



LETTER L-2-16

VIA EMAIL

gas.regulatory.affairs@fortisbc.com

March 10, 2016

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

Dear Ms. Roy:

Re: FortisBC Energy Inc.
Gas Supply Mitigation Incentive Program Year End Report (Nov 2014 – Oct 2015)

On December 23, 2015, FortisBC Energy Inc. (FEI) filed a Gas Supply Mitigation Incentive Plan (GSMIP) Year End Report for the period from November 1, 2014 to October 31, 2015 (2014/15 GSMIP Report), in accordance with British Columbia Utilities Commission (Commission) Order G 174-13 and the 2013-2016 GSMIP Term Sheet accepted by Letter L-15-15.

The 2014/15 GSMIP Report submits the calculation of the overall GSMIP incentive payment of \$2,058,642 for the mitigation activities performed by FEI. Appendix A of the 2014/15 GSMIP Report contains an electronic working copy of the GSMIP model spreadsheet, which FEI filed confidentially due to commercially sensitive information.

The Commission reviewed the 2014/15 GSMIP Report in accordance with the 2013-2016 GSMIP Term Sheet. FEI's 2014/15 GSMIP incentive payment of \$2,058,642 exceeds the GSMIP incentive payment variance threshold of \$1.6 million. The 2013-2016 GSMIP Term Sheet states: "[i]n order to maintain the confidence of all parties involved with the design of the current GSMIP model, a full review of the mechanism is required if there is a difference during any of the three years in the 2013-2016 term of plus or minus \$500,000 from the historical GSMIP payout of \$1.1 Million."¹ The Commission notes that the 2013-2016 GSMIP Term Sheet expires on October 31, 2016. The Commission considers that the review of the mechanism should be conducted and completed before the expiry date of the current GSMIP. If FEI applies for a GSMIP renewal, a full review of the mechanism can be conducted as part of the regulatory process established to review the GSMIP renewal application. If FEI does not file a GSMIP renewal application by May 6, 2016, the Commission will initiate the review at the beginning of June 2016.

¹ 2013-2016 GSMIP Term Sheet, Section K, p. 16 (Appendix to L-15-15)

The Commission accepts for filing the 2014/15 GSMIP Report which includes the incentive payment of \$2,058,642 for the mitigation activities performed by FEI for the period from November 1, 2014 to October 31, 2015. The Commission will keep the GSMIP model spreadsheet confidential as requested by FEI as it contains commercially sensitive information.

Yours truly,

Original signed by:

Laurel Ross

ES/cms

Attachment

FortisBC Energy Inc.
Gas Supply Mitigation Incentive Program
Year End Report November 2014 – October 2015

MITIGATION ACTIVITY SUMMARY				
	Total for 2014/15		Total for 2013/14	
Mitigation Activity	Net Mitigation Revenue (in Millions)	Incentive Earned	Net Mitigation Revenue (in Millions)	Incentive Earned
BENCHMARKED ACTIVITIES		2.97%		3.43%
Total	\$64.694	\$1.921	\$31.779	\$1.090
NON-BENCHMARKED ACTIVITIES		4.00%		4.00%
Total	\$7.556	\$0.302	\$7.692	\$0.308
NEW ACTIVITIES		12.00%		12.00%
Total	\$0.000	\$0.000	\$0.000	\$0.000
Total Mitigation Revenue	\$72.250		\$39.471	
Gross Incentive based on allowed percentage of mitigation revenues⁽¹⁾	\$2.224		\$1.397	
Less Fixed Deduction⁽²⁾	\$0.165		\$0.165	
GSMIP Incentive Payment	\$2.059		\$1.232	

1. The percentage of allowable earnings is different between mitigation activity categories.
2. The fixed deduction of \$165,000 was approved in the 2013-2016 GSMIP Application under Commission Order G-174-13. As shown above, this amount is deducted from the gross incentive amount to determine the final incentive payment.