



**LETTER L-2-17**

**VIA EMAIL**

gas.regulatory.affairs@fortisbc.com

February 23, 2017

Ms. Diane Roy  
Vice President, Regulatory Affairs  
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 November 2015 – October 2016

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On January 13, 2017, FortisBC Energy Inc. (FEI) filed a Gas Supply Mitigation Incentive Plan (GSMIP) Year End Report for the period from November 1, 2015 to October 31, 2016 (2015/16 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. Appendix A of the 2015/16 GSMIP Report contains an electronic working copy of the GSMIP model spreadsheet, which FEI filed confidentially due to commercially sensitive information.

In the 2015/16 GSMIP Report, FEI submits the calculation of the overall GSMIP incentive payment of \$2,082,428 for the mitigation activities performed by FEI.

FEI's 2015/16 GSMIP incentive payment of \$2,082,428 exceeds the GSMIP incentive payment variance threshold of \$1.6 million, as set out in section K, page 16 of the 2013-2016 GSMIP Term Sheet. The Commission notes that FEI filed a letter on October 17, 2016, submitting that the 2015/16 gas year incentive payment will exceed \$1.6 million and explained the market factors that led to higher mitigation revenues, including an over-supply of gas at Station 2 and various pipelines maintenance. FEI is of the view that the GSMIP model is continuing to work as intended.

On February 9, 2017, FEI filed a copy of the Storage Park/Loan Activities carrying cost calculations as part of the 2015/16 GSMIP Report compliance filing and requests this information to be held confidential due to commercially sensitive information. On February 22, 2017, FEI submitted a letter confirming that all firm load requirements for core customers were met during the 2015/16 gas year.

The Commission reviewed the 2015/16 GSMIP Report in accordance with the 2013-2016 GSMIP Term Sheet. The Commission accepts for filing the 2015/16 GSMIP Report, which includes the calculation of the \$2,082,428 incentive payment for the mitigation activities performed by FEI for the period from November 1, 2015 to October 31, 2016.

As requested by FEI, the GSMIP model spreadsheet and the Storage Park/Loan Activities carrying cost calculations will be kept confidential as they contain commercially sensitive information.

Yours truly,

*Original signed by:*

Erica Hamilton

LC/cms

Attachment

FortisBC Energy Inc.  
Gas Supply Mitigation Incentive Program  
Year End Report November 2015 – October 2016

<b>MITIGATION ACTIVITY SUMMARY</b>				
	<b>Total for 2015/16</b>		<b>Total for 2014/15</b>	
Mitigation Activity	Net Mitigation Revenue (in Millions)	Incentive Earned	Net Mitigation Revenue (in Millions)	Incentive Earned
<b>BENCHMARKED ACTIVITIES</b>		<b>2.78%</b>		<b>2.97%</b>
<b>Total</b>	<b>\$72.288</b>	<b>\$2.010</b>	<b>\$64.694</b>	<b>\$1.921</b>
<b>NON-BENCHMARKED ACTIVITIES</b>		<b>4.00%</b>		<b>4.00%</b>
<b>Total</b>	<b>\$5.860</b>	<b>\$0.234</b>	<b>\$7.556</b>	<b>\$0.302</b>
<b>NEW ACTIVITIES</b>		<b>12.00%</b>		<b>12.00%</b>
<b>Total</b>	<b>\$0.000</b>	<b>\$0.000</b>	<b>\$0.000</b>	<b>\$0.000</b>
<b>Total Mitigation Revenue</b>	<b>\$78.148</b>		<b>\$72.250</b>	
<b>Gross Incentive based on allowed percentage of mitigation revenues<sup>(1)</sup></b>	<b>\$2.247</b>		<b>\$2.224</b>	
<b>Less Fixed Deduction<sup>(2)</sup></b>	<b>\$0.165</b>		<b>\$0.165</b>	
<b>GSMIP Incentive Payment</b>	<b>\$2.082</b>		<b>\$2.059</b>	

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.