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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-12-14**

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

and

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

BEFORE: A.A. Rhodes, Commissioner
L.A. O'Hara, Commissioner
R.D. Revel, Commissioner
February 3, 2014

O R D E R

WHEREAS:

- A. On October 30, 2009, FortisBC Inc. (FortisBC) filed its 2009 Cost of Service Analysis and Rate Design Application (2009 COSA and RDA) for approval by the British Columbia Utilities Commission (Commission), pursuant to sections 58 to 61 of the *Utilities Commission Act* (Act);
- B. On October 19, 2010, by Order G-156-10, the Commission issued its decision on the 2009 COSA and RDA and directed FortisBC to, among other things, initiate consultation with its industrial customers with the goal of introducing a stepped rate for transmission voltage customers;
- C. The British Columbia Hydro and Power Authority (BC Hydro) currently provides electricity to Fortis BC to meet a portion of its load service obligation through a 1993 Power Purchase Agreement (1993 PPA) under Rate Schedule (RS) 3808;
- D. Section 2.1 of the 1993 PPA prohibits FortisBC from selling any RS 3808 electricity to any of its customers when such customer is selling self-generated electricity which is not in excess of its load;
- E. On March 25, 2011, Zellstoff Celgar Limited Partnership (Celgar), a transmission voltage customer, filed a complaint with the Commission alleging a failure on the part of FortisBC to complete a general service agreement with Celgar, and disputing FortisBC's application of demand charges in RS 31 (Celgar Complaint);
- F. On November 14, 2011, in its Decision on the Celgar Complaint, by Order G-188-11, the Commission determined that eligible FortisBC self-generation customers should be entitled to some amount of FortisBC's embedded cost power excluding RS 3808 electricity and directed Fortis BC to, among other things:
 - develop a rate for transmission voltage customers with self-generation;

- develop a two-tier, stepped rate for all transmission voltage customers;
 - determine guidelines for the level to which eligible customers with self-generation should be entitled to FortisBC embedded cost power excluding RS 3808 electricity (Entitlement Guidelines);
 - establish a notional Matching Methodology to be incorporated into the (stepped) rate for transmission voltage customers with self-generation;
 - develop a stand-by rate for transmission voltage customers with self-generation; and
 - bill Celgar in accordance with RS 31 on an interim and refundable basis beginning March 25, 2011 and ending when the Commission approves either a new rate for Celgar that excludes PPA Power from its resource stack, and/or an Agreement made by the parties;
- G. On December 27, 2012, by Order G-202-12, the Commission accepted the Entitlement Guidelines and Matching Methodology filed by FortisBC in compliance with Order G-188-11;
- H. On March 28, 2013, FortisBC filed an application with the Commission for approval of new rates for transmission voltage customers (the Application) under sections 58-61 of the *Act*;
- I. The Application requests the following:
- i. Approval for a conservation stepped rate, with Customer Baseline Load (CBL) Guidelines, for all transmission voltage customers (RS 34), and an exempt flat rate (RS 36) as well as approval to close the existing flat RS 31 and transfer customers to RS 34 and RS 36, as appropriate (collectively referred to as the Stepped Rate);
 - ii. Approval for a Non-Embedded Cost Power (NECP) Rider which incorporates the Entitlement Guidelines and the Matching Methodology into a rate ;
 - iii. Approval for a stand-by service rate (RS 37);
 - iv. Approval to close the transmission voltage customers' time-of-use rate (RS 33);and
 - v. A determination of the retroactive application of rates to Celgar;
- J. BC Hydro, Celgar, International Forest Products Limited (INTERFOR), the British Columbia Pensioners' and Seniors' Organization (BCPSO), and BC Municipal Electric Utilities (BCMEU) registered as Interveners;
- K. On April 10, 2013, the Commission issued Order G-55-13, establishing a Preliminary Regulatory Timetable for its review of the Application;
- L. The Commission amended the Preliminary Regulatory Timetable by Orders G-61-13, G-85-13, G-90-13, and G-155-13;
- M. On May 28, 2013, BC Hydro filed an application with the Commission (FortisBC as a co-applicant) for approval of a New PPA under RS 3808 (RS 3808 Proceeding) which proposes to continue to prohibit FortisBC from selling any RS 3808 electricity to any of its customers when such customer is selling self-generated electricity which is not in excess of its load as defined in section 2.5 of the New PPA;

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- N. Certain issues in the RS 3808 Proceeding, which is currently before the Commission, overlap with certain issues which are before the Commission in this Application such as the NECP rider;
- O. As requested by the Commission in Order G-90-13, submissions from the parties on further process were filed with the Commission on or before August 27, 2012. Both FortisBC and BCPSO submit that a written hearing is sufficient while Celgar submits that an oral hearing is necessary;
- P. By way of letter dated September 9, 2013, the Commission acknowledged receipt of the submissions on further process and informed the parties that the Panel would not be making a determination on further process until after the actions contemplated in the Preliminary Regulatory Timetable were completed;
- Q. The actions contemplated in that Timetable have now been completed.

NOW THEREFORE for the Reasons for Decision attached as Appendix A, the Commission orders as follows:

1. The Commission will proceed, by way of a written hearing, to review the issues in this Application that do not overlap with the issues being considered in the RS 3808 proceeding. Specifically, the Commission will review the Stepped Rate excluding its application to customers with self-generation facilities, the stand-by rate, and the time-of-use rate.
2. FortisBC is directed to file with its final submission a revised RS 34, RS 36 and CBL Guidelines removing any reference to customers with self-generation facilities.
3. The review of the NECP rider and the application of the stepped rate to FortisBC's customers with self-generation facilities are suspended until the Commission has made a final determination on the RS 3808 Proceeding.
4. 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 made by the parties.
5. The Final Regulatory Timetable for the review of the parts of the Application identified in Directive 1 is attached as Appendix B.

DATED at the City of Vancouver, in the Province of British Columbia, this 3rd day of February 2014.

BY ORDER

Original signed by:

A.A. Rhodes
Commissioner

Attachments

ORDERS/G-12-14_FBC-SSR_Final Regulatory Timetable

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for Stepped and Stand-By Rates for Transmission Voltage Customers

REASONS FOR DECISION

BACKGROUND

To date, two rounds of information requests (IRs), the filing of intervenor evidence by Celgar, IRs on that evidence, the filing of rebuttal evidence by FortisBC, and IRs on that evidence have taken place through a written process.

As requested by the Commission in Order G-90-13, submissions from the parties on further process were filed on or before August 27, 2012. FortisBC, BCPSO and Celgar took the opportunity to make submissions which can be summarized as follows:

Celgar

Celgar submits that the record of the Application relating to the stepped rate, the NECP rider and the stand-by rate has identified numerous complex issues with important policy implications and material consequences to Celgar and other industrial customers.

Specifically, Celgar suggests that moving from a flat rate to a stepped rate gives rise to policy considerations for all Industrial customers. Celgar further submits that Celgar and FortisBC have divergent views on fundamental principles of rate making relative to the Matching Methodology [NECP rider] and the stand-by rate which Celgar describes as a dramatic departure from the previous stand-by rates.

As such, Celgar recommends that an oral hearing is necessary to provide an opportunity to cross-examine FortisBC's witnesses.

FortisBC

FortisBC submits that the review of the Application should continue in a written format as it remains the most cost effective and timely means of examining all aspects of the Application. FortisBC provides examples of other complex proceedings with policy considerations and divergent views that were conducted successfully by the Commission through a written process. FortisBC goes on to submit that this Application only [currently] affects four customers directly and that the potential of stepped rates to impact customers is limited due to its revenue neutral design. FortisBC concludes a written record will be sufficient for the Commission to make a determination.

BCPSO

BCPSO submits that, based on the events contemplated in the Regulatory Timetable, the record will be thorough and that the continuation of a written hearing is appropriate.

BCPSO goes on to submit that a number of issues raised in this Application overlap with issues which are relevant to a number of other proceedings before the Commission including the RS 3808 Proceeding, such as the NECP rider.

BCPSO submits that the Commission should consider the appropriate sequencing of proceedings that overlap in order to maximize regulatory efficiency, while preserving procedural fairness and suggests that a determination on the RS 3808 Proceeding should precede a determination on this Application.

Panel Determination

The Panel acknowledges that there is an area of overlap between the Application and the RS 3808 Proceeding; however, it also realizes that not all aspects of the Application are influenced by the outcome of the RS 3808 Proceeding. In order to keep the Application moving forward, the Commission Panel determines that the components of the Application that do not overlap with RS 3808 should proceed, while the remaining components should be suspended until a final determination on the RS 3808 proceeding has been made by the Commission.

Therefore, the review of the NECP rider and the Stepped Rate as it applies to customers with self-generation facilities is suspended. The review of the Stepped Rate, excluding its application to customers with self-generation facilities, the stand-by rate and the request to close the time-of-use rate will proceed.

FortisBC is directed to file with its final submission a revised RS 34, RS 36 and CBL Guidelines removing any reference to customers with self-generation facilities.

The Commission acknowledges Celgar's position that the Application should have an oral component as it deals with some complex issues about which the parties disagree; however, the Commission agrees with FortisBC and BCPSO that these issues can be dealt with through a written process, as is routinely done by the Commission.

The policy issues around stepped rates are not new to FortisBC transmission voltage customers and have already been addressed in many applications and therefore do not warrant an oral hearing.

Given that the NECP Rider has been suspended and the retroactive application of rates to Celgar will not be addressed at this time, the main issue that remains of concern to Celgar is the proposed stand-by rate. Celgar filed its own expert evidence on the stand-by rate and responded to IRs on that evidence. FortisBC filed rebuttal evidence on the stand-by rate and Celgar and others had an opportunity to ask IRs on that evidence. The Commission has reviewed the evidence on the record and determines that there has been sufficient opportunity for the parties to put forward and examine evidence on the stand-by rate and therefore an additional oral phase to cross-examine the expert witnesses is not necessary.

Now therefore, the Panel determines that the review of the Stepped Rate, excluding its application to customers with self-generating facilities, the stand-by rate and the request to close the time-of-use rate will proceed by way of a written hearing.

FortisBC Inc.

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

**FINAL
REGULATORY TIMETABLE**

ACTION	DATE (2014)
FortisBC Final Submission	Monday , February 17
Intervener Final Submissions	Monday, February 24
FortisBC Reply Submission	Monday, March 3