

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-166-09**

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

and

**An Application by FortisBC Inc.
for Approval of a 2009 Rate Design and Cost of Service Analysis**

BEFORE: A.J. Pullman, Panel Chair & Commissioner
L.A. O'Hara, Commissioner
M.R. Harle, Commissioner

December 21, 2009

O R D E R

WHEREAS:

- A. On October 30, 2009, FortisBC Inc. ("FortisBC") filed its 2009 Rate Design and Cost of Service Analysis model with the British Columbia Utilities Commission (the "Commission"), pursuant to sections 58 and 61 of the *Utilities Commission Act* (the "Application"). The Application includes a Rate Design and an accompanying Cost of Service Analysis ("COSA"), for which FortisBC seeks Commission approval; and
- B. By letter to the Commission, dated November 6, 2009, BC Municipal Electric Utilities ("BCMEU") advised the Commission that it opposes the COSA and Rate Design proposed by FortisBC, and states that a Negotiated Settlement Process is not the appropriate means of addressing COSA principles and rate rebalancing. BCMEU proposed an oral public hearing as the appropriate forum for the review; and
- C. On November 26, 2009, the Commission issued Order G-139-09, establishing, among other things, a Procedural Conference to take place in the City of Kelowna on December 15, 2009 and a Preliminary Regulatory Timetable for the Application which was attached as Appendix "A" to the Order; and
- D. The Procedural Conference took place on December 15, 2009. At the Procedural Conference, Commission Staff and FortisBC presented alternative Regulatory Timetables for consideration by the Commission Panel. The Parties present at the Procedural Conference were invited to make submissions on, among other matters, the two alternatives; and
- E. The Commission Panel has considered the submissions made by the Parties at the Procedural Conference.

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NOW THEREFORE the Commission, for the reasons set out in the Reasons for Decision attached as Appendix "A" to this Order, orders as follows:

1. The Application is to proceed by way of an Oral Public Hearing commencing Monday, May 3, 2010 at 9:00 a.m. in the City of Kelowna, at a location to be determined by a further Order.
2. The Preliminary Regulatory Timetable attached as Appendix "A" to Order G-139-09 is varied by the Revised Regulatory Timetable attached as Appendix "B" to this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 21st day of December 2009.

BY ORDER

Original signed by:

Anthony J. Pullman
Panel Chair and Commissioner

Attachments

FortisBC Inc.
Application for Approval of a
2009 Rate Design and Cost of Service Analysis

REASONS FOR DECISION

BACKGROUND

On October 30, 2009 FortisBC Inc. ("FortisBC") filed its 2009 Rate Design and Cost of Service Analysis model pursuant to Sections 58 and 61 of the *Utilities Commission Act*. The Application includes a Rate Design, and an accompanying Cost of Service Analysis ("COSA"), for which FortisBC seeks Commission approval.

By letter to the Commission dated November 6, 2009, British Columbia Municipal Electric Utilities ("BCMEU") advised the Commission that it opposes the COSA and Rate Design proposed by FortisBC and states that a Negotiated Settlement Process ("NSP") is not the appropriate means of addressing COSA principles and rate rebalancing.

On November 26, 2009, the Commission issued Order G-139-09, establishing, among other things, a procedural Conference and a Preliminary Regulatory Timetable for the Application.

The Procedural Conference was held in Kelowna on December 15, 2009. In addition to the Applicant, the following eight intervenors entered appearances and made oral submissions at the Procedural Conference: BCMEU, Big White Ski Resort ("BWSR"), Roxul Inc., British Columbia Old Age Pensioners Organization *et al* ("BCOAPO"), Zellstoff Celgar, Okanagan Environmental Industry Alliance ("OEIA"), Alan Wait and Andy Shadrack. The following issues were addressed:

- the nature of the regulatory process; and
- the regulatory timetable.

PROCESS

FortisBC submitted that the process should comprise a NSP phase followed by a written process. The NSP would cover any issues parties wished to negotiate, but FortisBC considered that allocation of Contract Demand was an issue which it wished to be addressed in the NSP (T1:7-10).

All eight intervenors except Roxul Inc (which took no position) were generally unsupportive of a NSP, although some acknowledged that such a process could be used for some parts of the Application. BCMEU was in favour of a NSP except on rate rebalancing issues (T1:12). It submitted that it had spent two months negotiating with FortisBC and had concluded that the differences between them required expert testimony to be filed and challenged through an oral hearing process (T1: 13). BCMEU submitted that allocation of Contract Demand was a principle that has proved difficult to negotiate and questioned the efficiency of a NSP with a large number of people pursuing a variety of issues (T1:38).

BWSR generally endorsed the BCMEU position that the matter proceed to an oral public hearing on COSA matters (T1:16). It submitted that a NSP would be inefficient and endorsed BCMEU's position (T1:16).

BCOAPO submitted that an oral hearing was "probably the way to go" (T1:18).

Mr. Wait submitted he would prefer an oral hearing (T1:18).

OEIA submitted that it "...would be important to go through an oral hearing...we would support an oral hearing versus an NSP" (T1:19).

Mr. Shadrack submitted that his preference was for an oral hearing (T1:19-20).

Zellstoff Celgar (T1:20-23) submitted its preference for an oral hearing for a number of reasons:

- It appears to be the ratepayer most affected by the Application;
- Its consultations with FortisBC had led it to believe that costs would be allocated across the entire large general service transmission class;
- It is the only ratepayer on Rate schedule 33; and
- It is considering its position on having the Commission set its generation baseline.

REGULATORY TIMETABLE

On the issue of the regulatory timetable, FortisBC introduced a timetable which reflected its desire for a NSP, followed by a written hearing (Exhibit B-2), while all intervenors endorsed the Commission staff's "straw-man" timetable (Exhibit A-3). BCMEU submitted that the staff timetable would accommodate the expert it proposed to call to the hearing.

COMMISSION DETERMINATION

The Commission Panel notes that this will be FortisBC's first RDA since 1997 and that it has tried negotiation with BCMEU to resolve the major issue and failed. It is also cognizant of the diversity of issues which must be addressed which may not be adequately canvassed in a process that will most likely be dominated by two large protagonists disputing a single issue. To ensure that the Application is heard in a process that is transparent, efficient and above all fair the Commission Panel determines that an oral hearing process is the appropriate method of hearing the Application. The Commission Panel therefore orders that the Application proceed by way of an Oral Public Hearing commencing Monday, May 3, 2010 at 9:00 a.m. in the City of Kelowna, at a location to be determined by further Order.

The Commission Panel adopts the Commission staff timetable that was accepted by all Intervenor. The Preliminary Timetable attached as Appendix "A" to Order G-139-09 is varied accordingly.

REVISED REGULATORY TIMETABLE

ACTION	DATE
FortisBC Response to Commission Information Request #1; FortisBC Response to Intervenor Information Request #1	Monday, January 18, 2010
Commission Information Request #2 to FortisBC; Intervenor Information Request #2 to FortisBC	Monday, February 01, 2010
FortisBC Response to Commission Information Request #2; FortisBC Response to Intervenor Information Request #2	Tuesday, March 2, 2010
Intervenor Evidence	Monday, March 15, 2010
Information Requests on Intervenor Evidence	Monday, March 29, 2010
Intervenor Responses to Information Requests	Thursday, April 15, 2010
Oral Hearing Commences	Monday, May 03, 2010