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April 30, 2018

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)
2017 Biomethane Variance Account (BVA) Status Report

The attached materials provide the FEI 2017 BVA Status Report (2017 Status Report). The 2017 Status Report includes explanations of major variances from forecast for gas costs incurred and gas costs recovered.

The 2017 pre-tax result of the BVA activities amounted to a variance of \$248,000, after adjustment for unsold biomethane (Tab 1, Page 1, Column 4, Line 15). The net of tax account balance at December 31, 2017, after adjustment for unsold biomethane but before any transfer to the BVA Rate Rider Account, was \$1,866,300 deficit (Tab 1, Page 1, Column 2, Line 25); after transfer of the BVA net of tax deficit amount of \$1,866,300 (Tab 1, Page 1, Column 2, Line 27) to the BVA Rate Rider Account, the year end BVA balance was zero (Tab 1, Page 1, Column 2, Line 29).

In 2017 the RNG program experienced growth in sales over and above available biomethane supply. As a result, at the end of 2017 the BVA biomethane inventory was in a negative position. Therefore, FEI intends to purchase carbon offsets, along with a matching quantity of conventional natural gas, and transfer these costs into the BVA in an amount equal to the supply shortfall at the end of 2017. In addition, FEI will continue to monitor the biomethane inventory and, if required, purchase carbon offsets along with conventional natural gas to avoid supply shortfalls.

FEI requests the information contained within Pages 3 and 3.1 to 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.

All of which is respectfully submitted. If you have any questions related to the attached report, please contact Scott Gramm at 604-576-7242.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachment

FORTISBC ENERGY INC. - MAINLAND, VANCOUVER ISLAND AND WHISTLER SERVICE AREAS
BVA STATUS REPORT
BVA SUMMARY (\$000)
FOR THE YEAR ENDED DECEMBER 31, 2017

TAB 1
PAGE 1

Line No.	Particulars	Recorded	Forecast ^{(a) (g)}	Variance
	(1)	(2)	(3)	(4)
1	2017 BVA Opening Balance ^(b)			
2	December 31, 2016 Pre-Tax Balance (Before Transfer and Adjustment for Unsold Biomethane)	\$ 3,318.0	\$ 2,905.4	\$ 412.6
3	December 31, 2016 Transfer to BVA Rate Rider Account (Net of Tax)	\$ (2,203.0)	\$ -	
4	Tax Recovery	(774.0)	-	
5	December 31, 2016 Pre-Tax transfer to BVA Rate Rider Account	(2,977.0)	-	(2,977.0)
6	Pre-Tax Balance January 1, 2017 (After Transfer and Before Adjustment for Unsold Biomethane)	\$ 341.0	\$ 2,905.4	\$ (2,564.4)
7	Pre-Tax Adjustment for Unsold Biomethane at January 1, 2017 ^(c)	(341.0)	(395.4)	54.4
8	Pre-Tax Balance (After Adjustment for Unsold Biomethane)	\$ 0.0	\$ 2,510.0	\$ (2,510.0)
9	Tax Recovery 26.00%	(0.0)	(652.6)	652.6
10	Net of Tax Balance (After Adjustment for Unsold Biomethane)	\$ 0.0	\$ 1,857.4	\$ (1,857.4)
11	2017 BVA Activities:			
12	Biomethane Costs Incurred	\$ 4,160.2	\$ 4,773.4	\$ (613.2)
13	Biomethane Costs Recovered	(2,450.5)	(2,331.0)	(119.5)
14	Change in Unsold Biomethane Quantity	812.3	(168.4)	980.7
15	Total Activities - Pre-Tax	\$ 2,522.0	\$ 2,274.0	\$ 248.0
16	BVA Ending Balance at December 31, 2017			
17	Pre-Tax Balance (Before Transfer and Before Adjustment for Unsold Biomethane)			
18	(Line 2 + Line 5 + Line 12 + Line 13)	\$ 2,050.7	\$ 5,347.8	\$ (3,297.1)
19	Pre-Tax Adjustment for Unsold Biomethane at December 31, 2017 ^(d)			
20	(Line 7 + Line 14)	471.3 ^(e)	(563.8)	1,035.1
21	Pre-Tax Balance (Before Transfer and After Adjustment for Unsold Biomethane)	\$ 2,522.0	\$ 4,784.0	\$ (2,262.0)
22				
23	Tax Recovery 26.00%	(655.7)	(1,243.8)	588.1
24				
25	Net of Tax Balance (Before Transfer and After Adjustment for Unsold Biomethane)	\$ 1,866.3	\$ 3,540.2	\$ (1,673.9)
26	^(f)			
27	Transfer to BVA Rate Rider Account (Net of Tax)	\$ (1,866.3)	\$ -	\$ (1,866.3)
28				
29	Balance (After Adjustment for Unsold & Transfer to BVA Rate Rider Account)	\$ -	\$ 3,540.2	\$ (3,540.2)

FORTISBC ENERGY INC. - MAINLAND, VANCOUVER ISLAND AND WHISTLER SERVICE AREAS
BVA STATUS REPORT
BVA SUMMARY (\$000)
FOR THE YEAR ENDED DECEMBER 31, 2017

Notes:

(a) The annual forecast amounts referenced in the report are defined as the aggregate of the forecasts used in the BVA reports listed below.
 January-May 2017 forecasts from the 2016 BVA Annual Report filed on December 2, 2016.
 June-December 2017 forecasts from the Annual Review for 2018 Rates filed on August 4, 2017.

(b) Recorded opening balance reconciles to the December 31, 2016 balance in the FortisBC Energy Inc. 2016 BVA Status Report filed on April 28, 2017.
 Forecast opening balance as per the 2016 BVA Annual Report filed on December 2, 2016.

	<u>Recorded</u>	<u>Forecast</u>
December 31, 2016 Quantity Unsold (in TJ)	32.4	37.5
January 1, 2017 effective BERC rate (in \$/GJ)	\$ 10.540	\$ 10.540
Value of Unsold Biomethane at January 1, 2017	\$ 341.0	\$ 395.4

	<u>Recorded</u>	<u>Forecast</u>
December 31, 2016 Quantity Unsold (in TJ)	32.4	37.5
2017 Quantity Purchased (in TJ)	153.8	237.1
2017 Quantity Sold (in TJ)	(233.1)	(221.2)
Total Quantity Unsold at December 31, 2017 (in TJ)	(46.9)	53.5

BERC rate in effect at forecast (in \$/GJ)		\$ 10.540
January 1, 2018 effective BERC rate (in \$/GJ)	\$ 10.039	
Value of Unsold Biomethane at December 31, 2017	\$ (471.3)	\$ 563.8

(e) The inventory shortfall of (46.9 TJ) used to calculate the value of the year end unsold biomethane inventory was understated by approx. 1.4 TJ.
 An adjustment to correct the error will be booked in 2018.

(f) Pursuant to Order G-133-16, and the Decision issued concurrently, the net of tax balance at December 31 each year, after adjustment for the value of unsold biomethane quantities, is transferred to the BVA Rate Rider Account for recovery from / refund to all non-bypass customers.

(g) The 2016 and 2017 BVA Annual Reports did not include the forecast transfer to BVA Rate Rider Account; the 2018 BVA Annual Report will include the forecast year end transfer.

Slight differences in totals due to rounding.

FORTISBC ENERGY INC. - MAINLAND, VANCOUVER ISLAND AND WHISTLER SERVICE AREAS
BVA STATUS REPORT
BVA GAS COST ACTIVITIES (\$000)
FOR THE YEAR ENDED DECEMBER 31, 2017

Line No.	Particulars	Total 2017 Activities					
	(1)	Recorded (2)	Forecast (3)	Variance (4)			
1	Total BVA Gas Costs Incurred	\$ 4,160.2	\$ 4,773.4	\$ (613.2)			
2							
3	Total BVA Gas Costs Recovered	(2,450.5)	(2,331.0)	(119.5)			
4							
5	Change in Unsold Biomethane Quantity	812.3	(168.4)	980.7			
6							
7							
8	TOTAL BVA ACTIVITIES	\$ 2,522.0	\$ 2,274.0	\$ 248.0			
9							
10							
11							
12							
13	Particulars	Jan to May		Jun to Dec			
14		Recorded	Forecast	Variance	Recorded	Forecast	Variance
15	(1)	(2)	(3)	(4)	(5)	(6)	(7)
16							
17	BVA Gas Costs Incurred	\$ 1,542.8	\$ 2,119.2	\$ (576.4)	\$ 2,617.4	\$ 2,654.1	\$ (36.8)
18							
19	BVA Gas Costs Recovered	(1,052.1)	(1,061.4)	9.3	(1,398.4)	(1,269.6)	(128.8)
20							
21	Change in Unsold Biomethane Quantity	421.6	(175.5)	597.1	390.7	7.2	383.5
22							
23							
24	Total BVA Quarterly Activities	\$ 912.3	\$ 882.3	\$ 30.0	\$ 1,609.7	\$ 1,391.7	\$ 218.0

Slight differences in totals due to rounding.

FORTISBC ENERGY INC. - MAINLAND, VANCOUVER ISLAND AND WHISTLER SERVICE AREAS
BVA STATUS REPORT
BVA COSTS RECOVERED
FOR THE YEAR ENDED DECEMBER 31, 2017

TAB 1
PAGE 4

Line No.	Particulars	Recoveries (\$000)			Quantities (TJ)			Average Price (\$/GJ)	Variance (\$000)	
		Recorded	Forecast	Variance	Recorded	Forecast	Variance		Quantity/Rate	Other
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
				(2)-(3)			(5)-(6)			(4)-(9)
1	RECOVERED									
2	Residential	\$ (931.5)	\$ (799.6)	\$ (132.0)	(88.4)	(75.9)	(12.5)	\$ 10.539	\$ (132.0)	\$ -
3	Commercial	(310.0)	(144.1)	(166.0)	(29.4)	(13.7)	(15.7)	\$ 10.539	(166.0)	-
4	On/Off System & Other	(1,208.9)	(1,387.4)	178.5	(115.3)	(131.6)	16.3	\$ 10.486	178.5	-
5	Total Recovered before Adjustment	\$ (2,450.5)	\$ (2,331.0)	\$ (119.5)	(233.1)	(221.2)	(11.9)		\$ (119.5)	\$ -
6										
7	CHANGE IN UNSOLD BIOMETHANE QUANTITY									
8	Price Component	\$ (23.5)	\$ -	\$ (23.5)					\$ (23.5)	\$ -
9	Quantity Component	835.8	(168.4)	1,004.1	79.3	(16.0)	95.3		1,004.1	-
10	Total Change in Unsold Biomethane Quantity (a)	\$ 812.3	\$ (168.4)	\$ 980.6	79.3	(16.0)	95.3		\$ 980.6	\$ -
11										
12	Total BVA Recoveries After Unsold Adjustment	\$ (1,638.2)	\$ (2,499.3)	\$ 861.1	(153.8)	(237.1)	83.3		\$ 861.1	\$ -

Variance Explanations:

(A) FortisBC Energy Inc. BERC rates in effect during 2017, and during adjacent periods, were as follows:

January 1, 2016	\$ 14.414 /GJ
January 1, 2017	\$ 10.540 /GJ
January 1, 2018	\$ 10.039 /GJ

(B) Decrease in quantity due to lower than expected purchases combined with higher than forecast sales. Decrease in value of inventory due to a decrease in the BERC rate.

	Quantity	Price	Component (\$000)	Amounts	References
	(in TJ)	(\$/GJ)	Quantity Price	(\$000)	
Breakdown of RECORDED change in inventory:					
Jan 1, 2017 (Opening Inventory)	32.4	\$ 10.540		\$ 341.0	Reconciles to Tab 1, Page 1.1, Footnote (c)
Jan - Dec Change in Quantity	(79.3)	\$ 10.540	\$ (835.8)		(Decrease in Inventory) x (\$10.540)
Dec 31, 2017 Balance x Decrease in Price	(46.9)	\$ (0.501)	\$ 23.5		(Dec 31 Balance) x (\$10.039 - \$10.540)
Dec 31, 2017 (Inventory at Jan 1, 2018 BERC)	(46.9)	\$ 10.039		\$ (471.3)	Reconciles to Tab 1, Page 1.1, Footnote (d)
Breakdown of FORECAST change in inventory:					
Jan 1, 2017 (Forecast Opening Inventory)	37.5	\$ 10.540		\$ 395.4	Reconciles to Tab 1, Page 1.1, Footnote (c)
Jan - Dec Forecast Change in Quantity	16.0	\$ 10.540	\$ 168.4		(Decrease in Inventory) x (\$10.540)
Dec 31, 2017 (Forecast Closing Inventory)	53.5	\$ 10.540		\$ 563.8	Reconciles to Tab 1, Page 1.1, Footnote (d)

Notes:

(a) The change in the quantity of unsold biomethane (purchases less sales during the year), valued at the effective BERC rate. The BVA balance needs to be adjusted to reflect the value of the unsold biomethane in order to determine the BVA surplus/deficit related to the over/under recovery of costs at the current BERC rate.

Slight differences in totals due to rounding.