



ORDER NUMBER
G-129-16

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

and

FortisBC Energy Inc.
Application for its Common Equity Component and Return on Equity for 2016

BEFORE:

K. A. Keilty, Panel Chair/Commissioner
D. A. Cote, Commissioner
N. E. MacMurchy, Commissioner

on August 10, 2016

ORDER

WHEREAS:

- A. On October 2, 2015, FortisBC Energy Inc. (FEI) filed an application for a review of its common equity component and return on equity for 2016 (Application) pursuant to the British Columbia Utilities Commission (Commission) decision in the Generic Cost of Capital Stage 1 proceeding;
- B. In its Application, FEI submits that the amalgamated FEI (the amalgamation of three affiliated entities: the former FortisBC Energy Inc., FortisBC Energy [Whistler] Inc. and FortisBC Energy [Vancouver Island] Inc.) continues to be the logical choice to serve as the benchmark utility for the purpose of determining the cost of capital for other utilities;
- C. By Order G-177-15 dated November 9, 2015, the Commission established a proceeding to review the Application. The regulatory review was by way of a limited scope oral hearing and included two rounds of information requests (IRs) to FEI and one round of IRs on intervener evidence;
- D. Six parties registered as interveners in this proceeding. Among those registered, the most active were the Commercial Energy Consumers of British Columbia, the British Columbia Old Age Pensioners' Association *et al.* and the Association of Major Power Customers of BC (AMPC): collectively, the "Utility Customers";
- E. On December 7, 2015, the Commission issued Order G-193-15 in the FEI Annual Review of 2016 Delivery Rates Decision setting interim delivery rates for all non-bypass customers effective January 1, 2016 and approving FEI's existing capital structure and return on equity on an interim basis effective January 1, 2016, pending the outcome of this cost of capital proceeding;
- F. On December 15, 2015, the Commission issued Order G-204-15 and ordered, among other things, that FEI's existing common equity component and return on equity would remain the benchmark on an interim basis, effective January 1, 2016;

- G. On January 26, 2016, the Utility Customers filed intervener evidence of their expert witness, Dr. Laurence Booth;
- H. The oral hearing took place from March 9, 2016 to March 11, 2016;
- I. The argument phase of the proceeding took place from April 3, 2016 to April 28, 2016. On May 5, 2016, AMPC sought leave to file two narrow sur-reply submissions;
- J. By Order G-68-16 dated May 13, 2016, the Commission, after considering comments from FEI and other interveners, allowed the sur-reply to remain on record; and
- K. The Commission has reviewed and considered all of the evidence and submissions on record for the proceeding.

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

1. FortisBC Energy Inc.'s common equity component is set at 38.5 percent, effective January 1, 2016.
2. FortisBC Energy Inc.'s return on equity is set at 8.75 percent, effective January 1, 2016.
3. The use of the Automatic Adjustment Mechanism formula is suspended indefinitely.
4. The common equity component and return on equity approved for FortisBC Energy Inc. in the decision issued concurrently with this order will serve as the benchmark cost of capital for any other utility in British Columbia that uses the benchmark utility to set rates.
5. The common equity component and return on equity will remain in effect until otherwise determined by the Commission.
6. FortisBC Energy Inc.'s interim rates set by Order G-193-15 are approved as permanent, effective January 1, 2016. FortisBC Energy Inc. is to file, within 15 working days from the date of this order, updated final rate schedules in accordance with Directives 1 and 2 of this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 10th day of August 2016.

BY ORDER

Original Signed By:

K. A. Keilty
Commissioner