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October 20, 2020

Ms. Marija Tresoglavic
Acting Commission Secretary and Manager
Regulatory Support
British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Ms. Tresoglavic:

**RE: British Columbia Utilities Commission (BCUC or Commission)
Catalyst Paper Corporation Request to Reduce Rate Schedule 1893
Baselines
British Columbia Hydro and Power Authority (BC Hydro)
Final Argument**

BC Hydro writes to provide its final argument regarding Catalyst Paper Corporation's (**Catalyst**) Request to Reduce Rate Schedule (**RS**) 1893 Baselines (**Application**) in accordance with BCUC Order No. G-249-20.

BC Hydro is filing part of this final argument confidentially with the Commission as it contains commercially sensitive information that is specific to Catalyst. BC Hydro seeks this confidential treatment pursuant to section 42 of the *Administrative Tribunals Act* and Part 4 of the Commission's Rules of Practice and Procedure.

BC Hydro acknowledges the financial hardships created by the COVID pandemic on Catalyst's operations and employees. BC Hydro continues to support Catalyst within the parameters of its industrial COVID-19 relief initiatives and is sympathetic to the adverse economic environment that Catalyst is facing.

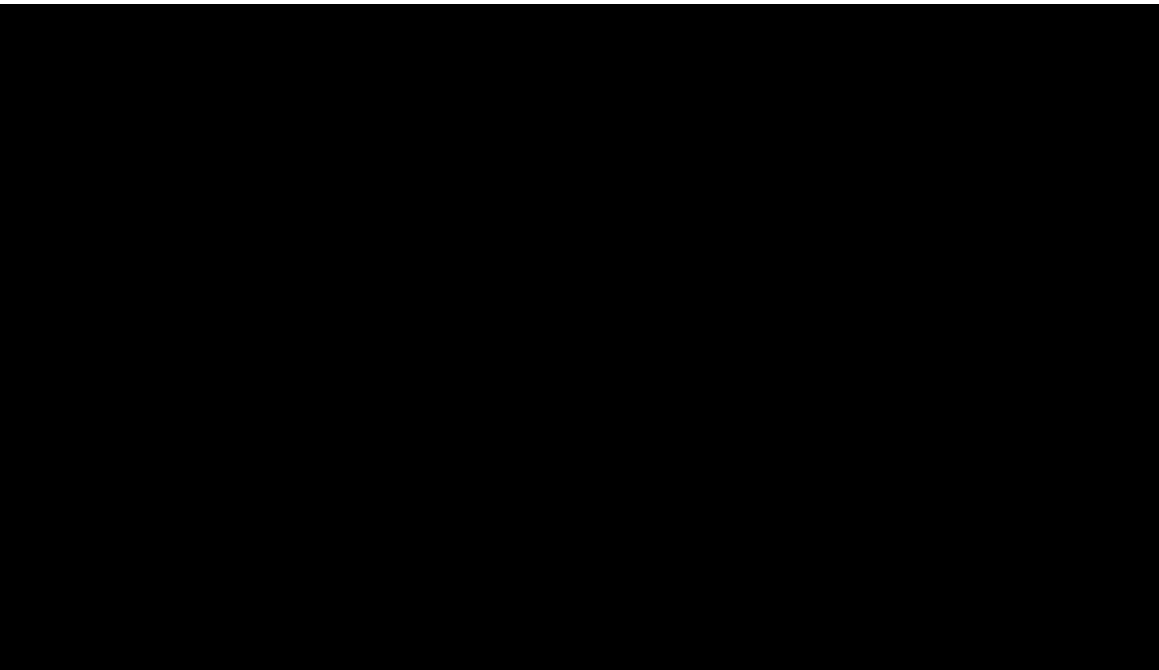
Catalyst's argument primarily discusses three issues, namely: (i) the use of a single post-COVID month (being April 2020) to set future RS 1893 baselines which will enable the economic restart of its Crofton and Port Alberni facilities; (ii) the appropriateness of a prospective transition to the RS 1823A blended rate for the pricing of baseline energy purchases; and (iii) ratepayer impacts. BC Hydro provides its views on each of these three issues below.

1 The use of a single month to set RS 1893 baselines

In its argument, Catalyst accepts that using historical electricity consumption data over a reasonable period, usually defined as 12 months, is a robust approach for accurately

determining what a new RS 1893 baseline should be.¹ Catalyst argues, however, that *“while a single month of data is not ideal for establishing future baselines it can work in extraordinary situations and has been demonstrated to work in this case over the course of the application period.”*²

As explained in BC Hydro’s evidence, baseline determinations and adjustments made under RS 1893 are made on a retrospective basis using 365 days of historical data and pursuant to a BC Hydro engineering review of adjustment events that have been defined and submitted to BC Hydro for review and verification. Neither RS 1893 nor Electric Tariff Supplement No. 74 - Customer Baseline Load (**CBL**) Determination Guidelines (**TS 74**) contemplate baseline determinations or adjustments on a prospective basis using a single month of electricity consumption data.³



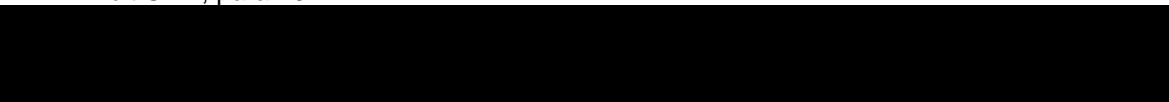
2 Prospective transfer to the blended energy rate (RS 1823A) for baseline load

Catalyst argues that, for baseline energy purchases billed under RS 1823, *“a move to the blended rate would jeopardize the competitiveness of the production capacity*

¹ Catalyst Final Argument, para 1(b).

² Catalyst Final Argument, para 1(h).

³ Exhibit C1-2, para 10.



operating below the requested RS1893 baseline and potentially drive a reduction in energy purchases.”⁶

Catalyst states that energy savings realized to date under RS 1893 are already “*relatively narrow*” compared to RS 1823 Tier 1 rate.⁷ As such, Catalyst claims that a prospective transfer to RS 1823A rate (which, for F2021, are currently \$5.58/MWh higher⁸ than the RS 1823 Tier 1 rate) may render electricity service uneconomic.⁹ Catalyst further states that this “*has the potential to increase energy costs and reduce a customer’s ability to utilize any excess capacity it has available.*”¹⁰

BC Hydro agrees with Catalyst that paying a higher energy rate for baseline energy purchases could have a detrimental effect on the competitiveness of production capacity associated with baseline electricity usage. BC Hydro has no intent to impose any undue hardship on Catalyst. However, BC Hydro does not agree that RS 1823A pricing “*conflicts with the intent of RS 1893*”.¹¹ Rather, BC Hydro sees baseline energy pricing under RS 1823 as a discrete and separate matter as explained below.

RS 1823 energy pricing has two options: (i) Part A - flat energy pricing for customers without an Energy CBL; and (ii) Part B – stepped energy pricing for customers with an Energy CBL. In BC Hydro’s view, and subject to BCUC approval in all cases, the continued eligibility of any customer for RS 1823 stepped energy pricing turns on whether the Energy CBL continues to be representative of normal historic annual consumption, and whether prospective CBL adjustments for eligible events can be readily identified and their impacts verified in accordance with TS 74.

Section 4.1.11 of TS 74¹² does contemplate specific treatments for market curtailment events, including the automatic transfer to RS 1823A where an event of market curtailment exceeds 120 consecutive days such that the plant is considered to be temporarily or indefinitely shutdown. This market curtailment provision may be appropriate to assess COVID-19 related impacts, as it considers “*adverse market conditions which were beyond the customer’s control.*” The intent of this criteria is to provide a mechanism to remove the customer plant from energy billing under the RS 1823 stepped rate where the customer plant is temporarily or indefinitely shutdown and there is no reasonable likelihood that the Energy CBL “*continues to be representative of normal historic annual consumption over a 365-day period.*”¹³

⁶ Catalyst Final Argument, para 2(e).

⁷ Catalyst Final Argument, para 2(b).

⁸ RS 1823A price is \$50.47/MWh; RS 1823 Tier 1 price is \$44.89/MWh.

⁹ Catalyst Final Argument, paras 2(b), (c) and (d).

¹⁰ Exhibit B-6, section 3(a), page 4.

¹¹ Catalyst Final Argument, issue (2).

¹² Tariff Supplement 74, Section 4.1.11 (Market Curtailment Events), April 1 2019.

¹³ Tariff Supplement 74, Section 1.0, CBL Right Sizing.

BC Hydro's evidence in this proceeding was that if the Catalyst Crofton and/or Port Alberni sites are - or would otherwise be – shutdown or curtailed due to the COVID-19 pandemic absent the requested RS 1893 baselines, then a transfer to the blended rate (RS 1823A) might be a fair and pragmatic solution.¹⁴ As explained in BC Hydro's evidence, this approach would also address the baseline harmonization challenges that arise between RS 1823 and RS 1893 when the principles and criteria of TS 74 are applied to a shutdown plant seeking an opportunity for economic re-start.¹⁵

3 Ratepayer impacts

As stated by Catalyst in its argument,¹⁶ the question of ratepayer impacts has been raised during this proceeding. This question requires an assessment of how Catalyst might have otherwise operated its Crofton and Port Alberni sites during the June 1, 2020 – November 30, 2020 period if its requested RS 1893 baselines were not approved by the BCUC. BC Hydro submits that there is not sufficient information on the evidentiary record of this proceeding for any party to make such a determination. BC Hydro also submits that it is not appropriate to refer to the Freshet Pilot evaluation reports for an answer to this question, as suggested by Catalyst in its Final Argument. The Freshet Pilot evaluation was for a different rate schedule over a different period of time and did not consider the Catalyst-specific circumstances which are the subject of this Application.

4 Conclusion

BC Hydro agrees with Catalyst that “...*this is an extraordinary situation that was not necessarily contemplated during the development of the rate by any of the parties involved despite the extensive stakeholder engagement and piloting that BC Hydro has performed.*”¹⁷

However, the RS 1893 pilot was designed to encourage incremental energy use above normal historic levels, not to enable economic restart for facilities with operations that have been temporarily shutdown (whether due to a pandemic or other factors) and that seek to return to “normal” levels of operation on a short-term or ad-hoc basis.¹⁸ Accordingly, BC Hydro respectfully opposes Catalyst's application and notes that, if the BCUC were to not approve the adjusted baselines that this would result in all of the RS 1893 energy purchases being re-billed under RS 1823 at the Tier 1 rate.

Alternatively, BC Hydro respectfully submits that the transfer of the customer sites to RS 1823A, effective June 1, 2020, would be a possible solution if the BCUC approves

¹⁴ BC Hydro response to BCUC IR 1.1.1, Exhibit C1-3.

¹⁵ Exhibit C1-2 at para 5.

¹⁶ Catalyst Final Argument, page 2.

¹⁷ Catalyst Final Argument, page 2.

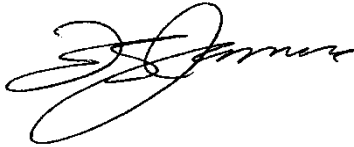
¹⁸ BC Hydro's evidence at para 3, Exhibit C1-2.

Catalyst's requested baselines on a final and permanent basis. We recognize, however, with knowledge of the actual pricing that was in effect under RS 1893 from June to September 2020 that transfer to RS 1823A would result in baseline energy purchases being re-billed under RS 1823 at an amount greater than what Catalyst would have paid had no baseline adjustments occurred.

The principle to support the transfer to RS 1823A is to address baseline harmonization between RS 1823 and RS 1893. Specifically, the principles and criteria of TS 74 do not contemplate how to establish normal historical operations, using only a single month of electricity consumption data, for a customer plant that claims its operations would otherwise be indefinitely shutdown or indefinitely curtailed by an unforeseen and unprecedented event such as the COVID-19 pandemic, which is ongoing.

Finally, BC Hydro submits that it would not be appropriate to draw any conclusions from its Freshet Rate evaluation reports, or from the limited information provided in this proceeding, for the purpose of assessing any prospective ratepayer impacts.

Yours sincerely,



Fred James
Chief Regulatory Officer

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