

IN THE MATTER OF THE

Utilities Commission Act, R.S.B.C. 1996, Chapter 473

AND

FortisBC Inc.

For Approval of a

Self-Generation Policy

Celgar Submissions

September 6, 2018

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A. Introduction

- 1) In Final Submissions, FortisBC considers that there are two primary issues driving the current application.¹ As described by FortisBC, the first is the opportunity sought by self-generation (SG) customers to sell power that would otherwise be used to serve load. This description of the issue misses the overarching concern of SG customers, and as identified by the Commission, as to whether the Net-of-Load (NOL) construct continues. The second of the two primary issues identified by FortisBC is recognition of the benefits and costs that the presence of SG brings to the utility system and other FortisBC customers.
- 2) In these final submissions, Celgar will first comment on conflicting views of the purpose of the Self-Generation Policy (SGP). Then Celgar will review and comment on four central issues related to the SGP: i) the purpose of the SGP, ii) whether the Self-Supply Obligation (SSO) must be established with the self-generators agreement, iii) the continued use of the NOL construct, and iv) the use of net benefits to determine the SSO and Stand-by Billing Demand (SBBD). Finally, Celgar will comment on the approvals sought by FortisBC.

B. Purpose of SGP, Arbitrage and Investment Returns

- 3) In Final Submissions, FortisBC seeks clarification of whether “arbitrage is not allowed” as follows: “FBC believes that clarity on this point [whether “arbitrage is not allowed”] from the BCUC would be helpful.”² This is despite clear Commission directions to FortisBC regarding the use of arbitrage. FortisBC insistence that “arbitrage” be addressed by the Commission is much more about its approach to the SGP, than the lack of clarity from the Commission regarding arbitrage. As will be noted below, the

¹ FBC Final Submissions, para. 8

² FBC Final Submissions, para. 57, item 5

Commission could not have been clearer. Nevertheless, FortisBC continues to believe that the use of self-generation output drives the entire SGP. That is, from FortisBC's perspective the purpose of the SGP is to address its concerns regarding "arbitrage".

- 4) FortisBC has insisted that the benefits of self-generation investments should accrue to other customers because it is necessary to ensure that self-generation customers do not arbitrage. This is despite Celgar's repeated commitment not to arbitrage power – Celgar has fully and always accepted the following conclusion in the Stage I Decision:

... the Panel does not support a policy that would allow a self-generating customer to elect, on a short term opportunistic basis, whether any incremental self-generation will be deemed to serve the customer's load or deemed to be exported. This could result in true arbitrage ...³

And then the Commission said:

The concept [arbitrage] and the arguments are well known by all parties in this proceeding but the Panel believes clarification is required in order to assist FortisBC in formulating the GBL Guidelines.⁴

- 5) In the Stage I Decision, the Commission Panel then provided comments that clarify the concept of arbitrage.⁵ Not willing to accept the clarification provided by the Commission, FortisBC requests that the Commission Panel provide further comments in order to clarify the concept of arbitrage.⁶ This request by FortisBC disguised as a request for clarity is in fact a request driven by FortisBC's unwillingness to accept the Commission decision. That is, FortisBC continues to insist that a self-generator's investment should benefit FortisBC and customers, not investors.
- 6) The Commission direction to FortisBC could not have been more clear when it stated: "the Panel would like FortisBC to eliminate the word "arbitrage" in any policy or

³ Stage I Decision, p 25

⁴ Stage I Decision, p. 27

⁵ Order G-174-15 Decision, p. 24, where the Commission also stated: The Panel is persuaded that the use of the word "arbitrage" to describe the buying and selling of electricity by self-generators is not particularly helpful as noted by several parties.

⁶ FBC Final Submissions, para. 57, item 5 of the para. 57 table.

guidelines that it may put forward in future filing and replace it with “mitigate the risk to other ratepayers.”⁷ And then the Commission stated: “The Panel has clarified the confusion around the use of the term “arbitrage” ...⁸

- 7) There should be no confusion about the use of the term “arbitrage”, and yet FortisBC continues to justify its SGP based on concerns about “arbitrage”. “Arbitrage” as used by FortisBC is an attempt to capture investment returns for customers that would and should otherwise accrue to investors. In considering the policies advocated by FortisBC in this proceeding, Celgar respectfully submits that such policy decisions should not be based on concerns about “arbitrage”, but instead be based on ensuring that self-generation customers are incented to continue to invest in self-generation. Capturing the benefits of those investments for other customers will not encourage future investment in incremental or existing self-generation.
- 8) Celgar respectfully submits that the purpose of the SGP should not be, as is the case with the SGP filed in this proceeding, to address FortisBC’s concerns about arbitrage. Instead, the Commission should conclude that the purpose of the SGP should be to encourage self-generation and provide economic incentives, and remove barriers, to develop generation such that generators are afforded the opportunity to maximize profit.⁹ As advanced in the Stage I proceeding, Celgar believes that incentives should be provided in similar circumstances as those being provided to BC Hydro self-generation customers.¹⁰
- 9) FortisBC has made it clear that it does not consider the purpose of the SGP to encourage self-generation investment or to remove barriers, rather it has expressly stated that the entire driver of the SGP is to direct the use of self-generation output. FortisBC’s unwillingness to “let go” of concerns about “arbitrage” and to focus on the use of self-generation output narrows the focus of the SGP and will stall the development of self-

⁷ Stage I Decision, p. 28

⁸ Stage I Decision, p. 29

⁹ Stage I Decision, p.48

¹⁰ Stage I Decision, p. 48, also as noted in the same Decision, p.13, “BC Hydro states that is unfortunate that FortisBC takes the position that it is not FortisBC’s role to encourage self-generation in its service area.”

generation in the FortisBC service area. In policy formulations, as this is, the Commission decisions should advance, not hinder, the development of self-generation.

10) The Commission has stated that:

In the Panel's view a policy that results in the sharing of net benefits with the self-generator and the ratepayers does not dictate the use that a self-generator may make of its own self-generation output as suggested by Celgar. Rather, the self-generator should take into consideration the policies a utility has around self-generation and from there make a decision on how to use that self-generation within those boundaries.¹¹

11) Although the Commission states that a "policy [SGP] that results in the sharing of net benefits with the self-generator and the ratepayers does not dictate the use that a self-generator may make of its own self-generation output as suggested by Celgar"¹², FortisBC states that it is the use that a self-generator may make of its own self-generation that "drives the entire SGP."¹³ It is no wonder that Celgar suggested, as noted by the Commission, that FortisBC intends to dictate how self-generation customers make use of self-generation output.¹⁴ That is, in fact, what in FortisBC's view "drives the entire SGP".

12) There are significant inconsistencies between the purpose of the SGP as defined by the Commission in the Stage I Decision, which are aligned closely with the purpose of the Contracted GBL Guidelines as defined by BC Hydro¹⁵, and the driver of the SGP as acknowledged by FortisBC. In the Stage I Decision, the Commission concluded:

in order to provide information so as to promote stability, transparency, and consistency to guide FortisBC's customers considering market investments in self-generation the SGP filed in Stage II needs to establish and document the circumstances under which FortisBC will do nothing, remove barriers or incent self-generation. This will help to ensure that no customer is treated in

¹¹ Stage I Decision, p. 30

¹² Ibid.

¹³ Exhibit B-2, p. 4, lines 3-4.

¹⁴ Stage I Decision, p. 30

¹⁵ Stage I Decision, p. 48 where the Commission notes that the BC Hydro approach is to encourage incremental self-generation projects through financial payments and incentives under EPAs and LDAs.

an unjust, unreasonable, unduly discriminatory or unduly preferential manner.¹⁶

13) FortisBC claims that the SSO and the SBBB provide an enhanced opportunity to realize a greater return on its investment relative to the current situation. And that this fact can be viewed as either the removal of an economic barrier or an incentive.¹⁷ From the perspective of a self-generation customer an SSO is preferable to NOL. However, as will be argued by Celgar, for reasons unrelated to the SSO the Commission should remove the NOL construct. An NOL as compared to an SSO should not be used by FortisBC as the basis for claiming that an SSO amounts to incentives or removes barriers to the development of self-generation. If the SSO is not compared to the NOL, then there is no merit to the argument that the SSO can be viewed as either an incentive or removal of an economic barrier.

14) FortisBC also claims in this proceeding that an SBBB is an incentive or removes an economic barrier to self-generation. It does not. The SBBB has been the subject of another proceeding in which the evidence confirmed that BC Hydro does not have demand charges for stand-by service and FortisBC does. So the contrary is true, the SBBB is a barrier to the development of self-generation in the FortisBC service area. In any case, in this proceeding the SBBB should not be considered, and if it is considered, the Commission should conclude that is not an incentive nor does it remove an economic barrier to the development of self-generation.

15) Celgar respectfully submits that the Commission should conclude that the SGP does not provide incentives, nor remove economic barriers to self-generation development in the FortisBC service area and then deny approval of the SGP because it does not achieve the Commission's stated objective of encouraging self-generation development in the FortisBC service area.

¹⁶ Stage I Decision, p.14

¹⁷ Exhibit B-2, p. 2, lines 28-33

C. Agreement of Self-Generation Customer

- 16) Celgar submits that in the absence of an agreement by the self-generation customer, restrictions on the use of self-generation output should not be approved. It is for that reason that Celgar respectfully submits that the SGP must explicitly state an SSO must be reached by agreement between the utility and the self-generation customer.
- 17) Celgar has reached an agreement with FortisBC so a SGP that expressly requires an agreement of the self-generation customer to an SSO will not affect Celgar. But as a matter of policy, all SSO determinations should be subject to the agreement of the self-generation customer. All GBLs approved by the Commission until this time for self-generation customers have first been the subject of an agreement between BC Hydro and the self-generation customer. This was expressed by BC Hydro as follows:

BC Hydro has used Contracted GBLs in load displacement agreements (LDAs) and electricity purchase agreements (EPAs) with its self-generating customers to identify the incremental or new electricity generation that BC Hydro will incentivize pursuant to either the LDA or EPA. The Contracted GBL Guidelines are intended to guide BC Hydro and its customers in determining Contracted GBLs when they are considering entering into a prospective EPA or LDA.¹⁸

- 18) Unless first agreed to by the SG customer, the Commission has not directed the use that a self-generator may make of its own self-generation in the BC Hydro service area, and should not do so in the FortisBC service area. As noted above, from FortisBC's perspective the entire driver of the SGP is to dictate the use of self-generation output. Unless the SSO is agreed to by the self-generation customer, then FortisBC will have achieved its objective to replace investors' decisions as to the use of self-generation output, with its decisions as to how self-generation output will be used. All in the guise of false concerns about arbitrage.
- 19) Those same "boundaries" will have significant impacts on investment returns, and as the benefits of the investments in self-generation are directed to ratepayers through such "boundaries" then the competitive position of the self-generator will change. In previous

¹⁸ Exhibit B-1 in the compliance proceeding with Directive 2 of Commission Order G-19-14

proceedings, Celgar has provided substantial evidence regarding how such “boundaries” affect its competitive position. Not only do the “boundaries” established by the Commission have significant consequences for investors, but such boundaries also have significant consequences for the communities in which the self-generation customer is located. Such consequences can include either the loss of jobs or the creation of jobs.¹⁹ It is the role of industry, not the Commission, to determine how best to use the self-generation output of self-generation customers.

20) The evidence is clear that the “boundaries” established by the Commission for self-generators in the BC Hydro and those proposed FortisBC SGP are different. It then follows that the incentives for self-generators to invest in the FortisBC service area will be different than self-generators located in the BC Hydro service area.

D. Net-of-Load

21) In the BC Hydro service area the default for a customer with no GBL is not net-of-load. BC Hydro argues that a GBL is only used in the context of an EPA. That is because BC Hydro recognizes the obligation to serve and in all cases before a GBL is established for the self-generation customer, BC Hydro has reached either an EPA or LDA or both with the customer. That is, in all cases the customer has agreed to the GBL.

22) Celgar submits that the same principle should be followed in the SSO Guidelines. Only an SSO that is the subject of an agreement between FortisBC and the self-generation customer, as has always been the case for self-generation customers located in the BC Hydro service territory, should be approved by the Commission. And together with that principle, net-of-load should not be the default. Celgar therefore requests that the Commission conclude that in the absence of an SSO, net-of-load is not the default. In the alternative, Celgar requests that the Commission make no findings relevant to whether net-of-load is the default construct.

23) FortisBC claims that it does not support that the NOL construct be continued.²⁰ However, it does insist that the NOL construct be the only alternative to an SSO. In this regard, FortisBC is advocating a position that will create unreasonable circumstances for

¹⁹ Clean Energy Act, section 2(k)

²⁰ Exhibit B-1, p. 16

a self-generation customer. At the negotiating table, the self-generation customer will be in the impossible position of either accepting FortisBC's view of an appropriate SSO or the NOL construct. In other words, the self-generation customers can either self-supply its entire load under the NOL construct, or that portion determined by FortisBC under an SSO. As is the case in the BC Hydro service area, the utility meets the full load requirement of the self-generation customer in the absence of a Contracted GBL.

- 24) FortisBC advances two views of the NOL construct and then claims that the NOL construct is the only alternative because it is the "reality ... of the flow of electrons."²¹ This is a spurious argument and only confuses matters. The flow of electrons in all circumstances is determined by physical characteristics of the system. But the physical flow of electrons including the metering of such flows is independent of the accounting for purchases and sales on the system. The NOL construct is entirely about accounting for the use of the system, and has nothing to do with the flow of electrons. The metering accounts for the flow of electrons, but charges can be based on either purchases by the self-generation from the utility or self-supply by the utility under the NOL construct. The only alternative for the self-generation customer should not be the NOL construct, it should be purchases by the self-generation customer from the utility.
- 25) The net-of-load construct dictates that the self-generation customer must use the self-generation output to meet industrial load requirements. As noted above, the Panel's view is that a policy that results in the sharing of net benefits should not dictate the use that a self-generation customer may make of its own self-generation output. Denying service under the net-of-load construct does just that. For that reason and the reasons previously noted, the net-of-load construct should not be approved by the Commission.
- 26) The net-of-load construct does not provide boundaries for the use of self-generation output, except in the event that the self-generation output exceeds the plant load. Instead, the net-of-load requirement dictates the self-generator's use of self-generation output. If the net-of-load requirement is approved by the Commission then it will significantly affect the incentives in the province for self-generation customers. The

²¹ Exhibit B-1, p. 16

incentives for self-generation investments in the BC Hydro service area far exceeds those in the FortisBC service area. For that reason, the Commission should consider the comparative incentives of FortisBC and BC Hydro for self-generators when determining the policies in this proceeding, including the application of the NOL construct in the FortisBC service area and not in the BC Hydro service area.

27) One of the SGP policies that if approved would ensure the benefits of self-generation investments is captured for other customers is the insistence that NOL be the default in the absence of an SSO.²² As stated by the Commission:

At the same time, the Panel also has concerns with the net-of-load concept where the benefits are limited to reduced purchases from FortisBC.²³ In the Panel's view, most of the benefits of self-generation under the net-of-load construct go to the ratepayer.²⁴

In the Stage I Decision, the Commission Panel also stated:

Generally the Panel supports FortisBC's position and agrees with the general concept that if a customer does not have a GBL the net-of-load construct would continue to be the default. However, the most appropriate place to flesh out the continued role of the net-of-load construct will likely be through the Stage II filing as the role of the net-of-load construct will likely be through the Stage II filing as the role of the net-of-load restriction will be dependent on the other SGPs that are put forward.²⁵ (emphasis in original)

28) The NOL construct was first established in the G-48-09 Decision to address concerns related to RS 3808 purchases by FortisBC from BC Hydro. Those concerns were then more fully explored in the G-60-14 Decision in the evaluation of Section 2.5 of the New (RS 3808) PPA. Although the G-60-14 Decision continued NOL as the default, it was again clear that the basis for the NOL was Section 2.5 of the RS 3808 PPA. As noted by the Commission:

²² Stage I Decision, p. 2 – where the Commission finds that net-of-load is not a requirement of self-generation customers in BC Hydro's service area

²³ Stage I Decision, p. 31, first para.

²⁴ Stage I Decision, p. 31, first para.

²⁵ Stage I Decision, p. 47

BC Hydro notes the base case for section 2.5(a)(ii) of the New PPA is the net-of-load mechanism directed by G-48-09 but points out the provision also allows FortisBC additional flexibility to schedule and purchase electricity from BC Hydro under the New PPA.²⁶

And the Commission also noted BC Hydro's concerns as follows:

BC Hydro, in its 2012 Information Report, stated the application of the net-of-load approach results in the under-utilization of existing generation assets and the avoidance of investments in upgrades or new generation and emphasized this again in its Supplemental Submission.²⁷

And then the Commission expressly stated the following:

Until the addition of Commission-approved Section 2.5 Guidelines as an appendix to the New PPA, the net-of-load methodology will apply for the purposes of the New PPA.²⁸

29) Clearly, the net-of-load construct was considered to be an interim measure until concerns related to Section 2.5 of RS 3808 PPA are addressed through FortisBC SSO Guidelines. Assuming the Commission approves the FortisBC SSO Tariff Supplement, the net-of-load construct should no longer be applied in the FortisBC service area.

E. Use of Historic Generation or “Annual Generation Used to Serve Load”

30) FortisBC seeks approval to determine an SSO based on the amount of a customer's self-generation output that over a 365 day period was used to serve a customer's plant load.

31) Celgar has reached an agreement with FortisBC based on this approach to determine an SSO. In some circumstances, this approach has considerable merit. However, it does have its own challenges. In large part related to the determination of the 365 day period to be used.

32) An alternative approach would be to determine an SSO based on the same percentage as that of RS 3808 purchases made by FortisBC to service its load during the preceding year for self-generation up to the size of the self-generator's load. Self-generation in excess of

²⁶ Order G-60-14 Decision – BC Hydro Application for Approval of RS 3808, p.66

²⁷ Order G-60-14 Decision – BC Hydro Application for Approval of RS 3808, p. 71

²⁸ Order G-60-14 Decision- BC Hydro Application for Approval of RS 3808, p.109

the self-generator's load would not be subject to any restrictions or SSO obligations. This approach has the significant merit of avoiding challenges related to determining the 365 day period and also is inherently fair because it matches the self-generation customers' requirements to self-supply with those of FortisBC to self-supply, and also meets BC Hydro's requirements that no RS 3808 purchases be used to serve self-generator's load while the self-generator is selling electricity. Celgar advances this alternative approach at this time because the Commission may conclude that the historic approach of FortisBC should not be approved in which case an alternative approach may have considerable merit.

F. FortisBC Seeks Approval for SGP, SSO Tariff Supplement, and Calculation of SBBD

33) In this proceeding, FortisBC seeks approval for three documents: 1) "Policies Regarding Self-Generating Customers" ("SGP")(Exhibit B-2) 2) "Self-Supply Obligation Tariff Supplement" - Appendix A to SGP ("SSO Tariff Supplement") and 3) "Calculation of Stand-by Billing Demand" – Appendix B to SGP ("Calculation of SBBD").²⁹ FortisBC in Final Submissions revised and refiled the SSO Tariff Supplement, but did not revise nor refile the SGP or the Calculation of the SBBD. In this section, Celgar supports approval of the SSO Tariff Supplement, as per the revised draft attached to FortisBC Final Submissions, provided that the SSO Tariff Supplement is refiled by FortisBC as per directions from the Commission. Celgar does not support approval of the SGP, nor approval of the Calculation of SBBD.

34) The SGP was not filed with the Application (Exhibit B-1) and Celgar submits that it would not now be appropriate for the Commission to approve the SGP. The consequences of not approving the SGP are limited, and self-generator investors are better guided by policies written by the Commission, than policies written by FortisBC and then approved by the Commission. This approach will go a long way to establishing province-wide policies that apply to all self-generators in B.C., and with some exceptions should avoid the market distortions created by self-generation policies unique to each utility. By not filing the SGP with the Application, FortisBC effectively deferred to the

²⁹ FBC Final Submissions, para. 48

Commission to write the SGP. As expected by FortisBC at the time of filing the Application, FortisBC can file a SGP following this proceeding and in compliance with policy formulations of the Commission.

- 35) In the case of self-generation policies, it is utility policy preferences, not unique circumstances of the utility that lead to policy differences. Celgar submits that such policy differences should be avoided where at all possible, including with respect to the determination of self-supply obligations, SBBD calculations, and the application of the NOL construct. Policy differences in the service area of BC Hydro and FortisBC regarding each of these issues is driven by utility policy preferences not the unique circumstances of each utility.
- 36) This proceeding provides an opportunity to distinguish policies, which should be province-wide, from implementation issues or parameters. Again, the policies relevant to determination of self-supply obligations (whether an agreement by the self-generation customer is necessary), and whether the sharing of benefits of self-generation can be directly related to both demand charges and self-supply obligations, and whether the NOL construct is the default to an agreement for self-supply are policy issues independent of unique utility circumstances. The implementation of such policies can be considered in the context of utility specific circumstances such as the LRMC of the utility or the load resource balance of the utility. But the distinction between policy formulation, which should be province-wide, and implementation is critically important in the context of encouraging the development of self-generation on a level playing field in the province.
- 37) As long as policies relevant to self-generation customers are found in Commission decisions self-generation customers throughout the province are more likely to compete on a level playing field. The Commission has the opportunity in this proceeding to establish policies that would apply to all self-generation customers in the province. In the alternative, the Commission also has the authority to direct the utility, as anticipated by FortisBC, to file a SGP in compliance with Commission directions, and be considered in the context of the Contracted GBL Guidelines that have the purpose of encouraging the development of self-generation.

G. SSO Tariff Supplement No. xx

38) As noted above, Celgar supports approval of the SSO Tariff Supplement subject to certain directions from the Commission. In this section, Celgar will identify the directions sought with reference to specific provisions (identified in this section with the same headings as found in the SSO Tariff Supplement) of the SSO Tariff Supplement filed as Appendix 1 to FortisBC Final Submissions.

1. Applicability

For reasons addressed in Section D above, Celgar recommends that the Commission direct FortisBC to delete the last paragraph.

2. Definitions

Annual Generation Used to Serve Load – For reasons identified in Section C above, the sentence that FortisBC has deleted in this revision should be included.

Initial Self-Supply Obligation (Initial SSO) – For reasons identified in Section C above, Celgar recommends that the words “and agreed to by the customer.” should be added to the end of the definition.

Net of Load (NOL) -For reasons addressed in Section D above, Celgar recommends that the Commission direct FortisBC to delete this definition.

New Customer - For reasons identified in Section C above, Celgar recommends that the words “to determine“ be deleted and replaced with “for”.

Subsequent Self-Supply Obligation (Subsequent SSO) – For reasons identified in Section C above, Celgar recommends that the words “,and agreed to by the customer,” be inserted immediately following “that is determined for the customer” and before “after the Initial SSO...”.

5.1.2 Existing Customer with New Self-Generation Facilities - For reasons identified in Section C above, Celgar recommends that the words “,with agreement of the customer,” be inserted after “adjusted upwards” and before “and agreed to during the assessment”.

13. Net-Benefits of Self-Generation

For reasons addressed in Section H below, Celgar recommends that the Commission direct FortisBC to delete this provision.

H. Calculation of SBBB

39) For reasons to be addressed in this section, Celgar does not support approval of Appendix B -Calculation of SBBB.

40) FortisBC claims the manner in which the Net Benefits of Self-Generation are shared with a SG customer is dependent on whether or not the customer chooses to take service pursuant to an SSO.³⁰ And then goes on to advance its view that Net Benefits are the basis upon which the SSO is to be determined.

41) FortisBC references previous decisions to support its Calculation of SBBB.³¹ Although the Commission did request analysis of alternative methods of measuring the long-term benefits of self-generation including LRMC, such requests did not contemplate the use of LRMC as proposed by FortisBC in the Calculation of SBBB. In fact, FortisBC acknowledges that the proposed SGP does not rely on any LRMC determination.³² In this regard, the FortisBC SGP is deficient in that it does not comply with the request of the Commission to use an LRMC in the determination of SGP. Nevertheless, Celgar does not consider this deficiency as material to the SGP, provided that the Calculation of the SBBB is not approved. In the event that the Calculation of the SBBB is approved, then it would be inconsistent and illogical to rely on the LRMC for the purposes of the SBBB and not for the purposes of the SGP.

42) The following Commission observations in two different decisions speak to the FortisBC proposed approach to SBBB determinations:

For example, a measure of the reduction in the revenue requirements (and the resulting impact on customer's rates) due to short term market power purchases does not address the many long-term benefits to self-generation identified in the potential

³⁰ FBC Final Submission, para. 51

³¹ Exhibit B-2, p. 3, Element 5

³² Exhibit B-2, p. 3, Element 5

benefits list offered by FortisBC.³³

The Panel has determined above the key components of the Stand-by Rate as being Stand-by Demand Limit, RS 31 Contract Demand and the Stand-by Billing Demand, **which are normally negotiated and agreed to between the utility and its customers**, and would be expected to be set out in the customers' Electricity Supply Agreements.³⁴ (emphasis added)

The first quote above from the Stage I Decision is contrary to a calculated SSO and the second quote above from the Stand-by Rates Decision is contrary to a calculated SBBD. Both an SSO and an SBBD should be negotiated and agreed to between the utility and its customers. In the case of the SSO, where the use of self-generation output is being determined, it should require the agreement of the SG customer. In the case of the SBBD, where charges are being determined for stand-by service, as per the decision quoted above, the SBBD should normally be a negotiated amount. In both cases, the SSO and the SBBD cannot be calculated amounts, although the historic use of self-generation can be an appropriate starting point for the purpose of negotiations.

43) The SGP includes the following:

The net-benefits are reflected in either the SSO or SBBD and a customer may not simultaneously take advantage of both.³⁵

44) Prior to this proceeding, FortisBC did not make any effort to consult with customers regarding its proposed approach to SBBD. In particular, FortisBC did not make any effort to consult with customers regarding item 2 of the Draft Order.³⁶ Further, its proposed adjustments to item 2 of the Draft Order does not address the concerns of Celgar.³⁷ The use of the SBBD calculation should not be approved.

45) As noted in the Stage I Decision:

Therefore, FortisBC is also directed to file for approval a Tariff Supplement to Electric Tariff RS 37 that establishes the principles to be considered in setting future customer's Stand-by Billing

³³ Stage I Decision, p. 19

³⁴ Order G-46-15 Decision –Stage II, Stand-by Rates, p. 35

³⁵ Exhibit B-2, SGP, p.4

³⁶ Exhibit B-12, Celgar IR 2.5.9

³⁷ Exhibit B-12, Celgar IR 2.5.10

Demand, no later than ninety days after the Commission issues a final decision on the FortisBC Self-Generation Policy Application, which is currently as directed by Order G-60-14 (TS to RS 37 Application). (Decision to Order G-46-15, p. 24)³⁸

Moreover, the Commission concluded:

As such, the Panel will only address the net benefits of self-generation as they relate to the comprehensive SGP to be filed in Stage II.³⁹

46) In other words, the Commission concluded that item 2 of the Draft Order should not be considered in this proceeding, and should be filed as directed in Order G-60-14 no later than 90 days after the Commission Panel issues a Decision in this proceeding.

The Commission Panel also found:

The Panel does not support FortisBC's proposal that the sharing of benefits are best reflected in the Stand-by Rate's SBBB.⁴⁰

47) Nevertheless, FortisBC makes the following request in an information request response:

Given the uncertainty around how the SBBB 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 SBBB when a Decision is rendered in this process.⁴¹

48) Contrary to the view of FortisBC that there is uncertainty around how the SBBB was set for Celgar, the Commission not only expressly stated how the SBBB was set for Celgar, but described clearly how the SBBB was set for Celgar as follows:

Based on the above, it is evident that there is no mathematically perfect or correct answer to setting the SBBB for Celgar. Given the circumstances, the Panel endeavours to set a SBBB such that it does not inadvertently either restrict the growth of cost-effective distributed generation, or promote uneconomic bypass while resulting in a fair contribution to the sunk costs of the utility's

³⁸ Stage I Decision, p.16-17

³⁹ Stage I Decision, p. 17

⁴⁰ Stage I Decision, p. 31

⁴¹ Exhibit B-12, Celgar IR 1.5.8

network.⁴²

In summary, in the spirit of the notion that setting a SBBB is more of an art than a science, the Panel has considered the range of possible answers that could be deemed reasonable and fair and finds that the SBBB should be set at 40 percent of Celgar's SBDL.

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49) In fact, FortisBC's approach in seeking a mathematical approach to SBBB determinations is contrary to the Commission determinations quoted above. Namely, that there is not a mathematically perfect or correct answer to setting the SBBB for Celgar. Although this comment was specific to Celgar's SBBB, Celgar expects that in all circumstances of future customers, setting a SBBB will be more of an art than a science. For that reason, the "Calculation of SBBB" as proposed by FortisBC should be rejected. In the alternative, it should be filed in another proceeding as directed by the Commission within 90 days of this Decision.

50) Consistent with FortisBC's view that there is a mathematically perfect or correct answer to the setting of a SBBB, FortisBC suggests that the sharing of benefits of self-generation between the SBBB and the SSO are somehow linked. Specifically, FortisBC suggests that when a customer agrees to an SSO that it is then necessary to adjust the SBBB. This is evident in the "Calculation of SBBB", where an SSO will lower the SBBB reduction from the SBDL⁴⁴, and in FortisBC Final Submissions, where FortisBC states:

For a SG customer that is not selling power to a third party utilizing an SSO, and is taking service under the Company's Standby Rate (RS37), the recognition of Net Benefits serves to reduce the SBBB and thereby the amount of fixed charges levied under RS 31.⁴⁵

51) Celgar does not agree that the SBBB should be adjusted by the SSO. The SBBB determination should not be a mathematically calculated number. Only in the event that the SBBB is a calculated number could the SBBB be adjusted by the SSO. In large part,

⁴² Order G-149-15, Decision-Stage IV, Stand-by Rates, p. 35

⁴³ Order G-149-15, Decision-Stage IV, Stand-by Rates, p. 36

⁴⁴ Exhibit B-2, Appendix B, Calculation of Stand-by Billing Demand

⁴⁵ FBC Final Submissions, para. 53

because FortisBC view is that the SBBD must be a calculated number, FortisBC has suggested that when a customer agrees to an SSO that it is then necessary to adjust the SBBD. If there is no mathematically perfect or correct answer to the setting of a SBBD, then it must follow that the SBBD cannot be adjusted by the SSO.

I. Section 2.5 of the RS 3808 PPA

52) FortisBC states that it would not be appropriate that the SGP be approved in such a manner that the SSO construct is approved as an acceptable mechanism and leave BC Hydro with an avenue to impose the restrictions contained in Section 2.5 of the RS 3808 PPA.⁴⁶ In Final Submissions, FortisBC submits that approval of the SGP should include a determination that restrictions should not be required on how FortisBC resources load that is served in accordance with the SGP.⁴⁷ In the event that the Commission approves the SGP, then Celgar agrees that approval should be accompanied with the determination requested by FortisBC.

J. Conclusion

53) Celgar believes that the purpose of self-generation polices is to encourage the development of self-generation province-wide. The unique circumstances of each utility need to be considered when the province-wide policies are implemented. The implementation objective should also be to encourage the development of self-generation province-wide.

54) The Commission now has an opportunity to establish province-wide policies by adopting the same policies previously approved for self-generation customers in the BC Hydro service area.

55) Celgar objects to approval of the SGP and the Calculation of the SBBD. And supports approval of the SSO Tariff Supplement with the directions requested in Section G above.

⁴⁶ Exhibit B-2, p. 7, BCUC IR 1.1.3

⁴⁷ FBC Final Submissions, para. 13