



**LETTER L-25-15**

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**VIA EMAIL**

Ian.Wigington@corix.com

June 25, 2015

Mr. Ian Wigington  
Director Regulatory  
Corix Group  
Suite 1160, 1188 West Georgia Street  
Vancouver, BC V6E 4A2

Dear Mr. Wigington:

Re: Corix Multi-Utility Services Inc.  
Annual Contracting Plan  
for Propane Supply to Panorama Mountain Village

By Order E-13-14 dated May 22, 2014, the British Columbia Utilities Commission (Commission) accepted the Corix Multi Utility Services Inc. (Corix) Annual Contracting Plan (ACP) for propane supply to Panorama Mountain Village (PMV). By Order E-18-14 dated July 3, 2014, the Commission accepted an executed propane supply agreement filed by Corix for PMV for the period from July 1, 2014 to June 30, 2015.

On June 12, 2015, Corix filed with the Commission a 2015 ACP for propane supply to PMV for the contract year commencing on July 15, 2015 (Filing). In the Filing, Corix sets out its tender process, Request for Quotation documents and price risk management strategy for securing competitive propane delivery service for PMV. Corix requests that the information provided in the Filing be held confidential due to its commercially sensitive nature.

The Commission reviewed the Filing and accepts the 2015 ACP. However, the Commission notes the time lag between the supply agreement expiring on June 30, 2015 and the new contracting period commencing on July 15, 2015. In order to ensure a timely process and security of supply, Corix is requested to file future ACPs for PMV at least 45 days before the end date of the most recent supply agreement as accepted by the Commission.

The Commission will keep the Filing confidential as requested by Corix as it contains commercially sensitive information. A copy of Corix's non-confidential executive summary of the 2015 ACP is attached and is available for public review.

Yours truly,

*Original signed by:*

Erica Hamilton

LC/cms

Enclosure

Orders/L-25-15\_Corix Panorama Mtn Village ACP Propane Supply

## **Summary of 2015 Annual Contracting Plan**

Corix Multi-Utility Services Inc. ("Corix") owns and operates the propane utility at Panorama Mountain Village ("PMV"). Periodically, Corix issues a request for price quotes to qualified propane suppliers. This is generally done on an annual basis, though this year price quotes for propane supply for a two year period are being requested.

The propane supplier must be reputable, reliable, have an excellent safety record and must have the capability of ensuring the deliveries are available on a timely basis. Panorama Mountain Village is located in the East Kootenay region at a considerable distance from the nearest supply of bulk propane in Southern Alberta.

The supplier must also be able to augment Corix's service and emergency response capability. Ideally, the supplier will have 24 hour on-call emergency service capability in proximity to Panorama.

Propane commodity markets are often volatile, and Corix obtains supply proposals from alternative vendors at regular intervals to ensure that the utility receives propane supply at a competitive price. The term of the supply agreement and the relative mix of fixed and variable supply pricing are important considerations to achieve an appropriate mix of price stability to provide the best long term value for customers.

To obtain fixed price quotes for supply over one or more years, it is necessary to have a transparent bid process that allows potential suppliers to guarantee their price quotes and also allows Corix to accept the optimum bid from the bid process in a timely manner. All propane supply contracts are subject to Commission review and approval.

The objectives outlined above form the basis for the Annual Contracting Plan ("ACP") that Corix files with the Commission, the details of which are discussed below.

**Bid Process**

**RFQ Process:**

- A Request for Quotation (RFQ) will be sent to selected propane suppliers. The RFQ will include the guidelines of submission, evaluation criteria, standards, scope and term of contract.
- The qualified propane suppliers for this process are CanWest and Superior. Cal-Gas, included in prior years, was purchased by CanWest in 2014.

**Bid Price Information:**

- Suppliers are requested to will provide the following price quotes:
  1. A “Variable” Price quote that will be tied to a third party market pricing point. The supplier will be required to clearly specify the market reference point and any additional charges for delivery to PMV.
  2. “Fixed” Price quotes for supplying propane for one year and for two year periods delivered to PMV. The supplier will take the risk of the commodity price of the propane changing over the contract term.
- Supplier must disclose any additional fees or charges that are in addition to the Variable Price and Fixed Price quotes, including any freight or handling charges.
- Upon accepting the successful supplier’s bid price, Corix will make a one-time election as to the amount of Fixed Price supply, in litres, for the term of the agreement.

**Corix PMV Propane Commodity Strategy:**

Corix’s objective is to provide a competitive propane supply to its customers at PMV and this tendering process is designed to achieve that objective.

A significant portion of the customers at PMV are strata corporations who must, in turn, bill the occupants of their buildings for propane, and these customers have expressed a strong preference for minimizing large rate fluctuations. In recognition of this, Corix

seeks to acquire a supply portfolio that balances the lower but potentially volatile variable supply prices with higher fixed supply prices.

As this is a small, isolated market, the fixed price bids received in this tender process, albeit inclusive of a premium, serve as an indication of the forward price forecast for the propane commodity market.

#### **Recent Propane Price Information**

Propane prices have historically been volatile. Over the past 12 months price fluctuations have moderated when compared with price fluctuations over the previous period.

In April of 2014 the Cochin pipeline that had in prior years been used to ship propane from western Canada to the US mid-west discontinued propane delivery service. This has resulted in increased propane supply in western Canada<sup>1</sup> and, when combined with higher production of propane from US shale gas, has resulted in lower western Canada propane prices.

Current low prices represent an opportunity to lock in a substantial portion of Panorama's requirement.

#### **Commission Permission to Accept Bids**

When the bids are received, Corix will need to elect (a) the supplier and (b) the amount of fixed price supply (in litres) to be delivered over the contract period.

As part of the submission of the Annual Contracting Plan, Corix requests permission from the Commission to make these elections in a timely fashion in order to ensure that the most competitive price and optimal mix of variable/fixed price supply is obtained. This approach is also the most equitable process for potential bidders as they know that they will be measured against their peers at the same point in time and on the same supply terms.

#### **Commission Approval**

Corix keeps Commission Staff apprised during the process and will need to make its determination within a 24 hour time frame. All market price bids will be filed with the Commission.

Corix will file its reasons for vendor selection along with the completed supply contract indicating the amount of fixed price supply contracted for Commission approval.

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<sup>1</sup> March 2015 storage levels were 6 times higher than March 2014 levels – Source: <http://www.eia.gov/todayinenergy/detail.cfm?id=20552>

June 17, 2015

**Gas Cost Recovery Charge (“GCR Charge”)**

Concurrent with Commission approval of the propane supply contract, Corix will file an update GCR Charge application for the period commencing August 1, 2015 based on the information obtained from this pricing information.