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September 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 Third Quarter Gas Cost Report**

FortisBC Energy Inc. (FEI or the Company) hereby submits to the British Columbia Utilities Commission (the Commission) the 2018 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 28, 2018 forward prices.

The schedule at Tab 1, Page 1, based on the August 28, 2018 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, 2018 is \$47,344 surplus (after tax), and the forecast balance at September 30, 2019 is \$180,790 deficit (after tax). The rate change trigger ratio is calculated to be 91.1%, which falls outside the 95% to 105% deadband range. The tested rate increase that would be required to produce a 100% propane cost recovery-to-cost ratio is calculated to be \$1.051/GJ (Tab 1, Page 3, Line 20), which falls outside the \$0.50/GJ minimum rate change threshold. The results of the two-criteria rate adjustment mechanism indicate that a rate change is required effective October 1, 2018.

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 \$0.2650/litre to \$0.2907/litre which corresponds to a rate increase of \$1.051/GJ, effective October 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 \$53 or 5.5%.

The Company will continue to monitor the forward prices and will report these results in the 2018 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 28, 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	April 2018 (Recorded)	585,861	\$0.2609	\$0.2462	\$0.0147	\$8,626	(\$70,768)	(\$51,661)
2	May (Recorded)	470,531	\$0.2577	\$0.2462	\$0.0115	\$5,400	(\$65,368)	(\$47,719)
3	June (Recorded)	290,357	\$0.2675	\$0.2462	\$0.0213	\$6,175	(\$59,194)	(\$43,211)
4	July (Recorded)	306,842	\$0.2909	\$0.2650	\$0.0259	\$7,955	(\$51,238)	(\$37,404)
5	August (Projected)	282,797	\$0.2306	\$0.2650	(\$0.0344)	(\$9,737)	(\$60,975)	(\$44,512)
6	September (Projected)	361,953	\$0.2543	\$0.2650	(\$0.0107)	(\$3,880)	(\$64,855)	(\$47,344)
7	Total April, 2018 to September, 2018	<u>2,298,341</u>				<u>\$14,539</u>		
8								
9	<u>Forecast Volumes and Forecast Prices</u>							
10	October, 2018 (Forecast)	692,919	\$0.2881	\$0.2650	\$0.0231	\$16,006	(\$48,849)	(\$35,660)
11	November (Forecast)	1,045,174	\$0.3135	\$0.2650	\$0.0485	\$50,691	\$1,842	\$1,344
12	December (Forecast)	1,368,852	\$0.3248	\$0.2650	\$0.0598	\$81,857	\$83,699	\$61,100
13	January, 2019 (Forecast)	1,482,843	\$0.3335	\$0.2650	\$0.0685	\$101,575	\$185,274	\$135,250
14	February (Forecast)	1,305,229	\$0.3277	\$0.2650	\$0.0627	\$81,838	\$267,112	\$194,992
15	March (Forecast)	1,169,549	\$0.3047	\$0.2650	\$0.0397	\$46,431	\$313,543	\$228,886
16	April (Forecast)	752,458	\$0.2486	\$0.2650	(\$0.0164)	(\$12,340)	\$301,203	\$219,878
17	May (Forecast)	455,245	\$0.2370	\$0.2650	(\$0.0280)	(\$12,747)	\$288,456	\$210,573
18	June (Forecast)	375,949	\$0.2344	\$0.2650	(\$0.0306)	(\$11,504)	\$276,952	\$202,175
19	July (Forecast)	299,683	\$0.2333	\$0.2650	(\$0.0317)	(\$9,500)	\$267,452	\$195,240
20	August (Forecast)	297,564	\$0.2359	\$0.2650	(\$0.0291)	(\$8,659)	\$258,793	\$188,919
21	September (Forecast)	381,348	\$0.2358	\$0.2650	(\$0.0292)	(\$11,135)	\$247,658	\$180,790
22	Total October, 2018 to September, 2019	<u>9,626,812</u>				<u>\$312,513</u>		
23								
24								
25	Forecast Recovered Costs [(Line 22 Col. 2) x (Line 21 Col. 4)]			=	\$2,551,105	=	91.1%	
26	September 30, 2018 Deferral Balance (Line 6 Col. 7) + Forecast Costs (Page 2 Line 13 Col. 9)				\$2,798,917			
27								
28								
29	October, 2019 (Forecast)	730,787	\$0.2578	\$0.2650	(\$0.0072)	(\$5,262)	\$242,396	\$176,949
30	November (Forecast)	1,101,979	\$0.2721	\$0.2650	\$0.0071	\$7,824	\$250,220	\$182,660
31	December (Forecast)	1,441,600	\$0.2825	\$0.2650	\$0.0175	\$25,228	\$275,448	\$201,077
32	January, 2020 (Forecast)	1,560,678	\$0.2899	\$0.2650	\$0.0249	\$38,861	\$314,309	\$229,445
33	February (Forecast)	1,373,861	\$0.2836	\$0.2650	\$0.0186	\$25,554	\$339,863	\$248,100
34	March (Forecast)	1,231,014	\$0.2635	\$0.2650	(\$0.0015)	(\$1,847)	\$338,016	\$246,751
35	April (Forecast)	792,061	\$0.2232	\$0.2650	(\$0.0418)	(\$33,108)	\$304,908	\$222,583
36	May (Forecast)	478,819	\$0.2125	\$0.2650	(\$0.0525)	(\$25,138)	\$279,770	\$204,232
37	June (Forecast)	395,214	\$0.2083	\$0.2650	(\$0.0567)	(\$22,409)	\$257,361	\$187,873
38	July (Forecast)	314,790	\$0.2105	\$0.2650	(\$0.0545)	(\$17,156)	\$240,205	\$175,349
39	August (Forecast)	312,554	\$0.2158	\$0.2650	(\$0.0492)	(\$15,378)	\$224,827	\$164,124
40	September (Forecast)	400,868	\$0.2183	\$0.2650	(\$0.0467)	(\$18,721)	\$206,106	\$150,457
41	Total October, 2019 to September, 2020	<u>10,134,225</u>				<u>(\$41,552)</u>		

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

(AUGUST 28, 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	October, 2018 (Forecast)	692,919	-	692,919	\$ -	\$ 0.2881	\$ -	\$ 199,642	\$ 199,642
2	November (Forecast)	1,045,174	600,000	445,174	\$ 0.3199	\$ 0.3048	\$ 191,928	\$ 135,684	\$ 327,612
3	December (Forecast)	1,368,852	600,000	768,852	\$ 0.3199	\$ 0.3287	\$ 191,928	\$ 252,721	\$ 444,648
4	January, 2019 (Forecast)	1,482,843	600,000	882,843	\$ 0.3199	\$ 0.3428	\$ 191,928	\$ 302,649	\$ 494,577
5	February (Forecast)	1,305,229	600,000	705,229	\$ 0.3199	\$ 0.3343	\$ 191,928	\$ 235,792	\$ 427,719
6	March (Forecast)	1,169,549	600,000	569,549	\$ 0.3199	\$ 0.2888	\$ 191,928	\$ 164,482	\$ 356,410
7	April (Forecast)	752,458	-	752,458	\$ -	\$ 0.2486	\$ -	\$ 187,095	\$ 187,095
8	May (Forecast)	455,245	-	455,245	\$ -	\$ 0.2370	\$ -	\$ 107,914	\$ 107,914
9	June (Forecast)	375,949	-	375,949	\$ -	\$ 0.2344	\$ -	\$ 88,131	\$ 88,131
10	July (Forecast)	299,683	-	299,683	\$ -	\$ 0.2333	\$ -	\$ 69,919	\$ 69,919
11	August (Forecast)	297,564	-	297,564	\$ -	\$ 0.2359	\$ -	\$ 70,182	\$ 70,182
12	September (Forecast)	381,348	-	381,348	\$ -	\$ 0.2358	\$ -	\$ 89,921	\$ 89,921
13	Total October, 2018 to September, 2019	9,626,812	3,000,000	6,626,812			\$ 959,639	\$ 1,904,133	\$ 2,863,772
14									
15	Forecast Average Cost of Propane (\$/Litre) ^{(b), (c)}								
16		9,626,812	Litres						\$ 0.29748
17	Forecast Average Cost of Propane (\$/GJ) ^{(b), (d)}								
18	(Conversion factor 1 Litre = 0.025594 GJ)	246,389	GJ						\$ 11.623
19									
20	October, 2019 (Forecast)	730,787	-	730,787	\$ -	\$ 0.2578	\$ -	\$ 188,380	\$ 188,380
21	November (Forecast)	1,101,979	600,000	501,979	\$ 0.2775	\$ 0.2655	\$ 166,528	\$ 133,291	\$ 299,818
22	December (Forecast)	1,441,600	600,000	841,600	\$ 0.2775	\$ 0.2861	\$ 166,528	\$ 240,773	\$ 407,301
23	January, 2020 (Forecast)	1,560,678	600,000	960,678	\$ 0.2775	\$ 0.2976	\$ 166,528	\$ 285,881	\$ 452,409
24	February (Forecast)	1,373,861	600,000	773,861	\$ 0.2775	\$ 0.2884	\$ 166,528	\$ 223,158	\$ 389,685
25	March (Forecast)	1,231,014	600,000	631,014	\$ 0.2775	\$ 0.2502	\$ 166,528	\$ 157,853	\$ 324,381
26	April (Forecast)	792,061	-	792,061	\$ -	\$ 0.2232	\$ -	\$ 176,828	\$ 176,828
27	May (Forecast)	478,819	-	478,819	\$ -	\$ 0.2125	\$ -	\$ 101,744	\$ 101,744
28	June (Forecast)	395,214	-	395,214	\$ -	\$ 0.2083	\$ -	\$ 82,307	\$ 82,307
29	July (Forecast)	314,790	-	314,790	\$ -	\$ 0.2105	\$ -	\$ 66,253	\$ 66,253
30	August (Forecast)	312,554	-	312,554	\$ -	\$ 0.2158	\$ -	\$ 67,440	\$ 67,440
31	September (Forecast)	400,868	-	400,868	\$ -	\$ 0.2183	\$ -	\$ 87,514	\$ 87,514
32	Total October, 2019 to September, 2020	10,134,225	3,000,000	7,134,225			\$ 832,638	\$ 1,811,423	\$ 2,644,061

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
PROPANE COST DEFERRAL ACCOUNT
CALCULATION OF PROPANE COST DECREASE FLOWTHROUGH
(AUGUST 28, 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	October 1, 2018 to September 30, 2019	\$0.29748	\$11.6230
5			
6	ii. Twelve Month Amortization of <u>\$ (64,855)</u> (Deferral Balance, Tab 1, Page 1, Col. 7, Line 6)		
7	Projected Deferral Account Balance 9,626,812 (Volume in Litres, Tab 1, Page 1, Col. 2, Line 22)	<u>(0.00674)</u>	(\$0.2633)
8	(a)		
9	Proposed Reference Price	\$0.2907	\$11.3581
10			
11	(a)		
12	Existing Propane Reference Price	<u>0.2650</u>	<u>\$10.3540</u>
13			
14			
15			
16	Increase in Propane Reference Price to be Flowed Through in Customers' Rates	<u>\$0.0257</u>	\$1.0041
17	(b)		
18	Add: Company Use/Vaporizer Use/Unaccounted For Gas Adjustment of 4.68%		<u>0.0470</u>
19			
20	Total Propane Cost Flowthrough ^(c)		<u>\$1.051</u>

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	<u>390,839</u>	<u>4.68%</u>

(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 Sep 30, 2018	(\$0.2633)
Propane Cost Under (Over) Recovery (including amount at Line 18) for Oct 1, 2018 to Sep 30, 2019 period	1.3143
Total Propane Cost Flow Through	<u>\$1.051</u>

Slight differences due to rounding.

FORTISBC ENERGY INC. - REVELSTOKE

Tab 1

PROPANE COST DEFERRAL ACCOUNT

Page 4

WITH PROPOSED REFERENCE PRICE OCTOBER 1, 2018

(AUGUST 28, 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	October, 2018 (Forecast)	692,919	\$0.2881	\$0.2907	(\$0.0026)	(\$1,802)	(\$66,657)	(\$48,660)
3	November (Forecast)	1,045,174	\$0.3135	\$0.2907	\$0.0228	\$23,830	(\$42,827)	(\$31,264)
4	December (Forecast)	1,368,852	\$0.3248	\$0.2907	\$0.0341	\$46,678	\$3,851	\$2,811
5	January, 2019 (Forecast)	1,482,843	\$0.3335	\$0.2907	\$0.0428	\$63,466	\$67,317	\$49,141
6	February (Forecast)	1,305,229	\$0.3277	\$0.2907	\$0.0370	\$48,293	\$115,610	\$84,395
7	March (Forecast)	1,169,549	\$0.3047	\$0.2907	\$0.0140	\$16,374	\$131,984	\$96,348
8	April (Forecast)	752,458	\$0.2486	\$0.2907	(\$0.0421)	(\$31,678)	\$100,306	\$73,223
9	May (Forecast)	455,245	\$0.2370	\$0.2907	(\$0.0537)	(\$24,447)	\$75,859	\$55,377
10	June (Forecast)	375,949	\$0.2344	\$0.2907	(\$0.0563)	(\$21,166)	\$54,693	\$39,926
11	July (Forecast)	299,683	\$0.2333	\$0.2907	(\$0.0574)	(\$17,202)	\$37,491	\$27,368
12	August (Forecast)	297,564	\$0.2359	\$0.2907	(\$0.0548)	(\$16,307)	\$21,184	\$15,464
13	September (Forecast)	381,348	\$0.2358	\$0.2907	(\$0.0549)	(\$20,936)	\$248	\$181
14	Total October, 2018 to September, 2019	<u>9,626,812</u>				<u>\$65,103</u>		
15								
16								
17	October, 2019 (Forecast)	730,787	\$0.2578	\$0.2907	(\$0.0329)	(\$24,043)	(\$23,795)	(\$17,371)
18	November (Forecast)	1,101,979	\$0.2721	\$0.2907	(\$0.0186)	(\$20,497)	(\$44,292)	(\$32,333)
19	December (Forecast)	1,441,600	\$0.2825	\$0.2907	(\$0.0082)	(\$11,821)	(\$56,113)	(\$40,963)
20	January, 2020 (Forecast)	1,560,678	\$0.2899	\$0.2907	(\$0.0008)	(\$1,249)	(\$57,362)	(\$41,874)
21	February (Forecast)	1,373,861	\$0.2836	\$0.2907	(\$0.0071)	(\$9,754)	(\$67,116)	(\$48,995)
22	March (Forecast)	1,231,014	\$0.2635	\$0.2907	(\$0.0272)	(\$33,484)	(\$100,600)	(\$73,438)
23	April (Forecast)	792,061	\$0.2232	\$0.2907	(\$0.0675)	(\$53,464)	(\$154,064)	(\$112,467)
24	May (Forecast)	478,819	\$0.2125	\$0.2907	(\$0.0782)	(\$37,444)	(\$191,508)	(\$139,801)
25	June (Forecast)	395,214	\$0.2083	\$0.2907	(\$0.0824)	(\$32,566)	(\$224,074)	(\$163,574)
26	July (Forecast)	314,790	\$0.2105	\$0.2907	(\$0.0802)	(\$25,246)	(\$249,320)	(\$182,004)
27	August (Forecast)	312,554	\$0.2158	\$0.2907	(\$0.0749)	(\$23,410)	(\$272,730)	(\$199,093)
28	September (Forecast)	400,868	\$0.2183	\$0.2907	(\$0.0724)	(\$29,023)	(\$301,753)	(\$220,280)
29	Total October, 2019 to September, 2020	<u>10,134,225</u>				<u>(\$302,001)</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 Third Quarter Gas Cost Report

And Rate Changes effective October 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 No. G-112-18 dated June 14, 2018, the Commission approved the current propane rates for Revelstoke and surrounding areas (Revelstoke) effective July 1, 2018;
- C. On September 6, 2018, FEI filed its 2018 Third Quarter Gas Cost Report for Revelstoke (the Report);
- D. Using a propane price forecast based on August 28, 2018 NMYEX B0 - Mt. Belvieu propane swap prices, and based on the existing rates, the projected after tax deferral balance at September 30, 2018 of \$47,344 surplus is forecast to change to a \$180,790 deficit at September 30, 2019. The rate change trigger mechanism is calculated to be 91.1 percent that falls outside the deadband range of 95 percent to 105 percent. The proposed rate increase is calculated to be \$1.051/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 October 1, 2018;
- F. The proposed Gas Cost Recovery Charge requested within the Report would be equivalent to an increase of approximately \$53 or 5.5 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 \$0.0257 per litre, from the existing propane reference price of \$0.2650 per litre to \$0.2907 per litre, which corresponds to an increase of \$1.051 per gigajoule in customer rates, effective October 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 Third Quarter Report confidential.

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

BY ORDER

(X. X. last name)
Commissioner