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LETTER L-45-12

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VIA EMAIL
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August 2, 2012

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

Dear Ms. Roy:

Re: FortisBC Energy Inc.
2012/13 Annual Contracting Plan (November 2012 – October 2013)

On May 1, 2012, FortisBC Energy Inc. (FEI) filed, on a confidential basis, its 2012/13 Annual Contracting Plan (2012/13 ACP). The British Columbia Utilities Commission (Commission) accepts the FEI 2012/13 ACP and items as set out on pages 25 to 27. The major portfolio changes affecting the FEI 2012/13 ACP are as follows:

1. Forecast Design Peak Day Demand: FEI recommends a peak day value for 2012/13 of 1,224 TJ/day, a decrease of 16 TJ/day or 1.3 percent from the 2011/12 value of 1,240 TJ/day. Reduction in the design peak day is mainly due to a drop in the actual use per customer combined with a slightly lower forecast customer growth rate.

2. Annual Normal Demand: Annual normal demand for 2012/13 is projected at approximately 113.8 PJ resulting in an average daily normal load of 312 TJ/d. In 2011/12, the total annual normal demand was forecast at 114.4 PJ which resulted in a daily normal load of 313 TJ/d. The very slight decrease in 2012/13 in the annual normal load is due to a slight reduction in use per customer coupled with a slightly lower forecast growth rate.

3. Commodity Portfolio: Baseload supply receipt point allocation to remain at the same levels as last year which is 70 percent at Station 2, 15 percent at Huntingdon and 15 percent at AECO/NIT.

4. Commodity Portfolio: Due to the large number of five year contracts expiring between Gas Marketers and customers on October 31, 2012, there is much greater uncertainty regarding the number of customers who may return to FEI Commodity beginning on November 1, 2012 compared to previous years whereby:

   a. Under a base case forecast derived on the trend of the last three years, Gas Marketers could provide an average of 40 TJ/d for the 2012/13 contract year.

b. Under a higher case scenario which assumes that 50 percent of expiring Gas Marketer contracts will return to FEI Commodity, then the amount supplied by Gas Marketers could average 30 TJ/d for the 2012/13 contract year.

5. Midstream Portfolio: Normalized load requirements have not changed materially from the previous year. As a result contracting for annual baseload supply at Station 2 only decreased slightly by 1 TJ/d while AECO/NIT and Huntingdon remain unchanged.

6. Midstream Portfolio: FEI contracted for additional storage in Alberta from CrossAlta that will provide it with 19 TJ/d for 108 days in the winter. Consequently, it will reduce its contracting of winter spot supply by 19 TJ/d in Alberta.

7. Midstream Portfolio: Due to an overall increase in term supply in the portfolio, FEI will reduce its contracting of 151 day term supply at Station 2 by 19 TJ/d and will instead purchase that volume on the spot market as required.

8. Midstream Portfolio: FEI will reduce peaking supply at Kingsgate by 15 TJ/d primarily due to the lower forecast design peak day in 2012/13.

The Commission requests FEI file its 2013/2014 ACP by May 1, 2013. In addition to the items in section 2.3.1 of the ACP entitled "*Actions for FEI Prior to Submitting the FEU 2013/14 ACP*" the Commission requests FEI include the following analyses:

- An update to the Northeastern BC market study with the scope and detail of the update to be determined by FEI.
- A review and analysis of the experience with Mt. Hayes and Tilbury LNG peaking resources for the 2012/2013 contract year, including an analysis of the impact of Rate Schedule 16 service on the availability of these peaking resources for providing peaking supply for the core natural gas customers.
- A review of the storage and transportation alternatives for the 2013/14 and 2014/2015 contract years and an analysis to optimize the amounts of transportation and storage to be contracted in future years taking into account the regional infrastructure and market developments currently in place and anticipated to be in place in the future.

Exclusive of the Executive Summary (attached), the Commission agrees to hold the 2012/13 Annual Contracting Plan confidential as it contains market sensitive information.

Yours truly,

Erica Hamilton

CM/dg
Attachment