



June 19, 2020

Sent via email

Letter L-35-20

Mr. Doug Slater
Director, Regulatory Affairs
FortisBC Energy Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8
gas.regulatory.affairs@fortisbc.com

**Re: FortisBC Energy Inc.– Mainland and Vancouver Island Service Area
2020 Second Quarter Gas Cost Report**

Dear Mr. Slater:

On June 11, 2020, FortisBC Energy Inc. (FEI) filed with the British Columbia Utilities Commission (BCUC) its 2020 Second Quarter Gas Cost Report for the Mainland and Vancouver Island service area (Report), which includes details regarding the Commodity Cost Reconciliation Account (CCRA) and Midstream Cost Reconciliation Account (MCRA).

The BCUC notes that the Commodity Cost Recovery Charge (CCRC) for the Mainland and Vancouver Island service area was last changed by Order G-173-17, effective January 1, 2018, when it decreased by \$0.501 per gigajoule (\$/GJ) from \$2.050/GJ to \$1.549/GJ.

In consideration of the commencement of the repayment phase of the COVID Customer Recovery Fund on July 1, 2020, the further re-opening of the BC economy under BC's Restart Plan and the circumstances around the COVID-19 pandemic, FEI requests to maintain the CCRC at the existing rate and to submit a revised gas cost report based on updated forward prices no later than July 10, 2020, with proposed changes to the CCRC to be effective August 1, 2020.

On June 12, 2020, Cascadia Energy Ltd. (Cascadia) submitted a Letter of Comment, opposing FEI's request to keep rates unchanged, stating that the process of setting gas costs on a quarterly basis should be followed, as this is a long-standing precedent using an approved methodology.

The BCUC has reviewed the Report within the context of the quarterly gas costs review and rate setting mechanism guidelines pursuant to Letters L-5-01, L-40-11 and L-15-16. BCUC acknowledges receipt of the Report and considers the COVID-19 pandemic to be an unusual circumstance where a more flexible approach to setting quarterly gas costs is necessary. Therefore, the BCUC accepts FEI's recommendation that the CCRC for the Mainland and Vancouver Island service area remains unchanged at \$1.549/GJ effective July 1, 2020. The BCUC also accepts FEI's request to submit a revised gas cost report no later than July 10, 2020 with proposed changes to the CCRC to be effective August 1, 2020.

When submitting the revised gas cost report, the BCUC requires that, in addition to presenting a rate change proposal based on the standard rate setting process, FEI provides alternative proposals to managing the CCRA, including the alternatives outlined in Letter L-15-16:

- Implementation of a commodity rate change cap (per Letter L-15-16);
- The use of a 24-month period to amortize the CCRA rather than the standard 12-month prospective period (per Letter L-15-16);
- An alternative where the minimum criteria required to trigger a rate change is met, specifically: i) the recovery-to-cost ratio is reset to 95% of the deadband range rather than 100%; and ii) the price change is equal to a minimum of +/- \$0.50/GJ; and
- Any other alternatives as appropriate.

Sincerely,

Original signed by:

Marija Tresoglavic
Acting Commission Secretary

RQ/cmv