CREATIVEENERGY

28 February 2019

Via Email

Mr. Patrick Wruck
Commission Secretary
BC Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Mr. Wruck:

Re: British Columbia Utilities Commission (BCUC, Commission)
Creative Energy Vancouver Platforms Inc. (Creative Energy)
Application for a Fuel Cost Adjustment Charge (FCAC) Rate Rider (Application)

SUMMARY

Creative Energy applies to the Commission for approval of a FCAC Rate Rider of $4.80 per one thousand pounds of steam (**M#**), effective March 1, 2019. The forecast balance of the Fuel Cost Stabilization Account (**FCSA**) at the end of February 2019 is approximately $8.7 million, which amounts to 37 percent of Creative Energy's rolling 12-month fuel costs totaling approximately $23.3 million. In comparison, annual fuel costs in 2017 and 2018 were approximately $12 million and $16 million, respectively. The proposed Rate Rider has been calculated on the basis of an 18-month amortization of the current balance in the FCSA, and is therefore targeted to reduce the exceedance in the FCSA to 5 percent of a rolling 12-month total of fuel costs over a period of 18 months, on a forecast basis.

Creative Energy acknowledges that semi-annual compliance filings have been in place for Commission review of our fuel costs under more typical circumstances, and that more recently a Quarterly Report to review fuel costs has been established. Creative Energy files this

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Application separately outside of the established norm due to the extraordinary and atypical nature of the current circumstances.

Creative Energy has been contending with extraordinarily high natural gas commodity prices this winter due to the supply constraint arising from the Enbridge pipeline explosion in Northern BC on October 10, 2018, and related delayed maintenance activities since. The impact of that natural gas shortage on prices has been exacerbated by higher than expected customer demand due to colder than normal weather persisting in the region. Constraints arising from compression issues at the underground storage facility at Jackson Prairie have also created further pressure on natural gas commodity prices. Despite recent management of our fuel cost recovery from customers through a Commission-approved increase to our FCAC, effective October 18, 2018, the balance in our FCSA has grown to an excessive level beyond forecast in a relatively short period of time. The 2018 Enbridge gas pipeline incident is an unprecedented one, and Creative Energy has never before encountered such fuel cost pressure.

Creative Energy was in the summer of 2018 contemplating hedging strategies, including a strategy to secure advance purchase contracts for up to 30 percent of our overall gas supply requirement. On July 16, 2018, Creative Energy applied to the BCUC for approval of a contracting plan that included such hedging strategies; however, the BCUC did not accept that proposal until October 11, 2018, which was the day after the Enbridge pipeline failed and therefore too late for Creative Energy to implement a cost-effective hedging strategy for this winter.

Overall, the proposed Rate Rider reflects a balanced consideration of the bill impact to customers and the intergenerational equity issue that arises from a material delay in the recovery of extraordinary costs already incurred to deliver service, an issue related to the amortization period on which the Rate Rider has been determined.

Ultimately, therefore, we seek the Commission's determination as to the level of fair cost recovery on balance with customer bill impacts. To this end we have set out for the Commission's consideration alternative levels of a Rate Rider determined on the basis of different amortization periods.

Also for the Commission's consideration, Creative Energy highlights that *Utilities Commission Act* (**UCA**) sections 61(4), (5) and (6) provide for the expedited approval of rate schedules that may be made necessary by a rise in price, such as for gas supplies, over which the utility has no effective control. Section 61(5) and (6) of the UCA provide for the possibility of Commission inquiry and further direction after expedited approval. Specifically, section 61(5) sets out that within 60 days following such approval the Commission may direct an inquiry into the new rate schedule having regard to whether it is just and reasonable.

In summary, a FCAC Rate Rider of $4.80/M#, effective March 1, 2019, is appropriate and can be approved with minimal process at this time. Further inquiry and direction can follow if and as the Commission considers appropriate.

While on a forecast basis the proposed rate rider will return the current balance in the FCSA to an acceptable level in 18 months, additional measures could be warranted if high gas prices persist and there are further and significant additions to the FCSA.

The basis of our Application and proposed review process is discussed in further detail below.

BACKGROUND

Creative Energy's fuel expenses, comprised of natural gas commodity and transportation costs, fuel oil costs, carbon taxes and other fees, represent the single largest cost to be recovered from its steam customers for the provision of heating service. Creative Energy's annual fuel costs in 2017 and 2018 were approximately $12 million and $16 million, respectively. The $12 million amount in 2017 could be considered more typical as compared to the 2018 total, which reflects additional higher costs incurred following the pipeline explosion. These amounts compare to current approved annual revenue requirements in the range of $8.5 million to recover the remainder of Creative Energy's cost of steam service. As explained further below, fuel expenses are recovered from customers on a flow-through, consumption basis.

Creative Energy recovers its fuel expenses from its steam service customers through a FCAC ($/M#), comprised of two parts: i) a Fuel Cost Charge and ii) a Rate Rider that recovers or distributes positive or negative balances in the FCSA as applicable. The Fuel Cost Charge is approved by the Commission and is set on the basis of forecast annual fuel costs divided by forecast annual load. Positive or negative variances between forecast fuel costs and actual fuel costs are captured in the FCSA. Amounts in the FCSA that exceed plus or minus 5 percent of the most recently approved 12-month forecast of fuel costs are distributed or collected from customers as applicable in the form of a Rate Rider, which would be set on the basis of a Commission-approved amortization period for the treatment of excess balances. The Fuel Cost Charge currently equals $13.75/M# and the Rate Rider is currently zero.

The FCAC and the mechanism to recover excess balances in the FCSA described above were first approved by the Commission under Order G-167-16 in its November 18, 2016 Decision into Creative Energy's 2016-2017 Revenue Requirements Application (**RRA**). Prior to this 2016 Decision, Creative Energy determined the level of the FCAC on the basis of forecast fuel costs and the monthly balance of the FCSA, adjusting the FCAC as necessary to provide cost stability to customers rather than seeking to directly amortize the balance of the FCSA to a targeted level. In the 2016 Decision the Commission determined that the Fuel Cost Charge would be based on forecast total annual fuel costs and load as approved by the Commission through its review of Creative Energy RRAs. Further, the Commission determined that a FCAC Rate Rider should be set by amortizing excess balances in the FCSA over two years. The Commission also determined that the appropriate amortization of the FCSA is to be assessed by Creative Energy in a semi-annual compliance filing, at June 30 and December 31 each year. A rate change application to update the FCAC to reflect any updates to the amortization of the FCSA would be permitted within 30 days of a compliance filing.

In its October 25, 2018 Decision into Creative Energy's 2018-2022 RRA, issued under Order G-205-18, the Commission confirmed that both the amortization of the FCSA and the setting of forecast fuel costs are issues related to commodity costs, and it is standard BCUC practice to review such commodity cost related information separately from RRAs. Thus, as part of this 2018 Decision the Commission directed Creative Energy to file for approval of the amortization of the FCSA at the time it files a FCAC rate change application. In addition, the Commission directed Creative Energy to file for approval of a 12-month forecast of fuel costs as part of its semi-annual Fuel Cost Adjustment compliance filings.

On October 18, 2018, in response to the pressure on its fuel costs related to high gas commodity prices due to the pipeline explosion, Creative Energy applied to increase its FCAC to \$13.75/M#. By Order G-213-18, dated November 8, 2018, the Commission approved this higher rate, effective the date of that application, October 18, 2018. Creative Energy explained this rate change to its customers by way of a customer notification letter delivered via email. Creative Energy received one customer inquiry seeking further information about this rate change. By Order G-213-18, the Commission also directed Creative Energy to file a quarterly report that includes review of the FCSA balance, the appropriate amortization of the FCSA and any request to change the FCAC. Furthermore, the Commission directed Creative Energy to include in future Annual Contracting Plans a full evaluation of its options to mitigate supply risk.

APPLICATION

Creative Energy applies to the Commission for approval of a FCAC Rate Rider of \$4.80/M#, effective March 1, 2019. The forecast balance of the FCSA at the end of February 2019 is approximately \$8.7 million, which amounts to 37 percent of Creative Energy's rolling 12-month fuel costs totaling approximately \$23.3 million. The proposed Rate Rider has been calculated on the basis of an 18-month amortization of the current balance in the FCSA, and is therefore targeted to reduce the exceedance in the FCSA to 5 percent of a rolling 12-month total of fuel costs over a period of 18 months, on a forecast basis.

Application Basis

Creative Energy has been contending with extraordinarily high natural gas commodity prices this winter due to the supply constraint arising from the Enbridge pipeline explosion in Northern BC on October 10, 2018, and related delayed maintenance activities. The impact of that natural gas shortage on prices has been exacerbated by higher than expected customer demand due to colder than normal weather persisting in the region, in addition to other constraints arising from compression issues at the underground storage facility at Jackson Prairie, creating further pressure on natural gas commodity prices.

Table 1 reports indicative forecast versus actual monthly gas prices between October 2018 and February 2019.

Table 1: Indicative Natural Gas Commodity Price Forecast and Actual, October 2018 – February 2019

Month	Indicative Natural Gas Commodity Price Forecast $/GJ							Actual $/GJ (Average Billing)
	Jul 18	Oct 18	Oct 26	Dec 4	Dec 18	Jan 2	Jan 30	
October 2018	2.56	9.09	7.35					9.83
November 2018	3.38	7.60	14.57					16.00
December 2018	3.38	8.15	10.27	13.00	8.78			8.05
January 2019	3.38	5.64	9.41	15.38	7.76			5.03
February 2019	3.38	4.92	7.14	7.47	5.46	4.66	4.82	25.11

Table 1 highlights that the impact of the pipeline explosion is persisting. The pipeline is not expected to be back to full operation until October-November 2019. Table 1 also highlights the compounding effect on natural gas commodity prices of unexpected and extreme cold weather in the region during February, also unforeseen.

As Table 2 reports, estimated total heating degree days in February equal 493 (with one day remaining to be recorded as of the timing of this Application), 34 percent higher than the average February total over the last 42 years. By comparison, heating degree days were lower than average in the preceding period November 2018 – January 2019.

Table 2: Heating Degree Days, November – February

Month	Average 1977-2018	Actual Winter 2018/2019	Difference %
November	353	313	-11%
December	447	407	-9%
January	438	403	-8%
February	368	494 (est.)	34%

Creative Energy's most recently Commission-approved steam load forecast equals 1,098,514M#, as set out in Commission's Decision into Creative Energy's 2016-2017 RRA issued under Order G-167-16. The Commission directed that this steam load forecast continue to be used to set 2018 rates, as set out in its Decision into Creative Energy's 2018-2022 RRA issued under G-205-18.

Table 3 reports 2018 actual load and forecast load for 2019 versus actual 2019 load to date. Actual load in 2018 is within 2 percent of the most recently approved load forecast. A monthly steam load forecast for 2019 is provided by shaping the 2018 approved forecast for each month using average 'seasonality factors' equal to the average of monthly actual steam load divided by total annual steam load as served by our steam plant over the last 20 years. On this basis, actual February steam load is 30 percent higher than forecast due to the persistently cold weather in the region during this period. This increase in load is further indication of the upward pressure on gas commodity prices currently observed in the market due to the very cold weather in the region and the resulting increase in heating demand.

Table 3: 2018 and 2019 Load, Forecast versus Actual

Annual Forecast currently approved = 1,098,514 M#	2018 Actual	2019 Forecast and Actual			
		Seasonality Factor To Shape 2019	Shaped Forecast M#	Actual M#	Difference M# (%)
Total	1,082,604	100%	1,098,514	n/a	n/a
January	165,778	14.3%	157,088	146,574	-10,514 (-6.7%)
February	147,428	12.3%	135,117	176,391 (est.)	41,273 (30.5%)
March	126,530	11.4%	125,231		
April	103,173	8.6%	94,472		
May	48,567	6.2%	68,108		
June	46,911	4.5%	49,433		
July	41,415	3.7%	40,645		
August	36,179	3.5%	38,448		
September	47,732	4.3%	47,236		
October	82,200	7.2%	79,093		
November	100,584	10.9%	119,738		
December	136,108	13.3%	146,102		

Prior to the pipeline explosion the most recent FCAC equaled $10.85/M#, effective January 1, 2017 and approved under Order G-13-17. This rate was calculated on the basis of forecast annual fuel costs in 2017 of $11,913,500 divided by forecast annual steam load of 1,098,514 M# as approved in the 2016-2017 RRA Decision issued under Order G-167-16.

Despite recent management of our fuel cost recovery from customers through a Commission-approved increase to our FCAC to $13.75/M#, effective October 18, 2018, the balance in our FCSA has grown to an excessive level beyond forecast in a relatively short period of time, to $8,714,442 by the end of February 2019 as shown in Table 4.

Table 4: Report of FCSA Balance

2015 Year end	$(922,088)
2016 Year end	$(182,560)
2017 Year end	$(475,034)
October 2018	$(380,074)
November 2018	$1,962,893
December 2018	$2,856,073
January 2019	$2,706,389
February 2019	$8,714,442

Overall, the excessive balance in the FCSA would continue to persist if a Rate Rider is not applied to clear the exceedance of this balance above 5 percent, as the following Table 5 sets out. The excess balance in the FCSA will not 'self-clear' within a reasonable time period.

Table 5: Actual and forecast FCSA Balance assuming no Rate Rider

Month 2019	Deferral Balance	12 Month Rolling Fuel Cost	Deferral Balance as % of Fuel Cost
January	2,706,389	16,308,193	17%
February	8,714,442	23,259,770	37%
March	10,503,370	25,532,775	41%
April	10,193,791	25,603,316	40%
May	10,049,433	25,857,952	39%
June	9,955,532	25,938,286	38%
July	9,926,849	26,000,778	38%
August	9,913,771	26,039,032	38%
September	9,870,371	26,049,496	38%
October	9,668,640	25,210,518	38%
November	9,623,144	23,067,786	42%
December	9,682,268	22,360,086	43%

FCAC Rate Rider and Amortization Period

A Rate Rider of $4.80/M#, effective March 1, 2019, is calculated on the basis of forecast load and natural gas prices to reduce the balance in the FCSA to 5 percent of a rolling 12 months of fuel costs in 18 months, by the end of August 2020. Please refer to the attached spreadsheet that shows the calculation of the Rate Rider. This rate determination accords with the identified and Commission-approved requirement to apply for a rate change to reduce the balance in the FCSA when it exceeds 5 percent of the most recent 12-month total of fuel costs.

Table 6 reports the expected customer bill impacts under different assumed amortization periods to reduce the balance in the FCSA to 5 percent of a rolling 12 months of fuel costs on a forecast basis.

Table 6: Customer Bill Impact versus Cost Recovery Amortization

Rate Rider $/M#	$21.00	$7.80	$4.80	$2.80
Amortization Period (months)	**6**	**12**	**18**	**24**
Average Bill Impact – All customers	92%	35%	21%	12%

Creative Energy notes that none of these options effectively match cost recovery to the period in which costs were caused and incurred. Creative Energy is of the view that an 18-month amortization period strikes a reasonable balance between the bill impact to customers and the timely recovery of the fuel costs that have been incurred to serve customers, addressing the intergenerational equity concern.

On the basis of the Decision issued under Order G-205-18, it is understood that there is flexibility to have considered a one-year amortization period, for example, which would hasten the recovery of fuel costs over a shorter period of time, but would impose a much more severe bill impact to customers. Likewise, any period longer than a two-year amortization period would exacerbate intergenerational equity concerns and increase the carrying costs to be recovered.

Given the level of the proposed FCAC Rate Rider and 18-month amortization period, Creative Energy considers that an ongoing Quarterly Report as directed under Order G-213-18, and a rate review and adjustment as necessary, would be an effective mechanism to monitor overall costs and bill impacts until this issue subsides and review of our gas supply alternative has been evaluated, as discussed further below.

While on a forecast basis the proposed rate rider will return the current balance in the FCSA to an acceptable level in 18 months, additional measures could be warranted if high gas prices persist and there are further and significant additions to the FCSA

Gas Supply Contracting

Creative Energy has used Cascadia Energy Limited (**Cascadia**) since November 2009 to supply the physical natural gas commodity. Since 2011, typically in July each year, and in compliance with Commission Letter L-78-11, Creative Energy has filed an Annual Contracting Plan (**ACP**) with the Commission for its review and acceptance in advance of the winter heating season. Annual Contracting Plans discuss demand requirements, supply resources, risk factors and may also request specific approval of a hedging strategy in advance of the winter heating season to reduce price volatility risk.

Creative Energy was in the summer of 2018 contemplating hedging strategies, including a strategy to secure advance purchase contracts for up to 30 percent of our overall gas supply requirement. On July 16, 2018, Creative Energy applied to the BCUC for approval of a contracting plan that included such hedging strategies. Please refer to Attachment 1 – Creative Energy 2018-2019 ACP Executive Summary. However, the BCUC did not accept that proposal until October 11, 2018, which was the day after the Enbridge pipeline failed and therefore too late for Creative Energy to implement a cost-effective hedging strategy for this winter. Please refer to Attachment 2 – Commission Letter L-26-18 - Response to Creative Energy 2018-2019 ACP.

Creative Energy has taken reasonable and prudent measures under the Commission's oversight to manage its gas supply risk in advance. In Creative Energy's view, the extraordinary gas prices driven by the ongoing market effects of the pipeline explosion can only truly be regarded as a force majeure-type event and very much out of Creative Energy's control. Neither the pipeline explosion nor the extraordinary gas prices this winter could have been foreseen by Creative Energy or the Commission.

Creative Energy's three-year contract with Cascadia expires on October 31, 2019. In the normal course Creative Energy will be reviewing gas supply proposals and alternatives early this year with a view to seeking Commission approval of a preferred gas supply contracting strategy as part of its 2019-2020 ACP, as also directed by Order G-213-18. As part of its planned review of alternatives, Creative Energy will evaluate the benefits and costs of procuring its natural gas supply directly from FortisBC, in addition to the transportation service that it already receives from that utility. Creative Energy is not in a position at this time to report on this review.

Proposed Regulatory Process

Creative Energy requests approval of a Rate Rider of $4.80/M#, effective March 1, 2019. In our view, the requested rate rider is appropriate and can be approved with minimal process at this time, allowing Creative Energy to apply this rate to invoices for March consumption.

For the Commission's consideration, Creative Energy highlights that UCA sections 61(4), (5) and (6) provide for the expedited approval of rate schedules that may be made necessary by a rise in price, such as for gas supplies, over which the utility has no effective control.

Fuel costs are recoverable from customers, and in Creative Energy's view the only issue in this Application is whether it is fairer to recover these costs sooner (with a higher Rate Rider and lower carrying costs) or over a more extended period (with a longer amortization, lower Rate Rider and higher carrying costs). This is the intergenerational equity issue discussed above. Creative Energy believes that its proposal to set the rate rider based on an 18-month amortization period reasonably balances these competing objectives.

For further information, please contact the undersigned.

Yours sincerely,

Rob Gorter
Director, Regulatory Affairs and Customer Relations

Enclosure

ATTACHMENT 1

Creative Energy 2018-2019 ACP

Executive Summary

CREATIVENERGY

16 July, 2018

Via Email

Mr. Patrick Wruck
Acting Commission Secretary
BC Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC V6Z 2N3

Dear Mr. Wruck:

RE: Commission Letter E-3-15 – Annual Contracting Plan Public Executive Summary

Please find enclosed an Annual Contracting Plan for the 2018/2019 gas year public executive summary.

Yours truly,
CREATIVE ENERGY VANCOUVER PLATFORMS INC.

Krishnan Iyer
President & CEO

CITYBUILDERS ENERGYINNOVATORS CREATIVETHINKERS

Enclosure

Annual Contracting Plan

Executive Summary

Creative Energy Vancouver (CEV) Platforms Inc. operates a district energy utility serving downtown Vancouver buildings. The utility provides energy in the form of steam to over two hundred commercial and residential buildings and has been regulated by the British Columbia Utilities Commission (BCUC) since the utility's inception in 1968. CEV provides energy in a competitive market that includes traditional energy from the electric and natural gas utilities. In recent years, municipalities and larger utilities have also been involved in developing district energy systems. CEV is working with both to facilitate greater use of alternative energy and specific application would be made to the BCUC in the event broader use of alternative energy meets tests of community, environmental, and financial viability. In the near term Annual Contracting Plan, natural gas is the most suitable fuel choice available to meet CEV's energy needs.

Natural gas is the utility's most significant input cost thus management of its supply and cost are important priorities. Secure, diverse sources of natural gas are essential to the utility, as is prudent price risk management. Supply sources have been expanded to provide more competitive options and costs have been reduced, however, ongoing diligent effort is required.

CEV employs a strategy to meet the above goals that considers market conditions such as seasonal liquidity, natural gas storage and economic factors. Given the nature of the underlying commodity price, some hedging may be considered prudent to offset the higher volatility of winter that can be experienced in BC, as well as providing some stability to gas rates charged to customers. As the natural gas market is currently in a trend of backwardation, CEV has reviewed options for both one-year and multi-year hedging strategies as part of this years ACP.

CEV looks to the BCUC for support of the utility's Annual Contracting Plan that would see under 30% of CEV's overall supply being hedged. The length of the hedging plan will be dependent on the status of the market as the coming gas year approaches.

Following the July 12, 2011 Commission's decision with respect to FortisBC Energy 2011-2014 Price Risk Management Plan, CEV's Annual Contracting Plan for natural gas is consistent with the direction outlined in the Commission's decision towards less hedging, as has been CEV's practice. CEV has found little basis for an extensive hedging strategy and although remaining open to change, requests that the limited hedging strategies proposed be approved.

ATTACHMENT 2

Commission Letter L-26-18

Response to Creative Energy 2018-2019 ACP

Patrick Wruck
Commission Secretary

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October 11, 2018

Sent via email

Letter L-26-18

Mr. Krishnan Iyer
President and CEO
Creative Energy Vancouver Platforms Inc.
Suite 1 - 720 Beatty Street
Vancouver, BC V6B 2M1
Krishnan@creative.energy

Re: Creative Energy Vancouver Platforms Inc. – 2018/19 Annual Contracting Plan

Dear Mr. Iyer:

On July 16, 2018, Creative Energy Vancouver Platforms Inc. (CEV) in compliance with Letter L-33-17, submitted to the British Columbia Utilities Commission (BCUC), on a confidential basis, CEV's Annual Contracting Plan (ACP) for the period of November 1, 2018 to October 31, 2019 (2018/19 ACP).

The BCUC reviewed the CEV filing and accepts the 2018/19 ACP, which includes CEV's strategy to secure advance purchase contracts for up to 30 percent of its overall gas supply requirement.

In accordance with section 14.0 of the Rules for Natural Gas Energy Supply Contracts under Order G-130-06, CEV is required to file its ACP each year and provide the information that is required.

Accordingly, CEV is requested to file its 2019/20 ACP prior to entering into gas supply contracts for the period commencing November 1, 2019, by no later than June 30, 2019. CEV is requested to include in the 2019/20 ACP the following:

- An assessment of its advanced purchased contracts strategy and activities as contemplated in the 2018/19 ACP; and
- Information regarding the outcome of the supplier selection and evaluation process beyond November 1, 2019.

The BCUC also notes that by Order E-21-17 dated November 2, 2017, the BCUC accepted for filing the supply contract between CEV and Cascadia Energy Ltd. for the period November 1, 2016 to November 1, 2019.

The BCUC agrees to hold confidential the 2018/19 ACP and related information filed in support of the 2018/19 ACP as they contain commercially sensitive information. A copy of CEV's non-confidential Executive Summary of the CEV 2018/19 ACP is attached to this letter and is available to the public.

Sincerely,

Patrick Wruck
Commission Secretary

AP/dg
Enclosure

Attachment
to Letter L-26-18

Annual Contracting Plan

Executive Summary

Creative Energy Vancouver (CEV) Platforms Inc. operates a district energy utility serving downtown Vancouver buildings. The utility provides energy in the form of steam to over two hundred commercial and residential buildings and has been regulated by the British Columbia Utilities Commission (BCUC) since the utility's inception in 1968. CEV provides energy in a competitive market that includes traditional energy from the electric and natural gas utilities. In recent years, municipalities and larger utilities have also been involved in developing district energy systems. CEV is working with both to facilitate greater use of alternative energy and specific application would be made to the BCUC in the event broader use of alternative energy meets tests of community, environmental, and financial viability. In the near term Annual Contracting Plan, natural gas is the most suitable fuel choice available to meet CEV's energy needs.

Natural gas is the utility's most significant input cost thus management of its supply and cost are important priorities. Secure, diverse sources of natural gas are essential to the utility, as is prudent price risk management. Supply sources have been expanded to provide more competitive options and costs have been reduced, however, ongoing diligent effort is required.

CEV employs a strategy to meet the above goals that considers market conditions such as seasonal liquidity, natural gas storage and economic factors. Given the nature of the underlying commodity price, some hedging may be considered prudent to offset the higher volatility of winter that can be experienced in BC, as well as providing some stability to gas rates charged to customers. As the natural gas market is currently in a trend of backwardation, CEV has reviewed options for both one-year and multi-year hedging strategies as part of this years ACP.

CEV looks to the BCUC for support of the utility's Annual Contracting Plan that would see under 30% of CEV's overall supply being hedged. The length of the hedging plan will be dependent on the status of the market as the coming gas year approaches.

Following the July 12, 2011 Commission's decision with respect to FortisBC Energy 2011-2014 Price Risk Management Plan, CEV's Annual Contracting Plan for natural gas is consistent with the direction outlined in the Commission's decision towards less hedging, as has been CEV's practice. CEV has found little basis for an extensive hedging strategy and although remaining open to change, requests that the limited hedging strategies proposed be approved.