

25th Floor  
700 W Georgia St

Vancouver, BC  
Canada V7Y 1B3

Tel 604 684 9151  
Fax 604 661 9349

[www.farris.com](http://www.farris.com)

Reply Attention of: Ludmila B. Herbst  
Direct Dial Number: (604) 661-1722  
Email Address: [lherbst@farris.com](mailto:lherbst@farris.com)

Our File No.: 05497-0240

March 6, 2015

BY EMAIL

British Columbia Utilities Commission  
6th Floor, 900 Howe Street  
Vancouver, BC V6Z 2N3

**Attention: Erica M. Hamilton, Commission Secretary**

Dear Sirs/Mesdames:

**Re: FortisBC Inc. – Self-Generation Policy Application**

We are counsel for FortisBC Inc. (**FBC**) in the above-noted proceeding, and write further to Order G-32-15, and in particular the Commission's request for comments on the issues listed in Appendix C to that Order (**Preliminary Issues List**). We thank the Commission for providing the Preliminary Issues List for participants' consideration.

We have reviewed the Preliminary Issues List in light of the following points:

1. The issues to be arrived at through consideration of and comment on the Preliminary Issues List will form the subject matter for parties' written submissions in this process (Appendix A to Order G-32-15, pp. 10-11). In our view, to best ensure that the submissions deal with the same points (rather than being ships passing in the night, so to speak), and to provide the focus that will allow this process to continue expeditiously, it would be helpful to crystallize the proposed issues into the form of questions, where it is possible to do so (see point 2, below), that could serve as the headings and subheadings within participants' submissions. FBC notes the useful exchange that has occurred among participants in BC Hydro's contracted GBL guidelines application in formulating specific questions.
2. In our view it would be helpful to distinguish between kinds of issues identified on the Preliminary Issues List that might best be considered as informing submissions that could be made on other points, from issues that can be distilled into specific questions which are to be the subject of distinct sections of participants' filings. For example, the BC Energy Plan and the *Clean Energy Act* (referenced in items 2 and 3 of the Preliminary Issues List) are part of the environment in which FBC operates and, in the view of FBC (which it expects is universally adopted on this point), portions of each directly apply. How their provisions inform analysis of other issues is best addressed in relation to those matters. Similarly, in our view, it would be

useful for participants to address past Commission decisions (referenced in item 1 of the Preliminary Issues List) in the context of their submissions on particular other issues.

3. The formulation of the issues should be as consistent as possible with the context in which the Commission placed the Preliminary Issues List at pages 8 and 9 of Appendix A to Order G-32-15, as follows:

The proposed Stage 1 suggests that there are more issues affecting the development of GBL principles and guidelines than are addressed in previous Commission decisions. Appendix C provides a listing of those issues which the Panel has identified as potentially impacting this Application. As an example, FortisBC indicates that the 1999 Access Principles have little implication for the development of their proposed GBL methodology, whereas Celgar argues the opposite. The Panel is also concerned about government policies and statements such as the *Clean Energy Act* and the BC Energy Plan that could impact the establishment of any guidelines. Receiving further commentary on these and other issues is, in the view of the Panel, important to this Application.

....

The Panel agrees with FortisBC that it makes little sense for FortisBC to be drafting and filing GBL Guidelines which it believes to be based on past Commission decisions when other people would take the view that in fact, the high level principles on which the GBL Guidelines would be based, are departures from those past Commission decisions.

In this regard, while the issues as listed in the Preliminary Issues List could conceivably be discussed in very broad terms, we expect that it would be most efficient to focus on aspects of them that best inform the future filing of draft GBL Guidelines.

4. Of course, as also reflected in the Commission's wording above, the process in which the participants are presently engaged relates to FBC's application, as should participants' submissions.
5. With respect to arbitration, which is addressed in item 6 of the Preliminary Issues List, Directive 5 of Order G-60-14 provided that "FortisBC Inc. is directed to initiate a concurrent consultation process in its service territory to address or ensure: ...(iv) arbitration is not allowed". In this regard, participants may wish to address what that prohibition captures, and specifically whether sales of self-generated power that may be below plant load but above a Commission approved GBL fall afoul of that prohibition.

In light of all the above, FBC would suggest that the Commission could ask the participants to orient their submissions around the following questions (which we have derived from items 4-9 on the Preliminary Issues List), with the answers to each of the following questions to address (where

relevant) past Commission decisions (item 1), the BC Energy Plan (item 2), the *Clean Energy Act*, and other potentially relevant legislation (item 3):

1. What are the potential benefits, if any, of self-generation that occurs or may occur in FBC service territory?
2. Should any such benefits, or benefits of particular kinds, be recognized in FBC's self-generation policy, and if so, how? Is the proposal by FBC that identifiable net benefits be recognized in rates appropriate, or are there other methods that should be used?
3. Should FBC's self-generation policy incent self-generation and, if so, should the policy do so only under particular circumstances? If only under particular circumstances, what are they?
4. Is the use of a GBL as proposed in FBC's application consistent with the prohibition on arbitrage in FBC service territory reflected in Directive 5 of Order G-60-14? (To answer this, participants may wish to address what that prohibition encompasses.) Are certain parameters on the use of the GBL required in order to make it consistent with the prohibition on arbitrage, for example particular treatment of idle historic and new generation? Should those parameters be included in the GBL guidelines?
5. Is there an alternative means of avoiding arbitrage that FBC should adopt:
  - a. instead of the GBL approach; or
  - b. in circumstances where a GBL has not been arrived at or is not desired by a particular self-generating customer, instead of the net-of-load approach?
6. What is the definition of "load" for the purpose of applying the "net-of-load" concept in the circumstances in which it will apply in FBC service territory?
7. Do the 1999 Access Principles apply to self-generating customers of FBC? If so, does it matter in face of the prohibition on arbitrage that is reflected in Directive 5 of Order G-60-14?

In the above list, FBC has distilled the questions arising out of items 4-9 of the Preliminary Issues List in the manner that it considers would provide the most useful framework for participants' written submissions in this stage of the process. FBC will, of course, also be pleased to consider and comment in its reply (to be submitted by March 17, 2015) on suggestions that other participants may have regarding the formulation of issues to be addressed.

March 6, 2015

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Yours truly,

FARRIS, VAUGHAN, WILLS & MURPHY LLP

Per:

A handwritten signature in black ink, appearing to read "LB Herbst". The signature is written in a cursive, flowing style.

Ludmila B. Herbst

LBH/lts

c.c.: Registered Interveners  
Paul Miller  
client