



ORDER NUMBER
G-62-18

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

and

FortisBC Inc.
2017 Cost of Service Analysis and Rate Design Application

BEFORE:

D. A. Cote, Panel Chair/Commissioner
D. M. Morton, Commissioner
R. I. Mason, Commissioner

on March 16, 2018

ORDER

WHEREAS:

- A. On December 22, 2017, FortisBC Inc. (FBC) filed an application with the British Columbia Utilities Commission (Commission) seeking approvals, pursuant to sections 58 to 61 of the *Utilities Commission Act* (UCA), to adjust its rate design and terms and conditions of service (Application);
- B. A procedural conference was held in Kelowna on March 6, 2018, pursuant to the regulatory timetable established by Order G-23-18 dated January 25, 2018; and
- C. The Commission has reviewed the written submissions filed in advance of the procedural conference, in addition to the submissions made at the procedural conference on March 6, 2018, and considers that a regulatory timetable should be established.

NOW THEREFORE for the reasons attached as Appendix B to this order, the Commission orders that a regulatory timetable be established in accordance with Appendix A to this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 16th day of March 2018.

BY ORDER

Original signed by:

D. A. Cote
Commissioner

FortisBC Inc.
2017 Cost of Service Analysis and Rate Design Application

REGULATORY TIMETABLE

Action	Date (2018)
Intervener evidence	Monday May 7
Intervener written submissions on further process	Monday May 14
FBC reply written submission on further process	Friday May 18
Commission, intervener and FBC Information Requests (IR) on intervener evidence	Tuesday May 29
PACA budget deadline	Tuesday June 5
Intervener responses to IRs on evidence	Tuesday June 19
Commission and Intervener IR No. 2 on FBC's Application (if needed)	Thursday, June 21
FBC rebuttal evidence (if needed)	Tuesday, June 26
Commission and intervener IRs on rebuttal evidence (if needed)	Wednesday, July 11
FBC responses to Commission and Intervener IR No. 2 on FBC's Application (if needed)	Thursday, July 12
FBC response to IRs on rebuttal evidence (if needed)	Wednesday, July 25
Oral hearing (if needed)	Week of July 30
Final and reply arguments	To be determined

FortisBC Inc.
2017 Cost of Service Analysis and Rate Design Application

REASONS FOR DECISION

1.0 Background

On December 22, 2017, FortisBC Inc. (FBC) filed its 2017 Cost of Service Analysis and Rate Design Application (Application). The Application among other things seeks approval of the following:

- For Residential Rate Schedule (RS) 1, the approval to decrease the differential between the Tier 1 and Tier 2 price such that after a period of five years it will be zero. In addition, the Application requests approval for adjustments to the customer charge over a five-year period.
- For commercial and irrigation rate schedules, a series of revenue neutral changes for Small Commercial (RS 20), Commercial (RS21), Large Commercial (RS 30), Commercial Transmission (RS 31) and Irrigation and Drainage (RS 60). All but one of these includes an increase in the customer charge.
- For transmission service rates, approval to remove RS 102. In addition, FBC has requested approval of changes to anti-pancaking language in RS 101 as well as updates to short and long-term and non-firm wheeling rates for RS101.
- Approval to re-open the optional Residential Time of Use (TOU) rate to all residential customers and to revise optional TOU rates for other customer classes.
- Approval of a series of what FBC describes as housekeeping changes as well as other amendments to FBC's tariff General Terms and Conditions.

By Order G-23-18 the Commission established an initial regulatory timetable which, among other things, stipulated that a Procedural Conference was to be held on the afternoon of March 6, 2018 in Kelowna, BC. By letter dated February 26, 2018, the Commission outlined a number of items or issues that participants were asked to address at the Procedural Conference. These were as follows:

- Whether the Cost of Service Allocation (COSA) study should be addressed in advance of other topics in the Application with a Panel Decision issued in advance of other topics.
- Whether any topics other than the COSA study should be addressed through an expedited process. Participants were asked to explain why this was the case and to identify a process they would recommend.
- Whether there is a need for an oral hearing on any of the topics and why.
- Other than for issues related to the COSA or an oral hearing, whether a written hearing process as proposed by FBC is appropriate. Parties who disagreed were asked to explain why and recommend a process.
- Whether participants intended to file evidence and the nature of the evidence.
- Whether there were periods of unavailability that needed to be taken into account when establishing a regulatory timetable.
- Any other relevant procedural matters the parties want to bring to the attention of the Panel.

Interveners unable to attend the Procedural Conference were invited to make written submissions and file them prior to the proceeding. Written submissions were filed by the following interveners:

- Commercial Energy Consumers Association of British Columbia (CEC);
- The British Columbia Municipal Electric Utilities (BCMUEU);
- Village of Kaslo;
- Kaslo Seniors Community Association – Branch 81 (KSCA); and
- The British Columbia Hydro and Power Authority (BC Hydro).

2.0 Issues raised at the procedural conference

2.1 Attendees

The following parties attended in person and made submissions at the Procedural Conference:

- FBC;
- Anarchist Mountain Community Society and Regional District of Okanagan-Similkameen (AMCS/RDOS);
- Irrigation Ratepayers Group (IRG);
- Mr. Gabana; and
- Resolution Electric Ltd. (Resolution).

In addition to those physically in attendance the following interveners were in attendance and made submissions by phone:

- BC Sustainable Energy Association and the Sierra Club BC (BCSEA-SCBC);
- Zellstoff Celgar (Celgar);
- Industrial Customers Group (ICG);
- Village of Kaslo; and
- KSCA.

2.2 Positions of the parties on Commission-raised issues

Issue #1 – Timing and process for COSA study review

FBC's view is that it is still possible for the COSA issues and rate design issues to be dealt with together rather than separated. It provides three reasons for this:

1. The issues were dealt with together in the 2009/2010 COSA and it worked well;
2. The decision on COSA issues would not require fundamental reconceptualization of the rate proposals that have been brought forward; and
3. There is an expectation that COSA specific issues are likely to be quite limited.

However, FBC does acknowledge there is precedent for reviewing the COSA early in the process and there is some merit to dealing with the COSA issues early. If the Commission were to decide in favour of dealing with the COSA study at an early stage, FBC proposes that a date in mid-May following the responses to Information

Request (IR) No. 1 would be most appropriate. In this instance FBC suggests that the steps to dealing with rate design issues not be put on hold but proceed in parallel.¹

AMCS/RDOS, CEC, BCMEU and BCSEA-SCBC do not hold a strong view on having a separate proceeding for the review of the COSA. BCSEA-SCBC and AMCS/RDOS support the position of FBC in moving forward with other parts of the hearing in the event a separate process for the COSA review is determined. AMCS/RDOS stress the importance of ensuring that in doing so there is a saving of time and a more efficient process results. CEC and BCMEU note that separating the COSA from other rate design issues makes practical sense and has worked well in other rate design proceedings.²

IRG prefers a separate process for the COSA, noting that this has been done in recent RDA proceedings.³

The Village of Kaslo and KSCA as well as Resolution support the COSA being reviewed in advance of other topics. Resolution notes that having a decision early would provide a greater understanding of how it impacts rates and rate design issues.⁴

ICG and Celgar see no need to expedite the consideration of COSA but if the Commission decides on this approach they request that an opportunity to file evidence on the COSA is granted prior to a decision being rendered.⁵

Issue #2 – Other issues for expedited review

None of the participants raised any additional issues which they believed would be best handled through an expedited review.

Issue #3 – Need for an oral hearing

FBC's position is that there is not a need for an oral hearing for any of the items that are addressed within the Application. It states that many of the relevant facts are straightforward and should not be contentious. In FBC's view many of the proposed rate design changes involve technical issues and analysis that lends itself to a written process. FBC states that there are some items raised in correspondence where it could be argued they relate to oral engagement, but observe that "very often they seem to be outside the scope of this proceeding." It notes that there has been much said about items like revenue requirements, resource planning, resource acquisition, rate of return and general Commission process concerns that do not belong in this proceeding and should not drive the scope or the nature of the process.⁶

FBC states that it has two qualifications to its position. First, if the COSA is separated then it suggests a Streamlined Review Process (SRP) or Negotiated Settlement Process (NSP) could work and potentially be more efficient. Second, in recognition of the early stage in the process it may be too early to firm up the process as the views of FBC and possibly other interveners might evolve in terms of what is appropriate. FBC proposes that the regulatory timetable include a provision for one of two things: (i) the scheduling of a second Procedural

¹ T:1, pp. 10–17.

² T:1, pp. 30, 49; Exhibit C6-2, C10-2.

³ T:1, p. 37.

⁴ T:1, p. 45; Exhibit C4-2, C5-2.

⁵ T:1, p. 53.

⁶ T:1, pp. 21–22.

Conference in early June; or (ii) an exchange of letters where a date would be set for the applicant to make a proposal (if its view changes) as to process and to allow interveners to respond.⁷

AMCS/RDOS would like to have an oral process for items related to residential issues and residential rate design issues noting that it allows a “live debate of the issues and a chance to question in real time.” AMCS/RDOS states its concern with written information requests is that you end up with “skillfully crafted non-responses to your questions, when you get into issues of debate.” It also notes that the last rate design review was in 2009 and having an oral hearing at this time would be worth it to get a good solid record and a decision to carry forward to the future.⁸

IRG expressed support for the comments of AMCS/RDOS with respect to an oral hearing but noted that the need and value are related to the questioning rather than debate. IRG suggests that the oral hearing should be a default presumption. This suggestion was later supported by AMCS/RDOS. IRG’s position is that until evidence is on the record, the presumption is that there could be some differences of opinion which it states are best dealt with through the process of cross-examination.⁹

Resolution sees no need for an oral hearing but notes that after listening to some of the submissions, it would be happy to partake in such a process.

BCSEA-SCBC states that it is not opposed to an oral hearing but if that is the case there should not be a second round of IRs. BCSEA-SCBC agrees with the idea of setting a default schedule which could be changed at a later date by written submissions if it becomes necessary.¹⁰

ICG and Celgar state that there should be a second round of IRs as it is helpful in preparing evidence and prefers the notion of a second procedural conference to make a decision with respect to an oral hearing.¹¹

Commission staff submit that they do not believe the COSA part of the proceeding should be included in an oral hearing if one is ordered. Commission staff take no position on whether an oral hearing is necessary but note that an SRP may be suited to handle some of the more contentious issues with interveners.¹²

KSCA supports AMCS/RDOS in having an oral hearing. Its reasons for this are as follows:

1. “the level of consultation with remote and rural customers needs to be fixed in such a way that we can actually participate through online video platforms....”
2. “...oral questioning allows interveners to redirect on written answers that are even not wholly addressed or just plain evasive when answering in writing.”¹³

With respect to relying on the time since the last formal review as a reason to justify an oral process, FBC cites Commission Order G-7-17 where the Commission noted that “it considers that determining the need for an oral hearing should be based on the specific circumstances of the matters within a particular hearing, and not because there has been a lapse in time since the last one.” FBC notes that the statements of interveners were focused on the merits of oral hearings in general and not directed toward the specific issues in this proceeding.

⁷ T:1, pp. 22–23.

⁸ T:1, pp. 31–32.

⁹ T:1, pp. 38–39.

¹⁰ T:1, pp. 52, 73.

¹¹ T:1, p. 54.

¹² T:1, pp. 59–60.

¹³ T:1, p. 64.

With respect to comments made with regard to answers to IRs not wholly addressing the questions, FBC notes there has not yet been a round of IRs and there is no basis on which to say their responses will “exhibit any of the criteria that interveners point to as militating in favour of an oral hearing.” Moreover, even if they do, interveners can ask FBC to correct the answer or ask the Commission for an Order to correct it.¹⁴

Issue #4 – Process for remaining items

FBC reiterates its position that the most appropriate process for the hearing as a whole is a written process.¹⁵

None of the interveners had a strong position on whether a written process would be appropriate for items that were not related to the COSA or what might be included in an oral hearing.

Issue #5 – Intervener evidence

The following interveners indicated that they intended or were likely to file evidence:

- AMCS/RDOS stated that it would file evidence to deal with the implications of the two tier rate and continuing it for another five years;¹⁶
- IRG – if it does file evidence, it would be “very limited” and would be related to the optionality of TOU rates for irrigation specifically;¹⁷
- Mr. Gabana stated that “there will certainly be some evidence entered about what it’s costing citizens”;¹⁸
- BCSEA-SCBC stated that it is attempting to obtain an expert witness who would be able to provide evidence regarding the relationship between the Residential Inclining Block (RIB) rate and energy conservation and efficiency;¹⁹
- Celgar/ICG;²⁰
- Village of Kaslo stated that it would like to file its billing information;²¹ and
- KSCA stated it will file evidence on Kaslo customer accounts in response to FBC’s information provided in Table 6-10 of the Application.²²

Issue #6 – Time constraints

No time constraints or periods of unavailability were identified with the exception of BCSEA-SCBC who indicated that it would be unavailable between the period of August 28 and September 18, 2018.

¹⁴ T:1, pp. 75–76.

¹⁵ T:1; p.24.

¹⁶ T:1, p. 33.

¹⁷ T:1, p. 40.

¹⁸ T: 1, p. 43.

¹⁹ T:1, pp. 52–53.

²⁰ T:1, p. 54.

²¹ T:1, p. 58.

²² T:1, p. 65.

Commission determination

The key issues arising in this Procedural Conference with reference to the regulatory schedule were whether it was appropriate to schedule an expedited review of the COSA with a separate process and whether for other items an oral hearing would be an appropriate process.

With respect to the COSA, many of the participants agreed there was some merit to separating the COSA from other items and expediting the process. However, the Panel notes there was no consensus as to the timing of its review or the process. Further complicating matters is the fact that ICG/Celgar, who saw no need for advancing the decision on the COSA, stated that if the Commission decided an expedited process is appropriate that they be given the opportunity to file intervenor evidence. If this were the case then the required process related to the filing of evidence would be significant. In addition to allowing time for the preparation of evidence, additional time would be needed to allow for a round of IRs on the evidence, rebuttal evidence and potentially a round of IRs on the rebuttal evidence. This could result in the earliest timeline for an expedited review through either an SRP or other process to be delayed until mid to late June. Depending on the issues at play, a decision resulting from this could be in late July or early August.

There was also no consensus on whether parts of this proceeding would be best reviewed with an oral hearing. FBC takes issue with the position put forth by a number of intervenors with respect to justifying the need for an oral hearing on the basis that there has been a lapse of time since the last rate design proceeding. FBC also points out that the Commission in past decisions has determined that the need for an oral hearing should be based on the specific circumstances at play and not on the amount of time that has passed since the last proceeding. FBC further notes that the statements of intervenors in this proceeding were not focused on specific issues but rather on the merits of oral hearings in general. On both of these points the Panel agrees. An oral hearing for parts or all of the issues raised in a proceeding is a time consuming and expensive option. Therefore, it is in the public interest that consideration be given to the issues at play within a proceeding and whether the evidentiary record will be enhanced if an oral hearing is conducted. As pointed out by FBC, we are at an early stage in the process and it may be too early to firm up process as both FBC's and the intervenors' views may evolve as we move forward with the IR process and the filing of intervenor evidence. Moreover, there is no need to reach a final determination at this point.

Given these circumstances, the Panel has determined that there is a need for additional process prior to making a determination on whether to hold an oral hearing to review some of the items within this proceeding. Accordingly, as per the regulatory timetable attached as Appendix A to this order and reasons for decision, the Panel has provided for a round of IRs to be completed and intervenor evidence to be filed prior to allowing for submissions on additional process. The Panel considers written submissions on further process to be more appropriate than a second procedural conference, as the issues will be more limited and can be more cost effectively dealt with in written form. As outlined in Appendix A, the deadline for intervenors' written submissions on further process is May 14, 2018, with FBC's reply submission due by May 18, 2018. At this time the Panel will also invite further submissions on process for the COSA which will also be better informed by a round of IRs and the filing of evidence.

Within the regulatory timetable outlined in Appendix A, the Panel has listed a placeholder date of the week of July 30 for a potential oral hearing if necessary. While no decision has been made as to whether there will be an oral hearing, the Panel considered it important to set a potential date thereby allowing the participants to manage their calendars. The Panel reiterates, however, that the inclusion of a placeholder date for an oral hearing does not indicate that there is a "default assumption/presumption" of an oral hearing.

The Panel notes that ICG/Celgar specifically requested a second round of IRs to be undertaken prior to the filing of evidence and prior to the oral hearing. The Panel has provided for a potential second round of IRs in its

schedule. However, the Panel has scheduled the filing of intervenor evidence prior to the second round of IRs. **The Panel has reviewed the options and determines that it would be most beneficial to have the benefit of intervenor evidence being filed prior to making a decision on whether to have an oral hearing and the scope of issues it will cover.**

The Panel notes that KSCA filed a letter on Friday, March 9, 2018, two days after the Procedural Conference. The letter has been posted as part of the proceeding; however, the Panel is not adjudicating on the issues raised in this letter at the current time. The issues raised within the letter relate primarily to the need for and location of an oral hearing. As further submissions will be heard on the need for an oral hearing subsequent to IR No. 1 and the filing of intervenor evidence, as established in the regulatory timetable attached as Appendix A and described in the previous paragraphs, the issues described in KSCA's letter do not require adjudication at this time.

2.3 Issues raised during the Procedural Conference

Inclusion of Section 7.2 of the Application in the proceeding

ICG/Celgar raised the issue of whether Section 7.2 of the Application titled "Transmission Rate Request 1 – Clarification to the Existing Point to Point (PTP) Rate Language" should be considered within the scope of this proceeding. This relates to Order G-12-99 which was issued in 1999 and in ICG/Celgar's view, the tariff associated with this order is being applied appropriately. ICG/Celgar states that FBC "has characterized the practices of that Order, so that for the last twenty years, as being a misinterpretation of the Order." It is ICG/Celgar's position that this part of the Application is distinct from any changes to the rates or charges and requests the Commission to rule that it is not within the scope of this proceeding. FBC will then have the option of pursuing a reconsideration of Order G-12-99.²³

FBC states that it is clear from the Application that its issue is not with the decision in Order G-12-99 itself but rather, its application. FBC states that the order is clear from its perspective but there has been some misinterpretation in the tariff language. FBC offers that if the Commission is concerned about this issue it can hear submissions as part of the process. In FBC's view there is no need to accelerate this issue. In its view it is not a reconsideration, but it might be more efficient to hear it in this process for efficiency reasons even if it were.²⁴

Commission determination

The Panel rejects ICG/Celgar's submissions with respect to excluding Section 7.2 of the Application from the scope of this proceeding. The Panel finds the issue as raised in the Application to be similar to other types of rate design issues and there is no evidence to suggest it should be excluded from the scope of the proceeding. That said, ICG/Celgar is free to ask IRs and make arguments with respect to this issue and the Panel will deal with these in its decision.

Requirement for Community Input Sessions

The Village of Kaslo submits: "The Village is not satisfied with the level of public consultation by the BC Utilities Commission nor the advertising or publicity around it."²⁵

²³ T:1, pp. 54-56.

²⁴ T:1, pp. 84-85.

²⁵ Exhibit C5-4, p. 4.

KSCA states that it supports concerns raised by the Village of Kaslo and submits the following:

...customers in Kaslo have been asking the Commission since May, of 2016 for a meeting with FortisBC sponsored by the Commission, and we think, given the ongoing interest in this community, that it is time to start holding information sessions in the rural areas of the FortisBC service area starting with Kaslo, in which customers can cross examine FortisBC and make representation to the Commission itself.²⁶

Panel discussion

The Panel makes no determination on this matter at this time. This matter will be canvassed as part of the May 14, 2018 submissions.

Information requested by KSCA

In its submissions of March 2, 2018, KSCA provided a list of eight pieces of information it wishes to have available prior to any process related to the COSA begins. This list includes the following:

1. A table of the rates of return for FBC since 1987;
2. A listing of FBC's long-term debt by year from 1987 to the present;
3. A listing of rates of interest paid on each debenture or bond and the annual cost of servicing that debt since 1987;
4. A list of capital expenditures from 1987 onward;
5. Dividend payouts on common shares since 1987;
6. A comparison of salaries and remunerations made to top corporate officers above \$150,000 between 1987 and now;
7. A table showing the exact percentage of each cost centre that is allocated to each class of customer; and
8. A table of consumption patterns by class, developed in accordance with proposed TOU pricing structure (allowing the issues raised by customer Mr. DeBiasio to be addressed).

KSCA states that this data is being requested because it believes the rates for FBC residential rates have increased faster than both the Consumer Price Index (CPI) and BC Hydro residential rates.²⁷

FBC responded at the Procedural Conference that the questions which it considers to be in scope can be asked during the IR process. However, FBC submits that the first six items in the list are out of scope.²⁸

Panel discussion

The Panel agrees with FBC and finds that the first six information requests by KSCA are out of scope as they have little to do with rate design and might be more appropriate items for discussion in a revenue requirements proceeding. In the interest of efficiency the Panel requests KSCA and other participants to refrain from interrogatories or requests for information of this nature that are not directly related to either the COSA or FBC's Rate Design Application.

²⁶ Exhibit C4-2, p. 2-3.

²⁷ Exhibit C4-2, p. 1.

²⁸ T1: pp. 74-75.

The Panel finds items 7 and 8 to be reasonable requests given the subject matter and issues related to a rate design application. The Panel suggests that KSCA explore items 7 and 8 as part of IR No. 1.

Requests related to Net Metering and Standing Offer Programs

In its written submission in advance of the Procedural Conference, the Village of Kaslo states that it does not consider that the question of “net metering” for local governments is being properly addressed in the proceeding. It requests that the hearing process address “establishing clear mechanisms for municipal corporations to offset their sizeable electrical billing corporation-wide through the net-metering program.”²⁹ KSCA also raises a similar concern in its written submission and at the Procedural Conference. It states that rate design for net metering of Net Energy Generation (NEG), a Micro Standing Offer Program and a Standing Offer Program are all questions that should be discussed in the proceeding.³⁰

FBC addresses KSCA’s written submissions on this matter at the Procedural Conference, stating that net metering, the standing offer program and the micro-standing offer program are not part of FBC’s current Application. With respect to net metering, FBC states that it explained on pages 33 and 34 of the Application why this topic is not part of the Application and that net metering has recently been the subject of a Commission proceeding and reconsideration. With respect to the standing offer and micro-standing offer topics, FBC submits “those have also been mooted in the context of a recent and I think not yet decided proceeding, which is the long-term electric resource plan.”³¹

Panel discussion

The issue of FBC’s net metering program has recently been heard by the Commission (and is currently being heard through the reconsideration process). Accordingly, the Panel agrees with FBC that is not appropriate to revisit this topic in the current proceeding given how recently the Commission has reviewed it. **The Panel therefore finds the topic of Net Metering to be out of scope in this proceeding.**

With regard to the Village of Kaslo and KSCA’s requests for FBC to include consideration of a Micro Standing Offer Program and/or Standing Offer Program as part of the Application, **the Panel finds these topics relate to FBC’s acquisition of energy and load resource balancing, which are more appropriately addressed in FBC’s Long Term Electric Resource Plan.** However, given the concerns raised by the Village of Kaslo and its desire to engage in municipal-level energy distribution, the Panel encourages FBC and the Village of Kaslo to communicate directly with each other on such matters.

²⁹ Exhibit C5-2, p. 2.

³⁰ Exhibit C4-2, p. 2.

³¹ T:1, p. 82.