



Diane Roy
Director, Regulatory Services

Gas Regulatory Affairs Correspondence
Email: gas.regulatory.affairs@fortisbc.com

Electric Regulatory Affairs Correspondence
Email: electricity.regulatory.affairs@fortisbc.com

FortisBC
16705 Fraser Highway
Surrey, B.C. V4N 0E8
Tel: (604) 576-7349
Cell: (604) 908-2790
Fax: (604) 576-7074
Email: diane.roy@fortisbc.com
www.fortisbc.com

August 30, 2016

Via email:

dscarlett@kaslo.org

Attention: Mr. Donald Scarlett

Dear Mr. Scarlett:

**Re: FortisBC Inc. (FBC)
Project No. 3698875
Application for the Net Metering Program Tariff Update (the Application)
Response to Donald Scarlett (Scarlett) Information Request (IR) No. 2**

On April 15, 2016, FBC filed the Application referenced above. In accordance with British Columbia Utilities Commission Order G-126-16 establishing further process in the Regulatory Timetable for the review of the Application, FBC respectfully submits the attached response to Scarlett IR No. 2.

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

Sincerely,

FORTISBC INC.

Original signed:

Diane Roy

Attachments

cc: Commission Secretary
Registered Parties

FortisBC Inc. (FBC or the Company) Net Metering Program Tariff Update Application (the Application)	Submission Date: August 30, 2016
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1 **1** *Please confirm that one or more NM customers of FBC have generated NEG for up*
2 *to four years—including the largest generator of NEG you identified in the table at*
3 *BCSEA IR1 2.1—and have never been contacted to call their attention to*
4 *“noncompliance” with the Eligibility Criteria for the FBC NM Program.*

5
6 **Response:**

7 Confirmed.

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11 **2** *Please explain why FBC’s actions have been inconsistent with the response to*
12 *BCUC IR1 5.6:*

13 Under the current program structure, in the event that a system that was properly sized
14 when installed subsequently started to produce NEG on an annual basis, the Company
15 would reserve its right to remove the customer from the NM Program as it would no
16 longer be in compliance with either the Eligibility criteria contained in the Tariff or the
17 objectives of the Program. Such a customer could continue to be interconnected with
18 the FBC system and would continue to receive the primary benefit of the Net Metering
19 Program in offsetting personal consumption, but would not be compensated for net-
20 generation that exceeds net-consumption in a given month.

21
22 **Response:**

23 FBC has not to date, removed any customer from the Program for non-compliance with
24 eligibility criteria. The referenced response does not require action to be taken by the
25 Company; rather, it indicates that given the eligibility criteria, it considers that the option to
26 enforce the eligibility criteria is available, and it reserves the right to do so in the future.

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30 **3** *Please explain why the FBC Website contains the following description of the NM*
31 *Program (quoted here in entirety) without referring to limiting generation to the*
32 *customer’s consumption:*

33 About net metering

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1 The BC Utilities Commission approved FortisBC's net metering tariff application in
2 September 2009, allowing residential and commercial customers enrolled in the Net
3 Metering Program to be credited for electricity they produce.

4 FortisBC has defined net metering as the metering and billing practice that allows for the
5 flow of electricity both to and from a customer through a bidirectional meter. Residential
6 and commercial customers can offset part or all of their own electrical requirements up
7 to 50kW through generating their own clean energy and selling it back to FortisBC.
8 FortisBC will credit customers for net energy they produce at their existing retail rate.

9

10 **Response:**

11 The description of the Net Metering Program on the website is a summary and introduction to
12 the Program and is not intended to provide full information sufficient for a customer to have the
13 complete information necessary to evaluate program participation.

14 Immediately below the excerpt provided is listed contact information for the Company, as well
15 as links to the following documents:

- 16 • FortisBC Electric Tariff
- 17 • FortisBC Net Metering Tariff Rate Schedule 95
- 18 • Net Metering Program Application Form
- 19 • 2016 Net Metering Program Update Application
- 20 • Net Metering Interconnection Guidelines
- 21 • Net Metering Interconnection Agreement

22

23 This information, along with the discussions held with the Company for a technical consultation,
24 is required to gain a full understanding of the Program.

25

26

27

28 **4** *In the above quotation from the FBC Website, please confirm that "net energy"*
29 *refers to NEG.*

30

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1 **Response:**

2 “Net energy” in the reference is synonymous with Net Excess Generation as defined in the
3 current version of Rate Schedule 95: “Net Excess Generation results when over a billing period,
4 Net Generation exceeds Net Consumption” [emphasis added].

5
6

7

8 **5 Please explain whether you think a NM customer is more likely to see and**
9 **understand the wording in the FBC Website or the wording in excerpts from the**
10 **2009 Application (Shadrack IR1 5) or the FBC Tariff Rate Schedule 95.**

11

12 **Response:**

13 The Company believes that it is likely that customers that intend to enroll in the Net Metering
14 Program will review all current documentation prior to making an investment in a Net Metering
15 System. As well, the program is explained to customers by FBC staff during the Net Metering
16 application process.

17 Most customers are probably less likely to review a historical regulatory application. The
18 question seems to infer that the language on the website is in conflict with either the 2009
19 Application the Tariff, or both. It is not. The statement that, “*FortisBC will credit customers for*
20 *net energy they produce at their existing retail rate*”, is an accurate description of the current
21 administration of the Program.

22 However, it is for the very reason that the Company understands that a customer that does not
23 fully review the documents related to the Program, or that through the more favourable reading
24 of the existing Program may come to an understanding not consistent with the intent of the
25 Program, that the current Application was filed.

26 The Application was clear on this aspect at page 7, lines 12-14, where it is stated that, “The
27 Company’s interactions with customers, both prior to and after interconnection of a Net Metering
28 System, have demonstrated to FBC that misconceptions exist about the intent of the Program.”

29 In response to Shadrack IR 1.2a the Company expanded that the misconception referred to is
30 that the intent of the Program is something other than to allow customers to offset some or all of
31 their personal consumption, and not to sell power to FBC.

32 FBC has made no other representations for the fact that the portion of the Application that deals
33 with the clarification of the intent of the program is to add language to the documentation such
34 that it accurately and clearly reflects the original Program intent that was in place when the
35 original Application was first approved by the Commission.

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4 **6** *Please explain how a FBC customer should be expected to understand clearly*
5 *she/he will be non-compliant with the eligibility criteria listed in Tariff Schedule 95*
6 *if in addition to “intending to offset a portion or all of the customer’s requirements*
7 *for electricity” the customer also generates some NEG (so long as the customer’s*
8 *installed generating capacity is no greater than 50kW).*

9

10 **Response:**

11 Please refer to the response to Scarlett IR 2.5.

12

13

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15 **7** *Please confirm that the FBC Application for Net Metering current as of 2011*
16 *(Appendix D, 2009 Net Metering Tariff Application) contains no mention of limiting*
17 *generation to the customer’s consumption other than to say that the applicant*
18 *“should read and be familiar with FBC Tariff Rate Schedule 95.”*

19

20 **Response:**

21 Please refer to the response to Scarlett IR 2.5.

22

23

24

25 **8** *Please confirm that the NM Application filed in 2011 for the largest generator of*
26 *NEG you identified in the table at BCSEA IR1 2.1 lists maximum output to be about*
27 *twice as large as the typical average consumption of the residences served by the*
28 *bidirectional meter which was subsequently installed.*

29

30 **Response:**

31 FBC understands that the original 2011 installation for the referenced NM customer was a
32 micro-hydro turbine with a nameplate capacity of 5kW. A system of this size is not clearly
33 oversized for some residential applications (depending on water flow). Given that billing records
34 indicate that the account associated with this installation averaged annual consumption of over
35 30,000 kWh in the three years prior to the installation the size does not appear unreasonable.
36 FBC understands that the system was upgraded in 2012 to a 20.5 kW maximum output, which

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1 is clearly above what a residential customer would normally require. FBC cannot locate any
2 paperwork related to the 2012 upgrade.

3
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6 **9 FBC's response to BCUC IR1 5.1 states:**

7 "In cases where the Net Metered System is to be interconnected with an existing
8 electrical service, a review of past billing history is used as a baseline for probable future
9 consumption. If the customer anticipates a change in annual consumption due to
10 changes in connected equipment or usage, it is also considered in the review.

11 When a Net Metered System is to be interconnected with a new service, the electrician
12 working on the project is asked to provide an estimate of future consumption."

13 **Please explain why neither of these steps was mentioned or occurred in the case**
14 **of the largest NEG producer over the past four years.**

15

16 **Response:**

17 The steps mentioned in the original response describe the correct process that is to be followed
18 when discussing proposed net metering installations with customers. If in a given circumstance
19 these steps were not followed, then this would indicate an error in that instance. While this
20 would be a regrettable exception, it would not invalidate the correct process or have any impact
21 on the updates that are included in the current Application.

22

23

24

25 **10 Many rural areas in the FBC service area do not have access to natural gas**
26 **service. In such areas a NM customer may reasonably—if able to afford the**
27 **cost—install sufficient generation to permit conversion to electric space, water,**
28 **range and clothes dryer heating in order to displace the use of a fossil fuel. Given**
29 **FBC's response to BCUC IR1 5.1 (above) please explain how FBC would respond**
30 **if such a NM customer requires more than a year to complete all the conversions.**

31

32 **Response:**

33 If a customer has a plan to install over a number of years, electric appliances to replace those
34 currently requiring the use of fossil fuels (presumably propane or oil since natural gas is
35 unavailable), the customer would inform FBC of this intention which would be factored into the
36 determination of maximum generation annual output. FBC has no interest in unreasonably

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1 restricting the installation of generation that complies with Program parameters, or will comply
2 within a reasonable timeframe.

3
4

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6 **11 Please explain how many NM applicants were contacted by FBC in order to**
7 **support the FBC responses in Resolution IR1 #4:**

8 “...the statement that installations are not made for purely economic reasons (i.e. – that
9 economics are the sole factor considered) remains a supportable premise.”

10 **and BCUC IR1 3.2.1:**

11 “The NM Program itself remains an offering driven by customer initiative and largely
12 undertaken by those customers for reasons other than economics.”

13

14 **Response:**

15 The subject matter of this question, customer motivation for installing a net metering system,
16 does not fall within the scope provided by the Commission in Order G-126-16. However, the
17 Company believes that the conclusions contained in the response are supported by the current
18 economic realities of small-scale customer generation, which generally have long payback
19 periods.

20

21

22

23 **12 In view of the FBC response to BCUC IR1 4.1:**

24 “Providing customers with the opportunity to offset their own consumption with clean,
25 renewable energy directly supports government policy actions related to promoting the
26 use of clean, renewable resources contained in the 2007 BC Energy Plan and the Clean
27 Energy Act.”

28 **Please explain how reducing by 2/3 the incentive for NM customers to generate**
29 **more than their own consumption will support the 2007 BC Energy Plan and the**
30 **Clean Energy Act in promoting the use of clean, renewable resources.**

31

32 **Response:**

33 FBC is not proposing to reduce the amount of net generation that is currently allowable under
34 the Net Metering Program. On a Billing Period basis, the ability to carry forward net excess

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1 generation will increase its value for many residential customers. Any reduction in
2 compensation for annual unused net excess generation can be considered a disincentive only
3 for customers generating in excess of their own requirements on an annual basis.

4 While FBC is supportive of the 2007 Energy Plan objectives and the Clean Energy Act as
5 evidenced by its DSM and Net Metering programs, it must also consider the impact on
6 customers that do not or cannot participate in these programs.

7

8

9

10 **13 In the response to Resolution IR1 #8:**

11 “For 2015, the overall percentage of power from sustainable/clean sources was between
12 92% and 100%.

13 Power from FBC-owned generation and the Brilliant plants contributed to 77% of the
14 total generation and is from sustainable/clean generation. FBC purchased a further
15 15% from BC Hydro and IPPs, which is also assumed to be 100% sustainable/clean.
16 The remaining 8% was purchased from the market. FBC is not able to calculate how
17 much of this supply is from sustainable/clean generation, but it is likely that a significant
18 amount is.

19 **and FBC’s response to Shadrack IR1 21a:**

20 “In the FBC service area, there are no particular benefits that accrue to the broader
21 customer base from net metering installations given the significant clean power supply
22 resources the Company already utilizes.”

23 ***However, large dams and IPP projects involve huge amounts of concrete (which***
24 ***has a heavy CO2 footprint), involve tree removal and substation construction,***
25 ***their reservoirs fluctuate, causing harm to spawning beds and riparian wildlife and***
26 ***kill fish via entrainment in turbines, nitrogen poisoning and habitat impact by***
27 ***reduced stream water flow. Please explain why FBC suggests power from large***
28 ***power dams and IPPs is equivalent in terms of cleanliness and sustainability to***
29 ***NM generation via solar, wind and micro-hydro.***

30

31 **Response:**

32 FBC declines to respond to this question as it is not within the limited scope of the current round
33 of information requests as defined by Commission Order G-126-16.

34 The resources FBC discussed in the original response are accepted as clean within BC.

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14 Please provide the gross receipts by FBC for sales of “Green Power” and the gross amount paid out for NEG to NM customers over the years 2011 through 2016 (to date).

Response:

Please refer to the response to BCUC IR 1.2.1.
FBC has not made sales of Green Power over that time period.

15 Does FBC receive compensation through rate proceedings for its expenditures for DSM programs?

Response:

FBC earns a return on its investment in DSM, as approved by the BCUC. DSM expenditures are included in rate base, which is financed using a capital structure of 60 percent debt and 40 percent equity, and the Company receives a return on the equity component of the DSM expenditures at the allowed return on equity (ROE) of 9.15%. FBC’s current ROE and equity component are approved by Orders G-129-16 and G-14-14.

16 Does FBC receive compensation through rate proceedings for lost profit due to reduced electricity sales attributable to DSM initiatives?

Response:

No. FBC does not receive compensation for the lower electricity sales that result from DSM measures. The Company earns a return on the utility’s investment in DSM expenditures, as explained in the response to Scarlett IR 2.15.

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1 **17** *What is FBC's expenditure to date to initiate this application and participate in this*
2 *hearing?*

3

4 **Response:**

5 Costs associated with the filing of the Application total \$1,463 to date. This does not include
6 any internal staff time. The Company anticipates that further costs, including Intervener costs,
7 public comment costs, and Commission expenses may increase the total costs of the
8 Application to approximately \$75,000.

9

10

11

12 **18** *Now that the remainder of the hearing has been set to schedule, please estimate*
13 *FBC's expenditure to complete the hearing.*

14

15 **Response:**

16 Please refer to the response to Scarlett IR 2.17.

17