IN THE MATTER OF

FORTISBC INC.

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

DECISION

May 26, 2014

BEFORE:

L.A. O'Hara, Commissioner/Panel Chair
R.D. Revel, Commissioner

TABLE OF CONTENTS

Page No.

TABLE OF CONTENTS
(continued)

Page No.

TABLE OF CONTENTS
(continued)

Page No.

LIST OF TABLES

EXECUTIVE SUMMARY

On March 28, 2013, FortisBC Inc. (FortisBC) filed for approval of a new set of rates for its transmission voltage customers and to close the Time-of-Use (TOU) Rate and the existing Flat Rate. The new transmission voltage rates include a Stepped Rate with attached Customer Baseline Load Guidelines (CBLs), a new Flat Rate, the Non-Embedded Cost Power Rate (NECP) Rider, and a Stand-by Service Rate. FortisBC also requested a determination on the retroactive application of rates to Zellstoff Celgar Limited Partnership (Celgar).

On February 3, 2014, by Order G-12-14, the Panel identified certain aspects of the Application, which are to be addressed at a later time, that overlapped with the then pending review of the British Columbia Hydro and Power Authority (BC Hydro) new power purchase agreement with FortisBC (RS 3808 Proceeding). Accordingly, this Decision addresses primarily Stepped Rates (excluding the application to self-generating customers), the Stand-by Rate, and the TOU Rate.

Stepped Rates

The applied for Stepped Rate was in response to a Commission Directive in Order G-188-11. Having complied with the directive, FortisBC subsequently made it clear that the Stepped Rate should not be mandated at this time stating that none of the affected customers had requested such a rate and there was no practical need for it. FortisBC also withdrew its request to close the TOU Rate and the existing Flat Rate if the Stepped Rate was not approved.

In this Decision, the Panel finds that this is not the appropriate time to mandate a stepped rate and therefore does not approve the Stepped Rate, the attached CBL Guidelines, or the new Flat Rate. However, the Panel determines that the potential effectiveness of a stepped rate should still be considered in the future and directs FortisBC to do so in conjunction with its next Resource Plan.

The key reasons that were considered in making this finding include:

1. *Lack of Regulatory Record, Need and Customer Desire;*
2. *Impact on Rates and Cost Shifting; and*
3. *Increase in Cost, Complexity and Process Related to Administration.*

The Panel accepts FortisBC's position that there is no 'problem' at this time given that three of the four affected customers did not indicate any desire for the Stepped Rate, nor did any indicate that such a rate structure would in fact result in positive behavioural changes on their part. The Panel cannot find any efficiency benefits due to the introduction of a stepped rate structure at this time

and instead concludes that FortisBC should ensure sufficient focus is given to identifying and addressing Demand Side Management opportunities for these customers as a way of achieving efficiency benefits.

In making its decision the Panel gives little weight to the Impact on Rates and Cost Shifting or the Increase in Cost, Complexity and Process Related to Administration.

Given that the Stepped Rate was not approved, the Commission also accepted FortisBC's withdrawal of it request to close the existing Flat Rate and TOU Rate.

The Stand-by Rate

Stand-by rates are offered to customers with self-generation to ensure that in the event of a planned or unplanned outage of their on-site generator they have the ability to purchase power to replace what would normally be self-generated. Currently Celgar is FortisBC's only transmission voltage customer with self-generation.

The Application proposes 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 proposed Rate includes an Energy Charge, Restrictions and Availability to use it, Demand Charges in combination with RS 31, and several Special Provision clauses.

The Panel is not able to approve the proposed Stand-by Rate at this time; however, it does support and approve many of the components of the Rate and considers that the remaining outstanding issues can be addressed through this Proceeding.

The Panel finds that there is insufficient evidence regarding the Restrictions and Availability to allow it to make a final determination on those components. More significantly, the Panel finds that the inclusion of Special Provision 2, which is designed to recover infrastructure costs, is unnecessarily restrictive and results in a rate that is unjust, unreasonable, and unduly discriminatory. The rationale includes the following:

FortisBC's Special Provision 2 proposes that stand-by demand charges be based on 80 percent of the highest level of demand ever taken by the customer. Celgar does not support this Provision and proposes that demand charges only apply to firm capacity. Further, it submits that all stand-by service should be offered as non-firm service, which the utility has the option to make unavailable when its system is constrained, and therefore should not attract a stand-by demand charge. Furthermore, Celgar states it has had access to non-firm stand-by service since the late 1990s.

FortisBC disagrees with Celgar and states that it does not offer non-firm service as there is no cost benefit to doing so and it would simply result in cost shifting. FortisBC further states that it must maintain infrastructure that is capable of servicing Celgar's full load, regardless of how intermittent that load may be.

The Panel notes that it is not unusual for stand-by rates to be contentious. Advocates for self-generation seek minimal stand-by rates based on the premise that self-generation provides overall benefits while utilities often argue that low stand-by rates can result in the avoidance of infrastructure costs. This contention is reflected by the two very divergent concepts introduced by FortisBC and Celgar.

Nevertheless, the Panel is persuaded by FortisBC's argument that it should not be required to offer non-firm service given the cost of providing such service is the same as providing firm service. The Panel also agrees with FortisBC that demand charges should apply during periods of stand-by service as these customers should make a fair contribution to the sunk costs of the network. The Panel considers that the key focus in determining the appropriate stand-by demand charge should instead be to 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, the stand-by demand charge should also take into consideration BC energy objectives.

As these considerations can vary by customer and over time, the Panel finds that FortisBC's proposed one size fits all method of recovering these costs as laid out in Special Provision 2 is unnecessarily restrictive. As a solution, the Panel suggests that 'Stand-by Contract Demand' 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. Determining the appropriate Stand-by Contract Demand should take into consideration the potential benefits of self-generation, such as electricity self-sufficiency, reduced greenhouse gas emissions, or a reduction in the need for utility-provided network capacity.

Subject to the remaining issues regarding the Restrictions and Availability being resolved, and subject to comment from the parties, it is likely that the Panel would approve a revised Stand-by Rate if Special Provision 2 was removed and:

i. For future customers Special Provision 2 is replaced, at a future date, with a Tariff Supplement that outlined Commission approved key principles that are to be considered in identifying the potential benefits of self-generation used to determine a customer's Stand-by Contract Demand; and

ii. For the one existing customer, Celgar, a determination on its Contract Demand and Stand-by Contract Demand is made in conjunction with the review of the Stand-by Rate.

In order to keep the Stand-by Rate Application moving forward and to assist in a near term resolution to Celgar's retroactive billing situation, the Commission directs that FortisBC undertake the following:

- File with the Commission, by June 26, 2014, a revised Stand-by Rate incorporating the findings in the Decision and addressing both the Restrictions on, and Availability of, stand-by service; and

- Submit a filing on the appropriate Contract Demand and Stand-by Contract Demand for Celgar in conjunction with the June 26, 2014 filing addressing specifically the last Contract Demand of 16 MVA that the parties agreed to.

Once the Commission has received the FortisBC filings it will determine the appropriate further process required in order to make a final determination on the Stand-by Rate and an appropriate Contract Demand and Stand-by Contract Demand for Celgar.

In regards to the outstanding matters established by Order G-14-12:

- The Commission Panel determines that there is no longer a need to consider the application of Stepped Rates for customers with self-generation facilities as the request for Stepped Rates was denied and, therefore, the rate class does not have stepped rates for which any application to self-generation customers can be made.

- The Commission will shortly be issuing a letter requesting submissions from the parties on how to proceed with FortisBC's request for approval for the NECP Rate Rider now that the Commission has made a final determination on the RS 3808 Proceeding by way of Order G-60-14.

- The Panel will not be seeking submissions on how to move forward with the retroactive billing for Celgar until a final determination is made on the Stand-by Rate.

1.0 INTRODUCTION

By way of Order G-188-11 dated November 14, 2011, the British Columbia Utilities Commission (Commission) directed FortisBC Inc. (FortisBC) to file an application for (i) a rate for self-generator customers based on Rate Schedule (RS) 31 but excluding British Columbia Hydro and Power Authority (BC Hydro) RS 3808 power from its resource stack, (ii) a two-tiered, stepped transmission rate to support conservation objectives, and (iii) a stand-by rate to address Zellstoff Celgar Partnership Limited's (Celgar) circumstances.

1.1 Original Application

On March 28, 2013, FortisBC applied to the Commission pursuant to sections 58-61 of the *Utilities Commission Act* (UCA) for approval of a new set of rates for its customers served at transmission voltage (Application) as directed by Order G-188-11. The Application seeks, among other things, approval for the following rates: RS 34 Stepped Rate, RS 36 Flat Rate, RS 37 Stand-by Service Rate, and to close both RS 33 Time-of-Use (TOU) Rate and the existing RS 31 Flat Rate. (Exhibit B-1, p. 3)

In the Application FortisBC states that it is not convinced that the proposed rates, with the exception of the Stand-by Rate, are in the best interests of its customers at this time and highlights the following reasons:

- lack of support by affected customers;
- regulatory costs associated with processing the Stepped Rate;
- set-up costs such as billing system upgrades;
- on-going operational expenses; and
- conservation results associated with the rates are difficult to project and may not justify the costs. (Exhibit B-2, Cover Letter)

FortisBC submits it has put forward what it considers to be a set of reasonable proposals that satisfy the Commission's directives. FortisBC confirms, however, that it has not identified any practical need for transmission stepped rates, has received no customer requests for such rates, and "would not have put forward an application for their implementation in the absence of the

Commission direction to do so." FortisBC further submits that the applied for Stepped Rates should not be mandated at this time. (FortisBC Final Submission, pp. 3-4)

1.2 Narrowed Scope for the Decision

On February 3, 2014, by Order G-12-14 and accompanying Reasons for Decision, the Commission Panel identified certain aspects of the Application that overlapped with the pending review of BC Hydro's application for approval of a new power purchase agreement with FortisBC (RS 3808 Proceeding). Therefore, the Panel considered those aspects would be better dealt with once a final decision on that application is issued. As a result, the Panel determined that issues that do not overlap with the RS 3808 Proceeding will continue to proceed by way of a written hearing. Specifically, the Panel determined it will be reviewing the Stepped Rate, excluding its application to customers with self-generation (NECP Rate Rider), the Stand-by Rate and the Time-of-Use Rate. The Panel also determined that it will not be reviewing the retroactive application of rates to Celgar at this time. (Exhibit A-15)

FortisBC noted the narrower scope and updated its request for a Final Order that includes the following determinations:

- approving Stand-by Rate (RS 37);
- not approving Stepped Rate (RS 34) and the referent Flat Rate (RS 36);
- not closing Time-of-Use Rate (RS 33) because the Stepped Rate is not being approved; and
- not closing the existing Transmission Rate (RS 31) because RS 34 and RS 36 are not approved. (FortisBC Reply, para. 108)

1.3 Background

FortisBC currently has four Large Commercial Service Customers connected at transmission voltage. These are Roxul (West) Inc. (Roxul) located in Grand Forks, Barrick Gold (Barrick) located outside Hedley, International Forest Products Limited (Interfor) located in Castlegar, and Celgar also located in Castlegar. (Exhibit B-1, p. 14) Of these Celgar is the only customer that has distributed generation (self-generation) capabilities.

As shown in the table below, these four FortisBC Large Commercial Service (Industrial) Customers make up approximately 7 percent of FortisBC's total sales. In contrast, in BC Hydro's territory there were 135 customer sites representing approximately 25 percent of all sales to domestic customers in F2012 for the comparable rate class.[1]

Table 1 Large Commercial Service Customers Percentage of FortisBC's Total Load

	2008	2009	2010	2011	2012
Annual Consumption by TSR customers (kWh)	81,556,337	87,005,587	89,335,022	183,802,609	199,786,993
Annual Consumption by all FortisBC Inc. customers (kWh)	3,087,196,835	3,156,749,340	3,044,439,684	3,144,249,683	3,143,496,000
Percentage of FortisBC Inc.'s total load	2.64%	2.76%	2.93%	5.85%	6.36%

Source: Exhibit B-4, BCUC 1.1.1

FortisBC currently has two rate options for Large Commercial Service Customers connected at transmission voltage:

Rate Schedule 31 - Large Commercial Service – Transmission; and
Rate Schedule 33 - Large Commercial Service – Transmission – Time of Use

For both rate schedules, a customer must take service from the Company at a nominal potential of 60,000 volts or higher, and have a load of 5,000 kVA or more. Each of these rates may be subject to a further written agreement.

RS 31 consists of a monthly Customer Charge, a flat Energy Charge for all consumption, and Demand Charges consisting of a Wires Charge and a Power Supply Charge. The Demand Charge was broken out into component parts as a result of the Company's 2009 Rate Design and Cost of Service Analysis Application (2009 RDA, COSA). As the Power Supply Charge is applied only to the maximum demand of the current billing month, without a ratchet provision, it encourages the management of load. The flat Energy Charge, however, does not have an inherent conservation component. The Company also has a wholesale transmission service rate specifically applicable for service to the City of Nelson (RS 41). This rate schedule is not the subject of this Application. (Exhibit B-1, p. 14)

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[1] BC Hydro Application to Amend Tariff Supplement No. 74, Decision, p. 6

1.4 The Application and Orders Sought

The original Application requested approval for a new set of rates for FortisBC's customers served at transmission voltage (60,000 volts and above), as well as changes to, and the closing of, other rates as described below.

STEPPED RATES

- **Rate Schedule 34 – Large Commercial Service -Transmission Stepped Rate**

  Approval for RS 34 to become the default rate under which customers served at transmission voltages are provided service.

- **CBL Guidelines**

  Approval for Stepped Rate Customer Baseline Load (CBL) Guidelines as an attachment to RS 34.

- **Rate Schedule 31 – Large Commercial Service –Transmission Flat Rate**

  Approval to close RS 31 and replace it with RS 34 and RS 36 and transfer existing RS 31 customers to a new rate.

- **Rate Schedule 36 – Large Commercial Service –Transmission Flat Rate**

  Approval for a rate which will apply to those customers without sufficient history to be put on RS 34, and as a referent in the development of RS 34.

CUSTOMERS WITH SELF GENERATION - NECP RIDER

- **Non-Embedded Cost Power (NECP) Rider**

  Approval for the NECP which is a provision for charging customers with self-generation that intend to sell any portion of their generation that is not in excess of load.

STAND-BY SERVICE RATES

- **Rate Schedule 37 – Stand-by Service Rate**

  Approval for a rate that applies for power and energy to replace the power and energy ordinarily generated by a customer by means of a private generating facility when that generating facility is not operating due to either a forced outage or a maintenance shutdown.

TIME-OF-USE RATES

- **Rate Schedule 33 – Large Commercial Service –Transmission – Time-of-Use**

  Approval to close this rate.

RETROACTIVE APPLICATION OF RATE TO CELGAR

- A determination on the retroactive application of rates to Celgar.

1.5 Interveners and Regulatory Process

BC Hydro, Celgar, Interfor, British Columbia Pensioners and Seniors Organisation *et al*. (BCPSO), and the British Columbia Municipal Electrical Utilities (BCMEU) intervened in the Proceeding while Tolko Industries Ltd. registered as an Interested Party.

The Regulatory Timetable for the review of the Application was amended or put on hold a number of times due to scope challenges, concerns relating to the overlap with a number of other proceedings before the Commission, as well as the filing of Rebuttal Evidence by FortisBC. An overview of the regulatory process is provided in Appendix A.

In summary, this Decision and related Final Submissions will only address (i) the Stepped Rates, not including its application to customers with self-generation, (ii) the Stand-by Rate, and (iii) the Time-of-Use Rate. The Commission will address the remaining items in due course.

2.0 STEPPED RATES

2.1 Context for Stepped Rates in the FortisBC Service Territory

2.1.1 The FortisBC 2009 Rate Design Application

The genesis of the Application for Stepped Rates can be traced to the FortisBC rate design proceeding that took place in 2009 and 2010. FortisBC filed the 2009 RDA on October 30, 2009. The Commission Panel, in its decision dated October 19, 2010, identified the following threefold purpose for a RDA:

(i) To examine whether the structure of existing rates continues to promote an economically efficient consumption of electricity by the utility's customers;

(ii) To assess whether the charges to customers that result from the application of these rates are fair and reasonable; and

(iii) To provide an opportunity for all parties to examine the relevance of a utility's tariffs including its terms and conditions of service to ensure they remain relevant and valid. (Order G-156-10, Decision, p. 7)

While the review of FortisBC's 2009 RDA was in progress, the *Clean Energy Act* (CEA) was introduced on April 10, 2010 by the Provincial Government. The press release of that date announced the following:

> "British Columbia's new Clean Energy Act sets the foundation for a new future of electricity self-sufficiency, job creation and reduced greenhouse gas emissions, powered by unprecedented investments in clean, renewable energy across the province. Bill 17 builds upon British Columbia's unique heritage advantages and wealth of clean, renewable energy resources."

In its Decision on the 2009 RDA the Commission Panel observed that "recent BC policy and legislative developments have strongly highlighted energy efficiency and conservation" and directed FortisBC to, among other things:

- develop a plan for introducing inclining block rates for residential customers that also incorporate a lower Basic Charge in the immediate future;
- initiate consultations with industrial customers with a goal to introduce a stepped rate for transmission service similar to RS 1823 of BC Hydro; (Order G-156-10, p. 3)

It appears that the intent of the stepped rate directive was to introduce measures to promote conservation and efficiency in order to reduce consumption which in turn would postpone the need for future generation build. In addition, the Commission implied that both major electric utilities in the province should offer stepped rates.

2.1.2 Celgar Complaint to the Commission

After the 2009 RDA Decision was issued, but before FortisBC had made much progress with any stepped rate consultation, Celgar filed a complaint on March 21, 2011, regarding the failure of FortisBC and Celgar to complete a general service agreement (GSA) and FortisBC's application of RS 31 Demand Charges (Celgar Complaint). In reviewing the Celgar Complaint that Commission Panel described Celgar's mill load as being served by a combination of the following:

(i) Celgar's own generation;

(ii) FortisBC supply at embedded cost rates to the extent determined by the application of the Access Principles pursuant to Order G-27-99 (the Entitlement); and

(iii) Additional supply from FortisBC (the Margin).

In that context, the Commission Panel reminded FortisBC of the directive to introduce stepped rates and concluded: "The Panel considers that a stepped rate could be an appropriate mechanism for recovering the cost of power supply to serve the Margin." (Order G-188-11, Decision, p. 40) Accordingly, FortisBC was re-directed to submit an application to the Commission by May 31, 2012, for a two-tier stepped transmission rate to reflect conservation objectives. The Panel indicated that the rate for the second tier should reflect the long term marginal cost of power from sources other than RS 3808.

2.1.3 Consultation Activities

In response to Commission Order G-156-10 regarding the 2009 RDA, FortisBC began the development of transmission stepped rate consultation materials that were intended to gather customer feedback on the customer reception of rates prior to the potential development of a future application.

However, prior to a conventional consultation effort being undertaken, Celgar filed the complaint against FortisBC, as described above, with respect to billing and contract issues. As part of the Celgar Complaint proceeding the rates charged to Celgar and other transmission customers became a central element of consideration.

While the 2009 RDA only directed FortisBC to initiate consultation with its customers regarding a transmission stepped rate, the Celgar Complaint proceeding resulted in Order G-188-11 that simply directed that a transmission stepped rate application be filed. FortisBC noted that this effectively changed its focus and moved discussion into the regulatory forum. (Exhibit B-6, Celgar 1.2.2)

Consequently, FortisBC stated it shifted consultation to the matters that fell from Order G-188-11, which related to customers with self-generation. It acknowledges that the consultation process for this Application did not follow a more usual collaborative path that is typical for applications. FortisBC further stated "given the active, detailed, and often adversarial consideration of the matter provided by the regulatory processes" deviating from the normal process was, to a large extent, unavoidable. (Exhibit B-6, Celgar 1.2.2)

FortisBC believed that there has been ample opportunity for customers to provide input into the rate design through both ongoing regulatory processes as well as in response to information provided directly to the affected customers. While, due to the limited number of customers, public or group open houses were not held, each customer was provided information on the structure and functioning of a two-tier stepped rate and invited to comment generally on the concept and usefulness of such rates. FortisBC stated the options for variation within the rate were limited because both the requirement and the structure of the stepped rate were specified by the Commission. FortisBC further explained that it is incumbent on the utility to (i) provide such information to customers, (ii) invite general feedback, and then (iii) incorporate such feedback, if any (along with other inputs such as Commission directions), is common industry practice in a proposed rate that forms the basis of an application. It would be a divergence from common practice to engage customers down to the level of designing the individual rate parameters. (Exhibit B-4, BCUC 1.9.2)

2.2 Proposed Stepped Rates

FortisBC states it has used the following principles to guide the development of its proposed Stepped Rate:

- Stepped Rate should be designed to include a conservation incentive;
- Stepped Rate will consist of two pricing tiers (G-188-11);
    - Pricing of the second tier will reflect the long term marginal cost of power from sources other than BC Hydro RS 3808 Power (G-188-11); and
- Stepped Rates will be revenue neutral, on an annual, individual customer basis, to an underlying Flat Rate. (Exhibit B-1, p. 18)

FortisBC explains that revenue neutrality exists between the proposed Stepped Rate and the underlying Flat Rate (RS 31) when the customer consumes electricity at 100 percent of its Customer Baseline Load (CBL). Because the CBL is based on historical consumption, for most customers on RS 34 this means that if a customer does not change consumption habits from the previous year, billing will remain the same exclusive of changes due to general rate increases. Therefore, to maintain revenue neutrality at the 100 percent CBL consumption level, the Tier 1 rate needs to be adjusted whenever the Tier 2 rate is changed. (Exhibit B-1, pp. 18-19)

Elements of the proposed Stepped Rate are summarized in Table 2 below.

Table 2 Elements of the Proposed Stepped Rate

Rate Element	Proposed Rate	Details	Guidace
1) Number of Tiers	Two Tiers		Directive 9, G-188-11
2) Tier pricing			
	Tier 2: 9.223¢/kWh	Reflect the long term marginal cost of power from sources other than BC Hydro RS 3808 power	BCUC Order G-188-11, Directive 9
	Tier 1	Determined by formula to ensure revenue neutrality to the equivalent cost based flat rate (RS 31) for customers who consume 100 percent of their CBL	
3) Tier Threshold (Revenue Neutral)	90/10: Tier 1/Tier 2 threshold	90% of a customer's baseline consumption attracts the Tier 1 price Remaining consumption attracts the Tier 2 price	No specific directive to FortisBC. Guided by the Commission's direction in Order G-156-10 stating that the stepped rates should be similar to BC Hydro as set out in HC2. BC Hydro RS 1823 uses the 90/10 ratio of tier 1 to tier 2 consumption, based on a CBL, to set a customer revenue neutral rate.
4) Customer Charge	$2,711.28 per month	Consistent with the currently approved flat rate (RS 31)	No Guidance
5) Demand Charge		Consistent with the currently approved flat rate (RS 31)	No Guidance

Source: Derived from Exhibit B-1, pp 21-23

2.3 Evaluation Approach

By way of background, FortisBC agreed that consideration of the Bonbright Principles is a useful input into the evaluation of rate design options. Other considerations, such as legislative requirements, also impact such an evaluation. (Exhibit B-4, BCUC 1.2.1)

FortisBC also agreed that the proposed Stepped Rate meets the definition of a Demand Side Measure (DSM) in the CEA. (Exhibit B-7, BCUC 2.9.1) FortisBC further stated "The Company believes that the stepped rate would likely pass the [DSM Regulation] tests based upon the measures of avoided costs contained in the DSM regulations, but the costs tests should not be a determinative factor in whether approval of the stepped rate is granted." (Exhibit B-7, BCUC 2.9.2.1)

Commission Panel Discussion

The Panel considers FortisBC's pricing principles are consistent with Order G-188-11. However, that Order did not predetermine that a rate which met these principles would be approved by the Commission. It only directed that the rate is to be brought forward for review by the Commission.

In this Decision, the Panel will not evaluate the Application against FortisBC's pricing principles. The Panel will instead determine if the Application meets the standard of generally accepted rate design principles. Further, as the rate is considered a demand-side measure under the CEA the Panel will also be guided by the DSM Regulations[2] in determining how to interpret these principles for the purpose of this Application.

2.4 Evaluation

FortisBC has made its position very clear by stating that the Stepped Rate should not be mandated at this time. It submits that stepped rates: lack support and interest from affected customers, were initially ordered without the benefit of an adequate regulatory record, and introduce an administrative burden on both FortisBC and the affected customer for an undetermined and uncertain benefit while potentially raising rates for all customers. (FortisBC Final Submission, para. 18)

Overall BCPSO supports FortisBC's position that the Stepped Rate should not be mandated at this time. BCPSO submits that the need for such a rate and the appropriate basis for determining FortisBC's long term marginal cost of power should be considered in conjunction with FortisBC's next Resource Plan. (BCPSO Final Submission, para. 25)

To justify why the rate should not be mandated at this time, FortisBC provided the following reasoning. Each reason provided will be discussed further.

1. Lack of regulatory record, need, and customer desire (Section 2.4.1);
2. Impact on rates (Section 2.4.2); and

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[2] Ministerial Order M271 – Demand Side Measures Regulation dated November 11, 2008 and Ministerial Order M335 – Demand Side Management Regulation Amendment dated December 8, 2011

3. An increase in cost, complexity, and process (Section 2.4.3).

2.4.1 Lack of Regulatory Record, Need, and Customer Desire

FortisBC's clear evidence is that there is no 'problem' that needs addressing. FortisBC stated that without some legislated mandate it would not make changes to an existing rate structure without first identifying a problem or issue, even including an unrealized opportunity for improving a rate. (Exhibit B-4, BCUC 1.2.2.1)

FortisBC also stated that a stepped rate is not inherently less stable than a Flat Rate. Although there is a threshold at which the price of energy changes, it is fixed and predictable. FortisBC further stated that increased rate instability would only result if prices were fluctuating within a short timeframe in a manner that was not predictable. (Exhibit B-4, BCUC 1.8.1)

Celgar submits that BC Hydro's Industrial Stepped Rate (RS 1823), although not perfect, does send a conservation price signal that prompts customers to respond and for that reason Celgar supports a stepped rate for all FortisBC industrial customers. Celgar goes on to state that an active DSM program for industrial customers, in combination with stepped rates, is imperative. (Celgar Final Submission, p. 40)

BCPSO introduces a potential contrast between conservation and efficient use. First, it points out that the motivator behind the Commission's Directive No. 9 (Order G-188-11) for stepped rates was to support conservation. BCPSO submits that FortisBC has interpreted 'conservation' in this context as encouraging reduced use of electricity with no specific reference as to whether that reduction is economically efficient. Therefore, in BCPSO's submission, encouraging conservation is not synonymous with Bonbright's Principle #3 which states "Price Signals that encourage efficient use and discourage inefficient use." BCPSO explains that if customers' usage is based on marginal cost pricing signals, only then would conservation be 'efficient'. (BCPSO Final Submission, pp. 3-4)

Conversely, BCPSO notes that FortisBC's current plans call for reliance on market purchases in the short to medium term. Over the long term, FortisBC indicates it may rely on market purchases or new generation to meet load growth. Accordingly, BCPSO submits there is a misalignment between the long-run marginal cost (LRMC) for new resources and FortisBC's actual marginal cost

of supply, which means that efficient pricing signals are not triggered. For example, BCPSO notes the LRMC of 5.6¢/kWh used for evaluation of DSM programs, is significantly below the 9.223¢/kWh value proposed for the Tier 2 rate by FortisBC. In summary, BCPSO submits that an LRMC based on new resources does not reflect FortisBC's current LRMC of power and is predicated simply on achieving an inclining rate structure that will incent customers to use less electricity. (BCPSO Final Submission, pp. 4-5)

FortisBC does not disagree with the above submissions of BCPSO, but reiterates that the selection of a lower LRMC as suggested by BCPSO would simply result in a rate that is essentially flat, "further reducing the conservation incentive and rendering the rate ineffective." (FortisBC Reply, p. 3)

Commission Determination

The Panel acknowledges the CEA's and Energy Plan's focus on energy efficiency and accepts that an active demand side can be a critical element to an efficient market. An efficient market requires vigorous competition between supply-side and demand-side resources to achieve an efficient, least-cost outcome. Without this, the energy field is left with a one-sided market in which prices are set only by the supply side.

Therefore, the Panel agrees with BCPSO that the key question in determining if a need for the Stepped Rate exists is whether the Stepped Rate promotes efficient customer behaviour rather than merely results in less electricity consumption. For example, a customer may use less electricity by shutting down operations or switching to an alternative fuel, however this may not result in a net benefit overall.

In determining how any efficiency benefits of the stepped rates should be measured, the Panel has looked to the DSM Regulations for guidance. Section 4 (1.1) specifies that benefits should be measured using the Total Resource Cost test, which measures the benefit from a British Columbia perspective rather than a utility, participant or non-participant perspective. Although it is preferable that the utility itself also benefits (for example, if the Stepped Rate addresses an operational need of FortisBC), section 4 (1.8) of the DSM Regulations does not require this.

The Panel also considers that in measuring BC efficiency benefits there are two broad types of customer behaviours – short term operational decisions (such as whether to take on another order) and long term investment decisions (such as when to replace equipment). The Panel notes that Barrick has explicitly stated that due to the nature of its operations it would be unlikely to initiate any conservation activities and Interfor, who registered as an Intervener, did not make final submissions or asked any information requests.

FortisBC has already acknowledged that the consultation process did not follow the usual path due to the circumstances, but assured the Panel that there has been ample opportunity for customers to provide input into the rate design. In light of the lack of customer engagement, the Panel finds it difficult to conclude that the FortisBC stepped rate will have efficiency benefits in the absence of adequate evidence on the price responsiveness of FortisBC's Industrial customers.

The Panel also looked at this issue from a theoretical perspective – specifically, whether it could be assumed that FortisBC's Industrial customers are likely to be at least somewhat price sensitive and whether the Panel could assume that there would be a net efficiency benefit from the proposed Stepped Rate. This was addressed by separately considering the effect the proposed Stepped Rate could have on short term and long term FortisBC customer operational and investment decisions.

For short term customer operational decisions, the Panel agrees with BCPSO and FortisBC that there is a short term surplus in the electricity market at the moment and wholesale prices are expected to be significantly below the proposed Tier 2 energy rate of 9.223¢/kWh. While the Panel does not consider that a rate which over-signals incremental costs at the margin is necessarily inefficient (customers may not over-consume electricity as a result), it does indicate that, at least in the short term, any benefit of introducing the proposed Stepped Rate to improve customer operational decisions would likely be significantly reduced.

For longer-term customer investment decisions, the Panel is aware that customers may make inefficient investment decisions in response to the existing Flat Rate. However, these concerns are mitigated by FortisBC only having four customers who make up less than 7 percent of FortisBC's total load on the Large Commercial Service Transmission Rate, and by the alternative available to FortisBC of addressing any identified problems through DSM programs.

In response to Celgar's argument that the BC Hydro RS 1823 sends a conservation price signal to its customers the Panel notes that BC Hydro has 135 customers who make up 25 percent of BC Hydro's total load. As a result of the larger number of customers it is much more probable that BC Hydro's pool of customers, as a whole, will achieve conservation benefits. Furthermore, given the larger percentage of total load that BC Hydro's Transmission customers represent those benefits, relatively, will be significantly greater than in the FortisBC service area.

The Panel accepts FortisBC's position that that there is no "problem" as customers have not indicated any desire for the Stepped Rate nor have they indicated that a stepped rate structure would in fact result in positive behavioural changes.

The Panel does not disagree with FortisBC that the proposed Stepped Rate ultimately is not inherently less stable than the existing Flat Rate; however, the Panel notes that any change in rate design naturally results in some initial increase in rate instability. As such, the Panel does not see the need to change an existing rate designs unless there is a clear need to do so.

In conclusion, the Panel finds that there is a lack of evidence as to whether the introduction of stepped rates will result in a net improvement in efficiency of customer investment and operational decisions in BC. The Panel could not identify any efficiency benefits of the Stepped Rate at this time. The Panel determines that FortisBC should ensure sufficient focus is given to identifying and addressing DSM opportunities for its Industrial customers as a way of achieving efficiencies benefits. The Panel notes that the FortisBC DSM program is currently being actively discussed in the FortisBC 2014-2018 Revenue Requirements process that is currently underway.

2.4.2 Impact on Rates and Cost Shifting

FortisBC is concerned that any conservation that might occur as a result of stepped rates can have a negative impact on customer rates in general. FortisBC summarizes these concerns as follows.

> "…FBC notes that in the current environment, any conservation by the industrial customers that decreases kWh sales will place an upward pressure on rates generally and that the administrative costs will simply add to the lost margin from the sales.

> When the retail price is high compared to the cost of supply, as it is currently, each kWh of conservation achieved by the customer places an upward pressure on rates. In this case, from the perspective of other customers conservation does not lead to positive result. In the opinion of the Company, a stepped rate may be appropriate when the conservation may lead to rate relief, but current circumstances do not support such a change. The appropriate time to review the potential effectiveness of a stepped rate would be during the preparation of the Company's next resource plan - expected to be filed in 2016."
>
> (FortisBC Final Submission, para. 25, Footnotes omitted)

FortisBC further submits that, in the short term, any resultant upward pressure on rates would have an impact on the rates of other customer classes, as occurred with the introduction of transmission stepped rates by BC Hydro. FortisBC also submits this situation would persist until such a time as a future COSA was performed. The new COSA could lead to rebalancing of rates among the classes, potentially eroding any benefits transmission customers may have achieved. (FortisBC Final Submission, p. 6)

BCPSO explains this cost shifting is taking place in part because the revenue projections for the Stepped Rate RS 34 will be based on forecast load at RS 36 Flat Rates. However, RS 34 rates are only able to recover the same forecast revenues when customers' forecast loads are equal to 100 percent of their CBL. To the extent conservation occurs, there will be a revenue shortfall to be recovered from all other customers until such time as a new COSA is undertaken. BCPSO submits that this cost shift is inconsistent with the expectation that rates will be fair and provides a further reason to reconsider whether the introduction of stepped rates is appropriate at this time. (BCPSO Final Submission, p. 5)

Commission Determination

In order to determine whether cost shifting between customer classes results in a fairness concern, the Panel has looked to the DSM Regulations for guidance. Section 4 (6) of the Regulations prevents the Commission from using a Rate Impact Measure test result (which determines if the measure results in cost shifting from participants to non-participants) to determine that a measure is not cost-effective.

The Panel therefore considers that rates which recover their allocated costs (within a reasonable range) cannot be considered unfair on the basis that they have encouraged customers within that class to use less electricity and, as a consequence, have reduced the level of costs allocated to that class. **As a result, the Panel determines that the proposed Stepped Rate is not unfair from a cost causation perspective.** However, the Panel also notes that fairness concerns have not been raised regarding the existing Flat Rate. **In summary, the Panel finds that neither the existing Flat Rate nor the Stepped Rate raise fairness concerns.**

2.4.3 An Increase in Cost, Complexity and Process

FortisBC submits that there will be an administrative and cost burden for both the Company and the affected customers associated with the introduction of stepped rates and does not support imposing these costs. FortisBC explains the costs are related to:

(i) Initial setting, and on-going review of CBLs;
(ii) Preparation of filing CBL documentation with the Commission;
(iii) On-going manual preparation of complex billing arrangements; and
(iv) Customer monitoring of cumulative annual consumption.

(FortisBC Final Submission, p. 6)

Commission Panel Discussion

The Panel agrees with FortisBC that the stepped rate design will result in an increase in cost, complexity, and process compared to the existing Flat Rate. However, given the small number of customers proposed to be subject to the Stepped Rate, the Panel will give these concerns little weight in the overall determination.

2.5 Commission Summary Determination on Stepped Rates

The Panel considers that before making any changes to previously approved rate design, the Panel should be satisfied that greater efficiencies or cost savings would accrue to the benefit of ratepayers overall, or that the existing rate is now outside of fairness norms from a cost causation perspective. The Panel should also be satisfied before making any changes to previously approved

rate design that the magnitude of the changes to the affected parties are acceptable and that benefits in the broad public interest would result.

The Panel acknowledges that FortisBC filed the Application to comply with a prior Commission directive. The specific goal of that directive was to support conservation. The Panel notes BCPSO's concern that FortisBC's Tier 2 price does not reflect FortisBC's current long-run marginal cost of power and is predicated simply on achieving an inclining rate structure that will incent customers to use less electricity. The Panel declines to rule on FortisBC's long-run marginal cost estimate, as this is best addressed in FortisBC's Performance Based Ratemaking (PBR) 2014-2018 Application. However, the Panel is concerned about making significant rate design changes while this uncertainty exists.

The Panel has already accepted that there is no 'problem', as customers have not indicated any desire for stepped rates nor have they indicated that a stepped rate structure would in fact result in positive behavioural changes. Finally, FortisBC, as the applicant, believes that stepped rates should not be mandated at this time.

The Panel agrees with FortisBC and BCPSO that the proposed Stepped Rate should not be mandated at this time. Accordingly, FortisBC's request to open RS 34 and the attached CBL Guidelines and to open RS 36 is denied.

The Panel also accepts FortisBC's withdrawal of it request to close the existing RS 31 Flat Rate.

The Commission Panel determines that the next appropriate time to review the potential effectiveness of a stepped rate and the appropriate basis for determining FortisBC's LRMC should be in conjunction with FortisBC's next Resource Plan expected to be filed in 2016.

Pursuant to Order G-12-14 the review of the application of Stepped Rates to customers with self-generation facilities was suspended. However, as the Commission has not approved a Stepped Rate for the transmission voltage customer's class any application of the unique elements of such a rate to self-generating customers within this class is no longer relevant as these customers will not have a stepped rate. As such, **the Panel determines that there is no longer a need to consider the application of a Stepped Rate for customers with self-generation facilities.**

3.0 THE STAND-BY RATE

3.1 Background and Context for the FortisBC Stand-by Rate

The key party that led to FortisBC's filing of the Stand-by Rate is Celgar. Celgar is a customer of FortisBC and operates a pulp mill at Castlegar, B.C. FortisBC and its predecessor companies have served the electricity needs of Celgar and its predecessors since 1959 (BC Hydro RS 3808 Amendment, Exhibit C2-10). The Celgar mill has a total load of 46.5 MVA and under most circumstances this load is satisfied by Celgar's 52 MW turbo generator. The Celgar pulp mill generates the steam it uses for its operations, including electricity generation, by burning wood waste and black liquor, a by-product of the pulp-making process.

From time to time, the turbo generator may be unavailable due to maintenance shutdowns or equipment failures. The pulp mill can operate independently of the turbo generator and therefore during these times Celgar needs a back-up source of power. (Celgar 2011 Complaint to BCUC, Exhibit B1-2, Appendix A)

More recently Celgar installed a second generator which became operational in September 2010. The newer 48 MW condensing turbine generator is now generating green electricity predominantly for use in the BC Hydro power grid by way of Celgar and BC Hydro entering into an Electricity Purchase Agreement under the 2008 Bioenergy Call.

In order to provide the reader with a background and context for the Stand-by Rate portion of the Application, this section gives an overview of the relevant regulatory rulings and the history of the rates charged to Celgar.

The following table summarizes the rate schedule and demand levels for Celgar between 2005 and the present.

Table 3 Summary of Rate Schedule and Demand Levels for Celgar between 2005 and the present

Date	Celgar Rate Schedule
February 15, 2005 to September 31, 2006	**Rate Schedule 31 and 2000 GSA** The 2000 GSA stipulated a contract demand of 16 MVA. Any excess of the 16 MVA contract demand provided on a reasonable efforts basis. All actual costs for supply above 16 MVA are paid by Celgar if FortisBC is forced to acquire added resources.
October 1, 2006 to January 1, 2011	**Rate Schedule 33 and a 2006 Draft GSA** The 2006 Draft GSA stipulated firm capacity of 10 MVA during the day and 25 MVA during the night and a Demand Limit of 40 MVA with no additional Demand charges for energy over the firm capacity.
January 2, 2011 to Present	**Rate Schedule 31 with no applicable GSA** (the 2006 GSA was deemed invalid by G-188-11) on an interim and refundable basis and ending when the Commission approves the new rate for Celgar that excludes BC Hydro RS 3808 Power from FortisBC's resource stack, and/or an Agreement forwarded by the parties.

3.1.1 Celgar – Pre 2006

On February 15, 2005, Celgar assumed and became party to a general service power agreement with FortisBC dated December 20, 2000 (2000 GSA) that had an Electricity Supply Brokerage Agreement (2000 BA) attached to it that formed part of the 2000 GSA.

The 2000 GSA provided that charges for service would be calculated in accordance with RS 31 with a contract demand of 16 MVA. In the event of a failure of the turbo generator, any requirement in excess of the 16 MVA contract demand was to be provided by FortisBC on a reasonable efforts basis as promptly as possible. In the case where FortisBC was forced to acquire added resource, Celgar was required to pay all actual costs for supply above 16 MVA.

There was also a provision for Demand Charges if stand-by supply occurred at the time of FortisBC's annual system peak and increased FortisBC's demand related charges under BC Hydro's RS 3808.

3.1.2 Celgar - 2006

In 2006 Celgar stopped taking service under RS 31 and the 2000 GSA. On October 1, 2006, Celgar started taking service under RS 33, which is a TOU Rate, pursuant to the terms of a new draft GSA and BA (2006 Draft GSA and BA) with FortisBC; however, the 2006 draft was never signed. (2009 RDA, FortisBC Final Argument dated June 30, 2010)

In the Draft 2006 GSA the parties agree that the 2006 Draft GSA replaced the previous 2000 GSA. The 2006 Draft GSA stipulated that FortisBC make available the firm capacity reservation of 10 MVA during the day and 25 MVA during the night. Further, it stated that the customer shall not exceed the demand limit of 40 MVA unless otherwise agreed in writing.

The Draft 2006 BA attached and the 2006 Draft GSA addressed the issue of back-up power required by Celgar due to the unavailability of its own turbo generator as follows:

> "Since the pulp mill can operate independently of the turbo generator, the Customer would like a backup source of power above the firm supply levels of 10 MVA between 8:00 am and 10:00 pm and 25 MVA between 10:00 pm and 8:00 am. If FortisBC was required to provide this backup by contract purchase from B.C. Hydro, the Customer could incur excessive costs for relatively minimal power consumption as a result of capacity charges imposed under the BC Hydro rate of supply for FortisBC. The intent of this electricity supply brokerage agreement is that should the customer's requirements exceed the Firm Capacity reservation, described above, then the customer shall pay the equivalent of Rate Schedule 33 as more fully described below." [3]

Celgar and FortisBC continued negotiations towards a mutually agreeable GSA. In 2008 a second draft agreement was reached but withdrawn before its execution by FortisBC due to the Commission's Decision by Order G-48-09 that approved BC Hydro's amendment to section 2.1 of Rate Schedule 3808. As a result, Celgar and FortisBC continued to operate largely under the terms of the unsigned Draft 2006 GSA and BA.

3.1.3 2009 - FortisBC Rate Design and Cost of Service Analysis Application

On October 30, 2009, FortisBC filed the "FortisBC 2009 Rate Design and Cost of Service Analysis Application" (2009 RDA) which started a sequence of regulatory proceedings that led to FortisBC filing for approval of the Stand-by Rate.

In the 2009 RDA Decision issued on October 19, 2010, the Commission determined that under the current circumstances Celgar was ineligible to take service under RS 33 and directed FortisBC to

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[3] Agreement dated October 1, 2006 between Zellstoff Celgar Limited Partnership (the Customer) and FortisBC Inc. (FortisBC); FortisBC response to BCUC IR-2, Appendix A34.7 in the FortisBC 2009 Rate Design and Cost of Service

provide Celgar service under RS 31 effective January 2, 2011. This resulted in Celgar and FortisBC operating solely under the terms of RS 31 with no GSA and BA.

The 2009 RDA Decision provided the following key reasons:

- There is no current signed GSA as stipulated by RS 33. The last signed GSA was the 2000 GSA but it referenced RS 31 and therefore was not applicable to RS 33; and
- FortisBC failed to explain how the current low load factor could qualify as "satisfactory" as stipulated by RS 33. (2009 RDA Decision, p. 67)

In regards to the second point, the COSA recommendations highlighted Celgar's situation on RS 33 as compared to other industrial transmission customers of FortisBC on RS 31. The revenue-to-cost (R/C) ratios for Celgar (the only customer on RS 33) were in the 22 percent to 25 percent range, which was very low compared to RS 31 customers whose R/C ratio exceeded 100 percent. The R/C ratio for RS 33 was low largely due to significant under collection of wires-related charges (2009 RDA, Exhibit B-3-4, Celgar 1.24.0). According to this, Celgar was not paying its fair share of transmission costs while being on RS 33. Celgar's self-generation allowed it to avoid the on-peak energy periods most of the time and, therefore, avoid most of the transmission costs. It appears that either the pricing of the TOU Rate or the load was causing the outcome.

The Commission further stated on page 67 of the RDA Decision: "Based on the evidence and determinations related to Celgar…the Commission Panel also recommends that FortisBC and Celgar reconsider the options available for designing a practical and workable rate schedule for Celgar. For instance, a stand-by rate similar to that offered by BC Hydro might still be an option..."

In mid-December 2010, FortisBC and Celgar exchanged drafts of a GSA that was intended to be effective January 2011 (Draft 2010 GSA). The initial draft of the agreement was prepared by FortisBC and had a draft BA appended to it (Draft 2010 BA). The main operating provisions of the Draft BA were, in all material respects, identical to those of the 2000 BA, with revisions essentially limited to the updating of the contract demand to 8 MVA.

3.1.4 2010 - Celgar Application for Reconsideration

On December 3, 2010, Celgar applied for a reconsideration of the 2009 RDA Decision. The Commission denied the request by Order G-3-11, dated 12, 2011, as it did not meet the Commission's threshold test for reconsideration. The Commission reminded the parties that it had urged FortisBC and Celgar to find a negotiated solution and concluded that reconsideration was premature as the outcome of negotiations was yet unknown. However, the Commission suggested that Celgar's recourse should be more appropriately addressed by way of a complaint, in the event that the parties cannot reach an agreement. (Celgar Reconsideration Decision, Order G-3-11, p. 11)

3.1.5 2011 - Celgar Complaint

On March 25, 2011, Celgar filed "A Complaint Regarding the Failure of FortisBC and Celgar to Complete a General Service Agreement and FortisBC's Application of RS 31 Demand Charges," (Celgar Complaint) which in turn resulted in Order G-188-11 dated November 14, 2011. The complaint was regarding FortisBC's application of RS 31 Demand Charges in calculating Celgar's invoices subsequent to January 2, 2011.

Regarding whether Celgar and FortisBC can be said to be operating under the terms of an unsigned agreement or "prior arrangements," the G-188-11 Decision noted that the unsigned 2006 agreement was specific to RS 33. The Commission determined that the terms of the unsigned 2006 Agreement did not apply to RS 31 and therefore there was no pre-existing agreement in effect that modified the billings to Celgar under RS 31 after January 2, 2011 (Order G-188-11, Decision, pp. 10-11).

By way of Order G-188-11 the Commission also directed FortisBC to bill Celgar in accordance with RS 31 on an interim and refundable basis, beginning March 25, 2011 and ending when the Commission approves the new rate for Celgar that excludes BC Hydro RS 3808 Power from FortisBC's resource stack, and/or an Agreement forwarded by the parties. Any differences between the interim rate and that ultimately approved by the Commission are subject to refund/recovery.

The Commission also noted in that Decision that FortisBC had changed its system planning criteria in 2010 to be based on Celgar's actual historical demand, rather than on the 16 MVA that was the contract demand in the 2000 GSA. FortisBC "… commenced using 40 MW for the Celgar load in recognition of the fact that many times in previous years the actual recorded peak demand at the facility was much greater than the 16 MW value which had been used previously." The Commission emphasized that FortisBC should not significantly alter the amount of firm service used in system planning (which in turn affects COSA) without consulting the customer affected. The Commission Panel considered that, if the two transmission lines serving Celgar are lightly loaded, the outcome of its system planning will likely be unaffected by whether 16 MVA or actual historical demand were used as the load remains below capacity. (Order G-188-11, Decision, p. 46)

Order G-188-11 also directed FortisBC to submit an application by May 31, 2012 for a stand-by rate designed to address Celgar's circumstances and also to address how the stand-by rate takes account of its system planning criteria. The Commission contemplated that the stand-by rate would be offered in conjunction with RS 31 and that the Demand Charge of RS 31 will continue to apply to the billing demand as determined by the stand-by rate. In this regard, the Commission referenced BC Hydro's RS 1880 as one example of a stand-by rate whose application appropriately recovers the costs of providing service in BC Hydro's service area. The Commission concluded that the stand-by rate would be the means through which FortisBC would recover its costs associated with the infrastructure used to provide service to Celgar. The Commission made no determination regarding the level of firm versus non-firm service, leaving it to the parties to negotiate. (Order G-188-11, Decision, pp. 45-46)

3.2 Applicability of Stand-by Rates

3.2.1 Transmission Voltage Customers

The Application before the Commission titled "FortisBC Inc. Application for Stepped and Stand-by Rates for Transmission Voltage Customers" (emphasis added) addresses Transmission customers. However, it appears that the Stand-by Rate filed with the Commission is intended to also apply to Distribution customers.

FortisBC submits the Stand-by Rate (i) is intended to be suitable for all customers, current and future, with self-generation and (ii) is meant to form part of an overall offering when used in conjunction with an underlying Large Commercial Service – Transmission Rate (FortisBC Reply, p. 1).

The Draft Tariff for RS 37– Stand-by Service does not specify that the Stand-by Rate applies only to Transmission Voltage Customers. In fact page 8-8, Special Provisions 1, states: "Underlying Rate – A Customer taking service under this rate must also be contracted to receive service under one of the Company's Commercial rates that incorporates a Demand Charge." (emphasis added) (FortisBC Final Submission, Appendix A, pp. 6-8) The Definition of Commercial customers[4] in FortisBC's Electric tariff included Distribution voltage customers as well as transmission voltage customers.

FortisBC has stated that "A stand-by rate for this rate class [Distribution] could be developed but it would need to be different from the rate proposed in this application as components such as the loss rate and wheeling charges would be different." (Exhibit B-4, BCUC 1.35.1)

Commission Determination

The Commission Panel determines that the Stand-by Rate will be available to Transmission Customers only. FortisBC is directed to update the language in Rate Schedule 37, Special Provision 1, to clearly indicate that the Tariff is only available to Transmission Customers.

The Panel understands that some of the terms of the rate may very well be appropriate for other Commercial customers; however, this was not the subject of the Application currently before the Commission and was not considered by the Panel. For further clarity, a determination on Stand-by Rates for Distribution customers is not within the scope of review of this Application.

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.

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[4] See Appendix B for a list of what is included in FortisBC's Commercial customers' class.

3.2.2 Retroactive Application to Celgar

In its Reasons for Decision to Order G-202-12, the Commission stated that based on the load behaviour filed by Celgar, stand-by service after March 25, 2011 (interim period) may be appropriate. The Panel further stated that without further information on Celgar's load behaviour after this period, it cannot make any further determination.

On February 3, 2014, by Order G-12-14 in relation to the Application, the Commission determined that it would not be reviewing the retroactive application of rates to Celgar at this time and would address the issue in due course. **As such the Panel makes no determination at this time whether or not a final approved Stand-by Rate will be appropriate for service between March 25, 2011 and the effective date of Rate Schedule 37.**

The Panel will address whether it is appropriate to apply the Stand-by Rate retroactively to Celgar when it reviews the retroactive application of rates for Celgar.

3.2.3 Need for Stand-by Rates and the Divergent View in their Design

A stand-by rate is a rate paid by a customer whose electric requirements are served in part by its own self-generation and in part by services delivered from the utility. Such customers are sometimes referred to as partial requirements service customers. Stand-by tariffs establish the rates, terms, and conditions of service by which the self-generating customer can secure service under certain circumstances.

Customers with self-generation pay stand-by charges to ensure that, in the event of either a planned or unplanned outage of their on-site generator, the customer has the ability to purchase power to replace what would normally be self-generated. The idea of a stand-by rate is that the utility has to be ready in a 'stand-by' mode to deliver the energy whenever the self-generating customer needs it.

Stand-by rates have often been contentious. The following offers a concise overview of the long-standing stand-by rate debate.

> "The instillation of DG [distributed generation or self-generation] reduces utility power sales revenue, may cause the utility to incur costs for power purchases or losses on power sales for power expected to be used by DG customer, and reduces rate revenue from non-power related charges in rates (such as "wires" charges…), and so on. These costs would shift to other non-DC customers if the utility did not recover them specifically from the self-generating customer. This constitutes a subsidy of DC customers by other ratepayers. By the same token, DG systems provide potential benefits to the utility and, by extension other ratepayers. Accordingly, DG customers feel they are subsidizing the utility and other ratepayers."

> "Most parties agree that there should be a standby rate structure based on cost causation principles, meaning the rate should allow the utilities to recover all costs that the distributed generation [self-generation] customers impose on the system but nothing more. There is considerable disagreement, however, as to what costs and benefits the distributed generation project actually imposes on the system. Also, the parties dispute how and to what extent such costs and benefits should be incorporated into the standby rate structure. … Utility providers and distributed generation advocates vastly disagree over the factors that should be included in the standby rates."[5]

Advocates for self-generation seek minimal stand-by rates based on the premise that self-generation provides benefits in the form of deferred or permanent reduction in the need for utility-provided generation, transmission, and distribution capacity.

Utilities, on the other hand, argue that the theoretical benefits for self-generation are insubstantial if located in an unsuitable area or operate erratically, and low stand-by rates can result in self-generating customers avoiding infrastructure costs associated with back-up generation and wires services.

This contentious issue was addressed by the Ontario Energy Board. On page 30 of its 2000 Decision on a rate design application by Ontario Hydro (RP-1999-0044) it states:

> "Key aspects of the debate are the positions taken on the responsibility for sunk costs and the user pay principle. The diametrically opposed interpretation of the user pay principle in this case proved of little value to the Board in resolving the issue. To the proponents of gross load billing, the user pay principle means that the sunk costs of the transmission system must continue to be shared by those for

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[5] http://www.michigan.gov/documents/energy/NRRI_Electric_Standby_Rates_419831_7.pdf

whom the transmission capacity was built. For the proponents of net load billing, the user pay principle dictates that a customer should only pay for the services that the customer uses."

The Panel will bear in mind the Stand-by Rate debate in its deliberations.

3.3 Evaluation of the Stand-By Rate (Rate Schedule 37)

In the Application, FortisBC is applying for the approval of RS 37 Stand-by Service Rate (Stand-by Rate).

The following table summarizes FortisBC's proposed Stand-by Rate including a reference to the applicable section of the Decision where it is addressed.

Table 4 Summary of the Proposed Stand-by Rate and Relevant Charges in RS 31

	RS 37 – Stand-by Rate	**Decision Section**
Availability – Replacement Power	In any hour replacement (Stand-by) power will be available to a maximum of the difference between the power normally supplied by the customer own resources and the customer generation in that hour	Section 3.8.3
Notification Fee	$200 per use	Section 3.4
Energy Charge	Energy charge for replacement power is determined by:	Section 3.5
	a. The hourly Dow Jones Mid-Columbia (Mid-C) per kWh price for the hour in which the stand-by power is taken by the Customer (not to be lower than $0).	Section 3.5.1
	b. System Losses as per Rate Schedule 109 (currently 6.08 cents)	Section 3.5.2
	c. Hourly Transmission Charges per Rate Schedule 102 plus $0.0040 per kWh	Section 3.5.3
	d. Administrative premium of 10 percent	Section 3.5.4
Restrictions • Maintenance (pre-scheduled) Service	Scheduled no less than 30 days prior to its use. Limited to no more than six occurrences and not more than 60 days per year.	Section 3.6
• Back-up (unscheduled) Service	Limited to two occurrences per billing period. Customer must notify FortisBC within 30 minutes of taking this service	Section 3.6

	RS 37 – Stand-by Rate	Decision Section
• Demand Charges	A customer taking service under this rate must also be contracted to receive service under one of the Company's Commercial rates that incorporate a Demand Charge Other than as described in Special Condition #2, the maximum demand recorded during the period of Stand-by service will not be used in the calculation of Billing Demand in the underlying rate schedule	Section 3.4.1 Section 3.8.4.2
• Definition of Contract Demand (Special Condition #2)	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 RS 37, if monthly Demand exceeds the Contract Demand, the monthly Demand will become the Contract Demand thereafter.	Section 3.8.4.3
Underlying RS 31 Demand Charges[6]		
• Demand Charges: Power Supply Charge	Based on the underlying rate - $2.41 per kVA of maximum Demand in current billing period (per RS 37, not applicable while taking Stand-by service)	Section 3.7
• Demand Charges: Wire Charge	Based on the underlying rate - $4.29 per kVA of Billing Demand. Billing Demand is defined as the greatest of i. Eighty percent of the Contract Demand ii. The maximum Demand in kVA for the current billing month (per RS 37, not applicable while taking Stand-by service) iii. Eighty percent of the maximum Demand in kVA recorded during the previous eleven month period (per RS 37, not applicable while taking Stand-by service)	Sections 3.8.4.1 and 3.8.4.2

Source: Summarized from FortisBC Final Submission, Appendix A

FortisBC's proposed Stand-by Rate is available as either Maintenance Service or Back-Up Service and is strictly for the continued operation of the customer's facilities at times when the customer owned generation is unavailable and cannot be used by the customer in the fulfillment of any power sales obligations.

[6] In its determination on the Stepped Rates, the Panel did not approve RS 36 and directed for RS 31 to remain in effect. Therefore, the applicable Demand Charges in the underlying rate are those in RS 31.

The Notification Fee, Energy Charge, Restrictions to its Use, Demand Charges including Availability, will each be evaluated individually.

3.4 Notification Fee

FortisBC proposes a $200 Notification Fee to be assessed on a per use basis which is intended to recover costs associated with the additional work required to administer the complex billing. (Exhibit B-1, p. 36) FortisBC submits that it provides an incentive for a customer to manage and maintain self-generation assets properly (FortisBC Final Submission, para. 56).

The proposed Notification Fee has not been the subject of much debate although Celgar submits that FortisBC did not provide justification for the Notification Fee and it should not be approved (Celgar Final Submission, para. 101).

BCPSO submitted that "The inclusion of a Notification charge is also reasonable as they recognize that additional work will be required by FortisBC staff to support the provision of Stand-By Service." (BCPSO Final Submission, para. 34)

Commission Determination

The Panel recognizes the requirement for FortisBC to be compensated for its additional costs to administer the billing of RS 37. The Panel considered requesting FortisBC to provide further justification of the costs in its next Rate Design and COSA Application but in the end determined that the amount was relatively insignificant to the overall bill and that the additional work required by FortisBC to do this would provide little cost benefit.

The Panel approves a $200 per occurrence Notification Fee as it provides a reasonable and sufficient estimate for the recovery of the administrative effort related to billing under RS 37.

3.5 Energy Charge

FortisBC proposes an energy charge for energy taken during the period for which stand-by service is requested based upon the Mid-Columbia (Mid-C) market price. The formula proposed is the hourly Dow Jones Mid-C per kWh price for the hour in which the stand-by power is taken by the Customer, adjusted for system losses and transmission charges. FortisBC also proposes the inclusion of a 10 percent administrative premium. (FortisBC Final Submission, p. 12)

FortisBC proposes the hourly charge to be calculated as follows:

*[(Standby Energy x (1 + loss rate %)) x (Mid-C + RS 102 Rate + 0.0040)] * 1.10*

3.5.1 Hourly Rate (Mid-C)

FortisBC states that because stand-by power is required for short term, unplanned periods, and only on an ad hoc basis, the most appropriate basis for pricing such energy is with reference to a market based rate (Exhibit B-1, pp. 36-40). FortisBC explained that customers who are able to leave utility service through the use of self-generation can also arrange for their own stand-by service from the market (Exhibit B-15, BCUC 1.11.1).

FortisBC noted that because RS 37 provides a firm energy service, there is a general risk that for any given hour it may not be able to access Mid-C markets. However, FortisBC considers this would be a relatively rare occurrence, and the risk is no greater or lower than that faced by all FortisBC customers served on rate schedules that make no distinction between firm and non-firm energy. FortisBC further noted that inability to access Mid-C markets most recently occurred in the later part of October 2013 and lasted for about a week; however, during that time, supplies from Powerex remained available. (Exhibit B-15, BCUC 1.11.2)

Commission Determination

The use of a Mid-C based index to price stand-by energy was largely uncontested, although Celgar referenced the hourly Platts, McGraw Hill Financial (Platts) Mid-C index instead of the Dow Jones index referenced by FortisBC (Celgar Final Submission, Appendix C).

The Panel considers there is potential for the energy supplied under the stand-by service to be provided by energy marketers in a competitive environment. However, the current energy market may not yet be sufficiently mature to require that FortisBC's self-generating customers use energy marketers to obtain stand-by energy. The Panel agrees that, until such time as there is a workably competitive market for the provision of this service, FortisBC should be required to provide energy under the stand-by service using a market price estimate.

The Panel notes that there is a risk FortisBC may not be able to access Mid-C markets when it is asked to provide stand-by service. This may result in FortisBC paying a higher price for energy than that received under RS 37, or a reduced level of reliability for its customers (including customers taking stand-by service).

Nevertheless, the Panel accepts FortisBC's assurance that this is expected to be a relatively rare occurrence and notes that FortisBC's proposed RS 37 includes a 10 percent administrative premium which would act to mitigate the financial risk. The Panel also notes that, should the risk of material price separation between the Mid-C market and the FortisBC localised energy market increase significantly, FortisBC could offer curtailment options to its customers (including stand-by customers) to better tailor the energy prices of its products to customers' reliability preferences.

In regards to the Mid-C index, the Commission, in Order G-214-13, approved a request by BC Hydro to replace references in its Electric Tariff and the Open Access Transmission Tariff to Mid-C indices published by Dow Jones Indices with references to equivalent indices published by Platts. BC Hydro stated in its Application that, effective September 13, 2013, S&P Dow Jones Indices ceased calculating the Dow Jones U.S. electricity Indices.

As such, the Panel approves FortisBC's proposal of using the hourly Mid-C per kWh price for the hour in which the stand-by power is taken by the customer (not to be lower than $0) as the starting point for a market price proxy. However, 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.

3.5.2 System Loss Rate

FortisBC proposes that the Energy Charge include an adder for System Losses which is currently 6.08 percent as per RS 109. No Interveners took exception with this adder.

Commission Determination

The Commission approves the System Loss Rate Adder as proposed by FortisBC and the use of FortisBC's RS 109 to determine the charge as they are both reasonable and no parties have taken exception to it.

3.5.3 Hourly Transmission Charge

FortisBC proposes that the Energy Charge include an adder for (i) Hourly Transmission Charges (as per RS 102) for wheeling of electricity on FortisBC's network, and (ii) Hourly Transmission Charges from the Mid-C hub to the border of $0.0040/kWh (Exhibit B-1, p. 36).

With the exception of Celgar, no Interveners took exception with either of the adders. Celgar did not include the $0.0040/kWh Hourly Transmission Charges from the Mid-C hub to the border in its proposed RS 37 (Celgar Final Submission, Appendix C). Celgar also argued that the RS 102 Hourly Transmission Charge collected as part of the energy charge, alone, would fully compensate FortisBC for the use of its network (Exhibit C2-6, p. 18).

Commission Determination

The Panel agrees with Celgar that FortisBC's network related costs for the provision of stand-by service are recovered through (i) the contract Demand Charge of RS 31, and (ii) the RS 102 Hourly Transmission Charges. Given the low load factor of stand-by customers, the Panel considers that network costs related to the provision of stand-by service are more appropriately recovered through the Wires Demand Charge than the Energy Charges. The Panel further considers that the transparency and simplicity of RS 37 will be enhanced if FortisBC's network related costs are not also recovered through the RS 102 Hourly Transmission Charges.

The Panel therefore rejects the inclusion of the RS 102 Hourly Transmission Charges in RS 37. The Panel will address the appropriate level of network related Demand Charges for stand-by service separately in Section 3.8.

The Panel does, however, consider that RS 37 should approximate the cost to a stand-by customer purchasing stand-by energy from the market, which includes the cost of wheeling the energy from the Mid-C hub to the border. **The Panel therefore approves the inclusion of the Hourly Transmission Charges from the Mid-C hub to the border of $0.0040/kWh.**

3.5.4 Administrative Premium

FortisBC proposes that the Energy Charge include an administrative adder of 10 percent (Exhibit B-1, p. 36). Mr. Saleba, on behalf of FortisBC, considers that a 10 percent administrative adder applied to a market purchase is standard practice and that FortisBC does face additional costs with managing the power supply required during self-generating customer outages. (FortisBC Final Submission, p. 13)

Celgar argues that FortisBC has not provided any cost-causation evidence to support this administrative premium and that in the absence of evidence relevant to the application of cost causation principles, the administrative premium is excessive and should not be approved. (Celgar Final Submission, para. 100)

BCPSO concludes the inclusion of an administrative mark-up is also reasonable as it recognizes that additional work will be required by FortisBC staff to support the provision of stand-by service. (BCPSO Final Submission, para. 34)

Commission Determination

The Panel finds that FortisBC's administration costs of obtaining the energy related to the provision of stand-by service should be recovered in the Administrative Premium. Further, the Panel has previously noted that FortisBC faces a risk that for any given hour FortisBC may not be able to access Mid-C markets and may have to purchase energy from a more expensive source. The Panel

has also previously noted that there is potential for the energy supplied under RS 37 to be provided by energy marketers in a competitive environment.

For these reasons the Panel considers that a 10 percent premium is reasonable in that it both protects FortisBC's ratepayers from pricing risk and promotes innovation over the longer term by encouraging energy marketers to compete with FortisBC in offering this service.

The Panel approves the inclusion of an energy price premium of 10 percent to recover any additional costs with managing the power supply required during self-generating customer outages, protect FortisBC from pricing risk, and encourage competition in the provision of stand-by energy supply.

3.6 Restrictions

The FortisBC proposed RS 37 contains a limitation on the number of times in a billing period that a customer may call upon stand-by service as shown below.

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 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 opinion of FortisBC, the limitation on the use of stand-by service is appropriate and required in order to differentiate stand-by customers from any other similar customer who must bear the full cost to provide service (Exhibit B-6, Celgar 1.28.2).

BCPSO agrees with FortisBC on the appropriateness of some limitation on the use of stand-by service, and considers the limitations proposed as reasonable and consistent with the premise that the customer's generators are generally reliable. (BCPSO Final Submission, p. 8)

Celgar, however, argued the limitations on the use of stand-by or back-up power are not justified. Celgar considers that, in order for these limitations to be justified, FortisBC would need to present solid evidence that exceeding these limitations would cause the Company to incur additional costs for which the charges under the rate schedule do not provide fair compensation (Exhibit C2-6, p. 19).

FortisBC submits that the rationale for such a limitation is articulated by Mr. Saleba in his evidence which says in part, "In my experience a total of 24 outages per year is much higher than what would be needed for a typical generating plant of this type, and should therefore not place an undue burden on Celgar if it is adequately maintaining and operating its plant." (FortisBC Final Submission, para. 64) FortisBC also stated that it assumed that any period of load on the FortisBC system that was separated by an instance of Celgar having generation output was a separate stand-by (back-up) period. (Exhibit B-9, BCPSO 2.25.4)

Celgar argues that FortisBC's assumption, which counts every transition between export and load as a separate event, is incorrect and states that in reality transitions occurring during a process ramp-up, which are associated with the initial stand-by (back-up) event, should be considered a single event rather than multiple events.

The following table identifies each separate occurrence of Celgar's load on the FortisBC system between March 2011 and March 2013.

Table 5 Celgar's Occurrence of Load on the FortisBC System

2011		2012		2013	
Month	Occurrences	Month	Occurrences	Month	Occurrences
March	1	January	12	January	1
April	1	February	12	February	2
May	2	March	2	March	6
June	21	April	0		
July	16	May	3		
August	4	June	8		
September	13	July	7		
October	2	August	4		
November	0	September	9		
December	7	October	11		
		November	10		
		December	7		

Source: Exhibit B-9, BCPSO 2.25.4

Celgar notes that it returns to self-supply as fast as reasonably possible. On occasion, this results in a second or third and sometimes fourth occurrence from the same event. (Exhibit C2-6, p. 5) Celgar also submits that once stand-by (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. (Exhibit C2-11, BCPSO 1.2.1)

Mr. Saleba, for FortisBC, states: "It is not the intention of FortisBC to count the starts and stops during a ramp up period after an outage - the election of the standby period is entirely at the discretion of the customer. Celgar has stated its outages occur on average 1.7 times per month. This is well within the 2 occurrences per month." (Exhibit B-13)

Celgar further submits 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. (Exhibit C2-11, BCPSO 1.2.1)

Commission Determination

Firstly, the Panel agrees with FortisBC that RS 37 should include usage restrictions to ensure that the type of customer using the Stand-by Rate is consistent with customer type assumed by FortisBC in the pricing of the Stand-by Rate. 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. However, the Panel is also mindful that the usage restrictions should not be so narrow as to result in inefficient outcomes for stand-by customers – for example by causing stand-by customers to shut down operations rather than access the stand-by service. Usage restrictions must also take into account the generation characteristics of future potential users of stand-by service, not just Celgar.

Secondly, the Panel agrees with Celgar that, in general, 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.

Lastly, in regards to Celgar's submission 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, the Panel will address this in its evaluation of "When Stand-by Service is Initiated" in Section 3.8.4.

However, the Panel does not consider that there is sufficient evidence to determine if the proposed usage restrictions strike the right balance between being overly restrictive or too permissive. The issue is further confused by the lack of clarity regarding (i) when an outage occurrence starts and stops; (ii) what a normal level of outages would be for other generating plants who may wish to use stand-by service in the future; and (iii) what is considered a back-up event.

The Panel is therefore unable to make a determination at this time as to whether the usage restrictions proposed in RS 37 are appropriate without additional information and clarification.

The Panel also notes a typographical error in RS 37 (Sheet 121), where under Part B – Back-up reference is made to 'Special Condition 2' rather than 'Special Condition 3' which needs to be corrected.

3.7 Demand Charges – Power Supply

As a result of the FortisBC 2009 RDA the Demand Charges in RS 31 were broken out into two component parts: a Power Supply Charge and a Wires Charge, each of which will be addressed separately.

Demand Charges – Power Supply

FortisBC states that the Power Supply portion of the Demand Charge is not assessed during periods of stand-by service (FortisBC Final Submission, p. 12).

Celgar states that the proposed rate schedules do not include a provision that would serve to exclude the Power Supply portion of the Demand Charge as suggested by FortisBC.

Celgar further submits that the non-firm characteristics and market based energy pricing associated with Celgar's proposed RS 37 make it inappropriate and unfair for there to be any Demand Charge component associated with the provision or consumption of stand-by service including the Power Supply Demand Charge (Celgar Final Submission, p. 39).

Commission Determination

The Panel agrees with FortisBC's and Celgar's position that the Power Supply Demand Charge should not be assessed during periods of stand-by service due to the market based energy pricing nature associated with the proposed RS 37 Energy Charge.

The Panel has reviewed RS 37 and RS 31 and agrees with Celgar that neither rate explicitly excludes the Power Supply Demand Charge during periods of stand-by service. RS 37 does state that maximum demand recorded during a billing period will not be used in the calculation of Billing Demand during periods of stand-by service (subject to certain conditions); however, the Power Supply Demand Charge in RS 31 is not impacted by Billing Demand.

For further clarity and certainty, the Panel determines that RS 37 must include language that explicitly excludes the Power Supply Demand Charge during periods of stand-by service.

3.8 Demand Charges – Wires

The Wires Demand Charge is the most contentious component of the proposed Stand-by Rate. The 2011 Celgar Complaint filed with the Commission drew attention to Celgar's grievance with FortisBC's application of the demand charges in RS 31 in calculating Celgar's invoices. The

divergent view was one of the driving forces in Celgar's rates being made interim. The following highlights the continuing divergent views regarding the proposed RS 37 Wires Demand Charge.

RS 37 Wires Demand Charge Proposed by FortisBC

- RS 37 proposes that during periods of stand-by service the Wires Demand Charge is to be based on the customers underlying rate (RS 31). However, the rate explicitly excludes certain RS 31 ratchets and as a result the Wires Demand Charge during periods of stand-by service is ultimately based on 80 percent of Contract Demand.
- 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.
- RS 37 proposes that stand-by service be initiated based on self-generation output capability and not on Contract Demand.

Wires Demand Charge Proposed by Celgar

- During periods of stand-by service there should be no Wires Demand Charge. However, Celgar proposes that a period of stand-by service should only commence once a customer has exceeded its Contract Demand (Celgar Final Submission, para. 29).
- For periods of service less than Contract Demand the Wires Demand Charge should be based on RS 31 including the Wires Demand Charge ratchet as well as the Energy Charge.
- Contract Demand should be based on a customer's requirement for firm capacity and once established should not change.
- Stand-by service is initiated based on Contract Demand. Once a customer exceeds its Contract Demand it is considered to be taking stand-by service.

In summary, Celgar and FortisBC have divergent views regarding:

1) The offering of non-firm (interruptible) service;
2) When stand-by service is initiated (availability of stand-by service); and
3) Establishing and resetting of Contract Demand.

There is further disagreement between Celgar and FortisBC regarding certain aspects of the framework for the evaluation of the Stand-by Rate Design. The Panel will address this issue first, followed by an evaluation of the matters where Celgar and FortisBC have divergent views.

3.8.1 Framework for the Evaluation of the Stand-by Rate Design

3.8.1.1 BC Hydro RS 1880

Celgar believes that unjustified differential treatment would exist if (i) Celgar is allowed to access only firm stand-by service whereas BC Hydro industrial self-generator customers are allowed to access non-firm stand-by service, and/or (ii) Celgar is charged for its service on a completely different basis, applying different rate design principles than industrial customers with self-generation in BC Hydro's service territory. (Exhibit C2-9, BCUC 1.1.2) Celgar suggests that while the stand-by rates for BC Hydro and FortisBC may differ, there should be a rational basis for the difference.

The Commission, on page 33 of its Reasons for Decision on BC Hydro's 2007 Rate Design Application Phases II and III (G-171-07) stated "Discrimination, when applied to rates for utility service, can only be of an 'intra-utility' nature and not 'inter-utility'."

In the Reasons accompanying Order G-110-12 in the matter of An Application by FortisBC Inc. for Approval of 2012-2013 Revenue Requirements and Review of 2012 Integrated System Plan, the Commission said at page 20:

> "FortisBC operates with a different set of supply resources and with a different customer base in terms of geography, population density and the residential/commercial/industrial mix it faces. The Commission Panel has no mandate, nor does it find it appropriate, to require FortisBC to manage its utility business to produce rates or programs identical to those of BC Hydro. The Commission Panel believes that FortisBC's responsibility is to provide safe and reliable service in a cost-effective manner consistent with British Columbia's energy objectives. To do so, FortisBC must design and manage its system based on the resources available to it and the needs of its customers. This, at times, may result in rates that are greater than those of BC Hydro and potentially times when they are less."

FortisBC states that it "will not seek to be consistent with BC Hydro in cases where it does not believe that the BC Hydro practice is appropriate for the FortisBC service are[a] or system."

FortisBC further states that the Company has long maintained that the BC Hydro stand-by rate is not a standard stand-by rate that appropriately charges for the service received. FortisBC views consistency as "nice to have", and will attempt to incorporate it where doing so is not an issue, but where the Company's views or circumstances require it, will propose rates that best suit FortisBC. (Exhibit B-6, Celgar 1.25.4)

Celgar further states that "BC Hydro recognizes the benefits self-generators provide. It makes available to its industrial customers very significant load displacement and other subsidies, such that it has subsidized the investment in virtually all significant self-generation in its territory, both directly through cash grants and loans, and indirectly. …FortisBC, on the other hand, does not provide any subsidies to self-generators. … Thus, whereas BC Hydro recognizes that self-generation is beneficial, and that the direct costs (investment) and indirect costs (resulting from large demand swings) should be spread across all its ratepayers, FortisBC is proposing that it capture the benefits of Celgar's self-generation for its other customers, but that it stick Celgar with all the costs." (Exhibit C2-9, BCUC 1.2.1)

Commission Panel Discussion

The Panel understands the benefits of FortisBC designing stand-by rates in its jurisdiction that are as similar as practical for all regulated utilities. However, unless, among other things, the base rates for full service customers are similarly designed it is difficult, if not impossible, to design a similar 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.

The Panel agrees with FortisBC's position that consistency is nice to have, but where FortisBC's views or circumstances require it, the approved Stand-by Rate must be what best suits the FortisBC service territory.

3.8.1.2 Other Jurisdictions

The Panel could look to other jurisdictions for guidance but tends to agree with FortisBC's position that "there is limited value in examining the stand-by rates of other jurisdictions. There tends to be some commonalities in rate components or approaches between some, however there is also a wide variation in rates that reflect legislative and regulatory requirements as well as the individual operating environments that differ between utilities."

More importantly the Panel agrees with FortisBC that "it is more appropriate to primarily consider its particular circumstances, customers, and operations." (Exhibit B-15, BCUC 1.10.1) The particular circumstances which the Panel considers of particular relevance to the design of the Stand-by Rate are (i) the Single Customer Concern and (ii) Government's Policy on Self-Generation in BC.

3.8.1.3 Single Customer Concern

As noted previously, FortisBC submits that the Stand-by Rate is intended to be suitable for all customers, current and future, with self-generation and is meant to form part of an overall offering when used in conjunction with an underlying Large Commercial Service – Transmission Rate. FortisBC further states that stand-by service should be designed to be properly suited to the FortisBC service area and operating characteristics, apply generally across all eligible customers, and reflect the costs involved in providing the service – including those pertaining to the infrastructure required. (FortisBC Final Submission, p. 9)

However, currently there is only one eligible customer for the proposed RS 37; therefore designing a rate that reflects the costs involved in providing stand-by service to future customers is problematic. If there were several eligible customers in the customer class whose costs were considered in designing the proposed Stand-by Rate there could be an argument that the costs of the group were generally representative of the costs involved in providing stand-by service to future customers. However, given that there is only one customer with unique circumstances, this is a challenge. As such, the Panel strives to evaluate a Stand-by Rate that will apply to future customers; however, it is also aware of the constraints.

3.8.1.4 Government Policy on Self-Generation

The *Clean Energy Act* received Royal Assent on June 3, 2010. It advances 16 specific energy objectives to help achieve British Columbia's energy vision, including new measures to promote electricity efficiency and conservation. Efficiency and conservation objectives are, broadly speaking, to "foster the development in British Columbia of innovative technologies that support energy conservation and efficiency and the use of clean and renewable resources" and "to reduce waste by encouraging the use of waste heat, biogas, and biomass."

Prior to the introduction of the CEA, the provincial government's emphasis on the promotion of energy efficiency was articulated in both the 2002 and 2007 Energy Plans. Within the 2007 Energy Plan, are two relevant policies: Policy Action #4: Explore with BC utilities new rate structures that encourage energy efficiency and conservation, and Policy Action #21: Ensure clean or renewable electricity generation continues to account for at least 90 percent of total generation.

The 2007 Energy Plan also states: "Government's goal is to encourage a diverse mix of resources that represent a variety of technologies;" and "To close [the] electricity gap will require an innovative electricity industry and the real commitment of all British Columbian's to conservation and energy efficiency." (2007 Energy Plan, pp. 9, 26)

The Celgar pulp mill utilizes wood waste, forest-based biomass and organic material to generate clean Bioenergy. Minister of Energy Bill Bennett is quoted: "I believe that renewable energy like this, its generation and the technology and knowledge around it, is a key to a prosperous future for British Columbia." (BC Hydro News Release, November 12, 2010)

Commission Panel Discussion

The Panel acknowledges that the Government's objective is the promotion of energy conservation and efficiency, including self-generation in 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. The Panel will be mindful of this in its deliberations.

3.8.2 Offering of Non-Firm (Interruptible) Service

The first matter where Celgar and FortisBC have divergent views is the offering, or rather lack of offering, of non-firm (interruptible) service.

FortisBC argues that certain submissions of Celgar proceed on an apparently different understanding of the intent of the Stand-by Rate. "…namely, its [Celgar's] wish for (1) what it calls "non-firm"/interruptible service." FortisBC goes on to submit that "Whether FortisBC should offer non-firm/interruptible service…are not the subject of this proceeding." (FortisBC Reply, p. 1)

The Panel disagrees with FortisBC's position and considers that the issue of offering interruptible stand-by service is completely within the scope of this Proceeding and finds it is a fundamental issue that requires a Commission Panel determination.

Position of the Parties

Celgar states that "[i]n the past, FortisBC's rate for non-firm service to Celgar was established by means of a brokerage agreement rather than a rate schedule. The brokerage agreements were then attached to a general service agreement that provided for both firm and non-firm service. Past general service agreements were filed with the Commission and approved, just as any other rate would be approved." Celgar further states that it had access to non-firm stand-by service since approximately 1993 when it first invested in self-generation. In summary, Celgar asserts that the 2000 BA made available non-firm stand-by service until approximately 2006. In 2006, for the most part, the parties operated under the unsigned 2006 Draft BA and GSA which continued to provide non-firm stand-by service to Celgar. (Exhibit C2-11, p. 5) Celgar provided several examples of occasions when FortisBC had restricted available power to Celgar (Exhibit C2-9, BCUC 1.9.1).

Celgar goes on to state that "[o]n January 2, 2011, FortisBC proposed a new agreement that would discontinue non-firm service to Celgar. That led to a complaint by Celgar [Celgar Complaint] that ultimately led to the current interim period that is the subject of this proceeding." (Exhibit C2-11,

p. 5) Celgar further stated that "the Commission Panel should consider the precedents established by past approvals of standby service." (Exhibit C2-9, BCUC 1.1.1)

On the other hand FortisBC stated "it has never had a Stand-by rate under which customers have taken service. The Brokerage Agreement has, at various, times been portrayed by Celgar as a kind of effective stand-by service and FortisBC has not objected to this characterization in the past; however, it is not accurate…" (Exhibit B-6, Celgar 1.30.6)

FortisBC further states "FortisBC conducts transmission planning based on the expected firm customer load. For Celgar, this is the 45 MW that has historically been recorded (Exhibit B-1, p. 40). Presently, FortisBC does not have, or have a need for, a tariff for interruptible service. On that basis, all load is considered firm for system planning purposes. Practically, from the perspective of impact to the Company or the system, there is no difference between firm and non-firm service. Thus, there is also no difference in cost to maintain the system. Given the above, and based on cost causation principles, there should not be a lower rate for any service that may be referred to as non-firm." (Exhibit B-6, Celgar 1.34.1) FortisBC explained that it "is not facing significant transmission investments at the present time and is not in a situation where its customers would benefit from a rate that induces reduced load …" (Exhibit B-15, BCUC 1.7.3) "Were a distinction put in place between firm and non-firm service it would be in name only and no cost savings would result." (Exhibit B-15, BCUC 1.5.4) By way of background, FortisBC also stated that "After the Waneta Expansion Capacity Purchase Agreement comes into effect in 2015, FortisBC's expected peak summer and winter capacity gaps essentially fall to zero." (FortisBC 2012 Long Term Resource Plan, Appendix B)

Celgar states "The proposed Standby Rate will move Celgar from standby service that FortisBC has consistently made available to Celgar since the late 1990s, which was fair and reasonable, with characteristics appropriate for Celgar, to a Standby Rate with availability characteristics that are not only not required by Celgar but will materially increase the cost of utility service to Celgar." (Exhibit C2-6, p. 5)

Celgar's expert witness Mr. Linxwiler testifies that "[u]ltimately, the type of service that is required and that should be offered by FortisBC, or any other utility for that matter, should depend on the type of load that is being served. If the load is non-firm load, in the sense that the customer can

withstand or tolerate lower than usual reliability, then non-firm service should be available to serve that load. If the customer is not able or willing to tolerate periodic and possibly frequent interruptions or curtailments, then the load should be considered to be firm, and firm service should be available. In either case, the service should match the customers' requirements as nearly as practicable." (Exhibit C2-6, p. 7)

Celgar also explained that it "has load shedding relays in place, although they are not currently programmed to respond to system supply constraints. The infrastructure is in place to allow the load shedding relays to be armed when FortisBC designates that non-firm backup is unavailable." (Exhibit C2-9, BCUC 1.9.3)

Commission Determination

The Panel agrees with Celgar that its Electricity Supply Brokerage Agreement effectively set out the terms by which FortisBC was to provide stand-by service to Celgar including a distinction between firm and interruptible service.

However, the Panel is persuaded by FortisBC's argument that its situation is different now and that there would be no benefit to FortisBC to provide non-firm service. If, for planning purposes, the costs are the same and the difference between firm and non-firm service would be in name only and no cost savings would result, then the Panel is in agreement that all service should be firm service. The Panel agrees with Celgar's expert witness that ideally the type of service that should be offered by FortisBC should match the customer's requirements as nearly as practicable; however, the Panel concludes that offering non-firm service is not practicable in this case.

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. The Panel therefore determines that offering only firm service does not make the proposed Stand-by Rate, on this basis alone, unjust, unreasonable, unduly preferential or unduly discriminatory.

However, in the Panel's view good rate design gives customers a strong incentive to use electric service more efficiently, to minimize the costs they impose on the system, and to avoid charges when service is not taken.

The Panel is concerned that FortisBC conducts transmission planning based on the expected 45 MW firm customer load. In its Decision to Order G-188-11, the Commission noted that FortisBC had changed its system planning criteria in 2010 to be based on Celgar's actual historical demand, rather than on the 16 MW that was the contract demand in the 2000 GSA. FortisBC "commenced using 40 MW in recognition of the fact that many times in previous years the actual recorded peak demand at the facility was much greater than the 16 MW value which had been used previously."

In that Decision, the Commission emphasized that FortisBC should not significantly alter the amount of firm service used in system planning (which in turn affects COSA) without consulting the customer affected. The Commission considered that, if the two transmission lines serving Celgar are lightly loaded, the outcome of its system planning will likely be unaffected whether Celgar's proposed 8 MVA, the historical 16 MVA, or actual historical peak demand were used as the load remains below capacity. FortisBC was also directed to design a stand-by rate and describe how this rate takes account of its system planning criteria. In the Application, however, FortisBC's only description is to state that "the load modeled in the power flow data use for system studies is the full load the customer may impose upon the FortisBC system, for Celgar this is 45 MW." (Exhibit B-1, p. 40) The Panel reiterates its position that FortisBC did not provide any explanation or support for using 45 MW and questions why FortisBC would do this when the Commission had explicitly indicated that FortisBC should not do this without consulting the affected customer.

FortisBC states that practically, from the perspective of impact to the Company or the system, there is no difference between firm and non-firm service and the Commission Panel has accepted this assertion. 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.

Therefore, if the costs are the same based on either load then there seems to be little harm in using 45 MW. However, in the event that there are cost savings to FortisBC of using an amount less than that the Commission would fully expect FortisBC to only use that amount required for its customer's firm needs.

3.8.3 Availability - When Stand-by Service is Initiated

The second matter where Celgar and FortisBC have divergent views is in determining when stand-by service is initiated.

RS 37 proposes that 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.

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). (Celgar Final Submission, para. 103) 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. (Exhibit C2-11, BCPSO 1.2.1)

FortisBC replies by stating it does not make sense to use Contract Demand to determine what purchases are considered as stand-by power. (FortisBC Reply, para. 56-57)

Commission Determination

Celgar's 8 MW demarcation point between taking service on the underlying rate (RS 31) and taking service under the Stand-by Rate (RS 33) based on firm Contract Demand appear 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 follows that the firm service being the demarcation point is no longer of any significance. The Commission Panel expresses its position on the determination and application of Contract Demand in Section 3.8.4.

The Panel considers that under the net-of-load operating environment,[7] which is currently the default operating environment in the FortisBC service area, it would appear that any time a customer requires supply from FortisBC it would either be for Back-up or Maintenance purposes.

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[7] Without consideration of the entitlement to embedded cost energy and the NECP Rate Rider.

Therefore, unless the customer is offside with one of the Restrictions in the Stand-by Rate, the customer would be always taking supply under the Stand-by Rate.

However, the Panel finds that there is an insufficient evidentiary record to determine if the language in the proposed RS 37 reflects this understanding or if this understanding is indeed accurate. Therefore, the Panel concludes that without additional information and clarification it is unable to make a final determination regarding when stand-by service is initiated.

3.8.4 Contract Demand

The final matter where Celgar and FortisBC have divergent views is with regard to Contract Demand.

There are three areas relating directly or indirectly to Contract Demand that that will be addressed individually.

1. Special Provision 1 (Section 3.8.4.1)
2. Billing Demand in the Underlying Rate (Section 3.8.4.2)
3. Special Provision 2 (Section 3.8.4.3)

3.8.4.1 Special Provision 1

RS 37 proposes the inclusion of the following Special Provision:

> Special Provision 1: Underlying Rate
> "A customer taking service under this rate must also be contracted to receive service under one of the Company's Commercial rates that incorporates a Demand Charge."

In Order G-188-11 the Commission contemplated that the Stand-by Rate would be offered in conjunction with RS 31 and that the Demand Charge of RS 31 will continue to apply to the billing demand as determined by the Stand-by Rate.

Commission Determination

This issue has gone uncontested and is consistent with what was contemplated in Commission Order G-188-11. **Therefore, the Commission Panel approves the inclusion of Special Provision 1 RS 37 other than for it being applicable to transmission voltage customers only as determined in Section 3.2.1.** The issues relating to when stand-by service is available and when do periods of stand-by service begin and end have been addressed by the Panel in Sections 3.6 and 3.8.3 and will not be addressed again here.

3.8.4.2 Billing Demand in the Underlying Rate Schedule

RS 37 proposes the following clause with regard to demand charges (FortisBC Final Submission, Appendix A):

> "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 in the underlying rate schedule [RS 31]."

RS 37 proposed that during periods of stand-by service the Wires Demand Charge is to be based on the customers underlying rate (RS 31). However, RS 37 explicitly excludes certain RS 31 ratchets and, as a result, the Wires Demand Charges during periods of stand-by service is ultimately based on 80 percent of Contract Demand.

Commission Determination

The Commission Panel finds that a Wires Demand Charges during periods of stand-by service based on 80 percent of Contract Demand is appropriate. **The Panel approves the inclusion of this clause in RS 37 which eliminates the following demand ratchets included in RS 31 during periods of stand-by service: (i) The maximum Demand in kVA for the current billing month, and (ii) 80 percent of the maximum Demand in kVA recorded during the previous eleven month period. The Panel finds that this is consistent with its finding in regard to Special Condition 2 and no party has taken exception to it.**

3.8.4.3 Special Provision 2

The Panel considers that Contract Demand should result in a fair contribution of the self-generating customer to the sunk costs of the network. However, what remains to be determined is how Contract Demand during periods of stand-by service should be determined and how this should be articulated in the Stand-by Rate.

RS 37 also proposes the inclusion of the following Special Provision:

> Special Provision 2: Contract Demand
>
> "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 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 RS37, 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."

As a result of FortisBC's proposed Special Provision 2, the customer's Contract Demand will increase for the full amount of capacity taken at any time, including during periods of stand-by service, and will remain at that amount permanently. This will effectively result in a stand-by Demand Wires Charge based on the highest demand ever taken by the customer.

FortisBC states that it must maintain infrastructure that is capable of servicing the full load, regardless of how intermittent that load may be, and as the timing of the load is unpredictable, transmission capacity must be available at all times in order to ensure that back-up loads are fully met.

FortisBC takes the position that a self-generating customer that chooses to serve a portion of load from its own resources has the opportunity to reduce its energy related costs by replacing utility supply with low cost self-generation. However, FortisBC points out these customers should not also be able to avoid the costs associated with the provision of the infrastructure required to support the self-generator load during periods when self-generation is unavailable. (FortisBC Final

Submission, p. 9) On the other hand, FortisBC acknowledges that the generators are generally quite reliable and that there is diversity on the system that needs to be recognized in designing these rates. (Exhibit B-1, p. 37) FortisBC further states that it does not have any reason to conclude that Celgar is not properly maintaining its generation assets." (Exhibit B-15, BCUC 1.9.1.1)

FortisBC argued that "The stranded cost issue does not evaporate because a customer has been connected for a given amount of time. If a customer is served by infrastructure that generated revenue based on the billed load of the customer, and the revenue from that customer drops without a commensurate reduction in costs, other customers will be impacted." (Exhibit B-15, BCUC 8.2.2)

Celgar submits that "[t]he proposed rate regime [Special Provision 2] has no precedent in British Columbia, has yet to be approved by the Commission under any circumstances, and should not be approved by the Commission in this Application." (Celgar Final Submission, para. 37)

Linxwiler, on behalf of Celgar states, "The proposed [Stand-by Rate] pricing is excessive because (i) it is not based on legitimate system planning considerations, (ii) it does not properly match capacity and energy prices, (iii) the demand-related rates for the proposed service have not been shown to be appropriate and are likely to be quite excessive, and (iv) certain other aspects of the proposed rate are not cost-based or adequately justified. Furthermore, the rate proposed by the Company is anticompetitive and discriminatory. It provides an undue preference in favor of FortisBC's own generation as compared to potential new customer-owned generation."

Celgar further stated, "Celgar believes that it is accepted industry practice in Canada and elsewhere for utilities to require stand-by capacity charges [wires charge] for firm back-up service. There is, however, considerable diversity in the levels of such charges and the basis for them. That the appropriate bases for such charges are not widely agreed upon seems to be supported by the fact that the Ontario Electricity Board has recently undertaken the referenced consultation process." (Exhibit C2-9, BCUC 1.8.1.2, 1.8.1.3)

Commission Determination

The Panel appreciates that stand-by rates have often been contentious and there is a long-standing stand-by rate debate. As previously highlighted, advocates for self-generation seek minimal stand-by rates based on the premise that self-generation provides benefits in the form of deferred or permanent reduction in the need for utility-provided generation, transmission, and distribution capacity. Utilities on the other hand argue that the theoretical benefits for self-generation are insubstantial if located in an unsuitable area or operate erratically, and low stand-by rates can result in self-generating customers avoiding infrastructure costs associated with back-up generation and wires services.

FortisBC's proposal effectively sets a 'one size fits all' wires charge for stand-by service at a Wires Demand Charge equal to 80 percent of the maximum Contract Demand, which is reset any time the existing Contract Demand is exceeded. Celgar is proposing a similar one size fits all network charge for stand-by service of a Wires Demand Charge equal to 80 percent of the requested firm Contract Demand and no additional Wires Demand Charge for any non-firm stand-by service above that.

The Panel considers that stand-by wires charges should be set such that they do not inadvertently either restrict the growth of cost-effective distributed generation, or promote uneconomic bypass. Wires charges should also result in a fair contribution to the sunk costs of the utility's network, although the Panel notes the difficulty in determining the fairness of a Wires Demand Charge from a cost causation perspective.

The Panel finds that determining the appropriate stand-by network charges (Wires Demand Charge) for self-generating customers is more of an art than a science. For example, the design of an appropriate stand-by wires charge could be different for different customers (depending on where the generator is located, the size of the generator, whether the self-generation is classified as BC clean energy). The appropriate wires charge could also change over time for example, if there are significant changes to the retail rate design. The Panel therefore considers that the one size fits all approach could result in suboptimal BC outcomes over the long term.

The Panel therefore does not approve the inclusion of Special Provision 2 in RS 37 and determines that FortisBC's one size fits all method of recovering a fair contribution is unnecessarily restrictive and would result in the Stand-by Rate being unjust, unreasonable, and unduly discriminatory. Accordingly, the Commission declines to approve RS 37 "Stand-by Service Rate" as proposed in the Application at this time.

3.8.5 Stand-by Contract Demand

The Panel considers that the key focus in determining the appropriate stand-by demand charge should ensure that it does not discourage on-site generation that is fully economical and cost-effective but for the inclusion of standby charges. Further, the stand-by demand charge should also take into consideration BC energy objectives.

As a solution the Panel suggest that 'Stand-by Contract Demand' in RS 37 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. This RS 37 Stand-by Contract Demand would ideally remain unchanged over the life of the investment in self-generation.

The Panel would expect that Contract Demand in the underlying rate to be established by FortisBC and its customer with distributed generation on the same basis as it does for any other Transmission Customer on rate (RS 31). The Contracted Demand would define the maximum level of Capacity and Energy that FortisBC would commit to supplying to a self-generation customer whether taking service under the underlying rate (RS 31) or the Stand-by Rate. RS 37 stand-by Contract Demand would then be established to reflect the benefits of self-generation based on a set of Commission approved principles. Given the limitations in a one size fits all network services charge concept, the Panel considers it more appropriate to use a principled base approach to identify the benefits of self-generation.

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. The Panel wishes to address current and future customers separately.

3.8.5.1 Future Customers

The resultant RS 37 stand-by Contract Demand 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.

By way of example, the Panel considers that the following principles could be a reasonable starting point in the development of principles used to determine Stand-by Contract Demand for future customers:

1. Economic efficiency: stand-by wires charges should not discourage on-site generation that is fully economical and cost-effective but for the inclusion of stand-by charges. Specifically, stand-by charges should not be (i) so low as to promote uneconomic bypass of the grid or inefficient maintenance of customer owned generation assets, or (ii) so high as to discourage the growth of cost effective self-generation.
2. Fairness: cost-causation principles should be applied in assigning costs to differently situated customers. However, diametrically opposed interpretations of the user pay principle could make it difficult to justify a high or low stand-by rate design solely based on the fairness principle.
3. Consideration of BC Energy Policy: the stand-by wires charge should take into consideration whether stand-by rates should be adjusted higher or lower to support BC energy objectives.
4. Simplicity and transparency: stand-by wires charges should be easy to understand and administer, and designed so that prospective users can estimate what their charges will be, based on a few known cost determinants.
5. Stability: optimal stand-by wires charges can vary between customers and over time. However, once set, stand-by wires charges for a particular customer should not be subject to material changes (other than, for example, where there is a material change to the corresponding retail rate design) during the term of financing a generator project, usually 15-20 years.

However, for future stand-by customers the Panel finds these principles should not be addressed in this Proceeding but are better suited to be determined through the FortisBC's Comprehensive Self-Generation Policy Application that has been directed pursuant to Order G-60-14.

Therefore, in regards to future customers, the Commission would likely approve a revised Stand-by Rate, subject to comment from the parties, if Special Provision 2 was removed (subject to the modifications in the Energy Charge noted in this Decision and pending a final determination on the Restrictions and Availability criteria) and replaced at a future date after the completion of the Comprehensive Self-Generation Policy Application, with language similar to the following: Contract Demand used during periods of stand-by service (Stand-by Contract Demand) is to be agreed to between the customer and the utility based on principles as set out in an attached Tariff Supplement.

3.8.5.2 Existing Customers

Based on the above preliminary recommendation the Panel finds that Stand-by Contract Demand should be established based on a set of principles and not based on a one size fits all formula. However, for current customers this approach could be problematic as any principles will likely not be finalized for some time and the key considerations for future customers could very well be different from those for existing customers.

Given that Celgar is the only existing customer, the Panel finds that the most efficient and effective way to proceed in addressing the Stand-by Rate for the existing customer is the same as for future customers (a final Stand-by Rate that removes Special Provision 2, subject to the modifications in the Energy Charge noted in this Decision and pending a final determination on the Restrictions and Availability criteria) in conjunction with setting a Contract Demand and a Stand-by Contract Demand for Celgar.

3.8.5.3 Contract Demand for Celgar

FortisBC submits that "…it is important to keep in mind when considering Celgar's arguments that they are coloured by wider objectives that are not properly the subject of this process – namely, as noted in the introduction, to obtain (1) non/firm interruptible service (2) above a Contract Demand which Celgar would like to be 8 MV. Celgar's desire to advance those objectives in most proceedings in which it participates [including the 2009 RDA, Celgar Complaint, The FortisBC Purchas of Utility Assets of the City of Kelowna and the RS 3808 Proceeding] infuses its present submissions as well." (FortisBC Reply, p. 7)

In the Decision attached to Order G-188-11 [Celgar Complaint] the Commission directed FortisBC to design a Stand-by Rate to address Celgar's circumstances and file an application for its approval. The Panel fully anticipates being able to approve a Final Stand-by Rate through this Proceeding after which time Celgar will be eligible to take service based on either RS 31 or the Stand-by Rate. However, without a determination on Celgar's Contract Demand and Stand-by Contract Demand, Celgar will not have final rates for service taken under either of these rates, thus the direction in Order G-188-11 will not be met.

Furthermore, an approved Stand-by Rate, an appropriate Contract Demand, and a Stand-by Contract Demand will most certainly be a necessary step that needs to be completed before the Panel can contemplate the retroactive billing for Celgar, which is also the subject of the Application.

The Panel is aware that Celgar has advanced its objectives in many pervious proceedings before the Commission, which is a clear indication that its concerns need to be addressed at some point in time. The Panel finds that without a Contract Demand and Stand-by Contract Demand established for Celgar it will not be possible to move forward. It is critical that this issue be settled and the Panel determines that that time is now. **Therefore, Panel determines establishing a Contract Demand and a Stand-by Contract Demand for Celgar is fully within the scope of this Proceeding.**

3.9 Commission Summary Determination on the Stand-by Rate

The Panel is not able to determine that the Stand-by Rate as proposed by FortisBC is not unjust, unreasonable, unduly discriminatory, or unduly preferential at this time due to the inclusion of the Contract Demand Special Provision 2 and the lack of evidence provided to support the proposed Restrictions and the Availability of the Stand-by Rate.

The Commission wants to move forward as quickly as possible to have an approved Stand-by Rate for transmission voltage customers in the FortisBC service territory. The Panel supports, and has approved, many of the components of the proposed Stand-by Rate as identified in this Decision and considers that the remaining outstanding issues can be addressed through this Proceeding without further delay. The Panel determines that the outstanding material matters are limited to the following:

i. The Restrictions included in the Stand-by Rate; and
ii. The Availability of Stand-by Service.

The Panel does not consider the difference so extreme as to suggest that a final determination on a Stand-by Rate cannot be made within this Proceeding and is hopeful that the Commission's findings can be successfully incorporated into the revised Stand-by Rate.

The Panel directs FortisBC to file a revised Stand-by Rate incorporating the findings in this Decision and addressing the two outstanding matters no later than June 26, 2014. Further process regarding FortisBC's filing will be decided by the Commission Panel in due course.

Regarding the first outstanding matter the Panel requires additional evidence to support the Restrictions proposed by FortisBC especially for Back-up service. Evidence should support Restrictions that are applicable to current and future customers and address different types of self-generation if necessary. The Panel anticipates that a determination on this issue should be rather straightforward.

The Panel further directs FortisBC to submit a filing on the appropriate level of Contract Demand in the underlying rate and the appropriate level of Stand-by Contract Demand applicable during periods of stand-by service for Celgar to be submitted in conjunction with the revised Stand-by Rate.

In addressing the appropriate level of Stand-by Contract Demand for Celgar, consideration should be given to the following.

(i) Consideration of applicable principle proposed for future customers as set out in Section 3.8.5.1 including;

1. Economic efficiency;
2. Fairness;
3. Consideration of BC Energy Policy;
4. Simplicity and transparency; and
5. Stability

(ii) Last Contract Demand of 16 MVA that the parties agreed to in the 2000 GSA.

In regards to (i) (2) the Panel would like FortisBC to also consider the following alternative options in determining an appropriate level of Stand-by Contract Demand for Celgar. The Panel appreciates that the first and perhaps the second option in the list below are likely not of relevance to this situation as there is only one customer with existing self-generation, but has provided the full list to reflect the fact that this determination is unique to the FortisBC service area and normally all options could be considered.

- Expected Outage Rate: If there is a large pool of stand-by customers of similar size, the capacity required could be estimated as the total capacity of all stand-by customers, multiplied by the expected outage rate.

- Largest Contract + Expected Outage Rate: If there is one large stand-by customer and several smaller customers, the capacity required could be estimated as the capacity of the largest customer plus the capacity of the other customers multiplied by their outage rate.

- Average Contract + Expected Outage Rate: This adds together the average of the total stand-by capacity to total capacity multiplied by the expected outage rate. This method attempts to recognize the diversity of load states.

- Probabilistic Method: Identify an appropriate threshold level for which the utility will risk not serving the stand-by customer (say, 1 percent). This, together with each customers expected outage rate, is used to determine the network capacity that should be reserved for stand-by customers.

- Target Reserve Margin: This uses the generator reserve margin to determine the required reserved capacity for the stand-by class.

- Reserve Capacity of the Network: For example, if the expected outage rate is 1 percent, the customer should pay for 30 percent of their reserved capacity if this is the reserved capacity of the network that is typically used for 1 percent of the time.

The Panel appreciates that FortisBC stated in an IR response that "FBC does not consider any of the listed sub-categories to be appropriate for use as the allocation for transmission [costs for standby use]." This is because FortisBC does not consider that the network charge should be discounted for Stand-by use. (Exhibit B-15, BCUC 1.6.5) However, the Panel has proposed that Stand-by Contract Demand take into consideration both the costs and benefits and therefore the Panel is interested in hearing FortisBC's position on these options.

In regards to (ii) “Last Contract Demand of 16 MVA that the parties agreed to in the 2000 GSA” the Panel agrees with Celgar that the Commission Panel should consider the precedents established by past approvals of stand-by service to Celgar. However, the Panel also wants to be clear that while it does consider past approvals to be informative, it is in no way bound by them.

Nonetheless, the Panel notes that the last Contract Demand the parties agreed to was 16 MVA as part of the 2000 GSA. The Panel further notes that no evidence has been provided in this Proceeding that supports this contract demand (effectively pricing the Stand-by Network Charge at approximately one third of what would otherwise occur if network portion of the stand-by service was priced using RS 31 Demand Charge) would result in inefficient investment in, or operation of, Celgar or FortisBC assets.

The Panel also points out that it previously determined (in the evaluation of Stepped Rates) that before making any changes to previously approved rate design, the Panel should be satisfied that greater efficiencies or cost savings would accrue to the benefit of ratepayers overall, or that the existing rate is now outside of fairness norms from a cost causation perspective.

The Panel has previously acknowledged the difficulty in relying on cost causation principles to determine whether the Stand-by Rate is inherently unfair. However, the Panel also notes the difficulty in demonstrating that the last Contract Demand that the parties agreed to is outside of fairness norms.

4.0 TIME-OF-USE RATE – RATE SCHEDULE 33

4.1 Background

RS 33 is a Large Commercial Transmission rate based on time-of-use. In the Application, FortisBC seeks Commission approval to close RS 33 TOU Rate, and indicates that there are currently no customers receiving service under this rate (Exhibit B-1, pp. 14-15). FortisBC further indicates that the closing of this rate is consistent with the treatment of the Residential TOU Rates ordered by the Commission when the Residential Conservation Rate became the default rate for those customers. Finally, in support of its request, FortisBC cites the Commission: "…in its December 31, 2009 Summary Report, the Commission noted that no customers opted for a TOU version of the stepped rate as customers felt the rate is overly complicated and expect it to increase energy costs." (Exhibit B-1, pp. 14-15)

However, in its Final Submission, FortisBC indicates that should Stepped Rates not be approved, FortisBC would withdraw its request to close RS 33 in order to have an optional conservation rate in place for transmission customers. FortisBC submits the rationale for requesting to close RS 33 was to maintain consistency with the Commission's direction at the time FortisBC's Residential Conservation Rate was approved. At that time, the Commission directed FortisBC to make the stepped rate mandatory for all customers not currently served on the TOU Rate. Given that no customers were taking service on the TOU Rate, this effectively made the TOU Rate unavailable for use and the rate was closed. (FortisBC Final Submission, para. 65-66)

Given that no customers are currently of the RS 33 TOU Rate, FortisBC anticipated the Commission's future direction if the Stepped Rate was approved and proposed to have it closed.

4.2 Submissions

BCPSO agrees with the approach with respect to RS 33 as put forth in the FortisBC Final Submission (BCPSO Final Submission, para. 38). Neither Celgar, the BCMEU nor BC Hydro made any final submission related to the RS 33 TOU Rate treatment proposed by FortisBC.

FortisBC reiterates in its Reply that consistent with the treatment of the Residential TOU Rate closure that, if the Transmission Stepped Rate was to be approved by the Commission, closure of RS 33 should follow. However, FortisBC submits that if the Stepped Rate was not approved, then the TOU Rate (RS 33) should not be closed. (FortisBC Reply, para. 107-108)

4.3 Commission Summary Determination on the Time of Use Rate

The Panel observes that FortisBC submitted the Application for Stepped and Stand-by Rates in response to certain Commission directives. Commensurate with those directives, FortisBC also indicated that its Application proposed to implement a Stepped Rate and that if such the Stepped Rates were to be approved that, to be consistent with that conservation Stepped Rate, RS 33, the conservation TOU Rate should be closed. No Interveners raised concerns about this proposed closure. No other FortisBC customers have availed themselves of RS 33 and thus the TOU Rate remains unsubscribed.

As both the proposed Stepped Rate and the existing RS 33 TOU Rate are both conservation rates, FortisBC now requests that RS 33 only be closed if the proposed Stepped Rate is approved and in the event that the Stepped Rate is not approved, FortisBC requests that RS 33 not be closed.

The Panel is not being requested in this Proceeding to make a determination on the merits of the RS 33 TOU Rate**. Given that the Commission Panel has not approved the adoption of the Stepped Rates as proposed in the Application, no Interveners have objected, and there are currently no customers taking service under RS 33, the Panel consents to FortisBC's withdrawal of its request to close RS 33.**

FortisBC is encouraged to review the TOU Rate as part of its next general rate design application.

5.0 STATUS OF OUTSTANDING MATTERS

Pursuant to Order G-12-14 the review of the NECP Rate Rider and the application of the Stepped Rate to FortisBC's customers with self-generation facilities were suspended until the Commission made a final determination on the RS 3808 Proceeding. The Commission further directed that the retroactive application of rates to Celgar will be addressed once the Commission approves either a new rate for Celgar, which complies with the final rate approved in the RS 3808 Proceeding, and/or an Agreement is made by the parties.

As such, the application of the Stepped Rate to customers with self-generation, the NECP Rate Rider, and the retroactive application of rates to Celgar's billing was out of the scope of this Decision. The status of these matters is addressed below.

5.1 Stepped Rates for Self-Generating Customers

The Panel has addressed the application of the Stepped Rate to FortisBC's customers with self-generation facilities in its final determination on the Stepped Rates in Section 2.5.

5.2 The Non-Embedded Cost Power (NECP) Rate Rider

In the Application, FortisBC filed for approval for the Non-Embedded Cost Power (NECP) Rate Rider which is a provision for charging self-generating customers that intend to sell any portion of its generation that is not in excess of load.

The review of the NECP Rate Rider was suspended pursuant to Order G-12-14 until the Commission made a final determination on the RS 3808 Proceeding. By way of Order G-60-14 and the Decision attached to that Order, issued on May 6, 2014, the Commission made its final determination on the RS 3808 Proceeding. The following relevant directives were made:

2. BC Hydro is directed to initiate a consultation process that will result in an application for the New PPA Section 2.5 [GBL] 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.

3. Until the addition of Commission-approved New PPA Section 2.5 Guidelines as an appendix to the New Power Purchase Agreement, the net-of-load methodology will be applied.

5. FortisBC Inc. is directed to initiate a concurrent consultation process in its service territory to address or ensure:

   (i) the potential benefits of self-generation;

   (ii) the 1999 Access Principles in the context of self-generating customers;

   (iii) if the GBL methodology is proposed, GBL Guidelines for both idle historic self-generation and new self-generation; and

   (iv) arbitrage is not allowed.

   FortisBC Inc. is further directed to file a resultant Self-Generation Policy application with the Commission by December 31, 2014, that establishes high level principles for its service territory.

In light of the determinations in Order G-60-14, the Commission will shortly be issuing a letter requesting submissions from the parties on how to proceed with FortisBC's request for approval for the NECP Rate Rider.

5.3 Retroactive Billing for Celgar

The Panel will not be seeking submissions on how to move forward with the retroactive billing for Celgar until a final determination is made on the Stand-by Rate.

DATED at the City of Vancouver, in the Province of British Columbia, this 26th day of May 2014.

Original signed by:

L.A. O'HARA
COMMISSIONER/PANEL CHAIR

Original signed by:

R.D. REVEL
COMMISSIONER

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IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

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

BEFORE: L.A. O'Hara, Commissioner
R.D. Revel, Commissioner

May 26, 2014

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 (the Application) under sections 58-61 of the *Utilities Commission Act*;

B. The Application requests the following:

   i. Approval for a conservation Stepped Rate, with Customer Baseline Load (CBL) Guidelines, for all transmission voltage customers (Rate Schedule (RS) 34), an exempt Flat Rate (RS 36) as well as approval to close the existing Flat Rate(RS 31) and transfer customers to RS 34 and RS 36, as appropriate;

   ii. Approval for a Non-Embedded Cost Power (NECP) Rate Rider which incorporates the Entitlement Principals and the Matching Methodology into a rate;

   iii. Approval for a Stand-by Service Rate (RS 37);

   iv. Approval to close the transmission voltage customer Time-of-Use Rate (RS 33); and

   v. A determination of the retroactive application of rates to Zellstoff Celgar Limited Partnership (Celgar);

C. British Columbia Hydro and Power Authority (BC Hydro), Celgar, International Forest Products Limited (Interfor), the British Columba Pensioners' and Seniors' Organization *et al.*, and the BC Municipal Electric Utilities registered as Interveners and Tolko Industries Ltd. registered as an Interested Party;

D. On April 10, 2013, the Commission issued Order G-55-13, establishing a Regulatory Timetable for its review of the Application that was subsequently amended by Orders G-61-13, G-85-13, G-90-13, G-155-13, G-12-14, and G-18-14;

…/2

E. On May 28, 2013, BC Hydro filed an application with the Commission for approval to replace the existing 1993 Power Purchase Agreement (PPA) with FortisBC with a New PPA under RS 3808 (RS 3808 Proceeding). The RS 3808 Proceeding addresses certain issues which overlap with parts of this Application including issues that relate to the NECP Rate Rider;

F. On January 31, 2014, by Order G-12-14, the Commission determined that its review of the issues in the Application that do not overlap with the issues being considered in the RS 3808 Proceeding would proceed by way of a written hearing (RS 34 and RS 36 excluding its application to customers with self-generation, RS 31, RS 37 and RS 33). The NECP rate rider, the application of the stepped rate to FortisBC's customers with self-generation, and the retro-active application of rates to Celgar would be deferred until after the Commission made a final determination on the RS 3808 Proceeding; and

G. In its Final Submission dated March 19, 2014 FortisBC requested that:

   a) FortisBC's Application for a Stepped Rates (RS 34, CBL Guidelines, and RS 36) should not be approved at this time; and

   b) Its request to close RS 31 and 33 be withdrawn if the Stepped Rates are not approved.

NOW THEREFORE the British Columbia Utilities Commission (Commission) orders as follows:

1. FortisBC Inc.'s (FortisBC) request to open Rate Schedule 34 "Large Commercial Service – Transmission Stepped Rate" and the attached Customer Baseline Load Guidelines is denied.

2. FortisBC's request to open Rate Schedule 36 "Large Commercial Service – Transmission Flat Rate" is denied.

3. The Commission consents to the withdrawal of FortisBC's request to close Rate Schedule 31 "Large Commercial Service – Transmission Flat Rate" and Rate Schedule 33 "Large Commercial Service – Transmission Time-of-Use."

4. The Commission declines to approve Rate Schedule 37 "Stand-by Service Rate" as proposed in the Application at this time.

5. FortisBC is directed to file with the Commission, by June 26, 2014, a revised Rate Schedule 37 "Stand-by Service Rate" incorporating the findings in the attached Decision and addressing both the restrictions on, and availability of, stand-by service. Further process regarding this filing will be decided by the Commission in due course.

6. FortisBC is directed to submit a filing on the appropriate Contract Demand level in the Underlying Rate and the appropriate level of Stand-by Contract Demand applicable during periods of stand-by service, for Zellstoff Celgar Limited Partnership (Celgar), to be submitted in conjunction with the revised Stand-by Rate.

7. FortisBC is directed to comply with all other directives in the Decision issued concurrently with this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 26th day of May 2014.

BY ORDER

Original signed by:

L.A. O'Hara
Commissioner

REGULATORY TIMETABLE

On April 10, 2013, Order G-55-13 established a Preliminary Regulatory Timetable which provided for two rounds of Information Requests (IRs), Filing and IRs on Intervener Evidence, and a placeholder for FortisBC to file Rebuttal Evidence.

By letter filed with the Commission on April 18, 2013, Celgar claimed that the Application as filed did not comply with Order G-188-11 or Order G-202-12. Celgar requested the Commission Panel issue further directions to FortisBC regarding the scope of the Application. On April 19, 2013, by Order G-61-13 the Commission suspended the Proceeding and sought comments from the parties on Celgar's request.

On May 24, 2013, by Order G- 85-13, the Commission denied Celgar's request to expand the scope of the Proceeding stating that there is sufficient breadth in the current scope to accommodate the exploration of Celgar's issues. Order G-85-12 also amended the dates in the Preliminary Timetable.

On June 12, 2013, Order G-90-13 further amended certain dates in the Preliminary Regulatory Timetable to provide FortisBC with additional time as per its request. Order G-90-13 also provided for a date for the parties to make submission on further process.

On August 27, 2013, the BCPSO filed a letter with the Commission the issues raised in this proceeding overlap with a number of other proceedings currently before the Commissions, including the Rate Schedule 3808 Application.[1] BCPSO suggests that some thought should be given to the appropriate sequence of these decisions and suggests a logical manner to ensure maximize regulatory efficiency while preserving procedural fairness.

Because of the many amendments to the Regulatory Timetable, the following is reproduced for the record.

[1] Rate Schedule 3808 Proceeding

FortisBC Inc.

Application for Stepped and Stand-By Rates
for Transmission Customers

PRELIMINARY REGULATORY TIMETABLE

ACTION	DATE (2013)
Intervener and Interested Party Registration	Wednesday, April 17
Commission Information Request No. 1	Thursday, April 25
Intervener Information Request No. 1	Thursday, May 2
Participant Assistance Cost Award Budgets	Thursday, May 9
FortisBC Responses to Commission and Intervener Information Request No. 1	Friday, May 17
Written Submissions regarding whether the review should proceed by way of an Oral or Written Public Hearing or Negotiated Settlement	Monday, June 3
Commission and Intervener Information Request No. 2	Monday, June 3
FortisBC Responses to Commission and Intervener Information Request No. 2	Monday, June 17
Intervener Evidence	Friday, June 21
Information Requests on Intervener Evidence	Friday, June 28
Intervener Responses to Information Requests on Intervener Evidence	Friday, July 12
Placeholder for FortisBC Rebuttal Evidence	Friday, July 19

FortisBC Inc.

Application for Stepped and Stand-By Rates
for Transmission Voltage Customers

FURTHER AMENDED
PRELIMINARY REGULATORY TIMETABLE

ACTION	DATE (2013)
Participant Assistance Cost Award Budgets	Friday, June 14
FortisBC Responses to Commission and Intervener Information Request No. 1	Thursday, July 4
Commission and Intervener Information Request No. 2	Thursday, August 1
FortisBC Responses to Commission and Intervener Information Request No. 2	Thursday, August 15
Intervener Evidence	Thursday, August 22
Written Submissions regarding further process	**Tuesday, August 27**
Information Requests on Intervener Evidence	Friday, September 6
Intervener Responses to Information Requests on Intervener Evidence	Friday, September 20
Placeholder for FortisBC Rebuttal Evidence	Monday, September 30

APPENDIX A
to Order G-155-13
Page 1 of 1

FortisBC Inc.

Application for Stepped and Stand-By Rates
for Transmission Voltage Customers

UPDATED PRELIMINARY REGULATORY TIMETABLE

ACTION	DATE (2013)
FortisBC Rebuttal Evidence	Thursday, October 10
Commission and Intervener Information Requests on Rebuttal Evidence (if any)	Tuesday, October 29
FortisBC Responses to Information Requests on Rebuttal Evidence	Thursday, November 14

Appendix A
To Order G-18-14
Page 1 of 1

FortisBC Inc.

Application for Stepped and Stand-By Rates
for Transmission Voltage Customers
(excluding the NECP Rate Rider)

AMENDED FINAL REGULATORY TIMETABLE

ACTION	DATE (2014)
FortisBC Final Submission	Monday, February 24
Intervener Final Submissions	Friday, March 7
FortisBC Reply Submission	Wednesday, March 19

FortisBC Inc.
Classes of Commercial Customers

Electric Tariff
B.C.U.C. No. 2
Index 1

INDEX

Issued December 20, 2010
FORTISBC INC.

By: Dennis Swanson
Director, Regulatory Affairs

Accepted for filing
BRITISH COLUMBIA UTILITIES COMMISSION

By:
Commission Secretary

EFFECTIVE (applicable to consumption on and after) January 1, 2011 G-156-10

LIST OF ACRONYMS

2000 BA	Electricity Supply Brokerage Agreement
2000 GSA	General Service Power Contract dated December 20, 2000 between Celgar and FortisBC
2009 RDA	FortisBC 2009 Rate Design and Cost of Service Analysis Application
Barrick	Barrick Gold
BC Hydro	British Columbia Hydro and Power Authority
BCMEU	British Columbia Municipal Electrical Utilities
BCPSO	British Columbia Pensioners and Seniors Organisation *et al*.
CBL	Customer Baseline Load
CEA	*Clean Energy Act*
Celgar	Zellstoff Celgar Partnership Limited
Commission, BCUC	British Columbia Utilities Commission
COSA	Cost of Service Analysis
DSM	Demand Side Measure
FortisBC, the Company	FortisBC Inc.
GSA	general service agreement
Industrial customers	Large Commercial Service Customers
Interfor	International Forest Products Limited
LRMC	long-run marginal cost
NECP	Non-Embedded Cost Power
PBR	Performance Based Ratemaking
Platts	Platts, McGraw Hill Financial
R/C	revenue-to-cost
Roxul	Roxul (West) Inc.
RS	Rate Schedule
TOU	Time-of-Use
TSRs	transmission service rates
UCA	*Utilities Commission Act*

IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

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

EXHIBIT LIST

Exhibit No.	Description
COMMISSION DOCUMENTS	
A-1	Letter Dated April 10, 2013 - Order G-55-13 establishing a Preliminary Regulatory Timetable
A-2	Letter Dated April 15, 2013 – Appointment of Commission Panel
A-3	Letter Dated April 19, 2013 – Order G-61-13 Inviting Comments and Suspending Preliminary Regulatory Timetable
A-4	Letter Dated May 24, 2013 – Order G-85-13 Establishing a Revised Preliminary Regulatory Timetable with Reasons for Decision
A-5	Letter Dated June 3, 2013 – Commission Information Request No. 1
A-6	Letter Dated June 12, 2013 – Commission Order G-90-13 issuing Further Amended Preliminary Regulatory Timetable
A-7	Letter Dated August 1, 2013 – Commission Information Request No. 2
A-8	Letter Dated September 6, 2013 – Commission Information Request No. 1 on Intervener Evidence
A-9	**CONFIDENTIAL** Letter Dated September 6, 2013 – Confidential Commission Information Request No. 1 on Intervener Evidence
A-10	Letter Dated September 9, 2013 – Commission Response to Comments on Further Process
A-11	**CONFIDENTIAL** Letter Dated September 13, 2013 – Confidential Request Response regarding Confidential Information Request

Exhibit No.	Description
A-12	Letter Dated September 25, 2013 – Commission Order G-155-13 issuing Updated Preliminary Regulatory Timetable
A-13	Letter Dated October 29, 2013 – Commission Information Request No. 1 on FortisBC Rebuttal Evidence
A-14	Letter Dated January 8, 2014 – Extension of Powers for Alison Rhodes
A-15	Letter Dated February 3, 2014 – Commission Order G-12-14 issuing Final Regulatory Timetable
A-16	Letter Dated February 13, 2014 – Commission Order G-18-14 issuing and Amended Final Regulatory Timetable
A-17	Letter Dated March 3, 2014 – Panel Chair Appointment
A-18	Letter Dated March 13, 2014 – Commission Order G-42-14 issuing Reasons regarding Celgar Submission

APPLICANT DOCUMENTS

B-1	**FORTISBC INC. (FBC)** Letter Dated March 28, 2013 - Stepped and Stand-By Rates for Transmission Customers Application
B-1-1	Letter Dated April 8, 2013 - Errata 1 to the Application
B-1-2	**CONFIDENTIAL** Letter Dated March 28, 2013 – Confidential attachment to the Application
B-1-3	Letter Dated July 4, 2013 - Errata 2 to the Application
B-1-4	**CONFIDENTIAL** Letter Dated July 4, 2013 – Confidential Errata 2 to the Application
B-1-5	Letter Dated August 9, 2013 - Errata 3 to the Application
B-2	Letter dated April 30, 2013 – FBC Submitting Response to Celgar (Exhibit C2-2)
B-3	Letter dated June 11, 2013 – FBC Submitting Extension Request
B-4	Letter dated July 4, 2013 – FBC Responses to Information Request No. 1 to BCUC
B-5	Letter dated July 4, 2013 – FBC Responses to Information Request No. 1 to BCPSO

Exhibit No.	Description
B-6	Letter dated July 4, 2013 – FBC Responses to Information Request No. 1 to Celgar
B-6-1	**CONFIDENTIAL** Letter dated July 4, 2013 – FBC Responses to Information Request No. 1 to Celgar
B-7	Letter Dated August 15, 2013 – FBC Submitting Response to BCUC IR No. 2
B-7-1	**CONFIDENTIAL** Letter Dated August 15, 2013 – FBC Submitting Confidential Response to BCUC IR No. 2
B-8	Letter Dated August 15, 2013 – FBC Submitting Response to BCMEU IR No. 2
B-9	Letter Dated August 15, 2013 – FBC Submitting Response to BCPSO IR No. 2
B-10	Letter Dated August 15, 2013 – FBC Submitting Response to Celgar IR No. 2
B-11	Letter Dated August 27, 2013 – FBC Submitting Comment regarding Further Process
B-12	Letter dated September 6, 2013 – FBC Submitting Information Request No. 1 to Celgar
B-13	Letter dated October 10, 2013 - FBC Submitting Rebuttal Evidence
B-14	Letter dated November 14, 2013 - FBC Submitting Response to BCPSO IR1 Rebuttal Evidence
B-15	Letter dated November 14, 2013 - FBC Submitting Response to BCUC IR1 Rebuttal Evidence
B-16	Letter dated November 14, 2013 - FBC Submitting Response to Celgar IR1 Rebuttal Evidence
B-17	Letter Dated February 7, 2014 - FBC Filing comments regarding Final Submission
B-18	Letter Dated February 12, 2014 - FBC Request to Withdraw February 7 Request Exhibit B-17
B-19	Letter Dated March 11, 2014 – FBC Submitting comments regarding Celgar Final Submission dated March 7, 2014

Exhibit No.	Description
INTERVENOR DOCUMENTS	
C1-1	**BRITISH COLUMBIA HYDRO AND POWER AUTHORITY (BCH**) Online Registration Dated April 16, 2013 – Request for Intervener Status by Janet Fraser
C1-2	Letter dated May 3, 2013 – BCH Submitting Comments
C2-1	**ZELLSTOFF CELGAR PARTNERSHIP LIMITED (CELGAR)** Letter Dated April 17, 2013 – Request for Intervener Status by Kim Moller, Elroy Switlishoff, Brian Merwin, Robert Hobbs
C2-2	Letter received April 18, 2013 – Celgar Submitting Comments
C2-3	Letter dated May 15, 2013 – Celgar Submitting Response Comments
C2-4	Letter dated June 7, 2013 – Celgar Submitting Information Request No. 1
C2-5	Letter Dated August 1, 2013 – Celgar Submitting Information Request No. 2
C2-6	Letter Dated August 22, 2013 – Celgar Submitting Evidence
C2-6-1	**CONFIDENTIAL** - Letter Dated August 22, 2013 – Celgar Submitting Confidential Evidence
C2-7	Letter Dated August 22, 2013 – Celgar Request for Confidentiality
C2-8	Letter Dated August 27, 2013 – Celgar Submitting Comment regarding Further Process
C2-9	Letter Dated September 20, 2013 – Celgar Submitting Response to BCUC IR No. 1
C2-10	**CONFIDENTIAL** Letter Dated September 20, 2013 – Celgar Submitting Response to Confidential BCUC IR No. 1
C2-11	Letter Dated September 20, 2013 – Celgar Submitting Response to BCPSO IR No. 1
C2-12	Letter Dated September 20, 2013 – Celgar Submitting Response to FBC IR No. 1
C2-13	Letter Dated September 20, 2013 – Celgar Submitting Comments regarding Confidential Information Requests
C2-14	Letter Dated October 29, 2013 – Celgar Submitting Information Request No. 3 to FBC
C2-15	Letter Dated February 11, 2014 – Celgar Submitting comments on FBC Request

Exhibit No.	Description
C2-16	Letter Dated February 13, 2014 – Celgar Submitting Extension Request
C2-17	Letter Dated March 12, 2014 – Celgar Submitting Response to FBC Request (Exhibit B-19)
C3-1	**INTERNATIONAL FOREST PRODUCTS LIMITED (INTERFOR)** Letter and Online Registration Dated April 19, 2013 – Request for Late Intervener Status by Andrew Horahan
C4-1	**BRITISH COLUMBIA PENSIONERS' AND SENIORS' ORGANIZATION (BCPSO ET AL)** Letter dated April 19, 2013– Request for Late Intervener Status by Leigha Worth, Eugene Kung and Bill Harper
C4-2	Letter dated May 3, 2013 – BCPSO Submitting Comments
C4-3	Letter dated June 7, 2013 – BCPSO Submitting Information Request No. 1
C4-4	Letter Dated August 1, 2013 – BCPSO Submitting Information Request No. 2
C4-5	Letter Dated August 27, 2013 – BCPSO Submitting Comment regarding Further Process
C4-6	Letter Dated September 6, 2013 - BCPSO Submitting Information Request No. 1 to Celgar
C4-7	Letter Dated October 29, 2013 - BCPSO Submitting Information Request No. 3 to FBC
C4-8	Letter Dated February 3, 2014 – BCPSO Submitting Updated Distribution List
C5-1	**BRITISH COLUMBIA MUNICIPAL ELECTRICAL UTILITIES (BCMEU)** Letter dated June 24, 2013 – Request for Late Intervener Status by Alex Love and Marg Craig
C5-2	Letter Dated August 1, 2013 – BCMEU Submitting Information Request No. 2

INTERESTED PARTY DOCUMENTS

D-1	**TOLKO INDUSTRIES LTD (TOLKO)** Online Registration Dated April 16, 2013 – Request for Interested Party Status by Michael Towers
D-1-1	Letter Dated August 30, 2013 – Tolko Submitting Comment on BCPSO Determinations Request