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October 20, 2020

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

Attention: Ms. Marija Tresoglavic, Acting Commission Secretary

Dear Ms. Tresoglavic:

**Re: FortisBC Energy Inc. (FEI)**  
**Project No. 1599120**  
**Annual Review for 2020 and 2021 Delivery Rates (Application)**  
**Response to Workshop Undertakings**

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On August 12, 2020, FEI filed the Application referenced above. In accordance with British Columbia Utilities Commission Order G-209-20 setting out the Regulatory Timetable for the review of the Application, FEI respectfully files the attached responses to the three undertakings from the Workshop held on October 14, 2020.

If further information is required, please contact the undersigned.

Sincerely,

**FORTISBC ENERGY INC.**

***Original signed:***

Diane Roy

Attachments

cc (email only): Registered Parties

**FortisBC Energy Inc. (FEI)**  
**Annual Review for 2020-2021 Delivery Rates Application**

**UNDERTAKING No. 1**

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**HEARING DATE:** Workshop, October 14, 2020

**TRANSCRIPT**

**REFERENCE:** Volume 1, Page 24, Line 25 to Page 26, Line 10; and Page 117, Line 26 to Page 122, Line 18.

**REQUESTOR:** Ms. Worth

**WITNESS:** Mr. Gosselin

**QUESTION:** Provide a breakdown of the overall increases in the revenue requirements for each component under the multi-year plan between the formula vs. non formula items.

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**RESPONSE:**

FEI has broken out each of the 2020 and 2021 deficiency components into Non-MRP and MRP related categories and then provided a further split of the MRP related category into Formula, Forecast and Other categories. FEI has provided the additional break out of the MRP related items because the MRP decision did not only set out how formula items of O&M and Growth Capital would be determined, but also approved the forecast of Sustainment and Other Capital and also other mechanisms like the Flow-through deferral account.

While it is not possible to break out each of the deficiency components into separate categories with perfect precision, FEI has endeavored to provide a reasonable break out using the assumptions, by deficiency category, provided below. For ease of reading, FEI has referred to each component as a deficiency, although some of the variances are actually surpluses.

*Demand Forecast and Other Revenue*

FEI's demand and Other Revenue components are forecast independent of the MRP decision. Therefore, all annual deficiencies are considered as Non-MRP related.

*Net O&M*

Most of FEI's O&M is set by formula as set out in the MRP decision. However, each year FEI also provides a forecast of O&M items not captured in formula. Even though the MRP decision set out which O&M items would be forecast each year, FEI has categorized these items as Non-MRP related in the tables below because the amount of the expenditure must be approved in the annual review each year.

*Depreciation & Amortization*

Each year's depreciation deficiency is predominantly caused by the prior year's addition to plant. The MRP related deficiencies are caused by formula additions (Growth Capital) and forecast additions (Sustainment and Other Capital). The Non-MRP related deficiency is

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principally caused by capital additions from CPCN approvals. Amortization is generally due to Non-MRP related items except for the change in amortization of FEI's Flow-through deferral account.

*Financing and Return on Equity and Taxes*

Unless specifically identifiable, like the deficiency from 2020 rebasing, the deficiency from Financing and Return on Equity and Taxes is caused by all of the components that affect the year-over-year change in rate base. Consequently, FEI split these deficiencies by the contribution to the change in rate base from formula capital (MRP), forecast capital (mix of MRP and Non-MRP), unamortized deferred charges (predominantly Non-MRP) and CPCN additions (Non-MRP), among other things.

*Amortization of 2017/18 Surplus*

It is not possible to identify the individual components that contributed to the balance of FEI's 2017 and 2018 Revenue Surplus account. However, since the surplus was realized prior to the MRP term, FEI has categorized this change as Non-MRP related.

Based on the above categories, FEI has provided a breakdown of the 2020 and 2021 deficiencies below.

**Table 1: 2020 Deficiency**

2020 \$million Category	Deficiency Categorized	MRP Related			Non-MRP Related	Total
		Formula	Forecast	Other		
Demand Forecast	(5.2)				(5.2)	(5.2)
Other Revenue	7.3				7.3	7.3
Net O&M	16.2	10.8			5.4	16.2
Depreciation & Amortization	1.5			1.4	0.1	1.5
Financing and Return on Equity	23.6	0.1	0.2	7.9	15.4	23.6
Taxes	(16.7)	(0.1)	(0.2)	(0.3)	(16.1)	(16.7)
Amortization of 2017/18 Surplus	(10.3)				(10.3)	(10.3)
<b>Total Deficiency</b>	<b>16.3</b>	<b>10.8</b>	<b>(0.0)</b>	<b>9.0</b>	<b>(3.5)</b>	<b>16.3</b>

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**Table 2: 2021 Deficiency**

2021 \$million Category	Deficiency Categorized	MRP Related			Non-MRP Related	Total
		Formula	Forecast	Other		
Demand Forecast	(9.3)				(9.3)	<b>(9.3)</b>
Other Revenue	(4.4)				(4.4)	<b>(4.4)</b>
Net O&M	12.5	9.0			3.5	<b>12.5</b>
Depreciation & Amortization	48.3	1.1	2.6	38.5	6.1	<b>48.3</b>
Financing and Return on Equity	10.3	0.1	0.2	-	10.0	<b>10.3</b>
Taxes	21.9	0.2	0.3	-	21.5	<b>21.9</b>
Amortization of 2017/18 Surplus	(24.9)				(24.9)	<b>(24.9)</b>
<b>Total Deficiency</b>	<b>54.4</b>	<b>10.4</b>	<b>3.0</b>	<b>38.5</b>	<b>2.4</b>	<b>54.4</b>

**FortisBC Energy Inc. (FEI)**  
**Annual Review for 2020-2021 Delivery Rates Application**

**UNDERTAKING No. 2**

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**HEARING DATE:** Workshop, October 14, 2020

**TRANSCRIPT**

**REFERENCE:** Volume 1, Page 27, Line 18 to Page 30, Line 24; and Page 121, Lines 1 to 26.

**REQUESTOR:** Mr. Weafer

**WITNESS:** Ms. Roy

**QUESTION:** Provide a breakdown of the increase in the cost of gas from 2020 to 2021, including the already approved commodity rate increases in 2020, and provide the ultimate rate impact to customers through this process as well as the other flow-throughs from FEI.

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**RESPONSE:**

Table 1 below provides a summary of the difference between the 2021 forecast cost of gas and 2020 forecast cost of gas included in the Application. As can be seen in Table 1 below, the increase in the commodity cost per GJ is the primary factor behind the difference between the 2021 and 2020 forecast cost of gas. FEI reiterates that it is not requesting approval of its gas costs or gas cost recovery rates in this filing; it has been included only for the purpose of calculating the delivery margin, but it does not affect the delivery margin or delivery rates.

**Table 1: Difference in Cost of Gas between 2021 and 2020 (Summary)**

Line			
No.	Particulars	\$000	Reference
1	2021 Forecast Cost of Gas	515,935	Section 11 - 2021, Schedule 18, Line 24, Column 3
2	2020 Forecast Cost of Gas	449,818	Section 11 - 2020, Schedule 18, Line 24, Column 3
3	Difference	66,117	Line 1 - Line 2
4	Difference due to Volume Forecast	2,927	Table 2, Line 27, Column 6
5	Difference due to Price Forecast	63,190	Table 2, Line 27, Column 11
6	Unreconciled Difference	-	Line 3 - Line 4 - Line 5

The following Table 2 provides supporting details for Table 1 above.

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**Table 2: Difference in Cost of Gas between 2021 and 2020 (Detailed)**

Line No.	Particulars	Volume Variance					Price Variance					Total Difference (\$000)
		2020 Effective	Total	UAF Difference	Total	2021 Commodity	2020 Commodity	Cost per GJ	2021 Forecast	Total		
		TJ	Cost per GJ	(\$000)	(\$000)	with UAF (\$000)	Cost per GJ	Cost per GJ	Difference	TJ	(\$000)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
2	Residential											
3	Rate Schedule 1 - all other regions	(1,731.7)	2.993	(5,183)	-	(5,183)	2.326	1.906	0.420	79,239.9	33,284	28,101
4	Rate Schedule 1 - Revelstoke	0.1	11.399	2	-	2	11.722	11.399	0.323	92.4	30	31
5	Commercial											
6	Rate Schedule 2 - all other regions	3.0	3.010	9	-	9	2.326	1.907	0.419	28,855.4	12,077	12,086
7	Rate Schedule 2 - Revelstoke	1.1	10.317	11	-	11	10.631	10.317	0.314	81.8	26	37
8	Rate Schedule 3 - all other regions	916.6	2.809	2,575	-	2,575	2.279	1.889	0.390	26,111.3	10,182	12,757
9	Rate Schedule 3 - Revelstoke	12.6	10.334	130	-	130	10.631	10.334	0.297	92.6	28	158
10	Rate Schedule 23	78.4	0.017	1	2	3	-	-	-	4,877.8	-	3
11	Industrial											
12	Rate Schedule 4	3.8	2.635	10	-	10	2.279	1.919	0.360	148.9	54	64
13	Rate Schedule 5	(46.3)	2.561	(119)	-	(119)	2.279	1.845	0.434	8,168.9	3,547	3,429
14	Rate Schedule 6	2.1	1.884	4	-	4	2.279	1.878	0.401	23.4	9	13
15	Rate Schedule 7	(927.3)	2.578	(2,390)	-	(2,390)	2.279	1.862	0.417	5,924.2	2,472	81
16	Rate Schedule 22 - Firm Service	(1,504.1)	0.024	(36)	6	(30)	-	-	-	10,434.2	-	(30)
17	Rate Schedule 22 - Interruptible Service	(1,652.3)	0.012	(19)	4	(15)	-	-	-	15,899.6	-	(15)
18	Rate Schedule 25	509.9	0.017	8	3	11	-	-	-	10,252.7	-	11
19	Rate Schedule 27	130.5	0.017	2	1	3	-	-	-	4,796.0	-	3
20	Bypass and Special Rates											
21	Rate Schedule 22 - Firm Service	(520.6)	0.017	(9)	3	(6)	-	-	-	11,030.7	-	(6)
22	Rate Schedule 25	53.5	0.017	1	-	1	-	-	-	893.6	-	1
23	Rate Schedule 46	2,903.9	2.724	7,911	-	7,911	2.279	2.008	0.271	5,469.6	1,482	9,392
24	Byron Creek	5.5	-	-	-	-	-	-	-	11.0	-	-
25	BC Hydro IG	(45.0)	-	-	-	-	-	-	-	16,425.0	-	-
26	VIGJV	(13.0)	-	-	-	-	-	-	-	4,745.0	-	-
27	Total	(1,819.3)		2,908	19	2,927				233,574.0	63,190	66,117

Table 2 above utilizes the details included in Attachment 11.1 provided in response to BCUC IR1 11.1. Table 3 below provides notes to Table 2. The left hand column contains the notes to Table 2 above and the right hand column refers to the source tables in Attachment 11.1.

**Table 3: Notes to Table 2**

References Table 2	References BCUC IR1 11.1, Attachment 11.1
Column 2	2021 Forecast Volumes less 2020 Forecast Volumes
Column 3	2020 Total Cost of Gas divided by 2020 Forecast Volumes. This is the Effective Cost per GJ as it includes both commodity and storage & transport costs.
Column 4 = Column 2 x Column 3	
Column 5	Attachment 11.1 sets out the UAF embedded in both 2020 and 2021. Since the same factors for UAF were used for 2020 projection and 2021 forecast the differences in UAF are attributable to volume.
Column 6 = Column 4 + Column 5	
Column 7	2021 Commodity Cost. This column includes only commodity rates because storage & transport rates are the same for 2020 and 2021 (at the latest approved amounts) on a forecast basis. RS 1 and 2 are slightly higher than the latest approved value of \$2.279 per GJ due to the inclusion of Commodity Unbundling Service customers who generally have a higher commodity cost than FEI, causing the average commodity cost included in FEI's forecast to increase.

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References Table 2	References BCUC IR1 11.1, Attachment 11.1
Column 8	2020 Commodity Cost. This column includes only commodity rates because storage & transport rates are the same for 2020 and 2021 (at the latest approved amounts) on a forecast basis.
Column 9 = Column 7 - Column 8	
Column 10	2021 Forecast Volumes
Column 11 = Column 9 x Column 10	
Column 12 = Column 6 + Column 11	

When preparing its annual reviews, FEI uses its most recently approved commodity and storage and transport rates. In the following three tables, FEI has provided the approved commodity and storage and transport rates that were used to produce the cost of gas forecasts for Rate Schedules 1, 2 and 3 in the Application.

**Table 4: Commodity Rate, Storage & Transport Rate, and Revelstoke Propane Rider Rate Schedule 1**

<b>FEI Rate Schedule 1 - All Regions except Fort Nelson</b> <b>\$/GJ</b>	<b>Annual Review 2020 Projection</b>			<b>Annual Review 2021 Forecast</b>
	<b>1-Jan-20</b>	<b>1-Apr-20</b>	<b>1-Aug-20</b>	<b>2021</b>
Commodity	1.549	1.549	2.279	2.279
Storage & Transport	1.087	1.087	1.087	1.087
<b>Total for FEI (except Revelstoke)</b>	<b>2.636</b>	<b>2.636</b>	<b>3.366</b>	<b>3.366</b>
Propane Rate Rider 1	8.544	8.544	8.356	8.356
<b>Total for Revelstoke</b>	<b>11.180</b>	<b>11.180</b>	<b>11.722</b>	<b>11.722</b>

<b>Approving Orders</b>				
Commodity	G-173-17	G-64-20	G-189-20	
Storage & Transport	G-302-19			
Propane Rate Rider 1	G-302-19	G-64-20	G-191-20	

<b>\$/GJ</b>	<b>1-Oct-20</b>
Commodity	2.844
Storage and Transport	1.087
<b>Total for FEI (except Revelstoke)</b>	<b>3.931</b>
Propane Rate Rider 1	7.791
<b>Total for Revelstoke</b>	<b>11.722</b>

<b>Approving Orders</b>	
Commodity	G-231-20
Storage and Transport	G-302-19
Propane Rate Rider 1	G-231-20

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**Table 5: Commodity Rate, Storage & Transport Rate, and Revelstoke Propane Rider Rate Schedule 2**

<b>FEI Rate Schedule 2 - All Regions except Fort Nelson \$/GJ</b>	<b>Annual Review 2020 Projection</b>			<b>Annual Review 2021 Forecast</b>
	<b>1-Jan-20</b>	<b>1-Apr-20</b>	<b>1-Aug-20</b>	<b>2021</b>
Commodity	1.549	1.549	2.279	2.279
Storage & Transport	1.103	1.103	1.103	1.103
<b>Total for FEI (except Revelstoke)</b>	<b>2.652</b>	<b>2.652</b>	<b>3.382</b>	<b>3.382</b>
Propane Rate Rider 1	7.437	7.437	7.249	7.249
<b>Total for Revelstoke</b>	<b>10.089</b>	<b>10.089</b>	<b>10.631</b>	<b>10.631</b>

<b>Approving Orders</b>			
Commodity	G-173-17	G-64-20	G-189-20
Storage & Transport	G-302-19		
Propane Rate Rider 1	G-302-19	G-64-20	G-191-20

<b>\$/GJ</b>	<b>1-Oct-20</b>
Commodity	2.844
Storage and Transport	1.103
<b>Total for FEI (except Revelstoke)</b>	<b>3.947</b>
Propane Rate Rider 1	6.684
<b>Total for Revelstoke</b>	<b>10.631</b>

<b>Approving Orders</b>	
Commodity	G-231-20
Storage and Transport	G-302-19
Propane Rate Rider 1	G-231-20



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**Table 6: Commodity Rate, Storage & Transport Rate, and Revelstoke Propane Rider Rate Schedule 3**

<b>FEI Rate Schedule 3 - All Regions except Fort Nelson \$/GJ</b>	<b>Annual Review 2020 Projection</b>			<b>Annual Review 2021 Forecast</b>
	<b>1-Jan-20</b>	<b>1-Apr-20</b>	<b>1-Aug-20</b>	<b>2021</b>
Commodity	1.549	1.549	2.279	2.279
Storage & Transport	0.920	0.920	0.920	0.92
<b>Total for FEI (except Revelstoke)</b>	<b>2.469</b>	<b>2.469</b>	<b>3.199</b>	<b>3.199</b>
Propane Rate Rider 1	7.620	7.620	7.432	7.432
<b>Total for Revelstoke</b>	<b>10.089</b>	<b>10.089</b>	<b>10.631</b>	<b>10.631</b>

<b>Approving Orders</b>			
Commodity	G-173-17	G-64-20	G-189-20
Storage & Transport	G-302-19		
Propane Rate Rider 1	G-302-19	G-64-20	G-191-20

<b>\$/GJ</b>	<b>1-Oct-20</b>
Commodity	2.844
Storage and Transport	0.920
<b>Total for FEI (except Revelstoke)</b>	<b>3.764</b>
Propane Rate Rider 1	6.867
<b>Total for Revelstoke</b>	<b>10.631</b>

<b>Approving Orders</b>	
Commodity	G-231-20
Storage and Transport	G-302-19
Propane Rate Rider 1	G-231-20

As noted in FEI's response to BCUC IR1 11.1, Attachment 11.1, the commodity rates included in that attachment are weighted average rates for 2020 (weighted between \$1.549 per GJ and \$2.279 per GJ). For FEI's 2021 cost of gas, FEI used the latest approved commodity rate of \$2.279 per GJ.

Finally, FEI received approval to change its commodity cost to \$2.844 per GJ and the Revelstoke Propane Rate Rider to \$6.867 per GJ on October 1, 2020.<sup>1</sup> This latest change is not included in the forecasts of cost of gas in the Application because the approval occurred after FEI filed this Application. FEI did not file an evidentiary update to this Application from the approval of new commodity costs because this Application is requesting approval of delivery

<sup>1</sup> Order G-231-20.

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rates and not commodity costs, such that FEI's revenue requirements and delivery rate requests are unaffected by the commodity cost.

The CEC requested a summary of the rate impacts that customers have experienced throughout 2020 and the expected impacts from the approvals sought in this Application and finally the impact to customers if a carbon tax increase occurs on April 1, 2021. FEI has provided a summary for Rate Schedules 1, 2 and 3 in the following tables which includes both rate and rate rider changes. Note that the Clean Growth Innovation Fund Rider is embedded in the basic charge, the Revenue Stabilization Adjustment Mechanism (RSAM) and Biomethane Variance Account (BVA) riders are embedded in the Delivery Rate on a customer's bill and the Midstream Cost Reconciliation Account (MCRA) rider is embedded in the Storage & Transport Rate on a customer's bill.

**Table 7: Summary of Rate Changes and Status for 2020**

Implementation Date	1-Jan-20	1-Jan-20	1-Aug-20	1-Aug-20	1-Oct-20
Description of Change	Delivery Rate, RSAM and BVA Rider	Storage & Transport Rate and MCRA Rider	Cost of Gas	Clean Growth Innovation Fund Rider	Cost of Gas
Status	Approved & Implemented	Approved & Implemented	Approved & Implemented	Approved & Implemented	Approved & Implemented

**Annualized Bill Impact - Percent**

RS 1	2.7%	-4.9%	8.3%	0.6%	5.9%
RS 2	2.9%	-5.9%	10.2%	0.2%	7.1%
RS 3	3.1%	-5.9%	12.1%	0.0%	8.4%

**Annualized Bill Impact - Amount**

RS 1	\$ 22	\$ (40)	\$ 66	\$ 5	\$ 51
RS 2	\$ 72	\$ (147)	\$ 248	\$ 5	\$ 192
RS 3	\$ 728	\$ (1,372)	\$ 2,752	\$ 5	\$ 2,130

**Table 8: Summary of Rate Changes and Status for 2021**

Implementation Date	1-Jan-21	1-Apr-21
Description of Change	Delivery Rate	Carbon Tax Increase
Status	Proposed in this Application	Uncertain

**Annualized Bill Impact - Percent**

RS 1	2.9%	2.6%
RS 2	2.7%	3.0%
RS 3	2.8%	3.4%

**Annualized Bill Impact - Amount**

RS 1	\$ 27	\$ 29
RS 2	\$ 78	\$ 108
RS 3	\$ 758	\$ 1,202

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Included in the above table is the implementation date of the rate change, a description of the change that was approved or is being proposed, the status of the change, the annualized bill impact as a percentage and the annualized bill impact amount (for a customer with average<sup>2</sup> demand).

As a reminder, although all non-bypass customers will experience the Delivery Rate impacts and the Clean Growth Innovation Fund rider, only bundled sales customers will see the commodity rate increases. Also, with FEI's 2020 Fourth Quarter Gas Cost Report, FEI will be reviewing and possibly proposing changes to its commodity and storage and transport rates for implementation on January 1, 2021. At this time, FEI does not know if changes will be proposed in that application.

As can be seen in the tables above, the cost of gas increases are causing larger bill changes than other components of customers' bills. For the last two and a half years, the cost of gas rate had remained unchanged at a low rate. However, in 2020, the price of natural gas has been volatile. The volatility of the natural gas market has been driven by the worldwide impacts of COVID-19 and the collapse of the oil market. Many oil producers have slowed their operations, which in turn has caused a decrease in associated natural gas production, therefore, affecting the market supply and pricing of natural gas. However, even with the current cost of natural gas increases, natural gas prices in British Columbia remain among the lowest levels in almost 15 years.

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<sup>2</sup> Average demand for bill impact analysis is 90 GJ per year for RS 1, 340 GJ per year for RS 2 and 3,770 GJ per year for RS 3.

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**UNDERTAKING No. 3**

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**HEARING DATE:** Workshop, October 14, 2020

**TRANSCRIPT**

**REFERENCE:** Volume 1, Page 105, Line 19 to Page 107, Line 4

**REQUESTOR:** Ms. Worth

**WITNESS:** Ms. Roy

**QUESTION:** Describe the types of trading and risk management that is done and the instruments used, like interest rate swaps, foreign exchange, etc.

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**RESPONSE:**

In regards to price risk management for natural gas, FEI uses fixed price swaps (financial derivative instruments) to mitigate market price volatility for a portion of the gas supply portfolio. Fixed price swaps are an agreement through which the floating rate, also referred to as the market price of an underlying commodity, is exchanged with a counterparty for a fixed price over a specified period of time. The difference is settled financially between the parties. Fixed price swaps are implemented pursuant to a price risk management plan reviewed and approved by the BCUC.

On May 11, 2020, FEI filed the Winter 2020/21 Sumas Risk Mitigation Application to implement Sumas hedging (fixed price swaps) for Winter 2020/21 to mitigate the impact of price spikes and sustained elevated prices at the Sumas market hub. The BCUC, in Order G-180-20, approved the application on July 7, 2020. FEI implemented the Sumas hedges during July and August 2020, which hedged approximately 6 percent of FEI's total gas supply in the commodity portfolio.

Currently, the underlying market prices for the Winter 2020/21 term have not yet settled. Therefore, the hedges for the Winter 2020/21 term are subject to mark-to-market (MTM) valuations, based on forward market prices, rather than realized actual hedging gains or costs. The MTM for the hedges as of September 30, 2020 is \$3,054,167 (in Canadian dollars) in-the-money.

FEI does not have, and has not recently entered into, any interest rate or foreign exchange hedging instruments. However, in the past, BCUC Orders G-46-10 and G-145-08 approved FEI to record in deferral accounts the mark-to-market adjustments on the foreign exchange forward contracts related to the Customer Care Enhancement Project and the Mt. Hayes LNG Project, respectively. These deferral accounts were non-rate base and non-interest bearing and were used solely to record the interim mark-to-market adjustments on the balance sheet, as opposed to as an expense or income amount, within the financial statements. At the conclusion of the foreign currency forward contracts, the amount in the deferral accounts was zero and had no impact on customer rates.