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March 16, 2018

Zellstoff Celgar Limited Partnership
c/o #301 – 2298 McBain Avenue
Vancouver, BC V6L 3B1

Attention: Mr. Robert Hobbs

Dear Mr. Hobbs:

Re: FortisBC Inc. (FBC)

Project No. 3698820

Self- Generation Policy Stage II Application (the Application)

Response to the Zellstoff Celgar Limited Partnership (Celgar) 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 review of the Application, FBC respectfully submits the attached response to Celgar 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

1.0 References: Exhibit B-1, Section 2, page 3

"FBC believes that net benefits should be shared even for those customers outside the scenario that lends itself to a GBL. FBC says this because there is not likely to be any great distinction between the net benefits provided to other customers of the utility by Scenario 2 and 3 customers on the one hand, and those that choose to operate pursuant to a GBL on the other."

Exhibit B-1, Table 2-1, page 11, Item 2e

"The Panel does not support the position that the sharing of net benefits is best reflected through the Stand-by Rate's SBBD, rather the Panel find that the GBL is the mechanism that reflects a sharing of the net benefits between the ratepayers and the self-generator;"

Exhibit B-2, Attachment 1.1, Section 8, page 4

"The net benefits of self-generation are taken into account when a customer's SBBD is determined."

1.1 Please comment on the Commission's view that "the sharing of net benefits is best reflected through the Standy-by Rate's SBBD". In particular, does FBC acknowledge that the sharing of net benefits from self-generation is not relevant to the determination of an SBBD.

Response:

The question is unclear due to the fact it contains an incomplete quotation; please refer to the text in the second block leading up to the question. Please refer to BCUC IR 2.25.6 for a discussion of the SBBD as it applies to the sharing of net benefits, as well as the reasoning set out on pages 4-6 of the Application (Exhibit B-1).

1.2 Please confirm that FBC has an obligation to provide stand-by service under RS 37 to eligible customers. If confirmed, please explain why the method for determination of a self-generation customers SSO is relevant to the determination of an SBBD for an eligible customer under RS 37?

Response:

FBC has an obligation to provide stand-by service to eligible customers that meet all of the requirements contained in RS37 and have signed a GSA containing all the requisite information such as billing determinants.

In the case where a SG customer chooses to utilize both an SSO and Stand-by Service the SSO defines the amount of load that the customer must self-supply, and therefore the maximum load that is eligible for Stand-by Service.

2.0 Reference: Exhibit B-1, Section 2.4.1, Eligible Customers, page 14

"Turning to another point (though still within the ambit of discussing eligibility), the Company notes that any self-generating customer whose conduct causes a reduction in revenue to FBC without at least an equal reduction in power purchase costs does not provide a net benefit."

2.1 The reference appears to imply that the sole measure of net benefits is a comparison of FBC's revenues against power purchase cost. Is the power purchase cost a blended rate or a specific piece of FBC's resource stack, for instance market or BC Hydro RS 3808?

Response:

FBC does not agree that the sole measure of net benefits is a comparison of FBC's revenues against power purchase costs as explained in the response to CEC IR 1.5.11. The reduction in power purchase costs must consider the incremental cost of supply and not the change in the average embedded cost of supply. The change in power supply cost is therefore the actual change in total power supply cost that results from the change in SG customer load.

2.2 Please discuss how the other potential benefits of self-generation (as identified in Exhibit B-1, Section 4.1.2, pp. 31-32) may be valued and why these are not incorporated into the measure of net benefits.

Response:

Please refer to the responses to BCUC IRs 2.21.1, 2.25.1, and 2.25.2.

3.0 Reference: Exhibit B-1, Section 4.1.1.7, page 25

"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."

3.1 Please further explain the fairness and rationale of using 50% as the quantification of the sharing of net benefits. What investment or risk is being offset for the self-generating customer in recognition of this benefit created by the self-generating customer's investment that makes this approach fair?

Response:

Please refer to the response to CEC IR 1.5.2. The use of the 50 percent factor is intended to account for the entirety of the net-benefits that may result from the presence of self-generation, and does so in a non-specific manner.

4.0 Reference: Exhibit B-1, Section 4.1.1.7, 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."

4.1 Are there any situations for which the SSO may be adjusted downwards? If not, why not?

<u>Response:</u>

Section 9 of the SSO Guidelines provides for an adjustment to the SSO in either direction if FBC and the customer both agree to do so.

5.0 Reference: Exhibit B-1, Section 4.1.3.3, Table 4-1, page 36, and Appendix G, Draft Order

5.1 Please confirm that the monthly peak load (line a) in Table 1, FBC assumes that the self-generating customer's generator runs at 100% uptime for the year, and that if the generator tripped without any coincident loss of load, the peak demand for that month could be as high as 15,500 kVA. If not confirmed, explain why not. Does FBC consider 100% uptime for a generator associated with an industrial process to be a realistic expectation?

Response:

Table 4-1 contains a simple example of the SBBD reduction methodology as an aid in understanding. It does not account for power factor or generator reliability. FBC does not expect that a generator would in practice be 100 percent reliable. However, as an example related to stand-by service, it is also the case that a loss of generation would be unlikely to trigger any billing consequences related to the increase in peak demand.

5.2 For the preceding scenario, if the generator tripped even for two hours during a period of maximum demand with no coincident loss of load, please confirm that the RS31 Billing Demand would be 15,500 kVA for that month and 12,400 kVA for the next 11 months. If not confirmed, please describe what alternate billing profile would be created. For this scenario, please confirm the amount of the wires charge, and the amount of decrease of the SBBD reduction reflecting "net benefits".

Response:

FBC considers it unlikely that the Billing Demand would be as indicated in the question since a customer with a SBBD would necessarily be taking service pursuant to RS37 and Special Condition #2 of RS37 is as follows,

> Billing Demand in the underlying rate – The maximum demand recorded during a Stand-by Period will not be used in the calculation of Billing Demand in RS 31.

Therefore, billing would reflect the RS31/RS37 combination of RS31 Contract Demand and the SBBD as determined by the SGP.

5.3 Please explain what happens when the blended rate is greater than the LRMC? For instance, consider the case when the example self-generating customer's annual plant consumption is 45.99 GWh (50% of 10,500 kVA at 1.0 pf) and the blended rate exceeds the LRMC. Does this mean there are no net benefits experienced by the self-generating customer as a reduction to the SBBD?

Response:

If there is no benefit indicated (as would be the case in the scenario described), then no sharing would occur and no reduction in the SBBD would result.

5.4 Please confirm that FBC is not seeking approval to apply the methodology in Table 4-1 to customers who already have an approved SBBD, even if such customers are moving from either Scenarios 2 or 3 to Scenario 1 as per the application at p. 3-4?

Response:

The SBBD reduction methodology is intended for future customers consistent with the discussion of the matter contained in the response to BCUC IR 2.6.1. Therefore, in this Application, FBC is not seeking approval to revise the SBBD that was set by the Commission following the discussion in Section 4 of the Stage IV Decision in the Stepped and Stand-by Rate process (G-149-15). Please also refer to the response to Celgar IR 1.5.8.

5.5 Does FBC propose before determination of an SSO to apply the methodology in Table 4-1 to all customers who sometime in the future may be granted an SSO, not just "future [new] customers" as stated in the Draft Order?

Response:

No. While Stand-by Service is available to an SG customer to maintain that portion of load normally self-supplied (i.e. up to the SSO), an SG customer that is taking service pursuant to an SSO is not also eligible to receive a reduction in their SBBD, which is the subject to Table 4-1.

5.6 Please explain why the SBBD of self-generation customers should increase or decrease from their approved SBBD before being obtaining an SSO. Conversely, in circumstances where there is an adjustment to an SSO or the SSO is no longer in effect does FBC propose to adjust the SBBD?

Response:

Simply obtaining an SSO should not be sufficient to change the SBBD as no net-benefits from utilizing the SSO are being realized. However, once the SSO starts to be utilized, as stated in the Application[1] "To reduce the SBBD for a customer with an SSO would count the net benefits twice over in the customer's favour." If a customer is no longer utilizing an SSO to make below-load sales to third parties, then an SBBD reduction could be put into effect.

5.7 Please explain what FBC is seeking approval in item 2 of the Draft Order where it states: "The Stand-by Billing Demand (SBBD) is approved, …" In particular, is FBC seeking in item 2 of the Draft Order to apply the methodology in Table 4-1to only future (new) customers. If so, please explain why the proposed SBBD methodology is relevant to the SSO Guidelines, and why the SBBD methodology is appropriately within the scope of this proceeding.

Response:

Please refer to the response to Celgar IR 1.5.10.

5.8 Please confirm that when FBC submits the Celgar SSO to the Commission for approval (see Application, p. 31) it will not seek approval to adjust the Celgar SBBD?

Response:

FBC is not seeking approval to change the SBBD of Celgar, which was set by the Commission at 40 percent of Stand-by Demand Limit by Order G-149-15. In the accompanying Decision, the Commission devoted from page 5 to page 36 on the discussion of the appropriate means by which to arrive at a SBBD for Celgar, and it is unclear to FBC upon what basis the final determination ultimately rested. While it seems that a consideration of net-benefits was included, there were many other factors considered as well.

[1] Page 5, row 2.

FBC has been clear in the SGP that for any other customers to which the SGP does or would apply, it would not be permitted to have both an SSO and a reduction in SBBD.[2] FBC is concerned that if Celgar were to retain both it may result in what would appear to be a preferential rate for Celgar as compared to customers in similar circumstances. Given the uncertainty around how the SBBD for Celgar was set by the Panel in the Stand-by Rates process, FBC would welcome clarification from the Commission on whether Celgar should be eligible to have both an SSO and a lowered SBBD when a Decision is rendered in this process.

5.9 Please describe customer consultation, if any, by FBC related to item 2 of the Draft Order?

Response:

FBC did not reach out to customers specifically to discuss the refined SBBD adjustment mechanism included in the Application. FBC notes, however, that the adjustment to the SBBD as it relates to RS37 is an outstanding topic from the Stepped and Stand-by Rates process that was discussed at some length there. FBC is of the view that this proposal can be fully explored as part of the process associated with this Application.

5.10 Please comment on whether the approval sought in item 2 of the Draft Order is to apply only to customers in Scenarios 2 or 3 as identified in the application at p. 3-4. If so, should item 2 of the Draft Order explicitly state that the approval sought is to only apply to customers in Scenarios 2 or 3?

Response:

Item 2 of the Draft Order is in need of revision, but not for the reasons suggested in the IR. The current language of Item 2 is,

> The Stand-by Billing Demand (SBBD) is approved, with the adjustments proposed in the Application, for future customers that will not be making third party sales, or will do so only after having offset its load, to receive a share of the net-benefits attributable to its self-generation.

It is not the SBBD that requires approval (which is already a feature of Stand-by Service), but the methodology that arrives at a reduction in the SBBD. In the view of FBC, it is not necessary

[2] Page 5, row 3 of the Application.

to state explicitly that the item only applies to Scenario 2 and 3 customers since this is clear in the Application itself (page 31, lines 13 to 17). FBC would, however, revise item 2 as follows.

> The **use of** Stand-by Billing Demand (SBBD) is approved, with the adjustments proposed in the Application, for any future customer that will not be making third party sales, or will do so only after having offset its load, to receive a share of the net-benefits attributable to its self-generation.

5.11 Please explain the connection, if any, between the proposed SBBD reduction based on 50-50 sharing of assumed net benefits of self-generation and the SSO determination based on the “50% net benefit sharing factor” (of load)? For example, could the SSO determination be based on a 25% net benefit sharing factor and the proposed SBBD reduction (Table 4-1, Step 4) be based on a 50-50 sharing of assumed net benefits of self-generation? Please also comment on whether the “net benefits” relevant to the SBBD reduction and the SSO factor are the same “net benefits”.

Response:

For the reasons discussed in the response to BCUC IR 2.21.1, the SGP proposed by FBC takes that view that net-benefits exist due to the presence of self-generation on the utility system, but it does not attempt to identify them individually or value them in the manner suggested by the question. The SBBD reduction methodology does restrict its focus to notional power supply cost impacts. FBC does not believe that there is any reasonable basis for using a different sharing percentage for the different aspects of the SGP.

6.0 Reference: Exhibit B-1, Appendix A, Self-Supply Obligation Guidelines, Section 11, page 4

"The minimum time period to take service pursuant to any SSO is 5 years. The customer can at any time provide a minimum 3 year notice to cease to take service pursuant to the SSO."

6.1 Please explain why a minimum 5 year commitment is required considering that energy sales contracts may be for durations less than 5 years.

Response:

Energy sales contracts can be for as short a time period as one hour. The purpose of the 5 year time period is to prevent a short term spike in prices prompting a SG customer to utilize an SSO and then simply return to self-supply once the power crisis has passed. A SG customer should be making a reasonable business decision over a reasonable time period as to whether they wish to take utility supply and act as an IPP with their generation or to self-generate only to offset load.

6.2 Given the 3 year notice period to cease to take service pursuant to an SSO, please discuss the risk and restrictions applicable to a self-generating customer associated with entering into a one year energy sales agreement.

Response:

The minimum time period to take service under an SSO is 5 years. If notice to cancel taking service under the SSO was given at the start of the SSO 5 year period, a full 5 years notice would be required. After 2 years have passed, a minimum of 3 years notice may be given. FBC expects to provide service and will be sourcing supply to provide service. FBC requires time to adjust its load forecast and supply portfolio in response to the load changes of customers.

The risk to the SG customer associated with entering into a sales contract with a duration shorter than the period of time they are obligated to remain on utility supply will need to be assessed by the SG customer itself for acceptability. FBC cannot comment on an individual customer's level of risk tolerance.

7.0 Reference: Exhibit B-1, Appendix A, Self-Supply Obligation Guidelines, Section 9

"Demand Side Management (DSM) activities that are funded, in whole or in part, by the Company are not considered a reason to adjust an SSO."

7.1 Please confirm that FBC proposes in the LTERP proceeding to adjust, by a "sliding scale mechanism", the DSM incentives for self-generation customers without an SSO?

Response:

The treatment of self-generating customers described in the LT DSM Plan describes a general framework for calculating incentives that seeks to balance the needs of self-generating customers with the objectives of the DSM program. Since FBC provides DSM services to customers assuming achievement of the full electricity savings for energy conservation measures, in circumstances where the full savings may not be achieved financial incentives are pro-rated based on the realized electricity savings accruing to the Company. The framework described in the LT DSM plan is not specific to SG customers "with an SSO".

7.2 Does FBC propose to adjust, by the same "sliding scale mechanism", the DSM incentives for self-generation customers with an SSO? If the DSM incentives are to be adjusted, please explain why the SSO should not be adjusted?

Response:

The framework contained in the LT DSM plan will work equally well with a customer with an SSO as with one without. The framework ensures that financial incentives are commensurate to the realized electricity savings accruing to the Company, based on the load actually served by FBC. FBC sees no particular reason why the adjustment of the DSM incentives would lead to a conclusion that the SSO should also be adjusted.

8.0 Reference: Exhibit B-2, Attachment 1.1, Section 4, Supporting Documentation, Page 2

"In addition to being an Eligible Customer and utilizing an Eligible Technology, customers that intend to apply for treatment under the SGP must also comply with:

- FBC Electric Tariff No. 2 Terms and Conditions (the FBC Tariff), in particular Section 10 customer-Owned Generation; and
- FBC Facility Connection Requirements.
- Where the transmission system of FBC will be used for exports, Tariff Supplement No. 7."

8.1 Are FBC's Facility Connection requirements subject to BCUC review and approval?

Response:

The FBC Facility Connection Requirements are internal standards which FBC does not file with the Commission for approval. They are, however, subject to review on a case by case basis should a party wish to raise an issue with the Commission, which would have jurisdiction to consider the matter as part of its role in general oversight of utilities in the province of BC.

8.2 Please provide a comparison of the costs for wheeling 10 MW for a year, a month and a week if all applicable services were purchased from FBC under the current wheeling tariff and that proposed in the recent Cost of Service Application.

Response:

For a firm-point to point transmission service request of 10 MW in all hours of the year, the annual costs charged the customer, assuming the customer purchased all of RS101, RS103, RS104, RS105, RS107 and RS108, can be found in the table below. The annual values are based on both the monthly and weekly rates. To calculate the cost for a single month, divide the amounts shown in the monthly rate row by 12 and likewise to calculate the cost for a single week, divide the amounts shown in the weekly rate row by 52.

Compared to current rates, charges would be reduced by $482 thousand for a monthly firm reservation, and by $586 thousand for a weekly firm reservation using the rates contained in the 2017 RDA recently filed with the Commission. In addition, the amount of losses that the customer would need to either supply physically or purchase from FBC would be reduced from 5,326 MWh to 2,505 MWh due to the reduced rates in RS109.

1 The following table shows the charges under both scenarios.

Wholesale - Transmission	10 MW at 95% Capacity Factor		
	Current ($,000)	RDA ($,000)	Difference ($,000)
Annual Cost at Monthly Rate (RS 101, 103, 104, 104, 107 and 108)	1,149	667	-482
Annual Cost at Weekly Rate (RS 101, 103, 104, 104, 107 and 108)	1,253	667	-586
RS 109 - Losses (MWh)	5,326	2,505	-2,821 (GWh)

2

3

9.0 Reference: Exhibit B-2, Attachment 1.1, Section 6.3, page 3

"The rate that will be applied to such unscheduled purchases will be reflective of the energy's avoided cost value as determined by FBC at that time. This rate is equal to the lesser of the Tranche 1 Energy Price set out in Rate Schedule (RS) 3808 as of January 1 in the calendar year in which the scheduled delivery is made and the ICE Mid-C Day-Ahead Index Price, less 2 mils, using the heavy load index for Heavy Load Hours and the light load index for Light Load Hours."

9.1 Please explain why the avoided cost value of received is calculated by subtracting 2 mils from to index price, rather than adding 2 mils to reflect FBC's avoided cost of wheeling energy purchased at Mid-C to its service territory.

Response:

2 mils are subtracted from the price to reflect the fact that the seller would have to pay for transmission to move the power to market. FBC has no wish to buy unscheduled purchases as FBC prefers to control the timing of any energy it receives to either obtain the best possible price or receive the benefit of the capacity associated with the purchase on a planned basis.

10.0 Reference: Exhibit B-2, Attachment 1.1, Section 8, page 4

"FBC has identified three distinct scenarios that require different treatment under the SGP, each of which is described below, in Sections 8.1, 8.2.2 and 8.2.3. A self-generator may change its intent with respect to its self-generation, thereby moving from one scenario to another, but will only be in one scenario at a time."

10.1 Please explain the process and timelines for a customer switching from one scenario to another.

Response:

Other than the notification periods that are contained in the SSO Guidelines, and those in the General Terms and Conditions of the FBC Electric Tariff related to load and Contract Demand changes, there are no particular timelines or process required to change service parameters. Requests for such changes would be made through the normal channel of communication with the Key Account Representative.

10.2 Please explain why a customer must be in only one scenario at time. For example, why cannot a customer have an SSO pursuant to Section 8.1, and then utilize RS 37 service pursuant to Section 8.2.2 when its generating facilities are not in operation or are operating at less than full rated capacity?

Response:

The scenarios referred to in the quoted sentence are those listed in Section 4.1 of the Application which are distinct from each other. The service parameters in Section 8 of Attachment 1.1 of Exhibit B-2 describe service to customers in each scenario, but are not scenarios themselves.

It is possible for a customer to have both an SSO and take service on RS37 at the same time and therefore have service described by more than one section of section 8 overall. However, it is not possible for a customer to be both selling power that is not net-of-load and also be using all self-generated power to offset load as described by the scenarios of Section 4.1 on the Application.