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BRITISH COLUMBIA UTILITIES COMMISSION

ORDER NUMBER G-88-13

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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 to Amend Rate Schedule 16 on a Permanent Basis

BEFORE: A.A. Rhodes, Panel Chair/Commissioner
B.A. Magnan, Commissioner
D.M. Morton, Commissioner

June 4, 2013

O R D E R

WHEREAS:

A. The British Columbia Utilities Commission (Commission) issued Order G-65-09 dated June 4, 2009, establishing, as part of the Terasen Gas Inc., now FortisBC Energy Inc. (FEI), Gas Tariff, Rate Schedule 16 – Interruptible Liquefied Natural Gas Sales and Dispensing Service as an approximately five-year pilot for the period ending December 31, 2014;

B. Rate Schedule 16 as currently approved offers an interruptible Liquefied Natural Gas (LNG) sales and dispensing service at the FEI LNG peak shaving facility at Tilbury (Tilbury Facility). Under this Rate Schedule, the Available LNG Capacity is limited to 1,040 Gigajoules (GJs) per Day with the further limitation that an individual Customer's Contract Demand may not exceed 50 percent of the Available LNG Capacity;

C. On September 24, 2012, FEI applied to the Commission, pursuant to sections 59-61 of the *Utilities Commission Act* (UCA), for approval of an amended Rate Schedule 16 to provide LNG sales and dispensing service on a long-term and short-term firm basis and on a spot load basis (the Application);

D. In the Application, FEI proposes that the service under Rate Schedule 16 be amended to utilize FEI's Tilbury Facility and the Mt. Hayes LNG facility (Mt. Hayes Facility) operated by FortisBC Energy (Vancouver Island) Inc. (FEVI), through an "LNG Dispensing Service Agreement between FortisBC Energy (Vancouver Island) Inc. and FortisBC Energy Inc.";

E. FEI believes that services to be provided under the amended Rate Schedule 16 will not disrupt the LNG capacity required for peak demand and emergency back-up service to the core market;

F. The amended Rate Schedule 16 as proposed will include two charges for the sale and dispensing service:

   1. A delivery charge, based on the blended cost of service from both Tilbury and Mt. Hayes Facilities, with a monthly take-or-pay volume for the liquefaction, storage, transportation and dispensing of LNG;
   2. A cost of gas or commodity charge based on the Sumas monthly Index Price plus a market factor;

G. The amended Rate Schedule 16 as proposed by FEI also includes an optional LNG Transportation Service and two additional charges for this optional service:

   1. An LNG Tanker Service Charge for the use of an FEI owned LNG tanker for LNG delivery service to a customer's site;
   2. An LNG Transportation Service Charge based on a cost-plus rate structure for a third party trucking contractor to haul the LNG tanker;

H. In the Application, FEI requests the following items for approval to effect the proposed amendments to Rate Schedule 16 and to implement the services to be provided under Rate Schedule 16:

   - Approval of the amended Rate Schedule 16 on a permanent basis;
   - Provision of a Long-Term and Short-Term LNG Service on a firm basis and the provision of Spot Service on an as-available basis;
   - Establishing the total quantity of LNG available for sale to all commercial LNG customers from the current 1,040 GJs per day to 42,000 GJs per week;
   - Establishing the total volume of LNG available for sale from the Tilbury Facility from 7,280 GJs/week to 22,400 GJs/week effective January 1, 2013;
   - Addition of the Mt. Hayes Facility, which is operated by FEVI, as an additional supply point to meet the LNG Service under Rate Schedule 16 effective January 1, 2014, or upon completion of truck-loading facilities at the Mt. Hayes Facility, whichever is later;
   - Establishing the total quantity of LNG available for sale from the Mt. Hayes Facility at a level not to exceed 19,600 GJs/week, effective January 1, 2014, or upon completion of truck-loading facilities at the Mt. Hayes Facility, whichever is later;
   - Allowing FEI to allocate weekly available capacity for sale at the Tilbury Facility and Mt. Hayes Facility, provided the total quantity of LNG available for sale to all commercial LNG customers does not exceed 42,000 GJs per week and the quantity of LNG needed to service the core market is met;

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- Designation of a specified fraction of the available LNG storage at both Tilbury and Mt. Hayes to service the Rate Schedule 16 market on an on-going basis; specifically, the initial storage allocation of 50,000 GJs of LNG at Tilbury Facility commencing January 1, 2013, and a storage allocation of 50,000 GJs at Mt. Hayes Facility commencing in the year in which on-going LNG supply is drawn from Mt. Hayes;
- Increase in the maximum cap available to any single customer or project to 250 TJs/year or 15 percent of available supply, whichever is greater;
- Use of a "blended weighted cost" methodology between service from the Tilbury Facility and service from the Mt. Hayes Facility to set the delivery charge per GJ under Rate Schedule 16;
- Approval of a Delivery Charge of $4.05/GJ for the year beginning January 1, 2013;
- The allocation methodology to allocate operating and maintenance (O&M) and capital costs between customers receiving Rate Schedule 16 Service and FEI and FEVI's non-bypass (or core market) customers;
- A new LNG Dispensing Service Agreement between FEI and FEVI that will enable the supply of LNG to FEI from the Mt. Hayes Facility;
- Addition of an optional LNG Tanker Transportation Service, including an LNG Tanker Service Charge of $249 per day and approval of the LNG Transportation Service Charge methodology, which allows recovery of third-party transportation costs at cost, plus a 15 percent administration fee;
- Inclusion of the difference between the Rate Schedule 16 delivery charge revenues and incremental O&M for 2012 and 2013 as compared to the recoveries and costs embedded in the 2012 and 2013 delivery rates, in the CNG and LNG Recoveries Deferral Account; and
- Inclusion of the regulatory costs of this process in the NGV Application Deferral Account;

I. On October 26, 2012, by Order G-158-12, the Commission established a Written Hearing process and a Preliminary Regulatory Timetable setting a first round of Information Requests (IRs) and a date of January 14, 2013 for a Procedural Conference in which the nature and extent of further regulatory process would be determined. Draft regulatory timetables for the period beyond the Procedural Conference contemplated a second round of IRs with and without Intervener Evidence;

J. On October 31, 2012, FEI filed a Request for Variance of Order G-158-12 (Request for Variance). In the Request for Variance, FEI expressed concern that the length of the regulatory process established in Order G-158-12 for review of the Application would impede FEI's ability to implement Prescribed Undertakings under the Greenhouse Gas Reduction Regulation, which came into effect on May 14, 2012;

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K. On November 6, 2012, the Commission issued Order G-166-12 confirming the proceeding as a Written Hearing and setting out a Revised Preliminary Regulatory Timetable for the first round of IRs and a date of December 10, 2012 for a Procedural Conference to determine the nature and extent of further process;

L. On November 28, 2012, Ferus Inc. LNG Division (Ferus LNG) submitted a request to the Commission to suspend the proceeding of the Application until the Commission released its Report in the Inquiry into FEI's Offering of Products and Services in Alternative Energy Solutions and Other New Initiatives (AES Inquiry) on the basis that the AES Inquiry Report could inform the parties with regard to the appropriate further process for the Application;

M. On December 7, 2012, after inviting and reviewing submissions from participants in the Application, the Commission issued Order G-186-12, postponing the Procedural Conference pending the release of the AES Inquiry Report, but maintaining all other aspects of the Regulatory Timetable established under Order G-166-12;

N. On December 20, 2012, FEI submitted an amended Application to adjust for discrepancies discovered during the course of responding to IRs (Amended Application). In the Amended Application FEI revised the requested storage allocation from 50,000 GJ per year at each facility to 45,000 GJ for the Tilbury Facility and 39,000 GJ for the Mt. Hayes Facility, and revised the requested rate from $4.05 per GJ to $4.25 per GJ to be effective the first month following approval by the Commission;

O. On December 27, 2012, the Commission issued the AES Inquiry Report and the associated Order G-201-12;

P. On January 25, 2013, after soliciting comments from FEI and Registered Interveners regarding the further process required to explore any remaining issues and any issues which may have arisen from the AES Inquiry Report, the Commission by Order G-14-13 established the further Regulatory Timetable including a second round of Information Requests and alternative dates depending on whether or not Intervener Evidence was filed;

Q. On February 19, 2013, Clean Energy Fuels Corporation, a Registered Interveners, made a submission it purported to be Intervener Evidence;

R. On February 25, 2013, the Commission issued a letter noting that Clean Energy's submission could not be characterized as evidence and the Regulatory Timetable to be followed would be the Revised Regulatory Timetable with No Intervener Evidence set out in Order G-14-13;

S. The Commission reviewed and considered the Application, the evidence and the submissions of the parties and determined the Amended Application should be approved in part.

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NOW THEREFORE, for the reasons contained in the Decision to which this Order is attached, the Commission orders as follows:

1. Approval of the amended Rate Schedule 16 on a permanent basis is denied. The amended Rate Schedule 16, as approved below, is extended until December 31, 2020.

2. Provision of Long-Term and Short Term LNG Service on a firm basis is denied. However, the Commission approves deletion of the "interruptible" description in the amended Tariff provided the Tariff contains a proviso ensuring that adequate excess capacity exists prior to any obligation on FEI to provide the product.

3. A maximum quantity of LNG for sales under Rate Schedule 16 of up to 3,200 GJ per day from Tilbury and a maximum quantity of LNG for sales under Rate Schedule 16 of up to 2,800 GJs per day from Mt. Hayes (once it has an operational tanker truck loading facility) are both approved. These maximum quantities are separate hard caps applicable to each facility and are not to be combined.

4. Allocation of storage capacity specific to Rate Schedule 16 service is denied at this time.

5. The contract term restricting LNG sales to a Customer for a single Project of fifteen percent of the Available LNG Capacity or 250, 000 gigajoules per year is approved. FEI is directed to file a report with the Commission on the volumes taken by customers and/or projects on an annual basis. FEI is also directed to continue the previous annual reporting requirements for the original Pilot Project.

6. The Commission approves the use of a single rate for supply from either Tilbury or Mt. Hayes, as it agrees that this will be easier for sourcing supply. However, the Panel does not approve the proposed blend.

7. FEI's request to change the transportation component for LNG from Tilbury from Rate Schedule 22 to Rate Schedule 22A is denied.

8. The Commission finds the proposed charge for inventory carrying costs is insufficient.

9. Approval of the delivery charge of $4.25 for LNG Service is denied. A charge of $6.50 per gigajoule is approved. FEI may re-apply for a different rate if it chooses to do so upon filing new evidence.

10. FEI is directed to file a report with the Commission within three years to explain why changes to Rate Schedule 16 should be based on general Revenue Requirement rate adjustments rather than market pricing.

11. The use of excess capacity of the utility-owned tankers can be included as an optional service under Rate Schedule 16. However, approval for the purchase of additional tankers is denied.

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12. The Tanker Charge of $249 per day for FEI's two existing tankers and the proposed methodology of passing actual third party tractor transportation costs on to the customer, with a 15 percent mark up to cover administration costs, are approved.

13. Approval of the LNG Dispensing Service Agreement, as filed, is denied. FEI is directed to file a revised LNG Dispensing Service Agreement consistent with the directions given and determinations made herein.

14. The Commission finds no reason to establish a qualified reseller status at this time.

15. The request to include the Application Costs in the NGV Application Deferral Account is denied. The Application Costs are to be placed in a new deferral account, attracting interest only, and amortized into rates over one year, beginning with the next revenue requirement period.

16. The request to use the CNG and LNG Recoveries Deferral Account for the purpose of capturing the incremental revenues received and the incremental costs for 2012 and 2013 for Rate Schedule 16 is denied. FEI is directed to establish a new deferral account for this purpose.

17. FEI is required to report on storage tank levels at each of Mt. Hayes and Tilbury on a quarterly basis, until further notice. To the extent the tanks are not full, this quarterly reporting must include a timeline for refilling the storage tanks including the allocation of liquefaction capacity between Rate Schedule 16 and refilling the tank over that timeline. The quarterly report should also include a description of any drawdown of the tank to serve the core customers and any outage or operational issues that impacted the liquefaction and/or LNG dispensing capacity.

18. FEI is directed to file a revised blacklined Tariff which is consistent with the directions given and determinations made in the attached Decision. The revised Tariff will be made effective the first day of the month following the approval of the revised Tariff.

DATED at the City of Vancouver, in the Province of British Columbia, this 4th day of June 2013.

BY ORDER

Original signed by:

A.A. Rhodes
Panel Chair/Commissioner