



LETTER L-58-11

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. CANADA V6Z 2N3
TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

Log No. 33976

ALANNA GILLIS
ACTING COMMISSION SECRETARY
Commission.Secretary@bcuc.com
web site: <http://www.bcuc.com>

VIA EMAIL

gas.regulatory.affairs@fortisbc.com

July 28, 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. – Revelstoke Service Area
Price Risk Management Plan 2011-2012

By Letter L-55-11 dated June 22, 2011 the British Columbia Utilities Commission (Commission) approved FortisBC Energy Inc.'s (FEI) Annual Price Risk Management Plan for 2011-2012 (2011 PRMP) for the Revelstoke Service Area. The Letter specifically excluded the forward fixed price purchase component pending further explanation by FEI of why this hedging component should be maintained given the historical and relative cost of fixed price hedging, the relative contribution compared to storage hedging, the price stabilization effects of the quarterly gas cost review and deferral account mechanisms in meeting the PRMP objectives and current forward price levels.

FEI responded with a Confidential letter on July 8, 2011 with the requested information. Based on the information provided, the level of hedging through storage already approved, the amount of volatility risk to ratepayers, and the current market conditions, the Commission is not convinced that the need for additional hedging in the form of forward fixed price purchases is justified. **The Commission therefore denies any additional hedging beyond that currently approved by Letter L-55-11 for 2011-2012 for the Revelstoke Service Area.**

Yours truly,

Alanna Gillis

TJS/cms