



December 4, 2018

Sent via email/eFile

<p><b>FEI 2018 FOURTH QUARTER GAS COST REPORT</b> <b>EXHIBIT A-2</b></p>
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Ms. Diane Roy  
Vice President, Regulatory Affairs  
FortisBC Energy Inc.  
16705 Fraser Highway  
Surrey, BC V4N 0E8  
gas.regulatory.affairs@fortisbc.com

**Re: FortisBC Energy Inc. – Application regarding its 2018 Fourth Quarter Gas Cost Report and Rate Changes effective January 1, 2019 for the Mainland and Vancouver Island Service Area – Regulatory Timetable**

Dear Ms. Roy:

Further to your November 23, 2018 filing of the above noted application, enclosed please find British Columbia Utilities Commission (BCUC) Order G-230-18 approving the rate changes sought in the application with the exception of the Storage and Transport Charge.

FortisBC Energy Inc. (FEI) has acknowledged that the October 9, 2018 Westcoast Energy Inc. pipeline explosion has significantly affected FEI's service area and that there remains the real possibility that some customer curtailment may occur during the winter period.<sup>1</sup>

The BCUC finds there is merit to consider an alternative rate that may incent conservation in order to reduce the risk of curtailment to industrial, commercial and residential customers. Therefore, the BCUC approves on an interim basis the Storage and Transport Charge, at the rate requested in the application, and establishes a public written submission process to explore the potential merits of an alternative conservation rate, such as the Alternative Storage and Transport charge contemplated in the application.

Sincerely,

*Original Signed by:*

Patrick Wruck  
Commission Secretary

JO/aci

Enclosure

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<sup>1</sup> FEI's November 22, 2018 12:00 p.m. Service Alert, <https://www.fortisbc.com/NaturalGas/Alerts/Pages/Service-Alert.aspx>



**ORDER NUMBER**  
**G-230-18**

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

and

FortisBC Energy Inc.  
Application regarding its 2018 Fourth Quarter Gas Cost Report  
and Rate Changes effective January 1, 2019  
for the Mainland and Vancouver Island Service Area

**BEFORE:**

R. I. Mason, Commissioner/Panel Chair  
B. A. Magnan, Commissioner

on December 4, 2018

**ORDER**

**WHEREAS:**

- A. On November 23, 2018, FortisBC Energy Inc. (FEI) filed its 2018 Fourth Quarter Report on Commodity Cost Reconciliation Account (CCRA), Midstream Cost Reconciliation Account (MCRA), Biomethane Energy Recovery Charge (BERC) Rates and Biomethane Variance Account (BVA) Annual Report for the Mainland and Vancouver Island Service Area based on the five-day average November 6, 7, 8, 9 and 13, 2018 forward gas prices (the 2018 Fourth Quarter Report or the Report);
- B. The British Columbia Utilities Commission (BCUC) 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 and Letter L-15-16 dated June 16, 2015 (together the Guidelines);
- C. By Order G-133-16 dated August 12, 2016, the BCUC directed FEI to file the BVA Annual Report concurrently with the fourth quarter CCRA and MCRA report, setting out the Short Term BERC Rate and Long Term BERC Rate to be effective January 1st of each year;
- D. By Order G-173-17 dated November 30, 2017, the BCUC established the current Commodity Cost Recovery Charge, midstream related charges and biomethane-related charges, effective January 1, 2018;
- E. In the 2018 Fourth Quarter Report, using the five-day average forward prices ending November 13, 2018, the CCRA balance is projected to be approximately \$14 million surplus after tax as of December 31, 2018. FEI calculates that the CCRA recovery-to-cost ratio at the existing rate would be 106.8 percent for the following 12 months and the tested rate decrease related to the forecast over recover of gas costs would be \$0.098/GJ, of which falls within the minimum rate change thresholds set out in the Guidelines indicating that a change to the Commodity Cost Recovery Charge is not required at this time;

- F. FEI calculates an MCRA balance at existing rates of approximately \$4 million surplus after tax in December 31, 2018. Based on the one-half amortization of the MCRA cumulative balances in the following year's rates, FEI requests approval to set the MCRA Rate Rider 6 applicable to the sales rate classes, effective January 1, 2019, as set out in the Report in the schedule at Tab 2, Page 7;
- G. The 2018 Fourth Quarter Report requests approval to increase the Short Term Contracts BEREC Rate by \$0.248/GJ, from \$10.039/GJ to \$10.287/GJ, and to maintain the Long Term Biomethane Contract Rate at \$10.00/GJ effective January 1, 2019, in accordance with Order G-133-16;
- H. On October 9, 2018, Enbridge's subsidiary, Westcoast Energy Inc. (WEI), experienced a significant rupture on its T-South pipeline, which impacted the region as a whole and the resources within FEI's service area. The incident has restricted gas flows to all delivery points south of Station 2 between Station 4B and Huntingdon;
- I. FEI calculates that the existing Storage and Transport Charges will under-recover the midstream costs in 2019 by approximately \$55 million, and requests approval to flow-through increases to the Storage and Transport Charge rates as set out in the Report in the schedule at Tab 2, Page 7;
- J. The 2018 Fourth Quarter Report includes an alternative approach based on a 3-month rate recovery period to set the Storage and Transport Charges (Alternative Storage and Transport Charges), effective January 1, 2019, as set out in the Report in the schedule at ALTERNATIVE Tab 2, Page 7;
- K. The BCUC reviewed the 2018 Fourth Quarter Report and considers that approval of the Commodity Cost Recovery Charge, BEREC, Long Term Biomethane rate, and the Midstream Cost Reconciliation Account Rate Rider 6 changes are warranted as the changes are consistent with the Guidelines and in the public interest. Tab 4, Pages 4C, 5C, and 6C of the Report should be held confidential as requested by FEI as they contain market sensitive information; and
- L. The BCUC is concerned with the potential risk of curtailment to industrial, commercial and residential customers due to the significant impacts of the T-South pipeline rupture and, as such, finds that there are merits to considering the Alternative Storage and Transportation charge, or other rates, which may incent conservation throughout the winter period. Therefore, the BCUC considers that interim approval of Storage and Transport Charges and the establishment of a written submission process are warranted.

**NOW THEREFORE** pursuant to sections 23(1)(g), 61(4) and 89 of the *Utilities Commission Act*, the BCUC orders as follows:

1. The Commodity Cost Recovery Charge, BEREC, MCRA Rate Rider 6 (as set out in Appendix A) and Long Term Biomethane rate applicable for the Mainland and Vancouver Island Service Area are approved, as filed in the 2018 Fourth Quarter Report, effective January 1, 2019.
2. The Storage and Transport Charges applicable to the sales rate classes within the Mainland and Vancouver Island Service Area are approved on an interim basis, effective January 1, 2019. The Storage and Transport Charges changes are set out in Appendix A of this order.
3. A public written submission process and a regulatory timetable, attached as Appendix B to this order, are established to explore the merits of the Alternative Storage and Transport Charges or other potential conservation rates.

4. By 12:00 pm on December 5, 2018, FEI is directed to publish the 2018 Fourth Quarter Report, this order and the regulatory timetable on its website, as well as electronically where possible, to all registered interveners and interested parties in the FEI Annual Review for the 2019 Delivery Rates proceeding and to the Ministry of Energy, Mines and Petroleum Resources (collectively the Stakeholders).
5. Stakeholders are invited to provide written submissions on the merits of rates to incent conservation to reduce the risk of curtailment of supply to industrial, commercial and residential customers, such as the proposed Alternative Storage and Transport Charges, to the BCUC by the dates established in the Regulatory Timetable, attached as Appendix B to this order.
6. The information in Tab 4, pages 4C, 5C, and 6C of the Report will be held confidential, as requested by FEI, as it contains commercially sensitive information.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 4<sup>th</sup> day of December 2018.

BY ORDER

*Original Signed by:*

R. I. Mason  
Commissioner

Attachment

FortisBC Energy Inc.  
Application regarding its 2018 Fourth Quarter Gas Cost Report  
and Rate Changes effective January 1, 2019  
for the Mainland and Vancouver Island Service Area

Midstream rate changes applicable to FortisBC Energy Inc. – Mainland and Vancouver Island Service Area  
Effective January 1, 2019.

**Midstream rates changes applicable to FortisBC Energy Inc. - Mainland and Vancouver Island Service Area  
effective January 1, 2019**

	Residential	Commercial	Seasonal	General	NGV	General
(\$/GJ)	RS-1	RS-2	RS-4	Firm Service	RS-6	Interruptible
	RS-1	RS-2	RS-3	RS-5	RS-6	RS-7
<b>Storage and Transport Charges</b>						
Effective January 1, 2018	\$ 1.064	\$ 1.073	\$ 0.907	\$ 0.677	\$ 0.339	\$ 0.677
Flow-through changes	0.421	0.417	0.338	0.352	0.130	0.352
<b>Proposed for January 1, 2019</b>	<b>\$ 1.485</b>	<b>\$ 1.490</b>	<b>\$ 1.245</b>	<b>\$ 1.029</b>	<b>\$ 0.469</b>	<b>\$ 1.029</b>
<b>MCRA Rate Rider 6</b>						
Effective January 1, 2018	\$ (0.306)	\$ (0.308)	\$ (0.260)	\$ (0.194)	\$ (0.097)	\$ (0.194)
Flow-through changes	0.283	0.285	0.241	0.178	0.090	0.178
<b>Proposed for January 1, 2019</b>	<b>\$ (0.023)</b>	<b>\$ (0.023)</b>	<b>\$ (0.019)</b>	<b>\$ (0.016)</b>	<b>\$ (0.007)</b>	<b>\$ (0.016)</b>

FortisBC Energy Inc.  
Application regarding its 2018 Fourth Quarter Gas Cost Report  
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**REGULATORY TIMETABLE**

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Action	Date (2018)
FEI to post Order on website	Wednesday, December 5 at 12:00PM
BCUC Information Request No. 1 to FEI	Thursday, December 6
FEI responses to BCUC Information Request No. 1	Monday, December 10
Submissions from stakeholders	Wednesday, December 12
Stakeholders responses to other Submissions, if any	Friday, December 14
FEI responses to Submissions	Tuesday, December 18