



**LETTER L-18-15**

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**VIA EMAIL**

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April 16, 2015

Ms. Diane Roy  
Director, Regulatory Services  
FortisBC Inc.  
Suite 100  
195 Springfield Road  
Kelowna, BC V1Y 7V7

Dear Ms. Roy:

Re: FortisBC Inc.

2015/2016 Annual Electric Contracting Plan (October 2015 – September 2016)

On March 18, 2015, FortisBC Inc. (FBC) filed on a confidential basis its 2015/2016 Annual Electric Contracting Plan (2015/16 AECP). The Commission accepts the FBC 2015/16 AECP and items as set out on page 13 as in the public interest.

The major components of the FBC 2015/16 AECP are as follows:

1. A Nomination under the Power Purchase Agreement between FBC and BC Hydro for the 2015/16 contract year equal to 708 GWh, less any firm market contracts that FBC can enter into as described in section 5 of the 2015/16 AECP; and
2. FBC's proposed plan to enter into firm market contracts for operating years 2015/16 through 2018/19, which includes maximum market purchases of 102 GWh for the operating year 2015/16.

The information in the 2015/16 AECP, exclusive of the Executive Summary, will be treated as confidential.

A copy of FBC's non-confidential Executive Summary for the FBC 2015/16 AECP is attached and is available for public review.

Yours truly,

Erica Hamilton

JA/cms  
Attachment

## 1 EXECUTIVE SUMMARY

### 2 INTRODUCTION

3 The purpose of the Annual Electric Contracting Plan (AECPP) is to outline FortisBC Inc.'s (FBC  
4 or the Company) plan to meet the peak demand requirements and annual energy requirements  
5 of the Company for the operating year commencing October 1, 2015 and ending September 30,  
6 2016 (the **2015/16 operating year** or **contract year**). The AECPP 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) (the PPA), and will facilitate the required separate approval under section 71 of the  
12 *Utilities Commission Act*<sup>1</sup> (UCA) of energy supply contracts (ESCs) that have been  
13 contemplated under the AECPP.

14 The FBC 2015/16 AECPP is similar to the one accepted by the Commission by Letter L-35-14 in  
15 that it has the same two major components, which are updated as reflected in the Request for  
16 Commission Approval section below.

### 17 OBJECTIVES OF THE FBC 2015/16 AECPP

18 Consistent with FBC's AECPP for 2014/15 as accepted by the Commission in Letter L-35-14, the  
19 objectives of FBC's AECPP for 2015/16 are as follows:

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

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

**UPDATES SINCE THE 2014/15 AECP**

On May 16, 2014, FBC filed its 2014/15 Annual Electric Contracting Plan (AECP) on a confidential basis with the Commission. The 2014/15 AECP identified FBC's intention to make its Nomination under the PPA for the 2014/15 contract year equal to 758 GWh, less any firm market contracts that FBC could enter into, as described in section 5 of the 2014/15 AECP.

The Commission accepted the 2014/15 AECP on June 19, 2014, by way of Letter L-35-14.

Prior to the June 30, 2014 Nomination deadline, FBC canvassed a number of power marketers but was unable to economically replace PPA power with block purchases for the 2014/2015 operating year. Therefore, the Company made its Nomination of 758 GWh under the PPA.

On August 18, 2014, the British Columbia Utilities Commission (BCUC or the Commission) approved the Residual Capacity Agreement (RCA) by Order G-161-14. Under the RCA, FBC contracted to release a 50 MW block of capacity available to FBC under the Waneta Expansion Capacity Purchase Agreement (WAX CAPA) to BC Hydro for a ten year period.

In October 2014, as contemplated by the 2014/15 AECP, FBC entered into market purchases, for the 2015/16 and 2016/17 winter seasons. FBC submitted the contracts for BCUC approval on November 25, 2014, and they were accepted by the BCUC on January 15, 2015 in Order E-1-15. These contracts are included in the analysis below.

On February 26, 2015, FBC entered into additional market purchases over the winter of 2015/16 and the contract was submitted for BCUC acceptance on March 10, 2015. The 2015/16 AECP assumes that these contracts will be accepted as filed.

On March 6, 2015, FBC filed an application for acceptance of the Capacity and Energy Purchase and Sale Agreement (CEPSA) between FBC and Powerex Corp (Powerex). The CEPSA is a master agreement that sets the terms and conditions for future market price based transactions with Powerex. FBC's plan to optimize its portfolio set out in this AECP is not dependant on Commission acceptance of the CEPSA. The CEPSA will, however, facilitate FBC's implementation of the plan.

In 2014, the Company commenced stakeholder workshops, which will continue in 2015, in the development of its next Long Term Electric Resource Plan (LTERP) which it expects to submit to the Commission by June 30, 2016.

Finally, the Waneta Expansion (WAX) project is in the final stages of completion and FBC anticipates taking capacity under the WAX CAPA<sup>2</sup> beginning in April 2015.

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<sup>2</sup> The WAX CAPA was accepted as an ESC by Orders E-29-10 and E-15-12.

1 ***REQUEST FOR COMMISSION 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 2015/16 AECP by  
4 May 1, 2015, 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 2015/16  
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 2015/16 equal to 708 GWh, less any firm market contracts that  
9 FBC can enter into pursuant to section 5; and
- 10 • FBC's proposed plan for entering into firm market contracts for operating years 2015/16  
11 through 2018/19, which includes maximum market purchases of 102 GWh for operating  
12 year 2015/16.

13 Consistent with the 2014/15 AECP and Letter L-35-14, FBC is requesting that the information  
14 contained in the AECP, with the exception of the Executive Summary, be kept confidential  
15 pursuant to Section 71(5) of the Act as the AECP contains market sensitive information. Since  
16 FBC continues to operate within a competitive environment, disclosure of this information could  
17 prejudice FBC's ability to obtain favourable commercial terms in future power purchasing  
18 contract negotiations or renegotiation of subsequent contracts for customers.

19 ***LOAD FORECAST***

20 In order to determine FBC's future energy and capacity requirements, FBC must first forecast  
21 customer load requirements. The FBC load forecast applicable for the 2015/16 operating year  
22 is based on the load forecast provided in FBC's 2015 PBR Annual Review materials and is  
23 provided in the Table 1 below.

24 ***ENERGY ANALYSIS***

25 FBC has sufficient firm energy resources in place to meet its energy load forecast over the short  
26 term (5 year period). Table 1 below shows the FBC energy load forecast and the available  
27 resources for operating years 2015/16 to 2019/20.

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

(GWh)	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
[A] FBC Gross Load Forecast	3,511	3,533	3,550	3,564	3,573
<b>FBC Resources</b>					
FBC Owned Resource	1,607	1,597	1,597	1,597	1,597
Brilliant PPA	920	920	920	920	920
IPP and Other	4	4	4	4	4
Contracted Market	271	175	30	-	-
PPA Tranche 1 Energy	1,041	1,041	1,041	1,041	1,041
PPA Tranche 2 Energy	711	711	711	711	711
Total FBC Energy Resources	4,555	4,448	4,304	4,274	4,274
[B] Total Resources Excluding PPA	2,803	2,696	2,552	2,522	2,522
[C] Incremental Energy Requirement ([A] - [B])	708	837	999	1,042	1,051

The incremental energy requirement is the Gross Load Forecast, less the total of FBC resources excluding the PPA. In the absence of additional market contracts, FBC would be able to supply all of its incremental energy requirements from the PPA and would select a PPA Nomination of 708 GWh for 2015/16. If FBC is able to enter into firm market contracts or other arrangements prior to June 30, 2015 that would allow FBC to further optimize its portfolio as contemplated in this AECP, it will reduce its PPA Nomination accordingly.

### ***FBC CAPACITY ANALYSIS***

FBC has sufficient firm capacity resources in place to meet its expected demand over the short term (5 year period). The 2015/16 AECP includes the optimization of available capacity resources within the operating year in order to maintain reliable supply to meet peak demand requirements and minimize cost to FBC customers.

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

The AECP is a robust plan that provides FBC with an operating framework in 2015/16 that will ensure a reliable and secure supply of energy while minimizing cost to FBC customers. FBC will enter into market contracts taking into account the objectives outlined above, the available resources shown in Table 1 above, and the actual market price environment. The actions that FBC takes, and the subsequent PPA Nomination that FBC submits prior to June 30, 2015, will depend on actual energy supply offers that FBC may receive, and the contracts that it is able to execute that are in accordance with this AECP. FBC will contract for market purchases and reduce the PPA Nomination if the market purchases;

- i. ensure sufficient flexibility in the use of PPA energy and capacity,
- ii. are at a lower total cost than if supplied from the PPA,

- 1     iii.    help to reduce FBC's portfolio risk, and
- 2     iv.     are required to meet FBC's forecast load.

3   Furthermore, within the operating year, FBC will continue to further optimize its portfolio of  
4   energy and capacity resources to minimize cost to FBC customers.

#### 5   *MANAGING PORTFOLIO RISK*

6   The contracting plan presented above is based on certain assumptions at the time of the filing of  
7   this AECP. FBC's access to energy under the PPA remains at 1,752 GWh of energy in each  
8   year, regardless of the PPA Nomination, and as such FBC has very little risk that it will not have  
9   sufficient energy to meet its load. This is shown in Table 1 above. FBC's risks are mainly the  
10   cost of supply which includes changes to forecast PPA rates, market price risk, currency risk,  
11   load forecast changes, generation availability and transmission availability. The contracting plan  
12   for the 2015/16 operating year attempts to minimize these risks through ensuring sufficient  
13   flexibility in the use of PPA energy and capacity, entering into fixed price contracts to provide  
14   price certainty to FBC, and managing the portfolio to address changes to load and resource  
15   availability throughout the operating year in order to minimize the cost to FBC customers.

#### 16   *CONCLUSION*

17   FBC's AECP for 2015/16 outlines FBC's load and resource balance over the next five years,  
18   and FBC's plan for optimizing its portfolio over the next 12 months beginning October 1, 2015.  
19   The 2015/16 AECP provides FBC with an operating framework that will ensure a reliable and  
20   secure supply of energy while minimizing cost to FBC customers. FBC recommends that the  
21   BCUC accept the 2015/16 AECP as being in the public interest.