



**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER G-56-13**

SIXTH FLOOR, 900 HOWE STREET, BOX 250  
VANCOUVER, BC V6Z 2N3 CANADA  
web site: <http://www.bcuc.com>

TELEPHONE: (604) 660-4700  
BC TOLL FREE: 1-800-663-1385  
FACSIMILE: (604) 660-1102

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

and

An Application by FortisBC Energy Inc.  
for Approval of Rate Treatment of Expenditures  
under the Greenhouse Gas Reductions (Clean Energy) Regulation and  
Prudency Review of Incentives under the 2010 – 2011 Commercial NGV Demonstration Program

**BEFORE:** L.F. Kelsey, Commissioner

April 11, 2013

**O R D E R**

**WHEREAS:**

- A. On May 14, 2012, the Lieutenant Governor in Council approved the Greenhouse Gas Reduction (Clean Energy) Regulation, B.C. Reg. 102/2012 (the GGRR; Regulation);
- B. On August 21, 2012, FortisBC Energy Inc. (FEI) applied to the British Columbia Utilities Commission (the Commission), pursuant to sections 59 to 61, and 90 of the *Utilities Commission Act*, for approval of deferral accounts and the accounting and rate treatment methodology for the three prescribed undertakings established by the GGRR (the Application);
- C. FEI also seeks an order from the Commission that past natural gas vehicle (NGV) incentive expenditures totaling \$5.6 million (the 2010-2011 Incentives), as described in Section 7 of the Application, were prudently incurred and can be recovered through rates from FEI's non-bypass natural gas customers;
- D. In the Application, FEI proposes that the 2010-2011 Incentives be considered within the \$62 million expenditure cap that is established in section 2(1)(c) of the GGRR;
- E. FEI proposed a Streamlined Review Process (SRP) to review the Application as it considers the information and approvals sought related to the accounting and rate recovery treatment of expenditures to be generic in nature. FEI advised that it planned to execute contracts with successful applicants under its Natural Gas for Transportation Incentive Program before the end of October 2012 and the expedited approval from an SRP will provide the required clarity before FEI proceeds with agreements for awards;
- F. The Commission determined that the Application should be reviewed in three phases:
  - Phase 1 – "Prescribed Undertaking 1: Vehicle Incentives or Zero Interest Loans";
  - Phase 2 – "Prescribed Undertaking 2: CNG Stations & Prescribed Undertaking 3: LNG Stations";
  - Phase 3 – "Prudence of Past Incentives" and associated cost recovery.

**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER** G-56-13

2

- G. Commission Orders G-125-12 and G-127-12 established an SRP to hear Phase 1 and Phase 2 matters. Commission Order G-154-12 established a written hearing process for the review of Phase 3 of the Application;
- H. The SRP took place on October 24, 2012;
- I. By Order G-161-12 dated October 29, 2012, the Commission Panel made determinations on certain approvals sought by FEI in Phases 1 and 2 of the Application in order for FEI to reach agreements with successful applicants on the grants. The determinations on those matters were made with reasons to follow. The four determinations made in Order G-161-12 were:
  - (1) the approvals granted for Phase 1 and Phase 2 of the Application are effective from the date of the GGRR which is May 14, 2012;
  - (2) the accounting and rate recovery treatment for the Natural Gas for Transportation (NGT) Incentives Account;
  - (3) the accounting and rate recovery treatment for the Fueling Station Variance Account;
  - (4) to provide certainty for grant recipients and FEI under the GGRR the cost recovery from non-bypass natural gas customers of the NGT Incentives Account and the Fueling Station Variance Account is fixed;
- J. Order G-161-12 also contemplates that the Commission Panel will issue a further Order that addresses all non-grant related issues, and that the reasons for its determinations on those issues will be included with the Reasons for Order G-161-12;
- K. FEI filed a supplemental submission with the Commission on November 2, 2012. No Intervener comments were filed in response to the submission;
- L. The Commission Panel has considered the evidence and the submissions on non-grant related issues in Phases 1 and 2 of the Application.

**NOW THEREFORE** the Commission, for the reasons set out in the Reasons for Decision attached as Appendix A, orders as follows:

- 1. The Regulation established the need for the fuelling stations under Prescribed Undertakings 2 and 3; therefore these projects are exempt from the Certificate of Public Convenience and Necessity requirements for the term of the Regulation. (reference 6.5)
- 2. The Commission will set rates considering FEI's total expenditures on the Prescribed Undertakings as described in the GGRR. (reference 6.6)
- 3. The Commission Panel accepts FEI's explanations of the categories of costs as identified in the Reasons that should be recoverable under the Prescribed Undertakings, as described in the listed information responses. (reference 6.7)
- 4. The Commission Panel makes no decision on prudency reviews at this time. A decision on whether to advance a prudency review of FEI's expenditures is situation specific, therefore the Commission will make this decision as necessary if and when circumstances arise. (reference 6.8)
- 5. The Commission Panel confirms that the Commission's role does not include reviewing whether FEI ought to have negotiated different terms and conditions for those negotiated fuelling station agreements with NGT customers. (reference 6.9)

**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER G-56-13**

3

6. The Commission Panel concludes that since the Minster is reviewing FEI's total expenditures for the Prescribed Undertakings, only with a revised Regulation concerning the Prescribed Undertaking could the Commission approve recovery of an excess expenditure or other changes to the GGRR. (reference 6.10)
7. The Commission Panel confirms that the costs that FEI incurs during the term of the Regulation that have also been accepted by the Commission for cost recovery, will not be open to challenge except for prudency reviews, following the expiration of the Regulation in 2017. (reference 6.11)
8. The term of the GGRR is effective on April 1, 2011. (reference 7.1)
9. All expenditures under the program must be made by the end of the expenditure period on March 31, 2017, with an opportunity to apply for relief if extenuating circumstances arise. (reference 7.1)
10. The program commenced on April 1, 2011 and the first year ends on March 31, 2012, therefore the year of undertaking cannot be the particular year when FEI made a commitment. (reference 7.2)
11. The Commission Panel confirms that the percentages identified in the table in section 2(1)(b) of the Regulation are the maximums allowed under the Regulation. (reference 7.3)
12. The Commission Panel confirms that expenditures under the Prescribed Undertakings are net of any contribution in aid of construction provided by the fuelling station customer or the shareholder. The Commission Panel also confirms that the expenditures and the spending limits that define the Prescribed Undertakings are exclusive of financing costs. (reference 7.4)
13. A separate class of service to recognize the Prescribed Undertakings under the GGRR is required. (reference 7.5)
14. The proposed high level reporting requirements listed in the Reasons should be reviewed by FEI, Ministry staff and Commission staff to work out the actual reporting methodologies, formats and other requirements. (reference 7.6)

**DATED** at the City of Vancouver, in the Province of British Columbia, this 11<sup>th</sup> day of April 2013.

BY ORDER

*Original signed by:*

L.F. Kelsey  
Commissioner

Attachment