



July 16, 2020

Sent via email

Mr. Doug Slater
Director, Regulatory Affairs
FortisBC Energy Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8
gas.regulatory.affairs@fortisbc.com

Re: FortisBC Energy Inc. – Application regarding its Revised 2020 Second Quarter Gas Cost Report and Rate Changes effective August 1, 2020 for the Fort Nelson Service Area – G-190-20

Dear Mr. Slater:

On July 9, 2020, FortisBC Energy Inc. (FEI) filed with the British Columbia Utilities Commission (BCUC) its Revised 2020 Second Quarter Report for Fort Nelson service area (Revised Report), pursuant to Letter L-34-20 dated June 19, 2020. The Revised Report includes details of regarding the Gas Cost Reconciliation Account (GCRA) and the Commodity Cost Recovery Charge (CCRC). The Revised Report also provides FEI's request to increase the Commodity Cost Recovery Charge (CCRC) by \$0.647 per gigajoule (\$/GJ) from \$1.048/GJ to \$1.965/GJ, effective August 1, 2020, pursuant to section 61(4) of the *Utilities Commission Act* (UCA).

The BCUC has reviewed the Revised Report within the context of the quarterly gas costs review and rate setting mechanism guidelines pursuant to Letters L-5-01 and L-40-11 (the Guidelines). By Order G-190-20, the BCUC approves FEI's request. In approving the rate increase, the BCUC notes that a flexible approach to setting quarterly gas costs for the Fort Nelson service area remains necessary.

When submitting the next quarterly gas cost report, the BCUC requires that, in addition to presenting a rate change proposal based on the Guidelines, FEI provides alternative proposals to managing the GCRA, including the following:

- An alternative where the minimum criteria required to trigger a rate change is met, specifically: i) the recovery-to-cost ratio is reset to 95% of the deadband range rather than 100%; and ii) the price change is equal to a minimum of +/- \$0.50/GJ; and
- Any other alternatives as appropriate.

Sincerely,

Marija Tresoglavic
Acting Commission Secretary

RQ/jo



ORDER NUMBER
G-190-20

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

and

FortisBC Energy Inc.
Application regarding its Revised 2020 Second Quarter Gas Cost Report
and Rate Changes effective August 1, 2020
for the Fort Nelson Service Area

BEFORE:

B. A. Magnan, Commissioner
C. Brewer, Commissioner
T. A. Loski, Commissioner
R. I. Mason, Commissioner

on July 16, 2020

ORDER

WHEREAS:

- A. On July 9, 2020, FortisBC Energy Inc. (FEI) filed its Revised 2020 Second Quarter Report on the Gas Cost Reconciliation Account (GCRA) and Commodity Cost Recovery Charge (CCRC) for the Fort Nelson Service Area (Fort Nelson) based on a five-day average of June 22, 23, 24, 25, and 26, 2020 forward gas prices (Revised Second Quarter Report);
- B. The British Columbia Utilities Commission (BCUC) established guidelines for gas cost rate setting in Letter L-5-01 dated February 5, 2001, and further modified the guidelines in Letter L-40-11 dated May 19, 2011 (together the Guidelines). Letter L-5-01 also states that the Guidelines are a general guideline only, and that nothing in the Guidelines precludes a utility from filing applications for rate changes at times other than those suggested by the Guidelines or proposing alternate treatment of the GCRA balance in unusual circumstances;
- C. By Order G-128-19, the BCUC established the current Commodity Cost Recovery Charge for the Fort Nelson Service Area at \$1.048 per gigajoule (\$/GJ) effective July 1, 2019;
- D. By Order G-48-20 dated March 12, 2020, the BCUC approved an \$0.815/GJ increase in the CCRC, from \$1.048/GJ to \$1.863/GJ, effective April 1, 2020. However, by Order G-64-20 dated March 26, 2020, in response to the global COVID-19 pandemic, the State of Emergency in British Columbia, and the impact on British Columbians, the BCUC approved FEI's request to rescind Order G-48-20 to maintain the existing CCRC of \$1.048/GJ, effective April 1, 2020, and to defer any gas cost increases at that time;

- E. By Letter L-34-20, the BCUC accepted FEI's request to maintain the existing CCRC at \$1.048/GJ, effective July 1, 2020; and submit a revised gas cost report based on updated forward prices no later than July 10, 2020, with proposed changes to the CCRC to be effective August 1, 2020;
- F. In the Revised Second Quarter Report, using the five-day average forward prices ending June 26, 2020, the after-tax balance of the GCRA is projected to change from a deficit balance of \$31,188 at July 31, 2020. FEI calculates the GCRA recovery-to-cost ratio to be 43.0 percent for the following 12 months. The tested rate increase related to the forecast under recovery of costs is calculated at \$1.391/GJ, which falls outside the minimum rate change threshold set out in the Guidelines, and indicates that a rate change to the CCRC is required, effective August 1, 2020;
- G. FEI proposed an alternative to increase the CCRC by \$0.647/GJ, from \$1.048/GJ to \$1.695/GJ, effective August 1, 2020, rather than the normal rate-setting mechanism as set out in the Guidelines;
- H. The proposed rate increase of \$0.647/GJ would increase the total annual bill for a typical Fort Nelson residential customer with an average annual consumption of 125 gigajoules by approximately \$81 or 10 percent; and
- I. The BCUC reviewed the Revised Second Quarter Report and considers that an increase to the CCRC is warranted.

NOW THEREFORE pursuant to section 61(4) of the *Utilities Commission Act*, the BCUC orders as follows:

1. The BCUC approves the Commodity Cost Recovery Charge applicable to the Sales Rate Classes in the Fort Nelson Service Area to increase by \$0.647/GJ, from \$1.048/GJ to \$1.695/GJ, effective August 1, 2020.
2. FEI will notify all customers that are affected by the rate changes with a bill insert or bill message to be included with the next monthly gas billing.
3. The BCUC will hold confidential the information in Tab 3 of the Revised 2020 Second Quarter Report, as requested by FEI, as it contains market-sensitive information.
4. FEI is directed to file with the BCUC revised tariff pages within 15 days of this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 16th day of July 2020.

BY ORDER



B. A. Magnan
Commissioner