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July 21, 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: Project No. 1599102
British Columbia Utilities Commission (BCUC or Commission)
British Columbia Hydro and Power Authority (BC Hydro)
2020 Transfer Pricing Agreement Application (the Application)
Reply to Intervener Submissions on further Process

BC Hydro writes pursuant to BCUC Order No. G-156-20 to reply to BCUC staff and intervener submissions on further process.

BC Hydro agrees that a one-day, BC Hydro-led workshop would be worthwhile and that this workshop should take place before the first round of information requests. BC Hydro expects it will be challenging to achieve full participation in a workshop during August and we therefore suggest the following timetable:

- Workshop – Monday September 14, 2020;
- BCUC Information Request No. 1 to BC Hydro – Thursday October 1, 2020;
- Intervener Information Request No. 1 to BC Hydro – Thursday October 8, 2020;
- BC Hydro Responds to BCUC and Intervener Information Request No. 1 – Friday November 13, 2020; and
- Procedural Conference, or written submissions, on further process, if any – Thursday November 26, 2020.

BC Hydro agrees that any written materials it presents at the workshop should form part of the record and welcomes the attendance of the BCUC Panel that is reviewing the Application.

The scope of the workshop as proposed by BCUC staff (Exhibit A2-1) is quite broad, encompassing

- what amount to legal submissions (“legislative context under which the BCUC reviews the 2020 TPA, including any impact from recent legislative changes such as the *Clean Energy Amendment Act*”);
- issues that are technically quite complex (“explain how Residual System Capability is determined (e.g., input data, modeling, internal oversight, review process and frequency), and how any requests by Powerex to increase the Residual System Capability are considered by BC Hydro”); and
- issues that in some cases were recently canvassed in other BCUC proceedings (for example, “how BC Hydro manages its energy supply portfolio...” was a question considered in the two proceedings regarding the 2018 and 2019 Letter Agreements between BC Hydro and Powerex¹).

The proposed scope is so broad that BC Hydro’s treatment of each issue in a one-day workshop would necessarily be high-level and is unlikely to shed more light on those issues than is already set out in the Application. BC Hydro suggests that a more focussed workshop may be of more value to the BCUC and interveners.

Further, BC Hydro will not provide commercially sensitive information regarding Powerex’s trading activities and does not expect to provide legal argument or technical information which are more amenable to the Information Request on process. Since the workshop is meant to be BC Hydro-led, and any written materials will be developed by BC Hydro, these limitations go more to the types of questions that BC Hydro will be able to answer at the workshop.

The Commercial Energy Consumers Association of British Columbia (Exhibit C3-2) asks that BC Hydro be directed to include in the scope of the workshop the

“Potential Interaction Between the TPA and Integrated Resource Planning if any, including: 1. Downstream benefits; 2. How does the TPA impact contingency arrangements; and 3. Transmission and capacity risks.”

BC Hydro will address these issues at the workshop, if the BCUC agrees, but notes again that to the extent the scope of the workshop is broadened the content will be higher-level.

The British Columbia Old Age Pensioners’ Organization et al. (Exhibit C5-2) have asked that at the workshop

“BC Hydro [would] identify those provisions that have been removed [from the 2003 TPA] with an explanation as to why they were removed, a list of those that have been changed and why, and finally, a list of any

¹ BCUC Order Nos. E-14-19 and E-2-20.

additions with an explanation as to why they were added to the existing Agreement's provisions".

In the Application (Exhibit B-1, at pdf page 44/238) BC Hydro had this to say about the 2020 TPA, and the 2003 TPA that has replaced it:

"The 2020 TPA... removes the transfer price risk that discouraged Powerex from relying on the BC Hydro system to support third-party purchase and sale transactions. New and revised provisions to achieve the latter objective permeate the entire agreement. In addition, a number of minor changes were made to reflect changes in circumstances, to modernize language and to address interpretation issues that had arisen over the life of the 2003 TPA. Accordingly, there are too many differences between the two agreements to provide a meaningful word-by-word comparison. Instead, the following sub-sections explain the key provisions and concepts under the 2020 TPA and then the following section provides a comparison of the key features between the 2003 TPA and the 2020 TPA."

In consideration of BC Hydro's treatment of the issue in the Application, as quoted above, BC Hydro submits that the scope of the workshop not include the requested information comparing the two TPAs.

For certainty, BC Hydro notes that neither BCUC staff nor any intervener have suggested that the workshop take place over more than one day. BC Hydro is requesting that any workshop be contained to one day.

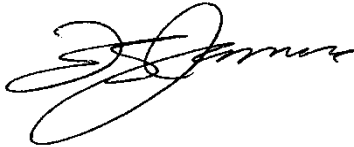
Staff also propose that the workshop be transcribed. BC Hydro notes that transcribing the workshop, with the BCUC Panel in attendance, and given the scope of issues sought to be addressed, would transform the workshop into an oral hearing in all but name. Whether the presenters are sworn as witnesses, or not, the workshop will be more formal than otherwise, and less conducive to the exploration of ideas and building understanding. In particular, the BCUC can expect that many questions asked at the workshop would be answered at a later time, in Information Request response format.

Finally, Exhibit A2-1 is described as a submission from BCUC staff, with the implication that BCUC staff are participating in this part of the proceeding as an interested party and not in its usual neutral manner. In these circumstances procedural fairness requires that the staff that participated in the development of those submissions should not support the Panel in deciding on the particulars of the workshop. Further, BC Hydro submits it would be appropriate for the Panel to confirm BCUC staff's role in its decision regarding the proposed workshop.

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

Yours sincerely,



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