Diane Roy
Director, Regulatory Services

Gas Regulatory Affairs Correspondence
Email: gas.regulatory.affairs@fortisbc.com

Electric Regulatory Affairs Correspondence
Email: electricity.regulatory.affairs@fortisbc.com

FortisBC
16705 Fraser Highway
Surrey, B.C. V4N 0E8
Tel: (604) 576-7349
Cell: (604) 908-2790
Fax: (604) 576-7074
Email: diane.roy@fortisbc.com
www.fortisbc.com

March 8, 2016

British Columbia Utilities Commission
Sixth Floor
900 Howe Street
Vancouver, B.C.
V6Z 2N3

Attention: Ms. Laurel Ross, Acting Commission Secretary and Director

Dear Ms. Ross:

Re: Project No. 3698864

FortisBC Energy Inc. (FEI)

2015 Price Risk Management Application (the Application)

Response to the British Columbia Utilities Commission (BCUC or the Commission) CONFIDENTIAL Information Request (IR) No. 1 – Scope B – Questions 1.4.2, 2.1, 2.1.1 and 2.2 - Filed Non-Confidentially

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On December 23, 2015, FEI filed the Application referenced above. On February 12, 2016, the Commission issued BCUC Scope B Confidential IR No. 1 (Exhibit A-6). FEI confirms that the responses to BCUC Scope B Confidential IRs No. 1.1.4.2, 1.2.1, 1.2.1.1 and 1.2.2 are not confidential, and are being filed publicly for the record. FEI hereby attaches the above-mentioned responses to BCUC Scope B Confidential IR No. 1 on a non-confidential basis.

If further information is required, please contact Mike Hopkins, Senior Manager, Price Risk & Resource Planning at (604) 592-7842.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc (email only): Registered Parties

1.0 Reference: REQUEST FOR COMMISSION APPROVAL

Exhibit B-1-1, p. 3

Execution of hedges

On page 3 of Exhibit B-1-1, FEI states that it will "Execute hedges when forward AECO/NIT market prices are at or below $2.25/GJ for up to 25% of the FEI commodity supply portfolio" and "Execute hedges when forward AECO/NIT market prices are at or below $2.00/GJ for up to 50% of the FEI commodity supply portfolio."

1.4.2 Please explain whether the hedging transaction cost changes when the implied or perceived future price volatility changes. If yes, please elaborate.

<u>Response:</u>

The response to this question is not confidential, therefore, is being filed on a non-confidential basis for the public record.

As discussed in the response to BCUC Scope B IR 1.10.2.1 there are no transaction costs related to financial hedging.

During periods of higher market price volatility, the difference between the bid and offer prices will typically widen. This is because the counterparty providing the fixed price bears higher risk to executing an offsetting trade. For example, a bank providing FEI with a fixed price contract of $3/GJ may then go and find a counterparty or producer that will sell a fixed price contract to the bank so that their financial risk is covered off. The more volatile the market prices, the more risk there is for the bank in securing the fixed price to match the fixed price provided to FEI because the offsetting transactions do not happen instantaneously.

2.0 Reference: REQUEST FOR COMMISSION APPROVAL

Exhibit B-1, p. 3

Exhibit A2-3, Price Risk management Workshop Summary Report, Appendix C,

Slide 71, Meeting Notes, pp. 3–4

Allocation of daily index / monthly index pricing in commodity portfolio

In Appendix C to the Price Risk Management Workshop Summary Report, on pages 3 and 4 of the Meeting Notes for Workshop # 3, FEI notes the current contracting strategy for physical contracts in the

commodity portfolio is 60 percent monthly index and 40 percent daily index and states that increasing the monthly index portion to the 75 percent level used in the hypothetical scenarios modelled by Aether Advisors is not feasible.

2.1 What is the maximum percentage of the commodity portfolio that FEI considers can be contracted under monthly index contracts, what are the factors that determine this percentage and what is the risk if this maximum is exceeded?

Response:

The response to this question is not confidential, therefore, is being filed on a non-confidential basis for the public record.

Please refer to the response to BCUC Scope B IR 1.11.3.

2.1.1 Please discuss the extent to which the percentage of the commodity portfolio that is monthly index priced determines the maximum percentage of the commodity portfolio that can be hedged.

Response:

The response to this question is not confidential, therefore, is being filed on a non-confidential basis for the public record.

Please refer to the response to BCUC Scope B IR 1.11.3.

2.2 What is the minimum percentage of the commodity portfolio that FEI considers can be contracted under daily index contracts, what are the factors that determine this percentage and what is the risk if this minimum is not achieved?

Response:

The response to this question is not confidential, therefore, is being filed on a non-confidential basis for the public record.

Please refer to the response to BCUC Scope B IR 1.11.3.