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October 29, 2010

Via Email
Original via mail

Ms. Erica M. Hamilton
Commission Secretary
BC Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC V6Z 2N3

Dear Ms. Hamilton:

**Re: *FortisBC Inc. ("FortisBC") 2010 Revenue Requirements
Response to Information Requests***

Please find attached FortisBC's response to Information Requests from the British Columbia Utilities Commission ("Commission"), British Columbia Old Age Pensioners' Association, British Columbia Municipal Electrical Utilities, Zellstoff Celgar, and Alan Wait

Sincerely,

A handwritten signature in blue ink, appearing to be "DS", with a horizontal line underneath.

Dennis Swanson
Director, Regulatory Affairs

cc: Registered Intervenors

**1.0 Reference: Exhibit B-1, Application, Tab 2, Executive Summary, 2.0, Introduction
BC Hydro Power Purchase cost, p. 4**

“The Company further request approval to implement any changes arising from a final decision in the BCH Application which affect the 2011 Power Purchase Expense or water fee charges by way of a flow through adjustment at the time of a Commission decision on that Application.”

Q1.1 Please calculate FortisBC’s total rate impact assuming BC Hydro’s proposed rate increase, including their Deferral Account Rate Rider (DARR) is approved as filed.

A1.1 FortisBC’s total forecast rate impact for 2011 is 5.9 percent, as filed in its 2011 Preliminary Revenue Requirements Application. The BC Hydro Flow through interim rate increase of 2.9 percent (based on BC Hydro’s 6.11% rate increase and 4% rate rider) is already included in FortisBC’s Preliminary Revenue Requirements. This interim rate increase was approved by BCUC order G-127-10 and was effective September 1, 2010.

Q1.2 Please provide a matrix table showing the sensitivity of FortisBC’s total rate impact affected by BC Hydro’s approved rate increase and DARR. Calculate the rate impact by using scenarios of a 1, 2, and 3 percent (+/-) change in BC Hydro’s proposed rate increase. Combine these scenarios with a 1, 2 and 3 percent (+/-) change to BC Hydro’s DARR.

A1.2 Please refer to Table BCUC A1.2 below which indicates the FortisBC rate increase that would result if implemented concurrently with the BC Hydro increase.

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: British Columbia Utilities Commission

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

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Table BCUC A1.2

Description	Base Case (Prelim Filing)	Sensitivities on BCH Rate Increases (as of April 1, 2010)					
		Basic+1%	Basic-1%	Basic+2%	Basic-2%	Basic+3%	Basic-3%
Estimated BCH Rate Increase 2011	6.11%	7.11%	5.11%	8.11%	4.11%	9.11%	3.11%
Estimated BCH DARR Increase 2011	3.00%	4.00%	2.00%	5.00%	1.00%	6.00%	0.00%
Estimated FortisBC Rate Increase 2011	5.90%	6.50%	5.29%	7.12%	4.69%	7.73%	4.10%

2

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A2.1 Please refer to Table BCUC A2.1 below.

Actual 2009	Approved 2010	Forecast 2010 (Prelim) C	Increase or (Decrease) From Approved B-A	Increase or (Decrease) From Forecast B-C	Forecast 2011 B
(\$000s)					
3,157	3,199	3,097			3,187
867,683	975,113	949,065			1,098,903
7.8%	7.7%	7.8%			7.7%
70,776	80,408	75,217	837	6,028	81,245
8,656	9,068	9,250	532	350	9,600
79,432	89,476	84,467	1,369	6,378	90,845
46,017	47,645	47,145	-	-	49,362
(9,315)	(9,529)	(9,529)	(343)	(343)	(9,872)
4,003	4,019	4,012	(681)	(674)	3,338
(5,187)	(5,025)	(6,384)	(233)	1,126	(5,258)
35,518	37,109	35,244	460	2,325	37,569
11,573	12,548	12,299	1,085	1,334	13,633
4,749	5,407	4,564	715	1,557	6,121
16,322	17,955	16,863	1,800	2,891	19,754
33,411	36,765	35,861	4,443	5,347	41,208
34,499	38,614	37,716	4,902	5,801	43,517
37,376	42,028	41,785	3,338	3,581	45,366
105,286	117,407	115,361	12,683	14,729	130,090
(1,443)	(322)	(322)	(767)	(767)	(1,089)
1,068	(1,068)	801	(801)	(2,671)	(1,870)
2,389	(1,300)	(2,198)	2,198	3,096	898
2,014	(2,690)	(1,718)	629	(343)	(2,061)
238,572	259,258	250,217	16,941	25,981	276,199
	17		(17)		-
	259,274		16,925		276,199
	242,031				260,823
	17,243				15,376
					5.9%

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**3.0 Reference: Exhibit B-1, Application, Tab 3, Revenue Requirements,
Section 3.1.2 Water Fees, p. 6**

**Q3.1 Please explain the increase in the provincial water fees and
provide a calculation showing the provincial rate.**

A3.1 The water fee rate is expected to increase by 6.11 percent consistent with the BC Hydro general rate increase. The water fee rate is not affected by the rate rider.

The increase in BCH rates accounts for a \$550,000 increase in 2011 expense, while the decrease in 2010 entitlement use in 2010 (used to calculate 2011 water fees) accounts for a reduction of \$213,000 in water fee expenses. There is also an approximate \$12,000 increase due to increased entitlement capacity in 2010. This results in a net increase of \$350,000 in 2011 from 2010 forecast.

In other words, if FortisBC were to have the same entitlement usage in 2010 that the Company had in 2009, 2011 water fees would be \$213,000 higher.

Entitlement usage is lower in 2010 due to spilling of energy in July, and also due to large use of the storage account.

Calculation:

Estimated 2011 rates, based on 6.11% BCH rate increase:

- a) First 160 GWH at \$1.30409 mills/kwh
- b) Remaining energy at \$6.08435 mills/kwh
- c) Capacity at \$4.3452 mills/kwh

Estimated FBC 2010 entitlement usage is 1548 GWH.

- a) $160 \text{ GWH} \times \$1.3049 = \$208,654.70$
- b) $(1548 \text{ GWH} - 160 \text{ GWH}) \times \$6.08435 = \$8,443,445.41$
- c) $217.1 \times \$4.3452 = \$943,343.90$
- d) Other = \$5,000.

Total = \$9,600,444.

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: British Columbia Utilities Commission

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

1 **Q3.2 What other items affect the total increase in water fees? Please**
2 **explain and identify the amounts.**

3 A3.2 Please refer to the response to BCUC Q3.1 above.

**4.0 Reference: Exhibit B-1, Application, Tab 3, Revenue Requirements,
Section 3.2.5 Other Income, Table 3.2.5, p. 11**

Please explain the increase in contract revenue for:

Q4.1 Waneta Management Fee in F2011.

A4.1 The Waneta Management Fee is determined by the level of expenditure required to maintain the Waneta facilities. If expenditures to maintain those facilities increase in any given year, then the management fee will also increase. Conversely if the expenditures to maintain Waneta facilities in any given year are less than a previous year, then the management fee will also be less.

Q4.2 Waneta Management Fee Capital in F2010.

A4.2 The Waneta Management Fee Capital is based on expenditures that the owner classifies as capital. As with the maintenance costs the management fee on capital will vary with levels of capital activity.

Q4.3 Brilliant Management Fee in F2010.

A4.3 The Brilliant Management Fee is determined by the level of expenditure required to maintain the Brilliant facilities. If expenditures to maintain those facilities increase in any given year, then the management fee will also increase. Conversely if the expenditures to maintain Brilliant facilities in any given year are less than a previous year, then the management fee will also be less.

Q4.4 Brilliant Management Fee Capital in F2011.

A4.4 The Brilliant Management Fee Capital is based on expenditures that the owner classifies as capital. As with the maintenance costs the management fee on capital will vary with levels of capital activity.

5.0 Reference: Exhibit B-1, Application, Tab 3, Revenue Requirements, Section 3.2.5, Other Income, p. 11

In FortisBC's 2010 Revenue Requirement Application, it states that there are one-time revenues collected in 2009 that are not applicable in the 2010 forecast. In addition, FortisBC claims that the pole attachment rate for 2010 is forecast lower than in 2009 (IR response 5.2, FortisBC 2010 RRA). As a result, the lowered 2010 Rental income was accepted in the NSP Settlement.

However, the current 2010 forecast is very different:

Other Income:	Forecast 2010 (approved in NSP Settlement, G-162- 09)	Forecast 2010 (in 2011 RRA)	Difference
Electric Apparatus Rental	\$2,340	\$3,848	\$1,508

On page 11 of the Application FortisBC states that "The higher 2010 revenue is primarily due to the considerable effort expended during 2010 to address questionable pole contacts and pole maintenance costs with Licensees."

Q5.1 Please further explain these "considerable efforts" and how this resulted in increased Electric Apparatus Rental income for 2010.

A5.1 The increased revenue in 2010 is the result of the collection of amounts that were the subject of distribution pole contact disputes in previous years. As would be the case with any account that is in arrears, and especially considering the amount involved, the Company put forth considerable effort, including research, billing analysis, customer correspondence and legal review to ensure that these revenues were collected.

Q5.2 Please explain why the increased Rental income will not continue in 2011.

A5.2 Disputed pole maintenance costs and issues related to the five-year audit which were resolved in 2010 are will not arise in 2011. The contracts allow for 5 year audits, therefore the next audit cycle will be conducted in 2013 and may affect pole contact revenue in 2004.

1 **Q5.3 Please explain whether any of the 2010 increases to Rental**
2 **income were a result of penalty billings to third parties.**

3 A5.3 \$358,000 of the 2010 increase in Rental Income is attributed to the
4 resolution of disputed penalty billing to Licensees.

5 **Q5.3.1 When is the next joint use pole contact audit**
6 **scheduled?**

7 A5.3.1 The next pole contact audit is scheduled for the second
8 quarter of 2013.

9 **The following data is compiled by Commission staff:**

	2008 Approved (G-147- 07)	2008 Actual	2009 Approved (G-193- 08)	2009 Actual	2010 Approved (G-162- 09)	2010 Forecast	2011 Forecast
(\$000's)							
Electric Apparatus Rental	\$1,775	\$2,281	\$2,133	\$2,755	\$2,340	\$3,848	\$2,744
Variance		\$506		\$622		\$1,508	

10 **Q5.4 It appears that FortisBC traditionally forecasts lower Rental**
11 **income than actually observed. Please explain the rationale**
12 **behind the 2011 forecast.**

13 A5.4 Table BCUC 5.4 contains a reconciliation of forecast variances for the
14 years 2008 through 2010 and demonstrates the dynamic nature of
15 income generated by agreements with third parties. Forecasts are
16 prepared and updated at each opportunity to reflect the most current
17 reliable information available to FortisBC. The years 2008 - 2010 were
18 unusual years in the operation of pole contact agreements in that the
19 2008 audit identified a significant number of unreported contacts that
20 were disputed by Licensees. Pole maintenance costs also increased
21 substantially in this time frame and were also disputed. The refusal of
22 Licensees for the first time to pay these charges necessarily dictated a
23 reduction in forecasted revenue. Resolution of the disputes and

1 collection of the revenue was achieved through a lengthy and arduous
2 process and resulted in the forecast variances identified.

3 These issues are now resolved and not expected to surface in 2011.
4 The forecast reflects normal activity for pole contact revenue. The
5 assumptions made for the 2011 forecasting purposes are:

- 6 • The 2009 approved 8.28% cost of capital;
- 7 • Estimated 2010 pole costs inflated by 2%;
- 8 • 2009 actual pole inventories for each Licensee inflated annually by
9 2% for 2010 and 2011. (2010 year end inventory is not known at
10 the time of forecast.); and
- 11 • All other inputs are based on anticipated rates for 2011 or utilized at
12 2009 known actual rates.

13 No forecast is made for the 2010 true up invoice which reconciles the
14 2010 estimated billing with the actual year end invoice as this figure is
15 entirely unpredictable and is determined by inputs unknown at the time
16 of forecast. This bill or refund as applicable is calculated in June of
17 2011.

18 **Q5.5 Regarding the Shaw versus FortisBC case that is currently before**
19 **the BC Court of Appeal, when does FortisBC expect a**
20 **determination?**

21 A5.5 On Wednesday, October 27, 2010, the British Columbia Court of
22 Appeal is convened to consider whether the BCUC has jurisdiction
23 under section 70 of the Utilities Commission Act to require FortisBC to
24 allow Shaw Cablesystems Limited and Shaw Business Solutions Inc.
25 to use FortisBC's electricity transmission facilities and to prescribe the
26 terms of that use, FortisBC does not know when the Court of Appeal
27 will issue its decision.

Project No. 3698570: Application for 2011 Revenue Requirements

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1 **Q5.5.1 Please discuss how this determination will affect (if any)**
2 **the 2011 forecast Rental income?**

3 A5.5.1 Revenue from Shaw contacts on FBC Transmission
4 structures is currently \$37,000 per year. This amount is
5 excluded from the 2011 forecast of other income as the
6 Company's position is that Shaw must vacate these
7 attachments. If the Company's position is found to be valid,
8 there will be no impact on the forecast 2011 other income. If
9 the Company's position is found to be invalid, the other
10 income would increase by approximately \$37,000 assuming
11 current contact rates.

6.0 Reference: Exhibit B-1, Application, Tab 3, Revenue Requirements, 3.4.1 Cost of Debt, pp. 18-19

“The Company expects to issue approximately \$110 million of senior unsecured Medium Term Note debentures in the last quarter of 2010 to pay down the operating credit facility that it has been using to finance the Company’s capital expenditure program.” (p.18)

Q6.1 The \$110 million Medium Term Note (MTN) stated above corresponds to Line 10 in Table 3.4.1 below. Please provide the reference to which operating credit facility is being paid down by issuing this MTN?

Table 3.4.1: Weighted Average Cost of Debt

	2010 Forecast			2011 Forecast		
	Weighted Average Balance	Interest Expense	Weighted Average Cost of Debt	Weighted Average Balance	Interest Expense	Weighted Average Cost of Debt
	(\$000s)			(\$000s)		
1 Long Term Debt						
2 Series F	9.65%	15,000	1,448	15,000	1,448	
3 Series G	8.80%	25,000	2,200	25,000	2,200	
4 Series H	8.77%	25,000	2,193	25,000	2,193	
5 Series I	7.81%	25,000	1,953	25,000	1,953	
6 Series 1 - 04	5.48%	140,000	7,672	140,000	7,672	
7 Series 1 - 05	5.60%	100,000	5,600	100,000	5,600	
8 Series 1 - 07	5.90%	105,000	6,195	105,000	6,195	
9 MTN-09	6.10%	105,000	6,405	105,000	6,405	
10 MTN-10	5.50%	13,883	762	110,000	6,050	
11		553,883	34,427	650,000	39,715	6.11%
12						
13 Short Term Debt		15,576	1,434	9,342	1,493	15.99%
14						
15 Total Debt		569,439	35,861	659,342	41,208	6.25%

A6.1 The \$110 million MTN will pay down the Short Term Debt as shown in the table 3.4.1 above.

The Company draws down on its \$150.0 million operating credit facility to finance regulated operations as well as construction work in process. Having this operating credit facility is necessary to ensure adequate liquidity. The schedule above shows a deemed amount of Short Term Debt such that total debt equates to 60 percent of rate base and does not equate to the actual balance drawn on the operating credit facility at any point in time.

1 **Q6.2 Please explain why the Short Term Debt interest increased from**
2 **7.76% (last RRA) to 15.99% interest in this Application on a**
3 **balance of \$9.3 million?**

4 A6.2 As shown below in Table BCUC A6.2, the total Short Term Debt
5 interest separates fixed Financing Fees from Short Term Debt interest.
6 The relatively fixed Financing Fees can distort the Weighted Average
7 Cost of Short Term Debt rate. The forecast interest rate for Short-
8 Term Debt in both 2010 and 2011, which consist of bankers'
9 acceptances, stamping fees and prime rate margins, is consistent at
10 4.5 percent. The Financing Fees consist of annual lender and agency
11 fees, banking agreement charges and renewal fees, overdraft facility
12 interest, standby fees and CIS customer interest on security deposits.

13 **Table BCUC A6.2**

	2010 Preliminary Revenue Requirements Application 2010 Forecast			2011 Preliminary Revenue Requirements Application 2011 Forecast		
	Weighted Average Balance	Interest Expense	Weighted Average Cost of Debt	Weighted Average Balance	Interest Expense	Weighted Average Cost of Debt
	(\$000s)			(\$000s)		
1 Long Term Debt						
3 Series F	15,000	1,448	9.65%	15,000	1,448	9.65%
4 Series G	25,000	2,200	8.80%	25,000	2,200	8.80%
5 Series H	25,000	2,193	8.77%	25,000	2,193	8.77%
6 Series I	25,000	1,953	7.81%	25,000	1,953	7.81%
7 Series 1 - 04	140,000	7,672	5.48%	140,000	7,672	5.48%
8 Series 1 - 05	100,000	5,600	5.60%	100,000	5,600	5.60%
9 Series 1 - 07	105,000	6,195	5.90%	105,000	6,195	5.90%
10 MTN - 09	105,000	6,405	6.10%	105,000	6,405	6.10%
11 MTN - 10	20,959	1,215	5.80%	110,000	6,050	5.50%
12	560,959	34,880	6.22%	650,000	39,715	6.11%
13						
14 Short Term Debt	24,537	1,104	4.5%	9,342	420	4.5%
15 Financing Fees		800			1,073	
16			7.76%			15.99%
17						
14 18 Total Debt	585,496	36,784	6.28%	659,342	41,208	6.25%

7.0 Reference: Exhibit B-1, Application, Tab 3, Revenue Requirements, 3.5 Flow -through Adjustments, Table 3.5.1, p. 24

Q7.1 Show a recalculation of the 2009 ROE Sharing Mechanism Adjustment (Table 3.6.1 in the last RRA) by using the 2009 Actual Common Equity. Illustrate how this reconciles to the balances shown in the 2009 Incentive True Up (Line 1 of Table 3.6.1 on page 24 of Tab 3).

A7.1 The 2009 Incentive True Up is not calculated based on 2009 Actual Common Equity. It is based on the Approved Common Equity and therefore will not reconcile to the 2009 Actual Common Equity. This methodology and form of presentation have been applied consistently since the beginning of the current PBR term.

A reconciliation of balances in the 2009 Incentive True Up (Line 1 of Table 3.6.2 on page 24 of Tab 3) is found in Table BCUC A7.1 below.

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Table BCUC A7.1

	Approved pursuant to Order G-162-09 (\$000s)	December 31, 2009 Annual Report (\$000s)
	2009 Approved	2009 Actual
Net Earnings For ROE Sharing Mechanism	34,814	36,784
Approved Net Earnings for ROE Sharing Mechanism	32,215	32,215
Net Earnings Subject To ROE Sharing Mechanism	2,599	4,569

	2009 Approved	2009 Actual
Approved 2009 Sharing Mechanism/Final Actual Variance 2009	2,599	4,569
Less: 50% Incentive to Shareholder	(1,299)	(2,285)
ROE Sharing Mechanism Adjustment to Customers	1,300	2,285
Other Flow-through adjustments (100% to Customers)		
Interest	875	975
Pension Expense	103	107
CCA Change	109	109
Nelson Export Sales	(18)	(18)
Total Incentive due to Customers	2,369	3,458

2

2009 Incentive True-Up Due to Customers	1,089
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1 **8.0 Reference: Exhibit B-1, Application, Tab 3, Revenue Requirements,**
2 **Table 3.6.1 ROE Sharing Mechanism Adjustments, p. 25**

3 **Q8.1 What is the source of the 2010 Forecast Net Income for ROE**
4 **Incentive (\$36,818,000) shown in Table 3.6.1 (p.25) of the**
5 **Application? Reconcile this with the amount of \$37,716,000**
6 **shown on Line 8 of page 18 and also on page 29 of Tab 4. Explain**
7 **why the amounts differ.**

8 A8.1 The derivation along with the data source for the 2010 Forecast Net
9 Income for ROE Incentive (\$36,818k) and its reconciliation with the
10 equity earning amount of \$37,716k for 2010 is provided in Table BCUC
11 A8.1 below.

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Table BCUC A8.1

Financial Parameters	2010 Prelim		Source Reference
Sale of Power	250,217		Tab-4, Schedule-2, Pg 17, Exhibit B-1
Power Purchases	75,217		Tab-4, Schedule-2, Pg 17, Exhibit B-1
Gross Margin	175,000	A	
Net Operating & Maintenance Expenses	37,616		Tab-4, Schedule-2, Pg 17, Exhibit B-1
Wheeling	4,012		Tab-4, Schedule-2, Pg 17, Exhibit B-1
Taxes other than income	12,299		Tab-4, Schedule-2, Pg 17, Exhibit B-1
Water Fees	9,250		Tab-4, Schedule-2, Pg 17, Exhibit B-1
Depreciation & Amortization	41,785		Tab-4, Schedule-2, Pg 17, Exhibit B-1
Incentive Adjustment (without ROE Sharing)	(820)		Incentive in Tab-4, Schedule-2, Pg 17 (-\$1,718k), adjusted by ROE Sharing Adjustment (\$898k)
Other Income	(6,175)		Tab-4, Schedule-2, Pg 17, Exhibit B-1
Sub Total-1	97,967	B	
Earnings from Operations	77,034	A-B=C	
Investment Income	(209)	D	Tab-4, Table 2G, Pg 24, Exhibit B-1
Earnings Before Interest & Income Taxes	77,242	C-D=E	
Debt Cost	35,861	F	Tab-4, Schedule-5, Pg 29, Exhibit B-1
Earnings Before Income Taxes	41,381	E-F=G	
Current income tax expense	4,564	H	Tab-4, Schedule-3, Pg 26, Exhibit B-1
Net Earnings before ROE sharing incentives	36,818	G-H=I	
Approved Net Income for ROE Incentive	38,614	J	Order: G-158-09 (RR NSA 2010) Fin Sch-5 Pg 29
Variance	(1,796)	I-J=K	Also refer Tab-4, Table 2-H-2, Pg 25, Ex. B-1
50% of Variance	(898)	50%K=L	Also refer Tab-4, Table 2-H-2, Pg 25, Ex. B-1
Net Earnings after ROE sharing incentives	37,716	I-L	

2

**9.0 Reference: Exhibit B-1, Application, Tab 3, Revenue Requirements,
3.7.1 Capital Expenditures, p. 26**

“The Company expects to receive approval of the 2011 CEP by the end of the current year (2010).”

Q9.1 As the Capital Expenditure Plan (CEP) has not been approved by the Commission, how does FortisBC propose moving forward with an NSP without approval of its CEP or with approved amounts potentially different than forecasted?

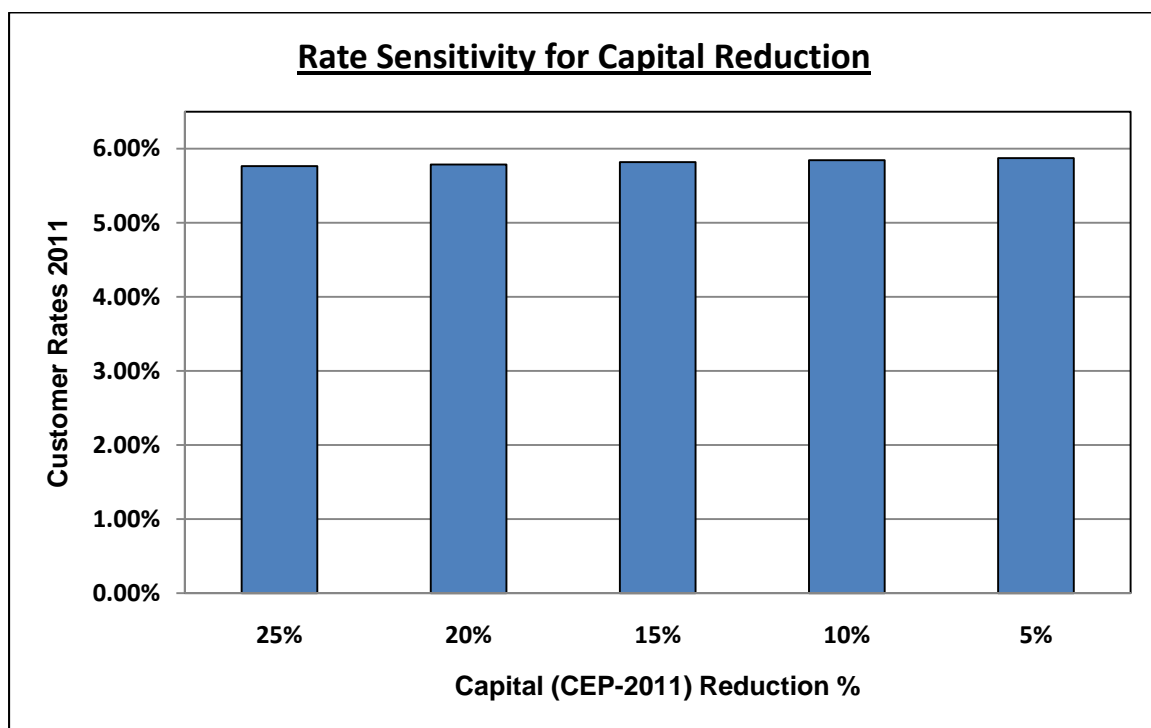
A9.1 The Company is requesting that 2011 rates be set using the expenditure amounts contained in the 2011 CEP. Rates approved by the Commission as the result of an NSP, depending on the timing of the approval of the 2011 CEP, can either be adjusted prior to implementation on January 1, 2011, or will result in an adjustment to rates at a later date, should the final approved 2011 CEP expenditures differ from those applied for.

1 **Q9.2 Please provide a graphical sensitivity analysis of the impact to**
2 **rate increase assuming a 25% decrease in the approved amount**
3 **of the 2011 CEP (2010/2011) in 5% increments downwards.**

4 A9.2 The required sensitivity analysis is provided below.

5 The analysis has been carried out with the following assumptions:

- 6 • The reduced amount of Capital Expenditure in 2011 results in the
7 same reduction to Plants and Service for the same year; and
- 8 • All reductions are considered under Transmission & Distribution
9 Sustaining areas.



10

11 It would be relevant to indicate here that, a reduction in Capital

12 Expenditure does not materially affect customer rates in the current

13 year. Although reduction in Capital Expenditure may result in reduced

14 Rate Base, thus reducing Financing Cost (Equity & Debt Cost), a

15 majority of this gain is offset by increase in Tax (due to lower Capital

16 Cost Allowance as a result of the reduced Capital).

Project No. 3698570: Application for 2011 Revenue Requirements**Requestor Name:** British Columbia Utilities Commission**Information Request No.:** 1**To:** FortisBC Inc.**Request Date:** October 15, 2010**Response Date:** October 29, 2010

1 The Table below is provided to clarify the above statement.

2 **Table BCUC A9.2**

1	Capital Plan 2011 Approval Request	66,151	Ref.: Capital Plan Application, Page 3, Table 1.1				
2	% Decrease in Approved Amounts	0%	25%	20%	15%	10%	5%
3	Approved Capital Plan (per BCUC IR 9.2)	Base Case					
		66,151	49,613	52,921	56,228	59,536	62,843
4	Mid Year Rate Base	1,098,903	1,092,451	1,093,741	1,095,033	1,096,323	1,097,614
5	Impact on Revenue Requirements:						
6	Income Taxes	6,121	6,213	6,186	6,184	6,163	6,151
7	Cost of Debt	41,208	41,034	41,069	41,103	41,138	41,173
8	Cost of Equity	43,517	43,261	43,312	43,363	43,414	43,466
9	Sub Total -1	90,846	90,508	90,566	90,651	90,716	90,790
10	Revenue Variance from Base Case	-	(338)	(279)	(195)	(130)	(56)
11	Revenue Requirement- Base Case	276,199					
12	Revenue Requirement- Sensitivities		275,861	275,919	276,003	276,069	276,142
13	Revenue at Approved Rates	260,823	260,823	260,823	260,823	260,823	260,823
14	Revenue Deficiency for Rate Setting-Base Case	15,376					
15	Revenue Deficiency for Rate Setting-Sensitivities		15,038	15,096	15,181	15,246	15,319
16	Rate Impact-Base Case	5.9%					
17	Rate Impact-Sensitivities		5.77%	5.79%	5.82%	5.85%	5.87%
3	Rate Variance from Base Case		-0.1%	-0.1%	-0.1%	0.0%	0.0%

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: British Columbia Utilities Commission

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

1 **Q9.3 Assume that certain capital expenditures in the CEP were denied**
2 **and instead determined that they should be treated as operating**
3 **costs in this revenue requirement application. What is the rate**
4 **impact of a \$1 million reduction in capital, simultaneously with a**
5 **\$1 million increase to O&M expense treated as a Z-factor item.**

6 A9.3 The rate impact of a \$1 million reduction in capital, simultaneously with
7 a \$1 million increase to O&M expense (treated as a Z-factor item),
8 would be an increase to 6.2 percent in 2011.

9 However, please note that any increase in O&M (treated as a Z-factor
10 item), would also result in a 20 percent increase of Capitalized
11 Overhead (under the formula set by the PBR) and will act as an
12 offsetting item to the reduction of Capital Expenditure. The above
13 analysis includes this offsetting Capitalized Overhead component.

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: British Columbia Utilities Commission

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To: FortisBC Inc.

Request Date: October 15, 2010

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10.0 Reference: Exhibit B-1, Application, Tab 3, Revenue Requirements, 3.7.1 Capital Expenditures, Table 3.7.1, p. 27

Q10.1 Please add columns which contain the Commission Approved Capital Expenditure Plan for 2009 and 2010 to Table 3.7.1.

A10.1 Please refer to Table BCUC A10.1 below.

Table BCUC A10.1

1		2009		2010		2011
2		Approved	Actual	Approved	Forecast	Forecast
3		G-193-08, G-11-09		G-162-09		
4	GENERATION	(\$000s)				
5	Growth	-	-	-	-	-
6	Sustaining	21,660	19,669	19,263	19,655	18,669
7	Subtotal	21,660	19,669	19,263	19,655	18,669
8						
9	TRANSMISSION & STATIONS					
10	Growth	69,030	43,085	81,536	79,107	22,097
18	Sustaining	9,071	6,900	10,175	9,806	6,950
19	Subtotal	78,101	49,985	91,711	88,913	29,047
20						
21	DISTRIBUTION					
22	Growth	26,402	18,282	23,344	20,837	22,110
23	Sustaining	10,502	12,517	14,525	14,064	12,075
24	Subtotal	36,904	30,799	37,869	34,901	34,185
25						
26	TELECOM, SCADA, PROTECTION & CONTROL					
27	Growth	1,779	1,784	1,664	1,884	5,589
28	Sustaining	747	765	619	568	1,551
29	Subtotal	2,526	2,549	2,283	2,452	7,140
30						
31	GENERAL PLANT	10,022	9,720	11,588	10,638	13,563
45						
46	TOTAL	149,213	112,723	162,714	156,559	102,604
47						
48	RECONCILIATION TO CAPITAL ADDITIONS					
49	Demand Side Management Additions	2,568	2,396	2,826	2,772	5,764
50	Less: Contribution in Aid of Construction	(13,776)	(7,141)	(8,400)	(7,552)	(10,581)
51	Cost of Removal (net)	4,502	4,502	4,941	4,941	6,192
52	TOTAL	142,507	112,480	162,081	156,720	103,979

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: British Columbia Utilities Commission

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

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Q10.1.1 Explain the variances between the Approved 2009 expenditure and the Actual 2009 spent.

A10.1.1 Please refer to Table BCUC A10.1.1 below for variance explanations.

Table BCUC A10.1.1

1		2009			
2		Approved	Actual	Variance	Remarks
3		G-193-08, G-11-09			
4	GENERATION	(\$000s)			
5	Growth	-	-	-	
6	Sustaining	21,660	19,669	(1,991)	Variance mainly due to Corra Linn Unit 1 Life Extension shift in schedule of contractor progress payments for large equipment to 2010.
7	Subtotal	21,660	19,669	(1,991)	
8					
9	TRANSMISSION & STATIONS				
10	Growth	69,030	43,085	(25,945)	Variance mainly due to OTR project with key equipment, material and construction labour tenders coming in significantly lower than estimate due to market conditions, and the 30 Line Conversion with lengthy delivery times of key equipment shifts spending to 2010.
11	Sustaining	9,071	6,900	(2,171)	Variance mainly due to transfer of funds from Transmission Pine Beetle to Distribution Pine Beetle and underspending on Creston stations, pine street stations and ground grid upgrades.
12	Subtotal	78,101	49,985	(28,116)	
13					
14	DISTRIBUTION				
15	Growth	26,402	18,282	(8,120)	Underspending due to fewer estimated new extensions.
16	Sustaining	10,502	12,517	2,015	Variance due to transfer of funds to Distribution Pine Beetle from Transmission Pine Beetle and an increase in the amount of Distribution urgent repairs.
17	Subtotal	36,904	30,799	(6,105)	
18					
12	TELECOM, SCADA, PROTECTION & CONTROL				
13	Growth	1,779	1,784	5	
14	Sustaining	747	765	18	
15	Subtotal	2,526	2,549	23	
16					
17	GENERAL PLANT	10,022	9,720	(302)	Variance mainly due to the Distribution Design Software project to be completed in 2010.
18					
19	TOTAL	149,213	112,723	(36,490)	
20					
21	RECONCILIATION TO CAPITAL ADDITIONS				
22	Demand Side Management Additions	2,568	2,396	(172)	
23	Less: Contribution in Aid of Construction	(13,776)	(7,141)	6,635	
24	Cost of Removal (net)	4,502	4,502	-	
25	TOTAL	142,507	112,480	(30,027)	

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: British Columbia Utilities Commission

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

Q10.1.2 Explain the variances between the Approved 2009 expenditures and the Forecast 2010.

A10.1.2 FortisBC assumes the question to request a comparison between 2010 Approved and Forecast numbers. Please refer to Table BCUC A10.1.2 below.

Table BCUC A10.1.2

1		2010			
2		Approved	Forecast	Variance	Remarks
3		G-162-09			
4	GENERATION	(\$000s)			
5	Growth	-	-	-	
6	Sustaining	19,263	19,655	392	
7	Subtotal	19,263	19,655	392	
8					
9	TRANSMISSION & STATIONS				
10	Growth	81,536	79,107	(2,429)	Variance mainly due to OTR project with key equipment, material and construction labour tenders coming in significantly lower than estimate.
11	Sustaining	10,175	9,806	(369)	
12	Subtotal	91,711	88,913	(2,798)	
13				-	
14	DISTRIBUTION			-	
15	Growth	23,344	20,837	(2,507)	Variance due to fewer estimated new extensions. Contractor labour efficiencies and cost sharing with the City of Kelowna has contributed to the Glenmore New Feeder project being under budget.
16	Sustaining	14,525	14,064	(461)	
17	Subtotal	37,869	34,901	(2,968)	
18					
19	TELECOM, SCADA, PROTECTION & CONTROL				
20	Growth	1,664	1,884	220	
21	Sustaining	619	568	(51)	
22	Subtotal	2,283	2,452	169	
23					
24	GENERAL PLANT	11,588	10,638	(950)	
25					
26	TOTAL	162,714	156,559	(6,155)	
27					
28	RECONCILIATION TO CAPITAL ADDITIONS				
29	Demand Side Management Additions	2,826	2,772	(54)	
30	Less: Contribution in Aid of Construction	(8,400)	(7,552)	848	
31	Cost of Removal (net)	4,941	4,941	-	
32	TOTAL	162,081	156,720	(5,361)	

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Requestor Name: British Columbia Utilities Commission

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

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1 **Q10.2 Please provide project financial summaries for all Commission**
2 **approved capital expenditures that are being captured in 2011**
3 **rates. Provide the same for projects currently in progress.**

4 A10.2 Table BCUC A10.2 below provides a financial summary of the
5 previously approved projects summarized in Table 1.1 on page 3 of the
6 FortisBC Capital Expenditure Plan.

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Table BCUC A10.2

FINANCIAL SUMMARY OF COMMISSION APPROVED CAPITAL EXPENDITURES THAT ARE BEING CAPTURED IN 2011 RATES	RR 2011 Prelim Filing				CEP 2011
	CWIP Dec. 31, 2010	Expenditures 2011	CWIP Dec 31, 2011	Additions to Plant in Service	Expenditures 2011
	(\$000s)				
Hydraulic Production					
1 All Plants Upgrade Station Service Supply	150	1,309	558	901	1,309
2 COR U1 Life Extension (replace Turbine)	13,611	2,433	-	16,044	2,433
3 COR U2 Life Extension (replace Turbine)	3,167	12,373	-	15,540	12,373
4 SLC U1 Life Extension (replace turbine)	-	41	-	41	41
5	16,928	16,156	558	32,526	16,157
6					
Transmission Plant					
7 Okanagan Transmission Reinforcement	39,742	16,756	-	56,498	16,056
8	39,742	16,756	-	56,498	16,056
9					
General Plant					
10 Distribution Station Automation	936	1,540	-	2,476	1,540
11 Mandatory Reliability Compliance (MRC)	978	595	-	1,573	595
12	1,914	2,135	-	4,049	2,135
13					
14 TOTAL	58,584	35,047	558	93,073	34,348
OTHER PROJECTS CURRENTLY IN PROGRESS (IN 2010) THAT ARE ALSO BEING CAPTURED IN 2011 RATES	RR 2011 Prelim Filing				CEP 2011
	CWIP Dec. 31, 2010	Expenditures 2011	CWIP Dec 31, 2011	Additions to Plant in Service	Expenditures 2011
15 Huth Split Bus (Transmission Growth)	260	4,674	-	4,934	4,674
16 SLC Domestic Water Supply Ph.3 (Generation Sustaining)	94	-	-	94	-
	354	4,674	-	5,028	4,674

Note: Minor differences due to rounding

Huth split bus not yet approved, contained in 2011 CEP

2

11.0 Reference: Exhibit B-1, Application, Tab 3, Revenue Requirements, 3.7.1 Capital Expenditures, p. 27; Table 3.7.1

Q11.1 Please confirm that the Contribution in Aid of Construction (\$10,581,000) applies to Distribution capital expenditures only.

A11.1 Confirmed.

Q11.2 Please explain why there is a \$700,000 difference between the total Transmission & Stations capital expenditure shown as \$29,047,000 in Table 3.7.1 versus the amount of \$28,347,000 in FortisBC's Capital Expenditure Plan (CEP) application.

A11.2 The \$700,000 difference between the total Transmission & Stations capital expenditure shown as \$29,047,000 in Table 3.7.1 versus the amount of \$28,347,000 in FortisBC's Capital Expenditure Plan (CEP) application is due to shift of OTR expenditure from 2010 to 2011.

12.0 Reference: Exhibit B-1, Application, Tab 3, Revenue Requirements, 3.7.2 Deferred Charges Demand Side Management, p. 28

Q12.1 In the last RRA, the 2010 amortization of Demand Side Management (DSM) deferred charges were \$2.4m. Please explain the \$1.38 million of 2011 amortization of DSM deferrals when the balance of the deferral account is much higher than in 2010.

A12.1 The amortization of DSM deferrals in 2011 is lower even when the balance of the deferral account is much higher than in 2010 due to the following two reasons:

- 1) An ad-hoc correction was implemented in 2010 to the DSM Amortization (please refer to the response to BCOAPO IR No. 1 Q12 in the 2010 Revenue Requirements process below). Without this correction, 2010 amortization would have been lower at approximately \$1.7 million; and

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1 **Q12.1.1 Please provide the amortization schedule for DSM**
2 **deferred charges.**

3 A12.1.1 Please refer to Table BCUC A12.1.1 below.

4 **Table BCUC A12.1.1**

DSM Amortization Analysis	Unit	2003	2004	2005	2006	2007	2008	2009	2010	Amortization for 2011
		Amortization Period = 8 Years			Amortization Period Changed to 10 Years					Sum of Actual Amortizations 2003-2010
DSM Expenditures (net of Tax)		1,088	1,375	1,607	1,514	1,623	1,858	2,397	2,772	
Amortized till 2010 (\$)	(\$000s)	952	1,031	1,004	1,000	861	509	332	-	
Remaining Amortization		136	344	602	514	763	1,349	2,065	2,772	
Already Amortized till 2010 for (Years)		7	6	5	4	3	2	1	0	
Remaining Amortization Period	Years	1	2	3	6	7	8	9	10	
Actual Amortization		136	172	201	86	109	169	229	277	1,379

**13.0 Reference: Exhibit B-1, Application, Tab 3, Revenue Requirements,
3.7.2 Deferred Charges
Preliminary and Investigative Charges, p. 28**

**Q13.1 Please explain the 2011 Amortization / Transfer to Other Accounts
balance of \$502,000. Provide a breakdown of the projects and
explain where they are transferred to.**

A13.1 The explanation of the 2011 Amortization / Transfer to Other Accounts
balance of \$502,000 (including a breakdown of the projects) is
provided in the Table below. As indicated the balance will be amortized
to Capital Projects in 2011.

Table BCUC A13.1

	Project Name	2008	2009	2010	Total YE 2010	2011
		Actual	Actual	Forecast		
1	Long Term Strategy	30	15	75	120	
2	PCB	-	-	200	200	
3	Capital Expenditure Plan (CEP) 2011	-	-	182	182	
4	Amortized to Capital Projects	-	-	-	-	(502)
5	Total	30	15	457	502	(502)

**Q13.2 Please explain the treatment of the investigation costs incurred
for projects that do not eventually receive approval or are
subsequently cancelled.**

A13.2 According to FortisBC's capitalization policy, which was approved by
the BCUC, if an investigative spending project is not approved, the
dollars in the project will be charged to operating expense.

**Q13.3 Please provide a list of projects that were cancelled in 2010 and
explain the treatment of the investigative costs incurred. If these
costs were not expensed in 2010, explain why.**

A13.3 There were no projects cancelled in 2010.

**14.0 Reference: Exhibit B-1, Application, Tab 3, Revenue Requirements,
3.7.2 Deferred Charges
Deferred Regulatory Expense, pp. 29-33**

**Q14.1 What is the rationale for proposing a 5-year amortization of the
Cost of Service Analysis and Rate Design Application (RDA)
deferral account?**

A14.1 The selection of amortization periods over which to defer costs is influenced both in consideration of rate mitigation and the nature of the related project. For the COSA and RDA application, the five year period allows for the costs to be fully amortized prior to the implementation of any changes that result from the next COSA and RDA undertaking.

**Q14.1.1 Does FortisBC intend to file an RDA subsequent to its
2012 fully allocated Cost of Service revenue
requirement? If so, when?**

A14.1.1 FortisBC intends to file an update to its 2009 Rate Design (RDA) and Cost of Service Application (COSA) with its Advanced Metering Infrastructure (AMI) Application in 2011, and will file a new COSA and RDA in 3 to 5 years, likely Q1, 2014.

**15.0 Reference: Exhibit B-1, Application, Tab 3, Revenue Requirements,
3.7.2 Deferred Charges
Other Deferred Charges and Credits, pp. 33-38**

**Q15.1 Please explain how savings from the Power Diversion Inspection
activities are measured?**

A15.1 The savings related to diverted kWhs are calculated as the present value of future power purchase savings on the assumption that the theft would continue had it not been detected and shut down. The energy savings are priced at the purchase price of energy to FortisBC, as prescribed by BC Hydro's electric tariff. This annual amount represents a saving to FortisBC ratepayers which is assumed to continue for a period of 5 years at an 8 percent discount rate.

**Q15.2 When does FortisBC expect a resolution from the Right-of-Way
Encroachment litigation?**

A15.2 FortisBC cannot estimate when this matter will be resolved. The land developer is no longer actively pursuing the litigation.

**Q15.3 Please provide a breakdown of the DSM Study deferred charges
(\$0.3 million) that are proposed for disposition beginning 2011.
Please include the calculation of carrying costs for both the
original \$0.07 million approved amount plus the \$0.1 million
additional approval in 2010.**

A15.3 A breakdown of the DSM Study deferred charges and associated carrying costs is provided in Tables BCUC A15.3a and A15.3b.

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Table BCUC A15.3a – DSM Study Deferred Charges Breakdown

Category	2008	2009	2010	Totals
Staff labour	2,718	24,628	44,738	72,084
Consultants	19,958	120,795	99,208	239,961
Misc exps	598	1,500	1,279	3,377
Public consultations			17,980	17,980
Tax adjustment	-	- 28,819	-	- 28,819
Total	23,274	118,104	163,205	304,583

2

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1 **Table BCUC A15.3b – DSM Study Carrying Cost Analysis (2011)**

DSM Study Cost:	(\$000s)	
DSM Study Cost at YE 2009 Pre Tax	96	
DSM Study Cost at YE 2009 Tax Component	(29)	
DSM Study Cost Additional Approval 2010 Pre Tax	169	
DSM Study Cost Additional Approval 2010 Tax Component	(48)	
DSM Study Cost Pre Tax Balance at YE 2010	265	
DSM Study Cost Tax Component Balance at YE 2010	(77)	
DSM Study Cost Post Tax Balance at YE 2010	188	
Year 2011 Amortization Pre Tax	(53)	
Year 2011 Amortization Tax	15	
DSM Study Cost Carried through Year 2011	150	A

Increase to Mid Year Rate Base (50%) **75** **A/2 = B**

General Parameters:

Equity Ratio	40%	C
Debt Ratio	60%	D
ROE	9.9%	E
Short Term Debt Rate	4.5%	F
Income Tax Rate 2011	26.5%	G

Carrying Cost in 2011:	(\$000s)	
Debt Cost	2.03	BxDxF = H
Equity Cost	2.97	BxCxE = J
Income Tax Savings	1.07	GxJ/(1-G) = I
Total Carrying Cost in 2011	6.07	H+I+J

- 2
- 3 • The carrying cost: Debt Cost + Equity Cost: \$2,030 + \$ 2,970 = \$5,000
- 4 • The Revenue Requirement Impact: Carrying Cost + Tax: \$5,000 +
- 5 \$1,070 = \$6,070

1 **Q15.3.1 What is the rate impact for using a 3 year amortization**
2 **as opposed to the proposed 5 years for the DSM Study**
3 **deferral balance of \$0.3 million? What is the rate impact**
4 **for amortizing the entire balance in 2011?**

5 A15.3.1 The rate impact will remain at 5.9 percent for a 3 year
6 amortization as opposed to the proposed 5 years for the
7 DSM Study deferral balance of \$0.3 million.

8 The rate impact will increase to 6.0 percent from 5.9 percent
9 if the entire balance is amortized in 2011.

10 **Q15.4 What is the rate impact for using a 3 year amortization as**
11 **opposed to the proposed 5 years for the Section 71 Filing deferral**
12 **balance of \$0.4 million? What is the rate impact for amortizing the**
13 **entire balance in 2011?**

14 A15.4 The rate impact will remain unchanged at 5.9 percent if a 3 year
15 amortization is applied as opposed to the proposed 5 years for the
16 Section 71 Filing deferral balance of \$0.4 million.

17 The rate impact will increase to 6.0 percent from 5.9 percent if the
18 entire balance is amortized in 2011.

**16.0 Reference: Exhibit B-1, Application, Tab 3, Revenue Requirement, 3.7.2
Deferred Charges
Advanced Metering Infrastructure (AMI) costs, p. 40**

“Pursuant to the terms of the NSA 2010, FortisBC agreed to record the AMI development costs in a non rate base deferral account in 2010 only. Hence, the AMI development costs, forecast to be \$1.6 million by the end of 2011, have been transferred to “Deferred Investigative Spending” in rate base in 2011.” (p.40)

“FortisBC notes that during 2011 it expects to submit an application for a CPCN for its Advanced

Metering Infrastructure (“AMI”) project. Pursuant to Commission Orders G-193-08 and G-162-09, preliminary and CPCN development costs for the AMI project are recorded in a non-rate base deferral account, pending disposition of the CPCN application. The capital project is expected to commence in 2012.” (FortisBC 2011 Capital Expenditure Plan, p.3) (Emphasis added).

Q16.1 The terms of the 2010 Negotiated Settlement Agreement does not suggest that FortisBC should be allowed to include AMI costs in rate base for 2011. Furthermore, the two preambles above appear to be contradicting. Since FortisBC indicates that it will be filing a CPCN for its AMI project in 2011, shouldn’t the AMI preliminary and development cost remain in the deferral account pending determination of the CPCN? Please discuss why or why not.

A16.1 FortisBC is of the opinion that its treatment of the AMI costs is consistent with the wording of the 2010 NSA. Commission Decision G-168-08 which denied the implementation of AMI, encouraged FBC to perform much more work on the application and to re-apply. FBC respectfully submits that the preliminary and investigative costs associated with following those Commission recommendations are prudently incurred and therefore should be allowed into rate base.

In addition, the Company believes that with the current plan to file the new AMI CPCN Application in Q2 2011, a decision in the matter can be expected in 2011. It is therefore appropriate to transfer the costs in

1 2011 with amortization to begin in 2012.

2 **Q16.2 Pursuant to Order G-168-08, the Commission Panel provided**
3 **guidance to FortisBC to explore coordinating meter technology**
4 **selection with BC Hydro. Please describe any efforts from**
5 **FortisBC on this issue.**

6 A16.2 Collaboration meetings between FortisBC and BC Hydro started in
7 March 2009 to set the framework for AMI / Smart Metering Initiative
8 collaboration. In June of 2009, a Smart Metering technology workshop
9 was held with representatives from BC Hydro, Terasen Gas and
10 FortisBC to discuss technology options. The teams not only gained a
11 better understanding of the technology options available, but also
12 identified a number of issues that would need further investigation and
13 resolution.

14 Over the next several months, a working group was established with
15 members from each utility to explore and define opportunities and
16 benefits of collaboration. Although the details of these meetings are
17 covered under a confidentiality agreement to protect the utilities'
18 respective purchasing processes, the collaboration efforts have been
19 considerable and are expected to result in FortisBC and BC Hydro
20 electric customers receiving similar Advanced Metering services.

21 **Q16.3 Please provide a breakdown of activities amounting to the \$1.6**
22 **million AMI deferral balance. Separate the costs for 2009 and**
23 **2010 along with AFUDC in each year.**

24 A16.3 The \$1.6 million in AMI deferral balance described above includes
25 costs up to and including 2011. See Table BCUC A16.4 below for a
26 financial breakdown of activities.

27 1.1 Initial Application:

- 28
 - All costs related to the first application.

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- 1 1.2 Pre-Planning:
- 2 • Functional requirements definition by documentation of use
- 3 cases;
- 4 • Recruitment;
- 5 • Training; and
- 6 • Project planning.
- 7 1.3 Project Oversight:
- 8 • Project management activities.
- 9 1.6 IT Systems and Applications:
- 10 • Completion of the MDMS RFP; and
- 11 • Estimates and plans for internal system enhancements.
- 12 1.7 Meters and Communications
- 13 • Completion of the AMI System RFP;
- 14 • Pre-audit of installation issues; and
- 15 • Deployment planning.
- 16 1.9 Future Program Study
- 17 • Completion of the study related to costs and benefits of future
- 18 AMI programs.
- 19 1.8 CPCN Application
- 20 • Creation of the CPCN application; and
- 21 • Support for the regulatory process.

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Table BCUC A16.4

Project Phase	Total Budget	2007A	2008A	2009A	2010A	2010F	2011F
(\$000s)							
1.1 Initial Application	231	50	117	31	34		
1.2 Pre-Planning	303			267	36		
1.3 Project Oversight	199				45	39	115
1.6 IT Systems & Applications	244				70	72	102
1.7 Meters & Communications	274				5	86	183
1.9 Future Program Study	87				87		
1.8 CPCN Application	124						124
1.4 AFUDC	121				17	21	82
	1,584	50	117	299	294	218	607

2

Q16.4 What is the rate impact of transferring the \$1.6 million to 2011 rate

3

base?

4

A16.4 There will be no impact on the 5.9 percent increase to 2011 rates

5

whether or not the \$1.6 million is included or excluded.

**17.0 Reference: Exhibit B-1, Application, Tab 3, Revenue Requirements,
3.7.2 Deferred Charges, Deferred Regulatory Expenses
Mandatory Reliability Standards (MRS) Project, p.40**

**FortisBC “is requesting approval to defer these expenditures and will
apply for disposition of the costs in a subsequent regulatory process”.**

**Q17.1 Please explain the necessity to defer these NERC/MRS amounts
when this is a continuing program.**

A17.1 The NERC/MRS costs for which the Company has requested deferral treatment relate to the one-time costs to reach initial compliance. These initial compliance costs primarily relate to the preparation of the required documentation. In addition, the Company has included \$850K as a z-factor in its operating and maintenance costs to ensure ongoing compliance and \$2,595K in its 2011 Capital Plan related to electronic and physical security and a back-up control center.

**Q17.2 For NERC/MRS, please explain the rapid increase in cost between
2009 and 2010 including staffing levels by type (See Tab 4, Table
1-B, Line 72, updated p. 10).**

A17.2 The table indicates part of the one-time project expenditures for the Company to become compliant with the mandatory reliability standards and as such, the expenditure timing is related to the deliverables set out by the BCUC. The deliverables shifted to 2010 from the original order of 2009. It identifies the work needed to meet the standards and is not directly related to staffing increases.

**Q17.3 Please provide additional detail to support the cost of \$800,000 in
2010 including staffing levels by type (See Tab 4, Table 1-B, Line
64, p. 11).**

A17.3 The expenditures identified are related to costs that are not directly attributable to specific assets but rather provide compliance as part of the overall company. Some examples include development of cyber

1 security policies, procedure implementations and
2 documentation/records compilation to meet the various standards
3 adopted by the Government of BC. It identifies the work needed to
4 meet the standards and is not directly related to staffing increases.

5 **Q17.4 Please provide additional detail to support the \$200,000 Additions**
6 **/ Transfers in 2011 (See Tab 4, Table 1-B, Line 64, p. 11).**

7 **A17.4** The table indicates part of the one-time project expenditures for the
8 Company to become compliant by November 1, 2010, with the
9 mandatory reliability standards as per BCUC order G-67-09 (and
10 subsequent orders) and as such, the expenditure timing is related to
11 the deliverables set out by the Orders. The deliverables changed to
12 2010 from the original order of 2009. It identifies the work needed to
13 meet the standards and is not directly related to staffing increases.
14 Any standards that the Company is not compliant with by November 1,
15 2010, requires the filing of a mitigation plan identifying steps and
16 timelines to achieve compliancy for that standard.

18.0 References: Exhibit B-1, Application, Tab 4, Financial Schedules, p. 6
Table 1 – A – Utility Plant in Service (2010)

Q18.1 Provide a column comparing the Commission approved planned expenditure by account type for 2010 in Table 1-A and provide an explanation for any variance beyond +/- 10%.

A18.1 The Capital Plan Approval process does not present the information by account type as in the referenced table. Hence this variance analysis with 2010 forecast and the “planned expenditure” (CEP 2010) cannot be produced.

However a variance analysis based on project capital expenditure in 2010 from approved to the present forecast has been provided in the response to BCUC Q19.1.

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: British Columbia Utilities Commission

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

1 **19.0 References: Exhibit B-1, Application, Tab 4, Financial Schedules, p. 8**
2 **Table 1 – A -1 – Additions to Plant in Service (2010)**

3 **Q19.1 Provide a column comparing the Commission approved planned**
4 **expenditure by project for 2010 in Table 1-A-1 and provide an**
5 **explanation for any project variance beyond +/- 10%.**

6 A19.1 The requested information is provided as BCUC Attachment A19.1.

Project	2010				
	Commission Approved	Forecast to Completion	Variance	Variance Applicability (± 10%)	Variance Explanation ("Yes" only)
Hydraulic Production					
All Plants Spare Unit Transformer	0	116	116	Yes	The variance is due to carryover from 2009 work that could not be completed to 2010. 2010 work is to move the spare transformer to the 30 Line transformer bay at SLC. This is to be coordinated with the 30 Line transformers removal.
LBO & UBO Comm. Network Comp.	297	296	(1)	Not Applicable	
All Plants Fire Safety Upgrade Ph.1	0	56	56	Yes	The variance is due to carry over spending from 2009 due to lack available of Engineering resources.
SLC U1 Life Extension (replace turbine)	3,261	1,801	(1,460)	Yes	Due to the earlier start of the ULE in 2009 major contractor payments were made in 2009 rather than 2010 decreasing the 2010 forecast. Total project under due to reduced AFUDC and contingency forecast and actual large equipment costs less than budgeted.
SLC U1 Head Gate Rebuild	279	93	(186)	Yes	The variance is due to the 2010 decreased spending as a result of advancing spending into 2009 to have project complete before acceptance & efficiency testing for SLC U1 Life Extension.
All Plants Public Safety & Security Ph.1	52	101	49	Yes	The variance is due to carry over spending from 2009 due to lack available of Engineering resources.
P3 Poleyard Contaminated Site	0	(23)	(23)	Yes	The variance is due to the Project being re-opened to process stale dated cheques paid to MOE. MOE in process of issuing the Certificate of Compliance. This project is now closed.
P1 P4 Capital Planning 2008 Project	0	(1)	(1)	Yes	These costs are Journal Vouched to capital projects yearly. The variance of (\$1K) is due to loadings.
UBO Old Unit Repowering (Ph.1)	651	286	(365)	Yes	The variance is due to 2010 under spending as a result of savings in AFUDC and modifications to scope based on the deferral of the CPCN application. Total project under spending due to savings in AFUDC and cost of removal included in capital plan in error and scope modifications.
All Plants Upgrade Station Service Supply	1,191	1,544	353	Yes	The variance is due to current year overspending due to equipment costs greater than budgeted. Multi-year project is forecast to be on budget total project.
SLC H/G Hoist, Control, Wire Rope Upgrade	0	133	133	Yes	The variance is due to this project has carryover spending from 2009 to 2010 as installation on Unit 1 and commissioning required coordination and completion of SLC U1 Life Extension. This project is now complete and will be closed.
SLC Plant Completion	1,598	716	(882)	Yes	The variance is due to 2010 forecast reduced as some scope of work budgeted for 2010 was completed in 2009. Total project under spending due to saving in Construction Management costs, Control Protection Equipment and reduction in Contingency.
COR U1 Life Extension (replace Turbine)	8,476	10,248	1,772	Yes	The variance is due to 2010 forecast increased due to the change in schedule of contractor progress payments for large equipment moved to 2010 from 2009. Total project under spending largely due to reduced AFUDC and contingency forecast and some savings in equipment costs.
COR U2 Life Extension (replace Turbine)	2,987	3,134	147	Not Applicable	
SLC Dam Rehabilitation Study	0	30	30	Yes	The variance is due to carryover spending from 2009 due to lack of available Engineering resources.
UBO Extension Trash Rack Gantry Repl.	417	383	(34)	Not Applicable	
All Plants Spare Exciter Transformer	116	104	(12)	Yes	The variance is due to Project savings in EPCM.

Project	2010				
	Commission Approved	Forecast to Completion	Variance	Variance Applicability (± 10%)	Variance Explanation ("Yes" only)
LBO Intake Area Upgrade Ph.2	102	87	(15)	Yes	The variance is due to Project under spending due to lack of available Engineering resources.
SLC Domestic Water Supply Ph.3	50	54	4	Not Applicable	
All Plants 2009 Pump Upgrades	0	73	73	Yes	The variance is due to carryover spending from 2009 due to long delivery of equipment.
All Plants Lighting Upgrade	338	278	(60)	Yes	The variance is due to efficiencies and material saving found to complete the scope.
UBO Tailrace Gate Corrosion Control	139	131	(8)	Not Applicable	
SLC Tailrace Gate Corrosion Control	114	-	(114)	Yes	The variance is due to the Project now being "defunct", moved to future years plans. Engineering review indicates that project not required at this time.
Queen's Bay Level Gauge Building Ph.1	0	15	15	Yes	Project carryover from 2009 due to outstanding land access issues.
Subtotal Hydraulic Production	20,069	19,655	(414)		
Transmission Plant					
Ellison Distribution Source	0	215	215	Yes	The project was in service as of Dec. 15, 2009. The variance is due to some minor landscaping and land outstanding items and deficiencies carried over to 2010.
Okanagan Transmission Reinforcement	74,378	57,537	(16,841)	Yes	The OTR Project is currently forecast at \$106.2 million, \$33.7 million under budget. The 2010 forecast was based on a revised estimate and schedule submitted to the BCUC on March 10, 2009, pursuant to Order C-5-08. Cost variance for 2010 are primarily a result of key equipment, material, and construction labour tenders coming in significantly lower than the forecast due to current market conditions. The 2010 forecast reflects current contracts in place, contingency and inflation adjustments along with associated AFUDC savings, which are primarily due to a refined schedule, optimized cash flow resulting from staged material and equipment delivery, and contractors' schedule submissions.
Benvoulin Distribution Source	13,301	13,468	167	Not Applicable	
Naramata Rehab	0	(462)	(462)	Yes	The variance is primarily due to the proceeds from the sale of the land at the Arawana road site.
Huth Split Bus	413	260	(153)	Yes	Forecast Engineering effort required in 2010.
Capitalized Inventory & Transformers	0	(739)	(739)	Yes	This represents the change in inventory from the beginning to the end of the year.
Recreation Capacity Increase Stage 1,2,3	3,401	3,829	428	Yes	The variance is due to the additional engineering required due to the poor soil conditions found upon site preparation.
Tarry's Capacity Increase	0	51	51	Yes	Variance is due to the carry over of work from 2009.
Kelowna Distribution Capacity Requirements	517	674	157	Yes	The variance is due a late start to the project reduced spending for 2009. Spending was carried over to 2010. Initial study completed end of March, 2010. Rezoning of LEE and DGB current activity and Spatial Forecasting. Total project is forecast under Budget.
30L Conversion Slocan / Coffee Creek S/Stns	0	4,274	4,274	Yes	The variance is due to the construction phase of project was carried over to 2010 from 2009 as equipment long deliveries that had shorten the construction window in the 2009. A risk to the project. The project is forecast to be substantially complete in 2010.
Transmission Sustaining	4,699	4,190	(509)	Yes	The variance is due to a combination of the various project which define the Transmission Sustaining budget. Transmission Condition Assessment and Transmission Line Rehabilitations are forecasting to be under budget.

Project	2010				
	Commission Approved	Forecast to Completion	Variance	Variance Applicability (± 10%)	Variance Explanation ("Yes" only)
Station Sustaining	4,920	5,616	696	Yes	The variance is due to the combination of various projects which define the Station Sustaining budget. The largest contributors to this are 2009 carry-over to 2010 of Pine Street Substation at \$327K and Creston Sub Trans T1 & T2 at \$464K.
Subtotal Transmission Plant	101,630	88,913	(12,717)		
Distribution Plant					
Small Capacity Improvements Unplanned	994	895	(99)	Not Applicable	
New Connects System Wide	19,070	17,047	(2,023)	Yes	The variance is due Customer activity somewhat lower than expected in 2010.
New Glenmore Feeder	0	121	121	Yes	The variance is due the carry over of spending from 2009 to complete the project. Total project completed under Budget.
Airport Way Upgrade (Ellison Feeder - 3)	1,551	1,396	(155)	Not Applicable	
Hollywood-3 & Sexsmith-4 Tie	365	328	(37)	Yes	The variance is due to forecast savings in material and labour resources. The project is currently being designed.
Oliver Feeder-1 New Regulator	137	148	11	Not Applicable	
Beaver Park Feeder-2 to Fruitvale Feeder-1 Distribution Tie Upgrade	1,227	902	(325)	Yes	The variance in the project is due to the competitive tendering and other related efficiencies.
Distribution Sustaining	11,126	14,064	2,938	Yes	The variance is due to the addition of the 2010 Copper Conductor Replacement project. In addition there has also been some unanticipated MOT and BCHydro Forced Upgrades and Line Moves. Offsetting these over expenditures are forecasted savings in the Distribution Line Rebuild and Rehabilitations projects.
Subtotal Distribution Plant	34,470	34,901	431		
General Plant					
Distribution Station Automation	1,438	1,884	446	Yes	The variance is due to the project forecasting the data historian software and implementation costs being more than budgeted.
Protection & Communications Upgrades	619	568	(51)	Not Applicable	
Mandatory Reliability Compliance (MRC)	0	1,688	1,688	Yes	The variance is due to the MRC spending being approved through the 2010 Revenue Requirements. Total project approved at \$2.399 mil. The balance of the approved amount is forecast to be carried over to 2011.
Vehicles	2,000	2,000	-	Not Applicable	
Metering	559	559	-	Not Applicable	
Information Systems	4,499	4,352	(147)	Not Applicable	
Telecommunications	106	101	(5)	Not Applicable	
Buildings	1,062	1,062	-	Not Applicable	
Furniture & Fixtures	393	354	(39)	Not Applicable	
Tools & Equipment	574	523	(51)	Not Applicable	
Subtotal General Plant	11,250	13,091	1,841		
TOTAL	167,419	156,560	(10,859)		

**20.0 References: Exhibit B-1, Application, Tab 4, Financial Schedules,
Updated p. 10
Table 1 – B – Deferred Charges and Credits (2010)**

**“On June 4, 2010, the Commission issued Order G-98-10 cancelling the
Section 5 Inquiry” (Tab 3, p.32).**

**Q20.1 Please explain the \$7,000 Additions and Transfers in 2010 for the
Section 5 Provincial Transmission Inquiry (Line 23, Tab 4, p.10).**

A20.1 The majority of the charges (\$5,500) are for FortisBC’s share of the
Inquiry’s Interim Participant Assistance/Cost Awards (PACA) paid by
BC Hydro. The charges also include legal fees incurred in 2009 and
paid in 2010.

**“The 2009 Resource Plan was filed with the BCUC on May 29, 2009,”
(Tab 3, p.34)**

**Q20.2 Please explain the \$391,000 Additions and Transfers in 2010 for
the 2009 Resource Plan (Line 45, Tab 4, p.10).**

A20.2 The Resource Planning process is ongoing, iterative work requiring
current context, technical data, and analysis. Given the passage of
time since the filing of the 2009 Resource Plan, the following key
sections have required updates: policy context, market analysis,
FortisBC load and gap analysis, existing resources and preferred
resource portfolio analysis. Further, the 2009 Resource Plan technical
analysis was underpinned by the Resource Option Report (ROR)
which was created in 2007/2008. The ROR was updated in 2010. The
\$391,000 in 2010 was required for all of this work.

**“FortisBC is incurring setup costs in addition to capital and ongoing
operating costs...” (Tab 3, p.40)**

**Q20.3 Please explain the \$773,000 in Additions and Transfers in 2010 for
MRC Set up Cost. Provide a breakdown of the activities.**

A20.3 Please refer to the response to BCUC Q17.3.

21.0 Reference: Exhibit B-1, Application, Tab 4, Financial Schedules, Table 1-C – Accumulated Provision for Depreciation and Amortization, pp. 12-13

Q21.1 For the column labelled “Charges less Recoveries,” provide explanations and reasons for all credit items over \$1 million.

A21.1 Please refer to the response to BCUC IR No. 1 Q23.2 from the 2010 Revenue Requirements process, as provided in the response to BCUC Q12.1.

The Company does not forecast retirements in detail. For 2010 and 2011 retirement forecast, the value of retirements in 2009 has been used primarily.

The “Charges less Recoveries” (CLR) is a combination of Retirements and Cost of Removal (also refer to the response to BCUC IR No. 1 Q21.2 in the 2010 Revenue Requirements process provided below). While Cost of Removal (COR) has been forecast for 2010 and 2011, the Retirement has been primarily kept constant at the 2009 Actual level (adjusted only for A/c Code: 371).

For clarification:

2010 Retirement (in \$000s)		2010 COR (in \$000s)		2010 CLR (in \$000s)
3,356	+	4,941	=	8,297
2011 Retirement (in \$000s)		2011 COR (in \$000s)		2011 CLR (in \$000s)
3,356	+	6,192	=	9,548

Due to the use of historical data for Retirements in 2010 and 2011, explanations for Charges less Recoveries are not being provided.

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Requestor Name: British Columbia Utilities Commission
Information Request No.: 1
To: FortisBC Inc.
Request Date: October 15, 2010
Response Date: October 29, 2010

Project No. 3698570: Application for 2010 Revenue Requirement
Requestor Name: British Columbia Utilities Commission
Information Request No: 1
Request Date: October 16, 2009
Response Date: October 30, 2009

1 **Q23.2 Please explain why retirements are identical for 2009 and 2010.**

2 **A23.2 The Company does not forecast plant retirements in detail. The value of retirements in 2008**
3 **was used to forecast 2009 and 2010.**

2 **Q21.2 For each line item over \$1 million, under the column labelled**
3 **“Charges less Recoveries,” explain whether FortisBC has**
4 **obtained or is seeking approval for early retirements of the plant**
5 **asset. If so, provide the references and/or details. If not, why not?**

6 **A21.2 The column “Charges Less Recoveries” is a combination of Plant**
7 **Retirements and Cost of Removal.**

8 The plant retirements are carried out on a routine basis and are
9 contained within the scope of several Capital Projects which are
10 approved by the Commission through established protocols (i.e.,
11 approval of Capital Expenditure Plans, CPCNs, etc.).

12 The “Cost of Removal” is required for plant removals and is therefore
13 also based on the above process and is approved by the Commission
14 through the same process described above.

1 **22.0 Reference: Exhibit B-1, Application, Tab 5, 2010 Load and Customer**
2 **Forecast, Section 5.0 Overview, pp. 2-3**

3 **FortisBC states “For 2011 gross system losses are forecast at 8.94**
4 **percent, using a two year average actual system loss calculation as**
5 **agreed in the 2009 NSA approved by Commission Order G-193-08.”**

6 **Q22.1 What action is FortisBC taking to reduce the gross system**
7 **losses?**

8 A22.1 FortisBC strives to reduce system losses through:

- 9 a) Transmission system reinforcements, such as the Okanagan
10 Transmission Reinforcement project which will reduce losses by
11 increasing the south Okanagan transmission voltage from 161 kV
12 to 230 kV as well as adding transmission reactive support;
- 13 b) Distribution system reinforcements which include the addition of
14 new distribution substations (such as the Benvoulin Substation
15 project which will offload existing heavily loaded feeders) as well as
16 distribution conductor upgrades undertaken as part of the
17 rehabilitation and rebuild programs; and
- 18 c) Revenue protection programs which attempt to identify and correct
19 unbilled energy consumption such as power theft.

20 **Q22.2 What is the 2011 gross system power factor?**

21 A22.2 It is not possible for FortisBC to calculate a “gross system power
22 factor”. A calculation of power factor requires the measurement of two
23 of three variables: real power, reactive power and/or apparent power.
24 Similar to most utilities, FortisBC only measures (via revenue metering)
25 real energy production, interchange and delivery (in kWh or MWh).
26 Without a corresponding kvarh/Mvarh or kVAh/MVAh measurement it
27 is not possible to calculate a gross power factor.

1 **“The load increase forecast for 2011 is related mainly to increases in the**
2 **industrial and wholesale sectors.”**

3 **Q22.3 Figure 5.0 appears to show a slight decrease from 2010 to 2011 in**
4 **wholesale customers’ gross load. Provide justification for the**
5 **statement above suggesting an increase in 2011.**

6 A22.3 The projected wholesale forecast GWh for 2010 and 2011 are 920,789
7 and 937,740 respectively. The reason that the gross load composition
8 for wholesale looks smaller in the composition graph is because the
9 industrial class has taken a larger part of the composition for 2011.

10 **Q22.4 Explain why FortisBC is forecasting an increase in losses in 2011**
11 **(See Table 5.0, Lines 3 & 4, p. 3).**

12 A22.4 The 2007, 2008 and 2009 losses are respectively 8.99%, 8.66% and
13 9.22%. Since losses for 2010 rely on the 2007 and 2008 average and
14 losses for 2011 rely on 2008 and 2009, 2008 is common to both years.
15 Therefore, the increase in the loss forecast for 2011 is due to the
16 increased losses in 2009 compared to 2007. This increase is due to
17 system work that increased system losses while the work was ongoing
18 combined with a correction to previous year’s losses under the General
19 Wheeling Agreement with BC Hydro that were under collected.

23.0 Reference: Exhibit B-1, Application, Tab 5, 2011 Load and Customer Forecast, Section 5.0, Overview, p. 2

FortisBC states: “The 2011 load forecasts for the wholesale and industrial sectors are based largely on customer supplied forecasts.”

Q23.1 For the wholesale and industrial customer classes, please identify the sample size surveyed (per cent customers surveyed and per cent 2011 sales surveyed) and response rate (per cent 2011 sales responded).

A23.1 The sample size surveyed for the Wholesale class was seven, which is all of the customers in this class. Five of the seven customers responded which gives a response rate of 72 percent and represents 99 percent of Wholesale forecast load. The sample size of the industrial class was 21; there are a total of 33 customers in this class. 15 customers responded to the survey which gives a response rate of 72 percent and represents 80 percent of Industrial forecast load.

Q23.2 If possible, please provide a summary table of customer supplied responses citing their considerations and comments.

A23.2 Customer responses to FortisBC’s load survey are provided in Table BCUC A23.2. Please note that consumption information is confidential as customers consider cost and production levels to be sensitive. Therefore, FortisBC is not providing the GWh forecasts provided in response to the survey.

Project No. 3698570: Application for 2011 Revenue Requirements

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To: FortisBC Inc.

Request Date: October 15, 2010

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Table BCUC A23.2

Company	Class	Comments
Agri-Food Canada	Industrial	Ongoing focus on decreased energy usage
Columbia Brewing Co Ltd	Industrial	No comment
Corona Corporation	Industrial	No comment
Crown Packaging	Industrial	Crown is no longer responsible for power/utilities at this location. Production equipment has been removed.
Greenwood Forest Products Ltd	Industrial	Normal summer slowdown should adjust closer to 09 usages. 2010 Spring busier than normal – markets slowing to before 2009 summer levels
Hawkeye Holdings Ltd	Industrial	No plans for any significant increase or reduction at this time
Imasco Minerals Inc	Industrial	No comment
International Forest Prod. (GF)	Industrial	No Comment
JH Huscroft Ltd	Industrial	We are putting in timers on all our lights and heaters. Have installed new fans in our dry kiln. New heat pump furnace in office and would also like power factor on bills.
Porcupine Wood Products Ltd	Industrial	Yes, thus the increase (plant additions)
Roxul (West) Inc	Industrial	No comment
UBC Okanagan	Industrial	The addition of 4 large buildings. 3 of the 4 new buildings utilize geo exchange for heating and cooling thus a low gas and higher electrical consumption.

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Project No. 3698570: Application for 2011 Revenue Requirements

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Table BCUC A23.2 cont'd

Company	Class	Comments
Weyerhaeuser Canada Ltd (Princeton)	Industrial	Energy variation due to downturn – 2011 no down time – but that could change
Wynndel Box & Lumber Co	Industrial	As in 2009, possible addition of dehumidification kilns. Would add approx 1000 HP.
Zellstoff Celgar Limited	Industrial	New 48 MW condensing turbine will come on line in Q4 2010. It will run in parallel with existing 52 MW turbine. Sales contract for surplus mill electricity has some accounting issues between BC Hydro, Celgar, and FortisBC: hence the concept of purchasing imports from FortisBC to make up the theoretical shortfall between mill load and sales to BC Hydro
District of Summerland	Wholesale	No comment
Corp of the City of Kelowna	Wholesale	Hospital – connected in September 2010 (Approx. 2MVA loads), KSS site at Saucier and Richter begins in 2011 (approx. 500kVA between 2011 and 2012), Pandosy commercial area (approx 132 kVA), Railway station rebuild (500 kVA), Retirement resort (500kVA). Although Landmark Tower 6 is in the FBC territory and is anticipated for 2011, we can see some spin off growth that may encroach into the COK area. There may be a 24 storey building down town in the next two years also.
Nelson Hydro	Wholesale	We expect continued strong load growth in our residential customer class.
City of Grand Forks	Wholesale	Possible loss of 1 industrial customer pending outcome of railway closure or not.

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Table BCUC A23.2 cont'd

Company	Class	Comments
Corp of the City of Penticton	Wholesale	The electric Utility will continue with ongoing Voltage Conversion Project (8 KV to 12 KV). Sendero Canyon Subdivision – 130 lots. Constructions starting in 2010. The Electrical Utility is in the process of developing a Net Metering/ Interconnect Standard for private Distribution Generation (under 100KW). There are currently two such projects underway in Penticton (60KW and 100KW). The DG contribution to the grid may become more significant as equipment costs fall and availability rises.

24.0 Reference: Exhibit B-1, Application, Tab 5, 2011 Load and Customer Forecast, Section 5.0, Overview, Figure 5.0: Gross System Energy, p. 2

FortisBC's allocation of gross energy load for the years from 2009 to 2011 is shown in Figure 5.0 in Tab5, page 2.

Q24.1 Please provide a stacked bar graph and tabular data to illustrate the allocation of FortisBC's normalized energy demand during the period 2001 to 2009 for Residential, General Service, Wholesale, Industrial, Other, and Losses. Please also extend the bar graph and tabular data to include forecasted normalized energy demand for 2010 and 2011.

A24.1 Please refer to Figure BCUC A24.1 and Table BCUC A24.1 below.
Please note that only the Residential and General Service classes are normalized

Figure BCUC A24.1

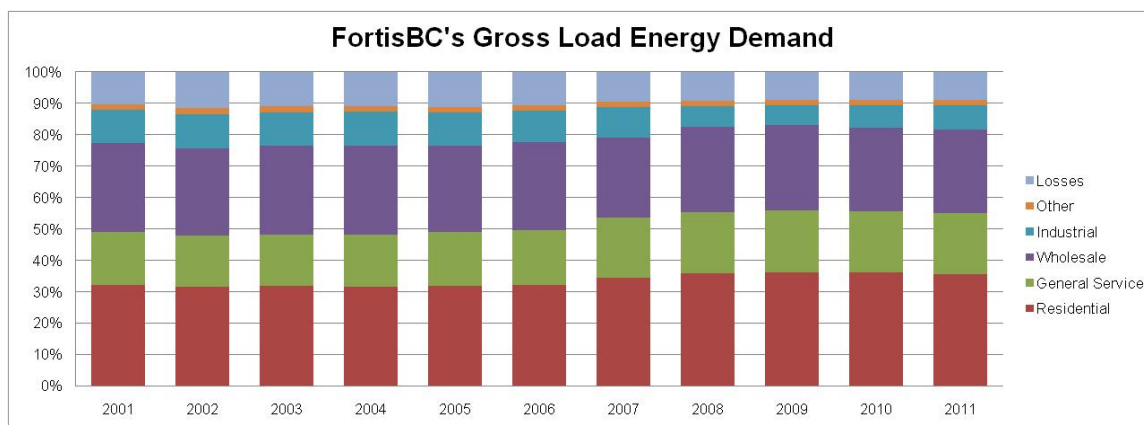


Table BCUC A24.1

Energy Sales (GWh)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Residential	32.29%	31.65%	31.90%	31.58%	31.98%	32.26%	34.59%	35.79%	36.06%	36.07%	35.66%
General Service	16.61%	16.31%	16.37%	16.67%	16.99%	17.49%	18.90%	19.61%	19.85%	19.49%	19.29%
Wholesale	28.57%	27.55%	28.27%	28.36%	27.40%	27.87%	25.62%	27.15%	27.06%	26.75%	26.80%
Industrial	10.44%	10.95%	10.61%	10.76%	10.68%	10.06%	9.73%	6.47%	6.35%	7.20%	7.69%
Other	1.71%	2.02%	1.95%	1.61%	1.68%	1.70%	1.82%	1.78%	1.82%	1.66%	1.63%
Losses	10.37%	11.49%	10.86%	11.01%	11.28%	10.65%	9.34%	9.20%	8.85%	8.86%	8.94%
Gross Load	100.00%	99.97%	99.97%	100.00%	100.00%	100.03%	100.00%	100.00%	100.00%	100.03%	100.00%

1 **Q24.2 For the period 2001-2009, please discuss observed trends in the**
2 **usage patterns amongst the various customer groups.**

3 A24.2 For the period of 2001 to 2009 the usage pattern of the residential
4 class has been increasing due to population growth of the Company's
5 service area. As seen in the graph provided in response to BCUC
6 Q24.1, it has been increasing steadily since 2005. It can be observed
7 that residential class usage produces the largest amount of gross load
8 for FortisBC.

9 The gross load of the General Service class remained relatively
10 constant from 2001 until 2005, and then started to increase. The load
11 trend of this class is tied closely to GDP and population growth and
12 increases at the same time that the residential class started to
13 increase. As the population of the Company's service area increases,
14 more products and services are needed, increasing the usage of this
15 class.

16 The Wholesale class usage has remained relatively constant over this
17 time period.

18 The Industrial class has seen fluctuating usage from 2001 to 2009.
19 Industrial usage is tied to economic activity and as seen in the graph
20 provided in the response to BCUC Q24.1 above, usage had a relatively
21 large dip in 2008 and 2009 due the impact of the recession.

22 The Irrigation and Lighting class load has remained constant over the
23 time period.

1 **25.0 Reference: Exhibit B-1, Application, Tab 5, 2011 Load and Customer**
2 **Forecast, Section 5.0, Overview, p. 2**

3 **FortisBC states “Customer growth is moving towards the 20 year**
4 **projected average of 1.2 percent, which is directly attributable to**
5 **declining population growth projections.”**

6 **Q25.1 Please provide tabular data on the Actual Customer Count and**
7 **annual percentage change for the period 2001-2009. Please also**
8 **extend this information to include Forecast Year End Customer**
9 **Count for 2010 and 2011. Please provide this information for**
10 **Residential, General Service, Wholesale, Industrial and Other**
11 **classes of customers.**

12 **A25.1 Please refer to Table BCUC A25.1.**

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Table BCUC A25.1

Year	Residential		General Service		Wholesale	
	Actual	Annual % Change	Actual	Annual % Change	Actual	Annual % Change
	Customer Count		Customer Count		Customer Count	
2001	79,121	1.4%	8,974	3.1%	8	0.0%
2002	80,421	1.6%	9,302	3.7%	8	0.0%
2003	82,174	2.2%	9,585	3.0%	8	0.0%
2004	84,008	2.2%	10,051	4.9%	8	0.0%
2005	86,870	3.4%	10,012	-0.4%	8	0.0%
2006	91,874	5.8%	10,673	6.6%	8	0.0%
2007	93,647	1.9%	11,010	3.2%	7	-12.5%
2008	95,502	2.0%	11,216	1.9%	7	0.0%
2009	96,565	1.1%	11,308	0.8%	7	0.0%
2010	98,044	1.5%	11,447	1.2%	7	0.0%
2011	99,566	1.6%	11,723	2.4%	7	0.0%

2

Year	Industrial		Other		Total	
	Actual	Annual % Change	Actual	Annual % Change	Actual	Annual % Change
	Customer Count		Customer Count		Customer Count	
2001	37	8.8%	1,082	16.0%	89,222	1.8%
2002	37	0.0%	3,034	180.4%	92,802	4.0%
2003	38	2.7%	3,265	7.6%	95,070	2.4%
2004	40	5.3%	3,210	-1.7%	97,317	2.4%
2005	39	-2.5%	2,816	-12.3%	99,745	2.5%
2006	37	-5.1%	3,313	17.6%	105,905	6.2%
2007	38	2.7%	3,022	-8.8%	107,724	1.7%
2008	36	-5.3%	2,958	-2.1%	109,719	1.9%
2009	33	-8.3%	2,940	-0.6%	110,853	1.0%
2010	33	0.0%	2,925	-0.5%	112,456	1.4%
2011	33	0.0%	2,925	0.0%	114,254	1.6%

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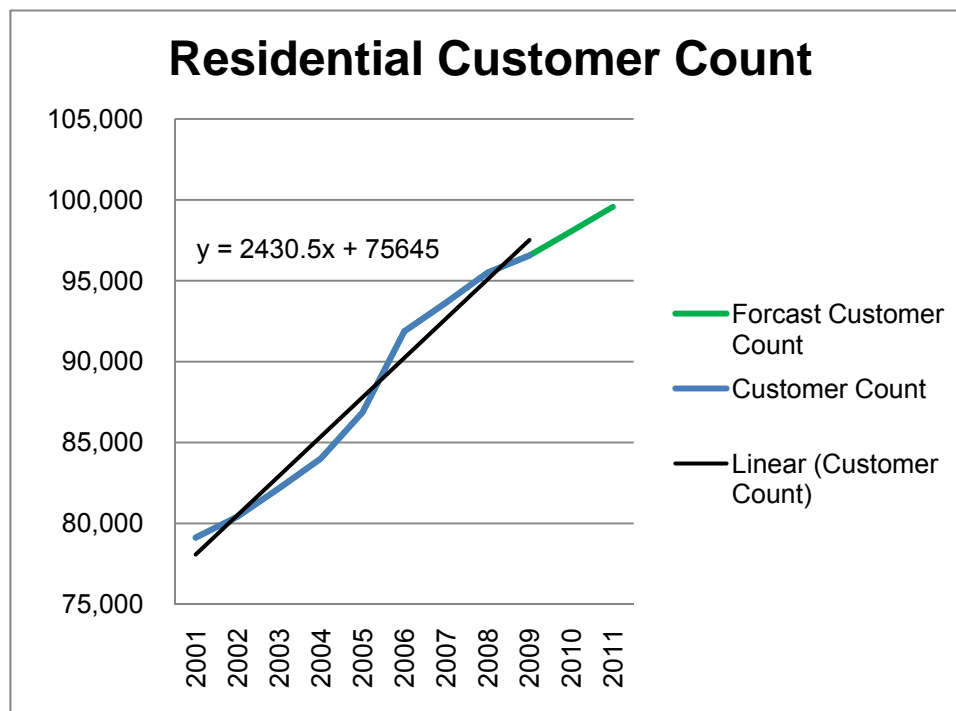
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1 **Q25.2 Please provide separate linear graphs of actual year-end**
2 **customer counts for Residential, General Service, Wholesale,**
3 **Industrial and Other for the period 2001 to 2009. For each graph,**
4 **please also include forecast 2010 and 2011 year-end customer**
5 **counts. For each graph, please include general trend lines and**
6 **linear equation and also provide the tabular data and graphs in**
7 **fully functioning electronic spreadsheets.**

8 A25.2 Please refer to the tables below, as well as BCUC Electronic
9 Attachment A25.2.

1

Figure BCUC A25.2a – Residential



2

3

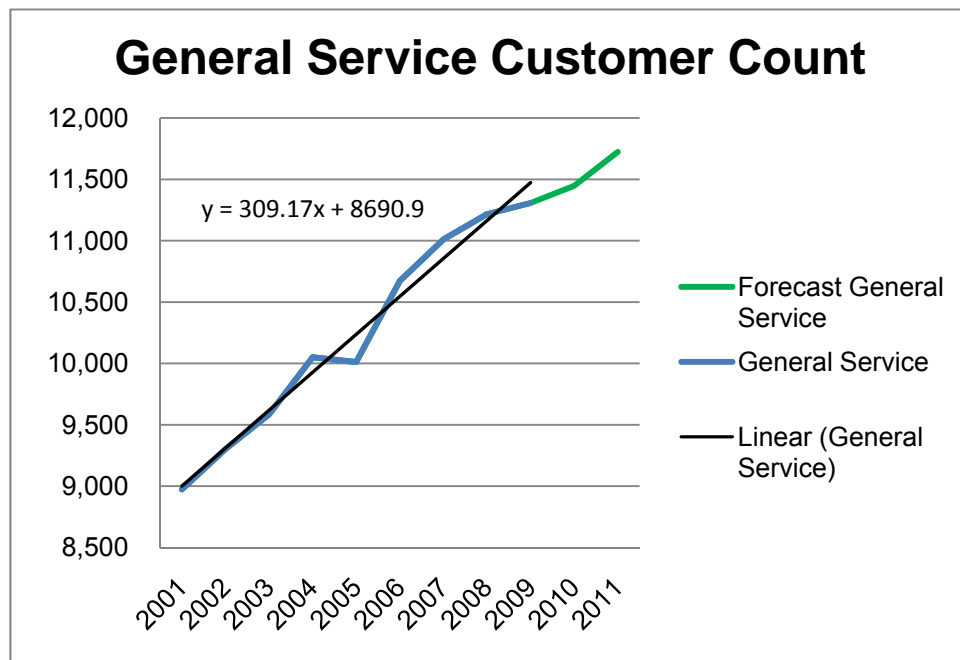
Table BCUC A25.2a – Residential

Residential		
Year	Actual Customer Count	Annual % Change
2001	79,121	1.4%
2002	80,421	1.6%
2003	82,174	2.2%
2004	84,008	2.2%
2005	86,870	3.4%
2006	91,874	5.8%
2007	93,647	1.9%
2008	95,502	2.0%
2009	96,565	1.1%
2010	98,044	1.5%
2011	99,566	1.6%

4

1

Figure BCUC A25.2b – General Service



2

3

Table BCUC A25.2b – General Service

General Service		
Year	Actual	Annual % Change
	Customer Count	
2001	8,974	3.1%
2002	9,302	3.7%
2003	9,585	3.0%
2004	10,051	4.9%
2005	10,012	-0.4%
2006	10,673	6.6%
2007	11,010	3.2%
2008	11,216	1.9%
2009	11,308	0.8%
2010	11,447	1.2%
2011	11,723	2.4%

4

Figure BCUC A25.2c – Wholesale

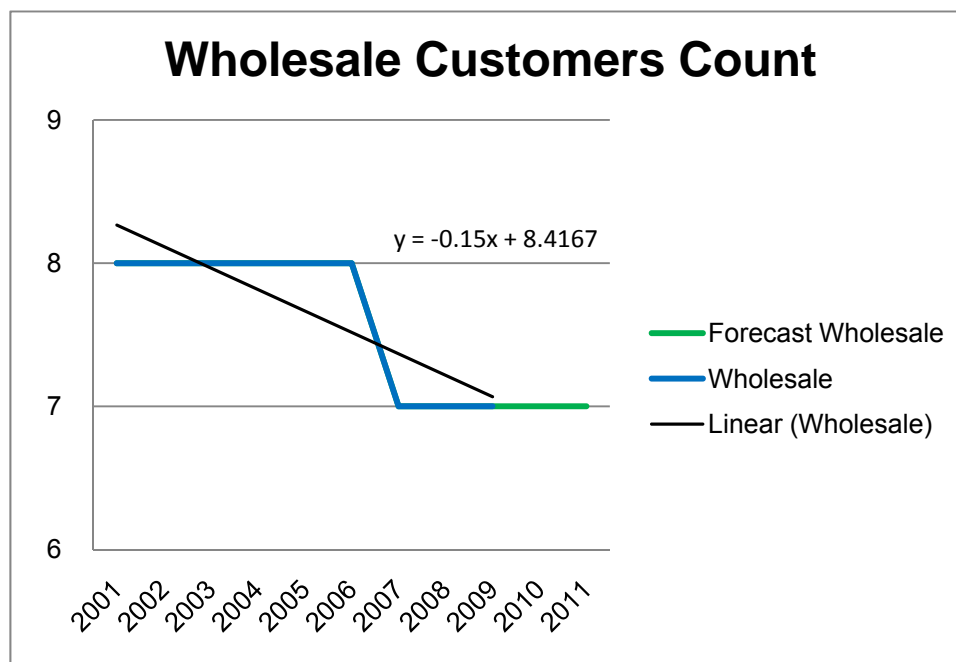


Table BCUC A25.2c – Wholesale

Wholesale		
Year	Actual Customer Count	Annual % Change
2001	8	0.0%
2002	8	0.0%
2003	8	0.0%
2004	8	0.0%
2005	8	0.0%
2006	8	0.0%
2007	7	-12.5%
2008	7	0.0%
2009	7	0.0%
2010	7	0.0%
2011	7	0.0%

Figure BCUC A25.2d – Industrial

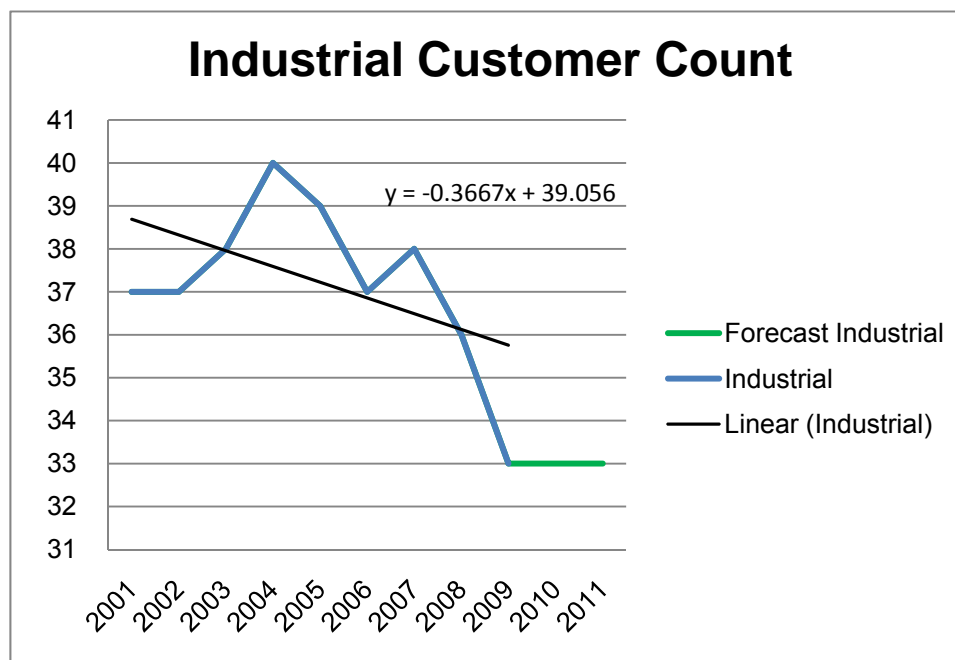


Table BCUC A25.2d – Industrial

Industrial		
Year	Actual	Annual % Change
	Customer Count	
2001	37	8.8%
2002	37	0.0%
2003	38	2.7%
2004	40	5.3%
2005	39	-2.5%
2006	37	-5.1%
2007	38	2.7%
2008	36	-5.3%
2009	33	-8.3%
2010	33	0.0%
2011	33	0.0%

Figure BCUC A25.2e – Other

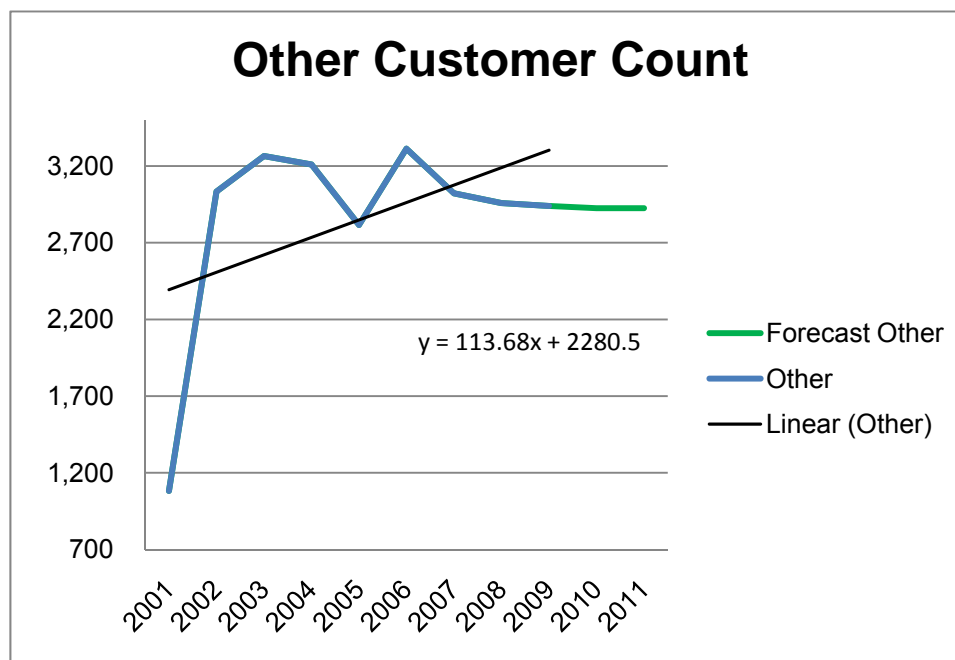


Table BCUC A25.2e – Other

Other		
Year	Actual Customer Count	Annual % Change
2001	1,082	16.0%
2002	3,034	180.4%
2003	3,265	7.6%
2004	3,210	-1.7%
2005	2,816	-12.3%
2006	3,313	17.6%
2007	3,022	-8.8%
2008	2,958	-2.1%
2009	2,940	-0.6%
2010	2,925	-0.5%
2011	2,925	0.0%

**2001 to 2002 Annual % change due to a change in counting methodology.*

Q25.3 Please provide a linear graph of the cumulative actual year-end customer count for all user groups over the period 2001-2011F. Please include a general trend line and linear equation and also provide the corresponding tabular data and graph in a fully functioning electronic spreadsheet.

A25.3 Please refer to the tables below, as well as BCUC Electronic Attachment A25.3.

Figure BCUC A25.3

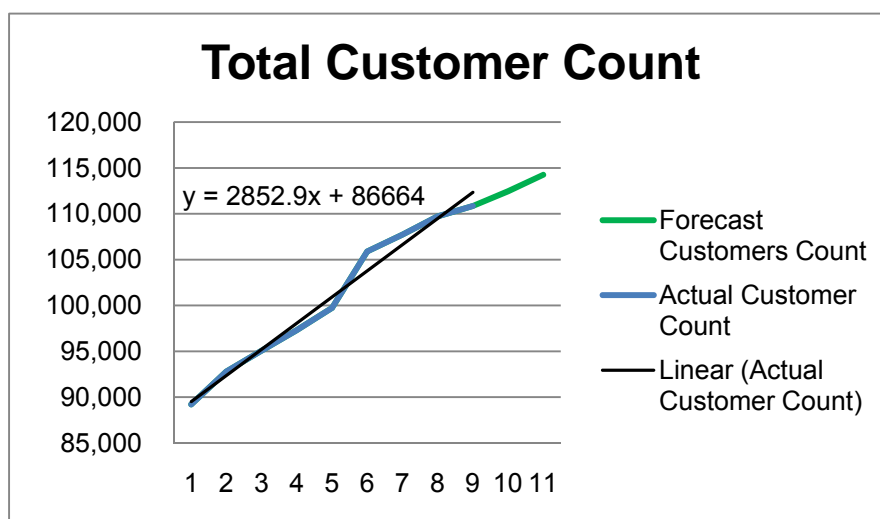


Table BCUC A25.3

Total		
Year	Actual Customer Count	Annual % Change
2001	89,222	1.8%
2002	92,802	4.0%
2003	95,070	2.4%
2004	97,317	2.4%
2005	99,745	2.5%
2006	105,905	6.2%
2007	107,724	1.7%
2008	109,719	1.9%
2009	110,853	1.0%
2010	112,456	1.4%
2011	114,254	1.6%

1 **Q25.4 For each graph, please discuss the underlying factors affecting**
2 **the historical and forecast trends. Also, in light of this data,**
3 **please elaborate on the total customers growth trend and whether**
4 **the growth rate is moving towards the 20-year projected average**
5 **of 1.2 percent.**

6 A25.4 The number of residential customers is affected by both the migration
7 of the population to and from the area, and the economy. In recent
8 years the population of the Okanagan has seen significant growth due
9 to large numbers of retirees relocating to the area. Also, with more
10 retirees moving to the area more services are required which creates
11 jobs, further driving population growth.

12 The General Service customer count is affected by population growth
13 and economic activity. If more people are relocating to an area more
14 services will be required. In 2006 the residential customer count
15 increased by 5.8 percent and the general service count increased by
16 6.6 percent. Conversely when consumers no longer require or can't
17 afford new or non-essential services or products due to recession or a
18 saturated market, it causes some of these companies to close or slow
19 down production, causing the General Service customer count to
20 decline.

21 The number of Wholesale customers is not anticipated to change.

22 The Industrial class is affected by economic activity which includes
23 imports, exports and commodity prices. For example, the Company
24 had negative growth in the industrial sector in 2008 and 2009 mainly
25 due to the slowdown in the forestry, pulp and sundry industries due to
26 the recession. With less demand for exports, fewer products are being
27 made; therefore less power is being used. The number of industrial
28 customers is not expected to increase and may indeed experience

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1 further declines.

2 The Other class is composed of the irrigation and lighting classes. The
3 number of customers in the irrigation class is related to activity in the
4 agriculture industry. The number of lighting customers is fairly stable.

5 The growth rate in the Company's service area is moving toward a
6 projected average of 1.2 percent, which is directly attributed to
7 declining population growth projections.

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26.0 Reference: Exhibit B-1, Application, Tab 5, 2011 Load and Customer Forecast, Section 5.0, Overview, Table 5.0: Normalized System Energy Requirements, p. 3

Q26.1 Please provide a table in the form of Table 5.0, summarizing the 2009 forecast, approved, and actual values.

A26.1 Please refer to Table BCUC A26.1 below.

Table BCUC A26.1

	Approved 2009	Actual 2009	Actual Normalized 2009
Energy Sales			
1 Net Load	3,107	3,098	3,099
2 Losses	296	302	301
3 City of Nelson Loss Adjustment	(2)	-	-
4 Gross Load	3,401	3,400	3,400
5 Gross Loss Percentage	9	9	9
System Peak (MW)			
6 Winter Peak	701	714	682
7 Summer Peak	560	561	516
Customer Count (Year End)			
8 Total Customers	111,913	110,853	110,853
9 Percentage Change	1.8%	1.0%	1.0%

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1 **27.0 Reference: Exhibit B-1, Application, Tab 5, 2011 Load and Customer**
2 **Forecast, Section 5.1, Economic and Demographic Outlook,**
3 **p. 4**

4 **FortisBC provides a table entitled “Conference Board of Canada –**
5 **British Columbia Forecasts” that shows the 2011 GDP growth forecast**
6 **for BC, as well as for the forestry, manufacturing and construction**
7 **sectors.**

8 **Q27.1 Please describe the extent to which the information contained in**
9 **this table was used in the calculation of FortisBC’s 2011 load**
10 **forecast.**

11 A27.1 The overall GDP is used in calculating the customer growth in the
12 General Service class. The individual GDP for individual industries is
13 not used in the forecast calculations. The importance of showing these
14 statistics from the Conference Board of Canada is to show which
15 sectors anticipated growth in 2011.

16 **Q27.2 Please provide a copy of the referenced Conference Board of**
17 **Canada Provincial Outlook.**

18 A27.2 A copy of the Conference Board of Canada Provincial Outlook is
19 attached as BCUC Appendix A27.2.

1 **28.0 Reference: Exhibit B-1, Application, Tab 5, 2011 Load and Customer**
2 **Forecast, Section 5.1 Economic and Demographic Outlook,**
3 **p. 4**

4 **Q28.1 As the Economic and Demographic Outlook is based on**
5 **Provincial statistics, please provide, if possible, statistical**
6 **information related to the FortisBC service area.**

7 A28.1 Please refer to BCUC Appendix A28.1.

8 **Q28.2 Provide additional justification for the growth in the industrial**
9 **load as the majority load increase appears to be attributed to BC**
10 **sawmills. Provide, if possible, data for the FortisBC service area.**

11 A28.2 The forecast industrial load growth was mainly related to the expected
12 Celgar increased load. However, this is no longer expected to occur
13 and the Company will be updating the load forecast in the Update to
14 the 2011 Preliminary Revenue Requirements to be filed on November
15 1, 2010, with an expected increase in Industrial load in 2011 as
16 compared to 2010 of approximately 0.2 percent. This is based on the
17 industrial customer surveys and revised load estimates for Zellstoff
18 Celgar. Please refer to BCUC Q23.2 for the customer survey details.

1 **29.0 Reference: Exhibit B-1, Application, Tab 5, 2011 Load and Customer**
2 **Forecast, Section 5.1, Economic and Demographic Outlook,**
3 **p. 5**

4 **FortisBC's response to BCUC IR 37.1 in the 2009 Annual Review & 2010**
5 **Revenue Requirements stated: "Housing start projections from CMHC**
6 **are not used directly in FortisBC's load forecast model. As the**
7 **projections from CMHC are not specific to FortisBC's service territory,**
8 **these forecasts are used for determining the reasonableness of**
9 **customer count growth only" (Exhibit B-3, p.81).**

10 **In the current Application, FortisBC states: "BC Housing starts have**
11 **shown significant gains in 2010 compared to 2009."**

12 **Q29.1 Please describe the extent to which the information on BC**
13 **housing starts was used in the calculation of FortisBC's 2011**
14 **load forecast. To the extent this information may only be used to**
15 **assess the reasonableness of customer count growth, please**
16 **indicate whether such assessment was done in conjunction with**
17 **the 2011 forecast residential customer count and elaborate on**
18 **such evaluation. Please also specify to which customer classes**
19 **this assessment applies and why.**

20 **A29.1** Residential growth is forecast based on the historical relationship
21 between customer counts and the population in the FortisBC service
22 territory, and a forecast of population as provided by BC Stats.
23 Although housing statistics are not used directly by the Company in the
24 load forecast model to forecast the customer count growth since the
25 current data are not specific to the Company's service area, they may
26 be used for determining the reasonableness of customer count growth,
27 along with other factors. However, the Company does not believe
28 housing statistics are currently useful as a predictor of 2011 customer
29 growth due to over-building before the recession. The number of
30 unsold houses which were built in the past is still significant, leading to
31 a lower amount of housing permits issued in 2009 and 2010 which
32 were 2,143 and 2,302 respectively.

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1 Therefore, the housing statistics are not useful to project customer
2 growth for the moment, even though they may be a good indicator to
3 assess the industrial sector.

4 **Q29.2 Please discuss what would be the appropriateness of explicitly**
5 **using housing starts in the residential load forecast in future.**

6 A29.2 Since the housing starts from Canada Mortgage and Housing
7 Corporation (CMHC) are for all of BC and not just the Company's
8 service area it would be inappropriate to use this measure alone to
9 determine customer count growth rates.

30.0 Reference: Exhibit B-1, Application, Tab 5, 2011 Load and Customer Forecast, Section 5.2, Forecast, p. 5

Q30.1 On a consolidated basis for all customer groups, please provide a line graph and tabular data in a fully functioning electronic spreadsheet that summarize FortisBC's gross normalized energy demand for the period 2001-2009. Please also include forecasted gross normalized energy demand for 2010 and 2011. Wherever possible, please include a trend line and linear equation.

A30.1 Please refer to Figure BCUC A30.1 and Table BCUC A30.1 below.

Figure BCUC A30.1

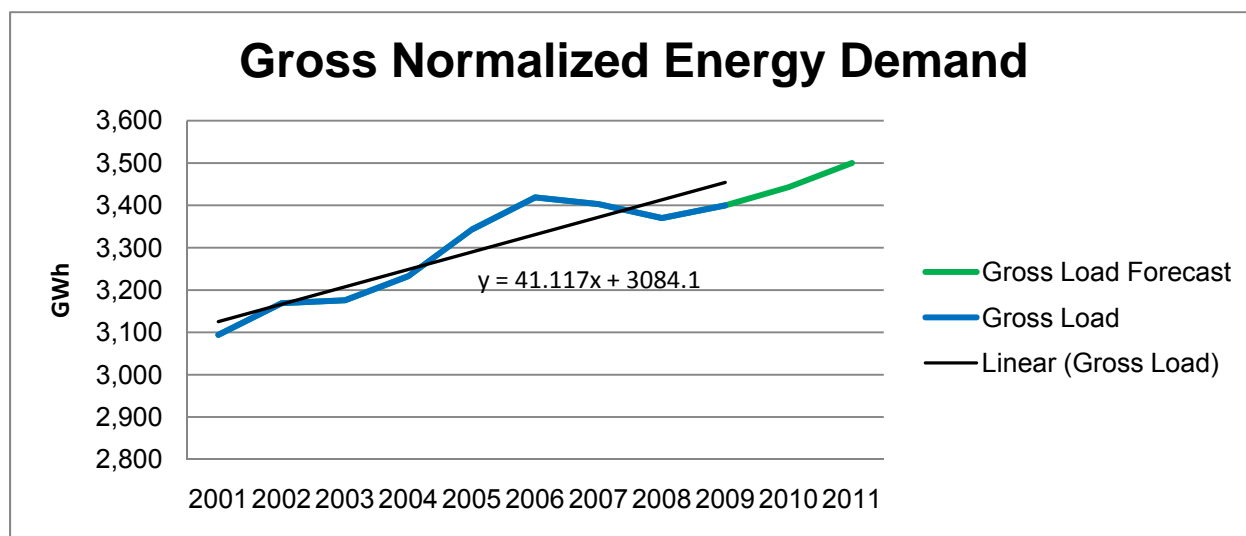


Table BCUC A30.1

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Gross Load	3,094	3,169	3,176	3,233	3,343	3,419	3,403	3,370	3,400	3,443	3,500

Q30.2 Please discuss the relevant factors that have influenced the general trend in energy demand over the past 10 years.

A30.2 The Company has experienced considerable growth in the Residential and General Service classes over the past several years. Large retail stores in the Okanagan have made it a major center for trade and commerce. There are many industries in the Company's service area

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1 including diversification manufacturing, high technology, health care,
2 agriculture, mining, forestry, tourism, fruit processing, wine production
3 and post-secondary education, many of which have experienced
4 growth through investment. Growth in many industries in the
5 Company's service territory has stimulated direct and indirect
6 employment, capital expenditures and research dollars.

7 Population growth in the Okanagan is strong with many retirees
8 relocating to the area. The Okanagan is one of the fastest growing
9 areas in British Columbia with manufacturing and tourism attracting
10 new business and residents to the area. Since interest rates are low
11 and migration of retirees is high, resort home purchases will continue
12 to fuel demand for housing.

13 During 2008 and 2009 the manufacturing and forestry sectors had
14 decreased sales during the economic downturn. These sectors have
15 gained strength and stability in 2010 with increased housing starts and
16 higher demand for forestry products.

17 **Q30.3 Please apply regression analysis of demand relationship for**
18 **Residential, General Service, Wholesale, and Industrial customer**
19 **groups to compare the demand for electricity with the relevant**
20 **factors ("independent variables") that FortisBC is relying upon in**
21 **its forecast for 2011. Please indicate whether the independent**
22 **variables are statistically significant.**

23 A30.3 A simple linear regression analysis with one independent variable is
24 applied to each dependent variable as summarized in the table below.
25 The model's fit and its statistical significance is also provided.

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Table BCUC A30.3

Load Class	Dependable Variable	Independable Variable	R Square	p-value of F statistic	p-value of the Slope
Residential	UPC	Time	0.000246233	0.965682591	0.965682591
	Customer Count	FBC population	0.890207367	4.52946E-10	4.52946E-10
General Service	UPC	Time	0.301779467	0.100009122	0.100009122
	Customer Count	BC's GDP	0.945150158	2.53115E-06	2.53115E-06
Wholesale	Load	FBC population	0.754016738	6.93254E-07	6.93254E-07
Industrial	Load	Time	0.316968696	0.090167101	0.090167101

2

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Table BCUC A30.3 cnt'd

RES UPC

10 year Trend (2000-2009)

Regression Statistics	
Multiple R	0.015691822
R Square	0.000246233
Adjusted R Square	-0.124722988
Standard Error	0.287982623
Observations	10

ANOVA

	df	SS	MS	F	Significance F
Regression	1	0.000163409	0.000163409	0.001970351	0.965682591
Residual	8	0.66347193	0.082933991		
Total	9	0.663635339			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	15.37392726	63.55442818	0.241901748	0.814941846	-131.1828468	161.9307013	-131.1828468	161.9307013
X Variable 1	-0.001407379	0.031705843	-0.044388639	0.965682591	-0.074521185	0.071706426	-0.074521185	0.071706426

GS UPC

10 year (2000-2009)

Regression Statistics	
Multiple R	0.549344579
R Square	0.301779467
Adjusted R Square	0.2145019
Standard Error	1.375316639
Observations	10

ANOVA

	df	SS	MS	F	Significance F
Regression	1	6.54022143	6.54022143	3.457697993	0.100009122
Residual	8	15.13196686	1.891495858		
Total	9	21.67218829			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-506.1212017	303.5164468	-1.667524798	0.133967172	-1206.031383	193.7889792	-1206.031383	193.7889792
X Variable 1	0.281558895	0.151417379	1.859488637	0.100009122	-0.067610206	0.630727996	-0.067610206	0.630727996

Wholesale Load

20 year Sales to Population (1990-2009)

Regression Statistics	
Multiple R	0.868341372
R Square	0.754016738
Adjusted R Square	0.740351001
Standard Error	31684.39054
Observations	20

ANOVA

	df	SS	MS	F	Significance F
Regression	1	55390929137	55390929137	55.17571056	6.93254E-07
Residual	18	18070210865	1003900604		
Total	19	73461140002			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	141505.0541	96902.25479	1.460286496	0.161446099	-62079.02845	345089.1366	-62079.02845	345089.1366
X Variable 1	2.95545841	0.397878878	7.428035444	6.93254E-07	2.119545906	3.791370913	2.119545906	3.791370913

2

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Table BCUC A30.3 cnt'd

RES Customer Count

20 year Trend (1990 to 2009)

Regression Statistics	
Multiple R	0.943508011
R Square	0.890207367
Adjusted R Square	0.884107776
Standard Error	3665.538926
Observations	20

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	1960948377	1960948377	145.9454262	4.52946E-10
Residual	18	241851161.2	13436175.62		
Total	19	2202799538			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-56725.3327	11210.53557	-5.060002027	8.15495E-05	-80277.7939	-33172.8715	-80277.7939	-33172.87147
X Variable 1	0.556081706	0.046030253	12.08078748	4.52946E-10	0.459375732	0.652787679	0.459375732	0.652787679

GDP/GS Customers (2000-2009)

Regression Statistics	
Multiple R	0.972188334
R Square	0.945150158
Adjusted R Square	0.938293927
Standard Error	2799.35789
Observations	10

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	1080269876	1080269876	137.8527439	2.53115E-06
Residual	8	62691236.75	7836404.594		
Total	9	1142961112			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	19847.59114	10019.68604	1.980859586	0.082938306	-3257.846286	42953.02857	-3257.846286	42953.02857
X Variable 1	11.62160535	0.989824994	11.74107082	2.53115E-06	9.339064819	13.90414587	9.339064819	13.90414587

Industrial Load

2000-2009 Trend Analysis

Regression Statistics	
Multiple R	0.56299973
R Square	0.316968696
Adjusted R Square	0.231589783
Standard Error	48272.02743
Observations	10

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	8650811128	8650811128	3.712493919	0.090167101
Residual	8	18641509059	2330188632		
Total	9	27292320187			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	20839042.97	10653077.14	1.956152452	0.086169017	-3726996.946	45405082.89	-3726996.946	45405082.89
X Variable 1	-10240.035	5314.575307	-1.926783309	0.090167101	-22495.46762	2015.397629	-22495.46762	2015.397629

2

31.0 Reference: Exhibit B-1, Application, Tab 5, 2011 Load and Customer Forecast, Section 5.2, Forecast, p. 5

FortisBC states: “The 2011 forecast is based on population growth estimates produced by BC Stats for the FortisBC service area, [...] the historical relationship between FortisBC customer and load growth, [...]”

Q31.1 Please discuss how demographic trends in the FortisBC service area impact the overall demand for electricity. Wherever possible, please provide supporting data and analyses.

A31.1 The Company calculates the overall demand for electricity by multiplying the number of customers by the average use per customer. Demographic trends will either influence the number of customers or the average use per customer. To calculate the average use per customer the Company uses historical data, however, the customer count relies on information from BC Stats for population and The Conference Board of Canada for GDP. Please also refer to BCUC Q31.2 and BCUC Q35.4.

Q31.2 Please elaborate on whether the historical relationship between FortisBC’s customer and load growth is likely to hold in the future in light of increased efforts towards energy efficiency and conservation and the emergence of offsetting factors leading to increased average energy use, such as home electronic usage.

A31.2 Forecasting the relationship between the Company’s customer and load growth is based on aggregate historic data. This relationship is always changing. The average use per customer is determined through a linear regression process and therefore takes changing trends in customer usage for whatever reason into account. This data is not broken down into categories such as energy efficient conservation and offsetting factors. Energy efficiency programs directly impact the load forecast in that the forecast amount of DSM

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1 measures is directly subtracted from the load forecast.

2 **Q31.3 Please provide a copy of the referenced BC Stats report.**

3 A31.3 Please refer to BCUC Appendix A31.3.

32.0 Reference: Exhibit B-1, Application, Tab 5, 2011 Load and Customer Forecast, Section 5.2.1, Residential Class, p. 6

FortisBC states: “Residential demand is influenced by home characteristics, household consumption patterns, and weather.”

Q32.1 Please elaborate on the variables listed above and discuss how they influence residential demand. Please also describe the extent to which these variables were used in the calculation of FortisBC’s 2011 load forecast, in addition to population growth and the 10-year average annual UPC rate.

A32.1 Home characteristics and household consumption patterns influence the use per customer. For example, an energy smart house of equal size and occupant lifestyle to a non-energy smart house will have lower energy consumption and will therefore directly impact the average use per customer. Even though these variables do influence demand they are not looked at on an individual basis. For more detail information regarding home characteristics and energy use please refer to FortisBC’s 2011 Demand Side Management Plan attached as Appendix 3 to the Company’s 2011 Capital Expenditure Plan. A copy of which can be found on FortisBC’s website at www.fortisbc.com.

Similarly, the weather impacts the average use per customer through the number of heating degree days, (“HDD”), and cooling degree days, (“CDD”), in each month. If the number of HDD or CDD is above or below the 10 year average then demand will vary from forecast. This is compensated for by normalizing the weather and adding or subtracting the normalized number from the actual residential monthly GWh. The historic residential demand that is weather normalized is used to calculate the use per customer. However, over time, as weather may shift, these changing trends impact the normalization process and therefore impact the UPC’s.

1 **Q32.2 What is the use per customer (UPC) of recently added new**
2 **residential customers? In light of increased DSM spending and**
3 **other offsetting factors, is there a significant difference between**
4 **the UPC of these new residential customers and the average**
5 **residential UPC? If so, please elaborate on the implications of**
6 **such difference on the method used by FortisBC to forecast**
7 **residential demand.**

8 A32.2 Use per customer is calculated by normalizing loads and then dividing
9 that by the average number of customers. The Company does not
10 distinguish on the basis of when customers are added to the system.

33.0 Reference: Exhibit B-1, Application, Tab 5, 2011 Load and Customer Forecast, Section 5.2.1, Residential Class, p. 6

FortisBC states: “Forecast residential customer counts are determined from the historical relationship between the annual growth of the number of residential accounts and population growth in the FortisBC service territory” and “Forecast residential customer growth of 1.6 percent in 2011 is based on the 20 year trend. The 2010 customer growth to July is 0.81 percent, with an annual 2010 forecast of 1.5 percent.”

Q33.1 Please provide the formula used to calculate the 2011 forecast residential customer growth.

A33.1 The 2011 forecast customer growth is calculated as follows:

2010 customers + (BC Stats forecast for the service area for 2011 - BC Stats forecast for the service area for 2010) * the slope that was derived from a 20 linear regression analysis of the residential population on the Company’s population that is provided by BC Stats.

2010 customer count = 98,044

BC Stats population forecast for 2011 = 277,862

BC Stats population forecast for 2010 = 275,125

Regression Model Slope = 0.556081706

Forecast 2011 Residential Customer Count = 98,044 + (277,862 - 275,125) * 0.556081706 = 99,566

34.0 Reference: Exhibit B-1, Application, Tab 5, 2011 Load and Customer Forecast, Section 5.2.1, Residential Class, pp. 6-7

FortisBC states on page 6: “The 2011 forecast of 12.76 megawatt hours (“MWh”) per customer [...]” and also states on page 7: “Projected residential load for 2011 is 1,248 GWh with the number of residential customers forecast to reach 99,566.”

Q34.1 Based on the above data, please show the calculations performed to obtain the projected 1,248 GWh residential load for 2011.

A34.1 The formula to calculate Forecast Residential Energy for 2011 is as follows:

Forecast Average Use per Customer for 2011 *(Residential Customers for 2010 + Residential Customer for 2011)/2 – Forecast Demand Side Management for 2011

Forecast Average Use per Customer for 2011 = 12.76 MWh

Residential Customers for 2010 = 98,044

Residential Customer for 2011 = 99,566

Forecast Demand Side Management for 2011 = 13,400

Forecast Residential Energy for 2011 = $12.76 * (98,044 + 99,566) / 2 - 13,400 = 1,248 \text{ GWh}$

35.0 Reference: Exhibit B-1, Application, Tab 5, 2011 Load and Customer Forecast, Section 5.2.1, Residential Class, p. 6

FortisBC states: “On a weather normalized basis, the trend of average use per residential customer has flattened out over the past ten years. While increased demand side management measures reduced residential usage in many years, there are offsetting factors that have played a part in increasing average usage later in this period. For example, there are increases in home electronic usage such as plasma televisions, and changes in demographics.”

Q35.1 Please provide a graph and supporting tabular data of the residential UPC for the period 2001 to 2009. Please also extend the graph and tabular data to include forecast residential UPC for 2010 and 2011. Wherever possible, please include a trend line and linear equation.

A35.1 Please refer to Figure BCUC A35.1 and Table BCUC A35.1.

Figure BCUC A35.1

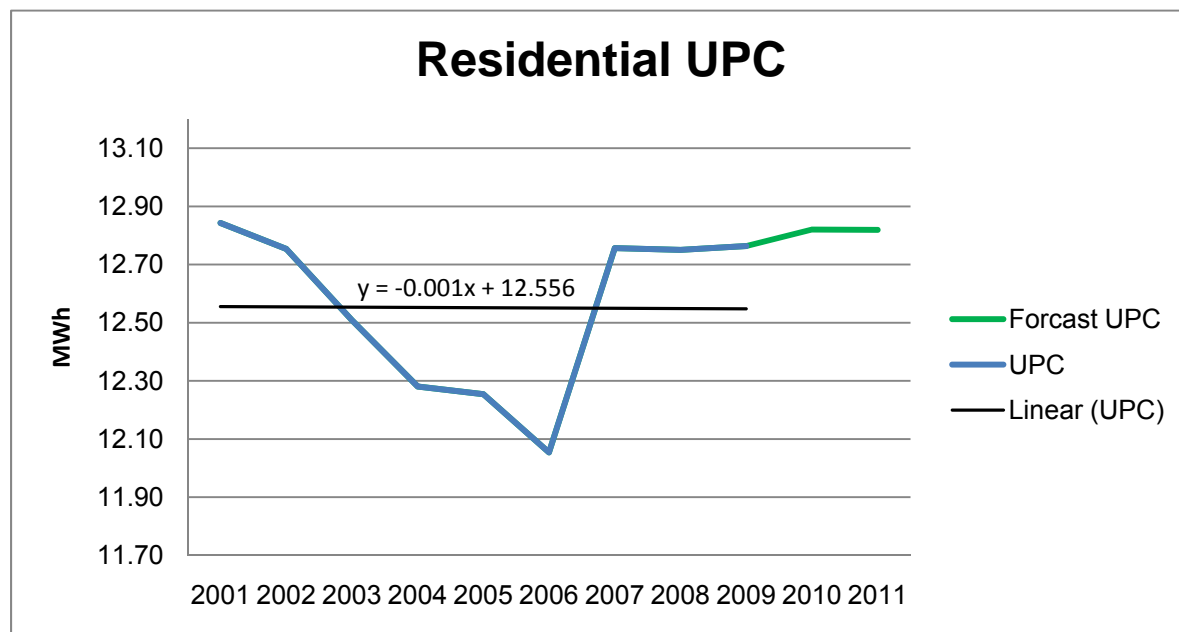


Table BCUC A35.1

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Residential UPC	12.84	12.75	12.51	12.28	12.25	12.05	12.76	12.75	12.76	12.82	12.82

1 **Q35.1.1 Please elaborate on what is meant by “the trend has**
2 **flattened out over the past ten years” with reference to**
3 **the graph provided above.**

4 A35.1.1 Demand Side Management efforts have decreased the
5 average use per customer through the promotion of energy
6 reduction products and methods such as education on the
7 cost savings of CLF light bulbs. These savings have been
8 offset by changes in demographics and increases in home
9 electronics, such as laptops and plasma televisions;
10 therefore flattening out the average use per customer over
11 the past ten years.

12 **Q35.2 FortisBC notes that increased DSM measures reduced residential**
13 **usage in many years. Please confirm that residential usage is**
14 **meant as UPC.**

15 A35.2 Confirmed.

16 **Q35.3 Please discuss to what extent both increasing DSM measures and**
17 **offsetting factors such as increased home electronic usage may**
18 **accurately be reflected in the historical UPC 10-year trend. Please**
19 **also elaborate on how FortisBC is taking these significant**
20 **emerging factors into account in its forecasting models.**

21 A35.3 As these trends establish themselves, they will be reflected in the
22 annual data and become part of the UPC calculation. Forecast DSM is
23 directly subtracted from the load forecast to arrive at a with-DSM
24 forecast.

25 **Q35.4 Please clarify how changes in demographics led to increasing**
26 **average UPC later in the ten-year period.**

27 A35.4 It is difficult to determine the detailed changing customer end-use data
28 and the reason for these changes. However the Company believes

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1 that shifting demographics may be leading to an increase in the electric
2 heating penetration rate thereby increasing the residential UPC.

3 **Q35.5 To what extent the changing housing mix (single-family house vs.**
4 **multi-family units) has affected or will affect the Residential UPC?**
5 **How is this reflected in this current forecast?**

6 A35.5 Average use per customer is based on the total number of the
7 Company's residential customers, which is not divided into groups
8 based on the existing housing mix in the Company's service area.

1 **36.0 Reference: Exhibit B-1, Application, Tab 5, 2011 Load and Customer**
2 **Forecast, Section 5.2.1, Residential Class, p. 7**

3 **FortisBC states: “Projected residential load for 2011 is 1,248 GWh with**
4 **the number of residential customers forecast to reach 99,566. This**
5 **corresponds to a 0.5 percent increase after DSM growth in energy**
6 **consumption over normalized 2010 load and an increase of 1.6 percent**
7 **in forecast customers over the current 2010 forecast (see Table 5A).”**

8 **Q36.1 FortisBC indicates that the residential load forecast for 2011 is 0.5**
9 **percent higher than the 2010 load. This calculation appears to be**
10 **accurate when looking at Table 5A (p. 12), where the 2010**
11 **residential load is forecast at 1,242 GWh. However, Table 2-A-1**
12 **under Tab 4, Financial Schedules, indicates a 2010 residential**
13 **load forecast of 1,218 GWh. Please reconcile these two tables,**
14 **especially the 2010 forecast data that differ for residential and**
15 **wholesale energy sales or explain what causes the difference in**
16 **those two 2010 residential load forecasts.**

17 **A36.1** In Table 2-A-1, the Residential loads up to July 31, 2010 are actuals
18 while in the loads provided in Table 5A are normalized. For the rest of
19 2010, these forecasts are the same and made under a normal weather
20 assumption. The normalization is needed in order to have a true
21 comparison between 2010 load and 2011 load, which assumes normal
22 weather. The same explanation is applied to the Wholesale energy
23 sales in 2010.

1 **37.0 Reference: Exhibit B-1, Application, Tab 5, 2011 Load and Customer**
2 **Forecast, Section 5.2.2, General Service Class, p. 7**

3 **FortisBC states: “Energy consumption in this class exhibits great**
4 **diversity and usage is closely tied with economic activity and**
5 **population growth.”**

6 **Q37.1 Please describe the extent to which population growth was used**
7 **in the calculation of FortisBC’s 2011 General Service load**
8 **forecast, given this variable is not further mentioned in the**
9 **forecast analysis of 2011 General Service sales.**

10 **A37.1** Detailed analysis in the past ten years has shown that both GDP in
11 British Columbia as a representative of economic activity and
12 population growth has a strong positive correlation with the General
13 Service load. The GDP indicator is used because it has a stronger
14 correlation (0.96 vs. 0.94).

38.0 Reference: Exhibit B-1, Application, Tab 5, 2011 Load and Customer Forecast, Section 5.2.2, General Service Class, p. 7

FortisBC states: “Correspondingly, customer growth of 2.4 percent in 2011 is gradually dropping to more customary slower levels.”

Q38.1 Please clarify what is meant by this statement, in light of the actual customer growth rates of 1.9 percent and 0.8 percent in 2008 and 2009 respectively, and a 2010 forecast growth rate of 1.2 percent.

A38.1 A ten year forecast of customer growth rates for the General Service class from 2010 to 2019 is shown below in Table BCUC A38.1. After higher growth rates through 2013, customer growth rate is gradually dropping to more customary levels.

Table BCUC A38.1

Year	2008	2009	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F
Growth	1.9%	0.8%	1.2%	2.4%	3.1%	3.2%	2.3%	2.4%	2.0%	1.7%	1.7%	1.6%

39.0 Reference: Exhibit B-1, Application, Tab 5, 2011 Load and Customer Forecast, Section 5.2.2, General Service Class, p. 7

FortisBC states: “Sales in the General Service class are forecast to grow by 0.7 percent in 2011 to reach 675 GWh (see Table 5A). While there had been positive growth in energy consumption per general service customer for many years (as shown in Figure 5.2.2), UPC has decreased in 2010 to date.”

Q39.1 FortisBC states that General Service energy sales are forecast to grow by 0.7 percent in 2011. However, when using the data provided by FortisBC in Table 5A to calculate the percentage growth, it is 0.6 percent ($= (675-671)/671*100$). Please explain the difference.

A39.1 The difference is due to rounding. The General Service energy sales in MWh for 2010 and 2011 are 670,549 and 675,447 respectively or 0.7 percent growth.

Q39.2 What UPC rate was used for General Service class in 2011? Please provide the formula used to calculate the 2011 UPC forecast for the General Service class.

A39.2 The annual UPC rate used for the General Service class in 2011 is calculated as

2011 UPC = 2010 UPC + constant annual rate, where

2010 UPC = $2010 \text{ forecast energy} / (0.5 * (\text{year-end customer count in 2009} + \text{year-end customer count 2010}))$, and a constant annual rate of 0.28 MWh is obtained by a linear trend study of the General Service UPC change rates over the 2000-2009 period.

With 2010 forecast energy = 670,549 MWh, year-end customer count in 2009 = 11,308 and forecast year-end customer count in 2010 = 11,447 customers, therefore:

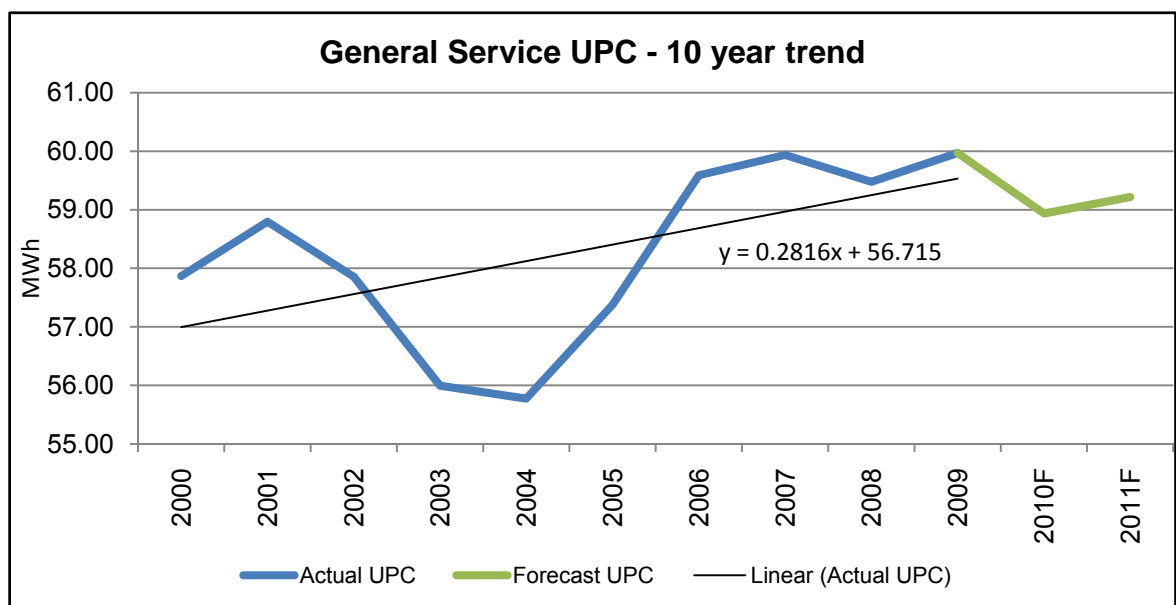
2011 UPC = $670,549 / (0.5 * (11,308 + 11,447)) + 0.28 = 59.22 \text{ MWh per}$

customer.

Q39.3 Please extend the graph in Figure 5.2.2 to include forecast General Service UPC for 2010 and 2011 and provide an electronic version of the graph and supporting tabular data. Wherever possible, please include a trend line and linear equation.

A39.3 Please refer to Figure BCUC A39.3 and Table BCUC A39.3 below. An electronic version is attached as BCUC Electronic Attachment A39.3.

Figure BCUC A39.3



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Table BCUC A39.3

General Service Annual UPC
(MWh/customer)

	Actual	Forecast
2000	57.87	
2001	58.80	
2002	57.86	
2003	55.99	
2004	55.77	
2005	57.38	
2006	59.59	
2007	59.94	
2008	59.48	
2009	59.97	59.97
2010F		58.94
2011F		59.22

2

1 **40.0 Reference: Exhibit B-1, Application, Tab 5, 2011 Load and Customer**
2 **Forecast, Section 5.2.3, Industrial Class, p. 8**

3 **FortisBC states: “FortisBC determines industrial load requirements**
4 **through a combination of surveys, discussions with companies and**
5 **historical growth patterns.”**

6 **Q40.1 Please elaborate on the relative weighs given to each of these**
7 **forementioned methods (i.e., surveys, discussions, historical**
8 **patterns) used in calculating the 2011 industrial load forecast.**

9 A40.1 FortisBC used customers’ own forecasts if they responded to the
10 Company’s load surveys. For those customers that did not respond,
11 FortisBC used each customer’s historical consumption.

12 **Q40.2 Please provide all relevant supporting documentation for the 2011**
13 **industrial load forecast of 269 GWh.**

14 A40.2 Please refer to the response to BCUC Q23.2 for the survey responses.

15 **Q40.3 Please provide tabular data on approved forecast and actual**
16 **normal industrial loads for the period 2005 to 2010F. Please also**
17 **include a column with the difference between the approved**
18 **forecast and the actual normal, and another column with the**
19 **percentage difference.**

20 A40.3 Please refer to BCUC Q40.3.1 below.

21 **Q40.3.1 For each year, please comment on the differences**
22 **between the forecast and the actual loads.**

23 A40.3.1 Please refer to Table BCUC A40.3.1 below.

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Table BCUC A40.3.1

	Approved Forecast	Actual/Forecast	Difference	Difference in %	Comments
2005	343	360	17	5.0%	Underforecast by external consultants
2006	369	348	(21)	-5.6%	Overforecast by customers
2007	352	314	(38)	-10.8%	Economic downturn started
2008	240	218	(22)	-9.1%	Economic downturn continued
2009	224	216	(8)	-3.7%	Better forecast by customers due to stricter budget requirement during the economic downturn
2010F	291	248	(43)	-14.7%	Zelstoff Celgar did not materialize its planned increased energy purchase

2

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1 **41.0 Reference: Exhibit B-1, Application, Tab 5, 2011 Load and Customer**
2 **Forecast, Section 5.2.3, Industrial Class, p. 8**

3 **FortisBC states: “The Conference Board of Canada Summer 2010**
4 **British Columbia Forestry GDP forecast calls for a 2.6 percent growth**
5 **for 2011.”**

6 **Q41.1 Please reconcile this 2.6 percent growth figure with that in the**
7 **Table on page 4 of Exhibit B-1, Application, Tab 5, 2011 Load and**
8 **Customer Forecast, Section 5.1 Economic and Demographic**
9 **Outlook, which indicates an 11.6 percent growth for the BC**
10 **forestry sector for 2011.**

11 A41.1 The word “*Forestry*” in this statement needs to be removed. The
12 correct statement should read “The Conference Board of Canada
13 Summer 2010 British Columbia GDP forecast calls for a 2.6 percent
14 growth for 2011.” Please refer to Errata 2.

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A42.1 The wholesale load forecast in 2011 is based on forecasts supplied by customers (946.2 GWh) and an estimated DSM savings (8.4 GWh). Compared to the 2010 forecast of 920.8 GWh, the increase of 1.8 percent is obtained.

43.0 Reference: Exhibit B-1, Application, Tab 5, 2011 Load and Customer Forecast, Section 5.2.4, Irrigation and Lighting, p. 9

FortisBC states for irrigation customers: “Due to differences in acreage, crop types and energy use patterns, and the complexity of economic and environmental issues affecting irrigation customers, growth patterns for energy sales in this class are variable. The average ten year growth rate is 1.2 percent, with annual changes ranging from negative 18 to positive 26 percent. For 2011, annual energy sales have been estimated at 44 GWh.”

Q43.1 Given the wide-ranging growth rates of annual energy sales for irrigation, please explain how annual energy sales have been estimated at 44 GWh for 2011 by providing the formula used to forecast the 2011 irrigation load. Please also elaborate on the rationale for using this calculation method.

A43.1 The growth rates for the Irrigation class vary as displayed in the table in response to BCUC Q43.1 below. There is no significant linear trend that can fit this fluctuation. Therefore, the Company applied the averaging method for 2011 with data from 2004 to 2008.

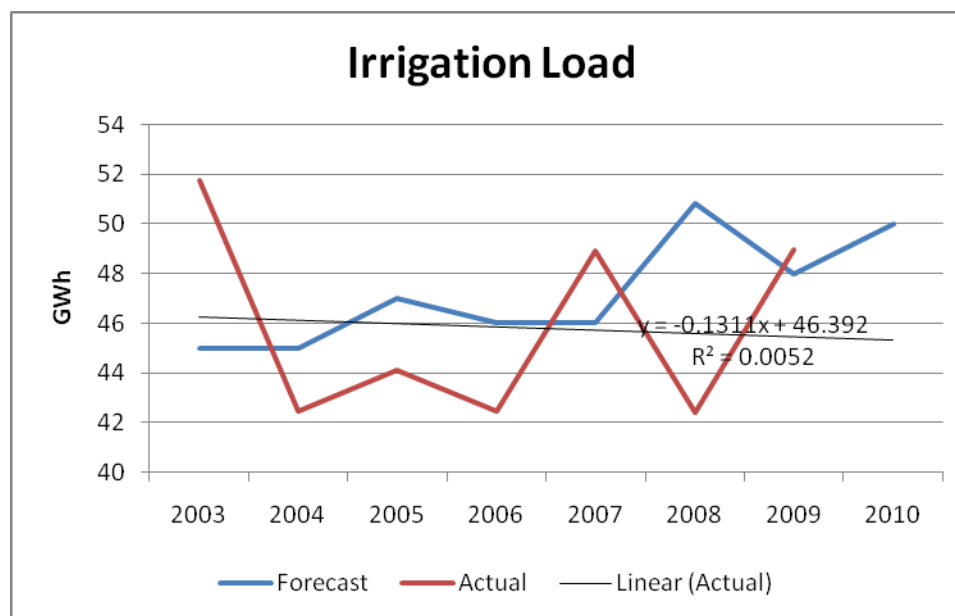
Q43.2 Please provide a graph and supporting tabular data for actual and forecast irrigation load for the period 2001 to 2009. In the table, please also include a column with the difference between the actual and forecast and another column with the percentage difference.

A43.2 Please refer to Figure BCUC A43.2 and Table BCUC A43.2. 2001 and 2002 approved forecasts for the Irrigation load are integrated with the Lighting load and hence not available.

Table BCUC A43.2

	Approved Forecast (GWh)	Actual (GWh)	Difference (GWh)	Difference (%)	Growth (%)
2001	N/A	43			
2002	N/A	54			26%
2003	45	52	7	15.0%	-5%
2004	45	42	(3)	-5.6%	-18%
2005	47	44	(3)	-6.2%	4%
2006	46	42	(4)	-7.7%	-4%
2007	46	49	3	6.4%	15%
2008	51	42	(8)	-16.5%	-13%
2009	48	49	1	2.0%	15%
2010	50				

Figure BCUC A43.2



44.0 Reference: Exhibit B-1, Application, Tab 5, 2011 Load and Customer Forecast, Section 5.2, Load Forecasts, pp. 5-9

Longer-term trends in demand for electricity are influenced primarily by underlying economic, demographic, energy policy, and technological changes. In Section 5.2, pages 5-9, FortisBC notes that the following variables have an impact on energy sales: growth in GDP, changes in employment levels or commodity prices, exports; growth in population; increased DSM and offsetting factors such as home electronic usage and home characteristics.

Q44.1 With respect to these factors, please describe what underlying qualitative and quantitative assumptions FortisBC has made in the 2010 and 2011 forecasts.

A44.1 Assumptions having impacts on energy sales are examined in each load class below.

Residential	<ol style="list-style-type: none">1. Customer growth for each month of the remainder of 2010 follows a corresponding average monthly change rate over the past 3 years;2. Customer growth in 2011 is positively tied with the population in FBC service area at a rate of 0.55 residential customers per FBC customer. This slope is calculated from the 20-year (1990-2009) trend analysis. As forecast by BC Stats, the net immigration to the FBC service area will be greater than the area's natural population decrease and hence increase the residential customer count;3. UPC will continue the trend as set in the 2000-2009 period that is staying almost flat at an annual rate of -0.001 MWh per customer; and4. DSM activities will continue.
General Service	<ol style="list-style-type: none">1. Customer growth for each month of the remainder of 2010 follows a corresponding average monthly change rate in 2009;2. Customer growth in 2011 is positively correlated with the GDP in B.C. As the recession is ending, the provincial GDP is expected to rise, leading to an increase in the General Service customer count;3. After a temporary slight reduction in 2010, UPC will continue an increasing trend as set in the 2000-2009 period at an annual rate of 0.28 MWh per customer;4. DSM activities will continue.

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Wholesale	<ol style="list-style-type: none">1. Wholesale load forecasts for 2010 and 2011 are given by customers; and2. DSM activities will continue.
Industrial	<ol style="list-style-type: none">1. Industrial load forecasts for 2010 and 2011 are a mix of forecasts by customers and by the Company. Industrial activities are assumed to ramp up in the second half of 2010 and 2011 thanks to a brighter business environment;2. Zellstoff Celgar will purchase around 4.2GWh per month for the remainder of 2010 and 38 GWh in 2011 (Note that in the upcoming November update, 2011 Celgar load is reduced to 4 GWh); and3. DSM activities will continue.
Irrigation	<ol style="list-style-type: none">1. Irrigation load is likely to return to the pre-recession level; and2. DSM activities will continue.
Lighting	<ol style="list-style-type: none">1. Lighting load is likely to be constant; and2. DSM activities will continue.
Loss	<ol style="list-style-type: none">1. Loss for the balance of 2010 is as approved in the 2010RR application; and2. Loss for 2011 is calculated as the average of actual losses of 2008 and 2009.

1 **Q44.2 Please provide data which illustrates the sensitivity that these**
2 **factors will have in respect to the short-term demand for**
3 **electricity in 2011.**

4 A44.2 Please find below sensitivity analysis for each load class. Each
5 sensitivity analysis regarding one variable was done upon an
6 assumption that other variables stay unchanged.

1

Residential	<ol style="list-style-type: none"> 1. Customer count in 2010: A decrease of 100 customers by the end of 2010 will reduce 2011 load by 0.7 GWh; 2. Customer count in 2011: A decrease of 100 customers by the end of 2011 will reduce 2011 load by 0.7 GWh; 3. UPC: A reduction of 0.1 MWh will reduce 2011 load by 10.8 GWh; and 4. DSM: An increase of 1 MWh will reduce 2011 load by 1 MWh.
General Service	<ol style="list-style-type: none"> 1. Customer count in 2010: A decrease of 100 customers by the end of 2010 will reduce 2011 load by 3.2 GWh; 2. Customer count in 2011: A decrease of 100 customers by the end of 2011 will reduce 2011 load by 3.2 GWh; 3. UPC: A reduction of 0.1 MWh will reduce 2011 load by 1.3 GWh; and 5. DSM: An increase of 1 MWh will reduce 2011 load by 1 MWh.
Wholesale	<ol style="list-style-type: none"> 1. The Wholesale load is strongly correlated with the population in the FBC service area. Therefore, although the 2011 forecast is supplied by the wholesale customers, it is anticipated that a reduction of 100 inhabitants in 2011 will reduce the load by 2.9 GWh according to a 20 –year (1990 – 2009) regression study; and 2. DSM: An increase of 1 MWh will reduce 2011 load by 1 MWh.
Industrial	<ol style="list-style-type: none"> 1. Zellstoff Celgar is the largest risk in this sector. There are ongoing negotiations to determine the 2011 load. While it is uncertain what the results of the negotiation will be, currently the Company expects an annual load of 4GWh from Zellstoff Celgar as will be updated in the November 1st update; and 2. DSM: A reduction of 1 MWh will reduce 2011 load by 1 MWh.
Irrigation	<ol style="list-style-type: none"> 1. Irrigation load may continue its higher than expected forecast in 2009 to increase load by 5 GWh; and 2. DSM: An increase of 1 MWh will reduce 2011 load by 1 MWh.
Lighting	<ol style="list-style-type: none"> 1. DSM: An increase of 1 MWh will reduce 2011 load by 1 MWh.

1 **Q44.3 Please provide the econometric models that FortisBC uses to**
2 **forecast the demand of electricity for the Residential and General**
3 **Service classes of customers. Please show the calculations for**
4 **the forecast estimates for each of these customer classes. Please**
5 **clearly state and explain all assumptions.**

6 A44.3 FortisBC provides the following explanation:

7 Residential

8 The energy forecast before DSM in each year for the Residential class
9 is determined by the number of residential customers (or customer
10 count) and the class' average Use-Per-Customer (UPC) as:

11 Energy (before DSM) = $UPC \times \text{Average of year-end customer counts of}$
12 the current year and the preceding year

13 After taking DSM into account:

14 Energy (after DSM) = Energy (before DSM) - DSM

15 • The year-end number of customers for the current year (2010) is
16 determined from the YTD actual count and projected counts for the
17 remainder of the year, which are typically calculated based on
18 corresponding historical monthly changes. For future years (2011),
19 the number of residential customers is found by a simple linear
20 regression with the population in the FBC service area as the
21 independent variable. The regression coefficients of this
22 relationship are derived from the historical data analysis over the
23 1990-2009 period. The actual and future population data are
24 provided by the BC Stats.

25 • For the current year (2010), UPC is calculated as the year's
26 forecast load divided by the average of year-end customer counts
27 in this year and the preceding year. For future years (2011), UPC is

1 based on a simple linear trend analysis with time as the regressor.

2 The regression coefficients of this relationship are derived from the
3 historical data analysis over the 2000-2009 period.

- 4 • A detailed calculation for 2011 Residential load is provided in the
5 response to BCUC Q34.1

6 General Service

7 The energy forecast before DSM in each year for the General Service
8 (Commercial) class is determined by the number of General Service
9 customers and the class' average Use-Per-Customer (UPC).

10 Energy (before DSM) = UPC * Average of year-end customer counts of
11 the current year and the preceding year

12 After taking DSM into account:

13 Energy (after DSM) = Energy (before DSM) - DSM

- 14 • The year-end number of customers for the current year (2010) is
15 determined from the YTD actual count and the projected counts for
16 the remainder of the year, which are typically calculated based on
17 corresponding historical monthly changes. For future years (2011),
18 the number of General Service customers is found by a simple
19 linear regression with GDPs for B.C. as the independent variable.

20 The regression coefficients of this relationship are derived from the
21 historical data analysis over the 1990-2009 period. The actual and
22 future GDP data are provided by the Conference Board.

- 23 • For the current year (2010), UPC is calculated as the year's
24 forecast load divided by the average of year-end customer counts
25 in this year and the preceding year. For future years (2011), UPC is
26 based on a simple linear trend analysis with time as the regressor.
27 The regression coefficients of this relationship are derived from the

1 historical data analysis over the 2000-2009 period.

2 • Detailed calculation for 2011 General Service load is as follows.

3 ○ UPC = 59.22 MWh per customer (please refer to the answer
4 to BCUC Q39.2)

5 ○ Forecast year-end customer count for 2010 is 11,447
6 customers

7 ○ Forecast year-end customer count for 2011 is 11,723
8 customers

9 ○ 2011 DSM forecast = 10,594 MWh

10 ○ 2011 General Service Load Before DSM =
11 $(59.22 * 0.5 * (11,447 + 11,723) - 10,564) / 1000 = 675.4 \text{ GWh}$

12 **Q44.4 Please elaborate on the rationale for not including electricity**
13 **prices and the prices of other forms of energy in the load forecast**
14 **analyses.**

15 A44.4 FortisBC provides the following rationale for not including electricity
16 prices and the prices of other forms of energy in its load forecast
17 analyses.

18 • Consumers in the Company's service area are protected from the
19 short-term market price volatility. Therefore, load behaviours are
20 unlikely to change with the short-term electricity prices.

21 • The Company has not performed any analysis to determine what
22 the load response to price changes is.

23 • The Company has not studied the impacts of the price volatility in
24 other energy sources.

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1 **Q44.5 Please also discuss to what extent increases in building and**
2 **appliance efficiency, and increased conservation may have an**
3 **impact on load forecast.**

4 A44.5 Use per customer trends, which are reflective of general efficiency
5 gains, are incorporated into the load forecast and augmented by
6 incremental savings from the DSM forecast.

45.0 Reference: Exhibit B-1, Application, Tab 5, 2010 Load and Customer Forecast, Section 5.3 System Losses, p. 10

Provide the estimated percentage of system losses for:

Q45.1 Losses in the transmission and distribution system;

A45.1 Table BCUC A45.1 below is provided in response to BCUC Q45.1 through Q45.4. Recorded losses in 2008 and 2009 are used to calculate losses components in 2010 as the average of 2008 and 2009 percentages, and the Company has assumed 2011 rates to be the same as the rates in 2010.

Table BCUC A45.1

Losses	2009 (GWh)	2008 (GWh)	2009 (%)	2008 (%)	2010 (%)
Total Losses	322	314	100%	100%	100%
Station Service Plants 1-5	5	6	2%	2%	2%
Company Use	7	6	2%	2%	2%
BC Hydro Losses (GWA & WTS)	51	30	16%	9%	13%
FortisBC T&D Losses	259	273	80%	87%	84%

Q45.2 Company use;

A45.2 Company use, including usage for station service plants, accounts for 4 percent of the total losses.

Q45.3 Losses due to wheeling through the BC Hydro system; and

A45.3 Wheeling losses account for approximately 13 percent of the total losses.

Q45.4 Unaccounted for energy (metering inaccuracies, and theft).

A45.4 Unaccounted for energy is embedded in the Transmission and Distribution losses. Note that based on the answer to BCMEU Q13.1, this loss is estimated at around 1.8 GWh per year and hence insignificant.

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46.0 Reference: Exhibit B-1, Application, Tab 5, 2010 Load and Customer Forecast, Section 5.3 System Losses, p. 10

Q46.1 Please provide FortisBC's formula for calculating percentage system losses.

A46.1 By Order G-193-08, loss percentage filed in a year is calculated as the average of the actual losses in the two consecutive years that immediately precede the year. This loss percentage is assumed in any subsequent year in the load forecast.

Therefore, 2011 loss to gross load ratio = $0.5 * (\text{actual loss to gross load ratio in 2008} + \text{actual loss to gross load ratio in 2009}) = 0.5 * (8.66\% + 9.22\%) = 8.94\%$.

47.0 Reference: Exhibit B-1, Application, Tab 5, 2011 Load and Customer Forecast, Section 5.6, Forecast and Actual Electric Sales Revenue, p. 11

Q47.1 For the period 2008 to 2011 forecast, please provide tabular data of FortisBC's margin (\$ million) and unitized margin (\$ million/GWh) for Residential, General Service, Wholesale, and Industrial user groups. Please include an electronic version in a fully functioning spreadsheet.

A47.1 Please refer to the below tables. A fully functioning spreadsheet is attached as Electronic Attachment BCUC A47.1.

Table BCUC A47.1a – 2008 Actual

2008 Actual	Sales Revenue (\$000s)	**Power Purchase Expense (\$000s)	Margin (\$000s)	Margin (\$GWh)
Residential	102,600	(26,591)	76,009	62.25
General Service	53,820	(14,504)	39,316	59.03
Wholesale	45,614	(19,426)	26,188	29.36
Industrial	14,470	(5,488)	8,982	35.64

** Power Purchase Expense has been pro rated by sales load by rate class as it is not based on Customer class.

Table BCUC A47.1b – 2009 Actual

2009 Actual	Sales Revenue (\$000s)	**Power Purchase Expense (\$000s)	Margin (\$000s)	Margin (\$GWh)
Residential	112,059	(29,559)	82,500	63.81
General Service	57,798	(15,362)	42,436	63.15
Wholesale	49,946	(21,215)	28,731	30.96
Industrial	14,051	(4,641)	9,410	46.36

** Power Purchase Expense has been pro rated by sales load by rate class as it is not based on Customer class.

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Table BCUC A47.1c – 2010 Forecast

2010 Forecast	Sales Revenue (\$000s)	**Power Purchase Expense (\$000s)	Margin (\$000s)	Margin (\$GWh)
Residential	116,620	(30,311)	86,309	70.86
General Service	60,468	(16,376)	44,092	65.71
Wholesale	51,970	(22,477)	29,493	32.62
Industrial	16,225	(6,053)	10,172	41.02

** Power Purchase Expense has been pro rated by sales load by rate class as it is not based on Customer class.

2

3

Table BCUC A47.1d – 2011 Forecast

2011 Forecast	Sales Revenue (\$000s)	**Power Purchase Expense (\$000s)	Margin (\$000s)	Margin (\$GWh)
Residential	119,516	(32,394)	87,122	69.81
General Service	63,171	(17,521)	45,650	67.63
Wholesale	55,142	(24,348)	30,794	32.83
Industrial	18,062	(6,982)	11,080	41.19

** Power Purchase Expense has been pro rated by sales load by rate class as it is not based on Customer class.

4

48.0 Reference: Exhibit B-1, Application, Tab 5, 2011 Load and Customer Forecast, Section 5.6, Forecast and Actual Electric Sales Revenue, p. 11

Q48.1 Changes in the number of customers or use rates may have an impact on Revenue Requirements. For the period 2008 to 2011 please provide a table in the format below, which shows the impact on Revenue Requirements from changes in the number of customers and use rates.

Factors	2009 vs 2008	2010P Forecast vs 2009	2011 Forecast vs 2010 Forecast
Change in the number of			
Change in the number of			
Change in the number of			
Change in the number of			
Change in use rates for			
Change in use rates for General			
Change in use rates for			
Change in use rates for			
Total			

A48.1 Please refer to the table provided below.

Table BCUC A48.1

Factors	2009 vs 2008	2010P Forecast vs 2009	2011 Forecast vs 2010 Forecast
Change in the number of residential	1,063	1,479	1,522
Change in the number of General Service	92	139	276
Change in the number of Industrial	(3)	0	0
Change in the number of Wholesale	0	0	0
Change in use rates for Residential	0.55	(0.95)	0.11
Change in use rates for General Service	(0.26)	(0.69)	(0.71)
Change in use rates for Industrial	(926.75)	1,631.09	636.36
Change in use rates for Wholesale	5,142.86	(3,428.57)	4,857.14
Total	4,216.40	(1,799.10)	5,492.91

1 **49.0 Reference: Exhibit B-1, Application, Tab 5, 2011 Load and Customer**
2 **Forecast, Section 5.6, Forecast and Actual Electric Sales**
3 **Revenue, Table 5.6, p. 11**

4 **Reported sales in 2009 have increased 8% (from \$220.9M to \$238.6M),**
5 **forecast sales in 2010 will increase 4.9% (from \$238.6M to \$250.2M) and**
6 **another 4.3% in 2011 (from \$250.2M to \$260.8M).**

7 **Q49.1 What portion of the 2011 sales increase relate to the 6.0% general**
8 **rate increase (effective January 1, 2010)? What portion relates to**
9 **the 2.9% general rate increase related to the flow-through of BC**
10 **Hydro rate changes (effective September 1, 2010)?**

11 A49.1 Please note that \$260.8M is based on normalized sales at prior year
12 rates. After the effect of overall load changes and changes in the mix
13 of customer load the overall sales revenue increase is about \$18.8M.
14 Of that increase approximately \$6.4M relates to the 2.9 percent rate
15 increase and \$12.4M relates to the 6.0 percent rate increase.

16 **Q49.2 Please confirm that FortisBC has not factored in the proposed**
17 **5.9% revenue deficiency rate increase in the total \$260.8M for the**
18 **2011 forecast sales in Table 5.6?**

19 A49.2 Confirmed.

1 **Q49.3 Please include a column in Table 5.6 which calculates the revenue**
2 **by customer class including the proposed 5.9% rate increase for**
3 **2011.**

4 A49.3 Please refer to Table BCUC A49.3 below.

5 **Table BCUC A49.3**

		Actual		Forecast		
		2008	2009	2010	2011	2011 with 5.9% Rate Increase
		(\$000s)				
1	Residential	102,600	112,059	116,620	119,516	126,561
2	General Service	53,820	57,798	60,468	63,171	66,895
3	Industrial	14,470	14,051	16,225	18,062	19,127
4	Wholesale	45,614	49,946	51,970	55,142	58,392
5	Lighting & Irrigation	4,405	4,717	4,934	4,933	5,223
6	Total	220,909	238,572	250,217	260,823	276,199

6 **Q49.4 What portion of the 2011 sales revenue forecast (\$260.8M in Table**
7 **5.6) is related to customer growth?**

8 A49.4 Although the number of customers is expected to increase from both
9 the 2010 Approved and Forecast levels, load growth is expected to be
10 negative on a normalized basis when comparing 2010 approved and
11 2011 forecast. Therefore the \$260.8 million revenue forecast would
12 have been \$1.0 million higher.

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Table BCUC A50.1a

Actual Energy Sales by Customer Class with DSM

Energy Sales (GWh)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010F	2011F
Residential	986	997	1,013	1,016	1,070	1,091	1,183	1,221	1,293	1,218	1,248
General Service	514	517	520	539	568	598	643	666	672	671	675
Wholesale	881	878	907	919	916	948	872	892	928	904	938
Industrial	323	347	337	348	357	344	331	252	203	248	269
Other	53	64	62	52	56	58	62	56	61	57	57
Net Load	2,731	2,790	2,835	2,873	2,969	3,040	3,090	3,087	3,157	3,097	3,187
Gross Load	3,026	3,126	3,182	3,228	3,346	3,405	3,410	3,400	3,479	3,389	3,500
System Losses	295	336	347	355	378	364	320	313	322	292	313
System Peak											
Winter Peak (MW)	570	577	610	718	708	718	663	746	714	746	714
Summer Peak (MW)	497	515	526	511	512	554	569	537	561	537	561

Table BCUC A50.1b

Normalized Energy Sales by Customer Class with DSM

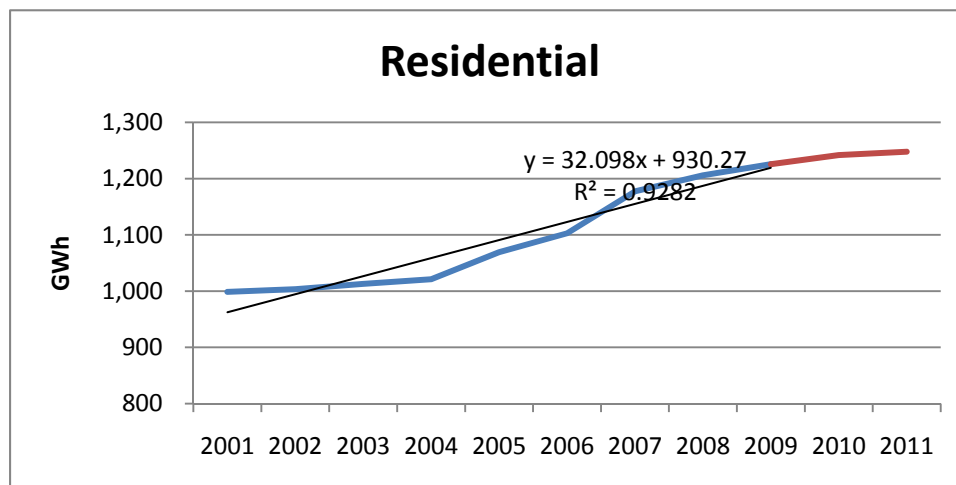
Energy Sales (GWh)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010F	2011F
Residential	999	1,003	1,013	1,021	1,069	1,103	1,177	1,206	1,226	1,242	1,248
General Service	514	517	520	539	568	598	643	661	675	671	675
Wholesale	884	873	898	917	916	953	872	915	920	921	938
Industrial	323	347	337	348	357	344	331	218	216	248	269
Other	53	64	62	52	56	58	62	60	62	57	57
Net Load	2,773	2,805	2,830	2,877	2,966	3,055	3,085	3,060	3,099	3,138	3,187
Gross Load	3,094	3,169	3,176	3,233	3,343	3,419	3,403	3,370	3,400	3,443	3,500
System Losses	321	364	345	356	377	364	318	310	301	305	313
System Peak											
Winter Peak (MW)	698	647	615	700	682	667	702	683	682	683	682
Summer Peak (MW)	491	487	478	475	513	512	527	544	516	544	516

Q50.2 Please provide separate linear graphs for normalized energy sales (including DSM) for Residential, General Service, Wholesale, Industrial, Other, and System Losses for the period 2001 to 2009. For each graph, please also include forecast 2010 and 2011 normalized energy sales. For each graph, please include general trend lines and linear equations and also provide tabular data and graphical representations in fully functioning electronic spreadsheets.

A50.2 The figures are provided below. The excel file is attached as BCUC Electronic Attachment A50.2.xls.

1

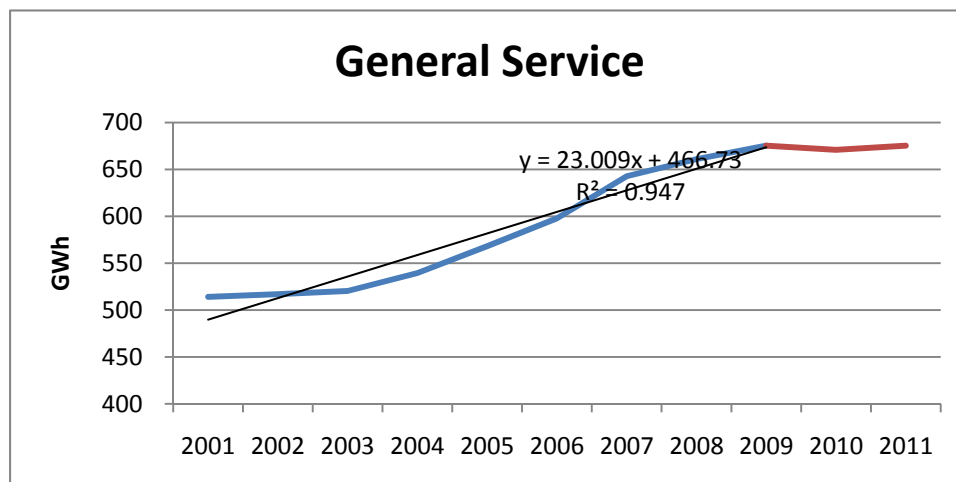
Figure BCUC A50.2a - Residential



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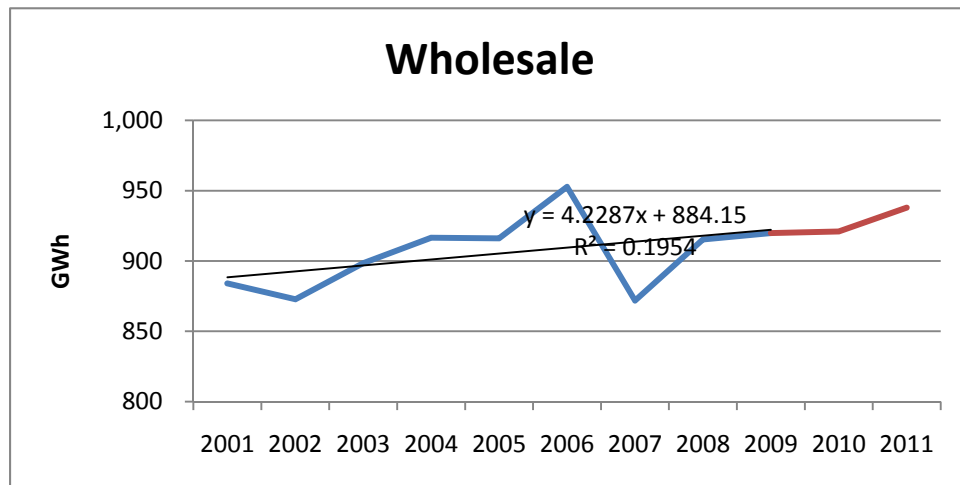
Figure BCUC A50.2b – General Service



4

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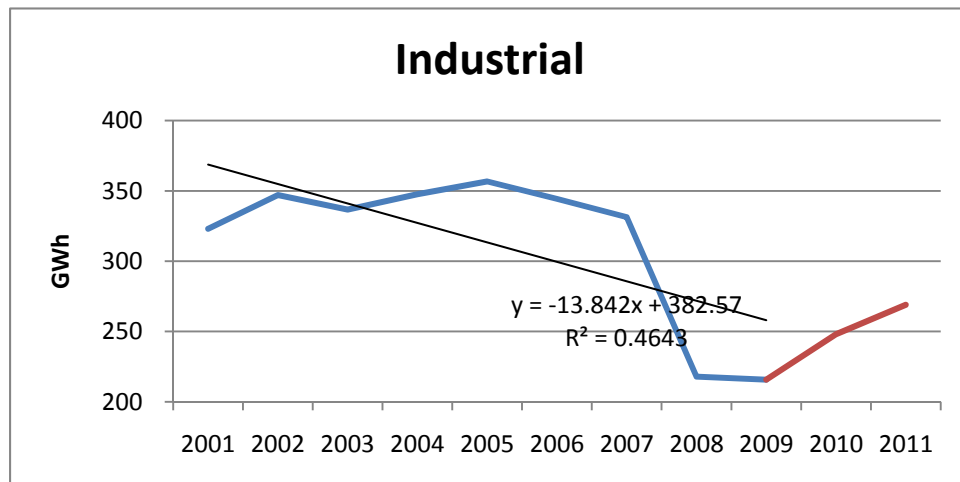
Figure BCUC A50.2c – Wholesale



2

3

Figure BCUC A50.2d – Industrial



4

Figure BCUC A50.2e – Other

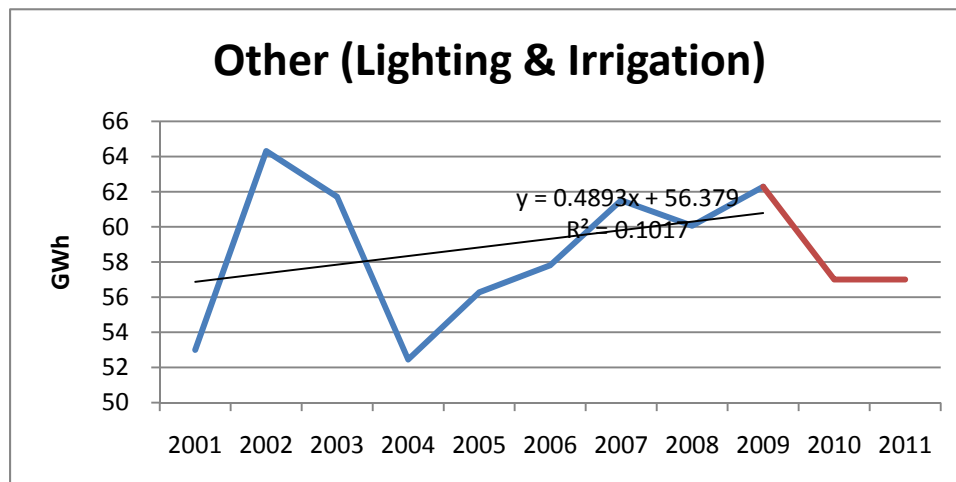
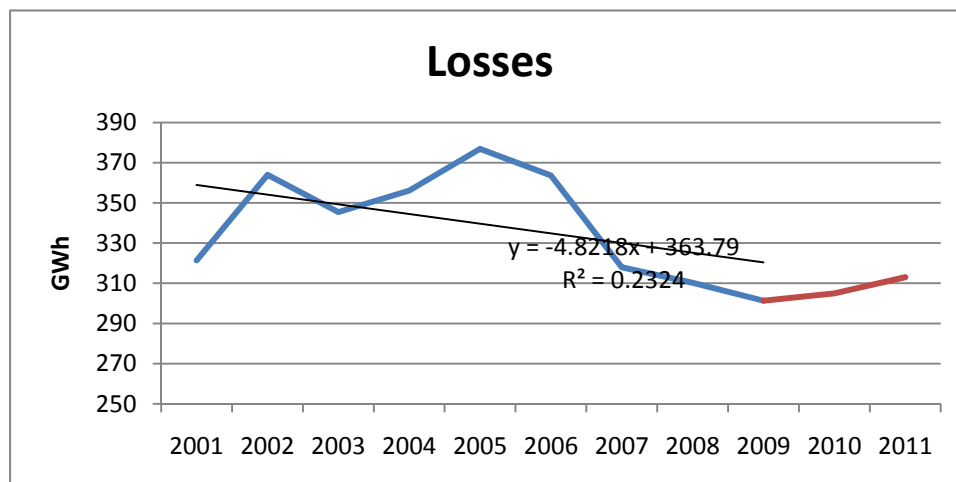


Figure BCUC A50.2f – Losses



Q50.2.1 For each graph in the above question, please also discuss the underlying factors affecting the historical and forecast trends.

A50.2.1 Factors affecting load classes are discussed in response to BCUC Q44.1.

Q50.3 Please expand and provide a revised table for Actual and Forecast Year End Customer Count by customer class which includes both historical data from 2001 to 2009 and forecast data

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for 2010 and 2011. Please provide a separate table that shows the annual net additions of customers and percent annual change by customer class that includes both historical data from 2001 to 2009 and forecast data for 2010 and 2011.

A50.3 Please refer to Tables BCUC A50.3a, A50.3b and A50.3c below.

Table BCUC A50.3a

Actual and Forecast Year End Customer Count

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010F	2011F
Residential	79,121	80,421	82,174	84,008	86,870	91,874	93,647	95,502	96,565	98,044	99,566
General Service	8,974	9,302	9,585	10,051	10,012	10,673	11,010	11,216	11,308	11,447	11,723
Wholesale	8	8	8	8	8	8	7	7	7	7	7
Industrial	37	37	38	40	39	37	38	36	33	33	33
Other	932	1,099	1,100	1,100	2,816	3,313	3,022	2,958	2,940	2,925	2,925
Total	89,072	90,867	92,905	95,207	99,745	105,905	107,724	109,719	110,853	112,456	114,254
Customer Account Growth	1,389	1,795	2,038	2,302	4,538	2,667	1,819	1,995	1,134	1,603	1,798

Table BCUC A50.3b

Actual and Forecast Year End Customer Count Addition

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010F	2011F
Residential	1,113	1,300	1,753	1,834	2,862	5,004	1,773	1,855	1,063	1,479	1,522
General Service	274	328	283	466	(39)	661	337	206	92	139	276
Wholesale	-	-	-	-	-	-	(1)	-	-	-	-
Industrial	3	-	1	2	(1)	(2)	1	(2)	(3)	-	-
Other	(1)	167	1	-	1,716	497	(291)	(64)	(18)	(15)	-
Total	1,389	1,795	2,038	2,302	4,538	6,160	1,819	1,995	1,134	1,603	1,798
Customer Account Growth	419	406	243	264	2,236	(1,871)	(848)	176	(861)	469	195

Table BCUC A50.3c

Percent Annual Change by Customer Class

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010F	2011F
Residential	1.4%	1.6%	2.2%	2.2%	3.4%	2.7%	1.9%	2.0%	1.1%	1.5%	1.6%
General Service	3.1%	3.7%	3.0%	4.9%	-0.4%	2.7%	3.2%	1.9%	0.8%	1.2%	2.4%
Wholesale	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Industrial	8.8%	0.0%	2.7%	5.3%	-2.5%	-5.1%	0.0%	-5.3%	-8.3%	0.0%	0.0%
Other	-0.1%	17.9%	0.1%	0.0%	-10.0%	2.6%	-8.8%	-2.1%	-0.6%	-0.5%	0.0%
Total	1.6%	2.0%	2.2%	2.5%	2.6%	6.2%	1.7%	1.9%	1.0%	1.4%	1.6%

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7 A51.1 Please refer to the response to BCUC Q44.4.

52.0 Reference: Exhibit B-1, Application, Tab 6, Power Purchase and Wheeling, Section 6.0 Introduction, p. 4

Q52.1 Please explain the change in the balancing pool adjustment of \$0.63 million.

A52.1 The increase in expense compared to 2010 is due to a decreased use of the storage account. The balancing pool adjusts for fluctuations in energy reserves throughout the year. If FortisBC stores energy (increases reserves) the cost associated with this increased storage are correctly accounted for when the energy is used and therefore there will be a credit in the balancing pool in the month that it is purchased. Alternatively, when the Company uses energy from storage (decreases reserves) this is shown as an increase in cost in the balancing pool.

December 2009 was a cold month and FortisBC used more energy from storage than planned which needed to be replaced in 2010, thereby resulting in a credit to the balancing pool in 2010 compared to normal operations reflected in 2011.

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1 **53.0 Reference: Exhibit B-1, Application, Tab 6, Power Purchase and**
2 **Wheeling, Section 6.2.1, Power Purchase/ Resource**
3 **Uncertainty, p. 5**
4 **Table 6.1**

5 **Q53.1 Assuming that the BCH 3808 is the driving factor in the power**
6 **purchase expense, provide a power purchase expense sensitivity**
7 **graph showing the impact on the power purchase expense vs. the**
8 **BC Hydro applied-for-rate increase of 6.11% with a variance of +/-**
9 **3% in 0.5% increments.**

10 **A53.1 Please refer to Tables BCUC A53.1a and A53.1b below.**

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1

Table BCUC A53.1a - 2010

April 1, 2010 forecast		2010 Power Purchase Cost (\$000)	Variance from Forecast (\$000)
Rate Increase	Rate Rider Increase		
3.11%	3.0%	\$ 74,476.494	\$ (741)
3.61%	3.0%	\$ 74,599.992	\$ (617)
4.11%	3.0%	\$ 74,723.491	\$ (494)
4.61%	3.0%	\$ 74,846.989	\$ (370)
5.11%	3.0%	\$ 74,970.487	\$ (247)
5.61%	3.0%	\$ 75,093.985	\$ (123)
6.11%	3.0%	\$ 75,217.484	\$ -
6.61%	3.0%	\$ 75,340.982	\$ 123
7.11%	3.0%	\$ 75,464.480	\$ 247
7.61%	3.0%	\$ 75,587.979	\$ 370
8.11%	3.0%	\$ 75,711.477	\$ 494
8.61%	3.0%	\$ 75,834.975	\$ 617
9.11%	3.0%	\$ 75,958.473	\$ 741

2

3

Table BCUC A53.1b - 2011

April 1, 2010 forecast		2011 Power Purchase Cost (\$000)	Variance from Forecast (\$000)	2011 Water Fees* (\$000)	Variance from Forecast (\$000)	Total Change to 2011 Expense (\$000)
Rate Increase	Rate Rider Increase					
3.11%	3.0%	\$ 79,910.186	\$ (1,335)	\$ 9,329.156	\$ (271)	\$ (1,606)
3.61%	3.0%	\$ 80,132.632	\$ (1,112)	\$ 9,374.371	\$ (226)	\$ (1,338)
4.11%	3.0%	\$ 80,355.078	\$ (890)	\$ 9,419.586	\$ (181)	\$ (1,071)
4.61%	3.0%	\$ 80,577.523	\$ (667)	\$ 9,464.800	\$ (136)	\$ (803)
5.11%	3.0%	\$ 80,799.969	\$ (445)	\$ 9,510.015	\$ (90)	\$ (535)
5.61%	3.0%	\$ 81,022.415	\$ (222)	\$ 9,555.229	\$ (45)	\$ (268)
6.11%	3.0%	\$ 81,244.861	\$ -	\$ 9,600.444	\$ -	\$ -
6.61%	3.0%	\$ 81,467.307	\$ 222	\$ 9,645.659	\$ 45	\$ 268
7.11%	3.0%	\$ 81,689.753	\$ 445	\$ 9,690.873	\$ 90	\$ 535
7.61%	3.0%	\$ 81,912.198	\$ 667	\$ 9,736.088	\$ 136	\$ 803
8.11%	3.0%	\$ 82,134.644	\$ 890	\$ 9,781.302	\$ 181	\$ 1,071
8.61%	3.0%	\$ 82,357.090	\$ 1,112	\$ 9,826.517	\$ 226	\$ 1,338
9.11%	3.0%	\$ 82,579.536	\$ 1,335	\$ 9,871.732	\$ 271	\$ 1,606

4

*Note that the water fee rate is only based on the base rate increase, and not on the rate rider increase.

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1 **54.0 Reference: Exhibit B-1, Application, Tab 6, Power Purchase and**
2 **Wheeling, Section 6.2 Power Purchases, p. 6**
3 **WAX**

4 **Q54.1 What is the capacity purchase cost of WAX CAPA power in**
5 **F2011?**

6 A54.1 There is no cost in 2011 since the WAX capacity will not be available
7 until the project comes online, which is currently anticipated to be April
8 2015.

1 **55.0 Reference: Exhibit B-1, Application, Tab 7, Capital Expenditures,**
2 **Section 7.0 Overview, p. 4**
3 **Table 7.0**

4 **Q55.1 Explain the difference between the forecast and approved growth**
5 **amounts in 2010 for TELECOM, SCADA, PROTECTION &**
6 **CONTROL.**

7 A55.1 The explanation for the difference between the forecast and approved
8 growth amounts in 2010 for Telecom, SCADA, and Protection and
9 Control is due to the cash flow related to the execution of the
10 Distribution Substation Automation program. 2010 expenditures are
11 related to the implementation of the Data Historian and costs of
12 implementation at the substations undertaken in 2010. Overall, this
13 multi-year project is forecast to be completed within budget.

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: British Columbia Utilities Commission

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

56.0 Reference: Exhibit B-1, Application, Tab 7, Capital Expenditures, pp. 5-14

Capital Projects

Q56.1 For each project listed in Tab 7 on pages 5-14, provide a table for the years 2009-2011. The table should contain the following columns: the Commission approved amount, actual spent-to-date, forecast to complete, variance, and percent variance from the approved amount. Include an explanation for any project variance that exceeds 15%.

A56.1 Please refer to BCUC Attachment A56.1 below.

Project	2009				
	Commission Approved	Actuals	Variance	Variance Applicability (± 15%)	Variance Explanation ("Yes" only)
South Slokan Unit 1 Life Extension (Replace Turbine)	8,021	8,135	114	Not Applicable	
Generating Plants Station Service Supply	484	646	162	Yes	Increased annual spending due to timing differences of multi-year project. Overall project forecast under budget.
Corra Linn Unit 1 Life Extension (Replace Turbine)	4,310	2,611	(1,699)	Yes	Carryover work into 2010 due to timing of equipment procurement. Overall project forecast under budget.
Corra Linn Unit 2 Upgrade Life Extension	0	33	33	Yes	Unbudgeted CPCN application and approval costs.
All Plants Minor Sustaining Projects	1,778	1,056	(722)	Yes	Scope management and engineering savings.
Okanagan Transmission Reinforcement (OTR)	44,556	21,503	(23,053)	Yes	Material and labor significantly lower than estimate. Savings are market driven.
Transmission Sustaining	4,889	3,424	(1,465)	Yes	Variance due to fund transfer to Distribution Pine Beetle project.
Station Sustaining	4,183	3,476	(707)	Yes	Carryover of work into 2010. Overall project forecast came in under budget.
New Connects System Wide	23,564	15,833	(7,731)	Yes	Customer activity lower than anticipated.
Unplanned Growth Projects	974	596	(378)	Yes	Variance due to less unplanned growth projects materializing in 2009.
Distribution Sustaining	10,501	12,517	2,016	Yes	Fund transfer from Distribution Sustaining and work on legacy Copper Conductor Replacements.
Distribution Station Automation Program	1,779	1,784	5	Not Applicable	
Telecommunication Sustaining	747	765	18	Not Applicable	
Vehicles	2,000	2,342	342	Yes	Carryover of work from 2008.
Meter Inventory	526	431	(95)	Yes	Customer activity lower than anticipated.
Information Systems	5,167	4,768	(399)	Not Applicable	
Telecommunications	105	90	(15)	Not Applicable	
Facilities	1,305	1,270	(35)	Not Applicable	
Tools and Equipment	572	525	(47)	Not Applicable	
Furniture & Fixtures	347	294	(53)	Yes	Reasonable budgetary variation.
Subtotal	115,808	82,099	(33,709)		
Demand Side Management	2,568	2,397	(171)	Not Applicable	
Total	118,376	84,496	(33,880)		

Project	2010					
	Commission Approved	Actual to Date	Forecast	Variance	Variance Applicability (± 15%)	Variance Explanation ("Yes" only)
South Slokan Unit 1 Life Extension (Replace Turbine)	3,261	1,449	1,801	(1,460)	Yes	The variance is due to the earlier start of the ULE in 2009 major contractor payments were made in 2009 rather than 2010 decreasing the 2010 forecast. Total project under due to reduced AFUDC and contingency forecast and actual large equipment costs less than budgeted.
Generating Plants Station Service Supply	1,191	708	1,544	353	Yes	The variance is due to current year overspending due to equipment costs greater than budgeted. Multi-year project is forecast to be on budget total project.
Corra Linn Unit 1 Life Extension (Replace Turbine)	8,476	3,313	10,248	1,772	Yes	The variance is due to 2010 forecast increased due to the change in schedule of contractor progress payments for large equipment moved to 2010 from 2009. Total project under spending largely due to reduced AFUDC and contingency forecast and some savings in equipment costs.
Corra Linn Unit 2 Upgrade Life Extension	2,987	1,725	3,134	147	Not Applicable	
All Plants Minor Sustaining Projects	1,287	685	1,329	42	Not Applicable	
Ellison to Sexsmith Transmission Tie	0	76	215	215	Yes	The project was in service as of Dec. 15, 2009. The variance is due to some minor landscaping and land outstanding items and deficiencies carried over to 2010.
Okanagan Transmission Reinforcement (OTR)	74,378	35,338	57,537	(16,841)	Yes	The OTR Project is currently forecast at \$106.2 million, \$33.7 million under budget. The 2010 forecast was based on a revised estimate and schedule submitted to the BCUC on March 10, 2009, pursuant to Order C-5-08. Cost variance for 2010 are primarily a result of key equipment, material, and construction labour tenders coming in significantly lower than the forecast due to current market conditions. The 2010 forecast reflects current contracts in place, contingency and inflation adjustments along with associated AFUDC savings, which are primarily due to a refined schedule, optimized cash flow resulting from staged material and equipment delivery, and contractors' schedule submissions.
Huth Split Bus	413	58	260	(153)	Yes	Forecasted Engineering effort required in 2010.
Transmission Sustaining	4,699	2,333	4,190	(509)	Not Applicable	
Station Sustaining	4,920	1,761	5,616	696	Not Applicable	
New Connects System Wide	19,070	8,847	17,047	(2,023)	Not Applicable	
Unplanned Growth Projects	994	369	895	(99)	Not Applicable	
Distribution Sustaining	11,126	8,293	14,064	2,938	Yes	there has also been some unanticipated MOT and BCHydro Forced Upgrades and Line Moves. Offsetting these over expenditures are forecasted savings in the Distribution Line Rebuild and Rehabilitations projects.
Distribution Station Automation Program	1,438	949	1,884	446	Yes	The variance is due to the project forecasting the data historian software and implementation costs being more than budgeted.
Telecommunication Sustaining	619	236	568	(51)	Not Applicable	
Mandatory Reliability Standards Compliance	0	588	1,688	1,688	Yes	The variance is due to the MRC spending being approved through the 2010 Revenue Requirements. Total project approved at \$2.399 mil. The balance of the approved amount is forecast to be carried over to 2011.
Vehicles	2,000	196	2,000	-	Not Applicable	
Meter Inventory	559	400	559	-	Not Applicable	
Information Systems	4,499	2,845	4,352	(147)	Not Applicable	
Telecommunications	106	7	101	(5)	Not Applicable	
Facilities	1,062	422	1,062	-	Not Applicable	
Tools and Equipment	574	111	523	(51)	Not Applicable	
Furniture & Fixtures	393	143	354	(39)	Not Applicable	
Subtotal	144,052	70,852	130,971	(13,081)		
Demand Side Management	2,826	1,359	2,772	(54)	Not Applicable	
Total	146,878	72,211	133,743	(13,135)		

Project	2011				
	CEP 2011 Filing	Forecast	Variance	Variance Applicability (\pm 15%)	Variance Explanation ("Yes" only)
Upper Bonnington Spill Gate Rebuild	610	610	-	Not Applicable	
South Slokan Unit 1 Life Extension (Replace Turbine)	41	41	-	Not Applicable	
Generating Plants Station Service Supply	1,309	1,309	-	Not Applicable	
Corra Linn Unit 1 Life Extension (Replace Turbine)	2,433	2,433	-	Not Applicable	
Corra Linn Unit 2 Upgrade Life Extension	12,373	12,373	-	Not Applicable	
South Slokan Plant Automation	243	243	-	Not Applicable	
South Slokan Fire Panel	266	266	-	Not Applicable	
Lower Bonnington Powerhouse Windows	351	351	-	Not Applicable	
Lower Bonnington and Upper Bonnington Plant Totalizer Upgrade	86	86	-	Not Applicable	
All Plants Minor Sustaining Projects	957	957	-	Not Applicable	
Ellison to Sexsmith Transmission Tie	667	667	-	Not Applicable	
Okanagan Transmission Reinforcement (OTR)	16,056	16,756	700	Not Applicable	
Huth Split Bus	4,674	4,674	-	Not Applicable	
Transmission Sustaining	3,607	3,607	-	Not Applicable	
Station Sustaining	3,343	3,343	-	Not Applicable	
New Connects System Wide	21,162	21,162	-	Not Applicable	
Unplanned Growth Projects	948	948	-	Not Applicable	
Distribution Sustaining	12,075	12,075	-	Not Applicable	
Distribution Station Automation Program	1,540	1,540	-	Not Applicable	
Grand Forks to Warfield Fibre Installation	667	667	-	Not Applicable	
Kelowna 138 kV Loop Fibre Installation	3,382	3,382	-	Not Applicable	
Telecommunication Sustaining	1,551	1,551	-	Not Applicable	
Mandatory Reliability Standards Compliance	595	595	-	Not Applicable	
Vehicles	2,000	2,000	-	Not Applicable	
Meter Inventory	213	213	-	Not Applicable	
Information Systems	5,550	5,550	-	Not Applicable	
Telecommunications	358	358	-	Not Applicable	
Facilities	2,218	2,218	-	Not Applicable	
Tools and Equipment	601	601	-	Not Applicable	
Furniture & Fixtures	176	176	-	Not Applicable	
PCB Environmental Compliance	1,852	1,852	-	Not Applicable	
Subtotal	101,904	102,604	700	Not Applicable	
Demand Side Management	5,764	5,764	-	Not Applicable	
Total	107,668	108,368	700		

1 **57.0 Reference: Exhibit B-1, Application, Tab 8 - Performance Standards**

2 **The following data was compiled by Commission Staff:**

	Performance Standard	2007 Result	2008 Result	2009 Result	2010 Result
Safety & Health	All Injury Frequency Rate	√	X	√	X
	Injury Severity Rate	X	X	√	√
	Vehicle Incident Rate	√	√	√	X
Reliability	System Average Interruption Duration Index	√	X	√	X
	System Average Interruption Frequency Index	√	√	√	√
	Generator Forced Outage Rate	√	√	X	√
Customer Service	Billing Accuracy – percentage of bills rejected by system	√	√	√	√
	Meters Read as Scheduled	√	√	√	√
	Contact Center – percentage of calls answered within 30 seconds	√	√	√	√
	Emergency Response Time – percentage of calls responded to within 2 hours	√	√	√	√
	Residential Service Connections – percentage connected within 6 working days	√	√	√	√
	Residential Extensions – percentage quoted within 35 working days	√	√	√	√
	Residential Extensions – percentage connected within 30 working days	√	√	√	√

1 **From the data above, it appears that FortisBC's has had a series of**
2 **incidents relating to Safety and Reliability during the PBR term. While**
3 **the Commission has not denied any revenue sharing in the past,**
4 **FortisBC states that "for 2010, there are no incentive funds to be**
5 **earned." (Tab 2, p.11)**

6 **Q57.1 Comparing 2010 and 2008 results, FortisBC similarly had 3**
7 **targets "not-met," however the revenue sharing was not waived in**
8 **2008. Please comment on FortisBC's 2010 activities and results**
9 **and how this formulates the Company's decision in declining to**
10 **seek a revenue sharing.**

11 A57.1 The Company believes that its performance relative to the
12 performance metrics has been good, with the failure to meet certain
13 targets being influenced by relatively isolated and infrequent events.
14 The Company is not, "declining to seek a revenue sharing." As
15 described in Tab 3, Section 3.6 of the Application, the deficiency in the
16 2010 Forecast net income for sharing as compared to the 2010
17 Approved value creates a negative variance that serves to increase the
18 2011 Revenue Requirement.

19 **Q57.2 Please advise what efforts FortisBC will engage in during 2011 to**
20 **address safety and reliability issues.**

21 A57.2 FortisBC does not believe it has a safety or reliability issue as the
22 question implies. The Company's goal is to achieve an injury free
23 workplace and it will continue to fulfill its safety obligations to its
24 employees, customers and the public. FortisBC has an established
25 safety program and in 2011 will continue its efforts to ensure all safety
26 rules and safe work procedures are being followed to enhance the
27 overall commitment around safety. FortisBC is continually reviewing
28 and enhancing the program and will achieve its goals through various
29 ongoing initiatives including departmental safety performance reporting
30 to identify trends, enhancements to the safe work planning process to

1 enhance the safety culture across the organization, and improvements
2 to driver assessments and training.

3 Although FortisBC did not meet one of the two reliability targets in the
4 past year, the overall performance exceeds the CEA Canadian
5 average for Urban/Rural utilities.

6 Factors that led to the missed target in SAIDI include a higher than
7 average number of outages, particularly in areas that are condition
8 independent and particularly susceptible to adverse weather, public
9 interference and birds or animals.

10 In addition, FortisBC does not expect the capital plan in 2011 to have
11 the same impact on reliability as experienced in the past year. During
12 the last year, there was a requirement for a number of planned
13 outages to safely complete projects, as well as for projects that put the
14 system at a higher level of risk in the area of reliability.

15 The very nature of how the targets are set, combined with the current
16 level of performance increases the chance of targets being missed and
17 does not indicate that performance in any given year was poor. The
18 targets are set based on a three year rolling average which statistically
19 means that, all else being equal; the target will be missed 50% of the
20 time. As well, as current performance gets closer and closer to
21 perfect, the probability of missing the target becomes greater than the
22 probability of meeting the target.

58.0 Reference: Exhibit B-1, Application, Tab 8, 2010 Performance Standards, Section 8.1.1 Safety and Health Indicators, pp. 4-6

Q58.1 Please provide the amounts spent by year on safety from 2007 to 2009, the target amount for 2010 and the forecasted amount for 2010.

A58.1 The safety budget represents only the corporate amount spent on the safety department. Each department has safety spending integrated with each activity and is not included in the corporate safety budget numbers below.

2007	2008	2009	2010 Target	2010 Forecast
\$620,000	\$635,000	\$637,000	\$738,786	\$738,786

59.0 Reference: Exhibit B-1, Application, Appendix A, Prior Years Directives, pp. 2-3

Q59.1 FortisBC is to present a plan involving the worst performing circuits to lower SAIDI to improve CAIDI.

Q59.1.1 Please provide the plan as part of the 2011 RRA update on November 1, 2010.

A59.1.1 This requirement was amended during the 2010 NSP, culminating in Order G-162-09, in which the Company committed to the following term:

The Company does review the performance of its feeders on a monthly basis and will continue to review feeder performance and prepare a report annually for the Commission.

As discussed in the report submitted to the Commission as part of the 2010 Revenue Requirement Information Requests (BCUC IR No. 1, Q 85.1), FortisBC does not have a defined *Worst Performing Feeder Program*. The discussion contained in the report remains relevant today. The Company will summarize and discuss the worst performing feeders at the 2010 Annual Review.

Q59.2 FortisBC states “There is insufficient data from the program to determine system reduction losses.”

Q59.2.1 Please provide the gross system peak demand and system losses for the last five years.

Q59.2.1 The gross system peak demand and system losses for the last five years are provided below in Table BCUC 59.2.1.

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: British Columbia Utilities Commission

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

1

Table BCUC 59.2.1

2

	2005	2006	2007	2008	2009
Winter Peak (MW)	712	708	708	704	701
System Losses (GWh)	378	365	320	314	322

**60.0 Reference: Exhibit B-1, Application, Appendix B – Accounting Changes
Customer Contribution Amortization Rate and Timing, pp.
10-11**

**FortisBC's current practice recognizes customer contributions
(Contribution in Aid of Construction, or CIAC) as a credit to PP&E.
Under IFRIC 18, deferred customer contributions should be treated as a
liability.**

**Q60.1 Please advise whether this accounting treatment change will
result in an increase in FortisBC's rate base due to deferred CIAC
being transferred to a liability account?**

A60.1 No. The accounting treatment discussed in Appendix B refers to
external financial statement presentation of CIAC, where it is currently
presented on a net basis in Property, Plant & Equipment. There would
be no effect on FortisBC's rate base as a result of presenting CIAC as
a liability instead of a net asset.

**Q60.1.1 If yes, please explain whether the deferred CIAC will
become part of FortisBC' capital structure? If so,
explain whether the allowed equity component also
increase by 40 percent?**

A60.1.1 Please refer to the response to BCUC Q60.1 above.

1 **61.0 Reference: Exhibit B-1, Application, Appendix B – Accounting**
2 **Changes;**
3 **Gains and Losses on Disposal of Assets, pp.9-10;**
4 **Depreciation Changes for Property, Plant & Equipment, pp.**
5 **12-13**

6 **Q61.1 For each group of assets listed on page 10 of Appendix B, please**
7 **provide a schedule showing a reconciliation of the beginning**
8 **book value, annual depreciation charged through the Average**
9 **Service Life method, and its resulting loss on retirement. Provide**
10 **a breakdown for each year that the asset(s) were in service.**

11 A61.1 Due to the age of certain assets retired, lack of historical system data
12 prior to the acquisition of the Company by Fortis Inc., and treatment of
13 partial retirements in the Company's asset tables, depreciation
14 amounts for each year a retired asset was in service is not available.

15 For each vintage year (i.e. year of initial capitalization) for each asset
16 class, the full and partial retirements (i.e. when part of a pooled asset
17 is retired) have been summarized showing the amount of associated
18 cost, amount of associated accumulated depreciation, and resulting
19 gain or loss and is attached as BCUC Attachment A61.1.

Actual (Gains) & Losses on Retirement of Property, Plant & Equipment

12 Months Ending December 31, 2009

(\$000s)

		Retired Cost	Retired Accum Depn	(Gain) / Loss
Vintage				
Year	Hydraulic Production			
1960	Water Wheels, Turbines and Gen.	13	2	11
1982	Water Wheels, Turbines and Gen.	13	7	6
1982	Water Wheels, Turbines and Gen.	13	7	6
1982	Water Wheels, Turbines and Gen.	329	173	156
1960	Accessory Equipment	12	18	(6)
1989	Accessory Equipment	5	8	(3)
1990	Accessory Equipment	7	10	(3)
2000	Accessory Equipment	170	94	76
1982	Other Power Plant Equipment	36	27	9
1982	Reservoirs, Dams & Waterways	11	4	7
1982	Reservoirs, Dams & Waterways	8	3	5
		618	353	265
Vintage				
Year	Transmission Plant			
2006	Station Equipment	22	2	20
1957	Poles Towers & Fixtures	13	33	(20)
1959	Poles Towers & Fixtures	2	3	(1)
1961	Poles Towers & Fixtures	2	3	(1)
1964	Poles Towers & Fixtures	0	1	(0)
1965	Poles Towers & Fixtures	1	2	(0)
1983	Poles Towers & Fixtures	4	3	1
1985	Poles Towers & Fixtures	2	1	1
		47	47	(0)
Vintage				
Year	Distribution Plant			
1960	Poles Towers & Fixtures	10	10	(0)
1961	Poles Towers & Fixtures	2	2	0
1962	Poles Towers & Fixtures	1	1	0
1963	Poles Towers & Fixtures	3	3	0
1964	Poles Towers & Fixtures	3	2	0
1965	Poles Towers & Fixtures	4	3	0
1966	Poles Towers & Fixtures	1	1	0
1967	Poles Towers & Fixtures	0	0	0
1968	Poles Towers & Fixtures	1	1	0
1969	Poles Towers & Fixtures	3	3	1
1970	Poles Towers & Fixtures	3	2	1
1971	Poles Towers & Fixtures	1	1	0
1972	Poles Towers & Fixtures	1	1	0
1973	Poles Towers & Fixtures	1	1	0
1974	Poles Towers & Fixtures	1	1	0
1975	Poles Towers & Fixtures	5	4	1
1976	Poles Towers & Fixtures	3	2	1
1977	Poles Towers & Fixtures	6	4	2
1978	Poles Towers & Fixtures	2	1	1
1979	Poles Towers & Fixtures	5	3	2
1980	Poles Towers & Fixtures	243	151	92
1981	Poles Towers & Fixtures	5	3	2
1982	Poles Towers & Fixtures	1	1	1
1983	Poles Towers & Fixtures	1	0	0
1984	Poles Towers & Fixtures	2	1	1
1985	Poles Towers & Fixtures	3	2	1
1986	Poles Towers & Fixtures	2	1	1
1988	Poles Towers & Fixtures	4	2	2
1989	Poles Towers & Fixtures	2	1	1
1990	Poles Towers & Fixtures	3	1	2
1991	Poles Towers & Fixtures	1	0	1
1992	Poles Towers & Fixtures	3	1	2

Actual (Gains) & Losses on Retirement of Property, Plant & Equipment

12 Months Ending December 31, 2009

(\$000s)

		Retired Cost	Retired Accum Depn	(Gain) / Loss
1993	Poles Towers & Fixtures	1	0	0
1994	Poles Towers & Fixtures	4	1	2
1995	Poles Towers & Fixtures	4	1	2
1996	Poles Towers & Fixtures	4	1	3
1997	Poles Towers & Fixtures	1	0	1
1998	Poles Towers & Fixtures	7	2	5
1999	Poles Towers & Fixtures	13	3	10
2000	Poles Towers & Fixtures	2	0	1
2001	Poles Towers & Fixtures	3	1	2
2002	Poles Towers & Fixtures	12	2	10
2003	Poles Towers & Fixtures	7	1	6
2004	Poles Towers & Fixtures	6	1	5
2005	Poles Towers & Fixtures	20	2	18
2006	Poles Towers & Fixtures	7	1	6
2007	Poles Towers & Fixtures	8	0	8
2008	Poles Towers & Fixtures	11	0	11
1960	Conductors and Devices	5	5	(0)
1961	Conductors and Devices	1	1	0
1962	Conductors and Devices	0	0	0
1963	Conductors and Devices	2	1	0
1964	Conductors and Devices	1	1	0
1965	Conductors and Devices	2	2	0
1966	Conductors and Devices	1	1	0
1967	Conductors and Devices	0	0	0
1968	Conductors and Devices	1	0	0
1969	Conductors and Devices	2	1	0
1970	Conductors and Devices	2	1	0
1971	Conductors and Devices	0	0	0
1972	Conductors and Devices	1	1	0
1973	Conductors and Devices	1	1	0
1974	Conductors and Devices	1	1	0
1975	Conductors and Devices	3	2	1
1976	Conductors and Devices	1	1	0
1977	Conductors and Devices	3	2	1
1978	Conductors and Devices	1	1	0
1979	Conductors and Devices	2	1	1
1980	Conductors and Devices	419	260	159
1981	Conductors and Devices	2	1	1
1982	Conductors and Devices	1	1	0
1983	Conductors and Devices	0	0	0
1984	Conductors and Devices	1	1	0
1985	Conductors and Devices	2	1	1
1986	Conductors and Devices	1	0	0
1988	Conductors and Devices	2	1	1
1989	Conductors and Devices	1	0	0
1990	Conductors and Devices	4	2	2
1991	Conductors and Devices	1	0	0
1992	Conductors and Devices	1	0	1
1993	Conductors and Devices	0	0	0
1994	Conductors and Devices	57	19	37
1995	Conductors and Devices	2	1	1
1996	Conductors and Devices	2	1	2
1997	Conductors and Devices	1	0	0
1998	Conductors and Devices	21	6	16
1999	Conductors and Devices	15	4	12
2000	Conductors and Devices	7	2	6
2001	Conductors and Devices	1	0	1
2002	Conductors and Devices	21	4	17
2003	Conductors and Devices	5	1	4
2004	Conductors and Devices	43	6	37

Actual (Gains) & Losses on Retirement of Property, Plant & Equipment

12 Months Ending December 31, 2009

(\$000s)

		Retired Cost	Retired Accum Depn	(Gain) / Loss
2005	Conductors and Devices	20	3	17
2006	Conductors and Devices	18	2	17
2007	Conductors and Devices	14	1	13
2008	Conductors and Devices	17	1	17
2009	Conductors and Devices	0	0	0
1960	Line Transformers	443	450	(7)
1961	Line Transformers	53	53	1
1962	Line Transformers	77	75	2
1963	Line Transformers	96	91	4
1964	Line Transformers	77	72	5
1965	Line Transformers	60	55	5
1966	Line Transformers	2	2	0
1967	Line Transformers	1	1	0
1968	Line Transformers	2	2	0
1969	Line Transformers	5	5	1
1970	Line Transformers	9	7	2
1971	Line Transformers	2	1	0
1972	Line Transformers	3	2	1
1973	Line Transformers	2	2	1
1974	Line Transformers	4	3	1
1975	Line Transformers	14	10	4
1976	Line Transformers	6	4	2
1977	Line Transformers	10	7	3
1978	Line Transformers	5	3	2
1979	Line Transformers	11	7	4
1981	Line Transformers	8	5	3
1982	Line Transformers	9	5	4
1983	Line Transformers	2	1	1
1984	Line Transformers	4	2	2
1985	Line Transformers	14	7	7
1986	Line Transformers	3	1	1
1987	Line Transformers	9	4	5
1988	Line Transformers	7	3	4
1989	Line Transformers	2	1	1
1990	Line Transformers	5	2	3
1991	Line Transformers	4	2	3
1992	Line Transformers	12	5	8
1993	Line Transformers	2	1	1
1994	Line Transformers	37	12	24
1995	Line Transformers	6	2	4
1996	Line Transformers	18	5	12
1997	Line Transformers	3	1	2
1998	Line Transformers	51	13	38
1999	Line Transformers	26	6	20
2000	Line Transformers	15	3	11
2001	Line Transformers	11	2	9
2002	Line Transformers	45	8	37
2003	Line Transformers	33	5	28
2004	Line Transformers	69	9	60
2005	Line Transformers	81	9	72
2006	Line Transformers	92	8	84
2007	Line Transformers	124	7	117
2008	Line Transformers	43	1	42
2009	Line Transformers	13	0	13
1973	Street Lighting and Signal System	1	2	(1)
1974	Street Lighting and Signal System	7	12	(5)
1975	Street Lighting and Signal System	11	18	(7)
1976	Street Lighting and Signal System	14	22	(8)
1977	Street Lighting and Signal System	4	6	(2)
1978	Street Lighting and Signal System	0	0	(0)

Actual (Gains) & Losses on Retirement of Property, Plant & Equipment

12 Months Ending December 31, 2009

(\$000s)

		Retired Cost	Retired Accum Depn	(Gain) / Loss
1979	Street Lighting and Signal System	1	1	(0)
1981	Street Lighting and Signal System	1	1	(0)
1982	Street Lighting and Signal System	0	0	(0)
1983	Street Lighting and Signal System	0	0	(0)
1984	Street Lighting and Signal System	0	0	(0)
1985	Street Lighting and Signal System	0	0	(0)
1986	Street Lighting and Signal System	0	0	(0)
1988	Street Lighting and Signal System	0	0	0
1989	Street Lighting and Signal System	0	0	0
1990	Street Lighting and Signal System	0	0	0
1991	Street Lighting and Signal System	0	0	0
1992	Street Lighting and Signal System	0	0	0
1993	Street Lighting and Signal System	0	0	0
1994	Street Lighting and Signal System	0	0	0
1995	Street Lighting and Signal System	0	0	0
1996	Street Lighting and Signal System	1	0	0
1997	Street Lighting and Signal System	0	0	0
1998	Street Lighting and Signal System	1	0	0
1999	Street Lighting and Signal System	1	0	1
2000	Street Lighting and Signal System	0	0	0
2001	Street Lighting and Signal System	0	0	0
2003	Street Lighting and Signal System	1	0	1
2004	Street Lighting and Signal System	1	0	1
2005	Street Lighting and Signal System	3	0	3
2006	Street Lighting and Signal System	1	0	1
2007	Street Lighting and Signal System	1	0	1
2008	Street Lighting and Signal System	1	0	1
1980	Meters	0	0	(0)
2004	Meters	2	0	1
2007	Meters	2	0	2
1960	Station Equipment	84	116	(32)
1961	Station Equipment	1	1	(0)
1962	Station Equipment	3	4	(1)
1970	Station Equipment	1	1	(0)
1971	Station Equipment	0	0	0
1973	Station Equipment	0	0	0
1974	Station Equipment	0	0	0
1975	Station Equipment	6	6	0
1976	Station Equipment	2	1	0
1978	Station Equipment	7	6	1
1979	Station Equipment	3	2	1
1980	Station Equipment	1	1	0
1982	Station Equipment	19	14	5
1983	Station Equipment	9	7	3
1984	Station Equipment	79	52	27
1985	Station Equipment	6	4	2
1987	Station Equipment	1	0	0
1988	Station Equipment	1	1	1
1989	Station Equipment	5	3	3
1994	Station Equipment	23	8	15
1999	Station Equipment	0	0	0
2000	Station Equipment	37	7	30
2001	Station Equipment	115	17	97
2002	Station Equipment	1	0	1
2003	Station Equipment	(8)	(1)	(7)
2005	Station Equipment	1	0	1
2006	Station Equipment	89	8	81
1964	Station Equipment	8	10	(2)
1965	Station Equipment	19	23	(4)
1966	Station Equipment	0	0	(0)

Actual (Gains) & Losses on Retirement of Property, Plant & Equipment

12 Months Ending December 31, 2009

(\$000s)

		Retired Cost	Retired Accum Depn	(Gain) / Loss
1968	Station Equipment	2	2	(0)
1969	Station Equipment	10	12	(1)
1970	Station Equipment	8	8	(1)
1979	Station Equipment	0	0	0
1980	Station Equipment	1	1	0
1981	Station Equipment	4	3	1
1985	Station Equipment	2	1	1
1986	Station Equipment	73	44	29
1987	Station Equipment	4	2	2
1988	Station Equipment	8	5	4
1998	Station Equipment	20	5	15
1999	Station Equipment	1	0	0
2000	Station Equipment	72	13	59
2001	Station Equipment	21	3	18
2002	Station Equipment	3	0	2
2003	Station Equipment	10	2	8
1966	Station Equipment	28	34	(6)
1967	Station Equipment	11	13	(2)
1968	Station Equipment	0	0	(0)
1970	Station Equipment	2	2	(0)
1971	Station Equipment	0	0	(0)
1972	Station Equipment	0	0	(0)
1973	Station Equipment	0	0	0
1976	Station Equipment	1	1	0
1977	Station Equipment	2	1	0
1978	Station Equipment	2	2	0
1979	Station Equipment	85	69	16
1980	Station Equipment	9	7	2
1981	Station Equipment	11	8	3
1982	Station Equipment	31	23	9
1983	Station Equipment	126	87	39
1985	Station Equipment	0	0	0
1986	Station Equipment	0	0	0
1988	Station Equipment	8	4	4
1990	Station Equipment	0	0	0
1993	Station Equipment	9	3	5
1994	Station Equipment	50	18	32
1999	Station Equipment	2	0	2
2000	Station Equipment	14	3	12
2001	Station Equipment	86	13	73
2002	Station Equipment	(12)	(2)	(10)
2003	Station Equipment	16	3	13
2004	Station Equipment	73	10	63
2005	Station Equipment	4	0	4
2006	Station Equipment	0	0	0
1972	Station Equipment	118	120	(2)
1975	Station Equipment	0	0	0
1976	Station Equipment	0	0	0
1978	Station Equipment	0	0	0
1979	Station Equipment	1	0	0
1980	Station Equipment	0	0	0
1981	Station Equipment	0	0	0
1982	Station Equipment	2	1	0
1983	Station Equipment	34	24	11
1984	Station Equipment	2	1	1
1985	Station Equipment	5	3	2
1987	Station Equipment	2	1	1
1989	Station Equipment	1	1	1
1990	Station Equipment	1	0	0
1997	Station Equipment	0	0	0

Actual (Gains) & Losses on Retirement of Property, Plant & Equipment

12 Months Ending December 31, 2009

(\$000s)

		Retired Cost	Retired Accum Depn	(Gain) / Loss
1998	Station Equipment	12	3	9
1999	Station Equipment	5	1	4
2000	Station Equipment	56	10	46
2001	Station Equipment	38	6	32
2002	Station Equipment	4	1	3
2003	Station Equipment	0	0	0
2004	Station Equipment	43	6	37
2005	Station Equipment	19	2	17
2006	Station Equipment	1	0	1
2007	Station Equipment	1	0	0
1973	Station Equipment	33	32	0
1975	Station Equipment	0	0	0
1977	Station Equipment	5	5	1
1978	Station Equipment	28	24	5
1978	Station Equipment	45	38	7
1979	Station Equipment	1	1	0
1982	Station Equipment	0	0	0
1983	Station Equipment	5	3	1
1984	Station Equipment	1	0	0
1986	Station Equipment	19	12	8
1988	Station Equipment	9	5	4
1989	Station Equipment	0	0	0
1990	Station Equipment	7	4	4
1995	Station Equipment	3	1	2
1997	Station Equipment	24	6	17
1998	Station Equipment	7	2	5
1999	Station Equipment	0	0	0
1979	Station Equipment	64	52	12
1981	Station Equipment	68	51	17
1995	Station Equipment	43	14	29
		4,849	2,741	2,108

Vintage

Year	General Plant			
1981	Transportation Equipment	207	242	(34)
2005	Transportation Equipment	45	1	44
1983	Transportation Equipment	32	34	(2)
1986	Transportation Equipment	24	22	2
1988	Transportation Equipment	141	115	26
2005	Transportation Equipment	22	0	22
2006	Transportation Equipment	42	1	42
1989	Transportation Equipment	16	12	4
2003	Transportation Equipment	5	1	4
1990	Transportation Equipment	22	6	16
1990	Transportation Equipment	153	110	44
1992	Transportation Equipment	53	32	20
1993	Transportation Equipment	39	22	17
1994	Transportation Equipment	122	63	59
2002	Transportation Equipment	47	8	39
1996	Transportation Equipment	72	30	42
1999	Transportation Equipment	10	3	7
2003	Transportation Equipment	12	1	11
2003	Transportation Equipment	15	2	14
2005	Transportation Equipment	17	0	17
2005	Transportation Equipment	37	1	37
2005	Transportation Equipment	25	0	24
2005	Transportation Equipment	17	0	17
2005	Transportation Equipment	19	0	19
2005	Transportation Equipment	47	1	46
2005	Transportation Equipment	29	0	28
2005	Transportation Equipment	37	1	37

Actual (Gains) & Losses on Retirement of Property, Plant & Equipment

		12 Months Ending December 31, 2009		
		(\$000s)		
		Retired Cost	Retired Accum Depn	(Gain) / Loss
2005	Transportation Equipment	36	1	36
2009	Transportation Equipment	3	0	3
2009	Transportation Equipment	4	0	4
2009	Transportation Equipment	3	0	3
1976	Tools and Work Equipment	101	160	(59)
1977	Tools and Work Equipment	113	179	(66)
1978	Tools and Work Equipment	46	73	(27)
1996	Computer Equipment	87	115	(28)
1976	Communication Structures and Equipment	19	33	(13)
1977	Communication Structures and Equipment	35	58	(23)
		<u>1,755</u>	<u>1,325</u>	<u>430</u>
Plant in Service		<u>7,269</u>	<u>4,466</u>	<u>2,803</u>

Note: The Company does not forecast retirements, gains, or losses on disposal of property, plant & equipment.

Actual (Gains) & Losses on Retirement of Property, Plant & Equipment7 Months Ending July 31, 2010
(\$000s)

Vintage Year	Distribution Plant	Retired Cost	Retired Accum Depn	(Gain) / Loss
1960	Poles Towers & Fixtures	7	7	(0)
1961	Poles Towers & Fixtures	0	0	(0)
1962	Poles Towers & Fixtures	0	0	(0)
1963	Poles Towers & Fixtures	0	0	0
1964	Poles Towers & Fixtures	1	1	0
1965	Poles Towers & Fixtures	2	2	0
1966	Poles Towers & Fixtures	0	0	0
1967	Poles Towers & Fixtures	0	0	0
1968	Poles Towers & Fixtures	2	2	0
1969	Poles Towers & Fixtures	2	1	0
1970	Poles Towers & Fixtures	1	0	0
1971	Poles Towers & Fixtures	0	0	0
1972	Poles Towers & Fixtures	0	0	0
1973	Poles Towers & Fixtures	1	1	0
1974	Poles Towers & Fixtures	1	1	0
1975	Poles Towers & Fixtures	6	4	1
1976	Poles Towers & Fixtures	3	2	1
1977	Poles Towers & Fixtures	6	5	2
1978	Poles Towers & Fixtures	7	5	2
1979	Poles Towers & Fixtures	1	0	0
1980	Poles Towers & Fixtures	171	111	60
1981	Poles Towers & Fixtures	4	2	1
1982	Poles Towers & Fixtures	2	1	1
1983	Poles Towers & Fixtures	3	2	1
1984	Poles Towers & Fixtures	0	0	0
1985	Poles Towers & Fixtures	2	1	1
1986	Poles Towers & Fixtures	2	1	1
1987	Poles Towers & Fixtures	2	1	1
1988	Poles Towers & Fixtures	3	1	1
1989	Poles Towers & Fixtures	6	3	3
1990	Poles Towers & Fixtures	3	1	2
1991	Poles Towers & Fixtures	3	1	2
1992	Poles Towers & Fixtures	1	0	0
1993	Poles Towers & Fixtures	4	2	3
1994	Poles Towers & Fixtures	0	0	0
1995	Poles Towers & Fixtures	2	1	2
1997	Poles Towers & Fixtures	1	0	0
1998	Poles Towers & Fixtures	4	1	3
2000	Poles Towers & Fixtures	3	1	2
2001	Poles Towers & Fixtures	1	0	0
2003	Poles Towers & Fixtures	3	1	3
2004	Poles Towers & Fixtures	4	1	3
2005	Poles Towers & Fixtures	3	1	3
2006	Poles Towers & Fixtures	1	0	1
2007	Poles Towers & Fixtures	7	1	6
2008	Poles Towers & Fixtures	5	0	4
2009	Poles Towers & Fixtures	3	0	3
1960	Conductors and Devices	4	4	(0)
1961	Conductors and Devices	0	0	(0)
1962	Conductors and Devices	0	0	(0)
1963	Conductors and Devices	0	0	0
1964	Conductors and Devices	0	0	0
1965	Conductors and Devices	1	1	0
1966	Conductors and Devices	0	0	0
1967	Conductors and Devices	0	0	0
1968	Conductors and Devices	1	1	0
1969	Conductors and Devices	1	1	0
1970	Conductors and Devices	2	1	0
1971	Conductors and Devices	0	0	0

Actual (Gains) & Losses on Retirement of Property, Plant & Equipment

		7 Months Ending July 31, 2010 (\$000s)		
		Retired Cost	Retired Accum Depn	(Gain) / Loss
1972	Conductors and Devices	0	0	0
1973	Conductors and Devices	1	0	0
1974	Conductors and Devices	0	0	0
1975	Conductors and Devices	3	2	1
1976	Conductors and Devices	2	1	0
1977	Conductors and Devices	3	2	1
1978	Conductors and Devices	4	3	1
1979	Conductors and Devices	0	0	0
1980	Conductors and Devices	387	251	135
1981	Conductors and Devices	3	2	1
1982	Conductors and Devices	1	1	0
1983	Conductors and Devices	1	1	1
1984	Conductors and Devices	0	0	0
1985	Conductors and Devices	1	1	0
1986	Conductors and Devices	1	1	1
1987	Conductors and Devices	2	1	1
1988	Conductors and Devices	1	1	1
1989	Conductors and Devices	3	1	2
1990	Conductors and Devices	2	1	1
1991	Conductors and Devices	2	1	1
1992	Conductors and Devices	0	0	0
1993	Conductors and Devices	2	1	1
1994	Conductors and Devices	64	24	40
1995	Conductors and Devices	1	0	1
1997	Conductors and Devices	0	0	0
1998	Conductors and Devices	2	1	2
2000	Conductors and Devices	5	1	4
2001	Conductors and Devices	1	0	1
2002	Conductors and Devices	3	1	2
2003	Conductors and Devices	3	0	2
2004	Conductors and Devices	3	1	3
2005	Conductors and Devices	1	0	1
2006	Conductors and Devices	6	1	6
2007	Conductors and Devices	6	1	5
2008	Conductors and Devices	2	0	2
2008	Conductors and Devices	27	1	26
1965	Line Transformers	57	54	3
1966	Line Transformers	101	94	8
1967	Line Transformers	112	102	11
1968	Line Transformers	114	101	13
1969	Line Transformers	110	95	15
1970	Line Transformers	37	31	6
1971	Line Transformers	1	0	0
1972	Line Transformers	1	0	0
1973	Line Transformers	2	2	0
1974	Line Transformers	2	1	0
1975	Line Transformers	9	7	2
1976	Line Transformers	5	4	2
1977	Line Transformers	10	7	3
1978	Line Transformers	13	9	4
1979	Line Transformers	1	1	0
1981	Line Transformers	6	4	2
1982	Line Transformers	3	2	1
1983	Line Transformers	5	3	2
1984	Line Transformers	1	1	1
1985	Line Transformers	5	3	2
1986	Line Transformers	3	2	2
1987	Line Transformers	3	2	2
1988	Line Transformers	4	2	2
1989	Line Transformers	9	4	5
1990	Line Transformers	5	2	3

Actual (Gains) & Losses on Retirement of Property, Plant & Equipment

		7 Months Ending July 31, 2010 (\$000s)		
		Retired Cost	Retired Accum Depn	(Gain) / Loss
1991	Line Transformers	8	3	5
1992	Line Transformers	4	2	2
1993	Line Transformers	14	6	9
1994	Line Transformers	22	8	14
1995	Line Transformers	5	2	4
1997	Line Transformers	1	0	1
1998	Line Transformers	7	2	5
1999	Line Transformers	6	2	5
2000	Line Transformers	8	2	6
2001	Line Transformers	22	5	17
2002	Line Transformers	8	2	6
2003	Line Transformers	27	5	22
2004	Line Transformers	86	14	71
2005	Line Transformers	25	4	22
2006	Line Transformers	22	2	19
2007	Line Transformers	43	4	39
2008	Line Transformers	16	1	15
2009	Line Transformers	48	1	46
1977	Street Lighting and Signal System	8	12	(4)
1978	Street Lighting and Signal System	17	25	(8)
1979	Street Lighting and Signal System	0	0	(0)
1981	Street Lighting and Signal System	0	1	(0)
1982	Street Lighting and Signal System	0	0	(0)
1983	Street Lighting and Signal System	0	0	(0)
1984	Street Lighting and Signal System	0	0	(0)
1985	Street Lighting and Signal System	0	0	(0)
1986	Street Lighting and Signal System	0	0	(0)
1987	Street Lighting and Signal System	0	0	(0)
1988	Street Lighting and Signal System	0	0	0
1989	Street Lighting and Signal System	1	1	0
1990	Street Lighting and Signal System	0	0	0
1991	Street Lighting and Signal System	0	0	0
1992	Street Lighting and Signal System	0	0	0
1993	Street Lighting and Signal System	0	0	0
1995	Street Lighting and Signal System	0	0	0
1997	Street Lighting and Signal System	0	0	0
1998	Street Lighting and Signal System	1	0	0
2000	Street Lighting and Signal System	0	0	0
2003	Street Lighting and Signal System	0	0	0
2004	Street Lighting and Signal System	0	0	0
2005	Street Lighting and Signal System	0	0	0
2006	Street Lighting and Signal System	0	0	0
2007	Street Lighting and Signal System	1	0	1
2008	Street Lighting and Signal System	1	0	1
2009	Street Lighting and Signal System	0	0	0
		1,864	1,118	746
Vintage				
Year	General Plant			
1972	Transportation Equipment	44	71	(27)
2003	Transportation Equipment	3	0	3
2004	Transportation Equipment	14	1	13
2005	Transportation Equipment	46	1	45
		107	73	34
Plant in Service				
		1,971	1,191	780

Note: The Company does not forecast retirements, gains, or losses on disposal of property, plant & equipment.

1 **62.0 Reference: Exhibit B-1, Application, Appendix B – Accounting**
2 **Changes;**
3 **Depreciation Changes for Property, Plant & Equipment, pp.**
4 **12-13**

5 **Q62.1 Does the new depreciation study review depreciation rates for**
6 **ALL asset categories?**

7 A62.1 Yes. All asset categories included in the Hydraulic Production Plant,
8 Transmission Plant, Distribution Plant, and General Plant as included
9 in Table 1-C in Tab 4 of the Application (Exhibit B-1) will be reviewed in
10 the new depreciation study.

11 **Q62.2 Does the new depreciation study breakout depreciation rates**
12 **pertaining to asset life and the portion pertaining to net salvage?**

13 A62.2 Yes. Once completed, the new depreciation study will show separate
14 rates for depreciation and net salvage.

15 **Q62.3 When does FortisBC plan on adopting the new depreciation**
16 **rates?**

17 A62.3 FortisBC is continuing to work on a strategy for integrating IFRS into
18 regulatory accounting. This strategy, which includes addressing any
19 depreciation updates that may come from an updated depreciation
20 study, will be discussed as part of the Company's next revenue
21 requirements application.

1 **63.0 Reference: Exhibit B-1, Application, Appendix B – Accounting**
2 **Changes;**
3 **Depreciation of Major Inspections, p. 13**

4 “These major inspections occur several times over the life of the related
5 asset, therefore the depreciation rate of these major inspections is
6 higher than the related asset.”

7 **Q63.1 Please provide the type of examples of Major Inspections (as**
8 **categorized under the Capital Expenditure Plan) that would**
9 **qualify as Major Inspections.**

10 A63.1 These major inspections are broadly classified as “Transmission Line
11 Condition Assessments”, “Station Condition Assessments”, and
12 “Distribution Line Condition Assessments” in the capital expenditure
13 plan submissions.

**64.0 Reference: Exhibit B-1, Application, Appendix C – Affiliate Transactions Report;
Tab 4, Table 2-G – Other Income, p. 24**

In the FortisBC 2010 Revenue Requirement Application, the Company explains that “Employees are assigned to regulated and non-regulated projects depending on their specific skill sets and the requirements of that project” (Response to Information Request #93.8, FortisBC 2010 RRA).

Q64.1 Please explain whether the assignment of employees is assessed only at the annual budgeting process or adjusted during the year.

A64.1 Employee assignments are set both during the annual budgeting process and adjusted during the year as business requirements change.

Q64.2 Is there potential for employees to be transferred between regulated and non-regulated business affiliates during the year? If so, how are their costs tracked in the appropriate business segments?

A64.2 Non-Executive employees are assigned to work on either regulated or non-regulated business affiliates as business requirements dictate. Employees charge their costs to individual work orders through timesheets that in turn settle to a predetermined business segment. Please also see the response to Zellstoff-Celgar IR No. 1, Q 25.4.

Q64.3 Is there a use of employee timesheets to track time spent in regulated and non-regulated business units?

A64.3 As noted in the response to BCUC IR No. 1 Q64.2 above, employees record their time spent working in regulated or non-regulated business units.

**65.0 Reference: Exhibit B-1, Application, Appendix C – Affiliate Transactions Report;
Tab 4, Table 2-G – Other Income, p. 24**

In the FortisBC 2010 Revenue Requirement Application, the Company explains that the Other Income from Fortis Pacific Holdings Inc. (FPHI) is the 10% transfer price profit margin revenue earned for the use of FortisBC resources (Response to Information Request #93.12, FortisBC 2010 RRA).

Q65.1 Please provide the supporting calculation for the \$570,000 forecast FPHI for 2011 (Line 13, Table 2-G in Tab 4).

A65.1 The Other Income from Fortis Pacific Holdings revenue stems primarily from revenue earned for the use of FortisBC resources for three non-regulated Fortis Pacific Holdings contracts: City of Kelowna (COK), Arrow Lakes Hydro (ALK) and Brilliant Expansion Power Corporation (BEPC) through a 10 percent transfer price profit margin. At the time of filing, none of the 2011 budgets were approved by the Third parties; therefore a measure of conservatism was factored into the forecast.

	<u>2011</u>
	(\$000s)
ALH	95
BEPC	75
COK	400
Other	<u>570</u>

Q65.2 Please explain how a 10% profit margin was established.

A65.2 FortisBC established the 10 percent profit margin as consistent with both local contractors included in its list of comparators for generation services and contractors bidding on a FortisBC project, which the Company understands target a profit margin of 10 percent. As such, FortisBC considers 10 percent to be a reasonable return on the services provided and was found to be acceptable by the Commission in the Reasons accompanying Order G-5-10A.

1 **66.0 Reference: Exhibit B-1, Application, Appendix E - Capitalized Power**
2 **Purchases**

3 In accordance with the CICA HB Section 3061.26, the following excerpt
4 discusses the treatment of Betterment costs (emphasis added):

5 **“Betterment**

6 **.26 The costs incurred to enhance the service potential of an**
7 **item of property, plant and equipment is a betterment. Service**
8 **potential may be enhanced when there is an increase in the**
9 **previously assessed physical output or service capacity,**
10 **associated operating costs are lowered, the life or useful life**
11 **extended, or the quality of output is improved. The costs incurred**
12 **in the maintenance of the service potential of an item of property,**
13 **plant and equipment is a repair, not a betterment. If a cost has the**
14 **attributes of both a repair and a betterment, the portion**
15 **considered to be a betterment is included in the cost of the**
16 **asset.” (Emphasis added)**

17 **Q66.1 What is FortisBC’s treatment of the costs related to *replacing* the**
18 **lost capacity of an asset taken out of service for *maintenance***
19 ***repairs*?**

20 A66.1 The cost of replacing lost capacity arising from generation repairs that
21 are classified as maintenance are expensed as incurred.

22 **Q66.2 Does FortisBC agree that *replacing* the lost capacity of an asset**
23 **taken out of service is required in order to maintain normal**
24 **operations of the system while the facility is being upgraded?**
25 **Why or why not?**

26 A66.2 Yes. Replacing lost capacity is required in order to maintain normal
27 operations of the system while a facility is being upgraded.

1 **Q66.3 In a non-emergency outage situation, does FortisBC agree that if**
2 **the generation facility outages were properly scheduled in low**
3 **demand seasons, the costs related to supplementing the power**
4 **supply in the integrated system could be mitigated? Why or why**
5 **not?**

6 A66.3 No. Even in low demand seasons, the ratio between capacity
7 generated by FortisBC owned facilities and capacity purchases from
8 outside supply will shift when a generation facility is taken out of
9 service. As a result, lost capacity is required to be purchased.

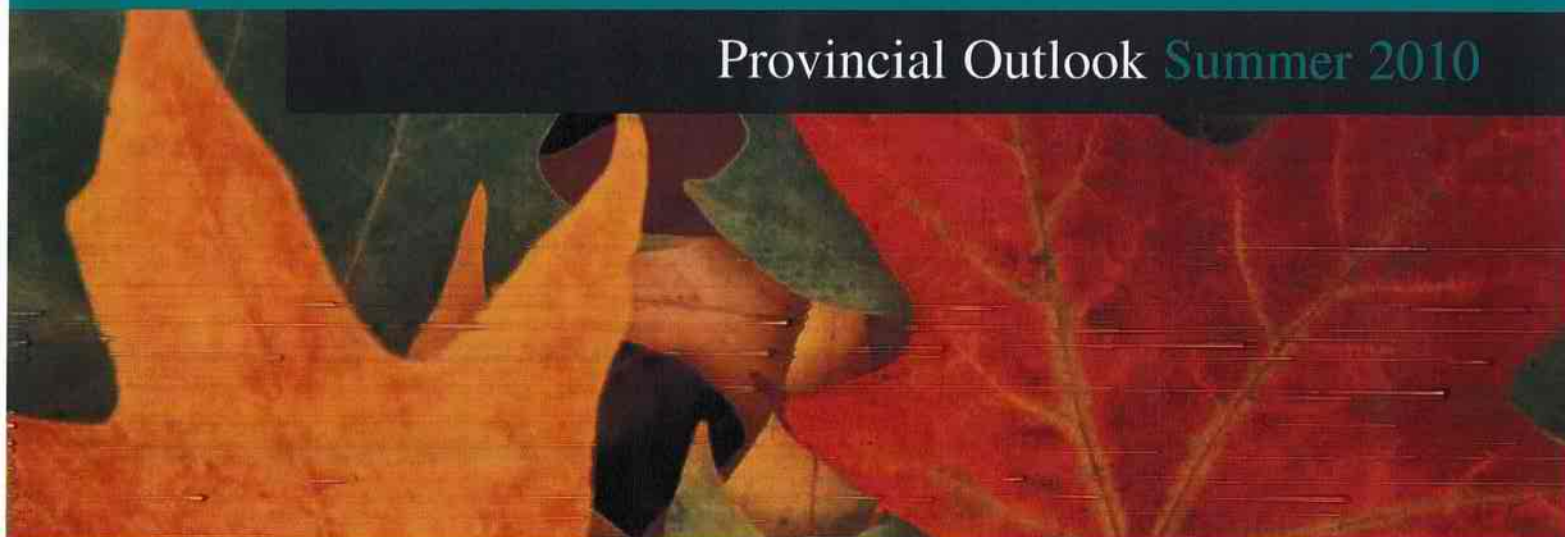
10 **Q66.4 An interpretation of the above preamble may suggest that the**
11 **replaced capacity (while the facility is being upgraded) may be**
12 **considered an operating cost while the upgrade itself may be a**
13 **betterment or capital cost. Does FortisBC agree with this**
14 **interpretation? Why or why not?**

15 A66.4 In a non-regulated environment, the interpretation discussed in BCUC
16 Q66.4 might be viewed as an appropriate application of CICA 3061.
17 However, in a rate-regulated environment, CICA 3061 is normally
18 interpreted in the context of the Canadian GAAP framework which
19 allows certain accounting treatment for entities subject to rate-
20 regulation that might not otherwise be applied in a non-regulated
21 environment. As such, if a regulator approves an amount, such as
22 power purchase costs, for inclusion in an item of rate-regulated
23 property, plant and equipment (as defined in CICA 3061.3(g)), then
24 that item of property, plant and equipment is compliant with CICA
25 3061.

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Provincial Outlook Summer 2010



Economic Forecast

ECONOMIC PERFORMANCE AND TRENDS

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Provincial Outlook Summer 2010: Economic Forecast
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Preface

The *Provincial Outlook Summer 2010* was prepared by Marie-Christine Bernard, Associate Director, under the general direction of Paul Darby, Deputy Chief Economist.

The report examines the economic outlook for the provinces, including gross domestic product (GDP), output by industry and labour market conditions. At the end of the report, there is a forecast for Canadian economic indicators and a comparison of GDP by province and industry.

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Recovery Momentum Dwindles in 2011

HIGHLIGHTS

- The domestic economy in Ontario and Quebec has taken off strongly; prospects are very bright for Central Canada this year. The economic outlook is more tempered in 2011.
- Nova Scotia, New Brunswick, and Manitoba will advance at a moderate pace over the near term.
- Newfoundland and Labrador is firing on all cylinders; sturdy non-residential investment is fuelling strong growth over 2010–11.
- Economic gains in Saskatchewan this year will be restrained by a very weak outcome in the agriculture sector.
- British Columbia is forecast to perform well in 2010, but growth will moderate next year as the public infrastructure stimulus and the Winter Olympics effect are not influential factors anymore.
- As the energy sector expands, Alberta will benefit from solid and steady growth over the next two years.

NATIONAL OVERVIEW

Canadian households, businesses, and governments have been enjoying the boost brought about by the strong economic recovery that typically follows a steep recession. Despite the woes still plaguing many of the world's developed economies, Canadian households have regained confidence and opened wide their wallets or taken advantage of record-low lending rates to boost spending. At the same time, government spending—specifically in the form of infrastructure spending—has been gaining more and more traction, helping to bolster construction and job growth. For businesses, the economic recovery has lifted sales and prices, helping to rebuild profits. Although growth has resumed, the recovery in business investment remains lethargic. According to Statistics Canada, the strength in Canada's domestic economy helped real gross domestic product increase at an annualized pace of close to 5 per cent over the fourth quarter of 2009. Growth then surged to above 6 per cent in the first quarter of this year—putting Canada's economic recovery for 2010 on a very solid footing.

The springboard start to the year suggests that after contracting by 2.5 per cent in 2009, real GDP in Canada is forecast to advance by 3.6 per cent in 2010. Households will be the biggest contributors

to growth this year, both through direct spending and through their contribution to a recovery in residential construction. Government infrastructure spending will also forge ahead, while private sector investment—with the exception of a pickup in private inventory accumulation—will lag. The trade sector, which relies on the health of the U.S. consumer, will contribute negatively to growth in 2010.

The current forecast remains dependent on a modest (but crucial) recovery in U.S. household spending. While Americans have loosened their purse strings, the recovery is still very fragile and will remain so until we see stronger employment and income gains. Shell-shocked U.S. businesses seem wary of hiring in such a tumultuous global environment. And while global financial and equity markets remain nervous about the European debt crisis, concern is growing that too quick a withdrawal of stimulus could restrain—or even derail—global economic growth. Despite these risks, our forecast assumes that the economic recovery in the United States will forge steadily ahead. Although the U.S. economy shed 125,000 jobs in June, the loss followed five consecutive months of gains. There's a long way to go before the eight million jobs lost during the recession are recouped, but the situation is at least generally improving. Job creation, coupled with rock-bottom interest rates, should help stimulate home sales and prices—another key ingredient for a more solid and sustained recovery. These factors—stronger U.S. consumer spending and recovering new home construction—are key to providing a stronger lift to Canadian exports, particularly given the robust Canadian dollar.

Moreover, while our forecast calls for continued near-term growth, the current pace of domestic spending is unsustainable. Consumer spending has been outpacing income since the recovery began in the third quarter of 2009. While this has helped to get the “economic” ball rolling, households will need to slow down their spending growth to below income gains over the coming quarters. The pace of residential construction will also ease sharply as higher interest rates kick in and existing home prices ease over the second half of this year. Moreover, the contribution from new fiscal stimulus will start to ease over the second half of 2010, before it becomes negative as we look to 2011. These factors suggest that the pace of economic recovery will slow to the 2.5 per cent range

by mid-2011, even though the economy remains far from closing the gap with potential output. Overall, real GDP is expected to post growth of 2.9 per cent in 2011, with a slightly better performance expected for 2012.

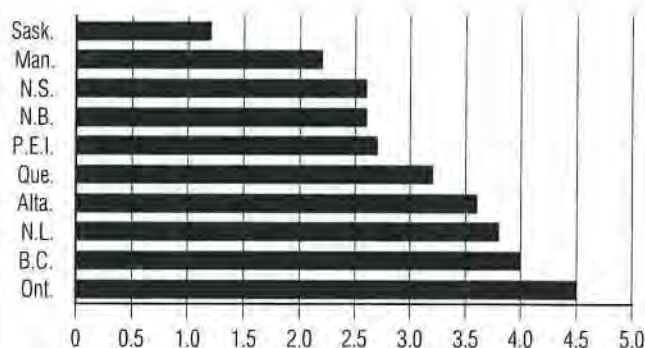
PROVINCIAL OVERVIEW

Surprising qualifies the strength of the recovery in most provinces so far this year. A good proportion of the good news is coming from Central Canada. The domestic economy in Ontario and Quebec has been booming since the start of the year. While a recovery was expected, such exceptional growth is helping to make up for the weak performance of the past two years, especially in Ontario. At the same time, the success of the auto industry in restructuring its production lines has lifted manufacturing, wholesale sales, and other industries in Ontario that are dependent on the motor vehicle sector. The bounce-back in trade, coupled with a vigorous domestic economy, leads us to forecast a strong recovery for Ontario this year. Quebec will perform well in 2010, but the near-term outlook will be dampened by a heavier personal tax burden that will temper consumer spending. While the recovery is also shaping up in Western Canada, Saskatchewan will suffer from the demises of Mother Nature. The province will see a turn-around in the recession-bruised potash industry, but a more ascertain bounce-back for the province is in store only for next year. The forecast is positive for Alberta in the near term, in line with more robust activity in the energy sector. British Columbia is flying high, but economic growth will take a step down in 2011 as the stimulus from the Winter Olympics and from the government is not at play anymore. Manitoba and the Atlantic provinces will also see an improvement in economic activity over the near term, but the rebound will be more modest. Newfoundland and Labrador is an exception to the rule. The province is firing on all cylinders as the domestic economy gets a big boost from large-scale construction projects over the next few years.

It is hard to believe that a recession hit Quebec just a few quarters ago. Households are now consuming at a hasty pace—real consumption expenditures advanced by nearly 8 per cent at annual rates in the first quarter of the year! Retailers are not the only ones benefiting; housing starts are up by nearly 20 per cent in the first half of 2010. A robust rebound in the domestic economy will compensate for the lacklustre performance of the manufacturing sector; overall real GDP at basic prices is forecast to rise by 3.2 per cent in 2010. (See charts 1 and 2.) Looking beyond the current economic boom, the outlook will be tempered by new fiscal measures that will increase the tax burden. Starting next year, consumer demand will slow down and housing starts will decline, leading to a modest gain of 2.1 per cent in real GDP.

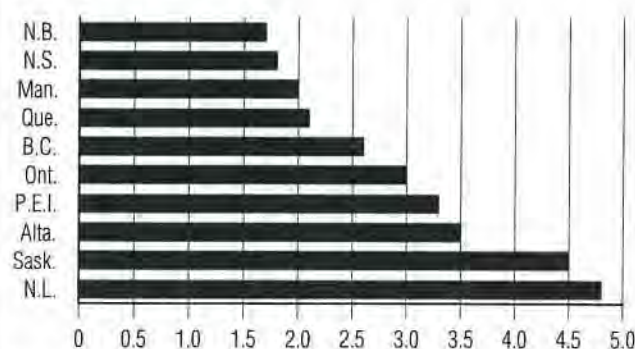
Ontario will outpace all other provinces this year. The recovery is quite remarkable. Job creation has been steady over the past year, fuelling consumption activity and residential investment. At the same time, the restructuring in the auto industry is paying off. Motor vehicle manufacturing has nearly doubled in the past year, which is encouraging but still well short of the peak reached before the recession-led collapse. The Ontario economy is on its way to experience the best year in over a decade; overall real GDP is anticipated to rise by 4.5 per cent this year. The province still has to achieve more to eliminate the output gap that opened up during the 2008–09 recession. The economy will continue to progress at a good pace, by 3 per cent in 2011 and by 3.4 per cent in 2012. With the unwinding of provincial public infrastructure stimulus in 2011 and more subdued federal program spending, the domestic economy in Ontario will advance at a more moderate pace in the near term.

Chart 1
Real GDP by Province, 2010
(percentage change; 2002 \$)



Sources: The Conference Board of Canada; Statistics Canada.

Chart 2
Real GDP by Province, 2011
(percentage change; 2002 \$)



Sources: The Conference Board of Canada; Statistics Canada.

The outlook for the Atlantic provinces has not changed much since the Spring 2010 provincial forecast. Newfoundland and Labrador is expected to lead the region. Mining projects, now in the peak development stage, will fuel sturdy construction activity over the next few years. The strength in the construction industry will filter through the rest of the economy, enough to lift real GDP by 3.8 per cent in 2010 and 4.8 per cent in 2011. The construction sector will also be a dominant force in Prince Edward Island's economy this year. Both residential and non-residential investment will contribute to a real GDP gain of 2.7 per cent projected for the Island. Growth will strengthen to 3.3 per cent in 2011, thanks to a major investment to increase wind-powered electricity-generating capacity. The Nova Scotia economy has two weak spots; the agriculture and mining sector will not see any growth until next year. Otherwise, the province is in a strong position; real GDP is forecast to rise by 2.6 per cent in 2010 after a minor contraction last year. With the end of the construction of the Deep Panuke offshore field, Nova Scotia's real GDP is forecast to rise by just 1.8 per cent in 2011. New Brunswick will benefit from a full year of operations at the newly built Canaport liquefied natural gas facility—mining is set to jump in 2010.¹ The strength in the industrial sector will push overall real GDP in New Brunswick up 2.6 per cent in 2010. The momentum in the economy will cool next year. Declines in construction and mining will dampen growth prospects to just 1.7 per cent in 2011.

The Prairie provinces are facing challenges. The agriculture sector, hit by excessive precipitations in the last few months, will subdue the recovery in Manitoba and even more so in Saskatchewan. Manitoba was one of the few provinces to have stayed clear of the recession with only a small setback in real GDP growth last year. The strength predicted in the service sector will help the province grow by 2.2 per cent in 2010. The manufacturing sector will experience only a modest recovery in 2010. The economic gains in Manitoba will continue at a similar pace in 2011 (2 per cent), but the goods- and services-producing industries will experience a more balanced performance. The poor outcome that is expected in the agriculture sector in Saskatchewan will shave at least \$1 billion from real GDP in 2010. The province is expected to turn in only a weak 1.2 per cent real economic performance this year in spite of a strong recovery in the mining industry. The recession-hit potash sector is doing better, as fertilizer demand picked up in several emerging markets at the start of the year. The economic lull will be temporary, as Saskatchewan is expected to grow by 4.5 per cent next year in line with a rebound in the agriculture sector and strong gains once more in the potash industry.

Alberta was slow to turn around, but the recovery is now gathering momentum. The job market added over 30,000 employees to payrolls in the past three months. The rebound in the energy sector, in particular drilling activity, has stimulated the province. Higher

oil prices boosted drilling this year. With firmer oil prices, oil sands investment is also slowly strengthening. Of all the provinces, Alberta suffered the worst setback in consumer spending over the 2008–09 recession. The domestic economy is recuperating, housing starts are much stronger, and retail sales are on the rise. But the province is still far away from the boom times of just a few years ago. However, the outlook is positive for Alberta—real GDP is expected to rise by 3.6 per cent this year and 3.5 per cent in 2011.

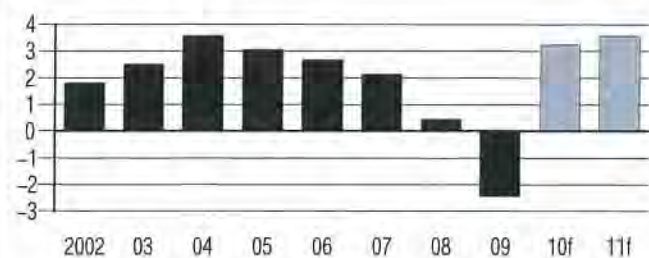
It is with no great surprise that British Columbia will turn in a good economic performance this year. A number of industries, such as performing arts and spectator sports, accommodation services, as well as radio and television broadcasting, and retail trade benefited from the Vancouver Olympic Winter Games. At the same time, the housing market, both new and resale, has experienced a swift comeback and will play a role in the bright forecast for the province. All in all, British Columbia is expected to see a real GDP gain of 4 per cent in 2010. But the economic momentum will fade out next year. Government infrastructure spending on roads, bridges, and hospitals to support the province during the recession will be winding down over the course of the next few years. The housing market will stabilize over the near term. As well, the one-time Winter Olympics effect will be out of the numbers; as a result, overall real GDP growth will slow down to 2.6 per cent in 2011.

U.S. AND GLOBAL ECONOMY

The U.S. economy is about one year into its recovery, and real GDP is expanding at an annual pace of around 3 per cent. Even with the June losses, monthly job creation averaged about 147,000 over the first half of this year, which isn't all that bad considering the severity of the 2008–09 recession. However, more jobs must be generated in order to lower the unemployment rate from the 9–10 per cent range. With the unemployment rate stuck at high levels, fiscal and monetary stimulus gradually fading, and the ongoing debt crisis in Europe a major contributor to the ongoing uncertainty, the recovery remains vulnerable. Our forecast assumes that the steps taken by the European Union and the International Monetary Fund (IMF) will be enough to prevent the financial crisis in the EU from spilling over into other countries. As a result, real GDP in the United States will expand by 3.2 per cent this year and by an even stronger 3.6 per cent in 2011. (See Chart 3.) The unemployment rate is expected to remain above 9 per cent until at least the second half of next year.

Unfortunately, the European debt crisis has provided businesses in the United States and elsewhere with another reason to delay the aggressive hiring that normally accompanies an economic expansion. Even though the EU and IMF have put together a \$1-trillion rescue package and the European Central Bank (ECB) has purchased

Chart 3
In Recovery Mode
(U.S. GDP, percentage change, 2005 \$)



f = forecast

Sources: The Conference Board of Canada; U.S. Bureau of Statistics.

\$50 billion in government debt from Greece and Portugal, global investors remain skeptical. In fact, investors have lost confidence in the ability of the Spanish and Italian governments to solve their fiscal problems. This is evidenced by the fact that interest rates on Spanish and Italian sovereign debt are now at their highest spreads relative to yields on German government bonds since the crisis began. This development places tremendous pressure on the European banks and other financial institutions that hold most of the debt issued by Spain, Greece, Portugal, and Italy.

Even if the steps taken by governments in Europe do manage to eliminate most of the turmoil in global financial markets, it may be difficult for the EU to avoid slipping back into recession at some point this year. The EU economy was barely showing a pulse even before the crisis emerged in the early months of this year, and the minimal growth that has transpired recently is due to temporary policy stimulus and an end to huge inventory liquidation by manufacturers. As many governments in Europe implement severe fiscal restraint measures, growth in the EU economy will slow down. The ECB and Bank of England will not be in a position to increase interest rates over the near term. As a result, both the euro and pound are expected to continue their recent depreciating trends. It is possible that the euro could actually fall to parity with the U.S. dollar by the end of 2010. By late June, the euro was trading at US\$1.22—down from \$1.44 at the beginning of this year.

If the EU's policies manage to calm down jittery global financial markets, the damage to the U.S. economy should be minimal. While the dollar has appreciated in value against the euro—a development that could hurt exports—it is important to remember that exports comprise only around 10 per cent of overall U.S. GDP. Moreover, Europe accounts for only 20 per cent of total U.S. exports. Ironically, the crisis in Europe could actually help U.S. economic prospects. Oil prices have declined sharply since the spring, and the recent “flight to quality” on the part of foreign investors has seen demand for U.S. Treasuries soar, which has actually kept a lid on potential interest rate increases.

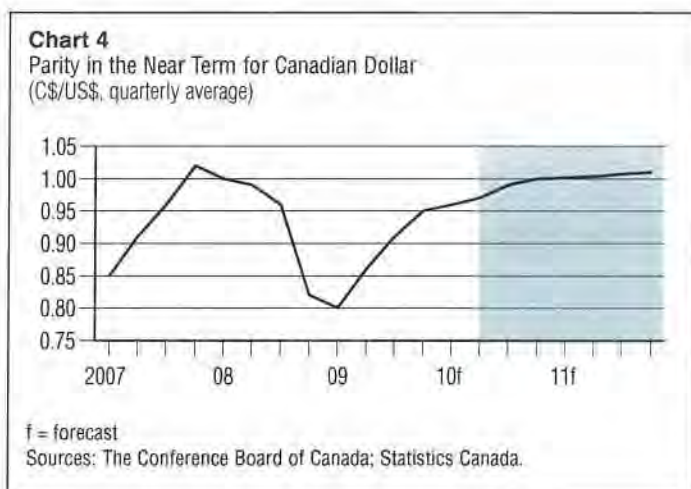
Still, market jitters have hurt equity prices and have the potential to inflict damage on the U.S. economy. Between late April and the end of June, the Dow Jones Industrial Average fell some 12 per cent, a correction that many analysts were calling for, given the strong gains that transpired over the previous 12 months. Overall, this drop is not significant enough to change household spending or business hiring intentions. However, if the stock market correction intensifies over the next few months, consumer spending could be negatively affected. Spending by high-income families—a group that accounts for around 60 per cent of total U.S. household spending—is especially sensitive to movements in equity markets. The savings rate for households in the top 20 per cent of income earners soared during the recession as people watched in horror as their savings evaporated. The rally in equity markets that began in March of last year resulted in high-income earners saving less and spending more. The current woes in equity markets have the potential to once again restrain spending among wealthier American households.

MONETARY POLICY

With its June and July rate hikes, the Bank of Canada is unwinding the monetary stimulus that saw the bank rate fall to 0.5 per cent in April 2009 and stay there for more than a year. The pace of Canada's economic recovery has been surprisingly strong, prompting the Bank to start raising rates slightly ahead of its original schedule (which called for rates to stay at their recession lows until at least July of this year). Although the medium-term path for rate movements is definitely upward, the speed with which Canada's central bankers remove monetary stimulus will depend on the varied mix of domestic and international economic influences.

In Canada, the recovery in real GDP and employment growth has been outstanding—especially in comparison with what we've seen in many other developed economies. Moreover, indirect tax increases—in the form of sales tax harmonization in Ontario and British Columbia, and increases in the Quebec and Nova Scotia sales taxes—will complicate the Bank's efforts to keep overall inflation from rising too quickly. Cost-of-living allowances, which are often tied to the overall price index, will undoubtedly put some upward pressure on wages over the next two years. Meanwhile, higher energy prices and mortgage rates have started to put upward pressure on home ownership and transportation costs. On the other hand, the external situation continues to pose challenges to a smooth unwinding of monetary stimulus. European debt woes have recently shaken confidence in financial and credit markets, while sustained growth in the U.S. economy remains uncertain without better job growth. As such, the outlook for soft U.S. consumer spending growth, coupled with a strong loonie, will help ease the speed at which interest rates climb in Canada.

While the steep rise of the Canadian dollar has been halted over the last few months by a generalized “flight to safety” that has seen investors put their money into U.S. dollar holdings, Canada’s strong domestic economy, its relatively healthy fiscal situation, and its wealth in raw materials—especially oil—will continue to support a strong loonie. As stability returns to the global economy, the loonie is expected to return to its old pattern of moving in tandem with energy and other raw materials prices. Moreover, with rate hikes in Canada leading those in the United States, the loonie is forecast to be pushed to parity with its U.S. counterpart by the end of this year, after averaging just under US\$0.88 in 2009. (See Chart 4.)



FISCAL POLICY

Following a decade-long string of surpluses and falling debt ratios, Canada entered the recession on a much better fiscal footing than many other developed countries. However, the three main sources of federal revenue generation—personal income tax, corporate income tax, and indirect taxes—all plummeted during the recession and remain a long way from a full recovery. The drop in revenues, coupled with a federal stimulus plan worth \$28 billion in fiscal year 2009–10, resulted in a large federal deficit and a run-up in debt. Still, the federal government has committed to staying the

course and will inject another \$19 billion in fiscal stimulus this fiscal year. However, the government has made clear that beyond 2010–11 the main priority will be deficit elimination. To balance its books, the federal government will have to follow through on its promise of several years of fiscal austerity. Spending will be cut in low-priority areas and departmental budgets will be frozen, forcing departments to pay for wage increases through attrition. Nonetheless, if the government can maintain its commitment to these challenging targets, we expect the federal balance to improve steadily—from an estimated \$47-billion deficit in 2009–10 to a deficit of just \$1 billion in 2013–14.

Similar to the federal government, provincial governments ran up a staggering combined deficit of \$48.2 billion in 2009—their largest collective deficit in history. However, the provincial and federal stories have begun to diverge. While the provincial deficit is expected to improve by almost \$10 billion in 2010 (mainly due to improving economic conditions), substantial improvements will be difficult for the provinces in the future. The biggest challenge will be a steady rise in health-care costs—the result of an aging population. The economic recovery forecast over the medium term, together with the end of provincial stimulus funding, will help provinces cut their collective deficit to approximately \$34 billion in 2011. But even if the provinces are able to meet optimistic goals for controlling spending growth, they will still be left with a significant deficit of approximately \$24 billion in 2014.

As activity peaks on many projects, infrastructure spending by all levels of government will continue to ramp up over the rest of this year and into early 2011. Thereafter, spending is expected to fall off rapidly. In 2010, real public infrastructure spending will top out at \$55.2 billion, or 4.1 per cent of GDP—the biggest infrastructure build in recent history. The decline in infrastructure spending that begins in 2011 will occur in tandem with a period of fiscal austerity that will severely limit growth in program spending. Overall, real spending by all levels of government on programs and infrastructure will post growth of only 1.4 per cent in 2011 and 0.7 per cent in 2012. By way of comparison, this follows on the heels of two years of nearly 5 per cent annual growth.

¹ Liquefied natural gas regasification is classified under the 2002 North American Industry Classification Code 21111: mining, oil and gas extraction.

Une reprise moins vive en 2011

FAITS SAILLANTS

- L'économie intérieure de l'Ontario et du Québec a connu un vif regain, ce qui augure fort bien pour les résultats du Canada central cette année. Les perspectives sont toutefois plus modestes pour 2011.
- La Nouvelle-Écosse, le Nouveau-Brunswick et le Manitoba afficheront des gains modérés à court terme.
- L'économie de Terre-Neuve-et-Labrador progresse à toute vapeur; l'investissement non résidentiel soutenu engendre une forte croissance pour 2010-2011.
- En Saskatchewan, cette année, les mauvais résultats du secteur agricole limiteront les gains économiques.
- La Colombie-Britannique devrait connaître une bonne année, en 2010, mais la croissance faiblira l'an prochain puisque la stimulation découlant des activités d'infrastructures publiques et des Jeux Olympiques d'hiver n'exercera plus le même effet.
- L'essor du secteur de l'énergie assurera à l'Alberta deux années de croissance forte et continue.

VUE D'ENSEMBLE

Au Canada, les ménages, les entreprises et les gouvernements ont ressenti les effets heureux de la forte reprise économique qui fait régulièrement suite à une récession prononcée. En dépit des difficultés que connaissent encore bon nombre d'économies développées de la planète, les ménages canadiens ont repris confiance, se montrant bien prêts à dépenser leur argent ou profitant de taux de financement à leur plus bas pour accroître leurs dépenses. En même temps, les dépenses des gouvernements, surtout en infrastructures, se faisaient plus porteuses, pour le plus grand bien des activités de construction et de l'embauche. Quant aux entreprises, la reprise économique a fait augmenter les ventes et les prix, ce qui a favorisé leurs profits. Mais, malgré le retour à la croissance, les investissements des entreprises stagnent. D'après Statistique Canada, la vigueur de l'économie intérieure du pays a permis au produit intérieur brut réel d'augmenter au rythme annuel de près de 5 p. 100 lors du quatrième trimestre de 2009. Puis la croissance a dépassé les 6 p. 100 au premier trimestre de cette année, une évolution qui procure des assises très solides à la reprise économique du Canada en 2010.

Ce début d'année explosif porte à croire que le PIB réel du Canada, après avoir cédé 2,5 p. 100 en 2009, devrait progresser de 3,6 p. 100 en 2010. Ce sont les ménages qui contribueront le plus

à la croissance cette année, à la fois par leurs dépenses directes et par leur apport à la relance de l'activité de construction résidentielle. Les dépenses gouvernementales associées aux infrastructures se feront elles aussi plus tangibles, tandis que les investissements du secteur privé (exception faite d'une plus vive accumulation de stocks) accuseront un retard. Le secteur extérieur, tributaire de la situation des consommateurs américains, aura un apport négatif à la croissance en 2010.

Notre prévision repose encore sur la reprise, modeste mais cruciale, des dépenses des ménages américains. Oui, les Américains ont un peu recommencé à dépenser, mais la reprise demeure précaire et elle sera fragile tant que des gains importants ne s'observeront pas sur les plans de l'emploi et des revenus. Très ébranlées, les entreprises américaines semblent hésiter à embaucher dans une conjoncture mondiale tumultueuse. À l'heure où la crise de la dette européenne rend les marchés boursiers et les marchés mondiaux des capitaux nerveux, on craint de plus en plus que le retrait précipité des incitatifs puisse freiner, ou même compromettre, la croissance économique mondiale. Néanmoins, malgré les risques, nous soutenons l'hypothèse que la reprise économique se confirmera sans grande rupture aux États-Unis. Certes, 125 000 emplois sont disparus en juin, mais des gains avaient été enregistrés à ce poste les 5 mois précédents; l'économie américaine est loin d'avoir compensé pour les 8 000 000 d'emplois perdus lors de la récession, mais la situation évolue de façon positive, du moins dans l'ensemble. La création d'emplois, combinée à des taux d'intérêt à leur plus bas, devrait aider à stimuler les ventes de logements et les prix, autres ingrédients clés d'une reprise plus vive et durable. Voilà des facteurs — dépenses de consommation américaines et construction de logements neufs en hausse — propres à faire augmenter les exportations canadiennes, surtout que le huard se porte bien.

Notre prévision évoque une croissance continue à court terme, mais précisons que l'actuel niveau de dépenses engagées au Canada ne saurait être maintenu. Les dépenses de consommation augmentent davantage que les revenus depuis le début de la reprise, au troisième trimestre de 2009; cela aura aidé à faire tourner la « roue économique », mais les ménages ramèneront l'augmentation de leurs dépenses en deçà des gains de revenus au fil des trimestres à venir. L'activité de construction résidentielle diminuera aussi beaucoup, vu la hausse des taux d'intérêt et le recul des prix des logements existants, au semestre qui s'amorce. En outre, l'apport des nouveaux incitatifs

budgétaires se fera moindre d'ici la fin de l'année, devenant même nul en 2011. Tout cela laisse entrevoir que le rythme de reprise économique tombera à quelque 2,5 p. 100 d'ici le milieu de 2011, même si l'économie est loin de combler l'écart quant au potentiel de production. Globalement, le PIB réel devrait croître de 2,9 p. 100 en 2011, puis un peu plus en 2012.

APERÇU PROVINCIAL

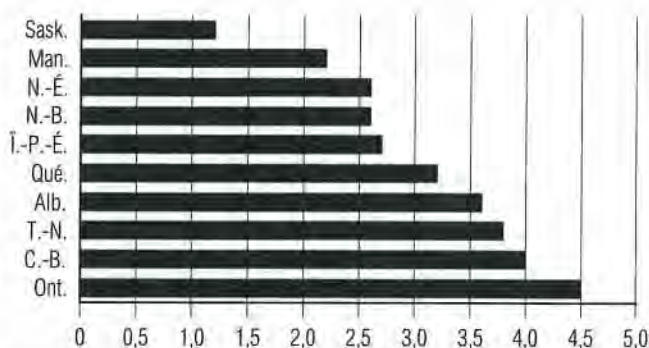
Surprenante. Ainsi peut-on qualifier la vigueur de la reprise dans la plupart des provinces, cette année. Les bonnes nouvelles viennent en bonne partie du Canada central. L'économie intérieure de l'Ontario et du Québec progresse vivement depuis le début de l'année; certes, une reprise était attendue, mais la croissance exceptionnelle enregistrée aide à compenser pour les piètres résultats des deux dernières années, surtout en Ontario. En même temps, la restructuration réussie des chaînes de montage de l'industrie automobile a eu un effet d'entraînement sur l'activité manufacturière, les ventes au détail et d'autres industries de l'Ontario tributaires du secteur automobile. Le regain du secteur extérieur, de concert avec la vigueur de l'économie intérieure, nous amène à prévoir une forte reprise pour l'Ontario, cette année. De son côté, le Québec obtiendra de bons résultats en 2010 mais ensuite, l'alourdissement du fardeau fiscal des particuliers freinera les dépenses de consommation et la progression de l'économie s'en ressentira. L'Ouest canadien voit aussi la reprise prendre forme, sauf en Saskatchewan, qui a maille à partir avec Dame Nature; la province profitera d'un redressement de l'industrie de la potasse, secouée par la récession, mais ce n'est que l'an prochain que la Saskatchewan affichera une reprise plus ferme. Les choses augurent bien à court terme pour l'Alberta, compte tenu d'une intensification de l'activité dans le secteur de l'énergie. La Colombie-Britannique, jouit d'une situation fort favorable, mais sa croissance économique baissera d'un cran en 2011, puisque les éléments de stimulation associés aux Jeux Olympiques n'interviendront alors plus. Le Manitoba et les provinces de l'Atlantique enregistreront aussi une amélioration de l'activité économique à court terme, sauf que la remontée y sera plus modeste. Terre-Neuve-et-Labrador, enfin, fait exception : cette province, dont l'économie intérieure tire pleinement avantage des projets de construction à grande échelle, progresse à toute vapeur.

Difficile de croire que le Québec était en récession il y a quelques mois à peine. Les ménages dépensent à un rythme très soutenu : les dépenses réelles de consommation ont progressé de près de 8 p. 100 sur une base annuelle au premier trimestre de l'année ! Les détaillants ne sont pas les seuls à y gagner; les mises en chantier ont augmenté de près de 20 p. 100 au premier semestre de 2010. Un rebond marqué de l'économie intérieure compensera

pour les résultats assez moyens du secteur manufacturier; globalement, le PIB réel aux prix de base devrait grimper de 3,2 p. 100 en 2010. (Voir les graphiques 1 et 2). Une fois passé l'actuel boom économique, la situation sera moins favorable, étant donné les nouvelles mesures qui alourdiront le fardeau fiscal. Ainsi, à compter de l'an prochain, la demande des consommateurs ralentira et les mises en chantier se feront moins nombreuses. Résultat, une progression modeste, de 2,1 p. 100 du PIB réel.

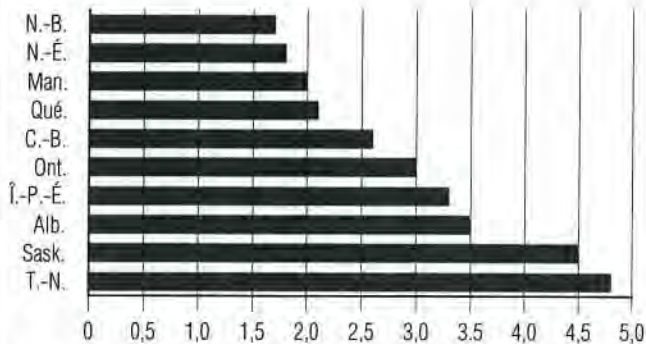
Jouissant d'une reprise étonnante, l'Ontario fera mieux que toutes les autres provinces cette année. La création d'emploi soutenue stimule la consommation et l'investissement résidentiel depuis un an. En même temps, la restructuration de l'industrie automobile porte fruit. La production de véhicules a presque doublé ces 12 derniers mois, une progression intéressante mais qui n'a pas permis de

Graphique 1
PIB réel par province en 2010
(variation en pourcentage; en dollars de 2002)



Sources : Le Conference Board du Canada; Statistique Canada.

Graphique 2
PIB réel par province en 2011
(variation en pourcentage; en dollars de 2002)



Sources : Le Conference Board du Canada; Statistique Canada.

revenir aux niveaux élevés atteints avant l'effondrement surtout causé par la récession. L'économie ontarienne est en voie de connaître sa meilleure année en plus de 10 ans; son PIB global devrait progresser de 4,5 p. 100 cette année. Mais la province devra faire encore mieux pour effacer l'écart de production apparu lors de la récession de 2008-2009. L'économie continuera de progresser de belle façon, soit de 3 p. 100 en 2011, puis de 3,4 p. 100 en 2012. En raison de la disparition des stimulants provinciaux en infrastructures publiques, en 2011, et du resserrement des dépenses de programmes fédérales, l'économie intérieure de l'Ontario évoluera à un rythme plus modéré à moyen terme.

Les perspectives pour les provinces de l'Atlantique ont peu changé depuis la *Note de conjoncture provinciale* du printemps dernier. Terre-Neuve-et-Labrador fera figure de leader dans cette région. Divers projets miniers aujourd'hui au plus fort des travaux se traduiront par une vive activité de construction pendant quelques années. Or, la vigueur de la construction gagne le reste de l'économie, suffisamment pour faire monter le PIB réel de 3,8 p. 100 en 2010 et de 4,8 p. 100 en 2011. Le secteur de la construction aura aussi un rôle de premier plan à l'Île-du-Prince-Édouard cette année; l'investissement résidentiel et l'investissement non résidentiel contribueront au gain de 2,7 p. 100 du PIB attendu dans l'Île. Puis en 2011, à la faveur d'un investissement majeur pour accroître la capacité de production éolienne d'électricité, la croissance atteindra 3,3 p. 100. L'économie de la Nouvelle-Écosse montre deux faiblesses : l'agriculture et le secteur minier seront privés de toute croissance d'ici l'an prochain. Mais par ailleurs, la province est en très bonne position; après un léger recul l'an dernier, le PIB réel devrait augmenter de 2,6 p. 100 en 2010. Vu la fin de la construction du champ de Deep Panuke, au large des côtes, le PIB réel de la Nouvelle-Écosse ne devrait monter que de 1,8 p. 100 en 2011. Quant au Nouveau-Brunswick, il ressentira les effets favorables d'une année complète d'opérations aux nouvelles installations de gaz naturel liquéfié de Canaport. L'activité minière y fera un bond en 2010¹. Le dynamisme du secteur industriel fera progresser le PIB réel de la province de 2,6 p. 100 en 2010. L'an prochain, l'économie verra son élan diminuer; des baisses dans la construction et l'activité minière ramèneront les perspectives de croissance à seulement 1,7 p. 100 en 2011.

Les provinces des Prairies font face à des défis. Le secteur agricole, éprouvé par des précipitations surabondantes au courant du printemps, gênera la reprise au Manitoba, et davantage en Saskatchewan. Le Manitoba fut l'une des rares provinces à éviter la récession, ne connaissant qu'un léger recul dans la croissance du PIB réel l'année dernière. La vigueur escomptée dans le secteur des services aidera la province à progresser de 2,2 p. 100 en 2010.

Le secteur manufacturier n'enregistrera qu'une reprise modérée en 2010. Et les gains économiques du Manitoba se poursuivront au même rythme en 2011 (2 p. 100), sauf que les industries de biens et de services afficheront des résultats plus équilibrés. La mauvaise production prévisible du secteur agricole de la Saskatchewan privera le PIB réel d'au moins 1 milliard de dollars en 2010. La province ne devrait inscrire qu'une performance économique de 1,2 p. 100 cette année, malgré une belle reprise de l'industrie minière. Le secteur de la potasse, victime de la récession, va mieux puisque la demande d'engrais a augmenté dans plusieurs marchés émergents en début d'année. L'intermède économique sera de courte durée car la Saskatchewan devrait progresser de 4,5 p. 100 l'an prochain, à la faveur d'une remontée du secteur agricole et de nouveaux gains importants dans l'industrie de la potasse.

Si l'Alberta a mis du temps à se redresser, sa reprise se fait maintenant plus ferme. Au cours du dernier trimestre, plus de 30 000 nouveaux emplois s'y sont créés. Le regain du secteur de l'énergie, particulièrement dans l'activité de forage, a fait s'activer l'économie de la province. La hausse du prix du pétrole a encouragé le forage, cette année. L'évolution du prix du pétrole amène aussi une certaine progression des investissements dans les sables bitumineux. De toutes les provinces, c'est l'Alberta qui a accusé le plus fort recul des dépenses de consommation lors de la récession de 2008-2009. L'économie intérieure se replace, les mises en chantier ont fait un véritable bond et les ventes au détail sont en progression. Toutefois, la province n'est plus le théâtre de l'effervescence observée il y a quelques années à peine. Mais quand même, le pronostic pour l'Alberta est positif : le PIB réel devrait y augmenter de 3,6 p. 100 cette année, puis de 3,5 p. 100 en 2011.

C'est sans grande surprise que la Colombie-Britannique affichera de bons résultats économiques cette année. Diverses industries telles que les arts de la scène et les activités sportives rassemblant des foules, les services d'hébergement, la radiodiffusion et la télédiffusion, ainsi que le commerce de détail, ont tiré profit des Jeux Olympiques d'hiver de Vancouver. En même temps, le marché de l'habitation, tant le logement neuf que l'existant, a connu une forte remontée et aura un apport intéressant aux perspectives favorables de la province. Dans l'ensemble, la Colombie-Britannique devrait inscrire un gain de 4 p. 100 de son PIB réel en 2010. Mais cet élan économique s'estompera l'an prochain. Les dépenses publiques à l'égard des infrastructures, aux postes des routes des ponts et des hopitaux, faites pour soutenir la province lors de la récession diminueront ou s'achèveront au fil des prochaines années. Le marché de l'habitation, lui, se stabilisera à court terme. Et, bien sûr, l'effet ponctuel des Jeux Olympiques aura disparu, si bien que la croissance du PIB réel sera ainsi ramenée à 2,6 p. 100 en 2011.

PERSPECTIVES AMÉRICAINES ET MONDIALES

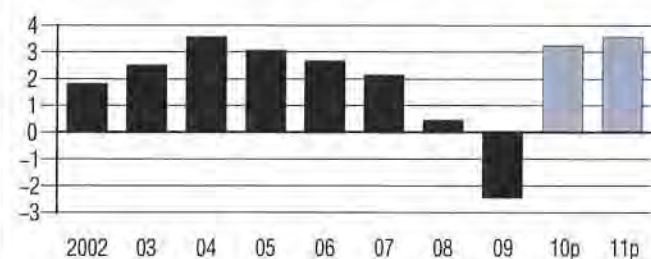
L'économie américaine est en reprise depuis un an, environ, et le PIB réel y progresse au rythme annuel d'à peu près 3 p. 100. Malgré les pertes de juin, quelque 147 000 emplois ont été créés chaque mois, en moyenne, au premier semestre, une évolution somme toute intéressante vu l'ampleur de la récession de 2008-2009. Mais la création d'emplois devra s'intensifier pour que le taux de chômage redescende sous le niveau actuel de 9 à 10 p. 100. Un chômage élevé persistant, l'amoindrissement progressif des incitatifs budgétaires et monétaires et les préoccupations, vives et constantes, découlant de la crise de la dette en Europe rendent la reprise précaire. Notre prévision estime que les mesures de l'Union européenne et du Fonds monétaire international suffiront pour empêcher la crise financière que vit l'UE de se propager à d'autres pays. Ainsi le PIB réel des États-Unis progressera de 3,2 p. 100 cette année puis, mieux encore, de 3,6 p. 100 en 2011. (Voir le graphique 3.) Le taux de chômage devrait dépasser les 9 p. 100 jusqu'au milieu de l'an prochain, au moins.

Malheureusement, pour les entreprises américaines, la crise de la dette européenne aura été une autre raison de retarder la vague d'embauche intense qu'amène habituellement une expansion économique. Même si l'UE et le FMI ont bâti un plan de sauvetage de 1 billion de dollars (1 000 000 000 000 \$) et si la Banque centrale européenne (BCE) a acheté pour 50 milliards de dollars de dettes publiques de la Grèce et du Portugal, les investisseurs mondiaux demeurent sceptiques. En fait, ils n'estiment plus les gouvernements de l'Italie et de l'Espagne capables de régler leurs problèmes budgétaires. À preuve, les écarts de taux entre les titres de dette souveraine de ces deux pays et les obligations de l'État allemand n'ont jamais été aussi grands depuis le début de la crise. Cela se traduit donc par une pression immense sur les banques européennes et les autres institutions financières détenant le gros des titres émis par l'Espagne, la Grèce, le Portugal et l'Italie.

Graphique 3

En mode reprise

(PIB américain, variation en pourcentage, en dollars de 2005)



p = prévisions

Sources : Le Conference Board du Canada; U.S. Bureau of Statistics.

Même si les mesures que prennent les gouvernements européens étouffent presque entièrement la tourmente sur les marchés financiers mondiaux, l'Union européenne pourrait avoir de la difficulté à ne pas retomber en récession d'ici la fin de l'année. L'économie de l'UE était à peine vivante lorsque la crise a éclaté, en début d'année, et le soupçon de croissance enregistré récemment découle des mesures incitatives temporaires, ainsi que de l'écoulement massif de stocks de la part des entreprises. Puisque bien des États européens mettent en place de sévères mesures d'austérité budgétaire, la croissance de l'économie de l'UE ralentira. La BCE et la Banque d'Angleterre ne pourront hausser les taux d'intérêt à court terme, si bien que l'euro, comme la livre, continueront de se déprécier, comme ils le font depuis peu. L'euro pourrait même être à parité avec le dollar US d'ici la fin de 2010 : tard en juin, l'euro valait 1,22 \$US, contre 1,44 \$US en début d'année.

Si les politiques de l'UE parviennent à calmer les marchés financiers de la planète, l'économie américaine devrait être peu affectée. Car même si le dollar US s'est rapproché de l'euro (un phénomène susceptible de gêner les exportations), il importe de souligner que les exportations ne représentent que 10 p. 100, environ, du PIB global américain. De plus, l'Europe accueille à peine 20 p. 100 des exportations totales des États-Unis. Fait inusité, la crise européenne pourrait plutôt améliorer les perspectives américaines. Les prix du pétrole ont chuté depuis le printemps et le récent mouvement de « choix qualitatif » des investisseurs étrangers a fait bondir la demande de bons et obligations du Trésor américain, ce qui a somme toute stoppé les possibilités de hausse des taux d'intérêt.

Reste que les incertitudes des marchés ont nui aux titres boursiers et risquent de perturber l'économie américaine. Entre la fin d'avril et la fin de juin, l'indice Dow Jones a reculé d'environ 12 p. 100, une correction que prévoyaient bien des analystes, vu les gains importants des 12 mois précédents. Globalement, ce recul n'est pas assez fort pour influencer les dépenses des ménages, ni les intentions d'embaucher parmi les entreprises, mais si la correction boursière s'accroît dans les mois à venir, les dépenses de consommation pourraient en souffrir. Les dépenses des familles aux revenus élevés, lesquelles pèsent pour près de 60 p. 100 dans les dépenses totales des ménages américains, réagissent nettement aux tendances boursières. Le taux d'épargne des ménages compris dans le premier 20 p. 100 des salariés a vivement augmenté lors de la récession : en état de choc, ces gens voyaient fondre leurs épargnes. La remontée boursière amorcée en mars de l'année dernière a incité les hauts salariés à moins économiser et à dépenser davantage. Mais les hauts et les bas de la Bourse pourraient encore une fois freiner les dépenses des ménages américains les plus aisés.

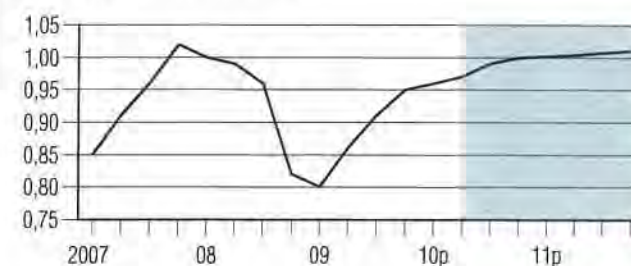
POLITIQUE MONÉTAIRE

En haussant ses taux, en juin et juillet, la Banque du Canada a entrepris le retrait progressif des stimulants monétaires qui avaient fait tomber le taux bancaire à 0,5 p. 100 en avril 2009, un plancher où il est demeuré plus d'un an. La reprise économique canadienne a été d'une vigueur étonnante, à tel point que la Banque du Canada en est venue à hausser ses taux plus tôt que prévu (elle entendait les maintenir aux seuils minimums adoptés lors de la récession au moins jusqu'en juillet de cette année). À moyen terme, les taux seront certainement en hausse, mais la vitesse à laquelle les décideurs de la Banque centrale élimineront les incitatifs monétaires dépendra de l'évolution des choses, économiquement parlant, au pays et ailleurs dans le monde.

Au Canada, la croissance du PIB réel et de l'embauche s'est rétablie de façon spectaculaire, comparativement à bien d'autres économies développées. Maintenant, les augmentations d'impôts indirects, liées à l'harmonisation des taxes de vente en Ontario et en Colombie-Britannique ainsi qu'aux majorations des taxes de vente au Québec et en Nouvelle-Écosse, feront qu'il sera plus difficile pour la Banque d'empêcher l'inflation globale d'augmenter rapidement. Les indemnités pour compenser le coût de vie plus élevé, souvent basées sur l'indice global des prix, ne manqueront pas de pousser les salaires à la hausse pendant deux ans. En même temps, l'augmentation des prix de l'énergie et des taux hypothécaires font déjà augmenter les coûts de la propriété et des transports. D'autre part, le contexte externe pose encore des défis quant à la juste diminution des incitatifs monétaires. La problématique européenne de la dette a, récemment, ébranlé la confiance envers les marchés financiers et les marchés de crédit, tandis qu'aux États-Unis, une croissance économique soutenue se montre incertaine à défaut d'une croissance plus forte de l'emploi. De ce fait, la modeste progression des dépenses de consommation des Américains et la vigueur du huard contribueront à réduire la vitesse à laquelle les taux d'intérêt augmenteront au Canada.

Si la forte poussée du dollar canadien s'est trouvée freinée, ces derniers mois, par le vaste mouvement de « retrait aux abris » amenant les investisseurs à opter pour des valeurs américaines, l'économie intérieure forte du Canada, sa situation fiscale relativement avantageuse et ses richesses en matières premières, en pétrole surtout, joueront encore en faveur de notre devise. L'économie mondiale se stabilisant, le huard devrait à nouveau évoluer en reflétant les mouvements des prix de l'énergie et d'autres matières premières. Aussi, parce que les taux d'intérêt du Canada augmenteront avant ceux des États-Unis, le dollar canadien, qui s'inscrivait en moyenne juste sous les 0,88 \$US en 2009, devrait atteindre la parité avec son pendant américain d'ici la fin de l'année. (Voir le graphique 4.)

Graphique 4
La parité à court terme
(\$CAN/\$US, moyenne trimestrielle)



p = prévisions

Sources : Le Conference Board du Canada; Statistique Canada.

POLITIQUE BUDGÉTAIRE

Fort d'une décennie complète de surplus et de ratios de dette en baisse, le Canada était entré en récession en bien meilleure situation budgétaire que de nombreux autres pays développés. Sauf que les trois principales sources de recettes fédérales, l'impôt des particuliers, l'impôt des sociétés et les impôts indirects, ont dégringolé lors de la récession et sont loin d'avoir regagné le terrain perdu. La chute des recettes et le programme fédéral de stimulation, une dépense de 28 milliards de dollars en 2009-2010, se soldent par un énorme déficit fédéral et provoquent une accumulation de dettes. Malgré tout, le gouvernement fédéral s'est engagé à maintenir le cap et il injectera encore 19 milliards de dollars en incitatifs budgétaires durant l'exercice en cours. Mais il a bien fait savoir que, après 2011-2012, la priorité consistera à effacer le déficit. Pour y parvenir, il devra imposer, comme prévu, des mesures d'austérité pendant plusieurs années. Les dépenses seront réduites aux postes les moins importants; les ministères ont vu leurs budgets gelés, ce qui les obligera à assumer les augmentations de salaires par voie d'attrition. Alors, si le gouvernement parvient à atteindre ces cibles exigeantes, nous croyons que la situation du fédéral s'améliorera de belle façon : le déficit estimé à 47 milliards de dollars en 2009-2010 serait ramené à seulement 1 milliard de dollars en 2013-2014.

À l'instar du gouvernement fédéral, les gouvernements provinciaux ont accumulé, ensemble, un imposant déficit de 48,2 milliards de dollars en 2009, leur déficit collectif le plus élevé de tous les temps. Cependant, la ressemblance aura tôt fait de cesser. Car si le déficit provincial devrait diminuer de près de 10 milliards de dollars en 2010 (surtout à la faveur d'une conjoncture plus propice), les provinces parviendront difficilement à améliorer leur situation de façon significative par la suite. Leur principal défi résultera de la hausse des dépenses en santé, conséquence du vieillissement de la population. La reprise prévisible à moyen terme et la fin des incitatifs consentis et financés par les provinces aideront celles-ci à

ramener leur déficit combiné à environ 34 milliards de dollars en 2011, mais même si elles touchent leurs objectifs, optimistes, de contrôle de la croissance des dépenses, elles afficheront encore un imposant déficit de quelque 24 milliards de dollars en 2014.

Puisque l'activité atteint son plus fort sur de nombreux chantiers, les dépenses en infrastructures des divers paliers de gouvernement continueront d'augmenter d'ici la fin de l'année, et tôt en 2011. Ensuite, les dépenses devraient diminuer assez rapidement. En 2010, les dépenses publiques réelles en infrastructures totaliseront

55,2 milliards de dollars, ce qui représente 4,1 p. 100 du PIB. Cela aura constitué la vague d'immobilisations la plus forte de l'histoire récente. Le ralentissement des dépenses en infrastructures qui s'amorcera en 2011 surviendra en même temps qu'une période d'austérité budgétaire promettant de restreindre considérablement la croissance des dépenses de programmes. Globalement, les dépenses réelles de tous les paliers de gouvernement à l'égard des programmes et des investissements ne progresseront que de 1,4 p. 100 en 2011, puis de 0,7 p. 100 en 2012. Rappelons que, dans les deux années précédentes, leur croissance aura frôlé les 5 p. 100.

¹ La regazéification du gaz naturel liquéfié figure dans le Système de classification des industries de l'Amérique du Nord sous le code 21111, exploitation minière, extraction pétrolière et gazière.

Newfoundland and Labrador

- Large investments in natural resources, manufacturing, and infrastructure will drive economic expansion in the medium term.
- The promise of a strong economic future will avert a return to the migratory outflows that characterized previous decades.

Real GDP

2010	Growth 3.8	Ranking #3
2011	Growth 4.8	Ranking #1

Credit Quality

A
Standard & Poor's

Retail Sales

2010	Growth 6.5	Ranking #6
2011	Growth 3.6	Ranking #6

Government & Background Information

Premier	Danny Williams
Next election	2012
Population (2010:2)	510,901
Government balance (2010-11)	-\$194 million
Sources: The Conference Board of Canada, Newfoundland and Labrador Finance.	

Resource Projects Power Growth

by Kris Shaw

Soaring investment across a broad range of sectors will drive economic growth in Newfoundland and Labrador for several years. A strong outlook for commodities has stimulated new investments in metal mining, and oil companies continue to pour money into offshore development and exploration. Two satellite oil fields have recently come online, and the Hibernia partners are now waiting for the larger portion of their southern extension to be approved for development. Construction expenditures in the manufacturing industry are among the highest in the province, mostly because activity at the Long Harbour nickel-processing facility is escalating. The provincial government has also significantly increased the infrastructure budget. All told, investment expenditures are expected to increase by 25 per cent this year and by another 10 per cent next year!

With such an impressive investment profile, it is not surprising that the construction sector will lead the way in the near term, expanding at a breakneck pace over the next two years. New oil production from North Amethyst will halt the sharp contraction in mineral fuels output, but only temporarily. The offshore sector is

expected to resume its decline in 2012. The province's service industries, which barely slowed down during last year's recession, will post strong growth both this year and next, thanks largely to rebounding wholesale trade and a strong public sector. Overall, real GDP in Newfoundland and Labrador is forecast to grow 3.8 per cent in 2010 and 4.8 per cent in 2011.

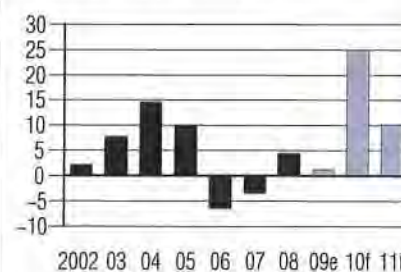
A rapidly expanding economy has helped to reverse the migration tide. After decades of outflows, Newfoundland and Labrador will post a third consecutive year of positive interprovincial migration in 2010. These new arrivals will enjoy bright job prospects. Employment is projected to increase 3 per cent per year from 2010 to 2012.

INVESTMENT SPENDING

Over the medium term, growth in Newfoundland and Labrador will be driven mainly by investment, with natural resource projects playing a pivotal role. For example, New Millennium is rapidly advancing the smaller of its two Labrador-based projects toward production. Construction cannot begin until final approval is granted (the company submitted its Environmental Impact Statement in early January), but the company believes the first phase of this US\$300-million project will reach production by the end of next

Investment Expenditures Set to Explode

(percentage change, nominal \$)



e = estimate

f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Economic Indicators (percentage change)

	2009	2010f	2011f
Real GDP (basic prices, 2002 \$)	-10.2	3.8	4.8
Consumer Price Index	0.3	2.4	1.9
Personal disposable income	5.6	3.5	4.3
Employment	-2.4	3.3	2.2
Unemployment rate (level)	15.5	14.4	13.2
Retail sales	1.6	6.5	3.6
Average weekly wages	2.9	3.1	3.3
Population	0.3	0.5	0.1

f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

year. Similarly, a plan to reactivate a copper-gold mine on the Baie Verte Peninsula was recently released from environmental assessment. An average of 90 workers will be employed over an eight-month period to upgrade the site's infrastructure, at an estimated cost of \$31 million. Spending in the offshore sector will also remain strong in the near term. Husky Energy, which owns stakes in both White Rose and Terra Nova, plans to spend \$485 million on its east coast operations this year, and the Hibernia partners will invest \$400 million into their platform over 2011–12.

An incredible amount of money is being poured into manufacturing facilities in the province. At the top of the list is the hydrometallurgical plant currently being built in Long Harbour to process nickel concentrate from the Voisey's Bay mine. Spending and employment at the site will spike this year as construction of the facility's infrastructure ramps up. The project's total capital cost is now pegged at US\$2.8 billion over four years. Meanwhile, North Atlantic Refining continues to eye a two-year, US\$310-million plan to improve efficiency at its refinery.

Medium-term growth in the province will be driven mainly by investment, with natural resource projects playing a pivotal role.

In addition to the aforementioned private initiatives, investment in Newfoundland and Labrador will be bolstered by the government's infrastructure plan. Substantial funds have been allotted to roads and highways, municipal projects, and health-care facilities. Total non-residential spending is forecast to grow 39 per cent in 2010 and another 22 per cent in 2011. Purchases of machinery and equipment will rise in concert, growing at double-digit rates in each of the next three years. The residential construction

sector will also provide a boost. Housing starts are expected to exceed 3,600 units this year, a new record high. Overall, investment of all types in Newfoundland and Labrador is expected to rise from \$4.5 billion in 2009 to \$7 billion by 2012.

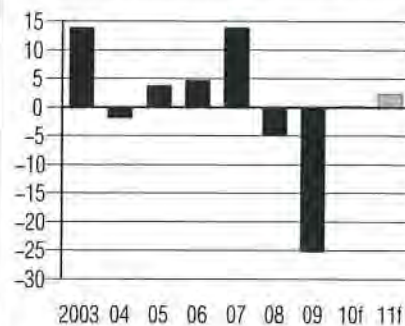
INDUSTRIAL OUTLOOK

The broad-based investment profile detailed above will have a large impact on the provincial construction industry. Real construction output is expected to rise from \$634 million in 2009 to \$901 million by 2011, a 42 per cent jump over two years. Most of the increase will be posted this year.

Thanks to North Amethyst, real output of mineral fuels is projected to remain flat in 2010 before growing modestly in 2011.

Positive offshore developments will slow the looming decline in oil production. Operations at North Amethyst, the first of three White Rose expansions, began in late May, and production will peak at about 37,000 barrels per day as additional wells are tied in. A pilot plan for the second extension, West White Rose, was submitted to the petroleum board last November. The operator intends to drill a pair of wells this year, to update its resource estimate (currently at 120 million barrels of recoverable crude oil) and improve its development strategy. Meanwhile, the Hibernia partners are awaiting regulatory approval for the rest of the Hibernia South extension. Thanks to production from North Amethyst, real output of mineral fuels is projected to remain flat in 2010 before growing a modest 2.3 per cent in 2011. Output will revert to its downward trend over the rest of the medium term, though there is an upside risk as neither West White Rose nor Hibernia South have been included in the forecast.

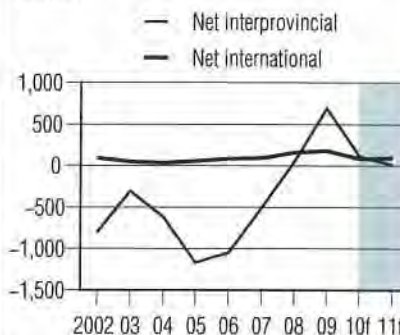
Oil Production Flattens in Near Term
(mineral fuels output, percentage change, 2002 \$)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Positive Net Migration Continues
(people)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Overall, goods-producing industries (which also include metal mining, manufacturing, and fishing and trapping) are forecast to expand 4.9 per cent in 2010 and 8.1 per cent in 2011 after contracting heavily last year. The province's service sector will continue to exhibit steady growth in the medium term. Wholesale trade will be one of the largest gainers this year. The volume of sales is expected to increase 9.7 per cent, thanks to higher retail sales and greater industrial demand for equipment, fuel, and other supplies. Newfoundland and Labrador's public sector (that is, public administration and non-commercial services, such as health care, social services, and education) will also post a large increase. The public

sector, which accounts for over a third of all services in the province, is expected to grow 3.9 per cent in 2010 and 1.4 per cent in 2011.

LABOUR MARKET

A rapidly expanding economy has helped reverse the tide of out-migration that has plagued the province for years. After decades of watching working-age people leave its shores in search of better opportunities, Newfoundland and Labrador now finds itself on the opposite side of the ledger. Interprovincial migration will be positive for the third consecutive year in 2010, before flattening out over the rest of the medium term. These returnees and new arrivals will enjoy bright job prospects. Employment in the province is projected

to increase by an average of 3 per cent per year from 2010 to 2012. A significant number of these new jobs will be in construction and primary industries. The unemployment rate, which averaged 15.5 per cent in 2009, will decline steadily over the forecast and is expected to fall below 11 per cent by the end of 2012.

A combination of rising wages and higher employment will generate strong income growth over the medium term. Indeed, labour income is expected to increase by more than 5 per cent in each of the next three years. And, as disposable incomes grow, so too will consumer spending. Nominal retail sales, an important indicator of underlying confidence, are expected to expand 6.5 per cent this year and 3.6 per cent next year. An area of particular strength is the

new motor vehicle market. Sales are up 16.8 per cent through the first five months of 2010 compared with the same period in 2009.

Forecast Risks



- Offshore production in the first half of the year has vastly outperformed initial projections. If this continues, mineral fuels may experience an upswing in 2010.



- The Hibernia South development, which is currently being reviewed by the offshore regulator, could further moderate the decline in oil production if approved.

Source: The Conference Board of Canada.

Key Economic Indicators: Newfoundland and Labrador

(forecast completed July 20, 2010)

	2009:1	2009:2	2009:3	2009:4	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4	2010	2011
GDP at market prices (current \$)	26,996 -14.0	26,395 -2.2	27,090 2.6	27,742 2.4	28,605 3.1	29,419 2.8	29,652 0.8	30,565 3.1	30,678 0.4	30,911 0.8	31,388 1.5	31,828 1.4	29,560 9.3	31,201 5.6
GDP at basic prices (current \$)	25,410 -14.7	24,771 -2.5	25,459 2.8	26,091 2.5	26,922 3.2	27,722 3.0	27,892 0.6	28,781 3.2	28,856 0.3	29,053 0.7	29,506 1.6	29,923 1.4	27,829 9.4	29,335 5.4
GDP at basic prices (constant \$ 2002)	16,649 -8.2	16,238 -2.5	16,388 0.9	16,505 0.7	16,499 0.0	16,910 2.5	17,269 2.1	17,594 1.9	17,647 0.3	17,811 0.9	17,968 0.9	18,115 0.8	17,068 3.8	17,885 4.8
Consumer Price Index (2002 = 1.0)	1.133 -0.8	1.150 1.6	1.151 0.1	1.151 0.0	1.166 1.3	1.171 0.4	1.176 0.4	1.182 0.5	1.186 0.4	1.192 0.5	1.198 0.5	1.208 0.8	1.174 2.4	1.196 1.9
Implicit price deflator— GDP at basic prices (2002 = 1.0)	1.526 -7.1	1.526 0.0	1.553 1.8	1.581 1.8	1.632 3.2	1.639 0.5	1.615 -1.5	1.636 1.3	1.635 0.0	1.631 -0.2	1.642 0.7	1.652 0.6	1.546 -4.3	1.640 0.6
Average weekly wages (\$, industrial composite)	744.1 0.2	747.7 0.5	749.8 0.3	759.4 1.3	762.2 0.4	770.8 1.1	777.7 0.9	784.6 0.9	790.9 0.8	796.6 0.7	802.1 0.7	807.6 0.7	773.8 3.1	799.3 3.3
Personal income (current \$)	16,156 1.3	16,268 0.7	16,334 0.4	16,519 1.1	16,592 0.4	16,861 1.6	17,065 1.2	17,265 1.2	17,467 1.2	17,600 0.8	17,842 1.4	18,072 1.3	16,946 3.8	17,745 4.7
Personal disposable income (current \$)	13,103 1.6	13,268 1.3	13,338 0.5	13,466 1.0	13,483 0.1	13,713 1.7	13,851 1.0	14,001 1.1	14,145 1.0	14,236 0.6	14,430 1.4	14,614 1.3	13,762 3.5	14,356 4.3
Personal savings rate	4.67	3.95	3.54	2.68	1.05	2.19	2.73	2.80	2.74	2.66	2.79	2.76	3.71	2.74
Population of labour force age (000s)	428 0.1	428 0.1	429 0.2	430 0.2	431 0.2	432 0.1	432 0.1	433 0.1	433 0.1	433 0.1	434 0.1	434 0.1	429 0.6	434 0.4
Labour force (000s)	253 0.1	252 -0.2	256 1.5	256 0.0	258 0.6	259 0.6	260 0.2	260 0.2	260 0.0	261 0.2	262 0.3	263 0.3	254 0.2	261 0.8
Employment (000s)	215 -1.2	214 -0.7	215 0.5	215 0.2	219 1.7	222 1.2	223 0.6	224 0.4	225 0.3	225 0.3	228 1.0	230 0.9	215 -2.4	227 2.2
Unemployment rate	14.8	15.3	16.1	16.0	15.0	14.5	14.2	14.0	13.7	13.6	13.0	12.6	15.5	13.2
Retail sales (current \$)	6,901 -1.2	7,103 2.9	7,212 1.5	7,265 0.7	7,494 3.2	7,550 0.7	7,612 0.8	7,680 0.9	7,744 0.8	7,796 0.7	7,889 1.2	7,996 1.4	7,584 6.5	7,857 3.6
Housing starts (units)	3,425 -6.6	2,748 -19.8	2,774 0.9	3,280 18.3	5,327 62.4	3,900 -26.8	3,240 -16.9	3,171 -2.1	3,098 -2.3	3,083 -0.5	2,971 -3.6	2,969 -0.1	3,909 27.9	3,030 -22.5

White area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

Prince Edward Island

- Government infrastructure spending and residential construction will fuel an investment boom in Prince Edward Island through 2011.
- PEI consumers are feeling better about the economy as personal income rises and retail sales increase rapidly in 2010.

Real GDP

Year	Growth	Ranking
2010	2.7	#6

Year	Growth	Ranking
2011	3.3	#4

Credit Quality

A
Standard & Poor's

Retail Sales

Year	Growth	Ranking
2010	9.1	#1

Year	Growth	Ranking
2011	3.4	#7

Government & Background Information

Premier: Robert Ghiz

Next election: 2011

Population (2010:2): 141,551

Government balance (projected 2010–11): –\$54.9 million

Sources: The Conference Board of Canada; P.E.I. Finance.

P.E.I. Continues to Perform Well

by Eric Thomson

The economy continues to gain momentum in Prince Edward Island as construction activity increases and public infrastructure projects support growth through 2011.

Real GDP is expected to grow 2.7 per cent in 2010 and 3.3 per cent in 2011, which is more modest than other provinces because P.E.I. was the only province not to experience a contraction in 2009.

Investment in P.E.I. during the recession was much stronger than in the rest of Canada and it continues to be through the recovery.

Construction is booming this year due to buoyant residential investment. Strong construction growth will continue into 2011 as the P.E.I. government breaks ground on a wind farm initiative expected to cost \$1 billion and create \$218 million in local construction spending over five years. On the service side of the economy, wholesale and retail trade will recover substantially in 2010. Other service industries, such as finance and public administration, are expected to make decent gains.

Agricultural output will fall this year due to weak foreign demand for potatoes and a substantial reduction in the live animal industry (mainly hogs). Potato seeding is slightly lower in 2010 than it was in 2009, indicating that production will stagnate this year. However, as the American economy recovers in 2011, agriculture is forecast to fare better.

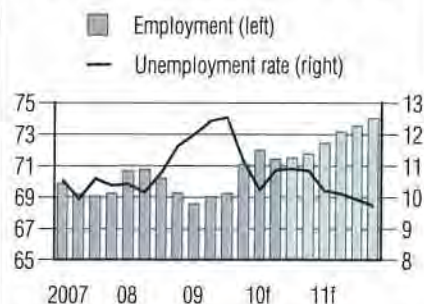
Employment on the Island is expected to grow by 2,200 jobs in 2010 and 1,600 jobs in 2011. As employment rises, the unemployment rate will drop below 10 per cent in 2011. Islanders are loosening their purse strings; retail sales are expected to rise by 9.1 per cent in 2010, the highest among the provinces, and 3.4 per cent in 2011.

SOLID RESIDENTIAL AND PUBLIC INVESTMENT

Investment in P.E.I. during the recession was much stronger than in the rest of Canada and it continues to be through the recovery. Residential investment began to recover in the third and fourth quarter of 2009, earlier than in many other provinces, and quite strongly as housing starts doubled between the first and last quarters of 2009. Residential construction will grow strongly again in 2010 from some carry-over from strong housing starts at the end of 2009. As financing rates move up, the boom in

P.E.I. Unemployment Falls Near Record Low

(employment, 000s; unemployment rate, per cent)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Economic Indicators (percentage change)

	2009	2010f	2011f
Real GDP (basic prices, 2002 \$)	0.5	2.7	3.3
Consumer Price Index	–0.1	1.9	1.9
Personal disposable income	4.3	2.6	4.0
Employment	–1.1	3.2	2.3
Unemployment rate (level)	12.0	10.7	10.0
Retail sales	–0.3	9.1	3.4
Average weekly wages	3.7	2.7	2.1
Population	1.0	0.9	0.7

f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

residential construction is expected to cool off through the fourth quarter of 2010 and all of 2011 due to slightly fewer single-housing starts, which are expected to fall from 594 in 2010 to 570 in 2011.

Although stimulus spending is winding down in many provinces, investment will continue to soar in 2011 as the P.E.I. government breaks ground on a sizable wind farm project that will generate additional economic activity over the next five years. The goal of the wind farm project is to generate 500 megawatts (MW) of power by the end of 2013. When phase 1 is completed at the end of 2011, 100MW of wind power are expected to be online. Overall, the project is expected to create 850 construction jobs and over \$200 million of local construction spending over the next five years.

AGRICULTURE STILL LAGS

Agriculture and fishing were particularly hard hit by the recession. Production for agricultural goods, especially potatoes, fell dramatically. Potato production was down 4.6 per cent in 2009. Even though the American economy is recovering, potato seeding is down due to a strong Canadian dollar and an announcement by McCain Foods Limited in February 2010 that it will reduce purchases of potatoes by 20 to 30 per cent for the coming season. Although potato order volumes are down significantly, potato seeding is down only 0.5 per cent from 2009, which may provide some upside risk to the industry for 2010. Other agricultural indicators are mixed: the number of head of cattle and hogs is down significantly, but grain and oilseed production is expected to rise. Overall, the agricultural sector is expected to contract by 5.5 per cent in 2010; however, as the American economy stabilizes in late 2010 and into 2011, agriculture production is expected to grow and return to more normal volumes.

SEAFOOD DEMAND STILL RECOVERING

Lobster and other seafood producers were hit hard during the recession due to declining demand for luxury seafood products. Despite record lobster landings, low prices damaged the livelihoods of many fishers. As well, the nominal value of prepared and frozen lobster exports fell 34 per cent. A slight recovery is expected; output of fishing and trapping is expected to rise by 1.7 per cent this year. Although lobster and other seafood prices have increased, early reports indicate that the catch has remained virtually unchanged from last year. However, the Gulf of Mexico oil spill may have a slight positive effect on the seafood and seafood-manufacturing industries in P.E.I., although it has had a disastrous impact on Gulf fishers. The demand for P.E.I. oysters has increased dramatically since the oil spill damaged the supply and the brand of Gulf of Mexico oysters. A representative of one P.E.I. oyster producer, Leslie Hardy & Sons, has said that its shipments of oysters are up nearly 10 per cent since the beginning of the spill. Furthermore, some restaurants have been substituting mussels for crab and shrimp due to the increased prices. P.E.I. is expected to have more mussel supply this year, so it is likely that mussel sales will be up this year.

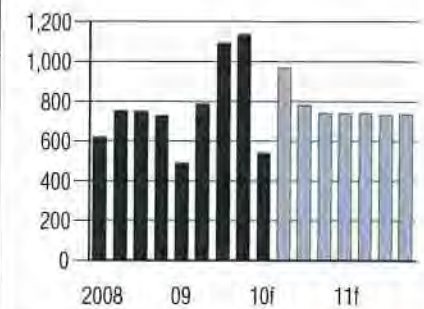
The demand for P.E.I. oysters has increased dramatically since the oil spill damaged the supply and the brand of Gulf of Mexico oysters.

EMPLOYMENT AND WAGES OUTLOOK EXCELLENT

The employment outlook is bright for the next two years. The Island economy is expected to add 2,200 jobs in 2010 and a further 1,600 in 2011. Nearly all of the positions are expected to be in the service

Strong Housing Starts Expected to Cool in 2011

(units)

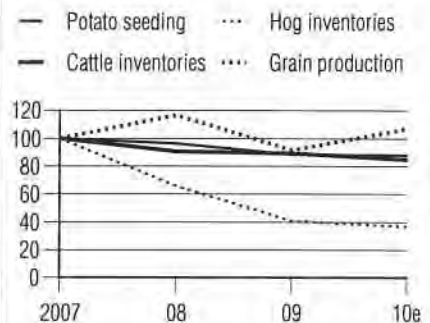


f = forecast

Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Agricultural Indicators Falling

(index, 2007 = 100)



e = estimate

Sources: The Conference Board of Canada; Statistics Canada.

sector because the agriculture and manufacturing sectors are slowly gaining momentum. Already, there have been several positive developments for P.E.I. service sector employment, including the announcement of Ceapro, a bioscience research firm, expanding and the addition of 150 call centre jobs by Advantage Communication Inc. and Virtual-Agent Services. By the end of 2010, P.E.I. should have an unemployment rate of less than 10 per cent for the first time since 2007, and it is expected to stay below that through 2011. Within the goods-producing industries, construction is expected to add 900 positions to its ranks in 2011, mainly from labour demand for the wind farm project. Manufacturing

should see a modest gain of 200 workers in 2011 as U.S. demand continues to recover.

The increase in employment is forecast to boost disposable income in P.E.I. by 2.6 per cent in 2010 and 4.0 per cent in 2011, which will drive retail sales up 9.1 per

cent in 2010—the highest of all provinces. The minimum wage will also rise from \$8.40 to \$9.00 in October, which will result in an additional boost to incomes. Retail sales are also expected to continue to grow, although more modestly, at 3.4 per cent in 2011 as domestic growth normalizes.

Forecast Risks



- Although the current year forecast for agriculture is poor, potato seeding is down only slightly versus 2009, creating upside potential for the sector.



- Strengthened economic growth will allow the provincial treasury to slay its deficit. However, prudent expenditure management will be required to ensure that future core program spending targets can be met.

Source: The Conference Board of Canada.

Key Economic Indicators: Prince Edward Island

(forecast completed July 20, 2010)

	2009:1	2009:2	2009:3	2009:4	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4	2009	2010	2011
GDP at market prices (current \$)	4,552 -0.3	4,562 0.2	4,628 1.5	4,714 1.8	4,719 0.1	4,771 1.1	4,859 1.8	4,918 1.2	5,015 2.0	5,087 1.4	5,140 1.0	5,192 1.0	4,614 -0.1	4,817 4.4	5,109 6.1
GDP at basic prices (current \$)	4,182 -0.2	4,183 0.0	4,248 1.6	4,329 1.9	4,327 0.0	4,376 1.1	4,449 1.7	4,502 1.2	4,591 2.0	4,654 1.4	4,701 1.0	4,748 1.0	4,236 0.1	4,414 4.2	4,674 5.9
GDP at basic prices (constant \$ 2002)	3,748 -1.3	3,750 0.1	3,790 1.1	3,846 1.5	3,841 -0.1	3,868 0.7	3,907 1.0	3,931 0.6	3,974 1.1	4,003 0.7	4,029 0.6	4,056 0.7	3,783 0.6	3,887 2.7	4,016 3.3
Consumer Price Index (2002 = 1.0)	1,151 -1.4	1,175 2.1	1,184 0.8	1,183 -0.1	1,189 0.5	1,192 0.2	1,197 0.5	1,204 0.5	1,208 0.4	1,215 0.5	1,220 0.5	1,231 0.8	1,173 -0.1	1,195 1.9	1,218 1.9
Implicit price deflator— GDP at basic prices (2002 = 1.0)	1,116 1.1	1,116 0.0	1,121 0.5	1,126 0.4	1,126 0.1	1,131 0.4	1,139 0.6	1,145 0.6	1,155 0.9	1,163 0.6	1,167 0.4	1,171 0.3	1,120 -0.5	1,135 1.4	1,164 2.5
Average weekly wages (\$, industrial composite)	607.4 1.5	615.1 1.3	612.1 -0.5	613.7 0.3	619.6 1.0	625.8 1.0	633.2 1.2	635.1 0.3	635.4 0.0	639.3 0.6	643.4 0.6	647.5 0.6	612.1 3.7	628.4 2.7	641.4 2.1
Personal income (current \$)	4,112 -0.1	4,187 1.8	4,203 0.4	4,217 0.3	4,211 -0.1	4,295 2.0	4,342 1.1	4,375 0.7	4,422 1.1	4,473 1.1	4,521 1.1	4,569 1.1	4,180 3.5	4,306 3.0	4,496 4.4
Personal disposable income (current \$)	3,326 0.1	3,405 2.4	3,421 0.5	3,428 0.2	3,412 -0.5	3,477 1.9	3,509 0.9	3,533 0.7	3,566 0.9	3,602 1.0	3,641 1.1	3,680 1.1	3,395 4.8	3,483 2.6	3,622 4.0
Personal savings rate	-5.57	-4.17	-4.61	-6.36	-9.46	-9.22	-8.62	-8.54	-8.60	-8.66	-8.52	-8.55	-5.18	-8.96	-8.58
Population of labour force age (000s)	115 0.0	116 0.4	116 0.5	116 0.1	117 0.2	117 0.3	117 0.3	118 0.3	118 0.2	118 0.3	119 0.3	119 0.3	116 1.2	117 1.0	118 1.1
Labour force (000s)	78 -0.6	79 1.2	79 0.3	80 1.1	80 0.3	80 0.0	80 0.1	80 0.2	81 0.3	81 0.9	82 0.3	82 0.4	79 0.3	80 1.6	81 1.5
Employment (000s)	69 -1.1	69 0.7	69 0.2	71 2.7	72 1.3	71 -0.7	72 0.1	72 0.3	72 1.0	73 1.0	74 0.5	74 0.6	69 -1.1	72 3.2	73 2.3
Unemployment rate	12.0	12.4	12.5	11.1	10.2	10.9	10.9	10.8	10.2	10.1	9.9	9.7	12.0	10.7	10.0
Retail sales (current \$)	1,641 -2.3	1,668 1.7	1,697 1.7	1,719 1.2	1,787 4.0	1,839 2.9	1,851 0.7	1,858 0.4	1,870 0.7	1,890 1.0	1,904 0.8	1,924 1.0	1,681 -1.3	1,834 9.1	1,897 3.4
Housing starts (units)	490 -32.8	787 60.8	1,093 38.9	1,138 4.1	538 -52.7	967 79.6	782 -19.1	740 -5.3	741 0.2	741 -0.1	732 -1.2	734 0.4	877 23.2	757 -13.7	737 -2.6

White area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

Nova Scotia

- The government will begin to unwind the stimulus infrastructure spending next year.
- Mining will receive a boost from Deep Panuke's natural gas field, starting in the middle of 2011.

Real GDP

Year	Growth	Ranking
2010	2.6	#8

Year	Growth	Ranking
2011	1.8	#9

Credit Quality

A+
Standard & Poor's

Retail Sales

Year	Growth	Ranking
2010	7.7	#3

Year	Growth	Ranking
2011	4.1	#5

Government & Background Information

Premier	Darrell Dexter
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Next election	2014
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Population (2010:2)	940,482
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Government balance (2010-11)	-\$222 million
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Source: The Conference Board of Canada.

Economy Rebounds From Recession

by Prince Owusu

Nova Scotia's economy has emerged from last year's recession. With the exception of the agriculture and mining sectors where weaknesses still abound, key indicators for the rest of the economy have posted gains so far this year and the momentum will help lift real GDP up by 2.6 per cent this year. Looking ahead, real GDP growth is expected to decelerate to 1.8 per cent in 2011, as the government begins to unwind its recession-fighting stimulus measures and the two percentage points hike to the HST moderates consumer spending.

The job market has improved over last year's listless activity and is on course to add over 8,860 jobs to the economy over 2010-11, thus helping to bring the unemployment rate down to 8.2 per cent by the end of next year. The employment gains and increased industrial production will help boost domestic trade in the near term. The resilient housing market has invigorated the finance, insurance, and real estate industry this year, and the industry will continue to prosper next year given its versatility.

On the goods-producing side, the outlook is mixed. The sizzling housing market and the final tranche of the \$800-million infrastructure stimulus spending by the

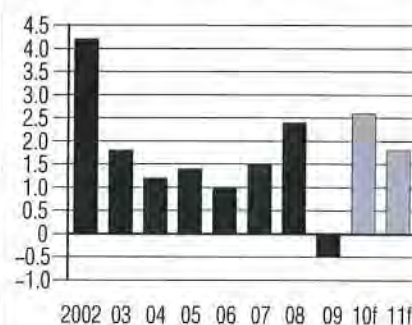
government will sustain the construction industry this year. However, with continued weakness in business investment, the impending unwinding of the stimulus package, and the cooling down of the housing market next year, real construction output will contract. Conversely, declining natural gas production from the Sable offshore field will dampen growth in the mining industry this year while new production from the Deep Panuke field in the middle of 2011 will help lift the industry forward. The recession-weary manufacturing industry is expected to recover and to advance further next year.

Natural gas production fell to an all-time low average of 278.4 million cubic metres a month in the first half of this year.

PRIMARY RESOURCE SECTOR OUTLOOK

Following a 13.6 per cent decline last year, the resource-producing sector is expected to contract again by 2.7 per cent this year as mining and agriculture output continue to drop and fishing and trapping grinds to a halt. In fact, natural gas production fell 13.8 per cent in the first half of this year compared with the same period last year, bringing production to an all-time low

Economy Rebounds
(GDP, percentage change, 2002 \$)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Economic Indicators (percentage change)

	2009	2010f	2011f
Real GDP (basic prices, 2002 \$)	-0.5	2.6	1.8
Consumer Price Index	-0.1	3.0	2.9
Personal disposable income	2.7	2.5	3.4
Employment	0.0	0.7	1.3
Unemployment rate (level)	9.2	8.7	8.2
Retail sales	0.1	7.7	4.1
Average weekly wages	1.8	2.1	2.2
Population	0.2	0.3	0.2

f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

average of 278.4 million cubic metres a month. This has prompted the owners of the Sable offshore natural gas project to cancel the planned extension of the life of the project. The outlook is, however, bright for the sector next year. Natural gas production is expected to begin in the middle of next year on the Deep Panuke natural gas field currently under construction. This new source will help increase mining output by 3.1 per cent in 2011. The fishing industry is getting new technology that will make shipments of live lobster and other shellfish to Europe feasible. This will help boost prices and encourage fishers back to the sea. Forestry is the only resource sector to see uninterrupted growth over the next two years. Increased demand for forest products south of border is boosting logging operations in the province and will help lift forestry output by 10.3 per cent over 2010–11.

MANUFACTURING AND CONSTRUCTION

Manufacturers are benefiting from the recovery south of the border. In particular, stronger car sales are boosting the province's tire production, its key export product. As well, aerospace, petroleum and coal, and recyclable metal products are enjoying respectable growth, helping to lift manufacturing output up by 3 per cent over 2010–11, compared with a 3.9 per cent contraction over the last two years. The economic recovery has also led to the revival of a number of shutdown plants. Keata Pharma, a pharmaceutical plant in Sydney, is set to resume operations this year. TrentonWorks, formally a railcar manufacturer, is set to re-open as a manufacturer of wind turbines. And Montréal-based pulp and paper giant AbitibiBowater is now producing at full capacity at its plant in Brooklyn, Nova Scotia, after several months of production curtailment.

Shipbuilders are busy this year as Halifax Shipyard ramps up work on its \$549-million contract to repair and maintain seven of Canada's navy frigates. The

shipyard is also building a \$60-million supply vessel for the Deep Panuke offshore natural gas project. More recently, it was awarded a \$194-million contract to build nine new patrol vessels for the Canadian Coast Guard. Work on these projects is expected to accelerate this year. The contracts will result in 155 new jobs at the shipyard.

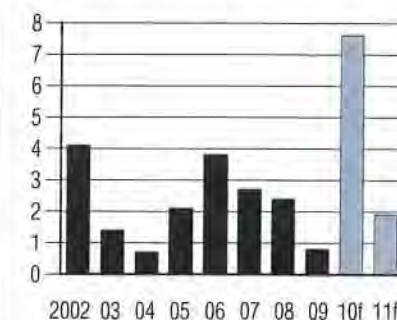
The 2011 Canada Winter Games in Halifax will help lift growth in commercial services from 1.1 per cent this year to 4.3 per cent next year.

The construction industry is benefiting from the final tranche of the \$800-million stimulus infrastructure spending plan this year. In addition, housing starts have had tremendous success in the first half of this year as Nova Scotians took advantage of the \$7,000 tax rebate on construction of new homes to buy before the HST hike took effect on July 1. Next year is expected to be a tough one for construction workers as investment is forecast to slow down markedly for all segments of the industry. Housing starts are set to decline as borrowing costs rise, thereby limiting residential investment. The government's infrastructure stimulus spending is also set to complete its course. In addition, business investment is expected to drop by 9.4 per cent in 2011 as construction on the Deep Panuke project comes to an end and production begins. Taken together, construction output is expected to decline by 7.8 per cent in 2011.

DOMESTIC DEMAND OUTLOOK

The services-producing industries will continue to provide key support to the provincial economy in the near term. The province's versatile finance and insurance industry continues to expand. Flagstone Reinsurance Holdings Inc. and hedge fund advisor Castle Hall are both expanding their operations in Halifax. In addition, with the surge in real estate activities in the first half

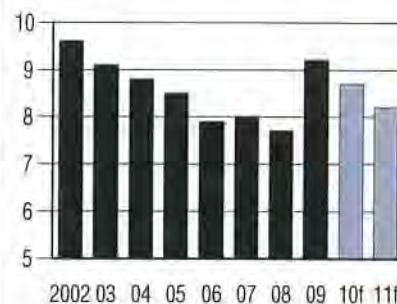
Surge in Wholesale and Retail Trade
(percentage change, 2002 \$)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Unemployment Rate Slowly Heading Down
(per cent)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

of this year, the finance, insurance, and real estate industry is expected to advance by 2.7 per cent this year and next.

The provincial job market has turned around, with 5,700 new jobs added to the economy in the first half of this year; by the end of next year, over 8,860 new jobs could be added to the economy. The job gains will bolster personal disposable income and help drive consumer demand. In fact, wholesale and retail trade is expected to expand by 7.6 per cent this year, with most of the gains coming in the first half of this year as households and businesses stocked up on big-ticket items before the HST hike came into effect in early July. The HST hike is expected to slow wholesale and retail trade next year, as growth decelerates to 1.9 per cent.

Also, the income gains will help lift growth in personal services and patronage at amusement centres and restaurants. The 2011 Canada Winter Games in Halifax and the resulting pickup in tourism-related activities will help lift growth in commercial services from 1.1 per cent this year to 4.3 per cent next year. This year, the government is expected to maintain spending on

priority areas—such as education, health care, and social services—but 2011 will be a year of belt tightening as the government begins to rein in the deficit resulting from the recession. As a result, real output in the public sector—including public administration, defence, and education, health, and social services—will decelerate from 2.4 per cent this year to 1.6 per cent in 2011.

Forecast Risks

Short term



- A weaker-than-expected recovery south of the border could dampen growth prospects in the manufacturing industry in 2010.

Medium term



- Confirmation of recoverable onshore shale natural gas reserves could bring huge benefits to the province.

Source: The Conference Board of Canada.

Key Economic Indicators: Nova Scotia

(forecast completed July 20, 2010)

	2009:1	2009:2	2009:3	2009:4	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4	2010	2011
GDP at market prices (current \$)	33,175 -1.6	32,992 -0.6	33,129 0.4	34,009 2.7	34,407 1.2	34,630 0.6	36,032 4.1	36,707 1.9	37,096 1.1	37,081 0.0	37,611 1.4	38,125 1.4	35,444 -2.6	37,478 5.7
GDP at basic prices (current \$)	30,565 -1.6	30,319 -0.8	30,446 0.4	31,294 2.8	31,637 1.1	31,838 0.6	33,138 4.1	33,771 1.9	34,098 1.0	34,024 -0.2	34,516 1.4	34,990 1.4	32,596 -2.7	34,407 5.6
GDP at basic prices (constant \$ 2002)	26,751 -0.7	26,563 -0.7	26,572 0.0	27,076 1.9	27,283 0.8	27,393 0.4	27,440 0.2	27,576 0.5	27,719 0.5	27,811 0.3	27,958 0.5	28,150 0.7	26,740 -0.5	27,910 1.8
Consumer Price Index (2002 = 1.0)	1.141 -0.8	1.158 1.5	1.167 0.8	1.164 -0.2	1.172 0.7	1.179 0.6	1.206 2.3	1.212 0.5	1.216 0.4	1.223 0.5	1.229 0.5	1.235 0.5	1.157 -0.1	1.192 3.0
Implicit price deflator— GDP at basic prices (2002 = 1.0)	1.143 -0.9	1.141 -0.1	1.146 0.4	1.156 0.9	1.160 0.3	1.162 0.2	1.208 3.9	1.225 1.4	1.230 0.4	1.223 -0.5	1.235 0.9	1.243 0.7	1.146 -2.3	1.189 3.7
Average weekly wages (\$, industrial composite)	687.8 0.7	689.7 0.3	690.4 0.1	689.8 -0.1	710.6 3.0	701.1 -1.3	700.8 0.0	702.7 0.3	710.1 1.1	717.3 1.0	722.7 0.7	728.2 0.8	689.4 1.8	703.8 2.1
Personal income (current \$)	30,181 -0.5	30,360 0.6	30,519 0.5	30,791 0.9	31,002 0.7	31,133 0.4	31,368 0.8	31,636 0.9	32,007 1.2	32,293 0.9	32,614 1.0	32,965 1.1	30,463 1.4	32,470 3.8
Personal disposable income (current \$)	24,230 -0.1	24,521 1.2	24,688 0.7	24,863 0.7	24,976 0.5	25,103 0.5	25,236 0.5	25,430 0.8	25,688 1.0	25,905 0.8	26,161 1.0	26,441 1.1	24,576 2.7	26,049 3.4
Personal savings rate	-1.03	-1.32	-1.52	-3.00	-3.92	-3.81	-4.75	-4.68	-4.74	-4.81	-4.68	-4.71	-1.72	-4.73
Population of labour force age (000s)	771 0.1	772 0.1	773 0.1	774 0.2	775 0.1	775 0.1	777 0.1	777 0.1	778 0.1	779 0.1	780 0.1	781 0.1	773 0.5	780 0.5
Labour force (000s)	499 0.9	498 -0.2	498 0.1	501 0.5	496 -0.9	500 0.8	501 0.2	502 0.1	502 0.1	503 0.1	503 0.1	504 0.1	499 1.6	503 0.7
Employment (000s)	454 -0.2	452 -0.4	452 -0.1	454 0.4	450 -0.7	456 1.3	458 0.4	459 0.2	460 0.2	461 0.1	462 0.3	464 0.5	453 0.0	462 1.3
Unemployment rate	9.0	9.1	9.3	9.4	9.2	8.7	8.5	8.5	8.4	8.4	8.2	7.9	9.2	8.2
Retail sales (current \$)	11,674 -0.8	12,049 3.2	12,256 1.7	12,430 1.4	12,746 2.5	12,932 1.5	13,198 2.1	13,271 0.6	13,385 0.9	13,511 0.9	13,616 0.8	13,775 1.2	12,102 0.1	13,572 4.1
Housing starts (units)	2,956 -13.8	2,956 0.0	4,122 39.5	3,719 -9.8	4,604 23.8	4,233 -8.1	3,740 -11.6	3,495 -6.6	3,362 -3.8	3,285 -2.3	3,286 0.0	3,310 0.7	3,438 -13.7	3,311 16.9

White area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

New Brunswick

- Manufacturing industry sees light at the end of the tunnel.
- Tax cuts help to boost domestic wholesale and retail trade.

Real GDP

Year	Growth	Ranking
2010	2.6	#7

Year	Growth	Ranking
2011	1.7	#10

Credit Quality

AA-
Standard & Poor's

Retail Sales

Year	Growth	Ranking
2010	3.7	#9

Year	Growth	Ranking
2011	2.6	#10

Government & Background Information

Premier	Shawn Graham
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Next election	2010
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Population (2010:2)	751,273
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Government balance (2010-11)	-\$749 million
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Source: The Conference Board of Canada.

Jobless Recovery

by Prince Owusu

The provincial economy has rebounded from last year's minor recession, with the housing, mining, manufacturing, and domestic trade sectors all advancing since the beginning of the year. The momentum will help lift real GDP by 2.6 per cent this year; however, this will not translate into job gains. In fact, the economy is expected to shed about 860 jobs and will push the unemployment rate up to 8.9 per cent this year.

Natural gas regasification from the newly built Canaport terminal and the resumption of potash production (PotashCorp undertook temporary downtime early this year), will help boost mining output by 33.7 per cent this year; however, the good times in the mining industry will be short-lived. The Brunswick mine is expected to shut down next year. Manufacturing has picked up in response to the recovery south of border, and the strong gains are benefiting wholesalers in the province.

The domestic economy is expected to remain healthy despite the lack of job creation. Tax cuts amounting to \$541.2 million over 2010-11 will help support consumer demand in the short term. On the construction side, half of the \$1.6 billion in infrastructure stimulus spending by the government is expected to flow through the economy this year, helping to minimize the lull in

private non-residential investment. Next year, the drop in construction will be deeper, as all components—residential, public, and private non-residential investment—head down. As a result of the weakness in the construction and mining sectors, real GDP growth will slow to 1.7 per cent in 2011.

McCain Food's decision to reduce its potato sourcing from the province by up to 30 per cent will hamper the potato harvest this year.

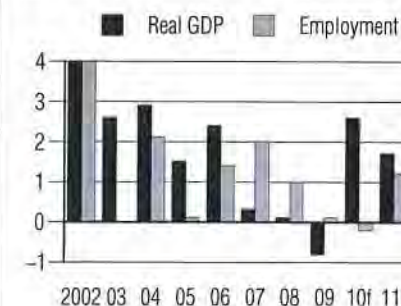
TAX CUTS SUSTAINING DOMESTIC DEMAND

Employers have been slow to add to their payroll since the economy began showing signs of recovery at the beginning of the year. In fact, a total of 2,900 jobs has been lost in the first half of this year, but these losses are expected to narrow to 860 jobs by the end of the year, pushing the unemployment rate to an average of 8.9 per cent in 2010. However, job creation will pick up next year. A total of 4,390 jobs are expected to be added to the economy in 2011, thus helping to bring the unemployment rate down to 8.4 per cent.

In spite of the labour market woes, retail and wholesale trade has improved this year. Retail sales are up 7.4 per cent in the first

Job Growth Lagging the Economic Recovery

(GDP, 2002 \$; employment, percentage change)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Economic Indicators (percentage change)

	2009	2010f	2011f
Real GDP (basic prices, 2002 \$)	-0.8	2.6	1.7
Consumer Price Index	0.3	2.2	1.8
Personal disposable income	3.2	2.8	3.6
Employment	0.1	-0.2	1.2
Unemployment rate (level)	8.8	8.9	8.4
Retail sales	0.7	3.7	2.6
Average weekly wages	1.2	3.2	2.2
Population	0.3	0.3	0.2

f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

five months of this year. Housing starts are also up 28.8 per cent in the first half of this year compared with the same period last year, thanks in good part to \$541 million in income tax cuts from the provincial government to New Brunswickers over the next two years. With improvements in the global economy, business services (including call centre operations) should see improvements as well. Professional Quality Assurance Ltd.—an information technology firm involved in e-learning, software testing, and content quality assurance—plans to add 300 staff to its payroll. This will help offset some of the recent losses in the call centre industry and allow the commercial services sector to advance by an average of 1.5 per cent per year over 2010–11, compared with the 0.4 per cent decline it suffered last year. With the equity and credit markets improving, growth in the finance, insurance, and real estate industry is expected to expand by 2.2 per cent per year over the next two years.

RESOURCE SECTOR OUTLOOK IS MIXED

The outlook for the resource sector is mixed. McCain Food's decision to reduce its potato sourcing from the province by up to 30 per cent will hamper the potato harvest this year, but the government's initiative to bring new land into production and to improve productivity of existing land through sustainable crop rotation will help lift agriculture output from a 3.6 per cent decline in 2010 to an increase of 4.7 per cent next year. The fishing and trapping industry will sustain a 4.5 per cent contraction this year as the government reduces crab quotas by 63 per cent along the Gulf of St. Lawrence on top of the suspension of scallop fishery until next year. The industry will however recover next year, growing by 1.8 per cent as the scallop ban is lifted. The mining industry is expected to enjoy tremendous success this year as natural gas regasification, exploration

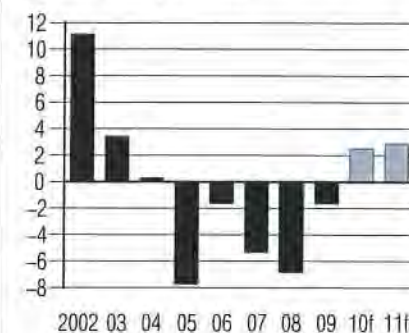
activities, and increased potash production help boost mining output by 33.7 per cent this year. These good times will be short-lived, however, as the Brunswick mine is expected to shut down next year, bringing mining output down by 1.8 per cent. Forestry is the only resource industry that will enjoy uninterrupted growth over the next two years, advancing by an average of 14.9 per cent per year as market conditions for forest products improve south of the border.

The construction industry will not recuperate quickly.

CONSTRUCTION IMPLODES WHILE MANUFACTURING REBOUNDS

The construction industry will not recuperate quickly. The construction boom came to an end last year with the completion of work on the concrete vault of the Point Lepreau nuclear plant refurbishment and on the Canaport terminal and its associated pipeline (a combined investment of more than \$2 billion). Last July, Irving Oil announced that it was cancelling its \$8-billion plan to build a second oil refinery, and that has also dashed hopes of good times ahead for construction workers in the province. Even though work is still progressing on PotashCorp's \$1.7-billion expansion, it will not be sufficient to provide the needed boost to business investment in the province over the next several years. While business investment will be weak, construction will nonetheless benefit from solid residential investment and the last tranche of the government's \$1.6-billion strategic stimulus infrastructure investment plan. The government is set to unwind the stimulus plan next year while rising mortgage rates will curtail residential investment. As a result, real construction output is projected to drop by an average of 3.1 per cent over 2010–11.

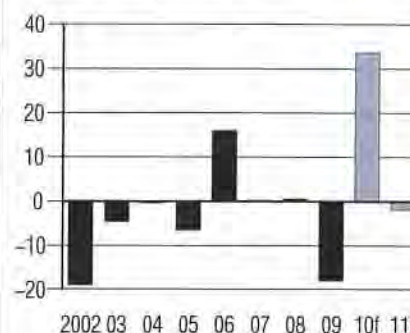
Manufacturing to Finally Turn Around
(percentage change, 2002 \$)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

New LNG Terminal Boosts Mining
(percentage change, 2002 \$)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

While the construction industry is struggling, the manufacturing sector is coming out of the doldrums. Manufacturing shipments from the province have recovered remarkably (up 9.4 per cent in the first five months of this year compared with the same period last year). Driving the rise in shipments are food and wood products. In addition, exports of recyclable metals and energy products have enjoyed remarkable success. A pickup in demand south of the border for these products will help lift growth in real manufacturing output from 2.5 per cent this year to 2.9 per cent next year. In addition to demand picking up south of the border, Moncton's Industrial

Rail Services is continuing work on its \$120-million contract to refurbish and upgrade Via Rail's passenger cars to make them more energy efficient and to improve their accessibility. Last December, Industrial

Rail Services received a \$22-million forgivable loan from the provincial government to help it expand its facility and create over 250 new jobs.

Forecast Risks



- A more sluggish recovery south of the border could interrupt the steady growth enjoyed by the manufacturing industry so far this year.



- Development of a second nuclear plant within the next few years could bolster construction activities.

Source: The Conference Board of Canada.

Key Economic Indicators: New Brunswick

(forecast completed July 20, 2010)

	2009:1	2009:2	2009:3	2009:4	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4	2009	2010	2011
GDP at market prices (current \$)	26,601 -0.5	26,125 -1.8	25,957 -0.6	26,205 1.0	26,765 2.1	27,475 2.7	27,560 0.3	28,193 2.3	28,442 0.9	28,693 0.9	29,229 1.9	29,380 0.5	26,222 -4.2	27,498 4.9	28,936 5.2
GDP at basic prices (current \$)	24,549 -0.3	24,024 -2.1	23,848 -0.7	24,071 0.9	24,589 2.2	25,282 2.8	25,286 0.0	25,886 2.4	26,086 0.8	26,291 0.8	26,796 1.9	26,916 0.4	24,123 -4.4	25,261 4.7	26,522 5.0
GDP at basic prices (constant \$ 2002)	21,208 0.3	20,841 -1.7	20,692 -0.7	20,823 0.6	21,313 2.4	21,406 0.4	21,447 0.2	21,542 0.4	21,643 0.5	21,741 0.5	21,845 0.5	21,970 0.6	20,891 -0.8	21,427 2.6	21,800 1.7
Consumer Price Index (2002 = 1.0)	1.118 -0.5	1.136 1.6	1.142 0.6	1.145 0.3	1.156 0.9	1.158 0.1	1.162 0.4	1.167 0.4	1.171 0.4	1.178 0.6	1.183 0.5	1.193 0.8	1.135 0.3	1.161 2.2	1.181 1.8
Implicit price deflator— GDP at basic prices (2002 = 1.0)	1.158 -0.6	1.153 -0.4	1.153 0.0	1.156 0.3	1.154 -0.2	1.181 2.4	1.179 -0.2	1.202 1.9	1.205 0.3	1.209 0.3	1.227 1.4	1.225 -0.1	1.155 -3.7	1.179 2.1	1.217 3.2
Average weekly wages (\$ industrial composite)	685.8 -1.0	688.7 0.4	704.6 2.3	701.9 -0.4	716.8 2.1	717.0 0.0	717.7 0.1	718.8 0.2	725.7 1.0	731.5 0.8	736.3 0.6	741.1 0.7	695.2 1.2	717.6 3.2	733.6 2.2
Personal income (current \$)	23,594 -0.4	23,686 0.4	23,939 1.1	24,154 0.9	24,263 0.5	24,335 0.3	24,480 0.6	24,700 0.9	24,999 1.2	25,205 0.8	25,463 1.0	25,724 1.0	23,843 1.8	24,444 2.5	25,348 3.7
Personal disposable income (current \$)	19,103 0.3	19,279 0.9	19,503 1.2	19,647 0.7	19,796 0.8	19,848 0.3	19,933 0.4	20,097 0.8	20,379 1.4	20,524 0.7	20,733 1.0	20,945 1.0	19,383 3.2	19,919 2.8	20,645 3.6
Personal savings rate	4.17	4.31	3.52	3.06	2.87	4.18	4.69	4.74	4.70	4.63	4.75	4.71	3.76	4.12	4.70
Population of labour force age (000s)	620 0.1	621 0.1	622 0.1	623 0.1	623 0.1	624 0.1	625 0.1	625 0.1	626 0.1	626 0.1	627 0.1	627 0.1	621 0.6	624 0.4	626 0.4
Labour force (000s)	403 -0.1	401 -0.5	402 0.2	403 0.3	402 -0.2	401 -0.3	401 0.0	402 0.3	403 0.2	404 0.2	405 0.2	405 0.1	402 0.4	401 -0.2	404 0.7
Employment (000s)	366 -0.5	366 -0.1	366 0.2	368 0.4	366 -0.6	365 -0.2	365 0.0	367 0.5	368 0.3	369 0.2	371 0.4	373 0.5	367 0.1	366 -0.2	370 1.2
Unemployment rate	9.1	8.7	8.8	8.7	9.0	8.9	8.9	8.7	8.6	8.6	8.4	8.0	8.8	8.9	8.4
Retail sales (current \$)	9,759 -1.3	9,879 1.2	10,313 4.4	10,420 1.0	10,565 1.4	10,407 -1.5	10,420 0.1	10,480 0.6	10,612 1.3	10,689 0.7	10,770 0.8	10,882 1.0	10,093 0.7	10,468 3.7	10,738 2.6
Housing starts (units)	3,505 -6.0	3,451 -1.5	3,504 1.5	3,624 3.4	4,389 21.1	4,567 4.0	3,326 -27.2	3,222 -3.1	3,187 -1.1	3,170 -0.5	3,174 0.1	3,208 1.1	3,521 -17.6	3,876 10.1	3,185 -17.8

White area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

Quebec

- The domestic economy is booming thanks to a solid revival in job growth and very favourable financing rates.
- More austere fiscal measures will hamper consumer spending in 2011–12.

Real GDP

Year	Growth	Ranking
2010	3.2	#5

Year	Growth	Ranking
2011	2.1	#7

Credit Quality

A+

Standard & Poor's

Retail Sales

Year	Growth	Ranking
2010	6.8	#5

Year	Growth	Ranking
2011	3.4	#8

Government & Background Information

Premier: Jean Charest

Next election: 2012

Population (2010:2): 7,886,108

Government balance (2010–11): -\$4.5 billion

Sources: Quebec Finance; Statistics Canada.

Recession, What Recession?

by Marie-Christine Bernard

All signs of economic hardship in Quebec have seemingly disappeared. The province has recuperated quickly from the 2008–09 downturn and is on its way to expand at a healthy pace this year. Real GDP at market prices is forecast to advance by 3.2 per cent in 2010. While economic indicators have been encouraging, the province will not maintain this pace of expansion in the near future. A heavier tax burden will significantly erode households' ability to continue to spend at a feverish pace. The economy will grow at a modest 2.1 per cent in 2011. Additional tax hikes will limit economic growth to less than 2.5 per cent on average over 2012–14. The provincial government announced in its last budget a host of fiscal measures to shore up government revenues and restore fiscal balance within the next three fiscal years.

The remarkable job creation of the last 12 months has boosted consumer demand for retail goods and new homes since the start of the year. The stellar new housing market, averaging over 52,000 units at annual rates in the past six months, is not sustainable. Higher borrowing costs combined with weaker demographic requirements

will restrain housing starts in 2011. While residential investment is forecast to decline, non-residential investment should perform well. Several ongoing mega projects will benefit the construction sector. There are enough large construction projects to keep non-residential investment growing until 2012. Exporters will be a positive force once again in Quebec, starting next year. With robust imports, the trade balance will continue to take away from bottom-line growth this year, but the trend will change next year. Most large export industries will have recovered by the end of the year. However, the aerospace industry is not expected to make a comeback right away. New jet orders are just starting to firm up and will translate into more intense production, but only in 2011.

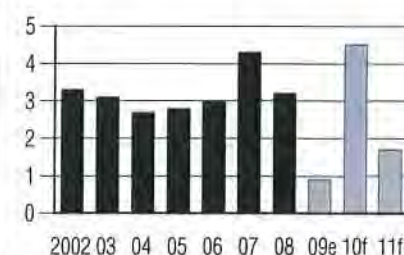
Housing demand will cool down over the remainder of the year and in 2011.

FIRST ELEMENT OF GOOD NEWS: JOBS

After an economic downturn, job creation typically lags the recovery in economic output. The job market in Quebec, however, has been very strong. Businesses have not hesitated to add additional workers; 116,000 new jobs have been created since June 2009. With such a feverish start, labour

New Taxes Take a Bite Out of Consumption

(consumption expenditures, percentage change, 2002 \$)



e = estimate

f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Economic Indicators (percentage change)

	2009	2010f	2011f
Real GDP (basic prices, 2002 \$)	-1.0	3.2	2.1
Consumer Price Index	0.6	1.6	3.2
Personal disposable income	2.1	3.2	3.8
Employment	-0.9	1.9	1.4
Unemployment rate (level)	8.5	7.9	7.8
Retail sales	-1.1	6.8	3.4
Average weekly wages	1.0	3.4	3.1
Population	1.0	0.9	0.7

f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

markets will cool in the second half of 2010. Job seekers may be disappointed to see that the pace of job creation will be more moderate next year; a total of 54,000 new jobs are forecast. As a result, the unemployment rate is expected to remain elevated at 7.8 per cent in 2011.

Of course, wages and salaries will benefit from the strength in the job market, with gains of 4.7 per cent expected in 2010 and 4.4 per cent in 2011. Real after-tax incomes will be restrained by new tax measures, and growth of 2.4 per cent and 1.5 per cent is anticipated over 2010–11. The most significant tax changes include a 1 percentage point increase in the Quebec sales tax (QST) next January, and another 1 point hike the following January. As well, the Quebec government is imposing a mandatory health-care contribution, starting July 1, 2010, which will pull in an extra \$280 million for provincial coffers in fiscal year 2010–11. That number will rise to \$575 million in 2011–12 and to \$945 million in 2012–13. Gasoline tax increases over the next three fiscal years will also limit disposable incomes in the province, while bringing in \$120 million this fiscal year. That number will rise steadily to reach \$480 million within four years. The heavier tax burden will dampen consumer spending, starting in 2011. This year, consumers have been spending generously; real consumer expenditures are forecast to rise by 4.5 per cent. Next year, growth will dwindle to just 1.7 per cent.

SECOND ELEMENT OF GOOD NEWS: INVESTMENT

So far this year, construction workers in Quebec have been busier than they have in over 35 years, according to the Commission de la construction du Québec. Housing starts are booming and so is the existing resale housing market. Low interest rates and a favourable labour market have encouraged many households to take advantage of these conditions. Housing demand will

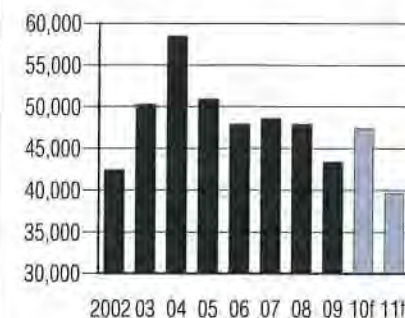
cool down over the remainder of the year. Higher financing rates and realignment of supply with demographic fundamentals will bring housing starts down from an average of 47,408 units in 2010 to 39,592 units in 2011. Real residential investment will follow this pattern, and is expected to gain 15.5 per cent this year and drop by 7.4 per cent next year.

While the U.S economy has emerged from recession, it continues to be challenging for the manufacturing sector in Quebec.

The recovery in the manufacturing sector has been modest so far this year, but businesses have forged ahead with major development plans. The most notable projects supporting the business investment outlook are the multi-year \$6.5-billion La Romaine hydroelectric complex in the Côte-Nord region, as well as a \$1.2-billion investment in the aluminium industry by Alcoa in Baie-Comeau. There are several small to medium-sized projects planned or currently under development in the mining industry. This year, major expansion projects include the Consolidated Thompson Lac Bloom iron-ore mine in Fermont and the \$1-billion Osisko open-pit gold mine in the Rouyn-Noranda region. Real non-residential investment is expected to advance by 5.5 per cent in 2010 and by a more tepid 2.4 per cent in 2011, as the peak of construction on the Eastmain-1A-Sarcelle-Rupert hydroelectric project was reached in 2009. Also supporting a favourable investment outlook is a swift rebound in building permits in the first few months of 2010.

After another solid expansion in 2010 (+8.1 per cent), real public capital expenditures are expected to decline by 0.8 per cent in 2011. The slowdown is attributable to the rollback of fiscal infrastructure stimulus extended over 2009–10. The level of

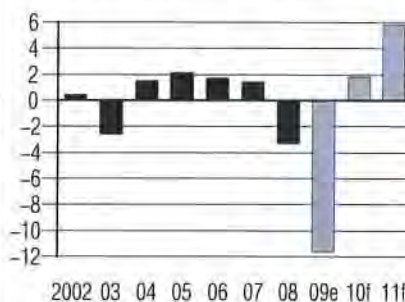
Superb Housing Market to Head Down
(housing starts, units)



f = forecast

Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Tepid Road to Recovery
(exports, percentage change, 2002 \$)



e = estimate

f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

public capital expenditures will nonetheless remain very elevated over the next five years—several major infrastructure projects are planned, such as Highway 30 in Montréal, the renovation of l'échangeur Turcotte (both estimated at \$1.5 billion each), and a variety of new and expanded health-care facilities such as the Centre universitaire de santé McGill in Montréal, a research centre at the Centre hospitalier de l'Université de Montréal, and the Sommets de la santé in Sherbrooke. These health-oriented projects will generate upwards of \$2.3 billion in investment over the next several years. The Centre hospitalier universitaire de Québec and l'hôpital Sainte-Justine are also planning half a billion dollars worth of investment projects over

the next few years; these expansions have not yet started.

NO VICTORY YET

While the U.S. economy has emerged from recession, it continues to be challenging for the manufacturing sector in Quebec. According to the l'Institut de la statistique du Québec, real manufacturing output is only 0.3 per cent ahead in the first four months of the year compared with the same period one year ago. The recovery will remain tepid until the aerospace sector improves, which is not expected before 2011 at the earliest. In the meantime, stronger aluminum, pulp and paper, and pharmaceutical products exports will

support 1.8 per cent growth in real exports this year. With a strong Canadian dollar and booming domestic economy, imports in Quebec will rebound much faster than exports, therefore taking away from bottom-line growth this year. Exports will turn around in 2011. The lull in the aerospace sector will fade out by the end of 2010. Orders are firming up in the aerospace sector and at the same time the year-long trend of cancellations of existing orders is easing. All in all, real total exports are expected to advance by 5.8 per cent while imports are projected to move up by 3.7 per cent in 2011. This will leave the trade sector a net contributor to bottom-line growth, welcome news for Quebec as the domestic economy is set to slow swiftly,

Forecast Risks



- A resilient housing market would continue to fuel the construction industry and overall economic growth next year.



- Production of shale natural gas and more intense exploration activity could bolster mining output.

Source: The Conference Board of Canada.

Key Economic Indicators: Quebec
 (forecast completed July 20, 2010)

	2009:1	2009:2	2009:3	2009:4	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4	2009	2010	2011
GDP at market prices (current \$)	298,209 0.8	296,688 -0.5	297,346 0.2	302,734 1.8	312,791 3.3	315,976 1.0	318,608 0.8	320,954 0.7	324,705 1.2	328,428 1.1	331,140 0.8	333,794 0.8	298,744 -0.9	317,082 6.1	329,517 3.9
GDP at basic prices (current \$)	280,952 1.0	279,016 -0.7	279,605 0.2	284,781 1.9	294,485 3.4	297,522 1.0	299,473 0.7	301,545 0.7	304,890 1.1	308,219 1.1	310,674 0.8	313,066 0.8	281,088 -0.8	298,256 6.1	309,212 3.7
GDP at basic prices (constant \$ 2002)	248,474 -0.5	246,084 -1.0	245,337 -0.3	247,738 1.0	252,994 2.1	254,350 0.5	255,591 0.5	256,676 0.4	257,971 0.5	259,433 0.6	260,868 0.6	262,299 0.5	246,908 -1.0	254,903 3.2	260,143 2.1
Consumer Price Index (2002 = 1.0)	1.121 -0.2	1.136 1.3	1.138 0.2	1.140 0.1	1.142 0.2	1.149 0.5	1.155 0.6	1.162 0.6	1.177 1.3	1.187 0.8	1.192 0.4	1.198 0.5	1.134 0.6	1.152 1.6	1.189 3.2
Implicit price deflator— GDP at basic prices (2002 = 1.0)	1.131 1.5	1.134 0.3	1.140 0.5	1.150 0.9	1.164 1.3	1.170 0.5	1.172 0.2	1.175 0.3	1.182 0.6	1.188 0.5	1.191 0.2	1.194 0.2	1.138 0.2	1.170 2.8	1.189 1.6
Average weekly wages (\$, industrial composite)	731.0 -0.3	735.2 0.6	740.5 0.7	742.5 0.3	752.2 1.3	759.3 0.9	766.3 0.9	772.5 0.8	777.6 0.7	783.1 0.7	788.7 0.7	794.3 0.7	737.3 1.0	762.6 3.4	785.9 3.1
Personal income (current \$)	257,490 -0.8	258,888 0.5	261,141 0.9	263,371 0.9	264,192 0.3	269,631 2.1	272,321 1.0	275,371 1.1	278,831 1.3	280,932 0.8	283,404 0.9	285,871 0.9	260,222 0.9	270,379 3.9	282,259 4.4
Personal disposable income (current \$)	198,428 -0.4	200,967 1.3	202,989 1.0	204,088 0.5	203,917 -0.1	207,955 2.0	209,298 0.6	211,451 1.0	213,680 1.1	215,017 0.6	216,894 0.9	218,762 0.9	201,618 2.1	208,155 3.2	216,088 3.8
Personal savings rate	2.93	3.48	3.26	2.22	0.36	1.63	1.21	1.03	0.98	0.91	1.03	0.91	2.97	1.06	0.96
Population of labour force age (000s)	6,411 0.2	6,427 0.3	6,445 0.3	6,465 0.3	6,485 0.3	6,503 0.3	6,518 0.2	6,532 0.2	6,545 0.2	6,558 0.2	6,571 0.2	6,583 0.2	6,437 1.0	6,509 1.1	6,564 0.8
Labour force (000s)	4,180 -0.4	4,222 1.0	4,202 -0.5	4,197 -0.1	4,209 0.3	4,259 1.2	4,263 0.1	4,277 0.3	4,295 0.4	4,303 0.2	4,310 0.2	4,317 0.2	4,200 0.4	4,252 1.2	4,306 1.3
Employment (000s)	3,839 -1.2	3,856 0.5	3,828 -0.7	3,851 0.6	3,872 0.6	3,921 1.3	3,928 0.2	3,941 0.3	3,958 0.4	3,967 0.2	3,973 0.2	3,981 0.2	3,843 -0.9	3,916 1.9	3,970 1.4
Unemployment rate	8.2	8.7	8.9	8.3	8.0	7.9	7.9	7.9	7.8	7.8	7.8	7.8	8.5	7.9	7.8
Retail sales (current \$)	91,334 -2.0	92,580 1.4	94,819 2.4	96,227 1.5	99,473 3.4	99,103 -0.4	100,414 1.3	101,591 1.2	102,473 0.9	103,143 0.7	103,774 0.6	104,853 1.0	93,740 -1.1	100,145 6.8	103,560 3.4
Housing starts (units)	38,308 -16.9	40,317 5.2	48,262 19.7	46,725 -3.2	51,177 9.5	53,100 3.8	44,103 -16.9	41,251 -6.5	40,564 -1.7	40,226 -0.8	39,424 -2.0	38,154 -3.2	43,403 -9.4	47,408 9.2	39,592 -16.5

White area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

Québec

- La forte reprise du marché de l'emploi, et des taux de financement très avantageux, expliquent l'essor de l'économie intérieure.
- Des mesures fiscales plus contraignantes freineront les dépenses de consommation en 2011-2012.

PIB réel

2010	Croissance	Classement
	3,2	n° 5

2011	Croissance	Classement
	2,1	n° 7

Qualité du crédit

A+

Standard & Poor's

Ventes au détail

2010	Croissance	Classement
	6,8	n° 5

2011	Croissance	Classement
	3,4	n° 8

Renseignements généraux

Premier ministre Jean Charest

Prochaines élections 2012

Population (2010:2) 7 886 108

Solde du secteur public (2010-2011) -4,5 milliards \$

Sources : Ministère des Finances du Québec; Statistique Canada.

Une récession ... mais où donc ?

par Marie-Christine Bernard

Tout signe de difficultés économique semble s'être effacé au Québec. La province s'est vite rétablie après le ralentissement de 2008-2009 et est en voie de connaître une bonne croissance cette année. Ainsi, le PIB aux prix du marché devrait grimper de 3,2 p. 100 en 2010. Mais bien que les indicateurs économiques soient encourageants, la province ne conservera pas ce rythme d'expansion dans l'immédiat. La majoration des taxes réduira nettement la capacité des ménages de continuer à dépenser autant. L'économie progressera encore en 2011, mais cette fois seulement de 2,1 p. 100. Ensuite, de 2012 à 2014, de nouvelles hausses de taxes limiteront la croissance économique à moins de 2,5 p. 100, en moyenne. Dans son plus récent budget, le gouvernement provincial a annoncé un train de mesures fiscales destinées à accroître ses recettes et à rétablir l'équilibre budgétaire dans les 3 prochains exercices.

Depuis le début de l'année, la très vive création d'emplois a stimulé les ventes au détail et de logements neufs chez les consommateurs. Il serait impossible de soutenir la spectaculaire cadence de construction de 52 000 unités par année, en moyenne, des 6 derniers mois. En 2011, les mises en

chantier diminueront en raison de la hausse des coûts d'emprunt et des plus faibles besoins démographiques. Si l'investissement résidentiel reculera, l'investissement non résidentiel devrait afficher de bons résultats. La poursuite de plusieurs grands projets profitera au secteur de la construction et il y a suffisamment de grands projets de construction pour soutenir la croissance dans le non-résidentiel jusqu'en 2012. À compter de l'an prochain, les exportateurs auront à nouveau un apport positif au bilan du Québec; en effet, vu l'ampleur des importations, la balance commerciale affectera encore la croissance économique cette année, mais la tendance changera l'an prochain. La plupart des grandes industries exportatrices auront récupéré d'ici la fin de l'année, sauf que l'aérospatiale ne devrait pas se rétablir à court terme. Les nouvelles commandes d'avions à réaction, qui commencent à se confirmer, amèneront une plus grande production, mais seulement en 2011.

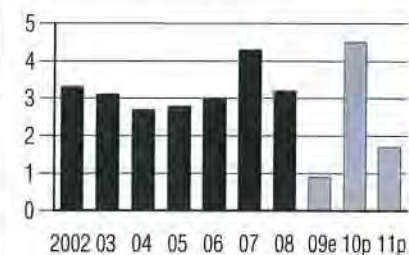
D'ici la fin de l'année, et en 2011, la demande de logements diminuera.

PREMIÈRE BONNE NOUVELLE : L'EMPLOI

Habituellement, au terme d'un ralentissement économique, vient une reprise de la production économique en premier puis un

Les nouvelles taxes freineront la consommation

(dépenses de consommation, variation en pourcentage, en dollars de 2002)



e = estimations

p = prévisions

Sources : Le Conference Board du Canada; Statistique Canada.

Indicateurs économiques

(variation en pourcentage)

	2009	2010p	2011p
PIB réel (aux prix de base, en dollars de 2002)	-1,0	3,2	2,1
Indice des prix à la consommation	0,6	1,6	3,2
Revenu personnel disponible	2,1	3,2	3,8
Emploi	-0,9	1,9	1,4
Taux de chômage	8,5	7,9	7,8
Ventes au détail	-1,1	6,8	3,4
Salaires hebdomadaires moyens	1,0	3,4	3,1
Population	1,0	0,9	0,7

p = prévisions

Sources : Le Conference Board du Canada; Statistique Canada.

regain dans la création d'emploi. Toutefois, le marché de l'emploi a été très fort au Québec. Les entreprises n'ont pas hésité à garnir leurs effectifs; ainsi, 116 000 nouveaux emplois ont été créés depuis juin 2009. Mais, après une telle poussée, le marché de l'emploi se calmera au second semestre de 2010. Les personnes en quête de travail pourraient déplorer que le rythme de création d'emplois diminue l'an prochain, année où 54 000 postes, au total, devraient s'offrir. Conséquemment, le taux de chômage devrait demeurer élevé en 2011, soit de 7,8 p. 100.

Chose certaine, les traitements et salaires profiteront de la vigueur du marché du travail; des gains de 4,7 p. 100 et 4,4 p. 100 sont prévus en 2010 et 2011, respectivement. Les revenus réels après impôts subiront le poids des nouvelles mesures fiscales; ainsi, une croissance de 2,4 p. 100 puis de 1,5 p. 100 se dessine pour 2010-2011. Parmi les principaux ajustements fiscaux, figurent une majoration de 1 point de pourcentage de la taxe de vente du Québec (TVQ) en janvier prochain, et encore de 1 point en janvier suivant. Le gouvernement du Québec impose en outre une contribution obligatoire relative aux soins de santé, à compter du 1^{er} juillet 2010, ce qui apportera 280 millions de dollars additionnels dans les coffres de l'État au terme de l'exercice 2010-2011. Cette même contribution lui procurera 575 millions de dollars en 2011-2012, puis 945 millions de dollars en 2012-2013. Des hausses des taxes sur l'essence, annoncées pour les 3 prochains exercices, réduiront également les revenus disponibles; dans l'exercice en cours, l'État en tirera 120 millions de dollars. Pour les 4 prochaines années, cet apport augmentera progressivement, culminant à 480 millions de dollars. Le poids accru des impôts et des taxes commencera à influencer sur les dépenses de consommation en 2011. Cette année, les consommateurs ont beaucoup dépensé, si bien que les dépenses réelles de consommation devraient progresser de 4,5 p. 100. L'an prochain, la croissance ne sera plus que de 1,7 p. 100.

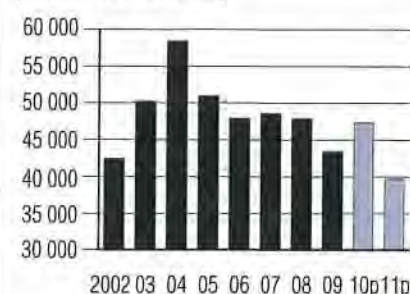
DEUXIÈME BONNE NOUVELLE : L'INVESTISSEMENT

Selon la Commission de la construction du Québec, depuis le début de l'année les travailleurs de la construction de la province ont été plus occupés qu'ils ne l'avaient été en 35 ans. Le nombre de mises en chantier bouillonne, de même que le marché de la revente de logements. Les taux d'intérêt, bas, et la vigueur du marché de l'emploi ont été des déclencheurs pour de nombreux ménages. D'ici la fin de l'année, la demande de logements diminuera; la hausse des coûts de financement et l'écart moins grand entre l'offre et les besoins démographiques feront en sorte les mises en chantier, passeront de 47 408 unités en 2010, à 39 592 en 2011. L'investissement résidentiel réel reflétera ce mouvement : après une progression estimée à 15,5 p. 100 cette année, l'investissement chutera de 7,4 p. 100 l'an prochain.

L'économie américaine a beau être sortie de la récession, elle pose encore des défis pour le secteur manufacturier québécois.

Dans le secteur manufacturier, la reprise a été modeste jusqu'ici cette année, mais les entreprises dévoilent de grands projets. En tête de liste le complexe hydroélectrique de La Romaine, sur la Côte-Nord, un chantier de 6,5 milliards de dollars qui durera plusieurs années, ainsi qu'un investissement de 1,2 milliard de dollars d'Alcoa, dans l'industrie de l'aluminium, à Baie-Comeau. Plusieurs projets, de petite ou de moyenne envergure, sont aussi en cours dans l'industrie minière. Cette année, signalons les grands travaux d'expansion de la mine de fer Lac Bloom, par Consolidated Thompson, à Fermont, et la mine d'or à ciel ouvert d'Osisko, au coût de un milliard de dollars, dans la région de Rouyn-Noranda. L'investissement privé non résidentiel réel devrait progresser de 5,5 p. 100 en 2010, puis aussi en 2011, moins cette fois, soit de 2,4 p. 100, puisque l'apogé

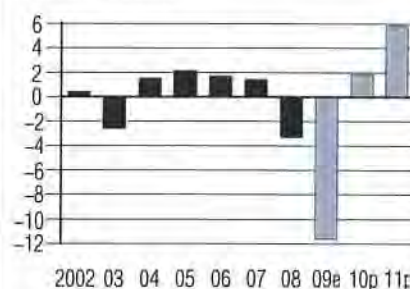
Marché du logement : du spectaculaire au modéré
(mises en chantier, unités)



p = prévisions

Sources : Le Conference Board du Canada; Séries chronologiques sur le marché de l'habitation de la SCHL.

La voie lente de la reprise
(exportations, variation en pourcentage, en dollars de 2002)



e = estimations

p = prévisions

Sources : Le Conference Board du Canada; Statistique Canada.

des travaux au projet de centrale hydroélectrique Eastmain-1A-Sarcelle-Rupert était survenu en 2009. Les perspectives d'investissement sont en outre nourries par un regain marqué du nombre de permis de construction dans les premiers mois de 2010.

Après une autre forte progression en 2010 (avancée de 8,1 p. 100), les dépenses publiques réelles d'immobilisations devraient reculer de 0,8 p. 100 en 2011. Cela s'explique par le retrait des mesures budgétaires de stimulation mises en place en 2009 et 2010. Néanmoins, le niveau des dépenses publiques en immobilisations demeurera élevé au cours des 5 prochaines années; plusieurs grands projets d'infrastructures sont en préparation, notamment l'Autoroute 30,

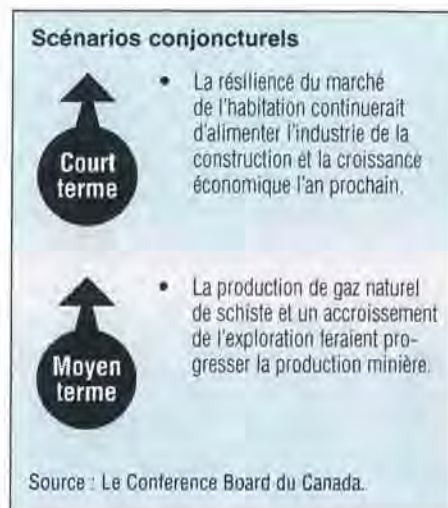
à proximité de Montréal, la rénovation de l'échangeur Turcot (ces deux projets sont estimés à 1,5 milliard de dollar chacun), et diverses installations de soins de santé, nouvelles ou agrandies, dont le Centre universitaire de santé McGill à Montréal, un centre de recherches au Centre hospitalier de l'Université de Montréal et les Sommets de la santé, à Sherbrooke. Ces projets donneront lieu à des investissements dépassant 2,3 milliards de dollars dans les prochaines années. Par ailleurs, le Centre hospitalier universitaire de Québec et l'hôpital Sainte-Justine projettent d'investir au total plus d'un milliard de dollars d'ici quelques années; là, cependant, les travaux sur le terrain n'ont pas commencé.

MAIS TOUT N'EST PAS GAGNÉ !

L'économie américaine a beau être sortie de la récession, elle pose encore des défis pour le secteur manufacturier québécois. L'Institut de la statistique du Québec indique

que la production manufacturière réelle n'est que de 0,3 p. 100 supérieure à l'an dernier, au terme des 4 premiers mois de 2010. Et la reprise demeurera modérée jusqu'à ce que le secteur aérospatial ne s'améliore, ce qui n'est pas prévu avant 2011, dans le meilleur des scénarios. Entretemps, une hausse des exportations du côté de l'aluminium, des pâtes et papiers et des produits pharmaceutiques contribuera à une croissance de 1,8 p. 100 cette année des exportations. Vu la force du huard et l'essor de l'économie intérieure, au Québec, les importations montreront un regain bien plus rapide que les exportations, ce qui aura un effet défavorable sur la croissance du PIB cette année. C'est en 2011 que les exportations vivront un revirement. Le passage à vide du secteur aérospatial s'estompera d'ici la fin de 2010; les nouvelles commandes réapparaissent tandis que s'affaiblit la vague d'annulations de commandes existantes, vague amorcée il y a un an. En somme, en 2011, les exportations totales réelles devraient

progresser de 5,8 p. 100, contre 3,7 p. 100 pour les importations. Le secteur commercial aurait donc alors un apport net positif à la croissance du PIB, ce qui est une évolution bienvenue car l'économie domestique du Québec devrait vraiment ralentir.



Principaux indicateurs économiques : Québec

(prévisions en date du 20 juillet 2010)

	2009:1	2009:2	2009:3	2009:4	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4	2009	2010	2011
PIB aux prix du marché (en dollars courants)	298 209 0,8	296 688 -0,5	297 346 0,2	302 734 1,8	312 791 3,3	315 976 1,0	318 608 0,8	320 954 0,7	324 705 1,2	328 428 1,1	331 140 0,8	333 794 0,8	298 744 -0,9	317 082 6,1	329 517 3,9
PIB aux prix de base (en dollars courants)	280 952 1,0	279 016 -0,7	279 605 0,2	284 781 1,9	294 485 3,4	297 522 1,0	299 473 0,7	301 545 0,7	304 890 1,1	308 219 1,1	310 674 0,8	313 066 0,8	281 088 -0,8	298 256 6,1	309 212 3,7
PIB aux prix de base (en dollars constants de 2002)	248 474 -0,5	246 084 -1,0	245 337 -0,3	247 738 1,0	252 994 2,1	254 350 0,5	255 591 0,5	256 676 0,4	257 971 0,5	259 433 0,6	260 868 0,6	262 299 0,5	246 908 -1,0	254 903 3,2	260 143 2,1
Indice des prix à la consommation (2002 = 1,0)	1,121 -0,2	1,136 1,3	1,138 0,2	1,140 0,1	1,142 0,2	1,149 0,5	1,155 0,6	1,162 0,6	1,177 1,3	1,187 0,8	1,192 0,4	1,198 0,5	1,134 0,6	1,152 1,6	1,189 3,2
Déflateur implicite des prix — PIB aux prix de base (2002 = 1,0)	1,131 1,5	1,134 0,3	1,140 0,5	1,150 0,9	1,164 1,3	1,170 0,5	1,172 0,2	1,175 0,3	1,182 0,6	1,188 0,5	1,191 0,2	1,194 0,2	1,138 0,2	1,170 2,8	1,189 1,6
Salaires hebdomadaires moyens (niveau)	731,0 -0,3	735,2 0,6	740,5 0,7	742,5 0,3	752,2 1,3	759,3 0,9	766,3 0,9	772,5 0,8	777,6 0,7	783,1 0,7	788,7 0,7	794,3 0,7	737,3 1,0	762,6 3,4	785,9 3,1
Revenu des particuliers (en dollars courants)	257 490 -0,8	258 888 0,5	261 141 0,9	263 371 0,9	264 192 0,3	269 631 2,1	272 321 1,0	275 371 1,1	278 831 1,3	280 932 0,8	283 404 0,9	285 871 0,9	260 222 0,9	270 379 3,9	282 259 4,4
Revenu disponible des particuliers (en dollars courants)	198 428 -0,4	200 967 1,3	202 989 1,0	204 088 0,5	203 917 -0,1	207 955 2,0	209 298 0,6	211 451 1,0	213 680 1,1	215 017 0,6	216 894 0,9	218 762 0,9	201 618 2,1	208 155 3,2	216 088 3,8
Taux d'épargne des particuliers	2,93	3,48	3,26	2,22	0,36	1,63	1,21	1,03	0,98	0,91	1,03	0,91	2,97	1,06	0,96
Population en âge d'être active (en milliers)	6 411 0,2	6 427 0,3	6 445 0,3	6 465 0,3	6 485 0,3	6 503 0,3	6 518 0,2	6 532 0,2	6 545 0,2	6 558 0,2	6 571 0,2	6 583 0,2	6 437 1,0	6 509 1,1	6 564 0,8
Population active (en milliers)	4 180 -0,4	4 222 1,0	4 202 -0,5	4 197 -0,1	4 209 0,3	4 259 1,2	4 263 0,1	4 277 0,3	4 295 0,4	4 303 0,2	4 310 0,2	4 317 0,2	4 200 0,4	4 252 1,2	4 306 1,3
Emplois (en milliers)	3 839 -1,2	3 856 0,5	3 828 -0,7	3 851 0,6	3 872 0,6	3 921 1,3	3 928 0,2	3 941 0,3	3 958 0,4	3 967 0,2	3 973 0,2	3 981 0,2	3 843 -0,9	3 916 1,9	3 970 1,4
Taux de chômage	8,2	8,7	8,9	8,3	8,0	7,9	7,9	7,9	7,8	7,8	7,8	7,8	8,5	7,9	7,8
Ventes au détail (en dollars courants)	91 334 -2,0	92 580 1,4	94 819 2,4	96 227 1,5	99 473 3,4	99 103 -0,4	100 414 1,3	101 591 1,2	102 473 0,9	103 143 0,7	103 774 0,6	104 853 1,0	93 740 -1,1	100 145 6,8	103 560 3,4
Mises en chantier (en unités)	38 308 -16,9	40 317 5,2	48 262 19,7	46 725 -3,2	51 177 9,5	53 100 3,8	44 103 -16,9	41 251 -6,5	40 564 -1,7	40 226 -0,8	39 424 -2,0	38 154 -3,2	43 403 -9,4	47 408 9,2	39 592 -16,5

Les données en blanc sont des prévisions.

À moins d'indications contraires, toutes les données sont exprimées en millions de dollars, au taux annuel désaisonnalisé.

Pour chaque indicateur, la première ligne donne le niveau, la deuxième la variation en pourcentage par rapport à la période précédente.

Sources: Le Conference Board du Canada; Répertoire des séries chronologiques de la Société canadienne d'hypothèques et de logement (SCHL).

Ontario

- Ontario is set to be the fastest growing province after being the hardest hit by the recession with an estimated GDP growth rate of 4.5 per cent in 2010.
- Employment growth is expected to push consumer demand up considerably this year.

Real GDP

2010	Growth 4.5	Ranking #1
2011	Growth 3.0	Ranking #5

Credit Quality

AA-
Standard & Poor's

Retail Sales

2010	Growth 7.5	Ranking #4
2011	Growth 5.6	Ranking #1

Government & Background Information

Premier	Dalton McGuinty
Next election	2011
Population (2010:2)	13,167,900
Government balance (projected 2010-11)	-\$19.7 billion

Sources: The Conference Board of Canada; Ontario Ministry of Finance.

Recovery Is Well on Its Way

by Eric Thomson

Ontario's economy is already well on its way to recovery, after taking a 3 per cent hit to its GDP during the recession in 2009. Real GDP will rise by 4.5 per cent in 2010, the highest of all provinces, and a 3 per cent increase is expected in 2011 as more sustainable growth is forecast for the domestic economy.

Housing starts are expected to be up 26.2 per cent from 2009 in 2010, but will not return to their pre-recession normal until the end of 2011.

Output in Ontario's manufacturing sector has already started to recover quickly from the recession. The nominal value of vehicle shipments between May 2009 and May 2010 rose 77 per cent. Real total manufacturing output was up 9.3 per cent in the first quarter of 2010 from its recessionary low in the second quarter of 2009; it is forecast to be 10.3 per cent higher in 2010 and continue to grow 3.7 per cent in 2011. As a result, exports are expected to bounce back by 12.2 per cent this year. Most of the trade recovery has already happened in the first

half of 2010 and will moderate over the next 18 months. Real exports are forecast to advance by 5.7 per cent in 2011. Sturdy imports will again leave the trade sector a negative contributor to bottom-line growth over the next two years.

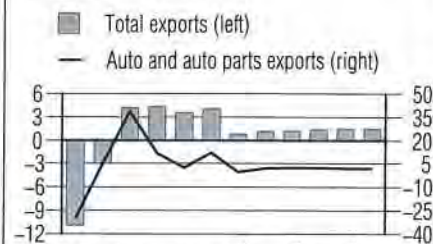
Private investment grew quickly in the first quarter of 2010, bolstered by strong residential investment, and will continue to make gains over the near term at a more modest pace. As business investment in structures and equipment picks up and the economy is back on track, the Ontario government will begin winding down its stimulus and infrastructure spending; public investment will grow only modestly in the second half of 2010 and decline through 2011.

Consumer expenditures will grow thanks to strong employment growth in both 2010 and 2011. Although the new HST will initially put a damper on the purchase on some services, temporary government rebates and a lower income tax rate will help offset the higher prices.

MANUFACTURERS LEANER, MORE COMPETITIVE

Manufacturing had already been draining jobs and output before the recession in 2009 from an elevated dollar and increasing international competitive pressures. The recession

Exports Increase With Recovery South of the Border (percentage change, quarterly)



e = estimate

f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Economic Indicators (percentage change)

	2009	2010f	2011f
Real GDP (basic prices, 2002 \$)	-3.1	4.5	3.0
Consumer Price Index	0.4	3.0	2.8
Personal disposable income	-0.5	4.9	5.5
Employment	-2.4	1.9	2.8
Unemployment rate (level)	9.0	8.6	7.8
Retail sales	-2.5	7.5	5.6
Average weekly wages	0.5	3.7	3.0
Population	1.0	1.1	1.3

f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

caused further damage to Ontario's manufacturing sector as U.S. consumer demand for durable goods plummeted. It caused turmoil in the auto and auto parts industry, bringing Chrysler and GM to the brink of bankruptcy—only for them to be bailed out by the Canadian and American governments. However, manufacturing in Ontario has rebounded robustly. Motor vehicle and parts manufacturers have rebounded strongly since the end of the recession; nominal sales were up 77 per cent year-over-year in May 2010. Automotive exports are expected to continue to grow over the second half of 2010 and into 2011, although at a more sustainable pace. This boom is expected to level off as the Canadian and American economies cool to more sustainable growth over the final months of 2010 and through 2014.

Manufacturing output growth is expected to be very strong in 2010, 10.3 per cent, mostly due to efficiency gains rather than increases in employment.

Although manufacturing output is expected to grow by 10.3 per cent in 2010, employment growth in the industry is expected to be much weaker. By the fourth quarter of 2010, employment is forecast to be up less than 1 per cent from the fourth quarter of 2009. One of the effects of the recession has been that manufacturers, especially motor vehicle manufacturers, are far more efficient than before. At a recent Automotive News Roundtable,¹ five automotive CEOs agreed that the recession had left them both leaner and stronger. They estimate that they can be profitable at sales of 11 million vehicles per year in North America post-recession versus 17 million at the beginning of the decade. Manufacturing in Ontario will be providing greater value-added in the economy immediately, but employment may take some time to catch up.

RIISING EMPLOYMENT SUSTAINS CONSUMPTION GROWTH

Although manufacturing employment may take some time to return to pre-recession levels, it has already begun to spring back strongly in other industries. Strong corporate profits and a positive outlook engendered firms to hire over 60,000 people in June alone. An estimated 122,000 jobs are expected to be created for the year. Solid employment growth is expected to drive Ontario's consumer expenditures up 3.1 per cent this year and 3.0 per cent in 2011. Retail sales should follow growth in consumer expenditures and rise 7.5 per cent nominally in 2010 and continue to grow 5.6 per cent next year.

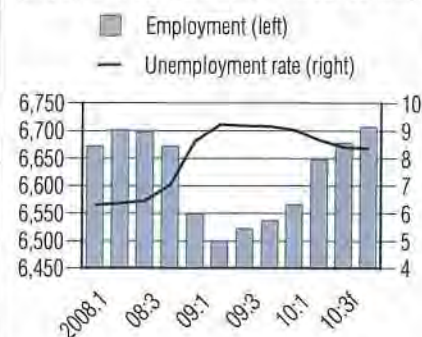
GOVERNMENT SPENDING SET TO FALL IN 2011

The HST, which came into effect July 1, may put a slight damper on consumer expenditures due to price increases for certain goods and services, such as gasoline and professional fees. However, we expect that business costs savings will be passed on to consumers within the next few quarters. To compensate for the added costs to consumers, the Ontario government has already sent out the first of three Ontario Transitional Tax Benefit cheques that will total \$300 to \$1,000 over the next year, to offset some of the additional costs and boost consumer expenditures.

The new fiscal measures come at a price for the Ontario government; a deficit of \$19.7 billion is anticipated in 2010. The much stronger economic rebound so far this year will help public finances but that will not be enough to balance the books. With deeper pressures from health-care expenditures down the road, the government intends to control other expenses. The Ontario government plans on negotiating a wage freeze for the next two years for

Employment Recovers

(employment, 000s; unemployment rate, per cent)

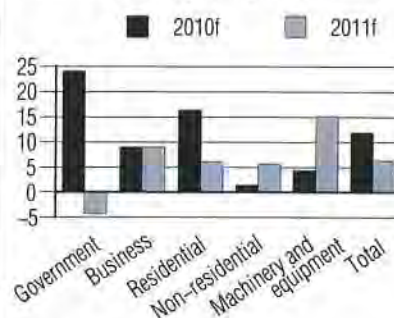


f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Government Investment Stimulus Ends

(investment, percentage change, 2002 \$ millions)



f = forecast

Sources: The Conference Board of Canada; Ontario Ministry of Finance.

all public sector employees. If the affected parties and unions accept such a freeze, over 100,000 Ontarians would be affected, which would likely dampen their consumption prospects. The Ontario government will already reduce its infrastructure spending next year, and real capital expenditures by all levels of government will contract by 4.2 per cent as the recession-fighting stimulus is clawed back.

HOUSING STARTS BOOMING

Investment will play a leading role in the recovery of the Ontario economy. Total investment in real terms is expected to grow

at a brisk 11.8 per cent pace in 2010 as residential and business investments grow as the economy recovers and government infrastructure projects are completed. Investment growth should slow in 2011 to 6.3 per cent as government stimulus spending winds down and the Ontario government starts to tackle the deficit. Residential investment will remain strong, driven by rising housing starts, which are expected to grow at a whopping 26.2 per cent in 2010 and by a further 12.1 per cent in 2011. By the end of 2011, housing starts will have returned to their pre-recession level.

END OF VALE STRIKE TO BOOST MINING OUTPUT

The end of the Vale strike, which affected 3,000 workers, at a Sudbury nickel mine is expected to add substantially to Ontario's mining output. The resumption of normal production at the mine and higher commodity prices are expected to help push output growth in mining by 20.3 per cent from 2009 and by a further 11.2 per cent in 2011.

¹ James B. Treece, "Suppliers Who Survived Are Lean Enough to Survive in an 11 Million Market," *Automotive News* (July 5, 2010), 1.

Forecast Risks

Short term

- Although exports are expected to be up markedly, their growth is dependent on the European debt crisis not dampening American consumers' spirits.

Medium term

- To tackle a looming, albeit smaller than forecast deficit, the Ontario government is planning on imposing wage freezes for over 100,000 public sector employees as well as delaying some infrastructure projects.

Source: The Conference Board of Canada.

Key Economic Indicators: Ontario
 (forecast completed July 20, 2010)

	2009:1	2009:2	2009:3	2009:4	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4	2010	2011
GDP at market prices (current \$)	556,026 -1.5	558,416 0.4	570,165 2.1	580,796 1.9	592,824 2.1	601,401 1.4	613,013 1.9	621,120 1.3	625,279 0.7	631,699 1.0	637,895 1.0	644,411 1.0	607,089 -3.3	634,821 4.6
GDP at basic prices (current \$)	518,284 -1.5	519,770 0.3	531,366 2.2	541,534 1.9	552,790 2.1	561,045 1.5	571,165 1.8	578,673 1.3	581,945 0.6	587,504 1.0	593,137 1.0	599,080 1.0	565,918 -3.4	590,417 4.3
GDP at basic prices (constant \$ 2002)	471,134 -2.4	471,761 0.1	478,195 1.4	482,917 1.0	489,463 1.4	496,069 1.3	500,139 0.8	504,792 0.9	506,684 0.4	510,432 0.7	514,384 0.8	518,647 0.8	497,616 -3.1	512,537 3.0
Consumer Price Index (2002 = 1.0)	1.131 -0.2	1.138 0.6	1.137 -0.1	1.142 0.4	1.150 0.7	1.160 0.9	1.184 2.1	1.191 0.6	1.194 0.3	1.201 0.6	1.206 0.4	1.212 0.5	1.137 0.4	1.203 2.8
Implicit price deflator— GDP at basic prices (2002 = 1.0)	1.100 1.0	1.102 0.2	1.111 0.9	1.121 0.9	1.129 0.7	1.131 0.1	1.142 1.0	1.146 0.4	1.149 0.2	1.151 0.2	1.153 0.2	1.155 0.2	1.109 -0.3	1.152 1.3
Average weekly wages (\$ industrial composite)	823.0 0.2	817.4 -0.7	820.1 0.3	826.7 0.8	841.2 1.8	849.7 1.0	856.1 0.7	862.7 0.8	868.6 0.7	875.0 0.7	881.5 0.8	888.2 0.8	821.8 0.5	878.3 3.0
Personal income (current \$)	477,869 -0.6	476,545 -0.3	477,061 0.1	482,815 1.2	486,901 0.8	500,434 2.8	507,078 1.3	512,884 1.1	519,744 1.3	526,300 1.3	533,868 1.4	538,577 0.9	478,572 -0.5	529,622 5.5
Personal disposable income (current \$)	371,421 0.1	373,258 0.5	374,151 0.2	377,565 0.9	380,247 0.7	390,743 2.8	395,001 1.1	398,994 1.0	403,926 1.2	408,502 1.1	414,288 1.4	417,690 0.8	374,099 0.8	411,102 5.1
Personal savings rate	4.39	4.21	3.30	2.53	2.34	4.01	3.07	3.05	3.01	2.96	3.09	3.03	3.61	3.02
Population of labour force age (000s)	10,604 0.3	10,638 0.3	10,679 0.4	10,718 0.4	10,752 0.3	10,792 0.4	10,828 0.3	10,866 0.3	10,907 0.4	10,946 0.4	10,984 0.4	11,023 0.4	10,660 1.4	10,965 1.4
Labour force (000s)	7,167 -0.1	7,160 -0.1	7,182 0.3	7,194 0.2	7,218 0.3	7,278 0.8	7,290 0.2	7,317 0.4	7,360 0.6	7,395 0.5	7,426 0.4	7,456 0.4	7,176 0.3	7,409 1.8
Employment (000s)	6,549 -1.8	6,500 -0.7	6,522 0.3	6,536 0.2	6,566 0.5	6,648 1.2	6,677 0.4	6,707 0.4	6,754 0.7	6,802 0.7	6,864 0.9	6,920 0.8	6,527 -2.4	6,835 2.8
Unemployment rate	8.6	9.2	9.2	9.1	9.0	8.7	8.4	8.3	8.2	8.0	7.6	7.2	9.0	7.8
Retail sales (current \$)	144,822 -1.4	146,601 1.2	149,379 1.9	150,877 1.0	153,621 1.8	157,885 2.8	161,540 2.3	163,131 1.0	164,955 1.1	167,079 1.3	169,208 1.3	170,746 0.9	147,920 -2.5	167,997 5.6
Housing starts (units)	50,763 -26.0	42,329 -16.6	48,217 13.9	60,171 24.8	64,873 7.8	63,300 -2.4	63,381 0.1	62,617 -1.2	64,526 3.0	70,757 9.7	74,129 4.8	77,435 4.5	50,370 -32.9	71,712 12.9

White area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

Manitoba

- The mining sector is boosted by private investment projects and governmental tax credits and grants.
- Despite the improvements in the livestock industry, losses in crop production will dampen agriculture output this year.

Real GDP

	Growth	Ranking
2010	2.2	#9

	Growth	Ranking
2011	2.0	#8

Credit Quality

AA

Standard & Poor's

Retail Sales

	Growth	Ranking
2010	6.5	#7

	Growth	Ranking
2011	3.3	#9

Government & Background Information

Premier	Greg Selinger
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Next election	2011
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Population (2009:2)	1,232,700
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Government balance (estimated 2010-11)	-\$545 million
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Sources: The Conference Board of Canada; Manitoba Finance.

Modest Growth Over Near Term

by Lin Ai

The provincial economy has turned the corner from a deflating 2009 with steady, yet moderate real economic growth projected for the near term. Agricultural output is forecast to contract for a second year in 2010. Excessive rainfall has delayed seeding and damaged crops in parts of the province. The recovery has been less than stellar for manufacturers. The goods-producing industries will not show much strength this year. Nevertheless, a good performance from several service industries will allow overall real GDP in Manitoba to rise by 2.2 per cent in 2010. Total real GDP is forecast to advance by 2 per cent in 2011, and the province can expect a more balanced performance between the goods- and service-producing industries. The primary and manufacturing sectors are forecast to be more important contributors to bottom-line growth next year.

Having been the cornerstone of growth persistently over the past four years, the construction industry in Manitoba will experience declines over 2010-11. Despite large public infrastructure investments in roads and highways this year, the construction sector will see less activity due to the decline in private, non-residential investment.

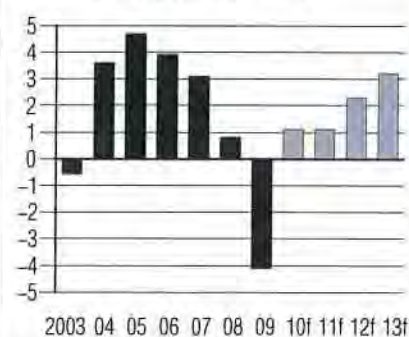
Large construction projects, such as the Keystone pipeline, were completed in the past year and no new big-ticket projects are currently planned. The service sector, a steady source of growth for the province, will get its strength from a robust housing market and remarkable job gains. Wholesale and retail trade is forecast to grow by 5.8 per cent in 2010 and 2.4 per cent in 2011. As well, the finance, insurance, and real estate market is forecast to make steady gains over the next two years.

The unemployment rate will remain the second lowest among the provinces.

EXCESSIVE MOISTURE DAMPENS AGRICULTURE OUTLOOK

Excess rainfalls and thunderstorms in May and June across several parts of the province delayed crop seeding. It is estimated that approximately 5-10 per cent of the acreage in the province remains unseeded. In addition, surplus moisture has caused widespread overland flooding, which has also affected the acreage available for harvest. Farmers now worry that the seeded fields will return diminished yields. Total crop production is expected to drop sharply in 2010. In contrast, the livestock industry appears to have caught a break this year, even though the industry will continue to

High Potentials in Transportation (percentage change, 2002 \$ millions)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Economic Indicators (percentage change)

	2009	2010f	2011f
Real GDP (basic prices, 2002 \$)	-0.2	2.2	2.0
Consumer Price Index	0.6	1.1	2.2
Personal disposable income	2.5	3.0	3.8
Employment	0.0	1.9	1.3
Unemployment rate (level)	5.2	5.4	5.4
Retail sales	-0.4	6.5	3.3
Average weekly wages	2.4	2.5	3.1
Population	1.4	1.4	1.2

f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

face the U.S. Country of Origin Labeling (COOL) regulations and fluctuations in the Canadian currency. Global meat consumption is expected to strengthen in parallel with the economic recovery in the United States and abroad, which has helped to drive up prices for both cattle and hogs. The TD Economics *Quarterly Commodity Price Report*¹ estimates that cattle and hog prices will increase 14 per cent and 30 per cent, respectively, this year. However, grains and oilseeds represent over 40 per cent of total agricultural output in Manitoba, the improvement in the livestock industry will not be enough to offset the losses in crop production. The agriculture sector is forecast to decline 4.5 per cent this year. The sector should recuperate in the near-term growth of 4.9 is forecast for agriculture in 2011, assuming normal weather conditions.

Improved employment prospects and higher personal incomes will push retail sales up 6.5 per cent in 2010 and 3.3 per cent in 2011.

Adverse weather conditions in key crop-producing countries, such as Russia and parts of the United States, have limited world supply. This has lifted prices in the last month for wheat, canola, and other agricultural commodities, which will help to boost the bottom lines for provincial farmers. In addition, the existing crop insurance programs, such as AgriInsurance, AgriStability, and AgriRecovery, should provide some measure of financial support to farmers. Live animal producers, on the other hand, should fare much better as feed costs have dropped and meat prices have improved so far this year.

GREAT EXPECTATIONS FOR THE TRANSPORTATION SECTOR

The CentrePort Project takes advantage of Manitoba's central location on the North American continent. It is a 20,000-acre

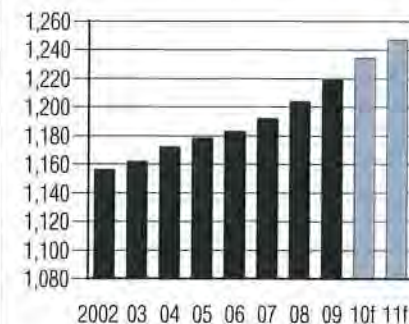
inland port that surrounds the Richardson International Airport. The joint project, led by the federal and provincial governments, has started to see some positive results. Recently, CentrePort Canada and the Chongqing's Cuntan Port in China have signed a cooperation agreement to handle the exchange of information, the promotion of new initiatives, and also to share technologies. Collaborative agreements like this one will help CentrePort Canada become part of the Asia-Pacific trade network. Furthermore, \$300 million in road construction upgrades vital to the port have officially started. The road projects will link CentrePort with Hudson's Bay via the Port of Churchill, continental U.S., and Mexico. Manitoba expects manufacturers and distributors to settle in the CentrePort project and benefit from links to suppliers and markets around the world. In addition, the provincial government has established a 10-year, \$4-billion plan to improve Manitoba's highways and bridges. This will ensure that transportation links from the city to the northern communities are smooth and safe. As such, the transportation sector is anticipated to grow rapidly after 2012, which is when the CentrePort Project is expected to be completed. Transportation and warehousing output is forecast to rise by 3.2 per cent in 2013 and another 3.2 per cent in 2014.

The manufacturing sector is on a slow recovery path, with moderate growth of 2.3 per cent predicted this year. However, the strong resurgence in both domestic and international air travel has translated into a series of new aircraft orders, which signals positive growth potential in the near future. Manufacturing is expected to grow by 3.5 per cent in 2011.

MINING INDUSTRY REBOUNDS

The mining sector is expected to rebound from last year's dismal performance. Base metal prices have bounced back since the start of the year. The mining sector is forecast to grow 2.6 per cent this year and

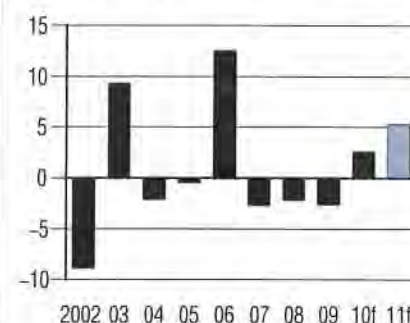
Provincial Population Is on the Rise
(000s)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Mining Will Recover
(percentage change, 2002 \$ millions)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

5.3 per cent in 2011. Many metal mining projects are currently under way in various parts of the province. HudBay Minerals has announced that it will reopen its Chisel North zinc mine, and also plans to build a brand new zinc and gold mine.

Petroleum production is not an insignificant part of the mining sector now in Manitoba, and the discovery and development of the new Sinclair field in southwest Manitoba is great news for the sector. According to the Manitoba government, the number of producing wells within the province has risen to 2,687 in December 2009 from 1,397 in December 2003. Scores of new energy companies are coming to set up shop in the province, such as PetroBakken

Energy Ltd., which plans to drill hundreds of wells in Alberta, Saskatchewan, and Manitoba this year. The provincial government is helping to entice this stampede by continuing to pour cash into the Manitoba Prospectors Assistance Program, with the aim to attract more investors through tax credits and provincial exploration grants. The mining sector is well supported by both private investments and public initiatives; as such, it is expected to prosper in both the short term and medium term.

CONSUMER OUTLOOK


The job market has been very robust since the start of the year. A total of 11,485 jobs will be generated this year, and the unemployment rate will remain the second lowest in the country; 3 percentage points below the national average. Next year, in line with

a modest economic growth, job creation will moderate to 7,825. With the improved economic environment and a growing population, housing starts in the province will increase to 4,797 units this year and to 4,946 units in 2011 and continue to grow, reaching 6,578 units by 2014. A favourable labour outlook and solid income gains will encourage shopping activity, driving up retail sales by 6.5 per cent this year and another 3.3 per cent in 2011. Retailers are rushing into the province to meet the demand, such as IKEA, which will anchor a new \$400-million retail development in Winnipeg, and Sephora, which has just opened its first beauty store in the province. Even though government stimulus money continues to be poured into the province, there has been a sharp drop in private investments. This will push down total capital investment in the province as several large

projects, such as the Keystone pipeline, were completed last year. There are no new big-ticket projects currently planned in 2010–11. As a result, construction output is forecast to contract 2.3 per cent in 2010 and 6.7 per cent in 2011.


¹ TD Economics, *Quarterly Commodity Price Report* (April 28, 2010).
www.td.com/economics/commodity/cpr0410.pdf.

Forecast Risks



Short term

- Favourable weather conditions during the crop-growing season could lower the projected losses in the agriculture outlook.



Medium term

- Manitoba's transportation sector, thanks to the CentrePort Canada project and government investments in roads, highways, and bridges, could entice more industrial businesses to settle in the province.

Source: The Conference Board of Canada.

Key Economic Indicators: Manitoba
 (forecast completed July 20, 2010)

	2009:1	2009:2	2009:3	2009:4	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4	2009	2010	2011
GDP at market prices (current \$)	49,660 -1.9	49,346 -0.6	49,615 0.5	50,293 1.4	50,786 1.0	51,181 0.8	51,989 1.6	52,407 0.8	52,946 1.0	53,630 1.3	54,130 0.9	54,666 1.0	49,728 -2.3	51,591 3.7	53,843 4.4
GDP at basic prices (current \$)	46,308 -1.9	45,913 -0.9	46,170 0.6	46,805 1.4	47,231 0.9	47,596 0.8	48,272 1.4	48,637 0.8	49,097 0.9	49,705 1.2	50,155 0.9	50,640 1.0	46,299 -2.3	47,934 3.5	49,899 4.1
GDP at basic prices (constant \$ 2002)	39,193 0.3	38,867 -0.8	38,891 0.1	39,195 0.8	39,467 0.7	39,884 1.1	40,049 0.4	40,228 0.4	40,359 0.3	40,577 0.5	40,813 0.6	41,069 0.6	39,036 -0.2	39,907 2.2	40,704 2.0
Consumer Price Index (2002 = 1.0)	1,128 -0.8	1,144 1.4	1,147 0.2	1,144 -0.2	1,145 0.1	1,149 0.3	1,156 0.6	1,163 0.6	1,168 0.5	1,175 0.6	1,181 0.5	1,192 0.9	1,141 0.6	1,153 1.1	1,179 2.2
Implicit price deflator— GDP at basic prices (2002 = 1.0)	1,182 -2.1	1,181 0.0	1,187 0.5	1,194 0.6	1,197 0.2	1,193 -0.3	1,205 1.0	1,209 0.3	1,217 0.6	1,225 0.7	1,229 0.3	1,233 0.3	1,186 -2.1	1,201 1.3	1,226 2.1
Average weekly wages (\$, industrial composite)	737.3 1.7	734.9 -0.3	738.3 0.5	739.7 0.2	744.8 0.7	752.3 1.0	759.3 0.9	766.1 0.9	770.9 0.6	776.5 0.7	781.9 0.7	787.2 0.7	737.6 2.4	755.6 2.5	779.1 3.1
Personal income (current \$)	40,385 -0.5	40,585 0.5	40,633 0.1	41,078 1.1	41,201 0.3	41,961 1.8	42,370 1.0	42,862 1.2	43,268 0.9	43,599 0.8	44,059 1.1	44,516 1.0	40,670 1.4	42,098 3.5	43,861 4.2
Personal disposable income (current \$)	32,258 -0.2	32,624 1.1	32,703 0.2	32,987 0.9	32,975 0.0	33,556 1.8	33,824 0.8	34,190 1.1	34,463 0.8	34,687 0.7	35,054 1.1	35,416 1.0	32,643 2.5	33,636 3.0	34,905 3.8
Personal savings rate	4.40	4.58	3.54	2.55	1.01	1.91	2.46	2.52	2.46	2.39	2.50	2.46	3.77	1.98	2.45
Population of labour force age (000s)	917 0.3	921 0.4	925 0.4	928 0.3	931 0.3	934 0.4	937 0.3	940 0.3	943 0.3	946 0.3	948 0.3	951 0.3	923 1.4	936 1.4	947 1.2
Labour force (000s)	636 0.0	638 0.2	645 1.2	643 -0.4	646 0.6	655 1.3	656 0.1	657 0.2	659 0.2	661 0.3	663 0.3	665 0.3	640 1.2	654 2.1	662 1.3
Employment (000s)	605 -0.6	606 0.2	610 0.5	607 -0.5	612 0.9	620 1.3	620 0.0	621 0.2	623 0.3	625 0.3	627 0.4	630 0.5	607 0.0	618 1.9	626 1.3
Unemployment rate	4.9	4.9	5.5	5.6	5.3	5.3	5.5	5.4	5.4	5.4	5.4	5.3	5.2	5.4	5.4
Retail sales (current \$)	14,508 -2.0	14,722 1.5	15,077 2.4	15,353 1.8	15,645 1.9	15,841 1.3	15,936 0.6	16,088 0.9	16,187 0.6	16,306 0.7	16,449 0.9	16,634 1.1	14,915 -0.4	15,878 6.5	16,394 3.3
Housing starts (units)	3,276 -45.3	4,245 29.6	4,754 12.0	4,421 -7.0	4,970 12.4	5,133 3.3	4,590 -10.6	4,493 -2.1	4,542 1.1	4,796 5.6	5,035 5.0	5,412 7.5	4,174 -24.6	4,797 14.9	4,946 3.1

White area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

Saskatchewan

- The dismal performance of the agriculture sector will restrain overall economic growth in 2010. The domestic economy is in good shape; sturdy job creation and a continued influx of people from outside the province are boosting housing starts.

Real GDP

2010 Growth 1.2 Ranking #10

2011 Growth 4.5 Ranking #2

Credit Quality

AA+
Standard & Poor's

Retail Sales

2010 Growth 3.2 Ranking #10

2011 Growth 4.4 Ranking #4

Government & Background Information

Premier Brad Wall

Next election 2011

Population (2010:2) 1,052,900

Government balance (2010-11) \$20 million

Sources: The Conference Board of Canada; Saskatchewan Finance.

Growth Washed Away

by Lin Ai

Some parts of the economy are recovering this year; mining, manufacturing, and wholesale trade have come out of the doldrums. Meanwhile, the agriculture sector continues to be the sore spot in the economy, as large portions of land could not be seeded on time and crop damage caused by excessive rain will severely curb the harvest. As a result of the weakness in the agriculture sector, total real GDP is forecast to grow minimally by 1.2 per cent in 2010. With more normal growing conditions in the agriculture sector and further increases in potash production, real GDP in Saskatchewan is expected to jump by 4.5 per cent in 2011, the second strongest regional performance next year.

With global demand for fertilizers strengthening among Saskatchewan's main trading partners, notably China, India, Latin America, and North America, industry players in the province have seen sales increase in the past few quarters. The future of the potash industry is bright; several potash-related construction projects are entering their peak development periods, namely PotashCorp's \$2.8-billion and Mosaic Co.'s \$1.7-billion mine expansions. Agrium Inc. is also investing \$800 million. Potash production is forecast to double between 2010

and 2014. Exceptionally, Saskatchewan's job market cruised through the recession; 7,750 new jobs were added to payrolls last year. The outlook for the job market is just as buoyant; 7,785 and 11,040 new jobs are forecast for the province this year and next. The optimistic job market has attracted a large influx of interprovincial and international migrants; consequently, housing demand is on the rise. In general, the domestic economy in Saskatchewan is performing well. Wholesale and retail trade is expected to rise by 11.2 per cent in 2010 and 3 per cent in 2011.

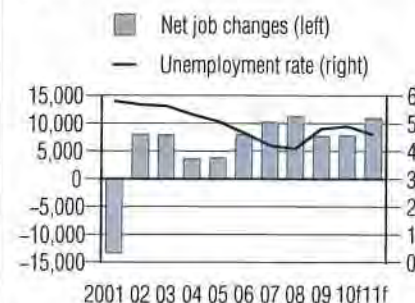
The unemployment rate is the lowest among the provinces.

DISASTROUS YEAR FOR FARMERS

Up until March 2010, moisture levels into the soil were ideal for the crops. However, excessive rain from April to June has pushed seeding drastically behind schedule in certain parts of the province. According to the July 6 *Saskatchewan Agriculture Weekly Crop Report*,¹ farmers have seeded only 76 per cent of the 2010 crop. It is estimated by the Canadian Wheat Board that 8 to 12 million acres of cropland will not be seeded in Western Canada this year, with most of this unplanted acreage in Saskatchewan. The

Employment Prospects Are Bright

(net job changes, number; unemployment rate, per cent)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Economic Indicators (percentage change)

	2009	2010f	2011f
Real GDP (basic prices, 2002 \$)	-6.3	1.2	4.5
Consumer Price Index	1.1	1.5	2.1
Personal disposable income	0.6	2.6	4.7
Employment	1.5	1.5	2.1
Unemployment rate (level)	4.8	4.9	4.6
Retail sales	-0.5	3.2	4.4
Average weekly wages	1.9	4.3	2.2
Population	1.6	1.5	1.2

f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

main problems are in the southeast, east-central, and northeast parts of Saskatchewan, which have managed to plant 76 per cent, 59 per cent, and 50 per cent of their lands, respectively. In addition to the unseeded acres, the excess rain may affect the yield of the planted crops. Crop seeds that were germinating will likely have lower yields as the saturated soil contains less oxygen and nutrients. Crop production in 2010 is forecast to drop substantially in the province. On a brighter note, the livestock industry is growing strongly, thanks to increasing demand for meat products and a rise in overall meat prices. Unfortunately, the negative developments for grains and oilseeds will outweigh the strong gains in the livestock industry. The agriculture sector is expected to decline 20.1 per cent in 2010. With more normal growing conditions, agriculture is expected to bounce back by 10.2 per cent in 2011.

Incomes of crop producers will be affected negatively in 2010 due to reduced productions. However, these producers will be partially compensated through the government-owned crop insurance corporation. The federal government, along with three of its provincial counterparts, announced \$450 million in farm aid for the recent flooding throughout Saskatchewan, Alberta, and Manitoba. Of that \$450 million in relief, \$360 million will go to farmers in Saskatchewan. In addition, adverse weather conditions in key crop-producing countries, such as Russia and parts of the United States have limited world supply. This has lifted prices in the last month for wheat, canola, and other agricultural commodities, which will help to boost the bottom lines for provincial farmers. In contrast, the incomes of livestock producers will improve thanks to lower feed costs and higher meat prices. China has just announced plans to reopen its markets to Canadian beef, which is a very positive development for beef producers.

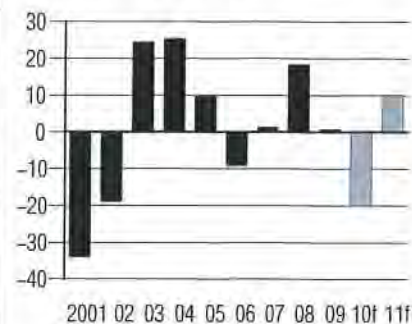
MINING INDUSTRY SHINES

The mining sector in Saskatchewan is booming. Interest in the province's oil, natural gas, and mineral rights has generated \$46.2 million in land sales in June, making it the second-highest land sale on record for the month. As natural resource commodities prices have strengthened since the beginning of the year, prospects are bright for the energy industry. In addition, the province announced a new royalty regime for diamond mines, which is aimed at promoting development of the diamond deposits in the northern part of Saskatchewan. Even though the province does not currently have any diamond production, Shore Gold Inc. is working to establish the province's first diamond mine, with a production decision anticipated in 2011. The province has also introduced a natural gas production incentive program that will encourage drilling and production in Saskatchewan.

The revival in potash sales around the world has signalled a second industry boom.

Rising demand for potash in China, India, Latin America, and North America is expected to boost production over the next several years. Consequently, potash-mining companies continue to pump significant amounts of capital into the province. PotashCorp. is investing \$3.7 billion in its Rocanville and Cory facilities, while Mosaic Co. is spending \$3 billion at its Esterhazy, Belle Plaine, and Colonsay operations. Agrium Inc. has also announced an \$800-million expansion plan at its Vanscoy potash mine. According to Saskatchewan Energy and Resources, the three potash mining companies are crafting more expansion projects in the province, totalling an estimated \$9.4 billion by 2020.² Furthermore, the Australian mining BHP's Jansen

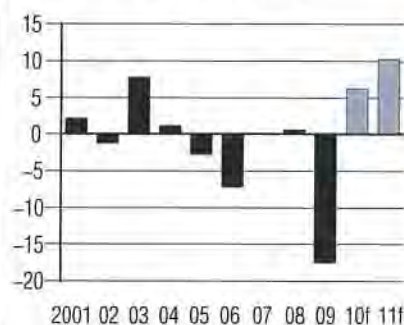
Major Setback in Agriculture
(percentage change, 2002 \$)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

In Recovery Mode
(mining, percentage change, 2002 \$)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

project promises to become the world's largest potash mine when it opens in 2013–14, and could produce up to eight million tonnes per year. Total mining is forecast to grow 6.2 per cent this year and 10.2 per cent next year.

MANUFACTURING RECOVERS

The manufacturing sector is happy to turn the page from a recession-ridden performance in 2009. As the global economy bounces back in 2010, sales for durable and non-durable manufactured goods should lead the way. Demands for many products have risen, including petroleum-based

products, primary metals, chemicals, and fertilizers. As a result, the manufacturing sector is expected to grow 3.5 per cent in 2010 and a further 3.3 per cent in 2011.

CONSUMER OUTLOOK

The province continues to generate new jobs, pushing up employment by 1.5 per cent in 2010 and another 2.1 per cent in 2011. In combination with the lowest unemployment rate among all the provinces, Saskatchewan is attracting a large influx of interprovincial and international migrants. The total provincial population will reach 1,043,000 by the end of 2010 and will keep increasing in 2011. The strength in the labour market is spurring more consumer demand. As a result, retail sales are forecast to increase 3.2 per cent in 2010 and another 4.4 per cent in 2011.

The provincial government continues to pour money into infrastructure projects, whereas the private sector is investing its capital in both residential and non-residential projects. Housing starts are projected to increase 29.4 per cent, adding an extra 1,138 more units this year, for a total of 5,004 units. With sturdy migration into the province, housing starts will climb to 5,517 units in 2011. And, large construction projects like Agrium's \$800-million potash mine expansion and BHP's \$240-million potash mine are currently under way. As such, the total public and private capital investment is expected to increase 2.4 per cent this year and 8.7 per cent in 2011.

- 1 Saskatchewan Agriculture, *Saskatchewan Agriculture Weekly Crop Report* (July 6, 2010). www.agriculture.gov.sk.ca/Crop-Report/ (accessed July 9, 2020).
- 2 Bruce Johnstone, "Mining Company Drilling Into Potash Expansion Projects" *The Star Phoenix*, June 2, 2010. www.thestarphoenix.com/news/mining+company+drilling+into+potash+expansion+projects/3101064/story.html

Forecast Risks

Short term

- If weather conditions improve during the main growing season, the harvest could be better and lift agriculture output in 2010.

Medium term

- The new royalty regime for diamond mines will promote exploration and mining activity in the northern part of Saskatchewan, which will boost mining output.

Source: The Conference Board of Canada.

Key Economic Indicators: Saskatchewan

(forecast completed July 20, 2010)

	2009:1	2009:2	2009:3	2009:4	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4	2009	2010	2011
GDP at market prices (current \$)	56,926 -12.6	56,273 -1.1	56,582 0.5	58,116 2.7	59,161 1.8	58,565 -1.0	59,382 1.4	60,736 2.3	62,958 3.7	63,439 0.8	64,342 1.4	65,444 1.7	56,974 -10.5	59,461 4.4	64,046 7.7
GDP at basic prices (current \$)	53,942 -13.1	53,218 -1.3	53,515 0.6	55,013 2.8	55,996 1.8	55,375 -1.1	56,074 1.3	57,381 2.3	59,532 3.7	59,946 0.7	60,804 1.4	61,861 1.7	53,922 -10.9	56,206 4.2	60,536 7.7
GDP at basic prices (constant \$ 2002)	37,324 -5.2	36,854 -1.3	36,625 -0.6	36,905 0.8	37,231 0.9	37,239 0.0	37,346 0.3	37,703 1.0	38,454 2.0	38,888 1.1	39,281 1.0	39,650 0.9	36,927 -6.3	37,380 1.2	39,068 4.5
Consumer Price Index (2002 = 1.0)	1.163 -0.2	1.171 0.7	1.178 0.6	1.173 -0.4	1.177 0.3	1.186 0.7	1.192 0.6	1.199 0.5	1.203 0.4	1.210 0.6	1.216 0.5	1.226 0.8	1.171 1.1	1.188 1.5	1.214 2.1
Implicit price deflator— GDP at basic prices (2002 = 1.0)	1.445 -8.3	1.444 -0.1	1.461 1.2	1.491 2.0	1.504 0.9	1.487 -1.1	1.501 1.0	1.522 1.4	1.548 1.7	1.541 -0.4	1.548 0.4	1.560 0.8	1.460 -4.9	1.504 3.0	1.549 3.0
Average weekly wages (\$, industrial composite)	770.9 -0.1	771.2 0.0	777.6 0.8	789.4 1.5	809.8 2.6	808.7 -0.1	811.6 0.4	813.8 0.3	820.3 0.8	825.8 0.7	831.4 0.7	837.0 0.7	777.3 1.9	811.0 4.3	828.6 2.2
Personal income (current \$)	36,267 -2.3	36,160 -0.3	36,297 0.4	36,640 0.9	36,785 0.4	37,102 0.9	37,646 1.5	38,361 1.9	38,814 1.2	39,167 0.9	39,588 1.1	39,997 1.0	36,341 -0.5	37,474 3.1	39,392 5.1
Personal disposable income (current \$)	29,266 -2.1	29,345 0.3	29,475 0.4	29,678 0.7	29,705 0.1	29,941 0.8	30,323 1.3	30,885 1.9	31,202 1.0	31,450 0.8	31,786 1.1	32,113 1.0	29,441 0.6	30,214 2.6	31,638 4.7
Personal savings rate	4.00	3.89	3.59	3.04	1.91	2.73	3.26	3.34	3.28	3.21	3.33	3.30	3.63	2.81	3.28
Population of labour force age (000s)	776 0.3	778 0.3	781 0.4	784 0.3	786 0.3	790 0.4	793 0.4	796 0.3	797 0.2	800 0.3	802 0.3	804 0.2	780 1.6	791 1.5	801 1.2
Labour force (000s)	545 0.6	549 0.6	545 -0.6	548 0.6	549 0.2	556 1.2	558 0.3	559 0.3	562 0.4	564 0.5	566 0.4	569 0.5	547 2.2	556 1.6	565 1.7
Employment (000s)	521 0.0	522 0.3	519 -0.5	521 0.4	524 0.5	527 0.7	530 0.5	533 0.5	535 0.5	538 0.5	541 0.5	543 0.5	521 1.5	528 1.5	539 2.1
Unemployment rate	4.5	4.9	4.8	5.0	4.7	5.2	5.0	4.7	4.7	4.6	4.5	4.5	4.8	4.9	4.6
Retail sales (current \$)	14,284 -2.3	14,444 1.1	14,742 2.1	14,923 1.2	14,886 -0.3	14,921 0.2	15,098 1.2	15,379 1.9	15,516 0.9	15,656 0.9	15,795 0.9	15,971 1.1	14,598 -0.5	15,071 3.2	15,735 4.4
Housing starts (units)	2,218 -60.8	3,276 47.7	4,026 22.9	5,943 47.6	5,576 -6.2	5,033 -9.7	4,592 -8.8	4,816 4.9	5,335 10.8	5,615 5.2	5,569 -0.8	5,550 -0.3	3,866 -43.4	5,004 29.4	5,517 10.2

White area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

Alberta

- Fuelled by sturdy residential and non-residential investment, the construction sector will generate 11,000 jobs this year.
- Alberta has the strongest wage growth in the country in 2010.

Real GDP

2010 Growth 3.6 Ranking #4

2011 Growth 3.5 Ranking #3

Credit Quality

AAA

Standard & Poor's

Retail Sales

2010 Growth 6.4 Ranking #8

2011 Growth 5.1 Ranking #2

Government & Background Information

Premier Ed Stelmach

Next election Mar. 2012

Population (2010:2) 3,724,832

Government balance (2010-11) \$0

Sources: The Conference Board of Canada; Alberta Finance.

Construction Industry Bolsters Economy

by Todd A. Crawford

The recession may be over in Alberta, but the road to recovery has been slow. Job creation has been minimal through the first six months of 2010, particularly on the service side of the economy as public employment unwinds. But, wage growth has been strong enough to outweigh the lag in job creation so that Alberta's retailers can still expect their sales to climb by 6.4 per cent. The province's housing sector will also benefit from strong income growth—residential investment will increase by 12 per cent this year as housing starts climb to nearly 30,000.

The oil and gas industries continue to head in different directions, clouding the outlook for the economy in the near term. On the one hand, the natural gas industry still suffers from low prices, and investment in conventional activities remains weak as a result. On the other hand, oil prices are sufficiently high to spur another development phase in the oil sands. Yet, even oil sands-related development remains subject to concerns over the pace of the global recovery. Tight credit markets persist, denying energy companies access to the capital they need to finance these massive construction projects. Nevertheless, the

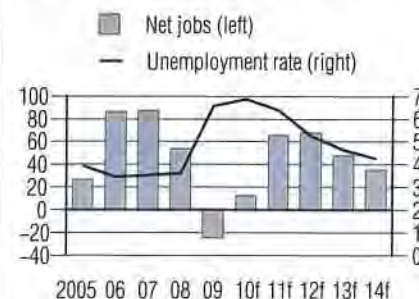
construction sector has shown promising signs so far this year, and coming off such a dismal performance in 2009, any rebound in activity has translated into substantial growth. Oil-related investment will also result in incremental production, boosting output in the mining and manufacturing industries. These developments will push overall real GDP up by 3.6 per cent this year.

Oil prices are sufficiently high to spur another development phase in the oil sands.

Next year will be business as usual in Alberta, with more than 65,000 new jobs expected. The province will benefit from less restrictive credit markets, providing the necessary capital for investment to grow, although higher interest rates will likely negate some of those gains. Wage growth will remain above the national average as labour markets re-tighten, translating into a higher rate of consumer spending. Finally, higher income will combine with a stronger pace of in-migration to keep housing starts elevated, generating increased activity in the finance, insurance, and real estate industry. The energy sector will continue to drive up output in the goods-producing industries, and combined with the strength on the service side of the economy, real GDP will expand by 3.5 per cent in 2011.

Job Creation Drives Unemployment Rate Down

(net jobs, 000s; unemployment rate, per cent)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Economic Indicators (percentage change)

	2009	2010f	2011f
Real GDP (basic prices, 2002 \$)	-5.1	3.6	3.5
Consumer Price Index	-0.1	1.2	2.1
Personal disposable income	3.3	3.8	5.3
Employment	-1.2	0.6	3.3
Unemployment rate (level)	6.6	6.9	6.4
Retail sales	-8.3	6.4	5.1
Average weekly wages	2.4	3.8	3.3
Population	2.6	1.5	1.5

f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

OIL SANDS ANCHOR INVESTMENT

The recession was particularly difficult for Alberta's construction sector. Tight credit markets and a lack of energy-related activities resulted in a 23 per cent contraction last year. Fortunately, brighter days are ahead for the construction industry. Over the first five months of the year, the total value of building permits (residential and non-residential) has risen by 24 per cent compared with the same period in 2009, an indication that builders are making preparations to expand operations in the near term. There are also signs that oil sands investment is ramping up. Higher oil prices and lower developmental costs have created an environment conducive to another expansion phase in Northern Alberta. And while individual projects are subject to concerns related to timing and financing, these projects invariably cost billions of dollars and will generate significant output for the province's construction sector over the medium term.

The natural gas industry continues to struggle. Natural gas prices have averaged less than US\$5 per million British thermal units (Mmbtu) through the first six months of the year, creating a situation where natural gas drilling has contracted ever further than last year's disastrous performance. Despite the fact that oil sands-related investment has drawn the greatest share of attention in recent years, conventional oil and natural gas activity still constitutes roughly 50 per cent of all oil- and gas-related investment, so natural gas pricing still represents an important consideration for Alberta's construction industry.

The outlook for residential investment has also improved. Alberta averaged 29,000 housing starts (at annual rates) through the first half of 2010—twice the level of activity achieved in the first half of 2009. With low interest rates expected throughout 2010, and strong income and population growth, housing starts will

remain elevated for the rest of the year. Renovation activity dropped off slightly in the first quarter, but accounts for too small a share to outweigh the positive outlook for housing starts. Combining the strong outlook for the energy sector with that of the residential market will result in an 8.4 per cent expansion in construction output in 2010.

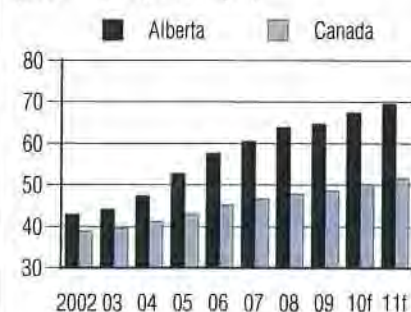
Alberta averaged 29,000 housing starts through the first half of 2010—twice the level of activity achieved in the first half of 2009.

Demographic requirements indicate that housing starts should level off at 29,600 units per year over the forecast. Thus, the non-residential side of the industry, particularly investment related to oil extraction, will set the pace of growth. Natural gas drilling will rise over the next couple of years from its desperately low levels, but is unlikely to reach the same levels we saw in the middle of last decade. Massive oil sands mines and in situ operations are the immediate future of the province's construction industry, and these mega-projects will be enough to drive output in the construction industry up by an average of 6.5 per cent from 2011 to 2014.

MINERAL FUELS

Since 2005, oil companies have invested more than \$70 billion in Alberta's oil sands. As a result, non-conventional production has risen by a third to over 1.3 million barrels per day (mmbd). There is also more than 500,000 b/d of additional capacity under construction.¹ This year, incremental capacity is expected from Jackpine Mine and Great Divide Pod 2, as well as additional ramp-up to capacity at the Horizon project. And development is picking up speed—the Conference Board estimates that unconventional production will reach 2.1 mmbd by 2014—a rate more than double its level just a decade before.

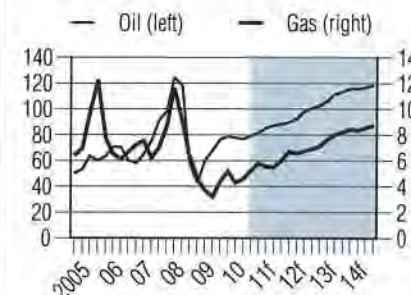
Wages in Alberta Remain Above Canadian Average
(labour income per employee)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Low Natural Gas Prices Hinder Drilling Prospects
(oil, US\$/bbl; gas, US\$/Mmbtu)



f = forecast

Sources: The Conference Board of Canada; U.S. Energy Information Administration.

Difficulties in the conventional industry will offset some of the non-conventional gains. Natural gas production peaked in 2006 at 12.8 billion cubic feet per day (bcf/d), and has declined in each year since. The natural gas industry in Alberta is mature, and the highest productivity fields have already been exploited, leaving only marginal discoveries for today's producers. Combined with a high-cost environment and competition for labour and materials with the oil sands, and relatively low natural gas prices, decline in production seems inevitable. Even the onset of favourable royalty regime changes in 2011 will only lessen, not stop, the decline, and natural gas production is projected to dwindle to

9.3 bcf/d by 2014. Conventional oil production faces a similar outlook, although it is somewhat bolstered by the anticipation of stronger prices. Nevertheless, stronger prices will not help the industry increase production over the medium term. Indeed, even though prices rose from US\$18 per barrel in 1995 to \$US100 per barrel in 2008, conventional production declined heavily over that period. Thus, well productivity, rather than prices, is the primary cause for the industry's projected weakness over the forecast.

Real output of mineral fuels will mirror the shift in the production mix. Output will expand just 1.2 per cent this year, held back by weak natural gas production. However, starting with a 3.4 per cent expansion in 2011, growth will be strong throughout the forecast. Surging unconventional production will outweigh the smaller conventional industry to propel mineral fuels output to annual growth of 4 per cent between 2012 and 2014.

LABOUR MARKETS LAG RECOVERY

Despite improved economic prospects, job creation through the first six months of the year has been minimal. Employment is expected to advance just 0.6 per cent this year, erasing roughly half of the job losses from the recession. The bulk of the new jobs in 2010 will be in the construction, manufacturing, and service industries, while public employment contracts. Labour force growth will once again outpace employment gains, leaving the unemployment rate at 6.9 per cent in 2010.

Weak labour markets have not slowed the torrid pace of wage growth in Alberta. The projected 4.2 per cent gain in wages and salaries per employee this year remains well above the national average. Growth is also considerably stronger than consumer prices—good news for retailers as real wage growth encourages consumer spending. Retail sales are forecast to grow by 6.4 per cent this year.

Next year, more than 65,000 new jobs are expected, elevating employment above prerecession levels, and driving the unemployment rate down to 6.4 per cent. Wage growth will slow to 3.1 per cent, but combined with the job gains, disposable income in the province will still rise by 5.3 per cent, fuelling strong retail sales.

1. JuneWarren-Nickle's Energy Group, *Heavy Oil and Oilsands Guidebook & Directory V* (Calgary: JuneWarren-Nickle's Energy Group, 2010), 62.

Forecast Risks

- Short term**
 - Concerns over global recovery play an important role in the near-term determination of oil prices. If those concerns result in lower-than-expected oil prices, some oil sands developments could be delayed.
- Medium term**
 - If Alberta begins to develop unconventional natural gas it could offset some of the decline in conventional production.

Source: The Conference Board of Canada.

Key Economic Indicators: Alberta (forecast completed July 20, 2010)													
	2009:1	2009:2	2009:3	2009:4	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4	2011
GDP at market prices (current \$)	267,910 -8.4	263,375 -1.7	266,280 1.1	276,574 3.9	282,582 2.2	284,342 0.6	291,995 2.7	301,995 3.4	310,121 2.7	310,472 0.1	315,827 1.7	322,186 2.0	290,226 -8.5 314,652 8.4
GDP at basic prices (current \$)	259,662 -8.5	254,928 -1.8	257,801 1.1	267,993 4.0	273,832 2.2	275,522 0.6	282,849 2.7	292,708 3.5	300,650 2.7	300,814 0.1	306,045 1.7	312,279 2.0	260,096 -8.7 304,947 8.4
GDP at basic prices (constant \$ 2002)	173,181 -3.0	169,628 -2.1	168,628 -0.6	170,752 1.3	173,571 1.7	175,755 1.3	177,943 1.2	179,720 1.0	180,400 0.4	182,026 0.9	183,793 1.0	185,708 1.0	170,547 -5.1 182,982 3.5
Consumer Price Index (2002 = 1.0)	1.209 -0.5	1.213 0.3	1.217 0.3	1.220 0.3	1.224 0.3	1.225 0.1	1.232 0.5	1.238 0.5	1.244 0.5	1.251 0.5	1.257 0.5	1.267 0.8	1.215 -0.1 1.230 1.2
Implicit price deflator— GDP at basic prices (2002 = 1.0)	1.499 -5.7	1.503 0.2	1.529 1.7	1.589 2.7	1.578 0.5	1.568 -0.6	1.590 1.4	1.629 2.5	1.667 2.3	1.653 -0.8	1.665 0.8	1.682 1.0	1.525 -3.7 1.591 4.3
Average weekly wages (\$ industrial composite)	963.6 0.9	955.0 -0.9	949.2 -0.6	956.2 0.7	978.1 2.3	990.8 1.3	995.5 0.5	1005.0 1.0	1013.3 0.8	1021.0 0.8	1028.7 0.8	1036.6 0.8	956.0 2.4 992.4 3.8
Personal income (current \$)	174,808 -0.1	174,185 -0.4	173,059 -0.6	174,793 1.0	178,115 1.9	180,165 1.2	182,546 1.3	185,475 1.6	188,351 1.6	190,766 1.3	193,450 1.4	196,417 1.5	174,209 1.3 181,575 4.2
Personal disposable income (current \$)	136,371 0.7	136,919 0.4	136,235 -0.5	137,274 0.8	139,523 1.6	141,016 1.1	142,453 1.0	144,511 1.4	146,526 1.4	148,215 1.2	150,272 1.4	152,548 1.5	136,700 3.3 141,876 3.8
Personal savings rate	17.67	17.76	17.07	16.32	15.92	16.59	17.04	17.10	17.06	17.01	17.12	17.10	17.20
Population of labour force age (000s)	2,836 0.6	2,856 0.7	2,876 0.7	2,891 0.5	2,904 0.4	2,918 0.5	2,930 0.4	2,943 0.5	2,957 0.5	2,970 0.4	2,983 0.4	2,996 0.4	2,865 2.4 2,924 2.1
Labour force (000s)	2,117 0.3	2,128 0.5	2,133 0.2	2,134 0.1	2,125 -0.5	2,139 0.7	2,156 0.8	2,172 0.8	2,185 0.6	2,202 0.8	2,216 0.6	2,226 0.4	2,128 1.9 2,148 0.9
Employment (000s)	1,999 -1.6	1,987 -0.6	1,981 -0.3	1,986 0.2	1,977 -0.5	1,991 0.7	2,009 0.9	2,026 0.9	2,041 0.7	2,057 0.8	2,074 0.8	2,094 1.0	1,988 -1.2 2,001 0.6
Unemployment rate	5.6	6.6	7.1	7.0	7.0	6.9	6.8	6.7	6.6	6.6	6.4	5.9	6.6
Retail sales (current \$)	56,032 -6.0	55,980 -0.1	56,561 1.0	57,340 1.4	59,328 3.5	59,709 0.6	60,235 0.9	61,071 1.4	61,883 1.3	62,707 1.3	63,503 1.3	64,586 1.7	56,478 -8.3 60,086 6.4
Housing starts (units)	13,489 -37.1	16,863 25.0	22,193 31.6	28,647 29.1	29,560 3.2	30,267 2.4	29,541 -2.4	29,413 -0.4	28,223 -4.0	29,649 5.1	30,358 2.4	30,776 1.4	20,298 -30.4 29,695 46.3

White area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.
Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

British Columbia

- Manufacturing is benefiting from a turn-around in the forestry sector.
- Employment and income gains fuel consumer spending.

Real GDP

Year	Growth	Ranking
2010	4.0	#2

Year	Growth	Ranking
2011	2.6	#6

Credit Quality

AAA
Standard & Poor's

Retail Sales

Year	Growth	Ranking
2010	8.0	#2

Year	Growth	Ranking
2011	4.9	#3

Government & Background Information

Premier: Gordon Campbell

Next election: 2013

Population (2010:2): 4,510,858

Government balance (estimated 2010-11): -\$1.7 billion

Sources: The Conference Board of Canada; British Columbia Ministry of Finance.

Growth Boosted by Development of Unconventional Gas

by Alicia Macdonald

A widespread economic recovery is unfolding in British Columbia. Strong growth in goods-producing industries and a solid performance from the service sector are combining to push real GDP in the province up by 4 per cent this year. But the pace of growth observed over the past few quarters is not sustainable. Real GDP growth in 2011 will cool to 2.6 per cent as gains in the construction industry stall and service sector growth slows after the one-time boost from the Olympic Games this year.

A modest rebound in the U.S. housing market is propelling gains in British Columbia's beleaguered forestry sector, helping the industry to post double-digit growth this year and next. Mining will also get a significant boost over the medium term as unconventional gas production ramps up from the province's Montney and Horn River resource plays. Manufacturing is currently benefiting from strong production in forestry products and primary metals, and with demand from American consumers expected to increase next year, provincial manufacturing is expected to post another solid gain in 2011.

Despite the recent deceleration in new home construction, housing starts are expected to post strong growth this year, fuelling gains in the construction industry. Next year, construction output will advance only marginally as the housing market cools and as gains in non-residential investment slow considerably.

British Columbia's unconventional natural gas production is set for a significant increase.

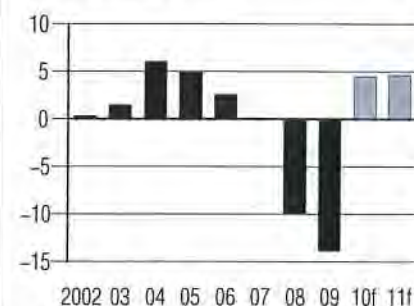
Consumer spending in B.C. will post a solid rebound this year as strong employment and income growth fuel expenditures. While growth in the service sector will be robust this year, gains will slow in 2011 as growth in consumer expenditures decelerates. Additionally, without the one-time boost from Olympic spending, commercial service-related output will post only a marginal gain next year.

U.S. HOUSING STARTS TRENDING UP

The U.S. housing market hit rock bottom last year but thanks to a variety of factors including low interest rates, the homebuyer tax credit, and a subdued rebound in consumer confidence, housing starts are trending upwards. Housing starts are expected

Growth Returns to the Manufacturing Sector

(percentage change; 2002 \$)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Economic Indicators

(percentage change)

	2009	2010f	2011f
Real GDP (basic prices, 2002 \$)	-2.3	4.0	2.6
Consumer Price Index	0.0	2.0	2.8
Personal disposable income	1.2	3.9	4.7
Employment	-2.3	2.1	2.1
Unemployment rate (level)	7.6	7.5	6.6
Retail sales	-4.4	8.0	4.9
Average weekly wages	0.3	3.1	3.2
Population	1.7	1.6	1.4

f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

to increase by 24.8 per cent this year to 711,600 units. However, there is risk for some volatility in the months ahead for the housing sector since the homebuyer tax credit has now expired and consumers remain uneasy about the economic recovery, as evidenced by recent swings in the U.S. Consumer Confidence Index. Next year, U.S. housing starts are expected to continue to recover, posting growth of 31.7 per cent. This growth in the U.S. housing market will propel gains in B.C.'s forestry sector of 11.1 per cent this year and 11.6 per cent in 2011.

FORESTRY DRIVES MANUFACTURING GAINS

The rebound in the U.S. and domestic housing markets is having a positive impact on B.C.'s forestry sector. Data to May show that year-to-date manufacturing shipments in the province are up by 7.5 per cent. Leading the way is a 22.8 per cent increase in the value of wood product shipments. Growth is also coming from a number of other manufacturing sectors, such as primary metals and paper products, where the year-to-date value of shipments is up by 21.7 and 11.9 per cent, respectively. Accordingly, real manufacturing output will grow by 4.5 per cent this year. Next year, the long-awaited turnaround in U.S. employment will propel consumer spending south of the border. Manufacturing output in the province is expected to ramp up in response to increasing American demand, boosting output in the industry by 4.6 per cent in 2011.

GAS DEVELOPMENT DRIVES MINING GROWTH

The mining industry will post strong growth over the medium term, thanks to the development of unconventional natural gas resources in the province's northeast region. Development of the Montney and Horn River plays has been ongoing for years, and production is set to ramp up

over the next few years. As such, mineral fuel output in the province is expected to grow by 6.3 per cent this year and by another 7.9 per cent in 2011. Furthermore, the cost and quantity of wells required to produce from unconventional resource plays will boost mining services, which will expand at a rate of 5.2 per cent in 2010 and 6.6 per cent next year.

Construction industry will cool in 2011.

INVESTMENT SPENDING SLOWS

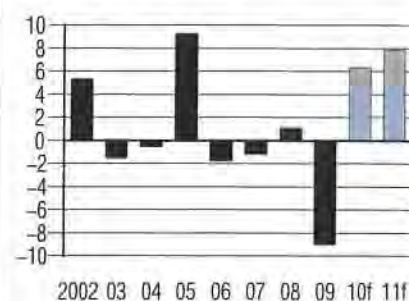
After a phenomenal start to the year, which was preceded by strong growth in the latter half of 2009, the pace of new home construction has started to ease; this will result in weaker investment spending over the near term. Despite the recent slowdown, total housing starts are expected to be 62.9 per cent higher this year than in 2009. The remarkable rebound in housing starts has essentially realigned new home construction with underlying demographic fundamentals; therefore, growth in housing starts will be more muted going forward. In 2011, housing starts are expected to reach 28,000 units, up 6.8 per cent from this year. Residential investment is expected to post growth of 9 per cent this year, but gains will be limited to just 5.8 per cent in 2011.

Growth in non-residential investment is also set to decelerate next year as infrastructure stimulus spending winds down. With both residential and non-residential investment growth slowing next year, gains in real construction output will be limited to just 0.5 per cent, after posting growth of 9 per cent this year.

REBOUND IN EMPLOYMENT SPURS SPENDING

Growth in consumer expenditures stalled during the recession. But thanks to a robust rebound in employment and income growth,

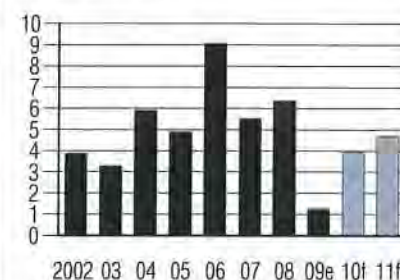
**Gas Development Spurs Mineral
Fuel Mining**
(percentage change; 2002 \$)



f = forecast

Sources: The Conference Board of Canada;
Statistics Canada.

**Disposable Income Growth Pushes
Higher**
(percentage change)



e = estimate

f = forecast

Sources: The Conference Board of Canada;
Statistics Canada.

consumers are opening their wallets again, helping to propel gains in the province's service sector. Employment is set to increase by 2.1 per cent both this year and next year. The strengthening employment market will in turn help boost personal disposable income in the province up by 3.9 per cent this year and by another 4.7 per cent in 2011. Strong income growth, coupled with spending from Olympic visitors, will push growth in retail sales up by 8 per cent this year, but next year gains in retail sales will slow to 4.9 per cent.

Due to the rapid growth in the provincial housing market during the first part of 2010, gains in finance, insurance, and real estate are expected to reach 3.4 per cent this year. But as the housing market cools

over the latter half of this year and into next year, gains in the sector will be limited to 2.6 per cent in 2011. Commercial services will also post strong growth this year, with output in the sector advancing by 3.5 per

cent. However, with no significant influx of foreign spending in the economy next year, commercial services output is set to gain only 0.2 per cent in 2011.



Key Economic Indicators: British Columbia

(forecast completed July 20, 2010)

	2009:1	2009:2	2009:3	2009:4	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4	2009	2010	2011
GDP at market prices (current \$)	186,171 -4.0	184,875 -0.7	185,391 0.3	191,125 3.1	198,497 3.9	202,866 2.2	205,844 1.5	208,460 1.3	212,240 1.8	214,664 1.1	217,551 1.3	220,370 1.3	186,890 -5.7	203,917 9.1	216,206 6.0
GDP at basic prices (current \$)	171,665 -4.1	170,021 -1.0	170,478 0.3	176,035 3.3	183,110 4.0	187,355 2.3	189,760 1.3	192,146 1.3	195,584 1.8	197,678 1.1	200,349 1.4	202,947 1.3	172,050 -6.0	188,093 9.3	199,140 5.9
GDP at basic prices (constant \$ 2002)	147,925 -1.5	147,064 -0.6	147,049 0.0	150,368 2.3	153,150 1.9	153,549 0.3	154,344 0.5	155,064 0.5	156,180 0.7	157,447 0.8	158,758 0.8	159,948 0.7	148,101 -2.3	154,027 4.0	158,083 2.6
Consumer Price Index (2002 = 1.0)	1.118 -0.4	1.126 0.7	1.126 -0.0	1.121 -0.4	1.127 0.5	1.134 0.7	1.157 2.0	1.163 0.5	1.168 0.5	1.175 0.5	1.180 0.5	1.187 0.5	1.123 0.0	1.145 2.0	1.178 2.8
Implicit price deflator—															
GDP at basic prices (2002 = 1.0)	1.160 -2.7	1.156 -0.4	1.159 0.3	1.171 1.0	1.196 2.1	1.220 2.1	1.229 0.8	1.239 0.8	1.252 1.1	1.256 0.3	1.262 0.5	1.269 0.5	1.162 -3.9	1.221 5.1	1.260 3.2
Average weekly wages (\$ industrial composite)	767.3 0.3	761.8 -0.7	765.7 0.5	774.6 1.2	780.1 0.7	789.6 1.2	795.7 0.8	800.5 0.6	806.8 0.8	813.6 0.8	820.5 0.8	827.4 0.8	767.4 0.3	791.5 3.1	817.1 3.2
Personal income (current \$)	157,453 -1.0	157,089 -0.2	157,702 0.4	159,859 1.4	160,696 0.5	163,737 1.9	166,017 1.4	167,921 1.1	169,810 1.1	171,777 1.2	173,946 1.3	176,163 1.3	158,026 -0.2	164,593 4.2	172,924 5.1
Personal disposable income (current \$)	124,745 -0.5	125,257 0.4	125,914 0.5	127,406 1.2	127,685 0.2	130,377 2.1	131,862 1.1	133,217 1.0	134,509 1.0	136,019 1.1	137,725 1.3	139,466 1.3	125,830 1.2	130,785 3.9	136,930 4.7
Personal savings rate	-1.48	-2.11	-2.71	-3.88	-5.05	-4.09	-4.39	-4.33	-4.38	-4.45	-4.31	-4.35	-2.54	-4.47	-4.37
Population of labour force age (000s)	3,681 0.4	3,697 0.4	3,715 0.5	3,733 0.5	3,751 0.5	3,770 0.5	3,783 0.4	3,797 0.4	3,812 0.4	3,826 0.4	3,840 0.4	3,854 0.4	3,707 1.8	3,775 1.8	3,833 1.5
Labour force (000s)	2,424 -0.1	2,445 0.9	2,449 0.2	2,467 0.7	2,483 0.6	2,485 0.1	2,499 0.5	2,508 0.4	2,514 0.2	2,519 0.2	2,526 0.3	2,535 0.4	2,446 0.9	2,494 1.9	2,524 1.2
Employment (000s)	2,255 -2.1	2,254 0.0	2,261 0.3	2,268 0.3	2,287 0.8	2,298 0.5	2,317 0.8	2,330 0.6	2,339 0.4	2,349 0.5	2,363 0.6	2,378 0.6	2,260 -2.3	2,308 2.1	2,357 2.1
Unemployment rate	7.0	7.8	7.7	8.1	7.9	7.5	7.3	7.1	7.0	6.7	6.5	6.2	7.6	7.5	6.6
Retail sales (current \$)	53,167 -3.9	54,414 2.3	55,713 2.4	57,594 3.4	58,161 1.0	59,126 1.7	60,401 2.2	60,919 0.9	61,401 0.8	62,191 1.3	62,866 1.1	63,742 1.4	55,222 -4.4	59,652 8.0	62,550 4.9
Housing starts (units)	13,124 -48.2	13,319 1.5	16,929 27.1	20,936 23.7	27,886 33.2	26,333 -5.6	25,328 -3.8	25,231 -0.4	26,205 3.9	27,632 5.4	28,742 4.0	29,364 2.2	16,077 -53.2	26,194 62.9	27,986 6.8

White area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

Key Economic Indicators: Canada

(forecast completed July 20, 2010)

	2009:1	2009:2	2009:3	2009:4	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4	2009	2010	2011
GDP at market prices (current \$)	1,515,164 -3.4	1,507,780 -0.5	1,524,860 1.1	1,561,228 2.4	1,600,480 2.5	1,620,152 1.2	1,650,442 1.9	1,675,938 1.5	1,699,683 1.4	1,714,454 0.9	1,734,698 1.2	1,755,887 1.2	1,527,258 -4.5	1,636,753 7.2	1,726,181 5.5
GDP at basic prices (current \$)	1,424,232 -3.5	1,414,668 -0.7	1,431,380 1.2	1,466,632 2.5	1,504,024 2.5	1,522,920 1.3	1,549,618 1.8	1,573,668 1.6	1,595,275 1.4	1,607,973 0.8	1,626,862 1.2	1,646,668 1.2	1,434,228 -4.7	1,537,557 7.2	1,619,195 5.3
GDP at basic prices (constant \$ 2002)	1,197,917 -1.8	1,187,983 -0.8	1,190,862 0.2	1,205,644 1.2	1,223,977 1.5	1,235,695 1.0	1,244,834 0.7	1,254,285 0.8	1,260,692 0.5	1,269,908 0.7	1,279,475 0.8	1,289,396 0.8	1,195,602 -2.8	1,239,698 3.7	1,274,868 2.8
Consumer Price Index (2002 = 1.0)	1.136 -0.3	1.146 0.9	1.147 0.1	1.149 0.1	1.154 0.5	1.161 0.6	1.177 1.4	1.184 0.5	1.191 0.6	1.197 0.6	1.203 0.5	1.210 0.5	1.144 0.3	1.169 2.2	1.200 2.7
Implicit price deflator— GDP at basic prices (2002 = 1.0)	1.189 -1.7	1.191 0.2	1.202 0.9	1.216 1.2	1.229 1.0	1.232 0.3	1.245 1.0	1.255 0.8	1.265 0.9	1.266 0.1	1.272 0.4	1.277 0.4	1.200 -1.9	1.240 3.4	1.270 2.4
Average weekly wages (\$ industrial composite)	800.7 0.2	797.8 -0.4	800.2 0.3	805.7 0.7	818.2 1.6	823.9 0.7	830.0 0.7	836.3 0.8	842.5 0.7	848.9 0.8	855.4 0.8	862.1 0.8	801.1 1.0	827.1 3.2	852.2 3.0
Personal income (current \$)	1,223,892 -0.6	1,223,504 0.0	1,226,420 0.2	1,239,812 1.1	1,249,668 0.8	1,275,451 2.1	1,291,106 1.2	1,306,799 1.2	1,323,781 1.3	1,338,280 1.1	1,355,026 1.3	1,369,239 1.0	1,228,407 0.3	1,280,756 4.3	1,346,582 5.1
Personal disposable income (current \$)	956,908 -0.1	963,492 0.7	967,044 0.4	975,068 0.8	980,488 0.6	1,000,572 2.0	1,010,190 1.0	1,021,270 1.1	1,033,141 1.2	1,043,296 1.0	1,056,219 1.2	1,066,994 1.0	965,628 1.7	1,003,130 3.9	1,049,913 4.7
Personal savings rate	5.16	5.12	4.44	3.55	2.79	4.00	3.59	3.56	3.51	3.44	3.56	3.50	4.57	3.49	3.51
Population of labour force age (000s)	27,159 0.3	27,253 0.3	27,362 0.4	27,462 0.4	27,554 0.3	27,653 0.4	27,740 0.3	27,827 0.3	27,916 0.3	28,002 0.3	28,087 0.3	28,171 0.3	27,309 1.4	27,694 1.4	28,044 1.3
Labour force (000s)	18,301 -0.1	18,371 0.4	18,391 0.1	18,424 0.2	18,466 0.2	18,597 0.7	18,663 0.4	18,736 0.4	18,821 0.5	18,893 0.4	18,959 0.3	19,021 0.3	18,372 0.7	18,615 1.3	18,923 1.7
Employment (000s)	16,871 -1.5	16,826 -0.3	16,823 0.0	16,876 0.3	16,944 0.4	17,094 0.9	17,198 0.6	17,280 0.5	17,375 0.6	17,466 0.5	17,575 0.6	17,687 0.6	16,849 -1.6	17,129 1.7	17,526 2.3
Unemployment rate	7.8	8.4	8.5	8.4	8.2	8.1	7.8	7.8	7.7	7.5	7.3	7.0	8.3	8.0	7.4
Retail sales (current \$)	405,614 -2.6	410,962 1.3	419,338 2.0	425,739 1.5	435,289 2.2	440,901 1.3	448,317 1.7	453,099 1.1	457,675 1.0	462,640 1.1	467,462 1.0	472,815 1.1	415,413 -2.9	444,401 7.0	465,148 4.7
Housing starts (units)	131,554 -28.8	130,291 -1.0	155,874 19.6	178,605 14.6	198,900 11.4	193,833 -2.5	182,624 -5.8	178,449 -2.3	179,784 0.7	188,955 5.1	193,421 2.4	196,912 1.8	149,081 -29.4	188,451 26.4	199,768 0.7

White area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

Gross Domestic Product by Province and Industry

(forecast completed July 20, 2010)

	Newfoundland and Labrador			Prince Edward Island			Nova Scotia			New Brunswick			Quebec		
	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
Agriculture	70 14.5	67 -3.8	69 2.3	197 -0.6	187 -5.5	195 4.6	215 -5.6	203 -5.6	213 4.8	319 2.6	308 -3.6	322 4.7	3,273 1.1	3,404 4.0	3,489 2.5
Forestry	37 -51.6	40 8.6	43 7.7	3 -12.8	3 6.9	4 7.3	109 -15.9	118 7.9	133 12.7	175 -14.3	208 19.3	230 10.7	856 -11.8	902 5.3	930 3.2
Fishing & trapping	211 -11.8	209 -0.9	213 1.9	110 3.9	112 1.7	113 1.3	492 2.8	492 0.0	498 1.3	125 -14.7	119 -4.5	121 1.8	88 -4.2	86 -2.7	88 1.9
Mining	4,261 -26.4	4,290 0.7	4,721 10.0	0 50.2	0 -25.4	0 0.6	669 -24.2	633 -5.4	652 3.1	180 -18.0	240 33.7	236 -1.8	1,069 1.1	1,112 4.0	1,153 3.8
Manufacturing	722 -15.3	737 2.1	781 5.9	363 0.9	368 1.5	381 3.5	2,409 -6.7	2,465 2.3	2,556 3.7	2,319 -1.6	2,377 2.5	2,446 2.9	40,186 -8.7	41,889 4.2	43,582 4.0
Construction	634 3.3	833 31.3	901 8.2	200 -1.6	226 13.2	267 17.7	1,765 11.0	1,820 3.1	1,677 -7.8	1,358 -9.1	1,338 -1.4	1,275 -4.8	15,032 1.9	16,072 6.9	15,600 -2.9
Utilities	486 -11.7	503 3.6	520 3.3	50 -0.9	52 4.0	54 5.2	571 -3.6	577 1.0	586 1.6	592 0.4	603 1.9	620 2.7	9,604 -2.8	9,762 1.6	9,968 2.1
Goods-producing industries	6,422 -21.5	6,680 4.0	7,248 8.5	923 0.2	948 2.7	1,014 7.0	6,231 -3.9	6,307 1.2	6,316 0.1	5,067 -4.8	5,194 2.5	5,250 1.1	70,108 -5.2	73,226 4.4	74,811 2.2
Transportation, warehousing & information	994 -5.0	1,014 2.0	1,041 2.7	216 -1.5	219 1.1	225 2.9	2,008 -2.1	2,019 0.6	2,039 1.0	1,953 -1.6	2,024 3.6	2,060 1.8	20,222 -2.5	20,596 1.8	20,872 1.3
Wholesale & retail trade	1,637 4.1	1,751 6.9	1,790 2.3	391 -0.4	420 7.2	427 1.8	3,128 0.8	3,367 7.6	3,430 1.9	2,677 1.5	2,793 4.3	2,871 2.8	30,424 -1.0	32,384 6.4	33,056 2.1
Finance, insurance & real estate	2,303 3.3	2,363 2.6	2,405 1.8	721 2.5	738 2.4	753 2.0	5,726 1.4	5,888 2.8	6,041 2.6	3,940 2.3	4,031 2.3	4,115 2.1	44,412 2.3	45,858 3.3	46,647 1.7
Community, business & personal services	3,833 3.0	3,952 3.1	4,065 2.9	1,033 1.4	1,051 1.7	1,074 2.3	6,936 1.8	7,065 1.9	7,257 2.7	5,229 1.3	5,306 1.5	5,383 1.4	64,860 1.3	65,515 1.0	67,005 2.3
Public administration & defence	1,386 2.5	1,438 3.7	1,465 1.9	491 1.2	504 2.6	513 1.9	2,870 0.5	2,934 2.2	2,984 1.7	2,139 2.0	2,194 2.5	2,234 1.9	16,771 2.5	17,214 2.6	17,643 2.5
Service-producing industries	10,153 2.3	10,517 3.6	10,767 2.4	2,852 1.1	2,931 2.8	2,993 2.1	20,667 1.0	21,273 2.9	21,751 2.2	15,939 1.3	16,348 2.6	16,664 1.9	176,689 0.8	181,566 2.8	185,222 2.0
All industries	16,445 -10.2	17,068 3.8	17,885 4.8	3,783 0.6	3,887 2.7	4,016 3.3	26,740 -0.5	27,423 2.6	27,910 1.8	20,891 -0.8	21,427 2.6	21,800 1.7	246,908 -1.0	254,903 3.2	260,143 2.1

White area represents forecast data.

All data are in millions of 2002 dollars. For each industry, the first line is the level and the second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada.

Gross Domestic Product by Province and Industry
 (forecast completed July 20, 2010)

	Ontario			Manitoba			Saskatchewan			Alberta			British Columbia		
	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
Agriculture	4,621 -2.4	4,736 2.5	4,871 2.8	1,904 -1.4	1,818 -4.5	1,907 4.9	4,671 0.7	3,732 -20.1	4,114 10.2	4,233 -19.8	4,015 -5.1	4,211 4.9	1,237 -0.9	1,273 2.9	1,300 2.2
Forestry	367 -30.5	433 17.8	513 18.5	25 -31.1	28 12.5	33 15.9	11 -3.6	12 14.2	13 7.0	319 -10.5	340 6.4	359 5.8	2,176 -16.3	2,417 11.1	2,697 11.6
Fishing & trapping	31 8.8	32 2.9	33 4.8	12 4.0	12 2.4	12 2.6	0 -66.8	0 2.6	0 2.3	2 -0.4	2 2.5	2 2.1	133 -5.5	129 -2.9	132 2.2
Mining	2,115 -21.6	2,546 20.3	2,830 11.2	622 -2.6	639 2.6	673 5.3	4,596 -17.5	4,882 6.2	5,380 10.2	32,644 -2.6	33,518 2.7	34,688 3.5	4,190 -7.4	4,335 3.5	4,754 9.7
Manufacturing	72,066 -13.9	79,468 10.3	82,431 3.7	4,372 -8.3	4,472 2.3	4,631 3.5	2,870 -6.3	2,970 3.5	3,070 3.3	13,415 -15.9	14,268 6.4	15,040 5.4	12,296 -13.8	12,849 4.5	13,443 4.6
Construction	23,645 -6.0	25,143 6.3	25,913 3.1	2,063 8.9	2,015 -2.3	1,880 -6.7	2,443 -0.7	2,479 1.5	2,586 4.3	12,262 -23.2	13,296 8.4	14,431 8.5	9,002 -6.0	9,808 9.0	9,858 0.5
Utilities	9,380 -8.8	9,540 1.7	9,804 2.8	1,509 -3.1	1,537 1.9	1,573 2.4	866 -2.3	883 1.9	900 2.0	3,601 2.1	3,680 2.2	3,787 2.9	2,864 -4.7	2,925 2.2	3,004 2.7
Goods-producing industries	112,225 -11.7	121,896 8.6	126,396 3.7	10,506 -3.1	10,522 0.1	10,709 1.8	15,456 -7.0	14,958 -3.2	16,063 7.4	66,476 -10.9	69,118 4.0	72,518 4.9	31,897 -9.8	33,736 5.8	35,188 4.3
Transportation, warehousing & information	38,757 -2.0	39,640 2.3	40,381 1.9	3,831 -4.1	3,873 1.1	3,916 1.1	3,253 -4.5	3,278 0.8	3,355 2.4	14,626 -4.7	14,923 2.0	15,237 2.1	15,236 -2.5	15,779 3.6	16,176 2.5
Wholesale & retail trade	57,738 -3.4	62,444 8.1	64,731 3.7	5,363 1.3	5,674 5.8	5,811 2.4	4,481 -8.4	4,985 11.2	5,133 3.0	17,745 -8.6	18,887 6.4	19,232 1.8	16,575 -4.9	17,538 5.8	18,020 2.8
Finance, insurance & real estate	113,800 1.7	117,565 3.3	120,587 2.6	7,390 2.2	7,590 2.7	7,740 2.0	6,080 2.2	6,234 2.5	6,371 2.2	30,089 1.8	31,053 3.2	31,786 2.4	36,502 3.4	37,752 3.4	38,735 2.6
Community, business & personal services	124,681 0.3	126,145 1.2	129,771 2.9	9,329 1.6	9,559 2.5	9,775 2.3	7,828 2.7	8,021 2.5	8,187 2.1	38,858 -0.9	39,739 2.3	40,965 3.1	40,044 0.6	41,168 2.8	41,688 1.3
Public administration & defence	27,124 2.3	28,250 4.2	28,995 2.6	2,735 1.4	2,807 2.6	2,872 2.3	2,047 3.6	2,124 3.7	2,179 2.6	7,071 3.2	7,343 3.8	7,561 3.0	8,156 2.6	8,363 2.5	8,585 2.7
Service-producing industries	362,100 0.0	374,043 3.3	384,465 2.8	28,648 0.9	29,503 3.0	30,113 2.1	23,690 -0.7	24,641 4.0	25,224 2.4	108,389 -1.8	111,947 3.3	114,781 2.5	116,513 0.3	120,599 3.5	123,204 2.2
All industries	476,002 -3.1	497,616 4.5	512,537 3.0	39,036 -0.2	39,907 2.2	40,704 2.0	36,927 -6.3	37,380 1.2	39,068 4.5	170,547 -5.1	176,747 3.6	182,982 3.5	148,101 -2.3	154,027 4.0	158,083 2.6

White area represents forecast data.

All data are in millions of 2002 dollars. For each industry, the first line is the level and the second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada.

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Fortis BC

Special Region 300

PEOPLE 35

POPULATION EXTRAPOLATION FOR ORGANIZATIONAL PLANNING WITH LESS ERROR

British Columbia small area population projections result from the application of a "Component/Cohort-Survival" population model to area-specific assumptions dealing with fertility, mortality and migration. The Component/Cohort-Survival method requires separate forecasts of each of the components of population change, namely fertility, mortality and migration. With this information, and with a base year age-specific estimate of population, a projection for any subsequent year is made by promoting each age group in the preceding year to the next highest age group, while at the same time taking into account the effects of net migration, deaths and births. To view the most recent *BC Stats* forecasts go to: www.bcstats.gov.bc.ca/data/pop/pop/popproj.asp

In general, all assumptions relating to migration, births and deaths by small area are based on past conditions, modified wherever possible to take into consideration possible future changes. Consequently, the resulting population projections are not necessarily what will be, but rather what could be, given the realization of these conditions. It is certainly possible that unforeseen changes in factors such as economic development, government policy, land use and zoning will affect future populations. Consequently, the projections should only be regarded as one possible scenario of the future size and age-sex structure of the population.

For further information contact:

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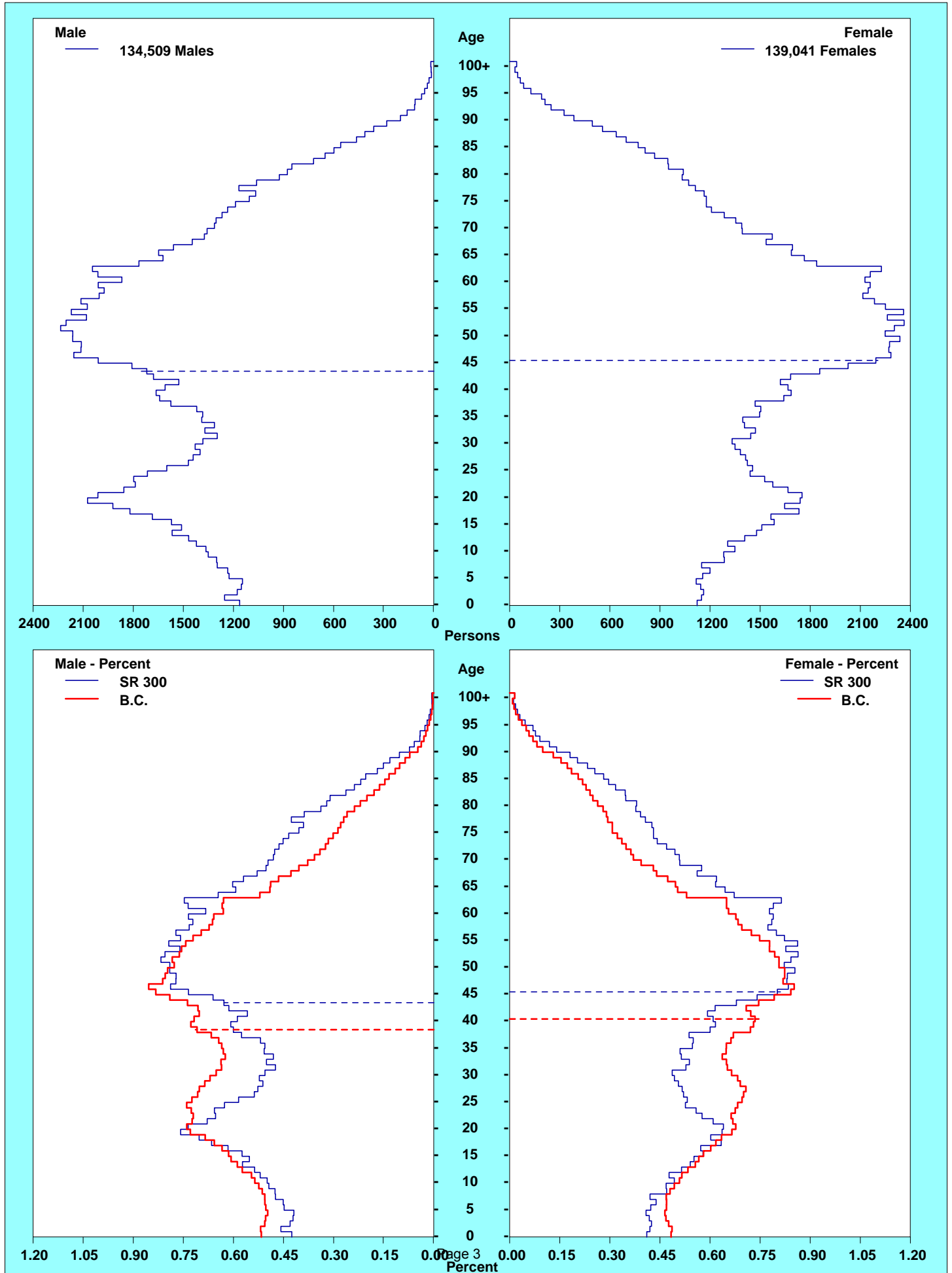
PEOPLE Run 35, August 2010

**Fortis Area
as represented by
Local Health Areas
2006**



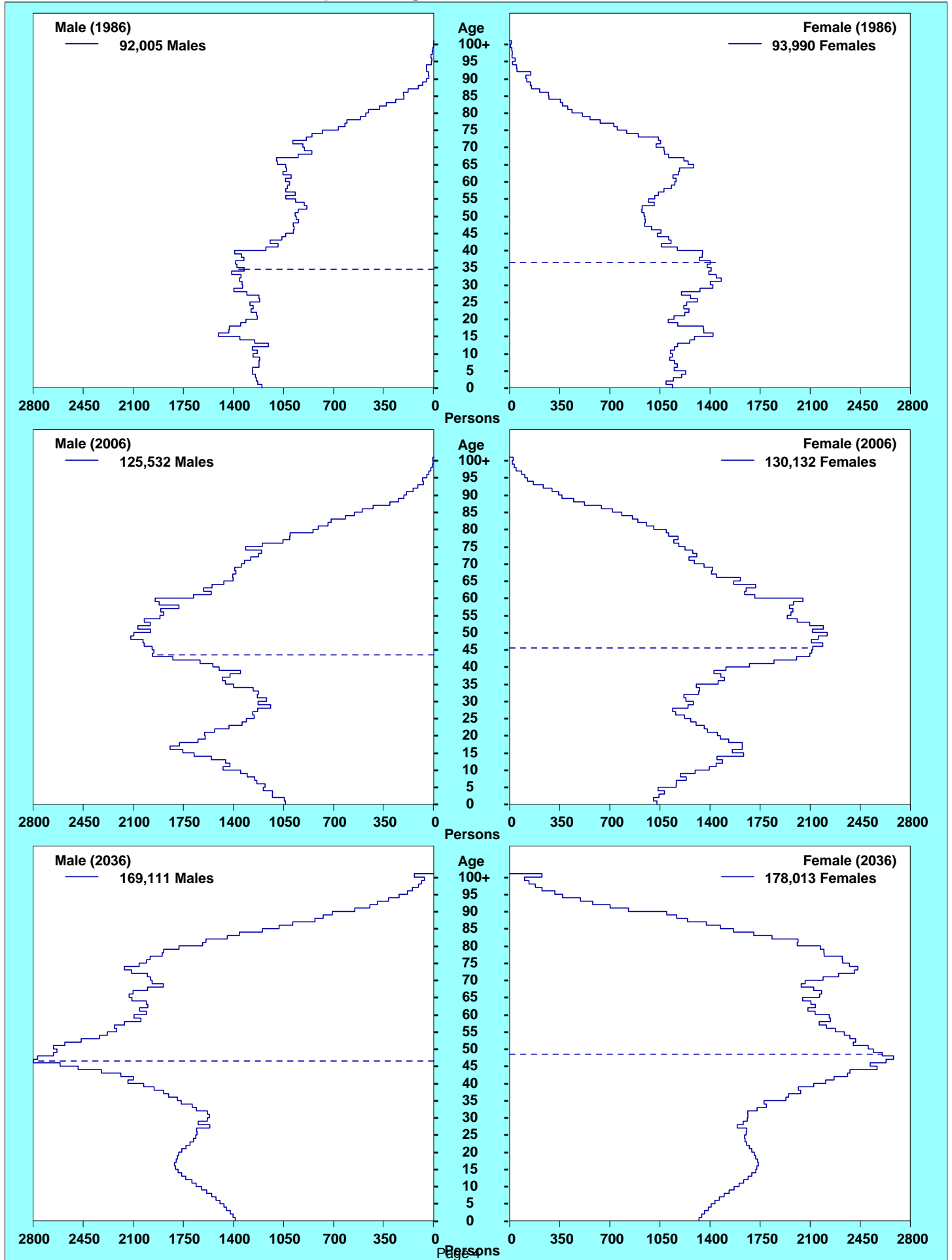
Population Age Distribution - 2009 Special Region 300: Fortis BC - Total

BCUC Appendix A28.1



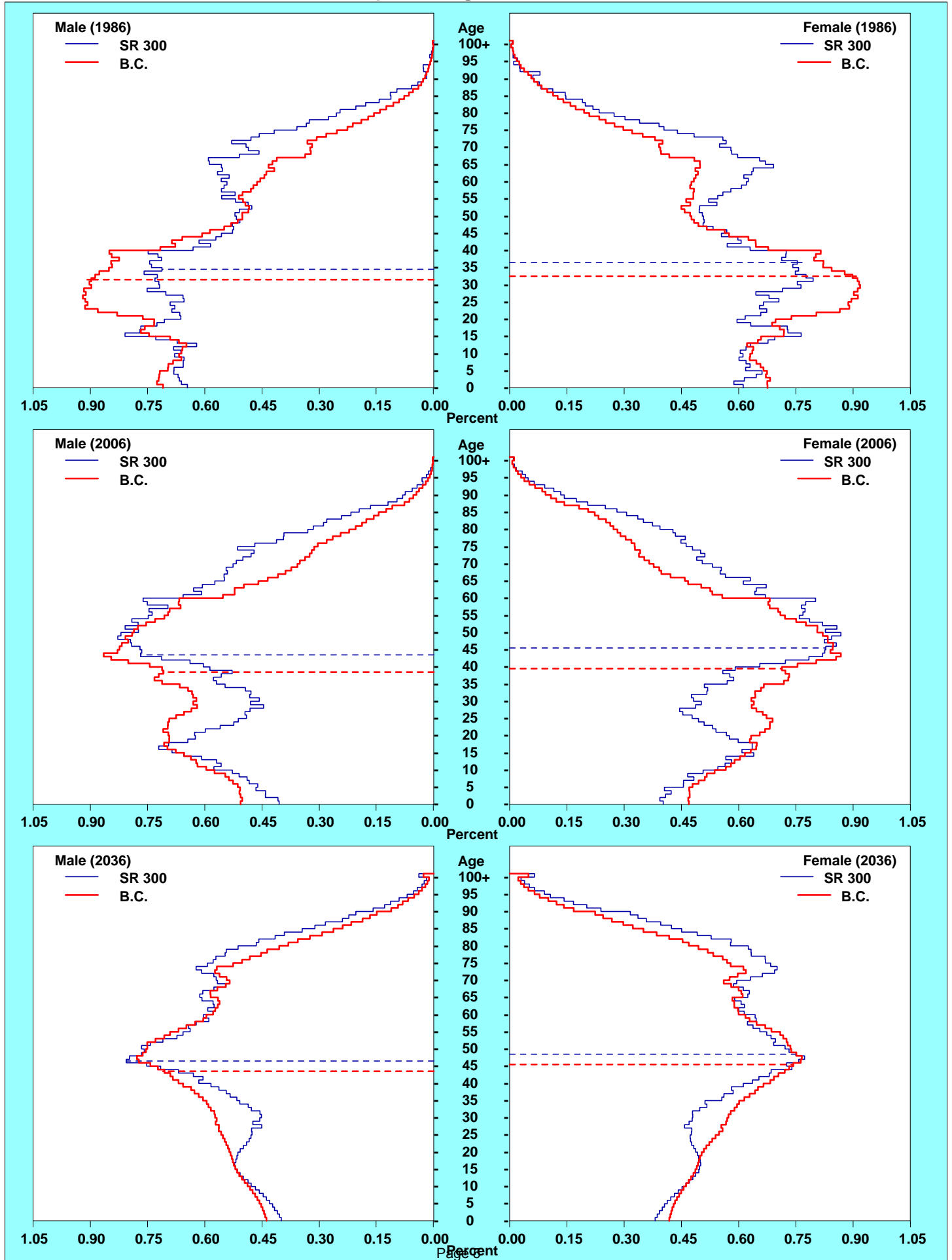
Population Age Distribution - 1986 2006 2036 Special Region 300: Fortis BC - Total

BCUC Appendix A28.1



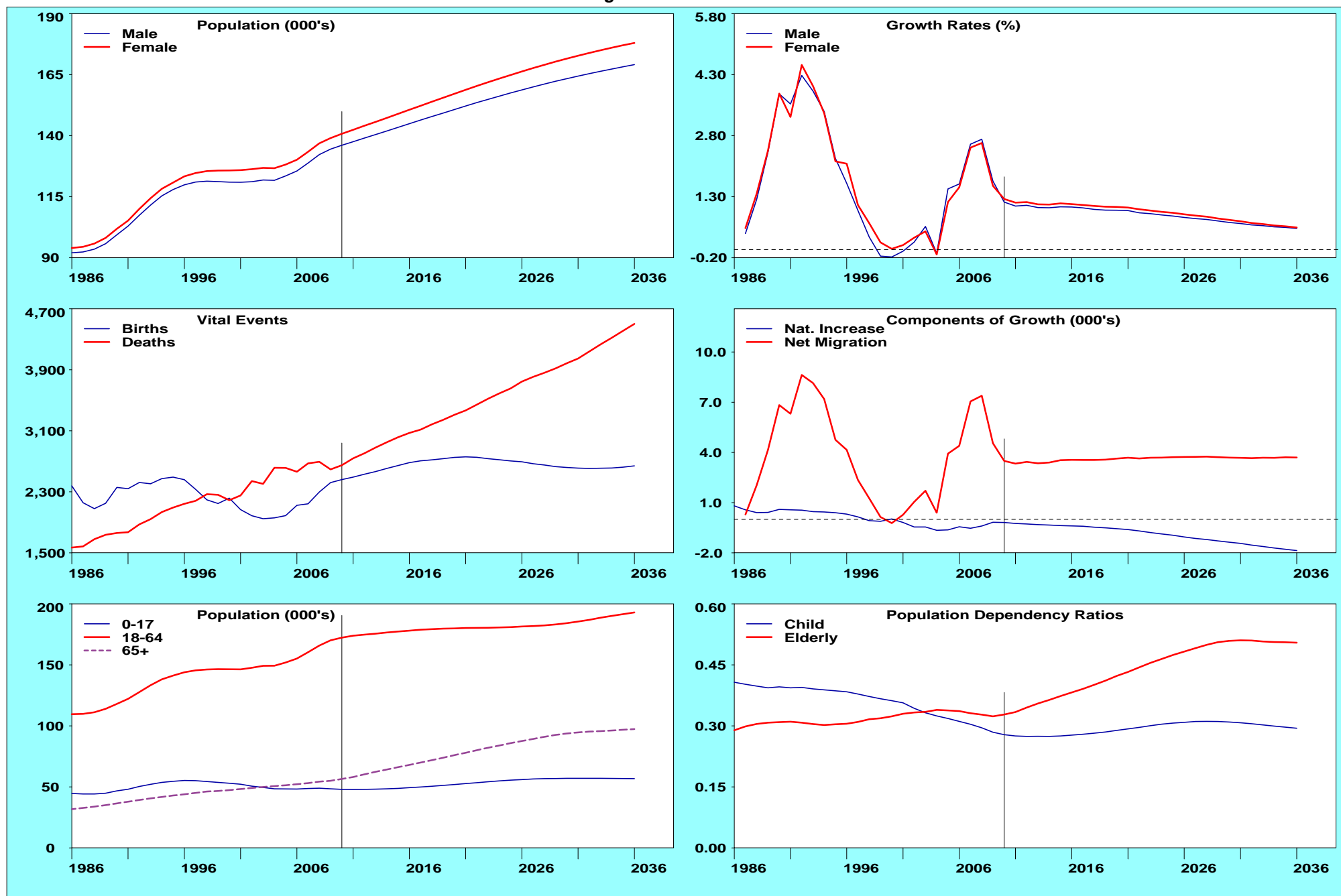
Population Age Distribution - 1986 2006 2036 B.C. and Special Region 300: Fortis BC - Total

BCUC Appendix A28.1



Summary Plots for Special Regions

Region 300: Fortis BC - Total



Summary Statistics for Special Regions

Region 300: Fortis BC - Total

Year	Births	Deaths	Natural Increase	Net Mig	Year	Population	Pop Gr Rate	Density/ Sq.Km	Median Age	Sex Ratio	TFR	Crude Dth Rate	Median Age Dth	Child Dep.	Elderly Dep.	Households
1985-1986	2,377	1,569	808	N/A	1986	185,995	N/A	4.8	36.5	97.9	N/A	N/A	75.4	0.407	0.289	74,373
1986-1987	2,157	1,584	573	286	1987	186,854	0.5	4.8	37.0	97.8	1,670	8.5	75.7	0.402	0.299	74,696
1987-1988	2,079	1,678	401	2,041	1988	189,296	1.3	4.8	37.5	97.6	1,627	8.9	76.0	0.398	0.305	75,636
1988-1989	2,150	1,736	414	4,155	1989	193,865	2.4	5.0	37.8	97.6	1,673	9.1	75.9	0.394	0.308	77,413
1989-1990	2,358	1,760	598	6,831	1990	201,294	3.8	5.2	38.0	97.6	1,806	8.9	76.8	0.396	0.309	80,315
1990-1991	2,341	1,770	571	6,312	1991	208,177	3.4	5.3	38.2	97.9	1,765	8.6	76.4	0.394	0.310	82,980
1991-1992	2,423	1,873	550	8,634	1992	217,361	4.4	5.6	38.3	97.6	1,779	8.8	76.8	0.395	0.308	87,021
1992-1993	2,405	1,941	464	8,143	1993	225,968	4.0	5.8	38.5	97.5	1,711	8.8	77.5	0.391	0.304	90,891
1993-1994	2,473	2,034	439	7,187	1994	233,594	3.4	6.0	38.8	97.6	1,709	8.9	76.9	0.389	0.302	94,389
1994-1995	2,492	2,094	398	4,752	1995	238,744	2.2	6.1	39.1	97.6	1,716	8.9	77.9	0.386	0.304	96,867
1995-1996	2,459	2,142	317	4,155	1996	243,216	1.9	6.2	39.4	97.2	1,679	8.9	78.0	0.384	0.305	99,067
1996-1997	2,332	2,182	150	2,351	1997	245,717	1.0	6.3	39.9	97.0	1,588	8.9	78.4	0.378	0.310	100,848
1997-1998	2,195	2,269	-74	1,255	1998	246,898	0.5	6.3	40.6	96.7	1,514	9.2	78.4	0.372	0.316	101,519
1998-1999	2,147	2,260	-113	140	1999	246,925	0.0	6.3	41.2	96.4	1,514	9.2	78.8	0.367	0.319	102,099
1999-2000	2,217	2,190	27	-222	2000	246,730	-0.1	6.3	41.8	96.2	1,599	8.9	79.1	0.362	0.323	102,752
2000-2001	2,067	2,252	-185	276	2001	246,821	0.0	6.3	42.4	96.0	1,522	9.1	79.4	0.357	0.330	104,159
2001-2002	1,986	2,441	-455	1,047	2002	247,413	0.2	6.3	43.1	95.9	1,493	9.9	79.5	0.343	0.333	105,684
2002-2003	1,947	2,404	-457	1,712	2003	248,668	0.5	6.4	43.7	96.1	1,475	9.7	79.6	0.332	0.335	106,429
2003-2004	1,959	2,615	-656	397	2004	248,409	-0.1	6.4	44.4	96.1	1,506	10.5	79.9	0.324	0.339	106,545
2004-2005	1,988	2,614	-626	3,926	2005	251,709	1.3	6.4	44.8	96.4	1,525	10.5	80.4	0.318	0.338	107,947
2005-2006	2,123	2,563	-440	4,395	2006	255,664	1.6	6.5	45.3	96.5	1,619	10.1	80.1	0.311	0.336	108,782
2006-2007	2,143	2,673	-530	7,047	2007	262,181	2.5	6.7	45.4	96.5	1,596	10.3	80.2	0.304	0.331	112,029
2007-2008	2,297	2,694	-397	7,389	2008	269,173	2.7	6.9	45.5	96.6	1,646	10.1	80.8	0.295	0.328	115,502
2008-2009	2,421	2,594	-173	4,550	2009	273,550	1.6	7.0	45.7	96.7	1,676	9.6	81.5	0.285	0.323	117,891
2009-2010	2,461	2,648	-187	3,488	2010	276,851	1.2	7.1	46.0	96.7	1,653	9.6	81.7	0.278	0.328	119,828
2010-2011	2,491	2,736	-245	3,330	2011	279,936	1.1	7.2	46.2	96.6	1,634	9.8	82.0	0.275	0.334	121,692
2011-2012	2,530	2,805	-275	3,436	2012	283,097	1.1	7.3	46.3	96.5	1,620	10.0	82.0	0.274	0.345	123,610
2012-2013	2,563	2,880	-317	3,355	2013	286,135	1.1	7.3	46.4	96.4	1,604	10.1	82.4	0.274	0.355	125,493
2013-2014	2,606	2,950	-344	3,401	2014	289,192	1.1	7.4	46.5	96.4	1,596	10.3	82.5	0.274	0.364	127,399
2014-2015	2,644	3,014	-370	3,538	2015	292,360	1.1	7.5	46.5	96.3	1,584	10.4	82.4	0.275	0.373	129,371
2015-2016	2,682	3,070	-388	3,554	2016	295,526	1.1	7.6	46.6	96.2	1,577	10.4	82.7	0.277	0.382	131,367
2016-2017	2,703	3,114	-411	3,550	2017	298,665	1.1	7.6	46.7	96.1	1,568	10.5	82.5	0.279	0.391	133,020
2017-2018	2,716	3,184	-468	3,552	2018	301,749	1.0	7.7	46.7	96.1	1,560	10.6	82.7	0.282	0.401	134,543
2018-2019	2,732	3,243	-511	3,569	2019	304,807	1.0	7.8	46.7	96.0	1,554	10.7	82.6	0.285	0.411	136,048
2019-2020	2,749	3,310	-561	3,639	2020	307,885	1.0	7.9	46.7	95.9	1,548	10.8	82.5	0.289	0.423	137,493
2020-2021	2,754	3,368	-614	3,687	2021	310,958	1.0	8.0	46.7	95.8	1,540	10.9	82.7	0.293	0.433	138,958
2021-2022	2,750	3,443	-693	3,644	2022	313,909	0.9	8.0	46.7	95.8	1,535	11.0	82.4	0.296	0.444	140,292
2022-2023	2,731	3,521	-790	3,687	2023	316,806	0.9	8.1	46.7	95.7	1,528	11.2	82.6	0.301	0.455	141,628
2023-2024	2,718	3,591	-873	3,695	2024	319,628	0.9	8.2	46.7	95.6	1,523	11.3	82.5	0.304	0.465	142,889
2024-2025	2,702	3,653	-951	3,719	2025	322,396	0.9	8.3	46.8	95.5	1,526	11.4	82.7	0.307	0.474	144,126
2025-2026	2,690	3,746	-1,056	3,736	2026	325,076	0.8	8.3	46.8	95.5	1,530	11.6	82.7	0.309	0.483	145,312
2026-2027	2,665	3,805	-1,140	3,736	2027	327,672	0.8	8.4	46.9	95.4	1,525	11.7	82.8	0.311	0.491	146,468
2027-2028	2,649	3,860	-1,211	3,754	2028	330,215	0.8	8.5	46.9	95.3	1,524	11.7	82.8	0.311	0.499	147,690
2028-2029	2,627	3,917	-1,290	3,720	2029	332,645	0.7	8.5	47.0	95.3	1,522	11.8	82.9	0.311	0.506	148,903
2029-2030	2,615	3,985	-1,370	3,696	2030	334,971	0.7	8.6	47.2	95.2	1,524	11.9	83.2	0.310	0.509	150,125
2030-2031	2,607	4,047	-1,440	3,679	2031	337,210	0.7	8.6	47.3	95.2	1,524	12.0	83.3	0.308	0.510	151,343
2031-2032	2,601	4,140	-1,539	3,666	2032	339,337	0.6	8.7	47.5	95.1	1,526	12.2	83.6	0.305	0.510	152,550
2032-2033	2,606	4,234	-1,628	3,692	2033	341,401	0.6	8.7	47.7	95.1	1,527	12.4	83.8	0.302	0.508	153,742
2033-2034	2,610	4,320	-1,710	3,678	2034	343,369	0.6	8.8	47.8	95.0	1,526	12.6	84.1	0.300	0.506	154,914
2034-2035	2,622	4,411	-1,789	3,710	2035	345,290	0.6	8.8	48.0	95.0	1,526	12.8	84.3	0.297	0.506	156,080
2035-2036	2,638	4,502	-1,864	3,698	2036	347,124	0.5	8.9	48.2	95.0	1,529	13.0	84.2	0.294	0.505	157,205

Prepared by: Demographic Analysis, BC Stats
Ministry Citizens' Services
Government of the Province of British Columbia
Using P.E.O.P.L.E. Projection Model, Projection 35

Date run: May 12, 2010.
Prepared for: Ministry of Citizens' Services
Enquiries: Demographic Analysis, BC Stats
Ministry of Citizens' Services, (250) 387-0327

Note: All figures as of July 1. Households = Census Definition Households Sex Ratio = Males per 100 females
Child Dep. = Pop(0-17) / Pop(18-64) Crude Dth Rate = Census year death estimates per 1000 population
Elderly Dep. = Pop(65+) / Pop(18-64) TFR = Lifetime births per 1000 women aged 15-49, calculated on census year estimates

Figures for the period 2010-2036 are projected.
Due to rounding, the sum of the components of change may not equal the total population change.

Population Projections for Special Regions
Region 300: Fortis BC - Total, 1986 - 2036

Year	0-17	0-4	5-12	5-17	13-17	18-24	15+	19+	25-44	45-64	65+	80+	Total
1986	44,666	11,991	19,023	32,675	13,652	17,319	149,824	138,805	51,544	40,766	31,700	5,746	185,995
1987	44,199	11,806	19,367	32,393	13,026	16,889	150,776	140,039	52,100	40,864	32,802	6,077	186,854
1988	44,225	11,813	19,611	32,412	12,801	16,395	152,992	142,528	53,233	41,564	33,879	6,417	189,296
1989	44,849	11,852	20,306	32,997	12,691	16,235	156,703	146,291	55,153	42,553	35,075	6,791	193,865
1990	46,731	12,288	21,364	34,443	13,079	16,440	162,488	151,883	57,804	43,806	36,513	7,204	201,294
1991	48,105	12,582	22,305	35,523	13,218	16,654	167,985	157,280	60,189	45,332	37,897	7,660	208,177
1992	50,390	13,446	23,340	36,944	13,604	17,502	175,068	164,272	62,489	47,658	39,322	7,974	217,361
1993	52,099	13,699	24,266	38,400	14,134	18,245	182,200	171,093	64,795	50,255	40,574	8,537	225,968
1994	53,687	13,809	25,022	39,878	14,856	18,620	188,634	177,053	66,886	52,644	41,757	9,139	233,594
1995	54,552	13,627	25,411	40,925	15,514	18,733	193,209	181,160	68,035	54,474	42,950	9,808	238,744
1996	55,287	13,409	25,614	41,878	16,264	19,095	197,405	184,864	68,776	56,111	43,947	10,237	243,216
1997	55,069	13,055	25,610	42,014	16,404	19,060	200,218	187,569	68,665	57,819	45,104	10,541	245,717
1998	54,437	12,554	25,127	41,883	16,756	18,850	202,256	189,425	67,673	59,693	46,245	10,829	246,898
1999	53,716	12,125	24,570	41,591	17,021	18,822	203,266	190,173	66,166	61,532	46,689	11,090	246,925
2000	52,979	11,832	24,040	41,147	17,107	18,734	204,133	190,641	64,454	63,205	47,358	11,612	246,730
2001	52,202	11,422	23,823	40,780	16,957	18,739	205,115	191,344	62,812	64,800	48,268	12,242	246,821
2002	50,662	10,985	23,282	39,677	16,395	19,464	206,729	193,392	61,266	66,878	49,143	12,837	247,413
2003	49,545	10,826	22,453	38,719	16,266	20,040	208,757	195,852	59,851	69,308	49,924	13,320	248,668
2004	48,438	10,669	21,700	37,769	16,069	19,911	209,467	196,849	58,245	71,142	50,673	13,804	248,409
2005	48,364	10,665	21,256	37,699	16,443	20,175	213,276	200,282	58,183	73,623	51,364	14,155	251,709
2006	48,268	10,724	21,051	37,544	16,493	20,224	217,576	204,217	58,096	76,867	52,209	14,520	255,664
2007	48,732	11,093	21,166	37,639	16,473	21,648	223,807	209,965	58,970	79,723	53,108	15,063	262,181
2008	48,981	11,500	21,226	37,481	16,255	23,273	230,345	216,534	59,973	82,602	54,344	15,660	269,173
2009	48,414	11,587	20,801	36,827	16,026	24,512	235,095	221,567	60,848	84,761	55,015	16,136	273,550
2010	47,988	12,023	20,517	35,965	15,448	24,968	238,326	225,310	61,645	85,743	56,507	16,646	276,851
2011	47,899	12,424	20,421	35,475	15,054	24,877	241,350	228,784	62,787	86,275	58,098	17,141	279,936
2012	47,955	12,778	20,388	35,177	14,789	24,639	244,263	231,973	64,177	85,995	60,331	17,681	283,097
2013	48,175	13,067	20,514	35,108	14,594	24,119	246,897	234,909	65,821	85,649	62,371	18,056	286,135
2014	48,391	13,466	20,584	34,925	14,341	23,413	249,528	237,698	67,518	85,634	64,236	18,422	289,192
2015	48,822	13,672	21,014	35,150	14,136	22,560	252,152	240,568	69,160	85,628	66,190	18,759	292,360
2016	49,386	13,865	21,461	35,521	14,060	21,875	254,741	243,267	70,538	85,659	68,068	19,069	295,526
2017	49,950	14,043	21,951	35,907	13,956	21,236	257,190	245,817	72,050	85,507	69,922	19,421	298,665
2018	50,570	14,198	22,556	36,372	13,816	20,857	259,593	248,318	73,281	85,137	71,904	19,811	301,749
2019	51,213	14,327	23,126	36,886	13,760	20,557	261,942	250,732	74,378	84,751	73,908	20,190	304,807
2020	51,973	14,437	23,646	37,536	13,890	20,292	264,210	253,134	75,418	84,159	76,043	20,548	307,885
2021	52,728	14,517	24,086	38,211	14,125	20,011	266,535	255,426	76,489	83,752	77,978	21,022	310,958
2022	53,466	14,563	24,595	38,903	14,308	19,834	268,860	257,647	77,213	83,309	80,087	21,506	313,909
2023	54,255	14,586	24,873	39,669	14,796	19,692	271,268	259,818	77,867	82,877	82,115	22,146	316,806
2024	54,977	14,576	25,141	40,401	15,260	19,609	273,542	261,844	78,487	82,611	83,944	22,777	319,628
2025	55,563	14,524	25,375	41,039	15,664	19,664	276,040	263,922	78,925	82,390	85,854	23,439	322,396
2026	56,019	14,458	25,573	41,561	15,988	19,833	278,501	266,026	79,297	82,323	87,604	24,211	325,076
2027	56,519	14,381	25,737	42,138	16,401	20,036	280,926	268,173	79,418	82,383	89,316	25,442	327,672
2028	56,753	14,299	25,832	42,454	16,622	20,453	283,369	270,241	79,441	82,483	91,085	26,556	330,215
2029	56,909	14,212	25,873	42,697	16,824	20,913	285,766	272,470	79,243	82,954	92,626	27,515	332,645
2030	57,016	14,131	25,871	42,885	17,014	21,465	288,112	274,648	78,870	83,866	93,754	28,504	334,971
2031	57,069	14,047	25,848	43,022	17,174	21,985	290,420	276,792	78,337	85,149	94,670	29,461	337,210
2032	57,071	13,984	25,779	43,087	17,308	22,452	292,653	278,876	77,846	86,651	95,317	30,321	339,337
2033	57,040	13,937	25,672	43,103	17,431	22,849	294,828	280,928	77,356	88,419	95,737	31,255	341,401
2034	56,958	13,912	25,541	43,046	17,505	23,332	296,930	282,939	76,592	90,234	96,253	32,146	343,369
2035	56,864	13,916	25,395	42,948	17,553	23,611	298,997	284,925	76,032	91,937	96,846	33,117	345,290
2036	56,791	13,950	25,265	42,841	17,576	23,847	300,948	286,823	75,765	93,359	97,362	33,913	347,124

Prepared by: Demographic Analysis, BC Stats
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Using P.E.O.P.L.E. Projection Model, Projection 35

Date run: May 12, 2010.
Prepared for: Ministry of Citizens' Services
Enquiries: Demographic Analysis, BC Stats
Ministry of Citizens' Services, (250) 387-0327

Note: All figures as of July 1.

Figures for the period 2010-2036 are projected

Population Projections for Special Regions
Region 300: Fortis BC - Total, 1986 - 2036

Year	Sex	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70-74	75-79	80-84	85-89	90+	Total
1986	Male	1,201	4,983	6,188	6,263	7,027	6,295	6,478	6,783	6,824	5,502	4,846	4,675	5,067	5,152	4,897	4,420	2,883	1,644	630	247	92,005
	Female	1,138	4,669	5,729	6,000	6,413	6,079	6,526	7,125	6,802	5,504	4,885	4,769	5,415	5,957	5,736	4,834	3,184	1,840	898	487	93,990
	Total	2,339	9,652	11,917	12,263	13,440	12,374	13,004	13,908	13,626	11,006	9,731	9,444	10,482	11,109	10,633	9,254	6,067	3,484	1,528	734	185,995
1987	Male	1,108	4,965	6,267	6,240	6,794	6,051	6,442	6,785	6,763	5,860	4,913	4,707	5,121	5,179	5,048	4,418	3,016	1,731	705	255	92,368
	Female	1,055	4,678	5,857	5,908	6,327	5,838	6,412	7,136	6,868	5,834	4,995	4,792	5,293	5,864	5,914	4,998	3,331	1,994	932	460	94,486
	Total	2,163	9,643	12,124	12,148	13,121	11,889	12,854	13,921	13,631	11,694	9,908	9,499	10,414	11,043	10,962	9,416	6,347	3,725	1,637	715	186,854
1988	Male	1,083	4,964	6,405	6,260	6,620	5,843	6,359	6,898	6,928	6,213	5,075	4,815	5,137	5,306	5,244	4,374	3,168	1,793	766	259	93,510
	Female	1,024	4,742	5,941	5,885	6,300	5,553	6,452	7,248	7,020	6,115	5,219	4,812	5,308	5,892	6,077	5,055	3,544	2,099	999	501	95,786
	Total	2,107	9,706	12,346	12,145	12,920	11,396	12,811	14,146	13,948	12,328	10,294	9,627	10,445	11,198	11,321	9,429	6,712	3,892	1,765	760	189,296
1989	Male	1,119	4,948	6,659	6,426	6,585	5,687	6,456	7,112	7,198	6,586	5,355	4,958	5,151	5,448	5,417	4,367	3,299	1,905	813	259	95,748
	Female	1,064	4,721	6,208	6,017	6,270	5,380	6,650	7,348	7,322	6,481	5,452	4,959	5,287	5,943	6,230	5,134	3,837	2,187	1,142	485	98,117
	Total	2,183	9,669	12,867	12,443	12,855	11,067	13,106	14,460	14,520	13,067	10,807	9,917	10,438	11,391	11,647	9,501	7,136	4,092	1,955	744	193,865
1990	Male	1,261	5,028	7,024	6,641	6,824	5,744	6,505	7,419	7,522	7,147	5,572	5,082	5,285	5,616	5,608	4,509	3,490	1,978	860	299	99,414
	Female	1,150	4,849	6,626	6,227	6,467	5,330	6,771	7,625	7,719	7,096	5,672	5,180	5,335	6,064	6,312	5,309	4,081	2,336	1,200	531	101,880
	Total	2,411	9,877	13,650	12,868	13,291	11,074	13,276	15,044	15,241	14,243	11,244	10,262	10,620	11,680	11,920	9,818	7,571	4,314	2,060	830	201,294
1991	Male	1,257	5,185	7,249	6,929	6,867	5,857	6,380	7,851	8,012	7,646	5,971	5,184	5,356	5,880	5,711	4,661	3,687	2,019	931	341	102,974
	Female	1,186	4,954	6,915	6,517	6,458	5,385	6,580	7,963	8,120	7,637	5,951	5,417	5,461	6,112	6,399	5,509	4,270	2,514	1,241	614	105,203
	Total	2,443	10,139	14,164	13,446	13,325	11,242	12,960	15,814	16,132	15,283	11,922	10,601	10,817	11,992	12,110	10,170	7,957	4,533	2,172	955	208,177
1992	Male	1,334	5,572	7,470	7,329	6,981	6,247	6,353	8,131	8,429	8,003	6,627	5,428	5,473	6,044	5,921	4,898	3,717	2,115	965	345	107,382
	Female	1,244	5,296	7,147	6,901	6,488	5,883	6,559	8,280	8,708	8,026	6,563	5,756	5,649	6,118	6,600	5,790	4,422	2,626	1,296	627	109,979
	Total	2,578	10,868	14,617	14,230	13,469	12,130	12,912	16,411	17,137	16,029	13,190	11,184	11,122	12,162	12,521	10,688	8,139	4,741	2,261	972	217,361
1993	Male	1,244	5,753	7,649	7,796	7,126	6,605	6,457	8,294	8,899	8,418	7,211	5,758	5,719	6,130	6,045	5,138	3,693	2,250	993	389	111,567
	Female	1,252	5,450	7,393	7,231	6,576	6,269	6,508	8,594	9,217	8,408	7,140	6,149	5,852	6,296	6,577	5,991	4,593	2,837	1,376	692	114,401
	Total	2,496	11,203	15,042	15,027	13,702	12,874	12,965	16,888	18,116	16,826	14,351	11,907	11,571	12,426	12,622	11,129	8,286	5,087	2,369	1,081	225,968
1994	Male	1,306	5,765	7,821	8,166	7,422	6,708	6,557	8,469	9,266	8,873	7,724	6,145	5,924	6,222	6,119	5,370	3,685	2,369	1,053	392	115,356
	Female	1,236	5,502	7,507	7,657	6,851	6,366	6,508	8,848	9,501	8,864	7,679	6,527	6,120	6,303	6,645	6,187	4,612	3,123	1,444	758	118,238
	Total	2,542	11,267	15,328	15,823	14,273	13,074	13,065	17,317	18,767	17,737	15,403	12,672	12,044	12,525	12,764	11,557	8,297	5,492	2,497	1,150	233,594
1995	Male	1,270	5,672	7,904	8,463	7,681	6,665	6,676	8,438	9,495	9,202	8,279	6,325	6,028	6,288	6,290	5,379	3,792	2,535	1,142	416	117,940
	Female	1,239	5,446	7,587	7,954	7,125	6,279	6,499	8,779	9,735	9,211	8,216	6,756	6,283	6,299	6,636	6,272	4,773	3,337	1,559	819	120,804
	Total	2,509	11,118	15,491	16,417	14,806	12,944	13,175	17,217	19,230	18,413	16,495	13,081	12,311	12,587	12,926	11,651	8,565	5,872	2,701	1,235	238,744
1996	Male	1,303	5,508	7,923	8,669	8,087	6,695	6,758	8,136	9,661	9,496	8,658	6,653	6,033	6,307	6,378	5,431	3,940	2,606	1,177	443	119,862
	Female	1,217	5,381	7,567	8,243	7,457	6,332	6,661	8,610	9,941	9,513	8,641	6,973	6,469	6,377	6,641	6,346	4,974	3,510	1,706	795	123,354
	Total	2,520	10,889	15,490	16,912	15,544	13,027	13,419	16,746	19,602	19,009	17,299	13,626	12,502	12,684	13,019	11,777	8,914	6,116	2,883	1,238	243,216
1997	Male	1,228	5,423	7,935	8,687	8,022	6,737	6,732	7,806	9,664	9,779	8,806	7,277	6,142	6,267	6,597	5,530	4,127	2,646	1,156	452	121,013
	Female	1,147	5,257	7,573	8,249	7,480	6,391	6,600	8,232	9,964	9,888	8,836	7,459	6,667	6,365	6,687	6,388	5,234	3,622	1,829	836	124,704
	Total	2,375	10,680	15,508	16,936	15,502	13,128	13,332	16,038	19,628	19,667	17,642	14,736	12,809	12,632	13,284	11,918	9,361	6,268	2,985	1,288	245,717
1998	Male	1,127	5,302	7,903	8,602	8,184	6,629	6,633	7,268	9,476	9,869	9,083	7,730	6,326	6,339	6,621	5,683	4,299	2,623	1,217	471	121,385
	Female	1,070	5,055	7,419	8,164	7,517	6,315	6,546	7,733	9,957	10,191	9,004	7,851	6,919	6,441	6,867	6,464	5,482	3,750	1,912	856	125,513
	Total	2,197	10,357	15,322	16,766	15,701	12,944	13,179	15,001	19,433	20,060	18,087	15,581	13,245	12,780	13,488	12,147	9,781	6,373	3,129	1,327	246,898
1999	Male	1,113	5,110	7,718	8,507	8,297	6,582	6,338	6,915	9,265	9,853	9,319	8,041	6,537	6,375	6,592	5,802	4,460	2,627	1,264	475	121,190
	Female	1,050	4,852	7,263	8,046	7,697	6,303	6,393	7,226	9,920	10,256	9,342	8,202	7,179	6,537	6,680	6,440	5,625	3,769	2,058	897	125,735
	Total	2,163	9,962	14,981	16,553	15,994	12,885	12,731	14,141	19,185	20,109	18,661	16,243	13,716	12,912	13,272	12,242	10,085	6,396	3,322	1,372	246,925
2000	Male	1,161	4,941	7,381	8,381	8,510	6,515	6,097	6,721	8,782	9,827	9,423	8,500	6,653	6,432	6,620	5,977	4,484	2,686	1,389	491	120,971
	Female	1,057	4,673	7,062	7,941	7,936	6,155	6,160	6,946	9,620	10,301	9,564	8,659	7,332	6,642	6,569	6,443	5,653	3,859	2,233	954	125,759
	Total	2,218	9,614	14,443	16,322	16,446	12,670	12,257	13,667	18,402	20,128	18,987	17,159	13,985	13,074	13,189	12,420	10,137	6,545	3,622	1,445	246,730

Population Projections for Special Regions
Region 300: Fortis BC - Total, 1986 - 2036

Year	Sex	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70-74	75-79	80-84	85-89	90+	Total
2001	Male	1,062	4,813	7,231	8,300	8,635	6,486	5,850	6,627	8,248	9,845	9,485	8,774	6,978	6,411	6,651	6,168	4,540	2,814	1,488	516	120,922
	Female	1,020	4,527	6,928	7,825	8,153	5,961	5,912	6,873	9,181	10,276	9,783	8,969	7,500	6,900	6,545	6,422	5,700	4,039	2,335	1,050	125,899
	Total	2,082	9,340	14,159	16,125	16,788	12,447	11,762	13,500	17,429	20,121	19,268	17,743	14,478	13,311	13,196	12,590	10,240	6,853	3,823	1,566	246,821
2002	Male	1,067	4,600	6,961	8,301	8,486	6,650	5,755	6,587	7,855	9,682	9,666	8,889	7,581	6,492	6,579	6,282	4,684	2,981	1,498	548	121,144
	Female	941	4,377	6,663	7,774	8,048	6,258	5,819	6,748	8,594	10,226	10,062	9,104	7,982	7,102	6,641	6,397	5,723	4,217	2,437	1,156	126,269
	Total	2,008	8,977	13,624	16,075	16,534	12,908	11,574	13,335	16,449	19,908	19,728	17,993	15,563	13,594	13,220	12,679	10,407	7,198	3,935	1,704	247,413
2003	Male	1,011	4,574	6,671	8,285	8,327	7,003	5,695	6,558	7,364	9,593	9,817	9,126	8,098	6,743	6,640	6,278	4,822	3,139	1,492	597	121,833
	Female	984	4,257	6,462	7,667	7,845	6,499	5,779	6,680	7,986	10,196	10,391	9,297	8,403	7,433	6,733	6,422	5,709	4,347	2,498	1,247	126,835
	Total	1,995	8,831	13,133	15,952	16,172	13,502	11,474	13,238	15,350	19,789	20,208	18,423	16,501	14,176	13,373	12,700	10,531	7,486	3,990	1,844	248,668
2004	Male	1,034	4,478	6,510	8,018	8,142	6,996	5,726	6,362	7,008	9,357	9,886	9,387	8,414	7,025	6,733	6,283	4,874	3,308	1,512	671	121,724
	Female	962	4,195	6,245	7,500	7,594	6,675	5,689	6,528	7,469	10,106	10,401	9,552	8,793	7,684	6,837	6,401	5,741	4,456	2,536	1,321	126,685
	Total	1,996	8,673	12,755	15,518	15,736	13,671	11,415	12,890	14,477	19,463	20,287	18,939	17,207	14,709	13,570	12,684	10,615	7,764	4,048	1,992	248,409
2005	Male	1,026	4,466	6,468	7,738	8,414	7,212	5,985	6,352	7,067	9,124	10,035	9,647	8,957	7,265	6,836	6,351	4,959	3,356	1,579	703	123,540
	Female	986	4,187	6,144	7,418	7,696	6,784	5,880	6,456	7,379	9,940	10,550	9,922	9,323	7,924	6,957	6,371	5,735	4,501	2,602	1,414	128,169
	Total	2,012	8,653	12,612	15,156	16,110	13,996	11,865	12,808	14,446	19,064	20,585	19,569	18,280	15,189	13,793	12,722	10,694	7,857	4,181	2,117	251,709
2006	Male	1,036	4,490	6,321	7,583	8,619	7,214	6,119	6,287	7,208	8,921	10,237	9,964	9,442	7,860	6,927	6,345	5,108	3,436	1,687	728	125,532
	Female	1,029	4,169	6,052	7,408	7,809	6,762	6,051	6,402	7,372	9,736	10,790	10,352	9,931	8,291	7,243	6,355	5,711	4,501	2,696	1,472	130,132
	Total	2,065	8,659	12,373	14,991	16,428	13,976	12,170	12,689	14,580	18,657	21,027	20,316	19,373	16,151	14,170	12,700	10,819	7,937	4,383	2,200	255,664
2007	Male	1,119	4,539	6,426	7,534	9,003	7,760	6,419	6,395	7,455	8,809	10,357	10,325	9,559	8,479	7,006	6,207	5,350	3,491	1,807	745	128,785
	Female	1,092	4,343	6,033	7,288	8,155	7,088	6,282	6,682	7,483	9,445	10,947	10,902	10,120	9,034	7,485	6,361	5,636	4,589	2,901	1,530	133,396
	Total	2,211	8,882	12,459	14,822	17,158	14,848	12,701	13,077	14,938	18,254	21,304	21,227	19,679	17,513	14,491	12,568	10,986	8,080	4,708	2,275	262,181
2008	Male	1,239	4,643	6,457	7,483	9,213	8,457	6,890	6,536	7,665	8,518	10,503	10,640	9,847	9,026	7,204	6,280	5,344	3,636	1,927	772	132,280
	Female	1,127	4,491	6,164	7,224	8,251	7,505	6,596	6,930	7,711	9,127	11,183	11,311	10,498	9,594	7,790	6,409	5,657	4,620	3,056	1,649	136,893
	Total	2,366	9,134	12,621	14,707	17,464	15,962	13,486	13,466	15,376	17,645	21,686	21,951	20,345	18,620	14,994	12,689	11,001	8,256	4,983	2,421	269,173
2009	Male	1,163	4,729	6,409	7,333	9,073	9,168	7,339	6,755	7,684	8,342	10,553	10,850	10,176	9,312	7,386	6,309	5,325	3,696	2,076	831	134,509
	Female	1,123	4,572	6,074	7,052	8,269	7,961	7,024	7,050	7,799	8,855	11,359	11,536	10,857	10,118	7,883	6,416	5,560	4,617	3,157	1,759	139,041
	Total	2,286	9,301	12,483	14,385	17,342	17,129	14,363	13,805	15,483	17,197	21,912	22,386	21,033	19,430	15,269	12,725	10,885	8,313	5,233	2,590	273,550
2010	Male	1,290	4,836	6,307	7,265	8,520	9,524	7,763	6,989	7,618	8,350	10,316	10,905	10,387	9,722	7,632	6,384	5,418	3,794	2,134	927	136,081
	Female	1,230	4,667	6,013	6,917	8,063	8,324	7,304	7,238	7,717	8,666	11,132	11,591	11,135	10,555	8,259	6,570	5,598	4,652	3,200	1,939	140,770
	Total	2,520	9,503	12,320	14,182	16,583	17,848	15,067	14,227	15,335	17,016	21,448	22,496	21,522	20,277	15,891	12,954	11,016	8,446	5,334	2,866	276,851
2011	Male	1,306	5,051	6,264	7,101	8,191	9,615	8,253	7,254	7,496	8,434	10,048	10,995	10,547	9,956	8,016	6,439	5,435	3,963	2,143	1,032	137,539
	Female	1,245	4,822	5,974	6,823	7,918	8,466	7,610	7,433	7,696	8,611	10,809	11,675	11,327	10,918	8,551	6,879	5,637	4,669	3,247	2,087	142,397
	Total	2,551	9,873	12,238	13,924	16,109	18,081	15,863	14,687	15,192	17,045	20,857	22,670	21,874	20,874	16,567	13,318	11,072	8,632	5,390	3,119	279,936
2012	Male	1,327	5,231	6,253	7,039	7,893	9,601	8,662	7,500	7,489	8,511	9,751	10,988	10,791	9,953	8,606	6,553	5,406	4,170	2,179	1,132	139,035
	Female	1,266	4,954	6,087	6,677	7,644	8,622	7,899	7,604	7,934	8,578	10,325	11,654	11,657	10,876	9,261	7,103	5,721	4,663	3,294	2,243	144,062
	Total	2,593	10,185	12,340	13,716	15,537	18,223	16,561	15,104	15,423	17,089	20,076	22,642	22,448	20,829	17,867	13,656	11,127	8,833	5,473	3,375	283,097
2013	Male	1,345	5,337	6,385	6,960	7,694	9,393	9,062	7,834	7,562	8,600	9,262	10,994	10,968	10,089	9,056	6,759	5,510	4,183	2,277	1,201	140,471
	Female	1,283	5,102	6,153	6,673	7,454	8,515	8,215	7,791	8,109	8,648	9,784	11,714	11,867	10,971	9,754	7,415	5,821	4,735	3,305	2,355	145,664
	Total	2,628	10,439	12,538	13,633	15,148	17,908	17,277	15,625	15,671	17,248	19,046	22,708	22,835	21,060	18,810	14,174	11,331	8,918	5,582	3,556	286,135
2014	Male	1,368	5,523	6,449	6,928	7,574	8,931	9,448	8,194	7,751	8,579	9,002	10,961	11,103	10,325	9,285	7,042	5,610	4,209	2,333	1,300	141,915
	Female	1,304	5,271	6,233	6,588	7,298	8,337	8,556	8,121	8,185	8,684	9,398	11,742	11,938	11,165	10,229	7,705	5,943	4,762	3,348	2,470	147,277
	Total	2,672	10,794	12,682	13,516	14,872	17,268	18,004	16,315	15,936	17,263	18,400	22,703	23,041	21,490	19,514	14,747	11,553	8,971	5,681	3,770	289,192
2015	Male	1,388	5,603	6,711	6,844	7,507	8,385	9,766	8,604	7,985	8,519	9,009	10,740	11,159	10,527	9,669	7,273	5,678	4,281	2,399	1,361	143,408
	Female	1,326	5,355	6,453	6,528	7,169	8,113	8,891	8,392	8,386	8,617	9,220	11,530	11,996	11,447	10,660	8,071	6,080	4,793	3,375	2,550	148,952
	Total	2,714	10,958	13,164	13,372	14,676	16,498	18,657	16,996	16,371	17,136	18,229	22,270	23,155	21,974	20,329	15,344	11,758	9,074	5,774	3,911	292,360

Population Projections for Special Regions
Region 300: Fortis BC - Total, 1986 - 2036

Year	Sex	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70-74	75-79	80-84	85-89	90+	Total
2016	Male	1,405	5,684	6,955	6,815	7,357	8,066	9,850	9,090	8,261	8,410	9,102	10,495	11,248	10,679	9,892	7,628	5,736	4,305	2,519	1,412	144,909
	Female	1,342	5,434	6,650	6,500	7,081	7,972	9,019	8,699	8,594	8,615	9,185	11,217	12,089	11,644	11,014	8,357	6,372	4,822	3,394	2,617	150,617
	Total	2,747	11,118	13,605	13,315	14,438	16,038	18,869	17,789	16,855	17,025	18,287	21,712	23,337	22,323	20,906	15,985	12,108	9,127	5,913	4,029	295,526
2017	Male	1,420	5,758	7,165	6,819	7,301	7,773	9,833	9,498	8,520	8,421	9,190	10,199	11,244	10,924	9,891	8,168	5,848	4,297	2,661	1,465	146,395
	Female	1,353	5,512	6,825	6,623	6,937	7,700	9,173	8,979	8,771	8,855	9,167	10,744	12,075	11,964	10,975	9,041	6,578	4,901	3,398	2,699	152,270
	Total	2,773	11,270	13,990	13,442	14,238	15,473	19,006	18,477	17,291	17,276	18,357	20,943	23,319	22,888	20,866	17,209	12,426	9,198	6,059	4,164	298,665
2018	Male	1,425	5,830	7,290	6,967	7,233	7,589	9,633	9,893	8,870	8,499	9,290	9,721	11,259	11,104	10,026	8,585	6,028	4,386	2,669	1,547	147,844
	Female	1,359	5,584	7,008	6,693	6,933	7,516	9,073	9,295	8,971	9,047	9,248	10,209	12,137	12,169	11,074	9,509	6,871	4,996	3,468	2,745	153,905
	Total	2,784	11,414	14,298	13,660	14,166	15,105	18,706	19,188	17,841	17,546	18,538	19,930	23,396	23,273	21,100	18,094	12,899	9,382	6,137	4,292	301,749
2019	Male	1,433	5,884	7,498	7,048	7,212	7,472	9,198	10,279	9,226	8,703	9,279	9,472	11,226	11,238	10,252	8,808	6,290	4,462	2,684	1,616	149,280
	Female	1,369	5,641	7,200	6,792	6,853	7,368	8,901	9,643	9,303	9,125	9,294	9,833	12,165	12,244	11,268	9,962	7,138	5,111	3,497	2,820	155,527
	Total	2,802	11,525	14,698	13,840	14,065	14,840	18,099	19,922	18,529	17,828	18,573	19,305	23,391	23,482	21,520	18,770	13,428	9,573	6,181	4,436	304,807
2020	Male	1,444	5,933	7,595	7,312	7,136	7,416	8,673	10,601	9,638	8,935	9,220	9,484	11,011	11,298	10,445	9,160	6,494	4,523	2,730	1,678	150,726
	Female	1,377	5,683	7,310	7,021	6,796	7,242	8,693	9,969	9,580	9,329	9,228	9,666	11,958	12,294	11,543	10,374	7,479	5,227	3,525	2,865	157,159
	Total	2,821	11,616	14,905	14,333	13,932	14,658	17,366	20,570	19,218	18,264	18,448	19,150	22,969	23,592	21,988	19,534	13,973	9,750	6,255	4,543	307,885
2021	Male	1,445	5,975	7,698	7,563	7,112	7,272	8,363	10,683	10,135	9,209	9,116	9,572	10,776	11,395	10,588	9,376	6,807	4,568	2,755	1,766	152,174
	Female	1,379	5,718	7,410	7,235	6,772	7,160	8,562	10,095	9,900	9,542	9,236	9,634	11,640	12,383	11,727	10,703	7,755	5,475	3,557	2,901	158,784
	Total	2,824	11,693	15,108	14,798	13,884	14,432	16,925	20,778	20,035	18,751	18,352	19,206	22,416	23,778	22,315	20,079	14,562	10,043	6,312	4,667	310,958
2022	Male	1,442	6,000	7,793	7,776	7,119	7,220	8,081	10,665	10,548	9,464	9,125	9,656	10,493	11,394	10,815	9,381	7,284	4,668	2,762	1,865	153,551
	Female	1,378	5,743	7,501	7,416	6,892	7,020	8,300	10,245	10,180	9,730	9,473	9,622	11,173	12,373	12,042	10,667	8,392	5,657	3,617	2,937	160,358
	Total	2,820	11,743	15,294	15,192	14,011	14,240	16,381	20,910	20,728	19,194	18,598	19,278	21,666	23,767	22,857	20,048	15,676	10,325	6,379	4,802	313,909
2023	Male	1,435	6,017	7,870	7,906	7,275	7,157	7,901	10,480	10,948	9,820	9,211	9,758	10,025	11,415	10,990	9,502	7,653	4,820	2,819	1,905	154,907
	Female	1,369	5,765	7,575	7,601	6,965	7,012	8,128	10,147	10,497	9,946	9,670	9,710	10,652	12,436	12,237	10,763	8,824	5,921	3,701	2,980	161,899
	Total	2,804	11,782	15,445	15,507	14,240	14,169	16,029	20,627	21,445	19,766	18,881	19,468	20,677	23,851	23,227	20,265	16,477	10,741	6,520	4,885	316,806
2024	Male	1,428	6,022	7,939	8,124	7,364	7,140	7,797	10,042	11,341	10,188	9,423	9,752	9,788	11,385	11,120	9,711	7,842	5,025	2,868	1,927	156,226
	Female	1,362	5,764	7,644	7,803	7,064	6,932	7,990	9,986	10,849	10,294	9,755	9,756	10,283	12,469	12,312	10,945	9,237	6,155	3,791	3,011	163,402
	Total	2,790	11,786	15,583	15,927	14,428	14,072	15,787	20,028	22,190	20,482	19,178	19,508	20,071	23,854	23,432	20,656	17,079	11,180	6,659	4,938	319,628
2025	Male	1,418	6,005	7,996	8,225	7,627	7,073	7,746	9,515	11,663	10,598	9,659	9,706	9,807	11,178	11,181	9,888	8,159	5,194	2,906	1,972	157,516
	Female	1,353	5,748	7,695	7,916	7,295	6,876	7,869	9,784	11,172	10,578	9,964	9,689	10,118	12,269	12,358	11,211	9,618	6,450	3,880	3,037	164,880
	Total	2,771	11,753	15,691	16,141	14,922	13,949	15,615	19,299	22,835	21,176	19,623	19,395	19,925	23,447	23,539	21,099	17,777	11,644	6,786	5,009	322,396
2026	Male	1,413	5,976	8,036	8,329	7,877	7,048	7,609	9,211	11,739	11,099	9,931	9,606	9,901	10,954	11,278	10,016	8,346	5,437	2,940	2,018	158,764
	Female	1,348	5,721	7,734	8,018	7,504	6,848	7,791	9,653	11,295	10,900	10,185	9,691	10,093	11,962	12,451	11,395	9,907	6,692	4,061	3,063	166,312
	Total	2,761	11,697	15,770	16,347	15,381	13,896	15,400	18,864	23,034	21,999	20,116	19,297	19,994	22,916	23,729	21,411	18,253	12,129	7,001	5,081	325,076
2027	Male	1,401	5,950	8,064	8,430	8,090	7,063	7,554	8,937	11,727	11,521	10,189	9,619	9,998	10,675	11,278	10,230	8,357	5,823	3,011	2,055	159,972
	Female	1,338	5,692	7,759	8,112	7,686	6,970	7,651	9,406	11,431	11,191	10,376	9,938	10,081	11,507	12,442	11,698	9,869	7,242	4,200	3,111	167,700
	Total	2,739	11,642	15,823	16,542	15,776	14,033	15,205	18,343	23,158	22,712	20,565	19,557	20,079	22,182	23,720	21,928	18,226	13,065	7,211	5,166	327,672
2028	Male	1,393	5,916	8,079	8,511	8,229	7,214	7,496	8,756	11,537	11,928	10,548	9,707	10,101	10,228	11,304	10,396	8,465	6,134	3,118	2,099	161,159
	Female	1,331	5,659	7,766	8,191	7,873	7,044	7,649	9,229	11,332	11,514	10,600	10,140	10,167	10,992	12,512	11,884	9,968	7,616	4,399	3,190	169,056
	Total	2,724	11,575	15,845	16,702	16,102	14,258	15,145	17,985	22,869	23,442	21,148	19,847	20,268	21,220	23,816	22,280	18,433	13,750	7,517	5,289	330,215
2029	Male	1,383	5,881	8,074	8,575	8,439	7,293	7,474	8,659	11,101	12,330	10,916	9,912	10,095	10,004	11,287	10,518	8,656	6,287	3,268	2,143	162,295
	Female	1,320	5,628	7,759	8,259	8,069	7,142	7,566	9,095	11,153	11,865	10,951	10,231	10,215	10,630	12,548	11,957	10,145	7,969	4,581	3,267	170,350
	Total	2,703	11,509	15,833	16,834	16,508	14,435	15,040	17,754	22,254	24,195	21,867	20,143	20,310	20,634	23,835	22,475	18,801	14,256	7,849	5,410	332,645
2030	Male	1,375	5,846	8,042	8,636	8,543	7,542	7,408	8,615	10,564	12,659	11,330	10,152	10,052	10,028	11,090	10,583	8,819	6,525	3,388	2,181	163,378
	Female	1,313	5,597	7,735	8,315	8,178	7,359	7,512	8,983	10,946	12,183	11,239	10,444	10,151	10,470	12,345	12,013	10,400	8,290	4,799	3,321	171,593
	Total	2,688	11,443	15,777	16,951	16,721	14,901	14,920	17,598	21,510	24,842	22,569	20,596	20,203	20,498	23,435	22,596	19,219	14,815	8,187	5,502	334,971

Population Projections for Special Regions
Region 300: Fortis BC - Total, 1986 - 2036

Year	Sex	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70-74	75-79	80-84	85-89	90+	Total
2031	Male	1,370	5,806	8,006	8,675	8,649	7,779	7,381	8,478	10,251	12,734	11,836	10,420	9,951	10,125	10,875	10,671	8,943	6,673	3,564	2,237	164,424
	Female	1,311	5,560	7,707	8,355	8,277	7,559	7,484	8,909	10,804	12,296	11,558	10,662	10,154	10,443	12,047	12,104	10,569	8,543	4,989	3,455	172,786
	Total	2,681	11,366	15,713	17,030	16,926	15,338	14,865	17,387	21,055	25,030	23,394	21,082	20,105	20,568	22,922	22,775	19,512	15,216	8,553	5,692	337,210
2032	Male	1,367	5,776	7,962	8,694	8,746	7,992	7,391	8,429	9,969	12,717	12,260	10,670	9,960	10,223	10,609	10,678	9,144	6,699	3,841	2,294	165,421
	Female	1,307	5,534	7,666	8,378	8,368	7,733	7,595	8,770	10,546	12,429	11,850	10,853	10,397	10,438	11,610	12,107	10,848	8,517	5,410	3,560	173,916
	Total	2,674	11,310	15,628	17,072	17,114	15,725	14,986	17,199	20,515	25,146	24,110	21,523	20,357	20,661	22,219	22,785	19,992	15,216	9,251	5,854	339,337
2033	Male	1,372	5,747	7,916	8,707	8,828	8,126	7,531	8,377	9,791	12,521	12,664	11,025	10,041	10,320	10,186	10,711	9,299	6,807	4,046	2,380	166,395
	Female	1,310	5,508	7,628	8,385	8,450	7,912	7,669	8,775	10,371	12,321	12,173	11,076	10,596	10,524	11,113	12,155	11,018	8,606	5,698	3,718	175,006
	Total	2,682	11,255	15,544	17,092	17,278	16,038	15,200	17,152	20,162	24,842	24,837	22,101	20,637	20,844	21,299	22,866	20,317	15,413	9,744	6,098	341,401
2034	Male	1,371	5,736	7,867	8,703	8,891	8,331	7,617	8,354	9,689	12,081	13,062	11,397	10,254	10,313	9,971	10,701	9,409	6,958	4,139	2,480	167,324
	Female	1,310	5,495	7,584	8,373	8,523	8,106	7,765	8,702	10,239	12,145	12,530	11,429	10,691	10,558	10,759	12,191	11,076	8,770	5,948	3,851	176,045
	Total	2,681	11,231	15,451	17,076	17,414	16,437	15,382	17,056	19,928	24,226	25,592	22,826	20,945	20,871	20,730	22,892	20,485	15,728	10,087	6,331	343,369
2035	Male	1,377	5,732	7,822	8,670	8,951	8,432	7,863	8,285	9,648	11,541	13,390	11,811	10,485	10,281	9,996	10,520	9,475	7,100	4,295	2,563	168,237
	Female	1,317	5,490	7,541	8,344	8,583	8,216	7,987	8,655	10,122	11,931	12,854	11,714	10,907	10,495	10,608	11,999	11,131	8,984	6,177	3,998	177,053
	Total	2,694	11,222	15,363	17,014	17,534	16,648	15,850	16,940	19,770	23,472	26,244	23,525	21,392	20,776	20,604	22,519	20,606	16,084	10,472	6,561	345,290
2036	Male	1,387	5,740	7,777	8,633	8,990	8,538	8,105	8,261	9,514	11,230	13,466	12,317	10,750	10,179	10,088	10,313	9,555	7,207	4,380	2,681	169,111
	Female	1,323	5,500	7,500	8,316	8,626	8,308	8,192	8,628	10,054	11,781	12,975	12,038	11,128	10,506	10,573	11,705	11,215	9,127	6,354	4,164	178,013
	Total	2,710	11,240	15,277	16,949	17,616	16,846	16,297	16,889	19,568	23,011	26,441	24,355	21,878	20,685	20,661	22,018	20,770	16,334	10,734	6,845	347,124

Prepared by: Demographic Analysis, BC Stats
 Ministry of Citizens' Services
 Government of the Province of British Columbia
 Using P.E.O.P.L.E. Projection Model, Projection 35

Date run: May 12, 2010.
 Prepared for: Ministry of Citizens' Services
 Enquiries: Demographic Analysis, BC Stats
 Ministry of Citizens' Services, (250) 387-0327

Note: All figures as of July 1.

Figures for the period 2010-2036 are projected

Community Facts

Kelowna City

1	General
Incorporated in 1905, Kelowna has a total land area of 211.69 square km (2006 Census). By highway the City is 471 km east of Vancouver, 78 km north of Penticton, 606 km west of Calgary. Kelowna is in the Central Okanagan Regional District.	

2	Population Estimates				Age Distribution				
Annual Estimates					2006 Census			% Distribution, 2006 *	
Year	Kelowna	% Change Prev. Year	BC	% Change Prev. Year	Kelowna	Male	Female	Kelowna	BC
2005	107,358	-	4,196,788	-	All ages	51,220	55,485	100.0	100.0
2006	110,351	2.8	4,243,580	1.1	0 - 14	8,265	8,130	15.4	16.5
2007	114,660	3.9	4,309,453	1.6	15 - 24	7,415	6,995	13.5	13.1
2008	118,664	3.5	4,383,845	1.7	25 - 44	12,950	13,470	24.8	27.4
2009	120,812	1.8	4,455,207	1.6	45 - 64	13,580	15,165	26.9	28.4
					65 +	9,010	11,720	19.4	14.6

Source: Statistics Canada (as of July 1, includes estimate of Census undercount)

* based on published totals, both sexes

2006 Census Profiles can be found on our Website at <http://www.bcstats.gov.bc.ca/census.asp>

3	Selected Census Characteristics							
			Kelowna			British Columbia		
Characteristics			2001	2006	% Change	% Change	2001	2006
Population			96,288	106,707	10.8	5.3	3,907,738	4,113,487
Population (by citizenship)			94,755	105,170	11.0	5.3	3,868,875	4,074,385
Non-immigrant			81,310	88,665	9.0	2.9	2,821,870	2,904,240
Immigrant			12,905	15,840	22.7	10.8	1,009,820	1,119,215
Labour force (15+ yrs.)			48,915	57,300	17.1	8.1	2,059,950	2,226,380
Employees			40,485	47,905	18.3	9.2	1,715,600	1,873,050
Self-employed			7,325	8,695	18.7	7.4	291,455	313,000
Participation rate [ppt.=percentage points]			62.4%	64.5%	2.1 ppt.	0.4 ppt.	65.2%	65.6%
Unemployment rate			9.1%	4.8%	-4.3 ppt.	-2.5 ppt.	8.5%	6.0%
Total population 25 to 64 years			48,950	54,730	11.8	6.5	2,144,050	2,284,465
No certificate, diploma or degree			10,535	5,960	- 43.4	- 40.1	471,470	282,200
High school certificate or equivalent			10,885	15,485	42.3	27.7	462,925	591,275
Apprenticeship/trades certificate or diploma			8,070	7,785	- 3.5	- 7.4	295,180	273,450
College, CEGEP or other cert. or diploma			10,390	13,055	25.6	11.3	401,760	447,005
University certificate, diploma or degree			9,070	12,440	37.2	34.7	512,715	690,535
Bachelor's degree			4,880	6,195	26.9	23.0	282,800	347,715
Census families			27,395	30,560	11.6	6.9	1,086,030	1,161,420
Lone-parent families			4,415	4,890	10.8	4.0	168,420	175,165
Households			40,045	44,985	12.3	7.1	1,534,335	1,643,150
1-family households			26,400	29,015	9.9	6.1	1,012,925	1,074,850
Multi-family households			480	770	60.4	18.4	35,050	41,510
Non-family households			13,160	15,205	15.5	8.3	486,355	526,785
Median Income (2000 & 2005)			\$ 21,515	\$ 25,134	16.8	12.5	\$ 22,095	\$ 24,867
Males			\$ 27,726	\$ 30,912	11.5	9.0	\$ 28,976	\$ 31,598
Females			\$ 17,326	\$ 20,709	19.5	14.0	\$ 17,546	\$ 19,997
Median Family Income (2000 & 2005)			\$ 51,369	\$ 61,263	19.3	20.0	\$ 54,840	\$ 65,787
Economic Families			27,255	30,310	11.2	6.5	1,044,850	1,112,810
2001 Incidence, low income 2006 Prevalence, low income			10.2%	10.2%	0.0 ppt.	-0.6 ppt.	13.9%	13.3%
Unattached persons, 15+			16,335	18,725	14.6	4.7	576,825	603,880
Incidence, low income			36.4%	35.9%	-0.5 ppt.	-1.4 ppt.	38.1%	36.7%
Population in private hh.			94,315	104,535	10.8	5.1	3,785,270	3,978,215
Incidence, low income			14.6%	14.9%	0.3 ppt.	-0.5 ppt.	17.8%	17.3%
Dwellings			40,045	44,985	12.3	7.1	1,534,335	1,643,150
Owned			27,050	32,385	19.7	12.5	1,017,485	1,145,045
Rented			12,995	12,600	- 3.0	- 3.6	512,360	493,995
Average gross rent			\$ 730	\$ 878	20.3	10.4	\$ 750	\$ 828
Average owners' payments			\$ 806	\$ 992	23.1	17.1	\$ 904	\$ 1,059
Avg. value, owned dwel.			\$ 188,173	\$ 376,151	99.9	81.5	\$ 230,645	\$ 418,703

Source: Statistics Canada. Notes: incomes are for 2005 and 2000; rent/owner's payments are restricted to non-farm, non-reserve private dwellings.

Community Facts

Kelowna City

4 Labour Force by Industry (NAICS)						
Industry	Kelowna			BC	% Distribution, 2006	
	2001	2006	% Change	% change	Kelowna	BC
Total labour force	48,920	58,140	18.8	8.1	100.0	100.0
Industry - Not applicable	995	515	- 48.2	- 26.6	0.9	1.5
All industries (Experienced LF)	47,920	57,630	20.3	8.9	99.1	98.5
111-112 Farms	1,015	1,190	17.2	5.2	2.0	1.8
113 Forestry and logging	220	175	- 20.5	- 10.0	0.3	1.0
114 Fishing, hunting and trapping	-	-	-	1.3	-	0.2
1151/2 Support activities for farms	230	195	- 15.2	11.3	0.3	0.1
1153 Support activities for forestry	105	95	- 9.5	- 21.5	0.2	0.3
21 Mining and oil and gas extraction	215	380	76.7	42.6	0.7	0.9
22 Utilities	235	325	38.3	- 3.4	0.6	0.5
23 Construction	3,360	6,340	88.7	39.9	10.9	7.5
31-33 Manufacturing	4,950	4,420	- 10.7	- 2.7	7.6	8.5
311 Food manufacturing	490	430	- 12.2	3.6	0.7	1.0
321 Wood product manufacturing	775	640	- 17.4	- 16.1	1.1	1.7
322 Paper manufacturing	125	130	4.0	- 13.5	0.2	0.6
41 Wholesale trade	1,815	2,035	12.1	11.6	3.5	4.1
44-45 Retail trade	6,300	7,610	20.8	6.9	13.1	11.2
441 Motor vehicle and parts dealers	740	950	28.4	9.0	1.6	1.1
445 Food and beverage stores	1,165	1,775	52.4	8.4	3.1	2.9
448 Clothing & clothing accessories	565	755	33.6	9.2	1.3	1.1
452 General merchandise stores	820	855	4.3	6.5	1.5	1.2
48-49 Transportation & warehousing	1,810	2,225	22.9	0.6	3.8	5.2
51 Information and cultural industries	1,370	885	- 35.4	- 5.3	1.5	2.6
52 Finance and insurance	1,980	2,170	9.6	4.5	3.7	3.8
53 Real estate & rental/leasing	1,120	1,675	49.6	22.1	2.9	2.3
54 Prof'sonal, scientific & tech. serv.	2,775	3,820	37.7	18.6	6.6	7.3
55 Mgmt. of companies/ent'prises	50	50	-	126.6	0.1	0.1
56 Admin+support, waste mgmnt srv.	1,770	2,810	58.8	20.4	4.8	4.4
61 Educational services	2,960	3,355	13.3	9.2	5.8	6.9
62 Health care and social assistance	5,665	6,465	14.1	6.5	11.1	9.6
71 Arts, entertainment and recreation	1,350	1,330	- 1.5	11.3	2.3	2.3
72 Accommodation and food services	4,485	5,415	20.7	7.7	9.3	8.1
721 Accommodation services	980	1,265	29.1	2.5	2.2	1.7
722 Food services & drinking places	3,505	4,145	18.3	9.2	7.1	6.4
81 Other services (excl. public admin.)	2,665	2,955	10.9	11.8	5.1	4.9
91 Public administration	1,490	1,700	14.1	- 2.0	2.9	5.0
Special Aggregations	Agriculture, Food and Beverage	2,055	2,120	3.2	5.8	3.6
	Fishing and Fish Processing	-	-	-	- 3.3	-
	Logging and Forest Products	1,230	1,040	- 15.4	- 14.7	1.8
	Mining and Mineral Products	970	1,075	10.8	17.1	1.8

Source: Statistics Canada. Industry according to NAICS version used in each census. Unpublished data.

5 Business Locations- Number of Firms by Employment Size Range							
	Firms with no employees		Firms with employees		% change		
	Kelowna CA	BC	Kelowna CA	BC	Kelowna CA	1 to 19	20 to 49
2008	8,379	185,879	7,692	175,003	-	6,755	668
2009	8,546	186,541	7,673	176,124	- 0.2	6,771	633
2010 June	8,511	184,510	7,597	175,276	- 1.0	6,714	626

Source: Business Register, Statistics Canada. In some areas, boundary changes/geocoding changes may cause large changes.

6 Municipal Residential Taxes and Charges on a Representative House					
Year	House Value		Taxes & Charges		
	\$	% change	\$	% change	
2005	284,593		2,878		
2006	316,034	11.0	3,070	6.7	
2007	387,378	22.6	3,063	-0.2	
2008	457,155	18.0	3,517	14.8	
2009	462,138	1.1	3,340	-5.0	

Source: Ministry of Community Development http://www.cd.gov.bc.ca/lgd/infra/statistics_index.htm (No RD level figures)

Community Facts

Kelowna City

7	Values of Building Permits								
Year	Residential				Non-Residential		Total		Year
	Number of Units		Value \$'000		Value \$'000		Value \$'000		
	Kelowna	BC	Kelowna	BC	Kelowna	BC	Kelowna	BC	
2005	2,633	37,452	441,539	6,978,962	162,020	3,212,137	603,559	10,191,099	2005
2006	1,352	38,835	302,964	7,620,696	96,835	3,920,836	399,799	11,541,532	2006
2007	1,671	40,932	395,406	8,611,723	213,913	3,932,968	609,319	12,544,691	2007
2008	1,366	30,110	347,359	6,899,289	170,553	3,677,866	517,912	10,577,155	2008
2009	454	18,607	144,359	4,491,075	369,047	3,138,810	513,406	7,629,885	2009

Source: Statistics Canada

Note: Detailed non-residential permits data can be found on our Website: www.bcstats.gov.bc.ca

A dash can indicate a nil report, a value of less than \$500, or non-reporting. P indicates 'preliminary'.

8

Personal Taxation Statistics

Total Income of All Returns

Year	All Returns (number)		Average Income (\$)		% Change avg. income	
	Kelowna	BC	Kelowna	BC	Kelowna	BC
2003	89,920	2,981,790	31,882	32,187	n/a	n/a
2004	94,510	3,053,420	33,793	33,766	6.0	4.9
2005	99,010	3,154,090	36,185	35,601	7.1	5.4
2006	99,880	3,165,750	39,349	38,523	8.7	8.2
2007	104,240	3,287,750	43,079	40,802	9.5	5.9

2008 Taxation data available at : <http://www.bcstats.gov.bc.ca/data/dd/income.asp>

Percent Change in Avg. Income

Year	Kelowna	BC
2004	6.0	4.9
2005	7.1	5.4
2006	8.7	8.2
2007	9.5	5.9

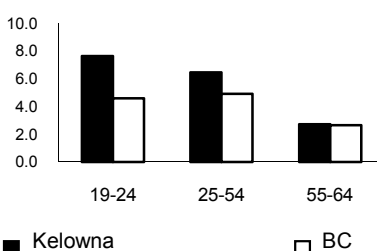
Source of Total Income 2007

	Kelowna		BC
	\$Thousands	% of Total	% of Total
Employment	2,544,981	56.7	63.5
Pension	634,210	14.1	11.9
Investment	684,834	15.3	11.4
Self-Employed	281,985	6.3	5.7
Other	220,875	4.9	4.5
Tax Exempt	67,139	1.5	1.9
Total	4,490,511	100.0	100.0

% Distribution, Total Income

Category	Kelowna	BC
Employment	56.7	63.5
Pension	14.1	11.9
Investment	15.3	11.4
Self-Employ'd	6.3	5.7
Other	4.9	4.5
Tax Exempt	1.5	1.9

Source : Canada Revenue Agency. Areas are defined by postal codes and may not match municipal boundaries.

9	Dependency on the Safety Net						Total Beneficiaries by Age Group, % (Basic BC Assistance & EI)	
Percentage of Population by Age Receiving Benefits - September 2009								
Age Group	BC Basic* Income Assistance Recipients (%)		Employment Insurance Beneficiaries (%)		Total of BC Basic Income Assistance & EI Beneficiaries (%)			
	Kelowna	BC	Kelowna	BC	Kelowna	BC		
Under 19	2.9	2.7						
19-24	3.4	2.1	4.4	2.6	7.6	4.6		
25-54	2.7	1.9	3.9	3.1	6.5	4.9		
55-64	0.7	0.7	2.1	2.0	2.7	2.6		
19-64	2.4	1.7	3.6	2.8	5.9	4.4		

* On temporary assistance only. Excluded are those on Continuous Assistance, aboriginals living on reserve, seniors/OAS, & children living with relatives.

Source: BC Stats (using administrative files from the BC Ministry of Housing & Social Development, and Human Resources & Social Development Canada)

Note: EI Beneficiaries reports now include regular, fishing and employment benefits, work sharing and support measures. The reports exclude sickness, maternity and parental benefits.

10 Business Formations and Failures									
Incorporations			Bankruptcies						
Year	Number		Year	Kelowna CMA		Thompson/Okanagan DR		BC	
	Kelowna	BC		Business	Consumer	Business	Consumer	Business	Consumer
2005	1,293	30,937	2005	47	437	n.a.	n.a.	786	8,168
2006	1,251	33,273	2006	41	378	120	913	585	7,020
2007	1,396	34,036	2007	32	378	97	874	470	6,651
2008	1,294	30,085	2008	31	426	92	1,014	454	7,293
2009	899	26,431	2009	20	631	66	1,573	380	10,639

Source: BC Ministry of Finance

Incorporations are counted in municipality of the registered office address which may differ from the actual business location.

Source: Office of the Superintendent of Bankruptcy, Government of Canada

Note: Bankruptcy is by urban postal code forward sortation area and is counted where it is filed.

Community Facts

Penticton City

1	General
Incorporated in 1909, Penticton has a total land area of 42.02 square km (2006 Census). By highway the City is 393 km east of Vancouver and 78 km south of Kelowna. Penticton is in the Okanagan-Similkameen Regional District.	

2	Population Estimates				Age Distribution				
Annual Estimates					2006 Census			% Distribution, 2006 *	
Year	Penticton	% Change Prev. Year	BC	% Change Prev. Year	Penticton	Male	Female	Penticton	BC
					All ages	14,935	16,975	100.0	100.0
2005	31,165	-	4,196,788	-	0 - 14	2,135	2,160	13.5	16.5
2006	32,544	4.4	4,243,580	1.1	15 - 24	1,895	1,810	11.6	13.1
2007	32,853	0.9	4,309,453	1.6	25 - 44	3,200	3,565	21.2	27.4
2008	32,974	0.4	4,383,845	1.7	45 - 64	4,165	4,735	27.9	28.4
2009	33,250	0.8	4,455,207	1.6	65 +	3,540	4,700	25.8	14.6

Source: Statistics Canada (as of July 1, includes estimate of Census undercount)

* based on published totals, both sexes

2006 Census Profiles can be found on our Website at <http://www.bcstats.gov.bc.ca/census.asp>

3	Selected Census Characteristics					
Penticton				British Columbia		
Characteristics	2001	2006	% Change	% Change	2001	2006
Population	30,985	31,909	3.0	5.3	3,907,738	4,113,487
Population (by citizenship)	30,745	31,390	2.1	5.3	3,868,875	4,074,385
Non-immigrant	25,805	26,425	2.4	2.9	2,821,870	2,904,240
Immigrant	4,880	4,925	0.9	10.8	1,009,820	1,119,215
Labour force (15+ yrs.)	13,910	15,480	11.3	8.1	2,059,950	2,226,380
Employees	11,495	13,485	17.3	9.2	1,715,600	1,873,050
Self-employed	2,000	1,835	- 8.3	7.4	291,455	313,000
Participation rate [ppt.=percentage points]	54.0%	57.2%	3.2 ppt.	0.4 ppt.	65.2%	65.6%
Unemployment rate	11.2%	6.8%	-4.4 ppt.	-2.5 ppt.	8.5%	6.0%
Total population 25 to 64 years	14,720	15,645	6.3	6.5	2,144,050	2,284,465
No certificate, diploma or degree	3,910	2,470	- 36.8	- 40.1	471,470	282,200
High school certificate or equivalent	3,225	4,710	46.0	27.7	462,925	591,275
Apprenticeship/trades certificate or diploma	2,410	2,070	- 14.1	- 7.4	295,180	273,450
College, CEGEP or other cert. or diploma	3,020	3,670	21.5	11.3	401,760	447,005
University certificate, diploma or degree	2,160	2,725	26.2	34.7	512,715	690,535
Bachelor's degree	1,045	1,100	5.3	23.0	282,800	347,715
Census families	8,955	9,155	2.2	6.9	1,086,030	1,161,420
Lone-parent families	1,695	1,595	- 5.9	4.0	168,420	175,165
Households	14,260	14,600	2.4	7.1	1,534,335	1,643,150
1-family households	8,650	8,860	2.4	6.1	1,012,925	1,074,850
Multi-family households	150	145	- 3.3	18.4	35,050	41,510
Non-family households	5,455	5,595	2.6	8.3	486,355	526,785
Median Income (2000 & 2005)	\$ 18,576	\$ 22,763	22.5	12.5	\$ 22,095	\$ 24,867
Males	\$ 23,320	\$ 28,211	21.0	9.0	\$ 28,976	\$ 31,598
Females	\$ 15,963	\$ 19,143	19.9	14.0	\$ 17,546	\$ 19,997
Median Family Income (2000 & 2005)	\$ 43,505	\$ 53,179	22.2	20.0	\$ 54,840	\$ 65,787
Economic Families	8,890	9,125	2.6	6.5	1,044,850	1,112,810
2001 Incidence, low income 2006 Prevalence, low income	13.5%	9.5%	-4.0 ppt.	-0.6 ppt.	13.9%	13.3%
Unattached persons, 15+	6,145	6,245	1.6	4.7	576,825	603,880
Incidence, low income	42.5%	39.1%	-3.4 ppt.	-1.4 ppt.	38.1%	36.7%
Population in private hh.	30,610	31,115	1.6	5.1	3,785,270	3,978,215
Incidence, low income	20.1%	15.8%	-4.3 ppt.	-0.5 ppt.	17.8%	17.3%
Dwellings	14,260	14,600	2.4	7.1	1,534,335	1,643,150
Owned	8,855	9,715	9.7	12.5	1,017,485	1,145,045
Rented	5,400	4,885	- 9.5	- 3.6	512,360	493,995
Average gross rent	\$ 643	\$ 735	14.3	10.4	\$ 750	\$ 828
Average owners' payments	\$ 650	\$ 780	20.0	17.1	\$ 904	\$ 1,059
Avg. value, owned dwel.	\$ 148,131	\$ 296,855	100.4	81.5	\$ 230,645	\$ 418,703

Source: Statistics Canada. Notes: incomes are for 2005 and 2000; rent/owner's payments are restricted to non-farm, non-reserve private dwellings.

Community Facts

Penticton City

4		Labour Force by Industry (NAICS)					
		Penticton			BC	% Distribution, 2006	
Industry		2001	2006	% Change	% change	Penticton	BC
Total labour force		13,910	15,480	11.3	8.1	100.0	100.0
Industry - Not applicable		370	125	- 66.2	- 26.6	0.8	1.5
All industries (Experienced LF)		13,535	15,350	13.4	8.9	99.2	98.5
111-112 Farms		275	360	30.9	5.2	2.3	1.8
113 Forestry and logging		65	80	23.1	- 10.0	0.5	1.0
114 Fishing, hunting and trapping		-	-	-	1.3	-	0.2
1151/2 Support activities for farms		30	75	150.0	11.3	0.5	0.1
1153 Support activities for forestry		75	25	- 66.7	- 21.5	0.2	0.3
21 Mining and oil and gas extraction		85	80	- 5.9	42.6	0.5	0.9
22 Utilities		40	80	100.0	- 3.4	0.5	0.5
23 Construction		885	1,400	58.2	39.9	9.0	7.5
31-33 Manufacturing		1,420	1,630	14.8	- 2.7	10.5	8.5
311 Food manufacturing		55	30	- 45.5	3.6	0.2	1.0
321 Wood product manufacturing		400	400	-	- 16.1	2.6	1.7
322 Paper manufacturing		15	15	-	- 13.5	0.1	0.6
41 Wholesale trade		435	470	8.0	11.6	3.0	4.1
44-45 Retail trade		1,930	2,290	18.7	6.9	14.8	11.2
441 Motor vehicle and parts dealers		305	250	- 18.0	9.0	1.6	1.1
445 Food and beverage stores		425	585	37.6	8.4	3.8	2.9
448 Clothing & clothing accessories		120	190	58.3	9.2	1.2	1.1
452 General merchandise stores		330	400	21.2	6.5	2.6	1.2
48-49 Transportation & warehousing		460	395	- 14.1	0.6	2.6	5.2
51 Information and cultural industries		285	355	24.6	- 5.3	2.3	2.6
52 Finance and insurance		460	455	- 1.1	4.5	2.9	3.8
53 Real estate & rental/leasing		285	330	15.8	22.1	2.1	2.3
54 Prof'sonal, scientific & tech. serv.		495	605	22.2	18.6	3.9	7.3
55 Mgmt. of companies/ent'prises		-	30	-	126.6	0.2	0.1
56 Admin+support, waste mgmnt srv.		595	610	2.5	20.4	3.9	4.4
61 Educational services		700	690	- 1.4	9.2	4.5	6.9
62 Health care and social assistance		1,765	1,940	9.9	6.5	12.5	9.6
71 Arts, entertainment and recreation		205	430	109.8	11.3	2.8	2.3
72 Accommodation and food services		1,545	1,625	5.2	7.7	10.5	8.1
721 Accommodation services		470	450	- 4.3	2.5	2.9	1.7
722 Food services & drinking places		1,080	1,170	8.3	9.2	7.6	6.4
81 Other services (excl. public admin.)		675	705	4.4	11.8	4.6	4.9
91 Public administration		820	675	- 17.7	- 2.0	4.4	5.0
Special Aggregations	Agriculture, Food and Beverage	450	675	50.0	5.8	4.4	2.9
	Fishing and Fish Processing	-	-	-	- 3.3	-	0.5
	Logging and Forest Products	550	520	- 5.5	- 14.7	3.4	3.7
	Mining and Mineral Products	335	275	- 17.9	17.1	1.8	2.1

Source: Statistics Canada. Industry according to NAICS version used in each census. Unpublished data.

5	Business Locations- Number of Firms by Employment Size Range								
	Firms with no employees		Firms with employees		% change	Penticton CA			
	Penticton CA	BC	Penticton CA	BC	Penticton CA	1 to 19	20 to 49	50-199	200 Plus
2008	1,673	185,879	1,919	175,003	-	1,702	134	74	9
2009	1,695	186,541	1,901	176,124	- 0.9	1,695	130	68	8
2010 June	1,693	184,510	1,898	175,276	- 0.2	1,688	135	68	7

Source: Business Register, Statistics Canada. In some areas, boundary changes/geocoding changes may cause large changes.

6 Municipal Residential Taxes and Charges on a Representative House					
Year	Penticton House Value		Penticton Taxes & Charges		Index (2003=100.0)
	\$	% change	\$	% change	
2005	209,975		2,657		
2006	248,681	18.4	2,826	6.3	
2007	307,647	23.7	2,904	2.8	
2008	369,205	20.0	2,968	2.2	
2009	372,797	1.0	3,107	4.7	

Source: Ministry of Community Development http://www.cd.gov.bc.ca/lgd/infra/statistics_index.htm (No RD level figures)

Community Facts

Penticton City

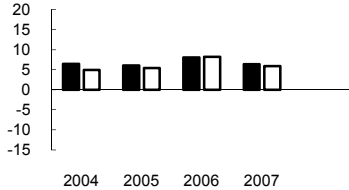
7	Values of Building Permits								
Year	Residential				Non-Residential		Total		Year
	Number of Units		Value \$'000		Value \$'000		Value \$'000		
	Penticton	BC	Penticton	BC	Penticton	BC	Penticton	BC	
2005	401	37,452	46,538	6,978,962	24,941	3,212,137	71,479	10,191,099	2005
2006	450	38,835	100,800	7,620,696	36,689	3,920,836	137,489	11,541,532	2006
2007	161	40,932	31,141	8,611,723	70,913	3,932,968	102,054	12,544,691	2007
2008	263	30,110	57,902	6,899,289	19,712	3,677,866	77,614	10,577,155	2008
2009	72	18,607	16,728	4,491,075	16,314	3,138,810	33,042	7,629,885	2009

Source: Statistics Canada

Note: Detailed non-residential permits data can be found on our Website: www.bcstats.gov.bc.ca

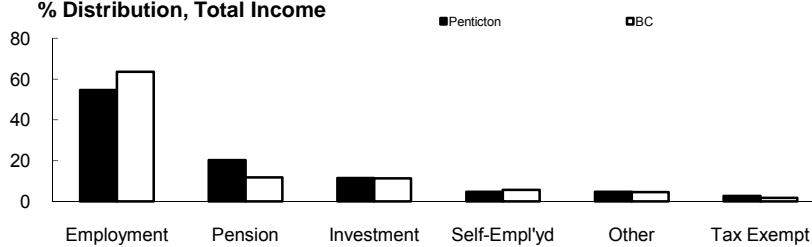
A dash can indicate a nil report, a value of less than \$500, or non-reporting. P indicates 'preliminary'.

8	Personal Taxation Statistics					
Total Income of All Returns						
Year	All Returns (number)		Average Income (\$)		% Change avg. income	
	Penticton	BC	Penticton	BC	Penticton	BC
2003	28,230	2,981,790	27,748	32,187	n/a	n/a
2004	29,030	3,053,420	29,538	33,766	6.5	4.9
2005	29,690	3,154,090	31,333	35,601	6.1	5.4
2006	29,420	3,165,750	33,848	38,523	8.0	8.2
2007	30,310	3,287,750	36,011	40,802	6.4	5.9
2008 Taxation data available at : http://www.bcstats.gov.bc.ca/data/dd/income.asp						



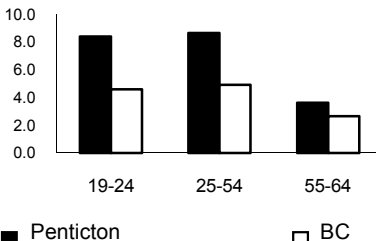
Year	Penticton	BC
2004	6.5	4.9
2005	6.1	5.4
2006	8.0	8.2
2007	6.4	5.9

Source of Total Income 2007			
	Penticton		BC
	\$Thousands	% of Total	% of Total
Employment	595,595	54.6	63.5
Pension	220,938	20.2	11.9
Investment	125,893	11.5	11.4
Self-Employed	52,189	4.8	5.7
Other	52,136	4.8	4.5
Tax Exempt	29,031	2.7	1.9
Total	1,091,497	100.0	100.0



Category	Penticton	BC
Employment	54.6	63.5
Pension	20.2	11.9
Investment	11.5	11.4
Self-Employ'd	4.8	5.7
Other	4.8	4.5
Tax Exempt	2.7	1.9

Source : Canada Revenue Agency. Areas are defined by postal codes and may not match municipal boundaries.

9 Dependency on the Safety Net									
Percentage of Population by Age Receiving Benefits - September 2009									
Age Group	BC Basic* Income Assistance Recipients (%)		Employment Insurance Beneficiaries (%)		Total of BC Basic Income Assistance & EI Beneficiaries (%)				
	Penticton	BC	Penticton	BC	Penticton	BC			
Under 19	6.1	2.7							
19-24	4.2	2.1	4.4	2.6	8.4	4.6			
25-54	4.0	1.9	4.8	3.1	8.7	4.9			
55-64	1.2	0.7	2.5	2.0	3.6	2.6			
19-64	3.4	1.7	4.3	2.8	7.5	4.4			

* On temporary assistance only. Excluded are those on Continuous Assistance, aboriginals living on reserve, seniors/OAS, & children living with relatives.

Source: BC Stats (using administrative files from the BC Ministry of Housing & Social Development, and Human Resources & Social Development Canada)

Note: EI Beneficiaries reports now include regular, fishing and employment benefits, work sharing and support measures. The reports exclude sickness, maternity and parental benefits.

10 Business Formations and Failures									
Incorporations			Bankruptcies						
Year	Number		Year	Penticton		Thompson/Okanagan DR		BC	
	Penticton	BC		Business	Consumer	Business	Consumer	Business	Consumer
2005	224	30,937	2005	12	86	n.a.	n.a.	786	8,168
2006	247	33,273	2006	11	82	120	913	585	7,020
2007	265	34,036	2007	8	90	97	874	470	6,651
2008	215	30,085	2008	4	99	92	1,014	454	7,293
2009	183	26,431	2009	2	129	66	1,573	380	10,639

Source: BC Ministry of Finance

Source: Office of the Superintendent of Bankruptcy, Government of Canada

Incorporations are counted in municipality of the registered office address which may differ from the actual business location.

Note: Bankruptcy is by urban postal code forward sortation area and is counted where it is filed.

Community Facts

Princeton Town

1	General
Incorporated in 1951, Princeton has a total land area of 10.25 square km (2006 Census). By highway the Town is 289 km east of Vancouver and 104 km west of Penticton. Princeton is in the Okanagan-Similkameen Regional District.	

2	Population Estimates				Age Distribution				
Annual Estimates					2006 Census			% Distribution, 2006 *	
Year	Princeton	% Change Prev. Year	BC	% Change Prev. Year	Princeton	Male	Female	Princeton	BC
2005	2,661	-	4,196,788	-	All ages	1,310	1,370	100.0	100.0
2006	2,685	0.9	4,243,580	1.1	0 - 14	190	190	14.2	16.5
2007	2,696	0.4	4,309,453	1.6	15 - 24	125	115	8.8	13.1
2008	2,721	0.9	4,383,845	1.7	25 - 44	215	255	17.7	27.4
2009	2,757	1.3	4,455,207	1.6	45 - 64	420	465	33.2	28.4
					65 +	355	350	26.3	14.6

Source: Statistics Canada (as of July 1, includes estimate of Census undercount)

* based on published totals, both sexes

2006 Census Profiles can be found on our Website at <http://www.bcstats.gov.bc.ca/census.asp>

3	Selected Census Characteristics					
Princeton				British Columbia		
Characteristics	2001	2006	% Change	% Change	2001	2006
Population	2,610	2,677	2.6	5.3	3,907,738	4,113,487
Population (by citizenship)	2,560	2,635	2.9	5.3	3,868,875	4,074,385
Non-immigrant	2,285	2,315	1.3	2.9	2,821,870	2,904,240
Immigrant	260	320	23.1	10.8	1,009,820	1,119,215
Labour force (15+ yrs.)	1,130	1,205	6.6	8.1	2,059,950	2,226,380
Employees	915	1,055	15.3	9.2	1,715,600	1,873,050
Self-employed	170	120	- 29.4	7.4	291,455	313,000
Participation rate [ppt.=percentage points]	53.7%	53.3%	-0.4 ppt.	0.4 ppt.	65.2%	65.6%
Unemployment rate	13.7%	12.0%	-1.7 ppt.	-2.5 ppt.	8.5%	6.0%
Total population 25 to 64 years	1,305	1,310	0.4	6.5	2,144,050	2,284,465
No certificate, diploma or degree	440	315	- 28.4	- 40.1	471,470	282,200
High school certificate or equivalent	275	315	14.5	27.7	462,925	591,275
Apprenticeship/trades certificate or diploma	200	230	15.0	- 7.4	295,180	273,450
College, CEGEP or other cert. or diploma	215	235	9.3	11.3	401,760	447,005
University certificate, diploma or degree	170	210	23.5	34.7	512,715	690,535
Bachelor's degree	90	75	- 16.7	23.0	282,800	347,715
Census families	730	790	8.2	6.9	1,086,030	1,161,420
Lone-parent families	130	125	- 3.8	4.0	168,420	175,165
Households	1,205	1,290	7.1	7.1	1,534,335	1,643,150
1-family households	715	790	10.5	6.1	1,012,925	1,074,850
Multi-family households	-	-	-	18.4	35,050	41,510
Non-family households	485	500	3.1	8.3	486,355	526,785
Median Income (2000 & 2005)	\$ 15,843	\$ 18,703	18.1	12.5	\$ 22,095	\$ 24,867
Males	\$ 20,295	\$ 25,321	24.8	9.0	\$ 28,976	\$ 31,598
Females	\$ 14,542	\$ 15,819	8.8	14.0	\$ 17,546	\$ 19,997
Median Family Income (2000 & 2005)	\$ 41,197	\$ 50,094	21.6	20.0	\$ 54,840	\$ 65,787
Economic Families	740	800	8.1	6.5	1,044,850	1,112,810
2001 Incidence, low income 2006 Prevalence, low income	15.3%	12.4%	-2.9 ppt.	-0.6 ppt.	13.9%	13.3%
Unattached persons, 15+	520	515	- 1.0	4.7	576,825	603,880
Incidence, low income	44.4%	44.7%	0.3 ppt.	-1.4 ppt.	38.1%	36.7%
Population in private hh.	2,555	2,605	2.0	5.1	3,785,270	3,978,215
Incidence, low income	23.1%	17.3%	-5.8 ppt.	-0.5 ppt.	17.8%	17.3%
Dwellings	1,205	1,290	7.1	7.1	1,534,335	1,643,150
Owned	865	970	12.1	12.5	1,017,485	1,145,045
Rented	340	320	- 5.9	- 3.6	512,360	493,995
Average gross rent	\$ 607	\$ 549	- 9.6	10.4	\$ 750	\$ 828
Average owners' payments	\$ 605	\$ 624	3.1	17.1	\$ 904	\$ 1,059
Avg. value, owned dwel.	\$ 97,115	\$ 246,194	153.5	81.5	\$ 230,645	\$ 418,703

Source: Statistics Canada. Notes: incomes are for 2005 and 2000; rent/owner's payments are restricted to non-farm, non-reserve private dwellings.

Community Facts

Princeton Town

4 Labour Force by Industry (NAICS)						
Industry	Princeton			BC	% Distribution, 2006	
	2001	2006	% Change	% change	Princeton	BC
Total labour force	1,130	1,205	6.6	8.1	100.0	100.0
Industry - Not applicable	50	30	- 40.0	- 26.6	2.5	1.5
All industries (Experienced LF)	1,080	1,175	8.8	8.9	97.5	98.5
111-112 Farms	-	25	-	5.2	2.1	1.8
113 Forestry and logging	65	70	7.7	- 10.0	5.8	1.0
114 Fishing, hunting and trapping	-	-	-	1.3	-	0.2
1151/2 Support activities for farms	10	-	- 100.0	11.3	-	0.1
1153 Support activities for forestry	20	10	- 50.0	- 21.5	0.8	0.3
21 Mining and oil and gas extraction	20	60	200.0	42.6	5.0	0.9
22 Utilities	10	10	-	- 3.4	0.8	0.5
23 Construction	45	75	66.7	39.9	6.2	7.5
31-33 Manufacturing	145	185	27.6	- 2.7	15.4	8.5
311 Food manufacturing	-	-	-	3.6	-	1.0
321 Wood product manufacturing	130	150	15.4	- 16.1	12.4	1.7
322 Paper manufacturing	-	-	-	- 13.5	-	0.6
41 Wholesale trade	15	10	- 33.3	11.6	0.8	4.1
44-45 Retail trade	105	185	76.2	6.9	15.4	11.2
441 Motor vehicle and parts dealers	10	-	- 100.0	9.0	-	1.1
445 Food and beverage stores	30	85	183.3	8.4	7.1	2.9
448 Clothing & clothing accessories	-	-	-	9.2	-	1.1
452 General merchandise stores	-	10	-	6.5	0.8	1.2
48-49 Transportation & warehousing	40	45	12.5	0.6	3.7	5.2
51 Information and cultural industries	10	10	-	- 5.3	0.8	2.6
52 Finance and insurance	35	10	- 71.4	4.5	0.8	3.8
53 Real estate & rental/leasing	35	45	28.6	22.1	3.7	2.3
54 Prof'sonal, scientific & tech. serv.	30	-	- 100.0	18.6	-	7.3
55 Mgmt. of companies/ent'prises	-	-	-	126.6	-	0.1
56 Admin+support, waste mgmnt srv.	35	20	- 42.9	20.4	1.7	4.4
61 Educational services	80	75	- 6.3	9.2	6.2	6.9
62 Health care and social assistance	135	160	18.5	6.5	13.3	9.6
71 Arts, entertainment and recreation	-	10	-	11.3	0.8	2.3
72 Accommodation and food services	150	85	- 43.3	7.7	7.1	8.1
721 Accommodation services	40	10	- 75.0	2.5	0.8	1.7
722 Food services & drinking places	110	70	- 36.4	9.2	5.8	6.4
81 Other services (excl. public admin.)	60	45	- 25.0	11.8	3.7	4.9
91 Public administration	35	25	- 28.6	- 2.0	2.1	5.0
Special Aggregations	Agriculture, Food and Beverage	15	30	100.0	5.8	2.5
	Fishing and Fish Processing	-	-	-	- 3.3	0.5
	Logging and Forest Products	215	230	7.0	- 14.7	3.7
	Mining and Mineral Products	25	75	200.0	17.1	2.1

Source: Statistics Canada. Industry according to NAICS version used in each census. Unpublished data.

5	Business Locations- Number of Firms by Employment Size Range								
	Firms with no employees		Firms with employees		% change	Okan-Smil RD			
	Okan-Smil RD	BC	Okan-Smil RD	BC	Okan-Smil RD	1 to 19	20 to 49	50-199	200 Plus
2008	2,983	185,879	3,500	175,003	-	3,137	243	108	12
2009	3,116	186,541	3,568	176,124	1.9	3,213	240	104	11
2010 June	3,117	184,510	3,552	175,276	- 0.4	3,190	250	102	10

Source: Business Register, Statistics Canada. In some areas, boundary changes/geocoding changes may cause large changes.

6 Municipal Residential Taxes and Charges on a Representative House					
Year	House Value		Taxes & Charges		
	\$	% change	\$	% change	
2005	87,677		1,260		
2006	96,101	9.6	1,259	-0.1	
2007	134,247	39.7	1,331	5.7	
2008	167,383	24.7	1,453	9.2	
2009	167,046	-0.2	1,491	2.6	

Source: Ministry of Community Development http://www.cd.gov.bc.ca/lgd/infra/statistics_index.htm (No RD level figures)

Community Facts

Princeton Town

7 Values of Building Permits										
Year	Residential				Non-Residential		Total		Year	
	Number of Units		Value \$'000		Value \$'000		Value \$'000			
	Princeton	BC	Princeton	BC	Princeton	BC	Princeton	BC		
2005	-	37,452	-	6,978,962	-	3,212,137	-	10,191,099	2005	
2006	-	38,835	-	7,620,696	-	3,920,836	-	11,541,532	2006	
2007	-	40,932	-	8,611,723	-	3,932,968	-	12,544,691	2007	
2008	4	30,110	1,359	6,899,289	-	1,359	3,677,866	-	10,577,155	2008
2009	6	18,607	830	4,491,075	-	618	3,138,810	1,448	7,629,885	2009

Source: Statistics Canada

Note: Detailed non-residential permits data can be found on our Website: www.bcstats.gov.bc.ca

A dash can indicate a nil report, a value of less than \$500, or non-reporting. P indicates 'preliminary'.

8

Personal Taxation Statistics

Total Income of All Returns

Year	All Returns (number)		Average Income (\$)		% Change avg. income	
	Princeton	BC	Princeton	BC	Princeton	BC
2003	3,240	2,981,790	26,971	32,187	n/a	n/a
2004	3,380	3,053,420	27,854	33,766	3.3	4.9
2005	3,460	3,154,090	29,148	35,601	4.6	5.4
2006	3,500	3,165,750	31,106	38,523	6.7	8.2
2007	3,590	3,287,750	32,892	40,802	5.7	5.9

Percent Change in Avg. Income

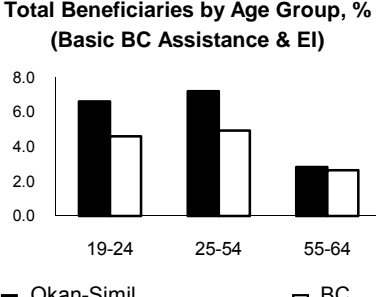
2008 Taxation data available at : <http://www.bcstats.gov.bc.ca/data/dd/income.asp>

Source of Total Income 2007

	Princeton		BC
	\$Thousands	% of Total	% of Total
Employment	65,998	55.9	63.5
Pension	23,799	20.2	11.9
Investment	11,962	10.1	11.4
Self-Employed	3,341	2.8	5.7
Other	6,196	5.2	4.5
Tax Exempt	5,236	4.4	1.9
Total	118,081	100.0	100.0

% Distribution, Total Income

Source : Canada Revenue Agency. Areas are defined by postal codes and may not match municipal boundaries.

9 Dependency on the Safety Net									
Percentage of Population by Age Receiving Benefits - September 2009									
Age Group	BC Basic* Income Assistance Recipients (%)		Employment Insurance Beneficiaries (%)		Total of BC Basic Income Assistance & EI Beneficiaries (%)				
	Okan-Simil	BC	Okan-Simil	BC	Okan-Simil	BC			
Under 19	4.2	2.7							
19-24	3.0	2.1	3.7	2.6	6.6	4.6			
25-54	2.8	1.9	4.5	3.1	7.2	4.9			
55-64	0.8	0.7	2.1	2.0	2.8	2.6			
19-64	2.2	1.7	3.7	2.8	5.9	4.4			

* On temporary assistance only. Excluded are those on Continuous Assistance, aboriginals living on reserve, seniors/OAS, & children living with relatives.

Source: BC Stats (using administrative files from the BC Ministry of Housing & Social Development, and Human Resources & Social Development Canada)

Note: EI Beneficiaries reports now include regular, fishing and employment benefits, work sharing and support measures. The reports exclude sickness, maternity and parental benefits.

Note: Data is for Okanagan-Similkameen Regional District

10 Business Formations and Failures									
Incorporations			Bankruptcies						
Year	Number		Year	Penticton		Thompson/Okanagan DR		BC	
	Princeton	BC		Business	Consumer	Business	Consumer	Business	Consumer
2005	8	30,937	2005	12	86	n.a.	n.a.	786	8,168
2006	10	33,273	2006	11	82	120	913	585	7,020
2007	10	34,036	2007	8	90	97	874	470	6,651
2008	11	30,085	2008	4	99	92	1,014	454	7,293
2009	10	26,431	2009	2	129	66	1,573	380	10,639

Source: BC Ministry of Finance

Source: Office of the Superintendent of Bankruptcy, Government of Canada

Incorporations are counted in municipality of the registered office address which may differ from the actual business location.

Note: Bankruptcy is by urban postal code forward sortation area and is counted where it is filed.



Kootenay-Boundary Regional District

1	General Economy
<p>Municipalities in Regional District: Fruitvale, Grand Forks, Greenwood, Midway, Montrose, Rossland, Trail, Warfield</p> <p>This region is home to the Trail Lead-Zinc Smelter and Refinery Operations of Teck Cominco. Several small construction aggregate mines are also in the area. This area has several lumber mills. In Grand Forks several power projects are proposed. Livestock and cattle raising, along with haymaking and fruit tree farming, make up the agricultural activities in this area.</p>	

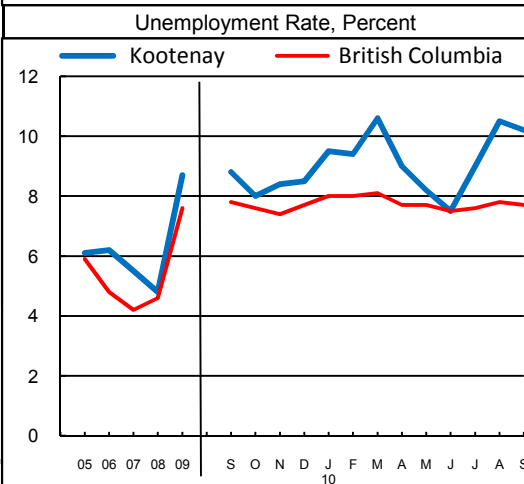
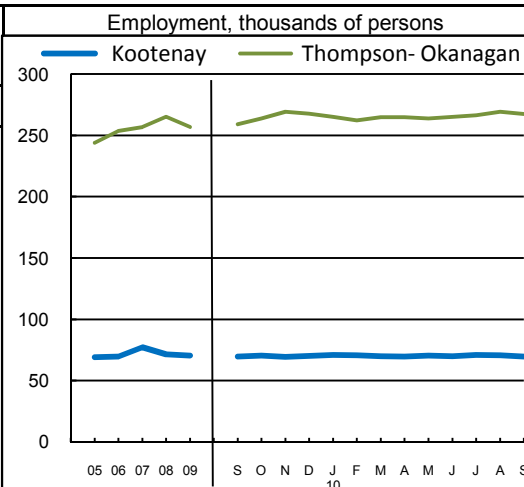
The notes above and later in this report on Demographics and Projections are the basis for BC Stats population projection P33 completed in the Summer of 2008. The projections are updated annually to reflect known demographic shifts and economic conditions. Full projections with "Components of Change", "Special Age Groups", "5 Year Age Cohorts by Sex", and accompanying notes are available for B.C., the 8 development regions, the 28 regional districts, the 79 local health areas (LHAs) and a number of "special areas" of local interest which are not part of a province-wide geocoding system. Individual areas, including age and sex detail, are modestly priced. Users requiring only total population projections are able to self serve for free from our population projection page: www.bcstats.gov.bc.ca/data/pop/pop/popproj.asp. The full B.C. level projection is available free on the above page.

2	Economic Structure - Number of Business Locations , by Sector, by Employment Size, December 2009									
NAICS Code	Industry Sector based on NAICS Canada (North American Industrial Classification System)	Kootenay-Boundary							British Columbia	
		Locations With No Employees	Firms with Employees						With Employees	
			Less Than 20	20 to 49	50 to 199	200 Plus	All Sizes with Emp.	Percent of Total	Percent of Total	All Sizes
	Total, All Industries	1,036	1,035	78	36	8	1,157	100.0%	100.0%	362,665
11	Agric., Forestry, Fishing & Hunt	61	54	4	1	0	59	5.1%	4.2%	15,302
21	Mining & Oil & Gas Extract.	6	5	0	0	0	5	0.4%	0.6%	2,117
22	Utilities	2	6	1	1	0	8	0.7%	0.1%	367
23	Construction	147	128	10	3	0	141	12.2%	14.0%	50,658
31	Manufacturing (31-33)	29	43	3	3	1	50	4.3%	3.3%	12,125
41	Wholesale Trade	28	24	3	0	0	27	2.3%	4.7%	17,113
44	Retail Trade (44-45)	81	145	14	7	2	168	14.5%	8.3%	30,004
48	Transp. & Warehousing (48-49)	34	40	3	0	0	43	3.7%	5.3%	19,090
51	Information & Cultural Indus.	7	14	2	1	0	17	1.5%	1.5%	5,452
52	Finance & Insurance	38	28	6	2	0	36	3.1%	5.4%	19,568
53	Real Estate & Rental & Leasing	209	46	0	0	0	46	4.0%	10.0%	36,279
54	Profes'nl, Scientif. & Tech. Srv	104	80	1	1	0	82	7.1%	13.2%	47,782
55	Mgmt. of Companies & Enter.	53	9	0	0	0	9	0.8%	4.1%	14,793
56	Admin. & Sup'rt, Waste Mgmt.	41	36	1	2	0	39	3.4%	4.6%	16,556
61	Educational Services	6	6	0	0	2	8	0.7%	1.2%	4,327
62	Health Care & Social Assistance	18	116	6	8	1	131	11.3%	5.3%	19,379
71	Arts, Entertainment & Recreation	13	32	6	0	1	39	3.4%	1.7%	6,132
72	Accom. & Food Services	87	100	12	3	1	116	10.0%	4.3%	15,626
81	Other Serv's (ex. Public Admin.)	72	115	3	1	0	119	10.3%	8.1%	29,217
91	Public Administration	-	8	3	3	0	14	1.2%	0.2%	778

Source: Statistics Canada, Business Register Division. Note: This table formerly identified **business establishments**.

Kootenay-Boundary
Regional District**3 Employment and Unemployment Rate, monthly data are 3-month moving average, actual, ending in stated month**

		Kootenay		Thompson-Okanagan		British Columbia		Employment, thousands of persons	
		Emp. ('000)	Unemp. %	Emp. ('000)	Unemp. %	Emp. ('000)	Unemp. %	Kootenay	Thompson-Okanagan
2000		70.8	10.0	210.3	9.3	1,931.3	7.1		
2001		70.4	9.7	210.2	9.3	1,921.6	7.7		
2002		66.6	10.0	208.1	9.4	1,965.0	8.5		
2003		67.4	11.5	218.8	8.8	2,014.7	8.0		
2004		67.1	9.2	229.7	6.6	2,062.7	7.2		
2005		69.2	6.1	244.0	5.3	2,130.5	5.9		
2006		69.5	6.2	253.7	5.1	2,195.5	4.8		
2007		77.1	5.5	256.7	4.4	2,266.3	4.2		
2008		71.5	4.8	265.0	5.5	2,314.3	4.6		
2009		70.4	8.7	256.7	8.7	2,259.4	7.6		
2009	Jan	72.4	6.7	256.9	7.0	2,278.4	5.5		
	Feb	70.8	8.8	255.3	7.8	2,251.1	6.3		
	Mar	70.7	8.9	249.9	9.1	2,227.5	7.2		
	Apr	71.1	9.7	246.8	9.7	2,229.0	7.6		
	May	71.5	9.0	249.8	9.9	2,243.1	7.8		
	Jun	71.1	8.7	250.2	9.8	2,264.6	7.8		
	Jul	69.9	9.2	253.6	9.5	2,275.9	7.8		
	Aug	69.9	9.0	253.7	9.6	2,280.5	8.0		
	Sep	69.7	8.8	259.2	8.5	2,275.8	7.8		
	Oct	70.3	8.0	263.9	7.3	2,273.5	7.6		
	Nov	69.3	8.4	269.2	6.3	2,271.8	7.4		
	Dec	70.1	8.5	267.6	7.4	2,269.5	7.7		
2010	Jan	70.9	9.5	265.2	8.5	2,264.1	8.0		
	Feb	70.6	9.4	262.2	9.1	2,259.3	8.0		
	Mar	70.0	10.6	264.8	9.0	2,260.7	8.1		
	Apr	69.6	9.0	264.9	8.7	2,273.6	7.7		
	May	70.3	8.2	263.7	8.9	2,286.7	7.7		
	Jun	69.9	7.5	265.1	8.2	2,306.2	7.5		
	Jul	70.8	9.0	266.4	8.0	2,323.1	7.6		
	Aug	70.6	10.5	269.2	7.9	2,337.2	7.8		
	Sep	69.7	10.2	267.4	8.5	2,333.8	7.7		
	Oct								
	Nov								
	Dec								
Average:									
ytd average									
based on									
actual data									
Jan-Sep09		70.5	8.8	253.4	9.1	2,256.0	7.6		
Jan-Sep10		69.9	9.4	265.8	8.6	2,300.2	7.8		
% Change		-0.9		4.9		2.0			

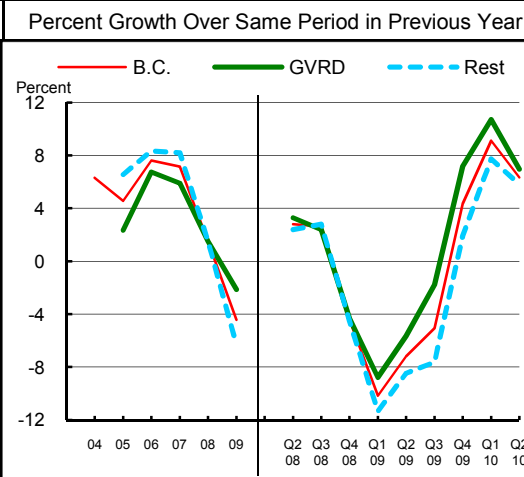


Source: Labour Force Survey, Statistics Canada. Sub-provincial regions are development regions or census metropolitan areas.

4 Retail Sales - based on Statistics Canada monthly survey

		\$ millions of retail sales			Percent change on year ago			Percent Growth Over Same Period in Previous Year	
Year or Year/Quarter		B.C.	Greater Vancouver	Rest of Province	B.C.	Greater Vancouver	Rest of Province	B.C.	GVRD
2005		49,378.8	22,765.4	26,613.4	4.6	2.3	6.6		
2006		53,133.4	24,301.6	28,831.9	7.6	6.7	8.3		
2007		56,930.4	25,733.1	31,197.3	7.1	5.9	8.2		
2008		57,783.0	26,116.0	31,667.0	1.5	1.5	1.5		
2009		55,221.9	25,556.4	29,665.6	-4.4	-2.1	-6.3		
2009	Q2	13,961.3	6,438.4	7,522.9	-7.2	-5.7	-8.5		
2009	Q3	14,483.9	6,571.4	7,912.5	-5.1	-1.8	-7.6		
2009	Q4	15,032.6	7,063.2	7,969.4	4.3	7.2	1.9		
2010	Q1	12,815.6	6,070.4	6,745.2	9.1	10.7	7.7		
2010	Q2	14,844.6	6,886.1	7,958.5	6.3	7.0	5.8		

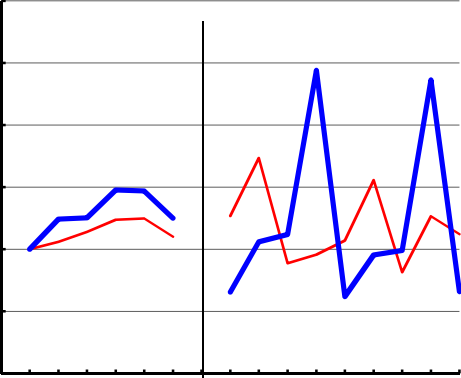
Source: B.C. & GVRD data - Statistics Canada, monthly survey (CANSIM 080-0020).



Kootenay-Boundary
Regional District**Was 5** Manufacturing Principal Statistics - Search at www.made-in-bc.ca for local firms, products and more

This table is discontinued. Sub-provincial manufacturing principal statistics are no longer being produced.

5		Tourism Room Revenue (\$ Thousands)					
Kootenay-B'ndary Regional District	Year	Total/YTD	Q1	Q2	Q3	Q4	
	2006	16,250.0	8,116.0	1,884.0	2,981.0	3,269.0	
	2007	19,134.0	9,579.0	2,087.0	3,491.0	3,977.0	
	2008	19,059.0	9,887.0	2,119.0	3,431.0	3,622.0	
	2009	16,214.0	7,913.0	2,002.0	3,091.0	3,208.0	
	2010	9,795.0	7,664.0	2,131.0			
British Columbia	2006	1,807,609.0	366,165.0	450,748.0	652,476.0	338,220.0	
	2007	1,807,609.0	366,165.0	450,748.0	652,476.0	338,220.0	
	2008	1,977,550.0	435,235.0	503,305.0	687,873.0	351,137.0	
	2009	1,743,236.0	378,897.0	423,809.0	617,087.0	323,443.0	
	2010	946,873.0	502,377.0	444,496.0			
2009 Room Revenue by Accommodation Type (\$Thousands %Share) New!							
TOTAL	16,214.0	100.0%					
Motels	3,455.0	21.3%					
asterisk before location denotes sub-area detail							

Tourism Room Revenue Index 2004=100														
Index	B.C. Region													
														
04	05	06	07	08	09	Q2	Q3	Q4	Q1 09	Q2	Q3	Q4	Q1 10	Q2

Source: Hotel tax database maintained by Consumer Taxation Branch, Ministry of Small Business and Revenue
Published in detail monthly by BC Stats.

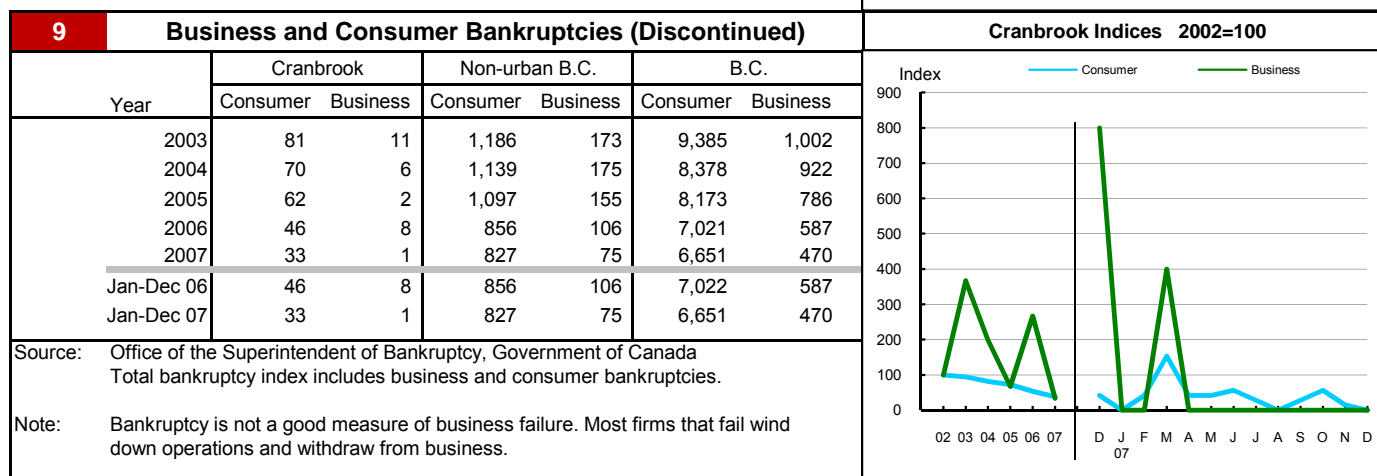
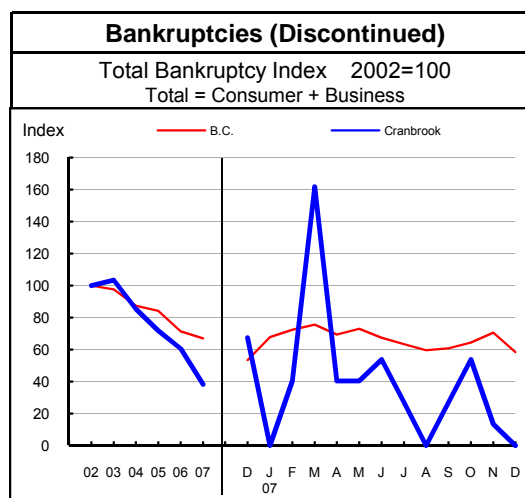
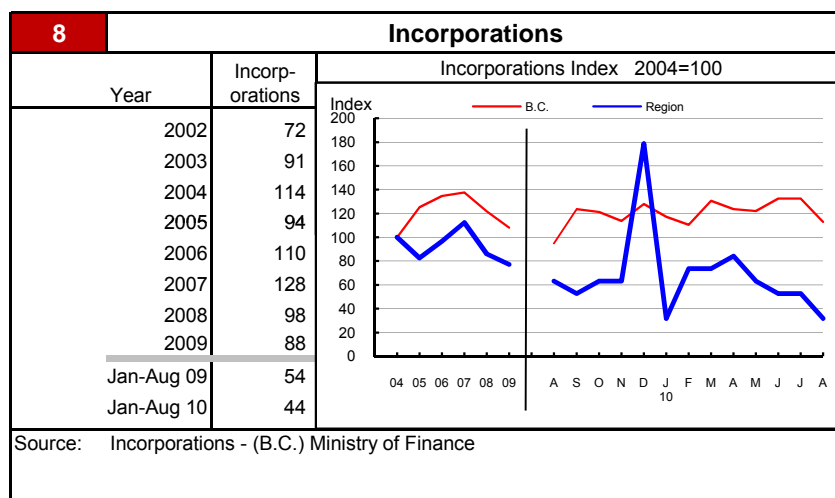
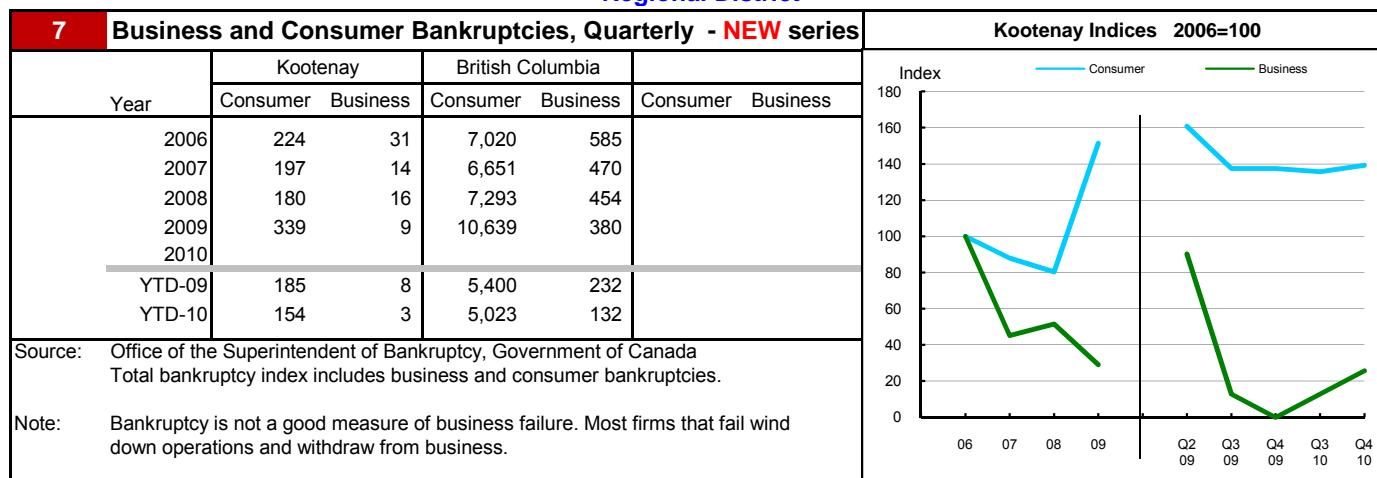
All room revenue data has been revised. For an explanation, see our periodical called *Tourism Sector Monitor*, April and May issues of 2009.

Link to explanation of changes: http://www.bcstats.gov.bc.ca/pubs/pr_tour.asp

6		Building Permits							<div>Total Permits Index 2003=100</div> <div><div>Index</div><div><div><div></div><div></div></div><div><div>B.C.</div><div>Region</div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></div><div></div></div><div><div></di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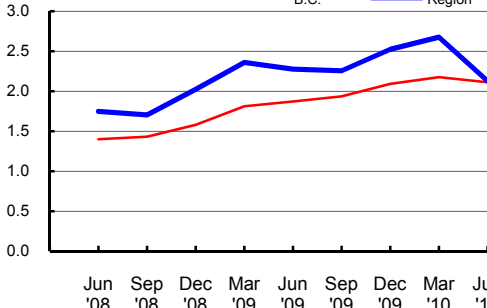
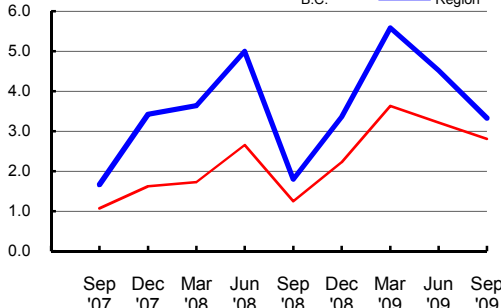
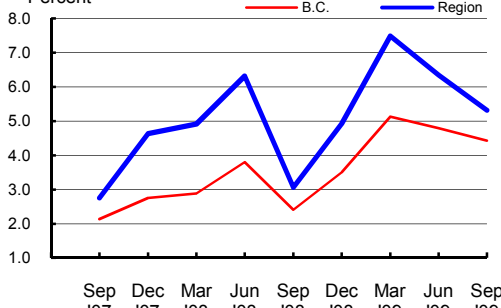
Not all projects require a building permit, and not all municipalities & regions report. Latest month preliminary, previous month is revised.

Source: Statistics Canada (data collected from municipal and Regional District offices).

Kootenay-Boundary
Regional District

Kootenay-Boundary
Regional District

Dependence on the Safety Net

10 Basic Income Assistance							11 Employment Insurance (was UI)					
(Basic Income Assistance Recipients in Subject Group as a percent of Reference Group)							(EI beneficiaries as a percent of Reference Group)					
Subject Group (receiving benefits)		All (0-64)	Children <19 yrs in Families	Young Adults (19-24)	'Mid' Group (25-54)	Single Parent Women	Working Age (19-64)	Young Adults (19-24)	'Mid' Group (25-54)	'Older' Workers (55-64)	Note Older Data	
Reference Group		Total Pop. 0-64	Total Pop. <19	Total Pop. 19-24	Total Pop. 25-54	Tot. Female 19-64	Total Pop. 19-64	Total Pop. 19-24	Total Pop. 25-54	Total Pop. 55-64		
Kootenay-B'ndary Regional District	Jun '08	1.7	3.0	1.5	1.6	0.9	1.7	1.3	1.8	1.4	Sep '07	
	Sep '08	1.7	2.9	1.6	1.6	1.0	3.4	3.8	3.9	2.1	Dec '07	
	Dec '08	2.0	3.2	1.8	2.0	1.0	3.6	3.7	4.2	2.3	Mar '08	
	Mar '09	2.4	3.6	2.2	2.4	1.1	5.0	3.1	5.8	4.0	Jun '08	
	Jun '09	2.3	3.5	1.9	2.3	1.0	1.8	1.3	2.1	1.3	Sep '08	
	Sep '09	2.3	3.0	2.2	2.5	0.9	3.4	4.5	3.7	2.0	Dec '08	
	Dec '09	2.5	3.6	2.2	2.7	1.0	5.6	6.1	6.7	2.9	Mar '09	
	Mar '10	2.7	3.8	2.4	2.9	1.0	4.5	4.4	5.5	2.3	Jun '09	
	Jun '10	2.1	2.8	2.2	2.4	0.9	3.3	3.7	3.9	1.9	Sep '09	
Duration of Dependence on Income Assistance (As of June 2010)		All* Income Assistance Recipients as % of Total Pop 0-64: Region Compared to B.C.					EI Beneficiaries Aged 19-64 as % of Working Age Population					
Region		Percent					Percent					
Total Number of Recipients	541	79,169										
Percent Distribution by Duration												
<1 Year	56.7	59.6										
1-2 Years	31.6	23.5										
>2 Years	11.6	16.9										
Source: Ministry of Children and Family Development administrative files and BC Stats population estimates. These figures include only a subset of those receiving income assistance. Excluded are those on Continuous Assistance (disabled or with persistent multiple barriers to employment, children in the home of a relative, and OAS/seniors. A recipient is defined as 'each person living in a family or living alone that is receiving basic income assistance'. Data does not include Aboriginal people living on Reserve. Note: '-' Data too small to release.							Source: Ministry of Housing and Social Development and BC Stats population estimates.					
12 Dependence on Basic Income Assistance and/or Employment Insurance												
(Basic Income Assistance Recipients + Employment Insurance Recipients in Subject Group as a percent of Reference Group)							All 'Safety Net' Recipients as % of Total Pop 19-64: Region Compared to B.C.					
Subject Group (receiving assistance)		All (19-64)	Young Adults (19-24)	'Mid' Group (25-54)	'Older' Group (55-64)		Percent					
Reference Group		Total Pop. 19-64	Total Pop. 19-24	Total Pop. 25-54	Total Pop. 55-64		Percent					
Kootenay-B'ndary Regional District	Sep '07	2.8	2.7	3.2	1.8							
	Dec '07	4.6	5.6	5.3	2.5							
	Mar '08	4.9	4.9	5.8	2.8							
	Jun '08	6.3	4.5	7.4	4.6							
	Sep '08	3.1	2.8	3.6	1.9							
	Dec '08	4.9	6.2	5.7	2.6							
	Mar '09	7.5	8.1	9.1	3.7							
	Jun '09	6.3	6.3	7.8	3.1							
	Sep '09	5.3	5.9	6.3	2.8							

Note: The EI figures reported above no longer include persons claiming parental/adoption leave. Previous issues of this table did include them.



Kootenay-Boundary Regional District

13**Demographics**

Apart from a period in the early 1990s and in the last few years, Kootenay-Boundary has seen negative growth rates. As a result, the population of this region has grown minimally. However, the structure of the population has changed dramatically over that time period. The population has aged quite rapidly, adding almost 12 years to its median age, compared to a provincial gain of 7.2 years. Total fertility rates have been on the decline, and have dipped below provincial rates in 2001 before returning to higher levels in 2006 and 2007. With declining fertility and an ageing population, the ratio of children to working ages (under 17 to ages 18 to 64) has dropped dramatically, and is now similar to provincial ratios. The ratio of elderly (aged 65 and over) to working age population (aged 18 to 64) has been on the rise, and is much higher than the corresponding provincial ratio. This age structure was likely influenced by lay-offs in the resource sectors that have forced young workers with less seniority to move elsewhere to find jobs. Those left behind are generally older and more likely to have families. Natural increase has been negative since the mid 1990s, as deaths outnumber births by an increasing margin. In combination with net migration out-flows, negative natural increase has resulted in a net loss of population in the area since the mid 1990's.

14**Projection**

Interprovincial migration to this region is forecast to remain positive throughout the projection period. This region is expected to receive increasing net in-flows of migrants over in the long-term. However, deaths will continue to outnumber births by an increasing margin, leading to a slowing of growth rates. Towards the end of the projection period the losses due to a negative natural increase should overtake net migration, resulting in a negative population growth rate. The population in 2036 is projected to be almost the same size as in 2007. However, the population will continue to age and, by the end of the projection, it is expected that there will be over 9 dependents for every 10 people of working age. Most of these dependents will likely be those aged 65 and older.

15**Selected Demographic Characteristics**

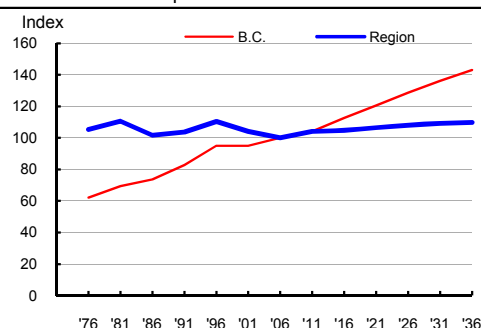
Year	Population by age group, Thousands of persons							House-holds (,000)	Dependency Ratios			Year
	0-4	5-17	18-24	25-44	45-64	65+	All Ages		Child	Elderly	Total	
1976	2.2	7.5	4.2	7.8	7.5	3.3	32.5	10.9	0.501	0.170	0.671	1976
1981	2.3	6.8	4.4	9.3	7.2	4.2	34.1	12.4	0.436	0.200	0.637	1981
1986	2.2	5.8	2.8	9.0	6.8	4.7	31.3	12.2	0.431	0.250	0.681	1986
1991	2.0	5.9	2.5	9.7	6.7	5.2	32.0	12.7	0.416	0.275	0.691	1991
1996	1.8	6.4	2.4	9.7	8.1	5.7	34.1	13.9	0.406	0.282	0.688	1996
2001	1.3	5.6	2.3	7.9	9.1	5.9	32.1	13.7	0.359	0.304	0.663	2001
2006	1.2	4.6	2.1	6.2	10.4	6.2	30.8	13.4	0.312	0.332	0.644	2006
2011	1.3	4.0	3.0	6.2	10.7	6.9	32.1	14.4	0.271	0.349	0.620	2011
2016	1.5	3.8	2.5	6.8	9.8	8.0	32.3	14.9	0.276	0.419	0.695	2016
2021	1.6	4.0	2.0	7.3	8.8	9.1	32.8	15.2	0.307	0.503	0.810	2021
2026	1.5	4.3	1.9	7.7	7.9	10.1	33.3	15.5	0.337	0.578	0.915	2026
2031	1.4	4.5	2.1	7.5	7.7	10.5	33.7	15.6	0.339	0.605	0.944	2031
2036	1.3	4.4	2.3	6.9	8.5	10.4	33.9	15.8	0.321	0.585	0.906	2036

Age groups reflect pre-school, school, advanced education, family formation, mature workers and retired.

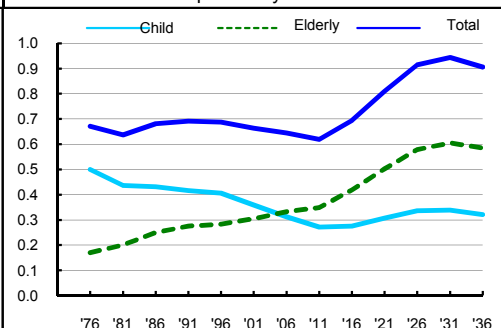
Child Dependency:
(ages 0-17) / (ages 18-64)

Elderly Dependency:
(ages 65+) / (ages 18-64)

Total Population Index 2006=100



Dependency Ratios



Source: Population data are Projection P-35, run in Summer 2010. Figures are adjusted for Census undercount and are for July 1st of stated year.
Note: Demographics and Projection notes in Tables 13 and 14 are from Projection P-33, run the Summer 2008.



Okanagan-Similkameen Regional District

1	General Economy
Municipalities in Regional District: Keremeos, Oliver, Osoyoos, Penticton, Princeton, Summerland	
<p>The Okanagan-Similkameen region includes a portion of the Interior plateau (west of the Cascade Mountains) and the southern portion of the Okanagan valley. The area is the most productive fruit and wine grape growing areas of the province. The area has intensive growing of fruit trees and wine grapes in the valleys and some cattle farming in the grassland areas. There are many orchards of apples, cherries, peaches, plums and other soft fruits along with vineyards and nurseries. The agricultural sector is also responsible for drawing large numbers of tourists to the area. The annual allowable cuts for the Timber supply areas located partially in this region have been increased recently to combat and facilitate salvage harvesting due to the Mountain Pine Beetle.</p>	

The notes above and later in this report on Demographics and Projections are the basis for BC Stats population projection P33 completed in the Summer of 2008. The projections are updated annually to reflect known demographic shifts and economic conditions. Full projections with "Components of Change", "Special Age Groups", "5 Year Age Cohorts by Sex", and accompanying notes are available for B.C., the 8 development regions, the 28 regional districts, the 79 local health areas (LHAs) and a number of "special areas" of local interest which are not part of a province-wide geocoding system. Individual areas, including age and sex detail, are modestly priced. Users requiring only total population projections are able to self serve for free from our population projection page: www.bcstats.gov.bc.ca/data/pop/pop/popproj.asp. The full B.C. level projection is available free on the above page.

2	Economic Structure - Number of Business Locations , by Sector, by Employment Size, December 2009									
NAICS Code	Industry Sector based on NAICS Canada (North American Industrial Classification System)	Okanagan-Similkameen							British Columbia	
		Locations With No Employees	Firms with Employees						With Employees	
			Less Than 20	20 to 49	50 to 199	200 Plus	All Sizes with Emp.	Percent of Total	Percent of Total	All Sizes
11	Total, All Industries	3,116	3,213	240	104	11	3,568	100.0%	100.0%	362,665
	Agric., Forestry, Fishing & Hunt	315	417	22	8	0	447	12.5%	4.2%	15,302
21	Mining & Oil & Gas Extract.	14	10	1	1	0	12	0.3%	0.6%	2,117
22	Utilities	7	10	1	0	0	11	0.3%	0.1%	367
23	Construction	528	404	19	6	1	430	12.1%	14.0%	50,658
31	Manufacturing (31-33)	97	134	25	16	1	176	4.9%	3.3%	12,125
41	Wholesale Trade	87	116	11	3	0	130	3.6%	4.7%	17,113
44	Retail Trade (44-45)	208	416	45	14	2	477	13.4%	8.3%	30,004
48	Transp. & Warehousing (48-49)	112	121	4	0	0	125	3.5%	5.3%	19,090
51	Information & Cultural Indust.	21	39	2	0	0	41	1.1%	1.5%	5,452
52	Finance & Insurance	186	110	13	7	0	130	3.6%	5.4%	19,568
53	Real Estate & Rental & Leasing	485	152	5	0	0	157	4.4%	10.0%	36,279
54	Profes'nl, Scientif. & Tech. Srv	312	222	1	2	0	225	6.3%	13.2%	47,782
55	Mgmt. of Companies & Enter.	193	37	4	0	0	41	1.1%	4.1%	14,793
56	Admin. & Sup'rt, Waste Mgmt.	111	146	6	4	0	156	4.4%	4.6%	16,556
61	Educational Services	31	26	2	2	2	32	0.9%	1.2%	4,327
62	Health Care & Social Assistance	63	276	17	9	2	304	8.5%	5.3%	19,379
71	Arts, Entertainment & Recreation	51	48	9	4	1	62	1.7%	1.7%	6,132
72	Accom. & Food Services	114	220	47	18	1	286	8.0%	4.3%	15,626
81	Other Serv's (ex. Public Admin.)	181	299	4	3	0	306	8.6%	8.1%	29,217
91	Public Administration	-	10	2	7	1	20	0.6%	0.2%	778

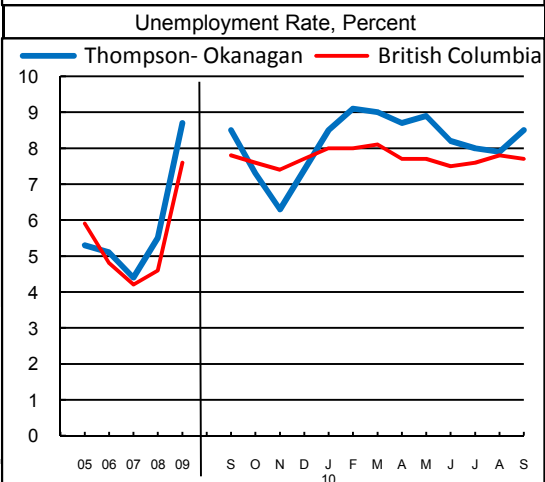
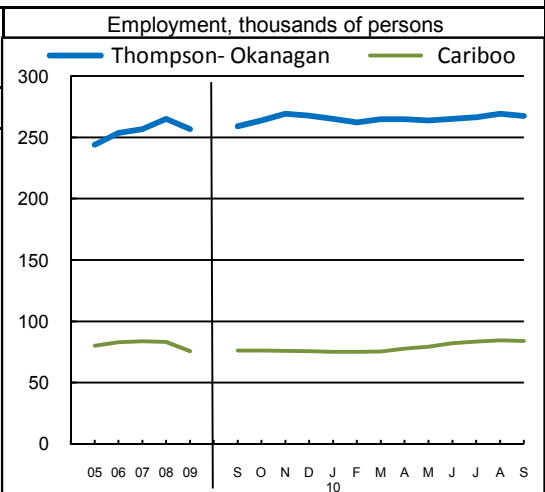
Source: Statistics Canada, Business Register Division. Note: This table formerly identified **business establishments**.



Okanagan-Similkameen Regional District

3 Employment and Unemployment Rate, monthly data are 3-month moving average, actual, ending in stated month

		Thompson-Okanagan		Cariboo		British Columbia		Employment, thousands of persons	
		Emp. ('000)	Unemp. %	Emp. ('000)	Unemp. %	Emp. ('000)	Unemp. %	Thompson- Okanagan	Cariboo
2000		210.3	9.3	79.1	9.9	1,931.3	7.1		
2001		210.2	9.3	79.4	9.7	1,921.6	7.7		
2002		208.1	9.4	78.0	12.7	1,965.0	8.5		
2003		218.8	8.8	78.2	11.1	2,014.7	8.0		
2004		229.7	6.6	80.7	9.1	2,062.7	7.2		
2005		244.0	5.3	80.1	7.4	2,130.5	5.9		
2006		253.7	5.1	82.9	6.1	2,195.5	4.8		
2007		256.7	4.4	83.8	5.1	2,266.3	4.2		
2008		265.0	5.5	83.1	6.5	2,314.3	4.6		
2009		256.7	8.7	75.6	12.0	2,259.4	7.6		
2009	Jan	256.9	7.0	81.7	6.1	2,278.4	5.5		
	Feb	255.3	7.8	78.8	7.8	2,251.1	6.3		
	Mar	249.9	9.1	75.3	10.0	2,227.5	7.2		
	Apr	246.8	9.7	73.2	12.0	2,229.0	7.6		
	May	249.8	9.9	73.4	12.9	2,243.1	7.8		
	Jun	250.2	9.8	75.2	13.5	2,264.6	7.8		
	Jul	253.6	9.5	75.6	14.2	2,275.9	7.8		
	Aug	253.7	9.6	76.1	13.3	2,280.5	8.0		
	Sep	259.2	8.5	76.2	12.4	2,275.8	7.8		
	Oct	263.9	7.3	76.2	11.5	2,273.5	7.6		
	Nov	269.2	6.3	76.0	12.0	2,271.8	7.4		
	Dec	267.6	7.4	75.5	12.0	2,269.5	7.7		
2010	Jan	265.2	8.5	75.2	12.0	2,264.1	8.0		
	Feb	262.2	9.1	75.0	11.5	2,259.3	8.0		
	Mar	264.8	9.0	75.4	10.3	2,260.7	8.1		
	Apr	264.9	8.7	77.6	8.2	2,273.6	7.7		
	May	263.7	8.9	79.3	7.5	2,286.7	7.7		
	Jun	265.1	8.2	82.2	7.1	2,306.2	7.5		
	Jul	266.4	8.0	83.4	8.6	2,323.1	7.6		
	Aug	269.2	7.9	84.6	8.3	2,337.2	7.8		
	Sep	267.4	8.5	84.0	8.2	2,333.8	7.7		
	Oct								
	Nov								
	Dec								
Average:									
ytd average									
based on									
actual data									
% Change									
Jan-Sep09		253.4	9.1	75.5	12.0	2,256.0	7.6		
Jan-Sep10		265.8	8.6	80.5	8.6	2,300.2	7.8		
		4.9		6.7		2.0			

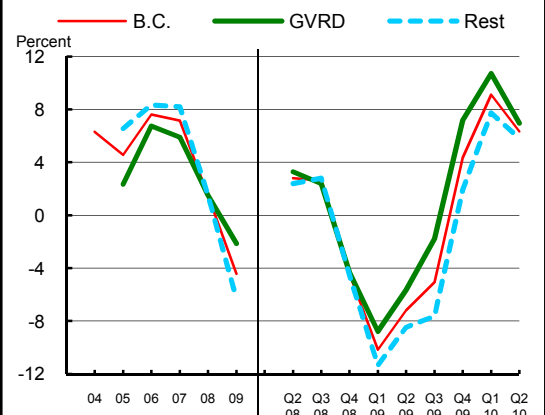


Source: Labour Force Survey, Statistics Canada. Sub-provincial regions are development regions or census metropolitan areas.

4 Retail Sales - based on Statistics Canada monthly survey

		\$ millions of retail sales			Percent change on year ago			Percent Growth Over Same Period in Previous Year	
Year or Year/Quarter		B.C.	Greater Vancouver	Rest of Province	B.C.	Greater Vancouver	Rest of Province	B.C.	GVRD
2005		49,378.8	22,765.4	26,613.4	4.6	2.3	6.6		
2006		53,133.4	24,301.6	28,831.9	7.6	6.7	8.3		
2007		56,930.4	25,733.1	31,197.3	7.1	5.9	8.2		
2008		57,783.0	26,116.0	31,667.0	1.5	1.5	1.5		
2009		55,221.9	25,556.4	29,665.6	-4.4	-2.1	-6.3		
2009	Q2	13,961.3	6,438.4	7,522.9	-7.2	-5.7	-8.5		
2009	Q3	14,483.9	6,571.4	7,912.5	-5.1	-1.8	-7.6		
2009	Q4	15,032.6	7,063.2	7,969.4	4.3	7.2	1.9		
2010	Q1	12,815.6	6,070.4	6,745.2	9.1	10.7	7.7		
2010	Q2	14,844.6	6,886.1	7,958.5	6.3	7.0	5.8		

Percent Growth Over Same Period in Previous Year



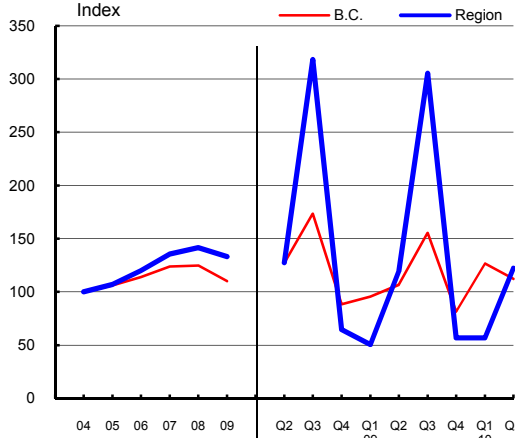
Source: B.C. & GVRD data - Statistics Canada, monthly survey (CANSIM 080-0020).



Okanagan-Similkameen Regional District

Was 5 Manufacturing Principal Statistics - Search at www.made-in-bc.ca for local firms, products and more

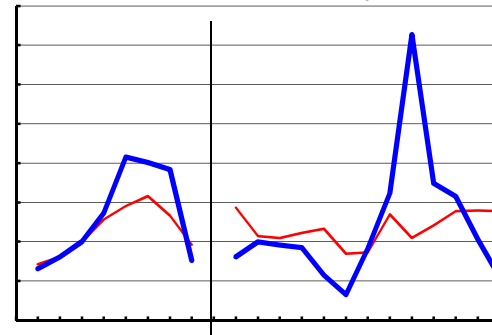
This table is discontinued. Sub-provincial manufacturing principal statistics are no longer being produced.

5		Tourism Room Revenue (\$ Thousands)									
Okanagan-Sim'een Regional District	Year	Total/YTD	Q1	Q2	Q3	Q4	Tourism Room Revenue Index 2004=100				
	2006	48,600.0	5,373.0	10,272.0	27,070.0	5,885.0					
	2007	54,966.0	5,698.0	12,617.0	30,586.0	6,065.0					
	2008	57,414.0	5,713.0	12,897.0	32,258.0	6,546.0					
	2009	53,938.0	5,102.0	12,129.0	30,946.0	5,761.0					
	2010	18,159.0	5,757.0	12,402.0							
British Columbia	2006	1,807,609.0	366,165.0	450,748.0	652,476.0	338,220.0					
	2007	1,807,609.0	366,165.0	450,748.0	652,476.0	338,220.0					
	2008	1,977,550.0	435,235.0	503,305.0	687,873.0	351,137.0					
	2009	1,743,236.0	378,897.0	423,809.0	617,087.0	323,443.0					
	2010	946,873.0	502,377.0	444,496.0							
2009 Room Revenue by Accommodation Type (\$Thousands %Share) New!											
TOTAL	53,939.0	100.0%									
Hotels	20,600.0	38.2%									
Motels	19,386.0	35.9%									
Vacation Rentals	4,250.0	7.9%									
*City of Penticton	25,150.0	46.6%									
*Town of Osoyoos	12,895.0	23.9%									
*Oliver/Okanagan Falls	3,158.0	5.9%							Source: Hotel tax database maintained by Consumer Taxation Branch, Ministry of Small Business and Revenue Published in detail monthly by BC Stats.		
asterisk before location denotes sub-area detail											

Source: Hotel tax database maintained by Consumer Taxation Branch, Ministry of Small Business and Revenue
Published in detail monthly by BC Stats.

All room revenue data has been revised. For an explanation, see our periodical called *Tourism Sector Monitor*, April and May issues of 2009.

Link to explanation of changes: http://www.bcstats.gov.bc.ca/pubs/pr_tour.asp

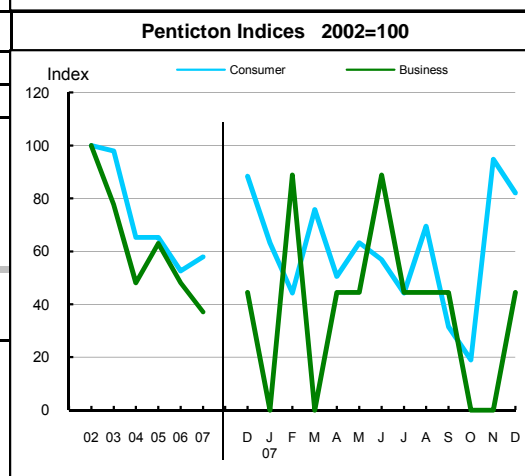
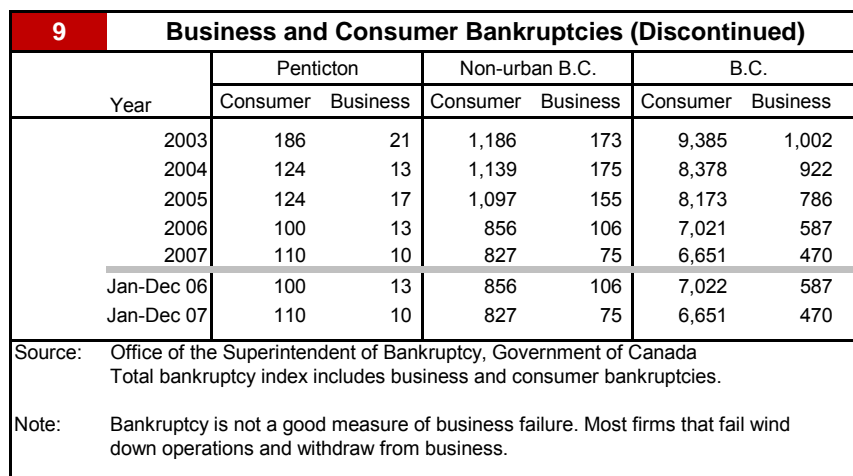
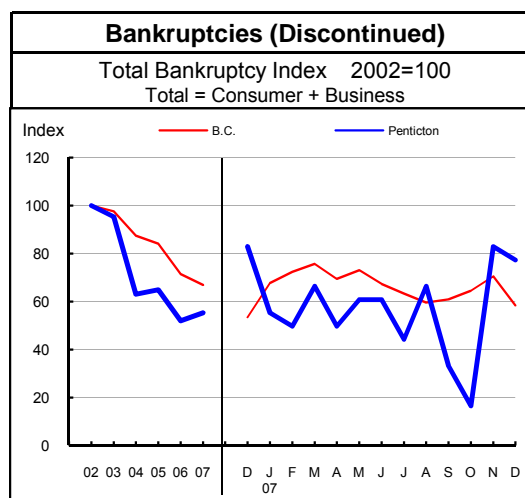
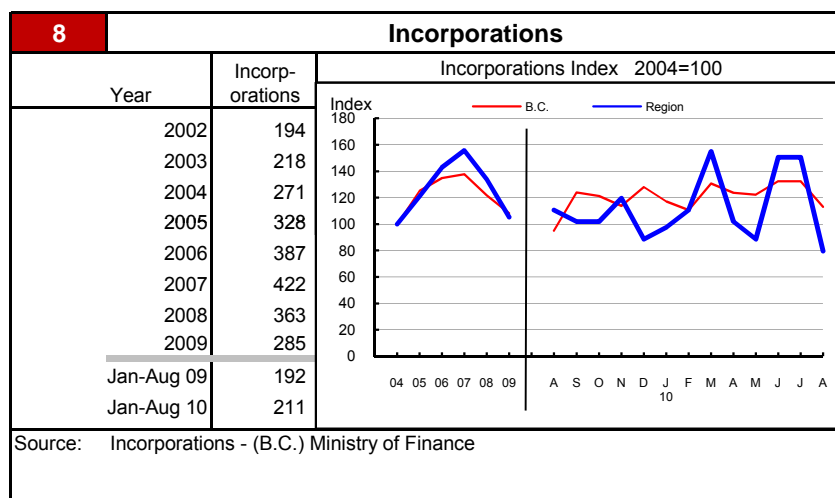
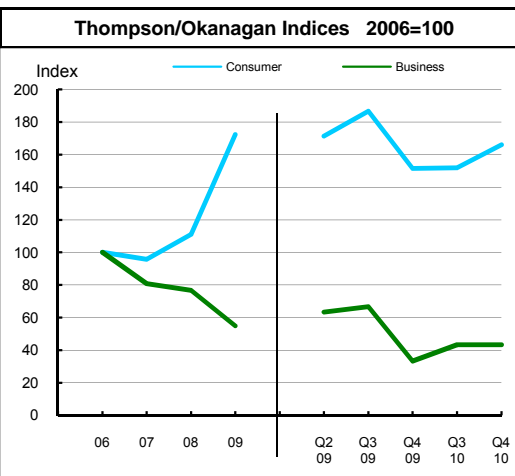
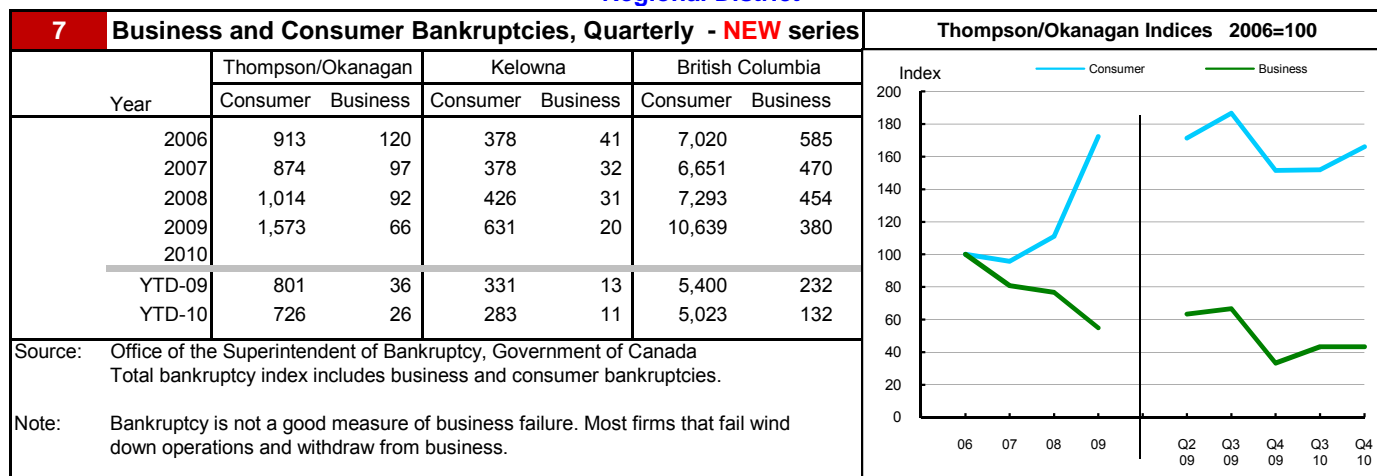
6		Building Permits								
Year	Total Building Permits	Non Residential				Residential	Total Permits Index 2003=100			
		Total Non Res.	Industrial	Comm-ercial	Institutional & Gov'm't		Index			
	<-- \$ Millions -->						Units			
2002	83.7	23.4	3.7	13.0	6.7	60.3	453			
2003	102.8	29.2	3.2	13.2	12.9	73.6	519			
2004	127.7	52.2	2.9	34.0	15.2	75.5	472			
2005	174.0	39.4	5.5	29.6	4.3	134.6	904			
2006	265.2	65.5	11.6	28.4	25.5	199.7	971			
2007	256.5	136.1	8.3	97.4	30.4	120.4	517			
2008	245.0	44.9	9.4	18.0	17.5	200.2	819			
2009	97.3	28.6	8.5	14.1	6.0	68.7	228			
Jan-Aug 09	60.6	16.2	5.5	7.1	3.6	44.4	139			
Jan-Aug 10	121.2	48.2	5.9	21.4	20.9	72.9	364			

Not all projects require a building permit, and not all municipalities & regions report. Latest month preliminary, previous month is revised.

Source: Statistics Canada (data collected from municipal and Regional District offices).



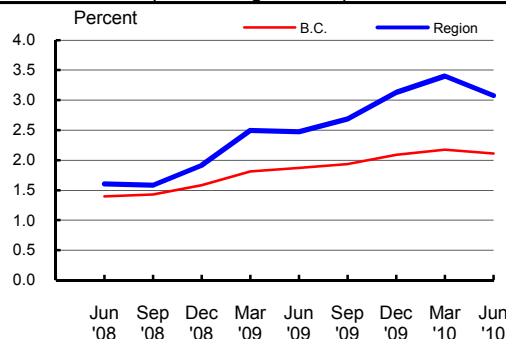
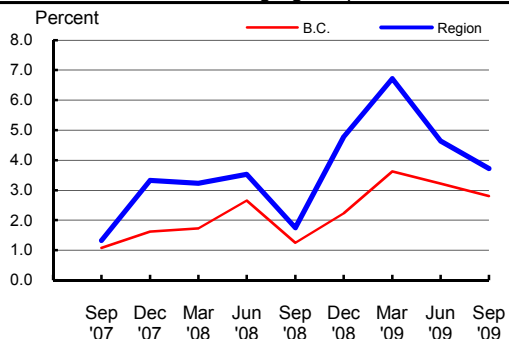
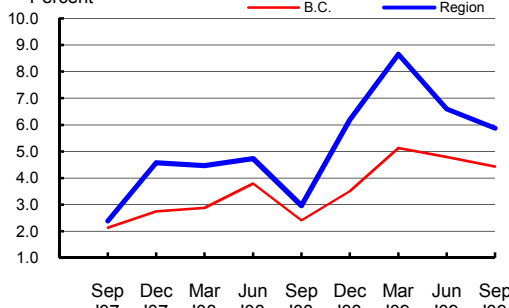
Okanagan-Similkameen Regional District





Okanagan-Similkameen Regional District

Dependence on the Safety Net

10 Basic Income Assistance							11 Employment Insurance (was UI)					
(Basic Income Assistance Recipients in Subject Group as a percent of Reference Group)							(EI beneficiaries as a percent of Reference Group)					
Subject Group (receiving benefits)		All (0-64)	Children <19 yrs in Families	Young Adults (19-24)	'Mid' Group (25-54)	Single Parent Women	Working Age (19-64)	Young Adults (19-24)	'Mid' Group (25-54)	'Older' Workers (55-64)	Note Older Data	
Reference Group		Total Pop. 0-64	Total Pop. <19	Total Pop. 19-24	Total Pop. 25-54	Tot. Female 19-64	Total Pop. 19-64	Total Pop. 19-24	Total Pop. 25-54	Total Pop. 55-64		
Okanagan-Sim'een Regional District	Jun '08	1.6	2.7	1.8	1.6	0.8	1.3	1.1	1.5	0.9	Sep '07	
	Sep '08	1.6	2.6	1.8	1.6	0.8	3.3	3.3	3.6	2.6	Dec '07	
	Dec '08	1.9	3.0	2.1	2.0	0.9	3.2	3.1	3.7	2.2	Mar '08	
	Mar '09	2.5	3.9	2.8	2.7	1.0	3.5	3.4	4.0	2.5	Jun '08	
	Jun '09	2.5	3.8	3.0	2.6	1.0	1.7	1.8	2.1	1.1	Sep '08	
	Sep '09	2.7	4.2	3.0	2.8	1.1	4.8	4.7	5.4	3.5	Dec '08	
	Dec '09	3.1	4.5	3.5	3.4	1.2	6.7	7.4	7.7	4.5	Mar '09	
	Mar '10	3.4	4.9	3.9	3.7	1.2	4.6	4.7	5.5	2.8	Jun '09	
	Jun '10	3.1	4.5	3.8	3.2	1.2	3.7	3.7	4.5	2.1	Sep '09	
Duration of Dependence on Income Assistance (As of June 2010)		All* Income Assistance Recipients as % of Total Pop 0-64: Region Compared to B.C.					EI Beneficiaries Aged 19-64 as % of Working Age Population					
Region		Percent					Percent					
Total Number of Recipients	1,869											
Percent Distribution by Duration												
<1 Year	61.1											
1-2 Years	26.2											
>2 Years	12.7											
Source: Ministry of Children and Family Development administrative files and BC Stats population estimates. These figures include only a subset of those receiving income assistance. Excluded are those on Continuous Assistance (disabled or with persistent multiple barriers to employment, children in the home of a relative, and OAS/seniors. A recipient is defined as 'each person living in a family or living alone that is receiving basic income assistance'. Data does not include Aboriginal people living on Reserve. Note: '-' Data too small to release.							Source: Ministry of Housing and Social Development and BC Stats population estimates.					
12 Dependence on Basic Income Assistance and/or Employment Insurance												
(Basic Income Assistance Recipients + Employment Insurance Recipients in Subject Group as a percent of Reference Group)							All 'Safety Net' Recipients as % of Total Pop 19-64: Region Compared to B.C.					
Subject Group (receiving assistance)		All (19-64)	Young Adults (19-24)	'Mid' Group (25-54)	'Older' Group (55-64)		Percent					
Reference Group		Total Pop. 19-64	Total Pop. 19-24	Total Pop. 25-54	Total Pop. 55-64							
Okanagan-Sim'een Regional District	Sep '07	2.4	2.8	2.8	1.4							
	Dec '07	4.6	5.3	5.2	3.0							
	Mar '08	4.5	4.9	5.3	2.5							
	Jun '08	4.7	5.1	5.5	2.9							
	Sep '08	3.0	3.6	3.6	1.4							
	Dec '08	6.2	6.6	7.2	3.9							
	Mar '09	8.7	10.0	10.1	5.0							
	Jun '09	6.6	7.5	7.9	3.5							
	Sep '09	5.9	6.6	7.2	2.8							

Note: The EI figures reported above no longer include persons claiming parental/adoption leave. Previous issues of this table did include them.



Okanagan-Similkameen Regional District

13**Demographics**

Like the rest of the Okanagan, this region experienced tremendous growth in the 1990's due to very high net migration inflows. The pleasant climate of this area makes it a popular place to retire, which contributes to a median age that is substantially higher than the provincial median age. The population has aged over time, adding over 9.5 years to its median age since the mid 1980s. By 2007, the population in this region was almost nine years older than British Columbia as a whole. The elderly dependency ratio (i.e., the ratio of those aged 65 and over to those aged 18 to 64) has been increasing and is now over twice that of the province as a whole. The older age structure is largely responsible for the strong sex ratio bias in favour of females, since women tend to live longer than men. Despite historically high fertility, the older age structure boosts the number of deaths, resulting in negative natural increase values since the late 1980s. Although its magnitude varied, net migration has been positive and is the sole driver behind population growth in this region. Relatively small net inflows led to minimal growth during the period from 1998 to 2004. However, higher migration levels in the last three years resulted in growth levels not seen in this region since the mid 1990s.

14**Projection**

Natural increase will likely become even more negative over the projection period as deaths increase substantially. However, it is expected that net migration to this area will continue to be high, which will compensate somewhat for the increasing number of deaths. Nonetheless, growth will slow toward the end of the projection period. This region will likely grow by about 16 percent over the period. The population will continue to age and, by 2036, there will likely be about 9 dependents for every 10 people of working age and most of these dependents will be seniors.

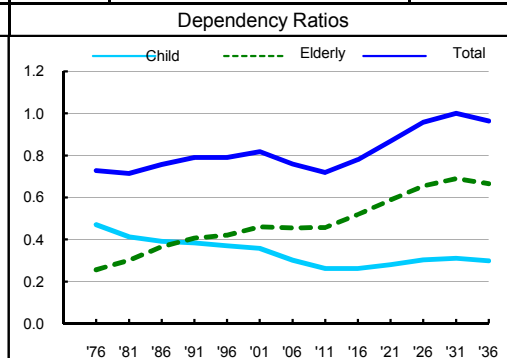
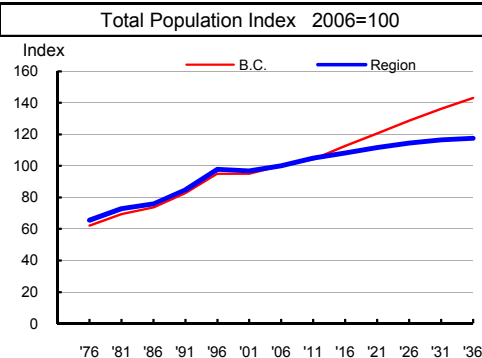
15**Selected Demographic Characteristics**

Year	Population by age group, Thousands of persons							House-holds (,000)	Dependency Ratios			Year
	0-4	5-17	18-24	25-44	45-64	65+	All Ages		Child	Elderly	Total	
1976	3.1	11.3	6.1	11.8	12.6	7.8	52.6	18.5	0.471	0.256	0.727	1976
1981	3.5	10.6	6.2	14.3	13.5	10.3	58.5	22.6	0.413	0.302	0.714	1981
1986	3.6	10.0	5.3	15.6	13.8	12.7	60.9	25.3	0.392	0.365	0.757	1986
1991	3.7	10.9	4.7	17.9	15.5	15.5	68.2	28.1	0.384	0.407	0.791	1991
1996	3.9	12.3	5.3	19.8	18.8	18.5	78.6	33.5	0.370	0.420	0.790	1996
2001	3.3	12.0	4.8	17.2	20.8	19.7	77.8	34.4	0.358	0.460	0.818	2001
2006	2.9	11.0	5.4	15.5	24.9	20.8	80.4	34.5	0.302	0.456	0.758	2006
2011	3.2	9.6	6.6	15.5	27.0	22.4	84.4	37.4	0.262	0.457	0.719	2011
2016	3.5	9.2	5.9	17.3	25.6	25.4	87.0	39.9	0.261	0.519	0.780	2016
2021	3.8	9.7	5.2	18.8	24.0	28.2	89.7	41.3	0.280	0.587	0.867	2021
2026	3.8	10.5	4.9	19.4	22.6	30.8	92.0	42.2	0.303	0.655	0.958	2026
2031	3.6	11.0	5.3	19.4	22.2	32.3	93.7	43.1	0.311	0.690	1.001	2031
2036	3.5	10.9	5.8	18.3	24.0	32.0	94.4	43.9	0.299	0.666	0.964	0

Age groups reflect pre-school, school, advanced education, family formation, mature workers and retired.

Child Dependency:
(ages 0-17) / (ages 18-64)

Elderly Dependency:
(ages 65+) / (ages 18-64)



Source: Population data are Projection P-35, run in Summer 2010. Figures are adjusted for Census undercount and are for July 1st of stated year.
Note: Demographics and Projection notes in Tables 13 and 14 are from Projection P-33, run the Summer 2008.



Central Okanagan Regional District

1

General Economy

Municipalities in Regional District: Kelowna, Lake Country, Peachland

The improved transportation links to the Lower Mainland have made the Central Okanagan a desirable place to locate secondary and tertiary manufacturing. The University of British Columbia Okanagan continues to grow. Agriculture and the popularity of the region for tourism and as a retirement centre should ensure continued growth for this region. Residential construction has risen rapidly recently. Agricultural activities include fruit tree and wine grape growing as well as horse and cattle ranching.

The notes above and later in this report on Demographics and Projections are the basis for BC Stats population projection P33 completed in the Summer of 2008. The projections are updated annually to reflect known demographic shifts and economic conditions. Full projections with "Components of Change", "Special Age Groups", "5 Year Age Cohorts by Sex", and accompanying notes are available for B.C., the 8 development regions, the 28 regional districts, the 79 local health areas (LHAs) and a number of "special areas" of local interest which are not part of a province-wide geocoding system. Individual areas, including age and sex detail, are modestly priced. Users requiring only total population projections are able to self serve for free from our population projection page: www.bcstats.gov.bc.ca/data/pop/pop/popproj.asp. The full B.C. level projection is available free on the above page.

2

Economic Structure - Number of **Business Locations**, by Sector, by Employment Size, December 2009

NAICS Code	Industry Sector based on NAICS Canada (North American Industrial Classification System)	Locations With No Employees	Central Okanagan						British Columbia	
			Firms with Employees						With Employees	
			Less Than 20	20 to 49	50 to 199	200 Plus	All Sizes with Emp.	Percent of Total	Percent of Total	All Sizes
11	Total, All Industries	8,546	6,771	633	240	29	7,673	100.0%	100.0%	362,665
	Agric., Forestry, Fishing & Hunt	252	274	21	6	0	301	3.9%	4.2%	15,302
21	Mining & Oil & Gas Extract.	34	41	3	0	0	44	0.6%	0.6%	2,117
22	Utilities	12	8	3	2	0	13	0.2%	0.1%	367
23	Construction	1,893	1,260	86	19	0	1,365	17.8%	14.0%	50,658
31	Manufacturing (31-33)	195	274	40	21	4	339	4.4%	3.3%	12,125
41	Wholesale Trade	293	359	39	5	1	404	5.3%	4.7%	17,113
44	Retail Trade (44-45)	416	784	105	36	5	930	12.1%	8.3%	30,004
48	Transp. & Warehousing (48-49)	326	189	24	7	3	223	2.9%	5.3%	19,090
51	Information & Cultural Indust.	65	54	13	4	1	72	0.9%	1.5%	5,452
52	Finance & Insurance	673	279	46	4	0	329	4.3%	5.4%	19,568
53	Real Estate & Rental & Leasing	1,343	331	9	5	0	345	4.5%	10.0%	36,279
54	Profes'nl, Scientif. & Tech. Srv	1,078	706	22	10	0	738	9.6%	13.2%	47,782
55	Mgmt. of Companies & Enter.	574	141	10	4	2	157	2.0%	4.1%	14,793
56	Admin. & Sup'rt, Waste Mgmt.	377	361	21	20	1	403	5.3%	4.6%	16,556
61	Educational Services	54	77	7	4	2	90	1.2%	1.2%	4,327
62	Health Care & Social Assistance	215	608	39	18	3	668	8.7%	5.3%	19,379
71	Arts, Entertainment & Recreation	116	77	22	8	2	109	1.4%	1.7%	6,132
72	Accom. & Food Services	164	276	98	53	3	430	5.6%	4.3%	15,626
81	Other Serv's (ex. Public Admin.)	466	660	24	8	0	692	9.0%	8.1%	29,217
91	Public Administration	-	12	1	6	2	21	0.3%	0.2%	778

Source: Statistics Canada, Business Register Division. Note: This table formerly identified **business establishments**.

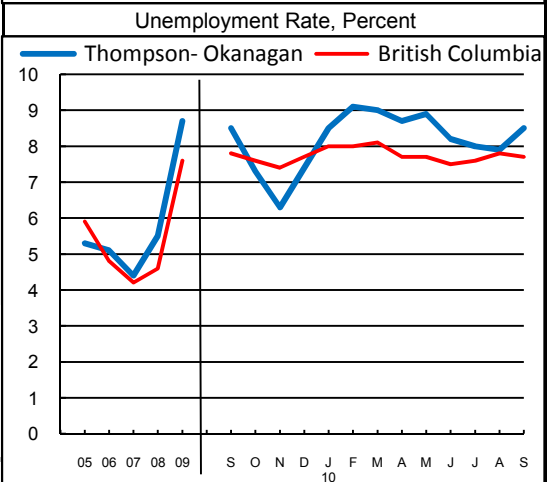
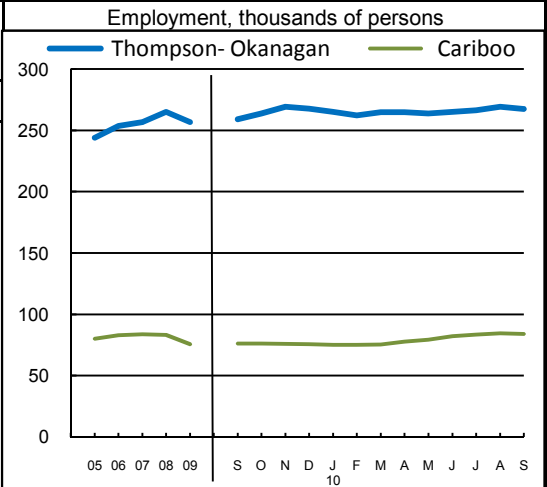


Central Okanagan Regional District

3

Employment and Unemployment Rate, monthly data are 3-month moving average, actual, ending in stated month

		Thompson-Okanagan		Cariboo		British Columbia		Employment, thousands of persons	
		Emp. ('000)	Unemp. %	Emp. ('000)	Unemp. %	Emp. ('000)	Unemp. %	Thompson- Okanagan	Cariboo
2000		210.3	9.3	79.1	9.9	1,931.3	7.1		
2001		210.2	9.3	79.4	9.7	1,921.6	7.7		
2002		208.1	9.4	78.0	12.7	1,965.0	8.5		
2003		218.8	8.8	78.2	11.1	2,014.7	8.0		
2004		229.7	6.6	80.7	9.1	2,062.7	7.2		
2005		244.0	5.3	80.1	7.4	2,130.5	5.9		
2006		253.7	5.1	82.9	6.1	2,195.5	4.8		
2007		256.7	4.4	83.8	5.1	2,266.3	4.2		
2008		265.0	5.5	83.1	6.5	2,314.3	4.6		
2009		256.7	8.7	75.6	12.0	2,259.4	7.6		
2009	Jan	256.9	7.0	81.7	6.1	2,278.4	5.5		
	Feb	255.3	7.8	78.8	7.8	2,251.1	6.3		
	Mar	249.9	9.1	75.3	10.0	2,227.5	7.2		
	Apr	246.8	9.7	73.2	12.0	2,229.0	7.6		
	May	249.8	9.9	73.4	12.9	2,243.1	7.8		
	Jun	250.2	9.8	75.2	13.5	2,264.6	7.8		
	Jul	253.6	9.5	75.6	14.2	2,275.9	7.8		
	Aug	253.7	9.6	76.1	13.3	2,280.5	8.0		
	Sep	259.2	8.5	76.2	12.4	2,275.8	7.8		
	Oct	263.9	7.3	76.2	11.5	2,273.5	7.6		
	Nov	269.2	6.3	76.0	12.0	2,271.8	7.4		
	Dec	267.6	7.4	75.5	12.0	2,269.5	7.7		
2010	Jan	265.2	8.5	75.2	12.0	2,264.1	8.0		
	Feb	262.2	9.1	75.0	11.5	2,259.3	8.0		
	Mar	264.8	9.0	75.4	10.3	2,260.7	8.1		
	Apr	264.9	8.7	77.6	8.2	2,273.6	7.7		
	May	263.7	8.9	79.3	7.5	2,286.7	7.7		
	Jun	265.1	8.2	82.2	7.1	2,306.2	7.5		
	Jul	266.4	8.0	83.4	8.6	2,323.1	7.6		
	Aug	269.2	7.9	84.6	8.3	2,337.2	7.8		
	Sep	267.4	8.5	84.0	8.2	2,333.8	7.7		
	Oct								
	Nov								
	Dec								
Average:									
ytd average									
based on									
actual data									
Jan-Sep09		253.4	9.1	75.5	12.0	2,256.0	7.6		
Jan-Sep10		265.8	8.6	80.5	8.6	2,300.2	7.8		
% Change		4.9		6.7		2.0			

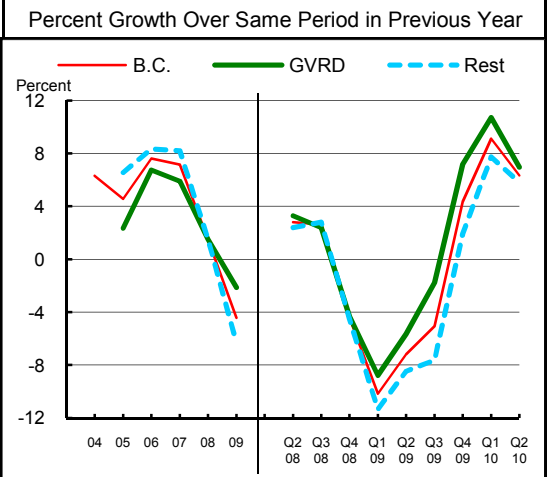


Source: Labour Force Survey, Statistics Canada. Sub-provincial regions are development regions or census metropolitan areas.

4

Retail Sales - based on Statistics Canada monthly survey

		\$ millions of retail sales			Percent change on year ago			Percent Growth Over Same Period in Previous Year	
Year or Year/Quarter		B.C.	Greater Vancouver	Rest of Province	B.C.	Greater Vancouver	Rest of Province	B.C.	GVRD
2005		49,378.8	22,765.4	26,613.4	4.6	2.3	6.6		
2006		53,133.4	24,301.6	28,831.9	7.6	6.7	8.3		
2007		56,930.4	25,733.1	31,197.3	7.1	5.9	8.2		
2008		57,783.0	26,116.0	31,667.0	1.5	1.5	1.5		
2009		55,221.9	25,556.4	29,665.6	-4.4	-2.1	-6.3		
2009	Q2	13,961.3	6,438.4	7,522.9	-7.2	-5.7	-8.5		
2009	Q3	14,483.9	6,571.4	7,912.5	-5.1	-1.8	-7.6		
2009	Q4	15,032.6	7,063.2	7,969.4	4.3	7.2	1.9		
2010	Q1	12,815.6	6,070.4	6,745.2	9.1	10.7	7.7		
2010	Q2	14,844.6	6,886.1	7,958.5	6.3	7.0	5.8		

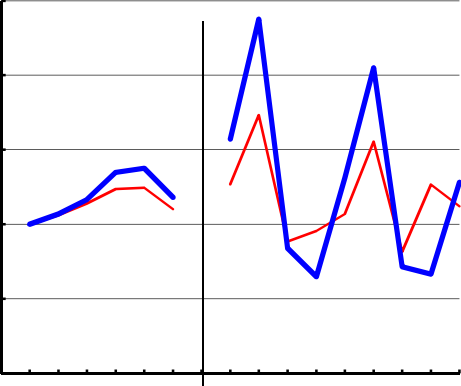


Source: B.C. & GVRD data - Statistics Canada, monthly survey (CANSIM 080-0020).

Central Okanagan
Regional District**Was 5** Manufacturing Principal Statistics - Search at www.made-in-bc.ca for local firms, products and more

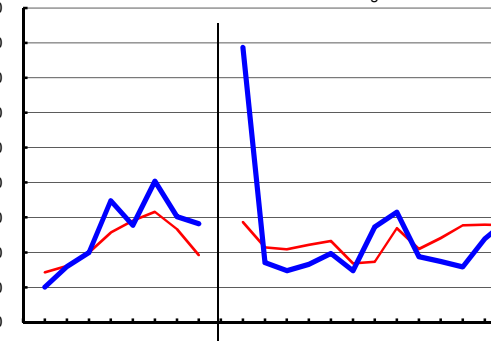
This table is discontinued. Sub-provincial manufacturing principal statistics are no longer being produced.

5		Tourism Room Revenue (\$ Thousands)					
Central Okanagan Regional District	Year	Total/YTD	Q1	Q2	Q3	Q4	
	2006	70,740.0	8,673.0	19,225.0	31,428.0	11,414.0	
	2007	81,815.0	10,624.0	21,780.0	37,084.0	12,327.0	
	2008	83,483.0	10,888.0	23,818.0	36,035.0	12,742.0	
	2009	71,617.0	9,824.0	19,879.0	31,077.0	10,837.0	
	2010	29,538.0	10,105.0	19,433.0			
British Columbia	2006	1,807,609.0	366,165.0	450,748.0	652,476.0	338,220.0	
	2007	1,807,609.0	366,165.0	450,748.0	652,476.0	338,220.0	
	2008	1,977,550.0	435,235.0	503,305.0	687,873.0	351,137.0	
	2009	1,743,236.0	378,897.0	423,809.0	617,087.0	323,443.0	
	2010	946,873.0	502,377.0	444,496.0			
	2009 Room Revenue by Accommodation Type (\$Thousands %Share) New!						
TOTAL	71,617.0	100.0%					
Hotels	45,657.0	63.8%					
Motels	14,487.0	20.2%					
Vacation Rentals	7,763.0	10.8%					
*City of Kelowna	60,083.0	83.9%					
asterisk before location denotes sub-area detail							

Tourism Room Revenue Index 2004=100	
Index	B.C. Region
	
Source: Hotel tax database maintained by Consumer Taxation Branch, Ministry of Small Business and Revenue Published in detail monthly by BC Stats.	

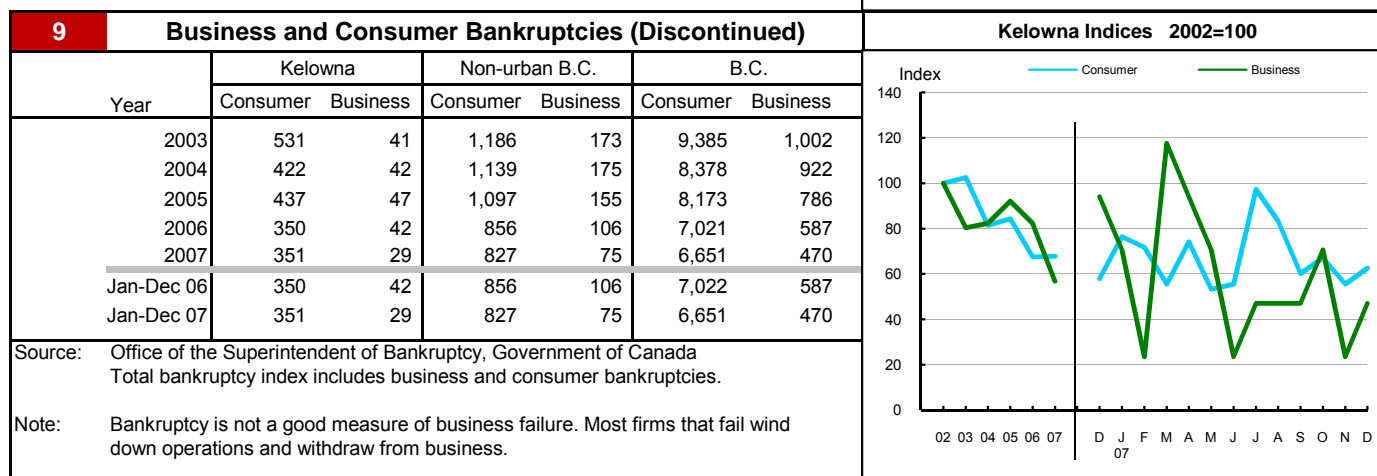
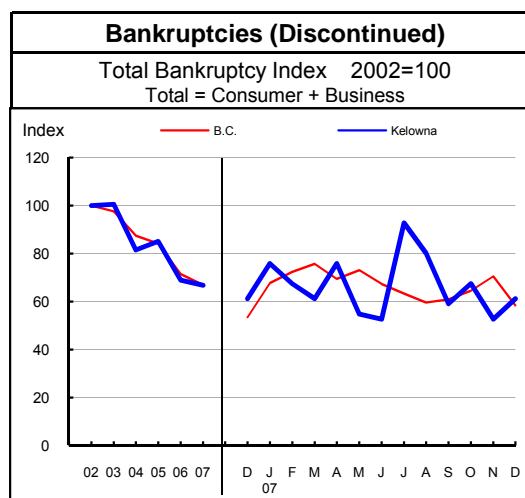
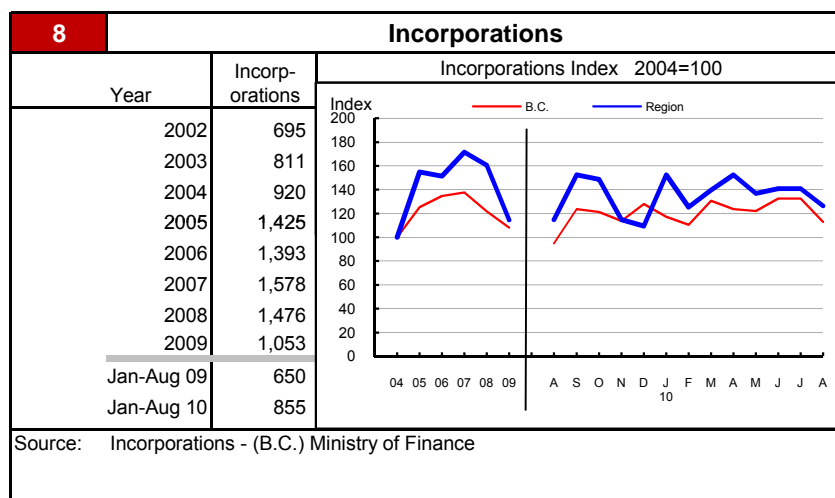
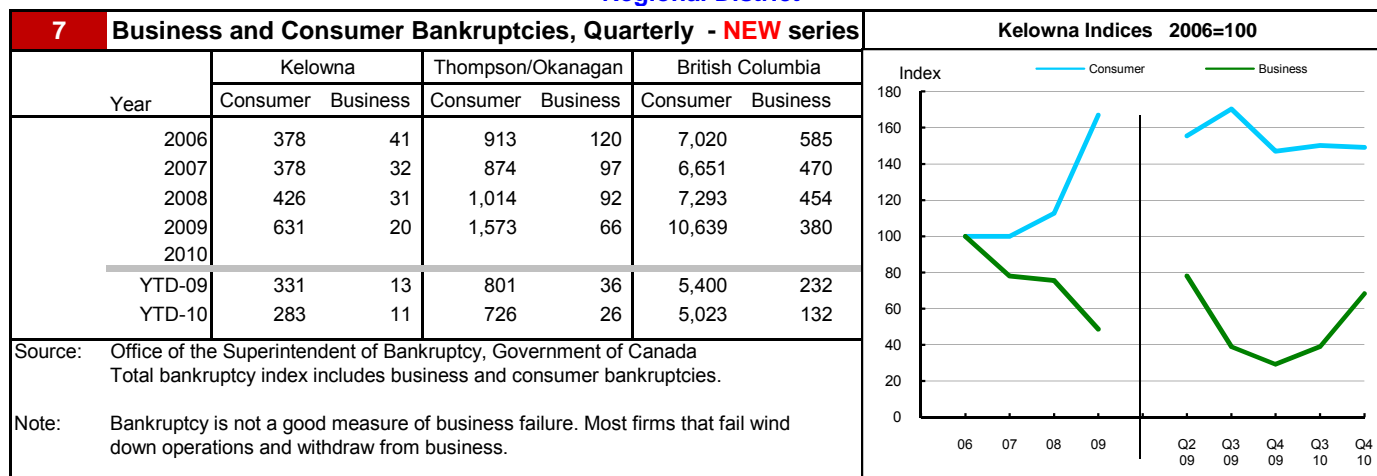
All room revenue data has been revised. For an explanation, see our periodical called *Tourism Sector Monitor*, April and May issues of 2009.

Link to explanation of changes: http://www.bcstats.gov.bc.ca/pubs/pr_tour.asp

6		Building Permits							
Year	Total Building Permits	Non Residential				Residential		Total Permits Index 2003=100	
		Total Non Res.	Industrial	Comm-ercial	Institutional & Gov'm't			Index	
	<-- \$ Millions -->						Units		
2002	224.0	43.4	8.4	26.4	8.6	180.6	1,438		
2003	354.4	74.1	4.5	57.8	11.8	280.3	1,918		
2004	445.6	79.5	9.7	49.5	20.4	366.1	2,266		
2005	775.0	232.3	19.5	158.8	54.0	542.7	3,217		
2006	618.0	160.2	16.8	92.5	50.9	457.8	2,238		
2007	900.1	241.8	19.9	174.2	47.7	658.3	2,951		
2008	673.8	189.8	7.3	75.7	106.8	484.0	1,935		
2009	627.8	389.8	12.3	109.8	267.8	238.0	833		
Jan-Aug 09	501.5	365.1	9.1	90.0	266.1	136.3	506		
Jan-Aug 10	331.6	85.1	2.7	65.5	16.9	246.5	834		

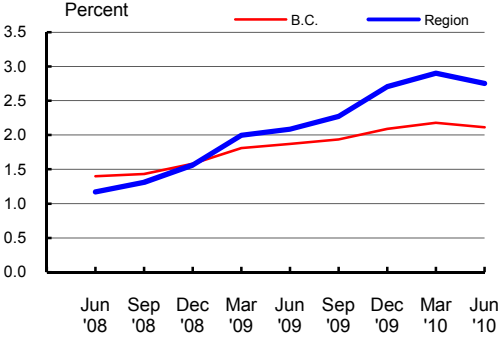
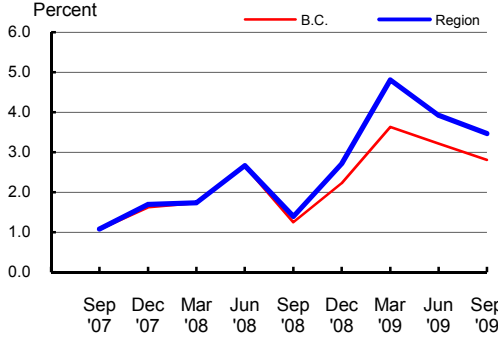
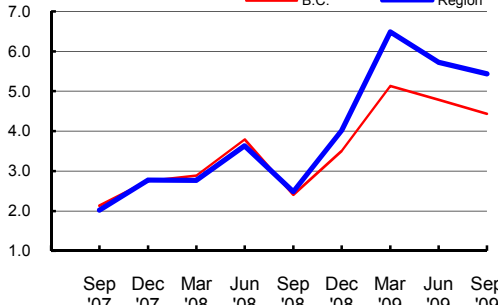
Not all projects require a building permit, and not all municipalities & regions report. Latest month preliminary, previous month is revised.

Source: Statistics Canada (data collected from municipal and Regional District offices).

Central Okanagan
Regional District

Central Okanagan
Regional District

Dependence on the Safety Net

10 Basic Income Assistance							11 Employment Insurance (was UI)					
(Basic Income Assistance Recipients in Subject Group as a percent of Reference Group)							(EI beneficiaries as a percent of Reference Group)					
Subject Group (receiving benefits)		All (0-64)	Children <19 yrs in Families	Young Adults (19-24)	'Mid' Group (25-54)	Single Parent Women	Working Age (19-64)	Young Adults (19-24)	'Mid' Group (25-54)	'Older' Workers (55-64)	Note Older Data	
Reference Group		Total Pop. 0-64	Total Pop. <19	Total Pop. 19-24	Total Pop. 25-54	Tot. Female 19-64	Total Pop. 19-64	Total Pop. 19-24	Total Pop. 25-54	Total Pop. 55-64		
Central Okanagan Regional District	Jun '08	1.2	1.6	1.3	1.2	0.5	1.1	1.0	1.2	0.7	Sep '07	
	Sep '08	1.3	1.8	1.5	1.4	0.6	1.7	1.9	1.8	1.2	Dec '07	
	Dec '08	1.6	2.1	1.8	1.6	0.6	1.7	2.1	1.9	1.1	Mar '08	
	Mar '09	2.0	2.5	2.4	2.1	0.7	2.7	2.4	2.9	2.3	Jun '08	
	Jun '09	2.1	2.6	2.5	2.2	0.7	1.4	1.4	1.5	1.0	Sep '08	
	Sep '09	2.3	2.9	2.9	2.4	0.8	2.7	3.3	2.9	1.8	Dec '08	
	Dec '09	2.7	3.4	3.4	2.8	0.9	4.8	6.9	5.0	2.9	Mar '09	
	Mar '10	2.9	3.5	4.3	3.0	0.9	3.9	5.0	4.2	2.4	Jun '09	
	Jun '10	2.8	3.3	4.0	2.8	0.9	3.5	4.0	3.8	2.1	Sep '09	
Duration of Dependence on Income Assistance (As of June 2010)		All* Income Assistance Recipients as % of Total Pop 0-64: Region Compared to B.C.					EI Beneficiaries Aged 19-64 as % of Working Age Population					
Region		Percent					Percent					
Total Number of Recipients	4,152											
Percent Distribution by Duration												
<1 Year	69.1											
1-2 Years	22.4											
>2 Years	8.5											
Source: Ministry of Children and Family Development administrative files and BC Stats population estimates. These figures include only a subset of those receiving income assistance. Excluded are those on Continuous Assistance (disabled or with persistent multiple barriers to employment, children in the home of a relative, and OAS/seniors. A recipient is defined as 'each person living in a family or living alone that is receiving basic income assistance'. Data does not include Aboriginal people living on Reserve. Note: '-' Data too small to release.							Source: Ministry of Housing and Social Development and BC Stats population estimates.					
12 Dependence on Basic Income Assistance and/or Employment Insurance												
(Basic Income Assistance Recipients + Employment Insurance Recipients in Subject Group as a percent of Reference Group)							All 'Safety Net' Recipients as % of Total Pop 19-64: Region Compared to B.C.					
Subject Group (receiving assistance)		All (19-64)	Young Adults (19-24)	'Mid' Group (25-54)	'Older' Group (55-64)		Percent					
Reference Group		Total Pop. 19-64	Total Pop. 19-24	Total Pop. 25-54	Total Pop. 55-64		Percent					
Central Okanagan Regional District	Sep '07	2.0	2.1	2.3	1.0							
	Dec '07	2.8	3.3	3.1	1.5							
	Mar '08	2.8	3.4	3.1	1.5							
	Jun '08	3.6	3.6	4.0	2.6							
	Sep '08	2.5	2.8	2.8	1.3							
	Dec '08	4.0	5.0	4.4	2.2							
	Mar '09	6.5	9.0	7.0	3.4							
	Jun '09	5.7	7.4	6.3	3.1							
	Sep '09	5.4	6.7	6.1	2.7							

Note: The EI figures reported above no longer include persons claiming parental/adoption leave. Previous issues of this table did include them.



Central Okanagan Regional District

13**Demographics**

High inflows of interprovincial migrants have resulted in the population of this area almost doubling in the last 25 years. This region was one of the highest growth areas in the province through the early to mid 1990s. The population has aged, but at a slower pace than the province as a whole, adding six years to its median age since the mid 1980s. Central Okanagan has been older than the provincial population throughout the last twenty years, partly due to a large retirement base. By 2007 its median age was 2.5 years older than the provincial median. Fertility rates have been on the decline and have been slightly lower than provincial rates for most of the period since the mid 1990s. Consistent with the decline in fertility, child dependency ratios have also been dropping, and are now similar to provincial figures. However, elderly dependency ratios (i.e., the ratio of those aged 65 and over to those aged 18 to 64) are much higher than the ratios of the province as a whole. Elderly dependency ratios have shown a slight upward trend, and have been much higher than provincial ratios throughout the last two decades. Since women tend to live longer than men, the older and ageing population also helps explain the bias towards females in the sex ratio. The number of deaths has more than doubled over the last twenty years, resulting in negative natural increase since 2001. Nonetheless, growth rates have been strong in the Central Okanagan, largely due to significant migration inflows.

14**Projection**

The diversity of the economy and the pleasant climate make this area one of the more popular locations to move to in the province. This will likely continue to be the case for some time and this region can expect to continue to receive large net inflows of migrants throughout the projection period. As the population ages and fertility rates drop, natural increase is expected to become increasingly negative. Despite the reduction in natural increase, this region can expect to add almost 75,000 to its population by 2036. The population will continue to age and, by the end of the projection, this region will likely about 7 dependents for every 10 people of working age and most of these dependents will be seniors.

15**Selected Demographic Characteristics**

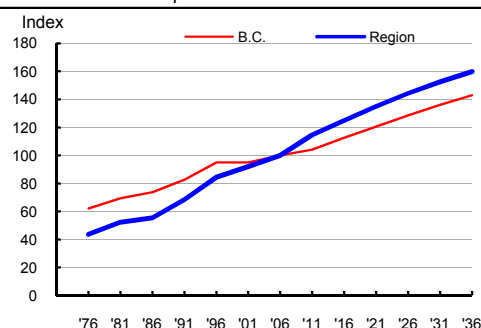
Year	Population by age group, Thousands of persons							House-holds (,000)	Dependency Ratios			Year
	0-4	5-17	18-24	25-44	45-64	65+	All Ages		Child	Elderly	Total	
1976	4.6	17.4	8.4	18.2	15.3	9.0	73.0	24.4	0.524	0.215	0.739	1976
1981	5.3	17.2	10.3	23.5	18.6	12.5	87.5	31.9	0.428	0.237	0.666	1981
1986	5.6	16.0	9.5	25.8	20.4	15.5	92.8	36.5	0.388	0.278	0.667	1986
1991	7.1	19.0	9.8	34.2	24.7	19.9	114.8	44.6	0.379	0.290	0.669	1991
1996	8.3	24.0	12.0	42.3	31.1	23.8	141.6	55.8	0.378	0.279	0.657	1996
2001	7.5	25.5	12.9	42.2	38.3	27.9	154.2	62.5	0.354	0.299	0.652	2001
2006	7.4	25.1	15.6	41.9	46.5	30.8	167.4	69.1	0.312	0.296	0.609	2006
2011	9.0	25.4	17.8	48.4	56.4	34.9	191.9	80.7	0.281	0.285	0.565	2011
2016	10.2	26.3	16.2	55.6	59.1	41.9	209.3	89.7	0.279	0.320	0.599	2016
2021	10.7	28.9	15.4	61.2	60.9	49.0	226.0	97.4	0.288	0.356	0.644	2021
2026	10.8	31.5	15.7	64.0	62.9	56.7	241.6	104.4	0.297	0.397	0.694	2026
2031	10.7	32.7	17.6	62.9	67.7	63.8	255.4	111.4	0.293	0.431	0.724	2031
2036	10.9	32.9	19.0	62.1	74.6	68.2	267.7	118.1	0.281	0.438	0.719	2036

Age groups reflect pre-school, school, advanced education, family formation, mature workers and retired.

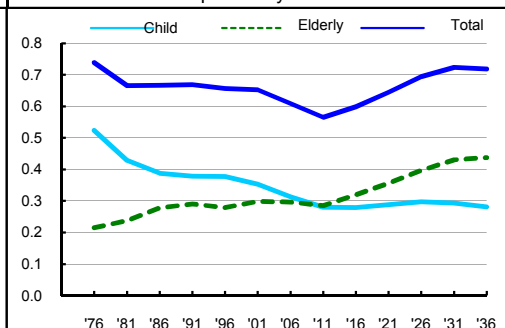
Child Dependency:
(ages 0-17) / (ages 18-64)

Elderly Dependency:
(ages 65+) / (ages 18-64)

Total Population Index 2006=100



Dependency Ratios



Source: Population data are Projection P-35, run in Summer 2010. Figures are adjusted for Census undercount and are for July 1st of stated year.
Note: Demographics and Projection notes in Tables 13 and 14 are from Projection P-33, run the Summer 2008.



North Okanagan Regional District

1

General Economy

Municipalities in Regional District: Armstrong, Coldstream, Enderby, Lumby, Spallumcheen, Vernon

The main economic activities of this region are forestry, agriculture and tourism. There are many wood processing facilities in the area, some of which have announced closures or output reductions. The forest resources have been impacted by the mountain pine beetle infestation and annual allowable cuts have been increased to facilitate salvage harvesting. Agricultural activities in this region are dominated by cattle and other animal ranching, however tree fruit, haymaking and vegetable farming also exist.

The notes above and later in this report on Demographics and Projections are the basis for BC Stats population projection P33 completed in the Summer of 2008. The projections are updated annually to reflect known demographic shifts and economic conditions. Full projections with "Components of Change", "Special Age Groups", "5 Year Age Cohorts by Sex", and accompanying notes are available for B.C., the 8 development regions, the 28 regional districts, the 79 local health areas (LHAs) and a number of "special areas" of local interest which are not part of a province-wide geocoding system. Individual areas, including age and sex detail, are modestly priced. Users requiring only total population projections are able to self serve for free from our population projection page: www.bcstats.gov.bc.ca/data/pop/pop/popproj.asp. The full B.C. level projection is available free on the above page.

2

Economic Structure - Number of **Business Locations**, by Sector, by Employment Size, December 2009

NAICS Code	Industry Sector based on NAICS Canada (North American Industrial Classification System)	Locations With No Employees	North Okanagan						British Columbia	
			Firms with Employees						With Employees	
			Less Than 20	20 to 49	50 to 199	200 Plus	All Sizes with Emp.	Percent of Total	Percent of Total	All Sizes
	Total, All Industries	3,633	3,144	221	100	13	3,478	100.0%	100.0%	362,665
11	Agric., Forestry, Fishing & Hunt	371	234	9	4	0	247	7.1%	4.2%	15,302
21	Mining & Oil & Gas Extract.	16	12	1	0	0	13	0.4%	0.6%	2,117
22	Utilities	4	6	1	0	0	7	0.2%	0.1%	367
23	Construction	668	555	18	7	1	581	16.7%	14.0%	50,658
31	Manufacturing (31-33)	99	120	20	11	3	154	4.4%	3.3%	12,125
41	Wholesale Trade	116	143	13	4	0	160	4.6%	4.7%	17,113
44	Retail Trade (44-45)	208	362	34	18	4	418	12.0%	8.3%	30,004
48	Transp. & Warehousing (48-49)	176	130	12	5	0	147	4.2%	5.3%	19,090
51	Information & Cultural Indust.	17	21	1	3	0	25	0.7%	1.5%	5,452
52	Finance & Insurance	249	96	17	3	0	116	3.3%	5.4%	19,568
53	Real Estate & Rental & Leasing	525	153	2	0	0	155	4.5%	10.0%	36,279
54	Profes'nl, Scientif. & Tech. Srv	396	278	8	2	0	288	8.3%	13.2%	47,782
55	Mgmt. of Companies & Enter.	240	51	0	1	1	53	1.5%	4.1%	14,793
56	Admin. & Sup'rt, Waste Mgmt.	126	147	4	4	0	155	4.5%	4.6%	16,556
61	Educational Services	28	23	1	1	1	26	0.7%	1.2%	4,327
62	Health Care & Social Assistance	71	296	27	8	1	332	9.5%	5.3%	19,379
71	Arts, Entertainment & Recreation	28	49	10	5	1	65	1.9%	1.7%	6,132
72	Accom. & Food Services	93	170	35	19	0	224	6.4%	4.3%	15,626
81	Other Serv's (ex. Public Admin.)	201	293	6	0	0	299	8.6%	8.1%	29,217
91	Public Administration	1	5	2	5	1	13	0.4%	0.2%	778

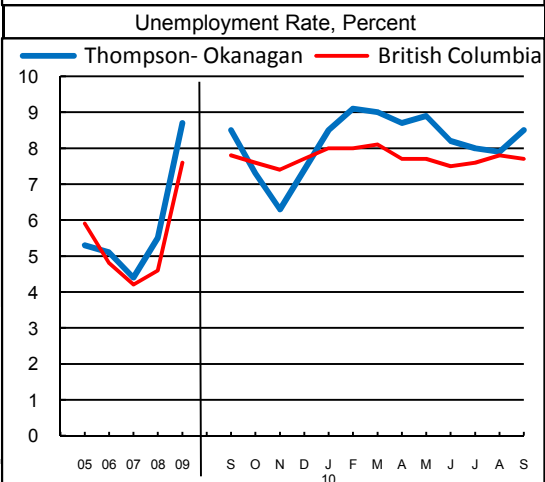
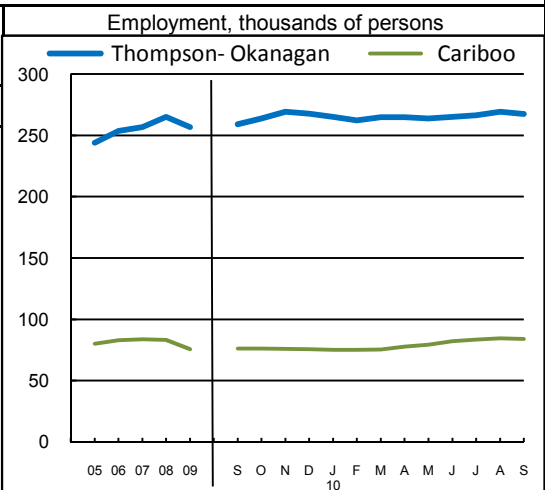
Source: Statistics Canada, Business Register Division. Note: This table formerly identified **business establishments**.



North Okanagan Regional District

3 Employment and Unemployment Rate, monthly data are 3-month moving average, actual, ending in stated month

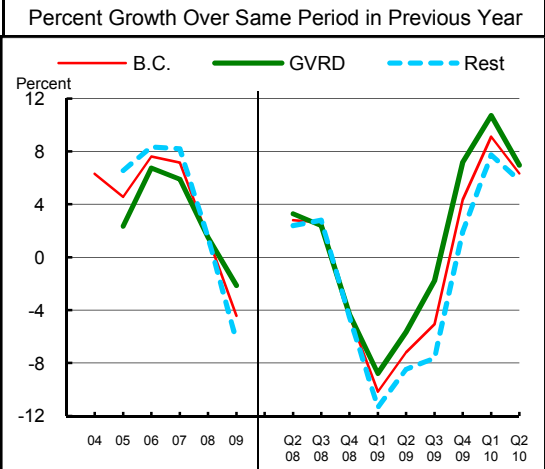
		Thompson-Okanagan		Cariboo		British Columbia		Employment, thousands of persons	
		Emp. ('000)	Unemp. %	Emp. ('000)	Unemp. %	Emp. ('000)	Unemp. %	Thompson- Okanagan	Cariboo
2000		210.3	9.3	79.1	9.9	1,931.3	7.1		
2001		210.2	9.3	79.4	9.7	1,921.6	7.7		
2002		208.1	9.4	78.0	12.7	1,965.0	8.5		
2003		218.8	8.8	78.2	11.1	2,014.7	8.0		
2004		229.7	6.6	80.7	9.1	2,062.7	7.2		
2005		244.0	5.3	80.1	7.4	2,130.5	5.9		
2006		253.7	5.1	82.9	6.1	2,195.5	4.8		
2007		256.7	4.4	83.8	5.1	2,266.3	4.2		
2008		265.0	5.5	83.1	6.5	2,314.3	4.6		
2009		256.7	8.7	75.6	12.0	2,259.4	7.6		
2009	Jan	256.9	7.0	81.7	6.1	2,278.4	5.5		
	Feb	255.3	7.8	78.8	7.8	2,251.1	6.3		
	Mar	249.9	9.1	75.3	10.0	2,227.5	7.2		
	Apr	246.8	9.7	73.2	12.0	2,229.0	7.6		
	May	249.8	9.9	73.4	12.9	2,243.1	7.8		
	Jun	250.2	9.8	75.2	13.5	2,264.6	7.8		
	Jul	253.6	9.5	75.6	14.2	2,275.9	7.8		
	Aug	253.7	9.6	76.1	13.3	2,280.5	8.0		
	Sep	259.2	8.5	76.2	12.4	2,275.8	7.8		
	Oct	263.9	7.3	76.2	11.5	2,273.5	7.6		
	Nov	269.2	6.3	76.0	12.0	2,271.8	7.4		
	Dec	267.6	7.4	75.5	12.0	2,269.5	7.7		
2010	Jan	265.2	8.5	75.2	12.0	2,264.1	8.0		
	Feb	262.2	9.1	75.0	11.5	2,259.3	8.0		
	Mar	264.8	9.0	75.4	10.3	2,260.7	8.1		
	Apr	264.9	8.7	77.6	8.2	2,273.6	7.7		
	May	263.7	8.9	79.3	7.5	2,286.7	7.7		
	Jun	265.1	8.2	82.2	7.1	2,306.2	7.5		
	Jul	266.4	8.0	83.4	8.6	2,323.1	7.6		
	Aug	269.2	7.9	84.6	8.3	2,337.2	7.8		
	Sep	267.4	8.5	84.0	8.2	2,333.8	7.7		
	Oct								
	Nov								
	Dec								
Average:									
ytd average									
based on									
actual data									
Jan-Sep09		253.4	9.1	75.5	12.0	2,256.0	7.6		
Jan-Sep10		265.8	8.6	80.5	8.6	2,300.2	7.8		
% Change		4.9		6.7		2.0			



Source: Labour Force Survey, Statistics Canada. Sub-provincial regions are development regions or census metropolitan areas.

4 Retail Sales - based on Statistics Canada monthly survey

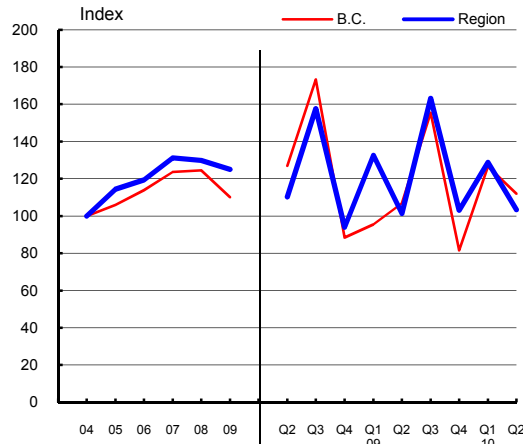
		\$ millions of retail sales			Percent change on year ago			Percent Growth Over Same Period in Previous Year	
Year or Year/Quarter		B.C.	Greater Vancouver	Rest of Province	B.C.	Greater Vancouver	Rest of Province	B.C.	GVRD
2005		49,378.8	22,765.4	26,613.4	4.6	2.3	6.6		
2006		53,133.4	24,301.6	28,831.9	7.6	6.7	8.3		
2007		56,930.4	25,733.1	31,197.3	7.1	5.9	8.2		
2008		57,783.0	26,116.0	31,667.0	1.5	1.5	1.5		
2009		55,221.9	25,556.4	29,665.6	-4.4	-2.1	-6.3		
2009	Q2	13,961.3	6,438.4	7,522.9	-7.2	-5.7	-8.5		
2009	Q3	14,483.9	6,571.4	7,912.5	-5.1	-1.8	-7.6		
2009	Q4	15,032.6	7,063.2	7,969.4	4.3	7.2	1.9		
2010	Q1	12,815.6	6,070.4	6,745.2	9.1	10.7	7.7		
2010	Q2	14,844.6	6,886.1	7,958.5	6.3	7.0	5.8		



Source: B.C. & GVRD data - Statistics Canada, monthly survey (CANSIM 080-0020).

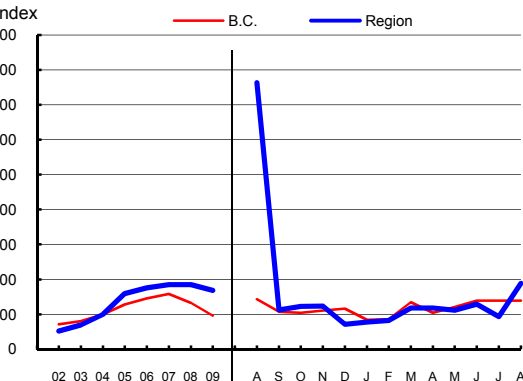
North Okanagan
Regional District**Was 5** Manufacturing Principal Statistics - Search at www.made-in-bc.ca for local firms, products and more

This table is discontinued. Sub-provincial manufacturing principal statistics are no longer being produced.

5		Tourism Room Revenue (\$ Thousands)						
North Okanagan Regional District	Year	Total/YTD	Q1	Q2	Q3	Q4	Tourism Room Revenue Index 2004=100	
	2006	23,699.0	5,723.0	5,062.0	8,361.0	4,553.0		
	2007	26,071.0	7,327.0	5,356.0	8,244.0	5,144.0		
	2008	25,794.0	7,824.0	5,476.0	7,826.0	4,668.0		
	2009	24,828.0	6,586.0	5,030.0	8,097.0	5,115.0		
	2010	11,536.0	6,399.0	5,137.0				
British Columbia	2006	1,807,609.0	366,165.0	450,748.0	652,476.0	338,220.0		
	2007	1,807,609.0	366,165.0	450,748.0	652,476.0	338,220.0		
	2008	1,977,550.0	435,235.0	503,305.0	687,873.0	351,137.0		
	2009	1,743,236.0	378,897.0	423,809.0	617,087.0	323,443.0		
	2010	946,873.0	502,377.0	444,496.0				
2009 Room Revenue by Accommodation Type (\$Thousands %Share) New!								
TOTAL	24,827.0	100.0%						
Hotels	14,039.0	56.5%						
Motels	4,567.0	18.4%						
*City of Vernon	17,025.0	68.6%						
asterisk before location denotes sub-area detail							Source: Hotel tax database maintained by Consumer Taxation Branch, Ministry of Small Business and Revenue Published in detail monthly by BC Stats.	

All room revenue data has been revised. For an explanation, see our periodical called *Tourism Sector Monitor*, April and May issues of 2009.

Link to explanation of changes: http://www.bcstats.gov.bc.ca/pubs/pr_tour.asp

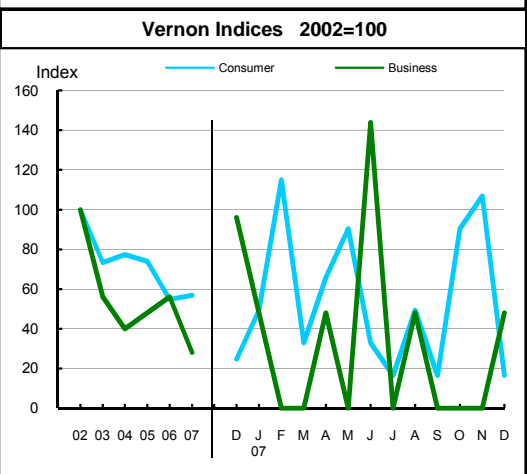
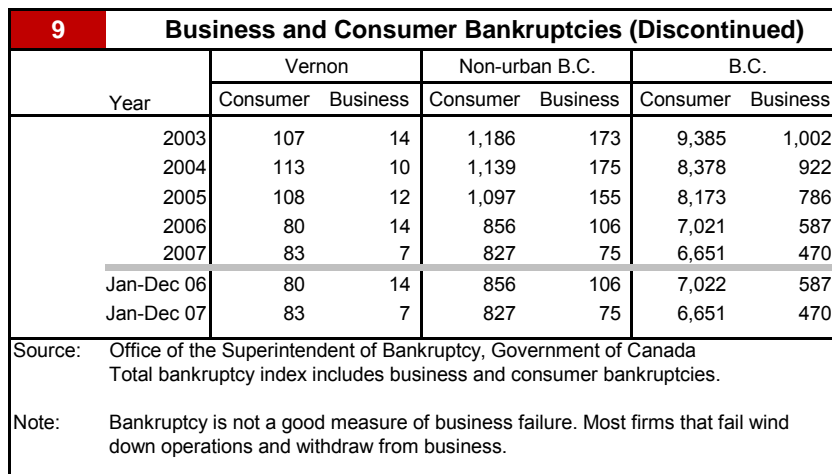
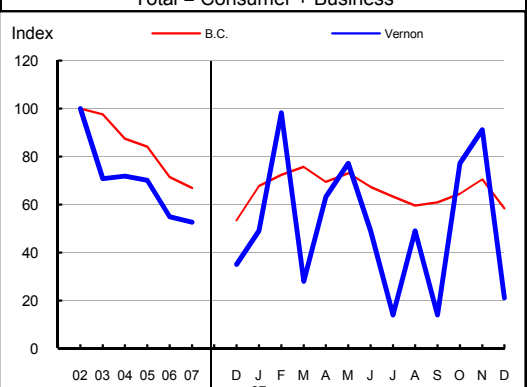
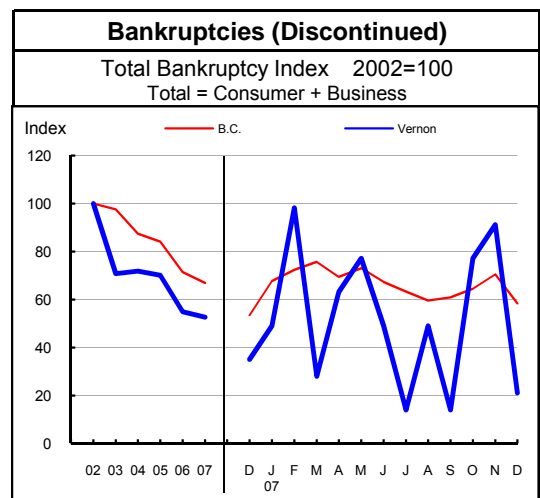
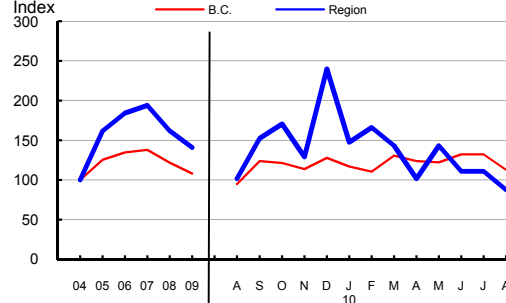
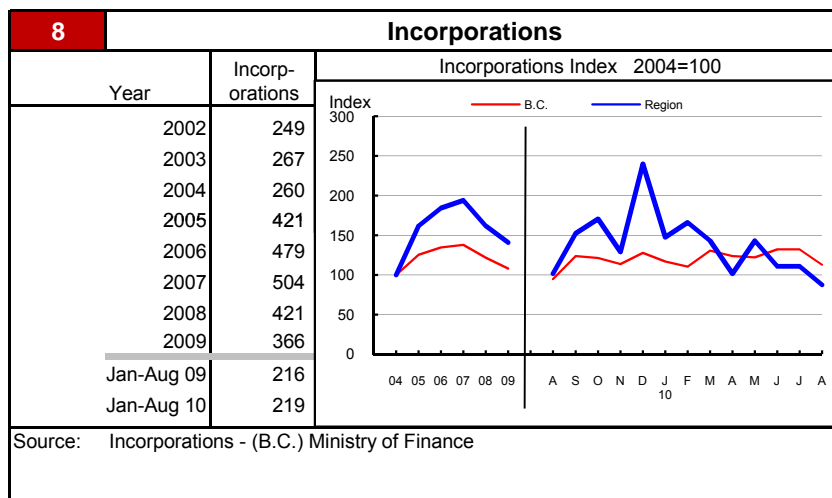
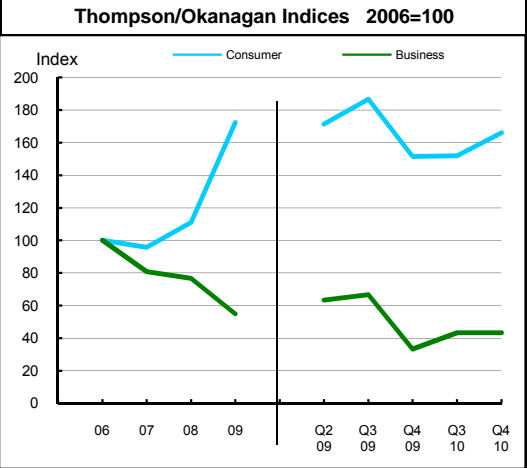
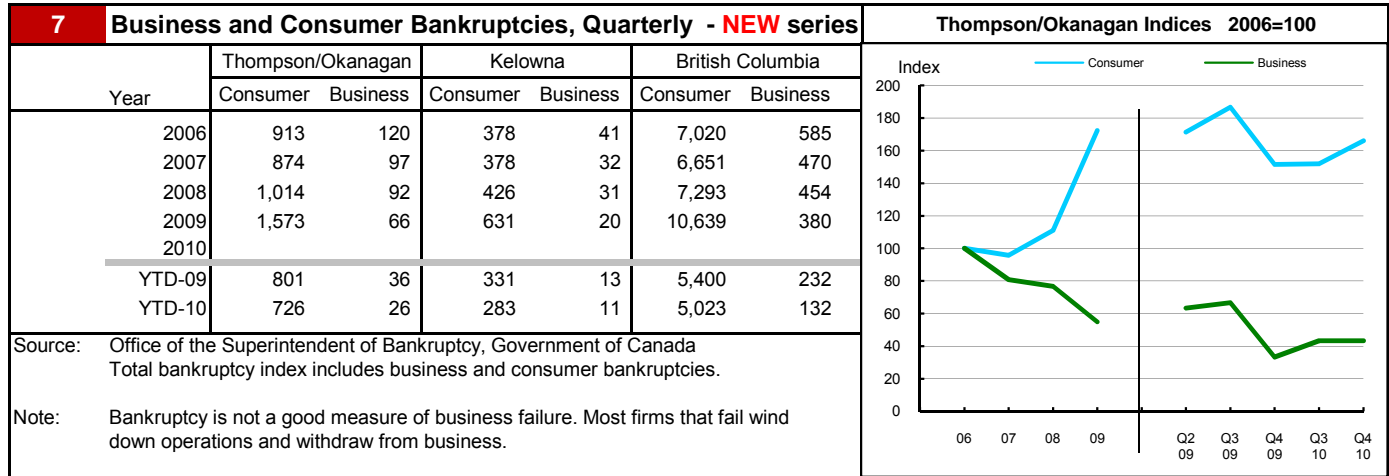
6		Building Permits							
Year	Total Building Permits	Non Residential				Residential		Total Permits Index 2003=100	
		Total Non Res.	Industrial	Comm-ercial	Institutional & Gov'm't			Index	
	<-- \$ Millions -->								Region
2002	75.1	28.3	6.3	16.4	5.5	46.8	312		
2003	99.7	28.0	8.1	13.1	6.7	71.7	457		
2004	143.4	24.2	5.3	14.4	4.5	119.2	605		
2005	227.9	74.0	13.4	50.5	10.2	153.9	687		
2006	251.8	60.2	28.7	24.7	6.8	191.6	852		
2007	265.6	60.9	7.5	33.1	20.2	204.7	740		
2008	265.6	90.8	6.8	82.5	1.6	174.9	639		
2009	242.0	139.3	10.1	37.6	91.7	102.7	316		
Jan-Aug 09	190.6	131.8	8.0	33.0	90.8	58.8	177		
Jan-Aug 10	109.9	15.9	2.9	12.0	1.0	94.0	318		

Not all projects require a building permit, and not all municipalities & regions report. Latest month preliminary, previous month is revised.

Source: Statistics Canada (data collected from municipal and Regional District offices).



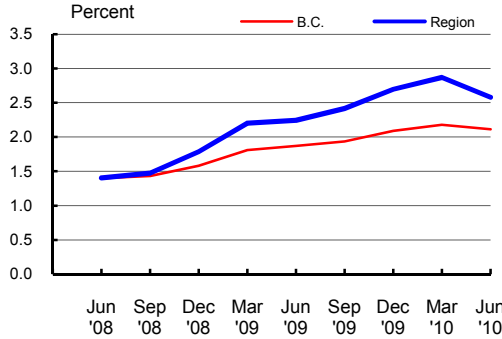
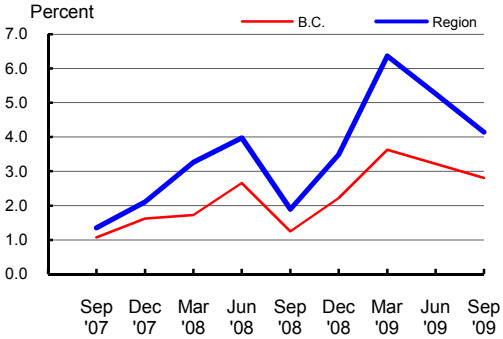
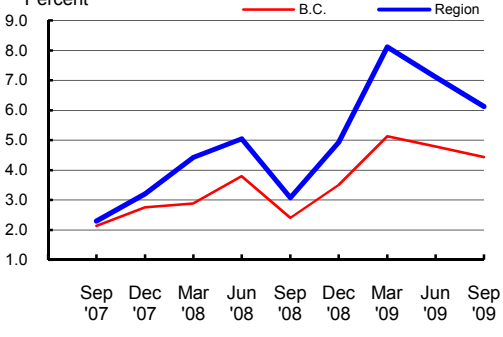
North Okanagan
Regional District





North Okanagan
Regional District

Dependence on the Safety Net

10 Basic Income Assistance							11 Employment Insurance (was UI)					
(Basic Income Assistance Recipients in Subject Group as a percent of Reference Group)							(EI beneficiaries as a percent of Reference Group)					
Subject Group (receiving benefits)		All (0-64)	Children <19 yrs in Families	Young Adults (19-24)	'Mid' Group (25-54)	Single Parent Women	Working Age (19-64)	Young Adults (19-24)	'Mid' Group (25-54)	'Older' Workers (55-64)	Note Older Data	
Reference Group		Total Pop. 0-64	Total Pop. <19	Total Pop. 19-24	Total Pop. 25-54	Tot. Female 19-64	Total Pop. 19-64	Total Pop. 19-24	Total Pop. 25-54	Total Pop. 55-64		
North Okanagan Regional District	Jun '08	1.4	2.1	1.8	1.4	0.7	1.3	1.5	1.5	0.8	Sep '07	
	Sep '08	1.5	2.1	2.1	1.4	0.8	2.1	2.8	2.2	1.5	Dec '07	
	Dec '08	1.8	2.5	2.6	1.8	0.8	3.3	4.0	3.7	1.8	Mar '08	
	Mar '09	2.2	2.9	3.3	2.3	0.9	4.0	4.5	4.5	2.4	Jun '08	
	Jun '09	2.2	2.9	3.4	2.3	0.9	1.9	1.9	2.2	1.0	Sep '08	
	Sep '09	2.4	3.4	3.4	2.4	1.1	3.5	4.4	3.8	2.2	Dec '08	
	Dec '09	2.7	3.7	3.9	2.7	1.1	6.4	8.4	7.0	3.8	Mar '09	
	Mar '10	2.9	3.8	4.7	2.8	1.1	5.3	6.4	6.0	2.9	Jun '09	
	Jun '10	2.6	3.5	3.9	2.6	1.1	4.1	4.9	4.7	2.2	Sep '09	
Duration of Dependence on Income Assistance (As of June 2010)		All* Income Assistance Recipients as % of Total Pop 0-64: Region Compared to B.C.					EI Beneficiaries Aged 19-64 as % of Working Age Population					
Region		Percent					Percent					
Total Number of Recipients	1,703											
Percent Distribution by Duration												
<1 Year	64.5											
1-2 Years	25.2											
>2 Years	10.3											
Source: Ministry of Children and Family Development administrative files and BC Stats population estimates. These figures include only a subset of those receiving income assistance. Excluded are those on Continuous Assistance (disabled or with persistent multiple barriers to employment, children in the home of a relative, and OAS/seniors. A recipient is defined as 'each person living in a family or living alone that is receiving basic income assistance'. Data does not include Aboriginal people living on Reserve. Note: '-' Data too small to release.							Source: Ministry of Housing and Social Development and BC Stats population estimates.					
12 Dependence on Basic Income Assistance and/or Employment Insurance												
(Basic Income Assistance Recipients + Employment Insurance Recipients in Subject Group as a percent of Reference Group)												
Subject Group (receiving assistance)		All (19-64)	Young Adults (19-24)	'Mid' Group (25-54)	'Older' Group (55-64)	All 'Safety Net' Recipients as % of Total Pop 19-64: Region Compared to B.C.						
Reference Group		Total Pop. 19-64	Total Pop. 19-24	Total Pop. 25-54	Total Pop. 55-64	Percent						
North Okanagan Regional District	Sep '07	2.3	2.9	2.6	1.1							
	Dec '07	3.2	4.3	3.5	1.8							
	Mar '08	4.4	5.6	5.1	2.2							
	Jun '08	5.0	6.2	5.7	2.7							
	Sep '08	3.1	3.9	3.6	1.4							
	Dec '08	4.9	6.7	5.5	2.6							
	Mar '09	8.1	11.4	9.0	4.2							
	Jun '09	7.1	9.5	8.1	3.4							
	Sep '09	6.1	8.1	7.0	2.9							

Note: The EI figures reported above no longer include persons claiming parental/adoption leave. Previous issues of this table did include them.



North Okanagan Regional District

13**Demographics**

Net migration appears to be recovering from a substantial drop in the late 1990s and the early part of the 21st century. In general, significant inflows of migrants has contributed to strong overall growth in the North Okanagan over the last twenty years. The structure of the population has shifted dramatically, as the population has aged. Between 1986 and 2007, the region's median age increased by over 9.5 years, compared with a provincial gain of 7.2 years. Already older in the mid 1980s, by 2007 the median age was almost four years older than the provincial median. Although it has been on the decline, fertility in North Okanagan continues to be higher than rates for the province as a whole. Consistent with decreasing fertility and an older and ageing population, child dependency ratios have been declining while elderly dependency ratios have been on the rise. Overall dependency is quite high, with over six dependents for every ten people of working age (aged 18 to 64) in 2007, compared with a provincial ratio of 5.1. Natural increase has decreased dramatically and has recently become negative as deaths increased to outnumber births. Despite the effect of negative natural increase, growth in the last four years has been relatively strong, due to substantial net inflows of migrants to the area.

14**Projection**

Over the next 30 years, the rates of in-migration may not reach those of the early nineties but should be high overall. This net inflow of migrants is expected to result in steady growth despite the increasingly negative natural increase. By 2036, this region is expected to increase its population by almost 23,000 people. The population will continue to age and, by the end of the projection period, North Okanagan will likely have over 7.5 dependents for every 10 people of working age and most of these dependents will be seniors.

15**Selected Demographic Characteristics**

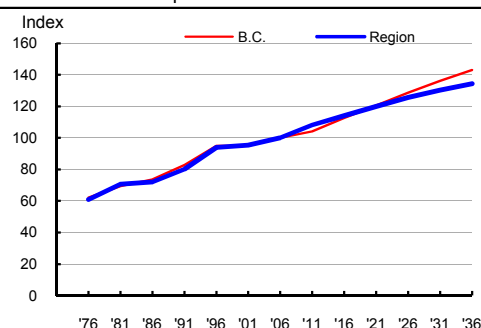
Year	Population by age group, Thousands of persons							House-holds (,000)	Dependency Ratios			Year
	0-4	5-17	18-24	25-44	45-64	65+	All Ages		Child	Elderly	Total	
1976	3.6	11.9	6.0	12.2	9.4	4.9	48.0	15.5	0.560	0.179	0.738	1976
1981	4.1	12.0	6.5	15.7	10.9	6.5	55.7	19.4	0.486	0.198	0.684	1981
1986	3.9	11.2	5.6	16.4	11.8	8.0	56.9	21.7	0.443	0.236	0.680	1986
1991	4.0	11.9	5.2	18.7	13.6	10.0	63.3	24.0	0.425	0.266	0.692	1991
1996	4.3	14.0	6.0	21.3	16.8	11.8	74.2	28.7	0.414	0.268	0.682	1996
2001	3.6	13.5	6.1	19.4	19.8	12.9	75.2	30.5	0.376	0.286	0.662	2001
2006	3.5	12.6	6.3	17.9	23.7	14.9	78.9	31.7	0.337	0.311	0.647	2006
2011	3.9	12.0	7.7	17.9	26.7	17.0	85.3	35.6	0.305	0.325	0.630	2011
2016	4.2	11.8	7.3	20.1	26.5	20.0	90.0	39.1	0.297	0.370	0.668	2016
2021	4.6	12.4	6.7	22.2	25.9	23.0	94.7	41.4	0.309	0.419	0.728	2021
2026	4.7	13.4	6.5	23.5	25.1	25.9	99.1	43.3	0.327	0.470	0.797	2026
2031	4.6	14.1	7.0	24.3	24.9	28.0	102.9	45.2	0.333	0.498	0.831	2031
2036	4.6	14.3	7.5	23.8	27.3	28.5	105.9	46.9	0.323	0.486	0.808	2036

Age groups reflect pre-school, school, advanced education, family formation, mature workers and retired.

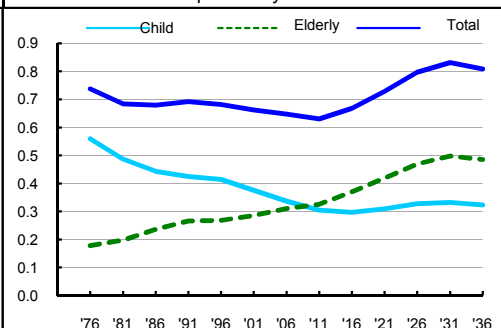
Child Dependency:
(ages 0-17) / (ages 18-64)

Elderly Dependency:
(ages 65+) / (ages 18-64)

Total Population Index 2006=100



Dependency Ratios



Source: Population data are Projection P-35, run in Summer 2010. Figures are adjusted for Census undercount and are for July 1st of stated year.
Note: Demographics and Projection notes in Tables 13 and 14 are from Projection P-33, run the Summer 2008.

Community Facts

Trail City

1	General
Incorporated in 1901, Trail has a total land area of 34.78 square km (2006 Census). By highway the City is 634 km east of Vancouver, 126 km west of Creston and 26 km south of Castlegar. Trail is in the Kootenay-Boundary Regional District.	

2	Population Estimates				Age Distribution				
Annual Estimates					2006 Census			% Distribution, 2006 *	
Year	Trail	% Change Prev. Year	BC	% Change Prev. Year	Trail	Male	Female	Trail	BC
2005	7,473	-	4,196,788	-	All ages	3,395	3,845	100.0	100.0
2006	7,248	-3.0	4,243,580	1.1	0 - 14	505	430	12.9	16.5
2007	7,365	1.6	4,309,453	1.6	15 - 24	360	395	10.4	13.1
2008	7,364	0.0	4,383,845	1.7	25 - 44	660	740	19.3	27.4
2009	7,353	-0.1	4,455,207	1.6	45 - 64	1,085	1,095	30.1	28.4
					65 +	780	1,180	27.1	14.6

Source: Statistics Canada (as of July 1, includes estimate of Census undercount)

* based on published totals, both sexes

2006 Census Profiles can be found on our Website at <http://www.bcstats.gov.bc.ca/census.asp>

3	Selected Census Characteristics					
			Trail		British Columbia	
Characteristics	2001	2006	% Change	% Change	2001	2006
Population	7,575	7,237	- 4.5	5.3	3,907,738	4,113,487
Population (by citizenship)	7,325	6,970	- 4.8	5.3	3,868,875	4,074,385
Non-immigrant	6,190	6,065	- 2.0	2.9	2,821,870	2,904,240
Immigrant	1,110	900	- 18.9	10.8	1,009,820	1,119,215
Labour force (15+ yrs.)	3,290	3,355	2.0	8.1	2,059,950	2,226,380
Employees	2,840	3,045	7.2	9.2	1,715,600	1,873,050
Self-employed	310	250	- 19.4	7.4	291,455	313,000
Participation rate [ppt.=percentage points]	52.6%	55.5%	2.9 ppt.	0.4 ppt.	65.2%	65.6%
Unemployment rate	12.6%	6.3%	-6.3 ppt.	-2.5 ppt.	8.5%	6.0%
Total population 25 to 64 years	3,595	3,545	- 1.4	6.5	2,144,050	2,284,465
No certificate, diploma or degree	830	470	- 43.4	- 40.1	471,470	282,200
High school certificate or equivalent	750	1,090	45.3	27.7	462,925	591,275
Apprenticeship/trades certificate or diploma	855	650	- 24.0	- 7.4	295,180	273,450
College, CEGEP or other cert. or diploma	790	790	-	11.3	401,760	447,005
University certificate, diploma or degree	375	540	44.0	34.7	512,715	690,535
Bachelor's degree	185	230	24.3	23.0	282,800	347,715
Census families	2,085	1,985	- 4.8	6.9	1,086,030	1,161,420
Lone-parent families	370	280	- 24.3	4.0	168,420	175,165
Households	3,595	3,515	- 2.2	7.1	1,534,335	1,643,150
1-family households	2,055	1,940	- 5.6	6.1	1,012,925	1,074,850
Multi-family households	10	20	100.0	18.4	35,050	41,510
Non-family households	1,525	1,555	2.0	8.3	486,355	526,785
Median Income (2000 & 2005)	\$ 20,003	\$ 24,555	22.8	12.5	\$ 22,095	\$ 24,867
Males	\$ 31,924	\$ 36,491	14.3	9.0	\$ 28,976	\$ 31,598
Females	\$ 15,854	\$ 18,343	15.7	14.0	\$ 17,546	\$ 19,997
Median Family Income (2000 & 2005)	\$ 53,439	\$ 57,679	7.9	20.0	\$ 54,840	\$ 65,787
Economic Families	2,090	1,990	- 4.8	6.5	1,044,850	1,112,810
2001 Incidence, low income 2006 Prevalence, low income	7.7%	7.3%	-0.4 ppt.	-0.6 ppt.	13.9%	13.3%
Unattached persons, 15+	1,605	1,620	0.9	4.7	576,825	603,880
Incidence, low income	35.0%	26.0%	-9.0 ppt.	-1.4 ppt.	38.1%	36.7%
Population in private hh.	7,305	6,950	- 4.9	5.1	3,785,270	3,978,215
Incidence, low income	13.4%	12.1%	-1.3 ppt.	-0.5 ppt.	17.8%	17.3%
Dwellings	3,595	3,515	- 2.2	7.1	1,534,335	1,643,150
Owned	2,590	2,535	- 2.1	12.5	1,017,485	1,145,045
Rented	1,005	985	- 2.0	- 3.6	512,360	493,995
Average gross rent	\$ 504	\$ 556	10.3	10.4	\$ 750	\$ 828
Average owners' payments	\$ 543	\$ 633	16.6	17.1	\$ 904	\$ 1,059
Avg. value, owned dwel.	\$ 106,794	\$ 142,303	33.2	81.5	\$ 230,645	\$ 418,703

Source: Statistics Canada. Notes: incomes are for 2005 and 2000; rent/owner's payments are restricted to non-farm, non-reserve private dwellings.

Trail City

4 Labour Force by Industry (NAICS)						
Industry	Trail			BC	% Distribution, 2006	
	2001	2006	% Change	% change	Trail	BC
Total labour force	3,290	3,355	2.0	8.1	100.0	100.0
Industry - Not applicable	125	50	- 60.0	- 26.6	1.5	1.5
All industries (Experienced LF)	3,160	3,300	4.4	8.9	98.4	98.5
111-112 Farms	-	10	-	5.2	0.3	1.8
113 Forestry and logging	15	15	-	- 10.0	0.4	1.0
114 Fishing, hunting and trapping	-	-	-	1.3	-	0.2
1151/2 Support activities for farms	-	-	-	11.3	-	0.1
1153 Support activities for forestry	-	-	-	- 21.5	-	0.3
21 Mining and oil and gas extraction	25	55	120.0	42.6	1.6	0.9
22 Utilities	65	130	100.0	- 3.4	3.9	0.5
23 Construction	155	175	12.9	39.9	5.2	7.5
31-33 Manufacturing	670	535	- 20.1	- 2.7	15.9	8.5
311 Food manufacturing	20	-	- 100.0	3.6	-	1.0
321 Wood product manufacturing	50	30	- 40.0	- 16.1	0.9	1.7
322 Paper manufacturing	-	30	-	- 13.5	0.9	0.6
41 Wholesale trade	35	85	142.9	11.6	2.5	4.1
44-45 Retail trade	420	570	35.7	6.9	17.0	11.2
441 Motor vehicle and parts dealers	50	55	10.0	9.0	1.6	1.1
445 Food and beverage stores	145	135	- 6.9	8.4	4.0	2.9
448 Clothing & clothing accessories	15	15	-	9.2	0.4	1.1
452 General merchandise stores	40	125	212.5	6.5	3.7	1.2
48-49 Transportation & warehousing	110	25	- 77.3	0.6	0.7	5.2
51 Information and cultural industries	65	55	- 15.4	- 5.3	1.6	2.6
52 Finance and insurance	70	105	50.0	4.5	3.1	3.8
53 Real estate & rental/leasing	50	50	-	22.1	1.5	2.3
54 Prof'sonal, scientific & tech. serv.	110	130	18.2	18.6	3.9	7.3
55 Mgmt. of companies/ent'prises	-	-	-	126.6	-	0.1
56 Admin+support, waste mgmnt srv.	95	140	47.4	20.4	4.2	4.4
61 Educational services	155	175	12.9	9.2	5.2	6.9
62 Health care and social assistance	455	350	- 23.1	6.5	10.4	9.6
71 Arts, entertainment and recreation	50	65	30.0	11.3	1.9	2.3
72 Accommodation and food services	275	280	1.8	7.7	8.3	8.1
721 Accommodation services	60	75	25.0	2.5	2.2	1.7
722 Food services & drinking places	210	210	-	9.2	6.3	6.4
81 Other services (excl. public admin.)	235	185	- 21.3	11.8	5.5	4.9
91 Public administration	90	150	66.7	- 2.0	4.5	5.0
Special Aggregations						
Agriculture, Food and Beverage	25	10	- 60.0	5.8	0.3	2.9
Fishing and Fish Processing	-	-	-	- 3.3	-	0.5
Logging and Forest Products	70	80	14.3	- 14.7	2.4	3.7
Mining and Mineral Products	570	435	- 23.7	17.1	13.0	2.1

Source: Statistics Canada. Industry according to NAICS version used in each census. Unpublished data.

5	Business Locations- Number of Firms by Employment Size Range								
	Firms with no employees		Firms with employees		% change	Koot-Bound RD			
	Koot-Bound RD	BC	Koot-Bound RI	BC	Koot-Bound RD	1 to 19	20 to 49	50-199	200 Plus
2008	1,030	185,879	1,092	175,003	-	968	83	33	8
2009	1,036	186,541	1,157	176,124	6.0	1,035	78	36	8
2010 June	1,038	184,510	1,155	175,276	- 0.2	1,040	70	39	6

Source: Business Register, Statistics Canada. In some areas, boundary changes/geocoding changes may cause large changes.

6 Municipal Residential Taxes and Charges on a Representative House					
Year	House Value		Taxes & Charges		
	\$	% change	\$	% change	
2005	86,889		1,929		
2006	98,181	13.0	2,025	5.0	
2007	122,319	24.6	2,192	8.3	
2008	178,251	45.7	2,579	17.6	
2009	181,987	2.1	2,516	-2.4	

Source: Ministry of Community Development http://www.cd.gov.bc.ca/lgd/infra/statistics_index.htm (No RD level figures)

Community Facts

Trail City

7	Values of Building Permits								
Year	Residential				Non-Residential		Total		Year
	Number of Units		Value \$'000		Value \$'000		Value \$'000		
	Trail	BC	Trail	BC	Trail	BC	Trail	BC	
2005	10	37,452	2,554	6,978,962	3,845	3,212,137	6,399	10,191,099	2005
2006	20	38,835	4,120	7,620,696	3,065	3,920,836	7,185	11,541,532	2006
2007	15	40,932	4,411	8,611,723	33,615	3,932,968	38,026	12,544,691	2007
2008	20	30,110	5,625	6,899,289	1,946	3,677,866	7,571	10,577,155	2008
2009	10	18,607	3,668	4,491,075	4,533	3,138,810	8,201	7,629,885	2009

Source: Statistics Canada

Note: Detailed non-residential permits data can be found on our Website: www.bcstats.gov.bc.ca

A dash can indicate a nil report, a value of less than \$500, or non-reporting. P indicates 'preliminary'.

8

Personal Taxation Statistics

Total Income of All Returns

Year	All Returns (number)		Average Income (\$)		% Change avg. income	
	Trail	BC	Trail	BC	Trail	BC
2003	7,280	2,981,790	31,229	32,187	n/a	n/a
2004	7,570	3,053,420	31,629	33,766	1.3	4.9
2005	7,830	3,154,090	32,323	35,601	2.2	5.4
2006	7,790	3,165,750	35,289	38,523	9.2	8.2
2007	7,980	3,287,750	38,034	40,802	7.8	5.9

Percent Change in Avg. Income

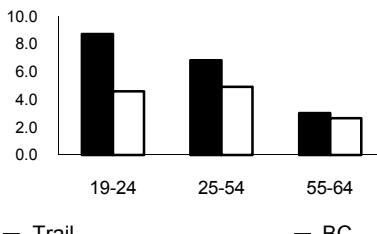
2008 Taxation data available at : <http://www.bcstats.gov.bc.ca/data/dd/income.asp>

Source of Total Income 2007

	Trail		BC
	\$Thousands	% of Total	% of Total
Employment	183,041	60.3	63.5
Pension	65,434	21.6	11.9
Investment	18,186	6.0	11.4
Self-Employed	8,652	2.9	5.7
Other	15,755	5.2	4.5
Tax Exempt	7,532	2.5	1.9
Total	303,513	100.0	100.0

% Distribution, Total Income

Source : Canada Revenue Agency. Areas are defined by postal codes and may not match municipal boundaries.

9	Dependency on the Safety Net						Total Beneficiaries by Age Group, % (Basic BC Assistance & EI)	
Percentage of Population by Age Receiving Benefits - September 2009								
Age Group	BC Basic* Income Assistance Recipients (%)		Employment Insurance Beneficiaries (%)		Total of BC Basic Income Assistance & EI Beneficiaries (%)			
	Trail	BC	Trail	BC	Trail	BC		
Under 19	4.3	2.7						
19-24	4.7	2.1	4.2	2.6	8.7	4.6		
25-54	3.4	1.9	3.5	3.1	6.8	4.9		
55-64	1.5	0.7	1.6	2.0	3.0	2.6		
19-64	3.1	1.7	3.1	2.8	6.1	4.4		

* On temporary assistance only. Excluded are those on Continuous Assistance, aboriginals living on reserve, seniors/OAS, & children living with relatives.

Source: BC Stats (using administrative files from the BC Ministry of Housing & Social Development, and Human Resources & Social Development Canada)

Note: EI Beneficiaries reports now include regular, fishing and employment benefits, work sharing and support measures. The reports exclude sickness, maternity and parental benefits.

10 Business Formations and Failures									
Incorporations			Bankruptcies						
Year	Number		Year	Trail		Kootenay DR		BC	
	Trail	BC		Business	Consumer	Business	Consumer	Business	Consumer
2005	34	30,937	2005	2	23	n.a.	n.a.	786	8,168
2006	33	33,273	2006	1	17	31	224	585	7,020
2007	37	34,036	2007	0	17	14	197	470	6,651
2008	31	30,085	2008	0	22	16	180	454	7,293
2009	28	26,431	2009	1	18	9	339	380	10,639

Source: BC Ministry of Finance

Source: Office of the Superintendent of Bankruptcy, Government of Canada

Incorporations are counted in municipality of the registered office address which may differ from the actual business location.

Note: Bankruptcy is by urban postal code forward sortation area and is counted where it is filed.

Community Facts

Vernon City

1	General
Incorporated in 1892, Vernon has a total land area of 94.2 square km (2006 Census). By highway the city is 472 km east of Vancouver, 47 km north of Kelowna and 56 km south of Salmon Arm. Vernon is in the North Okanagan Regional District.	

2	Population Estimates				Age Distribution				
Annual Estimates					2006 Census			% Distribution, 2006 *	
Year	Vernon	% Change Prev. Year	BC	% Change Prev. Year	Vernon	Male	Female	Vernon	BC
2005	36,194	-	4,196,788	-	All ages	16,830	19,115	100.0	100.0
2006	36,922	2.0	4,243,580	1.1	0 - 14	2,785	2,820	15.6	16.5
2007	37,550	1.7	4,309,453	1.6	15 - 24	2,190	2,160	12.1	13.1
2008	38,341	2.1	4,383,845	1.7	25 - 44	3,975	4,310	23.1	27.4
2009	38,968	1.6	4,455,207	1.6	45 - 64	4,525	5,260	27.2	28.4
					65 +	3,350	4,555	22.0	14.6

Source: Statistics Canada (as of July 1, includes estimate of Census undercount)

* based on published totals, both sexes

2006 Census Profiles can be found on our Website at <http://www.bcstats.gov.bc.ca/census.asp>

3	Selected Census Characteristics					
				British Columbia		
Vernon						
Characteristics	2001	2006	% Change	% Change	2001	2006
Population	33,494	35,944	7.3	5.3	3,907,738	4,113,487
Population (by citizenship)	32,925	35,145	6.7	5.3	3,868,875	4,074,385
Non-immigrant	28,695	30,900	7.7	2.9	2,821,870	2,904,240
Immigrant	4,165	4,175	0.2	10.8	1,009,820	1,119,215
Labour force (15+ yrs.)	15,720	17,410	10.8	8.1	2,059,950	2,226,380
Employees	13,245	14,785	11.6	9.2	1,715,600	1,873,050
Self-employed	2,010	2,340	16.4	7.4	291,455	313,000
Participation rate [ppt.=percentage points]	57.9%	58.8%	0.9 ppt.	0.4 ppt.	65.2%	65.6%
Unemployment rate	10.7%	6.3%	-4.4 ppt.	-2.5 ppt.	8.5%	6.0%
Total population 25 to 64 years	16,530	17,890	8.2	6.5	2,144,050	2,284,465
No certificate, diploma or degree	4,345	2,345	- 46.0	- 40.1	471,470	282,200
High school certificate or equivalent	3,695	5,485	48.4	27.7	462,925	591,275
Apprenticeship/trades certificate or diploma	2,715	2,490	- 8.3	- 7.4	295,180	273,450
College, CEGEP or other cert. or diploma	3,185	3,940	23.7	11.3	401,760	447,005
University certificate, diploma or degree	2,590	3,630	40.2	34.7	512,715	690,535
Bachelor's degree	1,235	1,785	44.5	23.0	282,800	347,715
Census families	9,635	10,310	7.0	6.9	1,086,030	1,161,420
Lone-parent families	2,020	1,885	- 6.7	4.0	168,420	175,165
Households	14,605	15,690	7.4	7.1	1,534,335	1,643,150
1-family households	9,240	9,900	7.1	6.1	1,012,925	1,074,850
Multi-family households	190	190	-	18.4	35,050	41,510
Non-family households	5,180	5,590	7.9	8.3	486,355	526,785
Median Income (2000 & 2005)	\$ 19,050	\$ 22,144	16.2	12.5	\$ 22,095	\$ 24,867
Males	\$ 25,398	\$ 29,541	16.3	9.0	\$ 28,976	\$ 31,598
Females	\$ 15,518	\$ 18,278	17.8	14.0	\$ 17,546	\$ 19,997
Median Family Income (2000 & 2005)	\$ 44,798	\$ 56,211	25.5	20.0	\$ 54,840	\$ 65,787
Economic Families	9,540	10,190	6.8	6.5	1,044,850	1,112,810
2001 Incidence, low income 2006 Prevalence, low income	13.2%	12.8%	-0.4 ppt.	-0.6 ppt.	13.9%	13.3%
Unattached persons, 15+	6,020	6,450	7.1	4.7	576,825	603,880
Incidence, low income	44.6%	41.8%	-2.8 ppt.	-1.4 ppt.	38.1%	36.7%
Population in private hh.	32,860	35,030	6.6	5.1	3,785,270	3,978,215
Incidence, low income	19.2%	18.3%	-0.9 ppt.	-0.5 ppt.	17.8%	17.3%
Dwellings	14,605	15,685	7.4	7.1	1,534,335	1,643,150
Owned	9,530	10,820	13.5	12.5	1,017,485	1,145,045
Rented	5,080	4,865	- 4.2	- 3.6	512,360	493,995
Average gross rent	\$ 635	\$ 700	10.2	10.4	\$ 750	\$ 828
Average owners' payments	\$ 731	\$ 859	17.5	17.1	\$ 904	\$ 1,059
Avg. value, owned dwel.	\$ 151,356	\$ 297,343	96.5	81.5	\$ 230,645	\$ 418,703

Source: Statistics Canada. Notes: incomes are for 2005 and 2000; rent/owner's payments are restricted to non-farm, non-reserve private dwellings.

Vernon City

4		Labour Force by Industry (NAICS)					
		Vernon			BC	% Distribution, 2006	
Industry		2001	2006	% Change	% change	Vernon	BC
Total labour force		15,720	17,705	12.6	8.1	100.0	100.0
Industry - Not applicable		435	235	- 46.0	- 26.6	1.3	1.5
All industries (Experienced LF)		15,290	17,470	14.3	8.9	98.7	98.5
111-112 Farms		275	270	- 1.8	5.2	1.5	1.8
113 Forestry and logging		170	175	2.9	- 10.0	1.0	1.0
114 Fishing, hunting and trapping		-	-	-	1.3	-	0.2
1151/2 Support activities for farms		-	20	-	11.3	0.1	0.1
1153 Support activities for forestry		100	135	35.0	- 21.5	0.8	0.3
21 Mining and oil and gas extraction		35	150	328.6	42.6	0.8	0.9
22 Utilities		220	190	- 13.6	- 3.4	1.1	0.5
23 Construction		1,010	1,700	68.3	39.9	9.6	7.5
31-33 Manufacturing		1,730	1,655	- 4.3	- 2.7	9.3	8.5
311 Food manufacturing		155	70	- 54.8	3.6	0.4	1.0
321 Wood product manufacturing		540	465	- 13.9	- 16.1	2.6	1.7
322 Paper manufacturing		-	-	-	- 13.5	-	0.6
41 Wholesale trade		525	630	20.0	11.6	3.6	4.1
44-45 Retail trade		2,200	2,615	18.9	6.9	14.8	11.2
441 Motor vehicle and parts dealers		375	335	- 10.7	9.0	1.9	1.1
445 Food and beverage stores		570	675	18.4	8.4	3.8	2.9
448 Clothing & clothing accessories		115	160	39.1	9.2	0.9	1.1
452 General merchandise stores		255	310	21.6	6.5	1.8	1.2
48-49 Transportation & warehousing		580	635	9.5	0.6	3.6	5.2
51 Information and cultural industries		350	265	- 24.3	- 5.3	1.5	2.6
52 Finance and insurance		565	515	- 8.8	4.5	2.9	3.8
53 Real estate & rental/leasing		250	365	46.0	22.1	2.1	2.3
54 Prof'sonal, scientific & tech. serv.		635	930	46.5	18.6	5.3	7.3
55 Mgmt. of companies/ent'prises		10	10	-	126.6	0.1	0.1
56 Admin+support, waste mgmnt srv.		640	1,000	56.3	20.4	5.6	4.4
61 Educational services		830	1,045	25.9	9.2	5.9	6.9
62 Health care and social assistance		1,855	2,130	14.8	6.5	12.0	9.6
71 Arts, entertainment and recreation		540	460	- 14.8	11.3	2.6	2.3
72 Accommodation and food services		1,500	1,260	- 16.0	7.7	7.1	8.1
721 Accommodation services		340	285	- 16.2	2.5	1.6	1.7
722 Food services & drinking places		1,155	975	- 15.6	9.2	5.5	6.4
81 Other services (excl. public admin.)		725	745	2.8	11.8	4.2	4.9
91 Public administration		525	560	6.7	- 2.0	3.2	5.0
Special Aggregations	Agriculture, Food and Beverage	455	405	- 11.0	5.8	2.3	2.9
	Fishing and Fish Processing	-	-	-	- 3.3	-	0.5
	Logging and Forest Products	825	785	- 4.8	- 14.7	4.4	3.7
	Mining and Mineral Products	425	445	4.7	17.1	2.5	2.1

Source: Statistics Canada. Industry according to NAICS version used in each census. Unpublished data.

5	Business Locations- Number of Firms by Employment Size Range								
	Firms with no employees		Firms with employees		% change	Vernon CA			
	Vernon CA	BC	Vernon CA	BC	Vernon CA	1 to 19	20 to 49	50-199	200 Plus
2008	2,455	185,879	2,501	175,003	-	2,240	163	87	11
2009	2,510	186,541	2,508	176,124	0.3	2,243	169	85	11
2010 June	2,515	184,510	2,475	175,276	- 1.3	2,208	179	78	10

Source: Business Register, Statistics Canada. In some areas, boundary changes/geocoding changes may cause large changes.

6 Municipal Residential Taxes and Charges on a Representative House					
Year	House Value		Taxes & Charges		
	\$	% change	\$	% change	
2005	207,901		3,011		
2006	245,546	18.1	2,763	-8.2	
2007	320,852	30.7	2,961	7.2	
2008	390,685	21.8	3,846	29.9	
2009	391,657	0.2	3,790	-1.5	

Source: Ministry of Community Development http://www.cd.gov.bc.ca/lgd/infra/statistics_index.htm (No RD level figures)

Community Facts

Vernon City

7	Values of Building Permits								
Year	Residential				Non-Residential		Total		Year
	Number of Units		Value \$'000		Value \$'000		Value \$'000		
	Vernon	BC	Vernon	BC	Vernon	BC	Vernon	BC	
2005	437	37,452	90,952	6,978,962	44,725	3,212,137	135,677	10,191,099	2005
2006	571	38,835	121,460	7,620,696	45,612	3,920,836	167,072	11,541,532	2006
2007	395	40,932	104,747	8,611,723	41,200	3,932,968	145,947	12,544,691	2007
2008	355	30,110	84,654	6,899,289	83,414	3,677,866	168,068	10,577,155	2008
2009	143	18,607	44,953	4,491,075	119,512	3,138,810	164,465	7,629,885	2009

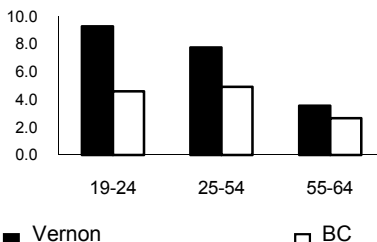
Source: Statistics Canada

Note: Detailed non-residential permits data can be found on our Website: www.bcstats.gov.bc.ca

A dash can indicate a nil report, a value of less than \$500, or non-reporting. P indicates 'preliminary'.

8	Personal Taxation Statistics						Percent Change in Avg. Income		
Total Income of All Returns									
Year	All Returns (number)		Average Income (\$)		% Change avg. income		Vernon	BC	
	Vernon	BC	Vernon	BC	Vernon	BC			
2003	37,650	2,981,790	29,661	32,187	n/a	n/a			
2004	36,630	3,053,420	29,982	33,766	1.1	4.9			
2005	38,310	3,154,090	31,810	35,601	6.1	5.4			
2006	38,410	3,165,750	34,811	38,523	9.4	8.2			
2007	40,260	3,287,750	37,277	40,802	7.1	5.9			
2008 Taxation data available at : http://www.bcstats.gov.bc.ca/data/dd/income.asp									
Source of Total Income 2007								% Distribution, Total Income	
	Vernon		BC		Vernon	BC	Vernon	BC	
	\$Thousands	% of Total	% of Total						
Employment	844,646	56.3	63.5						
Pension	270,089	18.0	11.9						
Investment	166,133	11.1	11.4						
Self-Employed	78,888	5.3	5.7						
Other	81,407	5.4	4.5						
Tax Exempt	36,945	2.5	1.9						
Total	1,500,774	100.0	100.0						

Source : Canada Revenue Agency. Areas are defined by postal codes and may not match municipal boundaries.

9 Dependency on the Safety Net							Total Beneficiaries by Age Group, % (Basic BC Assistance & EI)	
Percentage of Population by Age Receiving Benefits - September 2009								
Age Group	BC Basic* Income Assistance Recipients (%)		Employment Insurance Beneficiaries (%)		Total of BC Basic Income Assistance & EI Beneficiaries (%)			
	Vernon	BC	Vernon	BC	Vernon	BC		
Under 19	4.4	2.7						
19-24	5.0	2.1	4.7	2.6	9.3	4.6		
25-54	3.2	1.9	4.7	3.1	7.7	4.9		
55-64	1.0	0.7	2.6	2.0	3.6	2.6		
19-64	2.9	1.7	4.3	2.8	7.0	4.4		

* On temporary assistance only. Excluded are those on Continuous Assistance, aboriginals living on reserve, seniors/OAS, & children living with relatives.

Source: BC Stats (using administrative files from the BC Ministry of Housing & Social Development, and Human Resources & Social Development Canada)

Note: EI Beneficiaries reports now include regular, fishing and employment benefits, work sharing and support measures. The reports exclude sickness, maternity and parental benefits.

10 Business Formations and Failures									
Incorporations			Bankruptcies						
Year	Number		Year	Vernon		Thompson/Okanagan DR		BC	
	Vernon	BC		Business	Consumer	Business	Consumer	Business	Consumer
2005	368	30,937	2005	17	120	n.a.	n.a.	786	8,168
2006	393	33,273	2006	20	93	120	913	585	7,020
2007	420	34,036	2007	10	107	97	874	470	6,651
2008	355	30,085	2008	14	119	92	1,014	454	7,293
2009	308	26,431	2009	5	181	66	1,573	380	10,639

Source: BC Ministry of Finance

Source: Office of the Superintendent of Bankruptcy, Government of Canada

Incorporations are counted in municipality of the registered office address which may differ from the actual business location.

Note: Bankruptcy is by urban postal code forward sortation area and is counted where it is filed.

1.0 Reference: 2011 RRA, Tab 2, pages 2 & 6

Q1a Will the Company's next long-term Integrated System Plan (per page 6) be completed in time to serve as input into the 2012 (cost of service based) Revenue Requirement Application (per page 2)?

A1a Yes. The Company expects that the assumptions and costs contained in the Long Term Integrated System Plan will be reflected in the 2012 RRA.

2.0 Reference: 2011 RRA, Tab 2, page 7, lines 4-6 and Tab 7, page 4

Q2a Please explain the increase in 2011 capital spending for Transmission-Growth over what is included in the 2011 CEP.

A2a The increase in 2011 capital spending (amounting to \$700,000) for Transmission-Growth over what is included in the 2011 CEP is due to a shift of OTR expenditure from 2010 to 2011.

Please also refer to the response to BCUC Q11.2

Q2b What is the impact of these differences on the proposed 2011 rate base and the overall 2011 revenue requirement?

A2b A stand-alone analysis of reduction of OTR expenditure and plants in service by \$700k in 2011 would result in the following:

- Mid Year Rate Base: Decrease from \$1,098,903k to \$1,098,293k
- Revenue Requirement: Decrease from \$276,199k to \$276,159k
- Revenue deficiency for rate setting: Decrease from \$15,376k to \$15,336k
- Rate increase: Would remain unchanged at 5.9 percent

3.0 Reference: 2011 RRA, Tab 3, page 10 and Tab 6, page 15

Q3a Please provide more details as to how the \$800 k Duck Lake revenue was determined.

A3a The \$0.8 million of Duck Lake Wheeling Revenue is determined on a basis that maintains financial equivalency between the preferred FortisBC solution (expansion of the existing Duck Lake station to provide firm wheeling service) and the more expensive BC Hydro (then BCTC) solution (transformation upgrades at Vernon Terminal Station and Woods Lake Station and construction of a new 69 kV transmission line). This results in the best technical solution while minimizing the total incremental cost, and provides additional benefits to both FortisBC and BC Hydro ratepayers. The Wheeling Agreement was approved by Commission Order G-19-10.

4.0 Reference: 2011 RRA, Tab 3, page 11

Q4a Please explain the material increase in Fortis Pacific Holdings Inc. revenue for 2010 and why it is not assumed to be maintained in 2011.

A4a Other Income from Fortis Pacific Holdings is revenue earned for the use of FortisBC resources mainly for three non-regulated contracts: City of Kelowna, Arrow Lakes Hydro and Brilliant Expansion Power Corporation, through a 10 percent transfer price profit margin. 2010 revenue is up materially from 2009 due to an increased volume of work undertaken in 2010. At the time of the filing, none of the 2011 budgets were approved by the third parties, therefore the forecast reflects an expectation of a return to a slightly lower volume of work. Subsequent to the Preliminary filing, the City of Kelowna informed the Company that they would be reducing the amount of work they would be requesting in 2011, and therefore, the forecast will be reduced further in the Updated filing..

Q4b Please explain the increase in Electric Apparatus Rental revenue for 2010 and why it is not assumed to be maintained in 2011

A4b Please refer to the responses to BCUC Q5.1 and Q5.2.

5.0 Reference: 2011 RRA, Tab 3, page 12

Q5a Please provide a schedule that, for each asset category, shows the increase in property taxes between 2009 and 2010 attributable to increased assessed value vs. increased mill rate.

A5a Please refer to Table BCOAPO A5a below. The average mill rate is a composite rate determined by subtracting taxes payable under S353 of the Local Government Act from total taxes and dividing this by the net school assessment. LGA taxes are calculated independent of the assessment value and therefore, excluded from the calculation. The average mill rate includes taxes for general municipal, school purposes, as well as other taxation authorities such as BC Assessment, regional districts, hospital districts, specified benefiting areas to name a few.

Changes in assessment values may be caused by: 1) new construction, 2) changes in the market value of land and improvements, or 3) change is provincially legislated rates maintained by BC Assessment.

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Table BCOAPO A5a

Asset Type	Changes in Property Tax Due to Changed Assessment Values (Note 1)	Change in Taxes due to Changes in Mill Rates (Note 2)	Taxes Payable Under S353 - LGA (Note 4)	Total
	(\$000s)			
1. Generating	241	27	-	268
2. Transmission and Distribution	89	78	(2)	165
3. Substations	206	150	15	371
4. Other Land and Buildings (Note 3)	(81)	3	-	(78)
Total	454	259	13	726

Notes:

1. Calculated using the difference in the assessment between 2009 and 2010 multiplied by 2009 average mill rate (Note 3).
2. Calculated using the difference between the 2009 and 2010 average mill rate (Note 3) multiplied by 2010 assessment value (Note 4).
3. Change resulted primarily from the re-classification of some folios (primarily land) that were more appropriately classified as Generating or Transmission and Distribution.
4. Section 353 of the Local Government Act requires "Utility Companies" to pay 1% of revenues earned within a municipality for certain improvements used solely for local generation, transmission or distribution other than land and buildings.

Q5b Are property taxes based just on assets in service or does the calculation also include the value of assets under construction?

A5b Property Taxes include the value of assets under construction based on their percentage completion at October 31 of the prior year.

Q5c Are valuations for property tax purposes net of contributions in aid of construction?

A5c Contributions in Aid of Construction are not included in valuations for property tax purposes.

Q5d For purposes of calculating income taxes is FortisBC eligible for any Apprenticeship/Training tax credits and, if so, have they been included in the calculation of income tax expense?

A5d Yes, FortisBC is eligible for both the BC Training Tax Credit and the Federal Apprenticeship Job Creation Tax Credit.

In 2009, the Company claimed a \$2,000 deduction under the Federal program and a \$27,072 deduction under the BC program. This resulted in a net decrease of \$27,074 in income tax for 2009.

Because these credits generally do not have a significant impact on income tax expense, as well as the difficulty in determining what level of training requirement has been met until the end of the year, these tax credits have not been included in the calculation of forecast 2010 or 2011 income tax expense.

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6.0 Reference: 2011 RRA, Tab 3, page 17

Q6a What is the basis for the conclusion that the impact of HST on 2010 Capital Spending will be “immaterial”?

A6a The basis for the conclusion that the impact of HST on 2010 Capital Spending will be immaterial is that it was determined that the impact would be a decrease to revenue requirements of \$3,000. This amount was considered immaterial.

7.0 Reference: 2011 RRA, Tab 3, page 19

Q7a What is the basis for the cost of debt assumed for the new MTN to be issued in late 2010?

A7a The basis for the cost of debt for the new MTN is presented in Table BCOAPO A7a below.

Table BCOAPO A7a

Bank	Publication Date	Forecast 30 year Government Of Canada Bonds
Toronto Dominion	6/14/2010	4.05%
Scotiabank	8/3/2010	3.80%
CIBC	7/27/2010	3.90%
RBC	8/11/2010	3.85%
Average Rate of Above Publications		3.90%
Historical FortisBC Indicative Corporate Spread		1.60%
Forecast Cost of Debt Rate for 2010 MTN		5.50%

Q7b What is the basis for the cost of short term debt for 2010 (9.21%) and 2011 (15.99%)?

A7b As shown in Table BCOAPO A7b below, the total Short Term Debt interest also includes fixed Financing Fees (bank fees) in determination of the rate. The Financing Fees (bank fees) consist of standby fees, annual lender and agency fees, banking agreement charges and renewal fees, overdraft facility interest and CIS customer interest on security deposits. The relatively fixed bank fees can tend to distort the Weighted Average Cost of Short Term Debt rate.

For 2011 Forecast Short Term Debt interest expense the 4.5 percent is based on forecast bankers' acceptances rates, stamping fees and prime rate margins.

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As can be seen in the table, the total 2010 Forecast Short Term Debt expense is \$1,434,000. This amount includes Financing Fees of \$1,129,000 on average borrowings of \$15.576 million yielding a Weighted Average Cost of Short Term Debt of 9.21 percent. The short-term interest rate of 2 percent is deemed to apply in order to account for the timing difference in financing rate base versus actual capital expenditures, as rate base does not include plant under construction but not yet in service (CWIP subject to AFUDC). However the Company is actually financing capital projects prior to the project being brought into service with its Short Term Debt. Therefore, the Company is actually injecting more debt and equity than is necessary to finance rate base. When the plant is brought into service, the differential is eliminated, and the capitalization ratios are kept in alignment.

Table BCOAPO A7b

	2010 Forecast			2011 Forecast		
	Weighted Average Balance	Interest Expense	Weighted Average Cost of Debt	Weighted Average Balance	Interest Expense	Weighted Average Cost of Debt
	(\$000s)			(\$000s)		
1 Long Term Debt						
3 Series F	15,000	1,448	9.65%	15,000	1,448	9.65%
4 Series G	25,000	2,200	8.80%	25,000	2,200	8.80%
5 Series H	25,000	2,193	8.77%	25,000	2,193	8.77%
6 Series I	25,000	1,953	7.81%	25,000	1,953	7.81%
7 Series 1 - 04	140,000	7,672	5.48%	140,000	7,672	5.48%
8 Series 1 - 05	100,000	5,600	5.60%	100,000	5,600	5.60%
9 Series 1 - 07	105,000	6,195	5.90%	105,000	6,195	5.90%
10 MTN - 09	105,000	6,405	6.10%	105,000	6,405	6.10%
11 MTN - 10	13,863	762	5.50%	110,000	6,050	5.50%
12	553,863	34,427	6.22%	650,000	39,715	6.11%
13						
14 Short Term Debt	15,576	305	2.0%	9,342	420	4.50%
15 Financing Fees		1,129			1,073	
16			9.21%			15.99%
17						
18 Total Debt	569,439	35,861	6.30%	659,342	41,208	6.25%

8.0 Reference: 2011 RRA, Tab 3, page 31

Q8a Please provide a detailed breakdown of the \$1.5 M in costs associated with the Cost of Service Analysis and Rate Design Application. Please contrast this with the costs anticipated in the 2010 RRA and explain the variance.

A8a The total deferred charges to the end of 2010 for the COSA and RDA included in the 2010 RRA were \$760,000. This figure has been updated in the 2011 RRA to \$1.5 million. A breakdown of these amounts is included in the table below. Costs have increased across all categories as the effort related to the regulatory process and scope of issues became more expansive than originally projected at the time the 2010 RRA was submitted.

<u>Expense Type</u>	<u>2010 RRA</u>	<u>2011 RRA</u>	<u>Variance</u>
Commission Costs	100,000	200,000	100,000
Intervenor Costs	60,000	120,000	60,000
Legal	180,000	350,000	170,000
Consulting	350,000	690,000	340,000
Staff Expense & Other	70,000	140,000	70,000
Total	760,000	1,500,000	740,000

Q8b Please explain the basis for selecting five years as the recovery period for these costs.

A8b Please see the response to BCUC IR No. 1 Q14.1.

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9.0 Reference: 2011 RRA, Tab 3, pages 37-38

Q9a Why is five years the appropriate amortization period for the DSM Study?

A9a The selection of amortization periods is made on a project by project basis in consideration of the project characteristics, rate impact, Commission direction and any outcome of a negotiated settlement. For the DSM study, 5 years is thought to be the interval between the current study and a subsequent update.

10.0 Reference: 2011 RRA, Tab 3, page 40 and Tab 4, page 22

Q10a What is the impact on the 2011 Revenue Requirement of transferring the AMI development costs to “Deferred Investigative Spending” in rate base for 2011?

A10a Please refer to the response to BCUC Q16.4.

Q10b Please provide a breakdown of the \$850 k spent in 2010 on the Mandatory Reliability Standards Projects.

A10b FortisBC is scheduled to be compliant with most reliability standards in 2011. The costs identified are required to remain in compliance. Some of the work includes increased maintenance of electrical facilities, ongoing training of employees, audit requirements (internal and external), reporting requirements to BCUC, and the ongoing workload of procedures and process required to remain in compliance with 55 of the 103 provincially adopted standards. The forecast expenditures are comprised of \$110,000 of expenses and \$740,000 of labour (internal and contract).

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11.0 Reference: 2011 RRA, Tab 4, page 4

**Q11a Please provide a schedule that explains the almost 40% increase in
Deferred and Preliminary Charges between 2010 and 2011.**

**A11a Please refer to the following Tables for a comparative of Deferred and
Preliminary Charges 2010 and 2011:**

- Exhibit B-1, Tab 4, Page 10-Deferred Charges & Credits 2010
- Exhibit B-1, Tab 4, Page 11-Deferred Charges & Credits 2011

12.0 Reference: 2011 RRA, Tab 4, page 18
2011 RRA, Tab 5, pages 12-13

Q12a Please provide a schedule that sets out for the years 2008-2011, the average use per customer for each customer class (after DSM savings). For 2009 -2010 please use weather normalized values and for purposes of determining the “average” please use the “average” customer counts by class for each year (e.g., for 2010 use the average of the year end counts for 2009 and 2010).

A12a Please see the tables below:

Please note that only the General Service and Residential classes use the average use per customer for forecasting.

Table BCOAPO A12a-1

Average Use per Customer for Each Customer Class				
	2008	2009	2010	2011
	(MWh)			
Residential	12.75	12.76	12.82	12.69
General Service	59.48	59.97	58.23	57.60
Industrial	5,887.81	6,252.47	7,436.43	8,147.54
Wholesale	130,758.00	131,409.27	131,835.43	133,962.79
Other	20.09	21.12	18.83	19.56

Table BCOAPO A12a-2

Customer Counts					
	Residential	General Service	Industrial	Wholesale	Other
2007	93,647	11,010	38	7	3,022
2008	95,502	11,216	36	7	2,958
2009	96,565	11,308	33	7	2,940
2010	98,044	11,447	33	7	2,925
2011 F	99,566	11,723	33	7	2,925

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Table BCOAPO A12a-3

Class Usage					
	Residential	General Service	Industrial	Wholesale	Other
	(MWh)				
2008	1,205,786	660,971	217,849	915,306	60,062
2009	1,225,728	675,356	215,710	919,865	62,287
2010	1,247,490	662,556	245,402	922,848	55,232
2011 F	1,253,448	667,309	268,869	937,740	57,208

2

13.0 Reference: 2011 RRA, Tab 5, page 7

Q13a Please explain more fully why General Service class customer growth is projected to increase at 2.4% in 2011 (and kWh sales by only 0.7%) when GDP growth for the 2010-2013 period is projected to be 3.4% per annum.

A13a The 3.4 percent GDP growth is the average of the 2010, 2011, 2012 and 2013 forecast GDP. According to the Conference board of Canada the GDP for 2011 is only forecast to be 2.6 percent, as the housing market experiences a more moderate pace of growth and the contribution from the Vancouver Olympics disappears. The calculations for the forecast customer count in the General Service class is determined from the historical relationship between annual growth of the number of General Service accounts and GDP. The reason that the kWh sales are only increasing by 0.7 percent is that the General Service class average use per customer has been declining, as shown in the response to BCOAPO Q12a above.

14.0 Reference: 2011 RRA, Tab 5, page 8

Order G-162-09, Appendix A, page 7 – Other Issue #1

Q14a Please explain FortisBC assumptions regarding sales to Celgar in 2011, particularly in relation to self-generation and electricity sales by Celgar itself.

A14a Zellstoff Celgar is forecast to require 38 GWh of power in 2011. As per their contract with BC Hydro, all but approximately 4 GWh of this amount is due to power expected to be sold to BC Hydro. However, in the Update to the Preliminary 2011 Revenue Requirements to be filed on November 1, 2010, the Company will reduce the Celgar load forecast to the 4 GWh portion that is incremental to the Zellstoff Celgar self-generation.

This is being done since the Company, Zellstoff Celgar and BC Hydro have been unable to date to determine how to supply, account for and bill the power sold to Zellstoff Celgar that could have been self-generated but was instead sold to BC Hydro as is allowed under the Zellstoff Celgar BC Hydro contract. Therefore, in order to allow plant operation to commence, Zellstoff Celgar agreed to sell net of load until such time as this issue can be resolved.

15.0 Reference: 2011 RRA, Tab 8, page 3

Q15a Please provide a schedule that indicates which performance standard targets were met in each of the following years: 2008, 2009 and 2010.

A15a Please refer to Table BCOAPO A15a below:

Table BCOAPO A15a: 2008-2010 Performance Standard Results

Performance Standard	2008 Actual Result	2009 Actual Result	2010 Forecast Result
All Injury Frequency Rate	Missed	Met	Missed
Injury Severity Rate	Missed	Met	Met
Vehicle Incident Rate	Met	Met	Missed
System Average Interruption Duration Index	Missed	Met	Missed
System Average Interruption Frequency Index	Met	Met	Met
Generator Forced Outage Rate	Met	Missed	Met
Billing Accuracy – percentage of bills rejected by system	Met	Met	Met
Meters Read as Scheduled	Met	Met	Met
Contact Center – percentage of calls answered within 30 seconds	Met	Met	Met
Emergency Response Time – percentage of calls responded to within 2 hours	Met	Met	Met
Residential Service Connections – percentage connected within 6 working days	Met	Met	Met
Residential Extensions – percentage quoted within 35 working days	Met	Met	Met
Residential Extensions – percentage connected within 30 working days	Met	Met	Met

Q15b If there was any area where the standard was not met in two (or more) of the three years, please discuss what specific efforts FortisBC is making to improve future performance.

A15b Please refer to the response to BCUC IR No. 1 Q57.2.

16.0 Reference: 2011 RRA, Appendix B, page 2

Q16a What are the 2011 revenue requirement implications of FortisBC adopting January 1, 2011 as a “transition date” for IFRS?

A16b FortisBC has incurred approximately \$0.2 million in a deferred charge account for 2010 related to IFRS conversion costs. The Company is proposing to amortize these costs in 2011. In addition, FortisBC has incurred IFRS related capital costs during 2010 in the amount of approximately \$0.4 million for enhancements to the Company's accounting system, SAP.

Since the Company will be adopting IFRS one year later than originally planned, there will be additional costs required in 2011 which are related but not limited to incremental auditor assurance, further accounting system requirements, and incremental actuarial forecasts. As shown in Tab 3, item 3.7.2(vi) of the Preliminary 2011 Revenue Requirements Application, these costs have been forecast in the amount of approximately \$0.1 million (\$0.2 million before tax) in 2011.

In addition, as per page 5 of Appendix B of the Application, the Company is requesting specific regulatory approval of the IFRS differences in 2011.

At this point in time, there are no other implications related to IFRS included in FortisBC's 2011 Revenue Requirements Application.

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17.0 Reference: 2011 RRA, Appendix B, pages 12-13

Q17a For what year does FortisBC plan on adopting any changes in depreciation rates arising from the planned depreciation study?

A17a FortisBC is continuing to work on a strategy for integrating IFRS into regulatory accounting. This strategy, which includes addressing any depreciation updates that may come from an updated depreciation study, will be discussed as part of the Company's next revenue requirements application.

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18.0 Reference: Order G-162-09, Appendix A, page 4

Q18a With respect to Tab 5, Issue #3, what steps has FortisBC taken to track and report measurement and evaluation of DSM expenditures? Please provide any reports prepared to date.

A18a FortisBC is tracking Measurement and Evaluation expenditures separately from Planning. These expenditures will be reported separately beginning with the June 30, 2010 semi-annual DSM report, to be filed on November 1, 2010. The other categories suggested (e.g. program development, implementation, assessment & verification) will have accounting codes created to capture those costs for the 2011 when new programs are expected to be launched. There have been no reports filed to date.

1.0 Reference: Cover Letter dated October 1, 2010 re: BCH Application

Q1.1 Please confirm whether the applied for general rate increase effective January 1, 2011 of 5.9% includes the existing interim BC Hydro F2011 Revenue Requirements Application or whether those interim rate increases will be added to the 5.9% upon final approval of the BC Hydro F2011 Revenue Requirement Application.

A1.1 All financial information contained in the Application, including forecast power purchase expenses, are inclusive of current BC Hydro rates including the interim increase effective April 1, 2010. FortisBC rates may be adjusted by way of a flow-through in the future as a result of the final disposition of the BC Hydro F2011 Revenue Requirements Application or any other interim rate relief granted to BC Hydro in 2011.

2.0 Reference: FBC Preliminary 2011 Revenue Requirements, Tab 2

Q2.1 FBC notes that this is the last year of the current PBR plan and that FBC will file its 2012 Revenue Requirements Application in 2011. At this time, does FBC anticipate a filing for a multi-year revenue requirement in 2012?

A2.1 The Company is currently considering the scope of its next Revenue Requirements Application, including both the duration and consideration of whether to seek an extension or renegotiation of performance-based regulation (PBR). The Company is considering filing an Application covering a 2-year period.

Q2.2 Does FBC anticipate applying for PBR as part of the 2012 filing?

A2.2 Please see the response to BCMEU Q2.1 above.

3.0 Reference: FBC Preliminary 2011 Revenue Requirements, Tab 2, Page 2

Q3.1 FBC notes the *Clean Energy Act*, SBC 2010, c. 202 ("CEA").

Please comment on whether the implantation of the CEA has impacted the utilization of PBR either positively or negatively.

A3.1 The Company has not seen an impact nor does it currently anticipate an impact to its ability to operate under PBR due to the enactment of the CEA.

Q3.2 Does FBC anticipate the CEA impacting the use of PBR by FBC in the future?

A3.2 Please see the response to BCMEU Q3.1 above.

4.0 Reference: FBC Preliminary 2011 Revenue Requirements, Tab 2, Lines 12 to 14

Q4.1 Of the \$.1.4 million of increase revenue requirement related to power supply, what is from increases in the price of power purchases and what is from provincial water licenses?

A4.1 The \$1.4 million increase in revenue requirements due to power supply expense is made up of \$837,000 from power purchase increase (61%) and \$532,000 from water fees increase (39%). See the "Revenue Requirements Overview" table on page 3 of Tab 4 of the Preliminary Revenue Requirements Application (Exhibit B-1).

5.0 Reference: FBC Preliminary 2011 Revenue Requirements, Tab 2, Page 6, Line 9, Capital Expenditures

Q5.1 FBC notes that the Commission is reviewing the 2011 CEP of FBC commensurate with reviewing the preliminary 2011 Revenue Requirements. In the event the Commission makes a determination in review of the CEP that FBC has been treating O&M expenditures as Capital Expenditures such that costs are shifted from capital to O&M, please indicate how that would impact on the 2011 Revenue Requirement. For the sake of the analysis, assume \$10 million in capital in 2011 identified in the FBC CEP as Capital is determined to be properly categorized as O&M.

A5.1 Under the PBR mechanism which the Company operates, O&M expenditures are set by formula. FortisBC would consider that capital expenditures that have previously been approved as such, if disallowed and moved to O&M, to qualify for Z-factor treatment. With reference to above the following has been assumed for the customer rate analysis for 2011:

- A reduction in the Transmission & Distribution Sustaining budget of \$10 million in 2010;
- An increase in O&M of \$10 million; and
- An increase in Capitalized Overhead of \$ 2 million (20% of additional O&M).

The above scenario would result in:

- The revenue deficiency for rate setting in 2011 would increase from \$15.4 million to \$22.8 million; and

- The required rate increase in 2011 would change from 5.9% to 8.7%

Q5.2 Please describe what protections exist for FBC ratepayers to avoid expenditures which could be treated as O&M, being treated as capital, in a PBR regulatory scheme such that capital expenditures are increased and operating expenditures are decreased.

A5.2 The Company files with the Commission, annually or biannually, a schedule of capital expenditures (the "Capital Expenditure Plan" or "CEP") in accordance with the Utilities Commission Act [RSBC 1996] CHAPTER 473, Section 44.2. The CEP is the subject of a public process that provides for a full examination of FortisBC's plan for capital expenditures over the period covered by the plan and, in the opinion of the Company, provides the protection alluded to in the question. FortisBC categorizes expenditures in accordance with its approved Capitalization Policy, which is in accordance with Canadian Generally Accepted Accounting Principles, and its treatment of capital projects has been consistent at least throughout the term of its current PBR Plan. The Company further submits that categories of expenditure which have previously been approved as capital, under the terms of the PBR Plan, in order to be reclassified as Operating and Maintenance expense, would require a Z-factor adjustment to 2011 Revenue Requirements.

6.0 Reference: FBC Preliminary 2011 Revenue Requirements, Tab 2, Page 8, Lines 11 through 14

Q6.1 Is FBC aware that BC Hydro will be seeking significant rate increases in future years?

A6.1 FortisBC actively monitors all regulatory applications and processes that may impact its operations or costs and is aware that BC Hydro has forecast rate increases for the next several years.

Q6.2 Why does FBC not include forecasts of BC Hydro rate increases in its power purchase expense forecasts given this significant change in BC Hydro's rate increase forecasts?

A6.2 FortisBC does not include forecasts of BC Hydro rate increases in its power purchase expense forecasts as BC Hydro rate increases not yet approved have previously not be accepted in FortisBC Negotiated Settlement Agreements. For example, the NSA regarding FortisBC's 2007 Revenue Requirements approved by Order G-162-06 stated "...the final rate increases for BC Hydro and BCTC will be incorporated into FortisBC's Final 2007 Revenue Requirements provided the respective Negotiated Settlements are approved by the Commission on or before November 30, 2006". As well, the NSA in respect of FortisBC's 2009 Revenue Requirements (G-193-08) also required a true up of costs related to BC Hydro rate increases, once approved.

Q6.3 Does FBC actively monitor BC Hydro's potential rate forecasts?

A6.3 Please see the response to BCMEU Q6.1 above.

7.0 Reference: FBC Preliminary 2011 Revenue Requirements, Tab 2, Page 9

Q7.1 Please elaborate on the sentence:

"Expected net income was reduced primarily due to lower electricity sales volume than approved in accordance with the 2010 NSA which included increases to the Company's residential and industrial load forecasts."

Is FBC saying that it over forecast its residential and industrial load?

A7.1 The Company was referring to lower than forecast sales loads in the residential and industrial classes. Residential sales were lower than forecast due to warmer than normal weather in the first quarter of 2010. Industrial sales are weaker than forecast due to slower than anticipated economic recovery in 2010.

8.0 Reference: FBC Preliminary 2011 Revenue Requirements, Tab 2, Page 11, Line 16 through 18

Q8.1 Please describe why FBC believes that it is critical that IFRS be adopted for regulatory as well as external financial reporting purposes as part of this PBR process.

A8.1 FortisBC is not adopting IFRS for regulatory reporting purposes in 2011. However, beginning January 1, 2011 the Company is required to transition to IFRS for external financial reporting. There are several reasons why FortisBC believes it is critical that IFRS is adopted for both regulatory reporting and external financial reporting:

- To reduce the costly administrative burden of reconciling differences between the financial reporting results under IFRS and the regulatory reporting results. Some of these costs would be incurred on a one-time basis (development of parallel ledgers) and

others would be ongoing in nature (staffing levels and IT maintenance costs), with the ongoing compliance costs increasing as the complexity of the reconciliation process escalates over time;

- To reduce the costs for additional audit and verification required when the amounts that are recorded for regulatory purposes are not captured in the audited financial statements; and
- To improve transparency by harmonizing the results presented to the Commission and customer representatives with the results presented to shareholders and investors, and thereby achieve a better balance of the interests of all stakeholders. Additional material required for presentation to investors and creditors to aid in understanding of the economic impacts of rate regulation will come at an additional cost.

9.0 Reference: FBC Preliminary 2011 Revenue Requirements, Tab 3, Page 7

Q9.1 Does the average number of customers in 2006 reflect Princeton Light & Power as a single customer or does it include all individual customers in Princeton Light & Power's service territory?

A9.1 The average number of customers includes all individual customers in the former Princeton Light & Power service territory. The base O&M Cost per Customer was rebased from \$384.08 to \$382.48 effective January 1, 2008 to reflect the consolidation of the former Princeton Light & Power operations within FortisBC.

10.0 Reference: FBC Preliminary 2011 Revenue Requirements, Tab 3, Page 29, Deferred Regulatory Expense

Q10.1 Are the regulatory expenses internal costs only or internal and external costs?

A10.1 In addition to external costs, incremental internal costs (such as staff travel and overtime) are included in the Regulatory Deferred Expense accounts.

11.0 Reference: FBC Preliminary 2011 .Revenue Requirements, Tab 4, Page 42, Non-Rate Based Deferred Accounts

Q11.1 What is FBC specifically applying for in terms of determination of the treatment of 'FRS for regulatory and external financial purposes as part of the preliminary 2011 Revenue Requirements?

A11.1 FortisBC is requesting specific regulatory approval of IFRS differences in 2011. Once IFRS is adopted in 2012, if certain IFRS differences are not included in customer rates in the year incurred, specific regulatory approval is expected to be required in order to recognize a regulatory asset or liability for the IFRS difference in the Company's external financial statements. In other words, regulatory approval of the differences will potentially assist in allowing the Company to recognize a regulatory asset or liability in the external balance sheet prepared under IFRS.

12.0 Reference: FBC Preliminary 2011 Revenue Requirements, Tab 4, Page 24

Q12.1 Please explain the significant reduction in electric apparatus rental

Forecast 2010	Forecast 2011
\$3,848	\$2,744

A12.1 Please refer to the response to BCUC Q5.2.

13.0 Reference: FBC Preliminary 2011 Revenue Requirements, Tab 5, Page 10, Systems Loses Unaccounted for Energy (metering inaccuracies, and theft)

Q13.1 BC Hydro has recently reported that they see potential thefts of \$100 million in power per year and hope to recover this through their AMI initiative. Does FBC have an estimate of thefts of power within their service territory in 2011?

A13.1 FortisBC does not currently have an overall estimate of total potential thefts within its service area. However, based on data compiled since 2007, FortisBC anticipates the identification of 18 to 20 sites during 2011 where energy theft is occurring. Each site represents an average 100,000 kWhs in annual losses totaling approximately \$85,000 at wholesale prices.

Q13.2 What steps are being taken to recover this lost revenue?

A13.2 FortisBC has an active energy theft program where sites are investigated in response to tips received from various sources. Confirmed theft is reported to the police and restitution is requested through the criminal process. The service is disconnected and must be repaired before it is reconnected. The value of stolen electricity is billed to the subscriber who must pay the bill before they continue service. Uncollected amounts are assigned to collection agencies and

1 on occasion pursued through litigation. FortisBC expects to propose
2 additional theft detection capabilities as part of its Advanced Metering
3 Infrastructure CPCN.

4 **14.0 Reference: FBC Preliminary 2011 Revenue Requirements, Tab 6, Page 3**

5 **Q14.1 Please elaborate on the significant increase in power purchase**
6 **expense for power purchased from BC Hydro.**

7 A14.1 Please refer to the response to Zellstoff Celgar Q3.0.

8 **15.0 Reference: FBC Preliminary 2011 Revenue Requirements, Tab 6, Page 5**

9 **Q15.1 Please explain the treatment of the negative balance of \$5,191,000**
10 **as reflected in Table 6.1, Total Power Purchase Expense in 2010.**

11 A15.1 The negative balance in Table 6.1 indicates the reduction of forecast
12 Power Purchase expenditure (\$75.217 million) when compared to that
13 of the value that was approved as part of the 2010 BC Hydro Flow-
14 through Application (Order G-127-10) of \$80.408 million.

15 Please note that the majority of this power purchase savings is related
16 to reduced sales of (\$259.274 million - \$250.217 million) \$9.057 million
17 resulting in a net margin (difference between electricity sales and
18 power purchase) reduction of (\$9.057 million - \$5.191 million) \$3.866
19 million which flows into the ROE sharing mechanism under the terms
20 of the PBR (Performance-based Regulation).

1 **16.0 Reference: FBC Preliminary 2011 Revenue Requirements, Tab 6, Page 9**
2 **Q16.1 Please explain the significant volume change in BC Hydro's**
3 **purchases for forecast 2010 to forecast 2011.**

4 A16.1 BC Hydro energy increased 175 GWH from 2010 forecast to 2011
5 forecast. This is due to the 2011 load forecast which increased by 110
6 GWH (net of DSM) above 2010 forecast and market opportunities in
7 2010 which displaced BC Hydro purchases.

17.0 Reference: FBC Preliminary 2011 Revenue Requirements, Appendix E-1, FBC Capitalization Policy

Q17.1 Would FBC agree that under its Capitalization Policy an item could fall within the definition of Capital Expenditures as well as Operating Expense?

A17.1 In accordance with the Company's capitalization policy, an item may be classified as either capital or operating in nature, but not both.

Q17.2 What determines whether what an item can fall in either category, it is treated as capital expenditure as opposed to operating expenditure?

A17.2 The Company's capitalization policy, which uses Canadian GAAP as a foundation, including CICA 3061 *Property Plant & Equipment* and Accounting Guideline 19 – *Disclosures by Entities Subject to Rate Regulation*, is used as the fundamental basis of whether an item is classified as either capital or operating in nature. Furthermore, as a function of the budget approval process, capital budgets are reviewed by management at various levels to ensure that unauthorized or inappropriate items (i.e. operating items) are not included in the capital budget submissions. These capital budget submissions are included in the Company's Capital Expenditure Plans, which are approved by regulatory orders and provide support for what is included in capital expenditures.

Q17.3 Is the FBC Capitalization Policy the same as the FBC Alberta Capitalization Policy? Please provide a copy of the FBC Alberta Capitalization Policy.

A17.3 FortisBC's capitalization policy is not the same as FortisAlberta's capitalization policy. FortisAlberta's capitalization policy, as obtained from their most recent 2010/2011 Distribution Tariff Application filed on

Project No. 3698570: Application for 2011 Revenue Requirements
Requestor Name: British Columbia Municipal Electrical Utilities (BCMEU)
Information Request No.: 1
To: FortisBC Inc.
Request Date: October 15, 2010
Response Date: October 29, 2010

- 1 June 16, 2009 is based upon the IFRS framework and is attached to
- 2 these responses as BCMEU Appendix A17.3.

7. Capitalization Policy


7.1. Introduction

This policy outlines the criteria that should be utilized by staff in assessing whether an expenditure should be capitalized or expensed in the current period. The Accounting group should be consulted for items which are complex or if the determination is not clear.

Proper treatment of costs is extremely important as it affects both regulatory and external financial reporting. Improper classification can misstate operating and capital expense,

June 16, 2009

Section 9 – Appendix I
2010/2011 IFRS Update
Page 24

	<p align="center">2010/2011 Distribution Tariff Application</p> <p align="center">Section 9 - Appendix I</p> <p align="center">International Financial Reporting Standards Update</p>
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which result in misstated net income, both in current and future years. This will also affect other items such as taxes and revenue requirement. As such, the proper treatment of expenses is important to FortisAlberta.

7.2. Capitalization Criteria


FortisAlberta's criteria for capitalization of expenditures conform to International Financial Reporting Standards as outlined by the International Accounting Standards Board.

Recognition Criteria: An item can only be capitalized when the cost of the item can be reliably measured and it is probable that future economic benefits associated with the item will flow to the company.

Generally this means that only the costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management may be capitalized. Capital assets include both tangible and intangible assets that embody a future economic benefit that extends beyond the current fiscal period. Detailed guidance on the recognition of tangible and intangible assets can be found in International Accounting Standards 16 and 38 respectively.

Some examples of costs that can be capitalized as property, plant and equipment (i.e. are directly attributable) include:

1. its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
2. costs of employee benefits arising directly from the labour related to the construction or acquisition of the item of property, plant and equipment;
3. costs of site preparation;

	<p align="center">2010/2011 Distribution Tariff Application</p> <p align="center">Section 9 - Appendix I</p> <p align="center">International Financial Reporting Standards Update</p>
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4. initial delivery and handling costs;
5. installation and assembly costs;
6. costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment); and
7. professional fees.


Some examples of costs that can not be capitalized as property, plant and equipment (i.e. are not directly attributable) include:

1. costs of opening a new facility (for example, the costs associated with moving staff from one location to the other);
2. costs of introducing a new product or service (including costs of advertising and promotional activities);
3. costs of conducting business in a new location or with a new class of customer (including costs of staff training); and
4. administration and other general overhead costs.

Generally speaking, costs incurred subsequent to the initial recognition of an asset are expensed unless the incurrence of that cost meets the *recognition criteria* set out above. For example, additional costs incurred to enhance the service potential of a capital asset are also capitalized when it is probable that the future economic benefits associated with the asset increase.

7.3. Current Period Expenses

Expenditures should be expensed in the current period if they relate to goods or services for which the benefits do not extend beyond the current fiscal period. In addition,

	<p>2010/2011 Distribution Tariff Application</p> <p>Section 9 - Appendix I</p> <p>International Financial Reporting Standards Update</p>
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amounts spent on existing assets are expensed in the current period if they do not meet the *recognition criteria* set out above.

Issue: Rate Drivers

**1.0 Reference: Exhibit B-1, Tab 2.2, Rate Drivers, page 5
Capitalized Overhead Policy**

Q1.1 If possible, please provide a detailed table showing a line item identification of total operating expenses, the amount of capitalized operating expenses deducted from each line item, and the resulting operating expenses net of capitalized amounts for each year since 2007, including a forecast for 2010.

A1.1 As requested, Table Celgar A1.1 below identifies:

- The total Operating Expense 2007 to 2010;
- The Capitalized Overhead Expense 2007 to 2010; and
- The total operating expense net of the Capitalized Overhead expense 2007-2010.

Please also note that:

- FortisBC does not track Capitalized Overhead by Operating Categories / Departments;
- Data from years 2007 to 2009 represent actual values; and
- Data for year 2010 represent forecast values.

Table Celgar A1.1

	2007 Actual	2008 Actual	2009 Actual	2010 Forecast
Generation	1,928	1,881	2,198	2,120
Other Power Supply	960	1,371	1,646	1,397
Transmission & Distribution	14,628	15,158	15,593	16,025
Customer Service	6,235	6,411	6,129	6,636
Administrative & General	10,414	10,842	11,136	11,438
Subtotal	34,165	35,663	36,702	37,616
Capitalized Overhead	8,619	9,062	9,315	9,529
Total Operations & Maintenance	42,784	44,725	46,017	47,145

**2.0 Reference: Exhibit B-1, Tab 2.2, Rate Drivers, page 5
Incentive and Other Adjustments**

“Prior year incentive true-up and flow through adjustments reduce Revenue Requirements by \$1.6 million, a 0.6 percent decrease in rates, which is offset by a decrease in ROE Sharing Incentives by \$2.2 million (or 0.8 percent increase in rates), resulting in an overall 0.2 percent rate increase or \$0.6 million in Revenue Requirements.”

**Exhibit B-1, Tab 3.7.2, Deferred Charges, page 29
Incentive and Other Adjustments**

“Flow-through and ROE Sharing Mechanism Adjustments serve to reduce 2011 Revenue Requirements by \$2.1 million. The 2009 true-up contributes \$1.1 million while a further \$1.0 million is from 2010 adjustments (\$1.9 million for 2010 flow-through offset by \$0.9 million 2010 ROE Sharing)”

Q2.1 Please reconcile the \$2.2 million amount from the first reference with the \$2.1 million amount from the second reference.

A2.1 The two numbers mentioned above are not directly related.

Please refer to the Table in Exhibit B-1, Tab-4, Page-3: Revenue Requirements Overview for clarity.

A brief explanation is provided below:

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

Explanations for \$2.2 million in Exhibit B-1, Tab 2.2, Page-5:	(\$000s)
2010 Approved ROE Sharing Incentive: (A)	(1,300)
2011 Forecast ROE Sharing Incentive: (B)	898
Increase in ROE Sharing Incentive in 2011 relative to 2010: (B-A)	(2,198)
Rounded	(2,200)
Explanations for \$2.1 million in Exhibit B-1, Tab 3.7.2, Page-29:	(\$000s)
2011 Prior Year Incentive True up: (A)	(1,089)
2011 Forecast Flow through Adjustments: (B)	(1,870)
2011 Forecast ROE Sharing Incentive: (C)	898
Total Forecast Incentive 2011: (A+B+C)	(2,061)
Rounded	(2,100)

Issue: Power Purchase Expense

3.0 Reference: Exhibit B-1, Tab 2.5, Power Supply, page 8
BC Hydro Power Supply Expense

Q3.1 Please provide a breakdown of the increased power supply cost and identify the amount of the increase specifically attributable to BC Hydro rate increases, and increased use of the BC Hydro Power Purchase Agreement. Please also provide the values for approved, actual and forecast 2009 and 2010 for each item in the breakdown.

A3.1 Please refer to Tables Celgar A3.1a, A3.1b and A3.1c below.

Table Celgar A3.1a

		Forecast 2010	Forecast 2011	Difference
		(\$000s)		
1	Surplus Revenues	(1,011)	(814)	197
2	Brilliant	33,217	32,282	(935)
3	BC Hydro	38,293	47,189	8,895
4	Market Spot Purchase & Capacity Purchases	4,525	2,941	(1,584)
5	Independent Power Producers	709	155	(554)
6	Capital Projects	(289)	(371)	(82)
7	Special and Accounting Adjustments	539	-	(539)
8	Balancing Pool	(766)	(136)	630
9	TOTAL	75,217	81,245	6,028

Project No. 3698570: Application for 2011 Revenue Requirements
Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)
Information Request No.: 1
To: FortisBC Inc.
Request Date: October 15, 2010
Response Date: October 29, 2010

1

Table Celgar A3.1b

BCH Rate Increase				
BCH Energy	Volume	Average Rate		
2010 Forecast	835	\$	32.784	
2011 Forecast	1010	\$	34.018	
Increase due to Volume	175	\$	34.018	\$5,960.564
Increase due to BCH Rate Increase	835	\$	1.234	\$1,030.503
Total Energy Cost Increase				\$6,991.067
BCH Capacity	Volume	Average Rate		
2010 Forecast	1990	\$	5.489	
2011 Forecast	2210	\$	5.804	
Increase due to Volume	220	\$	5.804	\$1,277.156
Increase due to BCH Rate Increase	1990	\$	0.315	\$ 627.003
Total Capacity Cost Increase				\$1,904.159
Total Cost Increase				\$8,895.227
Total Increase due to Volume				\$7,237.720
Total Increase due to BCH Rate Increase				\$1,657.506
Total Cost Increase				\$8,895.227

2

3

Table Celgar A3.1c

		Approved 2009	Actual 2009	Approved 2010	Forecast 2010	Forecast 2011
		(\$000s)				
1	Surplus Revenues	(969)	(773)	(695)	(1,011)	(814)
2	Brilliant	31,083	31,085	33,217	33,217	32,282
3	BC Hydro	38,443	34,584	44,835	38,293	47,189
4	Market Spot Purchase & Capacity Purchases	3,427	5,187	3,547	4,525	2,941
5	Independent Power Producers	386	1,034	405	709	155
6	Capital Projects	(208)	(712)	(265)	(289)	(371)
7	Special and Accounting Adjustments	-	163	-	539	-
8	Balancing Pool	(209)	208	(136)	(766)	(136)
9	BCUC Negotiated Rate Reduction	-	-	(500)	-	-
10	TOTAL	71,953	70,776	80,408	75,217	81,245

4

4.0 Reference: Exhibit B-1, Tab 3.1.1, Power Purchase Expense, page 5
Power Purchase Expense

Q4.1 Please provide a breakdown of the amount and unit cost for each source of supply that comprises the “Expense – Capacity” line item in Table 3.1.1 for 2009, 2010 and 2011.

A4.1 Please refer to Tables Celgar A4.1a and A4.1b below.

Table Celgar A4.1a

Capacity Expense			
Year	2009	2010	2011
		(\$000s)	
BRD Tailrace Capacity	155	164	167
BCH 3808 Capacity	9,787	10,924	12,828
Powerex Capacity	-	1,006	2,363
Cominco Capacity	1,832	853	-
CPC Capacity	195	208	-
Total	11,969	13,154	15,358

Table Celgar A4.1b

Capacity Expense			
Year	2009	2010	2011
		(\$ per MW)	
BRD Tailrace Capacity	3,665	3,889	3,955
BCH 3808 Capacity	4,989	5,489	5,804
Powerex Capacity	-	5,749	5,908
Cominco Capacity	4,581	3,792	-
CPC Capacity	7,800	8,300	-

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

1 **Issue: Operating Cost Summary**

2 **5.0 Reference: Exhibit B-1, Tab 3, Table 3.0, page 4**
3 **Operating Cost Forecast**

4 **Q5.1 Please provide a revised Table 3.0 with a forecast amount for 2010, and**
5 **provide data also for initially approved amounts and actual amounts for**
6 **2007, 2008 and 2009.**

7 **A5.1 Please refer to Table Celgar A5.1 below.**

Project No. 3698570: Application for 2011 Revenue Requirements
Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)
Information Request No.: 1
To: FortisBC Inc.
Request Date: October 15, 2010
Response Date: October 29, 2010

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Table Celgar A5.1

Revenue Requirements Overview

	Actual 2007	Approved 2007	Actual 2008	Approved 2008	Actual 2009	Approved 2009	Approved 2010 A	Increase or (Decrease) B-A (\$000s)	Forecast 2010 (Prelim)	Forecast 2011 B
1 Sales Volume (GWh)	3,090	3,077	3,087	3,087	3,157	3,107	3,199		3,097	3,187
2 Rate Base	746,543	747,220	802,566	822,847	867,683	907,977	975,113		949,065	1,098,903
3 Return on Rate Base	7.6%	7.4%	7.6%	7.5%	7.8%	7.4%	7.7%		7.8%	7.7%
4										
5 REVENUE DEFICIENCY										
6										
7 POWER SUPPLY										
8 Power Purchases	66,629	69,260	66,010	68,538	70,776	70,944	80,408	837	75,217	81,245
9 Water Fees	7,918	7,976	7,878	7,858	8,656	8,480	9,068	532	9,250	9,600
10	74,547	77,236	73,888	76,396	79,432	79,424	89,476	1,369	84,467	90,845
11 OPERATING										
12 O&M Expense	42,784	43,093	44,725	45,310	46,017	46,573	47,645	1,717	47,145	49,362
13 Capitalized Overhead	(8,619)	(8,619)	(9,062)	(9,062)	(9,315)	(9,315)	(9,529)	(343)	(9,529)	(9,872)
14 Wheeling	3,471	3,466	3,655	3,622	4,003	4,010	4,019	(681)	4,012	3,338
15 Other Income	(5,504)	(4,689)	(5,035)	(5,030)	(5,187)	(4,915)	(5,025)	(233)	(6,384)	(5,258)
16	32,132	33,251	34,283	34,840	35,518	36,353	37,109	460	35,244	37,569
17 TAXES										
18 Property Taxes	10,642	10,926	11,036	11,176	11,573	11,561	12,548	1,085	12,299	13,633
19 Income Taxes	5,898	3,332	5,869	3,989	4,749	4,354	5,407	715	4,564	6,121
20	16,540	14,258	16,905	15,165	16,322	15,915	17,955	1,800	16,863	19,754
21 FINANCING										
22 Cost of Debt	28,731	28,867	30,163	31,762	33,411	34,803	36,765	4,443	35,861	41,208
23 Cost of Equity	28,143	26,212	31,001	29,688	34,499	32,215	38,614	4,902	37,716	43,517
24 Depreciation and Amortization	30,949	30,565	34,016	34,356	37,376	37,504	42,028	3,338	41,785	45,366
25	87,823	85,644	95,180	95,806	105,286	104,522	117,407	12,683	115,361	130,090
26										
27 Prior Year Incentive True Up	(2,697)	-	(962)	22	(1,443)	173	(322)	(767)	(322)	(1,089)
28 Flow Through Adjustments	(853)	(338)	435	(42)	1,068	(435)	(1,068)	(801)	801	(1,870)
29 AFUDC / CWIP Shortfall	-	-	-	895	-	-	-	-	-	-
30 ROE Sharing Incentives	2,159	(2,185)	1,181	(2,159)	2,389	(1,181)	(1,300)	2,198	(2,198)	898
31	(1,391)	(2,523)	654	(1,284)	2,014	(1,443)	(2,690)	629	(1,718)	(2,061)
32										
33 TOTAL REVENUE REQUIREMENT	209,651	207,866	220,910	220,923	238,572	234,771	259,258	16,941	250,217	276,199
34										
35 Carrying Cost on Rate Base Deferral Account						(8)	17	(17)		-
36 ADJUSTED REVENUE REQUIREMENT						234,763	259,274	16,925		276,199
37 LESS: REVENUE AT APPROVED RATES										260,823
38 REVENUE DEFICIENCY for Rate Setting										15,376
39										
40 RATE INCREASE										5.9%

Note: Minor differences due to rounding

2

6.0 Reference: Exhibit B-1, Tab 3.2.1, 2010 Operating and Maintenance (“Gross O&M”) Expense, page 4 Forecast versus Actual CPI

Q6.1 Please provide a comparison of the forecast CPI used in the Revenue Requirements application versus the actual CPI for 2007, 2008 and 2009.

A6.1 A comparison of the forecast CPI used in the 2007, 2008 and 2009 Revenue Requirements Applications with actual CPI for those years is provided in Table Celgar A6.1. Actual CPI values are as reported by the BC Ministry of Finance in the 2010 British Columbia Financial and Economic Review.

Table Celgar A6.1

	Forecast CPI (%)	Actual CPI (%)
2007	2.0 ¹	1.8
2008	2.1 ²	2.1
2009	2.0 ³	0.0

¹. 2007 Forecast CPI based on average of Conference Board of Canada, Royal Bank of Canada, Toronto Dominion Bank and BC Ministry of Finance forecasts of BC CPI.

². 2008 Forecast CPI based on average of Conference Board of Canada, Royal Bank of Canada, Toronto Dominion Bank and BC Ministry of Finance forecasts of BC CPI.

³. 2009 Forecast CPI based on average of Toronto Dominion Bank, Royal Bank of Canada, Conference Board of Canada, and BC Ministry of Finance forecasts of BC CPI.

Issue: Pole Contact Revenue

**7.0 Reference: Exhibit B-1, Tab 2.0, Introduction, page 2
Pole Contact Revenue**

Q7.1 Please describe the status of the pole contact contract with Shaw starting from 2007, and projecting out to the end of 2011.

A7.1 In 2007 Shaw Cable Systems Ltd. had attachments on FortisBC distribution and transmission poles pursuant to agreements reached in 1990 and 1999 respectively. Both agreements continued in effect until 2009, at which time FortisBC contended that Shaw so fundamentally breached the transmission agreement as to bring it to an end or, alternatively, that Shaw materially breached the agreement as to give FortisBC the right to terminate. Shaw has denied any breach and the matter is now before the BC Supreme Court. The status of the agreement to the end of January 2011 will be determined by the outcome of that proceeding and any subsequent appeal. The Distribution License agreement continues to operate with no changes anticipated.

Q7.2 Please show the amount of pole contact revenue from the pole contact contract with Shaw starting from 2007, and projecting out to the end of 2011.

A7.2 The relevant data is provided in Table Celgar A7.2 below.

Table Celgar A7.2

	2007 Actual	2008 Actual	2009 Actual	2010 Forecast	2011 Forecast
Shaw Distribution Revenue	\$ 130,030	\$ 151,290	\$ 227,668	\$ 188,287	\$ 191,667
Shaw Transmission Revenue	\$ 33,166	\$ 33,545	\$ 36,739	\$ -	\$ -

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

1 **Q7.3 Please describe any risks or opportunities to the pole contact**
2 **revenue stream and if any changes are projected for the future.**

3 A7.3 The readily identifiable risk to the pole contact revenue stream is
4 limited to the \$37,000 billed annually for the Shaw transmission
5 contacts if the BC Supreme Court declares the contract termination
6 notice to be valid. This figure has been removed from the 2011
7 forecast.

8 Opportunities for additional pole contact revenue from new contacts
9 and/or attachments by new parties may exist but each such
10 opportunity must be weighed against FortisBC's needs, against the
11 commercial and legal terms offered by others for access.

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

1 **Issue: Deferred Charges**

2 **8.0 Reference: Exhibit B-1, Tab 3.7.2, Deferred Charges, page 27**
3 **Preliminary and Investigative Charges**

4 **Q8.1 Please provide a line item breakdown and explanation of the**
5 **projects investigated for the actual/forecast 2010 and large**
6 **proposed 2011 expenditures for Preliminary and Investigative**
7 **Charges.**

8 **A8.1 Please refer to Table Celgar A8.1 below.**

Project No. 3698570: Application for 2011 Revenue Requirements
Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)
Information Request No.: 1
To: FortisBC Inc.
Request Date: October 15, 2010
Response Date: October 29, 2010

1

Table Celgar A8.1

Investigative Projects Having Costs in 2010 and 2011	2008	2009	2010	2011	Remarks
	\$000s				
Small Hydro Plants	44	7	0.08	449*	Required costs to further investigate usefulness as a supply-side solution for FortisBC's forecast gaps. Results of work performed will be included in the 2011 Resource Plan update, to be submitted as part of the ISP.
Pumped Storage Hydro Feasibility Study	51	167	20	-	Pumped Storage Hydro costs were due to investigative work relative to the Resource Plan and were completed in 2010. Results of work formed part of the Resource Plan submission in 2009, and the 2011 Resource Plan update that will be included in the ISP.
Planning Margin-Section 9	-	-	-	150	Required costs to further investigate usefulness as a supply-side solution for FortisBC's forecast gaps. Results of work performed will be included in the 2011 Resource Plan update, to be submitted as part of the ISP.
Single Cycle Gas Turbine (SCGT) - Section 9	-	-	-	700	Required costs to further investigate usefulness as a supply-side solution for FortisBC's forecast gaps. Results of work performed will be included in the 2011 Resource Plan update, to be submitted as part of the ISP.
Integrated System Plan (ISP) 2012-31	-	-	1,000	824	Integrated system plan spending estimates reflect the regulatory related costs to prepare the successor to the 2005 System Development plan. The 2010 spend primarily reflects the costs to prepare the plan, and the 2011 value represents the costs to file the plan.
Generator Unit P2 Repowering	-	218	34	-	Costs related to preparation of a CPCN for the repowering of a generator unit at Upper Bonnington Hydroelectric Facility. This CPCN was not filed subsequent to determining that the project is not in the best interests of FortisBC's ratepayers at this time.
Long Term Strategy	30	15	75	-	Required costs to appraise currently owned properties and investigate potential sites to determine the need for comprehensive Building and Site Plans. FortisBC has requested approval to develop these plans for its Kelowna and Kootenay operations in its 2011 Capital Expenditure Plan.
Generator Units P1-P4	-	-	-	25	Costs related planning for the All Plants Minor Sustaining Capital project the year prior to the approved spending. These costs are then transferred to the approved capital project, or to O&M if the capital project is not approved.
PCB for Stations	-	-	200	-	Costs related to developing a program to address the possibility of PCB contamination in instrument transformers and bushings within untested or untestable equipment built before the PCB ban
Capital Expenditure Plan 2011 (CEP 2011)	-	-	182	-	Costs related to the development of the 2011 Capital Expenditure Plan. Costs to be incorporated into capital work.
Advanced Metering Infrastructure (AMI)	-	-	-	1,584	Refer to FortisBC's response to BCUC IR No. 1 Q16.3.
TOTAL	125	407	1,511	3,283	

* Please Note: 2011 Investigate Costs for Small Hydro Plants has been removed in the Update to the 2011 Revenue Requirements Application, to be filed November 1, 2010.

2

Response Date: October 29, 2010

7 A9.1 Please see the response to BCUC Q14.1.

10.0 Reference: Exhibit B-1, Tab 3.7.2, Other Deferred Charges and Credits, page 34 Resource Plan Update
Exhibit B-1-1, Tab 4, Table 1 - B – Deferred Charges and Credits (2010), page 10 (revised)
Table 1 - B – Deferred Charges and Credits (2011), page 11
2008 and 2009 Resource Plan Update

Q10.1 Please describe the regulatory review process that has or will occur associated with the 2008 and 2009 Resource Plan. Please provide the cost of the 2008 and 2009 Resource Plan and describe how that cost has been amortized or expensed, and how any remaining costs will be amortized or expensed.

A10.1 FortisBC intends to file an update to the Resource Plan in May of 2011. A regulatory process associated with the filing has not been established at this time. As noted in the Application,

The Company expects to incur approximately \$0.7 million after tax (\$1.0 million before tax) by year end 2010 for development of the Resource Plan. 2011 costs will be included in the Integrated System Plan in 2011.

The Company will apply disposition of the costs in a subsequent regulatory process.

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

1 **11.0 Reference: Exhibit B-1, Tab 3.7.2, Other Deferred Charges and Credits,**
2 **page 35 Revenue Protection**

3 **Q11.1 Please explain why the NPV Savings of the Third Party Contracts**
4 **line item is the same as the annual savings.**

5 A11.1 The \$142,165 savings is a one time savings in 2010. This figure is
6 dependent upon the number of poles where FortisBC has transferred
7 third party facilities and is reported annually.

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

1 **12.0 Reference: Exhibit B-1, Tab 3.7.2, Other Deferred Charges and Credits,**
2 **pp. 32, 38 Section 71 Filing (Waneta)**

3 “During the Waneta Transaction regulatory process,
4 FortisBC and Powerex Corp. (“Powerex”) reached
5 agreements for the purchase of winter capacity
6 blocks from Powerex through February 2016 and the
7 sale of FortisBC surplus energy to Powerex through
8 July 2015.”

9 **Q12.1 Please provide FortisBC’s application pursuant to Section 71 of**
10 **the Utilities Commission Act for approval of a Capacity Purchase**
11 **Agreement with Waneta Expansion Power Corporation in**
12 **connection with the Waneta Expansion project.**

13 A12.1 This application has been filed confidentially due to the commercially
14 sensitive nature of the information in the application and will not be
15 provided.

16 **Q12.2 Please file all agreements, including agreements with affiliates of**
17 **FortisBC, that were the subject of the Waneta Transaction**
18 **referred to in the above quote. If FortisBC claims the agreements**
19 **are confidential, please file the agreements on a confidential**
20 **basis in accordance with the Confidential Filings Practice**
21 **Directive.**

22 A12.2 Of the agreements that FortisBC has entered into, other than the
23 FortisBC Capacity Purchase Agreement, all are exempt from
24 regulation by the BCUC and, hence, are not relevant to this Revenue
25 Requirements proceeding.

1 **Q12.3 Please confirm that Fortis Inc. holds a 51% ownership interest in**
2 **the Waneta Expansion (335 MW generating facility at Waneta),**
3 **and that FortisBC will operate and maintain this non-regulated**
4 **investment. Please identify any charges to affiliates of FortisBC in**
5 **2010 or 2011 arising from the Waneta Transactions or the Waneta**
6 **Expansion.**

7 A12.3 Confirmed. FortisBC expects to operate and maintain the plant when it
8 begins production (expected in 2015). FortisBC will be charging Fortis
9 Inc. in 2010 for work done on the transaction in 2010. FortisBC will be
10 charging FPHI in 2010 and 2011 for any work (work still to be
11 determined) completed under a FPHI services agreement with the
12 Waneta Expansion Limited Partnership.

13 **Q12.4 Is there a capacity purchase agreement between Waneta**
14 **Expansion Power Corporation and Powerex? Please comment on**
15 **whether or not Fortis Inc. or an affiliate has sold capacity from the**
16 **Waneta Expansion to Powerex that has then been sold by**
17 **Powerex to FortisBC. Please confirm that the revenue**
18 **requirement for the purchase of the same capacity by FortisBC is**
19 **found in Exhibit B-1, Tab 6, Table 6.3, line 28.**

20 A12.4 No. There have been no formal discussions with Powerex or any other
21 marketer regarding Waneta Expansion capacity. The revenue
22 requirement for purchase of capacity from Powerex relates to a
23 separate stand alone capacity purchase agreement that was entered
24 into in 2009 and accepted by the BCUC as per Order E-28-10.

1 **Q12.5 Please confirm that the sale of the Waneta Expansion capacity,**
2 **including the capacity agreement for the purchase of capacity by**
3 **FortisBC from Powerex, was not subject to a competitive bid**
4 **process.**

5 A12.5 The sale of Waneta Expansion capacity to FortisBC was not subject to
6 a competitive bid process.

7 **Q12.6 Please confirm that the Commission has accepted the agreement**
8 **between FortisBC and Powerex by Order E-29-10 based on a**
9 **justification report that FortisBC believes is confidential.**

10 A12.6 Confirmed, however the agreement is between FortisBC and the
11 Waneta Expansion Power Corporation. Powerex is not involved in this
12 agreement.

13 **Q12.7 Please confirm that Order E-29-10 does not approve the revenue**
14 **requirement of the capacity agreement, and that FortisBC still**
15 **requires approval of the revenue requirement of the capacity**
16 **agreement before it can be recovered in rates.**

17 A12.7 All of FortisBC's revenue requirements are subject to approval by the
18 BCUC prior to allowing costs to be recovered in rates.

19 **Q12.8 Is FortisBC seeking approval for recovery of the revenue**
20 **requirement of the capacity agreement in this proceeding? If so,**
21 **please file in this proceeding the justification report, on a**
22 **confidential basis if necessary as provided for in the Confidential**
23 **Filings Practice Directive, that was filed in the Order E-29-10**
24 **proceeding. If FortisBC files the justification report on a**
25 **confidential basis, will FortisBC object to the justification report**
26 **being made available to participants in this proceeding as**
27 **provided for in the Confidential Filings Practice Directive?**

1 A12.8 The recovery of costs associated with the Waneta Expansion Capacity
2 Purchase Agreement will not occur until the plant goes into operation
3 in 2015 at which time sales to FortisBC will commence.

4 **Q12.9 Please provide a comparison on a per unit basis and a levelized**
5 **cost basis of the cost of capacity purchases found in Exhibit B-1,**
6 **Tab 6, Table 6.3 line 28 with the cost of capacity purchases found**
7 **in Table 6.3 line 30 and the cost of capacity purchases found in**
8 **Table 6.2, line 30. Please provide a similar comparison with other**
9 **alternatives in the most recent FortisBC resource plan.**

10 A12.9 Please see Table Celgar A12.9 below for the per unit comparison. No
11 levelized cost comparison was made since there is only one year
12 between the items and no meaningful information is gained over such
13 a short time frame.

14 The Powerex capacity blocks and the Teck capacity blocks are very
15 similar in price. The real time market purchases for capacity are
16 considerably cheaper on a per unit basis than the capacity
17 blocks. However, the real time purchases are at the very top of the
18 load resource balance requirements and as such only need to be used
19 on the very coldest days. Therefore, even though the MWh price may
20 be high, the total cost on a MW per unit basis is very reasonable. This
21 is why the “business as usual” Company approach leaves the very last
22 requirements to the market. If the market were to be used to cover the
23 portion of the load requirements that are covered by the capacity
24 blocks, many more hours of supply would be required and the resulting
25 costs on a per unit MW basis would likely be well above the capacity
26 block rates. In addition to price, the capacity blocks provide much
27 greater system reliability than is provided by market purchases since
28 market power may not be available when it is needed most.

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)

Information Request No.: 1

To: FortisBC Inc.

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FortisBC's Resource Plan is undergoing extensive revision and will be filed separately in the first half of 2011. FortisBC has no information on comparative alternatives to its short/mid-term (<5yrs) capacity blocks other than spot market information which is readily available to the public.

Table Celgar A12.9

Source	Description	Total Cumulative Annual Capacity (MW)	Total Cost (\$)	Unit Cost (\$/MW)	Year of Expense
Table 6.3 Line 30	Real Time Market Purchase for Capacity	124	278,659	2,247	2011
Table 6.3 Line 28	Powerex Capacity Blocks	400	2,363,180	5,908	2011
Table 6.2 Line 30	Cominco (Teck) Capacity Blocks	150	853,100	5,687	2010

1 **Q12.10 Please compare the deferred amount of \$0.2 million and the**
2 **amortization period of three years found at Exhibit B-1, Tab 3, p.**
3 **33 lines 3-5 with the deferred amount of \$0.3 million and the**
4 **amortization period of five years found at Exhibit B-1, Tab 3, p. 38**
5 **lines 21-24 and correct the amounts if necessary.**

6 A12.10 The items referred to in the question are separate and distinct and
7 require no comparison or correction.

8 **Q12.11 Please compare the parties to the Capacity Purchase Agreement**
9 **found at Exhibit B-1, Tab 3, p. 32, lines 28-29 with the parties to**
10 **the Capacity Purchase Agreement found at Exhibit B-1, Tab 3, p.**
11 **38, line 20 and correct the description of the agreements if**
12 **necessary.**

13 A12.11 There is no correction necessary. These are two separate
14 transactions and the parties and agreements are accurately described.

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

1 **13.0 Reference: Exhibit B-1, Tab 3.7.2, Other Deferred Charges and Credits,**
2 **page 40 Mandatory Reliability Standards Project**

3 **“FortisBC is incurring setup costs in addition to**
4 **capital and ongoing operating costs to become and**
5 **remain compliant with the newly adopted Mandatory**
6 **Reliability Standards.”**

7 **Q13.1 Please identify, if any, project costs that are being included in the**
8 **2011 revenue requirement.**

9 A13.1 Please refer to the response to BCUC Q17.1.

10 **Q13.2 Please identify any “ongoing operating costs” that FortisBC**
11 **believes should be deferred for disposition in a subsequent**
12 **regulatory proceeding.**

13 A13.2 Please refer to the response to BCUC Q17.1.

1 **14.0 Reference: Exhibit B-1, Tab 3.7.2, Other Deferred Charges and Credits,**
2 **page 40 Advanced Metering Infrastructure (“AMI”)**

3 **“Pursuant to the terms of the NSA 2010, FortisBC**
4 **agreed to record the AMI development costs in a non**
5 **rate base deferral account in 2010 only. Hence, the**
6 **AMI development costs, forecast to be \$1.6 million by**
7 **the end of 2011, have been transferred to “Deferred**
8 **Investigative Spending” in rate base in 2011.”**

9 **Q14.1 Please explain what is meant by the amounts being transferred**
10 **from a non rate base deferral account in 2010 to “rate base” in**
11 **2011.**

12 A14.1 For 2010, the AMI development costs have been included as a non
13 rate base deferral account in 2010, which means that these costs do
14 not earn a return (both debt and equity components), but did attract
15 AFUDC pursuant to the 2010 Revenue Requirements NSA (Order G-
16 162-09). For 2011, the AMI development costs have been included in
17 rate base which means that these costs will earn a return (both debt
18 and equity components).

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

1 **15.0 Reference: Exhibit B-1, Tab 3.7.2, Other Deferred Charges and Credits,**
2 **page 43 Contingent Liabilities**

3 **Q15.1 Please provide copies of the writs served on FortisBC relating to**
4 **the forest fire near Vaseux Lake.**

5 A15.1 Copies of all writs served on FortisBC relating to the forest fire near
6 Vaseux Lake are attached as Zellstoff Celgar Appendix A15.1.

16.0 Reference: Exhibit B-1, Tab 4, Table 2 – G – Other Income, page 24
Other Income

Q16.1 Please provide a line item reconciliation from 2007 to forecast 2011 of the sources of income for the amounts shown for “Electric Apparatus Rental” in Table 3.2.5, and explain the decrease in the 2011 forecast from the 2010 forecast. For 2007 through 2009, please provide both approved and actual amounts.

A16.1 The relevant information is provided in Table Celgar A16.1 below.
 Please also see the responses to BCUC Q5.1 through Q5.4.

Table Celgar A16.1

OTHER INCOME ARISING FROM APPARATUS RENTAL	2007 Actual	2007 Approved	2008 Actual	2008 Approved	2009 Actual	2009 Approved	2010 Forecast	2011 Forecast
	G-193-08	G-20-07	G-158-09	G-147-07	RR 2011 Prelim	G-193-08	RR 2011 Prelim	RR 2011 Prelim
	(\$000s)							
Electric Apparatus Rental	1,724	1,783	2,281	1,775	2,755	2,133	3,848	2,744

Q16.2 Please provide a line item reconciliation of the sources of income for the amounts transferred under Fortis Pacific Holdings Inc. from 2007 to forecast 2011.

A16.2 The relevant information is provided in Table Celgar A16.2 below.

Table Celgar A16.2

OTHER INCOME-ARISING FROM CONTRACT REVENUE	2007 Actual	2007 Approved	2008 Actual	2008 Approved	2009 Actual	2009 Approved	2010 Forecast	2011 Forecast
	G-193-08	G-20-07	G-158-09	G-147-07	RR 2011 Prelim	G-193-08	RR 2011 Prelim	RR 2011 Prelim
Fortis Pacific Holdings Inc.	660	408	516	568	530	641	624	570

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

1 **Q16.3 Please explain if Direct Assignment charges or contributions to**
2 **Network Upgrade costs by third parties associated with**
3 **Transmission Access applications are included in Miscellaneous**
4 **Revenue, and if not, why not.**

5 A16.3 Direct Assignment charges or contributions to Network Upgrade costs
6 are not included in Miscellaneous Revenue. These funds are used to
7 offset the costs associated with the study, planning and construction of
8 facilities required to accommodate transmission interconnection.

Issue: Load Forecast

17.0 Reference: Exhibit B-1, Tab 5.6, Forecast and Actual Electric Sales Revenue, Table 5A, page 12 Load Forecast

Q17.1 Please provide a comparison of the 2011 load growth forecast from the 2009 Annual Review and 2010 Revenue Requirements proceeding with the 2011 load growth forecast from the current proceeding.

A17.1 Please see Table Celgar A17.1 below.

Table Celgar A17.1

	2009 Annual Review			2011 Preliminary Revenue Requirements Application		
	Forecast 2010	Forecast 2011	Percent Change	Forecast 2010	Forecast 2011	Percent Change
	(GWh)			(GWh)		
1 Residential	1226	1245	1.5	1218	1248	2.5
2 General Service	681	703	3.2	671	675	0.7
3 Industrial	291	291	0.0	248	269	8.3
4 Wholesale	915	927	1.3	904	938	3.8
5 Lighting	13	13	0.0	13	13	0.0
6 Irrigation	50	50	0.0	44	44	0.0
7 Total Sales	3176	3230	1.7	3097	3187	2.9
8 Losses and Company Use	308	313	1.6	292	313	7.2
9 Gross Load	3484	3543	1.7	3389	3500	3.3

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

- 1 **Q17.2 Please provide Table 5A showing the approved load forecast for**
2 **2008 and 2009 as well as the actual and normalized.**

- 3 A17.2 Please refer to the Table Celgar A17.2 below.

- 4 **Table Celgar A17.2**

Actual and Normalized Forecast Energy Sales by Customer Class Including DSM									
	Actual		Normalized		Approved			Normalized	
Energy Sales (GWh)	2008	2009	2008	2009	2008	2009	2010	2010	2011
Residential	1,221	1,293	1,206	1,226	1,193	1,222	1,226	1,242	1,248
General Service	666	672	666	672	686	678	681	671	675
Wholesale	892	928	915	920	904	921	915	921	938
Industrial	252	203	252	203	240	224	291	248	269
Lighting	12	12	12	12	13	14	13	13	13
Irrigation	44	49	44	49	51	48	50	44	44
Net Load	3,087	3,157	3,095	3,082	3,087	3,107	3,176	3,138	3,187
Gross Load	3,400	3,478	3,370	3,400	3,396	3,401	3,484	3,443	3,500
Gross Loss %	9.20%	9.21%	8.14%	9.35%	9.10%	8.70%	8.84%	8.84%	8.94%
System Peak									
Winter Peak (MW)	746	714	683	682	704	701	698	698	701
Summer Peak (MW)	537	561	544	516	556	560	560	560	561

- 5

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

1 **Issue: Timing of Capital Expenditures**

2 **18.0 Reference: Exhibit B-1, Tab 7.0, Table 7.0 Capital Expenditures by**
3 **Category, page 4 Timing of Capital Expenditures**

4 **Q18.1 Please provide a table showing the approved and actual or**
5 **forecast capital expenditures for 2008, and 2009 in the same**
6 **breakdown as Table 7.0.**

7 A18.1 Please refer to Table Celgar A18.1 below.

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

1

Table Celgar A18.1

PROJECT TYPE	2008		2009	
	Actual	Approved	Actual	Approved
GENERATION				
Growth	-	-	-	-
Sustaining	16,195	16,521	19,669	21,660
	16,195	16,521	19,669	21,660
TRANSMISSIONS & STATIONS				
Growth	38,677	61,659	43,085	69,030
Sustaining	8,285	10,297	6,900	9,071
	46,961	71,956	49,985	78,101
DISTRIBUTION				
Growth	28,018	27,219	18,282	26,402
Sustaining	8,475	3,274	12,517	10,502
	36,492	30,493	30,799	36,904
TELECOM, SCADA, PROTECTION & CONTROL				
Growth	1,108	1,902	1,784	1,779
Sustaining	1,764	1,491	765	747
	2,872	3,393	2,549	2,526
GENERAL PLANT	9,058	9,438	9,720	10,022
SUB TOTAL	111,579	131,801	112,723	149,213
RECONCILIATION TO CAPITAL ADDITIONS				
Demand Side Management (Net of Tax)	1,858	1,613	2,396	2,568
Less: Contribution in Aid of Construction	(11,737)	(7,977)	(7,141)	(13,776)
Cost of Removal	5,025	5,025	4,502	4,502
TOTAL	106,726	130,462	112,480	142,507

Note:

2008 Approved from BCUC IR1 A2.1: G-147-07

2009 Approved from BCUC IR1 A2.1: G-193-08 & G-11-09

2

1 **Issue: Environmental Compliance**

2 **19.0 Reference: Exhibit B-1, Tab 7.5, General Plant, page 13**
3 **PCB Environmental Compliance**

4 **“The 2008 regulations require the Company’s PCB**
5 **Program to be changed for compliance purposes.”**

6 **Q19.1 When did FortisBC first develop a PCB policy, and first measure**
7 **the PCB content of pole mounted and pad mounted**
8 **transformers?**

9 A19.1 FortisBC (West Kootenay Power at the time) developed the PCB policy
10 in the late 1970s and continuously updates the policy with new
11 information and legislation changes.

12 **Q19.2 When did FortisBC begin replacing the oil in transformers with oil**
13 **with no PCBs?**

14 A19.2 FortisBC (West Kootenay Power at the time) began replacing PCB
15 contaminated oil in the late 1970s.

16 **Q19.3 Has FortisBC had a policy for at least fifteen years with an**
17 **objective of finding and removing PCBs from transformers?**
18 **Please provide an estimate of the number of transformers with**
19 **PCB oil above the limits established by the new PCB regulations.**

20 A19.3 As explained in response to Celgar IR Q19.1 and 19.2, FortisBC has
21 had a policy in place since the late 1970s and began replacing PCB
22 contaminated oil at that time. Currently, FortisBC has no tested
23 equipment with greater than 500 mg/kg of PCB.

24 **Q19.4 Does the current policy require the tracking of all transformers for**
25 **which the PCB content has been measured?**

26 A19.4 Yes, the current policy requires tracking of all transformers for which
27 PBC content has been measured.

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

1 **Q19.5 Does the current FortisBC PCB policy include a requirement to**
2 **measure the PCB content of all transformers in sensitive areas**
3 **and transformers that require maintenance?**

4 A19.5 Current policy requires all padmount transformers built prior to 1980 to
5 be checked for PCB content.

6 **Q19.6 Does the new program build on an existing inventory of**
7 **equipment known to have PCB oil?**

8 A19.6 Yes, the new program builds on an existing inventory of equipment
9 known to have PCB contaminated oil.

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

1 **Issue: DSM Plan**

2 **20.0 Reference: Exhibit B-1, Tab 7.6, Demand Side Management, page 14**
3 **DSM Plan**

4 **“The final DSM Plan incorporates extensive public**
5 **consultation and input from customers and**
6 **stakeholders.”**

7 **Q20.1 Please file a copy of the final DSM Plan referred to in the above**
8 **quote.**

9 A20.1 The final DSM Plan was filed as Appendix 3 of the Company’s 2011
10 Capital Expenditure Plan, and can be found on the FortisBC’s website
11 at the following link: www.fortisbc.com.

Issue: 2010 Performance Standards

21.0 Reference: Exhibit B-1, Tab 8.2.1, Transmission and Distribution Reliability Targets, page 9 Reliability Issues

“If the Company earned a financial incentive, did it do so as a direct result of allowing or causing its performance to deteriorate in a material way.”

“The forecast targets for All Injury Frequency Rate (“AIFR”), Vehicle Incident Rate (“VIR”), and System Average Interruption Duration Index (“SAIDI”) are not expected to be met...”

“In addition to the impact of planned outages, one significant forced outage that had the greatest impact on SAIDI is: on July 12th, 2010 a windstorm..”

Q21.1 Please provide a reference for the first quote.

A21.1 The quote first appeared in the 2006 Revenue Requirements Application (Tab 9, Page 2). The phrase was the basis for the wording in the 2006 NSA which states, “ To be eligible for an incentive, FortisBC must show that it did not achieve the additional earnings as a direct result of deteriorated performance.” (Appendix 1 to G-58-06, P. 27)

Q21.2 Please comment on whether or not the three performance indicators that are not expected to be met are all good indicators, if not the best indicators of the 13 metrics, of the performance of field operations personnel, particularly the line trade, albeit, on different operational parameters.

Q21.2 FortisBC has agreed to all of the performance metrics, including the three mentioned above, during a negotiated settlement process, and considers all to be acceptable criteria on which to base eligibility for earning a financial incentive. The Company believes all to be important and has not ranked the standards in any particular order. Further, FortisBC believes that all functional areas contribute to the

1 performance of the Company; especially those related to Safety and,
2 generally speaking communicates results in the same manner to all
3 employee groups.

4 **Q21.3 Does poor performance on all three metrics suggest that**
5 **management needs to make changes to field operations? If so,**
6 **what are the changes being proposed?**

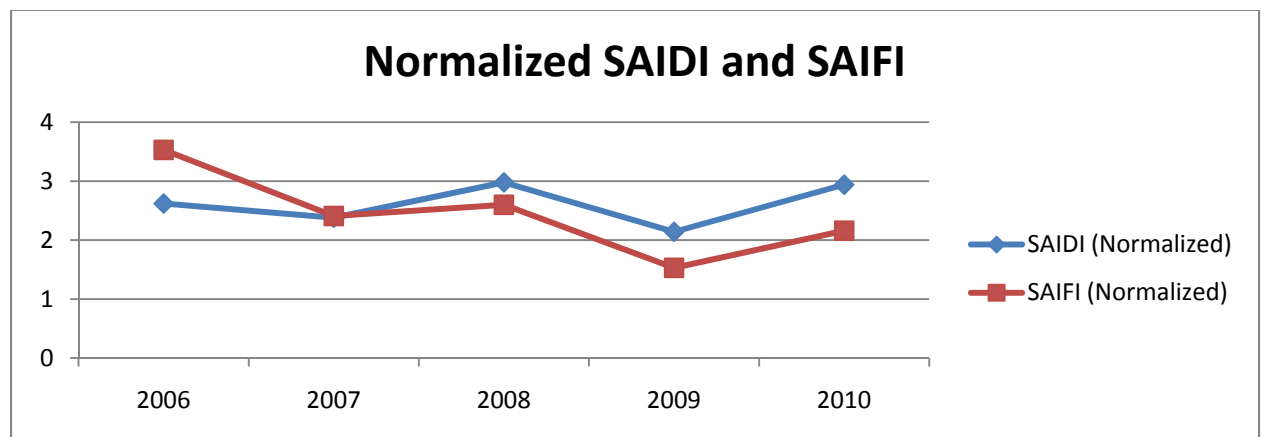
7 A21.3 The Company submits that missing a target does not necessarily
8 constitute poor performance. For instance, some targets have
9 standards that are higher than the CEA averages that the Company
10 would typically measure against, and, in fact, FortisBC performs well
11 against the CEA measures even in the reliability standards that were
12 not met for the purposes of PBR. Management monitors the
13 Performance Standards on an ongoing basis and opportunities for
14 process improvement are acted upon. Individual events that contribute
15 to a worsening of performance against any of the standards are
16 investigated and if warranted, may result in changes to operational
17 practice. Please also refer to the response to BCUC IR#1, Q57.2.

18 **Q21.4 Please comment on whether or not it is significant that SAIFI**
19 **decreased in the same year that SAIDI increased. What is the**
20 **significance? Is it reasonable to conclude that the duration of**
21 **each outage has increased, and that the response time of field**
22 **operations to outages has deteriorated year over year?**

23 A21.4 During the last year, there are some significant factors that have led to
24 the SAIFI and SAIDI results, however they are not contributed to by
25 deterioration in response time from field operations. Emergency
26 response time and restoration time continue to meet or exceed
27 historical performance in the past year.

Results for SAIFI have been following an improving trend over the last number of years and have met the normalized reliability target. The largest influence on SAIFI is the transmission system reliability which has improved as a result of the Company's capital investment in the transmission system over the last number of years.

Results for SAIDI have been relatively consistent over the last number of years. This years' results have been affected by higher than normal planned outages required to support the capital program, forced outages and extended restoration time due to abnormal system conditions because of capital projects, and overall a higher number of outages in areas that are outside of the Company's control, such as adverse weather, and interference by public and birds/animals, than in past years.



Q21.5 Please comment on whether or not management decisions to control costs are at least in the short-term more likely to impact SAIDI than SAIFI.

A21.5 FortisBC continues to manage costs based on cost effective solutions for its customers and understands that reliability and cost are the main concerns. All capital projects are reviewed and prioritized based on these concerns, as well as numerous other factors (safety, environmental, etc.), before being submitted into the capital program.

1 FortisBC does not make decisions or have any documentation
2 specifically related to any direct impact to SAIDI or SAIFI due to
3 management decisions to control costs and therefore cannot comment
4 on any impact.

5 **Q21.6 Please confirm that this windstorm referred to in the above quote**
6 **does not qualify as a major event. Please comment on and**
7 **quantify the impact of this windstorm on SAIFI.**

8 A21.6 The windstorm on July 12th did not qualify as a major event. Although
9 the windstorm resulted in three transmission level outages, they were
10 all successfully automatically restored within seconds, limiting the
11 SAIFI impact to only the distribution level. The SAIFI impact was about
12 0.05.

13 **Q21.7 Does FortisBC believe that the response by field operations to**
14 **this storm was as good as could reasonably be expected? Have**
15 **any changes to field operations been implemented since the**
16 **storm that may improve the Company's response to future**
17 **storms?**

18 A21.7 Yes. FortisBC believes that the response by field operations to this
19 storm was managed very effectively. The windstorm affected the
20 distribution system throughout the service area, with the main cause of
21 the outage being trees on the line as a result of the wind. Restoration
22 efforts caused by tree outages often involve tree removal and repairs
23 to infrastructure which increase the duration of these outages. During
24 the July 12th windstorm all outages were managed well by local field
25 operations staff and restored the same day with the longest outage
26 caused by a tree that affected approximately 185 customers for 10
27 hours.

22.0 Reference: Exhibit B-1, Tab 8.2.1, Transmission and Distribution Reliability Targets, page 10 Normalized Reliability Results

Q22.1 Please explain why 2010 SAIFI is 1.50 before normalization, and forecast to be 1.81 after normalization (as shown on page 3 of Tab 8).

A22.1 SAIFI is forecast to be 1.50 before normalization and 1.50 after normalization. Please refer to Errata 2.

Q22.2 Please calculate and provide the CAIDI reliability measure since 2007 and the forecast for 2010.

A22.2 Table Celgar A22.2 below sets out the CAIDI reliability measure from 2007 to 2010.

Table Celgar A22.2

	SAIDI (Normalized)	SAIFI (Normalized)	CAIDI
2007	2.38	2.41	0.99
2008	2.98	2.6	1.15
2009	2.14	1.53	1.40
2010	2.94	2.16	1.36

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

1 **23.0 Reference: Exhibit B-1, Tab 8.3.3, Contact Center Performance, page 14**
2 **Actual Performance Results**

3 **Q23.1 Please explain how the actual calls answered within 30 seconds**
4 **have been exactly 70 percent in each of the last 5 years.**

5 A23.1 FortisBC actively manages staffing levels in its contact center on an
6 hourly and daily basis according to forecast call volumes. This allows
7 the Company to closely match the desired average telephone service
8 factor of 70 per cent on a monthly and annual basis.

1 **Issue: Prior Years Directives**

2 **24.0 Reference: Exhibit B-1, Appendix A**
3 **Prior Years Directives**

4 **Order G-162-09, Appendix A, p. 7 approved a**
5 **settlement agreement that stated:**

6 **“The appropriate venue for this issue to be raised is**
7 **FBC’s Rate Design Application”.**

8 **Q24.1 Please confirm that the reference to “this issue” is to an issue in**
9 **the Rate Design proceeding, that is, whether it is appropriate to**
10 **allow Zellstoff Celgar to increase its FortisBC load while selling**
11 **generation to BC Hydro.**

12 A24.1 The precise description of the issue contained in the NSA is,

13 *It is unclear whether it is appropriate to allow Zellstoff Celgar to*
14 *increase its FortisBC load while selling generation to BC Hydro.*

15 **Q24.2 Please also confirm that by letter dated February 24, 2010 counsel**
16 **for FortisBC stated: “Both of the issues that Celgar raises - i.e.,**
17 **the “appropriateness” and “determination” of a generation**
18 **baseline (“GBL”) for its Castlegar pulp mill - are outside the scope**
19 **of, and in any event cannot be addressed either meaningfully or**
20 **efficiently within, FortisBC's rate design application (the**
21 **“FortisBC RDA”).”**

22 A24.2 FortisBC can confirm that the February 24, 2010 letter, which was
23 written in response to the Commission’s February 18, 2010 letter,
24 contains the quoted passage.

1 **Q24.3 Please confirm that, at least in part, the issues referred to in the**
2 **above quote are the same issue that was the subject of the**
3 **settlement agreement.**

4 A24.3 Not Confirmed. The issue of whether it is appropriate to allow Zellstoff
5 Celgar to increase its FortisBC load while selling generation to BC
6 Hydro was the same issue as was the subject of the settlement
7 agreement. The issue of determining a Zellstoff Celgar GBL is clearly
8 a step beyond the determination of the appropriateness of such
9 activities and this was never part of the 2010 settlement
10 agreement. The Company believes that the 2010 settlement
11 agreement did not envision the setting of a GBL for Zellstoff Celgar.

12 **Q24.4 Please comment on whether or not the settlement agreement can**
13 **be reconciled with the subsequent position taken by FortisBC in**
14 **the rate design proceeding.**

15 A24.4 As provided in the response to Zellstoff Celgar Q24.3 above, the
16 issues are distinct and do not require reconciliation.

17 **Q24.5 If so, please reconcile the deferral of these issues to the rate**
18 **design proceeding by the settlement agreement with the**
19 **subsequent position taken in the Rate Design proceeding by**
20 **FortisBC?**

21 A24.5 Please see the response to Zellstoff Celgar Q24.4 above.

22 **Q24.6 If the deferral in the settlement agreement and the subsequent**
23 **position taken by FortisBC cannot reasonably be reconciled,**
24 **please explain in what circumstances FortisBC believes it is**
25 **appropriate for it to not comply with a settlement agreement?**

26 A24.6 Please see the response to Zellstoff Celgar Q24.4 above.

1 **Issue: Affiliate Transactions**

2 **25.0 Reference: Exhibit B-1, Appendix C**
3 **Affiliate Transactions**

4 **Q25.1 Please prepare a table for each affiliate with the “transaction**
5 **type” amounts shown for the past five years. The “transaction**
6 **type” should be as set forth for each affiliate as per Appendix C**
7 **with the exception of “Transactions charged to FPHI” where the**
8 **amount for each year should be disaggregated by Subcontractor**
9 **Agreement.**

10 A25.1 Please refer to the below tables. Please note that the Company is
11 unable to disaggregate the Subcontractor Agreement amounts for
12 “Transactions charged to FPHI” due to confidentiality provisions in the
13 respective service agreements.

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

1

Table Celgar A25.1a – Fortis Inc.

Transactions charged to Fortis Inc					
Transaction Type	2009	2008	2007	2006	Explanation
Labour & Travel Expenses	9,000	2,000	-	2,000	
Executive Legal Services	-	101,000	-	-	Fortis Inc acquisition enquiry
Demand Note Interest	-	-	295,000	-	Interest on short term demand notes to Fortis Inc: \$20M
Hurricane Preparedness Services	-	-	5,000	4,000	
Legal, Due Diligence Support Services (Terasen Aquistion)	-	-	500,000	-	
Strategy Session Recoverable Expenses	-	-	-	28,000	
CFO Conference Costs	-	-	-	6,000	
Total	9,000	103,000	800,000	40,000	

2

Transactions charged from Fortis Inc					
Transaction Type	2009	2008	2007	2006	Explanation
Corporate Governance & Strategic Services	944,000	840,500	570,000	630,000	
Compensation Recoveries (Non-Regulated)	422,000	347,000	260,000	170,000	
Pension Recoveries	25,000	23,500	25,000	20,000	
Information Technology Services	5,000	20,000	-	-	Methodware and Sharepoint systems
Demand Note Interest	-	-	480,000	105,000	Interest on short term demand notes from Fortis Inc.
Travel Expense Recoveries (Executive)	-	-	15,000	35,000	
Total	1,396,000	1,231,000	1,350,000	960,000	

3

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

1

Table Celgar A25.1b – Fortis Alberta Inc.

Transactions charged to Fortis

Alberta Inc

Transaction Type	2009	2008	2007	2006	Explanation
Pension Related Recoveries	30,000	28,000	55,000	-	FortisAB employee on the Fortis BC plan
Inventory Items	16,000	24,000	85,000	2,000	Purchases of FortisBC inventory
Travel Expenses, Board of Directors (J Walker)	4,000	4,000	10,000	3,000	
Relocation Recoveries	-	2,000	-	-	
Total	50,000	58,000	150,000	5,000	

2

Transactions charged from Fortis

Alberta Inc

Transaction Type	2009	2008	2007	2006	Explanation
Metering Services	55,000	76,000	85,000	110,000	Meter Management Services
Material & Equipment Purchase (Capital)	43,000	163,000	10,000	-	
Training Expenses	42,000	35,500	25,000	10,000	PLT Apprentice Training
Property Tax Support Services	-	2,000	55,000	65,000	Transitional services on start-up
Interest Charges	-	500	-	-	
Information Technology Services	-	-	70,000	225,000	Transitional services on start-up
Engineering & Operations Services	-	-	40,000	-	Transitional services on start-up
Procurement Services	-	-	-	25,000	Transitional services on start-up
Insurance Services	-	-	-	20,000	Transitional services on start-up
Finance Services	-	-	-	20,000	Transitional services on start-up
Travel Expenses, Board of Directors (P Hughes)	-	-	-	5,000	Transitional services on start-up
Customer Service Support	-	-	-	50,000	Transitional services on start-up
Corporate Records Separation	-	-	-	35,000	Transitional services on start-up
Employee Services	-	-	-	25,000	Transitional services on start-up
Other - Labour Charges	-	-	-	10,000	Transitional services on start-up
Total	140,000	277,000	285,000	600,000	

3

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

1 **Table Celgar A25.1c – Newfoundland Power Inc.**

**Transactions charged to
Newfoundland Power Inc**

Transaction Type	2009	2008	2007	2006	Explanation
Travel Expenses, Board of Directors (J Walker)	18,000	23,000	20,000	10,000	
Employee Exchange Expenses	-	-	-	20,000	
Recoverable Advertising Expenses	-	-	-	10,000	
Total	18,000	23,000	20,000	40,000	

2

**Transactions charged from
Newfoundland Power Inc**

Transaction Type	2009	2008	2007	2006	Explanation
Information Technology Services	16,500	-	10,000	9,000	Spam/internet security
Consulting, Labour & Travel Expenses	3,000	8,500	87,000	44,000	Transitional services
Conference Board of Canada Subscription	2,000	3,000	3,000	3,000	
Shared Membership Fee - Institute of Internal Auditors	500	500	-	-	
Pension Related Recoveries	-	-	-	19,000	
Total	22,000	12,000	100,000	75,000	

3

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

1 **Table Celgar A25.1d – Terasen Inc./Terasen Gas Inc.**

**Transactions charged to Terasen
Inc / Terasen Gas Inc**

Transaction Type	2009	2008	2007	2006	Explanation
Sale of Power (Tariff Sales)	561,000	380,000	90,000	-	
Labour & Travel Expenses (Executive Legal)	195,000	131,000	100,000	-	
Customer Works Ltd. Partnership Board Expenses	26,000	-	-	-	
Cooperative Safety Program (CSP)	10,000	-	10,000	-	
Travel Expenses, Board of Directors (J Walker)	8,000	5,000	-	-	
Energy Management Project Costs	7,000	17,500	-	-	
Springfield Office Improvements	-	-	25,000	-	
Total	807,000	533,500	225,000	-	

2

**Transactions charged from
Terasen Inc / Terasen Gas Inc**

Transaction Type	2009	2008	2007	2006	Explanation
Rental of Springfield Road Office	222,000	221,500	-	-	
Property Tax Support Services Including Software & License Fees and Travel Expenses	49,000	45,500	-	-	
Capital Improvements (Substations)	29,000	-	-	-	
Insurance Support Services	20,000	-	-	-	
	12,000	15,000	9,000	-	
Purchase of Natural Gas (Tariff Sales)					
Conference Expenses	11,000	12,000	-	-	
Banquet & Community Award Expenses	4,000	2,000	2,000	-	
Energy Efficiency Programs	4,000	10,000	9,000	-	
Travel Expenses, Board of Directors (R Jespersen)	1,000	1,500	-	-	
Damage Repairs (Gas Line)	-	2,500	-	-	
Total	352,000	310,000	20,000	-	

3

4 **Table Celgar A25.1e – Fortis Ontario Inc.**

**Transactions charged to Fortis
Ontario Inc**

Transaction Type	2009	2008	2007	2006	Explanation
Travel Expenses	1,000	-	-	-	
Total	1,000	-	-	-	

5

**Transactions charged from Fortis
Ontario Inc**

Transaction Type	2009	2008	2007	2006	Explanation
Travel Expenses, Board of Directors (B Daley)	13,000	5,000	-	-	
Total	13,000	5,000	-	-	

6

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

Table Celgar A25.1f – Fortis Properties Inc.

Transactions charged to Fortis

Properties Inc

Transaction Type	2009	2008	2007	2006	Explanation
Travel Expenses	5,500	-	-	-	
Construction Contribution	1,500	-	-	-	
Total	7,000	-	-	-	

Transactions charged from Fortis

Properties Inc

Transaction Type	2009	2008	2007	2006	Explanation
Canadian Hydropower Dues	3,000	2,000	2,000	1,000	
Relocation Cost Recoveries	-	-	-	89,000	
Total	3,000	2,000	2,000	90,000	

Table Celgar A25.1g – Maritime Electric

Transactions charged from

Maritime Electric

Transaction Type	2009	2008	2007	2006	Explanation
Recoverable Expense	-	-	-	1,000	
Total	-	-	-	1,000	

Table Celgar A25.1h – Fortis Pacific Holdings Inc.

Transactions charged to Fortis Pacific Holdings Inc

Transaction Type	2009	2008	2007	2006	Explanation
Services Pursuant to Subcontractor Agreements for City of Kelowna Electric Utility	3,574,000	2,910,000	4,773,000	2,843,000	
Services Pursuant to Subcontractor Agreements for Arrow Lakes Power Co	1,395,000	1,029,000	805,000	1,069,000	
Services Pursuant to Subcontractor Agreements for Brilliant Expansion Power Corp	1,059,000	1,569,000	1,188,000	311,000	
Services Pursuant to Other Agreements	54,000	143,000	109,000	102,000	
Total	6,082,000	5,651,000	6,875,000	4,325,000	

Transactions charged from Fortis Pacific Holdings Inc

Transaction Type	2009	2008	2007	2006	Explanation
Recloser replacement	-	-	-	20,000	PLP transitional AP issue
Total	-	-	-	20,000	

Project No. 3698570: Application for 2011 Revenue Requirements
Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)
Information Request No.: 1
To: FortisBC Inc.
Request Date: October 15, 2010
Response Date: October 29, 2010

1 **Table Celgar A25.1i – Walden Power Partnership**

Transactions charged to Walden Power Partnership					
Transaction Type	2009	2008	2007	2006	Explanation
Operation & Maintenance, Walden Power Plant	129,000	99,000	70,000	122,000	
Transfer Pricing Charged to Walden Power	7,000	6,000	5,000	10,000	
Interest charged to Walden	-	-	-	148,000	
Subtotal	136,000	105,000	75,000	280,000	
Net cash invested in Walden	600,000	700,000	550,000	580,000	
Total	736,000	805,000	625,000	860,000	

3 **Table Celgar A25.1j – Princeton Light & Power Inc.**

Transactions charged to Princeton Light & Power Inc					
Transaction Type	2009	2008	2007	2006	Explanation
Labour, Material & Other Expenses	-	-	-	40,000	
Wholesale Power Purchases	-	-	-	3,545,000	
Total	-	-	-	3,585,000	

Transactions charged from Princeton Light & Power Inc					
Transaction Type	2009	2008	2007	2006	Explanation
Similkameen Valley Contract Services				300,000	
Total	-	-	-	300,000	

6 **Q25.2 Please provide an explanation of any year over year change to**
 7 **“transaction type” that appears in the above table. Please identify**
 8 **any changes from 2009 to 2010 that were not approved by Order**
 9 **G-5-10A.**

10 A25.2 Please refer to the response to Celgar Q25.1 above. There were no
 11 changes from 2009 to 2010 that were not approved by Order G-5-10A.

1 **Q25.3 Please file the annual internal audit reports for 2008 and 2009, and**
2 **the annual internal audit plan for 2010. How does FortisBC**
3 **propose to adjust the 2010 revenue requirements for adjustments**
4 **recommended by the 2010 internal audit report?**

5 A25.3 FortisBC declines to respond to this information request as it has no
6 relevance to, nor will the response in any way aid the Commission in
7 reaching a determination in, the Application before it.

8 **Q25.4 Please provide the calculation of the transfer price charged to**
9 **FPHI by each executive of FortisBC for the month of May 2010,**
10 **and please file the daily time sheets of the two executives of**
11 **FortisBC with the first and second highest charge to FPHI for the**
12 **month of May 2010. Please confirm that the daily time sheets were**
13 **prepared contemporaneously.**

14 A25.4 There was no executive time charged to Fortis Pacific Holdings Inc.
15 ("FPHI") in May 2010, however, a prorated amount of 0.5 percent for
16 the overall Executive budget for the year is allocated to FPHI. This
17 equates to approximately \$13,000 per year, or approximately \$1100
18 per month.

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

1

Table Celgar A25.5b – Terasen Gas Inc.

Transactions charged to Terasen Gas Inc					
Transaction Type	2009	2008	2007	2006	Explanation
Sale of Power (Tariff Sales)	561,000	380,000	90,000	-	
Energy Management Project Costs	7,000	18,500	-	-	
Springfield Office (Kelowna) Improvements	-	-	25,000		
Total	568,000	398,500	115,000	-	

2

Transactions charged from Terasen Gas Inc					
Transaction Type	2009	2008	2007	2006	Explanation
Rental of Springfield Office (Kelowna)	222,000	221,500	-	-	
Property Tax Support Services Including					
Software & License Fees and Travel Expenses	49,000	45,500	-	-	
Capital Improvements (Substations)	29,000	-	-	-	
Insurance Support Services	20,000	-	-	-	
Purchase of Natural Gas (Tariff Sales)	12,000	15,000	9,000	-	
Conference Expenses	11,000	12,000	-	-	
Banquet & Community Award Expenses	4,000	2,000	2,000	-	
Energy Efficiency Programs	4,000	10,000	9,000	-	
Travel Expenses, Board of Directors (R Jespersion)	1,000	1,500	-	-	
Damage Repairs (Gas Line)	-	2,500	-	-	
Total	352,000	310,000	20,000	-	

3

1 **Issue: Capitalized Power Purchases**

2 **26.0 Reference: Exhibit B-1, Appendix E**
3 **Historical Precedent**

4 **Q26.1 Please confirm whether it is within the Commission's jurisdiction**
5 **to order that power purchases made for any reason are to be**
6 **expensed in the year incurred, and therefore, should not be**
7 **amortized, along with any accompanying carrying costs, over any**
8 **time period exceeding one year.**

9 A26.1 The Company can confirm its understanding that the Commission is
10 not bound by its previous decisions with respect to the capitalization of
11 power purchase costs. However, as such costs were previously
12 allowed, and as approved O&M expenditures are determined by
13 formula for the term of the PBR regime, FortisBC would view any such
14 determination as qualifying for Z-Factor treatment.

1 **Issue: Tariff Rates**

2 **27.0 Reference: None**

3 **Q27.1 Please file FortisBC current electricity tariffs, including any**
4 **attachments, amendments and appendices (such as transmission**
5 **access and interconnection tariffs).**

6 A27.1 FortisBC declines to respond to this information request as it has no
7 relevance to, nor will the response in any way aid the Commission in
8 reaching a determination in, the Application before it.

9 **Q27.2 Please explain why Rate Schedules 101 through 108 have**
10 **changed from the proposed rate schedules filed in the RDA/COSA**
11 **proceeding.**

12 A27.2 FortisBC declines to respond to this information request as it has no
13 relevance to, nor will the response in any way aid the Commission in
14 reaching a determination in, the Application before it.

15 **Q27.3 Please provide a summary of all changes in the current rate**
16 **schedules as compared to the rate schedules filed in the**
17 **RDA/COSA proceeding.**

18 A27.3 FortisBC declines to respond to this information request as it has no
19 relevance to, nor will the response in any way aid the Commission in
20 reaching a determination in, the Application before it.

21 **Q27.4 Please explain why some rate schedules have increases tied to**
22 **the outcome of BC Hydro's Revenue Requirements application,**
23 **when the services are not impacted by the cost of energy, for**
24 **instance Rate Schedule 103 – Scheduling, System Control and**
25 **Dispatch Service.**

Project No. 3698570: Application for 2011 Revenue Requirements

Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)

Information Request No.: 1

To: FortisBC Inc.

Request Date: October 15, 2010

Response Date: October 29, 2010

1 A27.4 FortisBC declines to respond to this information request as it has no
2 relevance to, nor will the response in any way aid the Commission in
3 reaching a determination in, the Application before it.

4 **Q27.5 Please explain whether an IPP may choose to provide its own**
5 **voltage control and reactive power supply from its own generator,**
6 **and thereby not be obligated to purchase Rate Schedule 104 –**
7 **Reactive Supply and Voltage Control from Generation Sources**
8 **Services when taking supply under Rate Schedules 100, 101 and**
9 **102. If not, why not?**

10 A27.5 FortisBC declines to respond to this information request as it has no
11 relevance to, nor will the response in any way aid the Commission in
12 reaching a determination in, the Application before it.

Project No. 3698570: Application for 2011 Revenue Requirements
Requestor Name: Zellstoff Celgar Limited Partnership (Celgar)
Information Request No.: 1
To: FortisBC Inc.
Request Date: October 15, 2010
Response Date: October 29, 2010

1 **Issue: General**

2 **28.0 Reference: None**

3 **Q28.1 Please file FortisBC's 2008 and 2009 annual reports to the BCUC.**

4 A28.1 FortisBC's 2008 and 2009 Annual Reports to the BCUC are attached
5 as Zellstoff Celgar Appendix A28.1.

FARRIS

25th Floor
700 W Georgia StVancouver, BC
Canada V7Y 1B3Tel 604 684 9151
Fax 604 661 9349

www.farris.com

FAX MESSAGE

Sender:

Robert J. McDonell

Date:

August 15, 2005

Number of Pages (this page included):

11

Direct Dial Number:

(604) 661-9371

Email Address:

rmcdonell@farris.com

Fax Number:

(604) 661-9349

File No.:

05497-00106-0000

To	Company	Location	Fax Number
Dave Bennett	FortisBC	Kelowna	250-266-7976

Message:

Please see attached.

Status of Original: Kept in Our File

N.B. If you do not receive the entire transmission in legible form,
please call our fax room as soon as possible at (604) 684-9151, local 212.

***** Important - Confidential Information *****

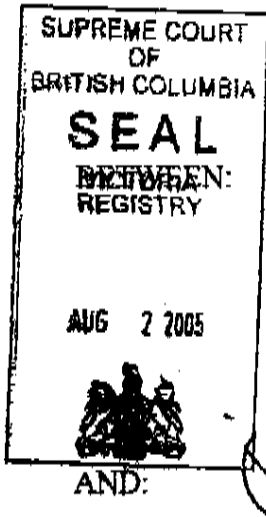
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FARRIS, VAUGHAN, WILLS & MURPHY LLP

Barristers & Solicitors



No. - 05 3745
Victoria Registry



IN THE SUPREME COURT OF BRITISH COLUMBIA

**HER MAJESTY THE QUEEN
IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA
AS REPRESENTED BY THE MINISTER OF FORESTS**

PLAINTIFF

**FORTIS PACIFIC HOLDINGS INC.
FORTISBC INC. and
AQUILA NETWORKS CANADA (BRITISH COLUMBIA) LTD.**

DEFENDANTS

WRIT OF SUMMONS

Name and Address of each Plaintiff:

**HER MAJESTY THE QUEEN IN RIGHT OF THE
PROVINCE OF BRITISH COLUMBIA, as represented by
THE MINISTER OF FORESTS**
Third Floor, Burnes House
26 Bastion Square
Victoria, B.C. V8W 1H9

Name and Address of each Defendant:

FORTIS PACIFIC HOLDINGS INC.
1500 Royal Centre
1055 West Georgia Street, P.O. Box 11117
Vancouver, B.C. V6E 4N7

**AQUILA NETWORKS CANADA
(BRITISH COLUMBIA) LTD.**
Unknown

FORTISBC INC.
Landmark IV, 5th Floor
1628 Dickson Avenue
Kelowna, B.C. V1Y 9X1

**ELIZABETH THE SECOND, by the Grace of God, of the United Kingdom, Canada and Her
other Realms and Territories, Queen, Head of the Commonwealth, Defender of the Faith.**

02AUG05 512846 RRS
12014 10 2005
Void for

To the Defendants:

TAKE NOTICE that this action has been commenced against you by the Plaintiff(s) for the claim(s) set out in this Writ.

IF YOU INTEND TO DEFEND this action, or if you have a set-off or counterclaim that you wish to have taken into account at the trial, **YOU MUST**

- (a) **GIVE NOTICE** of your intention by filing a form entitled "Appearance" in the above registry of this Court, at the address shown below, within the Time for Appearance provided for below and **YOU MUST ALSO DELIVER** a copy of the Appearance to the Plaintiff's address for delivery, which is set out in this Writ, and
- (b) if a Statement of Claim is provided with this Writ of Summons or is later served on or delivered to you, **FILE** a Statement of Defence in the above registry of this Court within the Time for Defence provided for below and **DELIVER** a copy of the Statement of Defence to the Plaintiff's address for delivery.

YOU OR YOUR SOLICITOR may file the Appearance and the Statement of Defence. You may obtain a form of Appearance at the Registry.

JUDGMENT MAY BE TAKEN AGAINST YOU IF

- (a) **YOU FAIL** to file the Appearance within the Time for Appearance provided for below, or
- (b) **YOU FAIL** to file the Statement of Defence within the Time for Defence provided for below.

TIME FOR APPEARANCE

If this Writ is served on a person in British Columbia, the time for appearance by that person is 7 days from the service (not including the day of service).

If this Writ is served on a person outside British Columbia, the time for appearance by that person after service, is 21 days in the case of a person residing anywhere within Canada, 28 days in the case of a person residing in the United States of America, and 42 days in the case of a person residing elsewhere.

TIME FOR DEFENCE

A Statement of Defence must be filed and delivered to the Plaintiff within 14 days after the later of

- (a) the time that the Statement of Claim is served on you (whether with this Writ of Summons or otherwise) or is delivered to you in accordance with the Rules of Court, and
- (b) the end of the Time for Appearance provided for above.

1. THE ADDRESS OF THE REGISTRY IS:

Ministry of Attorney General
Court Registry, 2nd Floor
PO Box 9248 Stn Prov Govt
850 Burdett Avenue
Victoria, BC V8W 9J2

2. THE ADDRESS FOR DELIVERY IS:

Third Floor, 26 Bastion Square
Victoria, BC V8W 1H9

Fax number for delivery (if any): 382-4236

3. THE NAME AND OFFICE ADDRESS OF THE PLAINTIFF'S SOLICITOR IS:

Susan L. Beach
Cox, Taylor
Barristers and Solicitors
Third Floor, 26 Bastion Square
Victoria, BC V8W 1H9

The Plaintiff's claim is:
See attached Statement of Claim

Dated: July 29, 2005


Solicitor for the Plaintiff

Court File No.
Victoria Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

**HER MAJESTY THE QUEEN
IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA,
AS REPRESENTED BY THE MINISTER OF FORESTS**

PLAINTIFF

AND:

**FORTIS PACIFIC HOLDINGS INC.,
FORTISBC INC. AND
AQUILA NETWORKS CANADA (BRITISH COLUMBIA) LTD.**

DEFENDANTS

STATEMENT OF CLAIM

1. The Plaintiff, Her Majesty the Queen in Right of the Province of British Columbia as represented by the Minister of Forests ("The Province"), may, pursuant to section 89 of the *Forest Practices Code of British Columbia*, R.S.B.C. 1996, chapter 159 ("*Forest Practices Code*") and amendments thereto, carry out fire suppression operations on any land if the operation is necessary to control or extinguish a fire threatening forest resources on Crown or private land.
2. The Defendant, Fortis Pacific Holdings Inc. ("Fortis Pacific") is incorporated pursuant to the laws of British Columbia and whose address for delivery is 1500 Royal Centre, 1055 West Georgia Street, P.O. Box 11117, Vancouver, B.C. V6E 4N7.

3. The Defendant FortisBC Inc. is incorporated pursuant statute and has an address of Landmark IV, 5th Floor, 1628 Dickson Avenue, Kelowna, British Columbia, Canada V1Y 9X1.
4. The Defendant, Aquila Networks Canada (British Columbia) Ltd. ("Aquila") was, at all material times incorporated pursuant to the laws of British Columbia, but is not currently registered with the British Columbia Corporate Registry and whose registered office is unknown.
5. On or about August 22, 2003 a fire ignited atop a hydro pole (Pole 42L91) on power transmission line named "Line 42" located within a statutory right of way which is registered in the name of West Kootenay Power and Light Company Limited (the "Statutory Right of Way"). (The entire fire area will be referenced as the Fire). The Fire then spread off the said right of way onto lands owned by the Province and private lands (the "Lands").
6. On August 22, 2003 the power transmission line and hydro pole, upon which the Fire ignited, was on the power transmission line named Line 42. Line 43 runs parallel and approximately 5 metres away from Line 42. Both Line 42 and Line 43 are within the said Statutory Right of Way described in paragraph 5. As such, Aquila occupied and was responsible for both lines 42 and 43.
7. The property upon which the Fire ignited including Lines 42 and 43, has a legal description of 011-636-181 Lot 3 Sections 15, 16, 21 and 22 Township 85 Similkameen Division Yale District Plan 134, Statutory Right of Way T67418 and is located near Okanagan Falls, British Columbia .
8. Prior to the Fire, Aquila had acquired the Statutory Right of Way and all of West Kootenay Power and Light Company's interests.

9. On April 30, 2004, Fortis Pacific acquired a reviewable interest in Aquila, including all of the issued and outstanding Common Shares of Aquila by order of the British Columbia Utilities Commission, Order Number G-39-04 pursuant to the *Utilities Commission Act*, R.S.B.C. 1996, c. 473.
10. The Province has been advised by the Defendant FortisBC Inc. that Fortis Pacific has subsequently changed its name to FortisBC Inc. pursuant to British Columbia Private Statute, *An Act to Incorporate the West Kootenay Power and Light Company, Limited*, R.S.B.C. 1897 c. 63. FortisBC Inc. is the correct defendant in this action and has had a name change pursuant to *An Act to Incorporate the West Kootenay Power and Light Company, Limited*, R.S.B.C. 1897 c. 63. The Province at this time has no direct knowledge of this.
11. On or about August 22, 2003, a designated forest official determined that a fire control and suppression operation was necessary to control or extinguish the Fire on the Lands and that forest resources on Crown land or private land were threatened by the Fire pursuant to section 89 of the *Forest Practices Code*.
12. The Province incurred significant costs in controlling, suppressing and extinguishing the Fire, such amount to be provided prior to trial (the "Fire Suppression Costs").
13. The Province further suffered timber loss as a result of the Fire. Particulars of such costs will be provided prior to trial.
14. The Province further incurred costs to rehabilitate the Lands. Particulars of such costs will be provided prior to trial.
15. The Province alleges that the Defendant, Aquila, breached the provisions of the *Forest Practices Code of British Columbia Act*, R.S.B.C. 1996, c. 159 (the "*Forest Practices Code*"), such breaches include, but are not limited to:

- (a) failure to comply with Section 87 of the *Forest Practices Code*; and
- (b) such other particulars as counsel may advise.

16. Pursuant to section 162(1) of the *Forest Practices Code* Aquila is liable to the Province for costs incurred by the Province in controlling and suppressing the Fire, and establishing a free growing stand as such costs were incurred as a result, directly or indirectly, of Aquila's failure to comply with the *Forest Practices Code*.
17. Pursuant to section 162(2) of the *Forest Practices Code* Aquila is also liable to the Province for loss of the value of Crown timber and other forest resources of the Province destroyed as a result, directly or indirectly, of Aquila's failure to comply with the *Forest Practices Code*.
18. In addition, Aquila owed a duty of care to the Province and, breached such duty of care, and was thereby negligent. Particulars of such negligence include, but are not limited to, the following:
 - (a) failure to maintain, repair and operate their power transmission lines, including, but not limited to the hydro poles and insulators, in such a condition as to prevent a fire from igniting;
 - (b) failure to investigate previous fires which occurred on the same hydro pole on Line 42 and on the hydro pole on Line 43 directly adjacent to the hydro pole which ignited this Fire, to determine the cause, source and problem and to repair, replace or perform other work to prevent a fire from occurring within the same area again;
 - (c) failure to replace insulators which had a known history of leaking and which further may cause fires to ignite;
 - (d) failure to take such steps to ensure that the hydro poles and insulators would not cause a fire such steps, include, but are not limited to, the use of copper wire to ground the pole and/or the replacement of insulators;
 - (e) failure to remove combustible dried materials from the base of the hydro poles in the area to prevent fires from spreading or place gravel or some

other non-combustible material around the base of such poles to prevent fires from igniting;

(f) failure to comply with Section 87 of the *Forest Practices Code*;

(g) failure to have a system of inspection, maintenance and repair of hydro poles and insulators along the power transmission lines which would detect problems and prevent a fire from igniting; and

(h) such other particulars as counsel may advise.

19. As a result of the Defendant Aquila's breach of the *Forest Practices Code* and/or negligence, the Province has incurred costs and expenses for the control and suppression of the Fire, to rehabilitate all of the lands and property upon which the Fire spread and the loss of timber.

20. As a further result of Aquila's negligence the Province has suffered damages, losses and expenses, including, but not limited to, costs to control and suppress the Fire, costs to rehabilitate the lands and timber losses.

21. The Province states that Fortis Pacific and/or FortisBC Inc. when it acquired all issued and Commons Shares of Aquila, also acquired all its liabilities and is therefore directly liable for all costs, damages and expenses resulting from Aquila's breach of statute and negligence.

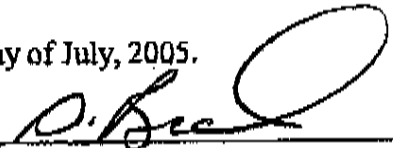
22. The Province further claims, in the alternative, that the Defendants Fortis Pacific and FortisBC Inc. are jointly and severally liable.

WHEREFORE the Plaintiff claims against the Defendants:

- (a) Judgment for the costs for controlling and suppressing the Fire, rehabilitating the lands upon which the fire spread, and loss of the value of Crown timber and other forest resources in an amount to be provided at trial pursuant to section 162 of the *Forest Practices Code of British Columbia Act*, R.S.B.C. 1996, c.159, section 130(1)(c) of the *Forest Act*, R.S.B.C. 1996, c.157 and interest pursuant to section 20 of the *Financial Administration Act*, R.S.B.C., 1996, c. 138;
- (b) General Damages;
- (c) Special damages;
- (d) Damages for loss of timber;
- (e) Interest pursuant to section 130 of the *Forest Act*, R.S.B.C. 1996, c.157 and amendments thereto and section 20 of the *Financial Administration Act*, R.S.B.C. 1996, c.138 and amendments thereto.
- (f) Interest pursuant to the *Court Order Interest Act*, R.S.B.C. 1996, c.79 and amendments thereto;
- (g) Costs; and
- (h) Such further orders as to this Honourable Court may deem just and meet.

Place of Trial: Kelowna, British Columbia.

DATED at Victoria, British Columbia, this 29th day of July, 2005.



Solicitor for the Plaintiff

This Statement of Claim is filed and delivered by C.E. Hanman, of the firm COX, TAYLOR, Solicitors for the Plaintiff, whose place of business and address for delivery is Third Floor, Burnes House, 26 Bastion Square, Victoria, British Columbia, V8W 1H9.

No.
Victoria Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

**HER MAJESTY THE QUEEN
IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA
AS REPRESENTED BY THE MINISTER OF FORESTS**

PLAINTIFF

AND:

**FORTIS INC., FORTISBC INC. and
AQUILA NETWORKS BRITISH COLUMBIA LTD.**

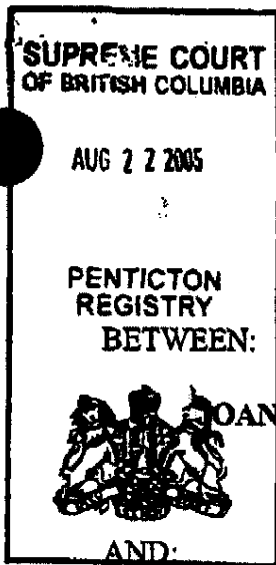
DEFENDANTS

Writ of Summons and Statement of Claim

**COX, TAYLOR
BARRISTERS & SOLICITORS
THIRD FLOOR, BURNES HOUSE
26 BASTION SQUARE
COURT BOX 26
VICTORIA, BRITISH COLUMBIA
V8W 1H9**

388-4457

File No.: F-376-57*SLB



No. **26896**
Penticton Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

JOAN CASORSO, Executrix of the Estate of VICTOR CASORSO, Deceased

PLAINTIFF

FORTIS PACIFIC HOLDINGS INC.,
FORTISBC INC.,
THE NATURE TRUST OF BRITISH COLUMBIA,
HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH
COLUMBIA AS REPRESENTED BY THE MINISTRY OF ENVIRONMENT AND
HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH
COLUMBIA AS REPRESENTED BY THE MINISTRY OF FORESTS

DEFENDANTS

WRIT OF SUMMONS

JOAN CASORSO, Executrix of the Estate of
VICTOR CASORSO, Deceased
c/o #201 - 100 Front Street
Penticton BC V2A 1H1

(The plaintiff(s))

Fortis Pacific Holdings Inc.
1500 Royal Centre
1055 West Georgia Street PO Box 11117
Vancouver Bc V6E 4N7

Fortisbc Inc.
Landmark IV, 5th Floor
1628 Dickson Avenue
Kelowna BC V1Y 9X1

Nature Trust of British Columbia
260 - 1000 Roosevelt Crescent
North Vancouver BC

Her Majesty the Queen in Right of
the Province of British Columbia
Ministry of Attorney General
101 Douglas Street
Victoria BC

Her Majesty the Queen in right of
the Province of British Columbia
Ministry of Forests
101 Douglas Street
Victoria BC

(The defendant(s))

ELIZABETH THE SECOND, by the Grace of God, of the United Kingdom, Canada and Her other Realms and Territories, Queen, Head of the Commonwealth, Defender of the Faith.

To the defendant(s): FORTIS PACIFIC HOLDINGS INC., FORTISBC INC., THE NATURE TRUST OF BRITISH COLUMBIA, HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA AS REPRESENTED BY THE MINISTRY OF ENVIRONMENT AND HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA AS REPRESENTED BY THE MINISTRY OF FORESTS

TAKE NOTICE that this action has been commenced against you by the plaintiff(s) for the claim(s) set out in this writ.

IF YOU INTEND TO DEFEND this action, or if you have a set off or counterclaim that you wish to have taken into account at the trial, **YOU MUST**

- (a) **GIVE NOTICE** of your intention by filing a form entitled "Appearance" in the above registry of this court, at the address shown below, within the Time for Appearance provided for below and **YOU MUST ALSO DELIVER** a copy of the Appearance to the plaintiff's address for delivery, which is set out in this writ, and
- (b) if a statement of claim is provided with this writ of summons or is later served on or delivered to you, **FILE** a Statement of Defence in the above registry of this court within the Time for Defence provided for below and **DELIVER** a copy of the Statement of Defence to the plaintiff's address for delivery.

YOU OR YOUR SOLICITOR may file the Appearance and the Statement of Defence. You may obtain a form of Appearance at the registry.

JUDGMENT MAY BE TAKEN AGAINST YOU IF

- (a) **YOU FAIL** to file the Appearance within the Time for Appearance provided for below, or

- (b) **YOU FAIL** to file the Statement of Defence within the Time for Defence provide for below.

TIME FOR APPEARANCE

If this writ is served on a person in British Columbia, the time for appearance by that person is 7 days from the service (not including the day of service).

If this writ is served on a person outside British Columbia, the time for appearance by that person after service, is 21 days in the case of a person residing anywhere within Canada, 28 days in the case of a person residing in the United States of America, and 42 days in the case of a person residing elsewhere.

[or, if the time for appearance has been set by order of the court, within that time.]

TIME FOR DEFENCE

A Statement of Defence must be filed and delivered to the plaintiff within 14 days after the later of

- (a) the time that the Statement of Claim is served on you (whether with this writ of summons or otherwise) or is delivered to you in accordance with the Rules of Court, and
- (b) the end of the Time for Appearance provided for above.

[or, if the time for defence has been set by order of the court, within that time.]

(1) The address of the registry is: 100 Main Street Penticton, BC V2A 5A5
(2) The plaintiff's ADDRESS FOR DELIVERY is: Boyle & Company Barristers & Solicitors #201 – 100 Front Street Penticton, BC V2A 1H1 Fax number for delivery (if any): (250) 492-4877

(3) The name and office address of the plaintiff's solicitor:

Tyrone A. Duerr
Boyle & Company
Barristers & Solicitors
#201 - 100 Front Street
Penticton, BC V2A 1H1

The plaintiff's claim is as set out in the statement of claim filed herewith.

DATED: August 22, 2005


Solicitor for plaintiff

No.
Penticton Registry

BETWEEN:

JOAN CASORSO, Executrix of the Estate of VICTOR
CASORSO, Deceased

PLAINTIFF

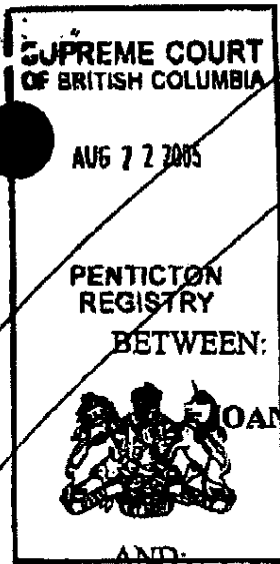
AND:

FORTIS PACIFIC HOLDINGS INC., FORTISBC INC.,
THE NATURE TRUST OF BRITISH COLUMBIA,
HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF
BRITISH COLUMBIA AS REPRESENTED BY THE MINISTRY
OF ENVIRONMENT AND
HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF
BRITISH COLUMBIA AS REPRESENTED BY THE MINISTRY
OF FORESTS

DEFENDANTS

WRIT OF SUMMONS

Tyrone A. Duerr
BOYLE & COMPANY
Barristers and Solicitors
201 - 100 Front Street
Penticton, BC V2A 1H1
Phone: (250) 492-6100
Fax: (250) 492-4877
22002/TAD/mhb



26896

No.
Penticton Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

JOAN CASORSO, Executrix of the Estate of VICTOR CASORSO, Deceased

PLAINTIFF

**FORTIS PACIFIC HOLDINGS INC.,
FORTISBC INC.,
THE NATURE TRUST OF BRITISH COLUMBIA,
HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH
COLUMBIA AS REPRESENTED BY THE MINISTRY OF ENVIRONMENT AND
HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH
COLUMBIA AS REPRESENTED BY THE MINISTRY OF FORESTS**

DEFENDANTS

STATEMENT OF CLAIM

1. The plaintiff, Joan Casorso, is the sole Executrix named in the last Will and Testament dated March 26, 1999 (the "Will") of Victor Casorso, Deceased, who died on April 28, 2004, and has an address for service of #201-100 Front Street, Penticton, British Columbia (the "Deceased Plaintiff").

2. The defendant, Fortis Pacific Holdings Inc. ("Fortis Pacific"), is incorporated pursuant to the laws of British Columbia and has an address for service of 1500 Royal Centre, 1055 West Georgia Street, PO Box 11117, Vancouver, British Columbia, V6E 4N7

3. The defendant, FortisBC Inc. ("FortisBC"), is incorporated pursuant to the *West Kootenay Power and Light Company, Limited, Act*, 1897, S.B.C. 1897, c.63. (the "West Kootenay Power Act") and has an address for service of Landmark IV, 5th Floor, 1628 Dickson Avenue, Kelowna, British Columbia, V1Y 9X1.

4. The defendant, the Nature Trust of British Columbia, is an extra provincial society incorporated in accordance with the laws of Canada with a head office within British Columbia of 260-1000 Roosevelt Crescent, North Vancouver, British Columbia.

5. The defendant, Her Majesty the Queen in Right of the Province of British Columbia as represented by the Ministry of Environment (the "Ministry of Environment"), has a registered address for service at the Ministry of the Attorney General, 101 Douglas Street, Victoria, British Columbia.

6. The defendant, Her Majesty the Queen in Right of the Province of British Columbia as represented by the Ministry of Forests (the "Ministry of Forests"), has a registered address for service at the Ministry of the Attorney General, 101 Douglas Street, Victoria, British Columbia.

History of Fortis Pacific and FortisBC as is Material to This Action:

7. On May 8, 1897 West Kootenay Power and Light Company, Limited was incorporated pursuant to the *West Kootenay Power Act*.

8. On September 1, 1988, West Kootenay Power and Light Company Limited, changed its name to the name West Kootenay Power Ltd. pursuant to the *West Kootenay Power Act* and the *Company Act*, R.S.B.C. 1996, c. 62.

9. On October 22, 2001, West Kootenay Power Ltd. changed its name to Utilicorp Networks Canada (British Columbia) Ltd. pursuant to the *West Kootenay Power Act* and the *Company Act*, R.S.B.C. 1996, c. 62.

10. On May 31, 2002, Utilicorp Networks Canada (British Columbia) Ltd. changed its name to Aquila Networks Canada (British Columbia) Ltd. ("Aquila") pursuant to the *West Kootenay Power Act* and the *Company Act*, R.S.B.C. 1996, c. 62.

11. On April 30, 2004, Fortis Pacific acquired a reviewable interest in Aquila, including all of the issued and outstanding Common Shares of Aquila by order of the British Columbia Utilities Commission, Order Number G-39-04 pursuant to the *Utilities Commission Act*, R.S.B.C. 1996, c. 473.

12. On June 1, 2004, Aquila changed its name to FortisBC Inc. pursuant to the *West Kootenay Power Act* and the *Business Corporations Act*, S.B.C. 2002, c.57, s.445.

The Fire:

13. On or about August 22, 2003, a fire ignited on or near a power delivery pole ("pole 42L91") on a power transmission line named "Line 42" located within a Statutory Right of Way which was assigned to West Kootenay Power and Light Company Limited in or about 1982 (the "Statutory Right of Way").

14. The fire spread from the Statutory Right of Way onto adjacent land owned by the Nature Trust and leased to the Ministry of Environment and from there to *inter alia* private lands jointly owned by the Deceased Plaintiff more particularly described as follows:

PARCEL IDENTIFIER: 014-726-751
DISTRICT LOT 119S SIMILKAMEEN DIVISION YALE DISTRICT

PARCEL IDENTIFIER: 011-791-713
SUB LOT 36 DISTRICT LOT 2710 SIMILKAMEEN DIVISION YALE DISTRICT
PLAN 1189

PARCEL IDENTIFIER: 011-791-870
SUB LOT 41 DISTRICT LOT 2710 SIMILKAMEEN DIVISION YALE DISTRICT
PLAN 1189

PARCEL IDENTIFIER: 011-790-199
SUB LOT 24 DISTRICT LOT 2710 SIMILKAMEEN DIVISION YALE DISTRICT
PLAN 1189

PARCEL IDENTIFIER: 014-778-947
DISTRICT LOT 467 SIMILKAMEEN DIVISION YALE DISTRICT

PARCEL IDENTIFIER: 011-790-393
SUB LOT 30 DISTRICT LOT 2710 SIMILKAMEEN DIVISION YALE DISTRICT
PLAN 1189

PARCEL IDENTIFIER: 011-791-888
SUB LOT 43 DISTRICT LOT 2710 SIMILKAMEEN DIVISION YALE DISTRICT
PLAN 1189

(the "Deceased Plaintiff's Lands")

17. On August 22, 2003 the power transmission line and power delivery pole upon which the fire ignited was on the power transmission line named Line 42. Line 43 runs parallel and approximately 5 metres away from Line 42. Both Line 42 and Line 43 are within the said Statutory Right of Way. As such, FortisBC and Fortis Pacific occupied and were responsible for both lines 42 and 43.

18. The property upon which the fire ignited, including Lines 42 and 43, has a legal description of Parcel Identifier 011-636-181, Lot 3, Section 15, 16, 21 and 22, Township 85, Similkameen Division Yale District Plan 134, Statutory Right of Way T67418, and is located near Okanagan Falls, British Columbia.

19. On or about August 22, 2003 a designated forest official determined that a fire control and suppression operation was necessary to control or extinguish the fire on the Lands and that forest resources on Crown land or private land were threatened by the fire pursuant to section 89 of the *Forest Practices Code*.

20. The Deceased Plaintiff further suffered timber losses as a result of the fire, particulars of such losses will be provided prior to trial.

21. The Deceased Plaintiff further incurred costs to rehabilitate those lands damaged by the fire, particulars of such costs will be provided to the defendants prior to trial.

Trespass by FortisBC and Fortis Pacific:

22. During the course of the fire and subsequent to the extinguishment of the fire, FortisBC and Fortis Pacific entered on to the Deceased Plaintiff's Lands outside of the statutory rights of way registered in favour of Fortis BC and Fortis Pacific on the Deceased Plaintiff's Lands without permission, thereby committing a trespass upon some of the Deceased Plaintiff's Lands which trespass caused physical damage and injury to the Deceased Plaintiff's Lands and further interfered with the Deceased Plaintiff's quiet enjoyment of the Deceased Plaintiff's Lands, resulting in injury and loss to the Deceased Plaintiff.

Breaches of the Forest Practices Code:

23. The Deceased Plaintiff alleges that the defendants, and all of them, breached the provisions of the *Forest Practices Code of British Columbia Act*, R.S.B.C. 1996, c. 159 (the "*Forest Practices Code*"), such breaches include, but are not limited to:

- (a) failure to comply with Section 87 of the *Forest Practices Code*; and
- (b) such other breaches as counsel may advise.

24. The Deceased Plaintiff alleges that Fortis Pacific, FortisBC Inc., the Nature Trust, the Ministry of Forests and the Ministry of the Environment owed the Deceased Plaintiff a duty of care and breached such duty of care and were thereby negligent.

Knowledge of Prior Fires:

25. Prior to August 22, 2003 Fortis Pacific, FortisBC, the Nature Trust, the Ministry of Environment and the Ministry of Forests had been aware of fires previously occurring on or near the Statutory Right of Way and on the Land owned by the Nature Trust and leased to the Ministry of Environment and the probable causes of same.

26. Prior to August 22, 2003 Fortis Pacific, FortisBC, the Nature Trust, the Ministry of Environment and Ministry of Forests had the ability and opportunity to prevent future fires from occurring on or near the Statutory Right of Way or on the land owned by the Nature Trust.

Particulars of Negligence:

27. The particulars of Fortis Pacific and FortisBC's negligence include, but are not limited to, the following:

- (a) failure to maintain, repair and operate their power transmission lines, including, but not limited to the power delivery poles and insulators in such a condition as to prevent a fire from igniting;
- (b) failure to investigate previous fires which occurred on the same power delivery pole on Line 42 and on a power delivery pole on Line 43 directly adjacent to the power delivery pole which ignited this fire, to determine

- the cause, source, and problem and to repair, replace or perform other work to prevent a fire from occurring within the same area again;
- (c) failure to replace insulators which had a known history of leaking and which further may cause fires to ignite;
 - (d) failure to take such steps to ensure that the power delivery poles and insulators would not cause a fire, including, but not limited to, the use of copper wire to ground the pole and/or to replace insulators;
 - (e) failure to clear and remove combustible dried materials from the base of the power delivery poles in the area to prevent fires from spreading or to place gravel or some other non-combustible material around the base of such poles to prevent fires from igniting;
 - (f) failure to comply with section 87 of the *Forest Practices Code*;
 - (g) failure to have a system of inspection, maintenance and repair of the power delivery poles and insulators along the power transmission lines which would detect problems and prevent a fire from igniting; and
 - (h) such other particulars of negligence as counsel may advise prior to the trial of this matter.

28. The particulars of the negligence of the Nature Trust, the Ministry of Forests and Ministry of Environment include, but are not limited to, the following:

- (a) failure to investigate previous fires which occurred on the same power delivery pole on Line 42 and on a power delivery pole on Line 43 directly adjacent to the power delivery pole which ignited this fire, to determine the cause, source, and problem and to take reasonable steps to prevent a fire from occurring within the same area again;
- (b) failure to clear and remove combustible dried materials from the base of the power delivery poles in the area to prevent fires from spreading or to place gravel or some other non-combustible material around the base of such poles to prevent fires from igniting;
- (c) failure to clear and remove combustible dried materials or undertake sufficient controlled burns to prevent fires from igniting or spreading from the Statutory Right of Way;
- (d) such other particulars of negligence as counsel may advise prior to the trial of this matter.

Damages Suffered by the Deceased Plaintiff:

29. As a result of the defendants' breach of the *Forest Practices Code* and/or negligence, the Deceased Plaintiff has incurred damages, costs, and expense to his real and personal property, including a loss of timber and pasture, the particulars of which will be delivered to the defendants prior to trial.

30. As a further result of the defendants' negligence, the Deceased Plaintiff has suffered damages, loss, and expense, including but not limited to costs arising from the steps taken by the Deceased Plaintiff to assist in controlling and suppressing the fire and costs to rehabilitate the lands and mitigate timber losses.

31. The Deceased Plaintiff states that when Fortis Pacific acquired all issued and outstanding Common Shares of FortisBC Inc. (formerly Aquila), also acquired all the liabilities of FortisBC Inc. and is therefore directly liable for all costs, damages, and expenses resulting from FortisBC Inc.'s breach of statute and negligence.

32. The Deceased Plaintiff further claims that when Aquila changed its name to FortisBC Inc. it remained legally responsible for all the liabilities of Aquila and is therefore directly liable for all costs, damages and expenses resulting from Aquila's breach of statute and negligence.

33. The Deceased Plaintiff further claims and in the alternative, that the defendants, Fortis Pacific, FortisBC, the Ministry of Environment and the Ministry of Forests are jointly and severally liable.

The Deceased Plaintiff claims against the defendants the following:

- (a) Judgment for all costs relating to the rehabilitation of lands upon which the fire spread and the loss of the value of timber on said lands and other forest resources in an amount to be provided at trial, together with interest, pursuant to section 30 of the *Financial Administration Act*, R.S.B.C. 1996, c. 138;
- (b) General damages;
- (c) Special damages;

- (d) Interest pursuant to section 130 of the *Forest Act* R.S.B.C. 1996, c. 157 and section 20 of the *Financial Administration Act* R.S.B.C. 1996, c. 138 and amendments thereto;
- (e) Interest pursuant to the *Court Order Interest Act*, R.S.B.C. 1996, c.79 and amendments thereto;
- (f) Costs; and
- (h) such further and other relief as to this Honourable Court may deem just and meet.

PLACE OF TRIAL: Penticton, British Columbia

DATED this 22nd day of August, 2005.



Solicitor for the plaintiff

This Statement of Claim is prepared and filed by Tyrone A. Duerr, whose place of business and address for service is Boyle & Company, Barristers & Solicitors, #201 - 100 Front Street, Penticton, British Columbia, V2A 1H1; Telephone: (250) 492-6100; Telecopier: (250) 492-4877

No.
Penticton Registry

BETWEEN:

**JOAN CASORSO, Executrix of the Estate of VICTOR
CASORSO, Deceased**

PLAINTIFF

AND:

**FORTIS PACIFIC HOLDINGS INC., FORTISBC INC.,
THE NATURE TRUST OF BRITISH COLUMBIA,
HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF
BRITISH COLUMBIA AS REPRESENTED BY THE MINISTRY
OF ENVIRONMENT AND
HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF
BRITISH COLUMBIA AS REPRESENTED BY THE MINISTRY
OF FORESTS**

DEFENDANTS

STATEMENT OF CLAIM

Tyrone A. Duerr
BOYLE & COMPANY
Barristers and Solicitors
201 - 100 Front Street
Penticton, BC V2A 1H1
Phone: (250) 492-6100
Fax: (250) 492-4877
22002/TAD/mhb

26894

No.
Penticton Registry

**SUPREME COURT
OF BRITISH COLUMBIA**

AUG 19 2005
BETWEEN:

**PENTICTON
REGISTRY**



IN THE SUPREME COURT OF BRITISH COLUMBIA

**DAVID CASORSO, WANDA CASORSO and
JOAN CASORSO**

PLAINTIFFS

**FORTIS PACIFIC HOLDINGS INC.,
FORTISBC INC.,
THE NATURE TRUST OF BRITISH COLUMBIA,
HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH
COLUMBIA AS REPRESENTED BY THE MINISTRY OF ENVIRONMENT AND
HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH
COLUMBIA AS REPRESENTED BY THE MINISTRY OF FORESTS**

DEFENDANTS

WRIT OF SUMMONS

David Casorso
c/o #201 - 100 Front Street
Penticton BC V2A 1H1

Wanda Casorso
c/o #201 - 100 Front Street
Penticton BC V2A 1H1

Joan Casorso
c/o #201 - 100 Front Street
Penticton BC V2A 1H1

(The plaintiff(s))

Fortis Pacific Holdings Inc.
1500 Royal Centre
1055 West Georgia Street PO Box 11117
Vancouver Bc V6E 4N7

Fortisbc Inc.
Landmark IV, 5th Floor
1628 Dickson Avenue
Kelowna BC V1Y 9X1

Nature Trust of British Columbia
260 - 1000 Roosevelt Crescent
North Vancouver BC

Her Majesty the Queen in Right of
the Province of British Columbia
Ministry of Attorney General
101 Douglas Street
Victoria BC

22AUG05 502786 RISS 208.00
48914 26894

Her Majesty the Queen in right of
the Province of British Columbia
Ministry of Forests
101 Douglas Street
Victoria BC

(The defendant(s))

ELIZABETH THE SECOND, by the Grace of God, of the United Kingdom, Canada and Her other Realms and Territories, Queen, Head of the Commonwealth, Defender of the Faith.

To the defendant(s): FORTIS PACIFIC HOLDINGS INC., FORTISBC INC., THE NATURE TRUST OF BRITISH COLUMBIA, HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA AS REPRESENTED BY THE MINISTRY OF ENVIRONMENT AND HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA AS REPRESENTED BY THE MINISTRY OF FORESTS

TAKE NOTICE that this action has been commenced against you by the plaintiff(s) for the claim(s) set out in this writ.

IF YOU INTEND TO DEFEND this action, or if you have a set off or counterclaim that you wish to have taken into account at the trial, **YOU MUST**

- (a) **GIVE NOTICE** of your intention by filing a form entitled "Appearance" in the above registry of this court, at the address shown below, within the Time for Appearance provided for below and **YOU MUST ALSO DELIVER** a copy of the Appearance to the plaintiff's address for delivery, which is set out in this writ, and
- (b) if a statement of claim is provided with this writ of summons or is later served on or delivered to you, **FILE** a Statement of Defence in the above registry of this court within the Time for Defence provided for below and **DELIVER** a copy of the Statement of Defence to the plaintiff's address for delivery.

YOU OR YOUR SOLICITOR may file the Appearance and the Statement of Defence. You may obtain a form of Appearance at the registry.

JUDGMENT MAY BE TAKEN AGAINST YOU IF

- (a) **YOU FAIL** to file the Appearance within the Time for Appearance provided for below, or

- (b) **YOU FAIL** to file the Statement of Defence within the Time for Defence provide for below.

TIME FOR APPEARANCE

If this writ is served on a person in British Columbia, the time for appearance by that person is 7 days from the service (not including the day of service).

If this writ is served on a person outside British Columbia, the time for appearance by that person after service, is 21 days in the case of a person residing anywhere within Canada, 28 days in the case of a person residing in the United States of America, and 42 days in the case of a person residing elsewhere.

[or, if the time for appearance has been set by order of the court, within that time.]

TIME FOR DEFENCE

A Statement of Defence must be filed and delivered to the plaintiff within 14 days after the later of

- (a) the time that the Statement of Claim is served on you (whether with this writ of summons or otherwise) or is delivered to you in accordance with the Rules of Court, and
- (b) the end of the Time for Appearance provided for above.

[or, if the time for defence has been set by order of the court, within that time.]

(1) The address of the registry is:

100 Main Street
Penticton, BC V2A 5A5

(2) The plaintiff's **ADDRESS FOR DELIVERY** is:

Boyle & Company
Barristers & Solicitors
#201 - 100 Front Street
Penticton, BC V2A 1H1

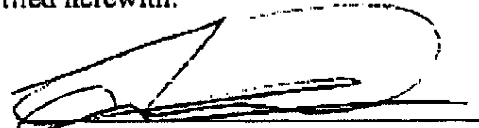
Fax number for delivery (if any): (250) 492-4877

(3) The name and office address of the plaintiff's solicitor:

Tyrone A. Duerr
Boyle & Company
Barristers & Solicitors
#201 - 100 Front Street
Penticton, BC V2A 1H1

The plaintiff's claim is as set out in the statement of claim filed herewith.

DATED: August 19th, 2005



Solicitor for plaintiff

No.
Penticton Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

**DAVID CASORSO, WANDA CASORSO, and
JOAN CASORSO**

PLAINTIFFS

AND:

FORTIS PACIFIC HOLDINGS INC. et al

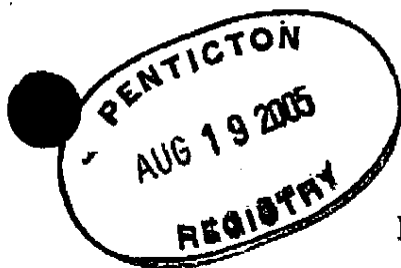
DEFENDANTS

WRIT OF SUMMONS

**Tyrone A. Duerr
Boyle & Company
Barristers & Solicitors
#201 - 100 Front Main Street
Penticton, B.C.
V2A 1H1**

**Tel: (250) 492-6100
Fax: (250) 492-4877**

22002/TAD/dmr



No. **26894**
Penticton Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

**DAVID CASORSO, WANDA CASORSO and
JOAN CASORSO**

PLAINTIFFS

AND:

**FORTIS PACIFIC HOLDINGS INC.,
FORTISBC INC.,
THE NATURE TRUST OF BRITISH COLUMBIA,
HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH
COLUMBIA AS REPRESENTED BY THE MINISTRY OF ENVIRONMENT AND
HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH
COLUMBIA AS REPRESENTED BY THE MINISTRY OF FORESTS**

DEFENDANTS

STATEMENT OF CLAIM

1. The plaintiff, David Casorso, is a businessman and rancher and has an address for service of #201-100 Front Street, Penticton, British Columbia.
2. The plaintiff, Wanda Casorso, is a nurse and rancher and has an address for service of #201-100 Front Street, Penticton, British Columbia.
3. The plaintiff, Joan Casorso, is retired and also has an address for service of #201-100 Front Street, Penticton, British Columbia.
4. The defendant, Fortis Pacific Holdings Inc. ("Fortis Pacific") is incorporated pursuant to the laws of British Columbia and has an address for service of 1500 Royal Centre, 1055 West Georgia Street, PO Box 11117, Vancouver, British Columbia, V6E 4N7
5. The defendant, FortisBC Inc. ("FortisBC") is incorporated pursuant to the *West Kootenay Power and Light Company, Limited, Act, 1897*, S.B.C. 1897, c.63. (the "West

Kootenay Power Act”) and has an address for service of Landmark IV, 5th Floor, 1628 Dickson Avenue, Kelowna, British Columbia, V1Y 9X1.

6. The defendant, the Nature Trust of British Columbia is an extra provincial society incorporated in accordance with the laws of Canada with a head office within British Columbia of 260-1000 Roosevelt Crescent, North Vancouver, British Columbia.

7. The defendant, Her Majesty the Queen in right of the Province of British Columbia as represented by the Ministry of Environment, (the “Ministry of Environment”) has a registered address for service at the Ministry of the Attorney General, 101 Douglas Street, Victoria, British Columbia.

8. The defendant, Her Majesty the Queen in right of the Province of British Columbia as represented by the Ministry of Forests, (the “Ministry of Forests”) has a registered address for service at the Ministry of the Attorney General, 101 Douglas Street, Victoria, British Columbia.

History of Fortis Pacific and FortisBC as is Material to This Action:

9. On May 8, 1897 West Kootenay Power and Light Company, Limited was incorporated pursuant to the *West Kootenay Power Act*.

10. On September 1, 1988, West Kootenay Power and Light Company Limited, changed its name to the name West Kootenay Power Ltd. pursuant to the *West Kootenay Power Act* and the *Company Act*, R.S.B.C. 1996, c. 62.

11. On October 22, 2001, West Kootenay Power Ltd. changed its name to Utilicorp Networks Canada (British Columbia) Ltd. pursuant to the *West Kootenay Power Act* and the *Company Act*, R.S.B.C. 1996, c. 62.

12. On May 31, 2002, Utilicorp Networks Canada (British Columbia) Ltd. changed its name to Aquila Networks Canada (British Columbia) Ltd. (“Aquila”) pursuant to the *West Kootenay Power Act* and the *Company Act*, R.S.B.C. 1996, c. 62.

13. On April 30, 2004, Fortis Pacific acquired a reviewable interest in Aquila, including all of the issued and outstanding Common Shares of Aquila by order of the British

Columbia Utilities Commission, Order Number G-39-04 pursuant to the *Utilities Commission Act*, R.S.B.C. 1996, c. 473.

14. On June 1, 2004, Aquila changed its name to FortisBC Inc. pursuant to the *West Kootenay Power Act* and the *Business Corporations Act*, S.B.C. 2002, c.57, s.445.

The Fire:

15. On or about August 22, 2003, a fire ignited on or near a power delivery pole ("pole 42L91") on a power transmission line named "Line 42" located within a Statutory Right of Way which was assigned to West Kootenay Power and Light Company Limited in or about 1982 (the "Statutory Right of Way").

16. The fire spread from the Statutory Right of Way onto adjacent land owned by the Nature Trust and leased to the Ministry of Environment and from there to *inter alia* private lands owned by the plaintiffs more particularly described as follows:

PARCEL IDENTIFIER: 014-726-751
DISTRICT LOT 119S SIMILKAMEEN DIVISION YALE DISTRICT

PARCEL IDENTIFIER: 011-791-713
SUB LOT 36 DISTRICT LOT 2710 SIMILKAMEEN DIVISION YALE DISTRICT
PLAN 1189

PARCEL IDENTIFIER: 011-791-870
SUB LOT 41 DISTRICT LOT 2710 SIMILKAMEEN DIVISION YALE DISTRICT
PLAN 1189

PARCEL IDENTIFIER: 011-790-199
SUB LOT 24 DISTRICT LOT 2710 SIMILKAMEEN DIVISION YALE DISTRICT
PLAN 1189

PARCEL IDENTIFIER: 014-778-947
DISTRICT LOT 467 SIMILKAMEEN DIVISION YALE DISTRICT

PARCEL IDENTIFIER: 011-790-393
SUB LOT 30 DISTRICT LOT 2710 SIMILKAMEEN DIVISION YALE DISTRICT
PLAN 1189

PARCEL IDENTIFIER: 011-791-888
SUB LOT 43 DISTRICT LOT 2710 SIMILKAMEEN DIVISION YALE DISTRICT
PLAN 1189

(the "Plaintiffs' Lands")

17. On August 22, 2003 the power transmission line and power delivery pole upon which the fire ignited was on the power transmission line named Line 42. Line 43 runs parallel and approximately 5 metres away from Line 42. Both Line 42 and Line 43 are within the said Statutory Right of Way. As such, FortisBC and Fortis Pacific occupied and were responsible for both lines 42 and 43.

18. The property upon which the fire ignited, including Lines 42 and 43, has a legal description of Parcel Identifier 011-636-181, Lot 3, Section 15, 16, 21 and 22, Township 85, Similkameen Division Yale District Plan 134, Statutory Right of Way T67418, and is located near Okanagan Falls, British Columbia.

19. On or about August 22, 2003 a designated forest official determined that a fire control and suppression operation was necessary to control or extinguish the fire on the Lands and that forest resources on Crown land or private land were threatened by the fire pursuant to section 89 of the *Forest Practices Code*.

20. The plaintiffs further suffered timber losses as a result of the fire, particulars of such losses will be provided prior to trial.

21. The plaintiffs further incurred costs to rehabilitate those lands damaged by the fire, particulars of such costs will be provided to the defendants prior to trial.

Trespass by FortisBC and Fortis Pacific:

22. During the course of the fire and subsequent to the extinguishment of the fire, FortisBC and Fortis Pacific entered on to the Plaintiff's Lands outside of the statutory rights of way registered in favour of Fortis BC and Fortis Pacific on the Plaintiff's Lands without permission, thereby committing a trespass upon some of the Plaintiffs' Lands which trespass caused physical damage and injury to the Plaintiffs' Lands and further interfered with the plaintiffs' quiet enjoyment of the Plaintiffs' Lands, resulting in injury and loss to the plaintiffs.

Breaches of the Forest Practices Code:

23. The plaintiffs allege that the defendants, and all of them, breached the provisions of the *Forest Practices Code of British Columbia Act*, R.S.B.C. 1996, c. 159 (the "*Forest Practices Code*"), such breaches include, but are not limited to:

- (a) failure to comply with Section 87 of the *Forest Practices Code*; and
- (b) such other breaches as counsel may advise.

24. The plaintiffs allege that Fortis Pacific, FortisBC Inc., the Nature Trust, the Ministry of Forests and the Ministry of the Environment owed the plaintiffs a duty of care and breached such duty of care and were thereby negligent.

Knowledge of Prior Fires:

25. Prior to August 22, 2003 Fortis Pacific, FortisBC, the Nature Trust, the Ministry of Environment and the Ministry of Forests had been aware of fires previously occurring on or near the Statutory Right of Way and on the Land owned by the Nature Trust and leased to the Ministry of Environment and the probable causes of same.

26. Prior to August 22, 2003 Fortis Pacific, FortisBC, the Nature Trust, the Ministry of Environment and Ministry of Forests had the ability and opportunity to prevent future fires from occurring on or near the Statutory Right of Way or on the land owned by the Nature Trust.

Particulars of Negligence:

27. The particulars of Fortis Pacific and FortisBC's negligence include, but are not limited to, the following:

- (a) failure to maintain, repair and operate their power transmission lines, including, but not limited to the power delivery poles and insulators in such a condition as to prevent a fire from igniting;
- (b) failure to investigate previous fires which occurred on the same power delivery pole on Line 42 and on a power delivery pole on Line 43 directly adjacent to the power delivery pole which ignited this fire, to determine the cause, source, and problem and to repair, replace or perform other work to prevent a fire from occurring within the same area again;
- (c) failure to replace insulators which had a known history of leaking and which further may cause fires to ignite;

- (d) failure to take such steps to ensure that the power delivery poles and insulators would not cause a fire, including, but not limited to, the use of copper wire to ground the pole and/or to replace insulators;
- (e) failure to clear and remove combustible dried materials from the base of the power delivery poles in the area to prevent fires from spreading or to place gravel or some other non-combustible material around the base of such poles to prevent fires from igniting;
- (f) failure to comply with section 87 of the *Forest Practices Code*;
- (g) failure to have a system of inspection, maintenance and repair of the power delivery poles and insulators along the power transmission lines which would detect problems and prevent a fire from igniting; and
- (h) such other particulars of negligence as counsel may advise prior to the trial of this matter.

28. The particulars of the negligence of the Nature Trust, the Ministry of Forests and Ministry of Environment include, but are not limited to, the following:

- (a) failure to investigate previous fires which occurred on the same power delivery pole on Line 42 and on a power delivery pole on Line 43 directly adjacent to the power delivery pole which ignited this fire, to determine the cause, source, and problem and to take reasonable steps to prevent a fire from occurring within the same area again;
- (b) failure to clear and remove combustible dried materials from the base of the power delivery poles in the area to prevent fires from spreading or to place gravel or some other non-combustible material around the base of such poles to prevent fires from igniting;
- (c) failure to clear and remove combustible dried materials or undertake sufficient controlled burns to prevent fires from igniting or spreading from the Statutory Right of Way;
- (d) such other particulars of negligence as counsel may advise prior to the trial of this matter.

Damages Suffered by the Plaintiffs:

29. As a result of the defendants' breach of the *Forest Practices Code* and/or negligence, the plaintiffs have incurred damages, costs, and expense to their real and personal

property, including a loss of timber and pasture, the particulars of which will be delivered to the Defendants prior to trial.

30. As a further result of the defendants' negligence, the plaintiffs have suffered damages, loss, and expense, including but not limited to costs arising from the steps taken by the plaintiffs to assist in controlling and suppressing the fire and costs to rehabilitate the lands and mitigate timber losses.

31. The plaintiffs state that when Fortis Pacific acquired all issued and outstanding Common Shares of FortisBC Inc. (formerly Aquila), also acquired all the liabilities of FortisBC Inc. and is therefore directly liable for all costs, damages, and expenses resulting from FortisBC Inc.'s breach of statute and negligence.

32. The plaintiffs further claim that when Aquila changed its name to FortisBC Inc. it remained legally responsible for all the liabilities of Aquila and is therefore directly liable for all costs, damages and expenses resulting from Aquila's breach of statute and negligence.

33. The plaintiffs further claim and in the alternative, that the defendants, Fortis Pacific, FortisBC, the Ministry of Environment and the Ministry of Forests are jointly and severally liable.


The plaintiffs claim against the defendants the following:

- (a) Judgment for all costs relating to the rehabilitation of lands upon which the fire spread and the loss of the value of timber on said lands and other forest resources in an amount to be provided at trial, together with interest, pursuant to section 30 of the *Financial Administration Act*, R.S.B.C. 1996, c. 138;
- (b) General damages;
- (c) Special damages;
- (d) Interest pursuant to section 130 of the *Forest Act* R.S.B.C. 1996, c. 157 and section 20 of the *Financial Administration Act* R.S.B.C. 1996, c. 138 and amendments thereto;
- (e) Interest pursuant to the *Court Order Interest Act*, R.S.B.C. 1996, c.79 and amendments thereto;
- (f) Costs; and

- (h) such further and other relief as to this Honourable Court may deem just and meet.

PLACE OF TRIAL: Penticton, British Columbia

DATED this 19th day of August, 2005.



Solicitor for the plaintiff

This Statement of Claim is prepared and filed by Tyrone A. Duett, whose place of business and address for service is Boyle & Company, Barristers & Solicitors, #201 - 100 Front Street, Penticton, British Columbia V2A 1H1; Telephone: (250) 492-6100; Telecopier: (250) 492-4877

No.
Penticton Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

**DAVID CASORSO, WANDA CASORSO, and
JOAN CASORSO**

PLAINTIFFS

AND:

FORTIS PACIFIC HOLDINGS INC. et al

DEFENDANTS

STATEMENT OF CLAIM

**Tyrone A. Duerr
Boyle & Company
Barristers & Solicitors
#201 - 100 Front Main Street
Penticton, B.C.
V2A 1H1**

**Tel: (250) 492-6100
Fax: (250) 492-4877**

22002/TAD/dmr



Dennis Swanson
Director, Regulatory Affairs

FortisBC Inc.
Suite 100, 1975 Springfield Road
Kelowna BC V1Y 7V7
Ph: (250) 717-0890
Fax: 1-866-335-6295
dennis.swanson@fortisbc.com
www.fortisbc.com

April 24, 2009

Via Email
Original via Courier

Ms. Erica M. Hamilton
Commission Secretary
BC Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC V6Z 2N3

Dear Ms. Hamilton:

Re: FortisBC Inc. - Annual Report to BC Utilities Commission

Please find enclosed twelve copies of FortisBC's Annual Report to the BC Utilities Commission to December 31, 2008.

Sincerely,

A handwritten signature in dark ink, appearing to be "DS", with a long horizontal line extending to the right.

Dennis Swanson
Director, Regulatory Affairs

ELECTRIC UTILITIES

ANNUAL REPORT

FORTISBC INC.

Suite 100, 1975 Springfield Road
Kelowna, British Columbia
V1Y 7V7

TO THE
BRITISH COLUMBIA UTILITIES COMMISSION

For the Period January 1, 2008 to December 31, 2008

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SCHEDULE 1 - UTILITY RATE BASE

AS AT DECEMBER 31, 2008

<u>Acct</u>		<u>Reference</u>	Actual 2007	Decision ⁽¹⁾ 2008	Actual 2008	Change from Decision	
(\$000s)							
1	101	Plant in Service, January 1	p. 3	943,920	1,075,766	1,062,070	(13,696)
2		Net Additions	p. 6	118,150	108,640	103,387	(5,253)
3		Plant in Service, December 31		1,062,070	1,184,406	1,165,457	(18,949)
4							
5		Add:					
6	107	CWIP not subject to AFUDC	p. 8	13,112	6,787	7,214	427
7	114	Plant Acquisition Adjustment		11,912	11,912	11,912	-
8	186	Deferred and Preliminary Charges	p. 11	14,473	16,062	16,227	165
9							
10				1,101,567	1,219,167	1,200,810	(18,357)
11		Less:					
12		Accumulated Depreciation	p. 13				
13		and Amortization		250,323	275,031	275,128	97
14	252	Contributions in Aid of Construction		78,351	80,694	86,783	6,089
15				328,674	355,725	361,911	6,186
16							
17		Depreciated Rate Base		772,893	863,441	838,899	(24,542)
18							
19		Prior Year Depreciated Utility Rate Base		712,911	782,422	772,893	(9,529)
20							
21		Mean Depreciated Utility Rate Base		742,902	822,932	805,896	(17,036)
22		Add:					
23		Allowance for Working Capital	p. 14	6,519	7,188	8,261	1,073
24		Adjustment for Capital Additions	p. 15	(2,878)	(7,273)	(11,591)	(4,318)
25							
26		Mid-Year Utility Rate Base		746,543	822,847	802,566	(20,281)

⁽¹⁾ Commission Orders G-147-07 and G-70-08.

Note: Differences due to rounding.

UTILITY PLANT IN SERVICE

AS AT DECEMBER 31, 2008

Line	Account	December 31 2007	Additions	Retirements	December 31 2008
	Hydraulic Production Plant				
			(\$000s)		
1	330 Land Rights	847	-	-	847
2	331 Structures and Improvements	10,947	333	-	11,280
3	332 Reservoirs, Dams & Waterways	19,433	1,611	(5)	21,040
4	333 Water Wheels, Turbines and Gen.	54,503	2,223	(181)	56,545
5	334 Accessory Equipment	22,370	683	(142)	22,911
6	335 Other Power Plant Equipment	38,277	102	(30)	38,349
7	336 Roads, Railroads and Bridges	1,053	-	-	1,053
8		147,430	4,952	(358)	152,024
9	Transmission Plant				
10	350 Land Rights	7,079	-	-	7,079
11	350.1 Land Rights - Clearing	4,496	-	-	4,496
12	353 Station Equipment	135,378	32,151	-	167,529
13	355 Poles Towers & Fixtures	65,142	9,372	(15)	74,499
14	356 Conductors and Devices	62,601	9,354	-	71,955
15	359 Roads and Trails	817	-	-	817
16		275,513	50,876	(15)	326,374
17	Distribution Plant				
18	360 Land Rights	1,736	1,250	-	2,986
19	360.1 Land Rights - Clearing	5,856	1,250	-	7,106
20	362 Station Equipment	115,295	1,720	(73)	116,942
21	364 Poles Towers & Fixtures	105,392	9,172	(354)	114,210
22	365 Conductors and Devices	175,985	11,144	(588)	186,542
23	368 Line Transformers	83,699	6,695	(1,462)	88,933
24	369 Services	7,292	-	-	7,292
25	370 Meters	12,754	733	(298)	13,189
26	371 Installation on Customers' Premises	938	4,398	-	5,336
27	373 Street Lighting and Signal System	7,318	-	(46)	7,272
28		516,264	36,363	(2,821)	549,806
29	General Plant				
30	389 Land	5,800	-	-	5,800
31	390 Structures-Frame & Iron	337	-	-	337
32	390.1 Structures-Masonry	22,966	1,567	-	24,533
33	391 Office Furniture & Equipment	5,233	363	(1)	5,596
34	391.1 Computer Equipment	42,179	8,961	(163)	50,977
35	392 Transportation Equipment	16,447	1,628	(1,512)	16,563
36	394 Tools and Work Equipment	9,884	682	-	10,566
37	397 Communication Structures and Equipment	20,016	2,864	-	22,880
38		122,863	16,065	(1,675)	137,252
39					
40	101 Plant in Service	1,062,070	108,256	(4,869)	1,165,457
41	107.1 Plant under construction not subject				
42	to AFUDC	13,112			7,214
43	107.2 Plant under construction				
44	subject to AFUDC	44,956			54,177
45	114 Utility Plant Acquisition Adjustment	11,912			11,912
46	105 Plant held for future use	-			-
47					
48	105 Utility Plant per Balance Sheet	1,132,050			1,238,760

Note: Differences due to rounding.

2008 CAPITAL VARIANCE ANALYSIS

		Budget	Actual	Difference	Comments
1	Hydraulic Production	(\$000s)			
2	Lower Bonnington Unit 3 Upgrade & Life Extension	-	430	430	Initial project start in 2006 delayed due to long delivery times for major components.
3	Upper Bonnington Old Unit Repowering Phase 1	2,266	1,872	(394)	Carry over of work to 2009.
4	South Slocan Unit 1 Life Extension & Turbine	3,149	2,433	(716)	Project delayed due to long delivery time for new turbine.
5	South Slocan Poleyard Contaminated Site	-	115	115	Project closeout - final contractor reporting and Ministry of Environment review.
6	South Slocan Unit 1 Headgate Rebuild	61	1	(60)	Project delayed to 2009 in order to schedule outage with South Slocan Unit 1 Life Extension.
7	South Slocan Unit 3 Life Extension	9,322	7,714	(1,608)	2008 spending reduced by 2007 purchase of long delivery equipment items.
8	South Slocan Unit 3 Headgate Rebuild	580	460	(120)	Project advanced in 2007 to coincide with the ULE outage schedule.
9	South Slocan Unit 2 Bottom Ring Rebuild & Life Extension	-	53	53	Project closeout and document control.
10	South Slocan Completion	310	574	264	Purchase of the control protection equipment in 2008.
11	South Slocan Headgate Hoist Control, Wire Rope	669	181	(488)	Delay of project from 2008 to 2009 due to the late signing of the contract for material supply
12	Corra Linn Unit 1 Life Extension	881	650	(231)	CPCN application pending.
13	All Plants Upgrade Station Service Supply	473	498	25	
14	All Plants Spare Unit Transformer	-	43	43	Project added in 2008 due to insurance requirements.
15	Generating Sustaining & Misc Upgrades	1,368	1,170	(198)	Re-evaluation and further engineering resulted in scope and budget changes to various projects.
16		19,079	16,195	(2,885)	

Note: Differences due to rounding.

2008 CAPITAL VARIANCE ANALYSIS, cont'd

		Budget	Actual	Difference	Comments
17	Transmission Plant	(\$000s)			
18	Kootenay 230kV Transmission	-	64	64	Project closeout
19	South Okanagan Supply Reinforcement	-	(106)	(106)	Project closeout
20	Okanagan Transmission Reinforcement	13,631	3,418	(10,213)	CPCN approval received October 2008.
21	Big White Transmission and Substation	7,183	7,380	197	Unbudgeted costs for Big White Rate Design application.
22	Ellison Distribution Source Substation	12,990	7,810	(5,180)	Project delayed due to extended CPCN and rezoning processes.
23	Black Mountain Distribution Source Substation	9,960	6,811	(3,149)	Project delayed due to rezoning process.
24	Fault Level Reduction	-	58	58	Project closeout
25	Naramata Substation	1,815	541	(1,274)	Project delayed due to change in substation site as ordered by BCUC.
26	Nk'Mip Substation - New East Osoyoos Source	-	144	144	Project closeout.
27	Kettle Valley Distribution Source	2,605	4,802	2,197	Variance primarily due to increases in commodity, equipment and labour prices compared to estimate in \$2005.
28	Princeton Transformer Replacement	-	8	8	Project closeout
29	Transmission Line Sustaining	3,528	3,038	(490)	Several transmission condition assessments, switch additions and rehabilitations have been shifted to 2009.
30	Station Sustaining	2,518	5,246	2,728	Projects carried over from 2007.
31	Ootischenia Substation	5,340	5,492	152	Accelerated activity in 2008. Overall Project is under budget.
32	Benvoulin Substation	4,812	-	(4,812)	CPCN approved in January 2009.
33	Crawford Bay Capacitor	-	9	9	Project closeout.
34	Glenmore Substation New Feeder	-	93	93	Project closeout.
35	Westbench Regulator Bank	-	2	2	Project closeout.
36	Hedley Stepup Transformer	-	6	6	Project closeout.
37	18 L Breaker - Waneta	1,800	1,797	(3)	
38	Capitalized Inventory	-	349	349	Changes in inventory levels related to project timing.
39		66,182	46,961	(19,220)	

Note: Differences due to rounding.

2008 CAPITAL VARIANCE ANALYSIS, cont'd

		Budget	Actual	Difference	Comments
40	Distribution Plant	(\$000s)			
41	Customer New Connects	15,954	24,434	8,480	Customer activity significantly higher than anticipated.
42	Distribution Sustaining	9,231	8,474	(757)	Some 2008 components completed in 2007.
43	Distribution Growth Greater than 1 Million	-	71	71	Project closeout
44	Distribution Growth Less than 1 Million	3,247	3,513	266	Carry over costs from 2007. Project complete.
45		28,432	36,492	8,060	
46	General Plant				
47	Communication and Automation	1,456	1,108	(348)	Some project components accelerated from 2009.
48	Protection and Communications Rehabilitation	1,088	1,764	676	Carryover of costs from 2007.
49	Vehicles	2,461	1,628	(833)	Vendor lead times delayed spending to 2009.
50	Metering	136	278	142	Increased customer growth and higher than anticipated replacement costs.
51	Telecommunications	175	258	83	Unexpected Telephone System Licensing and Fleet Radio equipment purchases.
52	Information Systems	3,776	4,543	767	Additional system requirements and higher than expected consulting and internal testing costs.
53	Buildings	1,312	1,527	215	Carryover of costs from 2007.
54	Furniture & Fixtures	187	237	50	Office relocations to the Springfield and Enterprise.
55	Tools & Equipment	650	587	(63)	Projects completed under budget..
56		11,241	11,930	689	
57					
58	TOTAL Gross Expenditures	124,934	111,579	(13,356)	
59					
60	Change to Work in Progress		(3,322)		
61	Plant Retirements		(4,869)		
62	Net Additions to Plant		103,387		

Note: Differences due to rounding.

UTILITY PLANT UNDER CONSTRUCTION

AS AT DECEMBER 31, 2008

	CWIP	Reclassification	Actual	CWIP	Additions to	
	Dec. 31, 2007		Expenditures	Dec 31, 2008	Plant in Service	
	(\$000s)					
Hydraulic Production						
1	P1U1 Upgrade & Life Extensions	-	-	-	-	
2	P1U2 Headgate Rebuild	-	-	-	-	
3	P1U3 Upgrade & Life Extension	23	-	430	-	453
4	P1U3 Headgate Rebuild	-	-	-	-	-
5	P1 Generator & Plant Cooling System	6	-	-	-	6
6	P2 Old Unit Repowering Phase 1	1,213	-	1,872	179	2,906
7	P3U1 Life Extension	3,183	-	2,433	5,616	-
8	P3U1 Headgate Rebuild	-	-	1	1	-
9	COR U1 Life Extension (replace Turbine)	-	102	650	752	-
10	P3U3 Life Extension	3,164	-	7,714	10,878	-
11	P3U3 Headgate Rebuild	449	-	460	-	910
12	P3 Poleyard Contaminated Site	-	-	115	-	115
13	P3U2 Bottom Ring Rebuild	-	-	53	-	53
14	P3 H/G Hoist Contr. Wire Rope	-	-	181	181	-
15	P1-P4 Upgrade Station Service Supply	-	672	498	1,170	-
16	All Plants Spare Unit Transformer	-	-	43	43	-
17	Generation Sustaining Under \$500k	-	344	1,141	30	1,455
18	2007 PST Credit	-	(965)	29	-	(936)
19	P3 Completion	694	-	574	1,268	-
20	P3U2 Rebuild & Life Extension	(17)	-	-	-	(17)
21	P4U1 Headgate Rebuild	102	(102)	-	-	-
22	P1 Misc Upgrades	6	-	-	-	6
23	P2 Misc Upgrades	12	(12)	-	-	-
24	P3 Misc Upgrades	22	(22)	-	-	-
25	P4 Misc Upgrades	17	(17)	-	-	-
26		8,875	-	16,195	20,118	4,952
Transmission Plant						
27	Kootenay 230 KV Development	-	-	64	-	64
28	SOK Project (Vaseux Lake Terminal)	-	-	(106)	-	(106)
29	Okanagan Transmission Reinforcement	3,838	-	3,418	7,256	-
30	Benvoulin Distribution Source	-	-	-	-	-
31	Big White 138 KV Line & Substation	6,268	-	7,380	-	13,648
32	Ellison Distribution Source	3,690	-	7,810	11,501	-
33	Black Mountain Distribution Source	712	-	6,811	7,523	-
34	Fault Level Reduction	143	-	58	-	201
35	Naramata Rehabilitation	2,813	-	541	3,384	(29)
36	New East Osoyoos Source (Nk'Mip Sub)	-	-	144	-	144
37	Kettle Valley	15,539	-	4,802	1,401	18,940
38	Lambert Transformer # 2	(277)	-	-	-	(277)
39	Princeton Transformer Replace	(15)	-	8	-	(7)
40	Transmission Line Sustaining	-	-	3,038	-	3,038
41	Station Sustaining	1,172	-	5,246	1,233	5,186
42	Ootischenia Project	492	-	5,492	-	5,983
43	Capitalized Inventory	6,865	-	349	7,214	-
44	Crawford Bay Cap Inc	2,183	-	9	-	2,192
45	Glenmore Substation New Feeder	-	-	93	-	93
46	WestBench Regulator Bank	-	-	2	-	2
47	Hedley Stepup Transformer	-	-	6	-	6
48	18 L Breaker @ Waneta	3	-	1,797	-	1,800
49		43,426	-	46,961	39,511	50,876

UTILITY PLANT UNDER CONSTRUCTION, cont'd

AS AT DECEMBER 31, 2008

	CWIP Dec. 31, 2007	Reclassification	Actual Expenditures	CWIP Dec 31, 2008	Additions to Plant in Service
	(\$000s)				
Distribution Plant					
50 New Connects System Wide	-	-	24,434	-	24,434
51 Distribution Sustaining	-	-	8,475	-	8,475
52 Small Cap Improvements	-	-	73	-	73
53 Small Cap Improvements Unplanned - 2007	-	-	78	-	78
54 Small Cap Improvements Unplanned - 2008	-	-	754	-	754
55 HOL1 - OKM1 Tie KLO Rd	-	-	48	48	-
56 GLE6 Fdr High Rd - Clifton Rd	-	-	71	-	71
57 LEE2 - HOL5 Tie Add N.O.	-	-	163	163	-
58 Dilworth Development Loopfeed	-	-	384	-	384
60 GLE2 Spall/Springfield UG	-	-	1	-	1
61 HOL1-HOL2 Tie	20	-	138	-	157
62 LEE 2 Regulator	-	-	7	-	7
63 KER01 & KER02 Capacity Upgrades	-	-	7	-	7
64 PRI04 Capacity Upgrade	103	-	1,171	-	1,274
65 OKF03 Capacity Upgrade	120	-	112	-	232
66 CRA 02 Capacity Upgrade	-	-	4	-	4
67 Mckinley Landing Capacity Upgrade	1	-	413	-	414
68 VAL1 Feeder Capacity Upgrade	10	-	162	171	-
69	253	-	36,492	382	36,363
General Plant					
70 Distribution Station Automation	181	-	1,108	656	633
71 Protection and Communications Rehabilitation	410	-	1,764	-	2,174
72 Vehicles	-	-	1,628	-	1,628
73 Metering	-	-	278	-	278
74 Information Systems	4,892	-	4,543	668	8,767
75 Telecommunications	-	-	258	-	258
76 Buildings	31	-	1,527	55	1,504
77 Furniture & Fixtures	-	-	237	-	237
78 Tools & Equipment	-	-	587	-	587
79	5,514	-	11,930	1,379	16,065
80 TOTAL	58,068	-	111,579	61,391	108,256
81 Less Closing CWIP subject to AFUDC	(44,956)	-		(54,177)	
82 TOTAL CWIP not subject to AFUDC	13,112	-		7,214	

Note: Differences due to rounding.

OPERATING AREA AND UTILITY PLANT DETAIL

AS AT DECEMBER 31, 2008

OPERATING AREA

Trail, Warfield, Rossland, Fruitvale, Montrose, Christina Lake, Grand Forks, Greenwood, Midway, Rock Creek, Westbridge, Beaverdell, Osoyoos, Oliver, Cawston, Keremeos, Hedley, Coalmont, Tulameen, Princeton, Penticton, Naramata, Summerland, Okanagan Falls, Kelowna, Castlegar, South Slocan, Slocan, Crawford Bay, Creston, Kaslo, Salmo, all within the Province of British Columbia.

PRODUCTION PLANT – HYDRAULIC

Site	Voltage	Cycles	Nameplate Rating (kVA)
Lower Bonnington	7,200	60	57,500
Upper Bonnington	7,200	60	68,950
South Slocan	7,200	60	59,000
Corra Linn	7,200	60	45,000

TRANSMISSION PLANT**Line Length (kilometers)**

Area	63 kV	132/138 kV	161/170 kV	230 kV	Total
Boundary	186.9	0.0	102.8	0.0	289.7
Creston	78.3	3.1	29.3	0.0	110.7
Kelowna	0.0	112.7	0.0	113.9	226.6
Kootenay	320.0	0.0	83.3	51.5	454.8
Similkameen	2.0	93.4	0.0	0.0	95.4
South Okanagan	174.1	11.0	55.8	31.3	272.2
Total	761.3	220.2	271.2	196.7	1449.4

Terminal Transformers

Rating (MVA)	Quantity
22.4/30	1
45/60	2
60/80	2
61.5/82	1
65/75	1
100/134/168	4
120/160/200	3
150/200/250	2
Total Base Capacity	1,419 MVA

OPERATING AREA AND UTILITY PLANT DETAIL, cont'd

AS AT DECEMBER 31, 2008

DISTRIBUTION PLANT**Line Length (kilometres)**

	1 Phase		2 Phase		3 Phase		Total
	OH	UG	OH	UG	OH	UG	
Boundary	450.5	10.3	24.9	0	354.5	1.5	841.7
Creston	320.5	11.5	9.1	0	295.3	2.9	639.3
Kelowna	402.9	253.6	19.1	1.5	353.9	190.3	1221.3
Kootenay	694.5	29.0	16.4	0	436.1	25.2	1201.2
Similkameen	283.6	13.5	26.0	0	392.2	5.8	721.1
South Okanagan	458.8	52.8	52.7	0.1	337.6	20.8	922.8
Total	2,610.8	370.7	148.2	1.6	2,169.6	246.5	5,547.4

OH = Overhead

UG = Underground

Distribution Transformers (HV < 60 kV)

Rating (kVA)	Overhead		Underground		Total	
	Quantity	Capacity (kVA)	Quantity	Capacity (kVA)	Quantity	Capacity (kVA)
0-100	28,799	854,321	3,962	292,947	32,761	1,147,268
101-500	133	24,735	1,020	306,365	1,153	331,100
501-1,500	6	4,050	126	128,500	132	132,550
Total	28,938	883,106	5,108	727,812	34,046	1,610,918

Distribution Substation (HV > 60 kV)

Rating (kVA)	Quantity	Rating (kVA)	Quantity
500	1	8,000	1
1,000	2	10,000	3
1,500	4	11,200	1
2,000	2	11,250	9
2,800	1	12,000	7
3,500	1	13,400	1
3,750	1	13,500	1
4,200	3	15,000	1
4,500	1	16,000	2
5,000	1	20,000	1
6,000	8	24,000	17
7,500	5	28,500	1
		31,500	1
		926,500	76

ANALYSIS OF DEFERRED CHARGES AND CREDITS

FOR THE YEAR ENDING DECEMBER 31, 2008

	Balance at Dec. 31, 2007	Reclassification	Additions and Transfers	Amortized to Other Accounts	Amortization	Balance at Dec. 31, 2008
	(\$000s)					
1 Energy Management						
2 Energy Management Additions	19,126	72	2,693	-	(2,108)	19,783
3 Tax Impact	(12,905)	(72)	(835)	-	647	(13,165)
4 PLP Energy Management	113	-	-	-	(77)	36
5	6,334	-	1,858	-	(1,539)	6,654
6 Deferred Regulatory Expense						
7 Provision for True-up for 2006 Incentive	21	-	-	(21)	-	-
8 Deferred Revenue - Incentive Adjustment	(1,132)	-	-	1,305	-	173
9 2008 Incentive	-	-	(1,938)	-	-	(1,938)
10 2005 Revenue Requirements	353	-	-	-	(176)	176
11 Tax Impact	(101)	-	-	-	51	(50)
12 2006 Revenue Requirements	107	-	-	-	(53)	54
13 Tax Impact	(35)	-	-	-	18	(17)
14 2007 Revenue Requirements	36	-	1	-	(37)	-
15 Tax Impact	(11)	(1)	-	-	12	-
16 2008 Revenue Requirements	32	-	7	-	-	39
17 Tax Impact	(11)	-	(2)	-	-	(13)
18 2009 Revenue Requirements	-	-	15	-	-	15
19 Tax Impact	-	-	(5)	-	-	(5)
20 2008 COSA & rate design application	-	44	250	-	-	294
21 Tax Impact	-	(15)	(78)	-	-	(93)
22 2007 BC Hydro Rate Design	11	-	-	-	(11)	-
23 Tax Impact	(4)	-	-	-	4	-
24	(735)	28	(1,750)	1,284	(193)	(1,366)
25	321	-	614	(270)	-	664
26 Preliminary and Investigative Charges						
27 Other Deferred Charges and Credits						
28 Trail Office Lease Costs	191	-	-	-	(12)	179
29 Trail Office Rental to SD#20	(598)	-	-	(38)	-	(636)
30 Prepaid Pension Costs	6,657	1	1,895	-	-	8,553
31 Tax Impact	(480)	1	(587)	-	-	(1,067)
32 Post Retirement Benefits	(3,529)	-	(2,150)	-	-	(5,679)
33 Tax Impact	1,191	-	667	-	-	1,858
34 20 Year Transmission System Plan (2005 SDP)	329	-	-	-	(165)	164
35 Tax Impact	(16)	-	-	-	9	(7)
36 2008 System Development Plan Update	248	-	835	-	-	1,082
37 Tax Impact	(84)	-	(259)	-	-	(343)
38 2008 COSA & rate design application	44	(44)	-	-	-	-
39 Tax Impact	(15)	15	-	-	-	-
40 Automated Meter Reading Feasibility Study	68	-	174	-	-	243
41 Tax Impact	(23)	-	(54)	-	-	(77)
42 2005 Resource Plan	61	-	-	-	(30)	31
43 Tax Impact	(6)	-	-	-	3	(3)
44 2008 Resource Plan Update	217	-	188	-	-	405
45 Tax Impact	(74)	-	(58)	-	-	(132)
46 Renew BCH Power Purchase Agreement	4	-	14	-	-	18
47 Tax Impact	(1)	-	(4)	-	-	(6)
48 Revenue Protection	176	-	183	-	(176)	183
49 Tax Impact	(61)	-	(57)	-	61	(57)
50 Innovative Clean Energy Fund Levy Implementation	23	-	-	-	(23)	-
51 Tax Impact	(8)	-	-	-	8	-
52 PLP Potential Substation	25	-	-	-	(11)	14
53 PLP Settlement Costs	47	-	-	-	(16)	32
54 PLP Computer Software	109	-	-	-	(23)	86
55 PLP Deferred Pension Credit	(81)	-	-	-	12	(70)
56 PLP Deferred Rate Stabilization Account	(75)	-	-	-	75	-
57 ROW Reclamation (Pine Beetle Kill)	-	-	2,507	-	-	2,507
58 Tax Impact	-	-	(777)	-	-	(777)
59 International Financial Reporting Standards	-	-	131	-	-	131
60 Tax Impact	-	-	(40)	-	-	(40)
61 2008 City of Penticton - Carmi Substation	-	-	15	(15)	-	-
62 Tax Impact	-	-	(5)	5	-	-
63 Right of Way Encroachment Litigation	-	-	47	-	-	47
64 Tax Impact	-	-	(14)	-	-	(14)
65						
66	4,338	(28)	2,650	(49)	(288)	6,623
67						

ANALYSIS OF DEFERRED CHARGES AND CREDITS, cont'd
FOR THE YEAR ENDING DECEMBER 31, 2008

	Balance at Dec. 31, 2007	Reclassification	Additions and Transfers	Amortized to Other Accounts	Amortization	Balance at Dec. 31, 2008
	(\$000s)					
68 Deferred Debt Issue Costs						
69 Series E	7	-	-	-	(3)	4
70 Series F	129	-	-	-	(13)	116
71 Series G	118	-	-	-	(9)	109
72 Series H	106	-	-	-	(14)	92
73 Series I	199	-	-	-	(14)	185
74 Series J	131	-	-	-	(65)	66
75 Series 04-1	1,501	-	-	-	(215)	1,286
76 Tax Impact	(51)	-	(20)	-	7	(63)
77 Series 05-1	1,156	-	-	-	(42)	1,114
78 Tax Impact	(238)	-	(85)	-	9	(314)
79 Series 07-1	1,241	-	5	-	(31)	1,216
80 Tax Impact	(85)	-	(79)	-	2	(160)
81	4,215	-	(179)	-	(387)	3,651
82						
83 TOTAL DEFERRED CHARGES (RATE BASE)	14,473	-	3,193	965	(2,407)	16,227
84 Non-Rate Base Deferred Charges						
85 Discount Forfeit Defence	198		-	-	(198)	-
86 Tax Impact	(66)		-	-	66	-
87 BC Hydro Amendment to 3808 (PPA Proceedings)	-		37	-	-	37
88 Tax Impact			(11)	-	-	(11)
89						
90 GRAND TOTAL DEFERRED CHARGES	14,606	-	3,218	965	(2,539)	16,253

Note: Pursuant to Order G-52-05, FortisBC records deferred charges (except deferred revenue and investigative costs) net of income tax.

Differences due to rounding.

ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION

AS AT DECEMBER 31, 2008

Line	Account	Acc. Prov. For Depreciation Dec. 31, 2007 (\$000s)	Deprec. Rate	Asset Balance Dec. 31, 2007	Depreciation Expense Dec. 31, 2008	Charges less Recoveries	Acc. Prov. For Depreciation Dec. 31, 2008
	<u>Hydraulic Production Plant</u>						
1	330	(467)	2.6%	847	22	(289)	(735)
2	331	4,571	1.2%	10,947	131	(37)	4,666
3	332	2,812	1.7%	19,433	330	(9)	3,133
4	333	3,279	2.2%	54,503	1,199	(653)	3,825
5	334	7,253	2.4%	22,370	537	(258)	7,532
6	335	6,338	2.3%	38,277	880	(44)	7,175
7	336	201	1.4%	1,053	15	-	216
8		<u>23,987</u>	<u>2.1%</u>	<u>147,430</u>	<u>3,115</u>	<u>(1,291)</u>	<u>25,811</u>
9	<u>Transmission Plant</u>						
10	350	(72)	0.0%	7,079	-	-	(72)
11	350.1	951	1.6%	4,496	72	-	1,023
12	353	22,435	3.0%	135,378	4,061	(501)	25,996
13	355	14,089	3.0%	65,142	1,955	(266)	15,779
14	356	10,555	3.0%	62,601	1,879	(251)	12,183
15	359	9	2.9%	817	24	-	33
16		<u>47,967</u>	<u>2.9%</u>	<u>275,513</u>	<u>7,992</u>	<u>(1,017)</u>	<u>54,942</u>
17	<u>Distribution Plant</u>						
18	360	-	0.0%	1,736	-	-	-
19	360.1	279	2.1%	5,856	123	-	402
20	362	26,565	3.0%	115,295	3,459	(1,430)	28,594
21	364	30,187	3.0%	105,392	3,162	(349)	33,001
22	365	42,493	3.0%	175,985	5,280	(588)	47,185
23	368	16,698	2.9%	83,699	2,427	(3,595)	15,530
24	369	6,403	0.5%	7,292	36	-	6,439
25	370	4,545	3.5%	12,754	446	(134)	4,857
26	371	985	0.0%	938	-	-	985
27	373	1,471	2.4%	7,318	176	(47)	1,600
28		<u>129,628</u>	<u>2.9%</u>	<u>516,264</u>	<u>15,108</u>	<u>(6,142)</u>	<u>138,594</u>
29	<u>General Plant</u>						
30	389	(11)	0.0%	5,800	-	-	(11)
31	390	528	0.8%	337	3	-	531
32	390.1	2,474	2.9%	20,398	590	(72)	2,992
33	391	3,155	7.5%	5,233	393	(1)	3,547
34	391.1	25,810	10.6%	42,179	4,471	(163)	30,118
35	392	4,036	0.4%	16,447	66	(1,161)	2,941
36	394	4,668	9.5%	9,884	939	-	5,607
37	397	4,781	6.0%	20,016	1,201	(46)	5,936
38		<u>45,442</u>	<u>6.4%</u>	<u>120,295</u>	<u>7,662</u>	<u>(1,443)</u>	<u>51,661</u>
39							
40	108	247,024	3.2%	1,059,502	33,877	(9,894)	271,008
41							
42					(3,305)		
43							
44	403				30,573		
45							
46	<u>Other</u>						
47	114	4,466		11,912	186		4,652
48	390	1,238		2,568	407		1,645
49		(2,487)	10.0%		311		(2,176)
50		82			-	(82)	-
51		<u>3,299</u>			<u>904</u>	<u>(82)</u>	<u>4,121</u>
52							
53	Accumulated Amortization per						
54	Balance Sheet	<u>250,323</u>			<u>31,477</u>		<u>275,128</u>

Note: Differences due to rounding.

ALLOWANCE FOR WORKING CAPITAL

FOR THE YEAR ENDING DECEMBER 31, 2008

Lag Days Calculation		Lag (Lead) Days	2008 Actual	2008 Extended	Weighted Average Lag Days
			(\$000s)		
1	Revenue				
2	Tariff Revenue	50.5	220,909	11,156	
3	<u>Other Revenue:</u>				
4	Apparatus and Facilities Rental	26.6	2,450	65	
5	Contract Revenue	44.3	1,601	71	
6	Miscellaneous Revenue	31.8	652	21	
7	Investment Income	15.0	333	5	
8			\$ 225,945	\$ 11,318	50.1
9					
10	Expenses				
11	Power Purchases	42.2	66,010	2,785	
12	Wheeling	40.2	3,655	147	
13	Water Fees	(1.0)	7,878	(8)	
14	<u>Operating Labour:</u>				
15	Salaries & Wages	5.3	14,273	76	
16	Employee Benefits	13.2	10,348	137	
17	Contracted Manpower	50.6	4,720	239	
18	Property Tax	2.6	11,036	29	
19	Rental of T&D Facilities	47.8	3,252	155	
20	Office Lease - Kelowna	(15.2)	222	(3)	
21	Office Lease - Trail	91.3	753	69	
22	Materials	45.6	1,507	69	
23	Insurance	(182.5)	589	(107)	
24	Income Tax	15.2	5,869	89	
25	Interest	82.9	30,163	2,501	
26			\$ 160,274	\$ 6,176	38.5
27					
28	Net Lag/(Lead) Days				11.6
29					
30					
31	Working Capital Allowance				
32					
33	Lead-Lag Study Allowance				
34	Net Lag Days/365 times Expenses				\$ 5,075
35					
36	Add Funds Unavailable:				
37	Average Customer Loans (related to energy management)			4,902	
38	Average Employee Loans			370	
39	Average of Uncollectable Accounts			1,106	
40	Average Inventory (forecast monthly average investment)			700	
41					\$ 7,078
42	Less Funds Available:				
43	Average Customer Deposits			3,212	
44	Average Employee Payroll Deductions			-	
45	Average Provincial Services Tax			447	
46	Average Goods and Services Tax			234	
47					\$ 3,893
48					
49	2008 ALLOWANCE FOR WORKING CAPITAL				\$ 8,261

Note: Differences due to rounding.

ADJUSTMENT FOR CAPITAL ADDITIONS
FOR THE YEAR ENDING DECEMBER 31, 2008

		Additions to Plant in Service ⁽¹⁾	Months in Rate Base	Weighted Value
		(\$000s)		(\$000s)
1	January	1,564	11.5	1,499
2	February	3,411	10.5	2,985
3	March	1,928	9.5	1,526
4	April	15,829	8.5	11,212
5	May	10,518	7.5	6,574
6	June	6,948	6.5	3,764
7	July	3,950	5.5	1,810
8	August	6,305	4.5	2,364
9	September	3,058	3.5	892
10	October	3,989	2.5	831
11	November	19,030	1.5	2,379
12	December	19,989	0.5	833
13	Total	<u>96,519</u>		<u>36,669</u>
14	Less Simple Average			48,260
15	Adjustment to Capital Additions			<u>(11,591)</u>
16	⁽¹⁾ Expenditures are reduced by Contributions in Aid of Construction (CIAC) as follows:			
17	Gross Plant in Service Additions		108,256	
18	CIAC		<u>(11,737)</u>	
19	Net Capital Additions		<u>96,519</u>	

Note: Differences due to rounding.

BALANCE SHEET – ASSETS

AS AT DECEMBER 31, 2008

Acct.	Reference	December 31 2008	December 31 2007 (\$000s)	Increase / (Decrease)	
1	Utility Plant				
2	101 Utility Plant In Service	p. 3	1,165,457	1,062,070	103,387
3	105 Utility Plant Held for Future Use				-
4	107 Plant Under Construction	p. 7			
5	Not Subject to AFUDC		7,214	13,112	(5,898)
6	Subject to AFUDC		54,177	44,956	9,221
7	114 Plant Acquisition Adjustment		11,912	11,912	-
8			<u>1,238,760</u>	<u>1,132,050</u>	<u>158,618</u>
9					
10	108 Accumulated Depreciation	p. 13	(271,008)	(247,024)	(23,984)
11	111 Accumulated Amortization		(6,297)	(5,786)	(511)
12	Rate Stabilization Account ⁽¹⁾		2,176	2,487	(311)
13			<u>963,632</u>	<u>881,727</u>	<u>81,905</u>
14					
15					
16	Current Assets				
17	131 Cash		-	-	-
18	142 Accounts Receivable		43,038	49,098	(6,060)
19	144 Allowance for Doubtful Accounts		(1,105)	(1,260)	155
20	146 Accounts Receivable - Affiliated Companies		440	3	437
21	154 Materials and Supplies		674	523	151
22	166 Prepayments		819	1,320	(501)
23			<u>43,866</u>	<u>49,684</u>	<u>(5,818)</u>
24					
25	Deferred Charges	p. 11			
26	186 Energy Management		6,654	6,334	320
27	186 Regulatory Expense		(1,366)	(735)	(631)
28	183 Preliminary Investigation		664	321	344
29	186 Other Deferred Charges & Credits		6,649	4,337	2,312
30	181 Debt Issue Expense		3,651	4,216	(565)
31			<u>16,253</u>	<u>14,473</u>	<u>1,779</u>
32					
33	Total Assets		1,023,751	945,884	77,867

- ⁽¹⁾ The Negotiated Settlement for 2000-2002 included a provision for a notional funding adjustment to prior years' depreciation, in order to ensure that rate increases would not exceed 5 percent per year during the term of the settlement. The adjustment was to be booked as utilized and was required only in 2001. As per the 2006 Revenue Requirements Decision Order G-58-06, the RSA is to be amortized over a ten-year period beginning in 2006.

Note: Differences due to rounding.

BALANCE SHEET – LIABILITIES

AS AT DECEMBER 31, 2008

Acct.	December 31 2008	December 31 2007 (\$000s)	Increase / (Decrease)
1 Shareholders' Equity			
2			
3 201 Common Shares	160,122	145,122	15,000
4 216 Retained Earnings	195,133	177,551	17,582
5	355,255	322,673	32,582
6			
7 Long Term Debt			
8 221 Secured Debentures - Series E	-	4,500	(4,500)
9 221 Secured Debentures - Series F	15,000	15,000	-
10 221 Secured Debentures - Series G	25,000	25,000	-
11 221 Unsecured Debentures - Series H	25,000	25,000	-
12 221 Unsecured Debentures - Series I	25,000	25,000	-
13 221 Unsecured Debentures - Series J	-	50,000	(50,000)
14 221 Unsecured Debentures - Series 04-1	140,000	140,000	-
15 224 Unsecured Debentures - Series 05-1	100,000	100,000	-
16 224 Unsecured Debentures - Series 07-1	105,000	105,000	-
17 224 Term Bank Loans & Other	30,971	-	30,971
18	465,971	489,500	(23,529)
19			
20			
21 Current and Accrued Liabilities			
22 232 Accounts Payable and Accrued Liabilities	39,668	37,080	2,588
23 234 Bank Loans	7,257	3,989	3,268
24 235 Customers' Security Deposits	3,494	2,990	504
25 254 Income Taxes Payable	3,489	3,176	313
26 237 Accrued Interest	8,031	8,044	(14)
27 239 Long Term Debt Due Within One Year	53,750	-	53,750
28 261 Insurance Reserve	55	81	(26)
29	115,743	55,360	60,383
30			
31			
32 Deferred Credits			
33 252 Contributions in Aid of Construction	86,783	78,351	8,432
34			
35 Total Liabilities	1,023,751	945,884	77,867

Note: Differences due to rounding.

SCHEDULE 2 – EARNED RETURN

	Normalized 2007	Decision ⁽¹⁾ 2008	Actual 2008	Normalized 2008	Change from Decision
1 SALES VOLUME (GWh)	3084	3087	3,087	3,057	(30)
2					
3					
4					
			(S000s)		
5 ELECTRICITY SALES REVENUE	209,232	220,950	220,909	219,032	(1,918)
6					
7 EXPENSES					
8 Power Purchases	66,616	68,538	66,010	64,786	(3,752)
9 Water Fees	7,918	7,858	7,878	7,878	20
10 Wheeling	3,471	3,622	3,655	3,655	33
11 Net O&M Expense	34,165	36,248	35,663	35,663	(585)
12 Property Tax	10,642	11,176	11,036	11,036	(140)
13 Depreciation and Amortization	30,949	34,356	34,016	34,016	(340)
14 Other Income	(5,504)	(5,030)	(5,035)	(5,035)	(5)
15 Incentive Adjustments	(1,391)	(1,284)	654	654	1,938
16 UTILITY INCOME BEFORE TAX	62,366	65,466	67,032	66,378	912
17 Less:					
18 INCOME TAXES	5,760	3,989	5,869	5,666	1,677
19					
20 EARNED RETURN	56,606	61,477	61,163	60,712	(765)
21 RETURN ON RATE BASE					
22 Utility Rate Base	746,543	822,847	802,566	802,566	(20,281)
23 Return on Rate Base	7.58%	7.47%	7.62%	7.57%	0.09%

⁽¹⁾ Commission Orders G-147-07 and G-70-08

Note: Differences due to rounding.

WEATHER NORMALIZATION
FOR THE YEAR ENDING DECEMBER 31, 2008

<u>Temperature</u>	<u>Heating Degree Days</u>	<u>Cooling Degree Days</u>
Actual	3,584	231
Normal	<u>3,265</u>	<u>242</u>
Difference	318	(10)

Note: Differences due to rounding.

Notional Impact of Weather Normalization Adjustment

Energy Adjustment (GWh)		
Residential		(18)
Wholesale		(9)
Losses		<u>(3)</u>
		(30)
Revenue Adjustment (\$000s)		
Residential		(1,432)
Wholesale		<u>(445)</u>
		(1,877)
Power Purchase Expense Adjustment (\$000s)		
Energy		(897)
Capacity		<u>(327)</u>
		(1,224)

ELECTRIC OPERATING REVENUES BY RATE CLASS
FOR THE YEAR ENDING DECEMBER 31, 2008

	<u>Customers at Dec. 31, 2008</u>	<u>Energy Sales (GWh)</u>	<u>Revenue (\$000s)</u>	<u>Average Use (kWh)</u>	<u>Revenue per kWh Sold (cents)</u>
1 Residential	95,502	1,221	102,600	12,908	8.40
2 Commercial	11,216	666	53,820	59,935	8.08
3 Industrial	36	252	14,470		5.74
4 Wholesale	7	892	45,614		5.11
5 Other	2,958	56	4,405		7.81
6	<u>109,719</u>	<u>3,087</u>	<u>220,909</u>	<u>28,395</u>	<u>7.16</u>

Note: Differences due to rounding.

ANALYSIS OF POWER PURCHASES AND GENERATION OF POWER
FOR THE YEAR ENDING DECEMBER 31, 2008

	Volume		Expense	
	2008	2007	2008	2007
<u>Capacity</u>	(MW Months)		(\$000s)	
B.C. Hydro	2,006	2,089	10,019	10,080
Market	238	370	2,605	2,139
<u>Energy</u>	(GWh)			
Columbia Power Corp.	921	914	30,195	29,924
B.C. Hydro	826	959	24,121	26,522
IPPs	29	18	694	512
Market	44	35	802	874
Surplus Sales	(48)	(35)	(2,180)	(1,419)
Energy Loss Adjustments ⁽¹⁾	18	20	-	-
	1,791	1,912	66,257	68,633
Generation	1,610	1,498		
Total System Load	3,400	3,409		
Adjustment for Upgrade Projects			(227)	(950)
Other Adjustments ⁽²⁾			(20)	(1,054)
Company Use	(11)	(12)		
Line and Transformer Losses	(302)	(308)		
Total Electricity Sales	3,087	3,090	66,010	66,629

⁽¹⁾ Includes replacement energy for energy lost to the Company as a result of City of Nelson and Columbia Power Corporation activities.

⁽²⁾ Includes insurance recovery costs and awards, and other adjustments.

ANALYSIS OF WHEELING EXPENSE
FOR THE YEAR ENDING DECEMBER 31, 2008

	2008	2007
	(\$000s)	
1 B.C. Hydro - Vernon	3,223	3,048
2 B.C. Hydro - Lambert	425	410
3 B.C. Hydro - Princeton	-	7
4 Miscellaneous	7	6
5 Total Wheeling Expense	3,655	3,471

Note: Differences due to rounding.

ELECTRIC OPERATING AND MAINTENANCE EXPENSE

FOR THE YEAR ENDING DECEMBER 31, 2008

<u>Acct.</u>		<u>2008</u>	<u>2007</u> (\$000s)	<u>Change</u>
1	GENERATION			
2	535R Supervision & Administration	360	586	(226)
3	536 Water Fees	7,878	7,918	(40)
4	542 Structures	596	552	44
5	543 Dams & Waterways	168	203	(35)
6	544 Electric Plant	504	352	152
7	545 Other Plant	254	235	19
8		<u>9,759</u>	<u>9,846</u>	<u>(87)</u>
9				
10	OTHER POWER SUPPLY			
11	555 Purchased Power	66,010	66,629	(619)
12	556 System Control	1,371	960	411
13		<u>67,381</u>	<u>67,589</u>	<u>(208)</u>
14				
15	TRANSMISSION & DISTRIBUTION			
16	560R-1 Supervision & Administration	616	1,171	(555)
17	560R-2 System Planning	1,321	948	373
18	561 Load Dispatching	1,099	1,272	(173)
19	562 Transmission Station Expense	713	623	90
20	563R-1 Transmission Line Maintenance	296	171	125
21	563R-2 Transmission ROW Maintenance	505	650	(145)
22	565 Wheeling	3,655	3,471	184
23	567 Rents	3,252	3,268	(16)
24				
25	583R-1 Distribution Line Maintenance	3,294	2,545	749
26	583R-2 Distribution ROW Maintenance	1,628	1,516	112
27	586 Meter Expenses	922	1,027	(105)
28	592 Distribution Station Expense	1,153	1,112	41
29	596 Street Lighting	85	70	15
30	598 Other Plant	273	255	18
31		<u>18,813</u>	<u>18,099</u>	<u>714</u>
32				
33	CUSTOMER SERVICE			
34	901 Supervision & Administration	769	855	(86)
35	902 Meter Reading	1,762	1,841	(79)
36	903 Customer Billing	654	597	57
37	904 Credit & Collections	1,299	1,002	297
38	910 Customer Assistance	1,927	1,940	(13)
39		<u>6,411</u>	<u>6,235</u>	<u>176</u>

Note: Differences due to rounding.

ELECTRIC OPERATING AND MAINTENANCE EXPENSE, cont'd
FOR THE YEAR ENDING DECEMBER 31, 2008

<u>Acct.</u>	<u>2008</u>	<u>2007</u> (\$000s)	<u>Change</u>
40			
41	ADMINISTRATIVE AND GENERAL		
42 920	Salaries		
43 920.1	Executive & Senior Management	1,318	1,234
44 920.2	Legal	664	336
45 920.3	Human Resources	719	390
46 920.4	Finance & Accounting	1,112	503
47 920.6	Information Services	958	478
48 920.7	Materials Management	384	(134)
49	Other	199	249
50		<u>5,355</u>	<u>3,056</u>
51			2,299
52 921	Expenses		
53 921.1	Executive & Senior Management	117	219
54 921.2	Legal	94	389
55 921.3	Human Resources	167	217
56 921.4	Finance & Accounting	103	63
57 921.6	Information Services	672	222
58 921.7	Materials Management	17	(5)
59	Other	414	(35)
60		<u>1,584</u>	<u>1,069</u>
61			515
62 923	Special Services	954	3,323
63 924	Insurance	589	944
64 932	Maintenance to General Plant	1,380	1,105
65 933	Transportation Equipment Expenses	980	917
66		<u>3,902</u>	<u>6,289</u>
67			(2,387)
68	TOTAL	<u>113,206</u>	<u>112,183</u>
69			1,023
70			
71			
72 Less:	Wheeling	(3,655)	(3,471)
73	Power Purchases	(66,010)	(66,629)
74	Water Fees	(7,878)	(7,918)
75		<u></u>	<u>40</u>
76	O & M Expense per Financial Statements	35,663	34,165
			1,498

Note: Differences due to rounding.

SUMMARY OF INCENTIVE ADJUSTMENTS TO INCOME STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2008

	(\$000s)
1 Amortization of Prior Year Incentives	
2 Amortization of 2007 Approved Incentives	(1,305)
3 Amortization of 2006 Incentive true-up	21
4	
5 Total Amortization of Prior Year Incentives	(1,284)
6	
7 Current Year Preliminary Flow Through Adjustments	
8 2008 Preliminary Interest Expense	958
9 2008 Preliminary Pension Expense	138
10 2008 Preliminary BC Tax Reduction	60
11 2008 Preliminary Pope & Talbot Bad Debt	(390)
12 2008 Prelim. Net Variance from forecast (Canpar, P&T & Weyerhaeuser)	(331)
13	
14 Total 2008 Flow Through Adjustments	435
15	
16 Current Year Preliminary ROE Incentive Adjustments	
17 2008 Preliminary ROE Incentive	1,181
18	
19	
20 Total Regulatory Incentive Adjustments	1,616
21	
22	
23 Current Year True-up to Actual ⁽¹⁾	322
24	
25	
26 Incentive Adjustments per Income Statement	654

⁽¹⁾ A provision for true-up of incentives of \$322,000 was recorded in 2008. This true-up from preliminary to final incentives for 2008 will flow through to 2010 Revenue Requirements.

Note: Differences due to rounding.

SUMMARY OF INCENTIVE ADJUSTMENTS TO INCOME STATEMENT⁽¹⁾, cont'd
FOR THE YEAR ENDING DECEMBER 31, 2008

2008 Flow Through Adjustments	Approved	Forecast	Variance	Income Tax Shield	After Tax Amount	Customer Share	Flow Through Adjustment
	(\$000s)						
1 Interest Expense	31,789	30,400	(1,389)	(431)	(958)	100%	(958)
2 Pension Expense	2,739	2,539	(200)	(62)	(138)	100%	(138)
3 BC Tax Rate Reduction	-	-	-	60	(60)	100%	(60)
4 Pope & Talbot Bad Debt	-	565	565	175	390	100%	390
5 Net variance from forecast (Canpar / Pope / Weyerhaeuser)	1,291	811	480	149	331	100%	331
6 Flow Through Adjustment							(435)

2008 ROE Incentive Adjustment	Approved	Forecast	Variance	Customer Share	ROE Incentive Adjustment
	(\$000s)				
7 Net Income for ROE Incentive	29,687	32,049	2,362	50%	(1,181)
8 Common Equity	329,139	321,123			
9 Allowed ROE	9.02%	9.98%	0.96%	50%	0.48%

⁽¹⁾ Pursuant to Order G-193-08

Note: Differences due to rounding.

SCHEDULE 3 – INCOME TAX EXPENSE
FOR THE YEAR ENDING DECEMBER 31, 2008

	Normalized 2007	Decision ⁽¹⁾ 2008	Actual 2008 (\$000s)	Normalized 2008	Change from Decision
1 UTILITY INCOME BEFORE TAX	62,366	65,466	67,032	66,378	912
2 Deduct:					
3 Interest on Non Rate Base Deferral Account		27	-	-	(27)
4 Interest Expense	28,731	31,762	30,163	30,163	(1,599)
5 ACCOUNTING INCOME	33,636	33,678	36,869	36,215	2,538
6					
7 Deductions					
8 Capital Cost Allowance	37,586	44,421	42,886	42,886	(1,535)
9 Capitalized Overhead	8,836	9,062	9,062	9,062	-
10 Additions to Deferred Charges for Tax Purp	-	-	-	-	-
11 Incentive & Revenue Deferrals	1,391	1,284	(654)	(654)	(1,938)
12 Financing Fees	921	933	922	922	(11)
13 All Other (net effect)	(409)	281	611	611	330
14	48,325	55,981	52,827	52,827	(3,154)
15					
16 Additions					
17 Amortization of Deferred Charges	2,807	2,527	2,539	2,539	12
18 Depreciation	28,142	31,829	31,477	31,477	(352)
19	30,949	34,356	34,016	34,016	(340)
20					
21 TAXABLE INCOME	16,260	12,052	18,058	17,404	5,352
22					
23 Tax Rate	34.12%	31.50%	31.00%	31.00%	-0.50%
24					
25 Taxes Payable	5,548	3,796	5,598	5,395	1,599
26 Prior Years' Overprovisions/(Underprovisions)	31	-	87	87	87
27 Deferred Charges Tax Effect	181	193	184	184	(9)
28					
29 REGULATORY TAX PROVISION	5,760	3,989	5,869	5,666	1,677

⁽¹⁾ Commission Orders G-147-07 and G-70-08

Note: Differences due to rounding.

SCHEDULE 4 – COMMON EQUITY
FOR THE YEAR ENDING DECEMBER 31, 2008

	Normalized 2007	Decision 2008 ⁽¹⁾	Actual 2008 (\$000s)	Normalized 2008	Change From Decision
1 Share Capital	148,000	168,000	163,000	163,000	(5,000)
2 Retained Earnings	161,207	159,899	159,673	159,405	(494)
3					
4 COMMON EQUITY - OPENING BALANCE	309,207	327,899	322,673	322,405	(5,494)
5					
6 Less Common Dividends	(11,800)	(13,400)	(13,400)	(13,400)	-
7					
8 Add: Net Income	27,876	29,688	31,001	30,550	862
9 Share Adjustment	(17,878)	-	(19)	(19)	(19)
10 Shares Issued	15,000	20,000	15,000	15,000	(5,000)
11					
12 COMMON EQUITY - CLOSING BALANCE	322,405	364,187	355,255	354,536	(9,651)
13					
14 SIMPLE AVERAGE	315,806	346,043	338,964	338,470	(7,573)
15					
16 Adjustment for Shares Issued	(11,100)	(4,110)	(4,925)	(4,925)	(815)
17 Deemed Equity Adjustment	-	(12,794)	-	-	12,794
18					
19 COMMON EQUITY - AVERAGE	304,706	329,139	334,039	333,546	4,407

⁽¹⁾ Commission Orders G-147-07 and G-70-08

Note: Differences due to rounding.

SCHEDULE 5 – RETURN ON CAPITAL
FOR THE YEAR ENDING DECEMBER 31, 2008

	Normalized 2007	Decision 2008 ⁽¹⁾	Actual 2008 (\$000s)	Normalized 2008	Change From Decision
1 Secured and Senior Unsecured Debt	433,691	489,468	489,468	489,468	-
2 Proportion	57.46%	59.48%	61.04%	61.04%	1.56%
3 Embedded Cost	6.50%	6.36%	6.36%	6.36%	0.00%
4 Cost Component	3.74%	3.78%	3.88%	3.88%	0.10%
5 Return	28,202	31,126	31,116	31,116	(10)
6					
7 Short Term Debt	16,329	4,240	(21,633)	(21,633)	(25,873)
8 Proportion	2.16%	0.52%	(2.70%)	(2.70%)	(3.22%)
9 Embedded Cost	3.24%	15.00%	4.40%	4.40%	(10.60%)
10 Cost Component	0.07%	0.08%	(0.12%)	(0.12%)	(0.20%)
11 Return (including fees)	529	636	(953)	(953)	(1,589)
12					
13					
14 Common Equity	304,706	329,139	334,039	333,546	4,407
15 Proportion	40.37%	40.00%	41.66%	41.62%	1.62%
16 Embedded Cost	9.15%	9.02%	9.28%	9.16%	0.14%
17 Cost Component	3.69%	3.61%	3.87%	3.81%	0.20%
18 Return	27,876	29,688	31,001	30,550	862
19					
20 TOTAL CAPITALIZATION	754,726	822,847	801,875	801,381	(21,466)
21 RATE BASE	746,543	822,847	802,566	802,566	(20,281)
22					
23 Earned Return	56,606	61,450	61,164	60,713	(737)
24					
25 RETURN ON CAPITAL	7.50%	7.47%	7.63%	7.58%	0.11%
26 RETURN ON RATE BASE	7.58%	7.47%	7.62%	7.56%	0.09%

⁽¹⁾ Commission Orders G-147-07 and G-70-08

Note: Differences due to rounding.

EXECUTIVE SUMMARY
DIRECTORS, OFFICERS AND SHAREHOLDERS
 AS AT DECEMBER 31, 2008

DIRECTORS

Stanley Marshall	Suite 1201, 139 Water Street St. John's, NL A1B 3T2	Governance Committee
John S. McCallum	26 Lake Lindero Road Winnipeg, MB R3T 4P3	Chair, Audit Committee
John Walker	617 Almandine Court Kelowna, BC V1W 4Z5	
Beth Campbell	2443 Westwood Penticton, BC V2A 8Y8	Chair, Governance Committee
Richard Deane	1835 Butte Street Rossland, BC VOG 1Y0	Audit Committee
Harry McWatters	10823 Dunham Crescent Summerland, BC VOH 1Z2	Chair of the Board Governance Committee
Roger Mayer	2794 River Road Keremeos, BC VOX 1N1	Audit Committee
Walter Gray	103 – 633 Denali Court Kelowna, BC V1V 2R2	Governance Committee
Randy Jespersen	16705 Fraser Highway Surrey, BC V3S 2X7	Governance Committee
William Daley	1130 Bertie Street Fort Erie, ON L2A 5Y2	Audit Committee

DIRECTORS, OFFICERS AND SHAREHOLDERS, cont'd

AS AT DECEMBER 31, 2008

OFFICERS

John Walker	FortisBC Inc. Suite 100 – 1975 Springfield Road Kelowna, BC V1Y 7V7	President and CEO
Michele Leeners	FortisBC Inc. Suite 100 – 1975 Springfield Road Kelowna, BC V1Y 7V7	Vice-President, Finance & Chief Financial Officer
Donald Debiegne	FortisBC Inc. Suite 100 – 1975 Springfield Road Kelowna, BC V1Y 7V7	Vice President, Power Supply & Strategic Planning
Michael Mulcahy	FortisBC Inc. Suite 100 – 1975 Springfield Road Kelowna, BC V1Y 7V7	Vice-President, Customer & Corporate Services
Doyle Sam	FortisBC Inc. Suite 100 – 1975 Springfield Road Kelowna, BC V1Y 7V7	Vice President, Engineering & Operations
David Bennett	FortisBC Inc. Suite 100 – 1975 Springfield Road Kelowna, BC V1Y 7V7	Vice President, Regulatory Affairs & General Counsel

SHAREHOLDERS

Fortis Pacific Holdings Inc.	100% Common stock
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IMPORTANT CHANGES IN THE YEAR

A. OPERATING

Turbine Upgrades and Generating Facilities

The South Slocan Unit 3 Life Extension (LE) began in the third quarter of 2008 and is on schedule to be complete in the first quarter of 2009.

The completion of South Slocan Unit 3 Headgate rehabilitation project was also achieved in 2008. This work was scheduled to coincide with the South Slocan Unit 3 LE.

The South Slocan Pole Yard Remediation project completed minor site clean-up (landscaping), as well as development and submission of a final report to the Ministry of Environment for review. A certificate of compliance is expected from the Ministry in 2009.

Supply contracts for major equipment having long delivery times continued to be prepared and negotiated for South Slocan Unit 1 and the Corra Linn Units 1 and 2 projects.

Okanagan Transmission Reinforcement (OTR) Project

The OTR project primarily consists of construction of the Bentley Terminal Station near Oliver, as well as the construction of two 230 kV transmission lines from Oliver to Penticton. It is required to address capacity constraints in the Okanagan region. The project received BCUC approval in October of 2008, and is currently in the detailed engineering and procurement stage with construction scheduled to start in the summer of 2009 and to be completed in the summer of 2011.

Kettle Valley Project

The Kettle Valley project consists of a new 161/25 kV distribution source substation to replace three aged substation in the area, and conversion of the existing 13 kV distribution system to 25 kV. The Kettle Valley Substation is complete with substation transformers energized on April 9, 2008. Construction of the main line to Midway, and the Midway and Greenwood 25/13 kV step-down stations, has been completed and energized. The final engineering of the Midway to Greenwood main line is currently underway.

Big White Supply Project

The Big White project consists of a new distribution source substation at Big White, fed by a 138 kV transmission line from the Joe Rich Substation, and an upgrade of the capacity-constrained distribution system at Big White. The project is substantially complete with station energization completed in November 2008 and project wrap-up activities completed in the first quarter of 2009.

IMPORTANT CHANGES IN THE YEAR, cont'd

A. OPERATING, cont'd

Ellison Substation Project

The Ellison Substation project consists of a new substation in the Ellison area of Kelowna, a 138 kV transmission line connecting the Ellison Substation with the Duck Lake Substation, and construction of all distribution facilities necessary to connect the new substation into the existing distribution network. Construction of the transmission line and three of four distribution feeders associated with this project are substantially complete. Work on the fourth feeder, along with the modifications at the Duck Lake Substation are well in hand. Detailed engineering is substantially complete. Significant portions of the substation work have been tendered.

Municipal rezoning of the substation site and application for reconsideration of the CPCN have delayed the project. The delay, coupled with the colder than normal winter weather, has created challenges maintaining voltage and service at the university and airport.

Black Mountain Substation Project

The Black Mountain Substation project consists of a new distribution substation in the Black Mountain area of Kelowna, and a high voltage ring bus to protect system reliability as well as a new distribution feeder. Project construction began in the fourth quarter of 2008 with site preparation completed and civil works underway at year end. Station energization is currently forecast for the end of the third quarter of 2009.

Distribution Substation Automation Program

The Distribution Substation Automation Program consists of installation of automated systems in distribution substations, with a focus on reducing operational costs, preventing power outages and restoring power more quickly when there is a failure, as well as improving the levels of employee and public safety. The program is on schedule with detailed scoping and estimating completed. Work is progressing on detailed engineering, procurement, scheduling and construction. Construction has been completed at Castlegar, DG Bell, Duck Lake, Fruitvale, Hollywood, and Keremeos Stations.

Ootischenia Substation Project

The Ootischenia Substation Project consists of a new distribution substation on the east side of the Columbia River in Ootischenia, and includes the installation of the necessary transmission and distribution interconnection ties to connect the new substation into the existing network. The project is substantially complete and began commercial service December 14, 2008. The project was placed in service just days ahead of a week of cold weather during which FortisBC set a new system peak. The new Ootischenia Substation performed as planned providing relief to the system in the Castlegar area.

IMPORTANT CHANGES IN THE YEAR, cont'd

B. CUSTOMER SERVICE

eBills

In early 2008, FortisBC launched an eBill program. The eBill program provides customers the option of receiving their bill via email. The program was designed to be easy and convenient for customers to enrol in and use. Customers can enrol over the phone or on the FortisBC website for online access to their eBills. By the end of 2008, 5.9 percent of customers had signed up for the eBill program. The Company has received many positive comments from customers regarding the program and has experienced a minimal “dropout” rate.

“Greener” Meter Reading

Two new environmental initiatives were undertaken by the meter reading department in 2008. The Company replaced two gas-powered fleet vehicles with hybrid vehicles. In addition, FortisBC introduced a bicycle into the meter reading fleet in the Kelowna area. After completing a safe work assessment and appropriate safety training, a meter reader has been using a bicycle to read meters on routes that are too long to walk and less efficient to drive. This method of meter reading has proven to be popular with customers as well as more efficient for the Company when appropriately used.

Collections

In mid 2008 the number of accounts in the 31 – 60 day arrears category was determined to be at an unacceptable level. The collections team took action by proactively contacting customers and working with them to make arrangements on the outstanding balances. Outstanding account balances in all aging categories were reduced substantially by the end of the year resulting in total AR being at the lowest level it has been for the past several years.

Telus Transfer Agreement

A Facilities Transfer Agreement was signed with Telus during the second quarter. This contract complements the Shared Pole Agreement of 1980 and will allow FortisBC construction crews to perform basic transfers of Telus plant during pole relocations and upgrades. Contract benefits include; productivity gains for operations staff by avoiding return trips to pull discarded poles; reduced customer calls and complaints regarding pole removals; and a reduction in liability associated with aged plant remaining in the field.

IMPORTANT CHANGES IN THE YEAR, cont'd

C. ENERGY MANAGEMENT

In 2008, FortisBC customers saved 27.3 GW.h through PowerSense energy efficiency programs. The overall benefit/cost ratio of the DSM portfolio was 2.0, compared to 2.1 for the prior year.

FortisBC earned an incentive of \$127,000 under the Shared Savings Mechanism. Under the DSM mechanism the Company shares a portion of the net benefits that exceed a 3-year baseline. Benefits are defined as the value of avoided energy and capacity purchase costs and deferred capital expenditures. Utility incentive and program costs, plus the customer costs of their energy efficiency projects are deducted from the benefits to arrive at the net benefits. This mechanism sends FortisBC a signal to maximize the resource savings per dollar spent on DSM measures.

PowerSense exceeded energy savings targets in all three market sectors, as shown below:

2008 Energy Savings by Sector (GW.h)	Plan	Actual	% of Plan Achieved
Residential	8.4	12.9	154
General Service	9.1	11.1	121
Industrial	2.0	3.3	166
Total savings (GW.h)	19.5	27.3	140

Some activity highlights for the year:

- The Residential sector continued to be driven by the Heat Pump Program with a 1000 units installed in 2008 resulting in 8.5 GW.h of energy savings. The new home program achieved 1.6 GW.h, and the residential lighting program attained 2.6 GW.h in savings.
- In the General Service sector, 5.9 GW.h in savings were achieved through new and retrofit lighting projects. Energy management projects totalled 4.0 GW.h in the Building and Process Improvement program ("BIP").
- In the Industrial sector, a change of the chip handling process at a sawmill resulted in savings of 1.7 GW.h, while the compressed air program provided 0.2 GW.h of savings.

The LiveSmart BC program was created in 2008 to provide a single access point for provincial, utility and federal incentives for homeowners throughout British Columbia. FortisBC partnered with LiveSmart BC in early 2008 and extended its incentive initiatives for air and ground source heat pumps, as well as provided funding for a portion of the costs of the energy audits required by the program.

IMPORTANT CHANGES IN THE YEAR, cont'd

C. ENERGY MANAGEMENT, cont'd

In 2008, PowerSense partnered with the City of Kelowna and Terasen Gas to pilot the Cool Shops program in Kelowna. The program provided small businesses energy audits and distributed free compact fluorescent light bulbs and LED exit light bulbs. Two students hired for the summer visited more than 500 businesses and completed 293 walk-through audits. These activities resulted in annual savings of over 154,674 kWh, saving small businesses over \$120,000 in energy costs and reducing their greenhouse gas emissions by 2.6 tonnes annually. Due to the program's success, the plan for 2009 is to expand the small business audit program to the south Okanagan and Kootenay regions as well, either with Cool Shops or a new in-house program.

During PowerSense month in October, a total of 51 Conservation Excellence awards were presented at three regional ceremonies in Kelowna, Penticton and Castlegar. The awards are given to customers who undertake projects that save over 100 MWh each, and to trade allies who support the PowerSense programs.

D. REGULATORY

BC Hydro Rate Increase Flow-Through

On March 14, 2008 the Commission, by Order G-40-08, approved BC Hydro's request for a refundable interim rate increase of 6.56 percent, and a reduction of the Deferral Account Rate Rider from 2.0 percent to 0.5 percent, effective April 1, 2008.

On April 17, 2008 the Commission, by Order G-70-08, approved an application by the Company requesting approval of a 0.8 percent interim rate increase, effective May 1, 2008, reflecting the impact of the BC Hydro Power Purchase interim rate increase.

2009 Revenue Requirements

FortisBC filed its 2009 Revenue Requirements Application on September 26, 2008 in accordance with its 2006 – 2009 PBR plan. The Company held its 2008 Annual Review and 2009 Revenue Requirements Workshop on November 13, 2008, and on November 14, 2008 reached a tentative Negotiated Settlement Agreement with stakeholders. On December 11, 2008, the Commission, by Order G-193-08, approved the terms of the 2008 Annual Review and 2009 Revenue Requirements NSA including a three year extension of the PBR Plan through 2011, as well as a general rate increase of 4.6 percent effective January 1, 2009.

Okanagan Transmission Reinforcement (OTR) Project

On December 14, 2007, FortisBC submitted an application for a CPCN for the construction of the OTR project as described on page 30 above. Following an oral hearing process approval for the project was received by Commission Order C-5-08 dated October 2, 2008.

IMPORTANT CHANGES IN THE YEAR, cont'd

D. REGULATORY, cont'd

Advanced Metering Infrastructure (AMI) Project

On December 19, 2007, FortisBC submitted a CPCN application for the AMI project. The project included the replacement of all meters currently in the FortisBC service territory with meters capable of remotely communicating a variety of meter data, including consumptive and power quality data, back to a central data repository.

On March 28, 2008, as a result of continued discussions between the Company and stakeholders including the Ministry of Energy, Mines, and Petroleum Resources, FortisBC submitted an amended CPCN application reflecting the addition of two functional enhancements to the preferred solution designed to provide further support to the BC Energy Plan.

Following a written hearing process, denial of FortisBC's Application and Amended Application for the AMI project was received by Order G-168-08 dated November 12, 2008. In its Reasons for Decision issued on December 3, 2008, the Commission encouraged the Company to continue development of the AMI project and to re-apply for approval to implement.

Copper Conductor Replacement (CCR) Project

On June 27, 2008, FortisBC submitted an application for a CPCN for the CCR project. The project was intended to address employee and public safety concerns related to the disproportionate number of legacy copper conductor failures in the FortisBC system. The project proposed the replacement of all No. 8, No. 6, and 90 MCM distribution copper conductor in excess of 50 years in age, pole replacements subject to safety and age assessment results, and updates to the Company's Geographical Information Systems ("GIS") database.

Following a written public hearing process, the CCR CPCN Application was denied by Commission Order G-165-08, dated November 7, 2008. In the Reasons for Decision accompanying the Order, the Commission directed FortisBC to address the integrity of the legacy copper system through the course of normal Capital Growth and Sustaining programs.

Benvoulin Substation Project

On September 24, 2008, FortisBC submitted an application for a CPCN for the construction of the Benvoulin Substation project required to address capacity and reliability issues in the south/central Kelowna area. Following a written public hearing process, approval for the project was received by Commission Order C-1-09 dated January 20, 2009.

Applications for Reconsideration of Ellison Substation CPCN

On September 18, 2008 and September 23, 2008, two groups of Registered Intervenor requested a reconsideration of Commission Orders C-04-07 and G-75-07 approving the Ellison Substation Project in Kelowna to address the question of whether the location of the substation would interfere with navigation systems at the Kelowna Airport.

Following a limited written hearing process to address the issue, the Commission issued Letter L-8-09 dated February 3, 2009 denying the applications for reconsideration.

IMPORTANT CHANGES IN THE YEAR, cont'd

D. REGULATORY, cont'd

2009/10 Capital Expenditure Plan and 2009 System Development Plan

On June 27, 2008, FortisBC submitted its 2009/10 Capital Expenditure Plan (“2009/10 CEP”) Application and 2009 System Development Plan Update (“2009 SDP Update”) outlining proposed expenditures of \$178.8 million in 2009, and \$181.1 million in 2010. The majority of the projects included in the 2009/10 CEP are necessary to provide service, ensure public and employee safety, and to ensure a continued reliable supply of electricity to FortisBC’s growing customer base. The 2009 SDP Update provided an update on system development projects as outlined in FortisBC’s 2005-2024 System Development Plan.

Following a written public hearing process, approval of the 2009/10 CEP was received by Commission Order G-11-09, subject to specific determinations and directions as set out in the Decision.

BC Hydro – Application to Amend Section 2.1 of Rate Schedule 3808 Power Purchase Agreement

On June 24, 2008, FortisBC filed the Umbrella Agreement for Short-Term Firm or Non-Firm Point-to-Point Transmission Service Agreement dated April 18, 2008 between FortisBC and the City of Nelson pursuant to the Terms and Conditions of Tariff Supplement 7.

On September 16, 2008 BC Hydro applied to the Commission for approval to amend section 2.1 of the Power Purchase Agreement (“PPA”) between BC Hydro and FortisBC, to prevent the sale of electricity purchased by FortisBC under the PPA to FortisBC customers to replace electricity sold by those customers.

By Order G-148-08 the Commission established a written public hearing process to review the BC Hydro application, which concluded on February 2, 2009.

IMPORTANT CHANGES IN THE YEAR, cont'd**E. FINANCING**

On April 15, 2008, the Company amended its operating credit facility provided by a syndicate of Canadian Chartered banks. The amendments included the extensions of maturity dates for the \$50.0 million, three-year revolving facility to May 11, 2011 ("Facility A") and for the \$100.0 million 364 day revolving credit facility to May 7, 2009 ("Facility B").

On April 24, 2008, Commission Order G-75-08 approved the issuance of up to 250,000 common shares to the Company's parent for total consideration of up to \$25 million on or before December 31, 2008. Two separate share issuances took place in 2008. 100,000 shares were issued on September 29, 2008 for proceeds of \$10 million and 50,000 shares were issued on December 29, 2008 for proceeds of \$5 million.

The financings referred to above were necessary to fund ongoing capital expenditures and working capital requirements.

F. TAXATION**Income Taxes**

For the year ended December 31, 2008, income tax expense was \$5.9 million, which was comparable to the year ended December 31, 2007. An increase in pre-tax earnings was offset by an increase in income tax timing differences and a reduction in the Federal and Provincial income tax rates.

Property Taxes

Property tax for 2008 increased by \$0.4 million compared to 2007. The increase in 2008 property tax was due to increased assessment base from net capital additions.

IMPORTANT CHANGES IN THE YEAR, cont'd

G. AUDIT

Internal Audit

The primary focus of Internal Audit during 2008 was the testing of Internal Controls over Financial Reporting (“ICFR”). In addition, the following internal audits were performed:

- **Transfer Pricing and Code of Conduct Audit** – an annual audit of compliance with the Transfer Pricing and Code of Conduct policies.
- **Executive Expense Account Audit** – an audit of discretionary expenses incurred by the executive management team.
- **Directors’ Liabilities Audit** – an audit to test the timely reporting and remittance of statutory remittances (Payroll withholdings, WCB, Corporate Income Tax and Retail Sales Taxes.)
- **Disclosure Controls and Financial Reporting Process Audit** – an audit of internal controls over Disclosure Procedures and the Financial Close Process.
- **Fraud Risk Assessment** – annual Entity Level Assessment of Fraud Risk
- **Privacy Policy Review** – a review of compliance with applicable Privacy legislation.
- **Accounts Receivable Aging Review** – a review of accounts receivable aging methodology in FortisBC’s billing system.

External Audit

In addition to their quarterly reviews and annual audit of the Financial Statements, Ernst & Young LLP performed the following:

- **IT General Controls audit** – a test of automated and manual internal controls within Information Technology (Computer Systems) to substantiate the external auditors’ opinion of Internal Controls over Financial Reporting within the organization.
- **Internal Controls over Financial Reporting** – an independent assessment of the risk and control documentation for certain internal control processes and management’s evaluation of the design adequacy and operating effectiveness of internal controls over financial reporting.

IMPORTANT CHANGES IN THE YEAR, cont'd**H. LEGAL PROCEEDINGS****Vaseux Lake Fire**

The Province of British Columbia has alleged breaches of the Forest Practices Code and negligence relating to a forest fire near Vaseux Lake and has filed and served a Writ and Statement of Claim against FortisBC Inc. ("FortisBC"). In addition, private land owners have filed a separate Writ and Statement of Claim in relation to the same matter. FortisBC is communicating with its insurers and has filed a Statement of Defence in relation to both of the actions. The outcome cannot be reasonably determined and estimated at this time, and accordingly no amount has been accrued in the financial statements.

I. HUMAN RESOURCES**Labour Relations**

The Collective Agreement between the Company and Local 213 of the International Brotherhood of Electrical Workers (IBEW) expired on January 31, 2009. IBEW represents approximately 270 employees in specified occupations in the areas of generation, transmission and distribution.

The Collective Agreement between the Company and Local 378 of the Canadian Office and Professional Employees Union (COPE) expires on January 31, 2011. COPE represents approximately 160 employees in office and professional occupations.

IMPORTANT CHANGES IN THE YEAR, cont'd**J. SAFETY AND HEALTH****Safety Indicators for the 12 month period October 1, 2007 to September 30 2008**

Note: The reporting period is consistent with that required by FortisBC's Performance-Based Regulation (PBR) Plan.

All Injury Frequency Rate	Year	3 Year Average
	<u>2008</u>	<u>2006 – 2008</u>
All Injury Rate (Incidents per 100 workers)	2.57	2.08

The 2008 All Injury Frequency Rate (AIFR) is based on the number of medical aid (MA) and lost time injuries (LTI) that occurred in the 12 month period from October 1, 2007 and September 30, 2008. The following formula is used to calculate the rate:

$$\frac{(\text{Number of Medical aid} + \text{Number of Lost Time Injuries}) \times 200,000}{\text{Exposure Hours}}$$

Injury Severity Rate	Year	3 Year Average
	<u>2008</u>	<u>2006 – 2008</u>
Severity Rate (Incidents per 100 workers)	18.52	27.0

The 2007 Injury Severity Rate (SR) is based on the total number of lost days due to work related injuries or illnesses which occurred in the 12 month period from October 1, 2007 and September 30, 2008. The following formula is used to calculate the rate:

$$\frac{(\text{Number of days lost}) \times 200,000}{\text{Exposure Hours}}$$

Motor Vehicle Incidents	Year	3 Year Average
	<u>2008</u>	<u>2005 – 2007</u>
Vehicle incident rate (Incidents per 1,000,000 kilometres)	1.12	1.77

The 2008 Recordable Vehicle Incident Rate (VIR) is based on the total number recordable vehicle incidents due to work related Vehicle Collisions or Injuries which occurred in the 12 month period from October 1, 2007 and September 30, 2008. The following formula is used to calculate the rate:

$$\frac{(\text{Number of recordable incidents}) \times 1,000,000 \text{ km}}{\text{Kilometres driven}}$$

IMPORTANT CHANGES IN THE YEAR, cont'd**J. SAFETY AND HEALTH, cont'd****Safety Initiatives**

The Company's safety initiatives are designed to support continual improvement within the FortisBC management system. The 2008 initiatives delivered the 2008 safety plan and focused on hazard identification and control, incident investigations, and training. Expectations established by leadership for hazard identification and control make it clear to employees that hazards must be controlled before work begins. Incident investigation to "root causes" by health and safety committee employees is utilized to facilitate comprehensive incident investigations and recurrence prevention. The Company transitioned its safety management system database to Utility Risk Management system tool ("URM"). The URM safety system provides enhanced functionality.

An electrical worker made contact with a 7,200 volt potential transformer in 2008. The incident was investigated, required follow-up action taken, and the employee has since returned to work.

Audits are periodically used to review the overall safety management system and identify issues. A safety system audit was conducted in December 2007 which resulted in an audit score of 98 percent. The safety system audit is sanctioned by WorkSafeBC and the "Partnerships Program". Safety audit results were used to develop and implement the 2008 safety action plan.

IMPORTANT CHANGES IN THE YEAR, cont'd

K. SERVICE RELIABILITY

Reliability Indicators for the period: October 2007 to September 2008.

Note: The reporting period is consistent with that required by FortisBC's Performance-Based Regulation (PBR) Plan.

KPI	KPI Definitions	2007-08 (Normalized) ¹ <i>as reported at 2008 Annual Review</i>	2007-08 (Normalized) ¹ <i>Updated</i>	3 Year Average 2005 to 2007 (Normalized) ¹	BCUC Target 2007-08 (Normalized) ¹
SAIFI	<u>Customer Interruptions</u> Total Customers Served	2.46 ²	2.60 ³	3.01	3.11
SAIDI	<u>Customer Hours of Interruption</u> Total Customers Served	2.55 ²	2.98 ³	2.38	2.45
CAIDI	<u>Customer Hours of Interruption</u> Customer Interruptions	1.04 ²	1.15 ³	0.79	0.79
Index of Reliability	<u>Total Customer Hours Available – SAIDI</u> Total Customer Hours Available	99.97% ²	99.97% ³	99.97%	99.97%

¹ "Normalized" data excludes the impacts of October 29th, 2006 snow and wind storms, the December 9th, 2006 equipment failure outage, the June 29th, 2007 wind and lightning storms, and the July 10th, 2008 wind storm which all exceed the IEEE daily SAIDI threshold. There were no incidents in 2005 that exceeded the threshold.

² SAIDI and SAIFI results as reported at the 2008 Annual Review.

³ SAIDI and SAIFI results updated with additional outage information not available during the 2008 Annual Review.

Major Service Interruptions during September 2007 to October 2008:

November 12, 2007 – Okanagan and Kootenay area:

A major storm moved through the Okanagan and Kootenay regions where strong winds blew trees into lines and caused many distribution outages.

	Direct	Indirect
Customers Affected:	12736	0
Customer Hours:	10089	0

November 28, 2007 – Kelowna area:

A structure with a double circuit distribution feeder in the Joe Rich Valley was hit by a logging truck. The structure needed to be completely replaced with power subsequently restored approximately 11 hours after the incident.

	Direct	Indirect
Customers Affected:	1639	0
Customer Hours:	18403	0

IMPORTANT CHANGES IN THE YEAR, cont'd**K. SERVICE RELIABILITY, cont'd****June 30, 2008 –South Okanagan and Boundary Region:**

During a major lightning storm, multiple lightning strikes caused outages to both transmission lines to the east and west of the Kettle Valley substation. Damage at the Grand Forks Terminal Station required crews to investigate the problem which delayed power restoration.

	Direct	Indirect
Customers Affected:	8,066	1,892
Customer Hours:	10,405	4,882

July 10, 2008 – Okanagan and Kootenay Areas:

A severe wind storm moved through the Okanagan and the Kootenays with record winds being observed in Penticton at 109 km/hr. There were many tree related outages occurring primarily on the distribution system. The event had a SAIDI impact of 1.1 which is the largest value for a single event since 2002.

	Direct	Indirect
Customers Affected:	21,016	4,858
Customer Hours:	114,440	28,570

July 10, 2008 qualified as a “Major Event Day” and for 2.5β Normalization.

August 17, 2008 – Kelowna area:

A lightning strike destroyed equipment in the Sexsmith Substation in Kelowna, which caused the system protection to trip and lockout a transmission line. Restoration efforts were delayed due to the breaker lockout and damaged equipment at the substation.

	Direct	Indirect
Customers Affected:	8,802	12,036
Customer Hours:	1,828	13,195

August 19, 2008 – South Okanagan:

A direct lightning strike at the Oliver Substation caused the system protection to correctly isolate the affected area. Where possible customers were reconnected through other routes, however due to the protection operation this outage required field investigation prior to re-energizing a transmission line.

	Direct	Indirect
Customers Affected:	11,362	0
Customer Hours:	12,227	0

COMPANY PROFILE

		Return on Equity			Bond Yield ⁽¹⁾	Common Equity	Rate Base (\$000s)	Energy Sales (MW.h)	Temperature (% warm, HDD)	Direct Customers
		Allowed	Achieved	Normal						
1	1999	9.50%	10.48%	10.35%	5.72%	42.72%	279,665	2,607	4.9 %	86,713
2	2000	10.00%	10.00%	9.98%	5.71%	42.03%	307,426	2,682	(3.0)%	87,683
3	2001	9.75%	10.20%	10.34%	5.76%	45.14%	338,695	2,733	3.8 %	89,072
4	2002	9.53%	8.24%	8.32%	5.68%	46.73%	382,503	2,791	(3.1)%	92,804
5	2003	9.82%	10.88%	10.80%	5.34%	42.49%	442,688	2,834	7.9 %	95,070
6	2004	9.55%	10.70%	11.04%	5.14%	43.02%	498,974	2,874	5.5 %	97,317
7	2005	9.43%	9.88%	9.87%	4.40%	41.70%	589,845	2,969	0.1 %	99,745
8	2006	9.20%	9.94%	10.05%	4.28%	40.21%	671,138	3,040	(5.7)%	102,413
9	2007	8.77%	9.23%	9.15%	4.32%	40.38%	746,543	3,090	0.2 %	107,724
10	2008	9.02%	9.28%	9.16%	4.05%	41.66%	802,566	3,087	9.8 %	109,719

⁽¹⁾ Canada long-term benchmark bonds monthly average

TEN-YEAR SUMMARY

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
1 DISTRIBUTION OF ELECTRICITY (GW.h)										
2 Sales										
3 Residential	1,221	1,160	1,091	1,070	1,020	1,005	997	986	985	945
4 Wholesale	892	636	948	916	931	915	873	857	840	847
5 Industrial	252	352	344	357	345	338	347	323	290	273
6 General Service & Other	722	943	657	624	578	577	574	567	567	542
7	3,087	3,090	3,040	2,969	2,874	2,834	2,791	2,733	2,682	2,607
8										
9 EARNINGS (\$000s)										
10 Operating Revenue	225,944	215,155	208,515	187,462	179,353	168,205	154,355	146,430	138,154	126,843
11										
12 Operating Expenses	35,663	34,165	32,337	37,680	36,042	30,061	32,094	25,943	25,901	25,475
13 Power Purchases	66,010	66,629	67,576	60,404	59,014	58,436	52,261	51,051	47,659	42,919
14 Wheeling	3,655	3,471	3,840	3,956	3,817	3,727	3,996	4,334	3,601	3,714
15 Property & Capital Taxes	11,036	10,642	10,275	9,540	10,047	9,115	9,593	10,123	9,709	9,349
16 Water Fees	7,878	7,918	8,371	7,679	7,399	7,370	7,120	7,178	7,157	7,351
17 Depreciation	34,016	30,949	26,746	18,840	16,817	14,637	14,344	12,695	9,620	9,626
18	158,258	153,774	149,144	138,098	133,135	123,345	119,407	111,323	103,647	98,434
19										
20 Earnings from Operations	67,686	61,380	59,371	49,364	46,218	44,860	34,948	35,107	34,506	28,408
21										
22 AFUDC	-	-	(2,360)	(3,335)	(2,434)	(3,370)	(2,451)	(846)	(590)	(435)
23 Interest Expense	30,163	28,731	26,112	22,389	19,033	19,120	15,200	14,519	14,565	13,053
24 Income Tax	5,869	5,898	6,504	7,148	8,333	7,578	5,892	8,566	6,858	5,409
25 Incentive Adjustment	654	(1,391)	2,431	(1,219)	(2,300)	1,281	1,676	149	(748)	(2,026)
26 Rate Stabilization	-	-	-	-	-	-	-	(3,109)	-	-
27 Net Earnings	31,001	28,143	26,684	24,380	23,585	20,250	14,630	15,827	14,422	12,407
28										
29 Return on Common Equity	9.28%	9.23%	9.94%	9.88%	10.70%	10.88%	8.24%	10.20%	10.00%	10.48%

Note: Differences due to rounding.

DECLARATIONS

1. UNIFORM SYSTEM OF ACCOUNTS

In my opinion, FortisBC Inc. classifies certain expenditures based on the Uniform System of Accounts as set out by the British Columbia Utilities Commission, with the exception of certain Operating and Maintenance accounts, which are classified according to FortisBC's Chart of Accounts. This variance to Commission Order G-28-80 was approved via Commission Letter L-34-99 dated July 6, 1999.

2. COMPLIANCE WITH COMMISSION'S FINANCIAL DIRECTIVES

In my opinion, FortisBC complies with the British Columbia Utilities Commission's financial directives contained in its Orders to FortisBC.

Signed by

Charles P. Lee, C.G.A.
Controller

OFFICER'S DECLARATION

I, Michele Leeners, do hereby certify:

1. That I am Vice-President, Finance and Chief Financial Officer with FortisBC Inc. with Head Office at Suite 100, 1975 Springfield Road, Kelowna, British Columbia;
2. That I have examined the content of this report and the information set out herein is complete and accurate, to the best of my knowledge, information and belief. I have read and understand Section 106 of the Utilities Commission Act.

Signed by

Michele Leeners, C.A.
Vice President, Finance and
Chief Financial Officer

Any inquiries regarding this report should be directed to:

Joyce Martin
Manager, Regulatory Affairs
FortisBC Inc.
1290 Esplanade - PO Box 130
Trail, BC V1R 4L4

APPENDIX A

RECONCILIATION OF FINANCIAL STATEMENTS

STATEMENT OF EARNINGS, CORPORATE AND REGULATORY

YEAR ENDED DECEMBER 31, 2008

	Corporate	(\$000s)	Regulated
REVENUE			
Sale of power	222,677	(1,768)	220,909
Other	6,563	(1,528)	5,035
	229,240	(3,296)	225,944
EXPENSES			
Operating and Maintenance	36,553	(890)	35,663
Power Purchases	68,190	(2,180)	66,010
Wheeling	3,655	-	3,655
Property & BC capital taxes	11,353	(317)	11,036
Water fees	7,982	(104)	7,878
Depreciation & Amortization of Deferreds	34,158	(142)	34,016
	161,891	(3,633)	158,258
EARNINGS FROM OPERATIONS	67,348	338	67,686
INTEREST EXPENSE			
Long-term debt	31,920	(804)	31,116
Short-term debt	493	(1,446)	(953)
Allowance for funds used during construction	(3,009)	3,009	-
	29,404	759	30,163
REGULATORY INCENTIVE ADJUSTMENTS	-	654	654
EARNINGS BEFORE INCOME TAXES	37,944	(1,075)	36,869
INCOME TAXES	5,280	589	5,869
NET EARNINGS	32,664	(1,663)	31,001

Note: Differences due to rounding.

RECONCILIATION OF STATEMENT OF EARNINGS CORPORATE TO REGULATORY

	(\$000s)		(\$000s)
Sale of Power	222,677	AFUDC	(3,009)
Walden Power Partnership	(1,768)	Reclass AFUDC	3,009
Regulatory	<u>220,909</u>	Regulatory	<u>-</u>
Other Revenue	6,563	Long Term Interest Expense	31,920
Reclassify Incentive Adjustments	654	Walden Power Partnership	(459)
Reclass sale of surplus power	(2,180)	Reallocated to Short Term Interest	(345)
Reclass Walden interest income	(1)	Regulatory	<u>31,116</u>
Regulatory	<u>5,035</u>		
Operating and Maintenance Expense	36,553	Short Term Interest Expense	493
Non-regulated Affiliate	(362)	Reclass CWIP to Non-Regulated entity	(1,791)
Walden Power Partnership	(528)	Reclass from long term interest expense	345
Regulatory	<u>35,663</u>	Regulatory	<u>(953)</u>
		Incentive Adjustments	-
Property & B.C. Capital Taxes	11,353	Amortization of Prior Year Incentives	(1,284)
Walden Power Partnership	(317)	2008 Incentive Adjustments	1,939
Regulatory	<u>11,036</u>	Regulatory	<u>654</u>
Water Fees	7,982	Income Tax Expense	5,280
Walden Power Partnership	(104)	Walden Power Partnership & Non-Reg. Affiliates	589
Regulatory	<u>7,878</u>	Regulatory	<u>5,869</u>
Depreciation Expense	34,158	Power Purchases	68,190
Warfield Garage Expansion (non-reg)	(7)	Reclass sale of surplus power	(2,180)
Walden Power Partnership	(135)	Regulatory	<u>66,010</u>
Regulatory	<u>34,016</u>		

Note: Differences due to rounding.

BALANCE SHEET, CORPORATE AND REGULATORY
AS AT DECEMBER 31, 2008

	<u>Corporate (external)</u>	(\$000s)	<u>Regulated</u>
ASSETS			
Plant and Equipment	1,167,354	71,406	1,238,760
Less accumulated depreciation	(258,403)	(16,725)	(275,128)
	<u>908,951</u>	<u>54,681</u>	<u>963,632</u>
Deferred Charges and Other Assets	14,046	2,207	16,253
Regulated Assets	21,179	(21,179)	-
	<u>35,225</u>	<u>(18,972)</u>	<u>16,253</u>
Goodwill	1,209	(1,209)	-
Current Assets			
Cash	40	-	-
Accounts receivable	37,339	(11,860)	25,479
Unbilled revenue	-	16,894	16,894
Prepaid expenses	843	(24)	819
Deferred charges and other assets	997	(997)	-
Inventory	674	-	674
Regulated assets	299	(299)	-
	<u>40,192</u>	<u>3,714</u>	<u>43,866</u>
TOTAL ASSETS	<u><u>985,577</u></u>	<u><u>38,174</u></u>	<u><u>1,023,751</u></u>
CAPITAL AND LIABILITIES			
Capitalization			
Shareholder's Equity			
Common shares	181,851	(21,729)	160,122
Retained earnings	183,332	11,801	195,133
Total Shareholder's Equity	<u>365,183</u>	<u>(9,928)</u>	<u>355,255</u>
Long-Term Debt			
Secured debentures	40,000	-	40,000
Unsecured debentures	395,000	-	395,000
Debt issue costs	(4,189)	4,189	-
Term Bank Loan	34,685	(3,714)	30,971
Total Long-Term Debt	<u>465,496</u>	<u>475</u>	<u>465,971</u>
Contributions in Aid of Construction	-	86,783	86,783
Obligation under capital lease and other liabilities	39,204	(39,204)	-
Deferred Income Taxes	1,677	(1,259)	419
Accounts payable and accrued liabilities	42,180	1,034	43,214
Current portion of debt	61,775	(8,025)	53,750
Accrued interest	8,031	-	8,031
Income Taxes Payable	93	2,978	3,071
Bank Loans	-	7,257	7,257
Regulated liability	1,938	(1,938)	-
	<u>114,017</u>	<u>1,306</u>	<u>115,323</u>
Capitalization/Rate Base Differential	-	-	-
TOTAL CAPITAL AND LIABILITIES	<u><u>985,577</u></u>	<u><u>38,174</u></u>	<u><u>1,023,751</u></u>

Note: Differences due to rounding.

RECONCILIATION OF BALANCE SHEET

<u>ASSETS</u>	(\$000s)	<u>CAPITAL AND LIABILITIES</u>	(\$000s)
Plant and Equipment	1,167,354	Retained Earnings	183,332
Reclassify CPCs	121,891	Non-Regulated	<u>11,801</u>
Warfield Garage Expansion	(246)	Regulated	<u>195,133</u>
GAAP Variance - Capital Lease Asset	(27,228)		
Walden Power Partnership	<u>(23,012)</u>	Common Shares	181,851
Regulated	<u>1,238,760</u>	Non Reg Share Capital	<u>(21,729)</u>
		Regulated	<u>160,122</u>
Accumulated Depreciation	(258,403)		
Reclassify Amortization of CPCs	(35,108)	Debt Issue Costs	(4,189)
Capital Lease Asset	5,360	Disallowed Debt Issue Costs	<u>4,189</u>
Warfield Garage Expansion	(62)	Regulated	<u>-</u>
Walden Power Partnership	<u>13,085</u>		
Regulated	<u>(275,128)</u>	Bank Loan	34,685
		Walden Bank Loan	<u>(3,714)</u>
Deferred Charges	14,046	Regulated	<u>30,971</u>
Net Liabilities re: GAAP variances	4,145		
Reclassify Reg LT Liabilities	<u>(1,938)</u>	Contributions in Aid of Construction	-
Regulated	<u>16,253</u>	Reclassify CIAC	121,891
		Reclassify Amortization of CIAC	<u>(35,108)</u>
Regulated Assets	21,179	Regulated	<u>86,783</u>
Disallowed	<u>(21,179)</u>		
Regulated	<u>-</u>	Obligation under Capital Lease and	
		Other Liabilities	39,204
Accounts Receivable	37,339	Net Assets re: GAAP variances	(28,739)
Reclassify Unbilled Revenue	(16,894)	Reclassify PLP Capital Lease & LTD	<u>(10,465)</u>
Reclassify LT Receivables (80%)	5,102	Regulated	<u>-</u>
Walden Power Partnership	<u>(68)</u>		
Regulated	<u>25,479</u>	Deferred Income Taxes	1,677
		Walden Power Partnership	<u>(1,259)</u>
Unbilled Revenue	-	Regulated	<u>419</u>
Reclassify Accounts Receivable	<u>16,894</u>		
Regulated	<u>16,894</u>	Accounts Payable and Accrued Liabilities	42,180
		Walden Power Partnership	(35)
Prepaid Expenses	843	Intercompany Accounts	1,199
Walden Power Partnership	<u>(24)</u>	Non-Regulated	<u>(130)</u>
Regulated	<u>819</u>	Regulated	<u>43,214</u>
Deferred Charges and Other Assets	997	Current Portion of Debt	61,775
Disallowed (Current portion EM loans)	(997)	Reclass Current Portion Bank Loan	(7,257)
	-	Reclass Current Walden	<u>(768)</u>
		Regulated	<u>53,750</u>
Current Portion Regulated Assets	299	Bank Loans	-
Disallowed	<u>(299)</u>	Reclass Current Portion Bank Loan	<u>7,257</u>
Regulated	<u>-</u>		<u>7,257</u>
Goodwill	1,209	Income Taxes Payable	93
Non Regulated	<u>(1,209)</u>	Walden Power Partnership	818
Regulated	<u>-</u>	Non Regulated	<u>2,160</u>
			<u>3,071</u>
Cash	40		
Walden	<u>(40)</u>	Regulated Liability	1,938
Regulated	<u>-</u>	Reclass to Deferred Charges	<u>(1,938)</u>
		Regulated	<u>-</u>

Note: Differences due to rounding.

APPENDIX B INCOME TAX ASSESSMENT



Canada Revenue Agency
Agence du revenu
du Canada

Surrey BC V3T 5E1

FORTISBC INC.
C/O Ian Lorimer
Suite 100
1975 Springfield Road
Kelowna BC V1Y 7V7

Page 1 of 3

Date of mailing	November 28, 2008
Business Number	10564 5642 RC0001
Tax year-end	December 31, 2007

0014523

CORPORATION NOTICE OF ASSESSMENT

RESULTS

This notice explains the results of our assessment of the "T2 Corporation Income Tax Return" for the tax year indicated above. It also explains any changes we may have made to the return.

Result of this Assessment :	\$	133,300.41	Cr
Amount refunded:	\$	133,300.41	
Prior balance:	\$	0.00	
Total balance:	\$	0.00	

We are sending you a cheque for \$133,300.41 separately.

Please refer to the Summary and Explanation for additional information.

Canada Revenue
AgencyAgence du revenu
du Canada

FORTISBC INC.

Page 2 of 3

Date of mailing November 28, 2008
Business Number 10564 5642 RC0001
Tax year-end December 31, 2007

CORPORATION NOTICE OF ASSESSMENT

SUMMARY OF ASSESSMENT

	\$ Reported	\$ Assessed
Federal Tax:		
Part I	2,965,381.00	2,965,382.00
Part I.3	0.00	0.00
Part II	0.00	0.00
Part III.1	0.00	0.00
Part IV	0.00	0.00
Part IV.1	0.00	0.00
Part VI	0.00	0.00
Part VI.1	0.00	0.00
Part XIII.1	0.00	0.00
Part XIV	0.00	0.00
Total Federal Tax:		\$ 2,965,382.00
Net Provincial and Territorial Tax/Credit:		
British Columbia	1,506,226.00	1,606,226.00
Total Net Provincial and Territorial Tax/Credit:		\$ 1,606,226.00
Instalment(s) applied		4,710,000.00 Cr
	Net balance:	\$ 138,392.00 Cr
Interest:		
Instalment interest		9,239.28
Refund interest		4,147.69 Cr
Result of this assessment:	\$	133,300.41 Cr
Amount refunded:	\$	133,300.41
Prior balance:	\$	0.00
Total balance:	\$	0.00

William V. Baker
Commissioner of Revenue

EXPLANATION

We have revised Canadian Manufacturing and Processing Profits on Schedule 27, "Calculation of Canadian Manufacturing and Processing Profits Deduction," to \$2,111,635.00, to agree with the calculated amount.

We have revised the manufacturing and processing profits deduction to \$147,814.00, to agree with the calculated amount.

We have revised the claim for the general tax reduction for corporations other than Canadian-controlled private corporations to agree with the calculated amount.

We have provided a breakdown of the provincial and territorial tax and credit amounts.

Net British Columbia tax/credit consists of the following:

British Columbia tax	\$	1,621,726.00
British Columbia political contribution tax credit	\$	500.00
British Columbia Training Tax Credit	\$	15,000.00

We have charged instalment interest because one or more of your instalment payments



Canada Revenue Agency
Agence du revenu
du Canada

FORTISBC INC.

Page 3 of 3

Date of mailing	November 28, 2008
Business Number	10564 5642 RC0001
Tax year-end	December 31, 2007

0014524

CORPORATION NOTICE OF ASSESSMENT

were late or insufficient.

The amount of refund interest shown is taxable in the reporting period you receive it.

For your information we have attached a statement explaining how we have calculated interest.

Please visit our Web site at www.cra.gc.ca/requests-business for information about online requests available to business clients. This service allows clients to electronically request certain financial actions, additional remittance vouchers and other communication products, as well as reproductions of previously issued correspondence.

For general information regarding filing an objection, determining a corporation's losses, or reassessment periods, please refer to the "T2 Corporation Income Tax Guide," or visit our Web site at www.cra.gc.ca.

The Canada Revenue Agency also offers the convenience of Direct Deposit. For information about this service, please visit our Web site at www.cra.gc.ca or contact the number provided below.

Did you know you may be eligible to file your return using our Corporation Internet Filing service? For information on eligibility criteria and the service in general, please visit www.cra.gc.ca/corporation-internet.

If you require additional information or wish to request an adjustment, contact:

Surrey Tax Centre
9755 King George Highway
Surrey BC V3T 5E1
Fax (604) 585-5772

Southern Interior BC TSO
277 Winnipeg Street
Penticton BC V2A 1N6
Toll free number 1-800-959-5525



Canada Revenue Agency
Agence du revenu du Canada

Surrey BC V3T 5E1

FORTISBC INC.
C/O Ian Lorimer
Suite 100
1975 Springfield Road
Kelowna BC V1Y 7V7

Page 1 of 2

Date	November 28, 2008
Business Number	10564 5642 RC0001

0014525

STATEMENT OF INTEREST CALCULATED

Program: Corporation Income Tax Filing Date: June 30, 2008
Reporting Period End: December 31, 2007 Balance Due Date: February 29, 2008

Summary of Interest:

Instalment interest	9,239.28
Refund interest	1,319.28 Cr
Total	7,920.00

The interest rates that appear on this statement are displayed to two decimal places. The actual calculation has been made in accordance with the rates prescribed by law. To view these interest rates, please visit our Web site at www.cra.gc.ca.

Instalment Base Amounts

Reporting period starting	Jan. 1, 2007	Jan. 1, 2006	Jan. 1, 2005
Reporting period ending	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Effective date	Jan. 1, 2007	Jan. 1, 2006	Jan. 1, 2005
Federal tax	2,965,382.00	3,792,761.00	3,800,679.00
Provincial tax	1,621,226.00	2,057,415.00	1,625,163.00
Current tax credits	15,000.00 Cr	15,000.00 Cr	15,000.00 Cr
Instalment base	4,571,608.00	5,835,176.00	5,410,842.00
Effective date		Jan. 2, 2007	Jan. 2, 2007
Federal tax	0.00	3,882,977.00	3,826,774.00
Provincial tax	0.00	2,106,357.00	1,634,113.00
Current tax credits	15,000.00 Cr	15,000.00 Cr	15,000.00 Cr
Instalment base	0.00	5,974,334.00	5,445,887.00

Instalment Interest Calculation

Date	# of Int. Days	Rate	Interest	Item	Amount	Balance
Jan. 31, 2007 0000	0.00		0.00	Payment received	360,000.00 Cr	360,000.00 Cr
Jan. 31, 2007 0000	0.00		0.00	Payment due	380,967.33	20,967.33
Feb. 28, 2007 0028	9.00		145.24	Payment due	380,967.33	402,079.90
March 1, 2007 0001	9.00		99.14	Payment received	360,000.00 Cr	42,179.04
March 31, 2007 0030	9.00		313.13	Payment received	360,000.00 Cr	317,507.83 Cr
March 31, 2007 0000	0.00		0.00	Payment due	380,967.33	63,459.50
April 30, 2007 0030	9.00		471.11	Payment received	360,000.00 Cr	296,069.39 Cr
April 30, 2007 0000	0.00		0.00	Payment due	380,967.33	84,897.94
May 31, 2007 0031	9.00		651.35	Payment received	360,000.00 Cr	274,450.71 Cr
May 31, 2007 0000	0.00		0.00	Payment due	380,967.33	106,516.62
June 30, 2007 0030	9.00		790.75	Payment received	360,000.00 Cr	252,692.63 Cr
June 30, 2007 0000	0.00		0.00	Payment due	380,967.33	128,274.70
July 31, 2007 0031	9.00		984.15	Payment due	380,967.33	510,226.18
Aug. 1, 2007 0001	9.00		125.81	Payment received	360,000.00 Cr	150,351.99
Aug. 31, 2007 0030	9.00		1,116.18	Payment received	360,000.00 Cr	208,531.83 Cr
Aug. 31, 2007 0000	0.00		0.00	Payment due	380,967.33	172,435.50
Sep. 30, 2007 0030	9.00		1,280.12	Payment received	360,000.00 Cr	186,284.38 Cr
Sep. 30, 2007 0000	0.00		0.00	Payment due	380,967.33	194,682.95
Oct. 31, 2007 0031	9.00		1,493.64	Payment received	360,000.00 Cr	163,823.41 Cr
Oct. 31, 2007 0000	0.00		0.00	Payment due	380,967.33	217,143.92
Nov. 30, 2007 0030	9.00		1,612.03	Payment received	360,000.00 Cr	141,244.05 Cr

Canada Revenue
AgencyAgence du revenu
du Canada

FORTISBC INC.

Page 2 of 2

Date
November 28, 2008
Business Number
10564 5642 RC0001

STATEMENT OF INTEREST CALCULATED

Instalment Interest Calculation

Date	# of Int. Days	Int. Rate	Interest	Item	Amount	Balance
Nov. 30, 2007	0000	0.00	0.00	Payment due	380,967.33	239,723.28
Dec. 31, 2007	0031	9.00	1,839.20	Payment received	750,000.00 Cr	508,437.52 Cr
Dec. 31, 2007	0000	0.00	0.00	Payment due	380,967.33	127,470.19 Cr
Dec. 31, 2007	0000	0.00	0.00			127,470.19 Cr
Feb. 29, 2008	0060	8.00	1,682.57 Cr	Balance due date	129,152.76 Cr	
			9,239.28	Total Instalment Interest		

Arrears/Refund Interest Calculation

Date	# of Int. Days	Int. Rate	Interest	Item	Amount	Balance
Feb. 29, 2008	0000	0.00	0.00	TAX CREDITS	15,000.00 Cr	15,000.00 Cr
Feb. 29, 2008	0000	0.00	0.00	Part I tax	2,965,382.00	2,950,382.00
Feb. 29, 2008	0000	0.00	0.00	Provincial tax	1,621,226.00	4,571,608.00
Feb. 29, 2008	0000	0.00	0.00	Instalment interest	9,239.28	4,580,847.28
Feb. 29, 2008	0000	0.00	0.00	Instalment payment	4,710,000.00 Cr	129,152.72 Cr
April 29, 2008	0000	0.00	0.00	Refund interest date	0.00	129,152.72 Cr
June 30, 2008	0062	6.00	1,319.28 Cr			130,472.00 Cr
Sep. 30, 2008	0092	5.00	1,650.05 Cr			132,122.05 Cr
Nov. 28, 2008	0059	5.00	1,069.15 Cr	Last interest date		133,191.20 Cr
			1,319.28 Cr	Total Refund Interest		

For reporting periods ending between January 1, 1985 and June 30, 2003, we pay refund interest on an overpayment from the later of:

- 120 days after the reporting period end, if the return was filed on time; or
- the date the return was filed, if the return was filed late; or
- the date of the credit that created the overpayment.

For reporting periods ending on or after July 1, 2003, we pay refund interest on an overpayment from the later of:

- 120 days after the reporting period end, if the return was filed on time; or
- 30 days after the date the return was filed, if the return was late filed; or
- the date of the credit that created the overpayment.

For further information, contact:

Surrey TC
9755 KING GEORGE HIGHWAY
Surrey
Fax
Toll free number

BC V3T 5E1
(604) 585-5772
1-800-959-5525



Dennis Swanson
Director, Regulatory Affairs

FortisBC Inc.
Suite 100, 1975 Springfield Road
Kelowna BC V1Y 7V7
Ph: (250) 717-0890
Fax: 1-866-335-6295
dennis.swanson@fortisbc.com
www.fortisbc.com

April 30, 2010

Via Email
Original via Courier

Ms. Erica M. Hamilton
Commission Secretary
BC Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC V6Z 2N3

Dear Ms. Hamilton:

Re: FortisBC Inc. - Annual Report to BC Utilities Commission

Please find enclosed twelve copies of FortisBC's Annual Report to the BC Utilities Commission to December 31, 2009.

Sincerely,

A handwritten signature in dark ink, appearing to be "DS", with a long horizontal line extending to the right.

Dennis Swanson
Director, Regulatory Affairs

ELECTRIC UTILITIES

ANNUAL REPORT

FORTISBC INC.

Suite 100, 1975 Springfield Road
Kelowna, British Columbia
V1Y 7V7

TO THE

BRITISH COLUMBIA UTILITIES COMMISSION

For the Period January 1, 2009 to December 31, 2009

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SCHEDULE 1 - UTILITY RATE BASE

AS AT DECEMBER 31, 2009

Acct			Reference	Actual 2008	Decision 2009	Actual 2009	Change from Decision
(\$000s)							
1	101	Plant in Service, January 1	p. 3	1,062,070	1,173,113	1,165,457	(7,656)
2		Net Additions	p. 6	103,387	119,750	108,019	(11,731)
3		Plant in Service, December 31		1,165,457	1,292,863	1,273,476	(19,387)
4							
5		Add:					
6	107	CWIP not subject to AFUDC	p. 8	7,214	6,865	5,913	(952)
7	114	Plant Acquisition Adjustment		11,912	11,912	11,912	-
8	186	Deferred and Preliminary Charges	p. 11	16,227	23,611	15,508	(8,103)
9							
10				1,200,810	1,335,251	1,306,809	(28,442)
11		Less:					
12		Accumulated Depreciation	p. 13				
13		and Amortization		275,128	303,463	301,384	(2,079)
14	252	Contributions in Aid of Construction		86,783	97,489	90,267	(7,222)
15				361,911	400,952	391,651	(9,300)
16							
17		Depreciated Rate Base		838,899	934,299	915,158	(19,141)
18							
19		Prior Year Depreciated Utility Rate Base		772,893	845,905	838,899	(7,006)
20							
21		Mean Depreciated Utility Rate Base		805,896	890,102	877,029	(13,073)
22							
23		Add:					
24		Allowance for Working Capital	p. 14	8,261	7,018	7,231	213
25		Adjustment for Capital Additions	p. 15	(11,591)	10,857	(16,577)	(27,434)
26							
27		Mid- Year Utility Rate Base		802,566	907,977	867,683	(40,294)

Note: Minor differences due to rounding

UTILITY PLANT IN SERVICE

AS AT DECEMBER 31, 2009

Line	Account	December 31 2008	Additions	Retirements & Reclass	December 31 2009
	Hydraulic Production Plant				
			(\$000s)		
1	330 Land Rights	847	-	115	962
2	331 Structures and Improvements	11,280	295	439	12,014
3	332 Reservoirs, Dams & Waterways	21,040	1,549	1,855	24,444
4	333 Water Wheels, Turbines and Gen.	56,545	8,256	(3,419)	61,382
5	334 Accessory Equipment	22,911	4,883	(301)	27,493
6	335 Other Power Plant Equipment	38,349	2,308	236	40,893
7	336 Roads, Railroads and Bridges	1,053	-	234	1,287
8		152,024	17,292	(840)	168,476
9	Transmission Plant				
10	350 Land Rights	7,079	116	10	7,205
11	350.1 Land Rights - Clearing	4,496	450	852	5,798
12	353 Station Equipment	167,529	1,766	(31,060)	138,235
13	355 Poles Towers & Fixtures	74,499	4,498	(6,370)	72,627
14	356 Conductors and Devices	71,955	4,735	(6,241)	70,448
15	359 Roads and Trails	817	304	-	1,121
16		326,374	11,870	(42,809)	295,435
17	Distribution Plant				
18	360 Land Rights	2,986	338	(868)	2,456
19	360.1 Land Rights - Clearing	7,106	2,113	(742)	8,477
20	362 Station Equipment	116,942	32,446	31,843	181,231
21	364 Poles Towers & Fixtures	114,210	10,240	2,529	126,978
22	365 Conductors and Devices	186,542	15,691	6,754	208,987
23	368 Line Transformers	88,933	7,679	1,845	98,457
24	369 Services	7,292	-	-	7,292
25	370 Meters	13,189	665	(577)	13,277
26	371 Installation on Customers' Premises	5,336	-	(4,398)	938
27	373 Street Lighting and Signal System	7,272	1,312	1,691	10,275
28		549,806	70,484	38,077	658,368
29	General Plant				
30	389 Land	5,800	4,589	909	11,297
31	390 Structures-Frame & Iron	337	-	-	337
32	390.1 Structures-Masonry	24,533	1,614	(63)	26,083
33	391 Office Furniture & Equipment	5,596	5	(127)	5,475
34	391.1 Computer Equipment	50,977	5,837	71	56,886
35	392 Transportation Equipment	16,563	2,342	(1,353)	17,552
36	394 Tools and Work Equipment	10,566	658	(355)	10,869
37	397 Communication Structures and Equipment	22,880	1,083	(1,264)	22,698
38		137,252	16,127	(2,182)	151,197
39					
40	101 Plant in Service	1,165,457	115,773	(7,754)	1,273,476
41	107.1 Plant under construction not subject				
42	to AFUDC	7,214			5,913
43	107.2 Plant under construction				
44	subject to AFUDC	54,177			52,429
45	114 Utility Plant Acquisition Adjustment	11,912			11,912
46	105 Utility Plant per Balance Sheet	1,238,760			1,343,729

Note: Minor differences due to rounding

2009 CAPITAL VARIANCE ANALYSIS

SL.	REGULATED CAPITAL PROJECTS	Actual	Budget	Difference over/(under)	COMMENTS
1	Hydraulic Production:	(\$000s)			
2	Upper Bonnington Old Unit Repowering Phase 1	1,053	1,094	(41)	Project under budget
3	South Slocan U1 SS Life Extension & Turbine	8,135	7,832	303	Increased spending due to accelerated project schedule
4	South Slocan U1 Headgate Rebuild	680	577	103	Increased spending due to accelerated project schedule
5	Corra Linn U1 Life Extension	2,611	4,487	(1,876)	Carryover work into 2010 due to timing of equipment procurement. Overall project forecast under budget.
6	South Slocan U3 Life Extension	1,949	2,051	(102)	Project completed under budget
7	South Slocan Poleyard Contaminated Site	45	-	45	Carryover work from 2008 due to extended contract negotiations. Overall project forecast under budget.
8	South Slocan H/G Hoist Contr, Wire Rope	764	434	330	Carryover of work from 2008
9	All Plants Upgrade Station Service Supply	646	484	162	Increased annual spending due to timing differences of multi-year project. Overall project forecast under budget.
10	All Plants Spare Unit Transformer	1,408	1,380	28	
11	Generation Sustaining & Miscellaneous Upgrades	1,056	1,778	(722)	Scope management and engineering savings
12	South Slocan Completion	902	940	(38)	
13	All Plants Lighting Upgrade	387	478	(91)	Carryover work into 2010. Overall project forecast under budget.
14	Corra Linn U2 ULE	33	-	33	Unbudgeted CPCN application and approval costs
15	Subtotal Hydraulic Production	19,669	21,535	(1,866)	

⁽¹⁾ As per Order G-11-09 except where noted

Note: Minor differences due to rounding.

2009 CAPITAL VARIANCE ANALYSIS, cont'd

SL.	REGULATED CAPITAL PROJECTS	Actual	Budget	Difference	COMMENTS
				over/(under)	
16	Transmission Plant:				
17	Okanagan Transmission Reinforcement	21,503	30,341	(8,838)	Material and labour significantly lower than estimate. Savings are market driven.
18	Benvoulin Substation Capacity Increase	4,110	4,382	(272)	Project construction start date advanced resulting in equipment and labour savings
19	Kelowna Distribution Capacity Requirements	271	518	(247)	Carryover of work to 2010
20	Big White Transmission and Substation	110	-	110	Project closeout costs. Overall project costs above budget due to unbudgeted rate study.
21	Ellison Distribution Source	5,608	1,734	3,874	Project closeout. Total Project within reasonable budgetary variations
22	Black Mountain Distribution Source	7,196	4,517	2,679	Project closeout. Total Project within reasonable budgetary variations
23	Naramata Rehabilitation	3,654	3,962	(308)	Project substantially complete. Civil construction costs lower than budgeted.
24	Tarrys Capacity Increase	265	403	(138)	Project forecast to be under budget. Minor carryover to 2010.
25	Kettle Valley Distribution Source	473	-	473	Project substantially complete. Carryover of work from 2008.
26	Recreation Capacity Increase	179	178	1	
27	30 Line Conversion	866	4,500	(3,634)	Carryover of work to 2010
28	Transmission Line Sustaining	3,424	4,265	(841)	Current year variance due to fund transfer to Distribution Pine Beetle project.
29	Station Sustaining	3,476	4,671	(1,195)	Carryover of work into 2010. Overall project forecast under budget.
30	Ootischenia	142	389	(247)	Savings market driven
31	Capitalized Inventory	(1,301)	-	(1,301)	Changes in inventory level related to project timing
32	Duck Lake Expansion (BC Hydro Woods Lake Pr	10	-	10	To be recovered through billing from BC Hydro
33	Subtotal Transmission Plant	49,985	59,860	(9,875)	

⁽¹⁾ As per Order G-11-09 except where noted

⁽²⁾ Updated estimate submitted March 10, 2009 pursuant to Order C-5-08.

⁽³⁾ Pursuant to C-1-09

Note: Minor differences due to rounding.

2009 CAPITAL VARIANCE ANALYSIS, cont'd

SL.	REGULATED CAPITAL PROJECTS	Actual	Budget ¹	Difference	COMMENTS
34	Distribution Plant:				
35	Customer New Connections	15,833	23,564	(7,731)	Customer activity lower than anticipated
36	Distribution Sustaining	12,517	10,638	1,879	Fund transfer from Transmission Sust. and work on legacy copper conductor replacements.
37	Distribution Growth	2,449	1,762	687	Carryover from 2008
38	Subtotal Distribution Plant	30,799	35,964	(5,165)	
39					
40	General Plant:				
41	Distribution Automation	1,784	1,338	446	Cost estimates higher than budgeted.
42	Protection & Communication Rehabilitation	765	747	18	Some project components accelerated from 2010
43	Vehicles	2,342	2,000	342	Carryover of work from 2008
44	Metering	431	526	(95)	Customer activity lower than anticipated
45	Information Systems	4,768	5,167	(399)	Carryover of work to 2010
46	Telecommunications	90	105	(15)	Reasonable budgetary variation
47	Buildings	1,270	1,305	(35)	Carryover of work to 2010
48	Furniture & Fixtures	294	347	(53)	Cost estimates lower than budgeted. Also some carryovers to 2010
49	Tools & Equipment	525	572	(47)	Reasonable budgetary variation
50	Subtotal General Plant	12,269	12,107	162	
51					
52	Total Gross Expenditure	112,723	129,465	(16,743)	
53					
54	Change to Work in Progress	3,050			
55	Plant Retirements	(7,754)			
56	Net Additions to Plant	108,019			

⁽¹⁾ As per Order G-11-09 except where noted

Note: Minor differences due to rounding.

UTILITY PLANT UNDER CONSTRUCTION

AS AT DECEMBER 31, 2009

	CWIP Dec. 31, 2008	Actual Expenditures	CWIP Dec 31, 2009	Additions to Plant in Service
	(\$000s)			
Hydraulic Production				
1 Upper Bonnington Old Unit Repowering Phase 1	179	1,053	-	1,232
2 South Slocan U1 SS Life Extention & Turbine	5,616	8,135	13,751	-
3 South Slocan U1 Headgate Rebuild	1	680	681	-
4 Corra Linn U1 Life Extension	752	2,611	3,363	-
5 South Slocan U3 Life Extension	10,878	1,949	-	12,827
6 South Slocan Poleyard Contaminated Site	-	45	-	45
7 South Slocan H/G Hoist Contr, Wire Rope	181	764	945	-
8 All Plants Upgrade Station Service Supply	1,170	646	226	1,590
9 All Plants Spare Unit Transformer	43	1,408	-	1,451
10 Generation Sustaining & Miscellaneous Upgrades	30	1,056	358	729
11 South Slocan Completion	1,268	902	1,688	482
12 All Plants Lighting Upgrade	-	387	-	387
13 Corra Linn U2 ULE	-	33	33	-
14	20,118	19,669	21,045	18,742
Transmission Plant				
15 Okanagan Transmission Reinforcement	7,256	21,503	24,456	4,302
16 Benvoulin Substation Capacity Increase	-	4,110	4,110	-
17 Kelowna Distribution Capacity Requirements	-	271	271	-
17 Big White Transmission and Substation	-	110	-	110
18 Ellison Distribution Source	11,501	5,608	-	17,109
19 Black Mountain Distribution Source	7,523	7,196	-	14,720
19 Naramata Rehabilitation	3,384	3,654	-	7,038
20 Tarrys Capacity Increase	-	265	265	-
21 Kettle Valley Distribution Source	1,401	473	-	1,874
21 Recreation Capacity Increase	-	179	179	-
22 30 Line Conversion	-	866	866	-
23 Transmission Line Sustaining	-	3,424	(12)	3,436
23 Station Sustaining	1,233	3,476	5	4,704
24 Ootischenia	-	142	-	142
25 Capitalized Inventory	7,214	(1,301)	5,913	-
26 Duck Lake Expansion (BC Hydro Woods Lake Project)	-	10	10	-
27	39,511	49,985	36,063	53,434

Note: Minor differences due to rounding.

UTILITY PLANT UNDER CONSTRUCTION, cont'd

AS AT DECEMBER 31, 2009

	CWIP Dec. 31, 2008	Actual Expenditures	CWIP Dec 31, 2009	Additions to Plant in Service
	(\$000s)			
Distribution Plant				
28 Customer New Connections	-	15,833	-	15,833
29 Distribution Sustaining	-	12,517	-	12,517
29 Small Capacity Improvements Unplanned	-	596	-	596
30 Glenmore New Feeder	-	487	487	-
30 HOL1-OKM1 Tie KLO Rd.	48	270	-	318
31 BEP2/FRU1 Tie	-	22	22	-
31 LEE2-HOL5 Tie Add N.O.	163	346	-	509
32 VAL1 Feeder Capacity Upgrade	171	728	-	899
32	382	30,799	509	30,673
General Plant				
33 Distribution Substation Automation	656	1,784	725	1,716
34 Protection & Communication	-	765	-	765
35 Vehicles	-	2,342	-	2,342
36 Metering	-	431	-	431
37 Information Systems	668	4,768	-	5,436
38 Telecommunications	-	90	-	90
39 Buildings	55	1,270	-	1,325
40 Furniture & Fixtures	-	294	-	294
41 Tools & Equipment	-	525	-	525
42	1,379	12,269	725	12,924
43 TOTAL	61,391	112,723	58,341	115,773
44 Less Closing CWIP subject to AFUDC	(54,177)		(52,429)	
45 TOTAL CWIP not subject to AFUDC	7,214		5,913	

Note: Minor differences due to rounding.

OPERATING AREA AND UTILITY PLANT DETAIL

AS AT DECEMBER 31, 2009

OPERATING AREA

Trail, Warfield, Rossland, Fruitvale, Montrose, Christina Lake, Grand Forks, Greenwood, Midway, Rock Creek, Westbridge, Beaverdell, Osoyoos, Oliver, Cawston, Keremeos, Hedley, Coalmont, Tulameen, Princeton, Penticton, Naramata, Summerland, Okanagan Falls, Kelowna, Castlegar, South Slocan, Slocan, Crawford Bay, Creston, Kaslo, Salmo, all within the Province of British Columbia.

PRODUCTION PLANT – HYDRAULIC

Site	Voltage	Cycles	Nameplate Rating (kVA)
Lower Bonnington	7,200	60	57,500
Upper Bonnington	7,200	60	68,950
South Slocan	7,200	60	59,000
Corra Linn	7,200	60	45,000

TRANSMISSION PLANT**Line Length (kilometers)**

Area	63 kV	132/138 kV	161/170 kV	230 kV	Total
Boundary	167.0	0.0	102.8	0.0	269.8
Creston	78.2	3.1	4.5	0.0	85.8
Kelowna	1.6	113.2	0.0	113.9	228.7
Kootenay	318.5	0.0	83.3	51.5	453.3
Similkameen	2.0	93.3	0.0	0.0	95.3
South Okanagan	162.2	11.0	55.8	31.3	260.3
Total	729.5	220.6	246.4	196.7	1393.2

Terminal Transformers

Rating (MVA)	Quantity
8/10.67	1
15/20	1
20/22.4	1
22.4/30	1
45/60	2
60/80	2
61.5/82	1
65/75	1
100/134/168	4
120/160/200	3
150/200/250	2
Total Base Capacity	1,462 MVA

OPERATING AREA AND UTILITY PLANT DETAIL, cont'd

AS AT DECEMBER 31, 2009

DISTRIBUTION PLANT**Line Length (kilometres)**

	1 Phase		2 Phase		3 Phase		Total
	OH	UG	OH	UG	OH	UG	
Boundary	459.4	9.3	28.8	0	350.6	1.6	849.7
Creston	344.5	12.7	9.5	0	275.9	2.8	645.4
Kelowna	411.0	254.5	19.7	1.0	341.1	195.1	1,222.4
Kootenay	684.5	30.5	15.9	0.1	438.2	25.4	1,194.6
Similkameen	286.4	15.0	25.6	0	389.6	5.3	721.9
South Okanagan	462.1	54.2	52.9	0.1	336.4	19.8	925.5
Total	2,647.9	376.2	152.4	1.2	2,131.8	250.0	5,559.5

OH = Overhead

UG = Underground

Distribution Transformers (HV < 60 kV)

Rating (kVA)	Overhead		Underground		Total	
	Quantity	Capacity (kVA)	Quantity	Capacity (kVA)	Quantity	Capacity (kVA)
0-100	28,994	866,133	4,087	303,160	33,081	1,169,293
101-500	117	21,432	1,049	315,591	1,166	337,023
501-1,500	8	10,800	129	132,000	137	142,800
Total	29,119	898,365	5,265	750,751	34,384	1,649,116

Distribution Substation (HV > 60 kV)

Rating (kVA)	Quantity	Rating (kVA)	Quantity
500	1	10,000	4
1,000	1	11,200	1
1,500	2	11,250	9
2,000	1	12,000	7
2,800	1	13,400	1
3,750	1	13,500	1
4,500	1	16,000	2
5,000	1	24,000	19
6,000	5	28,500	1
7,500	5	31,500	1
		901,400	65

ANALYSIS OF DEFERRED CHARGES AND CREDITS

FOR THE YEAR ENDING DECEMBER 31, 2009

	Balance at Dec. 31, 2008	Additions and Transfers	Amortized to Other Accounts (\$000s)	Amortization	Balance at Dec. 31, 2009
1 Demand Side Management					
2 Energy Management Additions	19,783	3,424	-	(2,689)	20,518
3 Tax Impact	(13,165)	(1,028)	-	1,790	(12,402)
4 PLP Energy Management	36	-	-	(36)	-
5	6,654	2,396	-	(934)	8,116
6 Deferred Regulatory Expense					
7 Deferred Revenue - Incentive Adjustment	173	-	(173)	-	-
8 2008 Incentive	(1,938)	-	1,616	-	(322)
9 2009 Incentive	-	(3,458)	-	-	(3,458)
10 2005 Revenue Requirements	176	-	-	(176)	-
11 Tax Impact	(50)	-	-	50	-
12 2006 Revenue Requirements	54	-	-	(54)	-
13 Tax Impact	(17)	-	-	17	-
14 2008 Revenue Requirements	39	-	-	(39)	-
15 Tax Impact	(13)	-	-	13	-
16 2009 Revenue Requirements	15	27	-	-	43
17 Tax Impact	(5)	(8)	-	-	(13)
18 2010 Revenue Requirements	-	17	-	-	17
19 Tax Impact	-	(5)	-	-	(5)
20 Renew BCH Power Purchase Agreement	18	87	-	-	105
21 Tax Impact	(6)	(26)	-	-	(32)
22 Terasen Gas ROE Application	-	92	-	-	92
23 Tax Impact	-	(28)	-	-	(28)
24 Section 5 Provincial Transmission Inquiry	-	82	-	-	82
25 Tax Impact	-	(25)	-	-	(25)
26 BC Hydro Waneta Transaction Application	-	255	-	-	255
27 Tax Impact	-	(77)	-	-	(77)
28 BC Hydro Amendment to 3808 (PPA Proceedings)	-	114	-	-	114
29 Tax Impact	-	(35)	-	-	(35)
30 2009 COSA & RDA	294	469	-	-	763
31 Tax Impact	(93)	(141)	-	-	(233)
32	(1,353)	(2,658)	1,443	(188)	(2,755)
33					
34 Preliminary and Investigative Charges	664	424	-	-	1,089
35					
36 Other Deferred Charges and Credits					
37 Trail Office Lease Costs	179	-	-	(12)	167
38 Trail Office Rental to SD#20	(636)	-	(44)	-	(679)
39 Prepaid Pension Costs	8,553	363	-	-	8,916
40 Tax Impact	(1,067)	(109)	-	-	(1,176)
41 Post Retirement Benefits	(5,679)	(2,023)	-	-	(7,702)
42 Tax Impact	1,858	607	-	-	2,465
43 20 Year Transmission System Plan (2005 SDP)	164	-	-	(164)	-
44 Tax Impact	(7)	-	-	7	-
45 2008 System Development Plan Update	1,082	28	-	(541)	569
46 Tax Impact	(343)	(8)	-	172	(180)
47 Automated Meter Reading Feasibility Study	243	222	(465)	-	-
48 Tax Impact	(77)	(67)	144	-	-
49 2005 Resource Plan	31	-	-	(31)	-
50 Tax Impact	(3)	-	-	3	-
51 2008 Resource Plan Update	405	7	-	-	412
52 Tax Impact	(132)	(2)	-	-	(134)
53 2009 Resource Plan Update	-	157	-	-	157
54 Tax Impact	-	(47)	-	-	(47)
55 2011-2013 Integrated System Plan	-	182	-	-	182
56 Tax Impact	-	(54)	-	-	(54)
57 BC Hydro Rate Increase	-	1,370	(1,370)	-	-
58 Tax Impact	-	(411)	411	-	-
59 Revenue Protection	183	162	-	(183)	162
60 Tax Impact	(57)	(48)	-	57	(48)
61 DSM Study	-	96	-	-	96
62 Tax Impact	-	(29)	-	-	(29)
63 PLP Potential Substation	14	-	-	(14)	-
64 PLP Settlement Costs	32	-	-	(16)	16
65 PLP Computer Software	86	-	-	(23)	63
66 PLP Deferred Pension Credit	(70)	-	-	12	(58)
67 ROW Reclamation (Pine Beetle Kill)	2,507	-	-	(251)	2,257
68 Tax Impact	(777)	-	-	78	(700)
69 International Financial Reporting Standards	131	304	-	(130)	304
70 Tax Impact	(40)	(91)	-	40	(91)
71 Right of Way Encroachment Litigation	47	36	-	-	82
72 Tax Impact	(14)	(11)	-	-	(25)
73 Joint Pole Use Audit 2008	-	155	-	(31)	124
74 Tax Impact	-	(47)	-	9	(37)
75 NERC / MRC Set Up Cost	-	27	-	-	27
76 Tax Impact	-	(8)	-	-	(8)
77	6,611	759	(1,323)	(1,019)	5,028

ANALYSIS OF DEFERRED CHARGES AND CREDITS, cont'd
FOR THE YEAR ENDING DECEMBER 31, 2009

	Balance at Dec. 31, 2008	Additions and Transfers	Amortized to Other Accounts (\$000s)	Amortization	Balance at Dec. 31, 2009
78 Deferred Debt Issue Costs					
79 Series E	4	-	-	(4)	-
80 Series F	116	-	-	(11)	105
81 Series G	109	-	-	(9)	100
82 Series H	92	-	-	(13)	79
83 Series I	185	-	-	(15)	171
84 Series J	66	-	-	(66)	-
85 Series 04-1	1,286	-	-	(214)	1,072
86 Tax Impact	(63)	(21)	-	8	(76)
87 Series 05-1	1,114	-	-	(41)	1,073
88 Tax Impact	(314)	(90)	-	12	(391)
89 Series 07-1	1,216	-	-	(32)	1,184
90 Tax Impact	(160)	(85)	-	3.30	(242)
91 MTN Series - 2009	-	1,016	-	-	1,016
92 Tax Impact	-	(61)	-	-	(61)
93	3,651	759	-	(379)	4,030
94					
95 TOTAL DEFERRED CHARGES - RATE BASE	16,227	1,680	120	(2,520)	15,508
96					
97 Automated Meter Reading Feasibility Study	-	-	465	-	465
98 Tax Impact	-	-	(144)	-	(144)
99 BC Hydro Amendment to 3808 (PPA Proceedings)	37	78	(114)	-	-
100 Tax Impact	(11)	(23)	35	-	-
101 GRAND TOTAL DEFERRED CHARGES	16,253	1,735	361	(2,520)	15,829

Note: Pursuant to Order G-52-05, FortisBC records deferred charges (except deferred revenue and investigative costs) net of income tax.

Minor differences due to rounding.

ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION

AS AT DECEMBER 31, 2009

Line	Account	Acc. Prov. For Depreciation Dec. 31, 2008	Approved Deprec. Rate	Asset Balance Dec. 31, 2008	Depreciation Expense Dec. 31, 2009	Charges less Recoveries	Acc. Prov. For Depreciation Dec. 31, 2009
(\$000s)							
	<u>Hydraulic Production Plant</u>						
1	330 Land Rights	(735)	2.6%	847	25	115	(595)
2	331 Structures and Improvements	4,666	1.2%	11,280	141	405	5,211
3	332 Reservoirs, Dams and Waterways	3,133	1.7%	21,040	390	1,642	5,165
4	333 Water Wheels, Turbines & Generators	3,825	2.2%	56,545	1,177	(3,911)	1,092
5	334 Accessory Electrical Equipment	7,532	2.4%	22,911	547	(510)	7,568
6	335 Other Power Plant Equipment	7,175	2.3%	38,349	888	236	8,299
7	336 Roads, Railroads, and Bridges	216	1.4%	1,053	18	234	468
		<u>25,811</u>	<u>2.1%</u>	<u>152,024</u>	<u>3,186</u>	<u>(1,789)</u>	<u>27,208</u>
9	<u>Transmission Plant</u>	-					-
10	350 Land Rights - R/W	(72)	0.0%	7,079	-	10	(62)
11	350.1 Land Rights - Clearing	1,023	1.6%	4,496	90	852	1,965
12	353 Station Equipment	25,996	3.0%	167,529	4,095	(31,302)	(1,212)
13	355 Poles, Towers & Fixtures	15,779	3.0%	74,499	2,047	(6,701)	11,125
14	356 Conductors and Devices	12,183	3.0%	71,955	1,971	(6,661)	7,494
15	359 Roads and Trails	33	2.9%	817	24	-	56
		<u>54,942</u>	<u>2.5%</u>	<u>326,374</u>	<u>8,227</u>	<u>(43,802)</u>	<u>19,366</u>
17	<u>Distribution Plant</u>						
18	360 Land Rights - R/W	-	0.0%	2,986	-	(868)	(868)
19	360.1 Land Rights - Clearing	402	2.1%	7,106	134	(742)	(206)
20	362 Station Equipment	28,594	3.0%	116,942	4,524	31,766	64,884
21	364 Poles, Towers & Fixtures	33,001	3.0%	114,210	3,515	1,629	38,145
22	365 Conductors and Devices	47,185	3.0%	186,542	5,820	5,360	58,365
23	368 Line Transformers	15,530	2.9%	88,933	2,680	1,108	19,318
24	369 Services	6,439	0.0%	7,292	36	-	6,475
25	370 Meters	4,857	3.5%	13,189	458	(282)	5,034
26	371 Installation on Customers' Premises	985	0.0%	5,336	-	(4,398)	(3,413)
27	373 Street Lighting and Signal Systems	1,600	2.4%	7,272	216	1,566	3,383
		<u>138,594</u>	<u>3.2%</u>	<u>549,806</u>	<u>17,384</u>	<u>35,139</u>	<u>191,117</u>
29	<u>General Plant</u>						
30	389 Land	(11)	0.0%	5,800	-	909	897
31	390 Structures - Frame & Iron	531	0.8%	337	3	-	533
32	390.1 Structures - Masonry	2,992	3.0%	20,569	615	(64)	3,543
33	391 Office Furniture & Equipment	3,547	7.5%	5,596	410	(127)	3,831
34	391.1 Computer Equipment	30,118	10.6%	50,977	5,420	71	35,610
35	392 Transportation Equipment	2,941	0.4%	16,563	66	(958)	2,049
36	394 Tools and Work Equipment	5,607	9.5%	10,566	995	(355)	6,247
37	397 Communication Structures and Equipment	5,936	6.0%	22,880	1,300	(1,280)	5,956
		<u>51,661</u>	<u>6.6%</u>	<u>133,288</u>	<u>8,810</u>	<u>(1,804)</u>	<u>58,666</u>
40	108 Total Accumulated Depreciation	271,008	3.2%	1,161,493	37,606	(12,256)	296,357
42	Deduct - Portion of CIAC Depreciated				(3,657)		
44	403 Depreciation Expense				33,949		
46	<u>Other</u>						
47	114 Utility Plant Acquisition Adjustment	4,652		11,912	186		4,838
48	390.1 Leasehold Improvements	1,645		3,964	409		2,054
49	Rate Stabilization Adjustment	(2,176)	10.00%		311		(1,865)
50	Manual entry for buy out of lease	-			-	-	-
51	Total Accumulated Amortization	<u>4,121</u>			<u>906</u>	<u>-</u>	<u>5,027</u>
53	Accumulated Amortization per						
54	Balance Sheet	<u>275,128</u>			<u>34,856</u>		<u>301,384</u>

Note: Minor differences due to rounding.

ALLOWANCE FOR WORKING CAPITAL **FOR THE YEAR ENDING DECEMBER 31, 2009**

Lag Days Calculation		2009	2009	Weighted
	Lag (Lead)	Actual	Extended	Average
	Days	(\$000)	(\$M)	Lag Days
1	<u>Revenue</u>			
2	Tariff Revenue	50.6	238,572	12,072
3	<u>Other Revenue:</u>			
4	Apparatus and Facilities Rental	26.6	2,924	78
5	Contract Revenue	44.3	1,400	62
6	Miscellaneous Revenue	31.8	675	21
7	Investment Income	15.0	188	3
8		\$243,759	\$ 12,236	50.2
9				
10	<u>Expenses</u>			
11	Power Purchases	42.2	70,776	2,986
12	Wheeling	40.2	4,003	161
13	Water Fees	(1.0)	8,656	(9)
14	<u>Operating Labour:</u>			
15	Salaries & Wages	5.3	13,557	72
16	Employee Benefits	13.2	9,829	130
17	Contracted Manpower	50.6	4,788	242
18	Property Tax	2.6	11,573	30
19	Rental of T&D Facilities	47.8	3,100	148
20	Office Lease - Kelowna	(15.2)	797	(12)
21	Office Lease - Trail	91.3	1,212	111
22	Materials	45.6	2,714	124
23	Insurance	(182.5)	705	(129)
24	Income Tax	15.2	4,749	72
25	Interest	82.9	33,411	2,770
26		\$169,870	\$ 6,696	39.4
27				
28	Net Lag/(Lead) Days			10.8
29				
30				
31	<u>Working Capital Allowance</u>			
32				
33	Lead-Lag Study Allowance			\$ 5,015
34	Net Lag Days/365 times Expenses			
35				
36	Add Funds Unavailable:			
37	Average Customer Loans (related to energy management)		4,538	
38	Average Employee Loans		441	
39	Average of Uncollectable Accounts		1,052	
40	Average Inventory (forecast monthly average investment)		597	
41				\$ 6,628
42	Less Funds Available:			
43	Average Customer Deposits		3,656	
44	Average Employee Payroll Deductions		-	
45	Average Provincial Services Tax		442	
46	Average Goods and Services Tax		314	
47				\$ 4,412
48				
49	2009 ALLOWANCE FOR WORKING CAPITAL			\$ 7,231

Note: Minor differences due to rounding.

ADJUSTMENT FOR CAPITAL ADDITIONS
FOR THE YEAR ENDING DECEMBER 31, 2009

	Additions to Plant in Service ¹	Months in Rate Base	Weighted Value
	(\$000s)		(\$000s)
1 January	795	11.5	762
2 February	14,885	10.5	13,024
3 March	3,382	9.5	2,677
4 April	2,326	8.5	1,648
5 May	5,183	7.5	3,239
6 June	3,717	6.5	2,013
7 July	4,395	5.5	2,014
8 August	21,034	4.5	7,888
9 September	2,223	3.5	648
10 October	4,228	2.5	881
11 November	12,095	1.5	1,512
12 December	34,369	0.5	1,432
13 Total	108,632		37,739
14 Less Simple Average			54,316
15 Adjustment to Capital Additions			(16,577)
16 ⁽¹⁾ <i>Expenditures are reduced by Contributions in Aid of Construction(CIAC) as follows:</i>			
17 Gross Plant in Service Additions		115,773	
18 CIAC		(7,141)	
19 Net Capital Additions		108,632	

Note: Minor differences due to rounding.

BALANCE SHEET – ASSETS

AS AT DECEMBER 31, 2009

Acct.	December 31 2009	December 31 2008 (\$000s)	Increase / (Decrease)
1 Utility Plant			
2			
3 101 Utility Plant In Service	1,273,476	1,165,457	108,019
4 105 Utility Plant Held for Future Use			-
5 107 Plant Under Construction			
6 Not Subject to AFUDC	5,913	7,214	(1,301)
7 Subject to AFUDC	52,429	54,177	(1,748)
8 114 Plant Acquisition Adjustment	11,912	11,912	-
9	<u>1,343,729</u>	<u>1,238,760</u>	<u>265,328</u>
10			
11 108 Accumulated Depreciation	(296,357)	(271,008)	(25,350)
12 111 Accumulated Amortization	(6,892)	(6,297)	(596)
13 Rate Stabilization Account ⁽¹⁾	1,865	2,176	(311)
14	<u>1,042,345</u>	<u>963,632</u>	<u>78,713</u>
15			
16 Current Assets			
17 131 Cash	-	-	-
18 142 Accounts Receivable	45,440	43,038	2,402
19 144 Allowance for Doubtful Accounts	(999)	(1,105)	106
20 146 Accounts Receivable - Affiliated Companies	747	440	307
21 154 Materials and Supplies	530	674	(144)
22 166 Prepayments	1,259	819	440
23	<u>46,977</u>	<u>43,866</u>	<u>3,111</u>
24			
25 Deferred Charges			
26 186 Energy Management	8,116	6,654	1,462
27 186 Regulatory Expense	(2,755)	(1,366)	(1,389)
28 183 Preliminary Investigation	1,089	664	424
29 186 Other Deferred Charges & Credits	5,349	6,649	(1,300)
30 181 Debt Issue Expense	4,030	3,651	379
31	<u>15,829</u>	<u>16,253</u>	<u>(424)</u>
32			
33 186 Non-Rate Base Assets ⁽²⁾	119,113	-	119,113
34			
35 Total Assets	<u>1,224,264</u>	<u>1,023,751</u>	<u>200,513</u>

⁽¹⁾ *The Negotiated Settlement for 2000-2002 included a provision for a notional funding adjustment to prior years' depreciation, in order to ensure that rate increases would not exceed 5 percent per year during the term of the settlement. The adjustment was to be booked as utilized and was required only in 2001. As per the 2006 Revenue Requirements Decision Order G-58-06, the RSA is to be amortized over a ten-year period beginning in 2006.*

⁽²⁾ *Non-Rate Base Assets and related balance sheet items were not shown on this schedule in prior years but were included in FortisBC's 2009 Revenue Requirements.*

Note: Minor differences due to rounding.

BALANCE SHEET – LIABILITIES

AS AT DECEMBER 31, 2009

Acct.	December 31 2,009	December 31 2,008 (\$000s)	Increase / (Decrease)
1 Shareholders' Equity			
2			
3 201 Common Shares	170,122	160,122	10,000
4 216 Retained Earnings	215,132	195,133	19,999
5	<u>385,254</u>	<u>355,255</u>	<u>29,999</u>
6			
7 Long Term Debt			
8 221 Secured Debentures - Series E	-	-	-
9 221 Secured Debentures - Series F	15,000	15,000	-
10 221 Secured Debentures - Series G	25,000	25,000	-
11 221 Unsecured Debentures - Series H	25,000	25,000	-
12 221 Unsecured Debentures - Series I	25,000	25,000	-
13 221 Unsecured Debentures - Series J	-	-	-
14 221 Unsecured Debentures - Series 04-1	140,000	140,000	-
15 224 Unsecured Debentures - Series 05-1	100,000	100,000	-
16 224 Unsecured Debentures - Series 07-1	105,000	105,000	-
17 224 Unsecured Debentures - Series MTN - 09	105,000	-	105,000
18 224 Term Bank Loans & Other	34,927	30,971	3,956
19	<u>574,927</u>	<u>465,971</u>	<u>108,956</u>
20			
21			
22 Current and Accrued Liabilities			
23 232 Accounts Payable and Accrued Liabilities	38,845	39,668	(823)
24 234 Bank Loans	2,856	7,257	(4,401)
25 235 Customers' Security Deposits	3,827	3,494	334
26 254 Income Taxes Payable ⁽²⁾	4,492	3,489	1,003
27 237 Accrued Interest	4,036	8,031	(3,995)
28 239 Long Term Debt Due Within One Year	-	53,750	(53,750)
29 261 Insurance Reserve	231	55	176
30	<u>54,286</u>	<u>115,743</u>	<u>(61,457)</u>
31			
32			
33 Deferred Credits			
34 252 Contributions in Aid of Construction	90,267	86,783	3,484
35			
36 254 Future Income Tax ⁽²⁾	418	-	418
37 254 Future Income Tax (non-rate base) ⁽¹⁾	79,606	-	79,606
38 256 Other Non-Rate Base Obligations & Liabilities ⁽¹⁾	39,507	-	39,507
39	<u>119,531</u>	<u>-</u>	<u>119,531</u>
40			
41			
42 Total Liabilities	<u>1,224,264</u>	<u>1,023,751</u>	<u>200,513</u>

⁽¹⁾ *Non-Rate Base Assets and related balance sheet items were not shown on this schedule in prior years but were included in FortisBC's 2009 Revenue Requirements.*

⁽²⁾ *Regulated portion of Future Income Tax was included in Income Taxes Payable in prior years.*

Note: Minor differences due to rounding.

SCHEDULE 2 – EARNED RETURN

	Normalized 2008	Decision 2009	Actual 2009	Normalized 2009	Change from Decision
1 SALES VOLUME (GWh)	3,057	3,107	3,157	3,093	(14)
2					
3					
			(S000s)		
4 ELECTRICITY SALES REVENUE	219,032	234,763	238,572	234,359	(404)
5					
6 EXPENSES					
7 Power Purchases	64,786	70,944	70,776	68,006	(2,938)
8 Water Fees	7,878	8,480	8,656	8,656	176
9 Wheeling	3,655	4,010	4,003	4,003	(7)
10 Net O&M Expense	35,663	37,258	36,702	36,702	(556)
11 Property Tax	11,036	11,561	11,573	11,573	12
12 Depreciation and Amortization	34,016	37,504	37,376	37,376	(128)
13 Other Income	(5,035)	(4,915)	(5,187)	(5,187)	(271)
14 Incentive Adjustments	654	(1,443)	2,014	2,014	3,458
15 UTILITY INCOME BEFORE TAX	66,378	71,364	72,659	71,216	(148)
16 Less:					
17 INCOME TAXES	5,666	4,354	4,749	4,316	(37)
18					
19 EARNED RETURN	60,712	67,010	67,910	66,900	(110)
20 RETURN ON RATE BASE					
21 Utility Rate Base	802,566	907,977	867,683	867,683	(40,294)
22 Return on Rate Base	7.56%	7.38%	7.83%	7.71%	0.33%

Note: Minor differences due to rounding.

WEATHER NORMALIZATION
FOR THE YEAR ENDING DECEMBER 31, 2009

<u>Temperature</u>	<u>Heating Degree Days</u>	<u>Cooling Degree Days</u>
Actual	3,519	349
Normal	<u>3,283</u>	<u>258</u>
Difference	236	92

Note: Minor differences due to rounding.

Notional Impact of Weather Normalization Adjustment

Energy Adjustment (GWh)

Residential	(34)
Wholesale	(24)
Losses	<u>(5)</u>
	(64)

Revenue Adjustment (\$000s)

Residential	(2,941)
Wholesale	<u>(1,272)</u>
	(4,213)

Power Purchase Expense Adjustment (\$000s)

Energy	(1,878)
Capacity	<u>(892)</u>
	(2,771)

ELECTRIC OPERATING REVENUES BY RATE CLASS

FOR THE YEAR ENDING DECEMBER 31, 2009

	<u>Customers at Dec. 31, 2009</u>	<u>Energy Sales (GWh)</u>	<u>Revenue (\$000s)</u>	<u>Average Use (kWh)</u>	<u>Revenue per kWh Sold (cents)</u>
1 Residential	96,565	1,293	112,059	13,464	8.67
2 Commercial	11,308	672	57,798	59,713	8.59
3 Industrial	33	203	14,051		6.93
4 Other	2,940	61	4,717		7.79
5 Total without Wholesale	<u>110,846</u>	<u>2,229</u>	<u>188,626</u>	<u>20,207</u>	<u>8.46</u>
6 Wholesale	<u>7</u>	<u>928</u>	<u>49,946</u>		<u>5.38</u>
7 Total	<u>110,853</u>	<u>3,157</u>	<u>238,572</u>	<u>28,620</u>	<u>7.56</u>

Note: Minor differences due to rounding.

ANALYSIS OF POWER PURCHASES AND GENERATION OF POWER
FOR THE YEAR ENDING DECEMBER 31, 2009

	Volume		Expense	
	2009	2008	2009	2008
1 <u>Capacity</u>	(MW Months)		(\$000s)	
2 B.C. Hydro	1,962	2,006	9,787	10,019
3 Market	589	238	2,182	2,605
4				
5 <u>Energy</u>	(GWh)			
6 Columbia Power Corp.	923	921	30,931	30,195
7 B.C. Hydro	836	826	24,797	24,121
8 IPPs	41	29	1,034	694
9 Market	121	44	3,160	802
10 Surplus Sales	(38)	(48)	(773)	(2,180)
11 CPC Loss & Special Adjustment	10	18		
12	1,893	1,791	71,117	66,257
13				
14 Generation	1,586	1,610		
15 Total System Load	3,479	3,400		
16				
17 Adjustment for Upgrade Projects	-		(712)	(227)
18 Other Adjustments	-		371	(20)
19 Company Use	(12)	(11)		
20 Line and Transformer Losses	(309)	(302)		
21 Total Electricity Sales	3,157	3,088	70,776	66,010

ANALYSIS OF WHEELING EXPENSE
FOR THE YEAR ENDING DECEMBER 31, 2009

	2009	2008
	(\$000s)	
1 B.C. Hydro - Vernon	3,500	3,223
2 B.C. Hydro - Lambert	453	425
3 B.C. Hydro - Princeton	-	-
4 Miscellaneous	50	7
5 Total Wheeling Expense	4,003	3,655

Note: Minor differences due to rounding.

ELECTRIC OPERATING AND MAINTENANCE EXPENSE

FOR THE YEAR ENDING DECEMBER 31, 2009

Acct.	2009	2008	Change
		(\$000s)	
1 GENERATION			
2 535R Supervision & Administration	791	360	431
3 536 Water Fees	8,656	7,878	778
4 542 Structures	637	596	41
5 543 Dams & Waterways	117	168	(50)
6 544 Electric Plant	443	504	(61)
7 545 Other Plant	211	254	(43)
8	10,854	9,759	1,095
9			
10 OTHER POWER SUPPLY			
11 555 Purchased Power	70,776	66,010	4,766
12 556 System Control	1,646	1,371	275
13	72,422	67,381	5,041
14			
15 TRANSMISSION & DISTRIBUTION			
16 560R-1 Supervision & Administration	886	616	270
17 560R-2 System Planning	1,290	1,321	(31)
18 561 Load Dispatching	1,182	1,099	82
19 562 Transmission Station Expense	782	713	69
20 563R-1 Transmission Line Maintenance	127	296	(169)
21 563R-2 Transmission ROW Maintenance	472	505	(34)
22 565 Wheeling	4,003	3,655	348
23 567 Rents	3,100	3,252	(151)
24			-
25 583R-1 Distribution Line Maintenance	3,263	3,294	(32)
26 583R-2 Distribution ROW Maintenance	1,741	1,628	112
27 586 Meter Expenses	999	922	77
28 592 Distribution Station Expense	1,304	1,153	151
29 596 Street Lighting	96	85	12
30 598 Other Plant	353	273	79
31	19,596	18,813	784
32			
33 CUSTOMER SERVICE			
34 901 Supervision & Administration	831	769	62
35 902 Meter Reading	1,763	1,762	1
36 903 Customer Billing	669	654	15
37 904 Credit & Collections	625	1,299	(674)
38 910 Customer Assistance	2,240	1,927	313
39	6,129	6,411	(283)

Note: Minor differences due to rounding.

ELECTRIC OPERATING AND MAINTENANCE EXPENSE, cont'd
FOR THE YEAR ENDING DECEMBER 31, 2009

<u>Acct.</u>	<u>2009</u>	<u>2008</u> (\$000s)	<u>Change</u>
40			
41			
42			
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	<u>2009</u>	<u>2008</u>	<u>Change</u>
		(\$000s)	
ADMINISTRATIVE AND GENERAL			
920 Salaries			
920.1 Executive & Senior Management	1,515	1,318	197
920.2 Legal	604	664	(60)
920.3 Human Resources	808	719	88
920.4 Finance & Accounting	1,068	1,112	(44)
920.6 Information Services	1,043	958	85
920.7 Materials Management	184	384	(200)
Other	252	199	53
	<u>5,474</u>	<u>5,355</u>	<u>119</u>
921 Expenses			
921.1 Executive & Senior Management	68	117	(49)
921.2 Legal	242	94	148
921.3 Human Resources	144	167	(23)
921.4 Finance & Accounting	115	103	13
921.6 Information Services	696	672	24
921.7 Materials Management	18	17	2
Other	446	414	32
	<u>1,730</u>	<u>1,584</u>	<u>146</u>
923 Special Services	767	954	(187)
924 Insurance	705	589	116
932 Maintenance to General Plant	1,802	1,380	422
933 Transportation Equipment Expenses	658	980	(322)
	<u>3,931</u>	<u>3,902</u>	<u>29</u>
TOTAL	<u>120,137</u>	<u>113,206</u>	<u>6,930</u>
Less: Wheeling	(4,003)	(3,655)	(348)
Power Purchases	(70,776)	(66,010)	(4,766)
Water Fees	(8,656)	(7,878)	(778)
	-	-	-
O & M Expense per Financial Statements	<u>36,702</u>	<u>35,663</u>	<u>1,039</u>

Note: Minor differences due to rounding.

SUMMARY OF INCENTIVE ADJUSTMENTS TO INCOME STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2009

	(\$000s)
1 Amortization of Prior Year Incentives	
2 Amortization of 2008 Approved Incentives	(1,616)
3 Amortization of 2007 Incentive true-up	173
4	
5 Total Amortization of Prior Year Incentives	(1,443)
6	
7 Current Year Preliminary Flow Through Adjustments	
8 2009 Preliminary Interest Expense	875
9 2009 Preliminary Pension Expense	103
10 2009 CCA Change, Computer Hardware	109
11 2009 City of Nelson Export Sales	(18)
12	
13 Total 2008 Flow Through Adjustments	1,068
14	
15 Current Year Preliminary ROE Incentive Adjustments	
16 2008 Preliminary ROE Incentive	1,300
17	
18	
19 Total Regulatory Incentive Adjustments	2,368
20	
21	
22 Current Year True-up to Actual ⁽¹⁾	1,089
23	
24	
25 Incentive Adjustments per Income Statement	2,014

⁽¹⁾ A provision for true-up of incentives of \$1,089,000 was recorded in 2009. This true-up from preliminary to final incentives for 2009 will flow through to 2011 Revenue Requirements.

Note: Minor differences due to rounding.

SUMMARY OF PRELIMINARY INCENTIVE ADJUSTMENTS TO INCOME STATEMENT, cont'd
FOR THE YEAR ENDING DECEMBER 31, 2009

2009 Flow Through Adjustments	Approved	Forecast	Variance	Income Tax Shield	After Tax Amount	Customer Share	Flow Through Adjustment
				(\$000s)			
1 Interest Expense	34,803	33,553	(1,250)	(375)	(875)	100%	(875)
2 Pension Expense	3,318	3,171	(147)	(44)	(103)	100%	(103)
3 CCA Change, Computer Hardware	-	-	-	109	(109)	100%	(109)
4 City of Nelson Export Sales	-	26	26	8	18	100%	18
5 Flow Through Adjustment							<u>(1,068)</u>

2009 ROE Incentive Adjustment	Approved	Forecast	Variance	Customer Share	ROE Incentive Adjustment
			(\$000s)		
6 Net Income for ROE Incentive	32,215	34,814	2,599	50%	(1,300)
7 Common Equity	363,191	347,644			
8 Allowed ROE	8.87%	10.01%	1.14%	50%	0.57%

Note: Minor differences due to rounding.

SCHEDULE 3 – INCOME TAX EXPENSE
FOR THE YEAR ENDING DECEMBER 31, 2009

	Normalized 2008	Decision 2009	Actual 2009	Normalized 2009	Change from Decision
	(\$000s)				
1 UTILITY INCOME BEFORE TAX	66,378	71,372	72,659	71,216	(156)
2 Deduct:					
3 Interest Expense	30,163	34,803	33,411	33,411	(1,392)
4					
5 ACCOUNTING INCOME	36,215	36,569	39,248	37,806	1,237
6					
7 Deductions:					
8 Capital Cost Allowance	42,886	48,149	50,764	50,764	2,615
9 Capitalized Overhead	9,062	9,315	9,315	9,315	0
10 Incentive & Revenue Deferrals	(654)	1,443	(2,014)	(2,014)	(3,458)
11 Financing Fees	922	1,034	910	910	(124)
12 All Other (net effect)	611	501	1,048	1,048	547
13	52,827	60,442	60,023	60,023	(419)
14					
15 Additions:					
16 Amortization of Deferred Charges	2,539	2,569	2,521	2,521	(48)
17 Depreciation	31,477	34,935	34,855	34,855	(80)
18	34,016	37,504	37,376	37,376	(128)
19					
20 TAXABLE INCOME	17,404	13,631	16,601	15,158	1,528
21					
22 Tax Rate	31.00%	30.00%	30.00%	30.00%	0.00%
23					
24 Taxes Payable	5,395	4,089	4,980	4,548	458
25 Prior Years' Overprovisions/(Underprovisions)	87	-	(487)	(487)	(487)
26 Deferred Charges Tax Effect	184	265	256	256	(9)
27					
28 REGULATORY TAX PROVISION	5,666	4,354	4,749	4,316	(37)

Note: Minor differences due to rounding.

SCHEDULE 4 – COMMON EQUITY
FOR THE YEAR ENDING DECEMBER 31, 2009

	Normalized 2008	Decision 2009	Actual 2009	Normalized 2009	Change From Decision
	(\$000s)				
1 Share Capital	163,000	183,000	178,000	178,000	(5,000)
2 Retained Earnings	159,405	177,140	177,255	176,536	(604)
3					
4 COMMON EQUITY - OPENING BALANCE	322,405	360,140	355,255	354,536	(5,604)
5					
6 Less: Common Dividends	(13,400)	(14,500)	(14,500)	(14,500)	-
7					
8 Add: Net Income	30,550	32,215	34,499	33,489	1,274
Share Adjustment	(19)		-	-	-
9 Shares Issued	15,000	30,000	10,000	10,000	(20,000)
10					
11 COMMON EQUITY - CLOSING BALANCE	354,536	407,855	385,254	383,525	(24,330)
12					
13 SIMPLE AVERAGE	338,470	383,998	370,254	369,030	(14,967)
14					
15 Adjustment for Shares Issued	(4,925)	(3,658)	(3,726)	(3,726)	(68)
16 Deemed Equity Adjustment	-	(17,149)	-	-	17,149
17					
18 COMMON EQUITY - AVERAGE	333,546	363,191	366,528	365,304	2,113

Note: Minor differences due to rounding.

SCHEDULE 5 – RETURN ON CAPITAL
FOR THE YEAR ENDING DECEMBER 31, 2009

	Normalized 2008	Decision 2009	Actual 2009	Normalized 2009	Change From Decision
	(\$000s)				
1 Secured and Senior Unsecured Debt	489,468	539,974	527,002	527,002	(12,973)
2 Proportion	61.04%	59.47%	60.66%	60.66%	1.19%
3 Embedded Cost	6.36%	6.32%	6.33%	6.33%	0.01%
4 Cost Component	3.88%	3.76%	3.84%	3.84%	0.08%
5 Return	31,116	34,112	33,363	33,363	(749)
6					
7 Short Term Debt	(21,633)	4,812	(24,722)	(24,722)	(29,534)
8 Proportion	(2.70%)	0.53%	(2.85%)	(2.85%)	(3.38%)
9 Embedded Cost	4.40%	14.36%	(0.19%)	(0.19%)	(14.55%)
10 Cost Component	(0.12%)	0.08%	0.01%	0.01%	(0.07%)
11 Return (including fees)	(953)	691	48	48	(643)
12					
13					
14 Common Equity	333,546	363,191	366,528	365,304	2,113
15 Proportion	41.62%	40.00%	42.19%	42.11%	2.11%
16 Embedded Cost	9.16%	8.87%	9.41%	9.17%	0.30%
17 Cost Component	3.81%	3.55%	3.97%	3.86%	0.31%
18 Return	30,550	32,215	34,499	33,489	1,274
19					
20 TOTAL CAPITALIZATION	801,381	907,977	868,808	867,584	(40,394)
21 RATE BASE	802,566	907,977	867,683	867,683	(40,294)
22					
23 Earned Return	60,713	67,018	67,909	66,900	(118)
24					
25 RETURN ON CAPITAL	7.58%	7.38%	7.82%	7.71%	0.33%
26 RETURN ON RATE BASE	7.56%	7.38%	7.83%	7.71%	0.33%

Note: Minor differences due to rounding.

EXECUTIVE SUMMARY
DIRECTORS, OFFICERS AND SHAREHOLDERS
 AS AT DECEMBER 31, 2009

DIRECTORS

Stanley Marshall	Suite 1201, 139 Water Street St. John's, NL A1B 3T2	Governance Committee
John S. McCallum	26 Lake Lindero Road Winnipeg, MB R3T 4P3	Chair, Audit Committee
John Walker	617 Almandine Court Kelowna, BC V1W 4Z5	
Beth Campbell	2443 Westwood Penticton, BC V2A 8Y8	Chair, Governance Committee
Harry McWatters	#4 - 461 North Beach Road Summerland, BC V0H 1Z6	Chair of the Board Governance Committee
Roger Mayer	2794 River Road Keremeos, BC VOX 1N1	Audit Committee
Walter Gray	103 – 633 Denali Court Kelowna, BC V1V 2R2	Governance Committee
Randy Jespersen	16705 Fraser Highway Surrey, BC V3S 2X7	Governance Committee
William Daley	1130 Bertie Street Fort Erie, ON L2A 5Y2	Audit Committee

DIRECTORS, OFFICERS AND SHAREHOLDERS, cont'd

AS AT DECEMBER 31, 2009

OFFICERS

John Walker	FortisBC Inc. Suite 100 – 1975 Springfield Road Kelowna, BC V1Y 7V7	President and CEO
Michele Leeners	FortisBC Inc. Suite 100 – 1975 Springfield Road Kelowna, BC V1Y 7V7	Vice-President, Finance and Chief Financial Officer
Donald Debienne	FortisBC Inc. Suite 100 – 1975 Springfield Road Kelowna, BC V1Y 7V7	Vice President, Power Supply & Strategic Planning
Michael Mulcahy	FortisBC Inc. Suite 100 – 1975 Springfield Road Kelowna, BC V1Y 7V7	Vice-President, Customer & Corporate Services
Doyle Sam	FortisBC Inc. Suite 100 – 1975 Springfield Road Kelowna, BC V1Y 7V7	Vice President, Engineering & Operations
David Bennett	FortisBC Inc. Suite 100 – 1975 Springfield Road Kelowna, BC V1Y 7V7	Vice President, Regulatory Affairs and General Counsel

SHAREHOLDERS

Fortis Pacific Holdings Inc.	100% Common stock
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IMPORTANT CHANGES IN THE YEAR

A. OPERATING

Turbine Upgrades and Generating Facilities

The South Slocan Unit 1 Upgrade and Life Extension (ULE) is the ninth of eleven units to undergo a “water to wire” refurbishment under the ULE program. This project began in the third quarter of 2009 and is on schedule to be complete in the first quarter of 2010.

The completion of South Slocan Unit 1 Headgate rehabilitation project was also achieved in 2009. This work was scheduled to coincide with the South Slocan Unit 1 ULE.

The All Plants Spare Unit transformer was received in the third quarter of 2009. The new transformer is capable of replacing any of the eleven unit transformers at the FortisBC plants in the event of failure.

Supply contracts for major equipment having long delivery times continued to be prepared and negotiated for the Corra Linn Units 1 and 2 projects scheduled for construction August in 2010 and 2011 respectively.

Okanagan Transmission Reinforcement (OTR) Project

The OTR project primarily consists of construction of the Bentley Terminal Station near Oliver, as well as the construction of two 230 kV transmission lines from Oliver to Penticton. It is required to address capacity constraints in the Okanagan region. The project received BCUC approval in October of 2008 and construction began in July 2009 with 40 Line between Vaseux and Oliver completed in November 2009. The remaining components are on schedule for completion from November 2010 through to the summer of 2011.

Benvoulin Substation Project

The Benvoulin Substation project consists of the construction of a distribution source substation in the south/central Kelowna area, a 138 kV transmission line connecting the new substation, as well as the necessary distribution facilities to connect the substation to the distribution network. The project is required to address distribution capacity constraints in the south/central Kelowna area. The Benvoulin Substation project received BCUC approval on January 20, 2009 with station site and civil work commencing in late October 2009. The project is on schedule for station energization in December 2010.

Kettle Valley Project

The Kettle Valley project consists of a new 161/25 kV distribution source substation to replace three aged substation in the area, and conversion of the existing 13 kV distribution system to 25 kV. The Kettle Valley Substation is complete with substation transformers energized on April 9, 2008. Construction of the main line to Midway, and the Midway and Greenwood 25/13 kV step-down stations, has also been completed. The removal of the old plant is scheduled for 2010.

IMPORTANT CHANGES IN THE YEAR, cont'd

A. OPERATING, cont'd

Black Mountain Substation Project

The Black Mountain Substation project consists of a new distribution substation in the Black Mountain area of Kelowna, and a high voltage ring bus to protect system reliability as well as a new distribution feeder. Project construction began in the fourth quarter of 2008 with the station energized in July 2009 in time to serve load during the summer peak period. The substation is meeting the expectations of distributing load and maintaining system reliability.

Ellison Substation Project

The Ellison Substation project consists of a new substation in Kelowna, a 138 kV transmission line connecting the Ellison Substation with the Duck Lake Substation, and construction of all distribution facilities necessary to connect the new substation into the existing distribution network. The station was completed and energized in December 2009 in time to serve load through the winter of 2009/10. The substation is meeting the expectations of distributing load and maintaining system reliability.

Naramata Substation Project

The Naramata Substation project consists of a new 63/13 kV substation and associated infrastructure to connect the new station to the existing distribution network. The substation was completed and energized in November 2009 in time to serve load through the winter of 2009-10. The substation is meeting the expectations of distributing load and maintaining system reliability.

Distribution Substation Automation Program

The Distribution Substation Automation Program consists of installing automated systems in distribution substations, with a focus on reducing operational costs, preventing power outages and restoring power more quickly when there is a failure, as well as improving the levels of employee and public safety. The program is on schedule having completed two years of the four year program. Construction completed in 2009 included Glenmore, Summerland and Blueberry Creek Substations. The data historian software and hardware elements of the project have also been received and are under test.

IMPORTANT CHANGES IN THE YEAR, cont'd

B. CUSTOMER SERVICE

Customer Information System (“CIS”) Enhancements

During 2009, a number of enhancements to FortisBC’s billing system (CIS) were completed. The enhancements were primarily focused on increasing operational efficiency and improving billing accuracy. In addition, changes were made to the format of and messaging on the customer bills to improve their readability and to reduce the environmental impact of the paper bills.

Customer Communications

To further enhance the Company’s communication with customers, “Thank-you” tags and “Information Cards” were created for use by FortisBC field staff. The “Thank-you” tags are being delivered to customers who clear the path to the meter or otherwise assist the reader. The “Information cards” are being used by field staff to refer customers to the appropriate person should they have an issue that cannot be resolved in the field.

The Company has also continued to promote eBilling with 8.6 percent of customers signed up at the end of 2009 which was an increase from 5.9 percent in 2008.

Collections

In 2009 the Credit and Collections team launched a pilot project designed to gently remind customers of past due FortisBC bills that were 31 or more days past due. The pilot project had positive results with no customer complaints received and 60% of the customers contacted making either payments or payment arrangements.

Shared Use Pole Audit

During 2009, an inventory of pole attachments by communications licensees was completed. A number of unreported contacts were identified and back bills were issued based on the existing agreements which provide for 5 year audits and penalty billing for unreported attachments.

IMPORTANT CHANGES IN THE YEAR, cont'd

C. ENERGY MANAGEMENT

In 2009, FortisBC customers saved 29.7 GWh through PowerSense energy efficiency programs, or 117% of the 25.3 GWh plan figure. The overall benefit/cost ratio of the DSM portfolio was 1.8, compared to 1.9 for the prior year.

FortisBC earned an estimated incentive of \$82,000 under the Shared Savings Mechanism. Under the DSM mechanism the Company shares a portion of the net benefits that exceed a 3-year baseline. This mechanism is intended to send FortisBC a signal to maximize the resource savings per dollar spent on DSM measures.

PowerSense met or exceeded energy savings targets in two of the three market sectors, as shown below:

2009 Energy Savings by Sector (GWh)	Plan	Actual	% of Plan Achieved
Residential	10.7	10.7	100
General Service	11.6	16.3	141
Industrial	3.0	2.7	90
Total savings (GWh)	25.3	29.7	117%

Some sector highlights for the year:

- Results in the Residential section met the plan. Key residential program results include:
 - Heat Pump programs yielded net saving of 3.2 GWh;
 - Home program achieved savings of 1.7 GWh ; and
 - Lighting program recorded 4.7 GWh in savings.
- Results in the General Service sector exceeded the plan by a large margin due to robust activity, particularly in the New Building and Process Improvement program ("BIP"). Key program results include:
 - 7.6 GWh of savings in new and retrofit Lighting projects; and
 - BIP program recorded 8.3 GWh in savings.
- Results in the Industrial sector fell short of plan. Key program results include:
 - Industrial efficiency projects yielded savings of 2.3 GWh; and
 - Compressed air program recorded 0.4 GWh of savings.

IMPORTANT CHANGES IN THE YEAR, cont'd

C. ENERGY MANAGEMENT, cont'd

The provincial LiveSmart BC program, with which FortisBC had been collaborating, was closed to new entrants effective August 15, 2009. There are a substantial number of customers who remain eligible for LiveSmart incentives, including those co-incentives offered by FortisBC.

In 2009 PowerSense expanded the small business audit program to all three regions, which supplanted the Cool Shops pilot undertaken in Kelowna the prior year. These audits are now undertaken with company representatives instead of contract personnel.

During PowerSense month in October, a total of 40 Conservation Excellence awards were presented at two regional ceremonies in Kelowna and Castlegar by former BC premier Mike Harcourt. The awards are given to customers who undertake projects that save over 100 MWh each, and to trade allies who support the PowerSense programs.

To mark the 20th anniversary of PowerSense programs, the Company endeavoured to give away twenty thousand CFL (Compact Fluorescent Lamps) in 20 days, in exchange for customers turning in an equivalent number of incandescent lamps. A total of 27,000 CFLs were given out, including a substantial number distributed through food banks in the FortisBC service area.

For the first time Conservation Culture activities were undertaken, such as the laundry promotion which included giving away 5,000 clotheslines. EnergyStar laundry appliance rebates were provided on a pilot basis in conjunction with Terasen Gas.

Residential/Commercial end-use surveys were undertaken to provide current market conditions, and as major inputs to the Conservation and Demand Potential Review which will report out in the first quarter of 2010.

IMPORTANT CHANGES IN THE YEAR, cont'd

D. REGULATORY

BC Hydro Rate Increase Flow-Through

Pursuant to Commission Order G-16-09, BC Hydro implemented final rates for F2009 and F2010, including a general rate increase of 8.74 percent, effective April 1, 2009. The decision resulted in a net increase in power purchase expense to FortisBC.

On August 28, 2009, pursuant to Order G-193-08, the Commission approved a 2.2 percent general rate increase, effective September 1, 2009, reflecting the impact of the BC Hydro Power Purchase rate increase.

2010 Revenue Requirements

FortisBC filed its 2010 Revenue Requirements Application on October 1, 2009 in accordance with its 2009 – 2011 Performance-Based Regulation plan. The Company held its 2009 Annual Review and 2010 Revenue Requirements Workshop on November 16, 2008, and on November 17, 2008 reached a tentative Negotiated Settlement Agreement (“NSA”) with stakeholders. On December 17, 2009, the Commission, by Order G-162-09, approved the terms of the NSA, resulting in a general rate increase effective January 1, 2010 of 3.5 percent, subject to a determination in the Terasen Utilities Return on Equity and Capital Structure Application.

Terasen Utilities Return on Equity and Capital Structure

On December 16, 2009, the Commission by way of by Order G-158-09 issued its decision on the Terasen Utilities’ Return on Equity (“ROE”) and Capital Structure application, approving an increase to ROE for the Terasen Utilities. The decision set the ROE for Terasen Gas Inc. (“TGI”) at 9.5 percent and confirmed that TGI will continue to serve as a benchmark for determining FortisBC’s ROE. As a result, the Company’s allowed Return on Equity was increased to 9.9 percent, and the Company’s general rate increase was amended to 6.0 percent from 3.5 percent, effective January 1, 2010.

Code of Conduct and Transfer Pricing Policy

On August 26, 2008, FortisBC submitted a proposed Subcontractor Agreement concerning the supply of FortisBC resources to Fortis Pacific Holdings Inc. in connection with an operations and maintenance Services Agreement with Brilliant Expansion Power Corporation. The Commission granted interim approval of the Subcontractor Agreement on December 18, 2008, by Order G-199-08. Permanent terms under the Subcontractor Agreement would be established once the Commission reviewed FortisBC’s updated Code of Conduct and Transfer Pricing Policy. On March 31, 2009, FortisBC submitted an application for its Revised Code of Conduct and Transfer Pricing Policy.

Following a written hearing process, the Commission, by Order G-5-10, approved FortisBC’s Revised Code of Conduct and Transfer Pricing Policy, as well as the Subcontractor Agreement between Fortis Pacific Holdings Inc. and FortisBC.

IMPORTANT CHANGES IN THE YEAR, cont'd

D. REGULATORY, cont'd

BC Hydro – Application to Amend Section 2.1 of Rate Schedule 3808 Power Purchase Agreement

On June 24, 2008, FortisBC filed the Umbrella Agreement for Short-Term Firm or Non-Firm Point-to-Point Transmission Service Agreement dated April 18, 2008 between FortisBC and the City of Nelson pursuant to the Terms and Conditions of Tariff Supplement 7.

On September 16, 2008 BC Hydro applied to the Commission for approval to amend section 2.1 of the Power Purchase Agreement (“PPA”) between BC Hydro and FortisBC, to prevent the sale of electricity purchased by FortisBC under the PPA to FortisBC customers to replace electricity sold by those customers.

Following a written public hearing, on May 6, 2009 the Commission, by Order G-48-09, approved BC Hydro’s application to amend section 2.1 of the PPA to prevent the sale of electricity purchased by FortisBC under the PPA to FortisBC customers to replace electricity sold by those customers.

Net Metering Tariff Application

On April 17, 2009 filed an application for approval of a Net Metering Rate Schedule 95 and resulting revisions to Rate Schedule 80. The Company filed its proposed Net Metering Rate Schedule in response to the Provincial Energy Plan, section 64.01 of the *Utilities Commission Act*, Commission Order G-117-05 and stakeholder requests.

Following a written hearing process, FortisBC’s Net Metering program was approved by the Commission, by Order G-92-09 dated July 30, 2009. FortisBC filed its revised Rate Schedule 95 after incorporating the directives set out in Order G-92-09, and on October 1, 2009 Rate Schedule 95 came into effect.

2009 Resource Plan

On May 29, 2009, FortisBC filed its 2009 Resource Plan for the period 2009 – 2028, but requested that the Commission refrain from setting a regulatory timetable for the disposition of the application, due to ongoing negotiations between the Company and BC Hydro to renew the long-term power purchase agreement between them. On June 18, 2009 FortisBC filed an update summarizing the status of the negotiations between the two companies and referenced an application to renew the Power Purchase Agreement that was filed with the Commission by the Company that same day, June 18, 2009. An evidentiary update to the Resource Plan will be filed prior to review by the Commission.

IMPORTANT CHANGES IN THE YEAR, cont'd

D. REGULATORY, cont'd

Renewal of 3808 Power Purchase Agreement

On June 18, 2009, FortisBC filed an application for the renewal of its Power Purchase Agreement with BC Hydro, which will expire on September 30, 2013. The two parties had been in negotiations to renew the contract since October 2005.

On October 27, 2009, the Commission determined that there is merit in continuing negotiations on the resolution of the outstanding issues, and requested that BC Hydro and the Company jointly file detailed reports on the status of the resolution of those issues by January 8, 2010.

Corra Linn Unit 2 Upgrade and Life Extension CPCN Application

On July 20, 2009, FortisBC submitted an application for a CPCN for the Upgrade and Life Extension ("ULE") of the Corra Linn Unit 2 generating plant. The project included the replacement of 77 year old components to extend the plant's life for a further 40 years and increase FortisBC's reliability and available energy entitlements as provided for in the Canal Plant Agreement. Also as part of the project, FortisBC is to complete the Corra Linn Spillway Gate Isolation Study. On September 18, 2009, by way of Order C-5-09 the Commission approved the CPCN.

2009 Rate Design Application

On October 30, 2009, the Company filed its 2009 Cost of Service Analysis and Rate Design Application which seeks approval for its major rate design changes, including rate rebalancing and energy-conservation promoting rate structures. A Procedural Conference was held on December 15, 2009, and on December 21, 2009, the Commission issued Order G-166-09 which determined the application to proceed by way of an Oral Public Hearing commencing May 3, 2010.

Duck Lake Wheeling Agreement

On December 23, 2009, British Columbia Transmission Corporation and the Company filed an Application for Approval of the Duck Lake Wheeling Agreement, whereby FortisBC provides a wheeling service to BCTC to serve BC Hydro load in the Woods Lake area near Kelowna.

IMPORTANT CHANGES IN THE YEAR, cont'd

E. FINANCING

Pursuant to Commission Letter L-47-09, the Company amended its operating credit facility provided by a syndicate of Canadian Chartered banks on April 30, 2009. The amendments included the extensions of maturity dates for the \$50.0 million, three-year revolving facility to May 9, 2012 ("Facility A") and for the \$100.0 million 364 day revolving credit facility to May 6, 2010 ("Facility B").

Pursuant to Commission Order G-51-09 issued on May 7, 2009, the Company filed a short form base shelf prospectus on May 22, 2009 to establish a MTN Debentures Program and entered into a Dealer Agreement with certain affiliates of a group of Canadian Chartered banks. Upon filing the shelf prospectus, the Corporation may from time to time during the 25 month life of the shelf prospectus, issue MTN Debentures in an aggregate principal amount of up to \$300.0 million.

On May 28, 2009, FortisBC entered into an agreement with the dealers listed in the Dealer Agreement to sell \$105.0 million of senior unsecured MTN Debentures under the MTN Indenture. The MTN Debentures bear interest at a rate of 6.10% to be paid semi-annually and mature on June 2, 2039. The closing of the issuance occurred on June 2, 2009, with net proceeds of \$104.5 million.

The Company repaid the Series J \$50.0 million unsecured debenture on July 31, 2009 and repaid the Series E \$3.8 million secured debenture on December 1, 2009.

On January 29, 2009, Commission Order G-5-09 approved the issuance of up to 400,000 common shares to the Company's parent for total consideration of up to \$40 million on or before December 31, 2009. Two separate share issuances took place in 2009. 50,000 shares were issued on September 29, 2009 for proceeds of \$5.0 million and 50,000 shares were issued on December 30, 2009 for proceeds of \$5.0 million.

The financings referred to above were necessary to repay existing indebtedness and finance the capital expenditure program and working capital requirements.

F. TAXATION

Income Taxes

For the year ended December 31, 2009, income tax expense was \$4.7 million, a decrease of \$1.2 million compared to \$5.9 million for 2008. The decrease was primarily due to an increase in income tax timing differences and a reduction in the Federal and Provincial income tax rates, partially offset by an increase in pre-tax earnings.

Property Taxes

Property tax for 2009 increased by \$0.5 million compared to 2008. The increase in 2009 property tax was due to increased assessment base from net capital additions.

IMPORTANT CHANGES IN THE YEAR, cont'd

G. AUDIT

Internal Audit

FortisBC's Internal Audit department continued rotational testing of Internal Controls over Financial Reporting in various business processes during 2009. In addition, the following internal audits were performed:

- **Transfer Pricing and Code of Conduct Audit** – an annual audit of compliance with the Transfer Pricing and Code of Conduct policies.
- **Executive Expense Account Audit** – an audit of discretionary expenses incurred by the executive management team.
- **Directors' Liabilities Audit** – an audit to test the timely reporting and remittance of statutory remittances (Payroll withholdings, WCB, Corporate Income Tax and Retail Sales Taxes.)
- **Disclosure Controls and Financial Reporting Process Audit** – an audit of internal controls over Disclosure Procedures and the Financial Close Process.
- **Fraud Risk Assessment** – an annual Entity Level Assessment of Fraud Risk
- **Fleet Management Review** - a review of management practices within the Fleet Department.
- **IT General Controls Audit** – an audit of Internal Controls in I.T. operations.
- **Performance Standards Review** – a review of the processes around Short Term Incentive calculations and reporting.
- **Third Party Contracts Audit** – an audit of compliance with Third Party contracts to ensure that they are properly managed and that all applicable costs are properly recorded.
- **Entity Level Controls Survey** – a high-level view of the organization that provides some measure of its control conscientiousness, ethical environment, integrity and corporate values.

External Audit

In addition to their quarterly reviews and annual audit of the Financial Statements, Ernst & Young LLP performed the following:

- **IT General Controls Audit** – a test of automated and manual internal controls within Information Technology (computer systems) to substantiate the external auditors' opinion of Internal Controls over Financial Reporting within the organization.

IMPORTANT CHANGES IN THE YEAR, cont'd

H. LEGAL PROCEEDINGS

Vaseux Lake Fire

The Province of British Columbia has alleged breaches of the Forest Practices Code and negligence relating to a forest fire near Vaseux Lake and has filed and served a Writ and Statement of Claim against FortisBC Inc. ("FortisBC"). In addition, private land owners have filed a separate Writ and Statement of Claim in relation to the same matter. FortisBC is communicating with its insurers and has filed a Statement of Defence in relation to both of the actions. The outcome cannot be reasonably determined and estimated at this time, and accordingly no amount has been accrued in the financial statements.

Re Pope & Talbot Inc., et al. Bankruptcy

FortisBC has become aware that the Trustee for the bankrupt estate of Pope & Talbot Inc. and certain of its affiliates ("Pope & Talbot"), is claiming for wrongful preference and is seeking recovery of money paid to FortisBC by Pope and Talbot in the 90 days before Pope & Talbot filed for bankruptcy in Delaware. The total amount of the claim is \$793,833.80. The complaint is one of approximately forty filed against Pope & Talbot creditors in the US Bankruptcy Court, Delaware. FortisBC has not yet been served.

FortisBC Inc. v. Shaw Cablesystems Limited et al.

This matter relates to legal proceedings that FortisBC Inc. commenced against Shaw Cablesystems Limited, Shaw Communications Inc., and Shaw Business Solutions Inc. ("Shaw") in the Supreme Court of British Columbia on October 1, 2009 relating to Shaw's facilities located on FortisBC's facilities.

Shaw has also applied for an order by the Commission to allow Shaw to continue to use FortisBC's electric transmission facilities for Shaw's telecommunications facilities throughout the FortisBC service area, pursuant to section 70 of the Utilities Commission Act.

I. HUMAN RESOURCES

Labour Relations

The Collective Agreement between the Company and Local 213 of the International Brotherhood of Electrical Workers (IBEW) expires on January 31, 2013. IBEW represents approximately 250 employees in specified occupations in the areas of generation, transmission and distribution.

The Collective Agreement between the Company and Local 378 of the Canadian Office and Professional Employees Union (COPE) expires on January 31, 2011. Negotiations are expected to begin mid 2010. COPE represents approximately 160 employees in office and professional occupations.

IMPORTANT CHANGES IN THE YEAR, cont'd**J. SAFETY AND HEALTH****Safety Indicators for the 12 month period October 1, 2008 to September 30, 2009**

Note: The reporting period is consistent with that required by FortisBC's Performance-Based Regulation (PBR) Plan.

All Injury Frequency Rate	Year	3 Year Average	PBR Target
	<u>2009</u>	<u>2006-2008</u>	<u>2009</u>
All Injury Rate (Incidents per 100 workers)	1.61	2.08	2.08

The 2009 All Injury Frequency Rate (AIFR) is based on the number of medical aid (MA) and lost time injuries (LTI) that occurred in the 12 month period from October 1, 2007 and September 30, 2009. The following formula is used to calculate the rate:

$$\frac{(\text{Number of Medical aid} + \text{Number of Lost Time Injuries}) \times 200,000}{\text{Exposure Hours}}$$

Injury Severity Rate	Year	3 Year Average	PBR Target
	<u>2009</u>	<u>2006 – 2008</u>	<u>2009</u>
Severity Rate (Incidents per 100 workers)	16.57	27.00	17.53

The 2009 Injury Severity Rate (SR) is based on the total number of lost days due to work related injuries or illnesses which occurred in the 12 month period from October 1, 2008 and September 30, 2009. The following formula is used to calculate the rate:

$$\frac{(\text{Number of days lost}) \times 200,000}{\text{Exposure Hours}}$$

Motor Vehicle Incidents	Year	3 Year Average	PBR Target
	<u>2009</u>	<u>2006 – 2008</u>	<u>2009</u>
Vehicle incident rate (Incidents per 1,000,000 kilometres)	1.65	1.77	1.77

The 2009 Recordable Vehicle Incident Rate (VIR) is based on the total number recordable vehicle incidents due to work related Vehicle Collisions or Injuries which occurred in the 12 month period from October 1, 2008 and September 30, 2009. The following formula is used to calculate the rate:

$$\frac{(\text{Number of recordable incidents}) \times 1,000,000 \text{ km}}{\text{Kilometres driven}}$$

IMPORTANT CHANGES IN THE YEAR, cont'd**J. SAFETY AND HEALTH, cont'd****Safety Initiatives**

The Company's safety initiatives are designed to support continual improvement within the FortisBC management system. For 2009, the organization leveraging from a strong 2008 safety plan, enhanced areas related to hazard identification and control, incident investigations and employee training. Additionally, a stronger field presence from our front line leadership team participating in work site observation provided an enhanced conduit to measure and monitor employee engagement.

Incident investigation to determine "root causes" by health and safety committee employees is utilized to facilitate comprehensive incident investigations and recurrence prevention. As result, the combination of program initiatives and lessons learned from past occurrence has successfully reduced the organizations All Injury frequency Rate (AIFR) of 2.57 for 2008 to 1.61 for 2009. This achievement resulted in a 37% reduction in injury to the workforce.

Third party independent audits which are sanctioned by WorkSafeBC and the "Partnerships Program" are periodically completed to review the overall safety management system and as result, determined potential gaps. Following the above stated guidelines an audit of the FortisBC Safety Program and associated processes was conducted in spring of 2009. Final results of the audit summed to a 99 percent overall scorecard.

Although the audits results proved favourable, FortisBC in its continual strive for "safety excellence", utilized gaps identified within as the foundation to develop and implement the 2009 safety action plan.

IMPORTANT CHANGES IN THE YEAR, cont'd

K. SERVICE RELIABILITY

Reliability Indicators for the period: October 2008 to September 2009.

Note: The reporting period is consistent with that required by FortisBC's Performance-Based Regulation (PBR) Plan.

KPI	KPI Definitions	2008-09 (Normalized)	PBR Target 2009 (Normalized) ¹
SAIFI	<u>Customer Interruptions</u> Total Customers Served	1.53	2.80
SAIDI	<u>Customer Hours of Interruption</u> Total Customers Served	2.14	2.54
CAIDI	<u>Customer Hours of Interruption</u> Customer Interruptions	1.39	0.91
Index of Reliability	<u>Total Customer Hours Available – SAIDI</u> Total Customer Hours Available	99.98%	99.97%

Note: "Normalized" data excludes the impacts of October 29th, 2006 snow and wind storms, the December 9th, 2006 equipment failure outage, the June 29th, 2007 wind and lightning storm, the July 10th, 2008 wind storm, and the January 7th, 2009 snow and wind storm which all exceed the IEEE daily SAIDI threshold.

Major Service Interruptions during September 2008 to October 2009:

December 1, 2008 – Kootenay area:

An equipment failure related to the Salmo substation transformer resulted in a complete station outage. Site inspections determined and resolved the problem and power was restored to all of the Salmo customers in four hours.

	Direct	Indirect
Customers Affected:	1,164	22
Customer Hours:	7,256	137

December 1, 2008 did not qualify as a "Major Event Day" or for 2.5 β Normalization.

IMPORTANT CHANGES IN THE YEAR, cont'd

K. SERVICE RELIABILITY, cont'd

December 13, 2008 – Okanagan and Kootenay area:

On December 13 a wind and snow storm moved through the service area resulting in several distribution system outages.

	Direct	Indirect
Customers Affected:	1,800	0
Customer Hours:	8,658	0

December 13, 2008 did not qualify as a “Major Event Day” or for 2.5β Normalization.

December 19, 2008 – Okanagan area:

A sudden failure of the Summerland station transformer resulted in an extended outage to all Summerland customers supplied by the station. The mobile transformer was moved in to serve the load.

	Direct	Indirect
Customers Affected:	0	3,772
Customer Hours:	0	25,398

December 19, 2008 did not qualify as a “Major Event Day” or for 2.5β Normalization.

January 7-8, 2009 – Kootenay area:

Heavy snow and severe weather caused several tree related outages affecting both the transmission and distribution systems in the North Kootenay service area. Restoration efforts were delayed due to avalanche related road closures. The most significant customer outages were due to the loss of transmission supply to the Crawford Bay and Kaslo areas with some customers experiencing an outage duration of up to 40 hours in some instances.

	Direct	Indirect
Customers Affected:	18,210	1,867
Customer Hours:	122,172	39,349

January 7-8, 2009 qualified as a “Major Event Day” and 2.5β Normalization

April 27, 2009 – Crawford Bay, Coffee Creek, Kaslo Areas:

A tree resulted in the outage to the main transmission supply to the North Kootenay area. The customer outage duration was extended due to a conductor failure on the backup transmission line shortly after it was placed into service. Customers in the area experienced outage durations of up to 6 hours as a result of this event.

	Direct	Indirect
Customers Affected:	2,635	1,611
Customer Hours:	15,457	9,450

April 27, 2009 did not qualify as a “Major Event Day” or for 2.5β Normalization.

IMPORTANT CHANGES IN THE YEAR, cont'd**K. SERVICE RELIABILITY, cont'd****August 1, 2009 – Creston Area:**

A motor vehicle accident very close to the main supply terminal for Creston area resulted in a complete area outage. The main terminal required visual inspection with the customers' power restored in just under two hours.

	Direct	Indirect
Customers Affected:	10,491	256
Customer Hours:	21,505	454

August 1, 2009 did not qualify as a "Major Event Day" or for 2.5 β Normalization.

September 3, 2009 – Okanagan and Kootenay Area:

High winds moved through the service area causing wind and tree related outages to the transmission and distribution system. The greatest impact to customers was related to a tree on the transmission line supplying Kaslo. Kaslo area customers experienced a seven hour outage.

	Direct	Indirect
Customers Affected:	4,328	400
Customer Hours:	14,169	2,953

September 3, 2009 did not qualify as a "Major Event Day" or for 2.5 β Normalization.

September 14, 2009 – Kelowna Area:

A mobile transformer being used to support project work at a Kelowna area substation tripped due to overload. This outage caused up to a two hour outage to the station customers.

	Direct	Indirect
Customers Affected:	4,353	0
Customer Hours:	8,276	0

September 14, 2009 did not qualify as a "Major Event Day" or for 2.5 β Normalization.

COMPANY PROFILE

		Return on Equity			Bond Yield ⁽¹⁾	Common Equity	Rate Base (\$000s)	Energy Sales (MW.h)	Temperature (% warm, HDD)	Direct Customers
		Allowed	Achieved	Normal						
1	2000	10.00%	10.00%	9.98%	5.71%	42.03%	307,426	2,682	-3.0%	87,683
2	2001	9.75%	10.20%	10.34%	5.76%	45.14%	338,695	2,733	3.8%	89,072
3	2002	9.53%	8.24%	8.32%	5.68%	46.73%	382,503	2,791	-3.1%	92,804
4	2003	9.82%	10.88%	10.80%	5.34%	42.49%	442,688	2,834	7.9%	95,070
5	2004	9.55%	10.70%	11.04%	5.14%	43.02%	498,974	2,874	5.5%	97,317
6	2005	9.43%	9.88%	9.87%	4.40%	41.70%	589,845	2,969	0.1%	99,745
7	2006	9.20%	9.94%	10.05%	4.28%	40.21%	671,138	3,040	-5.7%	102,413
8	2007	8.77%	9.23%	9.15%	4.32%	40.38%	746,543	3,090	0.2%	107,724
9	2008	9.02%	9.28%	9.16%	4.05%	41.66%	802,566	3,087	9.8%	109,719
10	2009	8.87%	9.41%	9.17%	3.90%	42.19%	867,683	3,157	7.2%	110,853

⁽¹⁾ Canada long-term benchmark bonds monthly average

TEN-YEAR SUMMARY

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
1 DISTRIBUTION OF ELECTRICITY (GW.h)										
2 Sales										
3 Residential	1,293	1,221	1,160	1,091	1,070	1,020	1,005	997	986	985
4 Wholesale	928	892	636	948	916	931	915	873	857	840
5 Industrial	203	252	352	344	357	345	338	347	323	290
6 General Service & Other	733	722	943	657	624	578	577	574	567	567
7	3,157	3,087	3,090	3,040	2,969	2,874	2,834	2,791	2,733	2,682
8										
9 EARNINGS (\$000s)										
10 Operating Revenue	243,759	225,944	215,155	208,515	187,462	179,353	168,205	154,355	146,430	138,154
11										
12 Operating Expenses	36,702	35,663	34,165	32,337	37,680	36,042	30,061	32,094	25,943	25,901
13 Power Purchases	70,776	66,010	66,629	67,576	60,404	59,014	58,436	52,261	51,051	47,659
14 Wheeling	4,003	3,655	3,471	3,840	3,956	3,817	3,727	3,996	4,334	3,601
15 Property & Capital Taxes	11,573	11,036	10,642	10,275	9,540	10,047	9,115	9,593	10,123	9,709
16 Water Fees	8,656	7,878	7,918	8,371	7,679	7,399	7,370	7,120	7,178	7,157
17 Depreciation	37,376	34,016	30,949	26,746	18,840	16,817	14,637	14,344	12,695	9,620
18	169,086	158,258	153,774	149,144	138,098	133,135	123,345	119,407	111,323	103,647
19										
20 Earnings from Operations	74,672	67,686	61,380	59,371	49,364	46,218	44,860	34,948	35,107	34,506
21										
22 AFUDC	-	-	-	(2,360)	(3,335)	(2,434)	(3,370)	(2,451)	(846)	(590)
23 Interest Expense	33,411	30,163	28,731	26,112	22,389	19,033	19,120	15,200	14,519	14,565
24 Income Tax	4,749	5,869	5,898	6,504	7,148	8,333	7,578	5,892	8,566	6,858
25 Incentive Adjustment	2,014	654	(1,391)	2,431	(1,219)	(2,300)	1,281	1,676	149	(748)
26 Rate Stabilization	-	-	-	-	-	-	-	-	(3,109)	-
27 Net Earnings	34,499	31,001	28,143	26,684	24,380	23,585	20,250	14,630	15,827	14,422
28										
29 Return on Common Equity	9.41%	9.28%	9.23%	9.94%	9.88%	10.70%	10.88%	8.24%	10.20%	10.00%

Note: Minor differences due to rounding.

DECLARATIONS

1. UNIFORM SYSTEM OF ACCOUNTS

In my opinion, FortisBC Inc. classifies certain expenditures based on the Uniform System of Accounts as set out by the British Columbia Utilities Commission, with the exception of certain Operating and Maintenance accounts, which are classified according to FortisBC's Chart of Accounts. This variance to Commission Order G-28-80 was approved via Commission Letter L-34-99 dated July 6, 1999.

2. COMPLIANCE WITH COMMISSION'S FINANCIAL DIRECTIVES

In my opinion, FortisBC complies with the British Columbia Utilities Commission's financial directives contained in its Orders to FortisBC.

Signed by

Charles P. Lee, C.G.A.
Controller

OFFICER'S DECLARATION

I, Michele Leeners, do hereby certify:

1. That I am Vice-President, Finance and Chief Financial Officer with FortisBC Inc. with Head Office at Suite 100, 1975 Springfield Road, Kelowna, British Columbia;
2. That I have examined the content of this report and the information set out herein is complete and accurate, to the best of my knowledge, information and belief. I have read and understand Section 106 of the Utilities Commission Act.

Signed by

Michele Leeners, C.A.
Vice President, Finance and
Chief Financial Officer

Any inquiries regarding this report should be directed to:

Joyce Martin
Manager, Regulatory Affairs
FortisBC Inc.
1290 Esplanade - PO Box 130
Trail, BC V1R 4L4

APPENDIX A

RECONCILIATION OF FINANCIAL STATEMENTS

STATEMENT OF EARNINGS, CORPORATE AND REGULATORY

YEAR ENDED DECEMBER 31, 2009

	Corporate (external)	(\$000s)	Regulated
REVENUE			
Sale of power	240,151	(1,579)	238,572
Other	3,949	1,237	5,187
	244,100	(341)	243,759
EXPENSES			
Operating and Maintenance	37,765	(1,063)	36,702
Power Purchases	71,553	(777)	70,776
Wheeling	4,003	-	4,003
Property taxes	11,899	(326)	11,573
Water fees	8,760	(104)	8,656
Depreciation & Amortization of Deferreds	37,114	263	37,376
	171,094	(2,008)	169,086
EARNINGS FROM OPERATIONS	73,006	1,666	74,672
INTEREST EXPENSE			
Long-term debt	34,428	(1,065)	33,363
Short-term debt	971	(923)	48
Amortization of deferred financing costs	405	(405)	-
Allowance for funds used during construction	(3,234)	3,234	-
	32,570	841	33,411
REGULATORY INCENTIVE ADJUSTMENTS	-	2,014	2,014
EARNINGS BEFORE INCOME TAXES	40,436	(1,189)	39,247
INCOME TAXES	4,212	537	4,749
NET EARNINGS	36,224	(1,726)	34,499

Note: Minor differences due to rounding.

RECONCILIATION OF STATEMENT OF EARNINGS CORPORATE TO REGULATORY

	(\$000s)		(\$000s)
Sale of Power	240,151	Depreciation & Amortization of Deferreds	37,114
Walden Power Partnership	(1,579)	Warfield Garage Expansion (non-reg)	(7)
Regulatory	<u>238,572</u>	Walden Power Partnership	(135)
		Reclass Amortization of Deferred Financing Costs	<u>405</u>
Other Revenue	3,949	Regulatory	<u>37,376</u>
Reclassify Incentive Adjustments	2,014		
Reclass sale of surplus power	(777)	Long Term Interest Expense	34,428
Regulatory	<u>5,187</u>	Reclass to Short Term Interest	(675)
		Walden Power Partnership	(390)
Operating and Maintenance Expense	37,765	Regulatory	<u>33,363</u>
Non Regulated	(422)		
Walden Power Partnership	(642)	Short Term Interest Expense	971
Regulatory	<u>36,702</u>	Reclass from Long Term Interest	675
		Reclass CWIP to Non-Regulated entity	(1,598)
Power Purchases	71,553	Regulatory	<u>48</u>
Reclass sale of surplus power	(777)		
Regulatory	<u>70,776</u>	Amortization of Deferred Financing Costs	405
		Reclass to Depreciation & Amortization	(405)
Property Taxes	11,899	Regulatory	<u>-</u>
Walden Power Partnership	(326)		
Regulatory	<u>11,573</u>	AFUDC	(3,234)
		Reclass AFUDC to Non Regulated	<u>3,234</u>
Water Fees	8,760	Regulatory	<u>-</u>
Walden Power Partnership	(104)		
Regulatory	<u>8,656</u>	Incentive Adjustments	-
		Amortization of Prior Year Incentives	(1,443)
		Current Year Incentive Adjustments	<u>3,457</u>
		Regulatory	<u>2,014</u>
		Income Tax Expense	4,212
		Walden Power Partnership & Non-Reg. Affiliates	<u>537</u>
		Regulatory	<u>4,749</u>

Note: Minor differences due to rounding.

BALANCE SHEET, CORPORATE AND REGULATORY

AS AT DECEMBER 31, 2009

	Corporate (external)	Regulated	
	(\$000s)		
ASSETS			
Plant and Equipment & Intangibles	1,265,801	77,928	1,343,730
Less accumulated depreciation	(282,029)	(19,356)	(301,385)
	983,773	58,572	1,042,345
Capital Lease Asset (non-rate base)	-	21,566	21,566
Other Assets	13,218	2,611	15,829
Regulated Assets	103,852	(103,852)	-
Non-Rate Base Assets	-	97,547	97,547
	117,071	(3,695)	113,376
Goodwill	1,209	(1,209)	-
Current Assets			
Cash	23	(23)	-
Accounts receivable	41,069	(14,505)	26,565
Unbilled revenue	-	18,624	18,624
Prepaid expenses	1,284	(25)	1,259
Future income taxes	1,072	(1,072)	-
Other assets	815	(815)	-
Inventory	530	-	530
Regulated assets	326	(326)	-
	45,119	1,858	46,977
TOTAL ASSETS	1,147,172	77,091	1,224,264
CAPITAL AND LIABILITIES			
Capitalization			
Shareholder's Equity			
Common shares	191,851	(21,729)	170,122
Retained earnings	205,056	10,076	215,132
Total Shareholder's Equity	396,907	(11,653)	385,254
Long-Term Debt			
Secured debentures	40,000	-	40,000
Unsecured debentures	500,000	-	500,000
Debt issue costs	(5,446)	5,446	-
Bank Loan	37,797	(2,870)	34,927
Total Long-Term Debt	572,351	2,576	574,927
Contributions in Aid of Construction	-	90,267	90,267
Obligation under Capital Lease and Other (non-rate base)	28,933	(1,427)	27,506
Other Post-Retirement Benefit Liability (non-rate base)	12,001	-	12,001
Future income taxes (non-rate base)	81,907	(2,301)	79,606
Future income taxes	418	-	418
	82,325	(2,301)	80,024
Current Liabilities			
Accounts payable and accrued liabilities	41,486	1,417	42,903
Current portion of debt	3,700	(3,700)	-
Accrued interest	4,036	-	4,036
Income Taxes Payable	1,008	3,484	4,492
Bank Loans	-	2,856	2,856
Regulated liability	4,426	(4,426)	-
	54,655	(369)	54,286
Capitalization/Rate Base Differential	-	-	-
TOTAL CAPITAL AND LIABILITIES	1,147,172	77,092	1,224,264

Note: Minor differences due to rounding.

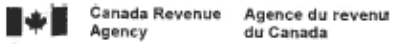
RECONCILIATION OF BALANCE SHEET

ASSETS	(\$000s)	CAPITAL AND LIABILITIES	(\$000s)
Plant and Equipment and Intangibles	1,265,801	Common Shares	191,851
Reclassify CIACs	129,032	Non Reg Share Capital	(21,729)
Warfield Garage Expansion	(246)	Regulated	170,122
Capital Lease Asset (non-rate base)	(27,689)		
Walden Power Partnership	(23,169)	Retained Earnings	205,056
Regulated	1,343,730	Non-Regulated	10,076
		Regulated	215,132
Accumulated Depreciation	(282,029)		
Reclassify Amortization of CIACs	(38,765)	Debt Issue Costs	(5,446)
Capital Lease Accum Depn (non-rate base)	6,123	Reclass to Deferred Charges	4,801
Warfield Garage Expansion	69	Non-Regulated (effective interest method)	645
Walden Power Partnership	13,216	Regulated	-
Regulated	(301,385)		
Capital Lease Asset (non-rate base)	-	Bank Loan	37,797
Capital Lease Asset	27,689	Walden Power Partnership	(2,870)
Capital Lease Accum Depn	(6,123)	Regulated	34,927
Regulated	21,566		
Other Assets	13,218	Contributions in Aid of Construction	
Reclass Accounts Receivable	(3,258)	Reclassify Plant & Equipment	129,032
Reclass Current Regulated Assets	326	Reclassify Amortization of CIAC	(38,765)
Reclass LT Regulated Assets	6,305	Regulated	90,267
Reclass Debt Issue Costs	4,801		
Reclass LT Liability	(1,782)	Obligation Under Capital Lease and Other (non-rate base)	28,933
Reclass Current Regulated Liability	(3,780)	Reclass to Deferred Charges	(1,782)
Regulated (Deferred Charges)	15,829	Reclass from Current Liabilities	355
		Regulated	27,506
Regulated Assets	103,852		
Reclass Deferred Charges	(6,305)	Future Income Taxes	81,907
Non-Rate Base Assets	(97,547)	Reclass Asset Portion	(1,072)
Regulated	-	Walden Power Partnership	(1,229)
		Regulated	79,606
Non-Rate Base Assets			
Other Post-Retirement Benefits	12,001	Accounts Payable and Accrued Liabilities	41,486
BTS Lease Costs	4,530	Walden Power Partnership	(100)
Trail Office Lease Costs	1,410	Intercompany Accounts	1,952
Future Income Tax	79,606	Reclass to Capital Lease Obligation	(355)
Regulated	97,547	Non-Regulated	(80)
		Regulated	42,903
Goodwill	1,209		
Non-regulated	(1,209)	Current Portion of Debt	3,700
Regulated	-	Reclass Current Portion Bank Loan	(2,856)
		Walden Power Partnership	(844)
Cash	23	Regulated	-
Walden Power Partnership	(23)		
Regulated	-	Income Taxes Payable	1,008
		Walden Power Partnership	868
Accounts Receivable	41,069	Non Regulated	2,616
Reclass Unbilled Revenue	(18,624)	Income Taxes Payable	4,492
Reclass Other LT Assets	3,258		
Reclass Current Portion Other Assets	815	Bank Loans	-
Non-Regulated	118	Reclass Current Portion LT Debt	2,856
Walden Power Partnership	(72)	Bank Loans	2,856
Regulated	26,565		
Unbilled Revenue	-	Regulated Liability	4,426
Reclass Accounts Receivable	18,624	Reclass to Deferred Charges	(3,780)
Regulated	18,624	Non-Regulated (effective interest method)	(645)
		Regulated	-
Prepaid Expenses	1,284		
Walden Power Partnership	(25)		
Regulated	1,259		
Future Income Taxes	1,072		
Reclass Liability	(1,072)		
Regulated	-		
Other Assets	815		
Reclass Accounts Receivable	(815)		
Regulated	-		
Current Portion Regulated Assets	326		
Reclass to Deferred Charges	(326)		
Regulated	-		

Note: Minor differences due to rounding.

APPENDIX B

INCOME TAX ASSESSMENT



Surrey BC V3T 5E1

FORTISBC INC.
 C/O Ian Lorimer
 Suite 100
 1975 Springfield Road
 Kelowna BC V1Y 7V7

Page 1 of 3

Date of mailing	August 10, 2009
Business Number	10564 5642 RC0001
Tax year-end	December 31, 2008

0014253

CORPORATION NOTICE OF ASSESSMENT

RESULTS

This notice explains the results of our assessment of the "T2 Corporation Income Tax Return" for the tax year indicated above. It also explains any changes we may have made to the return.

Result of this Assessment :	\$	928,411.16	Cr
Amount refunded:	\$	928,411.16	
Prior balance:	\$	0.00	
		=====	
Total balance:	\$	0.00	

We are sending you a cheque for \$928,411.16 separately.

Please refer to the Summary and Explanation for additional information.



Canada Revenue Agency
Agence du revenu du Canada

FORTISBC INC.

Page 2 of 3

Date of mailing August 10, 2009
Business Number 10564 5642 RC0001
Tax year-end December 31, 2008

CORPORATION NOTICE OF ASSESSMENT

SUMMARY OF ASSESSMENT

	\$ Reported	\$ Assessed
Federal Tax:		
Part I	1,558,223.00 ✓	1,558,223.00
Part I.3	0.00	0.00
Part II	0.00	0.00
Part III.1	0.00	0.00
Part IV	0.00	0.00
Part IV.1	0.00	0.00
Part VI	0.00	0.00
Part VI.1	0.00	0.00
Part XIII.1	0.00	0.00
Part XIV	0.00	0.00
Total Federal Tax:		\$ 1,558,223.00
Net Provincial and Territorial Tax/Credit:		
British Columbia	915,419.00 ✓	915,419.00
Total Net Provincial and Territorial Tax/Credit:		\$ 915,419.00
Instalment(s) applied		3,394,000.00 Cr ✓
Interest:		
Refund interest		8,053.16 Cr ✓
Result of this assessment:	\$	928,411.16 Cr ✓
Amount refunded:	\$	928,411.16
Prior balance:	\$	0.00
Total balance:	\$	0.00

William V. Baker
Commissioner of Revenue

EXPLANATION

We have provided a breakdown of the provincial and territorial tax and credit amounts as follows.

Net British Columbia tax/credit consists of the following:

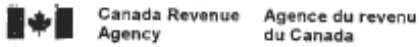
British Columbia tax	\$ 929,346.00
British Columbia political contribution tax credit	\$ 427.00
British Columbia training tax credit	\$ 13,500.00

The amount of refund interest shown is taxable in the reporting period you receive it.

For general information regarding filing an objection, determining a corporation's losses, or reassessment periods, please refer to the "T2 Corporation Income Tax Guide," or visit our Web site at www.cra.gc.ca.

Please visit www.cra.gc.ca/mybusinessaccount to access your business information online.

For information about online requests available to business clients, visit www.cra.gc.ca/requests-business. This service allows clients to electronically



FORTISBC INC.

Page 3 of 3

Date of mailing	August 10, 2009
Business Number	10564 5642 RC0001
Tax year-end	December 31, 2008

0014254

CORPORATION NOTICE OF ASSESSMENT

request certain financial actions, additional remittance vouchers and other communication products, as well as reproductions of previously issued correspondence.

The Canada Revenue Agency also offers the convenience of Direct Deposit. For information about this service, please visit our Web site at www.cra.gc.ca or contact the number provided below.

Did you know you may be required to file your T2 return using our Corporation Internet Filing service for tax years ending after 2009? For information on this requirement and the service in general, please visit www.cra.gc.ca/corporation-internet.

If you require additional information or wish to request an adjustment, contact:

Surrey Tax Centre
9755 King George Highway
Surrey BC V3T 5R1
Fax (604) 585-5772

Southern Interior BC TSO
277 Winnipeg Street
Penticton BC V2A 1N6
1-800-959-5525
11 free number

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1.0 Reference T.3, P.38, L.17-24

Q1.0 What specifically did FortisBC spend \$300,000 on during the Waneta sale hearing, considering FortisBC did not submit a final argument?

A1.0 The expected expenditures described in the referenced section are related to the Section 71 filing for the approval of a Capacity Purchase Agreement. These are not related to the BC Hydro acquisition from Teck Metals Ltd. of an Undivided One-third Interest in its Waneta Dam and Associated Assets which was the subject of a separate Commission process. Of the total costs, the majority, or approximately \$260,000, were for legal and external consulting services.

2.0 Reference T.4, P.5, Item 9

Q2.0 Please list the specific items with amounts included, in the \$7,900,000 cost of the Brilliant Power Purchase Agreement Lease.

A2.0 The following amounts are estimates of the depreciation on the finance lease asset and accretion on the finance lease obligation in excess of the estimated amount to be paid under the Brilliant Power Purchase Agreement ("BPPA") lease.

	Amounts in \$000s
Depreciation Expense	\$5,500
Accretion Expense	\$25,900
Amount Paid Under BPPA Lease	(\$23,500)
Amount Deferred	\$7,900

1 **3.0 Reference T.4, P.9, L.20**

2 **Q3.0 Is this cost stated net of cost after deducting new and reconnect**
3 **fees?**

4 A3.0 The figure stated at the referenced line is gross costs. Customer
5 contributions are included as a reduction to rate base. (See Tab 4,
6 Schedule 1, line 14).

7 **4.0 Reference T.4, P.24, L.13**

8 **Q4.0 What services does FortisBC supply to Fortis Pacific?**

9 **A4.0**These activities are primarily associated with the subcontract
10 agreements between FortisBC and Fortis Pacific Holdings Inc. for the
11 supply of services to the City of Kelowna, and operation and
12 maintenance services provided to the Arrow Lakes and Brilliant
13 Expansion plants.

14 **5.0 Reference T.5, P.10, Item 5.3**

15 **Q5.0 To what does FortisBC attribute the increase in the line loss**
16 **percentage from 2008 to 2009?**

17 A5.0 Please refer to the response to BCUC Q22.4.