

Fred James

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February 22, 2021

Mr. Patrick Wruck
Commission Secretary and Manager
Regulatory Support
British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Mr. Wruck:

**RE: British Columbia Utilities Commission (BCUC or Commission)
British Columbia Hydro and Power Authority (BC Hydro)
Canadian Forest Products Ltd – Chetwynd Division (Canfor)
Tariff Supplement No. 100
Information Request No.1**

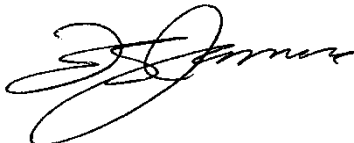
BC Hydro writes in compliance with Commission Order No. G-351-20 dated December 29, 2020 to provide its responses to Round 1 information requests as follows:

Exhibit B-5	Responses to Commission IRs (Public Version)
Exhibit B-5-1	Responses to Commission IRs (Confidential Version)

BC Hydro is filing an IR response which includes specific information relating to the Electricity use of the Customer confidentially with the Commission. To preserve Customer confidentiality and protect commercially sensitive information, 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*.

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: February 8, 2021 British Columbia Hydro & Power Authority Response issued February 22, 2021	Page 1 of 1
British Columbia Hydro & Power Authority TS 100 Canfor Chetwynd Mill Bypass Renewal Agreement	Exhibit: B-5

- 1.0 Reference: PROPOSED TERMS FOR THE TRANSITION TARIFF AGREEMENT**
Exhibit B-1 (Application), p. 4, Order G-88-99 (Bypass Rate Guidelines) dated September 2, 1999, Section 2.1
Transition tariff agreement

On page 4 of the Application, British Columbia Hydro and Power Authority (BC Hydro) states:

The Transition Tariff Agreement, proposed as Tariff Supplement No. 100 (TS 100) is justified because:

- 1 It will recover BC Hydro's incremental cost of service in respect of distribution assets not recovered through the Transmission Service rates;
- 2 Does not cause harm to other ratepayers;
- 3 Promotes utilization of available capacity at CWD [Chetwynd substation]; and
- 4 Supports BC Hydro's service plan goal of keeping electricity bills affordable for our customers.

By Order G-88-99, the BCUC Bypass Rate Guidelines (Guidelines) were issued to inform future BC Hydro bypass agreements. Section 2.1 of the Guidelines state:

The Commission can allow special pricing arrangements or competitive supply alternatives where these are in some customers' interests, without causing undue harm to other ratepayers or impairing the Commission's ability to set rates and terms of service which are otherwise fair.

- 1.1.1 Please explain BC Hydro's statement that the proposed agreement "does not cause harm to other ratepayers."

RESPONSE:

Through the Rider Charge, BC Hydro will recover its incremental cost of service in respect of distribution facilities used to serve Canfor. This will ensure, the special pricing arrangements outlined in TS 100 does not cause undue harm to other ratepayers.

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The Commission can allow special pricing arrangements or competitive supply alternatives where these are in some customers' interests, without causing undue harm to other ratepayers or impairing the Commission's ability to set rates and terms of service which are otherwise fair.

- 1.1.1 Please explain BC Hydro's statement that the proposed agreement "does not cause harm to other ratepayers."
- 1.1.1.1 Please discuss the opportunity cost to ratepayers resulting from the approval of TS 100 over Canfor transitioning to the Large General Service Distribution rate.

RESPONSE:

BC Hydro does not view approval of TS 100 as having an opportunity cost to ratepayers. As noted in BC Hydro's response to BCUC IR 1.1.1, if approved TS 100 would recover BC Hydro's incremental cost of service.

Assuming that Canfor's same actual annual F20 consumption, BC Hydro's revenue under Large General Service rate (RS 1611) would be approximately 20 per cent greater than it would be under TS 100.

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By Order G-88-99, the BCUC Bypass Rate Guidelines (Guidelines) were issued to inform future BC Hydro bypass agreements. Section 2.1 of the Guidelines state:

The Commission can allow special pricing arrangements or competitive supply alternatives where these are in some customers' interests, without causing undue harm to other ratepayers or impairing the Commission's ability to set rates and terms of service which are otherwise fair.

1.1.1 Please explain BC Hydro's statement that the proposed agreement "does not cause harm to other ratepayers."

1.1.1.2 Please explain if BC Hydro considers forgone benefits to ratepayers as harm, pursuant to the BCUC Bypass Rate Guidelines (Guidelines) attached to Order G-88-99.

RESPONSE:

The BCUC Bypass Rate Guidelines (Guidelines) permit the Commission to approve special pricing arrangements, as set out in TS 100, where other ratepayers do not suffer undue harm.

Ratepayers will not suffer undue harm due to the limited term of TS 100. While revenue may be forgone during the term of TS 100, ratepayers are held whole overall, as there are no costs being borne by ratepayers.

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Furthermore, TS 100 does meet “the floor price is the Utility’s incremental cost of service, and ensures the protection of other customers”¹ threshold contemplated in the Guidelines to ensure ratepayers’ protection. BC Hydro will be recovering its incremental cost of serving the Customer which is not recovered through the Transmission Service rates.

¹ Guidelines, at page 7.

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The Commission can allow special pricing arrangements or competitive supply alternatives where these are in some customers' interests, without causing undue harm to other ratepayers or impairing the Commission's ability to set rates and terms of service which are otherwise fair.

- 1.1.2 Given the benefits of the original bypass agreement, Tariff Supplement No. 53, have been fully realized, please clarify how TS 100 will promote greater utilization of available capacity at CWD.

RESPONSE:

BC Hydro notes that TS 100 is not intended to promote greater utilization of existing facilities. Instead, the purpose of TS 100 is to ensure the continued utilization of available capacity at CWD. There is currently no other potential major load Customer seeking to utilize available capacity at CWD.

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The Commission can allow special pricing arrangements or competitive supply alternatives where these are in some customers' interests, without causing undue harm to other ratepayers or impairing the Commission's ability to set rates and terms of service which are otherwise fair.

- 1.1.3 Please explain BC Hydro's rationale on how the proposed TS 100 agreement supports its Service Plan goal of keeping electricity bills affordable in contrast to the Large General Service Distribution rate.

RESPONSE:

To clarify, BC Hydro notes that reference to affordability in the Application is with respect to Canfor only. TS 100 makes Electricity bills more affordable to Canfor while enabling them to prepare for bill impacts at the end of the term when migrated to Large General Service rate.

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2.0 Reference: CONCLUSION
Exhibit B-1, pp. 4, 7
Transition tariff agreement

On page 4 of the Application, BC Hydro submits:

BC Hydro and the Customer have agreed to the terms which are set out in the TS 100 and key terms are summarized below:

(a) Rate – the Customer will be billed in accordance with the RS 1823 and other applicable Transmission Service rate schedules;

On page 7 of the Application, BC Hydro submits:

Should the Transition Tariff Agreement not be approved, BC Hydro will move the Customer to the applicable Large General Service rate (RS 1611). Based on recent billing history, this would result in a bill increase of about 20 per cent.

1.2.1 Please provide the \$/kWh rate applicable for RS 1611 and RS 1823 customers .

RESPONSE:

Rate Schedule	Energy Charge (\$)	Energy Charge A (\$)	Energy Charge B (\$)	
			Tier 1	Tier 2
RS 1611	0.0596 per kWh			
RS 1823		0.05015 per kWh	0.04462 per kWh	0.09995 per kWh

The above Energy Charge rates are current as of February 22, 2021. BC Hydro notes that in addition to the Energy Charge requested in the Information Request, there is also other differences between the two rate schedules, for example, the Demand Charge differs.

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Should the Transition Tariff Agreement not be approved, BC Hydro will move the Customer to the applicable Large General Service rate (RS 1611). Based on recent billing history, this would result in a bill increase of about 20 per cent.

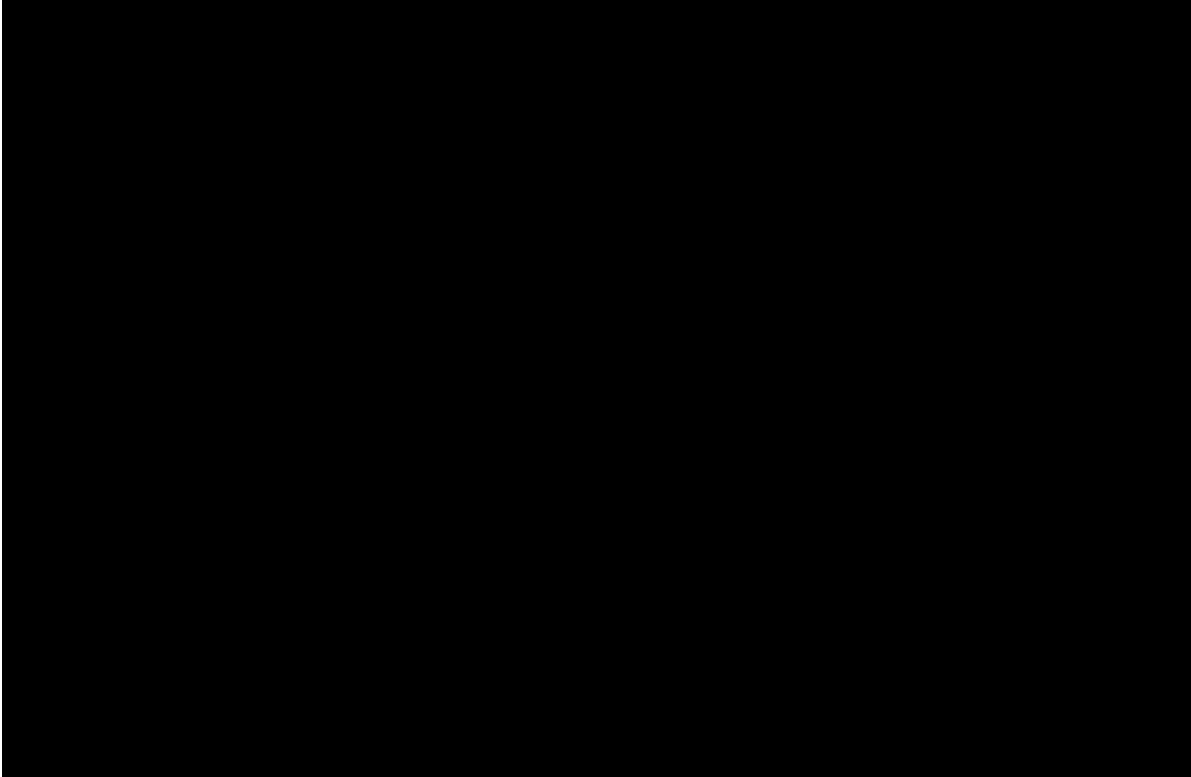
1.2.2 Please provide, in confidence if necessary, details on the resultant billing increase in the case where Canfor were to immediately transition to the Large General Service rate (RS 1611).

RESPONSE:

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

The consumption data in the table below is for F20. It is not known what Canfor’s actual consumption would be if Canfor were to immediately transition to the Large General Service rate.

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(a) Rate – the Customer will be billed in accordance with the RS 1823 and other applicable Transmission Service rate schedules;

On page 7 of the Application, BC Hydro submits:

Should the Transition Tariff Agreement not be approved, BC Hydro will move the Customer to the applicable Large General Service rate (RS 1611). Based on recent billing history, this would result in a bill increase of about 20 per cent.

1.2.3 Please describe the resultant effects on capacity utilization at the CWD in the case where Canfor were to immediately transition to RS 1611.

RESPONSE:

There is no immediate effect on capacity utilization should Canfor transition to RS 1611 provided similar Electricity use pattern as in the past continues. However, BC Hydro notes that Canfor is the major load taking service through CWD. If Canfor's load is reduced or migrated to Transmission Service, the capacity at CWD will be underutilized.

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(a) Rate – the Customer will be billed in accordance with the RS 1823 and other applicable Transmission Service rate schedules;

On page 7 of the Application, BC Hydro submits:

Should the Transition Tariff Agreement not be approved, BC Hydro will move the Customer to the applicable Large General Service rate (RS 1611). Based on recent billing history, this would result in a bill increase of about 20 per cent.

1.2.4 Please discuss the estimated impact on BC Hydro revenues and any potential effects to the ratepayer were Canfor to immediately transition to RS 1611.

RESPONSE:

BC Hydro does not know the impact on ratepayers of Canfor immediately migrating to RS 1611. Over the near term BC Hydro’s revenues may increase, but over the longer term, this migration could potentially result in changes to Electricity purchases by Canfor and/or changes to Electricity utilization at CWD. Please also refer to BC Hydro’s response to BCUC IR 1.2.2.

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On page 7 of the Application, BC Hydro submits:

Should the Transition Tariff Agreement not be approved, BC Hydro will move the Customer to the applicable Large General Service rate (RS 1611). Based on recent billing history, this would result in a bill increase of about 20 per cent.

1.2.5 Given Large General Service customers similar to Canfor are placed on RS 1611, please explain how TS 100, if approved, would be consistent with the existing principles of rate design.

RESPONSE:

The Bypass Rate Guidelines (Guidelines) enabled Canfor to receive BCUC approval of a bypass agreement with an extension or a renewal clause (TS 53). Any General Service Customer in similar circumstances could have also applied for such an agreement.

In addition, TS 100 is consistent with existing principles of rate design set out in section 59 of the Utilities Commission Act. Further, TS 100 is transitional, and ratepayers are made whole due to the Customer paying for the incremental cost of service.

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(a) Rate – the Customer will be billed in accordance with the RS 1823 and other applicable Transmission Service rate schedules;

On page 7 of the Application, BC Hydro submits:

Should the Transition Tariff Agreement not be approved, BC Hydro will move the Customer to the applicable Large General Service rate (RS 1611). Based on recent billing history, this would result in a bill increase of about 20 per cent.

1.2.6 Please discuss TS 100's alignment with section 59 of the *Utilities Commission Act* and specifically section 59(1)(a) with respect to unjust, unreasonable, unduly discriminatory or unduly preferential rates.

RESPONSE:

TS 100 is aligned with section 59 of the Utilities Commission Act (UCA), as it will recover BC Hydro's incremental cost of service without being unjust, unreasonable, unduly discriminatory, or unduly preferential.

In order to protect ratepayers, TS 100 ensures that ratepayers are held whole during the transition tariff agreement's term, as ratepayers will not be responsible for the cost of distribution facilities that would not otherwise be recovered through Transmission Service rates.

Furthermore, TS 100 has a limited term, and therefore is not unduly preferential or discriminatory.

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**3.0 Reference: TRANSITION TARIFF AGREEMENT
Exhibit B-1, pp. 3 – 4
Transition tariff agreement**

On pages 3 and 4 of the Application, BC Hydro submits:

In 2019, Canfor approached BC Hydro asking for a renewal of TS 53 in accordance with the terms of the agreement. During discussions, Canfor expressed a desire to sign a long-term extension. In Canfor's view, the transmission line and substation facilities that were paid for through TS 53 had a typical life expectancy of approximately 35 years.

Based upon BC Hydro's 10-year substation planning horizon at CWD, and in consideration of the Commission's approval of 10-year extension for TS 95, BC Hydro and Canfor have successfully agreed to a renewal term of 10 years. BC Hydro reviewed its load forecast capacity at CWD and confirmed that there is available capacity to continue to meet the Customer's load requirement for the next 10 years. BC Hydro supports a one-time continuation of Transmission Service rate for the Customer for 10 years. The Transition Tariff Agreement includes a rider charge (as further described

below) that has been designed to recover costs associated with use of the shared electricity delivery facilities (Shared Facilities) for the Customer's service over the term of Transition Tariff Agreement.

- 1.3.1 Please explain why BC Hydro requested TS 53 based on a 20-year term, pursuant to Section 3.2 of the Guidelines,¹ if the originally proposed bypass facilities were expected to have a typical life expectancy of approximately 35 years.

RESPONSE:

For similar Customers, bypass agreements have a typical term of 20 years. The 20-year term would allow BC Hydro to re-evaluate its substation planning forecast and incremental cost associated with continuing to serve the Customer during the typical life expectancy of bypass facilities.

¹ The rider is payable over a period equal to the estimated life of the bypass facilities (anticipated to be approximately 20 years), and financed at the customer's weighted average cost of capital.

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Based upon BC Hydro's 10-year substation planning horizon at CWD, and in consideration of the Commission's approval of 10-year extension for TS 95, BC Hydro and Canfor have successfully agreed to a renewal term of 10 years. BC Hydro reviewed its load forecast capacity at CWD and confirmed that there is available capacity to continue to meet the Customer's load requirement for the next 10 years. BC Hydro supports a one-time continuation of Transmission Service rate for the Customer for 10 years. The Transition Tariff Agreement includes a rider charge (as further described

below) that has been designed to recover costs associated with use of the shared electricity delivery facilities (Shared Facilities) for the Customer's service over the term of Transition Tariff Agreement.

- 1.3.2 Given the proposed 10-year term of TS 100 with no option for renewal, please explain if BC Hydro considers the original bypass facilities to have had an expected life of 30 years.

RESPONSE:

BC Hydro acknowledges Canfor's submission that the original bypass facilities proposed in TS 53 have a life expectancy of 35 years.

BC Hydro proposes a ten-year term to manage customer bill impacts and be consistent with the approach approved by the BCUC for TS 95 under Commission's Order No. G-304-19, and not to exactly match the expected life of the original bypass facilities.

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In 2019, Canfor approached BC Hydro asking for a renewal of TS 53 in accordance with the terms of the agreement. During discussions, Canfor expressed a desire to sign a long-term extension. In Canfor's view, the transmission line and substation facilities that were paid for through TS 53 had a typical life expectancy of approximately 35 years.

Based upon BC Hydro's 10-year substation planning horizon at CWD, and in consideration of the Commission's approval of 10-year extension for TS 95, BC Hydro and Canfor have successfully agreed to a renewal term of 10 years. BC Hydro reviewed its load forecast capacity at CWD and confirmed that there is available capacity to continue to meet the Customer's load requirement for the next 10 years. BC Hydro supports a one-time continuation of Transmission Service rate for the Customer for 10 years. The Transition Tariff Agreement includes a rider charge (as further described

below) that has been designed to recover costs associated with use of the shared electricity delivery facilities (Shared Facilities) for the Customer's service over the term of Transition Tariff Agreement.

- 1.3.3 Please discuss whether BC Hydro considers that unrealized residual value remains presently from the proposed bypass facilities that informed TS 53. In your response, please provide the applicable depreciation schedule.

RESPONSE:

BC Hydro considers that there is no unrealized residual value left from the TS 53.

The applicable depreciation schedules are included under Canfor Chetwynd Mill Bypass Analysis which can be found in Appendix B of BC Hydro's Application dated April 17, 2000 and also attached to the BCUC's Order No. G-51-00 dated May 11, 2000.

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In 2019, Canfor approached BC Hydro asking for a renewal of TS 53 in accordance with the terms of the agreement. During discussions, Canfor expressed a desire to sign a long-term extension. In Canfor's view, the transmission line and substation facilities that were paid for through TS 53 had a typical life expectancy of approximately 35 years.

Based upon BC Hydro's 10-year substation planning horizon at CWD, and in consideration of the Commission's approval of 10-year extension for TS 95, BC Hydro and Canfor have successfully agreed to a renewal term of 10 years. BC Hydro reviewed its load forecast capacity at CWD and confirmed that there is available capacity to continue to meet the Customer's load requirement for the next 10 years. BC Hydro supports a one-time continuation of Transmission Service rate for the Customer for 10 years. The Transition Tariff Agreement includes a rider charge (as further described

below) that has been designed to recover costs associated with use of the shared electricity delivery facilities (Shared Facilities) for the Customer's service over the term of Transition Tariff Agreement.

1.3.3 Please discuss whether BC Hydro considers that unrealized residual value remains presently from the proposed bypass facilities that informed TS 53. In your response, please provide the applicable depreciation schedule.

1.3.3.1 Please explain whether residual value in the proposed bypass facilities will exist at the end of the term of TS 100.

RESPONSE:

BC Hydro considers that there will not be a residual value left at the end of the TS 100's term.

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Based upon BC Hydro's 10-year substation planning horizon at CWD, and in consideration of the Commission's approval of 10-year extension for TS 95, BC Hydro and Canfor have successfully agreed to a renewal term of 10 years. BC Hydro reviewed its load forecast capacity at CWD and confirmed that there is available capacity to continue to meet the Customer's load requirement for the next 10 years. BC Hydro supports a one-time continuation of Transmission Service rate for the Customer for 10 years. The Transition Tariff Agreement includes a rider charge (as further described

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1.3.3 Please discuss whether BC Hydro considers that unrealized residual value remains presently from the proposed bypass facilities that informed TS 53. In your response, please provide the applicable depreciation schedule.

1.3.3.2 If residual value is assumed to exist at the end of term of TS 100, please explain why BC Hydro has not provided the option for an additional 5-year renewal commensurate with the total expected life of the facility.

RESPONSE:

TS 100's term of 10 years is consistent with the approved TS 95 under Commission's Order No. G-304-19 with Department of National Defence in Esquimalt. A 10-year term mitigates bill impact increases to Canfor prior to moving to the applicable Large General Service rate, and transitions Canfor to the appropriate rate schedule for its service type.

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Based upon BC Hydro's 10-year substation planning horizon at CWD, and in consideration of the Commission's approval of 10-year extension for TS 95, BC Hydro and Canfor have successfully agreed to a renewal term of 10 years. BC Hydro reviewed its load forecast capacity at CWD and confirmed that there is available capacity to continue to meet the Customer's load requirement for the next 10 years. BC Hydro supports a one-time continuation of Transmission Service rate for the Customer for 10 years. The Transition Tariff Agreement includes a rider charge (as further described

below) that has been designed to recover costs associated with use of the shared electricity delivery facilities (Shared Facilities) for the Customer's service over the term of Transition Tariff Agreement.

1.3.3 Please discuss whether BC Hydro considers that unrealized residual value remains presently from the proposed bypass facilities that informed TS 53. In your response, please provide the applicable depreciation schedule.

1.3.3.3 If no residual value currently exists, please explain the economic basis for renewing the bypass agreement given no new bypass facilities have been proposed in the application.

RESPONSE:

The proposed TS 100 is based on cost of service. The Rider Charge is based on Canfor's pro-rata share of costs of Shared Facilities associated with CWD. BC Hydro would recover its incremental cost of service associated with distribution facilities used to serve Canfor, which is not reflected in the Transmission Service rates.

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**4.0 Reference: INITIAL TARIFF AGREEMENT
Exhibit B-1, p. 3
Transition tariff agreement**

On page 3 of the Application, BC Hydro states:

iv) Canfor has the right to apply to the Commission for a renewal or an extension of the term of TS 53 having regard to the original intent and purpose of TS 53;

1.4.1 Please explain why the option for renewal was included in TS 53, if, pursuant to Section 3.2 of the Guidelines, the term of the agreement was equal to the estimated life of the bypass facility.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 1.3.1.

The option to renew is a typical clause used in similar bypass agreements which would allow BC Hydro to evaluate its substation available capacity and incremental cost of service in order to bring forward a transition tariff agreement, if appropriate.

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**4.0 Reference: INITIAL TARIFF AGREEMENT
Exhibit B-1, p. 3
Transition tariff agreement**

On page 3 of the Application, BC Hydro states:

iv) Canfor has the right to apply to the Commission for a renewal or an extension of the term of TS 53 having regard to the original intent and purpose of TS 53;

1.4.2 Please clarify how the proposed TS 100 renewal serves the original intent and purpose of TS 53.

RESPONSE:

Article 9 of TS 53 allows Canfor to request an extension or a renewal. Accordingly, TS 100 is consistent with the intent of TS 53.