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October 31, 2017

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. 1598920

**Multi-Year Performance Based Ratemaking Plan for 2014 through 2019
approved by British Columbia Utilities Commission (BCUC or the Commission)
Order G-139-14 – Annual Review for 2018 Rates (the Application)**

Response to Workshop Undertakings

In accordance with Commission Order G-116-17 setting out the Regulatory Timetable for the review of the Application, FBC respectfully files the attached responses to the four undertakings from the Workshop held on October 24, 2016.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC INC.

Original signed:

Diane Roy

Attachments

cc (email only): Registered Parties

FortisBC Inc. (FBC)
Multi-Year PBR 2014-2019 Annual Review of 2018 Delivery Rates
Workshop October 24, 2017

UNDERTAKING No. 1

HEARING DATE: October 24, 2017

**TRANSCRIPT
REFERENCE:** Volume 1, Page 39, Lines 1 to 5

REQUESTOR: Ms. Ross (Commission Staff)

QUESTION: Provide the 2018 and 2019 rate impact under each of the rebasing scenarios for the \$11.3 million.

RESPONSE:

FBC compares the revenue requirements impacts of the two rebasing scenarios below.

The comparison assumes:

- Formula escalation for 2019 equal to the 2018 escalation of 1.0304 percent;
- Only formula capital additions in the period 2017 to 2019 are included. No forecast of retirements or other adjustments is included as these are assumed to be the same for both scenarios;
- Formula capital expenditures of \$57.0 million in 2018 and \$59.5 million in 2019 as identified in the response to BCUC IR 1.12.4;
- Capital expenditures within the dead band during 2017 – 2019 are added to rate base at the end of the PBR term, on January 1, 2020;
- Financing rates and ROE are unchanged from 2018;
- The flow-through impact of depreciation, interest expense and income taxes are included in the following year's values; and
- The incremental rate impact of the formula capital expenditures is calculated as the change in revenue requirements divided by the revenue at the prior year's rates (assuming a rate increases of 3.5 percent in 2019).

As shown in the table, rebasing the formula capital envelope by \$11.3 million (the alternative treatment) results in higher mid-year rate base values, higher equity earnings and overall higher revenue requirements over the 2018 – 2020 period, compared to the approved treatment.

FortisBC Inc. (FBC)
Multi-Year PBR 2014-2019 Annual Review of 2018 Delivery Rates
Workshop October 24, 2017

UNDERTAKING No. 1

Item	Description	Approved Treatment					Alternative Treatment				
		2017	2018	2019	2020	2018-2020	2017	2018	2019	2020	2018-2020
(\$ millions)											
i	Rate Base from Plant Additions	\$ 23.397	\$ 81.785	\$ 136.048	\$ 178.599	11.154	\$ 23.397	\$ 87.419	\$ 146.494	\$ 178.599	11.154
ii	Depreciation Expense Including Flow-Through	-	1.800	3.598	5.755	11.154	-	1.800	3.745	5.609	11.154
iii	Interest Expense Including Flow-Through	0.731	2.727	4.407	5.822	13.688	0.731	2.899	4.553	5.505	13.688
iv	Income Tax Including Flow-Through (Timing Adjustments)	(0.646)	(1.365)	(1.962)	(1.788)	(5.761)	(0.646)	(1.365)	(1.924)	(1.827)	(5.761)
v.	Equity Return (Pre-Tax)	1.157	4.045	6.729	8.833	20.764	1.157	4.324	7.246	8.833	21.560
vi.	Amortization of Earnings Sharing	-	0.100	0.175	0.277	0.552	-	0.100	0.057	0.059	0.216
vii.	Total of items (ii), (iii), (iv), (v)	1.243	7.307	12.946	18.900	40.396	1.243	7.757	13.677	18.179	40.856
vii.	Incremental Rate Impact		1.7%	1.6%	1.6%			1.8%	1.7%	1.2%	

The additions to plant in service for each of the scenarios is shown in the table below.

	Approved Treatment				Alternate Treatment				Reference
	2017	2018	2019	2020	2017	2018	2019	2020	
1 Capital Escalation Factor		101.304%	101.304%			101.304%	101.304%		
2									
3 Capital Formula	43,254	43,818	44,389		43,254	55,086	55,804		Prior Year x Line 1
4 Pension	3,539	3,630	3,630		3,539	3,630	3,630		
5 Formula Capital for Deadband Calculation	46,793	47,448	48,019		46,793	58,716	59,434		
6 10% deadband	4,679	4,745	4,802		4,679	5,872	5,943		Line 3 + Line 4 Line 5 x 0.10
7									
8 Capital Expenditures including Pension	62,099	57,000	59,500		62,099	57,000	59,500		
9 Deadband Adjustment	(11,268)	(6,529)	(7,337)		(11,268)				
10 Base Capital Expenditures for ESM Calculation	50,831	50,471	52,163		50,831	57,000	59,500		Adjustment to stay within deadband
11 Subject to Sharing	4,038	3,023	4,144		4,038	(1,716)	66		
12 One-year variance	8.63%	6.37%	8.63%		8.63%	-2.92%	0.11%		Line 10 - Line 5
13 Two-year variance	15.00%	15.00%	15.00%		15.00%	5.71%	-2.81%		Line 11 ÷ Line 5
14									Line 12, sum of two years
15 Rate Base from Plant Additions									
16 Opening Balance	-	46,793	105,509	160,058	-	46,793	116,777	176,211	
17 Opening Adjustments	-	11,268	6,529	18,541	-	11,268	-	2,388	Line 9, Prior Year + in 2020, Sum of Line 11
18 Additions During Year	46,793	47,448	48,019	-	46,793	58,716	59,434	-	Line 5
19 Closing Balance	46,793	105,509	160,058	178,599	46,793	116,777	176,211	178,599	Sum of Lines 16 - 18
20 Mid-Year	23,397	81,785	136,048	178,599	23,397	87,419	146,494	178,599	Sum of Lines 16 - 17+ Line 18 x 0.5

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UNDERTAKING No. 2

HEARING DATE: October 24, 2017

TRANSCRIPT

REFERENCE: Volume 1, Page 69, Line 12 to Page 71, Line 3 and Page 157, Lines 5 to 10

REQUESTOR: Ms. Ross (Commission Staff)

QUESTION: Regarding the response to BCUC IR 1.11.1.1, provide a list of the projects that were contributing to the expenditures for the most significant categories.

RESPONSE:

Please see table below for a list of the programs that are contributing to the 2017 expenditures for the most significant categories (new connects; transmission and station sustainment; and distribution sustainment):

	Mandatory	Essential
Category	(\$ millions)	(\$ millions)
New Connects System Wide	13.500	
Transmission & Station Sustainment:		
Transmission Line Rehabilitation	2.400	0.300
Station Urgent Repairs	0.700	
Major Transmission Transformer Replacements	1.000	
Station Assessment/Minor Planned Projects	0.840	0.240
Minimum Oil Circuit Breaker Replacement	0.600	0.200
Bulk Oil Breaker Replacements	0.800	0.200
Distribution Sustainment:		
Distribution Line Condition Assessment	1.600	0.400
Distribution Line Rehabilitation	4.200	1.800
Distribution Line Rebuilds		1.100
Forced Upgrades and Lines Moves	2.000	
Distribution Urgent Repairs	2.900	
PCB Environmental Compliance	0.700	
Underground Switcher Replacement	0.600	0.200

FortisBC Inc. (FBC)
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UNDERTAKING No. 3

HEARING DATE: October 24, 2017

TRANSCRIPT

REFERENCE: Volume 1, Page 123, Line 15 to Page 131, Line 26

REQUESTOR: Mr. Weafer (CEC)

QUESTION: Rate forecast for the next two to three years based on reasonable efforts.

RESPONSE:

FBC is unable to predict future rate increases with confidence at this time. On a preliminary basis, the Company believes that rate increases may average approximately 3.5 percent over the 2019-2020 period, based on the following assumptions:

- Gross load unchanged from 2018 forecast. FBC has assumed that any continued decline in residential UPC will be offset by customer growth and growth in other customer classes;
- Power purchase expense assumed to increase at 2.0 percent to reflect contract escalation;
- O&M and capital formula escalation equal to the 2018 value of 1.0304 percent;
- Formula capital expenditures of \$57.0 million in 2018 and \$59.5 million in 2019 as set out in the response to BCUC IR 1.12.4;
- Completion of the Ruckles Substation Rebuild and Unit 3 in the UBO Old Units Refurbishment project in 2018, entering rate base on January 1, 2019;
- \$2.0 million in expenditures for MRS Assessment Report No. 10 in 2019 (50 percent to each of O&M and capital) in 2019;
- No additions to the Flow-through deferral account beyond 2017; and
- No changes to interest rates or ROE from 2018.

FortisBC Inc. (FBC)
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UNDERTAKING No. 4

HEARING DATE: October 24, 2017

TRANSCRIPT REFERENCE: Volume 1, Page 141, Line 1 to Page 142, Line 4

REQUESTOR: Ms. Worth (BCOAPO)

QUESTION: Exhibit B-2, Appendix A-2, Table 5.3 broken down by customer class for each year beginning in 2012.

RESPONSE:

2018 DSM and Other Savings

Line No.	Description	DSM	AMI	CIP	RCR	Rate-	Total
1	Residential	(14)	9	(4)	(4)	(1)	(13)
2	Commercial	(17)				(1)	(18)
3	Wholesale	(2)				(1)	(2)
4	Industrial	(2)					(2)
5	Lighting	(1)					(1)
6	Irrigation	(0)					
7	Net	(37)	9	(4)	(4)	(3)	(38)

Note: Exhibit B-2, Appendix A2, Table 5.3 showed actual DSM savings for 2016 of 11 GWh and a forecast of 23 GWh for DSM in 2017S. The correct values are 23 GWh for 2016 and 13 GWh for 2017S. These typographical errors do not affect the load forecast in any way. Table 5.3 was corrected in the response to BCOPA IR1.8.1.

2017 DSM and Other Savings

Line No.	Description	DSM	AMI	CIP	RCR	Rate-	Total
1	Residential	(5)	5	(2)	(4)	(1)	(7)
2	Commercial	(6)				(1)	(7)
3	Wholesale	(1)				(1)	(2)
4	Industrial	(1)					(1)
5	Lighting	(0)					(0)
6	Irrigation	(0)					
7	Net	(13)	5	(2)	(4)	(3)	(17)

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2016 DSM and Other Savings

Line No.	Description	DSM	AMI	CIP	RCR	Rate- Total
1	Residential	(13)	4		(4)	(1) 11
2	Commercial	(8)				(1) 7
3	Wholesale					(1) (1)
4	Industrial	(2)				2
5	Lighting					-
6	Irrigation					
7	Net	(23)	4		(4)	(3) (26)

2015 DSM and Other Savings

Line No.	Description	DSM	AMI	CIP	RCR	Rate- Total
1	Residential	(6)	4		(4)	(2) (8)
2	Commercial	(6)				(1) (7)
3	Wholesale					(1) (1)
4	Industrial	(1)				(1) (2)
5	Lighting					-
6	Irrigation					
7	Net	(12)	4		(4)	(5) (17)

2014 DSM and Other Savings

Line No.	Description	DSM	AMI	CIP	RCR	Rate- Total
1	Residential	(8)	3		(14)	(2) (22)
2	Commercial	(5)				(1) (6)
3	Wholesale					(1) (1)
4	Industrial	(1)				(1) (2)
5	Lighting					-
6	Irrigation					
7	Net	(14)	3		(14)	(5) (30)

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UNDERTAKING No. 4

2013 DSM and Other Savings

Line No.	Description	DSM	AMI	CIP	RCR	Rate- Driven	Total
1	Residential	(15)	2		(14)		(27)
2	Commercial	(10)					(10)
3	Wholesale						-
4	Industrial	(3)					(3)
5	Lighting						-
6	Irrigation						-
7	Net	(28)	2	-	(14)	-	(40)

2012 DSM and Other Savings

Line No.	Description	DSM	AMI	CIP	RCR	Rate- Driven	Total
1	Residential	(12)			(8)		(20)
2	Commercial	(17)					(17)
3	Wholesale						-
4	Industrial	(1)					(1)
5	Lighting						-
6	Irrigation						-
7	Net	(30)	-	-	(8)	-	(38)