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VIA EMAIL

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September 9, 2011

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

Dear Ms. Roy:

Re: FortisBC Energy Inc.
Lower Mainland, Inland, and Columbia Service Areas
Commodity Cost Reconciliation Account (CCRA) and
Midstream Cost Reconciliation Account (MCRA)
Reconciliation Account Quarterly Gas Costs
2011 Third Quarter Gas Cost Report

Further your September 2, 2011 filing of the 2011 Third Quarter Gas Cost Report, please find attached Commission Order G-156-11.

Yours truly,


Alanna Gillis

/dg
Enclosure

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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-156-11**

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

and

Filings by FortisBC Energy Inc. regarding its
2011 Third Quarter Gas Costs Report
and Rate Changes effective October 1, 2011
for the Lower Mainland, Inland and Columbia Service Areas

BEFORE: L.F. Kelsey, Commissioner
C.A. Brown, Commissioner September 8, 2011

O R D E R

WHEREAS:

- A. By Order No. G-187-10 dated December 9, 2010, the British Columbia Utilities Commission (Commission) approved a decrease in the Commodity Cost Recovery Charge for the Lower Mainland, Inland and Columbia Service Areas, effective January 1, 2011;
- B. As directed by the Commission, FortisBC Energy Inc. (FEI) reviewed the methodology for forecasting Midstream Cost Reconciliation Account (MCRA) and the methodology associated with the quarterly Commodity Cost Reconciliation Account (CCRA) gas cost reviews. FEI filed its report on the Gas Cost Deferral Accounts and Rate Setting Mechanisms (Review Report) on March 10, 2011, and the Commission accepted the recommendations in the Review Report and approved the proposed revisions to the Guidelines in Commission Letter L-40-11, dated May 19, 2011;
- C. On September 2, 2011, FEI filed its 2011 Third Quarter Report on CCRA and MCRA balances and gas commodity charges for the Lower Mainland, Inland and Columbia Service Areas effective October 1, 2011 that were based on the five-day average August 16, 17, 18, 19, and 22, 2011 forward gas prices (2011 Third Quarter Report);
- D. The 2011 Third Quarter Report forecasts a CCRA balance at existing rates of approximately \$15 million surplus after tax at September 30, 2011, and a balance of approximately \$40 million surplus after tax at September 30, 2012;
- E. The 2011 Third Quarter Report forecasts that commodity cost recoveries at existing rates would be 114.1 percent of costs for the following 12 months;

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- F. In the 2011 Third Quarter Report, FEI notes that full flow through of the CCRA surplus results in a decrease of \$0.563/GJ to the Commodity Cost Recovery Charge from \$4.568/GJ to \$4.005/GJ for natural gas sales rate class customers in Lower Mainland, Inland, and Columbia Service Areas effective October 1, 2011;
- G. In the 2011 Third Quarter Report, FEI requests approval for a partial flow through of the CCRA surplus and a decrease of \$0.271/GJ to the Commodity Cost Recovery Charge from \$4.568/GJ to \$4.297/GJ for natural gas sales rate class customers in Lower Mainland, Inland, and Columbia Service Areas effective October 1, 2011;
- H. The 2011 Third Quarter Report forecasts a MCRA balance at existing rates of approximately \$18 million surplus after tax at December 31, 2011; and, based on the revised one-third amortization of the MCRA cumulative balances in future rates pursuant to Letter No. L-40-11, the deficit related to the forecast 2012 MCRA activity is approximately \$5 million after tax at December 31, 2012;
- I. The Commodity Cost Recovery Charge rate change resulting from a full flow through of the CCRA surplus would decrease Lower Mainland Rate Schedule 1 rates by \$0.563/GJ, which would reduce a typical residential customer's annual bill with an average annual consumption of 95 GJ, by approximately \$53 or 5.3 percent;
- J. The Commission has determined that full flow through of the CCRA surplus and the corresponding decrease of \$0.563/GJ in the Commodity Cost Recovery Charge from \$4.568/GJ to \$4.005/GJ should be approved, rather than the partial flow through requested by FEI, in order to align with the Guidelines set out in Letter L-40-11.

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

1. The Commission approves the full flow through decrease to the Commodity Cost Recovery Charge for Sales Rate Classes within the Lower Mainland, Inland, and Columbia Service Areas, effective October 1, 2011, to a rate of \$4.005/GJ as set out in the 2011 Third Quarter Report.
2. The Midstream Cost Recovery Charges remain unchanged.
3. FEI will notify all customers that are affected by the rate change with 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  day of September 2011.

BY ORDER



L.F. Kelsey
Commissioner