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**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER G-156-10**

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

**and**

**An Application by FortisBC Inc.  
for Approval of a 2009 Rate Design and Cost of Service Analysis**

**BEFORE:** A.J. Pullman, Panel Chair/Commissioner  
L.A. O'Hara, Commissioner October 19, 2010  
M.R. Harle, Commission

**O R D E R**

**WHEREAS:**

- A. On October 30, 2009, pursuant to sections 58 and 61 of the *Utilities Commission Act* (the Act), FortisBC Inc. (FortisBC) filed its 2009 Rate Design and Cost of Service Analysis Application (Application) for approval by the British Columbia Utilities Commission (Commission);
- B. On November 26, 2009, the Commission issued Order G-139-09 establishing an initial Regulatory Timetable for the proceeding to review the Application;
- C. On December 15, 2009, a Procedural Conference was held in the City of Kelowna;
- D. On December 21, 2009, the Commission issued Order G-166-09, amending the initial Regulatory Timetable. Order G-166-09 established that an Oral Public Hearing would be held in the City of Kelowna, commencing Monday, May 3, 2010;
- E. By letter dated February 15, 2010, Zellstoff-Celgar Limited partnership (Celgar) applied for Commission determinations that establishing a Generation Baseline (GBL) for Celgar's Castlegar pulp mill would be appropriate within the scope of the rate design proceeding, and for procedural directions to accommodate addressing the GBL (the Celgar Application);

- F. By letter dated February 18, 2010, the Commission invited FortisBC and registered Interveners to make written submissions on the Celgar Application. Responses supporting the Celgar Application were received from British Columbia Old Age Pensioners' organization *et al.* (BCOAPO), Mr. Andy Shadrack, and Mr. Alan Wait; submissions opposing the Celgar application were received from British Columbia Municipal Electric Utilities (BCMEU) and FortisBC. British Columbia Hydro and Power Authority (BC Hydro) took no position concerning the appropriateness and determination of a GBL between FortisBC and Celgar within the scope of the proceeding. However, BC Hydro submitted that the existing generation baseline specified in the Energy Purchase Agreement (EPA) between itself and Celgar and the Power Purchase Agreement between FortisBC and BC Hydro, as amended, should be outside the scope of the proceeding. In Reply, Celgar agreed with BC Hydro's position on excluding those two matters from the scope of the proceeding;
- G. On March 3, 2010, the Commission issued Order G-35-10, with Reasons for Decision, with respect to the Celgar Application. The Regulatory Timetable was amended to permit Celgar to file evidence on establishing a GBL with FortisBC (the GBL Evidence), and to allow for a round of Information Requests (IRs) on the GBL Evidence. Celgar was directed to make a witness panel available for cross-examination on the GBL Evidence at the oral hearing. The contractual generation baseline established in the EPA between BC Hydro and Celgar was ruled outside the scope of this proceeding. The Commission would determine whether the GBL Evidence was ultimately relevant to the proceeding as part of the Rate Design Decision, and, if appropriate, determine a GBL between Celgar and FortisBC;
- H. By letter dated March 22, 2010, FortisBC applied to the Commission (the Reply Application) for approval to file Reply Evidence to address certain matters raised in Intervener Evidence filed on March 15, 2010. FortisBC claimed that the Reply Evidence would minimize the new matters likely to arise during the oral hearing. By letter dated March 24, 2010, BCMEU filed an objection, requesting that, should the Reply Application be approved, parties would have a right to file IRs on the Reply Evidence. By letter dated March 26, 2010, the Commission invited other Interveners to comment on the Reply Application;
- I. On April 12, 2010, after considering the Reply Application, submissions from BCMEU and other Interveners and a FortisBC reply, the Commission granted the Reply Application subject to the right of Interveners to make submissions on the admissibility of the Reply Evidence. Order G-69-10 was issued amending the Revised Regulatory Timetable to allow FortisBC to file Reply Evidence by Thursday, April 22, 2010;
- J. The oral public hearing was held in the City of Kelowna, commencing Monday, May 3, 2010 and concluding Friday, May 7, 2010. The parties agreed on a preliminary schedule for Final Argument in light of an undertaking by FortisBC to file a revised Cost of Service Analysis (Revised COSA) by May 14, 2010. The Panel gave Interveners until May 21, 2010 to provide written submissions to the Commission on whether the Revised COSA required process beyond the preliminary schedule for Final Argument. The Commission left the evidentiary record open pending receipt of Intervener comments;

- K. On May 14, 2010, FortisBC filed the Revised COSA (Exhibit B-35) containing summary tables showing various scenarios requested by the Commission and Interveners;
- L. By May 21, 2010, the Commission had received submissions on further process from six Interveners. Big White, Mr. Shadrack, and BCOAPO supported further process with respect to the revised COSA; all other Interveners submitted that no further process was required. Big White proposed that the Commission assign no weight to the Revised COSA, using the existing evidence and timetable to set rates for FortisBC. As an alternative, Big White requested an extension of the evidentiary phase (possibly reconvening the oral hearing) to allow for a full and comprehensive review for the rates suggested by the Revised COSA;
- M. On May 25, 2010, the Commission issued Order G-86-10, with a Supplementary Regulatory Timetable extending the evidentiary phase of the hearing to allow IRs on FortisBC Exhibits B-33 and B-35;
- N. By letter dated June 7, 2010, Celgar advised the Commission of its objections concerning certain IRs submitted to FortisBC pursuant to Order G-86-10. Celgar identified the specific IRs it objected to (Contentious IRs), giving reasons for its objections;
- O. By Letter L-44-10 the Commission invited FortisBC and Intervener submissions on Celgar's objections to the Contentious IRs. Parties were invited to comment on whether the Contentious IRs were in scope, raised new issues, necessitated further process, and if so, what further process would be necessary. The Commission received comments on Letter L-44-10 from the BCMEU, Big White, and FortisBC;
- P. On June 18, 2010, the Commission issued Letter L-51-10 directing FortisBC to respond to all of the Contentious IRs. Letter L-51-10 also amended the Supplementary Regulatory Timetable specified in Order G-86-10;
- Q. After considering the submissions received in response to Letter L-44-10 the Commission, by letter dated July 30, 2010, announced that an Oral Phase of Argument would be held in Vancouver on Tuesday, September 7, 2010;
- R. The Oral Phase of Argument was held in Vancouver on September 7, 2010; and
- S. The Commission Panel has considered the Application, including Celgar GBL proposal, and the submissions of Interveners.

**NOW THEREFORE** the Commission for the reasons stated in the Decision issued concurrently with this Order orders that:

1. FortisBC comply with all the directives of the Commission in the Decision that are not specifically mentioned below.
2. FortisBC's proposal to use contract demand or demand limits for some customer groups is denied.
3. FortisBC re-run and submit the COSA with all the adjustments described in the Decision within 30 days of this Order.
4. FortisBC submit a final set of rates based on the revised COSA within 60 days of the date of this Order.
5. FortisBC is directed to develop a plan for introducing residential inclining block rates that also incorporate a lower Basic Charge in the immediate future and file an RIB rate application with the Commission no later than March 31, 2011.
6. FortisBC is directed to initiate consultations with its industrial customers with the goal to introduce a stepped rate for transmission service similar to RS 1823 of BC Hydro. FortisBC's action plan for this matter is to be included in the compliance filing within 60 days of the date of this Order.
7. FortisBC is directed to reconsider the concepts underpinning RS 33 that were approved by the Commission in Order G-15-98 and resubmit it in accordance with those principles. FortisBC is also directed in its compliance filing to set out how the wires charge components or its TOU rates were determined within 60 days of the date of this Order.
8. Celgar is ineligible to take service under RS 33. FortisBC is directed to provide Celgar service under RS 31 effective January 2, 2011.
9. FortisBC's proposed range of reasonableness of 95 percent to 105 percent is approved.
10. The appropriate target for revenue-to-cost ratios in each class is unity or one, and that future rebalancing should only be required when a customer class falls outside the range of reasonableness. FortisBC is directed to adjust its rates with the goal of achieving R/C ratios of one for each class.

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11. FortisBC is directed to determine the nature of its Irrigation customers, to identify which of them are irrigation or drainage, and to ascertain their eligibility for service under RS 60 and RS 61. Until FortisBC is better able to demonstrate the load characteristics of the Irrigation class, the Irrigation class is exempt from rate rebalancing and is subject only to base adjustments associated with FortisBC revenue requirements and BC Hydro flow-through.
12. FortisBC is directed to develop a new policy that demonstrates the management of credit risk through ongoing active monitoring of credit worthiness and which is non-discriminatory in nature.
13. FortisBC is to return the security deposit in respect of International Forest Products Ltd. forthwith.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 19<sup>th</sup> day of October 2010.

BY ORDER

*Original signed by:*

A.J. Pullman  
Panel Chair/Commissioner