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January 6, 2014
File No.: 292470.00015/14797

BY E-MAIL

British Columbia Utilities Commission
6th floor, 900 Howe Street
Vancouver, BC V6Z 2N3

Attention: Erica Hamilton
Commission Secretary

Dear Sirs/Mesdames:

Re: FortisBC Alternative Energy Services Inc.
Generic Cost of Capital Proceeding - Stage 2

We enclose for filing in the above proceeding the electronic version of the Reply Submission on behalf of FortisBC Alternative Energy Services dated January 6, 2014.

Fifteen copies of the Reply Submission will follow by courier.

Yours truly,

FASKEN MARTINEAU DuMOULIN LLP

[original signed by Matthew Ghikas]

Matthew Ghikas

MTG/fxm
Enc

BRITISH COLUMBIA UTILITIES COMMISSION
IN THE MATTER OF THE UTILITIES COMMISSION ACT

R.S.B.C. 1996, CHAPTER 473

and

RE: BRITISH COLUMBIA UTILITIES COMMISSION
GENERIC COST OF CAPITAL PROCEEDING - STAGE 2

REPLY SUBMISSION OF
FORTISBC ALTERNATIVE ENERGY SERVICES INC.

January 6, 2014

1. BCPSO was the only intervener to file written submissions with respect to Group 3 utilities. It expresses general agreement with Ms. McShane's analysis regarding the appropriate common equity ratio and equity risk premium for TES utilities. BCPSO concludes that "Ms. McShane's recommended 45% equity thickness is supported not only by more than 25 years' experience but also by a review of current capital structures and current market requirements for small regulated utilities."¹ BCPSO characterizes Ms. McShane's evidence on equity risk premium as being most persuasive.² Since BCPSO and FAES ultimately arrive at essentially the same place in terms of common equity ratio and equity risk premium, FAES is generally content to rely on its Final Submission dated December 3, 2013 without addressing the specifics of BCPSO's submissions.

2. The one point FAES will make in reply is that BCPSO's support for "erring on the side of customer protection - in this case, with a more conservative capital structure and allowed return on equity" is at odds with the court and Commission decisions discussed in the Stage 1 FBCU Submissions. Those authorities affirm that a utility's right to an opportunity to earn a fair return is absolute. The Commission should apply the Fair Return Standard in an even-handed manner, favouring neither customers nor the utility. The proper application of the Fair Return Standard supports a minimum common equity ratio and equity risk premium consistent with Ms. McShane's recommendation.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Dated: January 6, 2014 **[original signed by Matthew Ghikas]**
Matthew Ghikas
Counsel for the FortisBC Utilities

Dated: January 6, 2014 **[original signed by Tariq Ahmed]**
Tariq Ahmed
Counsel for the FortisBC Utilities

¹ BCPSO Final Submission, p.6.

² BCPSO Final Submission, p.8.