



Diane Roy
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June 1, 2016

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

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

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 Second Quarter Gas Cost Report**

The attached materials provide the FEI 2016 Second 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 May 17, 18, 19, 20, and 24, 2016 forward prices for natural gas (five-day average forward prices ending May 24, 2016), the June 30, 2016 GCRA deferral balance is projected to be approximately \$279.2 thousand surplus after tax (Tab 1, Page 2, Column 2, Line 28). Further, based on the five-day average forward prices ending May 24, 2016, the gas purchase cost assumptions, and the forecast gas cost recoveries at present rates for the 12-month period ending June 30, 2017, and accounting for the projected June 30, 2016 deferral balance, the GCRA ratio is calculated to be 90.2% (Tab 1, Page 1, Column 3, Line 10), which falls outside the 95% to 105% deadband. The tested rate increase that would produce a 100% commodity recovery-to-cost ratio is calculated to be \$0.140/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 July 1, 2016.

The Company will continue to monitor the forward prices and will report these results in the 2016 Third 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 JULY 1, 2016 TO JUNE 30, 2017
AT EXISTING GAS COST RECOVERY RATES
FORWARD PRICES - MAY 17, 18, 19, 20, AND 24, 2016**

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 Pre-Tax GCRA Balance as at June 30, 2016	\$ (377.3)			
3	(Tab 1, Page 2, Col 2, Line 21)				
4					
5	Forecast Incurred Gas Costs - July 2016 to June 2017	\$ 1,241.2			
6	(Tab 1, Page 2, Col 14, Line 16)				
7	Forecast Recovered Gas Costs - July 2016 to June 2017	\$ 779.6			
8	(Tab 1, Page 2, Col 14, Line 7)				
9					
10	Ratio = $\frac{\text{Forecast Recovered Gas Costs}}{\text{Forecast Incurred Gas Costs} + \text{Projected GCRA Balance}}$	= \$ 779.6			
11		= \$ 863.9	= <u>90.2%</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 Energy July 2016 to June 2017			602.2	
23	(Tab 1, Page 2, Col 14, Line 2)				
24					
25	Projected GCRA Balance at June 30, 2016 (Line 2)	\$ (377.3)			\$ (0.6266) ^(a)
26	Forecast GCRA Activities - July 2016 to June 2017 (Line 5 minus Line 7)	461.6			\$ 0.7666 ^(a)
27	(Over) / Under Recovery at Existing Rates	<u>\$ 84.3</u>			
28					
29					
30	TESTED RATE (DECREASE) / INCREASE				<u>\$ 0.140</u> ^(a)

Notes:

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

Slight differences in totals due to rounding.

FORTISBC ENERGY INC. - FORT NELSON SERVICE AREA
RECOVERED AND INCURRED COSTS SUMMARY
FOR THE PERIOD JULY 1, 2016 TO JUNE 30, 2017
AT EXISTING GAS COST RECOVERY RATES
FORWARD PRICES - MAY 17, 18, 19, 20, AND 24, 2016

Line No.	Particulars	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	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	10.6	14.1	26.5	44.2	72.7	91.2	107.5	77.7	74.3	43.7	24.1	15.6	602.2
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	0.2
4														
5	Recovery on Sales - \$000	\$ 13.7	\$ 18.2	\$ 34.3	\$ 57.2	\$ 94.0	\$ 118.0	\$ 139.1	\$ 100.6	\$ 96.1	\$ 56.5	\$ 31.2	\$ 20.2	\$ 779.2
6	Recovery on T-Service UAF - \$000	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.4
7	Total Forecast Recovered Gas Costs - \$000	\$ 13.7	\$ 18.2	\$ 34.3	\$ 57.2	\$ 94.1	\$ 118.1	\$ 139.2	\$ 100.6	\$ 96.2	\$ 56.6	\$ 31.3	\$ 20.2	\$ 779.6
8														
9														
10														
11	INCURRED GAS COSTS													
12	Purchases - TJ ^(a)	10.6	14.1	26.6	44.3	72.9	91.5	107.9	78.0	74.5	43.8	24.2	15.7	604.2
13														
14	Average Cost of Gas Purchased - \$/GJ	1.2242	1.3518	1.4293	1.5845	1.9323	2.1578	2.2710	2.3015	2.2436	2.0400	2.0074	2.0966	2.0544
15														
16	Forecast Incurred Gas Costs - \$000	\$ 13.0	\$ 19.1	\$ 38.0	\$ 70.2	\$ 140.9	\$ 197.4	\$ 245.0	\$ 179.5	\$ 167.2	\$ 89.4	\$ 48.6	\$ 32.9	\$ 1,241.2
17														
18														
19														
20	GCRA BALANCE													
21	Opening Balances (Pre-tax) - \$000 ^(b)	\$ (377.3)	\$ (378.0)	\$ (377.2)	\$ (373.4)	\$ (360.4)	\$ (313.6)	\$ (234.3)	\$ (128.5)	\$ (49.6)	\$ 21.4	\$ 54.3	\$ 71.6	
22	Forecast Activity - \$000	(0.7)	0.9	3.7	13.0	46.8	79.4	105.8	78.8	71.0	32.9	17.4	12.6	\$ 461.6
23	Closing Balances (Pre-tax) - \$000	\$ (378.0)	\$ (377.2)	\$ (373.4)	\$ (360.4)	\$ (313.6)	\$ (234.3)	\$ (128.5)	\$ (49.6)	\$ 21.4	\$ 54.3	\$ 71.6	\$ 84.3	
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	\$ (279.2)	\$ (279.7)	\$ (279.1)	\$ (276.4)	\$ (266.7)	\$ (232.1)	\$ (173.4)	\$ (95.1)	\$ (36.7)	\$ 15.8	\$ 40.2	\$ 53.0	
29	Closing Balances (After-tax) - \$000	\$ (279.7)	\$ (279.1)	\$ (276.4)	\$ (266.7)	\$ (232.1)	\$ (173.4)	\$ (95.1)	\$ (36.7)	\$ 15.8	\$ 40.2	\$ 53.0	\$ 62.4	

Notes:

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

(b) The net of tax GCRA opening balance, based on the latest recorded financial information, is grossed up at the current income tax rate to reflect a pre-tax amount prior to calculating the impact of the forecast activity. Slight differences in totals due to rounding.

FORTISBC ENERGY INC. - FORT NELSON SERVICE AREA
RECOVERED AND INCURRED COSTS SUMMARY
FOR THE PERIOD JULY 1, 2017 TO JUNE 30, 2018
AT EXISTING GAS COST RECOVERY RATES
FORWARD PRICES - MAY 17, 18, 19, 20, AND 24, 2016

Line No.	Particulars	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	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	10.6	14.1	26.6	44.0	72.4	90.7	108.2	78.2	74.9	44.1	24.4	15.8	604.0
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	0.2
4														
5	Recovery on Sales - \$000	\$ 13.8	\$ 18.2	\$ 34.5	\$ 56.9	\$ 93.7	\$ 117.4	\$ 140.0	\$ 101.2	\$ 96.9	\$ 57.0	\$ 31.6	\$ 20.5	\$ 781.6
6	Recovery on T-Service UAF - \$000	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.4
7	Total Forecast Recovered Gas Costs - \$000	<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>\$ 57.0</u>	<u>\$ 31.6</u>	<u>\$ 20.5</u>	<u>\$ 782.0</u>
8														
9														
10														
11	INCURRED GAS COSTS													
12	Purchases - TJ ^(a)	10.7	14.1	26.7	44.1	72.6	91.0	108.6	78.5	75.1	44.2	24.5	15.9	606.0
13														
14	Average Cost of Gas Purchased - \$/GJ	2.2023	2.1541	2.1175	2.1524	2.4675	2.5338	2.6836	2.6797	2.6001	2.1624	2.1417	2.2075	2.4675
15														
16	Forecast Incurred Gas Costs - \$000	<u>\$ 23.5</u>	<u>\$ 30.4</u>	<u>\$ 56.6</u>	<u>\$ 95.0</u>	<u>\$ 179.2</u>	<u>\$ 230.7</u>	<u>\$ 291.3</u>	<u>\$ 210.4</u>	<u>\$ 195.3</u>	<u>\$ 95.6</u>	<u>\$ 52.4</u>	<u>\$ 35.1</u>	<u>\$ 1,495.4</u>
17														
18														
19														
20	GCRA BALANCE													
21	Opening Balances (Pre-tax) - \$000	\$ 84.3	\$ 94.0	\$ 106.2	\$ 128.3	\$ 166.4	\$ 251.9	\$ 365.1	\$ 516.3	\$ 625.4	\$ 723.7	\$ 762.3	\$ 783.1	
22	Forecast Activity - \$000	9.7	12.2	22.1	38.1	85.5	113.2	151.2	109.1	98.4	38.5	20.8	14.6	\$ 713.4
23	Closing Balances (Pre-tax) - \$000	<u>\$ 94.0</u>	<u>\$ 106.2</u>	<u>\$ 128.3</u>	<u>\$ 166.4</u>	<u>\$ 251.9</u>	<u>\$ 365.1</u>	<u>\$ 516.3</u>	<u>\$ 625.4</u>	<u>\$ 723.7</u>	<u>\$ 762.3</u>	<u>\$ 783.1</u>	<u>\$ 797.7</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	\$ 62.4	\$ 69.6	\$ 78.6	\$ 95.0	\$ 123.1	\$ 186.4	\$ 270.1	\$ 382.1	\$ 462.8	\$ 535.6	\$ 564.1	\$ 579.5	
29	Closing Balances (After-tax) - \$000	<u>\$ 69.6</u>	<u>\$ 78.6</u>	<u>\$ 95.0</u>	<u>\$ 123.1</u>	<u>\$ 186.4</u>	<u>\$ 270.1</u>	<u>\$ 382.1</u>	<u>\$ 462.8</u>	<u>\$ 535.6</u>	<u>\$ 564.1</u>	<u>\$ 579.5</u>	<u>\$ 590.3</u>	

Notes:

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

Slight differences in totals due to rounding.

FORTISBC ENERGY INC. - FORT NELSON SERVICE AREA
STATION 2 INDEX FORECAST
FOR THE PERIOD ENDING JUNE 30, 2018

Line No	Particulars	Forward Prices - May 17, 18, 19, 20, and 24, 2016 2016 Q2 Gas Cost Report	Forward Prices - February 18, 19, 22, 23, and 24, 2016 2016 Q1 Gas Cost Report	Change in Forward Prices (4) = (2) - (3)
	(1)	(2)	(3)	
1	Station 2 Index Prices - \$CDN/GJ ^(a)			
2	2016 January	\$ 1.76	Recorded \$ 1.76	\$ -
3	February	\$ 1.33	Projected \$ 1.67	\$ (0.34)
4	March	\$ 0.89	\$ 1.22	\$ (0.33)
5	April	Recorded \$ 0.93	\$ 0.91	\$ 0.02
6	May	Projected \$ 0.86	\$ 0.92	\$ (0.07)
7	June	\$ 1.01	\$ 0.97	\$ 0.05
8	July	\$ 1.13	\$ 1.02	\$ 0.12
9	August	\$ 1.28	\$ 1.06	\$ 0.22
10	September	\$ 1.39	\$ 1.12	\$ 0.28
11	October	\$ 1.56	\$ 1.20	\$ 0.36
12	November	\$ 1.82	\$ 1.63	\$ 0.19
13	December	\$ 2.16	\$ 1.91	\$ 0.26
14	<i>Simple Average (Jan, 2016 - Dec, 2016)</i>	<u>\$ 1.34</u>	<u>\$ 1.28</u>	4.8% <u>\$ 0.06</u>
15	<i>Simple Average (Apr, 2016 - Mar, 2017)</i>	<u>\$ 1.60</u>	<u>\$ 1.39</u>	15.2% <u>\$ 0.21</u>
16	<i>Simple Average (Jul, 2016 - Jun, 2017)</i>	<u>\$ 1.86</u>	<u>\$ 1.60</u>	16.7% <u>\$ 0.27</u>
17	<i>Simple Average (Oct, 2016 - Sep, 2017)</i>	<u>\$ 2.07</u>	<u>\$ 1.80</u>	15.0% <u>\$ 0.27</u>
18	2017 January	\$ 2.33	\$ 1.99	\$ 0.34
19	February	\$ 2.38	\$ 1.97	\$ 0.41
20	March	\$ 2.29	\$ 1.93	\$ 0.35
21	April	\$ 2.02	\$ 1.75	\$ 0.27
22	May	\$ 1.97	\$ 1.76	\$ 0.20
23	June	\$ 2.04	\$ 1.84	\$ 0.19
24	July	\$ 2.11	\$ 1.87	\$ 0.24
25	August	\$ 2.09	\$ 1.89	\$ 0.20
26	September	\$ 2.08	\$ 1.86	\$ 0.22
27	October	\$ 2.13	\$ 1.96	\$ 0.17
28	November	\$ 2.33	\$ 2.23	\$ 0.10
29	December	\$ 2.43	\$ 2.29	\$ 0.14
30	<i>Simple Average (Jan, 2017 - Dec, 2017)</i>	<u>\$ 2.18</u>	<u>\$ 1.94</u>	12.2% <u>\$ 0.24</u>
31	<i>Simple Average (Apr, 2017 - Mar, 2018)</i>	<u>\$ 2.25</u>	<u>\$ 2.04</u>	10.3% <u>\$ 0.21</u>
32	<i>Simple Average (Jun, 2017 - Jun, 2018)</i>	<u>\$ 2.28</u>		
33	2018 January	\$ 2.66	\$ 2.42	\$ 0.24
34	February	\$ 2.65	\$ 2.37	\$ 0.28
35	March	\$ 2.53	\$ 2.27	\$ 0.26
36	April	\$ 2.14		
37	May	\$ 2.10		
38	June	\$ 2.15		

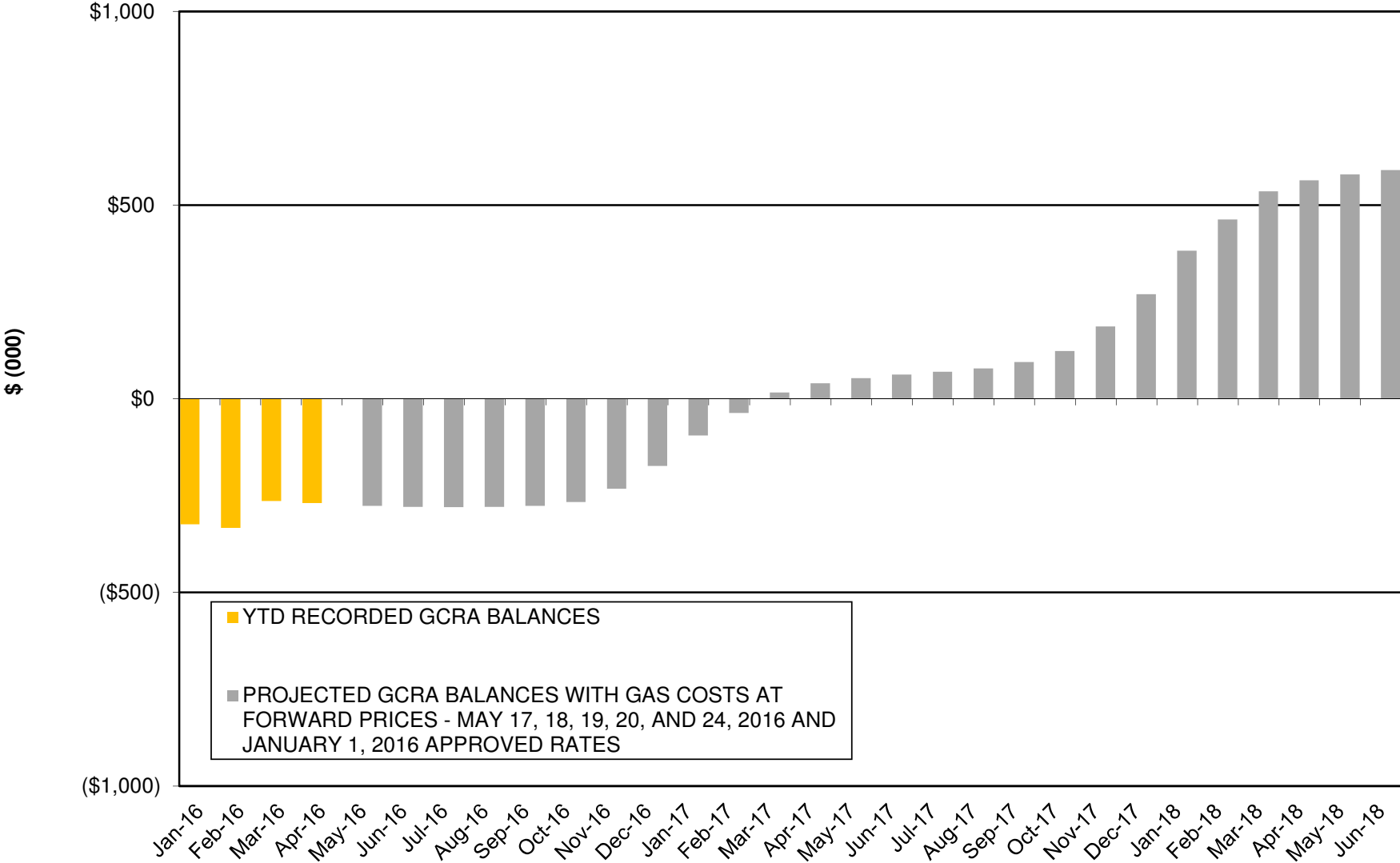
Notes:

(a) 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 JUNE 30, 2018
AT EXISTING GAS COST RECOVERY RATES

Line No.	Particulars	2016 Q2 Gas Cost Report January 1, 2016 Rates Forward Prices - May 17, 18, 19, 20, and 24, 2016		2016 Q1 Gas Cost Report January 1, 2016 Rates Forward Prices - February 18, 19, 22, 23, and 24, 2016	
		(1)	(2)	(3)	
1	2016 Jan		\$ (324.2)	Recorded	\$ (324.2)
2	Feb		\$ (333.6)	Projected	\$ (278.8)
3	Mar		\$ (263.9)		\$ (252.0)
4	Apr		\$ (269.7)		\$ (263.7)
5	May		\$ (276.7)		\$ (269.5)
6	Jun		\$ (279.2)		\$ (272.5)
7	Jul		\$ (279.7)		\$ (273.9)
8	Aug		\$ (279.1)		\$ (275.5)
9	Sep		\$ (276.4)		\$ (278.2)
10	Oct		\$ (266.7)		\$ (280.4)
11	Nov		\$ (232.1)		\$ (256.3)
12	Dec		\$ (173.4)		\$ (213.8)
13	2017 Jan		\$ (95.1)		\$ (159.4)
14	Feb		\$ (36.7)		\$ (120.9)
15	Mar		\$ 15.8		\$ (85.2)
16	Apr		\$ 40.2		\$ (69.7)
17	May		\$ 53.0		\$ (60.5)
18	Jun		\$ 62.4		\$ (53.4)
19	Jul		\$ 69.6		\$ (48.0)
20	Aug		\$ 78.6		\$ (41.1)
21	Sep		\$ 95.0		\$ (29.1)
22	Oct		\$ 123.1		\$ (6.7)
23	Nov		\$ 186.4		\$ 50.5
24	Dec		\$ 270.1		\$ 124.4
25	2018 Jan		\$ 382.1		\$ 219.7
26	Feb		\$ 462.8		\$ 286.8
27	Mar		\$ 535.6		\$ 347.3
28	Apr		\$ 564.1		
29	May		\$ 579.5		
30	Jun		\$ 590.3		

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





British Columbia
Utilities Commission

Laurel Ross
Acting Commission Secretary
and Director

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Log No. #####

Letter L-##-##

Via Email

gas.regulatory.affairs@fortisbc.com

June ##, 2016

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 – 2016 Second Quarter Gas Cost Report

Further to your June 1, 2016 filing of the 2016 Second 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 July 1, 2016.

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

Yours truly,

Laurel Ross