



Diane Roy
Director, Regulatory Services

Gas Regulatory Affairs Correspondence
Email: gas.regulatory.affairs@fortisbc.com

Electric Regulatory Affairs Correspondence
Email: electricity.regulatory.affairs@fortisbc.com

FortisBC
16705 Fraser Highway
Surrey, B.C. V4N 0E8
Tel: (604) 576-7349
Cell: (604) 908-2790
Fax: (604) 576-7074
Email: diane.roy@fortisbc.com
www.fortisbc.com

May 9, 2016

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

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

Dear Ms. Ross:

Re: FortisBC Energy Inc. (FEI)
Project No. 3698871
Proposal for Depreciation and Net Salvage Rate Changes (the Application)
FEI Submission on Further Process

Pursuant to British Columbia Utilities Commission (the Commission) Order G-41-16 setting out the Regulatory Timetable for the review of the Application, FEI makes the following submission on further process.

FEI submits that the information request (IR) processes in this proceeding and the Annual Review of 2016 Rates proceeding have sufficiently explored FEI's proposed depreciation and net salvage rates and that the process should now proceed to the argument phase. To summarize the processes to date, FEI filed its proposed depreciation and net salvage rates in its Annual Review for 2016 Rates application and responded to a round of IRs in that proceeding. In this proceeding, FEI filed additional evidence in response to the questions from the Commission in the Decision on FEI's Annual Review for 2016 Rates and FEI responded to a further round of IRs on that evidence. In FEI's view, these processes have provided sufficient opportunity for the Commission and Interveners to explore the proposed depreciation and net salvage rate changes and FEI has responded fully to the IRs posed.

In FEI's submission, the IRs have not revealed any material issues with the proposed depreciation and net salvage rates. The one caveat may be if the Commission is considering directing FEI to adopt the Equal Life Group (ELG) procedure. While the ELG procedure is an acceptable depreciation method, it entails significant rate impacts, complexity and additional cost. As stated in response to BCUC IR 1.2.3.1 in Exhibit B-2:

Using ELG will result in roughly a 12% higher annual revenue requirement impact over ALG for 2017, 2018 and 2019. Based on the amounts in the table above, the initial implementation of the change in 2017 would result in a delivery rate increase of approximately 5 percent.

FEI has also described the additional complexity and cost of adopting the ELG procedure in the response to BCUC IR 1.2.1.1. FEI therefore concludes that the ELG procedure is impractical to implement. This is especially so given that the current Average Service Life (ASL), or Average Life Group (ALG), procedure is also an acceptable depreciation method, which is used by the other major utilities in BC and in other jurisdictions in Canada. FEI, therefore, submits that there is no need for process to explore further the relative merits of the ELG and ASL procedures.

For these reasons, FEI submits that the evidentiary phase should be closed and the proceeding move to the argument phase.

If the Commission concludes, however, that it has further questions regarding the proposed depreciation and net salvage rates, then FEI proposes a technical workshop led by FEI's depreciation expert, Gannett Fleming, to provide an overview of the calculation of depreciation and net salvage rates, and to respond to any questions posed by the Commission and BCOAPO. FEI believes this would be a more efficient and effective process than another round of IRs. Should the Commission require such a technical workshop, FEI will need to confirm availability of its depreciation expert

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc (email only): Registered Parties