

Robert Hobbs
Email: rhobbs@shaw.ca
Phone: (604) 742-1990

June 21, 2012

Via Email

Ms. Alanna Gillis
Acting Commission Secretary
BC Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC V6Z 2N3

Dear Ms. Gillis:

Re: Generic Cost of Capital Proceeding Order No. G-20-12 (Project No. 3698660)

The Industrial Customers Group (ICG) of FortisBC Inc. provides the attached information requests regarding the Commission Consultant Survey prepared by The Brattle Group filed as Exhibit A-8.

Yours truly,

(Original Signed)

Robert Hobbs

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1. Reference: Evaluation Criteria, pages 11-12 in Survey

Rationale: The Survey provides a list of criteria for assessing the pros and cons of various models.

Request: Are the Dalbert Principle and best practices of corporate executives as identified in academic research relevant criteria? If so, please explain why they are not included. If not, please provide the authors' views explaining why not.

2. Reference: The Survey discusses the calculation of the market risk premium on page 15.

Rationale: The Survey state: "Standard practice in the academic literature and among valuation practitioners is to use the income return (i.e., bond coupon payment dividend by bond price) on long-term bonds as opposed to the total return, because the total return includes capital gains or losses which are not risk-free". It references a study by Morningstar.

Request: Please explain why Morningstar is cited as an academic reference. Please provide all academic references in support of this statement.

3. Reference: The Survey discusses the pros and cons of the comparable earnings model on page 36-38.

Rationale: The ICG seeks to learn the overall assessment of this method by the Survey's authors.

Request: Is the comparable earnings method generally considered to be consistent with best regulatory practices in Canada? Please explain the authors' views.

4. Reference: The Survey briefly discusses capital structure on page 39.

Rationale: On that page the Survey states: "While methodology relied upon to determine the capital structure differed among jurisdiction, a common theme was to look to the business risk (broadly defined) of the regulated entity."

Request: Please explain the conceptual framework and methodology for determining capital structure based on business risk.

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5. Reference: The Survey states that ATWACC is an alternative to setting capital structure based on business risk on page 39.

Rationale: The ICG wishes to understand the authors' view on how widely ATWACC is accepted by Canadian regulators.

Request: Please provide all other examples of the use of ATWACC by Canadian regulators. Please provide all examples of which the authors are aware in which Canadian regulators declined to attach significant weight to ATWACC.

6. Reference: The Survey discusses relevant capital structure decisions by the OEB on pages 67-69.

Rationale: ICG wishes to test the completeness of the discussion.

Request: Please confirm that the OEB examined the capital structure of Ontario Power Generation's nuclear and hydro in EB-2007-0905 and EB-2010-008. If this cannot be confirmed please explain why not.