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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-117-12**

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

and

An Application by FortisBC Energy Inc.
Regarding the 2012 Third Quarter Gas Cost Report and
Propane Commodity Charges effective October 1, 2012
for the Revelstoke Service Area

BEFORE: D.M. Morton, Commissioner
C.A. Brown, Commissioner
L.F. Kelsey, Commissioner
N.E. MacMurchy, Commissioner
R.D. Revel, Commissioner

September 6, 2012

O R D E R

WHEREAS:

- A. By Order G-28-12 dated March 9, 2012, the British Columbia Utilities Commission (Commission) decreased the propane commodity rates for the FortisBC Energy Inc. (FEI) Revelstoke service area (Revelstoke) effective April 1, 2012;
- B. On August 30, 2012, FEI filed its 2012 Third Quarter Gas Cost Report for Revelstoke (2012 Third Quarter Report);
- C. FEI provided three sets of forward prices for the forecast cost of propane for August 17, 2012. One forecast based 50 percent on the NYMEX West Texas Intermediate (WTI) light sweet crude oil futures and 50 percent on the NYMEX B0 – Mt. Belvieu propane swap prices, the second based 100 percent on the NYMEX WTI light sweet crude oil futures, and the third based 100 percent on the NYMEX B0 – Mt. Belvieu propane swap prices;
- D. For the three forecasts, the projected after tax deferral balance at September 30, 2012 range between \$295,964 and \$298,288 surplus and show this surplus is forecast to change to an after tax surplus balance of between \$1,143,674 and \$1,144,928 at September 30, 2013. Based on the three forecasts the rate change trigger mechanism is calculated to be in the range of 187.4 to 187.6 percent which falls outside the deadband range of 95 to 105 percent indicating that current propane cost recovery rates will over recover costs and a propane rate decrease is required, effective October 1, 2012;
- E. Based on a propane price forecast using the August 17, 2012 NYMEX B0 - Mt. Belvieu propane swap prices, whereby the customer rate reduction is calculated over the usual 12-month period, the propane reference price is calculated to decrease by \$0.1819 per litre, from \$0.3900 per litre to \$0.2081 per litre, effective October 1, 2012. This corresponds to a rate decrease of \$7.384 per gigajoule;

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2

- F. In the 2012 Third Quarter Report, FEI also indicates that, assuming the calculated rate decrease at October 1, 2012 and based on the August 17, 2012 NMYEX B0 - Mt. Belvieu propane swap prices, a deficit deferral account balance is forecast at December 31, 2013 which would trigger a rate increase of \$1.171 per gigajoule at the next quarterly gas cost review to be effective January 1, 2013;
- G. FEI provides, and recommends, an alternative scenario for Commission review that is based on a propane price forecast using the August 17, 2012 NMYEX B0 - Mt. Belvieu propane swap prices, whereby the customer rate reduction is calculated over a 15-month prospective period. The propane reference price is calculated to decrease by \$0.1606 per litre, from \$0.3900 per litre to \$0.2294 per litre, effective October 1, 2012. This corresponds to a rate decrease of \$6.521 per gigajoule;
- H. The proposed propane rate change, effective October 1, 2012, equates to a decrease to a typical residential customer's annual bill of approximately \$326 or 28 percent, based on an annual consumption of 50 GJ;
- I. FEI requests that the forecast gas cost information for Revelstoke in Tab 5 of the 2012 Third Quarter Report be held confidential on the basis that it contains market sensitive information;
- J. The Commission has determined that the requested changes to the propane reference price and propane rate for Revelstoke should be approved.

NOW THEREFORE pursuant to section 61(4) of the *Utilities Commission Act*, the Commission orders as follows:

1. The Commission approves a propane reference price decrease of \$0.1606 per litre to \$0.2294 per litre, which corresponds to a decrease of \$6.521 per gigajoule in customer rates, effective October 1, 2012.
2. FEI will notify all customers that are affected by the rate change by way of a bill insert or bill message.
3. The Commission will hold the gas cost information for Revelstoke in Tab 5 of the 2012 Third Quarter Report confidential.

DATED at the City of Vancouver, In the Province of British Columbia, this 7th day of September 2012.

BY ORDER
Original signed by:

D.M. Morton
Commissioner