



Diane Roy
Vice President, Regulatory Affairs

Gas Regulatory Affairs Correspondence
Email: gas.regulatory.affairs@fortisbc.com

Electric Regulatory Affairs Correspondence
Email: electricity.regulatory.affairs@fortisbc.com

FortisBC
16705 Fraser Highway
Surrey, B.C. V4N 0E8
Tel: (604) 576-7349
Cell: (604) 908-2790
Fax: (604) 576-7074
Email: diane.roy@fortisbc.com
www.fortisbc.com

September 14, 2017

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

Re: FortisBC Energy Inc. (FEI)

Application for Approval of Tariff Supplement No. K-1 Biomethane Long Term Large Volume Interruptible Sales Agreement between the University of British Columbia (UBC) and FEI (the Application)

FEI, pursuant to sections 59 to 61 and section 89 of the *Utilities Commission Act*, seeks permanent approval and endorsement from the British Columbia Utilities Commission (the Commission) of the rate set out in Rate Schedule 11B Tariff Supplement No. K-1 Biomethane Long Term Large Volume Interruptible Sales Agreement with UBC (Tariff Supplement No. K-1), effective October 1, 2017. Should the Commission be unable to complete its review and endorsement of Tariff Supplement No. K-1 prior to October 1, 2017, FEI then also requests interim approval effective October 1, 2017.

Regulatory Background

On August 28, 2015, FEI filed an application with the Commission for approval of the Biomethane Energy Recovery Charge (BERC) Rate Methodology (the BERC Application). In the BERC Application, FEI requested (among other things) for approval of:

- the Short Term BERC Rate set at the Commission approved January 1 Commodity Cost Recovery Charge (CCRA rate) per gigajoule (GJ), plus the current Carbon Tax applicable to natural gas customers, plus a premium of \$7.00 per GJ; and
- the Long Term Contract BERC Rate set at a \$1.00 per GJ discount to the Short Term Contract BERC rate.

On August 12, 2016, the Commission issued Decision and Order G-133-16, approving (among other things):

- the Short Term BERC Rate at a premium of \$7.00 per GJ above the CCRA rate, the British Columbia carbon tax, and any other taxes applicable to conventional natural gas sales, effective January 1st of each year; and
- the Long Term BERC Rate set at a \$1.00 per GJ discount to the Short Term BERC Rate subject to:
 - eligible contracts must be for a commitment to purchase not less than 60,000 GJ in aggregate over the term of the contract;
 - the term of the contract must not be less than five years and no more than ten years;
 - a Minimum Contract Strike Price of \$10.00 per GJ; and
 - Long Term contracts must include a Contract Floor Price provision that results in the price of Renewable Natural Gas beyond year five of a contract that is not less than the prevailing Conventional Gas Cost.

On September 13, 2017, FEI executed and entered into a Long Term BERC Rate Agreement (Tariff Supplement No. K-1) with UBC. Appendix A contains the executed version of Tariff Supplement No. K-1 for Commission approval and endorsement.

Description of Agreement

Tariff Supplement No. K-1, negotiated and entered into by FEI and UBC, is for the sale of long term large volume interruptible Biomethane, effective October 1, 2017. Tariff Supplement No. K-1 has an effective date noted on the agreement of July 1, 2017; however, due to the length of time required for UBC to execute the agreement, FEI is seeking interim and permanent approval for the rate, effective October 1, 2017. The list below highlights key terms and conditions of Tariff Supplement No. K-1:

- Schedule A Table of Charges
 - a Long Term Biomethane Service Charge per GJ equal to the current Commission approved Long Term Biomethane Contract Rate of \$10.00 per GJ (the Minimum Contract Strike Price), for the first five years of the agreement;
- Section 1.5.1 Minimum Annual Quantity
 - A minimum annual purchase quantity of 71,000 GJ of Biomethane;
- Definition (g) “Expiry Date”
 - a contract term of ten years; and
- Section 1.6 Rates and Charges, subsection 1.6.5
 - a contract floor price provision for years five to ten of the agreement.

Summary and Approval Sought

FEI encloses for Commission approval and endorsement, in Appendix A, the following FEI Tariff pages as Tariff Supplement No. K-1, effective October 1, 2017:

FEI – Table of Contents

First Revision of Table of Contents

FEI Tab K – Index Page

Original Page Ki

Tariff Supplement No. K-1 – UBC Biomethane Long Term Large Volume Interruptible Long Term Sales Agreement

Original Page i

Original Pages 1 to 9

FEI requests Commission endorsement of these tariff pages, and that one set of the tariff pages be returned to FEI for its records. FEI has provided in Appendix B a blacklined version of the Table of Contents to facilitate the Commission's review.

A Draft Form of Order is provided in Appendix C.

If the Commission approves rates on an interim basis while completing its review, then FEI proposes that any variance between the interim and permanent rate, as determined by the Commission, will be refunded or recovered from UBC following the approval of the permanent rate.

If you require further information or have any questions regarding this submission, please contact Ilva Bevacqua at 604-592-7664.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

Appendix A

**FEI TARIFF SUPPLEMENT NO. K-1
FOR COMMISSION ENDORSEMENT**

Table of Contents

	Tab
Commercial Service.....	A
Seasonal Service.....	B
Natural Gas Vehicle Service	C
Small Volume Sales.....	D
Small Volume Transportation.....	E
Large Volume Sales	F
Large Volume Transportation	G
Off-System Sales.....	H
Other Agreements	I
Compressed Natural Gas Service.....	J
Biomethane Long Term Contracts	K N

Order No.:

Issued By: Diane Roy, Vice President, Regulatory Affairs

Effective Date: October 1, 2017

Accepted for Filing: _____

BCUC Secretary: _____

Tariff Supplements
First Revision of Table of Contents

Index

Tariff Supplement No.	Customer	Rate Schedule	Contract Date	Expiry Date
K-1	The University of British Columbia – Biomethane Long Term Large Volume Interruptible Sales Agreement	11B	07/01/17	06/30/27

Order No.:

Issued By: Diane Roy, Vice President, Regulatory Affairs

Effective Date: October 1, 2017

Accepted for Filing: _____

BCUC Secretary: _____

Tariff Supplements
Original Index Page K i



TARIFF SUPPLEMENT NO. K-1

**BIOMETHANE LONG TERM LARGE VOLUME
INTERRUPTIBLE SALES AGREEMENT
RATE SCHEDULE 11B**

BETWEEN

THE UNIVERSITY OF BRITISH COLUMBIA

AND

FORTISBC ENERGY INC.

Effective October 1, 2017

This Agreement is made effective as of July 1, 2017.

BETWEEN:

FORTISBC ENERGY INC., a company incorporated under the laws of British Columbia having an office at 16705 Fraser Highway, Surrey, BC V4N 0E8

(hereinafter called "**FortisBC Energy**")

OF THE FIRST PART

AND:

THE UNIVERSITY OF BRITISH COLUMBIA, a British Columbia university created and continued pursuant to the University Act, and having an office at 7th Floor, Walter C. Koerner Library 1958 Main Mall, Vancouver, BC Canada V6T 1Z2

(hereinafter called "**Customer**")

OF THE SECOND PART

BIOMETHANE LONG TERM LARGE VOLUME INTERRUPTIBLE SALES AGREEMENT

WHEREAS:

- A. FortisBC Energy has a voluntary Biomethane Service program approved by the British Columbia Utilities Commission, which includes a Long Term Biomethane Service;
- B. The Biomethane Service is subject to terms and conditions set forth in Section 28 of FortisBC Energy General Terms and Conditions;
- C. Under Rate Schedule 11B of FortisBC Energy, FortisBC Energy provides the large volume interruptible Biomethane Service;
- D. The Customer wishes to participate in the Biomethane Service and desires to purchase from FortisBC Energy interruptible Biomethane in accordance with Rate Schedule 11B and the terms and conditions set out in this Agreement; and
- E. The Customer and FortisBC Energy have also entered into a Transportation Agreement pursuant to Rate Schedule 22 of FortisBC Energy (Large Volume Transportation).

Order No.:

Issued By: Diane Roy, Vice President, Regulatory Affairs

Effective Date: October 1, 2017

Accepted for Filing: _____

BCUC Secretary: _____

Tariff Supplement No. K-1
Original Page 1

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the terms, conditions and limitations contained herein, the parties agree as follows:

1. TERMS AND CONDITIONS

1.1 Definitions

1.1.1 Except where the context otherwise requires, all words and phrases defined below, or in Rate Schedule 11B, or in the General Terms and Conditions of FortisBC Energy and used in this Agreement have the meanings set out below or in Rate Schedule 11B, or in the General Terms and Conditions of FortisBC Energy. Where any definitions set out below conflict with the definitions in Rate Schedule 11B or the General Terms and Conditions of FortisBC Energy, the definitions set out below govern.

- (a) "Adjusted Long Term Biomethane Service Charge" means the Long Term Biomethane Service Charge as adjusted annually in accordance with Section 1.6.4.
- (b) "Agreement" means this Biomethane Large Volume Interruptible Long Term Sales Agreement.
- (c) "Biomethane Energy Recovery Charge" means the Biomethane Energy Recovery Charge per Gigajoule approved by the British Columbia Utilities Commission applicable to Biomethane Service in general.
- (d) "Commencement Date" means the date the Customer starts to receive the Biomethane Service pursuant to this Agreement, specified in Section 1.4.1 of this Agreement.
- (e) "Commodity Cost Recovery Charge" means the Commodity Cost Recovery Charge per Gigajoule set out in the Table of Charges of Rate Schedule 11B approved by the British Columbia Utilities Commission by order No.G-133-16 and as adjusted by the British Columbia Utilities Commission from time to time.
- (f) "Contract Term" means the term specified in Section 1.4.2 of this Agreement.
- (g) "Expiry Date" means the 10th anniversary of the Commencement Date.
- (h) "Floor Price" means the rate for Biomethane as set out in Section 1.6.5 of this Agreement.

Order No.:

Issued By: Diane Roy, Vice President, Regulatory Affairs

Effective Date: October 1, 2017

Accepted for Filing: _____

BCUC Secretary: _____

Tariff Supplement No. K-1
Original Page 2

- (i) "Long Term Biomethane Service" means the Biomethane Service under Rate Schedule 11B with a minimum Contract Term of 5 years and a maximum Contract Term of 10 years and a specified Minimum Annual Quantity for each Year of the Contract Term.
- (j) "Long Term Biomethane Service Charge" means the rate set out in Schedule A to this Agreement.
- (k) "Maximum Annual Quantity" means the maximum quantity of Biomethane, measured in Gigajoules, that the Customer may purchase from FortisBC Energy per Year and agrees to pay in accordance with Section 1.6.2 of this Agreement.
- (l) "Minimum Annual Quantity" means the minimum quantity of Biomethane, measured in Gigajoules, that the Customer agrees to purchase and pay per Year, whether or not such quantity is actually consumed by the Customer.
- (m) "Month" means, subject to any changes from time to time required by FortisBC Energy, the period beginning at 7:00 a.m. Pacific Standard Time on the first day of the calendar month and ending at 7:00 a.m. Pacific Standard Time on the first day of the next succeeding calendar month.
- (n) "Termination Payment" means the amount payable by the Customer to FortisBC Energy on termination of this Agreement in accordance with Sections 1.4.3, 1.4.4 or 1.4.5 of this Agreement, calculated as:
 - (i) the Minimum Annual Quantity multiplied by
 - (ii) the Biomethane Energy Recovery Charge less the Commodity Cost Recovery Charge; and
 - (iii) The lesser of the number of years (calculated to include part years) remaining in the term of the Agreement if the Agreement had not been terminated and two (2) years.

1.2 Conditions of Sales

- 1.2.1 Conditions. While this Agreement is in effect, FortisBC Energy waives the condition of sale contained in Section 3.1(a) of Rate Schedule 11B.

1.3 Security

- 1.3.1 In order to secure the prompt and orderly payment of the charges, including the Termination Payment, to be paid by the Customer to FortisBC Energy under this Agreement, FortisBC Energy may require the Customer to provide, and at all times maintain, security equal to:

- (a) the estimated maximum amount payable by the Customer under this Agreement for a period of 90 days; and
- (b) an amount to be determined by FortisBC Energy in its sole discretion provided that such amount does not exceed the Termination Payment.

1.4 Term, Expiry and Termination of the Agreement

- 1.4.1 **Commencement Date.** The Commencement Date for this Agreement is July 1, 2017.
- 1.4.2 **Contract Term.** The term of this Agreement will begin on the Commencement Date of this Agreement and will expire at 7:00 am Pacific Standard Time on the Expiry Date.
- 1.4.3 **Early Termination by FortisBC.** This Agreement is subject to early termination by FortisBC Energy in accordance with Section 12 of Rate Schedule 11B (Default or Bankruptcy).
- 1.4.4 **Early Termination by Customer.** The Customer may terminate this Agreement before the expiry of the Contract Term by providing one year's notice to FortisBC and by paying 50% of the Termination Payment.
- 1.4.5 **Automatic Termination.** This Agreement will be terminated automatically if the Customer no longer receives service under a Transportation Agreement.
- 1.4.6 **Termination Payment.** The Customer and FortisBC Energy acknowledge that the Termination Payment is a genuine pre-estimate of the damages to be incurred by FortisBC Energy from early termination of this Agreement and is not a penalty. In the event that the Agreement is terminated prior to the Expiry Date through operation of Sections 1.4.3, 1.4.4 or 1.4.5 of this Agreement, in addition to any other amounts due and owing by the Customer to FortisBC Energy and despite any other remedies available at law or in equity, the Customer agrees to pay to FortisBC Energy the Termination Payment and to waive any right it may have to raise as a defense that the Termination Payment is excessive or punitive.
- 1.4.7 **Other Remedies.** FortisBC Energy and the Customer agree that, upon any termination of this Agreement under circumstances where FortisBC Energy is entitled to the Termination Payment and such payment, in addition to any other outstanding charges, is paid in full, FortisBC Energy shall be precluded from any other remedy against the Customer at law or in equity or otherwise (including an order for specific performance) and shall not seek to obtain any recovery, judgment, or damages of any kind, including consequential, indirect, or punitive damages, against the Customer or against any of its directors, officers, employees, partners, managers, members, shareholders in respect of the early termination of this Agreement.

1.5 Terms of Sale

- 1.5.1 Minimum Annual Quantity. The Customer agrees to purchase the Minimum Annual Quantity of 71,000 Gigajoules of Biomethane.
- 1.5.2 Additional Quantity of Biomethane. Subject to availability of Biomethane as reasonably determined by FortisBC Energy, the Customer may, upon a written notice to FortisBC Energy no later than sixty (60) days in advance, purchase an additional quantity of Biomethane, with a Yearly total quantity of Biomethane purchased by the Customer not exceeding Maximum Annual Quantity set forth in Section 1.5.3 of this Agreement.
- 1.5.3 Maximum Annual Quantity. The Maximum Annual Quantity of Biomethane that the Customer can purchase is 104,000 Gigajoules.
- 1.5.4 Curtailment. If FortisBC Energy curtails the Customer under Section 4.2 of Rate Schedule 11B (Curtailment) or any other provision of Rate Schedule 11B or the General Terms and Condition of FortisBC Energy, FortisBC Energy will reduce the Minimum Annual Quantity Yearly by an amount equal to the actual quantity of Biomethane, measured in Gigajoules, curtailed by FortisBC Energy in the Year.

1.6 Rates and Charges

- 1.6.1 In each month, the Customer will pay to FortisBC Energy an amount equal to the actual amount of Biomethane sold by FortisBC Energy to the Customer multiplied by the Long Term Biomethane Service Charge set out in Schedule A to this Agreement, the Adjusted Long Term Biomethane Service Charge, or the Floor Price, as applicable, in lieu of the Biomethane Energy Recovery Charge set out in the Table of Charges in Rate Schedule 11B.
- 1.6.2 If at the end of any Year of the Contract, the Customer has taken less than the Minimum Annual Quantity in that Year, the Customer shall pay to FortisBC Energy the difference, between the quantity of Biomethane sold to the Customer in that Year and the Minimum Annual Quantity multiplied by the Long Term Biomethane Service Charge, the Adjusted Long Term Biomethane Service Charge, or the Floor Price, as applicable, in accordance with Section 1.7.1 of this Agreement.
- 1.6.3 In respect of any quantity of Biomethane above the Maximum Annual Quantity sold to the Customer per Year, the Customer agrees to pay the Biomethane Energy Recovery Charge approved by the British Columbia Utilities Commission in effect in the Month the Customer purchased any quantity of Biomethane above the Maximum Annual Quantity.
- 1.6.4 Annual Adjustment. The Long Term Biomethane Service Charge set out in Schedule A to this Agreement will be adjusted effective January 1 of each year of the Contract Term multiplied by 50% of the percentage increase, if any, in the Consumer Price Index (Canada – all items) over the previous year.

1.6.5 After the fifth anniversary of the Commencement Date to the Expiry Date, the charge for Biomethane of this Agreement shall be adjusted as necessary effective January 1 of each year to be the higher of:

- (a) the Long Term Biomethane Service Charge or the Adjusted Long Term Biomethane Service Charge, as applicable; or
- (b) the sum of the following:
 - (i) the British Columbia Utilities Commission-approved January 1st Commodity Cost Recovery Charge per Gigajoule;
 - (ii) the current British Columbia carbon tax applicable to conventional natural gas Customers; and
 - (iii) any other taxes applicable to conventional natural gas sales.

1.7 Year End Payment Adjustment

1.7.1 FortisBC Energy will, on or about 45 days after each anniversary of the Commencement Date, deliver to the Customer a statement for the preceding Year showing the payment amount due from the Customer in respect of any difference between the quantity of Biomethane purchased by the Customer and the Minimum Annual Quantity or the Maximum Annual Quantity .

1.8 Condition Precedent

1.8.1 All obligations of the parties to this Agreement are subject to the acceptance for filing by the British Columbia Utilities Commission of the rates, terms and conditions set out herein.

2. Rate Schedule 11B

2.1 Point of Delivery

All Biomethane sales under this Agreement will occur at the Point of Sale.

2.2 Title Transfer

Title transfer to the Customer will occur at the Point of Sale.

Order No.:

Issued By: Diane Roy, Vice President, Regulatory Affairs

Effective Date: October 1, 2017

Accepted for Filing: _____

BCUC Secretary: _____

Tariff Supplement No. K-1
Original Page 6

2.3 Additional Terms

- 2.3.1 All rates, terms and conditions set out in Rate Schedule 11B and the General Terms and Conditions of FortisBC Energy, as any of them may be amended by FortisBC Energy and approved from time to time by the British Columbia Utilities Commission, are in addition to the terms and conditions contained in this Agreement and form part of this Agreement and bind FortisBC Energy and the Customer as if set out in this Agreement.
- 2.3.2 Unless otherwise specified, all references in Rate Schedule 11B to "a Sales Agreement", "the Sales Agreement", "a Rate Schedule 11B Sales Agreement", or "the Rate Schedule 11B Sales Agreement" shall be read as references to "the Agreement".

2.4 Payment of Amounts

Without limiting the generality of the foregoing, the Customer will pay to FortisBC Energy all of the amounts set out in Rate Schedule 11B for the services provided under that Rate Schedule and this Agreement.

2.5 Conflict

Where anything in Rate Schedule 11B or the General Terms and Conditions of FortisBC Energy conflicts with any of the terms and conditions set out in this Agreement, including Section 3.1(a) (Conditions), Section 3.2 (Security), Section 5.1 (Charges), Section 8.1 (Term), Section 8.2 (Automatic Renewal), Section 8.3 (Early Termination) of Rate Schedule 11B, this Agreement governs.

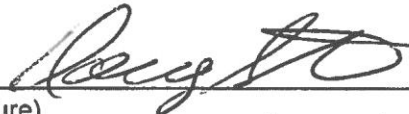
2.6 Acknowledgment

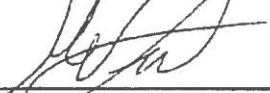
The Customer acknowledges receiving and reading a copy of Rates Schedule 11B and the General Terms and Conditions of FortisBC Energy and agrees to comply with and be bound by applicable terms and conditions set out therein. Without limiting the generality of the foregoing, the Customer is able to accommodate interruption or curtailment of Biomethane sales and releases FortisBC Energy from any liability for the Customer's inability to accommodate an interruption or curtailment of the Biomethane Service.

IN WITNESS WHEREOF the parties hereto have executed this Supplemental Agreement.

FORTISBC ENERGY INC.

THE UNIVERSITY OF BRITISH COLUMBIA

BY: 
(Signature)
Market Development
Vice President + External Relations
(Title)
Douglas Stout
(Name – Please Print)

BY: 
(Signature)
Manager, Supply Management
(Title)
Michael Frost
(Name – Please Print)

DATE: Sept 13/2017

DATE: 10B-Sept-2017

Order No.:

Issued By: Diane Roy, Vice President, Regulatory Affairs

Effective Date: October 1, 2017

Accepted for Filing: _____

BCUC Secretary: _____

Tariff Supplement No. K-1
Original Page 8

Schedule A
Table of Charges

Long Term Biomethane Service Charge (per Gigajoule)	\$10.00
---	---------

Appendix B

**FEI TARIFF SUPPLEMENT TABLE OF CONTENTS -
BLACKLINED**

Table of Contents

	Tab
Commercial Service.....	A
Seasonal Service.....	B
Natural Gas Vehicle Service	C
Small Volume Sales.....	D
Small Volume Transportation.....	E
Large Volume Sales	F
Large Volume Transportation	G
Off-System Sales.....	H
Other Agreements	I
Compressed Natural Gas Service.....	J
<u>Biomethane Long Term Contracts</u>	K

Deleted: Liquefied Natural Gas Service

- Deleted: G-28-11
- Deleted: Director
- Deleted: March 1, 2011 July
- Deleted: Original signed by E.M. Hamilton
- Deleted: Original

Order No.: _____ Issued By: Diane Roy, Vice President, Regulatory Affairs

Effective Date: October 1, 2017 Accepted for Filing: _____

BCUC Secretary: _____ Tariff Supplements
First Revision of Table of Contents



ORDER NUMBER

G-xx-xx

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

and

FortisBC Energy Inc.

Application for Approval of Tariff Supplement No. K-1 Biomethane Long Term Large Volume Interruptible Sales Agreement between the University of British Columbia and FortisBC Energy Inc.

BEFORE:

[Panel Chair]
Commissioner
Commissioner

on **Date**

ORDER

WHEREAS:

- A. By Order G-133-16 and accompanying decision dated August 12, 2016, the British Columbia Utilities Commission (Commission) approved a Biomethane Energy Recovery Charge (BERC) rate methodology whereby the BERC rate is reset annually based on the sum of the Commodity Cost Recovery Charge (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 \$7.00. The Long Term Biomethane Contract Rate is set at a discount of \$1.00 to the BERC rate subject to certain conditions including a minimum of \$10.00/GJ;
- B. By Order G-177-16 dated December 2, 2016, the Commission approved an increase to the BERC rate applicable to all biomethane rate schedules within the Mainland, Vancouver Island and Whistler Service Areas from \$10.209/GJ to \$10.54/GJ effective January 1, 2017, and the Long Term Biomethane Contract Rate unchanged at 10.00/GJ;
- C. On September 13, 2017, FortisBC Energy Inc. (FEI) and the University of British Columbia (UBC) executed and entered into Rate Schedule 11B Tariff Supplement No. K-1, a Biomethane Long Term Large Volume Interruptible Sales Agreement (Tariff Supplement No. K-1), with an effective date of July, 2017;
- D. On September 14, 2017, FEI applied to the Commission, pursuant to sections 59 to 61 and 89 of the *Utilities Commission Act* (Act), for interim and permanent approval and endorsement of the rate set out in Tariff Supplement No. K-1, effective October 1, 2017 (the Application);
- E. The Commission has commenced review of the Application and determines that interim rates should be approved.

NOW THEREFORE the Commission orders as follows:

1. The Commission approves the rate established in Rate Schedule 11B Tariff Supplement No. K-1 Biomethane Long Term Large Volume Interruptible Sales Agreement between FortisBC Energy Inc. and the University of British Columbia, of \$10.00/GJ on an interim basis, effective October 1, 2017.
2. Any variance between the interim rate and the permanent rate as determined by the Commission following final review of the Application is subject to refund/recovery, with interest at the average prime rate of FortisBC Energy Inc.'s principal bank for its most recent year.

DATED at the City of Vancouver, in the Province of British Columbia, this (XX) day of (Month Year).

BY ORDER

(X. X. last name)
Commissioner