



December 8, 2020

## **NEWS RELEASE – BCUC Approves FortisBC Energy Inc. 2020 and 2021 Delivery Rates**

VANCOUVER – Today, by Order [G-319-20](#), the British Columbia Utilities Commission (BCUC) issued its decision on the FortisBC Energy Inc. (FEI) Annual Review for 2020 and 2021 Delivery Rates Application (Application). Following an open and transparent public review process, the BCUC approved the existing 2020 interim rate increase of 2 percent on a permanent basis, effective January 1, 2020, as well as a rate increase of 6.59 percent for 2021 rates, pending final adjustments, effective January 1, 2021.

In order to reduce the impact on rate payers, the 2020 rates have been largely mitigated by drawing down accumulated credits from previous years. Since these accumulated credits will be fully depleted by the end of 2021, the BCUC strongly encourages FEI to focus on mitigating cost pressures to moderate rates for customers, particularly in light of the potential impacts from the COVID-19 pandemic.

According to the Application submitted by FEI, the rate increase in 2021 is partially due to inflationary operating and maintenance cost increases as well as increases on other costs which are outside of FEI management's control. These include insurance expenses and higher operating costs necessary for the safety and integrity of the natural gas system. Delivery rates are also increasing due to higher depreciation and increased financing costs and return on equity associated with necessary capital expenditures on FEI's system.

Additionally, rates for 2020 and 2021 were set for the first time under the new rate setting framework under FEI's multi-year rate plan (MRP). MRPs are performance or incentive-based frameworks for establishing utility rates that link revenues and costs to the utilities' performance.

More information about this proceeding is available [here](#).

### **Background**

FEI's Application is part of a MRP for 2020 to 2024, which was approved by the BCUC on June 22, 2020, by Order [G-165-20](#). In accordance with this order, FEI is required to conduct an annual review process to set rates for each year. On November 29, 2019, by Order [G-303-19](#), the BCUC approved FEI's 2020 rate increase of 2 percent on an interim basis, pending a review of their 2020 and 2021 Delivery Rates Application.

Performance-based frameworks generally follow a formula or index-based approach to setting individual cost components, considering inflation and other cost drivers and adjustments to reflect the utility's expected productivity improvements. Thus, MRPs are intended to incent utility efficiency, promote better control of operating and maintenance costs, and control over capital spending, along with reduced regulatory costs for ratepayers.

### **About the BCUC**

The BCUC is an independent regulatory body, responsible for regulating British Columbia's energy utilities, as well as its compulsory automobile insurance rates, and intra-provincial pipelines rates. The BCUC is also responsible for administering BC's *Fuel Price Transparency Act*. It is the BCUC's role to balance the interests of

customers with the interests of the businesses it regulates. The BCUC carries out fair and transparent reviews of matters within its jurisdiction and considers public input where public interest is impacted.

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