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February 21, 2019

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

Re: FortisBC Energy Inc. (FEI)

Project No. 1598917

2017 Price Risk Management Plan (PRMP) and the 2018 Revised PRMP (the Application)

FEI Reply Supplemental Submission on New Evidence

In accordance with British Columbia Utilities Commission Order G-21-19 setting out the remainder of the Regulatory Timetable for the review of New Evidence relating to the above referenced Application, attached please find FEI's Reply Supplemental Submission.

If further information is required, please contact Mike Hopkins, Senior Manager, Price Risk & Resource Planning at (604) 592-7842.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Doug Slater

Attachments

cc (email only): Registered Interveners

BRITISH COLUMBIA UTILITIES COMMISSION

**IN THE MATTER OF the *Utilities Commission Act*,
R.S.B.C. 1996, Chapter 473 (the “*Act*”)**

and

FortisBC Energy Inc.

2017 Price Risk Management Plan and 2018 Revised Price Risk Management Plan

**FORTISBC ENERGY INC.
REPLY SUPPLEMENTAL SUBMISSION
ON NEW EVIDENCE**

February 21, 2019

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PART ONE: INTRODUCTION

1. As stated in its Supplemental Submission on New Evidence dated February 7, 2019, the Enbridge Incident has no impacts on the proposed hedging strategy outlined in the FortisBC Energy Inc. (FEI or the Company) 2018 Price Risk Management Plan (2018 PRMP or the Application).¹ Therefore, for the reasons set out in FEI's Final and Reply Submissions in May and June of 2018, respectively, the approvals sought in the Application should be granted. FEI's customers will benefit from the hedging strategy as the current low AECO/NIT market price environment provides the opportunity for FEI to maintain low commodity rates for customers and mitigate market price volatility to improve commodity rate stability for customers.²
2. On February 14, 2019, CEC and BCOAPO filed Supplemental Submissions on New Evidence. FEI addresses their comments below.

PART TWO: INTERVENER SUBMISSIONS

3. In its Supplemental Submission, the CEC states that it agrees with FEI as to the relevance of the pipeline incident on FEI's current Price Risk Management Plan Application.³ Similarly, BCOAPO states in its Supplemental Submission that it understands that the pipeline rupture will not have an impact on the hedging plan.⁴
4. BCOAPO also states there appears to be no reason to modify its Final Argument filed on June 14, 2018.⁵ In its Final Argument, the BCOAPO states that so long as future volatility is reduced at a reasonable cost, it is of benefit to ratepayers who value bill stability. The BCOAPO also expressed support for the 2018 PRMP in terms of locking in current low price levels.⁶
5. The CEC also stands by its Final Submissions of June 14, 2018.⁷ In its Final Submission, the CEC submitted that the current market price environment provides good justification for the Company to

¹ FEI Supplemental Submission, page 1.

² FEI Supplemental Submission, page 1.

³ CEC Supplemental Submission, page 1.

⁴ BCOAPO Supplemental Submission, page 1.

⁵ BCOAPO Supplemental Submission, page 1.

⁶ BCOAPO Final Argument, page 4.

⁷ Exhibit B-14, page 1.

pursue hedging activities for the benefit of its ratepayers,⁸ and recommended that the BCUC approve the FEI proposal with the proviso that regular annual reporting must demonstrate that benefits are meeting or exceeding the costs of the program.⁹ In its Reply Submission dated June 28, 2018, FEI states its view that the hedging strategies should meet the price risk management objectives at a reasonable cost and should provide benefits to the ratepayers. However, FEI notes that it is unreasonable to expect that FEI can guarantee that it will match or “beat” the market as suggested by CEC, to generate financial benefits for ratepayers. FEI believes the hedging program is more like insurance, providing protection against adverse price movements, and that it would be reasonable for it to have a small cost, as there may be periods of hedging gains and also periods of hedging costs as the market fluctuates.¹⁰ FEI, therefore, submits that the effectiveness of the hedging program should be determined over several years, rather than over a single winter or summer season or year.¹¹

6. In its Supplemental Submission, in light of the Enbridge pipeline rupture incident, the CEC recommends that the BCUC request FEI to provide a discussion on the potential for regional infrastructure in its upcoming Annual Contracting Plan (ACP), and not defer comprehensive assessment to the Long Term Gas Resource Plan (LTGRP).¹² BCOAPO states in its Supplemental Submission that the appropriate fora to plan the necessary responses to future similar pipeline incidents is the ACP or the LGTRP proceeding.¹³

7. FEI intends to address these considerations to a certain extent in both the upcoming 2019/20 ACP and next LTGRP, which will contemplate the addition of more infrastructure to help build more redundancy in the region.¹⁴ Historically, FEI has monitored regional market and potential infrastructure developments in the ACP and will continue do so in the 2019/20 ACP. FEI typically includes a high level discussion of the potential impacts of regional infrastructure developments on FEI’s gas supply portfolio.

8. However, FEI notes that the portfolio analysis or modeling that goes into the ACP is based upon the availability of the resources in the region and is focused on the upcoming gas contract year. The ACP also includes an assessment of existing supply resources and known planned infrastructure

⁸ CEC Final Submissions, page 6.

⁹ CEC Final Submissions, page 2.

¹⁰ FEI Reply Submission, page 4, para. 13.

¹¹ FEI Reply Submission, page 4, para. 14.

¹² CEC Supplemental Submission, page 2, para.13.

¹³ BCOAPO Supplemental Submission, page 1.

¹⁴ Exhibit B-11, IR 1.1.

developments over the next few years rather than longer term potential projects. For example, FEI may include an assessment of incremental third party pipeline capacity that might be offered in the next three years in the ACP. However, given that the resources in the region are currently fully contracted and constrained in the winter, there are few resource options at FEI's disposal in short term planning to be able to run additional gas supply scenario modeling, such as a significant transmission rupture on another entity's pipeline.¹⁵

9. The LTGRP is more focused on FEI's longer term supply and infrastructure requirements and so is the appropriate place for a more comprehensive assessment of longer term supply side and infrastructure risks. As such, the LTGRP provides the background and framework for major infrastructure projects and lays the foundation for, among other things, future Certificate of Public Convenience and Necessity (CPCN) applications. For example, if FEI determined that the Kingsvale-Oliver Reinforcement Project (KORP) is an effective regional solution to provide pipeline diversity, security of gas supply and mitigation of pipeline rupture risks, it would submit a CPCN application to the BCUC. FEI notes that any solution, such as additional pipeline infrastructure, to resolve a scenario such as a significant transmission rupture on another entity's pipeline, would require at a minimum 5 to 10 years to implement.¹⁶

PART THREE: CONCLUSION

10. The 2018 PRMP objectives, strategies, and evidence relating to AECO/NIT price risk remain relevant and there is no change to the requests sought in the Application as a result of the Enbridge Incident.¹⁷ The interveners are supportive of the 2018 PRMP hedging strategy that would position FEI to capture opportunities to maintain commodity rates at historically low levels and mitigate market price volatility to support commodity rate stability for customers.

¹⁵ Exhibit B-11, IR 1.2.

¹⁶ Exhibit B-11, IR 1.2.

¹⁷ Exhibit B-12, IR 1.4.3.

11. FEI will continue to monitor regional supply and infrastructure developments in terms of their shorter term impacts on FEI's gas supply portfolio within its ACP. A more comprehensive assessment of infrastructure risks over the longer term is more appropriately dealt with in FEI's LTGRP.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Dated: February 21, 2019

Original signed by Doug Slater
Doug Slater