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March 16, 2018

British Columbia Public Interest Advocacy Centre  
Suite 208 – 1090 West Pender Street  
Vancouver, B.C.  
V6E 2N7

Attention: Ms. Leigha Worth, Executive Director

Dear Ms. Worth:

**Re: FortisBC Inc. (FBC)**

**Project No. 3698820**

**Self- Generation Policy Stage II Application (the Application)**

**Response to the British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre *et al.* (BCOAPO) Information Request (IR) No. 1**

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On November 10, 2016, FBC filed the Application referenced above. In accordance with the British Columbia Utilities Commission Order G-51-18 setting out the amended Regulatory Timetable for the review of the Application, FBC respectfully submits the attached response to BCOAPO IR No. 1.

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

Sincerely,

**FORTISBC INC.**

***Original signed:***

Diane Roy

Attachments

cc (email only): Commission Secretary  
Registered Parties



FortisBC Inc. (FBC or the Company) FBC Self-Generation Policy Stage II Application (the Application)	Submission Date: March 16, 2018
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1    **1.0    Reference: Exhibit B-1, page 3, lines 30-32**

2            1.1    Please explain the basis for FBC's contention that "there is not likely to be any  
3                    great distinction between the net benefits provided to other customers of the  
4                    utility by Scenario 2 and 3 customers on the one hand, and those that choose to  
5                    operate pursuant to a GBL on the other". In doing so, please explain what FBC  
6                    considers to be the basis the net benefits under each scenario.

7  
8    **Response:**

9    The comment was included in the Application in the interest of customer equity. To the extent  
10   that the presence of self-generation results in some net-benefit, it must not only result from  
11   those customers that intend to operate pursuant to an SSO, but also those that will not and for  
12   whatever reason choose only the RS37 option. While there may be some differences between  
13   the two alternatives that could be identified through some additional process, which FBC has  
14   indicated is not realistic, the Company's view is that substantial differences are unlikely. The  
15   exact benefits are not identified and FBC is not proposing that they should be for the reasons  
16   stated in the response to BCUC IR 2.21.1.

17



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1    **2.0    Reference: Exhibit B-1, page 5, lines 1-3**

2            2.1    Please confirm that only customers under Scenario 1 (per page 3) would have a  
3                    Self-Supply Obligation and a GBL.

4  
5    **Response:**

6    The FBC SGP contains only a proposal for an SSO. There is no GBL in the SGP.

7    The scenarios described in the SGP serve to describe the current status of an SG customer  
8    within the context of the SGP. They do not indicate whether a customer has an SSO or not.  
9    Any customer with self-generation could request and receive an SSO. However, once they  
10   began using it they may (as is the case with a Scenario 1 customer) remain in the same  
11   scenario, or (as is the case with a customer currently in Scenario 2 or 3) change the scenario  
12   that properly describes them.

13  
14

15

16            2.2    Please also confirm that while customers under Scenario 1 may contract for  
17                    Stand-by Service, their SSBD would be set at 100% of the maximum level of  
18                    Stand-by Service that can be supplied to the customer.

19

20    **Response:**

21    Confirmed.

22



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1    **3.0    Reference: Exhibit B-1, page 7, lines 28-32**

2            3.1    Please outline the circumstances under which FortisBC considers harm could  
3                    occur to BC Hydro and why the prospect for such circumstances is remote.

4  
5    **Response:**

6    Please refer to the response to BC Hydro IRs 1.1.6.1 and 1.2.1.1.

7



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1   **4.0   Reference: Exhibit B-1, page 13, liines17-21**

2           4.1   Please confirm that customers served at less than 750 volts would not be  
3           capable of having self-generation in excess of 50 kW.

4  
5   **Response:**

6   Not confirmed. It is possible for customers served at less than 750 volts to have self-generation  
7   in excess of 50 kW. However, it is the case that a customer served at less than 750 volts that  
8   has installed generation with a capacity greater than 50 kW would not be eligible for the  
9   Company's Net Metering Program.

10  
11

12  
13           4.2   If not confirmed, does this mean that provision should be made for the Self-  
14           Generation Policy to be applicable to customers served at Secondary voltage?

15  
16   **Response:**

17   In the view of FBC, eligibility for the SGP should remain as specified by the Commission –  
18   industrial customers served at primary distribution and transmission voltages.

19



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1   **5.0   Reference: Exhibit B-1, page 14, lines 9-23**

2           5.1   Please outline of the “distinct issues” (per lines 17 and 23) associated with  
3           Wholesale customers that would suggest the Self-Generation Policy may be  
4           universally applicable.

5

6    **Response:**

7    Please refer to the response to BCUC IR 2.9.3.

8



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1    **6.0    Reference: Exhibit B-1, page 14, lines 24-30**

2           6.1    Please explain further the point that FortisBC is seeking to make in the  
3           paragraph at lines 24-30 and how it relates to Section 2.5 of the PPA.

4  
5    **Response:**

6    The referenced lines from the Application are intended to state simply that if the additional  
7    revenue that may be derived from serving the increased load of an SG customer (resulting from  
8    sales of below load power) is not greater than the additional costs involved in serving that load,  
9    other customers will not be better off. This will be the case regardless of what transpires with  
10   Section 2.5 of the PPA or the impact or lack of impact to the customers of BC Hydro.

11



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1    **7.0    Reference: Exhibit B-1, pages 14-15, Section 2.4.2**

2            7.1    What are the implications for customers seeking to develop self-generation from  
3            resources that are not clean or renewable of FBC's Self-Generation Policy not  
4            applying to their circumstances? For example, will FBC not provide them with  
5            Stand-by Service and not establish an SSO if requested?  
6

7    **Response:**

8    The SGP included in the Application (the SSO and SBBB reduction) are only available for  
9    customers with clean or renewable resources as per the discussion in Section 2.4.2. The  
10   Stand-by Rate itself (RS 37) contains no restriction related to generator type and will continue to  
11   be generally available to customers with self-generation.

12





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1   **8.0   Reference: Exhibit B-1, page 22, lines 14-18**

2           8.1   Under the terms of the Wholesale Wheeling Tariff what compensation, if any,  
3                    would a self-generation customer receive if as a result of generating in excess of  
4                    its SSO with no third party sales the excess power was deemed to have been  
5                    delivered to the FBC system?

6  
7   **Response:**

8   In the event that FBC and the SG customer have negotiated a separate agreement for the  
9   purchase of such power, it would likely be at terms similar to those described in the response to  
10   BCUC IR 1.1.1. If no such agreement exists, then compensation will be provided under the  
11   terms of the Wholesale Wheeling Tariff<sup>1</sup>, which except for a very limited deadband, provides for  
12   no compensation.

13

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<sup>1</sup> Please refer to the terms of FBC's Wholesale Wheeling Tariff, RS 106.



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1    **9.0    Reference: Exhibit B-1, page 14 (lines 24-30); page 25 (lines 4-8) and pages 29-30.**

2               **Preamble:** Page 14 states: “any self-generating customer whose conduct causes a  
3               reduction in revenue to FBC without at least an equal reduction in power  
4               purchase costs does not provide a net benefit”.

5               Page 25 states: “This value is multiplied by 50% in recognition of the  
6               shared benefits that are assumed to flow from the presence of self-  
7               generation”.

8               9.1    Are the benefits referred to on page 25 and also on page 29 the benefits that  
9               exist in comparison with a situation where the customer has no self-generation?  
10              If not, what is meant by “benefits that are assumed to flow from the presence of  
11              self-generation”?

12  
13    **Response:**

14    Yes. The benefits, or net-benefits, of self-generation exist only where self-generation is present  
15    and do not exist where there is no self-generation.

16  
17

18  
19              9.2    Please clarify what is meant by “power purchase cost” as used in the page 14  
20              reference. In particular, is it referring to FBC’s LRMC or some other measure of  
21              “power purchase cost”?

22  
23    **Response:**

24    In this context, power purchases costs means the actual costs of purchasing power to meet  
25    customer load. It is not an LRMC value.

26  
27

28  
29              9.3    Based on FBC’s current rates and purchase power costs, does the presence of  
30              self-generation provide a net benefit based on the approach described at page  
31              14? Please explain the basis for the response.

32  
33    **Response:**

34    The comment on page 14 describes a situation rather than an approach. However, the view of  
35    FBC is that at the current time the relative level of the Company’s industrial retail rates and cost



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1 of available resources is such that all customers would benefit from the added load attributable  
2 to supplying power to replace SG sales of below load power.

3  
4

5

6 9.4 Are the benefits referred to on pages 25 and 29 from the presence of self-  
7 generation the same benefits as referred to on page 14?

8

9 **Response:**

10 To be clear, and as discussed in the response to BCUC IR 2.21.1, generally speaking, FBC has  
11 acknowledged that the presence of self-generation may bring benefits (as well as costs) to the  
12 utility system. These may be system infrastructure benefits, though FBC considers that in its  
13 case, such benefits are likely very limited. There may also be benefits that result from the  
14 prevailing low cost of power which FBC believes will persist for the foreseeable future. In  
15 addition, if one takes a longer term view and considers a measure of LRMC to be the  
16 appropriate measure of cost effectiveness in supplying additional SG load, then there may be  
17 benefits associated with *not* serving the additional SG load. This last perspective is reflected in  
18 the calculation of the SBBB reduction, proposed to reflect the longer term perspective required  
19 by the Commission requirement in item 1e of Table 2-1 in the Application. This is the only place  
20 in the SGP where a net-benefit is specifically identified and valued.

21 All other net-benefits are of an assumed nature and are not specifically identified. Therefore,  
22 the benefits referred to on page 14, 25 and 29 and in most other cases are the same. That is,  
23 they represent net-benefits in general, but are not specific to any instance of self-generation on  
24 the system.

25  
26

27

28 9.4.1 If no, what "benefits" are being referred to on pages 25 and 29?

29

30 **Response:**

31 Please refer to the response to BCOAPO IR 1.9.4.

32



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1   **10.0 Reference: Exhibit B-1, page 26 (lines 26-27) and page 28 (line 17)**

2                           **Exhibit B-1, Appendix A, page 4, Section 10**

3           10.1 Please describe how FortisBC will determine when a self-generation customer is  
4                           or is not utilizing its SSO.

5

6   **Response:**

7 Sales of power to a third party require ongoing communication and balancing between the SG  
8 customer and FBC. It is not possible for the SG customer to utilize the SSO without FBC's  
9 involvement and knowledge.

10

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1    **11.0 Reference: Exhibit B-1, page 32 (lines 19-23)**

2           11.1 Please explain more fully how the “power supply-planning implications  
3           associated with the addition of the considerable load that would need to be  
4           accommodated should all FBC’s self-generating customer become full  
5           requirement customers” can be reflected in a reduction to the Stand-by Billing  
6           Demand based on the avoided cost of power purchases for “load not served”.

7  
8    **Response:**

9    Inherent in this statement are the following assumptions:

- 10           1. That in the long term, the requirement to meet an increasing load will require the  
11           acquisition of more expensive resources on the margin; and
- 12           2. That therefore, having the customer self-supply the increase in load (or some portion of  
13           the existing load) mitigates against the requirement in point 1.

14    Recognizing and sharing the benefit of the SG that is inferred by these assumptions requires a  
15    mechanism through which a portion of that benefit can be returned to the SG customer as a  
16    financial amount. Reducing the SBBD is that mechanism, and provides a fixed annual reduction  
17    in billing.

18

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1    **12.0 Reference: Exhibit B-1, page 33 (lines 8-16)**

2                                   **Exhibit B-1, page 25 (lines 4-8)**

3            12.1 Please explain why a similar process to that outlined on page 33 at lines 8-16  
4                                   could not be used to determine the percentage reduction to be applied to the  
5                                   “Annual Generation Used to Serve Load” for purposes of establishing the SSO.

6  
7    **Response:**

8    Both the determination of an SSO and the SBBD reduction rely on the same basis – the most  
9    recent year’s generation used to self-serve load on a kWh basis.

10   From the basic determination, the numbers are put to different uses. In the case of a SG  
11   customer that intends to sell power than is not net-of-load, a GBL-type mechanism (the SSO)  
12   has been called for by the Commission. In the case of a future RS 37 customer, a means of  
13   including the net-benefits of self-generation into the determination of the SBBD has been set  
14   out.

15

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1 **13.0 Reference: Exhibit B-1, page 33 (lines 8-16) and page 34 (line 30) to page 35 (line**  
2 **3)**

3 13.1 Please confirm that if the appropriate per kWh LRMC value (Step 1) is less than  
4 the blended per kWh rate (Step 2) then there is no kVA reduction to the SBBB.  
5

6 **Response:**

7 Confirmed.  
8  
9

10  
11 13.2 Will the SBBB be recalculated each time a new (different) LRMC is approved by  
12 the Commission for resource planning purposes? If not, why not?  
13

14 **Response:**

15 No. In approving the Stand-by Rate, the Commission determined that, "*The SBBB would ideally*  
16 *remain unchanged over the life of the investment in self-generation*".<sup>2</sup> In making this  
17 determination the Commission was aware that the SBBB is a billing determinant and would  
18 have a billing impact that would change with rates. Further, in determining that the SBBB would  
19 be set in recognition of the net-benefits of self-generation, the Commission was aware that the  
20 inherent value of those benefits would also change though the SBBB itself would remain the  
21 same. In the view of FBC, it would be inconsistent to revisit the SBBB for a change in either the  
22 LRMC or the underlying retail rate.  
23  
24

25  
26 13.3 Will the SBBB be recalculated each time the Commission approves new rates  
27 (for the relevant customer classes) which are used in the calculation of the  
28 foregone revenues? If not, why not?  
29

30 **Response:**

31 Please refer to the response to BCOAPO IR 1.13.2.  
32

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<sup>2</sup> Stepped and Stand-by Rates Stage II Decision, page 23.

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- 1   **14.0 Reference: Exhibit B-1, page 33 (lines 8-16)**  
2                                   **Exhibit B-1, page 34 (line 30) to page 31 (line 3)**  
3                                   **Exhibit B-1, page 14 (lines 24-30)**  
4                                   **Exhibit B-1, Appendix B, page 6 (lines 25-33)**

5           14.1 Please confirm that, according the process set out on page 33, when considering  
6           the determination of the SBB, the “benefit” from self-generation is based on the  
7           difference between FBC’s LRMC between and the average rate associated with  
8           the foregone revenue.  
9

10   **Response:**

11   Partially confirmed. In calculating the SBB reduction, there is a notional long-term benefit that  
12   is assumed to result from avoided cost of supplying the customer. However, it is not an average  
13   retail rate that is used in the calculation, but a rate that is levelized on the same basis as the  
14   LRMC.

15  
16

17  
18           14.2 Please confirm that, according to the discussion on page 14 and in Appendix B,  
19           when considering the determination of the SSO, the “benefit” from the presence  
20           of self-generation is considered to be based on the difference between the  
21           average rate associated with the foregone revenue and the price that would be  
22           paid for power to serve the load and explain how this “price” differs from FBC’s  
23           LRMC.  
24

25   **Response:**

26   Not confirmed. The SSO is determined by the amount of load that a customer has historically  
27   self-supplied, and denotes what the customer must continue to partially self-supply. There is no  
28   attempt to identify or value the particular net-benefits on an a priori basis. On an after the fact  
29   basis, one could place a value on the benefit based on the margin between the incremental  
30   revenue and the incremental cost of serving the additional load.

31  
32

33  
34           14.3 Please explain why FBC’s LRMC is used in the case of the SBB but the price  
35           paid to serve the load is used in the case of the SSO. In doing so please  
36           specifically address why the same “cost” isn’t used in both cases.





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1

2 **Response:**

3 Please refer to the responses to BCOAPO IRs 1.14.1 and 1.14.2.

4

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1    **15.0 Reference: Exhibit B-1, page 33 (lines 8-16)**

2                   **Exhibit B-1, Appendix B, page 6 (lines 25-33)**

3           **Preamble:** The derivation of the SBBB reduction treats the foregone revenues as a  
4                   “cost” and saved procurement costs as a “benefit” and, in doing so,  
5                   assumes the status quo would be no self-generation at all. In contrast,  
6                   the discussion of benefits for purposes of determining the SSO, treats the  
7                   revenues gained as a “benefit” to be compared with the “cost” of  
8                   purchasing the power to supply the additional load. In doing so the  
9                   discussion of the SSO determination assumes the status quo is where  
10                  self-generation exists and is used first to supply the entire plant load.

11                15.1 Please explain why the discussion of benefits for purposes of determining the  
12                   SBBB and SSO each use a different starting point as status quo.

13

14    **Response:**

15    FBC cannot respond to this question in the context it is asked because the preamble calls for  
16    conclusions that are not contained within the referenced section and are not correct. A  
17    customer that chooses to take service utilizing an aspect of the SGP, whether the RS 37 SBBB  
18    reduction or an SSO, may do so where the self-generation was previously installed or not, and  
19    there is no presupposition in this regard. There is also no assumption that the SSO  
20    determination assumes that the SG was first used to supply the entire plant load. In fact, both  
21    the SSO and SBBB are available and may be determined where only a portion of plant load was  
22    previously served by the customer's self-generation. The SSO only stands as a demarcation  
23    point for load that must be served by self-generation. There is not a specific consideration of  
24    either revenues or costs in its determination.

25

26

27

28                15.2 More specifically, please explain why in determining the SBBB the existence of  
29                   self-generation to offset load that would otherwise be served by FortisBC is  
30                   considered to create “benefits” while in the determination of the SSO the ability to  
31                   serve load that would otherwise be supplied by self-generation is considered to  
32                   create “benefits”.

33

34    **Response:**

35    In all cases, it is the presence of self-generation that creates net-benefits. In large part, this  
36    stems from the ability of the customer to serve some portion of its load that would otherwise be  
37    served by FBC. Both the SBBB reduction and the SSO are mechanisms that allow the net-  
38    benefits to be recognized.

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15.3 Would the benefit calculation set out on page 33 and in Table 4-1 yield a positive result if the avoided costs used was the current cost of purchased power to serve the load?

**Response:**

This is not a valid exercise since both the avoided costs and the revenues need to be expressed in the same terms. Table 4-1 contains long run levelized values for both the avoided revenues and avoided costs.

At this time, short-term incremental power supply costs are relatively low and if they are compared to the current RS 31 charges it is expected that no benefit would be seen.

15.4 Would there be positive benefits associated with establishing an SSO if FBC's LRMC was used as the basis for the "cost"?

**Response:**

There is no "cost" used in determining the SSO. In addition, the SSO may be in effect for a period of only five years, which is too short a time period to apply the LRMC to.

FortisBC Inc. (FBC or the Company) FBC Self-Generation Policy Stage II Application (the Application)	Submission Date: March 16, 2018
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1    **16.0 Reference: Exhibit B-1, pages 35-36**

2            16.1 With respect to Table 4-1, please explain why, at Step 5, the result is not also  
3            divided by 12 to convert the annual savings to be shared (line o) into a monthly  
4            equivalent which would then be divided by the monthly Wires Charge.

5

6    **Response:**

7    The result in Step 5 of Table 4.1 has been divided by 12 as suggested in the question. It is an  
8    oversight that the formula in the left hand column of the table for Step 5 did not identify dividing  
9    by 12 as a component of the formula.

10