



ORDER NUMBER

G-166-20

IN THE MATTER OF

the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc. and FortisBC Inc.

Application for Approval of a Multi-Year Rate Plan for the Years 2020 through 2024

BEFORE:

D. A. Cote, Panel Chair

A. K. Fung, QC, Commissioner

K. A. Keilty, Commissioner

E. B. Lockhart, Commissioner

on June 22, 2020

ORDER

WHEREAS:

- A. On March 11, 2019, FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively, FortisBC) applied to the British Columbia Utilities Commission (BCUC) for approval of a proposed Multi-Year Rate Plan for the years 2020 through 2024, pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA), seeking approval of a rate-setting framework for FortisBC for the upcoming five years, including, among other things, incentive mechanisms, an innovation fund, a forecast of capital expenditures, service quality, deferral accounts and updated depreciation rates, capitalization rates and other supporting studies (Application);
- B. By Orders G-64-19, G-156-19, G-241-19 and G-272-19, the BCUC established a public hearing process and regulatory timetable for the review of the MRP Application;
- C. On October 29, 2019, FBC applied to the BCUC, pursuant to sections 59 to 61 and 89 of the UCA, for approval of a delivery rate increase of 1.0 percent, on an interim and refundable basis (with interest at the average prime rate of FBC's principal bank applied to any refundable amounts, effective January 1, 2020 (Interim Rates Application)). FBC stated it intends to file its annual review materials to set permanent rates for 2020 (Annual Review for 2020 Rates Application) after the BCUC renders its final decision on the MRP Application;
- D. On November 28, 2019, the BCUC issued Order G-303-19, approving FEI's Interim Rates Application on an interim and refundable basis; and
- E. The BCUC has completed its review of the Application, the evidence and submissions by all parties in this proceeding and makes the following determinations.

NOW THEREFORE pursuant to sections 59 to 61 of the *Utilities Commission Act*, and for the reasons provided in the decision issued concurrently with this order, the BCUC orders as follows for FBC:

1. The BCUC approves the rate setting mechanisms set out in Section C1 and in Table C1-1 of the Application for setting delivery rates for the years 2020 through 2024, including:
 - a. A five-year term from 2020 to 2024 as described in Section C1.2 of the Application;
 - b. Use of an indexed-based approach to O&M, incorporating:
 - i. An updated 2019 Base O&M per customer amount to be filed as part of the Compliance filing, subject to the adjustments as determined in Section 4.1 of the Decision;
 - ii. An inflation factor as determined in Section 3.2.5 of the Decision;
 - iii. An X-Factor of 0.5 percent as determined in Section 3.2.6 of the Decision;
 - iv. A forecast of customer growth as determined in Section 3.2.3 of the Decision; and
 - v. A true up of the spending envelope in the following year(s) as set out in Section C1.4 of the Application;
 - c. The level of forecast capital to be incorporated in rates for the three-year period 2020-2022, as set out in Section C3.4.1, Table C3-7 of the Application, subject to being updated in FBC's compliance filing for the removal of the duplication of costs described in Exhibit B-12, BCUC IR 2.202.4. FBC is also ordered to submit an updated forecast of the 2023 to 2024 expenditures in the Annual Review for 2023 rates as determined in Section 4.4 of the Decision.
 - d. Flow through treatment for the items determined in Section 3.2.8 of the Decision;
 - e. The 12 Service Quality Indicators as described in Section C7.3, Table C7-5 of the Application, subject to the adjustments determined in Section 3.3 of the Decision, and subject to FBC filing for approval of the threshold and benchmark for the SAIDI and SAIFI SQIs in FBC's compliance filing;
 - f. Half of ROE variances to be shared with customers as set out in Section 3.2.9 of the Decision;
 - g. A materiality threshold of \$150,000 is set for the Z-factor, as determined in Section 3.2.7 of the Decision;
 - h. An off-ramp of +/- 150 basis points (post sharing) in any one year as determined in Section 3.4 of the Decision; and
 - i. Annual Review process as described in Section 7 of the Decision.
2. The creation and modification of deferral accounts as determined throughout the Decision.
3. The changes to the following supporting studies to be used in the determination of rates for FBC effective January 1, 2020:
 - a. Modification to the approved Lead Lag days as set out in Table D3-2, Section D3.3 of the Application;
 - b. Depreciation rates in the amounts set out in Table D2-10 in Section D2 of the Application;
 - c. Net salvage rates in the amounts set out in Table D2-12 in Section D2 of the Application; and
 - d. The capitalized overhead rate of 15 percent as set out in Section D6.5 of the Application.
4. The allocation methodology of costs for corporate services between FortisBC Holdings Inc. (FHI) and FBC and for Shared Services as between FEI and FBC, as reflected in the Corporate Services Agreement and Shared Service Agreements as described in Sections D4 and D5 of the Application.

5. The Certificate of Public Convenience and Necessity (CPCN) criteria during the five-year term 2020 to 2024 will continue to be based solely on the dollar threshold set by Order G-120-15, and will be maintained at \$20 million. However, the BCUC may require a CPCN review for projects below this threshold if it finds that pursuant to section 45 of the *Utilities Commission Act* it is in the public interest to do so.
6. FBC is directed to file with the BCUC, within 30 days of the issuance of this order, a compliance filing for the Panel's approval incorporating the impacts of all adjustments as outlined in the Decision. In addition, the compliance filing shall include updated benchmarks and thresholds for the SAIDI and SAIFI SQIs based on 2017, 2018 and 2019 Actual data as proposed by FBC.
7. FBC is directed to file annual review materials to set permanent rates for 2020 (Annual Review for 2020 Rates Application). As directed by Order G-303-19, FBC's current rates will remain interim and refundable/recoverable, with interest calculated on any refundable amounts at the average prime rate of FBC's principal bank for its most recent year, until the BCUC renders its decision on the Annual Review for 2020 Rates Application.
8. FBC must comply with all other directives contained in the Decision issued concurrently with this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 22nd day of June 2020.

BY ORDER

Original signed by:

D. A. Cote
Commissioner