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June 8, 2017

Sent via email

**LETTER L-8-17**

Mr. Ian Wigington  
Director, Regulatory  
Corix Multi-Utility Services Inc.  
Suite 1160, 1188 West Georgia Street  
Vancouver, BC V6E 4A2  
Ian.Wigington@corix.com

**Re: Corix Multi-Utility Services Inc.  
Annual Contracting Plan for Propane Supply to Panorama Mountain Village**

Dear Mr. Wigington:

On May 12, 2017, Corix Multi-Utility Services Inc. (Corix) filed with the British Columbia Utilities Commission (Commission) an Annual Contracting Plan (ACP) for propane supply to Panorama Mountain Village (PMV). In the ACP Corix proposes to enter into a supply contract for two years commencing July 1, 2017. The current propane supply agreement between Corix and its supplier, as accepted by Order E-15-15, will expire on June 30, 2017.

In its ACP, Corix sets out its bidding process, Request for Quotation documents and price risk management strategy for securing competitive propane delivery service for PMV. Corix requests that the information provided in the ACP be held confidential due to its commercially sensitive nature.

The Commission reviewed the ACP and accepts the filing. The ACP and related information will be kept confidential as requested by Corix as they contain commercially sensitive information. A copy of Corix's non-confidential executive summary of the 2017 ACP is attached and is available for public review.

In the ACP, Corix notes that the parent entities of Canwest Propane (Gibson Energy) and Superior Propane (Superior Plus) entered into an agreement whereby the Canwest industrial propane business in Western Canada would be purchased by Superior Plus. This transaction is expected to close by the end of 2017. Due to the changing conditions in the supplier market, which may lead to uncertainties for Corix to obtain competitive propane prices for customers, Corix is requested to file with the Commission the range of supply options available and its optimal strategy for contracting supply. Corix is requested to file this information in the next ACP or by May 15, 2018, whichever occurs earlier.

*Original signed by K. Berezan for:*

Patrick Wruck  
Commission Secretary

LC/cms

Enclosure [Non-confidential summary of 2017 Annual Contracting Plan]

## **Summary of 2017 Annual Contracting Plan**

### **1. OVERVIEW**

Corix Multi-Utility Services Inc. ("**Corix**") owns and operates the propane utility at Panorama Mountain Village ("**PMV**"). PMV is located in the East Kootenay region at a considerable distance from the nearest supply of bulk propane in Southern Alberta.

On an annual basis (or bi-annual as the market dictates), Corix files a contracting plan (the "**ACP**") with the British Columbia Utilities Commission (the "**Commission**"). The ACP outlines the Request for Quotation ("**RFQ**") process Corix intends to run to obtain a competitive propane price for the PMV customers, and the projected outcome (i.e. the anticipated term of the supply contract and the relative mix of fixed and variable pricing). The purpose of filing the ACP is to obtain the Commission's approval to select a supplier and enter into a supply contract based on the criteria set out in the ACP and in the RFQ. Corix keeps the Commission fully informed throughout the procurement and contracting process.

### **2. BID PROCESS**

A RFQ will be sent to selected propane suppliers. For the 2017 process, they are Canwest Propane and Superior Propane<sup>1</sup>. The RFQ will include the guidelines of submission, evaluation criteria, the scope of services and options for the term of the supply contract.

The RFQ will request the following pricing information:

- A "variable" priced quotation that will be tied to a third party market reference point. The supplier will be required to clearly specify the market reference point.
- A "fixed" priced quotation for both a one-year and a two-year term. The supplier will take the risk of the commodity price of the propane changing over the term of the supply contract.
- Disclosure of any additional fees or charges that would apply over and above the variable and fixed price quotations described above (e.g. freight or handling charges).

Upon accepting the successful supplier's quotation, Corix will make a one-time election as to the amount of "fixed" price supply, in litres, for the term of the supply contract.

### **3. CORIX PMV PROPANE COMMODITY STRATEGY**

Corix's objective is to obtain a competitive price for the supply of propane for the PMV customers, and the RFQ process is designed to achieve that objective. A significant portion of the customers at PMV are strata corporations, who, in turn, must bill the occupants of their buildings for propane. These customers have expressed a strong preference for minimizing large rate fluctuations, and in recognition of this, Corix seeks to acquire a supply portfolio that balances the lower and potentially more volatile variable supply prices with higher fixed supply prices.

As PMV represents a small and isolated market, the fixed price quotations received through the RFQ process, albeit inclusive of a premium, serve as an indication of the forward price forecast for the propane commodity market.

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<sup>1</sup> Earlier this year, the parent entities of Canwest Propane (Gibson Energy) and Superior Propane (Superior Plus) announced that they had entered into an agreement whereby Canwest's industrial propane business in Western Canada would be purchased by Superior Plus. This transaction is subject to certain conditions and regulatory approvals being met, but is expected to close by the end of 2017. Until such time, Canwest Propane and Superior Propane will continue to operate independently.

**4. RECENT PROPANE PRICE INFORMATION**

Throughout most of 2015 and 2016, Western Canadian propane prices were at record lows due to high production and storage, weak seasonal demand, and limited takeaway capacity. Prices at the Edmonton hub during this period were even trading below zero. Subsequently, investments were made in various transportation infrastructure projects, such as new rail loading/offloading facilities and the expansion of above ground storage, which resulted in increased exports. This, along with higher crude oil prices, led to inventories in Western Canada beginning to return to a normal range in late 2016. Looking forward, propane demand and pricing in Western Canada may be sustained as the industry continues to look for and support the development of new propane markets and sources of demand.

**5. COMMISSION PERMISSION TO ACCEPT QUOTATIONS**

Once quotations are received, Corix will: (i) select the successful supplier, (ii) determine the amount of fixed price supply (in litres), and (iii) determine the length of the term of the supply contract. Corix requests permission from the Commission in the ACP to make these decisions in a timely fashion in order to ensure that the most competitive price and optimal mix of variable/fixed price supply is obtained. This approach is also the most equitable process for the selected suppliers as they know that they will be measured against their peers at the same point in time and on the same supply terms.

**6. COMMISSION APPROVAL**

Corix keeps Commission staff apprised during the procurement and contracting process. Corix will file the completed supply contract, its reasons for the selecting the chosen supplier and the amount of fixed price supply for Commission approval. All quotations will also be filed with the Commission.

**7. GAS COST RECOVERY CHARGE**

Concurrent with Commission approval of the supply contract, Corix will file an updated Gas Cost Recovery Charge application for the period commencing August 1, 2017 based on the information obtained through the RFQ process.