



LETTER L-51-11

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VIA EMAIL

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June 23, 2011

Ms. Diane Roy
Director, Regulatory Affairs Gas
FortisBC Energy Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8

Dear Ms. Roy:

Re: FortisBC Energy Inc. – Revelstoke Service Area
Price Risk Management Plan 2011-2012 and
BCUC Order E-22-10 Compliance Filing

On March 29, 2011 FortisBC Energy Inc. (FEI) submitted to the British Columbia Utilities Commission (Commission) its annual Price Risk Management Plan for 2011-2012 (2011 PRMP) for the Revelstoke Service Area. In its submission FEI requests Commission acceptance of the 2011 PRMP and planned propane purchases scheduled to begin in May 2011. Included in the March 29, 2011 submission, FEI indicated that the compliance filing, pursuant to the directive of Commission Order E-22-10 to provide a report that identifies the financial outcomes of the 2010 PRMP would be filed in a separate submission by June 30, 2011.

On April 4, 2011, FEI filed an application indicating the E-22-10 compliance filing would be filed with the Commission by mid-April 2011 and, in the interim, requesting expedited limited acceptance of the Revelstoke 2011 PRMP to allow FEI to purchase its 2011-2012 propane storage capacity, and the May 2011 propane commodity for storage and the May forward fixed price propane purchase. By Commission Order E-7-11, the Commission granted limited acceptance of the Revelstoke 2011 PRMP by accepting the propane storage purchase and May storage propane commodity but excluding the May forward fixed price propane purchase.

On April 13, 2011, FEI submitted its compliance filing report pursuant to Commission Order E-22-10. FEI requests that the report be filed on a Confidential basis citing commercial competitive concerns. In the report FEI concludes that "the 2010 PRMP successfully met the objectives of reducing market price volatility and storage provided an additional supply source." The report further indicates that over the past 5 years these objectives of the PRMP have been achieved "at no cost for customers although this is not necessarily indicative of future hedging gains or costs."

On May 5, 2011, further to the March 29, 2011 PRMP filing and subsequent April 13, 2011 compliance filing, the Commission issued an Information Request (IR1). FEI responded to IR1 on May 19, 2011.

Based on the above submissions and responses to IR1 the Commission makes the following determinations:

The Commission accepts FEI's Compliance Filing report as meeting the requirement of Commission Order E-22-10 and agrees to file the report as Confidential.

The Confidential section of the Order attached provides the direction for implementation of the 2011 PRMP.

The Commission accepts the propane storage purchases, the accelerated purchases and incremental one time purchase volumes submitted in the 2011 PRMP. The Commission suspends approval of the fixed price contract hedging component, requesting that FEI provide further explanation of why this hedging component of the 2011 PRMP should be maintained given the historical and relative cost of fixed price hedging, the relative contribution compared to storage hedging, the price stabilization effects of the quarterly gas cost review and deferral account mechanisms in meeting the PRMP objectives and current forward price levels. The explanation should include a description of the impacts to FEI and FEI rate payers should this component of the 2011 PRMP not be approved. FortisBC Energy Inc. is to provide a reply letter to this item by July 8, 2011.

Appendix A to this Order will be held confidential.

FortisBC Energy Inc. is directed to provide a report by the earlier of June 30, 2012 or the date of submission of FEI's Revelstoke 2012 PRMP that identifies the financial outcome of the Plan and an analysis to demonstrate the degree to which the objectives of the Price Risk Management Plan have been met. In its 2012 PRMP submission FEI is requested to clearly state unique objectives of the PRMP and refrain from including implementation strategies or means as defined objectives for the sake of clarity.

Yours truly,

Alanna Gillis

TS/cms

Confidential Attachment

CONFIDENTIAL

Appendix A is held as confidential.