



**LETTER L-27-15**

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. 50279

ERICA HAMILTON  
COMMISSION SECRETARY  
Commission.Secretary@bcuc.com  
web site: <http://www.bcuc.com>

**VIA E-MAIL**

[gas.regulatory.affairs@fortisbc.com](mailto:gas.regulatory.affairs@fortisbc.com)

June 25, 2015

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  
November 2015 – October 2016 Annual Contracting Plan

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On May 21, 2015, FortisBC Energy Inc. (FEI) submitted to the British Columbia Utilities Commission (Commission), on a confidential basis, its Annual Contracting Plan for the Revelstoke Service Area for the period of November 2015 to October 2016 (Revelstoke 2015/16 ACP). In its submission, FEI requests Commission acceptance of the Revelstoke 2015/16 ACP. The objectives for the Revelstoke 2015/16 ACP are identified as follows:

1. To provide secure, reliable and cost effective supply in order to meet customer requirements; and
2. To reduce the impact of propane price volatility on customer propane rates in a cost effective manner.

In compliance with the requirement of Commission letter L-32-14, FEI also included in its submission the results of the previous year's contracting plan in terms of financial results of its contracting strategies and the degree to which the objectives were met using these strategies.

The Commission has reviewed the FEI filing and accepts the Revelstoke 2015/16 ACP. The Commission accepts FEI has met the reporting requirement of the previous year's results as directed by Commission letter L-32-14.

A copy of FEI's non-confidential Executive Summary for the FEI 2015/16 ACP is attached and is available for public review. Exclusive of the non-confidential Executive Summary, the Commission agrees to hold the 2015/16 ACP confidential.

Yours truly,

*Original signed by:*

Erica Hamilton

CM/cms  
Attachment

1 **1. EXECUTIVE SUMMARY**

2 This submission sets out the proposed Annual Contracting Plan (ACP) that is designed to meet  
3 the forecast propane requirements of the Revelstoke service area for the 2015/16 period from  
4 November 1, 2015 to October 31, 2016. The primary objectives of the 2015/16 ACP are to  
5 provide secure, reliable, and cost effective supply to meet the requirements of customers at  
6 Revelstoke, as well as to reduce the impact of propane price volatility on Revelstoke's propane  
7 rates.

8 FEI's price risk mitigation strategies for Revelstoke were effective in meeting the objectives of  
9 the ACP in previous years and FEI recommends continuing with these strategies for the  
10 2015/16 contracting year.

11 Revelstoke's propane supply requirement for the 2015/16 ACP is forecast to be 8,925 cubic  
12 metres (M<sup>3</sup>) and the propane supply required will be purchased from Superior Gas Liquids  
13 (Superior). Consistent with past practice, FEI proposes to contract for approximately 50% of  
14 Revelstoke's winter 2015/16 forecast propane requirements with either propane storage or fixed  
15 price purchases, in order to help mitigate propane market price and rate volatility for customers.

16 Current price indications show that implementing propane storage is slightly cheaper than fixed  
17 price purchases for the winter of 2015/16. However, the price indications difference between  
18 the two strategies can change on a daily basis. In this regard, FEI proposes to contract for  
19 approximately 2,950 M<sup>3</sup> of propane supply for winter 2015/16 with either propane storage or  
20 fixed price purchases, whichever is the more cost effective option at the time of execution after  
21 this ACP is accepted by the Commission. The 2,950 M<sup>3</sup> of propane storage supply or fixed  
22 price supply will be purchased evenly throughout summer 2015, from June 2015 to September  
23 2015, at approximately 737.5 M3 per month and this supply will be distributed evenly throughout  
24 the winter months at 590 M<sup>3</sup> per month from November 2014 to March 2015.

25 Moreover, given that propane spot prices are currently at the lowest price level in a decade and  
26 are below the current propane cost component of Revelstoke's propane rate<sup>1</sup>, FEI proposes to  
27 capture potential forward market price opportunities with an incremental purchase strategy in  
28 addition to the base purchase strategy of securing approximately 50% of the winter supply. FEI  
29 proposes to contract an additional 590 M<sup>3</sup>, approximately 10% of Revelstoke's winter 2015/16  
30 forecast demand, of propane supply (in full) immediately, if the cost of implementing propane  
31 storage or fixed price purchases drops to or below a pre-defined target price level at any time  
32 from June 2015 to September 2015. The price target that would trigger FEI to contract for an  
33 additional 590 M<sup>3</sup> of supply would be at 15% below the winter 15/16 price indication as of June

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<sup>1</sup> Forecast propane cost used for Revelstoke propane rate effective April 1, 2015, excluding transportation cost, is at \$9.20/GJ.

- 1 1, 2015<sup>2</sup>. This 590 M<sup>3</sup> of additional supply will also be distributed evenly throughout the winter  
2 months, at 118 M<sup>3</sup> per month from November 2015 to March 2016.
- 3 If the 590 M<sup>3</sup> of incremental purchase is executed, FEI would secure a total of 3,540 M<sup>3</sup> of  
4 propane supply for Revelstoke in summer 2015 for the winter of 2015/16. This is equivalent to  
5 approximately 60% of Revelstoke's winter forecast demand of 5,900 M<sup>3</sup>. The remainder of the  
6 supply requirement required during winter 2015/16 and summer of 2016 will be procured at the  
7 floating market prices.
- 8 Going forward, FEI intends to file its CPCN<sup>3</sup> application with the Commission for the Revelstoke  
9 Natural Gas Conversion project in summer 2015, with a target completion date in spring 2017.  
10 FEI will continue to monitor the progress of the conversion project and manage Revelstoke's  
11 propane supply contracts accordingly.
- 12 The purchasing and price risk mitigation strategies proposed for this ACP will help meet the  
13 objectives of reducing the impact of propane price volatility and to ensure secure, reliable, and  
14 cost effective propane supply for Revelstoke's customers.

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<sup>2</sup> Based on the cheaper price indication from either implementing storage propane or fixed price purchases on June 1, 2015.

<sup>3</sup> Certificate of Public Convenience and Necessity.