

FortisBC Inc.
2005 Revenue Requirements Application,
2005-2024 System Development Plan and 2005 Resource Plan

10.0 Reference: Main Application, Volume 1, Tab 4, page 6

Q10.1 Please explain why the “Allowance for Tax Audit” has increased from \$50 k in 2003 and 2004 to \$100 k in 2005.

A10.1 The increase in the allowance for tax audit is due to the overall increase in the size of the Company’s earnings, revenues and expenses. The \$50,000 allowance was the same amount used for many years and does not reflect the increase in the size of the Company’s operations.

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11.0 Reference: Main Application, Volume 1, Tab 4, page 8 and Tab 8, page 18

Q11.1 Please explain the basis for the 6.5% embedded cost attributed to Deemed Debt.

A11.1 Please refer to the response to BCUC IR1 Q80.5.

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12.0 Reference: Main Application, Volume 1, Tab 6, page 6

Q12.1 Please provide a schedule, with the same level of detail as Table 6.2B, that contrasts:

- **The forecast capital expenditures and additions for 2004 – as forecast for the Negotiated Settlement for the 2004 Revenue Requirement with**
- **The forecast capital expenditures and capital additions for 2004 – as included in the 2005 Revenue Requirement Application.**

A12.1 Please refer to the response to BCUC IR1 Q29.11.

Q12.2 With respect to the schedule provided in response to 12.1, please provide an explanation of any material variations.

A12.2 Please refer to the response to BCUC IR1 Q29.11.

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13.0 Reference: Main Application, Volume 1, Tab 6, pages 7 & 9

Q13.1 Please explain the “Plant Acquisition Adjustment” line item in Table 6.2D and the basis for the associated annual \$186 k in amortization (Table 6.3B).

A13.1 Please refer to the response to BCUC IR1 Q29.8.

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14.0 Reference: Main Application, Volume 1, Tab 6, pages 9 & 12 and Tab 4, page 3

Q14.1 Please reconcile the total depreciation charges shown in Tab 4 (\$16,805 k) for 2004 with the sum of the depreciation (\$15,007 k) and deferred charges (\$1,847 k) shown in Tab 6 for 2004 (Total - \$16,854 k).

A14.1 The 2004 values shown in the Revenue Requirements Analysis at Page 3 of Tab 4 (\$16,805) is the depreciation expense as approved via Order No. G-38-04. The 2004 forecast is \$16,854. The composition of the two numbers is shown below:

	(\$000s)		
	Approved	Forecast	
	<u>(Tab 4 P. 3)</u>	<u>(Tab 6 Pp 9 & 12)</u>	<u>Difference</u>
Depreciation of Plant and Equipment	14,969	15,007	38
Amortization of Deferred Charges	<u>1,836</u>	<u>1,847</u>	<u>11</u>
Total	16,805	16,854	49

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15.0 Reference: Main Application, Volume 1, Tab 6, page 15

Q15.1 Please explain why Customer Loans (related to energy management) and Employee Loans are included in the Working Capital calculation as “funds unavailable”?

A15.1 Energy Management loans are included in the calculation as funds unavailable because they reflect a cash outlay by the Company that is recovered over time through customer payments. The mid-year balance therefore represents funds that would otherwise be available for other operating transactions. Note that the loans are not included in DSM expenditures recorded as Deferred Charges. Employee Loans also represent a receivable amount and are therefore treated in the same manner.

Q15.2 Is interest charged on these Customer and Employee Loans? If so, where and how is the interest revenue incorporated in the revenue requirement?

A15.2 Interest is charged on Customer DSM loans. The interest revenue was inadvertently omitted from the original 2005 Revenue Requirements Application, and should be included in Investment Income in Tab 8, Table 8.2.14. The forecast amount of DSM customer loan interest revenue for 2005 is \$185,000.

Interest is not charged on Employee loans.

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16.0 Reference: Main Application, Volume 1, Tab 6, page 16

Q16.1 Please provide further details on the change in payment periods for residential customers and its impact on the Tariff Revenue Lag.

A16.1 The residential discount forfeit rate structure in place prior to November 2004 allowed customers 14 days to remit payment. The change from a residential discount forfeit rate structure to a late payment charge system was approved by the BCUC for implementation effective November 1, 2004. The change resulted in the discounted price increasing by 1.45 percent. In recognition of this impact on customers, the payment period was extended from 14 to 30 days.

Please also refer to the response to BCUC IR1 Q36.6 for the impact of this change on Tariff Revenue Lag.

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17.0 Reference: Main Application, Volume 1, Tab 7.1, page 3

Q17.1 Please provide the equivalent to Table 7.0 – but based on the load forecast as presented and used in the 2003 Annual Review and 2004 Revenue Requirements Application (i.e., BCUC Order G-38-04).

A17.1 The comparison requested is provided below.

Energy values for the 2003 comparison are substantially as forecast. The increase in forecast energy values in 2004 reflects the strong growth which occurred to the date of the forecast in 2004, and as is discussed in the load forecast. (Volume 1, Tab 7.1).

The 2004 peak comparison is substantially the same. Forecast and actual peaks for 2003 are significantly different due to the lack of a “cold snap” in 2003.

Forecast and actual 2003 customer counts are substantially the same. The forecasts for 2004 exhibit significant differences due to the high growth rates experienced up to the date of the forecast in 2004, and as described in the load forecast.

Comparisons of Forecast and Actual

	<u>Per Order G-38-04</u>		<u>Actual V1 T7.1 P3</u>	
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
Sales (GWh)	2,847	2,890	2,839	2,939
Losses	<u>325</u>	<u>328</u>	<u>343</u>	<u>361</u>
Gross Load	3,172	3,218	3,182	3,300
Winter Peak (MW)	680	690	610	700
Total Customers	92,561	94,015	92,753	95,153

Q17.2 Please explain any material variances between:

- **The previously forecast values for 2003 versus the actual 2003 values, and**
- **The previously forecast values for 2004 versus the current forecast values for 2004.**

BCOAPO Information Request No. 1 to FortisBC Inc.

Request date: February 2, 2005

Response date: February 18, 2005

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A17.2 Please see the response to BCOAPO IR1 Q17.1.

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18.0 Reference: Main Application, Volume 1, Tab 7.1, page 4

Q18.1 Please confirm that as a result of the “new” forecasting methodology (Section 1):

- **The load forecast for the period 2005-2009 is higher than would have resulted using the previous methodology?**
- **The cumulative increase in load over the period 2005-2009 (as a result of the new forecasting methodology) is maintained for the years after 2009?**

A18.1 Please see the responses to BCUC IR1 Q38.

Q18.2 Please explain why it is reasonable to assume that the recent (and assumed continuing) increase in load relative to population will be permanent over the long term. Why should it not be considered a short term aberration that will “average out” over the long term?

A18.2 The suggested assumption was not made. Please refer to the attachment in the response to BCUC IR1 Q38.2

Q18.3 Please describe how the number of residential accounts was “further adjusted to take into account the strong growth” (Section 2.1).

A18.3 Please refer to the response to BCUC IR1 Q38.

Q18.4 Please provide a schedule that sets out for the years 2000 to 2014 (i.e., the period covered by the short term forecast presented in the Resource Plan – Volume 3):

- **The actual/forecast population in FortisBC’s service area,**
- **The number of residential accounts in each year,**

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- **The historic (actual and normalized) use per customer account and the forecast use per customer account, and**
- **The resulting total residential use for each year**

A18.4 Please refer to the table below

Year	Residential Accounts	Population	Actual Consumption (MWh)	Actual UPC (MWh/Customer)	Normalized UPC (MWh/Customer)	Residential Use on Normalized Basis (MWh)
2000	78008	271788	987384	12.7	12.4	968225
2001	79121	272845	993460	12.6	12.7	1002915
2002	80275	274402	1007813	12.6	12.6	1010183
2003	82174	275772	1013439	12.3	12.5	1030387
2004	84076	277630			12.5	1048595 FORECAST - includes DSM
2005	85926	279806			12.4	1064271 FORECAST - includes DSM
2006	87645	282261			12.3	1076657 FORECAST - includes DSM
2007	89223	284969			12.3	1086969 FORECAST - includes DSM
2008	90695	287854			12.2	1094048 FORECAST - includes DSM
2009	92101	290947			12.1	1102114 FORECAST - includes DSM
2010	93597	294238			12.1	1111077 FORECAST - includes DSM
2011	95144	297640			12.0	1120452 FORECAST - includes DSM
2012	96727	301122			11.9	1130049 FORECAST - includes DSM
2013	98370	304737			11.9	1140145 FORECAST - includes DSM
2014	100081	308501			11.8	1151309 FORECAST - includes DSM

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19.0 Reference: Main Application, Volume 1, Tab 7.1, page 5

Q19.1 When FortisBC states that the approach used to forecast the General Service Class energy consumption is the same as that used for the residential class, please confirm if this refers to the prior to the new forecasting methodology (i.e., has the forecast for the General Service class been decoupled from population growth for the period 2005-2009?).

A19.1 Yes, General Service growth was decoupled from the population growth in for the 2004-2008 period. For further details regarding this adjustment please refer to the response to BCUC IR1 Q42.6 and the attachment in the response to BCUC IR Q38.

Q19.2 Please provide a schedule that sets out for the years 2000 to 2014 (i.e., the period covered by the short term forecast presented in the Resource Plan – Volume 3):

- **The number of commercial accounts in each year,**
- **The historic (actual and normalized) use per customer account and the forecast use per customer account, and**
- **The resulting total commercial use for each year**

A19.2 Please refer to the table below.

Year	GS Accounts	Population	Actual Consumption (MWh)	Actual UPC (MWh/Customer)	GS Use on Normalized Basis (MWh)
2000	8700	271788	498000	57.2	498000
2001	8974	272845	514000	57.3	514000
2002	9153	274402	517000	56.5	517000
2003	9433	275772	520355	55.2	520355
2004	9929	277630		55.5	551363 FORECAST - includes DSM
2005	10306	279806		55.6	569903 FORECAST - includes DSM
2006	10564	282261		55.6	579557 FORECAST - includes DSM
2007	10754	284969		55.6	585447 FORECAST - includes DSM
2008	10915	287854		55.6	587320 FORECAST - includes DSM
2009	11072	290947		55.7	592114 FORECAST - includes DSM
2010	11239	294238		55.7	597474 FORECAST - includes DSM
2011	11412	297640		55.7	603176 FORECAST - includes DSM
2012	11589	301122		55.7	609111 FORECAST - includes DSM
2013	11773	304737		55.8	615445 FORECAST - includes DSM
2014	11964	308501		55.8	623024 FORECAST - includes DSM