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October 11, 2016

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

Attention: Ms. Laurel Ross, Acting Commission Secretary and Director

Dear Ms. Ross:

Re: FortisBC Energy Inc. (FEI)

Project No. 3698873

All-Inclusive Code of Conduct and Transfer Pricing Policy Application (the Application)

FEI Submissions on Scope and Process

In this letter, FEI provides its submissions on the scope and process for the above noted proceeding, pursuant to the Commission's letter of September 20, 2016 (Exhibit A-3).

Submissions on Scope

In its letter, the Commission stated "[t]he purpose of this proceeding is to determine if FEI has met the requirements set out in Order G-31-15. This proceeding is not intended as a forum to re-open the past decisions of the Commission with respect to codes of conduct and transfer pricing policy. The objective is to consolidate into one document the code of conduct and transfer pricing policies applicable to the variety of entities with which FEI has affiliate transactions." The Commercial Energy Consumers Association of British Columbia's (CEC) submission on scope is consistent with the Commission's direction whereas both the Movement of United Professionals (MoveUP) and the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre *et al.* (BCOAPO) have commented that the proceeding is also about examining the regulatory oversight required to govern the relationship between FEI and its Affiliated Regulated Utilities (AUs) (i.e. between FEI and FBC). FEI believes that there is sufficient regulatory oversight for sharing of resources between its AUs through ongoing revenue requirement proceedings and no further review is required as part of this proceeding.

FEI has a long and successful history sharing resources with affiliated regulated utilities, including with its Vancouver Island and Whistler utilities for ten years. FEI and FBC have been sharing common resources under a shared services agreement since 2010. The

sharing arrangements have been transparent with the shared services agreements included in rate proceedings for Commission review and approval. This arrangement was discussed in FEI's 2012-2013 Revenue Requirements Application and also in its 2014 to 2018 Multi-Year PBR Application.¹ BCOAPO is incorrect that "there has been no substantive process to address transactions between regulated utilities and their AUs." Both MoveUP and BCOAPO have participated in Revenue Requirement and Annual Review proceedings since the sharing of resources between FEI and FBC commenced, and have had the opportunity to raise issues and ask questions. They have done so on many occasions.

Additionally, both FEI and FBC are subject to ongoing regulation of the Commission. The Commission has direct oversight of utility operations and has the ability to request information on the interactions between the two utilities in a forum outside of a CoC/TPP proceeding. This approach is to be preferred as it allows for flexibility in changing circumstances over time rather than requiring all considerations be codified at one time. While MoveUP seeks to draw parallels with FortisAlberta and holds up FortisAlberta's Code of Conduct as a precedent, it is overlooking the fact that FortisAlberta's circumstances differ markedly. The provisions of the FortisAlberta Code governing dealings with sister utilities have no practical application because FortisAlberta does not have a sister regulated utility subject to the oversight of the Alberta Utilities Commission.

Revenue requirements hearings remain the proper forum for discussion of shared services agreements, as has been the case for a number of years.²

Regarding the review of FEI's code of conduct and transfer pricing policies for Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment (ARB), this current examination of FEI's code of conduct and transfer pricing policies has now been going on for three years, including the original consultation process. FEI has engaged in significant consultation with stakeholders, including MoveUP and BCOAPO. The Commission's original CoC/TPP proceeding assessed higher level policy and provided a number of directions, which were implemented for Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment (ARB) in that proceeding, and are now being incorporated into an All-Inclusive policy in this compliance proceeding as appropriate.

The primary focus of the CoC/TPP consultation and process to date has been on Non-Regulated Businesses (NRB) and ARBs for good reason.

These types of relationships are what give rise to the concerns the Commission and certain interveners have had about utility involvement in competitive markets. The Commission, in its CoC/TPP Decision (at page 41), noted the difference between those scenarios and the sharing of resources between FEI and FBC:

"...the provision of services to FAES as set out above varies from the provision of shared services between two utilities both operating in a monopoly environment. Again, the FortisBC gas and electric utilities share some services to the benefit of both utilities, but these are committed resources sufficient to meet the ongoing needs of both utilities and both

¹ This is discussed further on p.12 of Exhibit B-2 in this proceeding, FEI's filing.

² We also note that, prior to the amalgamation of the gas utilities, the shared services among the three gas utilities was similarly addressed in the context of revenue requirements proceedings.

utilities have an equal priority in terms of access to and use of the shared resources.”

A CoC/TPP for ARBs did not exist previously, and the relationship with NRBs had not been examined for many years. FEI’s relationship with FBC, by contrast, is a straightforward rate issue and has been examined in recent rate proceedings.

Finally, FEI does not agree with MoveUP that there should be any specific attention paid to the sharing of customer-facing operational resources. From a CoC/TPP perspective, the same rationale for sharing of corporate and management resources should be applied to all operational resources. This was the case in past shared services agreements that FEI had with the former Vancouver Island and Whistler utilities.

Submissions on Process

FEI submits that a written process, with one round of IRs, is most appropriate. This is a compliance process. It is concerned with drafting details, which are more easily addressed in writing than verbally at an SRP.

Based on the assumption that this remains a compliance hearing as originally directed, FEI is fine with the timeline proposed by the Commission, with the exception of the timing of arguments. FEI believes it is reasonable to extend the time for written submissions for interveners to two weeks as requested by CEC and would ask that the same consideration be provided to FEI as well.

It appears that MoveUP anticipates filing additional evidence in this compliance proceeding. FEI submits that this proceeding, which is intended to be a compliance process, does not lend itself to evidence from other parties. Moreover, any information from the record of the current and previous Annual Review proceedings or documents and other evidence generated by the utilities in the course of their operations or regarding their work practices can be solicited through information requests. For these reasons, FEI submits that MoveUP should not be granted the ability to file evidence. If MoveUP is granted the ability to file evidence, then fairness would require providing FEI with an opportunity (e.g., one month) to file additional evidence relevant to the proceeding before parties deliver information requests.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

cc (email only): Registered Parties