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March 2, 2015

Via Email
Original via Mail

Commercial Energy Consumers Association of British Columbia
c/o Owen Bird Law Corporation
P.O. Box 49130
Three Bentall Centre
2900 – 595 Burrard Street
Vancouver, BC V7X 1J5

Attention: Mr. Christopher P. Weafer

Dear Mr. Weafer:

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 Commercial Energy Consumers Association of British
Columbia (CEC) Information Request (IR) No. 1**

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 CEC 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, Page 1**

11 For 2014, FEI operated under considerable uncertainty until the time the PBR Decision was
12 issued on September 15, 2014 and this uncertainty continued to a lesser degree as clarification
13 and reconsideration of the decision was sought. The PBR Plan approved by the Decision
14 attached to Order G-138-14 (PBR Decision) increases FEI's incentives to seek out savings
15 while maintaining service quality.¹ Pursuant to the earnings sharing approved by the
16 Commission, any PBR-related savings achieved by the Company are shared equally with
17 customers as discussed in Section 10 of the Application.

18
19 FEI achieved savings in 2014 due to a continuation of its ongoing productivity focus, including a
20 broad-based Company-wide effort to seek alternate solutions to the filling of vacancies. Overall,
21 FEI proposes to distribute \$3.341 million to Mainland customers in 2015 via an earnings sharing
22 rate rider. FEI has achieved these savings over 2014 while maintaining a high level of service
23 quality and meeting the Service Quality Indicators (SQIs) approved in the PBR Decision.

2

3 1.1 Would FEI have been able to achieve greater savings if it had not been operating
4 under uncertainty for the bulk of 2014? Please explain why or why not.

5

6 **Response:**

7 FEI cannot speculate on whether it would have achieved greater savings in 2014 if it had not
8 been operating under uncertainty for the bulk of 2014. However, FEI notes that with the earlier
9 knowledge of an approved PBR Plan that provided incentives for the Company to make
10 investments to achieve savings, FEI may have made some additional investments in
11 productivity in 2014. As efficiencies and savings would not likely have materialized in 2014 due
12 to the lead time required to implement any changes, it is likely that the current 2014 savings
13 realized through the Company's ongoing productivity focus and prudent spending approach
14 would have been reduced by the costs of the investments made.

15

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18 1.1.1 If yes, please identify saving types and approximate amounts.

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20 **Response:**

21 Please refer to the response to CEC IR 1.1.1.

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1 1.2 Did FEI consider itself as operating under PBR prior to the PBR decision on
2 September 15, 2014? Please explain why or why not.

3
4 **Response:**

5 While it awaited the PBR Decision, FEI was not under a PBR Plan as it was operating
6 under interim rates and the PBR Plan had not yet been approved.

7
8

9
10 1.3 Were any of the savings achieved from programs or initiatives, (such as the
11 alternate solutions to filling vacancies) that were introduced prior to the PBR
12 decision on September 15, 2014?

13
14 **Response:**

15 The Company's productivity focus, including seeking alternate solutions to filling vacancies, is
16 not a program but instead is a strategy to manage rates for customers. As stated in FEI's 2014-
17 2018 Multi-Year PBR Plan Application, on page 11:

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 This productivity focus has been a specific emphasis for FEI since 2012 and has remained a
26 priority for the Company since then, as it seeks to generate efficiencies and savings that are
27 shared with customers while maintaining service levels.

28 As the result of the Company's productivity focus, customers will share in and benefit from the
29 O&M savings realized in 2014. However, FEI does not track at what time O&M savings are
30 achieved during the year. Moreover, as savings can always be offset by increases in other
31 areas, it is not until the end of the year that actual O&M savings are known.

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1 1.3.1 If yes, please provide an estimate of the proportion of savings achieved
2 as a result of programs and services commenced prior to the PBR
3 decision.
4

5 **Response:**

6 Please refer to the response to CEC IR 1.1.3.
7
8

9
10 1.4 Were any of the savings achieved from programs or initiatives that were
11 introduced prior to the last evidentiary update from the PBR proceeding?
12

13 **Response:**

14 Please refer to the response to CEC IR 1.1.3.
15
16

17
18 1.4.1 If yes, please provide an estimate of the proportion of savings achieved
19 as a result of programs and services commenced prior to the last
20 evidentiary update.
21

22 **Response:**

23 Please refer to the response to CEC IR 1.1.3.
24



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1 **2.0 Reference: Exhibit B-1-1, Page 1**

The proposed delivery rates for 2015 flowing from the approved formulas and forecasts set out in the Application result in a ~~2.03 percent increase over 2014 common delivery rates²~~, or an increase of approximately ~~1.11 percent~~ or \$10 to the annual bill for an average Mainland residential customer.³ The delivery rate increase of ~~2.03 percent~~ is in line with 2015 inflation which is forecast at 1.9 percent⁴ and will be applicable to customers in the Vancouver Island and Whistler service areas. After returning the earnings sharing, the delivery rates of Mainland service area customers will show an effective increase of ~~approximately 1.5 percent~~ or ~~0.8 percent~~ to the annual bill.

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¹ PBR Decision, p. 138.
² 2015 interim delivery rates were set at the same level as 2014 common delivery rates
³ Based on a Mainland Residential customer using approximately 90 GJs per year
⁴ Conference Board of Canada Autumn 2015 Provincial Outlook Economic Forecast (CPI updated November 4, 2014).

2
 3 2.1 Please provide the rate increase to the annual bill for average customers in each
 4 applicable rate group.
 5

6 **Response:**

7 Please refer to the table below which provides the annual bill impacts of the proposed delivery
 8 rates compared to 2014 approved common delivery rates. Please note that this excludes the
 9 impact of delivery rate riders.

Annual Bill Impacts of Proposed Delivery Rates Compared to 2014 Approved Common Rates Excluding Delivery Rate Riders

Rate Schedule	Service Territory					
	Mainland		Vancouver Island		Whistler	
	\$	%	\$	%	\$	%
1 - Residential Service	\$12	1.17%	\$6	1.02%	\$12	1.17%
2- Small Commercial Service	\$30	0.98%	\$34	0.99%	\$38	0.99%
3- Large Commercial Service	\$256	0.87%	\$368	0.88%	\$271	0.87%
4- Seasonal Service	\$256	0.77%	Note ²	Note ²	Note ²	Note ²
5 - General Firm Service	\$559	0.73%	\$772	0.66%	\$1,079	0.77%
6 - NGV - Stations	\$333	1.13%	Note ²	Note ²	Note ²	Note ²
7 - Interruptible Sales	\$429	0.47%	Note ²	Note ²	Note ²	Note ²
22 - Large Industrial Transportation Service	\$9,523	1.99%	Note ²	Note ²	Note ²	Note ²
22A - Large Industrial Transportation Service ¹	\$12,933	2.05%	n/a	n/a	n/a	n/a
22B - Large Industrial Transportation Service (Except Elkview) ¹	\$7,983	2.15%	n/a	n/a	n/a	n/a
22B - Large Industrial Transportation Service (Elkview) ¹	\$3,787	1.91%	n/a	n/a	n/a	n/a
23 - Large Commercial Transportation Service	\$376	2.13%	Note ²	Note ²	Note ²	Note ²
25 - General Firm Transportation Service	\$1,147	2.15%	\$1,075	2.13%	Note ²	Note ²
27 - Interruptible Transportation Service	\$1,978	2.07%	Note ²	Note ²	Note ²	Note ²

Notes:

¹Rate Schedules 22A and 22B are only applicable to the specific Service Territories of Inland and Columbia respectively.

²There are currently not any customers taking service in this rate class in this Service Territory.



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2.2 Please provide the effective rate increase to the annual bill for average customers in each applicable rate group.

Response:

In the context of page 1 of the Application, the effective increase includes the impact of the delivery rate change and the ESM rider on the annual bill and excludes the impact of the phase-in rider.

Please refer to the table below which provides the annual bill impacts of the proposed delivery rates compared to 2014 approved common rates including the ESM rate rider for the Mainland Service Territory. FEI has provided the following table for Mainland only as Mainland was the only service territory under PBR in 2014 and as such, is the only group of customers that will have the ESM rider applied to their monthly bill. The effective rate increases for Vancouver Island and Whistler customers are as shown in response to CEC IR 1.2.1.

Annual Bill Impacts of Proposed Delivery Rates Compared to 2014 Approved Common Rates Including the ESM Rate Rider

Rate Schedule	Service Territory	
	Mainland	
	\$	%
1 - Residential Service	\$9	0.90%
2- Small Commercial Service	\$23	0.74%
3- Large Commercial Service	\$195	0.66%
4- Seasonal Service	\$195	0.58%
5 - General Firm Service	\$403	0.52%
6 - NGV - Stations	\$253	0.85%
7 - Interruptible Sales	\$318	0.35%
22 - Large Industrial Transportation Service	\$7,256	1.52%
22A - Large Industrial Transportation Service ¹	\$9,868	1.56%
22B - Large Industrial Transportation Service (Except Elkview) ¹	\$7,055	1.90%
22B - Large Industrial Transportation Service (Elkview) ¹	\$2,495	1.26%
23 - Large Commercial Transportation Service	\$286	1.62%
25 - General Firm Transportation Service	\$806	1.51%
27 - Interruptible Transportation Service	\$1,468	1.54%

Notes:

¹Rate Schedules 22A and 22B are only applicable to the specific Service Territories of Inland and Columbia respectively.



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1
2 2.3 Please provide the maximum bill impact, by \$ and % that would be experienced
3 by customers in each applicable rate group without consideration for the
4 Earnings Sharing and after Earnings Sharing.

5
6 **Response:**

7 FEI interprets this question to be asking for a side by side comparison of the responses to CEC
8 IRs 1.2.1 and 1.2.2. Please refer to the table below which provides this comparison. As
9 discussed in the response to CEC IR 1.2.2, this comparison is only applicable to Mainland
10 customers.

Annual Bill Impacts of Proposed Delivery Rates Compared to 2014 Approved Common Rates Including and Excluding the ESM Rate Rider

Rate Schedule	Service Territory			
	Mainland			
	Including ESM Rider		Excluding ESM Rider	
	\$	%	\$	%
1 - Residential Service	\$9	0.90%	\$12	1.17%
2 - Small Commercial Service	\$23	0.74%	\$30	0.98%
3 - Large Commercial Service	\$195	0.66%	\$256	0.87%
4 - Seasonal Service	\$195	0.58%	\$256	0.77%
5 - General Firm Service	\$403	0.52%	\$559	0.73%
6 - NGV - Stations	\$253	0.85%	\$333	1.13%
7 - Interruptible Sales	\$318	0.35%	\$429	0.47%
22 - Large Industrial Transportation Service	\$7,256	1.52%	\$9,523	1.99%
22A - Large Industrial Transportation Service ¹	\$9,868	1.56%	\$12,933	2.05%
22B - Large Industrial Transportation Service (Except Elkview) ¹	\$7,055	1.90%	\$7,983	2.15%
22B - Large Industrial Transportation Service (Elkview) ¹	\$2,495	1.26%	\$3,787	1.91%
23 - Large Commercial Transportation Service	\$286	1.62%	\$376	2.13%
25 - General Firm Transportation Service	\$806	1.51%	\$1,147	2.15%
27 - Interruptible Transportation Service	\$1,468	1.54%	\$1,978	2.07%

Notes:

11 ¹Rate Schedules 22A and 22B are only applicable to the specific Service Territories of Inland and Columbia respectively.

12



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1 **3.0 Reference: Exhibit B-1-1, Pages 1, 2 and 8**

The proposed delivery rates for 2015 flowing from the approved formulas and forecasts set out in the Application result in a 2.03 percent increase over 2014 common delivery rates², or an increase of approximately 1.11 percent or \$10 to the annual bill for an average Mainland residential customer.³ The delivery rate increase of 2.03 percent is in line with 2015 inflation which is forecast at 1.9 percent⁴ and will be applicable to customers in the Vancouver Island and Whistler service areas. After returning the earnings sharing, the delivery rates of Mainland service area customers will show an effective increase of approximately 1.5 percent or 0.8 percent to the annual bill.

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- 8 1. Permanent delivery rates for all non-bypass customers effective January 1, 2015,
 9 | resulting in an increase of 2.03 per cent compared to 2014 common delivery rates, with
 10 the increase to be applied to the delivery charge, holding the basic charge at existing
 11 levels.
 12 2. The Earnings Sharing riders for Mainland customers effective January 1, 2015 in the
 13 amounts set out in Table 10-2 in Section 10.
 14 3. The difference between 2015 interim rates and permanent rates, including the Earnings
 15 Sharing riders for Mainland customers, to be collected from customers by way of a bill
 16 adjustment reflecting their consumption from January 1, 2015.

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17 Based on this timetable, FEI expects a Commission decision may be received in time to
 18 implement permanent delivery rates for June 1, 2015. FEI proposes that the difference between
 19 2015 interim rates and permanent rates, including the Earnings Sharing riders for Mainland
 20 customers, be collected from customers by way of a bill adjustment reflecting their consumption
 21 from January 1, 2015.
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3.1 Please confirm or otherwise explain that the bill adjustment referenced in item 3. above means a one-time bill adjustment to account for the difference between the interim rates effective January 1, 2015 and the effective rate increase for January 1, 2015 (permanent delivery rate increase less earnings sharing for Lower Mainland customers) for customers' consumption during the time elapsed between January 1, 2015 and the bill adjustment, and does not return the entire earnings sharing amount to the customer at that time.

Response:

Confirmed.

3.2 Please confirm or otherwise explain that FEI proposes to make the bill adjustment in June 2015 for the June customer bill.

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1 **Response:**

2 Not confirmed. FEI stated that based on the timetable proposed in the Application, a decision
3 may be received from the Commission in time to implement permanent delivery rates effective
4 June 1, 2015. However, FEI did not propose to make the bill adjustment at the same time as
5 the implementation of the permanent delivery rates. FEI plans to make the bill adjustment the
6 month following the implementation of the permanent delivery rates. It is also important to note
7 that the implementation of permanent delivery rates is dependent on when a Commission
8 decision is received, and the bill adjustment would be planned for the month following
9 implementation.

10

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13 3.3 Please confirm or otherwise explain that those customers who were present in
14 any given year (in this case 2014) but terminate service either before or during
15 the next year (in this case 2015) will have participated in the rates prescribed
16 under PBR, but will not experience the full benefit of the potential return available
17 from the Earnings Sharing Mechanism.

18

19 **Response:**

20 A customer must have an active account at the time the Earnings Sharing Mechanism (ESM) is
21 distributed in order to receive either the full benefit (or cost as the ESM allows for symmetric
22 sharing for earnings above or below the approved ROE, as the case may be) of the ESM and
23 any subsequent bill adjustments. This result is the same as in FEI's previous 2004 PBR Plan
24 and occurs regardless of whether the earnings sharing is returned as a rider or through
25 amortization of the account.

26 Rate adjustments should be made for active accounts at the time the rate adjustment is
27 implemented as processing rate adjustments to non-active accounts will cause increases in
28 collection costs, bad debt expense and higher O&M as a result. The process to locate
29 terminated customers to either provide a refund or attempt to recover or collect a shortfall,
30 particularly if they have moved out of the province or country, can be time consuming and
31 difficult.

32 Rates for the PBR Plan, including any adjustments, are set on a prospective basis as a result of
33 the Annual Review. While interim rates are not expected to be in place during future Annual
34 Reviews, for this Annual Review interim rates were made effective January 1, 2015. Rate
35 adjustments for customers can therefore only be made dating back to when interim rates were
36 made effective on January 1, 2015. As 2014 rates are permanent rates approved by the



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1 Commission, rate adjustments dating back to 2014 are not possible as that would result in
2 retroactive ratemaking.

3

4

5 3.3.1 If not confirmed, how does FEI propose to provide the Earnings Sharing
6 rewards to ratepayers who have terminated service before the
7 distribution of all the Earnings Sharing?

8

9 **Response:**

10 Please refer to the response to CEC IR 1.3.3.

11

12

13

14 3.3.2 How many customers are there and what is the amount of consumption
15 for those customers terminating prior to the rate adjustment planned for
16 June 2015?

17

18 **Response:**

19 FEI does not forecast the timing of customer terminations or what amount of consumption that
20 would represent. Please refer to the response to CEC IR 1.3.3.

21

22

23

24 3.4 Would FEI consider it appropriate to disburse the entire amount of Earnings
25 Sharing realized and due to ratepayers in the bill adjustment rather than by way
26 of rate-rider throughout the year? Please explain why or why not.

27

28 **Response:**

29 Although it may be possible to address the disbursement of the earnings sharing through a one-
30 time retrospective bill adjustment, FEI considers the rate rider (or amortization expense method)
31 to be the most appropriate method in this circumstance for several reasons:

32

33

34

1. As set out in Order G-138-14, the approved mechanism for the disbursement of the earnings sharing amount is the use of a deferral account that is amortized over a one year period through delivery rates. As discussed in the Application and in the responses



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- 1 to the BCUC IR 1.29 series of questions, due to the requirement to stream the 2014
2 earnings sharing amount, a rate rider is required. Further, the response to BCUC IR
3 1.29.4 identifies that the use of a rate rider and amortization expense are analogous with
4 one another;
- 5 2. The use of a rate rider or amortization expense on a prospective basis is the standard
6 practice for accounts of this nature, such as the Flow Through Deferral Account, the
7 Revenue Stabilization Adjustment Mechanism, and the Commodity Cost Reconciliation
8 Account;
- 9 3. The method used should be consistent throughout the PBR and, since earnings sharing
10 is symmetrical, there is a possibility that there may be an amount to be recovered from
11 customers. Generally speaking, FEI would prefer to smooth out the impact to customers
12 of amounts owing to the utility rather require a lump sum payment. Further, lump sum
13 payments may result in potential increases in collection costs, bad debt expense and
14 higher O&M as a result;
- 15 4. Like the rate rider or amortization method, the retroactive bill adjustment method still
16 requires that a customer be active at the time of the adjustment; and,
- 17 5. This treatment is consistent with that used in FEI's 2004 PBR Plan.
- 18



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

2

1 Evaluation of the operation of the PBR Plan in the past year(s) and identification by any party of any deficiencies/concerns with the operation of the PBR plan that have become apparent. Parties are expected to put forward recommendations with how to deal with such concerns.	Section 1.3
---	-------------

2

3 4.1 What criteria will FEI use to evaluate the operation of the PBR? Please explain
4 with quantification if appropriate.

5

6 **Response:**

7 As outlined in FEI's 2014-2018 Multi-Year PBR Application, the benefits of a PBR Plan are its
8 effectiveness in incenting the utility to capture cost efficiencies (i.e. productivity) and regulatory
9 efficiency, while recognizing that the efficiencies are not to be achieved at the expense of
10 service quality. Additionally, a PBR Plan is designed to provide a longer term framework in
11 which the utility can operate without frequent, costly and time consuming revenue requirement
12 applications.

13 Based on the above, the effectiveness of the PBR Plan over the term of the agreement can be
14 evaluated using the following criteria;

- 15 • Cost efficiencies realized;
- 16 • Regulatory efficiency; and
- 17 • Maintaining service quality.

18

19 As the PBR Decision was not issued until September 15, 2014 and given that the PBR Plan is
20 designed to provide a longer term framework, it is too early at this stage to be evaluating the
21 effectiveness of the approved PBR Plan.

22

23

24

25 4.2 What criteria does FEI consider it appropriate for Interveners and the
26 Commission to use in evaluating the operation of the PBR, to the extent they
27 may differ from FEI's criteria? Please provide an explanation for each criterion.

28



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1 **Response:**

2 FEI would expect that interveners and the Commission would follow similar criteria as outlined
3 in the response to CEC IR 1.4.1 in evaluating the operation of the PBR.

4
5

6

7 4.3 Please clarify if 'parties' mean all parties, the complaining parties (or party) and
8 FEI together, or the just the complaining parties?

9

10 **Response:**

11 The list of requirements for the Annual Review in Table 1-1 of the Application, including item 1
12 quoted in the preamble to the IR above, is from pages 284 to 285 of the PBR Decision. FEI
13 interprets "parties" in this context as being a reference to FEI and interveners in the Annual
14 Review process.

15
16

17

18 4.3.1 If FEI means just the complaining parties or party, is it a Commission
19 determination that the responsibility for generating recommendations in
20 the case of a deficiency or concern lies with the complainant(s)?

21

22 **Response:**

23 Please refer to the response to CEC IR 1.4.3.

24
25

26

27 4.3.1.1 If yes, please provide the reference in the Decision or other
28 relevant citation that places the onus on the complaining party.

29

30 **Response:**

31 Please refer to the response to CEC IR 1.4.3.

32
33



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1
2 4.3.1.2 If no, why would FEI not share the burden for suggesting
3 recommendations to solve PBR issues?
4

5 **Response:**

6 Please refer to the response to CEC IR 1.4.3.
7
8

9
10 4.4 Does FEI agree that regardless of others' obligations that FEI has an onus to
11 undertake to resolve issues and suggest recommendations to ensure the smooth
12 working of the PBR? Please explain why or why not.
13

14 **Response:**

15 In accordance with the Commission's direction as referenced in the preamble to this IR, if FEI
16 identifies any deficiencies or concerns with the PBR Plan, it will put forward recommendations
17 for how to deal with such concerns.
18
19

20
21 4.5 What process does FEI anticipate for identifying and addressing a concern or
22 deficiency with the operation of the PBR plan?
23

24 **Response:**

25 If a party has identified any deficiencies/concerns with the operation of the PBR Plan, FEI would
26 anticipate that the party would identify the issue and a recommended solution and propose it to
27 FEI for input and review in an IR or at the workshop. Based on the evidence and submissions
28 by the parties, the Commission would make a determination.
29



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1
2 5.4 Please confirm that FEI still does not have any customer service or load growth
3 initiatives identified and/or proposed for implementation at this time.

4
5 **Response:**

6 It is confirmed that FEI does not have any customer service initiatives or load growth initiatives
7 identified that require funding of incremental resources at this time.

8
9

10
11 5.4.1 If not confirmed, please elaborate on the customer service and load
12 growth initiative identified or proposed since the filing of this application.

13
14 **Response:**

15 Please refer to the response to CEC IR 1.5.4.

16

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1 **6.0 Reference: Exhibit B-1, Page 3**

3	Identification of any efficiency initiatives that the Companies have undertaken, or intend to undertake, that require a payback period extending beyond the PBR plan period and make recommendations to the Commission with respect to the treatment of such initiatives.	FEI has not identified any efficiency investments with a payback beyond the end of the PBR period
---	---	---

2

3 6.1 Please confirm that the purpose of PBR regulation is to incent the utility to
4 identify efficiency initiatives, and this should also include initiatives where the
5 payback extends beyond the PBR period.

6

7 **Response:**

8 FEI confirms that one of the purposes of PBR regulation is to incent the utility to undertake
9 efficiency initiatives. FEI had proposed an Efficiency Carryover Mechanism (ECM) in its PBR
10 Plan to strengthen the incentive to pursue efficiency initiatives throughout the PBR term. Page
11 73 of the PBR Application stated:

12 *“A well-designed ECM decouples the link between the timing of efficiency gains and the*
13 *PBR incentives and ensures that the stream of savings resulting from an investment in*
14 *efficiencies will be allocated to help repay the investment regardless of how close the*
15 *investment is to the end of the term of the PBR Plan.”*

16

17 The Commission agreed with FEI as to the value of an ECM, stating on page 132 of the PBR
18 Decision:

19 *“...we are persuaded that there is value in the inclusion of some form of ECM*
20 *mechanism as a means of incenting the development of efficiency initiatives throughout*
21 *the PBR period.”*

22

23 The Commission did not, however, approve FEI’s ECM proposal. Instead it stated the following
24 on page 132 of the PBR Decision:

25 *“Accordingly, the Commission Panel determines that the following steps are required in*
26 *order for Fortis to receive approval for an ECM initiative¹:*

27 1. *ECMs will in most cases be handled within the context of the Annual Review*
28 *although where warranted, the Commission could consider an ECM measure within*
29 *the year.*

¹ Item 2 was modified from its original wording in Order G-162-14 under Clarification Request #4.



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- 1 2. *For each proposed initiative for which the payback period is expected to extend*
2 *beyond the end of the PBR, Fortis will file an ECM proposal providing a description*
3 *of the proposal, its timing, costs and benefits, and reasoning as to why it is*
4 *appropriate and how long benefits should be paid.*
- 5 3. *Parties will have the opportunity to comment on the proposal.”*

6
7 As the ECM is intended to target investments that would otherwise be undertaken in the later
8 years of a PBR period, and as 2014 was the first year of a six year PBR, FEI has not identified
9 any ECM proposals at this time.

10
11

12

13 6.1.1 If not confirmed, please explain why not.

14

15 **Response:**

16 Please refer to the response to CEC IR 1.6.1.

17

18

19

20 6.2 To the extent that larger and more significant efficiency initiatives are likely to
21 have longer payback periods, would FEI consider it a failure if the company quest
22 for efficiency under PBR does not identify any efficiency initiatives that require
23 longer payback periods throughout the PBR term?

24

25 **Response:**

26 No. There are factors other than the length of the payback period of efficiency initiatives that
27 would need to be considered in determining the success or failure of the PBR Plan.

28 FEI notes that the ECM, as discussed in response to CEC IR 1.6.1, is designed to incent
29 investments in efficiencies where the payback extends *beyond* the end of the PBR Period, not
30 just where there is a longer payback period. Many investments will have a payback of three to
31 six years, which can be accommodated without an ECM as long as the investments are
32 undertaken early in the PBR term.

33

34



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6.2.1 Please explain why or why not.

Response:

Please refer to the response to CEC IR 1.6.2.



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1 **7.0 Reference: Exhibit B-1, Page 3**

2

4 Review of any exogenous events that the Company or stakeholders have identified that should be put forward to the Commission for decision as to their exclusion from the PBR plan. The review process should include recommendations as to how the exogenous events costs/revenues should be recovered from or credited to ratepayers (see Section 2.2.4 for details).	FEI has not identified any exogenous factors
---	--

2

3 7.1 Please confirm that stakeholders will be apprised of any and all exogenous
4 savings that could approach the materiality threshold, on an order of magnitude
5 basis, every year throughout the PBR period so that the stakeholders may
6 determine whether to put them forward to the Commission.

7

8 **Response:**

9 FEI will bring forward any exogenous factors that meet both the materiality threshold as well as
10 the other exogenous factor criteria. If the exogenous factors do not meet but only approach the
11 materiality threshold, then FEI will not bring them forward. If stakeholders are aware of any
12 other items that should be considered for exogenous factor treatment, they can bring them
13 forward for consideration.

14

15

16

17 7.1.1 If not confirmed, please provide a discussion, with quantification of any
18 savings, of any exogenous event resulting in savings that approaches
19 the materiality threshold that occurred in 2014.

20

21 **Response:**

22 Please refer to the response to CEC IR 1.7.1.

23



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1 **8.0 Reference: Exhibit B-1, Page 3**

2

6	Assess and make recommendations with respect to any SQIs that should be reviewed in future Annual Reviews. For example, stakeholders are to review the usefulness of continuing with the Billing Index and Meter Reading Accuracy SQIs.	FEI does not have any recommendations for new SQIs or the discontinuation of SQIs at this time
---	---	--

2

3 8.1 Is a determination on the usefulness of the Billing Index and Meter Reading
4 Accuracy SQIs required at this annual review? Please explain.

5

6 **Response:**

7 No, FEI does not believe a determination on the usefulness of these SQIs is required at this
8 Annual Review. Since this is the first Annual Review process and the first time FEI has shared
9 the results of the SQIs, there is little new information since the time these SQI's were reviewed
10 and approved by the Commission for use in the PBR Plan in Order G-138-14 and reviewed with
11 stakeholders as part of the process leading to the Consensus Recommendation which was
12 approved by the Commission in Order G-14-15.

13

14

15

16 8.2 What criteria should stakeholders use to determine the usefulness of continuing
17 the Billing Index and Meter Reading Accuracy SQIs?

18

19 **Response:**

20 Stakeholders should consider the purpose of SQIs and the importance of billing and meter
21 reading services to customers

22 The role of SQI's is to ensure a certain level of service is maintained during the PBR period, as
23 discussed by the Commission on page 147 of the PBR Decision.

24 A timely and accurate bill is a key service provided to each customer every month. Bills that are
25 delayed or inaccurate cause dissatisfaction in customers and lead to higher operating costs as
26 customers express concern over their bills and corrections are made.

27 For these reasons, both of these SQI's are important measures of the level of service customers
28 are receiving and are useful to continue.

29

30



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1
2 8.3 What cost, if any, is associated with tracking and presenting the Billing Index
3 SQL? Please provide quantification.

4
5 **Response:**

6 FEI estimates a cost of \$527 per month to track the billing index SQL. This is a labour cost of
7 approximately 12 hours per month.

8
9

10
11 8.4 What cost, if any, is associated with tracking and presenting the Meter Reading
12 Accuracy SQL? Please provide quantification.

13
14 **Response:**

15 FEI estimates that the meter reading accuracy SQL costs approximately \$430 to track per
16 month. This is a labour cost of approximately 10 hours per month.

17

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1 **9.0 Reference: Exhibit B-1, Page 4**

19 In 2014, FEI is projecting O&M expenses excluding items forecast outside of the PBR formula to
20 be approximately \$6.851 million lower than formula amounts. Much of the savings has been
21 associated with labour, which is reflective of a broad-based, Company-wide effort to seek
22 alternate solutions to the filling of vacancies. For the most part, these solutions are taking the
23 form of strategic re-deployment of resources combined with a broadening of roles and
24 responsibilities. This effort was partially in reaction to the regulatory uncertainty experienced in
25 2014, but also resulted in the achieving of efficiencies which are expected to continue.

2

3 9.1 How much of the \$6.861 million in O&M savings were related to labour?

4

5 **Response:**

6 FEI does not have a formula-driven labour amount against which to evaluate how much of the
7 O&M savings were related to labour. The PBR formula provides for an envelope of spending
8 and FEI is able to determine how to prioritize its spending with respect to labour, non-labour or
9 other priorities within that envelope.

10

11

12

13 9.2 Please provide the labour savings by month for 2014.

14

15 **Response:**

16 Please refer to the response to CEC IR 1.9.1.

17

18

19

20 9.3 Please identify by month, and with costs, how many positions became vacant
21 and were not filled during 2014, including identification of vacancies at the start of
22 2014 for positions in the 2013 base.

23

24 **Response:**

25 This IR and others following ask for detailed information on the vacancies in 2014, including
26 detailed information on each position vacated and the timing of when vacancies occurred during
27 the year. FEI has provided information on the net FTE reductions experienced in 2014 in
28 response to BCUC IR 1.1.1. However, it would take a substantial amount of time and resources
29 for FEI to provide the additional, detailed information requested by the CEC. Moreover, this



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1 additional, detailed information would not add any value to the record in this proceeding and is
2 not relevant to setting rates for 2015. FEI therefore declines to provide the requested
3 information.

4
5

6

7 9.4 Please provide further explanation as to how regulatory uncertainty contributed to
8 the strategic re-deployment of resources and the broadening of roles and
9 responsibilities.

10

11 **Response:**

12 Without approved rates or even an approved rate setting methodology for 2014, FEI had to
13 operate its business under the assumption that the Commission's decision would enforce
14 significant O&M and capital savings. One method to achieve this for a limited period of time
15 was to focus on keeping headcount to a minimum through strategic redeployment of resources
16 and the broadening of roles and responsibilities. This approach was successful for 2014; now
17 that FEI has regulatory certainty it can develop its resourcing strategies with a longer-term
18 focus.

19
20

21

22 9.5 Please identify the position vacancies by department and their roles and
23 responsibilities.

24

25 **Response:**

26 Please refer to the response to CEC IR 1.9.3.

27
28

29

30 9.6 Please identify what benefits each of these positions was providing prior to
31 becoming vacant.

32

33 **Response:**

34 Please refer to the response to CEC IR 1.9.3.



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9.6.1 Please identify whether the benefit being provided has been lost or diminished or if it is being achieved in other areas of the company, which are absorbing the roles and responsibilities.

Response:

Please refer to the response to CEC IR 1.9.3.

9.6.1.1 If they are being achieved in other areas, please identify in which areas each of the benefits is being achieved.

Response:

Please refer to the response to CEC IR 1.9.3.

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1 **10.0 Reference: Exhibit B-1, Page 4**

27 Contributing to the O&M savings in 2014 is FEI's Regionalization initiative, which is aimed at
28 both enhancing the customer experience and achieving a more efficient process in the field.
29 Throughout 2014, Operations moved certain aspects of its centralized operational activities into
30 regional locations. In particular, the Field Dispatch and Planning and Design groups are now
31 located within their regional locations. The transition to a regional operations model has also
32 resulted in eight emergency centres around the province instead of one large central emergency
33 centre. These changes have enabled quicker decision making, and have been found to be
34 more cost-effective and to serve customers better.

2

3 10.1 What was the cost of undertaking the Regionalization Initiative and when was it
4 incurred?

5

6 **Response:**

7 Please refer to the response to BCUC IR 1.2.9.

8

9

10

11 10.2 When was the Regionalization Initiative first initiated?

12

13 **Response:**

14 The decision to undertake some form of regionalization was made in the spring of 2013.
15 Scoping and planning occurred through to the end of 2013. The implementation of the
16 regionalization initiative began in 2014.

17

18

19

20 10.3 What were the total cost savings from the Regionalization Initiative?

21

22 **Response:**

23 Please refer to the response to BCUC IR 1.2.1.

24

25

26

27 10.4 Are all Regionalization savings and benefits captured at this point in time?



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Response:

No, Regionalization savings and benefits are not fully captured at this time. In 2015, Operations will focus on strengthening the Regional Operations Model by continuing to develop the employees who have recently settled into their new roles.

10.4.1 If not, please provide an overview with quantification of savings and benefits that are yet to come and when they are expected to occur.

Response:

Benefits associated with customer experience and efficient processes in the field are expected to materialize over time and are difficult to quantify at this time.

10.5 What other changes were included in the 'Regionalization Initiative'?

Response:

Please refer to the response to BCUC IR 1.2.1.

10.6 What are the regional locations for the Field Dispatch and Planning and Design groups?

Response:

Please refer to the response to BCUC IR 1.2.7.



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1 10.6.1 What are the savings from having the Field Dispatch and Planning and
2 Design groups located in their regional locations? Please provide the
3 savings for each region.

4
5 **Response:**

6 Please refer to the response to BCUC IR 1.2.1.

7
8

9
10 10.7 Please confirm or otherwise explain that some or all of the cost savings achieved
11 by FEI from the regionalization initiative were absorbed by FEVI and/or FEW.

12
13 **Response:**

14 This issue was addressed in response to BCUC IR 1.3.1 in FEI’s Proposal to Include FortisBC
15 Energy (Vancouver Island) Inc. (FEVI) and FortisBC Energy (Whistler) Inc. (FEW) within the
16 PBR Plan. That IR response is provided below.

17 *“The cost increase to FEVI from the regionalization of the dispatch group is \$267*
18 *thousand in 2014. This is the loaded salary of four positions relocated to FEVI in May*
19 *2014.*

20 *In 2013 and Q1 2014, FEVI field operations were supported by a centralized dispatch*
21 *unit located in Surrey. The unit consisted of two Dispatchers and two Operations Service*
22 *Representatives (OSR) and was part of the FEI Operations Centre. In Q2, 2014 the*
23 *FEVI dispatch and supporting functions were relocated to Nanaimo and Victoria, with the*
24 *new positions reporting to local managers.*

25 *The dispatch positions were added to the region to improve and support closer contact*
26 *with the field employees and supervisors. The purpose of adding the dispatch positions*
27 *to the region is to provide better service to customers and managers through more*
28 *effective assignment of capital, operating and maintenance work, thereby improving*
29 *emergency response times and lowering overall field costs including service line*
30 *installation costs. The savings in field costs are expected to be realized over a period of*
31 *time and are as yet non quantifiable. FEVI has factored the impact of the dispatchers*
32 *into its proposal for setting 2014 base O&M as the incremental cost is reflected in*
33 *preliminary actuals.*

34 *Overall, from an FEI amalgamated entity perspective, the transfer of four positions from*
35 *FEI to FEVI was neutral.”*



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10.7.1 If yes, please provide the costs that were absorbed by FEVI and FEW as a result of the regionalization initiative.

Response:

Please refer to the response to CEC IR 1.10.7.

10.8 Please provide the locations of the emergency centres.

Response:

Please refer to the response to BCUC IR 1.2.7.

10.9 Please clarify if the emergency centres conduct all the same activities that were undertaken in the Central Emergency Control Centre and explain with quantification how a transition to regional operations with eight emergency centres around the province instead of one large central emergency centre resulted in cost savings.

Response:

The regional centres around the province conduct all the same activities that were undertaken in the Central Emergency Control Centre. However, the regional model will improve FEI's ability to respond to smaller emergencies and threats that were previously handled by the Central Centre, as local resources with local knowledge will be managing these situations. The Central Centre will continue to manage larger scale emergencies as well as after hours events.

Please refer to the response to BCUC IR 1.2.1 for a discussion of cost savings associated with the Regionalization initiative.



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10.10 Please provide a brief overview of other main projects undertaken in 2014 and quantification of the savings contributed by each.

Response:

Project Blue Pencil was another main project undertaken in 2014 and the quantification of its savings are detailed in response to BCUC IR 1.3.3.



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1 **11.0 Reference: Exhibit B-1, Pages 4 and 5**

36 FEI was not successful in achieving savings in capital relative to the formula in 2014. Actual
 37 capital expenditures excluding items forecast outside of the PBR formula are projected to be
 38 \$4.095 million higher than the formula amount. More than half of the amount over the formula
 39 was in Growth Capital. Actual customer growth experienced in 2014 was 1.2 percent, but the
 40 formula for growth capital, which utilizes one-half of prior year customer additions, only provided
 41 for customer growth of 0.26 percent. The rest of the capital spending overage was due to lower
 42 contributions in aid of construction (CIAC), where variations occur from year to year. The

1 challenge FEI faced in 2014 in meeting its growth capital formula is expected to continue
 2 through the remainder of the PBR Plan.

2

3 11.1 Please provide the total sustainment capital provided by PBR formula and the
 4 amount spent.

5

6 **Response:**

7 The 2014 allowed formulaic sustainment and other capital was \$101,402 thousand and the
 8 2014 projected sustainment and other capital spend is \$102,751 thousand. Please note that
 9 these amounts include Mainland only as Vancouver Island and Whistler were not under PBR in
 10 2014. A summary of the components is provided in the table below.

<u>Sustainment & Other Capital</u>			
(\$000's)			
	Projected		Allowed
Sustainment	73,864		76,868
CIAC	-	4,030	-
	69,834		71,342
Other	31,374		28,517
Pension & OPEB	1,543		1,543
Total	102,751		101,402

11

12

13

14

15 11.2 Please provide the total growth capital provided for by PBR formula and the
 16 amount spent.

17



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1 **Response:**

2 The 2014 allowed formulaic growth capital was \$22,334 thousand and the 2014 projected
 3 growth capital spend is \$25,080 thousand. Please note that these amounts include Mainland
 4 only as Vancouver Island and Whistler were not under PBR in 2014. A summary is provided in
 5 the table below.

<u>Growth Capital</u> (\$000's)	<u>Projected</u>	<u>Allowed</u>
Growth	24,555	21,809
Pension & OPEB	525	525
Total	25,080	22,334

6
7
8
9

10 11.3 Please identify the number of customers in the base, and the number of
 11 customer additions experienced.

12
13 **Response:**

14 The FEI 2014 customer additions total embedded in the allowed customer growth of 0.26
 15 percent was 2,206 customer additions. The actual customer additions experienced were 8,425.

16
17
18

19
20 11.4 Please provide the expected CIAC and the actual CIAC.

21
22 **Response:**

23 Please refer to the response to CEC IR 1.11.1.

24
25

26
27 11.5 Does FEI anticipate being able to continue to achieve savings in Sustainment
 28 Capital? Please explain why or why not.



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Response:

FEI's approach is to manage its capital expenditures as allowed under the PBR formula from a total capital perspective, instead of by an individual category perspective (i.e. Growth, Sustainment, Other). In any year, cost pressures or opportunities may arise that require the Company to reprioritize its spending in the different capital categories. In 2014, due to cost pressures in the Growth capital category, the Company reduced its sustainment expenditures by deferring some projects, without impacting the safety and reliability of the Company's transmission and distribution system.

The focus in future years will remain the same where circumstances may require the Company to reprioritize its capital spending by category, without impacting the safety and reliability of the Company's transmission and distribution system.

11.6 Please provide the annual ESM and other impacts of the \$4.095 million in capital spending higher than the formula.

Response:

The annual ESM related to the \$4.095 million in capital spending can be found in Table 10-1, line 30 of the Application. As stated there, the before tax equity return on the \$4.095 million subject to sharing is \$0.186 million, of which half (\$0.093 million) is charged against the Earnings Sharing deferral account and collected from FEI Mainland customers only, through a rider in 2015. The rider related to the above capital amount would be equal approximately \$0.0006/GJ².

Since the earnings sharing is calculated on variances in the cumulative formula-driven capital spending, and all else equal, the \$4.095 million variance from formula capital will continue to have an annual impact to the ESM of \$0.093 million and the annual rider each year would be calculated by dividing the \$0.093 million by that year's forecast volume.

² \$0.0006/GJ = \$0.093 million / 158,376.3 TJ (from Table 10-2).



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1 11.7 Please identify all initiatives taken to improve efficiency and effectiveness in
2 capital expenditures under each component of the capital formula and quantify
3 their impacts.

4
5 **Response:**

6 Please refer to the response to BCUC IR 1.3.1 for a discussion of expected savings in capital
7 expenditures from the Project Blue Pencil initiative.

8 In addition to Project Blue Pencil, as discussed in the response to CEC IR 1.1.3, FEI has been
9 emphasizing a productivity focus since 2012, which has remained a priority for the Company as
10 it seeks to generate O&M and Capital savings that are shared with customers. These
11 efficiencies, however, are not tracked specifically as FEI believes productivity improvement
12 should be measured and tracked at the highest and most beneficial level, which is by the
13 Company's total spending year over year.

14



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1 **12.0 Reference: Exhibit B-1-1, Page 5**

4 With the PBR Decision in place, the Company now has the regulatory certainty it requires to
5 pursue and implement more large scale customer service and productivity related initiatives. An
6 example of such an initiative is Project Blue Pencil.

7
8 Project Blue Pencil is an initiative focused on reviewing and streamlining several high volume,
9 customer-facing processes from the perspective of the customer. In 2014, analysis of several
10 customer touch points showed opportunities to improve not only the customer experience but
11 also to increase operational efficiencies at the same time. Specifically, in the areas of new
12 service connections, meter exchange, collections and high bill inquiry, initiatives are currently
13 underway, each on a timeline to increase productivity for existing resources in both the
14 Operations and Customer Service groups during the term of the PBR. Improvements in these
15 areas will simplify the process of connecting new customers to the system and performing meter
16 exchanges and strengthen the Company's focus on customer service.

2

3 12.1 In what ways did regulatory uncertainty prevent FEI from implementing more
4 large scale customer service and productivity related initiatives such as Project
5 Blue Pencil? In particular, please address whether or not FEI would have been
6 able to address such initiatives under Cost of Service regulation.

7

8 **Response:**

9 While it awaited the PBR Decision, FEI was not under a PBR plan, nor was it under cost of
10 service regulation. Regulatory uncertainty precluded FEI from considering longer term
11 initiatives that may have required a large investment as FEI had no knowledge of how the costs
12 of any such initiatives would be recovered in rates, regardless of whether cost of service rates
13 or a PBR plan was approved, or whether it would be under a PBR plan that would provide an
14 incentive to make such investments.

15

16

17

18 12.2 Please identify the initiatives that are underway to increase productivity for
19 existing resources in Operations and Customer Service groups during the term of
20 the PBR.

21

22 **Response:**

23 In the future, FEI will continue its focus on productivity improvement throughout the entire
24 organization, including its Operations and Customer Service groups.

25 Specifically, initiatives that impact the Operations and Customer Service groups include
26 assessment efforts underway to review and simplify the service application process, including



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1 the activities involved in sales through to service installation. Additionally, work management
2 processes in Operations are being examined to determine where best to leverage technology
3 effectively. At this time, there are no specific timelines for this work as they are in the early
4 stages of review.

5
6

7

8 12.3 Please provide the timelines for each initiative and the project savings being
9 sought.

10

11 **Response:**

12 Please refer to the response to CEC IR 1.12.2.

13

14

15

16 12.4 Please confirm that the productivity improvements will extend beyond the PBR
17 period.

18

19 **Response:**

20 The productivity improvements and related savings for Project Blue Pencil (refer to the response
21 to BCUC IR 1.3.3) and for the Regionalization initiative (refer to the response to BCUC IR 1.2.9)
22 are expected to extend into future years, but circumstances may change before the end of the
23 PBR period and it is possible that these savings may be offset in future years by cost pressures.

24

25

26

27 12.4.1 If the improvements extend beyond the term of the PBR period, please
28 identify for how long they will extend.

29

30 **Response:**

31 Please refer to the response to CEC IR 1.12.4.

32

33



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1
2 12.5 In what ways will the customer experience be improved? Please explain and
3 quantify where possible.

4
5 **Response:**

6 Please refer to the response to BCUC IR 1.3.1.

7



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1 **13.0 Reference: Exhibit B-1-1, Page 5**

18 In summary, while 2014 provides a limited basis on which to evaluate the PBR Plan, it has
19 shown the potential for earnings sharing and has resulted in an annual bill percentage increase
20 for most customers that is below inflation. The first year of PBR has also shown the challenges
21 of the Growth Capital formula, one aspect of which is currently under reconsideration by the
22 Commission. Future years of the PBR Plan should provide a more informed basis on which to
23 evaluate FEI's initiatives to achieve efficiencies and the workings of the PBR Plan.

2

3 13.1 Please confirm or otherwise explain that FEI considers PBR to be a success in
4 total based on the current results.

5

6 **Response:**

7 Please refer to section 1.4 of the Application and the response to CEC IR 1.4.1.

8



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1 **14.0 Reference: Exhibit B-1, Page 7**

1 **1.5.3 Operations and Maintenance (O&M) Expense (Section 6)**

2 FEI establishes the bulk of its O&M costs by formula during the PBR term. For 2015, the
3 formula incorporates an inflation factor (I Factor) of 1.303 percent, a productivity improvement
4 factor (X Factor) of 1.1 percent and a customer growth factor of 0.614 percent for a total
5 increase in formula O&M of 0.818 percent. O&M forecast outside of the formula is increasing at
6 a rate of 4.6 percent, primarily due to higher O&M supporting incremental revenues from Rate
7 Schedule 46 (Liquefied Natural Gas Sales, Dispensing and Transportation Service). Overall the
8 increase in Gross O&M Expense from 2014 to 2015 is 1.5 percent. The increase in net O&M
9 expense is \$4.125 million.

Deleted: 1.7
Deleted: 3
Deleted: 4.611

2

3 14.1 Does FEI have an estimated cost for the impact of adopting the Uniform System
4 of Accounts, if the Commission so determines?

5

6 **Response:**

7 FEI received Order G-15-15 in its Application for Reconsideration on February 10, 2015. In that
8 Order, the Commission approved FEI to continue utilizing its New Code of Accounts. Therefore,
9 FEI will not be adopting the Uniform System of Accounts and the related costs will not be
10 incurred.

11

12

13

14 14.2 If so, what are the estimated costs?

15

16 **Response:**

17 Please refer to the response to CEC IR 1.14.1.

18

19

20

21 14.3 If not, when would FEI anticipate estimating these costs?

22

23 **Response:**

24 Please refer to the response to CEC IR 1.14.1.

25

26



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1
2 14.4 Does FEI propose to adjust for these costs in 2015 if the Commission determines
3 that the adoption will proceed?
4

5 **Response:**

6 Please refer to the response to CEC IR 1.14.1.

7
8

9
10 14.4.1 If so, please explain how FEI will adjust for these costs.

11
12 **Response:**

13 Please refer to the response to CEC IR 1.14.1.

14



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1 **15.0 Reference: Exhibit B-1-1, Page 7**

14 **1.5.5 Financing and Return on Equity (Section 8)**
15 FEI has one long-term debt issue with a coupon rate of 11.8 percent maturing in 2015 that it is
16 forecasting to replace at a coupon rate of 5.4 percent. FEI is forecasting a short-term debt rate
17 for 2015 of 1.75 percent, unchanged from the rate embedded in the 2014 forecast. Overall,
18 interest expense is forecast to decrease from 2014 by \$2,331 million. Deleted: 5
19 Deleted: 2,401
20 FEI's approved capital structure and return on equity are unchanged from 2014 at 38.5 percent
21 at 8.75 percent respectively; increases in rate base increase the equity return by \$1,535 million. Deleted: 5
Deleted: 1,317

2

3 15.1 What, if any, internal incentives are in place to ensure the lowest cost short term
4 debt rate is achieved?

5

6 **Response:**

7 There are no explicit internal incentives related to achieving borrowing rate targets. Short term
8 debt rates are a function of a company's credit rating and market conditions at the time of
9 issuance. FEI manages its short term debt through its commercial paper issuance and obtains
10 market rates by receiving quotes from its commercial paper dealer group at the time of
11 issuance.

12

13

14

15 15.2 What term is the forecast debt for which FEI expects a coupon rate of 5.4
16 percent?

17

18 **Response:**

19 The forecasted term for the 5.4 percent rate is 30 years as shown in Section 11 Schedule 39
20 line 12.

21

22

23

24 15.3 Please provide FEI's short term debt totals and long term debt totals for the last
25 10 years and forecast going forward.

26

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1 **Response:**

- 2 FEI, FEVI and FEW's short term debt totals and long term debt totals for the last 10 years and
 3 FEI's forecast for 2015 is provided below.

	FEI Debt ¹ (millions)		FEVI Debt ¹ (millions)		FEW Debt ¹ (millions)	
	Short Term Debt	Long Term Debt	Short Term Debt	Long Term Debt	Short Term Debt	Long Term Debt
2015²	324	1,925	N/A	N/A	N/A	N/A
2014³	133	1,575	122	350	3	20
2013	103	1,577	132	350	4	20
2012	38	1,578	100	368	5	20
2011	3	1,535	34	366	7	20
2010	31	1,484	56	273	7	20
2009	95	1,504	59	261	4	15
2008	233	1,374	49	258	3	8
2007	106	1,470	18	269	3	8
2006	155	1,433	13	265	3	8
2005	169	1,445	83	211	3	8
2004	230	1,315	70	216	3	8

4 ¹ 2004 to 2013 represent end of fiscal year balances as per the utility Annual Reports submitted to the
 5 BCUC

6 ² Amalgamated entity total in 2015 as per Annual Review Evidentiary Update January 29, 2015

7 ³ Amounts as Approved in Order G-138-14 for FEI; G-41-14, G-65-14, G-138-14 for FEVI; Order G-47-14
 8 for FEW

9

10

11

12

13 15.4 Please provide FEI's estimate of future short term and long term debt rates
 14 through the term of the PBR.

15

16 **Response:**

17 FEI did not prepare a forecast of short term and long term debt rates beyond 2015 as that will
 18 be part of future Annual Review applications.

19

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1 **16.0 Reference: Exhibit B-1, Page 11**

10 In the PBR Decision, the Commission approved an inflation factor (I-Factor) using the actual
 11 CPI-BC and BC-AWE indices from the previous year and a 55 percent labour weighting.
 12 Consistent with Commission Order G-164-14 regarding FEI's PBR Compliance Filing, FEI used
 13 inflation data from July through June and the CANSIM Table 326-0020 to determine the CPI-BC
 14 and CANSIM Table 281-0063 to determine AWE-BC. The supporting Statistics Canada
 15 CANSIM Tables 326-0020 and 281-0063 are provided as Appendix A1 and Appendix A2.

Table 2-1: I-Factor Calculation

Date	CANSIM 326-0020 = 100	CANSIM 281-0063	12 Mth Average		CPI Adjustment for chg to GST/PST from HST		Year over year % change		I Factor %	PBR Year
	BC CPI index	BC AWE \$	CPI index	AWE \$	CPI %	HST to GST /PST adj.	Adj CPI %	AWE %		
	Jul-2012	117.9	868.83							
Aug-2012	118.1	870.19								
Sep-2012	118.1	868.34								
Oct-2012	118.0	870.31								
Nov-2012	117.6	872.08								
Dec-2012	117.0	871.59								
Jan-2013	117.1	867.90								
Feb-2013	118.3	872.14								
Mar-2013	118.5	863.23								
Apr-2013	117.2	868.02								
May-2013	117.9	878.02								
Jun-2013	117.6	867.81	117.775	869.872	0.298%	0.175%	0.473%	2.277%	1.460%	2014
Jul-2013	117.9	866.46								
Aug-2013	118.0	873.63								
Sep-2013	118.1	869.31								
Oct-2013	117.7	874.43								
Nov-2013	117.4	889.48								
Dec-2013	117.0	886.35								
Jan-2014	117.1	887.67								
Feb-2014	118.0	887.95								
Mar-2014	118.6	894.42								
Apr-2014	119.0	896.03								
May-2014	119.7	895.45								
Jun-2014	119.8	889.14	118.192	884.193	0.354%	0.530%	0.884%	1.646%	1.303%	2015

2

3 16.1 Please provide the most up-to-date CANSIM Tables if there are any more recent
 4 than the above.

5

6 **Response:**

7 The Commission has determined in Order G-164-14 that "FortisBC Energy Inc. is approved to
 8 use inflation data from July through June for the 2014 rate change calculations and the future
 9 annual reviews." FEI has therefore calculated the 2015 rate change using the most recent
 10 years of inflation data from July through June for the 2015 rate change, consistent with the 2014
 11 methodology.

12 Below are the most recent CANSIM tables available as of February 25, 2015. The most recent
 13 month's index is subject to change until the next month is published.



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Date	<i>CANSIM</i> 326-0020 2002 = 100	<i>CANSIM 281-</i> 0063
	BC CPI index	BC AWE \$
Jul-2014	119.6	893.42
Aug-2014	119.6	899.72
Sep-2014	119.5	898.24
Oct-2014	119.0	905.24
Nov-2014	118.8	904.31
Dec-2014	118.1	N/A

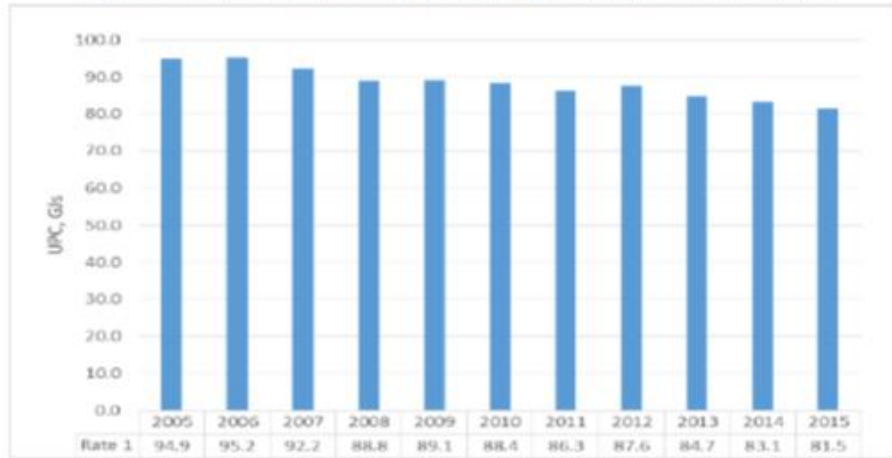
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1 **17.0 Reference: Exhibit B-1, Page 15**

17 As shown in Figure 3-1, the Residential (Rate Schedule 1) UPC is forecast to decline by
 18 approximately 1.6 GJ in 2015.
 19
 20



2 21

3 17.1 Please provide an analysis of the known factors causing UPC declines and
 4 provide a quantitative estimate for each of the factors known and the residual
 5 unknown.
 6

7 **Response:**

8 The decline in residential UPC is attributable to a variety of factors, including technological
 9 advances and energy efficiency improvements, building codes, size and type of homes being
 10 built, and type of appliance being installed in these homes.

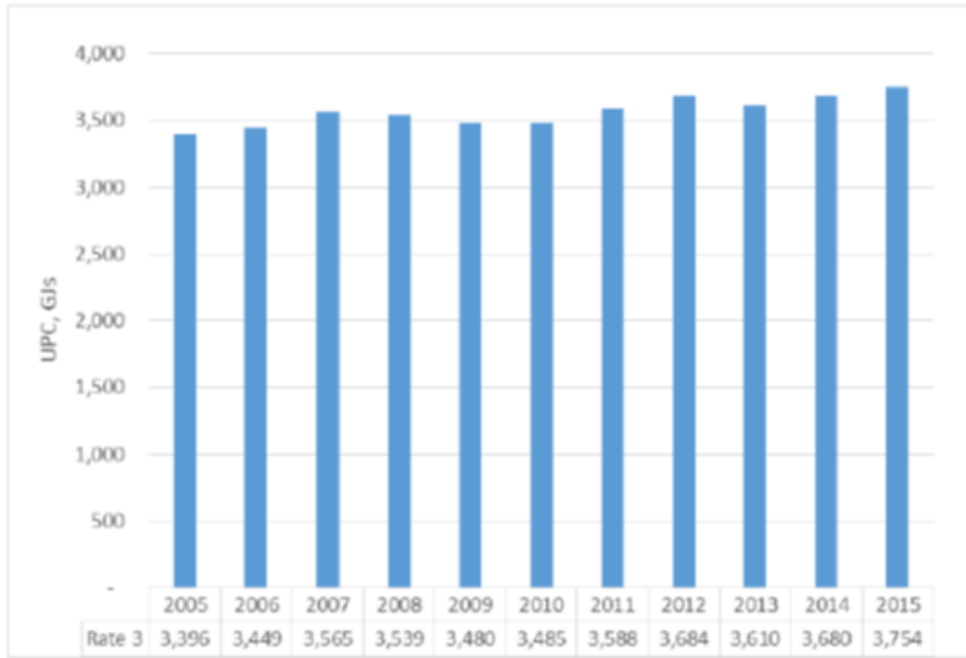
11 The residential customers in Rate Schedule 1 are aggregated from all regions of the FEI service
 12 territory. Customers in each of these regions are influenced in different ways by a broad range
 13 of factors. As a result, pinpointing and quantifying the causes of a change to the aggregate UPC
 14 in a given year is not possible.

15

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1 **18.0 Reference: Exhibit B-1, Page 17**

Figure 3-3: Rate Schedule 3 UPC Trend Consistent with Prior Years



2

3 18.1 Please provide an analysis of the known factors causing UPC for commercial
 4 customers to increase and provide a qualitative estimate for each of the known
 5 factors.

6

7 **Response:**

8 FEI cannot explicitly state what individual factors influence the UPC from one year to the
 9 next. The variability is within a reasonable range relative to the historical variations seen in
 10 preceding periods. The customers in these commercial rate schedules represent a wide range
 11 of commercial sectors across all regions of the FEI service territory. Each of these sectors and
 12 regions are influenced in different ways by a broad range of factors. As a result pinpointing the
 13 causes of a change to the aggregate UPC within this normal level of variability in a given year is
 14 not possible.

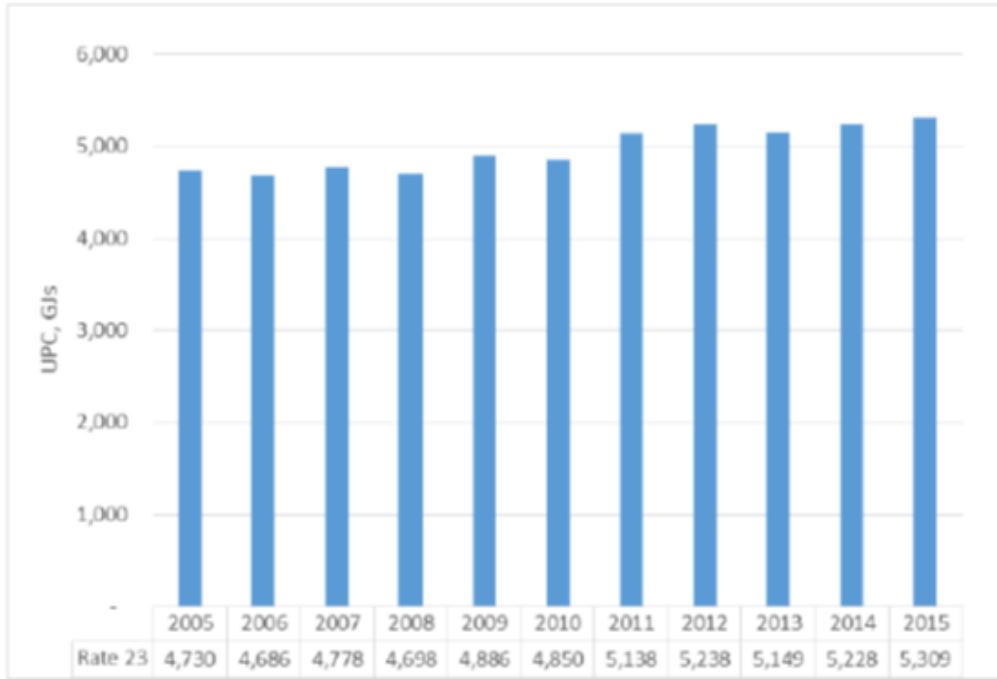
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1 **19.0 Reference: Exhibit B-1, Page 18**

Figure 3-4: Rate Schedule 23 UPC Recent Upward Trend



2

3 19.1 Please provide an analysis of what factors are causing the UPC for commercial
4 transportation customer to increase and provide a qualitative estimate for each of
5 the known factors.

6

7 **Response:**

8 Please refer to the response to CEC IR 1.18.1.

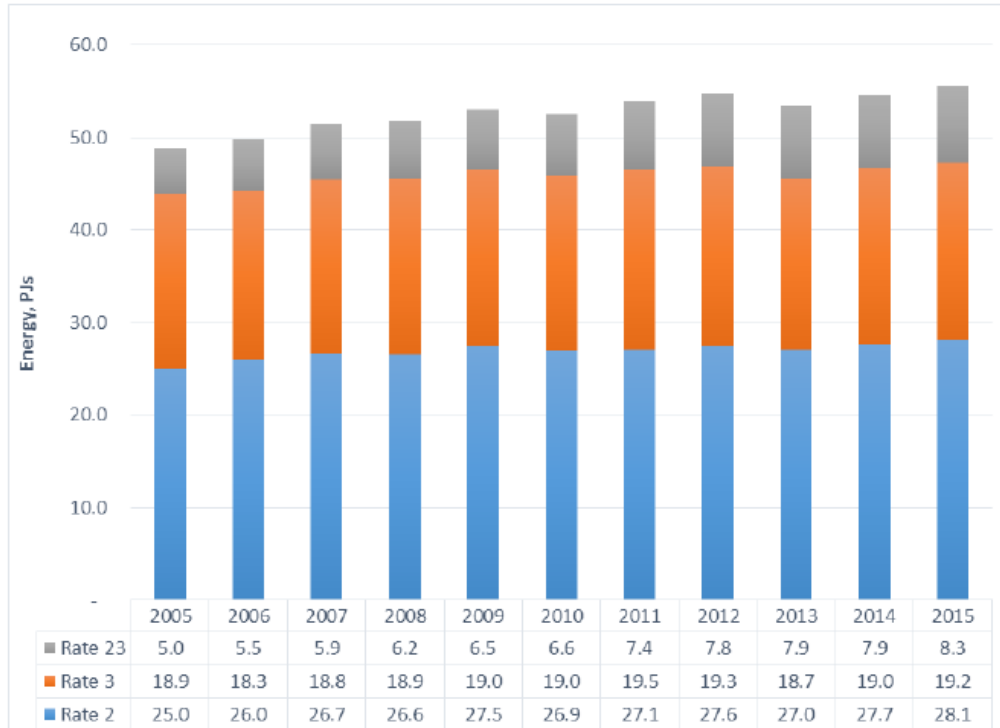
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1 **20.0 Reference: Exhibit B-1, Pages 23 and 24**

4 As seen in Figure 3-10 below, demand in all three commercial rate classes is forecast to grow
 5 slightly in 2015. The upward trends are a result of increasing UPC rates in all three commercial
 6 rate classes combined with positive net customer additions.

Figure 3-10: Commercial Demand



2

3 20.1 To what does FEI attribute the UPC rate increases in each of the three
 4 commercial rate classes?

5

6 **Response:**

7 FEI notes that the chart in the preamble (Figure 3-10) is commercial demand while the question
 8 asks about commercial UPC. As CEC IR 1.18.1 and CEC IR 1.19.1 ask about the UPC rate
 9 increase, FEI assumes this question meant to ask about the increase in commercial demand.

10 As stated on page 23 of the Application, the upward trends in commercial demand are a result
 11 of increasing UPC rates in all three commercial rate classes combined with positive net
 12 customer additions. Please also refer to the response to CEC IR 1.20.3.

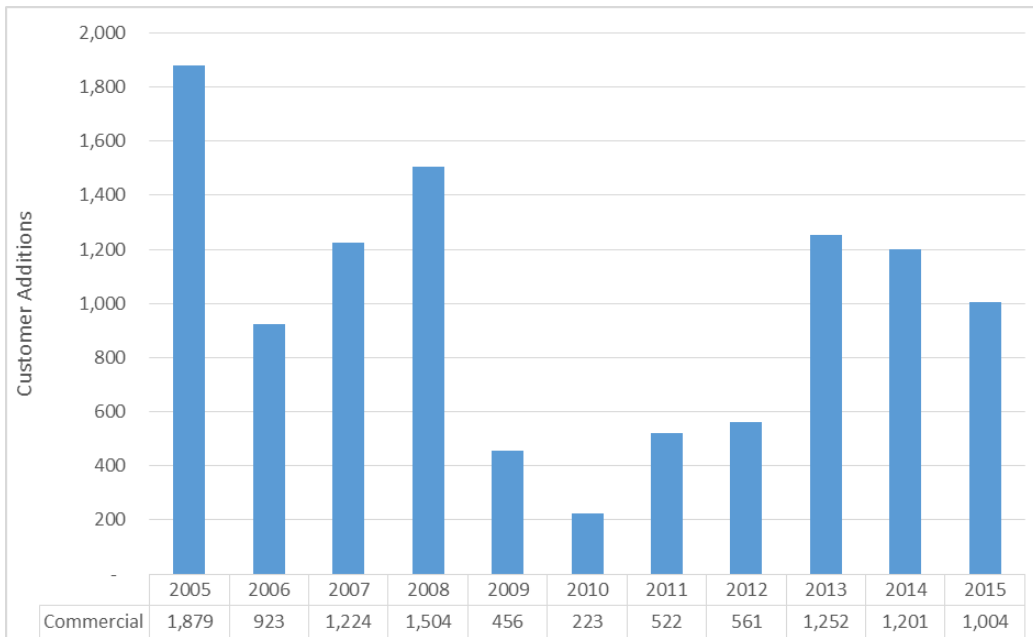
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20.2 To what does FEI attribute the increasing number of customers to in the three commercial rate classes?

Response:

Although customer additions are positive (there are a greater number of customers in 2015 than in 2014), the number of annual commercial net additions is declining, not increasing. The chart referenced in the preamble is demand, not additions. Figure 3-7 from the Application is included here for convenience.



12
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Commercial customer additions are based on the latest 3 years' actual additions data per rate schedule. The decreasing number of customers is reflective of the three year additions trend in line with the existing methodology.

20.3 Does FEI have an understanding of why demand declined in 2013?



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1 **Response:**

2 The decrease in demand between 2012 and 2013 is reflective of a decrease in commercial use
3 per customer over those years. FEI cannot explicitly state what individual factors influence the
4 UPC from one year to the next. The variability seen in 2013 is within a reasonable range
5 relative to the historical variations seen in preceding periods (ranging from -1 percent to 3
6 percent on an aggregated basis). EEC programming, natural improvements in efficiency and
7 conservation and efforts within the public sector to reduce fossil fuel use are among the factors
8 acting to reduce UPC. However, the wide range of commercial sectors that comprise the mix of
9 customers in these three rate classes could be influenced in different ways by such a broad
10 range of factors that pin pointing the causes of UPC change up or down within this normal level
11 of variability in a given year is not possible.

12
13

14
15 20.3.1 If yes, please provide FEI's views on why demand declined in 2013.

16
17 **Response:**

18 Please refer to the response to CEC IR 1.20.3.

19
20

21
22 20.3.2. What programs, if any, does FEI have for stimulating commercial
23 demand? Please explain.

24
25 **Response:**

26 The response to this question remains largely the same as a very similar question asked by the
27 CEC during the regulatory proceeding for the FEU's Long Term Resource Plan in 2014, and as
28 discussed extensively in the PBR proceeding. As part of its daily business, the Companies
29 continually examine, refine, and adopt new ways of promoting natural gas to meet the
30 customer's energy requirements and needs. Some of the activities that FEI is undertaking to
31 this end are:

- 32 • Advancing the FortisBC Trade Ally Network, through which FEI presently assists
33 customers in finding local, qualified contractors that can safely install and service energy
34 efficient natural gas appliances (for residential and commercial customers);



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- 1 • Continuing to review the Main Extension test involving customers and other stakeholders
2 to identify potential updates that reflect the needs of current and future customers in
3 pricing connection services (for all customers);
- 4 • Providing customers with incentives to promote the adoption of natural gas for
5 transportation applications (for commercial and industrial customers);
- 6 • Offering a Renewable Natural Gas program to provide customers with an option to
7 purchase a biomethane-blended natural gas supply (for residential and commercial
8 customers);
- 9 • Advertising that promotes the benefits of using natural gas (for residential and
10 commercial customers);
- 11 • Enhancing customer experience in conducting business with FEI; and
- 12 • Exploring advanced metering technologies that could improve the customer experience
13 and help them manage their own consumption patterns.

14
15 These types of customer retention and acquisition initiatives are important for influencing
16 customer choice, maintaining customer growth and countering the risk of declining annual
17 demand.

18



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1 **21.0 Reference: Exhibit B-1, Pages 24 and 25**

- 2 } The demand for the majority of industrial customers is forecast using the Industrial Survey. For
- 3 } the 2015 forecast, customers completed the survey quite recently, in October 2014, which is
- 4 } expected to result in greater accuracy than has occurred in the past. As with the last survey, the
- 5 } response rate achieved in 2014 was 90 percent of industrial customers surveyed.

To forecast volumes for the customers that were not included in the Industrial Survey, their 2015 consumption was estimated using 2013 actuals or, where applicable, using contract demand¹⁰.

2

3 21.1 How many customers were surveyed in total?

4

5 **Response:**

6 Of a total of 981 customers, surveys were successfully delivered to 639 customers and, out of
7 the 639 customers that received the survey, 326 customers responded accounting for 80
8 percent of the total industrial volume or 90 percent of the industrial volume surveyed.

9

10

11

12 21.2 What proportion of the total industrial demand do the 90% of customers
13 responding represent?

14

15 **Response:**

16 Please refer to the response to CEC IR 1.21.1.

17

18

19

20 21.3 How many customers were not included in the Industrial Survey?

21

22 **Response:**

23 Please refer to the response to CEC IR 1.21.1.

24

25

26



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1 21.4 Why were the forecast volumes for 2015 based on 2013 actuals instead of 2014
2 Projected?

3
4 **Response:**

5 The statement on page 25 of the Application that 2015 consumption “was estimated using 2013
6 actuals” is incorrect. This statement should have stated that the 2015 consumption was
7 estimated using the final six months of 2013 and the first six months of 2014. This method
8 allowed the Industrial Survey to use the most current data available.

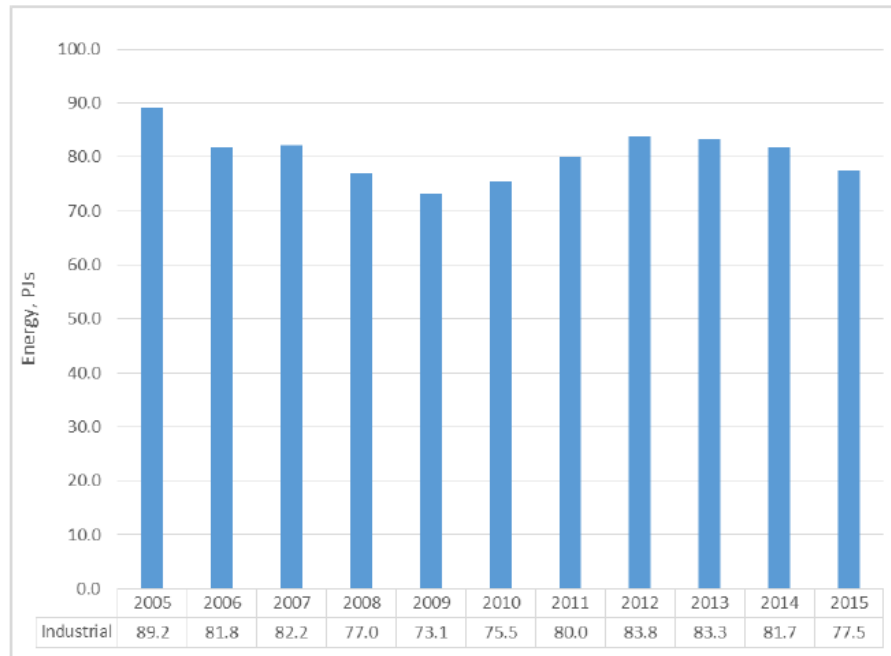
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1 **22.0 Reference: Exhibit B-1, Page 25**

Consistent with historical practice, no growth in customer additions was assumed for 2015 in the industrial rate schedules as none were known of at the time of preparing the forecast. As seen in Figure 3-11 below, the demand from the industrial rate classes is forecast to decline to 77.5 PJ/yr (a decline of 4.2 PJs from 2014).

Figure 3-11: Industrial Demand



2

3 22.1 Does FEI have an understanding of why Industrial Demand has been declining
4 since 2012?

5

6 **Response:**

7 Please refer to the response to BCUC IR 1.9.4 where FEI has corrected Figures 3-8 and Figure
8 3-11. After this correction, it can be seen that industrial volume has held relatively constant
9 since 2006, with a total decline of 3.3 PJs since 2012 rather than the 6.3 PJs shown in the
10 original Figure 3-11 shown above.

11 The restated decrease in the 2015 forecast from 2014 is only a 1.3 PJ reduction across all the
12 Industrial rate classes. When compared to 2011, 2014 demand is quite stable. However, in
13 2012, overall Industrial Demand experienced a 1.9 PJ increase when compared to 2011 and
14 that increase was primarily the result of fuel switching in the cement production industry from
15 coal to natural gas due to fuel costs. Since 2012, the cement production facilities have over



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1 time subsequently shifted the bulk of their requirements back to coal due to changes in the
2 differential in pricing between natural gas and coal. This fuel switching is the primary reason
3 behind the decline in Industrial demand since 2012.

4
5

6

7 22.1.1 If so, please provide a discussion of the reasons for the decline.

8

9 **Response:**

10 Please refer to the response to CEC IR 1.22.1.

11

12

13

14 22.1.2 Please discuss if, and how, the decline in oil prices is likely to affect
15 Industrial Demand over the next 5 years. Provide quantification where
16 possible.

17

18 **Response:**

19 FEI cannot say definitively what impact the decline in oil prices will have on Industrial Demand
20 over the next 5 years; however, a reduction in gas prices could potentially result in increased
21 industrial demand if gas prices dropped enough when compared to other fuels to cause fuel
22 switching to natural gas for those industries that could do so, or if gas prices were low enough to
23 induce increased industrial production in general. However, since there are many factors at
24 play in whether an industry chooses to fuel switch or change production levels, including the
25 price of competing fuels, FEI cannot quantify what impact it could have on Industrial demand.
26 Further, positive changes from one industry sector can be offset by changes in customer
27 consumption in other industries.

28

29

30

31 22.2 What actions does FEI undertake to stimulate Industrial Demand? Please
32 provide quantification of any resources devoted to stimulating Industrial Demand.

33



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1 **Response:**

2 As Industrial rate classes make up customers across many various sectors such as restaurants,
3 schools, multifamily, office buildings, hospitals and manufacturing/industrial customers, many
4 aspects of FEI's business are geared toward customer satisfaction and retention as well as
5 growth initiatives. Section 4 - Customer Focus of the PBR Application discussed FEI's
6 customer focus and initiatives to retain existing customers and attract new ones that will
7 continue throughout the PBR period.

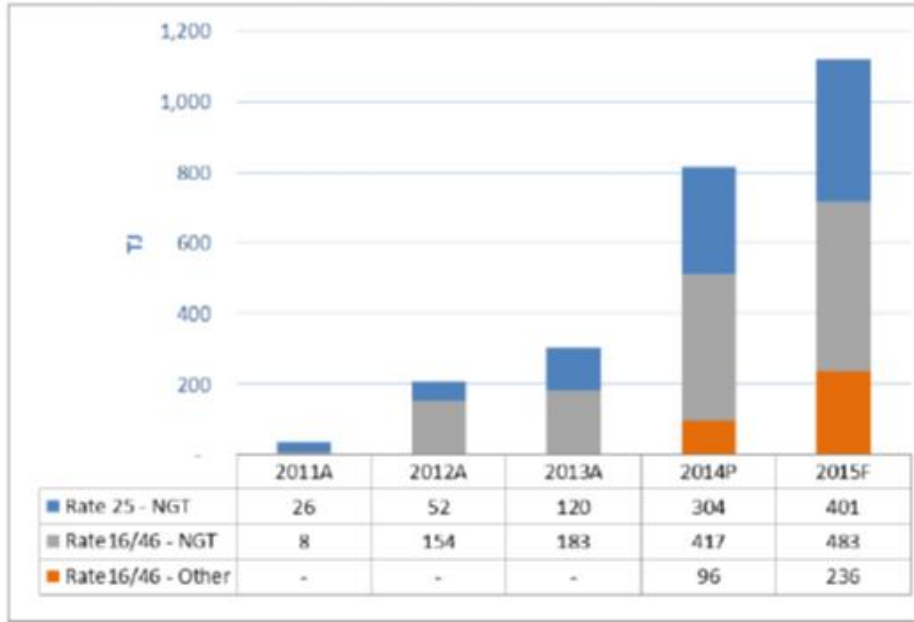
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1 **23.0 Reference: Exhibit B-1, Page 26**

The following table shows the 2011 to 2013 Actual, 2014 Projected and 2015 Forecast annual demand for CNG and LNG for rates schedules 16/46 (LNG) and rate schedule 25 (CNG). FEI notes that there was no NGT demand in 2010.

Figure 3-12: Actual (A) Projected (P) and Forecast (F) Demand for NGT¹¹



2

3 23.1 What is FEI doing to increase NGT demand?

4

5 **Response:**

6 FEI is undertaking a variety of activities to increase NGT demand.

7 • Increasing awareness of the incentive programs and the benefits of converting to
 8 CNG/LNG by engaging transportation customers across various market segments and
 9 geographical locations.

10 • Developing and supporting partnerships through tier 1 OEM dealers and leasing
 11 companies such as Penske and Ryder including associations such as BCTA to promote
 12 natural gas for transportation.

13 • Participating at industry events to raise the awareness of benefits of switching to natural
 14 gas for transportation as well as engaging municipalities to encourage the use of natural
 15 gas vehicles for their waste hauling and operations contracts.

16 • Utilizing FEI's webpage to drive traffic and create awareness.



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- 1 • Utilizing an integrated marketing approach to create awareness through multiple media
2 channels.

3
4

5

6 23.2 What barriers exist to increasing NGT demand more quickly over the PBR
7 period?

8

9 **Response:**

10 The key barriers that FEI believes exist to increasing NGT demand more quickly over the PBR
11 period are: the overall availability of fueling stations located in strategic locations capable of
12 serving a number of different customers; awareness and adoption of natural gas vehicle
13 applications beyond waste haulers and transit buses; absence of a suitable natural gas engine
14 that would operate in the GVW category above 80,000 lbs. which represents the largest on-road
15 transportation market in BC; and external market factors such as the most recent decline in
16 crude oil prices.

17

18

19

20 23.3 What cost constraints exist which, if removed, could increase NGT demand?

21

22 **Response:**

23 One of the cost constraints to increasing natural gas demand is the upfront capital cost premium
24 for a natural gas vehicle compared to a similar diesel vehicle. If the capital cost premiums of
25 NGVs declines to be competitive with diesel, this could increase NGT demand.

26

27

28

29 23.4 What NTG demand increases are already in progress and expected to be
30 realized after 2015?

31

32 **Response:**

33 BC Ferries and Seaspan are the two largest sources of demand that will be realized after 2015.
34 BC Ferries will take possession of their 3 dual-fuel marine vessels between Q3 2016 to Q1



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1 2017. Demand from these 3 vessels will amount to about 300,000 GJ per year once all three
2 vessels are in operation.

3 Seaspan will be taking possession of their 2 dual-fuel marine vessels between Q2 2016 and Q4
4 2016. Demand from these 2 vessels will amount to about 190,000 GJ per year.

5 Additional sources of NGT demand that are expected to be realized after 2015 are demand from
6 mine haul trucks. FEI is actively engaged with a large mining company in BC that owns and
7 operates a very large fleet of mine haul trucks and is looking at converting these trucks to
8 natural gas. These trucks are expected to be in operation at some point in 2016.

9
10

11

12 23.5 What potential threats are there to the NGT business and how is FEI dealing with
13 them?
14

15 **Response:**

16 As natural gas has been established in the transportation segment as a mainstream fuel in
17 North America and worldwide, FEI does not believe that there are any threats to the NGT
18 business as a whole. As discussed in the response CEC IR 1.23.2, the potential barriers to the
19 adoption of NGT are mainly the competitiveness of natural gas against diesel on a commodity
20 cost basis, availability of OEM engines for hauling weights over 80,000 lbs., infrastructure
21 availability for fuelling and the capital cost premium of natural gas engines over diesel.

22 FEI is addressing the recent decline in the price of crude as an opportunity for fleet owners to
23 diversify with natural gas and communicating future projections of commodity cost
24 competitiveness between diesel and natural gas prices. FEI has also developed case scenarios
25 demonstrating to customers the attractive payback periods despite lower diesel prices after
26 factoring in FEI incentives under the GGRR Program. The availability of OEM engines is
27 outside of FEI's control but FEI is exploring possibilities of using conversion technologies and
28 working with customers and OEM's to strategically target market segments where current
29 engine offerings are suitable.

30 FEI is continuing to focus its efforts on identifying anchor customers at strategic corridors and
31 working with commercial card lock operators to develop the fueling infrastructure. FEI is
32 addressing the premium of natural gas engines over diesel through incentives and believes that
33 through economies of scale and technology enhancements, this capital cost differential should
34 decline over time.

35



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1 **24.0 Reference: Exhibit B-1, Page 26**

Figure 3-12 above includes other LNG demand in addition to the NGT related demand forecast in Appendix B, Table B-3. For the 2014 and 2015 columns in the above figure, the Rate Schedules 16/46 demand also includes LNG used for non-NGT activities of 96 TJ and 236 TJ respectively. The additional LNG demand is predominantly the result of two customers using LNG for power generation in northern Canada. These two customers are currently spot customers (not contracted). In 2014, FEI has delivered approximately 96 TJ's to these two customers and for 2015 the customers have indicated increases in LNG demand to approximately 236 TJ's.

2

3 24.1 What is the current and projected demand for each customer, without customer
4 names?

5

6 **Response:**

Customer	Projected Demand (GJ per year)
Customer #1	108,000
Customer #2	110,000
Customer #3	18,000

7

8 Current projected demand from these three customers totals about 236 TJ per year of LNG
9 demand. There is potential for this demand to increase for the two larger customers, but that
10 will depend entirely on the individual operations of each of these customers.

11

12

13

14 24.2 Does FEI anticipate any change beyond 2015 for the use of LNG for power
15 generation as a result of the recent change in oil prices? Please explain why or
16 why not.

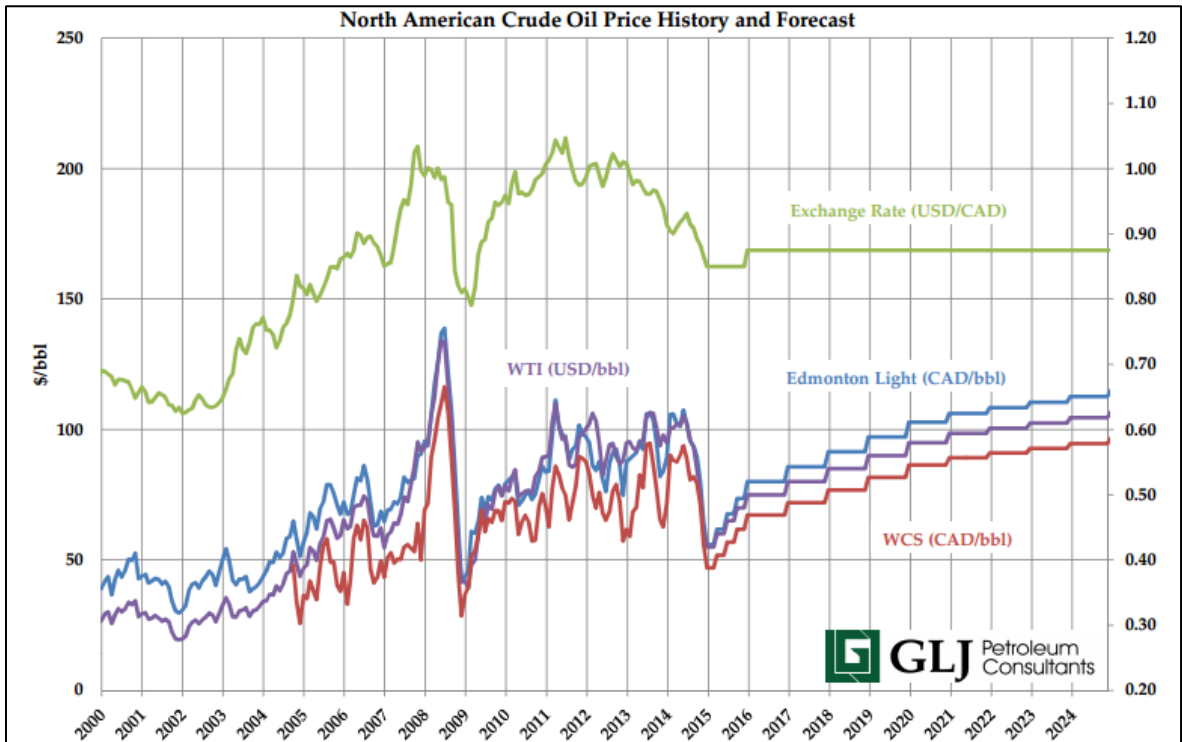
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18 **Response:**

19 Although oil prices have declined substantially over the past number of months, FEI does not
20 expect this price decline to materially impact LNG demand for power generation. The reasons
21 for this are as follows:

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- 1 1. Energy users, particularly energy utilities, are under increasing pressure to lower carbon
2 footprints. As natural gas is a much cleaner burning fuel than diesel (or other crude oil
3 based fuels), there is a non-economic driver for adopting natural gas.
- 4 2. The price of diesel, which is the predominant fuel used for power generation, has not
5 declined as much as crude oil prices have.
- 6 3. Crude oil prices are not expected to remain at these multi-year lows for an extended
7 period of time, as evidenced by the forecast of prices obtained from GLJ Petroleum
8 Consultants (see below).
- 9 4. Although diesel prices have declined about 30 percent over the past six months, FEI's
10 price of LNG at the plant gate is still approximately 50 percent lower than current diesel
11 rack terminal prices (before the recent decline in diesel prices, LNG at the plant gate
12 was approximately 67 percent lower than the diesel rack).



13

14

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1 **25.0 Reference: Exhibit B-1, Page 32**

Table 5-2: Late Payment Charge Revenue Factor Calculation (revenues in \$ millions)

		Actual 2011	Actual 2012	Actual 2013	3 Yr Average
FEI	Late Payment Charge	2.978	2.402	2.297	
FEVI	Late Payment Charge	0.361	0.447	0.288	
FEW	Late Payment Charge	0.019	0.014	0.015	
		<u>3.358</u>	<u>2.863</u>	<u>2.600</u>	
FEI	Rates 1, 2, 3 Revenue	1,339	1,187	1,137	
FEVI	Rates 1, 2, 3 Revenue	184	170	168	
FEW	Rates 1, 2, 3 Revenue	12	11	11	
		<u>1,536</u>	<u>1,369</u>	<u>1,316</u>	
Total	LPC Factor	<u>0.2187%</u>	<u>0.2092%</u>	<u>0.1976%</u>	<u>0.2085%</u>

The Late Payment Charge factor of 0.2085 percent is multiplied by the forecast revenue of \$1,219.185 million to arrive at the forecast Late Payment Charge Revenue of \$2.542 million for 2015.

2

3 25.1 Please provide the data set for 2009 and 2010 for the above table 5-2.

4

5 **Response:**

6 The updated table including 2009 and 2010 is provided below and a five-year average LPC
 7 Factor has been provided and is approximately 0.0004 percent higher as compared to the three-
 8 year average. This would equate to an immaterial difference of approximately \$5 thousand to
 9 the 2015 Forecast.

		Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013	5 Yr Average
FEI	Late Payment Charge	2.402	2.526	2.978	2.402	2.297	
FEVI	Late Payment Charge	0.282	0.295	0.361	0.447	0.288	
FEW	Late Payment Charge	0.100	0.430	0.019	0.014	0.015	
		<u>2.784</u>	<u>3.251</u>	<u>3.358</u>	<u>2.863</u>	<u>2.600</u>	
FEI	Rates 1, 2, 3 Revenue	1,187	1,311	1,339	1,187	1,137	
FEVI	Rates 1, 2, 3 Revenue	180	170	184	170	168	
FEW	Rates 1, 2, 3 Revenue	15	14	12	11	11	
		<u>1,382</u>	<u>1,494</u>	<u>1,536</u>	<u>1,369</u>	<u>1,316</u>	
Total	LPC Factor	<u>0.2014%</u>	<u>0.2175%</u>	<u>0.2187%</u>	<u>0.2092%</u>	<u>0.1976%</u>	<u>0.2089%</u>

10



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25.2 It appears late payment charges are generally declining. Please briefly indicate any circumstances that FEI may be aware of that is contributing to a decline in late payment charges.

Response:

There could be a variety of cyclical economic factors contributing to the decline. As shown in the response to CEC IR 1.25.1, from 2009 to 2011 the late payment charges were increasing each year. FEI uses a three-year average to offset some of these year-to-year variances that can be experienced.



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1 **26.0 Reference: Exhibit B-1, Page 32**

5.2.3 Other Recoveries

Other recoveries consist of NSF returned cheque charges as well as other miscellaneous income items. Consistent with past practice, the 2015 forecast of these items has been determined based on the 2014 projected amounts of \$0.089 million and \$0.202 million, respectively.¹⁵

¹⁴ The historical move ratio reflects the percentage of customers that move from one location to another each year.

¹⁵ 2014 projected amounts are based on ten months of 2014 actual information that was available at time of preparing the forecast.

2

3 26.1 Please provide examples of the other miscellaneous items.

4

5 **Response:**

6 Other miscellaneous items mainly consist of corporate credit card rebates received.

7

8

9

10 26.2 Are the 2015 forecasts are equal to the 2014 projected, or are they inflated in
11 some manner? Please explain.

12

13 **Response:**

14 The 2015 forecast is equal to the 2014 projected.

15



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1 **27.0 Reference: Exhibit B-1, Page 38**

2 The formula-driven portion of Base O&M starts from a base of the 2014 Approved formula O&M for FEI (plus the 2014 Base for the formula O&M for FEVI and FEW), escalated by the prior year's inflation less a productivity improvement factor of 1.1 percent, and one-half of the prior year's growth in average customers. As calculated in Section 2, the 2015 inflation based on prior year's BC-CPI and BC-AWE less the productivity improvement factor is 0.203 percent and one-half of the prior year's customer growth is 0.614 percent.

2

3 27.1 What will be FEI's forecast of growth in average customers if it were to be
4 successful in its Reconsideration request?

5

6 **Response:**

7 FEI has received Order G-15-15 in its Application for Reconsideration and the Commission did
8 not approve FEI's use of a forecast for growth in average customers in the PBR formula.

9

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1 **28.0 Reference: Exhibit B-1, Page 40**

The 2015 forecast is projected to increase by \$0.409 million or 6.5 percent from what was approved for 2014. This is forecast based on the average increase for the past five years, and this historical increase reflects both increases in premiums and increases in the value of assets.

Factors affecting insurance premiums include: energy industry and company loss history; growth in asset values; and the potential increases in insurance premiums. The forecast for 2015 assumes normal asset growth numbers.

2

3 28.1 Please confirm that the total cost of insurance premiums is forecast to be in the
 4 order of \$6.7 million.

5

6 **Response:**

7 Confirmed. The 2015 insurance premium forecast is \$6.649 million.

8

9

10

11 28.2 Please clarify what is meant by ‘normal asset growth numbers’ and provide the
 12 growth figures used.

13

14 **Response:**

15 Normal asset growth numbers refers to the “Statement of Values” provided to our insurers each
 16 year as part of the underwriting package provided to insurers. The “Statement of Values” is a
 17 representation of the replacement cost of assets insured. “Statement of Values” does not take
 18 into account year over year asset growth from capital additions.

19 Please refer to the table below for the asset values submitted for the last five years:

Year	Replacement Cost Values	% Increase/Decrease
2010	\$6,955,082,907	1.7%
2011	\$7,205,319,767	3.6%
2012	\$7,445,513,217	3.3%
2013	\$10,221,671,565*	13.7%
2014	\$10,513,176,863	2.9%

20 * Adjustment in replacement cost values for underground pipe as a result of increases in cost of materials
 21 in 2013 over 2012.



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1

2

3

4 28.3 Is FEI able to influence its insurance rates through negotiations and/or potential
5 change of insurer or other means?
6

7

Response:

8 Yes, FEI is able to influence its insurance rates through negotiations. Each year, insurance
9 premiums for FEI are marketed working with FEI's insurance broker Aon Reed Stenhouse Inc.
10 (Aon). Globally Aon provides insurance brokerage services to numerous major utilities and
11 property risks. Annually Aon confirms to the FEI management team and Board of Directors that
12 the coverage and limits provided by the insurance program placed are consistent in scope and
13 nature with similar types of risks worldwide. Based on Aon's intensive marketing of the FEI
14 insurance program, Aon further confirms that the rates and coverage terms are the best
15 available given the current market conditions.

16

17

18

19 28.3.1. If so, please identify the actions FEI has undertaken to ensure it
20 receives the lowest insurance rates possible.
21

22

Response:

23 Please refer to the responses to CEC IRs 1.28.3 and 1.28.5.
24

25

26

27

28 28.4 What departments are responsible for managing the cost of insurance?
29

30

Response:

31 FEI's insurance program is part of the Fortis Inc. insurance program and costs are allocated to
32 FEI from Fortis Inc. The FEI Insurance group works with the Fortis Inc. Insurance group
33 corporately to provide for management of the insurance program. FEI's Insurance group
34 provides annual reports to FEI's management team and Board of Directors on the insurance
 program and costs.



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28.5 What incentives, if any, are in place to ensure costs, such as the cost of insurance, external to the PBR are kept to a minimum? Please describe.

Response:

A key business objective of FEI is to minimize rate increases for its customers. As such, FEI managers responsible for managing costs, including items such as insurance and other flow through items outside of the PBR formula, have a responsibility as part of their duties to manage costs prudently, keeping them to a minimum. Containing costs will help to minimize rate increases to customers.

In response to CEC IR 1.46.1 in the PBR proceeding, FEI provided a description of many of the items that are forecast outside of the formula, and a description of what the Company does to control each of the items. Included in this list was insurance costs, where FEI stated:

“FEI, as part of the Fortis Inc. Group of Companies, participates in the Corporate insurance program. The insurance groups at Fortis Inc. and FEI are very experienced and work together to place the insurance program on a yearly basis with a renewal date of July 1 each year. The Fortis insurance group works with its brokerage firm Aon Reed Stenhouse Inc. each year to provide professional insurance services to the Fortis Group of Companies. As part of the process, each year Fortis and Aon assess the insurance market to determine the best course of action to provide Fortis the broadest coverage at the most competitive rates. This is accomplished by continual contact with underwriters capable of insuring the Fortis Group of Companies’ risk profile. Annually, Fortis and Aon provide underwriters with updated underwriting information (Statement of Values, Loss Control reports etc.) for renewal purposes. We also attend in person visits with the majority of the markets, in particular, the lead or key markets on the Fortis program to present the Fortis risk and answer any questions underwriters may have concerning Fortis. The Fortis Insurance group meets annually with peer organizations and Aon to benchmark the Fortis insurance program. FEI is therefore comfortable that its current levels of coverage are in line with both its peer group and property and liability exposure faced by it. Regardless of these efforts, insurance costs are very difficult to control as the majority of the impacts to rates are beyond the control of the Fortis Group of Companies.”

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1 **29.0 Reference: Exhibit B-1, Pages 39 and 40**

Table 6-3: Forecast O&M

<u>Line</u>	<u>No.</u> <u>Description</u>	<u>2014</u>		<u>2015</u>
		<u>Approved</u>	<u>Projected</u>	<u>Forecast</u>
1	Pension/OPEB (O&M Portion)	26.129	26.129	25.699
2	Insurance	6.240	6.198	6.649
3	Bio-Methane O&M	0.590	0.753	0.672
4	NGT O&M	0.477	0.524	0.926
5	RS 16/46 O&M	0.376	0.550	1.415
6				
7	FEI Amalgamated 2015 Forecast	<u>33.812</u>	<u>34.154</u>	<u>35.361</u>

The only biomethane O&M that is recovered through delivery rates is related to biomethane interconnections which pre-dated or were approved in Order G-210-13, the costs of which were approved to be recovered from all customers. As discussed below, the 2015 forecast of biomethane O&M to be recovered in delivery rates is \$0.078 million.²⁷

²⁷ Also referred to as net biomethane O&M

The 2015 forecast of total biomethane O&M is \$0.672 million. This total forecast is based on the forecast operating costs of FEI-owned upgraders (Salmon Arm and Kelowna), interconnect stations and biomethane program costs. Of this forecast cost, \$0.594 million relates to upgrader O&M and program overhead is transferred to the BVA for recovery through the Biomethane Energy Recovery Charge (BERC). The remainder of \$0.078 million is the O&M associated with interconnection stations which pre-dated or were approved in Order G-210-13, which is recovered through delivery rates.

The \$0.078 million biomethane O&M recovered in delivery rates is \$0.058 million higher than the 2014 approved amount as a result of the interconnections for the three additional biomethane supply projects that are forecast to be in service in 2015 as discussed in Section 7.1.2.

2

3 29.1 Please confirm or otherwise explain that any Biomethane Application costs are
 4 currently not included in the Biomethane Variance Account.

5

6 **Response:**

7 Not confirmed. By Order G-138-14 the 2012 Biomethane Application costs of \$425 thousand
 8 pre tax, were charged to the Biomethane Variance Account; however, these costs have not
 9 been included in calculating the BERC rate in the biomethane quarterly filings.

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1 On October 3, 2014 FEI filed a Request for Clarification and Request for Reconsideration and
2 Variance of certain aspects of the PBR Decision which included the allocation of the 2012
3 Biomethane Application costs to all non-bypass customers versus biomethane customers. On
4 February 10, 2015 the Commission issued Order G-15-15 which has varied the determination in
5 Order G-139-14. Directive 6 and 7 from Commission Order G-15-15 is the following:

6 *“6. FEI’s request for reconsideration and variance of the Commission’s determination*
7 *regarding the recovery of the 2012 Biomethane Application costs is partially approved.*
8 *FEI is approved to recover the costs of the 2012 Biomethane Application and the*
9 *Reconsideration of Order G-29-13 Regarding Supply Risk process from all non-bypass*
10 *ratepayers. However, FEI must recover the following proceeding costs through the*
11 *Biomethane Variance Account: Inquiry into Biogas Supplier Exemption; Biomethane*
12 *Third-Party Suppliers Regulatory Process; Section 71 Purchase Agreement with Greater*
13 *Vancouver Sewerage and Drainage District; and the submissions on the Certificate of*
14 *Public Convenience and Necessity (CPCN) threshold for biomethane facilities.*

15 *7. FEI must file with the Commission within 60 days of the date of this order a*
16 *breakdown of the amount of application costs incurred for each of the proceedings*
17 *identified by the Panel in directive 6 of this order. In the event that a specific breakdown*
18 *is not available, FEI is directed to use its best efforts to estimate the allocation of costs*
19 *across the proceedings.”*

20
21 At this time FEI has not completed its estimation of the allocation of costs across the
22 proceedings identified in directive 6. FEI will be filing its estimation of costs to the various
23 proceedings prior to April 11, 2015 and will update its financial schedules to amortize the portion
24 of the BVA representing the application costs to be charged to all customers into the delivery
25 cost of service when it files its compliance filing to determine its final 2015 delivery rates.

26
27

28
29 29.2 Please describe and quantify the impact, if any, if the Commission determines
30 that the 2012 Biomethane Application costs are not to be included in the BVA
31 and instead should be recovered from all customers as requested in the FEI PBR
32 Reconsideration Application.

33

34 **Response:**

35 FEI has not yet determined the allocation of costs that will be recovered from all customers;
36 however, preliminary estimates have identified that of the \$425 thousand charged to the BVA,
37 approximately \$59 thousand is related to Third Party Suppliers Regulatory Process which will



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1 remain charged to the BVA. For illustrative purposes, assuming the entire remaining balance is
2 allocated to all customers, the impact to delivery rates is approximately \$272 thousand or
3 approximately 0.04 percent.³

4

³ \$366 thousand less tax offset of \$94 thousand divided by delivery margin at existing rates of \$756,690 thousand (Section 11, Schedule 2, Line 13, Column 6).



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1 **30.0 Reference: Exhibit B-1, Page 41**

2 **6.3.4 NGT O&M**

NGT O&M is forecast to increase by \$0.449 million from what was approved for 2014. The total NGT O&M of \$0.926 million is composed of \$0.768 million of NGT station O&M and \$0.158 million of LNG tanker and related O&M (Appendix B Sections 5.1.3 and 6.1.2, and Table B-15). These O&M costs are offset by NGT revenue as discussed in Appendix B Section 4.1.2. Please refer to Appendix B NGT for a discussion of these amounts.

2

3 30.1 Please confirm or otherwise clarify that the total NGT O&M is forecast to increase
4 by approximately 100% over the 2014 approved.

5

6 **Response:**

7 Confirmed.

8 FEI will recover these incremental O&M expenses from NGT customers with which FEI has
9 contractual commitments under take-or-pay agreements. Please refer to Table 5-3 of the
10 Application that shows the incremental NGT related recoveries that offset these costs.

11 FEI will recover O&M expenses related to fueling stations from those customers to which FEI is
12 providing fueling station services. Part of the rate paid to FEI by NGT customers who elect to
13 have FEI provide the fueling infrastructure is associated with O&M expenses. This rate is set
14 based on a take-or-pay contractual commitment and rates are designed so that FEI will recover
15 the minimum base O&M amount from these customers. If the customer consumes more than
16 their take-or-pay commitment, FEI invoices the unit O&M rate on all excess consumption,
17 therefore ensuring that all facility O&M expenses are recovered. Additionally, within the NGT
18 O&M forecast is \$58 thousand for tanker maintenance which will be recovered through the
19 tanker rental charge and \$100 thousand for Emergency Response Action Plan (ERAP). FEI
20 recovers \$30 thousand of the ERAP costs directly from remote LNG customers and the balance
21 is recovered from all other customers.

22

23

24

25 30.2 Please explain why the NGT O&M is forecast to increase.

26



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1 **Response:**

2 The 2015 NGT O&M increase is driven predominantly by two additional fueling stations,
3 additional tanker O&M and ERAP O&M. Additionally, FEI is expecting existing NGT customers
4 to continue to add more trucks to their fleets at existing stations.

5 Please refer to the response to CEC IR 1.30.1 for further explanation on how incremental O&M
6 expenses are recovered from NGT customers.

7

8

9

10 30.3 Please explain whether or not NGT O&M increases are a result of transfer of
11 costs from other parts of FEI.

12

13 **Response:**

14 Forecast NGT O&M increases are not a result of a transfer of costs from other parts of FEI.
15 NGT O&M costs are limited to only those customers to which FEI is providing fueling station
16 services and the LNG tankers as described in the response to CEC IR 1.30.1.

17

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1 **31.0 Reference: Exhibit B-1, Page 41 and Exhibit B-1, Appendix B, Page 8**

The incremental O&M costs to support Rate Schedule 46 are forecast to increase by \$1.039 million compared to what was approved for 2014 and are related to meeting the growth in

demand for LNG. As shown in Table 6-5 below, the primary drivers of the increase are labour and power costs. Labour costs are forecast to increase to staff the increased number of truck loadings at the facility and power costs are forecast to increase based on the increase in daily liquefaction.

A table breaking out the various components of the Rate Schedule 46 O&M is included below.

Table 6-5: Rate Schedule 46 O&M (\$ millions)

Line No.	Description	2014		2015
		Approved	Projected	Forecast
1	<u>Tilbury Plant:</u>			
2	Labour	0.073	0.160	0.440
3	Materials	0.034	0.034	0.065
4	Contractor	-	-	0.100
5	Power	0.238	0.325	0.700
6	Fuel Gas	0.031	0.031	0.060
7	Sub-total	0.376	0.550	1.365
8	<u>Mt Hayes Plant:</u>			
9	Materials	-	-	0.020
10	Contractor	-	-	0.008
11	Power	-	-	0.010
12	Fuel Gas	-	-	0.010
13	Sub-total	-	-	0.050
14	FEI Amalgamated 2015 Forecast	0.376	0.550	1.415

Table B-6: Rate Schedule 16 and 46 Forecast (\$ millions)⁷

Volume, Revenue, Margin under RS 16/46	2014P	2015F
Demand (GJ)	512,454	719,217
Total Delivery Margin (\$)	\$ 1.789	\$ 2.177
Total Cost of Gas (\$)	\$ 1.576	\$ 1.826
Total Revenue (\$)	\$ 3.365	\$ 4.003

2
3
4
5
6
7

31.1 Please explain why FEI is forecasting an increase in O&M of approximately 100% and an increase of only 40% in demand. In particular address why the labour (related to the number of truck loadings) and power are disproportionately increased relative to the volume.



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1 **Response:**

2 In order to take a conservative approach, the forecast revenue did not include spot purchases
3 as they are not firm agreements. There are three spot customers that are expected to take
4 large volumes of LNG and O&M costs such as labor and electricity are needed in order to serve
5 customers even if they are spot or contract demand. Taking into account the expected spot
6 purchases, the O&M Forecast for 2015 for Tilbury and Mt Hayes supports the following
7 liquefaction forecast:

- 8 • Tilbury: 3,040 GJ/Day
- 9 • Mt Hayes: 60 GJ/ Day
- 10 • Total: 3,100 GJ/Day

11
12 Any variances between forecast and actual revenue from Rate Schedule 46 and forecast and
13 actual LNG Production O&M will be captured in FEI's Flow-through Deferral Account and be
14 returned to or recovered from all non-bypass customers in the following year.

15
16

17
18 31.2 What is the O&M related to 'Contractor' for?

19
20 **Response:**

21 The Contractor O&M is for plant maintenance that is performed by contractors or third party
22 companies.

23

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1 **32.0 Reference: Exhibit B-1 Appendix B, Page 7 and Appendix B, Page 8**

Table B-3: FEI Total Natural Gas Demand (GJ/Year) for NGT

GJ	2014P	2015F
CNG	303,583	401,493
LNG	416,835	482,884
Total	720,418	884,377

Currently, FEI delivers CNG and LNG through the GGRR and non-GGRR stations using Rate Schedules 25, 16 and 46.⁴ FEI has used the forecast volumes from this appendix to calculate revenue, cost of gas and delivery margin at existing rates. The volumes presented in this appendix are for all CNG and LNG volumes from NGT customers served under Rate Schedules 25, 16 and 46. This includes customers for which FEI does not construct the fueling station.⁵

The following two tables identify, for the rate schedules listed above, the forecast of gas (CNG and LNG) volumes sold, associated delivery margin at 2014 common rates⁶, cost of gas at 2015 common rates (applicable for Rate Schedule 16/46 only), and revenue (delivery margin plus cost of gas).

Table B-5: Rate Schedule 25 NGT Forecast (\$ millions)

Volume, Revenue, Margin under RS 25	2014P	2015F
Demand (GJ)	303,583	401,493
Total Delivery Margin (\$)	\$ 0.247	\$ 0.326
Total Cost of Gas (\$)	\$ -	\$ -
Total Revenue (\$)	\$ 0.247	\$ 0.326

Table B-6: Rate Schedule 16 and 46 Forecast (\$ millions)⁷

Volume, Revenue, Margin under RS 16/46	2014P	2015F
Demand (GJ)	512,454	719,217
Total Delivery Margin (\$)	\$ 1.789	\$ 2.177
Total Cost of Gas (\$)	\$ 1.576	\$ 1.826
Total Revenue (\$)	\$ 3.365	\$ 4.003

2

3 32.1 Please clarify why the LNG demand identified in Table B-3 is approximately
 4 100,000 GJ lower in 2014 and 235,000 GJ lower in 2015 than that identified in
 5 Rates Schedule 16/ 46 Table B-6.

6

7 **Response:**

8 The volume in Table B-6 incorrectly included Rate 46 LNG sales to non-NGT customers,
 9 whereas the volume in Table B-3 represents the volume to NGT customers only. The non-NGT
 10 customers include customers using LNG for remote power generation. Revenue, cost of gas
 11 and delivery margin figures in Table B-6 are correct and are those only related to NGT. FEI has
 12 produced a corrected Table B-6 below.



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1

Table B-6: Rate Schedule 16 and 46 Forecast (\$millions)

Volume, Revenue, Margin under RS 16/46	2014P	2015F
Demand (GJ)	416,835	482,884
Total Delivery Margin (\$)	\$ 1.789	\$ 2.177
Total Cost of Gas (\$)	\$ 1.576	\$ 1.826
Total Revenue (\$)	\$ 3.365	\$ 4.003

2

3

4 Note that footnote 7 on page 8 of Appendix B is not applicable to the corrected Table B-6
5 above. The content in Appendix B is intended to describe FEI's NGT business only.

6



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1 **33.0 Reference: Exhibit B-1, Appendix B, Page 7**

The incremental demand between 2014 and 2015 is 163,959 GJ. The following table provides a list of the customers, number of vehicles, and demand that makes up this incremental load.

Table B-4: CNG/LNG 2015 Demand Additions

Customer	Fuel	No. of NG Vehicles	Vehicle In-Service Date	Demand (GJ)
Waste Management (incremental volume)	CNG	8	July 1, 2015	5,000
Smithrite (incremental)	CNG	10	March 1, 2015	13,743
Coldstar (incremental)	CNG	3	March 1, 2015	7,175
For Less Disposal	CNG	3	January 1, 2015	4,500
City of Vancouver	CNG	34	July 1, 2015	12,492
BC Transit	CNG	25	July 1, 2015	15,625
Translink	CNG	45	July 1, 2015	28,125
Emterra	CNG	16	July 1, 2015	10,000
Evergreen Industries	CNG	2	July 1, 2015	1,250
Bridgeway	LNG	7	March 1, 2015	32,954
ENN (3rd Party Stations)	LNG			21,096
Shell/ Ferus/ PSE/ CS (3rd Party Stations)	LNG			12,000
Total		153		163,959

For customers where FEI does not have historical consumption or existing contract demand, FEI has estimated that a typical CNG truck or transit bus consumes approximately 1,250 GJ per year based on similar applications from existing NGT customers. Further, FEI has estimated a vehicle in-service date of July 1, 2015 (midway through 2015) for customers that have not indicated when their trucks and buses will be in operation.

2

3 33.1 Please confirm or otherwise explain that the Demand is the total Annual Demand
4 for Additions in 2015, and is adjusted for the expected in-service date.

5

6 **Response:**

7 Confirmed.

8

9

10

11 33.2 Does FEI have signed contracts with each of the above customers?

12



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1 **Response:**

2 Yes FEI has signed contracts with each of the above customers. FEI provides a complete
3 range of services to customers to enable them to use natural gas as a fuel for their vehicles.
4 Services provided include:

- 5 • Commodity supply – either as piped gas for CNG or as LNG under RS46;
- 6 • Delivery – Either through pipeline delivery tariff service for CNG, or through the optional
7 RS 46 tanker delivery service for LNG; and
- 8 • Fueling station service – Compression and dispensing for CNG, or storage and
9 dispensing for LNG.

10
11 Some customers listed above take the full package of service from FEI, while others do not.

12 The following CNG customers have elected to contract for the full suite of services including
13 fueling station services:

- 14 • Waste Management;
- 15 • Smithrite;
- 16 • Coldstar;
- 17 • For Less Disposal;
- 18 • City of Vancouver; and
- 19 • Evergreen Industries.

20
21 The following CNG customers have chosen to contract with FEI for natural gas delivery service,
22 and the compression and dispensing service is being provided by others:

- 23 • BC Transit;
- 24 • Translink; and
- 25 • Emterra.

26
27 For the LNG customers on this list, FEI has RS 46 agreements in place with:

- 28 • Bridgeway;



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- 1 • Shell;
- 2 • Ferus;
- 3 • ENN; and
- 4 • Puget Sound Energy.

5
6 These customers are not receiving Fueling Station services from FEI at present. Bridgeway is
7 receiving LNG transportation service under RS46, while the other customers are responsible for
8 providing their own transportation arrangements.

9
10

11
12 33.2.1 If no, which customers have not signed contracts with FEI?

13
14 **Response:**

15 Please refer to the response to CEC IR 1.33.2.

16

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1 **34.0 Reference: Exhibit B-1, Page 44**

2 **7.2 2015 REGULAR CAPITAL EXPENDITURES**

Under the PBR Plan, FEI's regular capital expenditures are primarily determined by formula, with the addition of a number of items that are forecast outside the formula on an annual basis. In 2015, the formula-capital is \$145.692 million²⁵, representing a 0.818 percent increase from 2014, entirely due to the formula drivers. Regular capital expenditures forecast outside the formula are \$10.611 million, representing a 20.8 percent decrease from 2014, primarily due to lower expenditures on biomethane assets. Overall, the decrease in regular capital expenditures from 2014 to 2015 is 2.1 percent. The components of 2015 regular capital expenditures are shown in Table 7-1 below.

2

3 34.1 What was the total cost and total reduction in biomethane expenses from the
 4 previous year?

5

6 **Response:**

7 FEI has assumed the reference is to a reduction in biomethane capital expenditures. The
 8 capital expenditures for biomethane upgraders and interconnect facilities are shown in Table 7-
 9 4 of the Application and the 2015 forecast is described on page 47 following the table.

10 In responding to this IR, FEI has identified that the 2014 projected biomethane capital
 11 expenditures were reported in error on Table 7-4. FEI has confirmed that this error is limited to
 12 Table 7-4 and the financial schedules included the correct 2014 projected amounts. A revised
 13 Table 7-4 of the Application is provided below:

14 **Table 7-4: 2015 Forecast Regular Capital Expenditures (\$ millions)**

<u>Line</u>		<u>2014</u>	<u>2015</u>	
<u>No.</u>	<u>Description</u>	<u>Approved</u>	<u>Projected</u>	<u>Forecast</u>
1	Pension/OPEB (Capital Portion)	3.736	3.736	4.324
2	Bio-Methane Upgraders	1.468	4.963	-
3	Bio-Methane Interconnect	3.700	1.621	2.897
4	NGT Assets	4.502	4.575	3.390
5				
6	FEI Amalgamated 2015 Forecast Regular Capex	<u>13.406</u>	<u>14.895</u>	<u>10.611</u>

15

16

17 Based on the revised version of Table 7-4 above, the variance between the 2014 approved and
 18 the 2015 forecast biomethane capital expenditures is a decrease of \$2.271 million, and between
 19 the 2014 projected and the 2015 forecast is \$3.687 million, as shown in the table below. Since



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1 there is no upgrader capital forecast for 2015, this drives the variance between both the 2014
2 approved and projected amounts. In addition, there are less interconnection facilities forecast
3 for 2015 than what was included in 2014 approved.

Capital Expenditures, (\$ Thousands)					
Particulars	2014 Approved	2014 Projected	2015 Forecast	Variance (Approved)	Variance (Projected)
Upgraders	\$ 1,468	\$ 4,963	\$ -	\$ (1,468)	\$ (4,963)
Interconnect Stations	<u>3,700</u>	<u>1,621</u>	<u>2,897</u>	<u>(803)</u>	<u>1,276</u>
Total	<u>\$ 5,168</u>	<u>\$ 6,584</u>	<u>\$ 2,897</u>	<u>\$ (2,271)</u>	<u>\$ (3,687)</u>

4

5

6

7

8 34.2 Why is there lower expenditures on biomethane assets in 2015 compared to
9 2014?

10

11 **Response:**

12 Please refer to the response to CEC IR 1.34.1.

13



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1 **35.0 Reference: Exhibit B-1, Page 45**

7.2.1 Formula Capital Expenditures

The formula-driven portion of regular capital expenditures starts from a base of the 2014 approved formula capital expenditures for FEI (plus the 2014 base for the formula capital expenditures for FEVI and FEW), escalated by the prior year's inflation less a productivity improvement factor of 1.1 percent, and one-half of the prior year's growth in average customers or service line additions. As calculated in Section 2, the 2015 inflation based on prior year's BC-CPI and BC-AWE less the productivity improvement factor is 0.203 percent, one-half of the prior year's average customer growth is 0.614 percent and one-half of the prior year's service line additions growth is -5.615 percent. In accordance with Order G-138-14, regular capital expenditure amounts will not be rebased to actual amounts during the term²⁹.

2

3 35.1 What forecast will FEI use for the 2015 service line additions if it is successful in
4 its reconsideration request?

5

6 **Response:**

7 Please refer to the response to CEC IR 1.27.1.

8



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1 **36.0 Reference: Exhibit B-1, Page 50**

16 In this Application, FEI is seeking approval for a rate base deferral account to record the costs
17 related to the 2016 Cost of Capital proceeding. To the extent possible, past practice has been to
18 align the recovery period for regulatory application cost deferral accounts with the term to which
19 the decisions apply. As the term over which the Cost of Capital decision will be in place is
20 unknown at this time, FEI will request an amortization period for this account in an upcoming
21 Annual Review filing.

2

3 36.1 Please list the types of expenditures and amounts that will be included in the rate
4 base deferral account for the Cost of Capital proceeding.

5

6 **Response:**

7 Please refer to the response to BCUC IR 1.24.1.

8



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1 **37.0 Reference: Exhibit B-1, Page 50**

22 **7.5.1.2 2017 Rate Design Application**

23 In accordance with Directive 5 of Order G-21-14, FEI will be filing a comprehensive Rate Design
24 Application on or before December 31, 2016. In order to accomplish this filing date, work on the
25 application will commence in 2015. As such FEI is requesting approval for a deferral account to
26 capture costs related to the application as described above.

2

3 37.1 Please list the types of expenditures and amounts that will be included in the
4 Rate Design Application.

5

6 **Response:**

7 Please refer to the response to BCUC IR 1.25.1.

8

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1 **38.0 Reference: Exhibit B-1, Pages 50 and 51**

The need for this deferral account arises from the Commission's decision on the FEI 2014-2018 PBR Application (Order G-138-14), issued on September 15, 2014, directing the FEI to reduce Base O&M by \$0.600 million related to Long Term Resource Planning. The following excerpt from page 210 of the PBR decision contains the Commission's explanation and direction for this reduction:

"As part of the 2012–2013 FEU RRA, the Commission approved incremental funding for numerous initiatives, including the Long Term Resource Plan. The Panel is unconvinced that the level of incremental spending approved for the LTRP in the 2012–2013 FEU RRA Decision should remain in place going into the PBR period. We recognize that some LTRP work is ongoing, as has been the case for past LTRPs. However, the Panel does not consider it reasonable to approve the incremental spending that was approved in the 2012–2013 FEU RRA Decision. This is because the next LTRP is not expected to be in front of the Commission for another five years. The Commission Panel therefore directs FEI to further reduce the Base O&M for the LTRP by \$600,000." [Emphasis added]

The estimated amount that will be recorded in this deferral account in each year of the LTRP process is based on similar work conducted in completing the 2014 LTRP as well as additional work needed to comply with Commission directives and recommendations included in Order G-189-14 and related decision. FEI expects to incur \$0.250 million in 2015 and a total of approximately \$1.2 million on these activities up to the time of filing the 2017 LTRP. Examples of the types of costs that will be included in this deferral account are staffing and/or external consulting costs for conducting a detailed comparison of end-use forecasting methodologies, staffing and consulting costs for end-use forecasting work, consulting costs for developing

alternative DSM funding and saving scenarios and staffing and/or consulting costs for more fully developing infrastructure contingency plans for different demand scenarios.

2

3 38.1 What was the total cost of completing the 2014 LTRP?

4

5 **Response:**

6 FEI does not track its costs in a manner that allows it to provide a separate total cost for
7 completion of the LTRP, since much of the work is completed as a regular part of O&M activity,
8 involving many staff from throughout the company who do not charge time specifically to the
9 LTRP.

10

11

12

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1 38.2 Would FEI agree that the Commission contemplated that some of the work
2 related to LTRP was ongoing and that the \$0.6 million represented a portion of
3 incremental spending.
4

5 **Response:**

6 While the Decision indicates that the Panel believed some LTRP activity was ongoing, the
7 Decision is clear that the Commission determined that none of the incremental spending on
8 LTRP activity granted in the 2012-2013 RRA should be included in FEI's Base O&M. There is
9 therefore no indication that the Panel contemplated that any incremental spending remained in
10 the Base O&M. Regardless, all of the LTRP-related amounts to be captured in the deferral
11 account are for incremental activities as a result of Commission directives concerning both the
12 2014 and 2017 LTRPs.

13
14

15

16 38.3 What activities are expected to be undertaken in 2015?
17

18 **Response:**

19 FEI anticipates initiating the following activities in 2015 that are among those incremental
20 activities that FEI has been directed by the Commission to complete for the 2017 LTRP:

- 21 • Planning in greater detail the internal and external resources needed to complete the
22 incremental activities that FEI has been directed to include in the 2017 LTRP;
- 23 • A detailed comparison of end-use demand forecasting methodologies;
- 24 • Re-establishing the Resource Planning Advisory Group;
- 25 • Community consultation activities throughout FEI's service territory;
- 26 • Analyzing peak demand infrastructure avoidance/deferral opportunities;
- 27 • Developing future scenarios for demand forecasting and other analyses;
- 28 • Planning for completing the end-use and traditional demand forecasting activities;
- 29 • Examining methodologies for developing alternative industrial customer additions;
- 30 • Developing industrial demand scenarios and NGT demand scenarios;



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- 1 • Prepare for the development of different DSM funding scenarios and associated
- 2 analyses;
- 3 • Planning for the development of infrastructure contingency plans; and
- 4 • Identifying potential methodologies for developing a stronger tie between annual
- 5 demand scenario forecasts and peak demand scenario forecasts.

6
7 FEI anticipates that these activities will be initiated along with the ongoing activities that have
8 traditionally been part of the LTRP process, and that most of these activities will carry over into
9 2016. Only actual incremental costs incurred will be recorded in the deferral account.

10
11

12

13 38.4 Please provide a breakdown of the \$0.25 million by major activity, and identify
14 whether external contracted resources are need for each.

15

16 **Response:**

17 Please refer to the responses to CEC IR 1.38.3 and BCUC IR 1.26.2. External contracted
18 resources will be required for some activities related to the incremental work resulting from
19 Commission directives from the 2010 and 2014 LTRP decisions, such as assisting with the end-
20 use demand forecasting activities. With the proposed deferral account treatment of these costs,
21 only actual costs incurred will be captured.

22

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1 **39.0 Reference: Exhibit B-1, Page 57**

2 Credit spreads on new long-term debt are based on current indicative rates, on the assumption
3 that the current credit ratings of FEI are maintained. FEI currently expects to issue long term
4 debt in 2015 for the repayment of maturing debt as well as other capital requirements. The
5 estimated issue rate for 2015 is 5.40 percent based on a 30 year GOC rate of 4.00 percent and
6 an indicative spread of 1.4 percent.

7
8
9 39.1 When was the 30 year GOC rate of 4.00 percent current to?

10 **Response:**

11 The 30 year GOC rate of 4.00 percent was current as at June 2014.

12
13
14
15 39.2 Who provides the forecast of GOC rate and indicative spread?

16 **Response:**

17 The 30 year GOC rate forecast is based on a composite of forecasts from BMO, CIBC and
18 RBC.

19 The FEI indicative spread was based on estimates from BMO, CIBC and RBC at a point in time
20 and assumed to be constant from that point onward in the forecast. Indicative spreads for
21 companies are based on market conditions at a point in time and are not forecasted by capital
22 market analysts.

23
24 39.3 What is the 30 year GOC rate at this time?

25 **Response:**

26 As of February 25, 2015, the 2015 forecast average 30-year GOC rate is 2.29 percent. As
27 referenced in the response to BCOAPO IR 1.19.2, the current FEI indicative spread is
28 approximately 1.4 percent, which results in a current 2015 forecast long-term debt rate of 3.69
29 percent. Updating the financial schedules for the more current forecast long term debt rate of
30 3.69 percent rather than the 5.4 percent originally forecast for the September 30, 2015 issuance



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- 1 would reduce the 2015 long term interest expense forecast in 2015 by \$329 thousand. This
- 2 would translate into a rate reduction of 0.04 percent.
- 3 As the actual long-term debt rate may change by the time of issuance, and due to the existence
- 4 of the Flow-through Deferral Account, FEI does not propose to update the long term debt rate.
- 5

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1 **40.0 Reference: Exhibit B-1, Page 57**

The forecast is based on the historical differential between the Canadian Deposit Overnight Rate (CDOR) and the rate obtained by FEI under its commercial paper program. CDOR is used because FEI's short-term borrowings under its credit facility are priced off of CDOR and so CDOR is tracked relative to FEI's commercial paper borrowings. CDOR is not forecast by economists either; therefore, FEI must first obtain the 3-Month T-Bill rate forecast then convert it to a CDOR forecast. FEI does this by taking the 3 year historical spread between CDOR and the 3-month T-Bill rate. To then derive the short-term borrowing rate forecast, FEI further adjusts the CDOR forecast with the 3-year historical spread between CDOR and rates of issuances under its commercial paper program.

The 3-month T-Bill rate is projected to increase from 0.91 percent in 2014 to approximately 1.36 percent in 2015. The short-term borrowing rate forecast is shown in Table 8-1 below.

Table 8-1: Short Term Interest Rate Forecast³⁹

	2014	2015
3-month T-BILLS ¹	0.91%	1.36%
Spread to CDOR	0.29%	0.29%
CDOR	1.20%	1.64%
Spread to CP	-0.23%	-0.23%
CP Dealer Commission	0.10%	0.10%
Standby Fee on undrawn Credit ²	0.48%	0.26%
FEI Short-term Rate (Rounded)	1.50%	1.75%

Note 1 - 3-month T-Bill average for 2014 is average daily yield from January 2nd to November 20th, 2014.

Note 2 - Amounts undrawn on the credit facility are subject to a Standby Fee, which is estimated to be 16 bps in 2015 and beyond. The Standby Fee as shown reflects the amount payable had it been converted to a rate applied to the Commercial Paper borrowings and has been shown as such to develop an all-in Short-Term Rate.

2
3 **40.1** When was the 2015 forecast for 3 month T-Bills generated?

4
5 **Response:**

6 The 2015 forecast for 3 month T-Bills was based on a composite of 4 economic forecasts as at
7 June 2014.

8
9
10
11 **40.2** What are the current rates forecast for 2015 now?

12



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1 **Response:**

2 Based on a sampling of 3 recently available forecasts, and using a similar methodology, the
3 rates forecast for 2015 are as follows:

2015 update	
3-month T-BILLS	0.47%
Spread to CDOR	0.29%
CDOR	0.76%
Spread to CP	-0.23%
CP Dealer Commission	0.10%
Standby Fee on undrawn Credit	0.26%
FEI Short-term Rate (Rounded)	1.00%

4
5 Updating the financial schedules for the more current forecast short term debt rate of 1.0
6 percent rather than the 1.75 percent originally forecast would reduce the 2015 short term
7 interest expense forecast in 2015 by \$2,429 thousand. This would translate into a rate
8 reduction of 0.32 percent.

9 FEI's usual practice is not to update its financial schedules for changes in forecasts of interest
10 rates, both because interest rates can be volatile, and because of the existence of the Flow-
11 through Deferral Account (prior to 2014, these variances were captured in the Interest Rate
12 Variance deferral account). In this case, due to the materiality of the impact, FEI is not opposed
13 to updating its short term interest rate forecast when it files its final calculation of its 2015
14 permanent delivery rates.

15

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1 **41.0 Reference: Exhibit B-1-1, Pages 60 and 61**

Table 9-1: Property Tax Forecasts for 2015, (\$ millions)

Asset Type	Approved 2014	Projected 2014	Forecast 2015
Distribution Assets	\$ 23.099	\$ 21.648	\$ 23.113
Transmission Assets	17.146	17.214	17.289
Gas Storage Assets	2.844	2.871	3.422
Manufactured Gas Assets	0.036	0.028	0.028
General Assets	3.246	3.290	3.403
In-Lieu	13.819	13.703	13.465
OGC Fees	0.234	0.289	0.295
Total Property Taxes	\$ 60.424	\$ 59.043	\$ 61.015

Forecast Change 3.3%

- **Distribution Assets.** Property taxes on distribution assets are forecast to increase by 7.0 percent based on forecast increases in material and labour prices. Annual assessable additions were estimated at \$8 million.
- **Gas Storage.** FEI anticipates a change in classification of the former Northwood Hardwood site on Tilbury Island from Business/Other and Light Industrial to Utility with the commencement of construction of LNG facilities. This results in tax rates increasing from approximately \$18.50 to \$57.00 per \$1,000.
- **OGC Fees.** In 2014 the OGC changed its annual pipeline charge structure by adding a new Class C category for pipeline 24 inches or more. Rates for Class C pipe increased from \$60 per kilometre to \$200 per kilometre. The rate for pipelines less than 6 inches remained unchanged at \$50 per kilometre and for pipeline 6 inches or greater and less than 24 inches was unchanged at \$60 per kilometre.

Any variances from the forecast of property taxes included in rates will be recorded in the Flow-through deferral account and returned to or collected from customers in the following year.

2

3 41.1 Why are 2014 property taxes of Distribution Assets projected to be approximately
4 \$1.4 million lower than Approved?

5

6 **Response:**

7 Please refer to the response to BCOAPO IR 1.20.1.

8

9



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1
2 41.2 When does FEI anticipate the construction of LNG facilities on Tilbury Island to
3 commence?

4
5 **Response:**

6 Construction relating to the expansion of the LNG facilities on Tilbury Island commenced in
7 October 2014.

8



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1 **42.0 Reference: Exhibit B-1-1, Page 62 and Exhibit B-1, Page 64**

2 The PBR Decision (at page 124) stated that the inclusion of symmetric earnings sharing is
 3 beneficial to both FEI and its customers and approved an earnings sharing mechanism where
 4 gains and losses are shared equally between FEI and customers. As described below, FEI is
 5 projecting O&M savings in 2014 and, as a result, FEI proposes to distribute \$3.341 million to
 6 Mainland customers in 2015 via a rate rider.

33	Total before tax Sharing Amount	(6.665)	Line 15 + Line 30
34	Sharing percentage	50%	G-138-14
35			
36	Earnings Sharing	<u>(3.332)</u>	Line 33 x Line 34
37	CMAE Adjustment	<u>(0.009)</u>	
38	Total Earnings Sharing Returned to Customers	<u>(3.341)</u>	Line 36 + Line 37

2

3 42.1 Please confirm or otherwise explain that, not accounting for the CMAE
 4 adjustment, the Earning Sharing Mechanism as proposed would provide for the
 5 'equal sharing' of \$6.665 million between the Shareholder and the ratepayer, with
 6 ratepayers receiving \$3.332 million over the course of 2015 and the shareholder
 7 retaining \$3.333 million which was collected but not expended over the course of
 8 2014.

9

10 **Response:**

11 Please refer to the response to CEC 1.42.3. During the PBR term, customers benefit from 100
 12 percent of the productivity factor built into rates and also one-half of any savings achieved in the
 13 O&M and capital expenditures under the PBR formula each year during the PBR term.

14

15

16

17 42.2 While accepting that the bill adjustment will catch up 2015 delays in the bill
 18 adjustment, please confirm or otherwise explain that the ratepayers share of the
 19 ESM rewards (\$3.332 million) would, but for the proposed June 2015 rate
 20 adjustment, otherwise be distributed to the ratepayers equally over 12 one
 21 month periods. Please clarify if billing periods differ between rate classes and if
 22 this creates a difference in the distribution time frames.

23

24 **Response:**

25 This is not confirmed.



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1 If FEI did not adjust for the difference between interim and permanent rates by a bill adjustment,
2 FEI would collect the difference from customers on a prospective basis, consistent with
3 historical practice before FEI's new CIS enabled FEI to complete a bill adjustment. That is, FEI
4 would calculate what a required rider amount would be to collect the difference between interim
5 and permanent rates over the remaining months in 2015. Then FEI would add this rider to
6 customers' bills starting the date of implementation of permanent rates. This would result in
7 both the higher permanent rates and the difference between interim and permanent rates being
8 collected from customers in the latter part of the year.

9 There are 20 different billing cycles (periods) per month, with different customers from different
10 rate classes in each billing cycle. Billing cycles are not rate class specific. On average, all
11 customers do receive 12 bills per year; however minor exceptions may result from accounts with
12 bill adjustments.

13

14

15

16 42.2.1 Please identify the periods for each rate class.

17

18 **Response:**

19 Please refer to the response to CEC IR 1.42.2. Billing cycles (periods) are not rate schedule
20 specific.

21

22

23

24 42.3 Please calculate, and provide calculations and all assumptions, the NPV of the
25 2014 earnings sharing mechanism to the shareholder over 2014 and 2015. In
26 addition to any other considerations identified by FEI, please account and
27 provide figures separately for:

28 a) the time value to January 1, 2014 of the cash flow acquired through rates
29 and not expended during 2014, (i.e. \$6.665 million not expended during
30 2014) and

31 b) the time value to January 1, 2014 of disbursements (ratepayer Earnings
32 Sharing monies of \$3.332 million) distributed by FEI over the course of 2015
33 by way of rate-rider.

34

35 **Response:**



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1 This response also addresses CEC IRs 1.42.4, 1.42.5, 1.42.6 and 1.42.6.1.

2 The approved earnings sharing mechanism includes the use of a rate base deferral account. In
 3 addition to the disbursement of the sharing amount, using a rate base deferral account means
 4 that carrying costs are accounted for and that both the shareholder and the customer are kept
 5 whole in this regard. That is, if the Company has achieved incentive earnings to be shared with
 6 customers, one half of this amount is put in a deferral account and included in rate base in the
 7 following year. In the case of an amount owing to customers, this reduces rate base and
 8 subsequently the delivery rates of customers by the amount of the carrying costs. As such,
 9 there is no need to provide additional interest to customers as suggested in CEC IR 1.42.5.

10 This is demonstrated in the table below which shows that the minor carrying cost benefit to
 11 shareholders in year 2014 is substantially equal to the delivery rate benefit to customers in year
 12 2015 on both a nominal dollar (lines 9 and 19) and present value (lines 11 and 21) basis.

(\$000)

<u>Line</u>	<u>No.</u>	<u>Particulars</u>	<u>2014</u>	<u>2015</u>	<u>Reference</u>
	1	Shareholder a)			
	2	Before Tax Sharing Amount	\$ 6,665		Table 10-1, Line 33
	3	Tax	(1,733)		- Line 2 x 26%
	4	Net of Tax amount	<u>\$ 4,932</u>		Line 2 + Line 3
	5	Net of Tax amount (Mid year)	\$ 2,466		Line 4 / 2
	6	Equity Ratio	<u>38.50%</u>		G-75-13
	7	Equity Component	\$ 949		Line 5 x Line 6
	8	ROE	<u>8.75%</u>		G-75-13
	9	Shareholders Equity collected above required	\$ 83		Line 7 x Line 8
	10	Shareholders after tax discount rate	<u>8.75%</u>		G-75-13
	11	PV Shareholders Equity collected above required	<u>\$ 76</u>		Line 9 / (1 + Line 10) ^ 1
	12				
	13	Customer b)			
	14	Reduction in Rate Base from ESM Deferral	\$ 3,332		Table 10-1, Line 36
	15	Tax	(866)		- Line 14 x 26%
	16	Net Reduction in Rate Base	<u>\$ 2,466</u>		Line 14 + Line 15
	17	Mid Year	\$ 1,233		Line 16 / 2
	18	Return on Rate Base	<u>7.00%</u>		Table 8-2
	19	Reduction in Financing Costs (costs not in Customers Rates)	\$ 86		Section 11, Schedule 3, Line 39
	20	Customers Discount Rate	<u>5%</u>		Assumption
	21	PV Customers Reduction in Financing Costs	<u>\$ 78</u>		Line 19 / (1 + Line 20) ^ 2

13

14 The analysis assumes that the total before sharing amount of \$6.665 million accumulated
 15 evenly throughout the year. However, in fact it is not possible to calculate how the \$6.665
 16 million actually accumulated. It may have accumulated evenly throughout the year, in the latter
 17 half of the year or all in one quarter and as such the actual carrying cost benefit to the
 18 shareholder of this amount cannot be determined.



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1 Additionally, the analysis makes the simplifying assumption that the 2015 savings for customers
2 is equally distributed throughout the year. However, since a volumetric rate is used to distribute
3 the savings, customers will likely receive more of the sharing amount in the winter months and
4 less in the summer months and as such, the analysis shown above may slightly understate the
5 customer benefit. The discount rate that FEI has used for the customer benefit in 2015 is a high
6 level assumption and is meant to represent an average borrowing rate.

7
8

9
10 42.4 Please calculate, and provide the calculations for, the NPV of the Earnings
11 Sharing cash flows to ratepayers by way of rate rider in 2015.

12

13 **Response:**

14 Please refer to the response to CEC IR 1.42.3.

15
16

17
18 42.5 Would FEI consider it reasonable to provide interest to customers for the
19 Earnings Sharing to the extent that they are not provided in full at the beginning
20 of 2015? Please explain why or why not.

21

22 **Response:**

23 Please refer to the response to CEC IR 1.42.3.

24
25

26
27 42.6 Please identify any benefit the shareholder may retain based on the time value of
28 funds related to ESM savings holdings before distribution.

29

30 **Response:**

31 Please refer to the response to CEC IR 1.42.3.

32
33



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42.6.1 If there is no benefit, please explain how this is achieved.

Response:

Please refer to the response to CEC IR 1.42.3.



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1 **43.0 Reference: Exhibit B-1, Page 65**

As part of the 2015 Annual Review to set 2016 delivery rates, the earnings sharing for 2014 will be subject to a true-up. This true-up will account for the actual O&M and capital expenditure amounts for 2014, as well as any impacts associated with non-performance of Service Quality Metrics, based on final 2014 results.

2

3 43.1 When will FEI have the final results available for 2014?

4

5 **Response:**

6 The 2014 actual results will be finalized in the annual reports which are filed with the
7 Commission on April 30, 2015.

8 In future annual review processes, FEI will file its annual review materials to determine the
9 following year's delivery rates in the fall. This filing will of necessity include projections of year-
10 end results for all revenue requirement items. These projections will be utilized to calculate the
11 earnings sharing and flow-through variance amounts for that year that will be returned to or
12 recovered from customers in the following year's delivery rates.

13 Since FEI is unable at this time to provide final actual results, FEI will true up its earnings
14 sharing and flow-through variance amounts in its next annual review to set 2016 delivery rates,
15 as will be the normal practice throughout the remaining years of the PBR term.

16

17

18

19 43.2 When will the true-up be undertaken and available to the Commission and
20 Interveners?

21

22 **Response:**

23 Please refer to the response to CEC IR 1.43.1.

24

25

26

27 43.2.1 If FEI anticipates a delay in the time the true-up is undertake and the
28 time the Final Results are available to interveners and the Commission,
29 why is this lag necessary?

30



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- 1 **Response:**
- 2 Please refer to the response to CEC IR 1.43.1.
- 3

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1 **44.0 Reference: Exhibit B-1, Pages 106 and 107**

GAAP). In January 2014, the Ontario Securities Commission (OSC) issued a relief order which permits FEI to continue to use US GAAP until the earliest of January 1, 2019, or the effective

date prescribed by the International Accounting Standards Board (IASB) for the mandatory application of a standard within IFRS specific to entities with activities subject to rate regulation. In July 2015, the BCUC approved, pursuant to Order G-83-14, FEI to continue using US GAAP for regulatory purposes effective January 1, 2015, until such time that FEI no longer has an OSC exemption to use US GAAP or is no longer reporting under US GAAP for financial reporting purposes, whichever is earlier.

As such, if the OSC exemption is no longer available for the Company, FEI will investigate the options of becoming an SEC Issuer in order to continue using US GAAP, or adopting International Financial Reporting Standards (IFRS). Either becoming an SEC Issuer or adopting IFRS will require incremental processes and costs; however, it is expected that IFRS would be the more costly of the two options. At this point in time, FEI expects that it would continue to use US GAAP.

If it is necessary for FEI to become an SEC Issuer in order to continue using US GAAP, an update on the process and the forecast costs of becoming an SEC Issuer will be provided as part of a stand-alone application to the BCUC.

2

3 44.1 Does FEI have any reason to anticipate that the IASB will prescribe mandatory
4 application of a standard prior to the end of the PBR period or the OSC
5 exemption will end for some other reason?

6

7 **Response:**

8 FEI notes an error in the referenced excerpt from the Application. It was in July of 2014, and
9 not July of 2015, that the BCUC approved the continued use of US GAAP for regulatory
10 purposes effective January 1, 2015.

11 Based on current circumstances, FEI does not have reason to anticipate that the IASB will
12 prescribe mandatory application of a standard prior to the end of the PBR period. However, the
13 current OSC exemption is scheduled to expire at the start of the final year of the PBR period,
14 January 1, 2019. Should the OSC exemption, whether temporary or permanent, not continue to
15 be available for FEI, the Company will investigate the option of becoming an SEC Issuer prior to
16 the end of PBR in order to continue using rate-regulated accounting under US GAAP.

17 The reason that FEI does not anticipate a mandatory application of a standard prior to the end
18 of PBR is that the integration of rate regulated activities into IFRS has been a long, ongoing
19 process. The IASB has been researching rate-regulated activities since 2008. In 2013 the
20 IASB initiated a comprehensive project on rate-regulated activities. However, there is currently
21 no definitive indication of what the outcome of the research project will be, whether a mandatory
22 IFRS standard will be released by the IASB as a result of this project prior to the end of the PBR



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1 period, or what the mandatory effective date of any new IFRS standard may be. In January
2 2014, interim standard IFRS 14, *Regulatory Deferral Accounts*, was published which permits
3 first-time adopters of IFRS to continue to use rate-regulated accounting in accordance with their
4 previous GAAP requirements, with some presentation differences. This interim standard, IFRS
5 14, was meant to provide temporary guidance until the IASB completes its comprehensive
6 project on rate-regulated activities. The most recent activity taken by the IASB was to release a
7 Discussion Paper, *Reporting the Financial Effects of Rate Regulation*, in September 2014. The
8 Discussion Paper was open to public comment until January 15, 2015, and an IASB meeting to
9 present the initial analysis of the comment letters occurred on February 18, 2015. There is no
10 definitive timetable published for further activities of this research project.

11
12

13

14 44.1.1 If yes, please provide the reason FEI anticipates that the exemption will
15 no longer be available to the company.

16

17 **Response:**

18 Please refer to the response to CEC IR 1.44.1.

19

20

21

22 44.2 Will FEI request a deferral account for costs related to becoming an SEC issuer?
23 Please explain why or why not.

24

25 **Response:**

26 It would be normal practice for FEI to request a deferral account for these types of costs, but
27 FEI will determine its approach at the time of any such application.

28



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1 **45.0 Reference: Exhibit B-1, Page 110**

As of November 30th, 2014, all customers that consumed gas during the refund period and have active accounts on the system have been issued their refunds through a credit on their bills. Customers with inactive accounts are still being investigated with refunds returned to customers as they are located. The pre-tax balance remaining to be returned to customers, including interest, is approximately \$0.021 million (\$0.015 million after tax).

FEI believes it will still be able to locate some additional inactive customers and plans to continue its efforts in this regard in 2015 and return any amounts owed to them once the customer is found. If there is a balance remaining in the account at the end of 2015 for customers that could not be located, FEI will request disposition of the balance at that time.

2

3 45.1 How many customers does FEI have left to locate?

4

5 **Response:**

6 FEI has approximately 250 customers it is still attempting to locate.

7

8

9

10 45.2 How does FEI expect to dispose of the balance of funds at the end of 2015?

11

12 **Response:**

13 FEI will make its recommendation on the disposition of the balance in a future Annual Review
14 filing. At this time FEI expects that the balance remaining in the deferral account will be minimal
15 and that it will request disposition through amortization of the remaining balance to all
16 customers.

17

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1 **46.0 Reference: Exhibit B-1, Page 112**

Table 12-3: 2014 Flow-through Deferral Account Additions (\$ millions)

Line No.	Particulars (1)	FEI APPROVED G-138-14 (2)	FEI PROJECTED (3)	Flow-Through Variance (4)
1	Delivery Margin			
2	Residential	\$ (368.636)	\$ (370.385)	\$ (1.749)
3	Commercial	(174.440)	(179.113)	(4.673)
4	Industrial	(80.852)	(76.174)	4.678
5				
6	O&M Tracked outside of Formula			
7	Insurance	4.990	4.948	(0.042)
8	Bio-Methane	0.590	0.753	0.163
9	Bio-Methane O&M transferred to BVA	(0.570)	(0.741)	(0.171)
10	NGT O&M	0.433	0.484	0.051
11	RS 16/46 O&M	0.376	0.550	0.174
12				
13	Property and Sundry Taxes	48.797	47.554	(1.243)
14				
15	Depreciation and Amortization	154.280	154.680	0.400
16				
17	Other Operating Revenue	(24.567)	(25.166)	(0.599)
18				
19	Interest Expense	109.788	110.127	0.339
20				
21	Income Taxes	41.517	41.356	(0.161)
22				
23	After-Tax Flow-Through			(2.833)

2

3 46.1 Do any of the Flow-through Deferral Accounts attract interest?

4

5 **Response:**

6 Table 12-3 provides a breakdown of the additions to the flow-through deferral account by cost
 7 type, but there is only one Flow-through Deferral Account. In accordance with BCUC Order G-
 8 162-14, the deferral account activity is allowed to accrue carrying charges equal to the approved
 9 weighted average cost of capital. The calculation is applied monthly based on the average mid-
 10 month balance of the deferral account.

11

12

13

14 46.1.1 If yes, please identify the accounts which attract interest and how the
 15 interest is calculated and applied.

16



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1 **Response:**

2 Please refer to the response to CEC IR 1.46.1.

3

4

5

6 46.1.2 If no, why not?

7

8 **Response:**

9 Please refer to the response to CEC IR 1.46.1.

10

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1 **47.0 Reference: Exhibit B-1-1, Page 116**

2 As future Annual Reviews are expected to occur in the Fall of the year, FEI expects that the SQI results for future years will be reviewed in the normal course at the following year's Annual Review, at the same time that the actual O&M and capital numbers and final earnings sharing will be calculated for the prior year. For example, FEI expects that 2015 SQI results will be reviewed in the Annual Review to set 2016 delivery rates.

2

3 47.1 How many months of information will be included in the SQI results at the Annual
4 Review to set 2016 delivery rates?

5

6 **Response:**

7 With an expected Fall 2015 (i.e. mid-September) filing date for the 2015 Annual Review, there
8 likely will be eight months of actual SQI results available, sufficient to provide an indicator of the
9 SQI's expected performance for the year. Full year SQI results for 2015 will be available in the
10 2016 Annual Review in the Fall of 2016.

11 As actual SQI results for 2015 will not be known at the time of the Annual Review to set 2016
12 delivery rates, it would be premature to evaluate the 2015 SQI results in that process. Instead,
13 as indicated in the preamble to the IR, FEI expects that actual SQI results will be reviewed in
14 the following year's annual review.

15

16

17

18 47.2 To the extent that 2015 SQI results will be preliminary at the Annual Review for
19 2016 rates, when will FEI update the results to reflect the full 2015 period?

20

21 **Response:**

22 Please refer to the response to CEC IR 1.47.1.

23

24

25

26 47.3 What recourse will interveners and the Commission have if the results are
27 significantly different than that presented at the annual review?

28



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1 **Response:**

2 As indicated in the preamble to the IR, FEI expects that actual SQI results will be reviewed in
3 the following year's Annual Review. FEI expects that the two-phase process for examination of
4 SQI results as outlined in the Commission approved Consensus Recommendation will be
5 applied.

6



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1 **48.0 Reference: Exhibit B-1-1, Page 117 and Exhibit B-1, Page 4**

14 Over the past eight years, there has been a slight negative trend in performance as it is
 15 becoming increasingly challenging to respond to emergencies. There are many variables
 16 affecting the response time including time of day (during business hours or after business
 17 hours), number and type of events, available resources, location (travel times and traffic
 18 congestion) and weather conditions. FEI sets its staffing levels to meet its operational
 19 requirements activities (i.e., meter exchange appointments) and to respond to emergency calls
 20 as required. From 2010 to 2014, FEI has maintained a stable customer service technician
 21 staffing level (i.e., technicians are generally first responders to emergencies). FEI is targeting to
 22 improve results through changes to technician shift schedules to provide more emergency
 23 response capacity in the late afternoon and early evening. Most of the changes require union
 24 notification and agreement and cannot come into effect until 2015.

Contributing to the O&M savings in 2014 is FEI's Regionalization initiative, which is aimed at both enhancing the customer experience and achieving a more efficient process in the field. Throughout 2014, Operations moved certain aspects of its centralized operational activities into regional locations. In particular, the Field Dispatch and Planning and Design groups are now located within their regional locations. The transition to a regional operations model has also resulted in eight emergency centres around the province instead of one large central emergency centre. These changes have enabled quicker decision making, and have been found to be more cost-effective and to serve customers better.

2

3 48.1 Please provide the Emergency Response Time performance over the last 10
 4 years.

5

6 **Response:**

7 Emergency Response Time performance is shown in the table below:

2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual
n/a	n/a	98.8%	98.9%	97.7%	97.7%	97.9%	97.4%	97.4%	96.7%

8

9 Due to dispatching system changes, comparable data for 2005 and 2006 is unavailable.

10

11

12

13 48.2 Does FEI anticipate that the Emergency Response Time performance will
 14 improve to Benchmark levels in 2015? Please explain why or why not.

15



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1 **Response:**

2 Yes. FEI anticipates that the Emergency Response Time performance will improve in 2015. The
3 1pm-9pm shift in the Lower Mainland will help provide emergency coverage and response in the
4 region which has the majority of the emergency call volume.

5
6

7

8 48.3 Please explain why it is becoming increasingly challenging to respond to
9 emergencies.

10

11 **Response:**

12 It is increasingly challenging to respond to emergencies due to population growth, densification
13 and the resultant increase in traffic on the roads.

14

15

16

17 48.4 In what ways, if any, have the variables affecting response time changed over
18 the past eight years such that there has been a negative trend in performance?
19 In particular please address changes in 'available resources' along with the other
20 variables mentioned.

21

22 **Response:**

23 The primary variables affecting response time have been population growth, densification and
24 increase in traffic on the roads. The increase in traffic has directly reduced the availability of
25 resources due to the associated increase in customer service technician (CST) time spent
26 driving. Please refer to the response to CEC IRs 1.48.5 and 1.48.5.1 regarding FEI's
27 maintenance of a stable CST staffing level.

28

29

30

31 48.5 Does the stable customer service technician staffing level mean that the same
32 number of technicians have been employed, or that a stable number of
33 technicians per customer or customer account have been employed or other
34 meaning? Please clarify.



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1

2 **Response:**

3 Stable CST staffing level means that the number of technicians per customer has been
4 relatively the same.

5

6

7

8 48.5.1 Please provide the number of customer service technicians, and the
9 number of customer service technicians per customer over the last 10
10 years.

11

12 **Response:**

13 The number of CSTs and the number of CSTs per customer over the last 10 years is provided
14 in the table below.

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Number of CSTs	140	125	136	149	144	147	151	155	153	146
Number of customers	890,357	904,779	918,633	931,448	939,579	948,972	956,420	945,211	955,761	967,452
CST per Customer	0.00016	0.00014	0.00015	0.00016	0.00015	0.00015	0.00016	0.00016	0.00016	0.00015

15

16

17

18 48.5.2 Does FEI intend to maintain a stable customer service technician
19 staffing level in 2015? Please explain why or why not.

20

21 **Response:**

22 Yes. FEI intends to maintain a stable CST staffing level in 2015 as the volume of work is also
23 expected to remain relatively stable.

24

25

26

27 48.5.2.1 If not, in what ways does FEI expect to change the customer
28 service technician staffing level? Please provide quantification.



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Response:

Please refer to the response to CEC IR 1.48.5.2.

48.5.3 As customer service technicians are responsible for both meter exchange appointments and emergency response, in what ways does FEI anticipate that rescheduling shifts to improve emergency response times will impact the meter exchange appointments?

Response:

FEI does not expect an impact to meter exchange appointments. The CSTs working the 1 pm to 9 pm shift do not have scheduled meter exchange appointments and are primarily trouble call (emergency response) resources.

48.5.3.1. Is the time of day for a meter exchange appointment relevant to the customer, or does this typically occur without customer interaction? Please explain.

Response:

Yes. Time of day for a meter exchange appointment is relevant to the customer as CSTs enter the customer's premise in order to relight impacted appliances after the meter exchange. Customers are contacted by call centre representatives to schedule the day and time of the meter exchange.

48.6 Will the shift changes likely create an increase or decrease in costs?



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1 **Response:**

2 The shift change is expected to decrease costs through reduced after hours (overtime)
3 emergency call-outs.

4
5

6
7 48.6.1 If so, please quantify.

8
9

9 **Response:**

10 All other things being equal (weather, volume, type and timing of work, etc), the shift change is
11 expected to decrease costs (after-hours overtime and daytime standby). An estimate of 2015
12 cost savings is unavailable at this time as there is limited (only one month) data available to
13 compare the current shift arrangement to the 2014 shift arrangement.

14
15

16
17 48.7 Has FEI contacted and received union agreement as of yet?

18
19

19 **Response:**

20 FEI met with the union representatives in a Joint Consultative Committee (JCC) and notified the
21 union of the change. The shift changes were implemented in January 2015.

22
23

24
25 48.7.1 If FEI has not contacted the union yet, please explain why not.

26
27

27 **Response:**

28 FEI has contacted union representatives.

29
30

31



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1 48.9.1 If yes, please explain who these first responders may also be and
2 provide a rough approximation of the proportion of calls they might
3 respond to.

4
5 **Response:**
6 CSTs are the main first responders for the majority of emergency calls (approximately 90
7 percent). Other employees such as Distribution Service Agents (4 percent), Construction Crews
8 (4 percent) and Pressure and Measurement Technicians (1 percent) are also first responders to
9 emergencies.

10

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1 **49.0 Reference: Exhibit B-1-1, Page 118**

The three year rolling average of the annual results including 2014 results was 2.22, which is within the performance range (the benchmark is 2.08 and the threshold is 2.95). The three year rolling average was negatively affected by the 2013 annual AIFR result of 3.02 when the Company experienced a number of ergonomic related injuries linked to work-related hazards (i.e., slips, trips and falls). The Company continues to focus on this area of improvement through its efforts on proactive safety management and increasing ergonomic and safety awareness with its employees. In 2014, AIFR has improved with the annual results at 1.73 and better than the benchmark of 2.08.

2

3 49.1 Please provide the three year rolling average results for the last 5 years.

4

5 **Response:**

6 The three-year rolling average results for the past 5 years are provided in the table below:

2008-2010	2009-2011	2010-2012	2011-2013	2012-2014
2.26	2.27	2.08	2.20	2.22

7

8

9

10

11 49.2 What would be the result of the three year rolling average now, if 2013 was excluded (i.e., 2011, 2012, 2014)?

12

13

14 **Response:**

15 The three rolling average for 2011, 2012 and 2014 would be 1.77.

16

17

18

19 49.3 Given the improved performance in 2014, what performance would FEI need to achieve in 2015 to bring the three year rolling average into the benchmark range?

20

21

22

23 **Response:**

24 The performance required in 2015 to bring the rolling average into the benchmark range of 2.08 - 2.95 would be an AIFR of 1.49 – 4.1.

25

26



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1 **50.0 Reference: Exhibit B-1-1, Page 119**

2 contributed to the improved performance. The increase in BC One calls is related to increased
3 funding of the BC One Call program which has raised awareness.

3 50.1 What was the original funding of the BC One Call program and what was the
4 increase?

5
6 **Response:**

7 BC One Call is a not for profit corporation supported by its member companies who, in the
8 interest of safety and damage prevention, pay a fee for each notification they receive. FEI is a
9 member of BC One Call.

10 FEI has interpreted this question to be requesting a comparison of the funding provided to BC
11 One Call in 2014 with that provided in 2013. FEI makes payments on a quarterly basis; the
12 2014 payments totaled \$305 thousand the 2013 payments totaled \$268 thousand.

13 In addition to the funding provided to BC One Call, FEI has a Call Before You Dig media
14 campaign (radio, print and digital) throughout its service area. For this program, FEI spent \$388
15 thousand in 2014 as compared to \$308 thousand in 2013. Based on year end ad tracking
16 results for 2014, FEI saw an increased number of calls for a ticket before people began to dig
17 and increased knowledge of utilities being underground.

18



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1 **52.0 Reference: Exhibit B-1-1, Page 120 and Exhibit B-1, Page 3**

2014 performance was 97 percent, better than the benchmark of 95 percent approved by the Commission. 2014 marks the second year of this service being provided by FEI's current third party provider. Performance in 2013 was at 92.5 percent, which was lower due to the transition period for the new meter reading contractor. Factors influencing this SQI's performance include the resources available, system issues impacting the Company's billing system or the reading collections systems, training and the quality of training provided to meter readers, weather conditions including road and highway conditions and traffic related issues.

6	Assess and make recommendations with respect to any SQIs that should be reviewed in future Annual Reviews. For example, stakeholders are to review the usefulness of continuing with the Billing Index and Meter Reading Accuracy SQIs.	FEI does not have any recommendations for new SQIs or the discontinuation of SQIs at this time
---	---	--

2

3 52.1 Does FEI's contract with the third party provider extend throughout the PBR
4 term?

5

6 **Response:**

7 The current term of the contract expires at the end of 2015 with two one-year renewals possible
8 for 2016 and 2017.

9

10

11

12 52.1.1 If no, when does the contract with the third party provider terminate?

13

14 **Response:**

15 Please refer to the response to CEC IR 1.52.1.

16

17

18

19 52.1.2 If no, does FEI expect to continue to use the same third party provider
20 over the remainder of the PBR term? Please explain why or why not.

21

22 **Response:**

23 FEI expects to continue with the same third-party service provider over the remainder of the
24 PBR term, but renewal of the contract is not certain after 2015 as the original term expires.

25



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1 **53.0 Reference: Exhibit B-1-1, Pages 121 and 121**

2014 performance was 74.9 percent, better than the benchmark of 70 percent approved by the Commission. Similar to the TSF (Emergency), this is a measure of how well the Company can

The 2014 result was consistent with the performance observed in recent years since the repatriation of the call centre function starting in 2012 from its previous third party provider (i.e., 76 percent in 2012, 73 percent in 2013). The 2014 result has been achieved with the Company targeting 75 percent as the benchmark, the service level in place prior to the Commission approving the revised target of 70 percent in mid-September 2014. In future years, actual results may be lower than that observed in the past, reflective of the revised target of 70 percent approved by the Commission.

2

3 53.1 Has FEI already undertaken changes that may affect the performance level or is
4 this yet to be determined?

5

6 **Response:**

7 When the benchmark of 70 percent was approved by the Commission, FEI revised staffing
8 levels to align performance to the new service level target.

9

10

11

12 53.2 If FEI has already undertaken changes that may affect the performance level,
13 please describe the changes and quantify any savings that may have been
14 achieved.

15

16 **Response:**

17 Prior to receiving the Commission's decision in August of 2014, Contact Center planning was
18 targeted to meet the existing 75 percent benchmark. In response to the new benchmark of 70
19 percent, scheduling of staff at the Contact Centers has been adjusted to meet the service level
20 target based on forecasted call volumes. The new staffing levels are expected to achieve
21 savings of \$50,000 annually, starting in 2015. These savings relate to a reduction in the
22 utilization of part time and temporary staff hours during peak call volume times which are
23 typically Monday mornings and the mornings during the first week of each month. 2014 had
24 lesser savings of approximately \$20,000 due to the change being later in the year.

25

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1 **54.0 Reference: Exhibit B-1, Page 122**

The Customer Satisfaction Index, an informational indicator as approved by the Commission, measures overall customer satisfaction with the Company. The index reflects customer feedback about important service touch points including the contact centre, perceived accuracy of meter reading, energy conservation information and field services. The Index includes feedback from both residential and mass market commercial customers.

The 2014 year-end average index score was 8.5, up slightly from previous years. In comparison, year-end results for both 2012 (when the study was first introduced), and 2013 were stable at 8.3.

In 2014, especially strong results were achieved for contact centre service, which rose from an average 8.2 in 2013 to 8.5 in 2014. Both field services and perceived accuracy of meter reading recorded higher scores than those recorded in the previous year. Field service was up from an average 8.9 in 2012 and 2013, to 9.2 in 2014. The average score for the accuracy of meter reading rose from 7.9 in 2013 to 8.1 in 2014. Satisfaction with energy conservation information remained stable at 7.6.

2

3 54.1 Please explain what is meant by 'mass market commercial customers'.

4

5 **Response:**

6 'Mass market commercial customers' are those on Rate Schedules 2 (Small Commercial
7 Service), 2B (Small Commercial Biomethane Service) and 2U (Small Commercial Commodity
8 Unbundling Service).

9

10

11

12 54.2 Were there any areas which experienced a decline?

13

14 **Response:**

15 There were no areas that experienced a decline.

16

17

18

19 54.2.1 If yes, please identify and provide the change in results.

20

21 **Response:**

22 Please refer to the response to CEC IR 1.54.2.

23



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1 **55.0 Reference: Exhibit B-1, Page 123**

The Telephone Abandon Rate, an informational indicator as approved by the Commission, measures the percent of calls abandoned by the customer before speaking to a customer service representative. Abandon rates can be due to waiting times, or due to customers receiving their required information through informational messages in our Interactive Voice Response (IVR) system such that the customer no longer needs to speak to an agent.

The 2014 result was 1.8 percent and consistent with the Company's prior years' results (i.e., 2012 at 2.2 percent and 2013 at 2.1 percent).

2

3 55.1 Please provide any understanding FEI might have as to whether the slight
4 decline in Telephone Abandon Rate is due to call waiting times or through the
5 informational messaging, and consider any changes that may have occurred in
6 wait times.

7

8 **Response:**

9 The slight decline in Telephone Abandon Rate decline, from 2.1 percent in 2013 to 1.8 percent
10 in 2014 is not considered significant. If the customer decides they no longer need to speak to
11 an agent, it is difficult to determine if the deciding factor is wait times or because the inquiry has
12 been resolved through another channel such as the interactive voice response (IVR) system or
13 account online.

14



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1 **56.0 Reference: Exhibit B-1, Page 123**

The Transmission Reportable Incidents metric, an informational indicator as approved by the Commission, measures the number of reportable incidents to outside agencies for transmission assets as defined by the Oil and Gas Commission (OGC). The metric is intended to be an indicator of the integrity of the transmission system.

The 2014 result was two reported incidents and consistent with recent years' historical results. In the past, the practice has been to report only on the higher pressure transmission events designated as serious. However, the OGC has new reporting criteria effective October 1, 2014, which require the Company to report on more incidents and events. As of October 1, 2014, the Company will be reporting Transmission Reportable Incidents based on the new OGC reporting criteria, including Level 1, 2, and 3 reportable incidents for both transmission and intermediate pressure assets that operate at a pressure exceeding 100 psi. This will include pipelines, mains, services, stations, LNG plants and compressor stations, but will exclude distribution assets that operate below 100 psi. This change in the OGC reporting criteria will likely increase the number of events reported going forward and will limit the comparability of historical performance data for this metric.

2

3 56.1 Were the two incidents reported pursuant to the old criteria or the new criteria?
4 Please explain.

5

6 **Response:**

7 They were reported pursuant to the new criteria. Please refer to the response to BCSEA IR
8 1.3.1.

9

10

11

12 56.2 Has the company reported incidents yet as a result of the new reporting criteria?

13

14 **Response:**

15 Yes. Please refer to the response to BCSEA IR 1.3.1.

16

17

18

19 56.2.1 If yes, please provide the number of reported incidents, and whether
20 they occurred in 2014 or 2015.

21



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1 **Response:**

2 Two incidents were reported in the fourth quarter of 2014 after the reporting criteria changed.

3

4

5

6 56.3 Does FEI have the incident history available that conforms to the new reporting
7 criteria so that historical comparisons can be made?

8

9 **Response:**

10 The information was tracked differently prior to October 1, 2014. FEI does not have incident
11 history based on the new reporting criteria. Historical comparisons therefore cannot be made.

12

13

14

15 56.3.1 If yes, please provide the incident history that conforms to the new
16 criteria for the last 5 years.

17

18 **Response:**

19 Please refer to the response to CEC IR 1.56.3.

20



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1 **57.0 Reference: Exhibit B-1-1, Page 123**

The Leaks per KM of Distribution System Mains metric, an informational indicator as approved by the Commission, measures the number of leaks on the distribution system per KM of distribution system mains. The metric is intended to be an indicator of the integrity of the distribution system. Each year, approximately one fifth of the distribution system is surveyed for leaks, with the number of leaks varying from year to year, depending on the condition of the pipe surveyed.

The 2014 result was 0.0059 and better than recent years' results (i.e., 2012 at 0.0085 and 2013 at 0.0075). Influencing the results is the condition of the distribution system as some sections of the pipeline system are more prone to leaks depending on soil conditions, age of the pipelines, pipeline material and the location of the pipeline. As the distribution system ages, the expected number of leaks may increase depending on the Company's pipeline renewal/replacement activities. Increases in leak survey activity levels will generally also result in a higher number of leaks detected.

2

3 57.1 Does FEI anticipate that the number of leaks will increase or does FEI intend to
4 maintain the pipeline renewal/replacement activities such that leaks do not
5 increase? Please explain.

6

7 **Response:**

8 Renewal/replacement activities are developed to renew/replace those distribution mains where
9 FEI's experience (i.e. leak history, pipe/coating reports, or other available information pertaining
10 to the condition of the main) indicates they are problematic and likely to leak in the future.
11 However, there is a significant amount of distribution mains in service for which FEI has only
12 minimal pipe and coating condition information, which presents a significant challenge when
13 attempting to predict the occurrence of future leaks. In addition, other factors such as the level
14 of construction activities, other third party activities, and the occurrence of natural hazards are
15 also very difficult to predict. Given these challenges, FEI is unable to determine the extent of
16 the impact pipeline renewal/replacement activities will have on the number of leaks experienced
17 in the future. However, pipeline renewal/replacement activities do result in both improved
18 customer safety and also lower replacement costs. Distribution mains considered susceptible to
19 leaks will be removed from the ground, and will be done so in a planned environment rather
20 than responding to an emergency.

21

22

23

24 57.2 Does FEI have any plans to either increase or decrease leak survey activity or is
25 leak survey activity prescribed? Please explain.

26



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1 **Response:**

2 FEI does not have any plans to either increase or decrease leak survey activity. Leak surveys
3 are prescribed in that they are required to be “regular” and the plans for the activity must be
4 documented. FEI has developed a company standard which documents the survey scope and
5 the minimum frequencies of leak surveys undertaken by FEI.

6