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1.0 Reference: Exhibit B-5-3, Appendix P, Energy Efficiency Plan, April 6, 2006, p.1,7; Exhibit B-11-13, BC Hydro Response to SCCBC IR1.3.4

Preamble: The IR and BC Hydro's response are as follows:

Reference: Exhibit B-5-3, Appendix P, Energy Efficiency Plan, April 6, 2006, p.1,7

"2. Program cost-effectiveness must be demonstrated:

- The program must pass the All Ratepayers Test (formerly the Total Resource Cost or TRC).

The portfolio Utility Test (levelized) should be less than \$0.025/kWh to ensure sharing of DSM costs between BC Hydro and participating customers.

- The Non-Participant Test (formerly the Ratepayer Impact Measure or RIM) result is reviewed to understand the potential impact on non-participants." [p.1, underline added] ...

"- The Utility Test, indicates the cost-effectiveness of a DSM program or portfolio from BC Hydro's perspective" [p.7, underline added]

1.3.4. Please explain the methodology by which BC Hydro arrived at the portfolio Utility Test figure of "\$0.025/kWh" as being the point at which it is ensured that DSM costs are shared between BC Hydro and participating customers.

RESPONSE:

Please refer to the response to BCUC IR 1.123.2.

In turn, BCUC IR 1.123.2 and BC Hydro's response are as follows:

123.0 Reference: Exhibit B-5-3, Appendix P, p. 1, point 2, Utility Test

1.123.2 Please clarify if the word "should" should be "must" and explain and provide an example of how the threshold value of \$0.025/kWh was determined.

RESPONSE:

The level of \$0.025/kWh is meant to represent approximately one half of BC Hydro's assumed avoided new electricity supply cost. It is a guideline, and therefore "should" is the appropriate word.

Even assuming for the purpose of this IR that the avoided new electricity supply cost is \$0.05/kWh (half of which would be the figure of \$0.025/kWh), it does not

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appear that BC Hydro's responses answer SCCBC's original question.

- 2.1.1 What is the methodology by which Hydro concluded that one half of avoided new electricity supply cost is the figure at which the Utility Cost test ensures that DSM costs are shared between BC Hydro and participating customers?

RESPONSE:

BC Hydro chose a guideline of 50 per cent of avoided electricity supply costs in order to ensure that BC Hydro's share of DSM costs would be at most approximately 50 per cent of avoided electricity supply costs.

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1.0 Reference: Exhibit B-5-3, Appendix P, Energy Efficiency Plan, April 6, 2006, p.1,7; Exhibit B-11-13, BC Hydro Response to SCCBC IR1.3.4

Preamble: The IR and BC Hydro's response are as follows:

Reference: Exhibit B-5-3, Appendix P, Energy Efficiency Plan, April 6, 2006, p.1,7

"2. Program cost-effectiveness must be demonstrated:

- The program must pass the All Ratepayers Test (formerly the Total Resource Cost or TRC).

The portfolio Utility Test (levelized) should be less than \$0.025/kWh to ensure sharing of DSM costs between BC Hydro and participating customers.

- The Non-Participant Test (formerly the Ratepayer Impact Measure or RIM) result is reviewed to understand the potential impact on non-participants." [p.1, underline added] ...

"- The Utility Test, indicates the cost-effectiveness of a DSM program or portfolio from BC Hydro's perspective" [p.7, underline added]

1.3.4. Please explain the methodology by which BC Hydro arrived at the portfolio Utility Test figure of "\$0.025/kWh" as being the point at which it is ensured that DSM costs are shared between BC Hydro and participating customers.

RESPONSE:

Please refer to the response to BCUC IR 1.123.2.

In turn, BCUC IR 1.123.2 and BC Hydro's response are as follows:

123.0 Reference: Exhibit B-5-3, Appendix P, p. 1, point 2, Utility Test

1.123.2 Please clarify if the word "should" should be "must" and explain and provide an example of how the threshold value of \$0.025/kWh was determined.

RESPONSE:

The level of \$0.025/kWh is meant to represent approximately one half of BC Hydro's assumed avoided new electricity supply cost. It is a guideline, and therefore "should" is the appropriate word.

Even assuming for the purpose of this IR that the avoided new electricity supply cost is \$0.05/kWh (half of which would be the figure of \$0.025/kWh), it does not

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appear that BC Hydro's responses answer SCCBC's original question.

2.1.2 Noting that the definition of the Utility Test is PV (avoided electricity supply costs)/PV (Utility DSM costs) [BCUC RRA IR 1.278.5] and that "The Utility Test indicates the cost-effectiveness of a DSM program or portfolio from BC Hydro's perspective" [Exhibit B-5-3, Appendix P, p.7, underline added], what is the rationale for introducing into the Utility Test the concept of sharing DSM costs between BC Hydro and participating customers rather than addressing the impact on non-participating ratepayers through the Non-Participant Test (formerly RIM)?

RESPONSE:

The concept of sharing DSM costs between BC Hydro and participating customers was not introduced into the utility test. Rather, the concept of sharing DSM costs was reflected in a guideline that references one metric from the utility test, namely the levelized cost in \$ per kWh.

The utility cost guideline of \$0.025 per kWh does not indicate whether or not DSM is cost-effective from BC Hydro's perspective. The utility test benefit-cost ratio indicates that.

The rationale for the guideline is to encourage active participation and investment from customers to increase customer commitment and sustain energy savings. The guideline was not established to balance equity between participants and non-participants.

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1.0 Reference: Exhibit B-5-3, Appendix P, Energy Efficiency Plan, April 6, 2006, p.1,7; Exhibit B-11-13, BC Hydro Response to SCCBC IR1.3.4

Preamble: The IR and BC Hydro's response are as follows:

Reference: Exhibit B-5-3, Appendix P, Energy Efficiency Plan, April 6, 2006, p.1,7

"2. Program cost-effectiveness must be demonstrated:

- The program must pass the All Ratepayers Test (formerly the Total Resource Cost or TRC).

The portfolio Utility Test (levelized) should be less than \$0.025/kWh to ensure sharing of DSM costs between BC Hydro and participating customers.

- The Non-Participant Test (formerly the Ratepayer Impact Measure or RIM) result is reviewed to understand the potential impact on non-participants." [p.1, underline added] ...

"- The Utility Test, indicates the cost-effectiveness of a DSM program or portfolio from BC Hydro's perspective" [p.7, underline added]

1.3.4. Please explain the methodology by which BC Hydro arrived at the portfolio Utility Test figure of "\$0.025/kWh" as being the point at which it is ensured that DSM costs are shared between BC Hydro and participating customers.

RESPONSE:

Please refer to the response to BCUC IR 1.123.2.

In turn, BCUC IR 1.123.2 and BC Hydro's response are as follows:

123.0 Reference: Exhibit B-5-3, Appendix P, p. 1, point 2, Utility Test

1.123.2 Please clarify if the word "should" should be "must" and explain and provide an example of how the threshold value of \$0.025/kWh was determined.

RESPONSE:

The level of \$0.025/kWh is meant to represent approximately one half of BC Hydro's assumed avoided new electricity supply cost. It is a guideline, and therefore "should" is the appropriate word.

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Even assuming for the purpose of this IR that the avoided new electricity supply cost is \$0.05/kWh (half of which would be the figure of \$0.025/kWh), it does not appear that BC Hydro's responses answer SCCBC's original question.

- 2.1.3 Does BC Hydro's use of the 'one half' discount effectively redefine the Utility Test to the following?

$$\frac{\text{PV (avoided electricity supply costs)}}{2 * \text{PV (Utility DSM costs)}}$$

RESPONSE:

No. Please see the response to SCCBC IR 2.1.2.

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1.0 Reference: Exhibit B-5-3, Appendix P, Energy Efficiency Plan, April 6, 2006, p.1,7; Exhibit B-11-13, BC Hydro Response to SCCBC IR1.3.4

Preamble: The IR and BC Hydro's response are as follows:

Reference: Exhibit B-5-3, Appendix P, Energy Efficiency Plan, April 6, 2006, p.1,7

"2. Program cost-effectiveness must be demonstrated:

- The program must pass the All Ratepayers Test (formerly the Total Resource Cost or TRC).

The portfolio Utility Test (levelized) should be less than \$0.025/kWh to ensure sharing of DSM costs between BC Hydro and participating customers.

- The Non-Participant Test (formerly the Ratepayer Impact Measure or RIM) result is reviewed to understand the potential impact on non-participants." [p.1, underline added] ...

"- The Utility Test, indicates the cost-effectiveness of a DSM program or portfolio from BC Hydro's perspective" [p.7, underline added]

1.3.4. Please explain the methodology by which BC Hydro arrived at the portfolio Utility Test figure of "\$0.025/kWh" as being the point at which it is ensured that DSM costs are shared between BC Hydro and participating customers.

RESPONSE:

Please refer to the response to BCUC IR 1.123.2.

In turn, BCUC IR 1.123.2 and BC Hydro's response are as follows:

123.0 Reference: Exhibit B-5-3, Appendix P, p. 1, point 2, Utility Test

1.123.2 Please clarify if the word "should" should be "must" and explain and provide an example of how the threshold value of \$0.025/kWh was determined.

RESPONSE:

The level of \$0.025/kWh is meant to represent approximately one half of BC Hydro's assumed avoided new electricity supply cost. It is a guideline, and therefore "should" is the appropriate word.

Even assuming for the purpose of this IR that the avoided new electricity supply cost is \$0.05/kWh (half of which would be the figure of \$0.025/kWh), it does not

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appear that BC Hydro's responses answer SCCBC's original question.

- 2.1.4 Does BC Hydro take the position that the use of a 'double Utility Test' is required directly or indirectly by decisions or comments by the Commission? If so, please provide references.

RESPONSE:

No. Please see the response to SCCBC IR 2.1.2.

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2.0 Reference: Exhibit B-5-3, Appendix P, Energy Efficiency Plan, April 6, 2006, pp.1,7; Exhibit B-11-13, BC Hydro Response to SCCBC IR1.3.4; Resource Options Report (LTAP Exhibit B1-B, Appendix F), p. 6-2, lines 22 & 23; LTAP Exhibit B-10, BC Hydro Response to SCCBC IR1.55.1

Preamble: In the Energy Efficiency Plan (quoted in the previous IR), BC Hydro states that in order to demonstrate DSM program cost-effectiveness the portfolio Utility Test (levelized) should be less than \$0.025/kWh (referred to herein as the 'double Utility Test').

In the Resource Options Report, BC Hydro defines "economic potential," in the context of identifying DSM programs, as follows:

"The Economic potential is the savings from measures with a cost of conserved electricity less than the long run marginal cost of electricity."

In LTAP SCCBC IR1.55.1, BC Hydro was asked "What long run marginal cost of electricity is currently being used to establish the 'economic potential'?" Hydro's response states:

The 2002 CPR (upon which EE3, EE4 and EE5 are based) established economic potential as any technology or measure with a cost of conserved electricity less than \$0.06/kWh (in 2002 dollars).

It is understood that the term "economic potential" is used in the Conservation Potential Review stage, before individual DSM programs have necessarily been defined; and that the Utility Test is applied to DSM programs (individually or as a portfolio) that have been defined.

(To clarify, the following IRs are not concerned with the numerical difference between the implied avoided electricity supply cost of approximately \$0.05/kWh and the long run marginal cost of electricity of \$0.06/kWh (in 2002 dollars.))

- 2.2.1 Please confirm that the term "economic potential" is used in the 2002 Conservation Potential Review in association with subcategories "achievable – upper" and "achievable – most likely."

RESPONSE:

Confirmed.

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2.0 Reference: Exhibit B-5-3, Appendix P, Energy Efficiency Plan, April 6, 2006, pp.1,7; Exhibit B-11-13, BC Hydro Response to SCCBC IR1.3.4; Resource Options Report (LTAP Exhibit B1-B, Appendix F), p. 6-2, lines 22 & 23; LTAP Exhibit B-10, BC Hydro Response to SCCBC IR1.55.1

Preamble: In the Energy Efficiency Plan (quoted in the previous IR), BC Hydro states that in order to demonstrate DSM program cost-effectiveness the portfolio Utility Test (levelized) should be less than \$0.025/kWh (referred to herein as the ‘double Utility Test’).

In the Resource Options Report, BC Hydro defines “economic potential,” in the context of identifying DSM programs, as follows:

“The Economic potential is the savings from measures with a cost of conserved electricity less than the long run marginal cost of electricity.”

In LTAP SCCBC IR1.55.1, BC Hydro was asked “What long run marginal cost of electricity is currently being used to establish the ‘economic potential’?” Hydro’s response states:

The 2002 CPR (upon which EE3, EE4 and EE5 are based) established economic potential as any technology or measure with a cost of conserved electricity less than \$0.06/kWh (in 2002 dollars).

It is understood that the term “economic potential” is used in the Conservation Potential Review stage, before individual DSM programs have necessarily been defined; and that the Utility Test is applied to DSM programs (individually or as a portfolio) that have been defined.

(To clarify, the following IRs are not concerned with the numerical difference between the implied avoided electricity supply cost of approximately \$0.05/kWh and the long run marginal cost of electricity of \$0.06/kWh (in 2002 dollars.))

2.2.2 Please confirm that “achievable – most likely” corresponds to the existing EE2 and the continuation, EE3.

RESPONSE:

The “achievable – most likely” corresponds to the sum of DSM 2 (EE2 and LD) and the continuation, EE3.

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2.0 Reference: Exhibit B-5-3, Appendix P, Energy Efficiency Plan, April 6, 2006, pp.1,7; Exhibit B-11-13, BC Hydro Response to SCCBC IR1.3.4; Resource Options Report (LTAP Exhibit B1-B, Appendix F), p. 6-2, lines 22 & 23; LTAP Exhibit B-10, BC Hydro Response to SCCBC IR1.55.1

Preamble: In the Energy Efficiency Plan (quoted in the previous IR), BC Hydro states that in order to demonstrate DSM program cost-effectiveness the portfolio Utility Test (levelized) should be less than \$0.025/kWh (referred to herein as the 'double Utility Test').

In the Resource Options Report, BC Hydro defines "economic potential," in the context of identifying DSM programs, as follows:

"The Economic potential is the savings from measures with a cost of conserved electricity less than the long run marginal cost of electricity."

In LTAP SCCBC IR1.55.1, BC Hydro was asked "What long run marginal cost of electricity is currently being used to establish the 'economic potential'?" Hydro's response states:

The 2002 CPR (upon which EE3, EE4 and EE5 are based) established economic potential as any technology or measure with a cost of conserved electricity less than \$0.06/kWh (in 2002 dollars).

It is understood that the term "economic potential" is used in the Conservation Potential Review stage, before individual DSM programs have necessarily been defined; and that the Utility Test is applied to DSM programs (individually or as a portfolio) that have been defined.

(To clarify, the following IRs are not concerned with the numerical difference between the implied avoided electricity supply cost of approximately \$0.05/kWh and the long run marginal cost of electricity of \$0.06/kWh (in 2002 dollars.))

2.2.3 Please confirm that "achievable – upper" corresponds to EE4. Also, please provide a reference to a description of EE4.

RESPONSE:

Confirmed. Please refer to Exhibit B-1B Appendix F Chapter 6 p 6-9 of the 2006 IEP and LTAP for a description of EE4.

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Preamble: In the Energy Efficiency Plan (quoted in the previous IR), BC Hydro states that in order to demonstrate DSM program cost-effectiveness the portfolio Utility Test (levelized) should be less than \$0.025/kWh (referred to herein as the 'double Utility Test').

In the Resource Options Report, BC Hydro defines "economic potential," in the context of identifying DSM programs, as follows:

"The Economic potential is the savings from measures with a cost of conserved electricity less than the long run marginal cost of electricity."

In LTAP SCCBC IR1.55.1, BC Hydro was asked "What long run marginal cost of electricity is currently being used to establish the 'economic potential'?" Hydro's response states:

The 2002 CPR (upon which EE3, EE4 and EE5 are based) established economic potential as any technology or measure with a cost of conserved electricity less than \$0.06/kWh (in 2002 dollars).

It is understood that the term "economic potential" is used in the Conservation Potential Review stage, before individual DSM programs have necessarily been defined; and that the Utility Test is applied to DSM programs (individually or as a portfolio) that have been defined.

(To clarify, the following IRs are not concerned with the numerical difference between the implied avoided electricity supply cost of approximately \$0.05/kWh and the long run marginal cost of electricity of \$0.06/kWh (in 2002 dollars.))

2.2.4 Please confirm that EE5 corresponds to the mid-point between "achievable – upper" and "economic potential." Also, please provide a reference to a description of EE5.

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RESPONSE:

Yes, EE5 corresponds to the mid point between “achievable – upper” and the “economic potential”. Please refer to Exhibit B-1B Appendix F Chapter 6 p.6-9 of the 2006 IEP and LTAP and to BC Hydro’s response to SCCBC IR 1.57.2 in the 2006 IEP and LTAP proceedings for a description of EE5.

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2.0 Reference: Exhibit B-5-3, Appendix P, Energy Efficiency Plan, April 6, 2006, pp.1,7; Exhibit B-11-13, BC Hydro Response to SCCBC IR1.3.4; Resource Options Report (LTAP Exhibit B1-B, Appendix F), p. 6-2, lines 22 & 23; LTAP Exhibit B-10, BC Hydro Response to SCCBC IR1.55.1

Preamble: In the Energy Efficiency Plan (quoted in the previous IR), BC Hydro states that in order to demonstrate DSM program cost-effectiveness the portfolio Utility Test (levelized) should be less than \$0.025/kWh (referred to herein as the 'double Utility Test').

In the Resource Options Report, BC Hydro defines "economic potential," in the context of identifying DSM programs, as follows:

"The Economic potential is the savings from measures with a cost of conserved electricity less than the long run marginal cost of electricity."

In LTAP SCCBC IR1.55.1, BC Hydro was asked "What long run marginal cost of electricity is currently being used to establish the 'economic potential'?" Hydro's response states:

The 2002 CPR (upon which EE3, EE4 and EE5 are based) established economic potential as any technology or measure with a cost of conserved electricity less than \$0.06/kWh (in 2002 dollars).

It is understood that the term "economic potential" is used in the Conservation Potential Review stage, before individual DSM programs have necessarily been defined; and that the Utility Test is applied to DSM programs (individually or as a portfolio) that have been defined.

(To clarify, the following IRs are not concerned with the numerical difference between the implied avoided electricity supply cost of approximately \$0.05/kWh and the long run marginal cost of electricity of \$0.06/kWh (in 2002 dollars.))

2.2.5 Please confirm that (or discuss whether) the term "cost of conserved electricity" used in determining "economic potential" is equivalent to "Utility DSM costs" in the Utility Test.

RESPONSE:

No, the "cost of conserved electricity" (CCE) is not equivalent to the "Utility DSM cost" in the Utility Test. The CCE refers to the annualized unit energy cost of an energy efficiency improvement and is the annualized incremental cost (including annual O&M) of the improvement divided by the annual savings achieved. It is independent of the types of utility initiatives and the resulting utility costs incurred to achieve the savings.

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Preamble: In the Energy Efficiency Plan (quoted in the previous IR), BC Hydro states that in order to demonstrate DSM program cost-effectiveness the portfolio Utility Test (levelized) should be less than \$0.025/kWh (referred to herein as the 'double Utility Test').

In the Resource Options Report, BC Hydro defines "economic potential," in the context of identifying DSM programs, as follows:

"The Economic potential is the savings from measures with a cost of conserved electricity less than the long run marginal cost of electricity."

In LTAP SCCBC IR1.55.1, BC Hydro was asked "What long run marginal cost of electricity is currently being used to establish the 'economic potential'?" Hydro's response states:

The 2002 CPR (upon which EE3, EE4 and EE5 are based) established economic potential as any technology or measure with a cost of conserved electricity less than \$0.06/kWh (in 2002 dollars).

It is understood that the term "economic potential" is used in the Conservation Potential Review stage, before individual DSM programs have necessarily been defined; and that the Utility Test is applied to DSM programs (individually or as a portfolio) that have been defined.

(To clarify, the following IRs are not concerned with the numerical difference between the implied avoided electricity supply cost of approximately \$0.05/kWh and the long run marginal cost of electricity of \$0.06/kWh (in 2002 dollars.))

2.2.6 Please confirm that (or discuss whether) the term "long run marginal cost of electricity" used in determining "economic potential" is equivalent to "avoided electricity supply costs" in the Utility Test.

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RESPONSE:

The term “long run marginal supply cost” of electricity referenced in BC Hydro’s response to SSCBC IR 1.55.1 is greater than the avoided electricity supply costs in the utility test. The 6 cents/kWh CCE screen was established to mimic BC Hydro’s avoided electricity supply cost used in the DSM cost tests.

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Preamble: In the Energy Efficiency Plan (quoted in the previous IR), BC Hydro states that in order to demonstrate DSM program cost-effectiveness the portfolio Utility Test (levelized) should be less than \$0.025/kWh (referred to herein as the 'double Utility Test').

In the Resource Options Report, BC Hydro defines "economic potential," in the context of identifying DSM programs, as follows:

"The Economic potential is the savings from measures with a cost of conserved electricity less than the long run marginal cost of electricity."

In LTAP SCCBC IR1.55.1, BC Hydro was asked "What long run marginal cost of electricity is currently being used to establish the 'economic potential'?" Hydro's response states:

The 2002 CPR (upon which EE3, EE4 and EE5 are based) established economic potential as any technology or measure with a cost of conserved electricity less than \$0.06/kWh (in 2002 dollars).

It is understood that the term "economic potential" is used in the Conservation Potential Review stage, before individual DSM programs have necessarily been defined; and that the Utility Test is applied to DSM programs (individually or as a portfolio) that have been defined.

(To clarify, the following IRs are not concerned with the numerical difference between the implied avoided electricity supply cost of approximately \$0.05/kWh and the long run marginal cost of electricity of \$0.06/kWh (in 2002 dollars.))

2.2.7 Please confirm that (or discuss whether) "economic potential" is equivalent to a Utility Test with a value greater than 1.

RESPONSE:

The relationship between achievement of the "economic potential" and the utility test is dependent on the utility cost and the resulting electricity savings produced by the utility DSM program to realize that potential.

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Preamble: In the Energy Efficiency Plan (quoted in the previous IR), BC Hydro states that in order to demonstrate DSM program cost-effectiveness the portfolio Utility Test (levelized) should be less than \$0.025/kWh (referred to herein as the ‘double Utility Test’).

In the Resource Options Report, BC Hydro defines “economic potential,” in the context of identifying DSM programs, as follows:

“The Economic potential is the savings from measures with a cost of conserved electricity less than the long run marginal cost of electricity.”

In LTAP SCCBC IR1.55.1, BC Hydro was asked “What long run marginal cost of electricity is currently being used to establish the ‘economic potential?’” Hydro’s response states:

The 2002 CPR (upon which EE3, EE4 and EE5 are based) established economic potential as any technology or measure with a cost of conserved electricity less than \$0.06/kWh (in 2002 dollars).

It is understood that the term “economic potential” is used in the Conservation Potential Review stage, before individual DSM programs have necessarily been defined; and that the Utility Test is applied to DSM programs (individually or as a portfolio) that have been defined.

(To clarify, the following IRs are not concerned with the numerical difference between the implied avoided electricity supply cost of approximately \$0.05/kWh and the long run marginal cost of electricity of \$0.06/kWh (in 2002 dollars.))

2.2.8 Please discuss how the ‘double Utility Test’ compares to the “achievable – upper” and “achievable – most likely” categories. Please discuss how the “achievable – upper” and “achievable – most likely” categories would be expressed in terms of the Utility Test.

RESPONSE:

SCCBC’s ‘double Utility Test’ does not compare to the “achievable – upper” or “achievable – most likely” categories. SCCBC’s ‘double Utility Test’ is a variation

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of the Utility Test. The Utility Test measures the cost-effectiveness of DSM activity from the utility's perspective.

The two categories refer to alternative increments of conservation potential.

The Utility Test could be employed to assess the cost-effectiveness of DSM activity that aims to capture either increment of conservation potential. Please see BC Hydro's response to the 2006 IEP/LTAP BCUC IR 278.5 for the Utility Test formula.

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3.0 Reference: Exhibit B-11-13, BC Hydro Response to SCCBC IR1.3.5

Preamble: The IR and BC Hydro's response are as follows:

1.3.5 Please outline the pros and cons of setting the DSM portfolio Utility Test at the "avoided electricity supply cost" referenced on p.7 [Exhibit B-5-3, Appendix P].

RESPONSE:

Pros:

- BC Hydro could potentially achieve more DSM electricity savings.

Cons:

- The impact on DSM non-participants would be greater.

2.3.1 What are the pros and cons of setting the DSM portfolio Utility Test at the avoided electricity supply cost and using the Non-Participant Test to gauge the impact on DSM non-participants?

RESPONSE:

Pros:

- **BC Hydro could potentially achieve more DSM electricity savings depending on what actions were taken as a result of the impact gauged through the non-participant test.**

Cons:

- **BC Hydro could potentially invest in DSM electricity savings beyond what is cost effective from a total resource perspective.**
- **The impact on DSM non-participants would be greater depending on what actions were taken as a result of the impact gauged through the non-participant test.**

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4.0 Reference: Exhibit B-5-1, Table 8-35, Distribution Capital Programs and Projects Greater Than \$2 Million, page 8-83: “EE3, EE4, EE5”; Exhibit B-11-13, BC Hydro Response to SCCBC IR1.8.1; BC Hydro Response to BCUC RRA IR 1.17.1

The response to BCUC IR 1.27.1 states that “The \$24.0 million and \$24.6 million shown in F2008 and F2009 are provisional estimates of the implementation costs for EE3, 4 and 5.”

2.4.1 Please provide a breakdown of these cost estimates.

RESPONSE:

There is no breakdown of these costs. These costs are the provisional costs estimated to implement incremental DSM resources identified in the 2006 IEP and LTAP proceeding as EE5. They are derived from experience with EE2, increased to reflect the most aggressive target, and inflated to reflect nominal \$. The amounts may change based on a detailed definition phase that will commence in F2007.

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5.0 Reference: RRA (Exhibit B-5-3), Appendix T: DSM Programs with Non-Participant Benefit-Cost Ratios Below 0.8; Exhibit B-11-13, BC Hydro Response to SCCBC IR1.21.2

Preamble: The IR and Hydro's response are as follows:

21.0 Reference: RRA (Exhibit B-5-3), Appendix T: DSM Programs with Non-Participant Benefit-Cost Ratios Below 0.8

"The average cost per residential customer is what this rate increment works out to for the average non-participating residential customer on an annual basis."
 [p.1, underline added]

1.21.2 Does the measure "Average Rate Increment" in Table 1 include all customer classes or just the residential customer class?

RESPONSE:

The measure "Average Rate Increment" applies to all customer classes.

The source of the confusion goes back to the definitions of All Ratepayers Test and Non-Participant Test [LTAP BCUC IR 1.76.1 and IR 1.278.2], which do not specify whether "customers" refers to customers within the pertinent rate class or to all customers. The fact that "Average Rate Increment" applies to all customer classes tends to imply that the DSM measures are based on all customers, not merely the eligible customer class. However, in that context, it appears inconsistent to present an "Average Cost per Residential Customer" if the Average Cost per Customer (of all classes) is the figure generated by the measure.

2.5.1 Please confirm that in the definitions of the All Ratepayers Test and the Non-Participant Test "customers" refers to all customers not to customers within the pertinent rate class.

RESPONSE:

BC Hydro's response to BCUC IR 1.76.1 in the 2006 IEP and LTAP proceeding refers to "customer costs" and "customer non-energy benefits". In this context, "customer" refers to customers who participate in a DSM project, program or portfolio, otherwise known as DSM participants. Since the All Ratepayers Test can be applied to DSM projects, programs or portfolios, "customer" could refer to customers within one rate class, in the case of a DSM project or program, or

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customers within multiple rate classes, in the case of the portfolio of DSM programs.

BC Hydro's response to BCUC IR 1.278.2 in the 2006 IEP and LTAP proceeding does not refer to "customers", but does refer to "DSM non-participants". In this context, "DSM non-participants" refers to customers who do not participate in a DSM project, program or portfolio. As such, it refers to customers within multiple rate classes.

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5.0 Reference: RRA (Exhibit B-5-3), Appendix T: DSM Programs with Non-Participant Benefit-Cost Ratios Below 0.8; Exhibit B-11-13, BC Hydro Response to SCCBC IR1.21.2

Preamble: The IR and Hydro's response are as follows:

21.0 Reference: RRA (Exhibit B-5-3), Appendix T: DSM Programs with Non-Participant Benefit-Cost Ratios Below 0.8

"The average cost per residential customer is what this rate increment works out to for the average non-participating residential customer on an annual basis."
 [p.1, underline added]

1.21.2 Does the measure "Average Rate Increment" in Table 1 include all customer classes or just the residential customer class?

RESPONSE:

The measure "Average Rate Increment" applies to all customer classes.

The source of the confusion goes back to the definitions of All Ratepayers Test and Non-Participant Test [LTAP BCUC IR 1.76.1 and IR 1.278.2], which do not specify whether "customers" refers to customers within the pertinent rate class or to all customers. The fact that "Average Rate Increment" applies to all customer classes tends to imply that the DSM measures are based on all customers, not merely the eligible customer class. However, in that context, it appears inconsistent to present an "Average Cost per Residential Customer" if the Average Cost per Customer (of all classes) is the figure generated by the measure.

2.5.2 Regarding Table 1 specifically, does the Average Cost per Residential Customer, \$0.27/yr, represent the average residential customer load times the Average Rate Increment, i.e., such that the other customer classes also have a positive Average Cost per Customer by Class? If so, please provide the Average Cost per Customer by Class for comparison. If not, is the Average Cost per Residential Customer of \$0.27/yr best understood as the result of all the program costs being notionally compared to residential customer rates?

RESPONSE:

Yes, the Average Cost per Residential Customer of \$0.27 per year represents the product of the average rate increment and the average annual consumption per residential customer.

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The average cost per light industrial/commercial customer is \$2.36 per year. The average cost per large industrial customer is \$2,813 per year.

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6.0 Reference: F07/F08 RRA (Exhibit B-5-1), Chapter 2; Powerex purchase of coal-fired power plant near Hardin, Montana, from Rocky Mountain Power, a subsidiary of MDU Resources Group; Exhibit B-11-13, BC Hydro Response to SCCBC IR1.26.1

Preamble: The IR and BC Hydro's response are as follows:

26.0 Reference: F07/F08 RRA (Exhibit B-5-1), Chapter 2; Powerex purchase of coal-fired power plant near Hardin, Montana, from Rocky Mountain Power, a subsidiary of MDU Resources Group

1.26.1 Please confirm whether Powerex has purchased a coal-fired generation plant in Montana. If this is correct, please provide summary details and explain how this asset will be used.

RESPONSE:

No, Powerex did not purchase a coal-fired generation plant. Powerex has a contract to purchase the output from this plant.

2.6.1 Please provide details of Powerex's contract to purchase electricity from a coal-fired generation plant near Hardin, Montana, including the name of the IPP, the term of the contract, the price and volume of firm power, the price and volume of non-firm (if any), and which party holds the risk of GHG offset liability.

RESPONSE:

As indicated in the reference, the purchase contract is with Rocky Mountain Power, Inc. Under the confidentiality provisions in the agreement, Powerex is prohibited from disclosing the terms or conditions of the transaction.

While Powerex's net income is consolidated with that of BC Hydro for rate setting purposes, between \$0 and \$200 million, it is not a public utility regulated by the Commission under the Utilities Commission Act.

For these reasons BC Hydro declines to provide a fuller answer to this information request. Please also see BC Hydro's response to BCUC IR 1.284.0.

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6.0 Reference: F07/F08 RRA (Exhibit B-5-1), Chapter 2; Powerex purchase of coal-fired power plant near Hardin, Montana, from Rocky Mountain Power, a subsidiary of MDU Resources Group; Exhibit B-11-13, BC Hydro Response to SCCBC IR1.26.1

Preamble: The IR and BC Hydro's response are as follows:

26.0 Reference: F07/F08 RRA (Exhibit B-5-1), Chapter 2; Powerex purchase of coal-fired power plant near Hardin, Montana, from Rocky Mountain Power, a subsidiary of MDU Resources Group

1.26.1 Please confirm whether Powerex has purchased a coal-fired generation plant in Montana. If this is correct, please provide summary details and explain how this asset will be used.

RESPONSE:

No, Powerex did not purchase a coal-fired generation plant. Powerex has a contract to purchase the output from this plant.

2.6.2 Although it may be obvious, please confirm the purpose of this purchase of electricity by Powerex.

RESPONSE:

Please see the response to SCCBC IR 2.6.1.

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7.0 Reference: F07/F08 RRA, Appendix A (Exhibit B-5-2), F2006 Service Plan, p.8; Energy for Our Future: A Plan for BC (2002), Policy Action #20; Exhibit B-11-13, BC Hydro Response to SCCBC IR1.28.1

Preamble: In response to RRA SCCBC IR 1.28.1, BC Hydro states:

Below is BC Hydro's progress on meeting the 50 % Clean Energy target.

	F2004	F2005	F2006
Target (%)	50%	50%	50%
Actual (%)	52%	36%	21%
Quantity (GWh)	614	872	879

The Clean Energy target of 50 per cent of incremental load (which is essentially new supply requirements) is to be achieved over a 10-year period, beginning in F2003 and ending in F2013. Since the establishment of the clean energy target in 2002, all energy acquired has been BC Clean, the percentage figures above represent the actual volume of BC Clean Energy that has come on line or on the grid in that current year against the incremental load for that same year. The annual results will fluctuate with the amount of incremental demand over Fiscal 2003 levels, and the timing, volume and type of actual supply delivered. Since Fiscal 2003 there has been a significant increase in electricity demand due to economic activity. In addition, there has been attrition in the volume of BC Clean Energy delivered relative to that contracted.

Future calls will reflect BC Hydro's progress towards meeting the target (including the results of subsequent calls in contracting BC Clean Electricity supplies).

2.7.1 Please confirm that the reason that the percentage of new electricity from BC Clean electricity is less than 100% for each of F2004, F2005 and F2006 is that the remainder of the increased load was supplied from imports.

RESPONSE:

The actual volumes acquired for F2004 to F2006 represent energy from new IPP projects that meet the BC Clean Electricity Guidelines or from BC Hydro's Resource Smart additions. Other sources of power were used to meet the incremental load requirements, namely additional generation from Heritage assets, IPP supply that is not BC Clean and market purchases. Thus, it is not valid to state that the remainder of the increased load was supplied from imports.