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November 10, 2016

B.C. Sustainable Energy Association
c/o William J. Andrews, Barrister & Solicitor
1958 Parkside Lane
North Vancouver, B.C.
V7G 1X5

Attention: Mr. William J. Andrews

Dear Mr. Andrews:

Re: FortisBC Energy Inc. (FEI)

Project No. 3698873

All-Inclusive Code of Conduct and Transfer Pricing Policy Application (the Application)

Response to the B.C. Sustainable Energy Association and Sierra Club of British Columbia (BCSEA) Information Request (IR) No. 1

On June 30, 2016, FEI filed the Application referenced above. In accordance with the British Columbia Utilities Commission Order G-157-16 setting out the Regulatory Timetable for the review of the Application, FEI respectfully submits the attached response to BCSEA IR No. 1.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc (email only): Commission Secretary
Registered Parties

1.0 Topic: Shared Services Model Approach

Reference: Mutual Shared Services Agreement, Exhibit B-2, Appendix E-2;

Exhibit B-2, pp.10, 12, 21-22

FEI and the Affiliated Utility FBC have a Mutual Shared Services Agreement. It was initially established in 2010. Executive Management time is allocated on the basis of the Massachusetts formula as approved in Order G-138-14. Costs of other departmental resources are allocated using a timesheet allocation approach set out in FEI's 2012-2013 RRA. [Exhibit B-2, page 12]

"... For sharing of resources with an AU (i.e., FBC), FEI is proposing no change to the existing transfer pricing rule as outlined in the section titled "Mutual Shared Services with FortisBC Inc." on page 14 of this Application. The cross charges to FBC include fully loaded wages including benefits and time away, with no overhead or facilities fees assigned. This practice will continue to be used until FEI evaluates the feasibility of introducing a Shared Services model approach, similar to that successfully used in the past for sharing of resources between FEI and the Vancouver Island and Whistler gas utilities." [Exhibit B-2, page 22]

1.1 What is the "Shared Services model approach" that FEI is evaluating and how does it differ from the existing Mutual Shared Services Agreement between FEI and FBC?

Response:

The Shared Services model approach that FEI is evaluating is a cost allocation model utilizing cost drivers as the basis for services shared between FEI and FBC. This cost allocation approach was used successfully for allocating the O&M costs of services provided by FEI to the Vancouver Island and Whistler gas utilities. The three cost drivers used in the previous shared services model included the number of employees, the number of customers, and management time estimates.

This is different than the cost allocation methodology used under the existing Mutual Shared Services Agreement between FBC and FEI. Under the Mutual Shared Services Agreement between FEI and FBC, costs for services between FEI and FBC are allocated using primarily a timesheet allocation approach.

The potential benefit of utilizing a Shared Services cost allocation approach for services between FEI and FBC is the streamlining of the existing timesheet allocation approach while still providing a reasonable methodology for allocation of the costs involved.