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December 4, 2023

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC
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Attention: Patrick Wruck, Commission Secretary

Dear Patrick Wruck:

Re: British Columbia Utilities Commission (BCUC) – 2022 Generic Cost of Capital (GCOC) Stage 2 Proceeding ~ Project No. 1599176
FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC) Reply Submissions on Benchmark and Scope Modifications

On November 14, 2023, and in compliance with BCUC Order G-237-23, interveners and affected utilities in the Stage 2 GCOC proceeding filed their submissions regarding the Benchmark Utility and scope of the proceeding. FortisBC's allowed return on equity (ROE) and capital structure have already been determined in Stage 1 of this proceeding, such that FortisBC is not generally actively participating in the Stage 2 proceeding. However, Corix Multi-Utility Services Inc. (Corix) and the Commercial Energy Consumers Association of British Columbia (CEC) have made submissions that do affect FortisBC. FortisBC provides the following response to those submissions.

Reply to Corix: Participant funding for Corix as a BCUC designated Affected Utility

Corix submits (Exhibit B6-7) that it should be able to receive participant funding in this proceeding "to defray the costs that benefit all small utilities." FortisBC respectfully submits that Corix should bear its own costs.

The issue of cost eligibility for PACA funding was already considered in BCUC Order G-231-21 dated July 30, 2021. In its August 13, 2021, submission in response to Order G-231-21, FortisBC provided the following comments:

FortisBC submits that utilities should fund their own participation in Stage 1, such that those costs ultimately get recovered from the customers of that specific utility. There is no compelling reason to have the customers of one utility cross-subsidize those of another utility.

This position reflects the historical practice of utilities being expected to fund their active participation in other utilities' proceedings as part of their cost of service being recovered from their own ratepayers. While the current PACA Guidelines no longer limit PACA funding to ratepayers, FortisBC continues to observe this long-standing principle and practice. FortisBC has never made a PACA claim against any other utility (irrespective of utility size) for costs related to interventions into other utility proceedings. When FortisBC actively intervenes in other utility processes, it is because of a direct interest in an issue or issues which have the potential to impact the operation of the utility and the utility's respective customers/ratepayers. FortisBC is of the understanding that each utility is to fund its own interventions on behalf of their own customers. FortisBC's affiliate FortisBC Alternative Energy Services Inc. also funds its own participation in regulatory processes. In principle, FortisBC is opposed to granting PACA to utilities for their participation because such costs, even if allocated to all utilities, when allocated based on energy sales, are then disproportionately borne by customers/ratepayers of the larger utilities, such as FEI.

In practice, smaller utilities in this proceeding do obtain considerable benefit from the active participation of FortisBC, since the interests of utilities are generally aligned. This benefit is enhanced if FEI is to be considered the Benchmark Utility. There is also an ability for utilities to share experts, as FEI and FBC are doing.

FortisBC's position regarding the cost eligibility for PACA funding remains unchanged.

On Corix's logic that other utilities should have to contribute to costs if they benefit from expert evidence, Corix should have contributed to the costs of FortisBC's expert in Stage 1 that assisted in setting the benchmark return for Stage 2 utilities. FortisBC is not seeking a contribution to its expert costs because it alone made the determination to advance expert evidence for its own purposes, not as part of a coalition. If Corix had wanted other utilities to contribute to the cost, it should have sought to jointly retain an expert from the outset. Seeking a contribution from other utilities after the fact, without having discussed it up front, is unreasonable. Other utilities may well have made the considered decision not to advance expert evidence because the cost outweighed the benefits.

Reply to CEC: Periodic Review Process for the Benchmark and the Affected Utilities

FortisBC submits that the BCUC should decline CEC's request for the following "modifications to Stage 2" Proceeding:

The CEC submits that in this Decision it would be appropriate for this Panel to establish an expected review period, such that reviews are undertaken on a regular basis, rather than on an ad hoc basis. The CEC recommends that the Commission solicit recommendations from the utilities as to when the next cost of capital hearings should be undertaken and, from this and intervenor comments, set a regular schedule for review of the GCOC for the benchmarks and the following stage review against the benchmarks for all other utilities.

The CEC's proposed addition to the Stage 2 scope was already part of the scope for the Stage 1 proceeding. In the 2023 Stage 1 GCOC Decision, the BCUC determined that there is no need to be prescriptive about the timing of the next GCOC review process:¹

Nothing in the UCA prescribes a statutory timeframe for reviewing a utility's cost of capital. The BCUC has the power to initiate a cost of capital review at any time within its discretion, as it did in this instance. Similarly, a utility can apply to the BCUC for review of its cost of capital at any time. While the BCUC in the 2013 GCOC proceeding indicated that it would review FEI's cost of capital in three years, we do not see the need to be prescriptive in this instance about the timing of the next review ...

The BCUC further agreed with FortisBC that a flexible periodic review process is appropriate:²

That said, we view that periodic reviews of utilities' cost of capital are desirable in ensuring that utilities continue to have the opportunity to earn a fair return based on their ROE and cost of capital despite changes in circumstances. At the same time, we recognize that such reviews entail significant investments of time and effort on the part of participants and should not be undertaken except where warranted.

As for determining specific triggers that would prompt a cost of capital review, we see no merit to doing so in the absence of any evidence or submissions from parties as to what may be appropriate objective triggers. We agree with FortisBC that maintaining overall flexibility over the timing of the next cost of capital review is desirable as a more appropriate response to dynamic market and business factors that are not always foreseeable. For the same reason, we do not consider it particularly helpful to limit the triggers for review to specific occurrences which are only at best speculative.

As such, FortisBC submits that CEC's proposal to revisit this same issue as part of the scope in the Stage 2 GCOC proceeding is, in essence, indirectly seeking reconsideration of the Stage 1 GCOC Decision. Revisiting this issue is unnecessary, and CEC's request should be denied.

If further information is required, please contact the undersigned.

Sincerely,

on behalf of FORTISBC

Original signed:

Sarah Walsh

cc (email only): Registered Interveners

¹ 2023 GCOC Stage 1 Decision, page 149.

² Ibid, pages 149-150.