



**ORDER NUMBER**  
**G-269-20**

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

and

Corix Multi-Utility Services Inc.  
Application to Amend the Variable Energy Charge for Dockside Green Energy

**BEFORE:**

T. A. Loski, Panel Chair  
E. B. Lockhart, Commissioner

on October 26, 2020

**ORDER**

**WHEREAS:**

- A. On April 20, 2020, Corix Multi-Utility Services Inc. (Corix) filed an application with the British Columbia Utilities Commission (BCUC) seeking approval to establish a new Variable Energy Charge rate setting mechanism, to reduce the existing Variable Energy Charge for Dockside Green Energy (DGE), and to amend the DGE tariff sheet to reflect the proposed changes (Application);
- B. By Order G-248-19 dated October 16, 2019, the BCUC approved, among other things, Corix's proposal to establish an Energy Cost Reconciliation Account (ECRA) to record variances between the actual energy costs and the revenue collected through the Variable Energy Charge, with the balance to be amortized over a one-year period;
- C. In the Application, Corix proposes to establish a two parameter Variable Energy Charge rate-setting mechanism, comprised of a  $\pm 5$  percent trigger ratio plus a minimum rate change threshold of  $\pm \$0.011$  per kilowatt-hour (kWh), and to decrease the Variable Energy Charge by  $\$0.013$  per kWh, from the current Variable Energy Charge of  $\$0.055$  per kWh to  $\$0.042$  per kWh, effective May 1, 2020;
- D. By Order G-101-20 dated April 30, 2020, the BCUC approved the proposed decrease to the Variable Energy Charge effective May 1, 2020 on an interim and refundable basis and established a written hearing process for review of the Application. The timetable included intervenor registration, one round of BCUC and intervenor Information Requests (IRs) and further process to be determined;
- E. On May 19, 2020, British Columbia Old Age Pensioners' Organization et al. registered as an intervenor in the proceeding;
- F. By Order G-163-20 dated June 19, 2020, the BCUC established a further regulatory timetable for review of the Application, consisting of a second round of BCUC and intervenor IRs and written final arguments;

- G. On July 16, 2020, Corix requested an extension to the deadline to file IR No. 2 responses. By Order G- 193-20, BCUC reviewed and approved the extension request and amended the regulatory timetable; and
- H. The BCUC has reviewed the Application, evidence and argument in this proceeding and makes the following determinations.

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

1. Corix is approved to use a two parameter Variable Energy Charge rate-setting mechanism for Dockside Green Energy as set out in the Application, whereby a change in the Variable Energy Charge rate is triggered when the following conditions are met:
  - i) The ratio of expected 12-month variable energy charge recovery revenue to the sum of the expected 12-month energy costs, plus the ECRA balance at the beginning of the forecast period, is greater than 1.05 or less than 0.95; and
  - ii) The minimum rate change threshold of  $\pm \$0.011$  per kWh is exceeded.
2. Corix is directed to include in its annual report submissions:
  - i) Forecast ECRA balance as at the beginning of the month following the annual report submission;
  - ii) Forecast monthly energy costs incurred in each of the 12 months following the annual report filing and forecast annual energy costs for the year subsequent to those 12 months;
  - iii) Forecast monthly revenue from the Variable Energy Charge in each of the 12 months following the annual report filing and forecast annual revenue for the year subsequent to those 12 months, based on both the approved Variable Energy Charge at the time of the annual report filing and the proposed Variable Energy Charge, if applicable; and
  - iv) Forecast monthly ECRA balance at the end of each of the 12 months following the annual report filing and the forecast ECRA balance at the end of the year subsequent to those 12 months, based on both the approved Variable Energy Charge at the time of the annual report filing and the proposed Variable Energy Charge, if applicable.
3. Corix is directed to file an evaluation report on the rate-setting mechanism by no later than November 1, 2023, documenting all rate changes under the rate-setting mechanism, analyzing the effects of the rate-setting mechanism on the frequency and magnitude of rate changes and ECRA balance, and providing Corix's analysis of the overall performance of the rate-setting mechanism for DGE and its ratepayers.
4. Corix is approved, pursuant to section 60 of the *Utilities Commission Act*, to decrease the Variable Energy Charge for Dockside Green Energy from \$0.055 per kWh to \$0.042 per kWh effective May 1, 2020 on a permanent basis, until such time that the rate change mechanism is triggered.
5. Corix is directed to file revised tariff pages for acceptance by the BCUC within 30 days from the date of issuance of this Order.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 26<sup>th</sup> day of October 2020.

BY ORDER

*Original signed by:*

T. A. Loski  
Commissioner

Attachment

Corix Multi-Utility Services Inc.  
Application to Amend the Variable Energy Charge for Dockside Green Energy

## REASONS FOR DECISION

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### 1.0 Introduction

#### 1.1 Background and Application

By Order G-248-19 dated October 16, 2019, the British Columbia Utilities Commission (BCUC) approved, among other things, Corix Multi-Utility Services Inc.'s (Corix) proposal to establish for Dockside Green Energy (DGE) a Variable Energy Charge, based on forecast energy consumption and rates, and an Energy Cost Reconciliation Account (ECRA) to record variances between the actual energy costs and the revenue collected through the Variable Energy Charge, with the balance to be amortized over a one-year period.<sup>1</sup>

On April 20, 2020, Corix filed an application with the BCUC seeking approval to:<sup>2</sup>

1. Establish a new two parameter Variable Energy Charge rate setting mechanism, comprised of a  $\pm 5$  percent trigger ratio plus a minimum rate change threshold of  $\pm \$0.011$  per kWh;
2. Reduce the existing Variable Energy Charge for DGE by \$0.013 per kilowatt-hour (kWh), from the current Variable Energy Charge of \$0.055 per kWh to \$0.042 per kWh, effective May 1, 2020; and
3. Amend the DGE tariff to allow the Variable Energy Charge to remain unchanged after the approval of item (2) above, until the next Variable Energy Charge rate change is approved by the BCUC, pursuant to section 61 of the *Utilities Commission Act* (UCA) (collectively, the Application).

#### 1.2 Regulatory Process

By Order G-101-20 dated April 30, 2020, the BCUC established a regulatory timetable for the review of the Application. The timetable provided for public notice, intervener registration, and one round of BCUC and intervener information requests (IRs). In addition, the order approved the proposed decrease to the Variable Energy Charge, effective May 1, 2020, on an interim and refundable basis.<sup>3</sup> British Columbia Old Age Pensioners' Organization et al. (BCOAPO) registered as the sole intervener in the proceeding.

On June 19, 2020, the BCUC established a further regulatory timetable, which included a second round of BCUC and intervener IRs and written final and reply arguments.<sup>4</sup> On July 16, 2020, Corix requested an extension to file responses to IR No. 2,<sup>5</sup> which was approved by Order G-193-20.

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<sup>1</sup> Corix, Revenue Requirement and Rates Application for the Dockside Green Energy Utility, Order G-248-19 with Reasons for Decision dated October 16, 2019.

<sup>2</sup> Corix Final Argument, p. 1.

<sup>3</sup> Exhibit A-2, Order G-101-20.

<sup>4</sup> Exhibit A-4, Order G-193-20.

<sup>5</sup> Exhibit B-4.

Pursuant to Order G-193-20, Corix filed its final argument on August 6, 2020, with BCOAPO Final Argument filed on August 20, 2020. Corix filed its reply argument on August 27, 2020.

### **1.3 Legislative Framework**

DGE is regulated as a Stream B Thermal Energy System (TES) public utility under the BCUC's TES Regulatory Framework Guidelines (TES Guidelines).<sup>6</sup> Applications for approval of Stream B TES rates are made pursuant to sections 59–61 of the UCA. Section 60(1)(b.1) of the UCA states that:

the commission may use any mechanism, formula or other method of setting the rate that it considers advisable, and may order that the rate derived from such a mechanism, formula or other method is to remain in effect for a specified period

By way of letter L-5-01, dated February 5, 2001, and as amended by letter L-40-11, dated May 19, 2011, the BCUC established guidelines for setting gas recovery rates and managing the gas cost reconciliation account balance for BC Gas Utility Ltd., now FortisBC Energy Inc (FEI). Together, these represent the BCUC's Gas Cost Recovery Account Guidelines (GCRA Guidelines), which were intended to "generally apply for other natural gas and propane utilities,"<sup>7</sup> where appropriate.

As part of the GCRA Guidelines, the BCUC established a two-step rate change trigger mechanism to determine when FEI should adjust its commodity rate. Under the mechanism established by letter L-5-01, a rate adjustment is triggered if "the ratio of expected 12 month gas costs recovery revenue to the sum of the expected 12 month gas cost and the GCRA accumulated... is less than 0.95 or more than 1.05."<sup>8</sup> Letter L-40-11 added a minimum rate change threshold of  $\pm \$0.50/\text{GJ}$  as a second parameter to keep the dead-band from becoming too narrow during periods of low natural gas prices. This minimum rate change threshold was intended to provide a balance of maintaining manageable deferral balances, providing appropriate price signals to customers, and avoiding minor rate changes during times of low gas prices.<sup>9</sup>

### **2.0 Proposed Variable Energy Charge Rate Setting Mechanism**

Corix's proposed Variable Energy Charge rate-setting mechanism for DGE is consistent with the two-step approach established in the GCRA Guidelines in that it uses the same ratio of  $<0.95$  or  $>1.05$ , i.e. a  $\pm 5$  percent dead-band range within which no rate change is required, and a minimum rate change threshold expressed in dollars per unit of energy.<sup>10</sup> However, Corix's proposed rate-setting mechanism differs from the GCRA Guidelines by utilizing a rate change threshold specific to DGE.

Under the proposed rate-setting mechanism, Corix submits it would file an application to change the Variable Energy Charge if both of the following conditions were met in the order outlined below:

1. The ECRA ratio is less than the 0.95 trigger ratio or greater than the 1.05 trigger ratio. This is outside the dead-band range of  $\pm 5$  percent; and
2. The indicative rate change figure exceeds a minimum rate change threshold of  $\pm \$0.011/\text{kWh}$ .

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<sup>6</sup> BCUC Thermal Energy Systems Regulatory Framework Guidelines, Appendix A to Order G-27-15, p. 24

<sup>7</sup> BCUC Letter L-40-11, p. 2.

<sup>8</sup> BCUC Letter L-5-01, p. 2.

<sup>9</sup> BCUC Letter L-40-11, p. 2.

<sup>10</sup> Exhibit B-1, pp. 2–3.

### 2.1.1 ECRA Trigger Ratio

Consistent with the GCRA Guidelines, Corix proposes to use the same ratio of  $<0.95$  or  $>1.05$ , or  $\pm 5$  percent dead-band range as a first step to determine if a rate change is warranted. Corix confirms the ECRA ratio is the ratio of the 12-month forecast variable energy charge revenue to the sum of the 12-month forecast energy costs plus the ECRA balance at the beginning of the forecast period.<sup>11</sup>

Corix submits if the dead-band range has not been exceeded, the 12-month forecast Variable Energy Charge revenue is sufficiently close to the sum of the 12-month forecast energy costs plus the beginning ECRA balance, then no rate change is required. If the ECRA ratio falls outside of this dead-band range, the second step of the mechanism is triggered.<sup>12</sup>

#### *Panel Discussion*

The Panel observes Corix's proposed ECRA trigger ratio as set out in the Application is consistent with the GCRA Guidelines. The Panel notes that in establishing the Guidelines, the BCUC considered effects on rate stability, price transparency, implications for the expected size of the deferral account and efficiency of process, and that the GCRA Guidelines would be appropriate for other provincial gas utilities.<sup>13</sup> The Panel is of the view that the  $\pm 5$  percent dead-band range set out by the GCRA Guidelines can be expected to provide a reasonable balance of these considerations for DGE and its customers.

### 2.1.2 Minimum Rate Change Threshold

Corix proposes a minimum rate change threshold of  $\pm \$0.011/\text{kWh}$ . On an equivalent energy basis, this proposed threshold represents 611% of the  $\$0.5/\text{GJ}$  threshold from the GCRA Guidelines, or  $\pm \$3.056/\text{GJ}$ .<sup>14</sup>

Corix submits that the GCRA Guidelines apply to natural gas and propane distribution utilities regulated by the BCUC. Corix notes that DGE is regulated according to the BCUC TES Guidelines<sup>15</sup> and therefore, as a thermal energy system, the GCRA Guidelines do not apply.

Corix submits that the minimum rate change threshold was introduced to the GCRA Guidelines in 2011 as a second step to the commodity rate mechanism established in 2001 in order to provide rate stability to customers in a low-price environment while providing appropriate price signals to customers and maintaining manageable deferral account balances.<sup>16</sup> Corix notes that the  $\$0.5/\text{GJ}$  minimum rate change threshold in the GCRA Guidelines is equivalent to  $\$0.0018/\text{kWh}$ , which represents 3.27% of Corix's existing Variable Energy Charge. Corix submits this would result in a highly sensitive threshold that could lead to frequent and minor Variable Energy Charge rate changes even in a low-cost environment. Corix submits that this would not be consistent with the desired purpose of the rate-setting mechanism in the GCRA Guidelines.<sup>17</sup>

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<sup>11</sup> Corix Final Argument, p. 3.

<sup>12</sup> Corix Final Argument, p. 3.

<sup>13</sup> BCUC Letter L-5-01 dated February 5, 2001, Appendix I, p. 1.

<sup>14</sup> Exhibit B-2, BCUC IR 1.2., p. 2.

<sup>15</sup> Corix Final Argument, p. 4.

<sup>16</sup> Corix Final Argument, p. 4.

<sup>17</sup> Corix Final Argument, p. 5.

Corix explains that its proposed minimum rate change threshold of  $\pm \$0.011/\text{kWh}$  represents 20% of the  $\$0.055/\text{kWh}$  Variable Energy Charge applicable at the time the Application was filed. Corix notes that the minimum rate change threshold from the GCRA Guidelines equated to 32% of the FEI's commodity cost recovery charge at the time the Application was filed, or 22% of FEI's current commodity cost recovery charge. Therefore, Corix submits that the proposed minimum rate change threshold from the Application is better aligned with DGE's commodity costs than the minimum rate change threshold in the GCRA Guidelines.<sup>18</sup>

Corix submits that the Variable Energy Charge at the time the Application was filed represented approximately 43% of the annual bill of a typical end-user at DGE. Therefore, a  $\$0.011/\text{kWh}$ , or 20%, increase to the existing Variable Energy Charge would equal an approximately 8.6% increase to the typical end-user's bill.<sup>19</sup> Corix submits that this is less than the 10% annual rate increase or bill impact that the BCUC has recognized as the minimum threshold to constitute "rate shock."<sup>20</sup>

Corix considers that while the proposed minimum rate change threshold is a reasonable starting point, it will submit an application to amend the Variable Energy Charge rate-setting mechanism should the proposed threshold result in either: (i) frequent and minor rate changes; or (ii) infrequent rate changes along with unmanageable ECRA balances.<sup>21</sup>

### *Intervener Positions*

BCOAPO expresses its support for the proposed minimum rate change threshold, noting the need to strike an appropriate balance between costs and risks to both the utility and its ratepayers. BCOAPO submits that Corix's proposed rate change mechanism is likely to be viewed by most residential ratepayers as desirable, since it results in a more stable rate than more restrictive methods and the proposed Variable Energy Charge rate-setting mechanism is properly calibrated for DGE.<sup>22</sup>

### *Panel Determination*

**The Panel accepts Corix's proposed minimum rate change threshold as set out in the Application.** Corix's proposal appears to represent the best available alternative to the minimum threshold as set out in the GCRA Guidelines at this time. The Panel also accepts Corix's submission that the proposed minimum rate change threshold is sufficiently in line with the intent of the rate change threshold in the GCRA Guidelines, to provide "a balance of maintaining manageable deferral balances, providing appropriate price signals to customers, and avoidance of minor CCRA rate changes in low price environments."<sup>23</sup>

The Panel disagrees with Corix's submission that the GCRA Guidelines do not apply to TES utilities that are regulated by the TES Guidelines. Although the GCRA Guidelines were originally intended for gas utilities, in the Panel's view they provide a reasonable basis for regulation for some TES utilities. The rate-setting mechanism from the GCRA Guidelines can be appropriately applied to most TES utilities and strike a reasonable balance between manageable deferral account balances and avoidance of minor GCRA rate changes while providing appropriate price signals to customers.

In this instance, however, the Panel considers that the proposed minimum rate change threshold strikes a reasonable balance between rate stability, the risk of large ECRA balances and the regulatory costs borne by

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<sup>18</sup> Corix Final Argument, p. 5.

<sup>19</sup> Corix Final Argument, p. 7.

<sup>20</sup> Corix Final Argument, pp. 5–6.

<sup>21</sup> Corix Final Argument, p. 7.

<sup>22</sup> BCOAPO Final Argument, p. 6.

<sup>23</sup> BCUC Letter L-40-11 dated May 9, 2011, p. 2.

DGE relative to its small customer base. However, the Panel notes that Corix's proposed minimum rate change threshold of  $\pm \$0.011/\text{kWh}$  may potentially lead to less frequent but larger rate changes than if Corix were to utilize the rate change threshold as set out in the GCRA Guidelines. **The Panel therefore finds that monitoring the impact of this minimum rate change threshold and the potential effect on the ECRA balances, as well as a future review of the suitability of the minimum rate change threshold is warranted, as discussed in Section 2.1 below.**

As noted above, Corix's proposed two-step Variable Energy Charge rate-setting mechanism generally follows the mechanism as set out in the GCRA Guidelines. The Panel considers that the trigger ratio, consistent with the GCRA Guidelines, along with the minimum rate change threshold as set out in the Application, provide a reasonable mechanism specific to DGE's operating circumstances. **The Panel, therefore, approves DGE's two-step Variable Energy Charge rate-setting mechanism, comprised of a  $\pm 5$  percent trigger ratio plus a minimum rate change threshold of  $\pm \$0.011$  per kWh.**

## 2.1 Reporting Requirements

The GCRA Guidelines require that FEI provides quarterly reports to the BCUC showing forecast gas costs, expected revenue from gas cost recovery rates, and the starting and forecast gas cost reconciliation account balance.<sup>24</sup>

Corix does not propose to file quarterly ECRA reports, and instead proposes to provide the necessary information to the BCUC only if and when the rate-setting mechanism indicates that the Variable Energy Charge rate should be changed.<sup>25</sup>

Corix submits that since DGE is a thermal energy system, the reporting requirements as set out in GCRA Guidelines do not apply. Corix submits that its proposed reporting is consistent with the rate-setting principle in the TES guidelines, to "use the least amount of regulatory oversight to protect the ratepayer (minimize the regulatory burden and costs on the utility, ratepayers and the Commission)."<sup>26</sup>

Corix submits multiple reasons in support of its proposed reporting structure, including: the relatively small size of DGE and its energy costs as compared to FEI; DGE's purchases of energy being entirely at BCUC-regulated rates, as compared to gas utilities which typically purchase gas on a competitive market; DGE's limited regulatory resources, which lead to additional incremental costs for external regulatory assistance; and the BCUC's reporting requirements for other natural gas utilities, which are not all required to submit quarterly gas cost reports.<sup>27</sup>

Corix states it does not expect any material additional work would be required to prepare and compile a formal quarterly report in the form set out by the GCRA Guidelines, as Corix will need to complete a review of the ECRA balance and forecast energy costs on a quarterly basis to determine whether a rate application is needed. However, Corix notes that additional work will be required after the filing is submitted, dependent on the regulatory review process chosen by the BCUC and the participation of interveners.<sup>28</sup>

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<sup>24</sup> BCUC Letter L-5-01 dated February 5, 2001, Appendix I, pp. 3–4.

<sup>25</sup> Corix Final Argument, p. 10.

<sup>26</sup> Corix Final Argument, p. 8.

<sup>27</sup> Corix Final Argument, pp. 8–9.

<sup>28</sup> Exhibit B-5, BCUC IR 5.2, 5.3., pp. 8–9.



Corix further notes that DGE already files an annual financial report to the BCUC, which will apprise the BCUC of the ECRA balance on an annual basis.<sup>29</sup>

### *Intervener Positions*

In BCOAPO's submission, quarterly reporting would not be of sufficient value to justify the cost to DGE. BCOAPO supports Corix's proposal to report to the BCUC at least yearly, with applications only forthcoming when both triggering conditions are met. BCOAPO notes they are open to considering alternative reporting guidelines to ensure that an appropriate balance is struck between costs and risks to both Corix and its ratepayers.<sup>30</sup>

### *Panel Determination*

The Panel agrees with Corix and BCOAPO that quarterly reporting requirements as set out in the GCRA Guidelines would not provide sufficient value to justify the increased regulatory burden and cost to DGE that would ultimately be borne by its relatively small customer base. However, an appropriate level of regulatory oversight is required. The Panel notes that DGE provides financial reports to the BCUC on an annual basis and finds this annual filing an appropriate opportunity to review information related to the ECRA balance.

**Therefore, the Panel directs Corix to include the following information in its annual report submissions:**

- i) **Forecast ECRA balance as at the beginning of the month following the annual report submission;**
- ii) **Forecast monthly energy costs incurred in each of the 12 months following the annual report filing and forecast annual energy costs for the year subsequent to those 12 months;**
- iii) **Forecast monthly revenue from the Variable Energy Charge in each of the 12 months following the annual report filing and forecast annual revenue for the year subsequent to those 12 months, based on both the approved Variable Energy Charge at the time of the annual report filing and the proposed Variable Energy Charge, if applicable; and**
- iv) **Forecast monthly ECRA balance at the end of each of the 12 months following the annual report and the forecast ECRA balance at the end of the year subsequent to those 12 months, based on both the approved Variable Energy Charge at the time of the annual report filing and the proposed Variable Energy Charge, if applicable.**

The Panel notes that since this is the first flow-through Variable Energy Charge application for Corix's Stream B district energy utilities, and because annual reporting will provide limited oversight into the effectiveness of the Variable Energy Charge rate-setting mechanism, additional regulatory oversight is warranted. **Therefore, the Panel directs Corix to file an evaluation report on the rate-setting mechanism by no later than November 1, 2023, documenting all rate changes under the rate-setting mechanism, analyzing the effects of the rate-setting mechanism on the frequency and magnitude of rate changes and ECRA balance, and providing Corix's analysis of the overall performance of the rate-setting mechanism for DGE and its ratepayers.**

## **3.0 Proposed Variable Energy Charge**

In the Application, Corix requests approval to reduce its Variable Energy Charge from \$0.055 per kWh to \$0.042 per kWh effective May 1, 2020.<sup>31</sup> By Order G-101-20 dated April 30, 2020, the Panel approved this rate on an interim and refundable basis. Corix has provided supporting calculations for the proposed rate based on DGE's

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<sup>29</sup> Corix Final Argument, p. 9.

<sup>30</sup> BCOAPO Final Argument, p. 6.

<sup>31</sup> Exhibit B-1, p. 3.

approved 2020 and 2021 Variable Energy Charge, forecast 12-month energy consumption, and existing and forecast British Columbia Hydro and Power Authority and FEI rates.<sup>32</sup> Corix notes that the expected bill impact to its residential customers is -11.4%, or a total of \$87 in savings over the next 12 months.

*Panel Determination*

**The Panel approves, pursuant to section 60 of the UCA, the decrease to the Variable Energy Charge from \$0.055 per kWh to \$0.042 per kWh effective May 1, 2020 on a permanent basis until such time as the rate change mechanism is triggered.** The Panel observes that the proposed rates are consistent with the proposed Variable Energy Charge rate-setting mechanism.

As the third revision tariff sheet provided in Appendix B to the Application was accepted by the BCUC on an interim basis, **the panel directs Corix to file revised tariff pages for acceptance by the BCUC within 30 days from the date of issuance of this order.**

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<sup>32</sup> Exhibit B-1, p. 3.