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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER C-6-12**

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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 a Certificate of Public Convenience and Necessity
for Constructing and Operating a Compressed Natural Gas Refueling Station at BFI Canada Inc.**

BEFORE: A.A. Rhodes, Panel Chair/Commissioner April 30, 2012
D.M. Morton, Commissioner

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

WHEREAS:

- A. On July 19, 2011 by Order G-128-11, the British Columbia Utilities Commission (Commission), among other thing, approved a revised contract between Waste Management of Canada Corporation (Waste Management) and FortisBC Energy Inc. (FEI, Fortis) for the provision of compression and dispensing services for Compressed Natural Gas (CNG) to Waste Management by FEI and accepted the expenditures required for FEI to construct the compression and dispensing facility. The Commission denied approval of the General Terms and Conditions for the provision of CNG Service and Liquefied Natural Gas (LNG) Service as applied for by FEI and indicated that it would approve revised General Terms and Conditions which better reflected full cost recovery from potential CNG and LNG Service customers (Waste Management Decision);
- B. By Order G-95-11 dated May 24, 2011, the Commission established an Inquiry into FEI's offering of products and services in Alternative Energy Solutions (AES) and other New Initiatives (AES Inquiry), including the issue of the appropriateness of FEI's entry into the competitive domain of CNG and LNG fuelling;
- C. By Order G-1-12 dated January 4, 2012, and Order G-9-12 dated January 31, 2012, the AES Inquiry Commission Panel established a zero dollar threshold for Certificate of Public Convenience and Necessity (CPCN) applications relating to AES and other New Initiatives projects on an interim basis, pending completion of the AES Inquiry;
- D. On April 12, 2012, the Commission issued its Decision regarding the FortisBC Energy Utilities Revenue Requirements Application for the 2012 and 2013 test years (2012-2013 RRA) which approved, among other things, forecast expenditures of \$569,396 and \$601,119 for 2012 and 2013, respectively, for overhead, marketing, business development and customer education related to natural gas vehicle (NGV) services;

- E. Revised General Terms and Condition Section 12B (GT&C 12B) were filed by FEI and were approved by Commission Order G-14-12 dated February 7, 2012;
- F. On February 29, 2012, FEI applied to the Commission, pursuant to sections 45 and 46 of the *Utilities Commission Act* (the Act), for a CPCN for construction and operation of a CNG refuelling station at the premises of BFI Canada Inc. (BFI) located in Coquitlam, British Columbia (BFI Project) (the BFI Application);
- G. FEI also seeks approval, pursuant to sections 59-60 of the Act, of the rate design and rates established in the Fueling Station License and Use Agreement with BFI for CNG Service (BFI Agreement) as just and reasonable;
- H. By Order G-23-12 dated March 2, 2012, the Commission established a written hearing process for its review of the Application;
- I. The Commission has reviewed the BFI Application and concludes that the CPCN should be granted;
- J. The Commission has concerns regarding cross subsidization of the CNG and LNG Service by FEI's existing ratepayers and is also concerned that a significant number of costs are not included in the rate design and rates for the BFI Project.

NOW THEREFORE, the Commission determines as follows:

- 1. A CPCN for the construction of a CNG refuelling station at the premises of BFI is granted to FEI, pursuant to sections 45 and 46 of the *Utilities Commission Act*.
- 2. The Commission declines to approve the rates to be charged to BFI as proposed in the BFI Application.
- 3. FEI is directed to establish two new service classes, one for CNG Service and one for LNG Service.
- 4. The Commission re-affirms the following Commission directives in the Waste Management Decision and confirms their applicability to the BFI Application:
 - a. Estimate the overhead and marketing expenses which relate to the CNG/LNG Service program and the expected sales volume and allocate those costs in a reasonable manner among CNG/LNG Service customers going forward;
 - b. Keep the costs and revenues associated with the Waste Management Agreement and any other offerings separate and distinct and monitor such offerings during a two-year test period and provide a report by March 31, 2013, which includes the topics listed in Appendix 2 of the Waste Management Decision.

5. The Commission further directs:

- a. All overhead and marketing expenses, including, without limitation, business development, customer education and all costs relating to the CNG/LNG Service program are to be determined using approved fully allocated cost of service methodology and included in the cost of service.
- b. Fortis is to recalculate the Operations and Maintenance charge in the BFI rate to reflect the cost of the CNG/LNG Service program using the figures of \$569,396 for 2012 and \$601,119 for 2013, to be allocated among CNG/LNG Service customers in a reasonable manner.
- c. In order to set a fair and equitable rate which is not unjust or unreasonable within the meaning of section 59 of the *Utilities Commission Act*, and that therefore reflects the full cost of service of this offering, for more particularity, FEI is to include the following amounts in the rate applicable to BFI:
 - Actual construction costs for the BFI Fuelling Station;
 - Cost of the BFI Application in the amount of \$75,000;
 - Branding Costs for the installation of signs and to affix decals;
 - BFI's proportionate share of the overhead and marketing costs, including, without limitation, business development, customer education and all costs relating to the CNG/LNG Service program;
 - Any other costs which may not have been factored into the cost charged to BFI including, for example, increased insurance premiums, as Fortis is required to obtain a number of specific insurance coverages, and to include BFI as an additional insured on its Comprehensive General Liability Policy.
- d. FEI is to establish a rate base deferral account to capture the revenues associated with volumes in excess of BFI's "take or pay" commitment which may be credited back to BFI in the event that BFI is required to pay the un-depreciated capital cost of the fuelling station (i.e. amounts collected in excess of the "take or pay" commitment representing one half of the applicable capital rate).
- e. FEI is to include all other amounts paid by BFI for volumes in excess of the "take or pay" commitment in the existing rate base deferral account approved in the Waste Management Decision to capture incremental CNG and LNG Service recoveries received from actual volumes purchased in excess of minimum take or pay commitments, for refund to all non by-pass customers.

6. In recognition of the fact that the costs and revenues associated with the BFI Project were not included in the 2012-2013 RRA, the Commission directs that:

- a. FEI establish a rate base deferral account for all revenues from the BFI Project excluding revenues in excess of the "take or pay" commitment;
- b. FEI establish a rate base deferral account for all costs for the BFI Project.

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER C-6-12**

4

7. If FEI chooses to have its shareholders bear any of the costs which the Commission has found properly attributable to BFI, these amounts are to be identified and reported on a line by line basis and are to be specifically disclosed in and excluded from any future revenue requirement applications.
- 8 FEI is directed, within 30 days of the date of this Order, to provide the Commission with an updated rate filing, including the details of any amounts to be borne by the shareholder.

DATED at the City of Vancouver, in the Province of British Columbia, this 30th day of April 2012.

BY ORDER

Original signed by:

A.A. Rhodes
Commissioner/Panel Chair

Attachment