



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 6, 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. – Revelstoke
2018 Second Quarter Gas Cost Report**

FortisBC Energy Inc. (FEI or the Company) hereby submits to the British Columbia Utilities Commission (the Commission) the 2018 Second Quarter Gas Cost Report for Revelstoke. The attached schedules provide a summary of the forecast monthly Propane Cost Deferral Account balances based on the May 29, 2018 forward prices.

The schedule at Tab 1, Page 1, based on the May 29, 2018 forward prices, using the NYMEX B0 – Mt. Belvieu Propane Swap prices, and based on the current rates, the projected deferral account balance at June 30, 2018 is \$60,719 surplus (after tax), and the forecast balance at June 30, 2019 is \$122,591 deficit (after tax). The rate change trigger ratio is calculated to be 92.9%, which falls outside 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 \$0.769/GJ (Tab 1, Page 3, Line 20), which falls outside the minimum \$0.50/GJ rate change threshold, indicating that a rate change is 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

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

In summary, the Company requests Commission approval for an increase in the propane reference price (based on the NYMEX B0 – Mt. Belvieu Propane Swap prices) for use in the Revelstoke Propane Cost Deferral Account from \$0.2462/litre to \$0.2650/litre which corresponds to a rate increase of \$0.769/GJ, effective July 1, 2018. As a result, the annual bill for a typical Revelstoke residential customer with an average annual consumption of 50 GJ per year will increase by approximately \$38 or 4.2%.

The Company will continue to monitor the forward prices and will report these results in the 2018 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. - REVELSTOKE
PROPANE COST DEFERRAL ACCOUNT
WITH EXISTING PROPANE REFERENCE PRICE**

(MAY 29, 2018 FORWARD PRICES BASED ON NYMEX MT. BELVIEU PROPANE SWAP PRICES)

Line No.	Particulars (1)	Sales Volumes In Litre (2)	Average Price Per Litre (3)	Approved Reference Price (4)	Amount Deferred Per Litre (5)=(3)- (4)	Amount Deferred (6)=(2)*(5)	Pre-tax Deferral Balance (7)	After-tax Deferral Balance (8)
1	January 2018 (Recorded)	1,449,082	\$0.2662	\$0.2865	(\$0.0203)	(\$29,386)	(\$54,020)	(\$39,435)
2	February (Recorded)	1,501,113	\$0.2643	\$0.2865	(\$0.0222)	(\$33,352)	(\$87,372)	(\$63,782)
3	March (Recorded)	1,128,869	\$0.2936	\$0.2865	\$0.0071	\$7,978	(\$79,394)	(\$57,958)
4	April (Recorded)	585,861	\$0.2609	\$0.2462	\$0.0147	\$8,626	(\$70,768)	(\$51,661)
5	May (Projected)	391,381	\$0.2216	\$0.2462	(\$0.0246)	(\$9,633)	(\$80,401)	(\$58,693)
6	June (Projected)	<u>320,192</u>	\$0.2375	\$0.2462	(\$0.0087)	<u>(\$2,776)</u>	(\$83,177)	(\$60,719)
7	Total January, 2018 to June, 2018	<u>5,376,498</u>				<u>(\$58,542)</u>		
8								
9	<u>Forecast Volumes and Forecast Prices</u>							
10	July, 2018 (Forecast)	268,032	\$0.2395	\$0.2462	(\$0.0067)	(\$1,796)	(\$84,973)	(\$62,030)
11	August (Forecast)	256,154	\$0.2466	\$0.2462	\$0.0004	\$102	(\$84,871)	(\$61,956)
12	September (Forecast)	325,584	\$0.2517	\$0.2462	\$0.0055	\$1,791	(\$83,080)	(\$60,648)
13	October (Forecast)	673,752	\$0.2756	\$0.2462	\$0.0294	\$19,808	(\$63,272)	(\$46,188)
14	November (Forecast)	978,940	\$0.2878	\$0.2462	\$0.0416	\$40,724	(\$22,548)	(\$16,460)
15	December (Forecast)	1,313,394	\$0.2981	\$0.2462	\$0.0519	\$68,165	\$45,617	\$33,301
16	January, 2019 (Forecast)	1,406,736	\$0.3043	\$0.2462	\$0.0581	\$81,731	\$127,348	\$92,964
17	February (Forecast)	1,230,953	\$0.2952	\$0.2462	\$0.0490	\$60,317	\$187,665	\$136,996
18	March (Forecast)	1,085,020	\$0.2711	\$0.2462	\$0.0249	\$27,017	\$214,682	\$156,718
19	April (Forecast)	682,699	\$0.2155	\$0.2462	(\$0.0307)	(\$20,959)	\$193,723	\$141,418
20	May (Forecast)	400,641	\$0.2131	\$0.2462	(\$0.0331)	(\$13,261)	\$180,462	\$131,737
21	June (Forecast)	<u>327,147</u>	\$0.2079	\$0.2462	(\$0.0383)	<u>(\$12,530)</u>	\$167,932	\$122,591
22	Total July, 2018 to June, 2019	<u>8,949,051</u>				<u>\$251,109</u>		
23								
24								
25	Forecast Recovered Costs [(Line 22 Col. 2) x (Line 21 Col. 4)]				=	<u>\$2,203,256</u>	=	92.9%
26	June 30, 2018 Deferral Balance (Line 6 Col. 7) + Forecast Costs (Page 2 Line 13 Col. 9)				=	<u>\$2,371,255</u>		
27								
28								
29	July, 2019 (Forecast)	273,619	\$0.2114	\$0.2462	(\$0.0348)	(\$9,522)	\$158,410	\$115,639
30	August (Forecast)	261,468	\$0.2173	\$0.2462	(\$0.0289)	(\$7,556)	\$150,854	\$110,124
31	September (Forecast)	332,969	\$0.2193	\$0.2462	(\$0.0269)	(\$8,957)	\$141,897	\$103,585
32	October (Forecast)	690,748	\$0.2409	\$0.2462	(\$0.0053)	(\$3,661)	\$138,236	\$100,912
33	November (Forecast)	1,005,001	\$0.2544	\$0.2462	\$0.0082	\$8,241	\$146,477	\$106,928
34	December (Forecast)	1,348,089	\$0.2631	\$0.2462	\$0.0169	\$22,783	\$169,260	\$123,560
35	January, 2020 (Forecast)	1,443,049	\$0.2712	\$0.2462	\$0.0250	\$36,076	\$205,336	\$149,895
36	February (Forecast)	1,262,864	\$0.2618	\$0.2462	\$0.0156	\$19,701	\$225,037	\$164,277
37	March (Forecast)	1,112,839	\$0.2452	\$0.2462	(\$0.0010)	(\$1,113)	\$223,924	\$163,465
38	April (Forecast)	699,935	\$0.2046	\$0.2462	(\$0.0416)	(\$29,117)	\$194,807	\$142,209
39	May (Forecast)	409,835	\$0.1980	\$0.2462	(\$0.0482)	(\$19,754)	\$175,053	\$127,789
40	June (Forecast)	<u>334,047</u>	\$0.2010	\$0.2462	(\$0.0452)	<u>(\$15,099)</u>	\$159,954	\$116,767
41	Total July, 2019 to June, 2020	<u>9,174,462</u>				<u>(\$7,978)</u>		

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

(MAY 29, 2018 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	July, 2018 (Forecast)	268,032	-	268,032	\$ -	\$ 0.2395	\$ -	\$ 64,181	\$ 64,181
2	August (Forecast)	256,154	-	256,154	\$ -	\$ 0.2466	\$ -	\$ 63,179	\$ 63,179
3	September (Forecast)	325,584	-	325,584	\$ -	\$ 0.2517	\$ -	\$ 81,940	\$ 81,940
4	October (Forecast)	673,752	-	673,752	\$ -	\$ 0.2756	\$ -	\$ 185,655	\$ 185,655
5	November (Forecast)	978,940	600,000	378,940	\$ 0.2902	\$ 0.2841	\$ 174,136	\$ 107,646	\$ 281,782
6	December (Forecast)	1,313,394	600,000	713,394	\$ 0.2902	\$ 0.3048	\$ 174,136	\$ 217,424	\$ 391,560
7	January, 2019 (Forecast)	1,406,736	600,000	806,736	\$ 0.2902	\$ 0.3148	\$ 174,136	\$ 254,000	\$ 428,136
8	February (Forecast)	1,230,953	600,000	630,953	\$ 0.2902	\$ 0.2999	\$ 174,136	\$ 189,213	\$ 363,348
9	March (Forecast)	1,085,020	600,000	485,020	\$ 0.2902	\$ 0.2475	\$ 174,136	\$ 120,067	\$ 294,202
10	April (Forecast)	682,699	-	682,699	\$ -	\$ 0.2155	\$ -	\$ 147,092	\$ 147,092
11	May (Forecast)	400,641	-	400,641	\$ -	\$ 0.2131	\$ -	\$ 85,357	\$ 85,357
12	June (Forecast)	327,147	-	327,147	\$ -	\$ 0.2079	\$ -	\$ 67,999	\$ 67,999
13	Total July, 2018 to June, 2019	<u>8,949,051</u>	<u>3,000,000</u>	<u>5,949,051</u>			<u>\$ 870,678</u>	<u>\$ 1,583,754</u>	<u>\$ 2,454,432</u>
14									
15	Forecast Average Cost of Propane (\$/Litre) ^{(b), (c)}								
16		8,949,051	Litres						<u>\$ 0.27427</u>
17	Forecast Average Cost of Propane (\$/GJ) ^{(b), (d)}								
18	(Conversion factor 1 Litre = 0.025594 GJ)	229,042	GJ						<u>\$ 10.716</u>
19									
20	July, 2019 (Forecast)	273,619	-	273,619	\$ -	\$ 0.2114	\$ -	\$ 57,833	\$ 57,833
21	August (Forecast)	261,468	-	261,468	\$ -	\$ 0.2173	\$ -	\$ 56,814	\$ 56,814
22	September (Forecast)	332,969	-	332,969	\$ -	\$ 0.2193	\$ -	\$ 73,032	\$ 73,032
23	October (Forecast)	690,748	-	690,748	\$ -	\$ 0.2409	\$ -	\$ 166,424	\$ 166,424
24	November (Forecast)	1,005,001	600,000	405,001	\$ 0.2582	\$ 0.2486	\$ 154,938	\$ 100,686	\$ 255,625
25	December (Forecast)	1,348,089	600,000	748,089	\$ 0.2582	\$ 0.2671	\$ 154,938	\$ 199,782	\$ 354,721
26	January, 2020 (Forecast)	1,443,049	600,000	843,049	\$ 0.2582	\$ 0.2804	\$ 154,938	\$ 236,417	\$ 391,355
27	February (Forecast)	1,262,864	600,000	662,864	\$ 0.2582	\$ 0.2650	\$ 154,938	\$ 175,661	\$ 330,600
28	March (Forecast)	1,112,839	600,000	512,839	\$ 0.2582	\$ 0.2301	\$ 154,938	\$ 117,981	\$ 272,920
29	April (Forecast)	699,935	-	699,935	\$ -	\$ 0.2046	\$ -	\$ 143,237	\$ 143,237
30	May (Forecast)	409,835	-	409,835	\$ -	\$ 0.1980	\$ -	\$ 81,165	\$ 81,165
31	June (Forecast)	334,047	-	334,047	\$ -	\$ 0.2010	\$ -	\$ 67,145	\$ 67,145
32	Total July, 2019 to June, 2020	<u>9,174,462</u>	<u>3,000,000</u>	<u>6,174,462</u>			<u>\$ 774,692</u>	<u>\$ 1,476,178</u>	<u>\$ 2,250,870</u>

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 13).

(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

Tab 1

PROPANE COST DEFERRAL ACCOUNT

Page 3

CALCULATION OF PROPANE COST DECREASE FLOWTHROUGH

(MAY 29, 2018 FORWARD PRICES BASED ON NYMEX MT. BELVIEU PROPANE SWAP PRICES)

Line No.	Particulars	\$/Litre	\$/GJ
	(1)	(2)	(3) = (2) divided by 0.025594
1	Calculation of New Propane Reference Price		
2			<i>Convert from Litre to GJ (for information only)</i>
3	i. Forecast Average Cost of Propane (Tab 1, Page 2, Col. 9, Line 16 and Line 18)		
4	July 1, 2018 to June 30, 2019	\$0.27427	\$10.7162
5			
6	ii. Twelve Month Amortization of \$ (83,177) (Deferral Balance, Tab 1, Page 1, Col. 7, Line 6)		
7	Projected Deferral Account Balance 8,949,051 (Volume in Litres, Tab 1, Page 1, Col. 2, Line 22)	(0.00929)	(\$0.3630)
8	(a)		
9	Proposed Reference Price	\$0.2650	\$10.3540
10			
11	(a)		
12	Existing Propane Reference Price	0.2462	\$9.6194
13			
14			
15			
16	Increase in Propane Reference Price to be Flowed Through in Customers' Rates	\$0.0188	\$0.7345
17	(b)		
18	Add: Company Use/Vaporizer Use/Unaccounted For Gas Adjustment of 4.68%		0.0344
19			
20	Total Propane Cost Flowthrough (c)		\$0.769

Notes:

Conversion factor 1 Litre = 0.025594 GJ

(a) Propane Reference Price per litre is set at 4 decimals. Individual calculation components are shown to 5 decimals, then rounded to 4 decimals.

(b) The Company Use/Vaporizer Use/Unaccounted For Gas Adjustment of 4.68% is based on 2015, 2016, and 2017 data.

	Litres	Percentage of Sales
Sales	8,368,204	
Company Use	3,793	0.05%
Propane Used for Vaporizer	108,629	1.30%
Unaccounted For	278,417	3.33%
Total Fuel / UAF Requirement	390,839	4.68%

(c) Propane cost flowthrough components, converted from litre to GJ, are shown to 4 decimals, then rounded to 3 decimals.

Breakdown of Rate Change:

Projected Deferral Balance at Jun 30, 2018	(\$0.3630)
Propane Cost Under (Over) Recovery (including amount at Line 18) for Jul 1, 2018 to Jun 30, 2019 period	1.1320
Total Propane Cost Flow Through	\$0.769

Slight differences due to rounding.

**FORTISBC ENERGY INC. - REVELSTOKE
PROPANE COST DEFERRAL ACCOUNT**

Tab 1
Page 4

**WITH PROPOSED REFERENCE PRICE JULY 1, 2018
(MAY 29, 2018 FORWARD PRICES BASED ON NYMEX MT. BELVIEU PROPANE SWAP PRICES)**

Line No.	Particulars	Volumes In Litre	Average Price Per Litre	Proposed 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	<u>Forecast Volumes and Forecast Prices</u>							
2	July, 2018 (Forecast)	268,032	\$0.2395	\$0.2650	(\$0.0255)	(\$6,835)	(\$90,012)	(\$65,709)
3	August (Forecast)	256,154	\$0.2466	\$0.2650	(\$0.0184)	(\$4,713)	(\$94,725)	(\$69,149)
4	September (Forecast)	325,584	\$0.2517	\$0.2650	(\$0.0133)	(\$4,330)	(\$99,055)	(\$72,310)
5	October (Forecast)	673,752	\$0.2756	\$0.2650	\$0.0106	\$7,142	(\$91,913)	(\$67,096)
6	November (Forecast)	978,940	\$0.2878	\$0.2650	\$0.0228	\$22,320	(\$69,593)	(\$50,803)
7	December (Forecast)	1,313,394	\$0.2981	\$0.2650	\$0.0331	\$43,473	(\$26,120)	(\$19,067)
8	January, 2019 (Forecast)	1,406,736	\$0.3043	\$0.2650	\$0.0393	\$55,285	\$29,165	\$21,291
9	February (Forecast)	1,230,953	\$0.2952	\$0.2650	\$0.0302	\$37,175	\$66,340	\$48,428
10	March (Forecast)	1,085,020	\$0.2711	\$0.2650	\$0.0061	\$6,619	\$72,959	\$53,260
11	April (Forecast)	682,699	\$0.2155	\$0.2650	(\$0.0495)	(\$33,794)	\$39,165	\$28,591
12	May (Forecast)	400,641	\$0.2131	\$0.2650	(\$0.0519)	(\$20,793)	\$18,372	\$13,412
13	June (Forecast)	327,147	\$0.2079	\$0.2650	(\$0.0571)	(\$18,680)	(\$308)	(\$225)
14	Total July, 2018 to June, 2019	<u>8,949,051</u>				<u>\$82,869</u>		
15								
16								
17	July, 2019 (Forecast)	273,619	\$0.2114	\$0.2650	(\$0.0536)	(\$14,666)	(\$14,974)	(\$10,931)
18	August (Forecast)	261,468	\$0.2173	\$0.2650	(\$0.0477)	(\$12,472)	(\$27,446)	(\$20,035)
19	September (Forecast)	332,969	\$0.2193	\$0.2650	(\$0.0457)	(\$15,217)	(\$42,663)	(\$31,144)
20	October (Forecast)	690,748	\$0.2409	\$0.2650	(\$0.0241)	(\$16,647)	(\$59,310)	(\$43,296)
21	November (Forecast)	1,005,001	\$0.2544	\$0.2650	(\$0.0106)	(\$10,653)	(\$69,963)	(\$51,073)
22	December (Forecast)	1,348,089	\$0.2631	\$0.2650	(\$0.0019)	(\$2,561)	(\$72,524)	(\$52,942)
23	January, 2020 (Forecast)	1,443,049	\$0.2712	\$0.2650	\$0.0062	\$8,947	(\$63,577)	(\$46,411)
24	February (Forecast)	1,262,864	\$0.2618	\$0.2650	(\$0.0032)	(\$4,041)	(\$67,618)	(\$49,361)
25	March (Forecast)	1,112,839	\$0.2452	\$0.2650	(\$0.0198)	(\$22,034)	(\$89,652)	(\$65,446)
26	April (Forecast)	699,935	\$0.2046	\$0.2650	(\$0.0604)	(\$42,276)	(\$131,928)	(\$96,307)
27	May (Forecast)	409,835	\$0.1980	\$0.2650	(\$0.0670)	(\$27,459)	(\$159,387)	(\$116,352)
28	June (Forecast)	334,047	\$0.2010	\$0.2650	(\$0.0640)	(\$21,379)	(\$180,766)	(\$131,959)
29	Total July, 2019 to June, 2020	<u>9,174,462</u>				<u>(\$180,458)</u>		



ORDER NUMBER

G-xx-xx

IN THE MATTER OF

the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc.

Application regarding its 2018 Second Quarter Gas Cost Report

And Rate Changes effective July 1, 2018

For Revelstoke

BEFORE:

[Panel Chair]

Commissioner

Commissioner

on **Date**

ORDER

WHEREAS:

- A. The British Columbia Utilities Commission (Commission) established guidelines for gas cost rate setting in Letter L-5-01 dated February 5, 2001 and further modified the guidelines in Letter L-40-11 dated May 19, 2011 (together the Guidelines);
- B. By Order G-60-18 dated March 15, 2018, the Commission approved the current propane rates for Revelstoke and surrounding areas (Revelstoke) effective April 1, 2018;
- C. On June 6, 2018, FortisBC Energy Inc. (FEI) filed its 2018 Second Quarter Gas Cost Report for Revelstoke (the Report);
- D. Using a propane price forecast based on May 29, 2018 NMYEX B0 - Mt. Belvieu propane swap prices, and based on the existing rates, the projected after tax deferral balance at June 30, 2018 of \$60,719 surplus is forecast to change to a \$122,591 deficit at June 30, 2019. The rate change trigger mechanism is calculated to be 92.9 percent that falls outside the deadband range of 95 percent to 105 percent. The proposed rate increase is calculated to be \$0.769/GJ, which falls outside the minimum \$0.50/GJ threshold established in the Guidelines;
- E. In the Report, FEI indicates that current propane cost recovery rates will under recover costs and a propane rate increase is required, effective July 1, 2018;
- F. The proposed Gas Cost Recovery Charge requested within the Report would be equivalent to an increase of approximately \$38 or 4.2 percent, based on an annual consumption of 50 GJ;

- G. FEI requests that the forecast gas cost information for Revelstoke in Tab 2 of the Report be held confidential on the basis that it is market sensitive information;
- H. The Commission has determined that the requested changes to the propane reference price and propane rate for Revelstoke should be approved.

NOW THEREFORE pursuant to section 61(4) of the *Utilities Commission Act*, the British Columbia Utilities Commission orders as follows:

1. The Commission approves a propane reference price increase of \$0.0188 per litre, from the existing propane reference price of \$0.2462 per litre to \$0.2650 per litre, which corresponds to an increase of \$0.769 per gigajoule in customer rates, effective July 1, 2018.
2. FEI will notify all customers that are affected by the rate change by way of a bill insert or bill message.
3. The Commission will hold the gas cost information for Revelstoke in Tab 2 of the 2018 Second Quarter Report confidential.

DATED at the City of Vancouver, in the Province of British Columbia, this (XX) day of June 2018.

BY ORDER

(X. X. last name)
Commissioner