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September 7, 2017

British Columbia Utilities Commission  
Suite 410, 900 Howe Street  
Vancouver, BC  
V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

**Re: FortisBC Inc. (FBC)**  
**Self-Generation Policy Stage II Application – Project No. 1598895**  
**FBC Comments on Outstanding Issues (Exhibit A-6)**

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On August 10, 2017, the British Columbia Utilities Commission (the Commission) issued Exhibit A-6 in the FBC Self-Generation Policy Stage II Application (the Application) seeking input from participants regarding the best process for moving forward, and inviting comment on a number of matters as described therein.

The following are the comments of FBC on the points raised by the Commission, in the order and under the headings provided in Exhibit A-6.

**1) Matters relating to Section 2.5 of the 2014 Rate Schedule 3808 Power Purchase Agreement between FBC and the British Columbia Hydro and Power Authority (BC Hydro) (Order G-60-14), and the extent to which it:**

**a) Is necessary/effective in protecting BC Hydro's ratepayers;**

FBC is supportive of concluding the work that has been done to date on the self-generation policies (SGP) in its service area. FBC and stakeholders have worked hard in participating in past Commission proceedings that have led to this point and in developing the SGP in light of them.

The Panel in the PPA Decision suggested that it may be premature to remove Section 2.5 of the PPA while the FBC SGP is not in place. However, with the SGP in the form that FBC has proposed, FBC is hopeful that the concerns which prompted that statement can be addressed.

Beyond that, having had the opportunity now to work under the New PPA, FBC's experience confirms that BC Hydro's ratepayers are unlikely to be significantly impacted even if there were not an SGP in FBC service territory. The possibility to which serving FBC self-generating customers other than on a net-of-load basis gives rise is that FBC would increase its use of BC Hydro power to serve additional demand within FBC service territory. However, as the Panel observed in the PPA Decision, "*any embedded cost energy that could have been used to serve incremental load under the 1993 PPA has almost totally been eliminated by the terms of the New PPA due to the introduction of the Tranche 1 cap, the Tranche 2 price and the Energy and Nomination Scheduling requirements.*"<sup>1</sup>

In this regard, the Section 2.5 restrictions will be unlikely to have any significant influence on the Company's power purchase decisions, regardless of whether or not the power is required to serve the below-load requirements of a self-generating customer.

In light of this basic fact, FBC does not view Section 2.5 as necessary in protecting the ratepayers of BC Hydro (which includes FBC). This being said, FBC acknowledges that its position leading up to the PPA Decision (Exhibit C1-24) included the following:

21. All this being said, even if as a practical matter FortisBC would not seek to access additional BCH power in the current environment to serve self-generator customers, FortisBC acknowledges that it would theoretically be able to do so in the absence of the restrictions in s. 2.5 of the New PPA. FortisBC acknowledges that BC Hydro desires the certainty provided by the restrictions in s. 2.5 of the New PPA and that, without that certainty, BC Hydro may engage in certain conduct which results in additional time and cost being incurred at a later stage, to deal with an issue that the parties have already addressed in s. 2.5 of the New PPA as it presently stands. This is not intended to be critical of BC Hydro, but clearly, if the restrictions in s. 2.5 were not included in the New PPA now, it is reasonable to assume that BC Hydro would:

- (a) seek to revisit the New PPA in order to include them if economic or other circumstances changed such that increased purchases of New PPA power from BC Hydro were likely to occur; and
- (b) be more inclined to continue to intervene in FortisBC regulatory proceedings in order to ensure its perceived interests were safeguarded.

In all the circumstances, it is less important to FBC whether or not the restriction remains than that some finality is given to the issue, such that all parties can begin discussions to reach operational agreements that reflect whatever the ultimate Commission decision determines regarding the terms of service.

**b) Is necessary/effective in protecting FBC's ratepayers;**

Section 2.5 of the PPA, (or more accurately, Section 2.1 of the predecessor agreement), was added as a means to provide protection to BC Hydro and its customers. FBC does not consider that the provision was intended to provide protection to its customers. Even

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<sup>1</sup> G-60-14 Decision, page 98.

considering the fact that FBC is itself a ratepayer of BC Hydro, the Company is of the opinion that any impact stemming from the removal of the restriction, in the highly unlikely event that any impact occurred, would be so minor that it could effectively be considered nil.

**c) Affects the ability of FBC and its customers to establish terms of service; and/or**

The ability of FBC and its customers to initially establish the terms of service is best served by having clarity and finality around the Section 2.5 issue. The removal of the Section 2.5 restrictions from the PPA would be the outcome that leads to the minimum amount of effort from the parties in establishing those terms; however, even in the case where the restrictions remain, FBC believes that the mechanism agreed upon between FBC and BCH in the Energy Export Agreement (approved by Commission Order G-60-14) to allow FBC exports from the Waneta Expansion at the same time PPA power was being taken could be adapted to enable FBC to serve its customers as is appropriate. Once the general mechanisms are agreed upon between FBC and BC Hydro to account for the flow of energy, any future FBC customer terms of service would be routine.

**d) Affects regulatory efficiency.**

FBC's comments regarding regulatory efficiency are closely aligned to the discussion of the ability to establish terms of service. Once a decision is reached with respect to the Section 2.5 restrictions, and particularly in the case where the Company's SGP is also approved, FBC does not envision that it will be required to submit further applications to the Commission for the routine establishment of terms of service for customers, other than the final approval of those terms as would be the case regardless of the outcome of the SGP process.

**2) Matters relating to the utility's obligation to serve and/or the self-generator's obligation to offset load as it pertains to:**

- a) Existing FBC self-generation customers under their current configuration;**
- b) Existing FBC self-generation customers who wish to take advantage of idle generation capacity and/or add to existing self-generation capacity; and**
- c) Existing or new FBC customers wishing to become self-generators.**

FBC has concerns about the reopening of issues that the Commission has already addressed. For example, as a useful backdrop for what has since transpired, in its decision in Stage 1 of the Self Generation Policy Application the Panel noted [footnotes omitted] on page 32:

FortisBC has put forward a GBL construct that is meant to define the level a self-generator that must use for self-supply before exporting is allowed. FortisBC states that the GBL consequently defines the supply obligation of the utility [i.e. the customer's load minus the amount the customer is required to self-supply.]

Celgar states that the obligation to serve is a foundational principle that is either expressly or implicitly recognized in most, if not all, past Commission decisions regarding self-generation. Celgar also holds that the utility has an obligation to serve the self-generator's full load.

The Panel has several concerns with Celgar's view of setting the GBL on the basis of the utilities obligation to serve.

First, it does not address the concept that the Panel has already endorsed of a self-generator only being able to sell self-generation that is not a risk to other ratepayers. Celgar's proposal does not address or ensure that risk to other ratepayers is mitigated.

Second, Celgar has stated, and the Panel has already disagreed, that a self-generator should be entitled to have its full load served by the utility and that the utility has an obligation to serve that load. Celgar's proposal to have the GBL set on the basis of the utility obligation to serve a full load would result in a GBL of zero and thus rendering the GBL concept moot. Furthermore, under this proposal all the benefits would go to self-generator and there would be no sharing of benefits.

Finally, the Order G-38-01 proceeding was set up precisely to define the obligation to serve customers with self-generation, as evidence by the title of the proceeding: BC Hydro's Obligation to serve Rate Schedule 1821 Customers with Self-Generation Capacity Application. The issue to be resolved in that proceeding was whether and to what extent a self-generator can sell its self-generation output while taking power at embedded cost rates. In that proceeding there was no determination made that the starting point was determining the obligation to serve, rather quite the opposite. The Panel determined that a baseline was set on the basis of how much the customer had to self-supply. The obligation to serve was implicit: the customer's load less the amount the customer was required to self-supply.

For these reasons, the Panel supports a GBL construct to mitigate the risk to other ratepayers that demarks the amount of electricity that the customer must generate for self-supply prior to using any self-generation for export. As pointed out by FortisBC, this consequently defines the supply obligation of the utility.

FBC continues not to agree with the position that FBC has an obligation to serve the full plant load of a customer with self-generation without regard any other considerations such as impact to remaining customers or the historical practice of the customer. FBC agrees with the Panel in this regard, as at Stage 1 the Panel rejected the position with which FBC disagrees.

The proposals contained in the Company's Stage II SGP Application effectively address the issues raised, for the term of the agreement between FBC and its customer.

The provisions contained in the proposed SGP are sufficient to deal with each of the circumstances described in the above bullet points.

**3) Matters relating to the extent to which FBC should be neutral, encouraging or discouraging towards self-generation.**

In the Stage I Application, the Company stated,

FBC supports the principle that the decision by a customer to install self-generation should be made by the customer based on the merits of the project. In general, it is not the role of the utility to either encourage or discourage the installation of customer-owned generation by any customer. Rather, customers should be free to make strategic investment decisions appropriate to their circumstances which may include consideration of the benefit that the self-generation provides to FBC customers as a whole, including the self-generating customer.

This remains the basic position of FBC today. If a self-generating customer wishes to sell its output to FBC and can do so at a price that is comparable to a resource of similar characteristics to which the Company has similar access, then FBC would consider this within the overall resource planning criteria. This does not constitute an incentive and would not cause harm to other customers.

**4) Matters relating to the measurement and allocation of any benefits/costs arising out of self-generation activity.**

The SGP filed by FBC addresses the benefits/costs by making an assumption that such net-benefits may exist. Any attempt to actually define, identify, measure and provide some form of compensation based on that exercise to either a customer or FBC is likely to be an incredibly difficult and contentious undertaking that seems unlikely to justify the effort and expense to other customers. FBC does not consider that anything further is required in this regard.

**5) A consideration of whether the SGP Stage 1 decision and accompanying directives provide the most appropriate foundation for moving forward.**

The SGP Stage 1 Decision was the basis for the Company's Stage II Application. Although FBC has stated that it has reservations regarding some of the potential outcomes of the SGP as filed, it expressed those reservations (such as the in the response to BCUC IR 1.3 referenced above) not because it is seeking to abandon the process, but in an effort to make clear institution of the SGP, which FBC can certainly work with, is not without risk.

**6) Within this context, the Panel wishes to explore if, and potentially the extent to which, the key issues of the current proceeding are:**

- a) appropriately framed;
- b) still relevant;
- c) still require a remedy; and/or
- d) within the jurisdiction of the Commission.

The overall SGP is a collective of policies and rates that describe how service to a customer with self-generation within the FBC service area is to be managed. FBC considers that providing some clarity to customers through these documents is a positive outcome and that they are still relevant and should be put in place. As the SGP is structured, FBC believes that the Commission has jurisdiction to decide the matter. FBC does not see it as necessary to frame the SGP as linked directly to the Section 2.5 restrictions since those restrictions can either stay or be removed without impacting the SGP in its current state.

**7) Additional Comments,**

- 1. Should the current proceeding proceed or be dismissed?**
- 2. If your view is that the proceeding should be dismissed, what issues remain that the Commission must address through some other means?**
- 3. What approach would be most effective in addressing any issue(s) identified in response to question 2?**

In the view of FBC, the current process should be allowed to proceed.

If further information is required, please contact Corey Sinclair, Manager, Regulatory Affairs at 250-469-8038.

Sincerely,

**FORTISBC INC.**

***Original signed:***

Diane Roy

cc (email only): Registered Parties