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March 16, 2018

B.C. Sustainable Energy Association  
c/o William J. Andrews, Barrister & Solicitor  
1958 Parkside Lane  
North Vancouver, B.C.  
V7G 1X5

Attention: Mr. William J. Andrews

Dear Mr. Andrews:

**Re: FortisBC Inc. (FBC)**  
**Project No. 3698820**  
**Self-Generation Policy Stage II Application (the Application)**  
**Response to the B.C. Sustainable Energy Association and Sierra Club of British Columbia (BCSEA) 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 BCSEA 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    Topic:            Arbitrage/risk to other customers**

2            **Reference:    Exhibit B-1,**

3            1.1    In FortisBC’s view, do the Self-Generation Guidelines prevent arbitrage of  
4                    embedded cost power while allowing the building and/or use of cost-effective  
5                    incremental clean and renewable self-generation?  
6

7    **Response:**

8    FBC has no desire to reignite the debate about the definition of arbitrage and what would  
9    constitute arbitrage. BCSEA stated in Stage 1 of this process that *“the term ‘arbitrage’ is too*  
10 *fraught to be useful in defining FBC’s policy regarding customers self-generation for export.”*<sup>1</sup>  
11 Correspondingly, the Commission said in the Stage 1 decision that,

12            Consistent with the Commission directive to BC Hydro in the BC Hydro  
13            Contracted GBL Guidelines Application, the Panel would like FortisBC to  
14            eliminate the word ‘arbitrage’ in any policy or guidelines that it may put forward in  
15            future filing and replace it with ‘mitigate the risk to other ratepayers’. The Panel  
16            hopes that this will alleviate any further confusion.

17    With respect, therefore, FBC will confine its comments to whether or not the policies contained  
18    in the SGP serve to mitigate harm to customers of FBC while allowing self-generation, which  
19    they do.

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23            1.1.1    Does the response differ if the phrase “mitigate the risk to other  
24                    ratepayers” is used in place of “prevent arbitrage”?  
25

26    **Response:**

27    Please refer to the response to BCUC IR 2.1.1.

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<sup>1</sup> Stage I SGP Process, Exhibit C4-3, p. 5.

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1   **2.0   Topic:        Net Metering Program**

2   **Reference:   Exhibit B-1, 2.4.1 Eligible Customers, p.13, pdf p.18**

3 On Page 104 of the New PPA Decision the Commission specified that, “...*FortisBC must*  
4 *establish Self-Generating customer polices for current and future customers at distribution and*  
5 *transmission voltage.*”

6 Customers beneath a minimum threshold are not eligible for this policy as their situations are  
7 already addressed elsewhere. As the Commission noted in its reasons for decision that are  
8 Appendix A to Order G-32-15 (from the Stage I procedural conference):

9       The Panel notes that FortisBC has policies to deal with customers who would fall  
10      under the net-metering generation cap of 50 kW. All parties who addressed this  
11      issue at the Procedural Conference were in agreement that any GBL Guidelines  
12      should apply to both transmission and distribution customers consistent with  
13      Oder G-60-14. **The Panel is in agreement with the applicability of any GBL**  
14      **Guidelines to both transmission and distribution customers with the caveat**  
15      **that it should only be applied to customer generation facilities of over 50**  
16      **kW. [underline added]**

3

4       2.1      Please confirm that the FBC Self-Generation Policy does not apply to customers  
5      participating in the FortisBC Net Metering Program with its generation cap of 50  
6      kW.

7

8    **Response:**

9    Confirmed.

10

11

12

13       2.2      Please discuss whether the FBC Self-Generation Policy would create barriers to  
14      increasing the Net Metering Program generation cap above 50 kW, say, for  
15      example to 75 kW or 100 kW.

16

17    **Response:**

18    There is nothing in the SGP that would prevent the maximum installed capacity that is allowable  
19    under the NM Program from increasing. Consistent with the discussion at the procedural  
20    conference leading to the reasons for decision quoted above, FBC assumes that the  
21    Commission set the applicability of the SGP as having a minimum of 50 kW simply because that  
22    is where NM “ends”. If the NM limit was raised, the SGP minimum would likely increase to  
23    match. FBC does not support an increase in the current 50 kW limit of the NM Program.

24



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1    **3.0    Topic:        IPPs**

2        **Reference:    Exhibit B-1, p.2, pdf p.7**

3        “It is also understood that the discussion herein does not apply to Independent Power  
4        Producers (IPP) that do not also have an industrial load because where no load is  
5        served by the generator no benefits accrue to other customers of FBC.<sup>3</sup>

6        <sup>3</sup>FBC recognizes that an IPP may provide some system benefits such as local voltage  
7        support; however, an IPP lacks a utility-customer relationship where such benefits can  
8        be recognized.”

9        3.1    Please confirm that the FBC Self-Generation Policy does not apply to  
10        Independent Power Producers.

11  
12    **Response:**

13    Confirmed.

14

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1   **4.0   Topic:       Stand-By Billing Demand**

2   **Reference:   Exhibit B-1, pp.4-5**

3   FBC says that Stand-By Billing Demand is the appropriate mechanism for a self-  
4   generation customer not making third party sales, or doing so only after offsetting its own  
5   load, to receive a share of the net-benefits attributable to its self-generation. To receive  
6   this share of the net benefits of self-generation the customer must be taking service  
7   under either a GBL (or what FBC calls a Self-Supply Obligation) or FBC’s Stand-By  
8   Rate. FBC states,

9                    “If a customer has an SSO, it would not also have an SBBD reduction  
10                    although the customer may still take Stand-by Service. To reduce the  
11                    SBBD for a customer with an SSO would count the net benefits twice  
12                    over in the customer’s favour.

13                   FBC believes that the remaining customer situation, where a customer  
14                   chooses to be served on a net-of-load basis and does not elect to be on  
15                   the Stand-by rate, would mean that customer would receive no  
16                   recognition of any benefits that it may provide. The customer retains the  
17                   option to participate in one of the means that FBC provides of accessing  
18                   the sharing of net benefits, via the SSO and SBBD mechanisms, should  
19                   the customer wish to do so.” [underline added]

20           4.1   When FBC refers to a self-generating customer receiving a share of the net  
21           benefits of its self-generation through the mechanism of the Stand-By Billing  
22           Demand does this mean a reduction in the rate for SBBD for Stand-By Service?  
23           A reduction in the SBBD without a corresponding reduction in the amount of  
24           standby service provided?

25  
26   **Response:**

27   A reduction in the SBBD means a lowering of the value referred to as SBBD for the purpose of  
28   demand charge billing under RS31. The rate at which demand is billed remains unchanged as  
29   does the amount of Stand-by Service that the customer may be eligible for which is determined  
30   by the Stand-by Demand Limit. SBBD is only used as a billing determinant.

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34           4.1.1   How is SBBD a determinant of the charge for Stand-By Service? Is  
35           there a \$/kW rate? A ratchet?

36



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1 **Response:**

2 SBBB, once set, becomes part of the calculation of Billing Demand in RS31 and attracts the  
3 charges applicable to Billing Demand in that rate. SBBB is not subject to a ratchet.

4  
5

6

7 4.2 Under what circumstances would a self-generation customer choose not to  
8 receive Stand-By Service? If the customer's own generation was not available,  
9 would FBC provide service to meet the load that would otherwise have been met  
10 by the customer's generation even though the customer does not have Stand-By  
11 Service?

12

13 **Response:**

14 RS37 is an optional rate. FBC currently has only one customer that is eligible for the rate and  
15 that customer utilizes the service. In the view of FBC, it is in the economic best interest of any  
16 customer that becomes eligible for RS37 to take service under that rate schedule. In the  
17 absence of RS37, FBC would supply the additional load, and it would be billed at the customer's  
18 standard retail rate. If the costs under RS37 were to exceed the costs under the standard retail  
19 rate, then FBC expects that a customer would not wish to take backup service under RS37.  
20 Also, as back-up service is limited to 876 hours per calendar year, if the outage is anticipated to  
21 be lengthy, it may be economic to simply take the standard retail rate for that outage or a portion  
22 of it depending when in the billing cycle the outage occurs. This would allow the customer to  
23 save the backup service for shorter outages to ensure demand charges can be avoided for  
24 short outages.

25

26

27

28 4.3 What does FortisBC mean when it says that the Stand-By Billing Demand is  
29 "typically the difference between the customer's maximum load and its Contract  
30 Demand"?

31

32 **Response:**

33 FBC did not say that Stand-by Billing Demand is "*typically the difference between the*  
34 *customer's maximum load and its Contract Demand*".

35 In the referenced passage FBC stated that,

36 "SBBB for a customer using RS 37 is set at an amount between zero and 100  
37 percent of the **maximum level of Stand-by Service** that can be supplied to the



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- 1 customer, typically the difference between the customer's maximum load and its
- 2 Contract Demand." (Emphasis added)
  
- 3 It is the *maximum level of Stand-by Service* that is typically the difference between the
- 4 customer's maximum load and its Contract Demand, not the SBBD.
  
- 5

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1   **5.0   Topic:        Net benefits of self-generation**

2       **Reference:   Exhibit B-1, 4. RECOGNIZING THE NET BENEFITS OF SELF-**  
3       **GENERATION, p.19**

4       The term “net benefits of self-generation” has been used frequently. For example, the  
5       Commission’s IR 1.2.1 [Exhibit A-3] states that the Stage I Decision says that FortisBC’s  
6       “comprehensive SGP” must, among other things”

7                   “5. Establish a policy that defines how the net benefits of self-generation  
8                   are measured. The filing needs to include an analysis of alternate  
9                   methods of measuring the long-term benefits of self-generation including,  
10                  at a minimum, consideration of: (i) the LRMC used by BC Hydro; (ii) the  
11                  LRMC used in the DSM Regulation; and (iii) [FBC]’s updated LRMC that  
12                  is expected to be filed as part of its next Long Term Electric Resources  
13                  Plan (due to be filed by June 30, 2016);” [underline added]

14           5.1    Please explain what FortisBC understands to be the meaning of the term “net  
15           benefits of self-generation.” What are the “benefits”? What are the costs? Please  
16           specify the point of reference for these benefits and costs, e.g., the public, the  
17           self-generating customer, the utility, ratepayers.  
18

19   **Response:**

20   FBC cannot specifically identify particular benefits and costs within the context of this IR  
21   response as explained in the responses to BCUC IRs 2.21.1 and 2.25.1 to 2.25.3.3. These  
22   benefits and costs (which in sum are the “net-benefits”) arising from the presence of self-  
23   generation on the utility system are viewed from the perspective of the utility system as a whole.  
24   This is distinct from any benefit or cost that may fall to an individual entity where it is possible for  
25   one party to receive a benefit while another experiences a cost.

26   A positive net-benefit, as the term is used in this process, would exist when the overall cost of  
27   service of the utility is reduced. In this context, a positive net-benefit would provide rate  
28   mitigation for all customers and also would likely be shared in some fashion between  
29   customers.

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33           5.1.1   Are the benefits, costs and net benefit defined in financial terms? Or do  
34           they have qualitative components?  
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1 **Response:**

2 For the purposes of the Application, the totality of the benefits and costs whether they are  
3 technical or financial in origin, are assumed to result in a financial construct that facilitates their  
4 sharing.

5  
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7

8 5.2 In FortisBC's view, is the term "net benefits" of self-generation free of ambiguity?  
9 Is FortisBC confident that the Commission's meaning of "net benefits of self-  
10 generation" is the same as FortisBC's?

11

12 **Response:**

13 FBC believes that the meaning ascribed to net benefits by the Commission is consistent with  
14 that of FBC. This is the case since the Commission introduced the concept of a "sharing" of  
15 benefits, which as a practical matter can only be done on a financial basis.

16  
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18

19 5.3 Has FBC addressed how the net benefits of self-generation (however defined)  
20 would be determined quantitatively?

21

22 **Response:**

23 Please refer to the response to BCUC IR 2.21.1.

24  
25

26

27 5.4 When FBC refers to a self-generation customer receiving a share of the net  
28 benefits of self-generation is the concept that the net benefits are specific to the  
29 customer's circumstances or generic for all customer self-generation?

30

31 **Response:**

32 The benefits and costs (from a system perspective) are highly contingent on the particular  
33 circumstance of the individual SG customer. However, as a practical matter given the small  
34 number of potential customers to which the SGP will apply and the complexity and cost involved  
35 in arriving at a methodology to apply in determining net-benefits, FBC has provided a generic  
36 methodology that applies to all customers.

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5.4.1 Is the concept that the net benefits of self-generation persist at the same level over time or that they vary from time to time?

**Response:**

The net benefits are reflected at the time either an SSO or SBBB is determined. Provided that the SG customer continues to receive service on the same terms as originally defined, it is assumed that the net benefits would persist at the initial levels. If the customer elects to alter its terms of service, by such means as ceasing to use its SSO or RS37 service, then it follows that the net benefits which were determined under the original assumptions may also change.

5.5 Would FBC agree with the proposition that the benefits, costs and net benefits of customer self-generation can be expected to vary over time depending on factors such as capital and operating (including fuel) costs of the self-generation facility, utility rates, customer access to potential third-party purchasers, the utility's load-resource balance, market prices, and so on?

**Response:**

FBC agrees that some of the elements that contribute to net benefits could change with time.

5.6 In FBC's view, is it possible to define at a conceptual level a net benefit of customer self-generation that would remain fixed over time? If so, what is the definition?

**Response:**

FBC does not believe that such a number (assuming that a number is what is intended) can be defined. However, FBC also considers that with the methodologies that it has proposed to evaluate the net-benefits, no such definition would be needed or would provide an advantage (even if a definition could be found) as there is consistency from the fact that the methodologies themselves will not change over time.

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1   **6.0   Topic:           Applicability to Wholesale Customers**

2           **Reference:   Exhibit B-1, p.14**

3           “...In the opinion of FBC there has been insufficient exploration of the potential  
4           application of the SGP to Wholesale customers, which have distinct issues, to conclude  
5           that an outcome of this Application will be a SGP that applies universally. To be clear,  
6           the Company is not opposed to the future consideration of such issues, but believes that  
7           the application of the SGP currently being considered to Wholesale customers is beyond  
8           the intended scope of the current process. It may be that discussion of the situation of  
9           Wholesale customers could be informed to some extent by practice under the SGP,  
10          though if ultimately made applicable it would need to be adjusted to address their distinct  
11          issues.”

12          6.1    In FBC’s view, what are the distinct issues that arise regarding the potential  
13          application of the Self-Generation Policy to FBC’s Wholesale customers? Please  
14          provide examples.

15  
16    **Response:**

17    Please refer to the response to BCUC IR 2.9.3.

18