British Columbia Utilities Commission

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ORDER NUMBER
G-44-16

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Inc.
Annual Review for 2016 Rates
All Injury Frequency Rate Compliance Filing

BEFORE:

H. G. Harowitz
Panel Chair / Commissioner

April 1, 2016

ORDER

WHEREAS:

A. On January 7, 2016, the British Columbia Utilities Commission (Commission) issued order G-202-15 approving permanent 2016 rates for FortisBC Inc. (FBC). The Reasons for Decision attached to Order G-202-15 (Reasons) included a discussion of the service quality indicators (SQIs), with particular focus on results for the All Injury Frequency Rate (AIFR) that were below threshold;

B. In the Reasons, the Commission made no finding on the question of serious degradation of service, however directed FBC to file its 2015 actual AIFR results as soon as they are available and indicated that the Commission would make further determinations after the actual results are filed;

C. On February 12, 2016, FBC submitted their All Injury Frequency Rate Compliance Filing (Application);

D. By Letter dated February 26, 2016, registered interveners of the 2015 Annual Review process were invited to provide submissions on the AIFR Filing;

E. On March 3, 2016 submissions were received from BC Sustainable Energy Association and the Sierra Club of BC; Commercial Energy Consumers Association of British Columbia; Movement of United Professionals (MoveUP); and the British Columbia Old Age Pensioners' Organization, et al;

F. FBC provided its reply submission on March 9, 2016; and

G. The Commission has reviewed the AIFR Filing and all submissions and finds that certain determinations are warranted.

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NOW THEREFORE the British Columbia Utilities Commission orders as follows:

1. FortisBC Inc. is approved to retain the status quo of reporting its Service Quality Indicators on a calendar year basis.

2. FortisBC Inc. is directed to address its 2015 service quality and/or penalties in its next Annual Review filing, anticipated in the summer or fall of 2016.

DATED at the City of Vancouver, in the Province of British Columbia, this *1st* day of April 2016.

BY ORDER

Original signed by:

H. G. Harowitz
Commissioner

FortisBC Inc.
Annual Review for 2016 Rates
All Injury Frequency Rate Compliance Filing

REASONS FOR DECISION

1.0 INTRODUCTION

On January 7, 2016, the Commission issued Order G-202-15 approving permanent 2016 rates for FortisBC Inc. (FBC). The Reasons for Decision attached to Order G-202-15 (Reasons) included a discussion of the service quality indicators (SQIs) and whether the results were indicative of a serious degradation of service, with particular focus on results for the All Injury Frequency Rate (AIFR) that were below threshold.[1] The Commission found that "the current evidence is not sufficiently complete to make a finding, and therefore directs FBC to file its 2015 actual AFIR results as soon as they are available."[2] The Reasons also direct FBC to provide "Comments on the possible merit of future annual reviews using a July-to-June year for the computation and comparison of all SQI results in order to avoid future situations where the applicant or interveners might wish to argue that mid-year results may not be indicative of expected year-end results."[3]

Pursuant to Order G-202-15, on February 12, 2016, FBC submitted their All Injury Frequency Rate Compliance Filing (AIFR Filing). By letter dated February 26, 2016, registered interveners of the 2015 Annual Review process were invited to provide submissions on the AIFR Filing by March 3, 2016. Submissions were received by the following parties: The BC Sustainable Energy Association and the Sierra Club of BC (BCSEA); Commercial Energy Consumers Association of British Columbia (CEC); Movement of United Professionals (MoveUP); and the British Columbia Old Age Pensioners' Organization, et al (BCOAPO). FBC provided its reply submission on March 9, 2016.

2.0 SUBMISSIONS

2.1 FortisBC Inc.

In the AIFR filing, FBC submits that reporting SQIs on a calendar year basis is preferable to mid-year results for a number of reasons, including:

- It is conceptually important to align the timeframe over which service quality is evaluated with the timeframe over which any penalty is levied. In other words, if there was a serious degradation of service over the calendar year of 2015, then the penalty should be reflected in the final earning sharing calculation for 2015.
- Using calendar year SQIs aligns with FBC's internal business operations and requirements.[4]

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[1] FortisBC Inc. Annual Review of 2016 Rates Pursuant to the Multi-Year Performance Based Ratemaking Plan Approved for 2014 through 2019 by Order G-139-14, Order G-202-15 dated December 14, 2015, Appendix A, pp. 21–26.
[2] Ibid., p. 25.
[3] Ibid., p. 26.
[4] Exhibit B-1, p. 7.

FBC also submits that there are downsides to transitioning to reporting SQI results on a July to June basis:

- Restating the SQIs would logically require a new process to set benchmarks, adding to the regulatory burden;
- The switch would create a transition year in which six months of performance would either be double counted or not counted at all; and
- Historical comparability of SQI results would be more difficult.[5]

Going one step further, FBC suggests that the most appropriate time to review SQI results in the context of assessing whether there has been a serious degradation of service is during the following year's annual re view, when full year results are available for all SQI indicators. Their reasoning includes:

- The Consensus Recommendation seems to have contemplated this lag, as indicated by wording that talks of "the prior calendar year" and "two successive calendar years;"
- This timing ensures the most complete evidentiary record insofar as it would not only provide the full year's SQI results, but also the full year's financial picture; and
- This timing aligns with the timing for finalizing the earning sharing calculation, which would also include the final calculation of any penalty that may be indicated.[6]

Specific to this proceeding, in pages two through six of their submission, FBC provides a discussion of why the Commission should ultimately reach a finding that a serious degradation of service has not occurred in 2015. That said, at the end of the submission FBC submits that "final calendar year SQI results should be reviewed in the following year's annual review."[7]

2.1 Interveners

BCSEA agrees with FBC that the status quo that of using calendar year SQIs is preferable, and that the question of serious degradation of service is best addressed in the upcoming annual review (anticipated in the fall of 2016).[8]

The CEC "is comfortable with the use of January to December results for computational purposes, and… does not find a transition to July to June results necessary for proper analysis."[9] With regard to 2015 service quality, the CEC appears to agree in large measure with FBC's explanations for why results were below-threshold and thus why no penalty should be levied, but suggests that FBC should be required to provide quarterly AIFR updates until threshold is achieved.[10]

MoveUP indicates that it is not persuaded by FBC's arguments as to why it should escape fina ncial consequences, but agrees that the matter can be deferred to the upcoming summer/fall annual filing, when more complete data will be available. MoveUP also endorses the CEC's recommendation for quarterly filings until such time as threshold results are achieved.[11]

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[5] Ibid, p. 7.
[6] Ibid, pp. 8 –9.
[7] Ibid, p. 9.
[8] Exhibit C1-1, p. 1.
[9] Exhibit C2-1, p. 4.
[10] Ibid, p. 4.
[11] Exhibit C3-1, pp.1–2.

BCOAPO submits that the appropriate time to consider whether AIFR results represent a serious degradation of service is in the upcoming annual review, and that there is insufficient benefit associated with changing to reporting SQIs on a mid-year calendar basis.[12]

3.0 PANEL DETERMINATIONS

The Panel finds that retaining the status quo is preferable to transitioning to a July-to-June basis and approves reporting SQI performance on a calendar year basis.. The Panel is persuaded by the points brought forward by FBC, both as to the benefits of using the calendar year, and also the possible shortcomings of transitioning to the mid-year basis.

The Panel finds that the most appropriate timing for determining if a serious degradation of service has occurred and if a financial penalty is warranted is during the following year's annual filing. **FortisBC Inc. is directed to address its 2015 service quality and/or penalties in its next Annual Review filing, anticipated in the summer or fall of 2016.** Going forward, it is anticipated that this same timing will be used to make final determinations on questions of serious degradation of service and financial penalties for subsequent years covered by the Performance Based Ratemaking regime. The Panel agrees with FBC that this lag provides for a more complete evidentiary record on which to make the necessary determinations. Further, as compared to a transition to mid-year SQIs, this approach provides a more elegant and effective solution to the problem contemplated in the Reasons to Order G-202-15.

The Panel rejects interveners' suggestion that FBC should be directed to file quarterly reports until such time as AIFR results are at or better than threshold. That said, this finding does not relieve FBC of its obligation to provide mid-year (interim) SQI results for the (then) current year in which the annual filing is submitted. In other words, SQI reporting will remain unchanged from past filings. The Panel considers this reporting structure to be sufficient for monitoring results on a going-forward basis.

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[12] Exhibit C4-1, p. 2.