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December 6, 2013

Via Email
Original via Mail

British Columbia Public Interest Advocacy Centre
Suite 209 – 1090 West Pender Street
Vancouver, B.C. V6E 2N7

Attention: Ms. Tannis Braithwaite, Acting Executive Director

Dear Ms. Braithwaite:

**Re: FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively the Companies)
Applications for Approval of a Multi-Year Performance Based Ratemaking Plan
for 2014 through 2018 (the Applications)
Response to the British Columbia Public Interest Advocacy Centre on behalf of
the British Columbia Pensioners' and Seniors' Organization *et al* (BCPSO)
Information Request (IR) No. 2 not Relating to the PBR Methodology
Filed as Response to FEI-FBC BCPSO IR No. 2a**

On June 10 and July 5, 2013, FEI and FBC, respectively, filed the Applications as referenced above.

FEI notes that the questions series 4 and 5 in this IR set all relate to non-PBR Methodology issues, rather than PBR Methodology issues as intended. The Companies have provided responses to these questions, but has done so on the basis that they should only form part of the written proceeding records for the Companies and not part of the record for consideration in the oral hearing on the PBR Methodology. The Companies will object to further questions of this nature at the oral hearing, should BCPSO pursue them.

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 the Companies from those IR responses which relate to other matters for the written portion of the hearing individually for each of FEI and FBC, the Companies will mark these IR responses as FEI-FBC BCPSO IR No. 2a and file them into the record of each proceeding separately for FEI and FBC.

The Companies respectfully submit the attached response to FEI-FBC BCPSO IR No. 2a responses not related to the PBR Methodology.

If further information is required, please contact the undersigned.

Sincerely,

**FORTISBC ENERGY INC. and
FORTISBC INC.**

Original signed:

Diane Roy and Dennis Swanson

Attachments

cc: Commission Secretary
Registered Parties (email only)



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| FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively the Companies) Applications for Approval of a Multi-Year Performance Based Ratemaking Plan for 2014 through 2018 (the Application) | Submission Date: December 6, 2013 |
| Response to British Columbia Public Interest Advocacy Centre on behalf of the British Columbia Pensioners' and Seniors' Organization <i>et al</i> (BCPSO) Information Request (IR) No. 2a | Page 1 |

1 **4.0 Reference: FBC Exhibit B-11, 1.36.6**

2 **Preamble:** In the response, to 1.36.6, FBC discusses unfilled vacancies. The
3 BCPSO requires an understanding of the history of vacancies, and the
4 level of vacancies included in the 2013 base.

5 4.1 Please provide the actual vacancies for each of 2008 – 2012 including the dollar
6 impact for each of FEI and FBC.

7
8 **Response:**

9 This IR has been identified as relating to Non-PBR Methodology.

10 FEI and FBC do not track vacancies at the level of detail to be able to provide a vacancy cost
11 savings or dollar impact in either Capital or O&M. Please note that the domain of such savings
12 (i.e., Capital or O&M), its timing, labour substitution efforts and the regulatory mechanism in
13 place would affect how these savings, if any, would affect the bottom-line Revenue
14 Requirements and associated customer rate impacts.

15 Hence, the requested data cannot be provided.

16 Please also refer to the response to FEI BCUC IR 1.75.2 (Exhibit B-11).

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20 4.2 Please provide the projected vacancies and dollar impact included in the 2013
21 base for each of FEI and FBC.

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23 **Response:**

24 This IR has been identified as relating to Non-PBR Methodology.

25 Please refer to the response to FEI BCUC IR 1.86.2 (Exhibit B-11) and FBC BCPSO IR 2.4.1
26 (Exhibit B-23).

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1 **5.0 Reference: FBC Exhibit B-11, 1.37.3**

2 **FEI Exhibit B-6, 1.16.1 and 1.16.2**

3 **Preamble:**

4 5.1 Please provide the compound growth rates for the actual O&M (FEI 1.16.1) and
5 O&M per customer (FEI 1.16.2) for the actual years 2008-2012.

6
7 **Response:**

8 This IR has been identified as relating to Non-PBR Methodology.

9 This response addresses FEI-FBC BCPSO PBR IRs 3.5.1, 3.5.2, 3.5.3 and 3.5.4.

10 Table 1 below illustrates actual FBC¹ and FEI O&M Expense and O&M per Customer for the
11 years 2008 to 2012, along with its respective year-to-year percent change. The 2013 base
12 figures and respective percent changes are also included. As Table 1 indicates, the year-to-
13 year percent change for O&M Expense and O&M per Customer for FBC and FEI were not
14 constant.

15 The CAGR calculation for FEI and FBC O&M expense and O&M per Customer reflects the rate
16 at which O&M and O&M per Customer *would have* grown if it grew at a steady rate for the
17 actual years 2008-2012. It can be thought of as a 'smoothing' calculation over the period that
18 assumes a constant rate of growth from 2008 to 2012. This is not how actual O&M grows on an
19 annual basis. For this reason, the growth rate for base O&M and O&M per Customer for 2013
20 *does not* and *cannot* reflect the actual Compound Annual Growth Rate for the 2008 to 2012
21 period.

22 If 2013 figures were included in the period for the CAGR calculation, the CAGR increases as
23 reflected in column (8) of Table 1. The reasons for the increases in 2013 Base as compared to
24 2012 Actuals are included in FEI Application (Exhibit B-1), Section C3 and FBC Application
25 (Exhibit B-1), Section C4.

¹ Excluding non-controllable items per FBC BCPSO IR 1.37.3 (Exhibit B-11)

1 **Table 1 – CAGR of FEI & FBC O&M Expense & O&M per Customer (2008 to 2012)**

| Line | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | CAGR | CAGR | |
|------|---------------------------------|------------|------------|------------|------------|------------|------------|---------------|--------------|
| | Actuals | Actuals | Actuals | Actuals | Actuals | Base | 2008-2012 | 2008-2013 | |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | |
| 1 | | | | | | | | | |
| 2 | FEI O&M Expense | \$ 185,739 | \$ 191,146 | \$ 206,518 | \$ 213,606 | \$ 212,269 | \$ 230,985 | | |
| 3 | O&M Expense % Change | - | 2.91% | 8.04% | 3.43% | -0.63% | 8.82% | 2.71% | 3.70% |
| 4 | | | | | | | | | |
| 5 | FEI O&M per Customer | \$ 225 | \$ 229 | \$ 235 | \$ 251 | \$ 257 | \$ 254 | | |
| 6 | O&M per Customer % Change | - | 1.81% | 2.45% | 6.77% | 2.65% | -1.16% | 2.71% | 2.06% |
| 7 | | | | | | | | | |
| 8 | FBC O&M Expense | \$ 39,860 | \$ 40,133 | \$ 39,649 | \$ 41,411 | \$ 40,087 | \$ 46,758 | | |
| 9 | O&M Expense % Change | - | 0.68% | -1.21% | 4.44% | -3.20% | 16.64% | 0.11% | 2.70% |
| 10 | | | | | | | | | |
| 11 | FBC O&M per Customer | \$ 367 | \$ 364 | \$ 355 | \$ 367 | \$ 353 | \$ 385 | | |
| 12 | O&M per Customer % Change | - | -0.82% | -2.47% | 3.38% | -3.81% | 9.07% | -0.77% | 0.80% |

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7 5.2 Please fully explain why the 2013 base O&M and O&M per customer do not

8 reflect the actual compound growth rates.

9

10 **Response:**

11 This IR has been identified as relating to Non-PBR Methodology.

12 Please refer to the response to FEI-FBC PBR BCPSO IR 3.5.1.

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15

16 5.3 Please provide the compound growth rates for the actual O&M and O&M per

17 customer (FBC 1.37.3) for the actual years 2008-2012.

18 **Response:**

19

20 This IR has been identified as relating to Non-PBR Methodology.

21 Please refer to the response to FEI-FBC PBR BCPSO IR 3.5.1.

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1
2 5.4 Please fully explain why the 2013 base O&M and O&M per customer do not
3 reflect the actual compound growth rates.

4
5 **Response:**

6 This IR has been identified as relating to Non-PBR Methodology.

7 Please refer to the response to FEI-FBC PBR BCPSO IR 3.5.1.

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