



ORDER NUMBER
G-11-23

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

and

FortisBC Inc.

Application for Approval of a Deferral Account for Electric Vehicle Workplace and Fleet Charging Funding

BEFORE:

E.B. Lockhart, Panel Chair
A.K. Fung, KC, Commissioner

on January 20, 2023

ORDER

WHEREAS:

- A. On May 13, 2022, FortisBC Inc. (FBC) filed an Application with the British Columbia Utilities Commission (BCUC) for the approval of a new non-rate base deferral account (Electric Vehicle (EV) Fleet and Workplace Charging Funding Account) for the EV Fleet Charging Funding Program (Program) pursuant to sections 59 to 61 of the *Utilities Commission Act* (Application);
- B. FBC is of the view that the Program is consistent with section 18 of the *Clean Energy Act*, as a prescribed undertaking under section 4 of the Province's Greenhouse Gas Reduction Regulation (GGRR) at the time FBC decided to carry out the undertaking. FBC reasonably expects the undertaking to be cost-effective;
- C. The Program will provide funding to organizations to assist in the acquisition and installation of EV charging infrastructure to encourage the use of EVs to reduce greenhouse gas emissions. In the Application, FBC proposes a one-time, non-repayable contribution of \$2,150 per Level 2 EV charger, capped at seven chargers per site;
- D. In the Application, FBC seeks approval of the EV Fleet and Workplace Charging Funding Account, attracting allowance for funds used during construction (AFUDC) to capture all costs incurred to implement the undertaking, including the funding itself, as well as administration and regulatory proceeding costs. FBC will transfer the EV Fleet and Workplace Charging Funding Account to rate base on January 1 of the following year after approval of the Application and will continue to capture the actual funding amounts provided to Program participants in accordance with section 4(3)(a) ii of the GGRR, to be amortized over a 10-year period into the rates of all FBC customers;
- E. By Order G-152-22 dated June 6, 2022, and Order G-261-22 dated September 16, 2022, the BCUC established a regulatory timetable that included intervenor registration and one round of BCUC and intervenor information requests (IR), written final arguments and written reply argument

- F. By Order G-340-22 dated November 25, 2022, the BCUC amended the regulatory timetable to include one round of Panel IRs, intervener written submissions on Panel IRs, and FBC written reply;
- G. In its responses to Panel IRs issued December 8, 2022, FBC proposed that the cost-effectiveness of the Program be assessed based on an anticipated implementation date, effective January, 2023, and the one-time contribution per Level 2 EV charger being reduced from \$2,150 to \$1,920 to ensure that the Program will be cost-effective under the GGRR on a forecast basis;
- H. The BCUC has reviewed the Application, along with evidence and submissions filed in the proceeding and finds that the Program is cost effective based on FBC's evidence, as amended, and is a prescribed undertaking; and
- I. The BCUC finds that the following determinations are warranted.

NOW THEREFORE pursuant to sections 59 to 61 of the *Utilities Commission Act*, with reasons to follow, the BCUC orders as follows:

1. FBC is approved to establish a new non-rate base deferral account (EV Fleet and Workplace Charging Funding Account) collecting AFUDC, effective on the date of this order, to capture costs incurred to implement FBC's EV Fleet Charging Program as a prescribed undertaking under the GGRR, including development, administration, and Application costs.
2. FBC is approved to transfer the accumulated balance in the EV Fleet and Workplace Charging Funding Account on a net of tax basis within it, to rate base on January 1, 2024, for amortization into the rates of all FBC customers over a ten-year period.
3. Following transfer of the accumulated balance in the account to rate base on January 1, 2024, FBC is approved to continue to capture in the EV Fleet and Workplace Charging Funding Account the ongoing incentives and Program costs in the account, on a net of tax basis and amortize them over a subsequent ten-year period into rates of all FBC customers.

DATED at the City of Vancouver, in the Province of British Columbia, this 20th day of January 2023.

BY ORDER

Original signed by:

E.B. Lockhart
Commissioner

FortisBC Inc.

**Application for Approval of a Deferral Account for Electric Vehicle
Workplace and Fleet Charging Funding**

Reasons for Decision

March 10, 2023

Before:
Blair Lockhart, Panel Chair
Anna Fung, KC, Commissioner

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Executive Summary

On May 13, 2022, FortisBC Inc. (FBC) filed an Application with the British Columbia Utilities Commission (BCUC) for the approval of a new non-rate base deferral account (Electric Vehicle (EV) Fleet and Workplace Charging Funding Account) for the EV Workplace and Fleet Charging Funding Program (Program) pursuant to sections 59 to 61 of the *Utilities Commission Act* (Application). By Order G-11-23 issued on January 20, 2023, the BCUC approved FBC's Application with reasons to follow. These Reasons for Decision relate to the determinations made in that order.

Through FBC's Program, eligible organizations can request a one-time FBC funded contribution of \$1,920 per Level 2 EV Charger, capped at seven chargers per site. FBC stated that the deferral account would capture all costs incurred through the Program's implementation, including administration and development costs. Program costs will be recovered from all FBC customers over a ten-year period. FBC expects the Program to be cost effective due to the expected benefits received from EV charging revenues. In its Application, FBC stated that the Program was consistent with section 18 of the *Clean Energy Act* as a prescribed undertaking under section 4 of the Greenhouse Gas Reduction (Clean Energy) Regulation (GGRR).

The Panel finds that the Program is a prescribed undertaking as defined in section 4 of the GGRR, as FBC's Program incentivizes organizations to acquire and install EV charging equipment to encourage the adoption and use of EVs, instead of using other types of vehicles that produce more greenhouse gas emissions. In addition, FBC's forecasts and assumptions result in a positive net present value for the Program. Therefore, the Panel approves the establishment of the EV Fleet and Workplace Charging Funding Account, collecting allowance for funds used during construction, effective January 20, 2023, to capture costs incurred to implement FBC's EV Workplace and Fleet Charging Program as a prescribed undertaking under the GGRR, including development, administration, and application costs. FBC explains that allowance for funds used during construction is the equivalent to FBC's after-tax weighted average cost of capital (WACC). The Panel notes that a deferral account creates a timing difference between when funds are spent and when those costs are recovered from ratepayers, and that timing difference leads to financing costs for the utility. Given that FBC is financing Program costs using a mix of debt and equity, the Panel accepts that the account should capture the allowance for funds used during construction, which is the equivalent of FBC's WACC in this instance.

The Panel approves FBC to transfer the accumulated balance in the EV Fleet and Workplace Charging Funding Account on a net of tax basis within it, to rate base on January 1, 2024, for amortization into the rates of all FBC customers over a ten-year period. Following transfer of the accumulated balance in the account to rate base on January 1, 2024, the Panel approves FBC to continue to capture in the EV Fleet and Workplace Charging Funding Account the ongoing incentives and Program costs in the account, on a net of tax basis, and amortize the balance in the account over a subsequent ten-year period into rates of all FBC customers.

1.0 Introduction

On May 13, 2022, FortisBC Inc. (FBC) filed an Application with the British Columbia Utilities Commission (BCUC) for the approval of a new non-rate base deferral account (Electric Vehicle (EV) Fleet and Workplace Charging Funding Account) for the EV Workplace and Fleet Charging Funding Program (Program) pursuant to sections 59 to 61 of the *Utilities Commission Act* (Application).

The BCUC issued Order G-11-23 on January 20, 2023, approving FBC's Application with reasons to follow. These Reasons for Decision are for the determinations made in that order. In these reasons, the Panel reviews the relevant evidence, considers the positions of the parties, discusses the issues arising and outlines its determinations on the Application.

1.1 Approvals Sought and Background

FBC seeks approval of a non-rate base deferral account, attracting allowance for funds used during construction (AFUDC), to capture all costs incurred to implement the FBC Program as a prescribed undertaking under the Greenhouse Gas Reduction (Clean Energy) Regulation (GGRR). The proposed EV Fleet and Workplace Charging Funding Account will capture the Program's funding, administration and regulatory proceeding costs. FBC proposes this account be transferred to rate base, attracting FBC's after-tax weighted average cost of capital (WACC), on January 1 of the following year after approval of this Application and will continue to capture the actual funding amounts provided to Program participants in accordance with section 4(3)(a)(ii) of the GGRR, to be amortized over a 10-year period into the rates of all FBC customers.¹

The Program will provide funding to organizations to assist in the acquisition and installation of EV charging infrastructure to encourage the use of EVs instead of vehicles that use other sources of energy that produce more greenhouse gas emissions, such as gasoline or diesel fuel. FBC is proposing to offer a one-time, non-repayable contribution towards the purchase and installation of Level 2 EV chargers for customer fleet and employee workplace charging. The FBC contribution will be \$1,920 per Level 2 EV charger and will be capped at seven chargers per site. Applicants will also be required, for each metered charging site, to generate minimum billing revenues per incented charging station on an annual basis.² The Program will offer contributions that are in addition to funding available through the Zero Emission Vehicle Infrastructure Program (ZEVIP) cost-sharing contribution agreements, and rebates available through the CleanBC Go Electric program.³

FBC initially proposed an incentive of \$2,150 per charger. In response to Panel Information Requests (IRs) during the proceeding, FBC reduced the amount to \$1,920 per charger and FBC submitted revised evidence to support the Application.⁴

¹ Exhibit B-1, p. 3, Exhibit B-7, BCUC IR 9.4.

² Exhibit B-1, p. 1; Exhibit B-9, Panel IR 1.2.

³ Exhibit B-1, p. 1.

⁴ Exhibit B-9, BCUC Panel IR 1.2.

1.2 Regulatory Process

By Order G-152-22 and Order G-261-22 dated June 6, 2022 and September 16, 2022, respectively, the BCUC established the regulatory timetable, which included one round of BCUC and Intervener IRs, written final argument and reply argument. By Order G-340-22 dated November 25, 2022, the BCUC amended the regulatory timetable to include one round of Panel IRs, followed by intervener written submissions on Panel IR responses and reply from FBC.

The following registered interveners participated in the proceeding:

- BC Sustainable Energy Association and Vancouver Electric Vehicle Association (BCSEA-VEVA);
- Commercial Energy Consumers Association of British Columbia (the CEC);
- Donald Flintoff (Flintoff); and
- Gary Guthrie (Guthrie)

ChargePoint registered as an interested party in this proceeding.

1.3 Legislative Framework

On April 18, 2010, the provincial government of British Columbia (BC) enacted the *Clean Energy Act* (CEA). The CEA states that BC's energy objectives include the reduction in greenhouse gas emissions and encourages the switching from one kind of energy source or use to another that decreases greenhouse gas emissions. Section 18 of the CEA provides, in part, the following:

- (2) In setting rates under the *Utilities Commission Act* for a public utility carrying out a prescribed undertaking, the commission must set rates that allow the public utility to collect sufficient revenue in each fiscal year to enable it to recover its costs incurred with respect to the prescribed undertaking.
- (3) The commission must not exercise a power under the *Utilities Commission Act* in a way that would directly or indirectly prevent a public utility referred to in subsection (2) from carrying out a prescribed undertaking.

The provincial government enacted the GGRR which describes classes of undertakings that are prescribed undertakings for the purpose of section 18 of the CEA. FBC states that it has designed the Program to meet the requirements of section 4 (3)(a)(ii) of the GGRR.⁵ Projects or programs respecting technology that may enable the utility's customers to use electricity instead of other sources of energy that produce more greenhouse gas emissions are considered to be prescribed undertakings.⁶ Section 4 of the GGRR states, in part:

⁶ Exhibit B-1, p. 4.

- (3) Subject to subsection (4), a public utility's undertaking that is in a class defined in one of the following paragraphs is a prescribed undertaking for the purposes of section 18 of the Act [CEA]:
- (a) a program to encourage the public utility's customers, or persons who may become customers of the public utility, to use electricity, instead of other sources of energy that produce more greenhouse gas emissions, by
- [...]
- (ii) providing funds to those persons to assist in the acquisition, installation or use of equipment that uses or affects the use of electricity;
- (4) An undertaking is within a class of undertakings defined in paragraph (a) or (b) of subsection (3) only if, at the time the public utility decides to carry out the undertaking, the public utility reasonably expects the undertaking to be cost effective.

FBC seeks BCUC approval of the EV Fleet and Workplace Charging Funding Account, pursuant to sections 59 to 61 of the *Utilities Commission Act*, for the regulatory accounting and rate recovery treatment for the expenditures related to the prescribed undertaking.⁷

2.0 Issues Arising

In the reasons that follow, the Panel explains why it approves the EV Fleet and Workplace Charging Funding Account and the associated treatment of the deferral account. The following sections address:

1. Whether the Program is a prescribed undertaking under the section 4 (3)(a)(ii) of the GGRR;
2. If the Program is a prescribed undertaking, whether the proposed deferral account is appropriate for the cost recovery through rates under section 18 of the CEA; and
3. Other issues presented by interveners in final arguments regarding further studies into Level 2 charging and public access to the Level 2 chargers.

2.1 Whether the Program is a Prescribed Undertaking Under the GGRR

FBC states that the Program is designed to be a prescribed undertaking pursuant to section 18 of the CEA by meeting the requirements of the undertaking prescribed in section 4 of the GGRR,⁸ and submits that the Program meets requirements to be a prescribed undertaking in accordance with section 4 (3)(a)(ii) of the GGRR.⁹ FBC states that fleets, looking to convert to EVs, are faced with significant upfront costs. In addition, workplaces

⁷ Exhibit B-1, p. 10.

⁸ Exhibit B-1, p. 1.

⁹ Exhibit B-1, p. 1, 6.

that install chargers will encourage EV adoption by giving their employees a place to charge if employees are unable to install a charger at their homes. FBC states that having access to a charger at a convenient location is an important factor for people considering converting to an EV, which is expected to increase overall EV adoption.¹⁰

Pursuant to section 4(4) of the GGRR, the test for cost-effectiveness requires that costs be at least matched by benefits on a net present value (NPV) basis, which places a limit on the costs that can be included.¹¹ As specified under section 4(4) of the GGRR, “An undertaking is within a class of undertakings [...] only if, at the time the public utility decides to carry out the undertaking, the public utility reasonably expects the undertaking to be cost effective.”

FBC provides the following information to demonstrate the cost-effectiveness of the Program. Table 1 shows the Program expenditure, which depends on the funding timeline. Table 2 shows the cost-effectiveness of the Program by way of a NPV analysis:¹²

Table 1: Revised Funding Timeline and Program Expenditure (2023 Start-date)							
Line	Reference	2023	2024	2025	2026	Total	
1	New Applications	50	67	86	107	310	
2	Number of Chargers per Applicant	4	4	4	4		
3	Incentive Paid Per Charger	\$ 1,920	\$ 1,920	\$ 1,920	\$ 1,920		
4	Yearly Program Expenditure	Line 1 x Line 2 x Line 3	\$384,000	\$514,560	\$660,480	\$821,760	\$2,380,800

Table 2: Revised Cost-Effectiveness (2023 Start-date)										
Line	Particulars	Reference	2023	2024	2025	2026	2027	2028	2029	2030
1	Tariff Revenue		182	588	1,040	1,620	1,653	1,686	1,719	1,754
2	Cost of Energy		(124)	(396)	(701)	(1,092)	(1,114)	(1,136)	(1,159)	(1,182)
3	Incentive Cost		(384)	(515)	(660)	(822)	-	-	-	-
4	Program Costs		(61)	(62)	(63)	(65)	(66)	(67)	(68)	(70)
5	Total Costs & Benefits	Sum of Lines 1 through 4	(387)	(385)	(385)	(358)	473	483	492	502
6	PV Total Costs & Benefits	Line 5 / (1 + Line 8) ¹⁴ Yr	(366)	(344)	(325)	(286)	358	345	333	321
7	Sum of PV	Sum of Line 6	35							
8	Annual Discount Rate (After-Tax WACC)	2023 Annual Review	5.73%	5.73%	5.73%	5.73%	5.73%	5.73%	5.73%	5.73%

FBC explains that the cost-effectiveness calculations are made based on the following assumptions:

- **One-time, non-repayable \$1,920 contribution for the purchase and installation of each Level 2 EV charger:**¹³ FBC’s original Program design anticipated the Program commencing in 2022. However, in response to Panel IRs related to the proposed Program start date, FBC amended the effective date for the Program to January 2023. Delaying the start date to January 2023 required FBC to make a slight adjustment to the amount of the one-time, non-refundable contribution.¹⁴ FBC states that the Program will continue to be cost effective under the GGRR on a forecast basis if the incentive is reduced by approximately \$230 per charger from an initial amount of \$2,150 to a revised amount of \$1,920.¹⁵ FBC

¹⁰ Exhibit B-6, CEC IR 1.3.

¹¹ Exhibit B-7, BCUC IR 1.4.

¹² Exhibit B-9, Panel IR 1.2.

¹³ Exhibit B-1, p. 1.

¹⁴ Exhibit B-9, Panel IR 1.1 and 1.2.

¹⁵ Exhibit B-9, Panel IR 1.2.

determined that a contribution of \$1,920 per charger is an appropriate amount that FBC could offer based on the forecast number of applicants while still keeping the Program cost effective.¹⁶

- **Seven-charger cap per site:**¹⁷ FBC explains that the CleanBC Go Electric program includes multiple streams for the installation of EV chargers in single-family homes, multi-unit residential buildings, workplaces, and fleets.¹⁸ FBC determined a cap of seven chargers per site to be a reasonable limit consistent with the CleanBC Workplace and Fleet streams. The cap also helps ensure the average number of installed chargers across all participants is close to the assumed value (four) that was proven to be cost effective.¹⁹
- **50 applicants in the first year of the Program:** FBC explains that this assumption was derived from initial outreach with potential fleet and workplace customers, most with multiple sites.²⁰ FBC consulted with three municipal entities, one school district, and one First Nations Band as part of the development of this Application. FBC considers their input on Program design as representative of potential users of the Program.²¹ FBC has not proposed any limits on the number of applicants for the Program.²²
- **Administration costs:** Annual administration related to customer account maintenance and review and any billing adjustments is estimated to be \$60,000 in year one, and then increases yearly by an annual inflation factor of two percent.²³ FBC explains that the annual administration costs for the Program represents half of a full-time equivalent position.²⁴
- **Annual inflation factor of two percent:**²⁵ FBC considers an inflation factor of two percent to be a reasonable assumption for the purposes of this analysis, as over the longer term it is likely that inflation will return to levels approximating two percent, consistent with the Bank of Canada's historical inflation target. FBC states that in the short-term, if inflation were to continue to be higher than two percent, this higher inflation would not have an impact on the cost-effectiveness of the Program.²⁶ FBC elaborates that based on a program start date of 2023, the inflation factor would need to be approximately 4.56 percent each year or higher from 2023 to 2030 before the Program stops being cost effective.²⁷ FBC reasonably expects inflation will return to two percent over the long term, and further states that it has no evidence and there are no forecasts publicly available that would support an assumption of inflation at five percent over a longer term, i.e., until 2030.²⁸

¹⁶ Exhibit B-7, BCUC IR 2.3.

¹⁷ Exhibit B-1, p. 1.

¹⁸ Exhibit B-1, p. 5.

¹⁹ Exhibit B-7, BCUC IR 7.5.

²⁰ Exhibit B-7, BCUC IR 2.1.

²¹ Exhibit B-7, BCUC IR 8.1.

²² Exhibit B-7, BCUC IR 1.4.1.

²³ Exhibit B-1, p. 8.

²⁴ Ibid.

²⁵ Ibid.

²⁶ Exhibit B-9, Panel IR 2.1.

²⁷ Exhibit B-9, Panel IR 2.3.

²⁸ Exhibit B-9, Panel IR 2.2.

- **The discount rate is equal to FBC's WACC of 5.62 percent:** FBC explains that the discount rate in its cost-effectiveness calculation of 5.62 percent is based on its most recently approved WACC from its 2022 FBC Annual Review.²⁹ FBC further explains that the AFUDC return used while the account is a non-rate base account is equivalent to a rate base WACC return (after-tax).³⁰
- **Application cost of \$10,000:** FBC estimates that the regulatory process associated with approval of this Application, if disposed of through the written process with one round of IRs and written arguments, to be approximately \$10,000.³¹

In the Application, FBC originally proposes to offer the Program from 2022 through 2025,³² and will continue to capture new additions in the deferral account until 2030. FBC explains that the additions made to the deferral account after 2025 will be FBC's administration costs incurred to run the Program. FBC states that this is appropriate because FBC will continue to incur administrative costs associated with the Program until 2030 to ensure that each site generates its minimum billing revenues.³³ FBC would then consider extending the Program on a similar basis to the proposed Program if there is continued interest from customers and the cost-effectiveness test period was extended beyond 2030, which is currently not permitted by the GGRR.³⁴ As noted, FBC amended the Program start date to 2023, and will therefore begin working with customers on funding applications in January 2023 and plans to have Program materials available in the first quarter of 2023.³⁵

Positions of Parties

BCSEA-VEVA submits that the Program is a prescribed undertaking and agrees that it is reasonably expected to meet the cost-effectiveness test under the GGRR.³⁶ It also agrees with FBC's decision to initiate the Program in 2023 and reduce the incentive to \$1,920 per charger.³⁷ BCSEA-VEVA would like FBC to be able to consider extending the Program beyond 2025. However, it accepts that the GGRR presents a limitation.³⁸

The CEC recommends that the BCUC consider the Program to be a prescribed undertaking.³⁹ It submits that "backwards calculating the incentive per charger to remain cost effective but reflecting the later start date is a sensible approach, and that the lower value of \$1920 still remains a useful incentive for commercial customers."⁴⁰

²⁹ Exhibit B-1, p. 9; FBC Annual Review of 2022 Rates Decision and Order G-374-21 dated December 15, 2021.

³⁰ Exhibit B-7, BCUC IR 9.4-9.5.

³¹ Exhibit B-1, pp. 3, 8, 9.

³² Exhibit B-1, p. 2.

³³ Exhibit B-7, IR 6.1.

³⁴ Exhibit B-7, BCUC IR 2.2.

³⁵ Exhibit B-9, Panel IR 1.1 and 1.2.

³⁶ BCSEA-VEVA Final Argument, p. 2.

³⁷ Exhibit C2-4, p. 1.

³⁸ BCSEA-VEVA Final Argument, p. 5.

³⁹ CEC Final Argument, p. 18.

⁴⁰ Exhibit C4-4, p. 3.

Flintoff accepts that the Program appears to meet the requirements of a prescribed undertaking. He states that he would prefer a cap on the proposed expenditures to ensure cost-effectiveness because there is no certainty that a two percent inflation rate is sufficient for FBC to recover its costs and ensure its cost-effectiveness over the duration of the program. In addition, he would prefer that FBC be required to demonstrate that it can recover its costs in each fiscal year until this current inflationary cycle is over.⁴¹

In reply to Flintoff, FBC states that while Flintoff expresses some preferences for the Program, he recognizes that it is a prescribed undertaking and that his preferences are not required by the GGRR.

Panel Determination

In order to be considered a prescribed undertaking under section 18 of the CEA, this Program must meet the requirements of section 4 (3)(a)(ii) of the GGRR, namely, to encourage the public utility's customers, or persons who may become customers of the public utility, to use electricity instead of other sources of energy that produce more greenhouse gas emissions, by providing funds to assist in the acquisition, installation or use of equipment that uses or affects the use of electricity. In addition, section 4(4) of the GGRR stipulates that the undertaking is a prescribed undertaking only if, at the time the public utility decides to carry out the undertaking, the public utility reasonably expects the undertaking to be cost effective.

The Panel accepts that accessibility of EV chargers is an important contributor to EV adoption. FBC's proposed incentives would enhance accessibility because the incentives would lower the upfront costs of installing EV charging infrastructure, thereby encouraging vehicle fleets to transition to EVs and giving employees a place to charge an EV, instead of using other types of vehicles that produce more greenhouse gas emissions. In addition, the Program incentivizes organizations to acquire and install EV charging equipment to encourage the adoption and use of EVs. FBC's forecasts and assumptions, including the \$1,920 per charger contribution with the start date of January 2023, result in a positive NPV for the Program. The Panel is persuaded that the Program encourages the use of electricity and is cost effective, and therefore, we find that the Program meets the definition of a prescribed undertaking under section 4 (3)(a)(ii) of the GGRR for the purposes of section 18 of the CEA.

Flintoff raised some concerns that a two percent inflation rate may be insufficient for FBC to recover its costs and to ensure the program's cost-effectiveness. FBC explained that the inflation factor would need to be approximately 4.56 percent each year or higher from 2023 to 2030 before the Program stops being cost-effective. In addition, FBC stated that it has no evidence or forecasts that would support an assumption of inflation at five percent over a longer term until 2030. We accept FBC's evidence that was presented in the proceeding, indicating that annual inflation rates will not be higher than 4.56 percent over the NPV analysis period. Therefore, the Panel accepts FBC's NPV analysis that the Program is cost effective based on the best evidence that is available as of the time of this review.

⁴¹ Flintoff Final Argument, p. 3.

2.2 Deferral Account

As discussed in Section 1.1 above, FBC proposes to establish the EV Fleet and Workplace Charging Funding Account as a rate recovery mechanism for the Program's expenditures. Section 18 of the CEA stipulates that the BCUC must "set rates that allow the public utility to collect sufficient revenue in each fiscal year to enable it to recover its costs incurred with respect to the prescribed undertaking."⁴²

FBC states that the following costs will be included in the deferral account: incentives paid for EV chargers, program administration costs, regulatory and legal costs, and other costs that may be applicable, including notice publication and fees for consultants or experts. In considering which costs are eligible to be included as part of the Program, FBC has taken guidance from the definition of costs in section 4 of the GGRR: "cost" means "costs the public utility reasonably expects to incur to implement the undertaking, including, without limitation, development and administration costs".⁴³ FBC explains that while it would be possible to designate administrative and regulatory proceeding costs relating to the prescribed undertaking as operating and maintenance (O&M), these costs are directly related to the Program and necessary to generate the benefits of the Program and are therefore appropriately treated as the Program funding. Further, FBC states that the standard treatment for regulatory proceeding costs is to record these costs in a rate base deferral account, which is consistent with recent approvals in FBC's 2020–2021 Annual Review and in its 2022 Annual Review.⁴⁴

FBC requests that carrying costs on the deferral account be based on its WACC both while the account is in non-rate base, via an AFUDC return which is equivalent to FBC's WACC, and also after the deferral account is transferred to rate base.⁴⁵ FBC submits that because the deferral account is being financed using a mix of debt and equity, no different than any other cash-based deferral account or plant under construction, it requires a return of the associated interest costs and a return on the equity costs used to finance the deferral account.⁴⁶ Rate base deferral accounts are included in rate base and are therefore, implicitly financed using the WACC.⁴⁷ FBC submits that whether an account is included in rate base or non-rate base should not change the underlying return attributed to the amount that is being deferred.⁴⁸

The deferral account, and the accumulated balance, would then be transferred to rate base on January 1 of the following year, and amortized over a ten-year period into the rates of all customers. Once transferred to rate base, this account will continue to capture the ongoing incentives and Program costs as additions to the account and amortize them over a subsequent ten-year period into the rates of all customers.⁴⁹ FBC proposes to initially

⁴² Exhibit B-1, p. 10.

⁴³ Exhibit B-7, BCUC IR 9.3; GGRR, section 4 (1).

⁴⁴ Exhibit B-6, CEC IR 9.5.

⁴⁵ Exhibit B-1, p. 14, Exhibit B-7, BCUC IR 9.5.

⁴⁶ Exhibit B-7, BCUC IR 9.4

⁴⁷ Exhibit B-1, p. 14.

⁴⁸ Exhibit B-7, BCUC IR 9.4.

⁴⁹ Exhibit B-1, p. 11.

use a non-rate base deferral account because of timing, as FBC will incur actual costs in this deferral account prior to the balance's inclusion in rate base.⁵⁰

While FBC will not own the Level 2 chargers once they are installed, FBC considers that the proposed deferral mechanism aligns the amortization of the incentive with the enduring benefits of increased load, consistent with the life of the assets for which FBC will have provided the incentive.⁵¹ FBC considers a ten-year amortization period to be an appropriate time frame for amortization because this approximates the expected useful life of the Level 2 EV charger, as well as the period over which the benefits of the program will be experienced.⁵² Additions to the deferral account will be captured annually and will be amortized starting in the subsequent year, over 10 years. Additions in each year will be amortized concurrently into rates each year (e.g. the additions in 2023 will be amortized from 2024 to 2033, the additions in 2024 will be amortized from 2025 to 2034, etc.).⁵³

FBC notes, if the BCUC determines the Program meets the criteria for a prescribed undertaking but denies the creation of the deferral account, the Program costs could be captured as flow-through O&M each year. FBC cautions that this approach would result in rate volatility because the level of incentives paid varies each year and would not align with the benefits of the Program, i.e., the tariff revenues resulting from the EV charging stations over the life of the stations would not match the costs of the Program.⁵⁴

The annual changes (i.e. additions, amortization) to the deferral account balance will be included as part of FBC's financial schedules, which are filed as part of FBC's Annual Reviews. The deferral account will therefore be reviewed by the BCUC as part of that process, consistent with FBC's other approved deferral accounts. FBC notes that the balance in the deferral account would also be included in its Annual Report to the BCUC and could therefore also be reviewed at that time by BCUC staff.⁵⁵

FBC submits that the proposed approach allows it to earn a fair return on its investments in carrying out a prescribed undertaking under the GGRR, appropriately matches costs and benefits, and avoids rate volatility for customers.⁵⁶

Positions of Parties

BCSEA-VEVA states that FBC's proposed treatment of costs and the creation of a new deferral account to capture Program costs is reasonable and appropriate.⁵⁷ BCSEA-VEVA supports FBC's request for approval of a new deferral account, attracting a WACC return, to capture the costs of incentives, along with administration and regulatory costs, until the end of the year in which this Application is approved and agrees that this

⁵⁰ Exhibit B-7, BCUC IR 13.1.3.

⁵¹ Exhibit B7, BCUC IR 13.2.

⁵² Exhibit B-7, BCUC IR 6.5.

⁵³ Exhibit B-7, BCUC IR 6.3.

⁵⁴ Exhibit B-7, BCUC IR 8.3.

⁵⁵ Exhibit B-7, BCUC IR 13.3.

⁵⁶ Exhibit B-1, p. 14.

⁵⁷ BCSEA Final Argument, p. 2.

treatment is consistent with past BCUC practice and approvals.⁵⁸ BCSEA-VEVA considers a 10-year amortization period to be appropriate.⁵⁹

The CEC accepts FBC's proposed costs as appropriate for inclusion in the deferral account.⁶⁰ The CEC submits that FBC's proposed deferral account is appropriately designed and consistent with historical practice and recommends that the BCUC approve the deferral account. The CEC also finds the proposed reporting to be acceptable.⁶¹

Panel Determination

The Panel approves the establishment of a new non-rate base deferral account (EV Fleet and Workplace Charging Funding Account) collecting AFUDC, effective January 20, 2023, to capture costs incurred to implement FBC's EV Fleet Charging Program as a prescribed undertaking under the GGRR, including development, administration, and Application costs.

The Panel is satisfied that FBC's proposed accounting treatment of the Program's expenditures is an appropriate cost recovery mechanism. We agree with FBC that a ten-year amortization period is an appropriate time frame for amortization because this approximates the expected useful life of the Level 2 EV charger, as well as aligns the period over which the benefits of the Program will be experienced with the costs of the Program.

We accept that the incentives paid for EV chargers, program administration costs, regulatory and legal costs, and other costs that are applicable to the Program can be included in the account. The Panel notes a deferral account creates a timing difference between when funds are spent and when those costs are recovered from ratepayers, and that timing difference leads to financing costs for the utility. Given that FBC is financing Program costs using a mix of debt and equity, we accept that the account's carrying costs, whether the account is a rate base account or not, should be the equivalent of FBC's WACC. The Panel also notes that this reasoning is consistent with recent BCUC decisions for FBC's 2020–2021 Annual Review and 2022 Annual Review.

The Panel notes that interveners support the establishment of the deferral account and the requested ten-year amortization period.

Therefore, the Panel approves FBC to transfer the accumulated balance in the EV Fleet and Workplace Charging Funding Account on a net of tax basis within it, to rate base on January 1, 2024, for amortization into the rates of all FBC customers over a ten-year period. Following transfer of the accumulated balance in the account to rate base on January 1, 2024, the Panel approves FBC to continue to capture in the EV Fleet and Workplace Charging Funding Account the ongoing incentives and Program costs in the account, on a net of tax basis and amortize the balance in the account over a subsequent ten-year period into rates of all FBC customers.

⁵⁸ BCSEA-VEVA Final Argument, p. 9.

⁵⁹ BCSEA-VEVA Final Argument, p. 10.

⁶⁰ The CEC Final Argument, p. 19.

⁶¹ The CEC Final Argument, p. 21.

2.3 10-Year Study

Guthrie commends FBC for proposing a program to assist interested parties in acquiring and installing EV charging equipment and notes that charging infrastructure is essential for EV growth. Guthrie states that this Program provides an opportunity to study the linkage between new EV Supply Equipment (EVSE) and the acquisition rate of EVs. He recommends that the BCUC should instruct or encourage FBC to conduct a 10-year study, tracking the number of EV additions that directly result from the proposed new EVSEs.⁶²

In reply, FBC submits that its regular reporting to the Minister of Energy, Mines and Low Carbon Innovation (Minister) and annual reporting to the BCUC is sufficient and will ensure valuable information about the Program is gathered. FBC notes that it has not incorporated the associated costs of undertaking the separate 10-year study as recommended by Guthrie as part of the Program costs, and in FBC's view, it is not warranted.⁶³

Panel Discussion

The Panel is not persuaded that FBC should incur the time and cost associated with a 10-year study as proposed by Guthrie. Accordingly, we reject Guthrie's suggestion that we instruct or encourage FBC to conduct such a study. We agree with FBC that the reporting it currently provides to the Minister and the BCUC is sufficient.

2.4 Public Access

FBC states that the proposed Program is intended to support Level 2 charger deployments for fleets and workplaces (i.e. employees). It is possible, however, that organizations may also choose to make their chargers available for use by the general public.⁶⁴

In Flintoff's final argument, he states that he would prefer allowing public access to these charging stations to permit a greater reduction in greenhouse gas emissions.⁶⁵ FBC did not directly address Flintoff's comment in its reply argument, but notes that he expresses preferences that are not required by the GGRR.⁶⁶

Panel Discussion

The Panel notes Flintoff's preference that the public have access to these charging stations. However, this is not a requirement for a prescribed undertaking under the GGRR; nor is it up to the BCUC to require FBC customers to facilitate such access. While the organizations participating in the Program might choose to make their chargers available for use by the public as a matter of goodwill, there is no obligation on them to do so.

⁶² Guthrie Final Argument, p. 3.

⁶³ FBC Reply Argument, p. 3.

⁶⁴ Exhibit B-7, BCUC IR 10.1.

⁶⁵ Mr. Flintoff Final Argument, p. 3.

⁶⁶ FBC Reply Argument, p. 1.

DATED at the City of Vancouver, in the Province of British Columbia, this 10th day of March 2023.

Original signed by:

E. B. Lockhart
Panel Chair/Commissioner

Original signed by:

Anna Fung, KC
Commissioner