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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-161-12**

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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.
for Approval of Rate Treatment of Expenditures
under the Greenhouse Gas Reductions (Clean Energy) Regulation and
Prudency Review of Incentives under the 2010 – 2011 Commercial NGV Demonstration Program

BEFORE: L.F. Kelsey, Commissioner

October 29, 2012

O R D E R

WHEREAS:

- A. On May 14, 2012, the Lieutenant Governor in Council approved the Greenhouse Gas Reduction (Clean Energy) Regulation, B.C. Reg. 102/2012 (the GGRR);
- B. On August 21, 2012, FortisBC Energy Inc. (FEI) applied to the British Columbia Utilities Commission (the Commission), pursuant to sections 59 to 61, and 90 of the *Utilities Commission Act*, for approval of deferral accounts and the accounting and rate treatment methodology for the three prescribed undertakings established by the GGRR (the Application);
- C. FEI also seeks an order from the Commission that past natural gas vehicle (NGV) incentive expenditures totaling \$5.6 million (the 2010-2011 Incentives), as described in Section 7 of the Application, were prudently incurred and can be recovered through rates from FEI's non-bypass natural gas customers;
- D. In the Application, FEI proposes that the 2010-2011 Incentives be considered within the \$62 million expenditure cap that is established in section 2(1)(c) of the GGRR;
- E. FEI proposed a Streamlined Review Process (SRP) to review the Application as it considers the information and approvals sought related to the accounting and rate recovery treatment of expenditures to be generic in nature. FEI plans to execute contracts with successful applicants under its Natural Gas for Transportation Incentive Program before the end of October 2012 and the expedited approval from an SRP will provide the required clarity before FEI proceeds with agreements for awards;
- F. The Commission determined that the Application should be reviewed in three phases:
 - Phase 1 – "Prescribed Undertaking 1: Vehicle Incentives or Zero Interest Loans";
 - Phase 2 – "Prescribed Undertaking 2: CNG Stations & Prescribed Undertaking 3: LNG Stations";
 - Phase 3 – "Prudence of Past Incentives" and associated cost recovery.

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- G. Commission Orders G-125-12 and G-127-12 established an SRP to hear Phase 1 and Phase 2 matters. Commission Order G-154-12 established a written hearing process for the review of Phase 3 of the Application;
- H. The Commission Panel considers that a determination is required on FEI's requested approvals sought in Phases 1 and 2 of the Application in order for FEI to reach agreements with successful applicants on the grants. The Commission Panel will issue a further Order that addresses all non-grant related issues and Reasons for both Orders.

NOW THEREFORE the Commission orders with Reasons to follow:

1. The approvals granted in this Order for Phases 1 and 2 of the Application are effective from the date of the GGRR which is May 14, 2012.
2. A non-rate base deferral account (the NGT Incentives Account) attracting AFUDC to capture all grants and costs, including a portion of application costs, related to Prescribed Undertaking 1 for the period until December 31, 2013, is approved. This NGT Incentives Account is to be transferred to rate base, effective January 1, 2014, will continue to capture the actual incentives granted by year for 2014 onward and will be amortized over a 10 year period into the delivery rates of all non-bypass natural gas customers.
3. A non-rate base deferral account attracting AFUDC (the Fueling Station Variance Account) to capture the total revenue surplus or deficiency pertaining to fueling station facility costs that have not been forecast in rates, as well as the administration and application costs, for the prescribed undertakings established under sections 2(2) [Prescribed Undertaking 2] and 2(3) [Prescribed Undertaking 3] of the GGRR is approved. The Fueling Station Variance Account is to be transferred to rate base effective January 1, 2014, with an amortization period of three years into the delivery rates of all non-bypass natural gas customers.
4. To provide certainty to grant recipients and FEI under the GGRR the cost recovery from non-bypass natural gas customers of the NGT Incentives Account and the Fueling Station Variance Account is fixed. The method of recovering the costs from non-bypass natural gas customers such as the use of deferral accounts and amortization period may be reviewed by the Commission as required.

DATED at the City of Vancouver, in the Province of British Columbia, this 29th day of October 2012.

BY ORDER

Original signed by:

L.F. Kelsey
Commissioner