



**ORDER NUMBER
G-236-23**

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

and

British Columbia Utilities Commission
Generic Cost of Capital Proceeding

BEFORE:

D. M. Morton, Panel Chair
A. K. Fung, KC, Commissioner
K. A. Keilty, Commissioner
T. A. Loski, Commissioner

on September 5, 2023

ORDER

WHEREAS:

- A. By Order G-66-21 dated March 8, 2021, pursuant to section 82 of the *Utilities Commission Act* (UCA), the British Columbia Utilities Commission (BCUC) established a Generic Cost of Capital (GCOC) proceeding;
- B. By Orders G-66-21, G-156-21, G-183-21, G-205-21, G-231-21, G-281-21, G-288-21, G-106-22, G-217-22A, and G-327-22A, the BCUC established a regulatory timetable and scope for the GCOC proceeding;
- C. The GCOC proceeding is being conducted in two stages. Stage 1 of the GCOC proceeding will determine the deemed capital structure and allowed return on equity (ROE) of FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively, FortisBC). Stage 2 will determine matters related to the Benchmark Utility and establish the cost of capital for other utilities in British Columbia;
- D. The following parties participated in Stage 1 of the GCOC proceeding: FEI, FBC, Corix Multi Utility Services Inc. (Corix), Pacific Northern Gas Ltd. (PNG), River District Energy (RDE), British Columbia Hydro and Power Authority (BC Hydro), Boralex Ocean Falls Limited Partnership (Boralex), FortisBC Alternative Energy Service Inc. (FAES), Nelson Hydro, Kyuquot Power Ltd. (KPL), Creative Energy Vancouver Platforms Inc. (Creative Energy) Residential Consumer Intervener Association (RCIA), Movement of United Professionals (MoveUP), Clean Energy Association of BC (CEABC), Association of Major Power Customers of BC (AMPC), Industrial Customers Group (ICG), Commercial Energy Consumers Association of British Columbia (the CEC), and British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Tenants Resource and Advisory Centre, and Together Against Poverty Society (BCOAPO);

- E. The BCUC retained Dr. Jonathan A. Lesser of Continental Economics Inc. (Dr. Lesser) as an independent cost of capital technical expert in the GCOC proceeding. FortisBC retained Mr. James Coyne of Concentric Energy Advisors Inc. (Mr. Coyne) to provide an estimate of the cost of capital for FEI and FBC;
- F. In its evidence dated January 31, 2022, pursuant to sections 59 to 61 of the UCA, FortisBC sought BCUC approval of the following:
 - i. For FEI, approval of a capital structure consisting of 45 percent common equity and 55 percent debt, and a return on common equity of 10.1 percent.
 - ii. For FBC, approval of a capital structure consisting of 40 percent common equity and 60 percent debt, and a return on common equity of 10.0 percent.
- G. The regulatory review process for Stage 1 of the GCOC proceeding included two rounds of information requests (IRs) to FortisBC, one round of IRs to Dr. Lesser on Mr. Coyne's evidence, FortisBC rebuttal evidence on Dr. Lesser's IR responses, an oral hearing, final arguments, and further submissions regarding the implementation of utilities' rates; and
- H. The BCUC has reviewed the submissions, evidence and arguments filed in Stage 1 of the GCOC proceeding and makes the following determinations.

NOW THEREFORE pursuant to sections 58 to 61 of the UCA, the BCUC orders as follows:

1. For FEI, the deemed equity component is 45.0 percent and the allowed ROE is 9.65 percent, effective January 1, 2023.
2. For FBC, the deemed equity component is 41.0 percent and the allowed ROE is 9.65 percent, effective January 1, 2023.
3. FEI and FBC are directed to file, within 30 days of the date of this order, a compliance filing for January 1, 2023 permanent rates, and if applicable, an evidentiary update for each utility's 2024 Annual Review proceedings to reflect and implement the deemed capital structure and allowed ROE as approved.
4. Interim rates are established, effective January 1, 2024, on a refundable or recoverable basis, for all other utilities, except FBC, that currently use the Benchmark Utility to set their capital structure and equity return pending the BCUC's final decision on Stage 2 of the GCOC proceeding.
5. Stage 2 of the GCOC proceeding is to commence 60 days after the date of this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 5th day of September 2023.

BY ORDER

Original signed by:

D.M. Morton
Commissioner