

September 24, 2012

Regulatory Affairs Correspondence
Email: gas.regulatory.affairs@fortisbc.comIndustrial Customers Group
c/o Robert Hobbs
301-2298 McBain Avenue
Vancouver, BC V6L 3B1Attention: Mr. Robert Hobbs

Dear Mr. Hobbs:

**Re: Generic Cost of Capital Proceeding
FortisBC Utilities (the "FBCU")¹
Response to Industrial Customers Group ("ICG") Information Request ("IR")
No. 1 on the Evidence of Concentric Energy Advisors Inc. ("Concentric")**

On August 3, 2012, the FortisBC Utilities filed its Written Evidence in the Generic Cost of Capital proceeding as referenced above. In accordance with the British Columbia Utilities Commission Order No. G-84-12 setting out the Amended Preliminary Regulatory Timetable, the FBCU respectfully submit the attached response to ICG IR No. 1 on the Evidence of Concentric.

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

Yours very truly,

on behalf of the FORTISBC UTILITIES

Original signed:

Diane Roy

Attachment

cc (e-mail only): Commission Secretary
Registered Parties

¹ comprised of FortisBC Inc., FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc., and FortisBC Energy (Whistler) Inc.



British Columbia Utilities Commission ("BCUC" or the "Commission") Generic Cost of Capital Proceeding	Submission Date: September 24, 2012
FortisBC Utilities ("FBCU" or the "Companies") Response to Industrial Customers Group ("ICG") Information Request ("IR") No. 1 on Evidence of Concentric Energy Advisors Inc. ("Concentric")	Page 1

1. Reference: 2010 Concentric Energy Advisors Report, p. 13, Table 1

Rationale: ICG would like to examine the data.

Request:

Please provide in electronic form the data used in the statistical analyses summarized in Table 1. Please also send any updates or additions to this data as used in the analyses for the 2012 Report.

Response:

Concentric is governed by agreements which prohibit Concentric from disseminating the highly proprietary Bloomberg and RRA data series. As such, Concentric would be in violation of contractual user agreements if it were to provide the data as requested.

Please see Attachment 1 for data summarized by Concentric, including the updated data used in the statistical analyses.

2. Reference: 2010 Concentric Energy Advisors Report, p. 23, Figure 4, Historical Backcast of ROE Adjustment Mechanisms – Year-Over-Year Adjustment; p. 28, Table 3, Descriptive Statistics of Formulae Input

Describes formula inputs for Concentric's testing of various adjustment mechanism formulae.

Rationale: ICG would like to examine the data.

Request:

Please provide in electronic format the data described in Table 3 and used to construct Figure 4. Please also send any updates or additions to this data as used in the analyses for the 2012 Report.

Response:

Concentric is governed by agreements which prohibit Concentric from disseminating the highly proprietary Bloomberg and RRA data series. As such, Concentric would be in violation of its contractual user agreements if it were to provide the data as requested.

As this question relates to the construction of Figure 4, please refer to the response to BCUC IR 1.126.2 and Attachment 126.2 to that response.



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3. Reference: 2012 Concentric Energy Advisors Report, p. 1

"Based on our analysis and assessment of those options, we conclude that all formulaic approaches run the risk of deviation from a fair return.... Consequently, periodic rate hearings remain the only reliable method for determination of utility ROEs."

Rationale: Consideration of some combination of formulaic approach with periodic hearings.

Request:

Has Concentric considered some combination of using a formulaic approach in conjunction with, possibly less frequent, periodic hearings? What is Concentric's opinion on this?

Response:

As Concentric has stated in his 2010 Report and also in its 2012 Update, periodic rate hearings may be used in conjunction with a formula. Concentric would envision the ideal frequency of such periodic hearings to be every three to five years.

Attachment 1

REFER TO LIVE SPREADSHEET

Provided in electronic format only

(accessible by opening the Attachments Tab in Adobe)