



Letter L-17-16

VIA EMAIL

gas.regulatory.affairs@fortisbc.com

June 23, 2016

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

Dear Ms. Roy:

Re: FortisBC Energy Inc. – Revelstoke
November 2016 – October 2017 Annual Contracting Plan

On June 3, 2016, FortisBC Energy Inc. (FEI) submitted to the British Columbia Utilities Commission (Commission), on a confidential basis, its Annual Contracting Plan for the Revelstoke area for the period of November 2016 to October 2017 (2016/17 ACP). In its submission FEI requests Commission acceptance of the Revelstoke 2016/17 ACP. The objectives for the Revelstoke 2016/17 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 customers' propane rates in a cost effective manner.

FEI also included in the 2016/17 ACP 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 2016/17 ACP.

FEI is requested to file a report by the earlier of June 30, 2017 or the date of submission of FEI's Revelstoke 2017/18 ACP that identifies the financial outcome of the 2016/17 ACP that provides an analysis to demonstrate the degree to which the objectives of the 2016/17 ACP have been met.

A copy of FEI's non-confidential Executive Summary for the 2016/17 ACP is attached and is available for public review. Exclusive of the non-confidential Executive Summary, the Commission will hold the contents of the Revelstoke 2016/17 ACP confidential as requested by FEI as it contains commercially sensitive information.

Yours truly,

Original signed by:

Laurel Ross

LC/lis
Enclosure

1 EXECUTIVE SUMMARY

2 This submission by FortisBC Energy Inc. (FEI) sets out the proposed Annual Contracting Plan
3 (ACP) that is designed to meet the forecast propane requirements of the Revelstoke area for
4 the period from November 1, 2016 to October 31, 2017 (2016/17 ACP). The primary objectives
5 of the 2016/17 ACP are to provide secure, reliable, and cost effective supply to meet the
6 requirements of customers at Revelstoke, as well as to reduce the impact of propane price
7 volatility on Revelstoke's propane rates.

8 The previous propane supply and delivery contract for Revelstoke expired March 31, 2016. FEI
9 conducted an expression of interest (EOI) process during the month of February 2016 to
10 determine interested suppliers and the cost for propane supply and delivery for Revelstoke for a
11 two-year period from April 1, 2016 to March 31, 2018. The proposed propane supply and
12 transportation contract with Superior Gas Liquids (Superior) was accepted by Commission
13 Order E-4-16 dated March 24, 2016, for the two-year period

14 Revelstoke's propane supply requirement for the 2016/17 ACP is forecast to be 8,650 cubic
15 metres (M³) and the propane supply required will be purchased from Superior. Consistent with
16 past practice, FEI proposes to contract with Superior for approximately 50% of Revelstoke's
17 winter 2016/17 forecast propane requirements with either propane storage purchases or fixed
18 price purchases, in order to help mitigate propane market price and rate volatility for customers.
19 Propane storage purchases involve contracting propane storage capacity and purchase
20 propane at summer spot market prices. Fixed price purchases involve propane purchases at the
21 forward prices for the upcoming winter.

22 FEI proposes to contract for approximately 3,010 M³ of propane supply for winter 2016/17 with
23 either propane storage purchases or fixed price purchases, whichever is the more cost effective
24 option at the time of summer purchase after this ACP is accepted by the British Columbia
25 Utilities Commission (the Commission). The 3,010 M³ of propane storage supply or fixed price
26 supply will be purchased evenly throughout summer 2016, from June 2016 to September 2016,
27 at approximately 752.5 M³ per month and this supply will be distributed evenly throughout the
28 winter months at 602 M³ per month from November 2016 to March 2017.

29 With 752.5 M³ of fixed price purchase each month from June to September, FEI would secure a
30 total of 3,010 M³ of propane supply for Revelstoke in summer 2016 for the winter of 2016/17.
31 This is equivalent to approximately 35% of the annual forecast demand requirement of 8,650 M³
32 and 50% of the winter 2016/17 forecast demand requirement of 6,020 M³. The remainder of the
33 supply requirement required during summer of 2016 and winter 2016/17 will be procured at the
34 spot market prices.