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December 6, 2013

Via Email
Original via Mail

Canadian Office and Professional Employees Union Local 378
c/o Jim Quail, Barrister & Solicitor
2nd Floor, 4595 Canada Way
Burnaby, B.C.
V5G 1J9

Attention: Mr. Jim Quail

Dear Mr. Quail

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 Canadian Office and Professional Employees Union Local 378 (COPE) Information Request (IR) No. 2 not Relating to the PBR Methodology

Filed as Response to FEI-FBC COPE IR No. 2a

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

While the COPE questions were grouped to FEI and FBC separately, some of the questions were actually directly applicable to the other utility, and therefore to make it clear which utility was responding and to avoid confusion with duplicate numbering between the grouped questions, the Companies have identified the IRs with a preceding “E” for electric for FBC and “G” for gas for FEI.

FEI notes that the questions G23, G24, G25 and E25 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 have 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 COPE 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 COPE 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 COPE 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

Attachment

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

G23. In the list of deferral accounts provided in response to CEC 7.1, provide a detailed description of the "Customer Service Variances", the "2010-2001 Customer Service O&M and COS," and the "BC OneCall Project." In your response, identify the dollars deferred and how and when they have been or will be recovered or reflected in customer rates.

Response:

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

The Customer Service Variance account is discussed in the FEI Application (Exhibit B-1), Section D4.2.5. The Customer Service Variance account was approved in Order G-44-12 to capture the differences between the actual and forecasted expenditures for 2012 and 2013 ongoing operating costs of the in-sourced Customer Service activities, as well as the differences between actual and forecast spending in 2012 and 2013 for meter reading costs. FEI has requested to amortize this deferral account over a five year period beginning in 2014. The continuity of the account is provided in the Table below.

The 2010-2011 Customer Service O&M and COS account is discussed in the FEI Application (Exhibit B-1-1), Appendix F4. The account was approved through Commission Orders C-1-10, G-23-10 and G-141-09. This account captured the costs that the Customer Service project incurred prior to the project implementation and go live date of January 1, 2012, in addition to project costs incurred in the early months of 2012. The account is approved to amortize additions over an eight year period, with amortization initially commencing in 2012. The continuity of the account is provided in the Table below.

The BC OneCall Project account is discussed in the FEI Application (Exhibit B-1), Section D4.3.4. The BC OneCall Project account was approved in Order G-44-12 to capture the O&M costs related to the BCOneCall Project. The account is approved to amortize additions over a five year period, with amortization initially commencing in 2012.

The tables below show the forecast balances and amortization to delivery rates over the PBR period (positive amounts in the Amortization column are a credit and will reduce rates; negative amounts in that column are a debit and will increase rates). Rates will be impacted by both the actual amortization and the return on the deferral balances. FEI will re-forecast these balances as part of the annual rate setting process. These deferral accounts are not affected by the PBR formulae and therefore are outside of the scope of the PBR methodology.

Customer Service Variances (000s)	Opening Balance	Gross Additions	Tax	AFUDC	Net Additions	Amortization	Ending Balance
2010 Actual	$ -	-	-	-	-	-	$ -
2011 Actual	$ -	-	-	-	-	-	$ -
2012 Actual	$ -	(7,398)	1,849	-	(5,548)	-	$ (5,548)
2013 Projected	$ (5,548)	(10,285)	2,648	-	(7,637)	-	$ (13,185)
2014 Forecast	$ (13,185)	-	-	-	-	2,637	$ (10,548)
2015 Forecast	$ (10,548)	-	-	-	-	2,637	$ (7,911)
2016 Forecast	$ (7,911)	-	-	-	-	2,637	$ (5,274)
2017 Forecast	$ (5,274)	-	-	-	-	2,637	$ (2,637)
2018 Forecast	$ (2,637)	-	-	-	-	2,637	$ -

2010-2011 Customer Service O&M and COS ($000s)	Opening Balance	Gross Additions	Tax	AFUDC	Net Additions	Amortization	Ending Balance
2010 Actual	$ -	2,135	(608)	-	1,527	-	$ 1,527
2011 Actual	$ 1,527	12,445	(3,256)	487	9,676	-	$ 11,203
2012 Actual	$ 11,203	15,747	(3,937)	-	11,810	(1,400)	$ 21,613
2013 Projected	$ 21,613	-	-	-	-	(2,807)	$ 18,806
2014 Forecast	$ 18,806	-	-	-	-	(2,877)	$ 15,929
2015 Forecast	$ 15,929	-	-	-	-	(2,877)	$ 13,053
2016 Forecast	$ 13,053	-	-	-	-	(2,877)	$ 10,176
2017 Forecast	$ 10,176	-	-	-	-	(2,877)	$ 7,299
2018 Forecast	$ 7,299	-	-	-	-	(2,877)	$ 4,423

BC OneCall Project ($000s)	Opening Balance	Gross Additions	Tax	AFUDC	Net Additions	Amortization	Ending Balance
2010 Actual	$ -	-	-	-	-	-	$ -
2011 Actual	$ -	-	-	-	-	-	$ -
2012 Actual	$ -	131	(33)	-	98	(167)	$ (69)
2013 Projected	$ (69)	961	(248)	-	714	(334)	$ 311
2014 Forecast	$ 311	579	(150)	-	428	(162)	$ 577
2015 Forecast	$ 577	134	(35)	-	99	(248)	$ 427
2016 Forecast	$ 427	134	(35)	-	99	(268)	$ 258
2017 Forecast	$ 258	107	(28)	-	79	(121)	$ 217
2018 Forecast	$ 217	-	-	-	-	(55)	$ 162

G24. In your Table C3-2 (as updated in response to BCPSO 51.1), define each of the column headings and describe how they were calculated or derived using the row entitled "Customer Service" as an example.

Response:

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

The column headings are defined and calculated below using the row entitled "Customer Service" as an example.

Table C3-2: 2013 Departmental O&M Reconciliation ($ thousands)

			Productivity			2013 Deferrals		Accounting Changes		
	2012 Actual	2013 Approved	(Sustainable Savings)	2013 Projection	PST (full year)	BCUC Fees & Insurance	Pension/OPEB (O&M portion)	Pension/OPEB (Retiree portion)	Software Fees	2013 Base
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Customer Service [1]	40,737	52,452	(10,627)	41,825	18		1,744	810		44,398

1 2012 Actual and 2013 Projection excludes Customer Service deferred O&M

Notes:

(1) 2012 Actual - Actual gross O&M costs by department, incurred in 2012, per SAP.

(2) 2013 Approved - Gross 2013 O&M costs by department approved by BCUC per Order G-44-12 (with $4 million 'productivity challenge' allocated to departments).

(3) Productivity Incremental costs/(sustainable savings) by department calculated as the delta between 2013 projection and 2013 approved. Please refer to Exhibit B-1, Section C-3, page 123 for a brief analysis of the nature of sustainable savings. As explained in Exhibit B-1, Section B-6.2.4.1, page 54, one of the adjustments made to 2013 approved O&M in order to arrive at 2013 Base O&M, was an adjustment to recognize the sustainable savings that were realized in 2012 and 2013 that should be carried forward to future years. Productivity =column 2-column 4.

(4) 2013 Projection - FEI department managers have developed a 2013 O&M Projection by department that can be relied upon to establish a 2013 Base O&M as a meaningful starting point for the PBR. The 2013 Projection was compiled by adjusting the 2013 Budget a) to incorporate FTE levels and an extrapolation of annualized savings, based on those that were achieved in the first 4 months of 2013, and b) to recognize pressures and opportunities of a permanent nature identified for 2013.

2013 Deferrals - As explained in Exhibit B-1, Section B-6.2.4.1, page 54, one of the adjustments made to 2013 approved O&M in order to arrive at 2013 Base O&M, was an adjustment to include actual incurred 2013 "non-controllable" O&M that is held in deferral accounts in 2013.

(5) PSTPST is an example of "non-controllable" O&M that is held in deferral accounts in 2013. As discussed in Exhibit B-1, Section B-6.2.4.1, page 55, the PST adjustment is the annualized impact of converting from HST back to PST/GST in April, 2013.

(6) BCUC Fees/Insurance are examples of "non-controllable" O&M that are held in deferral accounts in 2013. As discussed in Exhibit B-1, Section B-6.2.4.1, page 55, the BCUC Fees and Insurance held in deferral account represents the difference between the actual expense incurred in 2013 and the amounts approved in 2013 rates.

(7) Pension/OPEB are examples of "non-controllable" O&M that are held in deferral accounts in 2013. As discussed in Exhibit B-1, Section B-6.2.4.1, page 55, the Pension/OPEB deferral account represents the difference between the actual expense incurred in 2013 and the amounts approved in rates. Of the deferral amount, only the O&M portion has been included in the determination of 2013 Base O&M.

Accounting Changes - As explained in Exhibit B-1, Section B-6.2.4.1, page 54, one of the adjustments made to 2013 approved O&M in order to arrive at 2013 Base O&M, was an adjustment to include accounting changes that reclassify items from O&M to capital.

(8) Pension/OPEB (retiree portion) is an example of an accounting change that reclassifies amounts from O&M to capital. As discussed in Exhibit B-1, Section D-3.1, page 265, the inclusion of retiree pension/OPEB in labor loadings results in a portion of this expenditure being allocated to capital. The inclusion in labor loadings also results in the O&M portion of retiree pension/OPEB being distributed to the various departments rather than captured all in the corporate department.

(9) Software Fees is an example of an accounting change that reclassifies amounts from O&M to capital. As discussed in Exhibit B-1, Section D-3.1, page 265, this involves segregating that portion of the annual software costs paid to vendors that relate to upgrade capability rather than support and maintenance, and allocating that amount to capital.

(10) 2013 Base - As explained in Exhibit B-1, Section B-6.2.4.1, page 54, the 2013 Base O&M starts with the 2013 Approved O&M, recognizing that it has already undergone a full review in a public hearing. It then adjusts the 2013 Approved O&M for: a) sustainable savings realized in 2012 and 2013, that should be carried forward to future years, b) actual incurred 2013 "non-controllable" O&M that is held in deferral accounts, and c) accounting changes that reclassify from O&M to capital. This establishes the 2013 Base O&M as a meaningful starting point for the PBR. In this respect the 2013 Base is the sum of columns 2+3+5+6+7+8+9.

G25. Provide a calculation and workpapers showing 1% of the Company's retail natural gas service revenues for 2012.

Response:

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

Below is the calculation and work paper for the projected 2014 taxes from gas consumed within municipalities in lieu of general municipal taxes that would otherwise be payable. This tax arises for all municipalities other than the City of Vancouver under Section 353 of the Local Government Act and is payable at a rate of 1% of the revenue of gas consumed within the municipality from the second preceding year (2014 taxes based on 2012 revenues). 2011 revenues were used as the basis for the 2014 calculation rather than 2012 as 2012 had not yet been extracted at the time of the Application. Reporting of 2012 revenues was not required until October 31, 2013. For the City of Vancouver the tax is payable under Section 398 of the Vancouver Charter and is payable at a rate of 1.25% of the preceding year (2014 taxes based on 2013 revenues). FEI has a property tax variance deferral account that captures variances between the amounts forecast in rates and the amounts actually incurred.

Revenue & Taxation Workpaper

2014 Projected 1%/1.25% of Gas Consumed

Location	2011 Actual Revenues	Projected Change	2012 Projected Revenues	Tax Rate	Projected 2014 Taxes
Inland	252,713,197	(7.10%)	234,770,500	1.00%	2,347,705
Columbia	26,588,679	(10.80%)	23,717,100	1.00%	237,171
Lower Mainland (Excluding Vancouver)	730,013,685	(3.10%)	707,383,100	1.00%	7,073,831
City of Vancouver *	195,925,410	(3.10%)	189,851,680	1.25%	2,373,146
Total Lower Mainland	925,939,095	(3.10%)	897,234,780		9,446,977
Total Revenues from Gas Consumed	1,205,240,971		1,155,722,380		12,031,853

* City of Vancouver 2014 Taxes Payable on 2013 Revenues

E25. Provide a calculation and workpapers showing 1% of the Company's retail electric service revenues for 2012.

Response:

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

Below is the calculation and work paper for the projected 2014 taxes from electricity consumed within municipalities in lieu of general municipal taxes that would otherwise be payable. This tax arises for all municipalities under section 353 of the Local Government Act and is payable at a rate of 1% of the revenue of electricity consumed within the municipality from the second preceding year (2014 taxes based on 2012 revenues). 2011 revenues were used as the basis for the 2014 calculation rather than 2012 as 2012 had not yet been extracted at the time of the Application. Reporting of 2012 revenues was not required until October 31, 2013.

For the City of Kelowna acquisition where revenues are reported for the first time, taxes are based on the previous year's revenues and must be reported before May 8 of the second year of operation. In this case that would be prior to May 8, 2014, and revenues would reflect 2013 actuals.

Table: 2012 Revenue Estimates

	2011 Actual Revenues	Projected Change	2012 Projected Revenues	Tax Rate	Projected 2014 Taxes
Municipalities prior to Kelowna Acquisition	$ 146,077,076	4.50%	$152,285,200	1.00%	$ 1,522,852
City of Kelowna Acquisition *			23,458,800	1.00%	234,588
Revenues from Electricity Consumed	$ 146,077,076		$175,744,000		$ 1,757,440

* Based on projected 2013 Revenues