



ERICA HAMILTON
COMMISSION SECRETARY
Commission.Secretary@bcuc.com
web site: <http://www.bcuc.com>

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, BC CANADA V6Z 2N3
TELEPHONE: (604) 660-4700
BC TOLL FREE: 1 800-663-1385
FACSIMILE: (604) 660 1107

Log No. 46957

VIA EMAIL

gas.regulatory.affairs@fortisbc.com

November 14, 2014

Ms. Diane Roy
Director, Regulatory Affairs - Gas
FortisBC Energy Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8

Dear Ms. Roy:

Re: FortisBC Energy Inc.
2014 Fourth Quarter Report on the Biomethane Variance Account and
Biomethane Energy Recovery Charge

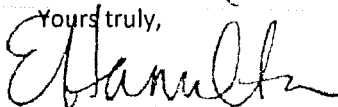
Further to your October 22, 2014 filing of the 2014 Fourth Quarter Report on the Biomethane Variance Account and Biomethane Energy Recovery Charge (Report), enclosed please find Order G-177-14.

The Commission acknowledges, as indicated in the Report, that FortisBC Energy Inc. (FEI) expects to file an application in 2015 seeking approval for changes to the Biomethane Energy Recovery Charge (BERC) rate methodology. The Commission notes that FEI will be considering the following:

- Pricing that reflects the benefits of reduced emissions;
- Pricing that reflects the value of biomethane as an alternative to natural gas in the market;
- The varying needs of different types of customers (i.e. Residential, Small Commercial, Industrial, Municipalities and Public Service);
- Other market factors such as a reasonable rate that reflects the value of the product to its customers;
- Cost transparency, recovery and the use of deferral accounts and mechanisms as discussed in the 2013 Biomethane Decision.

In addition to the above items, FEI is requested to include in the BERC rate methodology proposal a review of the appropriate timing and volume triggers of the recovery of unsold biomethane through the Midstream Cost Recovery Account.

The Commission anticipates an update as to when FEI will file the BERC rate methodology proposal as part of its 2015 First Quarter Report on the BVA or by no later than February 18, 2015.

Yours truly,

Erica Hamilton

LC/cms
Attachment

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, BC V6Z 2N3 CANADA
web site: <http://www.bcuc.com>



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-177-14**

TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

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

and

**A Filing by FortisBC Energy Inc.
Application regarding its 2014 Fourth Quarter Report on the Biomethane Variance Account
and Biomethane Energy Recovery Charge Rate effective January 1, 2015
for the Mainland Service Area**

BEFORE:

C. A. Brown, Commissioner
H. G. Harowitz, Commissioner
K. A. Keilty, Commissioner
N. E. MacMurchy, Commissioner
B. A. Magnan, Commissioner
D. M. Morton, Commissioner
R. D. Revel, Commissioner

November 13, 2014

O R D E R

WHEREAS:

- A. By Order G-210-13 and Reasons for Decision (Decision) dated December 11, 2013, the British Columbia Utilities Commission (Commission) approved the continuance of the Biomethane Program on a permanent basis with certain modifications as directed in the Decision;
- B. By Order G-40-14 dated March 13, 2014, the Commission approved an increase in the FortisBC Energy Inc. (FEI) Biomethane Energy Recovery Charge (BERC) to a rate of \$14.065 per gigajoule (GJ) for all affected rate schedules within the Lower Mainland, Inland, and Columbia Service Areas, effective April 1, 2014;
- C. By Letter L-51-14 dated September 18, 2014, the Commission accepted the FEI recommendation that the BERC remain unchanged at October 1, 2014 as established by Order G-40-14, and noted that FEI is expected to file proposed guidelines and criteria for BERC rate changes with the 2014 fourth quarter Biomethane Variance Account (BVA) report;
- D. On October 22, 2014, FEI filed its 2014 Fourth Quarter Report on the BVA (Report);

BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-177-14

2

- E. In the Report, FEI forecasts a BVA balance, based on the existing rates and after adjustment for the value of unsold biomethane volumes at December 31, 2014, of approximately \$97 thousand deficit after tax, and a balance at December 31, 2015, of approximately \$85 thousand deficit after tax;
- F. In the Report, FEI requests approval to increase the BERC rate by \$0.349/GJ, from \$14.065/GJ to \$14.414/GJ, for Rate Schedules 1B, 2B, 3B, 5B and 11B within the Mainland Service Area effective January 1, 2015;
- G. In the Report, FEI notes that it has excluded approximately \$425 thousand in its BERC rate calculation which is equivalent to approximately \$2 per GJ if fully recovered within one year. FEI, on October 3, 2014, filed a Request for Clarification and Request for Reconsideration and Variance Application, which requested the Commission to reconsider its decision on the transfer of the Biomethane Application cost to the BVA;
- H. As approved by Order G-21-14 and its Decision relating to the FortisBC Energy Utilities Application for Reconsideration and Variance of Commission Order G-26-13 on the FortisBC Energy Utilities' Common Rates, Amalgamation and Rate Design Application, the FEI Lower Mainland, Inland and Columbia Service Areas are now known as the Mainland Service Area;
- I. In the Report, FEI forecasts a BVA balance, based on the proposed BERC rate effective January 1, 2015 and after adjustment for the value of unsold biomethane volumes at December 31, 2015, of approximately zero after tax, and a balance at December 16, 2016, of approximately \$187 thousand deficit after tax;
- J. In the Report, FEI indicates that the proposed BERC rate change, exclusive of any other tariff rate component changes effective January 1, 2015, equates to an increase to a typical Mainland residential Biomethane Service Offering customer's annual bill of approximately \$3 or 0.3 percent based on an average total annual consumption of 90 GJ and a 10 percent blend selection;
- K. In the Report, FEI states that it is evaluating possible options for the BERC rate methodology and expects to file a proposal in 2015 for a revised BERC rate. On an interim basis, in accordance with Letter L-51-14, FEI proposes the following guidelines and criteria for potential BERC rate changes:
- (i) Annual resetting of the BERC rate on an annual basis effective January 1st of a given year;
 - (ii) A threshold of \$1.00 per GJ that will trigger a rate reset. That is, if a Quarterly Report indicates a change greater than \$1.00 per GJ (plus or minus) is required, the BERC rate will be reset;
- L. FEI requests that the biomethane project cost information in Tab 1, Pages 4.1 to 4.3, of the Report, be held confidential on the basis that it contains market sensitive information; and

BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-177-14

3

M. The Commission reviewed the Report and considers that the requested rate changes should be approved, accepts the proposed BERC rate change guidelines on an interim basis, and acknowledges the BERC rate methodology proposal as set out in the Report.

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

1. The FortisBC Energy Inc. (FEI) requested Biomethane Energy Recovery Charge (BERC) rate increase to a rate of \$14.414/GJ, effective January 1, 2015, is approved for Rate Schedules 1B, 2B, 3B, 5B and 11B within the Mainland Service Area, as set out in the 2014 Fourth Quarter Report on the Biomethane Variance Account (BVA).
2. FEI must notify all customers that are affected by the rate change by way of a bill insert or bill message to be submitted to the Commission prior to its release with the next monthly gas billing.
3. The FEI proposed BERC rate change guidelines are accepted on an interim basis pending a review of the BERC rate methodology proposal in 2015.
4. FEI must notify the Commission when it will file the BERC rate methodology proposal as part of its 2015 First Quarter Report on the BVA or by no later than February 18, 2015.
5. The Commission will hold the biomethane project cost information in Tab 1, Pages 4.1 to 4.3, of the 2014 Fourth Quarter Report on the BVA confidential as requested by FEI as it contains commercially sensitive information.

DATED at the City of Vancouver, in the Province of British Columbia, this 14th day of November 2014.

BY ORDER



D. M. Morton
Commissioner