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November 2, 2015

Via Email
Original via Mail

British Columbia Utilities Commission
Sixth Floor
900 Howe Street
Vancouver, B.C. V6Z 2N3

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

Re: FortisBC Energy Inc. (FEI)

Multi-Year Performance Based Ratemaking Plan for 2014 through 2019 approved by British Columbia Utilities Commission (the Commission) Order G-138-14 – Annual Review for 2016 Rates (the Application)

Response to Workshop Undertakings

In accordance with Commission Order G-138-15 setting out the Regulatory Timetable for the review of the Application, FEI respectfully attaches its responses to the six undertakings from the Workshop held on October 26, 2015.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc (email only): Registered Parties

UNDERTAKING No. 1

WORKSHOP DATE: October 26, 2015

TRANSCRIPT REFERENCE: Volume 1, Page 58, Line 13 to Page 60, Line 15

QUESTION: Earnings Sharing Mechanism impact of capital variances for the Fraser Gate IP under Option 2, using a set of base assumptions about the projected situation.

RESPONSE:

The following table shows the impact of the Fraser Gate IP Project CPCN on the earnings sharing under the following assumptions:

1. An amount of $2.143 million is added to the formula starting in 2016;
2. The actual project spending matches the forecast;
3. Formula drivers net to zero for each of 2017 through 2019;
4. Prior to the addition of the Fraser Gate IP Project to base capital, cumulative spending is equal to or above the formula amount.

Amounts in $ thousands	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
Forecast Spend	7	438	552	632	6,874	69	8,571
Formula Allowance	-	-	2,143	2,143	2,143	2,143	8,571
Variance	7	438	(1,591)	(1,511)	4,731	(2,074)	0
Cumulative Variance	**7**	**445**	**(1,146)**	**(2,657)**	**2,074**	**-**	**-**
Earnings sharing returned to (collected from) customers	**(0)**	**(7)**	**19**	**45**	**(35)**	**-**	**22**

The earnings sharing is calculated at 38.5% x 8.75% x 50% of the cumulative variance in capital spending each year. The result of the calculation is that a total of $22 thousand would be returned to customers by the end of the PBR term.

In the scenario where the cumulative base capital spending prior to the addition of the Fraser Gate IP Project was below the formula amount by $2.143 million or greater, then there would be no impact to the earnings sharing amounts in those years.

UNDERTAKING No. 2

WORKSHOP DATE: October 26, 2015

TRANSCRIPT REFERENCE: Volume 1, Page 70, Lines 3 to 8 and Page 72, Line 7 to Page 74, Line 12.

QUESTION: Provide a comparison of the cost to produce the 2014 LTRP to the projected cost for the 2017 LTRP, including a high-level estimate of internal costs.

RESPONSE:

FEI reconfirms that it does not have data available with which to provide a cost comparison of total costs for the 2014 LTRP versus proposed total costs for the 2017 LTRP. The reason why this information is not available has been discussed in Section 3 of Appendix C2 of the Annual Review Application (Exhibit B-2), page 9.

To the extent that a comparison is available between the costs for the incremental activities that FEI intends to outsource for the 2017 LTRP and the activities that were outsourced for the 2014 LTRP, this has been provided in Section 3.2 of Appendix C2.

In further response to the requested undertaking, FEI confirms that:

- The requested deferral account will only capture the incremental activities as described in Appendix C2 and these incremental costs will be trackable and reportable. Any other costs required for the 2017 LTRP will be completed using Base O&M.
- The costs approved in the 2012-2013 RRA for the incremental activities to complete the 2014 LTRP, which were later removed from O&M in the PBR Decision, were $400,000 in 2012 and $600,000 in 2013, for a total of $1 million. This is similar to the level of spending estimated for the external costs to complete the incremental activities for the 2017 LTRP of $505,000 in 2016 and $545,000 in 2017, for a total $1.05 million.
- Since FEI will only be charging actual costs to the requested deferral account, any efficiencies or cost savings that it can achieve with respect to the costs for incremental activities listed in Table 1 of Appendix C2 will be reflected in the final costs allocated to the deferral account.

UNDERTAKING No. 3

WORKSHOP DATE: October 26, 2015

TRANSCRIPT REFERENCE: Volume 1, Page 85, Lines 11 to 22.

QUESTION: Confirm whether the workstations of Customer Service Representatives from FEI who take calls for FBC are amalgamated.

RESPONSE:

Of the 18 FEI customer service representatives who take calls for FBC, 11 currently take both gas and electric customer service calls at their regular desk without moving. The remaining 7 are still within a training period and are therefore relocated to a training room during times that they are scheduled to be available to take electric calls, to ensure that they have easy access to the trainer if they require it. Once the training period has passed, these 7 customer service representatives will be able to take both gas and electric service calls at their regular desks without moving.

UNDERTAKING No. 4

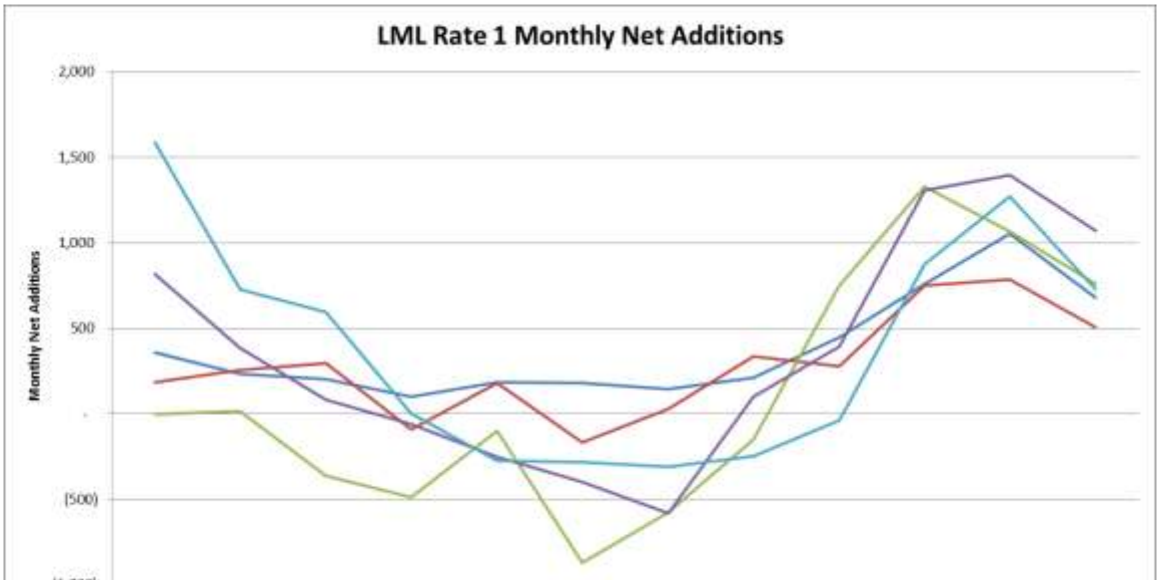
WORKSHOP DATE: October 26, 2015

TRANSCRIPT REFERENCE: Volume 1, Page 93, Line 7 to Page 94, Line 11.

QUESTION: Provide the information for years 2011 to 2013 for the second chart provided in response to BCUC IR 1.11.1.

RESPONSE:

In the response to BCUC IR 1.11.1, FEI demonstrated the annual variability in customer additions by showing Lower Mainland residential additions for 2010 and 2014. As requested, the customer additions for 2011, 2012 and 2013 have been added in the chart below.



	January	February	March	April	May	June	July	August	September	October	November	December
2010	359	233	205	103	186	182	146	212	449	762	1,055	682
2011	188	258	296	(91)	181	(166)	28	338	280	753	785	506
2012	-	17	(363)	(487)	(99)	(868)	(577)	(148)	753	1,330	1,067	761
2013	820	385	82	(57)	(251)	(398)	(582)	100	393	1,310	1,397	1,072
2014	1,587	727	594	4	(273)	(280)	(309)	(247)	(37)	875	1,271	729

As seen above, the Net Monthly Additions for all years follow the same general pattern of higher net additions in winter/spring, lower or negative additions in summer, and higher additions in fall. However, the variation at mid-year is such that FEI does not believe that using a mid-year point would result in a more accurate forecast than the existing methodology of multiplying the prior year's finalized additions by the CBOC growth rate.

UNDERTAKING No. 5

WORKSHOP DATE: October 26, 2015

TRANSCRIPT REFERENCE: Volume 1, Page 95, Line 11 to Page 96, Line 10.

QUESTION: Provide the method of how the forecast was prepared for Vancouver Island Rate Schedule 23 referenced in the response to BCUC IR 1.12.2 indicating new rate class.

RESPONSE:

Vancouver Island Rate Schedule 23 was forecast using a three-year average consistent with the Rate Schedule 23 forecast for all other regions. However, as the rate class was new to Vancouver Island, FEI prepared the dataset slightly differently.

In January of 2015, customers in the former Vancouver Island commercial rate classes were moved to Rate Schedules 2 and 3 as a result of the amalgamation of FEVI with FEI. FEI did not move any existing Vancouver Island commercial customers to Rate Schedule 23 because Rate Schedule 23 requires the customer to sign a contract with a gas marketer. FEI could not predict which commercial customers would choose this option.

When the forecast was prepared in May of 2015, 83 customers had transitioned to Rate Schedule 23. FEI was able to use billing system data to determine the historical demand from these 83 customers. This data was then used to develop the three-year average forecast for the 2015 seed year and 2016 forecast.

UNDERTAKING No. 6

WORKSHOP DATE: October 26, 2015

TRANSCRIPT REFERENCE: Volume 1, Page 98, Line 10 to Page 99, Line 2.

QUESTION: Provide the same format as the asset losses table in Exhibit A2-1, and provide the actual net losses for 2013 and 2014, and projected net losses for 2015 and 2016. Include the original cost for each of the relevant asset classes.

RESPONSE:

FEI provides the requested table below.

UNDERTAKING No. 6

Net Asset Losses – 2013 and 2014 Actual; 2015 Projected and 2016 Forecast ($ thousands)

Particulars	FEI 2013 Cost	FEI 2013 Net Loss	FEI 2014 Cost	FEI 2014 Net Loss	FEI Amalco 2015 Cost	FEI Amalco 2015 Net Loss	FEI Amalco 2016 Cost	FEI Amalco 2016 Net Loss
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
INTANGIBLE PLANT								
461-00 Transmission Land Rights	(0)	(7)						
402-01 Application Software - 12.5%	5,985		3,719		10,229		10,931	
402-02 Application Software - 20%	2,982		2,305		3,579		5,632	
	8,967	(7)	6,025	-	13,809	-	16,563	-
MANUFACTURED GAS / LOCAL STORAGE								
432 Manufact'd Gas - Struct. & Improvements			6	4				
434 Manufact'd Gas - Gas Holders			1	1				
437 Manufact'd Gas - Measuring & Regulating Equipment			4	(1)	10	(5)		
449 Local Storage Equipment (Tilbury)					5	2		
	-	-	11	3	15	(4)	-	-
TRANSMISSION PLANT								
463-00 Measuring Structures	5	2			33	4		
464-00 Other Structures & Improvements			1	0				
465-00 Mains	441	230	3,959	1,907	477	(8)	1,619	
465-00 Mains - INSPECTION			1,636	-	1,226			
466-00 Compressor Equipment	1,329	610			80	30	742	
467-00 Measuring & Regulating Equipment	121	62	76	38	40	8		
467-10 Telemetering	38	(28)			23	(5)	21	
	1,934	877	5,671	1,945	1,878	30	2,381	-
DISTRIBUTION PLANT								
472-00 Structures & Improvements	92	73	67	28	24	4		
473-00 Services	4,250	2,670	3,763	2,169	3,133	1,871	3,058	1,837
474-00 House Regulators & Meter Installations	265	57	131	54	1,628	296	494	(22)
475-00 Mains	1,702	1,060	1,641	1,068	1,690	1,088	1,688	1,079
477-00 Measuring & Regulating Equipment	393	173	419	147	504	91	1,084	351
477-00 Telemetering	10	9	109	(23)	92	(56)		
478-10 Meters	8,249	3,289	6,633	1,718	7,239	1,614	7,556	2,218
	14,960	7,331	12,762	5,161	14,310	4,908	13,880	5,463
GENERAL PLANT & EQUIPMENT								
482-00 Structures & Improvements	151	(3)	40		69		195	
483-30 GP Office Equipment	301	58	92	24	172		524	
483-40 GP Furniture	1,954	-	3,123		683		1,450	
483-10 GP Computer Hardware	6,424	-	3,690		3,377		10,421	
483-20 GP Computer Software	190	-	44		274		732	
484-00 Vehicles	30	3	1	0	528	16		
484-00 Vehicles - Leased	1,783	(0)	1,871		1,684		1,479	
485-10 Heavy Work Equipment			6	0	-		-	
485-20 Heavy Mobile Equipment	80	15			-		-	
486-00 Small Tools & Equipment	963	-	2,003		1,807		3,405	
487-00 Equipment on Customer's Premises					12	4	-	
488-00 Telephone and Radio Equipment	938	109	1,674	146	1,712		1,873	
	12,813	182	12,546	170	10,317	19	20,079	-
TOTAL COST	$ 38,674		$ 37,015		$ 40,329		$ 52,904	
TOTAL NET LOSS		$ 8,383		$ 7,280		$ 4,954		$ 5,463

FEI has projected the 2015 retirements and losses based on actual data to date and a projection to year end. FEI has forecast 2016 retirements and losses primarily based on historical averages. The 2016 Cost column (column 8) agrees to the Financial Schedules provided in Section 11 of the Application – Schedules 6 through 6.2, Column 6. The 2016 Net Loss column (column 9) does not affect the financial schedules. This is because, when an asset is retired, the entry is to credit the original cost, debit the accumulated depreciation - reserve, and debit the accumulated depreciation – loss reserve. Therefore, the retirement of assets has no impact on FEI's rate base or the revenue requirement.

In Table D3-3 in the PBR Application, FEI had forecast a total of $5,890 thousand of losses in 2013 and $5,981 thousand of losses in 2014 based on historical averages. The 2013 actual losses as shown in the table above are higher than the forecast due to retirement of compressors at the Kingsvale Compressor Station, and to a higher number of meters retired than had been forecast. The 2014 actual losses as shown in the table above are also higher than the forecast due to retirements of Transmission mains for the Gateway project.