



LETTER L-6-17

VIA EMAIL

electricity.regulatory.affairs@fortisbc.com

April 27, 2017

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

Dear Ms. Roy:

Re: FortisBC Inc.
2017/2018 Annual Electric Contracting Plan

On March 27, 2017, FortisBC Inc. (FBC) filed its 2017/2018 Annual Electric Contracting Plan (AECF) for the period from October 1, 2017 to September 30, 2018 (operating year) for acceptance by the British Columbia Utilities Commission (Commission).

The AECF outlines FBC's plans to meet the peak demand requirements and annual energy requirements for the 2017/2018 operating year and the near future. The major components of the FBC 2017/2018 AECF are:

- A Nomination under the Power Purchase Agreement between FBC and BC Hydro for the 2017/2018 operating year equal to 758 GWh, less any firm market contracts that FBC can enter into, pursuant to section 5 of the 2017/2018 AECF; and
- FBC's proposed plan for entering into firm market contracts for operating years 2017/2018 through 2020/2021, which includes a maximum market purchase of 155 GWh prior to June 30, 2017 for operating year 2017/2018.

The Commission accepts the FBC 2017/2018 AECF and the recommendations contained therein.

The information in the FBC 2017/2018 AECF will be treated as confidential, as requested by FBC, as it contains commercially sensitive information. A copy of the non-confidential Executive Summary for the FBC 2017/2018 AECF is available to the public and is attached to this letter.

Yours truly,

Original signed by:

Patrick Wruck

HC/cms
Enclosure

1 EXECUTIVE SUMMARY

2 INTRODUCTION

3 The purpose of the Annual Electric Contracting Plan (AECp) is to outline FortisBC Inc.'s (FBC
4 or the Company) plan to meet the peak demand and annual energy requirements for the
5 operating year commencing October 1, 2017 and ending September 30, 2018 (the 2017/18
6 operating year¹ or 2017/18). The AECp outlines FBC's plan for portfolio optimization to
7 maximize benefits to customers. It includes a review of the market environment, load forecast
8 and available resources. It also provides the justification for FBC's Annual Energy Nomination
9 (PPA Nomination) under a power purchase agreement between FBC and British Columbia
10 Hydro and Power Authority (BC Hydro) (the PPA), and facilitates the required separate
11 acceptance under section 71 of the *Utilities Commission Act*² (UCA) of energy supply contracts
12 (ESCs) that have been contemplated under the AECp.

13 The 2017/18 AECp is similar to the previous year's plan accepted by the British Columbia
14 Utilities Commission (Commission) by Letter L-8-16 in that it has the same two major
15 components, which are updated as reflected in the Request for Commission Acceptance section
16 below.

17 OBJECTIVES OF THE FBC 2017/18 AECp

18 Consistent with FBC's AECp for 2016/17, the objectives of FBC's AECp for 2017/18 are as
19 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 from 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.

¹ FBC has aligned its operating year for power supply with the PPA Contract Year because the focus of the AECp is the PPA Nomination and the maximum market purchases associated with it.

² UCA, R.S.B.C. 1996, Chapter 473.

- 1 2. To be consistent with both FBC's last approved Long-Term Resource Plan (2012
2 LTRP³), as well as FBC's last filed resource plan (2016 LTERP⁴).

3 *UPDATES SINCE THE 2016/17 AECF*

4 On March 9, 2016, FBC filed its 2016/17 AECF on a confidential basis with the Commission.
5 The 2016/17 AECF identified FBC's intention to make its PPA Nomination for the 2016/17
6 contract year equal to 822 GWh, less any firm market contracts that FBC could enter into, as
7 described in section 5 of the 2016/17 AECF.

8 The Commission accepted the 2016/17 AECF on April 21, 2016, by way of Letter L-8-16.

9 During May of 2016, FBC entered into eight market contracts for the winter of 2016/17 and the
10 winter of 2017/18. As a result of these contracts, the Company made its PPA nomination of 680
11 GWh under the PPA before June 30, 2016. On June 16, 2016, FBC filed an application for
12 acceptance of these ESCs between FBC and Powerex Corp. (Powerex) to purchase wholesale
13 market energy and the Commission accepted the ESCs by way of Order E-11-16.

14 As the Company is required to take 75 percent of its nominated energy, FBC retained
15 approximately 170 GWh (680 times 0.25) of flexibility over the 2016/17 operating year to
16 account primarily for variations in forecast load but also to allow for further optimization in
17 response to any spot market opportunities that may become available.

18 On November 30, 2016, the Company filed its 2016 LTERP and Long Term Demand Side
19 Management Plan (LT DSM Plan). The 2016 LTERP is undergoing the regulatory review
20 process and a decision from the Commission is expected in mid-2017.

21 During the period of December 20, 2016 through February 10, 2017, FBC entered into four
22 market contracts for the winter of 2017/18 and the winter of 2018/19. On February 17, 2017,
23 FBC filed an application for acceptance of these ESCs between FBC and Powerex Corp.
24 (Powerex) to purchase wholesale market energy. The 2017/18 AECF assumes that these
25 contracts will be accepted as filed.

26 *REQUEST FOR COMMISSION APPROVAL*

27 Under the PPA, FBC is required to submit its annual PPA Nomination to BC Hydro prior to June
28 30th of each year. FBC is thus requesting the Commission's acceptance of the 2017/18 AECF
29 by May 1, 2017, in order to give FBC sufficient time to execute the plan and to enter into market
30 contracts prior to June 30th. With respect to the 2017/18 operating year and in context of the
31 AECF, the Company requests the Commission's acceptance of the following:

³ Included as part of the 2012 Integrated System Plan dated June 30, 2011, as accepted by the Commission by Order G-110-12 dated August 15, 2012.

⁴ 2016 Long Term Electric Resource Plan (LTERP) and Long Term Demand Side Management Plan (LT DSM Plan), dated November 30, 2016

- 1 • A PPA Nomination for 2017/18 equal to 758 GWh, less any firm market contracts that
2 FBC can enter into pursuant to section 5 of the 2017/18 AECP; and
- 3 • FBC's proposed plan for entering into firm market contracts for operating years 2017/18
4 through 2020/21, which includes maximum market purchases of 155 GWh for operating
5 year 2017/18.
- 6 Consistent with the 2016/17 AECP and Letter L-8-16, FBC is requesting that the information
7 contained in the AECP, with the exception of the Executive Summary, be kept confidential
8 pursuant to Section 71(5) of the Act as the AECP contains market sensitive information. Since
9 FBC continues to operate within a competitive environment, disclosure of this information could
10 prejudice FBC's ability to obtain favourable commercial terms in future power purchasing
11 contract negotiations or renegotiation of subsequent contracts, to the detriment of customers.

12 LOAD FORECAST

13 In order to determine FBC's future energy and capacity requirements, FBC must first forecast
14 customer load requirements. The FBC load forecast applicable for the 2017/18 AECP is based
15 on the load forecast developed for FBC's Performance Based Ratemaking Plan Annual Review
16 for 2017 Rates⁵ and also used in the Evidentiary Update filed October 5, 2016 and accepted by
17 the BCUC in Order G-11-17, and is provided in Table E-1 below.

18 ENERGY ANALYSIS

19 FBC has sufficient firm energy resources in place to meet its energy load forecast over the short
20 term (4 year period). Table E-1 below shows the FBC energy load forecast and the available
21 resources for operating years 2017/18 to 2020/21.

⁵ The forecasts for 2017/18 onward are based on the forecast used in FBC's Annual Review for 2017 Rates, although the Annual Review for 2017 Rates only presented a forecast through December 31, 2017.

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

(GWh)	2017/18	2018/19	2019/20	2020/21
FBC Gross Load Forecast [A]	3,569	3,585	3,601	3,612
FBC Resources				
FBC Owned Resources	1,595	1,595	1,595	1,595
Brilliant PPA	917	917	917	917
Contracted and Market Purchases	299	180	82	82
PPA Tranche 1	1,041	1,041	1,041	1,041
PPA Tranche 2	711	711	711	711
Total FBC Energy Resources	4,563	4,444	4,346	4,346
Total Resources Excluding PPA [B]	2,811	2,692	2,594	2,594
Incremental Energy Requirement [C]= [A]-[B]	758	894	1,007	1,018

2

3 The incremental energy requirement is the gross load forecast, less the total of FBC resources
4 excluding the PPA. In the absence of additional market contracts, FBC would be able to supply
5 all of its incremental energy requirements for 2017/18 from the PPA and would select a PPA
6 Nomination of 758 GWh. If FBC is able to enter into firm market contracts or other
7 arrangements prior to June 30, 2017 that would allow FBC to further optimize its portfolio as
8 contemplated in this AECP, it will reduce its PPA Nomination accordingly.

9 ***FBC CAPACITY ANALYSIS***

10 FBC has sufficient firm capacity resources in place to meet all of its expected demand over the
11 near term (4 year period). The 2017/18 AECP includes the optimization of available capacity
12 resources within the operating year in order to maintain reliable supply to meet peak demand
13 requirements and minimize cost to FBC customers.

14 ***FBC's ANNUAL ELECTRIC CONTRACTING PLAN***

15 The AECP is a robust plan that provides FBC with an operating framework in 2017/18 that will
16 ensure a reliable and secure supply of energy while minimizing cost to FBC customers. FBC
17 will enter into market contracts taking into account the objectives outlined above, the available
18 resources shown in Table E-1 above, and the actual market price environment. The actions
19 that FBC takes, and the subsequent PPA Nomination that FBC submits prior to June 30, 2017,
20 will depend on actual energy supply offers that FBC may receive, and the contracts that it is
21 able to execute that are in accordance with this AECP. FBC will contract for market purchases
22 and reduce the PPA Nomination if the market purchases:

- 23 i. ensure sufficient flexibility in the use of PPA energy and capacity;

- 1 ii. are at a lower total cost than if supplied from the PPA;
- 2 iii. help to reduce FBC's portfolio risk; and
- 3 iv. are required to meet FBC's forecast load.
- 4
- 5 Furthermore, within the operating year, FBC will continue to further optimize its portfolio of
- 6 energy and capacity resources to minimize cost to FBC customers.

7 *MANAGING PORTFOLIO RISK*

8 The contracting plan presented above is based on certain assumptions at the time of the filing of
9 this AECP. FBC's access to energy under the PPA remains at 1,752 GWh of energy in each
10 year, regardless of the PPA Nomination, and as such FBC has very little risk that it will not have
11 sufficient energy to meet its load. This is shown in Table E-1 above. FBC's risks are mainly the
12 cost of supply which includes changes to forecast PPA rates, market price risk, currency risk,
13 load forecast changes, generation availability and transmission availability. The contracting
14 plan for the 2017/18 operating year attempts to minimize these risks by ensuring sufficient
15 flexibility in the use of PPA energy and capacity, entering into fixed price contracts to provide
16 price certainty to FBC, and managing the portfolio to address changes to load and resource
17 availability throughout the operating year in order to minimize the cost to FBC customers.

18 *CONCLUSION*

19 FBC's AECP for 2017/18 outlines FBC's load and resource balance over the next four years,
20 and FBC's plan for optimizing its portfolio over the twelve months beginning October 1, 2017.
21 The 2017/18 AECP provides FBC with an operating framework that will ensure a reliable and
22 secure supply of energy while minimizing cost to FBC customers. FBC recommends that the
23 Commission accept the 2017/18 AECP as set out in section 2.