



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER F-18-15**

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IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

Applications for Participant Assistance/Cost Awards
in the Proposal by FortisBC Energy Inc. to Include FortisBC Energy (Vancouver Island) Inc. and
FortisBC Energy (Whistler) Inc. into the 2014-2019 Multi-Year Performance Based Ratemaking Plan

BEFORE: D. M. Morton, Panel Chair/Commissioner
D. A. Cote, Commissioner August 18, 2015
N. E. MacMurchy, Commissioner

O R D E R

WHEREAS:

- A. By Order G-72-07 dated July 5, 2007, the British Columbia Utilities Commission (Commission) approved Participant Assistance/Cost Award (PACA) Guidelines, included as Appendix A to the order;
- B. On September 15, 2014, the Commission issued Order G-138-14 and the accompanying Decision, setting out the approved Performance Based Ratemaking (PBR) plan for FortisBC Energy Inc. (FEI) for the period from 2014 through 2019 (PBR Decision);
- C. The PBR Decision, on page 17, directed FEI to provide a detailed review of the historical expenditures of capital and operations and maintenance (O&M) for FortisBC Energy (Vancouver Island) Inc. (FEVI) and FortisBC Energy (Whistler) Inc. (FEW), as well as a formal proposal for including FEVI and FEW within the PBR plan;
- D. On November 14, 2014, FEI filed an application, requesting approval of the following:
 - An increase to its 2014 Base O&M by \$39.295 million, which includes an increase of \$36.564 million to reflect the O&M required for FEVI and FEW, and a further increase of \$2.731 million to reflect projected FEVI 2014 Company Use Gas;
 - An increase to its 2014 Base Capital by \$28.222 million to reflect the Capital Expenditures required for FEVI and FEW (Application);
- E. Commission Order G-183-14 established a preliminary regulatory timetable which included a Procedural Conference. By Order G-190-14, the Commission established December 17, 2014, as the date of the Procedural Conference;

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- F. On December 19, 2014, by Order G-202-14, the Commission established a regulatory timetable providing for FEI's filing of an Evidentiary Update and one round of Commission and intervener information requests (IRs), followed by parties' submissions on further process;
- G. On February 4, 2015, the Commission received a letter from FEI requesting an extension to the filing deadline for responses to round one IRs by two weeks. FEI also requested that the remaining dates in the Regulatory Timetable, established by Order G-202-14 also be extended by two weeks;
- H. On February 11, 2015, Commission Order G-17-15 amended the Regulatory Timetable established by Order G-202-14 and extended the deadline for responses to round one IRs and the remaining dates in the Regulatory Timetable by two weeks;
- I. On March 16, 2015, Commission Order G-41-15 amended the Regulatory Timetable established by Order G-17-15 to include a second round of IRs to complete the evidentiary record;
- J. On June 23, 2015, Commission Order G-106-15, which accompanied the decision on this Application, approved FEI to increase its 2014 Base O&M by \$38.498 million and its 2014 Base Capital by \$21.964 million;
- K. On May 21, 2015 and May 22, 2015, the Commission received PACA applications from the following interveners:
- British Columbia Old Age Pensioners' Organization, *et al.*; and
 - Commercial Energy Consumers Association of British Columbia;
- L. Pursuant to the PACA Guidelines, FEI was provided an opportunity to comment on the PACA applications. In its letter of comment dated June 2, 2015, FEI states that "some reduction in PACA funding for both BCOAPO and CEC is appropriate and leaves it to the Commission to consider what amount might be appropriate;" and
- M. The Commission has considered the PACA applications and the FEI submission in the context of this proceeding and the PACA Guidelines.

NOW THEREFORE pursuant to section 118(1) of the *Utilities Commission Act* and for the reasons set out in the reasons for decision attached as Appendix A to this order, the Commission orders as follows:

1. Funding is awarded to the following interveners for their participation in the Proposal by FortisBC Energy Inc. to Include FortisBC Energy (Vancouver Island) Inc. and FortisBC Energy (Whistler) Inc. into the 2014-2019 Multi-Year Performance Based Ratemaking Plan proceeding:

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| Intervener | Application | Award | Award as % of Application |
|--|--------------------|--------------|--------------------------------------|
| British Columbia Old Age Pensioners' Organization, <i>et al.</i> | \$16,448.45 | \$14,803.61 | 90% |
| Commercial Energy Consumers Association of British Columbia | \$17,658.39 | \$15,892.55 | 90% |

2. FortisBC Energy Inc. is directed to reimburse the above participants for the respective amounts that have been awarded in a timely manner.

DATED at the City of Vancouver, in the Province of British Columbia, this 18th day of August 2015.

BY ORDER

Original signed by:

D. M. Morton
Panel Chair/Commissioner

Attachment

Applications for Participant Assistance/Cost Awards
in the Proposal by FortisBC Energy Inc. to Include FortisBC Energy (Vancouver Island) Inc. and
FortisBC Energy (Whistler) Inc. into the 2014-2019 Multi-Year Performance Based Ratemaking Plan

REASONS FOR DECISION

INTRODUCTION

On June 23, 2015, the British Columbia Utilities Commission (Commission) issued its Decision in the Proposal by FortisBC Energy Inc. (FEI) to Include FortisBC Energy (Vancouver Island) Inc. (FEVI) and FortisBC Energy (Whistler) Inc. (FEW) into the 2014-2019 Multi-Year Performance Based Ratemaking Plan proceeding (2014 FEI PBR Compliance FEVI & FEW proceeding). Participant Assistance/Cost Award (PACA) applications were received from British Columbia Old Age Pensioners' Organization, *et al.* (BCOAPO) on May 20, 2015, and Commercial Energy Consumers Association of British Columbia (CEC) on May 22, 2015, for their participation in the 2014 FEI PBR Compliance FEVI & FEW proceeding. The table below sets out the requested amounts:

| | |
|--------|-------------|
| BCOAPO | \$16,448.45 |
| CEC | \$17,658.39 |
| Total | \$34,106.84 |

FEI's COMMENTS

On June 2, 2015, FEI provided comments on the PACA applications. FEI has issues with the consultant costs incurred by both BCOAPO and CEC and the legal counsel costs of BCOAPO. FEI states "that some reduction in PACA funding for both BCOAPO and CEC is appropriate."¹

FEI raises a number of specific concerns, including:

- "[T]he funding sought by both of these interveners in this proceeding is more than they are seeking in the FEI Annual Review proceeding, which is more complicated and broader in scope."²
- The 5 full days for the BCOAPO consultant is "out of proportion to the length and nature of the Application and the depth of participation" given that BCOAPO submitted 45 information requests (IRs). FEI did not address the quality of the BCOAPO IRs.³
- "... CEC asked a total of 283 information requests. Of that number, 74 of the questions that were asked of FEI by CEC were not relevant to the Application, and of these there were 56 that FEI did not respond to at all, either because the information was already on the record from the FEVI 2014 RRA, the questions were not relevant to the 2014 Base, or the questions dealt with projections which had been superseded by actuals."⁴

¹ 2014 FEI PBR Compliance FEVI & FEW – FEI PACA Submission, p. 2.

² Ibid.

³ Ibid.

⁴ Ibid.

- The CEC “included approximately 9 days for its consultant while “a significant portion of CEC’s work was directed to addressing matters that did not need to be addressed,” citing as an example “information was already on the record from the FEVI 2014 RRA.”⁵

COMMISSION DETERMINATION

For the reasons laid out below, the Panel considers a downward adjustment to the requested PACA award is appropriate. The adjusted award is shown in the following table:

| Intervener | Application | Award | Award as % of Application |
|-------------------|--------------------|--------------|----------------------------------|
| BCOAPO | \$16,448.45 | \$14,803.61 | 90% |
| CEC | \$17,658.39 | \$15,892.55 | 90% |

With respect to FEI’s comment that “the funding sought by both of these interveners in this proceeding is more than they are seeking in the FEI Annual Review proceeding, which is more complicated and broader in scope,”⁶ the Panel does not agree. The need for two rounds of IRs in the 2014 FEI PBR Compliance FEVI & FEW proceeding compared to one round of IRs in the FEI 2015 Delivery Rates Annual Review (FEI 2015 Annual Review) does not support the FEI view that 2014 FEI PBR Compliance FEVI & FEW proceeding was considerably less complicated. The scope of the FEI 2015 Annual Review was broader than the 2014 FEI PBR Compliance FEVI & FEW proceeding, but the use of approved formulas significantly simplified the FEI 2015 Annual Review process.

The Panel acknowledges, and generally agrees with, FEI’s comments concerning out of scope IRs that were asked by both parties. For example, CEC asks a number of questions concerning activities that FEVI proposes to undertake during the PBR period and the expected reductions.⁷ These questions appear to be in support of CEC’s submission that “the ultimate determination should be the level of spending that the company, in its amalgamated state, requires to operate with reasonable efficiency under PBR.”⁸ The Panel agrees with FEI’s rebuttal that “CEC’s position is inconsistent with PBR and impossible to implement. The CEC’s position would require the Commission to determine the level of spending FEI requires over the PBR period, which would turn this proceeding into a forecast cost of service ratemaking decision.”⁹

A key principle of eligibility for a PACA award is whether the participant contributed to a better understanding of the issues. The Panel is of the view that the Final Arguments for both parties lacked essential clarity and coherence. The Panel recognized this in our Decision when, regarding a statement by CEC that “[t]o the extent that the Commission determines that the 2014 Approved will be the starting point, the CEC recommends a reduction of \$255 thousand for CPI and other adjustment,” we stated:

CEC does not appear to use 2014 Approved O&M adjusted for actual inflation as a basis for its recommended adjustments. Instead, similar to BCOAPO, it proposes the following general reductions without referencing the starting point (i.e. approved versus actual 2014 O&M) to which these reductions should be applied.¹⁰

⁵ Ibid.

⁶ Ibid.

⁷ Exhibit B-7, CEC IR 1.10.6.1.

⁸ CEC Final Argument, p. 2.

⁹ FEI Reply Argument, p. 3.

¹⁰ FEI PBR Compliance Decision, p. 7.

This lack of clarity and coherence, combined with the number of out of scope IRs reduced regulatory efficiency and contributed to increased regulatory costs to be borne by the ratepayer.

Given the concerns discussed above, the Panel is of the view that costs incurred by interveners are excessive. We therefore reduce the PACA application for each party by 10 percent.