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August 22, 2014

Via Email
Original via Mail

British Columbia Public Interest Advocacy Centre
Suite 209 – 1090 West Pender Street
Vancouver, B.C. V6E 2N7

Attention: Ms. Tannis Braithwaite, Acting Executive Director

Dear Ms. Braithwaite:

Re: FortisBC Energy Utilities (FEU)¹

Common Delivery Rates Methodology Application (the Application)

Response to the British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre known as BCOAPO *et al.* (BCOAPO) Information Request (IR) No. 1

On July 16, 2014, the FEU filed the Application as referenced above. In accordance with Commission Order G-105-14 setting out the Regulatory Timetable for the review of the Application, the FEU respectfully submit the attached response to BCOAPO IR No. 1.

If further information is required, please contact the undersigned.

Sincerely,

on behalf of the FORTISBC ENERGY UTILITIES

Original signed:

Diane Roy

Attachments

cc: Commission Secretary
Registered Parties (e-mail only)

¹ Comprised of FortisBC Energy Inc. (FEI), FortisBC Energy (Vancouver Island) Inc. (FEVI, and FortisBC Energy (Whistler) Inc. (FEW).



FortisBC Energy Utilities (the FEU or the Companies) Application for Approval of Common Delivery Rates Methodology (the Application)	Submission Date: August 22, 2014
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1 **1.0 Reference: Exhibit A-3, BCUC IR 1.2.1, O&M Deferral Account and PBR**

2 1.1 Given the forecasted O&M annual savings of \$430K and FEU's proposals, will
3 the \$430K remain in the O&M to be escalated throughout the PBR period while
4 an un-escalated \$430K will be booked to the proposed deferral account
5 annually?

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7 **Response:**

8 Please refer to the response to BCUC IR 1.2.1.

9



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1 **2.0 Reference: Exhibit A-3, BCUC IR 1.4.2, 2014 Amalgamated Forecasts**

2 2.1 Will FEU be providing actual financial results for 2013 in this proceeding?

3

4 **Response:**

5 No. Please refer to the response to BCUC IR 1.4.1.

6

7

8 2.2 If so, will FEU be providing variance explanations for any material differences
9 between 2013 forecasted results and actual results?

10

11 **Response:**

12 The FEU will not be providing 2013 actual results or variance explanations.

13



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1 **3.0 Reference: Exhibit B-1, page 16, 3.1.3, Amalgamation Flow-Through**

2 **Deferral Account**

3 3.1 Given that the O&M savings are not rate base elements of the cost of service,
4 please explain why a rate base deferral account is appropriate for this purpose.

5
6 **Response:**

7 The majority of the FEU's rate base deferral accounts hold items that would be considered O&M
8 (or operating expense) if not for deferral treatment. Once an item is placed into a deferral
9 account for future recovery or refund, it means that costs are being incurred in one period and
10 not being recovered from ratepayers until a future period. It is this characteristic (i.e. the timing
11 difference between incurring costs and recovering them) that makes rate base treatment
12 appropriate.

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16 3.2 How will FEU identify which cost and which savings are attributable to the
17 amalgamation.

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19 **Response:**

20 Please refer to the response to BCUC IR 1.2.1.

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1 **4.0 Reference: Exhibit B-1, page 30, table 4-11, Allocation of RSDA Balance by Year**

2 4.1 Has FEU considered a scenario which calculates to less of a decrease in delivery
3 rates for 2015 and 2016 and less of an increase in 2017.

4
5 **Response:**

6 Yes. As indicated in on page 31 of the Application, the implementation of the RSDA balance
7 must balance rate decreases in the near term against rate increases once the rider is removed
8 in 2018. The FEU's proposed Scenario D accomplishes this by moderating the incremental
9 increases in 2017 and 2018. Allocating less of the RSDA in 2015 in order to have a smaller
10 incremental decrease in delivery rates in the initial year results in greater allocations in 2016
11 and 2017, which in turn results in greater incremental increases in 2018, as shown in Scenario
12 C for example.

13 Please also refer to the response to CEC IR 1.7.5.

14
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17 4.2 If so, why were these scenarios not chosen as the preferred option.

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19 **Response:**

20 Please refer to the responses to BCOAPO IR 1.4.1 and CEC IR 1.7.5.

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