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FortisBC Inc.

Annual Review for 2022 Rates

Decision
and Order G-374-21

December 15, 2021

Before:
A. K. Fung, QC, Panel Chair
W. M. Everett, QC, Commissioner
T. A. Loski, Commissioner

TABLE OF CONTENTS

Executive Summary

On June 22, 2020, the British Columbia Utilities Commission (BCUC) approved a multi-year rate plan (MRP) for FortisBC Inc. (FBC) from 2020 to 2024 (MRP Decision). The MRP uses a performance or incentive-based regulatory rate setting framework, which links utility rates to performance, rather than to the recovery of the operating and capital costs of service associated with a traditional cost of service approach.

In accordance with the MRP Decision, an annual review process (Annual Review) is required to set rates for each year of the MRP. In this application, FBC applies to the BCUC for approval of 2022 rates, among other things (Application).

For 2022, FBC seeks a 3.46 percent permanent rates increase from 2021 rates, resulting from a forecast revenue deficiency of $13.264 million. FBC also seeks approvals related to new and existing deferral accounts, along with exogenous (Z-factor) treatment for the 2021 and 2022 incremental O&M and capital expenditures related to Mandatory Reliability Standards (MRS) Assessment Report No. 13 (AR 13) and the costs related to the Nk'Mip Creek wildfire in 2021.

Based on the key findings discussed below, the Panel approves the 2022 rates increase of 3.46 percent on a permanent basis, effective January 1, 2022, subject to any adjustments identified by FBC during the regulatory process and the adjustments resulting from the Panel's directives and determinations set out in the attached decision. The Panel makes the following key findings and determinations among others:

- FBC's proposal to recover $0.627 million representing one-half of the 2021 revenue deficiency resulting from an inadvertent future costs of removal error through the use of the Flow-through Deferral Account in the MRP is effectively an adjustment to 2021 rates that have already been approved on a permanent basis, albeit the rate impact of that adjustment, if the proposal is approved, would be deferred to and reflected in 2022 through the deferral account mechanism. The recovery of variances arising from this type of error was not contemplated by either FBC or the BCUC at the time the BCUC approved the continuance of the Flow-through Deferral Account as adjusted in the MRP Decision. FBC's proposal to recover the under-collection amount with other 2021 variances through the existing Flow-through Deferral Account is simply a convenient mechanism, and not a regulatory justification, for FBC to seek to recover the 2021 Error in 2022 rates. Furthermore, while the impact of the error is not insignificant, and some may argue that such clerical errors are inevitable, stakeholders have a legitimate expectation that the utility will use best efforts to produce accurate information in its financial schedules, which they must rely upon in order to assess the reasonableness of the utility's rates. Accordingly, we find that FBC's proposal to use the Flow-through Deferral Account to capture the under-recovery of $0.627 million in 2021 revenues as an exception to the rule against retroactive ratemaking to be without merit in this instance.
- However, a clerical error of this nature and magnitude could not have been reasonably foreseen by FBC at the time that it sought approval of the MRP along with various deferral accounts, nor is this type of error arguably preventable despite FBC's best efforts. In these circumstances, the Panel finds that it would be overly punitive to deny FBC recovery for the entirety of the amount of the under-collected revenues in 2021. While we have concluded that no grounds exist for us to approve FBC's proposal to use the Flow-through Deferral Account to capture clerical errors of this nature given the specific items

that were approved in the MRP Decision to be captured in that account, we find that it is not unjust, unreasonable, unduly discriminatory or unduly preferential in these circumstances to approve FBC to establish a new deferral account to allow for recovery of the 2021 Error after the discovery of the clerical error but only from the date of filing of this Application (August 6, 2021) to December 31, 2021. By approving the establishment of this new deferral account, the Panel acknowledges that the recovery constitutes retroactive ratemaking, but nonetheless fits within one of the well established regulatory exceptions to same. For these reasons, the Panel rejects FBC's proposal to recover one-half of the revenue deficiency related to the 2021 Error through the Flow-through Deferral Account in 2022. Instead, the Panel directs FBC to establish a new non-rate base deferral account, to be financed at FBC's weighted average cost of capital, to capture the revenue deficiency resulting from the 2021 Error, which is not already recorded in the Earnings Sharing Deferral Account from August 6, 2021 (the date of filing of this Annual Review Application) to December 31, 2021, and to amortize that amount in FBC's 2022 rates.

- The 2021 and 2022 incremental O&M and capital expenditures related to both MRS AR13 and the Nk'Mip Creek wildfire qualify for exogenous (Z-factor) treatment in accordance with the MRP.

The Panel also approves FBC's other deferral account requests as filed. The Panel finds the deferral account amortization periods sought are reasonable and consistent with previous similar BCUC approvals granted to FBC and there are no circumstances currently that would compel a different treatment. The request to change the frequency of reporting on the COVID-19 Customer Recovery Fund Deferral Account from monthly to quarterly is reasonable from a regulatory efficiency perspective.

With respect to FBC's Service Quality Indicators (SQI), the Panel finds FBC's 2020 and June 2021 year-to-date SQI results indicate that its overall performance to-date meets service quality requirements. Regarding the Average Speed of Answer (ASA) SQI, the Panel rejects the Commercial Energy Consumers Association of British Columbia's (CEC) recommendation that the BCUC direct FBC to maintain its ASA at or below 50 seconds in the absence of any evidence demonstrating that it is an appropriate threshold. Regarding FBC's All-Injury Frequency Rate (AIFR) SQI, the Panel notes that while the 2021 year-to-date results are concerning the final 2021 results for the full year will be evaluated in the 2023 Annual Review. Accordingly, the Panel declines to speculate about them in this decision.

The Panel directs FBC to provide details of any efforts it has undertaken to improve the accuracy of its forecasts of wholesale customer load in the 2023 Annual Review, including the results of such efforts. The Panel also directs FBC to include in future Annual Review filings an update on its EV DCFC charging stations costs and revenues for the previous fiscal year along with a forecast of costs and revenues for the test period.

1.0 Introduction

On June 22, 2020, the British Columbia Utilities Commission (BCUC) approved a five-year (2020–2024) multi-year rate plan (MRP) for FortisBC Inc. (FBC) (MRP Decision).[1] The MRP Decision directed an annual review process (Annual Review) to set FBC's rates.

On August 6, 2021, FBC filed its Annual Review for 2022 Rates Application (Application) seeking to set permanent rates for 2022, which FBC forecasts to be a 3.46 percent increase over rates for 2021.

In this decision, the Panel reviews the relevant evidence, considers the positions of the parties, discusses the issues arising, and outlines its determinations for FBC's permanent 2022 rates.

1.1 Background to FBC's Multi-Year Rate Plan

Pursuant to its MRP Decision, the BCUC approved an MRP for FBC that establishes the framework for setting rates from 2020 through 2024. The MRP uses a performance or incentive-based regulatory rate setting framework, which links rates to utility performance, rather than to recovery of the operating and capital costs of service associated with a traditional cost of service approach to setting rates. The expected benefits of this performance-based approach are increased utility efficiency, better control of operating and maintenance (O&M) costs and capital expenditures, along with reduced regulatory costs, resulting in more reasonable utility rates. The MRP uses a rate setting mechanism designed to incent FBC to find efficiencies while ensuring that reasonable and measurable service levels are maintained.[2] The MRP includes elements that attempt to strike a balance between the interests of ratepayers and the utility, and appropriately manage and allocate risks and rewards.[3]

Certain cost components of the MRP are determined using a formula or index-based approach, considering inflation and other cost drivers adjusted to reflect FBC's expected productivity improvements. Other revenue and cost components that are not conducive to an index-based approach are determined through a forecast approach, like a traditional cost of service mechanism or flowed through to FBC's annual revenue requirement. Revenue and cost components outside FBC's control are handled through a deferral mechanism or are given flow-through or exogenous factor treatment.

FBC's MRP includes the following:[4]

- Use of a formula or index-based approach to controllable O&M, incorporating:
    - An inflation factor (I-Factor) based on Statistics Canada Consumer Price Index (CPI) for British Columbia (BC) (CPI-BC) and the Average Weekly Earnings for BC (AWE-BC) indexes;
    - A growth factor multiplier; and

[1] FortisBC Energy Inc. and FortisBC Inc. Application for Approval of a Multi-Year Rate Plan for the Years 2020 through 2024, Decision and Orders G-165-20 and G-166-20 dated June 22, 2020 (MRP Decision).
[2] MRP Decision, p. 1.
[3] MRP Decision, p. 170.
[4] MRP Decision.

    - A productivity (X) Factor;

- Use of a forecast approach for capital;
- A 50 percent sharing with customers of FBC's achieved return on equity (ROE) above or below the allowed ROE, referred to as the Earnings Sharing Mechanism (ESM);
- Specific revenue requirement items approved for flow-through and deferral account treatment;
- Twelve service quality indicators (SQIs), of which eight have benchmark and performance ranges set by a threshold level and four are informational;
- A plan off-ramp to be triggered if earnings in any one year vary from the allowed ROE by more than +/- 150 basis points (post sharing); and
- Exogenous factors or Z factors that flow-through to rates for unforeseen or unpredictable events that are beyond the control of the utility, and which meet certain exogenous factor treatment criteria including costs/savings exceeding an exogenous factor materiality threshold of $0.150 million.

A key element of FBC's MRP is the Annual Review. In the MRP Decision, the BCUC set out the following items to be addressed at each Annual Review in addition to setting rates:[5]

1. Review of the current year projections and the upcoming year's forecast, including the following items:
    - Customer growth, volumes, and revenues;
    - Year-end and average customers, and other cost information including inflation;
    - Expenses, determined by the indexing formula plus items forecast annually;
    - Capital expenditures, plus other items forecast annually;
    - Plant balances, deferral account balances and other rate base information, and depreciation and amortization to be included in rates; and
    - Projected earnings sharing for the current year and true-up to actual earnings sharing for the prior year;
2. Identification of any efficiency initiatives that FBC has undertaken, or intends to undertake, that require a payback period extending beyond the MRP period with recommendations to the BCUC with respect to the treatment of such initiatives;
3. Review of any exogenous events that FBC or stakeholders have identified that should be put forward to the BCUC for review;
4. Review of FBC's performance with respect to SQIs;
5. Assessment and recommendations with respect to any SQIs that should be reviewed in future Annual Reviews; and
6. Assessment and recommendations to the BCUC on potential issues or topics for future Annual Reviews.

In addition to these specific topics, the BCUC may include any other topic for review as it considers necessary.[6]

[5] MRP Decision, p. 167.
[6] MRP Decision, p. 168.

1.2 Approvals Sought

FBC filed its Annual Review materials to set permanent rates for 2022 on August 6, 2021. Subsequent to the filing of the Application, FBC filed an evidentiary update on October 5, 2021 (Evidentiary Update), which was further amended in its responses to workshop undertakings filed on October 26, 2021 (Workshop Undertakings).[7]

FBC seeks the following approvals, as amended, pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA):[8]

1. A permanent rates increase of 3.46 percent, effective January 1, 2022, to recover FBC's 2022 forecast revenue requirement, subject to any adjustments identified by FBC during the regulatory process and any directives or determinations made by the BCUC in its decision on the Application.
2. Approvals related to several deferral accounts, such as the establishment of a rate base deferral account for the 2021 Generic Cost of Capital (GCOC) Proceeding; and
3. Approvals related to exogenous factor (also known as Z-factor) treatment for the 2021 and 2022 incremental O&M and capital expenditures related to Mandatory Reliability Standards (MRS) Assessment Report No. 13 (MRS AR13) and the incremental costs related to the Nk'Mip Creek wildfire in 2021.[9]

In Section 2.1 below, the Panel reviews FBC's proposed rates for 2022, including the approvals being sought relating to Z-factor treatment, followed by a review of the deferral account requests in Section 2.2 and other issues arising in Section 2.3.

1.3 Application Review Process

In accordance with the regulatory timetables established by the BCUC, the Panel undertook the following public review process:[10]

- One round of BCUC and intervener information requests (IRs);
- A workshop open to all participants held in a virtual format on October 20, 2021 (Workshop);
- An opportunity for FBC to file responses to the Workshop Undertakings;
- Written final arguments from interveners filed by November 4, 2021; and
- FBC's written reply argument filed on November 16, 2021.

The following seven interveners registered and actively participated in the proceeding:

- BC Sustainable Energy Association (BCSEA);
- Residential Consumer Intervenor Association (RCIA);

[7] Exhibit B-11; Exhibit B-14.
[8] Exhibit B-11, Appendix B, p. 2.
[9] Details of the approvals sought related to exogenous factor treatment for the 2021 and 2022 incremental O&M and capital expenditures related to MRS AR13 and the costs related to the Nk'Mip Creek wildfire in 2021 are described in Exhibit B-11, Appendix B, Section 12.2.2, pp. 102–104 and Exhibit B-11, Appendix A, respectively.
[10] Order G-226-21.

- The Commercial Energy Consumers Association of British Columbia (the CEC);
- British Columbia Old Age Pensioners' Organization et al. (BCOAPO);
- Industrial Customers Group (ICG);
- British Columbia Municipal Electrical Utilities (BCMEU); and
- Movement of United Professionals (MoveUP).

2.0 Determinations on Approvals Sought

Having outlined the approvals sought by FBC in Section 1.2 of this decision above, the Panel reviews the amended requests and the related submissions below.

2.1 2022 Rates Increase

FBC forecasts a general rates increase of 3.46 percent for 2022 over rates for 2021. The forecast rates increase for 2022 is based on a forecast revenue deficiency, as amended, of $13.264 million.[11]

FBC provides Figure 1 below summarizing the items that contribute to the 2022 forecast revenue deficiency prior to the revisions filed in the responses to Workshop Undertakings.

Figure 1: 2022 Forecast Revenue Deficiency ($ millions) Prior to Workshop Undertakings[12]

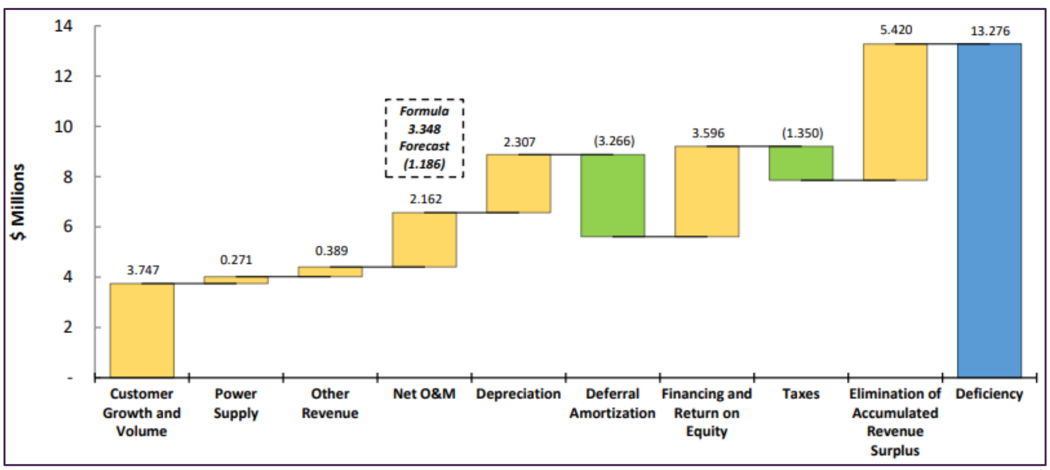

Table 1 below summarizes changes of $0.012 million to the total forecast revenue deficiency between the time of filing of the Evidentiary Update and the Workshop Undertakings:

[11] Exhibit B-14, Workshop Undertaking No. 1, p. 4.

[12] Exhibit B-11, Appendix B, p. 4.

Table 1: 2022 Forecast Revenue Requirement Impact After Workshop Undertakings

	Revenue Deficiency / Surplus ($million)	Rate Impact (%)
October 5, 2021 Evidentiary Update	13.276[13]	3.46%
Exogenous Factor Treatment - Capital	-0.012[14]	0.00%
October 26, 2021 Workshop Undertaking	13.264[15]	3.46%

As shown in Figure 1 above, the increase in the 2022 forecast revenue deficiency is primarily due to a decrease in load, rate base growth, and the elimination of the prior years' accumulated revenue surplus.[16] We review these items, as well as FBC's forecast net O&M expenses below.

Prior Year's Accumulated Revenue Surplus

The elimination of the prior years' accumulated revenue surplus contributes $5.420 million to the forecast revenue deficiency or 1.41 percent to the total forecast rate increase of 3.46 percent.[17] In the BCUC's decision on the FBC Annual Review for 2020 and 2021 Rates, it approved FBC drawing down the 2018-2019 Revenue Surplus Deferral Account to zero to mitigate the 2021 rates increase, which results in the 2022 revenue deficiency increasing by $5.420 million compared to 2021 rates. FBC states that this is a one-time impact isolated to 2022.[18]

Customer Growth and Volume

For 2022, FBC forecasts a sales load decrease of 68 Gigawatt hours (GWh) compared to 2021 approved, primarily due to decreased loads in the industrial, wholesale and commercial classes, partially offset by an increase in residential load.[19] The decrease in load contributes $3.747 million to the forecast revenue deficiency.[20] The decrease in forecasted load is primarily driven by expected load in the cannabis industry, which has not materialized due to industry consolidation.

Financing and Return on Equity

Financing and return on equity (ROE) contribute $3.596 million to the forecast revenue deficiency. FBC states this impact is driven by changes in financing rates, the ratio of long-term debt versus short-term debt, and changes in rate base. FBC's 2022 rate base has increased due to a combination of Certificate of Public Convenience and Necessity (CPCN) additions and regular capital additions entering rate base, which accounts for

[13] Exhibit B-11, p. 2.
[14] Calculated as the difference between $0.144 million as shown in the line item "Exogenous factor treatment – Capital" on page 2 of the Evidentiary Update and $0.132 million as shown "Exogenous factor treatment – Capital" on page 4 of the response to Workshop Undertaking No. 1.
[15] Exhibit B-14, Workshop Undertaking No. 1, p. 4.
[16] Exhibit B-11, Appendix B, pp. 1–2.
[17] Workshop Transcript, Volume 1, p. 13.
[18] Exhibit B-11, Appendix B, p. 6.
[19] Exhibit B-11, Appendix B, p. 4.
[20] Exhibit B-11, Appendix B, p. 25.

$6.618 million of the forecast revenue deficiency. The forecast revenue deficiency is offset by $1.867 million from financing rate changes and further decreased by $1.155 million resulting from the ratio change between long-term and short-term debt.[21]

Depreciation

Depreciation contributes $2.307 million to the forecast revenue deficiency. This is due to an increase in depreciation by $2.536 million, which is partially offset by an increase in contribution-in-aid-of-construction amortization of $0.229 million from net additions compared to 2021. FBC submits that the increase in depreciation expense is primarily a result of CPCN additions to plant for the Corra Linn Dam Spillway Gate Replacement Project, Grand Forks Terminal Station Reliability Project, and Upper Bonnington Old Units Refurbishment Project, as well as the addition of the 2021 approved amounts for regular distribution plant related to growth and sustainment capital.[22]

O&M Expense

O&M expense is primarily determined by a formula, with the addition of several items that are forecast outside the formula on an annual basis. Formula O&M contributes $3.348 million to the revenue deficiency and is offset by a decrease in net O&M forecast outside of the formula of $1.186 million for 2022.[23] FBC explains that the formula O&M is based on a net I-Factor of 4.089 percent, which is inclusive of a productivity improvement factor (X-Factor) of 0.5 percent, and uses a forecast of the change in average customers as approved in the MRP.[24] The decrease in forecast O&M outside the formula is primarily due to a decrease in pension and other post retirement benefits expense.[25]

Consistent with the approach approved in the MRP Decision, FBC uses inflation data from July through June from Statistics Canada to calculate the I-Factor used in the Application: the actual CPI-BC and AWE-BC indices from the previous year and the labour weighting based on the most recent completed year of actuals. FBC states that while the CPI-BC has been updated, the June 2021 AWE-BC is a placeholder as the results for this period have not yet been released by Statistics Canada.[26] Therefore, FBC used the latest available month of May 2021 as the placeholder. FBC states that once the June 2021 results are available, the placeholder will be replaced with actuals and included in final compliance filing for this proceeding.[27]

Deferral Amortization

Amortization of deferral accounts decreases the 2022 forecast revenue deficiency by $3.266 million. FBC explains this is due to a credit amortization of $3.407 million for the 2020-2024 Flow-through non-rate base deferral account driven by favourable revenue variances, savings in power purchase expenses, and lower

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[21] Exhibit B-11, Appendix B, pp. 5–6.
[22] Exhibit B-11, Appendix B, p. 5.
[23] Exhibit B-11, Appendix B, p. 5.
[24] Exhibit B-11, Appendix B, p. 5.
[25] Exhibit B-11, Appendix B, p. 5.
[26] Workshop Transcript, Volume 1, pp. 113–114.
[27] Workshop Transcript, Volume 1, pp. 113–114; Exhibit B-11, Appendix B, p. 7.

property taxes and interest expense. These savings are partially offset by unfavourable variances in wheeling expenses, income taxes, flow-through O&M expenses, and a $0.627 million one-time adjustment to the Flow-through Deferral Account related to the unrecovered revenue from the 2021 future costs of removal (net salvage) forecast.[28] In response to IRs, FBC stated that there will be a “slight reduction” in the above-noted deferral accounts amortization as the final costs of the 2021 MRS audit are now known. FBC states that it will update the final amount in the approved MRS 2021 Audit Deferral Account and the resulting amortization expense for 2022 in its final compliance filing for this proceeding.[29]

Other Considerations - Electric Vehicle Direct Current Fast Charging Service Application

Prior to the filing of the Application, FBC had submitted to the BCUC in 2017 an Application for Approval of Rate Design and Rates for Electric Vehicle (EV) Direct Current Fast Charging (DCFC) Service (EV DCFC Service Application).[30] The EV DCFC Service Application was being reviewed in a separate proceeding from the Application.

FBC states that in the EV DCFC Service Application proceeding, the BCUC determined that the cost of service associated with EV charging stations is subject to flow-through treatment. In addition, the BCUC granted approval to FBC to include the assets in FBC’s rate base as EV DCFC stations are prescribed undertakings under section 5 of the Greenhouse Gas Reduction Regulation. However, the BCUC’s final determinations related to a proposed straight-line 10 percent depreciation rate for FBC-owned EV DCFC stations and related revenues and expenses associated with the EV DCFC stations in FBC’s regulated accounts, among other things, had not been made. As such, FBC submits that the revenue requirement impacts of the BCUC’s decision in that proceeding are not clear at the time of filing of this Application.[31] In the event that the decision on the EV DCFC Service Application is issued before FBC submits its final compliance filing for this Application, FBC undertakes that it will update its rates for 2022 to reflect the impact of that decision in its compliance filing.[32]

FBC estimates, if approved, that the inclusion of EV DCFC station-related revenues and expenses would have a +0.16 percentage point impact on rates for 2022 as a variance of $0.107 million would be added to the Flow-through Deferral Account and $0.501 million would be added to FBC’s forecast revenue requirement.[33] For clarity, the +0.16 percentage point rate impact would be in addition to the proposed 3.46 percent in rate increase.[34]

Positions of the Parties

Interveners generally do not oppose BCUC approval of FBC’s proposed permanent rate increase of 3.46 percent for 2022.[35] However, some interveners raise the following issues, which require further discussion:

[28] Exhibit B-11, Appendix B, pp. 5, 110.

[29] Exhibit B-3, BCUC IR 18.

[30] FortisBC Inc. (FBC) Application for Approval of Rate Design and Rates for Electric Vehicle Direct Current Fast Charging Service (EV DCFC Service Application) Decision and Order G-341-21 dated November 24, 2021, p. i).

[31] Exhibit B-11, Appendix B, p. 44.

[32] Workshop Transcript, Volume 1, p. 9.

[33] Exhibit B-3, BCUC IR 16.1.

[34] Workshop Transcript, Volume 1, p. 9.

[35] BCSEA Final Argument, p. 2; MoveUP Final Argument, p. 5; BCOAPO Final Argument, p. 33; BCMEU Final Argument, p. 1.

1. Whether the unrecovered revenue from the 2021 future costs of removal forecast is recoverable through the use of the Flow-through Deferral Account;
2. Whether rates should be approved subject to changes to the I-Factor calculation;
3. Whether exogenous factor treatment for all proposed 2021 and 2022 MRS costs meets the exogenous factor criteria; and
4. Whether 2022 rates should be approved on an interim basis only.

We review the evidence and submissions on these issues below.

2.1.1 Future Costs of Removal Error in 2021 Rates

FBC seeks approval of deferral account treatment to correct a clerical error in the 2021 future costs of removal forecast recorded in the 2021 financial schedules (2021 Error), which were filed as part of the FBC Annual Review for 2020 and 2021 Rates. The proposal is to recover one-half of the resulting under-collection of revenues in 2021 in 2022 rates through a one-time adjustment to the Flow-through Deferral Account.[36] The proposed adjustment contributes $0.627 million to the forecast revenue deficiency, representing half of the resulting under-collection of revenues. This accounts for 0.22 percent of the forecast rate increase of 3.46 percent for 2022.[37]

FBC explains that in preparing the financial schedules for the FBC Annual Review for 2020 and 2021 Rates, the 2021 future costs of removal amount was incorrectly shown as a positive amount, when in fact it should have been in parenthesis to indicate that it is a negative amount, consistent with the format of other amounts in the table shown in both Schedules 7 and 7.1 of the materials FBC filed in that Annual Review.[38] FBC states that the inadvertent clerical error resulted in a reduction to the approved rate base amounts for 2021, and therefore, an under-forecasting of the related revenue requirement amounts and an under-collection of revenues.

FBC outlines that the impact of the 2021 Error is mitigated by the approved ESM in the MRP, which allows for one-half of the rate base revenue requirement impacts of the 2021 Error to be recorded in the Earnings Sharing Deferral Account to be recovered in future revenue requirements.[39] For the 2021 Error, FBC explains that since it is unable to determine final earnings sharing until all items, including the final rate base, required for the ROE calculation are known, there is a two-year lag in when FBC distributes earnings sharing amounts.[40] That is, for 2022 rates, it is the 2020 formula O&M and 2020 earnings sharing amounts that are calculated and impact rates in 2022. By extension, as part of future rate filings, the earnings sharing for 2021 will account for the actual 2021 ROE variance from the allowed ROE.[41] Accordingly, FBC's proposal in this Annual Review only relates to the other half of the impacts of the 2021 Error to be reflected in 2022 rates by including that amount in FBC's Flow-through Deferral Account with other 2021 variances.[42]

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[36] Exhibit B-11, Appendix B, pp. 111–112.

[37] Exhibit B-3, BCUC IR 27.4.

[38] Exhibit B-11, Appendix B, p. 111.

[39] Exhibit B-11, Appendix B, p. 112.

[40] Exhibit B-11, Appendix B, p. 69.

[41] Exhibit B-11, Appendix B. p. 69.

[42] Exhibit B-11, Appendix B, p. 112; Exhibit B-3, BCUC IR 27.1.

FBC further acknowledges that it made a similar error in the 2020 future costs of removal forecasts (2020 Error). FBC confirmed that it has already recorded one-half of the rate base revenue requirement impacts of the 2020 Error through the ESM for amortization in 2022 rates,[43] and calculates that the remaining half of the after-tax revenue shortfall is $0.166 million for 2020. However, FBC is not proposing any mechanism to recover the $0.166 million revenue shortfall from customers given that 2020 actuals have been finalized.[44]

FBC submits that it would not be appropriate to exclude the ESM portion of either the 2020 Error or 2021 Error as the errors caused FBC to under-collect revenue in 2020 and 2021 from customers, which "all else equal, effectively results in a lower actual ROE than the allowed ROE in each of those years."[45] FBC explains that the wording of the MRP Decision states: "The Panel approves the Proposed ESM for FEI and FBC resulting in a 50 percent sharing of the achieved ROE above or below the allowed ROE."[46] As the 2020 and 2021 Errors directly result in a lower actual ROE than allowed, in FBC view's, the recovery of one-half of the impact of those errors through the ESM is in accordance with the MRP Decision such that no explicit BCUC approval is required.[47]

FBC offers the following reasons in support of its proposal to recover the remaining one-half of the impact of the 2021 Error in 2022 rates through the Flow-through deferral account mechanism as not contravening the rule against retroactive ratemaking:[48]

1. FBC is seeking to correct an inadvertent clerical mathematical error. FBC submits that the error was not the result of any inaccuracy in FBC's 2021 forecast. Rather, it is due to inadvertent recording of the future costs of removal as a positive amount when those costs should have been shown as a negative amount in the financial schedules that were filed as part of the FBC Annual Review for 2020 and 2021 Rates Application. FBC states that "[h]ad this been correctly recorded as a negative amount, the under-collection of rate revenues would not have occurred." While the utility takes accountability for the error, FBC argues that an error of this kind is "fundamentally different" than submitting an inaccurate forecast or seeking to recover a past loss incurred due to a failure of the utility to accurately forecast a cost.[49] Additionally, FBC notes, "While in this instance the error resulted in an under-collection from customers, clerical errors of this nature could positively or negatively impact customers. Had the error resulted in an over-collection from customers, FBC would have refunded the amounts to customers, as has been the practice with similar items in the past."[50]

2. FBC is proposing to recover the under-collected amount with other 2021 variances that will be captured through the existing Flow-through Deferral Account, rather than requesting that the BCUC replace or substitute existing 2021 permanent rates. FBC submits that the existing Flow-through Deferral Account under the MRP allows the utility to capture revenue and cost items to be flowed through to ratepayers where FBC did not already have an approved deferral mechanism or separate deferral account. The specific items in the Flow-through Deferral Account are set out in Table 12-1 of the Application and

[43] Exhibit B-14, Workshop Transcript, p. 112.
[44] Per Exhibit B-11, Appendix B, p. 112.
[45] Exhibit B-3, BCUC IR 27.7.
[46] Exhibit B-3, BCUC IR 27.7.
[47] Exhibit B-3, BCUC IR 27.7.
[48] Exhibit B-3, BCUC IR 27.4.
[49] Exhibit B-3, BCUC IR 27.6; Exhibit B-11, Appendix B, p. 113.
[50] Exhibit B-11, Appendix B, p. 113.

include revenues, wheeling expense, power purchases and water fees, among others.[51] In FBC's view, 2021 is not yet complete and adjustments to other components of FBC's 2021 revenue requirement will be made through the truing up of 2021 flow-through revenues and expenses.[52] Given this "truing up" process, FBC submits that there is an existing approved mechanism to correct for the error as FBC's 2021 rates are not yet "truly finalized."[53]

3. FBC proposes to correct the 2021 Error during 2021, which is the year in which FBC discovered the error. In the ordinary course, FBC submits that it could have applied in 2021 for a new deferral account to recover the under-collection of rate revenue, and had it done so within 2021, it would not have given rise to retroactive ratemaking concerns.[54] However, given the existence of FBC's Flow-through deferral account mechanism in the MRP, in FBC's view, a new deferral account is not needed and the Flow-through deferral account is an efficient, effective and transparent means of recovering the revenue deficiency resulting from discovery of that error.

Positions of the Parties

Several interveners in the proceeding commented on FBC's proposed recovery of one-half the 2021 Error using the Flow-through Deferral Account. The CEC and BCOAPO support FBC's proposal while RCIA and ICG oppose the proposal. BCSEA, MoveUP and BCMEU did not comment. None of the interveners, with the exception of RCIA, commented on the recovery of the other half of the error using the ESM.

The CEC recommends that the BCUC approve the Flow-through Deferral Account with the recovery of the customers' share of the 2021 Error as proposed by FBC as "errors occur from time to time."[55]

BCOAPO submits that flow-through treatment only applies to certain types of costs and the impact of the 2021 Error "is not one of them."[56] Notwithstanding, while BCOAPO states there are legitimate arguments that FBC should be responsible for such "errors," it also submits that errors can occur in organizations "no matter how well run and funded."[57] BCOAPO submits that allowing FBC to recover errors when the correction is in the shareholders' favour is more likely to encourage FBC to be forthcoming in identifying errors where correction would be to the benefit of the ratepayers and "it is on that good faith view that [BCOAPO] do not object to FBC's proposed treatment of these costs."[58]

As noted above, ICG and RCIA are opposed to FBC's proposal to recover one-half of the 2021 Error using the Flow-through Deferral Account.

ICG argues that the rule against retroactive rate making is fundamental to utility regulation and should not be circumvented through the use of deferral or balancing accounts.[59] ICG submits that FBC's proposal to remedy

[51] Exhibit B-11, Appendix B, pp. 109–110.
[52] Exhibit B-3, BCUC IR 27.3.
[53] Exhibit B-3, BCUC IR 27.4.
[54] Exhibit B-3, BCUC IR 27.4.
[55] CEC Final Argument, p. 28.
[56] BCOAPO Final Argument, p. 30.
[57] BCOAPO Final Argument, p. 30.
[58] BCOAPO Final Argument, p. 30.
[59] ICG Final Argument, p. 6.

the impacts of a 2021 Error through a one-time adjustment to a Flow-through deferral account was not contemplated when the Flow-through Deferral Account was approved and unless the adjustment was contemplated at the time of approval, the rates for 2021 should be considered permanent and not subject to further changes in permanent rates that customers have relied on in making their consumption and operating decisions.[60]

RCIA opposes the proposed recovery mechanism beyond the amounts FBC can recover through the existing ESM as FBC is asking for an adjustment to a previously adjudicated decision.[61] Although not under consideration in this Application with respect to the future costs of removal error in 2021 rates, RCIA submits that the correction of out-of-period errors that benefit the utility constitutes retroactive ratemaking based on precedent set by the Ontario Energy Board,[62] except for when the correction of mistakes results in a refund to customers as it ensures the utility does not profit on account of its own error.[63] RCIA further states that "[a]lthough RCIA does not object to FBC's right to use the customer cost sharing mechanism to recover a portion of the revenue deficiency arising from the Cost of Removal accounting error, FBC's proposed treatment is asking for the re-adjudication of a prior filing's rates and revenue decision. Consequently, RCIA opposes the proposed recovery of sums related to the Cost of Removal errors beyond the amounts FBC is allowed to recover through the existing customer Earnings Sharing Mechanism."[64]

In response to RCIA and ICG, FBC submits that it is not requesting a "re-adjudication" of a prior BCUC decision, nor is this retroactive ratemaking, but rather, it is requesting deferral treatment of 2021 costs to be recovered in 2022 rates. FBC argues that its proposal does not require any change to a past BCUC decision.[65] FBC outlines that it is not seeking recovery of costs from a past year but has applied to recover 2021 amounts within 2021.[66] Given that FBC is applying to recover current period costs, which it identified and brought forward to the BCUC for consideration and approval within 2021, it submits this is not a form of retroactive ratemaking.[67]

FBC reiterates that it could have also requested that rates be made interim within 2021 so that the utility could seek recovery of the cost of the error in rates through the remainder of 2021. However, FBC submits that making rates interim and then collecting the costs associated with the 2021 Error through a rate rider or other recovery mechanism would be inefficient and administratively burdensome, as compared to seeking approval of deferral account treatment though the existing Flow-through Deferral Account.[68]

Finally, FBC submits that its request for approval of recovery of the 2021 Error in 2022 rates exhibits a form of "regulatory lag" not retroactive ratemaking. To illustrate this, FBC explains that it also could have requested approval of a new deferral account through a separate standalone application, specifically requesting recovery of the 2021 Error.[69]

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[60] ICG Final Argument, pp. 5–6.
[61] RCIA Final Argument, pp. 6–8.
[62] RCIA Final Argument, pp. 7–8.
[63] RCIA Final Argument, p. 7.
[64] RCIA Final Argument, p. 7.
[65] FBC Final Reply, pp. 19–20.
[66] FBC Final Reply, p. 22.
[67] FBC Final Reply, p. 22.
[68] FBC Final Reply, p. 21.
[69] FBC Reply Argument, pp. 20–21.

2.1.2 Inflation Factor Calculation

Consistent with the approach approved in the MRP Decision, FBC calculates the I-Factor using the actual CPI-BC and AWE-BC indices for the previous year from Statistics Canada and the actual labour weighting based on the most recently completed year of actuals. Applying the actual 2020 labour weighting of 63 percent, the 2022 I-Factor is 4.589 percent: (CPI of 1.281 CPI x 37 percent) + (AWE of 6.532 percent x 63 percent) = 4.589 percent. The 2022 I-Factor is used to calculate the formula O&M component of FBC's 2022 forecast revenue requirement.[70]

FBC acknowledges that the 6.532 percent wage increase that is calculated using Statistics Canada's AWE-BC is not necessarily reflective of what it expects to pay. FBC explains that the 2022 AWE-BC used in the Application is based on the latest data from Statistics Canada and remains a valid and objective measure of the economy-wide labour inflation in BC[71] and expects that over time, the higher AWE trend, as shown below, will reverse as the labour impacts of the COVID-19 pandemic lessen.[72]

FBC provides a summary of the 2016 to 2022 CPI-BC and AWE-BC data in the following table:[73]

Table 2: 2016 to 2022 CPI-BC and AWE-BC Data

Description	2016	2017	2018	2019	2020	2021	2022	Average
CPI	0.980%	1.627%	1.979%	2.345%	2.692%	1.596%	1.281%	1.786%
AWE	2.050%	1.250%	1.473%	2.646%	2.881%	5.745%	6.532%	3.225%

Additionally, FBC explains that the AWE is only one component of the overall MRP and it would be unreasonable to make adjustments to one specific component of the MRP without consideration of the other components. Further, FBC points out that the MRP includes an approved off-ramp, which would trigger a full review of the MRP if earnings under the MRP are either unreasonably high or low.[74] FBC states that while the AWE may seem high, the CPI used for the 2022 formula O&M may be low and not necessarily reflecting the inflationary pressures FBC faces in 2022 for its non-labour expenditures.[75] FBC further points out that the Application uses a CPI of 1.281 percent for 2022; however, a recent news release from Statistics Canada reports the August 2021 CPI at about 4 percent.[76]

FBC explains that the "Utilities" category for the AWE-BC data is not a more appropriate index for inflation calculations than the "Industrial Aggregate" category given the "Utilities" category data is volatile.[77] FBC considers the AWE data from the "Industrial Aggregate" category to be a more accurate representation of the

[70] Exhibit B-11, Appendix B, p. 7.
[71] Exhibit B-10, RCIA IR 4.3.
[72] Exhibit B-10, RCIA IR 4.3; Exhibit B-5, BCOAPO IR 4.3.
[73] Exhibit B-10, RCIA IR 4.3.
[74] Exhibit B-10, RCIA IR 4.3.
[75] Exhibit B-10, RCIA IR 4.3.
[76] Exhibit B-10, RCIA IR 4.3.
[77] Exhibit B-8, ICG IR 3.2.

economy-wide labour inflation in BC, as it uses data from multiple industries and uses a wider sample size of data than would be used by isolating a specific industry.[78]

Positions of the Parties

The CEC recommends that the BCUC reduce the I-Factor to 2.67 percent based on the seven-year average from 2016 to 2022 of the CPI and AWE. The CEC provides the following inflation information in a table:[79]

Table 3: CEC Proposed I-Factor Calculation

Fair Inflation Factor for Regulation			
	7 Year Avg 2016-2022	Split for Application	Average Inflation
CPI	1.78%	37%	0.658%
AWE	3.19%	63%	2.012%
			2.670%

ICG argues that the year over year percentage increase in the O&M formula was 6.547 percent in 2020, 4.198 percent in 2021 and 6.327 percent for 2022 while labour rate increases for the same period are expected to be two percent. ICG also points to the analysis of the AWE of the industrial sector versus the utilities sector, which provides further evidence that the O&M formula does not reflect inflation input.[80] Further, ICG submits, "the fact that the off-ramp has not been triggered does not change the Commission's authority to review the MRP during its term, nor the need to review the O&M formula."[81] ICG submits that, given the excessive increases to the O&M formula and the evidence that these increases overstate the input price inflation, the BCUC should establish a proceeding to review the O&M Formula.[82] Similar to ICG's suggestion, RCIA and BCOAPO request the right to re-evaluate cumulative inflation impacts at the start of the next MRP term due to the effects of the COVID-19 pandemic.[83] BCSEA, BCMEU and MoveUP do not comment on this issue.

In reply to the CEC, FBC submits that the CEC has not provided a reasonable evidentiary foundation for its proposal of a 2.67 percent I-Factor, which was not the subject of any evidence in this proceeding and submits that its suggestion is out of scope.[84]

In reply to ICG, FBC submits that the BCUC has already determined that the O&M formula is fair as a component of the MRP. FBC sees no value in commencing a proceeding to reconsider the O&M formula as any adjustment to the I-Factor would be arbitrary. The MRP is designed to work as a whole, and changes to one individual component should not be made without consideration of the others.[85] FBC noted in an IR response that the AWE data from the Industrial Aggregate category was a more accurate representation of the economy-wide labour

[78] Exhibit B-8, ICG IR 3.2.
[79] CEC Final Argument, pp. 7–8.
[80] ICG Final Argument, p. 3.
[81] ICG Final Argument, p. 4.
[82] ICG Final Argument, pp. 2–3.
[83] BCOAPO Final Argument, p. 4; RCIA Final Argument, p. 6.
[84] FBC Reply Argument, p. 6.
[85] FBC Reply Argument, p. 7.

inflation in BC, as it uses data from multiple industries and uses a wider sample size of data than would be used by isolating a specific industry and has consistently used the Industrial AWE in calculating the I-Factor.[86]
FBC submits that the I-Factor in any subsequent MRP term will, as a matter of course, be subject to BCUC review and approval.[87]

2.1.3 Exogenous Z-Factor Treatment

In the MRP Decision, the BCUC established the following criteria for evaluating whether the impact of an event qualifies for exogenous factor (also referred to as Z-factor) treatment:[88]

1. The costs/savings must be attributable entirely to events outside the control of a prudently operated utility;
2. The costs/savings must be directly related to the exogenous event and clearly outside the base upon which rates were originally derived;
3. The impact of the event was unforeseen;
4. The costs must be prudently incurred; and
5. The costs/savings related to each exogenous event must exceed the BCUC-defined materiality threshold.

For FBC, the materiality threshold for exogenous factor treatment is $0.150 million.[89]

In the Application, FBC applies for Z-factor treatment for two events:

1. The cost of the Nk'Mip Creek wildfire in 2021; and
2. The 2021 and 2022 incremental O&M and capital expenditures related to MRS AR13.

<u>Nk'Mip Creek Wildfire</u>

FBC submits that the Nk'Mip Creek wildfire occurred in FBC's service territory during the 2021 wildfire season, resulting in damage to FBC's infrastructure. Of the total costs related to wildfires in 2021, the Nk'Mip Creek wildfire is the only wildfire meeting the materiality threshold for exogenous factor treatment.[90] FBC applies for approval of exogenous factor treatment for $2.076 million in costs related to the Nk'Mip Creek wildfire ($2.355 million related to the Nk'Mip Creek wildfire, less amounts already included in regular sustainment capital and formula O&M), which is comprised of $1.921 million of capital and $0.155 million of O&M.[91] FBC outlines that the Nk'Mip Creek wildfire caused significant damage to FBC's transmission, distribution and fibre optic infrastructure, which resulted in the de-energization of two transmission lines and the loss of communications.[92]

FBC submits that the costs to prevent and repair damage caused by the Nk'Mip Creek wildfire satisfy the exogenous factor criteria. FBC states that the numerous wildfire events in 2021 were precipitated by unusually

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86 Exhibit B-8, ICG IR 3.2.
87 FBC Reply Argument, p. 6.
88 MRP Decision, p. 62; Exhibit B-11, Appendix B, p. 102.
89 MRP Decision, p. 65; Exhibit B-11, Appendix B, p. 102.
90 Exhibit B-11, Appendix A, p. 2.
91 Exhibit B-11, Appendix A, p. 1.; Exhibit B-14, Workshop Undertaking No. 1, p. 3.
92 Exhibit B-11, Appendix A, p. 7.

warm and dry conditions in FBC's service territory and that the magnitude of the Nk'Mip Creek wildfire related costs "greatly exceeds" those of recent years and is therefore, outside the amounts included in FBC's 2020-2024 capital plan and formula O&M expense under the MRP. In addition, the Nk'Mip Creek wildfire and its impact could not have been foreseen at the time of the MRP Decision and all costs to prevent or to repair the damage caused by the wildfire on an emergency basis have been or will be prudently incurred.[93]

<u>2021 and 2022 Incremental O&M and Capital Expenditures Related to MRS AR13</u>

FBC applies for approval of Z-Factor treatment for the incremental O&M and capital expenditures related to MRS AR13.

The British Columbia Hydro and Power Authority (BC Hydro) issued its report on MRS AR13 on May 1, 2020, recommending the adoption of eight of nine standards, pursuant to section 125.2(3) of the UCA.[94] On September 8, 2020, the BCUC adopted and determined the effective dates for the eight recommended standards of MRS AR13.[95] FBC assessed that five of the recommended standards have associated costs, but one standard is held in abeyance.[96]

FBC identifies that the remaining four standards, effective April 2023, have costs that affect 2021, 2022 and future years and is therefore, requesting exogenous treatment for these costs as they will require ongoing effort and additional staffing requirements.[97]

FBC considers MRS AR13 to be a single exogenous factor event and forecasts that it will incur the following in incremental O&M costs: [98]

- $0.100 million in 2021 related to the incremental wages of assessing and determining the detailed scope and strategy;
- $0.765 million in 2022 related to the incremental wages and consulting fees, along with expenses of the actual implementation of additions/changes; and
- $0.650 million in 2023 and beyond related to ongoing compliance (note, no approvals are sought at this time related to 2023 and beyond).

FBC also forecasts that it will incur $0.935 million of capital costs in 2022 for new hardware and software. There are no anticipated incremental capital costs forecast for 2023 and beyond at this time as the capital costs are mainly related to new material purchases and development of software tools to achieve MRS AR13 compliance.[99]

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[93] Exhibit B-11, Appendix A, p. 2.
[94] British Columbia Hydro and Power Authority (BC Hydro) Mandatory Reliability Standards (MRS) Assessment Report No. 13 Addressing Reliability Standards for Adoption in British Columbia Order R-19-20 dated September 8, 2020.
[95] BC Hydro MRS Assessment Report No. 13 Addressing Reliability Standards for Adoption in British Columbia Order R-19-20 dated September 8, 2020.
[96] Exhibit B-11, Appendix B, p. 44.
[97] Exhibit B-11, Appendix B, p. 44.
[98] Exhibit B-3, BCUC IR 24.
[99] Exhibit B-3, BCUC IR 24.

FBC explains that the total one-time estimated costs for MRS AR13 in 2020 and 2021 are $1.8 million ($0.865 million of O&M costs and $0.935 of capital costs). FBC confirms that its cost estimate to implement MRS AR13 is only for the incremental effort required to meet the adopted standards.[100] FBC explains that the 2021 amounts of $0.100 million of incremental labour costs was only known after the completion of the FBC Annual Review for 2020 and 2021 Rates and relates to outsourcing of work and any internal resources that would need to be backfilled.[101]

Positions of the Parties

<u>Nk'Mip Creek Wildfire</u>

No Interveners opposed Z-factor treatment for the Nk'Mip Creek wildfire proposed by FBC. The CEC finds that the requested exogenous factors "are within the boundaries of the Exogenous Factor criteria," and recommends that the BCUC approve the Z-Factors as requested.[102] Similarly, BCSEA considers FBC's request to seek approval of Z-factor treatment for costs of the prevention and repair of damages resulting from the Nk'Mip Creek wildfire meets the criteria for exogenous treatment.[103] BCOAPO has not identified any reason to take issue with either FBC's proposal to treat the Nk'Mip Creek Wildfire as an exogenous factor or the associated amount requested.[104] BCMEU does not oppose the approvals sought by FBC.[105] ICG, RCIA and MoveUP provide no comment on this proposal.

<u>2021 and 2022 Incremental O&M and Capital Expenditures Related to MRS AR13</u>

Interveners have differing positions on the issue of 2021 and 2022 Incremental O&M and Capital Expenditures related to MRS AR13.

The CEC recommends the BCUC approve the Z-Factor treatment for MRS AR13 as requested[106] and BCMEU does not oppose the approvals sought by FBC.[107] Moreover, BCSEA considers FBC's request "meets the five criteria for adjustment of the cost of service under the MRP."[108]

However, ICG recommends that FBC should not be allowed to recover $0.100 million of 2021 employee wages for MRS AR13. ICG submits that employee wages cannot be considered incremental, unless FBC hired additional MRS employees after the BCUC issued Order R-19-20 in September 2020.[109]

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[100] Exhibit B-14, Workshop Undertaking No.4, p. 1.
[101] Workshop Transcript Volume 1, p. 48; Exhibit 11, Appendix B, p. 44.
[102] CEC Final Argument, p. 28.
[103] BCSEA Final Argument, p. 2.
[104] BCOAPO Final Argument, p. 26.
[105] BCMEU Final Argument, p. 1.
[106] CEC Final Argument, p. 28.
[107] BCMEU Final Argument, p. 1.
[108] BCSEA Final Argument, p. 2.
[109] ICG Final Argument, p. 5.

BCOAPO also submits that the BCUC should reconsider its decision that costs incurred over multiple years can be "summed" in order to meet the materiality threshold as the MRP Decision threshold of $0.150 million is lower than the $0.301 million threshold noted in the FBC 2018 Annual Review.[110]

RCIA and MoveUP provide no comment on the Z- factor treatment of MRS AR13 costs.

In reply to ICG, FBC confirms that its cost estimate to implement MRS AR13 is only for the incremental effort required to meet the new or revised standards. Therefore, additional labour costs would reflect contractor expense or costs of internal labour that have been reassigned and which would need to be backfilled.[111]

In reply to BCOAPO, FBC submits that there is no basis in the MRP Decision to suggest that the materiality threshold should be applied only to costs in a calendar year or for the BCUC not to follow its previous determination on this matter. FBC states the BCUC determined that maintaining the materiality threshold criteria for exogenous factors in the 2020-2024 MRP Plan is appropriate and, in the FBC 2018 Annual Review Decision that "[t]he costs/savings related to each exogenous event must exceed the BCUC-defined materiality threshold." Thus, it is the costs related to the event itself that must be measured against the materiality threshold, not costs related to that event in a particular calendar year.[112]

2.1.4 Interim Rates

Positions of the Parties

ICG submits that any rate increase approved by the BCUC in this proceeding should be approved on an interim basis only, pending the BCUC's final decision in the GCOC Proceeding, which is a concurrent proceeding before the BCUC. ICG was the only intervener to comment on the issue of interim rates. It argues that approving permanent rates in this proceeding would establish the effective date of the cost of capital decision that is to be determined by the GCOC Panel.[113]

In response to ICG, FBC submits that the decision to make rates interim for the purposes of setting the cost of capital is a matter for the BCUC panel in the GCOC Proceeding.[114]

Panel Determination

Having outlined above the evidence and submissions relating to these issues in the Application, the Panel now reviews FBC's proposal to deal with the impact of the future costs of removal errors, I-Factor calculation, exogenous (Z-factor) treatment for the Nk'Mip Creek wildfire and 2021 and 2022 incremental O&M and capital expenditures related to MRS AR13 and the 2022 rates increase, including whether the 2022 rates should be approved on an interim or permanent basis.

<u>Future Costs of Removal Error in FBC's Rates</u>

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[110] BCOAPO Final Argument, p. 25.

[111] FBC Reply Argument, p. 18.

[112] FBC Reply Argument, p. 16.

[113] ICG Final Argument, p. 1.

[114] FBC Reply Argument, p. 3.

Recovery of 2020 Error and 2021 Error Through ESM

The Panel notes that FBC did not request any approvals related to using the Earnings Sharing Deferral Account to record one-half of the revenue deficiency resulting from either the 2020 Error or 2021 Error as FBC submits that these amounts are subject to sharing in accordance with the ESM as approved in the MRP Decision. The Panel finds that FBC's interpretation of the ESM from the MRP Decision is reasonable. As FBC correctly notes, the language in the MRP Decision is broadly worded and no intervener has raised any concerns with respect to this treatment. In accordance with that interpretation, FBC has confirmed that it has already accounted for the 2020 Error in the calculation of the earnings sharing component in the proposed 3.46 percent rates increase for 2022. The Panel finds that FBC's proposed treatment of the 2020 Error is reasonable and consistent with the broad language of the ESM as approved in the MRP Decision. While the earnings sharing component of the 2020 Error is amortized in 2022 rates, the Panel notes that the earnings sharing for 2021 will be subject to BCUC assessment in a future Annual Review as it does not form part of rates for 2022.

Recovery of 2021 Error Through Flow-through Deferral Account

The Panel finds that FBC's request to recover one-half of the revenue deficiency resulting from the 2021 Error through the inclusion of $0.627 million in the Flow-through Deferral Account constitutes retroactive ratemaking. Accordingly, the Panel denies that request. The BCUC has the authority under law to set rates on a prospective basis only and has no authority to allow recovery on a retroactive basis.

The rule against retroactive ratemaking is well-established. The Supreme Court of Canada stated in *ATCO Gas & Pipelines Ltd. v. Alberta (Energy & Utilities Board)* (ATCO Decision):

> …The Board was seeking to rectify what it perceived as a historic overcompensation to the utility by ratepayers. There is no power granted in the various statutes for the Board to execute such a refund in respect of an erroneous perception of past over-compensation. It is well established throughout the various provinces that utilities boards do not have the authority to retroactively change rates...[115]

Consistent with this statement in the ATCO Decision, the BCUC typically sets rates on a prospective basis only and does not allow recovery on a retroactive basis, that is, once rates have been made permanent. Well-established exceptions to retroactive ratemaking include, in part, the following: setting of interim rates, which are subject to later adjustment; and recognition of amounts in deferral accounts to be carried forward to be disposed of in future years.[116] For the reasons articulated below, the Panel does not find FBC's request to capture the under-collection of revenues in 2021 through the Flow-through deferral account mechanism fits into either one of these exceptions to retroactive ratemaking.

With respect to the interim rate exception to the rule against retroactive ratemaking, the Panel notes that the BCUC approved permanent rates for 2020 and 2021 following the completion of the FBC Annual Review for 2020 and 2021 Rates.[117] The Panel rejects FBC's argument that notwithstanding the BCUC's approval of FBC's

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[115] ATCO Gas & Pipelines Ltd. v. Alberta (Energy & Utilities Board), 2006 SCC 4 (CanLII), [2006] 1 SCR 140, par. 71; Retrieved from: https://canlii.ca/t/1mj7l#par71

[116] Creative Energy Vancouver Platforms Inc. 2019-2020 Revenue Requirements Application for the Core Steam System and Northeast False Creek Service Areas, Decision and Order G-227-20, p. 39.

[117] FortisBC Inc. Annual Review for 2020 and 2021 Rates (FBC Annual Review for 2020 and 2021 Rates) Decision and Order G-42-21 dated February 12, 2021.

permanent rates for 2021, the fact that certain 2021 revenue and cost items captured in the Flow-through Deferral Account still remain to be trued up means that 2021 rates are not “truly finalized,” such that the issue of retroactive ratemaking does not arise with respect to FBC’s current proposal. Taken to the extreme, this argument would suggest that despite BCUC approval of permanent rates for a test period, utilities are free to apply to adjust rates retroactively at any time provided that they have deferral accounts in place, which remain to be trued up in future. That would lead to an absurd result in the Panel’s view.

As to the use of deferral accounts as an exception to the rule against retroactive ratemaking, the Panel notes that the Flow-through Deferral Account, which had been in effect during FBC’s 2014–2019 approved performance based ratemaking plan, was approved for continuance as adjusted by the BCUC in the MRP Decision. [118] The specific components of that deferral account are outlined in Table 19 of the MRP Decision, none of which refer to variances between forecasts and actuals that are caused by clerical or inadvertent errors. As FBC acknowledged in the MRP Proceeding, the Flow-through Deferral Account is designed to capture only those variances between forecasts and actuals which are beyond the reasonable control of the utility.[119] In the Panel’s view, that deferral account is not meant to be a *carte blanche* mechanism to capture all variances between forecasts and actuals, despite their cause. As the BCUC noted in the MRP Decision:[120]

> …the BCUC has previously approved a general PBR Flow-through deferral account to capture revenue and cost items where FortisBC did not already have an approved deferral mechanism or separate deferral account. Given the number of items included in this account, the Panel is concerned that there is a risk that such an approach may result in a lack of transparency and accountability. **Accordingly, the Panel directs FEI to provide a detailed analysis of the individual forecast variances recorded in the Flow-through deferral account in each Annual Review.** [emphasis in original]

In this case, there was no error in FBC’s forecast of revenues for 2021. Rather, the inadvertent recording of the future costs of removal as a positive amount rather than a negative amount resulted in a reduction to FBC’s approved rate base amounts for both 2020 and 2021, and a corresponding under-collection of revenues based on the misstated rate base amounts. While we may debate whether this inadvertent error is beyond the reasonable control of the utility and notwithstanding the cause of the error itself (a clerical rather than forecasting error), the essence of FBC’s proposal to rectify the effects of that error, at least for 2021, amounts to a request for the BCUC to allow FBC to true-up an error that was discovered subsequent to the rendering of the BCUC’s decision approving permanent 2021 rates. In the Panel’s view, this is the essence of retroactive ratemaking and contrary to the well-established rule prohibiting same.

FBC submits that its proposal does not require any change to a past BCUC decision. The Panel does not agree. As FBC acknowledges, the error arose in 2020 and 2021 and resulted in an under-collection of revenues in both years. FBC’s proposal to recover one-half of the 2021 revenue deficiency through the use of the Flow-through Deferral Account is effectively an adjustment to 2021 rates that have already been approved on a permanent basis, albeit the rate impact of that adjustment, if the proposal is approved, would be deferred to and reflected in 2022 through the deferral account mechanism. The Panel further notes that the recovery of variances arising from this type of error was not contemplated by either FBC or the BCUC at the time the BCUC approved the

[118] MRP Decision, p. 75.
[119] MRP Decision, pp. 65, 72.
[120] MRP Decision, p. 75.

continuance of the Flow-through Deferral Account as adjusted in the MRP Decision. The Panel therefore finds that FBC's proposal to recover the under-collection amount with other 2021 variances through the existing Flow-through Deferral Account is simply a convenient mechanism, and not a regulatory justification, for FBC to seek to recover the 2021 Error in 2022 rates. Furthermore, while the impact of the error is not insignificant, and some may argue that such clerical errors are inevitable, stakeholders have a legitimate expectation that the utility will use best efforts to produce accurate information in its financial schedules, which they must rely upon in order to assess the reasonableness of the utility's rates. Accordingly, we find that FBC's proposal to use the Flow-through Deferral Account to capture the under-recovery of $0.627 million in 2021 revenues as an exception to the rule against retroactive ratemaking to be without merit in this instance.

Nonetheless, the Panel acknowledges that a clerical error of this nature and magnitude could not have been reasonably foreseen by FBC at the time that it sought approval of the MRP, along with various deferral accounts, nor is this type of error arguably preventable despite FBC's best efforts. In these circumstances, the Panel finds that it would be overly punitive to deny FBC recovery for the entirety of the amount of the under-collected revenues in 2021. As we have already noted, one of the well-established regulatory exceptions to the rule against retroactive ratemaking is recognition of amounts in deferral accounts to be carried forward to be disposed of in future years. While we have concluded that no grounds exist for us to approve FBC's proposal to use the Flow-through Deferral Account to capture clerical errors of this nature given the specific items that were approved in the MRP Decision to be captured in that account, we find that it is not unjust, unreasonable, unduly discriminatory or unduly preferential in these circumstances to approve FBC to establish a new deferral account to allow for recovery of the 2021 Error after the discovery of the clerical error and only from the date of filing of this Application (August 6, 2021 to December 31, 2021).[121] By approving the establishment of this new deferral account, the Panel acknowledges that the recovery constitutes retroactive ratemaking, but nonetheless fits within one of the well established regulatory exceptions to same. For these reasons, **the Panel rejects FBC's proposal to recover one-half of the revenue deficiency related to the 2021 Error through the Flow-through Deferral Account in 2022. Instead, the Panel directs FBC to establish a new non-rate base deferral account, to be financed at FBC's weighted average cost of capital (WACC), to capture the revenue deficiency resulting from the 2021 Error, which is not already recorded in the Earnings Sharing Deferral Account from August 6, 2021 (the date of filing of this Annual Review Application) to December 31, 2021, and to amortize that amount in FBC's 2022 rates.**

<u>I-Factor Calculation</u>

The Panel is satisfied that the methodology for calculating the I-Factor should remain as approved in the MRP Decision and therefore rejects the CEC's recommendation of adjusting the I-Factor to 2.67 percent. In our view, the CEC has not provided sufficient evidence or justification for using a seven-year average to calculate the I-Factor.

Similarly, the Panel rejects ICG's recommendation to establish a proceeding to review the O&M formula. We are not persuaded that there is an evidentiary basis for changing the current methodology as approved in the MRP Decision. We note that the MRP is designed to work as a whole and changes to one individual component should not be made without consideration of the others.

[121] Exhibit B-11, Appendix B, p. 111.

Furthermore, the MRP is designed with an off-ramp, the purpose of which is to safeguard and protect the interests of both the ratepayer and utility, where egregious results would trigger a full review of the MRP. The Panel notes, as acknowledged by ICG, that the off-ramp has not been triggered, and while that does not change the BCUC's authority to review the MRP during its term, nor the need to review the O&M formula where warranted, in the absence of concrete evidence that such review is warranted, the Panel finds that the off-ramp is a sufficient safeguard to ensure that the utility does not earn too high or too low of an ROE.

Once an MRP is approved, it should be given the opportunity to work as intended and should not be adjusted due to annual fluctuations in certain individual components of the plan. The Panel agrees with the BCUC's statement in FBC's Annual Review for 2020-2021 Rates that adjusting individual components of the formula O&M is outside the scope of any Annual Review. The purpose of the Annual Review is not to unravel or revisit the MRP Decision but to provide the BCUC, interveners and interested parties the opportunity to review the performance of FBC over the prior year[122] and to assess the reasonableness of proposed rates for the following test period.

Nk'Mip Creek Wildfire

No intervener has opposed FBC's proposal with respect to the treatment of incremental costs arising from the Nk'Mip Creek wildfire. Accordingly, **the Panel finds that the Nk'Mip Creek wildfire qualifies for Z-factor treatment and approves FBC's request**.

2021 and 2022 Incremental O&M and Capital Expenditures Related to MRS AR13

The Panel is not persuaded by ICG's submission that employee wages for MRS AR13 cannot be considered incremental unless FBC hired additional MRS employees. The Panel notes that compliance with MRS includes incremental costs and that it is not possible to incorporate new costs into the Base O&M and forecasts of Regular capital related to initiatives in alignment with government policy and that they are more appropriately forecast each year. Additionally, the Panel declines BCOAPO's recommendation that the BCUC should reconsider its decision that costs incurred over multiple years can be "summed" in order to meet the materiality threshold. The Panel is mindful that the purpose of having an exogenous factor is to mitigate the risk of larger unforeseen events that could potentially have a material effect on utilities having the opportunity to earn a fair return.[123] **Therefore, the Panel approves Z-factor exogenous treatment for 2021 and 2022 incremental O&M and capital expenditures related to MRS AR13, as requested by FBC.**

Interim Rates

The Panel rejects ICG's proposal for the BCUC to approve any rate increase on an interim basis only, pending the BCUC's final decision in the GCOC Proceeding. We are not persuaded by the intervener's argument that approving permanent rates in this proceeding would establish the effective date of the cost of capital decision that is to be determined by the GCOC panel.[124] While the Panel is aware that decisions related to cost of capital are being considered in the on-going GCOC Proceeding, this Panel has the ability and duty to make a decision on the Application at-hand and not delay its decision pending determinations yet to be made in a different

[122] MRP Decision, p. 165; FBC Annual Review for 2020 and 2021 Rates Decision and Order G-42-21 dated February 12, 2021, p. 14.
[123] MRP Decision, p. 65.
[124] ICG Final Argument, p. 6.

proceeding. Furthermore, the GCOC Proceeding is still in its early stages and is being reviewed in distinct phases. If and when the reviewing panel for the 2021 GCOC Proceeding makes any determinations on FBC's cost of capital, it will likely take into account in its decision, the implications, if any, of this decision approving FBC's permanent 2022 rates.

<u>2022 Rates Increase</u>

The Panel approves the 2022 rates increase of 3.46 percent on a permanent basis, effective January 1, 2022, subject to any adjustments identified by FBC during the regulatory process (including the updates to the June 2021 AWE-BC actual results and the actual costs for the MRS 2021 Audit Deferral Account and amortization), the adjustment reflecting the 2021 Error as determined in this decision, and the inclusion of EV DCFC station-related revenues and expenses noted below. FBC is directed to file a compliance filing, within 15 days of issuance of this decision, reflecting the adjustments above and updated rates increase for 2022. This compliance filing is to include updated financial schedules for 2022.

In this Annual Review proceeding, FBC has provided sufficient evidence and submissions to satisfy the Panel that a rate increase, subject to the adjustments noted in this decision, is just and reasonable. The Panel notes that almost one-half of the rates increase (41 percent) is due to the elimination of prior years' accumulated revenue surplus. Rates are also increasing due to higher depreciation, and increased financing and return on equity costs associated with necessary capital expenditures on FBC's system. In addition, O&M cost increases are primarily due to costs that are calculated by formula as approved in the MRP Decision.

After the submission of Final and Reply arguments in this proceeding, the Panel notes that the BCUC issued its final decision on the EV DCFC Service Application on November 24, 2021.[125] In that decision, the BCUC approved a straight-line 10 percent depreciation rate for FBC-owned EV DCFC stations and accepts that FBC will forecast the revenue and costs associated with its EV DCFC stations in its Annual Review process over each year of its MRP and that any variances between the forecast and actual costs and revenues will be accounted for in FBC's existing Flow-through Deferral Account.[126] Accordingly, FBC will include the EV DCFC station-related revenues and expenses impact as part of its compliance filing.

2.2 Deferral Account Requests

FBC seeks approvals related to several new and existing deferral accounts. These requests are set out below:

- Creation of a rate base deferral account for the 2021 GCOC Proceeding, with the amortization period to be determined in a future proceeding;
- Amortization periods for the following previously approved deferral accounts:
    - A one-year amortization period for the 2020 Cost of Service Analysis (COSA) Deferral Account commencing January 1, 2022;
    - A three-year amortization period for the MRS 2021 Audit Deferral Account commencing January 1, 2022;

[125] FBC EV DCFC Service Application Decision and Order G-341-21.
[126] FBC EV DCFC Service Application Decision and Order G-341-21, p. 26.

- A three-year amortization period for the 2021 Long-Term Electric Resource Plan (LTERP) Deferral Account commencing January 1, 2022; and
- A three-year amortization period for the EV DCFC Service Application Deferral Account commencing January 1, 2022; and

- Approval to change the frequency of reporting on the COVID-19 Customer Recovery Fund Deferral Account from monthly to quarterly.

Three issues arise regarding these deferral accounts requests:

1. The first relates to the approval of a new rate base deferral account in respect of the on-going 2021 GCOC Proceeding.
2. The second relates to the appropriate amortization period of the 2021 LTERP Deferral Account.
3. The third relates to the timing of commencement of the amortization period for the EV DCFC Service Application Deferral Account.

In the following subsections, the Panel discusses the submissions from FBC and interveners on these issues, followed by the Panel's determinations on the approvals sought.

2.2.1 2021 Generic Cost of Capital Proceeding Deferral Account

On January 18, 2021, the BCUC issued a Notice of Initiating a GCOC Proceeding to all regulated entities, noting that significant time has passed since the 2013 and 2016 reviews and in that time, changes have occurred in financial markets.[127] The purpose of the GCOC Proceeding is to establish a method to determine the appropriate cost of capital for regulated utilities in BC and review the appropriateness of continuing the use of a Benchmark Utility, and if so, how to determine the appropriate cost of capital for the benchmark.

The BCUC established the scope for the GCOC Proceeding to be conducted in two stages, Stage 1 and Stage 2[128] and subsequently determined that the review of deferral account financing costs should be within the scope of the proceeding to be reviewed after the completion of Stage 1 and Stage 2.[129] Additionally, the BCUC noted that "[s]ome of the evidence gathered in Stages 1 and 2 of the GCOC Proceeding may help inform issues related to determining the appropriate financing costs for various regulatory or deferral accounts. Therefore, the Panel finds that regulatory efficiency is better served by reviewing deferral account financing costs after completion of Stage 1 and Stage 2 in this GCOC Proceeding, while it is still topical amongst participants."[130]

In the Application, FBC seeks to establish a rate base deferral account to capture costs associated with its participation in the GCOC Proceeding. These costs include BCUC costs, intervener and participant funding costs, external legal fees, expert/consulting costs, and miscellaneous facilities, stationery, and supplies costs. While the regulatory timetable for the GCOC Proceeding is not yet fully established, FBC states that it has included an estimate of $0.150 million in 2022 based on an allocation of costs for joint submissions with FortisBC Energy Inc.

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[127] British Columbia Utilities Commission 2021 Generic Cost of Capital Proceeding (2021 GCOC Proceeding), Exhibit A-1 GCOC Proceeding Notice.
[128] 2021 GCOC Proceeding, Exhibit A-4 Establishing Scope and Further Regulatory Timetable.
[129] 2021 GCOC Proceeding, Exhibit A-6 Amended Scope.
[130] 2021 GCOC Proceeding, Exhibit A-6 Amended Scope.

(FEI). Actual costs will vary depending on how the proceeding progresses and will be confirmed after the regulatory process is completed. FBC will apply for disposition of the account in a future application, following completion of the regulatory process for the GCOC Proceeding.[131]

Positions of the Parties

ICG is the only intervener that takes issue with FBC's request for a new 2021 GCOC Deferral Account. ICG submits that the effective date of the decision of the GCOC Panel regarding the financing costs on deferral accounts ought to be determined by the GCOC panel. Additionally, ICG submits "[i]n this proceeding, FBC is seeking approval of a rate base deferral account for the 2021 Generic Cost of Capital Proceeding. That is, FBC is seeking approval of deferral account financing costs based on the weighted average cost of capital. The ICG submits that the Commission Panel in this proceeding should not approve financing costs of any deferral account, including the 2021 Generic Cost of Capital Deferral Account, because the financing costs of deferral accounts is a matter being considered in the GCOC proceeding."[132]

In response to ICG, FBC submits that ICG's suggestion is outside the scope of this proceeding, as this proceeding is not considering the cost of capital.[133] FBC notes it is applying the approach to financing costs of deferral accounts recently approved by the BCUC in the FBC Annual Review for 2020 and 2021 Rates, whereby rate base deferral accounts are implicitly financed using FBC's WACC.[134] FBC submits that there is no basis to deviate from the approved approach in this proceeding.[135]

2.2.2 2021 Long-Term Electric Resource Plan Deferral Account

In the FBC Annual Review for 2020 and 2021 Rates, FBC received approval to establish the 2021 LTERP Deferral Account with the amortization period to be determined in a future proceeding.[136]

The LTERP Deferral Account captures the costs related to external resources required for the 2021 LTERP that are incremental to the costs in FBC's Base O&M, including expert and consulting fees, external legal fees, public consultation, BCUC costs and intervener funding.[137] FBC filed the 2021 Long-Term Electric Resource Plan and Long-Term Demand-Side Management Plan (LTERP Application) on August 4, 2021[138] and estimates that the total costs of the LTERP Application proceeding, which will conclude in 2022, will be $0.660 million ($0.482 million after tax).[139]

In this Application, FBC seeks approval of a three-year amortization period for the 2021 LTERP Deferral Account, commencing January 1, 2022. FBC notes that a three-year amortization period is consistent with previous amortization periods for LTERP deferral accounts and results in the costs being fully amortized prior to the next LTERP filing.[140]

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131 Exhibit B-11, Appendix B, p. 52.
132 ICG Final Argument, p. 1.
133 FBC Reply Argument, p. 3.
134 FBC Annual Review for 2020 and 2021 Rates Decision and Order G-42-21, p. 18.
135 FBC Reply Argument, p. 4.
136 FBC Annual Review for 2020 and 2021 Rates Decision and Order G-42-21 dated February 12, 2021, p. 21.
137 Exhibit B-11, Appendix B, p. 61.
138 FortisBC Inc. 2021 Long-Term Electric Resource Plan and Long-Term Demand-Side Management Plan Application.
139 Exhibit B-11, Appendix B, p. 61.
140 Exhibit B-11, Appendix B, p. 61.

Positions of the Parties

In general, interveners support or make no comment on FBC's proposal for a three-year amortization period for the 2021 LTERP Deferral Account. The CEC supports costs to be amortized prior to the next LTERP application[141] and similarly, the BCSEA is satisfied with the proposed amortization period.[142] ICG, RCIA, MoveUP and BCMEU make no comment on this matter.

However, BCOAPO submits that it would be more appropriate to amortize the cost of the 2021 LTERP Deferral Account over five years such that they would be fully amortized by 2026 and notes that there is no indication at this point that the next LTERP will be filed before 2026. BCOAPO further submits that if the BCUC wished to be conservative, a four-year amortization period could be used.[143] In response to BCOAPO, FBC submits that it is not opposed to amortizing the LTERP Deferral Account over four or five years, as the difference in the 2022 rate impact between amortizing the deferral account over three, four or five years is minimal. However, FBC states that increasing the amortization period will also increase the carrying costs accrued on the deferral account balance, which results in an additional (albeit minor) cost to customers.[144]

2.2.3 Rate Design and Rates for Electric Vehicle Direct Current Fast Charging Service Application Deferral Account

FBC previously received approval to establish a non-rate base deferral account to capture the regulatory proceeding costs associated with the EV DCFC Service Application in the Annual Review for 2019 Rates.[145] In this Application, FBC is seeking approval to amortize the EV DCFC Service Application Deferral Account over three years, commencing January 1, 2022 and provided the rate impact based on amortization periods from one to five years in the table below:[146]

Table 4: EV DCFC Amortization

Amortization Period	1 Year	2 Years	3 Years	4 Years	5 years
Amortization Expense in 2022 ($000s)	149	74	50	37	30
Rate Impact in 2022 (%)	0.04%	0.02%	0.01%	0.01%	0.01%

As discussed in Section 2.1 above, the BCUC approved FBC's EV DCFC Service Application in the BCUC's Decision and Order G-341-21 dated November 24, 2021.

Positions of the Parties

Most interveners either support or provided no comment on FBC's proposal to amortize the EV DCFC Service Application Deferral Account over three years. The CEC accepts three years as being a reasonable period for amortization[147] and BCSEA is satisfied that a three-year amortization period appropriately corresponds to the

141 CEC Final Argument, p. 25.
142 BCSEA Final Argument, p. 2.
143 BCOAPO Final Argument, p. 20.
144 FBC Reply Argument, p. 13.
145 Exhibit B-11, Appendix B, p. 108.
146 Exhibit B-3, BCUC IR 26.2.
147 CEC Final Argument, p. 28.

period over which the benefit accrues to customers.[148] BCMEU does not oppose the approvals sought by FBC in the Application[149] while ICG, RCIA and MoveUP provided no comment.

At the time of filing of BCOAPO's Argument, the EV DCFC Service Application proceeding was still on-going and as such, BCOAPO submitted that it was premature to consider recovery of the costs recorded to date in the related deferral account.[150] In reply to BCOAPO, FBC submits that it is not necessary for the proceeding to be complete for amortization to begin. FBC states that delaying amortization of the account will only serve to add further carrying costs to the deferral account for future recovery from customers.[151]

Panel Determinations

In this section, the Panel provides its overall findings and determinations on FBC's requests for deferral accounts. For the reasons that follow, **the Panel approves the following deferral account requests as filed:**

- **Creation of a rate base deferral account for the 2021 GCOC Proceeding, with the amortization period to be determined in a future proceeding;**
- **Amortization periods for the following previously approved deferral accounts:**
    - **A one-year amortization period for the 2020 COSA Deferral Account commencing January 1, 2022;**
    - **A three-year amortization period for the MRS 2021 Audit Deferral Account commencing January 1, 2022;**
    - **A three-year amortization period for the 2021 LTERP Deferral Account commencing January 1, 2022; and**
    - **A three-year amortization period for the EV DCFC Service Application Deferral Account commencing January 1, 2022; and**
- **Approval to change the frequency of reporting on the COVID-19 Customer Recovery Fund Deferral Account from monthly to quarterly.**

In relation to the 2021 GCOC Deferral Account request, the Panel rejects ICG's recommendation that this Panel not approve the effective date and financing costs of any deferral accounts. As already noted, while the Panel is aware that the financing costs of deferral accounts are being reviewed in the on-going GCOC Proceeding, this Panel has the ability and duty to make a decision on the Application at-hand and not delay a decision, pending determinations yet to be made in the GCOC Proceeding. Should the panel for the 2021 GCOC Proceeding make a different determination on deferral account financing costs following the conclusion of Stages 1 and 2 of that proceeding, it will likely take into account the impact of this decision on FBC's permanent 2022 rates in its decision at such time. Furthermore, the Panel notes that regulatory costs are typically approved as rate base deferral accounts, to which as a consequence, financing costs based on WACC are applied, consistent with the approach to financing costs of deferral accounts recently approved by the BCUC in FBC's Annual Review for 2020 and 2021 Rates.

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148 BCSEA Final Argument, p. 2.
149 BCMEU Final Argument, p. 1.
150 BCOAPO Final Argument, p. 28.
151 FBC Reply Argument, pp. 13–14.

With respect to the 2021 LTERP Deferral Account, the Panel finds that in the absence of any evidence of the rate impact based on alternative amortization periods for the 2021 LTERP Deferral Account, and consistent with previous amortization periods for LTERP deferral accounts, a three-year amortization period is reasonable.

The Panel finds that given the EV DCFC Service Application Decision and Order was issued on November 24, 2021, BCOAPO's argument with respect to postponing the amortization of the EV DCFC Deferral Account is no longer valid as that proceeding has now concluded. The Panel notes that the EV DCFC Deferral Account has been accumulating carrying costs collected since 2017, including a lengthy adjournment period in that proceeding. In the circumstances, the Panel finds that FBC's proposal for a three-year amortization period strikes an appropriate balance between a reasonable amortization period and minimizing carrying costs that increase rates.

With respect to the remaining deferral account amortization requests, the Panel finds that the approvals sought are reasonable and consistent with previous similar BCUC approvals granted to FBC, and there are no circumstances currently that would compel a different treatment.

With respect to FBC's approval sought to change the frequency of reporting on the COVID-19 Customer Recovery Fund Deferral Account, the Panel finds that changing the frequency of reporting from monthly to quarterly is reasonable from a regulatory efficiency perspective. FBC has stopped accepting new applications as of June 1, 2021 for both the bill payment deferral and bill credit program components that are captured in this account.[152] Going forward, the Panel does not anticipate significant changes to the account balance on a monthly basis. With the closure of these two program components, the only expected future additions to the account are from unrecovered revenues resulting from customers being unable to pay their bills due to the COVID-19 pandemic. The Panel is satisfied that going forward, quarterly data is sufficient to highlight any material changes in the account balance resulting from the unrecovered revenues accrued to date.

2.3 Other Issues Arising

2.3.1 Service Quality Indicators

In the MRP Decision, the BCUC approved a balanced set of Service Quality Indicators (SQIs) for FBC, covering safety, responsiveness to customer needs, and reliability. SQIs are used to monitor the utility's performance to ensure that any efficiencies and cost reductions do not result in a degradation of the quality of service to customers. Eight of the SQIs have benchmarks and performance ranges set by a threshold level. Four of the SQIs do not have benchmarks or performance ranges as they are for informational purposes only.[153]

FBC's 2020 results show that six out of eight SQIs were at or better than the benchmark and all SQIs were better than the threshold. The exceptions are Emergency Response Time, which is 1.0 percent below benchmark (higher is better) and System Average Interruption Frequency Index, which is 0.07 above benchmark (lower is better).[154]

[152] Exhibit B-11, Appendix-B, p. 55.
[153] Exhibit B-11, Appendix B, p. 117.
[154] Exhibit B-11, Appendix B, p. 118.

FBC's 2021 year-to-date (YTD) results show six of eight SQIs at or better than benchmark and all SQIs better than threshold. The exceptions are Telephone Service Factor (Non-Emergency), which is 1.0 percent below benchmark (higher is better) and System Average Interruption Frequency Index, which is 0.07 above benchmark.[155]

The All-Injury Frequency Rate (AIFR) is an employee safety performance indicator based on injuries per 200,000 hours worked and is measured on a three-year rolling average. FBC's 2020 and June 2021 YTD results are both better than the benchmark. FBC's AIFR has been declining since 2014, however FBC's annual results for June 2021 YTD of 1.67 indicates an increase in injury rate over prior years. FBC states it continues to focus on strengthening its safety culture.[156]

The Average Speed of Answer (ASA) is a measure of the amount of time it takes to answer a call, in seconds. ASA is an informational indicator only and has no benchmark or threshold. FBC's 2020 results are 71 seconds and June 2021 YTD results are 66 seconds, which is an increase of approximately 20 seconds compared to previous years.[157] FBC attributes its decreased performance on ASA to the COVID-19 pandemic.[158]

Positions of the Parties

BCSEA states it does not have concerns regarding the 2020 and 2021 YTD customer SQIs and customer informational indicators and is satisfied that FBC's reliability performance was impacted by external events and does not reflect a degradation of service.[159] ICG accepts FBC's position that it is meeting the SQIs.[160] In general, the CEC submits that it is satisfied with the balance of FBC's SQI performance, but "continues to be concerned about the risk of [the] Threshold becoming the equivalent of a lower Benchmark" and expects FBC to return to meeting benchmarks in the coming year.[161] MoveUP, RCIA and BCMEU did not comment.

BCOAPO notes that while the 2020 and June 2021 YTD AIFR SQI performance are better than the benchmark, the June 2021 YTD AIFR is higher than prior years. BCOAPO suggests that AIFR SQIs will need to be closely monitored.[162] In reply, FBC submits that BCOAPO's recommendation to 'closely monitor' SQI's is not required as the BCUC already monitors them closely.[163]

BCOAPO also submits that the BCUC should direct FBC to closely monitor ASA results for the balance of 2021 and early 2022, and direct FBC to undertake more specific analysis in the 2023 Annual Review as to the reasons why, if results continue to exceed historic levels.[164]

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155 Ibid.
156 Exhibit B-11, Appendix B, p. 120.
157 Exhibit B-11, Appendix B, p. 120.
158 Exhibit B-5, BCOAPO IR 39.1.
159 BCSEA Final Argument, p. 10.
160 CIG Final Argument, p. 2.
161 CEC Final Argument, p. 31.
162 BCOAPO Final Argument, pp. 33–34.
163 FBC Final Argument, p. 23.
164 BCOAPO Final Argument, pp. 33–34.

The CEC submits that the recent trend in SQI results for ASA is not acceptable and FBC should be held to improve its performance. The CEC recommends that the BCUC direct FBC to maintain its ASA at or below 50 seconds.[165]

In response, FBC submits that while the 2020 ASA was higher than previous years, it was within a reasonable range. FBC submits that the CEC's recommendation that the BCUC direct FBC to maintain its ASA at or below 50 seconds is outside the scope of this proceeding as the ASA is an information only SQI and that the MRP Decision did not establish a benchmark or threshold for the ASA.[166] FBC maintains the position that the SQIs are indicative of a high level of service quality and states the results show improvements to the ASA in 2021 and those improvements are expected to continue.[167]

Panel Determination

The Panel finds FBC's 2020 and June 2021 YTD SQI results indicate that its overall performance to-date meets service quality requirements.

Regarding the ASA, the Panel rejects the CEC's recommendation that the BCUC direct FBC to maintain its ASA at or below 50 seconds. The Panel is persuaded by FBC that the ASA was created as an information only service quality indicator and there is no evidence to suggest that a benchmark or threshold needs to be established. Further, the Panel is not persuaded that there is sufficient evidence in this proceeding to establish 50 seconds as an appropriate threshold as proposed by the CEC.

Regarding the AIFR, the Panel notes that the 2021 YTD results are concerning. However, the 2021 actual results will be evaluated in the 2023 Annual Review, so the Panel declines to speculate about them in this decision. The Panel views that FBC's SQIs are already closely monitored during the Annual Review process and does not see any need to take further action to monitor results more closely.

2.3.2 2023 Annual Review

The Annual Review provides a forum to explore potential issues or topics that should be reviewed in future Annual Reviews. Interveners requested the BCUC to make directions or recommendations to FBC to include certain materials in its next annual review for 2023 rates on the following topics:

- Wholesale customer load forecast;
- EV charging updates;
- Load and climate change;
- Productivity; and
- Double-counting of Demand Side Management (DSM) savings in the load forecast.

We review the evidence and submissions on these topics below in turn.

<u>Wholesale Customer Load Forecast</u>

[165] CEC Final Argument, p. 30.
[166] FBC Reply Argument, pp. 23–24.
[167] FBC Reply Argument, pp. 23–24.

FBC sells power to wholesale customers, which includes municipalities within its service territory that own and operate their own electrical distribution systems and BC Hydro. The wholesale customers' load composition is a combination of residential, commercial, industrial, and street lighting. In the Application, FBC states that its wholesale load forecast is developed from survey information provided by each of the individual wholesale customers and that individual wholesale customers are best able to forecast their future load growth.[168] FBC explains that it acts solely as an aggregator of the data collected in the load forecast survey and does not make modifications or adjust that data in any way.[169]

The BCMEU encourages FBC, and asks the BCUC to encourage FBC, to consider some "extra rigour" in looking at wholesale customer load forecasts where FBC "has tools which may assist wholesale customers and FBC in ensuring accurate load forecasts."[170] In response to BCMEU, FBC states in reply that it is open to working with wholesale customers.[171]

EV Charging Updates

In final argument, BCOAPO submits that future Annual Reviews should include an update on the costs and revenues attributable to FBC's EV charging stations to-date and the expected future revenue and costs. In BCOAPO's view, a performance assessment will provide an indication of whether the approved EV DCFC rates are still expected to cover the costs over the life of the program as planned and assist in determining whether the rates need to be updated or revised.[172] In reply to BCOAPO, FBC submits that the comments on reporting in Annual Reviews is most appropriately considered by the BCUC panel in the EV DCFC Service Application proceeding.[173]

As discussed in Section 2.1 above, subsequent to the close of the evidentiary record and final and reply arguments in this proceeding, the BCUC issued its final determinations on FBC's EV DCFC Service Application on November 24, 2021. In that decision, the BCUC directed FBC to file a detailed assessment of the approved EV DCFC rates, Rate Schedule 96, by no later than December 31, 2022, or within six-months of Measurement Canada's approval of DCFC energy-based metering for FBC, whichever is earlier.[174] The BCUC stated that the detailed assessment must include:

- An update of the financial models presented in the EV DCFC Service Application proceeding with actual and forecast information and updated assumptions;
- A detailed assessment of Rate Schedule 96 and alternative rate design options;
- An overview of the current EV fast charging service market and rates across Canada and the United States;

[168] Exhibit B-11, Appendix B, p. 18.
[169] Workshop Transcript, Volume 1, p. 18.
[170] BCMEU Final Argument, p. 2.
[171] FBC Reply Argument, p. 8.
[172] BCOAPO Final Argument, p. 31.
[173] FBC Reply Argument, p. 14.
[174] FBC EV DCFC Service Application Decision and Order G-341-21, pp. 29–30.

- A proposal for a depreciation rate for its EV DCFC charging stations and information to support its proposal; and
- An assessment as to whether idling fees are warranted.

Load and Climate Change

In final argument, MoveUP raises concerns about the recent weather events in BC and the impacts on FBC's load and load forecast. MoveUP submits that the resiliency of the electrical grid will be "a tenet" of the low-carbon future. Therefore, it submits that a central focus of the next Annual Review should be an examination of the demands upon the utility imposed by evolving public policy captured in the *CleanBC Roadmap to 2030* released by the BC government during the argument phase of this proceeding. MoveUP submits that the BCUC "needs to ask whether any modifications [to] the MRP would better tailor the regulatory framework to the needs of the times."[175] The CEC also recommends that the BCUC direct FBC to provide a brief report on the impacts of climate change on load forecasting in each of its Annual Reviews, and how these have been or will be addressed.[176]

In reply to MoveUP, FBC submits that the focus of the Annual Review should continue to be a review of FBC's performance under the MRP and the setting of rates. FBC states that the MRP is designed to be flexible to allow FBC to respond to changes in policy, and that the Annual Review is not an opportunity to reconsider the MRP Decision. Instead, other proceedings, such as the LTERP, are better suited to discuss the *CleanBC Roadmap to 2030* and the impact of climate change.[177]

In reply to the CEC, FBC submits that the report requested by the CEC is not warranted as the details of the requested report are ambiguous and FBC already comments on the impacts of climate change in its reliability SQIs and requests exogenous factor treatment of costs due to factors such as wildfires.[178]

Productivity

FBC states that for 2020, FBC achieved formula O&M savings of $1.5 million before earnings sharing in addition to meeting the embedded productivity improvement factor (X-Factor) in the O&M formula. FBC further outlines that it will continue to pursue productivity improvements to achieve savings beyond the embedded X-Factor as it seeks to manage its business needs and cost pressures resulting from its evolving and challenging operating environment and that it has created a working group responsible for reviewing and identifying areas for productivity initiatives.[179] In next year's Annual Review, FBC states that it will be in a position to report back to the BCUC to update on its productivity initiatives.[180]

BCOAPO is "concerned that FBC does not appear to be aggressively pursuing productivity improvements for the early years of the MRP period that will achieve permanent savings in future years."[181] Therefore, BCOAPO

[175] MoveUP Final Argument, pp. 3–5.
[176] CEC Final Argument, p. 10.
[177] FBC Reply Argument, pp. 4–5.
[178] FBC Reply Argument, p. 12.
[179] Exhibit B-11, Appendix B, p. 1.
[180] FBC Reply Argument, p. 9.
[181] BCOAPO Final Argument, p. 5.

requests that the BCUC hold FBC to its commitment to provide an update in the 2023 Annual Review as to the productivity initiatives it has identified and their expected savings.[182]

In response to BCOAPO, FBC argues it will continue to pursue productivity improvements to achieve savings beyond the embedded X-Factor as it seeks to manage its business needs and cost pressures resulting from its evolving and challenging operating environment. FBC has committed to providing an update on its productivity initiatives in the next Annual Review.[183]

Double-Counting of DSM in the Load Forecast

The FBC load forecast is built by customer class from the historical loads, which have historical DSM savings embedded.[184] FBC states that historical actuals are then used to forecast future Use Per Customer (UPC) referred to as the "before-savings UPC." New DSM programs are then accounted for with incremental DSM, which is subtracted from the "before-savings UPC" to arrive at the "after-savings" forecast.[185]

As in the FBC Annual Review for 2020 and 2021 Rates, BCOAPO continues to submit that DSM savings are being double-counted by using a prior years' load forecast inclusive of DSM savings in predicting future load, and then adding in future DSM savings.[186] Notwithstanding, BCOAPO accepts FBC's residential load forecast for the purpose of setting 2022 rates.[187] In response, FBC states that it is not double-counting the impacts of DSM and notes the BCUC's determination in the FBC Annual Review for 2020 and 2021 Rates, which did not accept the BCOAPO's argument. FBC states it does not address this argument further as BCOAPO accepts the load forecast.[188]

Panel Determination

The Panel makes the following determinations regarding the issues raised by interveners as meriting consideration in the next Annual Review.

Wholesale Customer Load Forecast

The Panel directs FBC to provide details of any efforts it has undertaken to improve the accuracy of its forecasts of wholesale customer load in the 2023 Annual Review, including the results of such efforts. The Panel considers that FBC needs to work more closely with wholesale customers to develop more accurate forecasts, rather than acting "solely as an aggregator" of available data. As FBC acknowledges, it has at its disposal tools with which to improve upon its load forecasting methodology for wholesale customer load. The Panel expects FBC to put those tools to use in improving its wholesale customer load forecasts for 2023.

EV Charging Updates

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[182] BCOAPO Final Argument, p. 5.
[183] FBC Reply Argument, p. 9.
[184] Exhibit B-5, BCOAPO IR 8.1.
[185] Exhibit B-5, BCOAPO IR 8.3.
[186] BCOAPO Final Argument, pp. 7–8.
[187] BCOAPO Final Argument, p. 9.
[188] FBC Reply Argument, p. 11.

The Panel accepts BCOAPO's recommendation and **directs FBC to include in future Annual Review filings an update on its EV DCFC charging stations' costs and revenues for the previous fiscal year along with a forecast of costs and revenues for the test period.** The forecast of EV charging stations costs and revenues should pertain only to those costs and revenues to the extent that they form part of the forecast revenue requirement for rate setting purposes and continue to be aligned with the purpose of an Annual Review, which is designed to provide the BCUC, interveners and interested parties the opportunity to review the performance of FBC over the prior year and to assess the reasonableness of proposed rates for the following year. The Panel acknowledges, as determined in the EV DCFC Application Decision, that EV DCFC stations are prescribed undertakings under section 5 of the Greenhouse Gas Reduction Regulation and FBC has already been approved to include the EV DCFC station assets in FBC's rate base.

Load and Climate Change

The Panel considers that the Annual Review proceedings are not the appropriate forum for a broad review of policy impacts and climate change. As already noted, the purpose of the Annual Review is not to unravel or revisit the MRP Decision, but rather, is intended to provide parties the opportunity to review FBC's performance over the prior year and assess the reasonableness of proposed rates for the following year. While the issues raised by the CEC and MoveUP are important issues, they are long-term issues and are not appropriate for review in the context of the Annual Review, which is an expedited process meant to review past results under the MRP and establish rates for the next test period. In the Panel's view, it is premature, as well as duplicative, for us to direct any specific information on policy impacts be included in the next Annual Review given that this is reviewed in the ongoing LTERP Proceeding. The Panel is persuaded by FBC that sufficient information is already part of the Annual Review record through SQIs and exogenous factor treatment to address the impacts of climate change within the one-year review period. Therefore, the Panel finds that it is neither necessary nor appropriate to expand the scope and format of FBC's 2023 Annual Review for the purpose of addressing the issue of climate change at this time.

Productivity

The Panel is satisfied with FBC's acknowledgement that it will consider BCOAPO's comments when providing an update on its productivity initiatives in the next Annual Review. The Panel expects FBC to provide sufficient information regarding its productivity initiatives and expected savings in its next Annual Review. As such, the Panel does not see the need to make any further directions to FBC regarding this matter.

Double-Counting of DSM in the Load Forecast

As in the FBC Annual Review for 2020 and 2021 Rates, the Panel is not persuaded that FBC has double-counted DSM savings in its residential or commercial UPC forecast.[189] As there has been no change to FBC's UPC forecast methodology and BCOAPO has not submitted any new evidence to support that there is indeed double-counting, the Panel finds that there is no need for FBC to revise the UPC forecast in the 2023 Annual Review.

[189] FBC Annual Review for 2020 and 2021 Rates Decision and Order G-42-21, pp. 26–28.

Dated at the City of Vancouver, in the Province of British Columbia, this 15th day of December 2021.

Original signed by:

A. K. Fung, QC
Panel Chair / Commissioner

Original signed by:

W. M. Everett, QC
Commissioner

Original signed by:

T. A. Loski
Commissioner

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ORDER NUMBER
G-374-21

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

and

FortisBC Inc.
Annual Review for 2022 Rates

BEFORE:
A. K. Fung, QC, Panel Chair
W. M. Everett, QC, Commissioner
T. A. Loski, Commissioner

on December 15, 2021

ORDER

WHEREAS:

A. On June 22, 2020, the British Columbia Utilities Commission (BCUC) issued its Decision and Orders G-165-20 approving a Multi-Year Rate Plan (MRP) for 2020 through 2024 (2020-2024 MRP Decision) for FortisBC Energy Inc. (FEI) and G-166-20 for FortisBC Inc. (FBC), respectively. In accordance with the 2020-2024 MRP Decision, FBC is directed to undergo an annual review (Annual Review) process to establish its rates during the term of the MRP;

B. By letter dated July 13, 2021, FBC proposed a regulatory timetable for the Annual Review of its 2022 rates;

C. By Order G-226-21 dated July 27, 2021, the BCUC established the regulatory timetable for the Annual Review of FBC's 2022 rates, which included FBC filing its Annual Review materials, intervener registration, one round of information requests, a workshop, FBC's response to undertakings at the workshop, and written final and reply arguments;

D. On August 6, 2021, FBC submitted its materials for the Annual Review for 2022 Rates Application (Application). In the Application, FBC requests a 3.46 percent rates increase over 2021 rates, effective January 1, 2022, among other things;

E. On October 5, 2021 and October 26, 2021, FBC submitted evidentiary updates and responses to workshop undertakings, respectively, and amended the 2022 revenue requirements with no resulting change to FBC's proposed 2022 rates increase, among other things; and

F. The BCUC has reviewed the Application, evidence and arguments filed in the proceeding and makes the following determinations.

NOW THEREFORE pursuant to sections 59 to 61 of the *Utilities Commission Act*, for the reasons stated in the decision issued concurrently with this order, the BCUC orders as follows:

1. FBC is approved to increase its rates for 2022 by 3.46 percent on a permanent basis, effective January 1, 2022, subject to any adjustments resulting from the directives and determinations made in the decision issued concurrently with this order.

2. FBC is directed to establish a non-rate base deferral account, to be financed at FBC's weighted average cost of capital, to capture the revenue deficiency resulting from the impact of a future costs of removal error in 2021, which is not already recorded in the Earnings Sharing Deferral Account from August 6, 2021 to December 31, 2021 for recovery, and to amortize that amount in FBC's 2022 rates.

3. FBC is approved to:

    a. Establish a rate base deferral account for the 2021 Generic Cost of Capital proceeding;

    b. Amortize the previously approved deferral accounts as follows:

        i. A one-year amortization period for the 2020 Cost of Service Analysis Deferral Account commencing January 1, 2022;

        ii. A three-year amortization period for the Mandatory Reliability Standards 2021 Audit Deferral Account commencing January 1, 2022;

        iii. A three-year amortization period for the 2021 Long-Term Electric Resource Plan Deferral Account commencing January 1, 2022; and

        iv. A three-year amortization period for the Rate Design and Rates for Electric Vehicle (EV) Direct Current Fast Charging (DCFC) Service Application Deferral Account commencing January 1, 2022.

4. FBC is approved to change the frequency of reporting on the COVID-19 Customer Recovery Fund Deferral Account from monthly to quarterly.

5. FBC is approved Z-factor treatment for the incremental operating and maintenance costs and capital expenditures related to Mandatory Reliability Standards Assessment Report No. 13.

6. FBC is approved Z-factor treatment for the incremental costs related to the Nk'Mip Creek wildfire in 2021.

7. FBC is directed to provide details of any efforts it has undertaken to improve the accuracy of its forecasts of wholesale customer load in the 2023 Annual Review, including the results of such efforts.

8. FBC is directed to include in future Annual Review filings an update on its EV DCFC charging stations costs and revenues for the previous fiscal year, along with a forecast of costs and revenues for the test period.

9. FBC is directed to file with the BCUC as a compliance filing, within 15 days of the issuance of this order, amended tariff pages and finalized financial schedules for 2022, in accordance with the terms of this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 15th day of December 2021.

BY ORDER

Original signed by:

A. K. Fung, QC
Commissioner

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

and

FortisBC Inc.

Annual Review for 2022 Rates

EXHIBIT LIST

Exhibit No.	**Description**
COMMISSION DOCUMENTS	
A-1	Letter dated July 23, 2021 - Appointing the Panel for the review of FortisBC Inc.'s Annual Review 2022 Rates Application
A-2	Letter dated July 27, 2021 – BCUC Order G-226-21 establishing a regulatory timetable
A-3	Letter dated September 14, 2021 – BCUC Information Request No. 1 to FBC
A-4	Letter dated October 18, 2021 – BCUC Workshop request to FBC

APPLICANT DOCUMENTS

B-1	**FORTISBC INC. (FBC)** – Letter dated July 13, 2021 - Proposed Process for the Annual Review for 2022 Rates
B-2	Letter dated August 6, 2021 – FBC submitting the Annual Review for 2022 Rates Materials
B-3	Letter dated October 5, 2021 – FBC submitting response to BCUC Information Request No. 1
B-4	Letter dated October 5, 2021 – FBC submitting response to BCMEU Information Request No. 1
B-5	Letter dated October 5, 2021 – FBC submitting response to BCOAPO Information Request No. 1
B-5-1	**CONFIDENTIAL -** Letter dated October 5, 2021 – FBC submitting response to BCOAPO Information Request No. 1
B-6	Letter dated October 5, 2021 – FBC submitting response to BCSEA Information Request No. 1
B-7	Letter dated October 5, 2021 – FBC submitting response to CEC Information Request No. 1
B-8	Letter dated October 5, 2021 – FBC submitting response to ICG Information Request No. 1
B-9	Letter dated October 5, 2021 – FBC submitting response to MoveUP Information Request No. 1
B-10	Letter dated October 5, 2021 – FBC submitting response to RCIA Information Request No. 1
B-11	Letter dated October 5, 2021 – FBC submitting evidentiary update to the application
B-12	Letter dated October 13, 2021 – FBC submitting Workshop Agenda
B-13	Letter dated October 20, 2021 – FBC submitting Workshop Presentation
B-14	Letter dated October 26, 2021 – FBC submitting Workshop Undertakings

INTERVENER DOCUMENTS

C1-1	**BC SUSTAINABLE ENERGY ASSOCIATION (BCSEA)** - Letter dated August 9, 2021 Request to Intervene by W. Andrews
C1-2	Letter dated September 14, 2021 – BCSEA submitting Information Request No. 1 to FBC

C2-1 **RESIDENTIAL CONSUMER INTERVENOR ASSOCIATION (RCIA)** - Letter dated August 6, 2021 Request to Intervene by Matthew Matusiak

C2-2 Letter dated September 14, 2021, received on September 10, 2021 – RCIA submitting Information Request No. 1 to FBC

C3-1 **COMMERCIAL ENERGY CONSUMERS ASSOCIATION OF BRITISH COLUMBIA (CEC)** - Letter dated August 9, 2021 Request to Intervene by Chris Weafer

C3-2 Letter dated September 14, 2021 – CEC submitting Information Request No. 1 to FBC

C4-1 **MOVEMENT OF UNITED PROFESSIONALS (MOVEUP)** - Letter dated August 12, 2021 Request to Intervene by Jim Quail

C4-2 Letter dated September 14, 2021 – MoveUp submitting Information Request No. 1 to FBC

C5-1 **INDUSTRIAL CONSUMERS GROUP (ICG)** - Letter dated August 16, 2021 Submitting late request to Intervene by Robert Hobbs

C5-2 Letter dated September 14, 2021 – ICG submitting Information Request No. 1 to FBC

C6-1 **BRITISH COLUMBIA OLD AGE PENSIONERS' ORGANIZATION, ACTIVE SUPPORT AGAINST POVERTY, DISABILITY ALLIANCE BC, COUNCIL OF SENIOR CITIZENS' ORGANIZATIONS OF BC, AND TENANTS RESOURCE AND ADVISORY CENTRE (BCOAPO ET AL.)** – Letter dated August 19, 2021 submitting late request to intervene by Leigha Worth, Kristin Barham and Bill Harper

C6-2 Letter dated September 14, 2021 – BCOAPO submitting Information Request No. 1 to FBC

C7-1 **REMOVED**

C7-2 **REMOVED**

C8-1 **BRITISH COLUMBIA MUNICIPAL ELECTRICAL UTILITIES (BCMEU)** - Letter dated September 7, 2021 Submitting late request to Intervene by C. Weafer

C8-2 Letter dated September 14, 2021 – BCMEU submitting Information Request No. 1 to FBC

List of Acronyms

Acronym	Description
AIFR	All-Injury Frequency Rate
Application	FortisBC Inc. Annual Review for 2022 Rates Application
ASA	Average Speed of Answer
AWE	Average Weekly Earnings
AWE-BC	Average Weekly Earnings for British Columbia
BC	British Columbia
BC Hydro	British Columbia Hydro and Power Authority
BCMEU	British Columbia Municipal Electrical Utilities
BCOAPO	British Columbia Old Age Pensioners' Organization et al.
BCSEA	BC Sustainable Energy Association
BCUC	British Columbia Utilities Commission
CEC	Commercial Energy Consumers Association of British Columbia
COSA	Cost of Service Analysis
CPCN	Certificate of Public Convenience and Necessity
CPI	Consumer Price Index
CPI-BC	Consumer Price Index for British Columbia
DCFC	Direct Current Fast Charging
DSM	Demand Side Management
ESM	Earnings Sharing Mechanism
EV	Electric Vehicle
EV DCFC	Electric Vehicle Direct Current Fast Charging
FBC	FortisBC Inc.
FEI	FortisBC Energy Inc.
GCOC	Generic Cost of Capital
GWh	Gigawatt hours
ICG	Industrial Customers Group
I-Factor	Inflation Factor
IR	Information request

LTERP	Long-Term Electric Resource Plan
MoveUP	Movement of United Professionals
MRP	Multi-year rate plan
MRP Decision	BCUC Decision on FortisBC Energy Inc. and FortisBC Inc. Application for Approval of a Multi-Year Rate Plan for the Years 2020 through 2024
MRS	Mandatory Reliability Standards
MRS AR13	Mandatory Reliability Standards Assessment Report No. 13
O&M	Operations and maintenance
RCIA	Residential Consumer Intervenor Association
ROE	Return on equity
SQI	Service Quality Indicators
UCA	Utilities Commission Act
UPC	Use Per Customer
WACC	Weighted average cost of capital
X-Factor	Productivity improvement factor
YTD	Year-to-date