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April 17, 2019

British Columbia Utilities Commission  
Suite 410, 900 Howe Street  
Vancouver, BC  
V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

**Re: FortisBC Energy Inc. (FEI)**

**Application for Approval of Tariff Amendments, effective May 1, 2019, to:**

- **Rate Schedule (RS) 46 Liquefied Natural Gas (LNG) Sales, Dispensing and Transportation Service Tariff (RS 46); and**
  - **FEI General Terms and Conditions (GT&Cs)**
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FEI hereby applies to the British Columbia Utilities Commission (the BCUC), pursuant to sections 59 through 61 and 89 of the *Utilities Commission Act* (UCA), to make the following amendments to RS 46 and FEI's GT&Cs:

- to change the structure of the commodity rate in RS 46 from a market-based index to the structure of the commodity-related charges applicable to all of FEI's other sales service customers that are served under bundled rate schedules,<sup>1</sup> on an interim and permanent basis, with interim rates to be effective May 1, 2019; and
- to make the following housekeeping amendments regarding Biomethane service on a permanent basis effective May 1, 2019:
  - Amendments to RS 46 related to the calculation of the Biomethane rate for customers who elect Biomethane as part of their commodity option<sup>2</sup>; and
  - Amendments to the GT&Cs to reflect the availability of Biomethane for RS 46.

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<sup>1</sup> Includes FEI providing natural gas commodity and delivery (transportation) service, such as in Rate Schedules 1 through 7.

<sup>2</sup> Consistent with FEI's other Biomethane Rate Schedules 1B, 2B, 3B, and 5B.

## Background

The LNG sales, dispensing, and transportation service offered by FEI under RS 46 commenced in 2013<sup>3</sup>, provides LNG service to customers who have invested in LNG fleets and equipment.

Since inception of the LNG service, the commodity rate<sup>4</sup> in RS 46 has been set on a market-based index at the Huntingdon/Sumas market hub. The commodity rate for RS 46 is set to the Sumas Monthly Index Price<sup>5</sup> plus the Market Factor<sup>6</sup>. The Sumas Monthly Index Price is set by Platts, and is based on transaction data collected for the last five business days of a month, also known as bidweek<sup>7</sup>, which establishes the Sumas Monthly Index Price for the subsequent month. The Sumas Monthly Index Price set during bidweek is derived from prevailing market conditions in the region, including weather, regional storage inventory levels, and any pipeline operational issues.

The theory behind setting the commodity rate in RS 46 on a market-based indexed rate was the premise that RS 46 customers would be operationally similar to FEI's industrial customers, many of whom choose to take service under FEI's transportation service<sup>8</sup> rate schedules. Transportation service customers choose transport service because they have access to the expertise and a desire to manage their natural gas commodity supply requirements and costs, either on their own or through a marketer. Industrial customers who do not have access to the necessary expertise or do not wish to manage their own commodity portfolio choose to take sales service from one of FEI's bundled rate schedules under which FEI manages their commodity supply requirements and costs through FEI's commodity portfolio. At this time, RS 46 customers do not have a similar bundled sales

<sup>3</sup> BCUC Order G-211-13, pursuant to Direction No. 5 (Order in Council (OIC) 557, B.C. Reg. 245/2013); as amended by Order G-207-14, (OIC 749, B.C. Reg. 265/2014); as amended by G-65-17 (OIC 162, B.C. Reg. 115/2017); and as amended or from time to time by BCUC orders, most recently approved by Order G-29-19A.

<sup>4</sup> RS 46, Table of Charges for LNG Service, Commodity Charge per Gigajoule.

<sup>5</sup> RS 46, Table of Charges for LNG Service, "Note 1: Sumas Monthly Index Price - means the Sumas Monthly Index Price as set out in Inside F.E.R.C.'s Gas Market Report for gas delivered to Northwest Pipeline Corporation at Sumas, converted to Canadian dollars using the noon exchange rate as quoted by the Bank of Canada for the first Day of each Month in which the Sumas Monthly Index Price shall apply. Energy units are converted from MMBtu to Gigajoule by application of a conversion factor equal to 1.055056 Gigajoule per MMBtu." Note 1 in RS 46 Table of Charges of LNG Service requires a revision, if the proposed amendments are not approved by the BCUC, to reflect that the Bank of Canada terminated their noon exchange rate so the noon exchange rate of Thomson Reuters is now being used.

<sup>6</sup> RS 46, Table of Charges for LNG Service, "Note 2: Market Factor – means the charge that is the premium above the Sumas Monthly Index that is calculated by FortisBC Energy for that Month to cover costs related to securing incremental natural gas supply for that Month, including market premiums levied by suppliers for ensuring physical delivery of natural gas and any demand charges related to incremental physical purchases and contribution to the reservation fees and variable costs of core assets which may be used during that Month. For greater clarity, this premium will be based on actual market quotations at Sumas received by FortisBC Energy."

<sup>7</sup> Platts (January 2019). "Methodology and specifications guide North American natural gas." [https://www.spglobal.com/platts/plattscontent/assets/files/en/our-methodology/methodology-specifications/na\\_gas\\_methodology.pdf](https://www.spglobal.com/platts/plattscontent/assets/files/en/our-methodology/methodology-specifications/na_gas_methodology.pdf)

<sup>8</sup> Transportation service is where customers procure their own natural gas commodity supply arrangements either on their own behalf or through a natural gas marketer. The natural gas commodity is delivered to FEI at an interconnect point and FEI only provides transportation and delivery of the customer's natural gas commodity through the FEI system to the customer's premise. FEI provides transportation service under Rate Schedules 22, 23, 25, 26, and 27.

service option available whereby FEI manages their commodity supply requirements and costs through FEI's commodity portfolio.

Industrial customers who choose transportation service have several characteristics that differentiate them from FEI's firm bundled sales service customers. Specifically, their businesses are commodity price-driven, they often have operational flexibility, and they choose to manage their own commodity portfolio supply and costs. Transportation service customers are often heavily commodity price-driven because they tend to consume large amounts of fuel for their production or processes and those commodity costs represent a significant input or component of their business expenses. As such, many of these customers have the operational flexibility to make decisions solely based on their fuel input costs. This operational flexibility allows them to manage their commodity costs by switching to alternative fuels (if available) when commodity prices make it favorable to do so or by reducing, delaying or stopping production or processing for periods when commodity market prices are considered too high.

RS 46 customers are different from FEI's industrial and large commercial customers in that RS 46 customers typically do not have their businesses structured to manage their commodity use by altering production or processes. While some RS 46 customers do have the operational flexibility to switch to an alternative fuel, doing so has cost, operational, mechanical, maintenance, and environmental considerations. Further, unlike transportation service customers, RS 46 customers typically do not have the operational flexibility to reduce, delay, or stop service if fuel costs increase. For most RS 46 customers, their business operations require them to provide continuous service to their customers. However, unlike the rate schedules for the industrial and large commercial customers, a bundled FEI-managed commodity option is not currently available for RS 46 customers.

In the following sections, FEI describes the impact of recent volatility in Huntingdon/Sumas market prices on the market-based commodity price in RS 46, the concerns raised by RS 46 customers, and FEI's proposed solution.

### **The Situation (Huntingdon/Sumas Supply Risk)**

While the RS 46 market-based commodity rate has historically been relatively stable for customers since inception, recent events have caused significant volatility in pricing at the Huntingdon/Sumas market hub.

The majority of the supply at the Huntingdon/Sumas market hub is from a single source, namely, the Enbridge T-South system.<sup>9</sup> This reliance on a single source of supply, combined with regional market forces, can severely disconnect Sumas prices from other market hub prices, such as AECO/NIT and Station 2. Periods of pricing disconnect typically occur when increased demand in the Pacific Northwest region (BC, Portland, and Washington) exceeds the delivery capacity at Huntingdon and causes Sumas prices to increase significantly above prices at other regional market hubs. This volatility risk is one of the primary reasons why FEI moved away from purchasing Huntingdon supply in its 2013/2014 Annual Contracting Plan (ACP).

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<sup>9</sup> Also known as the Westcoast T-South system or T-South.

In the past, the pricing volatility and disconnects at Sumas have mostly been driven by demand, have generally taken place over short periods of time, and have been reflected more in daily market prices than monthly. However, the October 9, 2018 pipeline rupture and ongoing capacity restrictions on the T-South pipeline system (T-South Incident or the Incident) have resulted in sustained price volatility for a longer duration. The T-South Incident has also shown that volatility at Sumas can be caused by both demand and supply issues. Moreover, the recent volatility of Sumas daily and monthly prices during the winter of 2018/19 reached extreme levels at times and was compounded by several other contributing factors including:

- Enbridge T-South integrity maintenance and inspection work which further reduced available capacity;
- Low storage levels and operational issues at underground natural gas storage facilities further reducing availability and deliverability of natural gas from storage; and
- Record cold weather in February in the Lower Mainland<sup>10</sup> and throughout the Pacific Northwest region causing:
  - increased demand for natural gas on FEI's system<sup>11</sup> and throughout the Pacific Northwest to serve the immediate load requirements of natural gas customers; and
  - Increased demand for electricity in the Pacific Northwest, causing competing demand for the already constrained natural gas supply to generate electricity.

The confluence of the factors noted above has contributed to the significant price volatility experienced recently at the Huntingdon/Sumas market hub.

After the T-South Incident, the Sumas Monthly Index Price spiked: for November to more than six times the pre-Incident price, and for December to an all-time high of more than eight times the pre-Incident price. The Sumas Monthly Index Price has remained elevated in January and February, and again spiked in March 2019 to approximately five times the pre-Incident price due to the extreme cold weather experienced in February throughout the Pacific Northwest, and exacerbated by the other supply constraint issues noted above. The Sumas Daily Index Price has fluctuated much more dramatically during the same period, remaining well above the pre-Incident price on an ongoing basis. Indeed, on one day in March, the Sumas Daily Index Price traded as high as approximately \$200 USD/MMBTU (approximately \$250/GJ CAD).

While influenced somewhat by the Sumas Daily Index Price trading spikes, the Sumas Monthly Index Price has the effect of smoothing out some of the more extreme volatility seen over the course of a day or days. To illustrate, the following figures show the Sumas daily and monthly settled prices and their relationship to each other. As can be seen in Figure 1, the Sumas Daily Index Price was relatively stable for the year prior to the T-South Incident. After the Incident, the Sumas Daily Index Price experienced significant volatility due to market forces reacting to the constrained supply situation.

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<sup>10</sup> According to Environment Canada, February was the coldest month since records began being kept in 1937.

<sup>11</sup> FEI experienced, on average, 46 percent higher than normal system load throughout all regions in February.

**Figure 1: Sumas Daily Prices**

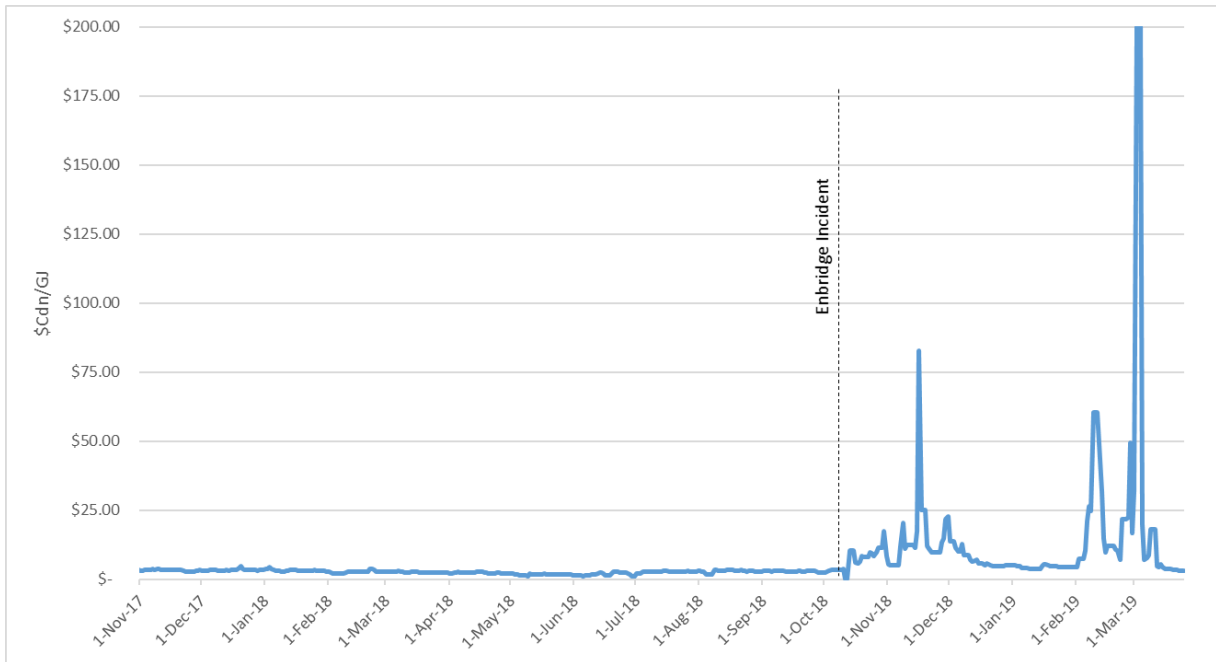


Figure 2 shows the elevated Sumas Monthly Index Prices since the T-South Incident.

**Figure 2: Sumas Monthly Prices**

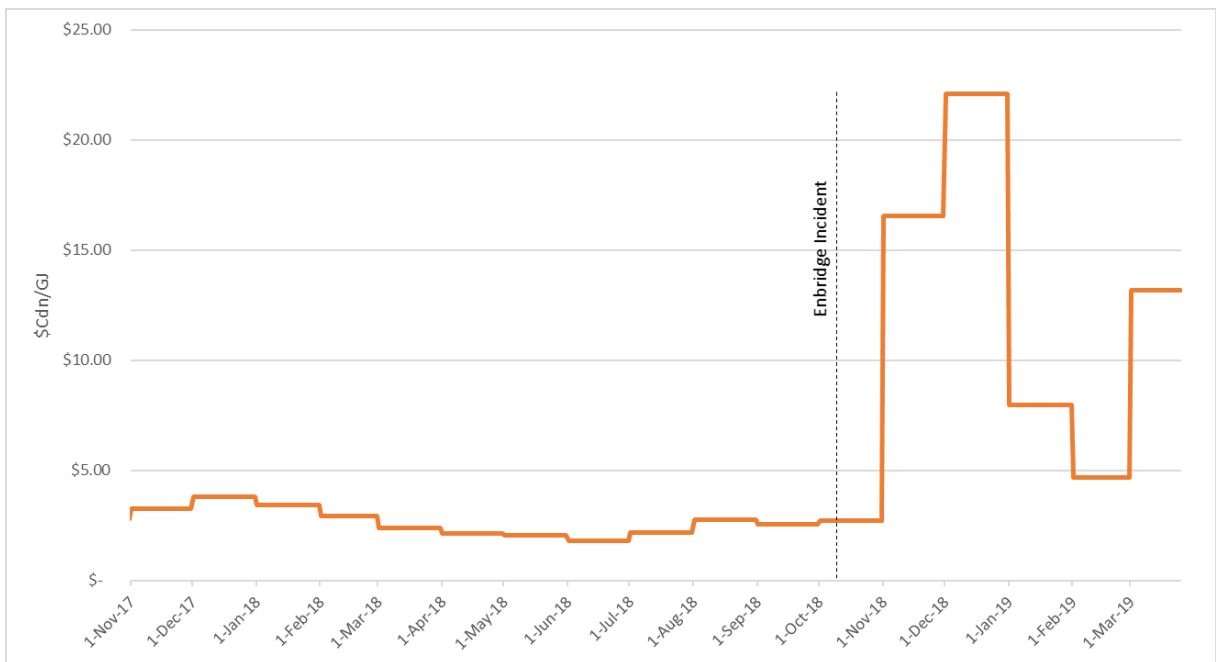
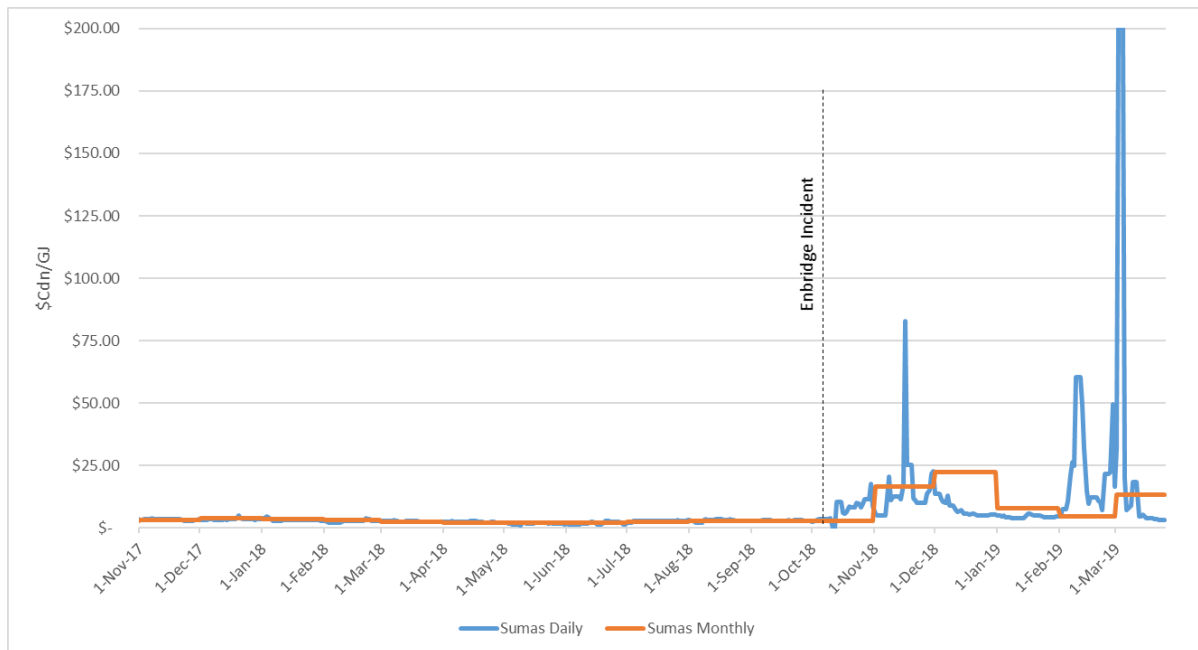


Figure 3 overlays the Sumas daily and monthly prices, showing that the Sumas Monthly Index Price can smooth out some of the daily volatility depending the factors taken into considered during bidweek.<sup>12</sup>

**Figure 3: Sumas Monthly and Daily Prices Overlaid**



FEI expects that price volatility will continue in the Sumas market because of the constrained regional infrastructure, particularly in the winter, and the uncertainty over when and/or if Enbridge will be able to return the T-South pipeline back to its normal operating pressure. Moreover, even if T-South is able to operate at 100 percent, the potential for volatility could continue in the future due to limited pipe capacity in the region, as new demand (such as more gas-fired generation, methanol, or LNG facilities) is introduced in the Pacific Northwest.

Until recently, RS 46 customers have not raised specific concerns about their commodity price given that the Sumas Monthly Index Price has been relatively stable. However, with the significantly higher and fluctuating commodity prices these customers have experienced since the T-South Incident, RS 46 customers have raised significant concerns regarding the financial impact to their operations arising from their ongoing exposure to commodity cost volatility. This exposure to commodity price volatility puts at risk RS 46 customers' ability and willingness to pursue further adoption of LNG vehicles, vessels, and equipment.

RS 46 customers represent some of FEI's largest volume customers. Although these RS 46 customers can transact at the Sumas/Huntingdon market hub as a means to manage their commodity supply and costs like transportation customers do, RS 46 customers do not have any alternative service option with an FEI-managed commodity price option. Unlike transportation service customers, RS 46 customers typically do not have the operational flexibility to reduce, delay, or stop service if fuel costs increase. Further, to the extent that some RS 46 customers do have the operational flexibility to switch to an alternative fuel,

<sup>12</sup> Status of the region's prevailing market conditions, weather forecast, storage inventory levels, and any pipeline operational issues.



there are often cost implications, operational implications, additional mechanical and maintenance requirements, and environmental considerations to doing so.

While the RS 46 service does allow for customers to elect a transportation only option (if certain volume requirements are met), to date no RS 46 customers have selected that service. As a result, it has become clear that the characteristics of customers taking service under RS 46 differ significantly from FEI's transportation service customers, upon which the market-based commodity price in RS 46 was structured. A key distinction between RS 46 and FEI's other industrial and commercial customers is that industrial and commercial customers can choose to take service under a bundled sales service rate schedule (that includes FEI-managed commodity charges) or take service under a transportation service rate schedule. RS 46 customers currently do not have the option of a bundled service that includes FEI-managed commodity charges.

RS 46 customers expect and need continuous, firm service. Thus, it is reasonable for their service to be structured similarly to FEI's firm bundled sales service rate schedules, with a commodity price structured in the same manner, where FEI manages their commodity supply and costs in FEI's gas commodity portfolio, and the RS 46 customers' commodity price reflects that approach.

### **The Proposed Solution – Amendment to RS 46 Commodity Rate**

FEI is proposing to amend the commodity charges<sup>13</sup> in RS 46 to align with the commodity-related charges in FEI's sales service bundled rate schedules. The proposed amendments are intended to align with the bundled service expectation of RS 46 customers, to more accurately reflect how FEI actually purchases the commodity for RS 46, and to address concerns about Huntingdon/Sumas price volatility. FEI proposes to replace the market-based commodity pricing in RS 46 with commodity pricing components found in FEI's sales service bundled rate schedules, including cost of gas, storage and transportation (midstream) costs, and applicable rate riders.

Based on a review of the current demand profile of FEI's bundled sales service rate schedules, the aggregate demand profile of RS 46 customers at current demand levels is most similar to the demand profile of RS 5 – General Firm Service customers. FEI proposes to amend the commodity price in RS 46 to the same structure and include the same components as the commodity related charges in RS 5, including the Commodity Cost Recovery Charge (Cost of Gas), Storage and Transportation Charge<sup>14</sup>, and Rider 6.

FEI believes that these proposed amendments are necessary and appropriate to address service expectations and stabilize commodity rates for RS 46 customers for three primary reasons:

1. The proposed amendments align the commodity rate structure with that of a bundled sales service, which is the nature of the service RS 46 customers expect and require;
2. The proposed amendments more accurately reflect how FEI actually purchases and manages the commodity for RS 46 customers through its portfolio in the ACP; and

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<sup>13</sup> Commodity Charge per Gigajoule in the Table of Charges for LNG Service in the RS 46 Tariff.

<sup>14</sup> Including the cost allocation approach approved by Order G-135-18, effective January 1, 2019.

3. The proposed amendments will address RS 46 customer concerns about the recent commodity price volatility they have experienced and their ongoing exposure to that risk, further supporting and fostering the development, adoption, and continued use of LNG as a cleaner transportation fuel.

FEI discusses these three reasons in more detail below.

First, it has become clear that the premise that basing the commodity price in RS 46 on a market-based index is appropriate because RS 46 customers would be operationally flexible and similar in nature to transportation service customers is not valid. Rather, RS 46 customers (other than RS 46 Spot service customers) have committed to certain volumes, expect and require firm service, and want the option to have their commodity supply requirements and costs managed by FEI through its commodity portfolio. As such, the proposed amendments to align the commodity rate structure of RS 46 with that of a firm bundled sales service offering, such as RS 5 which includes FEI-managed commodity charges, more accurately reflects the nature of the service which RS 46 customers expect and require. If any large-volume RS 46 customers wish to manage their own commodity portfolio, RS 46 will continue to have provide such customers with the option to choose transportation service.<sup>15</sup>

Second, rather than purchasing commodity supply at market-based prices on a given day to secure gas supply for RS 46 customers, FEI actually purchases the commodity for RS 46 customers through the ACP at market hubs tied to production basins such as Station 2 in BC and AECO/NIT in Alberta. As noted above, in recent years FEI has reduced its reliance on purchases from the Sumas/Huntingdon market hub in the ACP due to the volatility risks arising from constrained regional infrastructure and continued growing demand. In addition, over the past several years, the ACP has focused on purchasing infrastructure (i.e., pipeline capacity) in order to gain direct access to the supply basins in BC and Alberta. This has been a prudent approach that presents less risk to FEI's customers than buying a delivered product (Sumas/Huntingdon) in a resource-constrained environment (i.e., risks of increased cost of gas and/or volatility of supply). FEI has held firm capacity on T-South in the ACP since 2015/2016 to support RS 46 demand load. For the ACP, FEI forecasts RS 46 commodity requirements and makes supply purchases which are incremental to the baseload supply purchases requirements in the ACP. As a result, there is a disconnect between the current commodity price in RS 46 (set at the Sumas Monthly Index Price plus Market Factor) and the actual way FEI procures the gas in the ACP to serve RS 46 customers. The proposed amendments are reasonable because they more accurately reflect how FEI actually purchases and manages the commodity for RS 46 customers through its portfolio in the ACP.

Third, using commodity-related charges based on FEI's firm bundled sales service rate schedules, and more specifically RS 5, will stabilize commodity costs for RS 46 customers and reduce their ongoing exposure to a market-based commodity price. Further, it will help to promote the development, adoption, and continued use of LNG in transportation applications. The proposed amendments will enable RS 46 customers to better manage the operating costs of their LNG fleets by substantially reducing the risk of exposure to the large

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<sup>15</sup> RS 46 customers contracting for 5,000 GJ/day or more (1.825 PJ per year or more) have access to the option to make their own commodity arrangements, similar to the transportation service option available to much smaller commercial or industrial customers.



price swings at the Huntingdon/Sumas market hub. Stabilizing commodity costs for RS 46 customers will provide them with more predictability for their ongoing operating costs and encourage them to make further investments in their LNG fleets, thereby increasing adoption of LNG as an alternative fuel to diesel. In addition, increasing adoption of LNG allows RS 46 customers to reduce their greenhouse gas (GHG) emissions from their fleet operations, which contributes to the provincial government's CleanBC Plan<sup>16</sup> to achieve GHG emission reductions targets and transition toward a low carbon economy. Increased LNG adoption also provides better utilization of FEI's distribution system and facilities, which results in reducing overall costs for all customers.

### **Proposed Amendments**

FEI proposes the following amendments to the current RS 46 commodity rate found in the Table of Charges for LNG Service in the Commodity Charge per GJ section:

- Replace the current Commodity Charge per GJ set at the Sumas Monthly Index Price plus the Market Factor per GJ with two separate charges:
  1. the Cost of Gas (Commodity Cost Recovery Charge) per GJ; and
  2. the Storage and Transport Charge per GJ (including the applicable Rate Rider 6<sup>17</sup> and applicable notes).
- Set the Cost of Gas (Commodity Cost Recovery Charge) to \$1.549 per GJ, which is the current BCUC-approved rate applicable to Rate Schedules 1, 1B, 2, 2B, 3, 3B, 4, 5, 5B, 6, 6P and 7.<sup>18</sup>
- Set the Storage and Transport Charge to \$1.029 per GJ and the applicable Rate Rider 6 to \$(0.016) per GJ. These charges are the current BCUC-approved Storage and Transport and Rate Rider 6 charges applicable to RS 5 (General Firm Service).<sup>19</sup>
- As a result of the above, set the total RS 46 commodity related charges equal to the BCUC-approved total commodity charges for FEI RS 5 of \$2.562 per GJ.

In addition, FEI proposes applicable amendments to the definitions in RS 46 and Section 8 – Terms of Payment.

Appendix A contains blacklined tariff pages of the proposed amendments.

### **Housekeeping Tariff Amendments (Biomethane Option available to RS 46)**

FEI has identified some housekeeping amendments that need to be made to both RS 46 and FEI's GT&Cs in order to properly reflect the Biomethane option available for RS 46

<sup>16</sup> [https://www2.gov.bc.ca/assets/gov/environment/climate-change/action/cleanbc/cleanbc\\_2018-bc-climate-strategy.pdf](https://www2.gov.bc.ca/assets/gov/environment/climate-change/action/cleanbc/cleanbc_2018-bc-climate-strategy.pdf).

<sup>17</sup> Midstream Cost Reconciliation Account (MCRA) Rate Rider.

<sup>18</sup> Approved by Order G-173-17, effective January 1, 2018.

<sup>19</sup> Approved on a permanent basis by Order G-9-19, effective January 1, 2019.

customers. These housekeeping amendments are necessary to identify that Biomethane is available for RS 46 customers as well as to include the applicable Biomethane rates and the description of how they are calculated. The housekeeping amendments are discussed further below and Appendix A contains blacklined tariff pages of the proposed amendments.

#### RS 46:

FEI is proposing housekeeping changes to the Table of Charges for LNG Service, with respect to the Biomethane Service offering (in particular “the Charge per GJ of Biomethane supplied (if applicable)”), in order to align the RS 46 Biomethane Service offering with the other sales service Biomethane Rate Schedules 1B, 2B, 3B and 5B.

Specifically, FEI proposes the following amendments to RS 46 for the Biomethane rate as stated within the Table of Charges for LNG Service in the Charge per GJ of Biomethane section:

- Replace the Charge per Gigajoule of Biomethane supplied (if applicable) with the Cost of Biomethane (Biomethane Energy Recovery Charge), (BERC) along with applicable notes.
- The Cost of Biomethane (BERC) rate to be set to \$10.287 per GJ, which is the current BCUC-approved BERC rate<sup>20</sup>.

In addition, FEI proposes applicable amendments to the definitions in RS 46.

#### FEI's GT&Cs:

FEI proposes housekeeping amendments to FEI's GT&Cs to add RS 46 into the list of other applicable Biomethane rate schedules under the definition of Biomethane Service and various references under Section 28 – Biomethane Service.

### **Approvals Sought**

In summary, FEI seeks approval from the BCUC, pursuant to sections 59 through 61 and 89 of the UCA, to make the following tariff amendments :

- to change the structure of the commodity rate in the RS 46 to the same structure as the Commodity Related Charges in RS 5, with a Cost of Gas plus Storage and Transportation Charge, and Rate Rider 6, on an interim and permanent basis. FEI proposes that the interim rates be made effective May 1, 2019 on a refundable/recoverable basis, with any difference between the interim and permanent rates, following the final determination of the Application, be refunded to or recovered from customers (with interest calculated on any refundable amounts at the average prime rate of FEI's principal bank for its most recent year);
- to make housekeeping changes to the RS 46 Tariff to revise the language for the Biomethane rate to be consistent with FEI's other sales service Biomethane rate schedules, on a permanent basis effective May 1, 2019; and

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<sup>20</sup> Approved by Order G-230-18, effective January 1, 2019.

- to make corresponding housekeeping changes to the FEI GT&Cs regarding Biomethane Service for RS 46, on a permanent basis effective May 1, 2019.

Appendix B contains draft forms of the orders sought for both the interim and permanent approvals sought.

FEI provides proforma tariff pages containing all of the proposed amendments in Appendix C, as follows:

**FEI Rate Schedule 46 – Liquefied Natural Gas Sales, Dispensing and Transportation Service**

First Revision of Page R-46.1  
Third Revision of Page R-46.8  
Fourth Revision of Page R-46.9  
Eleventh Revision of Page R-46.21  
Eleventh Revision of Page R-46.22  
Eighth Revision of Page R-46.23

**FEI General Terms and Conditions**

First Revision of Page D-1  
First Revision of Page 28-1  
First Revision of Page 28-2  
First Revision of Page 28-3

Should approval of the Application be granted, the proforma tariff pages can be endorsed by the BCUC, with one copy returned to FEI for its records.

If further information is required, please contact Ilva Bevacqua at 604-592-7664.

Sincerely,

**FORTISBC ENERGY INC.**

***Original signed:***

Doug Slater

Attachments

cc (email only): RS 46 customers

Appendix A

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**BLACKLINED TARIFF PAGES**

## 1 Definitions

1.1 **Definitions** - Except where the context requires otherwise, all words and phrases defined below or in the General Terms and Conditions of FortisBC Energy Inc. (FortisBC Energy) and used in this Rate Schedule have the meanings set out below or in the General Terms and Conditions of FortisBC Energy. Where any of the definitions set out below conflicts with the definitions in the General Terms and Conditions of FortisBC Energy, the definitions set out below govern.

- (a) **Available LNG Capacity** - means the total quantity of LNG available for sale to all Customers from LNG Facilities under this Rate Schedule as determined by FortisBC Energy in its sole discretion. FortisBC Energy's determination of the Available LNG Capacity may consider FortisBC Energy's assessment of its overall LNG liquefaction and storage requirements, which include providing peaking and emergency resources.
- (b) **Biomethane Energy Recovery Charge** - means the biomethane energy recovery charge as set out in the Table of Charges for LNG Service as approved by the British Columbia Utilities Commission that is applicable to Customers selecting to purchase a percentage of Biomethane as a portion of their Gas.
- (c) **Commodity Cost Recovery Charge** - means the commodity cost recovery charge defined in the Table of Charges for LNG Service as approved by the British Columbia Utilities Commission applicable to Customers selecting to purchase a percentage of conventional natural gas from FortisBC Energy.
- (d) **Contract Demand** - means the minimum quantity of LNG, measured in Gigajoules, that FortisBC Energy agrees to supply and the Customer agrees to purchase and pay per year under the LNG Agreement, whether or not such quantity is actually consumed by the Customer.
- (e) **Contract Term** - means the term specified in the LNG Agreement, and will expire at 12:00 a.m. Pacific Standard Time on the Expiry Date.
- (f) **Customer** - means a Person entering into the LNG Agreement or LNG Transportation Service Agreement with FortisBC Energy.
- (g) **Day** - means any period of twenty-four consecutive hours beginning and ending at 12:00 a.m. Pacific Standard Time.
- (h) **Delivery Charge** - means the sum of:
  - (i) a LNG Facility Charge, which is the unit cost per Gigajoule to deliver natural gas from the Interconnection Point to the LNG Facilities, and to produce, store, and Dispense all LNG at the LNG Facilities, excluding the Electricity Surcharge; and
  - (ii) an Electricity Surcharge, which is the unit cost per Gigajoule for electricity consumed by the LNG Facilities to produce, store and Dispense all LNG at the LNG Facilities.
- (i) **Dispensing** or any form of the verb **Dispense** - means the act of filling a Tanker with LNG from the LNG Facilities.

Deleted: (BERC)

Deleted: for

Deleted: G-211-13

Deleted: Diane Roy

Deleted: December 12, 2013

Deleted: Original signed by E.M. Hamilton

Deleted: Original

Order No.: \_\_\_\_\_ Issued By: Doug Slater, Director, Regulatory Services

Effective Date: May 1, 2019

BCUC Secretary: \_\_\_\_\_ First Revision of Page R-46.1

7.2 **Right to Refuse** - Notwithstanding subsection 7.1 above, FortisBC Energy at its sole discretion may refuse to Dispense LNG to the Customer, if in FortisBC Energy's good faith determination, the Dispensing or transportation of LNG to the Customer may be contrary to any laws, rules, regulations and orders of any legislative body, governmental agency or duly constituted authority now or hereafter having jurisdiction, including, but not limited to, the federal *Transportation of Dangerous Goods Act* and its associated regulations and British Columbia's *Environmental Management Act* and associated regulations.

7.3 **Responsibility for LNG Transportation Emergency Response** – The Customer acknowledges that FortisBC Energy will incur costs to comply with applicable laws relating to emergency response during the transportation of the LNG Dispensed to the Customer under this Rate Schedule whether or not the Customer has not selected the LNG Transportation Service. FortisBC Energy reserves the right to charge the Customer for costs FortisBC Energy incurs to comply with such laws.

In the event FortisBC Energy responds to a transportation emergency involving LNG Dispensed to the Customer under this Rate Schedule, the Customer shall at its expense provide assistance to FortisBC Energy upon request. The Customer shall reimburse FortisBC Energy for all costs incurred by FortisBC Energy responding to such an emergency.

7.4 **Required Insurance** - The Customer must maintain General Commercial Liability Insurance for bodily injury, death and property damage in the minimum amount of \$5,000,000 per occurrence naming FortisBC Energy as an additional insured with respect to LNG Service or LNG Transportation Service provided to the Customer.

## 8 Terms of Payment

8.1 **LNG Service Charges** - The Customer will pay to FortisBC Energy all of the applicable charges, including the following charges for LNG Service, as set out in the Table of Charges for LNG Service:

(i) For Long-Term LNG Service and Short-Term LNG Service, the Customer will pay to FortisBC Energy all of the following charges:

(A) A charge calculated as the greater of

i. the Delivery Charge, multiplied by the quantity of LNG, measured in Gigajoules, Dispensed to the Customer;

or

ii. the Minimum Monthly Charge; plus

(B) The commodity related charges, are calculated by multiplying:

i. the quantity of LNG, measured in Gigajoules, Dispensed to the Customer plus Process Fuel Gas;

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Order No.: \_\_\_\_\_ Issued By: Doug Slater, Director, Regulatory Affairs

Effective Date: May 1, 2019 Accepted for Filing: \_\_\_\_\_

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by

ii. the sum ~~the Storage and Transport Charge and Rider 6; plus~~

iii. ~~the Commodity Cost Recovery Charge, multiplied by~~

iv. the ~~Customer's selected~~ percentage of LNG supplied from conventional natural gas; plus

(C) When applicable, the Biomethane related charges are calculated by multiplying:

i. ~~the quantity of LNG, measured in Gigajoules, Dispensed to the Customer;~~

by

ii. ~~the sum the Storage and Transport Charge and Rider 6; plus~~

iii. ~~the Biomethane Energy Recovery Charge, multiplied by~~

iv. the ~~Customer's selected~~ percentage ~~LNG supplied from~~ Biomethane,

(ii) A Long-Term LNG Service or Short-Term LNG Service Customer whose Contract Demand is greater than 1,825,000 Gigajoules may choose to provide its own natural gas commodity and Process Fuel Gas to the Interconnection Point. In such cases, the Customer will not be subject to ~~the Commodity Cost Recovery Charge, the Storage and Transport Charge and Rider 6,~~

(iii) Spot Load LNG Charge - For Spot LNG Service, the Customer will pay to FortisBC Energy all of the charges in section 8.1(i), except that, in lieu of the charge under section 8.1(i)(A), the Customer will pay a Spot Charge calculated by multiplying:

i. the quantity of LNG, measured in Gigajoules, Dispensed to the Customer plus Process Fuel Gas

by

ii. the LNG Spot Charge.

8.2 **LNG Transportation Service Charges** - The Customer will pay to FortisBC Energy both of the following charges for LNG Transportation Service as provided in the Table of Charges:

(i) LNG Tanker Charge – the applicable charge per Day or partial Day for the use of a Tanker owned or provided by FortisBC Energy and as determined by FortisBC Energy to be suitable for the LNG Transportation Service requested by the Customer; and

Order No.: \_\_\_\_\_ Issued By: ~~Doug Slater, Director~~, Regulatory Affairs

Effective Date: May ~~1, 2019~~ Accepted for Filing: \_\_\_\_\_

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## Table of Charges for LNG Service

All sales and service taxes, carbon tax and any future new taxes, are extra and shall be applied as applicable.

<b>2019 LNG Facility Charge</b>	\$ 3.94/GJ	A
<b>2019 Electricity Surcharge</b>	\$ 0.98/GJ	A

Commodity Related Charges per Gigajoule

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<u>Storage and Transport Charge</u>	<u>\$ 1.029/GJ</u>
<u>Rider 6</u>	<u>\$ (0.016)/GJ</u>
<u>Subtotal of Storage and Transport Related Charges</u>	<u>\$ 1.013/GJ</u>

A

Cost of Gas<sup>1</sup> (Commodity Cost Recovery Charge)

\$ 1.549/GJ

Cost of Biomethane (Biomethane Energy Recovery Charge)<sup>2, 3</sup>

\$ 10.287/GJ

**2019 LNG Spot Charge**

\$ 5.17/GJ

**LNG Facility Charges, Electricity Surcharges, and LNG Spot Charges for 2020 and thereafter**

Per Note 3

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### Storage and Transport Related Riders

**Rider 6** Midstream Cost Reconciliation Account - Applicable to Mainland and Vancouver Island Service Area Customers, excluding Revelstoke, for the Year ending December 31, 2019.

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Effective Date: May 1, 2019 Accepted for Filing:

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**Notes:**

1. The Cost of Gas is based on the calculation of 100% of a Customer's consumption in Gigajoules, minus the percentage of a Customer's selection of Biomethane measured in Gigajoules, multiplied by the Cost of Gas (Commodity Cost Recovery Charge) per Gigajoule. For example, if a Customer selects 30% Biomethane, the Cost of Gas will be calculated on 70% (100% - 30%) of a Customer's consumption.

The percentage of Biomethane of a Customer's Gas usage available to Customers is set by FortisBC Energy and includes a range between 5% of Biomethane and 100% of Biomethane, increasing by increments of 5%.

2. The Cost of Biomethane is based on the calculation of a Customer's selection of the percentage of Biomethane measured in Gigajoules, multiplied by the Cost of Biomethane (Biomethane Energy Recovery Charge) per Gigajoule.

3. The Cost of Biomethane (Biomethane Energy Recovery Charge) per Gigajoule has been determined in accordance with Section 28.4 (Price Determination) in the General Terms and Conditions of FortisBC Energy). The Cost of Biomethane effective January 1, 2019 equals the sum of:

<u>(i) The British Columbia Utilities Commission approved January 1st Commodity Cost Recovery Charge per Gigajoule</u>	<u>\$ 1.549</u>
<u>(ii) The current British Columbia carbon tax applicable to conventional natural gas Customers per Gigajoule</u>	<u>\$ 1.738</u>
<u>(iii) Other taxes applicable to conventional natural gas sales per Gigajoule</u>	<u>\$ 0.000</u>
<u>(iv) A premium of \$7.00 per Gigajoule</u>	<u>\$ 7.000</u>
<u>(v) Total Cost of Biomethane per Gigajoule</u>	<u>\$ 10.287</u>

4. LNG Facility Charges, Electricity Surcharges, and LNG Spot Charges for 2020 and beyond - The LNG Facility Charges, Electricity Surcharges, and LNG Spot Charges for 2020 and thereafter will be determined by taking the charges, which are expressed in 2019 dollars, and resetting and adjusting those charges annually on January 1 in accordance with (1) below.

(1) The charges, which are presented in 2019 dollars, will be reset and adjusted annually as follows:

(a) The LNG Facility Charge shall be escalated annually at the greater of 2% or the British Columbia Consumer Price Index.

**Deleted:** Sumas Monthly Index Price - means the Sumas Monthly Index Price as set out in Inside F.E.R.C.'s Gas Market Report for gas delivered to Northwest Pipeline Corporation at Sumas, converted to Canadian dollars using the noon exchange rate as quoted by the Bank of Canada for the first Day of each Month in which the Sumas Monthly Index Price shall apply. Energy units are converted from MMBtu to Gigajoule by application of a conversion factor equal to 1.055056 Gigajoule per MMBtu.¶

¶  
**2. Market Factor** – means the charge that is the premium above the Sumas Monthly Index that is calculated by FortisBC Energy for that Month to cover costs related to securing incremental natural gas supply for that Month, including market premiums levied by suppliers for ensuring physical delivery of natural gas and any demand charges related to incremental physical purchases and contribution to the reservation fees and variable costs of core assets which may be used during that Month. For greater clarity, this premium will be based on actual market quotations at Sumas received by FortisBC Energy.

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Effective Date: May 1, 2019 Accepted for Filing: \_\_\_\_\_

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(b) The Electricity Surcharge shall be adjusted by a 2% increase in 2015 and each subsequent year until and including the next annual rate update for this Rate Schedule after the Available LNG capacity exceeds 20,000 Gigajoules per Day, but thereafter shall be adjusted based upon the estimated prior year electricity use per Gigajoule of LNG output of the LNG Facilities and approved interim or permanent BC Hydro rate increases incurred at the LNG Facilities.

(c) The LNG Spot Charge is \$0.25/GJ greater than the sum of the LNG Facility Charge and adjusted Electricity Surcharge, as adjusted under (a) and (b) above.

**5.** The charges for transporting natural gas from the Interconnection Point to the LNG Facilities, defined as "firm demand toll" and as set out in Table of Charges in FortisBC Energy Rate Schedule 50, are embedded in the LNG Facility Charge in this Rate Schedule.

**6.** Process Fuel Gas is applied as set out in section 8.1 (i) (B).

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## Definitions

Unless the context indicates otherwise, in the General Terms and Conditions of FortisBC Energy and in the rate schedules of FortisBC Energy the following words have the following meanings:

<b>Application Charge</b>	Means the applicable charges as set out in the Standard Charges Schedule.
<b>Basic Charge</b>	Means a fixed charge required to be paid by a Customer for Service as specified in the applicable Rate Schedule, or the prorated daily equivalent charge – calculated on the basis of a 365.25-day year (to incorporate the leap year), and rounded to four decimal places.
<b>Biogas</b>	Means raw gas substantially composed of methane that is produced by the breakdown of organic matter in the absence of oxygen.
<b>Biomethane</b>	Means Biogas purified or upgraded to pipeline quality gas, also referred to as renewable natural gas.
<b>Biomethane Service</b>	Means the Service provided to Customers under Rate Schedules 1B for Residential Biomethane Service, 2B for Small Commercial Biomethane Service, 3B for Large Commercial Biomethane Service, 5B for General Firm Biomethane Service, 11B for Large Volume Interruptible Biomethane Service, 30 for Off-System Interruptible Biomethane Sales, <u>46 for Liquefied Natural Gas Sales, Dispensing and Transportation Service</u> or Long Term Biomethane Contracts.
<b>British Columbia Utilities Commission</b>	<p>Means the British Columbia Utilities Commission constituted under the <i>Utilities Commission Act</i> of British Columbia and includes and is also a reference to</p> <p>(a) any commission that is a successor to such commission, and</p> <p>(b) any commission that is constituted pursuant to any statute that may be passed which supplements or supersedes the <i>Utilities Commission Act</i> of British Columbia.</p>

Order No.: \_\_\_\_\_ Issued By: Doug Slater, Director, Regulatory Affairs

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## 28. Biomethane Service

### 28.1 Notional Gas

Customers must recognize that the location of generation facilities will determine where Biomethane will physically be introduced to the FortisBC Energy System and that Customers receiving Biomethane Service may not receive actual Biomethane at their Premises, but may instead be contributing to the cost for FortisBC Energy to deliver an amount of Biomethane proportionate to the Customer's Gas usage into the FortisBC Energy System.

### 28.2 Biomethane Physical Delivery

Customers located in the vicinity of Biomethane generation facilities may receive Biomethane as a component of Gas in such proportion as FortisBC Energy determines in its sole discretion.

### 28.3 Reduced Supply

Customers must recognize that the production of Biomethane is subject to biological processes and production levels may fluctuate. Customers registered for Biomethane Service for applicable Rate Schedules 1B, 2B, 3B and 5B, agree that in the event that Biomethane production does not provide sufficient gas supply, FortisBC Energy may purchase Carbon Offsets at a price not to exceed the funding received from Customers registered for Biomethane Service.

### 28.4 Price Determination

Customers registered for Biomethane Service will be billed for Gas pursuant to their applicable Rate Schedule or Long Term Biomethane Contract.

(a) For those Customers who have entered into a Service Agreement with FortisBC Energy for Biomethane under Rate Schedule 1B, Rate Schedule 2B, Rate Schedule 3B, Rate Schedule 5B, ~~Rate Schedule 11B~~, or Rate Schedule 46, the cost of Biomethane will be the sum of:

- (i) the British Columbia Utilities Commission approved January 1<sup>st</sup> Commodity Cost Recovery Charge per Gigajoule;
- (ii) the current British Columbia carbon tax applicable to conventional natural gas Customers;
- (iii) any other taxes applicable to conventional natural gas sales; and

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Effective Date: May 1, 2019 Accepted for Filing: \_\_\_\_\_

BCUC Secretary: \_\_\_\_\_ First Revision of Page 28-1



- (iv) a premium of \$7.00 per Gigajoule.
- (b) For those Customers who have entered into a Long Term Biomethane Contract, the cost of Biomethane, at the time the Long Term Biomethane Contract is entered into, will be calculated as the highest of:
  - (i) a \$1.00 per Gigajoule discount from the price determination calculated in Section 28.4(a) above;
  - (ii) \$10.00 per Gigajoule; or
  - (iii) in any period beyond year five of a Long Term Biomethane Contract, the sum of:
    - a. the British Columbia Utilities Commission approved January 1<sup>st</sup> Commodity Cost Recovery Charge per Gigajoule;
    - b. the current British Columbia carbon tax applicable to conventional natural gas Customers; and
    - c. any other taxes applicable to conventional natural gas sales.

#### 28.5 Biomethane Customers

Customers registered for Biomethane Service will be charged a Biomethane Energy Recovery Charge based on a calculation that will deem the Customer's Gas usage to be a percentage of Biomethane and a percentage of conventional natural gas as elected by the Customer and determined by FortisBC Energy. Applicable Rate Schedules will be reviewed and updated quarterly with regard to the price of conventional natural gas and updated annually with regard to the price of Biomethane, with rate changes subject to British Columbia Utilities Commission approval.

#### 28.6 Enrolment

In the event a Customer enters into a Service Agreement with FortisBC Energy for Biomethane Service under Rate Schedule 1B, Rate Schedule 2B, Rate Schedule 3B, Rate Schedule 5B, or Rate Schedule 46, the following terms and conditions will apply:

- (a) **Notice** – the Customer must provide notification to FortisBC Energy that he or she wishes to receive Biomethane Service, and FortisBC Energy will provide confirmation to the Customer once the Customer is registered for Biomethane Service.
- (b) **Eligibility** – the number of Customers eligible to receive Biomethane Service will be limited and the determination of eligibility will be made by FortisBC Energy in its discretion, acting reasonably.

Order No.: \_\_\_\_\_ Issued By: Doug Slater, Director, Regulatory Affairs

Effective Date: May 1, 2019 Accepted for Filing: \_\_\_\_\_

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FORTISBC ENERGY INC. GENERAL TERMS AND CONDITIONS  
SECTION 28

- (c) **Change in Rate** - Customers registered for Biomethane Service will be charged for Gas at the rates set out in Rate Schedule 1B, Rate Schedule 2B, Rate Schedule 3B, Rate Schedule 5B or Rate Schedule 46. FortisBC Energy will use reasonable efforts to switch Customers to Rate Schedule 1B, Rate Schedule 2B, Rate Schedule 3B, Rate Schedule 5B or Rate Schedule 46 in a timely manner. However, Rate Schedule 1B, Rate Schedule 2B, Rate Schedule 3B, Rate Schedule 5B or Rate Schedule 46 rates will only be commenced on the first day of a Month, therefore, Customers registered for Biomethane Service within one (1) week on the last day of a Month may not be switched to Rate Schedule 1B, Rate Schedule 2B, Rate Schedule 3B, Rate Schedule 5B or Rate Schedule 46 until five (5) weeks after their registration date.
- (d) **Availability of Biomethane Service** – Subject to availability specified in each applicable Rate Schedule, Biomethane Service is available in all FortisBC Energy Service Areas, provided adequate capacity exists on FortisBC Energy's System. Entry dates for commencing Biomethane Service will be the first day of each month. The number of Customers that may enrol in Biomethane Service under the applicable Rate Schedule for a given entry date may be limited. In the event that there is a limit to the total number of Customers that may be enrolled in Biomethane Service under the applicable Rate Schedule for a particular entry date, enrolments will be processed on a "first come, first served" basis, based on the date of application.
- (e) **Moving** – If a Customer registered for Biomethane Service moves to a new Premises where the Biomethane Service remains available under the applicable Rate Schedule, that Customer may remain registered for Biomethane Service at the new Premises.
- (f) **Switching Back to FortisBC Energy Standard Rate Schedule** – Customers may at any time request to terminate Biomethane Service and be returned to an applicable FortisBC Energy Rate Schedule. On receiving notice that a Customer wishes to terminate Biomethane Service, FortisBC Energy will return that Customer to the applicable FortisBC Energy Rate Schedule in accordance with the FortisBC Energy General Terms and Conditions.
- (g) **Switching to a Gas Marketer Contract** – Customers may at any time request to terminate Biomethane Service and receive their commodity from a Gas Marketer. On receiving notice that a Customer has entered into an agreement with a Gas Marketer, FortisBC Energy will process this request in accordance with Section 27 (Commodity Unbundling Service).
- (h) **Program Termination** – FortisBC Energy reserves the right to remove and/or terminate Customers from Biomethane Service at any time.

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**Appendix B**  
**DRAFT ORDERS**



**ORDER NUMBER**

**G-xx-xx**

IN THE MATTER OF  
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc.  
Application for Approval of Tariff Amendments, effective May 1, 2019 to  
Rate Schedule 46 – Liquefied Natural Gas Sales, Dispensing and Transportation Service and  
the General Terms and Conditions

**BEFORE:**

[Panel Chair]  
Commissioner  
Commissioner

on **Date**

**ORDER**

**WHEREAS:**

- A. On April 17, 2019, pursuant to sections 59 to 61 and 89 of the *Utilities Commission Act* (UCA), FortisBC Energy Inc. (FEI) applied to the British Columbia Utilities Commission (BCUC) for amendments, on an interim and permanent basis, to the structure of the commodity rate in the Rate Schedule 46 (RS 46) Table of Charges for Liquefied Natural Gas (LNG) Transportation Service and for permanent approval of housekeeping amendments to FEI's RS 46 and General Terms and Conditions (GT&Cs) regarding Biomethane and the calculation of the Biomethane rate, effective May 1, 2019 (Application);
- B. On December 12, 2013, the BCUC issued Order G-211-13 approving RS 46, in accordance with Order in Council (OIC) 557, B.C. Regulation 245/2013 deposited November 28, 2013, issuing Direction No. 5 to the BCUC, and effective December 12, 2013;
- C. On December 24, 2014, the BCUC issued Order G-207-14, effective January 1, 2015, approving amendments to RS 46, in accordance with Direction No. 5 as amended by OIC 749, B.C. Regulation 265/2014 deposited December 22, 2014;
- D. On May 4, 2017, the BCUC issued Order G-65-17, effective May 4, 2017, approving further amendments to RS 46, in accordance with Direction No. 5, as amended by section 5 (1.2) of OIC 162, B.C. Regulation 115/2017 deposited March 22, 2017;
- E. In the Application, FEI requests approval of amendments to the RS 46 commodity rate found in the Table of Charges for LNG Service in the Commodity Charge per GJ section, to reflect the commodity-related charges based on FEI's Rate Schedule 5 – General Firm Service (RS 5), on an interim refundable/recoverable basis, effective May 1, 2019, as follows:

1. Replace the current Commodity Charge per GJ set at the Sumas Monthly Index Price plus the Market Factor per GJ with two separate charges:
    - i. the Cost of Gas (Commodity Cost Recovery Charge) per GJ; and
    - ii. the Storage and Transport Charge per GJ (including the applicable Rate Rider 6 and applicable notes).
  2. Set the Cost of Gas (Commodity Cost Recovery Charge) to \$1.549 per GJ rate based on the current rate approved by Order G-173-17.
  3. Set the Storage and Transport Charge to \$1.029 per GJ and the applicable Rate Rider 6 to \$(0.016) per GJ based on the current rates approved by Order G-9-19.
  4. The total RS 46 commodity related charges will equal the BCUC-approved total commodity charges for FEI RS 5 of \$2.562 per GJ.
- F. The Application also requests approval of housekeeping amendments to RS 46 and FEI's GT&Cs related to Biomethane service, on a permanent basis, effective May 1, 2019; and
- G. The BCUC has commenced its review of the Application and determines the following approvals are warranted.

**NOW THEREFORE** pursuant to Direction No. 5 and sections 59 to 61 and 89 of the *Utilities Commission Act*, the BCUC orders as follows:

1. The proposed amendments to change the structure of the commodity rate in the RS 46 Tariff to the same structure as the Commodity Related Charges in RS 5, with a Cost of Gas plus Storage and Transportation Charge and Rate Rider 6, are approved on an interim basis effective May 1, 2019.
2. FEI is directed to refund/recover the difference between the interim and permanent rates, as determined by the BCUC following the final determination of the Application, with interest calculated on any refundable amounts at the average prime rate of FEI's principal bank for its most recent year.
3. The proposed housekeeping amendments to RS 46 and FEI's GT&Cs related to Biomethane service are approved on a permanent basis effective May 1, 2019.

**DATED** at the City of Vancouver, in the Province of British Columbia, this (XX) day of (Month Year).

BY ORDER

(X. X. last name)  
Commissioner



**ORDER NUMBER**

**G-xx-xx**

IN THE MATTER OF  
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc.  
Application for Approval of Tariff Amendments, effective May 1, 2019 to  
Rate Schedule 46 – Liquefied Natural Gas Sales, Dispensing and Transportation Service and  
the General Terms and Conditions

**BEFORE:**

[Panel Chair]  
Commissioner  
Commissioner

on **Date**

**ORDER**

**WHEREAS:**

- A. On April 17, 2019, pursuant to sections 59 to 61 and 89 of the *Utilities Commission Act* (UCA), FortisBC Energy Inc. (FEI) applied to the British Columbia Utilities Commission (BCUC) for amendments, on an interim and permanent basis, to the structure of the commodity rate in the Rate Schedule 46 (RS 46) Table of Charges for Liquefied Natural Gas (LNG) Transportation Service and for permanent approval of housekeeping amendments to FEI's RS 46 and General Terms and Conditions (GT&Cs) regarding Biomethane and the calculation of the Biomethane rate, effective May 1, 2019 (Application);
- B. On December 12, 2013, the BCUC issued Order G-211-13 approving RS 46, in accordance with Order in Council (OIC) 557, B.C. Regulation 245/2013 deposited November 28, 2013, issuing Direction No. 5 to the BCUC, and effective December 12, 2013;
- C. On December 24, 2014, the BCUC issued Order G-207-14, effective January 1, 2015, approving amendments to RS 46, in accordance with Direction No. 5 as amended by OIC 749, B.C. Regulation 265/2014 deposited December 22, 2014;
- D. On May 4, 2017, the BCUC issued Order G-65-17, effective May 4, 2017, approving further amendments to RS 46, in accordance with Direction No. 5, as amended by section 5 (1.2) of OIC 162, B.C. Regulation 115/2017 deposited March 22, 2017;
- E. In the Application, FEI requests approval of amendments to the RS 46 commodity rate found in the Table of Charges for LNG Service in the Commodity Charge per GJ section, to reflect the commodity-related charges based on FEI's Rate Schedule 5 – General Firm Service (RS 5), on an interim refundable/recoverable basis, effective May 1, 2019, as follows:



1. Replace the current Commodity Charge per GJ set at the Sumas Monthly Index Price plus the Market Factor per GJ with two separate charges:
    - i. the Cost of Gas (Commodity Cost Recovery Charge) per GJ; and
    - ii. the Storage and Transport Charge per GJ (including the applicable Rate Rider 6 and applicable notes).
  2. Set the Cost of Gas (Commodity Cost Recovery Charge) to \$1.549 per GJ rate based on the current rate approved by Order G-173-17.
  3. Set the Storage and Transport Charge to \$1.029 per GJ and the applicable Rate Rider 6 to \$(0.016) per GJ based on the current rates approved by Order G-9-19.
  4. The total RS 46 commodity related charges will equal the BCUC-approved total commodity charges for FEI RS 5 of \$2.562 per GJ.
- F. The Application also requests approval of housekeeping amendments to RS 46 and FEI's GT&Cs related to Biomethane service, on a permanent basis, effective May 1, 2019;
- G. By Order G-xx-19 the BCUC approved the RS 46 changes to the commodity structure and commodity related charges on an interim and refundable/recoverable basis pending the BCUC's final determination in the Application, and approved on a permanent basis the housekeeping amendments to RS 46 and FEI's GT&Cs; and
- H. The BCUC has reviewed the Application and determines that the following approvals are warranted.

**NOW THEREFORE** pursuant to Direction No. 5 and sections 59 to 61 and 89 of the *Utilities Commission Act*, the BCUC orders as follows:

1. The proposed amendments to change the structure of the commodity rate in the RS 46 Tariff to the same structure as the Commodity Related Charges in RS 5, with a Cost of Gas plus Storage and Transportation Charge and Rate Rider 6, are approved on a permanent basis effective May 1, 2019.

**DATED** at the City of Vancouver, in the Province of British Columbia, this (XX) day of (Month Year).

BY ORDER

(X. X. last name)  
Commissioner

**Appendix C**

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**PROFORMA TARIFF PAGES**

# 1 Definitions

1.1 **Definitions** - Except where the context requires otherwise, all words and phrases defined below or in the General Terms and Conditions of FortisBC Energy Inc. (FortisBC Energy) and used in this Rate Schedule have the meanings set out below or in the General Terms and Conditions of FortisBC Energy. Where any of the definitions set out below conflicts with the definitions in the General Terms and Conditions of FortisBC Energy, the definitions set out below govern.

- (a) **Available LNG Capacity** - means the total quantity of LNG available for sale to all Customers from LNG Facilities under this Rate Schedule as determined by FortisBC Energy in its sole discretion. FortisBC Energy's determination of the Available LNG Capacity may consider FortisBC Energy's assessment of its overall LNG liquefaction and storage requirements, which include providing peaking and emergency resources.
- (b) **Biomethane Energy Recovery Charge** - means the biomethane energy recovery charge as set out in the Table of Charges for LNG Service as approved by the British Columbia Utilities Commission that is applicable to Customers selecting to purchase a percentage of Biomethane as a portion of their Gas.
- (c) **Commodity Cost Recovery Charge** - means the commodity cost recovery charge defined in the Table of Charges for LNG Service as approved by the British Columbia Utilities Commission applicable to Customers selecting to purchase a percentage of conventional natural gas from FortisBC Energy.
- (d) **Contract Demand** - means the minimum quantity of LNG, measured in Gigajoules, that FortisBC Energy agrees to supply and the Customer agrees to purchase and pay per year under the LNG Agreement, whether or not such quantity is actually consumed by the Customer.
- (e) **Contract Term** - means the term specified in the LNG Agreement, and will expire at 12:00 a.m. Pacific Standard Time on the Expiry Date.
- (f) **Customer** - means a Person entering into the LNG Agreement or LNG Transportation Service Agreement with FortisBC Energy.
- (g) **Day** - means any period of twenty-four consecutive hours beginning and ending at 12:00 a.m. Pacific Standard Time.
- (h) **Delivery Charge** - means the sum of:
  - (i) a LNG Facility Charge, which is the unit cost per Gigajoule to deliver natural gas from the Interconnection Point to the LNG Facilities, and to produce, store, and Dispense all LNG at the LNG Facilities, excluding the Electricity Surcharge; and
  - (ii) an Electricity Surcharge, which is the unit cost per Gigajoule for electricity consumed by the LNG Facilities to produce, store and Dispense all LNG at the LNG Facilities.
- (i) **Dispensing** or any form of the verb **Dispense** - means the act of filling a Tanker with LNG from the LNG Facilities.

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7.2 **Right to Refuse** - Notwithstanding subsection 7.1 above, FortisBC Energy at its sole discretion may refuse to Dispense LNG to the Customer, if in FortisBC Energy's good faith determination, the Dispensing or transportation of LNG to the Customer may be contrary to any laws, rules, regulations and orders of any legislative body, governmental agency or duly constituted authority now or hereafter having jurisdiction, including, but not limited to, the federal *Transportation of Dangerous Goods Act* and its associated regulations and British Columbia's *Environmental Management Act* and associated regulations.

7.3 **Responsibility for LNG Transportation Emergency Response** – The Customer acknowledges that FortisBC Energy will incur costs to comply with applicable laws relating to emergency response during the transportation of the LNG Dispensed to the Customer under this Rate Schedule whether or not the Customer has not selected the LNG Transportation Service. FortisBC Energy reserves the right to charge the Customer for costs FortisBC Energy incurs to comply with such laws.

In the event FortisBC Energy responds to a transportation emergency involving LNG Dispensed to the Customer under this Rate Schedule, the Customer shall at its expense provide assistance to FortisBC Energy upon request. The Customer shall reimburse FortisBC Energy for all costs incurred by FortisBC Energy responding to such an emergency.

7.4 **Required Insurance** - The Customer must maintain General Commercial Liability Insurance for bodily injury, death and property damage in the minimum amount of \$5,000,000 per occurrence naming FortisBC Energy as an additional insured with respect to LNG Service or LNG Transportation Service provided to the Customer.

## 8 Terms of Payment

8.1 **LNG Service Charges** - The Customer will pay to FortisBC Energy all of the applicable charges, including the following charges for LNG Service, as set out in the Table of Charges for LNG Service:

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(i) For Long-Term LNG Service and Short-Term LNG Service, the Customer will pay to FortisBC Energy all of the following charges:

(A) A charge calculated as the greater of

i. the Delivery Charge, multiplied by the quantity of LNG, measured in Gigajoules, Dispensed to the Customer;

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or

ii. the Minimum Monthly Charge; plus

(B) The commodity related charges, are calculated by multiplying:

i. the quantity of LNG, measured in Gigajoules, Dispensed to the Customer plus Process Fuel Gas;

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- by
- ii. the sum the Storage and Transport Charge and Rider 6; plus
  - iii. the Commodity Cost Recovery Charge, multiplied by
  - iv. the Customer's selected percentage of LNG supplied from conventional natural gas; plus
- (C) When applicable, the Biomethane related charges are calculated by multiplying:
- i. the quantity of LNG, measured in Gigajoules, Dispensed to the Customer;
- by
- ii. the sum the Storage and Transport Charge and Rider 6; plus
  - iii. the Biomethane Energy Recovery Charge, multiplied by
  - iv. the Customer's selected percentage LNG supplied from Biomethane.
- (ii) A Long-Term LNG Service or Short-Term LNG Service Customer whose Contract Demand is greater than 1,825,000 Gigajoules may choose to provide its own natural gas commodity and Process Fuel Gas to the Interconnection Point. In such cases, the Customer will not be subject to the Commodity Cost Recovery Charge, the Storage and Transport Charge and Rider 6.
- (iii) Spot Load LNG Charge - For Spot LNG Service, the Customer will pay to FortisBC Energy all of the charges in section 8.1(i), except that, in lieu of the charge under section 8.1(i)(A), the Customer will pay a Spot Charge calculated by multiplying:
- i. the quantity of LNG, measured in Gigajoules, Dispensed to the Customer plus Process Fuel Gas
- by
- ii. the LNG Spot Charge.
- 8.2 LNG Transportation Service Charges** - The Customer will pay to FortisBC Energy both of the following charges for LNG Transportation Service as provided in the Table of Charges:
- (i) LNG Tanker Charge – the applicable charge per Day or partial Day for the use of a Tanker owned or provided by FortisBC Energy and as determined by FortisBC Energy to be suitable for the LNG Transportation Service requested by the Customer; and

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## Table of Charges for LNG Service

All sales and service taxes, carbon tax and any future new taxes, are extra and shall be applied as applicable.

**2019 LNG Facility Charge** \$ 3.94/GJ

**2019 Electricity Surcharge** \$ 0.98/GJ

### Commodity Related Charges per Gigajoule

**Storage and Transport Charge** \$ 1.029/GJ

**Rider 6** \$ (0.016)/GJ

Subtotal of **Storage and Transport** Related Charges **\$ 1.013/GJ**

**Cost of Gas**<sup>1</sup> (Commodity Cost Recovery Charge) \$ 1.549/GJ

**Cost of Biomethane** (Biomethane Energy Recovery Charge)<sup>2, 3</sup> \$ 10.287/GJ

**2019 LNG Spot Charge** \$ 5.17/GJ

**LNG Facility Charges, Electricity Surcharges, and LNG Spot Charges for 2020 and thereafter** Per Note 3

### Storage and Transport Related Riders

**Rider 6** **Midstream Cost Reconciliation Account** - Applicable to Mainland and Vancouver Island Service Area Customers, excluding Revelstoke, for the Year ending December 31, 2019.

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**Notes:**

1. The Cost of Gas is based on the calculation of 100% of a Customer's consumption in Gigajoules, minus the percentage of a Customer's selection of Biomethane measured in Gigajoules, multiplied by the Cost of Gas (Commodity Cost Recovery Charge) per Gigajoule. For example, if a Customer selects 30% Biomethane, the Cost of Gas will be calculated on 70% (100% - 30%) of a Customer's consumption.

The percentage of Biomethane of a Customer's Gas usage available to Customers is set by FortisBC Energy and includes a range between 5% of Biomethane and 100% of Biomethane, increasing by increments of 5%.

2. The Cost of Biomethane is based on the calculation of a Customer's selection of the percentage of Biomethane measured in Gigajoules, multiplied by the Cost of Biomethane (Biomethane Energy Recovery Charge) per Gigajoule.

3. The Cost of Biomethane (Biomethane Energy Recovery Charge) per Gigajoule has been determined in accordance with Section 28.4 (Price Determination) in the General Terms and Conditions of FortisBC Energy). The Cost of Biomethane effective January 1, 2019 equals the sum of:

(i)	The British Columbia Utilities Commission approved January 1st Commodity Cost Recovery Charge per Gigajoule	\$ 1.549
(ii)	The current British Columbia carbon tax applicable to conventional natural gas Customers per Gigajoule	\$ 1.738
(iii)	Other taxes applicable to conventional natural gas sales per Gigajoule	\$ 0.000
(iv)	A premium of \$7.00 per Gigajoule	\$ <u>7.000</u>
(v)	<b>Total Cost of Biomethane per Gigajoule</b>	<b>\$ 10.287</b>

4. **LNG Facility Charges, Electricity Surcharges, and LNG Spot Charges for 2020 and beyond** - The LNG Facility Charges, Electricity Surcharges, and LNG Spot Charges for 2020 and thereafter will be determined by taking the charges, which are expressed in 2019 dollars, and resetting and adjusting those charges annually on January 1 in accordance with (1) below.

- (1) The charges, which are presented in 2019 dollars, will be reset and adjusted annually as follows:

- (a) The LNG Facility Charge shall be escalated annually at the greater of 2% or the British Columbia Consumer Price Index.

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- (b) The Electricity Surcharge shall be adjusted by a 2% increase in 2015 and each subsequent year until and including the next annual rate update for this Rate Schedule after the Available LNG capacity exceeds 20,000 Gigajoules per Day, but thereafter shall be adjusted based upon the estimated prior year electricity use per Gigajoule of LNG output of the LNG Facilities and approved interim or permanent BC Hydro rate increases incurred at the LNG Facilities.
- (c) The LNG Spot Charge is \$0.25/GJ greater than the sum of the LNG Facility Charge and adjusted Electricity Surcharge, as adjusted under (a) and (b) above.
5. The charges for transporting natural gas from the Interconnection Point to the LNG Facilities, defined as “firm demand toll” and as set out in Table of Charges in FortisBC Energy Rate Schedule 50, are embedded in the LNG Facility Charge in this Rate Schedule.
6. Process Fuel Gas is applied as set out in section 8.1 (i) (B).

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## Definitions

Unless the context indicates otherwise, in the General Terms and Conditions of FortisBC Energy and in the rate schedules of FortisBC Energy the following words have the following meanings:

<b><i>Application Charge</i></b>	Means the applicable charges as set out in the Standard Charges Schedule.
<b><i>Basic Charge</i></b>	Means a fixed charge required to be paid by a Customer for Service as specified in the applicable Rate Schedule, or the prorated daily equivalent charge – calculated on the basis of a 365.25-day year (to incorporate the leap year), and rounded to four decimal places.
<b><i>Biogas</i></b>	Means raw gas substantially composed of methane that is produced by the breakdown of organic matter in the absence of oxygen.
<b><i>Biomethane</i></b>	Means Biogas purified or upgraded to pipeline quality gas, also referred to as renewable natural gas.
<b><i>Biomethane Service</i></b>	Means the Service provided to Customers under Rate Schedules 1B for Residential Biomethane Service, 2B for Small Commercial Biomethane Service, 3B for Large Commercial Biomethane Service, 5B for General Firm Biomethane Service, 11B for Large Volume Interruptible Biomethane Service, 30 for Off-System Interruptible Biomethane Sales, 46 for Liquefied Natural Gas Sales, Dispensing and Transportation Service or Long Term Biomethane Contracts.
<b><i>British Columbia Utilities Commission</i></b>	<p>Means the British Columbia Utilities Commission constituted under the <i>Utilities Commission Act</i> of British Columbia and includes and is also a reference to</p> <p>(a) any commission that is a successor to such commission, and</p> <p>(b) any commission that is constituted pursuant to any statute that may be passed which supplements or supersedes the <i>Utilities Commission Act</i> of British Columbia.</p>

C/N

## **28. Biomethane Service**

### **28.1 Notional Gas**

Customers must recognize that the location of generation facilities will determine where Biomethane will physically be introduced to the FortisBC Energy System and that Customers receiving Biomethane Service may not receive actual Biomethane at their Premises, but may instead be contributing to the cost for FortisBC Energy to deliver an amount of Biomethane proportionate to the Customer's Gas usage into the FortisBC Energy System.

### **28.2 Biomethane Physical Delivery**

Customers located in the vicinity of Biomethane generation facilities may receive Biomethane as a component of Gas in such proportion as FortisBC Energy determines in its sole discretion.

### **28.3 Reduced Supply**

Customers must recognize that the production of Biomethane is subject to biological processes and production levels may fluctuate. Customers registered for Biomethane Service for applicable Rate Schedules 1B, 2B, 3B and 5B, agree that in the event that Biomethane production does not provide sufficient gas supply, FortisBC Energy may purchase Carbon Offsets at a price not to exceed the funding received from Customers registered for Biomethane Service.

### **28.4 Price Determination**

Customers registered for Biomethane Service will be billed for Gas pursuant to their applicable Rate Schedule or Long Term Biomethane Contract.

- (a) For those Customers who have entered into a Service Agreement with FortisBC Energy for Biomethane under Rate Schedule 1B, Rate Schedule 2B, Rate Schedule 3B, Rate Schedule 5B, Rate Schedule 11B or Rate Schedule 46, the cost of Biomethane will be the sum of:
- (i) the British Columbia Utilities Commission approved January 1<sup>st</sup> Commodity Cost Recovery Charge per Gigajoule;
  - (ii) the current British Columbia carbon tax applicable to conventional natural gas Customers;
  - (iii) any other taxes applicable to conventional natural gas sales; and

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- (iv) a premium of \$7.00 per Gigajoule.
- (b) For those Customers who have entered into a Long Term Biomethane Contract, the cost of Biomethane, at the time the Long Term Biomethane Contract is entered into, will be calculated as the highest of:
  - (i) a \$1.00 per Gigajoule discount from the price determination calculated in Section 28.4(a) above;
  - (ii) \$10.00 per Gigajoule; or
  - (iii) in any period beyond year five of a Long Term Biomethane Contract, the sum of:
    - a. the British Columbia Utilities Commission approved January 1<sup>st</sup> Commodity Cost Recovery Charge per Gigajoule;
    - b. the current British Columbia carbon tax applicable to conventional natural gas Customers; and
    - c. any other taxes applicable to conventional natural gas sales.

#### 28.5 Biomethane Customers

Customers registered for Biomethane Service will be charged a Biomethane Energy Recovery Charge based on a calculation that will deem the Customer's Gas usage to be a percentage of Biomethane and a percentage of conventional natural gas as elected by the Customer and determined by FortisBC Energy. Applicable Rate Schedules will be reviewed and updated quarterly with regard to the price of conventional natural gas and updated annually with regard to the price of Biomethane, with rate changes subject to British Columbia Utilities Commission approval.

#### 28.6 Enrolment

In the event a Customer enters into a Service Agreement with FortisBC Energy for Biomethane Service under Rate Schedule 1B, Rate Schedule 2B, Rate Schedule 3B, Rate Schedule 5B or Rate Schedule 46, the following terms and conditions will apply:

- (a) **Notice** – the Customer must provide notification to FortisBC Energy that he or she wishes to receive Biomethane Service, and FortisBC Energy will provide confirmation to the Customer once the Customer is registered for Biomethane Service.
- (b) **Eligibility** – the number of Customers eligible to receive Biomethane Service will be limited and the determination of eligibility will be made by FortisBC Energy in its discretion, acting reasonably.

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- (c) **Change in Rate** - Customers registered for Biomethane Service will be charged for Gas at the rates set out in Rate Schedule 1B, Rate Schedule 2B, Rate Schedule 3B, Rate Schedule 5B or Rate Schedule 46. FortisBC Energy will use reasonable efforts to switch Customers to Rate Schedule 1B, Rate Schedule 2B, Rate Schedule 3B, Rate Schedule 5B or Rate Schedule 46 in a timely manner. However, Rate Schedule 1B, Rate Schedule 2B, Rate Schedule 3B, Rate Schedule 5B or Rate Schedule 46 rates will only be commenced on the first day of a Month, therefore, Customers registered for Biomethane Service within one (1) week on the last day of a Month may not be switched to Rate Schedule 1B, Rate Schedule 2B, Rate Schedule 3B, Rate Schedule 5B or Rate Schedule 46 until five (5) weeks after their registration date.
- (d) **Availability of Biomethane Service** – Subject to availability specified in each applicable Rate Schedule, Biomethane Service is available in all FortisBC Energy Service Areas, provided adequate capacity exists on FortisBC Energy's System. Entry dates for commencing Biomethane Service will be the first day of each month. The number of Customers that may enrol in Biomethane Service under the applicable Rate Schedule for a given entry date may be limited. In the event that there is a limit to the total number of Customers that may be enrolled in Biomethane Service under the applicable Rate Schedule for a particular entry date, enrolments will be processed on a "first come, first served" basis, based on the date of application.
- (e) **Moving** – If a Customer registered for Biomethane Service moves to a new Premises where the Biomethane Service remains available under the applicable Rate Schedule, that Customer may remain registered for Biomethane Service at the new Premises.
- (f) **Switching Back to FortisBC Energy Standard Rate Schedule** – Customers may at any time request to terminate Biomethane Service and be returned to an applicable FortisBC Energy Rate Schedule. On receiving notice that a Customer wishes to terminate Biomethane Service, FortisBC Energy will return that Customer to the applicable FortisBC Energy Rate Schedule in accordance with the FortisBC Energy General Terms and Conditions.
- (g) **Switching to a Gas Marketer Contract** – Customers may at any time request to terminate Biomethane Service and receive their commodity from a Gas Marketer. On receiving notice that a Customer has entered into an agreement with a Gas Marketer, FortisBC Energy will process this request in accordance with Section 27 (Commodity Unbundling Service).
- (h) **Program Termination** – FortisBC Energy reserves the right to remove and/or terminate Customers from Biomethane Service at any time.

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