten years.

Response:

The line graph requested is provided below. The step change in 2013 is due to the acquisition of the City Of Kelowna's electric utility effective March 31, 2013.

Year-End Direct Customer Count



7.0 Topic: Load Forecast, Losses

Reference: Exhibit B-2, Table 3-3; FBC's Application for 2016 Rates, Exhibit B-1 in that proceeding, Table 3-3

Table 3-3 shows Losses in 2015, 2016S and 2017F as 272, 280 and 278 GWh respectively. Table 3-1 shows 2017F AMI Net load increase of 12 GWh, Losses reducing load by 6 GWh for a Gross Load increase of 6 GWh.

7.1 In FBC's Application for 2016 Rates, Exhibit B-1 in that proceeding, Table 3-3, shows 2015 Losses of 279 GWh; whereas Table 3-3 in the application for 2017 Rates shows 2015 Losses of 272 GWh. Please explain the difference.

Response:

The 2015 losses of 279 GWh in the 2016 Annual Review for Rates application was a Projection since 2015 data was not available at the time of filing the application. The 2015 losses of 272 GWh in the 2017 Annual Review for Rates application are actual results.