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BRITISH COLUMBIA UTILITIES COMMISSION

LETTER L-67-10

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VIA EMAIL

August 31, 2010

FORTISBC – RATE DESIGN & COST OF SERVICE STUDY **EXHIBIT A-29**

TO: FortisBC Inc.
Registered Interveners
(*FBC-2009RD-RI*)

Re: FortisBC Inc.
Project No. 3698564/Order G-139-09
2009 Rate Design Application and Cost of Service Study

Oral Phase of Argument: Panel Questions / Topics for Submissions

The following are the matters for which the Commission Panel seeks submissions at the Oral Phase.

1. Generation Baseline

In the Reasons for Decision to Order G-35-10, the Commission stated:

> "As part of its Decision on the RDA, the Commission Panel will determine whether Celgar's evidence is ultimately relevant to the RDA and, if appropriate, may make determinations in respect of a GBL between Celgar and FortisBC."

In its Argument Celgar submitted that:

> "These numbers tell the story. Absent an appropriate GBL, Celgar is, and shall continue to be, forced by regulation into an untenable and, in the long-term, unsustainable, position - one where it is the only pulp mill in the Province forced to accept an abysmal load factor and long-term upward pressure on its electricity rates. It will remain a drag on other Rate classes" (Para. 116).

The Commission Panel would like to hear submissions concerning the following:

(a) In what respect is Celgar's GBL evidence relevant to the RDA proceeding?

(b) Is creating equity among pulp mills within the scope of the Commission's jurisdiction?

(c) Potential alternative methods to address Celgar's 23.5% R/C Ratio, such as:

i. combining Rate Schedules 31 and 33 to determine a single R/C Ratio for the transmission service customers;

ii. using a direct allocation approach for customers like Celgar. For this example, the Commission Panel would like FortisBC to address Order G-28-99 and the treatment of the so called "river lines" in the 1997 and the 2009 COSAs; or

iii. the introduction of a Rate Schedule comparable to BC Hydro's RS 1880, as suggested by Celgar at p. 21 of its evidence.

(d) Apart from the alternatives listed in Question 1(c)(i) to (iii), are there other ways?

2. The Obligation to provide service at embedded cost rates

Celgar submits that the obligation to serve was at the heart of Order G-27-99 issued on March 10, 1999, which accepted an Access Principles Application (APA) filed by FortisBC's predecessor in name, West Kootenay Power Limited (WKPL) (Para. 45). At para. 107 of its Argument, Celgar speaks of "FortisBC's obligation to fully serve Celgar's Mill load at embedded cost rates…"

The Commission Panel would like to hear further submissions on this part of Celgar's Argument on the following:

(a) Order G-27-99 and its relevance in 2010 to this Application; and

(b) Celgar's relationship with its electricity suppliers and whether the Commission Panel can be informed by any other decisions the Commission may have made concerning Celgar (and its previous operating entities) and Cominco/WKPL etc. (accepting that under section 75 of the UCA the Commission is not bound to follow its own decisions).

(c) If there is an obligation to serve a certain customer load, is there any inherent price or rate at which this obligation must be met?

(d) Celgar speaks of FortisBC's "service area". Does FortisBC have a defined service area and, if so, how was it established? Does FortisBC have a franchise with the municipal district in which the pulp mill is situated?

3. Arbitrage

The definition of "arbitrage" and "excess power" used by some parties in this proceeding and that contemplated by the Commission in the Reasons for Decision to Order G-48-09 may not be the same. The Commission Panel wishes to hear further submissions on this issue.

4. Rate Rebalancing

The Commission Panel wishes to hear submissions on:

(a) Aggregating all municipal wholesale customers for COSA purposes; and

(b) The possibility of including the irrigation rate class with General Service for COSA purposes.

5. Demand Side Management (DSM)

FortisBC is seeking an order pursuant to the Utilities Commission Act, R.S.B.C 1996, c.473, as amended (UCA), and in particular sections 58 and 61 thereof. Specifically, it is seeking approval of a number of different rates, including Time-of-Use rates and Green Rates.

In its Application FortisBC, among other things, addresses its compliance with Government Policy, in particular with respect to conservation and energy efficiency, and refers to its demand-side management Power Sense program. Specifically, FortisBC outlines in detail its plan to move toward Time-of-Use rates while explaining its reasons for not introducing inclining block rates in the near future.

The Commission Panel seeks submissions on the following questions:

(a) What are the implications on the Application, if any, of the repeal of section 64.04 of the UCA on June 3, 2010 and its replacement by section 17 of the Clean Energy Act?

(b) Even though the Application was filed pursuant to sections 58 and 61 in particular of the UCA, does the Commission Panel have the jurisdiction to consider conservation and energy efficiency in general, and DSM matters specifically in making its Decision?

(c) Is there any jurisdictional impediment to the Commission Panel directing FortisBC to introduce inclining block rates?

(d) Can the Commission Panel refer to DSM arguments when ruling on conservation?

6. Supply Agreement and Curtailment Agreement

The Commission Panel wishes to hear submissions on the agreement under which Celgar is currently taking service:

(a) Is it the agreement dated November 1, 200 and entered as Exhibit B-7, Zellstoff Celgar IR 2 Appendix A7.12, or the unexecuted agreement referred to at T5:880 et seq?

The Commission Panel notes that the agreement entered in Exhibit B-7 refers, *inter alia*, to a Curtailment Agreement, which does not appear to have been attached. The Commission Panel wishes to hear submissions on:

(b) The status of the Curtailment Agreement; and

(c) What impact, if any, such an agreement might have on the Commission Panel's deliberations on the Application.

7. Waneta Expansion Project

The Commission Panel wishes to hear submissions on whether FortisBC's recent announcement that it will enter into "a long-term capacity purchase agreement" for power from the Waneta Expansion Project will have any impact on the evidence before it in this proceeding.

Order of Submissions

Subject to receiving submissions to the contrary, the order of submissions at the Oral Phase will be as follows:

(a) Questions 1 to 3, Celgar followed by Interveners and then FortisBC, with a right of reply to Celgar; and

(b) Questions 4 to 7, FortisBC, followed by Interveners with a right of reply to FortisBC.

Yours truly,

Erica M. Hamilton

TR/cms
Attachment
(G-28-99 excerpt)