



BRITISH COLUMBIA UTILITIES COMMISSION	
ORDER NUMBER	G-118-92

IN THE MATTER OF the Utilities Commission  
Act, S.B.C. 1980, c. 60, as amended

and

IN THE MATTER OF the Commission's Decision into  
BC Gas' Application for Revenue Requirements

and

Orders No. G-63-92 and G-94-92

BEFORE:	M.K. Jaccard,	)	
	Chair; and	)	December 15, 1992
	L.R. Barr,	)	
	Deputy Chair	)	

## O R D E R

### WHEREAS:


- A. On August 18, 1992 the International Brotherhood of Electrical Workers ("IBEW") and on August 27, 1992 the Office and Technical Employees Union ("OTEU") applied to the Commission, pursuant to Section 114 of the Utilities Commission Act ("the Act"), for a reconsideration and reversal of parts of the Commission Decision into BC Gas' Application for 1992 Revenue Requirements and Order No. G-63-92; and
- B. The Commission, by Order No. G-94-92, requested the IBEW and OTEU to address why the Commission should consider all or part of the respective requests for reconsideration and invited comments on those submissions from the Registered Intervenors and Interested Parties to the BC Gas Revenue Requirements Public Hearing. The Lower Mainland Large Volume Gas Users Association responded and on November 2, 1992 the Commission invited the IBEW and OTEU to reply to that submission; and
- C. The Commission has reviewed the information and evidence filed regarding the requests for reconsideration.

**NOW THEREFORE** the Commission orders as follows:

1. The August 18, 1992 and the August 27, 1992 requests for reconsideration by the IBEW and the OTEU are denied pursuant to the Act.
2. The Commission's Reasons for Decision are attached as Appendix A to this Order.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 16<sup>th</sup> day of December, 1992.

BY ORDER

  
Dr. Mark K. Jaccard  
Chair

/mmc  
BCUC/Order/BCG IBEW-OTEU ReconRejt

IN THE MATTER OF Requests for Reconsideration by the  
IBEW and OTEU of the  
Commission Decision and Order No. G-63-92  
into BC Gas' Application for 1992 Revenue Requirements

**REASONS FOR DECISION**

**1.0 INTRODUCTION**

On August 18, 1992 the International Brotherhood of Electrical Workers Local 213 ("IBEW") applied to the B.C. Utilities Commission ("the Commission") under Section 114 of the Utilities Commission Act ("the Act") for a reconsideration of certain portions of the BC Gas Inc. ("BC Gas") Revenue Requirement Decision dated August 5, 1992 ("the Decision") and Order No. G-63-92 ("the Order").

On August 27, 1992 the Office and Technical Employees Union ("OTEU") applied to the Commission under Section 114 of the Act for a reconsideration of parts of the Decision and Order. Section 114(1) states:

*"The Commission may reconsider, vary or rescind a decision, order, rule or regulation made by it, and may rehear an application before deciding it."*

On October 9, 1992, in Order No. G-94-92 the Commission asked the IBEW and the OTEU to file written submissions with the Commission. The OTEU and IBEW were asked to address why the Commission should consider all or part of their respective requests for reconsideration. In making this request the Commission inadvertently used different wording in Part 1 and Part 2 of Order No. G-94-92. In Part 1 of this Order, the IBEW was asked to "show just cause". In Part 2 the OTEU was asked to "show cause". The wording in both instances should read "show cause".

Under Part 3 of Order No. G-94-92, BC Gas, Intervenors and Interested Parties who had participated in the 1992 BC Gas Revenue Requirement Hearing were given the opportunity to comment on the submissions of the IBEW and the OTEU. In that regard, the Commission received a submission from the Lower Mainland Large Volume Gas Users Association ("the Association").

By letter dated November 2, 1992 the Commission invited the IBEW and the OTEU to reply to that submission.

**2.0 ARGUMENT**

The IBEW and the OTEU were not participants in the original revenue requirement hearing. They both argued that they were aware of the hearing, but had opted not to participate because they had not anticipated that the Commission's Decision would encompass collective bargaining issues and employee levels.

Both applicants argued that the Commission Decision went beyond the authority and normal course of Commission regulatory activity. Counsel for the IBEW claimed that the IBEW did not participate in the original hearing process "... because it did not anticipate that any decision of the Commission would adversely affect the interests of its members". The OTEU stated that, "Our case was not presented at the first hearing because we were not advised we were on trial".

In supporting its right to apply for reconsideration, the IBEW submitted that Section 114 of the Act did not require an application for reconsideration to be directly affected by a decision in order to be allowed to seek a reconsideration. However, in the case of the BC Gas Revenue Requirement Decision, both the IBEW and the OTEU argued that they were faced with substantial impacts for their union members and that this was all the more reason for the Commission to show "the greatest possible latitude in permitting the unwitting victims of its actions to be heard".

In counter argument, the Association submitted that the IBEW and OTEU applications for reconsideration should not be allowed to proceed. The Association noted that the original revenue requirement hearing had been well publicized, and that the onus was on all potentially affected parties to participate in the hearing. The Association was also concerned that if these applications for reconsideration were allowed to proceed, a message would be sent to intervenors that it is an acceptable strategy to wait to see if Commission decisions are favourable before deciding on whether or not to participate in the process via an application for reconsideration on matters of concern.

### 3.0 FINDINGS

In the circumstances of these applications for reconsideration it was not disputed that the applicants have an actual and substantive interest in matters addressed by the Commission in the BC Gas 1992 Revenue Requirement Decision.

However, the key issue in these applications for reconsideration is the argument by both applicants that they did not present argument to the original hearing because they could not anticipate that their interests would be affected by the Commission's Decision. The Commission is not persuaded by this argument. Section 28(1) and Section 29 of the Act give the Commission responsibility for the general supervision of all public utilities and authority to examine the conduct of the business of a public utility. In determining the revenue requirements of a public utility the Commission examines all costs to ensure that they are prudently incurred; this is the normal practice of public utility commissions. Employee compensation constitutes a major portion of operation and maintenance expenses.

Regulated natural monopolies, such as energy utilities, do not always have the same incentives as firms in competitive markets to control costs. If the regulatory authority accepts cost increases, those increases are passed on to consumers as price increases without necessarily affecting the return to the shareholders. The consumer generally must accept these cost increases because there is no competitive alternative from which the energy product can be purchased. Thus, a crucial role of the regulatory authority in natural monopoly markets is to ensure that all costs (including salaries, wages and number of employees) are reasonable.

Thus, it should not be a surprise to the OTEU and the IBEW that this commission, like utility commissions in other jurisdictions, is directly concerned with the labour related operating costs of the utilities it regulates, including number of employees and compensation levels. A review of previous decisions involving Inland Natural Gas (predecessor of BC Gas) confirms this point.

In its March 18, 1981 Decision, the Commission stated:

*"The Commission has given careful consideration to the evidence: Exhibits 8 and 34 show an increase of customers occurring in fiscal 1980 and 1981 which are greatly in excess of immediate prior experience. Exhibit 14 shows additional employee hirings of nine occurring in 1979, 15 in 1980 and 15 for fiscal 1981.*

*The Commission believes that operation and maintenance costs per customer will increase in fiscal 1981 due to inflation, additional hirings and programs sponsored by the Applicant. However, the Commission considers that an increase of 6.5 percent per customer is beyond a reasonable service to a greatly enlarged customer base where economies of scale should reflect some efficiencies. Accordingly the Commission has allowed the Applicant's forecast increased costs to the extent of 4 percent per customer, thereby reducing the cost of service by approximately \$245,000."*

In its May 25, 1983 Decision, the Commission stated:

*"It [Inland Natural Gas] was, however, unable to demonstrate that the hiring of new employees would lead to greater efficiency and would benefit customers.*

*... This Commission has consistently viewed with concern any escalation in controllable utility operating costs. ... Accordingly, the Commission proposes to allow an operation and maintenance cost of \$149.27 per customer for fiscal 1983 and to utilize this figure as a base in the determination of a fair and reasonable level of expenditure per customer for future fiscal periods."*

In its January 11, 1985 Decision, the Commission stated:

*"The Commission is concerned with the added costs imposed by the existing agreements with the Applicant's union; specifically, the requirement of the agreement that servicemen be located in Grand Forks and Cache Creek when management had concluded that this was not required."*

### 4.0 DECISION

In the circumstances of these applications for reconsideration, the Commission does not accept the arguments of the IBEW and OTEU that the BC Gas Revenue Requirement Decision dealt with issues that they were unable to anticipate.

The IBEW and OTEU applications for reconsideration under Section 114 of the Act are denied.