

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. V6Z 2N3 CANADA
web site: <http://www.bcuc.com>



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-20-05

TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

**IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473**

and

FortisBC Inc.'s 2004 Annual Review and Filing of 2004 Incentive Sharing Adjustments

BEFORE: L. F. Kelsey, Commissioner
L. A. O'Hara, Commissioner February 17, 2005

O R D E R

WHEREAS:

- A. On November 26, 2004, FortisBC Inc. ("FortisBC") filed its 2005 Revenue Requirements Application and preliminary 2004 Incentive Adjustments (the "Application") with the British Columbia Utilities Commission ("Commission"); and
- B. As part of its Application, FortisBC also filed its 2005-2024 System Development Plan and its 2005 Resource Plan; and
- C. The Negotiated Settlement Agreement approving the 2004 Revenue Requirements of Aquila Networks Canada (British Columbia) Ltd. (now FortisBC Inc.) issued under Commission Order G-38-04, required an Annual Review, primarily to review the incentive sharing regarding 2004 power purchase costs and certain operating and maintenance expenditures; and
- D. The 2004 Annual Review was held on January 20, 2005 in Kelowna, B.C. The review was attended by parties who participated in the 2004 Negotiated Settlement Process. FortisBC presented and filed actual 2004 financial information, incentive adjustments for both shared and flow-through components, and information on Reliability Performance Indicators, Health and Safety Indicators and the Customer Satisfaction Index; and
- E. Commission staff asked parties to submit in writing by January 27, 2005, their views and positions with respect to the 2004 Incentive Sharing. FortisBC was asked to file its reply by January 31, 2005; and
- F. Five parties responded in writing by the above due date. FortisBC also responded by January 31, 2005.

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-20-05

2

NOW THEREFORE the Commission orders as follows:

1. The Commission approves for FortisBC all 2004 Incentive Adjustments as shown on page 22 of Appendix A.
2. FortisBC is to provide a copy of this Order to all parties who participated in the 2004 Annual Review.

DATED at the City of Vancouver, in the Province of British Columbia, this 22nd day of February 2005.

BY ORDER

Original signed by:

L. F. Kelsey
Commissioner

Attachment

Fortis 2005 RR-SDP-RP – Exhibit B-11

2004 Annual Review

January 20, 2005
Kelowna, BC

AGENDA

4:45 2004 Annual Review

Performance Standards

Incentive Calculations

DSM Incentive Committee

5:15 Wrap up

2004 Annual Review

Performance Standards

Doyle Sam
Director, Transmission & Distribution

January 20, 2005
Kelowna, BC

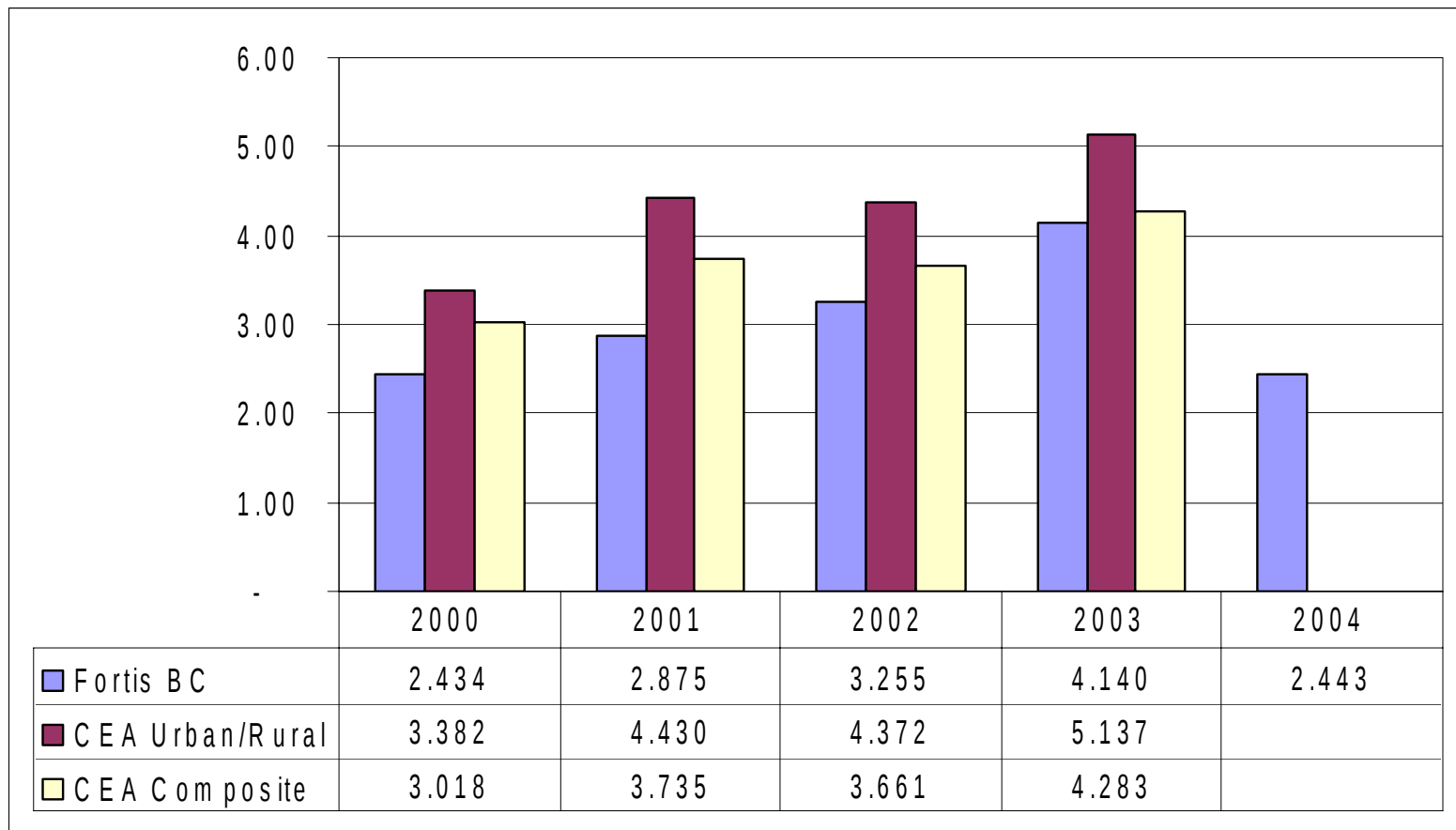
Performance Standards

Includes:

- System Reliability
- Health and Safety
- Generator Reliability
- Customer Satisfaction
- Maintenance Incentive Mechanism

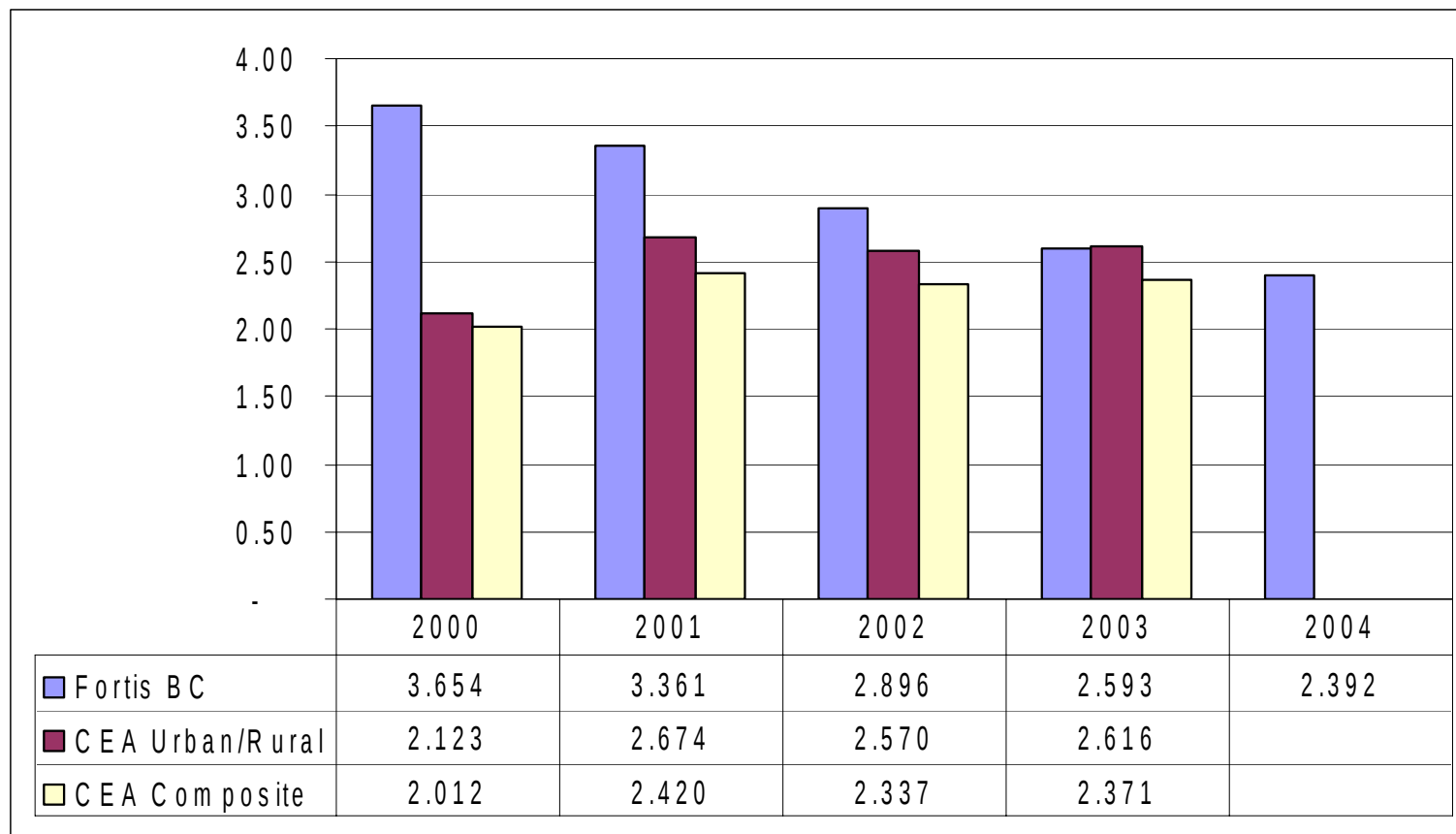
System Reliability

System Average Interruption Duration Index (SAIDI) (3-Year Rolling Average except 2004)



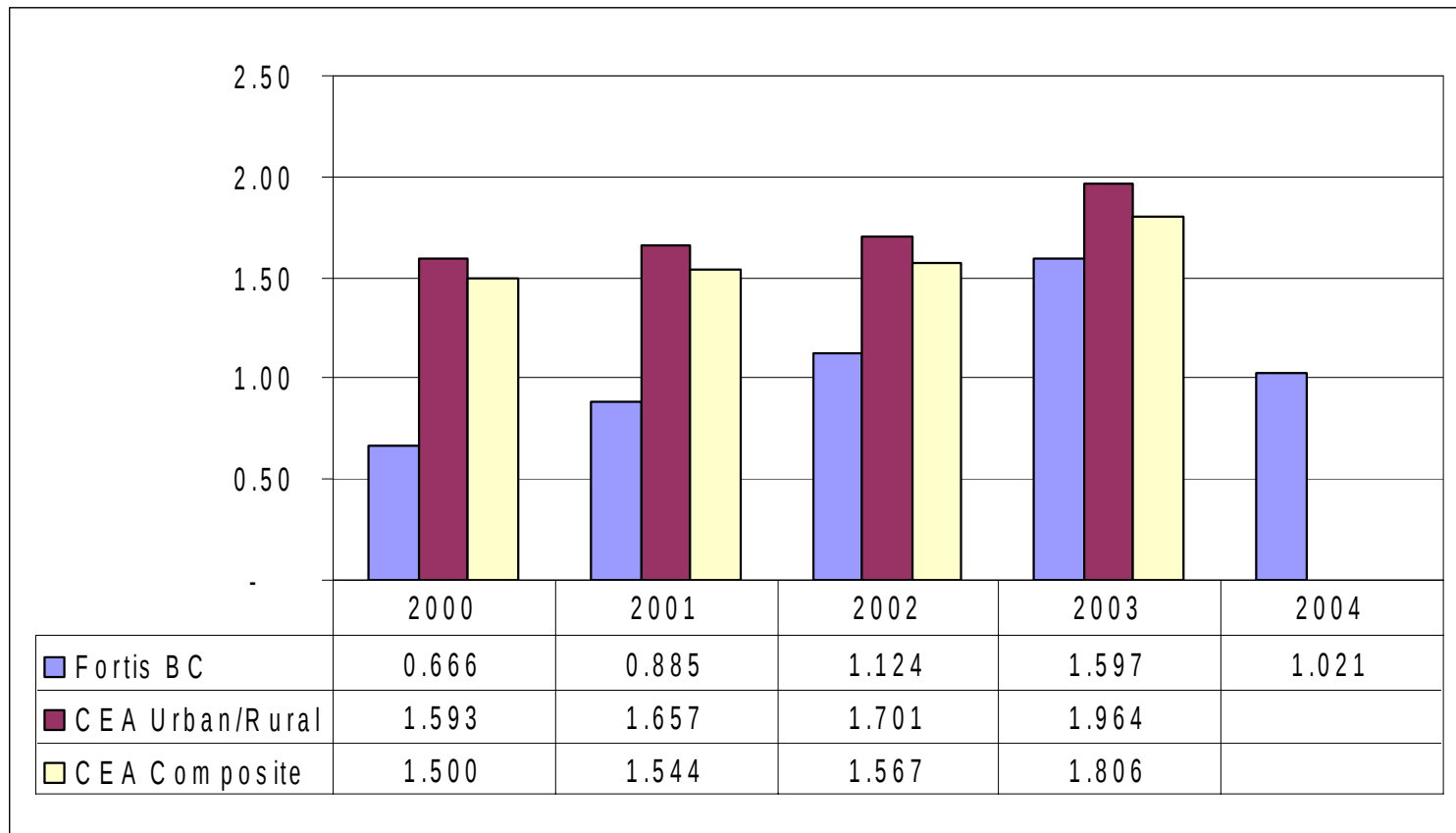
System Reliability

System Average Interruption Frequency Index (SAIFI) (3-Year Rolling Average except 2004)



System Reliability

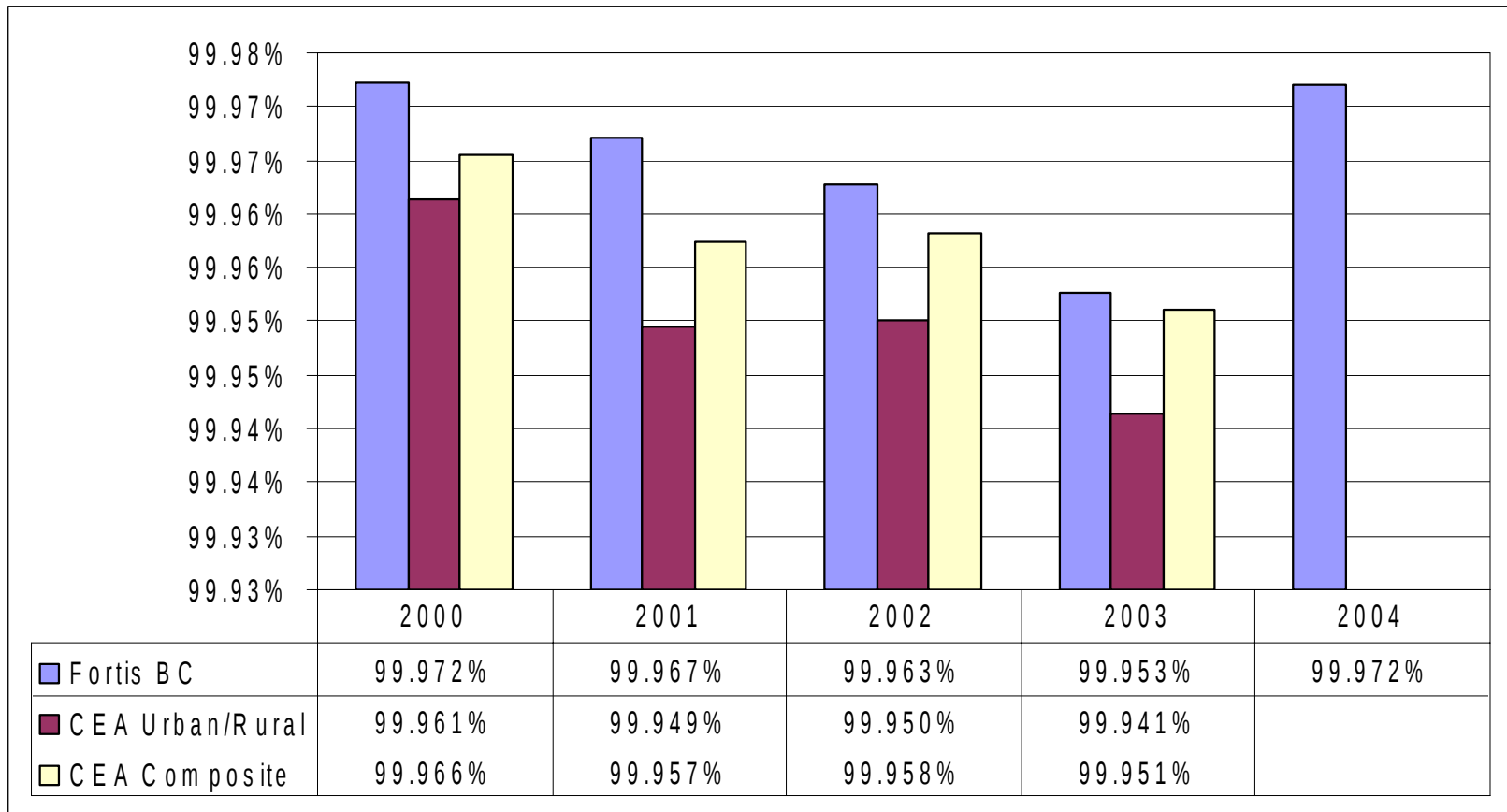
Customer Average Interruption Duration Index (CAIDI) (3-Year Rolling Average except 2004)



System Reliability

Index of Reliability (IoR)

(3-Year Rolling Average except 2004)

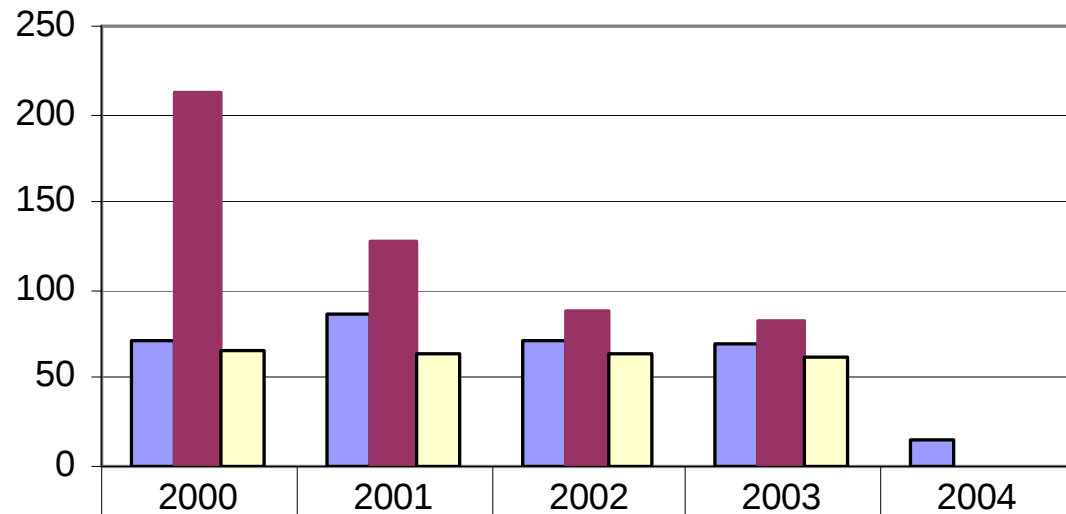


Health & Safety

Severity Rate

(3-Year Rolling Average except 2004)

Number of lost days per 200,000 hours worked

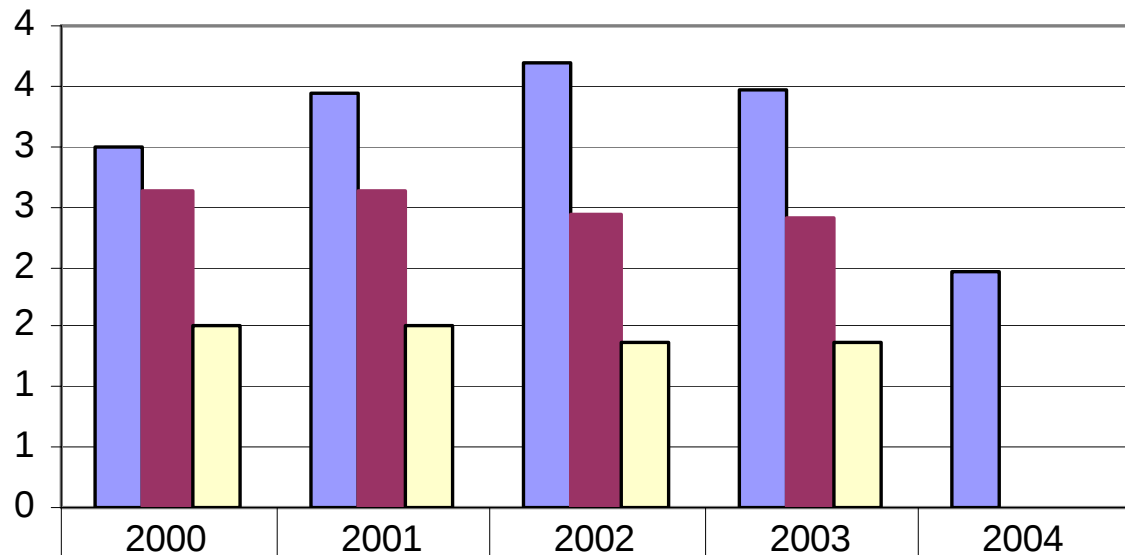


 FortisBC	72.1	85.7	71.9	69.2	15.4
 CEA, <500 Employees	212.0	127.3	88.0	82.0	
 CEA, Composite	66.7	63.2	64.4	61.1	

Health & Safety

Disability Injury Frequency Rate (3-Year Rolling Average except 2004)

Number of lost time incidents per 200,000 hours worked



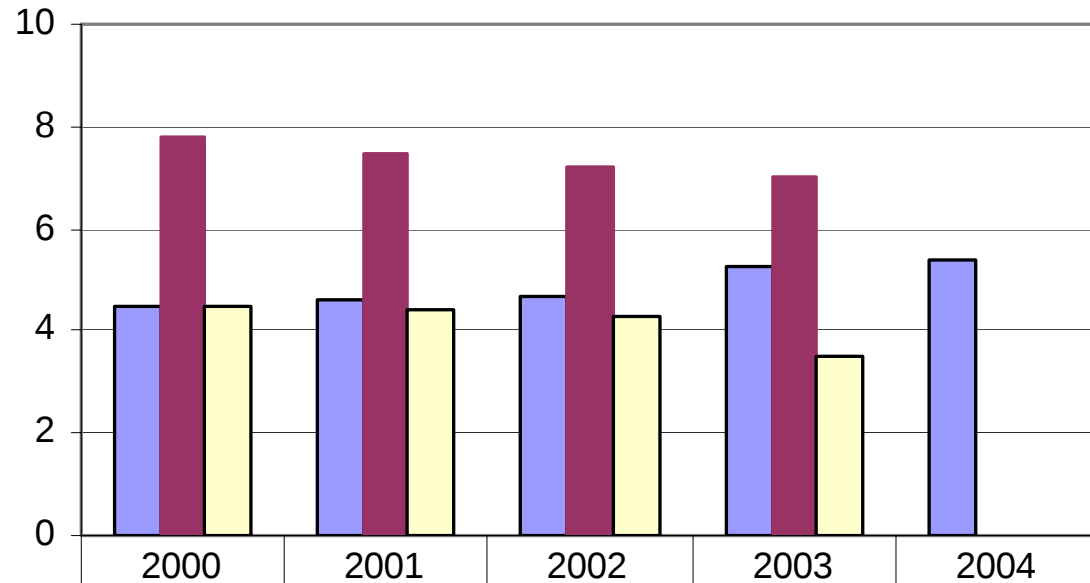
■ FortisBC	3.00	3.43	3.70	3.47	1.97
■ CEA, <500 Employees	2.64	2.62	2.43	2.40	
■ CEA, Composite	1.50	1.50	1.37	1.36	

Health & Safety

Vehicle Incident Frequency Rate

(3-Year Rolling Average except 2004 current)

Number of recordable vehicle incidents per one million km travelled



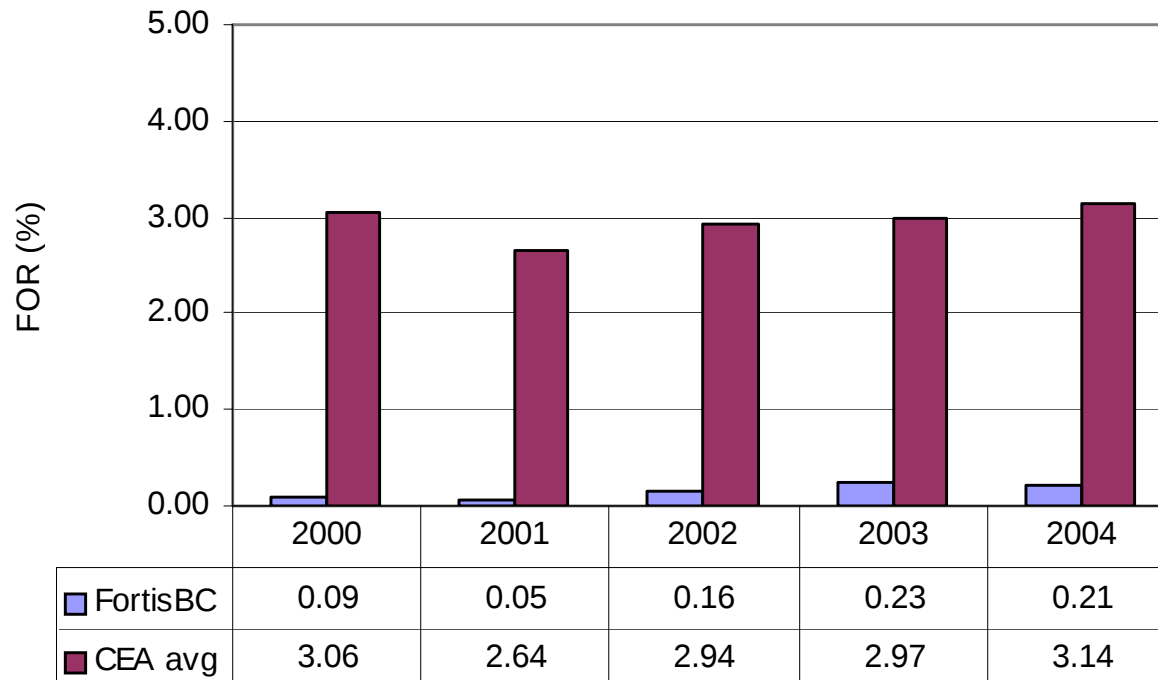
■ FortisBC	4.5	4.6	4.7	5.3	5.4
■ CEA, <500 Employees	7.8	7.5	7.2	7.0	
■ CEA, Composite	4.5	4.4	4.3	3.5	

Generator Reliability Performance

Forced Outages

(3-Year Rolling Average except 2004)

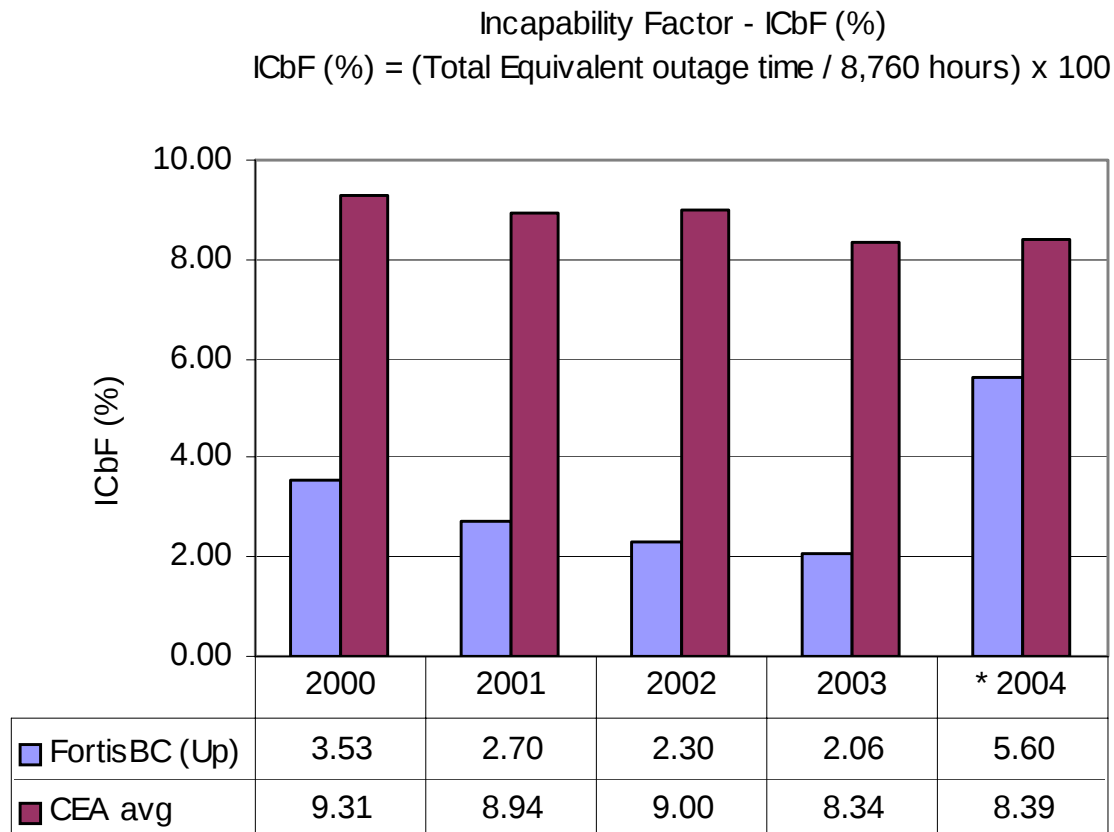
FOR (%) = (forced outage time / forced outage time + operating time) x 100



Generator Reliability Performance

Incapability Factor

(3-Year Rolling Average except 2004)



* FortisBC (Up) 2004 @ 5.6% - (3.75% (1.5 ULEs) and (.69% (230kV) = 1.26%

Customer Satisfaction Index

3-Year Rolling Average except 2004



■ Fortis BC	92.47	90.73	89.20	85.07	78.40
■ CEA	89.13	88.33	88.80	89.80	

Incentive Sharing Mechanism Brushing & Substation Maintenance

Brushing

Actual Expenditures	\$1,686,916
Base O&M Target =	<u>\$1,400,000</u>
Difference	\$ 286,916

Substation Maintenance

Actual Expenditures	\$943,670
Base O&M Target =	<u>\$750,000</u>
Difference	\$193,670

Total	\$480,586
-------	-----------

2004 Annual Review

Incentive Adjustments

Joyce Martin
Manager, Revenue Requirements

January 20, 2005
Kelowna, BC

Overview

- **2004 Incentive Provisions**
- **Operating Incentive**
- **Power Purchase Incentive**
- **Demand Side Management Incentive**
- **Summary**

2004 Incentive Provisions

2004 Negotiated Settlement provided for:

- **Sharing of certain operating expenses and revenues;**
- **Flow-through treatment of expenses beyond the company's control;**
- **Sharing of benefits from market energy prices; and**
- **An incentive to FortisBC based on Demand Side Management performance.**

Operating Incentive

	Target Cost	Actual	Variance	Customer Shared Percentage	Adjustment to Rates
	(\$000s)				(\$000s)
Shared Components					
Operating Expenses					
Brushing & Substation Maintenance	2,150	2,631	481		
Other Income	(3,815)	(4,360)	(545)		
	(1,665)	(1,729)	(65)	50%	(33)
Flow-through Components					
Operating Expenses					
Extraordinary O&M	6,085	5,281	(804)		
Extraordinary Other Income	(79)	(112)	(34)		
Capitalized Overhead	(2,143)	(2,563)	(420)		
Wheeling	3,822	3,817	(5)		
Water Fees	7,328	7,399	71		
Financing Costs					
Cost of Capital – Base Capital	800	790	(11)		
(Rate Variance)					
Amortization Expense	16,805	16,818	13		
AFUDC	(3,098)	(2,434)	664		
Taxes					
Income Tax	7,513	8,308	795		
Property Tax	9,820	10,047	227		
	46,855	47,350	495	100%	495
2004 Adjustment					462

Power Purchase Incentive

	Target Cost	Actual	Power Purchase Variance “PPV”	FortisBC Share of Market Incentive	Adjustment to Rates
	(\$000s)				
Forecast Power Purchase Expense “FPPE”	61,366				
Adjusted Power Purchase Expense “APPE”	61,561	59,014	(2,547)		
Shared Component					
On first \$1 million			(1,000)	(350)	(650)
Over \$1 million			(1,547)	(387)	(1,160)
				(737)	(1,810)
Flow-through Component					
Impact of BC Hydro Interim Rate Reduction not included in above				121	(121)
2004 Adjustment				(616)	(1,931)

Demand Side Management Incentive

Sector	2004 Net Benefits		% of Plan C	Eligible Amount D	Incentive Rate E	Incentive (D x E)
	Plan A	Actual B				
	(\$000s)					
Industrial	249	87	35%	125	- 2%	- 3
General Service	1,294	1,341	104%	1,341	2%	27
Residential	374	1,014	271%	561	6%	34
Total	1,917	2,442	127%			58

Notes:

1. Net benefits is the value of power saved less the utility and customer costs to save that power.
2. Energy is valued at 2.6 cents per kW.h, capacity at \$29.7 per annual kVA, and deferred capital expenditure at \$350 per kVA

Summary of 2004 Incentive Adjustments

	Eligible Amount	Customer Portion	FortisBC Portion
	(\$000s)		
Operating Incentive			
Shared	(65)	(33)	(32)
Flow-through	495	495	-
Power Purchase Incentive			
Shared	(2,547)	(1,810)	(737)
Flow-through		(121)	121
DSM Incentive	(58)	-	(58)
Total	(2,175)	(1,469)	(706)