British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC Canada V6Z 2N3
bcuc.com
P: 604.660.4700
TF: 1.800.663.1385
F: 604.660.1102

FortisBC Inc.

2024 Annual Review of Rates

Decision
and Order G-340-23

December 12, 2023

Before:
A. K. Fung, KC, Panel Chair
T. A. Loski, Commissioner
W. E. Royle, Commissioner

TABLE OF CONTENTS

Page no.

Executive summary

On June 22, 2020, the British Columbia Utilities Commission (BCUC) approved a multi-year rate plan (MRP) for FortisBC Inc. (FBC) covering a five-year period from 2020 to 2024 (MRP Decision). The MRP uses a performance or incentive-based regulatory rate setting framework which links utility rates to performance and makes the controllable portion of FBC's annual revenue requirement subject to a formula rather than to a cost recovery based on a traditional cost-of-service approach. In accordance with the MRP Decision, an annual review process (Annual Review) is required to set rates for each year of the MRP.

On August 4, 2023, FBC filed its Annual Review for 2024 Rates Application (Application) for an increase in its 2024 rates on a permanent basis as well as various approvals related to new and existing deferral accounts. Subsequent to the filing of this Application, on October 10, 2023, FBC filed an evidentiary update to the Application seeking a revised 6.74 percent permanent rates increase.

FBC states that the 2024 rates increase of 6.74 percent is required due to a 2024 forecast revenue deficiency of $28.870 million. FBC explains that the 2024 forecast revenue deficiency is primarily due to increased power supply costs, taxes, and the impact on 2024 rates arising from BCUC Decision and Order G-236-23 for the Generic Cost of Capital Stage 1 proceeding issued on September 5, 2023,[1] plus the proposed amortization of the 2023 revenue deficiency, which is recorded in the 2023 Revenue Deficiency deferral account.

Following a public review process, the Panel finds FBC's 2024 forecast revenue requirement to be reasonable and approves FBC to increase rates for 2024 by 6.74 percent on a permanent basis, effective January 1, 2024. The Panel approves a three-year amortization period commencing January 1, 2024, for the 2023 Revenue Deficiency deferral account as proposed by FBC. The Panel is satisfied that FBC's proposed amortization period of the 2023 Revenue Deficiency deferral account strikes an appropriate balance between rate smoothing and the need for timely recovery of costs so as to minimize any intergenerational inequity. The Panel also approves the establishment of five new deferral accounts as proposed by FBC.

[1] BC Utilities Commission Generic Cost of Capital Stage 1 proceeding, Decision and Order G-236-23 (GCOC Stage 1 Decision), p. 136, Order G-236-23 p. 2.

1.0 Introduction

On June 22, 2020, the British Columbia Utilities Commission (BCUC) approved a multi-year rate plan (MRP) for FortisBC Inc. (FBC) covering a five-year period (2020 to 2024) (MRP Decision).[2] The MRP Decision directed an annual review process (Annual Review) to set FBC's rates.

On August 4, 2023, FBC filed its Annual Review for 2024 Rates Application (Application) requesting a 4.83 percent rates increase from 2023 rates. Subsequently, on October 10, 2023, FBC filed an evidentiary update to the Application (Evidentiary Update) to incorporate, among other things, the impacts of the BCUC's Generic Cost of Capital (GCOC) Stage 1 Decision (GCOC Stage 1 Decision)[3] on the 2024 revenue requirement and rates. Following the Evidentiary Update, FBC seeks, among other matters, a 6.74 percent rates increase, effective January 1, 2024.[4]

Unless otherwise indicated, references made hereafter to the Application will be to the Application as supplemented by the Evidentiary Update.

In this decision, the Panel reviews the relevant evidence, considers the positions of the parties, discusses the issues arising and outlines its determinations for 2024 rates.

1.1 Background to FBC's Multi-Year Rate Plan

Pursuant to its MRP Decision, the BCUC approved an MRP for FBC that establishes the framework for setting rates from 2020 through 2024. The MRP uses a performance or incentive-based regulatory rate setting framework which links utility rates to performance and makes the controllable portion of FBC's annual revenue requirement subject to a formula rather than cost recovery based on a traditional cost-of-service approach.[5] The expected benefits of this performance-based approach are increased efficiency, better control over Operations and Maintenance (O&M) costs and capital expenditures, and reduced regulatory costs resulting in more reasonable utility rates. The MRP uses a rate setting mechanism designed to incent FBC to find efficiencies while ensuring that reasonable and measurable service levels are maintained through agreed service quality indicators. The MRP includes elements that attempt to strike a balance between the interests of ratepayers and the utility, and appropriately manages and allocates risks and rewards.[6]

Certain cost components of the MRP are determined using a formula or index-based approach that considers inflation and other cost drivers adjusted to reflect FBC's expected productivity improvements. Other revenue and cost components that are not conducive to an index-based approach are determined through a forecast approach like a traditional cost of service mechanism or flowed through to FBC's annual revenue requirement. Revenue and cost components outside FBC's control are handled through a deferral mechanism or are given flow-through or exogenous factor treatment.

---

[2] FortisBC Energy Inc. and FortisBC Inc. Application for Approval of a Multi-Year Rate Plan for the Years 2020 through 2024, Decision and Orders G-165-20 and G-166-20 dated June 22, 2020 (MRP Decision).
[3] BC Utilities Commission Generic Cost of Capital Stage 1 proceeding, Decision and Order G-236-23 (GCOC Stage 1 Decision).
[4] Exhibit B-13, pp. 1–2.
[5] MRP Decision, p. 1.
[6] MRP Decision, p. 170.

FBC's MRP includes the following:[7]

- Use of a formula or index-based approach to controllable O&M, incorporating:
  - An inflation factor (I-Factor) based on Statistics Canada Consumer Price Index (CPI) for British Columbia (BC) (CPI-BC) and the Average Weekly Earnings (AWE) for BC (AWE-BC) indices;
  - A growth factor multiplier; and
  - A productivity (X) factor;
- Use of a forecast approach for capital;
- A 50/50 percent sharing between customers and FBC's shareholders if FBC's achieved return on equity (ROE) is above or below that allowed, referred to as the Earnings Sharing Mechanism;
- Specific revenue requirement items approved for flow-through and deferral account treatment;
- Twelve service quality indicators (SQIs), eight of which have performance ranges including benchmarks and thresholds, and four of which are informational; and
- A plan off-ramp to be triggered if earnings in any one year vary from the allowed ROE by more than +/- 150 basis points (post earnings sharing).

A key element of FBC's MRP is the Annual Review. In the MRP Decision, the BCUC set out the following items to be addressed at each Annual Review in addition to setting rates:[8]

1. Review of the current year projections and the upcoming year's forecast, including the following items:
   i. Customer growth, volumes and revenues;
   ii. Year-end and average customers, and other cost information including inflation;
   iii. Expenses, determined by the indexing formula plus items forecast annually;
   iv. Capital expenditures, plus other items forecast annually;
   v. Plant balances, deferral account balances and other rate base information and depreciation and amortization to be included in rates; and
   vi. Projected earnings sharing for the current year and true-up to actual earnings sharing for the prior year;
2. Identification of any efficiency initiatives that FBC has undertaken, or intends to undertake, that require a payback period extending beyond the MRP term with recommendations to the BCUC with respect to the treatment of such initiatives;
3. Review of any exogenous events FBC or stakeholders have identified that should be put forward to the BCUC for review;
4. Review of FBC's performance with respect to SQIs;
5. Assessment of recommendations with respect to any SQIs that should be reviewed in future Annual Reviews; and

[7] MRP Decision, p. 169.
[8] MRP Decision, p. 167.

6. Assessment of and recommendations to the BCUC on potential issues or topics for future Annual Reviews.

In addition to these specific topics, the BCUC may include any other topic for review as it considers necessary.[9]

This decision focuses on issues that merit Panel discussion or deliberations relating to the above items of review. For those items which were not contentious in the current Annual Review, we do not propose to discuss them in depth.

1.2 Approvals Sought

FBC seeks the following approvals pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA):[10]

1. Recovery of the 2024 forecast revenue requirement and resultant rate change on a permanent basis, effective January 1, 2024, as filed in the Application and subject to any directives or determinations by the BCUC in this decision;
2. Amortization of the existing 2023 Revenue Deficiency deferral account over a three-year period, commencing January 1, 2024; and
3. Establishment of various rate base deferral accounts as outlined in Section 2.2 of this decision.

1.3 Application Review Process

In accordance with the regulatory timetables established by the BCUC, the Panel undertook the following public review process: [11]

- One round of BCUC and intervener information requests (IRs);
- A workshop in hybrid format on October 23, 2023 (Workshop);
- FBC responses to undertakings arising from the information requested at the Workshop;
- Final arguments from interveners filed by November 16, 2023; and
- FBC's reply argument filed by November 27, 2023.

The following seven registered interveners participated in the proceeding:

- Movement of United Professionals (MoveUP);
- Residential Consumer Intervener Association (RCIA);
- BC Sustainable Energy Association (BCSEA);
- British Columbia Old Age Pensioners' Organization, et al. (BCOAPO);
- British Columbia Municipal Electrical Utilities (BCMEU);
- Commercial Energy Consumers Association of BC (the CEC); and
- Industrial Customers Group (ICG).

[9] MRP Decision, p. 167.
[10] Exhibit B-2, pp. 1–2; Exhibit B-13, Appendix B, p. 2.
[11] Order G-191-23, as amended by Order G-249-23.

BCMEU attended the Workshop but did not submit IRs or file final argument.

1.4 Structure of the Decision

The remainder of this decision is structured as follows:

- Section 2.1 reviews the reasonableness of FBC's 2024 forecast revenue requirement and its various components from the Application;
- Section 2.2 reviews the other approvals sought;
- Section 2.3 sets out the overall determination on 2024 rates; and
- Section 3.0 discusses other issues arising in this proceeding.

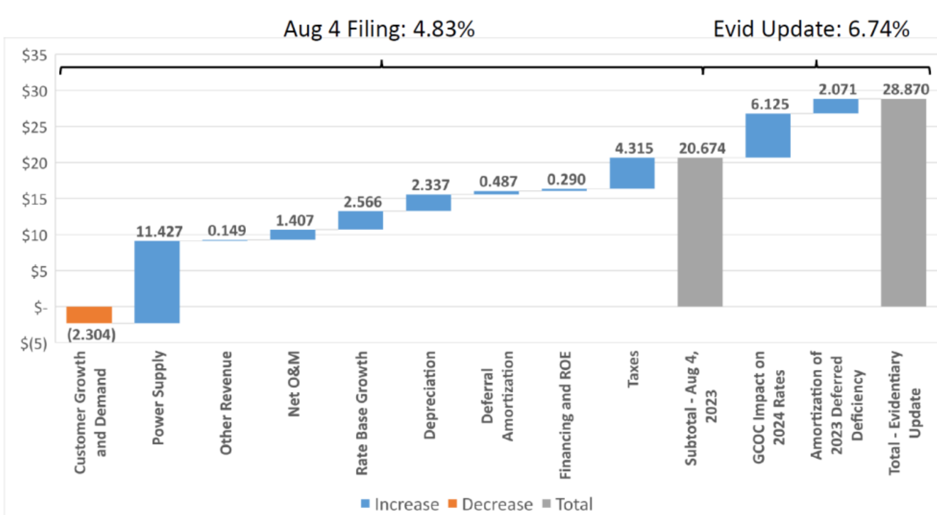
2.0 Review of Approvals Sought

In the following subsections, the Panel reviews the reasonableness of FBC's 2024 forecast revenue requirement and its various elements along with the other approvals sought, summarizes the relevant evidence along with the parties' submissions, and concludes with an overall determination on 2024 rates.

2.1 Components of the 2024 Revenue Requirement

The proposed rates for 2024 are based on FBC's 2024 forecast revenue requirement as set out in the Application. FBC outlines a forecast revenue deficiency of $28.870 million which results in a 6.74 percent increase in rates from 2023.[12] Figure 1 below summarizes the components of FBC's 2024 forecast revenue deficiency.[13]

Figure 1: 2024 Forecast Revenue Deficiency After Evidentiary Update ($ millions)[14]



[12] Exhibit B-13, Table 1, p. 2.
[13] Exhibit B-13, Table 1, p. 2.
[14] Graph adapted from Exhibit B-14, Slide 11. Emphasis removed.

As shown in Figure 1 above, the increase in the 2024 forecast revenue deficiency is primarily due to increased power supply costs, taxes, and the impact on 2024 rates arising from the GCOC Stage 1 Decision plus the proposed amortization of the 2023 revenue deficiency, which is recorded in the 2023 Revenue Deficiency deferral account. We review the key drivers of this 2024 revenue deficiency below.

Power Supply

FBC forecasts an increase of $11.427 million in power supply costs in 2024 due to higher purchase rates for power from the market and contracted producers, followed by smaller increases in the British Columbia Hydro and Power Authority (BC Hydro) Power Purchase Agreement (PPA), wheeling expenses, and water fees.[15] The main driver of the forecast increase in BC Hydro PPA purchases in 2024 is reduced market and contracted purchases volumes.[16] Pursuant to the MRP, any variances in the power supply cost, including any decreases in power purchase expense (PPE) due to further portfolio optimization, are recorded in the Flow-Through deferral account and returned to or recovered from customers in a subsequent year.[17]

Taxes

Taxes contribute $4.315 million to the forecast revenue deficiency noted in Figure 1 above. Taxes are broken down into property taxes and income taxes.[18] FBC forecasts an increase in property taxes of $0.313 million in 2024 primarily due to changes in tax rates and increases in assessed values.[19] FBC forecasts an increase in income taxes of $4.002 million in 2024 primarily due to lower income tax deductible through capital cost allowances (CCA).[20] The lower CCA is partly due to reduced undepreciated capital cost additions in higher rate CCA classes in 2024, and partly due to the phase-out of Canada's Accelerated Investment Incentive starting from 2024. [21] Income taxes are also higher as a result of higher forecast earned return in 2024 and depreciation expense, which are partially offset by lower amortization of deferred charges.[22] This income tax amount is not inclusive of the impact of the GCOC Stage 1 Decision on 2024 rates, which is discussed below.

GCOC Stage 1 Decision Impact on 2024 Rates and Amortization of 2023 Deferred Revenue Deficiency

In the original Application, FBC calculated the 2024 forecast revenue requirement using the then-approved capital structure of 40.0 percent equity and 60.0 percent debt, with a 9.15 percent ROE.[23]

Subsequent to the filing of the Application, on September 5, 2023, the BCUC issued its GCOC Stage 1 Decision which approved a deemed capital structure of 41.0 percent equity and 59.0 percent debt with a 9.65 percent ROE for FBC, effective January 1, 2023.[24] As part of the GCOC Stage 1 Decision, FBC was also directed to file: (i) a compliance filing for January 1, 2023 permanent rates, and (ii) an evidentiary update for the 2024 Annual

[15] Exhibit B-2, p. 8.
[16] Exhibit B-5, BCUC IR 9.1.
[17] Exhibit B-2, p. 41.
[18] Exhibit B-2, pp. 78–80.
[19] Exhibit B-2, p. 9.
[20] Exhibit B-2, pp. 10, 78.
[21] Exhibit B-2, p. 10.
[22] Exhibit B-2, p. 10.
[23] Exhibit B-2, p. 74.
[24] GCOC Stage 1 Decision, p. 136; Order G-236-23 p. 2.

Review proceeding to reflect and implement the deemed capital structure and allowed ROE as approved.[25] These two filings are discussed below.

On September 29, 2023, FBC filed an Application for the FortisBC Utilities Implementation of Capital Structure, Return on Equity and Permanent Rates for 2023 (2023 Compliance Filing).[26] In the 2023 Compliance Filing, FBC applied to, among other things: (i) make permanent the existing interim rates increase for 2023, and (ii) to establish a new non-rate base deferral account entitled the "2023 Revenue Deficiency deferral account," attracting FBC's weighted average cost of capital (WACC), to record the 2023 incremental revenue deficiency of $6.213 million resulting from GCOC Stage 1 Decision.[27] BCUC Order G-276-23 issued on October 17, 2023 accepted FBC's 2023 Compliance Filing and directed that the disposition of the 2023 Revenue Deficiency deferral account be reviewed in the FBC's 2024 Annual Review. [28] This is discussed further in Section 2.1.5 below.

On October 10, 2023, FBC filed the Evidentiary Update which includes the impact of the GCOC Stage 1 Decision on the 2024 forecast revenue requirement. The GCOC Stage 1 Decision impact results in a $6.125 million increase to the 2024 forecast revenue deficiency, as shown in Table 1 below.

Table 1: Incremental 2024 Deficiency due to the GCOC Stage 1 Decision[29]

$ millions	2024 Deficiency due to GCOC Decision ($000s)	Rate Impact (%)
Deemed Equity and ROE Change	$ 5.092	1.19%
Debt Financing Rate and Ratio Change	(0.726)	(0.17)%
Subtotal - Change in Return on Capital	**$ 4.366**	**1.02%**
Change in Amortization	(0.091)	(0.02)%
Change Income Tax Expense	1.850	0.43%
Total	**$ 6.125**	**1.43%**

In the table, the $5.092 million increase is a result of FBC's higher proportion of deemed equity and the higher ROE resulting from the GCOC Stage 1 Decision impact. [30] The $0.726 million decrease in return on deemed debt is conversely due to the lower proportion of deemed debt (as a result of the increased deemed equity). [31] After accounting for a $1.850 million increase in income tax due to the increase in FBC's forecast return on capital, offset by a $0.091 million decrease due to amortization, the total incremental 2024 revenue deficiency due to the GCOC Stage 1 Decision impact is $6.125 million.[32] Accordingly, the total forecast 2024 revenue deficiency is $28.870 million.[33]

Interveners generally do not oppose BCUC approval of FBC's 2024 forecast revenue requirement and resulting rates. However, some interveners raised concerns regarding the load forecast, PPE, electric vehicle (EV) direct

[25] GCOC Stage 1 Decision, Order G-236-23, p. 2.
[26] FortisBC Utilities Implementation of Capital Structure, Return on Equity and Permanent Rates (2023 Compliance Filing), Exhibit B-1.
[27] 2023 Compliance Filing, Exhibit B-1, Appendix C, pp. 1–2.
[28] 2023 Compliance Filing, Order G-276-23.
[29] Exhibit B-14, Slide 5.
[30] Exhibit B-13, p. 4.
[31] Exhibit B-13, Table 4, pp. 4–7.
[32] Exhibit B-13, p. 4; Exhibit B-14, Slide 5.
[33] Exhibit B-13, Table 1, p. 2.

charging fast current (DCFC) stations carbon credits included within other revenue, and the contributions in aid of construction (CIAC) included within regular capital expenditures. These concerns are further discussed in Sections 2.1.1 to 2.1.4 below. Section 2.1.5 then discusses the amortization period of the 2023 Revenue Deficiency deferral account.

2.1.1 Load Forecast

Interveners generally accept or do not comment on the 2024 load forecast as presented by FBC in the Application. However, some interveners raise concerns regarding demand side management (DSM) expenditures and savings and the 2024 forecast of the residential use per customer (UPC), which are discussed below.

Forecast DSM Expenditures and Savings

The BCUC approved FBC's current 2023 to 2027 DSM Expenditure plan, including, among other things, anticipated expenditures and forecasted energy savings, by Order G-371-22 issued on December 16, 2022.[34] FBC states that the forecast DSM savings of 57.2 gigawatt hours (GWh) contained within this Application are consistent with the approved plan.[35] The forecast DSM savings are incremental to the DSM savings that are embedded in historical loads up to and including 2022, and can be broken down between 2023 and 2024 DSM savings of 29.1 GWh and 28.1 GWh, respectively, that make up the total incremental savings of 57.2 GWh.[36]

Positions of the Parties

BCOAPO, ICG and the CEC provide the following submissions regarding the forecast DSM savings. MoveUP, RCIA, and BCSEA did not provide submissions on this matter.

BCOAPO notes that FBC's historical load considers both achieved annual incremental DSM savings and offsets for losses from DSM measures that have reached the end of their measure lives. BCOAPO submits that the forecast DSM savings for 2023 and 2024 consider the incremental DSM savings achieved in those years but do not consider adjustments for loss of savings due to measures from previous years reaching end of life. BCOAPO states that this likely results in DSM savings being overstated.[37]

ICG submits that compared to BC Hydro, FBC does not have sufficient DSM programs and incentives available for customers in the forestry sector. ICG further states that FBC's DSM programs are either "unavailable" or "compare unfavorably" to BC Hydro's DSM programs which are available to similar customers in the forestry sector.[38]

The CEC notes that demand side savings have the benefit of being deferred expenditures to match the subsequent benefits of the expenditures, which then spread the costs over an extended period of time and provide rate smoothing for customers. The CEC recommends that the BCUC direct FBC to increase its DSM efforts for 2024 to offset any load increases and inherent cost increases to the greatest extent possible.[39]

[34] FBC 2023 to 2027 Demand-Side Management Expenditures Plan, Decision and Order G-371-22.
[35] Exhibit B-2, p. 16; Exhibit B-5, BCUC IR 2.1.
[36] Exhibit B-2, p. 16.
[37] BCOAPO Final Argument, pp. 12–13.
[38] ICG Final Argument, p. 1.
[39] CEC Final Argument, p. 14.

In reply, FBC states that BCOAPO's submissions on DSM are incorrect. The actual losses in persistence will be reflected in the actual load each year and are therefore reflected in the before-DSM savings load forecast for all customer classes, which is based on historical actual data. As a result, FBC only needs to forecast the incremental DSM savings for 2023 and 2024 and deduct those incremental DSM savings from the before-savings forecast for all customer classes. FBC submits that its forecasting methodology has been reasonably accurate and notes that any untested adjustments to the methodology, such as those proposed by BCOAPO, are unlikely to produce superior results. FBC also notes that variances between forecast revenue and actual revenues are captured in the Flow-Through deferral account. As such, FBC submits that no adjustment is required to its load forecast.[40]

FBC further submits that the CEC and ICG submissions are "out of scope and should be rejected." FBC states that its forecast DSM savings are consistent with its approved DSM Expenditure Plan for 2023 to 2027. FBC further notes that under section 44.2 of the UCA, only DSM expenditures that have been the subject of an accepted DSM expenditure schedule may be recovered in rates.[41]

Panel Discussion

The Panel acknowledges the submissions of the CEC and ICG, but finds these submissions to be out of scope of this Annual Review. The Panel accepts FBC's position that forecast 2024 DSM savings are consistent with those reflected in its DSM Expenditure Plan for 2023 to 2027, which was approved in a separate BCUC proceeding.[42]

The Panel notes that BCOAPO did not provide any evidence in support of its assertion that FBC's DSM savings are likely overstated. The Panel also accepts FBC's submission that its forecasting methodology has been reasonably accurate, variances between forecast and actual revenues are captured through the Flow-Through deferral account, and any untested adjustments to the methodology such as those proposed by BCOAPO are unlikely to produce superior results. However, the Panel encourages interveners to provide their recommendations to FBC in its next DSM expenditures proceeding.

Residential UPC

Consistent with past practice, FBC explains that normalized historical residential UPCs are obtained by dividing the weather-normalized residential load by the average residential customer count in each year. The before-savings residential UPC is forecast by applying a ten-year trend to the normalized historical residential UPCs.[43] FBC uses a ten-year historic trend because it is more statistically significant compared to six-year or three-year historic trends.[44] The ten-year data for normalized historical residential UPCs is shown in Table 2 below.

Table 2: Residential Load Data 2013 to 2022[45]

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Residential Normalized Load (MWh)	1,398,932	1,296,452	1,298,150	1,295,580	1,320,492	1,312,598	1,266,137	1,346,832	1,330,331	1,320,362
Average Annual Customer Count	112,079	112,647	113,799	114,969	116,760	119,020	121,378	123,716	125,822	127,905
UPC (MWh)	12.48	11.51	11.41	11.27	11.31	11.03	10.43	10.89	10.57	10.32

[40] FBC Reply Argument, p. 6.
[41] FBC Reply Argument, p. 7.
[42] FBC 2023 to 2027 Demand-Side Management Expenditures Plan, Decision and Order G-371-22.
[43] Exhibit B-2, pp. 19–20.
[44] Exhibit B-5, BCUC IR 5.3.
[45] Exhibit B-6, BCOAPO IR 6.3.

FBC further explains that the before-savings residential UPC forecast is then multiplied by the forecast average customer count to derive the before-savings residential load forecast. DSM savings are then deducted from the before-savings residential load forecast to determine the after-savings residential load forecast. FBC then calculates the after-savings residential UPC forecast by dividing the after-savings residential load forecast by the average residential customer count.[46] The 2024 Forecast normalized after-savings residential UPC is 9.82 megawatt hours (MWh), which compares to 10.04 MWh in 2023 Projected and 10.32 MWh in 2022 Actuals.[47]

FBC acknowledges that its annual after-savings residential UPC has been under-forecast over the last three of four years as shown in Table 3 below. However, FBC notes that it does not collect further data to explain variances between actual and forecast residential UPC values as there are many factors that could compound or offset the variance each year (e.g. the COVID-19 pandemic from 2020 to 2022).[48]

Table 3: Residential UPC Variances 2019 to 2023[49]

	2019	2020	2021	2022	2023
Approved Annual After-Savings UPC (MWh)	11.27	10.75	10.10	10.04	9.95
Weather Normalized Annual UPC (MWh)	10.43	10.89	10.57	10.32	N/A
Percent Variance between Weather Normalized and Approved Annual UPC (%)	-7.4%	1.2%	4.5%	2.8%	N/A

Positions of the Parties

BCOAPO and the CEC disagree with FBC's calculations for the UPC used in the residential load forecast.[50] BCSEA, ICG, RCIA, and MoveUP did not provide submissions on this matter.

Consistent with its arguments in prior Annual Reviews,[51] BCOAPO submits that FBC has double-counted DSM savings in its residential UPC forecast. However, BCOAPO notes that FBC's approach would only generate a small difference in the load forecast from BCOAPO's suggested approach, and that any differences would be captured in the Flow-Through deferral account. BCOAPO accordingly "accepts" FBC's 2024 load forecast for the purposes of setting 2024 rates.[52] BCOAPO notes that in the decision on the FBC Annual Review for 2020 and 2021 Rates, the BCUC addressed BCOAPO's submission regarding the residential UPC forecast and was not persuaded that there was a need to revise FBC's UPC forecast due to the double-counting of DSM savings.[53]

The CEC submits that FBC should remove the 2013 actual residential UPC value from its 10-year trend analysis as the use of this value underestimates the 2024 forecast residential load by 2.65 percent or 34,358 MWh. The CEC recommends that the BCUC direct a change to FBC's forecasting methodology to remove the 2013 data in

[46] Exhibit B-2, pp. 19–20.
[47] Exhibit B-2, Figure 3-3, p. 20.
[48] Exhibit B-5, BCUC IR 5.2.
[49] Exhibit B-5, BCUC IR 5.1.
[50] BCOAPO Final Argument, p. 14; CEC Final Argument, p. 14.
[51] FBC Annual Review for 2022 Rates, Decision and Order G-374-21, p. 33; FBC 2023 Annual Review of Rates, Decision and Order G-382-22, p. 12.
[52] BCOAPO Final Argument, pp. 13–14.
[53] FBC Annual Review for 2020 and 2021 Rates, Decision and Order G-42-21, p. 28.

establishing trends and provide a compliance filing to amend revenues, costs, and the rate increase required for 2024.[54]

In reply, FBC submits that the CEC's proposed change to FBC's forecast methodology should be rejected as it is "arbitrary and untested."[55] FBC states that there is no reason to believe the CEC's adjustments would produce a more accurate result than FBC's proven forecast method. FBC's forecast methodology involves relying on a statistically significant trend over ten years of historical data. FBC states that data points should not be arbitrarily excluded from the analysis simply because they appear higher. FBC also states that its forecast methodology has been proven to produce accurate results as shown by the 2022 residential UPC forecast variance of only 2.8 percent.[56]

Panel Determination

Consistent with the BCUC's findings in previous Annual Reviews, the Panel finds that FBC's load forecast for 2024 is reasonable for calculating the revenue forecast and determining rates. FBC uses an established and transparent forecast methodology which is consistent with that followed in previous years of this MRP term. The Panel notes that, in any event, variances in revenue and power supply are captured in the Flow-Through deferral account, which means that ratepayers are not at risk for variances between actuals and forecast amounts, and recovery of any variances between the two is a matter of timing.

As for the CEC's submission that the 2013 actual residential UPC should be excluded from FBC's ten-year trend analysis, the Panel notes that this data has been included in FBC's ten-year trend analysis in its Annual Reviews since 2020, and interveners, including the CEC, have not raised any issues regarding this in the past. The CEC has not provided any evidence that its proposal would result in a more accurate forecast of residential load. The Panel considers it unwarranted to now exclude the 2013 actual residential UPC as this would amount to cherry picking amongst data points simply to arrive at a higher forecast residential load for 2024.

2.1.2 Power Purchase Expense

As discussed in Section 2.1, power supply costs are one of the main drivers of the increase in FBC's 2024 forecast revenue requirement. Within power supply costs, the majority of the increase is due to PPE, although wheeling expense and water fees have also increased.[57] Table 4 below shows the various components of FBC's 2024 Forecast PPE, which has increased by $2.821 million from 2023 Projected.[58]

[54] CEC Final Argument, p. 14.
[55] FBC Reply Argument, p. 5.
[56] FBC Reply Argument, p. 5.
[57] Exhibit B-2, p. 34.
[58] Exhibit B-2, p. 38.

Table 4: 2024 Forecast PPE ($ millions)[59]

Line No.	Description	Projected 2023	Forecast 2024	Difference
1	Brilliant	$ 44.048	$ 44.433	$ 0.385
2	BC Hydro PPA	$ 70.702	71.680	0.978
3	Waneta Expansion	$ 38.351	40.365	2.014
4	Market and Contracted Purchases	$ 18.624	16.972	(1.652)
5	Independent Power Producers	$ 0.195	0.245	0.050
6	Self-Generators	$ 0.044	-	(0.044)
7	CPA Balancing Pool	$ (1.570)	0.000	1.570
8	Transmission Service Loss Recoveries	-	-	-
9	Special and Accounting Adjustments	$ 0.479	-	(0.479)
10	Total	$ 170.873	$ 173.694	$ 2.821
11				
12	Gross Load (GWh)	3,813	3,773	(40)

FBC states that it is increasingly reliant on energy supplied by the BC Hydro PPA as it is generally more cost effective than the market during most of the year. However, FBC also requires wholesale market purchases to address supply gaps and reduce exposure to potentially extreme market prices beyond what can be supplied by the BC Hydro PPA.[60] FBC notes that the 2024 Forecast includes already executed fixed price contract purchases and forecast wholesale market purchases to cover energy requirements during winter months and capacity shortfalls in June and July 2024. However, FBC may still execute additional forward market contracts if it is economic to do so, which would decrease planned BC Hydro PPA purchases. FBC has also increased its energy nomination for the BC Hydro PPA to the maximum allowable amount over the 2023/2024 contract period for access to low-cost Tranche 1 PPA embedded cost energy, which FBC states has been economic compared to the wholesale market in recent years.[61]

FBC notes that any variances between forecast and actual power supply costs are recorded in the Flow-Through deferral account and returned to or recovered from customers in the subsequent year.[62]

Positions of the Parties

BCSEA accepts FBC's explanation regarding total power supply costs being driven mainly by forecast increases in PPE for 2024.[63] ICG supports FBC's PPE forecast for 2024.[64] RCIA and MoveUP did not provide submissions on this matter.

BCOAPO submits it is important to reconcile an "inconsistency" between FBC's increased reliance on market and contract purchases to offset BC Hydro PPA energy purchases in 2023 and FBC's finding that the BC Hydro PPA has been more economic than the wholesale market in recent years.[65] BCOAPO suggests that FBC's forecast 2024 PPE should be reduced by at least $2 million to incorporate greater potential saving from real-time opportunities to displace BC Hydro PPA purchases with lower cost market purchases. BCOAPO submits this is a "conservative yet fair" change as the overall savings would still be less than those actually realized to-date in

[59] Exhibit B-2, Table 4-3, p. 38.
[60] Exhibit B-2, pp. 37–38.
[61] Exhibit B-5, BCUC IR 9.1.
[62] Exhibit B-2, p. 34.
[63] BCSEA Final Argument, p. 2.
[64] ICG Final Argument, p. 2.
[65] BCOAPO Final Argument, p. 19.

2023 but would recognize what appears to be an ability by FBC to capitalize on such opportunities even when average market prices exceed the cost of BC Hydro PPA energy.[66]

The CEC recommends that the BCUC approve FBC's power purchase plans as applied for. However, if the BCUC agrees with the CEC that there could reasonably be additional residential load (as discussed in Section 2.1.1), then the BCUC should ask for a compliance filing from FBC to provide the optimal power purchase portfolio options to acquire the power if the demand arises as anticipated.[67]

In reply, FBC submits that BCOAPO's position is based on several misunderstandings of the evidentiary record and should be rejected. In FBC's view, it has reasonably forecast the amount of real-time opportunities available in 2024 and the existing market dynamics will make it extremely difficult to achieve more. FBC then clarifies and responds to each of BCOAPO's characterizations of the evidence in turn, concluding that its forecast PPE properly accounts for all potential savings and BCOAPO's submission that FBC's 2024 PPE should be reduced by at least $2 million in market savings should be rejected.[68]

In response to the CEC, FBC submits that while it views its proposed load forecast as reasonable, if the BCUC does direct a change to the load forecast, then FBC should also be directed to forecast the resulting change in power supply and costs due to the complex relationship between load and power supply.[69]

Panel Discussion

The Panel views FBC's 2024 PPE as reasonable for the purposes of calculating the forecast revenue requirement and for setting rates in 2024. As noted in Section 2.1.1, the Panel does not agree with the CEC's submissions on residential load and declines the CEC's request to direct FBC to provide a compliance filing in that regard. The Panel also is not clear as to the utility or outcome of the requested "optimal power purchase portfolio" as suggested by the CEC.

2.1.3 Electric Vehicle Direct Current Fast Charging Stations Carbon Credits

FBC is expecting an upward trend in its EV DCFC Station utilization for 2023 and 2024, as provided in Table 5 below.

Table 5: EV DCFC Forecast[70]

Line No.	Description	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Actual 2022	Projected 2023	Forecast 2024
1	RS 96 Charging Minutes							
2	50 kW	15,309	94,386	110,504	229,342	410,783	584,194	782,820
3	100 kW	-	-	-	16,539	54,933	111,234	149,053
4	Total (Minutes)	15,309	94,386	110,504	245,881	465,716	695,428	931,874
5								
6	RS 96 Revenue, excl. 15% fee ($ millions)	$ 0.004	$ 0.024	$ 0.028	$ 0.058	$ 0.116	$ 0.180	$ 0.241

66 BCOAPO Final Argument, p. 24.
67 CEC Final Argument, p. 21.
68 FBC Reply Argument, pp. 7–9.
69 FBC Reply Argument, p. 6.
70 Exhibit B-2, Table 3-4, p. 31.

FBC states, however, that consistent with the approach applied for its 2023 Annual Review, FBC is not forecasting any carbon credit revenues in 2024 due to uncertainty in the timing of carbon credit validation as well as market pricing.[71] FBC explains that 1,210 carbon credits (with an estimated value of $0.544 million based on the Q1 2023 average sales price) pertaining to the 2021 compliance period are currently pending validation by the BC Low Carbon Fuel Standard (LCFS), and are expected to be approved and monetized in 2023, in addition to 441 credits pertaining to the 2022 compliance period for which it submitted a compliance report in March 2023. However, the exact timing for validation of these credits is presently unknown, and FBC considers that, while the average market price data published by the LCFS provides a general indication of credit values for the short-term, this data is unlikely to be reliable for the purposes of long-term forecasting.[72] Additionally, given that FBC is approved to treat carbon credit revenue as flow-through, meaning that any carbon credit revenue in 2024 will be returned to customers in 2025, FBC states that its approach to not forecast carbon credit revenue at this time is reasonable.[73]

Positions of the Parties

The CEC is the only intervener to comment on this issue. It recommends that the BCUC direct FBC to:[74]

- Identify all carbon credits that it has developed through to 2023;
- File compliance reports with the BC Ministry of Finance; and
- Estimate carbon credits to be generated in 2024 and record them as other revenue, in the form of a compliance filing with the BCUC, so that rates can be adjusted for 2024.

The CEC submits that forecasting revenue for carbon credits in 2024 will reduce the 2024 forecast revenue deficiency and rates, and any revenue shortfall due to delays in validation could be captured in a deferral account or recorded as a receivable to provide better matching of the revenues and the costs expended to earn carbon credits. The CEC estimates that forecast revenues of $1 million would reduce FBC’s 2024 forecast revenue deficiency and proposed rates by 0.223 percent and 4.84 percent, respectively.[75]

In reply, FBC submits that the CEC’s suggested approach to forecast carbon credit revenues is not reasonable. FBC reiterates that it has not forecast any revenue from the sale of carbon credits for 2024 due to uncertainty in both the timing of credit validation and market pricing. In consideration of these uncertainties, FBC states that any forecast put forward for 2024 (or future years) would be “highly speculative.”[76] FBC does not explicitly respond to the CEC’s other two recommendations above.

Panel Determination

Based on FBC’s previous experience with the carbon credit validation process, the Panel accepts FBC’s submission that the timing of validation of carbon credits by the provincial authority is not certain. Therefore, the Panel finds FBC’s approach for dealing with the potential monetization of carbon credits to be reasonable given the uncertainty of the timing of the carbon credit approval process, which is not a matter that is within FBC’s control. The Panel notes that any carbon credit revenue that is received in 2024 will be returned to

[71] Exhibit B-2, p. 44.
[72] Exhibit B-5, BCUC IRs 10.1, 10.2, 10.3.
[73] Exhibit B-5, BCUC IR 10.2.
[74] CEC Final Argument, pp. 2, 23.
[75] CEC Final Argument, pp. 2, 23.
[76] FBC Reply Argument, pp. 9–11.

customers in 2025 on a flow-through basis. The Panel finds that it is not appropriate for the BCUC to direct FBC to make compliance filings with the BC Ministry of Finance as recommended by the CEC, nor does the BCUC have the authority to do so.

2.1.4 Contributions in Aid of Construction

In the MRP Decision, the BCUC directed FBC to file an updated forecast of the 2023 and 2024 regular capital expenditures in the 2023 Annual Review.[77] By Order G-382-22 in the 2023 Annual Review, the BCUC approved FBC's revised level of regular capital expenditures (including forecast growth, sustainment and other capital) to be incorporated in the rates for the years 2023 and 2024.[78] FBC subsequently applied for a reconsideration and variance to Order G-382-22 with respect to several matters, one of which included the 2023 rate base.[79] The BCUC issued Order G-87-23 in response to FBC's reconsideration application.[80]

While Orders G-382-22 and G-87-23 approved FBC's update to the 2023 and 2024 regular capital expenditures, they did not approve any specific amounts for CIAC which is deducted from gross regular capital expenditures to arrive at net regular capital expenditures.[81]

FBC forecasts CIAC to be $7.539 million for 2024, which compares to $11.628 million for Approved 2023.[82] FBC states that it adjusted the 2024 forecast CIAC downwards based on lower than forecast amounts reported in recent years and in consideration of FBC's expectations of third-party line move requests and customer growth in 2024.[83] FBC elaborated that while CIAC is not always directly proportional to the amount of growth capital expenditures, its reduced CIAC forecast for 2024 is consistent with the reduction in regular growth capital in 2024 Forecast/Approved compared to 2023 Approved.[84]

FBC notes that the cost of service impact of variances between the actual and approved CIAC amounts are shared with customers through the Earnings Sharing Mechanism.[85]

Positions of the Parties

BCOAPO submits that the CIAC included in the 2024 forecast should be $9.50 million, which represents the same percentage of growth capital spending as the amounts approved for 2023.[86] BCOAPO accepts that reductions in growth capital spending will generally lead to reductions in CIAC. However, BCOAPO notes that while the approved regular capital spending related to growth has decreased by roughly 18 percent in 2024, the forecast level of CIAC has decreased by roughly 35 percent. BCOAPO states that the significantly larger decrease in CIAC (versus growth capital) appears to be due to adjustments FBC has made to reflect recent actual amounts which were less than forecast. BCOAPO submits that such adjustments are inappropriate and inconsistent with the intent of the 2023 Annual Review Decision and the 2023 Reconsideration Decision.[87]

---

77 MRP Decision, p. 131.
78 FBC 2023 Annual Review of Rates, Decision and Order G-382-22, p. 18.
79 FBC Reconsideration and Variance of BCUC Order G-382-22, Exhibit B-1.
80 FBC Reconsideration and Variance of BCUC Order G-382-22, Decision and Order G-87-23, pp. 6–11.
81 Exhibit B-16, Undertaking #3, p. 1; Exhibit B-2, Table 7-1, p. 55.
82 Exhibit B-2, Table 7-1, p. 55.
83 Exhibit B-8, CEC IR 5.1.
84 Exhibit B-16, Undertaking #3, p. 1.
85 Exhibit B-8, CEC IR 5.1.
86 BCOAPO Final Argument, p. 33.
87 BCOAPO Final Argument, pp. 32–33.

The CEC accepts FBC's explanation that the decline in the CIAC is caused by an FBC expectation that fewer of the future projects will require CIAC contributions.[88]

In reply, FBC submits that BCOAPO's interpretation of Orders G-382-22 and G-87-23 is incorrect. FBC reiterates that while these orders approved FBC's update to the 2023 and 2024 regular capital expenditures, these approvals did not include CIAC. FBC states that notwithstanding that the 2024 CIAC has not been previously approved by the BCUC, FBC has reasonably and appropriately forecast its CIAC for 2024. Further, FBC reasonably reduced the 2024 Forecast of CIAC based on recent years' actual amounts.[89]

Panel Determination

In making a determination regarding the 2024 CIAC forecast, the Panel notes that BCOAPO is the only intervener to object to the forecast, while the CEC agrees with FBC's explanation for the decrease in CIAC from 2023. BCOAPO's objection appears to be premised on an expectation that there is a direct one to one correlation between growth capital spending and the amount of CIAC. FBC's experience is otherwise, based on recent years' actuals which have led FBC to reduce its 2024 CIAC forecast. The Panel considers it appropriate for FBC to reflect that experience in its 2024 forecast and to adjust that forecast downwards in consideration of its expectations of third-party line move requests and customer growth in 2024.

The Panel finds BCOAPO's proposal to increase FBC's 2024 CIAC from $7.539 million to $9.5 million to be unreasonable and arbitrary given FBC's evidence that CIAC is not always directly proportional to the amount of growth capital expenditures.

2.1.5 Amortization of the 2023 Revenue Deficiency Deferral Account

As discussed in Section 2.1, BCUC Order G-276-23 directed FBC to address the disposal of the 2023 Revenue Deficiency deferral account in the 2024 Annual Review.[90] In the Application, FBC outlines the various amortization periods it considered for the 2023 Revenue Deficiency deferral account. Table 6 summarizes the alternatives considered by FBC and the rate impacts.

Table 6: Amortization Alternatives for the 2023 Revenue Deficiency Deferral Account[91]

	Amortization Period				
	1 Year	2 Years	3 Years	4 Years	5 Years
Changes to Proposed 2024 Rate Increase (%)	0.97%	0.24%	0.00%	-0.12%	-0.19%
Proposed 2024 Rate Increase (%)	7.71%	6.98%	6.74%	6.62%	6.55%

FBC proposes to amortize the 2023 Revenue Deficiency deferral account over a three-year period, commencing in 2024. FBC considers that a three-year amortization period appropriately balances rate smoothing and the timely recovery of the deferral account balance, which were FBC's two key considerations.[92]

[88] CEC Final Argument, p. 27.
[89] FBC Reply Argument, pp. 13–14.
[90] 2023 Compliance Filing, Order G-276-23.
[91] Exhibit B-13, Extract of Table 7, p. 8.
[92] Exhibit B-13, pp. 7–8.

Positions of the Parties

MoveUP, ICG, BCSEA, and RCIA either support or do not object to FBC's proposal.[93] BCOAPO and the CEC did not provide submissions on this matter.

MoveUP submits that full immediate recovery of the deficiency in 2024 would "inflict avoidable pain" on ratepayers, while a substantially more prolonged recovery cannot be justified given that the proposed outcome is well within the usual ten percent notional threshold to constitute rate shock.[94] BCSEA opposes a longer amortization period for intergenerational equity considerations.[95] While ICG does not object to FBC's proposed three-year amortization period, ICG submits that the increase of 6.74 percent following rate increases of 11.8 percent over the preceding three years should be considered "rate shock."[96]

In reply, FBC notes "broad support" for its rate proposals, with no intervener taking issue with FBC's proposals to recover the full impact of the GCOC Stage 1 Decision on FBC's 2024 revenue requirements in 2024 rates, or FBC's proposal to amortize the balance in the 2023 Revenue Deficiency deferral account over three years beginning January 1, 2024.[97]

FBC argues that ICG cites no precedent or support for its position regarding rate shock, which in FBC's view, is inaccurate and misleading. FBC submits that its proposed rates are well below the threshold for rate shock, which is typically considered to be a rate increase of 10 percent or greater in a single year, not over three or four years. FBC further notes the cumulative effect of BC-CPI alone over the past three years has exceeded 10 percent, while FBC's annual rate increases have been below BC-CPI for four of the last six years.[98]

Panel Determination

As FBC notes, interveners generally do not take issue with the reasonableness of its 2024 forecast revenue requirement nor its recovery, notwithstanding concerns expressed by some regarding specific elements of the forecast. The Panel notes that the 2024 forecast revenue requirement includes deferral of a portion of the impact of the GCOC Stage 1 Decision in the 2023 Revenue Deficiency deferral account. In the normal course, FBC would have been entitled to the full recovery in 2024 rates of the forecast revenue requirement and the balance in the 2023 Revenue Deficiency deferral account. However, the Panel agrees with MoveUP's submission that full recovery of the GCOC Stage 1 Decision impact in 2024 would "inflict avoidable pain" on ratepayers while a substantially more prolonged recovery cannot be justified given that FBC's proposed outcome is well within the usual ten percent notional threshold to constitute rate shock. The Panel agrees with FBC's submission that the proposed 6.74 percent rates increase for 2024 is well below the threshold for rate shock, and disagrees with ICG's cumulative view of rate increases over several years as constituting rate shock in 2024.

The Panel notes that none of the interveners, including ICG, object to FBC's proposed three-year amortization period, which is supported by FBC's analysis of the impact on 2024 rates of amortization periods of one to five years for the 2023 Revenue Deficiency deferral account in accordance with Table 6 above. **The Panel approves a three-year amortization period commencing January 1, 2024, for the 2023 Revenue Deficiency deferral**

[93] MoveUP Final Argument, p. 3; ICG Final Argument, p. 3; BCSEA Final Argument, p. 1; RCIA Final Argument, p. 6.
[94] MoveUP Final Argument, p. 3.
[95] BCSEA Final Argument, p. 1.
[96] ICG Final Argument, p. 1.
[97] FBC Reply Argument, p. 3.
[98] FBC Reply Argument, p. 3.

account as proposed by FBC. The Panel is satisfied that FBC's proposed amortization period strikes an appropriate balance between rate smoothing and the need for timely recovery of costs to minimize any intergenerational inequity.

2.2 Other Approvals Sought

In addition to the approval sought regarding 2024 rates discussed in Sections 2.1 through 2.1.5 and 2.3, FBC seeks approval to establish the following rate base deferral accounts, some of which impact 2024 rates:[99]

1. 2025 Multi-year Rate Plan Application deferral account, with the amortization period to be determined in a future proceeding;
2. 2024 Mandatory Reliability Standards (MRS) Audit deferral account, with an amortization period of three years, commencing January 1, 2024;
3. Provincial Sales Tax (PST) Rebate on Select Machinery and Equipment deferral account, with an amortization period of one year, commencing January 1, 2024;
4. BC Cost of Living Credit deferral account, with an amortization period of one year, commencing January 1, 2024; and
5. Climate Change Operational Adaptation (CCOA) Plan deferral account, with an amortization period of four years, commencing January 1, 2024.

The Panel reviews these requests along with concerns expressed by interveners related thereto in Sections 2.2.1 through 2.2.6 below, including whether the carrying cost for these deferral accounts should be approved on an interim or permanent basis.

2.2.1 2025 Multi-Year Rate Plan Application Deferral Account

FBC is seeking approval of a rate base MRP Application deferral account to capture regulatory costs related to the development of its next rates plan after the end of the current MRP term in 2024. FBC explains that the proposed deferral account would include BCUC costs, participant funding costs, external legal fees, expert/consulting costs, notice publication costs, and miscellaneous facilities, stationery, and supplies costs. FBC forecasts costs of $0.350 million in 2023 and $1.200 million in 2024 to be recorded in the deferral account. FBC submits that it will propose an amortization period for the deferral account in a future rate-setting application.[100]

In the absence of a deferral account, FBC states that the costs of regulatory proceedings would have to be forecast as a non-formula O&M expense and trued up annually via the Flow-Through deferral account. However, FBC considers this alternative to be a more cumbersome and less efficient means of accounting for MRP Application regulatory proceeding costs compared to its proposed approach.[101]

[99] Exhibit B-13, Appendix B, p. 2.
[100] Exhibit B-2, p. 69.
[101] Exhibit B-2, pp. 62–63.

Positions of the Parties

BCOAPO has no issues with FBC's request for the 2025 MRP Application deferral account.[102] RCIA and the CEC generally support the MRP Application deferral account but have varying submissions on the form of such a deferral account.[103] MoveUP, BCSEA, and ICG did not provide submissions on this matter.

RCIA is not opposed to a deferral account to address the 2025 MRP costs. However, RCIA submits the introduction of deferral accounts to deal with individual proceedings may result in a multitude of deferral accounts in some years and few in others. RCIA recommends FBC be directed to consider the use of a single, generic, regulatory hearing deferral account to deal with costs applicable to proceedings. RCIA states that FBC should be aware of the major regulatory proceedings it will be involved with in any given year and should be able to develop a reasonable forecast based on prior proceedings for the purpose of initial rate recovery. RCIA states that the use of a single account should simplify oversight and still allow for the recovery/rebate of net differences over an annual or longer period.[104]

The CEC agrees with FBC that the new MRP costs should be deferred into a deferral account and recommends that the BCUC approve the creation of the proposed account. However, the CEC submits that the BCUC can, and should, determine the amortization period at the time of creating the account. In the CEC's submission, this should be determined as being distributed over the term of the MRP to match costs to benefits.[105]

In reply to RCIA, FBC submits that the current approach to establish of separate deferral accounts for regulatory hearings is transparent and facilitates regulatory oversight by identifying each regulatory proceeding and deferral account for review by the BCUC. FBC is concerned that the approach proposed by RCIA would reduce the flexibility of managing rate impacts related to regulatory proceeding costs.[106]

In reply to the CEC, FBC submits that proposing an amortization period when applying to set 2025 rates is reasonable as the purpose of the deferral account is to capture costs related to the 2025 MRP filing. FBC states that the amortization period of the deferral account will likely be based on the term of the next MRP, but since the term of the next MRP will ultimately be determined by the BCUC, it is appropriate that the amortization period be determined by the BCUC panel considering that application.[107]

Panel Determinations

The Panel approves the 2025 MRP Application deferral account, with the amortization period to be determined in a future proceeding as proposed by FBC. The Panel is not persuaded by RCIA's submission that a single, generic, regulatory hearing deferral account would result in the stated benefit of simplifying oversight. The Panel has seen no evidence in this proceeding to suggest that FBC's proposed handling of these costs via the 2025 MRP Application deferral account would not be efficient. The Panel notes that each regulatory proceeding has differing regulatory costs that are tied to different periods for purposes of amortization, and as such the Panel is not convinced that trying to track each proceeding's costs in one account would simplify or expedite the administration or BCUC review of the costs captured in that account.

[102] BCOAPO Final Argument, p. 37.
[103] RCIA Final Argument, pp. 7–8; CEC Final Argument, p. 3.
[104] RCIA Final Argument, pp. 7–8.
[105] CEC Final Argument, p. 3.
[106] FBC Reply Argument, p. 18.
[107] FBC Reply Argument, pp. 15–16.

The Panel disagrees with the CEC's submission that the amortization period should be determined at the time of creation of the deferral account. The Panel views that the amortization period of this deferral account is more appropriately determined at a later date when FBC's next rates application is filed with the BCUC and the form and term of that application is known. Until that application is filed, and the magnitude of the costs accumulated in the deferral account along with the term of the next MRP and the proposed rates for that term are known, it would be premature for this Panel to determine the period over which these costs would be appropriately amortized. Therefore, the Panel defers the determination of the amortization period of the deferral account to a later date and to a future proceeding and panel.

2.2.2 2024 Mandatory Reliability Standards Audit Deferral Account

FBC requests approval to establish a rate base deferral account to capture the eligible incremental labour, consulting and miscellaneous expenses directly arising from FBC's triennial MRS compliance audit, which is scheduled to occur in 2024. Based on previous audits, FBC forecasts expenses of $0.375 million (before taxes) for the 2024 audit.[108] FBC proposes that the 2024 MRS Reliability Standards Audit deferral account be amortized over a three-year period, beginning January 1, 2024 to match the period of three years until the next scheduled MRS audit.

FBC states that in the absence of a deferral account to capture MRS audit related costs, these costs would have to be forecast as an O&M expense outside of the MRP index-based O&M and trued-up annually by way of a Flow-Through deferral account, which is inefficient as opposed to capturing costs in a single deferral account.[109]

Positions of the Parties

No interveners explicitly commented on this issue in final arguments.

Panel Determination

The Panel approves the establishment of a 2024 MRS Audit deferral account, with an amortization period of three years, commencing January 1, 2024 as proposed by FBC. The Panel acknowledges that the timing and magnitude of MRS costs are not entirely predictable, nor entirely within the control of FBC. However, the Panel notes that the 2024 MRS audit will be the fifth audit since the introduction of the MRS audit process in 2012, and since these costs are now recurring in nature, it is timely for FBC to now review its forecasting methodology for MRS costs. Accordingly, we encourage FBC to consider whether flow-through treatment of these costs continues to be appropriate as part of its next rates application.

2.2.3 PST Rebate on Select Machinery and Equipment Deferral Account

FBC explains that the BC PST Rebate on Select Machinery and Equipment is a provincial government program to help corporations recover from the financial impacts of the COVID-19 pandemic, where eligible businesses could receive a rebate for the PST paid on purchases of specified equipment and software during the qualifying period between September 17, 2020 and March 31, 2022.[110]

---

[108] Exhibit B-2, p. 69.
[109] Exhibit B-2, pp. 62–63.
[110] Exhibit B-2, p. 69.

FBC requests approval to establish a rate base deferral account to capture the PST Rebates on Select Machinery and Equipment it received from the Province of BC. To date, FBC has received \$0.029 million in rebates and expects additional rebates of approximately \$0.562 million to be received by December 31, 2023.[111] FBC states that the use of a deferral account is more transparent because it allows the BCUC and interveners to see the total amount of PST rebates received and flowed back through rates as the amortization of the rebate is reflected as a standalone amount.[112]

FBC proposes to amortize these rebates to customers over a one-year period beginning January 1, 2024, which matches the approximate qualifying period of eligible PST paid on purchases.[113] FBC states that a one-year amortization period ensures the return of the PST rebates back to customers in a timely and transparent manner.[114]

In the absence of a deferral account, FBC states that the rebate would be recorded as an offset in the applicable accounts where the original PST costs were recorded (i.e. O&M or capital). FBC considers this to be a less transparent way of recording the rebates as it is the cost of service impacts of the amounts credited to capital that would be returned to customers over a longer timeframe, rather than the rebate amount itself over one year as proposed using the deferral account approach.[115] FBC states that if the proposed PST rebate deferral account is not approved, the 2024 forecast revenue requirement will increase by approximately \$0.609 million.[116]

Positions of the Parties

The CEC is the sole intervener to oppose FBC's proposed PST Rebate on Select Machinery and Equipment deferral account and the one-year amortization period.[117]

The CEC recommends that the BCUC deny the PST Rebate deferral account as proposed by FBC and direct FBC to record the rebates as other revenue in 2023. The CEC submits that at the time of filing for the rebate, the anticipation of revenue is sufficient to record it as other revenue and to record the anticipated receivable. The CEC submits that for simplicity the rebates can be treated as other revenue regardless of whether they are associated with capital or O&M expenditures. The CEC submits that its proposed process would be administratively simple and would get the benefits to customers via rates at the earliest opportunity. The CEC contends that the BCUC can direct the treatment of the PST rebates and need not accept the FBC's stated treatment if the deferral account is not approved.[118]

In reply, FBC states that its proposal to return the rebates to customers in 2024 provides the benefits to customers as soon as possible. FBC notes that 2023 rates have already been approved as permanent pursuant to Order G-276-23 and, therefore, it is not possible to flow the PST rebates to customers in 2023 as the CEC proposes. FBC notes that even if it were directed to record these amounts in 2023 Projected other revenue, the

[111] Exhibit B-2, pp. 69–70.
[112] Exhibit B-5, BCUC IR 15.2.
[113] Exhibit B-2, pp. 69–70.
[114] Exhibit B-5, BCUC IR 15.7.
[115] Exhibit B-2, pp. 62–63; Exhibit B-6, BCUC IR 15.2.
[116] Exhibit B-5, BCUC IR 15.13.
[117] BCOAPO Final Argument, p. 38.
[118] CEC Final Argument, pp. 3, 29–30.

rebates would be captured in the Flow-Through deferral account and amortized in 2024, which is no different in effect than FBC's proposal.[119]

Panel Determination

The Panel approves the establishment of the PST Rebate on Select Machinery and Equipment deferral account, with an amortization period of one year, commencing January 1, 2024, as proposed by FBC. The Panel disagrees with the CEC's proposal and the suggested impact of that proposal. In the Panel's view, FBC's proposal would provide the most timely return of these amounts to ratepayers, namely, in 2024.

2.2.4 BC Cost of Living Deferral Account

On November 18, 2022, the Province of BC issued Order in Council 571/2022 for a one-time cost-of-living credit to all eligible residential and commercial electricity customers through a BC Hydro bill credit, including those who receive their electricity service from FBC or a municipal utility.[120]

FBC states that it received funds through BC Hydro for applying the credits to all eligible residential electricity customers in the amount of a one-time $100 cost-of-living credit and to all eligible commercial electricity customers as a one-time bill credit calculated based on their prior year electricity consumption. FBC received a total of $23.816 million and, as of June 10, 2023, has applied $23.309 million of credits to eligible customers, resulting in residual credits of $0.507 million.[121]

FBC has committed to provide credits to eligible customers upon request. At the same time, FBC has requested and received confirmation from the Ministry of Energy, Mines and Low Carbon Innovation that there is no expectation or requirement for FBC to return any residual credits to either BC Hydro or the Province of BC.[122]

In connection with the residual credits, FBC is seeking approval of a rate base BC Cost of Living Credit deferral account, with amortization over a one-year period commencing January 1, 2024.[123] This deferral account would allow FBC to provide the remaining cost of living credits to customers through 2024 rates. Should further bill credits be issued to eligible customers in 2023 or 2024, FBC states that it will record these issued in the deferral account and if there is any remaining balance (credit or debit) at the end of 2024, FBC will amortize the remaining balance into rates in the subsequent year (i.e. 2025).[124]

FBC states that in the absence of the BC Cost of Living Credit deferral account, the residual credit would remain in an FBC liability account until the end of 2023, and then the balance would be transferred to income. FBC would then seek approval for the inclusion of that income as part of the rate-setting proceeding for 2025 rates, which would mean further delaying the return of the credits to customers by one year.[125]

[119] FBC Reply Argument, p. 16.
[120] Exhibit B-2, p. 70.
[121] Exhibit B-2, p. 70.
[122] Exhibit B-2, p. 70.
[123] Exhibit B-2, p. 2.
[124] Exhibit B-2, pp. 70–71.
[125] Exhibit B-5, BCUC IR 16.4.

Positions of the Parties

ICG supports FBC's proposal and notes that it is similar to the treatment of the COVID-19 Customer Recovery Fund Deferral Account.[126] BCOAPO discusses the deferral account but does not opine on the approval sought.[127] MoveUP, BCSEA, and RCIA did not provide submissions on this matter.

The CEC recommends that the BCUC deny the proposed Cost of Living Credit Deferral account and instead direct FBC to return these funds to customers immediately as other revenue. The CEC states that, to the extent that FBC has customers eligible for a credit, these transactions could be charged to other revenue. The CEC states that this will allow funds to be returned to customers at the earliest possible time, consistent with the intent of the credit. The CEC states that, if the deferral account is not approved, the BCUC need not accept the FBC's proposed treatment and can instead keep the process as straightforward and simple as possible.[128]

In reply, FBC notes that 2023 rates have already been approved as permanent pursuant to Order G-276-23 and, therefore, it is not possible to flow the residual balance of the cost-of-living credit to customers in 2023 as proposed by the CEC. FBC notes that if it were directed to record these amounts in 2023 Projected other revenue, the rebates would be captured in the Flow-Through deferral account and amortized in 2024, which is no different in effect than FBC's proposal.[129]

Panel Determination

The Panel approves the establishment of the BC Cost of Living Credit deferral account, with an amortization period of one year, commencing January 1, 2024, as proposed by FBC. The Panel notes that with the exception of the CEC, all of the interveners either support the proposed treatment of the residual BC Cost of Living Credit or do not comment on it. Given the evidence provided by FBC in this proceeding, it is not clear how the CEC's recommendation would result in a more timely return of the credit to customers. The Panel agrees that FBC's proposed approach ensures the timeliest return of the credit back to customers.

2.2.5 Climate Change Operational Adaptation Plan Deferral Account

FBC is seeking approval of a rate base CCOA Plan deferral account, with amortization over four years commencing January 1, 2024.[130] FBC submits that the CCOA Plan deferral account would capture costs related to the development of a CCOA Plan that aims to create a roadmap for adaptation and address risks associated with five hazards: wildfires, flooding, extreme temperatures, snowstorms and windstorms.[131]

FBC explains that the CCOA Plan is the first step in FBC's "Roadmap on Climate Change Adaptation" which will cover the years 2023 to 2027.[132] FBC expects costs related to the CCOA Plan of approximately $0.225 million in 2023 and $0.192 million in 2024, which are primarily related to external resources (i.e. consultant costs) to develop the roadmap.[133] FBC proposes to recover the costs of the CCOA Plan over the period of time required to develop the plan and subsequent business cases as outlined in the 2021 Long-Term Electric Resource Plan (i.e.

126 ICG Final argument, p. 4.
127 BCOAPO Final Argument, pp. 38–39.
128 CEC Final Argument, p. 3.
129 FBC Reply Argument, p. 16.
130 Exhibit B-2, p. 2.
131 Exhibit B-2, pp. 60–70.
132 Exhibit B-5, BCUC IR 17.3.
133 Exhibit B-2, pp. 60–70; Exhibit B-5, BCUC IR 17.2.

four years).[134] Table 7 outlines the timeline and activities that are included in FBC's roadmap on climate change adaptation, including the CCOA Plan.

Table 7: Timeline and Activities for Climate Change Adaption[135]

Year	2022	2023	2024	2025+
Initiative	Roadmap on Climate Change Adaptation	Climate Change Operational Adaptation (CCOA) Plan:		CCOA Plan for Specific Assets
Funding	Formula O&M	CCOA Plan Deferral Account		TBD
Description of activities included in the initiative.	**The roadmap lays out high level activities and steps for the 2023-2027 timeframe:** The roadmap provides the overall structure and approach for climate change adaptation. The first step identified in the roadmap is the CCOA Plan.	**Climate Change Risk Assessment (CCRA):** FBC is currently working with a consultant to complete the CCRA. The CCRA will define and assess what risks climate change will have on FBC's assets.	**Application of CCRA Results to FBC Assets:** FBC will apply the results of the CCRA by identifying specific vulnerable assets and determining project alternatives. FBC expects hazards for some assets may require further detailed studies before being ready for project alternatives.	**Develop mitigatory and adaptive measures for affected assets:** With the results applied to FBC's assets, FBC can develop plans to mitigate and adapt to increased risk due to changing climate effects. These mitigations and adaptations could include but are not limited to modification of design standards, design criteria, material specifications, system hardening or asset replacement. Where required, FBC will complete further detailed studies for hazards before developing specific mitigations and adaptations.

Positions of the Parties

Interveners generally support the CCOA Plan deferral account but have varying submissions on the particulars of such a deferral account.

MoveUP submits that FBC's proposed move toward implementation of this emerging theme in utility resource planning is measured and appropriate. MoveUP supports approval of the CCOA Plan deferral account as proposed by FBC as a good investment in system reliability and security.[136]

BCSEA agrees that the costs related to the CCOA Plan should be recorded in the proposed deferral account, specifically the external resources to develop the roadmap for climate change adaptation, which were not included as part of the index-based formula O&M set out in the MRP. BCSEA supports approval of the CCOA Plan deferral account and amortization over four years as proposed by FBC.[137]

While RCIA does not object to the use of a CCOA Plan deferral account in 2024, it submits any such costs should be treated as part of forecast costs beyond 2024 rather than be subject to continued deferral account treatment. RCIA states that while these costs are extraordinary in relation to the 2020 to 2024 forecast, they are now a known variable which FBC should reasonably be able to forecast for 2025 and beyond.[138]

Similarly, BCAOPO does not object to approval of the CCOA Plan deferral account based on its understanding that the proposed deferral account is meant to capture only external costs related to implementing any of the actions identified. However, BCOAPO submits that the BCUC should direct FBC to provide explanations as part of its 2025 rates application regarding (i) the external resources used/contracted to date, (ii) the tasks they have/will undertake, and (iii) how these tasks contribute to the overall development of the CCOA Plan. BCOAPO

[134] Exhibit B-2, pp. 60–70.
[135] Exhibit B-5, BCUC IR 17.3.
[136] MoveUP Final Argument, p. 4.
[137] BCSEA Final Argument, pp. 3–4.
[138] RCIA Final Argument, p. 8.

submits that the BCUC should also direct FBC to provide an updated forecast of the planned spending for 2023 and 2024 as part of its 2025 rates application, and any adjustments to the forecast annual amortization amounts for 2025 to 2027.[139]

The CEC recommends that the BCUC approve the creation of a CCOA plan deferral account as proposed by FBC. However, the CEC recommends that the BCUC deny the proposed four-year amortization period and instead approve a ten-year amortization period to match the proposed benefits of such a plan. In the CEC's view, the benefits of such a plan should not be limited to four years as it is likely that the plan will be subject to continuous updating in the future, which should be incorporated into FBC's O&M annually.[140]

In reply, FBC submits that RCIA's proposal is based on a misapprehension of FBC's request with respect to this deferral account, as FBC is not proposing to capture costs beyond 2024 in this account. FBC further states that updates on the progress of the CCOA Plan, details on the balance of the CCOA Plan deferral account, and additional funding requests beyond 2024 will be addressed in FBC's upcoming MRP application. FBC states that whether costs associated with the CCOA Plan beyond 2025 will be included in FBC's forecast over the plan period or be subject to some other treatment should be determined by the BCUC panel considering FBC's upcoming MRP application.[141]

FBC is not opposed to providing the information identified by BCOAPO and notes that it has committed to providing updates on the progress of the CCOA Plan (including the climate change risk assessment) and details regarding the balance of the CCOA Plan deferral account.[142]

FBC submits that the CEC's request should be rejected as a ten-year amortization period for the CCOA Plan deferral account would result in an overly lengthy amortization of these costs. FBC states that its proposed four-year amortization period aligns with the CCOA Plan timeline and more closely aligns the amortization of costs with the time required to develop the CCOA Plan and subsequent business cases. FBC notes that while subsequent CCOA Plan business cases will provide benefits beyond the four-year amortization period, a longer amortization period will also increase associated carrying costs and would lead to intergenerational inequity as the costs captured in this deferral account will only be incurred in 2023 and 2024.[143]

Panel Determination

The Panel approves the establishment of the CCOA Plan deferral account, with an amortization period of four years, commencing January 1, 2024, as proposed by FBC.

The Panel views that the forecast costs related to the development of the CCOA Plan for 2023 and 2024 are appropriately accounted for in this deferral account as they are costs that FBC is reasonably incurring in those years to address the five identified hazards (wildfires, flooding, extreme temperatures, snowstorms and windstorms) that FBC is already facing due to climate change. The Panel agrees that a deferral account is appropriate as these costs were not contemplated at the time of the MRP and are not included in formula nor forecast O&M, but they are reasonable for FBC to recover from ratepayers.

[139] BCOAPO Final Argument, p. 40.
[140] CEC Final Argument, pp. 3, 31.
[141] FBC Reply Argument, pp. 16–17.
[142] FBC Reply Argument, p. 18.
[143] FBC Reply Argument, p. 17.

The Panel notes that any costs beyond 2024 (i.e. 2025 and beyond) associated with the execution or implementation of the CCOA Plan should not be included in this deferral account, but rather are subject to review and approval as part of the next rates application. The Panel would strongly encourage FBC to integrate its CCOA Plan into its next rates application or multi-year plan to address the expectations of stakeholders and rate payers in the ongoing energy transition and climate change mitigation initiatives in BC.

The Panel finds a four-year amortization period commencing on January 1, 2024, to be appropriate for the CCOA Plan deferral account as it ties the costs incurred in 2023 and 2024 to the period of time required to develop the plan and subsequent business cases. The Panel appreciates FBC's willingness to provide the information identified by BCOAPO with regards to its CCOA Plan going forward, which will be helpful in tracking FBC's progress in relation to addressing climate change adaption.

2.2.6 Approval of Deferral Account Carrying Costs on Interim or Permanent Basis

Order G-205-21 issued on July 7, 2021, as part of the GCOC Stage 1 proceeding determined that the review of deferral account financing costs would be within the scope of the GCOC proceeding and would proceed after the completion of Stage 1 and Stage 2.[144] As noted in Section 2.2 and through Sections 2.2.1 through 2.2.5, FBC is seeking to establish five new rate base deferral accounts in 2024.

FBC explains that rate base deferral accounts are included in rate base and are therefore implicitly financed using WACC. If FBC were to propose costs be recorded in a non-rate base deferral account, it would request that the accounts be financed with a WACC return as this is the rate at which they are financed by the utility. Therefore, FBC states there would be no difference in the proposed financing costs between a rate base and non-rate base deferral account.[145]

Positions of the Parties

ICG is the only intervener to make submissions on this issue. ICG submits that any decision regarding the financing costs of the five deferral accounts being sought in this Application should be interim pending the review of deferral account financing costs as contemplated by Order G-205-21.[146]

In reply, FBC submits that ICG's proposal is without merit and would lead to "unacceptable knock-on effects." FBC notes that setting financing costs on an interim basis would prevent the setting of rates on a permanent basis until the BCUC has completed a review of these costs after the completion of Stage 2 of the GCOC proceeding. In FBC's view, setting rates on an interim basis during the intervening (and indeterminate) period is not justified, noting that Stage 2 of the GCOC proceeding does not yet have an established regulatory timetable.[147]

Panel Determination

The Panel disagrees with ICG's submission on this matter. The Panel notes that ICG's proposal would result in interim approval of these deferral account financing costs as well as 2024 rates until after the conclusion of the GCOC Stage 2 proceeding, the timing of which is unknown at this time and could be well after the end of 2024.

[144] BC Utilities Commission Generic Cost of Capital Stage 1 proceeding, Order G-205-21, Appendix A, p. 3.
[145] Exhibit B-6, BCOAPO IR 29.1.
[146] ICG Final Argument, p. 4.
[147] FBC Reply argument, p. 19.

The Panel further notes such an interim approval in this proceeding would not be reasonable as this could result in implications for all utilities in BC. Given the lack of input from all parties that could be affected by granting interim approval for deferral account financing costs in this proceeding pending the BCUC's review of deferral account financing costs as suggested by ICG, the Panel declines to make such a determination.

2.3 Overall Determination on 2024 Rates

Based on the findings and determinations on the components of the forecast revenue requirement set out above, the Panel finds FBC's forecast revenue requirement is reasonable for setting 2024 rates**. Therefore, the Panel approves FBC to increase rates for 2024 by 6.74 percent on a permanent basis, effective January 1, 2024. The Panel directs FBC to file updated tariff pages within 30 days of the issuance of this decision, reflecting the 2024 approved 6.74 percent rates increase on a permanent basis.**

3.0 Other Issues Arising

3.1 Service Quality Indicators – All Injury Frequency Rate

The All Injury Frequency Rate (AIFR) is an employee safety performance indicator based on injuries per 200,000 hours worked. Under the MRP, FBC's AIFR performance (benchmark and threshold) is measured based on the three-year rolling average of the annual results.[148] Table 8 below summarizes FBC's historical annual and three-year rolling average AIFR results.

Table 8: FBC AIFR Results 2014 to June 2023 YTD[149]

Description	2014	2015	2016	2017	2018	2019	2020	2021	2022	June 2023 YTD
Annual Results	3.21	1.54	1.15	1.13	1.56	0.46	0.66	0.89	2.60	2.54
Three year rolling average	2.58	2.52	1.97	1.27	1.28	1.06	0.87	0.67	1.42	1.76
Benchmark	1.64									
Threshold	2.39									

During the proceeding, FBC observed a further decline in three-year rolling average AIFR results with an August 2023-year-to-date value of 1.98.[150] FBC explains that the decline in AIFR performance in 2022 and 2023 was primarily as a result of: (i) winter conditions that led to a notable spike in slips, trips, and falls resulting in more serious injuries; and (ii) minor preventable injuries, predominately those sustained while performing activities involving repetitive work and/or awkward positioning.[151]

In response to these safety incidents, FBC states that it issued an immediate safety alert to all field employees, which was also reviewed at all safety meetings regarding winter conditions, and provided access to traction aids.[152] With respect to the repetitive work and awkward positioning injuries, FBC engaged its Ergonomist and Injury Prevention Specialist to provide more education and treatment to employees and hired an Injury Management Specialist to provide proactive educational sessions, as well as customized Recover at Work plans

148 Exhibit B-2, p. 123.
149 Exhibit B-2, Table 13-3, p. 124.
150 Exhibit B-14, Slide 40.
151 Exhibit B-2, p. 124.
152 Exhibit B-2, p. 124.

for employees. FBC state that it has also implemented customized ergonomics courses for some of the higher risk areas.[153] FBC continues to engage WorkSafeBC to enhance its existing programs and support safe Recover at Work plans. FBC considers the events behind the recent AIFR results to be anomalies, and not a lapse in critical processes.[154]

During the Workshop, it was noted that AIFR reflects the frequency of injuries, but it is also important to consider the severity of injuries.[155] FBC responded, outlining that the break-down of recordable injuries from January 2022 to YTD 2023 by incident type as follows: eight lacerations, eleven sprain/strain/tears, one fracture, and one mental health incident.[156]

Positions of the Parties

BCOAPO and the CEC are the only interveners to provide submissions on this matter.

While BCOAPO acknowledges that the AIFR SQI result is well above the threshold, it remains concerned with the historical decline in AIFR performance.[157]

The CEC notes that while there is some room for improvement, FBC is not seriously or materially under-performing.[158]

In reply, FBC notes BCOAPO's concern but submits that it has since responded reasonably to higher AIFR results by developing robust safety solutions and improvements to minimize future safety incidents.[159]

Panel Discussion

The Panel notes BCOAPO's acknowledgment that the AIFR SQI result is well above the threshold and the CEC's comment that FBC is not seriously or materially under-performing, as well as the steps FBC took as a result of a notable spike in incidents that led to injuries last winter. The Panel further notes BCOAPO's concern about the historical decline in AIFR performance and the CEC's acknowledgment that there is some room for improvement. As safety is and should continue to be a primary concern for all utilities, we encourage FBC to continue to dedicate resources to address the below historical performance in recent AIFR results.

3.2 Other Matters

Some Interveners raised other matters in this proceeding which include the following:

- BCOAPO made various comments on whether rates under FBC's Rate Schedule (RS) 96 for EV DCFC Service should remain unchanged.[160]
- RCIA recommends, going forward and in relation to all utilities, that the BCUC should ensure any large capital projects brought forward for approval clearly identify any staged completion or division of the project at the time the project is brought forward. to provide greater discipline and transparency in the

[153] Exhibit B-2, p. 124.
[154] Exhibit B-5, BCUC IR 23.1.
[155] Workshop Transcript Volume 1 Revised, pp. 69–70.
[156] Exhibit B-10, MoveUP IR 2.1.
[157] BCOAPO Final Argument, pp. 47–48.
[158] CEC Final Argument, pp. 37–38.
[159] FBC Reply Argument, pp. 20–22.
[160] BCOAPO Final Argument, p. 59.

project description, scope, and management, as well as to allow for a better understanding of costs and their timing.[161]

In reply, FBC submits:

- BCOAPO's comments on RS 96 are not within the scope of this proceeding and confirms that FBC is making no proposals with respect to RS 96 in this proceeding.[162]
- RCIA's recommendation is "without merit and should be rejected" for the following reasons: (i) FBC did indicate in its Certificate of Public Convenience and Necessity (CPCN) applications for the Kelowna Bulk Transformer Additions and Corra Linn projects that the projects would be placed into service in phases; (ii) if a project has distinct components that enter service and become used and useful at different times, then each component should enter rate base accordingly; and (iii) FBC's approach to including major project capital additions in rate base is consistent with approved regulatory accounting treatment and is consistent with FBC's longstanding treatment of major project capital.[163]

Panel Discussion

The Panel agrees with FBC's observation that BCOAPO's submissions on RS 96 are out of scope for the 2024 Annual Review and that FBC is not seeking any changes to that rate schedule as part of this proceeding. The Panel notes that the inclusion of out of scope submissions in final argument based on new and untested evidence is not helpful and unfortunately contributes to regulatory inefficiency. It requires all parties to the proceeding to incur time and costs to review and address these submissions, which ultimately have no bearing on or relevance to the current proceeding or its outcome. The Panel encourages all participants in BCUC proceedings to be mindful of the need to promote regulatory efficiency when and wherever possible and to minimize regulatory costs for the benefit of ratepayers.

Similarly, the Panel finds RCIA's submission on the treatment of capital projects extends beyond the scope of this Annual Review. If adopted, RCIA's recommendations, made as part of its final argument, would affect all utilities in BC, which have had no opportunity to comment on these recommendations in this proceeding. The Panel further notes that the staged completion of large capital projects and the inclusion of these completed segments to rate base are common industry practice. The standard test for utility assets to enter rate base is whether they are used and useful and whether the related costs are prudently incurred. The review and application of these criteria are typically left to the panels appointed to each specific proceeding dealing with such matters. The Panel invites RCIA to pursue such a line of questioning in each CPCN proceeding where such a staged completion of capital projects may be present.

3.3 Future FBC Rate Application Considerations

As discussed in Section 1.1 of this decision, 2024 is the last year in the current MRP term. This section outlines various comments made by interveners regarding FBC's future rate applications.

[161] RCIA Final Argument, p. 7.
[162] FBC Reply Argument, p. 20.
[163] FBC Reply Argument, pp. 14–15.

Positions of the Parties

MoveUP states that as the present MRP is approaching its end, a new framework is needed that focuses on facilitating a successful energy transformation. MoveUP states it will be looking for a rate plan that finds "creative and farsighted solutions to the complex future that is in store" for FBC.[164]

BCSEA hopes that the next MRP will retain the benefits of the Annual Review process (e.g. offering an open forum for evaluation of FBC's revenue requirement and rate impact each year, allowing for the examination of the level of actual versus forecast variances in components of FBC's revenue requirements, and offering continued reporting on SQIs), while alleviating any unnecessary burden and associated costs incurred by FBC.[165]

ICG submits that FBC should be directed to consider alternatives to an MRP in its next rates application. ICG submits that FBC should also be directed to file a full cost of service application with its next rates application so that the rate differential between FBC and BC Hydro can be fully examined and considered in FBC's next rates proceeding. ICG submits that the BCUC should review a full cost of service application with the next rates application as well as other alternatives designed to avoid ongoing rate shock.[166]

The CEC submits that the BCUC should direct FBC to file or address the following in its next rates application:

- to develop a plan for being able to generate reasonable returns on the capital invested in apparatus and facilities rentals;[167]
- to provide a review of all of the potential initiatives FBC could take to preserve the reductions in Pension/ Other Post-Employment Benefits (OPEB) costs if and when the recent interest rate increases subside;[168] and
- to provide a summary of the risks it is insuring for and the projects FBC is undertaking to reduce these risks and the efforts it has undertaken in its 2024 to 2025 insurance contract negotiations to mitigate increasing insurance costs.[169]

In reply to ICG, FBC submits that ICG's request is without any foundation and should be rejected for the following reasons: (i) there is no logical connection between the rate differential between FBC and BC Hydro and whether FBC is under an MRP or cost of service; (ii) there is no compelling reason why the rate differential needs to be examined, nor is there any reason to expect that FBC's customers would benefit from such an examination; and (iii) even if the effort to examine the rate differential were warranted, there is no reason why a cost of service approach is required to conduct such an analysis.[170]

FBC replies to the CEC's submissions as follows:

- FBC considers that the CEC's recommended direction for apparatus and facilities rentals is unnecessary for the following reasons: (i) the CEC did not explore this topic in IRs or at the Workshop; (ii) FBC always seeks to generate benefits for customers through ancillary sources of revenue, such as apparatus and

[164] MoveUP Final Argument, pp. 5–6.
[165] BCSEA Final Argument, p. 5.
[166] ICG Final Argument, pp. 3–4.
[167] CEC Final Argument, pp. 2, 23.
[168] CEC Final Argument, p. 2.
[169] CEC Final Argument, p. 2.
[170] FBC Reply Argument, p. 4.

facilities rentals; and (iii) FBC has reasonably forecast its 2024 apparatus and facilities rentals revenue based on contracts with third parties.[171]

- FBC contests that the CEC's recommendation for Pension/OPEB costs is "not reasonable and has no foundation" for the following reasons: (i) the CEC did not explore this topic in IRs or at the Workshop; (ii) the CEC has not provided any basis to conclude that there are potential initiatives to preserve reductions in Pension/OPEB costs; and (iii) Pension/OPEB costs are captured in the Pension and OPEB Variance deferral account because they are not within the control of the utility. [172]
- Similarly, the CEC's recommendation for insurance costs is "unnecessary and unreasonable" because: (i) the CEC did not explore this topic in IRs or at the Workshop; (ii) FBC's insurance-related costs are insurance premium expenses allocated to FBC by Fortis Inc. as part of its property and casualty insurance program; and (iii) FBC's insurance costs are subject to flow-through treatment because they address risks that are generally outside of FBC's control. FBC also states that the CEC appears to be re-framing something that should have been an IR during the proceeding as a recommendation in final argument without supporting evidence.[173]

Panel Discussion

Having reviewed all of the parties' submissions in respect of FBC's next rates application, the Panel declines some interveners' invitation for the Panel to direct FBC to adopt specific proposals as part of its next rates application. However, we offer the following observations for FBC's consideration:

- Ultimately, the form of the next rates application will be up to FBC to determine in consultation with its stakeholders. There is no need for the Panel to be prescriptive in directing either a multi-year rate plan or a cost of service filing, nor does it have a preference in that regard.
- Should FBC's next rate application be a multi-year rate plan, however, the Panel strongly urges FBC to consider new mechanisms within the framework that will specifically address the effects of the ongoing energy transition and climate change adaptation. As noted earlier, the Panel reiterates the importance for the next multi-year rate plan to be responsive to the changing needs and expectations of stakeholders and ratepayers in the ongoing energy transition and efforts at climate change adaptation in BC. As FBC's CCOA Plan is already under development, the Panel expects that FBC will incorporate components of that plan into the various elements of FBC's next multi-year rate plan including its incentive provisions to the greatest extent possible.
- The Panel acknowledges MoveUP's and BCSEA's submissions and encourages FBC to consider these comments when developing its next rates application.

[171] FBC Reply Argument, p. 11.
[172] FBC Reply Argument, p. 12.
[173] FBC Reply Argument, p. 13.

Dated at the City of Vancouver, in the Province of British Columbia, this 12th day of December 2023.

Original signed by:

A. K. Fung, KC
Panel Chair / Commissioner

Original signed by:

T. A. Loski
Commissioner

Original signed by:

W. E. Royle
Commissioner

bcuc
British Columbia
Utilities Commission

Suite 410, 900 Howe Street
Vancouver, BC Canada V6Z 2N3
bcuc.com

P: 604.660.4700
TF: 1.800.663.1385
F: 604.660.1102

ORDER NUMBER
G-340-23

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

and

FortisBC Inc.
2024 Annual Review of Rates

BEFORE:
A. K. Fung, KC, Panel Chair
T. A. Loski, Commissioner
W. E. Royle, Commissioner

on December 12, 2023

ORDER

WHEREAS:

A. On June 22, 2020, the British Columbia Utilities Commission (BCUC) issued its Decision and Order G-165-20 for FortisBC Energy Inc. and G-166-20 for FortisBC Inc. (FBC), approving a Multi-Year Rate Plan (MRP) for 2020 through 2024 (MRP Decision). In accordance with the MRP Decision, FBC is to conduct an annual review (Annual Review) process to set rates for each year;

B. By letter dated June 28, 2023, FBC proposed a regulatory timetable for the 2024 Annual Review of Rates;

C. By Orders G-191-23 and G-249-23, the BCUC established and amended the regulatory timetable for the FBC 2024 Annual Review of Rates, which included FBC filing its Annual Review materials, intervener registration, one round of information requests, a workshop, FBC's response to undertakings at the workshop, and intervener final arguments and FBC reply argument;

D. On August 4, 2023, FBC submitted its materials for the 2024 Annual Review of Rates (Application). In the Application, FBC requests, among other things, a 4.83 percent rates increase over the 2023 rates on a permanent basis, effective January 1, 2024;

E. On September 5, 2023, the BCUC issued its Generic Cost of Capital (GCOC) Stage 1 Decision and Order G-236-23 (GCOC Stage 1 Decision), which approved, among other matters, a deemed equity component of 41 percent and an allowed return on equity of 9.65 percent for FBC, effective January 1, 2023;

F. On October 10, 2023, FBC filed an evidentiary update (Evidentiary Update) to the Application to incorporate, among other things, the impacts of the GCOC Stage 1 Decision in the 2024 revenue requirements and rates. In the Evidentiary Update, FBC proposed an amended 2024 rates increase of 6.74 percent on a permanent basis;

G. On October 17, 2023, by Order G-276-23, the BCUC approved FBC's permanent rates for 2023 and for FBC to establish a non-rate base deferral account entitled the 2023 Revenue Deficiency deferral account, attracting FBC's weighted average cost of capital, to record the 2023 incremental revenue deficiency of $6.213 million resulting from the GCOC Stage 1 Decision impact; and

H. The BCUC has reviewed the Application, evidence and arguments filed in the proceeding and makes the following determinations.

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

1. FBC is approved to increase its rates for 2024 by 6.74 percent on a permanent basis, effective January 1, 2024.

2. FBC is approved to:

    a. Establish the following rate base deferral accounts:

        i. 2025 MRP Application deferral account, with the amortization period to be determined in a future proceeding;

        ii. 2024 Mandatory Reliability Standards Audit deferral account, with an amortization period of three years, commencing January 1, 2024;

        iii. Provincial Sales Tax Rebate on Select Machinery and Equipment deferral account, with an amortization period of one year, commencing January 1, 2024;

        iv. BC Cost of Living Credit deferral account, with an amortization period of one year, commencing January 1, 2024; and

        v. Climate Change Operational Adaptation Plan deferral account, with an amortization period of four years, commencing January 1, 2024.

    b. Amortize the existing 2023 Revenue Deficiency deferral account over a three-year period, commencing January 1, 2024.

3. FBC is directed to file as a compliance filing amended tariff pages in accordance with the terms of this order for the BCUC's endorsement within 30 days from the date of the issuance of this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 12th day of December 2023.

BY ORDER

Original signed by:

A. K. Fung, KC
Commissioner

FortisBC Inc.
2024 Annual Review of Rates

Glossary of Terms

Acronym	Description
2024 Annual Review	FortisBC Inc. 2024 Annual Review of Rates
2023 Compliance Filing	FortisBC Inc. Application for the FortisBC Utilities Implementation of Capital Structure, Return on Equity and Permanent Rates for 2023
AIFR	All Injury Frequency Rate
Annual Review	Annual review process
Application	FortisBC Inc. Annual Review for 2024 Rates
AWE	Average Weekly Earnings
AWE-BC	Average Weekly Earnings for British Columbia
BC	British Columbia
BC Hydro	British Columbia Hydro and Power Authority
BCMEU	British Columbia Municipal Electrical Utilities
BCOAPO	British Columbia Old Age Pensioners' Organization et al.
BCSEA	BC Sustainable Energy Association and Sierra Club
BCUC	British Columbia Utilities Commission
CCA	Capital Cost Allowances
CCOA	Climate Change Operational Adaptation
The CEC	Commercial Energy Consumers Association of British Columbia
CIAC	Contributions in Aid of Construction
CMAE	Core Market Administration Expense
CPCN	Certificate of Public Convenience and Necessity
CPI	Consumer Price Index
CPI-BC	Consumer Price Index for British Columbia
DCFC	Direct Charging Fast Current
DSM	Demand Side Management
EV	Electric Vehicle
Evidentiary Update	FortisBC Inc. evidentiary update filed on October 10, 2023
FBC	FortisBC Inc.

GCOC	Generic Cost of Capital
GCOC Stage 1 Decision	BCUC Decision and order G-236-23 on the Stage 1 of the Generic Cost of Capital Proceeding dated September 5, 2023
GWh	Gigawatt Hours
ICG	Industrial Customers Group
I-Factor	Inflation Factor
IR	Information Request
LCFS	Low Carbon Fuel Standard
MoveUP	Movement of United Professionals
MRP	Multi-Year Rate Plan
MRP Decision	BCUC Decision and Orders G-165-20 and G-166-20 on the FortisBC Energy Inc. and FortisBC Inc. Application for Approval of a Multi-Year Rate Plan for the Years 2020 through 2024 dated June 22, 2020
MRS	Mandatory Reliability Standards
MWh	Megawatt Hours
O&M	Operations and Maintenance
OPEB	Other Post-Employment Benefits
PPA	Power Purchase Agreement
PPE	Power Purchase Expense
PST	Provincial Sales Tax
RCIA	Residential Consumer Intervener Association
ROE	Return on Equity
RS	Rate Schedule
SQI	Service Quality Indicator
UCA	*Utilities Commission Act*
UPC	Use per Customer
WACC	Weighted Average Cost of Capital
Workshop	Hybrid workshop held by the BCUC on October 23, 2023 to review FBC's 2024 rates
X-factor	Productivity Factor or Productivity Improvement Factor

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

and

FortisBC Inc.

2024 Annual Review of Rates

EXHIBIT LIST

Exhibit No.	Description
COMMISSION DOCUMENTS	
A-1	Letter dated July 20, 2023 - Appointing the Panel for the review of FortisBC Inc. 2024 Annual Review of Rates Application
A-2	Letter dated July 21, 2023 - BCUC Order G-191-23 establishing a regulatory timetable
A-3	Letter dated August 30, 2023 - BCUC Information Request No. 1 to FBC
A-4	Letter dated September 20, 2023 - BCUC Order G-249-23 amending the regulatory timetable
A-5	Letter dated September 20, 2023 – BCUC submitting Workshop Information
A-6	Letter dated October 16, 2023 – BCUC submitting Workshop request to FBC
A-7	Letter dated November 17, 2023 – BCUC response to BCOAPO extension request to file final argument
APPLICANT DOCUMENTS	
B-1	**FORTISBC INC. (FBC)** – 2024 Annual Review of Rates – Proposed Process dated June 28, 2023
B-2	Letter dated August 4, 2023 – FBC submitting 2024 Annual Review of Rates Application
B-3	Letter dated August 9, 2023 – FBC submitting confirmation of Public Notice G-191-23 compliance
B-4	Letter dated September 20, 2023 – FBC submitting extension request for response to BCUC and Intervener Information Request No. 1

B-5 Letter dated September 26, 2023 – FBC submitting response to BCUC Information Request No. 1

B-6 Letter dated September 26, 2023 – FBC submitting response to BCOAPO Information Request No. 1

B-7 Letter dated September 26, 2023 – FBC submitting response to BCSEA Information Request No. 1

B-8 Letter dated September 26, 2023 – FBC submitting response to CEC Information Request No. 1

B-9 Letter dated September 26, 2023 – FBC submitting response to ICG Information Request No. 1

B-10 Letter dated September 26, 2023 – FBC submitting response to MoveUP Information Request No. 1

B-11 Letter dated September 26, 2023 – FBC submitting response to RCIA Information Request No. 1

B-12 Letter dated October 5, 2023 – FBC submitting Workshop Agenda

B-13 Letter dated October 10, 2023 – FBC submitting Evidentiary Update to the Application

B-14 Letter dated October 20, 2023 – FBC submitting Workshop Presentation

B-15 Letter dated October 27, 2023 – FBC submitting Workshop Transcript Corrections

B-16 Letter dated October 27, 2023 – FBC submitting response to Workshop Undertakings

INTERVENER DOCUMENTS

C1-1 **MOVEMENT OF UNITED PROFESSIONALS (MOVEUP) –** Letter dated August 4, 2023 submitting request to intervene by Jim Quail

C1-2 Letter dated August 30, 2023 – MoveUP submitting Information Request No. 1 to FBC

C2-1 **RESIDENTIAL CONSUMER INTERVENER ASSOCIATION (RCIA) –** Letter dated August 8, 2023 submitting request to intervene by Matthew Matusiak

C2-2 Letter dated August 30, 2023 – RCIA submitting Information Request No. 1 to FBC

C3-1 **BC SUSTAINABLE ENERGY ASSOCIATION (BCSEA) –** Letter dated August 14, 2023 submitting request to intervene by Thomas Hackney

C3-2 Letter dated August 30, 2023 – BCSEA submitting Information Request No. 1 to FBC

C3-3 Letter dated October 25, 2023 – BCSEA submitting transcript corrections

C4-1 **British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council Of Senior Citizens' Organizations Of BC, And The Tenant Resource And Advisory Centre (BCOAPO) –** Letter dated August 16, 2023 submitting request to intervene by Leigha Worth

C4-2 Letter dated August 30, 2023 – BCOAPO submitting Information Request No. 1 to FBC

C4-3 Letter dated November 16, 2023 – BCOAPO submitting extension request to file Final Argument

C5-1 **British Columbia Municipal Electrical Utilities (BCMEU)** – Letter dated August 17, 2023 submitting request to intervene by Scott Spencer

C6-1 **Commercial Energy Consumers Association Of BC (CEC)** – Letter dated August 18, 2023 submitting request to intervene by David Craig

C6-2 Letter dated August 30, 2023 – CEC submitting Information Request No. 1 to FBC

C7-1 **Industrial Customers Group (ICG)** – Letter dated August 22, 2023 submitting request to intervene by Robert Hobbs

C7-2 Letter dated August 30, 2023 – ICG submitting Information Request No. 1 to FBC