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March 2, 2016

**Via Email**  
**Original via Mail**

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

Attention: Ms. Laurel Ross, Acting Commission Secretary

Dear Ms. Ross:

**Re: FortisBC Energy Inc. (FEI or the Company) – Fort Nelson Service Area  
Gas Cost Reconciliation Account (GCRA), Gas Cost Recovery Rates,  
2016 First Quarter Gas Cost Report**

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The attached materials provide the FEI 2016 First 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 February 18, 19, 22, 23, and 24, 2016 forward prices for natural gas (five-day average forward prices ending February 24, 2016), the March 31, 2016 GCRA deferral balance is projected to be approximately \$252.0 thousand surplus after tax (Tab 1, Page 2, Column 2, Line 28). Further, based on the five-day average forward prices ending February 24, 2016, the gas purchase cost assumptions, and the forecast gas cost recoveries at present rates for the 12-month period ending March 31, 2017, and accounting for the projected March 31, 2016 deferral balance, the GCRA ratio is calculated to be 117.3% (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 \$0.191/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 April 1, 2016.

The Company will continue to monitor the forward prices and will report these results in the 2016 Second 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 APRIL 1, 2016 TO MARCH 31, 2017  
AT EXISTING GAS COST RECOVERY RATES  
FORWARD PRICES - FEBRUARY 18, 19, 22, 23, AND 24, 2016**

Line No.	Particulars	Annual (\$000)	Percentage	Energy (TJ)	Unit Cost (\$/GJ)
	(1)	(2)	(3)	(4)	(5)
1	<b><u>RATE CHANGE TRIGGER MECHANISM</u></b>				
2	Projected Grossed-up GCRA Balance as at March 31, 2016	\$ (340.5)			
3	(Tab 1, Page 2, Col 2, Line 21)				
4					
5	Forecast Incurred Gas Costs - April 2016 to March 2017	\$ 1,004.9			
6	(Tab 1, Page 2, Col 14, Line 16)				
7	Forecast Recovered Gas Costs - April 2016 to March 2017	\$ 779.5			
8	(Tab 1, Page 2, Col 14, Line 7)				
9					
10	Ratio = $\frac{\text{Forecast Recovered Gas Costs}}{\text{Forecast Incurred Gas Costs} + \text{Projected GCRA Balance}}$	= \$ 779.5	=		<u>117.3%</u>
11		\$ 664.4	=		
12					
13					
14					
15					
16	<b><u>BALANCING REQUIREMENT</u></b>				
17	(applicable when Rate Change Trigger Mechanism Ratio falls outside 95% to 105% deadband and outside ± \$0.50/GJ threshold)				
18					
19					
20	<b>TESTED RATE</b>				
21					
22	Forecast 12 Month Sales Recovery Energy April 2016 to March 2017			602.2	
23	(Tab 1, Page 2, Col 14, Line 2)				
24					
25	Projected GCRA Balance at March 31, 2016 (Line 2)	\$ (340.5)			\$ (0.5654) <sup>(1*)</sup>
26	Forecast GCRA Activities - April 2016 to March 2017 (Line 5 minus Line 7)	225.4			\$ 0.3743 <sup>(1*)</sup>
27	(Over) / Under Recovery at Existing Rates	<u>\$ (115.1)</u>			
28					
29					
30	<b>TESTED RATE (DECREASE) / INCREASE</b>				<u>\$ (0.191 )</u> <sup>(1*)</sup>

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 APRIL 1, 2016 TO MARCH 31, 2017  
AT EXISTING GAS COST RECOVERY RATES  
FORWARD PRICES - FEBRUARY 18, 19, 22, 23, AND 24, 2016**

Tab 1  
Page 2

Line No.	Particulars	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	1-12 month Forecast Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
<b>1</b>	<b><u>RECOVERED GAS COSTS</u></b>													
2	Total Sales - TJ	43.8	24.1	15.6	10.6	14.1	26.5	44.2	72.7	91.2	107.5	77.7	74.3	<b>602.2</b>
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	\$ 56.6	\$ 31.2	\$ 20.2	\$ 13.7	\$ 18.2	\$ 34.3	\$ 57.2	\$ 94.0	\$ 118.0	\$ 139.1	\$ 100.6	\$ 96.1	\$ 779.3
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>\$ 56.7</u>	<u>\$ 31.2</u>	<u>\$ 20.2</u>	<u>\$ 13.7</u>	<u>\$ 18.2</u>	<u>\$ 34.3</u>	<u>\$ 57.2</u>	<u>\$ 94.0</u>	<u>\$ 118.0</u>	<u>\$ 139.2</u>	<u>\$ 100.6</u>	<u>\$ 96.1</u>	<u>\$ 779.5</u>
8														
9														
10														
<b>11</b>	<b><u>INCURRED GAS COSTS</u></b>													
12	Purchases - TJ <sup>(1*)</sup>	43.8	24.2	15.6	10.6	14.1	26.5	44.2	72.7	91.3	107.7	77.8	74.4	602.9
13														
14	Average Cost of Gas Purchased - \$/GJ	0.9326	0.9673	1.0351	1.1146	1.1348	1.1546	1.2247	1.7416	1.9218	1.9756	1.9630	1.9416	1.6668
15														
16	Forecast Incurred Gas Costs - \$000	<u>\$ 40.9</u>	<u>\$ 23.4</u>	<u>\$ 16.1</u>	<u>\$ 11.8</u>	<u>\$ 16.0</u>	<u>\$ 30.6</u>	<u>\$ 54.1</u>	<u>\$ 126.7</u>	<u>\$ 175.4</u>	<u>\$ 212.7</u>	<u>\$ 152.7</u>	<u>\$ 144.4</u>	<u>\$ 1,004.9</u>
17														
18														
19														
<b>20</b>	<b><u>GCRA BALANCE</u></b>													
21	Opening Balances (Pre-Tax) - \$000 <sup>(2*)</sup>	\$ (340.5)	\$ (356.3)	\$ (364.2)	\$ (368.2)	\$ (370.1)	\$ (372.3)	\$ (376.0)	\$ (379.0)	\$ (346.3)	\$ (288.9)	\$ (215.5)	\$ (163.3)	
22	Forecast Activity - \$000	(15.8)	(7.9)	(4.0)	(1.9)	(2.2)	(3.7)	(3.0)	32.6	57.4	73.5	52.1	48.2	\$ 225.4
23	Closing Balances (Pre-tax) - \$000	<u>\$ (356.3)</u>	<u>\$ (364.2)</u>	<u>\$ (368.2)</u>	<u>\$ (370.1)</u>	<u>\$ (372.3)</u>	<u>\$ (376.0)</u>	<u>\$ (379.0)</u>	<u>\$ (346.3)</u>	<u>\$ (288.9)</u>	<u>\$ (215.5)</u>	<u>\$ (163.3)</u>	<u>\$ (115.1)</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>\$ (252.0)</u>	<u>\$ (263.7)</u>	<u>\$ (269.5)</u>	<u>\$ (272.5)</u>	<u>\$ (273.9)</u>	<u>\$ (275.5)</u>	<u>\$ (278.2)</u>	<u>\$ (280.4)</u>	<u>\$ (256.3)</u>	<u>\$ (213.8)</u>	<u>\$ (159.4)</u>	<u>\$ (120.9)</u>	
29	Closing Balances (After Tax) - \$000	<u>\$ (263.7)</u>	<u>\$ (269.5)</u>	<u>\$ (272.5)</u>	<u>\$ (273.9)</u>	<u>\$ (275.5)</u>	<u>\$ (278.2)</u>	<u>\$ (280.4)</u>	<u>\$ (256.3)</u>	<u>\$ (213.8)</u>	<u>\$ (159.4)</u>	<u>\$ (120.9)</u>	<u>\$ (85.2)</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 APRIL 1, 2017 TO MARCH 31, 2018  
AT EXISTING GAS COST RECOVERY RATES  
FORWARD PRICES - FEBRUARY 18, 19, 22, 23, AND 24, 2016**

Line No.	Particulars	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	13-24 month Forecast Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1	<b>RECOVERED GAS COSTS</b>													
2	Total Sales - TJ	43.7	24.1	15.6	10.6	14.1	26.6	44.0	72.4	90.7	108.2	78.2	74.9	<b>603.2</b>
3	T-Service UAF - TJ	0.0	0.0	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.1
4														
5	Recovery on Sales - \$000	\$ 56.5	\$ 31.2	\$ 20.2	\$ 13.8	\$ 18.2	\$ 34.5	\$ 56.9	\$ 93.7	\$ 117.4	\$ 140.0	\$ 101.2	\$ 96.9	\$ 780.6
6	Recovery on T-Service UAF - \$000	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>\$ 56.6</u>	<u>\$ 31.3</u>	<u>\$ 20.2</u>	<u>\$ 13.8</u>	<u>\$ 18.2</u>	<u>\$ 34.5</u>	<u>\$ 56.9</u>	<u>\$ 93.7</u>	<u>\$ 117.5</u>	<u>\$ 140.1</u>	<u>\$ 101.3</u>	<u>\$ 96.9</u>	<u>\$ 780.8</u>
8														
9														
10														
11	<b>INCURRED GAS COSTS</b>													
12	Purchases - TJ <sup>(1*)</sup>	43.7	24.2	15.6	10.6	14.1	26.7	44.0	72.5	90.8	108.3	78.3	74.9	603.9
13														
14	Average Cost of Gas Purchased - \$/GJ	1.7705	1.8074	1.9098	1.9680	1.9619	1.8972	1.9799	2.3599	2.3930	2.4818	2.4512	2.3841	2.2608
15														
16	Forecast Incurred Gas Costs - \$000	<u>\$ 77.5</u>	<u>\$ 43.7</u>	<u>\$ 29.9</u>	<u>\$ 20.9</u>	<u>\$ 27.7</u>	<u>\$ 50.6</u>	<u>\$ 87.2</u>	<u>\$ 171.0</u>	<u>\$ 217.4</u>	<u>\$ 268.8</u>	<u>\$ 192.0</u>	<u>\$ 178.7</u>	<u>\$ 1,365.3</u>
17														
18														
19														
20	<b>GCRA BALANCE</b>													
21	Opening Balances (Pre-Tax) - \$000 <sup>(2*)</sup>	\$ (115.1)	\$ (94.2)	\$ (81.8)	\$ (72.1)	\$ (64.9)	\$ (55.5)	\$ (39.4)	\$ (9.1)	\$ 68.2	\$ 168.1	\$ 296.9	\$ 387.6	
22	Forecast Activity - \$000	20.9	12.4	9.7	7.2	9.4	16.1	30.3	77.3	99.9	128.8	90.7	81.8	\$ 584.5
23	Closing Balances (Pre-tax) - \$000	<u>\$ (94.2)</u>	<u>\$ (81.8)</u>	<u>\$ (72.1)</u>	<u>\$ (64.9)</u>	<u>\$ (55.5)</u>	<u>\$ (39.4)</u>	<u>\$ (9.1)</u>	<u>\$ 68.2</u>	<u>\$ 168.1</u>	<u>\$ 296.9</u>	<u>\$ 387.6</u>	<u>\$ 469.4</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>\$ (85.2)</u>	<u>\$ (69.7)</u>	<u>\$ (60.5)</u>	<u>\$ (53.4)</u>	<u>\$ (48.0)</u>	<u>\$ (41.1)</u>	<u>\$ (29.1)</u>	<u>\$ (6.7)</u>	<u>\$ 50.5</u>	<u>\$ 124.4</u>	<u>\$ 219.7</u>	<u>\$ 286.8</u>	
29	Closing Balances (After Tax) - \$000	<u>\$ (69.7)</u>	<u>\$ (60.5)</u>	<u>\$ (53.4)</u>	<u>\$ (48.0)</u>	<u>\$ (41.1)</u>	<u>\$ (29.1)</u>	<u>\$ (6.7)</u>	<u>\$ 50.5</u>	<u>\$ 124.4</u>	<u>\$ 219.7</u>	<u>\$ 286.8</u>	<u>\$ 347.3</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 MARCH 31, 2018**

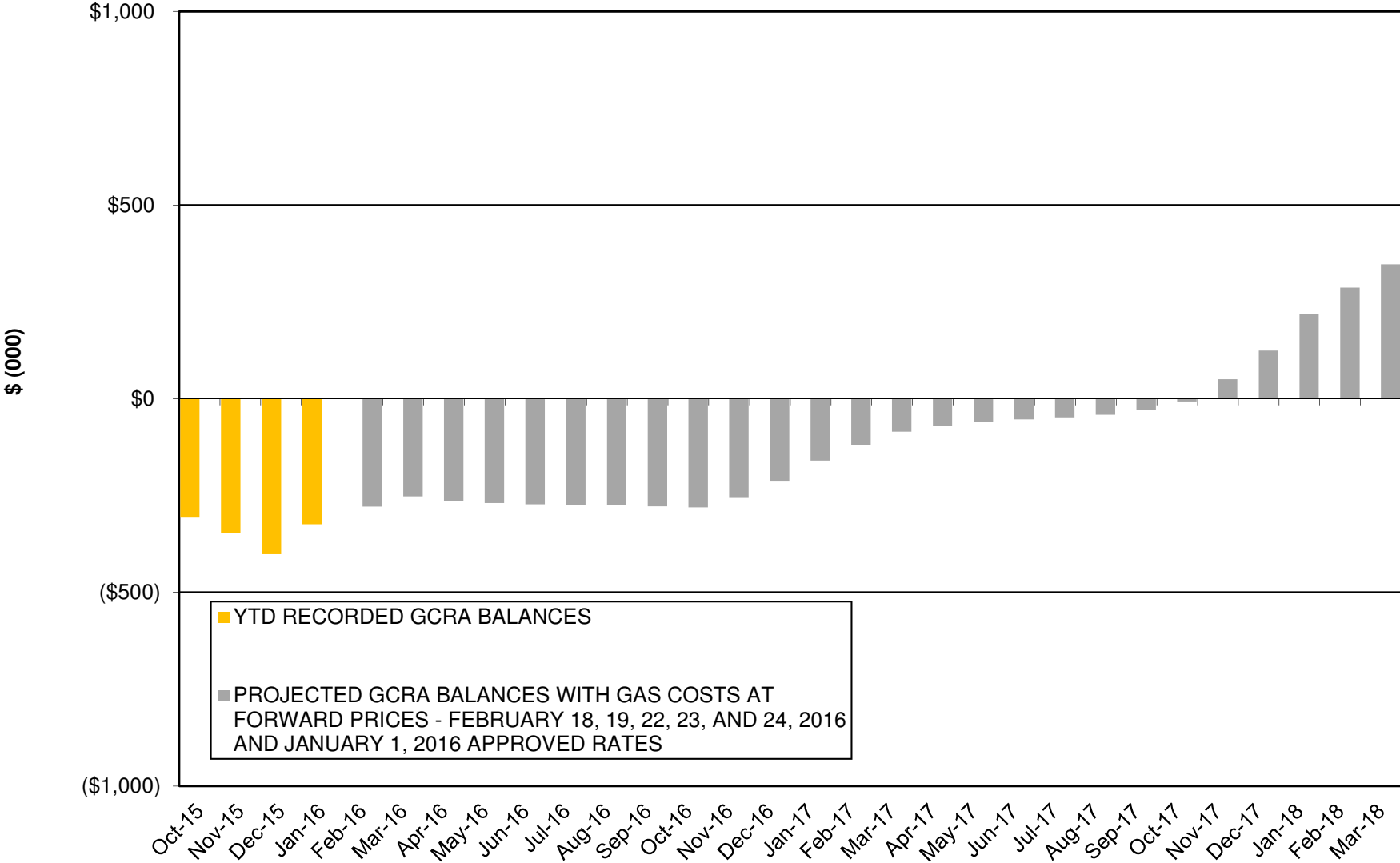
Line No	Particulars	Forward Prices - February 18, 19, 22, 23, and 24, 2016 2016 Q1 Gas Cost Report	Forward Prices - November 12, 13, 16, 17, and 18, 2015 2015 Q4 Gas Cost Report	Change in Forward Prices (4) = (2) - (3)
	(1)	(2)	(3)	
1	<b>Station No. 2 Index Prices - \$CDN/GJ <sup>(1)</sup></b>			
2	<b>2015</b> October	\$ 0.96	Recorded \$ 0.96	\$ -
3	November	\$ 0.74	Projected \$ 1.56	\$ (0.82)
4	December	\$ 1.37	\$ 1.63	\$ (0.26)
5	<i>Simple Average (Oct, 2015 - Sep, 2016)</i>	\$ 1.14	\$ 1.65	-30.8% \$ (0.51)
6	<b>2016</b> January	Recorded \$ 1.76	\$ 1.82	\$ (0.06)
7	February	Projected \$ 1.67	\$ 1.85	\$ (0.18)
8	March	\$ 1.22	\$ 1.83	\$ (0.61)
9	April	\$ 0.91	\$ 1.77	\$ (0.86)
10	May	\$ 0.92	\$ 1.66	\$ (0.74)
11	June	\$ 0.97	\$ 1.65	\$ (0.68)
12	July	\$ 1.02	\$ 1.70	\$ (0.69)
13	August	\$ 1.06	\$ 1.71	\$ (0.65)
14	September	\$ 1.12	\$ 1.66	\$ (0.54)
15	October	\$ 1.20	\$ 1.71	\$ (0.51)
16	November	\$ 1.63	\$ 1.82	\$ (0.18)
17	December	\$ 1.91	\$ 2.40	\$ (0.50)
18	<i>Simple Average (Jan, 2016 - Dec, 2016)</i>	\$ 1.28	\$ 1.80	-28.7% \$ (0.52)
19	<i>Simple Average (Apr, 2016 - Mar, 2017)</i>	\$ 1.39	\$ 1.98	-29.9% \$ (0.59)
20	<i>Simple Average (Jul, 2016 - Jun, 2017)</i>	\$ 1.60	\$ 2.11	-24.1% \$ (0.51)
21	<i>Simple Average (Oct, 2016 - Sep, 2017)</i>	\$ 1.80	\$ 2.25	-19.8% \$ (0.45)
22	<b>2017</b> January	\$ 1.99	\$ 2.57	\$ (0.58)
23	February	\$ 1.97	\$ 2.53	\$ (0.57)
24	March	\$ 1.93	\$ 2.54	\$ (0.60)
25	April	\$ 1.75	\$ 2.26	\$ (0.51)
26	May	\$ 1.76	\$ 2.19	\$ (0.43)
27	June	\$ 1.84	\$ 2.17	\$ (0.33)
28	July	\$ 1.87	\$ 2.24	\$ (0.37)
29	August	\$ 1.89	\$ 2.28	\$ (0.39)
30	September	\$ 1.86	\$ 2.23	\$ (0.37)
31	October	\$ 1.96	\$ 2.27	\$ (0.32)
32	November	\$ 2.23	\$ 2.39	\$ (0.16)
33	December	\$ 2.29	\$ 2.67	\$ (0.39)
34	<i>Simple Average (Jan, 2017 - Dec, 2017)</i>	\$ 1.94	\$ 2.36	-17.7% \$ (0.42)
35	<i>Simple Average (Apr, 2017 - Mar, 2018)</i>	\$ 2.04		
36	<b>2018</b> January	\$ 2.42		
37	February	\$ 2.37		
38	March	\$ 2.27		

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 MARCH 31, 2018**  
**AT EXISTING GAS COST RECOVERY RATES**

Line No.	Particulars	2016 Q1 Gas Cost Report January 1, 2016 Rates Forward Prices - February 18, 19, 22, 23, and 24, 2016		2015 Q4 Gas Cost Report January 1, 2016 Rates Forward Prices - November 12, 13, 16, 17, and 18, 2015	
		(1)	(2)	(3)	
1	2015 Oct		\$ (307.3)	Recorded	\$ (307.3)
2	Nov		\$ (347.1)	Projected	\$ (337.3)
3	Dec		\$ (401.6)		\$ (371.9)
4	2016 Jan	Recorded	\$ (324.2)		\$ (301.7)
5	Feb	Projected	\$ (278.8)		\$ (249.7)
6	Mar		\$ (252.0)		\$ (200.5)
7	Apr		\$ (263.7)		\$ (184.5)
8	May		\$ (269.5)		\$ (177.1)
9	Jun		\$ (272.5)		\$ (172.3)
10	Jul		\$ (273.9)		\$ (168.4)
11	Aug		\$ (275.5)		\$ (163.3)
12	Sep		\$ (278.2)		\$ (155.4)
13	Oct		\$ (280.4)		\$ (141.3)
14	Nov		\$ (256.3)		\$ (90.2)
15	Dec		\$ (213.8)		\$ (0.1)
16	2017 Jan		\$ (159.4)		\$ 116.1
17	Feb		\$ (120.9)		\$ 198.8
18	Mar		\$ (85.2)		\$ 277.8
19	Apr		\$ (69.7)		\$ 309.9
20	May		\$ (60.5)		\$ 326.7
21	Jun		\$ (53.4)		\$ 337.7
22	Jul		\$ (48.0)		\$ 345.9
23	Aug		\$ (41.1)		\$ 357.0
24	Sep		\$ (29.1)		\$ 376.2
25	Oct		\$ (6.7)		\$ 409.0
26	Nov		\$ 50.5		\$ 480.9
27	Dec		\$ 124.4		\$ 583.6
28	2018 Jan		\$ 219.7		
29	Feb		\$ 286.8		
30	Mar		\$ 347.3		

FORTISBC ENERGY INC. - FORT NELSON SERVICE AREA  
 GCRA AFTER TAX BALANCES BY MONTH  
 FOR THE PERIOD ENDING MARCH 2018







British Columbia  
Utilities Commission

Laurel Ross  
Acting Commission Secretary  
and Director

Commission.Secretary@bcuc.com  
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FAX: (604) 660-1102

Log No. #####

Letter L-##-##

**Via Email**

gas.regulatory.affairs@fortisbc.com

March, #, 2016

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

Dear Ms. Roy:

Re: FortisBC Energy Inc.  
Fort Nelson Service Area – 2016 First Quarter Gas Cost Report

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Further to your March 2, 2016 filing of the 2016 First 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 April 1, 2016.

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

Yours truly,

Laurel Ross