



ORDER NUMBER
G-91-23

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

and

British Columbia Hydro and Power Authority
Fiscal 2023 to Fiscal 2025 Revenue Requirements Application

BEFORE:

D. M. Morton, Panel Chair
A. K. Fung, KC, Commissioner
R. I. Mason, Commissioner
A. Pape-Salmon, Commissioner

on April 21, 2023

ORDER

WHEREAS:

- A. On August 31, 2021, the British Columbia Hydro and Power Authority (BC Hydro) filed its Fiscal 2023 to Fiscal 2025 Revenue Requirements Application (Application) with the British Columbia Utilities Commission (BCUC) pursuant to sections 44.2, and 58 to 61 of the *Utilities Commission Act* requesting, among other things, interim and, after certain future determinations in other proceedings, permanent approval of the following:
 - (i) Increase in rates by 0.62 percent, effective April 1, 2022, by 0.97 percent, effective April 1, 2023 and by 2.18 percent, effective April 1, 2024; and
 - (ii) The fiscal 2023, fiscal 2024, and fiscal 2025 Open Access Transmission Tariff (OATT) rates as set out in Table 9-4 of the Application;
- B. In the Application, BC Hydro also requested to set the Deferral Account Rate Rider (DARR) on an interim and permanent basis at (2.0) percent, effective April 1, 2022 for fiscal 2023; and, on a permanent basis at (1.0) percent, effective April 1, 2023 for fiscal 2024 and (0.5) percent, effective April 1, 2024 for fiscal 2025;
- C. On December 22, 2021, BC Hydro filed its demand side management (DSM) expenditure schedule for fiscal 2023 to fiscal 2025 and a revised DSM expenditure schedule for fiscal 2022;
- D. On January 19, 2022, January 31, 2022, April 14, 2022 and August 8, 2022, BC Hydro filed errata to the Application;
- E. BC Hydro requests that certain portions of the Application and certain information filed during the course of the proceeding be held confidential in accordance with Part IV of the BCUC's Rules of Practice and Procedure;

- F. By Order G-263-21, the BCUC established the regulatory timetable for the review of the Application. By Orders G-72-22, G-136-22, G-166-22, G-189-22, G-239-22, G-284-22, G-344-22, G-386-22, and G-10-23, the BCUC subsequently furthered and amended the regulatory timetable;
- G. By Order G-47-22, the BCUC approved, on an interim and refundable basis, the requested fiscal 2023 rate increase of 0.62 percent, the requested OATT rates, and the requested DARR, effective April 1, 2022. By Order G-60-23, the BCUC approved, on an interim and refundable basis, the requested fiscal 2024 rate increase of 0.97 percent, the requested OATT rates, and the requested DARR, effective April 1, 2023;
- H. On November 18, 2022, the Lieutenant governor in Council approved Order in Council (OIC) No. 571, which enacted the Direction to the British Columbia Utilities Commission Respecting Residential and Commercial Customer Account Credits (Direction);
- I. The Direction requires the BCUC to, among other things, order BC Hydro to provide bill credits to its residential and commercial customers, to FortisBC Inc., and to New Westminster. The Direction also requires the BCUC to issue orders so that BC Hydro may make certain changes to its regulatory accounts, including transfers from the Trade Income Deferral Account (TIDA) of \$320 million, \$6 million, and \$74 million to a customer credit regulatory account, the Customer Crisis Fund regulatory account, and an inflationary pressures regulatory account, respectively. The BCUC issued Order G-341-22 in response to the Direction;
- J. Subsequent to the enactment of the Direction and the issuance of Order G-341-22, and in accordance with Orders G-344-22, G-386-22, and G10-23, parties provided submissions regarding, among other things, the effect of the Direction and how the balances in the Cost of Energy Variance Accounts and in particular, the TIDA, should be recovered from or refunded to ratepayers;
- K. By Order G-66-23, the BCUC reopened the evidentiary record to accommodate Panel IRs regarding BC Hydro's finance charges ;
- L. On March 31, 2023, BC Hydro filed a letter with the BCUC seeking approval, as part of the proceeding to review the Application, to reinstate a \$320 million regulatory liability in the TIDA, which would effectively offset the transfer from the TIDA to the customer credit regulatory account that occurred pursuant to the Direction and Order G-341-22;
- M. By Order G-74-23, the BCUC established a regulatory timetable to allow an opportunity for parties' submissions with respect to BC Hydro's request to reinstate a \$320 million regulatory liability in the TIDA, with further process to be determined;
- N. By Order G-90-23, the BCUC established a regulatory timetable to allow for Panel IR no. 3 regarding BC Hydro's finance charges, with further process to be determined; and
- O. The BCUC has considered the Application and the evidence and submissions filed in the proceeding and makes the following determinations.

NOW THEREFORE pursuant to sections 44.2, 56, 58 to 61 and 89 of the UCA, and for the reasons outlined in the decision issued concurrently with this order, the BCUC orders as follows:

- 1. The following are approved subject to the adjustments resulting from the corrections to the Application identified in the errata filed in the proceeding, the determinations and directives contained in the decision issued concurrently with this order, and any future determinations and directives made by the BCUC with

respect to BC Hydro's request to reinstate a \$320 million regulatory liability in the TIDA and BC Hydro's finance charges:

- (i) The requested rate increases of 0.62 percent, 0.97 percent, and 2.18 percent as applied for in the Application, effective April 1, 2022, April 1, 2023, and April 1, 2024, respectively;
 - (ii) The requested OATT rates as set out in Appendix II, Table II-2 of the Application, effective April 1, 2022, April 1, 2023 and April 1, 2024, respectively;
 - (iii) The requested DARR of (2.0) percent, effective April 1, 2022 for fiscal 2023 and (1.0) percent, effective April 1, 2023 for fiscal 2024.
2. The request to set the DARR at (0.5) percent, effective April 1, 2024 for fiscal 2025 is denied. Commencing in fiscal 2025, BC Hydro is to set the DARR as directed in the decision issued concurrently with this order.
 3. The requested rate increases, OATT rates, and the DARR for fiscal 2023 and fiscal 2024 approved by the BCUC on an interim basis by Order G-47-22 and Order G-60-23, respectively, will remain unchanged until further order of the BCUC.
 4. With respect to the following requests related to deferral and regulatory accounts:

(i) Load Attraction Costs Regulatory Account

The request to establish a Load Attraction Costs Regulatory Account to defer actual load attraction operating costs to this account each year beginning in fiscal 2023 and ending in fiscal 2027 is approved. The interest applied to the balance of the account is to be based on BC Hydro's current weighted average cost of debt and the forecast interest charged to the account each year is to be amortized each year. The forecast annual operating cost amount in the account will be amortized into rates starting the fiscal year following the expenditures over the benefit period of 20 years. The forecast balance at the end of a test period related to the difference between the amortization of the forecast annual load attraction operating cost amount and the calculation of the amortization based on the actual annual load attraction operating cost amounts is to be recovered over the next test period. The forecast balance at the end of a test period related to the difference between the forecast interest recovered and the actual interest charged to the account during that test period is to be recovered over the next test period.

(ii) Mandatory Reliability Standards (MRS) Costs Regulatory Account

The request to defer the following actual unplanned MRS costs to the MRS Costs Regulatory Account, effective in fiscal 2023 and on an ongoing basis, is approved:

- Costs related to the implementation of new or revised MRS adopted as a result of a future assessment report filed with the BCUC where the BCUC's adoption of such new or revised MRS occurred too late to be reflected in the forecast for the test period; and
- Costs, excluding assessed penalties, incurred in a test period to address possible non-compliance with MRS, if and as required, where the work related to such possible non-compliances was identified too late to be reflected in the forecast for the test period.

BC Hydro will recover amounts deferred to the MRS Costs Regulatory Account in respect of completed fiscal years, including any under/over recovered balance from fiscal 2022, over the next test period, starting in fiscal 2026 and on an ongoing basis, subject to BCUC review and approval of these amounts. BC Hydro will apply interest to the balance of the account based on BC Hydro's weighted average cost of debt. BC Hydro will recover actual interest charged to the account for

amounts related to any completed fiscal years over the next test period, subject to BCUC review and approval of these amounts.

(iii) Dismantling Cost Regulatory Account

The request to continue to defer any variances between forecast and actual dismantling costs in fiscal 2023 to fiscal 2025 to the Dismantling Cost Regulatory Account is approved. The interest applied to the balance of the account each year is to be based on BC Hydro's current weighted average cost of debt, and the forecast interest charged to the account each year is to be recovered from the account each year. The forecast account balance at the end of a test period is to be recovered over the next test period.

(iv) Low Carbon Fuel Credits Account

The request to recover the balance of the Low Carbon Fuel Credits Regulatory Account through the DARR mechanism is approved.

(v) Depreciation Study Impact Regulatory Account

The request to recover the forecast March 31, 2022 balance in the Depreciation Study Impact Regulatory Account over this test period is denied. BC Hydro will recover the actual March 31, 2022 balance in the Depreciation Study Impact Regulatory Account over this test period, based on the depreciation rates approved by the BCUC in the decision issued concurrently with this order. BC Hydro will apply interest to the balance of the account each year based on BC Hydro's current weighted average cost of debt. BC Hydro will recover the forecast interest charged to the account each year beginning in fiscal 2023. BC Hydro will update the fiscal 2022 ending balance of the account with the actual balance in its compliance filing and close the account once the account balance is zero.

(vi) Cost of Energy Variance Accounts

Until further order of the BCUC, the request to recover or refund the balances in the Cost of Energy Variance Accounts through the DARR using the DARR table mechanism as described in Chapter 7, section 7.3.3.3 is approved for fiscal 2023 and fiscal 2024. Specifically, in fiscal 2023 and fiscal 2024, the DARR percentage effective April 1 of a given year will be set based on the percentage in the DARR table mechanism corresponding to the forecast net balance of the Cost of Energy Variance Accounts at the end of the preceding fiscal year. Until further order of the BCUC, the mechanism to recover or refund the balances in the Cost of Energy Variance Accounts, commencing in fiscal 2025, is as directed in the decision issued concurrently with this order.

(vii) Site C Regulatory Account

The request to commence recovery of the forecast balance in the Site C Regulatory Account as at December 31, 2024 on January 1, 2025 over the forecast weighted average life of the Site C assets is approved, subject to any adjustments to the forecast weighted average life of the Site C assets resulting from the determinations and directives contained in the decision issued concurrently with this order. The request to, on an ongoing basis beginning in fiscal 2026, amortize the forecast balance in the Site C Regulatory Account at the end of the prior test period over the remaining weighted average useful life is approved.

(viii) Customer Crisis Fund Regulatory Account

The request to recover the forecast March 31, 2022 balance for the COVID Relief Fund for Residential Customers in the Customer Crisis Fund Regulatory Account over this test period is approved. The interest applied to the balance of the account in each year is to be based on BC Hydro's current weighted average cost of debt. The forecast interest charged to the account attributable to the COVID Relief Fund for Residential Customers balance each year is to be recovered from the account each year beginning in fiscal 2023.

(ix) Mining Customer Payment Plan Regulatory Account

The request to recover the forecast March 31, 2022 balance for COVID-19 Relief measures for commercial customers in the Mining Customer Payment Plan Regulatory Account over this test period is approved. The interest applied to the balance of the account each year is to be based on BC Hydro's current weighted average cost of debt. The forecast interest charged to the account attributable to COVID-19 Relief measures for commercial customers each year is to be recovered from the account each year beginning in fiscal 2023.

(x) Real Property Sales Regulatory Account

The request to continue to defer actual net gains realized on the sale of properties to the Real Property Sales Regulatory Account is approved. The interest applied to the balance of the account will continue to be based on BC Hydro's current weighted average cost of debt. The remaining balance of the account at the end of this test period will be refunded or recovered from ratepayers over the next test period.

(xi) Electric Vehicle Costs Regulatory Account

The request to recover the forecast March 31, 2022 balance of the Electric Vehicle Costs Regulatory Account over this test period and recover any balance remaining at the end of this test period over the next test period is denied. The interest applied to the balance of the account each year is to be based on BC Hydro's current weighted average cost of debt. The request to recover from the account each year the forecast interest charged to the account each year beginning in fiscal 2023 is denied.

(xii) DSM Regulatory Account

The request to not change the recovery of the Low Carbon Electrification component of the DSM Regulatory Account is approved.

5. With respect to the following requests related to depreciation and net salvage rates:

- (i) The request to implement for ratemaking purposes the updated useful lives and positive salvage rates and changes in asset classes, effective fiscal 2022, as set out in Chapter 8, section 8.3, is approved, with the exception of certain useful lives as identified in the determinations and directives contained in the decision issued concurrently with this order.
- (ii) The request to implement for ratemaking purposes the net salvage rates beginning in the next test period is approved. BC Hydro is directed to submit a proposal in its next revenue requirements application to explain how the net salvage rates should be phased in.

6. The BCUC accepts BC Hydro's DSM expenditures schedule of \$89.5 million for fiscal 2023, \$96.1 million for fiscal 2024, and \$110.1 million for fiscal 2025.
7. The BCUC accepts BC Hydro's revised DSM expenditures schedule of \$85.4 million for fiscal 2022.
8. Within 30 days of the issuance of a BCUC order approving rates for fiscal 2023 to fiscal 2025 on a permanent basis, BC Hydro is directed to re-calculate its revenue requirements and file a revised Appendix A to the Application and updated rate schedules, reflecting the corrections to the Application identified in the errata filed in the proceeding, the terms of this order, the determinations and directives contained in the decision issued concurrently with this order, and any future BCUC determinations and directives issued in the proceeding.
9. The request to hold confidential certain portions of the Application and certain information filed confidentially during the course of the proceeding is approved until further order of the BCUC.
10. BC Hydro is directed to 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 21st day of April 2023.

BY ORDER

Original signed by:

D. M. Morton
Commissioner