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June 5, 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. – Revelstoke
2019 Second Quarter Gas Cost Report**

FortisBC Energy Inc. (FEI or the Company) hereby submits to the British Columbia Utilities Commission (BCUC) the 2019 Second Quarter Gas Cost Report for Revelstoke. The attached schedules provide a summary of the forecast monthly Propane Cost Deferral Account balances based on the May 24, 2019 forward prices.

The schedule at Tab 1, Page 1, based on the May 24, 2019 forward prices, using the NYMEX B0 – Mt. Belvieu Propane Swap prices, and based on the current rates, the projected deferral account balance at June 30, 2019 is \$178,640 surplus (after tax), and the forecast balance at June 30, 2020 is \$358,650 surplus (after tax). The rate change trigger ratio is calculated to be 123.4%, which falls outside the 95% to 105% deadband range. The tested rate decrease that would be required to produce a 100% propane cost recovery-to-cost ratio is calculated to be \$1.998/GJ (Tab 1, Page 3, Line 20), which falls outside the \$0.50/GJ minimum rate change threshold. The results of the two-criteria rate adjustment mechanism indicate that a rate change is required effective July 1, 2019.

Provided in Tab 2 are the details of the forecast gas costs for Revelstoke. The Company requests the information contained in Tab 2 be treated as CONFIDENTIAL.

CONFIDENTIALITY

FEI is requesting that this information be filed on a confidential basis pursuant to Section 18 of the BCUC's Rules of Practice and Procedure regarding confidential documents adopted by Order G-15-19, and Section 71(5) of the Utilities Commission Act and requests that the BCUC exercise its discretion under Section 6.0 of the Rules for Natural Gas Energy Supply

Contracts and allow these documents to remain confidential. FEI believes this will ensure that market sensitive information is protected, and FEI's ability to obtain favourable commercial terms for future natural gas contracting is not impaired.

In this regard, FEI further believes that the Core Market could be disadvantaged and may well shoulder incremental costs if utility gas supply procurement strategies as well as contracts are treated in a different manner than those of other gas purchasers, and believes that since it continues to operate within a competitive environment, there is no necessity for public disclosure and risk prejudice or influence in the negotiations or renegotiation of subsequent contracts.

SUMMARY

In summary, the Company requests BCUC approval for a decrease in the propane reference price (based on the NYMEX B0 – Mt. Belvieu Propane Swap prices) for use in the Revelstoke Propane Cost Deferral Account from \$0.2565/litre to \$0.2078/litre which corresponds to a rate decrease of \$1.998/GJ, effective July 1, 2019. As a result, the annual bill for a typical Revelstoke residential customer with an average annual consumption of 50 GJ per year will decrease by approximately \$100 or 10.6%.

The Company will continue to monitor the forward prices and will report these results in the 2019 Third Quarter Gas Cost Report.

We trust the BCUC will find the attached to be in order. However, should any further information be required, please contact Brian Noel at 604-592-7467.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Doug Slater

Attachments

FORTISBC ENERGY INC. - REVELSTOKE

PROPANE COST DEFERRAL ACCOUNT

WITH EXISTING PROPANE REFERENCE PRICE

(MAY 24, 2019 FORWARD PRICES BASED ON NYMEX MT. BELVIEU PROPANE SWAP PRICES)

Line No.	Particulars	Sales Volumes In Litre	Average Price Per Litre	Approved Reference Price	Amount Deferred Per Litre	Amount Deferred	Pre-tax Deferral Balance	After-tax Deferral Balance
	(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)=(2)*(5)	(7)	(8)
1	January 2019 (Recorded)	1,507,103	\$0.2272	\$0.2364	(\$0.0092)	(\$13,912)	(\$13,215)	(\$9,647)
2	February (Recorded)	1,415,863	\$0.2044	\$0.2364	(\$0.0320)	(\$45,315)	(\$58,529)	(\$42,726)
3	March (Recorded)	1,441,981	\$0.1629	\$0.2364	(\$0.0735)	(\$105,985)	(\$164,514)	(\$120,095)
4	April (Recorded)	469,710	\$0.1805	\$0.2565	(\$0.0760)	(\$35,678)	(\$200,192)	(\$146,140)
5	May (Projected)	455,263	\$0.2122	\$0.2565	(\$0.0443)	(\$20,182)	(\$220,374)	(\$160,873)
6	June (Projected)	375,947	\$0.1918	\$0.2565	(\$0.0647)	(\$24,338)	(\$244,712)	(\$178,640)
7	Total January, 2019 to June, 2019	<u>5,665,867</u>				<u>(\$245,409)</u>		
8								
9	<u>Forecast Volumes and Forecast Prices</u>							
10	July, 2019 (Forecast)	299,680	\$0.1928	\$0.2565	(\$0.0637)	(\$19,090)	(\$263,802)	(\$192,575)
11	August (Forecast)	297,570	\$0.1986	\$0.2565	(\$0.0579)	(\$17,229)	(\$281,031)	(\$205,152)
12	September (Forecast)	381,339	\$0.2062	\$0.2565	(\$0.0503)	(\$19,181)	(\$300,212)	(\$219,155)
13	October (Forecast)	730,796	\$0.2265	\$0.2565	(\$0.0300)	(\$21,924)	(\$322,136)	(\$235,159)
14	November (Forecast)	1,101,977	\$0.2375	\$0.2565	(\$0.0190)	(\$20,938)	(\$343,074)	(\$250,444)
15	December (Forecast)	1,441,588	\$0.2405	\$0.2565	(\$0.0160)	(\$23,065)	(\$366,139)	(\$267,281)
16	January, 2020 (Forecast)	1,560,678	\$0.2431	\$0.2565	(\$0.0134)	(\$20,913)	(\$387,052)	(\$286,548)
17	February (Forecast)	1,373,877	\$0.2428	\$0.2565	(\$0.0137)	(\$18,822)	(\$405,874)	(\$296,288)
18	March (Forecast)	1,231,031	\$0.2379	\$0.2565	(\$0.0186)	(\$22,897)	(\$428,771)	(\$313,003)
19	April (Forecast)	792,061	\$0.2201	\$0.2565	(\$0.0364)	(\$28,831)	(\$457,602)	(\$334,049)
20	May (Forecast)	478,823	\$0.2179	\$0.2565	(\$0.0386)	(\$18,483)	(\$476,085)	(\$347,542)
21	June (Forecast)	395,210	\$0.2180	\$0.2565	(\$0.0385)	(\$15,216)	(\$491,301)	(\$358,650)
22	Total July, 2019 to June, 2020	<u>10,084,629</u>				<u>(\$246,589)</u>		
23								
24								
25	Forecast Recovered Costs [(Line 22 Col. 2) x (Line 21 Col. 4)]					\$2,586,707		123.4%
26	June 30, 2019 Deferral Balance (Line 6 Col. 7) + Forecast Costs (Page 2 Line 13 Col. 9)					\$2,095,432		
27								
28								
29	July, 2020 (Forecast)	314,800	\$0.2189	\$0.2565	(\$0.0376)	(\$11,836)	(\$503,137)	(\$367,290)
30	August (Forecast)	312,534	\$0.2220	\$0.2565	(\$0.0345)	(\$10,782)	(\$513,919)	(\$375,161)
31	September (Forecast)	400,875	\$0.2255	\$0.2565	(\$0.0310)	(\$12,427)	(\$526,346)	(\$384,232)
32	October (Forecast)	768,813	\$0.2402	\$0.2565	(\$0.0163)	(\$12,532)	(\$538,878)	(\$393,381)
33	November (Forecast)	1,159,295	\$0.2431	\$0.2565	(\$0.0134)	(\$15,535)	(\$554,413)	(\$404,721)
34	December (Forecast)	1,515,980	\$0.2401	\$0.2565	(\$0.0164)	(\$24,862)	(\$579,275)	(\$422,871)
35	January, 2021 (Forecast)	1,640,228	\$0.2456	\$0.2565	(\$0.0109)	(\$17,878)	(\$597,153)	(\$435,922)
36	February (Forecast)	1,444,049	\$0.2441	\$0.2565	(\$0.0124)	(\$17,906)	(\$615,059)	(\$448,993)
37	March (Forecast)	1,293,897	\$0.2382	\$0.2565	(\$0.0183)	(\$23,678)	(\$638,737)	(\$466,278)
38	April (Forecast)	832,656	\$0.2173	\$0.2565	(\$0.0392)	(\$32,640)	(\$671,377)	(\$490,105)
39	May (Forecast)	503,126	\$0.2140	\$0.2565	(\$0.0425)	(\$21,383)	(\$692,760)	(\$505,715)
40	June (Forecast)	415,136	\$0.2138	\$0.2565	(\$0.0427)	(\$17,726)	(\$710,486)	(\$518,655)
41	Total July, 2020 to June, 2021	<u>10,601,391</u>				<u>(\$219,185)</u>		

FORTISBC ENERGY INC. - REVELSTOKE
PROPANE COST DEFERRAL ACCOUNT
FORECAST AVERAGE COST OF PROPANE

(MAY 24, 2019 FORWARD PRICES BASED ON NYMEX MT. BELVIEU PROPANE SWAP PRICES)

Line No.	Particulars	Sales Volume (Litres)	Fixed Volume (Litres)	Variable Volume (Litres)	Fixed Price ^(a) (\$/litre)	Variable Price ^(a) (\$/litre)	Fixed Charges (\$)	Variable Charges (\$)	Total (\$)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	July, 2019 (Forecast)	299,680	-	299,680	\$ -	\$ 0.1928	\$ -	\$ 57,764	\$ 57,764
2	August (Forecast)	297,570	-	297,570	\$ -	\$ 0.1986	\$ -	\$ 59,086	\$ 59,086
3	September (Forecast)	381,339	-	381,339	\$ -	\$ 0.2062	\$ -	\$ 78,614	\$ 78,614
4	October (Forecast)	730,796	-	730,796	\$ -	\$ 0.2265	\$ -	\$ 165,513	\$ 165,513
5	November (Forecast)	1,101,977	600,000	501,977	\$ 0.2401	\$ 0.2343	\$ 144,083	\$ 117,596	\$ 261,679
6	December (Forecast)	1,441,588	600,000	841,588	\$ 0.2401	\$ 0.2407	\$ 144,083	\$ 202,607	\$ 346,691
7	January, 2020 (Forecast)	1,560,678	600,000	960,678	\$ 0.2401	\$ 0.2450	\$ 144,083	\$ 235,386	\$ 379,469
8	February (Forecast)	1,373,877	600,000	773,877	\$ 0.2401	\$ 0.2449	\$ 144,083	\$ 189,502	\$ 333,586
9	March (Forecast)	1,231,031	600,000	631,031	\$ 0.2401	\$ 0.2358	\$ 144,083	\$ 148,792	\$ 292,876
10	April (Forecast)	792,061	-	792,061	\$ -	\$ 0.2201	\$ -	\$ 174,368	\$ 174,368
11	May (Forecast)	478,823	-	478,823	\$ -	\$ 0.2179	\$ -	\$ 104,324	\$ 104,324
12	June (Forecast)	395,210	-	395,210	\$ -	\$ 0.2180	\$ -	\$ 86,174	\$ 86,174
13	Total July, 2019 to June, 2020	10,084,629	3,000,000	7,084,629			\$ 720,417	\$ 1,619,727	\$ 2,340,144
14									
15	Forecast Average Cost of Propane (\$/Litre) ^{(b), (c)}								
16		10,084,629	Litres						\$ 0.23205
17	Forecast Average Cost of Propane (\$/GJ) ^{(b), (d)}								
18	(Conversion factor 1 Litre = 0.025594 GJ)	258,106	GJ						\$ 9.067
19									
20	July, 2020 (Forecast)	314,800	-	314,800	\$ -	\$ 0.2189	\$ -	\$ 68,916	\$ 68,916
21	August (Forecast)	312,534	-	312,534	\$ -	\$ 0.2220	\$ -	\$ 69,378	\$ 69,378
22	September (Forecast)	400,875	-	400,875	\$ -	\$ 0.2255	\$ -	\$ 90,408	\$ 90,408
23	October (Forecast)	768,813	-	768,813	\$ -	\$ 0.2402	\$ -	\$ 184,661	\$ 184,661
24	November (Forecast)	1,159,295	600,000	559,295	\$ 0.2421	\$ 0.2441	\$ 145,285	\$ 136,540	\$ 281,825
25	December (Forecast)	1,515,980	600,000	915,980	\$ 0.2421	\$ 0.2387	\$ 145,285	\$ 218,650	\$ 363,935
26	January, 2021 (Forecast)	1,640,228	600,000	1,040,228	\$ 0.2421	\$ 0.2475	\$ 145,285	\$ 257,491	\$ 402,775
27	February (Forecast)	1,444,049	600,000	844,049	\$ 0.2421	\$ 0.2456	\$ 145,285	\$ 207,270	\$ 352,555
28	March (Forecast)	1,293,897	600,000	693,897	\$ 0.2421	\$ 0.2348	\$ 145,285	\$ 162,906	\$ 308,191
29	April (Forecast)	832,656	-	832,656	\$ -	\$ 0.2173	\$ -	\$ 180,933	\$ 180,933
30	May (Forecast)	503,126	-	503,126	\$ -	\$ 0.2140	\$ -	\$ 107,669	\$ 107,669
31	June (Forecast)	415,136	-	415,136	\$ -	\$ 0.2138	\$ -	\$ 88,765	\$ 88,765
32	Total July, 2020 to June, 2021	10,601,391	3,000,000	7,601,391			\$ 726,423	\$ 1,773,587	\$ 2,500,009

Notes:

- (a) Includes transportation costs.
- (b) Forecast Average Cost of Propane excludes company use, vaporizer use, and unaccounted for gas.
- (c) Forecast Average Cost of Propane (\$/Litre) = Total Cost (Column 9 Line 13) / Sales Volume in Litres (Column 2 Line 13).
- (d) Forecast Average Cost of Propane (\$/GJ) = Total Cost (Column 9 Line 13) / Sales Volume in GJ (Column 2 Line 18).

**FORTISBC ENERGY INC. - REVELSTOKE
PROPANE COST DEFERRAL ACCOUNT**

Tab 1
Page 3

**CALCULATION OF PROPANE COST DECREASE FLOWTHROUGH
(MAY 24, 2019 FORWARD PRICES BASED ON NYMEX MT. BELVIEU PROPANE SWAP PRICES)**

Line No.	Particulars	\$/Litre	\$/GJ
	(1)	(2)	(3) = (2) divided by 0.025594
1	Calculation of New Propane Reference Price		
2			<i>Convert from Litre to GJ (for information only)</i>
3	i. Forecast Average Cost of Propane (Tab 1, Page 2, Col. 9, Line 16 and Line 18)		
4	July 1, 2019 to June 30, 2020	\$0.23205	\$9.0666
5			
6	ii. Twelve Month Amortization of <u>\$ (244,712)</u> (Deferral Balance, Tab 1, Page 1, Col. 7, Line 6)		
7	Projected Deferral Account Balance 10,084,629 (Volume in Litres, Tab 1, Page 1, Col. 2, Line 22)	<u>(0.02427)</u>	(\$0.9483)
8			
9	Proposed Reference Price	\$0.2078	\$8.1191
10			
11	(a)		
12	Existing Propane Reference Price	<u>0.2565</u>	<u>\$10.0219</u>
13			
14			
15			
16	Decrease in Propane Reference Price to be Flowed Through in Customers' Rates	<u>(\$0.0487)</u>	(\$1.9028)
17			
18	(b) Add: Company Use/Vaporizer Use/Unaccounted For Gas Adjustment of 5.02%		<u>(0.0955)</u>
19			
20	Total Propane Cost Flowthrough (c)		<u>(\$1.998)</u>

Notes:

Conversion factor 1 Litre = 0.025594 GJ

(a) Propane Reference Price per litre is set at 4 decimals. Individual calculation components are shown to 5 decimals, then rounded to 4 decimals.

(b) The Company Use / Vaporizer Use / Unaccounted For Gas Adjustment of 5.02% is based on the 3-year average of 2016, 2017, and 2018 data. Unaccounted For Gas relates to the entire Revelstoke system including the propane tank farm / plant and the distribution system.

	Litres	Percentage of Sales
Sales	8,608,698	
Company Use	3,931	0.05%
Propane Used for Vaporizer	107,891	1.25%
Unaccounted For	320,060	3.72%
Total Fuel / UAF Requirement	<u>431,881</u>	<u>5.02%</u>

(c) Propane cost flowthrough components, converted from litre to GJ, are shown to 4 decimals, then rounded to 3 decimals.

Breakdown of Rate Change:

Projected Deferral Balance at Jun 30, 2019	(\$0.9483)
Propane Cost Under (Over) Recovery (including amount at Line 18) for Jul 1, 2019 to Jun 30, 2020 period	<u>(1.0497)</u>
Total Propane Cost Flow Through	<u>(\$1.998)</u>

Slight differences due to rounding.

**FORTISBC ENERGY INC. - REVELSTOKE
PROPANE COST DEFERRAL ACCOUNT**

Tab 1

Page 4

**WITH PROPOSED REFERENCE PRICE JULY 1, 2019
(MAY 24, 2019 FORWARD PRICES BASED ON NYMEX MT. BELVIEU PROPANE SWAP PRICES)**

Line No.	Particulars	Volumes In Litre	Average Price Per Litre	Proposed Reference Price	Amount Deferred Per Litre	Amount Deferred	Pre-tax Deferral Balance	After-tax Deferral Balance
	(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)=(2)*(5)	(7)	(8)
1	<u>Forecast Volumes and Forecast Prices</u>							
2	July, 2019 (Forecast)	299,680	\$0.1928	\$0.2078	(\$0.0150)	(\$4,495)	(\$249,207)	(\$181,921)
3	August (Forecast)	297,570	\$0.1986	\$0.2078	(\$0.0092)	(\$2,738)	(\$251,945)	(\$183,920)
4	September (Forecast)	381,339	\$0.2062	\$0.2078	(\$0.0016)	(\$610)	(\$252,555)	(\$184,365)
5	October (Forecast)	730,796	\$0.2265	\$0.2078	\$0.0187	\$13,666	(\$238,889)	(\$174,389)
6	November (Forecast)	1,101,977	\$0.2375	\$0.2078	\$0.0297	\$32,729	(\$206,160)	(\$150,497)
7	December (Forecast)	1,441,588	\$0.2405	\$0.2078	\$0.0327	\$47,140	(\$159,020)	(\$116,084)
8	January, 2020 (Forecast)	1,560,678	\$0.2431	\$0.2078	\$0.0353	\$55,092	(\$103,928)	(\$75,867)
9	February (Forecast)	1,373,877	\$0.2428	\$0.2078	\$0.0350	\$48,086	(\$55,842)	(\$40,765)
10	March (Forecast)	1,231,031	\$0.2379	\$0.2078	\$0.0301	\$37,054	(\$18,788)	(\$13,715)
11	April (Forecast)	792,061	\$0.2201	\$0.2078	\$0.0123	\$9,742	(\$9,046)	(\$6,603)
12	May (Forecast)	478,823	\$0.2179	\$0.2078	\$0.0101	\$4,836	(\$4,210)	(\$3,073)
13	June (Forecast)	395,210	\$0.2180	\$0.2078	\$0.0102	\$4,031	(\$179)	(\$131)
14	Total July, 2019 to June, 2020	<u>10,084,629</u>				<u>\$244,533</u>		
15								
16								
17	July, 2020 (Forecast)	314,800	\$0.2189	\$0.2078	\$0.0111	\$3,494	\$3,315	\$2,420
18	August (Forecast)	312,534	\$0.2220	\$0.2078	\$0.0142	\$4,438	\$7,753	\$5,660
19	September (Forecast)	400,875	\$0.2255	\$0.2078	\$0.0177	\$7,095	\$14,848	\$10,839
20	October (Forecast)	768,813	\$0.2402	\$0.2078	\$0.0324	\$24,910	\$39,758	\$29,023
21	November (Forecast)	1,159,295	\$0.2431	\$0.2078	\$0.0353	\$40,923	\$80,681	\$58,897
22	December (Forecast)	1,515,980	\$0.2401	\$0.2078	\$0.0323	\$48,966	\$129,647	\$94,642
23	January, 2021 (Forecast)	1,640,228	\$0.2456	\$0.2078	\$0.0378	\$62,001	\$191,648	\$139,903
24	February (Forecast)	1,444,049	\$0.2441	\$0.2078	\$0.0363	\$52,419	\$244,067	\$178,169
25	March (Forecast)	1,293,897	\$0.2382	\$0.2078	\$0.0304	\$39,334	\$283,401	\$206,883
26	April (Forecast)	832,656	\$0.2173	\$0.2078	\$0.0095	\$7,910	\$291,311	\$212,657
27	May (Forecast)	503,126	\$0.2140	\$0.2078	\$0.0062	\$3,119	\$294,430	\$214,934
28	June (Forecast)	415,136	\$0.2138	\$0.2078	\$0.0060	\$2,491	\$296,921	\$216,752
29	Total July, 2020 to June, 2021	<u>10,601,391</u>				<u>\$297,100</u>		



ORDER NUMBER

G-xx-xx

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc.
Application regarding its 2019 Second Quarter Gas Cost Report
And Rate Changes effective July 1, 2019
For Revelstoke

BEFORE:

[Panel Chair]
Commissioner
Commissioner

on **Date**

ORDER

WHEREAS:

- A. The British Columbia Utilities Commission (BCUC) established guidelines for gas cost rate setting in Letter L-5-01 dated February 5, 2001 and further modified the guidelines in Letter L-40-11 dated May 19, 2011 (together the Guidelines);
- B. By Order G-56-19 dated March 14, 2019, the BCUC approved the current propane rates for Revelstoke and surrounding areas (Revelstoke) effective April 1, 2019;
- C. On June 5, 2019, FEI filed its 2019 Second Quarter Gas Cost Report for Revelstoke (the Report);
- D. Using a propane price forecast based on May 24, 2019 NMYEX B0 - Mt. Belvieu propane swap prices, and based on the existing rates, the projected after tax deferral balance at June 30, 2019 of \$178,640 surplus is forecast to change to a \$358,650 surplus at June 30, 2020. The rate change trigger mechanism is calculated to be 123.4 percent that falls outside the deadband range of 95 percent to 105 percent. The proposed rate decrease is calculated to be \$1.998/GJ, which falls outside the minimum \$0.50/GJ threshold established in the Guidelines;
- E. In the Report, FEI indicates that current propane cost recovery rates will over recover costs and a propane rate decrease is required, effective July 1, 2019;
- F. The proposed Gas Cost Recovery Charge requested within the Report would be equivalent to a decrease of approximately \$100 or 10.6 percent, based on an annual consumption of 50 GJ;

- G. FEI requests that the forecast gas cost information for Revelstoke in Tab 2 of the Report be held confidential on the basis that it is market sensitive information;
- H. The BCUC has determined that the requested changes to the propane reference price and propane rate for Revelstoke should be approved.

NOW THEREFORE pursuant to section 61(4) of the *Utilities Commission Act*, the British Columbia Utilities Commission orders as follows:

1. The BCUC approves a propane reference price decrease of \$0.0487 per litre, from the existing propane reference price of \$0.2565 per litre to \$0.2078 per litre, which corresponds to a decrease of \$1.998 per gigajoule in customer rates, effective July 1, 2019.
2. FEI will notify all customers that are affected by the rate change by way of a bill insert or bill message.
3. The BCUC will hold the gas cost information for Revelstoke in Tab 2 of the 2019 Second Quarter Report confidential.

DATED at the City of Vancouver, in the Province of British Columbia, this (XX) day of June 2019.

BY ORDER

(X. X. last name)
Commissioner