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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-121-13**

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

and

**Generic Cost of Capital Proceeding
Stage 2**

BEFORE: D.A. Cote, Commissioner/Panel Chair
L.A. O'Hara, Commissioner
C. van Wermeskerken
August 14, 2013

O R D E R

WHEREAS:

- A. By Order G-20-12 dated February 28, 2012, the British Columbia Utilities Commission (Commission) established a Generic Cost of Capital (GCOC) proceeding to review: (a) the setting of the appropriate cost of capital for a benchmark low-risk utility; (b) the possible return to a Return on Equity Automatic Adjustment Mechanism (ROE AAM) for setting an ROE for the benchmark low-risk utility; and (c) the establishment of a deemed capital structure and deemed cost of capital methodology, particularly for those utilities without third-party debt. The Order also established that all participating public utilities regulated by the Commission are divided into Affected Utilities and Other Utilities for the purpose of the GCOC proceeding;
- B. By Order G-148-12 dated October 11, 2012, the Commission determined, among other matters, that: (a) the GCOC proceeding is to proceed by way of an oral public hearing commencing December 12, 2012; (b) FortisBC Energy Inc. in its pre-amalgamation state is the benchmark utility; and (c) a Stage 2 for the purpose of reviewing all other utilities against the benchmark is to be added to the proceeding;
- C. The oral public hearing took place over a period of seven days between December 12 and December 21, 2012, for Stage 1 of the GCOC proceeding. The Commission issued its Decision for Stage 1 on May 10, 2013;
- D. The Commission held a Procedural Conference for Stage 2 on April 25, 2013;
- E. The following utilities appeared and made submissions at the Procedural Conference: FortisBC Utilities (FBCU) comprising of FortisBC Energy Inc. (FEI), FortisBC Energy (Vancouver Island) Inc. (FEVI), FortisBC Energy (Whistler) Inc. (FEW), and FortisBC Inc. (FBC); Pacific Northern Gas Ltd. and Pacific Northern Gas (N.E.) Ltd. (collectively, PNG); FortisBC Alternative Energy Services Inc. (FAES); Corix Multi-Utility Services Inc. (Corix); River District Energy Limited Partnership (RDE); and Central Heat Distribution Limited (Central Heat);
- F. The Industrial Customers Group of FBC (ICG) and the British Columbia Pensioners' and Seniors' Organization *et al.* (BCPSO) also appeared and made submissions at the Procedural Conference;

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- G. Commission Order G-77-13 dated May 13, 2013 determined that the Stage 2 review would take place by way of a written hearing with the possible exception of FBC, deferring the decision for FBC until the Commission Panel reviewed the Stage 2 evidence filed on behalf of FBC;
- H. The Commission Panel reviewed the evidence filed by FBC and determines that a written hearing on the cost of capital for FBC is warranted.

NOW THEREFORE pursuant to the Reasons for Decision attached as Appendix A to this Order, the Commission orders that the written hearing for FortisBC Inc. will take place in accordance with the Regulatory Timetable that is Attachment 2 to Appendix A of Order G-77-13.

DATED at the City of Vancouver, in the Province of British Columbia, this 14th day of August 2013.

BY ORDER

Original signed by:

D.A. Cote
Commissioner/Panel Chair

Attachment

**GENERIC COST OF CAPITAL PROCEEDING
STAGE 2**

REASONS FOR DECISION

By Order G-77-13 dated May 13, 2013, the British Columbia Utilities Commission (Commission) established that Stage 2 of the Generic Cost of Capital (GCOC) proceeding will proceed by way of a written process with the possible exception of FortisBC Inc. (FBC).

A decision on whether to proceed with an oral or written hearing on the cost of capital for FBC was deferred until the Commission Panel reviewed the Stage 2 evidence filed on behalf of FBC. The decision for the review format for FBC was deferred because the Industrial Customers Group of FBC (ICG) submitted at the Procedural Conference that “there are very significant issues” and that “there has been a new agreement between FBC and its parent company that changes risk, significantly changes risk for its customers, and changes or affects returns to its parent company.” (T1: 22, 26)

The Commission Panel has reviewed the evidence filed by FBC in this proceeding (Exhibit B1-72) and notes that changes in risk related to a new agreement between FBC and its parent company were not addressed. The Commission Panel further notes that many of the issues in Stage 2 are clear and well defined in FBC’s evidence and is not persuaded that the issues raised by ICG cannot be effectively explored through a written process.

Therefore, the Commission Panel determines that a written hearing on the cost of capital for FBC is warranted and the timetable for the written hearing will take place in accordance with the Regulatory Timetable that is Attachment 2 to Appendix A of Order G-77-13.