

1 **Q. Re: Volume I, Section 3 - Finance: With respect to NP's weather normalization**
2 **reserve (page 86, lines 7-10), do any of NP's sister Fortis-owned utilities have**
3 **weather normalization reserve mechanisms that adjust their financial results for**
4 **either abnormal temperatures or variations in purchased power expenses due to**
5 **variability in annual hydrology levels? If so, please describe which other of the**
6 **Fortis utilities benefit from this kind of reserve mechanism and, briefly, how their**
7 **reserve mechanisms work.**

8
9 A. *Terasen Gas*

10 Terasen Gas is authorized by the BCUC to maintain rate stabilization accounts to
11 mitigate the effect on its earnings of unpredictable and uncontrollable factors, namely
12 volume volatility caused principally by weather and natural gas cost volatility.¹ All rate
13 stabilization account balances are amortized and recovered through rates as approved by
14 the BCUC.

15
16 *FortisBC*

17 Hydroelectric facilities owned by FortisBC generate approximately 45% of the energy
18 requirements of its customers. FortisBC does not have exposure to hydrology risk due to
19 long standing water diversion arrangements in the Colombia River basin which
20 effectively guarantee a fixed amount of annual hydroelectric energy production. The
21 majority of additional energy required to meet customer requirements (53%) is purchased
22 under firm, long-term power purchase contracts. The remaining energy requirements
23 (2%) are purchased on the open market.

24
25 Fortis BC's regulatory framework includes performance-based regulation (PBR)
26 mechanisms whereby the impact of variances from forecasts used to set rates, including
27 variations in weather, are shared with customers in accordance with BCUC orders as to
28 final disposition.

29
30 *Maritime Electric*

31 Maritime Electric is a vertically integrated utility in Prince Edward Island that has no
32 hydro electric resources. Maritime Electric has an Energy Cost Adjustment Mechanism
33 that provides for recovery or refund to customers of the variation in its energy supply
34 costs, including company fuel costs used in generation. The adjustment is determined
35 monthly in relation to variance from the 6.73 ¢ per kWh test year energy supply cost, and
36 is recovered or refunded over a rolling 12-month period.

¹ A description of the regulatory mechanisms for Terasen Gas is provided in response to CA-NP-444, Attachment A.

1 *FortisAlberta*
2 Fortis Alberta is a distribution utility that is not at risk for recovery of purchased power
3 costs.²
4

5 *FortisOntario*
6 FortisOntario owns and operates the regulated distribution businesses of Canadian
7 Niagara Power and Cornwall Electric. The FortisOntario distribution utilities are not at
8 risk for recovery of purchased power costs.²
9

10 And, as indicated in CA-NP-142, Gaz Metropolitan (GazMetro) has a weather
11 normalization reserve.

² Please refer to response to CA-NP-444, Attachment A.