



**LETTER L-35-14**

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**VIA EMAIL**

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June 19, 2014

Mr. Dennis Swanson  
Director, Regulatory Affairs - Electric  
FortisBC Inc.  
Suite 100, 1975 Springfield Road  
Kelowna, BC V1Y 7V7

Dear Mr. Swanson:

Re: FortisBC Inc.

2014/2015 Annual Electric Contracting Plan (October 2014 – September 2015)

On May 16, 2014, FortisBC Inc. filed on a confidential basis its 2014/2015 Annual Electric Contracting Plan (2014/15 AECF). The Commission generally accepts the FortisBC 2014/15 AECF and items as set out on pages 11 and 12 as in the public interest.

The major components of the FortisBC 2014/15 AECF are as follows:

1. A Nomination under the Power Purchase Agreement between FortisBC and BC Hydro for the 2014/15 contract year equal to 758 GWh, less any firm market contracts that FortisBC can enter into as described in section 5 of the 2014/15 AECF; and
2. FortisBC's proposed plan to enter into firm market contracts for operating years 2014/15 through 2017/18, which includes maximum market purchases of 155 GWh for the operating year 2014/15.

The information in the 2014/15 AECF, exclusive of the Executive Summary, will be treated as confidential.

A copy of FortisBC's non-confidential Executive Summary for the FortisBC 2014/15 AECF is attached and is available for public review.

Yours truly,

Erica Hamilton

CMM/cms  
Attachment

1 **EXECUTIVE SUMMARY**

2 ***INTRODUCTION***

3 The purpose of the Annual Electric Contracting Plan (AECP) is to outline FortisBC Inc.'s (FBC  
4 or Company) plan to meet the peak demand requirements and annual energy requirements of  
5 the Company for the operating year commencing October 1, 2014 and ending September 30,  
6 2015 (the **2014/15 operating year** or **contract year**). The AECP outlines FBC's plan for  
7 portfolio optimization to maximize benefits to customers, includes a review of the market  
8 environment, load forecast, and available resources in determining the contracting plan,  
9 provides the justification for FBC's Annual Energy Nomination (**PPA Nomination**) under a  
10 power purchase agreement between FBC and British Columbia Hydro and Power Authority (**BC  
11 Hydro**) (**PPA**), and will facilitate the required separate approval under section 71 of the Utilities  
12 Commission Act<sup>1</sup> (**UCA**) of energy supply contracts (**ESC**) that have been contemplated under  
13 the AECP.

14 ***OBJECTIVES OF THE FBC 2014/15 AECP***

15 The objectives of FBC's AECP for 2014/15 are as follows:

- 16 1. To ensure a firm supply of resources to meet expected annual energy and peak  
17 capacity requirements and to maintain an appropriate balance of:
- 18 a. cost minimization for FBC customers through optimization of FBC resources and  
19 market purchases;
- 20 b. reliability and security, to ensure that cost effective power is available when  
21 needed to meet load;
- 22 c. flexibility, to minimize the risk of changes to load forecast, generation and  
23 transmission availability, wholesale power market and BC Hydro rates; and
- 24 d. operational efficiency, in order to be able to supply load requirements while  
25 maintaining contractual compliance.
- 26 2. To be consistent with FBC's most recent 2012 Long-Term Resource Plan (LTRP),  
27 included as part of the 2012 Integrated System Plan dated June 30, 2011, as  
28 accepted by the Commission per Order G-110-12 dated August 15, 2012 (with the  
29 exception of the Planning Reserve Margin).

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<sup>1</sup> Utilities Commission Act, R.S.B.C. 1996, Chapter 473

1 ***REQUEST FOR BRITISH COLUMBIA UTILITIES COMMISSION (BCUC) APPROVAL***

2 Under the PPA, FBC is required to submit its annual PPA Nomination to BC Hydro prior to June  
3 30th of each year. FBC is thus requesting the BCUC's acceptance of the 2014/15 AECP by  
4 June 20, 2014, in order to give FBC sufficient time to execute the plan and to provide FBC  
5 sufficient time to enter into market contracts prior to that deadline. With respect to the 2014/15  
6 operating year and in context of the AECP, the Company requests the Commission's  
7 acceptance of the following:

- 8       • A PPA Nomination for 2014/15 equal to 758 GWh, less any firm market contracts that  
9 FBC can enter into pursuant to section 5,
- 10       • FBC's proposed plan for entering into firm market contracts for operating years 2014/15  
11 through 2017/18, which includes maximum market purchases of 155 GWh for operating  
12 year 2014/15;

13 FBC is requesting that the information contained in the AECP be kept confidential pursuant to  
14 Section 71(5) of the Act as the AECP contains market sensitive information. Since FBC  
15 continues to operate within a competitive environment, disclosure of this information could  
16 prejudice FBC's ability to obtain favourable commercial terms in future power purchasing  
17 contract negotiations or renegotiation of subsequent contracts for customers.

18 ***LOAD FORECAST***

19 In order to determine FBC's future energy and capacity requirements, FBC must first forecast  
20 customer load requirements. The FBC load forecast applicable for the 2014/15 operating year  
21 is based on the load forecast provided in FBC's most recent Revenue Requirements  
22 Application<sup>2</sup> and is provided in the Table 1 below.

23 ***ENERGY ANALYSIS***

24 FBC has sufficient firm energy resources in place to meet its energy load forecast over the short  
25 term (5 year period). Table 1 below shows the FBC energy load forecast and the available  
26 resources for operating years 2013/14 to 2018/19.

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<sup>2</sup> FBC's Application for Approval of a Multi-Year Performance Based Ratemaking Plan for 2014 through 2018 (PBR Application) was filed on July 5, 2013

1 **Table 1: FBC Available Energy Resources Compared to Forecast Load**

(GWh)	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
<b>FBC Gross Load Forecast</b>	3,532	3,549	3,567	3,589	3,596
<b>FBC Resources</b>					
FBC Owned Resource	1,639	1,613	1,603	1,603	1,603
Brilliant PPA	922	922	922	922	922
IPP and Other	4	4	4	4	4
Contracted Market	210	79	79	30	-
PPA Tranche 1 Energy	1,041	1,041	1,041	1,041	1,041
PPA Tranche 2 Energy	711	711	711	711	711
<b>Total FBC Energy Resources</b>	<b>4,526</b>	<b>4,369</b>	<b>4,360</b>	<b>4,311</b>	<b>4,281</b>
Total Resources Excluding PPA	2,774	2,617	2,608	2,559	2,529
<b>Incremental Energy Requirement</b>	<b>758</b>	<b>932</b>	<b>960</b>	<b>1,031</b>	<b>1,067</b>

2  
3 In the absence of additional market contracts, FBC would be able to supply all of its incremental  
4 energy requirement from the PPA and would select a PPA Nomination of 758 GWh for 2014/15.  
5 If FBC is able to enter into firm market contracts as described in section 5, it will reduce its PPA  
6 Nomination accordingly.

7 ***FBC CAPACITY ANALYSIS***

8 FBC has sufficient firm capacity resources in place to meet its expected demand over the short  
9 term. The 2014/15 AECF includes the optimization of available capacity resources within the  
10 operating year in order to maintain reliable supply to meet peak demand requirements and  
11 minimize cost to FBC customers.

12 ***FBC'S ANNUAL ELECTRIC CONTRACTING PLAN***

13 The AECF is a robust plan that provides FBC with an operating framework in 2014/15 that will  
14 ensure a reliable and secure supply of energy while minimizing cost to FBC customers. FBC will  
15 enter into market contracts taking into account the objectives outlined above, review of FBC's  
16 resources in Table 1 above and the actual market price environment. The actual strategy, and  
17 subsequent PPA Nomination, that FBC executes prior to June 30, 2014 will depend on actual  
18 energy supply offers that FBC will receive at that time, and the contracts that it is able to  
19 execute that are in accordance with this AECF. FBC will contract for market purchases and  
20 reduce the PPA Nomination if the market purchases ensure sufficient flexibility in the use of  
21 PPA energy and capacity, if the purchases are at a lower total cost than if supplied from the  
22 PPA, if the purchases help to reduce FBC's portfolio risk and if the purchases are required to  
23 meet the forecast load. Furthermore, within the operating year, FBC will continue to further  
24 optimize its portfolio of energy and capacity resources to minimize cost to the FBC customer.

1 ***MANAGING PORTFOLIO RISK***

2 The contracting plan presented above is based on certain assumptions at the time of the filing of  
3 this AECP. FBC access to energy under the PPA remains at 1,752 GWh of energy in each year,  
4 regardless of the PPA Nomination, and as such FBC has very little risk that it will not have  
5 sufficient energy to meet its load. This is shown in Table 1 above. FBC's risks are mainly the  
6 cost of supply which includes changes to forecast PPA rates, market price risk, currency risk,  
7 load forecast changes, generation availability and transmission availability. The contracting plan  
8 for the 2014/15 operating year attempts to minimize these risk through ensuring sufficient  
9 flexibility in the use of PPA energy and capacity, entering into fixed price contracts to provide  
10 price certainty to FBC, and managing the portfolio to address changes to load and resource  
11 availability throughout the year in order to minimize the cost to FBC customers.

12 ***CONCLUSION***

13 FBC's AECP for 2014/15 outlines FBC's load and resource balance over the next five years,  
14 and FBC's plan for optimizing its portfolio over the short-term. The Company further expects to  
15 consider the resource requirements beyond 2016 in its next Long Term Resource Plan. The  
16 2014/15 AECP provides FBC with an operating framework that will ensure a reliable and secure  
17 supply of energy while minimizing cost to FBC customers. FBC recommends that the BCUC  
18 accept the 2014/15 AECP as being in the interest of FBC customers.