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Utilities Commission

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Sent via eFile

BCUC GENERIC COST OF CAPITAL EXHIBIT A-5

To: All Registered Parties

Re: British Columbia Utilities Commission – Generic Cost of Capital – Project No. 1599176 – Reasons for Decision and Further Regulatory Timetable

Further to the Generic Cost of Capital proceeding, enclosed please find British Columbia Utilities Commission Order G-183-21 with reasons for decision and a further regulatory timetable.

Sincerely,

Original signed by:

Patrick Wruck
Commission Secretary

/jo
Enclosure



ORDER NUMBER
G-183-21

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

and

British Columbia Utilities Commission
General Cost of Capital Proceeding

BEFORE:

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

on June 11, 2021

ORDER

WHEREAS:

- A. By Order G-66-21 dated March 8, 2021, pursuant to section 82 of the *Utilities Commission Act*, the British Columbia Utilities Commission (BCUC) established a Generic Cost of Capital (GCOC) Proceeding;
- B. By the March 22, 2021 registration date, a total of five Affected Utilities and five Other Utilities registered. Seven non-utility parties and two Other Utilities registered as Interveners;
- C. By Order G-156-21 dated May 21, 2021, the BCUC established the scope of the proceeding and set out a two-stage proceeding to establish public utilities' cost of capital; and
- D. For the reasons set out in Appendix A to this order, the BCUC considers that establishing further process in the regulatory timetable to seek submissions from utilities and interveners on whether a Benchmark Utility is appropriate to determine the cost of capital for public utilities in BC is warranted.

NOW THEREFORE the BCUC establishes further process with the regulatory timetable, as set out in Appendix B to this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 11th day of June 2021.

BY ORDER

Original signed by:

D. M. Morton
Commissioner

Attachments

British Columbia Utilities Commission
Generic Cost of Capital Proceeding

SUBMISSIONS SOUGHT REGARDING THE USE OF A BENCHMARK UTILITY

1.0 Introduction

On May 21, 2021, the British Columbia Utilities Commission (BCUC) issued Order G-156-21 to establish the scope for the Generic Cost of Capital (GCOC) Proceeding, as set out in Appendix B of that order. The GCOC Proceeding scope in Stage 1 includes consideration of whether the use of a Benchmark Utility is appropriate to determine the cost of capital for public utilities in BC and, if so, whether the Benchmark Utility should continue to be FortisBC Energy Inc. (FEI), some other utility, or a hypothetical utility. If the establishment of a Benchmark Utility is not warranted, then what is the alternate process for the BCUC to establish public utilities' cost of capital?

1.1 Submissions Received in Accordance to Order G-66-21

In Order G-66-21, the BCUC sought submissions on whether the scope of the GCOC Proceeding should include the use of a Benchmark Utility and if the BCUC should continue to establish public utilities' cost of capital using a two-stage mechanism. While utilities and interveners supported that these issues should be in scope for the GCOC Proceeding, some parties went on to provide their views that a Benchmark Utility should be established and that the benchmark should continue to be FEI. For instance, FortisBC¹ submitted that the BCUC should reaffirm at this time that FEI will continue to be used as the Benchmark Utility as it has been for the last 27 years and there is no compelling reason to change now. FortisBC further stated²:

In the alternative, if the BCUC is not ready to confirm FEI's role as the Benchmark Utility without further process then it should determine the identity of the Benchmark Utility well before the evidence filing date as changing the Benchmark Utility after filings would cause significant procedural challenges and inefficiencies.

Creative Energy Vancouver Platforms Inc. (Creative Energy), River District Energy Limited Partnership (RDE), and Movement of United Professionals (MoveUP) supported having FEI continue to be the Benchmark Utility.³ Creative Energy further commented that a hypothetical utility would add unnecessary complexity and burden.⁴

In contrast, Industrial Customers Group (ICG) submitted that FEI's business risks may have changed and therefore, FEI may no longer be an appropriate Benchmark Utility.⁵ ICG further stated "... the Commission should not now reach conclusions regarding the Benchmark Utility merely to simplify FortisBC's evidence."⁶

2.0 Submissions Sought

As the first step in the GCOC Proceeding, the Panel finds that all parties should have an opportunity to make submissions on whether establishment of a Benchmark Utility is appropriate to determine the cost of capital of

¹ FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC), collectively, FortisBC

² Exhibit B1-2, FortisBC, p. 5.

³ Exhibit B-7-2, Creative Energy, p. 2, Exhibit B8-2, RDE, p. 2, Exhibit C2-2, MoveUP, p. 2

⁴ Exhibit B7-2, Creative Energy, p. 2.

⁵ Exhibit C5-2, ICG, p. 3.

⁶ Exhibit C5-2, ICG, p. 3

public utilities in BC. Further, as noted in Appendix D of Order G-156-21, the BCUC has engaged Dr. Lesser of Continental Economics, Inc. to provide an independent expert report in the GCOC Proceeding. At the request of the Panel, Dr. Lesser will submit an initial report on the pros and cons of using a Benchmark Utility in the determination of cost of capital, alternatives to using a Benchmark Utility, a limited jurisdictional scan of practices used outside of BC, and the applicability of using the practices reviewed for utilities in BC.

Accordingly, the Panel seeks written submissions from utilities and interveners on Dr. Lesser's initial report as well as submissions on the following:

1. What are the pros and cons of using a Benchmark Utility in the determination of the cost of capital for utilities in BC?
2. What are the relevant factors, considerations, or set of criteria for the BCUC to determine whether a Benchmark Utility should be established to determine the cost of capital for utilities in BC?
 - a. If the Panel determines that the use of a benchmark is appropriate, should the benchmark continue to be FEI? In considering the choice of a Benchmark Utility, what criteria, such as stability of the utility or consideration of business risks, should be used to determine which utility should be the benchmark?
 - b. If no Benchmark Utility will be used, what options should the Panel consider to determine public utilities' cost of capital? For example, would the BCUC initiate proceedings on an individual utility case-by-case basis or a generic proceeding for individual utilities or grouping of utilities?
3. Any other matters that would assist the Panel's determination on whether the use of a Benchmark Utility is appropriate.

The Panel recognizes that potential efficiencies could be gained in the GCOC Proceeding when participants know whether the use of a Benchmark Utility will continue and, if applicable, the identity of the Benchmark Utility. A determination by the Panel on this first step will be helpful to identify the type of evidence that will be needed for further review.

Written submissions from utilities and interveners, as outlined above, must be filed by Wednesday July 21, 2021, in accordance with the regulatory timetable established in Appendix B of this order.

British Columbia Utilities Commission
Generic Cost of Capital Proceeding

REGULATORY TIMETABLE

Action	Date (2021)
BCUC consultant's initial report on the pros and cons of using a Benchmark Utility and alternatives to using a Benchmark Utility	Monday, June 21
Written submissions from Affected Utilities, Other Utilities, and Interveners as outlined in Appendix A of Order G-183-21	Wednesday, July 21
Further process	To be determined