



City of Fort St. John
10631 100 Street | Fort St. John, BC | V1J 3Z5
(250) 787 8150 City Hall
(250) 787 8181 Facsimile

Mr. Patrick Wruk
Commission Secretary and Manager
Regulatory Support
British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3
Commission.Secretary@bcuc.com

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Sent via email/eFile

RE: Project Number 1599004 - British Columbia Hydro and Power Authority – Application to Amend Net Metering Service under Rate Schedule 1289 – Final Arguments – City of Fort St. John

Dear Mr. Wruk:

Further to BCUC Order No. G-293-19, please find enclosed the City of Fort St. John's Final Argument.

Sincerely,

Victor Shopland
General Manager of Integrated Services

1. BC Hydro has filed its application to amend the Net Metering Service under Rate Schedule 1289. The two key components which impact the City include the limit of Oversized Generating Facilities and the proposed changes to the Energy Price.

2. Oversized Generating Facilities and Virtual Net Metering

- It is understood that the existing net metering customers with Oversized Generating Facilities will be grandfathered into the system and will not be impacted by this new requirement. As such, this will not impact the City's current project, however it impacts the City's abilities to generate energy at one facility to offset energy use at other facilities within the City.
 - This scenario still meets the program objectives of "maintain the program as a load offset program so that **customers** can generate their own electricity and reduce their supply from BC Hydro" (Section 3, emphasis added).
 - When reviewing the City as a customer as a whole, the City's usage is significantly larger than the production at the micro-hydro generating station.
 - As a singular customer, the City has many meters. This limits ability for the City to participate in the program to *generate their own electricity and reduce their supply from BC Hydro* (Program objective) and achieve the program objectives without oversized generating facilities at one location as many of the meters represent small loads.
- Limited information has been included in the application with regards for incorporating virtual net metering (also referred to as Aggregate Net Metering or Community Net Metering) capabilities to the program. Should virtual net metering be incorporated, this would eliminate all surplus energy payments to the City.
 - BC Hydro has made no mention of virtual net metering in their final arguments, indicating no intention to incorporate into the program in the near future.
 - BC Hydro responded to the City of Fort St. John IR#1 (1.3.2) by indicating they have yet to determine if it would be offered by BC Hydro in the future. After further questions (City of Fort St. John IR#2, 2.3.5) BC Hydro indicated they have not had sufficient time to evaluate this approach.
 - The City is of the opinion that such a measure would have represented a meaningful option for existing Net Metering Program customers to limit their respective material financial impacts associated with the proposed changes to the program, while limiting future payments by BC Hydro for surplus energy.
 - A virtual net metering approach would be consistent with program objectives for customers to offset their supply from BC Hydro, and further reduce/eliminate the cost shifting to non-participating customers.
- In Section 26 of BC Hydro's final argument, they identify a timeline associated with the program and oversized generating facilities, however fail to identify the rationale for the increase in the program threshold from 50 kW to 100 kW. It is noted in a subscript that this increase in project size occurred, but not explained in the body of the text. This change allowed for the City's project to be included in the Net Metering Program, rather than requiring the project to be completed under the Standing Offer Program.

BC Hydro has identified (Section 36, Final Argument) that it is likely that projects under 10 kW will not result in a project configuration that will result in an oversized generating facility. However, the program allows for projects up to ten times this value. BC Hydro has relied on the intent of the net

metering program to be a load off-set program, however if this is the case, why was the program size threshold increased?

3. Changes to Energy Price for Surplus Energy Payments

- Changes to the energy price will have significant impacts to the City's net metering project. The City represents one of the five identified largest surplus energy payment receivers. This is a result of the configuration of the project (on a separate meter from the remainder of City assets). As identified in the City's intervenor evidence, the total production (energy outflow) at the micro-hydro facility, is approximately 2.5% of the overall City energy consumption. Further, it is only approximately 30% of the consumption at the nearby wastewater treatment plant. Therefore, as a overall customer, the City is not a net producer, and costs are not being shifted to non-participating customers.
- Section 69,70 and 71 of BC Hydro's final arguments indicate that there is no guarantee of return on capital investment by participating in the program. Historically, the energy price associated with the net metering program has not decreased. It has increased to align with the previous Standing Offer Program, however had not decreased. Based on this precedent, it would be expected that customers investing in the program would anticipate increases or energy prices to stay the same. However, not only is the new energy price that is proposed a decrease (based on examples provided in the application – 3.99 cents/kWh in 2018), but a decrease of over 50%. This is unprecedented in any former changes to the energy price within the program. Further, this is not on trend with energy prices charged to customers (continue to increase). As the BCUC reviews energy rate changes, it is unlikely that a 50% increase in energy charges would be approved as it makes any planning extremely difficult for commercial, industrial, institutional or residential customers. However, a 50% decrease in prices is requested, which represents a significant impact to the City.

4. Other Comments

- Section 76 of BC Hydro's Final Argument (Principal 4) indicates that the "Transitional energy price encourages customer acceptance of the proposed energy price". It is unknown how a five-year grandfathering period will allow for customers to better accept the proposed energy price. Five years (which was identified as a period after which the energy price would be "assessed" with no assessment measures currently proposed – CFSJ IR1 1.2.1 Page 557 of 656 BC Hydro Response to Intervenor Evidence) is unlikely to result in a return on investment for any customers faced with a significant reduction in surplus energy payments.
- Intervenor Information Request #2 issued by the City of Fort St. John question 2.4.3 questioned why the five customers impacted the most (those which currently represent the majority of surplus energy payments) were not contacted directly to discuss the proposed changes to the Program. BC Hydro's response (Exhibit B-8 – Question 4.0) was as follows:
"Given the City of Fort St. John's interest, BC Hydro will reach out to the City of Fort St. John and other customers who did not provide consent to receive communication on Program updates"

Since this was issued (dated October 24,2019), there has been no direct contact by BC Hydro and the City's registered intervenor regarding the proposed changes and updates. The City is unaware of whether BC Hydro reached out to any of the other four customers most impacted by these changes.