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Sent via email

Letter L-8-25

Ms. Sarah Walsh
Director, Regulatory Affairs
FortisBC Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8
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Re: FortisBC Inc. – 2025/2026 Annual Electric Contracting Plan

Dear Ms. Walsh,

On May 9, 2025, FortisBC Inc. (FBC) filed its 2025/2026 Annual Electric Contracting Plan (AECP) for the period from October 1, 2025 to September 30, 2026 (2025/2026 operating year) for acceptance by the British Columbia Utilities Commission (BCUC).

The AECP outlines FBC's plans to meet the peak demand requirements and annual energy requirements for the 2025/2026 operating year and the near future. In addition, it serves to facilitate a more expeditious review for energy supply contracts contemplated in the AECP, each of which require separate acceptance under section 71 of the *Utilities Commission Act*. The major components of the 2025/2026 AECP are:

1. A Nomination under the Power Purchase Agreement between FBC and British Columbia Hydro and Power Authority for the 2025/2026 operating year equal to 1,041 GWh, less any firm market contracts that FBC can enter into pursuant to section 5 of the 2025/2026 AECP, and deferred market purchases to account for uncertain and non-firm load; and
2. FBC's proposed plan for entering into firm market contracts for operating years 2025/2026 through 2028/2029, which includes maximum incremental market purchases of 309 GWh for operating year 2025/2026 and 23 GWh of peak market purchases to cover forecast capacity shortfalls in June and July 2026.

The BCUC accepts the FBC 2025/2026 AECP and the recommendations contained therein.

The information in the FBC 2025/2026 AECP will be treated as confidential, as requested by FBC, as it contains commercially sensitive information, unless otherwise determined by the BCUC. A copy of FBC's non-confidential Executive Summary of the 2025/2026 AECP is available to the public and is attached as Appendix A to this letter.

Sincerely,

Electronically signed by Sara Hardgrave

Sara Hardgrave
Acting Commission Secretary

GP/db
Enclosure

1. EXECUTIVE SUMMARY AND REQUESTS FOR ACCEPTANCE

1.1 *INTRODUCTION*

The purpose of the Annual Electric Contracting Plan (AECP) is to outline FortisBC Inc.'s (FBC or the Company) plan to meet the peak demand and annual energy requirements for the operating year commencing October 1, 2025, and ending September 30, 2026 (the 2025/26 operating year[1] or 2025/26). The AECP outlines FBC's plan for portfolio optimization to maximize benefits to customers. It includes a review of the market environment, load forecast and available resources. It also provides the justification for FBC's Annual Energy Nomination (PPA Nomination) under a power purchase agreement (PPA) between FBC and British Columbia Hydro and Power Authority (BC Hydro) and facilitates the required separate acceptance under section 71 of the *Utilities Commission Act*[2] (UCA) for energy supply contracts (ESC) that have been contemplated under the AECP.

The 2025/26 AECP is similar to the previous year's plan which was accepted by the British Columbia Utilities Commission (BCUC) by Letter L-11-24 in that it requests acceptance of the same two major components of the AECP, FBC's PPA Nomination and its proposed plan for entering into firm market contracts, which are detailed in Section 1.4 of the AECP.

1.2 *OBJECTIVES OF THE FBC 2025/26 AECP*

Consistent with FBC's AECP for 2024/25, the objectives of FBC's AECP for 2025/26 are:

1. To ensure a firm supply of resources to meet expected annual energy and peak capacity requirements and to maintain an appropriate balance of:
   a. cost minimization for FBC customers through optimization of FBC resources and market purchases;
   b. reliability and security, to ensure that cost effective power is available when needed to meet load;
   c. flexibility, to minimize the risk from changes to load forecast mainly due to weather, generation and transmission availability, potential large new customers, wholesale power market and BC Hydro rates; and
   d. operational efficiency, to be able to supply load requirements while 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] *Utilities Commission Act*, R.S.B.C. 1996, Chapter 473.DSA.

2. To be consistent with FBC's most recently accepted Long-Term Electric Resource Plan (2021 LTERP).[3]

1.3 *UPDATES SINCE THE 2024/25 AECP*

On April 19, 2024, FBC filed its 2024/25 AECP on a confidential basis with the BCUC. The 2024/25 AECP identified FBC's intention to make its PPA Nomination for the 2024/25 contract year equal to 1,041 GWh, less any firm market contracts that FBC could enter into, as was described further in the 2024/25 AECP. The BCUC accepted the 2024/25 AECP by Letter L-11-24 on May 9, 2024.

FBC maintained its PPA nomination of 1,041 GWh for the 2024/25 contract year, which was the maximum allowable increase as detailed in Section 5.2.1 of the 2024/25 AECP. A Confirmation of Nomination letter was submitted by FBC to the BCUC on August 15, 2024.

As the Company is required to take at least 75 percent of its nominated energy, FBC retained approximately 260 GWh (1,041 GWh multiplied by 0.25) of flexibility in its PPA energy take over the 2024/25 operating year.

On July 3, 2024, FBC entered into a quarterly market contract with Powerex for market energy for Q1 2025, within the 2024/25 contract year. On August 30, 2024, FBC filed an application for acceptance of this ESC between FBC and Powerex to purchase wholesale market energy and the BCUC accepted the ESC by way of Order E-22-24.

FBC also entered into a number of monthly forward contracts between July 3, 2024 and March 17, 2025, for the 2024/25 contract year, in accordance with the strategies presented in the 2024/25 AECP. These contracts were less than 62 days in length and did not require separate applications under section 71 of the UCA. These purchases were reported within FBC's quarterly reports on Energy Supply Contracts to the BCUC.

On March 21, 2025, FBC entered into a quarterly market contract with Powerex for market energy for Q4 2025, within the 2025/26 contract year. FBC has not yet filed an application for acceptance of this ESC; however, the 2025/26 AECP includes this market contract and is based on the assumption that it will be accepted as filed.

1.4 *REQUEST FOR BCUC ACCEPTANCE OF THE AECP*

Under the PPA, FBC is required to submit its annual PPA Nomination to BC Hydro prior to June 30 of each year. FBC is therefore requesting the BCUC's acceptance of the 2025/26 AECP by June 6, 2025, to give FBC sufficient time to execute the plan and to enter market contracts prior

[3] 2021 Long Term Electric Resource Plan (LTERP) and Long-Term Demand Side Management Plan (LT DSM Plan), Decision and Order G-380-22.

to June 30, 2025. With respect to the 2025/26 operating year, and in the context of the AECP, the Company requests the BCUC's acceptance of the following:

1. A PPA Nomination for 2025/26 equal to 1,041 GWh with a total expected BC Hydro purchase of 1,142 GWh, less any firm market contracts that FBC can enter pursuant to Section 5 of the 2025/26 AECP, and deferred market purchases to account for uncertain[4] and non-firm load; and

2. FBC's proposed plan for entering firm market contracts for operating years 2025/26 through 2028/29, which includes maximum incremental market purchases of 309 GWh for the operating year 2025/26 which includes 23 GWh of peak market purchases to cover forecast capacity shortfalls in June and July of 2026.

FBC requests that the 2025/26 AECP be filed on a confidential basis and held confidential by the BCUC in perpetuity, pursuant to Section 18 of the BCUC's Rules of Practice and Procedure regarding confidential documents as set out in Order G-296-24, and section 71(5) of the UCA. FBC requests that the BCUC exercise its discretion under Section 1.10 of the Rules for Energy Supply Contracts for Electricity (Rules) and allow these documents to remain confidential due to their commercially sensitive nature. The filing contains confidential and commercially sensitive information related to FBC's electricity supply resourcing strategies, including confidential information of third parties that FBC is obligated to protect. FBC procures its energy supply resources in a competitive market and it is customary for competing parties to keep their energy supply portfolio strategies and contracts confidential to protect market sensitive information. Keeping the information confidential will ensure FBC continues to be able to negotiate and obtain favourable commercial terms for future contracting requirements within the competitive environment it operates in. If FBC's supply purchasing strategies are disclosed publicly, this could prejudice or influence future negotiations of contracts between FBC and suppliers or counterparties, which could result in higher costs for customers. FBC is unable to foresee a time when its energy supply resourcing strategies may no longer be commercially sensitive or when its confidentiality obligations to third parties may end and, therefore, FBC requests that the information remain confidential in perpetuity.

A draft Order is attached as Appendix A.

1.5 *LOAD FORECAST*

The FBC load forecast applicable for the 2025/26 AECP is based on FBC's current load forecast[5]and is provided in Table 1-1 below. FBC will review this load forecast, and update if required, prior to the PPA Nomination.

[4] As described in Section 6.10, uncertain load is the energy associated with new large customers that is forecast to occur but has not yet occurred.

[5] The forecast for 2025/26 onward is from the same iteration of the load forecast used in the FBC Application for Approval of 2025 Rates on an Interim Basis.

FBC's load forecast for use in the 2026 LTERP is currently under development. The expectation is that it will be higher than what was presented in the 2021 LTERP and could also impact the current load forecast, particularly the 2027/28 and 2028/29 years. This is due to increasing electrification requirements, resulting in increased electric load. Furthermore, increased adoption of electric vehicles (EVs) will also put upward pressure on FBC's load forecast. These impacts are anticipated to become more evident in future AECP filings, leading to higher forecasted loads in the coming years.

1.6 *ENERGY ANALYSIS*

Table 1-1 below shows the FBC energy load forecast and the available resources for operating years 2025/26 to 2028/29.

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

FBC Load (GWh)	2025/26	2026/27	2027/28	2028/29
FBC Gross Load Forecast [A]	4,072	4,087	4,074	4,080
FBC Resources				
FBC Owned Resources	1,594	1,592	1,592	1,592
Brilliant PPA	910	909	909	909
Contracted and Market Purchases	126	92	43	13
Estimated Purchases for RS 37 & 38	300	316	316	316
PPA Tranche 1	1,041	1,041	1,041	1,041
PPA Tranche 2	711	711	711	711
Total FBC Energy Resources	**4,682**	**4,661**	**4,613**	**4,583**
Total Resources Excluding PPA [B]	2,930	2,909	2,861	2,831
Incremental Energy Requirement [C]= [A] - [B]	1,142	1,178	1,213	1,249

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 executed before June 30, 2025, FBC would maximize the incremental energy requirements for 2025/26 supplied from Tranche 1 PPA energy and would select a PPA Nomination of 1,041 GWh as discussed in Section 5.2.1. FBC has sufficient firm energy resources in place to meet its expected energy load forecast over the short-term (4-year period) on an annual basis. However, on a monthly planning basis there is insufficient firm energy resources available during the winter months to meet the expected load as covered in Section 5.1.2. If FBC is able to enter into firm market contracts or other arrangements prior to June 30, 2025 that would allow FBC to further optimize its portfolio as contemplated in this AECP, FBC may be able to reduce reliance on the PPA, and possibly reduce its 2025/26 Nomination.

1.7 *FBC CAPACITY ANALYSIS*

FBC has sufficient firm capacity resources in place to meet most of the expected peak demand requirements over the short-term (4-year period), however there are capacity gaps during the months of June and July. The 2025/26 AECP includes the optimization of available capacity resources within the operating year to maintain reliable supply to meet peak demand requirements and minimize cost to FBC customers, as well as a plan to address capacity gaps.[6]

1.8 *FBC'S ANNUAL ELECTRIC CONTRACTING PLAN*

The AECP provides FBC with an operating framework that will ensure a reliable and secure supply of energy while minimizing cost to FBC customers. FBC will enter market contracts considering the objectives outlined, the available resources shown in Table 1-1 above, and the current market price environment. The actions that FBC takes, and the subsequent PPA Nomination that FBC submits prior to June 30, 2025, will depend on the contracts that it is able to execute in accordance with this AECP, along with any consideration of risk mitigation for uncertain load. FBC will contract for market purchases to:

1. Meet FBC's forecast load;
2. Help reduce FBC's portfolio risk;
3. Ensure sufficient flexibility in the use of PPA energy and capacity; and
4. Displace PPA energy if available at a lower total cost.

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

1.9 *MANAGING PORTFOLIO RISK*

The AECP is based on the best available information at the time of filing. 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 sufficient energy to meet its expected load on a total annual basis. This was previously shown in Table 1-1. However, due to increasing load on the system, FBC is now forecasting capacity gaps during the months of June and July along with monthly winter energy shortfalls, which results in some exposure to wholesale market prices. The forecast capacity gaps are shown in Table 1-2 below. The 2025/26 capacity gaps have decreased relative to prior years due to the expiration of the Residual Capacity Agreement (RCA) whereby FBC sold 50 MW of capacity to BC Hydro over the past 10 years. FBC did not consider an extension of this contract or alternative sales arrangement with another counterparty, as FBC can make use of much of this capacity to meet load, while continuing to sell any remaining system surplus under the terms of the Capacity and Energy Purchase and Sale Agreement (CEPSA) with Powerex. The increase in

[6] As discussed in the 2021 LTERP, FBC plans to enter into market capacity block purchases to address any capacity gaps on a forward basis until new resources can be acquired.

capacity gaps that occurs in 2027/28 is due to the expiration of the Brilliant Expansion (BRX) contract.

Table 1-2: FBC Projected Monthly Capacity Shortfalls

Shortfall (MW)		
Contract Year	June	July
2025/26	-39	-15
2026/27	-39	-15
2027/28	-70	-60
2028/29	-76	-67

As discussed in the 2021 LTERP, FBC plans to procure market capacity blocks to address any capacity gaps on a forward basis until new resources can be acquired. FBC is also faced with winter energy supply shortfalls because of increased load and reduced forward market contracts within the portfolio. FBC proposes strategies to mitigate summer and winter market exposure in Section 5.1. These proposed market purchases would not be done to economically displace the PPA, instead they would address summer capacity gaps, and free up flexibility under the PPA during winter.

FBC's risks are mainly the cost of supply which includes changes to forecast PPA rates, exposure to different thresholds of PPA energy prices, market price risk, currency risk, but also include load forecast changes, generation and transmission availability, and uncertain load.

Furthermore, FBC recognises that wholesale electricity prices have increased and become more volatile in recent years due to multiple factors, including but not limited to: resource adequacy concerns, variability in natural gas prices, and increased severe weather events.

The contracting plan for the 2025/26 operating year minimizes these risks by securing firm power to meet expected load, mitigating exposure to wholesale market prices on a forward basis, entering into fixed-price contracts to provide price certainty to FBC, ensuring sufficient flexibility in the use of PPA energy and capacity, 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.

1.10 *CONCLUSION*

The AECP for 2025/26 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, 2025. The 2025/26 AECP provides FBC with an operating framework that will ensure a reliable and secure supply of energy while minimizing cost to FBC customers.

In summary, FBC plans to mitigate exposure to summer capacity gaps and winter energy supply shortfalls by contracting for firm forward market resources. These purchases would not be done to economically displace the PPA, instead they would address summer capacity gaps, and free

up flexibility under the PPA during winter. FBC currently plans to select a PPA Nomination of 1,041 GWh for 2025/26, which is the maximum PPA Tranche 1 energy amount, as discussed in Section 5.2.1, and mitigate any exposure to energy requirements above the nomination within its post-nomination strategy. However, should market conditions permit, the actual PPA Nomination could still be reduced as a result of firm market contracts that FBC is able to enter into, to a maximum of 309 GWh.