

August 19, 2011

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

Commercial Energy Consumers Association of British Columbia
c/o Owen Bird Law Corporation
P.O. Box 49130
Three Bentall Centre
2900 – 595 Burrard Street
Vancouver, BC
V7X 1J5

Attention: Mr. Christopher P. Weafer

Dear Mr. Weafer:

Re: FortisBC Energy Utilities¹ ("FEU") 2012 and 2013 Revenue Requirements and Natural Gas Rates Application

Response to the Commercial Energy Consumers Association of British Columbia ("CEC") Information Request ("IR") No. 2

On May 4, 2011, the FEU filed the Application as referenced above. In accordance with Commission Order No. G-129-11 issuing the amended Regulatory Timetable, the FEU respectfully submit the attached response to CEC IR No. 2.

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

¹ Comprised of FortisBC Energy Inc. ("FEI"), FortisBC Energy Inc. Fort Nelson Service Area ("Fort Nelson"), FortisBC Energy (Whistler) Inc. ("FEW"), and FortisBC Energy (Vancouver Island) Inc. ("FEVI")



<p>FortisBC Energy Utilities (comprised of FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc.) (FEVI), FortisBC Energy (Whistler) Inc. (FEW), and FortisBC Energy Inc. Fort Nelson Service Area (Fort Nelson)</p> <p>2012-2013 Revenue Requirements and Natural Gas Rates Application</p>	<p>Submission Date: August 19, 2011</p>
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1. Reference: Exhibit B-8, CEC 1.1.1 and CEC 1.1.2

FEI	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Millions	%	\$ Millions	%	\$ Millions
Volume/Revenue Related	-1.28%	(7.3)	-0.57%	(3.3)	-1.85%	(10.7)
O&M Changes	1.41%	8.1	1.84%	10.6	3.25%	18.7
Depreciation & Removal Cost Provision	5.20%	29.9	1.37%	8.0	6.58%	37.9
Amortization Expense	2.02%	11.6	2.13%	12.3	4.15%	23.9
Other	-2.32%	(13.3)	1.60%	9.2	-0.72%	(4.2)

Reference: CEC 1.1.1

	2012 Revenue Requirement Impacts (\$thousands)	2012 Delivery Rate Impact %	2013 Cumulative Revenue Requirement Impacts (\$thousands)	2013 Cumulative Delivery Rate Impact %
Mainland				
Customer Care Enhancement Project	\$ 14,505	2.52%	\$ 13,929	2.42%
Fraser River Project	\$ 644	0.11%	\$ 672	0.12%
Kootenay River Project	\$ 713	0.12%	\$ 699	0.12%
Tilbury Project	\$ 1,347	0.23%	\$ 1,339	0.23%
Victoria Regional Operations Centre	\$ -	0.00%	\$ -	0.00%
Mount Hayes LNG Facility	\$ -	0.00%	\$ -	0.00%
Muskwa River Project	\$ -	0.00%	\$ -	0.00%
Regular Capital Expenditures ¹	\$ 652	0.11%	\$ 14,551	2.52%
Energy Efficiency and Conservation deferral	\$ (736)	-0.13%	\$ 2,027	0.35%
Other deferrals ²	\$ 17,650	3.07%	\$ 32,240	5.59%
Gas in Storage	\$ (1,901)	-0.33%	\$ (1,905)	-0.33%
Total	\$ 32,874	5.72%	\$ 63,551	11.02%

Reference: CEC 1.1.2

- 1.1 Please advise whether or not the impacts of the projects in CEC 1.1.2 include all of the rate impact categories in CEC 1.1.1.

Response:

Yes, the revenue requirements impact per project, as provided in the response to CEC 1.1.2, represents the comprehensive cost of service impact for each project (i.e. O&M, depreciation expense, amortization expense, etc.). Therefore, the revenue requirements impact of each project can be broken out into one or multiple categories identified in CEC IR 1.1.1.

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- 1.2 Please provide the breakdown of the listed items (CEC 1.1.2) rate impacts by category to match the format in the answer to CEC 1.1.1.

Response:

The FEU has identified an error in the initial tables provided in the response to CEC IR 1.1.2 affecting the "other deferrals" line. In the response to CEC IR 1.1.2, the other deferrals row inadvertently double counted the impacts of the Customer Care and Kootenay Project deferral accounts, the impacts of which were embedded in each of the respective project rows. Please find the corrected FEI table pertaining to CEC IR 1.1.2 below.

	2012 Revenue Requirement Impacts (\$thousands)	2012 Delivery Rate Impact %	2013 Cumulative Revenue Requirement Impacts (\$thousands)	2013 Cumulative Delivery Rate Impact %
Mainland				
Customer Care Enhancement Project	\$ 14,505	2.52%	\$ 13,929	2.42%
Fraser River Project	\$ 644	0.11%	\$ 672	0.12%
Kootenay River Project	\$ 713	0.12%	\$ 753	0.13%
Tilbury Project	\$ 1,347	0.23%	\$ 1,339	0.23%
Victoria Regional Operations Centre	\$ -	0.00%	\$ -	0.00%
Mount Hayes LNG Facility	\$ -	0.00%	\$ -	0.00%
Muskwa River Project	\$ -	0.00%	\$ -	0.00%
Regular Capital Expenditures ¹	\$ 652	0.11%	\$ 14,551	2.52%
Energy Efficiency and Conservation deferral	\$ (736)	-0.13%	\$ 2,027	0.35%
Other deferrals ²	\$ 11,617	2.02%	\$ 25,787	4.47%
Gas in Storage	\$ (1,901)	-0.33%	\$ (1,905)	-0.33%
Total	\$ 26,841	4.67%	\$ 57,152	9.91%

¹ Calculation represents change in revenue requirement impacts of "Net Plant in Service, Mid-Year", "Adjustment to 13 month average" and "Work in Progress, No AFUDC" amounts from Section 7, Tab 7.1-7.4, Schedules 39-41 of 2012/2013 RRA, excluding the rate base impacts of the projects shown separately in these tables

² Calculation represents change in revenue requirement impacts of "Unamortized Deferred Charges" amounts from Section 7, Tab 7.1-7.4, Schedules 39-41 of 2012/2013 RRA, excluding the rate base impact of the EEC deferral, Customer Service deferral and Kootenay River deferral shown separately in these tables



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Please find tables below for each of the rows from the revised CEC IR 1.1.2 table applicable to FEI and broken out into the categories identified in CEC IR 1.1.1. Please note that this response is based on the Application filed on May 4, 2011. Please refer to CEC IR 2.1.5 for tables that reflect the Evidentiary Update filed on July 19, 2011.

FEI-Customer Care Enhancement Project	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	-0.27%	(1,548)	0.52%	3,018	0.25%	1,470
Depreciation	1.74%	10,033	0.00%	-	1.74%	10,033
Amortization Expense	0.50%	2,897	0.07%	415	0.57%	3,312
Other	0.54%	3,124	-0.70%	(4,009)	-0.15%	(885)
Total	2.52%	14,505	-0.11%	(576)	2.42%	13,929

FEI-Fraser River Project	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.02%	102	0.00%	-	0.02%	102
Amortization Expense	0.00%	-	0.00%	-	0.00%	-
Other	0.09%	542	0.00%	27	0.10%	569
Total	0.11%	644	0.00%	27	0.12%	672

FEI-Kootenay River Project	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.03%	159	0.00%	-	0.03%	159
Amortization Expense	0.01%	40	0.00%	-	0.01%	40
Other	0.09%	513	0.01%	40	0.10%	553
Total	0.12%	713	0.01%	40	0.13%	753

FEI-Tilbury Project	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.00%	28	0.00%	-	0.00%	28
Amortization Expense	0.00%	-	0.00%	-	0.00%	-
Other	0.23%	1,319	0.00%	(7)	0.23%	1,311
Total	0.23%	1,347	0.00%	(7)	0.23%	1,339

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FEI-Regular Capital Expenditures	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	2.27%	13,060	1.25%	7,271	3.53%	20,331
Amortization Expense	0.00%	-	0.00%	-	0.00%	-
Other	-2.16%	(12,408)	1.16%	6,628	-1.00%	(5,780)
Total	0.11%	652	2.41%	13,899	2.52%	14,551

FEI-Energy Efficiency and Conservation deferral	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.00%	-	0.00%	-	0.00%	-
Amortization Expense	0.01%	36	0.24%	1,389	0.25%	1,425
Other	-0.13%	(772)	0.24%	1,373	0.10%	602
Total	-0.13%	(736)	0.48%	2,762	0.35%	2,027

FEI-Other deferrals	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.00%	-	0.00%	-	0.00%	-
Amortization Expense	1.43%	8,224	1.81%	10,455	3.24%	18,679
Other	0.59%	3,393	0.64%	3,716	1.23%	7,108
Total	2.02%	11,617	2.45%	14,171	4.47%	25,787

FEI-Gas in Storage	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.00%	-	0.00%	-	0.00%	-
Amortization Expense	0.00%	-	0.00%	-	0.00%	-
Other	-0.33%	(1,901)	0.00%	(5)	-0.33%	(1,905)
Total	-0.33%	(1,901)	0.00%	(5)	-0.33%	(1,905)

- 1.3 Is it correct to say that the cumulative rate impact over the 2 year period for the Lower Mainland is 11.41% and that of that 11.02% is explained by the listed items (CEC 1.1.2) which have been the subject of prior regulatory process, if not please explain quantitatively?

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Response:

Please refer to CEC IR 2.1.2 for a revised table reflecting the May 4, 2011 filing and CEC IR 2.1.5 for revised tables reflecting the July 19, 2011 Evidentiary Update.

Yes, it is correct that the listed items in CEC IR 1.1.2 explain a large portion of the total cumulative rate impact over the two year period; however, the rate impacts have been revised from those referenced in the question preamble. Therefore, of the cumulative rate increase over the two year period of 11.40%¹, of that increase 9.91% (87%) is explained by the items listed in CEC IR 1.1.2.

Of the 9.91% explained by the items listed in CEC IR 1.1.2, the regular capital expenditures and some of the other deferrals were not subject to prior regulatory approval.

Please refer to CEC IR 2.1.5 for the calculation of the updated delivery rate impact of 8.45% for the listed items from CEC IR 1.1.2, as compared to the 11.08% cumulative rate increase sought in the Evidentiary Update filed July 19, 2011.

- 1.4 Is it correct to say that the cumulative rate impact over the 2 year period for the Lower Mainland for the items not explained by the listed items (CEC 1.1.2) is composed of decreases caused by the volume revenue related items and the tax items in the other category offset by O&M increases, if not please explain quantitatively?

Response:

Yes, generally speaking, the combined impacts from the volume and revenue changes and income tax and other changes are largely offset by the combined impacts of the increases in O&M, removal provision and CIAC amortization expense.

Based on the May 4th submission, FEI has prepared the following table, reconciling the rate impacts explained in CEC IR 2.1.2 to the rate impacts shown in Section 7, Tab 7.1, Schedules 2 and 3. Please refer to the response to CEC IR 2.1.5 for this same analysis based on the July 19th Evidentiary Update.

¹ Application (Exhibit B-1), Section 7, Tab 7.1, Schedule 3, Column 6, Line 17



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FEI-Reconciliation of Revenue Deficiency and Rate Impact	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Millions	%	\$ Millions	%	\$ Millions
CEC 1.1.2 FEI Totals corrected in CEC 2.1.2	4.67%	26.8	5.24%	30.3	9.91%	57.2
Volume/Revenue Related	-1.28%	(7.3)	-0.57%	(3.3)	-1.85%	(10.7)
O&M Changes ¹	1.68%	9.7	1.31%	7.6	2.99%	17.3
Depreciation & Removal Cost Provision ²	1.14%	6.5	0.12%	0.7	1.26%	7.3
Amortization Expense ³	0.07%	0.4	0.01%	0.1	0.08%	0.5
Other ⁴	-1.24%	(7.1)	0.25%	1.4	-1.00%	(5.7)
RRA Section 7, Tab 7.1, Schedule 2 and 3 totals	5.04%	29.0	6.36%	36.8	11.40%	65.8

¹ O&M Changes exclude O&M savings applicable to the Customer Care Enhancement Project which is already included in CEC 1.1.2

² Includes removal cost provision and the associated tax impacts

³ CIAC

⁴ Mainly impact of tax changes

1.5 Please update the listed items and these answers for FortisBC filed evidentiary updates.

Response:

The tables referenced and provided in CEC IRs 2.1.1 through 2.1.4 have been updated below to reflect the July 19th Evidentiary Update.

FEI	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Millions	%	\$ Millions	%	\$ Millions
Volume/Revenue Related	-1.28%	(7.3)	-0.57%	(3.3)	-1.85%	(10.7)
O&M Changes	2.34%	13.4	1.64%	9.5	3.98%	22.9
Depreciation & Removal Cost Provision	5.34%	30.7	1.37%	8.0	6.71%	38.7
Amortization Expense	0.73%	4.2	2.13%	12.3	2.86%	16.5
Other	-2.03%	(11.7)	1.41%	8.1	-0.61%	(3.5)



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	2012 Revenue Requirement Impacts (\$thousands)	2012 Delivery Rate Impact %	2013 Cumulative Revenue Requirement Impacts (\$thousands)	2013 Cumulative Delivery Rate Impact %
Mainland				
Customer Care Enhancement Project	\$ 14,863	2.58%	\$ 14,233	2.47%
Fraser River Project	\$ 666	0.12%	\$ 686	0.12%
Kootenay River Project	\$ 717	0.12%	\$ 756	0.13%
Tilbury Project	\$ 1,355	0.24%	\$ 1,345	0.23%
Victoria Regional Operations Centre	\$ -	0.00%	\$ -	0.00%
Mount Hayes LNG Facility	\$ -	0.00%	\$ -	0.00%
Muskwa River Project	\$ -	0.00%	\$ -	0.00%
Regular Capital Expenditures ¹	\$ 3,514	0.61%	\$ 15,953	2.77%
Energy Efficiency and Conservation deferral	\$ (720)	-0.13%	\$ 2,041	0.35%
Other deferrals ²	\$ 1,848	0.32%	\$ 15,594	2.70%
Gas in Storage	\$ (1,842)	-0.32%	\$ (1,867)	-0.32%
Total	\$ 20,402	3.55%	\$ 48,742	8.45%

¹ Calculation represents change in revenue requirement impacts of "Net Plant in Service, Mid-Year", "Adjustment to 13 month average" and "Work in Progress, No AFUDC" amounts from Section 7, Tab 7.1-7.4, Schedules 39-41 of July 19th Evidentiary Update, excluding the rate base impacts of the projects shown separately in these tables

² Calculation represents change in revenue requirement impacts of "Unamortized Deferred Charges" amounts from Section 7, Tab 7.1-7.4, Schedules 39-41 of July 19th Evidentiary Update, excluding the rate base impact of the EEC deferral, Customer Service deferral and Kootenay River deferral shown separately in these tables

Tables in CEC IR 2.1.2

FEI-Customer Care Enhancement Project	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	-0.27%	(1,548)	0.52%	3,018	0.25%	1,470
Depreciation	1.74%	10,033	0.00%	-	1.74%	10,033
Amortization Expense	0.53%	3,039	0.07%	415	0.60%	3,454
Other	0.58%	3,340	-0.71%	(4,063)	-0.13%	(723)
Total	2.58%	14,863	-0.12%	(630)	2.47%	14,233

FEI-Fraser River Project	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.02%	102	0.00%	-	0.02%	102
Amortization Expense	0.00%	-	0.00%	-	0.00%	-
Other	0.10%	564	0.00%	20	0.10%	584
Total	0.12%	666	0.00%	20	0.12%	686



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FEI-Kootenay River Project	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.03%	159	0.00%	-	0.03%	159
Amortization Expense	0.01%	40	0.00%	-	0.01%	40
Other	0.09%	518	0.01%	39	0.10%	557
Total	0.12%	717	0.01%	39	0.13%	756

FEI-Tilbury Project	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.00%	28	0.00%	-	0.00%	28
Amortization Expense	0.00%	-	0.00%	-	0.00%	-
Other	0.23%	1,327	0.00%	(10)	0.23%	1,317
Total	0.24%	1,355	0.00%	(10)	0.23%	1,345

FEI-Regular Capital Expenditures	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	2.40%	13,826	1.25%	7,272	3.66%	21,098
Amortization Expense	0.00%	-	0.00%	-	0.00%	-
Other	-1.79%	(10,312)	0.90%	5,168	-0.89%	(5,144)
Total	0.61%	3,514	2.16%	12,440	2.77%	15,953

FEI-Energy Efficiency and Conservation deferral	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.00%	-	0.00%	-	0.00%	-
Amortization Expense	0.01%	36	0.24%	1,389	0.25%	1,425
Other	-0.13%	(756)	0.24%	1,372	0.11%	616
Total	-0.13%	(720)	0.48%	2,761	0.35%	2,041

FEI-Other deferrals	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.00%	-	0.00%	-	0.00%	-
Amortization Expense	0.12%	691	1.81%	10,412	1.93%	11,103
Other	0.20%	1,157	0.58%	3,334	0.78%	4,491
Total	0.32%	1,848	2.38%	13,746	2.70%	15,594



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FEI-Gas in Storage	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.00%	-	0.00%	-	0.00%	-
Amortization Expense	0.00%	-	0.00%	-	0.00%	-
Other	-0.32%	(1,842)	0.00%	(24)	-0.32%	(1,867)
Total	-0.32%	(1,842)	0.00%	(24)	-0.32%	(1,867)

Table in CEC IR 2.1.4

FEI-Reconciliation of Revenue Deficiency and Rate Impact	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Millions	%	\$ Millions	%	\$ Millions
CEC 1.2.5 FEI Totals	3.55%	20.4	4.90%	28.3	8.45%	48.7
Volume/Revenue Related	-1.28%	(7.3)	-0.57%	(3.3)	-1.85%	(10.7)
O&M Changes ¹	2.61%	15.0	1.11%	6.5	3.72%	21.5
Depreciation & Removal Cost Provision ²	1.14%	6.5	0.12%	0.7	1.26%	7.3
Amortization Expense ³	0.07%	0.4	0.01%	0.1	0.08%	0.5
Other ⁴	-0.98%	(5.7)	0.40%	2.3	-0.59%	(3.4)
RRA Section 7, Tab 7.1, Schedule 2 and 3 totals	5.11%	29.4	5.98%	34.6	11.08%	63.9

¹ O&M Changes exclude O&M savings applicable to the Customer Care Enhancement Project

² Includes removal cost provision and the associated tax impacts

³ CIAC

⁴ Mainly impact of tax changes offset by financing changes

FortisBC Energy Utilities (comprised of FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc.) (FEVI), FortisBC Energy (Whistler) Inc. (FEW), and FortisBC Energy Inc. Fort Nelson Service Area (Fort Nelson) 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: August 19, 2011
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2. Reference: Exhibit B-8 CEC 1.1.1 and CEC 1.1.2

FEVI	2012 Notional Rate Impact		2013 Notional Rate Impact		Total Notional Rate Impact	
	%	\$ Millions	%	\$ Millions	%	\$ Millions
Volume/Revenue Related	11.60%	22.6	-0.89%	(1.6)	10.71%	21.1
Cost of Gas Changes	-21.07%	(41.1)	5.35%	10.2	5.35%	(30.9)
O&M Changes	1.11%	2.2	0.10%	0.2	0.10%	2.4
Depreciation & Removal Cost Provision	4.92%	9.6	0.81%	1.7	0.81%	11.3
Amortization Expense	1.60%	3.1	0.08%	0.2	0.08%	3.3
Other	1.83%	3.6	3.42%	6.8	3.42%	10.3

Reference: CEC 1.1.1

	2012 Revenue Requirement Impacts (\$thousands)	2012 Notional Delivery Rate Impact %	2013 Cumulative Revenue Requirement Impacts (\$thousands)	2013 Notional Cumulative Delivery Rate Impact %
Vancouver Island				
Customer Care Enhancement Project	\$ 1,576	0.81%	\$ 1,531	0.78%
Fraser River Project	\$ -	0.00%	\$ -	0.00%
Kootenay River Project	\$ -	0.00%	\$ -	0.00%
Tilbury Project	\$ -	0.00%	\$ -	0.00%
Victoria Regional Operations Centre	\$ 520	0.27%	\$ 1,285	0.65%
Mount Hayes LNG Facility	\$ 1,405	0.72%	\$ 1,261	0.64%
Muskwa River Project	\$ -	0.00%	\$ -	0.00%
Regular Capital Expenditures ¹	\$ 5,830	2.99%	\$ 10,142	5.16%
Energy Efficiency and Conservation deferral	\$ (554)	-0.28%	\$ (249)	-0.13%
Other deferrals ²	\$ (8,967)	-4.60%	\$ 2,253	1.15%
Gas in Storage	\$ (175)	-0.09%	\$ (215)	-0.11%
Total	\$ (365)	-0.19%	\$ 16,009	8.14%

Reference: CEC 1.1.2

- 2.1 Please explain why the total notional impact in the answer to CEC 1.1.1 shows the same % impact for O&M, Depreciation, Amortization and Other as for the 2013 totals. Should the total notional impact be closer to 8.86%.

Response:

The total notional impact was inadvertently referring to the same % impact as 2013 totals in the response to CEC IR 1.1.1. Please see amended table below, where the total notional rate impact is 8.87%.

FortisBC Energy Utilities (comprised of FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc.) (FEVI), FortisBC Energy (Whistler) Inc. (FEW), and FortisBC Energy Inc. Fort Nelson Service Area (Fort Nelson) 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: August 19, 2011
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FEVI	2012 Notional Rate Impact		2013 Notional Rate Impact		Total Notional Rate Impact	
	%	\$ Millions	%	\$ Millions	%	\$ Millions
Volume/Revenue Related	11.60%	22.6	-0.89%	(1.6)	10.71%	21.1
Cost of Gas Changes	-21.07%	(41.1)	5.35%	10.2	-15.72%	(30.9)
O&M Changes	1.11%	2.2	0.10%	0.2	1.21%	2.4
Depreciation & Removal Cost Provision	4.92%	9.6	0.81%	1.7	5.73%	11.3
Amortization Expense	1.60%	3.1	0.08%	0.2	1.68%	3.3
Other	1.83%	3.6	3.42%	6.8	5.25%	10.3

2.2 Is it correct to say that of the total 8.86% notional rate impact for Vancouver Island over the 2 year period that 8.14% is explained by the listed items?

Response:

Please refer to response to CEC IR 2.2.3 for a corrected table from CEC IR 1.1.2 and CEC IR 2.2.5 for tables that have been updated to reflect the July 19th Evidentiary Update.

Yes, it is correct that the listed items in CEC IR 1.1.2 explain a large portion of the total cumulative revenue requirements increase over the two-year period; however, the impacts have been revised from those referenced in the question preamble, as is explained in response to CEC IR 2.2.3. Therefore, of the cumulative revenue requirement increase over the two-year period of 8.87%, approximately 7.78% (88%) is explained by the items listed in CEC IR 1.1.2.

Of the 7.78% explained by the items listed in CEC IR 1.1.2, the regular capital expenditures and some of the other deferrals were not subject to prior regulatory approval.

Please refer to CEC IR 2.2.5 for the calculation of the updated revenue requirements impact of 7.06% for the listed items from CEC IR 1.1.2, as compared to the 8.79% cumulative rate increase sought in the Evidentiary Update filed July 19, 2011.

2.3 Please provide the breakdown of the listed items (CEC 1.1.2) rate impacts by category to match the format in the answer to CEC 1.1.1.



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Response:

The FEU have identified an error in the initial tables provided in the response to CEC IR 1.1.2 affecting the "other deferrals" line. In the response to CEC IR 1.1.2, the other deferrals row inadvertently double counted the impact of the Customer Care deferral account, the impacts of which were embedded in the respective project row. Please find the corrected FEVI table pertaining to CEC IR 1.1.2 below.

	2012 Revenue Requirement Impacts (\$thousands)	2012 Notional Delivery Rate Impact %	2013 Cumulative Revenue Requirement Impacts (\$thousands)	2013 Notional Cumulative Delivery Rate Impact %
Vancouver Island				
Customer Care Enhancement Project	\$ 1,576	0.81%	\$ 1,531	0.78%
Fraser River Project	\$ -	0.00%	\$ -	0.00%
Kootenay River Project	\$ -	0.00%	\$ -	0.00%
Tilbury Project	\$ -	0.00%	\$ -	0.00%
Victoria Regional Operations Centre	\$ 520	0.27%	\$ 1,285	0.65%
Mount Hayes LNG Facility	\$ 1,405	0.72%	\$ 1,261	0.64%
Muskwa River Project	\$ -	0.00%	\$ -	0.00%
Regular Capital Expenditures ¹	\$ 5,830	2.99%	\$ 10,142	5.16%
Energy Efficiency and Conservation deferral	\$ (554)	-0.28%	\$ (249)	-0.13%
Other deferrals ²	\$ (9,626)	-4.93%	\$ 1,541	0.78%
Gas in Storage	\$ (175)	-0.09%	\$ (215)	-0.11%
Total	\$ (1,024)	-0.52%	\$ 15,297	7.78%

¹ Calculation represents change in revenue requirement impacts of "Net Plant in Service, Mid-Year", "Adjustment to 13 month average" and "Work in Progress, No AFUDC" amounts from Section 7, Tab 7.1-7.4, Schedules 39-41 of 2012/2013 RRA, excluding the rate base impacts of the projects shown separately in these tables

² Calculation represents change in revenue requirement impacts of "Unamortized Deferred Charges" amounts from Section 7, Tab 7.1-7.4, Schedules 39-41 of 2012/2013 RRA, excluding the rate base impact of the EEC deferral, Customer Service deferral and Kootenay River deferral shown separately in these tables

Please find tables below for each of the rows from the revised CEC IR 1.1.2 table applicable to FEVI and broken out into the categories identified in CEC IR 1.1.1. Please note that this response is based on the Application filed on May 4, 2011. Please refer to CEC IR 2.2.5 for tables that reflect the Evidentiary Update filed on July 19, 2011.

FEVI-Customer Care Enhancement Project	2012 Notional Delivery Rate Impact		2013 Notional Delivery Rate Impact		Total Notional Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
Cost of Gas Changes	0.00%	-	0.00%	-	0.00%	-
O&M Changes	-0.10%	(201)	0.17%	342	0.07%	141
Depreciation	0.59%	1,156	0.00%	-	0.59%	1,156
Amortization Expense	0.17%	326	0.02%	47	0.19%	372
Other	0.15%	296	-0.22%	(434)	-0.07%	(138)
Total	0.81%	1,576	-0.03%	(45)	0.78%	1,531

FEVI-Victoria Regional Operations Centre	2012 Notional Delivery Rate Impact		2013 Notional Delivery Rate Impact		Total Notional Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
Cost of Gas Changes	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.12%	236	0.00%	-	0.12%	236
Amortization Expense	0.00%	-	0.00%	-	0.00%	-
Other	0.15%	284	0.39%	766	0.53%	1,050
Total	0.27%	520	0.39%	766	0.65%	1,285

FEVI-Mount Hayes LNG Facility	2012 Notional Delivery Rate Impact		2013 Notional Delivery Rate Impact		Total Notional Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
Cost of Gas Changes	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	-0.02%	(41)	0.00%	-	-0.02%	(41)
Amortization Expense	0.00%	-	0.00%	-	0.00%	-
Other	0.74%	1,445	-0.08%	(144)	0.66%	1,302
Total	0.72%	1,405	-0.08%	(144)	0.64%	1,261

FEVI-Regular Capital Expenditures	2012 Notional Delivery Rate Impact		2013 Notional Delivery Rate Impact		Total Notional Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
Cost of Gas Changes	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	1.79%	3,494	0.75%	1,496	2.54%	4,990
Amortization Expense	0.00%	-	0.00%	-	0.00%	-
Other	1.20%	2,336	1.42%	2,817	2.62%	5,152
Total	2.99%	5,830	2.17%	4,313	5.16%	10,142

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FEVI-Energy Efficiency and Conservation deferral	2012 Notional Delivery Rate Impact		2013 Notional Delivery Rate Impact		Total Notional Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
Cost of Gas Changes	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.00%	-	0.00%	-	0.00%	-
Amortization Expense	-0.10%	(188)	0.08%	150	-0.02%	(38)
Other	-0.19%	(366)	0.08%	155	-0.11%	(211)
Total	-0.28%	(554)	0.16%	305	-0.13%	(249)

FEVI-Other deferrals	2012 Notional Delivery Rate Impact		2013 Notional Delivery Rate Impact		Total Notional Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
Cost of Gas Changes	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.00%	-	0.00%	-	0.00%	-
Amortization Expense	-3.52%	(6,873)	4.16%	8,121	0.64%	1,249
Other	-1.41%	(2,753)	1.56%	3,046	0.15%	292
Total	-4.93%	(9,626)	5.72%	11,167	0.78%	1,541

FEVI-Gas in Storage	2012 Notional Delivery Rate Impact		2013 Notional Delivery Rate Impact		Total Notional Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
Cost of Gas Changes	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.00%	-	0.00%	-	0.00%	-
Amortization Expense	0.00%	-	0.00%	-	0.00%	-
Other	-0.09%	(175)	-0.02%	(41)	-0.11%	(215)
Total	-0.09%	(175)	-0.02%	(41)	-0.11%	(215)

- 2.4 Is it correct to say that the notional rate impact issues not explained in the listed items (CEC 1.1.2) are composed of volume and revenue related items and the cost of gas offset by changes in the other category?

Response:

Yes, generally speaking, the combined impacts from the reduction in the cost of gas is largely offset by the combined impacts of the increases in volume and revenue related items, O&M, removal provision and CIAC amortization expense.



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Based on the May 4th submission, FEVI has prepared the following table, reconciling the rate impacts explained in CEC IRs 2.2.1 and 2.2.3 to the rate impacts shown in Section 7, Tab 7.1, Schedules 2 and 3. Please refer to the response to CEC IR 2.2.5 for this same analysis based on the July 19th Evidentiary Update.

FEVI-Reconciliation of Revenue Deficiency and Notional Rate Impact	2012 Notional Delivery Rate Impact		2013 Notional Delivery Rate Impact		Total Notional Delivery Rate Impact	
	%	\$ Millions	%	\$ Millions	%	\$ Millions
CEC 1.1.2 FEVI Totals corrected in CEC 2.2.3	-0.52%	(1.0)	8.30%	16.3	7.78%	15.3
Volume/Revenue Related	11.61%	22.6	-0.89%	(1.6)	10.71%	21.1
Cost of Gas Changes ¹	-16.90%	(33.0)	1.18%	2.1	-15.72%	(30.9)
O&M Changes ²	1.21%	2.4	-0.08%	(0.1)	1.14%	2.2
Depreciation & Removal Cost Provision ³	2.44%	4.8	0.07%	0.2	2.51%	4.9
Amortization Expense ⁴	0.88%	1.7	-0.01%	(0.0)	0.87%	1.7
Other ⁵	1.29%	2.5	0.29%	0.6	1.57%	3.1
RRA Section 7, Tab 7.2, Schedule 2 and 3 totals	0.00%	-	8.87%	17.4	8.87%	17.4

¹ GCVA amortization is included in "Other deferrals" in CEC 1.1.2

² O&M Changes exclude O&M applicable to the Customer Care Enhancement Project which is already included in CEC 1.1.2

³ Includes removal cost provision and the associated tax impacts

⁴ CIAC and amortization of RSDA

⁵ Mainly impact of NSP Provision and tax changes

2.5 Please update the listed items and these answers for FortisBC filed evidentiary updates.

Response:

The tables referenced and provided in CEC IRs 2.2.1 through 2.2.4 have been updated below to reflect the July 19th Evidentiary Update.

FEVI	2012 Notional Rate Impact		2013 Notional Rate Impact		Total Notional Rate Impact	
	%	\$ Millions	%	\$ Millions	%	\$ Millions
Volume/Revenue Related	9.06%	17.6	-0.89%	(1.6)	8.16%	16.0
Cost of Gas Changes	-18.07%	(35.1)	5.35%	10.2	-12.72%	(24.9)
O&M Changes	1.51%	2.9	0.04%	0.1	1.54%	3.0
Depreciation & Removal Cost Provision	4.95%	9.6	0.81%	1.7	5.77%	11.3
Amortization Expense	1.05%	2.0	0.16%	0.3	1.21%	2.4
Other	1.34%	2.6	3.47%	6.8	4.81%	9.4



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	2012 Revenue Requirement Impacts (\$thousands)	2012 Notional Delivery Rate Impact %	2013 Cumulative Revenue Requirement Impacts (\$thousands)	2013 Notional Cumulative Delivery Rate Impact %
Vancouver Island				
Customer Care Enhancement Project	\$ 1,601	0.82%	\$ 1,556	0.79%
Fraser River Project	\$ -	0.00%	\$ -	0.00%
Kootenay River Project	\$ -	0.00%	\$ -	0.00%
Tilbury Project	\$ -	0.00%	\$ -	0.00%
Victoria Regional Operations Centre	\$ 518	0.27%	\$ 1,278	0.65%
Mount Hayes LNG Facility	\$ 1,315	0.68%	\$ 1,153	0.59%
Muskwa River Project	\$ -	0.00%	\$ -	0.00%
Regular Capital Expenditures ¹	\$ 5,629	2.90%	\$ 9,892	5.05%
Energy Efficiency and Conservation deferral	\$ (555)	-0.29%	\$ (251)	-0.13%
Other deferrals ²	\$ (11,033)	-5.68%	\$ 403	0.21%
Gas in Storage	\$ (179)	-0.09%	\$ (220)	-0.11%
Total	\$ (2,704)	-1.39%	\$ 13,811	7.06%

¹ Calculation represents change in revenue requirement impacts of "Net Plant in Service, Mid-Year", "Adjustment to 13 month average" and "Work in Progress, No AFUDC" amounts from Section 7, Tab 7.1-7.4, Schedules 39-41 of July 19th Evidentiary Update, excluding the rate base impacts of the projects shown separately in these tables

² Calculation represents change in revenue requirement impacts of "Unamortized Deferred Charges" amounts from Section 7, Tab 7.1-7.4, Schedules 39-41 of July 19th Evidentiary Update, excluding the rate base impact of the EEC deferral, Customer Service deferral and Kootenay River deferral shown separately in these tables

Tables in CEC IR 2.2.3

FEVI-Customer Care Enhancement Project	2012 Notional Delivery Rate Impact		2013 Notional Delivery Rate Impact		Total Notional Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
Cost of Gas Changes	0.00%	-	0.00%	-	0.00%	-
O&M Changes	-0.10%	(201)	0.18%	342	0.07%	141
Depreciation	0.60%	1,156	0.00%	-	0.59%	1,156
Amortization Expense	0.18%	341	0.02%	47	0.20%	388
Other	0.16%	305	-0.22%	(434)	-0.07%	(129)
Total	0.82%	1,601	-0.03%	(45)	0.79%	1,556



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FEVI-Victoria Regional Operations Centre	2012 Notional Delivery Rate Impact		2013 Notional Delivery Rate Impact		Total Notional Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
Cost of Gas Changes	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.12%	236	0.00%	-	0.12%	236
Amortization Expense	0.00%	-	0.00%	-	0.00%	-
Other	0.15%	282	0.39%	760	0.53%	1,043
Total	0.27%	518	0.39%	760	0.65%	1,278

FEVI-Mount Hayes LNG Facility	2012 Notional Delivery Rate Impact		2013 Notional Delivery Rate Impact		Total Notional Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
Cost of Gas Changes	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	-0.02%	(41)	0.00%	-	-0.02%	(41)
Amortization Expense	0.00%	-	0.00%	-	0.00%	-
Other	0.70%	1,355	-0.09%	(162)	0.61%	1,193
Total	0.68%	1,315	-0.09%	(162)	0.59%	1,153

FEVI-Regular Capital Expenditures	2012 Notional Delivery Rate Impact		2013 Notional Delivery Rate Impact		Total Notional Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
Cost of Gas Changes	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	1.80%	3,504	0.75%	1,505	2.56%	5,009
Amortization Expense	0.00%	-	0.00%	-	0.00%	-
Other	1.09%	2,125	1.40%	2,758	2.50%	4,883
Total	2.90%	5,629	2.15%	4,263	5.05%	9,892

FEVI-Energy Efficiency and Conservation deferral	2012 Notional Delivery Rate Impact		2013 Notional Delivery Rate Impact		Total Notional Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
Cost of Gas Changes	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.00%	-	0.00%	-	0.00%	-
Amortization Expense	-0.10%	(188)	0.08%	150	-0.02%	(38)
Other	-0.19%	(367)	0.08%	154	-0.11%	(213)
Total	-0.29%	(555)	0.16%	304	-0.13%	(251)



<p>FortisBC Energy Utilities (comprised of FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc.) (FEVI), FortisBC Energy (Whistler) Inc. (FEW), and FortisBC Energy Inc. Fort Nelson Service Area (Fort Nelson)</p> <p>2012-2013 Revenue Requirements and Natural Gas Rates Application</p>	<p>Submission Date: August 19, 2011</p>
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FEVI-Other deferrals	2012 Notional Delivery Rate Impact		2013 Notional Delivery Rate Impact		Total Notional Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
Cost of Gas Changes	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.00%	-	0.00%	-	0.00%	-
Amortization Expense	-4.10%	(7,957)	4.25%	8,258	0.15%	301
Other	-1.58%	(3,076)	1.64%	3,177	0.05%	101
Total	-5.68%	(11,033)	5.89%	11,436	0.21%	403

FEVI-Gas in Storage	2012 Notional Delivery Rate Impact		2013 Notional Delivery Rate Impact		Total Notional Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
Cost of Gas Changes	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.00%	-	0.00%	-	0.00%	-
Amortization Expense	0.00%	-	0.00%	-	0.00%	-
Other	-0.09%	(179)	-0.02%	(41)	-0.11%	(220)
Total	-0.09%	(179)	-0.02%	(41)	-0.11%	(220)

Table in CEC IR 2.2.4

FEVI-Reconciliation of Revenue Deficiency and Notional Rate Impact	2012 Notional Delivery Rate Impact		2013 Notional Delivery Rate Impact		Total Notional Delivery Rate Impact	
	%	\$ Millions	%	\$ Millions	%	\$ Millions
CEC 1.1.2 FEVI Totals corrected in CEC 2.2.3	-1.39%	(2.7)	8.45%	16.5	7.06%	13.8
Volume/Revenue Related	9.06%	17.6	-0.89%	(1.6)	8.16%	16.0
Cost of Gas Changes ¹	-13.89%	(27.0)	1.17%	2.1	-12.72%	(24.9)
O&M Changes ²	1.61%	3.1	-0.14%	(0.2)	1.47%	2.9
Depreciation & Removal Cost Provision ³	2.45%	4.8	0.07%	0.2	2.52%	4.9
Amortization Expense ⁴	0.89%	1.7	-0.01%	(0.0)	0.88%	1.7
Other ⁵	1.11%	2.2	0.30%	0.6	1.42%	2.8
RRA Section 7, Tab 7.2, Schedule 2 and 3 totals	-0.16%	(0.3)	8.95%	17.5	8.79%	17.2

¹ GCVA amortization is included in "Other deferrals"

² O&M Changes exclude O&M savings applicable to the Customer Care Enhancement Project

³ Includes removal cost provision and the associated tax impacts

⁴ CIAC and amortization of RSDA

⁵ Mainly impact of NSP Provision and tax changes

FortisBC Energy Utilities (comprised of FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc.) (FEVI), FortisBC Energy (Whistler) Inc. (FEW), and FortisBC Energy Inc. Fort Nelson Service Area (Fort Nelson) 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: August 19, 2011
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3. Reference: Exhibit B-8, CEC 1.1.1 and CEC 1.1.2

FEW	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	6.98%	538.3	1.08%	77.0	8.05%	615.3
O&M Changes	0.42%	32.7	0.10%	7.7	0.53%	40.4
Depreciation & Removal Cost Provision	1.87%	144.2	0.33%	24.0	2.20%	168.2
Amortization Expense	-4.96%	(383.0)	7.56%	581.0	2.59%	198.0
Other	-2.07%	(160.0)	2.82%	217.2	0.75%	57.2

Reference: CEC 1.1.1

	2012 Revenue Requirement Impacts (\$thousands)		2012 Delivery Rate Impact %	2013 Cumulative Revenue Requirement Impacts (\$thousands)		2013 Cumulative Delivery Rate Impact %
Whistler						
Customer Care Enhancement Project	\$	84	1.09%	\$	85	1.11%
Fraser River Project	\$	-	0.00%	\$	-	0.00%
Kootenay River Project	\$	-	0.00%	\$	-	0.00%
Tilbury Project	\$	-	0.00%	\$	-	0.00%
Victoria Regional Operations Centre	\$	-	0.00%	\$	-	0.00%
Mount Hayes LNG Facility	\$	-	0.00%	\$	-	0.00%
Muskwa River Project	\$	-	0.00%	\$	-	0.00%
Regular Capital Expenditures ¹	\$	(6)	-0.08%	\$	53	0.69%
Energy Efficiency and Conservation deferral	\$	6	0.08%	\$	38	0.50%
Other deferrals ²	\$	(833)	-10.80%	\$	(136)	-1.78%
Gas in Storage	\$	(4)	-0.05%	\$	(4)	-0.05%
Total	\$	(754)	-9.77%	\$	36	0.47%

Reference: CEC 1.1.2

- 3.1 Is it correct to say that of the 14.12% total rate impact for Whistler the listed items explain only .47% of the total impact?

Response:

Yes, it is correct that of the cumulative revenue requirements increase over the two-year period of 14.12%, approximately 0.35% (based on the revised table from CEC 1.1.2 included in response to CEC IR 2.3.2) is explained by the items listed in the response to CEC IR 1.1.2.

Please refer to the response to CEC IR 2.3.5 for the calculation of the updated revenue requirements impact of (1.67)% for the listed items, as compared to the 11.57% cumulative rate increase sought in the Evidentiary Update filed July 19, 2011.

FortisBC Energy Utilities (comprised of FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc.) (FEVI), FortisBC Energy (Whistler) Inc. (FEW), and FortisBC Energy Inc. Fort Nelson Service Area (Fort Nelson) 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: August 19, 2011
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- 3.2 Please provide the breakdown of the listed items (CEC 1.1.2) rate impacts by category to match the format in the answer to CEC 1.1.1.

Response:

The FEU have identified an error in the initial tables provided in response to CEC IR 1.1.2 affecting the "other deferrals" line. In the response to CEC IR 1.1.2, the other deferrals row inadvertently double counted the impact of the Customer Care deferral account, the impacts of which were embedded in the respective project row. Please find the corrected FEW table pertaining to CEC IR 1.1.2 below.

	2012 Revenue Requirement Impacts (\$thousands)	2012 Delivery Rate Impact %	2013 Cumulative Revenue Requirement Impacts (\$thousands)	2013 Cumulative Delivery Rate Impact %
Whistler				
Customer Care Enhancement Project	\$ 84	1.09%	\$ 85	1.11%
Fraser River Project	\$ -	0.00%	\$ -	0.00%
Kootenay River Project	\$ -	0.00%	\$ -	0.00%
Tilbury Project	\$ -	0.00%	\$ -	0.00%
Victoria Regional Operations Centre	\$ -	0.00%	\$ -	0.00%
Mount Hayes LNG Facility	\$ -	0.00%	\$ -	0.00%
Muskwa River Project	\$ -	0.00%	\$ -	0.00%
Regular Capital Expenditures ¹	\$ (6)	-0.08%	\$ 53	0.69%
Energy Efficiency and Conservation deferral	\$ 6	0.08%	\$ 38	0.50%
Other deferrals ²	\$ (837)	-10.85%	\$ (145)	-1.90%
Gas in Storage	\$ (4)	-0.05%	\$ (4)	-0.05%
Total	\$ (758)	-9.82%	\$ 26	0.35%

¹ Calculation represents change in revenue requirement impacts of "Net Plant in Service, Mid-Year", "Adjustment to 13 month average" and "Work in Progress, No AFUDC" amounts from Section 7, Tab 7.1-7.4, Schedules 39-41 of 2012/2013 RRA, excluding the rate base impacts of the projects shown separately in these tables

² Calculation represents change in revenue requirement impacts of "Unamortized Deferred Charges" amounts from Section 7, Tab 7.1-7.4, Schedules 39-41 of 2012/2013 RRA, excluding the rate base impact of the EEC deferral, Customer Service deferral and Kootenay River deferral shown separately in these tables

Please find tables below for each of the rows from the revised response to CEC IR 1.1.2 table applicable to FEW and broken out into the categories identified in the response to CEC IR 1.1.1. Please note that this response is based on the Application filed on May 4, 2011. Please refer



<p>FortisBC Energy Utilities (comprised of FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc.) (FEVI), FortisBC Energy (Whistler) Inc. (FEW), and FortisBC Energy Inc. Fort Nelson Service Area (Fort Nelson) 2012-2013 Revenue Requirements and Natural Gas Rates Application</p>	<p>Submission Date: August 19, 2011</p>
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to the response to CEC IR 2.3.5 for tables that reflect the Evidentiary Update filed on July 19, 2011.

FEW-Customer Care Enhancement Project	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	-0.13%	(10)	0.10%	8	-0.03%	(2)
Depreciation	0.44%	34	0.00%	-	0.45%	34
Amortization Expense	0.40%	31	0.06%	5	0.47%	36
Other	0.37%	29	-0.15%	(12)	0.22%	17
Total	1.09%	84	0.02%	1	1.11%	85

FEW-Regular Capital Expenditures	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	-0.88%	(68)	0.27%	21	-0.61%	(46)
Amortization Expense	0.00%	-	0.00%	-	0.00%	-
Other	0.79%	61	0.50%	38	1.29%	99
Total	-0.08%	(6)	0.77%	59	0.69%	53

FEW-Energy Efficiency and Conservation deferral	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.00%	-	0.00%	-	0.00%	-
Amortization Expense	0.00%	-	0.20%	15	0.20%	15
Other	0.08%	6	0.22%	17	0.30%	23
Total	0.08%	6	0.42%	32	0.50%	38

FEW-Other deferrals	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.00%	-	0.00%	-	0.00%	-
Amortization Expense	-5.30%	(409)	7.30%	561	1.99%	152
Other	-5.55%	(428)	1.65%	130	-3.90%	(298)
Total	-10.85%	(837)	8.95%	692	-1.90%	(145)

FEW-Gas in Storage	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.00%	-	0.00%	-	0.00%	-
Amortization Expense	0.00%	-	0.00%	-	0.00%	-
Other	-0.05%	(4)	0.00%	0	-0.05%	(4)
Total	-0.05%	(4)	0.00%	0	-0.05%	(4)

FortisBC Energy Utilities (comprised of FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc.) (FEVI), FortisBC Energy (Whistler) Inc. (FEW), and FortisBC Energy Inc. Fort Nelson Service Area (Fort Nelson) 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: August 19, 2011
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- 3.3 Is it correct to say that of the 14.12% total rate impact for Whistler that the volume and revenue impacts account for 8.05%, leaving 5.60% not explained by the listed items?

Response:

Yes. Please refer to the response to CEC IR 2.3.4 for a table which reconciles the rate impacts.

- 3.4 Please provide a list of the major items giving rise to the 5.6% not explained and a quantitative analysis of the impacts.

Response:

FEW has prepared the following table reconciling the rate impacts explained in the response to CEC IR 1.1.2 to the rate impacts shown in Section 7, Tab 7.3, Schedules 2 and 3, identifying that the major items giving rise to the 5.6% are increases in depreciation expense and removal provision as well as increases related to tax expense.

Please refer to the response to CEC IR 2.3.5 for this same analysis reflecting the July 19th Evidentiary Update.

FEW-Reconciliation of Revenue Deficiency and Rate Impact	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
CEC 1.1.2 FEW Totals corrected in CEC 2.3.2	-9.82%	(758)	10.16%	784	0.34%	26
Volume/Revenue Related	6.98%	538	1.08%	77	8.05%	615
O&M Changes ¹	0.55%	43	0.00%	(0)	0.56%	42
Depreciation & Removal Cost Provision ²	2.30%	178	0.06%	3	2.36%	180
Amortization Expense ³	-0.06%	(5)	0.00%	-	-0.07%	(5)
Other ⁴	2.28%	176	0.59%	44	2.87%	220
RRA Section 7, Tab 7.3, Schedule 2 and 3 totals	2.23%	172	11.89%	907	14.12%	1,079

¹ O&M Changes exclude O&M savings applicable to the Customer Care Enhancement Project which is already included in CEC 1.1.2

² Includes removal cost provision and the associated tax impacts

³ CIAC

⁴ Mainly impact of Transportation costs and tax changes

FortisBC Energy Utilities (comprised of FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc.) (FEVI), FortisBC Energy (Whistler) Inc. (FEW), and FortisBC Energy Inc. Fort Nelson Service Area (Fort Nelson) 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: August 19, 2011
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3.5 Please update the listed items and these answers for FortisBC filed evidentiary updates.

Response:

The tables referenced and provided in the responses to CEC IRs 2.3.1 through 2.3.4 have been updated below to reflect the July 19th Evidentiary Update.

FEW	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	6.98%	538.3	1.09%	78.0	8.07%	616.3
O&M Changes	0.40%	31.0	0.10%	7.7	0.51%	38.6
Depreciation & Removal Cost Provision	1.87%	144.2	0.33%	24.0	2.20%	168.2
Amortization Expense	-2.02%	(156.0)	3.27%	251.0	1.24%	95.0
Other	-2.21%	(170.9)	1.77%	137.0	-0.44%	(33.9)

	2012 Revenue Requirement Impacts (\$thousands)	2012 Delivery Rate Impact %	2013 Cumulative Revenue Requirement Impacts (\$thousands)	2013 Cumulative Delivery Rate Impact %
Whistler				
Customer Care Enhancement Project	\$ 86	1.12%	\$ 87	1.14%
Fraser River Project	\$ -	0.00%	\$ -	0.00%
Kootenay River Project	\$ -	0.00%	\$ -	0.00%
Tilbury Project	\$ -	0.00%	\$ -	0.00%
Victoria Regional Operations Centre	\$ -	0.00%	\$ -	0.00%
Mount Hayes LNG Facility	\$ -	0.00%	\$ -	0.00%
Muskwa River Project	\$ -	0.00%	\$ -	0.00%
Regular Capital Expenditures ¹	\$ (11)	-0.14%	\$ 51	0.67%
Energy Efficiency and Conservation deferral	\$ 6	0.08%	\$ 38	0.50%
Other deferrals ²	\$ (553)	-7.17%	\$ (301)	-3.94%
Gas in Storage	\$ (4)	-0.05%	\$ (4)	-0.05%
Total	\$ (475)	-6.16%	\$ (128)	-1.67%

¹ Calculation represents change in revenue requirement impacts of "Net Plant in Service, Mid-Year", "Adjustment to 13 month average" and "Work in Progress, No AFUDC" amounts from Section 7, Tab 7.1-7.4, Schedules 39-41 of July 19th Evidentiary Update, excluding the rate base impacts of the projects shown separately in these tables

² Calculation represents change in revenue requirement impacts of "Unamortized Deferred Charges" amounts from Section 7, Tab 7.1-7.4, Schedules 39-41 of July 19th Evidentiary Update, excluding the rate base impact of the EEC deferral, Customer Service deferral and Kootenay River deferral shown separately in these tables

Tables in CEC IR 2.3.2

FEW-Customer Care Enhancement Project	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	-0.13%	(10)	0.10%	8	-0.03%	(2)
Depreciation	0.44%	34	0.00%	-	0.45%	34
Amortization Expense	0.42%	32	0.06%	5	0.48%	37
Other	0.39%	30	-0.15%	(12)	0.24%	18
Total	1.12%	86	0.02%	1	1.14%	87

FEW-Regular Capital Expenditures	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	-0.88%	(68)	0.27%	21	-0.61%	(46)
Amortization Expense	0.00%	-	0.00%	-	0.00%	-
Other	0.74%	57	0.54%	40	1.28%	97
Total	-0.14%	(11)	0.81%	62	0.67%	51

FEW-Energy Efficiency and Conservation deferral	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.00%	-	0.00%	-	0.00%	-
Amortization Expense	0.00%	-	0.20%	15	0.20%	15
Other	0.08%	6	0.22%	17	0.30%	23
Total	0.08%	6	0.42%	32	0.50%	38

FEW-Other deferrals	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.00%	-	0.00%	-	0.00%	-
Amortization Expense	-2.38%	(183)	3.00%	231	0.63%	48
Other	-4.79%	(370)	0.23%	21	-4.56%	(349)
Total	-7.17%	(553)	3.23%	253	-3.94%	(301)

FEW-Gas in Storage	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.00%	-	0.00%	-	0.00%	-
Amortization Expense	0.00%	-	0.00%	-	0.00%	-
Other	-0.05%	(4)	0.01%	1	-0.05%	(4)
Total	-0.05%	(4)	0.01%	1	-0.05%	(4)



<p>FortisBC Energy Utilities (comprised of FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc.) (FEVI), FortisBC Energy (Whistler) Inc. (FEW), and FortisBC Energy Inc. Fort Nelson Service Area (Fort Nelson)</p> <p>2012-2013 Revenue Requirements and Natural Gas Rates Application</p>	<p>Submission Date: August 19, 2011</p>
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Table in CEC IR 2.3.4

FEW-Reconciliation of Revenue Deficiency and Rate Impact	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
CEC 1.1.2 FEW Totals corrected in CEC 2.3.2	-6.16%	(475)	4.49%	348	-1.67%	(128)
Volume/Revenue Related	6.98%	538	1.09%	78	8.07%	616
O&M Changes ¹	0.53%	41	0.00%	(0)	0.53%	41
Depreciation & Removal Cost Provision ²	2.30%	177	0.06%	3	2.36%	180
Amortization Expense ³	-0.06%	(5)	0.00%	-	-0.07%	(5)
Other ⁴	1.43%	110	0.92%	70	2.35%	180
RRA Section 7, Tab 7.3, Schedule 2 and 3 totals	5.01%	387	6.57%	498	11.57%	884

¹ O&M Changes exclude O&M savings applicable to the Customer Care Enhancement Project

² Includes removal cost provision and the associated tax impacts

³ CIAC

⁴ Mainly impact of Transportation costs and tax changes

4. Reference: Exhibit B-8, CEC 1.1.1 and CEC 1.1.2

Fort Nelson	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	-4.05%	(76.0)	-1.36%	(27.0)	-5.42%	(103.0)
O&M Changes	2.47%	46.3	1.37%	26.8	3.84%	73.0
Depreciation & Removal Cost Provision	2.68%	50.3	0.66%	13.3	3.35%	63.6
Amortization Expense	-1.99%	(37.4)	-	-	-1.97%	(37.4)
Other	7.44%	139.4	0.93%	19.7	8.37%	159.1

Reference: CEC 1.1.1

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	2012 Revenue Requirement Impacts (\$thousands)	2012 Delivery Rate Impact %	2013 Cumulative Revenue Requirement (\$thousands)	2013 Cumulative Delivery Rate Impact %
Fort Nelson				
Customer Care Enhancement Project	\$ -	0.00%	\$ -	0.00%
Fraser River Project	\$ -	0.00%	\$ -	0.00%
Kootenay River Project	\$ -	0.00%	\$ -	0.00%
Tilbury Project	\$ -	0.00%	\$ -	0.00%
Victoria Regional Operations Centre	\$ -	0.00%	\$ -	0.00%
Mount Hayes LNG Facility	\$ -	0.00%	\$ -	0.00%
Muskwa River Project	\$ 158	8.44%	\$ 165	8.68%
Regular Capital Expenditures ¹	\$ 57	3.03%	\$ 74	3.92%
Energy Efficiency and Conservation deferral	\$ -	0.00%	\$ -	0.00%
Other deferrals ²	\$ (99)	-5.28%	\$ (96)	-5.07%
Gas in Storage	\$ -	0.00%	\$ -	0.00%
Total	\$ 116	6.19%	\$ 143	7.52%

Reference: CEC 1.1.2

- 4.1 Is it correct to say that of the 8.17% rate impact over the 2 year period for Fort Nelson that the listed items (CEC 1.1.2) explain 7.52% of the rate impact?

Response:

Yes, it is correct that the listed items in the response to CEC IR 1.1.2 explain a large portion of the total cumulative revenue requirements increase over the two-year period. Of the cumulative revenue requirements increase over the two-year period of 8.17%, approximately 7.52% (92%) is explained by the items listed in the response to CEC IR 1.1.2.

Of the 7.52% explained by the items listed in CEC IR 1.1.2, the regular capital expenditures and some of the other deferrals were not subject to prior regulatory approval.

Please refer to the response to CEC IR 2.4.5 for the calculation of the updated revenue requirements impact of 7.15% for the listed items from CEC 1.1.2, as compared to the 7.84% cumulative rate increase sought in the Evidentiary Update filed July 19, 2011.

- 4.2 Please provide the breakdown of the listed items (CEC 1.1.2) rate impacts by category to match the format in the answer to CEC 1.1.1.

FortisBC Energy Utilities (comprised of FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc.) (FEVI), FortisBC Energy (Whistler) Inc. (FEW), and FortisBC Energy Inc. Fort Nelson Service Area (Fort Nelson) 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: August 19, 2011
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Response:

Please find tables below for each of the rows from the response to CEC IR 1.1.2 table applicable to Fort Nelson and broken out into the categories identified in the response to CEC IR 1.1.1. Please note that this response is based on the Application filed on May 4, 2011. Please refer to the response to CEC IR 2.4.5 for tables that reflect the Evidentiary Update filed on July 19, 2011.

FN-Muskwa River Project	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.02%	0	0.00%	-	0.02%	0
Amortization Expense	0.00%	-	0.00%	-	0.00%	-
Other	8.42%	158	0.24%	7	8.66%	165
Total	8.44%	158	0.24%	7	8.68%	165

FN-Regular Capital Expenditures	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	2.97%	56	0.66%	13	3.63%	69
Amortization Expense	0.00%	-	0.00%	-	0.00%	-
Other	0.06%	1	0.22%	4	0.29%	5
Total	3.03%	57	0.88%	18	3.92%	74

FN-Other deferrals	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.00%	-	0.00%	-	0.00%	-
Amortization Expense	-3.52%	(66)	0.05%	-	-3.47%	(66)
Other	-1.76%	(33)	0.16%	3	-1.60%	(30)
Total	-5.28%	(99)	0.21%	3	-5.07%	(96)

- 4.3 Is it correct to say that of the balance of the rate impact not explained by the listed items is accounted for by volume and revenue related items offset by O&M and other tax items?

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Response:

Yes. Based on the May 4th submission, Fort Nelson has prepared the following table reconciling the rate impacts explained in the response to CEC IR 1.1.2 to the rate impacts shown in Section 7, Tab 7.4, Schedules 2 and 3. Please note that due to rounding in the response to CEC IR 1.1.1, the total delivery rate impacts vary slightly from those shown in Schedules 2 and 3 of the RRA. Please refer to the response to CEC IR 2.4.5 for this same analysis reflecting the July 19th Evidentiary Update.

FN-Reconciliation of Revenue Deficiency and Rate Impact	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
CEC 1.1.2 FN Totals	6.19%	116	1.33%	27	7.52%	143
Volume/Revenue Related	-4.06%	(76)	-1.36%	(27)	-5.42%	(103)
O&M Changes	2.45%	46	1.39%	27	3.84%	73
Depreciation ¹	-0.32%	(6)	0.01%	0	-0.31%	(6)
Amortization Expense ²	1.53%	29	-0.03%	(0)	1.50%	29
Other ³	0.72%	13	0.30%	6	1.02%	19
RRA Section 7, Tab 7.4, Schedule 2 and 3 totals	6.51%	122	1.64%	33	8.15%	155

¹ Mainly change in depreciation rates

² CIAC

³ Mainly impact of property tax and tax changes

- 4.4 Please provide a quantitative analysis of the other items unexplained by the listed items (CEC 1.1.2) using the same categories as use in answering CEC 1.1.1.

Response:

Please refer to CEC IR 2.4.3.

- 4.5 Please update the listed items and these answers for FortisBC filed evidentiary updates.

Response:

The tables referenced and provided in the responses to CEC IRs 2.4.1 through 2.4.4 have been updated below for the July 19th Evidentiary Update. Please note the first table provided in this

FortisBC Energy Utilities (comprised of FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc.) (FEVI), FortisBC Energy (Whistler) Inc. (FEW), and FortisBC Energy Inc. Fort Nelson Service Area (Fort Nelson) 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: August 19, 2011
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response ties to Section 7, Tab 7.4, Schedule 1 of the Evidentiary Update while the last table in this response ties to Section 7, Tab 7.4, Schedules 2 and 3 of the Evidentiary Update and there are small rounding differences between the two schedules.

Fort Nelson	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	-4.05%	(76.0)	-1.31%	(26.0)	-5.36%	(102.0)
O&M Changes	2.47%	46.3	1.37%	26.8	3.84%	73.0
Depreciation & Removal Cost Provision	1.19%	22.3	2.37%	45.3	3.56%	67.6
Amortization Expense	-8.45%	(158.4)	0.0	87.0	-3.76%	(71.4)
Other	1.09%	20.4	8.50%	161.9	9.59%	182.3

	2012 Revenue Requirement Impacts (\$thousands)	2012 Delivery Rate Impact %	2013 Cumulative Revenue Requirement (\$thousands)	2013 Cumulative Delivery Rate Impact %
Fort Nelson				
Customer Care Enhancement Project	\$ -	0.00%	\$ -	0.00%
Fraser River Project	\$ -	0.00%	\$ -	0.00%
Kootenay River Project	\$ -	0.00%	\$ -	0.00%
Tilbury Project	\$ -	0.00%	\$ -	0.00%
Victoria Regional Operations Centre	\$ -	0.00%	\$ -	0.00%
Mount Hayes LNG Facility	\$ -	0.00%	\$ -	0.00%
Muskwa River Project	\$ (49)	-2.59%	\$ 164	8.62%
Regular Capital Expenditures ¹	\$ 4	0.23%	\$ 61	3.20%
Energy Efficiency and Conservation deferral	\$ -	0.00%	\$ -	0.00%
Other deferrals ²	\$ (95)	-5.08%	\$ (89)	-4.67%
Gas in Storage	\$ -	0.00%	\$ -	0.00%
Total	\$ (139)	-7.44%	\$ 136	7.15%

¹ Calculation represents change in revenue requirement impacts of "Net Plant in Service, Mid-Year", "Adjustment to 13 month average" and "Work in Progress, No AFUDC" amounts from Section 7, Tab 7.1-7.4, Schedules 39-41 of July 19th Evidentiary Update, excluding the rate base impacts of the projects shown separately in these tables

² Calculation represents change in revenue requirement impacts of "Unamortized Deferred Charges" amounts from Section 7, Tab 7.1-7.4, Schedules 39-41 of July 19th Evidentiary Update, excluding the rate base impact of the EEC deferral, Customer Service deferral and Kootenay River deferral shown separately in these tables

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Tables in CEC IR 2.4.2

FN-Muskwa River Project	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.12%	2	0.00%	-	0.12%	2
Amortization Expense	-4.64%	(87)	4.64%	87	0.00%	-
Other	1.93%	36	6.58%	126	8.51%	162
Total	-2.59%	(49)	11.22%	213	8.62%	164

FN-Regular Capital Expenditures	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	1.37%	26	2.37%	45	3.74%	71
Amortization Expense	0.00%	-	0.00%	-	0.00%	-
Other	-1.14%	(21)	0.60%	11	-0.54%	(10)
Total	0.23%	4	2.96%	56	3.20%	61

FN-Other deferrals	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
Volume/Revenue Related	0.00%	-	0.00%	-	0.00%	-
O&M Changes	0.00%	-	0.00%	-	0.00%	-
Depreciation	0.00%	-	0.00%	-	0.00%	-
Amortization Expense	-3.52%	(66)	0.05%	-	-3.47%	(66)
Other	-1.56%	(29)	0.36%	6	-1.20%	(23)
Total	-5.08%	(95)	0.41%	6	-4.67%	(89)

Table in CEC IR 2.4.3

FN-Reconciliation of Revenue Deficiency and Rate Impact	2012 Delivery Rate Impact		2013 Delivery Rate Impact		Total Delivery Rate Impact	
	%	\$ Thousands	%	\$ Thousands	%	\$ Thousands
CEC 1.1.2 FN Totals	-7.44%	(139)	14.59%	275	7.15%	136
Volume/Revenue Related	-4.06%	(76)	-1.31%	(26)	-5.37%	(102)
O&M Changes	2.47%	46	1.35%	26	3.82%	73
Depreciation ¹	-0.31%	(6)	0.00%	(0)	-0.31%	(6)
Amortization Expense ²	-0.29%	(5)	0.00%	-	-0.28%	(5)
Other ³	1.84%	34	0.99%	19	2.82%	54
RRA Section 7, Tab 7.4, Schedule 2 and 3 totals	-7.79%	(146)	15.63%	295	7.84%	149

¹ Change in depreciation rates

² CIAC

³ Mainly impact of financing changes and property tax changes

<p>FortisBC Energy Utilities (comprised of FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc.) (FEVI), FortisBC Energy (Whistler) Inc. (FEW), and FortisBC Energy Inc. Fort Nelson Service Area (Fort Nelson)</p> <p>2012-2013 Revenue Requirements and Natural Gas Rates Application</p>	<p>Submission Date: August 19, 2011</p>
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5. Reference: Exhibit B-1, CEC 1.1.3

	2012 Revenue Requirement Impacts (\$thousands)	2012 Delivery Rate Impact %	2013 Cumulative Revenue Requirement Impacts (\$thousands)	2013 Cumulative Delivery Rate Impact %
Mainland				
Labour Inflation and Benefits	\$ 2,033	0.35%	\$ 5,807	1.01%
Code and Regulations	\$ 1,738	0.30%	\$ 2,507	0.43%
Customer & Stakeholder Expectations	\$ 839	0.15%	\$ 4,322	0.75%
Demographics	\$ 374	0.07%	\$ 598	0.10%
Service Standards & Reliability	\$ 5,100	0.89%	\$ 9,203	1.60%
2011 HST Savings	\$ (645)	-0.11%	\$ (645)	-0.11%
Total	\$ 9,439	1.64%	\$ 21,792	3.78%

	2012 Revenue Requirement Impacts (\$thousands)	2012 Notional Delivery Rate Impact %	2013 Cumulative Revenue Requirement Impacts (\$thousands)	Cumulative Delivery Rate Impact %
Vancouver Island				
Labour Inflation and Benefits	\$ (497)	-0.25%	\$ (353)	-0.18%
Code and Regulations	\$ 58	0.03%	\$ 143	0.07%
Customer & Stakeholder Expectations	\$ (88)	-0.05%	\$ 254	0.13%
Demographics	\$ -	0.00%	\$ -	0.00%
Service Standards & Reliability	\$ 3,147	1.61%	\$ 2,822	1.44%
2011 HST Savings	\$ (85)	-0.04%	\$ (85)	-0.04%
Total	\$ 2,535	1.30%	\$ 2,781	1.41%

	2012 Revenue Requirement Impacts (\$thousands)	2012 Delivery Rate Impact %	2013 Cumulative Revenue Requirement Impacts (\$thousands)	2013 Cumulative Delivery Rate Impact %
Whistler				
Labour Inflation and Benefits	\$ 21	0.27%	\$ 27	0.35%
Code and Regulations	\$ -	0.00%	\$ -	0.00%
Customer & Stakeholder Expectations	\$ (10)	-0.13%	\$ (2)	-0.03%
Demographics	\$ -	0.00%	\$ -	0.00%
Service Standards & Reliability	\$ 29	0.38%	\$ 23	0.30%
2011 HST Savings	\$ (1)	-0.01%	\$ (1)	-0.01%
Total	\$ 39	0.51%	\$ 47	0.62%

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	2012 Revenue Requirement Impacts (\$thousands)	2012 Delivery Rate Impact %	2013 Cumulative Revenue Requirement Impacts (\$thousands)	2013 Cumulative Delivery Rate Impact %
Fort Nelson				
Labour Inflation and Benefits	\$ -	0.00%	\$ -	0.00%
Code and Regulations	\$ -	0.00%	\$ -	0.00%
Customer & Stakeholder Expectations	\$ (136)	-7.26%	\$ (136)	-7.15%
Demographics	\$ -	0.00%	\$ -	0.00%
Service Standards & Reliability	\$ 189	10.09%	\$ 220	11.57%
2011 HST Savings	\$ -	0.00%	\$ -	0.00%
Total	\$ 53	2.83%	\$ 84	4.42%

- 5.1 Why are the labour and inflation impacts for the Mainland, Vancouver Island, Whistler and Ft. Nelson so different and would this be so under an integrated and amalgamated operation?

Response:

This response will address the responses to CEC IRs 2.5.1 through 2.5.4.

First, the delivery rate impacts of the various O&M cost drivers as displayed in the tables in the preamble are different between the FEU companies because of the relative impacts of O&M as compared to other cost of service items, the volumes over which the rates are determined, and the existing rates themselves. For these reasons, it is not meaningful to analyze O&M changes within the utilities by comparing the resulting rate impacts.

Second, comparing O&M cost drivers across the utilities is further complicated by the fact that FEI is a service provider to the remaining three utilities. The shared service fee charged by FEI makes up the majority of the annual O&M increase for each of the other utilities. Since changes in the shared service fees and recoveries are shown under the Service Standards and Reliability cost driver, the impact of this cost driver will be higher for any utility other than FEI. For example, cost increases in FEI may be classified under the Labour Inflation and Benefits cost driver and these costs will be shared with FEVI; however, FEVI would classify the entire amount of the allocated Shared Services increase related to the labour inflation and benefits under the category of Service Standards and Reliability.

For the two reasons above, it is more meaningful to compare the percentage increases in O&M for 2012 and 2013 to the 2011 base year across the utilities.

Based on the information provided in the July 19th Evidentiary Update (Exhibit B-11), aggregate O&M increases for the 2012-2013 forecast period compared to 2011 are as follows:

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FEI	12.4%
FEVI	10.8%
FEW	5.2%
Fort Nelson	10.1%

The common overall increase that is consistent across all Companies is approximately 10%, after accounting for adjustments unique to each utility as discussed below:

- FEI: O&M costs are forecast to increase approximately 2.4% due to the adoption of US GAAP for pension and OPEB costs. Since this increase is only applicable to the 'past service' component of Pension and OPEBs, it is not subject to the Shared Service Agreement, and consequently is confined to FEI.
- FEVI: Similar to FEI, O&M costs are forecast to increase approximately 2.4% due to the adoption of US GAAP for pension and OPEB costs. However, this is partly offset in FEVI by a reduction in the actuarial estimates for Pension and OPEBs, impacting O&M by approximately 1.8%.
- FEW: Primarily due to post-conversion system stability, a reduction in management costs is forecast to reduce O&M by 5.2%.

Under an integrated and amalgamated operation, the shared service fee would no longer be charged to FEVI, FEW or Fort Nelson. Instead there would be one amalgamated cost of service and the total O&M would be the sum of each individual utility's O&M, and the amalgamated analysis by cost driver for the amalgamated utility would be much closer to that shown for FEI. Furthermore, assuming that there are no differences in delivery rates (postage stamp rates) between the FEU regions, there would be identical impacts of O&M cost drivers on delivery rates for all of the FEU regions.

- 5.2 Why are the codes and regulations impacts for the Mainland, Vancouver Island, Whistler and Ft. Nelson so different and would this be so under an integrated and amalgamated operation?

FortisBC Energy Utilities (comprised of FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc.) (FEVI), FortisBC Energy (Whistler) Inc. (FEW), and FortisBC Energy Inc. Fort Nelson Service Area (Fort Nelson) 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: August 19, 2011
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Response:

Please see the response to CEC IR 2.5.1.

- 5.3 Why are the Customer and Stakeholder Expectation impacts for the Mainland, Vancouver Island, Whistler and Ft. Nelson so different and would this be so under an integrated and amalgamated operation?

Response:

Please see the response to CEC IR 2.5.1.

- 5.4 Why are the Service Standards and Reliability impacts for the Mainland, Vancouver Island, Whistler and Ft. Nelson so different and would this be so under an integrated and amalgamated operation?

Response:

Please see the response to CEC IR 2.5.1.

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6. Reference: Exhibit B-8, CEC 1.1.8

Summary of Rate Change, \$ Millions Alternate View

	Mainland			Reference
	2012	2013	Total	
Approval in 2012/13 RRA				
Net O&M Changes	8.1	10.6	18.7	Schedule 1
Regular Capital Expenditures	0.7	13.9	14.6	CEC IR 1.1.2
Depreciation Rate & Removal Cost Provision Changes	12.7	0.8	13.5	Schedule 1
	21.4	25.3	46.7	
Significant Regulatory Process or Approval Received				
CPCN and Major Projects	17.2	(0.6)	16.6	CEC IR 1.1.2
EEC Deferral Account	(0.7)	2.8	2.0	CEC IR 1.1.2
Other Deferral Accounts	17.7	14.6	32.2	CEC IR 1.1.2
	34.1	16.8	50.9	
Other				
Volume and Revenue	(7.3)	(3.4)	(10.7)	Schedule 1
Property Taxes and Other	0.1	3.5	3.6	Schedule 1
Financing Rate Changes	(4.4)	1.1	(3.3)	Schedule 1
Income Tax Changes	(14.9)	(6.5)	(21.4)	*
	(26.5)	(5.3)	(31.8)	
Total Revenue Deficiency	29.0	36.8	65.8	

*Income tax impacts embedded in "Approval in 2012/13 RRA" and "Significant Regulatory Process or Approval Received"; therefore, notional remaining income tax expense changes not captured in other line items

- 6.1 For the items above the "Other" category please explain whether the revenue requirements are driven by estimates of what will happen to an exogenous variable in the future 2012 and 2013 periods, and please explain what happens to ratepayer impacts in the event the estimates are over or under actuals in the future.

Response:

Although the Companies may not characterize them as exogenous factors, in some cases the items above the "Other" category use general economic assumptions such as CPI, tax rates and interest rates as a component of the forecast. The FEU have deferral account mechanisms in place to account for variances between forecast and actual tax and interest rates.

The rates customers pay for the next two years will have already been set so any variances between actuals and estimates (excluding deferral account items) will be borne by the shareholder over the term of the revenue requirements application. In the case of deferral accounts, as discussed in the response to BCUC IR 1.6.1, the forecast balances of deferral accounts are initially included in the determination of rates. As actual deferred costs or deferred revenues are incurred, the deferrals reflect actual balances and these are the amounts that are ultimately included in rate base and recovered in rates once they are known.

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- 6.2 For the items under the "Approval in 2012/2013" category would it be correct to say that these items are estimates of what management expects to be outcomes of its decisions over the 2012 and 2013 periods, and please explain what happens to ratepayer impacts in the event the estimates are over or under the actuals in the future.

Response:

The items under the "Approval in 2012/2013" category are based on management decisions about the appropriate level of O&M and capital spending required during the test period to continue to maintain safety and reliability as our top priority. As shown in Table 5.3-6 of the 2012/2013 Revenue Requirements Application (Exhibit B-1), the majority of the incremental O&M required is to maintain service standards and reliability. As well, as shown in Table 6.2-1 of the Application, the majority of the capital growth relates to system integrity and reliability of the transmission and distribution system.

Please refer to the response to CEC IR 2.6.1 for an explanation of the impact to ratepayers in the event the estimates are over or under the actual in the future.

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7. Reference: Exhibit B-8, CEC 1.9.2

In addition to inflation, several of the requested items in 2012 and 2013 have been budgeted as non-internal labour (contractors, consultants, materials). In 2012 and 2013, these include NGV and bio-methane operating and maintenance, battery upgrades (partially materials, partially internal labour), bridge crossing repairs, IT licensing costs, system sustainment assessments and vehicle and non-labour inflation. All other things being equal, the inclusion of these incremental non-internal labour items in the Application, without a corresponding internal O&M headcount, increase the Distribution O&M per Employee ratio.

- 7.1 Is the NGV, bio-methane operation and maintenance intended to continue to be run with contractors and consultants or will FEI be staffing for these services at some point in the future.

Response:

The decision to operate and maintain NGV and biomethane assets using contractors or company personnel depends on many factors including: location and size of asset, skill set requirements, availability of company personnel, contractor versus company personnel costs, etc.

For example, the production part of the Catalyst biomethane plant in Abbotsford is owned and operated by the supplier while the quality control, odourization and pressure regulation are operated by the FEU's employees. The FEU have the skilled personnel to economically complete this work. On the other hand, the FEU intend to maintain and operate the upgrading equipment at Salmon Arm using contractors for the first year at a minimum. Following that, the FEU may elect to operate and maintain that equipment using FEU employees or contract out all or a portion of future operation and maintenance activities. The pressure regulating equipment, odourization and quality control will be operated by FEU personnel. As more biomethane plants are brought on line each will be examined to determine the best operating model and what is the appropriate mix of contractor to employee.

NGV fuelling facilities, including Waste Management in Coquitlam, and the FEU sites in Surrey and Burnaby, and the soon to be activated LNG facility in Abbotsford for Vedder Transport, are maintained by contractors under FEU oversight.

Whether biomethane or NGV, as each site is brought on line it will be examined to determine the appropriate operating model. If it is decided that it is more efficient or economical to develop the required skills to operate and maintain these new facilities by FEU personnel, that model will be implemented. However, given the current limited number of sites and their geographic

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spread, it is more efficient to use specialized contractors to operate and maintain most aspects of the facilities.

- 7.2 Please identify quantitatively which of the non-internal labour costs have changed significantly from prior years to create the O&M rate impacts.

Response:

Referring to the response to CEC IR 1.9.2 and Table 5.3-17 (page 171 of Exhibit B-1), the incremental **Mainland** Distribution costs for 2012 are forecast to be approximately \$4.5 million higher than projected costs in 2011 and \$3.4 million higher in 2013 compared to 2012. Several of the requested items in 2012 and 2013 have been budgeted as non-internal labour items which contribute to the increase in the Distribution O&M per Employee ratio.

These items are listed below for each year:

2012 (\$000s):

- \$1,000 Long term system sustainment assessments (reference page 176)
- \$ 200 Mobile GIS licenses (reference page 176)
- \$ 225 NGV operations/maintenance (reference page 175)
- \$ 22 Biomethane operations/maintenance (reference page 175)
- \$ 160 Industrial meter battery upgrades (reference page 175)
- \$ 110 Bridge crossing repairs (reference page 175)
- \$ 100 Station transition repairs (reference page 175)
- \$ 120 Right of way signage/markers (reference page 172)
- \$(145) Seismic Risk Analysis (reference page 176)
- \$(200) Single Point of Failure Analysis (reference page 176)
- \$1,592 Total Incremental Non-Internal Labour Items in 2012 Forecast**

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2013 (\$000s):

- \$ 500 Long term system sustainment assessments (reference page 176)
- \$ 350 Lock/security device standardization program (reference page 172)
- \$ 83 Line heater fuel (incl. in Field Service Delivery-reference page 174)
- \$ 68 Biomethane operations/maintenance (reference page 175)

\$1,001 Total Incremental Non-Internal Labour Items in 2013 Forecast

Referring to the response to CEC IR 1.9.2 and Table 5.3-18 (page 177 of Exhibit B-1), the incremental **Vancouver Island** Distribution costs for 2012 are forecast to be approximately \$0.4 million higher than projected costs in 2011 and \$0.6 million higher in 2013 compared to 2012. Several of the requested items in 2012 and 2013 have been budgeted as non-internal labour items which contributed to the increase in the Distribution O&M per Employee ratio.

2012 (\$000s):

- \$60 Bridge Crossing Repairs (incl. in field service delivery activities-reference page 177)
- \$30 Station Transition Piping Repairs (incl. in field service delivery activities also)
- \$40 Whistler pipeline operating agreement (incl. in field service delivery activities also)

\$130 Total Incremental Non-Internal Labour Items in 2012 Forecast

2013 (\$000s):

- \$330 Major Bridge Repair (reference page 177)
- \$ 40 Lock/security device standardization program (reference page 172)

\$370 Total Incremental Non-Internal Labour Items in 2013 Forecast

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In addition to inflation, the requested increases include non-internal labour items (contractors, materials) for a lock standardization program and a major bridge crossing repair. All other things being equal, the inclusion of these incremental non-internal labour items in the Application, without a corresponding internal O&M headcount, increase the Distribution O&M per Employee ratio.

- 7.3 Are the lock standardization program and the major bridge crossing repair one time exceptional items and should the O&M costs be expected to be reduced upon their completion.

Response:

The standardization of locks and security devices is a one-time program and the O&M cost is expected to be reduced upon completion. As discussed on page 172 of the Application (Exhibit B-1), the program entails completing 50 percent of the lock upgrade and replacements in 2013 and completing the remainder of the program in 2014.

The Victoria (Bay Street) bridge repair, as discussed on page 177 of the Application (Exhibit B-1) is an exceptional item in the magnitude of its costs and O&M costs can be expected to be reduced upon its completion.

With many bridge and aerial crossings throughout the FEVI service area, however, repairs are an ongoing program and are typically funded from regular O&M. With stringent environmental and safety regulations in place for completing work of this nature, and as bridge and aerial crossings age and weather, additional significant repair requirements are expected in the future.

- 7.4 Please recalculate the cost per employee with the costs for these items deducted from the costs for comparison.

Response:

The table below (shaded area) recalculates the cost per employee for 2012 and 2013 excluding the incremental non-internal labour budget items summarized in response to CEC IR 2.7.2 for the Mainland and Vancouver Island Distribution O&M.

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Table CEC IR 2.7.4 - Distribution O&M (adjusted) per Employee

O&M per FTE in \$ Thousands

	2010 Approved	2011 Projected	2012 Forecast	2013 Forecast
Mainland	114.1	116.6	120.5	124.6
% Change		2%	3%	3%
Vancouver Island	127.8	141.6	148.9	155.5
% Change		11%	5%	4%
Whistler	383.0	225.5	215.0	215.0
% Change		-41%	-5%	0%
Ft. Nelson	112.7	115.7	114.7	116.7
% Change		3%	-1%	2%

Excluding the incremental non-internal labour items, the increases in 2012 and 2013 for the Mainland are in line with anticipated labour inflation. Percentage increases for 2012 and 2013 for Vancouver Island include anticipated labour inflation as well as growth in field service activities such as gas odour calls, locate/IP permit activity and preventive activities such as industrial meter maintenance. The customer growth rate and corresponding field service activity increases are higher on Vancouver Island than the Mainland due to the smaller customer base.

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8. Reference: Exhibit B-8, CEC 1.10.3

Table CEC IR1.10.3 - Transmission O&M per Employee

O&M per FTE in \$ Thousands

	2010 Approved	2011 Projected	2012 Forecast	2013 Forecast
Mainland	261.7	299.9	307.2	324.1
% Change		15%	2%	5%
Vancouver Island	162.2	197.9	204.7	207.8
% Change		22%	3%	1%

8.1 Please explain the significant change in the Mainland cost per Transmission employee projected for 2011.

Response:

In reviewing the data used to calculate the Transmission O&M per employee, an error was discovered in the total number of O&M employees used in response to CEC IR 1.10.3. The total number of O&M employees used did not back out the number of Capital/Deferral employees for 2010. Correcting for this error yields the following table:

Table CEC IR1.10.3 - Transmission O&M per Employee

O&M per FTE in \$ Thousands

	2010 Approved	2011 Projected	2012 Forecast	2013 Forecast
Mainland	289.0	299.9	307.2	324.1
% Change		4%	2%	5%
Vancouver Island	162.2	197.9	204.7	207.8
% Change		22%	3%	1%

Comparing the correct Mainland O&M cost per Transmission employee projected for 2011 with the future forecast cost, shows that the cost for 2011 is in line with the forecast for 2012 and 2013.

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9. Reference: Evidentiary Update

Table 1: Reductions to Short Term Interest Rate Forecasts

2012 Interest Rate Forecast				
	Mainland	Vancouver Island	Whistler	Fort Nelson
Short-Term Debt Rate (May 4th Filing)	2.75%	4.25%	3.75%	2.75%
Short-Term Debt Rate (Evidentiary Update)	2.50%	4.00%	3.50%	2.50%

2013 Interest Rate Forecast				
	Mainland	Vancouver Island	Whistler	Fort Nelson
Short-Term Debt Rate (May 4th Filing)	3.75%	5.25%	4.75%	3.75%
Short-Term Debt Rate (Evidentiary Update)	3.50%	5.00%	4.50%	3.50%

- 9.1 Under amalgamation in the future would the financing interest rates all be expected to be the same as the Mainland rate?

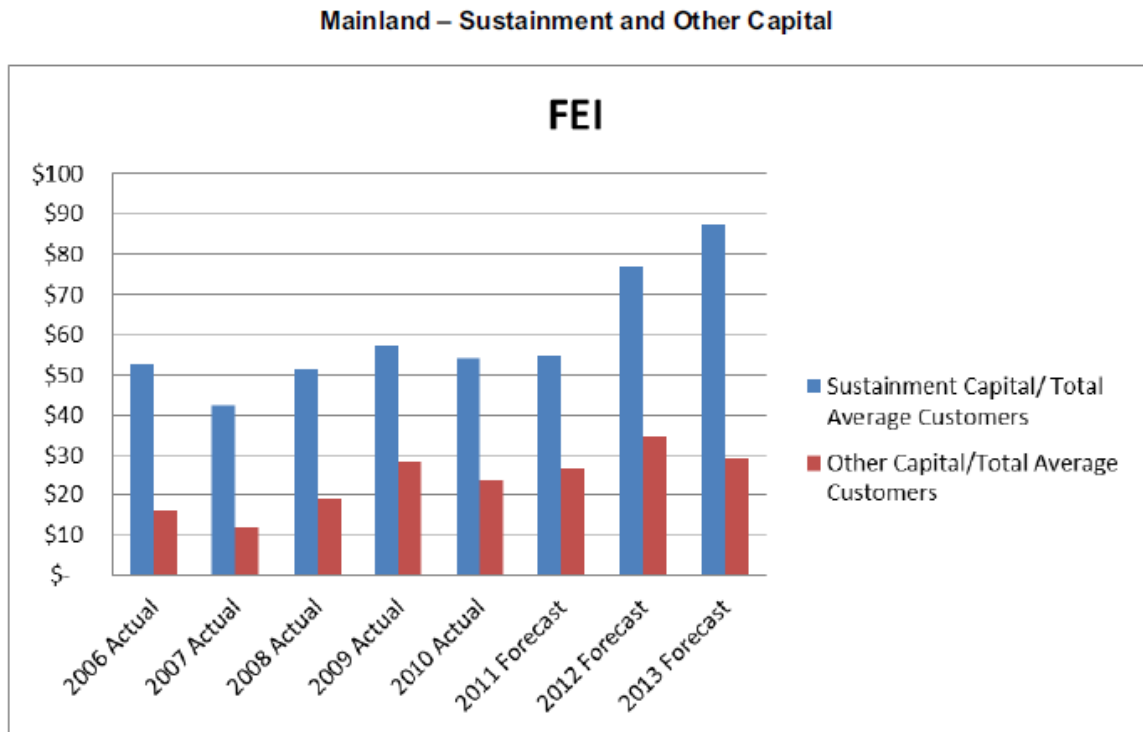
Response:

Please refer to the responses to BCUC IRs 1.10.7 and 1.10.8.

A single unfunded debt financing rate will apply to the amalgamated entity. The FEU have used the Mainland unfunded debt rate in the 2013 forecast of the amalgamated cost of service. The reasons for the use of the Mainland unfunded debt rate were described in the responses to BCUC IRs 1.10.7 and 1.10.8.

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10. Reference: Exhibit B-9, BCUC 33.2



10.1 Please explain the significant increase in sustainment capital for the Mainland.

Response:

The increase in the sustainment capital for the Mainland that occurs after 2011 is attributable to the LTSP. The response to BCUC IR1.57.1 notes incremental capital related to the LTSP of approximately \$23 million in 2012 and \$31 million in 2013 for the FEU, which is largely related to the Mainland. Specific projects that are included in sustainment capital are described on pages 346-352 and 356 of Exhibit B-1, with additional capital project information provided in the response to BCUC IR1.91.1.

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11. Reference: Reference: Exhibit B-9, BCUC 62.1

Vancouver Island Service Agreements

The negotiating of new operating agreements with Vancouver Island municipalities has been necessary as many of existing agreements on the Island are due for renewal in 2012. These agreements give FEVI the authority to operate within the municipality and help us coordinate construction activities with municipal needs. This initiative is a basic part of ongoing O&M activities required to serve natural gas customers on Vancouver Island and as such has not been tracked separately from other O&M activities to the extent requested in this IR. Once new service agreements are in place the efforts of those staff involved will shift to other important needs in the ongoing management of our important relationships with municipalities, first nations and government at all levels.

- 11.1 Please provide a list of the municipalities with such agreements and the estimate demand in each municipality.

Response:

Please note that FEVI includes communities on BC's Sunshine Coast. The FEVI communities with operating agreements that expire in 2012 are provided below along with their actual annual demand for 2010. In some cases, the boundaries within which consumption data is captured may not match the jurisdictional boundaries to which the operating agreements apply, therefore the surrounding or nearby community area information is also provided. In total, these communities represent 1,664,000 GJs and almost 20,000 customers.

Agreements that expire in 2012 are:

- Colwood
- Comox
- Courtenay
- Cumberland
- Gibsons
- Powell River
- Sechelt Indian Band

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2010	Consumption and Customer Data	
MUNICIPALITY	Consumption (GJ)	Sum of Customer
Colwood	198,745	2,415
Comox	311,097	3,337
Courtenay	398,995	4,940
Cumberland	69,702	595
Gibsons	95,470	1,195
Powell River	294,973	3,240
Powell River & Area	14,099	161
Sechelt	178,093	2,634
Sechelt & Area	103,002	1,379

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12. Reference: Exhibit B-9, BCUC 194.1

The importance of GHG emission reductions, the benefits of which accrue to society as a whole, suggests that the most appropriate test for this program is the Societal Cost Test (SCT). The FEU believe the SCT is the correct test for evaluating the cost-effectiveness of this program. The practice to date in assessing all EEC programs has been to apply the TRC test.

- 12.1 Would the adoption of the SCT mean that where the value of GHG emission reductions may exceed the value to customers of reduced delivery margins that the incentives provided by FortisBC could become a net cost to customers absorbing the currently expected net benefits of the NGV program for instance?

Response:

In the context of the NGV program, the FEU do not anticipate that the value of GHG emission reductions will exceed the contribution benefit of reduced delivery margins to existing customers. In each of the four NGV projects funded to date, none result in emission reductions (ranging from 20 to 30 percent) which are high enough to exceed the delivery margin benefit (assuming a price of \$25/tonne of CO₂e). For example, the Waste Management CNG fleet is expected to yield a reduction of CO₂e of 214 tonnes per year. At \$25/tonne, this represents \$5,530. The revenue benefit generated under Rate Schedule 25 from a volume of approximately 19,000 GJ/year is approximately \$40,000 per year.