



**ORDER NUMBER
G-329-24**

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

and

FortisBC Energy Inc.
Disposition of Prince George Customer Service Facility

BEFORE:

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

on December 10, 2024

ORDER

WHEREAS:

- A. On October 7, 2024, FortisBC Energy Inc. (FEI) filed an application with the British Columbia Utilities Commission (BCUC), pursuant to section 52 of the *Utilities Commission Act* (UCA), seeking approval to sell the land and building located at 1190 2nd Avenue in Prince George, B.C., which has been used as FEI's Prince George Customer Service Centre Office property (PGO Property), to the Carrier Sekani Family Services Society (Application);
- B. FEI also requests approval, pursuant to sections 59 to 61 of the UCA, to establish a non-rate base deferral account attracting a weighted average cost of capital return titled the "Prince George Customer Service Centre Disposition deferral account", to record the net proceeds of the sale less the net book value of the PGO Property at the time of the sale. FEI proposes to transfer the balance of the non-rate base deferral account to rate base on January 1, 2026, and seeks approval to amortize this deferral account over one year, commencing January 1, 2026;
- C. In the Application, FEI states it has relocated its Prince George Customer Service Centre to another property to address ongoing employee safety and security concerns;
- D. Pursuant to Section 18 of the BCUC's Rules of Practice and Procedure, FEI requests that the redacted portions of the Application, confidential Appendices and confidential responses to information requests be held confidential as they contain commercially sensitive information related to the purchase and sale, property valuation, and the contracts resulting from negotiations and that this information be held confidential until completion of the sale, as the disclosure of this information could adversely affect negotiations relating to the sale of the PGO Property;

- E. By Order G-273-24 dated October 24, 2024, the BCUC established a regulatory timetable for the review of the Application which included one round of BCUC information requests, a deadline for letters of comment, and FEI's reply to letters of comment and final argument. The BCUC received no letters of comment by the November 20, 2024 deadline; and
- F. The BCUC has reviewed the Application, evidence and argument filed in the proceeding and makes the following determinations.

NOW THEREFORE for the reasons outlined in the decision accompanying this order and pursuant to sections 52 and 59 to 61 of the UCA, the BCUC orders as follows:

1. FEI is approved to sell the PGO Property to the Carrier Sekani Family Services Society.
2. FEI is directed to establish a rate base deferral account, the Prince George Customer Service Centre Disposition deferral account, to record the net proceeds of the sale in 2025 less the net book value of the PGO Property at the time of the sale. FEI is approved to amortize the balance in this deferral account over one year, commencing January 1, 2026.
3. FEI's request to keep the redacted portions of the Application and evidence related to the purchase and sale information, and the contracts resulting from negotiations, confidential is granted. FEI is directed to notify the BCUC of the completion and closing of all transactions related to the sale of the PGO Property within 15 days of the closing of the last transaction. The confidential portions of the Application and evidence will be made public following that notification.
4. FEI is directed to provide details of the final balance in the Prince George Customer Service Centre Disposition deferral account in the rate setting process for its 2026 delivery rates.

DATED at the City of Vancouver, in the Province of British Columbia, this 10th day of December 2024.

BY ORDER

Electronically signed by Anna Fung

A. K. Fung, KC
Commissioner

DECISION

1.0 Introduction and Background

On October 7, 2024, FortisBC Energy Inc. (FEI) filed an application with the British Columbia Utilities Commission (BCUC) for approval to sell the land and building located at 1190 2nd Avenue in Prince George, B.C., which has been used as FEI's Prince George Customer Service Centre Office property (PGO Property), to the Carrier Sekani Family Services Society (Application). FEI also requests approval to capture the net book value of the PGO Property, less the net proceeds from the sale, in a deferral account for recovery in rates. The Application is filed pursuant to sections 52 and 59 to 61 of the *Utilities Commission Act* (UCA), which relate to dispositions and setting utility rates, respectively.¹

The PGO Property is in the downtown core of Prince George and has two stories with approximately 23,000 square feet and includes 40 on-site parking stalls.² FEI acquired the PGO Property in June 2010 as part of its Customer Care Enhancement Project, when it established two customer service call centres, one in the Lower Mainland and one in Prince George, to insource FEI's customer service function and provide redundancy in the event of a disaster affecting either location.³ FEI commenced operations at the PGO Property in September 2011, after completing capital improvements and upgrades, and the PGO Property has been FEI's customer service contact centre for nearly 13 years.⁴

Over the past seven years, FEI states that the environment around the PGO Property location has deteriorated and the crime and social disorganization in the area have become a risk to the facility and to the mental and physical well-being of its employees, as well as to FEI's ability to continue to provide quality service to customers.⁵ Consequently, FEI determined that it was necessary to relocate the customer service centre to ensure that FEI could continue to provide quality customer service in a Prince George location without compromising the safety and health of its employees or the security of its facility. Following a search for a suitable alternate location in Prince George, FEI entered into a lease for a new customer service centre facility in September 2022, and moved into the new facility in March 2024.⁶ FEI subsequently entered into an agreement with the Carrier Sekani Family Services Society for the sale and purchase of the PGO Property at a sale price equal to the appraised value of the PGO Property (Purchase Agreement) as assessed by an independent appraiser, A-Tech Appraisals, in January 2024.⁷

The regulatory process included public notice of the Application, one round of BCUC information requests, a deadline for letters of comment, and FEI's reply to letters of comment and final argument. The BCUC received no letters of comment by the November 20, 2024 deadline.⁸

¹ Exhibit B-1, p. 1; FEI Final Argument, p. 1.

² Exhibit B-1, pp. 1–2.

³ Exhibit B-1, p. 3.

⁴ Exhibit B-1, pp. 3–4.

⁵ Exhibit B-1, pp. 1, 4.

⁶ Exhibit B-1, pp. 1–2.

⁷ Exhibit B-1, pp. 2, 5; FEI Final Argument, p. 6.

⁸ Exhibit A-2.

This decision addresses the issues arising from the Application and the Panel's final determinations on the Application.

2.0 Approvals Sought and Key Issues

FEI seeks the following approvals pursuant to sections 52 and 59 to 61 of the UCA:⁹

1. To sell the PGO Property to the Carrier Sekani Family Services Society;
2. To establish a non-rate base deferral account, attracting interest at FEI's weighted average cost of capital, to record the net proceeds from the sale, less the net book value of the PGO Property at the time of the sale, following the execution of the Purchase Agreement in 2025;
3. To transfer the balance in the non-rate base deferral account to a rate base deferral account on January 1, 2026; and
4. To amortize the rate base deferral account over a one-year period, commencing January 1, 2026.

FEI explains that its initial request for a non-rate base deferral account was due to timing, as FEI assumed that its 2025 delivery rates would be set prior to receiving a BCUC decision on the Application and thus, it would not have been able to include a forecast change in its 2025 rate base due to the PGO Property disposition in its 2025 delivery rates.¹⁰ However, FEI filed a request to set 2025 delivery rates on an interim basis on November 5, 2024, and will not be seeking to set permanent 2025 rates until sometime in mid-2025.¹¹ Therefore, during the proceeding, FEI stated that it would also be amenable to modifying its requested approvals to instead establish and record the balance directly in a rate base deferral account in 2025, with amortization occurring over a one-year period, commencing either in 2025 or 2026.¹²

FEI considered amortization periods of one to three years for the proposed deferral account, but ultimately proposed a one-year amortization period due to the small, estimated delivery rate impact in 2026 of 0.12 percent or \$0.90 annually for an average residential customer, as compared to FEI's 2024 approved delivery rates. As such, FEI submits that an amortization period of longer than one-year is not needed to spread out the rate impact.¹³

FEI acknowledges that the sale of the PGO Property to the Carrier Sekani Family Services Society, as proposed, will result in a loss as the sale price is less than the current net book value of the property.¹⁴ However, it asserts that for the reasons stated below, selling the PGO Property now is in the best interest of its customers.¹⁵

Public Interest and Recovery of Costs from Ratepayers

In determining whether to approve the disposition of the PGO Property, FEI submits that the BCUC's public interest assessment should focus on whether the sale results in harm to FEI's service to its customers.¹⁶ FEI explains that the need for a customer service centre in Prince George, established in 2010, remains, as it is

⁹ Exhibit B-1, pp. 7–8; Exhibit B-2, BCUC IR 2.2; FEI Final Argument, p. 2.

¹⁰ Exhibit B-2, BCUC IR 2.1; FEI Final Argument, p. 12.

¹¹ Exhibit B-2, BCUC IR 2.1; FEI Final Argument, p. 12.

¹² Exhibit B-2, BCUC IR 2.1; FEI Final Argument, pp. 12–13.

¹³ Exhibit B-2, BCUC IR 2.3; FEI Final Argument, p. 13.

¹⁴ FEI Final Argument, p. 7.

¹⁵ Exhibit B-3, BCUC IR 2.3; FEI Final Argument, p. 8.

¹⁶ Exhibit B-1, p. 5.

required for FEI's operations and to provide quality service to customers.¹⁷ Although the PGO Property was physically useful for that purpose, FEI states that the move of the customer service centre to a new location in Prince George was required due to the ongoing deterioration of the environment around the PGO Property location. The crime and social disorganization in the area represented a risk to the mental and physical well-being of FEI's employees and to the security of the customer service centre.¹⁸ FEI explains that it made reasonable efforts to mitigate the risk to its employees and to improve the security of the facility. However, despite the additional security measures and actions taken, crime and social disorganization continued in the area, and employees continued to experience negative and unsafe interactions around the office.¹⁹

FEI submits that the disposition of the PGO Property will not result in any harm in its service to customers and that the disposition is in the public interest and should be approved, for the following reasons:

- FEI will be able to maintain its high quality of customer service from the new Prince George location, from which it has been operating since March 2024.²⁰
- The PGO Property will be sold at a price equal to its appraised value, as assessed by A-Tech Appraisals in January 2024, and FEI's customers will benefit from savings in operations and maintenance, property tax, depreciation, and earned return from the sale.²¹
- Holding onto the PGO Property in the hopes that property prices will increase in the future is speculative. The 2022, 2023 and 2024 BC Assessment values for the PGO Property indicate that the total assessed value is decreasing.²²
- FEI has not received a higher offer for the PGO Property and was advised that finding a purchaser would be difficult given the location and nature of this facility.²³
- FEI has explored the potential to lease out the PGO Property, but there has been no committed tenant. In order to lease out the PGO Property, FEI would be required to incur capital costs to reconstruct the PGO Property into multiple units and faces uncertainty in securing tenants for the long-term given the location of the building. This option would also require ongoing costs to be recovered from customers including operations and maintenance, property tax, depreciation, earned return and income tax.²⁴

FEI submits that the recovery of the loss on the disposition of the PGO Property from ratepayers is just and reasonable, as the move of the customer service centre and the sale of the PGO Property are driven by operational needs and are fundamentally part of FEI's ongoing business operations.²⁵ FEI states that its shareholder should not bear the costs of ensuring quality customer service from the Prince George location.²⁶ Accordingly, in these circumstances, FEI submits that the loss on the sale of the PGO Property is fairly and reasonably considered part of its cost to serve its customers and should be recovered in rates.²⁷

¹⁷ Exhibit B-1, p. 6.

¹⁸ Exhibit B-3, BCUC IRs 2.1 and 2.2.

¹⁹ Exhibit B-1, pp. 4–5; FEI Final Argument, p. 5.

²⁰ Exhibit B-1, pp. 1, 6; FEI Final Argument, p. 3.

²¹ Exhibit B-1, pp. 2, 5; Exhibit B-3, BCUC IR 2.3; FEI Final Argument, pp. 6–8.

²² Exhibit B-2, BCUC IR 1.4; Exhibit B-3, BCUC IR 2.3; FEI Final Argument, p. 7.

²³ Exhibit B-1, p. 5; FEI Final Argument, p. 6.

²⁴ Exhibit B-3, BCUC IR 2.2 and 2.3.

²⁵ Exhibit B-3, BCUC IR 2.2; FEI Final Argument, p. 8.

²⁶ Exhibit B-3, BCUC IR 2.2; FEI Final Argument, p. 8.

²⁷ Exhibit B-3, BCUC IR 2.1; FEI Final Argument, p. 10.

Panel Determination

The Panel approves FEI to sell the PGO Property to the Carrier Sekani Family Services Society as proposed in the Application as being in the public interest. In addition, the Panel directs FEI to notify the BCUC of the completion and closing of all transactions related to the sale of the PGO Property within 15 days of the closing of the last transaction. The deterioration of the area around the PGO Property and related safety concerns are out of FEI's control, and we are persuaded that FEI's decision to leave the downtown core of Prince George is reasonable given the circumstances and safety concerns. We have considered the options available to FEI: selling the PGO Property now at a loss, holding onto the property in the hopes that FEI can get a better price some time in the future, or leasing it to one or more tenants. Of the three options, we accept that the best option – or the least bad option – is to sell the PGO Property sooner rather than later. Further, the evidence establishes that the assessed value of the property has declined over the past three years, which persuades the Panel that the cost to FEI of prolonging its decision regarding this property will result in increased costs to whichever party – ratepayer or shareholder – bears the loss.

Having determined that the sale of the PGO Property is warranted, the Panel must now determine who, as amongst the ratepayers and the shareholder, should bear the loss resulting from that disposition. FEI submits that recovering the loss from ratepayers is just and reasonable because the sale of the PGO Property and need to move the customer service centre are driven by operational needs and are fundamentally part of FEI's ongoing business operations. Further, FEI submits that its shareholder should not bear the costs of ensuring quality customer service from the Prince George location.

The Panel notes that FEI took reasonable measures to improve the security of its facility and the well-being of its employees at the PGO Property. The Panel also notes that the relocation of the customer service centre was necessitated by circumstances beyond FEI's control. The Panel finds that FEI has established that the Prince George customer service centre is a legitimate part of its ongoing business operations required to serve its customers. Accordingly, it is reasonable for FEI to recover the loss on the sale of the PGO Property from ratepayers. The Panel emphasizes that this is a fact-specific determination, and any future applications to the BCUC regarding potential losses from stranded assets will and must be determined on their own merits. The burden rests with the applicant seeking recovery of such losses from ratepayers to establish that recovery of unanticipated losses resulting from the voluntary disposition of utility assets is justified in the circumstances.

The Panel approves FEI to establish a rate base deferral account, the Prince George Customer Service Centre Disposition deferral account, to record the net proceeds of the sale in 2025 less the net book value of the PGO Property at the time of the sale, with amortization occurring over a one-year period, commencing January 1, 2026. As rate base deferral accounts are included in a utility's rate base, and therefore automatically earn a rate base return (for FEI, this is equal to its weighted average cost of capital), there is no need to specify a carrying cost for FEI's deferral account in this instance.

The Panel accepts FEI's submission that a one-year amortization period is appropriate because the estimated delivery rate impact is small. Regardless of when the one-year amortization period of the deferral account balance commences (January 1, 2025 or January 1, 2026 based on FEI's proposal), the impact of the amortization has a negligible impact on delivery rates (i.e. 0.12 percent or \$0.90 annually for an average residential customer in 2026). Ordinarily, we would direct a utility to start amortizing a balance in a deferral account into rates as soon as practicable in order to mitigate any intergenerational inequity issues. However, since the disposition of the PGO Property is scheduled to be completed in February, 2025, and the impact of the amortization will not be felt until permanent delivery rates are approved some time thereafter, the better and more sensible approach is for the one year amortization period to begin January 1, 2026 rather than January 1, 2025, as reflected in the Panel determination above. **FEI is directed to provide details of the final balance in the**

Prince George Customer Service Centre Disposition deferral account in the rate setting process for its 2026 delivery rates.

DATED at the City of Vancouver, in the Province of British Columbia, this 10th day of December 2024.

Electronically signed by Anna Fung

A. K. Fung, KC
Panel Chair

Electronically signed by Elizabeth Lockhart

E. B. Lockhart
Commissioner