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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-143-12**

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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.
for Approval to Amend Rate Schedule 16 on a Permanent Basis

BEFORE: A.A. Rhodes, Panel Chair/Commissioner
B.A. Magnan, Commissioner October 5, 2012
D.M. Morton, Commissioner

O R D E R

WHEREAS:

- A. The British Columbia Utilities Commission (Commission) issued Order G-65-09 dated June 4, 2009, establishing, as part of the Terasen Gas Inc., now FortisBC Energy Inc. (FEI), Gas Tariff, Rate Schedule 16 – Interruptible Liquefied Natural Gas Sales and Dispensing Service as an approximately five-year pilot for the period ending December 31, 2014;
- B. Rate Schedule 16 as currently approved offers an interruptible Liquefied Natural Gas (LNG) sales and dispensing service at the FEI LNG peak shaving facility at Tilbury (Tilbury Facility). Under this Rate Schedule, the Available LNG Capacity is limited to 1,040 Gigajoules (GJs) per Day with the further limitation that an individual Customer’s Contract Demand may not exceed 50 percent of the Available LNG Capacity;
- C. On September 24, 2012, FEI applied to the Commission, pursuant to sections 59-61 of the *Utilities Commission Act* (Act), for approval of an amended Rate Schedule 16 to provide LNG sales and dispensing service on a long-term and short-term firm basis and on a spot load basis (the Application);
- D. In the Application, FEI proposes that the service under Rate Schedule 16 be amended to utilize FEI’s Tilbury Facility and the Mt. Hayes LNG facility (Mt. Hayes Facility) operated by FortisBC Energy (Vancouver Island) Inc. (FEVI), through an “LNG Dispensing Service Agreement between FortisBC Energy (Vancouver Island) Inc. and FortisBC Energy Inc.”;

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- E. FEI believes that services to be provided under the amended Rate Schedule 16 will not disrupt the LNG capacity required for peak demand and emergency back-up service to the core market;
- F. The amended Rate Schedule 16 as proposed will include two charges for the sale and dispensing service:
1. A delivery charge, based on the blended cost of service from both Tilbury and Mt. Hayes Facilities, with a monthly take-or-pay volume for the liquefaction, storage, transportation and dispensing of LNG;
 2. A cost of gas or commodity charge based on the Sumas monthly Index Price plus a market factor;
- G. The amended Rate Schedule 16 as proposed by FEI also includes an optional LNG Transportation Service and two additional charges for this optional service:
1. An LNG Tanker Service Charge for the use of an FEI owned LNG tanker for LNG delivery service to a customer's site;
 2. An LNG Transportation Service Charge based on a cost-plus rate structure for a third party trucking contractor to haul the LNG tanker;
- H. In the Application, FEI requests the following items for approval to effect the proposed amendments to Rate Schedule 16 and to implement the services to be provided under Rate Schedule 16:
- Approval of the amended Rate Schedule 16 on a permanent basis;
 - Provision of a Long-Term and Short-Term LNG Service on a firm basis and the provision of Spot Service on an as-available basis;
 - Establishing the total quantity of LNG available for sale to all commercial LNG customers from the current 1,040 GJs per day to 42,000 GJs per week;
 - Establishing the total volume of LNG available for sale from the Tilbury Facility from 7,280 GJs/week to 22,400 GJs/week effective January 1, 2013;
 - Addition of the Mt. Hayes Facility, which is operated by FEVI, as an additional supply point to meet the LNG Service under Rate Schedule 16 effective January 1, 2014, or upon completion of truck-loading facilities at the Mt. Hayes Facility, whichever is later;
 - Establishing the total quantity of LNG available for sale from the Mt. Hayes Facility at a level not to exceed 19,600 GJs/week, effective January 1, 2014, or upon completion of truck-loading facilities at the Mt. Hayes Facility, whichever is later;
 - Allowing FEI to allocate weekly available capacity for sale at the Tilbury Facility and Mt. Hayes Facility, provided the total quantity of LNG available for sale to all commercial LNG customers does not exceed 42,000 GJs per week and the quantity of LNG needed to service the core market is met;

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- Designation of a specified fraction of the available LNG storage at both Tilbury and Mt. Hayes to service the Rate Schedule 16 market on an on-going basis; specifically, the initial storage allocation of 50,000 GJs of LNG at Tilbury Facility commencing January 1, 2013, and a storage allocation of 50,000 GJs at Mt. Hayes Facility commencing in the year in which on-going LNG supply is drawn from Mt. Hayes;
 - Increase in the maximum cap available to any single customer or project to 250 TJs/year or 15 percent of available supply, whichever is greater;
 - Use of a “blended weighted cost” methodology between service from the Tilbury Facility and service from the Mt. Hayes Facility to set the delivery charge per GJ under Rate Schedule 16;
 - Approval of a Delivery Charge of \$4.05/GJ for the year beginning January 1, 2013;
 - The allocation methodology to allocate operating and maintenance (O&M) and capital costs between customers receiving Rate Schedule 16 Service and FEI and FEVI’s non-bypass (or core market) customers;
 - A new LNG Dispensing Service Agreement between FEI and FEVI that will enable the supply of LNG to FEI from the Mt. Hayes Facility;
 - Addition of an optional LNG Tanker Transportation Service, including an LNG Tanker Service Charge of \$249 per day and approval of the LNG Transportation Service Charge methodology, which allows recovery of third-party transportation costs at cost, plus a 15 percent administration fee;
 - Inclusion of the difference between the Rate Schedule 16 delivery charge revenues and incremental O&M for 2012 and 2013 as compared to the recoveries and costs embedded in the 2012 and 2013 delivery rates, in the CNG and LNG Recoveries Deferral Account; and
 - Inclusion of the regulatory costs of this process in the NGV Application Deferral Account; and
- I. Given the broad scope of matters included in the Application, the Commission wishes to register Interveners and Interested Parties prior to determining the regulatory review process, scope and timetable for the Application.

NOW THEREFORE the Commission orders the following:

1. Parties wishing to participate in the regulatory review process for this Application as Interveners or Interested Parties should register with the Commission, in writing, by Wednesday, October 17, 2012. Interveners should specifically state the nature of their interest in the Application and identify generally the nature of the issues that they may intend to pursue during the proceeding and the nature and extent of their anticipated involvement in the review process.

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2. The regulatory review process, scope and timetable are to be determined and a process order shall be issued once the Intervener and Interested Party registrations have been received.

DATED at the City of Vancouver, in the Province of British Columbia, this 5th day of October 2012.

BY ORDER

Original signed by:

A.A. Rhodes
Panel Chair/Commissioner