



LETTER L-20-11

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VIA EMAIL

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March 22, 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.
Report on Gas Cost Deferral Accounts and Rate Setting Mechanisms

On February 5, 2001, the British Columbia Utilities Commission (Commission) issued Letter L-5-01 with Guidelines for a quarterly gas cost reporting process and which set out the conditions when BC Gas Utility Ltd. (now FortisBC Energy Inc. [FEI]) would generally be expected to apply for changes to commodity cost recovery rates. These Guidelines now apply for the FEI Commodity Cost Reconciliation Account (CCRA) and Midstream Cost Reconciliation Account (MCRA) and have generally been adopted by other gas and propane utilities in British Columbia.

In the letter that accompanied Order G-106-10 dealing with FEI's 2010 Second Quarter Gas Cost Report, the Commission directed Commission staff to work with FEI to investigate improvements to the MCRA forecasting capability and to revalidate the methodology associated with the quarterly review of CCRA costs and commodity rates. Following several discussions with Commission staff, on March 10, 2011 FEI filed the subject Report, which is attached to this letter. In the Report, FEI recommends three changes to improve the quarterly review and rate setting mechanisms. FEI characterizes the changes as "minor improvements".

The Commission invites parties with an interest in the matter to submit written comments on the recommended changes by Thursday, April 14, 2011 and to provide a copy of the comments to FEI. FEI may reply in writing to the comments by Friday, May 6, 2011. The Commission will then make a determination on the recommended changes to the Guidelines, with the intention that the updated Guidelines will apply for the review of the FEI 2011 Second Quarter Gas Cost Reports in early June 2011. The Commission anticipates that the updated Guidelines will also generally apply for other gas and propane utilities.

Yours truly,

Erica M. Hamilton

JBW/yl
Enclosure

cc: Gas and Propane Utilities
Gas Marketers (NGM)
TGI-2010-11RR-RI

FEI/L-20-11_FEI-Gas Cost Deferral Accounts and Rate Setting Mechanisms