



IN THE MATTER OF

FORTISBC INC.

APPLICATION FOR APPROVAL OF STEPPED AND STAND-BY RATES
FOR TRANSMISSION [VOLTAGE] CUSTOMERS

DECISION – STAGE II
STAND-BY RATES
(See Order G-67-14 for STAGE I)

March 24, 2015

Before:

L. A. O'Hara, Commissioner/Panel Chair

R. D. Revel, Commissioner

TABLE OF CONTENTS

Page No.

EXECUTIVE SUMMARY	(i)
1.0 INTRODUCTION ON THE STAND-BY RATE	1
1.1 Original Application – Stage I Decision	1
1.1.1 Stage I Decision – Stand-by Service Rate	2
1.1.2 Narrowed Scope for the Revised RS 37 Filing	3
1.2 The Revised RS 37 Filing	3
1.3 Regulatory and policy framework for the review of the Revised RS 37 Filing.....	5
1.3.1 Relevant sections of the <i>Utilities Commission Act</i> (UCA)	5
1.3.2 Guidance for Stage II emanating from Stage I Decision	5
1.4 Interveners and regulatory process.....	7
2.0 RS 37 ENERGY CHARGE – POWERDEX INDEX	8
3.0 STAND-BY RATE RESTRICTIONS.....	9
3.1 The Original Application.....	9
3.2 Revised RS 37 Filing	10
3.2.1 Back-up service restrictions	10
3.2.2 Maintenance Service Restrictions.....	13
4.0 WIRES DEMAND CHARGES	15
4.1 Introduction.....	15
4.2 Original Application	15
4.2.1 Maximum Demand.....	16
4.2.2 Special Provision 2 – Proposed in the Stage I Decision	16
4.3 Revised RS 37 Filing	18
4.3.1 Special Provision 2 – Adjusted Contract Demand – Revised RS 37 Filing.....	18
4.4 Commission Panel prescribed RS 37.....	21
4.4.1 RS 31 Contract Demand and Stand-By Demand Limit.....	21
4.4.2 Stand-by Billing Demand.....	23
4.4.3 Rate Schedule 31 billing determinants.....	24
5.0 AVAILABILITY: MAXIMUM LEVEL OF STAND-BY SERVICE.....	25
5.1 Original Application	25
5.2 Revised RS 37 Filing	26
5.3 Definition for the Maximum Level of Stand-by Service.....	26
5.4 Charges when taking service in excess of Maximum Level of Stand-by Service or when not compliant with the restrictions in RS 37	31
6.0 WHEN STAND-BY SERVICE IS INITIATED	33
6.1 When the back-up service period ends	33
6.2 When the maintenance period ends	34
7.0 OVERALL DETERMINATION ON THE STAND-BY SERVICE RATE	35
8.0 CELGAR SPECIFIC ISSUES.....	35

COMMISSION ORDER G-46-15

APPENDIX A – Electric Tariff Rate Schedule

EXECUTIVE SUMMARY

FortisBC Inc. (FortisBC) filed its Original Application for approval of a new set of rates, including stand-by rates, for its transmission voltage customers on March 28, 2013. This was followed by the Revised Rate Schedule 37 filing on June 26, 2014, submitted by FortisBC in compliance with Commission Order G-67-14. Because the Stage I Decision on the Original Application already addressed a number of stand-by rate issues, this Stage II Decision deals only with a limited set of outstanding issues which include:

- Approval of Energy Charge, only as it relates to defining the Mid-C pricing;
- Availability/level of Stand-by Service;
- Maintenance Service Restrictions;
- Back-up Service Restrictions;
- Wires Demand Charges; and
- Required amendments to Rate Schedule 31(RS 31) and Rate Schedule 37 (RS 37).

An overview of the principal determinations follows:

General Finding for Rate Schedule 37 and the Underlying Rate schedule 31

First, the Panel approves FortisBC's request to have the Powerdex Mid-C Index referenced in the RS 37 Energy Charge section a, rather than the Dow Jones (Mid-C) as approved in the Stage I Decision.

Second, concerning Stand-by Rate restrictions, the Panel approves FortisBC's proposed Maintenance Service restrictions including a requirement for customers to provide FortisBC with a minimum of 30 days notification period, concomitantly, the Panel approves FortisBC's proposed Back-up restrictions, other than finding that FortisBC must provide self-generation customers with up to 876 hours of Back-up Service per calendar year. For further clarity, the Back-up Service to be provided is in addition to the scheduled Maintenance Service.

Wires Demand Charges

In the Stage I Decision the most contentious issue, which significantly contributed to the Panel conclusion that the Stand-by Rate proposed by FortisBC was unjust, unreasonable and unduly discriminatory, was the Stand-by Wires Demand Charges, designed to recover infrastructure costs, set out in Special Provision 2 of RS 37. The Panel did not approve the inclusion of Special Provision 2 as it ultimately resulted in the customer paying for its highest peak demand ever in all billing periods. As a solution, the Panel suggested that the Wires Demand Charges should be based on a Stand-by Contract Demand (SBCD) established between the customer and the utility at an amount somewhere between zero and 100 percent of the Contract Demand in the underlying RS 31 and should apply in all billing periods.

After reviewing the Revised RS 37 Filing, the Panel notes that it gave FortisBC an opportunity to design a functional rate within a set of Commission recommended parameters; yet, FortisBC failed to do so. In the Revised RS 37 Filing FortisBC amended Special Provision 2, which in the Panel's view ultimately still results in a Wires Demand Charge based on peak demand in periods where the customer takes Stand-by Service.

Therefore, the Panel rejects FortisBC's amended Special Provision 2 and directs it to be removed from Electric Tariff RS 37.

Because FortisBC failed to design Wires Demand Charges that reflect the objectives and principles of the Stage I Decision, the Panel is prescribing a solution in this Stage II Decision.

The Panel determines that the maximum level of capacity available under RS 31 and under the RS 37 should be set as two distinct values as follows:

- (i) *Contract Demand in RS 31* (underlying rate) is to be agreed upon between the customer and FortisBC for full service. It will establish the availability of firm RS 31, full service for the customer. For clarity, a customer that normally generates in excess of plant load and who operates in a net-of-load environment would have a RS 31 Contract Demand of zero.
- (ii) *Stand-by Demand Limit* will denote the maximum capacity, in excess of the RS 31 Contract Demand, that FortisBC is required to supply to the self-generation customer under RS 37.

Consistent with these definitions, and the Stage I Decision direction regarding Stand-by Contract Demand, the Panel prescribes the inclusion of Stand-by Billing Demand as follows:

- (iii) *Stand-by Billing Demand* (SBBD) is to be established between the customer and the utility at an amount somewhere between zero and 100 percent of the *Stand-by Demand Limit*. The Panel directs that Stand-by Billing Demand be included as a billing determinant for the Wires Demand Charges in the underlying RS 31.

Ultimately, RS 31 Contract Demand, Stand-by Demand and Limit, and Stand-by Billing Demand, are amounts that are to be negotiated and agreed to by the customer and the utility and set out in the customers General Service Agreement.

Based on the direction provided in the Stage I Decision, SBBD is to be established for future customers in order to reflect the benefits of self-generation based on a set of Commission approved principles. Accordingly, FortisBC is also directed to file for approval a Tariff Supplement to RS 37 that establishes the principles to be considered in setting a future customer's Stand-by Billing Demand, no later than ninety days after the Commission issues a final decision on the FortisBC Self-Generation Policy Application.

Availability: Maximum Level of Stand-by Service

The Panel notes that the restriction that stand-by service is to be used only to replace self-generation output is not controversial. However, to bring clarity to the level of this service, the Panel determines that normal generation should be based on the Stand-by Demand Limit established under RS 37 as this would normally be equal to the customer's self-generation capacity used to serve its load. The Panel further determines that the maximum amount of Stand-by Service has to take into account the customer's actual generation in that

hour. Accordingly, the Maximum Level of Stand-by Service, which the Panel directs to be included in RS 37, is defined as follows: “Capacity in kVA will be available as to a maximum of the difference between the customer’s Stand-by Demand Limit and the customer’s generation in kVA.”

The Panel also considers situations when the self-generating customer is taking service in excess of its RS 31 Contract Demand and is off-side with the RS 37 restrictions or is taking service in excess of its Maximum Level of Stand-by Service as now defined. Specifically, the Panel finds that in those situations the customer would not be taking service under RS 31 as proposed by FortisBC but instead will be deemed to be taking service under RS 37; however, a penalty will apply.

The Panel provides its suggested penalty but seeks further submissions on its appropriateness in accordance with the regulatory timetable set out in Directive 3 of the order.

Next Steps

The Panel includes a Draft RS 37 Tariff reflecting the RS 37 Electric Tariff language directed in this Stage II Decision. Given the extent and nature of the directed changes, the Panel gives FortisBC an opportunity to comment on the directed language. In doing so, the Panel emphasizes that the findings are determinative and the Panel is open to suggestions by FortisBC on the language to be included in RS 37 only.

The Panel will issue a final determination on the Stand-by Rate (Stage III Decision) after taking into consideration FortisBC’s comments on the Panel directed tariff language and after considering the submissions regarding the penalty.

Celgar Specific Issues

The Panel has determined the key components of the Stand-by Rate as being RS 31 Contract Demand, Stand-by Demand Limit, and Stand-by Billing Demand, which are normally negotiated and agreed to between the utility and its customers. With these fundamentals now in place, the Panel is hopeful that FortisBC and Celgar can reach an agreement on these three components. The Panel considers that a negotiated agreement would be substantially preferable to the Commission being required to rule on the components. Parties are asked to advise the Commission of the outcome of the negotiations before FortisBC files its Reply Submission on the penalty issue. In the event the parties cannot agree, the Panel will determine the three key components of the Stand-by Rate as part of the Stage III Decision.

1.0 INTRODUCTION ON THE STAND-BY RATE

FortisBC Inc. (FortisBC or the Company) filed an application for approval of a new set of rates, including stand-by rates, for its transmission voltage customers on March 28, 2013 (Original Application). The Commission issued its decision on the Original Application by Order G-67-14 (Stage I Decision). The Stage I Decision directed FortisBC to, among other things, file with the Commission a revised Rate Schedule 37 Stand-by Service Rate (Revised RS 37 Filing), incorporating the findings in the Stage I Decision. On June 26, 2014 FortisBC submitted the Revised RS 37 Filing in compliance with Order G-67-14.

This Decision will only address the Revised RS 37 Filing and will be referred to as the Stage II Decision. The Stage I and Stage II decisions are meant to work in conjunction with each other, particularly Section 3 of the Stage I Decision, which addresses the Stand-by Rate. The reader may find the background and context for the FortisBC Stand-by Rate included in Section 3.1 (pp. 19–24) of the Stage I Decision of particular relevance to this Decision.

The following background regarding the Original Application, the Revised RS 37 Filing, and the Regulatory and Policy Framework is provided for the benefit of the reader due to the length and complexity of the process as well as to clarify the relationship to a number of related applications being considered concurrently.

1.1 ORIGINAL APPLICATION – STAGE I DECISION

The proposed new transmission voltage rates in the Original Application included a Stepped Rate with attached Customer Baseline Load Guidelines, a new Flat Rate, the Non-Embedded Cost Power (NECP) Rate Rider, and a Stand-by Service Rate. FortisBC also proposed to close the Time-of-Use Rate (TOU) and the existing Flat Rate. In addition, FortisBC requested a determination on the retroactive application of rates to Celgar.

On January 31, 2014, the Panel identified certain aspects of the Original Application that overlapped with the then pending review of the British Columbia Hydro and Power Authority (BC Hydro) new power purchase agreement (New PPA) with FortisBC (RS 3808 Proceeding).¹ The review of those aspects which included the NECP Rate Rider and the retroactive application of the rate to Celgar was put on hold until completion of the RS 3808 Proceeding.

It should be noted that the Decision on the RS 3808 Proceeding, which was issued on May 6, 2014, resulted in additional directions to both BC Hydro and FortisBC that could have some impact on the matters included in the Original Application as follows:

- BC Hydro was directed to initiate a consultation process that will result in an application for the new PPA Section 2.5 Guidelines by November 1, 2014. Once the Guidelines have been approved by the Commission, they are to be added to the New PPA as an appendix.

¹ BC Hydro application for approval of rates between BC Hydro and FortisBC with regards to RS 3808, Tariff Supplement No. 3 – power purchase and associated agreements, and Tariff Supplement No. 2 to RS 3817, Decision dated May 6, 2014, Order G-6-14.

- Until the addition of Commission-approved New PPA Section 2.5 Guidelines, the net-of-load methodology will be applied.
- FortisBC was directed to initiate a concurrent consultation process in its service territory to address the potential benefits of self-generation, the 1999 Access Principles in the context of self-generating customers, GBL Guidelines and to ensure that arbitrage is not allowed. FortisBC was further directed to file a resultant Self-Generation Policy application with the Commission by December 31, 2014.²

Both BC Hydro and FortisBC have filed applications with the Commission in those proceedings, which are now under way.

On May 26, 2014, the Commission issued Order G-67-14 and attached Stage I Decision making a final determination on the TOU Rate and Stepped Rate and also concluded that there was no longer a need to consider the application of a Stepped Rate for customers with self-generation facilities. However the Panel declined to approve RS 37 as proposed in the Application and directed FortisBC to file the Revised RS 37 Filing.

1.1.1 Stage I Decision – Stand-by Service Rate

The Original Application proposed a Stand-by Rate for current and future customers with self-generation to be made available in conjunction with an underlying rate (RS 31). The Stand-by Rate included an Energy Charge, Restrictions on Use and Availability, Wires Demand Charges, Power Supply Demand Charges and several Special Provisions.

The Panel was not able to approve the proposed Stand-by Rate as originally applied for but it did support and approve many of the components of the Rate and found that the remaining outstanding items could be addressed through further process within this proceeding. Specifically, the Panel found that there was insufficient evidence regarding the Restrictions on Use and Availability to allow it to make a final determination on those components. More significantly, the Panel found that the inclusion of Special Provision 2, which was designed to recover infrastructure costs through a Wires Demand Charge in RS 31, was unnecessarily restrictive and would result in a rate that was unjust, unreasonable and unduly discriminatory.

In conclusion, the Panel determined that subject to the remaining issues regarding the Restrictions on Use and Availability being resolved, it is likely that the Panel would approve a revised RS 37 if:

1. Special Provision 2 was removed and replaced with an amended provision relating to Wires Demand Charges that ensures that the potential benefits to self-generation are reflected in the Wires Demand Charges in RS 31; and
2. At a future time FortisBC establishes key principles that are to be considered in identifying the potential benefits of self-generation and incorporates them into RS 37 as a Tariff Supplement.

² Decision dated May 6, 2014, Order G-60-14, Directives 2, 3 and 5

Therefore, by Order G-67-14 the Commission directed FortisBC to file a revised RS 37 filing incorporating the findings in the Stage I Decision and addressing both the Restrictions on Use and Availability of stand-by service.

The Commission also directed FortisBC to submit a filing, in conjunction with the revised Rate RS 37 Filing, on the appropriate Contract Demand level in RS 31 and an appropriate level of Stand-by Contract Demand (SBCD) applicable during periods of stand-by service for Celgar.

1.1.2 Narrowed Scope for the Revised RS 37 Filing

The Stage I Decision made a number of final determinations on RS 37 which will not be revisited in this decision. This Stage II Decision will only address the outstanding components as indicated in Table 1.

Table 1: Outstanding Components of RS 37 Stand-by Rate

Component	Approved In Stage I Decision	Addressed in Stage II Decision	Section of the Decision
Availability/Level of Stand-By Service	No	Yes	Section 5
Notification Fee	Yes	No	NA
Energy Charge	Yes	Only as it relates to defining the Mid-C Pricing	Section 2
Maintenance Service Restrictions	No	Yes	Section 3
Back-up Service Restrictions	No	Yes	Section 3
Demand Charges: Wires Charges	No	Yes	Section 4
Demand Charges: Power Supply Charge	Yes	No	NA

Any evidence or submissions on issues outside the scope of these items relating to the approval of RS 37 have not been considered.

1.2 THE REVISED RS 37 FILING

On June 26, 2014, FortisBC filed the Revised RS 37 Filing in compliance with Order G-67-14. The filing was organized as follows:

1. Description of the proposed Stand-by Rate;
2. Availability of Stand-by Service;
3. Summary of the Commission Determinations Incorporated into RS 37;
4. Company Approach to the Commission's Stand-by Contract Demand Suggestion;

5. Restriction on Stand-by Service;
6. Celgar Specific Matters;
7. Comments on Further Process.³

Regarding the further process, FortisBC states: “given that no party has had the opportunity to comment on the Commission’s suggestion of a Stand-by Contract Demand, or FortisBC’s alternate Adjusted Contract Demand approach, it is reasonable that there be additional submissions on these items as well as the Celgar specific issues.”⁴

As part of FortisBC’s Final Submission, FortisBC requested approval for the following:⁵

- a. the usage restrictions for both Back-up Service and Maintenance Service as included in the version of RS 37 included in Exhibit B-22 be approved. These are, for Maintenance power service involving not more than six occurrences and not more than sixty (60) total days during a calendar year, and for Back-up service of not more than two occurrences per billing period (Section 3).
- b. the determination of normal generation should be as described in Exhibit B-22 (page 8), specifically, “the total generation during the period, divided by the number of hours in the period that the customer is generating” (Section 5).
- c. RS37 energy should be available during a billing period with reference to the amount of self-generation that the customer normally has available (as this is what back-up power is meant to replace) and that consumption above that level would be available under the RS31 rate (Section 5).
- d. the Adjusted Contract Demand approach that the Company has described in its Compliance Filing (Exhibit B-22) is a reasonable and workable method and should be approved (Section 4).
- e. the Contract Demand for Celgar should be set at 42 MVA which is consistent with Commission Order G-67-14 and supported by the evidence on record in this process (Section 6).
- f. given item d. above, no Stand-by Contract Demand is required for Celgar. If however, the Commission determines that a Stand-by Contract Demand is required for Celgar, that it remains unchanged from the level of Contract Demand approved for Celgar generally in light of the fact that no material benefits can be attributed to the self-generation that has been installed by Celgar (Section 6).
- g. issues related to bypass rates in general, and the specific bypass opportunities claimed by Celgar in this proceeding, should not be a consideration in the approval of a generic Stand-by rate schedule such as the version of RS37 that will result from the current regulatory process (Section 6).
- h. That the form of RS 37 attached to the Company’s Compliance filing (Exhibit B-22) be approved as filed (Section 7.0).

³ Exhibit B-22.

⁴ Ibid., p. 30.

⁵ FortisBC Final Submission, pp. 34–35.

1.3 REGULATORY AND POLICY FRAMEWORK FOR THE REVIEW OF THE REVISED RS 37 FILING

1.3.1 Relevant sections of the *Utilities Commission Act (UCA)*

The Stand-by Rate has been filed for approval under sections 59–61 of the UCA. While complying with the UCA, particular attention has been given by the Panel to the following parts of sections 59 and 60 in reviewing the Stand-by Rate.

Discrimination in Rates — Section 59 of the UCA

- A public utility must not make, demand or receive an unjust, unreasonable, unduly discriminatory or unduly preferential rate for a service provided by it in British Columbia (s. 59(1)(a)).
- A public utility must not as to a rate or service, subject any person or locality, or a particular description of traffic, to an undue prejudice or disadvantage (s. 59(2)(a)).
- It is a question of fact, of which the commission is the sole judge, (a) whether a rate is unjust or unreasonable, (b) whether, in any case, there is undue discrimination, preference, prejudice or disadvantage in respect of a rate or service, or (c) whether a service is offered or provided under substantially similar circumstance and conditions (s. 59(4)).

Setting a Rate – Section 60 of the UCA

- The Commission must consider all matters that it considers proper and relevant affecting the rate.
- The Commission must have due regard to the setting of a rate that encourages the public utility to increase efficiency, reduce costs and enhance performance.
- The Commission may use any mechanism, formula or other method of setting the rate that it considers advisable.

1.3.2 Guidance for Stage II emanating from Stage I Decision

1.3.2.1 Stage 1 Determinations

The Panel made several determinations regarding the Stand-by Rate in the Stage I Decision, most of which are highly relevant to the Revised RS 37 Filing as they set the foundation on which this decision is built. The most relevant Stage I determinations are summarized as follows:

- Firmness of Stand-by Service: The Panel finds that FortisBC does not have to provide non-firm service given there are no benefits to FortisBC of doing so, even if it is what the customer is requesting. However, the Panel still considers that the Stand-by Rate should not result in the

utility incurring unnecessary costs with regard to investment and operation of its network if the customer does not require firm service and the utility can benefit from a costs saving by providing that service.⁶

- Stand-by demand charge principles for future customers: The Panel considers that the key focus in determining the appropriate Wires Demand Charge should ensure that it does not discourage on-site generation that is fully economical and cost effective but for the inclusion of stand-by charges. Further, Wires Demand Charges should also take into consideration BC energy objectives.⁷
- Stand-by demand charge principles for current customers: The Panel considers that for current customers the future customer approach could be problematic as any principles may not be finalized for some time and the key considerations for future customers could very well be different from those for existing customers.⁸

1.3.2.2 Framework for the review of the Wires Demand Charges

In Section 3.8.1 of the Stage I Decision, the Panel established a framework for the evaluation of the Stand-by Rate design as it related to the Wires Demand Charges. The framework provided in the Stage I Decision remains the framework that the Wires Demand Charges are evaluated against in the Revised RS 37 Filing and are summarized as follows:

- Relevance of BC Hydro Stand-by Rate: The Panel maintains the view that “discrimination, when applied to rates for utility service, can only be of an ‘intra-utility’ nature and not ‘inter-utility.’” FortisBC’s Stand-by Rate cannot therefore be considered unfair or discriminatory solely on the basis of a comparison with the stand-by rates offered by BC Hydro.⁹
- Other jurisdictions: The Panel maintains that there is limited value in examining the stand-by rate of other jurisdictions.¹⁰
- Single customer concern: The Panel maintains that the rate must be designed for all current and potential customers with self-generation but is aware that currently there is only one eligible customer for the proposed RS 37.¹¹
- Government policy: The Panel acknowledges that the Government’s objective is the promotion of energy conservation and efficiency, including self-generation throughout the entire Province. Therefore, the Panel considers that the Stand-by Rate should result in efficient customer investment and consumption decisions – specifically, efficient investment in, and operation of, distributed generation by utility customers and efficient investment in, and operation of, assets required to support the stand-by service by the utility. The Panel also considers that the Stand-by Rate should promote innovation over time.¹²

⁶ Ibid., pp. 47–48.

⁷ Ibid., p. 55.

⁸ Ibid., p. 57.

⁹ Ibid., p. 42.

¹⁰ Ibid., p. 43.

¹¹ Ibid., p. 43.

¹² Ibid., pp. 44–45.

1.4 INTERVENERS AND REGULATORY PROCESS

BC Hydro, British Columbia Old Age Pensioners Organization *et al* (BCOAPO), Celgar and the Minister of Energy and Mines (MEM, the Province) participated in the proceeding. Some of the highlights that contributed to the length of the proceeding are as follows:

- The initial regulatory agenda and timetable, issued on June 30, 2014, provided for only one additional round of information requests (IR), identified as IR No. 3. It also invited intervenor submissions on further process.¹³
- On August 13, 2014 Celgar challenged the Commission to consider whether the compliance filing is actually “in compliance” with order G-67-14. Among other matters, Celgar requested reassurance that “uneconomic bypass and other considerations” are in scope and highlighted some IR deficiencies. In summary, Celgar requested that the next step in the process is for FortisBC to be directed to revise Exhibit B-22 (Revised RS 37 Filing) to reflect a Contract Demand that considers the Commission comments regarding, at a minimum, a Contract demand of 16 MVA and a Stand-by Contract Demand (SBCD) between zero and 100 percent of the Contract Demand as well as equalizing against any economic bypass that exist for Celgar. As an alternative next step, Celgar requested an opportunity to propose and file evidence relevant to the determination of a Contract Demand and SBCD that complies with Order G-67-14.¹⁴
- On August 20, 2014, by Order G-118-14, the Commission denied Celgar’s request that FortisBC be directed to amend the Revised RS 37 Filing. The Commission established a new regulatory timetable attached to the same order that included a deadline for filing intervenor evidence as well as dates for IRs on the evidence and respective responses. The Commission also ruled that the uneconomic bypass and alternatives available for Celgar are within scope of the proceeding. Furthermore, FortisBC was directed to respond to certain outstanding IRs.¹⁵
- By way of Order G-141-14, the Commission established a round of submissions related to the confidential treatment of information about bypass options available to Celgar to meet the load requirements of its mill¹⁶ and a ruling requested by FortisBC on the weight that should be afforded to the Celgar bypass options in the Commission’s determination on the Revised RS 37 Filing took place.¹⁷ Celgar sought a reconsideration of Order G-141-14, and requested that the regulatory timetable established by Order G-118-14 be reinstated without any additional process to “weigh” evidence prior to completion of final submissions and the closing of the record.¹⁸ On October 7, 2014, the Commission allowed Celgar’s reconsideration request and

¹³ Exhibit A-21, Order G-81-14.

¹⁴ Exhibit C2-21, pp. 1, 7, 12.

¹⁵ Exhibit A-25, Order G-118-14.

¹⁶ Exhibit A-26, Order G-141-14.

¹⁷ Exhibit B-31.

¹⁸ Exhibit C2-23.

- rescinded Order G-141-14.¹⁹ On the same date, the Commission reinstated the process by way of an amended regulatory timetable which was to conclude the process by November 21, 2014, with FortisBC's reply submission.²⁰
- On October 14, 2014, BCOAPO requested an extension of time in which to file intervenor evidence (the original date was September 8, 2014). The specific evidence proposed for filing included:
 - A Ministers' Order dated May 23, 1991, in respect of an application by Celgar for an energy project certificate for the Celgar pulp mill expansion; and
 - Associated witness statements relating to the Ministers' Order which were filed in *Mercer International Inc. v. Government of Canada* initiated under NAFTA chapter 11.

The Commission initially sought justification from BCOAPO for the relevance of the request at the late stage of the proceeding and subsequently sought submissions from parties related to BCOAPO filing.²¹

- On October 27, 2014, the Commission issued a regulatory timetable for filing of the Ministerial Order by BCOAPO and final submissions by parties.²² On the same date, BCOAPO filed both the Ministerial Order as well as the Associated Application that gave rise to the Ministerial Order (Associated Application), to form part of the evidentiary record.²³ On October 29, 2014, Celgar requested that the Associated Application be expunged from the record.²⁴ This request again resulted in a further round of submissions.²⁵ After receipt of submissions from FortisBC, BCOAPO, MEM and BC Hydro, and a reply from Celgar, the Commission issued on November 17, 2014, a ruling that granted Celgar's request for the Associated Application to be removed from the evidentiary record.²⁶
- FortisBC filed its final submission on November 24, 2014, followed by final submissions by BCOAPO, MEM and Celgar on December 4, 2014, reply submissions by the three interveners to other interveners on December 11, 2014, and FortisBC reply on December 18, 2014.

2.0 RS 37 ENERGY CHARGE – POWERDEX INDEX

In the Stage I Decision the Commission directed that, for the RS 37 Energy Charge: "references to the Dow Jones (Mid-C) electricity price index should be replaced with the equivalent index published by Platts, as the Dow Jones Mid-C index is no longer published."²⁷

In the Revised RS 37 Filing, FortisBC requests that the Commission approve the use of the Powerdex Mid-C Index. FortisBC states that the index is an equivalent service to which the Company already subscribes and

¹⁹ Celgar reconsideration, Exhibit A-3, Order G-153-14.

²⁰ Exhibit A-28, Order G-154-14.

²¹ Exhibit A-31.

²² Exhibit A-32, Order G-166-14.

²³ Exhibit C4-17.

²⁴ Exhibit C2-30.

²⁵ Exhibit A-33, Order G-168-14.

²⁶ Exhibit A-34, Order G-179-14.

²⁷ Stage 1 Decision, p. 32.

the use of the Platts Index would require FortisBC to purchase a subscription to that index which would be used only for the Stand-by Rate energy pricing.²⁸ FortisBC explained that the three indices (S&P Dow Jones, Platts and Powerdex) are highly correlated.²⁹

BCOAPO and Celgar did not object to FortisBC's requested change.³⁰

Commission determination

The Panel approves FortisBC's request to have the Powerdex Mid-C Index referenced in RS 37 Energy Charge (a.), rather than the Dow Jones (Mid-C) as approved in the Stage I Decision. The Panel finds this to be reasonable as no party objected and FortisBC already subscribes to the Powerdex Mid-C Index. Furthermore, the three indices (S&P Dow Jones, Platts and Powerdex) are sufficiently correlated such that any differences will not be material.

3.0 STAND-BY RATE RESTRICTIONS

3.1 THE ORIGINAL APPLICATION

In the Original Application FortisBC proposed that RS 37 contain a limitation on the number of times in a billing period that a customer may call upon stand-by service as follows:³¹

Maintenance service is provided during utility approved scheduled outages for maintenance or downtime of the on-site generation.

The Customer must schedule maintenance power with FortisBC not less than 30 days prior to its use and is limited to not more than sixty (60) total days during a calendar year.

Back-up service is an on-demand service required during unscheduled outages of the self-generation, ensuring that utility capacity is available for a customer to call on to meet the customer's load.

Back-up service is limited to two occurrences per billing period and the Customer must notify FortisBC within 30 minutes of taking Back-up service. If the customer fails to provide the required notice, service will be charged under the terms of the rate under which the customer is normally supplied.

In the Stage I Decision, the Commission Panel agreed with FortisBC that RS 37 should include usage restrictions to ensure that the type of customer using the Stand-by Rate is consistent with the pricing set out in the Stand-by Rate.

²⁸ Exhibit B-22, p. 15.

²⁹ Exhibit B-27, BCUCIR 3.1.1.

³⁰ BCPSO Final Submission, p. 4; Exhibit C2-29, BCUC 1.7.1.

³¹ Exhibit B-22, Attachment A.

The Panel also stated that the usage restrictions should ensure that stand-by service is only used for the reasons for which it is designed and should encourage self-generators to efficiently maintain their generation equipment and undertake maintenance during off-peak hours. However, the Panel was at the same time mindful that the usage restrictions should not be so narrow as to result in inefficient outcomes for stand-by customers.

The Panel also agreed that once Back-up or Maintenance Service has been invoked, it should continue until the process or equipment interruption has been fully resolved, and not simply when generation has returned to a level that exceeds plant load.

Nevertheless, in the Stage I Decision the Panel found that there was insufficient evidence to determine if the proposed usage restrictions for Maintenance and Back-up Service struck the right balance between being overly restrictive or too permissive.³² As such, the Commission was unable to approve FortisBC's proposed usage restrictions and directed FortisBC to further address the Maintenance and Back-up Service restrictions in the Revised RS 37 Filing.

3.2 REVISED RS 37 FILING

3.2.1 Back-up service restrictions

In the Revised RS 37 Filing, FortisBC provided a black-lined version of its proposed updated RS 37 which included the following Back-up Restrictions:

PART B – back-up:

Back-up service is supplied to replace energy generated by a Customer's own equipment when that equipment is not in service, except during periods of maintenance. Notification for the use of Back-Up supply must be provided as per Special Condition 4 of this Schedule and is limited to two occurrences per billing period.

Special Provision 4:

4. Notification – A Customer must inform the Company within 30 minutes of taking energy under the Back-Up provisions of this Schedule and inform the Company of the anticipated time that the generator will return to normal operations (the total time during which the Customer is taking service under this rate schedule is the Standby Period). If the Customer's generator is not available at the anticipated time, further notice including an updated anticipated time that the generator will return to normal operations must be provided. If the Customer fails to provide this notice the Company will assume that service outside of the Standby Period is being provided under the terms of the rate under which the Customer is normally supplied.

³² Order G-64-17, Reasons, p. 35.

With regard to Back-up Service, FortisBC proposes a limitation of two occurrences of unlimited length per billing period. In its “Preferred RS 37” Celgar proposes that Back-Up Service be available for 876 hours per calendar year, based on an availability factor of approximately 90 percent. Both FortisBC and Celgar’s proposals are exclusive of periods of supply for Maintenance Service.³³

BCOAPO has offered its opinion on the matter noting that: “The limitations on the monthly and annual availability of Back-Up and Maintenance Service (respectively) are also reasonable and consistent with the premise that the customers’ generators are generally reliable.”³⁴

In the Revised RS 37 Filing, FortisBC states that it:

...would not object to the restriction being expressed in hours such as suggested by Celgar...Company records indicate that the Generator Forced Outage Rate at FortisBC has not been higher than 1% in any year since 2007...and the CEA average is generally below 4%. The Company believes that a generator availability of 90% is on the low side for only Back-up events, but would reflect an acceptable level of reliability if it included maintenance events as well. Industry literature suggests that such a value would be consistent with recent experience and industry expectation...The Company suggests that a 95% availability factor for back-up supply...³⁵

FortisBC indicated that unplanned outages can have significant operational impact for the Company and in this regard, the 438 hour restriction is acceptable, based on an availability factor of 95 percent.³⁶

Celgar stated that: “Back-up power usage is not predictable or planned and there could be no occurrences in one month and six in another...Celgar has over the years reduced the amount of backup power it requires from FortisBC, however the frequency shows that Celgar cannot guarantee less than two occurrences in any given month.”³⁷

Celgar further stated that its generation is based on a kraft pulp mill, which involves a complicated process of extracting black liquor fuel from wood.³⁸ Celgar also stated that “... no other kraft mill could meet this requirement, nor could other sources of green energy such as solar and wind.”³⁹

³³ Exhibit C2-22, Appendix H.

³⁴ BCPSO Final Submission, para. 35.

³⁵ Exhibit B-22, pp. 22–24.

³⁶ Exhibit B-28, BCOAPO IR 3.8.3.

³⁷ Exhibit C2-27, BCUC IR 6.1.

³⁸ Ibid., BCUC IR 6.2.

³⁹ Celgar Final Submission, para. 174.

Celgar does not anticipate that a 95 percent availability factor could be achieved because of the nature of its industrial processes. Celgar noted that the statistics offered by FortisBC for its own units are influenced by the reduced maintenance requirements as described by FortisBC in the Canal Plant Agreement Exemption Application.⁴⁰ Celgar further pointed out that:

The CEA average is influenced by electric utility generators that run off a primary fuel source that is delivered in a ready to use form rather than derived from an industrial process. The nature of Celgar's generation is that the fuel source (black liquor) is derived from an industrial process that itself is subject to upsets. In fact, it is the nature of the industrial process that contributes to the majority of the maintenance requirements and generation unavailability, rather than issues with the generator itself. The generation availability of Celgar's green energy is far higher than other sources of green energy such as solar and wind.⁴¹

FortisBC replies stating:

The Celgar proposal...of 876 hours per year of back-up service, which is in addition to Stand-by service available for Maintenance shut-downs, is from a practical standpoint, the equivalent of no restrictions at all. This is not consistent with the determination of the Commission that, Usage restrictions should encourage self-generators to efficiently maintain their generation equipment and undertake maintenance during off-peak hours thus ensuring that stand-by service is only used for the reasons for which it is designed.⁴²

Commission determination

Given that no one has taken exception to having an hourly restriction with no limit on the number of occurrences, the Commission is prepared to allow such a restriction; the question remains as to the appropriate number of hours.

The Commission indicated in the Stage I Decision that "Usage restrictions must also take into account the generation characteristics of future potential users of stand-by service, not just Celgar."⁴³

The Panel is persuaded by Celgar's argument that an amount higher than the 5 percent or 438 hours (365 days X 24 hours X 5 percent) as proposed by FortisBC is necessary for current and potential self-generators given the nature of the type of self-generation currently installed, and the types the Panel anticipates will be installed, in the FortisBC service area. In coming to this conclusion the Panel considered FortisBC's generator forced outage rate of less than 1 percent; however, the Panel agrees with Celgar that FortisBC's situation overall is not comparable given the terms of the Canal Plant Agreement. The Panel also considered the CEA average of 4 percent but recognized that this is influenced by electric utility generators that run off a primary fuel source.

⁴⁰ Exhibit B-1, p. 14; Exhibit C2-27, BCUC IR 3.6.3.

⁴¹ Exhibit C2-27, BCUC IR 3.6.3.

⁴² FBC Reply Submission, para. 23.

⁴³ Order G-67-14, Decision, p. 38.

The Panel determines that Back-up Service must be available for up to 876 hours per calendar year (365 days X 24 hours X 10 percent). For clarity, this Back-up Service is in addition to Maintenance Service. FortisBC is directed to amend the language in Electric Tariff RS 37 to reflect this determination.

The Panel finds that the 876 hour limit as proposed by Celgar, representing 10 percent of the hours in a year, is suitable for both Celgar and any expected future customers. The Panel is allowing for a 90 percent availability factor to reflect the current, and the Panel's anticipated, nature and type of distributed generation in the FortisBC service area.

Further, the Panel notes a typographical error in the proposed RS 37 under PART B – BACK-UP. The term Special Condition is used in this instance; however, the remaining tariff refers to Special Provision. **FortisBC is directed to amend the language to read Special Provision.**

3.2.2 Maintenance Service Restrictions

In the Revised RS 37 Filing, FortisBC proposes the following restrictions on Maintenance Service:⁴⁴

PART A - MAINTENANCE SERVICE:

Maintenance service is supplied during scheduled outages of the Customer's generation for the purpose of maintenance of the generation facility. The Customer must schedule maintenance power with the Company not less than 30 days prior to its use. Maintenance power service shall be limited to not more than six occurrences and not more than sixty (60) total days during a calendar year.

All the parties are in agreement regarding the proposed terms for the Maintenance Service restrictions other than the 30 day notification period.

Celgar proposed a notification period of seven days and explained that it would not be able to comply with FortisBC's proposed 30 day notice restriction because its steam turbine-generators, which need to be operating continuously for 350 days a year, can at times require immediate short notice maintenance measures.⁴⁵

Celgar further stated that:

In order to comply with a provision requiring 30 days' notice, for issues requiring immediate maintenance, Celgar would have to invoke the back-up provision during the notice period. This could consume up to 552 hours (23 days difference between notice periods, multiplied by 24 hours) of the 876 hours of annual available backup service

⁴⁴ Exhibit B-22, Attachment A.

⁴⁵ Exhibit C2-27, BCUC IR 5.3 and 5.4.

proposed by Celgar. This work-around for the 30 day notice period does not seem to be necessary, particularly since no constraint from the utility perspective has been identified that requires more than a 7 day notice period.⁴⁶

In reply, FortisBC submits: “The General Service Agreements signed by Celgar in the past, such as that was signed in 2000 and attached as Appendix A to Celgar’s Evidence (C2-22), incorporated a clause that read, ‘The Customer will schedule its generator maintenance for the months of April through October as much as possible. In order to minimize power purchase costs, the Customer will use reasonable efforts to notify WKP [Fortis BC] of any planned shutdowns with at least three months’ notice.’”⁴⁷

FortisBC also submits:

It would appear that after signing a number of agreements in succession that included a notification period of 90 days (granted on a reasonable efforts basis); Celgar now requires accommodation in as little as 7 days. The Company is of the opinion that the circumstances described by Celgar in its response to BCUC IR 1.5.3, where, ‘... immediate maintenance measures can arise on short notice’ are exactly the types of situations meant to be addressed by the Back-up provisions of the Stand-by Rate.⁴⁸

BCOAPO submits that according to FortisBC’s proposed RS 37, Maintenance Services: “provided during scheduled outages of a customer’s generation for purpose of maintenance of the generation facility” (emphasis added). In contrast, Celgar stated that the 7-day requirement arises due to issues that require immediate maintenance or are due to unforeseen maintenance requirements (emphasis added).⁴⁹

BCOAPO further submits that:

As these situations do not appear to fit within the definition of a scheduled maintenance outage, BCOAPO agrees with FBC that they should be considered as the type of event that Back-up Service is meant to address. Furthermore, maintenance outages must not only be scheduled in advance but also approved by (and coordinated with) the Company. Clearly “immediate maintenance” requirements do not have the timing flexibility that would allow for a request to not be “approved.” Accordingly, we submit that the Commission should adopt FBC’s proposed notification requirements.⁵⁰

Commission determination

The Panel agrees with FortisBC and BCOAPO that immediate maintenance measures can arise on short notice and are exactly the types of situations meant to be addressed by the Back-up provisions of the Stand-by Rate.

⁴⁶ Ibid.

⁴⁷ FBC Final Submission, para. 26.

⁴⁸ Ibid., para. 27.

⁴⁹ BCOAPO Final Submission, para. 13.

⁵⁰ Ibid., para. 14.

The Panel finds that Celgar has failed to demonstrate that the usage restrictions proposed by FortisBC for Maintenance Service are unreasonable and that it should be entitled to a more lenient notification requirement.

The Panel therefore approves FortisBC's proposed 30 day notification period. The Panel notes it is more generous than the 90 days restriction agreed to by FortisBC and Celgar in the past. The Panel also finds that FortisBC's 30 day notification period will encourage self-generators to efficiently maintain their generation equipment without being overly punitive.

The Panel is again mindful that the rate must have general applicability, and not be designed solely for Celgar as pointed out by BCOAPO.⁵¹

4.0 WIRES DEMAND CHARGES

4.1 INTRODUCTION

In the Stage I Decision the most contentious issue, which significantly contributed to the Panel concluding that the Stand-by Rate proposed by FortisBC was unjust, unreasonable and unduly discriminatory were the Stand-by Wires Demand Charges as set out in Special Provision 2 of RS 37. The Panel did not approve the inclusion of Special Provision 2, which was designed to recover infrastructure costs through a RS 31 Wires Demand Charge, because it was found to be unnecessarily restrictive.

As a solution, the Panel suggested that the Wires Demand Charges should be based on a Stand-by Contract Demand (SBCD) established between the customer and the utility at an amount somewhere between zero and 100 percent of the Contract Demand established in the underlying RS 31.

The Panel concluded that it would likely approve a revised Stand-by Rate, subject to comment from the parties, if Special Provision 2 was removed and RS 37 reflected the SBCD concepts as articulated in the Stage I Decision.

4.2 ORIGINAL APPLICATION

In the Original Application FortisBC put forward the following in regard to Wires Demand Charges:

1. Maximum Demand: Other than as described in Special Condition 2, the maximum demand recorded during a period of Stand-by service will not be used in the calculation of Billing Demand (Section 4.2.1 of this decision).
2. Special Provision 2: RS 37 proposes that Contract Demand be based on the maximum capacity that a customer uses and is reset each time a customer exceeds its current Contract Demand (Section 4.2.2 of this decision).

⁵¹ BCOAPO Final Submission, para. 23.

4.2.1 Maximum Demand

In section 3.8.4.2 “Billing Demand in the Underlying Rate Schedules” of the Stage I Decision, the Panel approved the inclusion of the following language in RS 37 that places limits on the impact of maximum Demand in calculating the Wires Demand Charges in the underlying RS 31:

“...the maximum demand recorded during a period of Stand-by service will not be used in the calculation of Billing Demand.”

In the Stage I Decision the Panel clarified that the limits placed on maximum Demand in RS 37 resulted in certain RS 31 ratchets (ii and iii, as shown in the table below) not being impacted when a customer was taking service under RS 37. The Panel concluded that, given maximum Demand is not impacted when taking service under RS 37, the only billing ratchet applicable would be (i) eighty percent (80%) of Contract Demand (also as shown in the table below).

Table 1: RS 31 “Billing Demand” ratchets

<u>“Billing Demand”</u>	
The greatest of:	
i.	eighty percent (80%) of the Contract Demand, or
ii.	The maximum Demand in kVA for the current billing month; or
iii.	eighty percent (80%) of the maximum Demand in kVA recorded during the previous eleven month period.

Commission determination

The Panel notes that the proposed RS 37 in the Revised RS 37 Filing has eliminated this language without explanation.⁵²

The Panel directs FortisBC add Special Provision 3(a) to Electric Tariff RS 37 as follows:

Billing Demand in the underlying rate – Where an underlying rate schedule by which the customer normally takes service contains a Billing Demand ratchet, the maximum demand recorded while taking service under this rate will not be used in the calculation of Billing Demand in that underlying rate schedule.

4.2.2 Special Provision 2 – Proposed in the Stage I Decision

In the Original Application FortisBC proposed that RS 37 include the following Special Provision:

Special Provision 2

Billing under this rate schedule requires the establishment of a Contract Demand expressed in kilovolt Amps (‘kVA’). Contract Demand for the purpose of this Rate

⁵² Exhibit B-22, Attachment A.

Schedule means the Customer's maximum potential Demand. A customer may establish its Contract Demand in its application for service hereunder or at any time thereafter. At any time, including when the Customer may be taking service under the Stand-by Rate RS 37, if the monthly maximum Demand exceeds the Contract Demand, the monthly maximum Demand will become the Contract Demand thereafter. A Contract Demand so established is used in the determination of Billing Demand in a Customers underlying rate.

In the Stage I Decision the Panel did not approve Special Provision 2 and determined that FortisBC's one-size-fits-all method, which results in a Wires Demand Charge equal to 80 percent of the maximum capacity ever taken, was unnecessarily restrictive and would result in the Stand-by Rate being unjust, unreasonable, and unduly discriminatory.

The Panel stated that Stand-by Wires Demand Charges should be set such that they do not inadvertently either restrict the growth of cost-effective distributed generation, or promote uneconomic bypass. Wires Demand Charges should also result in a fair contribution to the sunk costs of the utility's network, although the Panel noted the difficulty in determining the fairness of a Wires Demand Charge from a cost causation perspective. The Panel also found that determining the appropriate Wires Demand Charge for self-generating customers was more of an art than a science and concluded that the one-size-fits-all approach could result in suboptimal Province-wide outcomes over the long term.

As a solution in the Stage I Decision, the Commission directed FortisBC to revise its proposed RS 37 and suggested that it introduce the concept of a SBCD into RS 37. The Panel further recommended that SBCD should be established between the customer and the utility, to reflect the benefits of self-generation, at an amount somewhere between zero and 100 percent of the Contract Demand established in the underlying rate.

The Panel also noted that Contract Demand in the underlying rate would define the maximum capacity and energy that FortisBC would commit to supplying to a self-generation customer, whether taking service under the underlying RS 31 or the Stand-by RS 37.

The Panel then went on to highlight that any final approved Stand-by Rate is intended to be suitable for all customers, current and future, with self-generation taking service at transmission voltage and to address current and future customers separately.

For future customers the Panel stated that the benefits of self-generation that should be considered in establishing SBCD should be based on a set of Commission-approved principles attached to the Stand-by Rate as a Tariff Supplement (TS). The Panel provided an example of some principles that could be included in the TS but noted that the ultimate filing and approval of the TS should be delayed until after the completion of the FortisBC Self-Generation Policy Application, which the Company was directed to file by way of Order G-60-14, as the findings in that proceeding would inform the TS principles.

However, for the one current customer, Celgar, the Panel concluded that SBCD would have to be determined long before the TS was approved and added to RS 37. The Panel also noted that the TS principles, which are to be based on future customers, could very well have different considerations than those of the existing customer.

In conclusion, the Panel directed FortisBC to, among other things, submit a revised RS 37 that incorporated these Commission findings, and to include in that filing an appropriate Contract Demand and SBCD for Celgar.

4.3 REVISED RS 37 FILING

In the Revised RS 37 Filing, FortisBC is of the opinion that the purpose of the SBCD is to provide a means to recognize the benefits (or drawbacks), if any, provided by a self-generating customer. However, FortisBC also states that the suggestion of a separate, second Contract Demand to be used for billing purposes is problematic in that there is no provision within the Stand-by Rate proposed by FortisBC and discussed thus far in the regulatory process, for the billing of SBCD in either RS 37 or RS 31.⁵³

FortisBC further states that given that the Contract Demand in RS 31 is set by FortisBC, “on the same basis as it does for any other Transmission Customer,” and is billed in each billing period, it is unlikely that any RS 37 SBCD would ever be given effect.⁵⁴

FortisBC submits: “Although the Commission has called its proposed use of a Stand-by Contract Demand an ‘approach’, it has really only provided a prescription for arriving at the value, and is silent on how that value, once determined, is to be used in the billing for stand-by service. FortisBC concludes that the Commission’s proposal is therefore more a concept than an approach...”⁵⁵

FortisBC further submits that: “The Company has been clear that since there is no demand related billing term in RS 37 (either proposed by FortisBC or the Preferred RS 37 of Celgar), having 2 measures for Contract Demand is problematic.”⁵⁶

4.3.1 Special Provision 2 – Adjusted Contract Demand – Revised RS 37 Filing

As an alternative, FortisBC proposed a methodology that it asserts, maintains the Commission’s key focus and principles as articulated in the Stage I Decision. FortisBC proposed that, for all customers, a Contract Demand would continue to be established per the Commission determination, “by FortisBC and its customer with distributed generation on the same basis as it does for any other Transmission Customer rate (RS 31).” For future customers, this Contract Demand would then be adjusted, where warranted, through the application of the principles identified by the Commission and in consideration of the focus and context also provided.

⁵³ Exhibit B-22, p. 17.

⁵⁴ Ibid., p. 17.

⁵⁵ FBC Final Submission, para. 44.

⁵⁶ FBC Reply Submission, pp. 11, 19.

FortisBC's proposed alternate approach is articulated in RS 37 by way of revised Special Provision 2 which states:

Special Provision 2

“Contract Demand - Billing under this rate schedule requires the establishment of a Contract Demand, expressed in kilovolt Amps ('kVA"). Contract for a customer utilizing this Rate Schedule will be set with reference to the Customer's maximum potential Demand and may be adjusted as agreed to between the customer and the utility based on principles as set out in the attached Tariff Supplement - *Contract Demand Determination for Customers with Self-Generation*.

If the Measured Demand during a Stand-by Period exceeds the Billing Demand as determined by the underlying rate schedule, that Billing Demand will be increased to an amount equal to the Measured Demand during a Stand-by Period for the current billing period only. Billing Demand in any future period will not be affected.”

It appears that FortisBC is proposing that Adjusted Contract Demand be used in the underlying RS 31 in place of Contract Demand for billing purposes. Adjusted Contract Demand would therefore apply in all billing periods where no Stand-by Service was required. However, in periods when Stand-by Service was required, the peak demand recorded during the stand-by period would be used for billing purposes.

In support of Special Provision 2, FortisBC states that with the removal of the Original Application Special Condition 2 and the automatic Contract Demand reset provision from RS 37, and without some means to reflect the actual load placed on the FortisBC system, there would no longer be any customer accountability attached to exceeding the current Contract Demand during a period of Stand-by Service.⁵⁷ FortisBC is of the opinion that this is inappropriate and that service should not be provided without consideration of peak loads.

Celgar argues that the Commission SBCD was intended to be an integral component of Stand-by Service and designed to ensure that the stand-by rate did not discourage on-site generation or other efficient investment and consumption decisions. Celgar states that FortisBC's Adjusted Contract Demand is not designed to achieve efficient investment decisions and is not an integral component of RS 37 or any other rate schedule.⁵⁸

Celgar does not agree with statements made by FortisBC that the proposed use a SBCD is more a concept than an approach and that SBCD cannot be used as a billing determinate.⁵⁹ Celgar specifically submits that those statements are not true. Celgar explains that unlike FortisBC's Adjusted Contract Demand, the Commission's SBCD can be used as a billing determinant as proposed by Celgar in its Preferred RS 37.⁶⁰

⁵⁷ Exhibit B-22, p. 18.

⁵⁸ Celgar Final Submission, para. 79.

⁵⁹ Celgar Submission, para. 74–75.

⁶⁰ Exhibit C2-22, Appendix H.

Commission determination

The Panel notes that on several occasions FortisBC has raised the issue that the Commission's suggested approach made no provision for the billing of SBCD in either RS 37 or RS 31. The Panel understands FortisBC's position, but had expected FortisBC to design a revised rate to incorporate SBCD for billing purposes. In essence, the Panel gave FortisBC an opportunity to design a functional rate within a set of Commission recommended parameters - yet FortisBC failed to do so.

Therefore, the Panel rejects FortisBC's Adjusted Contract Demand approach and directs FortisBC to remove the proposed Special Provision 2 to Electric Tariff RS 37 for the following reasons:

1. Inconsistent with the principles established in the Stage I Decision

Under Special Provision 2, a customer would pay a Wires Demand Charge based on the Adjusted Contract Demand in a billing period where no service was taken; however, in a billing period where Stand-by Service was taken, the customer would be billed for a Wires Demand Charge based on its maximum demand in that billing period.

The Panel considers that this proposal is not consistent with the Stage I Decision which clearly required that the maximum demand recorded during a period of Stand-by Service would not be included in the calculation of the Wires Demand Charge in the underlying RS 31.

Further, FortisBC's proposal is not consistent with the Stage I Decision which required that a SBCD is to apply in all billing periods, regardless whether the customer was taking Stand-by Service or not. The only time the SBCD should not apply is when the customer was in violation with the RS 37 restriction.

In addition, as addressed in the Stage I Decision, the Panel does not agree with FortisBC that without some means to reflect the actual load placed on the FortisBC system, there would no longer be any customer accountability attached to exceeding the current Contract Demand during a period of Stand-by Service. The Panel does not consider that peak load should be a determinant in billing under the Stand-by rate. As discussed in the Stage I Decision, advocates for self-generation seek minimal Stand-by rates while utilities argue for the higher rates. The Panel was hoping that FortisBC's Revised RS 37 Filing would put forward a rate that embodied the spirit of the Commission suggested SBCD which applied in periods where Stand-by Service was taken and did not take into consideration peak load other than to set the parameters between which it was to be set. The Panel notes that it has addressed these issues fully in the Stage I Decision and will not elaborate any further at this time.

2. No provision for billing of Adjusted Contract Demand in either RS 37 or RS 31

Although the Adjusted Contract Demand concept was presented in the Revised RS 37 Filing, it is not reflected in RS 37 or as a billing determinant in RS 31 and has therefore not been crystallized into any rate for billing purposes. Therefore it is difficult for the Panel to understand how FortisBC's Adjusted Contract Demand rectifies the issues identified by FortisBC with the Commission's proposed SBCD. With FortisBC's proposed approach there is still no provision within the Stand-by Rate for the billing of Adjusted Contract Demand within either RS 37 or RS 31.

3. Contract Demand

Because FortisBC is not proposing to have a Contract Demand and a SBCD as suggested by the Commission, the Adjusted Contract Demand would indirectly flow into the billing under RS 31 as Contract Demand. It would appear that the Adjusted Contract Demand would override the Contract Demand in RS 31. RS 31 Contract Demand sets out the maximum amount of service a customer is entitled to under that rate. The Panel considers that RS 31 Contract Demand has far greater meaning than simply as a billing determinant and far wider implications. Therefore, it would not be appropriate to change the Contract Demand in the underlying rate for stand-by customers.

4.4 COMMISSION PANEL PRESCRIBED RS 37

The Panel agrees with FortisBC that the SBCD concept suggested in the Stage I Decision was more of a concept than approach; however, this was intentional on the part of the Commission. The Commission wanted to provide FortisBC with an opportunity to design its own rate that incorporated the Commission objectives and principles without being overly prescriptive. Unfortunately, FortisBC failed to design a Stand-by Rate that fully reflects those objectives and principles and, as a result, the approach as put forward by FortisBC has not been approved by the Panel.

Based on the evidentiary record before it, the Panel is now in a position to prescribe a solution rather than merely make suggestions and recommendations as was done in the Stage I Decision.

The Panel finds that defining and integrating a 'RS 31 Contract Demand', 'Stand-by Demand Limit' and 'Stand-by Billing Demand' concepts into the Stand-by RS 37 and the underlying RS 31, will ensure that FortisBC's concerns with the Commission's SBCD proposed in the Stage I Decision are addressed. At the same time this also ensures that the Wires Demand Charges are designed in such a way as to embody the concepts as fully articulated in Sections 3.8.4.3 and 3.8.5 of the Stage I Decision.

The remaining findings made by the Panel below are determinative; however, the Panel is open to suggestions by FortisBC on the Panel directed language to be included in the RS37. In other words, the content is prescriptive while the wording of RS 37 can be adjusted.

4.4.1 RS 31 Contract Demand and Stand-By Demand Limit

In the Stage I Decision, the Panel noted that Contracted Demand in the underlying rate would define the maximum level of capacity and energy that FortisBC would commit to supplying to a self-generating customer whether taking service under the underlying RS 31 or the Stand-by RS 37.

Upon further reflection and taking into consideration FortisBC's position, the Panel is of the view that the maximum level of demand under RS 31 and RS 37 would more appropriately be established as two distinct values: an RS 31 Contract Demand and an RS 37 Stand-by Demand Limit.

RS 31 Contract Demand will establish the maximum level of full service that a customer is eligible for under RS 31. Consistent with the Stage I Decision, RS 31 Contract Demand should continue to be established between FortisBC and its customer with self-generation on the same basis as it does for any other Transmission Customer rate (RS 31) and should be stated in the General Service Agreement.

The Panel agrees with FortisBC that Contract Demand is a contractual item that is intended to set parameters of service for a given customer.⁶¹ In the case of RS 31 Contract Demand it is intended to set the parameter of RS 31 service, which is full service, and not Stand-by Service.

For clarity, a customer that normally generates in excess of plant load and who operates in a net-of-load environment would have a RS 31 Contract Demand of zero. For customers who normally generate less than plant load, and are therefore entitled to some full service under RS 31, the RS 31 Contract Demand should be set at an amount roughly equal to the customers load off-set by the self-generation capacity a customer uses to serve its load. However, the parties are free to negotiate the ultimate terms of their agreements.

Stand-by Demand Limit will establish the maximum demand that FortisBC is required to supply to the customer under RS 37. The Stand-by Demand Limit is a contractual item that is intended to set parameters of RS 37 service for a given customer. The Stand-by Demand Limit should be negotiated by FortisBC and its customer with self-generation, and constitute part of the General Service Agreement.

With regards to a customer who normally generates in excess of plant load and operates under the net-of-load environment any time such a customer requires supply from FortisBC it would either be for Back-up or Maintenance purposes under RS 37. As such it would be appropriate in these circumstances for the Stand-by Demand Limit to be approximately equal to the customer's maximum demand which would be equal to its self-generation capacity used to serve its load.

For a customer who normally generates less than plant load the customer would require some full-service under RS 31 equal to its RS 31 Contract Demand. In such a case it is expected that the Stand-by Demand Limit would be approximately equal to the customer's plant load less its RS 31 Contract Demand. In most circumstances the Stand-by Demand Limit would approximate the self-generation capacity a customer uses to serve its own load. However, the parties are free to negotiate the ultimate terms of their agreements.

Commission determination

FortisBC is directed to add the following definitions for RS 31 Contract Demand and Stand-by Demand Limit to Electric Tariff RS 37:

RS 31 Contract Demand – Customer's Contract Demand under RS 31 expressed in kilovolt Amperes (kVA). RS 31 Contract Demand is to be agreed to between the customer and the utility. If the customer and the utility cannot come to an agreement, the RS 31 Contract Demand will be set by the Commission.

⁶¹ FBC Final Submission, para. 50.

Stand-by Demand Limit - Billing under this rate schedule requires the establishment of a Stand- Demand Limit, expressed in kVA. The Stand-by Demand Limit for a customer utilizing this Rate Schedule will set the maximum demand of service that can be supplied to the customer under this Rate Schedule. Stand-by Demand Limit is to be agreed to between the customer and the utility. If the customer and the utility cannot come to an agreement, the Stand-by Demand Limit will be set by the Commission.

The Panel wishes to highlight the fact that the Stand-by Demand Limit is not a billing concept; but rather value to determine the maximum level of service available to a customer.

4.4.2 Stand-by Billing Demand

FortisBC has stated that having two measures for Contract Demand is problematic as nothing in RS 31 or the proposed RS 37 allows for this. The Panel disagrees with FortisBC and finds that another billing determinant is required in order to crystallize into customer rates the concepts introduced by the Commission in this decision as well as the Stage I Decision.

The Commission's SBCD introduced in the Stage I Decision was meant to be used in determining the Wires Demand Charges in RS 31 in a billing period. The Panel understands that this terminology may have caused some confusion and will now refer to this concept as Stand-by Billing Demand (SBBB) as it more clearly describes its function.

Stand-by Billing Demand will be used in the underlying rate to determine the Wires Demand Charges and is to be established between the customer and the utility at an amount somewhere between zero and 100 percent of the customers Stand-by Demand Limit. The SBBB would ideally remain unchanged over the life of the investment in self-generation.

Commission determination

FortisBC is directed to add the following definition for Stand-by Billing Demand to Electric Tariff RS 37:

Stand-by Billing Demand - Billing under this rate schedule requires the establishment of a Stand-by Billing Demand, expressed in kVA. Stand-by Billing Demand for a customer utilizing this Rate Schedule will be set at an amount between zero and 100 percent of the customer's Stand-by Demand Limit and is to be used in the determination of the Wires Charge in the underlying rate. The Stand-by Billing Demand is to be agreed to between the customer and the utility. If the customer and the utility cannot come to an agreement, the Stand-by Billing Demand will be set by the Commission.

Further highlighted by the Stage I Decision, and consistently applied here, any final approved Stand-by Rate is intended to be suitable for all customers, including both current and future.

Stand-by Billing Demand for future customers should ultimately reflect both the costs and the benefits distributed generation provides to BC, and provide a level of price certainty regarding network charges for Stand-by Service to customers considering making self-generation investments. Any considerations in

setting the SBBD for future customers must be consistent with the directions provided in Section 3.8.5 of the Stage I Decision for SBCD, and must reflect the benefits/detriments of self-generation. Specifically, SBBD for future customers must be based on a set of Commission-approved principles attached to the Stand-by Rate as a Tariff Supplement (TS). The Commission provided examples of some principles that could be included in the TS in the Stage I Decision which it still considers to be relevant.

Therefore, FortisBC is also directed to file for approval a Tariff Supplement to Electric Tariff RS 37 that establishes the principles to be considered in setting future customer's Stand-by Billing Demand, no later than ninety days after the Commission issues a final decision on the FortisBC Self-Generation Policy Application, which is currently underway as directed by Order G-60-14. Consistent with the Stage I Decision, once the principles have been approved in a separate process, FortisBC is directed to amend RS 37 such that it includes language stating that the setting of Stand-by Billing Demand will be based on principles as set out in the attached Tariff Supplement.

4.4.3 Rate Schedule 31 billing determinants

FortisBC stated that the Stage I Decision only provided a prescription for arriving at a value for SBBD [SBCD] and was silent on how that value, once determined, was to be used in the billing of Stand-by Service.⁶² The Panel is aware of FortisBC's view, and has turned this approach into a specific concept by clearly defining RS 31 Contract Demand, Stand-by Demand Limit, and Stand-by Billing Demand.

However, because the Wires Demand Charges are set out in the underlying RS 31 and are not directly set in the Stand-by RS 37, some changes to the underlying RS 31 are required to crystallize the Wired Demand Charge concepts prescribed by the Panel.

Commission determination

Therefore, the Panel directs FortisBC to amend Electric Tariff RS 31 "Billing Demand" as follows to include a billing determinant for Stand-by Billing Demand (additional language highlighted in yellow):

The greatest of:

- I. Eighty percent (80%) of the Contract Demand, or
- II. The maximum Demand in kVA for the current billing month; or
- III. Eighty percent (80%) of the maximum Demand in kVA recorded during the previous eleven month period.

Plus for customers with a Stand-by Billing Demand under RS 37 (except when RS 37, Special Provision 7 applies)

- IV. Stand-by Billing Demand.**

For clarity, the Panel notes that the appropriate billing discount has been taken into account when establishing Stand-by Billing Demand for a particular customer and therefore no further discount is required in RS 31.

⁶² FBC Final Submission, para. 44.

5.0 AVAILABILITY: MAXIMUM LEVEL OF STAND-BY SERVICE

The Stage I Decision states that there is an insufficient evidentiary record to determine when stand-by service was initiated and that more evidence would be required for the Panel to make a final determination in this regard. This section of the decision addresses that determination.

5.1 ORIGINAL APPLICATION

In the Original Application FortisBC proposed the following language in RS 37 to address availability of power under the Stand-by Rate:

In any hour replacement (stand-by) power will be available to a maximum of the difference between the power normally supplied by the customer owned resource and the customer generation in that hour.

For each billing period, normal generation is the total customer-owned generation during the period, divided by the number of hours in the period that the customer is generating.⁶³

Celgar submits that Contract Demand and not self-generation output should provide the demarcation point between firm service under the underlying rate (RS 31) and stand-by service (RS 37).⁶⁴ Celgar further stated that consumption within the Contract Demand limit of 8 MW should not be considered a back-up event as the underlying transmission tariff recovers costs based on Contract Demand.⁶⁵

FortisBC replies that it does not make sense to use Contract Demand to determine what purchases are considered as stand-by power.⁶⁶

In the Stage I Decision, the Panel found that Celgar's 8 MW demarcation point between taking service on the underlying rate (RS 31) and taking service under the Stand-by Rate (RS 37) based on firm Contract Demand appeared to be a concept associated with the provision of firm and non-firm service. Given that the Panel has determined that FortisBC is not obligated to offer non-firm service it followed that the firm service being the demarcation point is moot.

However, ultimately the Panel found that there was an insufficient evidentiary record to make a determination on when Stand-by Service was initiated (available) without additional information and clarification. As part of Directive 5 of Order G-67-14, the Commission directed FortisBC to address this issue which the Decision termed "availability" of stand-by power.

⁶³ Exhibit B-1, Appendix C, RS 37.

⁶⁴ Celgar Final Submission, para. 103.

⁶⁵ Exhibit C2-11, BCPSO 1.2.1.

⁶⁶ FortisBC Reply Submission, para. 56–57.

5.2 REVISED RS 37 FILING

In the Revised RS 37 Filing FortisBC did not change the proposed language but did clarify that it did not relate to “when Stand-by Service is initiated” or to “availability” of Stand-by Service. FortisBC considers the subject language refers to the *level* of stand-by service that has been taken within the stand-by period that will be used in the calculation of customer billing during the month.⁶⁷ FortisBC further states that the proposed language will define the demarcation point between service under RS 37 and RS 31.

Celgar stated that “in the absence of any other applicable tariff, any service not taken under RS 37 would be deemed to be taken under RS 31, and any service up to the RS 31 Contract Demand would be charged under RS 31 rates.”⁶⁸

FortisBC stated that whether or not a customer could benefit by taking service under RS 31 or RS 37, as proposed in FortisBC’s methodology, would depend on the relative price of energy under RS 31 or RS 37.⁶⁹

Commission determination

The Panel agrees with FortisBC that the proposed language define the maximum level of Stand-by Service which will be used for customer billing purposes, but does not necessarily agree with the FortisBC’s definition for the maximum level of Stand-by Service. The Panel also finds that any service in excess of that amount would not automatically be billed under RS 31.

The Panel finds that the RS 37 should include language that clearly defines the Maximum Level of Stand-by Service under RS 37 that a customer is entitled to, and address this further in Section 5.3 of this decision.

The Panel also finds that because RS 31 Contract Demand established the maximum level of service under the full service rate, service in excess of the Maximum Level of Stand-by Service cannot be service taken under RS 31. The appropriate rate for this type of service is addressed in Section 5.3 of this decision.

5.3 DEFINITION FOR THE MAXIMUM LEVEL OF STAND-BY SERVICE

The language that FortisBC is proposing can be summarized mathematically as follows:

*The maximum amount of stand-by service that a customer is entitled in any given hour =
power normally supplied by the customer’s owned resource - customer generation in that hour.*

Where normal generation is:

*Power normally supplied by the customer’s owned resources =
Total customer-owned generation during the billing period
The number of hours in the period that the customer is generating.*

⁶⁷ Exhibit B-22, p. 7.

⁶⁸ Exhibit C2-27, BCUC IR 1.2.6.

⁶⁹ Exhibit B-28, BCOAPO IR 3.1.3.

Celgar, in its Preferred RS 37 and Alternate RS 37, proposes the following language to replace FortisBC's language: *"Replacement power will be available under this schedule to a maximum of the power normally supplied by the Customer's own resources."*⁷⁰

The parties made the following arguments in regard to the language to be used to define the maximum level of Stand-by Service.

Normal output established after the billing period

FortisBC proposed the definition of normal generation as the billing calculation in each period on an after the fact end of the period basis. As a result, knowledge of each hour in the period will not be available at the time that stand-by service is being taken.⁷¹

Celgar explained that: "'Normal generation' in FortisBC's Revised RS 37 language can only be determined after the billing period is concluded and may include periods of abnormal operation. Celgar's proposed language does not rely on an after-the-fact calculation, and instead relies on nominated values of Contract Demand and Standby Contract Demand."⁷²

Celgar submits that:

FortisBC's proposed change is one where the self-generation "normal output" establishes the price for stand-by service after the billing period. In other words, the price for service would not be known at the time Celgar elects to either begin or end the stand-by event under the FortisBC approach. For that reason, the FortisBC "normal output" approach does not give the customer a chance to adjust its load to the level of back-up service that might be available. Moreover, the "normal output" may vary from billing period to billing period making determinations regarding "normal output" difficult to predict.⁷³

Not correlated to the service required or being taken

Celgar submits "the restriction that stand-by service is to be used only to replace self-generation output is not controversial. However, "Availability" criteria as FortisBC proposes goes beyond the "Level of Service" restriction, and will restrict stand-by service even when the stand-by service is clearly going to replace self-generation output during a self-generation upset."⁷⁴

Celgar further argues that:

The stand-by requirements for self-generation output may not be related to either self generation output or the average of self-generation output when there has been no self generation upset. Due to this lack of correlation between stand-by requirements and the "normal output" approach, it is reasonable to expect that the FortisBC proposal will

⁷⁰ Exhibit C2-22, Appendices H and I.

⁷¹ BCOAPO IR 3.2.1.1.

⁷² Exhibit C2-27, BCUC IR 1.3.1.

⁷³ Celgar Final Submission, para. 163.

⁷⁴ Ibid., para. 164.

restrict stand-by service for self-generation output that clearly meets the Level of Service restriction.¹⁸⁷ The Level of Service will determine the level of stand-by service (and hence backup requirements) when back-up service is not required. However, the election by the customer to take stand-by service during back-up service events may not be correlated in anyway with so called “normal output.”⁷⁵

BCOAPO argues that “in contrast, Celgar is proposing that the level of Stand-by Service taken would be established through separate and distinct nominated contract values for RS31 and RS37.”⁷⁶

BCOAPO submits that this approach is problematic for a couple of reasons.

First, Celgar’s concept of separate nominated contract values for RS 31 and RS 37 is inconsistent with the Commission direction regarding the establishment of Contract Demand levels, which envisages:

- i) a total Contract Demand which ‘would define the maximum level of Capacity and Energy that FBC would commit to supplying to a self-generation customer whether taking service under the underlying rate (RS 31) or the Stand-by Rate’; and
- ii) a Stand-by Contract Demand that ‘should be established between the customer and the utility at an amount somewhere between zero and 100 percent of the Contract Demand established in the underlying Rate.’

Second, using contract demands to determine Stand-by Service levels is inconsistent with Celgar’s preferred RS 37 wording which states that, “replacement power is available to supply the customer’s full load that is normally supplied by its own generation.”⁴² “The reasons are two-fold: the nominated contract value for RS31 does not necessarily represent the customer’s load in a month, and the nominated contract for RS37 does not necessarily reflect the amount of self-generation normally provided in the period.”⁷⁷

BCOAPO further argues that: “...the ‘amount of stand-by service’ available to be provided by FBC should reflect the level of generation that the customer’s generating facilities ‘normally’ provides. In this regard the approach FBC proposes, which focuses on the actual performance of the customer’s generating facilities, is more appropriate.”⁷⁸

Celgar stated that: “If a customer's self-generation normally supplies 10MW of its own load, and the generation is unavailable for half an hour, the average generation in that hour would be 5 MW. One possible interpretation of FortisBC’s RS 37 language is that only 5 MW would be made available under the rate schedule. The full 10MW would be available as required with Celgar's language...”⁷⁹

⁷⁵ Celgar Final Submission, para. 165.

⁷⁶ BCOAPO Final Submission, para. 26.

⁷⁷ Ibid., para. 26.

⁷⁸ Ibid., para. 27.

⁷⁹ Exhibit C2-27, BCUC IR 2.2, pp. 3-4

Celgar's Preferred RS 37 also stipulates that, "Replacement power will be available under this schedule to a maximum of the power normally supplied by the Customer's own resources."⁸⁰ FortisBC in its Reply submits that:

this stated intent is not consistent with the RS 37 energy determination included in the energy charge calculation of the same schedule, which defines stand-by energy as only that which is consumed above the customers Contract Demand. The availability of stand-by energy should be linked to the customer's generation, not the Contract Demand. The Commission would be correct to not accept this construct of Celgar and accept the Company's determination of normal generation as the means for determining the available amount of self-generation.⁸¹

FortisBC has proposed that the maximum level of Stand-by Service should be normal generation in an hour minus actual generation in that hour. Celgar has proposed that it should just be normal generation in the hour. Further, both parties are not in agreement on how normal generation is determined.

Commission determination

The Panel agrees with Celgar that the restriction that Stand-by Service is to be used only to replace self-generation output, is not controversial. However, what still remains to be determined are:

- a. How normal generation is defined; and
- b. Whether the Maximum Level of Stand-by Service should be reduced by the customer's actual generation in that hour.

Determining Normal Generation

FortisBC proposes that normal generation be defined as follows:

$$\frac{\textit{Total customer-owned generation during the billing period}}{\textit{The number of hours in the period that the customer is generating}}$$

The Panel has considered that knowledge of each hour in the period will not be available at the times that Stand-by Service is taken under FortisBC's proposed definition and agrees with Celgar that waiting until the end of the billing period is not appropriate. The Panel finds that a customer should have the opportunity to proactively manage its power consumption in order to manage its electricity costs.

The Panel also finds that Stand-by Service should be available to replace the full self-generation outage during a self-generation upset. The Panel agrees with Celgar that the election to take Stand-by Service during a back-up event may not be correlated with normal output as defined by FortisBC. The Panel finds that a customer should be entitled to Stand-by Service to replace the amount of service that its self-generation is not producing in that hour and not on the normal generation as suggested by FortisBC.

⁸⁰ Exhibit C2-27, Appendix H.

⁸¹ FBC Reply Submission, para. 17.

For these reasons the Panel rejects FortisBC's proposed definition for Normal Generation.

Celgar states that its proposed language removed FortisBC's definition for "normal" generation because "... it makes it impossible to determine the amount of normal generation, and hence the amount of RS 37 service taken, until the billing period has ended."⁸²

The Panel finds that Celgar's proposed language is not prescriptive enough and leaves too much room for interpretation.

The Panel is in agreement with FortisBC that the availability of Stand-by Service should be linked to the customer's generation and not Contract Demand. The Panel notes that Stand-by Demand limit is linked to the customer's generation and would normally be equal to the customer's self-generation capacity used to serve its load.

Therefore, the Panel determines that normal generation should be based on the Stand-by Demand Limit established under RS 37 as this would normally be equal to the customer's self-generation capacity used to serve its load. Using the Stand-by Demand Limit will simplify the calculation and will ensure that Stand-by Service is available to replace all self-generation in any given hour and will also allow the customer to proactively manage its power consumption in order to manage its electricity costs.

Should the Maximum Level of Stand-by Service be reduced by the customer's actual generation in that hour?

The Panel agrees with FortisBC that the maximum amount of Stand-by Service has to take into account the customer's actual generation in that hour. Clearly if the customer's self-generation is partially working, Stand-by Service should only be available for the amount that is not available.

Maximum Level of Stand-by Service

The Panel directs FortisBC to include in Electric Tariff RS 37 the following definition for the Maximum Level of Stand-by Service:

Maximum Level of Stand-by Service: Capacity in kVA will be available to a maximum of the difference between the customer's Stand-by Demand Limit and the customer's generation in kVA.

The Panel also finds that it would be helpful to add further clarifying language to the Energy Charge section of Electric Tariff RS 37 to define the energy charge calculation under either RS 31 or RS 37.

Therefore, the Panel determines that FortisBC must add the following language to Energy Charge section of Electric Tariff RS 37:

In any hour, if a customer's demand is at or below the customer's RS 31 Contract Demand all service is deemed to be taken under RS 31.

⁸² Exhibit C2-27, BCUC IR 1.2.1.

In any hour, if a customer's demand exceeds the RS 31 Contract Demand, but is less than or equal to RS 31 Contract Demand plus the Maximum Level of Stand-by Service, energy is purchased at:

[RS 31 Contract Demand consumption x 1 hour X RS 31 Energy Charges] + [(Total Consumption – RS 31 Contract Demand consumption) x 1 hour X RS 37 Energy Charges]

5.4 CHARGES WHEN TAKING SERVICE IN EXCESS OF MAXIMUM LEVEL OF STAND-BY SERVICE OR WHEN NOT COMPLIANT WITH THE RESTRICTIONS IN RS 37

In Section 5.2 of this decision the Panel found that the definition for the Maximum Level of Stand-by Service only defines the maximum level of Stand-by Service available, and does not establish the demarcation point between service under RS 37 and RS 31. The Panel stated that RS 31 Contract Demand established the maximum level of service under the full service rate and any service in excess of the Maximum Level of Stand-by Service cannot be service taken under RS 31.

Customer who normally generates in excess of plant load

Consistent with the discussion in the Stage I Decision any time a customer who normally generates in excess of plant load, and operates under the net-of-load environment, requires supply from FortisBC, it would either be for Back-up or Maintenance purposes as the customer would normally have a RS 31 Contract Demand of zero.⁸³ In this case Energy Charges would always be billed under RS 37 and the customer would never be eligible for energy purchase under the RS 31 because they have a RS 31 Contract Demand of zero.

The problem arises as to what the appropriate charge should be when a customer is taking service in excess of both its RS 31 Contract Demand and in excess of the Maximum Level of Stand-by Service, or is not eligible for either Maintenance Service or Back-up Service on the basis of the restrictions established in RS 37.

Customer who normally generates less than plant load

A customer who normally generates less than plant load would have a RS 31 Contract Demand greater than zero. In this case service up the RS 31 Contract Demand would be billed under RS 31 and any amount in excess of that would be billed under RS 37.

Again the problem arises as to what the appropriate charge should be when a customer is taking service in excess of both its RS 31 Contract Demand and the Maximum Level of Stand-by Service or is not eligible for either Maintenance Service or Back-up Service on the basis of the restrictions established in RS 37.

Celgar proposed that if a customer is no longer eligible to obtain service under RS 37, and service is in excess of the Contract Demand under the underlying prevailing rate schedule, then it will need to make alternate arrangements. Celgar also stated in that "...any additional charges imposed on a customer (including Celgar) should reasonably reflect the costs that FortisBC incurs as a result of the act, or failure to act, in question."⁸⁴

⁸³ Stage I Decision, p. 49.

⁸⁴ Exhibit C2-27, BCUC IR 1.4.1.

Further, Celgar stated that “where unusual, extreme, or exigent circumstances result in a failure to provide advance notification of a Stand-by period, increased charges to the customer should be waived, except to the extent required in order to make FortisBC and its other customers whole.”⁸⁵

Commission determination

The Panel finds that when a customer is taking service in excess of both its RS 31 Contract Demand and the Maximum Level of Stand-by Service, or is not eligible for either Maintenance Service or Back-up Service on the basis of the restrictions established in RS 37 that the customer will be deemed to be taking service under RS 37, however a penalty will apply.

The Panel directs FortisBC to add the following Special Provision 7 to Electric Tariff RS 37:

Penalty - In an hour that a self-generating customer is taking service in excess of its RS 31 Contract Demand plus the Maximum Level of Stand-by Service available or is taking service in excess of its RS 31 Contract Demand and is not eligible for either Maintenance or Back-up Service due to the restrictions under this rate; a customer will be deemed to be taking service under this rate subject to the following penalty.

The Panel suggests that a penalty, similar to the penalty under BC Hydro’s Rate Schedule 3808 pursuant to the Imbalance Agreement, may be an appropriate penalty for Energy Charges. The Panel also suggests that Special Provision 3(a) of RS 37 which insulates the customer from being billed for the maximum demand during the billing period should not apply. Further, the Panel determines that the penalty will be waived where unusual/extreme circumstances occur.

Panel Suggested Penalty:

- i. In the hour, the customer will be billed for the Energy Charge under this rate schedule except for Energy Charge (a.) which shall be the greater of \$1,000, \$50/MWh or 150 percent; and*
- ii. Special Provision 3(a) will not apply to the billing period.*

The penalty will be waived where unusual/extreme circumstances occur.

The Panel notes, though, that there is insufficient evidence on the record for the Panel to determine the appropriateness of the Panel suggested penalty or under what circumstances it should be waived. Therefore, the Panel has established a regulatory timetable, as set out in Directive 3 of the Order G-46-15, to give FortisBC and the interveners an opportunity to make submissions on the Commission’s suggested penalty, or to propose alternate penalties for consideration as well as to propose any unusual/extreme circumstance under which the penalty will be waived.

FortisBC is also directed to remove from the final sentence “...under the terms of the rate under which the Customer is normally supplied” in Special Provision 4, and replace it with “under the terms of Special Provision 7.”

⁸⁵ Exhibit C2-27, BCUC IR 1.4.1.

6.0 WHEN STAND-BY SERVICE IS INITIATED

When Stand-by Service is initiated, refers to when a stand-by event begins and ends. Generally the parties are all in agreement as to how Stand-by Service is initiated. Further, Section 5.3 has established that Maximum Level of Stand-by Service defines the amount of RS 37 service that a customer is entitled with being assessed a penalty. However, concerns have been raised in regards to further clarification on when a Back-up Service event ends and when a Maintenance Service period ends under other circumstances.

6.1 WHEN THE BACK-UP SERVICE PERIOD ENDS

BCOAPO expresses a concern that a customer taking service under the Stand-by Rate could be summarily returned to RS 31 if it was not a load on FortisBC for as little as one hour.⁸⁶

In its Preferred RS 37, Celgar suggested that Special Provision 4 should include the additional language: “The provision of Back-up Service will be considered to be automatically terminated if the Customer has not consumed FortisBC electricity for 8 continuous hours, after which time the Customer will be required to provide separate notice for a new instance of Back-up Service...”⁸⁷

BCOAPO submits that it:

...agrees that if the customer fails to provide notice that its generation has returned to full service, or Stand-by Service has been provided for prolonged periods during which the customer’s generation appears to have been in full service, then there should be some mechanism whereby the customer is deemed to have returned to RS31. To do otherwise, would effectively allow a self-generating customer to (within the limits established for the availability of Stand-by Service) arbitrage between the RS31 rate and the effective Stand-by rate. However, in accordance with the Commission’s determinations, return to generator full service for one hour should not automatically be treated as a return to RS31. In this regard, Celgar has proposed an eight-hour reset provision. BCOAPO agrees that some form of reset provision is reasonable and encourages FBC to comment in its Reply on the proposed eight hours.⁸⁸

FortisBC in its Reply Submission states:

This is not the intention of the Company which was confirmed by the testimony of Mr. Saleba in Exhibit B-13, “The standby rate proposed by FortisBC is intended to provide standby power under normal circumstances. It is not the intention of FortisBC to count the starts and stops during a ramp up period after an outage.” However, FortisBC would not be averse to a provision in the RS 37 rate schedule that specified that a period of time would be required prior to recommencing billing under RS31. The 8 hour requirement suggested by Celgar is not unreasonable given that the customer would be

⁸⁶ BCOAPO Final Submission, Para. 16.

⁸⁷ Exhibit C2-22, Appendix H.

⁸⁸ BCOAPO Final Submission, para. 15.

exposed to market prices during this period and the Company could accept this suggestion provided that it was reviewed after an initial period to ensure that customers were not able to unduly take advantage of the provision.⁸⁹

Commission determination

Given that all the parties are in agreement, the Panel directs that the following additional language be added to Special Provision No. 4 of Electric Tariff RS 37 to further clarify when a back-up event ends:

“The provision of Back-up Service will be considered to be automatically terminated if the Customer has not consumed FortisBC electricity for 8 continuous hours, after which time the Customer will be required to provide separate notice for a new instance of Back-up Service.”

6.2 WHEN THE MAINTENANCE PERIOD ENDS

BCOAPO points out that FortisBC indicated in response to Celgar IR 3.1.4 that Stand-by Service terminates upon notification from the customer that the event is over.⁹⁰

BCOAPO further observes that this provision aligns with the Commission’s determination on page 39 in its May 2014 Decision that, “once Back-up or Maintenance service has been invoked, it should continue until the process or equipment interruption has been fully resolved and not simply when generation has returned to a level that exceeds plant load.”⁹¹

BCOAPO further submits:

Finally, in the case of Back-up Service, the requirement that the customer indicate when the service will terminate is clearly spelled out in Special Provision 4 of the proposed RS37 Schedule, including the obligation to notify FBC if the anticipated termination time changes. However, there is no similar wording associated with Maintenance Service which would specifically require the customer to inform the Company if the anticipated time of maintenance completion changes. Such clarification should be provided in the tariff.⁹²

Commission determination

The Panel directs that the following language be added to Electric Tariff RS 37 under Part A – Maintenance Service to further clarify when a maintenance period ends:

“Maintenance Service is terminated upon notification from the customer that the event is over.”

⁸⁹ FBC Reply Submission, para. 27.

⁹⁰ BCOAPO Final Submission, para. 15.

⁹¹ Ibid.

⁹² BCOAPO Final Submission, para. 18.

7.0 OVERALL DETERMINATION ON THE STAND-BY SERVICE RATE

The form of Rate Schedule 37 Stand-by Service (RS 37), other than defining the penalty and its circumstance of invocation, as outlined in Section 5.3 of this decision, is approved subject to the changes directed in this decision and subject to the RS 37 directed language being accepted as workable to FortisBC.

Appendix A includes a Draft RS 37 Tariff reflecting the language directed in this decision and other minor housekeeping changes required by the Commission. Given the extent and nature of the directed changes, the Panel finds that FortisBC should be given an opportunity to comment on the final Electric Tariff RS 37 directed language, and to propose alternate language if it finds it to be unworkable. The Panel stresses that the language directed in this decision may be subject to change but the content and intent thereof is determinative. As such the Panel would not expect any substantive changes. The Panel provides FortisBC with two weeks from the date of this decision to file its comments with the Commission.

FortisBC's comment filing should include a black lined version of the Draft Schedules attached as Appendix A, reflecting any FortisBC proposed language changes. FortisBC must provide a reason why the Commission language is not workable and ensure that the alternate proposed language is consistent with the intent of the Commission determinations.

The Panel will issue a final determination on the Stand-by Rate after taking into consideration FortisBC's comments on the Panel directed Tariff language and after considering the submission regarding the penalty.

8.0 CELGAR SPECIFIC ISSUES

The Panel has determined above the key components of the Stand-by Rate as being Stand-by Demand Limit, RS 31 Contract Demand and the Stand-by Billing Demand, which are normally negotiated and agreed to between the utility and its customers, and would be expected to be set out in the customers' Electricity Supply Agreements.

With these fundamentals now in place, the Panel is hopeful that FortisBC and Celgar can negotiate and agree to these three components. The Panel considers that a negotiated agreement would be substantially preferable to the Commission being required to rule on the components.

The Panel urges the parties to reach an agreement reflecting the principles outlined in this Stage II Decision and advise the Commission of the outcome before FortisBC files its Reply Submission on the penalty. In the event the parties cannot agree, the Panel will determine these three key components of the Stand-by Rate, thereby setting the foundation for the General Service Agreement between Celgar and FortisBC when it issues its final determination (Stage III Decision) on the Stand-by Rate.

DATED at the City of Vancouver, in the Province of British Columbia, this 24th day of March 2015.

Original signed by:

L.A. O'HARA
COMMISSIONER/PANEL CHAIR

Original signed by:

R.D. REVEL
COMMISSIONER

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UTILITIES COMMISSION**

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IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Inc.
Application for Stepped and Stand-by Rates for Transmission Voltage Customers

BEFORE: L. A. O'Hara, Panel Chair/Commissioner
R. D. Revel, Commissioner March 24, 2015

O R D E R

WHEREAS:

- A. On March 28, 2013, FortisBC Inc. (FortisBC) filed an application with the British Columbia Utilities Commission (Commission) for approval of new rates for transmission voltage customers (Original Application) under sections 58-61 of the *Utilities Commission Act*;
- B. The Original Application requested, among other things, approval for a Rate Schedule 37 Stand-by Service Rate (RS 37) and a determination of the retroactive application of rates to Zellstoff Celgar Limited Partnership (Celgar);
- C. The British Columbia Hydro and Power Authority, Celgar, International Forest Products Limited, the British Columbia Old Age Pensioners' and Seniors' Organization *et al*, the BC Municipal Electric Utilities, and Minister of Energy and Mines registered as interveners, while Tolko Industries Ltd. registered as an interested party;
- D. On May 26, 2014, by Order G-67-14, the Commission, among other things, declined to approve RS 37 as proposed in the Original Application but did approve several components of the rate. The Commission directed FortisBC to file a revised RS 37 incorporating the findings in the Decision and to address certain Celgar specific matters; and
- E. On June 26, 2014, in compliance with Order G-67-14, FortisBC filed for approval of a Revised Stand-by Service Rate (Revised RS 37 Filing), and by Orders G-81-14, G-118-14, G-154-14, and G-168-14 the Commission established the regulatory timetable for the review of the Revised RS 37 Filing.

NOW THEREFORE the British Columbia Utilities Commission, pursuant to sections 59-61 of the *Utilities Commission Act*, orders:

1. The form of Rate Schedule 37 Stand-by Service (RS 37), other than defining the penalty as outlined in Section 5.4 of the decision, is approved subject to the changes directed in the decision and subject to the RS 37 directed language being workable to FortisBC Inc. (FortisBC) pursuant to directive 2.
2. Within ten working days of the date of this Order, and in accordance with Section 7 of the decision, the language directed in the decision, and included in the Draft RS 37 Tariff attached as Appendix A, is open for comment by FortisBC; however, the content and intent thereof is determinative.
3. In accordance with the following timetable, the British Columbia Utilities Commission (Commission) seeks further submissions on the proposed penalty as directed in Section 5.4 of the decision and the conditions under which it will be waived:

FortisBC Submission	April 2
Intervener Submissions	April 10
FortisBC Reply Submission	April 17

The Submissions must be limited to comments on:

- i) The Commission proposed penalty;
- ii) Any alternate proposed penalties; and
- iii) Defining any unusual/extreme circumstance under which the penalty will be waived.

DATED at the City of Vancouver, in the Province of British Columbia, this 24th day of March 2015.

BY ORDER

Original signed by:

L. A. O'Hara
Panel Chair/Commissioner

RATE SCHEDULES

SCHEDULE 37 - STAND-BY SERVICE

Stand-by Service is a Backup and Maintenance Service intended to provide the Customer with a firm supply of electric power and energy when the Customer's generating facilities are not in operation or are operating at less than full rated capability.

Stand-by Service is available only to those Customers that normally supply all or some portion of load from self-generation and is strictly for the continued operation of Customer facilities at times when the Customer-owned generation is unavailable.

Stand-by Service cannot be used by the Customer in the fulfillment of any power sales obligation.

DEFINITIONS:

RS 31 Contract Demand – Customer's Contract Demand under RS 31 expressed in kilovolt Amperes (kVA). RS 31 Contract Demand is to be agreed to between the customer and the utility. If the customer and the utility cannot come to an agreement, the RS 31 Contract Demand will be set by the Commission.

Stand-by Demand Limit - Billing under this rate schedule requires the establishment of a Stand-Demand Limit, expressed in kVA. The Stand-by Demand Limit for a customer utilizing this Rate Schedule will set the maximum demand of service that can be supplied to the customer under this Rate Schedule. Stand-by Demand Limit is to be agreed to between the customer and the utility. If the customer and the utility cannot come to an agreement, the Stand-by Demand Limit will be set by the Commission.

Maximum Level of Stand-by Service: Capacity in kVA will be available to a maximum of the difference between the customer's Stand-by Demand Limit and the customer's generation in kVA.

Issued _____
FORTISBC INC.

Accepted for filing _____
BRITISH COLUMBIA UTILITIES COMMISSION

By: Dennis Swanson
Director, Regulatory Affairs

By: _____
Commission Secretary

EFFECTIVE (applicable to consumption on and after) _____

RATE SCHEDULES

SCHEDULE 37 - STAND-BY SERVICE (cont'd)

PART A - MAINTENANCE SERVICE:

Maintenance service is provided during utility approved scheduled outages for maintenance or downtime of the on-site generation.

Maintenance service is supplied during scheduled outages of the Customer's generation for the purpose of maintenance of the generation facility. The Customer must schedule maintenance power with the Company not less than 30 days prior to its use. Maintenance power service shall be limited to not more than six occurrences and not more than sixty (60) total days during a calendar year.

Maintenance Service is terminated upon notification from the customer that the event is over.

PART B – BACK-UP:

Back-up service is an on-demand service required during unscheduled outages of the self-generation, ensuring that utility capacity is available for a Customer to call on to meet the Customer's load.

Back-up service is supplied to replace energy generated by a Customer's own equipment when that equipment is not in service, except during periods of maintenance. Notification for the use of Back-Up supply must be provided as per Special Provision 4 and is limited to 876 hours per calendar year.

The provision of Back-up Service will be considered to be automatically terminated if the Customer has not consumed FortisBC electricity for 8 continuous hours, after which time the Customer will be required to provide separate notice for a new instance of Back-up Service.

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RATE SCHEDULES

SCHEDULE 37 - STAND-BY SERVICE (cont'd)

MONTHLY RATE: A Notification Fee of \$200.00 per use

ENERGY CHARGE: plus: An Energy Charge determined by:

- a. The hourly **Powerdex** Mid-Columbia (Mid-C) per kWh price for the hour in which the standby power is taken by the Customer. In hours in which the Mid-C price is negative, a value of \$0.00 will be used.
- b. System Losses as per Rate Schedule 109.
- c. Hourly Transmission Charges from the Mid-C hub to the border of \$0.0040 per kWh.
- d. Administrative premium of 10%.

The hourly charge is calculated as:

$$((\text{Standby Energy} \times (1 + \text{loss rate } \%)) \times (\text{Mid-C} + 0.0040)) \times 1.10$$

Where "Standby Energy" refers to the energy delivered during the Standby Period.

In any hour, if a customer's demand is at or below the customer's RS 31 Contract Demand all service is deemed to be taken under RS 31.

In any hour, if a customer's demand exceeds the RS 31 Contract Demand, but is less than or equal to RS 31 Contract Demand plus the Maximum Level of Stand-by Service, energy is purchased at:

$$[\text{RS 31 Contract Demand consumption} \times 1 \text{ hour} \times \text{RS 31 Energy Charges}] + [(\text{Total Consumption} - \text{RS 31 Contract Demand consumption}) \times 1 \text{ hour} \times \text{RS 37 Energy Charges}]$$

In an hour, if a customer's demand is in excess of its RS 31 Contract Demand plus the Maximum Level of Stand-by Service allowed, service will be charged in accordance with Special Provision 7.

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RATE SCHEDULES

SCHEDULE 37 - STAND-BY SERVICE (cont'd)

SPECIAL PROVISIONS:

1. **Underlying Rate** – A Customer taking service under this rate must also be contracted to receive service under Rate Schedule 31. Net Metering Customers are not eligible for Stand-by Service.
2. **Stand-by Billing Demand** - Billing under this rate schedule requires the establishment of a Stand-by Billing Demand, expressed in kVA. Stand-by Billing Demand for a customer utilizing this Rate Schedule will be set at an amount between zero and 100 percent of the customer's Stand-by Demand Limit and is to be used in the determination of the Wires Charge in the underlying rate. The Stand-by Billing Demand is to be agreed to between the customer and the utility. If the customer and the utility cannot come to an agreement, the Stand-by Billing Demand will be set by the Commission.
3. **(a) Billing Demand in the underlying rate** – Where an underlying rate schedule by which the customer normally takes service contains a Billing Demand ratchet, the maximum demand recorded while taking service under this rate will not be used in the calculation of Billing Demand in that underlying rate schedule unless Special Provision 7 applies.

(b) Power Supply Demand Charge – Where an underlying rate schedule by which the customer normally takes service contains a Power Supply Demand Charge, the peak demand measured when taking service under this rate will not be used in the calculation of demand charges in that underlying rate schedule.
4. **Back-Up Notification** – A Customer must inform the Company within 30 minutes of taking energy under the Back-Up provisions of this Schedule and inform the Company of the anticipated time that the generator will return to normal operations (the total time during which the Customer is taking service under this rate schedule is the Standby Period). If the Customer's generator is not available at the anticipated time, further notice including an updated anticipated time that the generator will return to normal operations must be provided. If the Customer fails to provide this notice the Company will assume that service outside of the Stand-by Period is being provided under the terms of Special Provision 7.

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RATE SCHEDULES

SCHEDULE 37 - STAND-BY SERVICE (cont'd)

SPECIAL PROVISIONS: (cont'd)

5. **Metering** – Customers must have Company approved interval metering and meter communications in place prior to initiation of service under this schedule. The Company requires metering that measures the net quantity and direction of flow at the point of interconnection between the Customer and the Company and total generator output.
6. **Required Equipment** – The Customer will provide, install, and maintain on the Customer's premises all necessary transformers to which the Company's service is directly or indirectly connected. The Customer also will provide, install, and maintain the necessary switches, cutouts, protection equipment, and the necessary wiring on both sides of the transformers. All transformers, equipment and wiring will be of types and characteristics approved by the Company and their installation, operation and maintenance will be subject to inspection and approval by the Company.
7. **Penalty** - In an hour that a self-generating customer is taking service in excess of its RS 31 Contract Demand plus the Maximum Level of Stand-by Service available or is taking service in excess of its RS 31 Contract Demand and is not eligible for either Maintenance or Back-up Service due to the restrictions under this rate; a customer will be deemed to be taking service under this rate subject to the following penalty.

Penalty: To be determined

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Director, Regulatory Affairs

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