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October 19, 2017

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC
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Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

Re: FortisBC Inc. (FBC)

Project No. 1598895

**Self-Generation Policy Stage II Application (the Application) – FBC Reply
Comments on Outstanding Issues (Exhibit A-6)**

On August 10, 2017, the British Columbia Utilities Commission (the Commission) issued Exhibit A-6 in the above noted Application seeking input from participants regarding the best process for moving forward, and inviting comment on a number of matters as described therein.

FBC filed its comments on September 7, 2017, which is on the record as Exhibit B-3. Submissions were also made by the October 5, 2017 deadline date by British Columbia Hydro and Power Authority (BC Hydro), Exhibit C2-2; British Columbia Municipal Electrical Utilities (BCMEU), Exhibit C3-2; B.C. Sustainable Energy Association and Sierra Club British Columbia (BCSEA-SCBC), Exhibit C4-2; the Commercial Energy Consumers Association of British Columbia (CEC), Exhibit C5-2; and Zellstoff Celgar Limited Partnership (Celgar), Exhibit C6-2.

These are the reply comments of FBC, as contemplated by the timetable for submissions contained in Exhibit A-6.

1. INTRODUCTION

The parties' submissions made in response to Exhibit A-6 are generally the individual views of those parties on the matters and questions put forward by the Commission, rather than being in response to an Application or argument made by FBC. As such, while they are

informed by the comments of FBC in Exhibit B-3, they are not typical of argument/counter-argument submissions.

For this reason, and for the reason that the comments are in most cases supportive of the positions espoused by FBC or contemplate addressing particular issues later in the context of a continued application process, the Company has primarily summarized here the intervener's positions, offering clarifying comments where appropriate, rather than seeking to engage them in an adversarial manner.

The exception to this is with regard to the comments of BC Hydro which are addressed separately below.

2. MATTERS RELATING TO SECTION 2.5 OF 2014 FBC – BC HYDRO PPA (SECTION 2.5)

2.1 Is Section 2.5 necessary/effective in protecting BC Hydro's ratepayers?

FBC's Submission

The submission of FBC was in accord with the Commission's previous recognition that the risk of material harm to BC Hydro's ratepayers is now mitigated through other characteristics of the New PPA¹, especially in the short term.²

The Company has not asserted that it will be precluded from using PPA power to meet its obligation to serve its customers, including those self-generators that may be engaged in below-load power sales, however unlikely this outcome may be.

However, even if some PPA power is required in that circumstance, this does not represent a real risk of harm to BC Hydro or its customers.

The positions of interveners on the subjects, where one was indicated, are:

BCMEU

The BCMEU does not believe that Section 2.5 is necessary to protect BCH's ratepayers, but advocates for leaving the clause in the PPA until the SGP is finalized, at which time it can be removed.

¹ "New PPA" refers to the new Power Purchase Agreement contemplated in an application by the British Columbia Hydro and Power Authority (BC Hydro) to replace the existing 1993 Power Purchase Agreement between BC Hydro and FortisBC Inc. under Rate Schedule (RS) 3808 with a new Power Purchase Agreement (New PPA)

² BC Hydro New PPA Decision, p. 92. This section addressed the pre-amendment Section 2.5, but the characteristics of the PPA that were dealt with here were not changed by that amendment. In this regard, the Commission's findings on page 92 of the BC Hydro New PPA Decision were referred to again by the Commission on page 6 of its Decision of March 4, 2016 in relation to the FBC Self-Generation Policy Application Stage I.

BCSEA-SCBC

BCSEA-SCBC is of the opinion that Section 2.5 remains effective and necessary to protect BCH's ratepayers, but advocate for dealing with Section 2.5 in a separate process.

Celgar

Celgar is in agreement with the FBC comments.

CEC

CEC recognizes that the impact on BC Hydro ratepayers from FBC self-generating customer activity may be minimal, but considers that there is no harm in having Section 2.5 remain in place.

2.2 Is Section 2.5 necessary/effective in protecting FBC's ratepayers?

FBC's Submission

FBC does not consider that the provision was intended to provide protection to its customers.

BCMEU

BCMEU agrees with FBC that Section 2.5 is not intended to protect FBC and its ratepayers.

BCSEA-SCBC

BCSEA-SCBC agree with FBC that removing Section 2.5 would likely have no measurable impact on FBC customers.

CEC

CEC agrees with FBC that Section 2.5 of the PPA was not constructed to offer protection to FBC ratepayers, but was instead intended to offer protection to BC Hydro ratepayers.

2.3 Does Section 2.5 affect the ability of FBC and its customers to establish terms of service?

FBC's Submission

The ability of FBC and its customers to initially establish the terms of service is best served by having clarity and finality around the Section 2.5 issue.

BCMEU

BCMEU believes that Section 2.5 is affecting its ability to establish terms of service with FBC.

CEC

CEC accepts FBC as the appropriate authority on how Section 2.5 would affect the ability of FBC and its customers to establish terms of service, and adopts the FBC view in this matter.

2.4 Does Section 2.5 affect regulatory efficiency?

FBC's Submission

FBC's comments regarding regulatory efficiency are closely aligned to the discussion of the ability to establish terms of service. It is FBC's submission that once the matter is settled, FBC will not encounter issues that will hamper regulatory efficiency.

BCMEU

BCMEU agree that after the issue is resolved, and Section 2.5 removed, the process should be efficient going forward.

BCSEA-SCBC

BCSEA-SCBC state that it is not aware of any regulatory inefficiency particularly in light of the approval of FBC's stand-by rate.

CEC

CEC accepts FBC's view in this matter.

3. MATTERS RELATING TO OBLIGATION TO SERVE/OBLIGATION TO OFF-SET LOAD

FBC's Submission

FBC continues to disagree with the position (as articulated by Celgar) that FBC has an obligation to serve a customer's full plant load. This is the aspect of the issue that FBC believes the Commission has already addressed as confirmed by the Commission's comments that FBC included on page 4 of its September 7 submission. It is the view of FBC that this determination has removed matters relating to the obligation to serve as a primary consideration in this process.

BCMEU

BCMEU have made no specific comments on this topic and only state that it believes the issue to be central to the SGP and that the current process should be allowed to proceed.

Celgar

Celgar disagrees with the FBC position on the obligation to serve and does not believe the scope of the process should be limited to preclude discussion on this point. FBC would be concerned about reopening issues as set out above under the heading "FBC's Submission".

BCSEA-SCBC

With respect to the FBC response on this item, BCSEA-SCBC state that they are unsure why FBC interprets the question as contemplating a reopening of settled issues. FBC is not sure of why BCSEA-SCBC has expressed uncertainty on this point given the history noted above.

CEC

CEC agrees with FBC and with previous Commission decisions that the utility does not have an obligation to serve the full plant load of a self-generating customer where there may be impacts to other customers and without regard to historical practice.

- 3.1 Existing FBC self-generation customers under their current configuration;**
- 3.2 Existing FBC self-generation customers who wish to take advantage of idle generation capacity and/or add to existing self-generation capacity; and**
- 3.3 Existing or new FBC customers wishing to become self-generators.**

No submissions dealt with the above items 3.1 through 3.3 specifically.

4. MATTERS RELATING TO THE EXTENT TO WHICH FBC SHOULD BE NEUTRAL, ENCOURAGING OR DISCOURAGING TOWARDS SELF- GENERATION.

FBC's Submission

The position of FBC on this point is included in its September 7 submission, affirming its Stage I submission that in general, it is not the role of the utility to either encourage or discourage the installation of customer-owned generation by any customer.

BCMEU

BCMEU states that it agrees with FBC that FBC should be neutral and the SGP should not be designed to be anything but neutral.

BCSEA-SCBC

BCSEA-SCBC agrees with the position of FBC.

CEC

CEC agrees with the FBC position that customers should be free to make investment decisions appropriate for their circumstances, and that it is not the role of the utility to encourage or discourage the installation of customer-owned generation by any customer.

5. MATTERS RELATING TO THE MEASUREMENT AND ALLOCATION OF ANY BENEFITS/COSTS ARISING OUT OF SELF-GENERATION ACTIVITY.

FBC's Submission

The SGP filed by FBC addresses the benefits/costs by making an assumption that such net benefits may exist. Any attempt to actually define, identify, measure and provide some form of compensation based on that exercise to either a customer or FBC is likely to be an incredibly difficult and contentious undertaking that seems unlikely to justify the effort and expense to other customers. FBC does not consider that anything further is required in this regard.

BCMEU

BCMEU agrees with FBC that calculating net-benefits would be difficult and contentious and is not needed.

A self-generator should be able to dispense with their bought and paid for generation as they see fit and whether there is a cost or benefit is the self generator's issue.

BCMEU asserts that no FBC ratepayers (and BC Hydro ratepayers) are worse off if a self-generator uses generation for energy sales than in the case where they never built the generation at all and therefore measurement and allocating benefits in the SGP is not needed.

Because FBC ratepayers (and BC Hydro ratepayers) do not invest in the self-generation, there are no costs or benefits accruing to FBC ratepayers – except benefits from the self-generators accessing and paying for use of the transmission system.

BCSEA-SCBC

BCSEA-SCBC agree with the position of FBC.

6. WHETHER THE SGP STAGE I DECISION AND ACCOMPANYING DIRECTIVES PROVIDE THE MOST APPROPRIATE FOUNDATION FOR MOVING FORWARD.

FBC's Submission

The SGP Stage I Decision was the basis for the Company's Stage II Application and the institution of the SGP, after completion of a process that FBC has not sought to abandon, is something that FBC can work with. FBC is supportive of concluding the work that has been done to date and does not have another approach to propose as an appropriate alternative.

BCMEU

While not ideal, BCMEU supports moving forward with SGP stage I as a foundation because it is more important to bring the matter to a reasonable conclusion soon.

BCSEA-SCBC

BCSEA-SCBC did not directly respond to this question but did reiterate that they echo FBC's concerns with respect to the potential for the SGP to impact customer rates.

CEC

CEC believes that the SGP Stage I is an appropriate and useful foundation for moving forward; FBC's Stage II follow up also appears to be useful in moving forward.

7. WHETHER THE KEY ISSUES OF THE CURRENT PROCEEDING ARE, APPROPRIATELY FRAMED, STILL RELEVANT, STILL REQUIRE A REMEDY, AND/OR ARE WITHIN THE JURISDICTION OF THE COMMISSION.

BCMEU

BCMEU agree with FBC's September 7 submission that the clarity for customers provided by the SGP is needed and that this hearing is within the jurisdiction of the Commission.

8. ADDITIONAL COMMENTS RELATED TO IF OR HOW THE SGP PROCESS SHOULD PROCEED.

BCMEU

BCMEU agree with FBC's September 7 submission that the current proceeding should proceed.

Celgar

Celgar states that the process established by Order G-14-17 should proceed with new dates.

BCSEA-SCBC

BCSEA-SCBC is unsure of the status of the FBC SGP were the process to be discontinued and would not support dismissal of the Application if that implies that a new process would need to be commenced.

CEC

CEC agrees with FBC that the SGP should not be linked directly to Section 2.5.

9. SUBMISSIONS OF BC HYDRO

As an intervener in the FBC SGP II process, BC Hydro has been afforded the opportunity to provide comment on the matters put forward by the Commission in Exhibit A-6.

BC Hydro has, on a number of occasions summarized its interest in the FBC SGP Stage II process as typified by its comments in Exhibit C2-3 in the SGP Stage I process:

As stated in BC Hydro's Exhibit C2-2, BC Hydro's primary interest in the development of a self-generation policy for the FortisBC service area is to understand the potential impacts of the policy on ratepayers and in particular BC Hydro's ratepayers.¹

Footnote "1" attached to the previous paragraph provides BC Hydro's summary of the way that the potential impact will manifest:

There is the potential for the Fortis BC self-generation policy to negatively impact BC Hydro ratepayers if as a result of the policy BC Hydro is required to provide increased embedded cost of service energy to FortisBC under the Rate Schedule 3808 Power Purchase Agreement ("2014 RS 3808 PPA").

With all due respect to BC Hydro and the concern it expresses on behalf of its customers, it seems not to factor in at all the Commission's consideration of the potential, however unlikely, for FBC to increase its purchases of PPA power in order to serve the needs of its self-generating customers and the potential for the impact to BC Hydro that may result. In the PPA Decision (while dealing with the unamended Section 2.5, but in respect of elements of the PPA that did not change with the amendment) the Panel noted,

Therefore, the Panel took closer looks at the terms of the New PPA, including the Tranche 1 Cap, the Tranche 2 price, and the Energy and Nomination Scheduling requirements, to determine whether there remains any material risk of harm to BC Hydro's ratepayers that warrants it reasonable to continue to include these problematic restrictions in the New PPA.

Based upon this further examination the Panel concludes that 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. Accordingly, the Commission Panel determines that under the terms of the New PPA there is no significant material risk of harm to BC Hydro that warrants it reasonable to continue to include the restrictions as originally provided for in sections 2.5(a)(ii), 2.5(a)(iii) and 2.5(b) of the New PPA.

The Commission of course continued with its analysis, factoring in the amended Section 2.5, and concluded that "the Panel's preferred solution would have been to approve the New PPA without any restrictions in section 2.5" though it considered that premature without the development, articulation and approval of the SGP in FBC service territory (p. 109).

Despite this, on page 2 of its recent submission in this process, BC Hydro continues its common refrain:

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.

This is contrary to the previous findings of the Commission and seems to indicate that BC Hydro is not prepared to accept the findings made in Order G-60-14.

With the exception of its responses to the Commission's final three questions, the balance of the BC Hydro submission provides unsolicited input perhaps in fulfillment of its expression in Exhibit C2-2 that it wishes, "...to provide what assistance it can to help the Commission bring to a close the long-standing issues related to self-generation in the FortisBC service territory."

However, FBC submits that this content is neither timely nor helpful and greatly oversteps the boundary of what one utility ought to bring to the establishment of the terms of service for another. The need for the FBC SGP, as well as its parameters have been established by the Commission, and none has been expressed that frame the outcome in terms of whether or not BC Hydro will purchase the output of a FBC customer's generation. (Indeed, a focus on BC Hydro seems to be an approach contrary to the Commission's concern in the New PPA Decision that self-generation matters in FBC service territory be so heavily dominated by BC Hydro or that rules be captured in a BC Hydro tariff.³) FBC has filed an SGP Application in accordance with the Commission's Stage I Decision and does not view the additional opinions offered by BC Hydro to be appropriate. Notably BC Hydro did not challenge any of the Commission's prior decisions on the points that inform the existence and content of FBC's SGP. The burdensome and unreasonable further layers that BC Hydro seems to wish to impose on FBC at this stage of the process would thwart the letter and spirit of the Commission decisions that have led up to this point.

10. CONCLUSION

With the exception of BC Hydro, whose view on the majority of the individual matters put forward by the Commission cannot be readily discerned from its submission, the interveners in the FBC SGP II process are more aligned than not, with regard to the issues.

It is clear that the general sentiment is that the SGP II process should be allowed to continue. BCSEA-SCBC are unsure what would be the status of the FBC Policies Regarding Self-Generating Customers, and Self-Supply Obligations Guidelines, in the event that the proceeding was discontinued. FBC agrees that uncertainty would be the result of an abrupt end to the process at this point. Certainly, FBC does not expect that the customer with the most direct interest in questions surrounding the SGP will simply cease to press the issues. BC Hydro is alone in its estimation that were the SGP process to be dismissed that there would not be any issues remaining that the Commission must address.

³ The Commission noted in the New PPA Decision that "it is in fact extraordinary for a policy issue of a regulated utility to be addressed through a rate schedule of another utility – even if that rate schedule is between the two utilities. Thus the self-generation policy issues must be addressed in the FortisBC service territory" (pp. iii, 81).

FBC strongly believes that the correct path forward is the resumption of the Regulatory Timetable, which according to the timetable attached to Order G-14-17 would next include Commission IR No. 2 and Intervener IR No. 1.

FBC should conclude the establishment of an SGP in its own service area, which should generally follow the Stage I requirements with enough flexibility to allow for practical application. Once this SGP is in place, the disposition of Section 2.5 of the PPA can properly be determined by the Commission in a separate process as was originally conceived of in Order G-60-14 and the SGP Stage I Decision.

On the matter of scope, the view of FBC is that issues that have been put to rest by the Commission in the Stage I Decision, such as the applicability of the Access Principles and the limit on the Company's obligation to serve the full plant load of a self-generator, should not be relitigated in the continuing process. A sensible narrowing of the focus at this juncture will be of benefit to the timely establishment of the final SGP.

If further information is required, please contact Corey Sinclair, Manager, Regulatory Affairs at 250-469-8038.

Sincerely,

FORTISBC INC.

Original signed:

Diane Roy

cc (email only): Registered Parties