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February 6, 2015

**Via Email**
**Original via Mail**

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

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

**Re: FortisBC Inc. (FBC)**

**Multi-Year Performance Based Ratemaking Plan for 2014 through 2019 approved by British Columbia Utilities Commission Order G-139-14**

**Annual Review for 2015 Rates**

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In accordance with the Multi-Year Performance Based Ratemaking Plan for 2014 through 2019 for FBC approved by British Columbia Utilities Commission Order G-139-14, FBC hereby attaches its Annual Review Application materials.

If further information is required, please contact the undersigned.

Sincerely,

**FORTISBC INC.**

***Original signed:***

Diane Roy

Attachments

cc (email only): Registered Parties to FBC's PBR Proceeding


# FORTISBC INC.

## Multi-Year Performance Based Ratemaking Plan for 2014 through 2019

## Annual Review for 2015 Rates

## Volume 1 - Application

**February 6, 2015**

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# 1. APPROVALS SOUGHT, OVERVIEW OF THE APPLICATION AND PROPOSED PROCESS

## 1.1 *INTRODUCTION*

FortisBC Inc. (FBC or the Company) files this Application in compliance with British Columbia Utilities Commission (the Commission) Order G-139-14, which approved a Performance Based Ratemaking Plan (PBR Plan) for FBC for the years 2014 to 2019. In accordance with the PBR Plan, an annual review process is required to set rates for each year under the PBR Plan. With the filing of this Application, FBC seeks to commence the first annual review of the PBR Plan and set FBC's rates for 2015.

During 2014, FBC operated under considerable uncertainty until the time the PBR Decision was issued on September 15, 2014 and this uncertainty continued to a lesser degree as clarification and reconsideration of the decision was sought. The PBR Plan approved by the Decision attached to Order G-139-14 (PBR Decision) increases FBC's incentives to seek out savings while maintaining service quality.[1] Pursuant to the earnings sharing approved by the Commission, any PBR-related savings achieved by the Company are shared equally with customers as discussed in Section 10 of the Application.

Under the PBR Plan, some savings were achieved in 2014. Overall, FBC proposes to distribute $0.330 million in earnings sharing to customers in 2015. FBC has achieved these savings over 2014 while maintaining an overall high level of service quality as evidenced by its performance against the Service Quality Indicators (SQIs) that were approved in the PBR Decision.

The proposed rates for 2015 flowing from the approved formulas and forecasts set out in the Application, including returning the forecast 2014 earnings sharing to customers, result in a 4.6 percent increase over 2014 rates, or an increase of 1.1 percent over 2015 interim rates. This equates to an increase of $15 to the annual bill for an average residential customer.[2] Without the impact of power purchase expense[3] which is outside of the PBR Plan, FBC would be requesting a rate decrease for 2015.

In the subsections below, FBC sets out the approvals it is seeking, provides an overview of the requirements for the annual review process, and provides an evaluation of the PBR Plan for 2014. This is followed by a summary of FBC's proposed revenue requirement and rate changes for 2015, an overview of the SQIs, and a proposed regulatory process to complete the annual review. These matters are addressed in more detail in subsequent sections of the Application.

[1] PBR Decision, p. 134.
[2] Based on a Residential customer using approximately 12,600 KWh per year.
[3] As explained in Section 4, Power Purchase Expense is significantly impacted by the Waneta Expansion Capacity Purchase Agreement (WAX CAPA) in 2015. In its Order E-15-12, which determined that the WAX CAPA is in the public interest, the Commission recognized the potential for a disproportionate rate impact as the agreement takes effect.

## 1.2 2015 INTERIM AND PERMANENT RATES

In this Application, FBC calculates the revenue requirement to be $ $336.057 million, a revenue deficiency of $14.923 compared to 2014 rates and equivalent to a general rate increase of 4.6 percent if effective January 1, 2015.

Order G-182-14 approved an interim rate increase of 3.5 percent for all FBC customers, effective January 1, 2015, which is insufficient to recover the full 2015 revenue deficiency. Due to resource constraints resulting from the implementation of the Advanced Metering Infrastructure (AMI) Project and the time required to test and implement retroactive rate changes in its billing system, FBC will be unable to collect the difference between 2015 interim rates and permanent rates from customers by way of a bill adjustment reflecting their consumption from January 1, 2015. As an alternative, FBC proposes to collect the difference by way of a general rate increase to be in implemented as soon as reasonably possible following the Commission's decision.

As explained in Section 1.7 below, FBC anticipates that a Commission decision may be received in time to implement a final rate change on July 1, 2015. The Company calculates that a general rate increase of 2.2 percent, effective July 1, 2015, will be required to recovery the 2015 revenue deficiency by December 31, 2015[4]. If the implementation is delayed beyond July 1, 2015, a recalculation of the final rate increase will be required.

## 1.3 APPROVALS SOUGHT

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

1. Approval of existing rates as permanent, effective January 1, 2015.
2. Permanent rates for all customers effective July 1, 2015, resulting in an increase of 2.2 percent compared to 2015 interim rates. The general rate increase will be applied to the Residential Conservation Rate (Rate Schedule 1) in accordance with the pricing principles set out in Order G-3-12[5].
3. The creation of three deferral accounts for the following matters, attracting a debt rate of return as described in Section 12.4.1:
    - Residual Capacity Agreement Tariff Supplement 10 and Rate Schedule 111 to be amortized in 2015;
    - 2015 – 2016 Demand Side Management Plan Application to be amortized in 2015 and 2016; and

[4] Section 11, Schedule 29.
[5] For the years 2012-2015:
a) The Customer Charge is exempt from general rate increases;
b) The Block 1 rate is subject to the general rate increase; and
c) The Block 2 rate is increased by an amount sufficient to recover the remaining required revenue.

- 2016 Long Term Electric Resource Plan Development costs, with the amortization period to be determined in a future annual review process.

4. A three year amortization period for the Interim Rate Variance deferral account, with amortization of 20 percent of the opening balance in 2015, as set out in Section 12.4.2.1 of the Application.

5. The Pension and OPEB Funding Liability to be included in rate base, as set out in Section 12.3.2.

## 1.4 *REQUIREMENTS FOR THE ANNUAL REVIEW*

On pages 179 and 180 of the Decision attached to the PBR Decision, the Commission set out its expectations for the Annual Review component of the PBR Plan. For reference, the table below sets out each requirement and FBC's response or where it is addressed in the Application:

**Table 1-1: Annual Review Requirements**

| Item | Description | Response or Reference |
|---|---|---|
| 1 | Evaluation of the operation of the PBR Plan in the past year(s) and identification by any party of any deficiencies/concerns with the operation of the PBR plan that have become apparent. Parties are expected to put forward recommendations with how to deal with such concerns. | Section 1.4 |
| 2 | Review of the current year projections and the upcoming year's forecast. For further clarity, these items are listed below: | See below |
| 2(a) | Customer growth, volumes and revenues; | Section 3 |
| 2(b) | Year-end and average customers, and other cost driver information including inflation; | Section 2 |
| 2(c) | Expenses (determined by the PBR formula plus flow-through items); | Section 6 |
| 2(d) | Capital expenditures (as determined by the PBR formula plus flow-through items); | Section 7 |
| 2(e) | Plant balances, deferral account balances and other rate base information and depreciation and amortization to be included in rates; | Section 7 |
| 2(f) | Projected earnings sharing for the current year and report on true-up to actual earnings sharing for the prior year; and | Section 10 |
| 2(g) | Any proposals for funding of incremental resources in support of customer service and load growth initiatives. | FBC does not have any proposals at this time |
| 3 | Identification of any efficiency initiatives that the Companies have undertaken, or intend to undertake, that require a payback period extending beyond the PBR plan period and make recommendations to the Commission with respect to the treatment of such initiatives. | FBC has not identified any efficiency investments with a payback beyond the end of the PBR period |

| Item | Description | Response or Reference |
|---|---|---|
| 4 | Review of any exogenous events that the Company or stakeholders have identified that should be put forward to the Commission for decision as to their exclusion from the PBR plan. The review process should include recommendations as to how the exogenous events costs/revenues should be recovered from or credited to ratepayers (see Section 2.2.4 for details). | FBC has not identified any exogenous factors |
| 5 | Review of the Companies' performance with respect to SQI's. Bring forward recommendations to the Commission where there have been a "sustained serious degradation" of service. | Section 13 |
| 6 | Assess and make recommendations with respect to any SQIs that should be reviewed in future Annual Reviews. For example, stakeholders are to review the usefulness of continuing with the Billing Index and Meter Reading Accuracy SQIs. | FBC does not have any recommendations for new SQIs or the discontinuation of SQIs at this time |
| 7 | Assess and make recommendations to the Commission on the scope for future Annual Reviews. | FBC does not have any recommendations at this time |

## 1.5 *EVALUATION OF THE PBR PLAN FOR 2015*

Evaluation of the PBR Plan based on 2014 experience is limited due to the timing of the PBR Decision, and also because of a need to focus on normalizing 2014 activities following a lengthy labour dispute with the Company's IBEW staff during the second half of 2013. As the PBR Decision was not issued until September 15, 2014, the Company did not have certainty as to what its approved O&M and capital spending envelopes would be, or, in fact, whether PBR would be approved. During this time, FBC had to operate its business under the assumption that the Commission's decision would enforce significant O&M and capital savings.

FBC was able to realize some savings in O&M expenditures while FBC's capital expenditures were above the capital formula amount. Overall, the savings achieved in 2014 result in $0.330 million of earnings sharing that will be returned to customers in 2015, serving to reduce overall rates for FBC's customers. FBC's performance with respect to SQIs demonstrates that FBC achieved these savings while maintaining an overall high level of service quality with some indicators experiencing lower than threshold results due to a number of factors further described in Section 13.

In 2014, FBC is projecting O&M expenses excluding items forecast outside of the PBR formula to be approximately $0.699 million lower than formula amounts, representing approximately a one percent variance from the approved amount. The expected savings is an outcome of the regulatory uncertainty experienced in 2014 leading to savings from staff vacancies and timing of spending.

FBC was not successful in achieving savings in capital relative to the formula in 2014. Actual capital expenditures excluding items forecast outside of the PBR formula are projected to be $0.790 million higher than the formula amount. Contributing to the higher spending were distribution system line repair expenditures in the fourth quarter required as a result of unusually heavy snowfall throughout the service territory.

Contributing also to the higher spending was customer growth related capital. Actual customer growth experienced in 2014 was approximately 1.8 percent, but the formula for capital, which utilizes one-half of prior year customer additions, only provided for customer growth of 0.326 percent. In 2014, this pressure was mitigated in part due to the timing of projects affected by resource constraints. However, FBC will continue to be challenged to meets its capital formula for the remainder of the PBR Plan.

With the PBR Decision in place and a return to more steady state operations, the Company now has the regulatory certainty it requires to pursue and implement customer service and productivity related initiatives in the future.

In summary, while 2014 provides a limited basis on which to evaluate the PBR Plan, it has shown the potential for earnings sharing and for limiting rate increases. Future years of the PBR Plan should provide a more informed basis on which to evaluate FBC's initiatives to achieve efficiencies and the workings of the PBR Plan.

## 1.6 *REVENUE REQUIREMENT AND RATE CHANGES FOR 2015*

The Company is requesting a revenue requirement increase for 2015 of $14.923 million, equivalent to a general rate increase of 4.6 percent for 2015 compared to 2014 rates.

The following table summarizes the items that contribute to the increase in 2015 revenue requirements.

**Table 1-2: 2015 Revenue Deficiency ($ millions)**

| | Approved 2014 | Projected 2014 | Increase/ (Decrease) |
|---|---|---|---|
| Sales Volume (GWh) | 3,240 | 3,224 | (17) |
| **POWER SUPPLY** | | | |
| Power Purchases | $ 87.163 | $ 117.837 | $ 30.674 |
| Water Fees | 9.928 | 9.796 | (0.132) |
| | 97.091 | 127.633 | 30.542 |
| **OPERATING** | | | |
| O&M Expense | 60.710 | 59.092 | (1.618) |
| Capitalized Overhead | (9.106) | (8.864) | 0.243 |
| Wheeling | 5.224 | 4.734 | (0.490) |
| Other Income | (7.582) | (8.272) | (0.691) |
| | 49.246 | 46.690 | (2.555) |
| **TAXES** | | | |
| Property Taxes | 15.903 | 15.331 | (0.572) |
| Income Taxes | 3.423 | 6.909 | 3.486 |
| | 19.326 | 22.240 | 2.914 |
| **FINANCING** | | | |
| Cost of Debt | 42.646 | 40.308 | (2.338) |
| Cost of Equity | 44.065 | 46.380 | 2.315 |
| Depreciation and Amortization | 41.348 | 52.805 | 11.457 |
| | 128.059 | 139.493 | 11.434 |
| **TOTAL REVENUE REQUIREMENT** | **$ 293.720** | **$ 336.057** | **$ 42.332** |
| LESS: REVENUE AT PRIOR YEAR RATES | 312.924 | 321.134 | 8.210 |
| **REVENUE DEFICIENCY** | **$ (19.204)** | **$ 14.923** | **$ 34.127** |
| **RATE INCREASE** | **-6.1%** | **4.6%** | **10.7%** |

Each of the categories is discussed briefly below.

### 1.6.1 Load Forecast (Section 3)

In 2015, sales load is forecast to decrease by 17 GW.h from 2014 due to lower use rates. Based on 2014 rates, FBC's 2015 revenue forecast is $321.134 million.

### 1.6.2 Power Supply (Section 4)

Power Purchase Expense is forecast to increase in 2015 by $30.674 million, primarily due to impacts of the Waneta Expansion Capacity Purchase Agreement along with increases in BC Hydro rates.

### 1.6.3 Other Income (Section 5)

Other Income is forecast to increase in 2015 by approximately $0.691 million, due to higher apparatus and facilities rental and third party revenues.

### 1.6.4 Operations and Maintenance (O&M) Expense (Section 6)

FBC establishes the bulk of its O&M costs by formula during the PBR term. For 2015, the formula incorporates an inflation factor (I Factor) of 1.303 percent, a productivity improvement factor (X Factor) of 1.03 percent and a customer growth factor of 0.181 percent for a total increase in formula O&M of 0.454 percent. O&M forecast outside of the formula is decreasing by 23 percent, primarily due to reduced pension and OPEB costs. Overall the decrease in Gross O&M Expense from 2014 to 2015 is 2.7 percent. The decrease in net O&M expense is $1.375 million.

### 1.6.5 Depreciation and Amortization (Section 7)

Depreciation rates are unchanged from 2014. Depreciation expense has increased by $2.469 million primarily due to additions to rate base. This is in addition to an increase in the amortization expense of $8.988 million, primarily due to the amortization in 2014 of credit balances from prior years' flow-throughs, including 2012 and 2013 power purchase expense and revenue.

### 1.6.6 Financing and Return on Equity (Section 8)

FBC is currently not forecasting any long term debt issues in 2015. FBC is forecasting a short-term debt rate for 2015 of 2.9 percent, lower than the 3.7 percent rate approved for 2014. Overall, interest expense is forecast to decrease from 2014 by $2.338 million.

FBC's approved capital structure and return on equity are unchanged from 2014 at 40 percent and 9.15 percent respectively; increases in rate base increase the equity return by $2.315 million.

### 1.6.7 Taxes (Section 9)

Property taxes are forecast to decrease 3.6 percent or $0.572 million from 2014. Decreases are driven by changes in classification of certain assets, and changes in tax policies of local taxing authorities.

There has been no change in the income tax rate of 26 percent from 2014. Income taxes are forecast to increase in 2015 by $3.486 million primarily due to higher revenues resulting from higher cost of service and rates.

### 1.6.8 Earnings Sharing (Section 10)

As discussed in Section 1.5 above, earnings sharing has been forecast at $0.330 million. This amount will be returned to customers through amortization in 2015.

## 1.7 *SERVICE QUALITY INDICATORS (SECTION 13)*

FBC's 2014 SQI results indicate that the Company's overall performance was representative of an overall high level of service quality with some indicators experiencing lower than threshold results as explained further in Section 13. For those SQIs with benchmarks, four performed better than the approved benchmarks, two performed better than the threshold and within the performance range and two performed below the threshold. For the three SQIs that are informational only, two performed at levels consistent with prior years with the Telephone Abandon Rate, experiencing higher rates than usual in 2014.

## 1.8 *PROCESS FOR THE APPLICATION*

The PBR Plan provides for a review of the current year projections and the upcoming year's forecast, as well as service quality indicator performance. Consistent with the process set out for FortisBC Energy Inc. (FEI), FBC believes that the regulatory review process should consist of a workshop, one round of information requests, and final submissions.

FBC proposes the following regulatory timetable for this annual review.

| Action | Date (2015) |
|---|---|
| Intervener Registration and Confirmation to Attend Workshop | Thursday, February 19 |
| BCUC and Intervener Information Request No. 1 | Monday, March 2 |
| FBC Response to Information Requests No. 1 | Monday, March 23 |
| Workshop | Monday, March 30 |
| FBC Response to Undertakings from Workshop | Thursday, April 2 |
| Intervener Written Submissions | Friday, April 17 |
| FBC Written Reply Submissions | Friday, April 24 |

Based on this timetable, FBC expects a Commission decision may be received in time to implement permanent rates for July 1, 2015.

# 2. FORMULA DRIVERS

## 2.1 *INTRODUCTION AND OVERVIEW*

This section provides the calculation of the Inflation Factor (or I-Factor) and Growth Factors used for calculating the 2015 O&M and Capital formula amounts according to the PBR formula.

In the PBR Decision and Commission Order G-163-14, the Commission approved an I-Factor using the actual CPI-BC and BC-AWE indices from the previous year and a 55 percent labour weighting, and a growth factor of 50 percent of the ratio of the average number of customers (AC) one year previous to the average number of customers two years previous expressed as [1 = (($AC_{t-1}/AC_{t-2}$)/ $AC_{t-2}$) x 50%)].

Further guidance on how to calculate the Inflation and Growth factors was provided in Commission Order G-182-14, which states:

1. *FortisBC Inc. is approved to use inflation data from the most recent 12-month period (July through June) for the 2014 rate change calculations and future annual reviews.*
2. *FortisBC Inc. is approved to use Statistics Canada CANSIM Table 326-0020 to determine the CPI-BC and CANSIM Table 281-0063 to determine AWE-BC.*
3. *FortisBC Inc. is approved to adjust 2014 inflation for the transition from harmonized sales tax to provincial sales tax as of April 1, 2013 for an increase of 0.1750 percent.*

The Inflation Factor and Growth Factor calculations utilize these inputs, but as applied to 2015. FBC has used July 2012 through June 2014 inflation data for the 2015 rate change calculations using the CANSIM tables noted above and included the tables in Appendix A.

Regarding item 3 above, 2015 is the second and final year of the adjustment to CPI for the impact of the transition from Harmonized Sales Tax (HST) to Provincial Sales Tax (PST), as set out in item 3 above. 2015 CPI is calculated based on the data for the period from July 2013 to June 2014 (the numerator) divided by the same data for the period from July 2012 to June 2013 (the denominator). Since the transition to PST occurred on April 1, 2013, all 12 months of data in the numerator reflect the PST environment. Of the twelve months in the denominator, 3 months reflect the PST environment and 9 months reflect the HST environment. To correct for the impact of the transition from HST to PST in the calculation, 9/12ths of the annual adjustment factor must be considered. Since the annual impact of the transition to PST on CPI is estimated to be 0.700 percent, the 2015 impact is 0.530 percent (0.700% X 9/12 = 0.530%)[6].

As discussed below, the 2015 inflation factor based on prior year's BC-CPI and BC-AWE is 1.303 percent, and the AC Growth Factor is 0.181 percent. FBC notes that at the time of filing the Growth Factor is under reconsideration by the Commission.

[6] 3/12ths of this impact was recognized in the 2014 calculation (0.700% x 3/12 = 0.175%).

## 2.2 INFLATION FACTOR CALCULATION SUMMARY

In the PBR Decision, the Commission approved an inflation factor (I-Factor) using the actual CPI-BC and BC-AWE indices from the previous year and a 55 percent labour weighting. Consistent with Commission Order G-182-14 regarding FBC's PBR Compliance Filing, FBC used inflation data from July through June and the CANSIM Table 326-0020 to determine the CPI-BC and CANSIM Table 281-0063 to determine AWE-BC. The supporting Statistics Canada CANSIM Tables 326-0020 and 281-0063 are provided as Appendix A1 and Appendix A2.

As shown in Table 2-1 below, the I-Factor has been calculated utilizing CPI-BC of 0.884 percent (0.354% + 0.530%) and AWE-BC of 1.646 percent. Applying the 55 percent labour weighting, the calculation of the I-Factor is (0.884% x 45%) + (1.646% x 55%) = 1.303%. This calculation is shown in Table 2-1 below.

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

| | *CANSIM 326-0020* | *CANSIM 281-0063* | 12 Mth Average | | CPI Adjustment for chg to GST/PST from HST | | Year over year % change | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2002 = 100 | | | | | | | | | |
| Date | BC CPI index | BC AWE $ | CPI index | AWE $ | CPI % | HST to GST /PST adj. | Adj CPI % | AWE % | I Factor % | PBR Year |
| Jul-2012 | 117.9 | 868.83 | | | | | | | | |
| Aug-2012 | 118.1 | 870.19 | | | | | | | | |
| Sep-2012 | 118.1 | 868.34 | | | | | | | | |
| Oct-2012 | 118.0 | 870.31 | | | | | | | | |
| Nov-2012 | 117.6 | 872.08 | | | | | | | | |
| Dec-2012 | 117.0 | 871.59 | | | | | | | | |
| Jan-2013 | 117.1 | 867.90 | | | | | | | | |
| Feb-2013 | 118.3 | 872.14 | | | | | | | | |
| Mar-2013 | 118.5 | 863.23 | | | | | | | | |
| Apr-2013 | 117.2 | 868.02 | | | | | | | | |
| May-2013 | 117.9 | 878.02 | | | | | | | | |
| Jun-2013 | 117.6 | 867.81 | 117.775 | 869.872 | 0.298% | 0.175% | 0.473% | 2.277% | 1.460% | 2014 |
| Jul-2013 | 117.9 | 866.46 | | | | | | | | |
| Aug-2013 | 118.0 | 873.63 | | | | | | | | |
| Sep-2013 | 118.1 | 869.31 | | | | | | | | |
| Oct-2013 | 117.7 | 874.43 | | | | | | | | |
| Nov-2013 | 117.4 | 889.48 | | | | | | | | |
| Dec-2013 | 117.0 | 886.35 | | | | | | | | |
| Jan-2014 | 117.1 | 887.67 | | | | | | | | |
| Feb-2014 | 118.0 | 887.95 | | | | | | | | |
| Mar-2014 | 118.6 | 894.42 | | | | | | | | |
| Apr-2014 | 119.0 | 896.03 | | | | | | | | |
| May-2014 | 119.7 | 895.45 | | | | | | | | |
| Jun-2014 | 119.8 | 889.14 | 118.192 | 884.193 | 0.354% | 0.530% | 0.884% | 1.646% | 1.303% | 2015 |

## 2.3 GROWTH FACTOR CALCULATION SUMMARY

As noted above, the Commission approved for FBC a growth factor of 50 percent of the ratio of the average number of customers (AC) one year previous to the average number of customers two years previous expressed as [1 = (($AC_{t-1}$/$AC_{t-2}$)/ $AC_{t-2}$) x 50%)].

The calculation for the Average Customer growth factor is provided in Table 2-2 below.

**Table 2-2: Average Customer (AC) Growth Factor Calculation**[7]

| | Customer Count | City of Kelowna Adjustment | Customers Restated | 12 Month Average Customers | AC Factor @ 50% | PBR Year |
|---|---|---|---|---|---|---|
| Jul-12 | 113,435 | 14,460 | 127,895 | | | |
| Aug-12 | 113,410 | 14,460 | 127,870 | | | |
| Sep-12 | 113,485 | 14,460 | 127,945 | | | |
| Oct-12 | 113,402 | 14,460 | 127,862 | | | |
| Nov-12 | 113,658 | 14,460 | 128,118 | | | |
| Dec-12 | 113,915 | 14,460 | 128,375 | | | |
| Jan-13 | 114,108 | 14,460 | 128,568 | | | |
| Feb-13 | 114,264 | 14,460 | 128,724 | | | |
| Mar-13 | 114,283 | 14,460 | 128,743 | | | |
| Apr-13 | 128,628 | - | 128,628 | | | |
| May-13 | 128,602 | - | 128,602 | | | |
| Jun-13 | 128,619 | - | 128,619 | 128,329 | | |
| Jul-13 | 128,689 | - | 128,689 | | | |
| Aug-13 | 128,632 | - | 128,632 | | | |
| Sep-13 | 128,505 | - | 128,505 | | | |
| Oct-13 | 128,524 | - | 128,524 | | | |
| Nov-13 | 128,465 | - | 128,465 | | | |
| Dec-13 | 128,318 | - | 128,318 | | | |
| Jan-14 | 128,768 | - | 128,768 | | | |
| Feb-14 | 128,786 | - | 128,786 | | | |
| Mar-14 | 129,123 | - | 129,123 | | | |
| Apr-14 | 128,955 | - | 128,955 | | | |
| May-14 | 129,430 | - | 129,430 | | | |
| Jun-14 | 129,328 | - | 129,328 | 128,794 | 0.181% | 2015 |

## 2.4 *INFLATION AND GROWTH CALCULATION SUMMARY*

Using the I-Factor and Growth Factor as calculated above, and the approved X-Factor of 1.03 percent for FBC, a summary of the factors used in the PBR formula for 2015 is provided in Table 2-3.

[7] On March 31, 2013, FBC acquired the assets of the electricity distribution utility of the City of Kelowna, as approved by Order C-4-13. An adjustment to the customer count has been made to recognize the addition of the municipal utility's customers to FBC's direct customer base.

**Table 2-3: Cost Driver Formula Drivers**

| Cost Drivers | 2015 |
|---|---|
| Customer Growth Factor @50% | 0.181% |
| Escalators | |
| CPI | 0.884% |
| AWE | 1.646% |
| Non Labour | 45% |
| Labour | 55% |
| CPI/AWE Inflation | 1.303% |
| Productivity Factor | -1.030% |
| Net Inflation Factor | 0.273% |

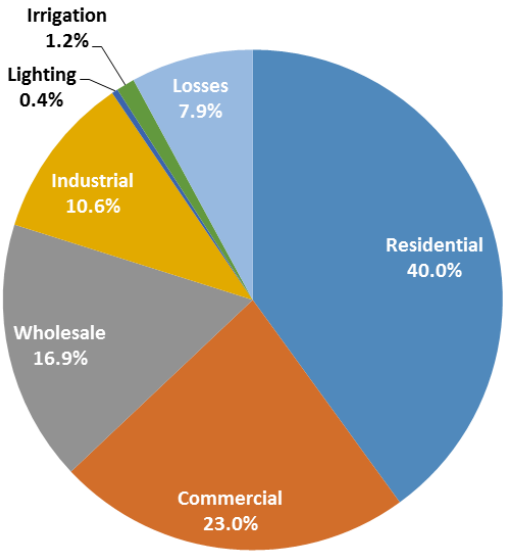
In summary, the formula-driver for O&M and capital for 2015 is calculated as 100.454 percent, calculated as (1+0.181%) x (1 + 0.273%).

# 3. LOAD FORECAST AND REVENUE AT EXISTING RATES

## 3.1 *INTRODUCTION AND OVERVIEW*

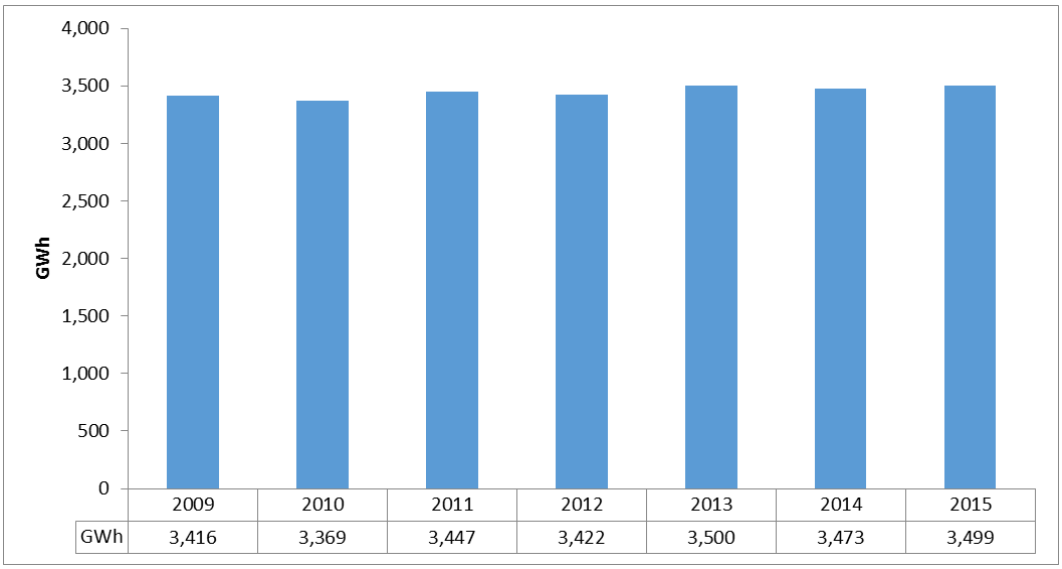
Gross system energy load is a mix of residential, commercial, wholesale, industrial, street lighting and irrigation loads and system losses. In 2014, the residential, commercial and wholesale loads represent the largest portion of the gross load at 79.9 percent. The industrial load was 10.6 percent, while the lighting and irrigation loads account for 1.6 percent of the total gross load. The remaining 7.9 percent of the gross load in 2014 was due to system losses.

**Figure 3-1: 2014 Normalized After-Savings Gross Load Energy Composition (%)**




The gross load forecast includes the impacts of forecast energy savings which include Demand Side Management (DSM) savings, and the impacts of the Residential Conservation Rate (RCR), the Consumer Information Portal (CIP) program, the Advanced Metering Infrastructure (AMI) program and future rate changes. These savings are further explained in Section 3.2 - Demand Side Management and Other Savings. The after-savings forecast gross energy consumption for the years 2009 to 2015 is shown below.

**Figure 3-2: Normalized After-Savings Gross Energy (GWh)**




## 3.2 DEMAND SIDE MANAGEMENT AND OTHER CUSTOMER SAVINGS

A forecast of incremental DSM savings (excluding DSM already embedded in historical loads) by customer class is shown in Table 3-1 below.

The savings are fundamentally based on the 2013 Conservation Potential Review (CPR) Update which estimated the remaining economic potential for DSM measures, programs and sectors. Each measure's economic potential is multiplied by a ramp rate (which simulates a market diffusion curve), then sub-totaled to a program level and modified if necessary to account for past results. The program sub-totals are then added up to produce the three primary sector (residential, commercial & industrial) annual savings goals. Finally the annual sector goals are converted into a cumulative time series, and dis-aggregated into the customer rate classes and commensurate system losses as shown in Table 3-1.

**Table 3-1: Forecast 2015 DSM Savings (MWh)**

| Forecast 2015 DSM Energy | MWh |
|---|---|
| Residential | 9,177 |
| Commercial | 8,746 |
| Industrial | 1,502 |
| Wholesale | 4,462 |
| Lighting | 497 |
| Irrigation | 985 |
| Loss | 2,206 |
| Total | 27,575 |

This DSM savings forecast is deducted from the before-savings forecast. The residential energy sales are further reduced by other savings from the RCR and CIP, but increased by recovered

sales from the AMI-based revenue protection programs. Rate-driven reductions in load due to price elasticity are also taken into account[8] and deducted from the before-saving loads. All forecast values in this section are shown after being reduced by DSM and other savings unless explicitly stated otherwise.

## 3.3 *FORECAST*

FBC normalizes its load for weather before determining the forecast. This process is described in Section 3.3.1 below.

FBC also provides a discussion of the forecast for each of its customer classes in Section 3.3.2 through 3.3.7, along with a discussion of losses and peak demand in Sections 3.3.8 and 3.3.9, and then provides a summary of the total load forecast in Section 3.3.10.

### 3.3.1 Weather Normalization

In order to forecast loads, it is necessary to eliminate the contribution of weather effects prior to performing any statistical analysis. FBC accomplishes this through weather normalization, which adjusts historical residential and wholesale loads relative to normal weather. The Residential and Wholesale classes are the only ones to exhibit significant correlation between usage and temperature.

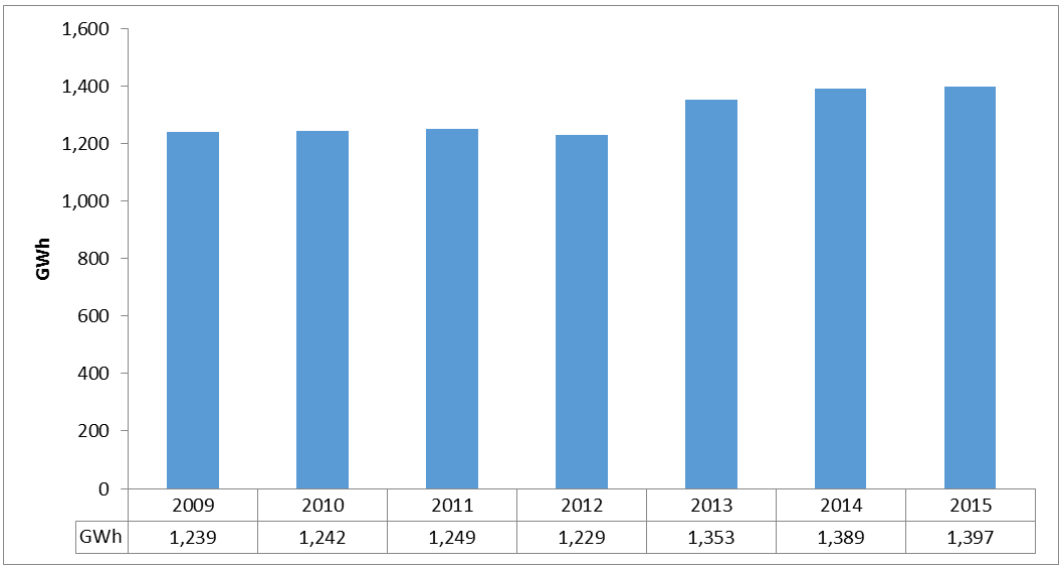
For the 2015 energy forecast and consistent with past practice, monthly 10-year average Heating Degree Days (HDD) and Cooling Degree Days (CDD) provided by Environment Canada were used to define the normal weather.

### 3.3.2 Residential

The 2014 residential load accounted for 40 percent of the gross normalized load. Consistent with past practice, the total before-savings energy demand for the residential class is the product of the average annual residential customer count multiplied by the residential use per customer (UPC). Below is the normalized and forecast after-savings residential customer load from 2009 to 2015. The step change apparent between 2012 and 2013 is a result of City of Kelowna integration.

[8] Forecasts of savings from RCR, CIP, price elasticity and the impact of AMI are based on existing forecast assumptions for these impacts.

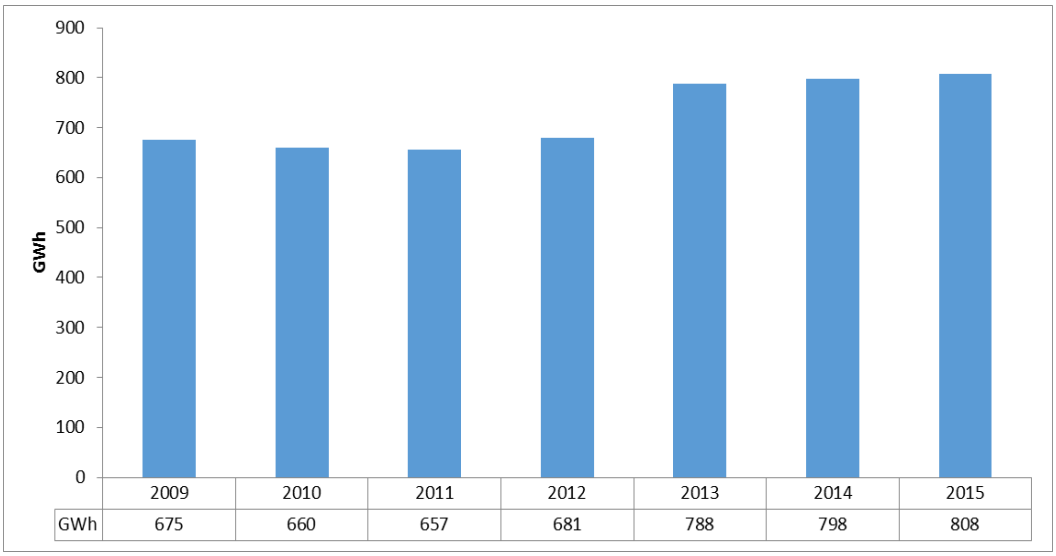
**Figure 3-4: Normalized After-Savings Residential Energy (GWh)**




### 3.3.3 Commercial

The 2014 commercial load accounted for 23 percent of the gross normalized load. The commercial class is forecast based on a regression of load on the provincial Gross Domestic Product (GDP), supplied by the Conference Board of Canada (CBOC)[9]. Below is the after-savings commercial consumption for 2009 to 2015. The step change apparent between 2012 and 2013 is a result of City of Kelowna integration.

**Figure 3-5: Normalized After-Savings Commercial Energy (GWh)**




[9] Conference Board of Canada, Provincial medium term update May 2014 edition, published 5/7/2014, is included in Appendix A3.

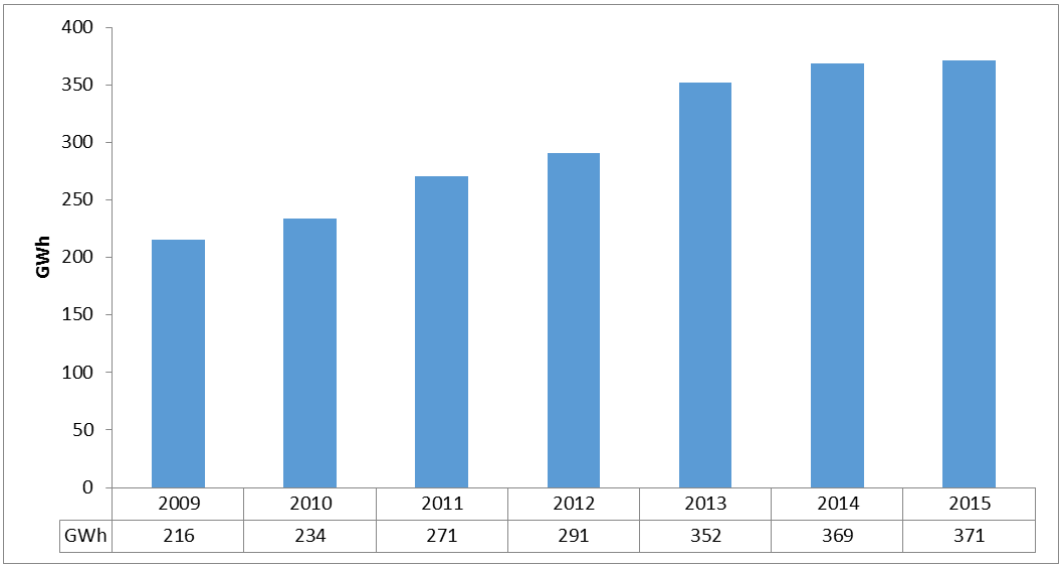
### 3.3.4 Industrial

The 2014 industrial load accounted for 10.6 percent of the gross normalized load. Consistent with past practice, the industrial forecast is determined through a combination of customer load surveys and, when not available, escalation of the most recent annual loads by the corresponding provincial GDP growth rates for individual industries.

FBC sends all industrial customers a load survey that requests the customer's anticipated use for the next 5 years. A survey methodology is utilized because FBC believes that individual industrial customers have the best understanding of what their future energy usage will be. This year FBC received a response from 85 percent (33 of 39) of the surveys sent out. The responding customers represent approximately 91 percent of the total industrial load.

The actual and forecast after-savings industrial consumption for the years 2009 – 2015 are shown below. The step change apparent between 2012 and 2013 is a result of City of Kelowna integration.

**Figure 3-6: After-Savings Industrial Energy (GWh)**




| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|
| GWh | 216 | 234 | 271 | 291 | 352 | 369 | 371 |

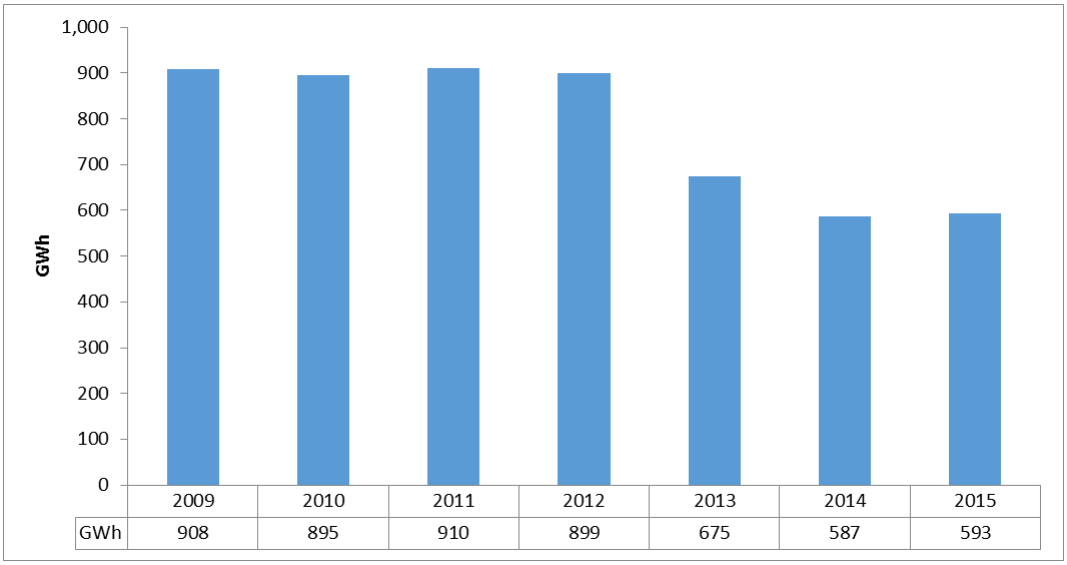
### 3.3.5 Wholesale

FBC sells wholesale power to municipalities within its service territory that own and operate their own electrical distribution systems. The 2014 wholesale load accounted for 16.9 percent of the gross normalized load. These wholesale customers have a load composition that is a mix of residential, commercial, industrial and street lighting.

Consistent with past practice the wholesale class is forecast from survey information from each of the individual wholesale customers. FBC believes that the individual wholesalers are best able to forecast their future demand. All of the wholesale customers responded with their forecast growth projections. The wholesale normalized and forecast after-savings loads for the

year 2009 – 2015 are listed below. The step change apparent between 2012 and 2013 is a result of City of Kelowna integration.

**Figure 3-7: Normalized After-Savings Wholesale Energy (GWh)**

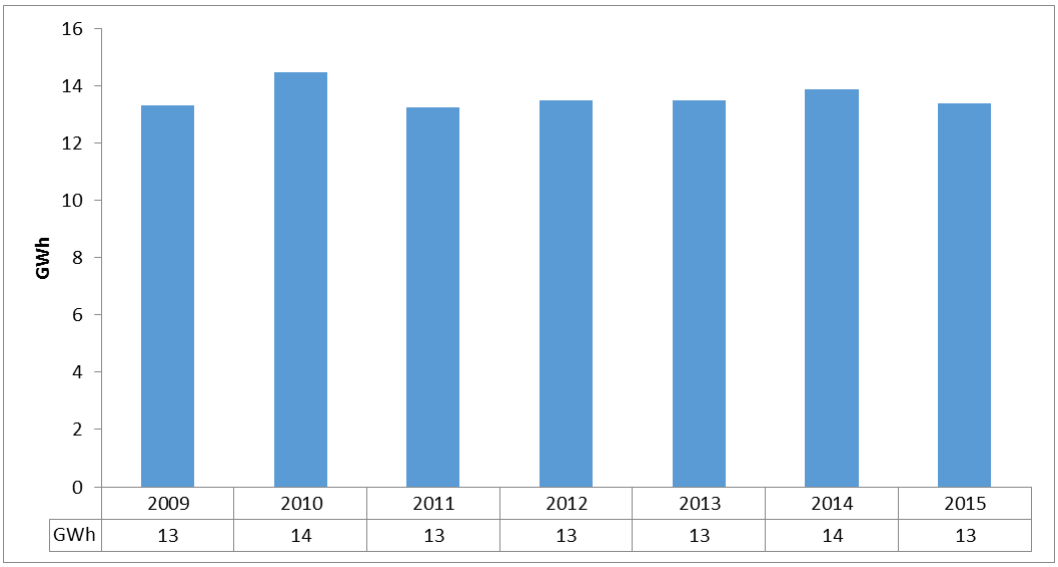



| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|
| GWh | 908 | 895 | 910 | 899 | 675 | 587 | 593 |

## 3.3.6 Lighting

The 2014 lighting load accounted for 0.4 percent of the gross normalized load. The lighting load consists of street lights and varies little from year to year. Consistent with past practice the 5 year trend analysis for the most recent years for which FBC has actual data (2009 to 2013 in this case) is used to forecast this class. The actual and forecast after-savings lighting energy consumption from 2009 – 2015 is shown below.

**Figure 3-8: After-Savings Lighting Energy (GWh)**

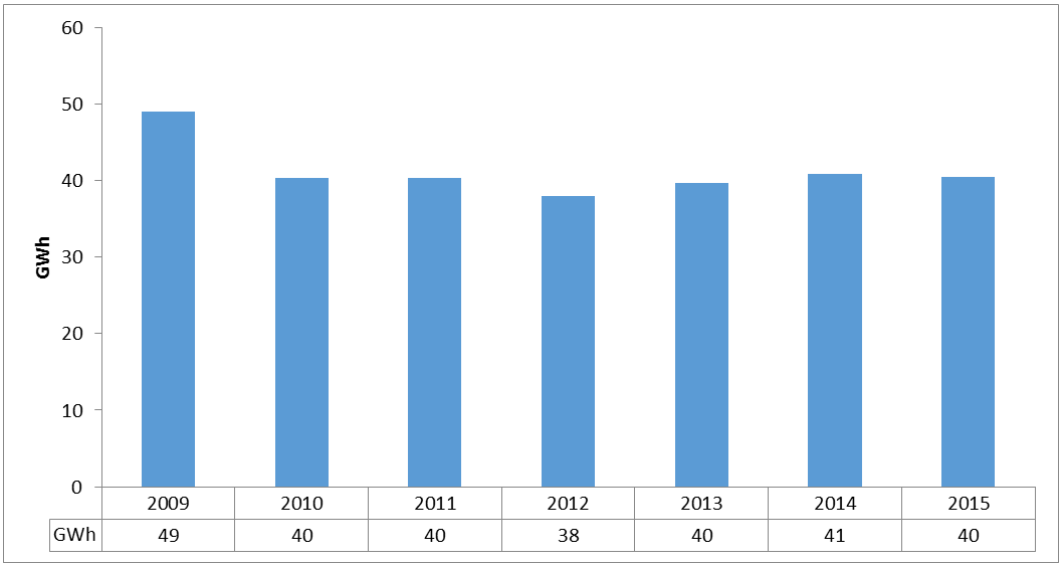



| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|
| GWh | 13 | 14 | 13 | 13 | 13 | 14 | 13 |

### 3.3.7 Irrigation

The 2014 irrigation load accounted for 1.2 percent of the gross normalized load. The before-savings forecast is developed using a five year average for the most recent years for which FBC has actual data (from 2009 to 2013 in this case). This method is consistent with past practice. Below is the actual and forecast after-savings irrigation energy consumption from 2009 to 2015.

**Figure 3-9: After-Savings Irrigation Energy (GWh)**




| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|
| GWh | 49 | 40 | 40 | 38 | 40 | 41 | 40 |

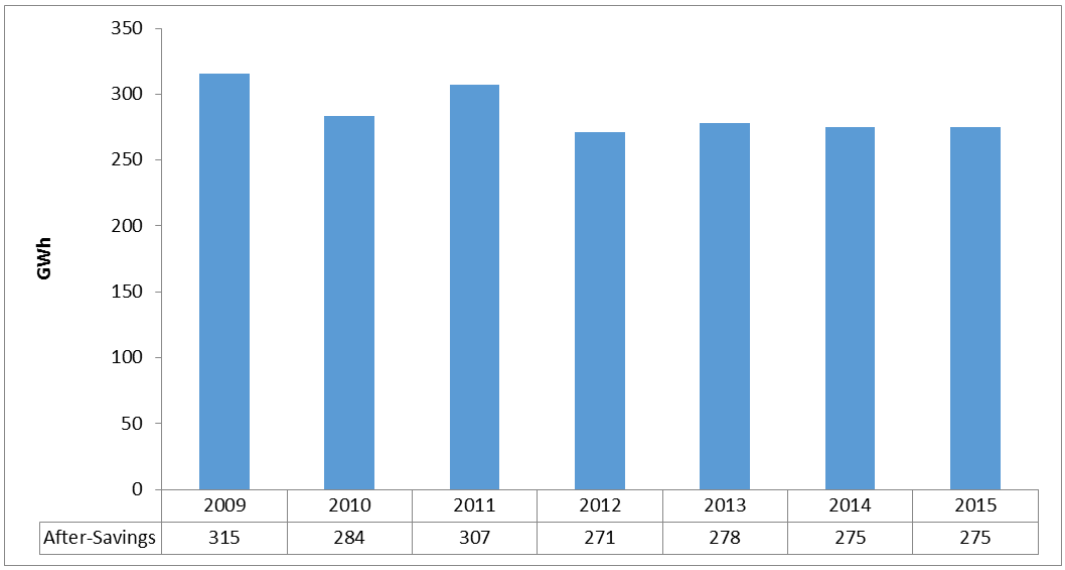
### 3.3.8 Losses

System losses consist of:

- Losses in the transmission and distribution system;
- Company use;
- Losses due to wheeling through the BC Hydro system; and
- Unaccounted-for energy (meter inaccuracies and theft).

Detailed analysis of billing reports of individual accounts for 2011 and 2012 established 8 percent as the gross loss rate to be used over the forecasting period. AMI loss reduction is expected to further reduce the losses in future. Below are the normalized after-savings energy losses from 2009 to 2015.

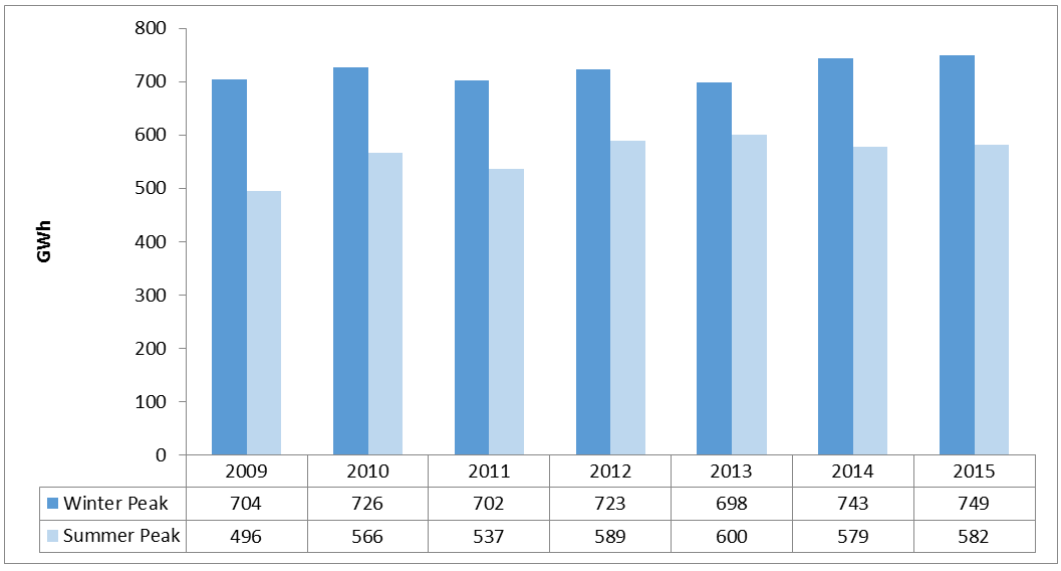
**Figure 3-10: Normalized After-Savings Energy Losses (GWh)**




## 3.3.9 Peak Demand

The peak demand forecast is calculated by escalating ten years of historical peak load data by the actual historical energy load growth rates and then averaging the outputs for each month as well as for seasonal peaks. Normalized after-savings winter and summer peaks for 2009-2015 are shown below.

**Figure 3-11: After-Savings Winter and Summer Peaks (MW)**




## 3.3.10 Summary Tables

In summary, FBC's historical and forecast normalized after-savings gross energy load by customer class, and showing system peak values, is provided in Table 3-2 below.

**Table 3-2: Normalized After-Savings Gross Energy (GWh)**

| Energy (GWh) | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015F |
|---|---|---|---|---|---|---|---|
| Residential | 1,239 | 1,242 | 1,249 | 1,229 | 1,353 | 1,389 | 1,397 |
| Commercial | 675 | 660 | 657 | 681 | 788 | 798 | 808 |
| Wholesale | 908 | 895 | 910 | 899 | 675 | 587 | 593 |
| Industrial | 216 | 234 | 271 | 291 | 352 | 369 | 371 |
| Lighting | 13 | 14 | 13 | 13 | 13 | 14 | 13 |
| Irrigation | 49 | 40 | 40 | 38 | 40 | 41 | 40 |
| Net | 3,100 | 3,085 | 3,140 | 3,151 | 3,222 | 3,197 | 3,224 |
| Losses | 315 | 284 | 307 | 271 | 278 | 275 | 275 |
| Gross | 3,416 | 3,369 | 3,447 | 3,422 | 3,500 | 3,473 | 3,499 |
| **System Peak** | | | | | | | |
| Winter Peak (MW) | 704 | 726 | 702 | 723 | 698 | 743 | 749 |
| Summer Peak (MW) | 496 | 566 | 537 | 589 | 600 | 579 | 582 |

Table 3-3 shows the year-end customer count for FBC.

Forecast residential customer counts are determined from a regression of the year-end customer accounts on population in the FBC direct service area. The population forecast for the FBC service area is provided by a BC Statistics report that has been produced for FBC.

Forecast commercial customer counts are determined from a regression of the year end customer accounts on the provincial GDP from the CBOC included as Appendix A3.

No additions are forecast for other rate classes.

**Table 3-3: Year-End Customer Count**

| Customer Count | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015F |
|---|---|---|---|---|---|---|---|
| Residential | 96,565 | 97,883 | 98,795 | 99,228 | 111,862 | 113,431 | 114,855 |
| Commercial | 11,308 | 11,419 | 11,525 | 11,811 | 13,662 | 14,363 | 14,531 |
| Wholesale | 7 | 7 | 7 | 7 | 6 | 6 | 6 |
| Industrial | 33 | 35 | 36 | 39 | 47 | 49 | 49 |
| Lighting | 1,874 | 1,830 | 1,803 | 1,739 | 1,644 | 1,620 | 1,620 |
| Irrigation | 1,066 | 1,075 | 1,092 | 1,091 | 1,097 | 1,103 | 1,103 |
| Total Direct | 110,853 | 112,249 | 113,258 | 113,915 | 128,318 | 130,572 | 132,164 |

FBC has provided a summary of its monthly load, year end customer counts, annual customer additions, and use per customer from 2009 to 2015 in Appendix A4.

## 3.4 *REVENUE FORECAST*

The forecast of revenues has been developed by considering the total load forecast applied at 2014 approved rates for each customer class.

Table 3-4 below summarizes the approved, projected and forecast revenue for 2014 and 2015.

**Table 3-4: Forecast Sales Revenue at 2014 Approved Rates ($ millions)**

| | Approved 2014 | Projected 2014 | Forecast 2015 |
|---|---|---|---|
| Residential | $ 155.283 | $ 161.453 | $ 170.546 |
| Commercial | 70.966 | 82.444 | 77.917 |
| Industrial | 28.106 | 30.059 | 28.427 |
| Wholesale | 39.365 | 43.375 | 44.245 |
| **Total** | **$ 293.720** | **$ 317.330** | **$ 321.134** |

Note: Commercial includes Lighting and Irrigation classes.

Variances between the revenue forecast in this section and the actual revenues realized are captured in the Flow-through deferral account.

## 3.5 *CITY OF KELOWNA LOAD DATA*

In the PBR Decision, the Commission stated at page 182:

> *The Panel notes that the City of Kelowna integration did not have any significant impact as this load was previously captured under the Wholesale customers load forecast, whereas now the load is split across the residential, commercial and industrial customer classes. The Panel accepts this reclassification; however, we are unclear as to why FBC is unable to obtain sufficient historic load information from the City of Kelowna.* ***FBC is directed to provide an explanation at the next Annual Review as to why this information for past years is unavailable****.*

As explained below, at the time of the PBR Application, FBC was only provided with historical information on the City of Kelowna's load data from 2009 forward.

Prior to integration with FBC the City of Kelowna was a wholesale customer. Corix Utilities (Corix) was the service provider to whom the City of Kelowna outsourced its various customer service functions such as meter reading, billing and customer service. After the FBC purchase of the City of Kelowna Electric Utility closed, Corix continued to provide the same service for the former City of Kelowna electric utility customers until the transition of its data to FBC's in-house billing system which took place at the beginning of 2014. At the time, the agreement with Corix allowed FBC to receive historical information regarding the City of Kelowna customers. However, the historical information FBC received in February 2013 from the Corix Customer Care department was limited to 2009 onward. When FBC followed up with regard to the

additional historical information required, FBC was notified by email that the data prior to 2009 could not be provided.

The data FBC received from Corix at the time of the PBR Application did not support a complete integration of the two datasets, and thus the City of Kelowna forecast was prepared separately and then merged with the remainder of the FBC forecast. The detail around this process was included in Section C1 of the PBR Application.

For 2015 the forecast models were updated with additional FBC historical data from 2013 and 2014.

## 3.6 *SUMMARY*

FBC's forecast of load is based upon a methodology that is consistent with that used in prior years, and fully considers the customers that were acquired in the City of Kelowna acquisition. Based on this methodology, FBC is forecasting an increase in load in 2015 compared to 2014 Projection but a decrease compared to 2014 Approved. The normalized after-savings gross energy forecast is 3,499 GWh. Based on the approved 2014 rates, FBC's 2015 revenue forecast is $321.134 million.

# 4. POWER PURCHASE EXPENSE

## 4.1 *INTRODUCTION AND OVERVIEW*

This section includes a review of the 2014 projected and 2015 forecast power purchase expense (PPE). Also included in this section are forecasts of wheeling expense and water fees.

As shown in Table 4-1 below, power purchase expense is forecast at $117.837 million for 2015, an increase of 35 percent from the 2014 Approved cost of $87.163 million. The increase in the 2015 forecast is due to annual increases to the Brilliant and BC Hydro rates, as well as the 40-year capacity purchase agreement with the Waneta Expansion Limited Partnership (WELP), as accepted by Commission Orders E-29-10 and E-15-12, which is forecast to commence on April 1, 2015. Any variances in PPE will be recorded in the Flow-through deferral account and returned to or recovered from customers in 2016.

Table 4-1 below shows the PPE and the gross load by year.

**Table 4-1: Power Purchase Expense ($ millions)**

| | Approved 2014 | Projected 2014 | Forecast 2015 |
|---|---|---|---|
| Power Purchase Expense | $ 87.163 | $ 86.337 | $ 117.837 |
| Gross Load (GWh) | 3,519 | 3,450 | 3,499 |

## 4.2 *SUMMARY OF POWER SUPPLY RESOURCES*

FBC uses a combination of Company-owned generation entitlements, firm contracted supply and market purchases to meet its load requirements. The Company's firm resources consist of:

a) Canal Plant Agreement (CPA) Entitlements associated with the generation facilities owned and operated by FBC. The costs associated with FBC owned generation are not included in the power purchase estimates, except for the Balancing Pool adjustments, which account for year to year timing differences in the entitlement energy storage under the CPA;

b) The Brilliant Power Purchase Agreement (BPPA) (a 125 MW contract), and an amendment to the BPPA which reflects the purchase of the Brilliant Upgrade power (20 MW) and the Brilliant Tailrace Capacity agreement (5 MW);

c) A power purchase agreement with BC Hydro (200 MW) under BC Hydro Rate Schedule 3808 (PPA) that was approved by the Commission on May 6, 2014 (Order G-60-14), became effective on July 1, 2014 and expires on September 30, 2033;

d) The Waneta Expansion Capacity Purchase Agreement (WAX CAPA), which is a 40-year purchase agreement with WELP for capacity entitlements under the CPA, forecast to commence on April 1, 2015 as accepted by Commission Orders E-29-10 and E-15-12.

e) A number of small Independent Power Producer (IPP) contracts; and

f) A number of market purchase arrangements.

## 4.3 *PORTFOLIO OPTIMIZATION*

A primary objective of FBC's power supply portfolio planning is to ensure that the Company has sufficient firm resources to meet expected load requirements to ensure the availability of cost effective reliable power for FBC's customers and to prudently manage exposure to the cost and availability of market power supplies. The Company currently has long-term, firm resources from which it can supply all of its annual energy requirements. The nature of FBC's contracted resources, in particular the BC Hydro PPA, provide the Company some flexibility to participate in the market when conditions are favourable to mitigate the cost of holding those firm resources.

FBC's portfolio optimization strategy also includes the management of the capacity entitlements obtained by FBC under the WAX CAPA. These capacity entitlements vary month by month and are suitably shaped to meet FBC's winter and summer peak demand requirements when capacity is needed the most, and to provide less capacity during May and June when it is needed the least. However, the amount of capacity provided for under the WAX CAPA is currently greater than FBC's capacity requirements in most months. FBC has contracted to release a 50 MW block of capacity purchased under the WAX CAPA to BC Hydro under the Residual Capacity Agreement (RCA), which was approved by the Commission in Order G-161-14. There remains additional surplus capacity available to FBC after the FBC load obligations and the obligations of the RCA are met, which FBC forecasts selling in the market in order to reduce total power purchase expense, as discussed in Section 4.7 below.

In addition, although the WAX CAPA provides only capacity with no associated energy, as a CPA plant, it will allow FBC to ensure that the entitlement energy available under the CPA is optimized. For example, FBC expects that there will no longer be a need to sell surplus entitlement energy to the market over the freshet period as it can now be used to meet load with the WAX CAPA capacity.

## 4.4 *FBC 2014/15 ANNUAL ELECTRIC CONTRACTING PLAN*

On May 16, 2014, FBC filed its 2014/2015 Annual Electric Contracting Plan (AECP). The purpose of the AECP is to outline FBC's plan to meet its peak demand requirements and annual energy requirements for the operating year commencing October 1, 2014 and ending September 30, 2015, and to facilitate FBC's annual energy nomination under the PPA. FBC's AECP also outlined FBC's load and resource balance over the following five years, and FBC's plan for optimizing its portfolio over the short-term. FBC's forecasts of PPE for the remainder of

2014 and for 2015 are based on the plan discussed in the 2014/15 AECP, which was accepted by the Commission on June 19, 2014, by way of Letter L-35-14.

The AECP identified FBC's intention to make its annual energy nomination under the PPA for the 2014/15 contract year equal to 758 GWh, less any firm market contracts that FBC could enter into, as described in section 5 of the 2014/15 AECP.

FBC canvassed a number of power marketers but was unable to economically replace PPA power with block purchases for the 2014/2015 operating year prior to the June 30, 2014 nomination deadline. Therefore, the Company made its nomination of 758 GWh under the PPA. Under the terms of the BC Hydro PPA, FBC retains a certain amount of flexibility to allow for any spot market opportunities that may become available and to account for variations in forecast load. In the fall of 2014, FBC was able to enter into a market contract at favourable prices for energy supply over the winter of 2015/16 and 2016/17, which was consistent with the 2014/15 AECP and subsequently approved by the Commission by Order E-01-15. This contract will reduce the PPA energy requirement in 2015/16 and 2016/17, and has reduced the power purchase expense forecast for 2015.

The Company anticipates filing its 2015/2016 AECP in the first quarter of 2015 and submitting the PPA 2015/2016 nomination under the BC Hydro PPA prior to June 30, 2015.

## 4.5 *REVIEW OF 2014 POWER PURCHASE EXPENSE*

As shown in Table 4-2 below, FBC's 2014 gross load (after taking into account demand side management and other customer savings) and PPE are projected to be 69 GWh and $0.826 million, respectively, below the 2014 Approved values. Savings due to the decreased load were partially offset by the 9 percent BC Hydro rate increase which occurred on April 1, 2014[10], the reduction in FBC CPA Entitlements due to maintenance outages that were not previously forecast and as a result of required one-time adjustments.[11]

[10] The April 1, 2014 BC Hydro rate increase of 9% was approved by Order G-48-14, issued on March 24, 2014, and as such was not included in FBC's October 18, 2013 Evidentiary Update.

[11] Special and Accounting Adjustments in 2014 include insurance adjustments due to an extended outage at Corra Linn in 2013 and 2014, accounting adjustments under the PPA with BC Hydro, charges paid under the Imbalance Agreement with BC Hydro, foreign exchange adjustments, and year end timing differences.

**Table 4-2: 2014 Power Purchase Expense ($ millions)**

| | Approved 2014 | Projected 2014 | Difference |
|---|---|---|---|
| Brilliant | $ 35.764 | $ 35.742 | $ (0.022) |
| BC Hydro PPA | 37.201 | 35.273 | (1.928) |
| Independent Power Producers | 0.162 | 0.447 | 0.285 |
| Market and Contracted Purchases | 14.543 | 16.068 | 1.525 |
| Sale of Surplus Power | (0.508) | (0.320) | 0.188 |
| CPA Balancing Pool | - | (1.185) | (1.185) |
| Special and Accounting Adjustments | - | 0.311 | 0.311 |
| **Total** | **$ 87.163** | **$ 86.337** | **$ (0.826)** |
| Gross Load (GWh) | 3,519 | 3,450 | (69) |

## 4.6 *2015 POWER PURCHASE EXPENSE FORECAST*

2015 PPE is forecast to be approximately $31.5 million greater than the 2014 Projection. The forecast increase from $86.337 million in 2014 to $117.837 million in 2015 is a result of the Waneta Expansion project forecast to come online April 1, 2015, increased load, a greater reliance on energy supplied by BC Hydro, as well as increases to BC Hydro and Brilliant contract rates. The following table shows a comparison of the 2014 Projected PPE and the 2015 Forecast PPE. Reasons for significant variances from the 2014 Projected PPE are discussed below.

**Table 4-3: 2014 and 2015 Forecast Power Purchase Expense ($ millions)**

| | Projected 2014 | Forecast 2015 | Difference |
|---|---|---|---|
| Brilliant | $ 35.742 | $ 37.069 | $ 1.327 |
| BC Hydro PPA | 35.273 | 45.460 | 10.187 |
| Waneta Expansion | - | 25.808 | 25.808 |
| Independent Power Producers | 0.447 | 0.164 | (0.283) |
| Market and Contracted Purchases | 16.068 | 9.380 | (6.688) |
| Sale of Surplus Power | (0.320) | - | 0.320 |
| CPA Balancing Pool | (1.185) | (0.044) | 1.141 |
| Special and Accounting Adjustments | 0.311 | - | (0.311) |
| **Total** | **$ 86.337** | **$ 117.837** | **$ 31.500** |
| Gross Load (GWh) | 3,450 | 3,499 | 49 |

The increase in the Brilliant expense is due to increases in rates which are based on a forecast of the operating and maintenance cost of the plant, as well as a true-up to the prior year's

variances of actual costs compared to forecast. The volumes available under the Brilliant contracts remain consistent from 2014 to 2015.

The BC Hydro PPA expense increases due to a greater volume of power purchased under the PPA in the 2015 Forecast compared to the 2014 Projection, as well as due to the BC Hydro rate increases of 9 percent on April 1, 2014 and 6 percent on April 1, 2015[12].

The forecast cost of the Waneta Expansion in 2015 is $25.808 million. This amount includes the cost of the WAX CAPA and an offsetting estimate of potential surplus sales revenue, as well as the forecast revenue from sales to BC Hydro under the RCA.

The IPP expense in 2015 is reduced from 2014 due to a forecast decrease in purchased volumes.

The category of Market and Contracted Purchases in the table above includes actual market purchases for which FBC has contracted for 2015. The decrease from 2014 Projected to 2015 Forecast is mainly due to capacity becoming available from the WAX CAPA as well as a reduced volume of market energy purchases due to a forecast increased use of the BC Hydro PPA energy in 2015.

## 4.7 *MARKET PRICE FORECAST METHODOLOGY*

The forecast of WAX surplus capacity sales revenue, excluding the forecast revenue under the RCA, is developed based on a forecast of market prices. The largest electricity trading hub in the Pacific Northwest is the Mid-Columbia River hub (Mid-C) which is located on the US portion of the Columbia River. Mid-C is one of the top three trading hubs in North America by volume. FBC's forecast of Mid-C forward market prices are based on a combination of published and non-published sources, including an October 13, 2014 Argus Media Publication titled "Argus US Electricity", and consultations with market participants. These sources are used to derive a monthly forward market price for the heavy load hours (HLH) and light load hours (LLH) which, in combination with expected surplus capacity volumes, is used to calculate a forecast of WAX surplus sales revenue, excluding the forecast revenue under the RCA. Given the uncertain nature of FBC's loads, these capacity-only sales are expected to only be made on a short-term basis to ensure adequate capacity is available to meet FBC loads as required.

Overall, the forecast of market prices has a relatively marginal effect on the overall PPE. For example, if the market prices included in the 2015 forecast were to increase by 100 percent, the 2015 PPE would decrease by approximately 2 percent, or about $2.8 million, due to the increased value of the WAX surplus sales revenue. Additionally, FBC would likely lose the opportunity to displace any additional BC Hydro PPA energy with lower cost market purchases throughout 2015.

[12] Order G-48-14.

## 4.8 WHEELING EXPENSE

This section provides a review of the wheeling expense forecast for 2015. The expense includes wheeling service provided by BC Hydro under the Amended and Restated Wheeling Agreement (ARWA) and Open Access Transmission Tariff (OATT), as needed to supply the Company's loads in the Okanagan, Creston and Princeton. Also included are charges paid to Teck Metals Ltd. (Teck) for the use of its 71 Line. Rates under the ARWA are specified in BC Hydro's Rate Schedule 21.

Table 4-4 below shows FBC's Wheeling Expense for 2014 and 2015.

**Table 4-4: Wheeling Expense ($ millions)**

| | Approved 2014 | Projected 2014 | Forecast 2015 |
|---|---|---|---|
| **Wheeling Nomination (MW months)** | | | |
| Okanagan Point of Interconnection | 2,670 | 2,670 | 2,400 |
| Creston | 423 | 423 | 432 |
| **Wheeling Expense** | | | |
| Okanagan Point of Interconnection | $ 4.691 | $ 4.593 | $ 4.194 |
| Creston | 0.485 | 0.474 | 0.492 |
| Other | 0.048 | 0.065 | 0.048 |
| **Total Wheeling Expense** | **$ 5.224** | **$ 5.132** | **$ 4.734** |

In 2014 and 2015, ARWA costs are forecast to account for all of FBC's wheeling expense, except for $0.06 and $0.05 million of OATT and Teck wheeling in 2014 and 2015, respectively.

As shown above, wheeling expense is forecast to decrease to $4.734 million in 2015 due to lower wheeling nominations in the Okanagan, which decreased from 230 MW to 200 MW on October 1, 2014. This decrease is a result of ARWA nominations required to be made 5 years in advance, and the reduction in the Company's load forecast that occurred from 2009 compared to 2008, following the global economic downturn. The 2015 wheeling expense forecast contains a full year of this lower 200 MW nomination. The reduced cost for the Okanagan is offset by an increased Creston nomination of 35 MW to 36 MW beginning October 1, 2014, continuing through 2015, and also continued annual rate increases based on the British Columbia CPI.

## 4.9 WATER FEES

Water fees are assessed by the Province based on FBC's entitlement usage in the previous year and the rate increases are indexed to BC CPI. As shown in Table 4-5 below, water fees are forecast to be up slightly in 2015 due to increased plant entitlement use in addition to a yearly increase in water fee rates based on the forecast CPI.

Entitlement use and water fees for 2014 and 2015 are shown in the table below:

**Table 4-5: Water Fees ($ millions)**

| | Approved 2014 | Projected 2014 | Forecast 2015 |
|---|---|---|---|
| Plant Entitlement Use in previous year (GWh) | 1,582 | 1,566 | 1,569 |
| Water Fees | $ 9.928 | $ 9.600 | $ 9.796 |

## 4.10 *SUMMARY*

FBC's forecast of power purchase expense is based on FBC's firm resources in place at the time of filing and is consistent with the 2014/15 AECP. FBC anticipates filing its 2015/2016 AECP in the first quarter of 2015 and will continue to work toward optimizing its power purchase portfolio. Any variances in PPE, including any power purchase expense decrease due to further portfolio optimization, will be recorded in the Flow-through deferral account and returned to or recovered from customers in 2016.

# 5. OTHER INCOME

## 5.1 INTRODUCTION AND OVERVIEW

As shown in the table below, FBC is forecasting other income to be $0.691 million higher than the amounts approved for 2014. The main drivers of this increase are higher apparatus and facilities rental and contract revenue. FBC is forecasting other income in 2015 to be slightly lower than the 2014 Projected with lower apparatus and facilities rental and contract revenue partly offset by increases in miscellaneous revenue

**Table 5-1: Other Income ($ millions)**

| | Approved 2014 | Projected 2014 | Forecast 2015 |
|---|---|---|---|
| Apparatus and Facilities Rental | $ 4.156 | $ 4.820 | $ 4.380 |
| Contract Revenue | 1.385 | 2.076 | 1.544 |
| Miscellaneous Revenue | 0.738 | 0.820 | 1.102 |
| Transmission Access Revenue | 1.224 | 1.120 | 1.189 |
| Investment Income | 0.078 | 0.107 | 0.057 |
| **Total Other Income** | **$ 7.581** | **$ 8.943** | **$ 8.272** |

In the following sections, FBC summarizes the methodology for forecasting the line items included in the table above.

## 5.2 APPARATUS AND FACILITIES RENTAL

Apparatus and facilities rental is comprised primarily of pole contact revenue from other utilities and businesses that attach their facilities to FBC infrastructure in order to deliver services to their customers, such as telephone and cable television providers. Rent is charged at a unit rate per pole contact multiplied by the number of poles that are contacted. The 2014 Projected is higher than 2014 Approved due to escalation in unit rental rates and one-time reconciliation of billings for unreported contacts as determined during the recent five-year audit of pole contacts. 2015 revenue is forecast to be higher than 2014 Approved due to increased contacts, but is lower than the 2014 Projection due to the absence of the 2014 reconciliation billings for unreported contacts.

## 5.3 CONTRACT REVENUE

FBC performs work under contract to third parties at the Waneta and Brilliant hydroelectric generating facilities. This third party work, and the associated management fees earned, fluctuates from year to year based on customer requirements which include routine and non-routine work planned at the start of the customer's fiscal year. 2014 Projection and 2015 Forecast are both higher than 2014 Approved due to higher levels of activity.

The Company also operates and maintains a number of other facilities for third party entities through its non-regulated affiliate FortisBC Pacific Holdings Inc. (FPHI). Transactions between FBC and FPHI are conducted in accordance with FBC's Code of Conduct and Transfer Pricing Policy[13] and earn a transfer price profit revenue.

## 5.4 *MISCELLANEOUS REVENUE*

Miscellaneous revenue is made up of connection fees, non-sufficient funds (NSF) charges and sundry revenue. The majority of the sundry revenue is a recovery of costs for miscellaneous services, such as street light maintenance charged to municipalities. Overall, miscellaneous revenue is forecast to increase in 2015 due to (non-tariff) fees expected to be earned from performing improvements to a substation on behalf of a municipality.

## 5.5 *TRANSMISSION ACCESS REVENUE*

Transmission access revenue represents charges to customers for transmitting power over the FBC system. Three customers are expected to be using the transmission system in 2015, and are expected to generate an estimated combined revenue of $1.189 million.

## 5.6 *INVESTMENT INCOME*

Investment income is primarily comprised of DSM loan interest income. The Company is experiencing a decline in the number of DSM loans. Hence, as loans mature a corresponding drop in interest income is expected.

## 5.7 *SUMMARY*

FBC has forecast the other income components for 2015 reflecting all applicable contracts and fixed revenues, and based on the Company's best knowledge of the factors that drive the variable components. Variances in Other Income are recorded in the Flow-through deferral account.

[13] As approved by Order G-5-10A.

# 6. O&M EXPENSE

## 6.1 INTRODUCTION AND OVERVIEW

Under the PBR Plan, FBC's O&M expense is primarily determined by formula, with the addition of a number of items that are forecast outside the formula on an annual basis. In 2015, the formula O&M is $52.985 million, representing a 0.454 percent increase from 2014, entirely due to the formula drivers. O&M expenses forecast outside the formula are $6.107 million, representing an approximate 23 percent decrease from 2014 Approved, primarily due to lower pension and other post-employment benefit (OPEB) expense. Overall the decrease in Gross O&M Expense from 2014 Approved to 2015 is approximately 2.7 percent.

The components of 2015 O&M expense are shown in Table 6-1 below.

**Table 6-1: 2015 O&M Expense**

| Line No. | Description | ($ millions) | Reference |
|---|---|---|---|
| 1 | Formula O&M | $ 52.985 | Table 6.2 Line 6 |
| 2 | Forecast O&M | 6.107 | Table 6.3 Line 4 |
| 3 | Total Gross O&M | 59.092 | |
| 4 | Capitalized Overhead (15%) | (8.864) | Section 11, Sch.17 |
| 5 | Net O&M | $ 50.228 | |

In the subsections below, FBC provides further details on its formula and forecast O&M expenses for 2015.

## 6.2 FORMULA O&M EXPENSE

The formula-driven portion of Base O&M starts from a base of the 2014 Approved formula O&M escalated by the prior year's inflation less a productivity improvement factor of 1.03 percent, and one-half of the prior year's growth in average customers. As calculated in Section 2, the 2015 inflation based on prior year's BC-CPI and BC-AWE less the productivity improvement factor is 0.273 percent and one-half of the prior year's customer growth is 0.181 percent.

For 2015, the annual operating and maintenance expense under the formula is calculated as:

2014 Approved formula O&M x [1 + (I Factor – X Factor)] x [1 + (0.5 x customer growth)]

Table 6-2 below shows the calculation of the resulting 2015 Formula O&M.

**Table 6-2: Calculation of 2015 Formula O&M**

| Line No. | Description | ($ millions) | Reference |
|---|---|---|---|
| 1 | 2014 Approved Formula O&M | $ 52.745 | FBC 2014 Rates Compliance Filing Table 2-A Line 30 |
| 2 | | | |
| 3 | Net Inflation Factor | 0.273% | Section 2 Table 2-3 |
| 4 | Customer Growth Factor | 0.181% | Section 2 Table 2-2 |
| 5 | | | |
| 6 | 2015 Formula O&M | $ 52.985 | Line 1 x (1 + Line 3) x (1 + Line 4) |

## 6.3 *O&M EXPENSE FORECAST OUTSIDE THE FORMULA*

This Formula O&M is then adjusted to add in pension and OPEB expense, insurance premiums, the O&M impact of FBC's Advanced Metering Infrastructure (AMI) Project, and the 2015 Mandatory Reliability Standards (MRS) audit expenses. These amounts are shown in Table 6-3 below along with a comparison to the values for 2014.

**Table 6-3: 2015 Forecast O&M ($ millions)**

| Line No. | Description | 2014 Approved | 2014 Projected | 2015 Forecast |
|---|---|---|---|---|
| 1 | Pension/OPEB (O&M Portion) | $ 5.904 | $ 5.904 | $ 3.925 |
| 2 | Insurance Premiums | 1.460 | 1.341 | 1.380 |
| 3 | Advanced Metering Infrastructure | 0.600 | 0.431 | 0.452 |
| 4 | 2015 Mandatory Reliability Standards Audit | - | - | 0.350 |
| 5 | Forecast O&M | $ 7.964 | $ 7.677 | $ 6.107 |

Each of these items that are forecast outside of the formula is discussed below. Variances in Pension and OPEB expenses are captured in the Pension and OPEB Variance deferral account. Variances in insurance premiums, AMI and the MRS audit are captured in the Flow-through deferral account.

### 6.3.1 Pension and OPEB Expense

In accordance with Commission Order G-139-14, all pension and OPEB costs, including current service and retiree portions, are included in labour loadings. Pension and OPEB expenses for 2015 are based upon the most recent actuarial estimates provided in July 2014 by the Company's actuary, Towers Watson. Pension and OPEB expense is broken out as shown in Table 6-4.

**Table 6-4: 2014-2015 Pension and OPEB Expense ($ millions)**

| Line No. | Description | 2014 Approved | 2015 Forecast |
|---|---|---|---|
| 1 | O&M | $ 5.904 | $ 3.925 |
| 2 | Capital | 6.396 | 4.253 |
| 3 | Total Pension & OPEB Expense | $ 12.300 | $ 8.178 |

Overall, pension and OPEB expense for 2015 is forecast to be $4.122 million lower than what was approved for 2014, of which $1.979 million resides in O&M. This decrease is primarily due to the combination of a plan amendment, the improved funding position of one of the plans, which is expected to require lower expected contributions and in turn decreases the forecast expense, and a higher discount rate used in the current projections than existed when the 2014 forecast was completed.

The 2014 variance between approved and actual pension and OPEB expense and any 2015 variance between these amounts is captured in the Pension and OPEB Variance deferral account and amortized into rates over a three year period as approved in by the Commission in Order G-139-14.

### 6.3.2 Insurance Premiums

This expense relates to insurance premium expense allocated to FBC by Fortis Inc.

The 2015 forecast is projected to decrease by $0.080 million or 5.5 percent from what was approved for 2014. Compared to the 2014 Projected insurance premiums, 2015 is forecast to increase by 2.9 percent. This 2015 forecast is based on the average increase for the past five years, and this historical increase reflects both increases in premiums and increases in the value of assets.

Factors affecting insurance premiums include: energy industry and company loss history; growth in asset values; and the potential increases in insurance premiums. The forecast for 2015 assumes normal asset growth.

### 6.3.3 AMI Costs/Savings

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 this period, net AMI costs, including the costs of AMI-enabled billing options[14], are forecast and tracked outside of the PBR

[14] Order G-169-14 approved FBC's application for AMI-Enabled Billing Options and directed that the related incremental O&M expenses/savings should be tracked in the AMI deferral account. FBC has two existing deferral accounts related to the AMI project: a rate base deferral account for the capture and amortization of the non-AMI meters, and a deferral account for the costs of the 2007 AMI CPCN application. FBC believes that the Commission intended the incremental expense associated with AMI Billing-Enabled costs to be treated

formula and variances are recovered from or returned to customers in the following year by way of the Flow-through deferral account.

2014 AMI-related O&M costs were lower than approved due to delayed project timing following an extensive CPCN review process and the Commission's directive to file for approval of an opt-out program prior to meter installation. Although at the time of filing the PBR Application FBC expected a net reduction in O&M expense during 2015, the forecast savings are now also delayed. Forecast 2015 costs are $0.452 million; the project will be substantially complete during 2015.

### 6.3.4 2015 Mandatory Reliability Standards (MRS) Audit

FBC's tri-annual MRS audit is scheduled for August 2015. This audit will review, at a minimum, all applicable reliability standards identified in the Actively Monitored List issued in November of 2014. These include Critical Infrastructure Protection (CIP) and Operations and Planning (O&P) standards. The audit is scheduled with the Western Electricity Coordinating Council (WECC) auditors over a two week period – one week off-site and one week on-site to perform interviews and visit specific critical assets. However, preparation of evidence takes several months. As many as ten to fifteen people attend as WECC auditors or observers in a compliance audit. Preparation will impact various business groups including human resources, facilities, security, information systems, system control, operations, generation, engineering and planning (transmission/resource), who will be called upon and required to provide evidence to prove compliance. In Order G-139-14 the Commission confirmed that as a non-recurring expenditure, MRS audits should not be included in Base O&M.[15]

The Company continues to work towards maintaining compliance 24/7 and self-certifies on an annual basis. As a result of this effort, the 2015 audit costs are anticipated to be lower than 2012 and are forecast to be $0.350 million.

## 6.4 *NET O&M EXPENSE*

Net O&M expense is Gross O&M less capitalized overhead. As approved by the Commission in Order G-139-14, the capitalized overhead rate is 15 percent for FBC. After capitalized overhead, the net O&M expense is $50.228 million.

## 6.5 *GENERATION UNIT INSPECTIONS*

As directed by the Commission in the PBR Decision, this section provides a review of FBC's actual generation unit inspection expenses in 2014.

consistently with other AMI-related O&M impacts, which are excluded from the PBR formula O&M and captured in the Flow-through deferral account.

[15] Order G-139-14, page 238.

The costs related to generation unit inspections are included within formula Base O&M. These costs are for annual inspections of FBC's generating units, which have been the subject of upgrades and/or life extensions beginning in 1998. The inspections are expected to cost approximately $0.350 million per unit, depending on unit condition. The majority of FBC's generating units have similar characteristics and, as such, the estimate of $0.350 million is based on typical equipment in average operating condition. FBC expects to undertake one inspection per year.

The Commission indicated on page 197 of the PBR Decision that the actual expenditures related to generation unit inspections should be monitored through the Annual Review process:

> *"Given the background and assurances provided by FBC, the Commission Panel finds that the proposal to include the $350,000 within the Base O&M is reasonable and is not persuaded there is a need to make it a flow through item at this time. However, in consideration of the concerns raised and the magnitude of the estimate, actual expenditures should be monitored through the Annual Review process."*

A description of the work undertaken in 2014 is provided below.

FBC completed a major unit inspection on Lower Bonnington Unit 2 (P1U2) on November 19, 2014. As background, P1U2 had experienced an upper guide bearing oil leak in 2012 that was fixed, but the residual oil from that event continued to drip (from areas that could not be cleaned), over the components adjacent to and directly below the upper guide bearing. The unit was taken offline on October 27th and by inspecting and testing was found to be in good mechanical and electrical condition, although dirty. The scope of the inspection included dismantling of the unit at the coupling, removing the rotor and performing in-depth mechanical and electrical inspection as well as a thorough cleaning of the unit. The unit was successfully restored back into service.

FBC gained some efficiencies through condition-based assessments of the various components resulting in some of the mechanical tasks, which were originally anticipated, not being required. The savings that resulted from the condition-based assessment of the various components was offset by the extra effort required to thoroughly clean the unit.

The project was successful and by performing this project the unit should continue to provide a dependable source of power.

The following table compares the estimated to the actual cost and hours.

**Table 6-5: 2014 Unit Inspection Costs, Lower Bonnington Unit 2 (Expense in $ millions)**

| | Budget | | | Actual | | |
|---|---|---|---|---|---|---|
| | Hours | | | Hours | | |
| | Electrical | Mechanical | Expense | Electrical | Mechanical | Expense |
| Project Total | 1,064 | 2,311 | $ 0.307 | 1,072 | 2,029 | $ 0.300 |
| Contingency | | | 0.046 | | | - |
| Total | 3,375 | | $ 0.353 | 3,101 | | $ 0.300 |

From the table above it can be seen that the actual project cost was close to the pre-contingency estimated amount. Had this unit been in poor condition, from either an electrical or a mechanical perspective, the project would have utilized some, if not all, of the contingency and potentially more. Actual costs for the other units will likewise reflect the actual condition of the unit when taken out of service. FBC believes that the initial estimate of $0.350 million per unit remains a reasonable estimate of the average unit cost of these major inspections.

## 6.6 *SUMMARY*

Overall the decrease in Gross O&M Expense from 2014 to 2015 is approximately 2.7 percent. The formula-driven O&M is increasing at a rate of 0.454 percent but this is offset by net decreases in O&M forecast outside of the formula, primarily due to lower pension and OPEB expenses. The capitalized overhead rate remains unchanged from 2014 at 15 percent.

# 7. RATE BASE

## 7.1 INTRODUCTION AND OVERVIEW

A regulated utility's rate base presents the net investment in assets necessary to provide service to its customers. The utility finances its rate base through a combination of debt and equity. The total interest and return on equity required to finance the utility's investment in rate base is known as earned return and forms a major component of the revenue requirement.

Utility rate base is comprised mostly of the Company's investment in property, plant and equipment necessary to provide service to its customers (Plant in Service). This investment is net of retirements, accumulated depreciation and amortization and contribution in aid of construction (CIAC), and includes construction work in progress (CWIP) not subject to allowance for funds used during construction (AFUDC). Also included in Rate Base are certain other expenditures approved by the Commission, primarily comprised of the plant acquisition adjustment related to generation plants, deferred DSM expenses and other deferred expenditures. Finally an allowance for working capital and adjustment for capital additions are also added to, or deducted from, rate base to reflect the actual invested capital required to finance the rate base.

The Company's 2015 rate base is forecast to be approximately $1,267 million, which is higher than 2014 by approximately 5 percent. This growth is primarily attributable to capital additions for new plant, both growth and sustainment, necessary to support customer growth and ensure safe and reliable supply of electricity to the Company's ratepayers.

## 7.2 2015 CAPITAL EXPENDITURES

Under the PBR Plan, FBC's capital expenditures are primarily determined by formula, with the addition of a number of items that are forecast outside the formula on an annual basis. In 2015, the formula-capital is $42.384 million, representing a 0.454 percent increase from 2014, entirely due to the formula drivers. Capital expenditures forecast outside the formula are $38.883 million, representing an approximate 31 percent decrease from the 2014 approved level. Overall the decrease in regular capital expenditures from 2014 approved to 2015 is approximately 18 percent. The components of 2015 regular capital expenditures are shown in Table 7-1 below.

**Table 7-1: 2015 Capital Expenditures**

| Line No. | Description | ($ millions) | Source |
|---|---|---|---|
| 1 | Formula Capital Expenditures | $ 42.384 | Table 7.2 Line 6 |
| 2 | Forecast Capital Expenditures | 38.883 | Table 7.3 Line 5 |
| 3 | Total Capital Expenditures | $ 81.266 | |

In the subsections below, FBC provides further details on its formula and forecast capital expenditures for 2015.

### 7.2.1 Formula Capital Expenditures

The formula-driven portion of regular capital expenditures starts from a base of the 2014 approved formula capital, escalated by the prior year's inflation less a productivity improvement factor of 1.03 percent, and one-half of the prior year's growth in average customers. As calculated in Section 2, the 2015 inflation based on prior year's BC-CPI and BC-AWE less the productivity improvement factor is 0.273 percent, and one-half of the prior year's average customer growth is 0.181 percent. In accordance with Order G-139-14, regular capital expenditure amounts will not be rebased to actual amounts during the term[16].

For 2015, the annual capital expenditures under the formula are calculated as:

2015 Capital = 2014 Capital x [(1 + (I Factor – X Factor)] x [1 + customer growth]

Table 7-2 below shows the calculation of the resulting 2015 formula capital expenditures.

**Table 7-2: Calculation of 2015 Formula Capital Expenditures**

| Line No. | Description | ($ millions) | | Source |
|---|---|---|---|---|
| 1 | 2014 Approved Formula Capital Expenditures | $ | 42.193 | FBC 2014 Rates Compliance Filing Table 1-A-2 Line 17 |
| 2 | | | | |
| 3 | Net Inflation Factor | | 0.273% | Section 2 Table 2-3 |
| 4 | Customer Growth Factor | | 0.181% | Section 2 Table 2-2 |
| 5 | | | | |
| 6 | 2015 Formula Capital Expenditures | $ | 42.384 | Line 1 x (1 + Line 3) x (1 + Line 4) |

### 7.2.2 Capital Expenditures Forecast Outside the Formula

The formula capital expenditures are then adjusted to add in pension and OPEB expense, and expenditures for the PCB Compliance and AMI projects, as well as 2013 capital deferred as approved by Order G-139-14. These amounts are shown in Table 7-3 below along with a comparison to the 2014 amounts.

[16] The exception is the operation of the capital deadband. In relation to the capital deadband, Page 172 of the PBR Decision states "The Panel finds this an appropriate mitigation, providing the dead-band trigger results in a rebasing of the capital formula, and that in this eventuality, the rebased amount be applied to the subsequent year's formula."

**Table 7-3: 2015 Forecast Capital Expenditures ($ millions)[17]**

| Line No. | Description | 2014 Approved | 2014 Adjustments | 2014 Restated | 2014 Projected | 2015 Forecast |
|---|---|---|---|---|---|---|
| 1 | Pension/OPEB (Capital Portion) | $ 6.396 | $ - | $ 6.396 | $ 6.396 | $ 4.253 |
| 2 | PCB Compliance - Substations | 6.062 | - | 6.062 | 9.431 | 0.200 |
| 3 | Advanced Metering Infrastructure | 16.533 | 2.239 | 18.772 | 13.800 | 28.139 |
| 4 | 2013 Deferred Capital | 27.542 | (2.239) | 25.303 | 23.036 | 6.291 |
| 5 | Forecast Capital Expenditures | $ 56.533 | $ - | $ 56.533 | $ 52.663 | $ 38.883 |

Each of the items forecast outside of the formula is described further below.

- The Pension and OPEB forecast of $4.253 million represents the forecast capital portion of the total Pension and OPEB costs for 2015. These amounts are described in Section 6.3.1.
- The PCB Compliance – Substations project is a major non-recurring expenditure required to meet the requirements of federal regulation for the removal of substation equipment with PCB concentrations exceeding 500 mg/kg and was approved by Orders G-195-10 and G-110-12. 2015 expenditures of $0.200 million will complete the project at a total forecast cost of $24.245 million, lower than the original forecast of $29.522 million, as a result of lower material and construction costs and scope reductions where conditions allowed.
- FBC's AMI project was approved by Order C-7-13 with an estimated cost of $50.898 million. Project components include the replacement of existing customer meters (excluding certain Industrial customers) with AMI enabled meters and the installation of the associated infrastructure to support the transmission of metering information from the AMI meters to FBC. Actual expenditures in 2014 were less than approved due to delayed project timing following an extensive CPCN review process and the Commission's directive to file for approval of an opt-out program prior to meter installation. The project will be substantially complete during 2015 and is expected to be on budget.
- In 2013, FBC experienced a prolonged labour dispute between the Company and its IBEW employees. The labour disruption primarily impacted the generation, transmission and distribution areas where approved capital projects were unable to be completed during 2013. As a result and as approved by the Commission in Order G-139-14, FBC deferred $37.539 million[18] of its planned 2013 capital expenditures (including $2.239 million of AMI expenditures planned for 2013) to 2014 and 2015. Of this amount, $23.036 million of deferred 2013 capital expenditures were completed in 2014 with a

[17] Approved 2014 Deferred capital included $2.239 million related to the AMI Project, which has been restated in Table 7-3 for consistency.
[18] FBC Evidentiary Update (Exhibit B1-6), page 58.

further $6.291 million forecast to be completed in 2015. No carry-over of deferred 2013 capital expenditures beyond 2015 is expected.

## 7.3 2015 PLANT ADDITIONS

The 2015 Plant Additions are comprised of FBC's 2015 capital expenditures from section 7.2 above plus AFUDC and overhead capitalized for the year. A reconciliation of capital expenditures to plant additions is shown below.

**Table 7-4: Reconciliation of Capital Expenditures to Plant Additions**

| Line No. | Description | $ millions | Source |
|---|---|---|---|
| 1 | Formula Capital Expenditures | $ 42.384 | Table 7-2 |
| 2 | Forecast Capital Expenditures | 38.883 | Table 7-3 |
| 3 | Total Capital Expenditures | 81.266 | |
| 4 | | | |
| 5 | Capitalized Overhead | 8.864 | Table 6-1 |
| 6 | Direct Overhead | 5.000 | |
| 7 | AFUDC | 0.592 | |
| 8 | Gross Capital Expenditure | 95.722 | |
| 9 | Cost of Removal charged to Accumulated Depreciation | (4.485) | |
| 10 | Change in Work in Progress | 7.479 | Section 11, Sch 4 |
| 11 | 2015 Plant Additions | $ 98.715 | |

## 7.4 CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)

Gross CIAC is composed of opening contributions plus additions during the year. The yearend CIAC balances net of accumulated amortization are $100.578 million in 2014 (projected) and $103.160 million forecast in 2015.

## 7.5 ACCUMULATED DEPRECIATION

The rate base of FBC includes the accumulated depreciation of plant in service, which is increased through depreciation expense, and decreased through retirements.

The depreciation rates used for 2015 are the same rates approved in Orders G-110-12 and C-7-13[19]. Depreciation is calculated starting January 1 of the year after the assets are placed in service.

Based on calculating depreciation expense at these approved depreciation rates on the opening plant-in-service balance, the 2015 depreciation expense is calculated as $52.151 million.

[19] In its approval of the AMI project, the Commission approved new depreciation rates for AMI meters, AMI Computer Equipment and Software, and AMI Communications Structures and Equipment.

## 7.6 *RATE BASE DEFERRED CHARGES*

The forecast mid-year balance of unamortized deferred charges in rate base for FBC is approximately $28.116 million in 2015 and this balance is driven largely by the balances in several deferral accounts including DSM, deferred debt issue expense and unamortized meter costs arising from the AMI project which were deferred pursuant to Order C-7-13.

Based on amortizing the opening deferral account balances using the approved amortization periods, the 2015 amortization expense for rate base deferral accounts is calculated as $3.013 million.[20]

## 7.7 *SUMMARY*

FBC's rate base includes the impact of both formula-driven capital expenditures and those capital expenditures that are forecast outside of the formula, adjusted for work-in-progress, AFUDC and overheads capitalized. In addition, FBC has provided forecasts for all of its rate base deferral accounts in its financial schedules Section 11 Schedule 7.

[20] Section 11, Schedule 21 Line 1 Column 2.

# 8. FINANCING AND RETURN ON EQUITY

## 8.1 INTRODUCTION AND OVERVIEW

FBC has prepared this Application using its approved capital structure of 60 percent debt and 40 percent equity and a Return on Equity (ROE) of 9.15 percent as approved by Orders G-75-13 and G-47-14. The 2015 forecast for financing costs, including the interest expense on issued long and short-term debt, have been updated as described in Section 8.3 below. Based on the updated financing costs, FBC's AFUDC Rate for 2015 (which is equal to its after-tax weighted average cost of capital) is 6.01 percent. Variances in the interest expense recovered in rates will be recorded in the Flow-through deferral account for return to or recovery from customers in the following year.

## 8.2 CAPITAL STRUCTURE AND RETURN ON EQUITY

The Company finances its investment in rate base assets with a mix of debt and equity, as approved by the Commission from time to time. Pursuant to Order G-75-13, the Commission approved a benchmark ROE of 8.75 percent for FEI, effective January 1, 2013 until December 31, 2015, with an Automatic Adjustment Mechanism (AAM) in place. Order G-47-14 further approved a capital structure of 60.0 percent debt and 40.0 percent equity with an equity risk premium of 40 basis points over the benchmark ROE for FBC. The AAM was not triggered for 2014 or 2015, such that the ROE percentage remains as approved in Orders G-75-13 and G-47-14. FBC has therefore prepared this Application using an ROE of 9.15 percent and a common equity percentage of 40 percent.

## 8.3 FINANCING COSTS

Debt financing costs include the borrowing costs on issued debt as well as on new issuances that are forecast. Debt consists of both long-term debt and short-term (unfunded) debt.

### 8.3.1 Long-term Debt

FBC is a public issuer of long-term debt. During October 2014, FBC issued long-term debt of $200 million at a rate of 4.0 percent for a term of 30 years which has been embedded into the long-term Weighted Average Cost of Debt. The proceeds of the issue were used to repay existing indebtedness, including repayment of the Series 04-1 debenture of $140 million which matured on November 28, 2014. This 2014 debt issuance was issued under a shelf prospectus program approved by the Commission in May 2013 pursuant to Order G-74-13 to issue medium term note (MTN) debentures up to an aggregate amount of $300 million. At this time, FBC is not forecasting any long term debt issues in 2015.

### 8.3.2 Short-term Debt

FBC obtains short-term funding primarily through the issuance of Bankers' Acceptances and prime lending rate margin loans, both drawn on its $150 million operating credit facility. The operating credit facility is comprised of a $100 million, three-year revolving facility maturing on May 3, 2017 and a $50 million, 364-day revolving facility maturing on April 30, 2015. FBC will renegotiate the extension of its credit facilities during 2015 with its lenders to ensure adequate liquidity is maintained. The operating credit facility provides liquidity to finance FBC's capital program and working capital requirements.

### 8.3.3 Forecast of Interest Rates

FBC uses interest rate forecasts to estimate future interest expense. Forecasts of Treasury Bills and benchmark Government of Canada Bond interest rates are used in determining the overall interest rates for short-term debt and for rates on new issues of long-term debt, respectively. The forecasts are based on available projections made by Canadian Chartered banks.

Credit spreads on new long-term debt are based on current indicative rates, on the assumption that the current credit ratings of FBC are maintained. As a result of the debt refinancing that occurred in 2014, the current embedded cost of long term debt is lower in 2015 as compared to 2014.

FBC's short-term borrowing rate is based on the rate at which it issues Bankers' Acceptances (or the Canadian Dealer Offered Rate or CDOR) plus an Acceptance Fee Rate, and on the Prime Lending Rate.

Since CDOR is not forecast by economists, a forecast needs to be derived by FBC; therefore, the Company must first obtain the 3-Month T-Bill rate forecast then convert it to a CDOR forecast. FBC does this by taking the 3 year historical spread between CDOR and the 3-month T-Bill rate which is calculated as 0.29 percent from 2009 to 2013. At the time of filing this Application, the 3-month T-Bill rate is projected to increase from 0.91 percent in 2014 to 1.36 percent in 2015. The Company then layers on the Acceptance Fee Rate which is 1.0 percent based on the pricing arising from the Company's April 2014 renewal of its operating credit facility agreement and its current credit ratings.

The Prime Lending Rate is projected to increase from 3.00 percent in 2014 to 3.41 percent by 2015. Based on the pricing arising from the April 2014 extension of FBC's operating credit facility agreement and its current credit ratings, there is no prime rate margin associated with Prime Rate Margin borrowings.

The short-term interest rate forecasts using current information are shown in Table 8-1 below.

**Table 8-1: Short Term Interest Rate Forecast**

| | 2014 | | 2015 |
|---|---|---|---|
| | Approved | Projected | Forecast |
| **Banker's Acceptances** | | | |
| 3 month T Bills[1] | 1.17% | 0.91% | 1.36% |
| Spread to CDOR | 0.27% | 0.29% | 0.29% |
| Acceptance Fee Rate | 1.00% | 1.00% | 1.00% |
| Banker's Acceptance ("BA")(Rounded) | **2.40%** | **2.20%** | **2.60%** |
| **Prime Lending Rate** | | | |
| Prime Rate | 3.20% | 3.00% | 3.41% |
| Prime Rate Margin | 0.00% | 0.00% | 0.00% |
| Prime Lending Rate | **3.20%** | **3.00%** | **3.41%** |
| | | | |
| Weighted Average Short-term rate[2] | **2.50%** | **2.20%** | **2.70%** |
| | | | |
| add: Standby Fee on Undrawn Credit[3] | **1.20%** | **0.31%** | **0.19%** |
| | | | |
| **FBC Short-term Interest Rate (Rounded)** | **3.70%** | **2.50%** | **2.90%** |

Notes:

[1] The 2014 projected 3 month T-Bill average is the average daily yield from January 2nd to November 20th, 2014

[2] Representative of the weighted average of BA rate and the Prime Lending Rate.

[3] Amounts undrawn on the credit facility are subject to a Standby fee, which is estimated to be 20 basis points in 2015 and beyond. In order to incorporate the standby fee into the short-term interest rate, the Standby Fee as shown reflects the amount payable had it been converted to a rate to be applied to the amount of operating credit facilities which has not been drawn upon through BAs and prime loans.

### 8.3.4 Interest Expense Forecast

The interest expense forecast reflects FBC's existing and projected borrowing costs on long-term debt and projected short-term debt.

The calculation for short-term interest expense is determined by applying the forecast short-term debt rate to the estimated short-term debt balance. Long-term debt interest expense is determined using the straight line method by multiplying the average balance of the specific debenture by the debt coupon rate, or forecast coupon rate, if it is a new issue. The 2015 long-term debt schedule for FBC can be found in Section 11, Schedule 28.

Also included in the total interest expense forecast, but excluded from the short-term interest rate determined in Table 8-1 above, are financing fees which are of a more fixed nature. These financing fees consist of banking agreement renewal fees, annual lender and agency fees, demand line interest and other minor interest charges such as interest due to customers on outstanding security deposits. Once these financing fees are combined with the variable short-

term interest rate from Table 8-1, the total 2015 short-term interest rate is forecast to be 3.67 percent.

FBC's Flow-through deferral account captures the variances in interest expense for return to or recovery from customers in the following year.

### 8.3.5 Allowance for Funds Used During Construction (AFUDC)

Based on the above information, FBC's AFUDC Rate for 2015 (which is equal to its after-tax weighted average cost of capital) is 6.01 percent. The calculation of the rate is shown in the following table.

As approved, FBC applies AFUDC to projects that are greater than 3 months in duration and greater than $100 thousand. The calculation of AFUDC for 2015 is as follows.

**Table 8-2: Calculation of AFUDC Rate for 2015**

| | Weight | Pre-Tax Rate | After-Tax Rate |
|---|---|---|---|
| Short Term Debt | 5.94% | 3.67% | 2.72% |
| Long Term Debt | 54.06% | 5.48% | 4.06% |
| Common Equity | 40.00% | 12.36% | 9.15% |
| Weighted Average | 100.00% | 8.13% | 6.01% |

## 8.4 *SUMMARY*

FBC's capital structure and return on equity have been approved for 2015 at the same percentages as approved for 2014. FBC's financing costs on rate base are primarily determined by embedded rates on long-term debt, and short-term debt rates, which are forecast to decline from the 2014 Approved.

# 9. TAXES

## 9.1 INTRODUCTION AND OVERVIEW

This section discusses FBC's forecasts of property taxes and income tax which have been forecast on a consistent basis with prior years. In 2015 property taxes are forecast to decrease 3.6 percent from 2014 Approved, while income tax is forecast to increase by $3.486 million compared to 2014 Approved. Any variances from the forecast of property taxes and income tax included in rates will be recorded in the Flow-through deferral account and returned to or collected from customers in the following year.

## 9.2 PROPERTY TAXES

Property taxes for 2015 of $15.331 million incorporate Company forecasts of assessed values of taxable assets, mill rates and taxes from revenues earned from electricity consumed within municipalities. A breakdown of property taxes by asset type is provided in Table 9-1 below.

**Table 9-1: Property Taxes ($millions)**

| Asset Type | Approved 2014 | Projected 2014 | Forecast 2015 |
|---|---|---|---|
| Generating Plant | $ 3.001 | $ 2.857 | $ 2.982 |
| Transmission and Distribution | 6.797 | 6.088 | 6.278 |
| Substation Equipment | 3.754 | 3.504 | 3.600 |
| Land and Buildings | 0.593 | 0.671 | 0.705 |
| In-Lieu | 1.757 | 1.672 | 1.766 |
| **Total Property Taxes** | $ 15.903 | $ 14.792 | $ 15.331 |
| Forecast Change | | | 3.6% |

As shown in the table above, in 2015 property taxes are forecast to decrease by 3.6 percent from 2014 Approved, but increase 3.6 percent compared to 2014 Projected. In general, the increase from 2014 Projected is due to changes in revenues from electricity expected to be consumed within municipalities, increases to assessed property values from normal construction activities, market value increases and changes in tax policies of local taxing authorities. The most significant forecast changes are as follows:

6. Tax rates were based on FBC's average annual change since 2008. On average:
   a. municipal rates are expected to increase by 2.3 percent;
   b. other tax authorities are expected to increase by 4.5 percent;
   c. school rates are expected to stay the same;
   d. rural rates are expected to decrease by 1 percent; and

e. tax rates on First Nations are expected to decrease 0.3 percent.

7. Revenues reported to municipalities are expected to increase by 5.6 percent based on actual revenues reported in 2014 for the 2015 tax year.

8. Changes in assessed values were based on information from the expected increases BC Assessment was proposing at the time the budget was developed. These include:

   a. A 2 percent increase in rates for both distribution and transmission lines;
   b. A 2.1 percent increase in cost manuals used for valuing generating facilities;
   c. A 1 percent increase in cost manuals used for valuing substations; and
   d. Land rate changes are expected to range between -0.9 percent for right of ways to +2 percent for fee owned properties.

Any variances from the forecast of property taxes included in rates will be recorded in the Flow-through deferral account and returned to or collected from customers in the following year.

## 9.3 *INCOME TAX*

FBC is subject to corporate income taxes imposed by the federal and BC governments. Current income taxes have been calculated using the flow-through (taxes payable) method, consistent with Commission-approved past practice, at the corporate tax rate of 26 percent for 2015, which is unchanged from 2014. The corporate tax rates used in this Application are based on the Canada Income Tax Act and the BC Income Tax Act enacted legislation and will be updated each year as part of the annual rate setting process.

2015 income tax is forecast to increase by $3.486 million compared to approved 2014. This increase is primarily due to increased revenues. This is partly offset by higher deductible temporary tax timing differences associated with a relatively higher increase in capital cost allowance as compared to depreciation. The forecast AMI project expenditures going into service during 2015 are partially driving the higher CCA as compared to depreciation.

## 9.4 *SUMMARY*

FBC has forecast its property and income taxes on a basis consistent with prior years, utilizing enacted legislation for income taxes, and forecast changes for property tax rates and assessments.

# 10. EARNINGS SHARING

The PBR Decision (at pages 120-121) stated that the inclusion of a 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. As described below, FBC is projecting O&M savings in 2014 and, as a result, FBC proposes to distribute $0.330 million to customers in 2015 as a reduction in 2015 revenue requirements.

Following the PBR Decision, FBC sought clarification from the Commission regarding what was to be included in the earnings sharing calculation. Commission Order G-163-14 clarified the treatment of variances from forecast and the earnings sharing, stating on page 3 of the accompanying decision:

> *"…the Commission Panel confirms its determination in the PBR Decisions that all items that are flowed through or re-forecast each year are excluded from the calculation of the 50/50 ESM. For further clarity, this means that only items which are to be subject to the 50/50 ESM are those amounts which are included in the Operating and Maintenance (O&M) and Capital spending formulae." [emphasis added]*

As set out in FBC's letter dated November 7, 2014 in response to Order G-163-14, FBC will calculate the earnings sharing 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&M[21] x 50% +
>
> ((Cumulative formula-driven capital expenditures less cumulative actual base capital expenditures[22]) x equity percentage x approved return on equity x 50%) divided by (1 – the tax rate)

As discussed in Section 1.3, FBC is projecting 2014 formula-driven O&M savings at $0.699 million, and formula-driven capital expenditures in excess of the formula by $0.804 million.

Based on these amounts, the earnings sharing calculation is projected at $0.330 million, calculated as set out in Table 10-1 below.

[21] Excluding items that are reforecast outside of the formula.
[22] Ibid

**Table 10-1: Calculation of Earnings Sharing for 2015 ($ millions)**

| Line No. | Description | $Millions | Reference |
|---|---|---|---|
| | (1) | (2) | (3) |
| 1 | Approved Formula O&M | 52.745 | G-139-14 |
| 2 | | | |
| 3 | Actual/Projected Gross O&M | 59.723 | |
| 4 | Less: O&M Tracked Outside of Formula | | |
| 5 | Pension/OPEB (O&M portion) | 5.904 | |
| 6 | Insurance | 1.341 | |
| 7 | Advanced Metering Infrastructure Cost / (Savings) 2014 | 0.431 | |
| 8 | Total | 7.677 | Sum of Lines 5 through 7 |
| 9 | | | |
| 10 | Actual/Projected Base O&M | 52.046 | Line 3 - Line 11 |
| 11 | | | |
| 12 | O&M Subject to Sharing | (0.699) | Line 10 - Line 1 |
| 13 | | | |
| 14 | | | |
| 15 | Cumulative Formula CapEx | 42.193 | G-139-14 |
| 16 | | | |
| 17 | Cumulative Total Regular CapEx | 49.393 | |
| 18 | Less: Cumulative Pension and OPEB | 6.396 | |
| 19 | Actual/Projected Cumulative Base CapEx | 42.997 | Line 17 - Line 18 |
| 20 | | | |
| 21 | Actual/Projected Cumulative Base CapEx Variance | 0.804 | Line 19 - Line 15 |
| 22 | Equity Component of Rate Base | 40.00% | G-47-14 |
| 23 | Approved Return on Equity | 9.15% | G-75-13/G-47-14 |
| 24 | After Tax CapEx Subject to Sharing | 0.029 | |
| 25 | Tax Rate | 26.00% | G-139-14 |
| 26 | | | |
| 27 | Before Tax CapEx Subject to Sharing | 0.040 | Line 24 / (1 - Line 25) |
| 28 | | | |
| 29 | Total before Tax Sharing Account | (0.659) | Line 12 + Line 27 |
| 30 | Sharing Precentage | 50.00% | G-139-14 |
| 31 | | | |
| 32 | Earnings Sharing with Customers | (0.330) | Line 29 x Line 30 |

FBC proposes to distribute $0.330 million to customers in 2015 as a reduction in 2015 revenue requirements through amortization of the projected 2015 opening balance in the Earnings Sharing deferral account.

As part of the 2015 Annual Review to set 2016 rates, the earnings sharing for 2014 will be subject to a true-up. This true-up will account for the actual O&M and capital expenditure amounts for 2014, as well as impacts, if any, associated with non-performance of Service Quality Metrics, based on final 2014 results.

# 11. FINANCIAL SCHEDULES

## Table of Contents

**FORTISBC INC.** February 6, 2015 Section 11

**Summary of Rate Change** Schedule 1
**($000s)**

| Line No. | Particulars | Approved 2014 | Forecast 2015 | Change | Cross Reference |
|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) |
| 1 | Sales Volume (GWh) | 3,240 | 3,224 | (17) | Section 11, Sch 14 |
| 2 | Rate Base ($ thousands) | 1,203,963 | 1,267,216 | 63,253 | Section 11, Sch 2 |
| 3 | Return on Rate Base | 7.20% | 6.84% | -0.36% | Section 11, Sch 27 |
| 4 | | | | | |
| 5 | | | | | |
| 6 | **POWER SUPPLY** | | | | |
| 7 | Power Purchases | $ 87,163 | $ 117,837 | $ 30,674 | Section 11, Sch 15 |
| 8 | Water Fees | 9,928 | 9,796 | (132) | Section 11, Sch 16 |
| 9 | | 97,091 | 127,633 | 30,542 | |
| 10 | **OPERATING** | | | | |
| 11 | O&M Expense | 60,710 | 59,092 | (1,618) | Section 11, Sch 17 |
| 12 | Capitalized Overhead | (9,106) | (8,864) | 243 | Section 11, Sch 17 |
| 13 | Wheeling | 5,224 | 4,734 | (490) | Section 11, Sch 18 |
| 14 | Other Income | (7,582) | (8,272) | (691) | Section 11, Sch 19 |
| 15 | | 49,246 | 46,690 | (2,555) | |
| 16 | **TAXES** | | | | |
| 17 | Property Taxes | 15,903 | 15,331 | (572) | Section 11, Sch 20 |
| 18 | Income Taxes | 3,423 | 6,909 | 3,486 | Section 11, Sch 24 |
| 19 | | 19,326 | 22,240 | 2,914 | |
| 20 | **FINANCING** | | | | |
| 21 | Cost of Debt | 42,646 | 40,308 | (2,338) | Section 11, Sch 27 |
| 22 | Cost of Equity | 44,065 | 46,380 | 2,315 | Section 11, Sch 27 |
| 23 | Depreciation and Amortization | 41,348 | 52,805 | 11,457 | Section 11, Sch 21 |
| 24 | | 128,059 | 139,493 | 11,434 | |
| 25 | | | | | |
| 26 | **TOTAL REVENUE REQUIREMENT** | $ 293,720 | $ 336,057 | $ 42,332 | |
| 27 | | | | | |
| 28 | LESS: REVENUE AT PRIOR YEAR RATES | 312,924 | 321,134 | 8,210 | Section 11, Sch 14 |
| 29 | REVENUE DEFICIENCY | $ (19,204) | $ 14,923 | $ 34,127 | |
| 30 | | | | | |
| **31** | **RATE INCREASE** | **-6.1%** | **4.6%** | **10.7%** | |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**UTILITY RATE BASE** Schedule 2
**($000s)**

| Line No. | Particulars | Approved 2014 | Forecast 2015 | Change | Cross Reference |
|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) |
| 1 | Plant in Service, January 1 | $ 1,673,361 | $ 1,785,587 | $ 112,226 | |
| 2 | Net Additions | 101,406 | 80,375 | (21,031) | Section 11, Sch 4 |
| 3 | Plant in Service, December 31 | 1,774,766 | 1,865,962 | 91,196 | |
| 4 | | | | | |
| 5 | Add: | | | | |
| 6 | CWIP not subject to AFUDC | 8,821 | 7,656 | (1,165) | Section 11, Sch 4 |
| 7 | Plant Acquisition Adjustment | 11,912 | 11,912 | - | Section 11, Sch 4 |
| 8 | Deferred and Preliminary Charges | 24,116 | 32,087 | 7,971 | Section 11, Sch 7 |
| 9 | | | | | |
| 10 | | 1,819,615 | 1,917,617 | 98,002 | |
| 11 | Less: | | | | |
| 12 | Accumulated Depreciation | | | | |
| 13 | and Amortization | 476,189 | 513,963 | 37,774 | Section 11, Sch 9 |
| 14 | Contributions in Aid of Construction | 99,628 | 103,160 | 3,532 | Section 11, Sch 10 |
| 15 | | 575,816 | 617,123 | 41,307 | |
| 16 | | | | | |
| 17 | Depreciated Rate Base | 1,243,799 | 1,300,494 | 56,695 | |
| 18 | | | | | |
| 19 | Prior Year Depreciated Utility Rate Base | 1,186,925 | 1,253,695 | 66,770 | |
| 20 | | | | | |
| 21 | Mean Depreciated Utility Rate Base | 1,215,362 | 1,277,094 | 61,732 | |
| 22 | Add: | | | | |
| 23 | Allowance for Working Capital | 1,631 | 1,934 | 303 | Section 11, Sch 11 |
| 24 | Deferred Opening Balance Adjustment | (74) | - | 74 | |
| 25 | Adjustment for Capital Additions | (12,956) | (11,812) | 1,144 | Section 11, Sch 12 |
| 26 | | | | | |
| 27 | **Mid-Year Utility Rate Base** | **$ 1,203,963** | **$ 1,267,216** | **$ 63,253** | |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**PLANT IN SERVICE CONTINUITY SCHEDULE** Schedule 3
**FOR THE YEAR ENDING DECEMBER 31, 2015**
**($000s)**

| Line No. | Account | Particulars | December 31 2014 | Additions | Retirements | December 31 2015 |
|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| | | **Hydraulic Production Plant** | | (000s) | | |
| 1 | 330 | Land Rights | $ 962 | $ - | $ - | $ 962 |
| 2 | 331 | Structures and Improvements | 16,146 | - | (6) | 16,140 |
| 3 | 332 | Reservoirs, Dams & Waterways | 30,730 | 1,108 | (34) | 31,804 |
| 4 | 333 | Water Wheels, Turbines and Gen. | 95,722 | - | (30) | 95,691 |
| 5 | 334 | Accessory Equipment | 45,489 | 610 | (535) | 45,564 |
| 6 | 335 | Other Power Plant Equipment | 44,269 | 945 | (170) | 45,043 |
| 7 | 336 | Roads, Railroads and Bridges | 1,287 | - | - | 1,287 |
| 8 | | | 234,604 | 2,662 | (775) | 236,492 |
| 9 | | **Transmission Plant** | | | | |
| 10 | 350 | Land Rights-R/W | 8,976 | 245 | - | 9,222 |
| 11 | 350.1 | Land Rights-Clearing | 8,206 | 245 | - | 8,452 |
| 12 | 353 | Station Equipment | 195,687 | 13,425 | (280) | 208,832 |
| 13 | 355 | Poles Towers & Fixtures | 100,246 | 6,718 | (461) | 106,503 |
| 14 | 356 | Conductors and Devices | 97,512 | 2,844 | (465) | 99,891 |
| 15 | 359 | Roads and Trails | 1,121 | - | - | 1,121 |
| 16 | | | 411,748 | 23,478 | (1,206) | 434,020 |
| 17 | | **Distribution Plant** | | | | |
| 18 | 360 | Land Rights-R/W | 3,604 | - | - | 3,604 |
| 19 | 360.1 | Land Rights-Clearing | 10,330 | - | - | 10,330 |
| 20 | 362 | Station Equipment | 256,270 | - | (354) | 255,916 |
| 21 | 364 | Poles Towers & Fixtures | 194,446 | 19,212 | (435) | 213,224 |
| 22 | 365 | Conductors and Devices | 279,529 | 8,697 | (415) | 287,811 |
| 23 | 368 | Line Transformers | 125,183 | 2,518 | (972) | 126,729 |
| 24 | 369 | Services | 9,521 | - | - | 9,521 |
| 25 | 370 | Meters | 13,324 | - | (13,324) | - |
| 26 | 370.1 | AMI Meters | 8,343 | 24,750 | - | 33,093 |
| 27 | 371 | Installation on Customers' Premises | 938 | - | - | 938 |
| 28 | 373 | Street Lighting and Signal System | 12,060 | - | (59) | 12,002 |
| 29 | | | 913,550 | **55,177** | (15,559) | 953,168 |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**PLANT IN SERVICE CONTINUITY SCHEDULE** Schedule 4
**FOR THE YEAR ENDING DECEMBER 31, 2015**
**($000s)**

| Line No. | Account | Particulars | December 31 2014 | Additions | Retirements | December 31 2015 |
|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| 1 | | **General Plant** | | | | |
| 2 | 389 | Land | $ 11,005 | $ - | $ - | 11,005 |
| 3 | 390 | Structures-Frame & Iron | 337 | - | - | 337 |
| 4 | 390.1 | Structures-Masonry | 42,945 | 1,023 | - | 43,968 |
| 5 | 391 | Office Furniture & Equipment | 6,293 | 505 | - | 6,798 |
| 6 | 391.1 | Computer Equipment | 87,056 | 6,709 | (121) | 93,644 |
| 7 | 391.2 | AMI Software | 10,979 | 3,187 | - | 14,166 |
| 8 | 392 | Transportation Equipment | 23,642 | 1,967 | (610) | 24,998 |
| 9 | 394 | Tools and Work Equipment | 13,339 | 602 | (71) | 13,870 |
| 10 | 397 | Communication Structures and Equipment | 27,640 | 573 | - | 28,213 |
| 11 | 397.2 | AMI Communications Structure & Equip. | 2,449 | 2,832 | - | 5,281 |
| 12 | | | 225,685 | 17,399 | (802) | 242,282 |
| 13 | | | | | | |
| 14 | 101 | Plant in Service | 1,785,587 | $ 98,716 | $ (18,341) | 1,865,962 |
| 15 | 107.1 | Plant under construction not subject | | | | |
| 16 | | to AFUDC | 8,175 | | | 7,656 |
| 17 | 107.2 | Plant under construction | | | | |
| 18 | | subject to AFUDC | 7,549 | | | 589 |
| 19 | 114 | Utility Plant Acquisition Adjustment | 11,912 | | | 11,912 |
| 20 | | | | | | |
| 21 | 105 | Utility Plant per Balance Sheet | $ 1,813,222 | | | $ 1,886,118 |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**FORMULA CAPITAL EXPENDITURES** Schedule 5
**($000s)**

| Line No. | Particulars | 2013 Base | 2014 Formula | 2015 Formula |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| 1 | | | | |
| 2 | | | | |
| 3 | **Cost Drivers for Formulaic Capital** | | | |
| 4 | CPI | | 0.473% | 0.884% |
| 5 | AWE | | 2.277% | 1.646% |
| 6 | Labour Split | | | |
| 7 | Non Labour | | 45.000% | 45.000% |
| 8 | Labour | | 55.000% | 55.000% |
| 9 | CPI/AWE (line 4 * line 7) + (line 5 * line 8) | | 1.465% | 1.303% |
| 10 | Productivity Factor | | -1.030% | -1.030% |
| 11 | Customer Growth | | 0.326% | 0.181% |
| 12 | Net Inflation Factor (1 + line 9 + line 10) * (1 + line 11) | | **100.758%** | **100.454%** |
| 13 | | | | |
| 14 | **Base Capital ($ thousands)** | $ 48,616 | | |
| 15 | Remove Capital tracked outside of Formula | | | |
| 16 | Pension/OPEB (Capital portion) | (6,741) | | |
| 17 | **Capital Subject to Formula (prior year * line 12)** | **41,875** | **42,193** | **42,384** |
| 18 | Capital tracked outside of Formula | | | |
| 19 | Pension/OPEB (Capital portion) | 6,741 | 6,396 | 4,253 |
| 20 | | | | |
| 21 | **Formula Capital Expenditures** | **48,616** | **48,589** | **46,637** |
| 22 | | | | |
| 23 | Add: Forecast Capital Expenditures | | | |
| 24 | PCB Compliance - Substations | | 6,062 | 200 |
| 25 | Advanced Metering Infrastructure Project | | 16,533 | 28,139 |
| 26 | 2013 Deferred Capital | | 27,542 | 6,291 |
| 27 | | | | |
| 28 | **Total Capital Expenditures** | | **$ 98,726** | **$ 81,266** |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**CAPITAL EXPENDITURES AND PLANT ADDITIONS** Schedule 6
**FOR THE YEAR ENDING DECEMBER 31, 2015**
**($000s)**

| Line No. | Particulars | 2015 Formula | Cross Reference |
|---|---|---|---|
| | (1) | (2) | (3) |
| 1 | **CAPITAL EXPENDITURES** | | |
| 2 | Formula Capital Expenditures | $ 42,384 | Section 11, Sch 5 |
| 3 | Forecast Capital Expenditures | 38,883 | Section 11, Sch 5 |
| 4 | **TOTAL CAPITAL EXPENDITURES** | **$ 81,266** | |
| 5 | | | |
| 6 | | | |
| 7 | **RECONCILIATION OF CAPITAL EXPENDITURES TO PLANT ADDITIONS** | | |
| 8 | | | |
| 9 | Total Capital Expenditures | $ 81,266 | |
| 10 | Add - Capitalized Overheads | 8,864 | Section 11, Sch 17 |
| 11 | Add - Direct Overheads | 5,000 | |
| 12 | Add - AFUDC | 592 | |
| 13 | Gross Capital Expenditures | $ 95,722 | |
| 14 | Less - Cost of Removal charged to Accumulated Depreciation | (4,485) | |
| 15 | Add - Change in Construction Work in Progress | 7,479 | Section 11, Sch 4 |
| 16 | | | |
| 17 | **ADDITIONS TO PLANT IN SERVICE** | **$ 98,716** | |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**UNAMORTIZED DEFERRED CHARGES AND AMORTIZATION** Schedule 7
**FOR THE YEAR ENDING DECEMBER 31, 2015**
**($000s)**

| Line No. | Particulars | Balance at Dec. 31, 2014 | Opening Balance Transfer/ Adj | Additions & Transfers | Less Taxes | Transfers to Other Accounts | Amortization | Balance at Dec. 31, 2015 |
|---|---|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| 1 | **Energy Policy** | | | | | | | |
| 2 | Demand Side Management | $ 18,240 | $ - | $ 7,394 | $ (1,923) | $ - | $ (2,452) | $ 21,260 |
| 3 | On Bill Financing (OBF) Pilot Program | - | 38 | - | - | - | (10) | 28 |
| 4 | | 18,240 | 38 | 7,394 | (1,923) | - | (2,462) | 21,288 |
| 5 | | | | | | | | |
| 6 | **Preliminary and Investigative Charges** | | | | | | | |
| 7 | Preliminary and Investigative Charges | - | - | 150 | - | - | - | 150 |
| 8 | | - | | 150 | - | - | - | 150 |
| 9 | | | | | | | | |
| 10 | **Other** | | | | | | | |
| 11 | Right of Way Reclamation (Pine Beetle Kill) | 692 | - | - | - | - | (173) | 519 |
| 12 | Deferred Debt Issue Costs | 4,217 | - | - | (93) | - | (179) | 3,946 |
| 13 | Accounting Treatment of Existing Meters (AMI Project) | 995 | - | 5,388 | - | - | (199) | 6,184 |
| 14 | | 5,904 | - | 5,388 | (93) | - | (551) | 10,649 |
| 15 | | | | | | | | |
| 16 | **Total** | **$ 24,144** | **$ 38** | **$ 12,933** | **$ (2,015)** | **$ -** | **$ (3,013)** | **$ 32,087** |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**DEPRECIATION CONTINUITY SCHEDULE**
**FOR THE YEAR ENDING DECEMBER 31, 2015**
**($000s)** Schedule 8

| Line No. | Account | Particulars | Acc. Prov. For Depreciation Dec. 31, 2014 | Deprec. Rate | Asset Balance Dec. 31, 2014 | Depreciation Expense Dec. 31, 2015 | Charges less Recoveries | Acc. Prov. For Depreciation Dec. 31, 2015 |
|---|---|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8 |
| 1 | | **Hydraulic Production Plant** | | | | | | |
| 2 | 330 | Land Rights | $ (435) | 3.8% | $ 962 | $ 37 | $ - | $ (398) |
| 3 | 331 | Structures and Improvements | 5,764 | 1.3% | 16,146 | 208 | (6) | 5,966 |
| 4 | 332 | Reservoirs, Dams and Waterways | 7,412 | 2.0% | 30,730 | 618 | (109) | 7,922 |
| 5 | 333 | Water Wheels, Turbines & Generators | 8,273 | 2.0% | 95,722 | 1,867 | (30) | 10,110 |
| 6 | 334 | Accessory Electrical Equipment | 8,887 | 2.4% | 45,489 | 1,074 | (576) | 9,385 |
| 7 | 335 | Other Power Plant Equipment | 12,621 | 2.3% | 44,269 | 1,027 | (234) | 13,414 |
| 8 | 336 | Roads, Railroads, and Bridges | 562 | 1.5% | 1,287 | 19 | - | 581 |
| 10 | | | 43,084 | 2.1% | 234,604 | 4,850 | (955) | 46,979 |
| 11 | | **Transmission Plant** | | | | | | |
| 12 | 350 | Land Rights - R/W | (62) | 0.0% | 8,976 | - | - | (62) |
| 13 | 350.1 | Land Rights - Clearing | 2,494 | 1.5% | 8,206 | 121 | - | 2,615 |
| 14 | 353 | Station Equipment | 16,455 | 3.4% | 195,687 | 6,732 | (1,437) | 21,750 |
| 15 | 355 | Poles Towers & Fixtures | 16,061 | 2.6% | 100,246 | 2,646 | (1,040) | 17,667 |
| 16 | 356 | Conductors and Devices | 9,666 | 2.1% | 97,512 | 1,999 | (710) | 10,955 |
| 17 | 359 | Roads and Trails | 212 | 2.7% | 1,121 | 30 | - | 242 |
| 18 | | | 44,826 | 2.8% | 411,748 | 11,528 | (3,186) | 53,167 |
| 19 | | **Distribution Plant** | | | | | | |
| 20 | 360 | Land Rights - R/W | (868) | 0.0% | 3,604 | - | - | (868) |
| 21 | 360.1 | Land Rights - Clearing | 995 | 2.7% | 10,330 | 275 | - | 1,270 |
| 22 | 362 | Station Equipment | 90,209 | 2.2% | 256,270 | 5,664 | (354) | 95,518 |
| 23 | 364 | Poles Towers & Fixtures | 49,418 | 2.1% | 194,446 | 4,142 | (1,986) | 51,573 |
| 24 | 365 | Conductors and Devices | 83,757 | 2.6% | 279,529 | 7,184 | (1,117) | 89,824 |
| 25 | 368 | Line Transformers | 29,077 | 3.4% | 125,183 | 4,269 | (1,175) | 32,171 |
| 26 | 369 | Services | 6,585 | 0.2% | 9,521 | 15 | - | 6,600 |
| 27 | 370 | Meters | 7,046 | 6.7% | 13,324 | 890 | (7,936) | - |
| 28 | 370.1 | AMI Meters | - | 5.0% | 8,343 | 417 | - | 417 |
| 29 | 371 | Installation on Customers' Premises | (3,413) | 0.0% | 938 | - | - | (3,413) |
| 30 | 373 | Street Lighting and Signal Systems | 4,300 | 2.4% | 12,060 | 287 | (59) | 4,529 |
| 31 | | | 267,106 | 2.5% | 913,550 | 23,143 | (12,628) | 277,622 |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**DEPRECIATION CONTINUITY SCHEDULE (Continued)** Schedule 9
**FOR THE YEAR ENDING DECEMBER 31, 2015**
**($000s)**

| Line No. | Account | Particulars | Acc. Prov. For Depreciation Dec. 31, 2014 | Deprec. Rate | Asset Balance Dec. 31, 2014 | Depreciation Expense Dec. 31, 2015 | Charges less Recoveries | Acc. Prov. For Depreciation Dec. 31, 2015 |
|---|---|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8 |
| 1 | | **General Plant** | | | | | | |
| 2 | 389 | Land | 897 | 0.0% | 11,005 | - | - | 897 |
| 3 | 390 | Structures - Frame & Iron | 546 | 0.7% | 337 | 2 | - | 548 |
| 4 | 390.1 | Structures - Masonry | 11,380 | 6.1% | 39,188 | 2,394 | - | 13,774 |
| 5 | 391 | Office Furniture & Equipment | 5,328 | 3.6% | 6,293 | 229 | - | 5,557 |
| 6 | 391.1 | Computer Equipment | 64,636 | 7.6% | 87,056 | 6,625 | (121) | 71,140 |
| 7 | 391.2 | AMI Software | - | 10.0% | 10,979 | 1,098 | - | 1,098 |
| 8 | 392 | Transportation Equipment | 5,183 | 10.7% | 23,642 | 2,532 | (478) | 7,238 |
| 9 | 394 | Tools and Work Equipment | 9,541 | 4.0% | 13,339 | 538 | (71) | 10,009 |
| 10 | 397 | Communication Structures and Equipment | 14,787 | 8.1% | 27,640 | 2,225 | - | 17,012 |
| 11 | 397.2 | AMI Communications Structure & Equip. | - | 6.7% | 2,449 | 163 | - | 163 |
| 12 | | | 112,299 | 7.1% | 221,928 | 15,806 | (669) | 127,436 |
| 13 | | | | | | | | |
| 14 | 108 | Total Accumulated Depreciation | 467,315 | 3.1% | 1,781,830 | 55,327 | (17,438) | 505,204 |
| 15 | | | | | | | | |
| 16 | | Deduct - Portion of CIAC Depreciated | - | | | (3,705) | | |
| 17 | | | | | | | | |
| 18 | 403 | Depreciation Expense | | | | 51,622 | | |
| 19 | | | | | | | | |
| 20 | | **Other** | | | | | | |
| 21 | 114 | Utility Plant Acquisition Adjustment | 5,768 | | | 186 | | 5,954 |
| 22 | 390 | Leasehold Improvements | 2,772 | | | 33 | | 2,805 |
| 23 | | Rate Stabilization Adjustment | (311) | | | 311 | | - |
| 24 | | Total Accumulated Amortization | 8,230 | | | 529 | | 8,759 |
| 25 | | | | | | | | |
| 26 | | Accumulated Amortization per | | | | | | |
| 27 | | Balance Sheet | **$ 475,545** | | | **$ 52,151** | | **$ 513,963** |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**CONTRIBUTIONS IN AID OF CONSTRUCTION** Schedule 10
**FOR THE YEAR ENDING DECEMBER 31, 2015**
**($000s)**

| Line No. | Particulars | Balance at Dec. 31, 2014 | Additions | Balance at Dec. 31, 2015 |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| 1 | Gross Book Value | $ 157,666 | $ 6,287 | $ 163,953 |
| 2 | | | | |
| 3 | Accumulated Depreciation | (57,088) | (3,705) | (60,793) |
| 4 | | | | |
| 5 | **Net Book Value** | **$ 100,578** | | **$ 103,160** |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**ALLOWANCE FOR WORKING CAPITAL** Schedule 11
**FOR THE YEAR ENDING DECEMBER 31, 2015**
**($000s)**

| Line No. | Particulars | Lag (Lead) Days | 2015 Forecast | 2015 Extended | Weighted Average Lag Days |
|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) |
| 1 | **Lag Days Calculation** | | | | |
| 2 | | | | | |
| 3 | **Revenue** | | | | |
| 4 | Tariff Revenue | 45.3 | $ 336,057 | $ 15,223 | |
| 5 | *Other Revenue:* | | | | |
| 6 | Apparatus and Facilities Rental | 27.4 | 4,380 | 120 | |
| 7 | Contract Revenue | 43.6 | 1,544 | 67 | |
| 8 | Miscellaneous Revenue | 44.7 | 2,291 | 102 | |
| 9 | Investment Income | 15.2 | 57 | 1 | |
| 10 | | | **$ 344,329** | **$ 15,514** | **45.1** |
| 11 | | | | | |
| 12 | **Expenses** | | | | |
| 13 | Power Purchases | 41.7 | 117,837 | 4,914 | |
| 14 | Wheeling | 40.2 | 4,734 | 190 | |
| 15 | Water Fees | (1.0) | 9,796 | (10) | |
| 16 | *Operating Labour:* | | | | |
| 17 | Salaries & Wages | 5.3 | 16,996 | 90 | |
| 18 | Employee Benefits | 13.2 | 13,597 | 179 | |
| 19 | Contracted Manpower | 50.6 | 12,262 | 620 | |
| 20 | Property Tax | 1.4 | 15,331 | 21 | |
| 21 | Rental of T&D Facilities | 48.6 | 3,372 | 164 | |
| 22 | Office Lease - Kelowna | (15.2) | 755 | (11) | |
| 23 | Materials | 45.6 | 1,727 | 79 | |
| 24 | Insurance | (182.5) | 1,520 | (277) | |
| 25 | Income Tax | 15.2 | 6,909 | 105 | |
| 26 | Interest | 85.2 | 40,308 | 3,434 | |
| 27 | | | **$ 245,143** | **$ 9,499** | **38.7** |
| 28 | | | | | |
| 29 | **Net Lag/(Lead) Days** | | | | **6.4** |
| 30 | | | | | |
| 31 | | | | | |
| 32 | **Forecast Working Capital Allowance** | | | | |
| 33 | | | | | |
| 34 | Lead-Lag Study Allowance | | | | $ 4,298 |
| 35 | Net Lag Days/365 times Expenses | | | | |
| 36 | | | | | |
| 37 | Add Funds Unavailable: | | | | |
| 38 | Customer Loans (related to energy management) | | | 1,100 | |
| 39 | Employee Loans | | | 280 | |
| 40 | Uncollectable Accounts | | | 1,224 | |
| 41 | Inventory (forecast monthly average investment) | | | 537 | |
| 42 | | | | | 3,141 |
| 43 | Less Funds Available: | | | | |
| 44 | Average Customer Deposits | | | 4,085 | |
| 45 | Average Provincial Services Tax | | | 704 | |
| 46 | Average Goods and Services Tax | | | 716 | |
| 47 | | | | | 5,505 |
| 48 | | | | | |
| 49 | **ALLOWANCE FOR WORKING CAPITAL** | | | | **$ 1,934** |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**ADJUSTMENT FOR CAPITAL ADDITIONS** Schedule 12
**FOR THE YEAR ENDING DECEMBER 31, 2015**
**($000s)**

| Line No. | Particulars | Plant in Service | Months in Rate Base | Weighted Value |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| 1 | January | $ 4,739 | 11.5 | $ 4,541 |
| 2 | February | 1,649 | 10.5 | 1,443 |
| 3 | March | 5,290 | 9.5 | 4,188 |
| 4 | April | 4,721 | 8.5 | 3,344 |
| 5 | May | 9,711 | 7.5 | 6,070 |
| 6 | June | 6,854 | 6.5 | 3,712 |
| 7 | July | 4,542 | 5.5 | 2,082 |
| 8 | August | 4,395 | 4.5 | 1,648 |
| 9 | September | 8,368 | 3.5 | 2,441 |
| 10 | October | 12,791 | 2.5 | 2,665 |
| 11 | November | 12,550 | 1.5 | 1,569 |
| 12 | December | 16,820 | 0.5 | 701 |
| 13 | | | | |
| 14 | Total | **$ 92,430** | | **$ 34,403** |
| 15 | | | | |
| 16 | Less Simple Average | | | 46,215 |
| 17 | | | | |
| 18 | **ADJUSTMENT FOR CAPITAL ADDITIONS** | | | **$ (11,812)** |
| 19 | | | | |
| 20 | Capital Additions Reduced for Contributions in Aid of Construction | | | |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**UTILITY INCOME AND EARNED RETURN** Schedule 13
**($000s)**

| Line No. | Particulars | Approved 2014 | Forecast 2015 | Change | Cross-Reference |
|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) |
| 1 | SALES VOLUME (GWh) | 3,240 | 3,224 | (17) | Section 11, Sch 14 |
| 2 | | | | | |
| 3 | ELECTRICITY SALES REVENUE | $ 293,720 | $ 336,057 | $ 42,337 | |
| 4 | | | | | |
| 5 | EXPENSES | | | | |
| 6 | Power Purchases | 87,163 | 117,837 | 30,674 | Section 11, Sch 15 |
| 7 | Water Fees | 9,928 | 9,796 | (132) | Section 11, Sch 16 |
| 8 | Net O&M Expense | 51,603 | 50,228 | (1,375) | Section 11, Sch 17 |
| 9 | Wheeling | 5,224 | 4,734 | (490) | Section 11, Sch 18 |
| 10 | Other Income | (7,582) | (8,272) | (690) | Section 11, Sch 19 |
| 11 | Property Taxes | 15,903 | 15,331 | (572) | Section 11, Sch 20 |
| 12 | Depreciation and Amortization | 41,348 | 52,805 | 11,457 | Section 11, Sch 21 |
| 13 | UTILITY INCOME BEFORE TAX | 90,133 | 93,597 | 3,464 | |
| 14 | Less: | | | | |
| 15 | INCOME TAXES | 3,423 | 6,909 | 3,486 | Section 11, Sch 24 |
| 16 | | | | | |
| 17 | EARNED RETURN | $ 86,711 | $ 86,688 | $ (23) | |
| 18 | RETURN ON RATE BASE | | | | |
| 19 | Utility Rate Base | $ 1,203,963 | $ 1,267,216 | $ 63,253 | Section 11, Sch 2 |
| 20 | Return on Rate Base | 7.20% | 6.84% | -0.36% | Section 11, Sch 27 |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**ENERGY SALES AND REVENUE** Schedule 14
**(GWh) and ($000s)**

| Line No. | Particulars | Approved 2014 | Forecast 2015 | Change |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| 1 | **Sales Load (GWh)** | | | |
| 2 | Residential | 1,402 | 1,397 | (5) |
| 3 | Commercial[1] | 868 | 861 | (7) |
| 4 | Industrial | 389 | 371 | (18) |
| 5 | Wholesale | 581 | 593 | 12 |
| 6 | **Total Sales Load** | **3,240** | **3,224** | **(17)** |
| 7 | | | | |
| 8 | **Revenue at 2014 Rates** | | | |
| 9 | Residential | $ 155,283 | $ 170,546 | $ 15,263 |
| 10 | Commercial[1] | 70,966 | 77,917 | 6,951 |
| 11 | Industrial | 28,106 | 28,427 | 320 |
| 12 | Wholesale | 39,365 | 44,245 | 4,880 |
| 13 | **Total Revenue at 2014 Rates** | **$ 293,720** | **$ 321,134** | **$ 27,414** |
| 14 | | | | |
| 15 | [1] Commercial includes Lighting and Irrigation | | | |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**POWER PURCHASE EXPENSE** Schedule 15
**($000s)**

| Line No. | Particulars | Approved 2014 | Forecast 2015 | Change |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| 1 | Brilliant | $ 35,764 | $ 37,069 | $ 1,305 |
| 2 | BC Hydro PPA | 37,201 | 45,460 | 8,259 |
| 3 | Waneta Expansion | - | 25,808 | 25,808 |
| 4 | Independent Power Producers | 162 | 164 | 2 |
| 5 | Market and Contracted Purchases | 14,543 | 9,380 | (5,163) |
| 6 | Surplus Revenues | (508) | - | 508 |
| 7 | Balancing Pool | - | (44) | (44) |
| 8 | **Total** | **$ 87,163** | **$ 117,837** | **$ 30,674** |
| 9 | | | | |
| 10 | Gross Load (GWh) | 3,519 | 3,499 | (20) |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**WATER FEES** Schedule 16
**($000s)**

| Line No. | Particulars | Approved 2014 | Forecast 2015 | Change |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| 1 | Plant Entitlement Use in previous year (GWh) | 1,582 | 1,569 | (13) |
| 2 | | | | |
| 3 | Water Fees | $ 9,928 | $ 9,796 | $ (132) |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**FORMULA OPERATING AND MAINTENANCE EXPENSE** Schedule 17
**($000s)**

| Line No. | Particulars | 2013 Base | 2014 Formula | 2015 Formula |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| 1 | **Cost Drivers for Formulaic O&M** | | | |
| 2 | CPI | | 0.473% | 0.884% |
| 3 | AWE | | 2.277% | 1.646% |
| 4 | Labour Split | | | |
| 5 | Non Labour | | 45.000% | 45.000% |
| 6 | Labour | | 55.000% | 55.000% |
| 7 | CPI/AWE (line 4 * line 7) + (line 5 * line 8) | | 1.465% | 1.303% |
| 8 | Productivity Factor | | -1.030% | -1.030% |
| 9 | Customer Growth | | 0.326% | 0.181% |
| 10 | Net Inflation Factor (1 + line 9 + line 10) * (1 + line 11) | | **100.758%** | **100.454%** |
| 11 | | | | |
| 12 | **Base O&M ($ thousands)** | | | |
| 13 | Forecast 2013 O&M | $ 60,159 | | |
| 14 | Remove O&M tracked outside of Formula | | | |
| 15 | Pension/OPEB (O&M portion) | (6,222) | | |
| 16 | Insurance | (1,588) | | |
| 17 | **O&M Subject to Formula (Prior Year * Line 12)** | **52,349** | **$ 52,745** | **$ 52,985** |
| 18 | O&M tracked outside of Formula | | | |
| 19 | Pension/OPEB (O&M portion) | | 5,904 | 3,925 |
| 20 | Insurance Premiums | | 1,460 | 1,380 |
| 21 | Advanced Metering Infrastructure | | 600 | 452 |
| 22 | Mandatory Reliability Standards Audit | | - | 350 |
| 23 | | | | |
| 24 | **Total Gross O&M** | | **60,710** | **59,092** |
| 25 | | | | |
| 26 | Capitalized Overhead at 15% of Gross O&M | | (9,106) | (8,864) |
| 27 | **Net O&M Expense** | | **$ 51,603** | **$ 50,228** |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**WHEELING EXPENSE** Schedule 18
**($000s)**

| Line No. | Particulars | Approved 2014 | Forecast 2015 | Change |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| 1 | **Wheeling Nomination (MW months)** | | | |
| 2 | Okanagan Point of Interconnection | 2,670 | 2,400 | (270) |
| 3 | Creston | 423 | 432 | 9 |
| 4 | | | | |
| 5 | **Wheeling Expense** | | | |
| 6 | Okanagan Point of Interconnection | $ 4,691 | $ 4,194 | $ (497) |
| 7 | Creston | 485 | 492 | 7 |
| 8 | Other | 48 | 48 | - |
| 9 | **Total Wheeling Expense** | **$ 5,224** | **$ 4,734** | **$ (490)** |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**OTHER INCOME** Schedule 19
**($000s)**

| Line No. | Particulars | Approved 2014 | Forecast 2015 | Change |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| 1 | Apparatus and Facilities Rental | $ 4,156 | $ 4,380 | $ 224 |
| 2 | Contract Revenue | 1,385 | 1,544 | 159 |
| 3 | Miscellaneous Revenue | 738 | 1,102 | 364 |
| 4 | Transmission Access Revenue | 1,224 | 1,189 | (35) |
| 5 | Investment Income | 78 | 57 | (21) |
| 6 | **Total Other Income** | **$ 7,582** | **$ 8,272** | **$ 691** |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**PROPERTY TAXES** Schedule 20
**($000s)**

| Line No. | Particulars | Approved 2014 | Forecast 2015 | Change |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| 1 | Generating Plant | $ 3,001 | $ 2,982 | $ (19) |
| 2 | Transmission and Distribution | 6,797 | 6,278 | (519) |
| 3 | Substation Equipment | 3,754 | 3,600 | (154) |
| 4 | Land and Buildings | 593 | 705 | 112 |
| 5 | In-Lieu | 1,757 | 1,766 | 9 |
| 6 | | | | |
| 7 | **Total Property Taxes** | **$ 15,903** | **$ 15,331** | **$ (572)** |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**DEPRECIATION AND AMORTIZATION EXPENSE** Schedule 21
**FOR THE YEAR ENDING DECEMBER 31, 2015**
**($000s)**

| Line No. | Particulars | 2015 | Cross Reference |
|---|---|---|---|
| | (1) | (2) | (3) |
| 1 | Depreciation of Plant and Equipment | $ 52,151 | Section 11, Sch 9, col 6 |
| 2 | | | |
| 3 | Amortization of Rate Base Deferred Charges | 3,013 | Section 11, Sch 7, col 7 |
| 4 | | | |
| 5 | Amortization of Non Rate Base Deferred Charges | (2,359) | Section 11, Sch 23, col 8 |
| 6 | | | |
| 7 | **TOTAL DEPRECIATION AND AMORTIZATION** | **$ 52,805** | |

Note: Minor differences due to rounding

**NON RATE BASE DEFERRED CHARGES CONTINUITY SCHEDULE**
**FOR THE YEAR ENDING DECEMBER 31, 2015**
**($000s)**

February 6, 2015 Schedule 22

| Line No. | Particulars | Balance at Dec. 31, 2014 | Opening Balance Transfer/ Adj | Additions & Transfers | Financing Costs | Less Taxes | Transfers to Other Accounts | Amortization | Balance at Dec. 31, 2015 |
|---|---|---|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| 1 | ***Deferral Accounts Financed at Short Term Interest Rate*** | | | | | | | | |
| 2 | | | | | | | | | |
| 3 | **Revenue and Power Supply** | | | | | | | | |
| 4 | Power Purchase Expense Variance 2012 | $ (70) | $ - | $ - | $ - | $ - | $ - | $ 70 | $ - |
| 5 | Power Purchase Expense Variance 2013 | (55) | - | - | - | - | - | 55 | - |
| 6 | Revenue Variance 2012 | 28 | - | - | - | - | - | (28) | - |
| 7 | Revenue Variance 2013 | 12 | - | - | - | - | - | (12) | - |
| 8 | Generic Cost of Capital Revenue Requirements Impact | (29) | - | - | - | - | - | 29 | - |
| 9 | | (114) | - | - | - | - | - | 114 | - |
| 10 | | | | | | | | | |
| 11 | **Flow-through Accounts** | | | | | | | | |
| 12 | **2014 Flow-through Accounts** | 502 | - | - | 5 | - | - | (502) | 5 |
| 13 | | | | | | | | | |
| 14 | **Non-Controllable Items** | | | | | | | | |
| 15 | Pension & Other Post Retirement Benefit (OPEB) Variance | 664 | - | - | 28 | (25) | - | (1,048) | (381) |
| 16 | | 664 | - | - | 28 | (25) | - | (1,048) | (381) |
| 17 | | | | | | | | | |
| 18 | **Regulatory Compliance** | | | | | | | | |
| 19 | 2014-2018 Performance Based Ratemaking Application | 1,120 | - | - | 55 | (14) | - | (248) | 913 |
| 20 | 2015 - 2019 Annual Reviews | - | - | 300 | 3 | (79) | - | - | 224 |
| 21 | Residual Capacity Agreement Tariff Application | - | 82 | - | 1 | (0) | - | (82) | 1 |
| 22 | BC Hydro Application for Power Purchase Agreement with FBC | (4) | - | 25 | 0 | (7) | - | 4 | 19 |
| 23 | | 1,116 | 82 | 325 | 60 | (100) | - | (325) | 1,157 |
| 24 | | | | | | | | | |
| 25 | **Other** | | | | | | | | |
| 26 | 2014 - 2019 Earnings Sharing Account | (246) | - | - | (2) | - | - | 246 | (2) |
| 27 | 2014 Interim Rate Variance | (22,104) | - | - | (398) | - | - | 4,556 | (17,945) |
| 28 | | (22,350) | - | - | (400) | - | - | 4,802 | (17,948) |
| 29 | **Residual** | | | | | | | | |
| 30 | HST Removal/PST Implementation | 5 | - | - | - | - | - | (5) | - |
| 31 | Irrigation Rate Payer Group Consultation and Load Research | 4 | - | - | - | - | - | (4) | - |
| 32 | BCUC Inquiry into the Mandatory Reliability Standards (MRS) Program | 9 | - | - | - | - | - | (9) | - |
| 33 | Kettle Valley Project Expenditure Review | (45) | - | - | - | - | - | 45 | - |
| 34 | City of Kelowna Acquisition Legal & Regulatory Costs, Phase I | (4) | - | - | - | - | - | 4 | - |
| 35 | City of Kelowna Acquisition Legal & Regulatory Costs, Phase II | 11 | - | - | - | - | - | (11) | - |
| 36 | City of Kelowna Acquisition Customer Benefit | (21) | - | - | - | - | - | 21 | - |
| 37 | 2013 Deferred O&M Expense | (4) | - | - | - | - | - | 4 | - |
| 38 | 2012 MRS Audit | 4 | - | - | - | - | - | (4) | - |
| 39 | MRS 2012-2013 Incremental O&M Expense | 6 | - | - | - | - | - | (6) | - |
| 40 | | (34) | - | - | - | - | - | 34 | - |
| 41 | | | | | | | | | |
| 42 | **Total, Deferral Accounts at Short Term Interest** | **$ (20,217)** | **$ 82** | **$ 325** | **$ (307)** | **$ (125)** | **$ -** | **$ 3,076** | **$ (17,167)** |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**NON RATE BASE DEFERRED CHARGES CONTINUITY SCHEDULE (Continued)** Schedule 23
**FOR THE YEAR ENDING DECEMBER 31, 2015**
**($000s)**

| Line No. | Particulars | Balance at Dec. 31, 2014 | Opening Balance Transfer/ Adj | Additions & Transfers | Financing Costs | Less Taxes | Transfers to Other Accounts | Amortization | Balance at Dec. 31, 2015 |
|---|---|---|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| 1 | ***Deferral Accounts Financed at Weighted Average Cost of Debt*** | | | | | | | | |
| 2 | | | | | | | | | |
| 3 | **Preliminary and Investigative Charges** | | | | | | | | |
| 4 | CPCN Projects Preliminary Engineering | $ 724 | $ - | $ 1,695 | $ 37 | $ - | $ (1,251) | $ (85) | $ 1,119 |
| 5 | | 724 | - | 1,695 | 37 | - | (1,251) | (85) | 1,119 |
| 6 | | | | | | | | | |
| 7 | **Regulatory Compliance** | | | | | | | | |
| 8 | Transmission Customer Rate Design | 162 | - | - | 2 | (1) | - | (162) | 2 |
| 9 | BCUC Generic Cost of Capital Proceeding | 167 | - | - | 5 | (1) | - | (167) | 4 |
| 10 | 2015-2016 DSM Plan Application | - | 12 | 36 | 1 | (9) | - | (12) | 27 |
| 11 | | 329 | 12 | 36 | 7 | (11) | - | (341) | 32 |
| 12 | **Other** | | | | | | | | |
| 13 | 2012 Integrated System Plan - Engineering | 515 | - | - | 16 | (4) | - | (515) | 12 |
| 14 | 2014-2018 Capital Expenditure Plan | 193 | - | - | 6 | (1) | - | (193) | 4 |
| 15 | 2016 Long Term Resource Plan Development | - | 1 | 461 | 9 | (122) | - | - | 349 |
| 16 | Pension and OPEB Liability | (18,719) | - | 115 | (1,009) | 253 | - | 745 | (18,616) |
| 17 | USGAAP Pension and OPEB Transitional Obligation | 5,567 | - | - | 205 | 4 | (827) | (353) | 4,595 |
| 18 | | (12,445) | 1 | 576 | (774) | 129 | (827) | (316) | (13,656) |
| 19 | **Residual** | | | | | | | | |
| 20 | Negotiation of New PPA between BC Hydro and FBC | 3 | - | - | - | - | - | (3) | - |
| 21 | 2012-2103 Revenue Requirements and 2012 Integrated System Plan | (17) | - | - | - | - | - | 17 | - |
| 22 | Right of Way Encroachment Litigation | 2 | - | - | - | - | - | (2) | - |
| 23 | Joint Pole Use Audit, 2013 | (21) | - | - | - | - | - | 21 | - |
| 24 | MRS Implementation | 7 | - | - | - | - | - | (7) | - |
| 25 | Advanced Metering Infrastructure 2007 Application Costs | (1) | - | - | - | - | - | 1 | - |
| 26 | | (26) | - | - | - | - | - | 26 | - |
| 27 | | | | | | | | | |
| 28 | **Total, Deferral Accounts at Weighted Average Cost of Debt** | **$ (11,418)** | **$ 13** | **$ 2,307** | **$ (729)** | **$ 117** | **$ (2,078)** | **$ (716)** | **$ (12,504)** |
| 29 | | | | | | | | | |
| 30 | | | | | | | | | |
| 31 | ***Deferral Accounts Financed at AFUDC*** | | | | | | | | |
| 32 | | | | | | | | | |
| 33 | **Energy Management** | | | | | | | | |
| 34 | On Bill Financing (OBF) Pilot Program | $ 38 | $ (38) | $ - | $ - | $ - | $ - | $ - | $ - |
| 35 | On Bill Financing (OBF) Participant Loans | 25 | | - | 1 | 0 | (3) | (1) | 23 |
| 36 | | **63** | **(38)** | **-** | **1** | **0** | **(3)** | **(1)** | **23** |
| 37 | | | | | | | | | |
| 38 | | | | | | | | | |
| 39 | **Total, Deferral Accounts at AFUDC** | **$ 63** | **$ (38)** | **$ -** | **$ 1** | **$ 0** | **$ (3)** | **$ (1)** | **$ 23** |
| 40 | | | | | | | | | |
| 41 | | | | | | | | | |
| 42 | ***Deferral Accounts, Non-interest Bearing*** | | | | | | | | |
| 43 | Kettle Valley Substation Future Site Expansion | **$ 50** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ 50** |
| 44 | | | | | | | | | |
| 45 | | | | | | | | | |
| 46 | **Total Non Rate Base Deferral Accounts** | **$ (31,522)** | **$ 57** | **$ 2,632** | **$ (1,036)** | **$ (7)** | **$ (2,081)** | **$ 2,359** | **$ (29,598)** |
| | Note: Minor differences due to rounding | **$ (31,522)** | **$ 57** | **$ 2,632** | **$ (1,036)** | **$ (7)** | **$ (2,081)** | **$ 2,359** | **$ (29,598)** |

**FORTISBC INC.** February 6, 2015 Section 11

**INCOME TAXES** Schedule 24

**FOR THE YEAR ENDING DECEMBER 31, 2015**

**($000s)**

| Line No. | Particulars | Approved 2014 | Forecast 2015 | Change | Cross Reference |
|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) |
| 1 | CALCULATION OF INCOME TAXES | | | | |
| 2 | Earned Return | $ 86,711 | $ 86,688 | $ (22) | Section 11, Sch 13 |
| 3 | Deduct - Interest on Debt | (42,646) | (40,308) | 2,337 | Section 11, Sch 27 |
| 4 | Net Additions (Deductions) | (31,889) | (27,074) | 4,814 | Section 11, Sch 25 |
| 5 | Kettle Valley Project Tax Adjustment | (817) | - | 817 | |
| 6 | Deferred Charges Tax Effect | 184 | 93 | (91) | Section 11, Sch 7, col 5 line 12 |
| 7 | Accounting Income After Tax | **$ 11,543** | **$ 19,399** | **$ 7,855** | |
| 8 | | | | | |
| 9 | Current Income Tax Rate | 26.00% | 26.00% | 0.00% | |
| 10 | 1 - Current Income Tax Rate | 74.00% | 74.00% | 0.00% | |
| 11 | | | | | |
| 12 | Taxable Income | **$ 15,599** | **$ 26,214** | **$ 10,615** | |
| 13 | | | | | |
| 14 | | | | | |
| 15 | Income Tax - Current | 4,056 | 6,816 | 2,760 | |
| 16 | Previous Year Adjustment | - | - | - | |
| 17 | Kettle Valley Project Tax Adjustment | (817) | - | 817 | |
| 18 | Deferred Charges Tax Effect | 184 | 93 | (91) | |
| 19 | Total Income Tax | **$ 3,423** | **$ 6,909** | **$ 3,486** | |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**ADJUSTMENTS TO TAXABLE INCOME** Schedule 25
**FOR THE YEAR ENDING DECEMBER 31, 2015**
**($000s)**

| Line No. | Particulars | Approved 2014 | Forecast 2015 | Change | Cross Reference |
|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) |
| 1 | Addbacks: | | | | |
| 2 | Depreciation | $ 49,682 | $ 52,151 | $ 2,469 | Section 11, Sch 9 |
| 3 | Amortization of Deferred Charges | (8,335) | 654 | 8,989 | Section 11, Sch 21 |
| 4 | Pension Expense | 8,342 | 7,379 | (963) | |
| 5 | OPEB Expense | 3,958 | 4,067 | 109 | |
| 6 | | | | - | |
| 7 | Deductions: | | | | |
| 8 | Capital Cost Allowance | (63,503) | (69,665) | (6,162) | Section 11, Sch 26 |
| 9 | Debt Issue Costs | (702) | (314) | 387 | |
| 10 | Pension Contributions | (10,586) | (10,804) | (218) | |
| 11 | OPEB Contributions | (721) | (788) | (67) | |
| 12 | Overheads Capitalized Expensed for Tax Purposes | (9,106) | (8,864) | 243 | Section 11, Sch 17 |
| 13 | All Other | (918) | (891) | 27 | |
| 14 | | | | | |
| 15 | TOTAL | **$ (31,889)** | **$ (27,074)** | **$ 4,814** | |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**CAPITAL COST ALLOWANCE** Schedule 26
**FOR THE YEAR ENDING DECEMBER 31, 2015**
**($000s)**

| Line No. | Class | Opening UCC | 2015 Additions | Half-Year Rule | CCA Rate | 2015 CCA | Closing UCC |
|---|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 1 | 1A | $ 213,728 | $ - | $ - | 4% | $ 8,549 | $ 205,179 |
| 2 | 1B | 17,199 | 1,023 | 512 | 6% | 1,063 | 17,160 |
| 3 | 17 | 110,534 | 2,662 | 1,331 | 8% | 8,949 | 104,247 |
| 4 | 2 | 18,707 | - | - | 6% | 1,122 | 17,585 |
| 5 | 3 | 1,141 | - | - | 5% | 57 | 1,084 |
| 6 | 6 | 6 | - | - | 10% | 1 | 5 |
| 7 | 8 | 3,745 | 1,027 | 514 | 20% | 852 | 3,920 |
| 8 | 10 | 5,427 | 1,967 | 984 | 30% | 1,923 | 5,471 |
| 9 | 12 | 1,400 | 2,053 | 1,026 | 100% | 2,426 | 1,026 |
| 10 | 13 | 375 | - | - | est | 150 | 225 |
| 11 | 42 | 5,393 | 678 | 339 | 12% | 688 | 5,383 |
| 12 | 45 | 56 | - | - | 45% | 25 | 31 |
| 13 | 46 | 9,015 | 9,848 | 4,924 | 30% | 4,182 | 14,680 |
| 14 | 47 | 420,173 | 62,010 | 31,005 | 8% | 36,094 | 446,089 |
| 15 | 50 | 3,917 | 5,198 | 2,599 | 55% | 3,584 | 5,531 |
| 16 | | | | | | | |
| 17 | | **$ 810,816** | **$ 86,467** | **$ 43,233** | | **$ 69,665** | **$ 827,618** |
| 18 | | | | | | | |
| 19 | | | | | | | |
| 20 | | | | | | | |
| 21 | Land | | 491 | | | | |
| 22 | Net Salvage | | (3,984) | | | | |
| 23 | AFUDC | | 592 | | | | |
| 24 | Capitalized overhead | | 8,864 | | | | |
| 25 | CIAC | | 6,287 | | | | |
| 26 | Additions to Plant in service | | **$ 98,716** | | | | |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**RETURN ON CAPITAL** Schedule 27

**FOR THE YEAR ENDING DECEMBER 31, 2015**

**($000s)**

| Line No. | Particulars | Approved 2014 | Forecast 2015 | Change | Cross Reference |
|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) |
| 1 | Secured and Senior Unsecured Debt | $ 711,247 | $ 685,000 | $ (26,247) | Section 11, Sch 28 |
| 2 | Proportion | 59.08% | 54.06% | -5.02% | |
| 3 | Embedded Cost | 5.86% | 5.48% | -0.38% | |
| 4 | Cost Component | 3.46% | 2.96% | -0.50% | |
| 5 | Return | 41,685 | 37,545 | (4,140) | Section 11, Sch 28 |
| 6 | | | | | |
| 7 | Short Term Debt | 11,131 | 75,330 | 64,199 | |
| 8 | Proportion | 0.92% | 5.94% | 5.02% | |
| 9 | Embedded Cost | 8.63% | 3.67% | -4.96% | |
| 10 | Cost Component | 0.08% | 0.22% | 0.14% | |
| 11 | Return (including fees) | 960 | 2,763 | 1,803 | |
| 12 | | | | | |
| 13 | Common Equity | 481,585 | 506,886 | 25,301 | |
| 14 | Proportion | 40.00% | 40.00% | 0.00% | |
| 15 | Embedded Cost | 9.15% | 9.15% | 0.00% | |
| 16 | Cost Component | 3.66% | 3.66% | 0.00% | |
| 17 | Return | 44,065 | 46,380 | 2,315 | |
| 18 | | | | | |
| 19 | **TOTAL CAPITAL/ RATE BASE** | **$ 1,203,963** | **$ 1,267,216** | **$ 63,253** | Section 11, Sch 2 |
| 20 | | | | | |
| 21 | Earned Return | $ 86,711 | $ 86,688 | $ (23) | |
| 22 | | | | | |
| 23 | **RETURN ON CAPITAL** | **7.20%** | **6.84%** | **-0.36%** | |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**EMBEDDED COST OF LONG-TERM DEBT** Schedule 28
**FOR THE YEAR ENDING DECEMBER 31, 2015**
**($000s)**

| Line No. | Particulars | Issue Date | Maturity Date | Weighted Average | Interest Expense | Interest Rate |
|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| 1 | Series G | August 28, 1993 | August 28, 2023 | $ 25,000 | $ 2,200 | 8.80% |
| 2 | Series H | February 1, 1996 | February 1, 2016 | 25,000 | 2,193 | 8.77% |
| 3 | Series I | December 1, 1997 | December 1, 2021 | 25,000 | 1,953 | 7.81% |
| 4 | Series 1 - 05 | November 9, 2005 | November 9, 2035 | 100,000 | 5,600 | 5.60% |
| 5 | Series 1 - 07 | July 4, 2007 | July 4, 2047 | 105,000 | 6,195 | 5.90% |
| 6 | MTN-09 | June 2, 2009 | June 2, 2039 | 105,000 | 6,405 | 6.10% |
| 7 | MTN-10 | November 24, 2010 | November 24, 2050 | 100,000 | 5,000 | 5.00% |
| 8 | MTN-14 | October 28, 2014 | October 28, 2044 | 200,000 | 8,000 | 4.00% |
| 9 | **TOTAL, LONG TERM DEBT** | | | **$ 685,000** | **$ 37,545** | **5.48%** |

Note: Minor differences due to rounding

**FORTISBC INC.** February 6, 2015 Section 11

**CALCULATION OF 2015 PERMANENT RATES** Schedule 29
**EFFECTIVE JULY 1, 2015**
**($000s)**

| Line No. | Particulars | 2015 | Cross Reference |
|---|---|---|---|
| | (1) | (2) | (3) |
| 1 | 2015 Revenue Requirement | $ 336,057 | Section 11, Sch 1 |
| 2 | 2015 Revenue at Interim Rates | 332,374 | Section 11, Sch 30 |
| 3 | Revenue Deficiency at Interim Rates | 3,683 | |
| 4 | | | |
| 5 | Revenue at 2015 Interim Rates, July 1 - December 31 | 165,876 | Section 11, Sch 30 |
| 6 | | | |
| 7 | Rate Increase effective July 1, 2015 | 2.2% | |

February 6, 2015 Section 11

**FORTISBC INC.**

Schedule 30

**2015 ENERGY SALES AND REVENUE AT INTERIM RATES**
**(GWh) and ($000s)**

| Line No. | Particulars | July 1 to Dec. 31 | Full Year 2015 |
|---|---|---|---|
| | (1) | (2) | (3) |
| 1 | **Sales Load (GWh)** | | |
| 2 | Residential | 697 | 1,397 |
| 3 | Commercial[1] | 434 | 861 |
| 4 | Industrial | 179 | 371 |
| 5 | Wholesale | 298 | 593 |
| 6 | **Total Sales Load** | **1,608** | **3,224** |
| 7 | | | |
| 8 | **Revenue at 2014 Rates** | | |
| 9 | Residential | $ 88,104 | $ 176,515 |
| 10 | Commercial[1] | 40,606 | 80,644 |
| 11 | Industrial | 14,159 | 29,421 |
| 12 | Wholesale | 23,007 | 45,793 |
| 13 | **Total Revenue at 2014 Rates** | **$ 165,876** | **$ 332,374** |
| 14 | | | |
| 15 | [1] Commercial includes Lighting and Irrigation | | |

Note: Minor differences due to rounding

# 12. ACCOUNTING MATTERS AND EXOGENOUS FACTORS

## 12.1 INTRODUCTION AND OVERVIEW

In this section, FBC discusses "Exogenous Factors" under its PBR Plan (none of which are identified for 2015), upcoming accounting matters related to FBC's use of United States Generally Accepted Accounting Principles, the discontinuation of debt financing of pension and OPEB funding liabilities and the status of its non-rate base deferral accounts. With respect to its non-rate base deferral accounts, FBC proposes three new deferral accounts related to regulatory matters and the 2015 amortization of its 2014 Interim Rate Variance deferral account. FBC also reports on the Flow-through deferral account in this section.

## 12.2 EXOGENOUS (Z) FACTORS

FBC is permitted to adjust the cost of service for "Exogenous Factors" under its PBR Plan. The following criteria have been established for evaluating whether the impact of an event qualifies for exogenous factor treatment:

1. The costs/savings must be attributable entirely to events outside the control of a prudently operated utility;
2. The costs/savings must be directly related to the exogenous event and clearly outside the base upon which the rates were originally derived;
3. The impact of the event was unforeseen;
4. The costs must be prudently incurred; and
5. The costs/savings related to each exogenous event must exceed the Commission-defined materiality threshold.

The materiality threshold (item 5) for FBC has been established at $0.301 million, as approved by Commission Order G-184-14.

For 2015, FBC has not identified any items that merit exogenous factor treatment.

## 12.3 ACCOUNTING MATTERS

FBC provides a discussion below of the accounting policies used to prepare this Application, and a request for a change in the treatment of one of its deferral accounts.

### 12.3.1 United States Generally Accepted Accounting Principles

Consistent with the 2014 PBR Application, FBC has prepared this application using accounting policies and estimates using United States Generally Accepted Accounting Principles (US GAAP). In January 2014, the Ontario Securities Commission (OSC) issued a relief order which

permits FBC to continue to use US GAAP until the earliest of January 1, 2019, or the effective date prescribed by the International Accounting Standards Board (IASB) for the mandatory application of a standard within IFRS specific to entities with activities subject to rate regulation. In July 2015, the Commission approved, pursuant to Order G-83-14, FBC to continue using US GAAP for regulatory purposes effective January 1, 2015, until such time that FBC no longer has an OSC exemption to use US GAAP or is no longer reporting under US GAAP for financial reporting purposes, whichever is earlier.

As such, if the OSC exemption is no longer available for the Company, FBC will investigate the options of becoming an SEC Issuer in order to continue using US GAAP, or adopting International Financial Reporting Standards (IFRS). Either becoming an SEC Issuer or adopting IFRS will require incremental processes and costs, however it is expected that IFRS would be the more costly of the two options. At this point in time, FBC expects that it would continue to use US GAAP.

If it is necessary for FBC to become an SEC Issuer in order to continue using US GAAP, an update on the process and the forecast costs of becoming an SEC Issuer will be provided as part of a stand-alone application to the Commisson made by the FBC and FEI.

### 12.3.2 Discontinuation of Debt Financing of Pension and OPEB Funding Liabilities

FBC is requesting discontinuation of the practice of recording a debt return on the pension and OPEB funding liability account, which is currently treated as non-rate base. The existing treatment is inconsistent with the nature of these accounts and may lead to stranded financing credits.

In the Commission's clarification letter from September 17, 2012 regarding Order G-110-12, FBC was ordered to add the debt financing costs to non-rate base deferral costs and amortize them concurrently with the principal amounts. This debt financing principle has been broadly applied to many accounts without necessarily considering the individual economic nature of each one. The PBR Decision reiterated the requirement to finance many deferrals or flow-throughs with debt financing, including the pension and OPEB funding liabilities.

The most significant issue with this principle is that the pension and OPEB funding liability balance will never be amortized into rates like the other deferral account balances that are financed with debt or WACC. In fact, the account is not even a regulatory deferral account; it would exist under US GAAP without approval by the Commission. It is, however, considered for rate making purposes because it is appropriate for the Company to earn a return on the account if the Company has made contributions in excess of amounts that have been recovered from ratepayers (a debit balance) or for ratepayers to see a reduction in their rates if contributions are less than amounts recovered in rates through expensing (a credit balance).

The Commission recognized the different nature of these amounts when it approved the discontinuation of net-of-tax treatment on the pension and OPEB funding liability account in the

PBR Decision. The pension and OPEB funding liability balance increases as a result of the amount of employee benefit expenses recognized (expensed) and decreases as a result of pension and OPEB contributions paid in each year. The balance at any point in time represents the net difference between amounts recovered in rates through employee benefit expense and the amount funded by the shareholder. As such this employee future benefit liability account is not drawn down, or amortized into rates, in the same manner as all other accounts in the deferred charges schedule. The pension and OPEB funding liability will only be settled once all retirees have received their benefits or these employee future benefits are no longer provided. As long as FBC continues to operate as a going concern, that point in time will not be reached. As such, continuing to finance the pension and OPEB non-rate base account outside of rate base with a debt return, will compound the debt financing costs added to the account without an ability to return those costs in rates because the pension and OPEB funding liability balances are not amortized.

FBC requests that the debt financing of pension and OPEB funding be discontinued, to avoid stranded financing costs that will accumulate outside of rate base, and instead be included in rate base such that the utility and customers are appropriately compensated for the significant amount of time that can elapse between when the pension and OPEB costs are expensed and when they are recovered from customers.

## 12.4 *NON RATE BASE DEFERRAL ACCOUNTS*

FBC maintains both rate base and non-rate base deferral accounts. Rate base deferral accounts are included in rate base and earn a return equal to the WACC. In contrast, non-rate base deferral accounts are outside of rate base and may have varying rates of return, depending on the nature of the account and the return approved by the Commission.

In the following sections, FBC requests approval of three new deferral accounts, all of which are related to regulatory requirements. FBC also provides additional information for three of its previously approved deferral accounts.

### 12.4.1 New Deferral Accounts

In the PBR application, FBC put forward its position that deferral accounts should earn a WACC return, which includes both an equity and debt component. This was in response to the Commission's determinations in FBC's 2012-2013 RRA, that required the financing of certain of FBC's deferral accounts with a debt only return. The PBR Decision, at page 221, stated "…the Panel is not persuaded by the evidence within this proceeding that FBC's deferral account financing, as it is currently approved in the 2012-2013 FBC RRA Decision, should be revisited."

Accordingly, FBC has proposed the following new deferral accounts be financed using either the short term interest (STI) rate where recovery is over a one-year period; or the weighted average cost of debt (WACD) for longer-term deferrals.

#### *12.4.1.1 Residual Capacity Agreement Tariff Supplement 10 & Rate Schedule 111*

On May 15, 2014, FBC filed an application for approval of a Residual Capacity Agreement (RCA) with BC Hydro. The application was reviewed through a written public hearing. Order G-161-14 approved the Company's Rate Schedule 111 and the RCA as Tariff Supplement 10. FBC incurred $0.110 million ($0.082 million after tax) in costs related to the RCA application and proceeding in 2014. These costs are primarily legal fees, Commission expenses and intervener funding.

FBC is seeking approval of a deferral account attracting a STI return, to capture costs related to the RCA proceeding incurred in 2014. FBC proposes to amortize the costs over one year, in 2015.

#### *12.4.1.2 2015-2016 DSM Plan Application*

On August 11, 2014, FBC filed an application for acceptance of DSM expenditures for 2015 and 2016. The application was reviewed through a written public hearing. Order G-186-14 approved the Company's proposed DSM expenditure schedules for 2015 and 2016. FBC incurred $0.016 million ($0.012 million after tax) in costs consisting primarily of Commission expenses and intervener funding for this application, and FBC forecasts to record an additional $0.036 million ($0.027 million after tax) in 2015.

FBC is seeking approval of a deferral account attracting a WACD return, to record the costs related to the 2015-2016 DSM Plan Application. FBC proposes to amortize the costs over two years, beginning in 2015, corresponding to the duration of the expenditure plan.

#### *12.4.1.3 2016 Long Term Electric Resource Plan Development*

The Company will file its 2016 Long Term Electric Resource Plan (LTERP) on or before June 30, 2016, as directed in Order G-110-12. Consistent with historical and approved practice, FBC proposes to collect the incremental costs of preparing the LTERP, including expert and consulting fees, public consultation and incremental staff expenses, in a deferral account. FBC anticipates it will incur $0.461 million ($0.339 million after tax) of costs in 2015 to begin preparing the 2016 LTERP.

FBC will apply for disposition of the account in a future annual review. Consistent with the Commission's direction for deferral accounts with recovery periods longer than one year, the Company proposes that this account will attract a WACD return.

### 12.4.2 Information on Existing Deferral Accounts

Below, FBC provides information on three of its approved deferral accounts, including a request for the 2015 amortization of its 2014 Interim Rate Variance deferral account.

### *12.4.2.1 2014 Interim Rate Variance Deferral Account*

The 2014 Interim Rate Variance deferral account was approved by Order G-182-14 regarding FBC's Application for Approval of 2014 Permanent Rates and 2015 Interim Rates filed with the Commission on November 14, 2014 (2015 Interim Rates Application). In the 2015 Interim Rates Application, FBC reviewed a number of amortization options for this deferral account and concluded "FBC believes that amortizing this variance over a three-year period beginning in 2015 best balances the goal of reducing rate volatility with minimizing the duration and volume of deferral accounts. The Company will request approval of the annual amortization amounts for this deferral account in its Annual Review to set 2015 rates."

In the 2015 Interim Rates Application, the three year amortization options that FBC reviewed that achieved the Company's stated goal of avoiding a rate increase no higher than 5 percent resulted with a 2015 amortization percentage ranging between 16.7 percent and 30 percent. Now that FBC has finalized its proposed 2015 rates, the Company proposes to amortize 20 percent of the deferral account balance in 2015. As shown in the table below, this would keep the proposed rate increase in 2015 to below 5 percent.

The 2014 ending balance of the 2014 Interim Rate Variance Deferral Account was $29.641 million pre-tax or $21.934 million after tax.

The rate increases forecast for 2015 through 2017 before any amortization of the deferral account, as well as the projected deferral account amounts and rate increases after amortization of the balance, are shown in Table 12-1 below.

**Table 12-1: Amortization of Interim Rate Variance Deferral Account**

| | 2015 | 2016 | 2017 |
|---|---|---|---|
| **Before Amortization of 2014 Interim Rate Variance** | | | |
| Revenue Requirement ($ thousands) | 341,985 | 368,738 | 378,278 |
| Rate Increase | 17.0% | 7.6% | 1.8% |
| **Amortization of 2014 Interim Rate Variance** | | | |
| Pre-tax amount amortized ($ thousands) | (5,928) | (14,821) | (8,892) |
| Percentage amortized in each year | 20.0% | 50.0% | 30.0% |
| **After Amortization of 2014 Interim Rate Variance** | | | |
| Revenue Requirement ($ thousands) | 336,057 | 353,918 | 369,385 |
| Rate Increase | 4.6% | 4.7% | 3.6% |

At this time, FBC is only requesting approval of the 2015 amortization percentage. The 2016 and 2017 amortization percentages will be finalized when FBC files its annual review material to determine 2016 rates.

### *12.4.2.2 Flow-Through Deferral Account*

As approved through Commission Order G-163-14, the Flow-through deferral account will be used to capture the annual variances between the approved and actual amounts for all costs and revenues which are included in rates on a forecast basis and which do not have a previously approved deferral account. The specific items included in the Flow-through account were set out in Table 1 which was included in FBC's letter Response to Orders G-162-14 and G-163-14 filed with the Commission November 7, 2014 reproduced below.

**Table 12-2: Variances Captured in the Flow-through Deferral Account[23]**

| | FEI | FBC |
|---|---|---|
| Delivery Revenues (FEI): | | |
| Residential and commercial use rate variances | RSAM | N/A |
| Customer variances | Flow-through deferral | N/A |
| Industrial and all other revenue variances | Flow-through deferral | N/A |
| Revenues and Power Supply (FBC): | | |
| Revenue variances | N/A | Flow-through deferral |
| Power purchase variances | N/A | Flow-through deferral |
| Water fees variances | N/A | Flow-through deferral |
| Gross O&M: | | |
| Formula driven O&M variances | Earnings sharing | Earnings sharing |
| BCUC fees variances | BCUC Variances deferral | Flow-through deferral |
| Pension & OPEB variances | Pension/OPEB variances deferral | Pension/OPEB variances deferral |
| All other O&M variances * | Flow-through deferral | Flow-through deferral |
| Capitalized Overhead: | | |
| Capitalized overhead variances | N/A - no variance | N/A - no variance |
| Property Tax: | | |
| Property tax variances | Flow-through deferral | Flow-through deferral |
| Depreciation and Amortization: | | |
| Depreciation variances | Flow-through deferral | Flow-through deferral |
| Amortization of deferrals | N/A - no variance | N/A - no variance |
| Other Revenues (FEI)/Other Income (FBC): | | |
| SCP Mitigation Revenues variances | SCP Revenues deferral | N/A |
| CNG/LNG Recoveries variances | CNG/LNG Recoveries deferral | N/A |
| All other other revenue/income variances | Flow-through deferral | Flow-through deferral |
| Wheeling (FBC)/Transportation costs (FEI): | | |
| Transportation and wheeling variances | Flow-through deferral | Flow-through deferral |
| Income Tax: | | |
| Income tax variances | Flow-through deferral | Flow-through deferral |
| Interest Expense/Cost of Debt: | | |
| Interest on RSAM/CCRA/MCRA/Gas Storage | Interest on RSAM/CCRA/MCRA/Gas Storage | N/A |
| All other interest variances | Flow-through deferral | Flow-through deferral |

* Including items re-forecast outside of the formula such as insurance premiums, AMI, NGT stations, Biomethane, RS46 O&M

[23] FBC notes an error in the table that was filed. Although for FEI the Commission fee variances are recorded in a separate deferral account, for FBC the Commission fees are included in formula O&M. As such, any variance in these fees between the formula-driven amount and the actuals will be subject to earnings sharing mechanism, and not to flow-through treatment.

In accordance with the method set out in the table, the calculation of the 2014 projected Flow-through amount of $0.498 million, prior to incurring a debt return, is refundable to customers as shown in Table 12-3 below.

**Table 12-3: 2014 Flow-through Deferral Account Additions ($ millions)[24]**

| Line No. | Description | Approved 2014 | Projected 2014 | Variance |
|---|---|---|---|---|
| 1 | Revenue | $ 323.403 | $ 317.330 | $ 6.073 |
| 2 | | | | |
| 3 | Power Purchase | 87.163 | 86.337 | (0.825) |
| 4 | | | | |
| 5 | O&M Tracked Outside of Formula | | | |
| 6 | Insurance Premiums | 1.460 | 1.341 | (0.119) |
| 7 | AMI Cost / (Savings) | 0.600 | 0.431 | (0.169) |
| 8 | | | | |
| 9 | Water Fees | 9.928 | 9.600 | (0.328) |
| 10 | | | | |
| 11 | Wheeling | 5.224 | 5.132 | (0.092) |
| 12 | | | | |
| 13 | Property Tax | 15.903 | 14.792 | (1.111) |
| 14 | | | | |
| 15 | Depreciation and Amortization | 59.146 | 59.146 | - |
| 16 | | | | |
| 17 | Other Income | 7.582 | 8.943 | (1.361) |
| 18 | | | | |
| 19 | Interest Expense | 42.656 | 40.304 | (2.351) |
| 20 | | | | |
| 21 | Income Tax | 11.138 | 11.919 | 0.782 |
| 22 | | | | |
| 23 | **Total** | | | **$ 0.498** |

The variance in revenue is due to loads being lower than approved for residential, industrial and wholesale customers, partially offset by higher loads for commercial customers. The variance in power purchase is due to decreased loads and increased market savings and is partially offset by BC Hydro rate increases. Variances in water fees are shown in Section 4, other income are shown in Section 5, O&M tracked outside of formula are shown in Section 6, and Property Taxes are shown in Section 9. The variance in interest expense is due to lower interest rates and a delay of the debt issuance as compared to the approved forecast. Finally, the variance in income taxes is due to the income tax impacts of each of the aforementioned items, the tax

[24] The revenue and income tax shown reflect the amounts approved to be collected and do not agree to the revenue requirement approved due to the $29.682 million in revenues less $7.715 million in associated income tax collected in 2014 in excess of the approved revenue requirement pursuant to Order G-182-14.

related to the O&M formula variances after-sharing, and the variance between the projected and approved tax timing differences.

As approved by Commission Order G-163-14, the balance in the account will attract a short-term interest rate return and be amortized in the following year. Therefore, FBC has included the projected deferral account addition in the non-rate base deferrals section of the financial schedules in Section 11, Schedule 22 along with a forecast return utilizing the short-term interest rate in 2015 related to the average outstanding balance in the account. The amortization of the account is included within depreciation and amortization as shown in Section 11, Schedule 21. An adjustment to include the difference between the projected and final actual amounts subject to flow-through will be recorded in the deferral account in 2015 and amortized in 2016 rates.

#### *12.4.2.3 BC Hydro Application for Power Purchase Agreement (PPA) with FBC*

In Order G-139-14, the Commission approved the establishment of a deferral account to capture the costs of FBC's participation in BC Hydro's Application for approval of a new PPA with FBC filed on May 24, 2013. The Commission issued its Decision and Order G-60-14 in BC Hydro's Application on May 6, 2014, approving the PPA with an effective date of July 1, 2014.

Included in its Order G-60-14 approving the PPA between BC Hydro and FBC, the Commission set out further requirements of BC Hydro and FBC, and directed BC Hydro to file for approval of new Section 2.5 Guidelines under the PPA, and FBC to file a Self-Generation Policy. The two applications were filed on December 15, 2014, and January 9, 2015 respectively.

In addition, Zellstoff-Celgar Limited Partnership (Celgar) filed with the Commission an application for reconsideration of Order G-60-14 approving the PPA, which was denied on July 10, 2014 by way of Order G-93-14, and has been granted Leave to Appeal by the British Columbia Court of Appeal from Order G-93-14.

FBC has incurred costs in 2013 and 2014 and will incur additional costs in 2015, primarily for legal fees and incremental staff expenses, related to the Section 2.5 Guidelines, Self-Generation Policy, and Celgar appeal processes. FBC forecasts it will incur $0.025 million in costs in 2015 which will be recorded in this account.

## 12.5 *SUMMARY*

FBC does not have any exogenous factors in 2015 but has requested a change to the treatment of the pension and OPEB funding liability account. In this section, FBC has requested approval of three new deferral accounts and for the 2015 amortization for its 2014 Interim Rates Variance deferral account and included information on two other previously approved deferral accounts, including the balance in the recently-approved Flow-through Variance deferral account.

# 13. SERVICE QUALITY INDICATORS

## 13.1 *INTRODUCTION AND OVERVIEW*

The Commission in the PBR Decision and Order G-139-14 established SQIs for FBC's PBR Plan and benchmarks to serve as a target for each SQI. Further, as described below, FBC, FEI and interveners who elected to participate in workshops, have been successful in reaching a Consensus Recommendation setting out a joint recommendation for SQI performance ranges for each SQI.

SQIs form the basis of determining a utility's quality of service and represent a broad range of business processes that are important elements to the customer experience. In a PBR environment, SQIs are used to monitor the utility's performance to ensure that any cost reductions by the utility as a result of implementing productivity initiatives do not result in serious degradation of the quality of service to customers during the PBR period.

In the subsections below, FBC reports on its performance as measured against the SQIs approved by the Commission in the PBR Decision and Order G-139-14. 2014 results have been provided for comparison to the benchmarks and thresholds.

FBC's 2014 SQI results indicate that the Company's overall performance is representative of a high level of service quality. For those SQIs with benchmarks, four performed better than the approved benchmarks with two performing better than the threshold and within the performance range. Two SQIs, the Telephone Service Factor and All Injury Frequency Rate, performed below the threshold. For the three SQIs that are informational only, two performed at levels consistent with prior years, with the Telephone Abandon Rate experiencing higher rates than usual in 2014.

## 13.2 *CONSENSUS RECOMMENDATION*

As noted above, the Commission in the PBR Decision established SQIs for FBC's PBR Plan and benchmarks to serve as a target for each SQI. To establish the satisfactory SQI performance ranges around the benchmark targets, the Commission directed FBC and FEI "in consultation with stakeholders, to develop a performance range for each SQI covering the range of scores where performance would be found to be satisfactory". This process was to take place prior to the first Annual Review.

On October 6, 2014, FBC and FEI invited all registered interveners in the PBR proceeding to participate in workshops to address the Commission directive to develop performance ranges. FBC, FEI and all interveners that elected to participate in the workshops were successful in reaching a Consensus Recommendation setting out a joint recommendation for SQI performance ranges. The Consensus Recommendation was considered by the Commission as part of a separate compliance filing. For ease of reference, a copy of the filing letter and text of

the Consensus Recommendation (without attachments) is appended to this Annual Review filing as part of Appendix B.

On February 4, 2015, the Commission issued Order G-14-15 (included in Appendix B) approving the Consensus Recommendation. As part of the Order, the Commission rescinded the Determination made in the Decision accompanying Order G-139-14 which stated: "Performance outside of this range would be unacceptable representing a serious degradation of service which would be subject to consequences".

## 13.3 *OVERVIEW OF SERVICE QUALITY INDICATORS AND BENCHMARKS*

This section reviews FBC's SQI performance for 2014 and also describes the performance of the informational SQIs in 2014.

As future Annual Reviews are expected to occur in the Fall of the year, FBC expects that the SQI results for future years will be reviewed in the normal course at the following year's Annual Review, at the same time that actual O&M and capital numbers and final earnings sharing will be calculated for the prior year. For example, FBC expects that 2015 SQI results will be reviewed in the Annual Review to set 2016 delivery rates.

The Commission approved a balanced set of SQIs covering safety, responsiveness to customer needs, and reliability. Eight of the SQIs have benchmarks while three are informational SQIs and do not have benchmarks. For four of the SQIs, the benchmarks, against which FBC's actual performance will be measured over the PBR period, were set by the Commission using a three year average of the Company's recent performance for the years 2010, 2011 and 2012. For other SQIs, the benchmarks were as proposed by FBC and approved by the Commission.

## 13.4 *REVIEW OF THE PERFORMANCE OF SERVICE QUALITY INDICATORS*

For each SQI, Table 13-1 provides a comparison of FBC's actual performance for 2014 to the Commission-approved benchmarks and includes the performance range thresholds that have been agreed to in the Consensus Recommendation that was approved by the Commission. Actual results for 2014 are also provided for the three informational SQIs.

**Table 13-1: Approved SQI, Benchmarks and Actual Performance**

| Performance Measure | Description | Benchmark | Threshold | 2014 Results |
|---|---|---|---|---|
| **Safety SQIs** | | | | |
| Emergency Response Time | Percent of calls responded to within two hours | 93% | 90.6% | 91% |
| All Injury frequency rate (AIFR) | 3 year average of lost time injuries plus medical treatment injuries per 200,000 hours worked | 1.64 | 2.39 | 2.58 |
| **Responsiveness to the Customer Needs SQIs** | | | | |
| First Contact Resolution | Percent of customers who achieved call resolution in one call | 78% | 72% | 73% |

| Performance Measure | Description | Benchmark | Threshold | 2014 Results |
|---|---|---|---|---|
| Billing Index | Measure of customer bills produced meeting performance criteria | 5.0 | ≤5.0 | 2.34 |
| Meter Reading Accuracy | Number of scheduled meters that were read | 97% | 94% | 98% |
| Telephone Service Factor (Non-Emergency) | Percent of non-emergency calls answered within 30 seconds or less | 70% | 68% | 48% |
| Customer Satisfaction Index | Informational indicator - measures overall customer satisfaction | - | - | 8.1 |
| Telephone Abandon Rate | Informational indicator – percent of calls abandoned by the customer before speaking to a customer service representative | - | - | 13% |
| **Reliability SQIs** | | | | |
| System Average Interruption Duration Index (SAIDI) - Normalized | 3 year average of SAIDI (average of cumulative customer outage time) | 2.22 | 2.62 | 2.09 |
| System Average Interruption Frequency Index (SAIFI) - Normalized | 3 year average of SAIFI (average customer outage) | 1.64 | 2.50 | 1.39 |
| Generator Forced Outage Rate | Informational indicator – Percent of time a generating unit is removed from service due to component failure or other events. | - | - | 1.74% |

In the following sections, FBC reviews each SQI's individual performance in 2014. Discussion is also provided for the informational SQIs.

### 13.4.1 Safety Service Quality Indicators

#### *Emergency Response Time*

Emergency Response Time is the time elapsed from the initial identification of a loss of electrical power (via a customer call or internal notification) to the arrival of FBC personnel on site at the trouble location. This will provide ongoing information to assess FBC crew sizes and crew locations in response to system trouble. The target measures the percentage of emergency calls responded to within two hours. The measure is calculated as follows:

$$\frac{\text{Number of emergency calls responded to within two hours}}{\text{Total number of emergency calls in the year}}$$

2014 performance was 91 percent and within the performance range (the benchmark is 93 percent and the threshold is 90.6 percent). There are many variables affecting the response time including time of day (during business hours or after business hours), number of events (i.e. widespread outages), available resources and location (travel times and traffic congestion) conditions. Year to date performance indicates that that trouble calls and/or unplanned system interruptions are being addressed in a prompt and timely manner.

### *All Injury Frequency Rate*

The All Injury Frequency Rate (AIFR) is an employee safety performance indicator based on injuries per 200,000 hours worked, with injuries defined as lost time injuries (i.e. one or more days missed from work) and medical treatments (i.e. medical treatment was given or prescribed). The annual performance for this metric is calculated as:

$$\frac{\text{Number of Employee Injuries x 200,000 hours}}{\text{Total Exposure Hours Worked}}$$

For the purpose of this SQI and as approved by the Commission, the measurement of performance is based on the three year rolling average of the annual results.

The three-year rolling average of the annual results including 2014 results is 2.58, which is outside the performance range (the benchmark is 1.64 and the threshold is 2.39). The three-year rolling average was affected by the 2013 (2.82) and 2014 (3.21) annual AIFR results. During 2013 and 2014, the number of recordable safety incidents was 11 and 14, respectively, representing an increase from the prior year 2012 when a total of 8 incidents were recorded.

During 2013, the company experienced a labour disruption with the IBEW union which represents the majority of the field workforce. The disruption lasted six months and ended on December 20, 2013 with a binding arbitration agreement. The arbitration process continued into 2014 and concluded on November 14, 2014 with an arbitrated collective agreement. These unusual events have been challenging and created a distraction that may have compromised the ability to maintain a safety focus and mind on task and thereby contributed to the increased incidents.

During the first half of 2013, a period of challenging labour negotiations and partial IBEW job action, there were 10 employee injuries and medical treatment incidents recorded, up substantially from the five recorded in the first half of 2012. Similarly, in 2014, a noticeable number of safety incidents, eight in total, were recorded in the latter half of 2014, a time when the organization was anxiously awaiting a decision from the binding arbitration process.

While the increase in the safety incidents is a concern, FBC does not believe it has impacted the quality of service being provided to its customers. FBC notes that it was not under PBR in 2013 and was awaiting the PBR Decision for three quarters of 2014 when the majority of the safety incidents occurred.

Safety is a core value for FBC and prevention of injury remains a key focus. In 2015, FBC will continue to focus on fundamentals in safe work planning, hazard identification and proper body positioning through detailed crew observations of all field employees. FBC has a number of effective safety management programs in place and for the last three years maintained a Certificate of Recognition (COR) through audits performed annually, providing validation of the effectiveness of the Company's safety programs. The COR, administered by the Partners in Injury and Disability Prevention Program of WorkSafeBC, is a voluntary initiative that recognizes and rewards employers who meets the requirements of the Occupational Health and Safety

Regulations. An independent qualified auditor is used to help assess the Company's Health and Safety programs in consideration of this initiative.

### 13.4.2 Responsiveness to Customer Needs

***First Contact Resolution***

First Call Resolution (FCR) measures the percentage of customers who achieve resolution in one contact with FBC. The Company determines the first contact resolution results using a customer survey methodology, tracking the number of customers who responded that their issue was resolved in the first contact with the Company.

2014 performance was 73 percent, above the energy industry call centre average of 70 percent and within the performance range (the benchmark is 78 percent and the threshold is 72 percent). The FCR rate is impacted by factors such as the quality and effectiveness of the Company's coaching and training programs. The FCR rate is also heavily influenced by the composition of the different call drivers as some call types are simpler to resolve in the first call than others. For example, a move call is simpler to resolve in one call than a high bill call. A high bill call may require a site visit to the customer in order to provide the right resolution or it may require more in-depth investigation.

The 2014 result was consistent with the performance observed in 2013 since the Company started tracking the FCR rate (i.e. 73 percent in 2013).

***Billing Index***

The Billing Index indicator tracks the effectiveness of the Company's billing system by measuring the percentage of customer bills produced meeting performance criteria. The Billing Index is a composite index with three components:

Billing completion (percent of accounts billed within two days of the billing due date):

- Billing timeliness (percent of invoices delivered to Canada Post within two days of file creation); and
- Billing accuracy (percent of bills without a production issue based on input data).

The differential between the benchmark and the actual for each is then divided by three to determine the billing index. The objective is to achieve a score of five or less.

**Table 13-2: Calculation of Billing Index**

| Billing sub-measure | Percent achieved (PA) | Adjustment | Result |
|---|---|---|---|
| Percentage of bills accurate based upon input data | 99.9% | * See formula below | 5.0 |
| Percentage of bills delivered to Canada Post within two days of date that the statement file is created | 95% | (100% - PA)*100 | 5.0 |
| Percentage of customers billed within two business days of the scheduled billing date | 95% | (100% - PA)*100 | 5.0 |
| Billing Service Quality Indicator (arithmetic average of sub-measures 1 to 3) | | | 5.0 |

* IF [PA ≥ 99.9%, 5000 * (1 - PA), 100 * (1.05 - PA)]

2014 performance was 2.34, better than the benchmark of 5.0 approved by the Commission. The Billing Index is impacted by factors such as the performance of the Company's billing system, weather variability which can cause a high volume of billing checks and estimation issues, and mail delivery by Canada Post.

### *Meter Reading Accuracy*

This SQI compares the number of scheduled meters that are read to those scheduled to be read. Providing accurate and timely meter reads for customers is a key driver for the Company and its customers. The results are calculated as:

$$\frac{\text{Number of scheduled meters read}}{\text{Number of scheduled meters for reading}}$$

2014 performance was 98 percent, better than the benchmark of 97 percent approved by the Commission. Historically, there has been no variation in performance other than in 2013, which saw a significant drop in performance (i.e. 51 percent) as the result of the IBEW labour disruption. Factors influencing this SQIs performance include the resources available, system issues impacting the Company's billing system or the reading collections systems, training and the quality of training provided to meter readers, weather conditions including road and highway conditions and traffic related issues.

### *Telephone Service Factor (Non-Emergency)*

The Telephone Service Factor (Non-Emergency) measures the percentage of non-emergency calls that are answered in 30 seconds. It is calculated as:

$$\frac{\text{Number of non-emergency calls answered within 30 seconds}}{\text{Number of non-emergency calls received}}$$

2014 performance was 48 percent, below the benchmark of 70 percent approved by the Commission and outside of the performance range (the benchmark is 70 percent and the threshold is 68 percent). The TSF is a measure of how well the Company can balance costs and service levels with the overall objective to maintain a consistent TSF level. This ensures the Company is staying within appropriate cost levels and maintaining adequate service for its customers. Principal factors influencing the TSF results include volume of inbound calls received and the resources available to answer those calls. Staffing is matched to the calls forecasted based on historical data in order to reach the service level benchmark desired. Other factors that can influence the TSF are billing system related issues and weather patterns that may generate high numbers of billing related queries. Additionally, the complexity of the calls can also influence TSF results as more complex calls require more time for the Company's representatives to resolve. Examples of complex calls include high bills queries, meter reading estimate concerns and collections calls.

The 2014 result was negatively impacted by a number of items including first verified meter readings occurring after the IBEW labour disruption ended in December of 2013, introduction of the Residential Conservation Rate, and the integration of the City of Kelowna customers. As a result of these items, call volumes at the contact centre in the first part of 2014 were more than double the normal volumes. Recruiting and training more resources for such a short duration was not a practical alternative to mitigate these results. Instead, FBC extended additional hours to existing part time and full time staff and offered overtime to handle the increased volume. Despite the lower TSF results, customer satisfaction and first contact resolution results remained stable indicating that although wait times were longer than normal, customers' issues were being resolved in a timely fashion. The TSF results have improved during the last half of 2014.

### *Customer Satisfaction Index*

The Customer Satisfaction Index, an informational indicator as approved by the Commission, measures overall customer satisfaction with the Company. The index reflects customer feedback about important service touch points including the contact centre, perceived accuracy of meter reading, energy conservation information and field services. The Index includes feedback from both residential and mass market commercial customers.

2014 performance was 8.1, which is in line with the previous year's results of 8.0. Year end results for 2012 and 2013 were 8.4 and 8.0 respectively. Especially strong results were achieved for field services, which maintained an average of 8.9 in 2014. Perceived accuracy of meter reading declined from 7.7 to 7.2 whereas satisfaction with the contact centre increased from 8.1 to 8.3 in 2014. Satisfaction with energy conservation information remained stable at 7.5.

### *Telephone Abandon Rate*

The Telephone Abandon Rate, an informational indicator as approved by the Commission, measures the percent of calls abandoned by the customer before speaking to a customer service representative. Abandon rates are not always an indication of a negative experience.

Customers may abandon due to waiting times, or due to them receiving their required information through informational messages in our Interactive Voice Response (IVR) system such that the customer no longer needs to speak to an agent.

The 2014 result was 13 percent, higher than previous years' results (i.e. 2012 at 1.9 percent and 2013 at 2.0 percent).

The 2014 result was negatively impacted by the events described above, including first verified meter readings occurring after the IBEW labour disruption ended in December of 2013, introduction of the Residential Conservation Rate, and the integration of the City of Kelowna customers. As noted above, as a result of these items, call volumes at the contact centre in the first part of 2014 were more than double the normal volumes. Recruiting and training more resources for such a short duration was not a practical alternative to mitigate these results. Instead, FBC extended additional hours to existing part time and full time staff and offered overtime to handle the increased volume In order to help customers during the longer than normal wait times, answers to common questions were provided within hold messaging. This helped customers to receive the answers they needed without having to speak to a representative. Although this service was helpful to customers, it did impact the abandon rate, increasing it overall. The abandonment rate has improved during the last half of 2014.

### 13.4.3 Reliability

FBC measures transmission and distribution system reliability as adjusted by the Institute of Electrical and Electronics Engineers (IEEE) method of normalizing reliability statistics by excluding "major events". Major events are identified as those that cause outages exceeding a threshold number of customer-hours. Threshold values are calculated by applying a statistical method called the "2.5 Beta" adjustment to historical reliability data. Any single outage event that exceeds the threshold value is excluded from the reliability data. Major event days in the FBC service territory have been caused by mudslides, windstorms and wildfires.

Reported outages included in these measures are of one-minute duration or longer, which is consistent with the Canadian Electricity Association (CEA) standard for reporting.

***System Average Interruption Duration Index (SAIDI) - Normalized***

SAIDI is the amount of time the average customer's power is off per year (i.e. the total amount of time the average customer's clock would lose during a year) calculated as follows:

$$\frac{\text{Total Customer Hours of Interruption}}{\text{Total Number of Customers Served}}$$

Customer Hours of Interruption related to a power outage are calculated by multiplying the number of customers affected by the outage by the duration of the outage.

For the purposes of this SQI, the measurement of performance is based on the three year rolling average of the annual results, as directed by the Commission.

The three-year rolling average of the normalized annual results including the 2014 results was 2.09 and better than the benchmark of 2.22 approved by the Commission. A further explanation of 2014 is included in the following section.

### *System Average Interruption Frequency Index (SAIFI) - Normalized*

SAIFI is the average number of interruptions per customer served per year (i.e. the number of times the average customer would have to reset their clock during the year) calculated as follows:

$$\frac{\text{Total Number of Customer Interruptions}}{\text{Total Number of Customers Served}}$$

The Number of Customer Interruptions related to a power outage is the number of customers affected by the outage.

For the purposes of this SQI, the measurement of performance is based on the three-year rolling average of the annual results, as directed by the Commission.

The three-year rolling average of the normalized annual results, including 2014 results, was 1.39, below and better than the benchmark of 1.64 approved by the Commission.

In 2014, FBC experienced two major event days that have been excluded from the normalized SAIDI and SAIFI results. The first major event was on March 13, 2014 and was caused by a disturbance in the BC Hydro transmission system which resulted in a large outage to FBC customers in the Okanagan area. This event affected around 25,000 customers and resulted in around 82,250 customer hours of interruption. The second major event was due to an extremely heavy snowfall that started on November 25, 2014, and resulted in tree-related outages throughout the service area from the Okanagan to the Kootenays. This event affected 31,000 customers and resulted in 123,300 customer outage hours, with some customers experiencing a loss of service for more than two days.

Significant outages impacting normalized reliability performance in 2014 included a large outage on July 23, 2014 caused by a severe weather storm that included lightning, extreme wind and falling trees, affecting 35,000 customers and resulting in 28,000 customer hours of interruption. Another large outage occurred on September 4, 2014 in Kelowna during breaker maintenance work and affected 9,500 customers and resulted in 25,500 customer hours of interruption.

Despite these events, SAIDI and SAIFI reliability results were better than the benchmarks set by the Commission.

### *Generator Forced Outage Rate*

Generator Forced Outage Rate (FOR), an informational indicator, is a measure of the percentage of time in one year that the generating units experienced forced outages compared to the amount of time they could have operated without a forced outage. A forced outage means the removal of a generating unit from service due to the occurrence of a component

failure or other event, making it unavailable to produce power due to the unexpected breakdown. The FOR is defined by CEA as the ratio of Total Forced Outage Time to Total Forced Outage Time plus Total Operating Time times 100.

The estimated FOR for the year ending 2014 is 1.74 percent. This FOR resulted from approximately 1,489 forced outage hours for the combined 15 generating units. The main contributors were approximately 481 hours of outage hours due to the Corra Linn Unit 2 fire in 2013 that carried over into January 2014, approximately 959 hours for the fire at South Slocan Unit 1 and approximately 59 outage hours for a ground fault at the Upper Bonnington Unit 2 in July 2014.

From 2009 to 2013, FBC's FOR averaged 1.37 percent, consistently performing better than the industry average of 4.11 percent. The 2014 results are consistent with the Company's historical performance of better than the industry average.

## 13.5 *SUMMARY*

In summary, FBC's 2014 SQI results indicate that the Company's overall performance was representative of a high level of service quality. For those SQIs with benchmarks, four performed better than the approved benchmarks, two performed better than the threshold and within the performance range and two performed below the threshold, For the three SQIs that are informational only, two performed at levels consistent with prior years, with the Telephone Abandon Rate experiencing higher rates than usual in 2014.

# Appendix A

# STATISTICS CANADA AND CONFERENCE BOARD OF CANADA REPORTS AND LOAD AND CUSTOMER FORECAST

**Attachment 1 - CANSIM Table 326-0020 to determine the CPI-BC**



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**Table 326-0020**[1, 2, 3, 4, 5, 6, 7, 9, 10]
**Consumer Price Index (CPI), 2011 basket**
monthly (2002=100)

Data table | Add/Remove data | Manipulate | Download | Related information | Help

**Data table**

The data below is a part of CANSIM table 326-0020. Use the Add/Remove data tab to customize your table.

**Selected items [Add/Remove data]**

**Geography**[10]= British Columbia

| Products and product groups[15] | All-items CPI[16] | Food[17] | Shelter[18] | Household operations, furnishings and equipment | Clothing and footwear | Transportation | Gasoline | Health and personal care | Recreation, education and reading | Alcoholic beverages and tobacco products | All-it CP exclu food ener |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2012 July | 117.9 | 128.3 | 114.1 | 110.9 | 96.9 | 124.6 | 185.8 | 115.0 | 115.5 | 130.0 | 112.1 |
| 2012 August | 118.1 | 128.1 | 114.0 | 110.7 | 99.4 | 124.8 | 186.0 | 116.1 | 116.0 | 130.8 | 112.4 |
| 2012 September | 118.1 | 127.0 | 113.9 | 111.8 | 102.8 | 124.8 | 185.2 | 115.1 | 115.3 | 130.4 | 112.7 |
| 2012 October | 118.0 | 127.6 | 114.1 | 111.2 | 101.7 | 125.7 | 187.2 | 115.2 | 113.1 | 130.6 | 112.4 |
| 2012 November | 117.6 | 127.9 | 114.1 | 111.7 | 100.9 | 123.7 | 171.7 | 115.5 | 112.0 | 131.0 | 112.4 |
| 2012 December | 117.0 | 128.2 | 113.7 | 111.5 | 97.0 | 122.6 | 168.0 | 115.1 | 111.7 | 129.8 | 111.7 |
| 2013 January | 117.1 | 128.4 | 113.6 | 111.6 | 97.6 | 123.7 | 170.1 | 115.4 | 110.7 | 131.0 | 111.8 |
| 2013 February | 118.3 | 129.6 | 113.6 | 113.5 | 100.0 | 126.5 | 184.2 | 115.5 | 111.4 | 131.0 | 112.5 |
| 2013 March | 118.5 | 129.6 | 113.6 | 113.7 | 103.7 | 126.6 | 188.8 | 115.1 | 110.9 | 131.0 | 112.7 |
| 2013 April | 117.2 | 126.1 | 113.2 | 111.1 | 103.7 | 125.9 | 185.9 | 113.3 | 110.0 | 130.7 | 111.7 |
| 2013 May | 117.9 | 126.8 | 113.3 | 110.8 | 102.3 | 128.1 | 196.0 | 113.1 | 112.8 | 131.5 | 112.2 |
| 2013 June | 117.6 | 126.2 | 113.2 | 110.5 | 98.9 | 128.5 | 197.5 | 113.1 | 113.2 | 130.7 | 111.9 |
| 2013 July | 117.9 | 126.9 | 113.2 | 110.9 | 98.2 | 128.0 | 199.3 | 111.7 | 115.1 | 131.1 | 111.9 |
| 2013 August | 118.0 | 127.7 | 113.3 | 110.3 | 101.0 | 127.3 | 196.2 | 112.3 | 115.4 | 131.1 | 112.1 |
| 2013 September | 118.1 | 127.0 | 113.3 | 110.8 | 104.2 | 126.6 | 191.1 | 112.6 | 114.7 | 131.6 | 112.4 |
| 2013 October | 117.7 | 125.9 | 113.2 | 112.6 | 103.5 | 125.7 | 180.4 | 111.9 | 113.3 | 131.9 | 112.6 |
| 2013 November | 117.4 | 127.1 | 113.3 | 112.7 | 100.4 | 124.6 | 174.2 | 111.9 | 112.0 | 133.2 | 112.1 |
| 2013 December | 117.0 | 127.5 | 113.2 | 111.3 | 97.9 | 124.3 | 172.7 | 112.5 | 111.4 | 131.8 | 111.6 |
| 2014 January | 117.1 | 127.2 | 113.5 | 111.6 | 98.3 | 125.2 | 176.0 | 112.4 | 110.7 | 133.1 | 111.7 |
| 2014 February | 118.0 | 128.8 | 113.5 | 112.5 | 100.0 | 126.4 | 179.0 | 113.0 | 111.8 | 132.8 | 112.3 |
| 2014 March | 118.6 | 128.8 | 113.5 | 112.8 | 102.4 | 128.2 | 191.3 | 112.8 | 112.7 | 134.2 | 112.8 |
| 2014 April | 119.0 | 128.8 | 114.8 | 112.2 | 102.6 | 129.0 | 196.9 | 113.2 | 112.4 | 135.1 | 112.7 |
| 2014 May | 119.7 | 129.5 | 114.6 | 112.5 | 102.5 | 130.2 | 201.3 | 112.8 | 115.1 | 135.6 | 113.3 |
| 2014 June | 119.8 | 129.6 | 114.5 | 112.8 | 101.1 | 130.6 | 204.5 | 112.9 | 115.8 | 135.5 | 113.3 |

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**Footnotes:**

1. The Consumer Price Index (CPI) is an indicator of the changes in consumer prices experienced by the target population. The CPI measures price change by comparin over time, the cost of a fixed basket of goods and services. This basket is based on the expenditures of the target population in a certain reference period, currently 2011. Since the basket contains goods and services of unchanging or equivalent quantity and quality, the index reflects only pure price movements. Separate CPIs ar published for Canada, the ten provinces, Whitehorse, Yellowknife and Iqaluit. Some CPI information is also available for sixteen additional urban centres. Since the CI is a measure of price change from one time period to another, it cannot be used to indicate differences in price levels between provinces or urban centres.
2. The Consumer Price Index (CPI) is not a cost-of-living index. The objective behind a cost-of-living index is to measure changes in expenditures necessary for consumers to maintain a constant standard of living. The idea is that consumers would normally switch between products as the price relationship of goods changes. If, for example, consumers get the same satisfaction from drinking tea as they do from coffee, then it is possible to substitute tea for coffee if the price of tea falls relative to the price of coffee. The cheaper of the interchangeable products may be chosen. We could compute a cost-of-living index for an individual if we had complete information about that person's taste and spending habits. To do this for a large number of people, let alone the total population of Canada, is impossible. For this reason, regularly published price indexes are based on the fixed-basket concept rather than the cost-of-living concept.
3.

The Consumer Price Index (CPI) compares, in percentage terms, prices in any given time period to prices in the official base period which, at present, is 2002=100. The official time base was changed from 1992=100 to 2002=100 starting with the May 2007 data released in June 2007. The change is strictly an arithmetic conversion, which alters the index levels but leaves the percentage changes between any two periods intact, except for differences in rounding.

4. The Consumer Price Index (CPI) maintains fixed quantitative proportions (weights) between goods and services during the life of a given basket. The baskets are updated periodically to take into account changes in consumer expenditure patterns. The basket reflecting the 2011 expenditure patterns replaced the 2009 basket starting with the February 2013 data released in March 2013. The continuity of the CPI series is maintained by "linking" the corresponding indexes obtained from consecutive baskets. The CPI is calculated as a weighted average of specified goods and services price indexes. The weights are derived from Survey of Household Spending data. When reconstructing or re-aggregating published CPI series, the changes in weights and the linking procedures must be taken into account. The process of linking is to apply the price movements calculated from the new basket to the series published previously. For a description of the methodology required t reconstruct or re-aggregate CPI series, see publication 62-553 The Consumer Price Index Reference Paper.
5. For concepts and definitions, see publication 62-557 Your Guide to the Consumer Price Index, or publication 62-553 The Consumer Price Index Reference Paper. Additional information can also be obtained from: CPD Dissemination Unit, Consumer Prices Division, telephone: (613) 951-9606, toll-free: 1-866-230-2248, fax (613) 951-2848, e-mail: cpd-info-dpc@statcan.gc.ca.
6. Statistics Canada determined that the weights for mortgage interest cost were too high in the basket update effective January 2003. The effect on the Canada all-items Consumer Price Index (CPI) was very small, within the rounding factor of the index. Effective with the July 2004 release, the 2001 basket weights were adjusted. See the documentation section of Definitions, data sources and methods http://www.statcan.gc.ca/imdb-bmdi/2301-eng.htm for updated weights.
7. The core Consumer Price Index (CPI) (Bank of Canada definition) (1992=100) was previously available in CANSIM table 176-0003 as the Consumer Price Index (CPI) excluding eight of the most volatile components and indirect taxes (CPIX) (1992=100).
9. This table replaces CANSIM table 326-0001 which terminated with the release of April 2007 data.
10. The population targeted by the Consumer Price Index (CPI) consists of families and individuals living in urban and rural private households. For practical reasons, residents of the Territories outside Whitehorse, Yellowknife and Iqaluit are not represented by the index. Previous to January 1995, the target population consisted of private households in Canadian urban centres with a population of 30,000 or more.
11. With the introduction of the 1992 basket in January 1995, emphasis was shifted from urban centre data to provincial data. Urban centre all-items series were continued since many users had come to rely on this service, but the method of calculation was changed. Shelter indexes are calculated for each urban centre. This recognizes the importance of shelter in the basket, the significant and persistent differences in price movements between urban centres, and the availability of local data. For the other seven major components, the movement of the provincial counterpart is used except in the cases of Montréal, Toronto, and Vancouver, where a sub-provincial counterpart is used. The major components are aggregated using the urban centre's expenditure pattern to arrive at each urban centre's all-items index.
12. Formerly Ottawa (Ottawa-Hull, Ontario part), represents Ottawa only.
13. The relatively small size of the housing market in these two cities makes it difficult to construct reliable price indexes for new houses. To compensate, the price movements of rental accommodation are used to approximate the price movements of new houses. The rent information itself is collected using different pricing frequencies and collection methods than in the rest of the country. Because of these problems, the indexes for rented accommodation, and owned accommodation ar not published for these two cities. Further, the all-items indexes published for these two cities are not strictly comparable with the same indexes for the provinces or the other sixteen urban centres.
14. Data for Iqaluit are on a December 2002=100 base (200212=100) and the Standard Geographical Classification (SGC) 2001. Previous to April 1, 1999, the town of Iqaluit formed part of the Northwest Territories. On April 1, 1999, the town of Iqaluit formed part of the newly-created territory of Nunavut.
15. The goods and services that make up the Consumer Price Index (CPI) are organized according to a hierarchical structure with the "all-items CPI" as the top level. Eig major components of goods and services make up the "all-items CPI". They are: "food", "shelter", "household operations, furnishings and equipment", "clothing and footwear", "transportation", "health and personal care", "recreation, education and reading", and "alcoholic beverages and tobacco products". These eight component are broken down into a varying number of sub-groups which are in turn broken down into other sub-groups. Indents are used to identify the components that make each level of aggregation. For example, the eight major components appear with one indent relative to the "all-items CPI" to show that they are combined to obtain the "all-items CPI". NOTE: Some items are recombined outside the main structure of the CPI to obtain special aggregates such as "all-items excluding food and energy", "energy", "goods", "services", or "fresh fruit and fresh vegetables". They are listed after the components of the main structure of the CPI following the last major component entitled "alcoholic beverages and tobacco products".
16. The eight major components of the Consumer Price Index (CPI) basket are: "food", "shelter", "household operations, furnishings and equipment", "clothing and footwear", "transportation", "health and personal care", "recreation, education and reading", and "alcoholic beverages and tobacco products".
17. Food includes non-alcoholic beverages.
18. Part of the increase first recorded in the shelter index for Yellowknife for December 2004 inadvertently reflected rent increases that actually occurred earlier. As a result, the change in the shelter index was overstated in December 2004, and was understated in the previous two years. The shelter index series for Yellowknife has been corrected from December 2002. In addition, the Yellowknife all-items Consumer Price Index (CPI) and some Yellowknife special aggregate index series have als changed. Data for Canada and all other provinces and territories were not affected.
19. In July 2004, the 2001 basket weights introduced with the January 2003 data were adjusted; the weights for mortgage interest cost were re-evaluated.
20. Due to changes in the Ontario electricity market that became effective May 1, 2002, it was necessary to adjust the treatment of electricity prices in the Consumer Pri Index (CPI) for that province. A question and answer fact sheet that explains those changes is now available. To obtain the fact sheet on the treatment of electricity prices in Ontario, please contact CPD Dissemination Unit, Consumer Prices Division, telephone: (613) 951-9606, toll-free: 1-866-230-2248, fax: (613) 951-2848, e-mail: cpd-info-dpc@statcan.gc.ca.
21. About two thirds (4.7%) of the 7.4% decrease registered between September and October 2004 in the "Digital computing equipment and devices" index series represents a revision to source data.
22. From April 2006, Statistics Canada changed its implementation of the price index formula used for traveller accommodation. As a result, data from April 2006 are not strictly comparable to earlier time periods.
23. The Bank of Canada's core index excludes eight of the Consumer Price Index's most volatile components (fruit, fruit preparations and nuts; vegetables and vegetable preparations; mortgage interest cost; natural gas; fuel oil and other fuels; gasoline; inter-city transportation; and tobacco products and smokers' supplies) as well as the effects of changes in indirect taxes on the remaining components. For additional information on core CPI, please consult the Bank of Canada website: http://www.bankofcanada.ca/rates/indicators/key-variables/inflation-control-target/. Starting with the October 2006 Consumer Price Index (CPI), Statistics Canada produces and disseminates the Core CPI as defined by the Bank of Canada.
24. Excluded from the all-items Consumer Price Index (CPI) are the following eight of the most volatile components identified by the Bank of Canada: fruit, fruit preparations and nuts; vegetables and vegetable preparations; mortgage interest cost; natural gas; fuel oil and other fuels; gasoline; inter-city transportation; and tobacco products and smokers' supplies. This series is used to obtain core inflation which also excludes the effect of changes in indirect taxes.
25. The special aggregate "energy" includes: "electricity", "natural gas", "fuel oil and other fuels", "gasoline", and "fuel, parts and supplies for recreational vehicles".
26. The 1986 basket content was divided into seven major components. With the introduction of the 1992 basket, the "housing" component from the 1986 basket definition was split into two components: "shelter" and "household operations, furnishings and equipment". This brought the number of major components to a total eight. Also, the definition of "shelter" was changed. The traveller accommodation category, which was part of the 1986 definition of "shelter", was moved to "recreation" with the introduction of the 1992 basket. To provide some continuity certain aggregates were reconstructed using their 1986 basket definitions.
27. Goods are physical or tangible commodities usually classified according to their life span into non-durable goods, semi-durable goods and durable goods. Non-durable goods are those goods that can be used up entirely in less than a year, assuming normal usage. For example, fresh food products, disposable cameras and gasoline are non-durable goods. Semi-durable goods are those goods that may last less than 12 months or greater than 12 months depending on the purpose to which they a put. For example, clothing, footwear and household textiles are semi-durable goods. Durable goods are those goods which may be used repeatedly or continuously over more than a year, assuming normal usage. For example, cars, audio and video equipment and furniture are durable goods.
28. A service in the Consumer Price Index (CPI) is characterized by valuable work performed by an individual or organization on behalf of a consumer, for example, car tune-ups, haircuts and city public transportation. Transactions classified as a service may include the cost of goods by their nature. Examples include food in restaurant food services and materials in clothing repair services.
29. Revision of the methodology of the home insurance component of the Consumer Price Index (CPI) beginning with the February 2008 CPI - http://www.statcan.gc.ca/imdb-bmdi/document/2301_D39_T9_V1-eng.pdf.
30. Revision of the methodology of the Internet access services component of the Consumer Price Index (CPI) beginning with the March 2008 CPI - http://www.statcan.gc.ca/imdb-bmdi/document/2301_D40_T9_V1-eng.pdf.
31. In previous years, Statistics Canada updated, by province, the model year of passenger vehicles used in the calculation of the passenger vehicle insurance premiums index over a three month period. Since 2008, this quality adjustment exercise is reflected in the month of May for all provinces.
32. Revision of the methodology of the rent component of the Consumer Price Index (CPI) beginning with the July 2009 CPI - http://www.statcan.gc.ca/imdb-bmdi/document/2301_D41_T9_V1-eng.pdf.
33. Revision of the methodology of the prescribed medicines component of the Consumer Price Index (CPI), beginning with the September 2012 CPI - http://www23.statcan.gc.ca/imdb-bmdi/document/2301_D50_T9_V1-eng.htm.
34. The timing for the introduction of new model year vehicles into the purchase of passenger vehicles index of the Consumer Price Index (CPI) has changed in 2012. Please consult http://www23.statcan.gc.ca/imdb-bmdi/document/2301_D51_T9_V1-eng.htm.

**Source:** Statistics Canada. *Table 326-0020 - Consumer Price Index (CPI), 2011 basket, monthly (2002=100 unless otherwise noted),* CANSIM (database). (accessed: 2014-11-26)
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Date modified: 2014-07-17

## Appendix A2 - CANSIM Table 281-0063 to determine AWE-BC



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**Table 281-0063**[1, 10, 11, 12, 13, 14]
**Employment and average weekly earnings including overtime (SEPH), seasonally adjusted, for all employees by industries classified using the North American Industry Classification System (NAICS)**
monthly

Data table | Add/Remove data | Manipulate | Download | Related information | Help

**Data table**

The data below is a part of CANSIM table 281-0063. Use the Add/Remove data tab to customize your table.

**Selected items** [Add/Remove data]

**Geography**= British Columbia
**Estimate**= Average weekly earnings including overtime for all employees (dollars)[2]

| North American Industry Classification System (NAICS) [14] | Industrial aggregate excluding unclassified businesses [11-91N] [2, 3] | Goods producing industries [11-33N] [4] | Forestry, logging and support [11N] [5] | Mining, quarrying, and oil and gas extraction [21] | Utilities [22] | Construction [23] | Manufacturing [31-33] | Service producing industries [41-91N] [8] | |
|---|---|---|---|---|---|---|---|---|---|
| 2012 July | 868.83[A] | 1,102.93[A] | 1,121.07[A] | 1,780.74[A] | 1,568.64[A] | 1,070.56[A] | 970.23[A] | 824.58[A] | 669 |
| 2012 August | 870.19[A] | 1,098.00[A] | 1,084.77[A] | 1,763.22[A] | 1,486.96[A] | 1,067.48[A] | 974.86[A] | 825.59[A] | 659 |
| 2012 September | 868.34[A] | 1,099.18[A] | 1,132.41[A] | 1,727.31[A] | 1,467.31[A] | 1,081.93[A] | 979.71[A] | 821.46[A] | 650 |
| 2012 October | 870.31[A] | 1,104.62[A] | 1,194.09[A] | 1,727.65[A] | 1,509.69[A] | 1,106.51[A] | 988.59[A] | 823.22[A] | 660 |
| 2012 November | 872.08[A] | 1,103.17[A] | 1,162.35[A] | 1,658.27[A] | 1,480.89[A] | 1,124.74[A] | 972.15[A] | 826.06[A] | 659 |
| 2012 December | 871.59[A] | 1,093.65[A] | 1,177.60[A] | 1,629.15[A] | 1,485.52[A] | 1,083.78[A] | 990.28[A] | 829.61[A] | 663 |
| 2013 January | 867.90[A] | 1,086.88[A] | 1,156.27[A] | 1,651.36[A] | 1,619.32[A] | 1,018.29[A] | 963.89[A] | 824.87[A] | 638 |
| 2013 February | 872.14[A] | 1,107.19[A] | 1,199.31[A] | 1,728.99[A] | 1,582.43[A] | 1,076.24[A] | 1,011.61[A] | 827.26[A] | 656 |
| 2013 March | 863.23[A] | 1,097.36[A] | 1,205.92[B] | 1,613.70[A] | 1,630.32[A] | 1,087.05[A] | 1,019.64[A] | 818.84[A] | 657 |
| 2013 April | 868.02[A] | 1,108.50[A] | 1,144.73[B] | 1,618.77[A] | 1,557.89[A] | 1,088.69[A] | 1,027.32[A] | 820.88[A] | 657 |
| 2013 May | 878.02[A] | 1,131.90[A] | 1,171.11[B] | 1,703.78[A] | 1,672.34[A] | 1,106.87[A] | 1,004.17[A] | 827.61[A] | 677 |
| 2013 June | 867.81[A] | 1,119.13[A] | 1,128.27[A] | 1,698.21[A] | 1,616.98[A] | 1,091.92[A] | 1,001.57[A] | 819.76[A] | 662 |
| 2013 July | 866.46[A] | 1,122.01[A] | 1,114.84[A] | 1,741.37[A] | 1,600.74[A] | 1,112.78[A] | 984.83[A] | 817.27[A] | 676 |
| 2013 August | 873.63[A] | 1,125.45[A] | 1,214.38[A] | 1,623.36[A] | 1,693.50[A] | 1,097.45[A] | 1,009.87[A] | 824.66[A] | 661 |
| 2013 September | 869.31[A] | 1,125.79[A] | 1,152.94[A] | 1,716.66[A] | 1,600.07[A] | 1,129.05[A] | 995.39[A] | 818.59[A] | 667 |
| 2013 October | 874.43[A] | 1,126.53[A] | 1,148.43[B] | 1,807.61[A] | 1,628.39[A] | 1,121.79[A] | 966.10[A] | 824.81[A] | 659 |
| 2013 November | 889.48[A] | 1,153.01[A] | 1,201.96[A] | 1,848.76[A] | 1,696.51[A] | 1,152.97[A] | 1,030.41[A] | 837.40[A] | 679 |
| 2013 December | 886.35[A] | 1,161.34[A] | 1,296.98[C] | 1,871.78[A] | 1,704.96[A] | 1,143.22[A] | 1,012.32[A] | 835.28[A] | 702 |
| 2014 January | 887.67[A] | 1,133.62[A] | 1,199.51[A] | 1,809.96[A] | 1,743.03[A] | 1,073.52[A] | 993.15[A] | 839.88[A] | 690 |
| 2014 February | 887.95[A] | 1,126.55[A] | 1,041.37[A] | 1,820.21[A] | 1,718.09[A] | 1,129.73[A] | 992.75[A] | 842.51[A] | 686 |
| 2014 March | 894.42[A] | 1,138.86[A] | 1,086.87[A] | 1,901.46[A] | 1,739.25[A] | 1,128.89[A] | 1,008.62[A] | 847.78[A] | 674 |
| 2014 April | 896.03[A] | 1,139.99[A] | 1,116.11[A] | 1,903.46[A] | 1,707.05[A] | 1,109.72[A] | 1,000.16[A] | 848.45[A] | 680 |
| 2014 May | 895.45[A] | 1,151.85[A] | 1,188.80[A] | 1,892.09[B] | 1,694.67[A] | 1,137.82[A] | 987.65[A] | 848.63[A] | 684 |
| 2014 June | 889.14[A] | 1,145.38[A] | 1,229.27[A] | 1,898.60[A] | 1,781.11[A] | 1,106.45[A] | 1,004.60[A] | 837.78[A] | 690 |

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**Footnotes:**

1. Data quality indicators are based on the coefficient of variation (CV). Quality indicators indicate the following: A - Excellent (CV from 0% to 4.99%); B - Very good (C from 5% to 9.99%); C - Good (CV from 10% to 14.99%); D - Acceptable (CV from 15% to 24.99%); E - Use with caution (CV from 25% to 34.99%); F - Too unreliable to publish (CV greater than or equal to 35% or sample size is too small to produce reliable estimates).
2. Industrial aggregate covers all industrial sectors except those primarily involved in agriculture, fishing and trapping, private household services, religious organisatior and the military personnel of the defence services.
3. Unclassified businesses (00) are business for which the industrial classification (North American Industry Classification System (NAICS) 2012) has yet to be determined.
4.

Goods producing industries (11-33N) includes the following sectors: forestry, logging and support (11N), mining, quarrying, and oil and gas extraction (21), utilities (22), construction (23) and manufacturing (31-33).

5. Forestry, logging and support (11N) includes the following industries: forestry and logging (113) and support activities to forestry (1153).
6. Non-durable goods (311N) of the manufacturing sector includes the following industries: food manufacturing (311), beverage and tobacco products manufacturing (312), textiles mills (313), textile products mills (314), clothing manufacturing (315), leather and allied products manufacturing (316), paper manufacturing (322), printing and related support activities (323), petroleum and coal products manufacturing (324), chemical manufacturing (325) and plastics and rubber products manufacturing (326).
7. Durable goods (321N) of the manufacturing sector includes the following industries: wood products manufacturing (321), non-metallic mineral products manufacturir (327), primary metal manufacturing (331), fabricated metal products manufacturing (332), machinery manufacturing (333), computer and electronic products manufacturing (334), electrical equipment, appliances and components manufacturing (335), transportation equipment manufacturing (336), furniture and related products manufacturing (337) and miscellaneous manufacturing (339).
8. Service producing industries (41-91N) includes the following industries: trade (41-45N), transportation and warehousing (48-49), information and cultural industries (51), finance and insurance (52), real estate and rental and leasing (53), professional, scientific and technical services (54), management of companies and enterprises (55), administrative and support, waste management and remediation services (56), educational services (61), health care and social assistance (62), ar entertainment and recreation (71), accommodation and food services (72), other services (except public administration) (81) and public administration (91).
9. Trade (41-45N) industry includes the following sectors: wholesale (41) and retail trade (44-45).
10. Source: Labour Statistics Division, Statistics Canada
11. Some series exhibit no clear seasonal pattern. In such cases the data are not adjusted.
12. The introduction of administrative data in 2001 and the associated change in methodology resulted in level shifts for some series. This affects the comparability of pr and post-2001 estimates.
13. Estimates for the latest reference month are preliminary.
14. Industry estimates in this table are based on the 2012 North American Industry Classification System (NAICS).

**Source:** Statistics Canada. *Table 281-0063 - Employment and average weekly earnings including overtime (SEPH), seasonally adjusted, for all employees by industries classified using the North American Industry Classification System (NAICS), monthly (persons unless otherwise noted),* CANSIM (database). (accessed: 2014-11-26)

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## TABLE 11: KEY ECONOMIC INDICATORS, BRITISH COLUMBIA

| | 2013Q1 | 2013Q2 | 2013Q3 | 2013Q4 | 2014Q1 | 2014Q2 | 2014Q3 | 2014Q4 | 2015Q1 | 2015Q2 | 2015Q3 | 2015Q4 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| G.D.P AT MARKET PRICES | 224218 | 224922 | 228554 | 232131 | 233395 | 234699 | 237266 | 240025 | 243197 | 246273 | 248740 | 251627 | 227456 | 236346 | 247459 |
| (MILLIONS $) | 1.1 | 0.3 | 1.6 | 1.6 | 0.5 | 0.6 | 1.1 | 1.2 | 1.3 | 1.3 | 1.0 | 1.2 | 3.4 | 3.9 | 4.7 |
| G.D.P AT MARKET PRICES | 210884 | 212156 | 213381 | 215816 | 216047 | 217262 | 218673 | 219985 | 222142 | 223663 | 225027 | 226671 | 213059 | 217992 | 224376 |
| (MILLIONS $2007) | 0.3 | 0.6 | 0.6 | 1.1 | 0.1 | 0.6 | 0.6 | 0.6 | 1.0 | 0.7 | 0.6 | 0.7 | 2.0 | 2.3 | 2.9 |
| G.D.P AT BASIC PRICES | 194513 | 195686 | 196816 | 199062 | 199275 | 200395 | 201697 | 202908 | 204896 | 206300 | 207558 | 209075 | 196519 | 201069 | 206957 |
| (MILLIONS $2007) | 0.3 | 0.6 | 0.6 | 1.1 | 0.1 | 0.6 | 0.6 | 0.6 | 1.0 | 0.7 | 0.6 | 0.7 | 2.0 | 2.3 | 2.9 |
| IMPLICIT PRICE DEFLATOR - | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| GDP AT BASIC PRICES (2007=1.0) | 0.8 | -0.3 | 1.0 | 0.4 | 0.4 | 0.0 | 0.4 | 0.6 | 0.3 | 0.6 | 0.4 | 0.4 | 1.4 | 1.6 | 1.7 |
| CONSUMER PRICE INDEX (2007=1.0) | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| | 0.4 | -0.3 | 0.4 | -0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | -0.1 | 1.0 | 2.0 |
| WAGES & SALARY PER EMPLOYEE | 42.9 | 43.1 | 43.3 | 44.0 | 44.2 | 44.4 | 44.7 | 45.0 | 45.3 | 45.6 | 45.9 | 46.2 | 43.3 | 44.6 | 45.7 |
| (THOUSANDS $) | 1.1 | 0.5 | 0.5 | 1.6 | 0.4 | 0.7 | 0.6 | 0.7 | 0.6 | 0.6 | 0.6 | 0.7 | 3.8 | 2.9 | 2.6 |
| PRIMARY HOUSEHOLD INCOME | | | | | | | | | | | | | | | |
| (MILLIONS $) | 160893 | 162082 | 162731 | 165017 | 165962 | 167983 | 169909 | 171956 | 174153 | 176243 | 178427 | 180437 | 162681 | 168953 | 177315 |
| | 1.1 | 0.7 | 0.4 | 1.4 | 0.6 | 1.2 | 1.1 | 1.2 | 1.3 | 1.2 | 1.2 | 1.1 | 4.2 | 3.9 | 4.9 |
| HOUSEHOLD DISPOSABLE INCOME | 142291 | 142903 | 143660 | 145679 | 145930 | 147577 | 149222 | 150955 | 152532 | 154296 | 156112 | 157860 | 143633 | 148421 | 155200 |
| (MILLIONS $) | 1.0 | 0.4 | 0.5 | 1.4 | 0.2 | 1.1 | 1.1 | 1.2 | 1.0 | 1.2 | 1.2 | 1.1 | 3.7 | 3.3 | 4.6 |
| POPULATION OF LABOUR | 3837 | 3848 | 3861 | 3871 | 3882 | 3890 | 3902 | 3913 | 3925 | 3937 | 3949 | 3961 | 3855 | 3897 | 3943 |
| FORCE AGE | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 1.0 | 1.1 | 1.2 |
| LABOUR FORCE ('000) | 2467 | 2473 | 2475 | 2468 | 2469 | 2476 | 2488 | 2500 | 2512 | 2524 | 2535 | 2546 | 2471 | 2483 | 2529 |
| | -0.3 | 0.2 | 0.1 | -0.3 | 0.0 | 0.3 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.4 | -0.4 | 0.5 | 1.9 |
| EMPLOYMENT ('000) | 2305 | 2312 | 2310 | 2305 | 2316 | 2330 | 2342 | 2354 | 2369 | 2382 | 2398 | 2408 | 2308 | 2335 | 2389 |
| | -0.3 | 0.3 | -0.1 | -0.2 | 0.5 | 0.6 | 0.5 | 0.6 | 0.6 | 0.6 | 0.7 | 0.4 | -0.2 | 1.2 | 2.3 |
| UNEMPLOYMENT RATE | 6.6 | 6.5 | 6.7 | 6.6 | 6.2 | 5.9 | 5.9 | 5.8 | 5.7 | 5.6 | 5.4 | 5.4 | 6.6 | 5.9 | 5.5 |
| RETAIL SALES (MILLIONS $) | 61578 | 62091 | 63360 | 63908 | 63344 | 64019 | 64633 | 65242 | 65817 | 66442 | 67027 | 67650 | 62734 | 64310 | 66734 |
| | 0.6 | 0.8 | 2.0 | 0.9 | -0.9 | 1.1 | 1.0 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 2.4 | 2.5 | 3.8 |
| HOUSING STARTS (NUMBER OF UNITS) | 23547 | 26351 | 28666 | 29651 | 26398 | 27210 | 27450 | 28094 | 28003 | 27974 | 27171 | 26447 | 27054 | 27288 | 27399 |
| | -3.2 | 11.9 | 8.8 | 3.4 | -11.0 | 3.1 | 0.9 | 2.3 | -0.3 | -0.1 | -2.9 | -2.7 | -1.5 | 0.9 | 0.4 |

*Source: Conference Board of Canada, Provincial medium term update May 2014 edition, published 5/7/2014.*

# 1. MONTHLY LOAD FORECAST

Forecast loads are shown:

- *before-saving* – the load before DSM and all other savings (RCR[1], CIP[2], AMI[3], and rate-driven impacts),
- *before-saving and after rate-driven and RCR impacts* – the load before DSM and some savings (CIP, AMI), but after rate-driven and RCR impacts, and
- *after-saving* –the load after DSM and all other savings (RCR, CIP, AMI, and rate-driven impacts).

## 1.1 *GROSS LOAD*

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Before-saving | | | | | | | | | | | | | |
| 2009 | 357,560 | 302,739 | 305,539 | 244,978 | 242,249 | 242,735 | 276,801 | 262,866 | 234,668 | 269,945 | 315,009 | 360,679 | 3,415,766 |
| 2010 | 358,574 | 304,251 | 288,022 | 253,247 | 237,451 | 232,285 | 274,190 | 265,937 | 227,770 | 258,133 | 303,172 | 365,668 | 3,368,701 |
| 2011 | 374,096 | 313,764 | 312,059 | 254,039 | 235,722 | 242,276 | 268,421 | 273,732 | 242,593 | 260,877 | 307,093 | 362,607 | 3,447,280 |
| 2012 | 354,376 | 315,497 | 304,411 | 253,594 | 237,899 | 233,308 | 272,143 | 275,122 | 236,457 | 262,538 | 313,757 | 362,555 | 3,421,657 |
| 2013 | 370,230 | 327,949 | 300,320 | 255,905 | 250,004 | 235,108 | 291,205 | 274,806 | 241,255 | 266,336 | 303,947 | 380,442 | 3,497,508 |
| 2014 | 362,000 | 311,479 | 309,131 | 265,137 | 255,290 | 244,811 | 282,619 | 278,630 | 242,427 | 271,543 | 311,324 | 361,258 | 3,495,651 |
| 2015 | 373,301 | 319,817 | 314,391 | 267,143 | 255,939 | 245,258 | 285,360 | 281,012 | 242,708 | 273,367 | 317,644 | 372,421 | 3,548,361 |
| Before-saving & After Rate-driven and RCR Impacts | | | | | | | | | | | | | |
| 2014 | 359,848 | 309,765 | 307,350 | 263,678 | 253,923 | 243,538 | 281,076 | 277,153 | 241,241 | 270,076 | 309,523 | 358,988 | 3,476,158 |
| 2015 | 370,453 | 317,562 | 312,043 | 265,229 | 254,152 | 243,596 | 283,335 | 279,080 | 241,169 | 271,445 | 315,268 | 369,406 | 3,522,739 |
| After-Saving | | | | | | | | | | | | | |
| 2014 | 359,520 | 309,501 | 307,065 | 263,437 | 253,690 | 243,310 | 280,795 | 276,874 | 241,003 | 269,787 | 309,176 | 358,557 | 3,472,716 |
| 2015 | 369,549 | 316,393 | 310,745 | 263,735 | 252,489 | 241,698 | 281,222 | 276,697 | 238,553 | 268,734 | 312,449 | 366,481 | 3,498,745 |

## 1.2 *NET LOAD*

[1] FBC's Residential Conservation Rate
[2] Customer Information Portal
[3] Advanced Metering Infrastructure

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Before-saving | | | | | | | | | | | | | |
| 2009 | 318,969 | 271,732 | 276,533 | 225,115 | 223,331 | 223,208 | 252,599 | 240,861 | 216,326 | 246,835 | 283,506 | 321,479 | 3,100,494 |
| 2010 | 322,764 | 275,389 | 264,054 | 233,827 | 220,707 | 215,751 | 252,308 | 245,260 | 211,831 | 238,568 | 276,095 | 328,561 | 3,085,116 |
| 2011 | 333,975 | 282,076 | 283,208 | 233,733 | 218,542 | 223,679 | 246,555 | 251,059 | 223,951 | 240,135 | 278,304 | 324,686 | 3,139,902 |
| 2012 | 321,730 | 286,779 | 279,732 | 235,517 | 222,312 | 217,842 | 252,099 | 254,667 | 220,598 | 243,793 | 286,926 | 328,517 | 3,150,511 |
| 2013 | 335,457 | 297,641 | 276,667 | 237,842 | 233,199 | 219,696 | 268,867 | 254,751 | 225,078 | 247,419 | 279,078 | 343,897 | 3,219,594 |
| 2014 | 333,040 | 286,560 | 284,400 | 243,926 | 234,867 | 225,226 | 260,010 | 256,339 | 223,033 | 249,820 | 286,418 | 332,357 | 3,215,999 |
| 2015 | 338,084 | 290,942 | 288,708 | 247,621 | 238,424 | 228,617 | 263,901 | 260,158 | 226,390 | 253,558 | 290,733 | 337,355 | 3,264,492 |
| Before-saving & After Rate-driven and RCR Impacts | | | | | | | | | | | | | |
| 2014 | 331,060 | 284,984 | 282,762 | 242,584 | 233,609 | 224,055 | 258,590 | 254,981 | 221,942 | 248,470 | 284,761 | 330,269 | 3,198,066 |
| 2015 | 335,470 | 288,871 | 286,550 | 245,858 | 236,776 | 227,085 | 262,037 | 258,379 | 224,970 | 251,787 | 288,549 | 334,589 | 3,240,920 |
| After-Saving | | | | | | | | | | | | | |
| 2014 | 331,675 | 285,359 | 283,087 | 242,720 | 233,626 | 223,926 | 258,425 | 254,681 | 221,474 | 248,056 | 284,404 | 330,001 | 3,197,433 |
| 2015 | 335,179 | 288,217 | 285,799 | 244,842 | 235,579 | 225,645 | 260,471 | 256,544 | 222,843 | 249,651 | 286,404 | 332,476 | 3,223,651 |

## 1.3 *RESIDENTIAL*

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Before-saving | | | | | | | | | | | | | |
| 2009 | 138,654 | 111,321 | 124,105 | 89,024 | 87,454 | 83,579 | 97,792 | 88,147 | 71,111 | 92,827 | 114,789 | 140,106 | 1,238,909 |
| 2010 | 144,415 | 116,176 | 112,135 | 94,505 | 85,285 | 75,333 | 96,222 | 91,300 | 72,613 | 94,047 | 110,964 | 148,667 | 1,241,663 |
| 2011 | 150,580 | 112,169 | 121,527 | 98,312 | 80,093 | 79,957 | 85,233 | 91,744 | 76,608 | 88,720 | 117,345 | 146,806 | 1,249,094 |
| 2012 | 134,187 | 105,958 | 112,447 | 88,508 | 81,808 | 82,946 | 97,309 | 91,118 | 73,417 | 89,175 | 117,807 | 154,029 | 1,228,709 |
| 2013 | 145,263 | 115,730 | 114,637 | 112,100 | 90,869 | 85,319 | 120,666 | 100,397 | 73,591 | 97,867 | 124,661 | 171,845 | 1,352,945 |
| 2014 | 157,579 | 122,654 | 129,255 | 104,470 | 97,014 | 89,543 | 110,245 | 104,462 | 81,604 | 104,459 | 130,885 | 168,713 | 1,400,882 |
| 2015 | 159,672 | 124,283 | 130,972 | 105,857 | 98,303 | 90,733 | 111,710 | 105,849 | 82,688 | 105,847 | 132,623 | 170,954 | 1,419,491 |
| Before-saving & After Rate-driven and RCR Impacts | | | | | | | | | | | | | |
| 2014 | 155,827 | 121,290 | 127,818 | 103,308 | 95,936 | 88,548 | 109,020 | 103,300 | 80,697 | 103,298 | 129,430 | 166,837 | 1,385,309 |
| 2015 | 157,290 | 122,429 | 129,018 | 104,278 | 96,836 | 89,379 | 110,043 | 104,270 | 81,455 | 104,268 | 130,645 | 168,404 | 1,398,317 |
| After-Saving | | | | | | | | | | | | | |
| 2014 | 156,501 | 121,777 | 128,305 | 103,658 | 96,227 | 88,779 | 109,313 | 103,535 | 80,796 | 103,464 | 129,677 | 167,217 | 1,389,246 |
| 2015 | 157,756 | 122,632 | 129,208 | 104,282 | 96,755 | 89,203 | 109,921 | 104,039 | 81,017 | 103,881 | 130,326 | 168,222 | 1,397,241 |

## 1.4 *COMMERCIAL*

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Before-saving | | | | | | | | | | | | | |
| 2009 | 60,319 | 57,143 | 55,134 | 52,468 | 52,802 | 56,015 | 57,628 | 55,929 | 54,675 | 55,551 | 57,688 | 60,004 | 675,356 |
| 2010 | 58,527 | 55,666 | 53,799 | 51,561 | 52,546 | 56,272 | 56,380 | 52,416 | 51,844 | 54,570 | 57,594 | 58,382 | 659,556 |
| 2011 | 57,742 | 59,980 | 55,524 | 50,675 | 51,759 | 55,477 | 59,401 | 55,911 | 50,918 | 50,637 | 53,116 | 55,779 | 656,918 |
| 2012 | 64,101 | 63,452 | 59,292 | 53,673 | 54,431 | 49,553 | 55,968 | 62,008 | 56,661 | 52,596 | 57,398 | 51,423 | 680,553 |
| 2013 | 65,750 | 60,623 | 56,214 | 57,036 | 69,494 | 61,665 | 67,834 | 73,941 | 72,704 | 67,185 | 66,229 | 69,533 | 788,208 |
| 2014 | 74,809 | 72,420 | 68,277 | 62,572 | 64,721 | 62,844 | 67,636 | 68,044 | 64,451 | 62,577 | 66,131 | 66,751 | 801,233 |
| 2015 | 76,382 | 73,944 | 69,713 | 63,889 | 66,082 | 64,166 | 69,059 | 69,475 | 65,807 | 63,894 | 67,523 | 68,155 | 818,089 |
| Before-saving & After Rate-driven Impacts | | | | | | | | | | | | | |
| 2014 | 74,711 | 72,326 | 68,188 | 62,491 | 64,637 | 62,762 | 67,549 | 67,955 | 64,367 | 62,496 | 66,045 | 66,664 | 800,192 |
| 2015 | 76,283 | 73,847 | 69,622 | 63,806 | 65,996 | 64,083 | 68,970 | 69,385 | 65,722 | 63,811 | 67,435 | 68,066 | 817,025 |
| After-Saving | | | | | | | | | | | | | |
| 2014 | 74,679 | 72,262 | 68,095 | 62,371 | 64,491 | 62,589 | 67,345 | 67,718 | 64,097 | 62,189 | 65,701 | 66,282 | 797,822 |
| 2015 | 75,838 | 73,348 | 69,079 | 63,225 | 65,380 | 63,419 | 68,247 | 68,594 | 64,864 | 62,878 | 66,426 | 66,983 | 808,279 |

## 1.5 *WHOLESALE*

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Before-saving | | | | | | | | | | | | | |
| 2009 | 95,727 | 81,925 | 76,294 | 64,159 | 63,412 | 59,985 | 72,433 | 70,682 | 64,375 | 73,304 | 87,106 | 98,864 | 908,266 |
| 2010 | 98,545 | 83,945 | 77,442 | 67,108 | 59,780 | 59,833 | 72,144 | 70,068 | 60,545 | 64,123 | 82,201 | 99,603 | 895,337 |
| 2011 | 100,725 | 84,225 | 82,112 | 65,996 | 58,766 | 60,441 | 68,427 | 71,106 | 64,187 | 70,871 | 84,304 | 98,386 | 909,548 |
| 2012 | 96,036 | 85,333 | 81,119 | 66,560 | 58,307 | 59,084 | 69,719 | 70,177 | 60,311 | 72,646 | 82,146 | 97,532 | 898,971 |
| 2013 | 103,661 | 88,423 | 80,309 | 42,225 | 37,653 | 34,630 | 44,414 | 42,889 | 38,531 | 44,175 | 51,637 | 66,656 | 675,204 |
| 2014 | 64,409 | 55,999 | 51,900 | 42,948 | 38,948 | 38,154 | 45,767 | 45,415 | 40,385 | 45,591 | 54,123 | 64,960 | 588,599 |
| 2015 | 65,506 | 56,953 | 52,784 | 43,680 | 39,611 | 38,804 | 46,547 | 46,189 | 41,073 | 46,367 | 55,045 | 66,066 | 598,624 |
| Before-saving & After Rate-driven Impacts | | | | | | | | | | | | | |
| 2014 | 64,325 | 55,926 | 51,833 | 42,892 | 38,897 | 38,104 | 45,708 | 45,356 | 40,332 | 45,532 | 54,053 | 64,876 | 587,834 |
| 2015 | 65,421 | 56,879 | 52,715 | 43,623 | 39,560 | 38,753 | 46,486 | 46,128 | 41,019 | 46,307 | 54,974 | 65,980 | 597,846 |
| After-Saving | | | | | | | | | | | | | |
| 2014 | 64,309 | 55,895 | 51,786 | 42,833 | 38,825 | 38,019 | 45,607 | 45,239 | 40,199 | 45,380 | 53,882 | 64,687 | 586,661 |
| 2015 | 65,199 | 56,628 | 52,441 | 43,328 | 39,246 | 38,415 | 46,117 | 45,724 | 40,579 | 45,828 | 54,455 | 65,423 | 593,384 |

## 1.6 *INDUSTRIAL*

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Before-saving | | | | | | | | | | | | | |
| 2009 | 22,496 | 19,712 | 19,195 | 17,101 | 15,353 | 13,975 | 14,634 | 15,213 | 17,528 | 18,602 | 21,176 | 20,726 | 215,710 |
| 2010 | 19,449 | 17,896 | 18,991 | 18,389 | 18,616 | 18,603 | 18,551 | 20,146 | 19,259 | 21,495 | 22,097 | 20,207 | 233,699 |
| 2011 | 23,160 | 24,129 | 21,555 | 17,261 | 24,902 | 22,812 | 25,671 | 21,690 | 22,374 | 24,978 | 20,262 | 21,971 | 270,764 |
| 2012 | 24,973 | 30,356 | 25,036 | 25,285 | 23,707 | 21,432 | 22,094 | 22,115 | 22,666 | 22,863 | 26,328 | 23,917 | 290,771 |
| 2013 | 19,966 | 30,774 | 23,744 | 24,489 | 31,517 | 33,006 | 29,815 | 29,726 | 31,598 | 32,105 | 32,500 | 33,084 | 352,325 |
| 2014 | 34,406 | 33,781 | 33,319 | 31,875 | 29,994 | 28,312 | 27,626 | 27,844 | 28,326 | 31,807 | 32,300 | 30,319 | 369,909 |
| 2015 | 34,685 | 34,055 | 33,590 | 32,134 | 30,237 | 28,542 | 27,850 | 28,070 | 28,556 | 32,065 | 32,562 | 30,566 | 372,913 |
| Before-saving & After Rate-driven Impacts | | | | | | | | | | | | | |
| 2014 | 34,361 | 33,737 | 33,276 | 31,834 | 29,955 | 28,275 | 27,590 | 27,808 | 28,289 | 31,765 | 32,258 | 30,280 | 369,428 |
| 2015 | 34,640 | 34,011 | 33,546 | 32,092 | 30,198 | 28,505 | 27,814 | 28,034 | 28,519 | 32,023 | 32,520 | 30,526 | 372,428 |
| After-Saving | | | | | | | | | | | | | |
| 2014 | 34,356 | 33,726 | 33,260 | 31,814 | 29,930 | 28,246 | 27,556 | 27,768 | 28,244 | 31,714 | 32,200 | 30,216 | 369,029 |
| 2015 | 34,565 | 33,926 | 33,453 | 31,993 | 30,092 | 28,391 | 27,690 | 27,898 | 28,371 | 31,862 | 32,345 | 30,339 | 370,926 |

## 1.7 *LIGHTING*

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Before-saving | | | | | | | | | | | | | |
| 2009 | 1,097 | 1,044 | 1,133 | 1,024 | 1,163 | 1,154 | 1,112 | 1,136 | 1,089 | 1,153 | 1,077 | 1,114 | 13,297 |
| 2010 | 1,132 | 1,100 | 1,172 | 1,047 | 1,184 | 1,513 | 1,767 | 1,246 | 1,123 | 1,111 | 1,045 | 1,041 | 14,480 |
| 2011 | 1,114 | 1,027 | 1,674 | 582 | 1,092 | 1,098 | 1,086 | 1,113 | 1,615 | 560 | 1,121 | 1,153 | 13,233 |
| 2012 | 1,618 | 1,031 | 1,232 | 601 | 1,666 | 601 | 1,661 | 1,137 | 611 | 1,127 | 1,137 | 1,064 | 13,487 |
| 2013 | 1,532 | 863 | 1,003 | 1,112 | 1,186 | 1,101 | 1,151 | 1,069 | 1,135 | 1,132 | 1,080 | 1,114 | 13,479 |
| 2014 | 1,270 | 1,131 | 1,161 | 1,126 | 1,158 | 1,145 | 1,162 | 1,128 | 1,184 | 1,185 | 1,193 | 1,051 | 13,894 |
| 2015 | 1,270 | 1,131 | 1,161 | 1,126 | 1,158 | 1,145 | 1,162 | 1,128 | 1,184 | 1,185 | 1,193 | 1,051 | 13,894 |
| Before-saving & After Rate-driven Impacts | | | | | | | | | | | | | |
| 2014 | 1,268 | 1,130 | 1,159 | 1,125 | 1,157 | 1,143 | 1,161 | 1,127 | 1,183 | 1,183 | 1,191 | 1,049 | 13,876 |
| 2015 | 1,268 | 1,130 | 1,159 | 1,125 | 1,157 | 1,143 | 1,161 | 1,127 | 1,183 | 1,183 | 1,191 | 1,049 | 13,876 |
| After-Saving | | | | | | | | | | | | | |
| 2014 | 1,268 | 1,130 | 1,159 | 1,125 | 1,157 | 1,143 | 1,161 | 1,127 | 1,183 | 1,183 | 1,191 | 1,049 | 13,876 |
| 2015 | 1,261 | 1,117 | 1,140 | 1,099 | 1,126 | 1,107 | 1,118 | 1,077 | 1,126 | 1,119 | 1,119 | 969 | 13,379 |

## 1.8 *IRRIGATION*

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Before-saving | | | | | | | | | | | | | |
| 2009 | 675 | 588 | 673 | 1,340 | 3,147 | 8,501 | 9,000 | 9,754 | 7,548 | 5,399 | 1,669 | 664 | 48,957 |
| 2010 | 698 | 605 | 514 | 1,217 | 3,296 | 4,198 | 7,243 | 10,085 | 6,448 | 3,223 | 2,194 | 660 | 40,381 |
| 2011 | 654 | 545 | 816 | 908 | 1,931 | 3,894 | 6,737 | 9,495 | 8,249 | 4,369 | 2,156 | 590 | 40,345 |
| 2012 | 816 | 650 | 606 | 890 | 2,393 | 4,226 | 5,348 | 8,113 | 6,933 | 5,385 | 2,109 | 552 | 38,019 |
| 2013 | 1,557 | 1,228 | 759 | 880 | 2,480 | 3,974 | 4,986 | 6,729 | 7,519 | 4,955 | 2,970 | 1,666 | 39,704 |
| 2014 | 568 | 575 | 489 | 935 | 3,032 | 5,228 | 7,573 | 9,447 | 7,082 | 4,201 | 1,787 | 564 | 41,481 |
| 2015 | 568 | 575 | 489 | 935 | 3,032 | 5,228 | 7,573 | 9,447 | 7,082 | 4,201 | 1,787 | 564 | 41,481 |
| Before-saving & After Rate-driven Impacts | | | | | | | | | | | | | |
| 2014 | 567 | 574 | 488 | 934 | 3,028 | 5,221 | 7,563 | 9,434 | 7,073 | 4,195 | 1,785 | 563 | 41,427 |
| 2015 | 567 | 574 | 488 | 934 | 3,028 | 5,221 | 7,563 | 9,434 | 7,073 | 4,195 | 1,785 | 563 | 41,427 |
| After-Saving | | | | | | | | | | | | | |
| 2014 | 562 | 569 | 481 | 921 | 2,996 | 5,149 | 7,444 | 9,294 | 6,956 | 4,125 | 1,753 | 549 | 40,798 |
| 2015 | 560 | 566 | 478 | 914 | 2,979 | 5,111 | 7,378 | 9,213 | 6,887 | 4,083 | 1,733 | 540 | 40,442 |

## 1.9 *SYSTEM PEAK (MW)*

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Winter | Summer |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Before-saving* | | | | | | | | | | | | | | |
| 2009 | 707 | 643 | 624 | 507 | 481 | 415 | 496 | 446 | 564 | 514 | 660 | 704 | 704 | 496 |
| 2010 | 683 | 629 | 536 | 499 | 486 | 420 | 566 | 554 | 448 | 487 | 652 | 726 | 726 | 566 |
| 2011 | 722 | 666 | 593 | 516 | 472 | 448 | 529 | 537 | 509 | 508 | 632 | 691 | 702 | 537 |
| 2012 | 702 | 675 | 560 | 523 | 493 | 418 | 589 | 540 | 453 | 501 | 624 | 723 | 723 | 589 |
| 2013 | 720 | 631 | 549 | 493 | 515 | 442 | 600 | 565 | 523 | 502 | 598 | 698 | 698 | 600 |
| 2014 | 696 | 614 | 562 | 495 | 452 | 487 | 570 | 555 | 462 | 519 | 632 | 690 | 745 | 580 |
| 2015 | 703 | 621 | 568 | 500 | 457 | 493 | 576 | 561 | 467 | 525 | 639 | 697 | 754 | 586 |
| *After-saving* | | | | | | | | | | | | | | |
| 2014 | 696 | 614 | 561 | 494 | 451 | 486 | 568 | 554 | 460 | 518 | 631 | 688 | 743 | 579 |
| 2015 | 701 | 618 | 565 | 497 | 453 | 489 | 572 | 556 | 462 | 520 | 634 | 691 | 749 | 582 |

# 2. ACCOUNTS FORECAST

## 2.1 *ACCOUNTS*

| Customer Counts | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015F |
|---|---|---|---|---|---|---|---|
| Residential | 96,565 | 97,883 | 98,795 | 99,228 | 111,862 | 113,431 | 114,855 |
| Commercial | 11,308 | 11,419 | 11,525 | 11,811 | 13,662 | 14,363 | 14,531 |
| Wholesale | 7 | 7 | 7 | 7 | 6 | 6 | 6 |
| Industrial | 33 | 35 | 36 | 39 | 47 | 49 | 49 |
| Lighting | 1,874 | 1,830 | 1,803 | 1,739 | 1,644 | 1,620 | 1,620 |
| Irrigation | 1,066 | 1,075 | 1,092 | 1,091 | 1,097 | 1,103 | 1,103 |
| Total Direct | 110,853 | 112,249 | 113,258 | 113,915 | 128,318 | 130,572 | 132,164 |

## 2.2 ACCOUNT ADDS

| Customer Additions | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015F |
|---|---|---|---|---|---|---|---|
| Residential | 1,063 | 1,318 | 912 | 433 | 12,634 | 1,569 | 1,424 |
| Commercial | 92 | 111 | 106 | 286 | 1,851 | 701 | 168 |
| Wholesale | - | - | - | - | (1) | - | - |
| Industrial | (3) | 2 | 1 | 3 | 8 | 2 | - |
| Lighting | (36) | (44) | (27) | (64) | (95) | (24) | - |
| Irrigation | 18 | 9 | 17 | (1) | 6 | 6 | - |
| Total Direct | 1,134 | 1,396 | 1,009 | 657 | 14,403 | 2,254 | 1,592 |

# 3. USE PER CUSTOMER (UPC)

**Normalized UPC and After Savings Forecast**

| MWh/Customer | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015F |
|---|---|---|---|---|---|---|---|
| Residential | 12.90 | 12.77 | 12.70 | 12.41 | 12.79 | 12.33 | 12.24 |
| Commercial | 59.97 | 58.04 | 57.26 | 58.33 | 61.89 | 56.94 | 55.95 |

# 4. ENERGY

## 4.1 ENERGY

**Normalized Energy Sales and After-Savings Forecast**

| Energy (GWh) | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015F |
|---|---|---|---|---|---|---|---|
| Residential | 1,239 | 1,242 | 1,249 | 1,229 | 1,353 | 1,389 | 1,397 |
| Commercial | 675 | 660 | 657 | 681 | 788 | 798 | 808 |
| Wholesale | 908 | 895 | 910 | 899 | 675 | 587 | 593 |
| Industrial | 216 | 234 | 271 | 291 | 352 | 369 | 371 |
| Lighting | 13 | 14 | 13 | 13 | 13 | 14 | 13 |
| Irrigation | 49 | 40 | 40 | 38 | 40 | 41 | 40 |
| Net | 3,100 | 3,085 | 3,140 | 3,151 | 3,222 | 3,197 | 3,224 |
| Losses | 315 | 284 | 307 | 271 | 278 | 275 | 275 |
| Gross | 3,416 | 3,369 | 3,447 | 3,422 | 3,500 | 3,473 | 3,499 |
| **System Peak (MWh)** | | | | | | | |
| Winter Peak | 704 | 726 | 702 | 723 | 698 | 743 | 749 |
| Summer Peak | 496 | 566 | 537 | 589 | 600 | 579 | 582 |

## 4.2 *WHOLESALE ENERGY*

**Normalized Energy and After Savings Forecast**

| Wholesale (GWh) | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015F |
|---|---|---|---|---|---|---|---|
| BCH Lardeau | 6 | 9 | 8 | 6 | 6 | 7 | 7 |
| BCH Kingsgate | 4 | 3 | 3 | 5 | 5 | 4 | 4 |
| City of Grand Forks | 41 | 41 | 41 | 41 | 41 | 41 | 41 |
| City of Nelson | 109 | 90 | 88 | 80 | 83 | 84 | 85 |
| City of Penticton | 345 | 341 | 344 | 341 | 348 | 353 | 358 |
| District of Summerland | 77 | 97 | 96 | 95 | 98 | 98 | 98 |
| City of Kelowna | 323 | 314 | 329 | 332 | 94 | - | - |
| Total | 904 | 895 | 910 | 899 | 675 | 587 | 593 |

## 4.3 *AMI, CIP, RCR AND RATE-DRIVEN SAVINGS IMPACTS (GWH)*

| | 2015 |
|---|---|
| AMI | + 6 |
| CIP | -1 |
| RCR | -21 |
| Rate-driven | -5 |

# Appendix B

## BCUC ORDER G-14-15
## SQI CONSENSUS RECOMMENDATION FILING

ERICA HAMILTON
COMMISSION SECRETARY
Commission.Secretary@bcuc.com
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VANCOUVER, BC CANADA V6Z 2N3
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Log No. 48608, 48575

**VIA EMAIL**
gas.regulatory.affairs@fortisbc.com
electricity.regulatory.affairs@fortisbc.com

February 4, 2015

Ms. Diane Roy
Director, Regulatory Services
FortisBC
16705 Fraser Highway
Surrey, BC V4N 0E8

Dear Ms. Roy:

Re: FortisBC Energy Inc. and FortisBC Inc. (FortisBC)
Multi-Year Performance Based Ratemaking Plans for 2014 through 2019
approved by Decisions and Orders G-138-14 and G-139-14
Service Quality Indicator Consultation Process Compliance Filing
Consensus Recommendation

The Commission is in receipt of your letter dated January 14, 2014, regarding the Consensus Recommendations of FortisBC and the stakeholders (collectively the Parties) concerning the Service Quality Indicator consultation process which was a compliance filing related to Orders G-138-14 and G-139-14.

The Consensus Recommendation put forward by the Parties represents a variance to determinations reached in the decisions related to the previously cited Orders. Specifically, acceptance of the Consensus Recommendations would, in effect, rescind or modify the intent of the following determination:

> **Taking these points into consideration, the Commission Panel determines the most effective way to manage SQIs is to set a satisfactory performance range**. The achievement of performance metrics that fall within this range is acceptable. Performance outside of this range would be unacceptable representing a serious degradation of service which would be subject to consequences.[1]

While establishing thresholds and performance ranges, the Parties do not consider performance at a level inferior to a threshold to necessarily represent a "serious degradation of service," or warrant adverse financial consequences for FortisBC.[2]

The Parties consider that performance inferior to a threshold should warrant examination during the Annual Review process where it will be determined whether further action is warranted. However, the Parties do

[1] FBC 2014-2018 PBR Decision, p. 149, FEI p. 154.
[2] FEI-FBC-SQI Consensus Agreement, p. 5.

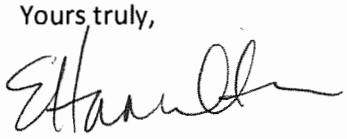
.../2

acknowledge that such a circumstance is a factor in determining whether there has been a "serious degradation of service and whether adverse financial consequences for FortisBC are warranted."[3]

There has been no formal request to reconsider or rescind this determination. However, the Parties have all signed on to the Consensus Recommendation and have developed a process allowing for an effective review process for SQI performance. Given the recommendations of the Parties and the need for regulatory efficiency, in these unique circumstances the Panel has reconsidered its original decision on its own motion and is therefore approving the Consensus Recommendation as filed.

Enclosed please find Commission Order G-14-15.

Yours truly,



Erica Hamilton

dg
Enclosure
cc: BCOAPO et al.
(tbraithwaite@bcpiac.com; support@bcpiac.com)

CEC
(cweafer@owenbird.com)

COPE
(jquail@qwlaw.ca)

BCSEA
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[3] Ibid, p. 5

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BRITISH COLUMBIA UTILITIES COMMISSION

**BRITISH COLUMBIA UTILITIES COMMISSION**

**ORDER NUMBER** G-14-15

TELEPHONE: (604) 660-4700
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IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by FortisBC Energy Inc. and FortisBC Inc.
for Approval of the Service Quality Indicator Performance Ranges

**BEFORE:** D. M. Morton, Panel Chair/Commissioner
D. A. Cote, Commissioner
N. E. MacMurchy, Commissioner

February 4, 2015

**O R D E R**

**WHEREAS:**

A. On January 14, 2015, FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC), (collectively, FortisBC) filed the Consensus Recommendation package agreement (Recommendation) to comply with directives in the Commission's Decisions on FortisBC's Multi-Year Performance Based Ratemaking Plans for 2014 through 2019 (PBR Plans) accompanying Orders G-138-14 and G-139-14;

B. In accordance with the Decisions' directives, FortisBC conducted a consultative process with stakeholders and Commission staff, for the purpose of establishing satisfactory performance ranges (thresholds) for each Service Quality Indicator (SQI) benchmark (target);

C. On October 6, 2014, FortisBC invited all registered interveners in the PBR proceedings to participate in workshops to address the Commission's directives;

D. FortisBC held workshops on November 21, December 12 and December 19, 2014, to establish a performance band for each SQI benchmark in the Decisions;

E. The workshops attended by the following parties (Parties): FortisBC, Commercial Energy Consumers of British Columbia Association; British Columbia Old Age Pensioners Organization, et al.; Canadian Office and Professional Employees Union, Local 378; and British Columbia Sustainable Energy Association and Sierra Club British Columbia;

F. During the workshops, the Parties reached an agreement, the Consensus Recommendation, on the SQI thresholds that could apply to each SQI target;

. . . /2

G. The Consensus Recommendation put forward by the Parties represents a variance to determinations reached in the Decisions related to the previously cited orders. Specifically, acceptance of the Consensus Recommendations would, in effect, rescind or modify the intent of the following determination made in the Decisions accompanying Orders G-138-14 and G-139-14, which states:

> **Taking these points into consideration, the Commission Panel determines the most effective way to manage SQIs is to set a satisfactory performance range**. The achievement of performance metrics that fall within this range is acceptable. Performance outside of this range would be unacceptable representing a serious degradation of service which would be subject to consequences.

H. No formal request to reconsider or rescind this determination was received. However, given the recommendations of the Parties and the need for regulatory efficiency in these unique circumstances, the Commission Panel considers that approval of the Consensus Recommendation is warranted and has therefore, on its own motion, reconsidered its original decision.

**NOW THEREFORE**, pursuant to sections 99 and 59-60 of the *Utilities Commission Act*, the Commission orders as follows:

1. The Consensus Recommendation attached as appendix A to this order is approved.

2. The Determination, made in the Decisions accompanying Orders G-138-14 and G-139-14, which states "Performance outside of this range would be unacceptable representing a serious degradation of service which would be subject to consequences" is hereby rescinded.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 4TH day of February 2015.

BY ORDER

D. M. Morton
Panel Chair/Commissioner

Attachment

# CONSENSUS RECOMMENDATION

# OF

# FORTISBC ENERGY INC., FORTISBC INC., COMMERCIAL ENERGY CONSUMERS OF BRITISH COLUMBIA, BRITISH COLUMBIA OLD AGE PENSIONERS ORGANIZATION, *ET AL*, CANADIAN OFFICE AND PROFESSIONAL EMPLOYEES UNION, LOCAL 378; BRITISH COLUMBIA SUSTAINABLE ENERGY ASSOCIATION AND SIERRA CLUB BRITISH COLUMBIA

# (COLLECTIVELY, THE "PARTIES")

# ON THRESHOLDS FOR SERVICE QUALITY INDICATORS UNDER THE

# FORTISBC ENERGY INC. AND FORTISBC INC. 2014-2019 PBR PLANS

## RECITALS

A. On September 15, 2014, the Commission issued its Decisions (the "Decisions") on FortisBC Energy Inc.'s ("FEI") and FortisBC Inc.'s ("FBC", and together with FEI, "FortisBC") Applications for Approval of a Multi-Year Performance Based Rate Making Plan for 2014 through 2018.

B. As part of the Decisions, the Commission established Service Quality Indicators ("SQIs") for each of FEI and FBC for use under the FortisBC 2014-2019 PBR Plans. The Commission also established benchmarks to serve as a "target" for each SQI.

C. To establish the satisfactory SQI performance ranges around the benchmark "targets", the Commission directed FEI and FBC "in consultation with stakeholders, to develop a performance range for each SQI covering the range of scores where performance would be found to be satisfactory". This process was to take place prior to the first Annual Review. The Commission further stated:

> *"Consultation among the parties should form a part of the process with recommendations flowing from it. In providing its recommendations the Companies are directed to forward to the Commission any comments on the recommendations provided to them by stakeholders and Commission staff.*
>
> *In establishing the performance range for SQIs, the Panel expects the Companies and the stakeholders to take into consideration the following factors:*
>
> - *The variance that has been experienced in the benchmark historically;*
> - *The historic trend in the benchmark;*
> - *The level of the benchmark relative to the SQI levels achieved by other utilities, including utilities in other jurisdictions;*
> - *The sensitivity of the benchmark to external factors such as weather or economic conditions; and*

- *The impact of lower SQI levels on the provision of reliable, safe or adequate service.*

D. On October 6, 2014, FortisBC invited all registered interveners in the PBR proceeding to participate in workshops to address the Commission's directives. The following interveners elected to participate, while others declined:

- Commercial Energy Consumers of British Columbia ("CEC") Association;
- British Columbia Old Age Pensioners Organization, et al. ("BCOAPO");
- Canadian Office and Professional Employees Union, Local 378 ("COPE"); and
- British Columbia Sustainable Energy Association and Sierra Club British Columbia ("BCSEA").

E. FortisBC held workshops at the Commission Hearing Room on the following dates:

- November 21, 2014;
- December 12, 2014; and
- December 19, 2014.

F. Representatives of all Parties were present at each workshop. A representative of Commission Staff (Mr. Don Flintoff) attended each of the workshops as an observer.

G. Minutes of the workshops are appended as to the Consensus Recommendation as Attachments A through C. The minutes were reviewed and approved by all Parties, and Mr. Don Flintoff also provided feedback that was incorporated.

- Attachment A: Minutes from November 21, 2014 workshop
- Attachment B: Minutes from December 12, 2014 workshop
- Attachment C: Minutes from December 19, 2014 workshop

H. The Parties exchanged information and data at the workshops. Copies of documents provided by all parties at the workshops are appended to this Consensus Recommendation as Attachments D through R. Brief descriptions of the documents and their authorship are as follows:

- Attachment D: Material provided by FortisBC at the November 21, 2014 workshop outlining its preliminary recommendations on performance ranges.

- Attachment E: Excerpt (page 152) from the Commission's Decision on FortisBC's Multi-Year Performance Based Ratemaking Plan for the years 2014 through 2018 showing the approved service quality indicators and the benchmarks. This was provided by FortisBC for reference at the November 21, 2014 workshop.

- Attachment F: Historical performance data for all SQIs with benchmarks was requested by stakeholders at the November 21, 2014 workshop. In addition, stakeholders requested the standard deviation and range (maximum minus minimum) calculations using 2010 to 2012 period, 2011 to 2013 period, 2012 to 2014 September YTD. This was provided to stakeholders by FortisBC in an email on November 27, 2014.

- Attachment G: Historical data on the number of Gas IBEW employees on the day shifts for the period 2010 to 2014 was requested by stakeholders at the November 21, 2014 workshop. This was provided to stakeholders by FortisBC in an email on November 27, 2014.

- Attachment H: Clarification and documentation related to the normalization methodology used by FortisBC for its SAIDI and SAIFI results was requested by stakeholders at the November 21, 2014 workshop. This was provided to stakeholders by FortisBC in an email on December 4, 2014.

- Attachment I: COPE's alternative proposal to FortisBC's proposed recommendations for SQI acceptable performance ranges. This was provided to stakeholders by COPE in an email on December 4, 2014.

- Attachment J: Comments provided by CEC regarding SQI ranges proposed by FortisBC in an email on December 5, 2014.

- Attachment K: Comments provided by BCSEA regarding FortisBC's SQI consultation process in an email on December 5, 2014.

- Attachment L: Comments provided by Mr. Norm Gabana in a separate discussion with FortisBC representatives on December 1, 2014. The discussion was documented by FortisBC and confirmed by Mr. Norm Gabana in an email on December 3, 2014 as accurate.

- Attachment M: Updated SQI graphs from the first workshop to include different thresholds using recent years' data (i.e. 2010 to 2012). This was provided to stakeholders by FortisBC at the December 12, 2014 workshop.

- Attachment N: Updated table of the approved SQIs along with the benchmarks, FortisBC's initial proposed thresholds, CEC suggested thresholds and FortisBC's amended thresholds. This was provided to stakeholders by FortisBC at the December 12, 2014 workshop as a separate handout.

- Attachment O: Speaking notes regarding COPE's alternative proposal provided by COPE at the December 12, 2014 workshop.

- Attachment P: Historical annual SQI performance data redefined to 3 year, 4 year, 5 year and 6 year rolling averages along with the thresholds recalculated to match. This analysis was requested by stakeholders in support of the alternative SQI threshold methodology presented by CEC. This analysis was provided by FortisBC for illustrative purposes with respect to the CEC proposal in an email on December 17, 2014.

- Attachment Q: Updated table (i.e. same as Attachment N) of the approved SQIs along with the benchmarks, FortisBC's initial proposed thresholds, CEC suggested thresholds and FortisBC's amended thresholds. This was provided again to stakeholders by FortisBC at the December 19, 2014 workshop to help facilitate the discussion.

- Attachment R: The same data as provided in Attachment P except in graphical form for the 3 year and 6 year rolling averages. This was provided by CEC at the December 19, 2014 workshop to help facilitate the discussion.

I. The Parties considered the factors identified for consideration in the PBR Decisions.

J. Parties brought different perspectives to the discussions and different beliefs as to the appropriate approach for determining the thresholds. For instance, CEC expressed their view that (i) service quality should be provided at the benchmark levels established by the Commission and (ii) this service quality should be provided annually and in aggregate over time. FortisBC, in response to this point, expressed its view that (i) service quality metrics are subject to inherent and/or uncontrollable volatility over time, and (ii) the Commission Decisions recognized that there is a range of "satisfactory" performance around benchmarks. These and other issues discussed by the Parties are set out in further detail in the attached documents.

K. Parties have acted in good faith, and have made appropriate compromises on individual SQI thresholds in the interest of reaching agreement on an overall package that will achieve the objectives established by the Commission.

L. The following terms represent the agreement of the Parties as to an appropriate package recommendation to the Commission. The Parties request that the Commission incorporate the recommendation into an Order for the two subject utilities.

## AGREED TERMS OF THE CONSENSUS RECOMMENDATION

The Parties agree as follows:

### Definition of Performance Ranges

The Parties have defined performance ranges for each SQI as being the range between the benchmark set by the Commission in the Decisions and a "threshold" agreed to in this Consensus Recommendation.

### Operation of the SQI Performance Ranges

### 1. Objectives

The objectives of the performance ranges and the review process of results are to:

a. identify instances of potential deterioration of service quality during the PBR period for which the utility may be accountable

b. give due recognition to normal volatility which may produce SQI scores inferior to the benchmarks that do not represent serious degradation of service

c. provide a transparent and efficient Annual Review process in which all stakeholders have confidence

Based on how the Parties have established the thresholds and performance ranges, the Parties do not consider performance inferior to a threshold to necessarily

- represent a "serious degradation of service", or
- warrant adverse financial consequences for FortisBC

but rather they consider that this circumstance warrants examination at an Annual Review to determine whether further action is warranted. However, performance inferior to a threshold is a factor the Commission may consider in determining whether there has been a "serious degradation of service" and whether adverse financial consequences for FortisBC are warranted.

For clarity, the Parties did not come to any agreement on the implications of circumstances where there is performance inferior to the benchmark in non-consecutive years, or where the average performance over the PBR term is below the benchmark. The Parties have differing views on these matters. However, the Parties agree that nothing in this Consensus Recommendation is intended to limit (a) any right that a Party would otherwise have to raise these matters before the Commission or (b) any right that a Party would otherwise have to object to the matter being raised, or to oppose the substance of the arguments raised.

## 2. Process

The Parties recommend a two-phase process for the examination of SQI results at each Annual Review:

Phase 1 – Identification of SQI results for discussion at Annual Review

The utility that is subject to the Annual Review in question will provide the results and a brief discussion for all SQIs required by the PBR Decision. It will provide additional explanation on an SQI at an Annual Review if either of the two following circumstances apply to the SQI:

a. the SQI score in the prior calendar year during the term of the PBR Plan is inferior to the agreed threshold; or

b. the SQI score in two successive calendar years during the term of the PBR Plan has been between the benchmark and the threshold.

The specification of the two circumstances which will trigger the utility's obligation to provide further explanation at the Annual Review does not eliminate the ability of the utility or any stakeholder to raise any issue or concern in relation to any SQI, or to ask information requests on any SQI as part of the Annual Review, or to propose a change to a threshold based on new information.

Phase 2 – Determination of any financial consequences

After consideration of the information provided by the utility at an Annual Review explaining any SQI performance outside of the performance range, a stakeholder may initiate a complaint with the Commission. The Commission will determine whether any financial consequences for the utility should be imposed and if so, the nature and degree of those consequences.

Determinations of any financial consequences will be made based on whether there has been a serious degradation of service and having regard to the other factors identified by the Commission in the following passage from the Decision:

> *"When assessing the magnitude of any reduction in each Company's share of the incentive earnings, the Commission will take into account the following factors:*
>
> - *Any economic gain made by each Company in allowing service levels to deteriorate;*
> - *The impact on the delivery of safe, reliable and adequate service;*
> - *Whether the impact is seen to be transitory or of a sustained nature; and*
> - *Whether each Company has taken measures to ameliorate the deterioration in service.*

## Agreed Thresholds

1. Considered collectively, and in the context of the overall PBR Plan, the thresholds set out below establish an appropriate performance range around the benchmark specified for each SQI.

**Approved Service Quality Indicators (SQIs)**

| Performance Measure | FEI Indicator | FEI Benchmark | FEI Threshold (Fixed value as indicated for full PBR term) [1] | FBC Indicator | FBC Benchmark | FBC Threshold (Fixed value as indicated for full PBR term) [1] |
|---|---|---|---|---|---|---|
| **Safety SQIs** | | | | | | |
| Emergency Response Time | Percent of calls responded to within one hour | 97.7% | 96.2% | Percent of calls responded to within two hours | 93% | 90.6% |
| Telephone Service Factor (Emergency) | Percent of emergency calls answered within 30 seconds or less | 95% | 92.8% | N/A | N/A | N/A |
| All Injury Frequency Rate | 3 year average of lost time injuries plus medical treatment injuries per 200,000 hours worked | 2.08 | 2.95 | 3 year average of lost time injuries plus medical treatment injuries per 200,000 hours worked | 1.64 | 2.39 |
| Public contacts with pipelines | 3 year average of number of line damages per 1,000 BC One calls received | 16 | 16 | N/A | N/A | N/A |
| **Responsiveness of Customer Needs SQIs** | | | | | | |
| First Contact Resolution | Percent of customers who achieved call resolution in one call | 78% | 74% | Percent of customers who achieved call resolution in one call | 78% | 72% |
| Billing Index | Measure of customer bills produced meeting performance criteria | 5 | <=5 | Measure of customer bills produced meeting performance criteria | 5 | <=5 |
| Meter Reading Accuracy | Number of scheduled meters that were read | 95% | 92% | Number of scheduled meters that were read | 97% | 94% |
| Telephone Service Factor (Non-Emergency) | Percent of non-emergency calls answered within 30 seconds or less | 70% | 68% | Percent of calls answered within 30 seconds or less | 70% | 68% |
| Meter Exchange Appointment | Percent of appointments met for meter exchanges | 95% | 93.8% | N/A | N/A | N/A |
| **Reliability SQIs** | | | | | | |
| System Average Interruption Duration Index - Normalized | N/A | N/A | N/A | 3 year average of SAIDI (average of cumulative customer outage time) | 2.22 | 2.62 |
| System Average Interruption Frequency Index - Normalized | N/A | N/A | N/A | 3 year average of SAIFI (average customer outage) | 1.64 | 2.50 |

1) Determined by adjusting the benchmark for the range for each year of the PBR term and equals the indicated fixed value applicable for the full term of the PBR.

2. Any Party is at liberty to apply to the Commission, in conjunction with an Annual Review, to change a threshold based on new information.

### "Serious Degradation of Service"

The Parties have established the thresholds in recognition of the Commission's determination that "*the achievement of performance metrics that fall within this range is acceptable*". The Parties consider performance between the benchmark and the threshold

to represent normal volatility. The Parties' views regarding performance inferior to a threshold are set out in section 1.

**"Package" Agreement**

3. The Parties acknowledge that the Consensus Recommendation was a product of compromise with the intention of achieving the overall objectives outlined in the Commission's Decisions.

4. The Parties intend for this Consensus Recommendation to be presented to the Commission for acceptance and incorporation into an Order, in its entirety. As such, the Parties agree to

   (a) request that the Commission convene a procedural conference to consider next steps in the event that the Commission is unwilling to approve the Consensus Recommendation as a whole; and

   (b) support a reconsideration application seeking acceptance of the Consensus Recommendation in the event that the Commission approves provisions that depart from the Consensus Recommendation.

**Counterparts**

Authorized signatories of the Parties have executed this agreement in counterparts with the same effect as if all Parties had signed the same document. All counterparts will be construed together and will constitute one and the same instrument.

FortisBC, per authorized signatory — Date: January 13, 2015

British Columbia Old Age Pensioners Organization, *et al*, per authorized signatory — Date: January 14, 2015

British Columbia Sustainable Energy Association and Sierra Club British Columbia, per authorized signatory — Date

to represent normal volatility. The Parties' views regarding performance inferior to a threshold are set out in section 1.

**"Package" Agreement**

3. The Parties acknowledge that the Consensus Recommendation was a product of compromise with the intention of achieving the overall objectives outlined in the Commission's Decisions.

4. The Parties intend for this Consensus Recommendation to be presented to the Commission for acceptance and incorporation into an Order, in its entirety. As such, the Parties agree to

   (a) request that the Commission convene a procedural conference to consider next steps in the event that the Commission is unwilling to approve the Consensus Recommendation as a whole; and

   (b) support a reconsideration application seeking acceptance of the Consensus Recommendation in the event that the Commission approves provisions that depart from the Consensus Recommendation.

**Counterparts**

Authorized signatories of the Parties have executed this agreement in counterparts with the same effect as if all Parties had signed the same document. All counterparts will be construed together and will constitute one and the same instrument.

| | |
|---|---|
| FortisBC, per authorized signatory | Date |
| British Columbia Old Age Pensioners Organization, *et al*, per authorized signatory | Date |
| British Columbia Sustainable Energy Association and Sierra Club British Columbia, per authorized signatory | 2015-04-13<br>Date |

WILLIAM J. ANDREWS
Barrister & Solicitor
1958 Parkside Lane
North Vancouver, BC, V7G 1X5

Canadian Office and Professional Employees Union, Local 378, per authorized signatory

January 13, 2015
Date

Commercial Energy Consumers of British Columbia, per authorized signatory

January 13, 2015
Date

Commercial Energy Consumers of British Columbia, per authorized signatory

January 13, 2015
Date

# Appendix C
# PRIOR YEARS' DIRECTIVES

| No. | Decision / Order Page No. | Directive No. or Reference | Description / Details | Status | Section in this Application |
|---|---|---|---|---|---|
| ***G-139-14 – FBC MULTI-YEAR PERFORMANCE BASED RATEMAKING PLAN FOR 2014 TO 2019*** | | | | | |
| **1.** | 80 | 29, 30, 31 | ***Benchmarking Study:***<br>The Panel directs FEI and FBC to each prepare a benchmarking study to be completed no later than December 31, 2018.<br>In order to avoid a clash of methodologies as was experienced in this Proceeding, the Panel directs that Fortis consult with the parties to this proceeding, including Commission staff, prior to engaging a mutually acceptable consultant to conduct the benchmarking study.<br>Fortis is directed to report the results of this consultation to the Commission prior to starting the study. | Not yet started. | N/A |
| **2.** | 150, 180 | 70, 71,84 | ***SQI Performance Ranges:***<br>The Panel directs the Companies, in consultation with stakeholders, to develop a performance range for each SQI covering the range of scores where performance would be found to be satisfactory. In providing its recommendations the Companies are directed to forward to the Commission any comments on the recommendations provided to them by stakeholders and Commission staff.<br>The Commission Panel directs, in the first Annual Review, in addition to the items previously set out, a consultation process to determine the performance range for SQIs be undertaken. | Consultation complete and Consensus Recommendations filed with the Commission. Approved by the Commission in Order G-14-15 dated February 4, 2015. | Section 13 and Appendix B |
| **3.** | 158 | 76 | ***Sustained Serious Degradation of Service:***<br>Parties are directed to review the concept of "sustained serious degradation" of service levels at each Annual Review and provide recommendations to the Commission as to whether additional considerations to those set out above are appropriate. | Discussion of what will occur at Annual Review included in SQI Consensus Recommendations filed with the Commission. | Section 13 and Appendix B |
| **4.** | 174 to 175 | N/A | ***Capital Exclusion Threshold:***<br>In summary, the Panel finds that the current CPCN exclusion criteria as proposed are not appropriate…The Panel invites further submissions on this matter…Submissions should be received in accordance with the following timetable…Until such time as any further determination is made concerning capital exclusion, the Panel approves the current CPCN exemption threshold as the threshold for exclusion for both utilities as applied for. | FBC Submission was filed on January 31, 2015, per Commission Order G-203-14. | N/A |

| No. | Decision / Order Page No. | Directive No. or Reference | Description / Details | Status | Section in this Application |
|---|---|---|---|---|---|
| **5.** | 182 | 85 | ***City of Kelowna Load Data***<br>FBC is directed to provide an explanation at the next Annual Review as to why this information for past years is unavailable. | Completed | Section 3 |
| **6.** | 197 | N/A | ***Generation Major Unit Inspections***<br>In consideration of the concerns raised and the magnitude of the estimate, actual expenditures should be monitored through the Annual Review Process. | Completed | Section 6 |
| **7.** | 212 | 98 | ***Accounting Changes***<br>The Panel directs FBC to communicate any accounting policy changes/updates to the Commission and other stakeholders as part of its Annual Review process during the PBR period. | Completed. | Section 12 |
| ***G-169-14 – FBC AMI-ENABLED BILLING OPTIONS*** | | | | | |
| **8.** | 6 | N/A | ***Incremental O&M:***<br>The Panel finds that these billing options were contemplated by FBC in its AMI project proposal and therefore the most appropriate treatment is to track these incremental O&M costs and benefits in the AMI deferral account. | O&M expenses related to the billing options will be included with the AMI project expenses. | Section 6.3 |
| **9.** | 6 | N/A | ***Working Capital Impact:***<br>The Panel directs FBC to use the flow through deferral account, as approved in Order G-163-14, or another suitable flow through account for this purpose. | No impact to working capital in 2014. | N/A |

# Appendix D
# DRAFT ORDER

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web site: http://www.bcuc.com

**BRITISH COLUMBIA UTILITIES COMMISSION**

**ORDER NUMBER**

TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

**DRAFT ORDER**

IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by FortisBC Inc.
for Approval of 2015 Rates
Pursuant to the Multi-Year Performance Based Ratemaking Plan
Approved for 2014 through 2019 by Order G-139-14

**BEFORE:**

(Date)

**WHEREAS:**

A. On September 15, 2014, the British Columbia Utilities Commission (Commission) issued its Decision and Order G-139-14 (the PBR Decision) approving for FortisBC Inc. (FBC) a Multi-Year Performance Based Ratemaking (PBR) Plan for 2014 through 2019;

B. Pursuant to the PBR Decision, under the PBR Plan, FBC is to conduct an Annual Review process to set rates for each year;

C. On November 24, 2014, the Commission issued Order G-182-14 approving, among other things, a rate increase on an interim and refundable basis, of 3.5 percent effective January 1, 2015, pending the outcome of the Annual Review of 2015 rates;

D. On February 6, 2015, FBC submitted an application for its Annual Review of 2015 Rates (the Application);

E. The Commission has reviewed the Application and concludes that approval is warranted.

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

1. FBC's existing interim rates are approved as permanent rates effective January 1, 2015.

2. A general rate increase of 2.2 percent, effective July 1, 2015. The general rate increase will be applied to the Residential Conservation Rate (Rate Schedule 1) in accordance with the pricing principles set out in Order G-3-12

3. The creation of three non rate base deferral accounts for the following regulatory matters, as described in Section 12.4.1 of the Application:
   a) Residual Capacity Agreement Tariff Supplement 10 and Rate Schedule 111, financed at FBC's short term interest rate, to be amortized in 2015;
   b) 2015 – 2016 Demand Side Management Plan Application, financed at FBC's weighted average cos of debt, to be amortized in 2015 and 2016; and
   c) 2016 Long Term Electric Resource Plan Development costs, financed at FBC's weighted average cost of debt, with the amortization period to be determined in a future annual review process.

4. A three year amortization period for the Interim Rate Variance deferral account, with amortization of 20 percent of the opening balance in 2015, as set out in Section 12.4.2.1 of the Application.

5. The Pension and OPEB Funding Liability to be included in rate base, as set out in Section 12.3.2 of the Application.

6. **DATED** at the City of Vancouver, In the Province of British Columbia, this day of <MONTH>, 2015.

BY ORDER