



July 19, 2018

Sent via email

Letter L-20-18

Ms. Diane Roy
Vice President, Regulatory Affairs
FortisBC Energy Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8
gas.regulatory.affairs@fortisbc.com

Re: FortisBC Energy Inc. - Revelstoke - November 2018 – October 2019 Annual Contracting Plan

Dear Ms. Roy:

On June 6, 2018, FortisBC Energy Inc. (FEI) submitted to the British Columbia Utilities Commission (BCUC), on a confidential basis, its Annual Contracting Plan for the Revelstoke area for the period of November 1, 2018 to October 31, 2019 (2018/19 ACP). In its submission FEI requests BCUC acceptance of the Revelstoke 2018/19 ACP. The objectives for the Revelstoke 2018/19 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 2018/19 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. On July 12, 2018, FEI submitted confidential responses to staff questions on the 2018/19 ACP.

The BCUC has reviewed the FEI filing and partially accepts the Revelstoke 2018/19 ACP. The FEI 2017 Price Risk Management Plan (PRMP) application proceeding is ongoing, and the decision on that application is pending. The BCUC views that any financial hedging for propane as an alternative to fixed price purchases is more appropriately considered after the 2017 PRMP decision is issued. Therefore, the BCUC makes no determination on the FEI Revelstoke financial hedging proposal at this time.

FEI is requested to file a report by the earlier of June 30, 2019 or the date of submission of FEI's Revelstoke 2019/20 ACP that identifies the financial outcome of the 2018/19 ACP and provides an analysis to demonstrate the degree to which the objectives of the 2018/19 ACP have been met.

A copy of FEI's non-confidential Executive Summary for the 2018/19 ACP is attached and is available for public review. Exclusive of the non-confidential Executive Summary, the BCUC will hold the contents of the Revelstoke 2018/19 ACP confidential as requested by FEI as it contains commercially sensitive information.

Sincerely,

Original signed by:

Patrick Wruck
Commission Secretary

JO/dg
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, 2018 to October 31, 2019 (2018/19 ACP). The primary objectives
5 of the 2018/19 ACP are to provide secure, reliable, and cost effective supply to meet the
6 requirements of Revelstoke customers, as well as to reduce the impact of propane price
7 volatility on Revelstoke's propane rates.

8 Revelstoke's propane supply requirements for the 2018/19 ACP are forecast to be 8,800 cubic
9 metres (M³) and the supply will be provided and delivered by the suppliers FEI selected through
10 2018 Expression of Interest (EOI). Consistent with past practice, FEI proposes to contract for
11 approximately 50 percent of Revelstoke's 2018/19 winter requirements with fixed price
12 purchases to help mitigate propane price risks and rate volatility for Revelstoke customers. In
13 addition, FEI proposes to implement financial hedging for propane as an alternative option to
14 the fixed price purchases. The amount of propane hedged with financial transactions is up to 50
15 percent of Revelstoke's 2018/19 winter requirements. The remainder of the supply requirements
16 for 2018 summer and 2018/19 winter will be purchased at floating market prices.

17 After the ACP is accepted by the British Columbia Utilities Commission (the Commission), FEI
18 will determine based on the current pricing whether financial hedges are more cost effective
19 than the fixed prices purchases, and implement the appropriate strategy for the 2018/19 gas
20 year.