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March 15, 2023

British Columbia Utilities Commission  
Suite 410, 900 Howe Street  
Vancouver, BC  
V6Z 2N3

Attention: Sara Hardgrave, Acting Commission Secretary

Dear Sara Hardgrave:

**Re: FortisBC Inc. (FBC)**  
**Application for Approval of a Large Commercial Interruptible Rate (Application)**  
**FBC Reply Submissions**

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On July 6, 2022, FBC filed the Application referenced above. In accordance with the further regulatory timetable established in BCUC Order G-22-23 for the review of the Application, please find attached FBC's Reply Submissions.

If further information is required, please contact the undersigned.

Sincerely,

**FORTISBC INC.**

***Original signed:***

Sarah Walsh

Attachment

cc (email only): Registered Interveners

**BRITISH COLUMBIA UTILITIES COMMISSION**

**IN THE MATTER OF the *Utilities Commission Act*,  
R.S.B.C. 1996, Chapter 473 (the “*Act*”)**

**and**

**An Application by FortisBC Inc.  
for Approval of a Large Commercial Interruptible Rate**

**REPLY SUBMISSIONS OF**

**FORTISBC INC.**

**March 15, 2023**

**TABLE OF CONTENTS**

PART One: Introduction and Overview..... 1

PART Two: Responses to Intervener Final ARGuments ..... 1

    A. Responses to ICG’s Final Argument ..... 1

    B. Responses to CEC’s Final Argument..... 2

    C. Response to BCSEA’s Final Argument ..... 4

    D. Response to BCOAPO’s Final Argument..... 5

PART Three: Conclusion..... 10

## **PART ONE: INTRODUCTION AND OVERVIEW**

1. As set out in the Application and its Final Argument, FortisBC Inc. (FBC) is seeking approval from the British Columbia Utilities Commission (BCUC) pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA) for a Large Commercial Interruptible Rate (LCIR).
2. Final Arguments were filed by four interveners: the B.C. Sustainable Energy Association (BCSEA); the Commercial Energy Consumers Association of BC (CEC); British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Council of Senior Citizens' Organizations of BC, Disability Alliance BC, and Tenant Resource & Advisory Centre (BCOAPO); and the Industrial Customer Group (ICG).
3. All four of the interveners support the introduction of the LCIR. CEC recommends that the BCUC approve the LCIR as proposed by FBC.<sup>1</sup> BCSEA, BCOAPO, and ICG support the introduction of the LCIR while also including recommendations for changes or additional requirements to the FBC proposal.
4. In the remainder of this Reply Argument, FBC responds to the comments and recommendations of interveners. Silence in this submission on a particular statement in an intervener submission does not indicate FBC's agreement with it. The sections below primarily discuss the comments of the interveners in turn as they pertain to the Program Need, the Mid-C Price Cap, the permanency of the LCIR, the Program Cap, the Hourly Service Adder, the Terms and Conditions, and the Annual Review/Reporting requirements (the Key Subject Areas). Not all interveners have provided comments on all of the Key Subject Areas.

## **PART TWO: RESPONSES TO INTERVENER FINAL ARGUMENTS**

### **A. RESPONSES TO ICG'S FINAL ARGUMENT**

5. ICG supports approval of the LCIR and did not comment on any of the Key Subject Areas.
6. In its Final Argument, ICG states its view that LCIR load should not be considered in transmission planning and notes that it identified this concern in ICG IR1 9.3. While it is unclear to FBC what relevance

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<sup>1</sup> CEC Final Argument, para. 174.

new 11 L load has to consideration of transmission planning as it relates to the LCIR, since the new load added to 11 L is not interruptible, FBC can confirm that LCIR load is not a consideration in transmission planning.

7. Regarding ICG's recommendation that the BCUC direct FBC to identify all LCIR loads to be served by system upgrades that are the subject of Certificate of Public Convenience and Necessity (CPCN) applications, FBC does not see the need for such a direction. Any CPCN application pertaining to system upgrades necessarily contains information related to project need and the extent to which upgrades are required to meet load growth is clearly evident. Further and in any event, FBC would not file such an application on the basis of a need to serve interruptible load. As discussed in FBC's response to BCOAPO IR2 39.3 (Exhibit B-10), if a customer takes service on the LCIR in anticipation that planned system upgrades would allow for a future transition to firm service at no cost, FBC may still require a customer contribution if due to the increased load the planned system upgrade no longer provided the anticipated system benefit.

## **B. RESPONSES TO CEC'S FINAL ARGUMENT**

8. CEC recommends that the BCUC approve the LCIR as proposed by FBC.

9. With regard to the permanency of the LCIR, CEC submits a) that implementation of the LCIR as a pilot would be detrimental to the FBC aims of developing an interruptible rate market and b) that delaying a permanent rate and creating substantial business uncertainty delay in providing permanent rates, while searching for perfection in the process of managing the LCIR, would not be a productive step.<sup>2</sup> FBC agrees.

10. While CEC recommends that the BCUC approve the LCIR as proposed by FBC, CEC expresses a concern that the LCIR could introduce risk by possibly eroding FBC's existing commercial customer base presently served under RS 30 and RS 31 and raise issues of cross-subsidy with other customer rate classes.<sup>3</sup>

11. Regarding these risks, CEC recommends that expected mitigation measures be established by FBC in a compliance filing after the BCUC has made a decision on enabling the LCIR and, if FBC is not able to manage the risks through those mitigation measures, that the risks be shared with the LCIR

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<sup>2</sup> CEC Final Argument, para. 170 and 172.

<sup>3</sup> CEC Final Argument, para. 167.

Customers through additions to the Hourly Service Adder charges, until the risks can be further managed by FBC.<sup>4</sup> CEC has not suggested what any of the mitigation measures might be. FBC does not consider that either such a compliance filing, or an advance determination of the corrective action to be taken should such risks materialize, is required. FBC has committed to providing a review of the LCIR through the development of reporting requirements, and has confirmed that it 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 changes.<sup>5</sup> In the view of FBC, it is preferable and sufficient to wait until the information on the LCIR has been gathered and assessed before deciding what mitigation measures, if any, may be required.

12. There are two additional issues raised by CEC upon which FBC will provide additional comment: first, the suggestion contained in paragraph 120 of CEC's Final Argument that an interruptible rate offering could be built around the energy charge component of RS 31, and second, the issue raised by CEC in paragraph 121 regarding FBC's statement that the choice facing the Customer may be to take service under RS 38 or not at all.

13. With regard to the first issue, while possible, basing an LCIR on the RS 31 energy charge presents a much higher risk of under-recovery of costs than the proposed market-based rate. This is because RS 31 is based on embedded costs that may not adequately recover the marginal cost of providing service to new load and could place upward pressure on rates generally.

14. With regard to the second point, it appears to FBC that CEC has interpreted the statement made by FBC in its response to BCUC IR1 10.4.1 (Exhibit B-3) to mean that RS 38 specifically is the only alternative to having service denied due to a lack of available capacity. This was not the intent of FBC's statement. FBC was conveying that in the circumstance, the choice facing the Customer may be to take service on an *interruptible basis* or not at all. Given that the Application pertains to FBC's specific proposal for RS 38, this is the rate that was cited. Certainly, other forms of interruptible service are possible, but FBC views the form it has put forward as appropriate in this circumstance.

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<sup>4</sup> CEC Final Argument, para. 168 and 169.

<sup>5</sup> FBC Final Argument, para. 35.

**C. RESPONSE TO BCSEA'S FINAL ARGUMENT**

15. BCSEA supports BCUC approval of FBC's proposed LCIR.<sup>6</sup>
16. With regard to the Key Subject Areas:
- a. Paragraphs 12 through 18 of the BCSEA Final Argument deal specifically with Program Need and indicate BCSEA's agreement that FBC has demonstrated the need for the LCIR, and that the LCIR as proposed will meet the objectives identified in the Application.
  - b. For the Mid-C Price Cap, BCSEA agrees with FBC that the proposed Mid-C Price Cap on the Energy Charge in the LCIR offers protection to both the LCIR Customer and all other customers<sup>7</sup> and supports the proposed Mid-C Price Cap as clarified in FBC's responses to BCUC information requests.<sup>8</sup>
  - c. On the remaining Key Subject Areas, BCSEA supports the LCIR being implemented on a permanent basis,<sup>9</sup> supports the 50 MVA Program Cap,<sup>10</sup> and accepts the need for the Hourly Service Adder including the proposed level of \$0.010/kWh.<sup>11</sup>
17. With regard to reporting requirements, BCSEA recommends that in the BCUC's LCIR decision, some requirements be prescribed. BCSEA suggests that an annual report provide publicly available information related to Mid-C and Mid-C Price Cap pricing, market purchases, and the margin associated with RS 38 sales. This recommendation differs from FBC's proposal that all aspects of the report be arrived at in consultation with the BCUC.
18. FBC expects that the annual requirements suggested by the BCSEA would be included in an annual report as basic information and it has no objection to these being prescribed, provided that other, longer-term requirements are left to discussions with the BCUC. However, as returned to in the discussion of reporting requirements in response to the Final Argument of BCOAPO, FBC's strong preference is to leave the final form and content of LCIR reporting to consultation with the BCUC. Dealing with all potential requirements together and in consultation would allow for a single process to

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<sup>6</sup> BCSEA Final Argument, para. 4.

<sup>7</sup> BCSEA Final Argument, para. 25.

<sup>8</sup> BCSEA Final Argument, para. 27.

<sup>9</sup> BCSEA Final Argument, para. 44.

<sup>10</sup> BCSEA Final Argument, para. 30.

<sup>11</sup> BCSEA Final Argument, para. 36 and 37.

consider the form and content of all aspects of reporting, including those that some interveners have suggested be prescribed, which would ultimately need to be discussed for a complete understanding at a future date anyway.

#### **D. RESPONSE TO BCOAPO'S FINAL ARGUMENT**

19. The conclusion at page 37 of BCOAPO's Final Argument is that the BCUC, "...should approve FBC's application". This view is offered as "...subject to the issues listed and described above [in the preceding pages of the BCOAPO submission]".

20. As much of the BCOAPO Final Argument contains discussion and observations that do not lead to specific recommendations regarding the final form of the LCIR, FBC has directed its attention to those areas where suggested changes to the Program are included. FBC does not necessarily agree with other conclusions offered by the BCOAPO where these conclusions are not specifically addressed in this Reply Argument.

21. The Key Subject Areas are dealt with in turn in the following paragraphs.

22. With regard to Program Need, BCOAPO states that in its view, "...the primary justification for the LCIR is that it will allow new and existing large commercial Customers to connect new/incremental loads to FBC's system in areas where such loads cannot currently be connected on a firm basis. In such circumstance both the Customers concerned, and all other customers will generally benefit."<sup>12</sup> FBC agrees that of the four primary drivers for interruptible service identified in the Application, the ability to connect additional load is predominant.

23. However, based on a review of information provided by FBC during the IR process, BCOAPO concludes that, "...there are likely areas within FBC's system that are unable to accommodate new load requests, particularly large (>50 MW) requests. However, it is not evident to BCOAPO that the problem is as wide spread (sic) as FBC suggests."<sup>13</sup>

24. With respect, the fact that FBC cannot state definitively whether capacity exists in the absence of system impact studies specific to a particular location, does not lead to the conclusion that BCOAPO suggests. The fact that of "...42 requests received, in only six instances has FBC actually determined that

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<sup>12</sup> BCOAPO Final Argument, page 10.

<sup>13</sup> BCOAPO Final Argument, page 6.



it was unable to meet the full request”<sup>14</sup>, does not mean that the remaining requests would likely be able to be met. FBC is in the best position to form views regarding the general level of constraints that exist on its system. There is no doubt that system-wide, FBC would have difficulty connecting new large loads on a firm basis.

25. Regardless, BCOAPO states that it “...is not proposing that the LCIR be limited to those parts of FBC’s system that are capacity constrained”, and that given “... the lack of evidence as to the extent which FBC’s system ability to accept new firm load is limited, [it] submits that issues regarding the impact of offering RS 38 on non-participating Customers must be a critical consideration in the BCUC’s determination in regards to whether the LCIR should be approved and determinations regarding the actual design of the rate”.<sup>15</sup>

26. While FBC does not agree with BCOAPO’s view that there is a lack of evidence regarding the level of constraints that exist on the FBC system, FBC can confirm that the design of the LCIR, including the pricing and terms and conditions, explicitly considers broader customer impact.

27. Similarly, after discussing General Rate Mitigation on pages 6 through 8 of its Final Argument, BCOAPO concludes that “...it is important that these risks be recognized when establishing the terms of the LCIR (e.g. the specific rate design elements, the overall scope of the rate offering and the reporting requirements).”

28. Again, the design of the LCIR, including the pricing and terms and conditions, explicitly considers broader Customer impact. FBC has not, as suggested by BCOAPO, been “dismissive” of the possibility that in certain circumstances the margin derived from serving Customers on RS 38 may be less than the same load served under RS 30/31. In fact, the IR response cited by BCOAPO (FBC’s response to BCOAPO IR1 33.5) correctly pointed out that the confirmation requested could not be provided because it is not a certainty that RS 30/31 margin would be higher than that achieved under RS 38, or that a Customer would elect firm service if given a choice.

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<sup>14</sup> BCOAPO Final Argument, page 5.

<sup>15</sup> BCOAPO Final Argument, page 6.

29. With regard to the 50 kVA Program Cap, BCOAPO considers the reasons offered by FBC for the Program Cap to be legitimate,<sup>16</sup> and agrees with the FBC proposal for allocating the initial Program offering.<sup>17</sup> BCOAPO make no submission on the 50 kVA level itself.

30. BCOAPO does, however, suggest that future changes to the Program Cap should not be made without a regulatory process that includes input from all interested parties, including participating and non-participating customers. FBC does not agree that this is necessary. As the operator of the system, FBC is in the best position to discern whether a change to the Program Cap, and in what amount, can be accommodated. FBC will be providing detailed reports on the use and impact of the LCIR and expects that any changes to the Program Cap will be fully supportable and that such support will be available for review.

31. With regard to whether the LCIR should be implemented as a pilot program or permanent rate, BCOAPO provides some discussion on the matter but does not make a specific recommendation. FBC notes that BCOAPO does not object to the LCIR as a permanent rate.

32. With regard to the Key Subject Areas of the Mid-C Price Cap and the Terms and Conditions, BCOAPO supports FBC's proposed use of a Mid-C Price Cap,<sup>18</sup> and also supports FBC's provisions for a minimum term for RS 38 service, FBC's approach to dealing with potential requests to convert RS 38 load to firm service, revenue guarantee and security deposits, and the use of RS 109 as the basis incorporating losses into the energy charge.

33. BCOAPO submits that FBC's proposal to apply the current RS 30/31 Customer Charge is appropriate provided that,

- a. Recognition of the potential for additional incremental administrative costs is made in the determination of the Hourly Service Adder, and
- b. As part of its annual reporting FBC includes an assessment of the additional internal effort/costs required to support the LCIR.

34. FBC has no objection to including these considerations as part of the review process.

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<sup>16</sup> BCOAPO Final Argument, page 13.

<sup>17</sup> BCOAPO Final Argument, page 14.

<sup>18</sup> BCOAPO Final Argument, page 27.

35. In Section 5 of its Final Argument, "Reporting Requirements", BCOAPO provides a number of items for possible inclusion in the required reports and suggests that the FBC Reply Argument provides an opportunity to confirm what the content of these reports will be. In response, FBC reiterates that it believes that the form and content of the annual and longer-term reports will be best determined after further careful consideration and in consultation with the BCUC. FBC confirms that where it has stated, in any filing, that a particular item can be included in a report, it believes that the information will be available. Whether or not it will be ultimately be considered useful should be left to discussions with the BCUC.

36. The two remaining issues where BCOAPO and FBC disagree are repayment of prior FBC capital contributions<sup>19</sup> and the amount of the Hourly Service Adder.

37. With regard to the repayment of prior FBC capital contributions, FBC has proposed that a Customer will receive credit for the total revenue received from the Customer since the capital contribution was provided, while BCOAPO suggests that the credit should be based only on the portion of the retail revenue received from the Customer that is attributable to the net rate base for distribution poles, conductors, and transformers.<sup>20</sup>

38. BCOAPO did not include discussion of its follow-up IR, in response to which FBC provided additional information as follows:

39. While there is merit in an approach that would provide a customer credit for only a portion of the revenues received, FBC considers that the additional effort required to initially determine the appropriate proportion upon which to base the refund, which would vary by rate class and over time, as unwarranted. Customers transitioning to RS 38 will still be using the FBC system and providing revenue as an offset to system costs, which is also a consideration when determining the treatment of capital credit refunds.<sup>21</sup>

40. FBC confirms that it does not currently have any customer to which this provision would apply and considers that it would be seldom used in the future. Using only a portion of the total revenue

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<sup>19</sup> This is Special Condition (SC) 14 of the RS 38 Tariff (BCUC IR1 25.1), not SC 12 as noted in the BCOAPO Final Argument.

<sup>20</sup> BCOAPO Final Argument, page 18.

<sup>21</sup> FBC response to BCOAPO IR2 63.1 (Exhibit B-10).

would require the factor to be determined anew with each cost-of-service study and FBC believes that its proposed approach is reasonable and should not be adjusted.

41. With regard to the Hourly Service Adder, FBC understands BCOAPO's position to be that the charge should be variable (incorporating a percentage mark-up into the energy charge) or in the alternative be set at a value of \$0.015/kWh rather than the \$0.010/kWh as proposed by FBC. BCOAPO is alone amongst interveners in not accepting the charge as proposed by FBC.

42. The potential inclusion of a variable Hourly Service Adder was discussed in the context of variability based on the time of day and location, and not on a percentage mark-up. FBC discussed the variable Hourly Service Adder in its response to BCUC IR2 5.4 (Exhibit B-8). This is consistent with what BCOAPO expresses as its position that, "... the cost of wholesale wheeling if retail access were available is not the only benchmark available for purposes of setting the value of the Hourly Service Adder."<sup>22</sup> An across-the-board percentage mark-up would in no way account for the variability that may exist due to considerations of time or location and is effectively just a way to increase the amount collected from all LCIR Customers.

43. At page 11 of its Final Argument, BCOAPO draws comparisons between RS 38 and RS 37 (Standby and Maintenance Service), indicating that the similarities between the two rates could justify a variable component to the RS 38 Hourly Service Adder and ultimately a higher charge. This comparison does not lead to the conclusion that BCOAPO suggests. While RS 37 and RS 38 both have Mid-C based pricing, their nature is quite different. Stand-by power is required for short-term, unplanned periods, only on an ad hoc basis. In other words, RS 37 serves variable load levels, variable timing of consumption, and also requires firm energy supply from FBC, supporting an across-the-board percentage component in RS 37 due to increased uncertainty and required level of service. RS 37 customers are only exposed to those variable charges during generation outages.

44. The RS 38 Hourly Service Adder is properly below that of RS 37, because RS 38 load is expected to be more constant in terms of load factor and is a non-firm service.

45. Therefore, while BCOAPO's observation that the administration services required by FBC to provide RS 38 and RS 37 are similar is correct, the nature of the supply itself is different.

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<sup>22</sup> BCOAPO Final Argument, page 30.

46. In advocating for a higher Hourly Service Adder, BCOAPO notes that consideration needs to be given to a) the uncertainty as to the value of Mid-C Price Caps that a Customer will nominate, b) the uncertainty as to the location of the RS 38 customers and the actual costs of losses, c) the risk inherent in supplying RS 38 from sources other than the day ahead market, and d) the need to provide a benefit to non-participating customers. BCOAPO goes on to describe these as “additional considerations” – they are not, and in any case are almost impossible to quantify.

47. FBC understands that additional comfort may be provided by a higher Hourly Service Adder; however, as FBC has demonstrated, \$0.010/kWh is adequate to reflect typical transmission charges and to include a number of other considerations such as a rate-payer benefit. The Hourly Service Adder is subject to review and can be changed if operational experience reveals that it is insufficient to meet its objectives. Arbitrarily choosing a higher level is not justified and may have a chilling effect on uptake of the rate.

### **PART THREE: CONCLUSION**

48. In light of all the above, FBC reaffirms its request that the LCIR be approved. Broad intervenor support for the LCIR reflects the important objectives that the rate is intended to achieve. It also reflects the attendant, careful consideration that has been given to the LCIR’s various attributes and safeguards by FBC and interveners, as well as by the other participants in the engagement process that helped to shape the Application.

49. ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Dated: March 15, 2023

*[original signed by]*  
**Sarah Walsh**