



Diane Roy
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November 5, 2014

Via Email
Original via Mail

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), Gas Cost Recovery Rates,
2014 Fourth Quarter Gas Cost Report**

The attached materials provide the FEI 2014 Fourth 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 October 15, 16, 17, 20, and 21, 2014 forward prices for natural gas (five-day average forward prices ending October 21, 2014), the December 31, 2014 GCRA deferral balance is projected to be approximately \$97.2 thousand deficit after tax (Tab 1, Page 2, Column 2, Line 29). Further, based on the five-day average forward prices ending October 21, 2014, the gas purchase cost assumptions, and the forecast gas cost recoveries at present rates for the 12-month period ending December 31, 2015, and accounting for the projected December 31, 2014 deferral balance, the GCRA ratio is calculated to be 106.3% (Tab 1, Page 1, Column 3, Line 10), which falls outside the 95% to 105% deadband. The tested rate decrease that would produce a 100 percent commodity recovery-to-cost ratio is calculated to be \$0.253/GJ (Tab 1, Page 1, Column 5, Line 30), which falls within the \$0.50/GJ rate change threshold. The results of the two-criteria rate adjustment mechanism indicate 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.

SUMMARY

The Company requests approval for the gas cost recovery rates for Fort Nelson to remain unchanged at January 1, 2015.

The Company will continue to monitor the forward prices and will report these results in the 2015 First 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 Doug Richardson at 604-592-7643.

Sincerely,

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 JANUARY 1, 2015 TO DECEMBER 31, 2015
 AT EXISTING GAS COST RECOVERY RATES
 FORWARD PRICES - OCTOBER 15, 16, 17, 20, AND 21, 2014**

Line No.	Particulars	Annual (\$000)	Percentage	Energy (TJ)	Unit Cost (\$/GJ)
	(1)	(2)	(3)	(4)	(5)
1	<u>RATE CHANGE TRIGGER MECHANISM</u>				
2	Projected Grossed-up GCRA Balance as at December 31, 2014	\$ 158.9			
3	(Tab 1, Page 2, Col 2, Line 21)				
4					
5	Forecast Incurred Gas Costs - January 2015 to December 2015	\$ 2,215.3			
6	(Tab 1, Page 2, Col 14, Line 16)				
7	Forecast Recovered Gas Costs - January 2015 to December 2015	\$ 2,524.1			
8	(Tab 1, Page 2, Col 14, Line 7)				
9					
10	Ratio = $\frac{\text{Forecast Recovered Gas Costs}}{\text{Forecast Incurred Gas Costs} + \text{Projected GCRA Balance}}$	= \$ 2,524.1	= <u>106.3%</u>		
11		= \$ 2,374.1			
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 Energy January 2015 to December 2015			592.6	
23	(Tab 1, Page 2, Col 14, Line 2)				
24					
25	Projected GCRA Balance at December 31, 2014 (Line 2)	\$ 158.9			\$ 0.2681 ^(1*)
26	Forecast GCRA Activities - January 2015 to December 2015 (Line 5 minus Line 7)	<u>(308.9)</u>			\$ (0.5212) ^(1*)
27	(Over) / Under Recovery at Existing Rates	<u>\$ (150.0)</u>			
28					
29					
30	TESTED RATE (DECREASE) / INCREASE				<u>\$ (0.253)</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 JANUARY 1, 2015 TO DECEMBER 31, 2015
AT EXISTING GAS COST RECOVERY RATES
FORWARD PRICES - OCTOBER 15, 16, 17, 20, AND 21, 2014**

Line No.	Particulars	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	1-12 month Forecast Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1	<u>RECOVERED GAS COSTS</u>													
2	Total Sales - TJ	106.2	76.7	73.1	43.0	23.7	15.2	10.4	13.7	25.9	43.5	71.5	89.8	592.6
3	T-Service UAF - TJ	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
4														
5	Recovery on Sales - \$000	\$ 452.3	\$ 326.5	\$ 311.4	\$ 183.1	\$ 100.8	\$ 64.9	\$ 44.2	\$ 58.5	\$ 110.3	\$ 185.1	\$ 304.4	\$ 382.5	\$ 2,523.9
6	Recovery on T-Service UAF - \$000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2
7	Total Forecast Recovered Gas Costs - \$000	<u>\$ 452.3</u>	<u>\$ 326.5</u>	<u>\$ 311.5</u>	<u>\$ 183.1</u>	<u>\$ 100.8</u>	<u>\$ 64.9</u>	<u>\$ 44.2</u>	<u>\$ 58.5</u>	<u>\$ 110.3</u>	<u>\$ 185.1</u>	<u>\$ 304.4</u>	<u>\$ 382.5</u>	<u>\$ 2,524.1</u>
8														
9														
10														
11	<u>INCURRED GAS COSTS</u>													
12	Purchases - TJ ^(1*)	106.3	76.7	73.2	43.0	23.7	15.2	10.4	13.8	25.9	43.5	71.5	89.9	593.3
13														
14	Average Cost of Gas Purchased - \$/GJ	3.9957	4.0006	3.9039	3.3086	3.3200	3.3747	3.5160	3.4274	3.3090	3.3042	3.7223	3.8448	3.7341
15														
16	Forecast Incurred Gas Costs - \$000	<u>\$ 424.8</u>	<u>\$ 307.0</u>	<u>\$ 285.8</u>	<u>\$ 142.4</u>	<u>\$ 78.7</u>	<u>\$ 51.4</u>	<u>\$ 36.5</u>	<u>\$ 47.1</u>	<u>\$ 85.8</u>	<u>\$ 143.7</u>	<u>\$ 266.3</u>	<u>\$ 345.7</u>	<u>\$ 2,215.3</u>
17														
18														
19														
20	<u>GCRA BALANCE</u>													
21	Opening Balances (Pre-Tax) - \$000 ^(2*)	\$ 158.9	\$ 131.3	\$ 111.8	\$ 86.2	\$ 45.4	\$ 23.3	\$ 9.9	\$ 2.2	\$ (9.2)	\$ (33.7)	\$ (75.0)	\$ (113.1)	
22	Forecast Activity - \$000	(27.5)	(19.5)	(25.7)	(40.7)	(22.2)	(13.4)	(7.7)	(11.4)	(24.5)	(41.4)	(38.1)	(36.9)	\$ (308.9)
23	Closing Balances (Pre-tax) - \$000	<u>\$ 131.3</u>	<u>\$ 111.8</u>	<u>\$ 86.2</u>	<u>\$ 45.4</u>	<u>\$ 23.3</u>	<u>\$ 9.9</u>	<u>\$ 2.2</u>	<u>\$ (9.2)</u>	<u>\$ (33.7)</u>	<u>\$ (75.0)</u>	<u>\$ (113.1)</u>	<u>\$ (150.0)</u>	
24														
25														
26	Tax Rate	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	
27														
28	Opening Balances (After-Tax) - \$000	\$ 117.6	\$ 97.2	\$ 82.8	\$ 63.8	\$ 33.6	\$ 17.2	\$ 7.3	\$ 1.6	\$ (6.8)	\$ (24.9)	\$ (55.5)	\$ (83.7)	
29	Closing Balances (After Tax) - \$000	<u>\$ 97.2</u>	<u>\$ 82.8</u>	<u>\$ 63.8</u>	<u>\$ 33.6</u>	<u>\$ 17.2</u>	<u>\$ 7.3</u>	<u>\$ 1.6</u>	<u>\$ (6.8)</u>	<u>\$ (24.9)</u>	<u>\$ (55.5)</u>	<u>\$ (83.7)</u>	<u>\$ (111.0)</u>	

Notes: Slight differences in totals due to rounding.

(1*) Purchases include Sales & T-Service UAF quantities, but exclude Company Use Gas quantities.

(2*) 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 JANUARY 1, 2016 TO DECEMBER 31, 2016
AT EXISTING GAS COST RECOVERY RATES
FORWARD PRICES - OCTOBER 15, 16, 17, 20, AND 21, 2014**

Line No.	Particulars	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	13-24 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	106.9	77.2	73.7	43.3	23.9	15.4	10.5	13.9	26.3	43.7	71.9	90.3	597.0
3	T-Service UAF - TJ	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
4														
5	Recovery on Sales - \$000	\$ 455.1	\$ 328.7	\$ 313.9	\$ 184.6	\$ 101.8	\$ 65.7	\$ 44.7	\$ 59.2	\$ 111.8	\$ 186.2	\$ 306.4	\$ 384.5	\$ 2,542.8
6	Recovery on T-Service UAF - \$000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2
7	Total Forecast Recovered Gas Costs - \$000	<u>\$ 455.2</u>	<u>\$ 328.8</u>	<u>\$ 313.9</u>	<u>\$ 184.6</u>	<u>\$ 101.8</u>	<u>\$ 65.7</u>	<u>\$ 44.7</u>	<u>\$ 59.2</u>	<u>\$ 111.8</u>	<u>\$ 186.3</u>	<u>\$ 306.4</u>	<u>\$ 384.5</u>	<u>\$ 2,543.0</u>
8														
9														
10														
11	INCURRED GAS COSTS													
12	Purchases - TJ ^(1*)	107.0	77.3	73.8	43.4	23.9	15.4	10.5	13.9	26.3	43.8	72.0	90.4	597.7
13														
14	Average Cost of Gas Purchased - \$/GJ	3.8584	3.8503	3.8022	3.2628	3.2485	3.3046	3.3638	3.3283	3.2904	3.3527	3.5404	3.7987	3.6380
15														
16	Forecast Incurred Gas Costs - \$000	<u>\$ 412.8</u>	<u>\$ 297.5</u>	<u>\$ 280.5</u>	<u>\$ 141.6</u>	<u>\$ 77.7</u>	<u>\$ 51.0</u>	<u>\$ 35.3</u>	<u>\$ 46.3</u>	<u>\$ 86.5</u>	<u>\$ 146.8</u>	<u>\$ 255.0</u>	<u>\$ 343.3</u>	<u>\$ 2,174.4</u>
17														
18														
19														
20	GCRA BALANCE													
21	Opening Balances (Pre-Tax) - \$000 ^(2*)	\$ (150.0)	\$ (192.4)	\$ (223.6)	\$ (257.0)	\$ (300.1)	\$ (324.1)	\$ (338.8)	\$ (348.2)	\$ (361.1)	\$ (386.4)	\$ (425.9)	\$ (477.4)	
22	Forecast Activity - \$000	(42.4)	(31.2)	(33.4)	(43.0)	(24.1)	(14.7)	(9.4)	(12.9)	(25.3)	(39.5)	(51.4)	(41.2)	(368.6)
23	Closing Balances (Pre-tax) - \$000	<u>\$ (192.4)</u>	<u>\$ (223.6)</u>	<u>\$ (257.0)</u>	<u>\$ (300.1)</u>	<u>\$ (324.1)</u>	<u>\$ (338.8)</u>	<u>\$ (348.2)</u>	<u>\$ (361.1)</u>	<u>\$ (386.4)</u>	<u>\$ (425.9)</u>	<u>\$ (477.4)</u>	<u>\$ (518.6)</u>	
24														
25														
26	Tax Rate	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	
27														
28	Opening Balances (After-Tax) - \$000	<u>\$ (111.0)</u>	<u>\$ (142.4)</u>	<u>\$ (165.5)</u>	<u>\$ (190.2)</u>	<u>\$ (222.0)</u>	<u>\$ (239.9)</u>	<u>\$ (250.7)</u>	<u>\$ (257.7)</u>	<u>\$ (267.2)</u>	<u>\$ (286.0)</u>	<u>\$ (315.2)</u>	<u>\$ (353.2)</u>	
29	Closing Balances (After Tax) - \$000	<u>\$ (142.4)</u>	<u>\$ (165.5)</u>	<u>\$ (190.2)</u>	<u>\$ (222.0)</u>	<u>\$ (239.9)</u>	<u>\$ (250.7)</u>	<u>\$ (257.7)</u>	<u>\$ (267.2)</u>	<u>\$ (286.0)</u>	<u>\$ (315.2)</u>	<u>\$ (353.2)</u>	<u>\$ (383.7)</u>	

Notes: Slight differences in totals due to rounding.

(1*) Purchases include Sales & T-Service UAF quantities, but exclude Company Use Gas quantities.

(2*) 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 DECEMBER 31, 2016

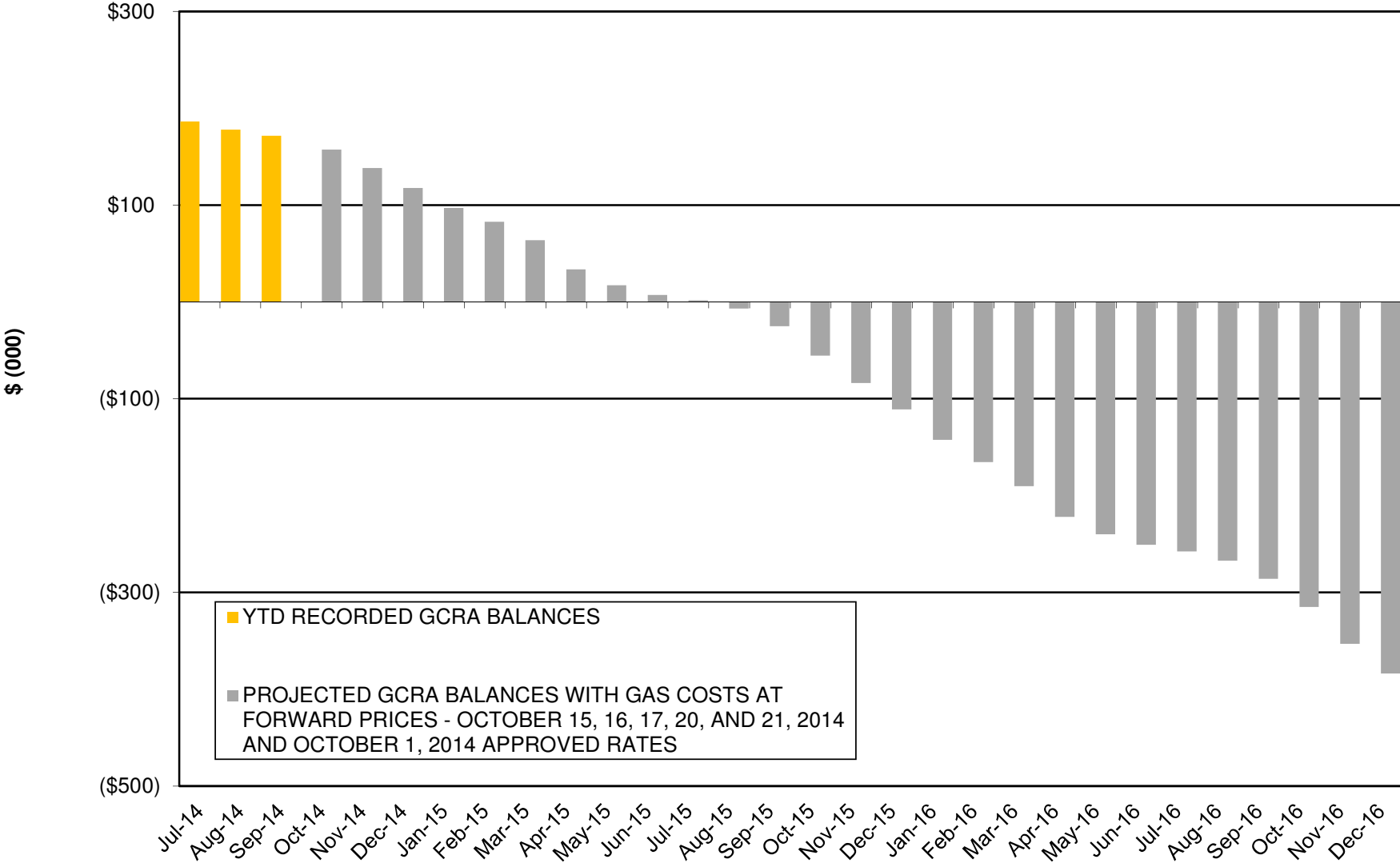
Line No	Particulars	Forward Prices - October 15, 16, 17, 20, and 21, 2014 2014 Q4 Gas Cost Report	Forward Prices - August 13, 14, 15, 18, and 19, 2014 2014 Q3 Gas Cost Report	Change in Forward Prices
	(1)	(2)	(3)	(4) = (2) - (3)
1	Station No. 2 Index Prices - \$CDN/GJ ⁽¹⁾			
2	2014 July	↑ \$ 4.07	Recorded \$ 4.07	\$ -
3	August	\$ 3.46	Forecast \$ 3.57	\$ (0.12)
4	September	Recorded \$ 3.50	\$ 3.56	\$ (0.06)
5	October	Forecast \$ 3.64	\$ 3.61	\$ 0.03
6	November	\$ 3.53	\$ 3.71	\$ (0.18)
7	December	\$ 3.61	\$ 3.86	\$ (0.25)
8	Simple Average (Jul, 2014 - Jun, 2015)	↓ \$ 3.51	\$ 3.66	-4.2% \$ (0.15)
9	Simple Average (Oct, 2014 - Sep, 2015)	\$ 3.38	\$ 3.58	-5.6% \$ (0.20)
10	2015 January	\$ 3.67	\$ 3.86	\$ (0.19)
11	February	\$ 3.65	\$ 3.83	\$ (0.18)
12	March	\$ 3.51	\$ 3.72	\$ (0.22)
13	April	\$ 3.22	\$ 3.41	\$ (0.19)
14	May	\$ 3.16	\$ 3.39	\$ (0.23)
15	June	\$ 3.13	\$ 3.39	\$ (0.26)
16	July	\$ 3.15	\$ 3.39	\$ (0.24)
17	August	\$ 3.15	\$ 3.39	\$ (0.24)
18	September	\$ 3.16	\$ 3.42	\$ (0.26)
19	October	\$ 3.22	\$ 3.46	\$ (0.24)
20	November	\$ 3.48	\$ 3.57	\$ (0.09)
21	December	\$ 3.68	\$ 3.76	\$ (0.09)
22	Simple Average (Jan, 2015 - Dec, 2015)	\$ 3.35	\$ 3.55	-5.7% \$ (0.20)
23	Simple Average (Apr, 2015 - Mar, 2016)	\$ 3.37	\$ 3.55	-5.0% \$ (0.18)
24	Simple Average (Jul, 2015 - Jun, 2016)	\$ 3.39	\$ 3.57	-5.0% \$ (0.18)
25	Simple Average (Oct, 2015 - Sep, 2016)	\$ 3.41	\$ 3.59	-5.0% \$ (0.18)
26	2016 January	\$ 3.75	\$ 3.85	\$ (0.10)
27	February	\$ 3.73	\$ 3.82	\$ (0.09)
28	March	\$ 3.66	\$ 3.75	\$ (0.09)
29	April	\$ 3.24	\$ 3.46	\$ (0.22)
30	May	\$ 3.20	\$ 3.45	\$ (0.25)
31	June	\$ 3.23	\$ 3.48	\$ (0.25)
32	July	\$ 3.26	\$ 3.49	\$ (0.24)
33	August	\$ 3.25	\$ 3.50	\$ (0.25)
34	September	\$ 3.25	\$ 3.51	\$ (0.26)
35	October	\$ 3.33		
36	November	\$ 3.52		
37	December	\$ 3.79		
38	Simple Average (Jan, 2016 - Dec, 2016)	\$ 3.43		

Notes: (1) Average of daily prices is used for recorded months.

FORTISBC ENERGY INC. - FORT NELSON SERVICE AREA
GCRA AFTER TAX BALANCES (\$000)
FOR THE PERIOD ENDING DECEMBER 31, 2016
AT EXISTING GAS COST RECOVERY RATES

Line No.	Particulars	2014 Q4 Gas Cost Report October 1, 2014 Rates Forward Prices - October 15, 16, 17, 20, and 21, 2014		2014 Q3 Gas Cost Report October 1, 2014 Rates Forward Prices - August 13, 14, 15, 18, and 19, 2014	
		(1)	(2)	(3)	(3)
1	2014 Jul		\$ 186.4	Recorded \$	186.4
2	Aug		\$ 178.0	Projected \$	173.8
3	Sep	Recorded	\$ 171.7	\$	151.9
4	Oct	Projected	\$ 157.5	\$	116.7
5	Nov		\$ 138.3	\$	79.1
6	Dec		\$ 117.6	\$	37.7
7	2015 Jan		\$ 97.2	\$	(10.9)
8	Feb		\$ 82.8	\$	(48.2)
9	Mar		\$ 63.8	\$	(89.3)
10	Apr		\$ 33.6	\$	(134.9)
11	May		\$ 17.2	\$	(160.8)
12	Jun		\$ 7.3	\$	(179.3)
13	Jul		\$ 1.6	\$	(192.2)
14	Aug		\$ (6.8)	\$	(206.0)
15	Sep		\$ (24.9)	\$	(230.0)
16	Oct		\$ (55.5)	\$	(271.5)
17	Nov		\$ (83.7)	\$	(320.6)
18	Dec		\$ (111.0)	\$	(374.1)
19	2016 Jan		\$ (142.4)	\$	(432.8)
20	Feb		\$ (165.5)	\$	(477.7)
21	Mar		\$ (190.2)	\$	(524.7)
22	Apr		\$ (222.0)	\$	(570.3)
23	May		\$ (239.9)	\$	(596.5)
24	Jun		\$ (250.7)	\$	(615.0)
25	Jul		\$ (257.7)	\$	(627.9)
26	Aug		\$ (267.2)	\$	(641.8)
27	Sep		\$ (286.0)	\$	(665.7)
28	Oct		\$ (315.2)		
29	Nov		\$ (353.2)		
30	Dec		\$ (383.7)		

FORTISBC ENERGY INC. - FORT NELSON SERVICE AREA
 GCRA AFTER TAX BALANCES BY MONTH
 FOR THE PERIOD ENDING DECEMBER 2016





LETTER NO. L-XX-14

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. xxx

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

November xx, 2014

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

Dear Ms. Roy:

Re: FortisBC Energy Inc.
Fort Nelson Service Area
2014 Fourth Quarter Gas Cost Report

Further to your November 5, 2014 filing of the 2014 Fourth 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 January 1, 2015.

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

Yours truly,

Erica M. Hamilton
Commission Secretary