



LETTER L-28-15

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VIA E-MAIL
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July 9, 2015

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

Dear Ms. Roy:

Re: FortisBC Energy Inc.
2015/16 Annual Contracting Plan (November 2015 – October 2016)

On May 1, 2015, FortisBC Energy Inc. (FEI) filed on a confidential basis its 2015/16 Annual Contracting Plan (2015/16 ACP). The British Columbia Utilities Commission (Commission) accepts the FEI 2015/16 ACP and FEI's recommendations as set out on pages 8 to 10 in regard to the peak day load, commodity portfolio, midstream resources, actions prior to submitting the 2016/17 ACP and ongoing portfolio evaluation.

The major portfolio changes affecting the FEI 2015/16 ACP are as follows:

1. Forecast Design Peak Day Demand: FEI recommends a peak day value for 2015/16 of 1,320 TJ/day, a decrease of 2 TJ/day from the amounts accepted in the 2014/15 ACP. The reduction in the design peak day is mainly attributable to a continued decline in the forecast use per customer.
2. Annual Normal Demand: annual normal demand for 2015/16 is projected at approximately 123 PJ resulting in an average daily normal load of 335 TJ/day. In 2014/15, the total annual normal demand was forecast to be 126 PJ that resulted in a daily normal load of 345 TJ/day. The decrease of 10 TJ/day in 2015/16 in the annual normal load is mainly attributable to the continued decline in forecast use per customer.
3. Commodity Portfolio: Station 2 baseload supply decreases by 8 TJ/day and AECO/NIT baseload supply decreases by 2 TJ/day, which is mainly attributable to the continued decline in forecast use per customer.
4. Commodity Portfolio: Commodity Providers' fuel requirements for gas delivery on November 1, 2015 will be evaluated and communicated before October 2015. For the period November 1, 2014 to October 31, 2015 the fuel percentages are 3.1% at Station 2 and 1.0% at AECO.
5. Commodity Portfolio: FEI recommends continuing with a balanced mix of daily and monthly priced supply to provide operating flexibility and to mitigate adverse price movements.
6. Commodity Portfolio: FEI recommends consideration of longer term supply contracts with BC gas producers, up to ten years in length, in the interest of supply security at the Station 2 market hub.

7. Midstream Portfolio: adjust seasonal supply to account for the changes in market conditions, decrease in forecast peak day demand, and in the interests of meeting the objectives of the ACP.

The Commission requests FEI file its 2016/17 ACP by May 1, 2016. In addition to the items in section 2.2.1 of the 2015/16 ACP entitled "*Actions Prior to Submitting the 2016/17 ACP*," the Commission requests FEI to file, with the 2016/17 ACP, the following information:

- An update to the Northeastern BC market study with the scope and detail of the update to be determined by FEI.
- An update on the efforts to establish key relationships with producers who plan to develop supply in the Horn River, Montney and other producing regions of British Columbia over the long term.
- A review and analysis of the operational experience with Mt. Hayes and Tilbury liquefied natural gas (LNG) peaking resources for the 2015/16 contract year, including an analysis of the potential impact of LNG service under Rate Schedule 46 service on the availability of these peaking resources for the core natural gas customers for the 2016/17 and future years.
- A load forecast for Rate Schedule 46 customers, the supply arrangements for meeting these customer's load requirements and FEI's plan for integrating this demand into the overall supply portfolio.
- A review of the storage and transportation requirements and alternatives for the 2016/17 and future contract years and an analysis to optimize the amounts of transportation and storage to be contracted in future years taking into account the regional infrastructure and market developments currently in place and anticipated to be in place in the future.

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

Yours truly,

Erica Hamilton

CM/cms
Attachment

1 EXECUTIVE SUMMARY

2 1. INTRODUCTION

3 The Annual Contracting Plan (ACP) is a gas supply planning document filed with the British
4 Columbia Utilities Commission (the Commission) in the spring of each year. The ACP sets out
5 the forecast demand for natural gas by core customers¹ and outlines the FortisBC Energy Inc.
6 (FEI) strategy to contract for gas commodity, storage, and pipeline transportation resources to
7 meet the peak day and annual demand for these customers for the upcoming gas contract
8 year². The ACP also typically includes a review of regional marketplace developments that
9 provides context for the overall portfolio strategy. This review is essential because it helps to
10 plan the ACP beyond just the immediate gas year to look out over a three to five year time
11 frame. Longer-term planning is important because the resources available for inclusion in the
12 ACP are limited, may require long lead times to adjust, and are subject to changing market
13 dynamics.

14 As part of the amalgamation of the FortisBC gas utilities, comprising of FortisBC Energy Inc.,
15 FortisBC Energy (Vancouver Island) Inc., and FortisBC Energy (Whistler) Inc. on December 31,
16 2014, and the establishment of a single gas portfolio for the 2014/15 gas year, the Essential
17 Services Model (ESM) was extended on November 1, 2014 to all sales rate customers served
18 by FortisBC Energy (Vancouver Island) Inc. (FEVI) and FortisBC Energy (Whistler) Inc. (FEW).
19 This change supports extension of the commodity unbundling program to customers starting
20 November 1, 2015 in the Vancouver Island, Sunshine Coast, and Whistler service areas. The
21 ESM does not apply to customers in Fort Nelson or in Revelstoke. The Customer Choice
22 program is also not available in these two service areas.

23 This ACP includes content that is consistent with previous years' filings, including topics of
24 special interest as directed by the Commission in the acceptance letter of the 2014/15 ACP.³
25 This ACP applies to the next gas year that commences on November 1, 2015 and ends on
26 October 31, 2016.

27 1.1 OBJECTIVES OF THE FEI 2015/16 ACP

28 The objectives for the 2015/16 ACP remain consistent with past recent Annual Contracting
29 Plans that were accepted by the Commission and are as follows:

- 30 1. To contract for resources that ensure, a balance of security, diversity and reliability of
31 gas supply in order to meet the core customer design peak day and annual
32 requirements, while minimizing the overall cost of the portfolio.

¹ These requirements are the forecast load for non-interruptible customers, referred to as core customers and include Rate Schedules 1 to 7.

² While Fort Nelson was excluded from amalgamation and will retain a separate rate structure, FEI will continue to secure supply for the Town of Fort Nelson consistent with past practice.

³ Commission Letter L-40-14 dated July 17, 2014.

- 1 2. To develop a mix of resources in the portfolio that provides flexibility in the contracting of
- 2 resources based on short term and long term planning considerations, and evolving
- 3 market dynamics.

4 2. THE 2015/16 ACP

5 This section provides an overview of significant topics that are discussed in detail in the 2015/16
6 ACP, including the forecast design peak day and annual normal loads, changes in contracting
7 for resources from the previous year, operational, and long term planning considerations. The
8 portfolio of resources included in the ACP is grouped into two components. The first is the
9 baseload supply that is required for the full gas year, and which is included in the Commodity
10 portfolio. The second components includes seasonal supply, storage, and LNG that is required
11 during the winter period and transportation capacity that is required year-round, and is included
12 in the Midstream portfolio.

13 • Forecast Design Peak Day Demand for 2015/16

14 Forecast of 1,320 terajoules (TJ)⁴ for 2015/16 Core Market peak day, which represents a
15 slight decrease of 2 TJ from the 2014/15 forecast design peak day demand.

16 • Annual Normal Demand for 2015/16

17 Forecast of 123.0 petajoules (PJ)⁵ for 2015/16 Core Market annual demand, resulting in an
18 average daily normal load of 335 TJ/day. In 2014/15 the total annual normal demand was
19 forecast to be 126.0 PJ, which had resulted in a daily normal load of 345 TJ/day. The
20 decrease of 10 TJ/day in the annual normal load for 2015/16 is largely attributable to a
21 further decline in average use by residential customers.

22 • Commodity Portfolio

23 FEI recommends continuing with a balanced mix of daily and monthly priced commodity
24 supply in the portfolio to provide operating flexibility and to help mitigate adverse price
25 movements.

26 FEI also recommends continuing pursuit of longer term supply contracts up to ten years in
27 length, with gas producers located in northeast BC and other counterparties, to support
28 supply security at the Station 2 market hub.

29 • Midstream Portfolio

30 FEI will retain the current level of transportation and storage capacity without significant
31 changes. FEI has made minor changes to the seasonal supply within the Midstream
32 portfolio to account for the changes in forecast demand and in the interest of meeting the
33 objectives of the ACP.

⁴ One TJ is equivalent to 1,000 gigajoules (GJ).

⁵ One PJ is equivalent to 1,000 TJ.

1 **2.1 RESOURCE CONTRACTING IN THE 2015/16 ACP**

2 FEI must be prepared to meet forecast design peak day demand⁶, while also managing loads
3 rising well above normal over extended periods of colder weather and mitigate interruptions in
4 delivery capacity related to both transportation and storage. FEI also must manage load swings
5 and resources requirements during spells of colder or warmer than normal weather in the winter
6 months. FEI strives to procure and deliver natural gas in the most reliable manner possible.
7 This responsibility includes the need to identify, monitor, and mitigate potential operational and
8 market-related risks. In addition, the minimization of costs related to the annual portfolio, while
9 ensuring the delivery of gas each day, is an important key objective. Balancing the need for
10 cost minimization while meeting reliability, diversity, and flexibility objectives will not necessarily
11 always result in the selection of the least cost alternative for inclusion in the portfolio.

12 Although the region has traditionally faced the challenge of only having a limited number of
13 resources available, this constraint has the potential to become more critical given the prospect
14 of incremental demand arriving over the next few years. At the same time, FEI must compete
15 with other parties in the region in order to continue to hold resources that form part of the
16 portfolio. Given that no major new resources are expected to be in service for the region for the
17 next few years, existing resources will become increasingly valuable. This could drive
18 commercial practices to seek to extend terms and enter into renewal negotiation much earlier
19 than has been past practice.

20 The recommended portfolio is based on a balance of resources that meets the objectives of the
21 ACP. In planning the recommended portfolio, FEI takes into account market information
22 available at that time. However, it must be recognised that due to the many factors influencing
23 natural gas supply and demand, the market for natural gas is always changing. Not only are
24 there absolute price changes, but also changes in market factors (premiums or discounts) for
25 securing physical supply. These changes are driven by the relationship between pricing points
26 and the availability of resources that impact the different market hubs where FEI secures gas
27 supply.

28 The contracting strategy for FEI's Commodity and Midstream portfolios includes a combination
29 of monthly and daily priced supply for price diversification, in addition to contracting at multiple
30 storage facilities and associated transportation resources. Daily priced supply can be resold in
31 the market at the same price as it is bought and, therefore, remove any price exposure
32 compared to monthly priced supply. This strategy helps FEI to remain cost neutral when
33 reselling gas on the day. Monthly priced supply helps reduce exposure to market price volatility
34 during the winter months.

35 FEI takes a longer term outlook when contracting for some resources, like transportation and
36 storage assets, and may be restricted to some degree in changing these resources in the
37 portfolio in a particular year. However, customers realize any benefit associated with these

⁶ The total system demand based on the usage from the total forecast number of accounts on the system on the coldest day that is expected to occur.

resources because they provide security of supply and increased portfolio diversity. Gas from various storage facilities in the winter provides the portfolio with diversity and intraday flexibility, as well as lower cost summer-priced supply.

2.2 DEMAND FORECAST (DESIGN PEAK DAY AND NORMAL LOAD)

Table ES-1 sets out the forecast Core Market design peak day and normal loads during the winter and summer season projected for the next five years.

Table ES-1: Forecast Design Peak Day and Normal Volumes by Service Region

Contract Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	(TJ/d)	(TJ/d)	(TJ/d)	(TJ/d)	(TJ/d)	(TJ/d)
Columbia	27	27	27	27	27	28
Lower Mainland	892	884	888	893	898	902
Ft. Nelson	5	5	6	6	6	6
Inland	286	292	295	298	301	304
Whistler	7	7	7	7	7	7
Vancouver Island	104	106	108	110	113	115
Total Peak Day Load	1,322	1,320	1,330	1,341	1,351	1,361
Yr/Yr Change	n/a	-2	10	11	10	10
Yr/Yr % Change	n/a	-0.1%	0.8%	0.8%	0.7%	0.7%
Winter Normal Load	559	530	530	530	531	529
Summer Normal Load	195	196	196	196	196	196
Average Daily Normal Load	345	335	334	334	335	334
Yr/Yr Change	n/a	-10	-1	0	1	-1
Yr/Yr % Change	n/a	-3.0%	-0.3%	0.0%	0.3%	-0.3%
	(PJ/yr)	(PJ/yr)	(PJ/yr)	(PJ/yr)	(PJ/yr)	(PJ/yr)
Annual Normal Load	126	123	122	122	122	122

Notes:

All numbers in terajoules per day except Annual Normal Load, which is in petajoules per year.
Normal load excludes Ft. Nelson

The forecast of design peak day demand for the 2015/16 contract year is 1,320 TJ/day, which represents a slight 2 TJ decline from the 2014/15 contract year. For the same contract year, the annual normal load is forecast to decrease to 123.0 PJ from 126.0 PJ in 2014/15, resulting in an average daily normal load of 335 TJ/day in 2015/16 compared to 345 TJ/day in 2014/15. The 335 TJ/day will be the new daily baseload supply that will be received by FEI Midstream on behalf of the Commodity Providers in accordance with the requirements of the Essential Services Model (ESM). The decrease in normal loads in 2015/16 over 2014/15 is primarily attributable to the continued decrease in use by residential customers.

For the four year period after 2015/16, the peak day is forecast to grow slightly, while the normal load is forecast to remain largely unchanged. Although the change forecast peak day is not

1 material, it does help to confirm the need to continue to hold existing resources for the longer
2 term in the portfolio.

3 Table ES-1 does not includes a forecast of future additional demand from customers seeking
4 LNG for transportation, CNG, or Biomethane purposes. As the expected demand from these
5 customers is relatively small, it is not material for the 2015/16 portfolio. As Rate Schedule 46,
6 CNG, and Biomethane demand grows in the future to become more material, it will be reflected
7 in the forecast and the portfolio adjusted to accommodate it. FEI is planning for providing 35
8 TJ/day in liquefaction capacity to meet Rate Schedule 46 demand as part of the expansion at
9 the Tilbury LNG facility that will be completed in the fall of 2016.

10 **2.3 THE 2015/16 PORTFOLIO**

11 Table ES-2 sets out a summary of the portfolio planned for the 2015/16 gas year. FEI
12 performed a review of the supply options available for the upcoming winter period, taking into
13 account key market developments that have affected regional pricing and supply sourcing
14 dynamics in the US Pacific Northwest (PNW). After evaluation of the new peak and normal day
15 load forecasts, current portfolio mix, and market developments, FEI recommends the following
16 resource portfolio for 2015/16:

17 **Table ES-2: Planned Peak Day Portfolio for 2015/16 vs. 2014/15 Portfolio**

PEAK DAY PORTFOLIO (TJ/d)	2015/16 Portfolio - Planned	2014/15 Portfolio
Fort Nelson Division	5	5
Alberta Baseload Supply (CCRA gas & Mktrs)	84	86
Station 2 Baseload Supply (CCRA Gas & Mktrs)	251	259
Total Commodity Supply	335	345
Seasonal Supply	195	115
Seasonal Storage	197	197
Market Area Storage	210	215
Peaking Supply	-	-
Spot Supply	24	93
Mt. Hayes LNG	163	163
Tilbury LNG	163	163
Industrial Curtailment	28	28
Total Midstream Supply	980	972
Total Resources (TJ/d)	1,320	1,322
Peak Day Demand (TJ/d)	1,320	1,322

Notes:

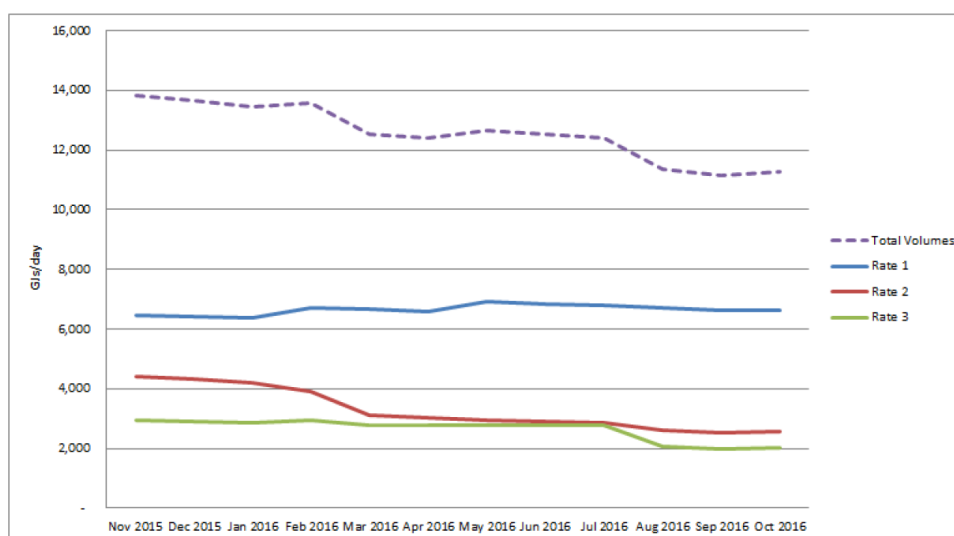
18 Volumes in this table do not include fuel required for delivery of supply to the FEI System.

2.3.1 Commodity Portfolio Overview: 2015/16

Under the ESM, Commodity Providers, including FEI, supply the daily baseload volume that is equivalent to the normalized annual demand, which is derived from the Core Market normal load forecast. Commodity Providers must provide the daily normalized load requirement of 335 TJ, plus fuel, effective November 1, 2015. Baseload supply for the 2015/16 gas year is based on the current receipt point allocation percentages that are in effect, specifically 75% at Station 2 and 25% at AECO/NIT.

Natural gas marketers participating in the Customer Choice Program (Gas Marketers) are responsible for ensuring a portion of the baseload supply is delivered to FEI at each of the receipt points. For 2015/16 the average daily volume that needs to be provided by Gas Marketers will increase slightly by 1 TJ/day to 13 TJ/day and FEI's portion will decrease by 11 TJ/day to 322 TJ/day. The forecast Gas Marketer supplied volume represents approximately 4% of forecast daily baseload supply requirements. Gas Marketer supplied baseload volumes forecasted in this ACP are illustrated in Figure ES-1.

Figure ES-1: 2015/16 Estimated Future Gas Marketer Volumes⁷



FEI will be required to provide the following amounts at the receipt delivery points starting November 1, 2015:

Station 2:	$(335 \text{ TJ/day} - 13 \text{ TJ/day}) \times 75\% \text{ plus } 3.1\% \text{ fuel} = 249 \text{ TJ/day}$
Alberta:	$(335 \text{ TJ/day} - 13 \text{ TJ/day}) \times 25\% \text{ plus } 1\% \text{ fuel} = 81 \text{ TJ/day}$

⁷ This estimate is based on actual and forecasted enrollments in the Customer Choice Program taken in April 2015.

1 The methodology used to calculate the fuel percentages that are used above for 2015/16 is
2 consistent with the previous year's approach, which is described in FEI's letter to the
3 Commission dated February 7, 2008. These fuel rates have remained unchanged since the
4 start of the 2011/12 contract year⁸. FEI will continue to monitor the Fuel Gas account and will
5 report the results of its review of the Fuel Gas Percentages to the Commission by the end of the
6 2015 summer, including a request to modify the fuel rates if necessary.

7 **2.3.2 FEI Midstream Portfolio Overview: 2015/16**

8 FEI is responsible for managing gas supply so that it meets the variability in daily customer
9 demand, including requirements on a peak day. It does this by using seasonal and peaking
10 commodity, storage services, and third party pipeline transportation capacity to meet swings in
11 demand. To determine the appropriate portfolio for 2015/16, including the replacement of any
12 expiring resources and/or meet future growth requirements, FEI assessed several alternatives
13 for 2015/16 including:

- 14 • Station 2 supply and associated T-South transportation capacity;
- 15 • Seasonal storage (Aitken Creek Storage, Alberta Storage);
- 16 • Market area storage (Jackson Prairie Storage (JPS) and Mist);
- 17 • Huntingdon and Kingsgate seasonal, spot, and peaking supply; and
- 18 • Alberta and Stanfield supply with associated firm transportation capacity.

19 FEI also has on-system gas supply from resources such as the Tilbury and Mt. Hayes LNG
20 storage facilities. These facilities can provide high volume supply on short demand during
21 periods of cold and extreme winter weather or during emergency situations.

22 **3. REGIONAL DEVELOPMENTS**

23 Significant changes are occurring in the natural gas marketplace in western Canada driven by
24 two main developments that will impact traditional supply and demand dynamics, regional gas
25 flows, and regional market price relationships. The first development relates to the prospect for
26 incremental demand in the Lower Mainland and the US PNW that is expected to start to arrive
27 as soon as the 2016/17 gas year. It has driven shippers to contract for firm transportation
28 capacity on Spectra Energy's T-South system⁹. Historically, Spectra has offered up to 1700
29 MMcf/day of contractible T-South firm year-round transportation service based on the winter
30 design capacity of its system. Recently Spectra reduced contractible firm service to 1450
31 MMcf/day based on its expected system capacity in the summer months and as of November
32 2015, this firm capacity is fully contracted. FEI is aware that Spectra is investigating the option

⁸ Approved per Commission Order G-120-12, dated September 11, 2012.

⁹ Spectra Energy operates the T-South pipeline system that is the main transportation system for moving natural gas from northeast BC to markets in BC and the US PNW and on which FEI is heavily dependent.

1 of offering up to 250 MMcf/day of firm winter only capacity and otherwise this capacity would
2 only be available, if it is available, on an interruptible basis. As Spectra's T-South service is fully
3 utilized during periods of peak demand FEI cannot not rely on the availability of interruptible
4 service to meet its requirements. However, the terms of Spectra's potential winter-only service
5 offering, when it may be offered, or FEI's ability to successfully contract for this capacity are
6 uncertain at this time.

7 As additional incremental demand arrives, existing industrial load that currently relies on non-
8 firm T-South transportation capacity may not be able to access adequate capacity to supply
9 their needs. For FEI this development requires planning for the possibility that some
10 transportation service customers responsible for this industrial load will elect to return to
11 bundled service.

12 Over the longer term, incremental demand in the region will help to drive a capacity expansion
13 on one or more regional pipeline systems. Although such an expansion likely requires four or
14 five years to complete, the addition of new baseload demand in the region will help to make the
15 BC marketplace more attractive to market participants and should encourage greater access to
16 supplies at Station 2 and improve liquidity at this market hub.

17 The second regional development relates to the significant supply potential of northeast BC. It
18 has prompted the development of infrastructure initiatives to provide greater access to existing
19 and new markets. With declining gas supplies in Alberta and increasing demand from industrial,
20 power generation and oil sands demand, TransCanada is expanding into northeast BC to
21 access the significant new production basins that are being developed there. Numerous LNG
22 export projects have also been announced for the west coast of BC. FEI is actively involved in
23 National Energy Board (NEB) proceedings that affect FEI's access to supply and is also actively
24 involved in developing solutions with regional stakeholders to help ensure issues related to third
25 party pipeline infrastructure are favourably resolved. These activities are important because
26 they help to ensure that customers in BC will continue to have access to gas supply at fair
27 market prices.

28 The proposed BC LNG export projects could significantly impact regional gas flows by the start
29 of the next decade. Up to 19 LNG export projects have been proposed for locations on the west
30 coast of BC. Of these, 16 are located in the Kitimat, Prince Rupert, Stewart and Kitsault region,
31 on the northern coast of BC, and three are located outside of this area near Squamish, Delta
32 and Campbell River. The 16 projects considered for the north coast of BC will all require
33 substantial new pipeline infrastructure. Five of these projects have announced plans to
34 construct new large diameter pipelines to bring supply from the new production basins in
35 northeast BC. Despite the significant number of LNG projects being proposed in BC, it is
36 expected that only two or three terminals will actually move forward and get constructed.
37 Furthermore, these projects face some delays from the fear of potential cost overruns,
38 regulatory challenges, and the sudden collapse of the price of oil and subsequently LNG prices
39 because of its link to the price of oil.

1 These projects are driven primarily by an interest in accessing large supplies of reliable natural
2 gas required to serve growing demand in key Asian markets that include Japan, South Korea,
3 and China. These markets are seeking to diversify their sources of supply and are attracted by
4 the political stability and mature market structure for accessing natural gas that Canada offers.
5 LNG exports from BC represent the most significant market opportunity that the Western
6 Canadian Sedimentary Basin (WCSB) has seen and comes at a time when production from this
7 basin is being increasingly pushed from traditional markets in eastern North America by shale
8 gas developments located closer to those markets.

9 BC is poised to be in the forefront of various developments surrounding pipeline, infrastructure
10 and potentially significant volumes of LNG to be exported to Asian markets over the next few
11 years. However, the growth of natural gas production in BC is also subject to various influences
12 such as pricing of the commodity, influence of changing demand dynamics, and cost of
13 production. Continued expansion of gas production should benefit consumers in BC as this
14 provides opportunities for increased supplies to be available to BC markets well into the future.

15 Based on these developments, FEI will continue to act to ensure secure, reliable and cost
16 effective supply for its customers.

- 17 • FEI will continue to carefully monitor developments and potentially participate as an
18 intervener in future facilities applications that may have a significant impact on its
19 operations.
- 20 • FEI will continue to establish key relationships with major producers and counterparties
21 who plan to develop gas supply in the Montney and other producing regions of BC over
22 the long term, including those actively involved in attempting to develop LNG exports to
23 Asian markets.
- 24 • FEI will evaluate opportunities within its own operating region to improve infrastructure
25 that will provide greater access to markets, leading to better diversity and reliability
26 within the portfolio over the long term.

27 FEI believes that any increase in gas production in BC should provide a direct benefit to
28 consumers in the province, which can be achieved by enhancing the liquidity and flow of gas at
29 the Station 2 market hub. Therefore, FEI will continue to proactively monitor developments and
30 foster relationships with key producers and other counterparties in order to help ensure that
31 accessible supply and competitive pricing are available at Station 2 over the long term. By
32 continuing to monitor and actively participating in issues and developments affecting the BC and
33 regional gas marketplace, FEI should be in a position to identify if and when it needs to adjust
34 its gas portfolio strategy. This would include for instance, adjusting the use and mix of
35 counterparties or fundamentally altering transportation and storage arrangements. These
36 activities are critical to helping ensure that FEI remains effective in providing gas supply to
37 customers and so that it is able to continue to meet the security of supply, resource diversity,
38 and cost minimization objectives of the gas portfolio.

1 **4. CONCLUSION**

2 The key objectives of the ACP are for FEI to contract for resources that provide supply security,
3 resource diversity and flexibility within the portfolio while minimizing overall portfolio costs over
4 the short and long term. To achieve these objectives, FEI undertakes an ongoing evaluation of
5 developments in the regional marketplace, such as infrastructure expansions, regional pricing
6 proposals, the cost and availability of resources, and growth opportunities.

7 FEI will continue to meet normal and peak day load requirements using a diverse, flexible, and
8 cost effective portfolio of resources. While the forecast normal and peak day load requirements
9 have changed only slightly from the previous year, other market factors are potentially driving
10 more significant future changes in the portfolio. The most significant of these developments
11 involves the potential for new incremental demand in the region and the resulting need to
12 construct additional pipeline transportation capacity. The challenge these requirements create
13 is the need to match the timing of when the new demand materializes with the construction of
14 new pipeline capacity. A potential mismatch of these developments causes existing resources
15 to be in much greater demand. In response FEI has been recontracting and extending the term
16 of its existing resources to help ensure that the existing resources remain in the portfolio. FEI
17 will continue to make appropriate changes to its portfolio as market conditions evolve in order to
18 continue to be able to meet the objectives of the ACP.

19 FEI will also continue to monitor and actively participate in issues and developments affecting
20 the BC and regional gas marketplace. This activity includes monitoring the development of
21 major regional infrastructure and pipeline systems, the emergence of new markets and sources
22 of gas supply, and the emergence of new regional regulatory issues. FEI will also explore
23 infrastructure opportunities and improvements within its own service regions to promote liquidity
24 and supply availability over the long term. Involvement in these activities is important for FEI as
25 it attempts to ensure that it continues to be able to access secure and reliable gas supply in a
26 cost effective manner for core customers.