



ORDER NUMBER
G-177-16

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc.
Application regarding its 2016 Fourth Quarter Gas Cost Report
and Rate Changes effective January 1, 2017
for Mainland, Vancouver Island and Whistler Service Areas

BEFORE:

D. M. Morton, Commissioner
W. M. Everett, Commissioner
H. G. Harowitz, Commissioner
M. Kresivo, Commissioner
R. I. Mason, Commissioner
R. D. Revel, Commissioner

on December 1, 2016

ORDER

WHEREAS:

- A. On November 23, 2016, FortisBC Energy Inc. (FEI) filed its 2016 Fourth Quarter Report on Commodity Cost Reconciliation Account (CCRA), Midstream Cost Reconciliation Account (MCRA), and Biomethane Energy Recovery Charge (BERC) for the Mainland, Vancouver Island, and Whistler Service Areas (Report) and applied for approval that, effective January 1, 2017, the Commodity Cost Recovery Charge (CCRC) remain unchanged, the midstream related commodity charges be decreased and the BERC rate be reset;
- B. The British Columbia Utilities Commission (Commission) established guidelines for gas cost rate setting in Letter L-5-01 dated February 5, 2001, and further modified the guidelines in Letter L-40-11 dated May 19, 2011 (together the Guidelines). The gas cost rate setting mechanism described in the Guidelines sets rates at a level required to ensure recovery of projected gas costs over the 12 month period following the effective date while taking into consideration outstanding balances in the gas cost deferral account;
- C. Additional criteria and thresholds specific to the FEI Mainland, Vancouver Island, and Whistler Service Areas CCRA and the setting of the CCRC, including a rate change cap of \$1.00/GJ, were added to the Guidelines via Commission Letter L-15-16 dated June 17, 2016, as determined in the Commission's decision on the FEI 2015 Price Risk Management Application;
- D. By Order G-188-15 dated December 3, 2015, the Commission established the current midstream related commodity charges effective January 1, 2016;

- E. By Order G-133-16 dated August 12, 2016 and the decision issued concurrently with that order, the Commission approved a BERC rate methodology whereby the BERC rate is reset annually based on the sum of the CCRC, the British Columbia carbon tax and other taxes applicable to conventional natural gas sales effective January 1st of each year, and a premium of \$7. The Long Term Biomethane Contract Rate is set at a discount of \$1 to the BERC rate subject to certain conditions including a minimum of \$10.00/GJ;
- F. By Order G-145-16 dated September 8, 2016, the Commission approved an increase in the CCRC applicable to Sales Rate Classes within the FEI Mainland, Vancouver Island, and Whistler Service Areas to a rate of \$2.050/GJ, effective October 1, 2016;
- G. In the Report, based on the five-day average of November 8, 9, 10, 14 and 15, 2016 forward gas prices, the CCRA balance is projected to be approximately \$20 million surplus after tax as of December 31, 2016. FEI forecasts the CCRA recoveries at the existing rate would be 96.0 percent of costs for the following 12 months, and the tested rate increase related to the forecast under recovery of gas costs would be \$0.084/GJ, both of which fall within the rate change thresholds set out in the Guidelines indicating that a change to the CCRC rate is not required effective January 1, 2017;
- H. FEI forecasts the existing Storage and Transport Charge rates will over recover the midstream costs in 2017 by approximately \$13 million surplus, and requests approval to flow-through decreases to the Storage and Transport Charge rates as set out in the Report in the schedules at Tab 2, Page 7;
- I. FEI forecasts a MCRA balance at existing rates of approximately \$35 million surplus after tax at December 31, 2016. Based on the one-half amortization of the MCRA cumulative balances in the following year's rates, FEI requests approval to set MCRA Rate Rider 6 applicable to the sales rate classes, excluding Revelstoke, effective January 1, 2017, as set out in the Report in the schedules at Tab 2, Page 7;
- J. The combined effects of the proposed delivery changes as requested in the FEI Annual Review for 2017 Rates currently being reviewed by the Commission and the proposed decreases to the midstream related charges (Storage and Transport Charge and MCRA Rate Rider 6) as requested in the Report would increase the total annual bill for a typical Mainland residential customer with an average annual consumption of 90 gigajoules by approximately \$15 or 2.0 percent;
- K. In the Report, FEI requests approval to increase the BERC rate by \$0.331/GJ, from \$10.209/GJ to \$10.540/GJ and to maintain the Long Term Biomethane Contract Rate at \$10.00/GJ effective January 2017 in accordance with Order G-133-16; and
- L. The Commission reviewed the Report within the context of the Guidelines and Order G-133-16 and considers the applied-for commodity rate changes are warranted.

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

1. The Commodity Cost Recovery Charge applicable to the Sales Rate Classes within the Mainland, Vancouver Island, and Whistler Service Areas is to remain unchanged at \$2.050/GJ effective January 1, 2017.
2. The Storage and Transport Charges applicable to the Sales Rate Classes within the Mainland, Vancouver Island, and Whistler Service Areas, effective January 1, 2017, are approved. The Storage and Transport Charge changes are set out in Appendix A.

3. The Midstream Cost Reconciliation Account Rate Rider 6 applicable to the Sales Rate Classes within the Mainland (excluding Revelstoke), Vancouver Island, and Whistler Service Areas, effective January 1, 2017, are approved. The requested Midstream Cost Reconciliation Account Rate Rider 6 changes are set out in Appendix A.
4. The Biomethane Energy Recovery Charge rate applicable to all biomethane rate schedules within the Mainland, Vancouver Island and Whistler Service Areas, is increased to \$10.54/GJ effective January 1, 2017.
5. The Long Term Biomethane Contract Rate remains unchanged at \$10.00/GJ effective January 1, 2017.
6. FortisBC Energy Inc. must notify all customers affected by the rate change by way of a bill insert or bill message to be included with the next monthly gas billing.

DATED at the City of Vancouver, in the Province of British Columbia, this 2nd day of December 2016.

BY ORDER

Original signed by:

D. M. Morton
Commissioner

Attachment

FortisBC Energy Inc.
Application regarding its 2016 Fourth Quarter Gas Cost Report
and Rate Changes effective January 1, 2017
for Mainland, Vancouver Island and Whistler Service Areas

Midstream rate changes applicable to FortisBC Energy Inc. Mainland, Vancouver Island, and Whistler service areas effective January 1, 2017:

	Residential RS-1	Commercial RS-2	Commercial RS-3	Seasonal RS-4	General Firm Service RS-5	NGV RS-6	General Interruptible RS-7
Storage and Transport Charges							
Existing rates effective Jan 1, 2016	\$ 1.117	\$ 1.133	\$ 0.940	\$ 0.681	\$ 0.681	\$ 0.340	\$ 0.681
Flow-through changes	(0.108)	(0.113)	(0.089)	(0.054)	(0.054)	(0.026)	(0.054)
Proposed rates for January 1, 2017	\$/GJ \$ 1.009	\$ 1.020	\$ 0.851	\$ 0.627	\$ 0.627	\$ 0.314	\$ 0.627
MCRA Rate Rider 6							
Existing rates effective Jan 1, 2016	\$ (0.196)	\$ (0.199)	\$ (0.165)	\$ (0.120)	\$ (0.120)	\$ (0.060)	\$ (0.120)
Flow-through changes	(0.002)	(0.001)	(0.002)	(0.003)	(0.003)	(0.002)	(0.003)
Proposed rates for January 1, 2017	\$/GJ \$ (0.198)	\$ (0.200)	\$ (0.167)	\$ (0.123)	\$ (0.123)	\$ (0.062)	\$ (0.123)