



ORDER NUMBER
E-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 June 17, 2016

ORDER

WHEREAS:

- A. On October 20, 2014, FortisBC Energy Inc. (FEI) filed with the British Columbia Utilities Commission (Commission) the Price Risk Management Review Report, which included recommendations by FEI for price risk management strategies that help meet the primary objectives in the interests of core sales customers that purchase their commodity supply directly from FEI. The report also included a proposal of a workshop consultation process led by FEI for the purpose of discussing issues and concerns with the goal of acquiring input and feedback regarding proposed price risk management strategies and plans;
- B. On October 27, 2015, FEI filed with the Commission the Price Risk Management Workshop Summary Report, which included background information and a summary of the discussions in the workshop consultation process which took place during the first half of 2015;
- C. On December 23, 2015, FEI filed with the Commission a confidential version and a non-confidential redacted version of its 2015 Price Risk Management Application (Application), which includes the request for approval for the implementation of a medium-term hedging strategy based on pre-defined market price targets and maximum volume limits;
- D. On January 27, 2016 the Commission divided the review of the Application into Scope A and Scope B. Scope A of the Application 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 and is addressed in Commission Letter L-15-16 dated June 16, 2015. Scope B is FEI's medium-term hedging strategy and is addressed in this order;
- E. FEI requests that the confidential version of the Application be held confidential as it contains details of FEI's hedging strategy and this market sensitive information should be protected and not publicly disclosed in order to preserve and not impair FEI's ability to negotiate and obtain favourable commercial terms for any future natural gas hedging;

- F. The argument phase of the proceeding concluded on April 22, 2016 with FEI's Reply Argument; and
- G. The Commission reviewed the Application and determines that the proposed hedging strategy should be approved for the three year period from April 1, 2016 through March 31, 2019.

NOW THEREFORE pursuant to section 71 of the *Utilities Commission Act* the Commission orders as follows:

1. FEI's proposed medium term hedging strategy is approved with the pre-defined price targets and maximum hedging percentages as defined within Section 2 of the Application. Specifically the Commission approves a three year medium-term fixed-price hedging strategy, which includes the following components:
 - a. Execute hedges only when forward AECO/NIT market prices are at or below the proposed target price for up to the proposed percentage of the FEI commodity supply portfolio;
 - b. Execute hedges only when forward AECO/NIT market prices are at or below the second proposed target price for up to the second proposed percentage of the FEI commodity supply portfolio;
 - c. Maximum hedging for any term is 50 percent of the FEI commodity supply portfolio;
 - d. Hedges are limited to fixed price financial swaps or physical fixed price purchases;
 - e. Price targets apply to each winter or summer term or one-year term within the three-year horizon of April 2016 to March 2019, and
2. Extension of the hedging program beyond the three-year time horizon ending March 31, 2019 is denied.
3. The Commission will hold confidential the hedging price targets, volumes and other details as requested by FEI on the basis that disclosure could reasonably be expected to result in harm or prejudice to FEI's competitive or negotiating position.
4. FEI is to comply with all directives in the Decision issued concurrently with this Order.

DATED at the City of Vancouver, In the Province of British Columbia, this 17th day of June, 2016.

BY ORDER

Original signed by:

D. A. Cote
Commissioner