

September 4, 2014

Via Email
Original via Mail

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

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

Re: FortisBC Energy Inc. (FEI)

Application for Approval of a Code of Conduct (COC) and Transfer Pricing Policy (TPP) for Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment (ARBNNM)

FortisBC Alternative Energy Services Inc. (FAES) Pre-Hearing Conference Submission

The Commission's letter of August 18, 2014 (Exhibit A-3) set forth four issues for all participants to address at the pre-hearing conference. To facilitate the conference, FAES provides the following brief comments on Issues 1-4.

Issue 1 - The advantages and disadvantages (if any) of providing only one comprehensive Code of Conduct document which establishes standards and conditions for interactions between:

- **Affiliated natural monopoly utilities;**
- **A natural monopoly utility and its affiliated regulated businesses operating in a non-natural monopoly environment; and**
- **A natural monopoly utility and its affiliated non-regulated businesses (NRB).**

(Reference: Exhibit B1, Tab C3, Summary of Stakeholders Comments/Suggestions to FEI's Proposed COC and TPP, p. 11)

There is no need for a comprehensive COC governing the various relationships listed above. The COC at issue is developed as a result of the AES Inquiry, which addresses primarily the relationship between FEI and the ARBNNM.

Additionally, FAES is of the view that the COC and TPP applicable to ARBNNMs should apply to FAES, the corporate entity that is the regulated provider of thermal energy services, regardless of whether a particular project undertaken by FAES is subject to regulatory exemption or not. The Commission has affirmed that all thermal energy projects provide a regulated utility service. It would also be impractical for FAES to adhere to a different COC/TPP in each project.

Issue 2 - Should the scope of this project also address costs incurred by a non-regulated business (e.g., FortisBC Holdings Inc.) on behalf of regulated businesses (e.g., FEI and FAES) rather than primarily focusing on interactions between FEI and FAES? (Attachment A to this letter includes communications between Commission staff and FEI on this subject, especially regarding the Corporate Services Agreement.)

The focus of this process is to establish a COC/TPP between FEI and the ARBNNM in consideration of the AES Inquiry Report. To expand this focus would be outside the intent of this process and delay the resolution of this process.

If the Commission were to consider the cost allocation between a regulated entity and its corporate parent, this consideration should extend to all regulated entities operating in the thermal energy environment and receiving support from their respective corporate parents. FAES should be treated the same as other utilities operating in the thermal energy environment in British Columbia.

Issue 3 - Can the format of the FortisAlberta Inc. Inter-Affiliate COC provide a template for FEI? If yes, why? If not, why not? (Reference for this COC can be found in Exhibit A2-15 in the AES Inquiry proceeding).

The COC and TPP, the subject of this proceeding, are developed in response to and in consideration of the AES Inquiry Report. The concerns raised in the AES Inquiry Report have been discussed through a stakeholder consultation process, and there has already been resolution on a number of matters. Further consideration of the need for a "template" COC is thus not necessary at this time.

Issue 4 - The importance of following the Guidelines and Recommendations outlined in the AES Inquiry Report.

In FEI's September 2, 2014 submissions (section B, pages 2-6), in the context of addressing Corix's comments in its July 14, 2014 letter, FEI articulated the legal significance of

distinguishing between “Guidelines”, “Recommendations” and “Directives.” FAES adopts the analysis and agrees that the COC and TPP presented by FEI have given due consideration to the Guidelines and Recommendations from the AES Inquiry Report.

FAES would underscore one point that justifies departing from the guidelines and recommendations in the areas identified by FEI. As articulated by FEI in its submissions of September 2, 2014 (at page 10) and echoed by a Commission Panel in a recent FAES proceeding, FAES is a regulated utility with the customers of its own, who are “of equal concern to the Commission.”¹ This distinguishes the relationship between FAES and FEI from the one between FEI and a NRB and merits consideration of different, and more equitable, treatment for ARBNNMs and their customers.

All of which is respectfully submitted.

Yours truly,

FortisBC Alternative Energy Services Inc.

[Original signed by:]
Song Hill

¹ FAES Sovereign/Artemisia Applications, Transcript Volume 1, at page 139.