Zellstoff Celgar Limited Partnership ("Celgar")
Information Request No. 1

FortisBC Inc.
Self-Generation Policy Stage II Application

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 bestreflected 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.

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?

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 areduction 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?

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.

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?

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?

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?

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".

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?

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?

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?

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?

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.

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?

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

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?

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".

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.

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.

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?

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?

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?

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.

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.

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.

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?