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**BY ELECTRONIC FILING**

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

**Attention: Laurel Ross,  
Acting Commission Secretary and Director**

Dear Sirs/Mesdames:

**Re: Final Submission of FortisBC Energy Inc.  
All-Inclusive Code of Conduct/Transfer Pricing Policy Order G-65-15  
Compliance Filing**

We enclose FortisBC Energy Inc.'s Final Submission in respect of the above mentioned matter.

Yours truly,

**FASKEN MARTINEAU DuMOULIN LLP**

*[Original signed by Matthew Ghikas]*

Matthew Ghikas

MTG/pw  
Enc.

**BRITISH COLUMBIA UTILITIES COMMISSION**

**IN THE MATTER OF THE UTILITIES COMMISSION ACT**

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

**and**

**FORTISBC ENERGY INC.  
CODE OF CONDUCT AND TRANSFER PRICING POLICY ORDER G-65-15  
COMPLIANCE FILING**

**FINAL SUBMISSION OF  
FORTISBC ENERGY INC.**

**November 21, 2016**

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## PART ONE: INTRODUCTION

1. In the Commission's Order G-65-15 and accompanying Decision of February 27, 2016 ("ARB Decision"), the Commission addressed policy issues surrounding FortisBC Energy Inc.'s ("FEI") use of a Code of Conduct ("CoC") and Transfer Pricing Policy ("TPP"). The Decision built on the *Retail Markets Downstream of the Meter* ("RMDM") Guidelines and *Alternative Energy Services Inquiry Report* ("AES Report"). The Commission directed FEI to file for approval a draft all-inclusive CoC and TPP ("All-Inclusive CoC/TPP") covering the interactions between (a) FEI and its affiliated natural monopoly utilities ("AU")<sup>1</sup>, (b) FEI and its affiliated non-regulated businesses ("ANRB"), and (c) FEI and its affiliated regulated businesses operating in a non-natural monopoly environment ("ARB").

2. FEI's Compliance Filing of June 30, 2016 included an All-Inclusive CoC/TPP. As directed, these documents have been modelled on the approved CoC/TPP for ARB in terms of format, content and scope. FEI has considered the RMDM Guidelines and AES Report, the ARB Decision, and FEI's existing policies with respect to ANRBs. FEI's proposed All-Inclusive CoC/TPP complies with the Commission's direction and provides an appropriate basis for FEI's activities going forward. FEI respectfully submits that the Commission should approve the All-Inclusive CoC/TPP pursuant to sections 59 to 61 of the *Utilities Commission Act*.

3. The Compliance Filing and the ARB Decision address the regulatory context in some detail. These Final Submissions address the following:

- Part Two summarizes the Commission's determinations on the scope of this Compliance Filing proceeding.
- Part Three addresses an important governing principle from the ARB Decision that is reflected in the All-Inclusive CoC/TPP.
- Part Four addresses issues raised in information requests.

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<sup>1</sup> Affiliated Natural Monopoly Utilities, e.g. FortisBC Inc. and FortisBC (Huntington) Inc.

- Part Five is a conclusion and addresses the order sought.

## **PART TWO: THE PURPOSE OF THE COMPLIANCE FILING**

4. The Commission's letter dated September 20, 2016 stated that the purpose of this proceeding is to determine whether FEI has met the requirements set out in Order G-31-15. The Commission described the objective of FEI's compliance filing as follows: "to consolidate into one document the codes of conduct and transfer pricing policies applicable to the variety of entities with which FEI has affiliate transactions."<sup>2</sup> The Commission clarified in the scoping order that the terms of shared services agreements were out of scope, although "parties should be free to debate the concepts and explore applicability of principles, applicable to the varieties of affiliated entities with which FEI has transactions." Consistent with that determination, FEI is not addressing in this Final Submission the terms of the agreement between FEI and FortisBC Inc. ("FBC"). That agreement was filed in the 2014-2018 PBR Application.

## **PART THREE: PROTECTION OF FEI RATEPAYERS IS PARAMOUNT IN FEI'S PROPOSALS**

5. The ARB Decision articulated the following principle: "After considering all submissions, the Panel continues to believe that in developing the COC, FEI's first and foremost responsibility is to protect its own ratepayers. As a secondary aspect, it is reasonable for FEI also to consider the interests of ARBNNM ratepayers if both parties benefit."<sup>3</sup> This principle is applicable to all Affiliate transactions, and the All-Inclusive CoC/TPP reflects it.<sup>4</sup>

## **PART FOUR: FEI SUBMISSIONS ON SPECIFIC ISSUES RAISED**

6. FEI has applied the provisions stipulated in the ARB Decision, identifying specific circumstances where changes are appropriate for particular types of Affiliates. This approach is consistent with the ARB Decision. In this Part, FEI demonstrates that the All-inclusive CoC/TPP includes appropriate provisions, tailored to the nature of each type of Affiliate relationship, to

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<sup>2</sup> Exhibit A-3.

<sup>3</sup> ARB Decision, p.14.

<sup>4</sup> CEC IR 1.12.2.

address sharing of personnel, protection of information, preferential treatment, and the use of Commission-approved shared services agreements.

**A. RESOURCES SHARED (SECTION 2 OF THE COC)**

7. Section 4.2.1 of the Compliance Filing addresses shared resources. The All-Inclusive CoC/TPP tracks the ARB Decision when it comes to ARBs and ANRBs. FEI has proposed modifications for AU (i.e., FBC and FortisBC (Huntington) Inc. (“FBCH”)) and provided clarification to the wording for precluding of sharing of business development and gas supply personnel. FEI makes four points in this section:

- First, FEI should be permitted to share business development personnel (a) with AUs, and (b) with ARBs and ANRBs where they operate in different markets than those serviced by FEI, such that sharing those employees would not confer a competitive advantage on the Affiliate.<sup>5</sup>
- Second, non-disclosure agreements are unnecessary in the case of FEI sharing executives and directors with an AU.
- Third, many of the CoC/TPP provisions designed to govern services provided by FEI to affiliated operating companies have limited applicability to holding companies.
- Fourth, the All-Inclusive CoC/TPP includes an appropriate provision to restrict sharing of gas supply personnel with Aitken Creek Gas Storage ULC (“ACGS”) and FortisBC Midstream Inc. (“FMI”) that is consistent with (a) the provision outlined in the FMI Application for Approval of the Shares of ACGS proceeding<sup>6</sup> and (b) FMI’s Action Plan filed with the Commission regarding rules for transferring employees between FEI and FMI and non-disclosure agreement requirements.

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<sup>5</sup> CEC IR 1.10.1.

<sup>6</sup> BCUC IR 1.16.5.

**(a) Sharing Business Development Personnel When No Competitive Concerns Exist**

8. The ARB Decision addressed the sharing of FEI business development personnel with an ARB, which at that time was limited to FortisBC Alternative Energy Inc. (“FAES”).<sup>7</sup> FEI submits, for the reasons outlined below, that FEI should be permitted to share business development personnel with (a) an AU, and (b) ACGS, despite that entity being an ARB. The considerations underlying the Commission’s determination to preclude sharing of business development personnel with FAES are inapplicable in the context of those relationships.

***Rationale Inapplicable to AU***

9. Sharing FEI’s business development personnel with an AU is appropriate and consistent with the principles set out in the AES Inquiry Report.

10. The Commission’s determination in the ARB Decision that business development personnel should not be shared with an ARB reflected a concern that FAES’ competitors had originally expressed in the AES Inquiry. The concern had been that sharing FEI personnel who have the knowledge and expertise to compete for energy solutions projects may confer a distinct competitive advantage on FAES.<sup>8</sup> This concern does not apply in the case of an AU like FBC. FBC has a monopoly over the provision of electricity in its service territory, thus eliminating the concern regarding any unfair competitive advantage from using FEI’s business development personnel.

11. The AES Inquiry Report supports FEI’s position that the types of resources shared between two natural monopoly utilities can be broader than those shared with other affiliated entities (ARB and ANRB):<sup>9</sup>

Common corporate and management resources may be shared between two Affiliated Regulated Businesses that are natural monopolies, such as gas and electric....The sharing of common resources between a natural monopoly affiliate and an affiliate that is a regulated business in a non-natural monopoly environment, however, should be much more limited.

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<sup>7</sup> ARB Decision, p. 21.

<sup>8</sup> ARB Decision, p. 20.

<sup>9</sup> AES Inquiry Report, p. 25.

12. FEI submits that applying the limitation to AU would not be justifiable on a principled basis.

***Sharing With an ARB in a Different Market Space***

13. At the time of the Commission's ARB Decision, FAES was the only ARB. The focus was, not surprisingly, on FAES. FortisBC has since acquired ACGS. The circumstances of ACGS has highlighted that the current prohibition on sharing business development personnel with an ARB is overly broad as it precludes sharing where the underlying concern does not arise.

14. FEI proposes to preclude sharing of its business development personnel with an ARB and ANRB only where the Affiliate is carrying out business development activities to acquire customers seeking energy products and services available in a competitive marketplace and where FEI is providing similar energy solutions.<sup>10</sup> This recognizes sharing of business development personnel for use in different markets confers no unfair competitive advantage for the Affiliate.<sup>11</sup> ACGS, although considered an ARB, operates in a different market space from FEI. FEI provides energy solutions for end use consumers. ACGS, by contrast, is engaged in the wholesale marketplace for natural gas. The end use market expertise that FEI's business development employees have developed would confer no particular competitive advantage on ACGS.<sup>12</sup> The value to ACGS of being able to share FEI employees is simply in having access to a supply of labour at market-based labour rates. Other market players in the wholesale market, i.e., ACGS' competitors, also have access to the labour market at market based rates. Sharing business development employees thus offers the potential for both FEI and ACGS to benefit without compromising competition in the wholesale market.

15. FEI should also be able to share its business development personnel with its other ARB and ANRB under like circumstances. It is possible that FAES might, at some point,

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<sup>10</sup> Compliance Filing, Appendix A-1, p. 5.

<sup>11</sup> CEC IR 1.10.1.

<sup>12</sup> CEC IR 1.10.1.



also operate in a different market space than FEI and share business development personnel with FEI.

**(b) Non-disclosure Agreements Not Required for Sharing Executives/Directors with AU**

16. Prior Commission decisions have recognized the propriety of sharing executives, provided that appropriate protections are in place. In the ARB Decision, the Commission directed FEI “to revise the wording of the Code of Conduct section on Shared Services and Personnel to require FEI and ARBBNNM directors and executives with dual roles to execute non-disclosure agreements that will sufficiently limit the potential for disclosure of confidential information given that all FEI directors and senior management are subject to FEI’s Business Ethics policy.”<sup>13</sup> FEI incorporated this wording in the approved FEI CoC/TPP for ARBs. The wording is also reflected in the proposed All-Inclusive CoC/TPP for ARBs and ANRBs; directors and executives holding dual management roles with ARBs and ANRBs will execute non-disclosure agreements in their capacity as directors and executives of FEI.<sup>14</sup> FEI is proposing that this requirement not be extended to AUs, since the same concerns do not arise in that context.

17. FEI directors and executives are already subject to the FortisBC Code of Ethics, which includes provisions relating to the protection of confidential information. The underlying concern that resulted in the Commission imposing an additional requirement for FEI directors/executives with positions at ARBs was to protect competition among thermal energy services providers. This concern dates back to the AES Inquiry Report, which was focused on FAES. However, no competitive considerations arise when AUs are involved. FBC is not competing with other electric distribution companies. AUs are natural monopolies and operate in different markets. This was recognized in the AES Inquiry Report where the Commission stated:

FEU provide regulated gas service, for example, while FortisBC Inc. provides a regulated electric service. The capital assets of FortisBC Inc. are related to the

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<sup>13</sup> ARB Decision, p. 25.

<sup>14</sup> Compliance Filing, p. 18.

generation, transmission and delivery of electricity and are quite separate and distinct from FEU's capital assets, which are used for the distribution of natural gas. This does not preclude the use of some common resources between these two natural monopolies where it is in the interest of the ratepayers of both utilities.<sup>15</sup>

18. The Commission also commented that "Common corporate and management resources may be shared between two Affiliated Regulated Businesses that are natural monopolies, such as gas and electric...."<sup>16</sup>

19. FEI has a long history of sharing directors and officers/executives with affiliate utilities with no concerns raised, dating back to 2004 with the Vancouver Island and Whistler gas utilities and to 2010 with FBC.<sup>17</sup> The All-Inclusive CoC/TPP should recognize and reflect that success.

**(c) Limited Applicability to Non-Operating Parent Companies**

20. The parent or holding companies affiliated with FEI (Fortis Inc., Fortis Pacific Holdings Inc., FortisBC Holdings Inc. and FMI), are non-operating companies (i.e. not providing products and services directly to customers). As a result, many of the CoC/TPP provisions designed to govern services provided by FEI to affiliated operating companies have limited applicability.

21. The provision most applicable to the parent companies is the Transfer Pricing rule requiring that services be priced at the "higher of market price or fully allocated cost". Applying this rule, subject to any Commission direction in other proceedings, will ensure that there is no detriment to FEI ratepayers. The "higher of market price or fully allocated cost" rule is applied to govern the corporate support services (i.e. payroll, finance, human resources) provided to FHI and to the services provided to FMI in support of the acquisition of ACGS. FEI

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<sup>15</sup> AES Inquiry Report, p. 27.

<sup>16</sup> AES Inquiry Report, p. 25.

<sup>17</sup> Compliance Filing, p. 18.

has not provided any significant services to Fortis Inc. and Fortis Pacific Holdings Inc. in recent years.<sup>18</sup>

**(d) FEI's Proposal Addresses Sharing Gas Supply Employees With ACGS**

22. FEI's proposed All-Inclusive CoC/TPP precludes FEI from sharing with ACGS and FMI the five positions identified in Appendix "A".<sup>19</sup> The personnel occupying these five positions are directly responsible for (i) FEI's natural gas portfolio planning and mitigation, and (ii) related contract negotiation activities. FEI staff engaged in these activities will not also be assigned to work for or provide services to FMI/ACGS.

23. FEI has also addressed circumstances where these employees are transferred or assigned. In these circumstances, individuals will be required to sign a non-disclosure agreement, which precludes disclosure and/or use of FEI's confidential commercial information for the benefit of ACGS or FMI. The separate non-disclosure agreement provides an additional layer of protection when it comes to maintaining confidentiality of FEI's information.<sup>20</sup>

24. The Commission asked whether the provisions governing sharing of the identified gas supply personnel should extend to other personnel reflected in FEI's Core Market Administration Expense ("CMAE"). These other personnel would include Accounting, Risk Compliance and Information Technology support. FEI submits that Appendix "A" of the All-Inclusive CoC/TPP captures the appropriate personnel, and that extending these provisions to other CMAE personnel would be inappropriate:

- First, the other personnel within CMAE are not directly involved in developing the long-term strategy and short-term activities regarding the nature of the gas supply portfolio, building relationships with counterparties, the procurement of gas supplies and contracting for storage and transportation resources, and the

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<sup>18</sup> BCUC IR 1.1.

<sup>19</sup> The proposed wording on page 5 of the proposed CoC states: "[FortisBC Energy] will not share personnel directly responsible for natural gas portfolio planning and mitigation activities and related contract negotiations with Aitken Creek Gas Storage ULC and FortisBC Midstream Inc. Refer to Appendix A for the relevant positions."

<sup>20</sup> BCUC IR 1.4.1.

day to day mitigation activities where the potential for conflicts of interest exists.<sup>21</sup>

- Second, the nature of the mid and back office work performed by these other CMAE employees is different than the front office activities and is unlikely to give rise to a conflict of interest between FEI and FMI/ACGS.<sup>22</sup>

25. FEI elaborated in its response to BCUC IR 1.4.4:

The nature of other CMAE personnel's access to Commercial Information regarding FEI's natural gas portfolio planning and mitigation activities and related contract negotiations is different than the five front office staff listed in Appendix A who are directly responsible for the activities. Instead, the other CMAE personnel require access to the information to perform back office supporting functions including Accounting, Risk Compliance and Information Technology support). The nature of the back office work performed by these other employees in supporting functions in CMAE does not lend itself to a situation where there may be a conflict of interest between FEI and FMI/ACGS.

To date, any CMAE employees in a back office function being shared with FMI/ACGS has been limited to the Business Integration Manager who is responsible for the administration and on-going support of the Entegrate Deal Capture system being shared between FEI and FMI/ACGS. In addition to the Business Integration Manager, FEI's Compliance Analyst has also assisted with the initial setup of the Entegrate Deal Capture system for FMI/ACGS.

## **B. INFORMATION SHARED (SECTION 3 OF COC)**

26. FEI has incorporated the ARB Decision requirements for protection of information in the All-Inclusive CoC/TPP as it relates to ARBs and ANRBs. Different considerations apply with an AU.

27. The following provisions in the proposed All-Inclusive COC/TPP ensure that FEI does not provide confidential information to an ARB/ANRB operating in a competitive energy services market:

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<sup>21</sup> BCUC IR 1.4.3.

<sup>22</sup> BCUC IR 1.4.2.

- Directors and officers/executives with dual management roles in FEI and an Affiliate are required to execute a non-disclosure agreement (section 2e);
- FEI will not provide Commercial Information to an Affiliate except in the case of an AU (section 3d);
- Sections 3a, b, and c provide guidance to sharing of and access to Customer Information; and
- Section 7 Compliance and Complaints outlines specific actions that FEI is taking to ensure compliance with the overall COC, including compliance with the language regarding disclosure of market-sensitive or confidential information.<sup>23</sup>

28. The All-Inclusive CoC/TPP should permit sharing of Commercial Information<sup>24</sup> with an AU. The value of Commercial Information is greater for an ARB or ANRB, as they are operating in a competitive environment. Commercial Information can be shared with an AU without impeding competition, without harming FEI, and still benefitting the ratepayers of the AU.<sup>25</sup>

29. As a practical matter, there are limited benefits to be generated from sharing Commercial Information with an AU. One example FEI has considered where there might be benefits is the sharing of information to enable a coordinated approach to manage gas and electric customer service connections. This is done so that larger customer projects involving both gas and electric services are internally coordinated to maximize efficiencies in the design and construction process for the customer's benefit.<sup>26</sup> This benefits the customers of FEI as well as the customers of FBC.

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<sup>23</sup> BCOAPO IR 1.3.1.

<sup>24</sup> Commercial Information is defined as "Information related to FortisBC Energy's commercial or trading activities such as natural gas supply portfolio planning, mitigation activities and related contract negotiations, or information that will inhibit a competitive energy services market from functioning." Commercial information is distinguished from Customer related information; selling customer personal information to third parties is contrary to FEI's customer privacy policy.

<sup>25</sup> Compliance Filing, p. 19.

<sup>26</sup> CEC IR 1.9.1

### **C. PREFERENTIAL TREATMENT (SECTIONS 4 AND 5 OF COC)**

30. FEI has incorporated the Commission-approved wording on preferential treatment with ARBs into the All-Inclusive CoC/TPP, and has extended its application to ANRBs by using the term “Affiliate”.<sup>27</sup> The application of the guideline to ARNBs is consistent with the AES Inquiry Report, in which the Commission stated that similar language on preferential treatment would apply to ANRBs and ARBs.<sup>28</sup> FEI has proposed, however, that the requirement exclude dealings with AUs.

31. The rates under which customers may take service from FEI and AU are tariff rates that are set by the Commission and do not allow for preferential treatment.<sup>29</sup> Since AUs enjoy a monopoly in their service territories, a simple referral to FBC would also not be detrimental.<sup>30</sup> FEI elaborated on this point as follows:

The requirement for inclusion of the Equitable Access to Services (i.e. no preferential direction) language in the All-Inclusive COC/TPP is to ensure that no unfair advantage is conferred to an Affiliate operating in competitive market environment by the Affiliate’s association with FEI.

The issue of preferential treatment is not applicable to a regulated monopoly utility such as FBC as it has a natural monopoly for electric distribution services within its service territories. There would be no unfair advantage conferred if FEI were to direct customers to FBC that were seeking an electricity energy solution in FBC’s service territories.<sup>31</sup>

### **D. PRICING RULES**

32. In this section, FEI addresses the issues relating to pricing rules. The All-Inclusive CoC/TPP contains provisions that reflect past Commission decisions on transfer pricing and acknowledge the role of shared services agreements.

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<sup>27</sup> Compliance Filing, p. 20.

<sup>28</sup> AES Inquiry Report, p. 37.

<sup>29</sup> BCUC IR 1.7.5.

<sup>30</sup> Compliance Filing, p. 20.

<sup>31</sup> CEC 1.16.1. Please also refer to the response to BCUC IR 1.7.5 for further discussion.

**(a) FEI Applied the ARB Decision to ARBs and ANRBs**

33. The Commission's ARB Decision approved pricing rules for an ARB based on "the higher of market price or fully allocated cost". The RMDM Guidelines include the same approach for ANRBs. FEI has maintained this rule in the All-Inclusive CoC/TPP for those situations.<sup>32</sup> As a practical matter, FEI's labour rates reflect market rates, making this issue largely moot. FEI made this observation in the response to BCOAPO IR 1.4.1, and highlighted that the Commission had acknowledged the point in the ARB Decision:

FEI provides services to its affiliates through its employees; FEI's employees are paid at competitive market rates. Information in support of this was provided in FEI's application for approval of the Code of Conduct and Transfer Pricing Policy for Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment.

In that proceeding, FEI submitted supplementary information – Request #4<sup>33</sup> providing examples of services that FEI provides FAES and the estimated differential between fully allocated cost and market price for the services. FEI outlined that its approach to compensation and benefits is to provide its employees with competitive base salaries and wages, incentive compensation, benefits and paid time-off. FEI's competitive approach (i.e. market based) was evident in the hourly rate differentials provided, with the FEI hourly rates comparable to those outlined for the Market.

In its decision dated February 27, 2015, page 41, the Commission stated the following:

The Panel agrees with FEI that in large part the issue of market price or full allocated cost is a moot point, given the evidence that FEI is generally charging rates that are consistent with market rates.

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<sup>32</sup> Compliance Filing, p.21.

<sup>33</sup> FEI 2015 Code of Conduct and Transfer Pricing Policy for ARBNM proceeding, Exhibit B-7, pages 7-8 <http://www.bcuc.com/ApplicationView.aspx?ApplicationId=448>.

**(b) Pricing For AU Should Account For Shared Services Agreements**

34. The proposed All-Inclusive CoC/TPP recognizes that there are existing Commission-approved arrangements in place when it comes to dealings with FBC (AU).<sup>34</sup> This is an appropriate approach.

35. The current arrangements between FEI and FBC are summarized on pages 11 and 12 of the Compliance Filing. FEI and FBC share common resources including the Executive Management team and other departmental resources, providing benefits to both organizations. Executive Management time is allocated on the basis of the Massachusetts formula. The costs of other departmental resources are allocated between the Gas and Electric businesses using primarily a timesheet allocation approach.

36. These approaches have already been reviewed by the Commission.

- The Commission, in its decision in Order G-110-12 related to FBC's 2012-2013 Revenue Requirements Application, determined that "Cross charges between FortisBC and its affiliates regulated by the Commission are approved to be based on fully loaded costs, not including overhead." The approach provides for sharing of resources between the two companies while simplifying the cross charges. There are no incremental overhead / facilities costs for each company. As FEI and FBC are both regulated, the Commission is able to make a decision on Transfer Pricing that is in the interest of the public for both companies.
- The Commission also approved the use of the Massachusetts Formula for allocating executive time in the 2014-2018 PBR Decision:<sup>35</sup>

The Panel recognizes the simplified method of allocating executive time between FEI and FBC and recognizes the high level of integration between the two companies at the executive level.

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<sup>34</sup> Wording has been added to recognize that there may be a separate agreement reviewed by the Commission from another proceeding that overrides the TPP rules. "If there is an agreement between [FortisBC Energy] and an Affiliate that has been reviewed by the Commission in another proceeding, that agreement applies."

<sup>35</sup> Order G-138-14, PBR Decision, p. 214.



FBC's proposed methodology utilizing the Massachusetts Formula is approved.

37. FEI elaborated in the response to BCUC IR 1.2.2 why it is beneficial for the All-Inclusive CoC/TPP to accommodate specific agreements between Affiliates:

FEI believes that having separate agreements between FEI and its affiliates with respect to the sharing or provision of services take precedence over the All-Inclusive CoC/TPP is appropriate. It provides for flexibility in recognizing the Commission's direction in other proceedings that may have other considerations than those contemplated in the CoC/TPP. FEI believes that, where the Commission has jurisdiction over both utilities, it is preferable to allow for different transfer pricing policies to be approved for different purposes, to achieve outcomes that may be determined to be in the public interest, or allow for greater efficiency in sharing of resources between those utilities.

FEI submits that this rationale is compelling.

38. As outlined in the response to BCUC IR 1.3.1, FEI intends to maintain the existing Mutual Shared Services Agreement between FEI and FBC. The sharing arrangements have been transparent, with the shared services agreements included in regulatory proceedings for Commission review and approval. The All-Inclusive CoC/TPP should not, however, preclude other approaches to sharing resources that might in the future be accepted by the Commission.<sup>36</sup> FEI will be evaluating the feasibility of introducing a Shared Services model approach. Corporate and shared services agreements have been used successfully to govern the sharing of resources between FEI and its Affiliates (e.g., among the three FortisBC Energy Utilities prior to amalgamation). At this time, FEI anticipates completing a review of the Shared Services model approach for cross charging and filing it as part of an upcoming Annual Review or Revenue Requirement proceeding, possibly as early as the Annual Review for 2018 Rates.<sup>37</sup>

39. The Corporate Services Agreement between FEI and FHI also is consistent with the All Inclusive TPP.<sup>38</sup>

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<sup>36</sup> Compliance Filing, p. 22.

<sup>37</sup> BCUC IR 1.2.4.

<sup>38</sup> CEC IR 1.19.2.

**PART FIVE: CONCLUSION**

40. As directed, the All-Inclusive CoC/TPP is modelled on the Commission-approved COC and TPP for ARBs. The limited areas where FEI has proposed variances relate primarily to AU, and are appropriate to reflect the different considerations at play when two monopoly utilities are concerned. FEI has a long and successful history sharing resources with affiliate utilities with the sharing arrangements included in regulatory proceedings for Commission review. Continuing this approach of sharing resources with an AU benefits both utilities and their customers.<sup>39</sup> The proposed language for ANRBs is similar to that for the ARBs, building on the existing approved CoC for NRBs developed in 1997 which considered and incorporated the RMDM guidelines.<sup>40</sup> In all cases, FEI's proposals protect the interests of FEI and its customers first, and then considered the interests of the Affiliate ratepayers. FEI respectfully submits that the Commission should approve the All-Inclusive CoC/TPP as proposed.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Dated:

November 21, 2016

*[original signed by Matthew Ghikas]*

Matthew Ghikas  
Counsel for FortisBC Energy Inc.

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<sup>39</sup> Compliance Filing, p. 15.

<sup>40</sup> BCUC IR 1.8.2.