



April 26, 2018

Sent via email

Letter L-8-18

Ms. Diane Roy
Director, Regulatory Affairs
FortisBC Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8
electricity.regulatory.affairs@fortisbc.com

Re: FortisBC Inc. – 2018/2019 Annual Electric Contracting Plan

Dear Ms. Roy:

On March 23, 2018, FortisBC Inc. (FBC) filed its 2018/2019 Annual Electric Contracting Plan (AECF) for the period from October 1, 2018 to September 30, 2019 (2018/2019 operating year) for acceptance by the British Columbia Utilities Commission (BCUC).

The AECF outlines FBC's plans to meet the peak demand requirements and annual energy requirements for the 2018/2019 operating year and the near future. The major components of the 2018/2019 AECF are:

- A Nomination under the Power Purchase Agreement between FBC and BC Hydro for the 2018/2019 operating year equal to 683 GWh, less any firm market contracts that FBC can enter into, pursuant to section 5 of the 2018/2019 AECF; and
- FBC's proposed plan for entering into firm market contracts for operating years 2018/2019 through 2021/2022, which includes a maximum market purchase of 80 GWh prior to June 30, 2018 for operating year 2018/2019.

The BCUC accepts the FBC 2018/2019 AECF and the recommendations contained therein.

The information in the FBC 2018/2019 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 2018/2019 AECF is available to the public and is attached to this letter.

Sincerely,

Patrick Wruck
Commission Secretary

AP/dg
Enclosure

1 EXECUTIVE SUMMARY

2 *INTRODUCTION*

3 The purpose of the Annual Electric Contracting Plan (**AECP**) is to outline FortisBC Inc.'s (FBC or
4 the Company) plan to meet the peak demand and annual energy requirements for the operating
5 year commencing October 1, 2018 and ending September 30, 2019 (the **2018/19 operating year**¹
6 or **2018/19**). The AECP outlines FBC's plan for portfolio optimization to maximize benefits to
7 customers. It includes a review of the market environment, load forecast and available resources.
8 It also provides the justification for FBC's Annual Energy Nomination (**PPA Nomination**) under a
9 power purchase agreement between FBC and British Columbia Hydro and Power Authority (**BC**
10 **Hydro**) (the **PPA**), and facilitates the required separate acceptance under section 71 of the
11 *Utilities Commission Act*² (**UCA**) of energy supply contracts (**ESCs**) that have been contemplated
12 under the AECP.

13 The 2018/19 AECP is similar to the previous year's plan accepted by the British Columbia Utilities
14 Commission (**Commission**) by Letter L-6-17 in that it has the same two major components, which
15 are updated as reflected in the Request for Commission Acceptance section below.

16 *OBJECTIVES OF THE FBC 2018/19 AECP*

17 Consistent with FBC's AECP for 2017/18, the objectives of FBC's AECP for 2018/19 are as
18 follows:

- 19 1. To ensure a firm supply of resources to meet expected annual energy and peak capacity
20 requirements and to maintain an appropriate balance of:
 - 21 a. cost minimization for FBC customers through optimization of FBC resources and
22 market purchases;
 - 23 b. reliability and security, to ensure that cost effective power is available when needed to
24 meet load;
 - 25 c. flexibility, to minimize the risk from changes to load forecast, generation and
26 transmission availability, wholesale power market and BC Hydro rates; and
 - 27 d. operational efficiency, in order to be able to supply load requirements while
28 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 most recently-accepted Long-Term Resource Plan
2 (2012 LTRP³), as well as FBC's last filed resource plan (2016 LTERP⁴).

3 ***UPDATES SINCE THE 2017/18 AECP***

4 On March 27, 2017, FBC filed its 2017/18 AECP on a confidential basis with the Commission.
5 The 2017/18 AECP identified FBC's intention to make its PPA Nomination for the 2017/18
6 contract year equal to 758 GWh, less any firm market contracts that FBC could enter into, as
7 described in section 5 of the 2017/18 AECP.

8 The Commission accepted the 2017/18 AECP on April 27, 2017, by way of Letter L-6-17.

9 Between June 13, 2017 and June 22, 2017, FBC entered into six market contracts for the winters
10 of 2017/18, 2018/19, and 2019/20. On July 28, 2017, FBC filed an application for acceptance of
11 these ESCs between FBC and Powerex Corp. (Powerex) to purchase wholesale market energy
12 and the Commission accepted the ESCs by way of Order E-15-17. As a result of these contracts,
13 the Company subsequently made its PPA nomination of 642 GWh under the PPA before June
14 30, 2017.

15 As the Company is required to take 75 percent of its nominated energy, FBC retained
16 approximately 161 GWh (642 times 0.25) of flexibility in its PPA energy take over the 2017/18
17 operating year to account primarily for variations in forecast load but also to allow for further
18 optimization in response to any spot market opportunities that may become available.

19 On July 25, 2017, FBC and Columbia Power Corporation (CPC) entered into a 10 year energy
20 supply contract which effectively renewed the existing 2013 contract on similar terms, as of
21 January 1, 2018 through December 31, 2027. On September 20, 2017 the Company filed an
22 application for the acceptance of the 10 year contract, which the Commission accepted by way of
23 Order E-17-17.

24 On October 4, 2017, FBC filed notice with Powerex outlining its intention to extend the Capacity
25 and Energy Purchase and Sale Agreement (CEPSA) through September 30, 2019. Powerex
26 accepted this one year extension and consequently, any new market agreements for the 2018/19
27 operating year will continue to be entered into with Powerex in accordance with the terms of the
28 CEPSA.

29 On October 31, 2017, the Company filed an application for the acceptance of an energy supply
30 contract between FBC and Celgar. FBC, from time to time, purchases a relatively small amount
31 of surplus energy from Celgar that is in excess of their load and is not sold to BC Hydro. The
32 Commission accepted this energy supply contract by way of Order E-5-18.

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

On November 30, 2016, the Company filed its 2016 LTERP and LT DSM Plan. On November 24, 2017, FBC filed its reply argument and is now awaiting a decision from the Commission.

In February of 2018, as a result of BC Hydro's purchase of two thirds of the Waneta Dam and associated lease back arrangement, FBC entered into an agreement with Teck to secure access on 71 Line (71L) for the duration of the lease.

Between February 13, 2018 and February 20, 2018, FBC entered into three market contracts with Powerex for market energy for the winters of 2018/19 and 2019/20. On March 16, 2018, FBC filed an application for acceptance of the ESCs with the Commission. FBC is awaiting a Commission decision on the ESCs, however the 2018/19 AECP assumes that these contracts will be accepted as filed.

REQUEST FOR COMMISSION ACCEPTANCE OF THE AECP

Under the PPA, FBC is required to submit its annual PPA Nomination to BC Hydro prior to June 30th of each year. FBC is thus requesting the Commission's acceptance of the 2018/19 AECP by May 1, 2018, to give FBC sufficient time to execute the plan and to enter into market contracts prior to June 30, 2018. With respect to the 2018/19 operating year and in context of the AECP, the Company requests the Commission's acceptance of the following:

- A PPA Nomination for 2018/19 equal to 683 GWh, less any firm market contracts that FBC can enter into pursuant to section 5 of the 2018/19 AECP; and
- FBC's proposed plan for entering into firm market contracts for operating years 2018/19 through 2021/22, which includes maximum incremental market purchases of 80 GWh for operating year 2018/19.

Consistent with the 2017/18 AECP and Letter L-6-17, FBC is requesting that the information contained in the AECP, with the exception of the Executive Summary, be kept confidential pursuant to Section 71(5) of the Act as the AECP contains market sensitive information. Since FBC continues to operate within a competitive environment, disclosure of this information could prejudice FBC's ability to obtain favourable commercial terms in future power purchasing contract negotiations or renegotiation of subsequent contracts, to the detriment of customers.

LOAD FORECAST

The FBC load forecast applicable for the 2018/19 AECP is based on the load forecast developed for FBC's Performance Based Ratemaking Plan Annual Review for 2018 Rates⁵ and also used in the Evidentiary Update filed October 3, 2017 and accepted by the BCUC in Order G-38-18, and is provided in Table E-1 below.

⁵ The forecasts for 2018/19 onward are based on the forecast used in FBC's Annual Review for 2018 Rates, although the Annual Review for 2018 Rates only presented a forecast through December 31, 2018.

ENERGY ANALYSIS

FBC has sufficient firm energy resources in place to meet its energy load forecast over the short term (4 year period). Table E-1 below shows the FBC energy load forecast and the available resources for operating years 2018/19 to 2021/22.

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

(GWh)	2018/19	2019/20	2020/21	2021/22
FBC Gross Load Forecast [A]	3,487	3,487	3,483	3,485
FBC Resources				
FBC Owned Resources	1,587	1,587	1,587	1,587
Brilliant PPA	918	918	918	918
Contracted, Market, and IPP Purchases	299	204	82	82
PPA Tranche 1	1,041	1,041	1,041	1,041
PPA Tranche 2	711	711	711	711
Total FBC Energy Resources	4,556	4,461	4,339	4,339
Total Resources Excluding PPA [B]	2,804	2,709	2,587	2,587
Incremental Energy Requirement [C]= [A]-[B]	683	778	896	899

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 for 2018/19 from the PPA and would select a PPA Nomination of 683 GWh. If FBC is able to enter into firm market contracts or other arrangements prior to June 30, 2018 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 all of its expected demand over the near term (4 year period). The 2018/19 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 2018/19 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 E-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, 2018, 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;
- iii. help to reduce FBC's portfolio risk; and
- iv. are required to meet FBC's forecast load.

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

MANAGING PORTFOLIO RISK

The contracting plan presented above is based on certain assumptions at the time of the filing of this AECP. FBC's access to energy under the PPA remains at 1,752 GWh of energy in each year, regardless of the PPA Nomination, and as such FBC has very little risk that it will not have sufficient energy to meet its load. This is shown in Table E-1 above. FBC's risks are mainly the cost of supply which includes changes to forecast PPA rates, market price risk, currency risk, load forecast changes, generation availability and transmission availability. The contracting plan for the 2018/19 operating year attempts to minimize these risks by ensuring sufficient flexibility in the use of PPA energy and capacity, entering into fixed price contracts to provide price certainty to FBC, and managing the portfolio to address changes to load and resource availability throughout the operating year in order to minimize the cost to FBC customers.

CONCLUSION

FBC's AECP for 2018/19 outlines FBC's load and resource balance over the next four years and FBC's plan for optimizing its portfolio over the twelve months beginning October 1, 2018. The 2018/19 AECP provides FBC with an operating framework that will ensure a reliable and secure supply of energy while minimizing cost to FBC customers. FBC recommends that the Commission accept the 2018/19 AECP as set out in section 2.