



LETTER L-69-11

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VIA EMAIL

gas.regulatory.affairs@fortisbc.com

September 1, 2011

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

Dear Ms. Roy:

Re: FortisBC Energy Inc.

2011/12 Annual Contracting Plan (November 2011 – October 2012)

On May 25, 2011, FortisBC Energy Inc. (FEI) filed on a confidential basis its 2011/12 Annual Contracting Plan (2011/12 ACP). The Commission generally accepts the FEI 2011/12 ACP and items as set out on pages 33 to 35. The major portfolio changes affecting the 2011/12 ACP are as follows:

1. FEI recommends a peak day value for 2011/12 of 1,240 TJ/day, a decrease of 28 TJ/d or 2.2% from the 2010/11 value of 1,268 TJ/day.
2. For 2011/12, supply from Commodity Providers will be based on a normalized annual demand of 313 TJ/day, plus fuel.
3. Baseload Supply Receipt Point Allocation Percentages to remain at the same levels as last year's delivery requirements: 70% at Station 2, 15% at AECO, and 15% at Huntingdon.
4. Commodity Providers' fuel requirements for gas delivery on November 1, 2011, will be evaluated and communicated before October 2011. For the period November 1, 2010 to October 31, 2011, the fuel percentages are 3.5% at Station 2 and 1.0% at AECO.
5. For the 2011/2012 Midstream portfolio, a reduction of 6 TJ/d at NIT for winter seasonal spot purchases due to the increased deliverability from the new Niska storage contract becoming available on April 1, 2011, due to the expiration of the Carbon storage facility contract on March 31, 2010.
6. For the 2011/2012 Midstream portfolio, an increase of 142 TJ/d due to the Mt. Hayes LNG facility becoming available for winter 2011/12 for withdrawals.
7. For the 2011/2012 Midstream portfolio, a net decrease of 37 TJ/d of market area storage that was decontracted after the winter of 2010/11 due to the availability of Mt. Hayes LNG facility.

8. For the 2011/2012 Midstream portfolio, a total reduction of 130 TJ/d of peaking gas supply due to Mt. Hayes LNG and reduction in the 2011/12 forecasted design peak day. Huntingdon peaking reduced by 63 TJ/d and Kingsgate reduced by 42 TJ/d due to the Mt. Hayes LNG facility and a further 25 TJ/d was reduced at Kingsgate due to the reduced forecasted design 2011/12 peak day.
9. All other midstream storage and transportation resources that are part of the FEI 2011/12 ACP are resources that have been carried over from the 2010/11 Annual Contracting Plan.

The Commission directs FEI to file the 2012/2013 ACP by April 1, 2012. In addition to the items specified in section 2.3.1 of the ACP *"Actions For FEI Prior to Submitting the FEU 2012/13 ACP"*, the Commission directs FEI to include the following analyses with the 2012/2013 ACP:

- Review and analysis of the experience with the Mt. Hayes and Tilbury LNG peaking resources, including an analysis of the impact of Rate Schedule 16 service on the availability of the Tilbury resource for providing peaking supply for the core.
- Analysis to optimize the amounts of pipeline and storage to be contracted for future years taking into account the regional infrastructure currently in place and anticipated to be in place in the future.
- A detailed analysis with regard to the monthly/daily pricing allocation for both the Commodity and Midstream portfolios. In particular, the expanded analysis should consider the amount of hedging, price premiums, and flexibility required for mitigation resales and migration of customers from gas marketers. The analysis should also address the nature of the pricing arrangements used for seasonal gas purchase contracts.
- An analysis of the optimization of the overall portfolio resources using the SENDOUT modeling tool similar to the analysis conducted for the Mt. Hayes resource included as Appendix H in the 2011/2012 ACP.
- An ACP proposal for the case where the FEI and FEVI gas portfolios are amalgamated and an ACP proposal for the case where the gas portfolios are not amalgamated.
- An update to the Northeastern BC study should also be included and FEI's request that the scope and detail of the update to the Northeastern BC market be determined by FEI for the 2012/2013 ACP is accepted.

The information exclusive of the Executive Summary will be treated as confidential.

A copy of FEI's non-confidential Executive Summary for the FEI 2011/12 Annual Contracting Plan is attached which is available for public dissemination.

Yours truly,

Alanna Gillis

CM/yl
Attachment