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July 20, 2022

British Columbia Utilities Commission  
Suite 410, 900 Howe Street  
Vancouver, BC  
V6Z 2N3

Attention: Ms. Sara Hardgrave, Acting Commission Secretary

Dear Ms. Hardgrave:

**Re: British Columbia Utilities Commission (BCUC) Generic Cost of Capital (GCOC) Proceeding**

**FortisBC (comprised of FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC)) Reply Submission on Topics of Divergence among the Experts**

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FortisBC writes in accordance with the BCUC's Letter dated July 8, 2022 (Exhibit A-19) to provide reply submissions regarding topics for which Mr. Coyne of Concentric Energy Advisors Inc. and Dr. Lesser of Continental Economics Inc. have diverging opinions.

FortisBC submits that the letter from BCUC Staff (Exhibit A2-31) and the submissions of RCIA (Exhibit C1-9), both of which align with FortisBC's submissions, accurately set out areas of diverging views between the experts.

CEC's submissions (Exhibit C6-11) appear to accept that the areas of divergence between the experts are provided in Dr. Lesser's responses (Exhibit A2-20) to the BCUC's IRs regarding Mr. Coyne's evidence. CEC also does not appear to take issue with FortisBC's characterization of the areas of divergence beyond providing comments regarding the nature of the issue of floatation costs.

BCOAPO's position (Exhibit C7-9) largely aligns with the position of FortisBC, RCIA, CEC and BCUC Staff, with one exception. Specifically, FortisBC disagrees with BCOAPO's submission that there is a divergence in views between the experts regarding the basis for establishing the dividend yield.<sup>1</sup> BCOAPO's submissions on this point reference Dr. Lesser's response to BCOAPO IR2 17.1.<sup>2</sup> In that response Dr. Lesser states that "Mr. Coyne's use of a 90-day period is not objectionable". In addition, in response to FortisBC IR1 5.1,<sup>3</sup> Dr. Lesser confirmed that similar to Mr. Coyne, "if he were to perform an analysis unfettered by regulator's requirements for such analyses, he would likely use a three-month period" to calculate the dividend yield. Dr. Lesser's statement that he is uncertain as to which dividends are used by

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<sup>1</sup> Exhibit C7-9, BCOAPO Submissions, p. 2.

<sup>2</sup> Exhibit A2-24.

<sup>3</sup> Exhibit A2-8.

Mr. Coyne does not represent a divergence in opinions, and is simply an acknowledgement of uncertainty regarding underlying data.

ICG's submissions (Exhibit C5-10) depart significantly from the approach of all other parties. ICG has simply listed items that it wishes to canvas with the experts at an oral hearing, rather than providing a listing of areas of divergence between the experts. This is underscored by the fact that ICG states that it has provided topics for which it "expects the experts have diverging opinions" (emphasis added) and that ICG failed to provide any references to where diverging opinions can be found in the evidence. FortisBC's prior submissions (Exhibit B1-22) provided references to the experts' own evidence as to their areas of disagreement.<sup>4</sup> The experts' comments on their areas of disagreement should be preferred over ICG's speculation as to where there *may* be diverging opinions.

FortisBC submits that the BCUC should accept that the areas of agreement and disagreement between the experts are as set out in FortisBC's prior submission, which is grounded in the experts' evidence that has been filed in this proceeding.

As a final note, CEC's submissions also reference IR responses from Dr. Lesser upon which CEC would wish to follow-up in a hearing if Dr. Lesser were called to testify.<sup>5</sup> FortisBC submits that, in the event the BCUC were to agree with CEC that Dr. Lesser had been non-responsive, the most appropriate remedy would be for Dr. Lesser to provide revised written responses to the IRs. This avoids the potential for CEC's clarifying questions at the hearing to drift into friendly cross-examination. This approach also aligns the treatment of CEC with every other participant.

If further information is required, please contact the undersigned.

Sincerely,

**on behalf of FORTISBC**

***Original signed:***

Diane Roy

cc (email only): Registered Parties

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<sup>4</sup> FortisBC notes that the reference to BCOAPO IR2 25.2 in its prior submission should have instead referenced BCOAPO IR2 26.1.

<sup>5</sup> Exhibit C6-11, CEC Submissions, pp. 2-3.