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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-21-14**

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

and

Application by the FortisBC Energy Utilities
(comprising FortisBC Energy Inc. (FEI), FortisBC Energy (Vancouver Island) Inc. (FEVI),
and FortisBC Energy (Whistler) Inc. (FEW)) for Reconsideration and Variance of Commission Order G-26-13
on the FortisBC Energy Utilities' Common Rates, Amalgamation and Rate Design Application

BEFORE: A.A. Rhodes, Panel Chair/Commissioner
C.A. Brown, Commissioner
D.A. Cote, Commissioner February 26, 2014
L.A. O'Hara, Commissioner
R.D. Revel, Commissioner

O R D E R

WHEREAS:

- A. On April 11, 2012, the FortisBC Energy Utilities (FEU or the Companies) filed an Application (the Original Application) with the British Columbia Utilities Commission (Commission) seeking, among other things:
 - i. A Commission determination pursuant to section 53 of the *Utilities Commission Act* (the Act) that the amalgamation of the FEU and Terasen Gas Holdings Inc. into a single entity (the Amalgamated Entity) is beneficial in the public interest, and the referral of the Commission determination to the Lieutenant Governor in Council for approval to amalgamate effective January 1, 2014; and
 - ii. The necessary approvals pursuant to sections 59 to 61 of the Act to adopt common rates for natural gas delivery and gas supply and uniform service offerings across all areas served by the FEU following amalgamation;
- B. On February 25, 2013, the Commission issued its Decision and Order G-26-13;

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- C. On April 17, 2013, the Commercial Energy Consumers Association of British Columbia (CEC) applied to the Commission for a Reconsideration of Order G-26-13;
- D. On April 26, 2013, the FEU applied for a Reconsideration and Variance of Order G-26-13, seeking a determination that the proposed amalgamation of the FEU is in the public interest and the proposed postage stamp rates for the amalgamated utility, excluding the service area of Fort Nelson, are approved ;
- E. Specifically, the FEU sought to vary Order G-26-13 as follows:
 - i. The amalgamation of FEI, FEVI, FEW and Terasen Gas Holdings Inc. is beneficial in the public interest; and
 - ii. The FEU's proposal to adopt common rates for natural gas delivery amongst the service areas of FEI, FEVI and FEW, but excluding the service area of Fort Nelson, is approved effective on or before January 1, 2015;
- F. On May 8, 2013, the Commission established Phase One of the Reconsideration process, and on June 26, 2013, by Order G-100-13, the Commission determined that the Reconsideration process should proceed to Phase Two (the Reconsideration Applications), which considered new evidence, information requests, intervener evidence, and information requests on intervener evidence;
- G. The Commission has reviewed the Reconsideration Applications, the evidence filed and the submissions of all participants, and has determined that approval is warranted.

NOW THEREFORE the Commission determines, orders and directs as follows:

- 1. The Commission determines that the amalgamation of FortisBC Energy Inc. (FEI), FortisBC Energy (Vancouver Island) Inc. (FEVI), FortisBC Energy (Whistler) Inc. (FEW) and Terasen Gas Holdings Inc., as proposed, is beneficial in the public interest and the FortisBC Energy Utilities' (FEU) proposal to adopt common rates for natural gas delivery amongst the service areas of FEI, FEVI and FEW, but excluding the service area of Fort Nelson, is approved on a three year phase-in basis, effective upon confirmation that:
 - (1) The Lieutenant Governor in Council has, by order, consented to amalgamation, and
 - (2) The amalgamation has been effected.
- 2. The Commission will forthwith refer this determination and the accompanying Decision to the Lieutenant Governor in Council pursuant to section 53 of the *Utilities Commission Act* (the Act) for consideration.

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- 3 Subject to the approval of amalgamation by the Lieutenant Governor in Council pursuant to section 53 of the Act, and effective upon amalgamation the Commission also approves the following:
- a. The discontinuance of:
 - i. The existing Standard Terms and Conditions and Rates for Gas Service of FEVI;
 - ii. The existing Standard Terms and Conditions and Rates for Gas Service of FEW; and
 - iii. All energy, delivery, and commodity rates of FEVI and FEW (not including special contracts and tariff supplements approved individually by the Commission which are addressed in section 2.d. below);
 - b. The amendments to the General Terms & Conditions (GT&Cs) of FEI to be applicable to the Amalgamated Entity, substantially in the form set out in Attachment 73.1 of Exhibit B-15, and all rate offerings set out in the approved GT&Cs for the Amalgamated Entity to be available to all eligible customers of the Amalgamated Entity as of the date of amalgamation, with the exception of:
 - i. The Customer Choice Program. This Program will be available to all customers at a later date, to be advised;
 - c. The use of a combined gas portfolio for the Amalgamated Entity as described in Section 7.4.3 of the Original Application and the gas supply cost allocation methodology for rate setting purposes as described in Section 9.3.4 of the Original Application, with commodity and midstream rates effective no sooner than the date the amalgamation is effective, to be determined by the Commission as part of a future gas cost filing;
 - d. The continuation of existing special contracts and tariff supplements approved individually by the Commission with amendments to reflect the name of the Amalgamated Entity and amendments to the following special contracts substantially in the form set out in Appendices E-18 and E-19 of the Original Application:
 - i. The Transportation Service Agreement and Peaking Gas Management Services Agreement, as amended, between FEVI and the Vancouver Island Gas Joint Venture; and
 - ii. The Transportation Service Agreement between FEVI and British Columbia Hydro and Power Authority (BC Hydro); the Peaking Agreement, as amended, between FEVI and BC Hydro; and Capacity Assignment Agreement, as amended, between FEVI, FEI and BC Hydro;
 - e. The discontinuance of the FEW main extension test and continuation of the FEI and FEVI main extension test (with the same established thresholds) for the Amalgamated Entity as described in Section 7.4.2.3 of the Original Application;

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- f. The use of a Rate Stabilization Deferral Account (RSDA) Rider, to permit the distribution of the balance in the RSDA to non-bypass customers in the current FEI service area over a three year period effective as of the date of the amalgamation;
 - g. The phase-in of all customers to common rates over a three year period;
 - h. The discontinuance of the FEVI Gas Cost Variance Account (GCVA) following the transfer of the outstanding balance in the GCVA to the RSDA;
 - i. The merger of the FEI and FEW Revenue Stabilization Adjustment Mechanism (RSAM) Accounts;
 - j. For clarity, the discontinuance of the following contracts among the FEU as amended from time to time:
 - i. The Wheeling Agreement between FEI and FEVI;
 - ii. The Transportation Agreement between FEVI and FEW;
 - iii. The Squamish Transportation Agreement between FEVI and FEI, as amended by the Squamish Gas Arrangements Termination Agreement;
 - iv. The Storage and Delivery Agreement (SDA) between FEVI and FEI, and the Amending Agreement to the SDA, for Mount Hayes LNG service;
 - v. The Contribution Agreement between FEW and FEVI in respect of Whistler Facilities; and
 - vi. The Shared Services Agreements between FEI and FEW and between FEI and FEVI; and
 - k. The discontinuance of the Corporate Services Agreement between FortisBC Holdings Inc. and each of FEVI and FEW, leaving the agreement with FEI to remain in place for the Amalgamated Entity as amended to include FEVI and FEW costs;
 - l. The adoption of FEI's approved Transfer Pricing Policy and Code of Conduct, as the Transfer Pricing Policy and Code of Conduct of the Amalgamated Entity; and
 - m. The adjustment of the conditions specified in Commission Order G-49-07 relating to the acquisition of Terasen Inc. (now FortisBC Holdings Inc.) by Fortis Inc. [the "ring-fencing" conditions] as necessary to reflect the amalgamation of the FEU.
4. The Commission will accept, subject to timely filing following approval of the amalgamation by the Lieutenant Governor in Council, and prior to the amalgamation date, the GT&Cs for the Amalgamated Entity and other special contract rates that are to be amended in accordance with the terms of this Order.

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5. The FEU is to file a rate design application for the Amalgamated Entity no later than two years after the effective date of the amalgamation of the FEU and Terasen Gas Holdings Inc.
6. Subject to approval of amalgamation by the Lieutenant Governor in Council pursuant to section 53 of the Act, and effective upon amalgamation, the FEU shall comply with directions of the Commission Panel in the Decision issued concurrently with this Order.
7. Amended FEI rate schedules and delivery rates for the Amalgamated Entity to be effective as of the date of the amalgamation or January 1, 2015, whichever is later, will be filed with the Commission for approval.

DATED at the City of Vancouver, in the Province of British Columbia, this 26th day of February 2014.

BY ORDER

Original signed by:

A.A. Rhodes
Panel Chair/Commissioner