

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-109-10



SIXTH FLOOR, 900 HOWE STREET, BOX 250
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**IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473**

and

**An Application by Terasen Gas Inc.
for Approval of a Biomethane Service Offering and Supporting Business Model**

and

**for Approval of the Salmon Arm Biomethane Project and
for Approval the Catalyst Biomethane Project**

BEFORE: D.A. Cote, Panel Chair/Commissioner
A.A. Rhodes, Commissioner June 23, 2010
L.A. O'Hara, Commissioner

O R D E R

WHEREAS:

- A. On June 8, 2010, Terasen Gas Inc. (Terasen Gas, the Company) filed an application (the Application) with the British Columbia Utilities Commission (Commission) for approval of two specific biomethane supply projects in respect of which Terasen Gas has entered into the following supply contracts:
- (i) A raw biogas supply agreement with the Columbia Shuswap Regional District (CSRD) to access a landfill in Salmon Arm, BC. Terasen Gas will own and operate the equipment necessary to upgrade the raw biogas to biomethane and inject the result into its distribution system;
 - (ii) An agreement with Catalyst Power Inc. for the supply of already upgraded biomethane from a farm in Abbotsford, BC; and
- B. The Application seeks approval of rate-related orders pursuant to sections 59-61 of the *Utilities Commission Act* (Act) as follows:
- (i) new Rate Schedules 1B, 11B, and amendments to Rate Schedule 30;
 - (ii) new Rate Schedules 2B and 3B effective upon filing of the rate schedules with the Commission, but in any event not before January 1, 2012;

- (iii) proposed amendments to Terasen Gas' General Terms and Conditions, specifically, the addition of new definitions relating to Biomethane Service, and the introduction of a Section 28 – Biomethane Service; and
- C. The Application seeks cost recovery related orders to be applied to all customers pursuant to sections 59-61 of the Act approving:
- (i) the allocation of costs to all customers and the accounting treatment of those costs;
 - (ii) a non-rate base deferral account attracting AFUDC to capture the O&M costs applicable to all customers incurred prior to January 1, 2012, and to recover these costs from all non-bypass customers by amortizing them through delivery rates commencing January 1, 2012 over a three year period;
 - (iii) a non-rate base deferral account to capture the cost of service associated with the capital additions to the delivery system incurred prior to January 1, 2012, and to recover these costs from all non-bypass customers by amortizing them through delivery rates commencing January 1, 2012 over a three year period; and
- D. The Application seeks cost recovery related orders to be applied to biomethane customers only pursuant to sections 59-61 of the Act approving:
- (i) the allocation of costs to biomethane customers and the accounting treatment of those costs as described in Section 10.6 of the Application;
 - (ii) the cost recovery methodology applicable to biogas processing related assets;
 - (iii) a rate base deferral account to capture the costs incurred by Terasen Gas to procure and process consumable biomethane gas and the revenues collected through the biomethane energy recovery component of rates, and thereby accumulate any differences (the Biomethane Variance Account);
 - (iv) the Biomethane Variance Account balance quarterly reporting process and the Biomethane Energy Recovery Charge rate setting mechanism on a basis consistent with the Company's existing gas cost reporting and rate setting mechanisms;
 - (v) Terasen Gas purchasing carbon offsets and recovering the costs through the Biomethane Variance Account in the event of under-supply of Biomethane, at a per gigajoule unit price not to exceed the difference between the Biomethane Energy Recovery Charge and the Commodity Cost Recovery Charge in effect at that time;

(vi) the Biomethane Energy Recovery Charge at \$9.904/GJ effective October 1, 2010; and

- E. The Application seeks approval of supply purchase agreements pursuant to section 71 of the Act as follows:
- (i) the Purchase of Biogas Agreement with the CSRD;
 - (ii) the Purchase of Biogas Agreement with Catalyst Power Incorporated; and
- F. The Application seeks approval of capital expenditures pursuant to section 44.2 of the Act as follows:
- (i) the expenditures relating to the facilities required for the Salmon Arm Project described at Table 9-1 of the Application;
 - (ii) the expenditures relating to the facilities required for the Catalyst Project described at Table 9-4 of the Application; and
- G. The Application seeks approval of future supply contracts for the purchase of biogas or biomethane filed with the Commission that meet the criteria described in Section 8.4 of the Application, and filing requirements in sections 71(1)(a) and 71(1)(b) of the Act; and
- H. The Application seeks post-implementation review orders directing Terasen Gas, within 5 years of the date of an order on this Application, to:
- (i) file with the Commission a Post-implementation Report that provides information described in Section 8.4.4 of the Application;
 - (ii) hold a Post-implementation Workshop, to be attended by Terasen Gas and any interested stakeholders and interveners, at which Terasen Gas will address the contents of the Post-implementation Report; and
- I. By letter dated June 10, 2010, the Commission agreed that Terasen Gas should hold a Workshop on Thursday, June 24, 2010 at 9:00 a.m. at the Commission Hearing Room, 12th Floor, 1125 Howe Street, Vancouver, BC; and
- J. The Commission considers that establishing a regulatory process and timetable for the review of the Application is necessary and in the public interest.

NOW THEREFORE the Commission orders as follows:

1. The Application will be examined by a written public hearing process and the Regulatory Timetable attached as Appendix A has been established.

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4

2. Terasen Gas is to publish, as soon as possible, in display-ad format, the Notice attached as Appendix B to this Order in the Vancouver Sun and the Province as well as local newspapers in the Salmon Arm and Abbotsford areas in order to provide adequate notice to customers served in the affected service areas.
3. The Application, together with any supporting materials, will be made available for inspection at Terasen Gas' Office, 16705 Fraser Highway, Surrey, BC, V4N 0E8 and at the British Columbia Utilities Commission, Sixth Floor, 900 Howe Street, Vancouver, BC, V6Z 2N3 and will also be available on Terasen Gas' website.
4. Interveners or Interested Parties should register with the Commission, in writing or electronic submission, by Monday, July 5, 2010. Interveners should specifically state the nature of their interest in the Application and identify generally the nature of the issues that they intend to pursue during the proceeding and the nature and extent of their anticipated involvement in the review process.

DATED at the City of Vancouver, in the Province of British Columbia, this 24th day of June 2010.

BY ORDER

Original signed by:

D.A. Cote
Panel Chair/Commissioner

Attachments



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REGULATORY TIMETABLE

ACTION	DATE (2010)
Workshop (commencing at 9:00 a.m.)	Thursday, June 24
Intervener Registration Deadline	Monday, July 5
Commission Information Request No. 1	Friday, July 16
Intervener Information Requests No. 1	Friday, July 23
Terasen Gas Responses to Information Requests No. 1	Friday, August 6
Commission Information Request No. 2	Friday, August 20
Intervener Information Requests No. 2	Monday, August 23
Terasen Gas Response to Information Requests No. 2	Friday, September 3
Terasen Gas Written Final Submission	Friday, September 10
Intervener Written Final Submissions	Monday, September 20
Terasen Gas Written Reply Submission	Tuesday, September 28
Oral Argument (if required)	Friday, October 8



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NOTICE OF APPLICATION

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THE APPLICATION

On June 8, 2010, Terasen Gas Inc. (Terasen Gas) filed an application (the Application) for approval of the rate schedules, related deferral accounts, a cost recovery mechanism and a Biomethane Energy Recovery Charge to support a Biomethane Service Offering. The Application also sought approval of an expenditure schedule in respect of two biomethane supply projects, the Salmon Arm Biomethane Project and the Catalyst Biomethane Project, and sought acceptance of the associated energy supply contracts.

THE REGULATORY PROCESS

The Commission has established a Written Public Hearing and Regulatory Timetable for the regulatory review of the Application. The Regulatory Timetable can be viewed on the Commission's web site at www.bcuc.com.

INTERVENTION

Persons who expect to actively participate in the Terasen Gas proceeding should register as Interveners with the Commission, and should identify the issues that they intend to pursue as well as the nature and extent of their anticipated involvement in the review process. Interveners will receive an email notice of all correspondence, filed documentation and should provide an email address, if available. Persons not expecting to actively participate, but who have an interest in the proceeding, should register as Interested Parties. Interveners and Interested Parties should register in writing, no later than Monday, July 5, 2010. Notification by mail, courier delivery, fax or email is acceptable.

All submissions and/or correspondence received from active participants or the general public relating to the Application will be placed on the public record and posted to the Commission's web site.

PUBLIC INSPECTION OF THE DOCUMENTS

The Application and supporting material, including Commission correspondence, will be made available for inspection at the at the Terasen Gas Inc. Office, 16705 Fraser Highway, Surrey, BC, V4N 0E8 and at the British Columbia Utilities Commission, Sixth Floor, 900 Howe Street, Vancouver, BC, V6Z 2N3.

The Application will also be available for viewing on the Terasen Gas website at www.terasengas.com and on the Commission's website at www.bcuc.com.

For further information, please contact Ms. Erica M. Hamilton, Commission Secretary, or Mr. Robert Brownell, Senior Energy Analyst as follows:

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