October 7, 2019

VIA E-FILING

BCPIAC
Public Interest Advocacy Centre

Reply to: Leigha Worth
ED@bcpiac.org
Ph: 604-687-3034
Our File:7300.131

Patrick Wruck
Commission Secretary
BC Utilities Commission
6th Floor 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Mr. Wruck,

Re: FortisBC Energy Inc. and FortisBC Inc. (collectively FortisBC) Multi-Year Rate Plan Application for 2020 to 2024 ~ Project No. 1598996
BCOAPO Evidence

We represent the BC Old Age Pensioners' Organization, Active Support Against Poverty, Council of Senior Citizens' Organizations of BC, Disability Alliance BC, and Tenant Resource and Advisory Centre, known collectively in the Fortis regulatory processes as "BCOAPO et al." ("BCOAPO").

Enclosed please find the BCOAPO's Evidence with respect to the above-noted matter.

If you have any questions, please do not hesitate to contact the undersigned.

Sincerely,
BC PUBLIC INTEREST ADVOCACY CENTRE

Original on file signed by:

Leigha Worth
Executive Director | General Counsel

Encl.

BRITISH COLUMBIA UTILITIES COMMISSION

In The Matter Of
FORTISBC Energy Inc. and FORTISBC Inc. (collectively FortisBC) Multi-Year Rate Plan Application for 2020 to 2024

PROJECT 1598996

EVIDENCE

Prepared by Russ Bell & Associates Inc.

On behalf of

BC OLD AGE PENSIONERS' ORGANIZATION,
COUNCIL OF SENIOR CITIZENS' ORGANIZATIONS OF BC,
ACTIVE SUPPORT AGAINST POVERTY, DISABILITY ALLIANCE BC, AND
TENANT RESOURCE AND ADVISORY CENTRE
("BCOAPO")

October 7, 2019

Section 1 – Introduction

Q1. Please state your name and business location.

A1. The evidence of Russ Bell & Associates Inc. was prepared by Russ Bell. Mr. Bell is located in Edmonton, Alberta.

Q2. What are your qualifications?

A2. Mr. Bell holds a Bachelor of Commerce degree from the University of Alberta and is a CPA.

Q3. What is your business and regulatory experience in the regulated natural gas and electrical industry?

A3. I worked for over 35 years in the utility industry in Alberta. I worked at Canadian Western Natural Gas, which was the southern Alberta predecessor to ATCO Gas and ATCO Pipelines. Over the last 15 years, I have represented small customers in utility rate proceedings in Alberta, BC, the Northwest Territories, and the Yukon. I have participated on over 100 files. Over the last ten years, I have participated in the majority of the PBR related proceedings in Alberta, as well as the 2014-2018 FortisBC and FortisBC Energy Inc PBR proceeding.

I have been involved in over 30 PBR-related proceedings in Alberta and British Columbia. I have extensive experience with PBR in Alberta. I have been involved in the development of the PBR models, in the rebasing proceeding, in the annual filings, as well as Z factor filings. Currently, I am involved in the proceeding before the Alberta Utilities Commission dealing with the definition of an anomaly for use in rebasing. My experience in rebasing is directly applicable to this proceeding.

Attached as Appendix 1 is my curriculum vitae.

Q4. What is the purpose of this evidence?

A4. The purpose of this evidence is to review the FortisBC Inc. (FBC) and FortisBC Energy Inc. (FEI) (collectively, FortisBC) multi-year rate plans. I will review the prior plan to determine if it was successful and then assess any proposed changes in the proposed Multi-Year Rate

Plan (MRP).

The evidence will also examine the prior FortisBC plan, which was successful in totality and provided a reasonable opportunity to recover prudently incurred costs and achieve a fair rate of return, although some components, such as capital may have been under-funded.

Among other things, I will look at the proposed use of O&M per customer for O&M costs, the proposed Efficiency Carry Over Mechanism (ECM), and off ramps and reopeners.

Finally, I will make recommendations regarding the proposed changes to this MRP addressing whether they are needed in the context of a rebasing.

Q5. What were the principles for the prior MRP?

A5. While there was no explicit set of principles in the last MRP decision there was much discussion surrounding the principles that may apply.

FortisBC seemed to place reliance on the opportunity to recover prudently incurred costs. In its Decision, the Commission cited the FortisBC application stating:

> "The PBR Plan must provide the utility with a reasonable opportunity to recover its prudently incurred costs including a fair rate of return" (FEI Exhibit B-1, p. 43; FBC Exhibit B-1, p.39)"[1]

The Commission appears to have supported this approach.

> The Commission Panel is in agreement with Fortis that the revenues driven by the PBR formula must provide utilities the opportunity to earn a fair return. The Panel also acknowledges that changes to individual plan components "may change the overall risk/reward profile of the PBR Plan." The UCA addresses this in section

[1] FORTISBC ENERGY INC. MULTI-YEAR PERFORMANCE BASED RATEMAKING PLAN FOR 2014 THROUGH 2018 DECISION September 15, 2014 page 14

60(1)(a):

> In setting a rate under this act
>
> (a) the commission must consider all matters it considers proper and relevant affecting the rate,
>
> (b) the commission must have due regard in the setting of a rate that
>
> (i) is not unjust or unreasonable within the meaning of section 59…

Fortis has put forward a PBR plan with numerous elements. As outlined by Dr. Overcast, **each of the elements needs to be scrutinized carefully. This is to ensure they are reasonable and do not favour either the Companies or the ratepayer**. Determinations resulting from this evaluation need to achieve a proper balance of risks and rewards between the Companies and the ratepayer and reflect current reality.

FEI and FBC's Applications have provided forecasts for O&M and Capital for the period 2014 to 2018. The Companies compare these forecasts against outputs from their proposed PBR mechanism and show that there are similar patterns between their forecasts and the amounts generated by the proposed PBR mechanism. Fortis takes the position that this similarity of pattern or balance must be maintained with any changes that the Commission may make to the formula. The Commission Panel notes that the validity and accuracy of these forecasts has not been established. Therefore, there is no basis on which to justify this comparison between the PBR mechanism and the Fortis forecasts. While there is a need to holistically consider the effects of changes to the PBR mechanism on the Companies' ability to earn a fair return, the Panel places no weight on the Fortis assertion that Commission changes must be balanced against what the Companies have submitted. Accordingly, the Commission Panel finds there is no requirement to balance Commission adjustments to the PBR against the revenue requirement forecasts provided by Fortis.[2] (Emphasis Added)

[2] FORTISBC ENERGY INC. MULTI-YEAR PERFORMANCE BASED RATEMAKING PLAN FOR 2014 THROUGH 2018 DECISION September 15, 2014 pages 15-16

This also seems to establish a requirement to balance the interests of the ratepayer (I prefer customer) and the utility.

> In moving forward with this PBR Decision the Panel has a number of concerns.
>
> The Commission Panel is not looking at this Application from a short-term viewpoint. We see an opportunity to make significant change over the long term with the way regulation is conducted in this jurisdiction and the way in which revenue requirements are determined. What form this may take is at this point undecided. **Standing in the way of this is the lack of trust among the parties**. If moving forward with an initiative like this PBR is going to work for the future the level of trust must be addressed and increased. To address this, the Commission Panel, in its Decision, has included a more lengthy discussion of the Annual Review Process than perhaps many of the parties anticipate. We have made significant changes to the purpose, content and process for this important program element. This will be discussed further in Section 2.3.6.
>
> Much has been said by the parties about the improved regulatory efficiency that will result from a PBR process. Fortis seems to view PBR as a period where it will be required to provide only limited information as to its activities and savings it has achieved. This is a sticking point with interveners who are outspoken in their concerns with respect to the level of scrutiny and oversight of the activities of FEI and FBC over the PBR period. **The Commission Panel acknowledges that improving regulatory efficiency is a desired outcome but due to the current levels of trust, the achievement of major regulatory savings in the first few years of PBR may not be possible or even advisable**.
>
> Looking at regulatory models more broadly, the Commission Panel accepts that there is no perfect regulatory process. The COS model has been relied upon in this jurisdiction and others with some success. The interveners may take comfort in the

> fact that one of its advantages is that it requires more frequent rebasing and hence there is a limit on the time before any sustainable savings directly impact customer rates. **However, with COS regulation, there is little incentive to make sustainable efficiency gains and even less so when an investment is required. In fact, perversely, the utility may be incented to make unsustainable savings. On the other hand, the PBR model comes with its own set of inherent problems.** If the wrong base is set for O&M or capital, or inappropriate I- or X- Factors are set which favour either party, it can result in additional gains for that party over a longer period of time unless an off-ramp is tripped.
>
> Regardless of the method chosen, to be successful over the longer term the parties need to feel that their concerns are heard and where reasonable, acted upon. To facilitate this, the Commission Panel has taken steps in this Decision to ensure there is ongoing communication between the parties, which will result in greater transparency.[3]

While there were many principles discussed in the decision, and throughout the decision, the focus seems to be on providing the utility with a reasonable opportunity to recover its prudently incurred costs including a fair rate of return and incenting sustainable efficiencies, not incenting unsustainable savings and enhancing regulatory efficiency.

Q6. Did the prior MRP achieve the objectives.

A6. One must assume that FortisBC sought efficiencies and achieved them and the objectives of the MRP were achieved. In fact, the only quantitative measure is achieved returns. In each of the five years from 2014 through 2018, both FEI and FBC exceeded the allowed return. The following tables are taken from the data provided in response to BCOAPO 24.3.[4]

[3] FORTISBC ENERGY INC. MULTI-YEAR PERFORMANCE BASED RATEMAKING PLAN FOR 2014 THROUGH 2018 DECISION September 15, 2014 pages 13-14
[4] Exhibit B-5

		2014	2015	2016	2017	2018	Average
FEI ROE	Actual	9.20%	9.19%	9.28%	9.04%	8.93%	9.13%
	Formula	8.75%	8.75%	8.75%	8.75%	8.75%	8.75%
	Higher (Lower) than formula	0.45%	0.44%	0.53%	0.29%	0.18%	0.38%

		2014	2015	2016	2017	2018	Average
FBC ROE	Actual	9.22%	9.26%	9.38%	9.31%	9.29%	9.29%
	Formula	9.15%	9.15%	9.15%	9.15%	9.15%	9.15%
	Higher (Lower) than formula	0.07%	0.11%	0.23%	0.16%	0.14%	0.14%

The data clearly demonstrates that for both FEI and FBC, the utility achieved a return that exceeded the allowed rate of return, and on average, FEI exceeded that return by 38 Bp and FBC by 14 Bps.

While achieved ROE is not a perfect indicator, it is the only one that one can look at to see if the utility had a reasonable opportunity to recover prudently incurred costs. When a utility earns more than the approved return over the entire term of the plan, one cannot say that the utility did not have a reasonable opportunity to recover prudently incurred costs.

Q7. Does the structure of the MRP need to change from the last one?

A7. Conceptually, no it does not. This is particularly true if, going in, O&M and Capital are correctly set upon rebasing.

Q8. What are the proposed changes to the MRP?

A8. In Appendix 2 to my evidence I have prepared a comparison of the terms of the current MRP and the prior one. For the Current MRP, data is taken from Table A1-1: Summary of Proposed MRPs from Exhibit B-1 of the current Application. The data from the prior MRP is taken from Table B6-1: Summary of 2014 PBR Plan Proposal of the FEI 2014-2018 MRP, Exhibit B-1, and from Table B6-1: Summary of 2014 PBR Plan Proposal of the FBC prior MRP, exhibit B-1. From this I note a few key changes.

- The current MRP does not include any X Factor.

- There are changes to the calculation of controllable O&M that effectively reverse the Commission's prior decision about a growth factor
- Controllable Capital has been changed to be based on a forecast rather than formula for FBC and for FEI. The proposal has effectively eliminated the reduction in the growth factor directed in the prior decision.
- The efficiency carryover mechanism has been changed to the last two years from a five year average.
- Off Ramps include a 2 year offramp of a 150 bp variance and remove the offramp for serious SQI degradations.

I will focus on the three revisions related to (i) O&M revisions, (ii) Controllable capital, and (iii) changes to the ECM.

Q9. What are your concerns with the changes to O&M?

A9. Both Fortis utilities have changed the structure of the PBR plan related to O&M. The change to O&M per customer enhances the MRP in the favour of the utilities.

Both utilities have spent less than formula for O&M for each of the years 2014-2018[5]. FEI underspent by $46 million over the course of the last PBR plan.

		2014	2015	2016	2017	2018	Total
FEI O&M	Actual	193,644	226,568	225,769	225,786	235,878	1,107,645
	Formula	200,973	237,424	238,067	236,050	241,481	1,153,995
	Higher (Lower) than Formula	(7,329)	(10,856)	(12,298)	(10,264)	(5,603)	(46,350)
	%	-3.65%	-4.57%	-5.17%	-4.35%	-2.32%	-4.02%

Similarly, FBC experienced underspending in O&M. Over the five years, FBC spent $6.6 million less than the formula.

		2014	2015	2016	2017	2018	Total
FBC O&M	Actual	50,616	48,921	47,063	47,189	48,566	242,355
	Formula	51,604	50,227	48,432	48,917	49,802	248,982
	Higher (Lower) than Formula	(988)	(1,306)	(1,369)	(1,728)	(1,236)	(6,627)
	%	-1.91%	-2.60%	-2.83%	-3.53%	-2.48%	-2.66%

[5] Data from Exhibit B-5, Response to BCOAPO 24.3.1

Also, FortisBC asserts that because there is a high correlation coefficient between O&M and customers, then the appropriate measure is O&M per customer.

The use of forecast data is problematic. Forecast data can be manipulated to the advantage of the utility. This issue was addressed by the Alberta Utilities Commission (AUC) in its Second Generation PBR decision[6]. In that process there was a concern that the use of forecasts would provide improper incentives in rebasing[7]. The AUC then confirmed that rebasing on actual results minimizes those concerns[8]. Similarly, using forecast 2019 data to measure the relationship between customers and costs can be misleading as the full incentive properties of the PBR can be muted.

In response to BCOAPO 23[9], FortisBC provides the working papers that it relies upon as support for its assertions. First, I note that the calculations of slope and correlation coefficient include forecast 2019 data. When one excludes forecast data, the factors change materially.

	As filed by FORTIS			Exclude 2019 F		
	Correlation	Slope	Intercept	Correlation	Slope	Intercept
FEI	0.95	0.332	(96,883)	0.96	0.261	(27,684)
FBC	0.90	0.377	2,537	0.88	0.245	19,816

The slopes decrease materially for each of FEI and FBC when only actual data is used. When one compares this to the 2019 forecast cost per customer, it is apparent that at least for FBC, using an inflated cost per customer will provide the Utility with excess revenues.

In fact, the cost per customer is relatively flat until the 2019 forecast.

[6] Decision 20414-D01-2016 Errata
[7] Ibid, Section 4.1 and 4.2
[8] Ibid, paragraph 45
[9] Exhibit B-5

		2014	2015	2016	2017	2018	2019P
FEI	*Average Number of Customers*	959,196	968,766	983,807	997,380	1,016,353	1,024,962
	Actual Formula O&M ($000)	$223,970	$225,380	$225,930	$232,500	$ 238,690	$ 246,940
	Cost per Customer	$ 233	$ 233	$ 230	$ 233	$ 235	$ 241
FBC	*Average Number of Customers*	129,525	131,016	132,480	134,246	137,300	138,649
	Actual Formula O&M ($000)	$ 52,046	$ 51,880	$ 51,839	$ 52,520	$ 53,839	$ 55,581
	Cost per Customer	$ 402	$ 396	$ 391	$ 391	$ 392	$ 401

In addition, the incremental cost per incremental customer is not linear. As demonstrated below, the incremental cost per incremental customer fluctuates from year to year.

		2014	2015	2016	2017	2018	2019P
FEI	*Average Number of Customers*	959,196	968,766	983,807	997,380	1,016,353	1,024,962
	Actual Formula O&M ($000)	$223,970	$225,380	$225,930	$232,500	$ 238,690	$ 246,940
	Incremental Customers		$ 9,570	$ 15,041	$ 13,573	$ 18,973	$ 8,609
	Incremental O&M		$ 1,410	$ 550	$ 6,570	$ 6,190	$ 8,250
	Incremental cost per Incremental customer		$ 147	$ 37	$ 484	$ 326	$ 958
FBC	*Average Number of Customers*	129,525	131,016	132,480	134,246	137,300	138,649
	Actual Formula O&M ($000)	$ 52,046	$ 51,880	$ 51,839	$ 52,520	$ 53,839	$ 55,581
	Incremental Customers		$ 1,491	$ 1,463	$ 1,766	$ 3,054	$ 1,349
	Incremental O&M		$ (166)	$ (41)	$ 681	$ 1,319	$ 1,742
	Incremental cost per Incremental customer		$ (111)	$ (28)	$ 386	$ 432	$ 1,291

In fact, I note that the incremental cost per incremental customer is the highest in the forecast year and appears to be an outlier.

In summary, there does not appear to be a need to change the O&M methodology. Both FEI and FBC earned a reasonable return, and in fact spent less than the formula provided for.

Q10. What are your concerns with the change in the capital methodology?

A10. FEI appears to be moving from a formula-based capital component to forecast capital for FEI Sustainment and Other Capital[10]. FEI appears to continue to use a formula for growth

[10] Exhibit B-1, Table C-5

capital.[11] The level of capital for Sustainment and other appears to increase dramatically in the forecast period. The historic spending for sustainment and other capital is provided in Table C3-4 of Exhibit B-1. I note that the total capital is $125,358,000, $17,377,000, and $122,445,000 in 2014, 2015 and 2016 respectively. This increases to $148,255,000, $159,207,000, and 153,880,000 in 2017, 2018, and 2019 respectively. The forecasts for 2020-2024 then range from $163,178,000 in 2020 to $169,878,000 in 2024[12].

FBC appears to be using forecast capital for the entire five years of the MRP for all capital. FBC appears to be forecasting a material increase in capital in the new MRP. In the period 2014-2019, Total Regular Capital ranges from a low of $50,408,000 in 2016 to a high of $67,761,000 in 2014.[13] The forecast period shows a marked increase to the range of $82,205,000 - $93,254,000 for the period.[14]

There appears to be a step change in the level of capital funding for FEI and FBC in their forecasts. I point this out, as it appears that the change to a forecast for much capital benefits the shareholder through increased revenues.

Q11. What is the impact of the changes in the O&M and Capital?

A11. The proposed changes in the MRP effectively reduce the risk to each of FEI and FBC. The impact is to increase the revenue provided under the MRP and reduce the incentive properties.

Having one component based on a formula and one component based largely on forecasts may be inconsistent. In my experience there are trade offs between various inputs such as O&M and Capital, and the basis of each should as much as possible be consistent. FortisBC appears to agree with me.

Yes, companies may trade-off capital and O&M to maximize efficiency. A utility

[11] Exhibit B-1, Section 3.3.1.3.1
[12] Exhibit B-1, Table C-5
[13] Exhibit B-1, Table C3-20
[14] Exhibit B-1, Table C3-21

for instance may invest in new equipment or software that can automate certain repetitive processes and reduce the associated O&M expenditures. In the case of replacing O&M with capital solutions, the customers will benefit from lower overall cost and the utility will also earn the authorized return on and of its investment.

Alternatively, a utility may be able to replace or defer significant capital expenditures with innovative O&M-intensive solutions. In the case of replacing capital expenditure with O&M solutions, customers will benefit from the reduced costs, but the utility will lose rate base growth potential and associated earnings. Recognizing this disincentive and to promote innovation, many regulators have approved alternative incentive mechanisms to remove the innovation disincentive inherent in traditional cost of service regulation. For instance, as explained in response to BCUC IR 1.15.5, regulators have approved new accounting treatments to remove the incentive disparity between adopting on-premise versus cloud-based computing systems. The alternative incentives for non-wire and non-pipe solutions are another example of levelling the playing field between capital and O&M expenditures. For instance, as explained in Section 3.1.5 of the Appendix C4-3, the New York regulator approved several unique financial incentives to ensure that the ConEdison is indifferent to investments in Distributed Energy Resources and traditional infrastructure investments with higher rate base growth potential. The decision to trade-off between O&M and capital expenditures is not limited to financial considerations. Factors such as corporate culture and organizational agility and the ability to forecast future needs may also be considered.[15]

Q12. Does there need to be a change in the way capital is treated in the MRP?

A12. No, as noted above, both FEI and FBC were able to earn an adequate return under the old model. Also, reconnecting the capital to a forecast dulls some of the incentives of the PBR model, as it moves back to a Cost of Service type of rate making. Further, when I have been involved in forecasting, the further out one forecasts, the less reliable the forecast is, and the

[15] Exhibit B-5, 24.4

more an uncertainty premium one puts into the forecast.

This is entirely inconsistent with any intent of a PBR model.

Q13. What are your concerns with the ECM?

A13. FortisBC appears to have changed the ECM to be based on two years data, and not a five-year rolling average. This change seems to place more reliance on the last two years of data. My concern with any ECM is that it does not reward a continuation of performance that has been ongoing but be based on truly new innovations that have occurred in the last two years of the plan. If the ECM is to be based on the last two years data, then the base should be the achieved return for the first three years of the MRP. In this case, it would only be additional efficiencies that are achieved that exceed the achievement in the first three years that would be rewarded. If the base is the allowed ROE, there is the potential for double counting, where the utility is compensated for efficiencies found in the early stages of the PBR, and then again in the ECM. If the average achieved ROE for the first three years is used as the base for calculating the ECM calculated in the last two years, then this double counting is eliminated.

Q14. What are your concerns with the changes to off ramps and reopeners?

A14. FortisBC added a reopener for 150 Bps for two consecutive years and removed the reopener for a serious degradation in SQIs. While I have no issue with the inclusion of the second level for returns, the removal of SQIs is a concern. If there is a serious degradation of service levels, customers may suffer. As an example, if there are serious and prolonged outages, and SAIDI and SAIFI increase dramatically, there should be an understanding of the reason for the outage, and if it relates to delayed or avoided maintenance or inspections, that should be a reason to reopen the PBR plan.

Q15. Are there sufficient reasons to change the basic inputs to the MRP.

A15. No. I look at this as a form of rebasing. In Alberta, when the AUC rebased its PBR, it looked at a narrow set of issues.

> 3. In particular, this decision deals with four main next generation PBR plan parameters: (i) rebasing and the going-in rates for the next generation PBR term, (ii) the X factor, (iii) the treatment of capital additions, and (iv) the calculation of the return on equity (ROE) for reopener purposes.[16]

The AUC did not change all components of the plan, but only examined specific issues. The one that most closely relates to this MRP is item (iii). In Alberta the issue of incremental funding for capital was an issue in the first generation PBR. In the second generation the AUC moved to a more formulaic method of providing incremental capital funding known as the K Bar model[17]. In the K Bar model, incremental capital funding is determined by averaging the first four years of capital on an inflation adjusted basis.

It is interesting that in Alberta, the AUC is moving to a more formulaic approach to get away from testing forecasts, while in BC, both Fortis utilities are moving away from a formulaic approach.

Q16. What are your recommendations?

A16. Regarding O&M and Capital, I recommend that the same determination of O&M and Capital as was used in the 2014-2018 MRP be used in this 2020-2024 MRP.

Regarding the ECM, I recommend that the same ECM be used as was used in the 2014-2018 MRP. If the BCUC desires to adopt the revised ECM, then the base for the ECM should be the higher of the average of achieved ROE for the first three years of this ECM, or the approved ROE.

Regarding the reopener provision, I recommend that the conditions related to SQIs be reintroduced into this MRP.

[16] Decision 20414-D01-2016-Errata, paragraph 3
[17] Decision 20414-D01-2016 Errata, paragraph 6

Q17. Does this conclude your evidence?

A17. Yes, at this time.

Russ Bell, CPA, CMA

EXPERIENCE

<u>Russ Bell & Associates Inc., Edmonton, Alberta</u> **May 2002 – Present**

- **PRINCIPAL**

Russ is an experienced regulatory consultant with 35 years utility experience, both within a regulated utility in Alberta. He has participated in over 100 proceedings and has appeared as an expert witness before the Alberta Utilities Commission (and its predecessor the Alberta Energy and Utilities Board), the British Columbia Utilities Commission, the Yukon Utilities Board, and the Northwest Territories Public Utilities Board. He has appeared on 38 separate occasions.

Included in his experience is litigation of General Rate Applications, and the negotiation of settlements. In addition, he has participated in utility stakeholder consultations, including the establishment of service quality measures for distribution utilities in Alberta, the Alberta Smart Grid enquiry, the creation of a uniform system of accounts and minimum filing requirements for electric utilities in Alberta, and the benchmarking of customer care and billing costs. Currently, Russ is heavily involved in the proceedings to implement the second generation PBR in Alberta.

Appearances before the Alberta Utilities Commission and its predecessor, the Alberta Energy and Utilities Board:

- ATCO Electric's 2007 and 2008 General Tariff Application.
- ATCO Electric's 2009 and 2010 General Tariff Application.
- ATCO Electric's 2011 and 2012 General Tariff Application.
- ATCO Electric 2013 and 2014 Transmission General Tariff Application.
- ATCO Electric 2015 - 2017 Transmission General Tariff Application.
- EPCOR Distribution and Transmission`s 2010 and 2011 General Tariff Application.
- ATCO Gas' 2008 and 2009 General Rate Application.
- The proceeding leading to the establishment of minimum financial filing requirements and Uniform System of Accounts for electric utilities in Alberta.
- ENMAX Power Corporation 2007-2016 Formula Based Ratemaking application.
- ENMAX Power Corporation 2013 FBR Reopener Application.
- Fortis Alberta's 2010-2011 General Tariff Application.
- Alberta Smart Grid Inquiry.
- AltaLink's 2011-2013 General Tariff Application.
- ATCO Gas 2011-2012 General Rate Application.
- Alberta Utilities Commission 2011 Performance Based Regulation proceeding.
- Alberta Utilities Commission 2013 Capital Tracker Proceedings
- EPC 2014-2015 Transmission Rate Application and 2014 Distribution Rate Application
- AUC 2013 Generic Cost of Capital Proceeding
- AUC 2018 Generic Cost of Capital Proceeding
- ATCO Electric 2013, 2014, and 2015 Capital Tracker Application
- ATCO Gas 2013, 2014, and 2015 Capital Tracker Application

- Direct Energy 2012-2016 Regulated Rate Tariff non energy application
- EPCOR 2015 Transmission Tariff Application
- EPCOR 2016-2017 Capital Tracker Application
- ATCO Electric 2016-2017 Capital Tracker Application
- ATCO Gas 2016-2017 Capital Tracker Application
- ATCO Pipelines 2015-2016 GRA
- ATCO License Fee Application
- AUC Second Generation PBR
- AUC Second Generation PBR Rebasing Compliance Filing
- ATCO WIPRO cost proceeding
- ATCO Electric Transmission 2018-2019 TFO Application

Appearances before the Northwest Territories Public Utilities Board:

- Northwest Territories Power Corporation 2012 – 2014 General Rate Application.
- Northwest Territories Power Corporation 2016 – 2019 Phase I General Rate Application.
- Northwest Territories Power Corporation 2016 – 2019 Phase II General Rate Application

Appearances before the British Columbia Utilities Commission:

- Fortis BC Inc. and Fortis BC Energy Inc. 2014-2018 PBR proceeding.

Appearances before the Yukon Public Utilities Board:

- Yukon Electrical Company Limited 2016-2017 General Rate Application.
- Yukon Energy Company 2017-2018 General Rate Application

Qualified as in expert in regulatory accounting and IFRS by the Alberta Utilities Commission in AltaLink's 2011-2013 General Tariff Application

Qualified as an expert in regulatory principles, with particular emphasis on the Alberta jurisdiction in the AUC PBR proceeding, and the AUC Capital Tracker proceeding.

Qualified as an expert in regulatory principles in the PBR proceeding and in the ATCO Electric 2013-2014 Transmission Tariff Application.

Evidence filed with the Alberta Utilities Commission and its predecessor, the Alberta Energy and Utilities Board, where no appearance was required:

- EPC 2015-2017 Capital Tracker proceeding
- ATCO Electric 2012 Performance Based Regulation Z Factor
- ATCO Gas Z Factor Compliance Filing
- ATCO Electric Z Factor Application AltaLink 2004-2007 General Tariff Application
- 2009 Review of ATCO Head Office Cost allocations
- 2012 Review of ATCO Head Office Cost allocations
- ATCO Gas 2012 Phase II application
- ATCO Pipelines 2013-2014 General Rate Application

- EPCOR Distribution and Transmission Inc 2014 and 2015 Transmission Tariff Application
- ENMAX Energy Corporation 2012-2013 non-energy RRO Application
- ATCO Pipelines 2017-2018 GRA
- ENMAX Power Corporation 2015, 2016, and 2017 Capital Tracker Proceeding
- ENMAX Power Corporation 2017 GTA
- AltaLink 2017-2018 General Tariff Application
- Direct Energy 2017-2018 General Tariff Application
- EPCOR Distribution and Transmission application for Transmission Tariffs for 2018 and 2019
- EPCOR Energy Inc. General Tariff Application for 2018, 2019, and 2020
- Direct Energy 2017-18 General Rate Application
-

Evidence filed with the Northwest Territories Public Utilities Board:

- NTPC 2015 Phase II Application

<u>Current ongoing projects:</u>

PBR Related

- EDTI 2017 Capital Tracker True Up Application
- ATCO Gas 2017 Capital Tracker True Up Application
- ENMAX Power Corporation 2017 Capital Tracker True Up Application
- ATCO Electric 2017 Capital Tracker True Up Application
- ATCO Electric 2016 Z Factor Application
- FortisBC 2020-2024 Multi Year Rate Plan
- Alberta Second Generation PBR Compliance Filings

Other

- ATCO-Wipro proceeding related to Information Technology Costs and Outsourcing.
- ATCO Electric Transmission 2017-2018 General Tariff Application
- Proceeding to review reopener provisions for ATCO Gas and ATCO Electric 2016 and 2017 PBR Plans.
- Proceeding to transfer some of the AltaLink transmission assets to First Nations.
- Northwest Territories review of Minimum Filing Requirements.
- ATCO Electric Distribution Phase 2019 Phase II Proceeding

<u>Completed projects:</u>

PBR Related

Alberta Utilities Commission 2012 Rate Regulation Initiative regarding Performance Based Ratemaking.
Alberta Utilities Commission 2012 Rate Regulation Initiative regarding Performance Based Ratemaking compliance proceedings
Alberta Utilities Commission 2012 Rate Regulation Initiative regarding Performance Based Ratemaking review and variance and Appeal proceedings
EPCOR 2014 Capital Tracker Application.
ATCO Electric 2013, 2014, and 2015 Capital Tracker Application
ATCO Gas 2013, 2014, and 2015 Capital Tracker Application
PBR 2013 capital tracker proceeding leading to Decision 2013-435

Participated in the AUC review of service quality measures related to Rule 002 for 2013 for use in PBR.
ENMAX Power 2007-2016 FBR application
ENMAX Power 2010 G Factor application
ENMAX Power 2011 Annual FBR Filing
ENMAX 2010 Transmission Capital Prudence Review and Preliminary G-Factor Application
ENMAX Power Corporation 2012 FBR filing
ENMAX Power Corporation 2015-2017 Capital Tracker proceeding.
ATCO Gas 2016 Z Factor Application
Fortis BC Inc 2014 – 2018 Performance Based Ratemaking Application
Fortis BC Energy Inc 2014-2018 Performance Based Ratemaking Application
Integration of Fortis Vancouver Island into PBR mechanism
Annual reviews of Fortis BC PBR filing
2015 Capital Tracker True ups for AE, AG, AUI, EDTI, and FAI
ATCO Electric 2012 Performance Based Regulation Z Factor Adjustment Application – Acquisition of REAs
AUC Second Generation Rebasing Compliance proceeding
ATCO Electric 2012 Performance Based Regulation Z Factor
Alberta Utilities Commission second generation PBR Application.

Other

- ATCO Electric's 2005 and 2006 General Tariff Application.
- ATCO Electric's 2007 and 2008 General Tariff Application.
- ATCO Electric's 2009 and 2010 General Tariff Application.
- ATCO Electric's 2011 and 2012 General Tariff Application
- ATCO Electric 2011 Phase II Application
- ATCO Electric 2013-2014 Transmission General Tariff Application
- ATCO Electric 2015-2017 Transmission General Tariff Application
- ATCO Electric disposal of Borealis Building property
- Review and Variance of ATCO Electric 2011 – 2012 GTA related to purchase of Australia assets
- ATCO Utilities Evergreen proceeding related to ATCO I-Tek and ATCO I-Tek Business Services contract renewal
- Instrumental in the establishment of minimum financial filing requirements and Uniform System of Accounts for electric utilities in Alberta.
- Negotiation of non-energy rates for ENMAX Energy for 2007 and 2008.
- ATCO Gas' 2005, 2006, and 2007 General Rate Application.
- ATCO Gas' 2008 and 2009 General Rate Application.
- ATCO Gas 2012 Phase II application
- ENMAX – Implementation of IFRS
- ENMAX Power Corporation FBR Transmission reopener Application
- ENMAX Energy Corporation 2012-2013 non-energy RRO Application
- ENMAX Power Corporation 2017 Transmission GTA
- Negotiation of non-energy rates for Direct Energy for 2005 and 2006.
- Negotiation of non-energy rates for Direct Energy for 2007 and 2008.
- Direct Energy's RRT and DRT Application for 2009 and 2010.

- Benchmarking of Direct Energy Customer Care and Billing Costs.
- Direct Energy 2017-18 General Rate Application
- Negotiation of rates for FORTIS Alberta for 2006 and 2007.
- Negotiation of rates for FORTIS Alberta for 2008 and 2009.
- FORTIS Alberta's 2010 and 2011 General Tariff Application.
- Negotiation of rates for FORTIS Alberta for 2012.
- Review of the 2005/06, 2006/07, 2007/08, 2008/09, 2009/10, 2010/11, and 2011/12 budgets of the Alberta Electric System Operator (AESO).
- Represented the UCA on the AESO Rider C review committee for the 2005/06, 2006/07, 2007/08, 2008/09, 2009/10, 2010/11, and 2011/12 years
- EPCOR Transmission and Distribution's 2005 and 2006 General Tariff Application.
- Negotiation of EPCOR Transmission and Distribution's 2007, 2008, and 2009 General Tariff Application.
- EPCOR Distribution and Transmission`s 2010 and 2011 General Tariff Application.
- EPCOR Distribution and Transmission`s 2010 Asset Disposition Application.
- EPCOR Distribution and Transmission 2011 Phase II Application
- EPCOR Distribution and Transmission`s 2010 and 2011 General Tariff Application. Corporate Cost Module
- EPCOR Distribution and Transmission Inc. 2012 General Tariff Application.
- EPCOR Distribution and Transmission Inc 2014 and 2015 Transmission Tariff Application
- EPCOR Distribution and Transmission Inc 2018 Transmission GTA
- EPCOR Energy Corporation 2007 - 09 Non Energy Application
- EPCOR Energy Corporation 2018 -20 Non Energy Application
- 2016 Capital Tracker True Up Applications for All Alberta PBR Utilities
- 2018 Generic Cost of Capital Proceeding
- Development of Standard Terms and Conditions of Service for providers of Regulated Rate Tariff service in Alberta.
- Development of rules for load and account balancing on the ATCO Gas and ATCO Pipelines systems.
- ATCO Pipelines removal of surplus salt cavern assets from rate base
- ATCO Pipelines Muskeg River disposal
- ATCO Pipelines 2013-2014 General Rate Application
- ATCO Pipelines 2017 GRA
- Participation on the Commission's committee related to the implementation of International Financial Reporting Standards in Alberta Utilities.
- Negotiation of the ATCO Pipelines 2008-2009 General Rate Application
- ALTALink Management Limited's 2009 and 2010 General Tariff Application.
- ALTALink Management Limited's 2011, 2012, and 2013 General Tariff Application
- AltaLink Management Limited's 2017 and 2018 General Tariff Application.
- ALTALink Management Limited's 2010 Asset Disposition Application.
- Participation on Department of Energy committee for the implementation of the Provincial Energy Strategy on behalf of the UCA.
- Alberta Utilities Commission 2009 Generic Cost of Capital proceeding.
- 2013 AUC Generic Cost of Capital Proceeding
- Alberta Utilities Commission 2011 Affiliate Code of Conduct review

- Income tax module arising out of the ATCO Gas 2008/2009 GRA and the ATCO Electric 2009/2010 GTA
- AUC review of ATCO Pension Costs
- ATCO 2011 Pension Application
- Review of ATCO Head Office Cost allocations.
- Review of the Alberta Electric System Operator 2009 Deferral Account application.
- FortisAlberta Inc./ Weyerhaeuser Payment in Lieu of Notice Application
- Central Alberta Rural Electrification Association Application for a service territory.
- FORTISAlberta 2013 Phase II Application
- ENMAX Power Corporation 2014 General Tariff Application
- ATCO Electric 2012 Transmission and Distribution Deferral Account Applications.
- AUC Rule 002 consultations
- Direct Energy 2012-2016 Regulated Rate Tariff non energy application
- EDTI 2015-2017 TFO GTA
- ATCO Pipelines 2015-2016 GRA
- ATCO License Fee Application
- ATCO Evergreen Compliance Filing
- AUC Income Tax Enquiry
- ATCO Pipelines 2015-2016 Compliance Filing
- Yukon Energy 2017-2018 General Rate Application Yukon Electrical Company Limited 2013-2015 General Rate Application
- Yukon Electrical Company Limited 2016-2017 General Rate Application
- Northwest Territories Power Corporation 2012/2013 to 2013/2014 General Rate Application
- NTPC 2015 Phase II Application
- Northwest Territories Power Corporation Interim Rate Application
- Review of net metering proposals for NUL and NTPC, to facilitate distributed generation.
- Northwest Territories Power Corporation 2016-2019 General Rate Application.
- Northland Utilities (NWT) 2014 - 2015 General Rate Application
- Northland Utilities (NWT) 2011 - 2013 General Rate Application
- Northland Utilities (NWT) 2011 Phase II Application
- Northland Utilities (NWT) 2015 Phase II General Rate Application
- Town Of Hay River RFP for new utility franchise holder
- Northwest Territories Power Corporation Wholesale Interruptible Rate Proceeding
- Northland Utilities (NWT) 2015 Phase II General Rate Application Compliance Filing
- Fortis BC Energy Inc 2016 Depreciation Application.
- Proceeding related to service area boundaries between Rural Electrification Associations (REA) and FortisAlberta Inc.
- Proceeding related to providing distributed generation transmission credits to REA members
- Updated necessary working capital studies in preparation for regulatory filings. – 2004.
- Developed evidence for ENMAX Power Corporation’s initial Distribution Tariff. – 2003.

- Developed evidence for ENMAX Power Corporation's filing in the Alberta Energy and Utilities Board Generic cost of capital proceeding. – 2003.

ATCO I-TEK, Edmonton, Alberta **December 1998 –December 2001**

- **CONTROLLER**
  - Responsibilities included internal and external financial reporting, procurement, product pricing, billing, accounts payable, and business planning.

CANADIAN WESTERN NATURAL GAS, Calgary, Alberta
May 1981 –November 1998
(Southern Alberta predecessor to ATCO Gas and Pipelines Ltd.)

- **MANAGER, BUSINESS SYSTEMS** 1996 – 1998
- **GENERAL SUPERVISOR, FINANCIAL PLANNING** 1989 – 1996
- **PROGRESSIVELY MORE RESPONSIBLE POSITIONS IN ACCOUNTING AND FINANCIAL PLANNING** 1981 – 1989
  - Responsibilities included internal and external financial reporting, forecasts of corporate income taxes, management of IT, corporate acquisitions, preparation of rate applications, and business planning.

EDUCATION

Society of Management Accountants of Canada
Certified Management Accountant
Graduated in 1984

University of Alberta, Edmonton
Bachelor of Commerce
Graduated in 1981

PROFESSIONAL DEVELOPMENT

Institute of Chartered Accountants of Alberta
Corporate Controllership Program

ICA Canada
Group Facilitation

Society of Management Accountants of Alberta
International Financial Reporting Standards

CONTACT INFORMATION

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Evidence of Russ Bell & Associates Inc.
Appendix 2

Element	2020-2024	2014-2018 – FEI	2014-2018 FBC	Comments
Term	A five-year term from 2020 to 2024 is proposed.	A five-year term from 2014-2018 is proposed.	A five year term from 2014 to 2018 is proposed	N/A
Inflation Index (I-Factor)	A weighted average of Average Weekly Earnings for B.C. (AWE:BC) for labour costs and Consumer Price Index for B.C. (CPI:BC) for other costs will be used to determine the I-Index, which will be calculated annually.	A weighted average of BC Average Weekly Earnings (AWE) for labour costs and BC-CPI for other O&M costs will be used to determine the I-factor, which will be reforecast annually	A weighted average of BC Average Weekly Earnings (AWE) for labour costs and BC-CPI for other O&M costs will be used to determine the I-factor, which will be reforecast annually.	No Change
Productivity Improvement Factor (X-Factor)		A fixed X-Factor of 0.5% is proposed	A fixed X-Factor of 0.5% is proposed.	No PIF included in current plan.
Controllable Expenses - O&M	An inflation-indexed unit cost approach for O&M is proposed. A base of 2019 O&M per customer is adjusted for inflation and multiplied by a forecast of customers. O&M will not be rebased during the term of the Proposed MRPs but will be subject to true-up for actual customers.	A formula based approach for O&M is proposed. 2013 approved O&M expenditures (with adjustments) are adopted as the base O&M The O&M formula will adjust the prior year‟s formula O&M by forecast customer growth and (I-X). O&M will not be rebased during the PBR term but will be subject to true-up for actual customer growth	A formula based approach for O&M is proposed. 2013 approved O&M expenditures (with adjustments) are adopted as the base O&M The O&M formula will adjust the prior year's formula O&M by forecast customer growth and (I-X). O&M will not be rebased during the PBR term but will reforecast annually.	Change to O&M per customer effectively gives 100% Growth Factor from last MRP
Controllable Expenses - Capital	***FEI***: A unit cost approach is proposed for FEI's growth capital; other regular capital will be undertaken according to a	A formula based approach for Capital is proposed using 2013 approved capital expenditures (with adjustments) as the base. Two	The same formula as O&M will be used. Limited rebasing of capital will occur if annual capital expenditures are above	Change for FEI to effectively use a 100% growth factor.

	five-year capital forecast. The growth capital formula is tied to forecast gross customer additions and the unit cost is inflation-indexed. Growth capital will not be rebased during the Proposed MRP term but will be subject to true-up for actual gross customer additions. ***FBC:*** Regular capital expenditures will be undertaken according to a five-year capital forecast.	formulas will be applied. Growth Capital is tied to forecast service line additions and other regular capital is tied to forecast growth in average customers. The (I-X) escalation factor is also applied to both formulas. Limited rebasing of capital will occur if annual capital expenditures are above or below the formula-based amount by more than 10%. Formula amounts will be subject to true-up for actual cost driver results (i.e. service line additions or average customers).	or below the formula-based amount by more than 10%.	Change for FBC to forecast from formula.
Growth Factor	Customer growth forecast annually with true-up for actual in the following year(s).			
Forecast O&M and Capital	Certain O&M and capital items do not fit well within formula because, for example, they are tied to parts of the business that are changing in response to government policy. These costs will be forecast each year in the annual review and variances will be			Ensure that there is no scope creep in excluded items.

	captured in the Flow-through deferral account.			
Forecast Revenues and Margins	Revenues are forecast each year for rate setting purposes. The Companies will continue to flow variances in revenue through the Flow-through deferral account. FBC will continue to flow variances in power supply costs through the Flow-through deferral account.	Revenues and non-controllable costs are forecast each year and flowed through in rates each year in the Annual Review Process.	Revenues and non-controllable costs, after being re forecast each year, are flowed through in rates in the Annual Review Process.	No material change conceptually, ensure that detailed definitions do not change
Non-Controllable Expenses	Certain O&M and capital expenditures, and interest and tax rates outside the control of the Companies will be forecast on an annual basis. Variances will be flowed through in rates.	See Forecast Revenues and Margins above	See Forecast Revenues and Margins above	No material change conceptually, ensure that detailed definitions do not change
Innovation Fund	FortisBC is proposing a fund aimed at research and development and demonstration of the viability of new technologies. The funding proposal recognizes the need to accelerate investment in innovation in order to provide customers with clean and cost-effective energy sources for			

	the future. This fund will help the utilities gain the flexibility to innovate and adapt to the changing environment.			
Exogenous Factors	Cost increases or decreases for items such as legislative changes, catastrophic events, accounting changes and BCUC decisions will be flowed through in rates, subject to BCUC approval.	Cost increases or decreases for items such as legislative changes, catastrophic events, accounting changes and Commission decisions will be flowed through in rates.	Cost increases or decreases for items such as legislative changes, catastrophic events, accounting changes and Commission decisions will be flowed through in rates.	No Material Change
Service Quality Indicators	***FEI***: 13 SQIs (9 SQIs with a target benchmark and 4 informational measures) are proposed that deal with customer service, employee safety and reliability. ***FBC***: 12 SQIs (8 SQIs with a target benchmark and 4 informational measures) are proposed that deal with customer service, employee safety, and reliability.	10 SQIs (7 SQIs with a target benchmark and 3 informational measures) are proposed that deal with emergency response, customer service (telephone service, billing), employee safety and meter exchanges.	9 SQIs (5 SQIs with a target benchmark and 4 informational measures) are proposed that deal with emergency response, customer service, employee safety and system reliability.	Change in number of indicators.
Earnings Sharing Mechanism (ESM)	FortisBC is proposing a 50:50 ESM between customers and the Companies for earnings above and below the allowed Return on Equity (ROE).	The PBR includes a 50/50 earnings sharing mechanism for returns above or below the approved return on equity	The PBR Plan includes an equal earnings sharing between Customers and the Shareholder for returns above or below the approved return on equity.	No Material Change
Targeted Incentives	The Proposed MRPs include targeted incentives			

	to align interests in achieving climate objectives while also investing in the future of the business through traditional and non-traditional load growth opportunities to the benefit of ratepayers and the utilities. FortisBC is proposing an annual financial incentive in the form of additional basis points added to the Companies' allowed ROE, based on the Companies' level of success in attaining the overall composite scorecard target.			
Efficiency Carryover Mechanism (ECM)	FortisBC proposes an ECM in the form of an add-on to the approved ROE for two years after the end of the Plans' term. The ROE add-on is equal to one-half of the difference between the average achieved and authorized ROE, to a maximum of 50 basis points, over the last two years of the Plans (providing the difference is positive).	An expanded Efficiency Carry-over Mechanism is proposed based on a rolling 5-year benefit calculation derived from O&M and capital efficiencies achieved each year.	An Efficiency Carry-over Mechanism is proposed based on a rolling 5-year benefit calculation derived from O&M and capital efficiencies achieved each year.	Change to last two years from a five year average.

Off Ramps	A review of the Proposed MRPs may be triggered by either a 200 basis point ROE variance (post-sharing) above or below the allowed ROE, or a 150 basis point ROE variance for two consecutive years.	A midterm assessment review is proposed prior to the end of the third year of the PBR (2016). A review of the PBR Plan may be triggered by either a 200 basis point ROE variance above or below the allowed ROE, or sustained serious degradation of service quality as measured by the SQIs	A midterm assessment review is proposed prior to the end of the third year of the PBR (2016). A review of the PBR Plan may be triggered by either a 200 basis point variance above or below the allowed ROE, or sustained serious degradation of service quality as measured by the SQIs.	Change to include 150 BP for two consecutive years. Also remove serious degradation of SQIs
Annual Review	Annual reviews are proposed for the Proposed MRPs. FortisBC will file its forecasts revenue and costs outside of indexed amounts, and the BCUC will determine the rates for the upcoming year.	Annual reviews are also proposed for this PBR.	Annual reviews are also proposed for this PBR Plan	No Material Change