

August 29, 2012

British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

**Re: FortisBC Energy Inc. (“FEI” or the “Company”) – Fort Nelson Service Area
Gas Cost Reconciliation Account (“GCRA”) and Gas Cost Recovery Rates
2012 Third Quarter Gas Cost Report**

The attached materials provide the FEI 2012 Third Quarter Gas Cost Report for the Fort Nelson service area (“Fort Nelson”) as required under British Columbia Utilities Commission (the “Commission”) guidelines.

Based on the five-day average of the August 13, 14, 15, 16, and 17, 2012 forward prices for natural gas (“five-day average forward prices ending August 17, 2012”), the September 30, 2012 GCRA deferral balance is projected to be approximately \$119,600 deficit after tax (Tab 1, Page 2, Column 2, Line 28). Further, based on the five-day average forward prices ending August 17, 2012, the gas purchase cost assumptions, and the forecast gas cost recoveries at present rates for the 12-month period ending September 30, 2013, and accounting for the projected September 30, 2012 deferral balance, the GCRA ratio is calculated to be 94.8% (Tab 1, Page 1, Column 3, Line 10). The tested rate change related to the forecast recovery of gas costs and the amortization of the projected September 30, 2012 deferral balance over the prospective 12-month period is calculated as a rate increase in the amount of \$0.195/GJ (Tab 1, Page 1, Column 5, Line 30). Although the trigger ratio falls slightly outside the 95% to 105% deadband, the tested rate increase is well below the minimum \$0.50/GJ rate change threshold under the Commission guidelines, indicating that a rate change is not required at this time.

A summary of the forward prices is provided on Tab 1, Page 4, and a summary of the recorded and forecast monthly GCRA balances is provided on Tab 1, Page 5.

Provided in Tab 2 are the details of the forecast gas costs for Fort Nelson. The Company requests the information contained in Tab 2 be treated as CONFIDENTIAL.

CONFIDENTIALITY

Consistent with past practice and previous discussions and positions on the confidentiality of selected filings (and further emphasized in the Company’s January 31, 1994 submission to

the Commission) FEI is requesting that this information be filed on a confidential basis pursuant to Section 71(5) of the *Utilities Commission Act* and requests that the Commission exercise its discretion under Section 6.0 of the Rules for Natural Gas Energy Supply Contracts and allow these documents to remain confidential. FEI believes this will ensure that market sensitive information is protected, and FEI's ability to obtain favourable commercial terms for future gas contracting is not impaired.

In this regard, FEI further believes that the Core Market could be disadvantaged and may well shoulder incremental costs if utility gas supply procurement strategies as well as contracts are treated in a different manner than those of other gas purchasers, and believes that since it continues to operate within a competitive environment, there is no necessity for public disclosure and risk prejudice or influence in the negotiations or renegotiation of subsequent contracts.

In summary, the Company proposes that the gas cost recovery rates for Fort Nelson remain unchanged at October 1, 2012. The Company will continue to monitor the forward prices and will report these results in the 2012 Fourth Quarter Gas Cost Report.

We trust the Commission will find the attached to be in order. However, should any further information be required, please contact Brian Noel at 604-592-7467.

All of which is respectfully submitted.

Yours very truly,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

FORTISBC ENERGY INC. - FORT NELSON SERVICE AREA
GAS COST RECONCILIATION ACCOUNT ("GCRA") RATE CHANGE TRIGGER MECHANISM
FOR THE PERIOD OCTOBER 1, 2012 TO SEPTEMBER 30, 2013
WITH EXISTING APRIL 1, 2012 GAS COST RECOVERY RATES
FIVE-DAY AVERAGE FORWARD PRICES - AUGUST 13, 14, 15, 16, AND 17, 2012

Line No.	Particulars	Annual (\$000)	Percentage	Volume (TJ)	Unit Cost (\$/GJ)
	(1)	(2)	(3)	(4)	(5)
1	<u>RATE CHANGE TRIGGER MECHANISM</u>				
2	Projected Grossed-up GCRA Balance as at September 30, 2012	\$ 159.4			
3	(Tab 1, Page 2, Col 2, Line 21)				
4					
5	Forecast Incurred Gas Costs - October 2012 to September 2013	\$ 2,030.2			
6	(Tab 1, Page 2, Col 14, Line 16)				
7	Forecast Recovered Gas Costs - October 2012 to September 2013	\$ 2,075.6			
8	(Tab 1, Page 2, Col 14, Line 7)				
9					
10	Ratio = $\frac{\text{Forecast Recovered Gas Costs}}{\text{Forecast Incurred Gas Costs} + \text{Projected GCRA Balance}}$	= \$ 2,075.6			
11		= \$ 2,189.6	=	<u>94.8%</u>	
12					
13					
14					
15					
16	<u>BALANCING REQUIREMENT</u>				
17	(applicable when Rate Change Trigger Mechanism Ratio falls outside 95% to 105% deadband and outside ± \$0.50/GJ threshold)				
18					
19					
20	TESTED RATE				
21					
22	Forecast 12 Month Sales Recovery Volumes October 2012 to September 2013			583.6	
23	(Tab 1, Page 2, Col 14, Line 2)				
24					
25	Projected GCRA Balance at September 30, 2012 (Line 2)	\$ 159.4			\$ 0.2732 ^(1*)
26	Forecast GCRA Activities - October 2012 to September 2013 (Line 5 minus Line 7)	(45.5)			\$ (0.0779) ^(1*)
27	(Over) / Under Recovery at Existing Rates	<u>\$ 114.0</u>			
28					
29					
30	Proposed Rate (Decrease) / Increase				<u>\$ 0.195</u> ^(1*)

Notes: Slight differences in totals due to rounding.

Pre-tax opening balances are restated based on current income taxes, to reflect grossed-up after tax amounts.

(1*) Gas cost recovery rates in tariff are set at 3 decimal places . Individual rate components are shown to 4 decimal places.

**FORTISBC ENERGY INC. - FORT NELSON SERVICE AREA
RECOVERED AND INCURRED COSTS SUMMARY
FOR THE PERIOD OCTOBER 1, 2012 TO SEPTEMBER 30, 2013
WITH EXISTING APRIL 1, 2012 GAS COST RECOVERY RATES
FIVE-DAY AVERAGE FORWARD PRICES - AUGUST 13, 14, 15, 16, AND 17, 2012**

Line No.	Particulars	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	1-12 month Forecast Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1	RECOVERED GAS COSTS													
2	Total Sales - TJ	41.7	66.8	84.1	98.3	74.2	73.4	45.6	26.3	19.3	14.0	14.9	25.0	583.6
3	T-Service UAF - TJ	-	0.0	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	-	0.5
4														
5	Recovery on Sales - \$000	\$ 148.2	\$ 237.2	\$ 298.8	\$ 349.4	\$ 263.6	\$ 260.6	\$ 162.1	\$ 93.6	\$ 68.5	\$ 49.7	\$ 52.9	\$ 88.8	\$ 2,073.5
6	Recovery on T-Service UAF - \$000	-	0.1	0.3	0.5	0.5	0.4	0.3	0.1	0.0	0.0	0.0	-	2.1
7	Total Forecast Recovered Gas Costs - \$000	<u>\$ 148.2</u>	<u>\$ 237.3</u>	<u>\$ 299.1</u>	<u>\$ 349.9</u>	<u>\$ 264.1</u>	<u>\$ 261.0</u>	<u>\$ 162.3</u>	<u>\$ 93.6</u>	<u>\$ 68.5</u>	<u>\$ 49.7</u>	<u>\$ 52.9</u>	<u>\$ 88.8</u>	<u>\$ 2,075.6</u>
8														
9														
10														
11	INCURRED GAS COSTS													
12	Total Purchases incl. all UAF - TJ	42.1	67.4	85.0	99.5	75.1	74.2	46.1	26.6	19.5	14.1	15.0	25.3	590.0
13														
14	Incurred Cost - \$/GJ	2.8951	3.5002	3.6971	3.6977	3.7109	3.6915	2.9213	2.9511	2.9976	3.0529	3.0548	3.0393	3.4411
15														
16	Forecast Incurred Gas Costs - \$000	<u>\$ 122.0</u>	<u>\$ 236.1</u>	<u>\$ 314.3</u>	<u>\$ 367.8</u>	<u>\$ 278.6</u>	<u>\$ 273.8</u>	<u>\$ 134.8</u>	<u>\$ 78.6</u>	<u>\$ 58.4</u>	<u>\$ 43.2</u>	<u>\$ 45.9</u>	<u>\$ 76.7</u>	<u>\$ 2,030.2</u>
17														
18														
19														
20	GCRA BALANCE													
21	Opening Balances (Pre-Tax) - \$000 ^(1*)	\$ 159.4	\$ 133.2	\$ 132.0	\$ 147.2	\$ 165.1	\$ 179.5	\$ 192.4	\$ 164.8	\$ 149.7	\$ 139.6	\$ 133.0	\$ 126.0	
22	Forecast Activity - \$000	(26.2)	(1.2)	15.2	17.8	14.4	12.9	(27.5)	(15.1)	(10.1)	(6.6)	(7.0)	(12.1)	(45.5)
23	Closing Balances (Pre-tax) - \$000	<u>\$ 133.2</u>	<u>\$ 132.0</u>	<u>\$ 147.2</u>	<u>\$ 165.1</u>	<u>\$ 179.5</u>	<u>\$ 192.4</u>	<u>\$ 164.8</u>	<u>\$ 149.7</u>	<u>\$ 139.6</u>	<u>\$ 133.0</u>	<u>\$ 126.0</u>	<u>\$ 114.0</u>	
24														
25														
26	Tax Rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	
27														
28	Opening Balances (After-Tax) - \$000	<u>\$ 119.6</u>	<u>\$ 99.9</u>	<u>\$ 99.0</u>	<u>\$ 110.4</u>	<u>\$ 123.8</u>	<u>\$ 134.6</u>	<u>\$ 144.3</u>	<u>\$ 123.6</u>	<u>\$ 112.3</u>	<u>\$ 104.7</u>	<u>\$ 99.8</u>	<u>\$ 94.5</u>	
29	Closing Balances (After Tax) - \$000	<u>\$ 99.9</u>	<u>\$ 99.0</u>	<u>\$ 110.4</u>	<u>\$ 123.8</u>	<u>\$ 134.6</u>	<u>\$ 144.3</u>	<u>\$ 123.6</u>	<u>\$ 112.3</u>	<u>\$ 104.7</u>	<u>\$ 99.8</u>	<u>\$ 94.5</u>	<u>\$ 85.5</u>	

Notes: Slight differences in totals due to rounding.

(1*) Pre-tax opening balances are restated based on current income taxes, to reflect grossed-up after tax amounts.

**FORTISBC ENERGY INC. - FORT NELSON SERVICE AREA
RECOVERED AND INCURRED COSTS SUMMARY
FOR THE PERIOD OCTOBER 1, 2013 TO SEPTEMBER 30, 2014
WITH EXISTING APRIL 1, 2012 GAS COST RECOVERY RATES
FIVE-DAY AVERAGE FORWARD PRICES - AUGUST 13, 14, 15, 16, AND 17, 2012**

Line No.	Particulars	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	13-24 month Forecast Total
	(1)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
1	RECOVERED GAS COSTS													
2	Total Sales - TJ	42.3	67.8	85.4	100.0	75.4	74.5	46.3	26.7	19.6	14.2	15.1	25.5	592.7
3	T-Service UAF - TJ	-	0.0	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	-	0.5
4														
5	Recovery on Sales - \$000	\$ 150.4	\$ 241.0	\$ 303.3	\$ 355.2	\$ 267.8	\$ 264.8	\$ 164.5	\$ 94.9	\$ 69.5	\$ 50.4	\$ 53.7	\$ 90.5	\$ 2,106.0
6	Recovery on T-Service UAF - \$000	-	0.1	0.3	0.5	0.5	0.4	0.3	0.1	0.0	0.0	0.0	-	2.1
7	Total Forecast Recovered Gas Costs - \$000	<u>\$ 150.4</u>	<u>\$ 241.1</u>	<u>\$ 303.6</u>	<u>\$ 355.7</u>	<u>\$ 268.3</u>	<u>\$ 265.2</u>	<u>\$ 164.8</u>	<u>\$ 95.0</u>	<u>\$ 69.5</u>	<u>\$ 50.4</u>	<u>\$ 53.7</u>	<u>\$ 90.5</u>	<u>\$ 2,108.1</u>
8														
9														
10														
11	INCURRED GAS COSTS													
12	Total Purchases incl. all UAF - TJ	42.8	68.5	86.3	101.1	76.2	75.4	46.8	27.0	19.8	14.3	15.3	25.7	599.2
13														
14	Incurred Cost - \$/GJ	3.0563	3.7623	3.9260	3.9556	3.9515	3.8897	3.1715	3.1852	3.2227	3.2895	3.3373	3.3178	3.6770
15														
16	Forecast Incurred Gas Costs - \$000	<u>\$ 130.7</u>	<u>\$ 257.8</u>	<u>\$ 338.8</u>	<u>\$ 399.9</u>	<u>\$ 301.3</u>	<u>\$ 293.2</u>	<u>\$ 148.5</u>	<u>\$ 86.0</u>	<u>\$ 63.7</u>	<u>\$ 47.1</u>	<u>\$ 51.0</u>	<u>\$ 85.3</u>	<u>\$ 2,203.4</u>
17														
18														
19														
20	GCRA BALANCE													
21	Opening Balances (Pre-Tax) - \$000 ^(1*)	\$ 114.0	\$ 94.2	\$ 111.0	\$ 146.2	\$ 190.4	\$ 223.4	\$ 251.4	\$ 235.2	\$ 226.2	\$ 220.3	\$ 217.1	\$ 214.3	
22	Forecast Activity - \$000	(19.7)	16.7	35.2	44.2	33.0	28.0	(16.2)	(9.0)	(5.8)	(3.3)	(2.8)	(5.1)	95.2
23	Closing Balances (Pre-tax) - \$000	<u>\$ 94.2</u>	<u>\$ 111.0</u>	<u>\$ 146.2</u>	<u>\$ 190.4</u>	<u>\$ 223.4</u>	<u>\$ 251.4</u>	<u>\$ 235.2</u>	<u>\$ 226.2</u>	<u>\$ 220.3</u>	<u>\$ 217.1</u>	<u>\$ 214.3</u>	<u>\$ 209.2</u>	
24														
25														
26	Tax Rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	
27														
28	Opening Balances (After-Tax) - \$000	\$ 85.5	\$ 70.7	\$ 83.2	\$ 109.6	\$ 142.8	\$ 167.6	\$ 188.6	\$ 176.4	\$ 169.6	\$ 165.3	\$ 162.8	\$ 160.7	
29	Closing Balances (After Tax) - \$000	<u>\$ 70.7</u>	<u>\$ 83.2</u>	<u>\$ 109.6</u>	<u>\$ 142.8</u>	<u>\$ 167.6</u>	<u>\$ 188.6</u>	<u>\$ 176.4</u>	<u>\$ 169.6</u>	<u>\$ 165.3</u>	<u>\$ 162.8</u>	<u>\$ 160.7</u>	<u>\$ 156.9</u>	

Notes: Slight differences in totals due to rounding.

(1*) Pre-tax opening balances are restated based on current income taxes, to reflect grossed-up after tax amounts.

FORTISBC ENERGY INC. - FORT NELSON SERVICE AREA
STATION NO. 2 INDEX FORECAST
FOR THE PERIOD ENDING SEPTEMBER 30, 2014

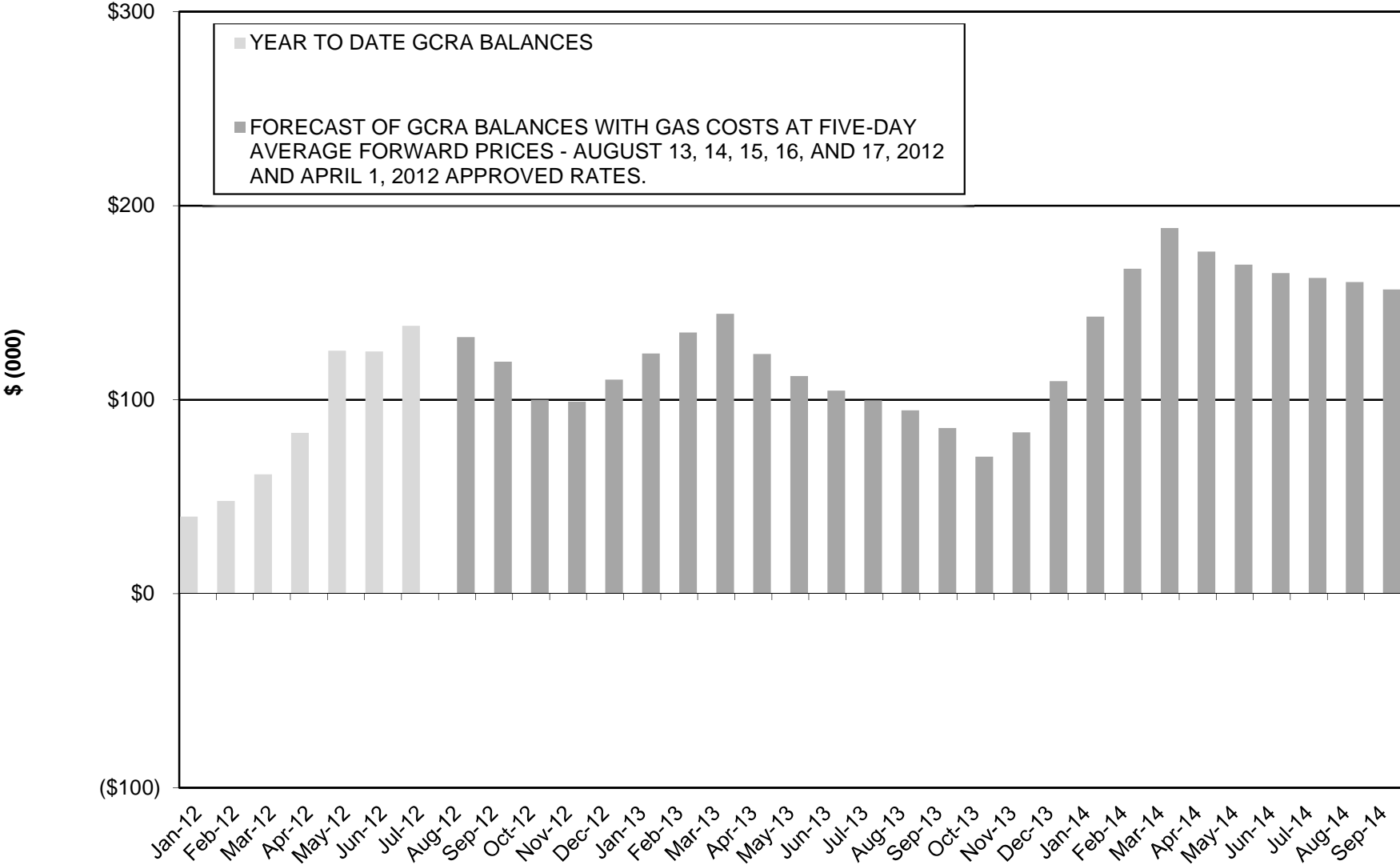
Line No	Particulars	Five-day Average Forward Prices - August 13, 14, 15, 16, and 17, 2012 2012 Q3 Gas Cost Report	Five-day Average Forward Prices - May 14, 15, 16, 17, and 18, 2012 2012 Q2 Gas Cost Report	Change in Forward Prices (4) = (2) - (3)
	(1)	(2)	(3)	(4) = (2) - (3)
1	Station No. 2 Index Prices - \$CDN/GJ			
2	2012 January	\$ 2.28	\$ 2.28	\$ -
3	February	\$ 2.02	\$ 2.02	\$ -
4	March	\$ 1.73	\$ 1.73	\$ -
5	April	\$ 1.51	Recorded \$ 1.51	\$ -
6	May	\$ 1.97	Projected \$ 1.86	\$ 0.11
7	June	\$ 1.77	Forecast \$ 2.04	\$ (0.26)
8	July	\$ 2.22	\$ 2.09	\$ 0.13
9	August	Recorded \$ 2.17	\$ 2.15	\$ 0.01
10	September	Projected \$ 2.05	\$ 2.21	\$ (0.16)
11	October	\$ 2.14	\$ 2.34	\$ (0.20)
12	November	\$ 2.57	\$ 2.70	\$ (0.13)
13	December	\$ 2.89	\$ 3.01	\$ (0.12)
14	<i>Simple Average (Jan, 2012 - Dec, 2012)</i>	\$ 2.11	\$ 2.16	-2.4% \$ (0.05)
15	<i>Simple Average (Apr, 2012 - Mar, 2013)</i>	\$ 2.33	\$ 2.43	-3.9% \$ (0.09)
16	<i>Simple Average (Jul, 2012 - Jun, 2013)</i>	\$ 2.59	\$ 2.72	-4.7% \$ (0.13)
17	<i>Simple Average (Oct, 2012 - Sep, 2013)</i>	\$ 2.77	\$ 2.95	-5.8% \$ (0.17)
18	2013 January	\$ 2.90	\$ 3.08	\$ (0.18)
19	February	\$ 2.92	\$ 3.08	\$ (0.16)
20	March	\$ 2.89	\$ 3.06	\$ (0.17)
21	April	\$ 2.77	\$ 2.98	\$ (0.20)
22	May	\$ 2.79	\$ 2.97	\$ (0.18)
23	June	\$ 2.82	\$ 2.99	\$ (0.17)
24	July	\$ 2.86	\$ 3.04	\$ (0.18)
25	August	\$ 2.87	\$ 3.06	\$ (0.19)
26	September	\$ 2.88	\$ 3.06	\$ (0.18)
27	October	\$ 2.92	\$ 3.11	\$ (0.19)
28	November	\$ 3.18	\$ 3.25	\$ (0.07)
29	December	\$ 3.44	\$ 3.53	\$ (0.10)
30	<i>Simple Average (Jan, 2013 - Dec, 2013)</i>	\$ 2.94	\$ 3.10	-5.3% \$ (0.16)
31	<i>Simple Average (Apr, 2013 - Mar, 2014)</i>	\$ 3.07	\$ 3.21	-4.2% \$ (0.13)
32	<i>Simple Average (Jul, 2013 - Jun, 2014)</i>	\$ 3.18	\$ 3.30	-3.8% \$ (0.12)
33	<i>Simple Average (Oct, 2013 - Sep, 2014)</i>	\$ 3.29		
34	2014 January	\$ 3.49	\$ 3.56	\$ (0.07)
35	February	\$ 3.48	\$ 3.50	\$ (0.02)
36	March	\$ 3.38	\$ 3.45	\$ (0.07)
37	April	\$ 3.22	\$ 3.35	\$ (0.14)
38	May	\$ 3.21	\$ 3.35	\$ (0.14)
39	June	\$ 3.24	\$ 3.39	\$ (0.16)
40	July	\$ 3.28		
41	August	\$ 3.33		
42	September	\$ 3.34		

FORTISBC ENERGY INC. - FORT NELSON SERVICE AREA
GCRA AFTER TAX BALANCES (\$000)
FOR THE PERIOD ENDING SEPTEMBER 30, 2014
WITH EXISTING APRIL 1, 2012 GAS COST RECOVERY RATES

Line No.	Particulars	2012 Q3 Gas Cost Report April 1, 2012 Rates Five-day Average Forward Prices - August 13, 14, 15, 16, and 17, 2012		2012 Q2 Gas Cost Report April 1, 2012 Rates Five-day Average Forward Prices - May 14, 15, 16, 17, and 18, 2012	
		(1)	(2)	(3)	
1	2012 Jan		\$ 39.7 (A)		\$ 39.7 (A)
2	Feb		\$ 47.8 (A)		\$ 47.8 (A)
3	Mar		\$ 61.6 (A)		\$ 61.6 (A)
4	Apr		\$ 82.9 (A)		\$ 82.9 (A)
5	May		\$ 125.3 (A)	Adjusted	\$ 67.9
6	Jun		\$ 124.9 (A)	Projected	\$ 59.3
7	Jul		\$ 138.1 (A)		\$ 53.1
8	Aug		\$ 132.3		\$ 46.9
9	Sep		\$ 119.6		\$ 36.6
10	Oct		\$ 99.9		\$ 21.4
11	Nov		\$ 99.0		\$ 25.5
12	Dec		\$ 110.4		\$ 42.6
13	2013 Jan		\$ 123.8		\$ 65.6
14	Feb		\$ 134.6		\$ 83.1
15	Mar		\$ 144.3		\$ 99.7
16	Apr		\$ 123.6		\$ 84.9
17	May		\$ 112.3		\$ 76.6
18	Jun		\$ 104.7		\$ 71.0
19	Jul		\$ 99.8		\$ 67.6
20	Aug		\$ 94.5		\$ 64.1
21	Sep		\$ 85.5		\$ 57.7
22	Oct		\$ 70.7		\$ 47.9
23	Nov		\$ 83.2		\$ 65.1
24	Dec		\$ 109.6		\$ 98.2
25	2014 Jan		\$ 142.8		\$ 138.0
26	Feb		\$ 167.6		\$ 166.0
27	Mar		\$ 188.6		\$ 191.9
28	Apr		\$ 176.4		\$ 184.3
29	May		\$ 169.6		\$ 180.3
30	Jun		\$ 165.3		\$ 178.1
31	Jul		\$ 162.8		
32	Aug		\$ 160.7		
33	Sep		\$ 156.9		

Notes: (A) Includes volumetric adjustments to match accrued revenues to costs for gas volumes purchased.

FORTISBC ENERGY INC. - FORT NELSON SERVICE AREA
 GCRA AFTER TAX BALANCES BY MONTH
 FOR THE PERIOD ENDING SEPTEMBER 2014





LETTER NO. L-XX-12

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. CANADA V6Z 2N3
TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102
Log No. xxxx

ERICA M. HAMILTON
COMMISSION SECRETARY
Commission.Secretary@bcuc.com
web site: <http://www.bcuc.com>

DRAFT ORDER

VIA E-MAIL

gas.regulatory.affairs@fortisbc.com

September xx, 2012

Ms. Diane Roy
Director, Regulatory Affairs – Gas
FortisBC Energy Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8

Dear Ms. Roy:

Re: FortisBC Energy Inc.
Fort Nelson Service Area
2012 Third Quarter Gas Cost Report

Further to your August 29, 2012 filing of the 2012 Third Quarter Gas Cost Report (the Report) for the Fort Nelson Service Area. The Commission acknowledges receipt of the Report and accepts the recommendation that the gas cost recovery rates remain unchanged at October 1, 2012.

The Commission will hold confidential the information in Tab 2 of the Report.

Yours truly,

Erica M. Hamilton
Commission Secretary