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August 30, 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. – Revelstoke
2016 Third Quarter Gas Cost Report**

FortisBC Energy Inc. (FEI or the Company) hereby submits to the British Columbia Utilities Commission (the Commission) the 2016 Third Quarter Gas Cost Report for Revelstoke. The attached schedules provide a summary of the forecast monthly Propane Cost Deferral Account balances based on the August 23, 2016 forward prices.

The schedule at Tab 1, Page 1, based on the August 23, 2016 forward prices, using the NYMEX B0 – Mt. Belvieu Propane Swap prices, and based on the current rates, the projected deferral account balance at September 30, 2016 is \$296,668 surplus (after tax), and the forecast balance at September 30, 2017 is \$6,346 deficit (after tax). The rate change trigger ratio is calculated to be 99.3%, which falls inside the 95% to 105% deadband range, and the tested rate increase that would be required to produce a 100% propane cost recovery-to-cost ratio is calculated to be \$0.041/GJ (Tab 1, Page 3, Line 20), which falls inside the minimum \$0.50/GJ rate change threshold, indicating that a rate change is not required at this time.

Provided in Tab 2 are the details of the forecast gas costs for Revelstoke. 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. The Company 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

In summary, the Company requests that the propane reference price for use in the Revelstoke Propane Cost Deferral Account and customer rates remain unchanged at October 1, 2016.

FEI will continue to monitor the forward prices and will report these results in the 2016 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 Doug Richardson at 604-592-7643.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

**FORTISBC ENERGY INC. - REVELSTOKE
PROPANE COST DEFERRAL ACCOUNT
WITH EXISTING PROPANE REFERENCE PRICE**

Tab 1

Page 1

(AUGUST 23, 2016 FORWARD PRICES BASED ON NYMEX MT. BELVIEU PROPANE SWAP PRICES)

Line No.	Particulars	Sales Volumes In Litre	Average Price Per Litre	Approved Reference Price	Amount Deferred Per Litre	Amount Deferred	Pre-tax Deferral Balance	After-tax Deferral Balance
	(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)=(2)*(5)	(7)	(8)
1	April 2016 (Recorded)						(\$371,244)	(\$274,721)
2	May (Recorded)						(\$383,128)	(\$283,515)
3	June (Recorded)						(\$384,762)	(\$284,724)
4	July (Recorded)						(\$399,390)	(\$295,548)
5	August (Projected)	290,381	\$0.1310	\$0.1444	(\$0.0134)	(\$3,882)	(\$403,272)	(\$298,421)
6	September (Projected)	<u>321,013</u>	\$0.1518	\$0.1444	\$0.0074	<u>\$2,369</u>	(\$400,903)	(\$296,668)
7	Total August, 2016 to September, 2016	<u>611,393</u>				<u>(\$1,513)</u>		
8								
9	<u>Forecast Volumes and Forecast Prices</u>							
10	October, 2016 (Forecast)	679,378	\$0.1807	\$0.1444	\$0.0363	\$24,661	(\$376,242)	(\$278,419)
11	November (Forecast)	961,124	\$0.2001	\$0.1444	\$0.0557	\$53,535	(\$322,707)	(\$238,803)
12	December (Forecast)	1,268,149	\$0.2081	\$0.1444	\$0.0637	\$80,781	(\$241,926)	(\$179,025)
13	January, 2017 (Forecast)	1,341,408	\$0.2123	\$0.1444	\$0.0679	\$91,082	(\$150,844)	(\$111,624)
14	February (Forecast)	1,186,880	\$0.2098	\$0.1444	\$0.0654	\$77,622	(\$73,222)	(\$54,184)
15	March (Forecast)	1,057,904	\$0.1941	\$0.1444	\$0.0497	\$52,578	(\$20,644)	(\$15,276)
16	April (Forecast)	667,656	\$0.1557	\$0.1444	\$0.0113	\$7,545	(\$13,099)	(\$9,693)
17	May (Forecast)	407,830	\$0.1512	\$0.1444	\$0.0068	\$2,773	(\$10,326)	(\$7,641)
18	June (Forecast)	282,957	\$0.1527	\$0.1444	\$0.0083	\$2,349	(\$7,977)	(\$5,903)
19	July (Forecast)	289,990	\$0.1523	\$0.1444	\$0.0079	\$2,291	(\$5,686)	(\$4,207)
20	August (Forecast)	294,678	\$0.1644	\$0.1444	\$0.0200	\$5,894	\$208	\$154
21	September (Forecast)	<u>324,334</u>	\$0.1702	\$0.1444	\$0.0258	<u>\$8,368</u>	\$8,576	\$6,346
22	Total October, 2016 to September, 2017	<u>8,762,288</u>				<u>\$409,479</u>		
23								
24								
25	<u>Forecast Recovered Costs [(Line 19 Col. 2) x (Line 18 Col. 4)]</u>					<u>\$1,265,274</u>		
26	September 30, 2016 Deferral Balance (Line 4 Col. 7) + Forecast Costs (Page 2 Line 13 Col. 9)					\$1,273,794		
27								
28								
29	October, 2017 Balance (Forecast)	685,239	\$0.1959	\$0.1444	\$0.0515	\$35,290	\$43,866	\$32,461
30	November (Forecast)	977,143	\$0.2085	\$0.1444	\$0.0641	\$62,635	\$106,501	\$78,811
31	December (Forecast)	1,290,888	\$0.2265	\$0.1444	\$0.0821	\$105,982	\$212,483	\$157,238
32	January, 2018 (Forecast)	1,355,474	\$0.2331	\$0.1444	\$0.0887	\$120,231	\$332,714	\$246,209
33	February (Forecast)	1,199,109	\$0.2278	\$0.1444	\$0.0834	\$100,006	\$432,720	\$320,213
34	March (Forecast)	1,069,469	\$0.1902	\$0.1444	\$0.0458	\$48,982	\$481,702	\$356,460
35	April (Forecast)	674,924	\$0.1618	\$0.1444	\$0.0174	\$11,744	\$493,446	\$365,150
36	May (Forecast)	411,190	\$0.1559	\$0.1444	\$0.0115	\$4,729	\$498,175	\$368,650
37	June (Forecast)	285,458	\$0.1571	\$0.1444	\$0.0127	\$3,625	\$501,800	\$371,332
38	July (Forecast)	291,904	\$0.1553	\$0.1444	\$0.0109	\$3,182	\$504,982	\$373,687
39	August (Forecast)	296,906	\$0.1650	\$0.1444	\$0.0206	\$6,116	\$511,098	\$378,213
40	September (Forecast)	<u>327,342</u>	\$0.1696	\$0.1444	\$0.0252	<u>\$8,249</u>	\$519,347	\$384,317
41	Total October, 2017 to September, 2018	<u>8,865,046</u>				<u>\$510,771</u>		

FORTISBC ENERGY INC. - REVELSTOKE
PROPANE COST DEFERRAL ACCOUNT
FORECAST AVERAGE COST OF PROPANE

Tab 1

Page 2

(AUGUST 23, 2016 FORWARD PRICES BASED ON NYMEX MT. BELVIEU PROPANE SWAP PRICES)

Line No.	Particulars	Sales Volume (Litres)	Fixed Volume (Litres)	Variable Volume (Litres)	Fixed Price ^(a) (\$/litre)	Variable Price ^(a) (\$/litre)	Fixed Charges (\$)	Variable Charges (\$)	Total (\$)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	October, 2016 (Forecast)	679,378	-	679,378	\$ -	\$ 0.1807	\$ -	\$ 122,794	\$ 122,794
2	November (Forecast)	961,124	602,000	359,124	\$ 0.2032	\$ 0.1949	\$ 122,338	\$ 69,982	\$ 192,321
3	December (Forecast)	1,268,149	602,000	666,149	\$ 0.2032	\$ 0.2125	\$ 122,338	\$ 141,532	\$ 263,871
4	January, 2017 (Forecast)	1,341,408	602,000	739,408	\$ 0.2032	\$ 0.2197	\$ 122,338	\$ 162,482	\$ 284,820
5	February (Forecast)	1,186,880	602,000	584,880	\$ 0.2032	\$ 0.2165	\$ 122,338	\$ 126,634	\$ 248,972
6	March (Forecast)	1,057,904	602,000	455,904	\$ 0.2032	\$ 0.1820	\$ 122,338	\$ 82,961	\$ 205,299
7	April (Forecast)	667,656	-	667,656	\$ -	\$ 0.1557	\$ -	\$ 103,948	\$ 103,948
8	May (Forecast)	407,830	-	407,830	\$ -	\$ 0.1512	\$ -	\$ 61,648	\$ 61,648
9	June (Forecast)	282,957	-	282,957	\$ -	\$ 0.1527	\$ -	\$ 43,221	\$ 43,221
10	July (Forecast)	289,990	-	289,990	\$ -	\$ 0.1523	\$ -	\$ 44,157	\$ 44,157
11	August (Forecast)	294,678	-	294,678	\$ -	\$ 0.1644	\$ -	\$ 48,437	\$ 48,437
12	September (Forecast)	324,334	-	324,334	\$ -	\$ 0.1702	\$ -	\$ 55,208	\$ 55,208
13	Total October, 2016 to September, 2017	8,762,288	3,010,000	5,752,288			\$ 611,692	\$ 1,063,004	\$ 1,674,697
14									
15	Forecast Average Cost of Propane (\$/Litre) ^{(b), (c)}								
16		8,762,288 Litres							\$ 0.1911
17	Forecast Average Cost of Propane (\$/GJ) ^{(b), (d)}								
18	(Conversion factor 1 Litre = 0.025594 GJ)	224,262 GJ							\$ 7.468
19									
20	October, 2017 Balance (Forecast)	685,239	-	685,239	\$ -	\$ 0.1959	\$ -	\$ 134,256	\$ 134,256
21	November (Forecast)	977,143	-	977,143	\$ -	\$ 0.2085	\$ -	\$ 203,764	\$ 203,764
22	December (Forecast)	1,290,888	-	1,290,888	\$ -	\$ 0.2265	\$ -	\$ 292,398	\$ 292,398
23	January, 2018 (Forecast)	1,355,474	-	1,355,474	\$ -	\$ 0.2331	\$ -	\$ 315,946	\$ 315,946
24	February (Forecast)	1,199,109	-	1,199,109	\$ -	\$ 0.2278	\$ -	\$ 273,169	\$ 273,169
25	March (Forecast)	1,069,469	-	1,069,469	\$ -	\$ 0.1902	\$ -	\$ 203,422	\$ 203,422
26	April (Forecast)	674,924	-	674,924	\$ -	\$ 0.1618	\$ -	\$ 109,187	\$ 109,187
27	May (Forecast)	411,190	-	411,190	\$ -	\$ 0.1559	\$ -	\$ 64,108	\$ 64,108
28	June (Forecast)	285,458	-	285,458	\$ -	\$ 0.1571	\$ -	\$ 44,836	\$ 44,836
29	July (Forecast)	291,904	-	291,904	\$ -	\$ 0.1553	\$ -	\$ 45,336	\$ 45,336
30	August (Forecast)	296,906	-	296,906	\$ -	\$ 0.1650	\$ -	\$ 48,988	\$ 48,988
31	September (Forecast)	327,342	-	327,342	\$ -	\$ 0.1696	\$ -	\$ 55,521	\$ 55,521
32	Total October, 2017 to September, 2018	8,865,046	-	8,865,046			\$ -	\$ 1,790,931	\$ 1,790,931

Notes:

(a) Includes transportation costs.

(b) Forecast Average Cost of Propane excludes company use, vaporizer use, and unaccounted for gas.

(c) Forecast Average Cost of Propane (\$/Litre) = Total Cost (Column 9 Line 13) / Sales Volume in Litres (Column 2 Line 16).

(d) Forecast Average Cost of Propane (\$/GJ) = Total Cost (Column 9 Line 13) / Sales Volume in GJ (Column 2 Line 18).

FORTISBC ENERGY INC. - REVELSTOKE
PROPANE COST DEFERRAL ACCOUNT
CALCULATION OF PROPANE COST DECREASE FLOWTHROUGH
(AUGUST 23, 2016 FORWARD PRICES BASED ON NYMEX MT. BELVIEU PROPANE SWAP PRICES)

Line No.	Particulars (1)	\$/Litre (2)	\$/GJ (3)
1	Calculation of New Propane Reference Price		
2			<i>Per GJ shown for info only</i>
3	i. Forecast Average Cost of Propane (Tab 1, Page 2, Col. 9, Line 16 and Line 18)		\$7.468
4	October 1, 2016 to September 30, 2017	\$0.1911	
5			
6	ii. Twelve Month Amortization of \$ (400,903) (Deferral Balance, Tab 1, Page 1, Col. 7, Line 3)		
7	Projected Deferral Account Balance 8,762,288 (Volume in Litres, Tab 1, Page 1, Col. 2, Line 19)	<u>(\$0.0458)</u>	(\$1.788)
8			
9	Tested Reference Price	\$0.1454	\$5.680
10			
11			
12	Existing Propane Reference Price	<u>\$0.1444</u>	\$5.642
13	(Conversion factor 1 Litre = 0.025594 GJ)		
14			
15			
16	Increase in Propane Reference Price to be Flowed Through in Customers' Rates	<u>\$0.0010</u>	\$0.039
17			
18	Add: Company Use/Vaporizer Use/Unaccounted For Gas Adjustment of 4.18% ^(a)		<u>\$0.002</u>
19			
20	Total Propane Cost Flowthrough ^(b)		<u>\$0.041</u>
21	(Conversion factor 1 Litre = 0.025594 GJ)		

Notes:

(a) The Company Use/Vaporizer Use/Unaccounted For Gas Adjustment of 4.18% is based on 2013, 2014, and 2015 data.

	Litres	Percentage
Sales	8,171,599	
Company Use	2,575	0.03%
Propane Used for Vaporizer	115,647	1.42%
Unaccounted For	<u>222,775</u>	<u>2.73%</u>
Total Fuel / UAF Requirement	<u>340,997</u>	<u>4.18%</u>

(b) Breakdown of Rate Change:

Projected Deferral Balance at Sep 30, 2016	(\$1.788)
Propane Cost Under (Over) Recovery (including amount at Line 18) for Oct 1, 2016 to Sep 30, 2017 period	<u>\$1.829</u>
Total Propane Cost Flow Through	<u>\$0.041</u>

Slight differences due to rounding.

FORTISBC ENERGY INC. - REVELSTOKE

PROPANE COST DEFERRAL ACCOUNT

WITH TESTED REFERENCE PRICE OCTOBER 1, 2016

(AUGUST 23, 2016 FORWARD PRICES BASED ON NYMEX MT. BELVIEU PROPANE SWAP PRICES)

Line No.	Particulars	Volumes In Litre	Average Price Per Litre	Approved Reference Price	Amount Deferred Per Litre	Amount Deferred	Pre-tax Deferral Balance	After-tax Deferral Balance
	(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)=(2)*(5)	(7)	(8)
1	April 2016 (Recorded)						(\$371,244)	(\$274,721)
2	May (Recorded)						(\$383,128)	(\$283,515)
3	June (Recorded)						(\$384,762)	(\$284,724)
4	July (Recorded)						(\$399,390)	(\$295,548)
5	August (Projected)	290,381	\$0.1310	\$0.1444	(\$0.0134)	(\$3,882)	(\$403,272)	(\$298,421)
6	September (Projected)	321,013	\$0.1518	\$0.1444	\$0.0074	\$2,369	(\$400,903)	(\$296,668)
7	Total August, 2016 to September, 2016	<u>611,393</u>				<u>(\$1,513)</u>		
8								
9								
10								
11	<u>Forecast Volumes and Forecast Prices</u>							
12	October, 2016 (Forecast)	679,378	\$0.1807	\$0.1454	\$0.0353	\$23,982	(\$376,921)	(\$278,921)
13	November (Forecast)	961,124	\$0.2001	\$0.1454	\$0.0547	\$52,573	(\$324,348)	(\$240,017)
14	December (Forecast)	1,268,149	\$0.2081	\$0.1454	\$0.0627	\$79,513	(\$244,835)	(\$181,178)
15	January, 2017 (Forecast)	1,341,408	\$0.2123	\$0.1454	\$0.0669	\$89,740	(\$155,095)	(\$114,770)
16	February (Forecast)	1,186,880	\$0.2098	\$0.1454	\$0.0644	\$76,435	(\$78,660)	(\$58,208)
17	March (Forecast)	1,057,904	\$0.1941	\$0.1454	\$0.0487	\$51,520	(\$27,140)	(\$20,083)
18	April (Forecast)	667,656	\$0.1557	\$0.1454	\$0.0103	\$6,877	(\$20,263)	(\$14,994)
19	May (Forecast)	407,830	\$0.1512	\$0.1454	\$0.0058	\$2,365	(\$17,898)	(\$13,244)
20	June (Forecast)	282,957	\$0.1527	\$0.1454	\$0.0073	\$2,066	(\$15,832)	(\$11,715)
21	July (Forecast)	289,990	\$0.1523	\$0.1454	\$0.0069	\$2,001	(\$13,831)	(\$10,235)
22	August (Forecast)	294,678	\$0.1644	\$0.1454	\$0.0190	\$5,599	(\$8,232)	(\$6,091)
23	September (Forecast)	324,334	\$0.1702	\$0.1454	\$0.0248	\$8,043	(\$189)	(\$140)
24	Total October, 2016 to September, 2017	<u>8,762,288</u>				<u>\$400,714</u>		
25								
26								
27	October, 2017 Balance (Forecast)	685,239	\$0.1959	\$0.1454	\$0.0505	\$34,605	\$34,416	\$25,468
28	November (Forecast)	977,143	\$0.2085	\$0.1454	\$0.0631	\$61,658	\$96,074	\$71,095
29	December (Forecast)	1,290,888	\$0.2265	\$0.1454	\$0.0811	\$104,691	\$200,765	\$148,566
30	January, 2018 (Forecast)	1,355,474	\$0.2331	\$0.1454	\$0.0877	\$118,875	\$319,640	\$236,534
31	February (Forecast)	1,199,109	\$0.2278	\$0.1454	\$0.0824	\$98,807	\$418,447	\$309,651
32	March (Forecast)	1,069,469	\$0.1902	\$0.1454	\$0.0448	\$47,912	\$466,359	\$345,106
33	April (Forecast)	674,924	\$0.1618	\$0.1454	\$0.0164	\$11,069	\$477,428	\$353,297
34	May (Forecast)	411,190	\$0.1559	\$0.1454	\$0.0105	\$4,317	\$481,745	\$356,492
35	June (Forecast)	285,458	\$0.1571	\$0.1454	\$0.0117	\$3,340	\$485,085	\$358,963
36	July (Forecast)	291,904	\$0.1553	\$0.1454	\$0.0099	\$2,890	\$487,975	\$361,102
37	August (Forecast)	296,906	\$0.1650	\$0.1454	\$0.0196	\$5,819	\$493,794	\$365,408
38	September (Forecast)	327,342	\$0.1696	\$0.1454	\$0.0242	\$7,922	\$501,716	\$371,270
39	Total October, 2017 to September, 2018	<u>8,865,046</u>				<u>\$501,905</u>		



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

September ##, 2016

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

Dear Ms. Roy:

Re: FortisBC Energy Inc. – Revelstoke
2016 Third Quarter Gas Cost Report

Further to your August 30, 2016 filing of the 2016 Third Quarter Gas Cost Report (the Report) for Revelstoke. The Commission acknowledges receipt of the Report and accepts the recommendation that the propane reference price remain unchanged at October 1, 2016.

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

Yours truly,

Laurel Ross