

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-141-08**

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**IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473**

and

**FortisBC Inc.
2008 Annual Review, 2009 Revenue Requirements and
Negotiated Settlement Process**

BEFORE: A.A. Rhodes, Commissioner
P.E. Vivian, Commissioner September 25, 2008

O R D E R

WHEREAS:

- A. Commission Order G-58-06 approved for FortisBC Inc. ("FortisBC" or "Company") a Settlement Agreement for its 2006 Revenue Requirements (the "2006 Settlement Agreement") and a Performance Based Regulation Settlement for the years 2007, 2008 and potentially 2009 (the "PBR Settlement"). The PBR Settlement requires FortisBC to hold an Annual Review, Workshop and Negotiated Settlement Process ("NSP") each November with a goal of achieving firm rates by December 1st for the following year; and
- B. The Annual Review compares the Company's actual performance for the recently completed year to the approved targets for the Performance Standards to determine whether the Company is entitled to an incentive payment. The Revenue Requirements Workshop is to focus on future test periods and the NSP is conducted to establish rates for the following year; and
- C. FortisBC invited the stakeholders from the 2006 Settlement Agreement to negotiate the extension of the PBR Settlement. Negotiations were held on July 28, 2008 in Kelowna, B.C. and agreement in principle was reached to extend the PBR Settlement from 2009 to 2011 with a productivity factor of 2 percent for 2009, 1 percent for 2010 and 1 percent for 2011 and if the Consumer Price Index ("CPI") is above 3 percent in any of those years then the productivity factor in that year will increase by the excess of CPI above 3 percent; and
- D. By letter dated September 4, 2008, the Company proposed a regulatory timetable for the filing of its Preliminary 2009 Revenue Requirements Application on September 26, 2008 along with an Annual Review and 2009 Revenue Requirements Workshop on November 13, 2008 followed by a NSP on November 14, 2008; and

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- E. On September 4, 2008, FortisBC filed an application for approval of Extension of the Settlement Agreement for the 2007-2009 Performance-Based Rate Plan for 2009-2011 (the "PBR Extension Application"). The PBR Extension Application summarized the discussions held on July 28, 2008, the agreement in principle, contained letters of support from the Interior Municipal Electric Utilities and Buryl and Eric Goodman, a letter of non-support from Alan Wait, a letter of comment from the British Columbia Old Age Pensioners' Organization et al. ("BCOAPO") and FortisBC's reply to the stakeholder's letters of comment. FortisBC requested Commission approval of the PBR Extension Application; and
- F. By letter dated September 8, 2008, Commission staff requested that BCOAPO confirm whether it supports or does not support the PBR Extension Application. BCOAPO replied on September 10, 2008 that it does not support the PBR Extension Application. In BCOAPO's view the issue of a PBR extension should be discussed at the Annual Review which allows all stakeholders and the Commission to ask information requests; and
- G. By letter dated September 16, 2008, FortisBC withdrew its request for Commission approval of the PBR Extension Application. FortisBC intends to include the PBR Extension Application in the 2008 Annual Review material with a productivity factor of 2 percent for its 2009 Revenue Requirements. If parties are unable to reach agreement during the NSP on terms satisfactory to the Company then FortisBC intends to retract the 2009 Revenue Requirements Application, seek interim rates for 2009 that include a 2 percent productivity factor and re-file its 2009 Revenue Requirements based on cost of service at a later date; and
- H. The Commission has reviewed FortisBC's proposed regulatory timetable, the submissions received and considers that the establishment of a Regulatory Timetable for the 2008 Annual Review, a 2009 Revenue Requirements Workshop and NSP is warranted.

NOW THEREFORE the Commission orders as follows:

- 1. The Commission will hold for FortisBC a 2008 Annual Review on November 13, 2008 in Kelowna, BC to review FortisBC's 2008 performance results and to determine the Company's eligibility for an incentive payment. The 2009 Revenue Requirements Workshop and NSP will also be held in Kelowna, BC. A Regulatory Timetable is attached as Appendix A to this Order.
- 2. No later than Friday, September 26, 2008, FortisBC is to provide the Commission, along with all parties who participated in the previous PBR Settlements, copies of the Preliminary 2009 Revenue Requirements material.

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3. No later than Monday, November 3, 2008, FortisBC is to provide the Commission and all Registered Intervenor advance information regarding all material variances pertaining to cost of service, sales volume and revenue for the historical period to be presented at the Annual Review.
4. No later than Friday, October 3, 2008, FortisBC is to provide a copy of this Commission Order and Regulatory Timetable to all parties who participated in other FortisBC's regulatory proceedings during the past year.
5. Those persons wishing to participate in FortisBC's 2008 Annual Review, the 2009 Revenue Requirements Workshop and NSP are to advise the Commission Secretary in writing of their intention to do so, no later than Thursday, October 9, 2008.
6. FortisBC and its stakeholders are to review the PBR mechanism during the 2008 Annual Review and determine whether to extend the PBR term until 2009 in accordance with the PBR Settlement. FortisBC may raise its proposal to extend the PBR term to 2011 at the 2008 Annual Review.

DATED at the City of Vancouver, in the Province of British Columbia, this 25th day of September 2008.

BY ORDER

Original signed by

A.A. Rhodes
Commissioner

Attachment



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APPENDIX A
to Order G-141-08
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FORTISBC INC.
2008 Annual Review, 2009 Revenue Requirements and
Negotiated Settlement Process

REGULATORY TIMETABLE

ACTION

DATES

FortisBC files Preliminary 2009 Revenue Requirements Material	Friday, September 26, 2008
Registration deadline for Intervenor and Interested Parties	Thursday, October 9, 2008
Commission and Intervenor Information Requests issued to FortisBC	Wednesday, October 15, 2008
Responses to Information Requests by FortisBC	Wednesday, October 29, 2008
FortisBC files advance materials for the Annual Review	Monday, November 3, 2008
2008 Annual Review and 2009 Revenue Requirements Workshop commencing at 9:00 a.m.	Thursday, November 13, 2008
Negotiated Settlement Process	Friday, November 14, 2008 at a time to be determined following the Workshop

Location of Annual Review and Negotiated Settlement Process

Grand Okanagan Resort and Conference Centre
1310 Water Street
Kelowna, BC