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March 2, 2015

**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, Executive Director

Dear Ms. Braithwaite:

**Re: FortisBC Energy Inc. (FEI)**

**Multi-Year Performance Based Ratemaking Plan for 2014 through 2019  
approved by British Columbia Utilities Commission Order G-138-14 - Annual  
Review for 2015 Rates**

**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 *et al.*  
(BCOAPO) Information Request (IR) No. 1**

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On January 14, 2015, FEI filed the Application as referenced above. In accordance with Commission Order G-6-15 setting out the Regulatory Timetable for the review of the Application, FEI respectfully submits the attached response to BCOAPO IR No. 1.

If further information is required, please contact the undersigned.

Sincerely,

**FORTISBC ENERGY INC.**

***Original signed:***

Diane Roy

Attachments

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



FortisBC Energy Inc. (FEI or the Company) Application for Approval of 2015 Delivery Rates pursuant to the Multi-Year Performance Based Ratemaking Plan (the PBR Plan) approved for 2014 through 2019 by Order G-139-14 (the Application)	Submission Date: March 2, 2015
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1   **1.0   Reference:   Exhibit B-1, Section 1.4**

2   **Preamble.**   On lines 2-8 of page 4 (PDF page 13 of 180) FEI states:

2 Evaluation of the PBR Plan based on 2014 experience is limited due to the timing of the PBR  
3 Decision. As the PBR Decision was not issued until September 15, 2014, the Company did not  
4 have certainty as to what its approved O&M and capital spending envelopes would be, and  
5 whether PBR would be approved or not. During this time, FEI operated its business under the  
6 assumption that the Commission's decision would enforce significant O&M and capital savings,  
7 consistent with the importance of productivity as stressed in the Commission's decision  
8 attached to Order G-44-12.

3  
4   The BCOAPO is of the view that FEI should be seeking efficiencies and regardless of  
5 the timing of the PBR decision.

6   1.1   Please confirm that there is a duty of utility management and executives to  
7         provide safe and reliable service regardless what the BCUC approves for  
8         inclusion in customer rates. If not confirmed, please fully explain.

9

10   **Response:**

11   As a public utility regulated by the Commission, FEI has a duty to provide safe and reliable  
12   service. It is not accurate to suggest that the duty is independent of what the BCUC approves.  
13   While FEI must comply with various safety and reliability standards, the content of the duty to  
14   provide safe and reliable service is also determined by the Commission, as indicated in section  
15   38 of the *Utilities Commission Act* which states:

16         *A public utility must*

17                 *(a) provide, and*

18                 *(b) maintain its property and equipment in a condition to enable it to*  
19                 *provide,*

20                 *a service to the public that the commission considers is in all respects adequate,*  
21                 *safe, efficient, just and reasonable.*



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1 While FEI has a duty to provide service in this respect, the Commission also has a duty to set  
2 rates which give the utility a reasonable opportunity to recover its prudently incurred costs for  
3 providing such service and a fair return.

4 The late timing of the PBR decision did not impact the safety or reliability of FEI's service to  
5 customers. The timing of the PBR Decision did, however, create considerable uncertainty as to  
6 the level of approved O&M and capital funding that would be approved, and what the terms of  
7 the PBR Plan would be or if there would be a PBR Plan at all. As indicated in the Application,  
8 FEI reacted to this uncertainty by continuing its focus on ensuring that spending was managed  
9 prudently, by making sure that filling of vacancies were thoroughly reviewed and that all  
10 spending was prioritized. Additionally, as indicated in the Application, FEI maintained its focus  
11 on productivity. As indicated in the Annual Review filing, FEI achieved savings in 2014 due to a  
12 continuation of its ongoing productivity focus. The fact that FEI achieved these savings shows  
13 that it continued to seek efficiencies while it awaited the PBR Decision.

14 FEI does not have a legal obligation to seek efficiencies as suggested in BCOAPO IR 1.1.2.  
15 Rather, the accepted legal standard is one of prudence. In any case, maintaining a productivity  
16 focus continues to be one of FEI's business objectives. As stated in FEI's 2014-2018 Multi-Year  
17 PBR Plan Application, on page 11 and 13:

18 *"A priority for FEI and its employees is to improve productivity and realize efficiencies to*  
19 *more effectively manage rates for our customers while maintaining a customer service*  
20 *focus. Employees are encouraged to assess work and ensure that it is being performed*  
21 *as efficiently and productively as possible. When evaluating productivity opportunities,*  
22 *maintaining a customer focus remains a priority, helping strike a balance between lower*  
23 *costs while providing the appropriate level of service and quality.*

24 ...

25 *In providing value for our customers while delivering safe and reliable service at the*  
26 *most reasonable cost, a productivity focus is a requirement and is engrained into the*  
27 *Company."*

28  
29 While it awaited the PBR Decision, FEI was not under a PBR Plan which provides incentives to  
30 make investments to achieve savings and FEI also had not put forward a cost of service  
31 application in which it could seek rates to recover the cost of such investments. In these  
32 circumstances, FEI had no obligation to make substantial investments in productivity without  
33 any assurance of cost recovery or potential reward.

34

35



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1  
2           1.2     Please confirm that utility management and executives have an obligation to  
3                    seek efficiencies that will eventually flow through to customers through lower  
4                    rates, regardless of whether the utility is in cost of service regulation, PBR  
5                    regulation, or any other form of regulation. If not confirmed, please fully explain.  
6

7     **Response:**

8     Please refer to the response to BCOAPO IR 1.1.1.

9  
10

11  
12           1.3     Please fully explain why the timing of the PBR decision would impact the actual  
13                    costs that FEI would incur to provide safe and reliable service.  
14

15     **Response:**

16     Please refer to the response to BCOAPO IR 1.1.1.

17



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1   **2.0   Reference:   Exhibit B-1, Figure 3-1**

2           2.1    Please confirm that the use per customer for all years in Figure 3-1 is normalized  
3                   for weather to the same normal weather. If not confirmed, please fully explain,  
4                   and provide a revised Figure 3-1 with values normalized to the same period  
5                   referred to in lines 12-15 above figure 3-1.  
6

7    **Response:**

8    Confirmed.

9  
10

11  
12           2.2    Please fully explain why FEI uses the three year historical UPC trend, and not a  
13                   longer trend.  
14

15   **Response:**

16   FEI believes that using a three year window to develop the forecast captures an appropriate  
17   amount of data to form a statistically significant trend that is both relevant and current. All time  
18   series methodologies use past data as the sole predictor so it is critical to ensure that the data is  
19   not outdated. FEI believes that longer trends spanning in excess of three years are more  
20   relevant in stable environments. However in the case of FEI, both the residential and  
21   commercial UPC data can exhibit significant changes year over year. As a result FEI believes  
22   the three year window provides the appropriate balance between the amount of data available  
23   for modeling and the relevancy of the resulting trend in consideration of the changing  
24   environment.

25  
26

27  
28           2.3    Please confirm that the 2014 UPC is actual data. If not confirmed, please  
29                   provide the actual 2014 normalized UPC.  
30

31   **Response:**

32   Not confirmed. Normalized 2014 actuals will not be available until the end of April 2015.



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2.4 Please confirm that the average decline in UPC for the years 2005-2014, as provided in Figure 3-1 is 1.3 GJ. If not confirmed, please fully explain.

**Response:**  
Confirmed.

2.5 Please explain why a longer term average should not be used.

**Response:**  
Please refer to the response to BCOAPO IR 1.2.2.

2.6 Please provide the impact on forecast throughput of a 1.3 GJ decline in UPC in 2015 rather than the FEI forecast of 1.6GJ

**Response:**  
Using a UPC decline of 1.3 GJ results in a 0.2 PJ overall increase in the Rate Schedule 1 demand compared to the 2015 forecast.



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1   **3.0   Reference:   Exhibit B-1, Figure 3-2**

2           3.1    Please confirm that the use per customer for all years in Figure 3-2 is normalized  
3                   for weather to the same normal weather. If not confirmed, please fully explain,  
4                   and provide a revised Figure 3-2 with values normalized to the same period  
5                   referred to in lines 12-15 on page 15 (PDF page 24).  
6

7    **Response:**

8    Confirmed.

9  
10

11  
12           3.2    Please fully explain why FEI uses the three year historical UPC trend, and not a  
13                   longer trend.  
14

15   **Response:**

16    Please refer to the response to BCOAPO IR 1.2.2.

17  
18

19  
20           3.3    Please confirm that the 2014 UPC is actual data. If not confirmed, please  
21                   provide the actual 2014 normalized UPC.  
22

23   **Response:**

24    Not confirmed. Normalized 2014 actuals will not be available until the end of April, 2015.

25  
26

27  
28           3.4    Please confirm that the average increase in UPC for the years 2005-2014, as  
29                   provided in Figure 3-2 is 2.5 GJ. If not confirmed, please fully explain.  
30

31   **Response:**

32    Confirmed.



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3.5 Please explain why a longer term average should not be used.

**Response:**

Please refer to the response to BCOAPO IR 1.2.2.

3.6 Please provide the impact on forecast throughput of a 2.5 GJ increase in UPC in 2015 rather than the FEI forecast of 1.0 GJ.

**Response:**

Using a UPC increase of 2.5 GJ results in a 0.3 PJ overall increase in the Rate Schedule 2 demand compared to the 2015 forecast.



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1   **4.0   Reference:   Exhibit B-1, Figure 3-3**

2           4.1   Please confirm that the use per customer for all years in Figure 3-3 is normalized  
3           for weather to the same normal weather. If not confirmed, please fully explain,  
4           and provide a revised Figure 3-3 with values normalized to the same period  
5           referred to in lines 12-15 on page 15 (PDF page 24).  
6

7    **Response:**

8    Confirmed.

9  
10

11  
12           4.2   Please confirm that the 2014 UPC is actual data. If not confirmed, please  
13           provide the actual 2014 normalized UPC.

14  
15   **Response:**

16   Not confirmed. Normalized 2014 actuals will not be available until the end of April 2015.

17



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1   **5.0   Reference:   Exhibit B-1, Figure 3-4**

2           5.1    Please confirm that the use per customer for all years in Figure 3-4 is normalized  
3                   for weather to the same normal weather. If not confirmed, please fully explain,  
4                   and provide a revised Figure 3-4 with values normalized to the same period  
5                   referred to in lines 12-15 on page 15 (PDF page 24).  
6

7    **Response:**

8    Confirmed.

9  
10

11  
12           5.2    Please confirm that the 2014 UPC is actual data. If not confirmed, please  
13                   provide the actual 2014 normalized UPC.  
14

15   **Response:**

16   Not confirmed. Normalized 2014 actuals will not be available until the end of April, 2015.

17



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1    **6.0    Reference:    Exhibit B-1, Figure 3-5, 3-6, and 3-7**

2           **Preamble:**    In the paragraph below Table 3-5, FEI indicates that it has used a CBOC  
3                           housing start forecast as a proxy for net customer additions.

4           6.1       Please confirm that the CBOC data used is the latest available. If not confirmed,  
5                           please provide a copy of the latest CBOC data.

6  
7    **Response:**

8    Confirmed. The CBOC data used was from the CBOC forecast of November 24th, 2014,  
9    Provincial Medium Term, Forecast 15 Run: 15 Table LTPF 156 and LTPF 157.

10  
11

12  
13           6.2       Please provide an analysis, in Excel format, that converts the CBOC data in  
14                           Appendix A3 to the forecast residential customer additions in Figure 3-6.

15  
16   **Response:**

17    Please refer to the response to BCUC IR 1.7.4.

18  
19

20  
21           6.3       Please provide 2014 actual customer additions for Figure 3-6.

22  
23   **Response:**

24    The 2014 customer additions shown in Figure 3-6 are actual. The value from Figure 3-6 is  
25    10,472.

26  
27

28  
29           6.4       For Figure 3-7, please fully explain why 2013 customer additions are more than  
30                           double the 2012 customer additions.

31



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1 **Response:**

2 The commercial customer rate classes encompass a wide variety of commercial sectors, and  
3 include corner stores, strip malls, light manufacturing, restaurants, and dry cleaners as well as  
4 residential buildings such as multi-family dwellings. In 2013 and 2014 FEI undertook an initiative  
5 to repatriate customers that had a meter and service line but who had stopped taking service  
6 from FEI over the past few years. This resulted in a number of residential as well as  
7 commercial net customer additions. The other growth observed for both 2013 and 2014 is a mix  
8 of customer sectors, including robust growth in the multifamily sector.

9

10

11

12 6.5 Please fully explain why, for Figure 3-7, 2012 data should be excluded as an  
13 outlier, and only the 2013 and 2014 data used to forecast 2015 commercial  
14 additions.

15

16 **Response:**

17 The 2012 data should be included, not excluded. Please refer to the response to BCUC IR  
18 1.8.1.1.

19



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1    **7.0    Reference:    Exhibit B-1, Figures 3-8, 3-9, and 3-10**

2            7.1    For each of Figures 3-9 and 3-10, please prove a working paper that converts  
3            customers and use per customers into residential and commercial demand as  
4            reported in Figures 3-9 and 3-10. In the response, please clearly indicate the  
5            assumptions around timing of adding new customers forecast for 2015.  
6

7    **Response:**

8    The results shown in Figures 3-9 and 3-10 were calculated using the Forecasting Information  
9    System (FIS), not a working paper. FIS has been in use since 2002 and has not undergone any  
10   changes to the calculations during that time. To respond to this question, FEI has downloaded  
11   the data from FIS and created a spreadsheet that shows the calculations.

12   Demand is the product of customers and UPC. Please refer to Attachment 7.1 for a working  
13   Excel spreadsheet showing calculated demand for residential and commercial rate groups. FIS  
14   assumes that customers are added following the seasonality pattern based on the prior year's  
15   account additions.

16

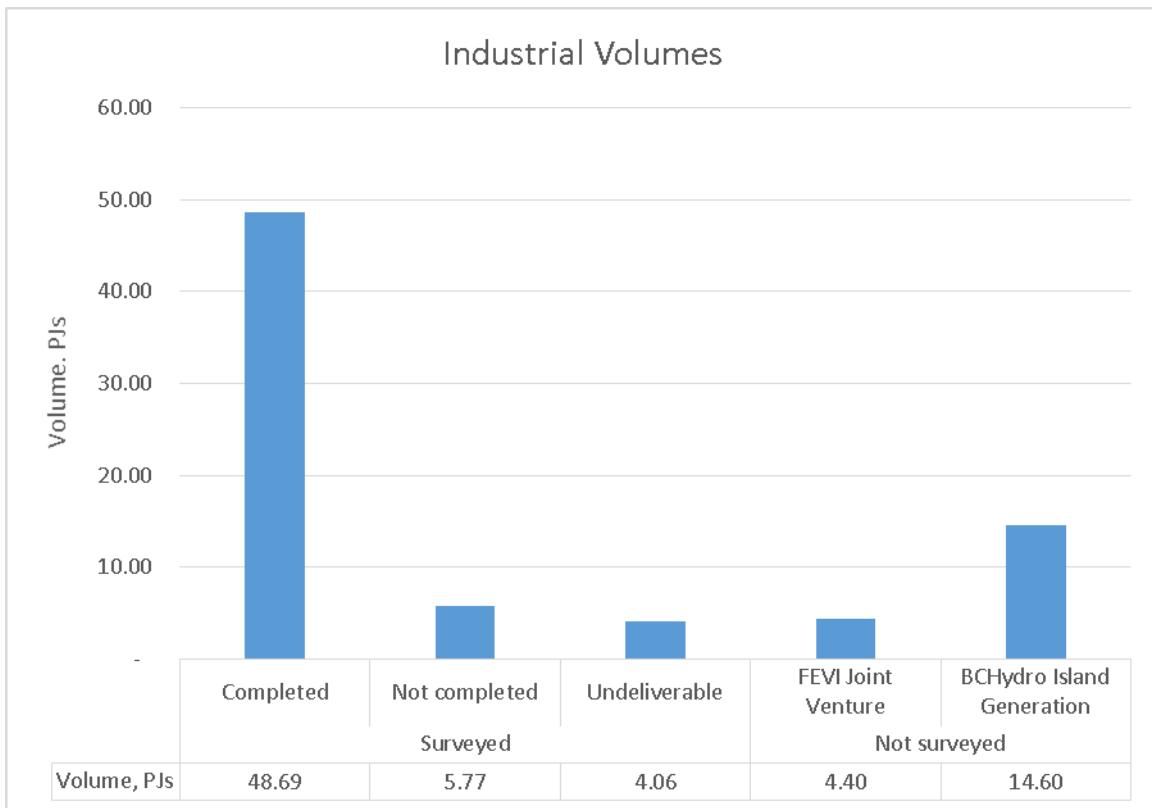
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1 **8.0 Reference: Exhibit B-1, Section 3.5.2**

2 8.1 Please provide the results of the October 2014 survey of industrial customers. In  
 3 the response, clearly identify the results of the survey, and any adjustments and  
 4 assumptions made by FEI to adjust the survey results, with an explanation of  
 5 each adjustment or assumption.  
 6

7 **Response:**

8 For privacy reasons, FEI cannot show a list of individual customers and the forecast energy  
 9 demand that each has provided in their survey response. However, in the chart below, FEI  
 10 shows the total demand forecast from surveyed customers, as well as the demand from those  
 11 industrial customers who did not complete surveys, to whom a survey was undeliverable or who  
 12 were not surveyed. The total volume of the industrial forecast is 77.5 PJs.



13

14



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- 1 Industrial surveys that were delivered and then returned accounted for 48.69 PJs of the total
- 2 industrial volume forecast. No assumptions or adjustments were made to any data received
- 3 from the survey.
  
- 4 Surveys that were delivered but that were not returned accounted for 5.77 PJs. Surveys that
- 5 could not be delivered because of missing or out of date email addresses accounted for just
- 6 over 4 PJs. To forecast the demand from these customers for 2015, FEI used 2014 projected
- 7 demand based on 9 months of actual information.
  
- 8 The annual industrial volume includes the Vancouver Island Joint Venture and the BC Hydro
- 9 Island Generation facility, both of whom have a contract demand. These two customers are
- 10 therefore not surveyed as FEI must be able to meet the contract demand and FEI also receives
- 11 revenue based on the contract demand, regardless of actual demand.
  
- 12



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1    **9.0    Reference:    Exhibit B-1, Section 3.6.2**

2            9.1    Please provide the reference to the Commission Order approving the 2014  
3            Approved Gross Margins as set out in table 3-2.

4

5    **Response:**

6    Commission Order G-131-14 approved the methodology for the determination of common rates  
7    and Order G-178-14 approved the common rates in place and effective January 1, 2015, on  
8    which Table 3-2 is based.

9



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1 **10.0 Reference: Exhibit B-1, Table 5-1.**

2 10.1 Please provide Table 5-1, including 2011, 2012, 2013, and 2014 actual results.

3  
4 **Response:**

5 The requested table is provided below. The 2014 actual results cannot be provided at this time  
6 as they will not be finalized until the end of April.

Other Operating Revenue, (\$ millions)						
	Actual 2011	Actual 2012	Actual 2013	Approved 2014	Projected 2014	Forecast 2015
Late Payment Charge	3.359	2.864	2.600	2.327	2.374	2.542
Connection Charge	2.879	2.728	2.671	3.040	2.992	3.033
Other Recoveries	0.683	0.408	0.330	0.366	0.291	0.291
NGT Related Recoveries	-	0.720	0.801	1.700	2.114	2.357
Biomethane Other Revenue	0.090	-	(0.057)	(0.198)	(0.199)	(0.070)
SCP Third Party Revenue	14.811	15.272	14.826	14.773	15.035	15.035
LNG Capacity Assignment	13.537	18.049	18.049	18.039	18.039	18.039
<b>Total Other Operating Revenue</b>	<b>35.359</b>	<b>40.041</b>	<b>39.220</b>	<b>40.047</b>	<b>40.646</b>	<b>41.226</b>

7  
8  
9 Please also refer to the response to BCOAPO IRs 1.11.1 and 1.12.1 which discuss the NGT  
10 recoveries and SCP Mitigation Revenues, respectively, that have been captured by deferral  
11 accounts in 2011 through 2013.

12  
13  
14  
15 10.2 Please explain all variances between the 2014 projected and the 2014 actual  
16 results, along with an explanation of why any variances should not be carried  
17 forward into the forecast for 2015.

18  
19 **Response:**

20 The 2014 final actual information will not be available until the end of April 2015; however, FEI  
21 does not expect any significant variances between actual and projected amounts.

22 Even if 2014 final actual information were available, variances between the 2014 projections  
23 provided in the filing and the actual final results should not be carried forward into the 2015  
24 forecast. As discussed in Section 5, while several of the other revenue line item forecasts  
25 consider historic information, the key variables used to develop the forecasts are based on 2015



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1 factors. That is, for the largest components of Other Revenue, the 2015 Forecast is not  
2 dependent on prior year actual results.

3 Finally, variances in other revenue are captured in the Flow-through deferral account or other  
4 deferral accounts and will be returned to or recovered from customers in the following year. This  
5 approach is consistent with what will occur in future annual reviews; in future annual reviews,  
6 final actual results will also not be known at the time of filing.

7  
8

9  
10 10.3 For each year for which actual results are requested (2011, 2012, 2013 and  
11 2014), please provide a breakdown of revenue from late payment charges by  
12 customer class.

13  
14

**Response:**

15 The breakdown by rate schedule of late payment charge revenue is provided in the table below.  
16 The 2011 breakdown is not available as FEI's legacy billing system used prior to the repatriation  
17 of the customer service call centres in 2012 did not provide detail by rate schedule. Please note  
18 that 2014 actual results cannot be provided at this time as they will not be finalized until the end  
19 of April.



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Late Payment Charges, (\$ millions)			
	2012 Actual	2013 Actual	2014 Projected
R1	1.921	1.754	1.414
R2	0.548	0.491	0.571
R3	0.195	0.160	0.179
R4	0.000	0.001	0.001
R5	0.009	0.005	0.011
R6	0.001	0.001	0.001
R7	0.000	0.000	0.000
R16	0.000	0.001	0.003
R22	0.004	0.008	0.009
R23	0.021	0.020	0.022
R25	0.025	0.024	0.020
R27	0.004	0.008	0.007
R46	-	-	0.010
SC1	0.030	0.035	0.035
SC2	0.019	0.020	0.019
LC1	0.039	0.037	0.032
LC2	0.024	0.024	0.021
LC3	0.022	0.010	0.016
LCS13	0.001	0.001	0.004
<b>Total</b>	<b>2.864</b>	<b>2.600</b>	<b>2.374</b>

1

2



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1 **11.0 Reference: Exhibit B-1, Table 5-3**

2 11.1 Please provide Table 5-3, including 2011, 2012, 2013, and 2014 actual results.

3

4 **Response:**

5 The requested table is provided below. The 2014 actual results cannot be provided at this time  
6 as they will not be finalized until the end of April.

NGT Related Recoveries, (\$ millions)						
	Actual 2011	Actual 2012	Actual 2013	Approved 2014	Projected 2014	Forecast 2015
NGT Overhead and Marketing Recovery	-	-	-	0.188	0.219	0.227
NGT Tanker Rental Revenue	-	-	-	-	0.210	0.215
CNG & LNG Service Revenues	-	0.720	0.801	1.512	1.685	1.915
<b>Total NGT Related Recoveries</b>	-	<b>0.720</b>	<b>0.801</b>	<b>1.700</b>	<b>2.114</b>	<b>2.357</b>

7

8

9 In addition to the amounts recorded in other revenue, recoveries associated with NGT were also  
10 captured in deferral accounts as follows: \$0.096 million in 2011, \$0.014 million in 2012 and  
11 \$0.319 million in 2013.

12

13

14

15 11.2 Please explain all variances between the 2014 projected and the 2014 actual  
16 results, along with an explanation of why any variances should not be carried  
17 forward into the forecast for 2015.

18

19 **Response:**

20 Please refer to the response to BCOAPO IR 1.10.2.

21



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1 **12.0 Reference: Exhibit B-1, Table 5-4**

2 12.1 Please provide Table 5-4, including 2011, 2012, 2013, and 2014 actual results.

3  
4 **Response:**

5 The updated table is provided below. 2014 actual results cannot be provided at this time as  
6 they will not be finalized until the end of April.

7

**Updated Table 5-4: 2011 to 2015 SCP Revenue Components**

Southern Crossing Pipeline Revenue, (\$ thousands)						
	Actual 2011	Actual 2012	Actual 2013	Approved 2014	Projected 2014	Forecast 2015
Northwest Natural Gas Co.	\$8,849	\$6,106	\$5,573	\$ 5,470	\$ 5,470	\$ 5,470
MCRA	3,600	3,600	3,600	3,600	3,600	3,600
Motor Fuel Tax	(38)	(136)	(50)			
Net Mitigation (T-South Enhanced Service) <sup>1</sup>	2,400	5,703	5,703	5,703	5,965	5,965
<b>Total Other Operating Revenue</b>	<b>\$ 14,811</b>	<b>\$ 15,272</b>	<b>\$14,826</b>	<b>\$ 14,773</b>	<b>\$ 15,035</b>	<b>\$ 15,035</b>

<sup>1</sup> 2011 Net Mitigation included T-South Enhanced Service revenues as well as mitigation revenues allocated to delivery under the SCP allocation methodology in effect at that time.

8

9

10 Please note that in addition to the recoveries in the table above, for the years 2011 through  
11 2013, net recoveries of \$5,809 thousand, (\$1,086) thousand and (\$152) thousand were also  
12 captured in the SCP Mitigation Revenues Variance Account.

13

14

15

16 12.2 Please explain all variances between the 2014 projected and the 2014 actual  
17 results, along with an explanation of why any variances should not be carried  
18 forward into the forecast for 2015.

19

20 **Response:**

21 The 2014 final actual information will not be available until the end of April 2015; however, FEI  
22 does not expect any significant variances between actual and projected amounts.



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1 It is not necessary to carry 2014 variances forward to the 2015 forecast because the forecast  
2 SCP revenues are based on the firm transportation service agreements in place and the  
3 Northwest Natural, MCRA assignment, and Spectra Enhanced Service Offering agreements are  
4 unchanged for 2015. Further, variances between approved and actual SCP revenue amounts  
5 are captured in a deferral account (SCP Mitigation Revenues Variance Account) and returned to  
6 or recovered from customers over a three-year period through delivery rates. The SCP  
7 Mitigation Revenues Variance Account was approved in Commission Orders G-124-00, G-123-  
8 01, G-7-03, and G-141-09.

9



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1 **13.0 Reference: Exhibit B-1, Table 5-5.**

2 13.1 Please provide Table 5-5, including 2011, 2012, 2013, and 2014 actual results.

3  
4 **Response:**

5 The updated table is provided below. 2014 actual results cannot be provided at this time as  
6 they will not be finalized until the end of April.

**Updated Table 5-5: Calculation of 2011 to 2015 Northwest Natural Gas Co. Revenue**

(\$ thousands)						
	Actual 2011	Actual 2012	Actual 2013	Approved 2014	Projected 2014	Forecast 2015
NWN Revenue	\$ 8,994	\$ 9,389	\$ 8,995	\$ 8,995	\$ 8,995	\$8,995
Spectra Transportation Tolls <sup>1</sup>	-	(3,138)	\$ (3,277)	(3,380)	(3,380)	(3,380)
PG&E Termination Fee	(145)	(145)	\$ (145)	(145)	(145)	(145)
<b>Net NWN Revenue</b>	<b>\$ 8,849</b>	<b>\$ 6,106</b>	<b>\$ 5,573</b>	<b>\$ 5,470</b>	<b>\$ 5,470</b>	<b>\$ 5,470</b>

<sup>1</sup> Changes effective January 1, 2012 to SCP cost and revenue allocation, including Spectra Energy  
7 Kingsvale T-South charges related to NWN capacity, approved pursuant to Order G-44-12.

8  
9 Please note that in addition to the amounts shown above there was \$38 thousand in 2011, \$137  
10 thousand in 2012 and \$309 thousand captured in the SCP Mitigation Revenues Variance  
11 Account.

12  
13

14  
15 13.2 Please explain all changes from year to year.

16  
17 **Response:**

18 The only material change in the year-to-year, net NWN revenues relates to the allocation  
19 methodology changes that were made effective January 1, 2012 to the SCP cost and revenue  
20 allocation. This included the allocation of the Spectra Energy Kingsvale T-South charges  
21 related to NWN capacity directly against the NWN revenues, as approved by Commission Order  
22 G-44-12.

23 Please also refer to the response to BCOAPO IR 1.12.2.



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1 **14.0 Reference: Exhibit B-1, Table 6-2**

2 14.1 Please confirm that FEI has included FEVI amounts pending approval by the  
3 Commission, and that the final adjustments will be based on the final approved  
4 amounts.

5  
6 **Response:**

7 Confirmed. As stated on page 37 below Table 6-1:

8 *“The amalgamation of FEI, FEVI and FEW occurred on December 31, 2014 and FEI’s*  
9 *base costs in 2015 will include the Base O&M for FEVI and FEW. For the purpose of*  
10 *this Application, FEI has used the amount of \$38.747 million to represent the addition to*  
11 *the base O&M for FEVI and FEW as this is the amount that FEI has proposed in its*  
12 *Evidentiary Update to its Proposal to Include FortisBC Energy (Vancouver Island) Inc.*  
13 *(FEVI) and FortisBC Energy (Whistler) Inc. (FEW) within the PBR Plan, filed on January*  
14 *16, 2015 (FEVI and FEW PBR Proposal). The regulatory process to review that*  
15 *proposal is ongoing. FEI will update its financial schedules for the approved addition to*  
16 *the O&M Base, if required, once that process has concluded.”*

17



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1 **15.0 Reference: Exhibit B-1, Table 6-3**

2 15.1 Please provide Table 6-3, including 2011, 2012, 2013, and 2014 actual results.

3  
4 **Response:**

5 Table 6-3 has been updated below to include 2011 to 2013 actual results. 2014 actual results  
6 cannot be provided at this time as they will not be finalized until the end of April.

7 Table 6-3: Forecast O&M

		2011	2012	2013	2014		2015
<u>Line</u>	<u>No. Description</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Approved</u>	<u>Projected</u>	<u>Forecast</u>
1	Pension/OPEB (O&M Portion)	11.300	18.899	17.205	26.129	26.129	25.699
2	Insurance	5.569	5.438	5.706	6.240	6.198	6.649
3	Bio-Methane O&M		0.004	0.009	0.590	0.753	0.672
4	NGT O&M	-	0.040	0.107	0.477	0.524	0.926
5	RS 16/46 O&M	0.007	0.135	0.154	0.376	0.550	1.415
6							
7	FEI Amalgamated 2015 Forecast O&M	16.875	24.516	23.181	33.812	34.154	35.361

8  
9 FEI has provided the amounts in the table above that were recorded in O&M. For the years  
10 2011 through 2013, FEI had a Pension and OPEB Variance deferral account and an Insurance  
11 Variance deferral account which captured the variances between the approved expense and the  
12 actual expense. The amounts recorded in the Pension and OPEB Variance deferral accounts in  
13 each of 2011 through 2013 were \$8.432 million in 2011, \$8.111 million in 2012 and \$14.577  
14 million in 2013. Please refer to the response to BCUC IR 1.15.1 for the total amount of  
15 insurance expense (the amount recorded in O&M and the amount recorded in the deferral  
16 account).

17  
18

19

20 15.2 Please explain all variances between the 2014 projected and the 2014 actual  
21 results, along with an explanation of why any variances should not be carried  
22 forward into the forecast for 2015.

23

24 **Response:**

25 The 2014 actual results cannot be provided at this time as they will not be finalized until the end  
26 of April; however, FEI does not expect any significant variances between projected and actual  
27 amounts.



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1 Even if 2014 actuals were available, any variances should not be carried forward into 2015  
2 because the 2015 forecast is not generally dependent on prior year results. The forecasts are  
3 forward looking and are driven by different assumptions as summarized in the table below:

O&M Forecast Item	2015 Forecast (\$ million)	Forecast Driver
<b>Pension &amp; OPEB</b>	\$25.699	Actuarial Estimate
<b>Insurance</b>	\$6.649	Premiums and asset growth
<b>Biomethane O&amp;M</b>	\$0.672	New interconnection stations
<b>NGT O&amp;M</b>	\$0.926	NGT growth (Appendix B)
<b>RS16/46</b>	\$1.415	Growth in LNG Demand

4  
5 Finally, variances in forecast O&M are captured in the Flow-through deferral account or other  
6 deferral accounts and will be returned to or recovered from customers in the following year. This  
7 approach is consistent with what will occur in future annual reviews; in future annual reviews,  
8 final actual results will also not be known at the time of filing.

9



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1 **16.0 Reference: Exhibit B-1, Table 7-4**

2 16.1 Please provide Table 7-4, including 2011, 2012, 2013, and 2014 actual results.

3  
4 **Response:**

5 The table below includes 2011 to 2013 actual results and 2014 projected results. 2014 actual  
6 results cannot be provided at this time as they will not be finalized until the end of April.

<u>Line</u>		2011	2012	2013	2014		2015
<u>No.</u>	<u>Description</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Approved</u>	<u>Projected</u>	<u>Forecast</u>
1	Pension/OPEB (Capital Portion)	1.263	1.898	1.962	3.736	3.736	4.324
2	Bio-Methane Upgraders	0.593	1.627	2.221	1.468	4.963	-
3	Bio-Methane Interconnect	0.127	0.081	1.627	3.700	1.621	2.897
4	NGT Assets	3.426	2.637	5.403	4.502	4.575	3.390
5							
6	FEI Amalgamated 2015 Forecast Regular Capex	5.409	6.243	11.212	13.406	14.895	10.611

7  
8  
9 Please also refer to the response to CEC IR 1.34.1 regarding the revision to the 2014 projected  
10 bio-methane amounts.

11  
12  
13  
14  
15 16.2 Please explain all variances between the 2014 projected and the 2014 actual  
16 results, along with an explanation of why any variances should not be carried  
17 forward into the forecast for 2015.

18  
19 **Response:**

20 The 2014 projected information provided in Table 7-4 and updated in the response to CEC IR  
21 1.34.1 reflects FEI's best estimate of forecast capital expenditures as at the time of filing.  
22 Although 2014 actual results cannot be provided at this time as they will not be finalized until the  
23 end of April, FEI is expecting a variance in the bio-methane upgrader capital expenditures due  
24 to delays with the Kelowna Landfill Project. However, this variance does not affect delivery  
25 rates as all upgrader related costs are captured in the BVA.

26 Even if 2014 actual results were available, any variances should not be carried forward into  
27 2015 because the 2015 forecast is not dependent on prior year results. Pension and OPEB



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- 1 costs are based on actuarial estimates, NGT Assets are predominantly based on forecast
- 2 fueling station additions, which are in turn driven by NGT volume, and biomethane capital is
- 3 based on projects that are forecast to occur.
  
- 4 Finally, depreciation and interest expense variances that result from variance in forecast capital
- 5 expenditures are captured in the Flow-through deferral account or other deferral accounts and
- 6 will be returned to or recovered from customers in the following year. This approach is
- 7 consistent with what will occur in future annual reviews; in future annual reviews, final actual
- 8 results will also not be known at the time of filing.

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1    **17.0 Reference: Exhibit B-1, Section 7.4**

2           17.1 Please fully explain the assumptions used for plant additions used in calculating  
3           depreciation expense. Were plant additions assumed to be mid-year, or at some  
4           other point during the year.

5  
6    **Response:**

7    During the PBR period, regular capital additions consist of formula-driven and forecast capital  
8    expenditures, adjusted for work in progress, AFUDC and capitalized overhead. These capital  
9    additions are assumed to enter rate base on a mid-year basis.

10  
11

12  
13           17.2 Please provide an analysis that included monthly plant additions for 2011, 2012,  
14           2013, and 2014.

15  
16    **Response:**

17    The methodology for calculating rates under the PBR Plan has already been determined. FEI's  
18    historical monthly plant additions are not relevant to the current proceeding, which is to set FEI's  
19    2015 delivery rates in accordance with the PBR Plan.

20    To be responsive, FEI has included as Attachment 17.2 the monthly capital additions and  
21    resulting adjustment to rate base (to account for the timing difference between mid-year and  
22    actual capital additions) that is included in FEI's reporting to the Commission. FEI has included  
23    2011, 2012 and 2013 since 2014 is not yet available.

24    As seen in Attachment 17.2, the adjustment was (\$386) thousand in 2013, \$30,786 thousand in  
25    2012 and (\$12,823) thousand in 2011. As FEI is not able to predict the monthly timing of capital  
26    additions each year, assuming a mid-year addition is the most appropriate approach, and  
27    eliminates any concern about forecasting bias.

28



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1 **18.0 Reference: Exhibit B-1, Section 7.5.1**

2 18.1 Please fully explain why each of the three proposed deferral accounts could not  
3 be treated as a Z factor adjustment once the costs have been incurred.

4

5 **Response:**

6 The costs of regulatory applications have always been recovered in deferral accounts and FEI  
7 does not believe that this practice was intended to be changed under PBR. For example, in the  
8 PBR Decision, the Commission approved the 2014-2018 PBR Application Costs Deferral  
9 Account, stating: "The Panel considers this treatment to be consistent with past deferral  
10 accounts approved for application-related costs." In addition, Commission Order G-178-14  
11 established the 2015-2019 Annual Reviews deferral account. FEI therefore believes that the  
12 clear intention was for regulatory application deferral accounts to continue under PBR.

13 FEI has been directed by the Commission to file each of the regulatory applications and  
14 therefore the costs are attributable to events outside the control of the company, and all the  
15 costs will be directly related to these events and prudently incurred. As the costs for regulatory  
16 applications have been consistently granted deferral account treatment, or, in the case of the  
17 LTRP, were specifically denied for inclusion in the base costs by the Commission in the PBR  
18 Decision, these costs are clearly outside the base costs for PBR.

19 Regardless, the result of treating these items as exogenous factors or as a deferral is the same,  
20 since the result of exogenous factor treatment is a flow-through of the costs. Given that these  
21 costs are the direct result of Commission directions and not reflected in the base costs, it is  
22 clear that these are the type of costs that should be subject to flow-through in some manner.



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1 **19.0 Reference: Exhibit B-1, Section 8.3.3**

2 19.1 Please fully explain any impact of the recent Bank of Canada reduction in interest  
3 rates on the forecast cost of debt.

4

5 **Response:**

6 The recent Bank of Canada decision to lower its target overnight rate by 25 bps to 0.75 percent  
7 has lowered overall borrowing rates, with the degree of impact depending on the expected term  
8 of lending. For example, on the day that the Bank of Canada decision was announced, the 3  
9 month Canada Treasury bill rates decreased by approximately 30 bps, which was a decrease  
10 consistent with the overnight rate cut with some sentiment on potential future rate cuts built in.  
11 For comparative purposes, 30 year bonds decreased 2 bps on the same date, which is an  
12 insignificant change and well within normal daily variance. The impact on the expected cost of  
13 debt will depend on the borrowing term, with short term borrowing expected to decrease and  
14 long-term borrowing being negligibly impacted.

15 Please refer to the responses to CEC IRs 1.39.3 and 1.40.2 for recent forecasts of interest  
16 rates.

17

18

19

20 19.2 Please provide an analysis that supports the indicative spread of 1.4 percent. In  
21 the response provide the FEI actual cost of debt for each of the last five years,  
22 and the corresponding 30 year GOC rate in arriving at an indicative spread for  
23 FEI.

24

25 **Response:**

26 Based on estimates from BMO Capital Markets, CIBC World Markets and RBC Capital Markets  
27 from mid-2014, for a term of 30 years, an average credit spread of 1.37 percent was calculated  
28 and rounded to the nearest tenth of a percent to 1.4 percent.



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	RBC Capital Markets	CIBC World Markets	BMO Capital Markets
<b>Date of Forecast</b>	6/9/2014	6/9/2014	6/20/2014
<b>Credit Spread</b>	1.36%	1.38%	1.37%
Average Spread	1.37%		
Average Spread (rounded)	1.4%		

1

2

3 Indicative credit spread quotes for a 30 year term as at February 23, 2015 were also  
4 approximately 1.4 percent , indicating that this spread has not changed.

5 In the last 5 years, FEI has only had one debt issuance, which was in December 2011, where  
6 the issue yield was 4.297 percent. The credit spread at issue was 1.63 percent and the  
7 underlying bond yield was 2.667 percent and the term was 30 years.

8

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1 **20.0 Reference: Exhibit B-1, Table 9-1**

2 20.1 Please fully explain why the 2014 projected amounts are lower than the 2014  
 3 Approved amounts.

4

5 **Response:**

6 The variance between 2014 Approved and 2014 Projected Property Taxes by category is shown  
 7 in the table below.

<b>Asset Type</b>	<b>\$ Million Approved 2014</b>	<b>\$ Million Projected 2014</b>	<b>\$ Million Difference</b>	<b>% Difference</b>
Distribution Assets	23.099	21.648	(1.451)	-7%
Transmission Assets	17.146	17.214	0.068	0%
Gas Storage Assets	2.844	2.871	0.027	1%
Manufactured Gas Assets	0.036	0.028	(0.008)	-29%
General Assets	3.246	3.290	0.044	1%
In-Lieu	13.819	13.703	(0.116)	-1%
OGC Fees	0.234	0.289	0.055	19%
8 Total Property Taxes	60.424	59.043	(1.381)	-14%

9 The main category with lower property taxes was Distribution Assets. Property taxes on  
 10 Distribution Assets were approximately \$1.45 million lower than Approved for the following  
 11 reasons:

12 • The original forecast estimated the total assessed value of distribution assets to increase  
 13 from \$1.130 Billion to \$1.161 Billion. The increase was based on a BC Assessment  
 14 proposed increase of 3.75 percent, less 1.75 percent for additional 2015 depreciation,  
 15 plus projected additions totalling \$8.250 Million. The average tax rate was expected to  
 16 increase from \$19.6623/\$1,000 to \$19.8669/\$1,000 or 1.0 percent overall largely  
 17 because FEI expected school tax rates to remain unchanged.

18 • On subsequent review of the BC Assessment data FEI successfully negotiated a rate  
 19 increase of 0 percent for the 2014 tax year. With the increased depreciation on existing  
 20 improvements the total assessment value only increased by 0.1 percent to \$1.132  
 21 Billion. The average tax rate also declined from \$19.6623/\$1,000 to \$19.1313/\$1,000 or  
 22 2.7 percent. The tax rate decrease was due largely to school tax rates which declined  
 23 from \$14.0000/\$1,000 to \$13.6000/\$1,000 or 2.8 percent.

24



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1 In addition to lower distribution asset property taxes, property taxes in lieu were lower because  
 2 revenues earned within municipalities declined more than originally anticipated, primarily due to  
 3 rate reductions in 2012 revenues used to calculate the 2014 in-lieu property taxes.

4 These decreases were partly offset by higher property taxes on transmission assets and higher  
 5 OGC Fees. Transmission asset property taxes were higher because total tax rates were  
 6 slightly higher than originally forecast in the Interior and on Vancouver Island. OGC fees were  
 7 higher than originally anticipated because the OGC changed its fee structure. For 2014 a new  
 8 category of pipe was added for pipelines greater than or equal to 609.6 mm and the annual rate  
 9 on this pipe increased from \$60 per km to \$200 per km.

10  
 11

12

13 20.2 Please provide Table 9-1, including 2011, 2012, 2013, and 2014 actual results.

14

15 **Response:**

16 Table 9-1 restated to include 2011 to 2013 actuals results and 2014 projected results is below.  
 17 Amounts are in \$ millions.

<b>Asset Type</b>	<b>Actual 2011</b>	<b>Actual 2012</b>	<b>Actual 2013</b>	<b>Approved 2014</b>	<b>Projected 2014</b>	<b>Forecast 2015</b>
Distribution Assets	\$ 21.110	\$ 21.577	\$ 21.933	\$ 23.099	\$ 21.648	\$ 23.113
Transmission Assets	15.691	16.036	16.664	17.146	17.214	17.289
Gas Storage Assets	1.473	2.759	0.855	2.844	2.871	3.422
Manufactured Gas Assets	0.079	0.052	1.947	0.036	0.028	0.028
General Assets	2.873	2.917	3.224	3.246	3.290	3.403
In-Lieu	17.025	14.809	14.289	13.819	13.703	13.465
OGC Fees	0.231	0.231	0.226	0.234	0.289	0.295
18 Total Property Taxes	\$ 58.482	\$ 58.381	\$ 59.138	\$ 60.424	\$ 59.043	\$ 61.015

19

20 Note that all years prior to 2015 are the addition of the FEI, FEVI and FEW amounts.

21

22

23

24 20.3 Please explain all variances between the 2014 projected and the 2014 actual  
 25 results, along with an explanation of why any variances should not be carried  
 26 forward into the forecast for 2015.



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1

2 **Response:**

3 The 2014 Projection shown in Table 9-1 is equal to the 2014 Actual amount.

4



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1   **21.0 Reference: Exhibit B-1, Section 11**

2           21.1 Please fully explain why the Financial Schedules in Section 11 were not provided  
3           in Excel format.

4

5   **Response:**

6   The financial schedules in Section 11 are not available as a stand alone Excel spreadsheet with  
7   formulae and links intact. The cross referenced financial schedules in Section 11 provide all of  
8   the relevant financial information used to determine the revenue requirements and proposed  
9   change to delivery rates. As such, even if FEI were to produce such a spreadsheet, which  
10   would take a significant amount of time and resources, it would not add any material value to  
11   the record.

12

13

14

15

16           21.2 Please provide the Financial Schedules in Section 11, updated for any revisions  
17           in Exhibit B-1.1, in Excel format with formulae and links intact.

18

19   **Response:**

20   Please refer to the response to BCOAPO IR 1.21.1.

21

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1   **22.0 Reference: 13.4.1 Safety Service Quality Indicators**

2                           **Emergency Response Time, p.117**

3           **Preamble:**   “Since approval of the new emergency response SQI in mid-September,  
4                           FEI is targeting to improve results through changes to resource plans,  
5                           shifts and after hours standby schedules. Most of the changes require  
6                           union notification and agreement and cannot come into effect until 2015.”

7                           BCOAPO requires more information on the plans to improve results on  
8                           the “Emergency Response Time” service quality indicator.

9           22.1   What are the proposed changes to resource plans, shifts and after hours standby  
10                   schedules?

11  
12   **Response:**

13   As of January 1, 2015, a 1 pm to 9 pm shift has been implemented for all Customer Service  
14   Technicians in the Lower Mainland. There are now six Customer Service Technicians working  
15   the 1 pm to 9 pm shift Monday to Friday and four working Saturday and Sunday subject to the  
16   availability of resources. In addition, four Customer Service Technicians in the Lower Mainland  
17   are on standby from 5 pm to 8:30 am Monday to Sunday as of January 1, 2015.

18  
19

20  
21           22.2   Has the union already been notified about the plan?

22  
23                           Is there a written document that sets out the plan to improve results on the  
24                           “Emergency Response Time” service quality indicator? If so, can this document  
25                           be provided?

26  
27   **Response:**

28   There is not a written document which sets out the plan to improve “Emergency Response  
29   Time”. However, management met with and notified union members in the Lower Mainland  
30   about implementing the 1 pm to 9 pm shift and standby schedule. No changes to the IBEW  
31   Collective Agreement were required to implement this change as it already included the 1 pm to  
32   9 pm shift provision and standby premiums.

33



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1   **23.0 Reference: Exhibit B-1, Section 13.4.1 Safety Service Quality Indicators**  
2                                   **All Injury Frequency Rate, p.118**

3           **Preamble:**   “The three year rolling average was negatively affected by the 2013  
4                                   annual AIFR result of 3.02 when the Company experienced a number of  
5                                   ergonomic related injuries linked to work-related hazards (i.e., slips, trips  
6                                   and falls).The Company continues to focus on this area of improvement  
7                                   through its efforts on proactive safety management and increasing  
8                                   ergonomic and safety awareness with its employees.”

9           23.1 Please provide more information on FEI’s “efforts on proactive safety  
10                                   management and ergonomic and safety awareness.”

11  
12   **Response:**

13   Ergonomic awareness efforts have been integrated into all facets of operational work, including  
14   field-operations and office-type settings. Prior to the start of daily work, work crews discuss a  
15   safe work plan including ergonomic considerations specific to the tasks and risks faced by the  
16   work crews. Targeted awareness sessions have been a focus, and coaching materials for  
17   managers have been developed. Completed incident investigations involving ergonomics are  
18   posted on the Company intranet for all employees to review, and learnings are shared at  
19   regularly scheduled safety meetings. A dedicated “MoveSafe Month” has also been  
20   implemented (October), and key points will be highlighted and reinforced during the North  
21   American Occupational Safety and Health week in May, in order to raise awareness around  
22   repetitive strain injuries, the focus being on task completion in an ergonomically correct  
23   manner. Further, local awareness efforts are being actively promoted by the site Joint Health  
24   and Safety Committees across the province, allowing for awareness to continue growing in this  
25   area of injury prevention.

26  
27

28  
29           23.2 Please set out the specific activities completed and/or planned to address the  
30                                   high number of ergonomic related injuries relating to work-related hazards.

31  
32   **Response:**

33   The complete integration of the ergonomic-health “MoveSafe” program at FEI is being  
34   continually reinforced. Safety meeting presentations on ergonomic concerns/awareness are  
35   consistently being conducted across the Company; the MoveSafe program is being continually



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1 improved. When able, senior leaders are participating in and leading stretching 'micro-breaks'  
2 such that strains/sprains are reduced via proper pre-work stretching techniques. Site Safe Work  
3 Planning is being updated to better reflect and enable crews to incorporate ergonomic  
4 consideration at the worksite. Further, work site observations by crew leaders and their  
5 managers are continually evaluating ergonomic concerns or challenges on work sites, and  
6 recommendations are being shared immediately with these crews and with others across the  
7 province. Task specific, job safety analysis is being conducted and includes ergonomic risks  
8 and associated mitigation strategies. Specific tool use and lifting practices are also being  
9 reviewed, as are healthy lifestyle choices.

## **Attachment 7.1**

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### **REFER TO LIVE SPREADSHEET MODEL**

Provided in electronic format only

(accessible by opening the Attachments Tab in Adobe)

**Attachment 17.2**

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