



SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, BC V6Z 2N3 CANADA
web site: <http://www.bcuc.com>

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-44-12**

TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

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

and

**Application by the FortisBC Energy Utilities
(comprising FortisBC Energy Inc., FortisBC Energy Inc. Fort Nelson Service Area,
FortisBC Energy (Whistler) Inc., and FortisBC Energy (Vancouver Island) Inc.)
for Approval of 2012 and 2013 Natural Gas Rates**

BEFORE: D.A. Cote, Panel Chair/Commissioner
A.A. Rhodes, Commissioner (dissenting in part) April 12, 2012
N.E. MacMurchy, Commissioner

ORDER

WHEREAS:

- A. On May 4, 2011, the FortisBC Energy Utilities (FEU or the Companies) filed an Application (Exhibit B-1) for the Revenue Requirements of FortisBC Energy Inc. (FEI), the Fort Nelson Service Area of FEI (Fort Nelson), FortisBC Energy (Whistler) Inc. (FEW), and FortisBC Energy (Vancouver Island) Inc. (FEVI), and for approval of interim and permanent natural gas delivery rates effective January 1, 2012, and permanent natural gas delivery rates effective January 1, 2013, pursuant to sections 59 to 61 and 89 of the *Utilities Commission Act* (the Act), with any variance between 2012 interim rates and permanent rates to be refunded to or collected from customers by way of a rate rider following the approval of 2012 permanent rates (Application);
- B. FEI seeks, among other things, approval of a permanent natural gas delivery rate increase of 5.59 percent effective January 1, 2012, and a further 6.29 percent permanent increase effective January 1, 2013, pursuant to sections 59 to 61 of the Act;
- C. FEI also seeks approval of the Rate Stabilization Adjustment Mechanism (RSAM) rider for applicable rate classes for 2012, and approval of its cost allocation to Thermal Energy Services (previously referred to as Alternative Energy Services) for 2012 and 2013 as set out in the Application;
- D. Fort Nelson seeks, among other things, no change to delivery rates for January 1, 2012, and approval of a 1.32 percent delivery rate increase effective January 1, 2013, pursuant to sections 59 to 61 of the Act;

- E. Fort Nelson also seeks approval of the RSAM rider for applicable rate classes for 2012 as set out in the Application;
- F. FEW seeks, among other things, approval of a permanent natural gas delivery rate increase of 5.02 percent effective January 1, 2012 and a further 6.54 percent permanent increase effective January 1, 2013, pursuant to sections 59 to 61 of the Act;
- G. FEW also seeks approval of the RSAM rider for applicable rate classes for 2012 as set out in the Application;
- H. FEVI seeks, among other things, approval to maintain current natural gas rates for all customers other than those with specified rates in their transportation service agreements, for a two-year period commencing January 1, 2012, pursuant to sections 59 to 61 of the Act and section 2.1 of the Vancouver Island Natural Gas Pipeline Agreement Special Direction (Special Direction). FEVI proposes to utilize the surplus that will exist in the Rate Stabilization Deferral Account (RSDA) to allow for rates to remain unchanged for 2013;
- I. FEVI also seeks approval of its schedule of demand and commodity charges, forecast gross operation and maintenance expenditures and its forecast cost of service, forecast capital expenditures, and forecast revenue pursuant to section 2.10 of the Special Direction;
- J. The FEU seek, among other things, approvals relating to:
- Cost allocations for shared services between the Companies;
 - The discontinuation, continuation, and creation of deferral accounts and the amortization and disposition of balances in deferral accounts;
 - Changes to depreciation rates; and
 - Proposed Energy Efficiency and Conservation (EEC) expenditures under section 44.2 of the Act;
- K. On May 6, 2011, the Commission issued Order G-81-11 establishing a Regulatory Timetable for the review of the Application and setting dates for a Workshop and a Procedural Conference;
- L. By Letters L-42-11 and L-45-11 dated May 24 and 26, 2011 respectively, the Commission amended the Regulatory Timetable;
- M. The Workshop took place on May 18, 2011, and the Procedural Conference took place on July 7, 2011;
- N. On July 19, 2011, the FEU filed an Evidentiary Update (Exhibit B-11) and on September 12, 2011, the FEU filed a second Evidentiary Update (Exhibit B-21);
- O. By Order G-129-11 dated July 20, 2011, the Commission, among other things, ordered that an Oral Public Hearing to review the Application take place commencing on October 3, 2011, rejected the FEU request for interim rates and asked the FEU to resubmit their request for interim rates by October 1, 2011;

- P. On September 26, 2011, the FEU resubmitted their application for interim rates (Exhibit B-24);
- Q. The Oral Public Hearing took place between October 3 and October 11, 2011, and between November 14 and 15, 2011;
- R. At the Oral Public Hearing, the FEU filed revised financial schedules for FEVI (Exhibit B-52) and Fort Nelson (Exhibit B-66);
- S. By Order G-177-11 dated October 20, 2011, the Commission approved interim rates, as requested, for the FEU effective January 1, 2012;
- T. On December 2, 2011, the FEU filed their Final Submission;
- U. On December 16, 2011, the FEU filed their submission on the impact of Ministerial Order No. M 335 which was issued on December 8, 2011, and amended the *Demand-Side Measures Regulation*, British Columbia Regulation 326/2008;
- V. Between December 23, 2011, and January 6, 2012, the Interveners filed their Final Submissions;
- W. By letter dated January 6, 2012, the FEU advised the Commission of a correction to the transcript;
- X. By Order G-5-12 dated January 17, 2012, the Commission allowed the correction to the transcript and also allowed two Interveners to file further submissions on or before January 20, 2012. The two Interveners filed their submissions on that date;
- Y. The FEU filed their Reply Submission on January 20, 2012; and
- Z. The Commission has considered the Application, the evidence and the submissions all as set forth in the Decision issued concurrently with this Order.

NOW THEREFORE the Commission, for the reasons stated in the Decision, orders as follows:

1. For FEI, pursuant to sections 59 to 61 of the Act:
 - a. The requested permanent delivery rates for all non-bypass customers effective January 1, 2012, and January 1, 2013, representing an increase of 5.59 percent for 2012 and an additional 6.29 percent for 2013 are not approved as filed. Permanent delivery rate increases for all non-bypass customers effective January 1, 2012, and January 1, 2013, as recalculated by updating the financial schedules using the opening 2012 balance of net plant-in-service and rate base deferral accounts, updating the forecast final cost of the Fraser River Crossing Project reflecting the settlement amount that will be included in the final project report, and as modified by the directives in the Decision are approved.

- b. The 2012 RSAM rider is approved. The 2013 RSAM rider is to be adjusted with the FEI Fourth Quarter 2012 Gas Cost filing.
 - c. The proposed 2012 and 2013 FEI overhead cost allocation to Thermal Energy Services (formerly Alternative Energy Services) is denied. The Commission directs FEI to allocate \$750,000 for Thermal Energy Services in each year of the test period as set out in the Decision.
2. For FEVI, subject to recalculation by updating the financial schedules using the opening 2012 balance of net plant-in-service and rate base deferral accounts and updating the 2012 and 2013 forecast cost of gas, based on the five-day average forward prices for natural gas, consistent with the forecast natural gas prices utilized in the FEVI 2012 First Quarter Report on the Gas Cost Variance Account and the Rate Stabilization Deferral Account (the FEVI First Quarter Gas Cost Report):
- a. Permanent rates for 2012 and for 2013 for Core Market sales and transportation customers, other than customers who have specified rates in their transportation service agreements, at the same level as 2011 rates are approved as filed, pursuant to sections 59 to 61 of the Act and section 2.1 of the Special Direction.
 - b. FEVI's forecast Cost of Service for 2012 and 2013 as modified by the directives contained in the Decision is approved pursuant to section 2.10(a)(i) of the Special Direction.
 - c. FEVI's forecast capital expenditures for 2012 and 2013 as modified by the directives contained in the Decision are approved pursuant to section 2.10(a)(i) of the Special Direction.
 - d. FEVI's forecast revenue for 2012 and 2013, based on its proposed rates as modified by the directives contained in the Decision, is approved pursuant to section 2.10(a)(ii) of the Special Direction.
 - e. The 2012 and 2013 cost of natural gas applied for, as updated based on the five-day average forward price for natural gas, consistent with the forecast natural gas prices utilized in the FEVI First Quarter Gas Cost Report, is approved pursuant to sections 59 to 61 of the Act.
 - f. The difference between the net revenues received and the actual cost of service as modified by the directives in the Decision, excluding O&M variances from forecast, to be allocated to the RSDA for 2012 and 2013, is approved pursuant to sections 59 to 61 of the Act.
3. For FEW the requested permanent delivery rates for all customers effective January 1, 2012, and January 1, 2013, representing an increase of 5.02 percent for 2012 and an additional 6.54 percent for 2013 are not approved as filed. Permanent delivery rate increases for all customers effective January 1, 2012, and January 1, 2013, as recalculated by updating the financial schedules using the opening 2012 balance of net plant-in-service and rate base deferral accounts and as modified by the directives in the Decision are approved pursuant to sections 59 to 61 of the Act.

4. For FEW, the 2012 RSAM rider is approved pursuant to sections 59 to 61 of the Act. The 2013 RSAM rider is to be adjusted with the FEW Fourth Quarter 2012 Gas Cost filing.
5. For Fort Nelson, subject to subject to recalculation by updating of the financial schedules using the opening 2012 balance of net plant-in-service and rate base deferral accounts and as modified by the directives in the Decision, permanent delivery rates for all customers effective January 1, 2012, representing no change for 2012 are approved pursuant to sections 59 to 61 of the Act.
6. For Fort Nelson, the requested permanent delivery rates effective January 1, 2013, representing an increase of 1.32 percent for 2013, are not approved as filed. Permanent delivery rate increases for all customers effective January 1, 2013, as recalculated by updating the financial schedules using the opening 2012 balance of net plant-in-service and rate base deferral accounts and as modified by the directives in the Decision are approved pursuant to sections 59 to 61 of the Act.
7. For Fort Nelson, the 2012 RSAM rider is approved pursuant to sections 59 to 61 of the Act. The 2013 RSAM rider will be adjusted with the Fort Nelson Fourth Quarter 2012 Gas Cost filing.
8. Pursuant to sections 59 to 61 of the Act, the following approvals are granted for FEI, FEVI, FEW and Fort Nelson to be used in the determination of rates for FEI, FEVI, FEW and Fort Nelson effective January 1, 2012, as modified by the directives in the Decision:
 - a. The allocation of costs for corporate services between FortisBC Holdings Inc. and each of FEI, FEVI and FEW, as reflected in the Corporate Services Agreements between FortisBC Energy Holdings Inc. and FEI, FEVI and FEW.
 - b. The allocation of costs for shared services between FEI and FEVI.
 - c. The allocation of costs for shared services between FEI and FEW.
 - d. The consolidated Core Market Administration Expense (for FEI, FEVI and FEW), and allocation percentages.
9. FEI is directed to remove the cost of the Cauldron from FEI's rate base. The FEU is directed to include one half or \$1.4445 million in costs for the Cauldron in its 2012 operating and maintenance expenses.
10. The FEU are directed to place the \$401,092 cost of the West Coast Road extension and all related operating, maintenance and depreciation costs in a non-rate base deferral account bearing interest at FEU's long-term rate until the first customer connects to the main and consumes gas.
11. The FEU are directed to remove the mobile refueling unit from the Companies' assets, and all associated costs of the mobile refueling unit shall be removed from the FEU's revenue requirements in 2012 and 2013.

12. The discontinuance, modification, and creation of deferral accounts, and the amortization and disposition of balances of deferral accounts, for FEI, FEVI, FEW and Fort Nelson is approved subject to the following:
 - a. The creation of an EEC non-rate base deferral account, attracting Allowance for Funds Used During Construction (AFUDC), to capture the additional EEC costs as incurred on an actual spend basis to a maximum of the total approved EEC expenditures less \$15 million in 2012 and 2013 is approved without any determination on the amortization rate and recovery of this account at this time.
 - b. The request to expand the compressed natural gas (CNG) and liquefied natural gas (LNG) Service Recoveries Deferral Account for the 2012 and 2013 forecast period is denied.
 - c. The creation of the natural gas vehicle (NGV) Incentives deferral account is approved on the basis that this account attracts no return.
13. The applied for changes to the accounting policies to be used in the determination of rates for FEI, FEVI, FEW and Fort Nelson effective January 1, 2012, as modified by the Decision, are approved.
14. With respect to EEC expenditures:
 - a. Pursuant to section 44.2(a) of the Act, the Commission does not accept the EEC expenditure schedules for the FEU's EEC portfolio. The Commission accepts the EEC expenditure schedule up to a maximum of \$36.304 million as calculated based on the directives in the Decision.
 - b. The request to expand EEC program eligibility to interruptible industrial, FEW and Fort Nelson customers is approved.
 - c. The requested treatment of EEC costs in accordance with the EEC deferral accounts as modified by the Decision is approved pursuant to sections 59 to 61 of the Act.
 - d. The Commission directs the FEU to hold all EEC incentives that are provided for AES or TES technologies for projects in which the Companies are a participant in a separate deferral account. The recovery of this deferral account will be left to the Panel which hears the next FEU revenue requirements application. That Panel will have a benefit of the Panel's decision in the AES Inquiry.
 - e. The Commission directs the FEU to continue to file an EEC Annual Report pursuant to section 43 of the Act.
15. The FEU are to calculate 2012 and 2013 rates and file revised financial schedules including updated financial schedules with the opening balance of net plant-in-service and rate base deferral accounts, an update to the forecast final cost of the Fraser River Crossing Project reflecting the settlement amount that will be included in the Final Project report, FEVI's cost of natural gas updated based on the five-day average forward price for natural gas, consistent with the forecast natural gas prices utilized in the FEVI First Quarter Gas Cost Report, and in accordance with the directives in the Decision, by May 1, 2012.

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16. The Commission will accept, subject to timely filing, amended Tariff Rate Schedules which conform to the Decision. The FEU are to provide all customers, by way of an information notice and media publication, with a notice of the change in rates.
17. If the 2012 permanent rates are less than the interim rates, the FEU are to refund to customers the difference in revenue with interest at the average prime rate of the principal bank with which the FEU conduct their business. If the 2012 permanent rates exceed the interim rates, the interim rates from January 1, 2012 to the date of this Order are confirmed as permanent.
18. The FEU will comply with all directives in the Decision issued concurrently with this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 12th day of April 2012.

BY ORDER



D.A. Cote
Panel Chair/Commissioner