

William J. Andrews

Barrister & Solicitor

1958 Parkside Lane, North Vancouver, BC, Canada, V7G 1X5
Phone: 604-924-0921, Fax: 604-924-0918, Email: wjandrews@shaw.ca

September 6, 2018

British Columbia Utilities Commission
900 Howe Street, Box 250
Vancouver, BC, V6Z 2N3
Attn: Patrick Wruck, Commission Secretary

By Web Posting

Dear Mr. Wruck:

Re: FortisBC Inc. Self-Generation Policy Stage II Application ~ Project No.3698820
B.C. Sustainable Energy Association and Sierra Club B.C.
Final Submission

Attached is BCSEA-SCBC's final submission, filed in accordance with the regulatory timetable set out in Appendix A to Order G-140-18.

Yours truly,

William J. Andrews



Barrister & Solicitor

Encl.

BRITISH COLUMBIA UTILITIES COMMISSION

FortisBC Inc. Self-Generation Policy Stage II Application

BCUC Project No. 3698820

Final Submission

by

BC Sustainable Energy Association and Sierra Club BC

September 6, 2018

William J. Andrews, Barrister & Solicitor
1958 Parkside Lane
North Vancouver, BC, V7G 1X5
Phone: 604-924-0921, Fax: 604-924-0918
Email: wjandrews@shaw.ca

Contents

1.0	Introduction.....	2
1.1	BCSEA-SCBC interests in the proceeding	2
1.2	BCSEA-SCBC's involvement in the proceeding	3
1.3	The order requested by FBC in the current proceeding	4
2.0	BCSEA-SCBC's Requested Outcome	4
3.0	BCSEA-SCBC's Key Points.....	5
4.0	Conclusion.....	9

1.0 Introduction

1. This is the final submission of the interveners BC Sustainable Energy Association and Sierra Club BC (BCSEA-SCBC) in the Commission's proceeding regarding FortisBC Inc.'s Self-Generation Policy Stage II Application. It is filed pursuant to the regulatory timetable set out in Order G-140-18.¹
2. This submission responds to the FortisBC Inc. (FBC) final submission dated August 16, 2018.²

1.1 BCSEA-SCBC interests in the proceeding

3. BCSEA is a non-profit association of citizens, professionals and practitioners committed to promoting the understanding, development and adoption of sustainable energy, energy efficiency and energy conservation in British Columbia. BCSEA supports the province's transition to a lower-carbon economy. BCSEA has five chapters across B.C. and approximately five hundred individual and corporate members. Many of BCSEA's members are ratepayers of FortisBC or BC Hydro. BCSEA represents individuals and corporations in BC who care about energy sustainability and climate change, and who want the energy they purchase and use to be sustainably produced and transmitted.
4. SCBC is a non-profit organization of British Columbians from all walks of life. SCBC represents individuals in BC who care about a broad range of environmental issues, including climate change and clean energy, and who want the energy they purchase and use to be produced and transported in ways that minimize harm to the natural

¹ Exhibit A-13.

² http://www.bcuc.com/Documents/Arguments/2018/DOC_52240_2018-08-16_FBC-FinalSubmission.pdf

environment. SCBC has five local groups and over 12,000 members and supporters across the province. Many of SCBC's members are ratepayers of FortisBC or BC Hydro.

1.2 BCSEA-SCBC's involvement in the proceeding

5. BCSEA-SCBC have been involved in most but not all of the numerous Commission proceedings and utility consultation processes that have led to, or are related to, the current SGP Stage 2 application, including:
 - a. The Commission's proceeding regarding BC Hydro's 2008 application to amend Section 2.1 of Rate Schedule 3808, Power Purchase Agreement,
 - b. The Commission's proceeding regarding BC Hydro's 2013 application for approval of a new Power Purchase Agreement and related agreements between BC Hydro and FBC (New PPA),
 - c. The Commission's proceeding regarding FBC's Self-Generation Guidelines (Stage One, as it was later called),
 - d. The Commission's proceeding regarding the BC Hydro application for approval of Section 2.5 Guidelines for Tariff Supplement No. 3 to Rate Schedule 3808,
 - e. The Commission's proceeding regarding the BC Hydro application regarding Contracted Generator Baseline (GBL) Guidelines and Reconsideration of Order G-19-14,
 - f. The November 20, 2014 BC Hydro workshop regarding draft New PPA Section 2.5 Guidelines and Contracted Generation Baseline Guidelines.
 - g. FBC's consultation regarding its proposed Self-Generation Guidelines filing, and
 - h. FBC's May 25, 2016 consultation workshop regarding SGP Stage II.

1.3 The order requested by FBC in the current proceeding

6. BCSEA-SCBC understand that FBC seeks Commission approval of
 - a. its proposed Self-Generation Policies, a six-page document,³ with appended Self-Supply Obligation Tariff Supplement, and Calculation of Billing Demand,
 - b. updated proposed Self-Supply Obligation Guidelines,⁴ and
 - c. proposed Calculation of Billing Demand document.⁵
7. In addition, FBC seeks consequential approval of
 - a. a distribution stand-by rate, equivalent to the Stand-by Service Rate Schedule 37 that is available to customers receiving service at transmission voltage under RS 31,
 - b. wheeling rates for industrial customers served at primary distribution voltages,
 - c. changes to RS 30 to add and define “Billing Demand” as a billing determinant equivalent to the Billing Demand provision added to RS 31.

2.0 BCSEA-SCBC’s Requested Outcome

8. BCSEA-SCBC respectfully submit that the Commission should:
 - a. dismiss the application for approval of the Self-Supply Obligation Guidelines,
 - b. express disapproval of the proposed ‘SSO Adjustment Mechanism,’⁶
 - c. express support in principle for the other portions of the SSO Guidelines, subject to specific comments as the Commission considers suitable,
 - d. note that if FBC so chooses it can apply for Commission approval of revised SSO Guidelines under sections 59-61 of the UCA, and

³ Exhibit B-2, FBC-BCUC IR 1.1, Attachment 1, pdf p.10. A Draft Order is provided as Appendix G of the Application, Exhibit B-1, pdf p.182. The Draft Order refers to (1) approval of the SSO Guidelines, (2) approval of the SBBBD document, and (3) an order to file for approval the self-generation policies set out in Section 4 of the Application. Perhaps FBC would clarify in its reply submission whether it now seeks approval of FBC-BCUC IR 1.1, Attachment 1 directly. For reference, see also paragraphs 42 to 46 of FBC’s Final Submission.

⁴ Provided at Attachment 1 of FBC’s Final Submission, pdf p.17.

⁵ Exhibit B-2, FBC-BCUC IR 1.1, Attachment 1, pdf p.29.

⁶ (i) The clause in section 5 of the SSO Guidelines that reads “and multiplied by a value, as specified by the customer, of between 0% and 50% in recognition of the sharing of the net-benefits of self-generation,” and (ii) Section 13, Net-Benefits of Self-Generation.

- e. terminate the FBC SGP Stage 2 proceeding.

3.0 BCSEA-SCBC's Key Points

9. BCSEA-SCBC note that the proposed FBC Self-Generation Policy does not apply to customers who participate in FBC's net metering program. In addition, BCSEA-SCBC emphasize that the proposed SGP applies only where an eligible customer's self-generation facility is clean and renewable.⁷
10. BCSEA-SCBC's overarching objective in this proceeding is that the FBC Self-Generation Guidelines will prevent arbitrage of FBC or BC Hydro embedded cost power while not interfering with the building and/or use of cost-effective incremental clean and renewable self-generation.
11. This is not a typical proceeding in which an applicant asks the Commission to exercise its authority under one or more sections of the UCA. This is a policy development proceeding initiated by a Commission Panel in the form of a direction to the public utility to file an application regarding a policy.⁸ Notably, more than four years after this series of proceedings began, the current draft order recites no statutory authority for the orders set out. Instead, it recites the Panel's series of directions to develop, revise and submit for approval certain "policies."
12. In BCSEA-SCBC's view, it is problematic that no section of the UCA has been cited as the statutory authority for the Commission to approve the application that FBC has been required to make. As a result, there is no statutory reference point against which to judge the content of the policy. Instead, "the concerns" of the New PPA and SGP Stage I Panel are the main reference point, and in the SGP Stage I Decision these were extended considerably beyond the "high level principles" contemplated in Direction 5.
13. BCSEA-SCBC support Section 2.5 of the New PPA. In their view, Section 2.5 remains necessary and effective in protecting BC Hydro's ratepayers. It may be unlikely in the current energy market circumstances that in the absence of Section 2.5 FBC would purchase embedded cost power from BC Hydro to meet incremental load due to below-load sales by FBC SG customers. However, the function of

⁷ SGP, section 2.3, FBC Final Submission, pdf p.20.

⁸ Direction 5 of Order G-60-14 (the New PPA Decision) issued on May 6, 2014.

Section 2.5 is to provide contractual certainty that this would not occur during the term of the New PPA.

14. A clear distinction should be maintained between the sale of self-generation output by BC Hydro SG customers to BC Hydro, and the sale of SG output by FBC SG customers to the international electricity market. In any event, BCSEA-SCBC submit that there is no evidence of an ‘uneven playing field’ for investment in generation – or self-generation – in the FortisBC service area.
15. BCSEA-SCBC’s view is that the question of whether the sale of self-generation output on a below-load basis creates a positive net financial benefit for all FBC ratepayers can be answered only on a case by case basis. BCSEA-SCBC disagree with the SGP Stage I Panel’s assumption that below-load sale of SG output always creates a “Net Benefit” for other FBC ratepayers regardless of the circumstances of a particular case. The concept that the SGP Stage I Panel refers to as “Net Benefit” is more accurately and appropriately understood as a ‘Presumed Net Benefit.’
16. In addition, the problem with the SGP Stage I Panel’s reliance on the theoretical assumption of “Net Benefits” is compounded, in BCSEA-SCBC’s view, by conflation of the (presumed) “net benefits of self-generation” with the (presumed) net benefits of selling self-generated power below load. FBC’s SG customers are already fully entitled to sell SG output on a net-of-load basis.
17. In BCSEA-SCBC’s view, FBC should be neutral regarding decisions by its customers regarding self-generation. FBC’s approach should be governed by the interests of all of its existing and future ratepayers within the context of the public interest under the UCA and the *Clean Energy Act*. The Commission should not require FBC to tilt its financial policies toward financially incenting SG customers to create more self-generation.
18. BCSEA-SCBC support FortisBC’s high-level statement regarding self-generation:

FBC supports the principle that the decision by a customer to install self-generation should be made by the customer based on the merits of the project. In general, it is not the role of the utility to either encourage or discourage the installation of customer-owned generation by any customer. Rather, customers should be free to make strategic investment decisions appropriate to their circumstances which may include consideration of the benefit that the self-generation provides to FBC customers as a whole, including the self-generating customer.⁹

⁹ FBC Self-Generation Policy Application, p.11, Stage I Proceeding, Exhibit B-1.

19. BCSEA-SCBC respectfully disagree with the SGP Stage I Panel's rejection of this important principle. Noting that s.75 of the UCA provides that the Commission is not bound to follow its previous decisions and must make its decision on the merits and justice of the case, BCSEA-SCBC urge the SGP Stage II Panel to endorse the principle that a public utility should be neutral regarding its customers' self-generation investment decisions and that any direct financial involvement by the public utility in customer self-generation should be determined under the applicable regulatory principles on a case by case basis.
20. BCSEA-SCBC do not support the SGP Stage I Panel's approach that FBC must adopt a policy that requires other FBC customers to contribute financially (by foregoing revenue, incurring expense or acquiring risk) to an SG customer's sale of SG output on a below-load basis regardless of any case-by-case consideration of the material facts. Neither UCA nor the *Clean Energy Act* supports the concept that any and all existing or new self-generation for sale on a below-load basis within the FBC service territory should be encouraged by financial arrangements that involve net costs and risks to ratepayers of FBC or of BC Hydro.
21. In BCSEA-SCBC's view, the Commission's 2015 approval of FBC's Rate Schedule 37, Stand-by Service for Large Commercial customers connected at transmission voltage (60,000 volts and above), resolved many, albeit not all, of the issues associated with FBC self-generation customers selling self-generated power.
22. Turning to the proposed SSO Guidelines, while confining SG sales to a net-of-load basis provides robust assurance against harm to ratepayers as a whole, BCSEA-SCBC accept that in principle recognition of incremental or previously idle SG capacity can provide a basis for protection of customers from harm due to simultaneous sales of SG output below load.
23. BCSEA-SCBC concur with FBC that (setting aside the adjustment mechanism) its proposed Self-Supply Obligation approach is equivalent to the Generation Baseline concept regarding sales of SG output below load. FBC states:
 16. Order G-48-09 envisioned that a determination for each self-generator of the historical baseline load served, or, in the alternative, some means of monitoring, on a dynamic basis, excess self-generation net of load, would be required in order to identify what the amount of historical energy purchases were, or alternately, how much of the SG customer load was normally served from the SG customer's own resources. This measure has come to be known as the *Generation Baseline*, or *GBL*.

17. The GBL denotes that portion of a SG customer's own load that it had served in the past and must continue to serve.
24. While, as FBC says, "the GBL and SSO are substantially equivalent, and both adhere to the principles contained in the G-38-01 Decision,"¹⁰ a stark difference is introduced with FBC's "further adjustment in consideration of the Net Benefits of self-generation."¹¹ This aspect of the SSO Guidelines proposal does not include measurement and valuation of the presumed "net benefits" of customer SG sales below load on a case by case basis. As FBC acknowledges, this is because of "the difficulties with doing so set out in the record."¹²
25. The SSO Adjustment proposal has two components: (a) to allow an SG customer that chooses the SSO mechanism to reduce its historically based SSO by up to 50%, and (b) for SG customers selling below load without an SSO and taking Standby service, to reduce the SBBD and thereby reduce the charges for standby service.
26. BCSEA-SCBC strongly disagree with the proposed SSO Adjustment mechanism.
27. As discussed above, the assumption that the sale of SG output below load always creates "Net Benefits" is unfounded. The purpose of the SSO is to ensure an appropriate balance between the interests of the SG customer and the interests of the FBC customers as a whole. Having established a customer-specific SSO to define the appropriate balance between a specific customer and all customers, there is no satisfactory rationale for arbitrarily adjusting that specific SSO. FBC readily acknowledges that the size of the 'up to 50%' adjustment is arbitrary. There is no way to determine on a 'one size fits all' basis that a certain size of adjustment to the SSO is appropriate. The SSO Adjustment mechanism introduces opportunities for arbitrage of FBC or BC Hydro embedded cost power in the sense of financial harm to ratepayers as a whole due to the sale of SG output on a below-load basis.
28. FBC states that "The SGP would also, for the foreseeable future, provide a benefit to the rest of FBC customers."¹³ BCSEA-SCBC are not convinced of this. They are

¹⁰ FBC Final Submission, para.19.

¹¹ FBC Final Submission, para.19.

¹² FBC Final Submission, para.55.

¹³ *Ibid.*

not aware of any evidence of plans by existing or anticipated FBC SG customers to install or add to self-generation capacity as a result of approval of the Self-Generation Policy, or that a specific new or incremental self-generation would actually provide positive net benefits, financial or otherwise, to FBC customers as a whole.

29. Finally, in paragraphs 32 and 33 FBC argues that if FBC is required to provide embedded cost power to an SG customer selling SG output below load then FBC should not be prevented from drawing on PPA power to do so. In response, BCSEA-SCBC respectfully oppose an outcome in which embedded cost BC Hydro power is provided to an FBC SG customer selling SG output below load. However, in BCSEA-SCBC view, this is an issue for a separate proceeding regarding potential amendments to the New PPA.
30. In paragraph 34, FBC says it understands BC Hydro's objections "are based on the non-compliance of the FBC SGP with the G-38-01 principle that there should be no increase in the supply of embedded cost power to SG customers that effectively support the sale of power that is not in excess of load." If that is BC Hydro's view, BCSEA-SCBC agree with it.

4.0 Conclusion

31. For the reasons set out above, BCSEA-SCBC submit that the SSO Guidelines should not be accepted as filed. The proposed SSO Adjustment mechanism should be rejected because it would introduce opportunities for arbitrage of FBC or BC Hydro embedded cost power in the sense of financial harm to ratepayers as a whole due to the sale of SG output on a below-load basis. Setting aside the SSO Adjustment mechanism, BCSEA-SCBC are not opposed to contents of the remainder of the proposed SSO Guidelines.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

August 26, 2018



William J. Andrews
Counsel for B.C. Sustainable Energy Association and Sierra Club B.C.