



**ORDER NUMBER  
G-235-18**

IN THE MATTER OF  
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc.  
Application for Approval of 2019-2020 Revenue Requirements and Rates  
for the Fort Nelson Service Area

**BEFORE:**

A. K. Fung, QC, Panel Chair/Commissioner  
B. A. Magnan, Commissioner

on December 10, 2018

**ORDER**

**WHEREAS:**

- A. On September 4, 2018, pursuant to sections 45, 46, 59 to 61 and 89 of the *Utilities Commission Act* (UCA), FortisBC Energy Inc. (FEI) submitted to the British Columbia Utilities Commission (BCUC) its 2019 – 2020 Revenue Requirements and Rates Application for the Fort Nelson service area, seeking, among other things, BCUC approval of delivery rates for 2019 and 2020 (Application);
- B. In the Application, FEI seeks approval of an interim, refundable delivery rate increase of 4.37 percent, effective January 1, 2019, and approval of an interim Revenue Stabilization Adjustment Mechanism (RSAM) Rate Rider of \$0.199 per GJ, effective January 1, 2019. FEI also seeks approval of, among other things, a Certificate of Public Convenience and Necessity (CPCN) for an extension of FEI's distribution system in the Fort Nelson service area, resulting from its purchase of the gas distribution assets of the Prophet River First Nation;
- C. By Order G-171-18 dated September 13, 2018, the BCUC approved the rates requested in the Application, effective January 1, 2019, on an interim and refundable/recoverable basis and established the regulatory timetable for the review of the Application. The regulatory timetable included one round of BCUC and intervener information requests to FEI, parties' submissions on further process and FEI's reply submission on further process;
- D. On November 19, 2018 and November 26, 2018, the sole intervener, the Commercial Energy Consumers Association of British Columbia (CEC) and FEI, respectively, provided submissions on further process and FEI filed a reply submission on November 28, 2018. Both FEI and CEC requested the evidentiary record be closed and the proceeding move to written arguments; and
- E. The BCUC has reviewed the evidence and the submissions made by FEI and CEC, and considers that the establishment of the remainder of the regulatory timetable is warranted.

**NOW THEREFORE** the BCUC orders as follows:

1. A regulatory timetable is established, as set out in Appendix A to this order.
2. FEI is directed to respond to the Panel's Information Request, attached as Appendix B to this order, in accordance with the regulatory timetable set out in Appendix A to this order.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 10<sup>th</sup> day of December 2018.

BY ORDER

*Original Signed by:*

A.K. Fung, QC  
Commissioner

Attachments

FortisBC Energy Inc.  
Application for Approval of 2019-2020 Revenue Requirements and Rates  
for the Fort Nelson Service Area

**REGULATORY TIMETABLE**

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Action	Date
FEI response to Panel IRs	Friday, December 21, 2018
FEI written final argument	Friday, January 11, 2019
Intervener written final argument	Friday, January 25, 2019
FEI written reply argument	Friday, February 8, 2019

Fortis BC Energy Inc. (FEI)  
Application for Approval of 2019-2020 Revenue Requirements and Rates  
for the Fort Nelson Service Area

**PANEL INFORMATION REQUEST NO. 1 TO FEI**

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**A. ENERGY EFFICIENCY & CONSERVATION (EEC) DEFERRAL ACCOUNT**

- 1.0 Reference: EEC Deferral Account  
Exhibit B-2, BCUC IR 12.1.2; FEI 2019-2022 Demand Side Management (DSM)  
Expenditures Plan Proceeding, Exhibit B-1, p. 36  
Accounting treatment**

In response to British Columbia Utilities Commission (BCUC) IR 12.1.2, FEI states:

The increase in the EEC deferral account balance forecast for 2019 and 2020 is due to a change in the allocation base used to allocate costs from FEI to FEFN. Prior to 2019, forecasted costs were allocated to FEFN based on the allowed FEI Rate Base expenditure limit of \$15 million multiplied by the allocation factor, rounded to the nearest tenth of a percent (percentage of customers in FEFN over total customers). For the 2019 and 2020 forecasted additions, costs have been allocated to FEFN based on a total estimated FEI Rate Base and Non-Rate Base expenditure limit of \$36 million, multiplied by the same allocation factor.

On page 36 of FEI's 2019-2022 DSM Expenditures Plan application, FEI states:

Under the current approved treatment, \$15 million of expenditures are forecast in the rate base DSM Deferral account each forecast year and the difference between the \$15 million forecast and actual expenditure levels, up to the approved amount, are accounted for in FEI's non-rate base DSM Deferral account, attracting a weighted average cost of capital (WACC) return, in the year they are expended. The closing balance of the non-rate base DSM Deferral account is then transferred to FEI's rate base DSM Deferral account at the beginning of the following forecast year.

- 1.1 Please provide the following information and the specific BCUC order(s)/decision(s) approving each of the following items:
- The year that FEI Fort Nelson's (FEFN) rate base EEC deferral account was established and the year that FEI first commenced allocating DSM expenditures to FEFN;
  - The amortization period for FEFN's EEC deferral account; and
  - The method used to allocate FEI's forecast DSM expenditures to FEFN.
- 1.2 Please provide an explanation as to how actual DSM expenditures are currently determined/calculated for FEFN for the purposes of recording actual DSM expenditures in FEFN's EEC deferral account.

- 1.3 Please explain why the change in allocation methodology described in FEI's response to BCUC IR 12.1.1 (and provided in the above preamble) is not requested as part of the approvals sought in the Application.
- 1.4 In consideration of the approach to the accounting treatment of FEI's DSM expenditures (i.e. separation between rate base and non-rate base deferral accounts), would such an approach be appropriate for FEFN? Why or why not?
- 1.5 What are the forecast vs actual DSM expenditures for FEFN for 2016 and 2017 (Actual) and 2018 (Projected)?
- 1.6 What are the forecast DSM expenditures for 2019 and 2020 for FEFN based on the DSM expenditures applied for in FEI's 2019-2022 DSM Expenditures Plan proceeding?
- 1.7 What is the rate impact for FEFN for 2019 and 2020 of FEI's proposed method (i.e. allocation to FEFN based on the total estimated FEI rate base and non-rate base expenditure limit) compared to the previous allocation method? Please provide supporting calculations and descriptions.
- 1.8 Please explain and quantify (where possible) the implications for ratepayers and for FEI if FEI over or under spends on DSM compared to what was forecast and allocated to FEFN under FEI's proposed new allocation method.

**B. CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY (CPCN) FOR PROPHET RIVER FIRST NATION (PRFN) EXTENSION**

- 2.0 Reference: CPCN for PRFN  
Exhibit B-2, BCUC IR 15.1  
Asset purchase agreement**

In response to BCUC IR 15.1, FEI states:

Negotiations on the Asset Purchase Agreement have been completed with the PRFN; however, the Agreement has not yet been executed. FEI has not yet received a copy of the executed agreement.

- 2.1 Please provide an update on the status of the Asset Purchase Agreement, specifically whether or not the agreement has been executed since responding to IR No. 1. If the agreement has been executed, please provide it as part this response.