



Diane Roy
Vice President, Regulatory Affairs

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

June 7, 2017

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

**Re: FortisBC Energy Inc. (FEI or the Company) – Fort Nelson Service Area
Gas Cost Reconciliation Account (GCRA), Gas Cost Recovery Rates
2017 Second Quarter Gas Cost Report**

The attached materials provide the FEI 2017 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 24, 25, 26, 30, and 31, 2017 forward prices for natural gas (five-day average forward prices ending May 31, 2017), the June 30, 2017 GCRA deferral balance is projected to be approximately \$3.9 thousand surplus after tax (Tab 1, Page 2, Column 2, Line 28). Further, based on the five-day average forward prices ending May 31, 2017, the gas purchase cost assumptions, and the forecast gas cost recoveries at present rates for the 12-month period ending June 30, 2018, and accounting for the projected June 30, 2017 deferral balance, the GCRA ratio is calculated to be 81.3% (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 \$0.481/GJ (Tab 1, Page 1, Column 5, Line 30), which falls inside 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.

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

FEI is requesting that this information be filed on a confidential basis pursuant to section 18 of the Commission's Rules of Practice and Procedure regarding confidential documents, established by Order G-1-16, and 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, 2017.

The Company will continue to monitor the forward prices and will report these results in the 2017 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, 2017 TO JUNE 30, 2018
AT EXISTING GAS COST RECOVERY RATES
FORWARD PRICES - MAY 24, 25, 26, 30, AND 31, 2017

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, 2017	\$ (5.3)			
3	(Tab 1, Page 2, Col 2, Line 21)				
4					
5	Forecast Incurred Gas Costs - July 2017 to June 2018	\$ 1,352.5			
6	(Tab 1, Page 2, Col 14, Line 16)				
7	Forecast Recovered Gas Costs - July 2017 to June 2018	\$ 1,094.7			
8	(Tab 1, Page 2, Col 14, Line 7)				
9					
10	Ratio = $\frac{\text{Forecast Recovered Gas Costs}}{\text{Forecast Incurred Gas Costs} + \text{Projected GCRA Balance}}$	= \$ 1,094.7			
11		= \$ 1,347.2	= <u>81.3%</u>		
12					
13					
14	Existing Gas Cost Recovery Charge, Effective January 1, 2017				\$ 2.086
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 2017 to June 2018			524.7	
23	(Tab 1, Page 2, Col 14, Line 2)				
24					
25	Projected GCRA Balance at June 30, 2017 (Line 2)	\$ (5.3)			\$ (0.0101) ^(a)
26	Forecast GCRA Activities - July 2017 to June 2018 (Line 5 minus Line 7)	257.8			\$ 0.4913 ^(a)
27	(Over) / Under Recovery at Existing Rates	<u>\$ 252.5</u>			
28					
29					
30	TESTED RATE (DECREASE) / INCREASE				<u>\$ 0.481</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, 2017 TO JUNE 30, 2018
AT EXISTING GAS COST RECOVERY RATES
FORWARD PRICES - MAY 24, 25, 26, 30, AND 31, 2017**

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	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 - GJ	7,496	9,195	17,318	38,778	68,845	90,721	88,668	71,525	67,527	35,119	19,560	9,929	524,681
3	T-Service UAF - GJ	-	-	0	4	22	25	22	20	19	9	1	0	121
4														
5	Recovery on Sales - \$000	\$ 15.6	\$ 19.2	\$ 36.1	\$ 80.9	\$ 143.6	\$ 189.2	\$ 185.0	\$ 149.2	\$ 140.9	\$ 73.3	\$ 40.8	\$ 20.7	\$ 1,094.5
6	Recovery on T-Service UAF - \$000	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.3
7	Total Forecast Recovered Gas Costs - \$000	<u>\$ 15.6</u>	<u>\$ 19.2</u>	<u>\$ 36.1</u>	<u>\$ 80.9</u>	<u>\$ 143.7</u>	<u>\$ 189.3</u>	<u>\$ 185.0</u>	<u>\$ 149.2</u>	<u>\$ 140.9</u>	<u>\$ 73.3</u>	<u>\$ 40.8</u>	<u>\$ 20.7</u>	<u>\$ 1,094.7</u>
8														
9														
10														
11	<u>INCURRED GAS COSTS</u>													
12	Purchases - GJ ^(a)	7,518	9,223	17,370	38,898	69,073	91,018	88,956	71,759	67,749	35,233	19,619	9,959	526,376
13														
14	Average Cost of Gas Purchased - \$/GJ	2.3174	2.2776	2.1530	2.1669	2.6704	2.7330	2.7847	2.7982	2.7430	1.9273	1.8977	1.9776	2.5695
15														
16	Forecast Incurred Gas Costs - \$000	<u>\$ 17.4</u>	<u>\$ 21.0</u>	<u>\$ 37.4</u>	<u>\$ 84.3</u>	<u>\$ 184.5</u>	<u>\$ 248.7</u>	<u>\$ 247.7</u>	<u>\$ 200.8</u>	<u>\$ 185.8</u>	<u>\$ 67.9</u>	<u>\$ 37.2</u>	<u>\$ 19.7</u>	<u>\$ 1,352.5</u>
17														
18														
19														
20	<u>GCRA BALANCE</u>													
21	Opening Balances (Pre-tax) - \$000 ^(b)	\$ (5.3)	\$ (3.5)	\$ (1.7)	\$ (0.4)	\$ 3.0	\$ 43.8	\$ 103.2	\$ 165.9	\$ 217.5	\$ 262.4	\$ 257.0	\$ 253.5	
22	Forecast Activity - \$000	1.8	1.8	1.3	3.4	40.8	59.5	62.7	51.6	44.9	(5.4)	(3.6)	(1.0)	\$ 257.8
23	Closing Balances (Pre-tax) - \$000	<u>\$ (3.5)</u>	<u>\$ (1.7)</u>	<u>\$ (0.4)</u>	<u>\$ 3.0</u>	<u>\$ 43.8</u>	<u>\$ 103.2</u>	<u>\$ 165.9</u>	<u>\$ 217.5</u>	<u>\$ 262.4</u>	<u>\$ 257.0</u>	<u>\$ 253.5</u>	<u>\$ 252.5</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	\$ (3.9)	\$ (2.6)	\$ (1.3)	\$ (0.3)	\$ 2.2	\$ 32.4	\$ 76.4	\$ 122.8	\$ 160.9	\$ 194.2	\$ 190.2	\$ 187.6	
29	Closing Balances (After-tax) - \$000	<u>\$ (2.6)</u>	<u>\$ (1.3)</u>	<u>\$ (0.3)</u>	<u>\$ 2.2</u>	<u>\$ 32.4</u>	<u>\$ 76.4</u>	<u>\$ 122.8</u>	<u>\$ 160.9</u>	<u>\$ 194.2</u>	<u>\$ 190.2</u>	<u>\$ 187.6</u>	<u>\$ 186.8</u>	

Notes:

- (a) Purchases include Sales & T-Service UAF quantities, but exclude Company Use Gas quantities. Sales UAF costs are recovered via gas cost recovery rates; T-Service UAF costs are recovered via delivery revenues.
- (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, 2018 TO JUNE 30, 2019
AT EXISTING GAS COST RECOVERY RATES
FORWARD PRICES - MAY 24, 25, 26, 30, AND 31, 2017

Line No.	Particulars	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	13-24 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 - GJ	7,370	9,041	17,030	38,072	67,539	88,955	86,953	70,120	66,204	34,454	19,205	9,764	514,707
3	T-Service UAF - GJ	0	0	0	4	20	24	22	20	19	9	1	0	119
4														
5	Recovery on Sales - \$000	\$ 15.4	\$ 18.9	\$ 35.5	\$ 79.4	\$ 140.9	\$ 185.6	\$ 181.4	\$ 146.3	\$ 138.1	\$ 71.9	\$ 40.1	\$ 20.4	\$ 1,073.7
6	Recovery on T-Service UAF - \$000	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	254.1
7	Total Forecast Recovered Gas Costs - \$000	<u>\$ 15.4</u>	<u>\$ 18.9</u>	<u>\$ 35.5</u>	<u>\$ 79.4</u>	<u>\$ 140.9</u>	<u>\$ 185.6</u>	<u>\$ 181.4</u>	<u>\$ 146.3</u>	<u>\$ 138.1</u>	<u>\$ 71.9</u>	<u>\$ 40.1</u>	<u>\$ 20.4</u>	<u>\$ 1,073.9</u>
8														
9														
10														
11	<u>INCURRED GAS COSTS</u>													
12	Purchases - GJ ^(a)	7,392	9,068	17,081	38,190	67,762	89,246	87,236	70,350	66,422	34,566	19,263	9,793	516,370
13														
14	Average Cost of Gas Purchased - \$/GJ	2.0243	2.0014	1.9251	1.9506	2.3882	2.4893	2.5964	2.5740	2.5082	1.7921	1.7623	1.8352	2.3482
15														
16	Forecast Incurred Gas Costs - \$000	<u>\$ 15.0</u>	<u>\$ 18.1</u>	<u>\$ 32.9</u>	<u>\$ 74.5</u>	<u>\$ 161.8</u>	<u>\$ 222.2</u>	<u>\$ 226.5</u>	<u>\$ 181.1</u>	<u>\$ 166.6</u>	<u>\$ 61.9</u>	<u>\$ 33.9</u>	<u>\$ 18.0</u>	<u>\$ 1,212.5</u>
17														
18														
19														
20	<u>GCRA BALANCE</u>													
21	Opening Balances (Pre-tax) - \$000	\$ 252.5	\$ 252.0	\$ 251.3	\$ 248.7	\$ 243.8	\$ 264.7	\$ 301.2	\$ 346.3	\$ 381.0	\$ 409.5	\$ 399.6	\$ 393.4	
22	Forecast Activity - \$000	(0.4)	(0.7)	(2.6)	(4.9)	20.9	36.5	45.1	34.8	28.5	(9.9)	(6.1)	(2.4)	138.6
23	Closing Balances (Pre-tax) - \$000	<u>\$ 252.0</u>	<u>\$ 251.3</u>	<u>\$ 248.7</u>	<u>\$ 243.8</u>	<u>\$ 264.7</u>	<u>\$ 301.2</u>	<u>\$ 346.3</u>	<u>\$ 381.0</u>	<u>\$ 409.5</u>	<u>\$ 399.6</u>	<u>\$ 393.4</u>	<u>\$ 391.0</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	\$ 186.8	\$ 186.5	\$ 186.0	\$ 184.0	\$ 180.4	\$ 195.8	\$ 222.9	\$ 256.2	\$ 282.0	\$ 303.0	\$ 295.7	\$ 291.1	
29	Closing Balances (After-tax) - \$000	<u>\$ 186.5</u>	<u>\$ 186.0</u>	<u>\$ 184.0</u>	<u>\$ 180.4</u>	<u>\$ 195.8</u>	<u>\$ 222.9</u>	<u>\$ 256.2</u>	<u>\$ 282.0</u>	<u>\$ 303.0</u>	<u>\$ 295.7</u>	<u>\$ 291.1</u>	<u>\$ 289.4</u>	

Notes:

(a) Purchases include Sales & T-Service UAF quantities, but exclude Company Use Gas quantities. Sales UAF costs are recovered via gas cost recovery rates; T-Service UAF costs are recovered via delivery revenues.

Slight differences in totals due to rounding.

FORTISBC ENERGY INC. - FORT NELSON SERVICE AREA
STATION 2 INDEX FORECAST
FOR THE PERIOD ENDING JUNE 30, 2019

Line No	Particulars	Forward Prices - May 24, 25, 26, 30, and 31, 2017 2017 Q2 Gas Cost Report	Forward Prices - February 15, 16, 17, 21, and 22, 2017 2017 Q1 Gas Cost Report	Change in Forward Prices (4) = (2) - (3)
	(1)	(2)	(3)	
1	Station 2 Index Prices - \$CDN/GJ ^(a)			
2	2017 January	\$ 2.53	Recorded \$ 2.53	\$ -
3	February	\$ 2.25	Projected \$ 2.42	\$ (0.17)
4	March	\$ 2.32	\$ 2.02	\$ 0.31
5	April	Recorded \$ 2.33	\$ 1.69	\$ 0.64
6	May	Projected \$ 2.16	\$ 1.67	\$ 0.49
7	June	\$ 2.60	\$ 1.67	\$ 0.93
8	July	\$ 2.22	\$ 1.69	\$ 0.53
9	August	\$ 2.21	\$ 1.73	\$ 0.49
10	September	\$ 2.15	\$ 1.75	\$ 0.40
11	October	\$ 2.20	\$ 1.83	\$ 0.38
12	November	\$ 2.50	\$ 2.26	\$ 0.24
13	December	\$ 2.60	\$ 2.38	\$ 0.21
14	<i>Simple Average (Jan, 2017 - Dec, 2017)</i>	<u>\$ 2.34</u>	<u>\$ 1.97</u>	18.8% <u>\$ 0.37</u>
15	<i>Simple Average (Apr, 2017 - Mar, 2018)</i>	<u>\$ 2.41</u>	<u>\$ 2.00</u>	20.4% <u>\$ 0.41</u>
16	<i>Simple Average (Jul, 2017 - Jun, 2018)</i>	<u>\$ 2.29</u>	<u>\$ 2.06</u>	11.1% <u>\$ 0.23</u>
17	<i>Simple Average (Oct, 2017 - Sep, 2018)</i>	<u>\$ 2.21</u>	<u>\$ 2.11</u>	4.7% <u>\$ 0.10</u>
18	2018 January	\$ 2.67	\$ 2.48	\$ 0.19
19	February	\$ 2.69	\$ 2.49	\$ 0.20
20	March	\$ 2.60	\$ 2.40	\$ 0.20
21	April	\$ 1.90	\$ 1.93	\$ (0.03)
22	May	\$ 1.84	\$ 1.87	\$ (0.03)
23	June	\$ 1.86	\$ 1.90	\$ (0.04)
24	July	\$ 1.87	\$ 1.90	\$ (0.04)
25	August	\$ 1.87	\$ 1.91	\$ (0.04)
26	September	\$ 1.86	\$ 1.91	\$ (0.05)
27	October	\$ 1.93	\$ 1.95	\$ (0.02)
28	November	\$ 2.23	\$ 2.24	\$ (0.02)
29	December	\$ 2.38	\$ 2.42	\$ (0.03)
30	<i>Simple Average (Jan, 2018 - Dec, 2018)</i>	<u>\$ 2.14</u>	<u>\$ 2.12</u>	1.2% <u>\$ 0.02</u>
31	<i>Simple Average (Apr, 2018 - Mar, 2019)</i>	<u>\$ 2.10</u>	<u>\$ 2.12</u>	-1.2% <u>\$ (0.03)</u>
32	<i>Simple Average (Jul, 2018 - Jun, 2019)</i>	<u>\$ 2.06</u>		
33	2019 January	\$ 2.54	\$ 2.55	\$ (0.00)
34	February	\$ 2.51	\$ 2.52	\$ (0.01)
35	March	\$ 2.41	\$ 2.39	\$ 0.01
36	April	\$ 1.76		
37	May	\$ 1.70		
38	June	\$ 1.71		

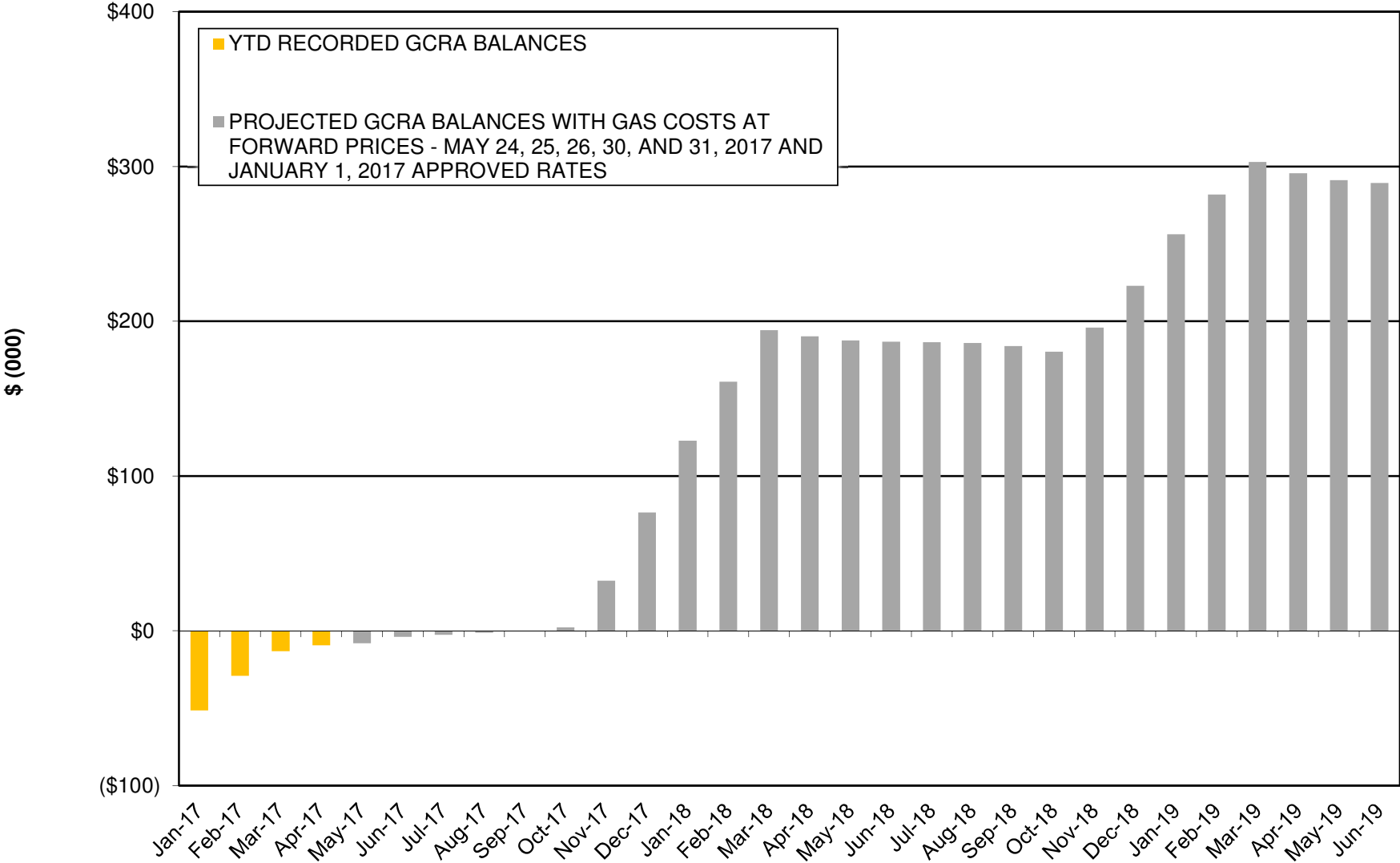
Notes:

(a) Recorded monthly prices reflect the actual costs as per the financial system data.

FORTISBC ENERGY INC. - FORT NELSON SERVICE AREA
GCRA AFTER-TAX BALANCES (\$000)
FOR THE PERIOD ENDING JUNE 30, 2019
AT EXISTING GAS COST RECOVERY RATES

Line No.	Particulars	2017 Q2 Gas Cost Report January 1, 2017 Rates Forward Prices - May 24, 25, 26, 30, and 31, 2017		2017 Q1 Gas Cost Report January 1, 2017 Rates Forward Prices - February 15, 16, 17, 21, and 22, 2017	
		(1)	(2)	(3)	
1	2017 Jan		\$ (51.5)	Recorded	\$ (51.5)
2	Feb		\$ (29.2)	Projected	\$ (44.3)
3	Mar		\$ (13.3)		\$ (51.1)
4	Apr	Recorded	\$ (9.4)		\$ (59.5)
5	May	Projected	\$ (8.1)		\$ (64.1)
6	Jun		\$ (3.9)		\$ (65.9)
7	Jul		\$ (2.6)		\$ (66.9)
8	Aug		\$ (1.3)		\$ (68.1)
9	Sep		\$ (0.3)		\$ (71.0)
10	Oct		\$ 2.2		\$ (76.4)
11	Nov		\$ 32.4		\$ (63.1)
12	Dec		\$ 76.4		\$ (40.1)
13	2018 Jan		\$ 122.8		\$ (13.3)
14	Feb		\$ 160.9		\$ 8.9
15	Mar		\$ 194.2		\$ 26.8
16	Apr		\$ 190.2		\$ 23.8
17	May		\$ 187.6		\$ 21.8
18	Jun		\$ 186.8		\$ 21.3
19	Jul		\$ 186.5		\$ 21.3
20	Aug		\$ 186.0		\$ 21.1
21	Sep		\$ 184.0		\$ 19.9
22	Oct		\$ 180.4		\$ 17.2
23	Nov		\$ 195.8		\$ 32.7
24	Dec		\$ 222.9		\$ 60.4
25	2019 Jan		\$ 256.2		\$ 93.2
26	Feb		\$ 282.0		\$ 118.7
27	Mar		\$ 303.0		\$ 138.8
28	Apr		\$ 295.7		
29	May		\$ 291.1		
30	Jun		\$ 289.4		

FORTISBC ENERGY INC. - FORT NELSON SERVICE AREA
 GCRA AFTER TAX BALANCES BY MONTH
 FOR THE PERIOD ENDING JUNE 2019





June #, 2017

Letter L-##-##

Ms. Diane Roy
Vice President, Regulatory Affairs
FortisBC Energy Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8
gas.regulatory.affairs@fortisbc.com

Dear Ms. Roy:

Re: FortisBC Energy Inc. – Fort Nelson Service Area
2017 Second Quarter Gas Cost Report

On June 7, 2017, FortisBC Energy Inc. (FEI) filed with the British Columbia Utilities Commission (Commission) its 2017 Second Quarter Gas Cost Report for the Fort Nelson service area (Report), which includes details regarding the Gas Cost Reconciliation Account and the related Gas Cost Recovery Charge.

The Commission notes that the Gas Cost Recovery Charge for the Fort Nelson service area was last changed effective January 1, 2017, when it was increased by \$0.792 per gigajoule from \$1.294 per gigajoule to \$2.086 per gigajoule via Order G-178-16.

The Commission reviewed the Report within the context of the quarterly gas costs review and rate setting mechanism guidelines pursuant to Letters L-5-01, L-40-11 and L-15-16. The Commission acknowledges receipt of the Report and accepts FEI's recommendation that the Gas Cost Recovery Charge for the Fort Nelson service area remain unchanged at \$2.086 per gigajoule effective July 1, 2017.

The Commission will hold the information in Tab 2 of the Report confidential, as requested, since it contains market sensitive information.

Yours truly,

Patrick Wruck