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August 4, 2022

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, B.C.
V6Z 2N3

Attention: Ms. Sara Hardgrave, Acting Commission Secretary

Dear Ms. Hardgrave:

Re: FortisBC Inc. (FBC)

2021 Long-Term Electric Resource Plan (LTERP) and Long-Term Demand-Side Management Plan (LT DSM Plan) (Application) – Project No. 1599244

Response to the British Columbia Utilities Commission (BCUC) Panel Information Request (IR) No. 2

On August 4, 2021, FBC filed the Application referenced above. In accordance with the regulatory timetable established in BCUC Order G-199-22 for the review of the Application, FBC respectfully submits the attached response to BCUC Panel IR No. 2.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC INC.

Original signed:

Diane Roy

Attachments

cc (email only): Registered Parties

FortisBC Inc. (FBC or the Company) 2021 Long-Term Electric Resource Plan (LTERP) and Long-Term Demand-Side Management Plan (LT DSM Plan) (Application)	Submission Date: August 4, 2022
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1 **6.0 Reference: FORTISBC INC. APPLICATION FOR APPROVAL OF A LARGE**
2 **COMMERCIAL INTERRUPTIBLE RATE FortisBC Inc. Large**
3 **Commercial Interruptible Rate Proceeding,¹ Exhibit B-1, pp. 9–11;**
4 **Exhibit B-1 (2021 LTERP Application), Executive Summary, p.**
5 **ES-1, Section 2.5.7, p. 80, Section 13.2; p 216, Exhibit B-16, RCIA IR**
6 **41.1; Exhibit B-6, BCSEA IR 3.3**
7 **Clean Market Adder**

8 On page 9 of FortisBC Inc.'s Application for Approval of a Large Commercial Interruptible
9 Rate, FortisBC Inc. (FBC) states:

10 In addition, depending on whether the BCUC approves a related request contained
11 in the Company's Long-Term Electric Resource Plan (LTERP), a Clean Market
12 Adder may also be billed.

13 On pages 10 and 11 of the same application, FBC continues:

14 In its 2021 LTERP, FBC proposed a Clean Market Adder (as defined above, CMA)
15 as a proxy for purchasing clean energy that is added to the electricity market price
16 forecast included in the LTERP, based on a forecast from IHS.⁶ A description of
17 the CMA and its underlying assumptions and rationale is contained in the LTERP
18 filed with the BCUC.⁷ At the date of filing this Application, FBC has not received a
19 decision from the BCUC regarding the LTERP. Once a BCUC decision has been
20 received, the LCIR [Large Commercial Interruptible Rate] will be updated to either
21 remove the CMA or update the amount of the CMA in accordance with BCUC
22 direction. If the CMA is accepted as part of the LTERP process, but not
23 incorporated in the LCIR, then FBC could not cover any premium to buy clean
24 power.

25 On page ES-1 of the 2021 LTERP and Long-Term Demand-Side Management Plan (2021
26 LTERP Application), FBC states:

27 There are no approvals being sought by FBC as part of this LTERP submission.
28 Any requests for approval of specific resource needs that are identified within this
29 plan will be further evaluated and brought forward through a separate application
30 to the BCUC if warranted in the future. [Emphasis added]

31 On page 80 of the 2021 LTERP Application, FBC states:

32 A clean market price adder as a proxy for purchasing clean energy is added to the
33 electricity market price forecast and is based on a forecast from IHS. The Mid-C
34 market price forecast is based on current and expected supply in the Pacific

¹ FBC. Large Commercial Interruptible Rate Proceeding.

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1 Northwest, which includes coal and gas resources, and therefore a clean market
2 adder is used to represent the cost of purchasing only clean market power. The
3 clean market adder forecast from IHS reflects the assumption of a renewable
4 energy credit (REC) oversupply in the Mid-C market, as utilities in the Pacific
5 Northwest are planning to exceed state-mandated renewable portfolio standards.
6 Purchasing a REC certifies that the power is clean electricity and represents the
7 clean energy attributes of renewable electricity. An organized REC market with
8 published prices does not currently exist in the Pacific Northwest and the clean
9 market adder forecast is merely indicative at this time. [Emphasis added]

10 In response to Residential Consumer Intervener Association (RCIA) information request
11 (IR) 41.1 in the 2021 LTERP proceeding, FBC stated:

12 The clean market price of \$2 per MWh on a levelized basis is a reasonable
13 placeholder established by an independent third party for the premium associated
14 with the delivery of clean power and should be viewed as an estimate only. The
15 actual cost for clean market power will be a point of negotiation between FBC and
16 Powerex or another third party. The implementation may not necessarily be a REC
17 adder, but rather a service fee for sourcing and providing power from resources
18 considered clean and renewable under the Clean Energy Act. [Emphasis added]

19 On page 216 of the 2021 LTERP Application, FBC outlines several action items for the
20 2021 LTERP, including the following:

21 **8. Transition to clean market purchases**

22 As discussed in Section 10.4, FBC has assumed for the purposes of this LTERP
23 that future market energy purchases are sourced from clean or renewable
24 generation and, as such, has applied a clean market adder to the cost of its market
25 purchases. FBC intends to pursue this option with Powerex, its current market
26 supplier per the CEPSA, and plans to provide an update on its status in a future
27 FBC Annual Electric Contracting Plan filing. [Emphasis added]

28 In response to BC Sustainable Energy Association (BCSEA) IR 3.3 asking if
29 implementation of clean market purchases by FBC required additional approval, or if
30 BCUC acceptance of the 2021 LTERP was sufficient, FBC stated:

31 FBC considers that BCUC acceptance of this action item in its decision on the
32 2021 LTERP is sufficient for FBC to negotiate an agreement for clean market
33 purchases that would then be subject to BCUC approval.

34 6.1 Please clarify if FBC is seeking approval for either the concept or the actual amount
35 of the Clean Market Adder in the 2021 LTERP Application. If no approval is sought,
36 please provide FBC's views on the best forum for seeking the BCUC's approval of
37 either the concept or the actual amount of the Clean Market Adder.
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1 **Response:**

2 FBC confirms that it is only seeking acceptance of the 2021 LTERP as part of this Application.
3 As the 2021 LTERP includes the concept of a Clean Market Adder in item 8 of FBC’s Action Plan,
4 FBC considers that it is accurate to say that it is seeking acceptance of the concept of a Clean
5 Market Adder as part of the 2021 LTERP.

6 FBC further confirms that it considers that BCUC acceptance of the 2021 LTERP, including the
7 concept of the Clean Market Adder, would only be sufficient to encourage FBC to proceed with
8 negotiation of an agreement for clean market purchases, which would then be subject to BCUC
9 review and approval. More specifically, FBC anticipates that any Clean Market Adders would
10 qualify as an energy supply contract, which would be subject to review and acceptance by the
11 BCUC under section 71 of the *Utilities Commission Act (UCA)*.

12 Finally, FBC confirms that it would seek an approval or acceptance specific to some form of Clean
13 Market Adder as part of the approval or acceptance of any agreement with Powerex that
14 contained a Clean Market Adder, or a similar provision. At the current time, FBC cannot determine
15 whether the form of such a provision would be a specific amount or a formulaic determination.
16 When FBC files the agreement with Powerex, the BCUC would have the opportunity to review
17 the amount, cost and other aspects of any Clean Market Adder.

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21 6.2 Please reconcile FBC’s intent with the above referenced statements made in the
22 in FBC’s Large Commercial Interruptible Rate Application, in contrast to the
23 statements contained in the 2021 LTERP Application.

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25 **Response:**

26 The use of the term “approved” in Section 3.2.1.2 of the Large Commercial Interruptible Rate
27 (LCIR) Application was an inadvertent error. FBC intended for this language to be consistent with
28 that on page 11, line 5, and page 20, line 21, of that application which only referred to BCUC
29 “acceptance” of the 2021 LTERP, which would signal that FBC could move forward with the
30 concept of a Clean Market Adder during future power purchase negotiations. With regard to the
31 LCIR, the key aspect is that there is a provision to include a Clean Market Adder when and if
32 power purchases made by FBC were to include such a consideration.

33

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36 6.3 Please provide FBC’s view on the implications of the BCUC’s acceptance or
37 rejection of the 2021 LTERP, with respect to the use of the Clean Market Adder
38 for rate setting purposes in subsequent proceedings.



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Response:

If the BCUC accepts the LTERP, including the concept of a Clean Market Adder, then FBC would negotiate for the inclusion of clean market purchases in a new or existing agreement, which would then be subject to BCUC acceptance under section 71 of the UCA. To the extent that FBC subsequently gained BCUC acceptance for power supply options that include clean market purchases, the costs would be incorporated into the overall power supply portfolio and would be reflected in customer rates. While the Clean Market Adder could be directly incorporated into the Large Commercial Interruptible Rate, which is market-based, FBC views it as unlikely that there will be any other specific retail rates developed that contain such a provision.

If the BCUC rejects the 2021 LTERP, or specifically rejects the concept of the Clean Market Adder in the 2021 LTERP, then FBC would need to carefully consider the BCUC's reasoning in its decision and determine whether it would still proceed with any negotiations for clean market purchases and file any agreement with the BCUC.

6.3.1 Please provide FBC's views on the implications of the BCUC acceptance or rejection of the 2021 LTERP, with respect to the need for further BCUC approvals for other underlying components of the 2021 LTERP or its underlying assumptions.

Response:

Just as the BCUC's acceptance of the LTERP does not imply approval for FBC to implement the recommended supply portfolio or DSM plan, FBC does not view BCUC acceptance of the 2021 LTERP as providing approval for any rate, project, program, or expenditure for which it would otherwise be required to seek approval under the UCA. The implications of any BCUC rejection of all or a part of the 2021 LTERP would need to be considered in light of the BCUC's reasons in its decision.

6.4 Please provide FBC's view on underlying cost trends which may directionally influence the Clean Market Adder over time, and the possible magnitude of any changes, based upon FBC's current knowledge of the drivers affecting the future availability and cost of clean power.



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1 **Response:**

2 The estimated cost of a Clean Market Adder used in the LTERP application was based on a high-
3 level assessment by IHS Markit of technology and power market fundamentals to determine the
4 potential cost of an unbundled Renewable Energy Credit (REC), if such a market were available.
5 The Western Electricity Coordinating Council (WECC) currently does not have a centralized REC
6 market. The ultimate cost of the Clean Market Adder would be a point of negotiation between
7 FBC and Powerex and submitted to the BCUC for review and acceptance under section 71 of the
8 UCA. FBC would most likely be seeking to negotiate a Clean Market Adder that has a fixed cost
9 over a predetermined term.

10 FBC recognizes that the negotiated value of a Clean Market Adder could vary over time and a
11 mutually agreeable price will depend on market dynamics. At this time, FBC considers it likely
12 that the Clean Market Adder cost will decline over time for market energy purchased during non-
13 regional peak hours when capacity is not a concern. As additional renewable energy projects in
14 the region are built over time, and correspondingly more clean electricity becomes available in
15 the market, the price or market value of the environmental attributes produced by the clean energy
16 projects are likely to decrease. This is based on the belief that most new resources will qualify
17 for purchase as clean power. Therefore, as these new resources continue to enter the market,
18 over time, they will effectively become the market. In the case where the obligations of Renewable
19 Portfolio Standards (RPS) for US utilities were to increase or accelerate at a speed faster than
20 new clean resources are brought online, the demand and price for a Clean Market Adder
21 equivalent product, if an open market were to exist, would increase in the shorter term.

22 FBC anticipates market power for capacity purposes, or the value of clean power during the
23 regional peak hours, will increase. If supply of market power is limited as a result of clean
24 intermittent resources not generating at a time when loads are high, then it may not be possible
25 to buy clean power, or any power at all, at any price. Therefore, the value of a Clean Market
26 Adder during regional peak hours will likely be far greater than the value during non-system peak
27 hours.

28 On a planning basis, FBC intends to be capacity self-sufficient, but will be dependent on the
29 market for energy purposes. FBC believes it will be able to procure clean market power for energy
30 purposes with the use of a market adder and therefore has assumed zero GHG emissions
31 associated with market power in the LTERP. For clarity, FBC does not intend to ensure that all
32 market purchases qualify as clean on an operational basis, but rather only when it is reasonable
33 to do so. FBC has also stated the market is an important resource in meeting the Planning
34 Reserve Margin. In the event loads are greater than anticipated or in a contingency event, if FBC
35 is required to go to the market and clean power under the terms of FBC's contract with Powerex
36 is not available, FBC plans to accept this small proportion of non-clean energy into its portfolio as
37 needed to avoid a loss of load event.

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2 6.5 Please discuss the results of any discussions with Powerex to date, or provide
3 timelines for future anticipated discussions related to the concept of a Clean
4 Market Adder, on a confidential basis if necessary.

5
6 **Response:**

7 To date, FBC has only discussed the concept of a Clean Market Adder with Powerex to confirm
8 that, conceptually, it should be possible for the large majority of FBC's required market purchases
9 to come from clean or renewal resources at a reasonable cost. The exact terms, including pricing,
10 of such an agreement would be determined through future discussions. FBC does not anticipate
11 any further discussions in regard to the potential for a Clean Market Adder until such time as a
12 decision on the LTERP is received.

13



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1 **Response:**

2 FBC confirms it is currently collaborating with other BC utilities regarding climate mitigation and
3 adaptation. FBC has contacted BC Hydro to discuss their efforts and approach regarding climate
4 change adaptation and mitigation. FBC will continue its dialogue with BC Hydro throughout the
5 development of its climate change adaptation plan. FBC is also collaborating with FortisBC
6 Energy Inc. (FEI) and will continue to do so.

7 FBC would be open to working with BC Hydro to address common issues such as extreme
8 weather impacts on infrastructure and operations. FBC has recently reached out to BC Hydro to
9 see if they would be interested in participating in a joint research project to better understand the
10 risk of extreme weather across the province of BC. At this time, there are no further developments
11 to report.

12
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15 7.2 To the best of FBC’s knowledge, is there any precedent of BC utilities working
16 together on similar common issues, such as the flooding and extreme weather
17 mitigation business cases which have yet to be completed?

18

19 **Response:**

20 FBC has historically been involved in industry working groups and is a signatory to several mutual
21 aid agreements across Canada and the United States. While primarily focused on providing
22 support in the event of equipment shortages or emergency response, participation in these
23 agreements and associated meetings allows for the informal sharing of current challenges and
24 opportunities with respect to wildfire and climate change mitigation strategies. FBC is also in
25 regular, informal contact with BC Hydro to share information and processes around wildfire
26 mitigation and risk assessments as both utilities share mutual interests, similar service territories,
27 and often have overlapping infrastructure.

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31 7.2.1 Please discuss the pros and cons of collaborating with other utilities on
32 developing strategies in response to common risks or problems such as
33 disaster recovery planning.

34

35 **Response:**

36 FBC places a high value on collaboration, both internally and externally. FBC actively participates
37 in, and contributes to, conferences and professional associations where experiences and
38 expertise are shared across a wide spectrum of operating environments. The benefits from these



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1 collaborative efforts include increased awareness and preparedness by hearing about the
2 outcomes of events and lessons learned at other organizations. Disaster recovery planning is one
3 example where FBC benefits from the identification and assessment of common risks through
4 collaboration with other utilities.

5 FBC already actively collaborates with other utilities and critical infrastructure providers, both in
6 Canada and in the United States. While there are similarities in how other utilities assess and
7 manage risk, the risk tolerance levels, as well as access to resources to manage those risks, often
8 differ.

9 A potential downside to a collaborative approach can be the dilution of individual organizational
10 priorities in favour of the more homogenous and generic approach of a group. Additionally, the
11 different operating models, corporate priorities, and regulatory jurisdictions between various
12 organizations can create challenges. Despite this, where possible, FBC's preferred approach will
13 be to continue to seek opportunities for collaboration.

14