



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-74-14**

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

and

Generic Cost of Capital Proceeding (Stage 2) Decision and Order G-47-14
FortisBC Energy (Vancouver Island) Inc. and FortisBC Energy (Whistler) Inc.
Return on Equity and Capital Structure Compliance Filing and Approval of Permanent Rates

BEFORE: D.A. Cote, Commissioner/Panel Chair
L.A. O'Hara, Commissioner June 12, 2014
C. van Wermeskerken, Commissioner

O R D E R

WHEREAS:

- A. On December 10, 2012, the British Columbia Utilities Commission (Commission) issued Order G-187-12 in the Generic Cost of Capital (GCOC) Stage 1 proceeding, directing that the Return on Equity (ROE) and capital structure for all regulated entities in B.C. that rely on the benchmark utility to establish rates were to be maintained and made interim, effective January 1, 2013, pending a decision in Stage 2 of the proceeding;
- B. On May 10, 2013, the Commission issued its Decision and accompanying Order G-75-13 in the GCOC Stage 1 proceeding (the Stage 1 Decision), setting for the benchmark utility, FortisBC Energy Inc. (FEI), the common equity component at 38.5 percent, and established a ROE at 8.75 percent effective January 1, 2013;
- C. On March 25, 2014, the Commission issued its Decision and its accompanying Order G-47-14 in the GCOC Stage 2 proceeding (the Stage 2 Decision), establishing, among other things, effective January 1, 2013, the common equity component of the capital structure at 41.5 percent for each of FortisBC Energy (Vancouver Island) Inc. (FEVI) and FortisBC Energy (Whistler) Inc. (FEW), and the equity risk premium over the Benchmark ROE of 50 basis points for FEVI and of 75 basis points for FEW;
- D. Directive 4 of Order G-47-14 directed FEVI and FEW to file, within 40 days, a document setting out: (a) how and when it would implement the change to its capital structure; (b) the amended rate schedules in accordance with the Stage 2 Decision, as well as (c) a proposal on the treatment of the difference between the interim rates being charged to customers and the permanent rates established by the Stage 2 Decision;

- E. On May 2, 2014, FEVI and FEW filed their plans to implement the changes resulting from the Stage 1 and Stage 2 Decisions;
- F. FEVI proposes that for 2013, shareholder and customers be kept whole by adjusting the Rate Stabilization Deferral Account (RSDA) for the net differences between the interim and final equity percentage and ROE in 2014. It further proposes that the entries to the RSDA for 2014 will reflect the Stage 2 Decision with the 2014 rates maintained at 2013 levels, and record the difference in the RSDA;
- G. FEVI seeks approval to flow the combined impacts of the Stage 1 and Stage 2 Decisions through its RSDA, and set the existing interim delivery rates as permanent, effective January 1, 2013. Pursuant to Order G-161-13, FEVI existing rates will remain interim effective January 1, 2014, pending a decision in the FEVI Application for approval of the 2014 Revenue Requirements and Rates proceeding;
- H. FEW proposes that the customers and shareholder will be kept whole by recording the net difference between the interim and final equity percentage and ROE in its Revenue Surplus/Deficiency Deferral Account (FEW RSDA). FEW further proposes that its entries to the FEW RSDA for 2014 will reflect the Stage 2 Decision but will maintain rates at the 2013 levels, and record the difference between the revenues it receives and its cost of service in the FEW RSDA;
- I. FEW also seeks approval to flow the combined impacts of the Stage 1 and Stage 2 Decisions through its FEW RSDA, and set the existing interim delivery rates as permanent, effective January 1, 2013;
- J. By Order G-65-14 dated May 23, 2014, the Commission approved FEVI rates effective January 1, 2014, at the same level as 2013 rates, as permanent; and
- K. The Commission reviewed the filing and determined that approval is warranted.

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

- 1. FortisBC Energy (Vancouver Island) (FEVI):
 - a. FEVI's proposal to establish the existing interim delivery rates as permanent, effective January 1, 2013, and to flow the impact of the GCOC Stage 1 and Stage 2 Decisions through to the Rate Stabilization Deferral Account (RSDA) is approved.
 - b. FEVI existing rates which remained interim effective January 1, 2014 is approved pursuant to Order G-65-14 dated May 23, 2014.
 - c. FEVI will provide financial schedules showing the approved equity component and ROE and forecast ending 2014 RSDA balance when it files its compliance filing in accordance with the decision on its 2014 Revenue Requirements and Rates Application.

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2. FortisBC Energy (Whistler) (FEW):

- a. FEW's proposal to establish the existing interim delivery rates as permanent, effective January 1, 2013, and to flow through the impact of the Stage 1 and Stage 2 Decisions through to the FEW RSDA is approved

DATED at the City of Vancouver, in the Province of British Columbia, this 12th day of June 2014.

BY ORDER

Original signed by:

D.A. Cote
Commissioner/Panel Chair