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FortisBC Inc.

Application for Approval of a Large Commercial Interruptible Rate

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Decision
and Order G-136-23

June 12, 2023

Before:
B. A. Magnan, Panel Chair
A. K. Fung, KC, Commissioner
E. B. Lockhart, Commissioner

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Executive summary

The British Columbia Utilities Commission (BCUC) approves the FortisBC Inc. (FBC) Rate Schedule (RS) 38 for the Large Commercial Interruptible Service on a pilot basis for a period of five years.

On July 6, 2022, FBC filed with the BCUC, pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA), for approval to establish a new rate and Rate Schedule (RS) 38 for a Large Commercial Interruptible Rate for Large Commercial electricity customers (Application), on a permanent basis. New or existing customers, who would otherwise be eligible to receive service under either RS 30 - Large Commercial Service – Primary, or RS 31 - Large Commercial Service – Transmission, could choose to take service using this optional interruptible rate.

The BCUC established a written hearing process for the review of the Application. Five registered interveners participated in this proceeding and the BCUC also received one interested party request.

RS 38 will provide non-firm, interruptible service and be priced in relation to the hourly level of the Intercontinental Exchange (ICE) Day Ahead Mid-Columbia (Mid-C) Index. FBC's objectives in offering the optional interruptible service are to allow eligible customers to connect where system capacity would otherwise not be available under existing system planning, increase overall system load factor by adding new non-firm load, provide eligible customers the opportunity to realize cost savings, and provide an alternative to previously approved transmission services by end-use customers, which cannot currently be offered by FBC.

In this Decision, the Panel addresses concerns regarding elements of the rate design and implementation as follows:

1. Do concerns about FBC's system load and constraints affect the economic justification for RS 38?
2. Is a market price appropriate for a large commercial customer interruptible rate? If so, is the proposed Mid-C market price appropriate, and is there a need for FBC to set price caps?
3. Is the proposed Hourly Service Adder of $0.01/kilowatt hour (kWh) appropriate?
4. Should there be a cap on the size of the service offering, and if so, is 50 megavolt amperes (MVA) appropriate?
5. Should RS 38 be introduced as a permanent offering or a pilot program?
6. Should there be regular reporting requirements for RS 38, and if so, what should be the timing of these reports, for the BCUC to assess the effectiveness of the RS 38 following its implementation?

The Panel is persuaded that FBC's RS 38 proposal is reasonable and can optimize the utility's load by allowing eligible large commercial customers to choose between firm and interruptible service. The Panel finds the rate design elements proposed in the Application to be appropriate, but with a degree of uncertainty that supports the implementation of RS 38 as a pilot rather than permanent offering at this time.

A five-year pilot period will provide FBC time to implement and test the efficacy of the new rate and collect data to assess whether RS 38 should be continued in its current form or revised following the expiry of the pilot and the BCUC's review of FBC's proposal. The Panel directs FBC to file a RS 38 report, on an annual basis over the pilot period, with the information set out in Section 3.3 of this Decision.

If FBC wishes to seek BCUC approval to establish RS 38 as a permanent rate, FBC is directed to file such application including its RS 38 Reports by no later than nine months prior to the expiry of the five-year pilot.

1.0 Introduction

On July 6, 2022, FortisBC Inc. (FBC) filed with the British Columbia Utilities Commission (BCUC), pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA), for approval to establish a new rate and Rate Schedule (RS) 38 for a Large Commercial Interruptible Rate (LCIR) for Large Commercial electricity customers (Application), on a permanent basis. In this Decision, the rate including the related rate schedule is collectively referred to as RS 38.

1.1 Approvals Sought

FBC seeks an order from the BCUC, pursuant to sections 59 to 61 of the UCA, specifying that:[1]

a. The rate and Rate Schedule 38 as amended for the Large Commercial Interruptible Service is approved on a permanent basis, effective 30 days from the date of this order.

b. FBC is directed [to] file the Rate Schedule 38 tariff pages for endorsement by the BCUC within 15 days prior to the effective date.

c. FBC is directed to provide an annual LCIR report in the form specified by the BCUC in consultation with FBC no later than December 31, 2023 and on an annual basis thereafter.

1.2 Regulatory Process

The BCUC established a written public hearing process for the review of the Application. After initial review of the Application, the BCUC requested FBC to file supplemental information and to provide public notice of the Application, including to the following groups: all registered interveners in the FBC Annual Review for 2022 Rates Application proceeding, RS 30 customers[2], RS 31 customers[3] and all attendees in FBC's LCIR Customer Engagement sessions listed in Table 6-1 of the Application.[4]

The regulatory timetable for the review of the Application included two rounds of BCUC and intervener information requests (IRs), followed by written final arguments. Five organizations registered as interveners in this proceeding:

- Industrial Customer Group (ICG);
- British Columbia Sustainable Energy Association (BCSEA);
- DMG Blockchain Solutions Inc. (DMG);
- Commercial Energy Consumers Association of British Columbia (the CEC); and
- British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Council of Senior Citizens' Organizations of BC, Disability Alliance BC, and Tenant Resource and Advisory Centre (BCOAPO).

[1] FBC Final Argument, p. 12.
[2] Rate Schedule 30 - Large Commercial Service – Primary.
[3] Rate Schedule 31 - Large Commercial Service – Transmission.
[4] Exhibit A-2.

The BCUC received one interested party request in this proceeding.

1.3 Legislative Framework

Sections 59 to 61 of the UCA provide the BCUC with its rate-setting jurisdiction over public utilities and set out the legal framework for approval of rates. The BCUC conducts its review of the Application based on this legislative authority. The BCUC is responsible for ensuring that, in part, there is no undue discrimination in rates, according to sections 59(1) and 59(5):

> 59 (1) A public utility must not make, demand or receive
>
> (a) an unjust, unreasonable, unduly discriminatory or unduly preferential rate for a service provided by it in British Columbia, ….
>
> (5) In this section, a rate is "unjust" or "unreasonable" if the rate is:
>
> (a) more than a fair and reasonable charge for service of the nature and quality provided by the utility,
>
> (b) insufficient to yield a fair and reasonable compensation for the service provided by the utility, or a fair and reasonable return on the appraised value of its property, or
>
> (c) unjust and unreasonable for any other reason.

Section 59(4) stipulates that the BCUC is the sole judge of whether a rate is unjust or unreasonable, and whether there is undue discrimination, prejudice or disadvantage in respect of a rate or service.

1.4 Decision Framework

The structure of this Decision is as follows:

- Section 2.0 describes the proposed RS 38 and discusses FBC's justification for the new rate.
- Section 3.0 addresses the issues arising regarding RS 38.
- Section 4.0 sets out the Panel's determinations on FBC's approvals sought in relation to RS 38.

2.0 Description of the Large Commercial Interruptible Rate

The proposed RS 38 is a new rate whereby eligible customers could choose to take service using this optional interruptible rate.[5] It provides non-firm, interruptible service under a set of defined circumstances as described below in Section 2.2.4 and is priced in relation to the hourly level of the Intercontinental Exchange (ICE) Day Ahead Mid-Columbia (Mid-C) Index.[6]

[5] Exhibit B-1, p. 1.
[6] Exhibit B-1, p. 1.

2.1 Background and Rationale

FBC submits that interruptible service directly supports two of the British Columbia (BC) energy objectives contained in the *Clean Energy Act*:[7]

> 2(k) to encourage economic development and the creation and retention of jobs; and
>
> 2(m) to maximize the value, including the incremental value of the resources being clean or renewable resources, of British Columbia's generation and transmission assets for the benefit of British Columbia.

FBC explains that an interruptible service offering would create the opportunity for additional large commercial customers to connect or add load to the FBC system, allowing for new or expanded operations and employment opportunities, which would contribute directly to increased economic activity within the FBC service area. Further, FBC submits that maximizing the value of BC's generation and transmission assets is one of the key reasons for developing interruptible rates.[8]

FBC explains that there are four primary drivers for offering this optional interruptible service:[9]

1. Allow eligible customers to connect where system capacity would otherwise not be available under existing system planning criteria: FBC explains that some areas of FBC's distribution and transmission systems have very limited incremental capacity, and as a result, it has either been challenging or not possible to accommodate large capacity requests.[10]
2. Increase the overall system load factor (which provides general rate mitigation through increased revenue): FBC explains that interruptible service will lead to an increase in the load factor by adding new non-firm load that would otherwise be unable to connect and, by customer request, converting some or all of their existing firm load to non-firm and thereby allowing additional firm load to connect to the FBC system.[11] FBC notes that there would be incremental revenue without the cost of additional infrastructure that would otherwise be needed to support it which provides rate mitigation for all customers.[12]
3. Provide eligible customers the opportunity to realize cost savings and/or bridge to non-interruptible rates over time: FBC explains that the structure of RS 38 is intended to allow for a meaningful reduction in energy costs in exchange for providing FBC the rights set out in the rate schedule to interrupt service as required, with acknowledgement that cost savings will be dependent on market prices.[13] Further, interruptible rates may provide an interim step that allows customers to connect to the utility system in the short term, with the goal of taking firm service in the future once required upgrades have been completed, avoiding the long lead time due to necessary capital planning and construction activities required to add significant capacity to the existing FBC system.[14]

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[7] Exhibit B-1, p. 1.
[8] Exhibit B-1, p. 1.
[9] Exhibit B-1, p. 3.
[10] Exhibit B-1, p. 3.
[11] Exhibit B-1, p. 4.
[12] Exhibit B-1, p. 4.
[13] Exhibit B-1, p. 5.
[14] Exhibit B-1, p. 4.

4. Provide a practical alternative to previously approved transmission services by end-use customers (Retail Access) which cannot currently be offered by FBC. Referring to section 7 of Direction No. 8 as well as the BCUC Indigenous Utilities Regulation Inquiry Final Report, FBC states "BC Hydro [British Columbia Hydro and Power Authority] has communicated to FBC that ... the [BCUC] Panel's view expressed in the Final Report effectively precludes BC Hydro from allowing the use of its transmission system in the provision of Retail Access to the customers of FBC."[15] Since power originating from outside of the FBC service area cannot practicably be delivered to a load within its service area without the use of the BC Hydro system, pursuant to the BCUC's interpretation of section 7 of Direction No. 8, Retail Access is effectively unavailable to FBC customers.[16]

FBC notes that actual RS 38 customer and ratepayer impact is "highly dependent on the size of the LCIR load, and any interruptions that do occur, as well as the level of Mid-C market prices, the level of any Mid-C Price Cap, and the ability of FBC to economically resource the load at times when the market price exceeds the price cap nominated by the Customer."[17]

2.2 Rate Design Elements

2.2.1 Eligibility

FBC proposes that interruptible service be available to new or existing customers that are or would otherwise be served under either RS 30 – Large Commercial Service – Primary, or RS 31 – Large Commercial Service – Transmission.[18]

At the time of the Supplemental Information filing in August 2022, FBC had 36 customers under RS 30 – Large Commercial Service Primary (minimum 500 kVA [kilovolt amperes] connected load) and 4 customers under RS 31 – Large Commercial Transmission rate schedules (minimum 5,000 kVA connected load).[19] FBC submits that while existing and potential customers have expressed interest in the concept of interruptible service, FBC at the time of its Application does not have any firm commitment(s) to participation in the rate that would allow for a specific description of the type, load, or location of customers.[20] A RS 38 customer may request to transition or return to firm service under either RS 30 or RS 31 by making an application through the FortisBC Industrial Electricity Interconnection process.[21]

2.2.2 Features of RS 38

FBC proposes that RS 38 include the following components leading to the total charge:

- **Customer Charge:** The Customer Charge is the same as other Large Commercial rates of $1,030.68 per month for customers otherwise eligible for RS 30 and $3,366.02 per month for customers otherwise eligible for RS 31.[22] FBC notes that in cases where the customer chooses to have only a portion of its total load served under RS 38 and is therefore paying the above charges pursuant to the billing

[15] Exhibit B-1, pp. 5 - 6.
[16] Exhibit B-1, pp. 5 - 6.
[17] Exhibit B-2, p. 2.
[18] Exhibit B-1, p. 1.
[19] Exhibit B-1, p. 16; Exhibit B-2, p. 5.
[20] Exhibit B-2, p. 2.
[21] Exhibit B-8, Attachment 2.1, p. 4.
[22] Exhibit B-1, pp. 7 – 8; Exhibit B-8, Attachment 2.1, p. 1.

associated with the firm portion of its load, the Customer Charge billed under this rate schedule will be zero ($0.00).[23]

- **Energy Charge:** The Energy Charge is a market-based rate tied to the ICE Day Ahead Mid-C Index whereby the charge is based on actual energy flows and index prices in the On-peak and Off-peak hours and prices.[24] In hours in which the applicable Mid-C Price is negative, a value of $0.00/megawatt hour (MWh) will be used. In hours in which the applicable Mid-C Price exceeds the Mid-C Price Cap, if any, nominated by the Interruptible Customer for the month in which such hour occurs, a value equal to the Mid-C Price Cap will be used. Additional charges are added to represent costs associated with system technical losses, and for use of the transmission system.[25] The Energy Charge comprises:[26]
    i. Energy taken at a market-based rate tied to the ICE Mid-C index;
    ii. System losses per RS 109 (Transmission Losses);[27]
    iii. Hourly Service Adder of $0.01/kWh.

  The Hourly Energy charge is calculated as: (Energy Taken (kWh) x (1+ loss rate %)) x (applicable Mid-C Price + 0.01/kWh)[28]

FBC does not propose a Demand Charge component in RS 38 because the LCIR is a non-firm and interruptible service.[29]

Mid-C Price Cap

RS 38 will apply a monthly nominated "Mid-C Price Cap" whereby a customer provides FBC with the maximum Mid-C price it is willing to pay to allow FBC to have the price threshold it requires to coordinate purchases.[30] FBC intends to work with customers to arrive at a "mutually agreeable" Mid-C Price Cap and expects to have three or at most four price points[31] by grouping the individual requests into clusters and then taking an average.[32] The intent of the cap is to prevent a customer from being exposed to very high Mid-C prices above which it may either be uneconomic for the customer to operate, or which simply reflects the amount of risk that the customer is willing to accept.[33] FBC further explains that by providing a monthly nomination, the Customer can adjust its Mid-C Price Cap in response to its own business requirements as well as market conditions.[34] The cap also provides protection for FBC and for other customers by limiting exposure to a situation where an RS 38 customer defaults after power required to meet their load has already been acquired by FBC.[35]

In final discussions held with customers and intervener groups during its public engagement process, FBC dismissed the suggestion for a customer-specific cap due to high administrative burden[36], and suggested it

[23] Exhibit B-1, p. 9.
[24] Exhibit B-1, pp.7, 9–10.
[25] Exhibit B-1, p. 9.
[26] Exhibit B-1, pp. 9–10.
[27] FBC Rate Schedule 109.
[28] Exhibit B-1, p. 10; Exhibit B-8, Attachment 2.1, p. 2.
[29] Exhibit B-1, p. 7.
[30] Exhibit B-3, BCUC IR 22.1.
[31] Exhibit B-3, BCUC IR 9.1.
[32] Exhibit B-8. BCUC IR 1.7.
[33] Exhibit B-2, p. 3.
[34] Exhibit B-3, BCUC IR 22.1.
[35] Exhibit B-2, p. 3.
[36] Exhibit B-1, p. 10.

would propose a fixed Mid-C rate at $75 per MWh.[37] However, subsequent to the Application as filed, FBC accepts that a customer-specific cap is manageable and offers the most flexibility for customers to tailor RS 38 to their specific needs[38] whereby the Mid-C Price Cap would be nominated monthly by the customer[39] and would be relatively easy for FBC to administer.[40]

FBC submits that if the customer and FBC disagree, the Mid-C Price Cap may need to be set by the BCUC,[41] which remains the final arbiter[42] in accordance with UCA section 60 (1)(b.1).[43] See Section 3.1 for further discussion.

Hourly Service Adder

FBC proposes an Hourly Service Adder of $0.01/kWh, which is intended to acknowledge that power purchased under RS 38 requires transmission to the point of delivery with the interruptible customer. The Hourly Service Adder is not set to exactly equate to the charges that would result if the power were transmitted under Retail Access. FBC submits that instead, the Hourly Service Adder will cover the transmission costs, grossed up to provide a moderate additional benefit for non-participating customers.[44] See Section 3.1 for further discussion.

Clean Market Adder

FBC initially sought a Clean Market Adder (CMA) to be added to the Hourly Energy charge pending a BCUC decision in FBC's Long-Term Electric Resource Plan (LTERP).[45] FBC described the CMA as a proxy for purchasing clean energy that is added to the electricity market price forecast included in the LTERP.[46] FBC noted that the CMA would only apply to clean market power delivered to a RS 38 customer; in the event that power delivered to a RS 38 customer was not from a purchase to which the CMA applies, the CMA charge would be zero.[47]

In IRs, FBC clarified that it was not seeking a CMA value of $0.00/kWh as part of the Application.[48] FBC sought the inclusion of a "CMA placeholder" or a "provision to include a CMA" in RS 38, which was set at $0.00/kWh as part of the Application to be adjusted based on applicable BCUC determinations.[49] FBC was not able to provide further information on the value of a potential CMA given that any CMA premium would be the result of negotiations with Powerex and would be based on market driven pricing for clean power.[50]

On December 21, 2022, the BCUC issued Order G-380-22 wherein it declined to opine on the appropriateness of a CMA in the abstract as part of the LTERP proceeding.[51] Accordingly, FBC revised the RS 38 tariff pages in this

[37] Exhibit B-1, LCIR Engagement Session #3 February 2022, p. 8.
[38] Exhibit B-1, p. 10.
[39] Exhibit B-1, p. 10.
[40] Exhibit B-3, BCUC IR 22.1.
[41] Exhibit B-3, BCUC IR 9.1.
[42] Exhibit B-8, BCUC IR 1.1.
[43] Exhibit B-8, BCUC IR 1.1; 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.
[44] Exhibit B-1, p. 10.
[45] Exhibit B-1, Section 3.2.1, pp. 10-11.
[46] Exhibit B-1, Section 3.2.1, pp. 10-11.
[47] Exhibit B-3, BCUC IR 12.6.
[48] Exhibit B-3, BCUC IR 11.1.
[49] Exhibit B-1, Section 3.2.1, pp. 10-11; Exhibit B-3, BCUC IR 11.1.
[50] Exhibit B-3, BCUC IR 12.2.
[51] FBC 2021 LTERP Decision and Order G-380-22, Section 2.2.3.2, p. 27.

proceeding to no longer include a CMA.[52] FBC notes that should a mechanism similar to the CMA feature in its power purchase activities in the future, it may apply to the BCUC for a revision to RS 38.[53]

2.2.3 Customer Costs of Interconnection

FBC notes that there are two types of customers that could be served under RS 38: (i) existing customers transitioning from RS 30 or RS 31 to RS 38, and (ii) new customers that sign up for RS 38 service.[54] For a customer that would normally take primary service under RS 30, a FBC-controlled means of disconnection would be required.[55] Depending on the type of disconnection required, costs would range from approximately $10,000 to $100,000.[56] RS 31 customers would already have all of the infrastructure in place, and any additions to or reinforcement of existing facilities would receive the same treatment as an increase in load under a firm rate schedule.[57] For a new RS 38 customer, required system additions and/or reinforcement would be treated in a manner consistent with a new customer connecting and taking service under RS 30 or RS 31.[58]

FBC notes that all costs associated with interconnection of load are the responsibility of the customer, which include "significant capital investments in order to install facilities required to meet the rate requirements."[59]

The incremental costs relate to taking interruptible service rather than on default RS 30 or RS 31 rates,[60] and are related to protection and control, communication, and any facilities required to enable the automatic or manually FBC initiated disconnection and reconnection of the customer load from the FBC system.[61] For an RS 31-eligible customer, these facilities would be installed regardless of whether the customer chooses interruptible service, so there are no expected incremental costs.[62] As noted above, for a customer that would normally take primary service under RS 30, costs for an FBC-controlled means of disconnection would range from approximately $10,000 to $100,000[63] which could be recovered in "a single billing period" under specific circumstances.[64] FBC notes that this cited period to recover costs is a function of Mid-C market prices: if Mid-C market prices were higher, costs may not be recovered until such a time as the market prices fall to below a level that would result in bills lower than under the firm rates.[65]

FBC also explains in the tariff for RS 38 that where it 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 RS 38 is insufficient to cover that contribution, the customer will be required to repay the contribution as follows:[66]

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[52] Exhibit B-8, BCUC IR 2.1, Attachment 2.1, p. R-38.2; FBC Final Argument, p. 7.
[53] FBC Final Argument, p. 8.
[54] Exhibit B-2, p. 6.
[55] Exhibit B-2, p. 6.
[56] Exhibit B-2, p. 6.
[57] Exhibit B-2, p. 6.
[58] Exhibit B-2, p. 6.
[59] Exhibit B-1, Section 3.1, p. 8; Exhibit B-1, Section 4.2, p. 15.
[60] Exhibit B-2, p. 6.
[61] Exhibit B-2, p. 6.
[62] Exhibit B-2, p. 6.
[63] Exhibit B-2, p. 6; Exhibit B-3, BCUC IR 19.2.
[64] Exhibit B-3, BCUC IR 19.2.
[65] Exhibit B-3, BCUC IR 19.2.
[66] Exhibit B-3, BCUC IR 25.1, Attachment 25.1, "Rate Schedule 38 – Interruptible Service", p. R-38.5, Special Provision 14; Exhibit B-8, Attachment 2.1, "Rate Schedule 38 – Interruptible Service", p. R-38.4, Special Provision 15.

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).

Capital contributions for existing FBC customers transitioning to RS 38 are discussed further in Section 3.1.1.

2.2.4 Reasons for Interruption

FBC notes there are several reasons for service suspensions and interruption of RS 38 including:[67]

a. To maintain service to customers taking service under any of FBC's other rate schedules that are not designated as non-firm.

b. To avoid any third-party charges that may be levied against FBC related to Imbalance Energy.

c. To maintain the stability, reliability, or integrity of the FBC or Western interconnected electrical systems.

d. Lack of available transmission.

e. For hours where FBC reasonably expects that the Energy Charge will be based on the Mid-C Price Cap, FBC may interrupt the customer.

FBC submits that it does not guarantee that prior notice of a pending, or potential interruption will be provided in any or all cases, but will endeavor to provide notice, where practicable.[68]

FBC believes that any requirement to choose between customers when faced with a need to interrupt service will be rare and fully expects that the best course of action will be evident in each circumstance. With regards to the order of interruption, the location, size of load and nature of contingency will influence operational decisions of how best to curtail RS 38 load to manage the system.[69]

If, contrary to FBC's expectation, there proved to be a need for the exercise of discretion regarding the order, extent or duration of interruption, it anticipates developing more specific criteria tailored to the circumstances.[70]

2.3 Economic Justification and Ratepayer Impacts

The economic justification for RS 38 relies on FBC's ability to increase overall revenue by adding either additional load from new customers, or non-firm load from existing customers.[71]

FBC explains that a customer that is entirely new to FBC service will only be served when it funds any interconnection costs, and when the energy charges under the rate exceed FBC's incremental power supply costs. In this case, FBC will recover its marginal cost to serve, and will receive an additional contribution towards the fixed costs of the system – thus providing a benefit to all FBC ratepayers.[72]

[67] Exhibit B-1, p. 8.
[68] Exhibit B-1, p. 8.
[69] Exhibit B-2, p. 11.
[70] Exhibit B-2, p. 11.
[71] Exhibit B-1, 12.
[72] Exhibit B-1, p. 13.

In the case of an FBC customer that chooses to switch to service under the LCIR,[73] FBC notes that a customer could achieve savings by switching to the rate under RS 38 as opposed to under RS 30 or RS 31. Or if a customer has a desire to expand, but the FBC system cannot accommodate the load request on a firm basis under current planning criteria, FBC would evaluate the ability of the system to add load on a non-firm interruptible basis.

FBC also submits that quantifying ratepayer impact from RS 38 is "extremely difficult" due to the number of variables involved. FBC provides the following examples of variables:

- Whether the RS 38 load was entirely new, or was load that had previously been served under RS 30 or RS 31 (with the original rate itself bearing on the impact);
- The magnitude and profile of the load;
- Whether or not new RS 30 or RS 31 load is added when RS 31 load transfers to RS 38;
- The level of the Mid-C market;
- The level of the Mid-C Price Cap; and
- Whether or not the customer's service is actually interrupted.

Instead, FBC conducts a scenario analysis of ratepayer impact to other FBC customers at various levels of uptake from existing RS 30 and RS 31 customers switching to RS 38 versus attracting new customers.[74] FBC explains that quantifying ratepayer impact from RS 38 is "extremely difficult" due to the number of variables involved, including the portion of RS 38 load that is entirely new versus previously served under RS 30 or RS 31, the level of the Mid-C market and Mid-C Price Cap and whether or not service is actually interrupted.[75]

The analysis looks at a number of scenarios which illustrate possible customer impacts, including customer cost savings and switching from the RS 31 firm service to the proposed RS 38 interruptible service based on underlying assumptions including hourly Mid-C pricing from March 2022 and July 2022 (which hourly pricing tended to be higher than in March), varying levels of a Mid-C Price cap nominated by customers and whether or not FBC opts to interrupt a customer.[76] FBC indicates that new RS 38 load from completely new customers is positive for ratepayers, and the benefits to other ratepayers of RS 31 load that switches to RS 38 are dependent on the ability of FBC to add additional customers where firm capacity has become available.[77]

FBC explains that the primary risk associated with RS 38 stems from the uncertainty of attracting new load to the system when an existing customer leaves an existing rate for all or some of its load in favour of interruptible service, thereby making additional system capacity available. If additional load does not result, FBC would be exposed to a decrease in revenue that may not be offset and any shortfall would be borne by other customers.[78] In addition, FBC also explains that it would be at risk of losing some load that is able to relocate without some means of remaining competitive with the rates found in other jurisdictions with respect to load retention.[79]

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[73] Exhibit B-1, p. 13.
[74] Exhibit B-2, p. 2.
[75] Exhibit B-2, p. 7.
[76] Exhibit B-2, p. 8.
[77] Exhibit B-2, p. 10.
[78] Exhibit B-1, p. 14.
[79] Exhibit B-1, p. 14.

Panel Discussion

The Panel concurs with FBC's economic justification for RS 38. As set out by FBC, the use of RS 38 by existing customers of RS 30 and RS 31 for part or all of their energy load as well as any increases in load provides FBC with an opportunity to add new customers who wish to receive firm service. In addition, any users of RS 38 would have to pay for any costs to serve them under the new rate. Thus, new load would potentially replace previously firm service that moves to interruptible service under RS 38, thereby providing additional revenue from the interruptible service customers. There is a risk of lost revenue from the switch of some energy demand to RS 38 but the Panel accepts FBC's argument that this risk would be minimal compared to the potential additional contribution to overall revenue arising from the combined additional load from new firm service customers as well as from the interruptible load under RS 38.

We now move on to a review of the Bonbright Principles applicable to the RS 38 rate design.

2.4 Bonbright Principles Assessment

As noted in Section 1.3 above, the BCUC must set rates that are not unjust, unreasonable, unduly discriminatory or unduly preferential. Utility regulators often use the Bonbright Principles as a tool to assess a utility's rate design proposals. These principles are outlined by FBC in the Application, in which FBC provides a qualitative assessment of how RS 38 aligns with each Bonbright Principle.[80] FBC assesses its alignment with each principle as either "Good" or "Fair" in a table in the Application, reproduced below. [81] FBC notes that the only attributes whose assessment varies with uptake are where revenue and cost recovered may be affected.[82]

[80] Exhibit B-1, pp. 16 - 18.
[81] Exhibit B-1, pp. 17 - 18.
[82] Exhibit B-3, BCUC IR 27.1.

Table 1: Bonbright Principles Assessment[83]

Criterion	Assessment[12]	Comment
Recovery of the revenue requirement	Good	Interruptible service adds a potential revenue stream at minimal cost, utilizing existing assets while adding additional load.
Fair apportionment of costs among customers	Good	Incremental costs are minimal, while a benefit is delivered to non-participating customers.
Price signals that encourage efficient use and discourage inefficient use	Good	LCIR customers will receive direct price signals to which they can respond by controlling load. LCIR customers will not have access to embedded cost power when the cost of available supply exceeds rates.
Customer understanding and acceptance	Good	Interruptible service is relatively simple in form and has been designed with input from potential customers in the case of the LCIR.
Practical and cost-effective to implement	Fair	From an FBC perspective, there is minimal ongoing cost to administer the rates. Customers may face additional up-front infrastructure costs.
Rate stability	Fair	For the LCIR, the structure is set; however, the energy price is subject to fluctuation.
Revenue stability	Good	The rate is proposed to be permanent and should provide a consistent stream of additional revenue.
Avoidance of undue discrimination	Good	The rate is available to all Large Commercial customers on the same basis throughout the service area. Non-participating customers are insulated from risk by the terms and conditions, such as the initial 50 MW cap on uptake, and existing security provisions.

Panel Discussion

The Panel concurs with FBC's submission that the Bonbright Principles provide a framework against which rate design activities and options can be compared. The Panel also notes that no parties in the proceeding took issue with FBC's assessment of how RS 38 aligns with the Bonbright Principles.

3.0 Issues Arising

There are several concerns regarding elements of the rate design and implementation, including the following, which the Panel will consider in the remainder of this Decision:

1. Do concerns about FBC's system load and constraints affect the economic justification for RS 38?
2. Is a market price appropriate for a large commercial customer interruptible rate? If so, is the proposed Mid-C market price appropriate, and is there a need for FBC to set price caps?

[83] Exhibit B-1, pp. 17 – 18; Exhibit B-3, BCUC IR 20.1: For the purposes of the program cap, any program related documentation will use the billing-related MVA units.

3. Is the proposed Hourly Service Adder of $0.01/kWh appropriate?
4. Should there be a cap on the size of the service offering, and if so, is 50 MVA appropriate?
5. Should RS 38 be introduced as a permanent offering or a pilot program?
6. Should there be regular reporting requirements for RS 38, and if so, what should be the timing of these reports, for the BCUC to assess the effectiveness of the RS 38 following its implementation?

3.1 Rate Design

3.1.1 System Load and Constraint

As discussed in Section 2.1 above, one of the key drivers for interruptible service is to increase system load factor[84] by adding new non-firm load and converting some or all existing firm load for RS 30 and RS 31 customers to non-firm load. This would allow additional firm load to connect to the FBC system,[85] which would potentially provide incremental revenue without the cost of additional infrastructure.[86]

FBC notes that the proposed RS 38 is designed "to deal with capacity constraints and the lack of a retail access program, and where available supply is not considered to be an issue."[87] Further, the firm load available is "dependent on the nature of the system including the local substation, conductor sizing, etc. The available capacity considers the existing firm load in the area. Overall, the FBC system is quite constrained in many areas with only a limited ability to add relatively small amounts of new load."[88]

FBC notes that there is also a load retention aspect to offering RS 38 as, "without some means of remaining competitive with the rates found in other jurisdictions, FBC is at risk of losing some load that is able to relocate."[89] However, FBC submits that load retention "is not a primary consideration but is a factor that exists to some degree and that FBC has not researched in detail. FBC has not received any explicit indication from any Customer that it intends to leave the service area."[90]

Positions of Parties

Several interveners made submissions with concerns regarding load, despite expressing general support for RS 38, including with respect to planning, system constraint and load retention.

With respect to planning and applications, ICG submits that the LCIR load should not be considered in transmission planning[91] and recommends the BCUC conclude that LCIR customers should not benefit from system upgrades nor should LCIR customer's load justify system upgrades.[92] Further, ICG recommends the BCUC direct FBC to identify all LCIR loads to be served by system upgrades that are the subject of CPCN [Certificate of Public Convenience and Necessity] Applications.[93]

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[84] Exhibit B-1, p. 3.
[85] Exhibit B-1, Section 2.2, p. 4.
[86] Exhibit B-1, Section 2.2, p. 4.
[87] Exhibit B-5, BCSEA IR 1.1.
[88] Exhibit B-5, BCSEA IR 12.2.
[89] Exhibit B-1, Section 4, p. 14.
[90] Exhibit B-6, CEC IR 10.1.
[91] ICG Final Argument, p. 1.
[92] ICG Final Argument, p. 1.
[93] ICG Final Argument, p. 1.

With respect to system constraint, BCOAPO argues that FBC has not demonstrated that its system is quite constrained in many areas with only a limited ability to add relatively small amounts of new load.[94] BCOAPO also submits that "FBC has failed to adequately recognize (and indeed dismissed) that by making LCIR available in those parts of its system where additional firm load can be accommodated, there is the possibility for a loss in margin due to new customers who would have been willing to have incremental load connected and served at firm rates opting for the LCIR and thereby making a lower net revenue contribution to the system."[95] BCOAPO submits that issues regarding the impact of offering RS 38 to non-participating customers must be a critical consideration in the BCUC's determinations of whether RS 38 should be approved and the actual design of the rate.[96]

While the CEC agrees with FBC's premise that an interruptible service offering could create opportunities for additional load to connect to the FBC system, create economic opportunity in FBC's service territory[97] and is an important element of consideration in designing an interruptible rate offering for commercial customers,[98] the CEC submits that FBC does not provide sufficient evidence to suggest that load retention is a material consideration in its offering of the LCIR.[99]

In its reply argument, with respect to ICG's concerns, FBC confirms that RS 38 load was not a consideration in transmission planning.[100] FBC does not see the need for a BCUC direction to identify all RS 38 loads to be served by system upgrades that are the subject of CPCNs.[101] FBC elaborates that it would not file such an application (i.e., CPCN) on the basis of a need to serve only interruptible load.[102]

In response to BCOAPO regarding system constraints, FBC explains that it 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.[103] FBC argues that "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."[104] Further, FBC disagrees with BCOAPO's view that there is a lack of evidence regarding the level of constraints that exist on the FBC system and confirms that the design of the LCIR, including the pricing and terms and conditions, explicitly considers broader customer impact.[105]

Panel Discussion

The Panel is persuaded that the reallocation of customer load to interruptible service provides FBC the opportunity to add new load as well as retain existing load, while maintaining FBC's current system capacity. This leads to potential increased revenues from both sources and benefits to all FBC's ratepayers. The use of

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94 BCOAPO Final Argument, p. 5.
95 BCOAPO Final Argument, p. 8.
96 BCOAPO Final Argument, p. 6.
97 CEC Final Argument, p. 3.
98 CEC Final Argument, p. 3.
99 CEC Final Argument, p. 22.
100 FBC Reply Argument, pp. 1 – 2.
101 FBC Reply Argument, p. 2.
102 FBC Reply Argument, p. 2.
103 FBC Reply Argument, p. 6.
104 FBC Reply Argument, p. 5.
105 FBC Reply Argument, p. 6.

interruptible power also allows FBC to curtail customers when necessary and without having to add new infrastructure. Therefore, the Panel finds that the inclusion of the option for interruptible service under RS 38 provides price signals that encourage more efficient use of resources.

Although interveners have suggested the need to possibly factor interruptible loads and load factors in CPCN applications, the Panel notes that the current proceeding is a rate design application, not a CPCN application. Furthermore, FBC is not seeking approval to invest in additional infrastructure to serve the new interruptible load. The Panel is not persuaded that any transmission planning or capital related conditions should be imposed on FBC in this rate design Application and finds that it would not be appropriate to speculate about what FBC may or may not consider in its CPCN applications.

While we accept FBC's submission that there is an economic justification for this new rate and the potential for incremental revenues which benefit all ratepayers, we observe that FBC's justifications are largely unproven at this time. FBC has no commitments from customers to enroll in RS 38, and therefore, system constraint issues will persist if no firm customers transfer to the interruptible service. Similarly, customers would need to evaluate their operational and energy requirements to decide whether the potential RS 38 benefits would outweigh the business risks. FBC and its customers will need time to gather experience with the new RS 38 offering. See Sections 3.2 and 3.3 which review issues relating to rate implementation and reporting.

3.1.2 Mid-C Index Energy Charge and Price Cap

The rate design of RS 38 includes an Energy Charge that is a market-based rate and tied to the ICE Day Ahead Mid-C Index and will also include a monthly nominated "Mid-C Price Cap" with three or four price points for FBC to nominate power purchases.[106] A customer provides FBC with the maximum Mid-C price it is willing to pay which allows FBC to have the price threshold it requires to coordinate its power purchases.[107]

3.1.2.1 Energy Charge and Alternatives

As discussed above in Section 2.2, the RS 38 Energy Charge is a market-based rate tied to the ICE Mid-C index.[108] FBC explains that the proposed interruptible rate offering is a prudent expansion of FBC's electric service offerings to the Large Commercial customer class for customers particularly sensitive to pricing, to provide an opportunity to take a market-based rate option.[109] The Mid-C market price forecast is based on current and expected supply in the Pacific Northwest. It is the same index that RS 37 - Large Commercial Service – Stand-by Service is based upon and FBC power is purchased at Mid-C.[110]

Positions of Parties

BCOAPO agrees with FBC that the Energy Charge should be based on the ICE Mid-C index[111] and similarly, BCSEA supports approval of the Energy Charge components.[112]

[106] Exhibit B-3, BCUC IR 9.1.
[107] Exhibit B-3, BCUC IR 22.1.
[108] Exhibit B-1, pp. 9 - 10.
[109] Exhibit B-1, P. 21.
[110] Exhibit B-1, Appendix C, LCIR Engagement Session #1 July 2021, p. 11; Exhibit B-1, Appendix C, LCIR Engagement Session #2 August 2021, p. 12; Exhibit B-2, p. 8.
[111] BCOAPO Final Argument, p. 25.
[112] BCSEA Final Argument, pp. 6 - 8.

On the other hand, the CEC observes that in the course of developing RS 38, FBC did not consider alternatives to a market-based energy charge as part of its interruptible rate design.[113] The CEC submits that, "in theory, FBC could take an alternative approach to designing an interruptible rate, as opposed to the proposed market-based rate offering."[114] Notwithstanding, the CEC also "recognizes that an interruptible rate offering built around the energy charge component of RS 31 would not satisfy the fourth primary driver set forth by FBC in offering interruptible service" to "[p]rovide a practical alternative to previously approved transmission services (Retail Access)."[115]

In reply, FBC states "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."[116] FBC also submits that other forms of interruptible service are possible but reiterates that the form it has put forward is appropriate in this circumstance.[117]

Panel Discussion

FBC proposed only one option for the calculation of the Energy Charge to be included in the interruptible rate – namely, basing it on the ICE Mid-C index.[118] ICE Mid-C index is the same index that RS 37 – Large Commercial Service – Stand-by Service is based upon and at which FBC power is purchased.[119] The Panel finds that the proposed Energy Charge is reasonable based on the evidence presented because it reflects electricity market prices if a transmission customer is to purchase power based on the Mid-C index for themselves. Further, the Mid-C index appears to have customer acceptance from the customer engagement sessions held by FBC.

The Panel also notes that potential customers of the proposed interruptible rate also have the option of continuing to use the Rate Schedule they presently are on (RS 30 or RS 31) or, if a new customer, to opt out of the interruptible rate altogether.

Furthermore, the Panel finds that basing RS 38 on a market rate provides a mechanism for customers with the opportunity to benefit from reduced energy bills, albeit dependent on the level of market rates, as opposed to basing the RS 38 on a constant energy charge of another rate schedule. The CEC raises the issue of the need to consider other options, including an interruptible rate offering built around the energy charge component of RS 31. However, the Panel notes that the CEC itself recognizes that not all primary drivers set forth by FBC in offering interruptible service would be satisfied.

The Panel also reminds parties that raising new issues in final argument, such as possible alternatives to FBC's proposal, does not give the opportunity for other parties to appropriately evaluate the issue. Therefore, the Panel gives no weight to the CEC's suggested alternatives, raised during final argument, to FBC's market-based offering.

113 CEC Final Argument, p. 16.
114 CEC Final Argument, p. 16.
115 CEC Final Argument, pp. 16–17.
116 FBC Reply Argument, p. 3.
117 FBC Reply Argument, p. 3.
118 Exhibit B-2, p. 8.
119 Exhibit B-1, Appendix C, LCIR Engagement Session #1 July 2021, p. 11; Exhibit B-2, p. 8.

3.1.2.2 Mid-C Price Cap

As discussed above in Section 2.2, RS 38 will apply a monthly “Mid-C Price Cap” to prevent customer exposure to very high Mid-C prices and limit FBC exposure to a situation where an RS 38 customer defaults after power required to meet load has already been acquired.[120]

FBC submits that if the customer and FBC disagree, the Mid-C Price Cap may need to be set by the BCUC[121] and notes that the BCUC remains the final arbiter in disagreements that may arise[122] and would be handled through the BCUC Complaints process.[123] However, 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.”[124]

Positions of Parties

FBC explains that given the small number of likely potential customers, the communication and pre-interconnection work involved, FBC does not view BCUC involvement in setting the Mid-C Price Cap as likely.[125]

All parties support FBC’s proposal to negotiate Mid-C price caps[126] or to provide general support for RS 38.[127] The CEC “commends FBC’s adoption of customer choice in setting price caps to suit them. Further, the CEC would recommend to FBC that it would not be inappropriate if there are added costs to support a customer interest that FBC incur the costs and seek recovery from the customer. The CEC recommends that the Commission support the FBC process for acquiring energy from the Mid-C market and its accommodation of customer interests in shaping the management of RS 38 in customer interests.”[128]

FBC does not provide a reply to the CEC’s recommendations.

Panel Discussion

The Panel takes no issue with the negotiation of a Mid-C Price Cap with the customer as proposed by FBC. A price cap essentially enables the customer to set its own price for curtailment of service, subject to the reasons for interruption as outlined in RS 38. Given that the RS 38 is an optional rate for customers, the price cap would most likely be settled by the parties involved. At the same time, the Panel accepts that in the unlikely event that the parties could not resolve their differences, the BCUC could, and only as a last resort, become involved in helping to resolve disputes between FBC and its customers with respect to setting an appropriate Mid-C Price Cap.

The Panel views that FBC’s proposal to work with customers to arrive at a “mutually agreeable” Mid-C Price Cap with three or at most four price points by grouping the individual requests into clusters and then taking an

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120 Exhibit B-2, p. 3.
121 Exhibit B-3, BCUC IR 9.1.
122 Exhibit B-8, BCUC IR 1.1.
123 Exhibit B-8, BCUC IR 1.1.
124 Exhibit B-8, BCUC IR 1.1.
125 FBC Final Argument, p. 5.
126 BCSEA Final Argument, p. 6; BCOAPO Final Argument, p. 27; CEC Final Argument, p. 1.
127 ICG Final Argument, p. 1.
128 CEC Final Argument, p. 1.

average is also a practical and cost-effective way to implement the price caps while also providing price signals to customers who can respond by managing their load.

The Panel also reminds parties that raising new issues in final argument, such as possible alternatives to FBC's proposal, does not give the opportunity to other parties to appropriately evaluate the issue. Therefore, the Panel gives no weight to the CEC's suggested alternatives to FBC's market-based offering raised during final argument.

The Panel notes that the Mid-C Price Cap suggested for RS 38 has taken different forms over the course of this proceeding. FBC had initially suggested a fixed Mid-C rate of $75 per MWh in final discussions held with customers and intervener groups during public engagement. Subsequently, in the Application as filed, FBC deemed that customer-specific caps are manageable to offer the most flexibility for customers and further clarified in IRs that FBC intends to work with customers to arrive at a mutually agreeable Mid-C Price Cap and expects to have three or at most four price points. The Panel considers that FBC will need to gain experience in offering a market-based rate with various price cap options to customers to learn preferences and re-evaluate the price cap setting process. Furthermore, an assessment of how often a customer may be interrupted due to the different price caps and Mid-C rates may be required.

3.1.3 Hourly Service Adder

In the Application, FBC proposes an Hourly Service Adder of $0.01/kWh to the Energy Charge, which is intended to acknowledge that power purchased under RS 38 requires transmission to the point of delivery with the customer. The Hourly Service Adder is not set to exactly equate to the charges that would result if the power were transmitted under Retail Access and FBC submits the adder will cover the transmission costs, grossed up to provide a moderate additional benefit for non-participating customers.[129]

FBC submits that at a minimum, the Hourly Service Adder should be no less than the $.00792/kWh charge under FBC's wholesale wheeling tariff[130] if retail access service was available. However, FBC notes RS 38 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.[131] FBC considers the Hourly Service Adder to be reasonable and set at a level to not discourage participation.[132]

FBC anticipates using day ahead market purchases as the primary resource to meet RS 38 customer demand.[133] The delivery of market power to the FBC system will incur costs associated with wheeling from the Mid-C hub to the US/BC [United States/British Columbia] border, and importing from the US/BC border to the FBC system via 71 Line owned by Teck Metals Ltd. The charges associated with the delivery of market power vary depending on time of day.[134] Additionally, for any power delivered to the Okanagan, there may be an additional 5% loss charge deliverable to BC Hydro under the Amended and Restated Wheeling Agreement (ARWA). The cost of the losses is variable depending on FBC's hourly incremental cost. FBC notes it is hard to calculate a representative cost for losses under the ARWA since for any hour it is not known if they will even occur or if they do, what the

[129] Exhibit B-1, p. 10.
[130] Comprising charges associated with the individual rate schedules RS 101 to RS 109. Exhibit B-8, BCUC IR 5.1.
[131] Exhibit B-2, p. 10.
[132] BCUC IR 15.3.
[133] Exhibit B-3, BCUC IR 13.1.
[134] Exhibit B-3, BCUC IR 15.4. The value of these charges was filed confidentially with the BCUC in Exhibit B-3-1.

appropriate FBC incremental cost is for that hour. However, FBC estimates a cost of $2.50/MWh in instances where costs under the ARWA occur.[135]

FBC accepts that the use of a variable Hourly Service Adder based on time of day and location of the customer 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's 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 RS 38 customer as to what the actual cost of the power they are buying could potentially be. FBC believes that an Hourly Service Adder of $0.01/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.[136]

FBC confirms that it intends to monitor the Hourly Service Adder periodically to assess whether the current level of the adder is adequate to cover estimated costs and would bring an application before the BCUC to request any proposed changes. [137]

Positions of Parties

BCSEA agrees that the proposed amount of $0.01/kWh reflects an appropriate trade-off between cost recovery and not discouraging participation in RS 38.[138] The CEC also supports FBC's proposed Hourly Service Adder and the proposed rate of $0.01/kWh for the objectives described as covering some costs and creating some benefit to the broader customer base.[139]

ICG does not make submissions on the Hourly Service Adder but supports the approval of RS 38.[140]

BCOAPO submits 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. FBC has an approved rate for Stand-by Service (RS 37) for Large Commercial customers, which includes a transmission charge of $0.004/kWh plus an "Administrative Premium" of 10%, which is applied to both the Mid-C based charges and the transmission charge. Because a percentage mark-up is already used for RS 37 it should be easy to incorporate such a charge into FBC's billing system, and the impact of a percentage mark-up should be easily understood.[141]

BCOAPO submits if the Panel considers a fixed adder is preferred, then the Hourly Service Adder should be set at a minimum level of $0.015/kWh to address considerations including: a) the uncertainty as to the value of Mid-C Price Caps that customers will nominate, b) the uncertainty as to the location of the RS38 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.[142]

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[135] Exhibit B-3, BCUC IR 15.5.
[136] Exhibit B-8, BCUC IR 5.4.
[137] Exhibit B-8, BCUC IR 5.3.1.
[138] BCSEA Final Argument, p. 8.
[139] CEC Final Argument, p. 13.
[140] ICG Final Argument, p. 1.
[141] BCOAPO Final Argument, pp. 30–31.
[142] BCOAPO Final Argument, p. 31.

In reply to BCOAPO, FBC submits that 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 RS 38 customers. With respect to the comparison with RS 37, FBC submits that while the administrative services it required to provide RS 38 and RS 37 were similar, the nature of the supply itself is different because RS 38 load is expected to be more constant in terms of load factor and is a non-firm service. [143]

Regarding BCOAPO's proposal for an Hourly Service Adder of $0.015/kWh, FBC understands that additional comfort may be provided by a higher value, but arbitrarily choosing a higher level is not justified and might have a chilling effect on uptake of the rate. FBC notes the Hourly Service Adder is subject to review and can be changed if operational experience reveal that it is insufficient to meet its objectives.[144]

Panel Discussion

The Panel finds FBC's proposal for an Hourly Service Adder of $0.01/kWh, which is designed to cover the various expected costs of transmission for RS 38 customers, is a reasonable estimate at this time. FBC argues that having a fixed adder is the most efficient way of dealing with these costs while keeping the costs of administration down and providing a stable rate for users of the interruptible rate. BCOAPO submits that it is concerned about the possible impact of a variance from the fixed Hourly Service Adder could have a negative impact on FBC's other customers and noted other possible ways of setting the Hourly Service Adder. FBC reiterated in reply argument that its approach was the most reasonable one.

While the Panel acknowledges that there may be other ways to estimate the Hourly Service Adder, we consider FBC's proposal of a flat rate to be easy to understand for customers and to reasonably reflect the cost of transmission to the point of delivery. The Panel finds that the Hourly Service Adder of $0.01/kWh is the best estimate at this time, balancing the need to include an increment above the wholesale wheeling rate ($.00792/kilowatt-hour charge) under FBC's wholesale wheeling tariff if retail access service was available and being taken, while at the same time, not discouraging uptake by including an adder that is too high. BCOAPO's $0.015/kWh proposal is largely based on the uncertainty around aspects of the RS 38 offering. However, the Panel agrees with FBC that a higher Hourly Service Adder is likely to discourage uptake on RS 38, and thereby, reducing the potential to generate incremental revenue from both firm and non-firm large commercial customers which is to the benefit of all customers. Such deterrence would also prevent FBC from taking advantage of the other benefits associated with the RS 38 offering, such as encouraging more efficient use of energy and potentially some load shifting benefits to release current system capacity constraints.

Notwithstanding, the Panel acknowledges FBC's willingness to adjust the Hourly Service Adder should there be sufficient evidence pointing to a need to adjust this part of the rate, such as assessing the adequacy of the amount to cover the true cost for transmission, which will be reviewed as part of the reporting on RS 38 on an annual basis to the BCUC (See Section 3.3 for further details).

[143] FBC Reply Argument, p. 12.
[144] FBC Reply Argument, p. 10.

3.1.4 Initial Uptake Cap of 50 MVA

FBC proposes to limit initial uptake in RS 38 to a total of 50 MVA of interruptible load, which "will serve to manage the program to a level where FBC is confident that additional load can be interconnected."[145] FBC explains that there remains uncertainty in FBC's energy and capacity needs for its existing customers and therefore, what room may be available on FBC's market import capabilities.[146] FBC also explains that there is a limit to how much cost-effective market power can be imported on any given hour and FBC's existing needs currently take full advantage of the available import capability from time to time.[147]

The draft tariff states that "FortisBC maintains the right to place a cap on the aggregate MW[148] 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."[149] FBC acknowledges that the reference to MW should in fact be to MVA.[150]

The 50 MVA level was chosen based on the operational experience and judgement of the FBC Power Supply group as reasonable and will provide useful experience with the service offering.[151] "FBC is confident that 50 MVA cap will not pose a material risk, given the incremental benefits available for other ratepayers, but operational experience combined with increased certainty on the load forecast should be obtained before FBC makes any higher amount available."[152]

FBC expects that there will be operational learnings that will need to be incorporated into the service offering before it can be expanded to a larger volume.[153] FBC states that in assessing whether to expand interruptible service beyond the initial 50 MVA offering, it will consider such factors as customer uptake, success in attracting new load, the impact of interruptions, participant customer satisfaction, and impact on non-participating customers.[154] FBC acknowledges 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."[155]

Positions of Parties

In its final argument, FBC states it will keep the BCUC apprised of any internal decision with regards to the level of the program cap and communicate its intention regarding the options to expand or maintain interruptible service beyond the initial 50 MVA offering.[156]

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[145] Exhibit B-1, Sections 4.1 and 4.2, p. 15.
[146] Exhibit B-2, Section 7, p. 12.
[147] Exhibit B-2, Section 7, p. 12.
[148] On page 6 of its Final Argument, FBC states that they will amend "MW" to "MVA" in the final tariff pages.
[149] Exhibit B-8, Attachment 2.1, R-38.4, Special Provision 12.
[150] FBC Final Argument, p. 6.
[151] Exhibit B-3, BCUC IR 20.2.
[152] Exhibit B-2, Section 7, p. 12.
[153] Exhibit B-2, Section 7, p. 11.
[154] Exhibit B-1, Section 4.2, pp. 15–16.
[155] Exhibit B-8, BCUC IR 1.7.
[156] FBC Final Argument, p. 7.

BCSEA supports FBC's proposed initial 50 MVA offering and believes that FBC's stated criterion for proposing an increase in the future is reasonable.[157]

Similarly, BCOAPO supports the 50 MVA cap, and considers the reasons offered by FBC as "legitimate."[158] However, BCOAPO does not support FBC having discretion over future changes in the cap.[159] In BCOAPO's submission, "a greater understanding as to the impact on non-participating customers (i.e., the extent to which RS 38 provides rate mitigation and the risk that it will increase the rates for non-participating customers) is required before any decisions are made as to whether the cap should be expanded."[160] BCOAPO believes that the level of the cap and the decision as to whether it is appropriate for it to be increased should be subject to BCUC approval, ensuring that the impacts of RS 38 on participating customers, non-participating customers and FBC operations are fully examined and considered in the regulatory process with participation of all interested parties.[161] BCOAPO notes that the need for the BCUC to approve any changes to the 50 MVA cap is "even more critical" if RS 38 is introduced as a permanent rate.[162]

The CEC offers differing views on the 50 MVA cap in its final argument. First, the CEC supports the FBC criteria for managing the size of the cap on the size of an individual load addition.[163] The CEC recommends that the BCUC "approve the FBC proposed cap and the flexibility FBC seeks to make modifications as it learns through the implementation process."[164] Next, the CEC submits that the proposed 50 MVA cap is "too large an initial Program cap to allow for sufficient risk mitigation on behalf of FBC's ratepayers, given its magnitude relative to the size of FBC's existing commercial load (presuming load-switching to the LCIR were to occur, and, if the program cap were to be taken up in its entirety)."[165] Lastly, the CEC submits that "the LCIR participation cap of 50 MVA should not be reduced."[166] The CEC submits that "this cap is properly sized to limit the risks to other customers of potential erosions of the revenue base supporting the costs of service for the firm rates."[167] The CEC submits that "FBC has a very good probability of being able to handle any erosion of the revenue support for the firm service customers through its existing opportunities to manage its cost of energy, absorb differences in future growth, through storage of low-cost intermittent sources of energy and such other means as FBC expects to manage this risk."[168]

ICG does not comment on this issue.

In its reply to BCOAPO, FBC notes that as the operator of the system, it is in the "best position to discern" whether, and in what amount, a change to the program cap can be accommodated.[169] FBC notes that it will be providing detailed reports on the use and impact of RS 38 and expects that any changes to this cap will be fully

[157] BCSEA Final Argument, p. 7.
[158] BCOAPO Final Argument, pp. 13–14.
[159] BCOAPO Final Argument, pp. 13–14.
[160] BCOAPO Final Argument, pp. 13–14.
[161] BCOAPO Final Argument, pp. 13–14.
[162] BCOAPO Final Argument, p. 19.
[163] CEC Final Argument, p. 11.
[164] CEC Final Argument, p. 11.
[165] CEC Final Argument, p. 18.
[166] CEC Final Argument, p. 26.
[167] CEC Final Argument, p. 26.
[168] CEC Final Argument, p. 26.
[169] FBC Reply Argument, p. 7.

supportable and reviewable.[170] Given the CEC's endorsement of the proposed MVA cap, FBC did not reply to the CEC's submissions.[171]

Panel Discussion

The Panel finds that FBC is the appropriate entity to set the MVA cap for interruptible load. This is an operational decision and FBC is best placed to identify the amount of room it has in its operations for the provision of interruptible loads. The efficacy of this cap will be tested as more customers opt to use RS 38 over time based on the popularity of the program and the availability of capacity on the FBC energy system. Furthermore, designating the RS 38 as a pilot program (as discussed in Section 3.2 below) would allow for further flexibility in adjusting the various components of the program as well as the various parameters set up to govern this rate including the size of the MVA cap.

It should also be noted that the draft tariff accompanying the Application referred to the cap as a cap on MW. The final version of the tariff should be changed to reflect this measure as being MVA and not MW, as acknowledged by FBC.

3.1.5 Repayment of Prior FBC Capital Contributions

Special Provision 14 in the draft RS 38 tariff states: "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:"[172]

> 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).

In response to BCOAPO's IR regarding why "the total billing revenue collected from the customer up to the time service is initiated under the LCIR considered as an offset to the FortisBC contribution when a portion of that revenue would have been required to cover other past costs (e.g., past energy supply costs) associated with serving the customer," FBC explained that when a customer requires an Extension of System Upgrade, FBC may contribute towards the overall cost based on the contribution amounts contained in the FBC Electric Tariff.[173] This capital credit or allowance is based on the net rate base for distribution poles, conductors, and transformers covered in the applicable retail rate such that the average rate base per customer is not increased as a result of new extensions.[174] FBC explained that if the customer moving from firm to non-firm service were required to pay back 100 percent of the contribution, there would be no recognition that revenues received since the extension was put into service contributed to the costs associated with the increased rate base[175] and that this would be unfair to the customer.[176]

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170 FBC Reply Argument, p. 7.
171 FBC Reply Argument, pp. 2–3.
172 Exhibit B-3, BCUC IR1 25.1, Attachment 25.1, "Rate Schedule 38 – Interruptible Service", p.R-38.5, Special Provision 14; Exhibit B-8, Attachment 2.1, "Rate Schedule 38 – Interruptible Service", p. R-38.4, Special Provision 15.
173 Exhibit B-4, BCOAPO IR 27.2.
174 Exhibit B-4, BCOAPO IR 27.2.
175 Exhibit B-4, BCOAPO IR 27.2.
176 Exhibit B-4, BCOAPO IR 27.2.

FBC notes that while there is merit in an approach that would provide a customer credit for only a portion of the revenues received, it 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.[177]

Positions of Parties

BCOAPO has no issues with FBC's assignment of responsibility for the initial upfront costs associated with providing RS 38 service.[178] However, BCOAPO submits that the revenue credit used in the calculation of Special Provision 14 should not be the total retail revenue received from the customer but rather only the portion of the retail revenue received from the customer that is attributable to the net rate base for distribution poles, conductors, and transformers.[179]

No other interveners commented on this issue in their final arguments.

In reply to BCOAPO's suggestion that the credit should be based only on a portion of the retail revenue received from the Customer, FBC notes that "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."[180] FBC submits that using only a portion of the total revenue would require the factor to be determined anew with each cost-of-service study. [181] FBC further 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.[182]

Panel Discussion

Special Provision 14 of the proposed tariff deals with contributions made by FBC to provide service to an existing customer and would require the customer to repay such FBC contributions should it opt into RS 38. FBC and BCOAPO differ as to the appropriate amount that the customer should be required to repay. FBC proposes that the customer should receive credit for the total retail revenue it has paid to FBC, whereas BCOAPO recommends instead that the customer should receive credit for only that portion of the total retail revenue that can be attributed to the net rate base for distribution poles, conductors, and transformers.

The Panel is persuaded by FBC that BCOAPO's recommendation will result in additional effort, which is time consuming and complex. In contrast, FBC's assessment of an appropriate repayment amount is practical and easy to understand in comparison to having to calculate proportional repayments of revenue credits. The Panel finds that BCOAPO's proposal to determine the customer's credit on a portion of the retail revenue attributable

[177] Exhibit B-10, BCOAPO IR 63.1.
[178] BCOAPO Final Argument, p. 17.
[179] BCOAPO Final Argument, p. 18.
[180] FBC Reply Argument, p. 8.
[181] FBC Reply Argument, pp. 8–9.
[182] FBC Reply Argument, pp. 8–9.

to specific segments of FBC's asset rate base is unduly complicated, imposes an undue burden on FBC and accordingly must be rejected.

The Panel also notes that FBC confirms it does not currently have any customers to which this provision would apply and there exists a small group of customers who can take advantage of this service (36 customers under RS 30 and 4 customers under RS 31). Accordingly, there is insufficient information regarding the potential repayment of prior FBC capital contributions for the Panel to determine how such repayment should best be determined at this time. In the absence of such evidence, the Panel finds that a better approach is for FBC to assess, based on the particular circumstances, the amount of the customer's repayment for FBC's contribution in the event an existing customer requests to transition to interruptible service and FBC has made a contribution toward the costs to provide service to that customer.

3.2 Permanent Offering versus Pilot

FBC proposes to implement RS 38 on a permanent basis as soon as practicable after BCUC approval (which FBC has determined to be 30 days).[183] FBC states a preference for implementing RS 38 on a permanent rather than on a pilot basis for the following reasons:[184]

- Customers taking service on RS 38 – LCIR, either as new customers or customers transferring from RS 30 or 31, would have to make capital investments (alterations to facility designs and equipment to facilitate FBC-controlled interruptions) that would be more desirable to incur if RS 38 were to be offered in perpetuity;[185]
- From a customer perspective, a pilot rate may be viewed as less certain than a rate that has been approved on a permanent basis, and as such may unnecessarily deter participation;[186]
- If offered as a permanent rate, a customer's decision to take RS 38 service would not hinge on the state of the market at any given time, as the relationship between the Mid-C Price Cap and Mid-C prices varies over time.[187] Given current market conditions, RS 38 may not be attractive for customers to sign up within a three-year pilot period, whereas under a permanent rate, RS 38 could remain available until such a time that market conditions make the rate attractive for sign up. In such a scenario, it would be more efficient from a regulatory perspective to have a permanent rate;[188] and
- Even with a permanent introduction, RS 38 can always be amended via reviews of the rate design once experience has been gained.[189]

FBC acknowledges that the biggest "con" of a permanent rather than pilot rate is the persistence of a rate schedule that may not achieve its goal and results in a sustained revenue decrease.[190]

FBC notes that it would still offer the rate if the BCUC approved it on a pilot basis as long as the 50 MVA cap on total enrollment were maintained and the pilot period was sufficient in length (i.e., three to five years) to allow

183 Exhibit B-1, Section 4.2, p. 15.
184 Exhibit B-1, Section 4.2, p. 15.
185 Exhibit B-1, Section 4.2, p. 15; Exhibit B-3, BCUC IR 19.1; Exhibit B-8, BCUC IR 6.1.
186 Exhibit B-8, BCUC IR 6.5.
187 Exhibit B-3, BCUC IR 10.4.1; Exhibit B-8, BCUC IR 7.1.
188 Exhibit B-3, BCUC IR 10.4.1; Exhibit B-8, BCUC IR 7.1.
189 Exhibit B-3, BCUC IR 19.1.
190 Exhibit B-3, BCUC IR 19.1.

for market variation and operational learnings to be experienced.[191] This three to five year period was 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 RS 38 customer and FBC to operate under the rate for a reasonable duration.[192]

Positions of Parties

BCSEA supports FBC's request that RS 38 be approved on a permanent basis for the same reasons provided by FBC.[193]

Similarly, the CEC also supports permanent implementation, stating that a pilot program would be detrimental to FBC's aims of the rate by creating substantial business uncertainty and would result in "unproductive constraints on the imminently reasonable proposal to develop an interruptible market-based customer base for FBC and its Southern Interior BC economic sectors."[194]

BCOAPO does not take a position on permanent implementation.[195] BCOAPO agrees with FBC that the biggest "con" of permanent implementation would be the permanence of the rate schedule, and that "no rate is considered absolutely permanent and not subject to future changes up to and including termination."[196] BCOAPO submits that if RS 38 is approved on a permanent basis, the planned review/determination should address not only whether the RS 38 50 MVA cap should be expanded but also whether the rate design and associated provisions need to be revised based on considerations such as program uptake, success in attracting new load, FBC's ability to cost-effectively supply the RS 38 load, the impact of interruptions, participant customer satisfaction, and impact on non-participating customers.[197] BCOAPO notes that its position on the need for the BCUC to approve any changes to the 50 MVA cap is "even more critical" if RS 38 were introduced as a permanent rate.[198]

ICG does not comment on this issue.

Panel Determination

The proposed RS 38 provides a service that has not been offered before. In reviewing the proposed new rate, the Panel considered whether to approve the requested rate on a permanent or pilot basis. The Panel reviewed the reasons FBC put forward in support of a permanent rate and finds the following:

- While FBC suggests that it would be more desirable for customers opting to use RS 38 if it were on a permanent basis because of the capital investment needed to accommodate interruptible energy, the evidence indicates that those customers would likely recover their investment from the savings in energy costs within the first year of operations using an interruptible rate – whether RS 38 is offered on a permanent basis or as a pilot. Thus, after the first year of implementation of the rate, customers will

191 Exhibit B-3, BCUC IR 19.2.
192 Exhibit B-8, BCUC IR 8.1.
193 BCSEA Final Argument, pp. 9–10.
194 CEC Final Argument, pp. 1, 25–26.
195 BCOAPO Final Argument, pp. 18–19; FBC Reply Argument, p. 7.
196 BCOAPO Final Argument, pp. 18–19.
197 BCOAPO Final Argument, pp. 18–19.
198 BCOAPO Final Argument, p. 19.

be kept whole with respect to their initial investment. Any savings that they enjoy thereafter from continuing under RS 38 are simply an additional benefit to them.

- As for FBC's submission that a permanent rate would be more desirable as it would provide customers with more certainty, we find that there is no less certainty associated with a rate that has been approved for a fixed pilot period. Under both scenarios, customers know the terms and conditions associated with the rate and the period within which the rate will remain in place and can make their business decisions on an informed basis accordingly.

We acknowledge FBC's argument that a permanent rate would mean that a customer's decision to take service under RS 38 would not hinge on the state of the market for energy at any given time, given that the relationship between the Mid-C price cap and mid-C prices can vary over time. However, we also note that FBC views that a pilot would be acceptable as long as the 50 MVA cap on total enrollment were maintained and the pilot period were sufficient in length (i.e., three to five years) to allow for market variation and operational learnings to be experienced. We also acknowledge FBC's argument that RS 38 can be amended even if the rate is permanent. However, we find that the evidence in this proceeding shows there remains some uncertainty with respect to various elements of the proposed rate design, which would benefit from further review and refinement based on operational experience for a fixed period. These elements include the following:

- The Mid-C Price Cap initially was proposed at a fixed rate of $75 per MWh. The cap has since changed to a customer-specific cap and has been further refined to be three or four price points – yet to be implemented - with the potential for disagreements between FBC and customers to be resolved by the BCUC as a last resort;
- The proposed Hourly Service Adder of $0.01/kWh appears reasonable but FBC acknowledges that the adder is subject to review and may need to be changed if operational experience reveals that it is insufficient to meet its objectives;
- Initial uptake in the RS 38 program is being proposed at a total limit of 50 MVA of interruptible load – a level at which FBC is confident that additional load can be interconnected. However, like the Hourly Service Adder, this may need to be changed based on actual experience; and
- Lastly, FBC acknowledges that should a mechanism similar to the Clean Market Adder feature in its power purchase activities in the future, it will need to apply to the BCUC for a revision to RS 38 to incorporate such an adder.

Furthermore, the Panel notes that despite the apparent benefits of this new offering, customers can choose to remain on the existing rates. As a result, there is no certainty with respect to the potential customer uptake of this new rate.

Based on all of the considerations outlined above, the Panel approves RS 38 as a pilot for a five-year period. A five-year pilot would provide FBC time to implement the new RS 38, collect data to review and assess the new rate and provide an opportunity to smooth out the impacts of any outlier year of operations. Furthermore, a five-year pilot better aligns with the upper range of 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 enables both the RS 38 customer and FBC to assess the impact of that rate over a reasonable time frame. We also find that a five-year pilot would allow sufficient time for possible utilization of this rate to provide customers and FBC alike with sufficient data to make informed decisions on the continued use of the rate including an assessment of benefits for customers, additional firm load commitments and impact on revenue.

3.3 Reporting to the BCUC

FBC proposes to provide to the BCUC, following approval of RS 38, an annual summary of RS 38 related activity[199] - a list of elements that FBC considers would be of interest to the BCUC but not necessarily reflective of performance metrics for RS 38.

There were several additional reporting items recommended by parties including summary information on the use of market purchases to meet RS 38 load, net margin associated with RS 38 sales with comparison to what would have been generated under RS 30 and RS 31 and efforts to reduce greenhouse gas emissions.

FBC considers certain items to be "potentially achievable" but expects there to be additional work to collect and analyze the required data and that this effort and the associated cost has not been incorporated into the rate,[200] preparation costs are "likely to be high," or where FBC views reporting to be problematic,[201] could require complex customer base load studies to be conducted[202] or are not part of the role of the utility (such as assessing the impact of individual customers or segments of customers with regard to GHG mitigation).[203]

Report Format

FBC views that the report should be provided on a standalone basis and explains that while the financial outcomes of RS 38 will be included as inputs to some of the data provided in other regulatory filings, the more comprehensive information required for the RS 38-specific report is best presented in a different format.[204] Furthermore, 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 RS 38-specific reporting, such that staggering the timing of the filings is preferred.[205] On a related note, FBC is coming close to the end of the current Multi-Year Rate Plan term, and the existence of an Annual Review process beyond 2024 depends on the next rate setting term.[206]

FBC also anticipates that the Customer Charges adequately recover the costs to implement RS 38 (such as administration costs to manage a more complicated billing arrangement for some RS 38 customers and costs to manage a customer- specific monthly Mid-C Price Cap nomination).[207] FBC states that it can provide an estimate of the costs related to reporting once the final content of the report is known.[208]

With respect to confidentiality of reporting items, FBC explains it would attempt to file this information without divulging any customer information and would aggregate data where possible and file information on a

[199] Exhibit B-1, pp. 15–16.
[200] Exhibit B-3, BCUC IR 26.2.
[201] Exhibit B-8, BCUC IR 9.1.
[202] Exhibit B-8, BCUC IR 9.1.
[203] Exhibit B-11, BCSEA IR 15.1.
[204] Exhibit B-8, BCUC IR 9.4.
[205] Exhibit B-8, BCUC IR 9.4.
[206] Exhibit B-8, BCUC IR 9.4.
[207] Exhibit B-3, BCUC IR 7.1.
[208] Exhibit B-3, BCUC IR 26.1.

confidential basis if RS 38 was only in use by a single customer in order to protect the privacy of that customer.[209]

Positions of Parties

Interveners request additional reporting items, further to those proposed by FBC in the Application. Of note, BCOAPO submits that FBC should be directed to consider for inclusion in its annual reporting all of the additional information noted by the BCUC and interveners.[210]

With respect to Intervener requests, FBC confirms that it would be able to provide, on a publicly available and annual basis, basic information related to Mid-C and Mid-C Price Cap pricing, market purchases, and the margin associated with RS 38 sales, with other aspects suitable for more comprehensive reporting over a longer time frame.[211]

In final arguments, FBC notes that as part of the IR process, a large number of potential items for inclusion in a RS 38 Report were proposed by various parties.[212] FBC requests that rather than prescribing the contents of the RS 38 reporting in the final order related to the Application, FBC recommends that it consult with BCUC staff on the form and content of these reports.[213]

Interveners generally agree with FBC that it should be allowed to consult with BCUC staff as necessary. BCSEA does not oppose FBC's request that it consult with BCUC staff on the form and content of these reports[214] However, the intervener submits that there should be an opportunity for interveners in the current proceeding to have notice of, and an opportunity to comment, the proposed further reporting requirements[215] and provide input to the development of the full reporting requirements. [216] Similarly, BCOAPO states that "[a]s part of its considerations, FBC should be able to consult with BCUC staff as necessary and, also, other parties as appropriate. However, the final decision regarding the information to be included is FBC's to be made and to justify as required."[217]

FBC reiterates that it believes that the form and content of the annual and longer-term reports will be best determined after further consideration and in consultation with the BCUC.[218] FBC explains that "[d]ealing with all potential requirements together and in consultation would allow for a single process to 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."[219]

<u>Report Format</u>

Interveners generally agree with FBC's suggestion to report on an annual basis with additional specifications to reporting. The CEC recommends that the BCUC approves RS 38 "subject to an annual review and accountability

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[209] Exhibit B-3, BCUC IR 26.1.
[210] BCOAPO Final Argument, p. 37.
[211] FBC Final Argument, p. 11.
[212] FBC Final Argument, p. 11.
[213] FBC Final Argument, p. 11.
[214] BCSEA Final Argument, p. 10.
[215] BCSEA Final Argument, p. 10.
[216] BCSEA Final Argument, p. 2.
[217] BCOAPO Final Argument, p. 37.
[218] FBC Reply Argument, p. 8.
[219] FBC Reply Argument, pp. 4–5

for the FBC performance in developing this interruptible rate market and assessment of any need for mitigation of the potential revenue reductions on other customers through additions to Hourly Service Adder charge to protect the existing firm customer base from unduly negative consequences from the LCIR."[220] BCSEA "recommends that the reporting requirements specify that the annual report include information to Mid-C and Mid-C Price Cap pricing, market purchases, and the margin associated with RS 38 sales, in addition to any other information that may be specified by the BCUC in consultation with FBC."[221] Similarly, BCOAPO recommends that "FBC should also be directed to provide a publicly available report to the BCUC within six months of the Commission's decision indicating: i) what it intends to include in the annual report, ii) its reasoning for any information excluded from the annual report and iii) whether such information will be subsequently provided as part of a more comprehensive report at a future date."[222]

Additionally, BCSEA agrees with FBC that certain reporting items would be costly to prepare or otherwise problematic[223] and recommends that FBC provide publicly available information.[224] BCOAPO submits that FBC's proposal to apply the current RS 30 and RS 31 Customer Charge is only appropriate if (i) FBC includes an assessment of the additional internal effort/costs required to support RS 38 is included as part of its annual reporting and (ii) there is recognition of the potential for additional incremental administrative costs in the Hourly Service Adder.[225] BCOAPO also submits that FBC should also be directed to provide a publicly available report to the BCUC within six months of the BCUC's decision.[226]

In response, FBC states it has no objection to including these considerations as part of the review process[227] with respect to the request for an assessment of the additional internal effort/costs required to support RS 38.

Panel Determination

In order to appropriately assess whether RS 38 is meeting its objectives, including being economical for FBC and in the interest of FBC's large commercial customers, particularly for a new service, the Panel finds that FBC needs to track the progress of RS 38 for consideration of potential improvements to the rate design. The Panel is cognizant of the resources needed to conduct reasonable assessment and reporting, and therefore, we view that reporting items should strike a balance between enabling a thorough understanding of the new rate offering while not imposing an undue burden on FBC. In our view, reporting on items that are operational or speculative in nature would provide limited value in assessing RS 38.

The Panel is satisfied with FBC's proposed reporting to provide an annual summary of RS 38 related activity as a starting point to gather information about RS 38 as FBC and its customers gain experience with the new service. To enable a thorough understanding of the new rate design, the Panel finds that additional information is warranted to evaluate the success of RS 38 over the pilot period. **Therefore, FBC is directed to file a report (RS 38 Report), on an annual basis over the pilot period, which will include RS 38 related activities and additional items as outlined below. The first RS 38 Report must be submitted to the BCUC by no later than 90 days after the end of the first full year of RS 38 implementation.**

[220] CEC Final Argument, p. 2.
[221] BCSEA Final Argument, p. 11.
[222] BCOAPO Final Argument, p. 37.
[223] BCSEA Final Argument, p. 10.
[224] BCSEA Final Argument, p. 10.
[225] BCOAPO Final Argument, p. 24.
[226] BCOAPO Final Argument, p. 37.
[227] FBC Reply Argument, p. 7.

For the period covered by each RS 38 Report, FBC must include the following information:

Summary of RS 38 related activities	Additional items
1. Applications for RS 38 service that are under review.	8. Assess the additional internal effort/costs required to support RS 38.[228]
2. kWh sales and revenue provided under RS 38. 3. Average revenues per customer from RS 38 billing.	9. Provide annual, publicly available information related to Mid-C and Mid-C Price Cap pricing, market purchases, and the margin associated with RS 38 sales.[229] 10. In those instances where the Mid-C Day Ahead Index exceeds the Customer's Mid-C Price Cap and RS 38 load has been supplied, determine the amount of load supplied and the source/cost of supply.[230]
4. A comparison of revenues under RS 38 to foregone revenue under RS 31 and RS 30.	11. Identify customers who are new to FBC and those who are shifting service from RS 30 and RS 31 to RS 38 (including service in whole or in part).
5. An analysis of power supply alternatives used to supply interruptible customers.	12. Assess any changes to capacity constraints and the ongoing need for RS 38.[231] 13. Adequacy of the Hourly Service Adder to cover the true cost for transmission and supporting evidence if there is a need for adjustments.
6. Information on the reason for, frequency and duration of interruptions by FBC for RS 38 customers.	14. Assess any implementation issues – such as customer interconnection, service interruption, customer communication, and billing of incremental energy.[232]
7. Options to expand interruptible service beyond the initial 50 MVA offering, maintain the initial cap or reduce the initial cap.	15. Assess whether risk mitigation measures (such as the initial 50 MVA cap) were sufficient to protect non-participants from harm.[233]

The Panel finds that the items noted above strike a reasonable balance between the amount of work required to collect and analyze the data while allowing FBC to avoid having to conduct complex customer base load studies and to remain focused on the core work of the utility.

[228] BCOAPO Final Argument, p. 24.
[229] BCSEA Final Argument, p. 10.
[230] BCOAPO Final Argument, p. 37.
[231] Exhibit B-7, ICG IR 7.1.
[232] Exhibit A-4, BCUC IR 26.2.
[233] Exhibit A-4, BCUC IR 26.2.

4.0 Overall Determination

The Panel approves Rate Schedule 38 for the Large Commercial Interruptible Service on a pilot basis for a period of five years.

The legal test that RS 38 must meet is that it must not be an unjust, unreasonable, unduly discriminatory or unduly preferential rate, which the Panel determines to be the case as explained below. Notwithstanding that the BCUC is the sole judge of whether a rate is unjust or unreasonable, and whether there is undue discrimination, prejudice or disadvantage in respect of a rate or service, the Panel has considered the Bonbright Principles as a guiding tool where appropriate. The Panel finds that FBC has presented evidence in this proceeding to show that there is sufficient economic justification to establish RS 38 on a five-year pilot basis. The Panel is persuaded that FBC's RS 38 proposal is reasonable and can optimize the utility's load by allowing eligible large commercial customers to choose between firm and interruptible service. The Panel finds that the rate design elements proposed in the Application to be appropriate, but with a degree of uncertainty that supports the implementation of RS 38 as a pilot rather than permanent offering at this time, for the reasons outlined in Section 3.2 of the decision above.

The Customer Charge proposed, which is equivalent to that in RS 30 and RS 31, is not unduly discriminatory or unduly preferential given that RS 38 service will be available to new or existing customers that are or would otherwise be served under either RS 30 or RS 31. The proposed Energy Charge is reasonable as it reflects the market prices for electricity if a transmission customer was to purchase power for itself. The Panel takes no issue with the proposed negotiation process to determine a Mid-C Price Cap. The Panel finds FBC's intention to work with customers to arrive at a "mutually agreeable" Mid-C Price Cap with three or four price points by grouping the individual requests into clusters and then taking an average to be reasonable. The Hourly Service Adder of $0.01/kWh designed to cover the various expected costs of transmission for RS 38 customers is an appropriate estimate at this time. The Panel agrees with FBC that a higher Hourly Service Adder is likely to discourage uptake on RS 38 but acknowledges that FBC will assess the adequacy of this adder as part of its reporting on RS 38. The Panel finds that FBC is the appropriate entity to set the MVA cap for interruptible load and that the initial 50 MVA uptake is reasonable until it is tested as more customers opt to use RS 38.

While the rate design elements proposed in the Application are found to be reasonable for implementation as a new optional service, a five-year pilot period will provide FBC time to implement the new rate, test its efficacy and collect data to assess whether RS 38 should be continued in its current form or revised following the expiry of the pilot and the BCUC's review of FBC's proposal.

The Panel notes FBC proposes that RS 38 be effective 30 days from the date of the BCUC order which approves the rate. However, the approval of RS 38 is on a five-year pilot basis which will require certain changes to the draft tariff.

Therefore, the Panel directs FBC to submit, by no later than 15 days from the date of Order G-136-23, a compliance filing to the BCUC that provides a proposed effective date for RS 38 and the associated revised tariff reflecting the determinations set out in this Decision.

FBC is directed to file a RS 38 Report, on an annual basis over the pilot period, with the information set out in Section 3.3 of this Decision.

If FBC wishes to seek BCUC approval to establish RS 38 as a permanent rate, FBC is directed to file such application including its RS 38 Reports by no later than nine months prior to the expiry of the five-year pilot.

DATED at the City of Vancouver, in the Province of British Columbia, this 12th day of June 2023.

Original signed by:

B. A. Magnan
Panel Chair / Commissioner

Original signed by:

A. K. Fung, KC
Commissioner

Original signed by:

E. B. Lockhart
Commissioner

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ORDER NUMBER
G-136-23

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

and

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

BEFORE:
B. A. Magnan, Panel Chair
A. K. Fung, KC, Commissioner
E. B. Lockhart, Commissioner

on June 12, 2023

ORDER

WHEREAS:

A. On July 6, 2022, FortisBC Inc. (FBC) filed with the British Columbia Utilities Commission (BCUC), pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA), for approval to establish a new rate and Rate Schedule (RS) 38 for the Large Commercial Interruptible Rate for Large Commercial electricity customers (Application);

B. FBC seeks BCUC approval, on a permanent basis, for the Large Commercial Interruptible Rate as shown in RS 38 – Large Commercial Interruptible Service contained in Appendix A of its Application, to be effective at least 30 days from the date of the order's approval;

C. FBC proposes that RS 38 would be available to new or existing customers who would otherwise be eligible to receive electricity service under either RS 30 - Large Commercial Service – Primary or RS 31 - Large Commercial Service – Transmission, and which provides non-firm interruptible electricity service under a set of certain defined circumstances;

D. On August 30, 2022, FBC filed supplemental information on the Application as requested by the BCUC;

E. By Orders G-226-22, G-331-22 and G-22-23, the BCUC established the regulatory timetable for review of the Application, which included intervener registration, two rounds of information requests, and written final and reply arguments; and

F. The BCUC has reviewed the Application, evidence and arguments filed in the proceeding and makes the following determinations.

NOW THEREFORE pursuant to sections 59 to 61 of the UCA, and for the reasons stated in the decision issued concurrently with this order, the BCUC orders as follows:

1. Rate Schedule 38 for the Large Commercial Interruptible Service is approved on a pilot basis for a period of five years.
2. FBC is directed to submit, by no later than 15 days from the date of this order, a compliance filing to the BCUC that provides a proposed effective date for RS 38 and the associated revised tariff reflecting the determinations set out in the Decision.
3. FBC is directed to file a report (RS 38 Report), on an annual basis over the pilot period, which will include RS 38 related activities and additional items as outlined in Section 3.3 of the Decision. The first RS 38 Report must be submitted to the BCUC by no later than 90 days after the end of the first full year of RS 38 implementation.
4. FBC is directed to comply with all other directives contained in the decision issued concurrently with this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 12th day of June 2023.

BY ORDER

Original signed by:

B. A. Magnan
Commissioner

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

and

FortisBC Inc.
Application for Approval of a Large Commercial Interruptible Rate
EXHIBIT LIST

Exhibit No.	Description
COMMISSION DOCUMENTS	
A-1	Letter dated July 20, 2022 – Appointing the Panel for the review of FortisBC Inc. Application for Approval of a Large Commercial Interruptible Rate
A-2	Letter dated August 3, 2022 – BCUC request to FBC for supplemental information filing
A-3	Letter dated August 12, 2022 – BCUC Order G-226-22 establishing a regulatory timetable
A-4	Letter dated September 21, 2022 – BCUC Information Request No. 1 to FBC
A-5	Letter dated November 21, 2022 – BCUC Order G-331-22 establishing a further regulatory timetable
A-6	Letter dated December 7, 2022 – BCUC Information Request No. 2 to FBC
A-7	**CONFIDENTIAL** - Letter dated December 7, 2022 – BCUC Information Request No. 2 to FBC
A-8	Letter dated January 26, 2023 - BCUC Order G-22-23 establishing a further regulatory timetable
APPLICANT DOCUMENTS	
B-1	**FORTISBC INC. (FBC)** - Application for Approval of a Large Commercial Interruptible Rate dated July 6, 2022
B-2	Letter dated August 30, 2022 – FBC filing supplemental information
B-3	Letter dated October 26, 2022 – FBC submitting public response to BCUC Information Request No. 1
B-3-1	**CONFIDENTIAL -** Letter dated October 26, 2022 – FBC submitting confidential response to BCUC Information Request No. 1
B-4	Letter dated October 26, 2022 – FBC submitting response to BCOAPO Information Request No. 1

B-5	Letter dated October 26, 2022 – FBC submitting response to BCSEA Information Request No. 1
B-6	Letter dated October 26, 2022 – FBC submitting response to CEC Information Request No. 1
B-7	Letter dated October 26, 2022 – FBC submitting response to ICG Information Request No. 1
B-8	Letter dated January 11, 2023 – FBC submitting response to BCUC Information Request No. 2
B-9	**CONFIDENTIAL** - Letter dated January 11, 2023 – FBC submitting confidential response to BCUC confidential Information Request No. 2
B-10	Letter dated January 11, 2023 – FBC submitting response to BCOAPO Information Request No. 2
B-11	Letter dated January 11, 2023 – FBC submitting response to BCSEA Information Request No. 2
B-12	Letter dated January 11, 2023 – FBC submitting response to CEC Information Request No. 2
B-13	Letter dated January 11, 2023 – FBC submitting response to ICG Information Request No. 2

INTERVENER DOCUMENTS

C1-1	**INDUSTRIAL CUSTOMER GROUP (ICG) -** Letter dated August 17, 2022 Request to Intervene by R. Hobbs
C1-2	Letter dated September 27, 2022 – ICG submitting Information Request No. 1 to FBC
C1-3	Letter dated December 14, 2022 – ICG submitting Information Request No. 2 to FBC
C2-1	**BC SUSTAINABLE ENERGY ASSOCIATION (BCSEA) –** Letter dated July 29, 2022 submitting request to intervene by Thomas Hackney
C2-2	Letter dated September 28, 2022 – BCSEA submitting Information Request No. 1 to FBC
C2-3	Letter dated December 14, 2022 – BCSEA submitting Information Request No. 2 to FBC
C3-1	**DMG BLOCKCHAIN SOLUTIONS INC. (DMG) –** Letter dated August 23, 2022 submitting request to intervene by Sheldon Bennett
C4-1	**COMMERCIAL ENERGY CONSUMERS ASSOCIATION OF BC (CEC) –** Letter dated August 30, 2022 submitting request to intervene by Chris Weafer

C4-2 Letter dated September 28, 2022 – CEC submitting Information Request No. 1 to FBC

C4-3 Letter dated December 14, 2022 – CEC submitting Information Request No. 2 to FBC

C5-1 **BRITISH COLUMBIA OLD AGE PENSIONERS' ORGANIZATION, ACTIVE SUPPORT AGAINST POVERTY, DISABILITY ALLIANCE BC, COUNCIL OF SENIOR CITIZENS' ORGANIZATIONS OF BC, TENANTS RESOURCE AND ADVISORY CENTRE, AND TOGETHER AGAINST POVERTY SOCIETY (BCOAPO**) – Letter dated September 7, 2022 submitting request to intervene by Leigha Worth, Irina Mis and Rene Kimmett

C5-2 Letter dated September 28, 2022 – BCOAPO submitting Information Request No. 1 to FBC

C5-3 Letter dated December 14, 2022 – BCOAPO submitting Information Request No. 2 to FBC

INTERESTED PARTY DOCUMENTS

D-1 SNOHOMISH COUNTY PUD (SNOHOMISH) – Request for Interested Party status by Peter Dauenhauer dated October 6, 2022