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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-175-14**

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

and

**FortisBC Energy Inc.
Application regarding its 2014 Fourth Quarter Gas Cost Report
and Rate Changes effective January 1, 2015
for Mainland, and Vancouver Island and Whistler Service Areas**

BEFORE:

C. A. Brown, Commissioner
H. G. Harowitz, Commissioner
K. A. Keilty, Commissioner
N. E. MacMurchy, Commissioner
B. A. Magnan, Commissioner
D. M. Morton, Commissioner
R. D. Revel, Commissioner

November 13, 2014

O R D E R

WHEREAS:

- A. On February 26, 2014, the British Columbia Utilities Commission (Commission) issued its Decision and accompanying Order G-21-14 for the Reconsideration and Variance of Commission Order G-26-13 on the FortisBC Energy Utilities (FEU) Common Rates, Amalgamation and Rate Design Application (Amalgamation Reconsideration Decision), which approves the amalgamation of FortisBC Energy Inc. (FEI), FortisBC (Vancouver Island) Inc. (FEVI), and FortisBC (Whistler) Inc. (FEW). As per section 53 of the *Utilities Commission Act*, the amalgamation is subject to the consent of the Lieutenant Governor in Council (LGIC). On May 23, 2014, the LGIC issued Order in Council No. 300 consenting to the legal amalgamation of the FEU;
- B. As approved by Order G-21-14 and the Amalgamation Reconsideration Decision, the FEI Lower Mainland, Inland and Columbia Service Areas will be known as the Mainland Service Area in the amalgamated entity;
- C. By Order G-133-14 dated September 12, 2014, the Commission approved a decrease in the Commodity Cost Recovery Charge sales rate classes within FEI's Lower Mainland, Inland and Columbia Service Areas to a rate of \$3.781/gigajoule (GJ), effective October 1, 2014;
- D. On May 1, 2014, FEI filed an annual contracting plan for the FEU for the gas contracting year commencing November 1, 2014 (FEU 2014/15 ACP) whereby the FEI, FEW and FEVI gas supply portfolios were combined effective November 1, 2014;

- E. On July 17, 2014, via Letter L-40-14, the Commission accepted the FEU 2014/15 ACP including the plan to combine the FEI, FEW and FEVI gas cost portfolios effective November 1, 2014;
- F. On October 22, 2014 FEI, on behalf of the FEU, filed a preliminary filing on the gas cost allocation methodology to be utilized in the 2014 fourth quarter gas cost reports. This filing set out FEI's proposed methodology for allocating the costs for the combined FEU gas supply portfolio to the FEI Commodity Cost Reconciliation Account (CCRA) and Midstream Cost Reconciliation Account (MCRA) and to the FEVI Gas Cost Variance Account for the months of November and December 2014, the period for which the FEU gas supply portfolio is combined in advance of legal amalgamation of the FEU (Gas Cost Allocation Methodology);
- G. On November 5, 2014, FEI, on behalf of the FEU, filed the 2014 Fourth Quarter Gas Cost Report on the CCRA and the MCRA for the Mainland, and Vancouver Island and Whistler Service Areas (2015 Common Commodity and Midstream Rates and Riders) based on a five-day average October 15, 16, 17, 20, and 21, 2014 forward gas prices (2014 Fourth Quarter Report);
- H. The 2014 Fourth Quarter Report forecasts that commodity cost recoveries at the existing rate would be 107.0 percent of costs for the following 12 months, and the tested rate decrease related to the forecast over recovery of gas costs would be \$0.246/GJ, which falls within the rate change threshold indicating that a change to the commodity rate is not required, effective January 1, 2015;
- I. The 2014 Fourth Quarter Report forecasts the existing Midstream Cost Recovery Charges will under recover the midstream costs in 2015, and FEI requests approval to flow-through increases to the Storage and Transport Charges (formerly Midstream Cost Recovery Charges) as set out in the schedules at Tab 2, page 7;
- J. The 2014 Fourth Quarter Report forecasts a MCRA balance at existing rates of approximately \$11 million surplus after tax at December 31, 2014. Based on the one-half amortization of the MCRA cumulative balances in the following year's rates, FEI requests approval to set MCRA Rate Rider 6 applicable to the sales rate classes excluding Revelstoke, effective January 1, 2015, as set out in the 2014 Fourth Quarter Report in the schedules at Tab 2, page 7; and
- K. The Commission reviewed the 2014 Fourth Quarter Report and considers the requested rate changes are warranted and in the public interest.

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

1. The gas cost allocation methodology for the months of November and December 2014 as set out in the FortisBC Energy Inc. (FEI) Gas Cost Allocation Methodology filing dated October 22, 2014 is approved.

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2. FEI's request to set the Commodity Cost Recovery Charge of \$3.781/GJ applicable to the Sales Rate Classes within the Mainland, and Vancouver Island and Whistler Service Areas effective January 1, 2015, is approved.
3. FEI's request to set the flow-through Storage and Transport Charges (previously known as the Midstream Cost Recovery Charges) applicable to the Sales Rate Classes within the Mainland, and Vancouver Island and Whistler Service Areas effective January 1, 2015, as set out in the schedule attached to this order that is Tab 2, page 7 of the 2014 Fourth Quarter Report, are approved.
4. FEI's request to set Midstream Cost Reconciliation Account (MCRA) Rate Rider 6 applicable to the Sales Rate Classes within the Mainland, and Vancouver Island and Whistler Service Areas, excluding Revelstoke, effective January 1, 2015, as set out in the schedule attached to this order that is Tab 2, page 7 of the 2014 Fourth Quarter Report, is approved.
5. FEI must notify all customers that are affected by the rate changes by way of a bill insert or bill message included with the next monthly gas billing, to be submitted to the Commission prior to its release.

DATED at the City of Vancouver, In the Province of British Columbia, this 14th day of November 2014.

BY ORDER

Original signed by:

D. M. Morton
Commissioner

Attachment

FORTISBC ENERGY INC. - MAINLAND, VANCOUVER ISLAND AND WHISTLER SERVICE AREAS
MIDSTREAM COST RECOVERY CHARGE AND MCRA RATE RIDER 6 FLOW-THROUGH BY RATE SCHEDULE
FOR THE FORECAST PERIOD JANUARY 1, 2015 TO DECEMBER 31, 2015
FIVE-DAY AVERAGE FORWARD PRICES - OCTOBER 15, 16, 17, 20, AND 21, 2014

Tab 2
Page 7

| Line No. | Particulars | Unit | Residential RS-1 | Commercial RS-2 | Commercial RS-3 | General Firm Service RS-5 | NGV RS-6 | Subtotal | Seasonal RS-4 | General Interruptible RS-7 | RS-1 to RS-7 Total | Term & Spot Gas Sales RS-14 | Off-System Interruptible Sales RS-30 | RS-1 to RS-7, RS-14 & RS-30 Total | RS-1 to RS-7 Summary | Total MCRA Gas Budget Costs ⁽²⁾ |
|----------|---|-------|------------------|-----------------|-----------------|---------------------------|-------------|--------------|----------------------|----------------------------------|--------------------|-----------------------------|--------------------------------------|-----------------------------------|----------------------|--|
| | (1) | | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) | (15) |
| 1 | MCRA Sales Quantities | TJ | 72,390.7 | 27,242.3 | 18,173.2 | 3,336.7 | 46.9 | 121,189.8 | 150.9 | 42.2 | 121,382.9 | 768.0 | 14,619.4 | 136,770.2 | 121,382.9 | |
| 2 | | | | | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | | | | | |
| 4 | MCRA Incurred Costs | \$000 | | | | | | | | | | | | | | |
| 5 | Midstream Commodity Costs | | \$ 13,103.4 | \$ 4,927.8 | \$ 2,745.3 | \$ 361.6 | \$ 2.5 | \$ 21,140.6 | - | - | \$ 21,140.6 | \$ 2,745.9 | \$ 55,736.1 | \$ 79,622.7 | \$ 21,140.6 | |
| 6 | Tolls and Fees | | 2,803.1 | 1,054.2 | 587.3 | 77.3 | 0.5 | 4,522.5 | - | - | 4,522.5 | 13.9 | 267.6 | 4,804.0 | 4,522.5 | |
| 7 | Midstream Storage | | 33,456.0 | 12,581.9 | 7,009.5 | 923.2 | 6.5 | 53,977.0 | - | - | 53,977.0 | - | - | 53,977.0 | 53,977.0 | |
| 8 | On/Off System Sales Margin (RS-14 & RS-30) | | (5,046.8) | (1,898.0) | (1,057.4) | (139.3) | (1.0) | (8,142.3) | - | - | (8,142.3) | - | - | (8,142.3) | (8,142.3) | |
| 9 | GSMIP Incentive Sharing | | 619.8 | 233.1 | 129.9 | 17.1 | 0.1 | 1,000.0 | - | - | 1,000.0 | - | - | 1,000.0 | 1,000.0 | |
| 10 | Pipeline Demand Charges | | 54,030.3 | 20,319.4 | 11,320.0 | 1,490.9 | 10.4 | 87,171.0 | - | - | 87,171.0 | - | - | 87,171.0 | 87,171.0 | |
| 11 | Core Administration Costs - 70% | | 2,229.7 | 838.5 | 467.1 | 61.5 | 0.4 | 3,597.3 | - | - | 3,597.3 | - | - | 3,597.3 | 3,597.3 | |
| 12 | MCRA Flow-Through Costs before MCRA deferral amort. | | \$ 101,195.5 | \$ 38,056.9 | \$ 21,201.7 | \$ 2,792.3 | \$ 19.5 | \$ 163,266.1 | | | \$ 163,266.1 | | | | \$ 163,266.1 | \$ 163,266.1 |
| 13 | T-Service UAF to be recovered via delivery revenues ⁽¹⁾ | | | | | | | | | | | | | | | 1,474.1 |
| 14 | Total MCRA Gas Costs ⁽²⁾ | | | | | | | | | | | | | | | \$ 164,740.1 |
| 15 | 1/2 of Pre-Tax Amort. MCRA Deficit/(Surplus) as of Dec 31, 2014 | | \$ (4,593.3) | \$ (1,727.4) | \$ (962.4) | \$ (126.7) | \$ (0.9) | \$ (7,410.8) | - | - | \$ (7,410.8) | | | | \$ (7,410.8) | |
| 16 | Total costs to be recovered via midstream rates | | \$ 96,602.2 | \$ 36,329.5 | \$ 20,239.4 | \$ 2,665.6 | \$ 18.7 | \$ 155,855.3 | | | \$ 155,855.3 | | | | \$ 155,855.3 | |
| 17 | | | | | | | | | | | | | | | | |
| 18 | | | | | | | | | | | | | | | | |
| 19 | MCRA Incurred Unit Costs | \$/GJ | | | | | | | | | | | | | Average Costs | |
| 20 | Midstream Commodity Costs | | \$ 0.1810 | \$ 0.1809 | \$ 0.1511 | \$ 0.1084 | \$ 0.0540 | | | | | | | | \$ 0.1742 | |
| 21 | Tolls and Fees | | 0.0387 | 0.0387 | 0.0323 | 0.0232 | 0.0116 | | | | | | | | 0.0373 | |
| 22 | Midstream Storage | | 0.4622 | 0.4619 | 0.3857 | 0.2767 | 0.1379 | | | | | | | | 0.4447 | |
| 23 | On/Off System Sales Margin (RS-14 & RS-30) | | (0.0697) | (0.0697) | (0.0582) | (0.0417) | (0.0208) | | | | | | | | (0.0671) | |
| 24 | GSMIP Incentive Sharing | | 0.0086 | 0.0086 | 0.0071 | 0.0051 | 0.0026 | | | | | | | | 0.0082 | |
| 25 | Pipeline Demand Charges | | 0.7464 | 0.7459 | 0.6229 | 0.4468 | 0.2227 | | | | | | | | 0.7181 | |
| 26 | Core Administration Costs - 70% | | 0.0308 | 0.0308 | 0.0257 | 0.0184 | 0.0092 | | | | | | | | 0.0296 | |
| 27 | MCRA Flow-Through Costs before MCRA deferral amort. | | \$ 1.3979 | \$ 1.3970 | \$ 1.1666 | \$ 0.8368 | \$ 0.4172 | | | | | | | | \$ 1.3451 | |
| 28 | MCRA Deferral Amortization via Rate Rider 6 | | \$ (0.0635) | \$ (0.0634) | \$ (0.0530) | \$ (0.0380) | \$ (0.0189) | | | | | | | | \$ (0.0611) | |
| 29 | | | | | | | | | | | | | | | | |
| 30 | | | | | | | | | | | | | | | | |
| 31 | | | | | | | | | | | | | | | | |
| 32 | PROPOSED January 1, 2015 Flow-Through Storage and Transport Related Charges: | | | | | | | | Tariff Rate 5 | Fixed Price Option Rate 5 | | | | | | |
| 33 | Storage and Transport Charge Flow-Through | \$/GJ | \$ 1.398 | \$ 1.397 | \$ 1.167 | \$ 0.837 | \$ 0.417 | | \$ 0.837 | \$ 0.837 | | | | | | |
| 34 | MCRA Rider 6 Flow-Through | \$/GJ | \$ (0.064) | \$ (0.063) | \$ (0.053) | \$ (0.038) | \$ (0.019) | | \$ (0.038) | \$ (0.038) | | | | | | |

Notes: ⁽¹⁾ Slight differences in totals due to rounding.

^(1*) The total cost of UAF is included as a component of gas purchased. Sales UAF costs are recovered via gas cost recovery rates, while T-Service UAF costs are recovered via delivery revenues.

^(2*) Reconciled to the Total MCRA Costs (Tab 1, Page 7, Col. 3, Line 60) which includes T-Service UAF to be recovered via delivery revenues.