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March 16, 2018

Commercial Energy Consumers Association of British Columbia
c/o Owen Bird Law Corporation
P.O. Box 49130
Three Bentall Centre
2900 – 595 Burrard Street
Vancouver, BC
V7X 1J5

Attention: Mr. Christopher P. Weafer

Dear Mr. Weafer:

Re: FortisBC Inc. (FBC)

Project No. 3698820

Self- Generation Policy Stage II Application (the Application)

Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1

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, FEI respectfully submits the attached response to CEC 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

1. Reference : Exhibit C2-2, BC Hydro Comments on Outstanding Issues page 4 and Exhibit B-1, page 8 and page 16

> In our view, on the basis of the information FortisBC has submitted (the Application, Exhibit B-2 and B-3) it is not possible to ascertain whether the proposed SGP is an effective or the most effective means for addressing the issue(s) or need because FortisBC has not identified a specific problem that needs to be addressed nor has it provided analysis of the relative merits of alternative solutions to the problem.
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> In additional to the individual requirements contained in Table 2-1, the overarching goal of the policies described in the FBC SGP Application is to provide a clear, workable, reasonable set of guidelines and policies that are fair to self-generating customers and non-self-generating customers alike. This is consistent with the Commission staff suggestion during the May 25, 2016 Workshop on Stage 2 that where any inconsistencies may exist between the key
>
> It is perhaps useful at this point to clarify FBC's interpretation and views on the NOL construct. There appear to be two separate but related aspects of NOL service that can be conflated and may present a difficulty in reaching a common understanding between participants in this process. These are:
>
> 1. NOL as a mandatory element of service to self-generators. NOL in this context is based on BCUC direction which is itself predicated upon the lack of a Commission-approved FBC SGP that contains alternatives that customers can use in place of NOL. To be clear, FBC does not support that the NOL construct thus described be continued. Removal of this model of NOL service is a primary objective of the Application and FBC expects that a mandatory NOL construct would disappear with the approval of the alternatives.

1.1 Please itemize all the objectives of the application.

Response:

The requirement for FBC to file a comprehensive SGP Application, including a set of GBL (now SSO) Guidelines can be traced to the possibility that some customers with interconnected, behind-the-meter self-generation may have the ability and the desire to sell power to third parties, that could otherwise be consumed by their own load while simultaneously purchasing embedded cost power from FBC. Under certain conditions, this may have a negative impact on other FBC customers, but under other conditions, may serve to mitigate rates.[1] As part of other regulatory processes concerned with service to SG customers, the concept of "net-benefits of self-generation" has become an issue to be considered in this process.

From FBC's perspective, the primary objective of this SGP Application is to gain Commission approval of the policies and related tariff items such that service to SG customers can proceed with some clarity.

[1] FBC acknowledges that BC Hydro also contends that its ratepayers may experience an impact, but this is not the subject of this question.

In order to be successful in this objective, the SGP must meet to the satisfaction of the Commission, the set of requirements included in Table 2-1 of the Application.

1.2 Please discuss the specific problem that needs to be addressed.

Response:

Use of the term "problem" originates with the referenced BC Hydro submission. FBC does not characterize the drivers for the SGP in this manner.

The issues without which the requirement for the SGP would not likely exist, are twofold:

1. The desire on the part of certain SG customers to sell below-load power, coupled with the opportunity to do so suggested by the Commission under some constraints;
2. The Commission decisions compelling FBC to recognize net-benefits of self-generation.

1.3 Please provide FBC's views as to what constitutes 'fair' to self-generating customers.

Response:

With regard to the policies and application of the SGP, fairness for all parties means consistent and impartial treatment for any customer in substantially similar circumstances. In terms of outcome, while the view of fairness may be subjective, ideally, both the SG customers and customers in general would consider that each received and provided a reasonable accommodation for the others' interests.

1.4 Please provide FBC's views as to what constitutes 'fair' to non-self-generating customers.

Response:

Please refer to the response to CEC IR 1.1.3.

2. Reference: Exhibit B-3, page 2

> 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.*"[1]
>
> 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.

2.1 Please elaborate on FBC's quote of the Commission's decision as to how 'the Tranche 1 cap, the Tranche 2 price and the Energy and Nomination scheduling requirements' almost totally eliminates the use of embedded cost energy to serve incremental load.

Response:

For further discussion of the impact of an increase in SG customer load, please refer to the responses to BCUC IRs 2.8.1, 2.8.2, and 2.8.3.

2.2 Please provide an overview of FBC's experiences under the New PPA that support this position.

Response:

This position is supported by FBC's experience in operating under the New PPA. FBC has now had the opportunity to buy market blocks to displace PPA energy and capacity, manage PPA purchase amounts to remain within the New PPA requirements and make annual nominations.

Since all SG customers are currently served on a NOL basis, there can be no actual experience with the PPA under conditions where an SG is selling below-load power.

3. Reference: Exhibit B-3, page 2 and pages 40 and 41

> 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.

> **6. IMPACTS OF THE SELF-GENERATION POLICIES**
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> As a result of Commission approval of the FBC SGP included in this Application, the Company will need to amend or add to its existing tariff as discussed below.
>
> **6.1 *THE NEED FOR A DISTRIBUTION STAND-BY RATE***
>
> **6.2 *TRANSMISSION RATE SCHEDULE UPDATE***
>
> **6.3 *CHANGES TO RATE SCHEDULE 30***

3.1 Please discuss the duty of utilities to protect the interests of their ratepayers.

Response:

This is a very broad question. Obligations which, if fulfilled, protect the interests of a utility's ratepayers include those reflected in ss. 59-63 of the *Utilities Commission Act*, such as the fact that a public utility must not make, demand or receive an unjust, unreasonable, unduly discriminatory or unduly preferential rate for a service provided by it in British Columbia. Other such obligations include various service-related requirements, such as those set out in ss. 28-30 and 38-39 of the *Utilities Commission Act*.

The obligations that FBC has include complying with directives from the Commission in regards to the opportunity that the Commission appears to have identified for SG customers to take utility supply at the same time they are exporting to third parties on a non-NOL basis.

This Application attempts to balance the rights of the SG customer with the interests of other customers in a fair and reasonable manner.

3.2 Do the 'operational agreements' being referenced on page 2 refer to the items outlined in Section 6 of the application; which are: the need for a distribution stand-by rate; transmission rate schedule update; changes to rate schedule 30, or are there additional operational agreements also required?

Response:

The items listed in Section 6 are those standard tariff items that will require updates. These published, publically available documents have a consistent application for all affected customers.

The operational agreements that will be impacted by the ultimate SGP, and that are difficult to complete while the treatment of SG customers is in flux, are those individualized agreements such as General Service Agreements and any power purchase agreements that may be required. Please also see the response to BCUC IR 2.7.1.2.

3.2.1 If yes, please elaborate on each operational change that is not already covered in Section 6.

Response:

The reference to operational agreements is not specific to any operational changes, but it was intended to point out that unless an SG customer knows the extent to which it may be able to sell generation, and under what circumstances, finalizing agreements such as the GSA is difficult.

The issue was raised in the context of FBC's preference to whether or not the restrictions included in section 2.5 of the PPA should remain. FBC notes that without an outcome of some sort, progress on some agreements would be difficult. Please also see the response to BCUC IR 2.7.1.2.

3.3 Please provide an overview of all the issues that need to be addressed in order to reach 'operational agreements'.

Response:

Please refer to the responses to CEC IRs 1.3.2 and 1.3.2.1.

3.3.1 For each issue, please explain why it needs to be addressed.

Response:

Please refer to the responses to CEC IRs 1.3.2 and 1.3.2.1.

4. Reference: Exhibit C2-2, BC Hydro Comments on Outstanding Issues pages 1 and 2 and page 3 and Exhibit B-3, page 2

> The Self-Supply Obligation (**SSO**) methodology proposed by FortisBC in its Application does not conform to the principles of Commission Order No. G-38-01 and in particular
>
> the principle of not requiring the utility to supply increased embedded cost of service to facilitate a self-generating customer's exports to market.
>
> BC Hydro's customers will be harmed if the activities FortisBC proposes to enable result in an increase in the cost of resources BC Hydro uses to supply its customers in general or a decrease in trade income. We believe that such harm is a possible if not a likely outcome of FortisBC's SGP proposal. It might be possible to justify taking this risk and/or to adequately mitigate the risk, but FortisBC has not provided analysis of the extent of the risk, the justification for taking it or the options for mitigating the risk if taken.
>
> Our understanding is that if a FortisBC self-generating customer uses the SSO-based service, with an SSO set at 50 per cent of what the self-generating customer generated in a recent representative year as proposed by FortisBC, FortisBC will require increased resources for the purpose of facilitating exports to market by that customer. The increase in resource requirements would be equal to the difference between the SSO and the customer's normal self-generation output. We understand that FortisBC intends to obtain such additional resources from its available stack of resources, including supply from BC Hydro under BC Hydro's Rate Schedule 3808 Power Purchase Agreement (**RS 3808 PPA**). In other words, the FortisBC self-generating customer using the SSO-based service would not provide the incremental generation needed to support the export to market, the incremental generation to support the export would be provided by either a FortisBC resource or a BC Hydro resource.
>
> 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

4.1 Does FBC agree with BC Hydro's statement that the SSO does not conform to the principles of Commission Order G-38-01, and in particular that of not requiring the utility to supply increased embedded cost of service to facilitate a self-generating customer's exports to market? Please explain why or why not.

Response:

Please refer to the response to BCUC IR 2.1.2.

4.2 Please respond to BC Hydro's concern by providing an analysis of the extent of the risk posed to BC Hydro customers if the activities FortisBC proposes enabling result in an increase to the cost of resources BC Hydro uses or a decrease in trade income.

Response:

FBC is not in a position to evaluate what the outcome for BC Hydro's customers would be as a result of an increase in required deliveries to FBC. However, FBC reaffirms its comments more generally on the backdrop and context; see in this regard its response to CEC IR 1.4.3 and BC Hydro IR 1.1.6.1.

4.3 Please provide FBC's views as to the justification for taking this risk.

Response:

FBC notes that the Commission has determined that there is no significant risk of harm to BC Hydro that warrants continuing to include the restrictions as originally provided for in the PPA. Given this point, it follows that any justification should be commensurate with the amount of risk considered to be present. It would likely be enough justification given the lack of real risk to realize any benefit that may fall to customers of FBC; however, even if FBC was of the opinion that this was not an adequate justification for whatever risk is present, if the opportunity to sell some amount of below-load sales is granted to SG customers via Commission decisions, the point is moot.

4.4 Please provide the options FBC has identified for mitigating the risk.

Response:

FBC does not consider that the actions of its SG customers presents any significant risk to the customers of BC Hydro, and therefore has not made specific mention of the mitigation to such risk in its SGP. To the extent that any such risk were present, that risk would be mitigated by the same mechanisms that serve to mitigate the risk to the customers of FBC.

5. Reference: Exhibit B-1, Application, BC Hydro Comments October 20, 2016 page 2 of 3 and Discussion Guideline page 8

> Although there are elements of the Draft SSO Guidelines which address some of the concerns we have raised in the past, it is still unclear to BC Hydro how the SSO Guidelines do not negatively impact ratepayers and, in particular, BC Hydro ratepayers. The methodology, as proposed by FortisBC, does not conform with Commission Order G-38-01 and the principle of not requiring the utility to supply increased embedded cost of service to facilitate a self-generating customer's exports to market. The Draft SSO Guidelines do not seek to identify *incremental* generation of a self-generating customer in excess of what the customer normally generates, but instead simply seek to identify 50 per cent of what a self-generating customer generates (in a recent representative year) to serve its plant load and then convert that annual number to an hourly MW figure. Our understanding is that once a FortisBC self-generating customer receives a Commission-approved SSO, and the customer chooses to use its SSO, then FortisBC will be required to *increase* its supply obligation by the difference between the SSO and the customer's normal self-generation output for the purpose of facilitating exports to market by that customer. We understand that FortisBC plans to resource such additional service requirements from its available resource stack, which may include the Power Purchase Agreement (PPA) with BC Hydro. In other words, no incremental generation is being provided by a FortisBC self-generating customer using a SSO-based service, but incremental generation is either being provided by a FortisBC resource or a BC Hydro resource to support the customer's export.
>
> A 50% factor has been chosen by FBC because the selection of a number other than 50% would infer that the net-benefits were in the favour of either the self-generating customer or the Company's remaining customers and would require a potentially contentious determination of the exact nature and magnitude of the net-benefits. In the absence of such a determination, the 50% figure is the most fair.

5.1 Please discuss the rationale for using a portion of what the customer normally generates as a customer baseline instead of seeking to identify the incremental generation of a self-generating customer in excess of what a self-generating customer normally generates.

Response:

The basis for setting the SSO is a reference to the amount of generation historically used for self-supply. This is consistent with past determinations made by the Commission. Reducing this base amount by some portion (50 percent in the Application) is done in recognition of a sharing of the assumed net-benefits associated with the presence of self-generation.

5.2 In identifying 50% of what a self-generating customer generates and converting that to an annual number, is FBC inferring that the 'total net benefits' of self-

generation are represented by the total amount that the customer would normally generate; which is then divided equally to 'share' the benefits? Please explain.

Response:

FBC makes no absolute assertions regarding the actual net-benefits that the totality of a customers' self-generation represents. The SSO methodology is a means to arrive at the amount of annual load that a customer must continue to serve prior to selling any power to a third party, with the 50 percent factor applied with the intention of recognizing the net-benefits that may result from the self-generation of the customer.

5.3 Is it correct that FortisBC could be required to increase its supply obligation by the difference between the SSO and the customer's normal self-generation output? Please discuss.

Response:

Under the SSO construct, FBC will supply power to the customer to meet any load between the SSO and the actual load of the customer's facility on an hourly basis. This will be the case even when the customer has generation in excess of the SSO that would otherwise meet its load.

5.4 Please discuss how FortisBC would service this supply obligation.

Response:

FBC cannot make a determination on how it would meet this supply obligation until such time as an SG customer provides notification that it plans to use its SSO and FBC can include any expected increased supply obligation into its load forecast. FBC will seek to obtain the lowest reasonable cost while ensuring that reliability of supply is maintained.

Generally speaking, FBC expects that any increase in the load forecast will not be on a long term basis and therefore it would likely be inappropriate to acquire a long term resource to meet the expected increased load. The various options for increased supply include purchasing from the SG itself, wholesale market purchases utilizing FBC's full range of abilities to shape and store power to minimize cost, or contracts with more local resources such as for surplus power from other Entitlement Parties under the Canal Plant Agreement or IPPs within BC that may have surplus available.

5.5 In what way does FBC share the 'risk' of the impact of self-generation with the self-generating customer? Please explain.

Response:

FBC considers any "risk" created by the self-generating customer to be very small. However, to the extent that there is a sharing of the risk, it occurs between the SG customers and the other customers of FBC, not FBC itself. The sharing of the risk is as described in various IR responses such as BCUC IR 2.4.1.1.2.

6. Reference: Exhibit B-1, Appendix D, page 2

> FBC Response: In the Decision accompanying Order G-60-14, the Panel said plainly, *"The Panel has concluded that the proposed restrictions in section 2.5 of the New PPA, as they related to self-generating customers in the FortisBC service territory, are no longer necessary."*[1] It also made clear that, *"…the Panel's preferred solution would have been to approve the New PPA without any restrictions in section 2.5. However, that solution now appears premature as FortisBC's self-generation policies are not yet sufficiently developed, articulated and approved by the Commission."*[2] FBC submits that it is the approval of a SGP in the FBC service area that would lead to the Commission being able to remove section 2.5 of the PPA. Presumably, the approval of the FBC SGP would be done with this outcome in mind. However, FBC acknowledges that the Panel also stated, *"Further, the Panel still agrees that self-generating customers should not be permitted to arbitrage between embedded cost rates and market prices to the detriment of other ratepayers."*[3] It is a simple reality that service pursuant to an SSO or GBL will involve some amount of self-generated power being sold and replaced with embedded cost power. This is true in the BC Hydro service area and would also be the case for FBC. Deeming those sales to not be arbitrage, to use the old term, or determining that such sales are acceptable due to the mitigation that an SSO provides does not change the reality. FBC cannot, at the same time employ a GBL type construct for its two customers for which the GBL could be determined, and absolutely prevent the simultaneous sales to a third party with supply from FBC.

6.1 Please comment on the potential risk to FortisBC ratepayers arising from FBC's supply obligation to self-generators and the inability to prevent simultaneous sales to a third party.

Response:

Any risk to FBC ratepayers in general (including the SG customer) would be manifested in rates higher than they would be in the absence of the SG customers selling power to third parties.

Such an outcome would only occur in the case where the additional cost of the resources and delivery required to supply the SG customer exceeded the revenue recovered from that customer through increased sales. FBC sees this situation as unlikely for the foreseeable future.

Given that increased utility load is likely a benefit for the foreseeable future, there is then also a similar risk of higher rates to FBC ratepayers arising from self-generators not purchasing energy from the utility.

It must be understood that sales to a third party in and of itself is not a risk. It seems likely that even though SG customers should be assumed to act in their own best self-interest, rates to other customers could be either higher or lower than if third party sales were not allowed. The risk is the change in utility load and this is a very complex situation. It is even entirely possible that the ability to make third party sales may reduce a change in utility load that otherwise would have occurred and mitigate rate increases[2].

[2] This would occur if self-generation was not economic compared to utility supply, but that a certain

Furthermore, SG customers have many options today to supply their load and maximize the value of their operations. For example, an FBC SG customer may choose to ship the fuel supply to an alternate generation facility where it can be utilized to provide a higher return. Another example is that any SG customer has the ability to simply not generate for whatever reason and take full supply from the utility. A final example is that the SG customer does not even require generation on site; they could wheel generation to serve their load. Each of these options exist today and may result in an SG customer buying either more or less from the utility depending on the situation.

In summary, changes in utility load due to self-generator activities do create a certain level of uncertainty for other customers. However, this kind of risk exists today and it is not clear to FBC how the impact of allowing third party sales changes this risk under all circumstances compared to the current situation.

6.2 Please comment on the potential risk to FortisBC ratepayers arising from self-generators not purchasing energy from the utility.

Response:

Please refer to the response to CEC IR 1.6.2.

amount of self-generation was economic when combined with third party sales.

7. Reference: Exhibit B-1, page 20

> Given that the SSO is largely analogous to the GBL construct, its purpose is to mitigate the risk to other customers that exists due to the activities of the self-generator. FBC considers that "mitigate" cannot be taken to mean "eliminate" or there is no reasonable means by which the current process can move forward. A benefit to any customer or group of customers cannot be provided without an equal cost to remaining customers given the fixed revenue requirement of the utility

7.1 Please confirm that instances in which customers purchase more energy from the utility can result in benefits for all customer groups by spreading the fixed costs over a greater volume of energy and reducing rates.

Response:

Confirmed, provided that those additional sales do not cause additional costs in excess of the revenues that result.

8. Reference: Exhibit B-1, page 25

> In all cases, once the Annual Generation Used to Serve Load has been determined, the SSO calculation is the same: Annual Generation Used to Serve Load, divided by 8760 as the number of hours in 365 days, and rounded to the nearest MW. This value is multiplied by 50% in recognition of the shared net benefits that are assumed to flow from the presence of the self-generator.
>
> The 50% is also responsive to the difficulties that FBC has heard repeatedly in determining the manner in which net benefits should be shared. FBC believes it provides a fair, consistent approach and is similar to an approach that the Commission suggested, as returned to under the next heading below.

8.1 Please discuss the difficulties that FBC has heard repeatedly in determining the manner in which net benefits should be shared.

Response:

The reference reflects the breadth, variety and opposing views represented in various Commission processes (including this one) regarding the presence and nature of net-benefits, particularly during the 2014 Stepped and Stand-by Rate process and the 2011 Zellstoff-Celgar Complaint Against FortisBC.

The Commission itself made the following observation at page 54 of the G-67-14 Decision,

> The Panel appreciates that stand-by rates have often been contentious and there is a long-standing stand-by rate debate. As previously highlighted, advocates for self-generation seek minimal standby rates based on the premise that self-generation provides benefits in the form of deferred or permanent reduction in the need for utility-provided generation, transmission, and distribution capacity. Utilities on the other hand argue that the theoretical benefits for self-generation are insubstantial if located in an unsuitable area or operate erratically, and low stand-by rates can result in self-generating customers avoiding infrastructure costs associated with back-up generation and wires services.

Against this backdrop, developing a sharing mechanism is difficult. However, as FBC has expressed, undertaking further work directed toward identifying and quantifying net benefits, beyond the approach taken in the Application, is problematic.

8.2 Please explain why 50% is responsive to the difficulties discussed above.

Response:

The 50 percent factor has been selected for the reasons stated on page 30 of the Application,

> A 50% factor has been chosen by FBC because the selection of a number other than 50% would infer that the net benefits were in the favour of either the self-generating customer or the Company's remaining customers and would require a potentially contentious and complicated determination of the exact nature and magnitude of the net benefits. In the absence of such a determination or a practical likelihood of achieving such a determination, the 50% figure is the most fair.
>
> One objective in arriving at generic SSO Guidelines is that they can be applied to all customers in the same manner. While the Company acknowledges that the net benefits are situational, attempting to determine exactly what those net benefits may be prior to incorporating them into an SSO is complicated, potentially contentious, and unlikely to warrant the effort involved in both that exercise, and in resolving any associated dispute that may need to be brought before the Commission

8.3 Please confirm that the connection to FBC will have the capability to deliver 100%.

Response:

FBC can confirm that for all existing SG customers, facilities exist that can serve the customers' full plant load.

9. Reference: Exhibit B-1, page 25

> For customers with new generation, the SSO Guidelines provide in Section 5.1.2 that the SSO will be reviewed by FBC on an ongoing basis for 36 months and may be adjusted upwards should actual annual generation exceed the annual generation assumed in the determination of the SSO. This will correct for an SSO that is set too low which and which would otherwise provide the customer with a greater opportunity for third party sales than is appropriate.

9.1 Why does FBC consider 36 months to be the appropriate period to determine if the SSO is set too low.

Response:

FBC views 36 months as sufficient time for the operation of self-generation facilities to stabilize and be fully integrated with industrial processes. It also may prevent a customer from not fully utilizing its self-generation in the reference year in order to minimize its SSO because there would be an opportunity cost to letting functional generation sit idle.

Once the 36 month period has elapsed, FBC does not intend to revisit the SSO except under the circumstances provided for in the SSO Guidelines since as part of the Guidelines it would be reasonable for the customer to assume that the terms would be adhered to as approved.

9.2 Can the SSO be determined as being too low after the initial 36 months?

Response:

Please refer to the response to CEC IR 1.9.1.

9.3 If not, why not.

Response:

Please refer to the response to CEC IR 1.9.1.

9.4 If yes, please explain how this would occur.

Response:

Please refer to the response to CEC IR 1.9.1.

10. Reference: Exhibit B-1, pages 24, 25 and page 26

> For an existing customer with existing generation, *Annual Generation Used to Serve Load* will be determined using the representative year most recently completed at the time the Initial SSO is being determined, where a representative year is one based on historical data under NOL operation and must reflect normal levels of current generation and load.
>
> In all cases, once the Annual Generation Used to Serve Load has been determined, the SSO calculation is the same: Annual Generation Used to Serve Load, divided by 8760 as the number of hours in 365 days, and rounded to the nearest MW. This value is multiplied by 50% in recognition of the shared net benefits that are assumed to flow from the presence of the self-generator.

4.1.1.9 ***Section 6 – Use of the Initial SSO***

> Once an Initial SSO has been approved by the Commission, the customer will have 60 months (the Initial Period) to begin taking service pursuant to its SSO. – ***SSO Guidelines, Section 6***

> Section 6 of the SSO Guidelines addresses in part, the Commission's query at page 54 of the Stage I Decision on how long, once set, the GBL (SSO) will last.
>
> FBC believes it is a reasonable expectation that once a customer decides to engage in third party sales, that it is to start doing so within a 60 month period. This provides ample time to negotiate a purchase agreement and arrange for transmission service if required.
>
> Should a customer have an Initial SSO, but not actually use it within the 60 month period, the Initial SSO will cease to exist. If, in the future, the customer again expresses an interest in determining an SSO, the calculation would again be done with reference to the then-most recent year.

10.1 Does it typically take 5 years to negotiate a purchase agreement and arrange for transmission service?

Response:

FBC expects that the time from when a customer actively begins to negotiate agreements for both purchases and transmission related to the sale of SG output to when an agreement would be reached would normally be less than 5 years. The referenced 60 month period does not assume that such negotiations begin at any given point. The 60 month window both provides the customer with some certainty, and prevents FBC from having to enter into repeated discussions on setting an SSO. In most cases, it is likely that an SSO would not change significantly for a customer over time since a consistent amount of generation is likely to be directed to load year over year.

10.2 If no, please provide the approximate period of time it takes for an entity such as a self-generator to negotiate a purchase agreement and arrange transmission service.

Response:

Please refer to the response to CEC IR 1.10.1.

10.3 If it typically takes less than 5 years to negotiate a purchase agreement and arrange transmission service, why did FBC allow for a 60-month period before the customer is required to begin taking service pursuant to its SSO.

Response:

Please refer to the response to CEC IR 1.10.1.

10.4 Could an existing customer with existing generation that grew over the five-year period between the establishment of the SSO and the commencement of the service end up with an SSO that was considered 'too low' by FBC? Please explain.

Response:

No. If an existing customer increases its generation capacity and continues to serve load as it has in the past, the generation increase would be considered incremental.

10.4.1 If yes, how would this be addressed by FBC?

Response:

Please refer to the response to CEC IR 1.10.4.

10.5 What, if any, are the risks to FBC ratepayers and/or BC Hydro ratepayers as a result of the 5 year lead time period.

Response:

Whatever risk may exist through the granting of an SSO stems from the difference between the cost of resourcing the additional customer load and the revenue that would result. The length of the window over any reasonable time frame does not impact this risk given the SG customer's right to request an initial SSO at a time of their choosing.

10.6 Please confirm that a self-generating customer could generally predict their SSO based on their Annual Generation.

Response:

Confirmed, with more accuracy for existing generation than new generation.

10.7 Could a customer negotiate a purchase agreement and arrange for transmission service prior to FBC establishing an SSO? Please explain why or why not.

Response:

It would be possible to arrive at a purchase agreement that was contingent on the setting of an SSO, but highly unlikely. This is because the major components of any agreement will be price and volume, and since neither can be set until certainty is achieved on what is available, there is no point entering into any purchase agreement. FBC expects that the best that could practically be achieved would be preliminary expressions of interest with the details of any purchase agreement negotiated after the certainty allowed by an SSO was achieved.

FBC does not consider it practical to arrange for transmission before the amount of transmission needed is known.

11. Reference: Exhibit B-1, page 27

> Once a Subsequent SSO has been approved by the Commission, the customer will have 24 months to begin taking service pursuant to this Subsequent SSO.
>
> This shortened life reflects the Company's opinion that the customer is unlikely to request a subsequent SSO unless it has some viable prospect for the disposition of the power already in hand. A further 60 months (the duration associated with the Initial SSO) should not be necessary.

11.1 Why would a company not have a viable prospect for the disposition of power prior to requesting the initial SSO? Please explain.

Response:

Whether or not a customer has a viable prospect for the disposition of power prior to requesting an initial SSO will not affect the level of the initial SSO at the time it is set. FBC assumes that in most cases the customer will explore its options but will not speculate on reasons any potential SG customer may choose not to make the formal SSO request.

12. Reference: Exhibit B-1, page 38

> With respect to the existence of a level playing field between an IPP and a self-generating customer with a load for which FBC is the default provider, the Company does not believe that an issue of fairness exists. Both the self-generating customer and the IPP have exactly the same restrictions and responsibilities when it comes to arranging for any transmission service from FBC, would be subject to the same tariffs, and have similar opportunities to make third party sales of power. With the approval of the SGP included in this Application, self-generating customers will be in a better position than under a NOL environment to realize value from their self-generation investment.
>
> An IPP without load may be able to sell 100% of its output while a self-generating customer must first supply some portion of its load.

12.1 What obligation does FBC have, if any, to serve the IPP?

Response:

Assuming that an IPP requires no service for station load, then FBC's obligation is restricted to providing whatever service has been contracted for pursuant to the Company's point-to-point transmission service and OATT, which are both regulated services.

12.2 What obligation does FBC have, if any, to support a self-generating customer to realize value from their self-generation investment?

Response:

In the view of FBC, at the present time, there exists no obligation for the Company to support an SG customer's efforts to realize value from their self-generation investment. FBC should not stand as an impediment, and may seek to foster conditions that would result in a mutually acceptable outcome for both the SG customer and customers in general.

13. Reference: Exhibit B-1, page 31 and page 32 and page 39

Based on the list and discussion of potential benefits provided by FBC in the Stage I Application, the Commission stated,

> The Panel also agrees with FortisBC that the most likely potential benefits from the local installation of self-generation are due to the deferral or avoidance of a required capital addition and a reduction in power purchases.[22]

The list provided in Section 7.2 of the Stage I Application provided that benefits would most likely come from or contribute to:

- Electricity self-sufficiency, reduced greenhouse gas emissions, or a reduction in the need for utility-provided network capacity
- Deferred or permanent reduction in the need for utility provided generation, transmission and distribution capacity
- Reduced transmission losses
- Reduced environment impacts
- Improved reliability
- Avoided or deferred investments
- Relief of transmission congestion
- Replacement or complement of traditional power generation.

There are also a number of less tangible considerations that could inform the identification of net benefits such as the principles provided by the Commission; namely economic efficiency, fairness, consideration of BC Energy Policy, simplicity and transparency, and stability.

Electricity purchases from self-generating customers may be a supply option for FBC in the future. FBC considers self-generating customers to be larger, industrial customers that can receive electricity from FBC as opposed to smaller, residential or commercial customers that could provide distributed generation to FBC.

13.1 Do the above items listed represent a complete list of the benefits?

Response:

Please refer to the response to BCUC IR 2.25.3.

13.1.1 If no, please identify any other benefits that FBC is aware of.

Response:

Please refer to the response to BCUC IR 2.25.3.

13.2 Is FBC able to quantify any of the benefits as a proportion of a project or any other manner?

Response:

Please refer to the response to BCUC IR 2.21.1.

13.2.1 If so, please provide FBC's quantification of the known benefits where possible.

Response:

Please refer to the response to CEC IR 1.13.2.

14. Reference: Exhibit B-1, page 32

> The Company has considered the evaluation of net benefits in light of the Stage I Decision and the manner in which net benefits are proposed to be recognized, and concludes that it would not be appropriate that infrastructure, reliability and transmission related elements factor into the net-benefits discussion. Despite the fact that a customer may choose to off-set load and take service under a combination of RS 31 and RS 37, FBC will not make any changes to the design or construction of transmission facilities as a result of this, since it may be necessary to meet the full load of the customer on those occasions when self-generation is unavailable. In addition, the short-term commitment required for Stand-by Service does not support any long-term infrastructure planning decisions.
>
> It is reasonable to consider the power supply-planning implications associated with the addition of the considerable load that would need to be accommodated should all FBC's self-generating customers become full-requirement customers. This consideration can be reflected in a reduction to the Stand-by Billing Demand based on the avoided cost of power purchases for "load not served".
>
> FBC has approached this aspect of the SGP in light of the Panel's view that, *"…consideration of the long term benefits of self-generation should be a key consideration for measuring the benefits of self-generation given the long term nature of a self-generation investment and the long term needs of FortisBC.*[23]

14.1 Please provide FBC's definition of 'long term'.

Response:

FBC has picked up the "long term" reference from the Stage I Decision and there may be some disparity between the thoughts of the Commission and FBC in this regard. In the context of the Application, long term for resource planning is the planning horizon of the LTERP process, or 20 years.

15. Reference: Exhibit B-1, page 33 and page 34

> In order to use a reduction in a customer's SBBD to reflect the net benefits of self-generation, an assessment of the value of *"load not served"* due to the presence of self-generation is required. At a high level, the value of *"load not served"* is equal to the difference between the foregone revenue from serving the full load of the customer and the marginal cost of serving that incremental load.
>
> This analysis is a five-step process,
>
> 1. Determine the appropriate per kWh LRMC value of self-generating customer *load-not-served*,
> 2. Determine a blended per kWh rate for the revenue foregone by not serving the full customer load,
> 3. Multiply the difference of the values derived in Steps 1 and 2 by the amount of *load-not-served* due the presence of the customer self-generation,
> 4. Reflect the 50% sharing of net-benefits by multiplying the result of Step 3 by 50%.
> 5. Translate this value into a KVA reduction in the SBBD.
>
> #### 4.1.3.1.2 THE DEMAND SIDE MANAGEMENT LRMC
>
> FBC intends to file in its upcoming LTERP details of how it has calculated a LRMC to use in the evaluation of DSM programs; it is the marginal cost of acquiring electricity generated from clean or renewable resources in British Columbia, as required by the Demand-Side Measures Regulation[28]. The Company is unable to provide a value at this time as it has not yet been finalized or approved by the Commission.
>
> #### 4.1.3.1.3 FBC'S UPDATED LRMC (FROM THE LTERP)
>
> In the FBC LTERP, FBC will also describe the calculation of a LRMC for the preferred portfolio of resources proposed to be used to serve the total FBC customer load. DSM is a cost-effective resource that is expected to contribute to meeting the Company's expected load growth, and will be a component of FBC's preferred resource portfolio. The cost of DSM in the preferred portfolio is the Total Resource Cost (TRC), which includes costs not paid by the utility, and is the appropriate LRMC for the purpose of making resource decisions.

15.1 Please confirm that FBC presented $100/MWh as the LRMC for the purposes of the cost-effectiveness test under the DSM Regulation in its LTERP application.

Response:

Confirmed, pending approval from the Commission. However, this is for DSM programs that provide energy and capacity at the time it is required by FBC to help meet customer load. For further details regarding the LRMC of DSM regulation, please refer to BCUC IR 1.34.1 of the 2016 LTERP Application.

15.1.1 If not confirmed, please provide.

Response:

Please refer to the response to CEC IR 1.15.1

15.2 Please confirm, or otherwise explain, that FBC's LRMC as provided for in the LTERP is based on its A4 portfolio, which assumes electric self-sufficiency after 2025.

Response:

Confirmed, pending approval from the Commission. However, the value of $96 per MWh is for resources that provide energy and capacity at the time it is required by FBC to help meet customer load. For further details, please refer to BCUC IR 1.34.2 of the 2016 LTERP Application.

15.3 Please confirm, or otherwise explain, that the LRMC for the market-resource based portfolio, with no electric self-sufficiency is $75/MWh.

Response:

Confirmed[3].

[3] For clarity, it is assumed this question is referring to Portfolio A1 as tabled in the FBC 2016 LTERP and LT DSM Plan – Errata, Ex. B-1-1, filed September 15, 2017.

16. Reference: Exhibit B-1, page 34

> 4.1.3.1.4 A LRMC FOR SETTING RATES
>
> An appropriate LRMC for setting rates, including the SBBD Reduction, must reflect the avoided costs to the utility (and hence) the remaining ratepayers. Therefore, any rates to be based on a LRMC value must value DSM measures based on the Utility Cost (UC) for DSM rather than on the TRC as the UC only considers costs the utility incurs to achieve the DSM results.
>
> The Company expects that at the conclusion of the LTERP regulatory process a measure of LRMC will be approved (for resource planning purposes), which will also determine the commensurate LRMC for rate-setting, by replacing the Total Resource Costs of the DSM measures in the preferred portfolio with the respective Utility Costs. This will be the value used for the SBBD reduction. It will not however reflect the actual value of the power that would have been used to self-serve the load at the time had FBC actually had to procure it.
>
> For purposes of this Application and in the example that follows, FBC has used a value of $.085/kWh which, based on preliminary work done for the LTERP, is thought to be a reasonable value.

16.1 Please explain why $0.85/KWh is the appropriate value and how it was derived.

Response:

The value of $0.085 per KWh ($85 per MWh) was a preliminary estimate[4] of the LRMC (based on the Utility Cost of DSM), created using the same approach as other portfolios presented in the LTERP. A description of how the portfolios were developed can be found within the response to CEC IR 1.23.2 of the FBC 2016 LTERP application.

An appropriate LRMC for setting rates, including the SBBD Reduction, must reflect the avoided costs to the utility. Therefore, the LRMC must reflect the cost of DSM measures based on the Utility Cost (UC) for DSM rather than the Total Resource Cost (TRC) as the UC only considers costs the utility incurs to achieve the DSM results. The use of UC rather than TRC was also considered when projecting residential bill and rate impacts within the LTERP proceeding[5].

For the FBC proposed preferred portfolio, A4, after substituting UC for TRC, the LRMC of both energy and capacity decreases from $96 per MWh to $87 per MWh (2015$) or $0.087 per KWh and is the appropriate updated number to use in the SBBD calculation at this time. However, if the energy avoided through a SBBD arrangement is NOT reasonably expected to occur during the peak hours of each month of the year within the planning horizon then the FBC LRMC estimate of Energy only is more appropriate. The LRMC of energy only using the UC rather than TRC is $75 per MWh or $0.075 per KWh.

[4] Before the LTERP was filed and all information regarding resource costs were available.
[5] FBC 2016 LTERP, Response to BCUC IR 1.35.3, Ex. B-2, filed April 6, 2017.

A LRMC value is appropriate in the event the SBBD arrangement:

1. Spans the full planning horizon;
2. Provides a performance profile aligned with the future needs of FBC, specifically, has the ability to provide or save winter energy[6,7]; and
3. Complements the planning objectives considered in FBC's Preferred Portfolio (A4) as presented in the LTERP[8,9].

16.2 Why is the LRMC for rate-setting purposes be used for the SBBD reduction if it does not reflect the actual cost of the power that would have been used to self-serve the load at the time FBC actually had to procure it.

Response:

The LRMC is a single value reflective of the cost of meeting load requirements over the long run while reflecting the characteristics of the source portfolio. In practice, FBC views the distinguishing differences between the short run and long run as the time horizon considered, specifically, the "long run" is considered the 20 year planning horizon of the LTERP[10]. The characteristics of each portfolio, and therefore the characteristics of the LRMC, are largely formed by the constraints applied within the optimization routine, the level of DSM, and the variable settings assumed (e.g. high commodity prices versus low commodity prices, varying PPA costs, etc.)[11].

As SBBD agreements are intended to be a long-term commitment spanning the full planning horizon, the LRMC does best reflect the cost to meet load requirements over the planning horizon (long run) assuming the other characteristics (planning objectives) of portfolio A4 are sufficiently addressed.

[6] FBC 2016 LTERP, Response to BCUC IR 2.67.4, Ex. B-11, filed May 18, 2017.
[7] FBC 2016 LTERP, Response to BCUC IR 2.36.3, Ex. B-11, and Updated in Errata, Ex. B-1-1, filed September 15, 2017.
[8] FBC 2016 LTERP, Section 1.3, Long Term Resource Planning Objective filed November 30, 2016.
[9] Evaluated using similar criteria used by FBC as discussed in FBC 2016 LTERP, Response to BCUC IR 1.2.2, Ex. B-2, filed April 6, 2017.
[10] FBC 2016 LTERP, Appendix K, Section 1.2: Marginal Cost Definitions.
[11] FBC 2016 LTERP, Appendix K, Section 5: Considerations When Applying the LRMC.

16.3 How does FBC expect the LRMC used to differ from the actual value of the power that would have been used to self-serve the load at the time had FBC actually had to procure it? Please explain and provide quantification.

Response:

FBC anticipates the actual cost to procure the energy would be less than the LRMC of portfolio A4 early in the planning horizon, and greater than the LRMC of portfolio A4 later in the planning horizon. In the short term, PPA and Market are the marginal resources with a targeted 'High' level of DSM activity. The PPA Tranche 1 energy rate is anticipated to be in the range of $47-$56 per MWh and the Market is estimated to be in the range of $34-$64 per MWh[12]. In the later portion of the planning horizon, FBC's preferred portfolio A4 identifies a new wind resource with a UEC $113 per MWh[13], which is anticipated to increase the actual cost of power.

The LRMC of Portfolio A4 is reflective of other forecast costs for various inputs including the PPA, Market, and Carbon (GHG) as well as the forecasted load requirements that need to be meet. Changes to these variables in the future could materially affect the selection of FBC's preferred portfolio and the corresponding LRMC.

16.4 Would the LRMC based on market (without self-sufficiency) more accurately reflect the actual value of the power that would have been used to self-serve the load? Please explain.

Response:

For clarity, the SBBD reduction is only applicable to customers that take service utilizing the Company's Stand-by Service (RS 37). In the context, the reference to, "...the power that would have been used to self-serve the load", does not accurately describe the circumstance since the customer *is* self-serving the load. The assumed net-benefit is derived from the fact that FBC does not have to serve the load of the SG customer.

FBC therefore assumes that the question probes the appropriate value of the load not served by FBC, and that, "…the LRMC based on market (without self-sufficiency)" is referring to the LRMC of Portfolio A1 as presented in FBC's 2016 LTERP. Portfolio A1, which does not include a self-sufficiency objective, significantly relies on the market and BC Hydro PPA throughout the full planning horizon. In the short to medium term, the BC Hydro PPA and market purchases are FBC's marginal resources that would likely be used to serve incremental load. Therefore, in

[12] FBC 2016 LTERP, Section 8, Table 8-1 FBC Demand-Side and Supply Side Resource Options.
[13] FBC 2016 LTERP, Response to CEC IR 1.23.2, Ex. B-5, filed April 6, 2017.

the short to medium term, Portfolio A1 may more accurately reflect the actual value of power used to serve the incremental load were FBC required to do so. However, since the load seen by the Company as a result of a SG customer utilizing RS37 is assumed to be for a longer time period, FBC believes the correct LRMC is as presented in the Application (adjusted as required for the final value of Portfolio A4 in the LTERP once a final decision is made by the Commission).

16.4.1 If yes, would FBC still consider $75/MWh as the appropriate LRMC for that scenario?

Response:

FBC assumes $75 per MWh is referring to the LRMC of Portfolio A1[14]. As SBBD arrangements are intended to be long-term, the benefits and costs need to be viewed over the long term. The LRMC of FBC preferred Portfolio A4 reflects the average incremental cost of power over the full planning horizon with consideration for multiple long term planning objectives. Some of the benefits identified with SBBD arrangements include supporting self-sufficiency, which are attributes reflected in portfolio A4, but not necessarily Portfolio A1.

If the SBBD commitment is shorter in duration (less than the full planning horizon), the underlying resource has performance attributes that are misaligned with FBC future resource needs, or the circumstances of the commitment conflicts with other significant planning criteria represented in Portfolio A4, then the LRMC may not be the appropriate value.

In the short term, or in the case where a particular resource provides little to no winter energy, the value to FBC would be substantially less than the LRMC, more closely resembling the lower of the wholesale market and PPA Tranche 1 energy rate.

16.4.1.1 If not, please explain and provide an alternative LRMC for that situation.

Response:

Please refer to the response to CEC IR 1.16.4.

[14] FBC 2016 LTERP, Section 9: Portfolio Analysis. Table 9-2: Attributes of Portfolios Considered for Preferred Portfolio. Errata, Ex. B-1-1, filed September 15, 2017.

1

17. Reference: Exhibit B-1, Discussion Guide page 6

> The setting of an SSO, and its subsequent use will, regardless of the method ultimately approved by the Commission, allow a self-generating customer to sell power that is not in excess of its load. The setting of an SSO does not create any obligation, or establish any pricing parameters, for FBC to purchase any of the output of a customer's self-generation.
>
> Should the self-generating customer take service pursuant to a an SSO rather than on a net-of-load basis, FBC's system load will be higher than it otherwise would be and therefore the general level of rates could be impacted. Whether or not this impact is positive or negative depends on the relative levels of the Company's Industrial rates to the price that must be paid for the power required to serve the increased load.
>
> In the current environment of relatively low cost resources, and with the terms and conditions within the proposed SSO Guidelines, it is highly likely that an increase in FBC load due to the additional self-generator service requirements will have a mitigating effect on future rate increases.
>
> To the extent that at some point in the future the reverse may be true, the SSO mitigates, but does not eliminate, the risk to other customers. The establishment of the SSO represents a reasonable compromise.

17.1 How will the pricing parameters be set if FBC purchases power from a self-generating customer?

Response:

FBC would consider acquiring power from an SG customer if that power carries a price that is no higher that an alternative resource of similar quality (considering such attributes as timing, dispatchability, location etc.). In other words, the Company will place the SG power on a similar footing with all available resources and in consideration of the Company's normal resource planning process. It is not the intention of the Company to offer a premium simply because the power comes from an SG resource.

17.2 Please confirm the CEC's interpretation that the setting of an SSO for a self-generator results in FBC's system load being always higher, but the impact of that higher load on ratepayers depends on market conditions.

Response:

Generally confirmed with the clarification that while the mere setting of an SSO has no impact, the actual use of an SSO may. Also, "market" may not necessarily mean the short term market, but may include resources acquired with time frames similar to those of the SSO which could serve to guard against short-term price fluctuations.

Finally, the assumption that the utility load will always be higher than if there was no SSO depends entirely on the circumstances as it is possible that without a SSO the SG could abandon its generation if the cost of generation exceeds the cost of utility supply. The fact of having an SSO may make it economic to keep generating a portion of its own load in these extreme circumstances.

17.3 Please discuss how the self-generator experiences any balancing of risk and rewards similar to those of the ratepayer.

Response:

When an SG customer gains the ability to sell some amount of self-generated power that is not in excess of its load to a third party, while simultaneously purchasing embedded cost power from the utility, the risk/reward potential is not symmetrical between the SG customer and the rest of the customer base. This is due to the fact that the SG customer can control whether or not it chooses to exercise this ability and would presumably do so only when it would benefit. Also, since the terms of the sale, including the price at which the SG output can be sold is outside of the embedded cost of service, the SG can potentially benefit even when the other customers may be harmed. Nevertheless, this does not mean that there is no risk to the SG as the SG is responsible for the costs associated with the SG such as construction and ongoing maintenance or any other costs such as the potential for loss of the generation for any reason.

17.4 Please elaborate on why and how the relatively low - cost resources and the terms and conditions contained within the proposed SSO guidelines contribute to the mitigating effects on future rate increases? Please explain.

Response:

The terms and conditions, and specifically the sharing mechanism, serve to mitigate the potential impact to customers in general. FBC does not consider that the current cost of alternate resources is a program parameter and it is not therefore a mitigating factor by design. Low cost alternate resources is a factor that has two distinct aspects. On the one hand, it should lead to a situation where any below load sales result in positive impact for customers in general. On the other hand, the factor likely limits the opportunity for an SG customer to profitably make such sales in the first place.

18 Reference: Exhibit B-1, Guidelines page 12

9.	The setting of the SSO (SSO) is at the normal historical level for self-supply for idle generation (and includes a definition of Idle Generation.)	44	✗

18.1 Why did FBC not comply with the setting of the SSO at the normal historical levels for self-supply for idle generation, and include a definition of Idle Generation.

Response:

FBC considers that the principle underlying the Commissions direction at page 44 of the Stage I Decision that, "The Panel generally supports an incremental approach, based on a historical level of self-supply, for customers with idle self-generation; however a clear definition of what constitutes 'idle' would be necessary."(emphasis added), to be that a GBL (or SSO) be set in reference to historical generation. The SSO methodology proposed by FBC is consistent with this principle. However, in order to recognize any net-benefits of self-generation, a factor of 50 percent is applied. As stated in the Application, since the proposal of FBC treats all customers in a consistent manner, a definition of idle is not required.