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January 23, 2024

Sent via eFile

FEI 2023 COSA AND REVENUE REBALANCING EXHIBIT A-5
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Ms. Sarah Walsh
Director, Regulatory Affairs
FortisBC Energy Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8

Re: FortisBC Energy Inc. (FEI) –2023 Cost of Service Allocation and Revenue Rebalancing – Project No. 1599563 – Further Regulatory Timetable and Reasons for Decision

Dear Ms. Walsh:

Enclosed is BCUC Order G-21-24 establishing a further regulatory timetable and reasons for decision.

Sincerely,

Original signed by Diane Basarich for:

Patrick Wruck
Commission Secretary

/bw
Enclosure



ORDER NUMBER
G-21-24

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

and

FortisBC Energy Inc.
2023 Cost of Service Allocation and Revenue Rebalancing

BEFORE:

D. A. Cote, Panel Chair
E. A. Brown, Commissioner
M. Jaccard, Commissioner

on January 23, 2024

ORDER

WHEREAS:

- A. On July 20, 2023, FortisBC Energy Inc. (FEI) filed with the British Columbia Utilities Commission (BCUC), pursuant to sections 58 to 61 of the *Utilities Commission Act*, its 2023 Cost of Service Allocation (COSA) Study and application for approval of revenue rebalancing, effective January 1, 2025 (Application);
- B. By Order G-218-23, the BCUC established the regulatory timetable for review of the Application which included intervener registration, one round of information requests (IRs), and submissions on further process;
- C. Residential Consumer Intervener Association (RCIA), the Commercial Energy Consumers Association of British Columbia (the CEC), British Columbia Old Age Pensioners' Organization et al. (BCOAPO), and Direct Energy registered as interveners in the proceeding;
- D. The BCUC has reviewed the evidentiary record and submissions on further process and determines establishing a further regulatory timetable is warranted.

NOW THEREFORE for the reasons outlined in Appendix B to this order, the BCUC establishes a regulatory timetable for the review of the Application, as set out in Appendix A to this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 23rd day of January 2024.

BY ORDER

Original signed by:

D. A. Cote
Commissioner

Attachment

FortisBC Energy Inc.
2023 Cost of Service Allocation and Revenue Rebalancing

REGULATORY TIMETABLE

Action	Date (2024)
FEI final argument*	Thursday, February 1
Intervener final arguments*	Thursday, February 15
FEI reply argument	Thursday, February 29

* Including submissions on the appropriate timing of the next updated COSA study.

FortisBC Energy Inc.
2023 Cost of Service Allocation and Revenue Rebalancing

REASONS FOR DECISION

1.0 Background and Introduction

On July 20, 2023, pursuant to sections 58 to 61 of the *Utilities Commission Act*, FortisBC Energy Inc. (FEI) filed with the British Columbia Utilities Commission (BCUC), its 2023 Cost of Service Allocation Study and application for approval of revenue rebalancing, effective January 1, 2025 (Application), in accordance with the BCUC's decision and Order G-4-18 (2016 COSA Decision) and its decision and Order G-135-18 regarding the 2016 rate design proceeding.

By Order G-218-23, the Panel established a public hearing process for the review of the Application and established the regulatory timetable. To date the regulatory process has included intervener registration, one round of BCUC and intervener information requests (IRs), and submissions on further process.

On December 14, 2023, FEI filed its submission on further process. On January 4, 2024, the BCUC received submissions on further process from Residential Consumer Intervener Association (RCIA), the Commercial Energy Consumers Association of British Columbia (the CEC), and British Columbia Old Age Pensioners' Organization et al. (BCOAPO). FEI provided its reply on January 10, 2024.

In these reasons for decision, the Panel summarizes parties' submissions, and outlines its determination on the next steps for this proceeding.

2.0 Submissions on Further Process

FEI submits that the record to date provides a sufficient evidentiary basis upon which the BCUC can render a decision on the Application. Therefore, FEI recommends proceeding to written final arguments and proposes the following regulatory timetable:¹

Action	Date (2024)
FEI Written Final Argument	Thursday, February 1
Intervener Written Final Arguments	Thursday, February 15
FEI Written Reply Argument	Thursday, February 29

¹ Exhibit B-8.

Two interveners, RCIA and the CEC, submit that the evidentiary record to date provides adequate information to move to written final arguments and do not object to the regulatory timetable proposed by FEI.² However, BCOAPO requests a second round of IRs to explore various topic areas, including the following:³

- Operating and maintenance (O&M) expenses – BCOAPO seeks further evidence on the change in the treatment of O&M expenses as compared to the 2016 COSA;
- Demand-Side Management (DSM) – BCOAPO would like to understand FEI’s treatment of DSM expenditures; and
- Minimum system study (MSS) – BCOAPO seeks further evidence regarding a significant change in customer/demand split from 30/70 to 50/50.

In reply, FEI clarifies there are no changes in methodology since the 2016 COSA in relation to the treatment of O&M and DSM expenditures, and the handling of the MSS, and further IRs on these topics are not required. FEI explains that the changes referred to by BCOAPO regarding the customer/demand split for MSS reflect the change between 2016 and 2023 costs and circumstances, rather than changes in method.⁴

BCOAPO also submits that additional evidence is required regarding other allocation treatments explored in relation to the treatment of Tilbury 1A.⁵ In reply, FEI states that Tilbury 1A is a new asset and its proposed allocation ensures alignment between the treatment of costs and revenues. FEI submits there is little merit in alternative allocations, as any alternative would misalign the treatment of costs and revenues related to this asset.⁶ Finally, BCOAPO submits that it would like to follow up on several IR responses, in addition to obtaining further evidence with respect to the +/- 5 percent range of reasonableness tolerance.⁷ FEI states in reply that the IR responses do not warrant follow up as they are all fully responsive or are consistent with the treatment approved in the 2016 COSA Decision. FEI further notes that the range of reasonableness was determined with extensive reasons in the 2016 COSA Decision, and there is no change in circumstances since that decision to signal that a change in the range is needed.⁸

In BCOAPO’s view, FEI has positioned the Application as a “compliance filing,” although there are several changes that should be characterized as methodological changes, including MSS, treatment of O&M, and treatment of Tilbury. BCOAPO also notes that, given the infrequency of COSA reviews, a second round of IRs is necessary for a more robust regulatory process.⁹

In reply, FEI submits that BCOAPO has not justified the need for a second round of IRs and that the level of detail and analysis presented in the Application demonstrates FEI’s intent to file a complete, standalone application for revenue rebalancing, as opposed to positioning this Application as a compliance filing. FEI submits that its COSA

² Exhibits C1-3 and C2-3.

³ Exhibit C3-3, pp. 1–2.

⁴ Exhibit B-9, pp. 2–3.

⁵ Exhibit C3-3, p. 2.

⁶ Exhibit B-9, p. 2.

⁷ Exhibit C3-3, pp. 1–2.

⁸ Exhibit B-9, pp. 2–3.

⁹ Exhibit C3-3, p. 2.

methodology remains consistent with that approved in the 2016 COSA Decision and this proceeding should focus on the minor revenue rebalancing, for which BCOAPO has not indicated any issues.¹⁰

Considering the detailed examination of the COSA study results and revenue rebalancing options contained in the Application and the over 230 IRs that FEI has responded to in this proceeding, FEI requests that BCOAPO's request for a second round of IRs be denied and that the proceeding move to the argument phase.¹¹

Panel Determination

The Panel has reviewed the concerns raised by BCOAPO regarding further information requirements and FEI's responses to these concerns. BCOAPO identifies several changes that it believes are departures from the 2016 COSA methodology. FEI has explained to the satisfaction of the Panel that this is not the case. As FEI explains, the range of reasonableness was determined with extensive reasons in the 2016 COSA Decision. In addition, the treatment of O&M and DSM expenditures and the handling of the MSS remain the same as in the 2016 COSA in terms of methodology. Further, FEI explains that Tilbury 1A is a new asset and aligning the allocation of costs with the allocation of revenue is a logical approach. We therefore agree with FEI there is little merit in exploring alternatives as it would result in a misalignment of the treatment of costs and revenues.

The Panel is persuaded by FEI's reply submission that a second round of IRs is not necessary and agrees with FEI, RCIA and the CEC that the record to date provides adequate information to move to final arguments. The Panel appreciates FEI's comprehensive responses to IRs and to BCOAPO's concerns raised in its submission. **Therefore, the Panel establishes a further regulatory timetable proceeding to final arguments, as set out in Appendix A of this order.**

With respect to BCOAPO's concerns regarding the infrequency of FEI's COSA reviews, **the Panel requests submissions from parties as part of their respective final arguments on the appropriate timing of the next updated COSA study.**

¹⁰ Exhibit B-9, p. 3.

¹¹ Exhibit B-9, p. 3.