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BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-193-15

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

and

FortisBC Energy Inc.
Annual Review of 2016 Delivery Rates

BEFORE: H. G. Harowitz, Panel Chair/Commissioner
D. A. Cote, Commissioner December 7, 2015
D. M. Morton, Commissioner

O R D E R

WHEREAS:

- A. On September 15, 2014, the British Columbia Utilities Commission (Commission) issued its Decision and Order G-138-14 approving for FortisBC Energy Inc. (FEI) a Multi-Year Performance Based Ratemaking (PBR) Plan for 2014 through 2019 (the PBR Decision). In accordance with the PBR Decision, FEI is to conduct an Annual Review process to set rates for each year;
- B. As part of the FEI Annual Review of 2015 Delivery Rates Decision issued on May 27, 2015, the Commission set out a default regulatory timetable template for future annual reviews. In accordance with this default regulatory timetable template, FEI filed a proposed regulatory timetable for the review of the 2016 annual review materials in advance of filing its 2016 annual review application;
- C. On August 20, 2015, the regulatory timetable for the FEI Annual Review of 2016 Rates proceeding was established by Order G-138-15 and included, among other things, an anticipated date of September 4, 2015 for FEI to file its 2016 Annual Review materials;
- D. On September 3, 2015, FEI submitted its Annual Review for 2016 Rates Application materials (Application);
- E. The following interveners registered in the proceeding:
 - Commercial Energy Consumers Association of British Columbia;
 - Canadian Office and Professional Employees' Union, Local 378;
 - BC Sustainable Energy Association and the Sierra Club of British Columbia; and
 - British Columbia Old Age Pensioners' Organization, *et al.*;

F. In accordance with the Regulatory Timetable established by Order G-138-15, the Application review process included the following:

- one round of Commission staff and intervener information requests;
- an evidentiary update filed by FEI on October 16, 2015;
- a workshop held on October 26, 2015, to review FEI's 2015 performance results and the 2016 forecast revenue requirements;
- a response by FEI to undertakings arising from the information requested at the workshop;
- written final submissions from interveners filed on November 9, 2015; and
- FEI's written reply submission filed on November 18, 2015;

G. The Commission has reviewed the Application and evidence filed in the proceeding and finds it necessary to make determinations with Reasons for Decision to follow in a timely manner upon issuance of this order.

NOW THEREFORE pursuant to sections 59-61 of the *Utilities Commission Act*, and for the reasons to follow, the British Columbia Utilities Commission orders as follows:

1. FortisBC Energy Inc.'s (FEI) requested interim delivery rates for all non-bypass customers effective January 1, 2016, resulting in an increase of 2.74 percent compared to 2015 delivery rates, are not approved as filed.
2. Interim delivery rates for all non-bypass customers effective January 1, 2016, as modified by the directives in this order, are approved. Rates will remain interim pending the outcome of FEI's current cost of capital proceeding.
3. FEI's existing capital structure and return on equity (ROE) is made interim effective January 1, 2016, and will remain in force until otherwise directed by the Commission in the current FEI cost of capital proceeding.
4. FEI's requested changes to depreciation and net salvage rates are not approved. FEI is directed to maintain existing depreciation and net salvage rates until otherwise directed by the Commission. FEI is further directed to submit additional information and analysis on depreciation and net salvage rate changes, as outlined in the Reasons for Decision to follow, by February 29, 2016.
5. Establishment of the following rate base deferral accounts are approved:
 - a) 2015 System Extension Application deferral account; and
 - b) Biomethane Energy Recovery Charge (BERC) Rate Methodology Application deferral account.
6. Establishment of the 2017 Long-term Resource Plan (LTRP) Application deferral account is approved, subject to the following limitations on inclusion of costs for external resources:
 - a) Eligible costs for external resources are limited to required external resources that are incremental to the costs included in the FEI Base O&M under PBR; and

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- b) A maximum of \$1.050 million over two years, whereby FEI must submit any amount in excess of this to the Commission for approval prior to committing to those excess expenditures.
7. The Rate Stabilization Deferral Account riders for Mainland customers effective January 1, 2016, in the amounts set out in Table 10-5 in Section 10 of the Application are approved.
 8. The Phase-in Rate riders effective January 1, 2016, in the amounts set out in Table 10-7 for Mainland customers and Table 10-9 for Vancouver Island and Whistler customers in Section 10 of the Application are approved.
 9. The Revenue Stabilization Adjustment Mechanism riders effective January 1, 2016, in the amounts set out in Table 10-10 in Section 10 of the Application are approved.
 10. The transfer of the balance in the FortisBC Energy (Whistler) Inc. Rider B Refund deferral account to the Residual Rate Riders deferral account as described in Section 12.4.1 of the Application is approved.
 11. Capital costs associated with the Fraser Gate IP Project as approved in Order C-11-15 are excluded from PBR Base Capital.
 12. The method used by FEI to allocate costs to FortisBC Inc. (FBC) regarding costs incurred by FEI staff handling call-centre activity to support FBC customers is acceptable, subject to the following:
 - a) If in the future the costs being allocated to FBC from FEI for the handling of calls exceeds \$100,000 in any one year, FEI is directed to provide an analysis of various cost allocation methods and provide evidence as to which will provide the most appropriate results.
 13. FEI is directed to re-calculate 2016 interim delivery rates and file revised financial schedules with the Commission reflecting the changes outlined in this order by January 15, 2016.

DATED at the City of Vancouver, in the Province of British Columbia, this day of 7th December 2015.

BY ORDER

Original signed by:

H. G. Harowitz
Panel Chair/Commissioner