Dennis Swanson
Director, Regulatory Affairs

FortisBC Inc.
Suite 100 – 1975 Springfield Road
Kelowna, BC V1Y 7V7
Tel: (250) 717-0890
Fax: 1-866-335-6295
www.fortisbc.com

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

December 6, 2013

Via Email
Original via Mail

Industrial Customers Group
c/o #301 – 2298 McBain Avenue
Vancouver, BC
V6L 3B1

Attention: Mr. Robert Hobbs

Dear Mr. Hobbs:

Re: FortisBC Inc. (FBC)

Application for Approval of a Multi-Year Performance Based Ratemaking Plan for 2014 through 2018 (the Application)

Response to Industrial Customers Group (ICG) Information Request (IR) No. 2, Responses Related to the PBR Methodology

Filed as Response to FBC ICG IR No. 3a

On July 5, 2013, FBC filed the Application as referenced above. FBC submitted its response to ICG IR No. 2 on November 22, 2013, noting that the response to ICG IR No. 2, question 16.2 related to the PBR Methodology, and would be submitted with the PBR Methodology IR responses.

In an effort to differentiate the IR responses relating to the PBR Methodology which are the subject of the oral portion of the hearing jointly for FBC and FortisBC Energy Inc. (FEI) from those IR responses which relate to other matters for the written portion of the hearing individually for each of FEI and FBC, FBC will mark these IR responses as FBC ICG IR No. 3a.

FBC respectfully submits these FBC ICG IR No. 3a responses related to the PBR Methodology.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC INC.

Original signed:

Dennis Swanson

Attachments

cc: Commission Secretary
Registered Parties (email only)

16.0 Reference: Exhibit B-15, ICG IR 39.1

New Connects

16.2 Please explain what effect greater-than-forecast "New Connects" actual expenditures in the years 2014 through 2018 would have in a PBR environment. Please explain what effect under forecasting the "New Connects" capital expenditures has on FortisBC's ability to increase capital expenditure forecasts in other areas.

Response:

As discussed in Exhibit B-1, Application, Section 6.2.5.2, the PBR formulaic capital will be adjusted each year by the ratio of the current year projected average customers to the previous year's actual average customers. As Section 6.2.5.2 states:

> "…*Customers become a proxy for capacity since extensions of the system to serve customers adds new capacity to the system.*
>
> *The following formula illustrates the formula applied to capital expenditures:*

$$C_t = C_{t-1} \times [1 + (I - X)] \times \left(\frac{AC_t}{AC_{t-1}}\right)$$

Where: *C=Capital Expenditures subject to formula*
AC=Average Customers
t = Upcoming year
I = Inflation Factor
X = Productivity Factor"

Under or over forecasting new connects will be incorporated annually based on actual/projected average customers and the Company does not anticipate a requirement to increase capital expenditure forecasts in other areas, except for exogenous factors for non-controllable or unforeseeable costs as described in the Application, Section B6.3.3.