



**ORDER NUMBER
G-275-23**

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

and

FortisBC Energy Inc.
Implementation of Capital Structure, Return on Equity and Permanent Rates Effective January 1, 2023

BEFORE:

T. A. Loski, Panel Chair

on October 17, 2023

ORDER

WHEREAS:

- A. On September 29, 2023, FortisBC Energy Inc. (FEI) filed a compliance filing with the British Columbia Utilities Commission (BCUC) in accordance with Directive 3 of Order G-236-23 (Compliance Filing) addressing permanent rates for January 1, 2023;
- B. On December 5, 2022, the BCUC issued its Decision and Order G-352-22 approving, among other things, FEI to increase delivery rates for 2023 by 7.69 percent on an interim and refundable/recoverable basis, effective January 1, 2023, pending the outcomes of Stage 1 of the BCUC's Generic Cost of Capital (GCOC) proceeding and FEI's Application of Acceptance of Demand Side Management (DSM) Expenditures for 2023 proceeding;
- C. On March 6, 2023, the BCUC issued its Decision and Order G-45-23 in FEI's Application of Acceptance of DSM Expenditures for 2023 proceeding (DSM Decision), accepting FEI's DSM expenditures for 2023 and, among other things, approved the establishment and amortization period of a rate-base deferral account to capture the regulatory costs associated with that application;
- D. On September 5, 2023, the BCUC issued its Decision and Order G-236-23 in Stage 1 of the BCUC's GCOC proceeding (GCOC Stage 1 Decision), setting for FEI a common equity component of 45.0 percent and establishing an allowed return on equity (ROE) of 9.65 percent, effective January 1, 2023;
- E. Directive 3 of Order G-236-23 directed FEI to file, within 30 days of the GCOC Stage 1 Decision, the Compliance Filing for January 1, 2023 permanent delivery rates and to reflect and implement the deemed capital structure and allowed ROE and, if applicable, to file an evidentiary update to FEI's Annual Review for 2024 Delivery Rates proceeding;
- F. In the Compliance Filing, FEI submits its proposals to reflect and implement the deemed capital structure and allowed ROE, and the treatment of the 2023 revenue deficiency. FEI seeks the following approvals from the BCUC pursuant to sections 59 to 61 and 99 of the *Utilities Commission Act* (UCA):

- i. The establishment of a non-rate base deferral account, entitled the 2023 Revenue Deficiency deferral account, attracting FEI's weighted average cost of capital (WACC), to record the \$63.994 million incremental revenue deficiency as a result of the GCOC Stage 1 Decision and the DSM Decision; and
- ii. To make permanent the existing interim delivery rate increase of 7.69 percent, effective January 1, 2023;
- iii. A variance, for 2023 only, from the ring-fencing condition in Order G-116-05 which requires FEI to maintain a percentage of common equity to total capital that is at least as much as that determined by the BCUC for ratemaking purposes; and

G. The BCUC has reviewed the Compliance Filing and makes the following determinations.

NOW THEREFORE pursuant to sections 59 to 61 and 99 of the UCA, the BCUC orders as follows:

- 1. FEI is approved to establish a new non-rate base deferral account entitled the 2023 Revenue Deficiency deferral account, attracting FEI's WACC, to record the 2023 incremental revenue deficiency of \$63.994 million. The disposition of this deferral account will be reviewed in FEI's Annual Review for 2024 Delivery Rates proceeding.
- 2. FEI is approved to make permanent the existing interim delivery rate increase of 7.69 percent, effective January 1, 2023.
- 3. FEI is approved, for 2023 only, a variance from the ring-fencing condition in Order G-116-05 which requires FEI to maintain a percentage of common equity to total capital that is at least as much as that determined by the BCUC for ratemaking purposes. Thus for 2023, FEI is not required to maintain an actual average equity structure of at least 45.0 percent equity.
- 4. FEI is directed to file with the BCUC revised tariff pages for endorsement within 15 days of this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 17th day of October 2023.

BY ORDER

Original signed by:

T. A. Loski
Commissioner