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September 1, 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)
BC Hydro's Responses to BCSEA and BCUC Information Request No. 1**

BC Hydro writes in compliance with Commission Order No. G-207-20 to provide its responses to Round 1 Information Requests (IR) from BC Sustainable Energy Association (BCSEA) and BCUC as follows:

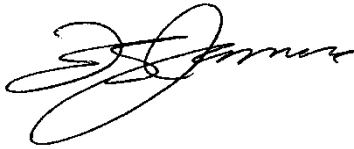
Exhibit C1-3	Responses to Commission IRs (Public Version)
Exhibit C1-3-1	Responses to Commission IRs (Confidential Version)
Exhibit C1-4	Responses to BCSEA IRs

BC Hydro is filing a number of IR responses confidentially with the Commission. BC Hydro confirms that in each IR, an explanation for the request for confidential treatment is provided in the public version of the response. 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.

September 1, 2020
Ms. Marija Tresoglavic
Acting Commission Secretary and Manager
Regulatory Support
British Columbia Utilities Commission
BC Hydro's Responses to BCSEA and BCUC Information Request No. 1

For further information, please contact Anthea Jubb at 604-623-3545 or by email at bchydroregulatorygroup@bchydro.com.

Yours sincerely,



Fred James
Chief Regulatory Officer

bf/tl

Enclosure

British Columbia Utilities Commission Information Request No. 1.1.1 Dated: August 20, 2020 British Columbia Hydro & Power Authority Response issued September 1, 2020	Page 1 of 1
British Columbia Hydro & Power Authority Catalyst Paper Corporation – Request to Reduce Rate Schedule 1893 Baselines	Exhibit: C1-3

1.0 A. QUESTIONS REGARDING BRITISH COLUMBIA HYDRO AND POWER AUTHORITY SUMMARY COMMENTS

Reference: SUMMARY COMMENTS
Exhibit C1-2-1, British Columbia Hydro and Power Authority Evidence, p. 2
Tariff Supplement 74

In British Columbia Hydro and Power Authority's (BC Hydro) Summary Comments, Item 5 states the following:

To address baseline harmonization challenges that arise between RS [Rate Schedule] 1823 and RS 1893 when the principles and criteria of TS [Tariff Supplement] 74 are applied to a shutdown plant seeking an opportunity for economic re-start, BC Hydro considers that transfer of the customer site to RS 1823A would be a fair and pragmatic solution;

- 1.1.1 Please confirm, or explain otherwise, that transfer of Catalyst Paper Corporation's (Catalyst) sites to RS 1823A is the only fair and pragmatic option available in accordance with TS 74 to address a facility shutdown and restart scenario.

RESPONSE:

A shutdown plant seeking an opportunity for economic re-start may be transferred to RS 1823A when the principles and criteria of TS 74 are applied. BC Hydro is unable to confirm with any degree of certainty the current operational conditions of the Catalyst sites, however, if the sites are shutdown then a transfer to RS 1823A would be a fair and pragmatic solution.

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1.1.1 Please confirm, or explain otherwise, that transfer of Catalyst Paper Corporation's (Catalyst) sites to RS 1823A is the only fair and pragmatic option available in accordance with TS 74 to address a facility shutdown and restart scenario.

1.1.1.1 If not confirmed, please describe other options available that would allow Catalyst to restart its facility at a more favourable rate, in accordance with TS 74 and the Electric Tariff, if any.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 1.1.1.

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1.0 A. QUESTIONS REGARDING BRITISH COLUMBIA HYDRO AND POWER AUTHORITY SUMMARY COMMENTS

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1.1.1 Please confirm, or explain otherwise, that transfer of Catalyst Paper Corporation's (Catalyst) sites to RS 1823A is the only fair and pragmatic option available in accordance with TS 74 to address a facility shutdown and restart scenario.

1.1.1.2 In BC Hydro's view, would any other options, proposed by either BC Hydro or Catalyst, be permitted under TS 74 and the current Electric Tariff or would these options require a tariff amendment? Please elaborate.

RESPONSE:

BC Hydro considers that transfer of the customer sites to RS 1823A would be a fair and pragmatic solution. In BC Hydro's view, the remaining proposals suggested by Catalyst are not permitted under the Electric Tariff and TS 74. Below, BC Hydro describes how the proposals are not suitable for accommodating in TS 74, RS 1828, or RS 1893.

Baseline adjustments made under RS 1893 are typically determined on a retrospective basis using 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 TS 74 contemplate making baseline adjustments on a prospective basis using a single month of electricity consumption data.

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The intent of referencing TS 74 principles and criteria for RS 1893 baseline adjustments is to provide transparency and certainty to customers as to the approach.

The purpose of TS 74 is to describe the criteria and procedures that will guide BC Hydro in the determination of the Energy CBL for each customer's plant taking electricity service under Rate Schedule 1823 (RS 1823 - Transmission Service - Stepped Rate) or Rate Schedule 1825 (RS 1825 - Transmission Service - Time-of-Use (TOU) Rate). These CBL Determination Guidelines are also designed to provide greater investment certainty to customers by providing transparent rules to assist them in evaluating and making decisions about potential investments in DSM and Plant Capacity Increase projects at their plants. BC Hydro does not recommend any amendments to TS 74 to accommodate the requested proposals

BC Hydro considers the Catalyst proposal to use the RS 1828 Transmission Service - Biomass Energy Program design and criteria to encourage incremental use from shutdown plant as not being feasible. The Catalyst Crofton and Port Alberni facilities are not eligible for RS 1828 as they have not entered into a contract with BC Hydro under the Biomass Energy Program.

Lastly Catalyst is asking for baseline adjustments to enable the economic re-start of Crofton and Port Alberni loads under RS 1893 that are presently shutdown. This is outside of the original design scope of the RS 1893 pilot which is to encourage incremental energy use above normal historic levels. RS 1893 was designed based on an extensive customer consultation and Regulatory review. RS 1893 is proposed as a pilot subject to future evaluation. Any potential adjustments to the RS 1893 pilot should be considered through customer consultations, the final evaluation report, and any resulting application to the BCUC.

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2.0 A. QUESTIONS REGARDING BRITISH COLUMBIA HYDRO AND POWER AUTHORITY SUMMARY COMMENTS

Reference: BC HYDRO COMMENTS RELATED TO BRITISH COLUMBIA UTILITIES COMMISSION (BCUC) INFORMATION REQUESTS Exhibit C1-2-1, pp. 3–4 RS 1893 Special Condition 8

In BC Hydro's Summary Comments, Item 17 states the following:

As required by Special Condition 8 of RS 1893, baseline adjustments requested by the customer will be reviewed consistent with the principles and criteria set out in TS 74. In practice, BC Hydro uses this provision to harmonize baseline adjustments as between RS 1823 and RS 1893. In general, the changes made to one baseline will have a flow-through change to the other.

In Item 13, BC Hydro also states:

BC Hydro notes that Catalyst applied to BC Hydro for annual (F2021) adjustment to each of its 12 monthly RS 1893 baselines for its Crofton and Port Alberni mills on May 7, 2020 (i.e., prior to Catalyst making its request on May 21, 2020 to the BCUC for the three months of July - August only). At that time, BC Hydro advised Catalyst that its initial request was complex and that tariff and engineering review would likely take a significant amount of time to complete. BC Hydro was unable to provide Catalyst with certainty as to the timing or probable outcome of that review to enable Catalyst to make plans for short-term mill restart.

1.2.1 Please confirm, or explain otherwise, that Catalyst's request to BC Hydro on May 7, 2020, for baseline adjustment, was in accordance with, and permitted under, Special Condition 8 of RS 1893.

RESPONSE:

BC Hydro confirms that Special Condition 8 provides a means to address a situation where the baselines may not accurately reflect normal operations such as due to the impacts of COVID-19. As described in BC Hydro's response to BCUC IR 1.2.4, BC Hydro sought to clarify with Catalyst certain aspects of Catalyst's May 7, 2020 request for baseline adjustment and so did not advance the request for tariff and engineering review prior to Catalyst's May 21, 2020 application to the BCUC.

Please also refer to BC Hydro's response to BCUC IR 1.2.4.

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1.2.2 Please discuss the intent and purpose of the tariff review, as stated in the above preamble.

RESPONSE:

BC Hydro clarifies that the purpose of the tariff review is to ensure that the customer's request for baseline adjustment is made in accordance with the relevant provisions of the applicable tariffs, in this case RS 1893 and TS 74. Whereas, the purpose of the engineering review is to verify the energy consumption impact of eligible adjustment events. It is the verified energy consumption impact of each eligible event that subsequently sets the amount of the RS 1893 electricity baseline adjustment(s).

The intent of the tariff and engineering review described in the preamble is to ensure that the electricity purchases under RS 1823 are reflective of the customer's normal expected electricity usage. A corresponding adjustment is

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made to RS 1893 baselines to ensure that the baselines incorporate the changes made under RS 1823. In the absence of such adjustments the HLH and LLH baselines which are calculated as the average hourly purchases under RS 1823 or RS 1828 in the HLH and LLH hours, respectively, for each calendar month of the baseline year would not be in alignment.

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2.0 A. QUESTIONS REGARDING BRITISH COLUMBIA HYDRO AND POWER AUTHORITY SUMMARY COMMENTS

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1.2.3 Please describe the requirements and the estimated time needed to complete the tariff and engineering review for Catalyst's request.

RESPONSE:

If a Customer's RS 1893 baselines are no longer representative of the customer's normal historical electricity usage absent the RS 1893 pilot, then BC Hydro will make adjustments to those baselines consistent with the principles and criteria set out in TS 74. In accordance with TS 74, for any baselines adjustment:

- **The customer must submit a request to BC Hydro within the prescribed time period (dependent on the section of TS 74 under which such adjustments are requested);**

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- The adjustment must meet the minimum verified energy impact as per the applicable section of TS 74; and
- The customer must complete BC Hydro's standard adjustment request forms and submit documentation to support the requested adjustment which must include:
 - ▶ A description of the requested adjustments;
 - ▶ An engineering estimate of the estimated energy consumption impact of the project or event signed by a Professional Engineer (P.Eng), Certified Measurement and Verification Professional, or Officer of the company; and
 - ▶ Excel spreadsheet documentation to support the engineering estimate calculations of the requested adjustment.

Typically BC Hydro's review would take a minimum of 33 business days. There are various factors that may result in BC Hydro's baseline determination taking longer than 33 business days.

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2.0 A. QUESTIONS REGARDING BRITISH COLUMBIA HYDRO AND POWER AUTHORITY SUMMARY COMMENTS

**Reference: BC HYDRO COMMENTS RELATED TO BRITISH COLUMBIA UTILITIES COMMISSION (BCUC) INFORMATION REQUESTS
Exhibit C1-2-1, pp. 3–4
RS 1893 Special Condition 8**

In BC Hydro's Summary Comments, Item 17 states the following:

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1.2.3 Please describe the requirements and the estimated time needed to complete the tariff and engineering review for Catalyst's request.

1.2.3.1 Please indicate the typical length of time for reviews of this nature.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 1.2.3.

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2.0 A. QUESTIONS REGARDING BRITISH COLUMBIA HYDRO AND POWER AUTHORITY SUMMARY COMMENTS

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1.2.4 Has BC Hydro made any progress with respect to the tariff and engineering review for Catalyst's request?

RESPONSE:

BC Hydro has not advanced its tariff and engineering review of Catalyst's request for the following reasons:

- **BC Hydro does not have sufficient information regarding the specific pre-COVID adjustment events - and post-COVID period of 'normal operations' - as claimed by Catalyst to verify their energy consumption impacts and to confirm that the adjustments are appropriate;**
- **The regulatory proceeding established by the BCUC to review Catalyst's application is ongoing and, in BC Hydro's view, it would not be efficient for**

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BC Hydro to review the request in parallel as any adjustments to the baselines would need to be filed with the BCUC for approval; and

- **The Catalyst request to BC Hydro was for a 12 month baseline adjustment, whereas their application to the BCUC was for a three month baseline adjustment. The outcome of this proceeding will impact BC Hydro's approach to a 12 month baseline adjustment. BC Hydro therefore considers that it is appropriate to allow for the BCUC review to be completed as the decision on the Catalyst's request would impact the review of the requested baselines adjustment for the balance of F2021.**

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1.2.4 Has BC Hydro made any progress with respect to the tariff and engineering review for Catalyst's request?

1.2.4.1 If yes, please provide a summary of the progress made.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 1.2.4.

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1.2.4 Has BC Hydro made any progress with respect to the tariff and engineering review for Catalyst's request?

1.2.4.2 If not, why not? Please discuss.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 1.2.4.

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3.0 A. QUESTIONS REGARDING BRITISH COLUMBIA HYDRO AND POWER AUTHORITY SUMMARY COMMENTS

**Reference: BC HYDRO COMMENTS RELATED TO BCUC INFORMATION REQUESTS
Exhibit C1-2-1, p.5
RS 1828 applicability**

Under Item 23, BC Hydro writes:

To avoid the application of Special Condition 11, Catalyst has proposed a treatment equivalent to it being served under Rate Schedule 1828 (Transmission Service - Biomass Energy Program). Catalyst opines that this rate design may ‘... provide a framework for encouraging incremental load during these uncertain times while adhering to the intent of TS 74 to not discourage economic growth.’ It would also have the result of fixing the price of Catalyst’s baseline energy purchases at the RS 1823 Tier 1 energy rate. BC Hydro considers this submission to be out of scope for the current proceeding.

1.3.1 Please explain why BC Hydro does not consider the use of RS 1828 as a valid approach to address the impact of Special Condition 11 on Catalyst under RS 1893.

RESPONSE:

Catalyst’s Crofton and Port Alberni sites are not eligible to receive service under RS 1828, as Catalyst has not entered into a contract with BC Hydro under the Biomass Energy Program, which is a requirement under the Availability section of the rate schedule.

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3.0 A. QUESTIONS REGARDING BRITISH COLUMBIA HYDRO AND POWER AUTHORITY SUMMARY COMMENTS

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1.3.2 Please elaborate on why BC Hydro considers the submission of service under RS 1828 as out of scope for the current proceeding.

RESPONSE:

BC Hydro notes that in their application Catalyst did not apply for service under RS 1828. In any case, Catalyst is not eligible for this service, because it is only available to customers who have entered into a contract with BC Hydro under the Biomass Energy Program.

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4.0 B. QUESTIONS REGARDING APPENDIX TO EVIDENCE

Reference: **GENERAL**
Exhibit C1-2-1, Appendix 1, p. 4
RS 1893 Special Condition 9

In Appendix 1, page 4, BC Hydro writes:

Special Condition 8 of RS 1893 provides a means to address a situation where the requested baselines may not accurately reflect the impacts of COVID-19 and may not represent Catalyst's normal expected RS 1823 electricity usage during each of the June - August Billing Periods;

In accordance with Special Condition 9 of RS 1893, BC Hydro is not certain how adjustments to Catalyst's RS 1893 baselines that might be approved by the BCUC (such as for production curtailments) could be harmonized in a manner "... consistent with the principles and criteria set out in BC Hydro's Tariff Supplement 74" (such as if production is re-started);

1.4.1 Please explain the purpose of Special Condition 8 and its intended interaction with Special Condition 9 of RS 1893.

RESPONSE:

Special Condition 8 provides means to address a situation where the requested baselines may not accurately reflect normal expected RS 1823 or RS 1828 electricity usage.

If BC Hydro and the customer agree that the LLH and HLH Baselines and/or Monthly Reference Demand as defined in RS 1893 are not representative of the Customer's normal expected Rate Schedule 1823 or Rate Schedule 1828 Electricity usage, as applicable, during each Billing Period, and the parties agree to alternative LLH and HLH Baselines and/or Monthly Reference Demand, BC Hydro will file the agreed-to LLH and HLH Baselines and/or Monthly Reference Demand with the BCUC for approval.

BC Hydro notes that subscribing RS 1823 Customers remain subject to the terms and conditions of TS 74, including Energy CBL resets, for annual RS 1823 energy purchases. Special Condition 9 allows BC Hydro and the Customer to review the baseline adjustments consistent with the principles and criteria set out in BC Hydro's TS 74 and is intended to provide transparency and certainty to customers as to the approach. BC Hydro is not certain how the requested adjustments to Catalyst's RS 1893 baselines that are being considered by the BCUC could be harmonized in a manner "... consistent with the principles and criteria set out in BC Hydro's TS 74" as provided in Special Condition 9.

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4.0 B. QUESTIONS REGARDING APPENDIX TO EVIDENCE

Reference: **GENERAL**
Exhibit C1-2-1, Appendix 1, p. 4
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In Appendix 1, page 4, BC Hydro writes:

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- 1.4.2 Please elaborate on how Catalyst's RS 1893 baselines adjustment request is inconsistent with the principles and criteria set out in TS 74.

RESPONSE:

BC Hydro notes that requested baseline adjustments made under RS 1893 are typically determined on a retrospective basis using historical data and pursuant to BC Hydro's tariff and engineering review of adjustment events that have been defined and submitted to BC Hydro for review and verification. Neither RS 1893 nor TS 74 contemplate making baseline adjustments on a prospective basis using a single month of electricity consumption data. The request by Catalyst is not consistent with this approach or the intent of TS 74.

Please also refer to BC Hydro's response to BCUC IR 1.1.1.2.

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4.0 B. QUESTIONS REGARDING APPENDIX TO EVIDENCE

Reference: **GENERAL**
Exhibit C1-2-1, Appendix 1, p. 4
RS 1893 Special Condition 9

In Appendix 1, page 4, BC Hydro writes:

Special Condition 8 of RS 1893 provides a means to address a situation where the requested baselines may not accurately reflect the impacts of COVID-19 and may not represent Catalyst's normal expected RS 1823 electricity usage during each of the June - August Billing Periods;

In accordance with Special Condition 9 of RS 1893, BC Hydro is not certain how adjustments to Catalyst's RS 1893 baselines that might be approved by the BCUC (such as for production curtailments) could be harmonized in a manner "... consistent with the principles and criteria set out in BC Hydro's Tariff Supplement 74" (such as if production is re-started);

- 1.4.3 Please provide and discuss alternative methods of adjustments to Catalyst's RS 1893 baselines that could be harmonized in a manner consistent with the principles and criteria TS 74. if any.

RESPONSE:

BC Hydro considers that transfer of the customer site to RS 1823A would be a fair and pragmatic solution; this would mitigate the Energy CBL Baseline harmonization issue under TS 74.

BC Hydro does not have sufficient information regarding the specific pre-COVID adjustment events - and post-COVID period of 'normal operations' - as claimed by Catalyst and is therefore not able to provide alternative methods of adjustments to the Catalyst baselines.

In addition, Catalyst is asking for baseline adjustments to enable the economic re-start of Crofton and Port Alberni loads under RS 1893 that are presently shutdown. This is not consistent with the design of RS 1893, which is to encourage incremental energy use above normal historic levels.

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5.0 B. QUESTIONS REGARDING APPENDIX TO EVIDENCE

Reference: GENERAL
Exhibit C1-2-1, Appendix 1, pp. 4–5
Catalyst consumption history

In Appendix 1, BC Hydro notes the following:

BC Hydro is unable to speculate as to how Catalyst might choose to operate its Crofton and Port Alberni sites for the July and August Billing Periods and whether there will be any RS 1893 energy purchases in these months;

RS 1893 uses monthly settlement to determine the volume of HLH and LLH Net Incremental Energy over an entire Billing Period. Please refer to page 70 of the Application for a detailed summary of the monthly settlement process, which relies on hourly data. This may impact the determination of RS 1893 energy if Catalyst were to run its operations only sporadically during a Billing Period, such as during a single week, which could result in higher than hourly baselines in that week, but lower in other weeks.

- 1.5.1 Based on settlement data, please describe Catalyst's electricity consumption under RS 1823 and RS 1893 from April 2020 to present.

RESPONSE:

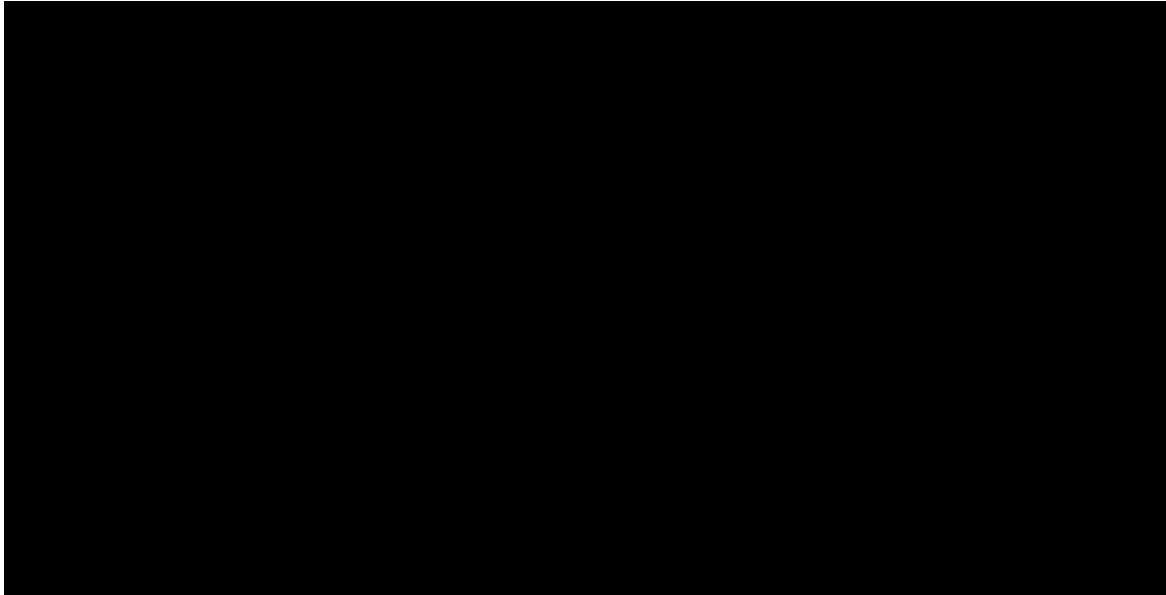
The public version of this response has been redacted to maintain in confidence commercially sensitive information.

As of the date of this response, only the April – July 2020 Billing Periods have been completed. August billing is not yet completed:

- Please refer to the table below for the electricity purchases for Catalyst Port Alberni and Crofton sites for the Billing Periods of April - July; and



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Reference: GENERAL
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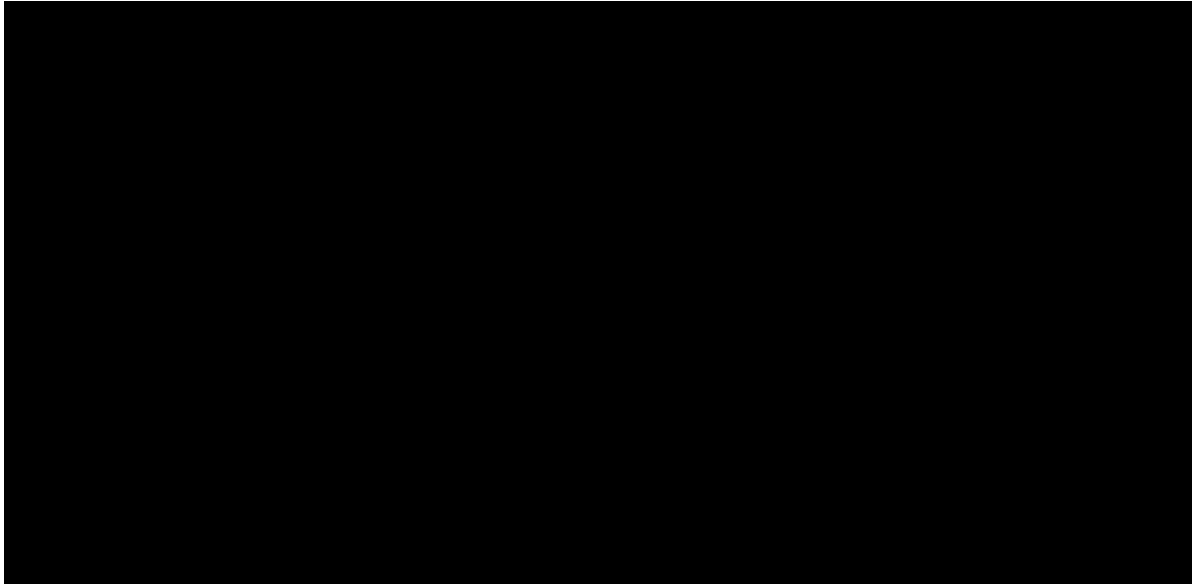
1.5.2 Please explain any changes to Catalyst's baselines under RS 1893 that resulted from the previous billing statements.

RESPONSE:

The public version of this response has been redacted to maintain in confidence commercially sensitive information.

As a result of Special Condition 11, the June and July HLH and LLH Baselines and the Monthly Reference Demand for the Crofton site were adjusted as shown in the table below.

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There are no changes to the Port Alberni baselines.

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Reference: GENERAL
Exhibit C1-2-1, Appendix 1, pp. 4–5
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RS 1893 uses monthly settlement to determine the volume of HLH and LLH Net Incremental Energy over an entire Billing Period. Please refer to page 70 of the Application for a detailed summary of the monthly settlement process, which relies on hourly data. This may impact the determination of RS 1893 energy if Catalyst were to run its operations only sporadically during a Billing Period, such as during a single week, which could result in higher than hourly baselines in that week, but lower in other weeks.

- 1.5.3 Based on settlement data, please provide an analysis of the ratepayer impact of Catalyst's RS 1823 and RS 1893 purchases thus far from the beginning of the period of the interim BCUC approval.

RESPONSE:

BC Hydro is unable to complete a ratepayer impact analysis at this time as sufficient data are not available to do so.

For example, in order to assess ratepayer impacts, an entire year of electricity consumption data and the customer's RS 1823 Customer Baseline Load (CBL) for the applicable fiscal year would be required in order to determine whether load shifting occurred between RS 1893 and RS 1823. The earliest time that BC Hydro anticipates being able to conduct ratepayer impact analysis of the impact of Catalyst's baseline adjustments is when their F21 RS 1823 CBL is determined, which is expected to be fall 2021.

Please also refer to BC Hydro's response to BCUC Panel IR 1.1.2 in BC Hydro's Transmission Market Reference-Priced Rates Application - Responses to BCUC Panel Information Request No. 1 filed on July 17, 2020 which is attached as Attachment 1. BC Hydro notes that BC Hydro's response to BCUC Panel IR 1.1.2 contains commercially sensitive information that is specific to Catalyst and has thus been redacted. The redacted information is being provided to the BCUC only.

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**1.0 Reference: INCREMENTAL ENERGY RATE PROPOSAL
Exhibit B-1, Application, Section 5.5, pp. 72–80,
Exhibit B-11, IR Series 3.0; Catalyst Paper Request to Reduce
RS 1893 Baselines, Exhibit B-1
Economic Justification and Ratepayer Impacts**

In response to British Columbia Utilities Commission (BCUC) information request (IR) 3.3.3, British Columbia Hydro and Power Authority (BC Hydro) stated:

BC Hydro is unable to update expected RS 1893 energy sales and expected net revenue for each energy charge adder as provided in Table 13 on page 79 of the Application based on the challenges highlighted in the Demand Dilemma Report.

The COVID-19 pandemic is new to us, and there is insufficient data to analyze how the challenges highlighted in the Demand Dilemma Report may impact ratepayer economics of RS 1893.

Further in response to BCUC IR 3.3.3.1, BC Hydro stated:

The information provided in Table 13 on page 79 of the Application remains BC Hydro's most current estimate of expected net revenue each year under RS 1893, based on the original assumptions provided. The information is still valid as we haven't updated the model and the load estimates are still reasonable.

BC Hydro has not updated forward-looking data inputs in the model for the Pilot based on the load and operational challenges resulting from COVID-19 as highlighted in the Demand Dilemma Report.

Although BC Hydro has seen a short-term decline in industrial demand due to the COVID-19 pandemic, BC Hydro still considers that certain industrial customers may remain able to increase load under RS 1893 over the pilot period. Additionally, because we are still in the midst of the pandemic and the resulting consequences, any attempt to forecast the impacts on BC Hydro's operations will be an uncertain exercise and will not add value at this time. As such, BC Hydro considers that the original assumptions regarding incremental customer load remain reasonable.

On May 21, 2020, Catalyst Paper Corporation (Catalyst), filed an application with the BCUC to request significant reduction to the Rate Schedule (RS) 1893 baselines¹. In its application Catalyst states:

¹

https://www.bcuc.com/Documents/Proceedings/2020/DOC_58203_B-1-Catalyst-RS1893-BaselineAdjustmentRequest.pdf

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COVID-19 has had a dramatic impact on the global demand for the paper grades Catalyst Paper produces at its sites at Crofton, Port Alberni and Powell River. This has resulted in extensive production curtailments at these sites and an accompanying reduction in load as evidenced by the reduced purchases from BC Hydro in the April 2020 period.....

.....We believe that an interim request will provide enough time to realize market opportunities and limit any *potential* negative impact to other rate payers while we collect data to evaluate the net impact of the reduced baselines to inform any longer-term changes.

- 1.1.2 Please elaborate and explain what the potential positive (favourable) or negative (unfavorable) impacts on other BC Hydro ratepayers could be due to the change in RS 1893 baselines requested by Catalyst. To the extent possible, please quantify.

RESPONSE:

This response contains commercially sensitive information that is specific to Catalyst and has thus been redacted. The redacted information is being provided to the BCUC only.

By Order G-129-20A dated June 10, 2020, the BCUC approved Catalyst's requested RS 1893 baselines for its Crofton and Port Alberni sites for the three Billing Periods of June, July and August 2020 on an interim and refundable basis.

The mere adjustment of the RS 1893 baselines for those two sites, by itself, is not sufficient to make a determination of positive or negative ratepayer impacts. Rather, such a determination requires consideration of a number of complex and dynamic factors, such as:

- (i) Whether Catalyst purchases any RS 1893 energy relative to the adjusted baselines that have interim approval;
- (ii) Whether the BCUC approves the interim baselines on a final and permanent basis without any changes;
- (iii) Whether the volume of RS 1893 energy purchased would be incremental relative to what Catalyst would have otherwise purchased from BC Hydro absent the requested RS 1893 baseline adjustments;
- (iv) The HLH and/or LLH price of RS 1893 energy on any day where HLH and/or LLH Net Incremental Energy was purchased;

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- (v) The daily system condition deemed to apply to any day where HLH and/or LLH Net Incremental Energy was purchased;
- (vi) The difference in energy pricing between RS 1823 and RS 1893 for any volume of RS 1893 energy deemed to be not incremental; and
- (vii) The prospective impact on Catalyst's F2021 annual RS 1823 energy purchases relative to its annual Energy CBL for the purposes of the annual Energy CBL reset determination under Tariff Supplement 74.

Notwithstanding these complexities, BC Hydro offers the following assessment in an effort to frame the prospective ratepayer impact if the BCUC were to approve Catalyst's requested baselines on a permanent basis:

The ratepayer impact would be positive where:

- Catalyst has any RS 1893 energy purchase in a Billing Period;
- The RS 1893 energy is considered to be truly incremental (i.e., would not otherwise have occurred in the absence of the baseline adjustment and the adjusted baseline is verified to be appropriate); and
- BC Hydro recovers its marginal cost of serving the RS 1893 energy based on the daily system condition deemed to apply to any day where HLH and/or LLH Net Incremental Energy was purchased.

The ratepayer impact would be negative where:

- Catalyst has an RS 1893 energy purchase in a Billing Period, but BC Hydro does not recover its marginal cost of serving the RS 1893 energy based on the daily system condition deemed to apply to any day where HLH and/or LLH Net Incremental Energy was purchased; or
- The RS 1893 energy: (a) is not considered to be truly incremental (i.e., would have occurred anyway); and (b) the otherwise applicable RS 1823 energy price is higher than the RS 1893 energy price for the specified volume of energy that is deemed to not be incremental.

BC Hydro also notes the following complicating factors:

- The regulatory proceeding established by the BCUC to review Catalyst's application is ongoing and is unlikely to be concluded prior to the end of August 2020, which is the final month of the three month period to which the adjusted RS 1893 baselines would apply;
- Catalyst advised in its June 12, 2020 submission to the BCUC that the approval of adjusted RS 1893 baselines on an interim and refundable basis is

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unlikely to provide Catalyst with sufficient electricity pricing certainty to take orders and make production commitments that will enable the retention of staff and restart of load under RS 1893;

- Catalyst's adjusted baselines reflect "... *the change in load in April 2020 relative to the adjusted load for the 12 months ending February 1, 2020*" and imbed a number of adjustments that have not yet been identified by Catalyst or verified by BC Hydro;
- Catalyst's request for adjusted RS 1893 baselines is based on a forward looking approach which has not been tested. Baseline adjustments are typically determined on a retrospective basis using historical data and pursuant to a BC Hydro engineering review to verify the electricity consumption impact of a defined event(s). Tariff Supplement 74 does not contemplate making baseline adjustments on a prospective basis using forecast data.
- Special Condition 8 of RS 1893 provides a means to address a situation where the requested baselines may not accurately reflect the impacts of COVID-19 and may not represent Catalyst's normal expected RS 1823 electricity usage during each of the June - August Billing Periods;
- In accordance with Special Condition 9 of RS 1893, BC Hydro is not certain how adjustments to Catalyst's RS 1893 baselines that might be approved by the BCUC (such as for production curtailments) could be harmonized in a manner "... *consistent with the principles and criteria set out in BC Hydro's Tariff Supplement 74*" (such as if production is re-started);
- As at the date of this response, only the June 2020 Billing Period has been completed. For the June 2020 Billing Period, Catalyst purchased a total of [REDACTED] GWh of RS 1893 energy at Crofton and [REDACTED] RS 1893 energy at Port Alberni;
- BC Hydro is unable to speculate as to how Catalyst might choose to operate its Crofton and Port Alberni sites for the July and August Billing Periods and whether there will be any RS 1893 energy purchases in these months;
- Per Special Condition 3c(ii) of RS 1893, the customers' notice of intent to participate is required to include the operational and/ or production changes the customer plans to make to take advantage of the pilot. [REDACTED]

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- **Special Condition 11 of RS 1893 includes a 2.0x cap on the volume of any incremental take of electricity during a Billing Period under RS 1893. BC Hydro expects that Special Condition 11 would be triggered if Catalyst were to re-start shutdown operations at its Crofton mill.**



This would automatically trigger Special Condition 11 and result in 50 per cent of electricity consumption being billed under RS 1893 and 50 per cent being billed under RS 1823.

- **RS 1893 uses monthly settlement to determine the volume of HLH and LLH Net Incremental Energy over an entire Billing Period. Please refer to page 70 of the Application for a detailed summary of the monthly settlement process, which relies on hourly data. This may impact the determination of RS 1893 energy if Catalyst were to run its operations only sporadically during a Billing Period, such as during a single week, which could result in higher than hourly baselines in that week, but lower in other weeks.**

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6.0 B. QUESTIONS REGARDING APPENDIX TO EVIDENCE

Reference: GENERAL
Exhibit C1-2-1, Appendix 1, p. 3
Ratepayer impacts

In Appendix 1, BC Hydro submits:

The ratepayer impact would be positive where:

- Catalyst has any RS 1893 energy purchase in a Billing Period;
- The RS 1893 energy is considered to be truly incremental (i.e., would not otherwise have occurred in the absence of the baseline adjustment and the adjusted baseline is verified to be appropriate); and
- BC Hydro recovers its marginal cost of serving the RS 1893 energy based on the daily system condition deemed to apply to any day where HLH and/or LLH Net Incremental Energy was purchased.

The ratepayer impact would be negative where:

- Catalyst has an RS 1893 energy purchase in a Billing Period, but BC Hydro does not recover its marginal cost of serving the RS 1893 energy based on the daily system condition deemed to apply to any day where HLH and/or LLH Net Incremental Energy was purchased; or
- The RS 1893 energy: (a) is not considered to be truly incremental (i.e., would have occurred anyway); and (b) the otherwise applicable RS 1823 energy price is higher than the RS 1893 energy price for the specified volume of energy that is deemed to not be incremental.

1.6.1 Please provide an analysis of the ratepayer impact if Catalyst's requested RS 1893 baseline adjustment for the period is approved on a permanent basis by the British Columbia Utilities Commission and Catalyst were to purchase RS 1893 energy.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 1.5.3.

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- The RS 1893 energy: (a) is not considered to be truly incremental (i.e., would have occurred anyway); and (b) the otherwise applicable RS 1823 energy price is higher than the RS 1893 energy price for the specified volume of energy that is deemed to not be incremental.

1.6.2 Please elaborate on the risk(s) to BC Hydro in recovering its marginal cost of serving RS 1893 for all Transmission Service Rate (TSR) customers.

RESPONSE:

The risks to BC Hydro in recovering its marginal cost of service RS 1893 are described in section 5.5 of our Transmission Service Market Reference-Priced Rates Application, that was filed with the BCUC on October 31, 2019. This content is also provided below. The issue of ratepayers risk associated with RS 1893 was extensively reviewed during that proceeding.

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9 **5.5.5 Discussion of Risks**

10 The scenarios under which a net revenue loss could occur are similar to those
11 described in **Appendix E**. This includes the scenario of a low inflow year (such as
12 2018/19) with an increased risk that market energy imports or higher value system
13 energy might be used to serve incremental energy under the Incremental Energy
14 Rate Pilot in any given hour. Under this scenario, there is an increased risk that
15 BC Hydro will not recover its marginal cost of energy in those hours. For example:

- 16 • For any day where market energy imports are deemed to serve incremental
17 RS 1893 load, BC Hydro would see an approximate net revenue loss equal to
18 the difference between the RS 1893 energy charge adder collected and the
19 current US\$5.16 /MWh wheeling cost for delivery from the Mid-C market to the
20 B.C. Border plus 1.9 per cent transmission losses deemed to be paid
21 (converted to Canadian dollars daily). On days where the market price is
22 negative, the revenue loss from deemed market imports would be reduced by
23 the difference between the actual market price and the \$0/MWh floor price
24 under RS 1893; and
- 25 • For any day where basin energy is deemed to serve incremental RS 1893
26 loads, the difference between the value of actual RS 1893 energy sales and
27 BC Hydro's System Marginal Value would be used to determine the revenue

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October 31, 2019

1 gain or loss on that day. If system conditions are characterized by low reservoir
 2 levels and below average inflows, there would be a bias towards higher system
 3 marginal prices. In turn, this can lead to higher revenue losses if the marginal
 4 value of water in the system is higher than the Mid-C marginal energy prices
 5 (plus adder) used as a reference for RS 1893 pricing.

6 Another scenario that was described is a low inflow year with limited market energy
 7 available. This might occur, for example, where BC Hydro has to buy replacement
 8 energy from the market during a current period to help serve domestic load at some
 9 future period. There could be a net revenue loss if BC Hydro uses lower cost market
 10 energy to serve Incremental Energy Rate Pilot load in real time during a low market
 11 price period rather than storing that energy in large reservoirs for later domestic use
 12 during a higher market price period. This net revenue loss impact would be in
 13 addition to the adder potentially not covering the cost of wheeling described above.
 14 The net revenue loss impact will be greater if the future market energy import is
 15 priced higher than the freshet market energy import and will be lower if the future
 16 market energy import is priced lower than the freshet market energy import.

17 An additional scenario which could occur is if, in high load periods, BC Hydro has to
 18 reduce its sales of energy to market to serve Incremental Energy Rate Pilot load,
 19 there may be a revenue loss if the forgone export would have been at a higher price
 20 than the price of the Incremental Energy Rate. BC Hydro notes this risk may be low
 21 given the situation is more likely to occur during high priced periods, which may have
 22 lower customer participation as described in the final paragraph of section [5.2](#).

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- BC Hydro recovers its marginal cost of serving the RS 1893 energy based on the daily system condition deemed to apply to any day where HLH and/or LLH Net Incremental Energy was purchased.

The ratepayer impact would be negative where:

- Catalyst has an RS 1893 energy purchase in a Billing Period, but BC Hydro does not recover its marginal cost of serving the RS 1893 energy based on the daily system condition deemed to apply to any day where HLH and/or LLH Net Incremental Energy was purchased; or
- The RS 1893 energy: (a) is not considered to be truly incremental (i.e., would have occurred anyway); and (b) the otherwise applicable RS 1823 energy price is higher than the RS 1893 energy price for the specified volume of energy that is deemed to not be incremental.

1.6.2 Please elaborate on the risk(s) to BC Hydro in recovering its marginal cost of serving RS 1893 for all Transmission Service Rate (TSR) customers.

1.6.2.1 Please describe BC Hydro's historic ability to recover its marginal cost of serving RS 1893 for all TSR customers.

RESPONSE:

BC Hydro is unable to answer this question, as RS 1893 is a new rate that became effective January 2020 on an interim basis. We do not have historic data on our ability to recover our marginal costs of service.

BC Hydro notes that in our Transmission Service Market Reference-Priced Rates Application filed with the BCUC October 31, 2019, we proposed that RS 1893 be offered as a pilot subject to future evaluation. BCUC's final decision on our RS 1893 rate proposal is pending.

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- The RS 1893 energy: (a) is not considered to be truly incremental (i.e., would have occurred anyway); and (b) the otherwise applicable RS 1823 energy price is higher than the RS 1893 energy price for the specified volume of energy that is deemed to not be incremental.

1.6.3 Please explain the ratepayer impact if purchases are made under RS 1893 while the RS 1823 energy price is higher than the RS 1893 energy price for a volume deemed not to be incremental.

RESPONSE:

Ratepayer impacts will be negative, i.e., there will be an economic loss to ratepayers, if purchases are made under RS 1893 while the RS 1823 energy price is higher than the RS 1893 energy price for a volume deemed not to be incremental.