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September 21, 2016

B.C. Sustainable Energy Association
c/o William J. Andrews, Barrister & Solicitor
1958 Parkside Lane
North Vancouver, B.C.
V7G 1X5

Attention: Mr. William J. Andrews

Dear Mr. Andrews:

Re: FortisBC Energy Inc. (FEI)

Project No. 3698886

Multi-Year Performance Based Ratemaking Plan for 2014 through 2019 approved by British Columbia Utilities Commission (Commission) Order G-138-14 – Annual Review for 2017 Rates (the Application)

Response to the B.C. Sustainable Energy Association and Sierra Club of British Columbia (BCSEA) Information Request (IR) No. 1

On August 2, 2016, FEI filed the Application referenced above. In accordance with Commission Order G-122-16 setting out the Regulatory Timetable for the review of the Application, FEI respectfully submits the attached response to BCSEA IR No. 1.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc (email only): Commission Secretary
Registered Parties

1.0 Topic: Rate increases

Reference: Exhibit B-2, p.1

"The proposed delivery rates for 2017 flowing from the approved formulas and forecasts set out in the Application, including returning the forecast earnings sharing to customers, result in a 1.2 percent increase over 2016 delivery rates, or an increase of approximately $7 to the annual bill for an average Mainland residential customer. After consideration of the delivery rate riders which are primarily related to amalgamation, the bill impact change is an increase of approximately 4.6 percent for a Mainland residential customer, a decrease of approximately 6.0 percent for a Vancouver Island residential customer, and a decrease of approximately 12.6 percent for a Whistler residential customer. The delivery rate increase of 1.2 percent before delivery rate riders is below 2017 inflation which is forecast at approximately 2.2 percent." [footnotes omitted]

1.1 Please provide in table format a breakdown of the 2017 proposed delivery rate increases, delivery rate riders and net delivery rate changes for each of the Mainland, Vancouver Island and Whistler residential customer categories.

Response:

Please refer to Attachment 1.1 for the requested breakdown of the proposed delivery rates, delivery rate riders and net delivery rate changes as forecast in the Application.

1.2 Please provide in table format a similar breakdown of proposed delivery rate increases, delivery rate riders and net delivery rate changes for commercial and industrial customer classes.

Response:

Please refer to the response to BCSEA IR 1.1.1, Attachment 1.1.

2.0 Topic: Evaluation of the PBR Plan

Reference: Exhibit B-2, pp.7-8

"FEI's capital spending has been consistently above the formula amount in each year of the PBR term to date, and this trend is expected to continue." [p.7]

"Another contributing set of factors consists of capital cost pressures such as the following: ...

2. <u>Capital costs required to carry out the Regionalization Initiative discussed above</u>;..." [p.8, underline added]

"1. ***The Regionalization Initiative*** is aimed at both enhancing the customer experience and achieving a more efficient process in the field. In the first part of 2016, efforts continued on transitioning more functions to the regions. By the end of the first quarter of 2016, the Pre-requisition, Closing and Hazards functions were successfully transitioned into the regions. This phase represents the second phase of the Regionalization Initiative that began in 2014 with the transitioning of the Field Dispatch and Planning and Design groups to the regional locations. The changes have enabled optimal decision making, and have been found to be more cost-effective and to serve customers better. The first full year operating under a regional business model was 2015. <u>Annual O&M savings in 2015 were approximately $0.9 million compared to 2013 actuals. The second phase of the Regionalization Initiative is expected to result in incremental annual O&M savings of approximately $1.1 million."</u> [p.6, underline added]

2.1 Is there a circularity between the O&M costs savings attributed to the Regionalization Initiative and the capital costs required to carry out the Regionalization Initiative?

<u>Response:</u>

FEI does not see any circularity between the O&M costs savings attributed to the Regionalization Initiative and the capital costs required to carry out the Regionalization Initiative. The Regionalization Initiative required the expenditure of capital and O&M in 2014 for Phase 1 and in 2016 for Phase 2. These expenditures are more than offset by the annual O&M savings starting in 2015. The expenditures and savings attributable to the Regionalization Initiative are set out in Tables C-1 and C-2 in Appendix C2.

As shown in the response to CEC IR 1.5.2, customers and FEI's shareholder will have each received a net benefit over the term of the PBR and FEI's lower O&M costs due to this initiative will continue to benefit customers through lower rates into the future.

FEI also notes that the Regionalization Initiative provides benefits in addition to achieving O&M savings. Specifically, the Regionalization Initiative enhances the customer experience, achieves a more efficient process in the field and enables quicker decision making.

2.2 Does the Regionalization Initiative have a positive net financial impact (savings) taking into account both O&M and capital spending? Please explain how FEI conducts this analysis.

Response:

Yes, the Regionalization Initiative has a positive net financial impact (savings) taking into account both O&M and capital spending. FEI assesses the financial impacts for a project such as the Regionalization Initiative by comparing the costs of the initiative to the savings and determines if there is a positive financial benefit.

Please refer to the response to CEC IR 1.5.2 which shows that customers and FEI's shareholder will have each received a net benefit over the term of the PBR due to the Regionalization Initiative.

2.3 Please explain whether or how the capital spending deadband (one-year and two-year) in the PBR framework affects the determination of net benefits of a cost savings measure that has both O&M savings and capital costs, such as the Regionalization Initiative.

Response:

The capital spending dead band in the PBR framework could be considered to affect the determination of net benefits of a cost savings measure to ratepayers over the PBR term. The effect of exceeding the capital dead band is that there is no earning sharing on the amount of capital expenditures outside the dead band. Instead, capital expenditures outside the dead band are added to rate base in the following year.

However, it is difficult to assess how capital spending in excess of the dead band actually affects the net benefits of a particular cost savings measure. The exact levels of capital spending each year are difficult to forecast, and it is difficult – if not impossible - to identify which specific project or projects will cause the capital spending to be above the dead band. It is therefore difficult, if not impossible, to say whether the capital expenditures on a particular cost saving measure should be assessed as being subject to earnings sharing or not.

Thus, FEI does not consider the operation of the dead band in its financial evaluation of projects in general. FEI also notes that, as with the Regionalization Initiative, a particular initiative may have benefits that are not related to financial impacts, and these non-financial benefits will be considered in project evaluation regardless of the capital dead band.

3.0 Topic: In-line inspection activity

Reference: Exhibit B-2, p.8; Table 13-17, p.145

"Another contributing set of factors consists of capital cost pressures such as the following: ...

4. Increased in-line inspection activity required to maintain alignment with evolving industry practice;" [underline added]

Table 13-17: Historical Leaks per KM of Distribution System Mains

Leaks per KM of Distribution System Mains	2009	2010	2011	2012	2013	2014	2015
Leaks	122	140	166	169	143	114	102
Total km	18,760	18,895	18,974	19,040	19,098	19,172	22,602
Leaks per km	0.0065	0.0074	0.0087	0.0089	0.0075	0.0059	0.0045
5 year average	0.0062	0.0064	0.0067	0.0075	0.0078	0.0077	0.0071

3.1 Is the in-line inspection activity referred to on page 8 the same as the leak detection survey program the results of which are reported as Leaks per KM of Distribution System Mains in Chapter 13? Please explain any differences.

Response:

No, the in-line inspection activity referred to on page 8 is not the same as the leak detection survey program referred to in Chapter 13.

The leak detection survey program is conducted to identify leaking equipment by walking over buried gas lines while using gas detection equipment. FEI conducts leak detection survey programs of its distribution and transmission pipeline systems, at frequencies typically ranging from annually to every 5 years. The results contained in Table 13-17 only pertain to the findings of the leak detection survey program of the distribution system mains.

In-line inspection is conducted to predict failures before their occurrence through the insertion of a data collection device (known as a "pig") inside a pipeline to obtain indirect measurement of anomalies (e.g. metal loss, dents, mechanical damage, buckles and wrinkles) that may adversely affect its integrity. In-line inspection is performed on a periodic basis, typically in the order of 5 to 7 years. FEI currently only uses in-line inspection tools in its transmission pressure pipeline system.

3.2 Is the increased in-line inspection activity referred to page 8 indicated by the 2015 uptick in Total km of Distribution System Mains surveyed shown in Table 13-17?

Response:

No. The increased in-line inspection activity is unrelated to leaks on distribution system mains. As noted in response to BCSEA IR 1.3.1, FEI only uses in-line inspection tools in its transmission (not distribution) pressure pipeline system.

The increase in Total km of Distribution System Mains in Table 13-17 reflects the increased total km of Distribution System Mains in the system due to additions over time.

3.3 Please explain the "evolving industry practice" concerning in-line inspection activity.

Response:

Please refer to the response to BCUC IR 1.9.11 for a discussion of the changes in industry practice concerning in-line inspection activity.

3.3.1 What are the driving forces behind this increased stringency concerning in-line inspection activity? For example, reduced cost of escaped product, safety, reduced methane emissions?

Response:

FEI believes the primary driving forces with respect to evolving in-line inspection practices for "sweet" natural gas pipelines, as owned and operated by FEI, are as follows:

- Industry failure history;
- Potential safety-related consequences associated with natural gas transmission pipeline failures;

- Increased prevalence of management systems in the area of pipeline integrity, improving focus on proactive threat management and continual improvement;
- Improved understanding of potential pipeline hazards by pipeline operators, through such resources as industry committee participation, operator and regulator presentations at conferences, and industry research;
- Regulator expectations for transmission pipeline performance;
- Public expectations for transmission pipeline performance; and
- Technology improvements.

3.4 To what extent is the increased in-line inspection activity responsible for FEI's 2105 GHG reported emission emissions (120,997 tCO2e) being lower than the 2014 figure (140,507 tCO2e) shown on page 145?

Response:

FEI does not consider increased in-line inspection to be responsible for the reduced GHG reported emissions between 2014 and 2015.

Failure rates associated with the FEI transmission pressure pipeline system are sufficiently low as to typically result in a negligible effect on FEI's annual GHG emission reports.

3.5 Does FEI anticipate that in-line inspection activity will increase above 2015 levels in 2016 and subsequent years in the PBR period?

Response:

Yes. Please refer to the response to BCUC IR 1.9.9.1 for a forecast of in-line inspection capital expenditures through the PBR period.

3.6 Does the increase in in-line inspection activity have material cost implications?

Response:

Yes. Please refer to the response to the response to BCUC IR 1.9.9.1 for the capital cost implications associated with the increase in in-line inspection activity.

3.7 Please confirm, or otherwise explain, that in-line inspection activity is categorized as capital sustainment as distinct from O&M.

Response:

Yes, in-line inspection is considered a “major inspection” which FEI treats as capital.

4.0 Topic: Capital Dead Band

Reference: Exhibit B-2, p.13

"FEI has evaluated its alternatives and believes that it is in the best long-term interest of customers to pursue the capital spending program it has planned that will result in the dead band being exceeded, not only in 2016, but in some of the remaining years of the PBR term. It is clear that the capital spending is required and it is the right thing to do to limit increasing risk exposure in the system, and avoid unplanned and urgent capital work. It is also required to provide FEI the ability to work in an efficient and cost-effective manner and realize productivity efficiencies and operational savings during the PBR term."

4.1 What are the earnings consequences to FEI shareholders of FEI's capital spending exceeding the dead band within the term of the PBR?

Response:

The capital dead band applies to capital spending above or below the capital formula amounts. FEI has responded to this question in the context of its capital expenditures being above the capital formula amounts.

Under the PBR Plan, for capital spending that is above the formula amount and below the dead band, FEI's shareholder foregoes the earnings on one-half of the cumulative variance. The foregone earnings are calculated as the variance in cumulative capital spending multiplied by FEI's allowed equity percentage multiplied by FEI's allowed ROE, grossed up for income tax and then multiplied by one-half.

Under the PBR Plan, and as summarized in Section 1.4.4.3 of the Application, capital spending that exceeds the dead band during the term of the PBR is excluded from the earnings sharing calculation discussed above. Instead, any capital spending above the dead band is added to rate base at the beginning of the following year, such that FEI's shareholder only foregoes earnings for the period of time between when the capital expenditure is incurred and the beginning of the following year.

After the term of the PBR, all prudently incurred capital (including the cumulative spending above the formula and below the dead band) will be added to rate base and attract the allowed return on equity.

5.0 Topic: Emissions Regulations Deferral Account

Reference: Exhibit B-2, p.63; p.101, pdf p.110

FEI seeks approval of a five year amortization period for the existing Emissions Regulations deferral account, commencing in 2017. [p.2]

> "In 2016, FEI collected pre-tax revenues of $2.4 million ($1.8 million after-tax) from the sale of credits earned under the Renewable Low Carbon Fuel Requirements Regulation (RLCFRR).
>
> The RLCFRR was introduced in order to reduce the carbon intensity of transportation fuels. The carbon intensity of both compressed natural gas (CNG) and liquefied natural gas (LNG) fall below the maximum carbon intensity limit set by the RLCFRR; therefore FEI earns credits from the sale of CNG and LNG for use in transportation applications. FEI issues a request for proposal to potential buyers to ensure it maximizes the value of these credits for the benefit of ratepayers. FEI will continue to generate credits in the future as the sale of CNG and LNG for transportation increases." [pp.63-64]

5.1 Please explain how the amortization of the ERDA balance (as proposed) is treated under the PBR formula.

Response:

The PBR formula only applies to "regular" capital expenditures and O&M expenses as discussed in section 6.2 and 7.2 of the Application. Amortization of deferral accounts, including the ERDA, is treated the same during the PBR period as it would be under a cost of service model. The amortization of the ERDA, and all other deferral accounts which are amortized, is included in the overall calculation of FEI's cost of service (as shown in the financial schedules in Section 11, Schedule 16, Line 19) under FEI's PBR plan.

5.2 Under the proposed amortization of the balance of the ERDA over five years is it only the YTD 2016 balance that is amortized? If additional RLCFRR revenues flow into the ERDA in the rest of 2016 and future years will it be the current balance of the ERDA on which the amortization amount is calculated?

Response:

The proposed amortization for 2017 only relates to the projected 2016 balance of the account at the time of filing the Application. Amortization in future years will be adjusted to capture any new actual or projected activity in the account between each of the Annual Review filings. Therefore, any additional RLCFRR revenues and any related costs that flow into the ERDA in future years will also be amortized over five years beginning the following year.

6.0 Topic: Service Quality Indicators – Emergency Response Time

Reference: Exhibit B-2, p.133, pdf p.142

The Emergency Response Time results for 2015 (97.3%) and YTD 2016 (97.4%) show improvement over the results for 2014 (96.7%). The results remain above the threshold (96.2%) but below the benchmark (97.7%).

FEI states: “The improved response time since 2014 in all operating zones is a reflection of a combination of factors including a decrease in the number emergency events and changes made to technician shift schedules starting January 2015. The changes to shift schedules were made to provide more emergency response capacity in the late afternoon and early evening.”

6.1 Does FEI plan to take further steps toward bringing the Emergency Response Time results up to the benchmark? If so, what steps? If not, why not?

Response:

FEI is not planning further steps at this time as results are trending positively and are close to the benchmark.

7.0 Topic: SQI – Telephone Service Factor (Emergency)

Reference: Exhibit B-2, pp.133-134, pdf pp.142-143

"The 2015 result was 97.6 percent which was better than the benchmark of 95 percent approved by the Commission. The June 2016 year-to-date performance is 98.7 percent which is also better than the benchmark."

7.1 Does FEI intend to manage toward achieving a TSF (Emergency) result that exceeds the benchmark? If not, why not?

Response:

No, FEI actively manages staffing levels on an hourly and daily basis according to forecast call volumes and the benchmark TSF.

The benchmark TSF is based on a balance of costs and service quality. To the extent that a higher TSF is targeted, additional costs would need to be incurred.

8.0 Topic: SQI – All Injury Frequency Rate

Reference: Exhibit B-2, pp.134-135, pdf pp.143-144

"The 2016 June year-to-date annual AIFR is 1.39 as a result of 6 Medical Treatment and 4 Lost Time injuries."

8.1 Please confirm, or otherwise explain, that the YTD 2016 AIFR figure is adjusted for being only one-half a year.

<u>Response:</u>

No adjustment to the data was required to calculate the June YTD 2016 AIFR of 1.39 for being based on one half of a year.

The AIFR calculation is defined as: (Number of Employee Injuries X 200,000 hours) divided by Total Exposure Hours Worked.

The reported June YTD 2016 AIFR was calculated using actual Exposure Hours, Medical Treatment and Lost Time Injuries through the end of June 2016. No adjustment is required to the 200,000 hours used in the calculation as that figure is used to express the AIFR result in a standard equivalent to the number of lost-time injuries in relation to 200,000 hours. The 200,000 hours represent the equivalent of 100 workers working one full year.

9.0 Topic: SQI – Responsiveness to Customer Needs

Reference: Exhibit B-2, p.137, pdf p.146

"The Billing Index indicator tracks the effectiveness of the Company's billing system by measuring the percentage of customer bills produced meeting performance criteria. The Billing Index is a composite index with three components:

- Billing completion (percent of accounts billed within two days of the billing due date);
- Billing timeliness (percent of invoices delivered to Canada Post within two days of file creation); and
- Billing accuracy (percent of bills without a production issue based on input data)." [underline added]

"The Billing Index is impacted by factors such as the performance of the Company's billing system, weather variability, which can cause a high volume of billing checks and estimation issues, and mail delivery by Canada Post." [underline added]

9.1 How does "mail delivery by Canada Post" impact the Billing Index when the index component is delivery of invoices to Canada Post?

Response:

Mail delivered by Canada Post does not impact the Billing index. Delivery delays by the print vendor in getting the invoices to Canada Post do impact the billing index.

There was a typographical error on page 137, lines 27-29, of the Application. The Application should have read as follows:

The Billing Index is impacted by factors such as the performance of the Company's billing system, weather variability, which can cause a high volume of billing checks and estimation issues, and delivery to Canada Post.

10.0 Topic: SQI – Telephone Service Factor (Non-Emergency)

Reference: Exhibit B-2, pp.139-140, pdf pp.148-149

"The 2015 result was 71 percent which was better than the benchmark of 70 percent. The June 2016 year-to-date performance is 70 percent which is equal to the benchmark."

"The Commission approved the revised target of 70 percent in mid-September 2014. <u>In 2015 and subsequent years, actual results are expected to be reflective of the revised target of 70 percent</u>."

10.1 Is the fact that the YTD 2016 results for TSF (Non-Emergency) (70%) are the same as the benchmark (70%) the outcome of an intention to manage to the benchmark?

<u>Response:</u>

Yes. Please also refer to the response to BCSEA IR 1.7.1.

11.0 Topic: SQI – Telephone Abandon Rate

Reference: Exhibit B-2, p.142, pdf p.151

"The Telephone Abandon Rate is an informational [sic], measures the percent of calls abandoned by the customer before speaking to a customer service representative. Abandon rates can be due to waiting times, or due to customers receiving their required information through informational messages in the Company's Interactive Voice Response (IVR) system such that the customer no longer needs to speak to an agent."

11.1 Please confirm that calls abandoned due to waiting times is a negative indicator of customer satisfaction whereas calls abandoned due to the required information having been provided by IVR without speaking to an agent is a positive indicator of customer satisfaction.

Response:

Not confirmed.

Customer satisfaction is driven by a variety of factors and one cannot say that call abandonment due to wait times and IVR messages are negative or positive indicators of satisfaction. FEI believes a primary driver of customer satisfaction is whether FEI resolves the issue that led to the customer's call. For example, an IVR message may provide information about an outage but a customer may have low satisfaction simply because an outage has occurred. Or, a customer may abandon a call due to wait times, but may subsequently call back or contact the Company through another means, achieve a resolution, and be highly satisfied as a result.

11.2 Does FEI have any way to estimate whether the slight uptick in the YTD 2016 Telephone Abandon Rate over the previous years is the result of increased numbers of abandoned calls because of waiting times or IVR, or both?

Response:

No, FEI does not have a way to estimate the impact of wait times or IVR on the telephone abandon rate.

12.0 Topic: SQI – Transmission Incidents by Severity Level

Reference: Exhibit B-2, p.143, pdf p.152

"As also indicated in the table above, from January 1, 2016 to June 30, 2016, there has been one Level 1 reportable incident. The Level 1 incident was on March 21, 2016 and involved a leak detected during leak survey on a section of the pipeline approved to be replaced in Burnaby as part of the LMIPSU Project. The repair was completed and the pipeline was re-gasified on March 24, 2016."

12.1 Briefly, what is the degree of completion of the Lower Mainland Intermediate Pressure System Upgrade (LMIPSU) project?

Response:

The LMIPSU project is currently focused on detailed engineering, stakeholder engagement, permitting and construction execution planning. The detailed engineering is 30% complete. Construction is expected to commence in Q1 2018 with completion in Q4 2018.

In responding to this IR, FEI identified a typographical error on page 132 of the Application in Table 13-1, Approved SQI, Benchmarks and Actual Performance. The reported number for the informational SQI Transmission Reportable Incidents for 2015 should be 3, instead of 2 as shown in the table. Three reportable incidents for 2015 is consistent with the detailed description of Transmission Reportable Incidents starting on page 142 of the Application and included in Table 13-14.

13.0 Topic: SQI – Leaks per KM of Distribution System Mains

Reference: Exhibit B-2, pp.144-145, pdf pp 153-154

The August 2016 B.C. Climate Leadership Plan (https://climate.gov.bc.ca/wp-content/uploads/sites/13/2016/06/4030_CLP_Booklet_web.pdf) states that B.C. is launching a strategy to reduce methane emissions in the upstream natural gas sector. The Plan states on page 15:

> "The legacy phase will include targets for reducing fugitive and vented emissions from extraction and processing infrastructure built before January 1st, 2015. This will include: A 45 per cent reduction of these emissions by 2025, estimated at an annual reduction of 1 million tonnes for 2025...

13.1 Is it FEI's understanding that the B.C. Government's strategy to reduce methane emissions in the "upstream natural gas sector" includes in its scope FEI's distribution system mains?

Response:

No. Distribution assets such as mains are not upstream natural gas assets and would therefore not be included within the upstream natural gas sector.

13.2 Does FEI anticipate increasing its distribution system leaks survey activities as a result of the Climate Leadership Plan or otherwise? If so, please describe the anticipated increased activities. If not, why not?

Response:

At this time, FEI does not anticipate increasing its distribution system leaks survey activities. Leak survey activities are currently carried out in accordance with governing standards and accepted industry practice.

13.3 Regarding Table 13-16: June 2016 Year-to-Date Five Year Rolling Average, should the Five Year Rolling Average in the last row read 0.0060 rather than 0.0073?

Response:

In Table 13-16: June 2016 Year-to-Date Five Year Rolling Average, the Five Year Rolling Average in the last row should read .0066 rather than .0073. An incorrect number was used in the calculation.

14.0 Topic: Data Storage Restriction Removal

Reference: BCUC Decision and Order G-161-15, October 13, 2015, p.21

"The Panel has considered the submissions from BCOAPO and BCESA regarding reporting requirements and finds that some level of reporting is warranted so the Commission and participants in this proceeding can monitor outcomes, if any, of this decision.

With respect to data and servers located outside of Canada, FEI is to provide the Commission with a report prepared by its Internal Audit group detailing:

- **any significant security and/or privacy breaches and the resolution process; and**
- **any significant deficiencies identified in processes and controls and the remediation process.**

FEI is directed to file this report on an annual basis. FEI is to submit the date that is most practical for the company to file this report annually to the Commission by no later than November 30, 2015.

The Panel is not persuaded that the report should be reviewed in the annual Performance Based Ratemaking review process. The reporting will allow the Commission and participants in this proceeding to monitor whether FEI is employing and adhering to their identified risk mitigation strategies. Any cost savings associated with storing information outside of Canada will be recognized in the overall operations and maintenance costs included in the Performance Based Ratemaking Annual Review."

14.1 With reference to the Commission's direction that "FEI is to submit the date that is most practical for the company to file this report annually to the Commission by no later than November 30, 2015," what date did FEI submit to the Commission?

Response:

FEI submitted to the Commission that April 30 of each year would be the most practical date for the Company to file the report.

14.2 The following information request is aimed at determining whether or not FEI's most recent report on data and servers outside of Canada should be reviewed in the present PRB review process: Has FEI filed a report on data and servers outside of Canada as required by Order G-161-15? If so, please file a copy. If not, when will FEI file a data and servers report?

Response:

FEI has filed the report on data and servers outside of Canada as required by Order G-161-15. A copy of the report is provided in Attachment 14.2.

14.3 With reference to the Commission Panel's statement that "Any cost savings associated with storing information outside of Canada will be recognized in the overall operations and maintenance costs included in the Performance Based Ratemaking Annual Review," please describe any steps FEI has taken to store information outside of Canada pursuant to Order G-161-15 and provide quantification of any associated cost savings.

Response:

FEI has not yet stored information on servers located outside of Canada; therefore, there are no associated cost savings.

Attachment 1.1

FEI January 1, 2017 Proposed Delivery Rates, Delivery Rate Riders and Impacts

Rate Schedule	Mainland Service Area				Vancouver Island Service Area				Whistler Service Area			
	Approved Rates Jan 1, *(G-193-15)*	Proposed Rates Jan 1, *2017 AR*	$ per GJ change	% change[1]	Approved Rates Jan 1, *(G-193-15)*	Proposed Rates Jan 1, *2017 AR*	$ per GJ change	% change[1]	Approved Rates Jan 1, *(G-193-15)*	Proposed Rates Jan 1, *2017 AR*	$ per GJ change	% change[1]
1/1B/1U[2] - Residential Service												
Delivery charge per gigajoule	$4.370	$4.446	$0.076	1.74%	$4.370	$4.446	$0.076	1.74%	$4.370	$4.446	$0.076	1.74%
Rider 2 Phase-in Rider Balancing Account rate rider per gigajoule	($0.156)	($0.135)	$0.021	13.46%	$1.703	$0.883	($0.820)	-48.15%	$3.201	$1.632	($1.569)	-49.02%
Rider 4 RSDA rate rider per gigajoule	($0.388)	($0.182)	$0.206	53.09%	$0.000	$0.000	$0.000	0.00%	$0.000	$0.000	$0.000	0.00%
Rider 5 RSAM rate rider per gigajoule	$0.192	$0.246	$0.054	28.13%	$0.192	$0.246	$0.054	28.13%	$0.192	$0.246	$0.054	28.13%
Subtotal of Delivery Margin Related Charges per gigajoule	**$4.018**	**$4.375**	**$0.357**	**8.89%**	**$6.265**	**$5.575**	**($0.690)**	**-11.01%**	**$7.763**	**$6.324**	**($1.439)**	**-18.54%**
2/2B/2U[2] - Small Commercial Service												
Delivery charge per gigajoule	$3.523	$3.578	$0.055	1.56%	$3.523	$3.578	$0.055	1.56%	$3.523	$3.578	$0.055	1.56%
Rider 2 Phase-in Rider Balancing Account rate rider per gigajoule	($0.110)	($0.096)	$0.014	12.73%	$1.931	$0.997	($0.934)	-48.37%	$3.523	$1.793	($1.730)	-49.11%
Rider 4 RSDA rate rider per gigajoule	($0.274)	($0.129)	$0.145	52.92%	$0.000	$0.000	$0.000	0.00%	$0.000	$0.000	$0.000	0.00%
Rider 5 RSAM rate rider per gigajoule	$0.192	$0.246	$0.054	28.13%	$0.192	$0.246	$0.054	28.13%	$0.192	$0.246	$0.054	28.13%
Subtotal of Delivery Margin Related Charges per gigajoule	**$3.331**	**$3.599**	**$0.268**	**8.05%**	**$5.646**	**$4.821**	**($0.825)**	**-14.61%**	**$7.238**	**$5.617**	**($1.621)**	**-22.40%**
3/3B/3U[2] - Large Commercial Service												
23 - Large Commercial Transportation Service												
Delivery charge per gigajoule	$2.939	$2.982	$0.043	1.46%	$2.939	$2.982	$0.043	1.46%	$2.939	$2.982	$0.043	1.46%
Rider 2 Phase-in Rider Balancing Account rate rider per gigajoule	($0.092)	($0.080)	$0.012	13.04%	$0.924	$0.407	($0.517)	-55.95%	$2.362	$0.982	($1.380)	-58.43%
Rider 4 RSDA rate rider per gigajoule	($0.230)	($0.108)	$0.122	53.04%	$0.000	$0.000	$0.000	0.00%	$0.000	$0.000	$0.000	0.00%
Rider 5 RSAM rate rider per gigajoule	$0.192	$0.246	$0.054	28.13%	$0.192	$0.246	$0.054	28.13%	$0.192	$0.246	$0.054	28.13%
Subtotal of Delivery Margin Related Charges per gigajoule	**$2.809**	**$3.040**	**$0.231**	**8.22%**	**$4.055**	**$3.635**	**($0.420)**	**-10.36%**	**$5.493**	**$4.210**	**($1.283)**	**-23.36%**
4 - Seasonal Firm Service												
Delivery charge per gigajoule (off-peak period)	$1.217	$1.244	$0.027	2.22%	$1.217	$1.244	$0.027	2.22%	$1.217	$1.244	$0.027	2.22%
Delivery charge per gigajoule (extension period)	$1.994	$2.021	$0.027	1.35%	$1.994	$2.021	$0.027	1.35%	$1.994	$2.021	$0.027	1.35%
Rider 2 Phase-in Rider Balancing Account rate rider per gigajoule	($0.069)	($0.054)	$0.015	21.74%	$0.924	$0.407	($0.517)	-55.95%	$2.362	$0.982	($1.380)	-58.43%
Rider 4 RSDA rate rider per gigajoule	($0.173)	($0.072)	$0.101	58.38%	$0.000	$0.000	$0.000	0.00%	$0.000	$0.000	$0.000	0.00%
Subtotal of Delivery Margin Related Charges per gigajoule (off-peak period)	**$0.975**	**$1.118**	**$0.143**	**14.67%**	**$2.141**	**$1.651**	**($0.490)**	**-22.89%**	**$3.579**	**$2.226**	**($1.353)**	**-37.80%**
Subtotal of Delivery Margin Related Charges per gigajoule (extension period)	**$1.752**	**$1.895**	**$0.143**	**8.16%**	**$2.918**	**$2.428**	**($0.490)**	**-16.79%**	**$4.356**	**$3.003**	**($1.353)**	**-31.06%**
5/5B[1] - General Firm Service												
25 - General Firm Transportation Service												
Demand charge per month per gigajoule	$20.077	$20.382	$0.305	1.52%	$20.077	$20.382	$0.305	1.52%	$20.077	$20.382	$0.305	1.52%
Delivery charge per gigajoule	$0.825	$0.838	$0.013	1.58%	$0.825	$0.838	$0.013	1.58%	$0.825	$0.838	$0.013	1.58%
Rider 2 Phase-in Rider Balancing Account rate rider per gigajoule	($0.064)	($0.055)	$0.009	14.06%	$1.565	$1.318	($0.247)	-15.78%	$2.362	$0.982	($1.380)	-58.43%
Rider 4 RSDA rate rider per gigajoule	($0.158)	($0.075)	$0.083	52.53%	$0.000	$0.000	$0.000	0.00%	$0.000	$0.000	$0.000	0.00%
Subtotal of Delivery Margin Related Charges per gigajoule (*excluding the demand charge*)	**$0.603**	**$0.708**	**$0.105**	**17.41%**	**$2.390**	**$2.156**	**($0.234)**	**-9.79%**	**$3.187**	**$1.820**	**($1.367)**	**-42.89%**
6 - Natural Gas Vehicle Service												
26 - Natural Gas Vehicle Transportation Service												
Delivery charge per gigajoule	$4.521	$4.576	$0.055	1.22%	$4.521	$4.576	$0.055	1.22%	$4.521	$4.576	$0.055	1.22%
Rider 2 Phase-in Rider Balancing Account rate rider per gigajoule	($0.169)	($0.120)	$0.049	28.99%	$0.924	$0.407	($0.517)	-55.95%	$2.362	$0.982	($1.380)	-58.43%
Rider 4 RSDA rate rider per gigajoule	($0.420)	($0.161)	$0.259	61.67%	$0.000	$0.000	$0.000	0.00%	$0.000	$0.000	$0.000	0.00%
Subtotal of Delivery Margin Related Charges per gigajoule	**$3.932**	**$4.295**	**$0.363**	**9.23%**	**$5.445**	**$4.983**	**($0.462)**	**-8.48%**	**$6.883**	**$5.558**	**($1.325)**	**-19.25%**
6A -Vehicle Refueling Service[3]												
Delivery charge per gigajoule	$4.475	$4.530	$0.055	1.23%	*not applicable*				*not applicable*			
Rider 2 Phase-in Rider Balancing Account rate rider per gigajoule	($0.169)	($0.120)	$0.049	28.99%								
Rider 4 RSDA rate rider per gigajoule	($0.420)	($0.161)	$0.259	61.67%								
Subtotal of Delivery Margin Related Charges per gigajoule	**$3.886**	**$4.249**	**$0.363**	**9.34%**								
6P - Public Natural Gas Refueling Service (Surrey Operations)[3]												
Delivery charge per gigajoule	$4.499	$4.554	$0.055	1.22%	*not applicable*				*not applicable*			
Rider 2 Phase-in Rider Balancing Account rate rider per gigajoule	($0.169)	($0.120)	$0.049	28.99%								
Rider 4 RSDA rate rider per gigajoule	($0.420)	($0.161)	$0.259	61.67%								
Subtotal of Delivery Margin Related Charges per gigajoule	**$3.910**	**$4.273**	**$0.363**	**9.28%**								
7 - General Interruptible Service												
27 - General Interruptible Transportation Service												
Delivery charge per gigajoule	$1.353	$1.373	$0.020	1.48%	$1.353	$1.373	$0.020	1.48%	$1.353	$1.373	$0.020	1.48%
Rider 2 Phase-in Rider Balancing Account rate rider per gigajoule	($0.039)	($0.035)	$0.004	10.26%	$0.924	$0.407	($0.517)	-55.95%	$2.362	$0.982	($1.380)	-58.43%
Rider 4 RSDA rate rider per gigajoule	($0.098)	($0.047)	$0.051	52.04%	$0.000	$0.000	$0.000	0.00%	$0.000	$0.000	$0.000	0.00%
Subtotal of Delivery Margin Related Charges per gigajoule	**$1.216**	**$1.291**	**$0.075**	**6.17%**	**$2.277**	**$1.780**	**($0.497)**	**-21.83%**	**$3.715**	**$2.355**	**($1.360)**	**-36.61%**
22 - Large Volume Transportation Service												
Delivery charge per gigajoule	$0.982	$0.996	$0.014	1.43%	$0.982	$0.996	$0.014	1.43%	$0.982	$0.996	$0.014	1.43%
Rider 2 Phase-in Rider Balancing Account rate rider per gigajoule	($0.034)	($0.025)	$0.009	26.47%	$0.924	$0.407	($0.517)	-55.95%	$2.362	$0.982	($1.380)	-58.43%
Rider 4 RSDA rate rider per gigajoule	($0.084)	($0.034)	$0.050	59.52%	$0.000	$0.000	$0.000	0.00%	$0.000	$0.000	$0.000	0.00%
Subtotal of Delivery Margin Related Charges per gigajoule	**$0.864**	**$0.937**	**$0.073**	**8.45%**	**$1.906**	**$1.403**	**($0.503)**	**-26.39%**	**$3.344**	**$1.978**	**($1.366)**	**-40.85%**
22A - Transportation Service (Closed - Inland Service Area)[4]												
Delivery charge per month per gigajoule of firm DTQ	$15.704	$15.913	$0.209	1.33%	*not applicable*				*not applicable*			
Delivery charge per gigajoule of firm MTQ	$0.110	$0.111	$0.001	0.91%								
Delivery charge per gigajoule of interruptible MTQ	$1.241	$1.257	$0.016	1.29%								
Rider 2 Phase-in Rider Balancing Account rate rider per gigajoule	($0.030)	($0.024)	$0.006	20.00%								
Rider 4 RSDA rate rider per gigajoule	($0.074)	($0.033)	$0.041	55.41%								
Subtotal of Delivery Margin Related Charges per gigajoule of firm MTQ	**$0.006**	**$0.054**	**$0.048**	**800.00%[5]**								
Subtotal of Delivery Margin Related Charges per gigajoule of interruptible MTQ	**$1.137**	**$1.200**	**$0.063**	**5.54%**								
22B - Transportation Service (Closed - Columbia Service Area) (Except Elkview)[4]												
Delivery charge per month per gigajoule of firm DTQ	$10.137	$10.276	$0.139	1.37%	*not applicable*				*not applicable*			
Delivery charge per gigoule of firm MTQ	$0.108	$0.109	$0.001	0.93%								
Delivery charge per gigoule of interruptible MTQ (between April 1 and October 31)	$1.011	$1.025	$0.014	1.38%								
Delivery charge per gigoule of interruptible MTQ (between November 1 and March 31)	$1.455	$1.475	$0.020	1.37%								
Rider 2 Phase-in Rider Balancing Account rate rider per gigajoule	($0.022)	($0.014)	$0.008	36.36%								
Rider 4 RSDA rate rider per gigajoule	($0.055)	($0.019)	$0.036	65.45%								
Subtotal of Delivery Margin Related Charges per gigajoule of firm MTQ	**$0.031**	**$0.076**	**$0.045**	**145.16%[5]**								
Subtotal of Delivery Margin Related Charges per gigajoule of interruptible MTQ (Apr 1 to Oct 31)	**$0.934**	**$0.992**	**$0.058**	**6.21%**								
Subtotal of Delivery Margin Related Charges per gigajoule of interruptible MTQ (Nov 1 to Mar 31)	**$1.378**	**$1.442**	**$0.064**	**4.64%**								
22B -Transportation Service (Closed - Columbia Service Area) (Elkview)[4]												
Delivery charge per month per gigajoule of firm DTQ	$2.301	$2.333	$0.032	1.39%	*not applicable*				*not applicable*			
Delivery charge per gigoule of firm MTQ	$0.108	$0.109	$0.001	0.93%								
Delivery charge per gigoule of interruptible MTQ (between April 1 and October 31)	$0.254	$0.257	$0.003	1.18%								
Delivery charge per gigoule of interruptible MTQ (between November 1 and March 31)	$0.360	$0.365	$0.005	1.39%								
Rider 2 Phase-in Rider Balancing Account rate rider per gigajoule	($0.007)	($0.006)	$0.001	14.29%								
Rider 4 RSDA rate rider per gigajoule	($0.017)	($0.008)	$0.009	52.94%								
Subtotal of Delivery Margin Related Charges per gigajoule of firm MTQ	**$0.084**	**$0.095**	**$0.011**	**13.10%**								
Subtotal of Delivery Margin Related Charges per gigajoule of interruptible MTQ (Apr 1 to Oct 31)	**$0.230**	**$0.243**	**$0.013**	**5.65%**								
Subtotal of Delivery Margin Related Charges per gigajoule of interruptible MTQ (Nov 1 to Mar 31)	**$0.336**	**$0.351**	**$0.015**	**4.46%**								

Notes:

[1] Please note that resulting increases to the delivery charges per gigajoule are slightly higher than the proposed 1.2% increase as the fixed basic charges have been held at existing levels (as outlined in Section 1.2 Approvals Sought of the Application.

[2] "B" and "U" refer to the applicable biomethane and commodity unbundling (respectively) rate schedules.

[3] Rate Schedules 6A and 6B are applicable only to the specific service area of Lower Mainland within the Mainland service area.

[4] Rate Schedules 22A and 22B are applicable only to the specific service areas of Inland and Columbia respectively within the Mainland service area.

[5] Please note that these percentage increases are not reflective of the actual proposed delivery rate increases due to the low 2016 delivery rates per gigajoule (inclusive of the phase-in and RSDA rate riders). The per gigajoule proposed increases (inclusive of the phase-in and RSDA rate riders) are more reflective of the actual proposed increases. It is also important to note January 1, 2017 will be last year for the application of the credit of rate riders 2 and 4 for Mainland delivery rates.

Attachment 14.2

Edward Olson, CPA, CA
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Attn: Ms. Laurel Ross, Acting Commission Secretary and Director
British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, B.C. V6Z 2N3

March 31, 2016

RE: Order G161–15, Internal Audit Review of Security and Privacy Breach Environment, 2015

Dear Ms. Ross:

By Commission Order G-161-15, with respect to data and servers located outside of Canada, Internal Audit has performed procedures to review FortisBC Energy Inc.'s ("FortisBC") privacy and security processes, controls, and evidence of any data breaches. The objective of the review was to provide assurance that FortisBC is complying with the order issued by the Commission.

The scope of the review carried out by Internal Audit included review of FortisBC's policies and procedures for the protection of customer, employee and sensitive information located outside of Canada, and records of any significant breaches during the period of October 13 to December 31, 2015.

Based on our review, there were no indications of significant security and/or privacy breaches, or any significant deficiencies in processes and controls.

Should the Commission require additional information related to the content of this report, please do not hesitate to contact me at the address or contact numbers provided above.

Regards,

Original signed by:

Edward Olson, CPA, CA
Director, Internal Audit