



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-179-12**

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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 its 2012 Fourth Quarter Gas Cost Report
and Rate Changes effective January 1, 2013
for the Lower Mainland, Inland and Columbia Service Areas

BEFORE: L.F. Kelsey, Commissioner
C.A. Brown Commissioner November 29, 2012
B.A. Magnan, Commissioner
D.M. Morton, Commissioner

ORDER

WHEREAS:

- A. On November 22, 2012, FortisBC Energy Inc. (FEI) filed its 2012 Fourth Quarter Report on Commodity Cost Reconciliation Account (CCRA), Midstream Cost Reconciliation Account (MCRA), and Biomethane Variance Account (BVA) balances and rates, and the Revenue Stabilization Account Mechanism (RSAM) Account and Rate Rider 5 effective January 1, 2013 based on the average forward gas prices of the last five business days ending November 7, 2012 (2012 Fourth Quarter Report);
- B. The 2012 Fourth Quarter Report forecasts that commodity cost recoveries at the existing rate would be 85.8 percent of costs for the following 12 months, and the projected CCRA December 31, 2012 deferral account balance will be a surplus of approximately \$10 million after tax. FEI noted that the tested rate increase related to the forecast under recovery of gas costs would be \$0.491/GJ and applied for no change to the commodity rate at this time as it falls below the rate change threshold established by British Columbia Utilities Commission (Commission) Letter L-40-11 (Guidelines);
- C. During the review of the 2012 Fourth Quarter Report the Commission received comments from a number of parties regarding application of the Guidelines for reviewing changes to the Commodity Cost Recovery Charge;
- D. The 2012 Fourth Quarter Report forecasts the existing Midstream Cost Recovery Charges will over-recover the midstream costs in 2013 and FEI requests approval to flow-through decreases to the Midstream Cost Recovery Charges applicable to the sales rate classes effective January 1, 2013, as set out in the 2012 Fourth Quarter Report in the schedules at Tab 2, Pages 7 to 9;
- E. The 2012 Fourth Quarter Report forecasts a MCRA balance at existing rates of approximately \$20 million surplus after tax at December 31, 2012 and, based on the one-third amortization of the MCRA cumulative balances in the following year's rates as approved by Commission Letter L-40-11, FEI requests approval to reset MCRA Rate Rider 6 applicable to the sales rate classes excluding Revelstoke, effective January 1, 2013, as set out in the 2012 Fourth Quarter Report in the schedules at Tab 2, Pages 7 to 9;

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- F. In the 2012 Fourth Quarter Report FEI requests approval to reset delivery related RSAM Rate Rider 5 to \$0.099/GJ refund amount, applicable to all affected sales rate schedules within the Lower Mainland, Inland and Columbia Service Areas, including Revelstoke, effective January 1, 2013;
- G. The combined effects of the delivery rate changes approved by Order G-44-12 to be effective January 1, 2013, and the proposed Midstream Cost Recovery Charge, MCRA Rate Rider 6, and RSAM Rate Rider 5 changes, requested within this 2012 Fourth Quarter Report, also to be effective January 1, 2013, will represent an increase of approximately \$14 or 1.6 percent to a typical Lower Mainland residential customer's annual bill, based on an average annual consumption of 95 GJ;
- H. The 2012 Fourth Quarter Report forecasts a BVA balance, based on existing rates and after adjustment for the value of unsold biomethane volumes, at December 31, 2012 of approximately \$102 thousand surplus after tax, a balance at December 31, 2013 of approximately \$101 thousand surplus after tax, and a balance at December 31, 2014 of approximately \$76 thousand deficit after tax;
- I. For the Biomethane Energy Recovery Charge (BERC) FEI proposes either: a rate decrease of \$0.773/GJ at January 1, 2013 followed by a projected increase of \$1.622/GJ indicated at January 1, 2014; or an increase of \$0.305/GJ to the BERC rate at January 1, 2013;
- J. On December 14, 2010, the Commission issued its Decision (Order G-194-10) on the FEI, then Tersan Gas Inc., Biomethane application and directed FEI to file a post-implementation report (Post-Implementation Report) on the biomethane program within two years of the date of the Order;
- K. FEI requests that the biomethane project cost information in Tab 4, at Pages 4.1, 4.2, and 4.3, of the 2012 Fourth Quarter Report be held confidential, on the basis that it contains market sensitive information; and
- L. The Commission has reviewed the 2012 Fourth Quarter Report and determines that the requested rate changes as outlined in the 2012 Fourth Quarter Report should be approved with the exception of the proposed change to the BERC rate.

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

1. The Commodity Cost Recovery Charge is to remain unchanged at January 1, 2013. A public process was held to establish the threshold and mechanism for reviewing the Commodity Cost Recovery Charge and Commission Letter L-40-11 resulted. The Commission reviewed the application made by FEI in accordance with the established process and will communicate with the concerned parties separate from this Order.
2. The flow-through decreases to the Midstream Cost Recovery Charges applicable to the Sales Rate Classes within the Lower Mainland, Inland and Columbia Service Areas, effective January 1, 2013, as set out in the 2012 Fourth Quarter Report, are approved.
3. Resetting MCRA Rate Rider 6 applicable to the Sales Rate Classes within the Lower Mainland, Inland and Columbia Service Areas, excluding Revelstoke, effective January 1, 2013, as set out in the 2012 Fourth Quarter Report, is approved.

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4. Resetting the RSAM Rate Rider 5 applicable to the affected Sales Rate Classes within the Lower Mainland, Inland and Columbia Service Areas, including Revelstoke, effective January 1, 2013, as set out in the 2012 Fourth Quarter Report, is approved.
5. FEI's request to increase the BERC rates applicable to the affected Sales Rate Classes within the Lower Mainland, Inland and Columbia Service Areas, effective January 1, 2013, as proposed in the 2012 Fourth Quarter Report is deferred for full review at the time FEI files its Post-Implementation Report filing as noted in Recital J of this Order.
6. FEI is directed to file a status report for the BVA on for before April 30, 2013, similar to the annual CCRA and MCRA status reports that includes details on the costs and recoveries recorded and projected to be recorded in the BVA for the period for the 2012 year.
7. FEI is to provide all affected customers with a descriptive explanation of the rate changes by way of a bill insert or customer notice to be included with the next monthly gas billing. FEI is to submit this notice to the Commission for review prior to its release.
8. The Commission will hold the information in Tab 4, at Pages 4.1, 4.2, and 4.3, of the 2012 Fourth Quarter Report confidential.

DATED at the City of Vancouver, In the Province of British Columbia, this *Fifth* day of December 2012.

BY ORDER

L.F. Kelsey
Commissioner