



ORDER NUMBER

G-133-16

IN THE MATTER OF

the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc.

Application for Approval of

Biomethane Energy Recovery Charge Rate Methodology

BEFORE:

D. M. Morton, Commissioner/Panel Chair

H. G. Harowitz, Commissioner

K. A. Keilty, Commissioner

on August 12, 2016

ORDER

WHEREAS:

- A. On August 28, 2015, FortisBC Energy Inc. (FEI) filed an application for Approval of Biomethane Energy Recovery Charge (BERC) Rate Methodology (Application), pursuant to sections 59–61 of the *Utilities Commission Act*. In the Application FEI is seeking approval of a non-cost-based BERC rate methodology, mechanisms for transferring costs and unsold biomethane volumes out of the Biomethane Variance Account (BVA) for recovery from FEI's non-bypass ratepayers and revised reporting requirements;
- B. By Order G-210-13 and its Decision dated December 11, 2013 (2013 Decision), the British Columbia Utilities Commission (Commission) approved the continuance of the FEI Biomethane Program on a permanent basis with certain modifications as directed in the 2013 Decision. The 2013 Decision dated December 11, 2013, set out a cost-based rate methodology for determining the BERC that recovers all biomethane program costs;
- C. In the Application, FEI requests the following approvals:
 - i. Approval of a Short Term Contract BERC rate at the Commission approved January 1st Commodity Cost Recovery Charge (CCRA rate) per GJ, plus the current Carbon Tax applicable to natural gas customers, plus a premium of \$7.00 per GJ; and, applicable to all affected biomethane rate schedules within the Mainland, Vancouver Island and Whistler Service Areas, to be effective the later of the start of the first quarter after the Commission's decision or January 1, 2016 as discussed in Section 7 of the Application;
 - ii. Approval that the Long Term Contract BERC rate be set at a \$1.00 per GJ discount to the Short Term Contract rate;

- iii. Approval to discontinue the quarterly BERC and BVA report and replace with a single report in conjunction with the Fourth Quarter CCRA and Midstream Commodity Reconciliation Account (MCRA) report;
 - iv. FEI may apply to transfer unsold biomethane supply that is greater than 18 months in age and/or 250,000 GJs in the BVA to the MCRA at the prevailing CCRA rate on January 1 each year; and,
 - v. Approval to amortize the forecast December 31 balance in the BVA, net of the transfer of unsold inventory and remaining supply costs, through the delivery rates of all non-bypass customers effective January 1 of the subsequent year;
- D. By Order G-147-15 dated September 15, 2015 the Commission established the initial regulatory timetable directing FEI to file supplementary information and providing for one round of written information requests, followed by a procedural conference on November 16, 2015 to determine the remaining regulatory process;
- E. The following parties registered as interveners in the proceeding:
- 1. British Columbia Old Age Pensioners' Organization *et al* (BCOAPO);
 - 2. BC Sustainable Energy Association and the Sierra Club BC, (jointly BCSEA); and
 - 3. Commercial Energy Consumers Association of British Columbia (CEC);
- F. On November 16, 2015 at the procedural conference the Commission clarified the scope of the proceeding and determined that additional regulatory process was required. The additional regulatory process consisted of a second round of written information requests and a streamlined review process (SRP);
- G. The Commission issued Order G-181-15 dated November 19, 2015 establishing a regulatory timetable setting out the remaining regulatory process, including an SRP on February 4, 2016;
- H. By February 23, 2016, the Commission received final argument from FEI and registered interveners on the Application;
- I. On April 22, 2016, the Commission issued a letter to FEI and registered interveners indicating the Panel is considering whether it would be appropriate to establish floor prices and ceiling prices for each of the two proposed BERC rate offerings. The letter asks parties if they wish to file evidence on this matter. FEI and each of the interveners indicated they did not intend to file further evidence;
- J. On May 4, 2016 the Commission issued Order G-60-16 setting out a timetable for filing of supplemental argument in regard to floor and/or ceiling prices;
- K. By May 18, 2016, the Commission received final supplemental argument from FEI and registered interveners on the Application; and
- L. The Commission reviewed the Application, the evidence and the submissions of the parties and finds that a change in the BERC rate methodology is warranted.

NOW THEREFORE pursuant to section 59 to 61 of the *Utilities Commission Act* and for the reasons contained in the Decision issued concurrently with this order, the British Columbia Utilities Commission as follows:

1. Approves a premium of \$7 per GJ above the Conventional Gas Cost (defined as the sum of the Commodity Cost Recovery Charge, the carbon tax and any other taxes applicable to conventional natural gas sales) as the Short Term BERC Rate.
2. Approves the Long Term BERC Rate to be set at a \$1 per GJ discount to the Short Term BERC Rate subject to the following:
 - a. In order for a contract to be eligible for the Long Term BERC Rate, the contract must be for a commitment to purchase no less than 60,000 GJ in aggregate over the term of the contract and must be for a term of no less than five years and no more than ten years;
 - b. Long term contracts shall be subject to a Minimum Contract Strike Price of \$10 per GJ; and
 - c. Long term contracts must include a Contract Floor Price provision that results in the price of Renewable Natural Gas in any period beyond year five of a contract that is not less than the prevailing Conventional Gas Cost;
3. Directs FortisBC Energy Inc. (FEI) to file blackline changes to section 28 of the FEI General Terms and Conditions and Rate Schedules 1B, 2B, 3B, 5B and 11B reflecting the BERC rate methodology approved in the Decision within 30 days of the date of the Decision.
4. Directs FEI to file a comprehensive assessment report for Commission approval at the earlier of the application by FEI for a transfer of biomethane inventory from the Biomethane Variance Account to the Midstream Commodity Reconciliation Account or four years after the date of issue of this decision, whichever comes first (Assessment Report). In the event FEI commits all available supply through the Long Term Contract offering prior to the earlier of these two events, FEI is directed to file the Assessment Report at that time.
5. FEI is to comply with all directives and determinations set out in the Decision accompanying this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 12th day of August 2016.

BY ORDER

Original signed by:

D. M. Morton
Commissioner