



**ORDER NUMBER**  
**G-10-16**

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

and

FortisBC Energy Inc.  
2015 Price Risk Management Application

**BEFORE:**

D. A. Cote, Panel Chair/Commissioner  
B. A. Magnan, Commissioner  
R. D. Revel, Commissioner

On January 27, 2016

**O R D E R**

**WHEREAS:**

- A. On December 23, 2015, FortisBC Energy Inc. (FEI) filed with the British Columbia Utilities Commission (Commission) the 2015 Price Risk Management Application (Application), which includes the following requests for approval:
- the implementation of enhancements to the quarterly commodity rate setting mechanism, as it applies to FEI, including the following components:
    - i. a revision to the commodity rate setting mechanism to add a \$1.00 per gigajoule (\$1.00/GJ) commodity rate change limit (increase or decrease), and
    - ii. incorporation of criteria to assist in determining when consideration be given to the appropriateness of commodity rate proposals for timeframes beyond the standard 12-month outlook.
  - the implementation of a medium-term hedging strategy for FEI based on pre-defined market price targets and maximum volume limits;
- B. On February 5, 2001, following a public consultation process, the Commission issued letter L-5-01 setting out guidelines for a quarterly gas cost reporting process and the conditions under which BC Gas Utility Ltd. (now FEI) would generally be expected to apply for changes to commodity cost recovery rates (Guidelines). In L-5-01 that the Commission stated that although the Guidelines were developed with specific reference to BC Gas Utility Ltd. it believed the Guidelines would also be appropriate for other provincial gas utilities;
- C. The Commission issued Order G-25-04 on March 12, 2004, establishing for Terasen Gas Inc. (now FEI), the Commodity Cost Reconciliation Account (CCRA) and Midstream Cost Reconciliation Account (MCRA) to replace the FEI Gas Cost Variance Account as part of the implementation of Phase 1 of the FEI Customer Choice Program. The Guidelines continue to apply for the quarterly gas cost reporting and rate setting process for the CCRA and the MCRA;

- D. On May 19, 2011, following a public consultation process, the Commission issued letter L-40-11 which approved certain modifications to the Guidelines established in letter L-5-01 (Revised Guidelines). The Commission stated in L-40-11 that it anticipated that the Revised Guidelines, in addition to applying to FEI, would also generally apply for other natural gas and propane utilities. L-40-11 and L-5-01 are posted on the Commission website as the Gas Cost Reconciliation Account Guidelines at <http://www.bcuc.com/Guidelines.aspx> (together the two letters are defined as the Revised Guidelines in this order);
- E. On July 12, 2011, the Commission issued its decision and accompanying Order G-120-11 in the FEI and FortisBC Energy (Vancouver Island) Inc. 2011–2014 Price Risk Management Plan Application (2011–14 PRM Decision) denying the request to implement a hedging program with the exception of the Sumas/AECO Basis Swaps element;
- F. On October 20, 2014, FEI filed with the Commission the Price Risk Management Review Report (PRM Review Report). The PRM Review Report included recommendations by FEI for price risk management strategies meeting FEI's stated primary objectives of
1. mitigating market price volatility to support rate stability, and
  2. capturing opportunities to provide customers with more affordable and competitive rates for core sales customers that purchase their commodity supply directly from FEI.
- The PRM Review Report also included a proposal for a workshop approach led by FEI (Consultation Process) for the purpose of discussing issues and concerns with stakeholders with the goal of developing mutually acceptable price risk management strategies and plans;
- G. FEI conducted the proposed Consultation Process during the first half of 2015 and on October 27, 2015, filed with the Commission the Price Risk Management Workshop Summary Report, which includes background information and a summary of the discussions during the Consultation Process; and
- H. The Commission reviewed the nature of the approvals requested and considers that reviewing the two main components of the Application through parallel written regulatory review processes is warranted.

**NOW THEREFORE** the British Columbia Utilities Commission orders as follows:

1. FortisBC Energy Inc.'s (FEI) 2015 Price Risk Management Application (Application) will be reviewed in accordance with the Regulatory Timetable attached as Appendix A to this order. Scope A is FEI's proposed revisions to the quarterly gas cost reporting and commodity rate setting guidelines as currently set out in Commission letters L-5-01 and L-40-11. Scope B is FEI's proposed medium-term hedging strategy. The matters will be handled concurrently with a single evidentiary record.
2. FEI is to provide a copy of this order to all registered interveners in the FortisBC Energy and FortisBC Energy (Vancouver Island) Inc. 2011–2014 Price Risk Management Plan Application, participants in the 2015 price risk management consultation process, gas marketers in the FEI Customer Choice program and Commission-regulated natural gas and propane utilities.
3. Persons who wish to participate in the regulatory proceeding are to complete and submit a Request to Intervene Form as set out in the Commission's Rules of Practice and Procedure attached to Order G-1-16 by Thursday, February 4, 2016. Those requesting intervener status are to

- a. indicate whether they wish to intervene in Scope A, Scope B or both;
  - b. state the nature of their interest and describe how they are impacted by a Commission decision in regard to the particular scope(s) of the proceeding they wish to participate in and
  - c. identify the nature of the issues they may intend to pursue during the proceeding and the extent of their anticipated involvement in the review process with respect to Scope A and Scope B, respectively.
4. Once identified, and if accepted, interveners are permitted only to participate in the particular scope(s) indicated in their request to intervene. Evidentiary filings made by parties in the proceeding must be clearly identified as related to Scope A or Scope B.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 27<sup>th</sup> day of January 2016.

BY ORDER

*Original signed by:*

D. A. Cote  
Panel Chair/Commissioner



FortisBC Energy Inc.  
2015 Price Risk Management Application

**REGULATORY TIMETABLE**

ACTION	DATE (2016)
Scope A and Scope B submission of requests to intervene	Thursday, February 4
Scope A and Scope B Commission Information Request (IR) No. 1	Friday, February 12
Scope A and Scope B intervener IR No. 1	Wednesday, February 17
Scope A and Scope B FEI responses to IR No. 1	Thursday, March 3
Scope A and Scope B written submissions from interveners regarding further regulatory process	Wednesday, March 9
Scope A and Scope B FEI reply submission regarding further regulatory process	Friday, March 11

The filing of Participant Assistance/Cost Award budgets will be scheduled following a decision on any further regulatory process.