



Diane Roy
Vice President, Regulatory Affairs

Gas Regulatory Affairs Correspondence
Email: gas.regulatory.affairs@fortisbc.com

Electric Regulatory Affairs Correspondence
Email: electricity.regulatory.affairs@fortisbc.com

FortisBC
16705 Fraser Highway
Surrey, B.C. V4N 0E8
Tel: (604) 576-7349
Cell: (604) 908-2790
Fax: (604) 576-7074
Email: diane.roy@fortisbc.com
www.fortisbc.com

September 26, 2017

British Columbia Public Interest Advocacy Centre
Suite 208 – 1090 West Pender Street
Vancouver, B.C.
V6E 2N7

Attention: Ms. Leigha Worth, Executive Director

Dear Ms. Worth:

Re: FortisBC Energy Inc. (FEI)

Project No. 1598919

Multi-Year Performance Based Ratemaking Plan for 2014 through 2019 approved by the British Columbia Utilities Commission (Commission) Order G-138-14 – Annual Review for 2018 Rates (the Application)

Response to the British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre *et al.* (BCOAPO) Information Request (IR) No. 1

On August 4, 2017, FEI filed the Application referenced above. In accordance with the Commission Order G-115-17 setting out the Regulatory Timetable for the review of the Application, FEI respectfully submits the attached response to BCOAPO IR No. 1.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc (email only): Commission Secretary
Registered Parties



FortisBC Energy Inc. (FEI or the Company) Multi-Year Performance Based Ratemaking Plan for 2014 through 2019 Annual Review for 2018 Rates	Submission Date: September 26, 2017
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre et al. (BCOAPO) Information Request (IR) No. 1	Page 1

1 **1.0 Reference: Exhibit B-2, Section 1, page 5 (PDF page 15), regarding integrity digs**

2 1.1 Please provide a copy of the CSA Z662-15 standard, along with the date the
3 standard came into effect.

4
5 **Response:**

6 The CSA Z662-15 standard was published in June 2015.

7 The CSA Z662-15 standard is subject to Copyright, and FEI is not authorized to share copies
8 that have been purchased for its use. The standard is available for purchase through the CSA
9 Group, at this link: [http://shop.csa.ca/en/canada/landing-pages/2015-z662-oil-and-gas-pipeline-](http://shop.csa.ca/en/canada/landing-pages/2015-z662-oil-and-gas-pipeline-systems/page/2015editionz662oilandgasp)
10 [systems/page/2015editionz662oilandgasp](http://shop.csa.ca/en/canada/landing-pages/2015-z662-oil-and-gas-pipeline-systems/page/2015editionz662oilandgasp)

11 The CSA Z662-15 requirements for evaluating dents in pipe are contained in Clause 10.10.4 of
12 the standard.

13
14

15
16 1.2 Please provide the new defect assessment criterion for dents, and an
17 explanation of source and reason for the new criterion.

18
19 **Response:**

20 Please refer to the response to BCUC IR 1.1.7.

21
22

23
24 1.3 Please fully explain when FEI began in-line inspection (ILI) related to magnetic
25 flux leakage, and why it is required.

26
27 **Response:**

28 Please refer to the response to BCUC IR 1.1.9 for a description of when and why FEI adopted
29 circumferential magnetic flux leakage technology in its in-line inspections.

30
31



FortisBC Energy Inc. (FEI or the Company) Multi-Year Performance Based Ratemaking Plan for 2014 through 2019 Annual Review for 2018 Rates	Submission Date: September 26, 2017
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre et al. (BCOAPO) Information Request (IR) No. 1	Page 2

1
2 1.4 Please provide an analysis showing the number of integrity digs related to (i)
3 CSA Z662, (ii) new defect assessment criterion for dents, (iii) In Line Inspections
4 (ILI), and (iv) other, for the years 2010-2016 actual and forecast for 2017 and
5 2018.
6

7 **Response:**

8 Please refer to the response to BCUC IR 1.1.7 for a table showing the number of integrity digs
9 for the years 2010-2016 and forecast for 2017 and 2018.

10 The analysis of the integrity digs described in BCUC IR 1.1.7 using the four categories set out in
11 this question is as follows:

12 (i) CSA Z662: CSA Z662-15 Clause N.13.2.1 requires that “pipeline systems with
13 indications of imperfections shall be subject to detailed visual inspection, mechanical
14 measurement, nondestructive inspection, as appropriate, for the type of pipeline system
15 and evaluation as specified in Clause 10.10”, unless demonstrated by an engineering
16 assessment that the imperfections are not associated with defects (a process which
17 relies significantly on data obtained from integrity digs). As such, all integrity digs are
18 related to CSA Z662.

19 Note: CSA Z662-15 Clause 10.10 contains criteria for evaluating imperfections to
20 determine if repairs are required

21 (ii) New defect assessment criterion for dents: As stated in the response to BCUC IR 1.1.7,
22 “FEI does not track the percentage of repairs explicitly based on the strain-based dent
23 criteria as integrity dig selection is based on engineering consideration of multiple factors
24 of which dent strain may be a component.”

25 (iii) In-line Inspections: All digs with the exception of “Non-ILI digs” in the first table in the
26 response to BCUC IR 1.1.7 result from FEI’s analysis of in-line inspection data.

27 (iv) Other: The “Non-ILI digs” in the first table in response to BCUC IR 1.1.7 are the only digs
28 that fall into this category.

29



FortisBC Energy Inc. (FEI or the Company) Multi-Year Performance Based Ratemaking Plan for 2014 through 2019 Annual Review for 2018 Rates	Submission Date: September 26, 2017
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre et al. (BCOAPO) Information Request (IR) No. 1	Page 3

1 **2.0 Reference: Exhibit B-2, Section 1, page 6 (PDF page 16), regarding cyber**
2 **security**

3 2.1 Please fully explain whether cyber security was considered as a part of the
4 business case for each IT or IT-related (Smart Grid, Distributed Automation, etc)
5 project.
6

7 **Response:**

8 Cyber security is considered for technology and system related projects, including sustainment,
9 enhancements and new implementations. Security assessments are completed for new
10 technologies or systems during the business case stage, as well as post implementation to
11 ensure security. Third party authorities on cyber security are also engaged to analyze and test
12 cyber security for IT related projects. This includes Smart Grid, Distributed Automation and
13 traditional corporate IT projects.

14
15
16
17 2.1.1 If it was, please fully explain why there are now additional incremental
18 costs.
19

20 **Response:**

21 Please refer to the response to BCUC IR 1.1.12.

22
23
24
25 2.1.2 If it was not, please fully explain why it was not.
26

27 **Response:**

28 Please refer to the response to BCOAPO IR 1.2.1.
29



FortisBC Energy Inc. (FEI or the Company) Multi-Year Performance Based Ratemaking Plan for 2014 through 2019 Annual Review for 2018 Rates	Submission Date: September 26, 2017
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre et al. (BCOAPO) Information Request (IR) No. 1	Page 4

1 **3.0 Reference: Exhibit B-2, Section 1.4.3n Starting at PDF page 17 regarding Major**
2 **Initiatives.**

3 3.1 For each major initiative, please provide a detailed analysis of the cost of
4 implementing each initiative and a comparison to the purported benefits.

5
6 **Response:**

7 Please refer to Appendix C2 Report on Initiatives During the PBR Term in the Application. As
8 directed by the Commission, FEI provides information on the costs and benefits of each Major
9 Initiative in the format requested by the Commission.

10



FortisBC Energy Inc. (FEI or the Company) Multi-Year Performance Based Ratemaking Plan for 2014 through 2019 Annual Review for 2018 Rates	Submission Date: September 26, 2017
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre et al. (BCOAPO) Information Request (IR) No. 1	Page 5

1 **4.0 Reference: Exhibit B-2, page 12 of Section 1, PDF page 22, related to Capital**
2 **Expenditures**

3 4.1 At lines 16-18, FEI refers to a risk profile. Please provide the FEI risk analysis
4 that relates to identifying the risk profile for each capital project.

5
6 **Response:**

7 As described in Appendix C4 of the Application, FEI does not currently undertake a full risk
8 analysis for each capital project undertaken and therefore cannot provide a risk analysis that
9 relates to identifying the risk profile for each capital project. Currently, FEI categorizes each
10 capital project as Mandatory, Essential or Flexible.

11 At a minimum, FEI endeavors to plan and execute all projects classified as Mandatory or
12 Essential in a given year. In addition, the inclusion of some Flexible work in the plan enables
13 changes to be made within the plan year without increasing system risk and also prevents the
14 accumulation of work by proactively executing some of it while it still has some flexibility in
15 timing. Each year, projects that have been rescheduled to future years are re-assessed for risk
16 or business value and may change in classification. Projects that were considered Flexible in
17 one year may be considered Essential or Mandatory the following year. Using these criteria, the
18 system risk profile should not change significantly provided that all mandatory and essential
19 work is completed as planned.

20 In recognition of the importance of consistently valuing and prioritizing its investments, and to
21 manage recent capital pressures that are anticipated to continue, FEI is pursuing opportunities
22 to build on and enhance its capital planning process. To this end, FEI is implementing the first
23 phase of an Asset Investment Planning (AIP) process to further align capital investment
24 decision-making across the Company and leverage the tools that will enable the consistent
25 quantification of benefits and risk mitigation associated with each proposed investment and the
26 optimization of the capital portfolio across asset types and business units.

27 Please refer to Appendix C4 for further information.

28
29

30
31 4.2 At lines 22, FEI refers to Budget Constraints. Please fully explain how budget
32 constraints impact capital expenditures.
33



FortisBC Energy Inc. (FEI or the Company) Multi-Year Performance Based Ratemaking Plan for 2014 through 2019 Annual Review for 2018 Rates	Submission Date: September 26, 2017
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre et al. (BCOAPO) Information Request (IR) No. 1	Page 6

1 **Response:**

2 By nature, capital spending can vary widely from year to year and over the course of time due to
3 new information on asset performance and/or health, or changes to industry practices. The
4 Company sets budget constraints to minimize both the project execution challenges associated
5 with widely varying workloads and rate impact variability. To meet budget constraints and
6 maintain consistent resourcing requirements, capital expenditures are prioritized and some
7 projects are either brought forward or rescheduled to later years, as described in Appendix C4.

8
9

10

11 4.3 Please provide a detailed analysis of all projects that have been deferred or
12 delayed, the reason for the deferral and the impact on system reliability, service
13 quality or reliability.

14

15 **Response:**

16 As described in Appendix C4 of the Application, the management of the capital plan is a
17 dynamic and ongoing process and project timing is routinely shifted to accommodate changing
18 conditions, such as resource constraints, permitting, material delays, project interdependencies,
19 load changes and financial constraints. FEI reprioritizes capital spending as part of its routine
20 management of the capital portfolio and has done so to accommodate unforeseen events and
21 work, and to mitigate in part some of the pressures seen in the recent years of the PBR
22 term. When projects are delayed for any reason, the impact of such a delay is assessed by
23 qualified personnel within the Company and mitigation measures are put in place as required to
24 minimize impacts to system safety, reliability or service quality. Additionally, when unanticipated
25 work arises during a plan year, its impact to the system is assessed to determine the
26 appropriate execution timing relative to previously identified work.

27 Although FEI's asset management system does not currently provide the ability to produce an
28 exhaustive list of re-prioritized projects with their previous scheduled dates and classifications,
29 please refer to the response to BCUC IR 1.8.1 for a listing of some of the significant projects
30 that were reprioritized from past years for execution in 2017, as well as a listing of projects that
31 were identified during 2017 and were added to the capital plan due to their assessed urgency
32 and potential impact on the system.

33



FortisBC Energy Inc. (FEI or the Company) Multi-Year Performance Based Ratemaking Plan for 2014 through 2019 Annual Review for 2018 Rates	Submission Date: September 26, 2017
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre et al. (BCOAPO) Information Request (IR) No. 1	Page 7

1 **5.0 Reference: Exhibit B-2, page 14 of Section 1, PDF page 24, related to Capital**
2 **Expenditures**

3 5.1 On page 14, FEI discusses its dead band adjustment. Please provide the
4 detailed working papers in support of the deadband adjustment.

5
6 **Response:**

7 The dead band adjustment calculation is provided in footnote 11 on page 14 of the Application;
8 the numbers referenced in the footnote are from Table 1-4 of the Application. FEI has no other
9 working papers to provide. The purpose of the calculation is to derive the adjustment required to
10 contain the one-year formula capex variance to a maximum of 10% and the two-year formula
11 capex variance to a maximum of 15%. For 2017 the adjustment calculation is a reduction to the
12 expenditures included in the earnings sharing mechanism and an offsetting addition to 2018
13 opening plant in service.

14
15

16

17 5.2 FEI refers to a 17.74% adjustment based on a two year average. Please fully
18 explain why the cumulative variance of 13.57% as reported in Table 1-4 is not
19 used.

20

21 **Response:**

22 The 17.74 percent¹ adjustment is not based on a two-year average, but is the cumulative two-
23 year variance above the two-year dead band, as described on page 14 of the Application. The
24 “cumulative” variance of 13.57 percent reported in Table 1-4 of the Application is the average of
25 all variances for all years of the PBR term.

26 By using the cumulative two-year variance, FEI is following the approved capital dead band
27 mechanism, which was discussed in FEI’s Annual Review for 2017 Rates at pages 10 through
28 13. The PBR Decision stated at page 175:

29 ...the Commission Panel directs, in addition to the one year 10 percent dead-
30 band previously approved, a two year cumulative 15 percent dead-band for all
31 Fortis’ formulaic capital spending.

32 The Commission Panel did not approve a dead band that takes the average of all variances for
33 all years of the PBR term, which is what the 13.57% represents.

¹ 32.74 percent two-year cumulative variance less 15 percent two-year cumulative dead band.



FortisBC Energy Inc. (FEI or the Company) Multi-Year Performance Based Ratemaking Plan for 2014 through 2019 Annual Review for 2018 Rates	Submission Date: September 26, 2017
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre et al. (BCOAPO) Information Request (IR) No. 1	Page 8

1 FEI responded to a similar question regarding whether the calculation should be on a
2 cumulative or average variance in the Annual Review for 2017 Rates. This response is provided
3 below:

4 BCOAPO 1.1 Please provide the calculation of the 19.1% increase in capital
5 identified in line. In the response, please fully explain why the proper calculation
6 is not derived by summing the actual/projected capital and formula capital for
7 2015 and 2016 and then calculating the percentage on the cumulative amounts.

8 Response:

9 The cumulative 19.1% variance was calculated as the sum of the 2015 and 2016
10 variance percentages from Table 1-3 (9.88% + 9.22% = 19.1%). This calculation
11 is in accord with the Commission's direction, as referenced on page 11 of the
12 Application, for a "two year **cumulative** 15 percent dead-band". [Emphasis
13 added.]

14 The alternative presented in the question would result in the calculation of an
15 **average** variance for the two years of 9.54%,² and not a **cumulative** variance for
16 the two years.

17

² From Table 1-3, $((157,903 + 163,157) - (143,705 + 149,390)) / (143,705 + 149,390)$.



FortisBC Energy Inc. (FEI or the Company) Multi-Year Performance Based Ratemaking Plan for 2014 through 2019 Annual Review for 2018 Rates	Submission Date: September 26, 2017
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre et al. (BCOAPO) Information Request (IR) No. 1	Page 9

1 **6.0 Reference: Exhibit B-2, page 15 of Section 1, PDF page 25, related to Capital**
2 **Expenditures**

3 6.1 FEI discusses the realization of earnings. Please provide the actual earnings
4 and ROE for FEI from 2013-2016.

5
6 **Response:**

7 To clarify, the line referenced on page 15 of Section 1 discusses the “realization of earnings
8 sharing on O&M” and does not specifically relate to capital or the “realization of earnings” as is
9 alluded to in this question.

10 The actual earnings and ROE for FEI from 2013-2016 are provided in the table below. The
11 2014, 2015 and 2016 amounts are after earnings sharing under the PBR Plan. The 2013 and
12 2014 amounts are prior to amalgamation with the Vancouver Island and Whistler utilities. The
13 2013 amount does not include any adjustments for earnings sharing since FEI was not under
14 PBR in 2013.

	Earnings	
	(\$ millions)	ROE
2016	\$ 131.379	9.28%
2015	128.987	9.19%
2014	96.988	9.20%
2013	95.914	9.12%

15

16



FortisBC Energy Inc. (FEI or the Company) Multi-Year Performance Based Ratemaking Plan for 2014 through 2019 Annual Review for 2018 Rates	Submission Date: September 26, 2017
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre et al. (BCOAPO) Information Request (IR) No. 1	Page 10

1 **7.0 Reference: Exhibit B-2, page 37 of Section 3, PDF page 47, related to Industrial**
 2 **Demand**

3 7.1 Please confirm that the prior forecasts in Figure 3-11 were derived using the
 4 same survey method as used in this proceeding. If confirmed, please provide the
 5 results of each of the 2016 and 2017 prior forecasts. If not confirmed, please
 6 fully explain.

7
 8 **Response:**

9 Confirmed. FEI has used the survey method to forecast its industrial demand since 2003.

10 The prior industrial demand forecasts for 2016 and 2017 (prepared as part of the Annual
 11 Review for 2017 Rates) are shown as the green bars in Figure 3-11³. These forecasts compare
 12 to the 2016 Actual and 2017 Seed values also presented in Figure 3-11.

13

14

15

16

17 7.2 Please provide the referenced survey questions and responses. If actual
 18 customer data is deemed confidential, please provide the survey results in a form
 19 that masks actual customer information.

20
 21 **Response:**

22 The questions, screen shots and detailed explanation of how the survey is administered can be
 23 found in Section 9 of Appendix A3.

24 The industrial survey provides each customer with a snapshot of their historical consumption
 25 and requests a survey response that indicates their forecasted monthly consumption for the first
 26 year of the survey as well as the annual estimates for the following four years. FEI treats
 27 individual customer consumption data confidentially. Large volume customers in particular can
 28 be identified simply by the magnitude of their survey response; therefore, FEI is unable to
 29 provide the survey results in a form that masks actual customer information.

30 Please refer to the response to BCUC IR 1.14.1 for additional information on the survey results.

31

³ FEI notes that the row should have read "Prior Year Forecast" and not "2017 PBR Update".



FortisBC Energy Inc. (FEI or the Company) Multi-Year Performance Based Ratemaking Plan for 2014 through 2019 Annual Review for 2018 Rates	Submission Date: September 26, 2017
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre et al. (BCOAPO) Information Request (IR) No. 1	Page 11

1 **8.0 Reference: Exhibit B-2, page 52 of Section 6, PDF page 62, related to Industrial**
2 **Demand**

3 8.1 FEI discusses allocations from Fortis Inc. Please provide a detailed analysis of
4 all costs allocated from Fortis Inc to FEI, and between FEI and any affiliate, for
5 each year from 2013-2016 and forecast for 2017 and 2018.
6

7 **Response:**

8 FEI notes that the reference cited in the question is correct (page 52 of Section 6), but the topic
9 is not related to Industrial Demand as stated, but rather to Insurance Premiums.

10 The context of page 52 of Section 6 is describing the amount of insurance premiums that
11 originates through the Fortis Group insurance program and is charged to FEI. FEI's customers
12 benefit from lower insurance premiums partially due to economies of scale obtained with the
13 consolidated Fortis group of companies as compared to if FEI were required to seek out its
14 insurance premiums on a stand-alone basis.

15 FEI is allocated costs from FortisBC Holdings Inc. (FHI) and FBC as shown in the table below:

	Actual 2013 *	Actual 2014 *	Actual 2015	Actual 2016	Forecast 2017
FortisBC Holdings Inc. Management Fee	11,031,000	11,543,000	12,896,000	13,368,000	12,791,000
FortisBC Inc. Cross Charges	3,333,000	4,498,000	5,085,000	5,428,000	6,473,000
Fortis Inc. Insurance Premium	4,748,000	4,948,000	6,237,000	5,519,000	5,293,000

16
17 * 2013 and 2014 amount are provided based on FEI data which is pre-amalgamation with the FEVI and
18 FEW utilities.

19 The allocation of corporate services provided from FHI to FEI via the FHI management fee is
20 charged pursuant to the Corporate Services Agreement between FHI and FEI. The Corporate
21 Services Agreement was approved pursuant to Order G-138-14 regarding the FortisBC Energy
22 Inc. Multi-Year Performance Based Ratemaking Plans for 2014 through 2019.

23 The allocation of corporate services provided from FBC to FEI via FBC cross charges is
24 pursuant to the Mutual Shared Services Amending Agreement between FBC and FEI. The
25 Mutual Shared Services Amending Agreement was approved pursuant to Order G-44-12
26 regarding the FortisBC Energy Inc. 2012-2013 Revenue Requirement and Rates Application.

27 For 2018, the forecasted FHI management fee and the forecasted FBC intercompany charges
28 to FEI have not yet been determined as that process will not take place until later in 2017. Such
29 costs allocated to FEI will be forecast and managed within the formulaic O&M.
30



FortisBC Energy Inc. (FEI or the Company) Multi-Year Performance Based Ratemaking Plan for 2014 through 2019 Annual Review for 2018 Rates	Submission Date: September 26, 2017
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre et al. (BCOAPO) Information Request (IR) No. 1	Page 12

1

2

3 8.2 Please provide a detailed analysis in support of the forecast increase of five
4 percent in insurance, rather than I-X

5

6 **Response:**

7 FEI notes that I-X is not a forecast, but the inflation factor that is built into the formulaic O&M.
8 Insurance Expense has been excluded from formulaic O&M per the PBR Decision and is
9 therefore not subject to the I-X mechanism.

10 Insurance expense is included in rates on a forecast basis, with any variances recorded in the
11 Flow-through deferral account to be returned to or recovered from customers in the following
12 year. As explained in the Application, the 2018 Forecast is calculated by taking the known
13 annual insurance premium of \$5.229 million which is applicable to the first six months of 2018
14 and escalating that amount by five percent for the remaining six months. The five percent
15 escalation is based on a combination of historical increases in premiums, increases in the value
16 of assets year over year and the expectations of Fortis Inc.'s insurance broker on future
17 premiums. FEI uses a 5 percent escalation unless there are indications which suggest
18 significant increases are forthcoming as a result of loss history for the company or the industry
19 as a whole.

20

FortisBC Energy Inc. (FEI or the Company) Multi-Year Performance Based Ratemaking Plan for 2014 through 2019 Annual Review for 2018 Rates	Submission Date: September 26, 2017
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre et al. (BCOAPO) Information Request (IR) No. 1	Page 13

1 **9.0 Reference: Exhibit B-2, page 59 of Section 7, PDF page 69, related to Regular**
 2 **Capital Expenditures Forecast Outside the Formula.**

3 9.1 Please provide the actual and forecast Capital Expenditures Forecast Outside
 4 the Formula for each year of the PBR term, with explanations of variances. In
 5 the response please provide the forecast and actual costs on a project by project
 6 basis.

7 **Response:**

8
 9 The table below provides the actual and forecast capital expenditures for each year of the PBR
 10 term.

(\$ thousands)	2017			2016			2015			2014		
	Projected	Approved	Variance	Actual	Approved	Variance	Actual	Approved	Variance	Actual	Approved	Variance
Insurance & OPEB	\$ 2,663	\$ 2,663	\$ -	\$ 4,075	\$ 4,075	\$ -	\$ 4,324	\$ 4,324	\$ -	\$ 3,915	\$ 3,915	\$ -
<i>Salmon Arm Landfill</i>	-	-	-	-	-	-	51	-	51	433	112	321
<i>Kelowna Landfill</i>	750	-	750	870	-	870	739	-	739	1,835	1,556	279
<i>Earth Renu Project</i>	-	-	-	-	-	-	(16)	-	(16)	16	783	(767)
<i>Fraser Valley Interconnect</i>	-	-	-	-	-	-	-	-	-	80	-	80
<i>LuLu Island Wastewater Treatment Plant Project</i>	60	302	(242)	1	302	(301)	-	604	(604)	85	604	(519)
<i>Seabreeze Farm Project</i>	-	-	-	1	-	1	296	1,189	(893)	1,085	1,149	(64)
<i>Dickland Farms Project</i>	-	-	-	14	203	(189)	233	1,104	(871)	122	964	(842)
<i>City of Surrey Biofuel</i>	850	850	-	458	850	(392)	47	-	47	-	-	-
<i>New Interconnect Project</i>	-	800	(800)	2	-	2	-	-	-	-	-	-
Biomethane Assets	1,660	1,952	(292)	1,346	1,355	(9)	1,350	2,897	(1,547)	3,656	5,168	(1,512)
<i>CNG Fueling Station - City of Vancouver</i>	-	-	-	37	-	37	1,883	2,200	(317)	276	-	276
<i>CNG Fueling Station - Canadian Linen</i>	-	-	-	1,005	600	405	-	-	-	17	-	17
<i>CNG Fueling Station - Smithrite</i>	-	325	(325)	399	-	399	-	-	-	87	-	87
<i>CNG Fueling Station - For Less Disposal</i>	-	-	-	-	-	-	66	-	66	310	806	(496)
<i>CNG Fueling Station - Mid Island (City of Nanaimo)</i>	-	-	-	1,315	-	1,315	-	-	-	-	-	-
<i>CNG Fueling Station - Kelowna Office</i>	-	-	-	-	-	-	19	-	19	78	-	78
<i>CNG Fueling Station - Surrey Ops</i>	-	-	-	-	-	-	218	-	218	67	-	67
<i>CNG Fueling Station - Waste Management</i>	170	-	170	-	-	-	85	-	85	497	-	497
<i>CNG Fueling Station - United Parcel Service</i>	2,000	1,800	200	-	1,500	(1,500)	-	-	-	-	-	-
<i>CNG Fueling Station - Kelowna School District</i>	90	-	90	-	-	-	-	-	-	-	-	-
<i>LNG Fueling Station - Vedder</i>	-	-	-	-	-	-	-	-	-	97	-	97
<i>LNG Fueling Station - Teck Coal Ltd.</i>	-	-	-	-	-	-	2,242	-	2,242	75	-	75
<i>LNG Fueling Station - Cool Creek</i>	-	-	-	-	-	-	122	-	122	734	-	734
<i>LNG Fueling Station - Denwill</i>	-	-	-	22	-	22	-	800	(800)	852	-	852
<i>LNG Fueling Station - Wheeler/Westcan</i>	-	-	-	-	-	-	-	-	-	757	800	(43)
<i>LNG Fueling Station - Arrow</i>	-	-	-	-	-	-	-	-	-	935	950	(15)
<i>LNG Fueling Station - Denwill 2</i>	-	-	-	-	-	-	-	-	-	-	800	(800)
<i>LNG Mt Hayes Truck Offload Facility</i>	-	-	-	181	-	181	690	-	690	-	-	-
<i>LNG Tilbury - Installation of 2nd truck fill pump</i>	-	-	-	20	-	20	197	-	197	188	-	188
<i>LNG Spare parts</i>	-	-	-	-	-	-	-	-	-	65	-	65
Tankers	1,227	870	357	2,818	3,388	(570)	85	390	(305)	780	-	780
NGT Assets	3,487	2,995	492	5,797	5,488	309	5,607	3,390	2,217	5,816	3,356	2,460
Total	\$ 7,810	\$ 7,610	\$ 200	\$ 11,218	\$ 10,918	\$ 300	\$ 11,281	\$ 10,611	\$ 670	\$ 13,387	\$ 12,439	\$ 948

11
 12 Variances for each of the sub-sections are provided below:

13 **Insurance & OPEB** – Actuals/projected for 2014 through 2017 are equal to approved.

FortisBC Energy Inc. (FEI or the Company) Multi-Year Performance Based Ratemaking Plan for 2014 through 2019 Annual Review for 2018 Rates	Submission Date: September 26, 2017
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre et al. (BCOAPO) Information Request (IR) No. 1	Page 14

1 **Biomethane Assets** – The spending on biomethane assets was projected based on a multiple
2 possible projects that were being considered at the time of filing. Actual spending on these
3 projects is dependent on whether or not the projects materialize, when the assets are actually
4 built and actual spending versus original budget. The variances are generally due to the timing
5 of project spend and the realization of certain projects.

6 For example, the Earth Renu Project was planned for 2014, but Earth Renu ultimately was
7 unable to finance and build its facility, so the associated FEI assets were not built resulting in a
8 variance of about \$767 thousand. In another case, the Lulus Island project which depends
9 upon work done by Metro Vancouver, was delayed more than once and the expected capital
10 spend has therefore shifted. In another case, the City of Kelowna upgrader required additional
11 capital to complete a modification project which resulted in spending over 2016 and 2017.

12 The cost of service of these projects is recorded in the Biomethane Variance Account which
13 also captures the related Biomethane revenues.

14 **NGT Assets** – This category includes expenditures on CNG and LNG fueling stations that are
15 constructed for FEI's CNG and LNG NGT customers, as well as expenditures on other elements
16 that support the NGT program. For example, these expenditures include LNG truck loading
17 facilities constructed at Mt. Hayes and LNG tanker assets that are used to provide the LNG
18 transportation service under Rate Schedule 46.

19 The variances for the NGT Assets, specifically for the fueling stations, are primarily due to
20 timing differences between when these forecasts are filed and when expenditures are incurred.
21 For example, the contracts to construct the Teck Coal fueling station and the Mid Island fueling
22 station were entered into after the annual review materials had been filed, and FEI did not
23 forecast the expenditures for constructing these stations for 2015 and 2016.

24 The variance in expenditures for LNG tankers are also due to timing differences between the
25 approved and actual expenditures.

26 The cost of service for expenditures on CNG and LNG fueling stations are recovered from
27 participating customers that receive service from these assets. The rates to recover the cost of
28 service of these expenditures are developed on a station-by-station basis by FEI and are then
29 filed and approved by the Commission. The expenditures on LNG truck loading facilities and
30 LNG tanker assets are recovered through rates also charged to participating customers that
31 take service under Rate Schedule 46, which is an approved tariff that provides LNG Supply and
32 Transportation service to customers.



FortisBC Energy Inc. (FEI or the Company) Multi-Year Performance Based Ratemaking Plan for 2014 through 2019 Annual Review for 2018 Rates	Submission Date: September 26, 2017
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre et al. (BCOAPO) Information Request (IR) No. 1	Page 15

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17

9.2 Please fully explain how the forecasts are trued up to actual results for Capital Expenditures Forecast Outside the Formula.

Response:

For capital expenditures forecast outside the formula, forecasts are trued-up to actual results in the subsequent Annual Review filing. For example, in the Annual Review for 2018 Rates, the 2018 forecasted opening plant-in-service amounts for Biomethane and NGT assets are derived from the actual 2016 ending balance for Biomethane and NGT assets, and then adding in the 2017 projected additions from Table 7-4 in the Application plus AFUDC on those amounts.

Further, the Flow-through deferral account captures the impacts of interest and tax variances related to capital expenditures outside the formula in the year the variance occurs, with amounts refunded to or recovered from customers through amortization of the Flow-through deferral account in a future year.



FortisBC Energy Inc. (FEI or the Company) Multi-Year Performance Based Ratemaking Plan for 2014 through 2019 Annual Review for 2018 Rates	Submission Date: September 26, 2017
Response to British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre et al. (BCOAPO) Information Request (IR) No. 1	Page 16

1 **10.0 Reference: Exhibit B-2, page 85 of Section 10, PDF page 95, related to**
2 **Projected Earnings Sharing**

3 10.1 Please provide the calculation of line 31, Dead Band Adjustment.
4

5 **Response:**

6 Please refer to the response to BCOAPO IR 1.5.1.
7
8

9
10 10.2 On line 31 of Table 10-2, FEI includes dead band adjustments for 2016 and
11 2017, not for 2014 and 2015. Please confirm that Capital Expenditures for 2014
12 and 2015 were below the dead band threshold. If not confirmed, please fully
13 explain.
14

15 **Response:**

16 Confirmed.
17
18

19
20 10.3 Please provide an updated Table 10-2 with the variance to the dead band for
21 2014 and 2015 included to account for the fact that 2014 and 2015 capital
22 expenditures were within the dead band.
23

24 **Response:**

25 There were no dead band adjustments required in 2014 or 2015 because both the one-year and
26 two-year formula capex variances for those years were within the dead band.
27