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BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-201-13

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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 Fourth Quarter Gas Cost Report
and Rate Changes effective January 1, 2014
for the Lower Mainland, Inland and Columbia Service Areas

BEFORE: C.A. Brown, Commissioner
N.E. MacMurchy, Commissioner November 28, 2013
B.A. Magnan, Commissioner
D.M. Morton, Commissioner
R.D. Revel, Commissioner
C. van Wermeskerken, Commissioner

O R D E R

WHEREAS:

- A. On November 22, 2013, FortisBC Energy Inc. (FEI) filed its 2013 Fourth Quarter Report on Commodity Cost Reconciliation Account (CCRA), Midstream Cost Reconciliation Account (MCRA), and Biomethane Variance Account (BVA) balances, for the Lower Mainland, Inland and Columbia Service Areas based on a five-day average November 8, 11, 12, 13, and 14, 2013 forward gas prices (2013 Fourth Quarter Report);
- B. On June 10, 2013, FEI filed an Application for Approval of a Multi-Year Performance Based Ratemaking Plan for 2014 through 2018 (FEI PBR Application);
- C. In the FEI PBR Application, one of the approvals sought by FEI includes changing the amortization period for the outstanding year-end MCRA balance from three years to two years to accommodate US GAAP requirements;
- D. In the FEI PBR Application, FEI also stated that it was not seeking approval of the 2014 Core Market Administration Expense (CMAE) budget in the FEI PBR Application as FEI believes the CMAE budget is more appropriately reviewed as part of quarterly gas cost reports and that it would be seeking approval of the 2014 CMAE budget as part of the 2013 fourth quarter gas cost report;

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- E. By Order G-147-13 dated September 12, 2013, the British Columbia Utilities Commission (Commission) approved a decrease in the Commodity Cost Recovery Charge sales rate classes within the Lower Mainland, Inland and Columbia Service Areas to a rate of \$3.272/gigajoule (GJ), effective October 1, 2013;
- F. The 2013 Fourth Quarter Report requests approval of the CMAE budget for 2014 the amount of \$4.6722 million as set out in Tab 1, Page 1 of the 2013 Fourth Quarter Report. The 2014 budgeted amount represents an increase of \$633,000 over the 2013 projected CMAE;
- G. The 2013 Fourth Quarter Report forecasts the commodity cost recoveries at the existing rate would be 107.6 percent of costs for the following 12 months, and the tested rate decrease related to the forecast over recovery of gas costs would be \$0.232/GJ, which falls within the rate change threshold indicating that a change to the commodity rate is not required, effective January 1, 2014;
- H. The 2013 Fourth Quarter Report forecasts the existing Midstream Cost Recovery Charges will under recover the midstream costs in 2014, and FEI requests approval to flow-through increases to the Midstream Cost Recovery Charges as set out in the 2013 Fourth Quarter Report in the schedules at Tab 3, Pages 7 to 9;
- I. The 2013 Fourth Quarter Report forecasts a MCRA balance at existing rates of approximately \$13 million surplus after tax at December 31, 2013. Based on the one-half amortization of the MCRA cumulative balances in the following year's rates, FEI requests approval to reset MCRA Rate Rider 6 applicable to the sales rate classes excluding Revelstoke, effective January 1, 2014, as set out in the 2013 Fourth Quarter Report in the schedules at Tab 3, Pages 7 to 9;
- J. On November 25, 2013, FEI responded to Commission Information Request No. 1 in regard to the approvals sought in the 2013 Fourth Quarter Report and confirmed that FEI is not intending to move the approval sought in the FEI PBR Application regarding the MCRA amortization methodology from the FEI PBR Application to the 2013 Fourth Quarter Report;
- K. The combined effects of the interim delivery changes approved by Commission Order G-150-13, to be effective January 1, 2014, and the proposed Midstream Cost Recovery Charge and MCRA Rate Rider 6, requested within this 2013 Fourth Quarter Report, also to be effective January 1, 2014, will represent an increase of approximately \$32 or 3.6 percent to a typical Lower Mainland residential customer's annual bill based on an average annual consumption of 95 GJ;
- L. The 2013 Fourth Quarter Report forecast a BVA balance, based on the existing rates and after adjustment for the value of unsold biomethane volumes at December 31, 2013, of approximately \$139 thousand deficit after tax, and a balance at December 31, 2014, of approximately \$416 thousand deficit after tax;
- M. FEI requests that the biomethane project cost information in Tab 5, Pages 4.1 to 4.3, of the 2013 Fourth Quarter Report, be held confidential on the basis that it contains market sensitive information;
- N. The Commission has determined that the requested rate changes as outlined in the 2013 Fourth Quarter Report should be approved;

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- O. The Commission has reviewed the request to approve the 2014 CMAE budget and determines, given the nature of the costs included in the CMAE and the significant increase in the 2014 budgeted amount over the 2013 projected amount, that this request is more appropriately reviewed in regulatory review process separate from the review of the 2013 Fourth Quarter Report in order to facilitate a written review process with at least one round of Information Requests and to provide the opportunity for the participation of other stakeholders.

NOW THEREFORE pursuant to sections 61(4) and 89 of the *Utilities Commission Act*:

1. The Commission determines that approval of the Core Market Administration Expense budget for 2014 as set out in the 2013 Fourth Quarter Report, is deferred pending a separate review process which will be established by a separate Commission order.
2. The Commission approves the flow-through increases to the Midstream Cost Recovery Charges applicable to the Sales Rate Classes within the Lower Mainland, Inland, and Columbia Service Areas, effective January 1, 2014, as set out in the 2013 Fourth Quarter Report.
3. The Commission approves resetting MCRA Rate Rider 6 applicable to the Sales Rate Classes within the Lower Mainland, Inland, and Columbia Service Areas, excluding Revelstoke, effective January 1, 2014, as set out in the 2013 Fourth Quarter Report.
4. The Commission will hold the information in Tab 5, Pages 4.1 to 4.3 of the 2013 Fourth Quarter Report confidential as requested by FEI to protect commercially sensitive information.
5. FEI must notify all affected customers of the rate changes 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.
6. FEI must file amended Gas Tariff Rate Schedules in accordance with this Order in a timely manner.

DATED at the City of Vancouver, in the Province of British Columbia, this 29TH day of November, 2013.

BY ORDER



D.M. Morton
Commissioner