



ORDER NUMBER
F-19-16

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

and

FortisBC Energy Inc.
Proposal for Depreciation and Net Salvage Rate Changes
Application for Participant Assistance/Cost Awards

BEFORE:

D. A. Cote, Panel Chair/Commissioner
D. J. Enns, Commissioner

on August 17, 2016

ORDER

WHEREAS:

- A. On February 29, 2016, FortisBC Energy Inc. (FEI) filed additional information and analysis on its proposed depreciation and net salvage rate changes as directed by the British Columbia Utilities Commission (Commission) in Order G-193-15 (Application);
- B. By Order G-41-16 dated March 24, 2016 and Order G-65-16 dated May 11, 2016, the Commission established a written public hearing process for the review of the Application, including one round of information requests and written final and reply arguments;
- C. On July 5, 2016, the British Columbia Old Age Pensioners' Organization *et al.* filed a Participant Assistance/Cost Award (PACA) application with the Commission with respect to its participation in the FEI Proposal for Depreciation and Net Salvage Rate Changes proceeding in the amount of \$8,341.43;
- D. On July 25, 2016, FEI submitted its comments on the PACA application stating that provided the Commission has no concerns with the time identified or the amount applied for, FEI has no comment;
- E. On July 28, 2016, the Commission issued Order G-119-16 and attached Reasons for Decision approving FEI's requested depreciation and net salvage rate changes effective January 1, 2017; and
- F. The Commission reviewed the PACA application in accordance with the criteria and rates set out in the PACA Guidelines attached to Commission Order G-72-07.

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

1. Funding is awarded to the British Columbia Old Age Pensioners' Organization *et al.* in the amount of \$4,170.72 for its participation in the FortisBC Energy Inc. Proposal for Depreciation and Net Salvage Rate Changes proceeding.
2. FortisBC Energy Inc. is directed to reimburse the British Columbia Old Age Pensioners' Organization *et al.* for the awarded amount in a timely manner.

DATED at the City of Vancouver, in the Province of British Columbia, this

day of August 2016.

BY ORDER

D. A. Cote
Commissioner

Attachment

FortisBC Energy Inc.
Proposal for Depreciation and Net Salvage Rate Changes
Application for Participant Assistance/Cost Awards

REASONS FOR DECISION

1.0 BACKGROUND

On July 5, 2016, the British Columbia Utilities Commission (Commission) received a Participant Assistance/Cost Award (PACA) application from the British Columbia Old Age Pensioners' Organization *et al.* (BCOAPO) in the amount of \$8,341.43 inclusive of fees, General and Provincial Sales Taxes and disbursements for its participation in the FortisBC Energy Inc. (FEI) Proposal for Depreciation and Net Salvage Rate Changes (Application) proceeding.

The Panel reviewed BCOAPO's PACA application while taking into consideration the PACA Guidelines set out in Commission Order G-72-07, and FEI's letter regarding BCOAPO's PACA application dated July 25, 2016.

2.0 PACA GUIDELINES

The PACA Guidelines discuss the eligibility requirements and criteria used in assessing the amount of an award, including the process for applying for a cost award and eligible costs and rates.

The Panel first considers whether the participant has a substantial interest in a substantial issue in the proceeding in determining an award of all or any portion of a participant's costs.

The Panel then considers the following:

- (i) Will the participant be affected by the outcome?
- (ii) Has the participant contributed to a better understanding of the issues by the Commission?
- (iii) Are the costs incurred by the participant for the purpose of participating in the proceeding fair and reasonable?
- (iv) Has the participant joined with other groups with similar interests to reduce costs?
- (v) Has the participant engaged in any conduct that tended to unnecessarily lengthen the duration of the proceeding?
- (vi) Any other matters appropriate in the circumstances.

3.0 DETERMINATION OF PACA AMOUNTS

BCOAPO requests an amount of \$8,341.43 inclusive of fees, General and Provincial Sales Taxes and disbursements, which is based on two days for legal services at \$1,800 per day and 3.432 days for consulting services at \$1,250 per day.

The work undertaken by BCOAPO included a review of the Application, preparation and review of one round of information requests (IRs), and preparation and review of final arguments.

BCOAPO's IRs focused on FEI's proposed net salvage rate changes. In its four-page final argument, BCOAPO recommended approval of FEI's proposed depreciation and net salvage rate changes but argued that the changes should not be effective until the end of FEI's Performance Based Ratemaking (PBR) Plan term in 2019.

FEI, in its letter, stated "so long as the Commission has no concerns with the time identified or the amount applied for, FEI has no comment."

Commission determination

The Panel finds that BCOAPO did not demonstrate a good understanding of the evidence. As a result, BCOAPO did little to contribute to a better understanding of the key issues by the Commission. **For these reasons, the Panel awards funding to BCOAPO in the amount of \$4,170.72** (inclusive of taxes, fees and disbursements), which is equal to fifty percent of the applied-for amount. **The Panel directs FEI to reimburse BCOAPO for the PACA amount of \$4,170.72 in a timely manner.**

In the Panel's view, an intervener is expected take a critical approach to the review of the evidence and must demonstrate a solid understanding of the key issues at play. Therefore, while the amount of time submitted for legal and consultant work to review the material and participate in the proceeding may have been reasonable, the quality of work was not.

The Panel notes that many of BCOAPO's IRs appear to demonstrate a lack of review and/or understanding of the materials filed in this proceeding. BCOAPO asked numerous IRs where the respondent directed BCOAPO to evidence which was on file in the proceeding.¹ This is a clear indication that BCOAPO had not carefully reviewed the information made available to it in the evidentiary record.

In addition, the Panel considers BCOAPO's final argument to be inadequate and to further demonstrate its lack of review of the evidence on the record. BCOAPO's final argument is slightly over four pages with the largest part devoted to repeating the background to the Application and only a half-page addressing issues raised in the proceeding. BCOAPO submitted that it agreed that the questions posed by the Commission to be addressed in the Application were in fact addressed and noted it was satisfied that depreciation and net salvage rates were based on the Depreciation Study conducted by Gannet Fleming, FEI's consultant. Neither of these submissions did anything to provide a better understanding of the issues for the Commission, as they provided no reference to any of the evidence gathered in the proceeding in support of these assertions.

Most concerning, however, are the submissions made by BCOAPO with respect to the timing of the adoption of changes in depreciation and net salvage rates. BCOAPO states in its final argument:

Factors that impact FEI's profitability that do not relate to efficiency gains should not be altered mid-PBR in a way that results in a benefit to FEI and a corresponding detriment to FEI's ratepayers. In our view, the proposed changes to net salvage do precisely this, that is results in a benefit to FEI and detriment to FEI's ratepayers for reasons unrelated to efficiency gains. As such, BCOAPO submits that the proposed changes to FEI's net salvage (and depreciation) rates should be approved but should only be effective starting in 2019 at the end of the PBR term.²

¹ Please refer to Exhibit B-3, BCOAPO IR 1.2, 4.2, 5.1, 6.1, 9.1 and 11.2.

² BCOAPO Final Argument, pp. 4-5.

The Panel notes that BCOAPO had previously asked FEI in an IR to “fully explain any and all impacts of changes in depreciation rates and negative salvage rates will have on the Incentive properties of a PBR framework.”³ In response, FEI stated “[s]ince depreciation and net salvage rates are flowed through to customers outside of the PBR formula, changes to the depreciation and net salvage rates have no impact on the incentive properties of FEI’s PBR Plan.”⁴ The Panel is unclear as to whether BCOAPO simply ignored, was not aware of, or disagreed with FEI’s IR response. If BCOAPO disagreed, the Panel expects BCOAPO to state this and provide an explanation as to why.

Given these circumstances, the Panel finds that the reduction to BCOAPO’s requested PACA in the amount of 50 percent is warranted.

³ Exhibit B-3, BCOAPO IR 14.1.

⁴ Ibid.