

Fred James

Chief Regulatory Officer

Phone: 604-623-4046

Fax: 604-623-4407

bchydroregulatorygroup@bchydro.com

January 17, 2020

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: Project No. 1598990
British Columbia Utilities Commission (BCUC or Commission)
British Columbia Hydro and Power Authority (BC Hydro)
Fiscal 2020 to Fiscal 2021 Revenue Requirements Application

BC Hydro writes to provide a public version of Appendix B of its Rebuttal Evidence and to provide revised responses to four previously submitted information requests.

Appendix B of BC Hydro's Rebuttal Evidence contained a report from S&P Global Market Intelligence. The report includes a table showing a large sample of utilities and whether those utilities have full or partial decoupling mechanisms (i.e., a mechanism that enables utilities to offset the effect on revenues of fluctuations in sales caused by customer participation in energy efficiency programs, deviations from "normal" temperature patterns, or economic conditions.). Approximately half of the utilities included in the report utilize some type of decoupling mechanism.

BC Hydro filed this report in confidence with the BCUC only because it was obtained through a paid subscription service. Subsequent to this filing, S&P Global Market Intelligence advised BC Hydro that it was possible to share this report publicly.

In addition, while responding to Information Request No. 2 from the BCUC Panel and preparing for the Oral Hearing, BC Hydro identified minor errors in four previous responses to information requests.

Accordingly, BC Hydro writes to provide its revised Rebuttal Evidence and revised responses to information requests as follows:

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Exhibit B-5-2	Revision to Round 1 BCUC IR 1.164.1
Exhibit B-6 -2	Revision to Round 1 BCOAPO 1.16.2
Exhibit B-12-2	Revision to Round 2 BCUC IR 2.267.1
Exhibit B-23-4	Revision to Round 4 CEABC IR 4.58.4
Exhibit B-28-2	Revision to Rebuttal Evidence

For further information, please contact Chris Sandve at 604-974-4641 or by email at bchydroregulatorygroup@bchydro.com.

Yours sincerely,



(for) Fred James
Chief Regulatory Officer

cs/rh

Enclosure

British Columbia Utilities Commission Information Request No. 2.267.1 Dated: July 26, 2019 British Columbia Hydro & Power Authority REVISED Response issued January 17, 2020	Page 1 of 6
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267.0 H. CHAPTER 9 – TRANSMISSION REVENUE REQUIREMENT

Reference: TRANSMISSION REVENUE REQUIREMENT
Exhibit B-1, p. 9-16
Cost allocations to generation, transmission and distribution

Footnote 340 on page 9-16 of the Application states:

In Order No. G-47-16, issued on March 31, 2016, the BCUC approved a Cost of Service Study and Rate Class Segmentation Negotiated Settlement Agreement, as part of BC Hydro's 2015 Rate Design Application. In section 8 on page 11 of the Negotiated Settlement Agreement appended to Order No. G-47-16, the negotiating parties agreed it was appropriate to functionalize five per cent of DSM costs to transmission, subject to BC Hydro revisiting the functionalization between generation, transmission and distribution in its fiscal 2019 Cost of Service Study.

2.267.1 Please confirm, or explain otherwise, that BC Hydro used the methodologies from its 2016 Cost of Service Study (contained in Appendix A of Order G-47-16) to allocate costs to its Transmission Revenue Requirement in this Test Period.

ORIGINAL RESPONSE:

The cost of service methodologies from Appendix A of BCUC Order No. G-47-16 are shown below, alongside a description of how they do or do not apply to the fiscal 2020 to fiscal 2021 Transmission Revenue Requirement.

The 2016 Cost of Service Study considered cost of service concepts related to BC Hydro's bundled electricity rates under its Electric Tariff, not its Open Access Transmission Tariff rates. As a result, a number of the 2016 Cost of Service Study methodological steps (e.g. classification, allocation) are not applicable to the Transmission Revenue Requirement.

In other cases, methodologies from the 2016 cost of service study may not be directly applicable to the fiscal 2020 to fiscal 2021 Transmission Revenue Requirement given changes to BC Hydro's business and financial model (e.g., changes to regulatory accounts and cost definitions).

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Cost and Methodology Topic	Applicability to Transmission Revenue Requirement (TRR)
1. Heritage Hydro Classification	Not Applicable. Classification between demand and energy is not a required methodological step in the calculation of the TRR, because Transmission costs are classified as 100 per cent capacity (demand).
1. Heritage Thermal Classification	Not applicable as described in item 1.
2. DSM Functionalization	Consistent with Appendix A of BCUC Order No. G-47-16, 5 per cent of DSM costs have been functionalized to Transmission in the TRR.
3. DSM Classification	Not applicable as described in item 1.
4. IPP Purchases Classification	Not applicable as described in item 1.
5. Distribution Classification	Not applicable as described in item 1.
6. Customer Care Classification	Not applicable as described in item 1.
7. IT costs Functionalization	Consistent with Appendix A of BCUC Order No. G-47-16, approximately thirty per cent (28.5 per cent) of IT costs have been functionalized to Transmission in the TRR.
8. IPP Capital Lease Costs Functionalization	Consistent with Appendix A of BCUC Order No. G-47-16, zero per cent of IPP Capital Lease Costs have been functionalized to Transmission in the TRR.
9. ERP Costs Functionalization	Consistent with Appendix A of BCUC Order No. G-47-16, zero per cent of ERP Costs have been functionalized to Transmission in the TRR.
10. Corporate Tax Functionalization	Consistent with Appendix A of BCUC Order No. G-47-16, 65 per cent per cent of corporate tax costs have been functionalized to Transmission in the TRR.
11. Corporate Depreciation Functionalization	<p>Due to the changes in the organization structure of BC Hydro, the Corporate Services depreciation allocation in Appendix A of BCUC Order No. G-47-16 is not directly applicable to the TRR.</p> <p>With the full adoption by BC Hydro of International Financial Reporting Standards in fiscal 2019, all capital related expenses are assigned based on Rate Base.</p>

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Cost and Methodology Topic	Applicability to Transmission Revenue Requirement (TRR)
12. Regulatory Accounts Functionalization	<p>Heritage and Non-Heritage Deferral Account Classification is not applicable as described in item 1.</p> <p>Consistent with Appendix A of BCUC Order No. G-47-16, 55 per cent of the provisions for the PCB Remediation Regulatory Account have been functionalized to Transmission in the TRR.</p> <p>Consistent with Appendix A of BCUC Order No. G-47-16, 55 per cent of First Nations Regulatory Account recoveries have been functionalized to Transmission in the TRR.</p> <p>The TRR uses a different methodology to functionalize Interest on Deferral and Regulatory Accounts compared to the methodology contemplated in the 2016 Cost of Service study. With the full adoption of International Financial Reporting Standards by BC Hydro in fiscal 2019, all capital related expenses are assigned based on Rate Base. In the financial schedules, Finance Charges including Interest on Regulatory Accounts are functionalized according to Rate Base as shown on lines 1 to 40 of Schedule 8.0 of Appendix A of the Application.</p> <p>Rate Smoothing Regulatory Account Functionalization is not applicable to the TRR as the balance in the Rate Smoothing Regulatory Account was written-off in December 2018.</p>
13. Deferral Accounts Classification	Not applicable as described in item 1.
14. SMI-related Costs Classification	Not applicable as described in item 1.
15. Generation Demand Related Costs Allocation	Not applicable. Cost allocation for the purpose of the 2016 cost of service study was undertaken to allocate costs to BC Hydro's bundled electricity rates under its Electric Tariff, not its Open Access Transmission Tariff rates.
16. Distribution Demand Costs Allocation	Not applicable as described in item 15.
17. Metering Costs Allocation	Not applicable as described in item 15.

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REVISED RESPONSE:

The cost of service methodologies from Appendix A of BCUC Order No. G-47-16 are shown below, alongside a description of how they do or do not apply to the fiscal 2020 to fiscal 2021 Transmission Revenue Requirement.

The 2016 Cost of Service Study considered cost of service concepts related to BC Hydro's bundled electricity rates under its Electric Tariff, not its Open Access Transmission Tariff rates. As a result, a number of the 2016 Cost of Service Study methodological steps (e.g. classification, allocation) are not applicable to the Transmission Revenue Requirement.

In other cases, methodologies from the 2016 cost of service study may not be directly applicable to the fiscal 2020 to fiscal 2021 Transmission Revenue Requirement given changes to BC Hydro's business and financial model (e.g., changes to regulatory accounts and cost definitions).

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Cost and Methodology Topic	Applicability to Transmission Revenue Requirement (TRR)
8. IPP Capital Lease Costs Functionalization	<p>Consistent with <u>In</u> Appendix A of BCUC Order No. G-47-16, zero per cent of IPP Capital Lease Costs have been <u>were</u> functionalized to Transmission in the TRR. <u>For the TRR, a portion of finance charges related to Energy Purchase Agreements that are accounted for as leases under IFRS 16 have been functionalized to the TRR using rate base, consistent with BC Hydro's practice for functionalizing finance charges in revenue requirements applications.</u></p>
9. ERP Costs Functionalization	<p>Consistent with Appendix A of BCUC Order No. G-47-16, zero per cent of ERP Costs have been functionalized to Transmission in the TRR.</p>
10. Corporate Tax Functionalization	<p>Consistent with Appendix A of BCUC Order No. G-47-16, 65 per cent per cent of corporate tax costs have been functionalized to Transmission in the TRR.</p>
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