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September 25, 2018

Sent via eFile

FORTISBC INC. 2017 COST OF SERVICE ANALYSIS & RATE DESIGN	EXHIBIT A-18
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Ms. Diane Roy
Vice President, Regulatory Affairs
FortisBC Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8
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**Re: FortisBC Inc. – 2017 Cost of Service Analysis and Rate Design Application – Project No. 1598939 –
Regulatory Timetable with Reasons**

Dear Ms. Roy:

Further to your December 22, 2017 Cost of Service Analysis and Rate Design Application, enclosed please find British Columbia Utilities Commission Order G-180-18 with reasons for decision continuing the regulatory timetable.

Sincerely,

Original signed by:

Patrick Wruck
Commission Secretary

/ad



ORDER NUMBER

G-180-18

IN THE MATTER OF

the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Inc.

2017 Cost of Service Analysis and Rate Design Application

BEFORE:

D. A. Cote, Panel Chair/Commissioner

D. M. Morton, Commissioner

R. I. Mason, Commissioner

on September 25, 2018

ORDER

WHEREAS:

- A. On December 22, 2017, FortisBC Inc. (FBC) filed an application with the British Columbia Utilities Commission (BCUC) seeking approvals, pursuant to sections 58 to 61 of the *Utilities Commission Act* (UCA), to adjust its rate design and terms and conditions of service (Application);
- B. By Orders G-23-18, G-62-18 and G-101-18, the BCUC established regulatory timetables for the review of the Application which included, among other things, a procedural conference, two rounds of BCUC and intervener information requests (IRs) on the Application, the filing of intervener evidence, and one round of IRs on intervener evidence;
- C. By letters dated September 14 and September 17, 2018, FBC and interveners provided submissions on the remainder of the regulatory process, including the need for an oral hearing. FBC provided its reply submission on September 19, 2018; and
- D. The BCUC has reviewed the written submissions and the evidence filed in the proceeding and considers that the remainder of the regulatory timetable should be established.

NOW THEREFORE the BCUC orders that a regulatory timetable be established in accordance with Appendix A to this order for the reasons outlined in Appendix B.

DATED at the City of Vancouver, in the Province of British Columbia, this 25th day of September 2018.

BY ORDER

Original signed by:

D. A. Cote
Commissioner

FortisBC Inc.
2017 Cost of Service Analysis and Rate Design Application

REGULATORY TIMETABLE

Action	Date (2018)
FBC written final argument	Wednesday, October 17
Intervener written final arguments	Wednesday, November 7
FBC written reply argument	Thursday, November 22

FortisBC Inc.
2017 Cost of Service Analysis and Rate Design Application

REASONS FOR DECISION

1.0 Background

On December 22, 2017, FortisBC Inc. (FBC) filed its 2017 Cost of Service Analysis and Rate Design Application with the British Columbia Utilities Commission (BCUC) seeking approvals pursuant to sections 58 to 61 of the *Utilities Commission Act* (UCA) to adjust its rate design and terms and conditions of service (Application).

By Orders G-23-18, G-62-18 and G-101-18, the BCUC established regulatory timetables for the review of the Application, which included, among other things, a procedural conference, two rounds of information requests (IRs) on the Application, the filing of intervener evidence, one round of IRs on intervener evidence, the opportunity for FBC to file rebuttal evidence, and a placeholder for a potential oral hearing pending submissions from FBC and interveners on further process.

On September 10, 2018, the BCUC issued a letter requesting that parties address the following topics in their submissions on further process: (i) the need for an oral hearing and/or oral arguments; (ii) in the event a party considers that an oral hearing is necessary, the rationale for this assertion; and (iii) any location preference if an oral hearing and/or oral argument were to be scheduled, specifically whether there is a preference between Vancouver, BC or Kelowna, BC.

Between September 14, 2018 and September 17, 2018, FBC and the following interveners provided submissions on further process:

- Anarchist Mountain Community Society and Regional District of Okanagan-Similkameen (AMCS/RDOS);
- British Columbia Hydro and Power Authority (BC Hydro);
- British Columbia Municipal Electrical Utilities (BCMEU);
- British Columbia Old Age Pensioners' Organization *et al.* (BCOAPO);
- BC Sustainable Energy Association and Sierra Club of BC (BCSEA-SCBC);
- Commercial Energy Consumers Association of British Columbia (CEC);
- Industrial Customers Group (ICG);
- Irrigation Ratepayers Group (IRG); and
- Kaslo Seniors Community Association – Branch 81 (KSCA).

FBC filed its reply submission on September 19, 2018.

2.0 Summary of submissions

Need for oral hearing, scope and location

Of the ten parties who filed submissions, AMCS/RDOS, BCOAPO and KSCA indicated either directly or indirectly that an oral hearing was necessary.

AMCS/RDOS submits that an oral hearing should be convened in Kelowna on the following two residential rate design issues: (i) the timing and return to a flat rate structure from the current Residential Conservation Rate (RCR); and (ii) the residential time of use (TOU) proposal. AMCS/RDOS provides the following reasons in support of the need for an oral hearing:

- The infrequency of rate design hearings;
- The severity of the economic impact on many residential ratepayers; and
- Ensuring the public interest is served by a comprehensive review process.

BCOAPO did not request a full oral hearing for its own purposes but submits that it is cognizant of some parties' wishes for an oral hearing and suggests that it should be on the topics of residential rates and optional TOU and that the oral hearing should take place in Kelowna. BCOAPO states that there is conflicting evidence on the record and that parties' positions are widely divergent. It submits that further discovery is needed related to the Long Run Marginal Cost (LRMC) due to the recent issuance of the FBC Long Term Electric Resource Plan (LTERP) Decision. BCOAPO submits that it attempted, where possible, to seek discovery on these issues in IRs but that FBC's responses in some cases did not fully or directly address the issues. BCOAPO states that there would be benefit from an oral hearing on the topics of Commercial and Transmission Rates, but it does not explain why and notes that these areas are not directly relevant to its clients' interests.

KSCA does not explicitly state that an oral hearing is necessary; however, it submits that it "still wishes to further examine FortisBC (FBC) on the component parts used to design the Basic Customer Charge (BCC) rate." KSCA indicates that it would accept that there is no further need to hold an oral hearing if the BCUC believes there is sufficient evidence to make determinations on the basic customer charge; however, KSCA does not currently feel that it has enough information to "make that case competently in final argument."

BC Hydro takes no position on whether an oral hearing is appropriate, but submits that if the BCUC determines that an oral hearing is appropriate, the scope should exclude the rate harmonization clarifications addressed in section 7.2 of the Application and presented in BC Hydro's evidence.

BCMEU, BCSEA-SCBC, CEC, ICG and IRG state that an oral hearing is not needed.

FBC submits that an oral hearing is "neither required nor appropriate" given the nature of the issues in the proceeding. It submits that the written record is substantial, pointing to the fact that it alone has responded to 1,858 IRs, and that the evidentiary record should therefore be closed. FBC also states that the issues on which participants disagree, such as appropriate rate structures and how the structures should be implemented, are matters of argument. FBC concludes that the proceeding should move to written final arguments and proposes that its written final argument be filed three weeks after the issuance of the BCUC's procedural order, followed by written intervener final arguments two weeks after the deadline for FBC's final argument, and then FBC's written reply argument filed two weeks later.

FBC asserts that AMCS/RDOS' submissions are "extremely vague" and "seem to amount to seeking an oral hearing for the sake of having an oral hearing." With regard to AMCS/RDOS' rationale that rate design hearings are infrequent and therefore warrant an oral hearing, FBC points to the BCUC's statement in the reasons for decision attached to Order G-180-17 regarding the Insurance Corporation of British Columbia's Revenue Requirements Application for Universal Compulsory Automobile Insurance (ICBC RRA Decision). In these reasons, the BCUC stated that "determining the need for an oral hearing should be based on the specific circumstances of the matters within a proceeding, and not place extensive weight on whether there has been a lapse in time since the last one." With regard to the economic impact rationale put forth by AMCS/RDOS, FBC

responds that rate design inherently has an economic impact and that this impact does not in itself support an oral hearing.

In response to KSCA's submission, FBC states that KSCA has already had two rounds of IRs on the basic customer charge and points to BCSEA-SCBC IR 4.2 (Exhibit B-12) in which FBC provided the breakdown of the current customer charge.

FBC disagrees with BCOAPO's characterization of FBC's IR responses and notes that BCOAPO did not approach FBC seeking clarification on the record nor did BCOAPO previously raise any objection regarding the quality of any of FBC's responses. FBC further submits that BCOAPO did not provide support for its statement that there is conflicting evidence on the record and that any divergent positions should be dealt with in argument.

Other process options

With regard to the option of oral argument, all parties indicated a preference for written argument over oral argument.

CEC submits that if the BCUC determines that some form of oral process is required, it would be appropriate to hold a Technical Workshop instead of an oral hearing, as this would allow for experts to be questioned in a "more informal and cost-effective setting."

As stated previously, KSCA submits that it does not have enough information on the basic customer charge to adequately make its final argument and wishes to ask FBC "which of the current BCC cost components currently fall outside [of the Garfield and Lovejoy] definition and why they are currently included within BCC costs instead of in the energy rate component".

KSCA submits that the BCUC has a number of options to address KSCA's issue:

- Allow KSCA to ask supplementary questions on the BCC component costs;
- Hold a settlement conference for the residential class component of the hearing; or
- Hold an oral hearing, in which case KSCA would prefer to participate via video conference.

KSCA submits that holding a settlement conference on the residential rate design and structure would "go a long way towards helping resolve some of the acrimony that exists between the Company and its residential customers." KSCA states that it "reluctantly accepts that if no settlement conference is proposed, then Final Argument should be in writing, and at least a month given for the writing of that final argument because of other time commitments."

As previously stated, FBC disagrees that further evidence is needed on the basic customer charge. However, FBC states that if the BCUC is of the view that further evidence should be gathered, FBC prefers that KSCA have a "very specific" opportunity to ask IRs. FBC does not support KSCA's request for a "settlement conference" and notes that the BCUC's negotiated settlement process (NSP) guidelines suggest that there should be unanimous or at least general agreement in order for such a process to be undertaken.

3.0 Panel determination

The Panel finds that the evidentiary record is sufficient and that an oral hearing is not required. The Panel therefore directs that the proceeding to move to written arguments and establishes the remainder of the regulatory timetable.

The Panel agrees with FBC that the evidentiary record is extensive and notes that with the exception of three interveners, all other parties support moving to written arguments. With regard to AMCS/RDOS' rationale for requiring an oral hearing on the RCR and the residential TOU proposal, the Panel disagrees. The Panel does not consider the frequency or economic impact of an application to be adequate justification for holding an oral hearing. As an example, the BCUC has adjudicated many revenue requirement applications where the economic or rate impact could be considered significant, yet the proceedings did not contain an oral hearing component. With regard to an application's frequency, the Panel does not consider there to be any correlation between the need for an oral hearing and how often a type of application comes before the BCUC. As an example, Certificates of Public Convenience and Necessity (CPCNs) occur more or less frequently for various utilities, but such frequency has little bearing on the type of hearing the CPCN application is reviewed under. The Panel also notes the BCUC's statement in the ICBC RRA Decision that the need for an oral hearing should be based on the specific circumstances of the matters within a proceeding.

AMCS/RDOS also states that an oral hearing is necessary to ensure the public interest is served by a comprehensive review process. As the Panel previously stated, we consider the evidentiary record to be comprehensive and note that all topics have been thoroughly explored through the IR process and through the filing and examination of intervener evidence.

With regard to BCOAPO's submission that an oral hearing is required to address conflicting evidence and parties' divergent positions, the Panel also disagrees. BCOAPO has not provided support for its assertion of conflicting evidence, and the issue of conflicting or divergent positions should be dealt with in argument, not in an oral hearing. The evidence itself has been thoroughly tested, and in cases where errors have occurred or clarification has been required, these items have been addressed through IR responses and through evidentiary errata. The issuance of the FBC LTERP Decision does not justify the need for an oral hearing, as the underlying concepts of the LRMC and the appropriateness of its use in a two-tiered residential rate design were explored in IRs and are not impacted by the aforementioned decision. Further, BCSEA-SCBC's expert incorporated the determinations from the FBC LTERP Decision in his evidence and this was tested by FBC, the BCUC and interveners in IRs.

KSCA states that it requires further information on the basic customer charge and it requests a "settlement conference" for the "residential class component of the hearing." The issues of the allocation of customer-related distribution costs and fixed cost recovery have been examined extensively through the IR process and the Panel does not consider it necessary for further evidence to be gathered on these issues. The Panel notes, as an example, that FBC provided alternate classifications of customer and demand-related distribution costs in response to BCUC IR 118.0 and has, in this IR and in others, explained its rationale for using the minimum system study approach to allocating distribution costs. The Panel also notes FBC's reference to its response to BCSEA-SCBC IR 4.2 which provided the breakdown of the current customer charge. The Panel recognizes that there are conflicting opinions on the appropriate allocation of distribution costs and expects that many of the parties will address this issue in final arguments.

The Panel interprets KSCA's request for a "settlement conference" to mean a "negotiated settlement process" (NSP), as this would be the only forum within the BCUC's established processes which resembles a "settlement conference." The Panel, however, declines KSCA's request for an NSP, as such a process is not appropriate in this case. If adjustments were to be made to the "component parts of the customer charge," there would be an impact on the revenue to cost ratios for all customer classes, not just the residential customer class; thus, all interveners would need to participate in an NSP on this topic. While the issue of the RCR versus the flat rate structure is an intra-class rate design issue, it would be procedurally unfair to hold an NSP amongst only AMCS/RDOS, KSCA and FBC, as other interveners have an interest in, and in the case of BCSEA-SCBC have filed

evidence on, this issue. The Panel agrees with FBC that an NSP is not appropriate in the current circumstances and no other intervener has indicated a desire for such a process.

In consideration of the above, the Panel directs that the evidentiary record be closed and that the proceeding move to written arguments in accordance with the regulatory timetable attached as Appendix A.