



FORTISBC INC. RECONSIDERATION AND VARIANCE OF ORDER G-199-16 PHASE 2	EXHIBIT B-12
---------------------------------------------------------------------------------	---------------------

Diane Roy
Vice President, Regulatory Affairs

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

October 6, 2017

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

Re: FortisBC Inc. (FBC or the Company)

Project No. 3698875

FBC Application for Reconsideration and Variance of Order G-199-16 FBC Net Metering Program Tariff Update Decision ~ Phase 2

FBC Response to Exhibit C4-7

FBC has received a copy of the October 4, 2017 letter to the British Columbia Utilities Commission (the Commission) from Andy Shadrack marked as Exhibit C4-7 in the Application for Reconsideration and Variance of Order G-199-16 FBC Net Metering Program Tariff Update Decision.

In the letter, Mr. Shadrack draws a number of conclusions about the nature and cost of FBC resources and the transmission of energy, and seeks to have the Commission settle the matter of whether FBC has provided satisfactory responses to certain information requests (IRs) that he has submitted.

The Company wishes to assure the Commission and other participants in this process that it has been as responsive as possible to the IRs posed by Mr. Shadrack. In some cases, the information simply does not exist, or the request is based on erroneous assumptions about the nature of utility supply or conclusions arrived at from previous IR responses with which the Company does not agree.

In its existing responses, the Company has endeavored to provide context and a full explanation of why the requested information cannot be provided. If the information were available, FBC would provide it.

FBC offers the following information regarding the specific requests made by Mr. Shadrack in Exhibit C4-7.

Shadrack IR 1.1

With respect to Exhibit C4-6, IR 1, Mr. Shadrack states,

Net Metered (NM) electrical energy, like Distributed Generation (DG) in general and Demand Side Management (DSM), are all different kinds and sources of produced/saved energy than that conceived when centralized electrical power production was introduced a little more than a century ago. Different kinds and sources of electrical energy come with varying costs that are not necessarily the same or congruent.

While there are different *sources* of electrical energy, there are not different *kinds* of electrical energy. There are certainly differences in the cost of electricity depending on the resource used to generate it, or in the contract under which it is purchased, and whether the energy is actually required at the time it is produced can affect its value, but there is no difference in the cost of transmitting energy that is dependent on the source. Once the energy has entered the utility transmission and/or distribution system it does not matter whether the energy was produced by a customer-owned system, FBC resources, or purchased under a contract.

Mr. Shadrack goes on to conclude,

In B-18.24.iii of FortisBC Inc. 2016 Long Term Electric Resource Plan (LTERP) and Long Term Demand Side Management Plan (LT DSM Plan) ~ Project No.3698896, the Company provides a table that shows that the cost of purchasing PPA Tranche 1 BC Hydro RS 3808 energy differs from that of the cost of purchasing NM energy. While FortisBC has clearly stated the \$ value of purchasing each source of electrical energy (B-11.3.i), that \$ value only represents a portion of all the costs of delivery of that energy to the customer, as acknowledged by the Company in B-11.4.

This statement is not an accurate characterization of the IR responses. The response to Exhibit B-18 Shadrack IR 2.24.iii in the LTERP process only indicates that for FBC there are fixed costs associated with its own resources and the BCH PPA contract, since there are costs that must be incurred regardless of the quantity of energy taken from those resources. This is not the case for energy that FBC receives from NM customers. While this shows a difference in the way costs are incurred for each resource, it says nothing about the price or quality of the energy.

The response to Shadrack IR 1.3.i in the NM Reconsideration process only contrasts the price of PPA energy with the average rate at which residential customers purchase energy from FBC and the imputed average rate provided to NM customers for NEG. The response to Shadrack

IR 1.4 says nothing about the costs of delivering energy from different resources through the existing FBC Transmission and Distribution network, which is the same in all cases¹.

Shadrack IR 1.1 seems to be based on the assumption that there is a difference in cost for delivering energy from point A to point B that is dependent on the generation source. There is not.

Shadrack IR 1.3.i

With respect to Exhibit C4-6, IR 1.3, Mr. Shadrack states, in part,

What we now know so far, based on answers to B-11.1.i and B-11.2, is that NM electricity can be delivered for somewhere between \$1.50 and \$4.00 per MWh cheaper than PPA Tranche 1 BC Hydro RS 3808, because, as with DSM, there are currently no line losses associated with the delivery of NM power

The referenced responses do not indicate that it is less expensive to deliver energy from one resource as compared to another. The loss rate provided is associated with energy transmission from any resource. Inherent in the contention that a customer should be compensated at a higher rate for NEG because it would be consumed locally is the acceptance that a customer should also be charged at a higher rate if energy delivered by the Company to the customer had to travel a longer distance. As explained by FBC in the response to Shadrack IR 1.1.i, all rates offered by the Company are determined on a postage stamp basis.

In any case, Shadrack IR 1.3.i seeks, "...a breakdown of the applicable revenues and costs to support" an assertion, "...that NM suppliers are imposing excessive costs on the Company and other customers". FBC has not made such an assertion and stated so in the response. Though nothing further was required by way of response, a lengthy response was provided in an effort to assist the Commission and interveners in understanding the Company's position on the pricing of NEG.

Shadrack IR 1.3.ii

With respect to Exhibit C4-6, IR 1.3.ii, Mr. Shadrack states, in part,

I simply want to understand the cost variables that the Company is using towards creation of the tariff price for each source of power, especially when the Company acknowledges that one source has no fixed costs and the other has both fixed and variable costs.

FBC does not "create a tariff price for each source of power". As explained, power purchase related costs are pooled for the purposes of setting rates and are allocated to each class during the Cost of Service Analysis process.

The response provided by FBC to this IR was as complete as possible given that the IR sought information related to unspecified fixed and variable costs associated with the transmission of

¹ Please also see the response to Shadrack IR 1.1.ii.

energy based on the erroneous assumption that these costs vary with the resource used to generate it.

Shadrack IR 1.6.iv

With respect to Exhibit C4-6, IR 1.6.iv, the Company has provided the information requested with regard to both of the cheques it has issued for the periodic purchase of accumulated NEG, as well as the value of NEG that resulted in account credits during the period for which it has information. Mr. Shadrack should not now have the opportunity to reframe the question because it was insufficient to garner the information he would like.

With respect, the questions are irrelevant to the issues that are within the scope of this Reconsideration Application. Further, in his letter Mr. Shadrack explains that he is seeking information on. “...all kWh both NEG and non-NEG transferred from all 86 plus enrollees in the program.”

“Non-NEG” is not a defined term in this process but it seems apparent that energy that was not excess would not be transferred to FBC. Mr. Shadrack offers the following as clarification of what this question is intended to garner.

To be clear I am trying to understand the percentage of \$ value of all transferred kWh that exceeds all customers' costs of the Company purchasing power in, say, 2016 and 2017 to the point of previous calculation.

The issue being addressed by this question is unclear, despite the apparent clarification, but if it is attempting to determine locational differences for delivery of power, or to ascribe differing costs for energy from different resources, the Company has addressed these points both in its IR responses and above, and the existing record should be sufficient and the process should be allowed to continue as scheduled without delay.

FBC requests that the Commission find that the Company has provided adequate responses to the referenced IRs. Any issues regarding the Company’s resource options be addressed in the separate LTERP process that is currently examining these matters.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC INC.

Original signed:

Diane Roy