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January 11, 2023

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, B.C.
V6Z 2N3

Attention: Ms. Sara Hardgrave, Acting Commission Secretary

Dear Ms. Hardgrave:

Re: FortisBC Inc. (FBC)

Application for Approval of a Large Commercial Interruptible Rate (Application)

Response to the British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2

On July 6, 2022, FBC filed the Application referenced above. In accordance with the further regulatory timetable established in BCUC Order G-331-22 for the review of the Application, FBC respectfully submits the attached response to BCUC IR No. 2.

For convenience and efficiency, if FBC has provided an internet address for referenced reports instead of attaching the documents to its IR responses, FBC intends for the referenced documents to form part of its IR responses and the evidentiary record in this proceeding.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC INC.

Original signed:

Diane Roy

Attachments

cc (email only): Registered Parties

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A. LARGE COMMERCIAL INDUSTRIAL RATE – RATE DESIGN

1.0 Reference: LARGE COMMERCIAL INDUSTRIAL RATE – RATE DESIGN

Exhibit B-2 (Supplemental Information), p. 3, Exhibit B-3, BCUC Information Request (IR) 9.1, Exhibit B-4, BCOAPO [1] IR 9.3; Rate Schedule (RS) 37 – Large Commercial Service – Stand-by Service [2] (RS 37)

Energy Charge: Mid-C Price Cap

On page 3 of the Supplemental Information, FBC discusses the nomination process for the Mid-C Price Cap as set out in Clause 6 of the Electricity Service Contract for Interruptible Service, reproduced in part as follows:

> The Customer shall, by giving notice to FortisBC both by email (at XXX@fortisbc.com [insert email address]) and by telephone (at XXX [insert telephone number]) by no later than 10 days prior to the beginning of each month during the term of this Contract, nominate the Mid-C Price Cap for that month. If the Customer fails to nominate a Mid-C Price Cap for any month during the term of this Contract, the Mid-C Price Cap then most recently having been nominated by the Customer shall continue to apply for that month. The Mid-C Price Cap for the month during which the date as determined in clause 5 occurs shall be $ XXX /MWh [insert amount].

In response to BCUC IR 9.1, FBC stated:

> FBC intends to work with the Customers to arrive at a mutually agreeable Mid-C Price Cap that will meet the objectives of both the Customer and the utility.
>
> […]

[1] BC Old Age Pensioners' Organization, Active Support Against Poverty, Council of Senior Citizens' Organizations of BC, Disability Alliance BC, and Tenant Resource and Advisory Centre (collectively BCOAPO or BCOAPO et al.).

[2] Retrieved on December 7, 2022 from: https://www.cdn.fortisbc.com/libraries/docs/default-source/about-us-documents/regulatory-affairs-documents/electric-utility/fortisbcelectrictariff.pdf?sfvrsn=62823969_63

> If there are many Customers and they all select a different cap, some consolidation will be required. FBC expects that 3 or at most 4 price points will be available for FBC to nominate power purchases;
>
> […]
>
> Ultimately, if the Customer and FBC cannot come to an agreement, the Mid-C Price Cap may need to be set by the BCUC, which is a process similar to the final determination of the Stand-By Demand Limit that is required under RS 37, Stand-by Service. [*Emphasis added*]

RS 37 – Large Commercial Service – Stand-by Service, under "Availability" states:

> Rate Schedule 31 Contract Demand is the Customer's Contract Demand expressed in kilovolt Amperes (kVA) and specified in the General Service Agreement (GSA) between FortisBC and the Customer. If the Customer and FortisBC cannot come to an agreement, the Rate Schedule 31 Contract Demand will be set by the British Columbia Utilities Commission.

1.1 Please confirm, or explain otherwise, that based on FBC's proposal, the BCUC could potentially be involved in setting a Mid-C Price Cap every month for each RS 38 Customer if none of the RS 38 Customers can agree on a Mid-C Price Cap with FBC.

Response:

The following response addresses BCUC IR2 1.1 through BCUC IR2 1.5, inclusive.

FBC considers it highly unlikely for FBC and the Customer not to be able to reach agreement on the Mid-C Price Cap at any stage – that is, FBC considers it highly likely that third-party assistance would not be required to set the Mid-C Price Cap.

The Mid-C Price Cap is essentially a reflection of a risk/benefit position for both parties. FBC is likely to agree with a Customer's preference in terms of its risk/benefit position unless a Customer requests a value so high that curtailment was unlikely ever to result, with corresponding financial risk imposed on FBC. It is not likely that a Customer would select such an option, because doing so would also present a high risk to the Customer.

If any disagreement were to occur, it would most likely be when the Mid-C Price Cap is set for the first time, although even that is unlikely. By this point, FBC and the Customer would likely already have had extended discussions regarding various aspects of the LCIR such that common ground would have been achieved.

If the BCUC were involved in setting that initial Mid-C Price Cap, both parties in future months when engaged in arriving at the Mid-C Price Cap would presumably have regard to that BCUC outcome and the reasons provided for it by the BCUC. It is a reasonable assumption that neither party would be likely to initiate a return to the BCUC soon after the BCUC had established that amount and those principles, or otherwise contemplate a Mid-C Price Cap that is markedly different than the one that had been only recently approved.

It is, however, technically possible on the wording of the rate schedule as drafted that BCUC involvement would be on a monthly basis. In this regard, the rate schedule simply recognizes that in the event of disagreement, some third-party adjudication may be required.

Whether or not BCUC involvement is expressly acknowledged in the RS 38 documentation or for any other rate, the BCUC remains the final arbiter in disagreements that may arise.

FBC included the reference to the setting of the RS 37 Stand-by Demand Limit (SBDL) in its response to BCUC IR1 9.1 solely as an example of another situation in which the BCUC may be involved in the setting of a rate component on an individual customer basis (the setting of the Stand-by Billing Demand (SBBD) is another such example). No other commonality was being assumed.

Although RS 37 does not describe a process for the setting of either the SBDL or SBBD by the BCUC, the BCUC established the SBBD for an RS 37 customer in Order G-149-15 after submissions by both parties. No pre-prescribed metrics were brought to bear on the process.

Involvement by the BCUC in the setting of the Mid-C Price Cap falls within the legislative jurisdiction provided under section 60 of the *Utilities Commission Act*, particularly section 60 (1)(b1). Section 60, up to 60(1)(b.1), is reproduced below.

> **60** (1) In setting a rate under this Act
>
> (a) the commission must consider all matters that it considers proper and relevant affecting the rate,
>
> (b) the commission must have due regard to the setting of a rate that
>
> (i) is not unjust or unreasonable within the meaning of section 59,
>
> (ii) provides to the public utility for which the rate is set a fair and reasonable return on any expenditure made by it to reduce energy demands, and
>
> (iii) encourages public utilities to increase efficiency, reduce costs and enhance performance,
>
> (b.1) the commission may use any mechanism, formula or other method of setting the rate that it considers advisable, and may order that the rate derived from such a mechanism, formula or other method is to remain in effect for a specified period

Although section 60 leaves a wide scope in relation to factors that the BCUC may take into account, FBC suggests that the primary considerations in setting a Mid-C Price Cap would be the potential impact, both positive and negative, on other ratepayers of FBC, and the likelihood of that impact, as well as any other consideration consistent with the purpose of the LCIR as identified by the BCUC.

In the unlikely event that the initial Mid-C Price Cap could not be agreed upon, a similar process as led to Order G-149-15 could be used with any future disagreement being handled through the BCUC Complaints process. FBC does not view such a process as overly burdensome to either FBC or RS 38 Customers, because it is focused on a single issue where the point of disagreement is related only to the relative risk tolerance of the parties.

1.2 Please explain the legislative jurisdiction (e.g. the applicable section(s) of the *Utilities Commission Act*) under which the BCUC would set a Mid-C Price Cap for FBC and its RS 38 Customers.

1.2.1 Please provide the metrics and/or guidelines that the BCUC would rely upon to determine the appropriate Mid-C Price Cap for each RS 38 Customer and FBC.

Response:

Please refer to the response to BCUC IR2 1.1.

1.3 Please discuss the (i) regulatory process and (ii) regulatory resources FBC expects would entail for the BCUC to determine the appropriate Mid-C Price Cap.

1.3.1 Please discuss whether the timing of the regulatory process discussed in the preceding IR aligns with the timing of FBC’s proposed Mid-C Price Cap monthly nomination process.

1.3.2 Please comment on whether the regulatory process and regulatory resources that may be required for the BCUC to set a Mid-C Price Cap could be burdensome to (i) FBC and (ii) RS 38 Customers.

Response:

Please refer to the response to BCUC IR2 1.1.

1.4 Please discuss how the regulatory process explained in the preceding IRs (IR 1.2, 1.2.1, and 1.3) would be "similar to the final determination of the Stand-By Demand Limit that is required under RS 37, Stand-by Service."

Response:

Please refer to the response to BCUC IR2 1.1.

1.5 In consideration that the process under RS 37 is to determine contract demand rather than an energy price, please explain why a similar BCUC process to determine a Stand-By Demand Limit would be appropriate for the BCUC to determine a Mid-C Price Cap under RS 38.

Response:

Please refer to the response to BCUC IR2 1.1.

1.6 Please discuss whether FBC has considered alternatives to setting a Mid-C Price Cap with an RS 38 Customer in the event the RS 38 Customer and FBC cannot come to an agreement other than requiring the BCUC's involvement.

1.6.1 If yes, please elaborate on each of the considered alternatives and explain the pros and cons of each.

Response:

Prior to drafting the *Electricity Service Contract for Interruptible Service* that included language related to BCUC involvement as the final arbiter of the Mid-C Price Cap, FBC weighed the options of a set Mid-C Price Cap level for all LCIR customers as well as simply accepting the Mid-C Price Cap level nominated by the customer regardless of the level. Both of these options would have avoided disagreement altogether. While both options had the "pro" of not requiring resolution to disagreements, both had "cons": the first was not a customer preference and the latter imposed unacceptable risk on FBC and its other customers.

Once the current language was introduced, no other dispute mechanism (such as non-BCUC third-party mediation) was considered since FBC believes that failure to reach agreement through another process would likely at some point require BCUC involvement.

1.7 Please provide further details on how FBC will consolidated each RS 38 Customer's monthly Mid-C Price Cap nomination into 3 to 4 price points among all RS 38 Customers at which FBC will nominate power purchases. Please discuss whether it is possible for FBC to offer the 3 or 4 price points at which FBC will nominate power purchases as the available Mid-C Price Cap choices for Customers.

Response:

If there are numerous customers on the LCIR rate, and they each desire a different Mid-C Price Cap, FBC expects that these requests will be consolidated into a maximum of 3 or 4 values by grouping the individual requests into clusters and then taking an average of each cluster, rounded to the nearest whole number.

The need for such consolidation would only arise if there were more than 3 or 4 Customers taking service under RS 38 (which is more likely if the cap on RS 38 availability were to be increased, as discussed further below); and if the initially preferred Mid-C Price Caps of those numerous Customers were disparate (which is not a given: 3 or 4 (or fewer) price points might still arise naturally through the discussions that are normally part of reaching agreement with FBC).

While it would be possible for FBC to offer fixed price points for the Mid-C Price Cap that LCIR Customers could choose between, the disadvantage of this approach is that the difference between the optimal selection for the Customer and one of the available selections may be so large that the value of the LCIR rate is materially reduced. For example, if 3 price points were to be selected with the lower one at 0 and the upper one at 150, the mid-point one would be 75. If 4 were used, the mid-point price points would be 50 and 100. These are very broad ranges and FBC expects this will not be an attractive option to LCIR Customers. If, for example, the Customer's desired price point was 125, the large difference between 125 and the fixed price points could introduce significant risk of loss to the LCIR Customer.

Further, although the LCIR was initially conceived of as having a set Mid-C Price Cap, as reflected in the response to BCUC IR2 1.6 during customer engagement activities potential customers preferred the option to nominate an individual cap.

FBC believes it to be unlikely that under the 50 MVA cap there will be a large number of LCIR Customers. Therefore, it is highly unlikely that an issue requiring consolidation of price points will arise as long as the 50 MVA cap is in place.

FBC accepts that if the 50 MVA cap is to be raised and if it appears at that point that there will be a larger number of LCIR Customers, it may be more likely for the number of price point nominations to become an issue. Further customer consultations would be required to address this issue in the context of considering whether and how much to raise the cap on RS 38 participation.

In response to BCOAPO IR 9.3, FBC stated that it does not have the information "as to what the range of "price caps" nominated by customers is likely to be."

1.8 Please provide the range of the "3 or at most 4 price points" representing the expected "price caps" that will be available for FBC to nominate power purchases FBC expects to make available to Customers. As part of the response, please explain how FBC determines the range of the "3 or at most 4 price points", including the time period FBC uses in its assessment.

<u>Response:</u>

The term "price point" is used interchangeably with "Mid-C Price Cap".

What FBC would consider as an acceptable price point for a customer Mid-C Price Cap nomination is quite flexible. The upper limit would be set by credit requirements and 0 would be the lower limit. However, if the LCIR Customer were to consistently nominate 0 as a Mid-C Price Cap, FBC would question if the Customer was making a business price point decision, or simply attempting to remain an LCIR Customer without flowing any power.

In terms of consolidating what would be more than 3 or 4 otherwise acceptable price points into 3 or 4 that FBC could workably use, please refer to the response to BCUC IR2 1.7.

1.8.1 Please confirm, or explain otherwise, whether the "3 or at most 4 price points" will be the same price points used to determine the RS 38 Mid-C Price Cap for Customers.

<u>Response:</u>

Confirmed. Please refer to the response to BCUC IR2 1.8.

1.8.2 Please discuss any other alternative methods FBC has considered to set the Mid-C Price Cap and explain why they are not selected.

Response:

FBC has not considered any other alternative methods at this time. Please also refer to the responses to BCUC IR2 1.6 and 1.7.

B. CLEAN MARKET ADDER

2.0 Reference: RATE FEATURES

Exhibit B-1, Section 3.2, p. 9, Exhibit B-3, BCUC IR 11.1, 12.2

Clean Market Adder (CMA) – Process for Inclusion in RS 38

On page 9 of the Application, FBC states:

> [D]epending on whether the BCUC accepts a related request contained in the Company’s Long-Term Electric Resource Plan (LTERP), a Clean Market Adder (CMA) may also be billed.

In response to BCUC IR 11.1, FBC stated:

> FBC is not seeking a CMA value of $0.00/kWh [kilowatt hour] as part of this Application. Once the concept of a CMA is accepted by the BCUC in the LTERP, then a CMA will be calculated and filed with the BCUC after negotiation with Powerex. FBC is seeking, as part of the overall approval of RS 38, the inclusion of the CMA placeholder. FBC is seeking approval of the provision to include a CMA if accepted as part of the LTERP, with the value to be reflected in the RS 38 Energy Charge at the time the value is known. <u>This may require a separate filing to update the value after the conclusion of the CMA acceptance process</u> […] [*Emphasis added*].

In response to BCUC IR 12.2, FBC explained that it is “able to provide further guidance at this time” regarding the breakdown of the components making up the estimated $2 per megawatt hour (MWh) CMA, rationale and basis for all assumptions made.

2.1 Please explain the rationale to include a CMA placeholder in the proposed RS 38 in the current application, rather than introducing a CMA component to RS 38 in a future application once the CMA amount is determined.

<u>Response:</u>

FBC included the CMA placeholder in the proposed RS 38 primarily for reasons of transparency for prospective LCIR Customers. In FBC’s view, it was preferable that Customers were aware that an additional charge may be included in the rate at some point in the future rather than having a customer enroll on the rate and then be subject at a later date to a previously unanticipated cost component.

However, on December 21, 2022, the BCUC issued Order G-380-22 and the accompanying Decision which included in Section 2.4, the following determination.

> Since the Panel views that there is insufficient evidence about the Clean Market Adder in this proceeding to justify a blanket endorsement of this concept, FBC may wish to bring it before the BCUC in a proceeding that can more comprehensively review the specifics of the proposal and the implications on rates. In the meantime,

> the Panel declines to opine on the appropriateness of an adder in the abstract as part of this proceeding.[3]

In the response to BCUC IR1 11.1, FBC stated that,

> FBC is seeking approval of the provision to include a CMA **<u>if accepted as part of the LTERP</u>**, with the value to be reflected in the RS 38 Energy Charge at the time the value is known. (emphasis added)

Given that the CMA has not been accepted by the BCUC as part of the LTERP, FBC no longer intends to include the provision in the RS 38 tariff pages. A revised version of RS 38 is attached to this filing as Attachment 2.1.

2.2 Please confirm that if the proposed CMA placeholder is approved as part of this application, a subsequent amendment to the CMA amount within RS 38 would require an application to the BCUC pursuant to sections 59 to 60 of the *Utilities Commission Act* to amend the CMA component of the rate schedule.

2.2.1 If not confirmed, please explain what the regulatory process would entail to update the "CMA placeholder" in the future once the CMA amount is known.

<u>Response:</u>

Please refer to the response to BCUC IR2 2.1.

[3] https://www.bcuc.com/OurWork/ViewProceeding?applicationid=922.

3.0 Reference: RATE FEATURES

Exhibit B-3, BCUC IR 11.4

CMA – Interplay with FBC LTERP 2021 Proceeding

In response to BCUC IR 11.4, FBC stated:

- If the [FBC LTERP 2021 Proceeding] Decision is issued first and does not include acceptance of the CMA, the RS 38 tariff page finalized in this process would not include the CMA;
- If the [FBC LTERP 2021 Proceeding] Decision is issued first and includes acceptance of the CMA, FBC would still need to file for approval of the CMA value it negotiates. Once both of these have occurred, the RS 38 tariff page would be finalized with the CMA value accepted by the BCUC;
- If the Decision is issued in this process prior to a Decision in the [FBC LTERP 2021 Proceeding] or the subsequent acceptance by the BCUC of the value of the CMA, and the provision for the LTERP related CMA is accepted, then a value of $0.00 will be included in RS 38 until such time as new RS 38 tariff pages are filed; or
- If the Decision is issued in this process prior to a Decision in the [FBC LTERP 2021 Proceeding], and the provision for the LTERP related CMA is not accepted, the RS 38 tariff page finalized in this process would not include the CMA.

3.1 Please discuss the impact on the final RS 38 tariff page in a scenario where the CMA is not opined on in the FBC LTERP 2021 Proceeding. Please discuss the interplay of the two decisions in this scenario if:

(i) The BCUC's decision in the FBC LTERP 2021 Proceeding is issued first; and

(ii) The BCUC's decision in this proceeding is issued first.

Response:

Please refer to the response to BCUC IR2 2.1.

C. TRANSMISSION CHARGES

4.0 Reference: TRANSMISSION CHARGES

Exhibit B-3, BCUC IR 14.2

71 Line Imports

In response to BCUC IR 14.2, FBC states:

> FBC confirms that FBC is able to import power originating from the US via Teck [Metals Ltd.]'s 71 Line. These imports physically require the use of BC Hydro [British Columbia Hydro and Power Authority]'s system but contractually under the [Canal Plant Agreement (CPA)] they do not and FBC does not pay any BC Hydro wheeling charges to import over 71 Line. However, FBC Customers cannot use retail access by importing power over 71 Line since they do not have access to 71 Line transmission. 71 Line access is only available to FBC, not its Customers.

4.1 Please further explain why imports via 71 Line physically require use of BC Hydro's system, but contractually under the CPA, they do not and FBC does not pay any BC Hydro wheeling charges.

Response:

The physical termination of 71 Line is on the BC Hydro system. However, it was not always this way and historically 71 Line terminated on the US power system, not the BC Hydro system. To better enhance provincial power operations, this was modified such that 71 Line can now terminate to either the US system or the BC Hydro system, with normal operation being the BC Hydro system. However, under the Canal Plant Agreement it is as if 71 Line continues to terminate on the US system and therefore FBC does not pay any BC Hydro wheeling charges to import over 71 Line.

4.2 Please explain why 71 Line access is not available to FBC Customers.

Response:

71 Line is not owned by FBC and therefore FBC does not have the right to grant 71 Line access to third parties.

5.0 Reference: TRANSMISSION CHARGES

Exhibit B-2, p. 11, Exhibit B-3, BCUC IR 15.1, 15.6

Wheeling Costs

On page 11 of the Supplemental Information, FBC states:

> FBC believes that the Hourly Service Adder of $.01/kilowatt-hour is reasonable given the service that is being provided. At a minimum, the charge should be no less than the $.00792/kilowatt-hour charge (excluding losses) under FBC's wholesale wheeling tariff if retail access service was available and being taken; however, this service is much more complex and involved than providing service under retail access as FBC is responsible for sourcing the power and making all arrangements for power to be delivered to the FBC service area. FBC believes that the proposed cost is likely less than what the total costs (that is, the costs not limited to those associated with FBC) for supply and delivery would be for a retail access Customer.

In response to BCUC IR 15.1, FBC states:

> FBC generally refers to all of the individual rate schedules from RS 100 – RS 109 as the wholesale wheeling tariff as these are rates that have been set in order to administer the services described in the Open Access Transmission Tariff (Tariff Supplement No. 7).

In response to BCUC IR 15.6, FBC states:

> As described in the responses to BCUC IR1 15.4.1 and 15.5, the costs for transmission are potentially quite variable depending on the time of day and the location of the LCIR [Large Commercial Interruptible Rate] Customer on the FBC system. Using the identified costs, the range of costs is [REDACTED] per MWh during off-peak hours for a Customer where no [Amended and Restated Wheeling Agreement (ARWA)] wheeling is required up to [REDACTED] per MWh during on-peak hours and where ARWA wheeling is required and the assumed cost of ARWA losses is $2.50 per MWh. These numbers will grow by about $.02 per MWh per year based on the expected increased costs of the Teck 71 Line wheeling cost.

5.1 Please confirm, or explain otherwise, that a Customer taking transmission service from FBC would be required to pay charges associated with all of the individual rate schedules from RS 100 – RS 109.

<u>Response:</u>

For further clarity, the $.00792/kilowatt-hour charge (excluding losses) that FBC referred to on page 11 of the Supplemental Information was based on Point-to-Point transmission service, not Network Integration Service. Network Integration Service is RS 100 and would not be applicable to a customer opting for Point-to-Point service.

However, FBC confirms that a customer taking transmission service from FBC would be required to pay charges associated with all of the individual rate schedules from RS 101 to RS 109, with the following exceptions:

- Either RS 101 (Long-Term and Short-Term Firm Point-To-Point), or RS 102 (Non-Firm Point-To-Point) would be charged depending on the customer's choice, but not both services at the same time.
- RS 105 Regulation and Frequency Response Service could be purchased from FBC, or the customer could make alternative comparable arrangements as per the tariff.
- RS 106 Energy Imbalance Service would only be charged when a difference occurs between the scheduled and the actual delivery of energy to a load located within a FBC's service territory over a single Hour.

5.2 Please briefly describe the process by which FBC calculates charges associated with RS 100 – RS 109, including a discussion of the extent to which such charges are reflective of the cost of service.

Response:

The process is as follows, and reflects the assumptions used in calculating the $.00792/kilowatt-hour charge referenced in the preamble.

Either RS 101 or 102 (firm or non-firm Point-to-Point) would be selected by the customer, as would their duration of transmission reservation (hourly, weekly, daily, monthly). The appropriate charge for RS 101/102 would then be multiplied by the volume of the applicable transmission reservation(s).

The appropriate rate under RS 103 (scheduling, system control and dispatch) would reflect the reservation duration chosen under RS101/102 and would be multiplied by the volume of the applicable transmission reservation(s). The total of these charges would be summed and appear on the customer's monthly bill.

The RS 104 (reactive supply and voltage control) rate would be multiplied by the total MW(s) of reserved capacity per hour over the course of the month and appear on the customer's monthly bill.

The customer must either purchase from FBC or make alternative comparable arrangements to satisfy its RS 105 (regulation and frequency response service) obligation. For the purposes of this analysis, FBC assumed no charges under RS 105. If the customer elected to take service under RS 105, then the rate would be multiplied by 2 percent of the customer's load and appear on the customer's monthly bill.

FBC also assumed no RS 106 (energy imbalance service) charges for the purpose of this analysis. Energy imbalance service should not be taken on a regular basis and is only provided when a difference occurs between the scheduled and the actual delivery of energy to a load located within FBC's service territory over a single hour.

The rates for each of RS 107 and RS 108 (OR – spinning reserve and OR – supplemental reserve) would be multiplied by 2.5 percent of the customer's total load for the month, assuming that the load is served by hydro generation,[4] and the total for each would be added to the customer's bill at the end of the month.

FBC assumes that losses would be physically delivered as real power losses to the Company as per the volumes defined under RS 109.

With regard to the extent to which the Transmission Service rates are reflective of the cost of service, FBC confirms that each of the rates were examined in detail during the 2017 Cost of Service Analysis and Rate Design Application and approved at their current levels (subject to annual rate increases). The rates are based either on the Transmission Revenue Requirement, a direct examination of FBC costs, or in the case of RS 103, RS 104, RS 106, and RS 107, industry standard or industry referent pricing.

5.3 Please discuss the frequency or circumstances where charges associated with RS 100 – RS 109 are updated by FBC.

Response:

Revenues associated with the provision of Transmission Services are included in the annual revenue requirement and the charges are therefore updated annually in accordance with rate adjustments approved by the BCUC. Structural changes to the rates are only made as part of a rate design application process such as was done in 2017.

5.3.1 Please discuss whether FBC intends to review the Hourly Service adder when changes to RS 100 – RS 109 occur.

Response:

FBC intends to monitor the Hourly Service Adder periodically to assess whether the current level is adequate and would bring an application before the BCUC to support and request any proposed

[4] When the load is served by thermal generation, the required amount of Spinning Reserve Service is a minimum of 3.5% of the Customer's load. FBC Electric Tariff, page 110 & 111 of PDF.

changes. FBC has not tied the need to do so to either the annual rate setting process or a more fulsome rate design exercise.

5.4 Please discuss the pros and cons of a variable Hourly Service Adder where the cost of the adder was dependent on (i) time of day (i.e. off-peak or on-peak) and (ii) location (i.e. if power is delivered to the Okanagan).

Response:

As discussed in the response to BCUC IR1 15.2, the Hourly Service Adder is an incremental charge included in the LCIR in consideration of factors such as transmission charges that may occur when power used to supply LCIR Customers was sourced from the market, additional administration, and the inclusion of a broader ratepayer benefit, as well as being set at a level that would not discourage participation in the program. The $0.10 / kWh figure was put forward as a reasonable number in consideration of these factors and was set using FBC's experience and judgement rather than being derived quantitatively. The charge is intended to be a bundled proxy for a number of considerations, but not explicitly based on or derived from any specific set of cost references.

FBC recognizes that transmission-related costs, for which the recovery is one consideration in the Hourly Service Adder, can vary by time of day or location. As explained in the response to BCUC IR1 15.5, it is hard to calculate a representative incremental cost since for any hour it is not known if they will even occur. However, FBC believes that the current level of the Hourly Service Adder of $0.010 per kWh is sufficient to meet the objectives of the charge, even when actual transmission charges include the additional amounts, and that a variable charge is not necessary.

FBC does accept that the use of a variable Hourly Service Adder would result in charges that more accurately reflect the variable charges that FBC must pay to deliver power to the LCIR Customer. As such FBC net revenue would be maximized, as would the benefits to other customers.

The disadvantages are an increase in FBC administrative difficulty and uncertainty for the LCIR Customer as to what the actual cost of the power they are buying could potentially be.

D. IMPLEMENTATION

6.0 Reference: IMPLEMENTATION

Exhibit B-3, BCUC IR 19.1, 19.2

Permanent Offering versus Pilot Program – Costs and Customers

In response to BCUC IR 19.1, FBC stated:

> However, the most important consideration (the “pro”) in favour of offering the rate on a permanent basis remains the fact that a Customer that desires to take service on RS 38 may be required, in the case of transmission-fed Customers, to make alterations in the design of the Customer facility to accommodate an interruptible form of service, and primary-fed Customers (on RS 30) may also have to add the necessary equipment to enable FBC-controlled interruptions. These additions will have a cost and FBC does not believe that it would be fair, or attractive, for the Customer to make such investment without the knowledge that the rate is intended to be a permanent offering. The “con” that exists with a permanent offering would be the persistence of a rate that may not achieve its goal and results in a sustained revenue decrease, but if this occurs, FBC believes it could be addressed through a review of the rate design once experience has been gained.

In response to BCUC IR 19.2, FBC stated:

> As discussed in the Supplemental Information, FBC anticipates that capital costs may range from $10 thousand to $100 thousand in order to facilitate an FBC-controlled means of disconnection. The amount of time required to recover these costs would be entirely dependent on the relative pricing of RS 38 and RS 30/31 energy and the load involved. Assuming for example, that a Customer is taking service under the conditions described in the response to Supplemental Information, Question 5, the recovery of these funds would be quite quick, perhaps a single billing period.

6.1 Please discuss the cost ($) for a new Customer “that desires to take service on RS 38” noted in response to BCUC IR 19.1, including an estimated time period it would take to recover the funds for Customers (e.g. in a single billing period).

Response:

FBC’s response to BCUC IR1 19.2 was intended to convey that the cost to the customer, for both RS 30 and RS 31, including any changes on the customer’s side of the meter, will vary widely, as will the revenue difference between RS 30/31 and RS 38. Much will depend on the timing and size of the load. This situation would be the same whether the customer is completely new, or simply transferring load to RS 38, although for an existing customer the cost would likely be less since much of the infrastructure may already be in place.

The common consideration in BCUC IR2 6.1, 6.2, and 6.3 is the amount of time that would be required to recover the set-up costs for interruptible service. While it cannot be definitive in the absence of particular facts that could arise, FBC believes that in most cases, where the customer has made a reasonable assessment of the savings that could result from being on RS 38 and given that it is unlikely that a customer will sign up for the rate unless conditions are favourable, the time to recover the initial investment will be relatively short, perhaps a single billing period in some cases.

6.2 Please discuss the cost ($) for transmission-fed Customers “to make alterations in the design of the Customer facility to accommodate an interruptible form of service” noted in response to BCUC IR 19.1, including an estimated time period it would take to recover the funds for Customers (e.g. in a single billing period).

Response:

Please refer to the response to BCUC IR2 6.1.

6.3 Please discuss the cost ($) for primary-fed Customers (on RS 30) “to add the necessary equipment to enable FBC-controlled interruptions” noted in response to BCUC IR 19.1, including an estimated time period it would take to recover the funds for Customers (e.g. in a single billing period).

Response:

Please refer to the response to BCUC IR2 6.1.

6.4 Please confirm, or discuss otherwise, that under a pilot program, if the RS 38 does “not achieve its goal and results in a sustained revenue decrease” that “a review of the rate design once experience has been gained” could still be conducted.

Response:

Confirmed.

6.5 Please confirm, or explain otherwise, that a permanent rate offering is subject to future amendments, including termination, and does not guarantee a Customer's recovery of their investment in the necessary equipment for interconnection.

Response:

Confirmed. No rate is considered absolutely permanent and not subject to future changes up to and including termination. However, the premise of a pilot project is itself that the project is of a limited-time nature that comes to an end after a pre-set period of time. Further and correspondingly, it is likely that from a customer perspective, the future of a pilot rate is inherently less certain than a rate that has been approved on a permanent basis, and as such the program's status as a pilot may unnecessarily deter participation.

7.0 Reference: IMPLEMENTATION

Exhibit B-3, BCUC 3.6, 22.1, 28.2

Permanent Offering versus Pilot Program – Implementation

In response to BCUC IR 3.6, FBC stated:

> If the LCIR is approved for addition to the FBC Electric Tariff, but no Customers elect to take service under the rate, FBC does not anticipate that any costs will be incurred to maintain RS 38. FBC has a number of rate schedules available that have no current participants and no costs are associated with continuing to offer the rates as options.

7.1 Please discuss whether a pilot or permanent introduction of RS 38 would be more appropriate in terms of regulatory efficiency in a scenario where no Customers elect to take service under the rate.

<u>Response:</u>

FBC believes that regulatory efficiency is improved by offering the LCIR on a permanent basis even in the case where no customers initially elect to take service under the rate. This is because, under a pilot with a limited duration, for example three years, no customers may sign up due to market conditions during that time and the pilot period would expire. If customer interest picked up in year 4, FBC would no longer have the rate to offer without re-applying to the BCUC. If the rate is approved on a permanent basis it may remain in the tariff without use until such a time as a customer requests LCIR service, at no regulatory cost to any party, and without the need for an additional regulatory application process.

In response to BCUC IR 19.1, FBC stated:

> These additions [necessary equipment to enable FBC-controlled interruptions] will have a cost and FBC does not believe that it would be fair, or attractive, for the Customer to make such investment without the knowledge that the rate is intended to be a permanent offering.

In response to BCUC IR 22.1, FBC stated:

> By January 31 of each year, as detailed in the response to BCUC IR1 25.1, the RS 38 Customer will provide to FBC an hourly anticipated load forecast for the premise being served under this rate schedule for the following five years. This will help FBC to include the expected energy and capacity costs associated with RS 38, as well as revenue associated with RS 38, in its ongoing revenue requirement forecasts

7.2 Please discuss how, if at all, a five-year forecast timeline would factor into FBC's assessment of an appropriate timeline for a pilot implementation.

Response:

FBC does not believe that the five-year forecast timeline is a factor in determining what the appropriate timeline for a pilot implementation would be. If the BCUC were to order a pilot implementation, FBC would adjust the requested five-year forecast to not exceed the term of the pilot implementation.

7.3 Please discuss how, if at all, a five-year forecast timeline would allow for recovery of the costs that RS 38 Customers would have to undertake that FBC does not believe "would be fair, or attractive, for the Customer to make such investment without the knowledge that the rate is intended to be a permanent offering."

Response:

The requirement for a RS 38 Customer to provide FBC with a five-year hourly anticipated load forecast is to facilitate FBC's power supply planning and management of the LCIR and is not intended to provide certainty or comfort to the Customer regarding recovery of its investment. As noted in the response to BCUC IR2 6.1, FBC expects that in most cases, the time to recover the initial investment will be relatively short, perhaps a single billing period in some cases.

In response to BCUC IR 28.2, FBC stated:

> A two-year term is consistent with the existing template for all large commercial service agreements and was therefore included in the RS 38 template as well. However, the final term is subject to discussions between FBC and the Customer. Given that RS 38 provides that "Service under this Schedule is available for a minimum of 12 Months after commencement of Service", it may be that a 12-month duration would be preferable for Customers; this is something that FBC would likely be receptive to.

7.4 Please confirm whether it is possible that the final term could be greater than two years. If yes, please discuss the protection(s) that Customers would have in order to opt out of the RS 38 and Contract for Interruptible Service prior to the end of the two-year period.

Response:

It is possible that the parties could agree to a term of greater than two years; however, FBC does not anticipate that this would impact the termination period of 6 months that is currently specified in the proposed Electricity Service Contract for Interruptible Service, clause 5.

7.5 In a scenario where "a 12-month duration would be preferable for Customers," please confirm whether FBC would implement this 12-month term across all RS 38 Customers, or if this would be done on a customer-by-customer basis.

Response:

FBC would negotiate the term on a customer-by-customer basis, subject to the 12-month minimum.

7.6 Please reconcile a 12-month contract timeline with (i) FBC's assessment of an appropriate timeline for a pilot implementation of three to five years and (ii) FBC's proposal to offer RS 38 as a permanent offering, respectively.

Response:

FBC does not view a 12-month term as incompatible with implementation on either a pilot or permanent basis. If the Program is offered on a permanent basis, then there is no danger of having a contract in place that runs beyond the timeframe for the Program itself. Were the Program to be offered (at least initially) as a pilot, then it is conceivable that a term could run beyond the end-date of the pilot. In this case, it is likely that the Program would be closed to new participants and existing RS 38 Customers could choose to continue until the term of their contract expired.

7.7 Please explain whether a Customer that may be unable to renew the contract at the end of the 12-month period, will be able to continue to receive service under RS 38.

7.7.1 If yes, please elaborate on the factors and conditions under which this may occur.

Response:

FBC is not aware of circumstances that would prevent a customer from renewing a contract at the end of a term, and the term renews automatically unless canceled by either party. In any case, a contract is required in order to receive service under RS 38.

7.8 Please discuss how, if at all, a 12-month contract timeline would allow for recovery of the costs that RS 38 Customers would have to undertake that FBC does not believe that it "would be fair, or attractive, for the Customer to make such investment without the knowledge that the rate is intended to be a permanent offering."

Response:

The purpose of a term requirement is to ensure that a customer does not switch back and forth between firm and interruptible rates in such a manner as to "game" the system. It is not intended to limit the time available to a customer to recover their costs.

8.0 Reference: IMPLEMENTATION

Exhibit B-3, BCUC IR 19.2

Permanent Offering versus Pilot Program – Pilot Program Details

In response to BCUC IR 19.2, FBC stated:

> […] FBC has proposed a permanent rate in consideration of customer exposure to capital costs as these may not be Customers that are already connected and able to take service under an underlying rate (as with BC Hydro's RS 1893).
>
> However, FBC would still offer the rate were the BCUC to approve it on a pilot basis as long as the cap on total enrollment were maintained and the pilot period was sufficient in length (i.e., 3 to 5 years) to allow for market variation and operational learnings to be experienced.

8.1 Please explain why three to five years is considered "sufficient in length" to allow for market variation and operational learnings to be experienced. As part of the response, please discuss the alternative periods of length assessed and explain why they were not chosen.

<u>Response:</u>

The three-to-five-year period was put forward in response to the referenced information request based on FBC's best estimate of a time frame that would allow customers to become aware of the rate, to make inquiries and potentially take service under the rate, and for both the LCIR Customer and FBC to operate under the rate for a reasonable duration. Also, it would allow the Mid-C market to potentially have some variation in pricing that would be indicative of what a longer-term experience would be like. As the timeframe was suggested only during the information request process, it was not the result of an assessment process that examined alternate periods.

8.2 If FBC were to offer RS 38 on a pilot basis, please discuss the changes to the Application, including the tariff pages, that would be required.

<u>Response:</u>

Had FBC initially applied for approval of the LCIR as a pilot program rather than as a permanent rate, the narrative in the Application would have reflected this request in a number of places, such as in Section 1.3, Approvals Sought, and Section 4.2, Implementation Considerations, where the permanent nature of the rate is discussed. The draft orders included in Appendix D would also reflect this change.

However, no change to the Application, or re-submission, is required in order for the BCUC to approve the LCIR on a pilot basis since the ultimate form of the rate can be prescribed in the final order that is issued.

Were events to unfold in this way and the BCUC granted approval on a pilot basis, the final form of RS 38 would need to include language identifying the LCIR as a pilot program. For example, the BCUC has approved rates for other utilities under its jurisdiction that include a special condition stating, “Electricity is available under this Rate Schedule on a pilot basis only until [Termination Date].”

8.3 Please provide details on how a pilot program would work (including implementation of the pilot program, feedback process with Customers, ongoing monitoring and assessment of program performance, potential proposed amendments to RS 38arising from operational learnings, etc.).

8.3.1 Please explain whether the process explained above would be different, if at all, if RS 38 was implemented on a permanent basis rather than as a pilot program.

Response:

FBC does not view the implementation of the LCIR on a pilot basis to be markedly different than what is anticipated for a permanent offering. All of the required pre-interconnection activities, studies, and agreements would remain, as would the Mid-C Price Cap nomination and the work required on the customer’s system. In other words, from an implementation perspective, there is little to be gained from implementing a pilot as opposed to a permanent offering.

FBC anticipates that all of the information required in order to make an assessment of the Program for the purpose of determining the fate of a pilot would be collected as part of the LCIR Report that FBC has already committed to complete. FBC will be working closely with customers and will have a complete picture of the impact of the Program to both LCIR participants and other customers such that metrics for evaluating program success should be straightforward to determine.

It is difficult to speculate on exactly what amendments to RS 38 may be required without the benefit of the operational learnings that will be gleaned from actual experience, but FBC anticipates that pricing, process, communication, or the program cap of 50 MVA will all be scrutinized as part of the review.

9.0 Reference: REPORTING

Exhibit B-3, BCUC IR 26.2

Additional Reporting

In response to BCUC IR 26.2, FBC stated:

> FBC has reviewed the additional reporting scope and can confirm that it considers these additional items potentially achievable. However, FBC expects it to be a large amount of additional work to collect and analyze the required data and that this effort and the associated cost has nor been incorporated into the rate. FBC can provide an estimate of the costs related to reporting once the final content of the report is known.

9.1 Based on the additional reporting scope referenced in BCUC IR 26.2, please identify which item(s) FBC considers to be costly to prepare.

Response:

FBC sets out below those items from BCUC IR1 26.2 where preparation costs are likely to be high, or where FBC views reporting to be otherwise problematic.

Estimate of participant benefit based on the unit cost reduction of incremental electricity:

Much of the potential participant benefit would not be captured by the proposed calculation. For example, if the LCIR allows a customer to connect to the system who otherwise could not connect or increase their load, the customer benefits of that could be very large, but would not be captured. In addition, to do the proposed calculation correctly, the reduction of the unit cost of energy must also take into account capacity charges, which could be significant. This will require a separate calculation for each customer every month of what their bill would have been under the appropriate firm rate schedule. While this level of detail may be appropriate for an initial report, FBC does not believe it to be appropriate on an ongoing basis.

Estimate of incremental energy sales and revenue:

FBC sees the value of reporting the RS 38 energy sales, but to determine how much of this was incremental energy would be very difficult and would likely require complex customer base load studies to be conducted. These can become very complicated if the customer is proposing load changes and FBC is not proposing to undertake this work. A report of RS 38 revenue is certainly possible but without the associated costs, it has little value in FBC's view. This will be covered in the estimate of the costs and benefits of RS 38 on an overall ratepayer basis.

Assessment of customer use of the rate and determination of customer load response to Mid-C prices:

This is very subjective and FBC would be making assumptions about customer behaviour that may not be correct. FBC would prefer not to report on this.

Examination of whether load shifting by customers occurred and an assessment of the impact:

FBC does not propose to report on this as to determine if the RS 38 Customer shifted load either in time or from another facility or fuel source would be difficult to determine. It would likely require detailed and complex customer base load studies to be undertaken at not only the facility in question, but potentially all the customers facilities, some of which may not even be located in FBC's service area. However, FBC notes that the customer themselves may self-report such an impact to FBC. For example, if the use of natural gas was reduced and replaced by electricity due to RS 38, it is likely this will be self-reported by the customer as part of their own reporting. If FBC becomes aware of such a result, FBC can include it as well.

Assessment of the usage of RS 38 compared to the usage of RS 30 and RS 31:

This may or may not be possible based on the situation. It could be very simple or it could be extremely complex, likely requiring complex customer base load studies to be conducted.

An analysis to examine whether the usage of each participating customer's firm electricity service has changed, and if so, to what degree, as a result of the RS 38 non-firm service over the reporting period:

Changes in load could be for a variety of reasons unrelated to RS 38. To determine this, FBC would likely have to conduct complex customer base load studies that FBC is not proposing to undertake.

Information about the system marginal values of FBC's resources:

FBC will not be reporting on this as the true FBC system marginal cost for any load hour may take up to a year to determine as future prices are partly dependent on past volumes under the BC Hydro PPA.

9.2 Based on the additional reporting scope referenced in BCUC IR 26.2, please comment on what would be a reasonable reporting frequency and timing in consideration of (i) the costs related to reporting and (ii) availability of data based on operational experience.

Response:

FBC believes that annual reporting would be appropriate.

9.2.1 Please discuss whether FBC sees value in providing a brief report on an annual basis and provide a more comprehensive report at a long frequency (such as every two to three years).

9.2.1.1 If yes, please elaborate on the scope of each type of reporting. As part of the response, please discuss the balance between cost, transparency, and timeliness to identify any need for program amendment.

Response:

FBC does see value in providing certain basic information on an annual basis, with a broader report including information better informed by a longer time frame submitted less often. A breakdown of these items cannot be completed within the time allowed by the current regulatory schedule; however, FBC could provide such information in consultation with the BCUC when and if RS 38 is approved.

9.3 Please discuss whether the reporting requirement (such as scope, timing, frequency, and cost) for a permanent versus pilot program offering would be different.

Response:

In general, a pilot program would be expected to require additional reporting as compared to a permanent rate. However, in this case, for the LCIR Application, given the scope of the proposed reporting, FBC believes that the report is likely to be similar for both a pilot as well as a permanent rate.

9.4 Please discuss whether regulatory efficiencies may arise if the reporting to the BCUC on this offering were (i) combined with FBC's Annual Review applications, (ii) combined with FBC's Annual Report, or (iii) submitted as a standalone compliance report.

Response:

The view of FBC is that the LCIR report should be provided on a standalone basis. While the financial outcomes of the LCIR will be included as inputs to some of the data provided in other regulatory filings, the more comprehensive information required for the LCIR-specific report is best presented in a different format. FBC notes that many of the same internal resources that are employed in putting together the Annual Report and Annual Review filings would also be required for the LCIR-specific reporting, such that staggering the timing of the filings is preferred. Finally, FBC is coming close to the end of the current MRP term, and the existence of an Annual Review process beyond 2024 depends on the next rate setting term.

Attachment 2.1

RATE SCHEDULE 38 – INTERRUPTIBLE SERVICE

NATURE OF SERVICE:

Interruptible Service is a non-firm, large commercial rate where customers are subject to service suspensions as described in this Rate Schedule. A Customer taking service under this Rate Schedule is referred to as an Interruptible Customer.

AVAILABILITY: Interruptible Service is available throughout FortisBC's electric service area to Customers whose entire load at one point of interconnection would normally be eligible for service on Rate Schedule 30 – Large Commercial Service – Primary, or Rate Schedule 31 – Large Commercial Service – Transmission, subject to:

a. a review by FortisBC of each customer request for suitability and technical viability;

b. written agreement; and

c. in cases where the Interruptible Customer chooses to have only a portion of its total load served under this Rate Schedule, the portion of the customer's load that is to be served under this Rate Schedule is sufficient in size to itself qualify for service on either Rate Schedule 30 – Large Commercial Service – Primary, or Rate Schedule 31 – Large Commercial Service – Transmission.

CHARGES: Each Billing Period, the Customer will be billed the total of the Customer Charge and Energy Charge calculated as described below.

Monthly Rate:

For Customers otherwise eligible for Rate Schedule 30: $1030.68 per Month

For Customers otherwise eligible for Rate Schedule 31: $3,366.02 per Month

In cases where the Interruptible Customer chooses to have only a portion of its total load served under this Rate Schedule, and is therefore paying the above charges pursuant to the billing associated with the firm portion of its load, the Customer Charge billed under this Rate Schedule will be zero ($0.00).

Rate Schedule 38 Energy Charge:

Interruptible Customers taking service on this rate will be billed an Energy Charge in each Billing Period equal to the sum of Hourly Energy Charges determined as follows:

RATE SCHEDULE 38 – INTERRUPTIBLE SERVICE (Cont'd)

Rate Schedule 38 Energy Charge (Cont'd):

(i) For a Peak Hour, the Intercontinental Exchange (ICE) Day Ahead Mid-Columbia Peak Index for the applicable day of flow in \$/MWh; and For an Off-Peak Hour, the Day Ahead Mid-Columbia Off-Peak Index for the applicable day of flow in \$/MWh (in either such case, the "applicable Mid-C Price"). In Hours in which the applicable Mid-C Price is negative, a value of \$0.00/MWh will be used. In Hours in which the applicable Mid-C Price exceeds the cap, if any, nominated by the Interruptible Customer pursuant to the applicable Service Agreement, expressed in \$/MWh (the "Mid-C Price Cap") for the month in which such Hour occurs, a value equal to the Mid-C Price Cap will be used; and

(ii) System losses as per Rate Schedule 109; and

(iii) Hourly Service Adder of \$0.01000 per kWh.

The Hourly Energy charge is calculated as:

(Energy Taken (kW.h) x (1+ loss rate %)) x (applicable Mid-C Price + 0.0100)

REASONS FOR INTERRUPTION:

The Suspension of Service for any of the following reasons is an Interruption for the purpose of this Rate Schedule:

a: To maintain service to Customers taking service under any of FortisBC's other rate schedules that is not designated as non-firm; or

b: To avoid any 3rd Party charges that may be levied against FortisBC related to Imbalance Energy; or

c: To maintain the stability, reliability, or integrity of the FortisBC or Western Interconnected electrical systems; or

d: Lack of available transmission; or

e: For Hours where FortisBC reasonably expects that the Energy Charge will be based on the Mid-C Price Capas described in part i) of the Energy Charge portion of this rate schedule, FortisBC may interrupt the Customer.

RATE SCHEDULE 38 – INTERRUPTIBLE SERVICE (Cont'd)

NOTICE OF INTERRUPTION:

FortisBC does not guaranty that prior notice of a pending or potential Interruption will be provided in any or all cases. However, FortisBC will endeavor to provide notice, where practicable.

SPECIAL PROVISIONS:

1. Service under this Schedule is available for a minimum of 12 Months after commencement of Service.

2. The applicable Mid-C Price will be converted to $CDN using the daily Bank of Canada rate and settled on a monthly basis.

3. By January 31 of each year, the Interruptible Customer will provide to FortisBC an hourly anticipated load forecast for the premise being served under this Rate Schedule for the following five years. Anticipated changes to this load forecast are to be communicated by the Interruptible Customer to FortisBC with as much notice as reasonably possible.

4. The Interruptible Customer is required to maintain a Load Factor of 80% in order to receive service under this Rate Schedule unless otherwise agreed to by FortisBC.

5. Energy provided under this Rate Schedule is non-firm and subject to interruptions that may be initiated through automatic means, or any other method when required at the sole discretion of FortisBC, for any of the reasons noted in the Reasons for Interruption or as set out in paragraph 11 below.

6. Existing Customers that move any portion of their existing load to this Rate Schedule will be deemed to have terminated service under the Customer's current Rate Schedule for that portion. Where a Customer requires firm service for a portion of its load, adequate separation of firm service and service taken under this Rate Schedule must be established to facilitate both approved revenue metering and interruption as provided under this rate. A separate point of delivery for the firm service portion may be required at the sole discretion of FortisBC.

7. In cases where the Interruptible Customer chooses to have only a portion of its total load served under this Rate Schedule, the portion of the Customer's load that is not served under this Rate Schedule will be billed pursuant to the rate schedule that would otherwise be applicable to the Customer's total load, regardless of the magnitude of the load that is not served under this rate schedule.

RATE SCHEDULE 38 – INTERRUPTIBLE SERVICE (cont'd)

SPECIAL PROVISIONS (Cont'd):

8. The Interruptible Customer may request to transition or return to firm service under either Rate Schedule 30 or 31 by making an application through the existing FortisBC Industrial Electricity Interconnection process. Making such an application does not guaranty that firm service in the amount requested will be available at the desired location.

9. To receive and continue service under this Rate Schedule, the Interruptible Customer will install all necessary communication, relay and breaker equipment as may be required on an ongoing basis, subject to FortisBC approval, and will pay for all associated hardware costs. The Customer must maintain all FortisBC-approved equipment at the Customer's location necessary for FortisBC to remotely interrupt the Customer.

10. FortisBC shall not be liable for any loss or damage caused by or resulting from any Interruption of service or the non-provision of notice of any pending or potential Interruption.

11. Nothing herein prevents FortisBC from interrupting service for emergency circumstances, determined at FortisBC's sole discretion.

12. FortisBC maintains the right to place a cap on the aggregate MW accepted on the Interruptible Rate. The cap may be reviewed and revised from time to time. The current cap will be published on the FortisBC website.

13. FortisBC will determine upon Customer Application the amount of interruptible load, if any, that can be connected at the requested location.

14. Interruptible Customers may meet the conditions to become a Registered Entity under the Rules of Procedure for Reliability Standards in British Columbia and, if so would be required to be compliant with applicable Mandatory Reliability Standards. All compliance activities are the sole responsibility of the Interruptible Customer.

15. Where FortisBC has made a contribution toward the costs of any Extension or System Upgrade required to provide service to an Existing Customer, and that Customer requests to transition to Interruptible Service, and the total billing revenue collected from the Customer to the time that service is initiated under this Rate Schedule is insufficient to cover that FortisBC contribution, the Customer will be required to repay the FortisBC contribution as follows:

    a. Repayment Amount = Amount of FortisBC contribution – (total revenue received from the Customer + any contribution amount that has been received from any additional Customer(s) connecting to the Extension).