Q. 2013-2014 General Rate Application, Company Evidence

Pg. 3-27, lines 11-12 - It is stated that normalization of revenue and supply costs for weather is common for utilities with a substantial heating load. Please provide a list of the utilities that have such recovery mechanisms and describe the recovery mechanism in place for each utility.

A. As indicated in footnote 90, it is common for gas distribution utilities in Canada to have mechanisms that normalize for the effects of weather on revenue and supply costs.

The response to Request for Information PUB-NP-050 provides a description of supply cost recovery mechanisms for Canadian distribution utilities. All of the gas distribution utilities have flow-though mechanisms to provide full recovery of supply costs. The weather normalization mechanisms for the gas distribution utilities in Canada relate to revenue variances. A brief description of each mechanism is provided below.

Gaz Metro has a revenue normalization mechanism for its natural gas distribution and load balancing revenues. This mechanism effectively removes the effects of abnormal weather on revenue.

Enbridge Gas Distribution has a true-up variance account which enables recovery from customers, or repayment to customers, of amounts representing variance in average and forecast average use. This mechanism effectively removes the effects of abnormal weather on revenue.[1]

FortisBC Energy has a Revenue Stabilization Adjustment Mechanism that stabilizes delivery revenues from the residential and commercial classes through a deferral account that captures variances in the forecast versus actual customer use throughout the year. The customer use variances can be due to weather variances or other causes.

Pacific Northern Gas also has a Revenue Stabilization Adjustment Mechanism ("RSAM") that records the revenue impacts of differences between forecast and actual deliveries to residential and small commercial customers. The RSAM mitigates the impact of forecast error on financials (including the effects of weather).

FortisBC has a deferral account that effectively removes the effect of variances from test year supply costs and test year revenues on the financial results of the utility. The forecast variances can be due to weather variances or other causes. These deferral accounts effectively decouple utility revenue from sales variances.

Appendix B to the Cost of Capital evidence of Ms. Kathleen McShane also identifies a number of U.S. utilities that utilize deferral accounts to provide revenue decoupling or weather normalization effects (AGL Resources, Alliant Energy Corp, Atmos Energy,

[1] Mechanism excludes large volume transportation customers.

Consolidated Edison Inc., Integrys, Northwest Natural Gas Co, Piedmont Natural Gas, Vectren Corp, and WGL Holdings Inc.).[2]

Refer also to the response to Request for Information PUB-NP-050.

[2] Revenue Decoupling is generally defined as a rate mechanism designed to eliminate or reduce the dependence of a utility's revenue on sales.