

Industrial Customers Group (“ICG”)
Information Request No. 1

FortisBC Inc.
2017 Cost of Service Analysis and Rate Design Application – Project No. 1598939

1.0 Reference: Exhibit B-1, Section 2.2, page 12

“5. In consideration of COSA fixed costs (customer-related and demand-related) and to improve consistency among rate classes, approval of the following revenue neutral change for Large Commercial – Transmission (RS 31):

- An increase in the monthly Customer Charge from \$3,116.03 to \$3,195.00.**
- A decrease in the energy rates from \$0.05516 per kWh to \$0.05367 per kWh.**
- An increase in the per-kVA Power Supply Demand Charge from \$2.77 to \$3.45.”**

1.1 Please explain how increasing the monthly customer charge, decreasing the energy rate and increasing the Power Supply Demand Charge will improve consistency among rate classes.

2.0 Reference: Exhibit B-1, Section 3.2.3, 2016 BC Climate Leadership Plan, page 19

2.1 FBC provides examples of its commitment to the Climate Leadership Plan (CLP). Does FBC consider its proposal to offer “customized” (reduced incentives) DSM programs to its self-generating customers to be in alignment with the CLP’s stated objectives of increasing efficiency through expansion of DSM programs?

3.0 Reference: Exhibit B-1, Section 5.1.1.3, Rate Base, page 44

“The 2017 rate base of \$1.28 billion compares to the 2009 rate base of \$0.908 billion. By comparison, the mid-year (2008-2009) rate base reflected Gross Plant of \$1.2 billion, also offset by accumulated depreciation and customer contributions.”

3.1 Please explain further why, from 2009, rate base has increased by 41% while Gross Plant has increased by 62%. What are the rate effects of these disparate increases?

4.0 Reference: Exhibit B-1, Section 5.1.2.1.2, Treatment of RS37 Revenue, page 48

“RS 37 Revenue (a credit of \$1.4 million) – all customers on the system pay for the facilities used to provide this service. For the 2017 COSA FBC treats these revenues as an offset to the cost of service since the revenues provide a partial recovery to the fixed costs of the system. These revenues are allocated to the classes in proportion to the allocated rate base.”

- 4.1 Please explain further whether the application of RS37 revenues to all customers inappropriately allocates transmission revenues to the distribution system, which is not being used by the Large Commercial Service – Transmission customer taking RS37 service?
- 4.2 Please explain how the distribution system contributes to the provision of RS37 service to the Large Commercial Service – Transmission customer.

**5.0 Reference: Exhibit B-1, Section 5.1.2.2.2, Production/ Power Supply Expenses
Table 5-8, page 48
Exhibit B-1, Appendix 1, Table 7, page 29**

**2009 Rate Design Application, Exhibit B-1, Appendix A
EES Electric Cost of Service Study, page 23**

- 5.1 Please explain further why Brilliant is being classified as 31% Demand and 69% Energy in this Application, considering it was classified as 20% Demand and 80% Energy in the 2009 Application?
- 5.2 Please explain why the cost associated with the Kootenay River Plants in this Application is approximately only 50% of the cost in the 2009 Application (\$16.0 million compared to \$31.4 million).
- 5.3 Please explain why the cost associated with the Brilliant facility in this Application is approximately 37% higher than the cost in the 2009 Application (\$42.7 million compared to \$31.1 million).
- 5.4 Why is there no average energy associated with the Waneta Expansion? Is the \$38.3 million cost the annual capacity cost for 87 MW?

**6.0 Reference: Exhibit B-1, Section 5.2.1.1, Rate Rebalancing
Table 5-12, page 56**

Exhibit B-1, Section 3.3.1, Table 3-1, page 211.0

“The range of reasonableness for FBC’s revenue to cost ratio (R/C ratio) was approved at 95 percent to 105 percent, and if the ratio is outside this range, the appropriate target for rebalancing the R/C ratio was set at unity, subject to defined bill impact constraints with future rebalancing only required when a customer class falls outside the range of reasonableness”

- 6.1 Please explain why the Post Rebalancing R/C Ratio for the RS31 Commercial Transmission service is 104.7% when the Commission has

directed that the appropriate target for rebalancing the R/C ratio should be set at unity?

7.0 Reference: Exhibit B-1, Section 6.2.3.1, RS 30 Transformation Discount, page 80

“The only RS 30 customer currently receiving this discount is FEI, for service to its Hedley compressor station.

The same calculations are performed for RS 30 as described for RS 21. For RS 30, the 2017 COSA indicates that a transformation discount of \$5.26 per kVA of Billing Demand shall be applied to the Demand Charge portion of the rate. The current transformation discount is \$2.676 per kVA of Billing Demand. The increase in the discount results from growth in costs and higher kVA per customer in the 2017 COSA, which results in a near doubling of distribution and higher kVA per customer in the 2017 COSA, which results in a near doubling of distribution”

7.1 Please identify the growth in costs and higher kVA per customer that is driving the justification for the increase in the transformation discount if FEI is the only customer on that rate. How many customers were on this rate for the analysis in the 2009 Rate Design Application?

7.2 Will the R/C Ratio change for RS30 rate class after the increase in the transformation discount, and if so, how?

8.0 Reference: Exhibit B-1, Section 6.2.4.1, Current Large Commercial – Transmission Rate, page 81

“The Wires Charges are assessed on the peak demand recorded during the month, and may be subject to a billing ratchet which bases the charge on the peak demand in any of the previous eleven billing periods, while the Power Supply charge is based on the peak demand only in the current billing period.”

8.1 Please explain why an eleven billing period ratchet is still necessary given that FBC now has sufficient surplus capacity from the Waneta Expansion?

9.0 Reference: Exhibit B-1, Section 6.2.4.2, Large Commercial – Transmission Rate Recommendation, Table 6-21, page 81

9.1 Are the bill impacts shown in Table 6-21 calculated on an annual or monthly basis?

10.0 Reference: Exhibit B-1, Section 7.1, Current Transmission Service Rates, page 90

“The Special Provisions for each rate contain language allowing discounts to be provided under certain conditions. Generally, discounting of the posted maximum rates may occur when all of the following conditions apply:

- the increased usage will not add to system costs over the term requested;**
- the customer can demonstrate that an alternative transmission path with another Transmission Provider is available at a lower cost; and**
- the lack of a discount would result in curtailment of transmission use for**

economic reasons.”

- 10.1 Please discuss whether there are any constraints on FBC to decide to provide discounts to one wheeling customer and not another. Does this provide an opportunity for discrimination and the application of arbitrary criteria in the application of discounts?
- 10.2 Does the uncertainty around the criteria for the application of wheeling tariff discounts create the opportunity for potential wheeling customers that do not have alternative transmission paths to be “held hostage” to the full tariffs, even when their use of the transmission system does not add to system costs?
- 10.3 Why is it necessary for all the stated conditions to be present, rather than just the condition of not adding to system costs over the term requested? Why does the principle of cost recovery following cost causation not apply in this situation?

11.0 Reference: Exhibit B-1, Section 7.2.2, Rationale for the clarification to the Existing Point-to-Point (PTP) Rate, pp. 94-95

“This language can be misinterpreted to enable Eligible Customers located within the FBC purchasing the power to serve its network load, without FBC receiving any wheeling revenue in consideration of the use of the FBC system that is required in order to facilitate the delivery.”

“The change that FBC is seeking would maintain the original intent of the anti-pancaking provisions but would allow for the collection of appropriate revenue from IPPs and self-generating customers selling power to BC Hydro, which would provide rate mitigation for all other FBC customers.”

- 11.1 Please confirm that the proposed changes to RS 101 and RS 102 do not follow cost causation principles. If not confirmed, please provide references in the COSA study that support the proposed changes to RS 101 and RS 102.
- 11.2 Please confirm that FBC billing practices since the date of Order G-12-99 have been inconsistent with the proposed changes to RS101 and RS 102?
- 11.3 Please comment on whether FBC has been aware that self-generation customers and IPPs in the FBC service have delivered power to BC Hydro, where BC Hydro is purchasing the power to serve its network load, and not been billed for such service? Please estimate the frequency and total numbers of such deliveries from the time of Order G-12-99?
- 11.4 Please comment on whether FBC has in the past interpreted Order G-12-99 to permit a self-generation customer in the FBC service area to deliver power to BC Hydro, where BC Hydro is purchasing the power to serve its network load, without FBC receiving any wheeling revenue in consideration of the use of the FBC system that is required in order to facilitated the delivery?
- 11.5 Please comment on whether past and current billing practices of FBC

followed the original intent of Order G-12-99? If not, how did FBC decide not to follow the original intent of Order G-12-99?

- 11.6 Please confirm that there has been no change in circumstances that justify the proposed changes to RS 101 and RS 102?
- 11.7 Please confirm that a change in the use of Point to Point transmission service to export self-generation and IPP output does not justify the proposed changes to RS 101 and RS 102?
- 11.8 Please confirm that self-generation customers and IPPs located in the FBC service area currently pay the same transmission charges as self-generation customers and IPPs located in the BC Hydro service area, assuming both self-generation customers sell power to BC Hydro? Does this include RS 109?
- 11.9 Please comment on the proposed changes to RS 101 and RS 102 and whether it is reasonable to expect self-generation customers and IPPs selling to BC Hydro from the FBC service area will be at a competitive disadvantage as compared to self-generation customers in the BC Hydro service area?
- 11.10 Please confirm with the proposed changes to RS 101 and RS 102 that self-generators within BC Hydro's service territory selling power to BC Hydro will not pay a transmission charge and that a self-generator in the FBC service territory will pay a transmission charge (including RS 109)?
- 11.11 Please confirm that FBC (formerly known as West Kootenay Power) filed amended electric tariffs, Appendix I-1, Appendix B, and such amended electric tariffs reflected the original intent of Order G-12-99 and were approved by the Commission?
- 11.12 Please confirm that BC Hydro was a wholesale transmission customer as defined by the OATT at the time of Order G-12-99?
- 11.13 Please provide a comparison of the costs for wheeling 10 MW for a year, a month and a week on both a firm basis, and if applicable, non-firm basis, if all applicable services were purchased from FBC by a wheeling customer utilizing: i) the current wheeling tariffs with the current interpretation of the anti-pancaking provision, ii) the current wheeling tariffs as FBC claims they should be interpreted (elimination of the anti-pancaking provision), and iii) and the wheeling tariffs and interpretation proposed in this Application. Please provide the summary separated into the costs associated with each of the Rate Schedules, as well as the total costs.
- 11.14 Please provide a table which compares FBC's current and proposed transmission wheeling tariffs with those of BC Hydro.

12.0 Reference: Exhibit B-1, Section 7.2.2, Rationale for the clarification to the Existing Point-to-Point (PTP) Rate Language, page 95

“As a result of the misinterpretation of the anti-pancaking language, FBC

currently has two self-generation customers that are exporting power to BC Hydro and paying no transmission related charges except those for select ancillary services.”

- 12.1 For each of the self-generating customers in the reference, please discuss the additional system costs created by the wheeling of the exported power to BC Hydro.
- 12.2 How would FBC apply discounts to RS 101 and RS 102 if the self-generating customers did not create additional system costs through their wheeling of power exports?

13.0 Reference: Exhibit B-1, Section 7.3, Transmission Rate Request 2 – Updates to the Pricing of Transmission and Ancillary Services, pp. 96-97

“The second revision is the removal of RS 102 from FBC Electric Tariff. Since the rates are the same as with RS 101, and given the fact that FBC lacks any significant use of its transmission system that would normally underlie the provision of a non-firm wheeling service and none is anticipated, FBC has concluded that RS 102 is not needed.”

- 13.1 Is it common for transmission service providers to have both firm and non-firm transmission wheeling tariffs?
- 13.2 Does BC Hydro have a non-firm transmission wheeling tariff?

14.0 Reference: Exhibit B-1, Section 7.4.1, Rate Schedule 103 – Scheduling, System Control and Dispatch Service, page 99

“A description of the methodology for discounting the services provided under RS 103 is contained in Section 3 of Electric Tariff Supplement No. 7 and remains unchanged.”

- 14.1 Please provide a comprehensive description of the methodology for discounting the services provided under RS 103 as Section 3 of Electric Tariff Supplement No. 7 does not appear to address such methodology.

15.0 Reference: Exhibit B-1, Section 7.4.2, Rate Schedule 104 – Reactive Supply and Voltage Control, page 100

“A description of the methodology for discounting the services provided under RS 104 is contained in Section 3 of Electric Tariff Supplement No. 7 and remains unchanged.”

- 15.1 Please provide a comprehensive description of the methodology for discounting the services provided under RS 104 as Section 3 of Electric Tariff Supplement No. 7 does not appear to address such methodology.
- 15.2 Please discuss why a self-generating customer is not able to self-supply this ancillary service of the customer can demonstrate the ability of the generation

system to provide and control reactive power to the required specification in real time.

- 16.0 Reference: Exhibit B-1, Section 7.4.4, Rate Schedule 106 – Energy Imbalance Service, page 102**
- “The hourly Powerdex Mid-Columbia (Mid-C) index price for the hour in which the positive Energy Imbalance Service is taken by the Customer. In hours in which the Mid-C price is negative, the negative value will be used resulting in a charge to the transmission customer for those hours.”**
- 16.1 Please explain why FBC proposes to charge customers for a positive imbalance when the Mid-C price is negative, especially since the positive imbalance reduces FBC’s need for 3808 energy and FBC has storage accounts to such positive imbalance.
- 16.2 Similarly, please explain why FBC is proposes not to pass along a credit to customers for negative imbalance when the Mid-C price is negative.
- 16.3 The non-reciprocal arrangement for energy imbalances when the Mid-C price is negative is to the customer’s disadvantage for both positive and negative imbalances. Please discuss how FBC considered the fairness in this proposed arrangement.
- 17.0 Reference: Exhibit B-1, Section 7.4.7, Rate Schedule 109 – Loss Compensation, pp. 104-105**
- “If the transmission customer elects to purchase loss compensation service from the Company, service must be continued for a minimum period of one year. Following the one year period, the customer can cancel the election with a minimum 7 days’ notice. Following a cancelled election the customer cannot elect to take loss compensation service for a minimum of one year following the cancelled election.”**
- 17.1 Please explain why the minimum one year period is required, both for taking service, and for resuming service after a cancelled election.
- 17.2 Please provide the engineering loss study to support the proposed 2.86% power losses for Transmission Connected Service and 4.26% power losses for Distribution Connected Service.
- 18.0 Reference: Exhibit B-1, Section 8, Optional Time of Use Rates, pp. 108-116**
- 18.1 Please discuss any restrictions on self-generating or other customers to access the Time of Use rates.
- 19.0 Reference: Exhibit B-2, COSA Spreadsheet, Worksheet “Load”**
- 19.1 Please provide the 2017 actual values for rows 46 through 56 in the “Load” worksheet.

19.2 Please discuss the methodology associated with applying loss factors to non-coincident peaks and totalized energy consumption. With respect to the loss factors calculated by FBC engineering, were these derived on a peak or average basis?

20.0 Reference: Exhibit B-2, COSA Spreadsheet, Worksheet “Transmission”

20.1 Please discuss the allocation of Generation Assets to Transmission as shown in cells H6 through L6, and identify those specific generation assets assigned to transmission, and the costs of each.