BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF

FORTIS BC ENERGY INC
APPLICATION FOR APPROVAL OF A MUTI-YEAR PERFORMANCE BASED RATEMAKING PLAN FOR 2014 THROUGH 2018
PROJECT NUMBER 3698715

AND

FORTIS BC INC
APPLICATION FOR APPROVAL OF A MUTI-YEAR PERFORMANCE BASED RATEMAKING PLAN FOR 2014 THROUGH 2018
PROJECT NUMBER 3698719

EVIDENCE OF RUSS BELL, CMA

Submitted on behalf of:

The British Columbia Pensioners' and Seniors' Organization, Active Support Against Poverty, BC Coalition of People with Disabilities, Counsel of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre, known collectively in regulatory processes as "BCPSO et al."

December 18, 2013

FORTIS BC ENERGY INC (FEI)
APPLICATION FOR APPROVAL OF A MUTI-YEAR PERFORMANCE BASED RATEMAKING PLAN FOR 2014 THROUGH 2018
PROJECT NUMBER 3698715
AND
FORTIS BC INC (FBC)
APPLICATION FOR APPROVAL OF A MUTI-YEAR PERFORMANCE BASED RATEMAKING PLAN FOR 2014 THROUGH 2018
PROJECT NUMBER 3698719

EVIDENCE OF RUSS BELL, CMA

I. Overview

Q1. Please state your name, affiliation and location.

A1. I am Russ Bell, CMA, and am principal of Russ Bell & Associates Inc. of Edmonton, Alberta.

Q2. Please summarize your qualifications.

A2. My qualifications are attached as Appendix A. I hold a Bachelor of Commerce Degree from the University of Alberta, and am a Certified Management Accountant. I have over 30 years experience, mostly in the regulated utility industry in Alberta. I worked for 18 years for Canadian Western Natural Gas, the regulated natural gas distributor for southern Alberta, and the predecessor to ATCO Gas. For the last 10 years, I have represented customers in utility rate proceedings. I have appeared or filed evidence on behalf of the Office of the Utilities Consumer Advocate in Alberta on several proceedings for many of the utilities in Alberta, including ENMAX Power Corporation (EPC), EPCOR Distribution & Transmission Inc. (EDTI), FortisAlberta Inc. (FAI), ATCO Gas (AG), ATCO Electric (AE), ATCO Pipelines (AP) and AltaLink Management Limited (AML). Also, I have been involved in several common matters proceedings including the ATCO Head Office Costs Allocations proceeding where I filed evidence, the ATCO Pension Common Matters proceedings, and the 2009 Generic Cost of Capital proceeding.

In addition, I have represented clients that speak for small customers in the Northwest Territories, and the Yukon.

Q3. **Please explain your experience with performance based regulation.**

A3. I have extensive experience with performance based regulation, or PBR, in Alberta, having been involved in all PBR Applications in Alberta since 2005. I have testified before the Alberta Utilities Commission (AUC) and its predecessor, the Alberta Energy and Utilities Board, on files related to PBR schemes on three separate occasions regarding performance based regulation. In 2007 and 2008, I was involved in the ENMAX Power Corporation (EPC) 2007-2016 Formula Based Ratemaking (FBR) Application.[1] (AUC Application number 1550487). In this proceeding, I was involved in the failed attempt to negotiate a FBR scheme, and appeared at the litigated hearing on behalf of the Alberta Office of the Utilities Consumer Advocate (UCA). I have been involved in the annual filings of EPC that arise out of the AUC's Decision approving the EPC FBR scheme. I have also been involved in the EPC Transmission FBR Reopener Application.

I have testified in the AUC Performance Based Ratemaking Proceeding, and in the subsequent AUC Capital Tracker proceeding. I represented the UCA in the PBR compliance filings and in the 2014 Capital Tracker Interim Applications.

Further, I am currently involved in the EPC 2014 General Tariff Application, which EPC filed at the end of its FBR term and will be used for rebasing the next EPC PBR.

Q4. Who do you represent?

A4. I have been retained by the BC Public Interest Advocacy Centre and am appearing on behalf of the British Columbia Pensioners' and Seniors' Organization, Active Support Against Poverty, BC Coalition of People with Disabilities, Counsel of Senior Citizens'

[1] The EPC FBR scheme is a price cap PBR scheme using an I-X factor to increase prices each year.

Organizations of BC, and the Tenant Resource and Advisory Centre, known collectively in regulatory processes as "BCPSO et al."

Q5. Please explain the purpose for and provide a summary of your evidence.

A5. I have been retained to provide evidence on the PBR schemes in place in Alberta and to compare the Alberta model to the PBR model proposed by Fortis.

In Alberta, the AUC was clear that its intent in embarking on a PBR model was to address its concern with the incentive to invest in plant under cost of service regulation. In various places in evidence, parties have referred to the Alberta PBR Decision. In this application, I have provided an overview of the Alberta PBR proceeding, and the preceding ENMAX Power Corporation FBR.

In assessing this PBR application, I submit that the British Columbia Utilities Commission (BCUC or Commission) should determine what it wants to accomplish in this PBR and what incentives are to be in place during the PBR term.

I have compared the intent of the Alberta PBR to the proposed building block model. The building block model has some incentive properties as it extends the period between major reviews, which allows the utility to benefit from longer term improvements in efficiency, but maintains the incentive in cost of service to continue to add plant in service.

The inclusion of a growth factor in the O&M formula is not supported by the history of costs for FBC and FEI. Also, the history of FBC capital does not support a growth factor for FBC capital.

Finally, the ECM component is inconsistent with a plan where customers are already paying the costs of investment in rates.

Q6. Why did the AUC introduce a PBR model for distribution utilities in Alberta?

A6. The AUC implemented a PBR model in Alberta in order to change the incentives inherent in Cost of Service regulation. In creating a PBR regime, the AUC established five principles:

> **Principle 1.** A PBR plan should, to the greatest extent possible, create the same efficiency incentives as those experienced in a competitive market while maintaining service quality.
> **Principle 2.** A PBR plan must provide the company with a reasonable opportunity to recover its prudently incurred costs including a fair rate of return.
> **Principle 3.** A PBR plan should be easy to understand, implement and administer and should reduce the regulatory burden over time.
> **Principle 4.** A PBR plan should recognize the unique circumstances of each regulated company that are relevant to a PBR design.
> **Principle 5.** Customers and the regulated companies should share the benefits of a PBR plan.[2]

In Decision 2012-237, the AUC confirmed it wanted to improve the incentives for utilities to improve efficiencies in a PBR regime.

> In stating its intention to move to a performance-based regulation framework for the distribution companies, the Commission also stated the following objectives for PBR:
>
> The first is to **develop a regulatory framework that creates incentives for the regulated companies to improve their efficiency** while ensuring that the gains from those improved efficiencies are shared with customers. The second purpose is to improve the efficiency of the regulatory framework and allow the Commission to focus more of its attention on both prices and quality of service important to customers.[3] (Emphasis Added)

In fact, the AUC expressly stated its concerns with the disincentives of cost of service regulation with respect to investing in rate base:

> While this regulatory model is relatively straightforward in its conception, it produces some incentives and disincentives that are widely recognized. Generally, under cost of service regulation, since the company earns a profit on the equity in its rate base, there is an incentive to choose spending money on capital assets, on which a return can be earned, over spending on maintenance, for example, on which a return is not earned. **In addition, there is no incentive**

[2] Exhibit 0064.01.AUC-566, AUC PBR Proceeding, ID 566, Bulletin 2010-20
[3] AUC Decision 2012-237, Paragraph 15 (Footnotes omitted)

> **to minimize the costs of capital assets.** The more that is spent and included in the company's rate base, the more return that can be earned. This means that the regulator must make some sort of after-the-fact assessment of whether the company spent too much money on capital assets and, if so, must disallow recovery of the amount by which actual costs exceeded a prudent amount. In addition, there is little incentive for the company to invest in long term cost reduction initiatives because any cost reductions achieved would be passed on to customers automatically in subsequent rate proceedings. The use of forecasted test years in Alberta was adopted partly in response to these incentives. However, while there are incentives to reduce expenses in the test years so as to beat the forecast and thereby increase profits, this only works for investments in efficiency that can be recovered in a year or two. In addition, this framework also creates an incentive for the companies to provide cost forecasts (both operating and maintenance (O&M), and capital) that are higher than what the company expects to be able to achieve or to provide conservative forecasts of the number customers and other billing units that are lower than what the company expects, thus increasing profits above the approved return.[4] (Emphasis Added)

The AUC expressed concern that under cost of service, the incentives are not to minimize the costs of capital assets.

This concern was reaffirmed in Decision 2013-435, where the AUC stated:

> In its letter dated February 26, 2010 announcing a Commission initiative on regulatory reform, the Commission noted that "[t]raditional rate-base rate of return regulation provides few opportunities to create meaningful positive economic incentives which would benefit both the companies and the customers." Specifically, the Commission stated that the rate regulation initiative proceeds from the assumption that rate-base rate of return regulation offers few incentives to improve efficiency by minimizing costs and efficiently allocating resources. This is because traditional rate-base rate of return regulation is essentially a cost-plus arrangement in which all of the utility's costs are recovered from customers. As Dr. Weisman explained in the PBR proceeding, traditional cost-of-service regulation "is essentially a cost-plus contract that affords the regulated firm a high degree of pass-through of cost-increases in the form of price increases."
>
> The February 26, 2010 letter also indicated that the Commission was "seeking a better way to carry out its mandate so that the legitimate expectations of the regulated utilities and of customers are respected." The Commission's regulatory reform initiative led to the PBR proceeding, the purpose of which was to employ performance-based regulation as an alternative to the cost-of-service regulatory model in order to emulate, to the greatest extent possible, the same efficiency incentives as those experienced in a competitive market while maintaining service quality. Enhanced incentives would result in productivity improvements,

[4] AUC Decision 2012-237, Paragraph 11

> the benefits of which would accrue to both the companies and customers. In addition, the Commission anticipated that the overall effectiveness of the regulatory framework would be improved.[5]

The intent of the AUC was to implement an alternative to Cost of Service regulation, to incent behavior that is different than that under traditional Cost of Service regulation.

Q7. How did the AUC address this concern with Cost of Service regulation?

A7. In Alberta, the AUC addressed its concerns about the incentives of Cost of Service regulation through the introduction of a PBR model for Distribution Utilities. The Alberta PBR model is a price cap for electric distribution utilities and a revenue requirement per customer for natural gas distribution customers. The PBR model approved in Decision 2012-237 is patterned after the ENMAX Power Corporation (EPC) FBR model approved in AUC Decision 2009-035. The Alberta PBR model has the following characteristics:

- An I-Factor based on changes in Average Weekly Earnings and the Consumer Price Index for Alberta.[6]
- An X-Factor of 1.16% based on a total factor productivity growth rate of 0.96% plus a stretch factor of 0.20%.[7]
- An exogenous factor (Z-Factor) adjustment mechanism with a materiality limit of a 40 basis point change in ROE.[8]
- A provision for capital trackers for incremental capital expenditures.[9]
- Allowance for a limited set of flow though items or Y-Factor adjustments
- No automatic reopeners, but reopeners based only on an application by any party, including the AUC.[10]
- An Efficiency Carryover mechanism.[11]

[5] AUC Decision 2013-435, paragraphs 22 and 23 (Footnotes Omitted)
[6] AUC Decision 2012-237, paragraph 251
[7] AUC Decision 2012-237, paragraph 514 and 515
[8] AUC Decision 2012-237, paragraph 535
[9] AUC Decision 2012-237, paragraphs 613-615
[10] AUC Decision 2012-237, paragraphs 757-758

The AUC did not permit an earnings sharing mechanism. [12]

The AUC ordered collaborative processes related to Service Quality[13] and related to Asset Condition Monitoring.[14]

Since the PBR Decision, the AUC has conducted service quality consultations that have resulted in revised Rule 002 metrics. AUC Rule 002 outlines the service quality metrics and thresholds for natural gas and electric distribution utilities in Alberta. In the consultations, there was discussion of penalties for failure to meet service quality standards.

In November, 2013, the AUC started consulting with parties regarding Asset Condition Monitoring. This process is to ensure that, under the guise of productivity improvements, utilities do not arbitrarily reduce maintenance activities, and unnecessarily shorten the lives of long lived assets.

Q8. Is there any update to the AUC PBR model?

A8. Yes. In Decision 2013-435, the AUC ruled on the 2013 capital tracker applications of AltaGas Utilities Inc. (AUI), AG, AE, EDTI, and FAI. The Commission approved the inclusion of capital trackers for AUI and EDTI that amount to 44% and 80% respectively of the companies' 2013 capital expenditures. AG, AE, and FAI have requested that 75%, 36%, and 80% respectively of their 2013 capital be treated as capital trackers. The requested capital trackers for AG, AE, and FAI were declined because the utilities had not adequately demonstrated that the request had satisfied all three criteria for inclusion as capital trackers. All five utilities will have to file 2013 capital true up applications in May 2014. At that time, AG, AE, and FAI will have an opportunity to provide additional evidence in support of their 2013 capital tracker applications.

[11] AUC Decision 2012-237, paragraph 791
[12] AUC Decision 2012-237, paragraph 822
[13] AUC Decision 2012-237, paragraph 912
[14] AUC Decision 2012-237, paragraph 945

Q9. Are you aware of other Alberta experience in PBR?

A9. Yes, I am aware of the EPC PBR plan that is in place from 2007-2013.

Q10. Please explain the EPC FBR Plan.

A10. The AUC approved an FBR Plan for EPC in 2009. The EPC FBR is similar to the PBR plans approved in Decision 2012-237. The EPC FBR includes:

- An I-Factor based on changes in Electric Utility Construction Price Index (EUCPI) and Average Hourly Earnings.[15]
- An X-Factor of 1.20% based on a total factor productivity growth rate of 0.80% plus a stretch factor of 0.40%.[16]
- An exogenous factor (Z-Factor) adjustment mechanism with a materiality limit of $1.0 million.[17]
- Allowance for a limited set of flow though items.[18]
- Specific reopeners related to service quality, accounting standards, expansion of service territory and return.[19]
- An asymmetrical earnings sharing with only gains shared with customers, not losses.[20]

There is no provision for a capital tracker for the distribution division, but there is a provision for a growth or G-Factor for the transmission division. The G-Factor relates to growth capital for the Transmission function.

[15] AUC Decision 2009-035, paragraph 138
[16] AUC Decision 2009-035, paragraph 185
[17] AUC Decision 2009-035, paragraph 248
[18] AUC Decision 2009-035, paragraph 251
[19] AUC Decision 2009-035, paragraphs 226
[20] AUC Decision 2009-035, paragraph 281

Q11. How has EPC fared under its FBR?

A11. The distribution division has seen increasing returns under its FBR. The EPC FBR plan for distribution has worked as EPC Distribution returns have improved under PBR. The following table provides EPC returns for the period 2004-2012. The FBR term started in 2007, but was not approved until early 2009. The improvement in returns during the FBR term is of particular interest.

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012
EPC Distribution	10.16%[21]	6.38%[22]	6.99%[23]	6.64%[24]	8.27%[25]	10.39%[26]	7.36 [27]	6.71[28]	10.22[29]
EPC Transmission	10.76%[30]	9.50%[31]	10.85%[32]	7.37%[33]	9.34%[34]	12.84[35]	6.23[36]	4.08[37]	0.49[38]

First, I would note that EPC Distribution entered its FBR term with returns that were under 7%. In years two and three of the FBR plan, EPC saw improved returns. If EPC Distribution had started at a return that is similar to the authorized return, which is in the 8.5% - 9.0% range, EPC Distribution would have experienced superior returns throughout the FBR term.

I would note that EPC's service territory is the City of Calgary, which experienced significant growth over the period of the FBR. EPC Distribution was able to accommodate this growth while under a FBR, and still show growth in returns.

[21] AUC Proceeding 566, Exhibit 0351.02, AUC-EPC-001(a), Attachment 1.
[22] AUC Proceeding 566, 13T2427 L14.
[23] EPC 2006 AUC Rule 005 filing
[24] EPC 2008 AUC Rule 005 filing
[25] EPC 2008 AUC Rule 005 filing
[26] EPC 2009 AUC Rule 005 filing
[27] EPC 2011 AUC Rule 005 filing
[28] EPC 2011 AUC Rule 005 filing
[29] EPC 2012 AUC Rule 005 filing
[30] AUC Proceeding 566, Exhibit 0351.02, AUC-EPC-001(a), Attachment 1.
[31] AUC Proceeding 566, Exhibit 0351.02, AUC-EPC-001(a), Attachment 1.
[32] AUC Proceeding 566, Exhibit 0351.02, AUC-EPC-001(a), Attachment 1.
[33] EPC 2008 AUC Rule 005 filing
[34] EPC 2008 AUC Rule 005 filing
[35] EPC 2009 AUC Rule 005 filing
[36] EPC 2011 AUC Rule 005 filing
[37] EPC 2011 AUC Rule 005 filing
[38] EPC 2012 AUC Rule 005 filing

Regarding the Transmission Division, the low returns in 2011 and 2012 are subject to a reopener application.[39] The low returns as reported are a result of how EPC accounts for its capital compared to its G-Factor revenue. EPC records the costs of its capital in the year incurred, but does not record the G-Factor revenue until the following year. This mismatch results in lower returns. When the revenue is matched to the year it related, revised returns are:

Line No.	Description	2007	2008	2009	2010	2011	2012
5	Revised ROE Before E	10.57%	14.39%	11.93%	12.68%	9.93%	4.21%

[40]

During the term of the EPC FBR, there was no reported degradation in service quality.

The EPC Distribution FBR should be considered a success, and is evidence that, at least for one term, price cap PBR can work in electric distribution utilities.

Q12. Please summarize your understanding of PBR plans proposed in this proceeding.

A12. Fortis has proposed a building block model. In this model, Fortis is not proposing that prices or revenues per customer be inflated. Rather, Fortis is proposing that major input costs, Controllable O&M and Non-CPCN Capital expenditures be increased each year by a factor based on Inflation less a productivity factor, and increased by a growth factor. These inflated input costs are then used to determine the revenue requirement and applied to forecast billing determinants to arrive at customer rates each year.

Q13. How does this compare to the Alberta PBR model?

A13. The Building Block model appears to be a hybrid between traditional cost of service model and a price cap or revenue per customer cap PBR model. This hybrid retains the basic cost plus structure of cost of service regulation, but rather than including detailed forecasts of all inputs, it uses a formula to determine the forecasts for controllable O&M and non CPCN capital.

[39] AUC proceeding 2182

[40] AUC proceeding 2182, Exhibit 0068.01, AUC-EPC-55 Attachment, Schedule 1.1 (PDF Page 76 of 192

Q13. Do you have concerns with the proposed methodology?

A13. Yes, I have several concerns with the proposed model. As EPC was able to provide returns in the Distribution function that are at or higher than the returns that were achieved immediately prior to the implementation of its FBR, the Commission should consider the use of a price cap approach as a viable approach in this proceeding.

As discussed later, the building block approach has many of the incentives of cost of service regulation and does not provide the incentive to find efficiencies that price cap approach can provide. In addition, also as discussed later, the inclusion of a growth component in the formula is not required. As a result, this building block model may be too generous to the utility, and too costly to customers.

Specific concerns include:

- the incentives in the building block model are not significantly different than cost of service regulation,
- the inclusion of a growth factor in Controllable O&M may not be warranted,
- the inclusion of a growth factor in non-CPCN capital may not be warranted, and
- the inclusion of an ECM factor is inappropriate.

Q14. Please explain your concerns with incentives inherent in the building block approach.

A14. I am concerned that the incentives in the building block model are not significantly different than cost of service regulation.

In assessing this PBR application, I submit that the Commission should determine what it wants to accomplish in this PBR and what incentives are to be in place during the PBR term.

In FBC's response to BCPSO 1.16.2 (Exhibit B-11), it states "[t]he goal of a PBR is to emulate a competitive firm operating in a competitive market." Not only is that the goal

of PBR, but the intent of regulation in general. In a competitive market, prices are set externally, and management must find efficiencies, and prioritize expenditures with prices.

Under cost of service regulation, in a forward test period jurisdiction, costs are forecast for the test period, and included in a revenue requirement model.

Under the proposed building block method, costs are forecast, and each year, rates will be derived. The only difference from cost of service regulation is that under the building block approach, the forecasts for costs are based on a formula, and not on detailed cost estimates. Within the term, management can operate the business, and to the extent that it can find efficiencies, will benefit from efficiencies though reduced costs.

Further, both FEI and FBC have proposed 10% deadbands around capital expenditures. In any year, capital expenditures outside this deadband would result in a rebasing of plant balances. This limits the incentives imbedded in the building block approach, and makes the approach more like cost of service regulation.

One substantive difference is that the five year term of the proposed building block model is longer than the typical two or three year test period in a traditional cost of service application. While this longer term has benefits, the core incentives are the same as cost of service regulation.

In assessing this PBR application, I submit that the Commission should determine what it wants to accomplish in this PBR and what incentives are to be in place during the PBR term. If the Commission's objective is simply to lengthen the period between major rate applications, this model may well work, with some adjustments. If the Commission wants to create additional incentives to create innovation, then the Commission should consider alternative models such as price cap or revenue requirement per customer caps.

Q15. Please explain your concern with the inclusion of a growth factor in O&M forecasts.

A15. The history does not support the need for a growth factor for O&M for FBC. In response to BCPSO 1.37.3, FBC provides a summary of controllable O&M for the years 2008 – 2012 actual results. The actual O&M per customer remains fairly constant at:

	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual
O&M per Customer	$367	$364	$355	$367	$353

The cost per customer does not increase by inflation, and further, with the exception of 2011, actually shows a decrease each year. Further, when looking at the five years of actual results, the total O&M increases from $39,860,000 in 2008 to $40,087,000 in 2012. This is an increase of 0.14% in controllable O&M, compared to an increase in customers over the same period of 1.10%.

Further, in FBC's response to BCPSO 1.71.2, FBC states "[t]he FTE levels for 2013 and for the remainder of the PBR Period are expected to be at a level similar to 2012 on a total company basis." Given the fact that the history of O&M does not support a growth factor, and the fact that FBC itself does not foresee growth in staff, a growth factor is not needed.

Similarly, FEI's historic O&M per customer does not demonstrate a need for a growth factor. In FEI's response to BCPSO 1.16.2 (Exhibit B-6) FEI provides actual cost per customer. The 2012 cost per customer is $254, which is only 0.40% higher than the 2011 amount of $253. Providing a growth component, in excess of the I-X would not provide an incentive to continue this pattern of constant cost per customer.

Q16. Please explain your concern with the inclusion of a growth factor in non-CPCN capital forecasts.

A16. FBC and FEI have included a growth component in the formula to forecast sustainment capital. In response to IGC-1.36.1, FBC provides historic capital expenditures. I have taken the following table from the response.

	2007	2008	2009	2010	2011	2012
Total Capital	129,190	99,588	99,169	130,491	76,210	52,393

Total capital does not track customer additions. Similarly, Distribution sustainment capital does not track customer growth.

	2007	2008	2009	2010	2011	2012
Distribution Sustaining Capital	10,417	8,474	12,517	12,605	8,359	8,913
Distribution Sustaining Capital per customer		77.94	113.50	113.00	74.13	78.47

For FBC, there is no pattern of correlation between capital or Distribution Sustaining capital and customers. As such, there is no demonstrated need for a growth factor for FBC capital.

Q17. Please explain your concern with the ECM component of the building block model.

A17. An ECM is intended to incent innovation in the later years of the PBR term. An ECM was approved as a part of the Alberta PBR model. In Decision 2012-237, the AUC stated:

> 775. The Commission agrees that ECMs are an innovative mechanism that will allow for a strengthening of incentives in the later years of the PBR term and may discourage gaming regarding the timing of capital projects. The Commission finds that the incentive properties of an ECM encourage companies to continue to make cost saving investments near the end of the PBR term. The Commission agrees with ATCO‘s proposal for an upper limit for earnings that can be carried over and finds the limit of 0.5 per cent to be reasonable. Accordingly, the Commission approves the ATCO companies’ ROE ECM for inclusion in the ATCO companies‘ PBR plans. If any of the other companies wish to submit the same ECM in their PBR plans, they may do so in their compliance filings.

The Alberta ECM was approved in conjunction with price or revenue per customer caps, and not a building block model such as that proposed by Fortis. In the Alberta PBR, the

intent was that utilities would balance the inputs of production, including O&M and Capital, without additional funding for most of the capital. The concern was that in later years, there would be less incentive to invest in productivity improvements, when the benefits would not be fully realized until after the end of the PBR term. As the Fortis proposal is to include specific funding for O&M and Capital, the need for an ECM is lessened. The majority of the capital for productivity improvements may well be included in the Capital generated by the formula. As such, customers will be paying for the cost of the productivity investments in rates through the building block model. As such, it would be unfair to have customers pay for investments in productivity investments in rates, and then pay again for efficiency gains through an ECM.

Q18. Does this complete your evidence?

A18. Yes, at this time.

Russ Bell, CMA

EXPERIENCE

Russ Bell & Associates Inc., Edmonton, Alberta **May 2002 – Present**

- **PRINCIPAL**

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.
- 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 2007-2016 Formula Based Ratemaking 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 Capital Tracker Proceeding

Appearances before the Northwest Territories Public Utilities Board:

- Northwest Territories Power Corporation 2012 – 2014 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:

- 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

Currently engaged with the Office of the Utilities Consumer Advocate for Alberta

- Current ongoing projects:
  - ENMAX Power Corporation 2014 General Tariff Application
  - ENMAX Energy Corporation 2012-2013 non-energy RRO Application
  - ATCO Electric 2012 Transmission and Distribution Deferral Account Applications.
  - AUC Rule 002 consultations
  - AUC Asset Management Consultations
  - ATCO Utilities Evergreen proceeding related to ATCO I-Tek and ATCO I-Tek Business Services contract renewal
  - EPCOR Distribution and Transmission Inc 2014 and 2015 Transmission Tariff Application
- Completed projects:
  - PBR capital tracker proceeding
  - Participated in the AUC review of service quality measures related to Rule 002 for 2013.
  - Alberta Utilities Commission Rate Regulation Initiative regarding Performance Based Ratemaking.
  - Alberta Utilities Commission Rate Regulation Initiative regarding Performance Based Ratemaking compliance proceedings
  - Alberta Utilities Commission Rate Regulation Initiative regarding Performance Based Ratemaking review and variance and Appeal proceedings
  - 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 disposal of Borealis Building property
  - Review and Variance of ATCO Electric 2011 – 2012 GTA related to purchase of Australia assets
  - 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' 2011-2012 General Rate Application
  - 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 – Implementation of IFRS
  - ENMAX Power Corporation FBR Transmission reopener Application
  - 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.

  - 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.
  - 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.
  - 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
  - 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 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.
  - 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.

Engaged by the City of Whitehorse, Yukon

- Completed Projects:
  - Yukon Electrical Company Limited 2013-2015 General Rate Application

Engaged by the City of Yellowknife and the Town of Hay River, Northwest Territories

- Completed projects:
  - Northwest Territories Power Corporation 2012/2013 to 2013/2014 General Rate Application

Engaged by the Town of Hay River, Northwest Territories

- Ongoing Projects:
  - Northland Utilities (NWT) 2014 - 2015 General Rate Application
- Completed projects:
  - Northland Utilities (NWT) 2011 - 2013 General Rate Application
  - Northland Utilities (NWT) 2011 Phase II Application

Engaged by the British Columbia Public Interest Advocacy Centre

- Ongoing Projects:
  - Fortis BC Inc 2014 – 2018 Performance Based Ratemaking Application
  - Fortis BC Energy Inc 2014-2018 Performance Based Ratemaking Application

Engaged by ENMAX Power Corporation:

- 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.

Engaged by the Department of Education of the Province of Alberta:

- Facilitate discussions with Albertans regarding the future of Education in Alberta

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

- **CONTROLLER**

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

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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