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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-31-15**

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

and

**FortisBC Energy Inc.
Application for Approval of Code of Conduct and Transfer Pricing Policy
for Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment**

BEFORE: L. A. O'Hara, Panel Chair/Commissioner
K. A. Keilty, Commissioner February 27, 2015
N. E. MacMurchy, Commissioner

O R D E R

WHEREAS:

- A. FortisBC Energy Inc. (FEI) was directed in the Report on the Inquiry into the Offering of Products and Services in Alternative Energy Solutions and Other New Initiatives dated December 27, 2012 (AES inquiry Report) to undertake a collaborative process to establish a Code of Conduct (COC) and Transfer Pricing Policy (TPP) for Affiliated Regulated Businesses consistent with the guidelines and principles in the AES Inquiry Report;
- B. An FEI-led process with the participation of interested stakeholders, including Commission staff, took place between October 2013 and May 15, 2014. The process included consultation sessions with stakeholders as well as two workshops held on February 20, 2014 and April 24, 2014;
- C. By letter dated June 27, 2014, to the British Columbia Utilities Commission (Commission), FEI filed an application for approval of FEI's COC and TPP for Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment (Application). The Application seeks approval of FEI's proposed documents, namely, the COC and TPP for Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment (ARBNNM);
- D. In the Application, FEI states that the primary area of interest for stakeholders during the stakeholders' interviews was a COC and TPP governing interactions between FEI and ARBNNMs. FEI further states that, if required, and once a COC and TPP is established and approved by the Commission to govern the ARBNNMs situation, then some of the same principles and language could be adapted to the other two situations specified in the AES Inquiry Report, namely, interaction between FEI and related non-regulated businesses, and interactions between two natural monopolies;

- E. The Application contains, in addition to the proposed COC and TPP documents, detailed references to FEI's process, including summaries of individual stakeholders' positions and comments as well as descriptions of issues from the process that fall under one of the following three levels of agreement: (1) parties have significant differences remaining or substantive issues within a general agreement, (2) parties have less significant differences or have wording issues, and (3) parties have accepted or have no issues;
- F. On July 14, 2014, Corix Multi-Utility Services (Corix) filed a letter with the Commission submitting that FEI ignored several of the AES Inquiry Report's key principles and guidelines in the Application;
- G. By letter dated July 25, 2014 (Exhibit A-2), the Commission invited all participants in the FEI-led process to comment on the Application and to recommend the further steps required to complete the review and to ensure the resultant COC and TPP meet the intent of the AES Inquiry Report;
- H. By letter dated August 18, 2014 (Exhibit A-3), the Commission advised all parties that a pre-hearing conference was warranted in order to address, in particular, six matters that had arisen from the Application and the submissions on the process steps;
- I. In the same letter dated August 18, 2014, the Commission also advised all parties that the Panel would be seeking oral confirmation from the participants in the pre-hearing conference that each participant was in agreement with FEI's characterization of its respective position as belonging to one of the three status groupings outlined in Recital E;
- J. By letter dated September 2, 2014 (Exhibit B-3), FEI provided a summary table that was circulated earlier to participants for their review and confirmation. The table was confirmed by the participants at the pre-hearing conference as an accurate representation of a summary of their positions on the issues;
- K. The pre-hearing conference took place on September 5, 2014. At the Pre-hearing conference, FEI, FAES, Corix, the Coalition, Commercial Energy Customers of BC (CEC), BCOAPO, BCSEA-SCBC, COPE and Commission staff provided submissions;
- L. By Order G-143-14 dated September 18, 2014, the Commission ordered, among other things, that the scope of the Application review be limited to the COC and the TPP for affiliated regulated business operating in a non-natural monopoly environment. The Commission also directed FEI to file supplementary information and evidence, as outlined in Appendix C to the order, and allowed one round of information requests and responses, in accordance with a regulatory timetable for a written hearing format established as part of that order; and
- M. The Commission has reviewed the FEI proposed COC and TPP documents, stakeholders' comments during the consultative process, supplementary information and evidence, and final submissions and reply submissions to other interveners.

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NOW THEREFORE pursuant to sections 58-61 of the *Utilities Commission Act*, the Commission orders as follows:

1. FortisBC Energy Inc. (FEI) is directed to comply with the findings and determinations in the decision by amending the Code of Conduct and the Transfer Pricing Policy in a manner consistent with the Commission determinations.
2. FEI is to file for approval its Code of Conduct and Transfer Pricing Policy based on this decision to the Commission on or before April 7, 2015.
3. FEI is to file for approval a draft all-inclusive Code of Conduct and Transfer Pricing Policy within one year of final approval of the Code of Conduct and Transfer Pricing Policy for Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment that covers the interactions between FEI and its affiliated natural monopoly utilities, FEI and its affiliated non-regulated businesses, and FEI and its affiliated regulated businesses operating in a non-natural monopoly environment.

DATED at the City of Vancouver, in the Province of British Columbia, this 27th day of February 2015.

BY ORDER

Original signed by:

L. A. O'Hara
Panel Chair/Commissioner