



VIA E FILING

April 22, 2016

FEI BERC RATE METHODOLOGY
EXHIBIT A-9

To: FortisBC Energy Inc.
Registered Interveners

Re: FortisBC Energy Inc.
Application for Approval of Biomethane Energy Recovery Charge Rate Methodology

By Order G-181-15, the British Columbia Utilities Commission (Commission) established the remainder of the regulatory timetable for the FortisBC Energy Inc. (FEI) Application for Approval of Biomethane Energy Recovery Charge (BERC) Rate Methodology (Application). By February 23, 2016, the Commission received final argument from FEI and registered interveners on the Application.

In its Application, among other items, FEI proposes to change the BERC from the existing cost of service rate to a market-based rate based on the price customers pay for conventional natural gas. More specifically, FEI is seeking approval of a BERC rate equal to the sum of FEI's Commodity Cost Recovery Charge (also referred to as the Commodity Cost Reconciliation Account [CCRA] rate in the Application) and the carbon tax applicable to natural gas customers (together defined as the Price of Conventional Gas) plus a \$7 premium for its Short Term Contract offering, and a BERC rate with a \$1 discount off the Short Term Contract offering for the Long Term Contract offering.

The Panel is reviewing the Application and is considering whether requiring a floor price for each of the two proposed BERC rate offerings is appropriate. If the Panel finds that a primary objective of the BERC rate methodology is to maximize revenue from Renewable Natural Gas (RNG) customers, then the Panel is considering whether a floor price may be appropriate to apply to the Short Term Contract offering BERC rate, and by extension the Long Term Contract offering BERC rate, particularly in light of the decrease in CCRA rate that has occurred since the Application was filed in August 2015. The CCRA rate as of August 28, 2015, the date the Application was filed, was \$2.486/GJ which would yield a Short Term Contract offering BERC rate of \$10.976/GJ in contrast to the current CCRA rate of \$1.141/GJ which would result in a Short Term Contract offering BERC rate of \$9.631/GJ.

Possible mechanisms to establish a floor price include:

- i. a fixed discount off the BERC rate as that rate is currently calculated;
- ii. a percentage discount off the BERC rate as that rate is currently calculated; or
- iii. some other mechanism.

The Panel is also considering whether it is appropriate to apply a floor price to the Long Term Contract offering during the duration of each long term contract, to ensure parties to a long term contract do not pay a price for RNG that is less than the then current Price of Conventional Gas for any period of time during the term of the contract.

Participants may wish to consider the following examples:

Customer pays the greater of (a) or (b)	(a) BEREC rate calculated from premium added to Price of Conventional Gas on applicable January 1st	(b) Floor Price
Short Term Contract offering	A premium of \$7 (or some other amount) added to the Price of Conventional Gas	A defined floor price that may be set: <ul style="list-style-type: none"> a) A fixed dollar amount (e.g. \$10.976/GJ) until subsequently adjusted; b) Annually as a percentage off the cost based BEREC rate as determined using the current rate setting methodology (e.g. the BEREC rate as calculated each January 1st less 20%) c) Annually as a fixed discount off the cost based BEREC rate as determined using the current rate setting methodology (e.g. the BEREC rate as calculated each January 1st less \$4.50) d) Some other methodology
Long Term Contract offering	The Short Term Contract offering less a discount of \$1 (or some other amount) plus escalation, if applicable, over term of contract.	A defined floor price that may be: <ul style="list-style-type: none"> a) Applicable for the duration of the contract. b) Applicable only at the time of contract signing.

The Panel is also considering whether it is appropriate for a market based BEREC rate to potentially recover more than the cost of the biomethane supply and biomethane program costs and, if it were found to be inappropriate, whether the Commission Panel should consider finding that the Short Term Contract offering BEREC rate should be bounded by a ceiling price that is:

- i. equal to the cost based BEREC rate as determined using the current rate setting methodology;
- ii. the greater of the cost based BEREC rate as determined using the current rate setting methodology and the Price of Conventional Gas; or
- iii. some other mechanism.

The Commission will provide the opportunity for FEI and registered interveners to file supplemental argument as to whether price floors and ceilings may be warranted in addition to the FEI proposed methodology as stated in the Application.

FEI and registered interveners are to notify the Commission if they wish to file evidence in regard to the appropriateness and nature of price floors and ceilings by **Thursday, April 28, 2016**. Parties are requested to address the nature of the evidence they intend to file and the estimated preparation time required. In the event parties indicate they wish to file evidence, the Commission may issue an order with a supplementary regulatory

timetable to accommodate the filing and examination of the evidence and the submission of supplemental argument.

Alternatively, if no parties wish to file evidence, the Commission will issue an order providing for the submission of supplemental argument in regard to the appropriateness and nature of price floors and ceilings. The timeline for submission of supplemental argument in this case is anticipated to commence in the first week of May.

Yours truly,

Original signed by:

Laurel Ross
CM/kbb