

COMMERCIAL ENERGY CONSUMERS ASSOCIATION
OF BRITISH COLUMBIA

INTERVENER INFORMATION REQUEST NO. 1 ON EVIDENCE TO
INDUSTRIAL CUSTOMERS GROUP (“ICG”)

FortisBC Inc. (“FBC”) 2017 Cost of Service Analysis and Rate Design Application
Project No. 1598939

August 20, 2018

1. Reference: Exhibit C12-6, Mr. Cleveland page 2 and 3

Impacts on Power Exporters

A: The Proposed Changes do not impact all generators in FBC’s service territory that export power. The Proposed Changes only impact those generators that export power to BC

Hydro, e.g. Independent Power Producers selling to BC Hydro (a “BC Hydro IPP Within FBC”)¹.

1.1 What does Mr. Cleveland propose for FBC rates in this proceeding to address the problem he identified in this section of his evidence.

Response:

The following response was provided by Mr. Cleveland.

The section of my evidence titled “Impacts on Power Exporters” discusses several different types of impacts from the Proposed Changes. I am not clear on what specific issue the question refers to. I was not asked to develop a proposal for FBC rates. For additional information on my views on the license plate approach and the Proposed Changes, see the responses to BCUC ICG IRs 1.7.2 and 1.7.4.

2. Reference: Exhibit C12-6, Mr. Cleveland pages 6 and 7

Discriminatory Tariffs

The principle of providing non-discriminatory access does not prevent utilities from setting different rates. However, setting different rates for different customers or types of customers is generally required to follow principles such as cost causation. In the Proposed Changes, FBC has requested different rate treatment for exporters to the BC Hydro system based on a distinction that is not clearly supported by any principle.

- 2.1 If FBC's principle is to recover costs does Mr. Cleveland submit that what is not clearly supported in principle is the discriminatory collection of this cost recovery from different customers? Please explain.

Response:

The following response was provided by Mr. Cleveland.

The quote reads "FBC has requested different rate treatment for exporters to the BC Hydro system based on a distinction that is not clearly supported by any principle." Given the adoption of the license plate approach to transmission harmonization between BC Hydro and FBC, there is no principle I am familiar with which supports excluding certain types of export from the benefits of the license plate approach, as would be occur under the Proposed Changes. Please see the responses to BCUC ICG ICRs 1.7.2 and 1.7.4.

3. **Reference: Exhibit C12-6, page 12**

Harmonization and the License Plate Approach

The benefit of harmonization is that it can foster greater use of the transmission system. It can do this by enabling energy transactions that are fundamentally economical, but which might not otherwise proceed due to distortions in transmission pricing which seek to recover embedded costs. This is illustrated in the Generator 1 / Generator 2 example provided in the response to question #1.

- 3.1 Does Mr. Cleveland support BC Hydro's proposition for a future process to deal with harmonization on a broader basis? Please explain why or why not.

Response:

The following response was provided by Mr. Cleveland.

I was not asked to opine on BC Hydro's evidence and I take no position on BC Hydro's statement that "a broader review of rate harmonization may be warranted"¹.

4. Reference: Exhibit C12-6, Mr. Switlishoff

Q. Was the current EPA between Zellstoff Celgar and BC Hydro based on the non-pancaking provision in Order G-12-99 as it has been interpreted to date?

A. As described earlier, the harmonization provisions in Rate Schedule 101 that gave rise to the interpretation that the cost of Rate Schedule 101 would be \$0.00 if electricity generated within FBC's service territory was delivered to a point of interconnection between FBC and BC Hydro for use by BC Hydro were relied upon for the BC Hydro EPA. Furthermore, those same provisions were relied upon to exist after the expiry of the EPA because the life expectancy of the second generator was much longer than the term of the EPA. The economic analysis that led to the decision to incur the capital expenditure to install the second generator therefore considered post-EPA export conditions, which included the current interpretation of the Rate Schedule 101 harmonization provisions.

4.1 Does Mr. Switlishoff expect that terms for an EPA from a utility may change after the expiry of that EPA, and that upon expiry of the EPA legal obligations to provide those terms also expire?

Response:

The following response was provided by Mr. Switlishoff.

Yes.

¹ Exhibit C1-3, p. 5, lines 23-24.

- 4.2 Does Mr. Switlishoff understand and accept that the BC Utilities Commission may make different decisions on any given aspect of its regulation of utilities and is not bound by precedence when making those decisions?

Response:

The following response was provided by Mr. Switlishoff.

Yes.

- 4.3 Does Mr. Switlishoff support BC Hydro's proposition for a "future process" to deal with harmonization on a "broader basis"? Please explain why or why not.

Response:

The following response was provided by Mr. Switlishoff.

BC Hydro states that "there have been a number of changes to the electricity sector in the past 20 years that bear on the rate harmonization provisions that might well warrant a broader review." Review of rate harmonization provisions should be a component of a broader review of provincial transmission policies that have as an objective a level playing field for all participants seeking access to the transmission systems in the province.