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ORDER NUMBER
G-246-18

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

and

FortisBC Inc.
Annual Review for 2019 Rates

BEFORE:
R. I. Mason, Panel Chair/Commissioner
D. J. Enns, Commissioner

on December 19, 2018

ORDER

WHEREAS:

A. On September 15, 2014, the British Columbia Utilities Commission (BCUC) issued its Decision and Order G-139-14 for FortisBC Inc. (FBC) 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 rates for each year;

B. By Order G-142-18 dated July 31, 2018, the BCUC established a regulatory timetable for the annual review of 2019 rates which included the anticipated date for FBC to file its annual review materials, the deadline for intervener registration, one round of information requests (IRs), a workshop, FBC's response to undertakings requested at the workshop, and written final and reply arguments;

C. On August 10, 2018, FBC submitted its Annual Review for 2019 Rates Application materials (Application) and on October 3, 2018, FBC submitted an evidentiary update to the Application (Evidentiary Update), seeking approval to, among other things, maintain 2019 rates at existing levels, pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA);

D. On September 25, 2018, FBC submitted errata to the Application correcting errors in certain tables and appendices that were identified during the course of responding to IRs;

E. By letter dated October 19, 2018, pursuant to sections 59 to 61 and 89 of the UCA, FBC filed a request to approve its existing rates for all customer classes as interim and refundable, effective January 1, 2019, pending the BCUC's decision on the Application and FBC's Application for Acceptance of Demand Side Management (DSM) Expenditures for the 2019 to 2022 period (2019-2022 DSM Application) which was filed with the BCUC on August 2, 2018 and is being reviewed in a separate proceeding;

F. 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;

G. By Order G-209-18 dated November 5, 2018, the BCUC approved FBC's request for interim rates, effective January 1, 2019;

H. The BCUC has reviewed the Application and evidence filed in the proceeding and makes the following determinations.

NOW THEREFORE pursuant to sections 59 to 61 and 89 of the UCA, for the reasons attached as Appendix A to this order, the BCUC orders as follows:

1. FBC's current rates, which were approved as interim by Order G-209-18, will remain interim and refundable/recoverable until the completion of the 2019-2022 DSM Application proceeding.
2. The following non-rate base deferral account requests are approved:
    a. Establishment of a 2018 DSM Expenditure Schedule Application deferral account, financed at FBC's short term interest (STI) rate and amortized over a one-year period commencing in 2019;
    b. Establishment of a Rate Design and Rates for Electric Vehicle Direct Current Fast Charging Service Application deferral account, financed at FBC's weighted average cost of debt (WACD) with an amortization period to be proposed in a future application;
    c. Establishment of a British Columbia Hydro and Power Authority Waneta 2017 Transaction deferral account, financed at FBC's STI rate with a one-year amortization period in 2019;
    d. Addition of the forecast 2019 revenue surplus to the existing 2018 Revenue Deficiency deferral account, and a name change of the account to the 2018 – 2019 Revenue Surplus deferral account, which is to be financed at FBC's WACD;
    e. Amortization of the 2017 Cost of Service Analysis and Rate Design Application deferral account over a five-year period, commencing in 2019;
    f. Amortization of the Castlegar Office Disposition deferral account over a one-year period in 2019; and
    g. A four-year amortization period for the existing Multi-Year (2019-2022) DSM Expenditure Schedule deferral account, commencing in 2019.
3. Z-factor treatment for the 2019 Employer Health Tax, the 2018 and 2019 Medical Services Plan premium reductions, and the 2019 incremental operating and maintenance (O&M) and capital expenses related to the Mandatory Reliability Standards (MRS) Assessment Reports No. 8 and No. 10 are approved.
4. FBC is directed to continue providing the information related to capital that is in Table 1-3 and Appendix B2 of the Application in its next revenue requirements application, which is expected to be filed with the BCUC in 2019.
5. FBC's proposal to remove the capital expenditures in excess of the cumulative dead band from the earnings sharing calculation and add these expenditures to FBC's opening 2019 plant additions balance is approved.
6. FBC is directed to comply with all other reporting requirements and determinations outlined in the Reasons for Decision attached as Appendix A to this order.

7. FBC is directed to file as a compliance filing the finalized financial schedules for the 2019 test period no later than 15 days from the issuance of the BCUC's decision on the 2019-2022 DSM Application.

DATED at the City of Vancouver, in the Province of British Columbia, this 19th day of December 2018.

BY ORDER

Original signed by:

R. I. Mason
Commissioner

Attachment

FortisBC Inc.

Annual Review for 2019 Rates

Reasons for Decision

December 19, 2018

Before:
R. I. Mason, Panel Chair/Commissioner
D. J. Enns, Commissioner

Table of Contents

Page no.

1.0 Introduction

1.1 Background

By Order G-139-14 dated September 15, 2014 and the accompanying decision (PBR Decision), the British Columbia Utilities Commission (BCUC) approved a Performance Based Ratemaking (PBR) Plan for FortisBC Inc. (FBC) covering a six-year period commencing in 2014. The primary purpose of the PBR Plan is to create an incentive for FBC to seek out sustainable operating and capital savings while maintaining service quality levels as measured by Service Quality Indicators (SQIs). The PBR Plan provides for an equal sharing of any PBR-related savings between customers and FBC.

A key element of the PBR Plan is the provision for an annual review. As part of the PBR Decision, the BCUC set out the following items to be addressed at each annual review:

a. Evaluation of the operation of the PBR Plan in the past year(s) and identification by any party of any deficiencies/concerns with the operation of the PBR Plan that have become apparent.
b. Review of the current year's projections and the upcoming year's forecast.
c. Identification of any efficiency initiatives that FBC has undertaken, or intends to undertake, that require a payback period extending beyond the PBR Plan period and make recommendations to the BCUC with respect to the treatment of such initiatives.
d. Review of any exogenous events that FBC or stakeholders have identified that should be put forward to the BCUC for decision as to their exclusion from the PBR Plan.
e. Review of FBC's performance with respect to SQIs, and make recommendations to the BCUC where there has been a "sustained serious degradation" of service.
f. Assess and make recommendations with respect to any SQIs that should be reviewed in future annual reviews.
g. Assess and make recommendations to the BCUC on the scope for future annual reviews.[1]

1.2 The application and approvals sought

On August 10, 2018, FBC filed its Annual Review for 2019 Rates Application (Application). In the Application, FBC forecasts a 1.55 percent rate decrease for 2019 but proposes to maintain 2019 rates at existing levels and to capture the forecast revenue surplus in the existing 2018 Revenue Deficiency deferral account, renaming the account to the 2018 – 2019 Revenue Surplus deferral account.[2] FBC submits that this proposal "will avoid the volatility associated with a rate decrease in 2019 followed by a potentially larger rate increase in 2020 when certain large capital projects begin to enter rate base."[3]

Other approvals sought in the Application, pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA), include the following:

1. The following non-rate base deferral account approvals, as described in Section 12.4 of the Application and as amended during the proceeding:

[1] FBC Application for Approval of a Multi-Year PBR Plan for 2014 through 2018, dated September 15, 2014 (PBR Decision), pp. 179–180.
[2] Exhibit B-2, pp. 1–2, 10–11.
[3] Exhibit B-2, p. 1.

a. Creation of a 2018 Demand Side Management (DSM) Expenditure Schedule Application deferral account to be financed at FBC's short term interest (STI) rate with a one-year amortization period;

b. Creation of a Rate Design and Rates for Electric Vehicle (EV) Direct Current Fast Charging Service Application deferral account to be financed at FBC's weighted average cost of debt (WACD) with a disposition to be proposed in a future application;

c. Creation of a British Columbia Hydro and Power Authority (BC Hydro) Waneta 2017 Transaction deferral account for costs related to FBC's participation in the BC Hydro proceeding to be financed at FBC's STI rate with a one-year amortization period in 2019;

d. A carrying cost on the proposed 2018 – 2019 Revenue Surplus deferral account at FBC's WACD;

e. A four-year amortization period for the existing Multi-Year (2019-2022) DSM Expenditures Application deferral account, commencing in 2019;

f. A five-year amortization period for the existing 2017 Cost of Service Analysis (COSA) and Rate Design Application (RDA) deferral account, commencing in 2019; and

g. A one-year amortization period for the existing Castlegar Office Disposition deferral account in 2019.

2. Z-factor treatment for: the 2019 Employer Health Tax (EHT); the 2018 and 2019 Medical Services Plan (MSP) premium reductions; and the 2019 incremental operations and maintenance (O&M) and capital expenditures related to the Mandatory Reliability Standards (MRS) Assessment Reports No. 8 and No. 10, as described in Section 12.2 of the Application.[4]

Subsequent to the filing of the Application, on September 25, 2018, FBC submitted errata to the Application correcting errors in certain tables and appendices in the Application which were identified during the course of responding to information requests (IRs).

In addition, on October 3, 2018, FBC filed an evidentiary update (Evidentiary Update). In the Evidentiary Update, FBC identified four items that resulted in minor changes to the forecast revenue surplus. FBC continues to propose to hold 2019 rates at 2018 levels and to capture the revenue surplus of $5.736 million in the existing 2018 Revenue Deficiency deferral account, renaming the account to the 2018 – 2019 Revenue Surplus deferral account.[5]

The Panel notes FBC's response to BCUC IR 31.1 which stated that due to developments in accounting guidance since the filing of the Application, it is no longer necessary for FBC to request a one-year variance from US GAAP to capitalize cloud computing implementation costs in 2019 as described in Section 12.3.1.2 of the Application.[6]

1.3 Application review process

By Order G-142-18 dated July 31, 2018, the BCUC established a regulatory timetable for the review of the Application, which included one round of IRs, a workshop open to all participants, an opportunity for FBC to file responses to undertakings requested at the workshop, written final arguments from interveners and FBC's written reply argument.

The following six interveners registered and actively participated in the proceeding:

[4] Exhibit B-2, p. 2; Exhibit B-2-2, p. 3; Exhibit B-3, BCUC IR 32.1.
[5] Exhibit B-2-2, p. 3.
[6] Exhibit B-3, BCUC IR 31.1.

- Movement of United Professionals (MoveUP);
- British Columbia Municipal Electrical Utilities (BCMEU);
- Industrial Customers Group (ICG);
- BC Sustainable Energy Association and Sierra Club BC (BCSEA-SCBC);
- Commercial Energy Consumers Association of British Columbia (the CEC); and
- British Columbia Old Age Pensioners' Organization *et al.* (BCOAPO).

1.4 Interim rate approval

On August 2, 2018, pursuant to section 44.2 of the UCA, FBC submitted its Application for Acceptance of DSM Expenditures for the 2019 to 2022 period (2019-2022 DSM Application). The 2019-2022 DSM Application is currently being reviewed in a separate proceeding.

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.

On October 19, 2018, FBC filed a request to approve its existing rates for all customer classes as interim and refundable effective January 1, 2019, pending the BCUC's decision on the Application and the 2019-2022 DSM Application. By Order G-209-18 dated November 5, 2018, the BCUC approved the request and directed FBC to refund/recover any variance between interim and permanent rates as determined by the BCUC following its final determinations on the Application and the 2019-2022 DSM Application with interest at the average prime rate of FBC's principal bank for its most recent year.

2.0 Determinations on approvals sought

FBC's approvals sought in the Application and updated during the proceeding and in the Evidentiary Update are outlined in Section 1.2 above. In Sections 2.1 and 2.2 that follow, the Panel examines issues related to FBC's BC Hydro Waneta 2017 Transaction and 2019-2022 DSM Application deferral account requests, and request for Z-factor treatment for 2019 incremental O&M and capital expenditures related to the MRS Assessment Reports No. 8 and No. 10.

As no issues were raised by parties and no interveners opposed the BCUC's approval of the remainder of FBC's requests in their respective final arguments, based on the evidence filed in this proceeding, **the Panel finds the following requests to be reasonable and hereby approves them:**

- **FBC's 2019 rates approved on an interim basis by Order G-209-18 shall remain interim and refundable until such time as the completion of the 2019-2022 DSM Application proceeding. Subsequent to the completion of the 2019-2022 DSM Application proceeding, the BCUC will approve permanent 2019 rates.**
- **The establishment of the following non-rate base deferral accounts and corresponding financing charges and amortization periods:**
    - **2018 DSM Expenditure Schedule Application deferral account, financed at FBC's STI rate and amortized over a one-year period commencing in 2019; and**

  - **Rate Design and Rates for EV Direct Current Fast Charging Service Application deferral account, financed at FBC's WACD with an amortization period to be proposed in a future application.**
- **Addition of the forecast 2019 revenue surplus to the existing 2018 Revenue Deficiency deferral account, and a name change of the account to the 2018 – 2019 Revenue Surplus deferral account. The renamed account is to be financed at FBC's WACD.**
- **Amortization of the 2017 COSA and RDA deferral account over a five-year period, commencing in 2019.**
- **Amortization of the Castlegar Office Disposition deferral account over a one-year period in 2019.**
- **Z-factor treatment for the 2019 EHT, and the 2018 and 2019 MSP premium reductions.**

FBC proposes to maintain 2019 rates at existing 2018 levels and to add the 2019 revenue surplus to the existing 2018 Revenue Deficiency deferral account which was approved by Order G-131-18, and rename the account to the 2018 – 2019 Revenue Surplus deferral account. The result of FBC's proposed treatment is a net revenue surplus of $3.533 million after tax in the 2018 – 2019 Revenue Surplus deferral account.[7] In consideration of FBC's statement that the anticipated 2020 revenue requirement associated with large capital projects entering into rate base in that year is $1.700 million, which equates to an estimated rate impact of approximately +0.45 percent,[8] the Panel finds that maintaining 2019 rates at existing 2018 levels and recording the forecast 2019 revenue surplus in a 2018 – 2019 Revenue Surplus deferral account will result in less rate volatility. The net revenue surplus in the deferral account can be used to mitigate anticipated future increases caused by capital projects entering rate base in upcoming years. The Panel expects FBC to propose the disposition of the 2018 – 2019 Revenue Surplus deferral account in the setting of 2020 rates in order to mitigate future rate increases.

FBC's request to create two new non-rate base deferral accounts to record external regulatory costs related to the 2018 DSM Expenditure Schedule Application and the Rate Design and Rates for EV Direct Current Fast Charging Service Application proceedings are consistent with the previous treatment of regulatory proceeding costs, and therefore the Panel finds these requests to be reasonable.

With respect to the requests related to the amortization of existing deferral accounts, the Panel considers that the requested amortization periods for the 2017 COSA and RDA and the Castlegar Office Disposition deferral accounts are reasonable and consistent with the type of regulatory account. Accordingly, the Panel finds these deferral account requests reasonable.

In Section 2.2 of the Reasons for Decision, the Panel discusses the criteria established by the BCUC for evaluating whether the impact of an event qualifies for exogenous factor (also referred to as Z-factor) treatment in the PBR term. No issues were raised by interveners and, based on the evidence filed in the proceeding, the Panel finds that the Z-factor treatment criteria have been met for the cost/savings associated with the 2019 EHT, and the 2018 and 2019 MSP premium reductions. The Panel considers that these forecast costs/savings are attributable to BC Government announcements which are outside the control of FBC, and which FBC is legally obligated to comply with. In addition, these costs/savings could not have been foreseen and were not considered in setting FBC's Base O&M. Finally, the forecast costs/savings exceed the BCUC's defined materiality threshold related to an exogenous event. The Panel, therefore, finds the requests reasonable.

[7] Exhibit B-2-2, p. 3.
[8] Exhibit B-5, BCOAPO IR 1.1.

2.1 Deferral account requests

As noted above, FBC's deferral account requests related to the BC Hydro Waneta 2017 Transaction and 2019-2022 DSM Application are addressed in the sections that follow.

2.1.1 BC Hydro Waneta 2017 Transaction

On October 30, 2017, BC Hydro filed an application with the BCUC to acquire the remaining two-thirds interest in the Waneta Dam and associated transmission assets, including Line 71 between Waneta and the US border, from Teck Metals Ltd. (Teck).[9]

FBC participated in the BC Hydro proceeding and seeks approval to establish a BC Hydro Waneta 2017 Transaction deferral account to be financed at FBC's STI rate with a one-year amortization period, to record external legal costs of $0.124 million which it incurred in the course of the proceeding.[10]

FBC explains in response to BCUC IR 33.1 that it participated in the BC Hydro proceeding in order to ensure that the interests of FBC's customers were considered during the proceeding. Since FBC is a direct customer of BC Hydro, FBC believes that its ratepayers will participate in the benefits that BC Hydro is expected to realize from the Waneta transaction. In addition, FBC submitted that "given the changes to the system that FBC shares with Teck, there were several technical matters that required discussion and agreement that were relevant to the proceedings. These resulted in letter agreements with both Teck and BC Hydro."[11] These letter agreements provide stability and certainty in terms of FBC's access to Line 71 during the term of the lease.

With respect to the proposed amortization period for the deferral account, FBC submitted that given the amount of the proposed deferred account, it is "more reasonable" to fully amortize the account in one year rather than to match the amortization period to the benefit period of the expenditure as that would result in "small annual amounts."[12] FBC submitted that it did not consider making a Participant Assistance/Cost Award (PACA) application for its participation because of "long standing principle and practice" that utilities fund their active participation in other utilities' proceedings as part of their costs of service being recovered from their own ratepayers.[13]

Intervener arguments

ICG objects to FBC's request for a deferral account for costs related to its participation in the BC Hydro Waneta 2017 Transaction proceeding. ICG states:

> If there is a "long-standing principle and practice" it is that B.C. utilities do not participate in another utility's proceedings, with the exception of generic or joint application proceedings. It is for the reason that utilities do not participate in other utilities' proceedings that utilities have not applied for PACA funding in the past. It is not, as claimed by [FBC], because of a "long-standing principle and practice" that utilities are not eligible for PACA funding. The ICG is not aware of any other deferral account established by the [BCUC] for one utility to participate in another utility's proceeding. [14]

[9] https://www.bcuc.com/Documents/Proceedings/2018/DOC_52049_2018-07-18-BCH-Waneta2017Transaction-Decision_WEB.pdf
[10] Exhibit B-2, p. 114.
[11] Exhibit B-3, BCUC IR 33.1.
[12] Exhibit B-3, BCUC IR 33.3.
[13] Exhibit B-3, BCUC IR 33.2.
[14] ICG Final Argument, p. 2.

In the event that the BCUC approves FBC's request, ICG submits that "costs for the agreements with BC Hydro and Teck" that were reached because of FBC's participation in that proceeding should not be included in the deferral account, as these costs should be considered in the "normal course" of business.[15]

The CEC has no issue with the establishment of the requested deferral account but is of the view that the amortization period of the account could be "over the life of the access to the transmission line which was acquired" as a result of FBC's participation and recommends FBC provide an alternative amortization period.[16]

FBC reply argument

FBC disagrees with ICG's position that utilities do not participate in other utilities' proceedings, noting a number of examples in which utilities have registered as interveners and actively participated in these regulatory proceedings. FBC submits:

> Based on factors in the BCUC's Regulatory Account Checklist as outlined in FBC's Application, the rationale for deferring FBC's cost of participation in BC Hydro's Waneta 2017 Transaction Application is based on sound regulatory principle.[17]

FBC clarifies that it proposes only to defer its external legal costs of participating in the BC Hydro proceeding as FBC's internal labour costs to negotiate the agreements with Teck and BC Hydro are included in Base O&M.[18]

In response to the CEC, FBC acknowledges that there are long-term benefits to FBC's participation in the BC Hydro Waneta 2017 Transaction Application, but submits that "spreading the small amounts in [the deferral account] over the long periods suggested (e.g. 10 to 20 years) would result in small annual amounts and unnecessary financing costs." Therefore, fully amortizing the account in one year is the most reasonable option.[19]

BCUC Determination

The Panel approves the establishment of a BC Hydro Waneta 2017 Transaction deferral account which is to be financed at FBC's STI rate and amortized over a one-year period in 2019. The Panel agrees with FBC that utilities do participate in other utility's proceedings. For example, BC Hydro is currently participating in the FBC 2017 Cost of Service Analysis and Rate Design Application proceeding.[20] The issue at hand is whether it is appropriate to establish a regulatory deferral account for the costs incurred by FBC during its participation in the BC Hydro Waneta 2017 Transaction proceeding. In that regard, the Panel accepts FBC's explanation that it is only proposing to defer its external legal costs associated with participating in the regulatory proceeding and that these external legal costs are not included within FBC's Base O&M, while internal costs to negotiate the agreements <u>are</u> included in FBC's Base O&M.

While FBC was not the applicant in the Waneta 2017 Transaction proceeding, the Panel finds that the external legal costs which were incurred are similar in nature to the external legal costs that are incurred for FBC's own regulatory proceedings. Thus, the Panel finds that establishing the requested deferral account in order to recover the incurred costs is warranted. The Panel agrees with FBC that a one-year amortization period is appropriate in the circumstances and that a longer amortization period would only result in increased financing

[15] Ibid., p. 2.
[16] CEC Final Argument, p. 25.
[17] FBC Reply Argument, p. 8.
[18] Ibid.
[19] Ibid., pp. 6–7.
[20] https://www.bcuc.com/ApplicationView.aspx?ApplicationId=610

costs to be recovered from ratepayers. Thus, the Panel declines the CEC's recommendation for an alternative amortization period.

2.1.2 2019-2022 DSM Application

As noted in Section 1.4 of the Reasons for Decision, on August 2, 2018, FBC filed the 2019-2022 DSM Application, which is currently being reviewed in a separate proceeding. By Order G-38-18 dated February 13, 2018, FBC was approved to establish a non-rate base deferral account for a Multi-Year DSM Expenditure Schedule financed at FBC's WACD.

In the Application, FBC seeks approval of a four-year amortization period for the Multi-Year (2019-2022) DSM Expenditure Schedule deferral account approved by Order G-38-18, commencing in 2019.[21] FBC estimates that it will incur external regulatory costs of $0.275 million before tax for BCUC and intervener costs, consulting and legal fees and other external costs for a written public hearing. FBC proposes that a four-year amortization period beginning in 2019 is appropriate because it is the term which the 2019-2022 DSM expenditure schedule will apply. FBC stated "[it]believes there should be a causal relationship between the recovery period and the benefits associated with the expenditure, and that it is generally most reasonable, and is accepted regulatory practice, for the recovery term of regulatory application cost deferral accounts to align with the term over which the decisions apply."[22]

Intervener arguments

The CEC agrees that it is appropriate to align benefits with the amortization period, but submits that the benefits of DSM expenditures extend beyond four years. The CEC recommends that the BCUC request FBC "to propose an alternative amortization period that matches the benefits of the DSM expenditures to the amortization period."[23]

No other interveners raised issues with FBC's proposal for a four-year amortization period for the Multi-Year (2019-2022) DSM Expenditure Schedule beginning in 2019.

FBC reply argument

FBC disagrees with the CEC's position that a longer amortization period should be applied to the Multi-Year (2019-2022) DSM Expenditure Schedule deferral account. FBC submits that the proposal is "unwarranted" given the small amount in the account, noting that "spreading the small amounts in [the Multi-Year (2019-2022) DSM Expenditure Schedule deferral account] over the long periods suggested (e.g. 10 to 20 years) would result in small annual amounts and unnecessary financing costs."[24] Further, FBC submits that given that it files DSM applications with the BCUC regularly, amortizing the costs of the DSM applications over long periods would result in overlapping amortization of multiple DSM application regulatory costs and unnecessary financing costs.[25]

BCUC determination

The Panel approves a four-year amortization period for the existing Multi-Year (2019-2022) DSM Expenditure Schedule deferral account, commencing in 2019. The Panel reviewed the CEC's recommendation but views that the appropriate timeline for recovery of a balance in a regulatory deferral account should balance the financial

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[21] Exhibit B-2, p. 115.
[22] Exhibit B-2, p. 115; Exhibit B-3, BCUC IR 35.1.
[23] CEC Final Argument, p. 27.
[24] FBC Reply Argument, pp. 6–7.
[25] Ibid., p. 7.

cost and benefit of recovery over the shortest time period reasonably possible, and matching the amortization period to the future benefits of the deferred expense. The Panel finds that the four-year amortization period proposed by FBC for the Multi-Year (2019-2022) DSM Expenditure Schedule deferral account strikes the appropriate balance between these two interests. The Panel also finds that there is no evidence on the record of this proceeding to support the anticipated length of time over which the benefits of the 2019-2022 DSM expenditures will be realized. As such, the Panel declines the CEC's recommendation to direct FBC to propose an alternative amortization period for this deferral account.

2.2 Z-factor treatment for 2019 incremental O&M and capital expenditures related to the MRS Assessment Reports No. 8 and No. 10

As part of the PBR Decision, the BCUC established the following criteria for evaluating whether the impact of an event qualifies for exogenous factor (also referred to as Z-factor) treatment:

1. The costs/savings must be attributable entirely to events outside the control of a prudently operated utility;
2. The costs/savings must be directly related to the exogenous event and clearly outside the base upon which the rates were originally derived;
3. The impact of the event was unforeseen;
4. The costs must be prudently incurred; and
5. The costs/savings related to each exogenous event must exceed the BCUC's defined materiality threshold.[26]

The materiality threshold for FBC was defined as 0.5 percent of its 2013 Base O&M or approximately $0.301 million.[27]

FBC applies for approval of Z-factor treatment for its 2019 incremental O&M and capital expenditures related to the MRS Assessment Reports No. 8 and No. 10. FBC forecasts incremental MRS costs of $3.720 million, comprised of $0.940 million in incremental O&M expenses and $2.780 million in incremental capital expenditures. FBC submits that these costs "continue to exceed the [BCUC's]-defined materiality threshold of $0.301 million" and satisfy the other Z-factor criteria on the same basis as accepted by the BCUC in Orders G-202-15, G-8-17 and G-38-18.[28]

Intervener arguments

ICG objects to the request for Z-factor treatment for 2019 incremental O&M and capital expenditures related to the MRS Assessment Reports No. 8 and No. 10.[29] ICG submits that costs related to the MRS program do not continue to meet the criteria established for Z-factor treatment, arguing that "[t]hese costs can be forecast and [FBC] should be accountable for variances from approved forecast." In ICG's view, "[t]reating these costs as exogenous factors and not holding [FBC] accountable for variances from approved forecasts is no longer appropriate."[30]

No other interveners raised issues with FBC's request for Z-factor treatment for 2019 incremental O&M and capital expenditures related to the MRS Assessment Reports No. 8 and No. 10.

[26] FBC PBR Decision, p. 94.
[27] Ibid., p. 95.
[28] Exhibit B-2, pp. 106–107.
[29] ICG Final Argument, p. 1.
[30] Ibid., p. 3.

FBC reply argument

FBC disagrees with ICG's position that costs related to the MRS program do not continue to meet the criteria established for Z-factor treatment. FBC submits that the BCUC has "repeatedly determined" that FBC's costs to comply with changes to the MRS program qualify for Z-factor treatment, referring to BCUC Orders G-202-15, G-8-17, and G-38-18. FBC submits that "ICG has not provided any rationale for why the criteria [for Z-factor treatment] are not met in this case, why the BCUC's past decisions are incorrect, or what has changed since the BCUC's past three determinations of this issue."[31]

BCUC determination

The Panel approves Z-factor treatment for the 2019 incremental O&M and capital expenses related to the MRS Assessment Reports No. 8 and No. 10. The Panel considers these costs to be outside the control of FBC as changes to the MRS program are determined by an external regulatory body and FBC is legally obligated to comply with the reliability standards. Further, the Panel agrees with FBC that the 2019 incremental costs for MRS Assessment Reports No. 8 and No. 10 are entirely attributable to complying with the MRS program and were not known at the time of the establishment of FBC's Base O&M. The Panel reviewed the forecast 2019 O&M and capital costs associated with MRS Assessments Report No. 8 and No. 10 and accepts them to be reasonable. The Panel also finds these costs exceed the materiality threshold for Z-factor treatment. Thus, it is appropriate to account for these costs outside of FBC's formula-driven O&M spending.

3.0 PBR evaluation and future considerations

3.1 PBR evaluation

As noted in Section 1.1 of the Reasons for Decision, in the PBR Decision, the BCUC set out seven items (items "a" to "g") to be addressed in each annual review. In the sections that follow, the Panel examines items "a", "b", "e" and "f" and makes determinations.

The Panel considers that a review of item "c" is not applicable to the annual review for 2019 rates as neither FBC nor stakeholders have identified or made recommendations to the BCUC regarding efficiency initiatives that FBC has undertaken, or intends to undertake, that require a payback period extending beyond the PBR Plan period.[32] The review of item "d", which relates to exogenous events that FBC or stakeholders have identified, is addressed in Section 2.0 and 2.2 of the Reasons for Decision. The review of item "g" is not applicable as this is the final annual review in the current PBR term.

3.1.1 Item a: Operation of the PBR Plan in 2018

O&M results

With regard to savings achieved under the PBR Plan, FBC projects its 2018 O&M expenses, excluding items forecast outside of the PBR formula, will be approximately $1.0 million lower than the PBR formula amount.[33] These savings are in addition to the embedded Productivity Improvement Factor (PIF) savings which are in the formula allowed O&M amount of $0.6 million.[34] In the table below, FBC provides its formula O&M savings for each year of the PBR Plan and the cumulative savings to date:

[31] FBC Reply Argument, p. 9.
[32] Exhibit B-2, pp. 5–7.
[33] Exhibit B-2, p. 5.
[34] Exhibit B-2, p. 5; Exhibit B-5, BCUC IR 1.1.

Table 1 – Formula O&M Savings 2014 to 2018 ($ millions)

	Actual	Formula	Variance	1.03% PIF
2014	$ 52.0	$ 52.7	$ 0.7	$ 0.5
2015	51.9	53.0	1.1	0.5
2016	51.8	53.6	1.8	0.6
2017	52.5	54.1	1.6	0.6
* 2018	53.8	54.8	1.0	0.6
Cumulative Savings			$ 6.1	$ 2.8

FBC states "[it] continues to be faced with the challenge of finding new productivity opportunities to meet the annual savings embedded in the formula, and to sustain the level of incremental O&M savings achieved in recent years. As a result, the 2018 projected O&M savings of $1.0 million is lower than recent years…"[35] In section 1.4.2 of the Application, FBC provides updates to five efficiency and cost saving initiatives which were either discussed in the last annual review or are new opportunities initiated recently.

Capital spending results

In the PBR Decision, the BCUC approved a one-year 10 percent dead band and a two-year 15 percent cumulative dead band for FBC's formula-driven capital spending.[36] In addition, the Reasons for Decision attached to Order G-120-15 directed FBC to make recommendations as to any adjustments to base capital (re-basing) for BCUC approval should the prescribed dead band for annual and two-year cumulative capital expenditures be exceeded.[37]

FBC forecasts its 2018 capital expenditures will be approximately $15.029 million or 31.67 percent higher than the capital formula amount. FBC's actual and formula capital expenditures from 2014 to 2018 are shown in the table below[38]:

Table 2 – Capital expenditures 2014 to 2018 ($ millions)

	2014			2015			2016		
	Actual	Formula	Variance	Actual	Formula	Variance	Actual	Formula	Variance
Formula Capital	$ 42.665	$ 42.193	$ 0.472	$ 44.791	$ 42.384	$ 2.408	$ 45.838	$ 42.874	$ 2.964
Pension/OPEB	6.396	6.396	-	4.253	4.253	-	3.674	3.674	-
Total	$ 49.061	$ 48.589	$ 0.472	$ 49.043	$ 46.637	$ 2.408	$ 49.512	$ 46.548	$ 2.964
Variance			0.97%			5.16%			6.37%

	2017			2018			Cumulative		
	Actual	Formula	Variance	Forecast	Formula	Variance	Actual	Formula	Variance
Formula Capital	$ 59.053	$ 43.254	$ 15.799	$ 58.847	$ 43.818	$ 15.029	$ 251.193	$ 214.523	$ 36.670
Pension/OPEB	3.539	3.539	-	3.630	3.630	-	21.492	21.492	-
Total	$ 62.592	$ 46.793	$ 15.799	$ 62.477	$ 47.448	$ 15.029	$ 272.685	$ 236.015	$ 36.670
Variance			33.76%			31.67%			15.54%

As evidenced in the table, 2018 is the second year during the current PBR term in which forecast capital expenditures are anticipated to be outside of the prescribed one-year and two-year cumulative capital dead bands. FBC provides reasons for this in Section 1.4.3.1 and Appendix B2 of the Application, submitting that the main contributing factors are: reductions made to the capital formula envelope in the PBR Decision; re-

[35] Exhibit B-2, p. 5.
[36] FBC PBR Decision, p. 175.
[37] FortisBC Energy Inc. (FEI) and FBC Multi-Year PBR Plans for 2014 through 2019 Approved by Decisions and Orders G-138-14 and G-139-14 Capital Exclusion Criteria under PBR Compliance Filing, Order G-120-15 with Reasons for Decision dated July 22, 2015, Appendix A, p. 17.
[38] Exhibit B-2-2, Appendix C, p. 2.

prioritized work from previous years of the PBR term into 2018; and unforeseen urgent and higher priority activities in 2018.[39] FBC expects that capital spending in excess of the dead band will continue in 2019.[40]

With regard to the treatment of capital expenditures in excess of the dead band, FBC proposes similar treatment to that which was approved in the FBC Annual Review for 2018 Rates (2018 Annual Review). FBC proposes to remove capital expenditures in excess of the two-year cumulative dead band of $12.007 million, or 25.30 percent, from the earnings sharing calculation and add it to FBC's opening 2019 plant additions balance. FBC submits that re-basing of capital expenditures should not be undertaken during the remainder of the PBR term. After adjustment, FBC projects $0.345 million of pre-tax earnings sharing savings will be distributed to customers in 2018.[41]

Intervener arguments

Many interveners question the savings and benefits that have been achieved under the current PBR Plan. Specifically, ICG, MoveUP and the CEC are not convinced that the savings submitted by FBC can be directly attributed to the PBR Plan itself and would not otherwise have been achievable under cost of service regulation.[42] In the CEC's view, this is a necessary outcome for "a successful PBR" to be able to demonstrate.[43]

In addition, many interveners remain concerned about capital spending in excess of the formula. However, interveners, other than the CEC, are generally satisfied that the proposed approach should be approved as filed or make no comment.[44] The CEC submits that the calculation of the 2018 dead band adjustment is "mathematically incorrect" and recommends that the BCUC amend the calculation for this proceeding. The CEC submits, "[a] percentage represents a portion of a given number and cannot be simply added together without calculating the figure of which it is a percentage" and provides an example of an alternative calculation of the amount of the two-year dead band adjustment.[45]

FBC reply argument

With regard to the CEC's submission that a successful PBR must be able to demonstrate savings that would not otherwise be achievable under prudent management under cost of service regulation, FBC submits that "[t]his is not a reasonable or even logical measure of success."[46] FBC argues that the UCA does not make cost of service the default mode of regulation, and "there is no legal or other requirement for a utility to demonstrate that the results under PBR could not be achieved under a different form of regulation." FBC goes on to provide a number of examples demonstrating its achievements under the current PBR plan and states, "[g]iven the success of PBR, the burden falls to those who would oppose PBR to demonstrate that cost of service is likely to achieve a superior result."[47]

FBC also responds to the CEC's submission regarding the calculation of the cumulative two-year variance, submitting that it prepared its calculation as directed by the PBR Decision. FBC submits that "[t]he alternative calculations suggested by the CEC using the same base figure would result in an average variance, not a

[39] Exhibit B-2, pp. 7–8.
[40] Exhibit B-2, Appendix B2, p. 3.
[41] Exhibit B-2-2, Appendix C, pp. 3–4; Exhibit B-2, p. 69.
[42] ICG Final Argument, p. 5; CEC Final Argument, p. 5; Move UP Final Argument, p. 1.
[43] CEC Final Argument, p. 5.
[44] BCSEA-SCBC Final Argument, p. 6; BCMEU Final Argument, p. 2; BCOAPO Final Argument, p. 21.
[45] CEC Final Argument, pp. 6–7.
[46] FBC Reply Argument, p. 15.
[47] FBC Reply Argument, pp. 16–17.

cumulative variance." Further, FBC sees no value in adjusting the calculation in the final year of the PBR Plan and notes that it will not be proposing a two-year dead band as part of its next PBR plan.[48]

BCUC determination

The Panel acknowledges the parties' comments on O&M savings and the operation of the PBR Plan in 2018. With respect to FBC's capital spending, the Panel will first address the expected continuing trend of capital expenditures in excess of the dead band. The Panel shares the concerns of the BCUC in FBC's 2018 Annual Review and of interveners in the current proceeding. However, the Panel recognizes that this is the final year of the current PBR term and, on the same basis as the 2018 Annual Review,[49] views that it would not be appropriate to undertake a re-basing process of the capital formula. Notwithstanding, the Panel finds that additional reporting regarding capital continues to be appropriate and **directs FBC to continue providing the information related to capital that is in Table 1-3 and Appendix B2 of the Application in its next revenue requirements application, which is expected to be filed with the BCUC in 2019.**

The Panel now considers the CEC's recommendation to amend the calculation of FBC's cumulative two-year dead band adjustment. The Panel declines the CEC's recommendation. The Panel considers that the exact calculation is not specifically prescribed in the PBR Decision and finds that FBC's approach is a reasonable interpretation of the BCUC's directive. In addition, the Panel finds that FBC's calculation in this annual review is consistent with the calculation in past annual reviews and has been accepted by the BCUC in these past proceedings. For these reasons, the Panel agrees with FBC that no adjustment to the calculation of FBC's cumulative two-year dead band amount is necessary. **Accordingly, the Panel approves FBC's proposal to remove the capital expenditures in excess of the cumulative dead band from the earnings sharing calculation and add the expenditures to FBC's opening 2019 plant additions balance.**

3.1.2 Item b: 2018 projections and 2019 forecasts

FBC's 2018 projections with respect to O&M and capital spending are as discussed in the section above.

FBC's gross system energy load is a mix of residential, commercial, wholesale, industrial, street lighting and irrigation loads and system losses. The gross load forecast also includes the impacts of forecast energy savings, including DSM savings, and the impacts of the Customer Information Portal (CIP), the Advanced Metering Infrastructure (AMI) program and future rate changes.

FBC states its load forecast methods are consistent with those used in prior years and that these methods were accepted by the Load Forecast Technical Committee in 2011. In response to BCUC IR 16.3, FBC stated that it achieved a mean absolute percent error (MAPE) score of 1.8 percent on its gross demand forecast for 2014-2017, compared to an average score of 1.6 percent from the annual ITRON survey of more than 60 electric utilities.[50]

The following issues related to FBC's load forecasts were raised by interveners in their final arguments:

- The appropriateness of further residential use per customer (UPC) forecasting research; and
- The impact of more transparency in forecasting FBC's Loss Recovery.

[48] FBC Reply Argument, pp. 9–10.
[49] Order G-38-18, Appendix A, p. 14.
[50] Exhibit B-3, BCUC IR 16.3.

Residential UPC forecast

FBC's load forecast for residential customers is based on forecasts for customer count and average UPC.[51] The UPC is forecast by averaging the most recent three years' normalized historical UPC (i.e. 2015, 2016 and 2017).[52]

FBC forecasts the normalized after-savings residential load (i.e. the before-savings load forecast after subtracting DSM and other savings) for 2019 to be 1,349 GWh, which is an increase of 12 GWh from the 2018 seed year, and forecasts normalized after-savings residential UPC of 11.30 MWh and 11.27 MWh for the 2018 seed year and 2019, respectively.[53] In response to CEC IR 9.1, FBC submitted that the decline in residential UPC in a given year is "a result of many factors that may be both compounding and offsetting." FBC cannot identify the factors with certainty, but assumes the factors include, but may not be limited to, customer behaviour, new technologies, and increased appliance efficiency offset by an increase in the number of appliances used in a home.[54]

The CEC recommends that the BCUC approve FBC's load forecast, but submits that further research to understand changes in residential UPC and to determine if potential improvements could be made to FBC's load forecasting methodologies, including longer-term forecasts to provide context for the appropriateness of short term forecasting, may be valuable from a planning perspective. The CEC further submits that there have been variances in load forecast relative to actual which might be improved upon, and suggests "if [the BCUC] is inclined to correct for ongoing errors… it should decrease the load forecast by 0.5% to 2.5%."[55]

No other interveners raised issues with FBC's residential UPC or load forecast.

FBC responds to the CEC submitting that "researching and testing alternative forecast methods is both complex and timing consuming." FBC submits that its forecast accuracy is reasonable in comparison to its industry peers; therefore, it sees "no need to conduct further research on other forecast methods at this time."[56]

Loss Recovery forecast

Loss Recovery is an ancillary service charged by FBC to transmission customers under Rate Schedule 109 (RS 109). Transmission customers are required to physically delivery energy to FBC to compensate for the losses that are incurred on FBC's system at the postage stamp transmission loss rate in RS 109. In a separate proceeding, FBC proposes to update RS 109 including the percentage of losses for the purpose of Loss Recovery.[57] In response to ICG IR 4.1, FBC submitted that it projects 7 GWh of energy to be recovered under RS 109 in 2018, and forecasts none in 2019 as "it is expected to offset the increased load as a result of providing that service."[58]

ICG requests that the BCUC direct FBC to forecast Loss Recovery for 2019 and record actual volumes on the transmission system. ICG submits that the 2019 forecast Loss Recovery of zero "does not provide transparency as required in future proceedings for the [BCUC] to determine whether RS 109 charges are fair and reasonable." ICG views that the preferred approach would be to forecast Loss Recovery for 2019 together with a forecast of the cost of providing RS 109 service.[59]

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[51] Exhibit B-2, p. 18.
[52] Exhibit B-2, p. 22.
[53] Exhibit B-2, pp. 22–23.
[54] Exhibit B-7, CEC IR 9.1.
[55] CEC Final Argument, pp. 8–12.
[56] FBC Reply Argument, pp. 4–5.
[57] FBC 2017 Cost of Service Analysis and Rate Design Application:
https://www.bcuc.com/ApplicationView.aspx?ApplicationId=610
[58] Exhibit B-9, ICG IR 4.1.
[59] ICG Final Argument, pp. 3–4.

No other interveners raised issues with FBC's Loss Recovery forecast.
FBC does not object to providing a forecast of Loss Recovery for 2019 but argues that ICG's request for FBC to record actual flows on the transmission system should be denied for a number of reasons. Included in these reasons is the feasibility of ICG's request given the complexity of the interconnected transmission system and the appropriateness of certain other assumptions. Further, FBC submits that issues of fairness and reasonability of RS 109 are a rate design issue and are out of the scope of this proceeding.[60]

BCUC determination

With respect to the residential UPC forecast, the Panel declines the CEC's recommendation to inquire with FBC as to the possibility and value of researching and testing a multi-year forecast. The Panel accepts FBC's residential load forecast as filed in the Application. The Panel agrees with FBC that researching and testing load forecasting methods is a costly process. Based on the evidence in this proceeding, the Panel accepts that FBC's forecast accuracy is reasonable compared to its industry peers and is consistent with prior years' forecasting methodology. Therefore, in the absence of evidence which demonstrates that changes to FBC's load forecasting methodology may be warranted, we find the cost of undertaking such a study is not justified. The Panel also notes that all revenue variances are captured in the Flow-through deferral account; thus, customers are not impacted by any variances between forecast and actual load.

With respect to ICG's requests, **the Panel directs FBC to provide forecast Loss Recoveries in future revenue requirements applications.** However, the Panel agrees with the position taken by FBC in its reply argument that the RS 109 issues raised by ICG are out of the scope of this proceeding and are more appropriately addressed in the FBC 2017 COSA and RDA proceeding.

3.1.3 Items e and f: SQI performance

In Section 13 of the Application, FBC reports on its 2017 and June 2018 year-to-date performance as measured against eight SQIs with benchmarks and performance ranges set by a threshold level, and three SQIs for information only which do not have benchmarks or performance ranges. FBC submits that the results for 2017 and June 2018 year-to-date indicate its overall performance is representative of a high level of service quality.[61]

FBC submits, in 2017 for the eight SQIs with benchmarks, seven performed at or better than the approved benchmarks while the remaining one, the Normalized System Average Interruption Duration Index (SAIDI), performed poorer than the threshold. FBC's 2018 year-to-date performance is similar to 2017. For the purpose of SAIDI, the measurement of performance is based on the three-year rolling average of the annual results. FBC states that the primary reason its three-year rolling average SAIDI performance was 2.76 and 3.26 in 2017 and June 2018 year-to-date, respectively, compared to a threshold of 2.62 is the implementation of the Outage Management System (OMS) in 2017. SAIDI values were also impacted by wildfires in 2017 and adverse weather (e.g. large snowstorms) in 2018.[62] With respect to the OMS, FBC explains that it replaced a manual system and has automated the tracking and reporting of FBC's outage data through integration with FBC's AMI system. As a result, even though there has been no change to its operating practices, FBC submits that SAIDI values have increased because the Outage Start Time is now based on the earliest AMI or customer call-in for the outage, rather than the time the outage was confirmed in the field, as it was previously.[63]

[60] FBC Reply Argument, pp. 5–6.
[61] Exhibit B-2, p. 13.
[62] Exhibit B-2, pp. 120–121, 130–131.
[63] Exhibit B-2, p. 130; Exhibit B-3, BCUC IR 5.2.

Intervener arguments

ICG was the only intervener to raise any issue with FBC's performance with respect to SQIs in its final argument. With regard to FBC's normalized SAIDI, ICG references FBC's explanation with respect to a new automated OMS and submits, "Although this difference in recording periods may have contributed a few minutes to the SAIDI decline in performance it does not account of the much larger decline in SAIDI."[64] ICG submits that the annual SAIDI results from 2015 confirm that SAIDI performance has declined significantly "and by hours, not mere minutes." Furthermore, ICG argues that the potential benefits of the OMS are "not relevant to whether [FBC] has achieved performance levels required before an incentive." Accordingly, ICG recommends that FBC be "denied incentives under the PBR Plan for 2018."[65]

FBC reply argument

FBC does not agree with ICG's submissions on its SAIDI results and submits that ICG's comments are "inaccurate" and should be rejected.[66] FBC submits that it provided a detailed account of the reasons for the decline in its SAIDI performance, and reiterates these reasons in its reply argument along with references to the evidence filed in the proceeding. FBC submits that ICG's submissions "ignore" the impacts of reasons other than the OMS which were provided. Further, FBC resubmits why the impact of the OMS is significant in cases of wide-spread outages and argues that "there is no basis for ICG's assertion that the new OMS only contributed 'minutes' to the SAIDI performance." Experience from other utilities is that the introduction of an OMS is responsible for an impact to SAIDI of approximately a 15 to 30 percent increase in reported values. FBC has no reason to believe that its own experience would fall outside of this range.

For the reasons noted above, FBC submits that there is no basis to conclude that there is an "unaccounted for" decline in FBC's SAIDI performance and that higher SAIDI results in 2017 are "due to the incentives under the PBR Plan." Accordingly, there is "no basis for any reduction in FBC's share of financial incentives due to the SAIDI results."[67]

Panel discussion

While the Panel acknowledges ICG's concerns regarding FBC's SAIDI performance, we accept FBC's explanation that the decline in SAIDI results are related to a combination of the introduction of the OMS, adverse weather, foreign interference (e.g. vehicle accidents) and forest fires. The Panel finds no evidence to suggest a serious degradation of service has occurred and, accordingly, does not consider that a financial penalty is warranted. Notwithstanding, the Panel takes note of the potential decline in SAIDI performance created by the implementation of the OMS, and encourages FBC to incorporate the impact of the OMS in setting a future benchmark for SAIDI.

3.2 Future considerations

In the current proceeding, several of the interveners raised issues concerning the overall PBR Plan, including views on what actions should be taken at the end of the current PBR term.

With respect to a future PBR Plan, MoveUP questions the potential for the ongoing effectiveness of PBR to incent a utility to find efficiencies after "the low-hanging fruit [which FBC acknowledges] has been harvested."[68] The CEC and MoveUP recommend that "a separate and distinct review process of the existing PBR [Plan]" should

[64] ICG Final Argument, p. 4.
[65] ICG Final Argument, p. 4.
[66] FBC Reply Argument, p. 10.
[67] FBC Reply Argument, pp. 10–14.
[68] Move UP Final Argument, p. 1.

be undertaken prior to making any determination on another cycle of PBR regulation as compared to cost of service regulation following the current term.[69] ICG submits that there is a "significant and fundamental flaw" in the current PBR Plan in that "[FBC] claims there is no definitive or correct way to identify which of its 'total capital expenditures are within the formula amount.'" ICG recommends that this flaw be further considered and that FBC consider alternatives to PBR and the current use of deferral accounts.[70] Finally, BCMEU submits that variances in capital expenditures, particularly in the later years of the current PBR term, should be reviewed in assessing whether a future PBR model should be implemented.[71] In addition, BCMEU intends to pursue the implementation of an SQI "which deals with the unique nature of wholesale customers and the potential impact on a large number of customers should there be a degradation of service during a PBR period."[72]

In response to interveners, FBC submits that "this is not a topic that impacts rates in 2019 and no decision is required by the BCUC in this proceeding."[73] Notwithstanding, FBC provides comments in reply at a high level.

FBC opposes interveners' recommendation that the BCUC have a separate proceeding to review the existing PBR Plan before advancing to the next proposed PBR plan. FBC submits that this would be "extremely inefficient" from a regulatory perspective. FBC submits "[t]here is no reason to believe that a separate proceeding to evaluate PBR would assist the BCUC in its decision on whether to continue with PBR. That decision is best made in the context of a proposed PBR plan for future years."[74]

Panel discussion

The Panel acknowledges the parties' comments on the expectations and concerns regarding future PBR plans. However, the Panel continues to support the commentary in previous BCUC decisions that decisions regarding the form of regulation following the current PBR term should appropriately be made in a proceeding designed for that purpose. Accordingly, this Panel makes no comments or determinations on what future form of regulation should take place at the conclusion of the present PBR Plan term.

[69] CEC Final Argument, p. 3; MoveUP Final Argument, p. 2.
[70] ICG Final Argument, pp. 2, 4.
[71] BCMEU Final Argument, p. 2.
[72] BCMEU Final Argument, p. 2.
[73] FBC Reply Argument, p. 14.
[74] FBC Reply Argument, pp. 17–18.