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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-147-13**

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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 2013 Third Quarter Gas Costs Report
and Rate Changes effective October 1, 2013
for the Lower Mainland, Inland and Columbia Service Areas

BEFORE: L.F. Kelsey, Commissioner
C.A. Brown, Commissioner September 12, 2013
N.E. MacMurchy, Commissioner
B.A. Magnan, Commissioner
D.M. Morton, Commissioner
C. van Wermeskerken, Commissioner

O R D E R

WHEREAS:

- A. By Order G-94-13 dated June 13, 2013, the British Columbia Utilities Commission (Commission) approved an increase in the Commodity Cost Recovery Charge sales rate classes within the Lower Mainland, Inland and Columbia Service Areas to a rate of \$3.913/gigajoule (GJ), effective July 1, 2013;
- B. On September 6, 2013, FortisBC Energy Inc. (FEI) filed its 2013 Third Quarter Report (the Report) on Commodity Cost Reconciliation Account, Midstream Cost Reconciliation Account (MCRA), and Biomethane Variance Account balances, for the Lower Mainland, Inland and Columbia Service Areas based on a five-day average August 19, 20, 21, 22, and 23, 2013 forward gas prices (Initial Forward Gas Prices), and a five-day average August 27, 28, 29, 30, and September 3, 2013 (Updated Forward Gas Prices);
- C. By Letter L-40-11 dated May 19, 2011, the Commission revised the guidelines (Guidelines) for the review of quarterly gas costs and rate setting mechanisms that were originally established by Letter L-5-01;
- D. Based on the Initial Forward Gas Prices ending August 23, 2013, FEI in the Report forecasts that commodity cost recoveries at the existing rate would be 124.1 percent of costs for the following 12 months, and the tested rate decrease related to the forecast over recovery of gas costs would be \$0.760/GJ, which exceeds the rate change threshold indicating that a change to the commodity rate is required effective October 1, 2013;

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- E. Based on the Updated Forward Gas Prices ending September 3, 2013, FEI in the Report forecasts that commodity cost recoveries at the existing rate would be 119.6 percent of costs for the following 12 months, and the tested rate decrease related to the forecast over recovery of gas costs would be \$0.641/GJ, which exceeds the rate change threshold indicating that a change to the commodity rate is required effective October 1, 2013;
- F. FEI requests approval to flow-through, based on the Updated Forward Gas Prices ending September 3, 2013, a decrease of \$0.641/GJ to the Commodity Cost Recovery Charge from \$3.913/GJ to \$3.272/GJ for natural gas sales rate class customers in the Lower Mainland, Inland, and Columbia Service Areas, effective October 1, 2013;
- G. FEI's request is based on its view of recent market price volatility and upward pressure on market prices. FEI believes the requested rate decrease based on the Updated Forward Gas Prices will reduce the probability of a requirement to change commodity rates again in early 2014, should market prices remain at the same level or continue to strengthen;
- H. The Commodity Cost Recovery Charge would decrease Lower Mainland Rate Schedule 1 rates by \$0.641/GJ, which is equivalent to a decrease of approximately \$61 or 6.4 percent per year for a typical residential customer's annual bill based on an average annual consumption of 95 GJ;
- I. Based on the Updated Forward Gas Prices ending September 3, 2013, FEI in the Report forecasts a MCRA balance at existing rates of approximately \$12 million surplus after tax at December 31, 2013, and a balance of approximately \$12 million deficit after tax at December 31, 2014;
- J. Based on existing Biomethane Energy Recovery Charge, FEI in the Report forecasts a Biomethane Variance Account balance before accounting for the value of the unsold biomethane volume at September 30, 2013, to be approximately \$969,000 deficit after tax;
- K. FEI requests that the biomethane project cost information in Section 3, Tab 1, at Pages 4.1 and 4.2 of the 2013 Third Quarter Report, be held confidential as it contains market sensitive information;
- L. The Commission considers the confidentiality request by FEI is warranted to protect commercially sensitive information;
- M. The Commission has reviewed the Report within the context of the Guidelines. As per the Guidelines and on the basis that the Updated Forward Gas Prices reflect the most current market conditions at the time of filing, but not on the basis of FEI's view of market prices and assumptions, the Commission considers the requested rate change is warranted.

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

1. The requested decrease to the Commodity Cost Recovery Charges is approved for sales rate classes within the Lower Mainland, Inland, and Columbia Service Areas to a rate of \$3.272/GJ, effective October 1, 2013, as set out in the 2013 Third Quarter Report (Report).
2. FortisBC Energy Inc. (FEI) must notify all affected customers of the rate change by way of a bill insert or bill message to be submitted to the Commission for review prior to its release with the next monthly gas billing.
3. The Commission will hold the information in Section 3, Tab 1, at Pages 4.1 and 4.2 of the Report confidential as requested by FEI to protect commercially sensitive information.

DATED at the City of Vancouver, in the Province of British Columbia, this 12th day of September, 2013.

BY ORDER

Original Signed By:

D.M. Morton
Commissioner