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June 30, 2011

BC Sustainable Energy Association
5-4217 Glanford Avenue
Victoria, BC
V8Z 4B9

Attention: Thomas Hackney, Director

Dear Mr. Hackney:

Re: FortisBC Energy Utilities (“FEU”) 2012 and 2013 Revenue Requirements and Natural Gas Rates Application
Response to the BC Sustainable Energy Association (“BCSEA”) Information Request (“IR”) No. 1

On May 4, 2011, the FEU filed the Application as referenced above. In accordance with Commission Order No. G-81-11 setting out the Regulatory Timetable for the review of the Application, and further amended by Commission Letter No. L-45-11, the FEU respectfully submit the attached response to BCSEA IR No. 1.

If there are any questions regarding the attached, please contact the undersigned.

Yours very truly,

on behalf of the FORTISBC ENERGY UTILITIES

Original signed:

Diane Roy

Attachment

cc (e-mail only): Alanna Gillis, Acting Commission Secretary
Registered Parties



FortisBC Energy Utilities ("FEU"), comprised of FortisBC Energy Inc. ("FEI" or "Mainland"), FortisBC Energy (Vancouver Island) Inc. ("FEVI" or "Vancouver Island"), FortisBC Energy (Whistler) Inc. ("FEW" or "Whistler"), and FortisBC Energy Inc. Fort Nelson Service Area ("Fort Nelson"), collectively also referred to as the "Companies" or the "Utilities" 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: June 30, 2011
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1.0 Topic: Draft orders

Reference: Exhibit B-1, 6.3.2 Energy Policy Deferral Accounts; 8.1 Approvals Sought, Energy Efficiency and Conservation Orders for 2012 and 2013; Appendix K-1

Drafts orders for the s.44.2 EEC expenditure schedules and related requested approvals do not appear to have been provided.

- 1.1 Please provide drafts orders for the EEC expenditure schedules for which acceptance is sought under s.44.2 and for the related EEC approvals requested in this proceeding. Please separate them by utility (FEI, FEVI, FEW and FFN), assuming that is the FEU's intention.

Response:

Please refer to the response to BCUC IR 1.130.1.



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2.0 Topic: Amalgamated cost of service

Reference: Exhibit B-1, 1.2.5 Rate Mitigation Strategy etc.; 3.3.5 Summary of Amalgamated Cost of Service; 7.5 Amalgamated Financial Schedules; 8. Approval Sought

2.1 Why is the requested approval of Amalgamated Cost of Service for 2013 not included in the section 8 Approvals Sought part of the Application? Is there a substantive reason?

Response:

The requested approval of an amalgamated cost of service is included in Section 8, Approvals Sought. Please see page 821, paragraph 19, of Exhibit B-1-2.

"FEU's intention is to file an application in the Fall of this year seeking approval to amalgamate the Companies effective January 1, 2013..." In the May 4, 2011 application cover letter [p.2, pdf p.2] the date of the intended amalgamation application is given as the Fall of 2012.

2.2 Is the intended filing date for the amalgamation application the Fall of 2011 or the Fall of 2012?

Response:

The intended filing date for the Amalgamation and Rate Design Phase 'A' application is Fall of 2011.



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3.0 Topic: Meaning of acceptance of EEC expenditure schedule

Reference: Exhibit B-1, p.775, et seq., Energy Efficiency and Conservation Orders for 2012 and 2013; Appendix K; Order G-36-09; Order G-140-09

"29. Acceptance pursuant to section 44.2 of the Act of the EEC expenditures of up to \$74.5 million for FEU in 2012 and 2013, with expansion of all EEC program eligibility to customers of FEW and to offer the interruptible industrial program area to customers of FEVI, all as set out in Appendix K-1 of the Application. For clarity, the overall funding level of \$74.5 million may not be exceeded and, while the Companies may only spend those funds on approved Program Areas (e.g.: Residential, Commercial, and Innovative Technologies), the Companies may transfer funds between approved program areas and will report on funding transfers in their EEC Annual Report. Treatment of EEC costs will be in accordance with the EEC deferral accounts set out above." [underline added]

3.1 Please confirm that when the FEU say "the overall funding level of \$74.5 million may not be exceeded" they mean that any spending above the overall funding level accepted under s.44.2 would be at the FEU's risk in terms of recovery in rates. Alternatively, please explain.

Response:

Confirmed. The FEU clarify that what is accepted by the Commission under section 44.2 is the total expenditure schedule for a given year. Any spending above \$74.5 million would not have prior public interest approval by the Commission pursuant to section 44.2 and amortization of the costs in rates would be subject to Commission approval in a future revenue requirements proceeding. In this sense, any spending above \$74.5 million would be at risk in terms of recovery in rates. It is the FEU's intention, however, to remain within the funding envelope of \$74.5 million in each year and in the unlikely event that it appeared spending would be higher the Companies would seek approval from the Commission prior to exceeding that level.



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4.0 Topic: Meaning of acceptance of EEC expenditure schedule

Reference: Exhibit B-1, p.775, et seq., Energy Efficiency and Conservation Orders for 2012 and 2013; Appendix K; Order G-36-09; Order G-140-09

In paragraph 29 [p.775] of the Orders Sought, the EEC expenditure schedule for which acceptance is sought is described in terms of the *total* of the 2012 and 2013 amounts. In Appendix K, the 2012 and 2013 expenditures are specified separately.

4.1 Are the FEU seeking acceptance under s.44.2 of a total of EEC expenditures for 2012 and 2013 combined, or of an EEC expenditure for 2012 and an EEC expenditure for 2013?

Response:

This response responds to BCSEA IRs 1.4.1, 1.5.1, and 1.5.2.

The Companies are seeking acceptance of \$74.5 million EEC funding for 2012 and another \$74.5 million for 2013. Table 6.3-5 in the Application (Exhibit B-1) details the various program areas to be funded for each of 2012 and 2013. The \$74.5 million total for 2012 is not carried forward to 2013, if the amount is not spent in 2012.

The funding of \$74.5 million for each year of 2012 and 2013 is for programs to be offered in Mainland, Vancouver Island, Fort Nelson and Whistler service areas combined. Eligible customers in all service areas can apply for available EEC programs.

The Companies are proposing to allocate the forecast cost of \$20 million EEC funding in the rate base in 2012 and 2013 based on an average customer base in each service area of the FEU. As reflected in Table 6.3-7 of the Application, FEI, FEVI and FEW are therefore seeking acceptance of EEC expenditure schedules of \$17.8, \$2.0 and \$0.2 million, respectively, for each of 2012 and 2013. Due to its small customer base, Fort Nelson is not seeking acceptance of an EEC expenditure schedule for 2012 and 2013.

As to the remaining amount, FEI is seeking acceptance of an expenditure schedule of \$54.5 million for each of 2012 and 2013 to be spent in the service territories of the FEU. FEI will record the actual as-spent amount in a non-rate base deferral account and the additions to the non-rate base account will be tracked by utility for Mainland, Vancouver Island, Whistler and Fort Nelson. As FEI has done for other non rate base deferrals, FEI proposes to then allocate the actual as spent amounts to FEVI, FEW and Fort Nelson based on the actual amount incurred. Then the balance in the non-rate base account of each utility will be recovered over a



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ten-year period starting in 2014 from the customers of that utility (subject to the continuation of separate utilities and future order of the Commission).

In reviewing the language of the orders sought in light of these questions, the FEU have determined that some clarification is required to the EEC-related orders. The FEU have clarified the wording of the order sought in the draft Final Order that the FEU provided in Attachment 130.1 in response to BCUC IR 1.130.1.

Please also refer to the response to BCUC IR 1.104.2 for a discussion of the proposed modification to the deferral account mechanism that reflects the two general types of EEC costs (non-incentive costs and incentive costs), to address the need to expand EEC to all FEU customers, and to address the variations from forecast in customer participation that may occur in the two-year test period.

- 4.2 If the latter, is it the FEU's position, or proposal, that the FEU may transfer funds in an accepted EEC expenditure schedule between 2012 and 2013, at the FEU's discretion (and subject to the EEC accountability mechanisms and potential future prudence review)?

Response:

The EEC funding requested for each year of 2012 or 2013 is not intended to be transferrable between 2012 and 2013.



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5.0 Topic: Meaning of acceptance of EEC expenditure schedule

Reference: Exhibit B-1, p.775, et seq., Energy Efficiency and Conservation Orders for 2012 and 2013; Appendix K; Order G-36-09; Order G-140-09

Table 6.3-7 provides a breakdown of EEC Rate Base Additions among FEI, FEVI and FEW for 2012 and 2013, implying that the FEU are also proposing separate EEC expenditure schedules for the three utilities for the test period. However, Table 6.3-6 shows proposed EEC funding in 2012 and 2013 as a lump sum for the three utilities in total; in contrast to the figures for 2010 and 2011 which are broken down by FEI, FEVI and FEW. This seems to imply that the FEU are seeking acceptance of a single EEC expenditure schedule for the three utilities combined.

5.1 Are the FEU seeking acceptance of separate EEC expenditure schedules for FEI, FEVI and FEW (for 2012 and 2013)? If so, please provide a revised version of Table 6.3-6 showing the proposed amounts by utility.

Response:

The FEI have not forecast the incentive amount included in Tables 6.3-6 by utility. Please see the response to BCSEA IR 1.4.1.

5.2 If the FEU are proposing separate EEC expenditure schedules for FEI, FEVI and FEW, is it the FEU's position, or proposal, that the FEU may transfer funds in an accepted EEC expenditure schedule between FEI, FEVI and FEW, at the FEU's discretion (and subject to the EEC accountability mechanisms and potential future prudence review)?

Response:

Yes. Please see the response to BCSEA IR 1.4.1.



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6.0 Topic: Meaning of acceptance of EEC expenditure schedule

Reference: Exhibit B-1; Appendix K-1

In Appendix K-1 and in the body of the Application, the FEU often refer to "EEC funding request," "approval of EEC funding," "approved EEC funding," and the like. It is understood that the FEU are seeking acceptance of EEC expenditure schedule(s) under s.44.2.

- 6.1 Please confirm that when the FEU refer to "approval of EEC funding" and the like they mean in the context of this proceeding the particular legal meaning of Commission acceptance of an EEC expenditure schedule under s.44.2.

Response:

Confirmed. With respect to EEC funding in this Application and proceeding, the Companies are seeking acceptance under section 44.2 of the UCA.

- 6.2 As the FEU uses the terms, what is the substantive difference, if any, between DSM and EEC? Is all spending in the proposed EEC expenditure schedule(s) on demand-side measures as defined in the *Clean Energy Act*?

Response:

In the context of seeking acceptance of EEC funding under section 44.2 of the UCA, the Companies used the term "DSM" and "EEC" interchangeably. The Companies believe that all EEC programs proposed for the period satisfy the definition of "demand-side measure" as specified under the *Clean Energy Act*.

Under the *Clean Energy Act*, "demand-side measure" is defined as follows:

"Demand-side measure" means a rate, measure, action or program undertaken

(a) to conserve energy or promote energy efficiency,

(b) to reduce the energy demand a public utility must serve, or

(c) to shift the use of energy to periods of lower demand, but does not include



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(d) a rate, measure, action or program the main purpose of which is to encourage a switch from the use of one kind of energy to another such that the switch would increase greenhouse gas emissions in British Columbia, or

(e) any rate, measure, action or program prescribed;



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7.0 Topic: Meaning of acceptance of EEC expenditure schedule

Reference: Exhibit B-1; Appendix K-1; FEU NGV Incentive Review, Exhibit B-1 BCUC IR 1.9.1

In the FEU Natural Gas Vehicle Incentive Review proceeding, the FEU stated:

"The relevance of the Commission's acceptance of an expenditure schedule to cost recovery is as follows. The UCA requires that rates be set to recover the forecast costs for the test period that the Commission reasonably considers will be prudently incurred. A prior public interest approval of an expenditure schedule is evidence in a rate-setting proceeding that it was prudent for the utility to engage in the type of past activities contemplated in an accepted schedule (and thus assists the utility in being able to recover in rates the forecast amortized cost of those activities occurring during the test period as prudent forecast costs of service)." [FEU NGV Incentive Review, Exhibit B-1 BCUC IR 1.9.1]

7.1 Do the FEU take the same position in this proceeding as they expressed in the FEU NGVIR proceeding (quoted above) regarding the relevance of the Commission acceptance of an EEC expenditure schedule under s.44.2 to the utilities' recovery of costs? If not, please state the FEU's position.

Response:

Yes, the FEU take the same position regarding the relevance of the Commission acceptance of an EEC expenditure schedule under s.44.2 to the utilities' recovery of costs.



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8.0 Topic: Energy Policy Deferral Accounts

Reference: Exhibit B-1, 6.3.2 Energy Policy Deferral Accounts

"The Utilities have included the following previously approved, modified and new deferrals related to changing energy policy in rate base for 2012 and 2013: Table 6.3-4"

8.1 For each of the deferral accounts listed in Table 6.3-4, please indicate whether it is previously approved, modified or new.

Response:

Each of the deferral accounts listed in Table 6.3-4 is classified as previously approved, modified or new below:

Previously Approved

- NGV Conversion Grants
- 2010-2011 Biomethane Program Costs
- 2011 CNG and LNG Service Costs and Recoveries¹

Modified

- Energy Efficiency & Conservation (EEC)
- CNG and LNG Service Costs and Recoveries²

New

- Compliance to Emission Regulations

Please also see Table 6.3-18 of the Application (Exhibit B-1) where all changes to deferral accounts are summarized by type.

¹ Approval pending; FEI applied for this account in the CNG and LNG Service Application

² Although applied for in the CNG and LNG Service Application (with approval pending), FEI has proposed a modification to this deferral account in this Application. Please note that this deferral account was incorrectly titled in Table 6.3-4, the account should have listed the modified name of the account "CNG and LNG Service Costs and Recoveries".



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9.0 Topic: Rate base EEC deferral accounts and Non-rate base EEC Incentive deferral accounts

Reference: Exhibit B-1, 6.3.2 Energy Policy Deferral Accounts; 6.3.2.1 EEC;

"In this Application the Companies are seeking the following approvals related to EEC:
...

2. Combined EEC rate base deferral account additions of \$20.0 million in 2012 and \$20.0 million in 2013, included on a net-of-tax basis and amortized in rates over a ten year period;

3. The allocation of the 2012 and 2013 EEC rate base deferral account additions amongst Mainland, Vancouver Island and Whistler on an average customer basis which is approximately 89 percent to Mainland, 10 percent to Vancouver Island and 1 percent to Whistler;

4. The creation of the EEC Incentive non-rate base deferral account, attracting AFUDC, to capture the remaining portion of the EEC costs as incurred on an actual spend basis in 2012 and 2013, and to recover the balance over a ten year period beginning in 2014. [p.392-393 (pdf p.408-409)]

"The Companies are seeking approval to include \$20 million per year in the EEC rate base deferral account, slightly less than 30 percent of the total forecast, to recognize the variability in customer participation that may occur in the forecast period. As discussed below, the remaining \$54.5 million per year of the forecast EEC costs will be accumulated, on an actual as-spent basis, in a non-rate base deferral account, attracting AFUDC. This approach helps to protect customers from paying for EEC expenditures in 2012 and 2013 until program results are known." [p.394 (pdf p.410), underline added]

9.1 Please confirm that the proposed rate base EEC deferral account, for example for 2013 and the Amalgamated Utilities, is shown at line 13 EEC of Section 7 TAB 7.5 Schedule 38, Unamortized Deferred Charges and Amortization for the year ending December 31, 2013.

Response:

Confirmed; the FEU's 2013 rate base EEC deferral account activity is shown on Line 13 of Section 7, Tab 7.5, Schedule 38 in this Application (Exhibit B-1).



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- 9.2 Does a non-rate base EEC Incentive deferral account(s) exist for 2010 and 2011?

Response:

No, a non-rate base EEC Incentive deferral account does not exist for 2010 or 2011.

- 9.3 When was the rate base EEC deferral account created?

Response:

The existing rate base EEC deferral account was approved in 2009 through Commission Order No. G-36-09. However, it also included the residual costs incurred for the Demand Side Measures program approved through Commission Order No. G-85-97 and Commission Order No. G-7-03.

- 9.4 If there was no non-rate base EEC Incentive deferral account(s) in 2010 and 2011, did the full EEC accepted expenditure levels for 2010 and for 2011 go into the rate base EEC deferral account? Is that what explains the opening balance of, for example, the 2012 rate base EEC deferral account for FEI at line 10 of Section 7, TAB 7.1, Schedule 68?

Response:

No, the full EEC accepted expenditure levels for 2010 and for 2011 did not go into the rate base EEC deferral account to determine the opening 2012 balance. The 2012 opening balance was determined using actual 2010 additions and projected 2011 additions.

- 9.5 When the FEU state "This approach helps to protect customers from paying for EEC expenditures in 2012 and 2013 until program results are known" does "program results" refer exclusively to actual program spending? Does it refer exclusively to program energy savings? Or does it refer to both?



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Response:

In this instance, "program results" refers exclusively to actual program spending.

- 9.6 Does the stated rationale for the establishment of an EEC Incentive non-rate base deferral account for 2012 and 2013 (to protect customers from paying for EEC expenditures before program results are known) mean that for 2010 and 2011 customers paid for all of, or an amortized portion of, the EEC authorized spend as distinct from the actual 2010 and projected 2011 spending? Please explain how the EEC spending (authorized or actual) in 2010 and 2011 was treated in terms of the rate base, and how the proposed treatment for 2012 and 2013 differs.

Response:

Pursuant to BCUC Order No. G-36-09, the amortization expense embedded in 2010 and 2011 delivery rates was determined based on the forecast balance of the EEC deferral account. The amortization period for the EEC rate base deferral account is ten years with amortization commencing the year following the addition. Therefore, to the extent that the actual additions to the EEC account in 2010 were less than forecast, the amortization expense in 2011 was set too high by approximately one tenth of the after tax variance in the 2010 additions. In each revenue requirement, the opening balance of the EEC rate base deferral account is restated to reflect the actual EEC additions to date; therefore the variations will only exist within a forecast period until such time as rates are reset in the next revenue requirement.

Please refer to the response to BCUC IR 1.104.2 for a comprehensive discussion on the proposed modification to the EEC deferral account mechanism for 2012 and 2013.

- 9.7 Where in the financial schedules are the non-rate base EEC Incentive deferral accounts, for 2010 and 2011 (if any), and for 2012 and 2013?

Response:

The FEU do not include non-rate base deferrals in their financial schedules since they are not included in the calculation of rate base and do not affect rates in the forecast period of 2012 and 2013.



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Further, as discussed in the response to BCSEA IR 1.9.2, a non-rate base EEC Incentive deferral account does not exist for 2010 or 2011.

- 9.8 Why is the proposed non-rate base EEC Incentive deferral account called "EEC Incentive"? Is it because the choice of the amount of EEC accepted expenditure (\$20-million) that would go into the rate base EEC deferral account is said to have been determined in part by the recently experienced ratio (35%) of non-incentive costs to total EEC costs? If so, please confirm that the term "EEC Incentive" is a label for convenience and does not imply that the account is defined as including only incentive costs.

Response:

Please refer to BCUC IR 1.107.1. The use of the word "Incentive" in the non-rate base EEC deferral account name is in reference to the type of EEC costs that are expected to make up the majority of the balance in the account.

The non-rate base EEC Incentive deferral account would include all EEC expenditures over and above the \$20 million that is proposed for the rate base deferral account.



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10.0 Topic: Rate base EEC deferral accounts and Non-rate base EEC Incentive deferral accounts

Reference: Exhibit B-1, 6.3.2 Energy Policy Deferral Accounts; 6.3.2.1 EEC;

"The Companies are seeking approval of a non-rate base deferral account, attracting AFUDC, to capture the remaining portion of EEC costs as incurred on an actual basis, to a maximum of \$54.5 million each year amongst the Companies." [p.395, pdf p.411]

10.1 What is the FEU's forecast of the additions to the non-rate base EEC Incentive deferral account for 2012 and 2013 respectively? Please express this in a table showing the additions to the rate base EEC deferral account (\$20-million per year) and the total EEC additions to deferral accounts by year.

Response:

The requested table is provided below.

FEU Forecast Additions (\$000s)	Rate Base EEC Deferral	Non-Rate Base EEC Deferral	Total
2012	\$ 20,000	\$ 54,500	\$ 74,500
2013	\$ 20,000	\$ 54,500	\$ 74,500



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11.0 Topic: Rate base EEC deferral accounts and Non-rate base EEC Incentive deferral accounts

Reference: Exhibit B-1, 6.3.2 Energy Policy Deferral Accounts; 6.3.2.1 EEC

"Consistent with the rate base deferral accounts, the balance in the non-rate base account will be recovered over a ten year period. The recovery of the balance will commence in 2014, with the method of recovery to be determined as a part of the next Revenue Requirement." [p.395, pdf p.411]

11.1 Why would the non rate base EEC Incentive deferral account not be folded into the rate base EEC deferral account in 2014, given that both of them will be amortized over a ten year period?

Response:

The method of recovery for the non-rate base EEC deferral account will be determined as part of the FEU's next revenue requirements application. The FEU will evaluate the appropriate recovery method based on the balance of the account(s) and the regulatory and rate structure in place at that time. Transferring the balance from the EEC non-rate base deferral account to the EEC rate base deferral account is a likely recovery alternative that the FEU will consider.



FortisBC Energy Utilities ("FEU"), comprised of FortisBC Energy Inc. ("FEI" or "Mainland"), FortisBC Energy (Vancouver Island) Inc. ("FEVI" or "Vancouver Island"), FortisBC Energy (Whistler) Inc. ("FEW" or "Whistler"), and FortisBC Energy Inc. Fort Nelson Service Area ("Fort Nelson"), collectively also referred to as the "Companies" or the "Utilities" 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: June 30, 2011
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12.0 Topic: typo?

Reference: Exhibit B-1, 6.3.2 Energy Policy Deferral Accounts; 6.3.2.1 EEC, p.394

12.1 Please confirm that paragraph 2 at the bottom of p.394 should read: "As demonstrated in the 2010 EEC Annual Report, FEI's recent experience of the ratio between non-incentive costs to total costs is approximately 35 percent."

Response:

Confirmed.



FortisBC Energy Utilities ("FEU"), comprised of FortisBC Energy Inc. ("FEI" or "Mainland"), FortisBC Energy (Vancouver Island) Inc. ("FEVI" or "Vancouver Island"), FortisBC Energy (Whistler) Inc. ("FEW" or "Whistler"), and FortisBC Energy Inc. Fort Nelson Service Area ("Fort Nelson"), collectively also referred to as the "Companies" or the "Utilities" 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: June 30, 2011
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13.0 Topic: EEC amortization expense

Reference: Exhibit B-1, Section 7 TAB 7.5 Schedule 38

Section 7 TAB 7.5 Schedule 38 shows amalgamated FEU 2012 EEC amortization expense as \$4,396,000.

13.1 Please provide a table showing EEC amortization expense for each of the utilities and the combined FEU for 2009, 2010, 2011, 2012 and 2013.

Response:

	2009	2010	2011	2012	2013
EEC Amortization Expense (\$000s)	Approved	Approved	Projected	Forecast	Forecast
Mainland	\$ 436	\$ 1,012	\$ 2,523	\$ 2,561	\$ 3,950
Vancouver Island	\$ 22	\$ 97	\$ 120	\$ 281	\$ 431
Whistler	\$ -	\$ -	\$ -	\$ -	\$ 15
Fort Nelson	\$ -	\$ -	\$ -	\$ -	\$ -
FortisBC Energy Utilities	\$ 458	\$ 1,109	\$ 2,643	\$ 2,842	\$ 4,396

Please note in the Application (Exhibit B-1-2), Section 7, Schedule 36 of Tab 7.5 shows amalgamated FEU amortization expense of \$2,842,000 (line 13, column 7) for 2012 and Section 7, Tab 7.5, Schedule 38 shows amalgamated FEU amortization expense of \$4,396,000 (line 13, column 7) for 2013, reconciling to the table in this response.



FortisBC Energy Utilities ("FEU"), comprised of FortisBC Energy Inc. ("FEI" or "Mainland"), FortisBC Energy (Vancouver Island) Inc. ("FEVI" or "Vancouver Island"), FortisBC Energy (Whistler) Inc. ("FEW" or "Whistler"), and FortisBC Energy Inc. Fort Nelson Service Area ("Fort Nelson"), collectively also referred to as the "Companies" or the "Utilities" 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: June 30, 2011
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14.0 Reference: Exhibit B-1, 8 Approvals Sought, paragraph 30, p.824

"30 (a) Approval to continue evaluating EEC expenditures as an overall portfolio, and with Innovative Technologies having an additional criterion that as an individual program area it must have a benefit-cost ratio of 1.0 or greater, as previously approved in the 2010-2011 RRA;"

- 14.1 Please confirm that the evaluation of the EEC expenditures as an overall portfolio *includes* the Innovative Technologies program area, although Innovative Technologies program area is also evaluated separately. Alternatively, please explain.

Response:

This is confirmed; the evaluation of the EEC portfolio overall includes Innovative Technologies, and Innovative Technologies is also evaluated separately. This can be seen in Section 2.1 of Appendix K-4 to the Application (Exhibit B-1), in Tables 2-1, 2-3 and 2-4, which show 2010 results for the overall EEC portfolio, for the "conventional" or non-Innovative Technologies activity and for the Innovative Technologies activity, respectively.



FortisBC Energy Utilities ("FEU"), comprised of FortisBC Energy Inc. ("FEI" or "Mainland"), FortisBC Energy (Vancouver Island) Inc. ("FEVI" or "Vancouver Island"), FortisBC Energy (Whistler) Inc. ("FEW" or "Whistler"), and FortisBC Energy Inc. Fort Nelson Service Area ("Fort Nelson"), collectively also referred to as the "Companies" or the "Utilities" 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: June 30, 2011
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15.0 Topic: EEC actual spending versus accepted expenditure schedule

Reference: Exhibit B-1, Appendix K-4, EEC 2010 Report, Table 2-1, pdf p.1854

In the 2010 EEC Report, Table 2-1: 2010 Overall EEC Portfolio Results shows Total for Incentive and Non-Incentive Expenditures for FEI and FEVI and Total.

15.1 Please confirm that the Total for Incentive and Non-Incentive Expenditures figure includes all the EEC portfolio spending within the accepted EEC expenditure schedule?

Response:

This is confirmed.

15.2 It is understood that 2010 FEI Annual Energy Savings (GJ/y) is negative because of the NGV Incentive program. Why, then, is 2010 FEI NPV Energy Savings (GJ) *positive*?

Response:

The 2010 FEI NPV Energy Savings is positive because high carbon fuel switching programs have shorter measure lives compared to those of energy efficiency programs. For example, high carbon fuel switching programs such as CNG trucks have an approximate average measure life of 8 years while energy efficiency programs such as a heating system upgrade, efficient boiler programs have measure lives of approximately 20 years. The above difference in measure life causes the NPV of energy savings to be positive as after 8 years the efficient load building programs ends.

15.3 Please provide a revised version of Table 2-1 of the 2010 EEC Report that breaks down FEI portfolio results between NGV Incentives and other EEC programs.

Response:

2010 NGV Program Results:



FortisBC Energy Utilities ("FEU"), comprised of FortisBC Energy Inc. ("FEI" or "Mainland"), FortisBC Energy (Vancouver Island) Inc. ("FEVI" or "Vancouver Island"), FortisBC Energy (Whistler) Inc. ("FEW" or "Whistler"), and FortisBC Energy Inc. Fort Nelson Service Area ("Fort Nelson"), collectively also referred to as the "Companies" or the "Utilities" 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: June 30, 2011
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Utility	Incentive Expenditure (\$000s)	Non-Incentive Expenditure (\$000s)	Total for Incentive and Non-Incentive Expenditures (\$000s)	Annual Energy Savings (GJ/yr)	NPV Energy Savings (GJ)	TRC
FEI	5,587	2	5,589	(165,490)	(755,449)	1.4
FEVI	0	0	0	0	0	0
Total	5,587	2	5,589	(165,490)	(755,449)	1.4

2010 Overall EEC Portfolio Results Excluding NGV program:

Utility	Incentive Expenditure (\$000s)	Non-Incentive Expenditure (\$000s)	Total for Incentive and Non-Incentive Expenditures (\$000s)	Annual Energy Savings (GJ/yr)	NPV Energy Savings (GJ)	TRC
FEI	4,961	5,259	10,220	147,983	1,288,378	0.9
FEVI	870	1,022	1,892	22,389	169,030	0.9
Total	5,831	6,281	12,112	170,372	1,457,408	0.9

It can be seen from these two tables that NGV is a strong contributor to a positive overall TRC. This is because of the significant differential between the relatively high cost of diesel, and the relatively low cost of natural gas, which is counted on the "benefit" side of TRC for NGV, as well as because the overall portfolio TRC contains significant enabling and Conservation Education and Outreach expenditure, most of which does not have energy savings associated with it.



FortisBC Energy Utilities ("FEU"), comprised of FortisBC Energy Inc. ("FEI" or "Mainland"), FortisBC Energy (Vancouver Island) Inc. ("FEVI" or "Vancouver Island"), FortisBC Energy (Whistler) Inc. ("FEW" or "Whistler"), and FortisBC Energy Inc. Fort Nelson Service Area ("Fort Nelson"), collectively also referred to as the "Companies" or the "Utilities" 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: June 30, 2011
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16.0 Topic: EEC and FortisBC Fort Nelson

Reference: Exhibit B-1, Appendix K-1; Appendix K-4, p.6, pdf p.1854

In the 2010 EEC Report, the FEU state "One of the program principles put forth in the EEC Application was that of universality; that is, programs should be available to all the Companies' customers."

16.1 Please confirm that the FEU are not proposing that customers of FFN would be eligible for participation in EEC programs in 2012-2013. Alternatively, please explain.

Response:

This is an oversight on the part of the Companies. Customers in Fort Nelson would be eligible for participation in EEC programs in 2012 and 2013. The Companies would only allocate actual EEC expenditures for these customers in the non-rate base deferral account, however, as Fort Nelson does not attract core administration expense due to the small number of customers in Fort Nelson.

16.2 Why are the FEU not proposing that EEC programs be available to FFN customers in the test period?

Response:

Please see the responses to BCSEA IR 1.16.1 and BCUC IR 1.192.3.



FortisBC Energy Utilities ("FEU"), comprised of FortisBC Energy Inc. ("FEI" or "Mainland"), FortisBC Energy (Vancouver Island) Inc. ("FEVI" or "Vancouver Island"), FortisBC Energy (Whistler) Inc. ("FEW" or "Whistler"), and FortisBC Energy Inc. Fort Nelson Service Area ("Fort Nelson"), collectively also referred to as the "Companies" or the "Utilities" 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: June 30, 2011
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17.0 Reference: Exhibit B-1, Table 6.3-6: A significant increase in EEC Funding is Proposed

- 17.1 Assuming FEU EEC expenditure schedules of \$74.5-million in 2012 and 2013 were accepted, do the FEU realistically expect to spend that much, given that 2010 actual spending and 2011 projected spending are both substantially below the accepted amounts and the 2011 projected FEU EEC expenditure \$25.7-million is only approximately one third of the proposed 2012 EEC expenditure?

Response:

Please see the responses to BCUC IRs 1.192.1, 1.192.2 and 1.196.4. The Companies are in the process of ramping up EEC activity from the level of activity associated with \$4.5 million of approved expenditure prior to May 2009 to \$35.3 million of approved expenditure for 2011. This ramping up process takes time – primarily to hire and train EEC staff that can then work on developing, designing and implementing EEC initiatives. Having a full range of EEC initiatives in-market will drive participation in those activities, and therefore expenditures closer to approved levels.

The Companies are comfortable that the 2012-2013 funding projection for non-Innovative Technologies, non-New Initiatives activity is reasonable, given the range of customers to be served, and potential programs to serve those customers. As the FEU's EEC initiatives move through time, and new programs in this category are developed and put into the marketplace, and gain traction and attract participant uptake, the Companies anticipate that an increase to currently-approved funding levels for non-Innovative Technologies, non-New Initiatives activity will be required.

The Innovative Technologies program area includes \$10 million per year in funding for NGV incentives. Given the uptake of existing NGV purchase incentives, the Companies are comfortable that this entire amount would be expended. The proposed activity supported by the funding requested for non-NGV Innovative Technologies is outlined in the response to BCUC IR 1.198 series.

About one-third, \$25 million, of the projected expenditure ceiling for 2012 and 2013 is for the New Initiatives described in Section 4 of Appendix K-1 of the Application (Exhibit B-1). This is incremental funding for new areas of program activity. A discussion of the proposed activity to be supported by the funding requested for New Initiatives can be found in the response to BCUC IRs 1.202 series, 1.203.1, and 1.204 series.

The FEU are requesting a funding ceiling of \$74.5 million. Since only \$20 million of that amount is proposed to be recovered in a rate base deferral account, customers will not be exposed if the Companies do not spend the full funding ceiling of \$74.5 million.



FortisBC Energy Utilities ("FEU"), comprised of FortisBC Energy Inc. ("FEI" or "Mainland"), FortisBC Energy (Vancouver Island) Inc. ("FEVI" or "Vancouver Island"), FortisBC Energy (Whistler) Inc. ("FEW" or "Whistler"), and FortisBC Energy Inc. Fort Nelson Service Area ("Fort Nelson"), collectively also referred to as the "Companies" or the "Utilities" 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: June 30, 2011
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- 17.2 If the proposed FEU EEC expenditure schedules of \$74.5-million in 2012 and in 2013 are substantially higher than the forecast EEC spending, what is the rationale for proposing acceptance of the higher figure?

Response:

Please see the response to BCSEA IR 1.17.1.

- 17.3 How is the proposed EEC expenditure level determined? Is it, say, one or two standard deviations higher than the expected spend?

Response:

In order to determine the proposed EEC expenditure, the Companies looked at projected commitments for levels of expenditure for 2011 of approximately \$27 million as can be seen in Table 2-6 in Appendix K-4 to the Application (Exhibit B-1), and estimated the potential for growth in the different currently-approved program areas, over and above currently-approved levels of expenditure. For New Initiatives, the Companies determined internally what amounts would be reasonable for each of the New Initiatives, based on the proposed programs.



FortisBC Energy Utilities ("FEU"), comprised of FortisBC Energy Inc. ("FEI" or "Mainland"), FortisBC Energy (Vancouver Island) Inc. ("FEVI" or "Vancouver Island"), FortisBC Energy (Whistler) Inc. ("FEW" or "Whistler"), and FortisBC Energy Inc. Fort Nelson Service Area ("Fort Nelson"), collectively also referred to as the "Companies" or the "Utilities" 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: June 30, 2011
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18.0 Reference: Exhibit B-1, Appendix K-1, Table K-2, 2012 and 2013 Overall EEC Funding Request by Program Area, pdf p.1433.

18.1 For each of the activities or initiatives listed in Table K-2 and separately for 2012 and 2013, please provide the following, if possible:

18.1.1 Spending on discretionary retrofits (e.g., replacement of still functioning equipment before the end of its useful life)

Response:

At the time of writing, detailed EEC program plans for 2012 and 2013 have not yet been developed, so this level of detail is not available at this time. These plans will be developed over the course of 2011, and will be presented to the EEC Stakeholder group, of which BCSEA is a member, for feedback and input in November 2011.

18.1.2 Spending on market-driven activities or lost opportunities (e.g., time of natural equipment replacement, new construction and remodeling)

Response:

Please see the response to BCSEA IR 1.18.1.1.

18.1.3 The incremental annual gas savings (GJ/yr) associated with the spending in each year.

Response:

Please see the response to BCSEA IR 1.18.1.1.

18.1.3.1 Please indicate the free-rider, spillover, and net-to-gross ratios used in calculating the gas savings.

Response:



FortisBC Energy Utilities ("FEU"), comprised of FortisBC Energy Inc. ("FEI" or "Mainland"), FortisBC Energy (Vancouver Island) Inc. ("FEVI" or "Vancouver Island"), FortisBC Energy (Whistler) Inc. ("FEW" or "Whistler"), and FortisBC Energy Inc. Fort Nelson Service Area ("Fort Nelson"), collectively also referred to as the "Companies" or the "Utilities" 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: June 30, 2011
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Please see the response to BCSEA IR 1.18.1.1.

18.1.3.2 Please provide the gas savings separately for discretionary retrofits and market-driven activities, if possible.

Response:

Please see the response to BCSEA IR 1.18.1.1.

18.1.4 TRC present value benefits, costs, net benefits and benefit-cost ratio (BCR).

Response:

Please see the response to BCSEA IR 1.18.1.1.

18.1.4.1 Please provide separately for discretionary retrofits and market-driven activities, if possible.

Response:

Please see the response to BCSEA IR 1.18.1.1.

18.1.5 Societal present value benefits, costs, net benefits and BCR.

Response:

Please see the response to BCSEA IR 1.18.1.1.



FortisBC Energy Utilities ("FEU"), comprised of FortisBC Energy Inc. ("FEI" or "Mainland"), FortisBC Energy (Vancouver Island) Inc. ("FEVI" or "Vancouver Island"), FortisBC Energy (Whistler) Inc. ("FEW" or "Whistler"), and FortisBC Energy Inc. Fort Nelson Service Area ("Fort Nelson"), collectively also referred to as the "Companies" or the "Utilities" 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: June 30, 2011
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18.1.5.1 Please provide separately for discretionary retrofits and market-driven activities, if possible.

Response:

Please see the response to BCSEA IR 1.18.1.1.

18.1.6 List of all potential measures for each initiative.

Response:

Please see the response to BCSEA IR 1.18.1.1. Since detailed program planning has not yet commenced, a list of all potential measures is not available at this time. However, the measures identified in the Conservation Potential Review could be considered a list of all potential measures that could be implemented within programs for each Program Area. The Conservation Potential Review is provided in Attachment 196.1 in the response to BCUC IR 1.196.1. Further, activities outlined in the 2010 EEC Annual Report will form the basis for the "Conventional" and Innovative Technologies activity in 2012 and 2013; it is the intention of the Companies to expand existing activity to include more, similar programs targeting additional measures and additional customer segments.



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19.0 Reference: Exhibit B-1, Appendix K-2, CPR Summary Report, pdf p.1467.

19.1 The CPR Summary Report refers to more detailed reports on which it is based. Please provide these additional reports:

19.1.1 Conservation Potential Review – 2010 FortisBC; Residential Sector Energy-efficiency, Alternative Energy and Customer Behaviour Opportunities (2010-2030).

Response:

Please refer to the response to BCUC IR 1.196.1, Attachment 196.1 for a copy of the CPR Report.

19.1.2 Conservation Potential Review – 2010 FortisBC; Commercial Sector Energy-efficiency and Alternative Energy Opportunities (2010-2030).

Response:

Please refer to the response to BCUC IR 1.196.1, Attachment 196.1 for a copy of the CPR Report.

19.1.3 Conservation Potential Review – 2010 FortisBC; Industrial Sector Energy-efficiency and Alternative Energy Opportunities (2010-2030).

Response:

Please refer to the response to BCUC IR 1.196.1, Attachment 196.1 for a copy of the CPR Report.

19.1.4 Conservation Potential Review – 2010 FortisBC; Impact of CPR 2010 Natural Gas Savings on the B.C. Economy (2010-2030).



FortisBC Energy Utilities ("FEU"), comprised of FortisBC Energy Inc. ("FEI" or "Mainland"), FortisBC Energy (Vancouver Island) Inc. ("FEVI" or "Vancouver Island"), FortisBC Energy (Whistler) Inc. ("FEW" or "Whistler"), and FortisBC Energy Inc. Fort Nelson Service Area ("Fort Nelson"), collectively also referred to as the "Companies" or the "Utilities" 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: June 30, 2011
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Response:

Please refer to the response to BCUC IR 1.196.1, Attachment 196.1 for a copy of the CPR Report.



FortisBC Energy Utilities ("FEU"), comprised of FortisBC Energy Inc. ("FEI" or "Mainland"), FortisBC Energy (Vancouver Island) Inc. ("FEVI" or "Vancouver Island"), FortisBC Energy (Whistler) Inc. ("FEW" or "Whistler"), and FortisBC Energy Inc. Fort Nelson Service Area ("Fort Nelson"), collectively also referred to as the "Companies" or the "Utilities" 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: June 30, 2011
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20.0 Reference: Exhibit B-1, Appendix K-1 and Appendix K-2.

20.1 Based on the 2010 CPR analysis, please provide the Aggressive Scenario achievable potential incremental annual gas savings (GJ) by sector (residential, commercial and industrial) for efficiency-only activities for 2012 and 2013, excluding fuel switching, NGV, and renewables.

Response:

This information is not available at this time. It is important to differentiate between the detailed program plans that the Companies develop, from which projections of energy savings from program activity can be derived, from the CPR, which is high-level and directional in nature. The CPR points to measures that may prove to be cost-effective within an EEC program, and may form part of an effort to capture some of the potential identified in a CPR. As noted in the response to BCSEA IR 1.18.1.1, those detailed program plans and energy savings projections have not yet been developed for 2012 and 2013, however generally speaking, programs would be similar to those implemented in 2010 and 2011, and would include some new measures, and new activities in new programs that have yet to be developed and designed. It should also be noted that the CPR is developed around milestone years (2010, 2015 and etc), and numbers are not developed on a year-by-year basis.

20.2 Based on the 2010 CPR analysis, please provide the Most Likely Scenario achievable potential incremental annual gas savings (GJ) by sector (residential, commercial and industrial) for efficiency-only activities for 2012 and 2013, excluding fuel switching, NGV, and renewables.

Response:

Please see the response to BCSEA IR 1.20.1.

20.3 Please provide the incremental annual gas savings (GJ) by sector (residential, commercial and industrial) for efficiency-only activities proposed for 2012 and 2013, excluding fuel switching, NGV, and renewables.

Response:



FortisBC Energy Utilities ("FEU"), comprised of FortisBC Energy Inc. ("FEI" or "Mainland"), FortisBC Energy (Vancouver Island) Inc. ("FEVI" or "Vancouver Island"), FortisBC Energy (Whistler) Inc. ("FEW" or "Whistler"), and FortisBC Energy Inc. Fort Nelson Service Area ("Fort Nelson"), collectively also referred to as the "Companies" or the "Utilities" 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: June 30, 2011
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Please see the response to BCSEA IR 1.20.1.

20.3.1 By sector, what percentage of the Aggressive and Most Likely Scenarios does the incremental efficiency gas savings resulting from the proposed spending in Appendix K-1 represent.

Response:

As noted in the response to BCSEA IR 1.20.1, the Companies have not yet completed the detailed program planning for 2012 and 2013 that would allow for this analysis. Projections of energy savings associated with the proposed funding ceiling in the Application (Exhibit B-1), Appendix K-1 would arise from program plans, which have not yet been developed.

20.3.2 If the efficiency savings from the proposed activities in 2012 and 2013 are less than the savings projected in the Aggressive and Most Likely achievable potential scenarios, please explain why all achievable potential savings are not being pursued.

Response:

Please see the response to BCSEA IR 1.20.3.1.



FortisBC Energy Utilities ("FEU"), comprised of FortisBC Energy Inc. ("FEI" or "Mainland"), FortisBC Energy (Vancouver Island) Inc. ("FEVI" or "Vancouver Island"), FortisBC Energy (Whistler) Inc. ("FEW" or "Whistler"), and FortisBC Energy Inc. Fort Nelson Service Area ("Fort Nelson"), collectively also referred to as the "Companies" or the "Utilities" 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: June 30, 2011
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21.0 Reference: Exhibit B-1, Appendix K-1, pdf p.1448.

21.1 Is the proposed social discount rate of 3% a nominal or real discount rate? If nominal, what is the underlying inflation assumption?

Response:

The proposed social discount rate of 3 percent is a real discount rate.



FortisBC Energy Utilities ("FEU"), comprised of FortisBC Energy Inc. ("FEI" or "Mainland"), FortisBC Energy (Vancouver Island) Inc. ("FEVI" or "Vancouver Island"), FortisBC Energy (Whistler) Inc. ("FEW" or "Whistler"), and FortisBC Energy Inc. Fort Nelson Service Area ("Fort Nelson"), collectively also referred to as the "Companies" or the "Utilities" 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: June 30, 2011
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22.0 Reference: Exhibit B-1, Appendix K-1.

22.1 What analyses have been made regarding the GHG impacts and cost effectiveness for specific measures in the High Carbon Fuel Switching Program?

Response:

At the time of writing, detailed program development for specific program measures in the High Carbon Fuel Switching program area has not been completed. However, the Companies' 2010 EEC Annual Report, attached as Appendix K-4 to the Application (Exhibit B-1), describes the Switch and Shrink program, which is the type of initiative that could be expected in this program area. Carbon tax is accounted for within the avoided cost benefit, so to the extent that costs associated with GHGs are currently known, these costs are captured. Switch and Shrink had a strong TRC in 2010 of 1.4 for FEVI and 1.2 for FEI. This is due to the relatively large differential between higher carbon fuels such as heating oil and diesel, and the relatively low cost of natural gas. It is reasonable to expect that other High-Carbon Fuel Switching activity would also exhibit a strong TRC due to similar large differentials between higher carbon fuels and natural gas. For example, the avoided cost of heating oil in 2010 was \$22/GJ, forecasted to increase to \$25/GJ in 2011, as compared to natural gas, which for a residential customer of FEI currently has an effective rate of \$10.62/GJ.

In terms of GHG analysis, Table 5-4 in Appendix K-4 of the Application (Exhibit B-1) reports that the Switch and Shrink program resulted in GHG reductions of 1,171 tons for 2010.



FortisBC Energy Utilities ("FEU"), comprised of FortisBC Energy Inc. ("FEI" or "Mainland"), FortisBC Energy (Vancouver Island) Inc. ("FEVI" or "Vancouver Island"), FortisBC Energy (Whistler) Inc. ("FEW" or "Whistler"), and FortisBC Energy Inc. Fort Nelson Service Area ("Fort Nelson"), collectively also referred to as the "Companies" or the "Utilities" 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: June 30, 2011
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23.0 Reference: Exhibit B-1, Appendix K-1, pdf p.1437.

23.1 What specific plans does FortisBC have for integration of its gas DSM programs with BC Hydro's electric DSM programs serving the same markets? Please provide a separate response for non-low-income residential, low income, commercial and industrial.

Response:

The FEU (then the Terasen Utilities) signed a Collaboration MOU with BC Hydro PowerSmart in 2009. The MOU formalized the informal collaborative efforts that had been going on between the two utilities for some time. The Companies' approach, however, is to undertake collaboration on a program-by-program basis, as the nature of the collaboration varies depending on the program.

For non-low-income residential, the FEU and BC Hydro, along with FBC electric, and the Ministry of Energy and Mines, collaborate on the LiveSmartBC residential retrofit program. The FEU and BC Hydro collaborate on the Energuide 80 new construction program. These are discussed in Section 3 of Appendix K-4 of the Application (Exhibit B-1). The Companies are also collaborating with BC Hydro on the Water and Energy Efficient Appliance Program discussed in Section 7 of Appendix K-4.

For low-income customers, the FEU and BC Hydro are collaborating on the RENEW, Energy Savings Kits, and ECAP programs discussed in Section 6 of Appendix K-4.

For commercial customers, the FEU and BC Hydro are collaborating on the Continuous Optimization and Custom Design programs discussed in Section 4 of Appendix K-4.

For industrial customers, discussions have begun about a collaborative effort between the FEU, BC Hydro, and the Ministry of Energy and Mines around ISO 50001. These discussions have only just commenced.

The Companies anticipate that as their portfolio of EEC programs and activity grow, further collaborative efforts will occur with not only BC Hydro, but other entities such as municipal, provincial and federal governments as well as such entities as NGO's and industry associations.