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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-169-14**

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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 Advanced Metering Infrastructure Enabled Billing Options for Customers

BEFORE: L. F. Kelsey, Commissioner
D. M. Morton, Commissioner
N. E. MacMurchy, Commissioner

November 7, 2014

O R D E R

WHEREAS:

- A. On July 18, 2014, FortisBC Inc. (FBC) applied to the British Columbia Utilities Commission (Commission) for approval of Advanced Metering Infrastructure (AMI) Enabled Billing Options (Application) pursuant to sections 59-61 of the *Utilities Commission Act* (Act);
- B. The Application proposed to amend the FortisBC Electric Tariff No. 2 to support the implementation of new customer billing options as enabled by the implementation of the AMI project;
- C. The Application proposed to introduce a monthly billing option based on verified meter readings for Rate Schedule 1 (Residential Service), Rate Schedule 3 (Exempt Residential Service), Rate Schedule 3A (Exempt Residential Service), and Rate Schedule 20 (Commercial Service) on a paperless basis. The Application also proposed to introduce a "pick your bill date" option for customers and a consolidated billing option for those customers with multiple bills;
- D. By Order G-110-14, the Commission established the regulatory timetable for review of the Application, which included one round of information requests and responses, then final submissions from FBC and interveners, followed by a reply submission from FBC; and
- E. The Commission has reviewed the evidence and the amended tariff changes and concludes that approval is warranted.

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NOW THEREFORE pursuant to sections 59 to 61 of the *Utilities Commission Act*, the Commission orders as follows:

1. FortisBC Inc. (FBC) is approved to amend the existing Terms and Conditions of its tariff as set out in Appendix B of the Application to allow a “pick your bill date” option for customers.
2. FBC is approved to offer the monthly billing option for customers who are currently billed bi-monthly. Monthly rates shall be offered at the customer’s choice of paper or paperless billing. FBC shall provide amended Rate Schedules 1, 3, 3A, and 20 to reflect this approval.
3. FBC’s Z-factor treatment for any incremental Operating and Maintenance (O&M) impact is denied. FBC must flow through any incremental O&M costs and/or benefits to customers as part of the Advanced Metering Infrastructure project deferral account.
4. FBC must flow through any incremental working capital benefits to customers as part of the new flow through deferral account, approved in Order G-163-14, or another appropriate flow through account.
5. FBC must report these incremental costs and savings in each of the annual reviews during the Performance Based Ratemaking term.

DATED at the City of Vancouver, in the Province of British Columbia, this 7th day of November 2014.

BY ORDER

Original signed by:

L. F. Kelsey
Commissioner

Attachment

An Application by FortisBC Inc.
for Advanced Metering Infrastructure Enabled Billing Options for Customers

REASONS FOR DECISION

These Reasons for Decision address the July 18, 2014 application by FBC for approval of its Advanced Metering Infrastructure (AMI) Enabled Billing Options for customers (Application), effective April 1, 2015.

Background

On July 26, 2012, FortisBC Inc. (FBC) applied to the British Columbia Utilities Commission (Commission) for approval of its AMI project (FBC AMI CPCN Application). During that proceeding, FBC identified that the AMI system would include customer service benefits such as enhanced billing information, improved billing accuracy, consolidated billing for multiple accounts, and the ability to offer flexible billing dates.¹ In its decision approving the AMI project for FBC, the Commission stated that it “accepts that there are soft benefits from the [AMI] project” which were not included in the economic cost benefit analysis at the time.²

On September 15, 2014, the Commission issued its decision on FBC’s Multi-Year Performance Based Ratemaking (PBR) Plan for 2014-2018, which included certain formulae for Operating and Maintenance (O&M) and capital expenditures. In that decision, the Commission also established 5 criteria to be used in evaluating whether an event would qualify for Z-factor treatment. Z-factor or extraordinary events, as described by FBC, are generally non-controllable and unforeseeable costs or benefits to the utility which may include judicial, legislative or administrative changes, catastrophic events, changes in accounting policies or Commission decisions.³ Approval of an item to be granted Z-factor treatment results in a direct pass-through of those costs or benefits to customers. In its PBR decision, the Commission also established a materiality threshold for Z-factor items to be 0.5 percent of FBC’s base O&M costs.⁴

Application and approvals sought

In the Application, FBC is proposing to introduce to its customers three billing options, which will be available through its AMI system:

- 1) monthly billing based on actual meter readings on a paperless basis,
- 2) option to ‘pick-your-bill-date’, and
- 3) consolidated billing for customers with multiple accounts.

FBC expects to begin using AMI meter readings for customer billing purposes commencing in 2015, coinciding with the implementation of the AMI system.⁵ These billing options will be available to all customers who will be billed through the AMI system and who have not selected the radio-off option.⁶

¹ FBC AMI CPCN Application, Exhibit B-1, pp. 32-34.

² Ibid., Decision dated July 23, 2013, p. 72.

³ FBC PBR Application for 2014-2018, Exhibit B-1, p. 63.

⁴ Ibid., Decision dated September 15, 2014, pp. 94-96.

⁵ Exhibit B-1, pp. 5 and 9.

⁶ Exhibit B-4, BCSEA IR 1.4.1.

FBC is also proposing that any incremental O&M cost or savings be granted Z-factor treatment so that the financial impact will flow directly to customers. FBC states that if the Commission does not agree to a Z-factor treatment, then the increased/decreased O&M costs could be tracked separately as part of the AMI project outside of its Performance Base Ratemaking formula.⁷

Regulatory process and interveners

By Order G-110-14, the Commission established that the Application be reviewed through a written process with one round of information requests and responses, followed by final submissions from FBC and interveners, then a reply a submission by FBC.

There were three registered interveners participating in this proceeding: the Commercial Energy Consumers Association of BC (CEC), the BC Sustainable Energy Association and the Sierra Club of BC (BCSEA), and the BC Old Age Pensioners Organization (BCOAPO).

Legislative considerations

FBC is seeking approval to amend certain parts of their existing tariff, which includes the Terms and Conditions of service, and also to amend certain rate schedules to allow for the adjustment to monthly rates for the customer charge. Approvals for these amendments are necessary under sections 59 to 61 of the *Utilities Commission Act*.

The Commission Panel will also consider this application in the context of the British Columbia energy objectives as laid out under section 2 of the *Clean Energy Act* (CEA). These objectives relate in large measure to the use of clean energy or renewable resources, promotion of energy conservation and efficient energy use, and the reduction of greenhouse gas emissions. The Panel considers that providing customers with more accurate and timely billing information will help facilitate a change in customer awareness and may contribute to a culture of conservation and a change in attitudes towards energy use in the province. Specifically, the Panel finds that the following CEA objectives to be relevant in consideration of this application:

2 (b) to take demand-side measures and to conserve energy...

(d) to use and foster the development in British Columbia of innovative technologies that support energy conservation and efficiency...

(i) to encourage communities to reduce greenhouse gas emissions and use energy efficiently,

Billing Option: monthly billing based on actual meter readings

The majority of FBC's residential and commercial customers are currently being billed on a bi-monthly basis which corresponds with the bi-monthly manual meter reading schedule. With the implementation of the AMI meter readings beginning in 2015, FBC proposes to implement a new billing option to provide customers with monthly billing based on verified meter reads.⁸

⁷ Exhibit B-2, BCUC 1.1.5.

⁸ Exhibit B-1, p. 5.

FBC states that the financial impact that could result with all bi-monthly billed customers switching to monthly billing is a decrease in working capital of \$0.6 million. If those same customers also elect to switch from paper to paperless billing, there will be a further savings of \$0.5 million for a total of \$1.1 million directly benefiting customers. However, if those monthly billed customers continue with paper billing, there will be an incremental paper billing costs of \$0.5 million, resulting in a net benefit of only \$0.1 million to customers.⁹ These estimates are based on full-uptake of the monthly billing option.

In order to avoid incremental costs, FBC is proposing that the monthly billing option be available only on a *paperless* basis.¹⁰

Intervenors generally support the monthly billing option, however there is a disparity between those who support FBC's proposal for the paperless option only. BCOAPO raise s the issue of fairness for the low-income groups of customers that they represent. BCOAPO is concerned about computer access and computer literacy, and therefore the paperless option will disproportionately exclude low income customers, including seniors, from participation in the monthly billing option. BCOAPO also submits that it is those vulnerable customers who would particularly benefit from monthly, versus the current bi-monthly, billing. Further, BCOAPO submits that the incremental costs from the paper option should be borne by all other ratepayers.¹¹

BCSEA support the monthly billing option but only on a paperless basis and submit that "monthly paper billing is unnecessary and [is] a waste of money and resources."¹²

CEC submit that continuing to provide customers who receive their bills via mail with the option of retaining a paper bill is an important customer service requirement.¹³

Commission Panel determination

The Panel approves the monthly billing option proposed by FBC, but also directs that customers be allowed to select either paper or paperless billing.

The Commission Panel considers FBC's monthly billing option to be a step towards supporting the government's clean energy objectives. Before customers can make an assessment on their energy use, they must have access to timely information concerning their consumption patterns. Providing customers with the option of more accurate and timely consumption and billing data will help to facilitate awareness of energy use and is therefore supportive of the province's energy objectives.

Although FBC did not address whether the Equalized Payment Plan (EPP) would be impacted by the proposed billing options, its response to information requests confirmed that it is not proposing any changes to the EPP, and that this program is offered to customers with a paper or paperless option. Currently, the EPP allows residential customers to pay for their accounts in equal installments calculated over a 12 month period using historical consumption data. Given that meters are currently read bi-monthly, the EPP provides an actual meter

⁹ Exhibit B-2, BCUC 1.1.3 and 1.1.4.

¹⁰ Exhibit B-1, p. 6.

¹¹ BCOAPO Final Submission, p. 3.

¹² BCSEA Final Submission, Footnote 4 on p. 2.

¹³ CEC Final Submission, p. 4.

reading every second bill. FBC states that the only change to the EPP program, once the wireless meter reading is functional, is that every bill will show an actual meter reading rather than every second bill.¹⁴

Given FBC's clarification on the EPP, the Panel does not accept the arguments put forward by BCOAPO. In particular, BCOAPO submits that FBC's proposal for the monthly billing option on a paperless basis would disadvantage its low-income customer groups. Evidence indicates that there are currently a substantial number of residential customers who could take advantage of the EPP option if paper billing or monthly billing is desired.¹⁵ This option does not exclude low income customers. Therefore, FBC's proposal for monthly billing, even if on a paperless basis, should not unduly disadvantage these customers.

It is clear to the Panel that there is no customer disadvantage to FBC's proposal. While the monthly billing option on a paperless basis would provide more savings to customers, the Panel finds that even if all monthly billed customers retain the paper option, there is still a small net benefit overall. Therefore, customers should be allowed to retain the option and flexibility to choose between the paper or paperless billing. This customer flexibility and access to better consumption information is an example of the soft benefits stemming from the AMI project, which could ultimately provide benefits to the province over the long term.

FBC states that since the beginning of 2010, the company had an average of 400 customers per month move to paperless billing (including both monthly and bi-monthly billed customers).¹⁶ The Panel acknowledge this movement in customer preference and encourage FBC to continue its efforts to assist customers in the transition from paper to paperless bills. These efforts will allow FBC to continue to provide benefits to customers and also support the province's clean energy objectives.

Billing option: 'Pick-Your-Bill-Date'

Under this billing option, FBC's customers (who do not have the radio-off option) will be able to select a billing/payment date that better meets their needs. When customers can dictate the date of when they can reasonably make their bill payments, FBC expects that late payment charges for those customers would also diminish.¹⁷

FBC states that the cost to change billing dates is negligible and that this option is offered to improve customer service. FBC also confirms that there is no requirement for customers picking their own billing dates to move to electronic (paperless) billing.¹⁸

All interveners support this billing option.

Commission Panel determination

The Panel finds FBC's 'Pick-Your-Bill-Date' billing option to be in the customers' interest and approves this billing option.

¹⁴ Exhibit B-4, BCSEA 1.3.3 and 1.3.4.

¹⁵ Exhibit B-3, BCOAPO 1.1.1 and 1.1.2.

¹⁶ Exhibit B-5, CEC 1.4.5

¹⁷ Exhibit B-1, p. 5.

¹⁸ Exhibit B-5, CEC 1.10.1.

Billing option: Consolidated billing

Under this billing option, customers with multiple accounts will be able to consolidate into a single bill. FBC estimates approximately 78,000 bills that could be potentially eliminated through bill consolidation, in which, this would result in an approximately \$0.1 million reduction in printing costs. This O&M reduction assumes full uptake on this billing option. FBC further submits that there is no incremental O&M costs anticipated with the consolidated billing option and submits that it will have no impact to revenue.¹⁹

BCSEA and BCOAPO support this billing option, while CEC did not appear to take a position.

Commission Panel determination

The Panel note that FBC is not seeking any Commission approvals for this option as there are no tariff changes proposed. Accordingly, the Panel makes no determinations on this billing option.

Financial treatment

FBC proposes to utilize the Z-factor mechanism to flow through any O&M financial impact as a result of these billing changes directly to customers. FBC submits that this mechanism is “consistent with the changes to the working capital reduction” which provide that “customers receive all of the net benefits of this proposal, regardless of whether the changes impact O&M or working capital.”²⁰ Specifically, the Z-factor treatment would apply to:

- the O&M savings associated with decreased printing and postage costs related to customers switching from bi-monthly paper billing to monthly paperless billing;
- the O&M costs associated with the increased bill production costs related to customers switching from bi-monthly paper billing to monthly paper billing; and
- the O&M savings associated with the decreased bill production costs related to customers who have multiple accounts choosing to consolidate their bills.²¹

As part of its decision on FBC’s 2014-2018 PBR application, the Commission established 5 criteria to be used in evaluating whether the impact of an event would qualify for Z-factor treatment:

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 the 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 Commission-defined materiality threshold.²²

¹⁹ FBC Final Submission, p. 5.

²⁰ Exhibit B-2, BCUC 1.1.5.

²¹ FBC Final Submission, p. 6.

²² FBC PBR 2014-2018 Application, Decision dated September 15, 2014, p. 94.

FBC submits that based on the above criteria, the O&M impacts as a result of the monthly billing option on a paper basis may not meet criteria 1 and 5. FBC also submits that if the Commission does not agree with the proposed Z-factor treatment, then FBC proposes that “the increased/decreased O&M costs could be tracked separately as part of the AMI project outside of the PBR formula.”²³

BCOAPO supports the Z-factor treatment while CEC submits that it sees no reason for Z-factor treatment to be assigned to the stated costs. CEC states that the increases/decreases related to AMI are not consistent with Z-factor treatment as considered in the PBR plan therefore it submits that savings should be tracked outside of the PBR.

BCSEA does not comment specifically on the accounting treatment but submits that “the anticipated net cost savings ...should accrue fully to the ratepayers, as the AMI project costs are ultimately to the account of ratepayers.”²⁴

Commission Panel determination

While the accounting treatments argued by interveners may appear to be in opposition, the Panel notes that the financial impact will be the same, that is, all costs/benefits will ultimately flow through to customers. This concept is supported by all parties. However, **the Panel finds no reason to stray from the Z-factor criteria established in the recent 2014-2018 PBR decision and therefore denies FBC’s proposal to apply the Z-factor treatment on the O&M impacts as a result of these billing options. The Panel finds that these billing options were contemplated by FBC in its AMI project proposal and therefore the most appropriate treatment is to track these incremental O&M costs and benefits in the AMI deferral account.** The Panel also notes that this AMI deferral is outside of the approved formulaic PBR mechanism and therefore will have no impact to determinations made in that decision.

There was no evidence presented in this proceeding on exactly how the reduction of working capital would ultimately flow to customers. The Panel expects that this benefit would be included in FBC’s flow through items, as identified in its PBR proceeding.²⁵ For clarity, **the Panel directs FBC to use the flow through deferral account, as approved in Order G-163-14, or another suitable flow through account for this purpose.**

²³ Exhibit B-2, BCUC 1.1.5 and FBC Final Submission, p. 7.

²⁴ BCSEA Final Submission, p. 5.

²⁵ FBC PBR 2014-2018 Application, Exhibit B-1, p. 63.