



Diane Roy
Vice President, Regulatory Affairs

Gas Regulatory Affairs Correspondence
Email: gas.regulatory.affairs@fortisbc.com

Electric Regulatory Affairs Correspondence
Email: electricity.regulatory.affairs@fortisbc.com

FortisBC
16705 Fraser Highway
Surrey, B.C. V4N 0E8
Tel: (604) 576-7349
Cell: (604) 908-2790
Fax: (604) 576-7074
Email: diane.roy@fortisbc.com
www.fortisbc.com

October 19, 2018

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

**Re: FortisBC Energy Inc. (FEI)
Annual Review for 2019 Delivery Rates (the Application) Project No. 1598966
Request for Approval of Interim Rates**

FEI writes to request an order from the British Columbia Utilities Commission (BCUC) approving FEI's delivery rates and delivery rate riders as interim, pursuant to sections 59 to 61 and 89 of the *Utilities Commission Act* (UCA), effective January 1, 2019.

On August 3, 2018, FEI filed its Annual Review for 2019 Delivery Rates Application and on September 26, 2018, FEI filed an Evidentiary Update (collectively the Application). In the Application, FEI requested approval to, among other things, maintain existing delivery rates at 2018 levels (rate freeze) and to set various rate riders effective January 1, 2019, and to offset the 2019 revenue deficiency by amortizing a portion of the existing 2017 & 2018 Revenue Surplus deferral account.

On June 22, 2018, FEI filed its application for Acceptance of Demand Side Management Expenditures for the 2019 to 2022 period (DSM Application). Section 44.2(2) of the UCA provides that the BCUC may not approve permanent rates for the recovery of expenditures on demand-side measures, unless the expenditures are accepted under section 44.2. Section 44.2(2), therefore, requires the acceptance of the DSM Application prior to setting permanent delivery rates for 2019. Section 44.2 of the UCA does allow rates for the recovery of demand-side measure expenditures to be set on an interim basis prior to the acceptance under section 44.2. Given that the regulatory review process for the DSM Application concludes on November 1, 2018, a BCUC decision is unlikely to be received in time to implement permanent rates on January 1, 2019. As a result, it will be necessary to set rates interim, effective January 1, 2019, pending the BCUC's final decisions on both the Application and the DSM Application.

While FEI requested a rate freeze in its Application, FEI acknowledges that a 1.1 percent delivery rate increase is a potential outcome of the proceeding given the revenue deficit at existing rates and the rate smoothing benefits of implementing a 1.1 percent delivery rate increase as noted in the Evidentiary Update¹, shown in FEI's workshop presentation², and discussed at the workshop³. Given this potential outcome, with which FEI is amenable, FEI is requesting approval of a 1.1 percent increase in delivery rates, on an interim basis. FEI believes it would be preferable to have an interim rate increase and a potential refund to customers if the BCUC instead approves a rate freeze, rather than an interim rate freeze and then flowing through an increase if the BCUC approves one.

FEI, therefore, hereby requests approval of a 1.1 percent delivery rate increase and to set various delivery rate riders as applied for in the Application, on an interim and refundable basis, with any difference between the interim rates and the permanent rates to be refunded to or collected from customers (with interest at the average prime rate of FEI's principal bank applied to any refundable amounts) pending the BCUC's final decisions on the Application and the DSM Application. Once both decisions are received, FEI will submit a compliance filing to establish permanent rates and to address any difference between interim and permanent rates.

A draft order is attached as Appendix A.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

cc (email only): Registered Parties

¹ Exhibit B-2-1, p. 4.

² Exhibit B-8, p. 6.

³ Transcript, Vol. 1, p. 6, line 17 to p. 7, line 2; p. 14, lines 16-24; p. 49, lines 16-22.

Appendix A
DRAFT ORDER



ORDER NUMBER

G-xx-xx

IN THE MATTER OF

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

and

FortisBC Energy Inc.

Annual Review for 2019 Delivery Rates

BEFORE:

[Panel Chair]
Commissioner
Commissioner

on Date

ORDER

WHEREAS:

- A. On September 15, 2014, the British Columbia Utilities Commission (BCUC) issued its Decision and Order G-138-14 for FortisBC Energy Inc. (FEI) approving a Multi-Year Performance Based Ratemaking (PBR) Plan for 2014 through 2019 (PBR Decision). In accordance with the PBR Decision, an annual review process with the BCUC will be undertaken to set delivery rates for each year;
- B. By Order G-143-18 dated July 31, 2018, the BCUC established the regulatory timetable for the annual review of FEI's 2019 delivery rates;
- C. On August 3, 2018, FEI submitted its Annual Review of 2019 Rates Application materials (Application), seeking approval of, among other things, to maintain the existing 2018 delivery rates (before consideration of rate riders) on a permanent basis, to set various rate riders, and to partially amortize the 2018 revenue deficiency from the 2017-2018 Revenue Surplus account, effective January 1, 2018. The Application is made pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA);
- D. On October 19, 2018, FEI requested approval, pursuant to sections 59 to 61 and 89 of the UCA, of a 1.1 percent increase to delivery rates on an interim and refundable basis (with interest at the average prime rate of FEI's principal bank applied to any refundable amounts), effective January 1, 2019 (Interim Rate Application), pending the BCUC's decisions regarding the Application and the 2019-2022 Demand Side Management (DSM) Expenditures Application (DSM Application) filed with the BCUC for acceptance on June 22, 2018, pursuant to section 44.2 of the UCA;
- E. Pursuant to section 44.2(2) of the UCA, the BCUC may not consent under section 61 of the UCA to an amendment to a schedule filed under section 61 to the extent that the amendment is for the purpose of, among other things, recovering expenditures on demand-side measures the public utility anticipates making

during the period addressed by the schedule, unless the amendment is for the purpose of setting an interim rate; and

F. The BCUC has reviewed the Interim Rate Application and considers that approval is warranted.

NOW THEREFORE pursuant to sections 59 to 61 and 89 of the *Utilities Commission Act* the BCUC orders as follows:

1. FEI's Interim Rate Application for a 1.1 percent delivery rate increase, on an interim basis, effective January 1, 2019, is approved.
2. FEI's Interim Rate Application to set the following delivery rate riders, on an interim basis, effective January 1, 2019, is approved:
 - a. A Biomethane Variance Account Rate Rider for 2019 in the amount of \$0.018 per gigajoule; and
 - b. Revenue Stabilization Adjustment Mechanism riders for 2019 in the amounts set out in Table 10-10 of the Application in Section 10.2.2.
3. FEI is directed to refund/recover the difference between the interim rates and permanent rates, as determined by the BCUC following the final determination in the Application and FEI's DSM Application, with interest calculated on any refundable amounts at the average prime rate of FEI's principal bank for its most recent year.
4. FEI is directed to file with the BCUC, within 30 days of the issuance of this order, amended tariff pages in accordance with the terms of this order.

DATED at the City of Vancouver, in the Province of British Columbia, this (XX) day of (Month Year).

BY ORDER

(X. X. last name)
Commissioner