

Fred James

Chief Regulatory Officer

Phone: 604-623-4046

Fax: 604-623-4407

bchydroregulatorygroup@bchydro.com

September 30, 2019

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)
Department of National Defence (the Customer or DND)
Tariff Supplement No. 95 (Transition Tariff Agreement)**

BC Hydro writes pursuant to sections 58 to 61 of the *Utilities Commission Act* for approval of Tariff Supplement No. 95 between BC Hydro and the Customer to enable BC Hydro to continue to service the Customer at the Canadian Forces Base Esquimalt (the **Base**) at transmission service rates (the **Transition Tariff Agreement**). A draft order is attached as Attachment 1. The Transition Tariff Agreement is provided as Attachment 2.

This filing contains a detailed schematic of a BC Hydro substation facility as well as specific information related to the electricity use of the Customer. For safety and security reasons, BC Hydro does not publicly disclose detailed technical information on its facilities. To preserve customer confidentiality, BC Hydro does not publicly disclose information about an individual customer's electricity use. Further, since DND is a military base, this safety and security concern is amplified and disclosure of such information could create a national security risk. BC Hydro requests that the Commission keep this information confidential pursuant to Section 42 of the *Administrative Tribunals Act and Part 4 of the Commission's Rules of Practice and Procedure*. BC Hydro separately submits both a confidential as well as a public version of the Application with the above confidential information redacted.

Background

Prior to 1999, DND was a BC Hydro transmission service customer, taking service at the Customer owned Naden substation. At that time, the Base received transmission service

at 138kV from BC Hydro transmission line 1L14 and the Customer was billed under BC Hydro's default transmission rate at the time, Rate Schedule 1821 (currently, Rate Schedule 1823).

In the late 1990's, BC Hydro identified a unique opportunity for both itself and the Customer, which would facilitate the retirement of a section of BC Hydro's transmission line 1L14 and also allow the Customer to retire its Naden substation. It was BC Hydro's long term strategy to convert the 138 kV system to 230 kV for the South Vancouver Island transmission system and this conversion would eventually include transmission line 1L14. Due to slower than anticipated load growth in the Esquimalt area, BC Hydro's ESQ substation (**ESQ**) was underutilized and had excess transformation capacity. The situation was such that the available transformation capacity at ESQ was forecast to be sufficient to meet the existing and future load requirements of both the local Esquimalt service area and the Base for a period of 20 years. At the same time, DND also needed to make substantial investments to upgrade its aging Naden substation.

In 1999, BC Hydro and the Customer entered into a special tariff agreement with a 20 year term which was approved and accepted for filing by the BCUC as Tariff Supplement No. 41 on January 13, 1999, per Commission Order No. G-7-99 (Attachment 3), and temporarily extended by Commission Orders G-88-19 and G-173-19 (Attachment 4) (collectively referred to as the **Initial Tariff Agreement**).



The Initial Tariff Agreement included the following provisions:

- Allowed the Customer to access and use BC Hydro's available excess transformation capacity at ESQ;
- The point of delivery was moved from the Customer owned Naden substation to the 230 kV transformer bus at ESQ;
- The Customer's service was reconfigured to be supplied at distribution voltage;
- Allowed shared equipment at ESQ to be used to serve DND and other customers, including the 230/12.5kV transformers and substation feeder sections (**Shared Facilities**);
- Required BC Hydro to install equipment at ESQ (i.e., dedicated circuit breakers and related equipment) and construct a dedicated distribution line from ESQ to the Base to serve the Customer (**Dedicated Facilities**) (together the Shared Facilities and Dedicated Facilities are collectively referred to as the **Electricity Delivery Facilities**); and
- The Customer was charged an up-front fee for the construction of the Dedicated Facilities and use of the Shared Facilities over the term of the Initial Tariff Agreement.

The Initial Tariff Agreement provided the following benefits to both BC Hydro and the Customer:

Benefits to BC Hydro

- Elimination of transmission line facilities and associated maintenance costs related to the portion of the 1L14 transmission circuit that was decommissioned;
- Avoidance of conversion costs for a portion of transmission circuit 1L14 from 138 kV to 230 kV;
- Elimination of issues between BC Hydro and DND to convert Naden substation from 138 kV to 230 kV; and
- One year deferral of costs related to the upgrade of BC Hydro's Goward substation.

Benefits to the Customer

- Met the existing and future power supply needs of the Base;
- Allowed for the retirement of DND's Naden substation;
- Enhanced power supply reliability to the Base through ESQ's loop feed transmission circuit configuration; and
- Represented lower maintenance and capital costs than either upgrading the Naden substation or building a new substation.

Transition Tariff Agreement Rational

BC Hydro believes that a Transition Tariff Agreement is justified for the following reasons:

- (a) The Initial Tariff Agreement includes a provision that the agreement may be renewed if both parties agree, subject to approval by the BCUC;
- (b) To recognize that the Customer would currently be receiving service under a transmission service rate, if it were not for the actions undertaken in the Initial Tariff Agreement as described in the Background section above;
- (c) Based on BC Hydro's current load forecast, there is available capacity at ESQ to continue to meet the Customer's load requirement for the next 10 years;
- (d) It reflects BC Hydro's cost of serving the Customer; and
- (e) To manage the bill impacts that the Customer will experience upon transition to the otherwise applicable rate.

In consideration of the above, BC Hydro supports a one-time continuation for the provision of electricity supply under Rate Schedule 1823 to the Customer for a 10 year

period. BC Hydro and the Customer have agreed to the terms which are set out in the Transition Tariff Agreement and summarized below.

Transition Tariff Agreement: Summary of Key Terms

- (a) **Rate** – For service to the Base, the Customer will be billed in accordance with the otherwise applicable transmission service rate schedule, Rate Schedule 1823 and the Deferral Account Rate Rider, Rate Schedule 1901.
- (b) **Term** – The proposed term of the agreement is for a period of 10 years. The term will commence on the first day of the next Billing Period as defined in the ESA immediately following the approval of this Transition Tariff Agreement or such other effective date as the BCUC so prescribes.
- (c) **Renewal** – The agreement does not allow for a subsequent renewal.
- (d) **Rider Charge** – In addition to the Rate, the Customer will be billed a monthly rider charge, which has been calculated to cover an amount for future costs associated with use of the Electricity Delivery Facilities. The intent is to ensure that the Customer pays an amount that is estimated to recover the costs of operating the assets which it is using, thus seeking to ensure ratepayers do not bear the cost of this arrangement. The rider charge includes amounts for the Customer's portion of maintenance, finance, amortization, tax and capital-related costs. To calculate a single monthly amount, future costs including inflation are converted to current (real) dollars and then levelized.
- (e) Upon the expiration or early termination of the Transition Tariff Agreement, the Customer will be subject to the applicable rate which is applicable to the Customer's class of service at that time.

The Customer's share of all Shared Facilities' cost components in the Rider Charge is calculated on a pro-rata basis by multiplying the Customer's Contract Demand over the ESQ firm capacity.

The following table provides a summary of costs that are included in the Rider Charge as well as actual costs for which the Customer is responsible.

Component	Dedicated Facilities	Shared Facilities	Description
Maintenance	✓	✓	Forecast based on historic records (ESQ) and recent forecast information (distribution line).
Capital	✗	✓*	<p>The Customer is responsible for all actual Dedicated Facilities capital expenditures (See Attachment 2, Section 5.1).</p> <p>The Rider Charge includes a capital expenditure component for Shared Facilities, based on historic expenditures. The Rider Charge does not include:</p> <ol style="list-style-type: none"> 1) Capital upgrades to the two 230/12.5 kV transformers; or 2) Upgrades/mitigation costs to address a capacity shortfall if the Customer requests an increase to their Contract Demand over █ MVA. <p>* For items 1 & 2 above, the Customer is responsible for a pro-rata share of the actual costs incurred. (See Attachment 2, Sections 5.2 and Article 6.0).</p>
Amortization and Finance	✗	✓	<p>Forecast developed using asset registry records for ESQ. Forecast uses F2019 opening balance net book value, capitalization date and IFRS estimated life for each asset.</p> <p>There is no amortization and finance component for the Dedicated Facilities as the cost of Dedicated Facilities was paid for by the Customer through the Initial Tariff Agreement.</p>
Return on Equity (ROE)	✗	✗	No incremental amount for ROE has been included in the Rider Charge for use of the Electricity Delivery Facilities. BC Hydro's ROE is prescribed by section 3 of Direction No. 8 as a specific dollar amount for F2020 and F2021 and is not currently tied to BC Hydro's assets. ROE will be determined by the BCUC beyond F2021. See also BC Hydro's F20/F21 Revenue Requirements Application (Exhibit B-1, section 8.3).
Taxes and payments in lieu of taxes	✓	✓	Forecast developed for ESQ and distribution assets using 2018 (F2019) assessed values for school taxes and grants in lieu of taxes.

✗ – Not included

✓ – Included

(f) Point of Delivery – The deemed point of delivery remains at the 230 kV transformer bus at ESQ.

(g) Point of Metering - Remains at its current location on the 12.5 kV feeder within ESQ.

- (h) **Electric Supply Agreement (ESA)** – At the time the Transition Tariff Agreement is executed, the parties will also enter into an ESA in the form of Tariff Supplement No. 5 (**TS 5**) which sets out the standard terms and conditions for transmission voltage electricity service. There are some terms in the Transition Tariff Agreement that will have precedence over TS 5, predominately relating to changes in Contract Demand (see Attachment 2, Article 2.0). TS 5 and the Transition Tariff Agreement will collectively represent all of the terms and conditions of electricity service to the Customer.
- (i) **Contract Demand** – Under the Transition Tariff Agreement, the Contract Demand will be initially set at ■■■ MVA. The Customer has the option to request a change in their Contract Demand between 14 and 25 MVA. In the event that BC Hydro approves an increase in Contract Demand, the Customer will be responsible for costs required to accommodate such request (see Attachment 2, Article 6.0). Once BC Hydro approves a change in the Contract Demand, a new ESA will be executed and a new Rider Charge will become effective in accordance with the table shown in Schedule B of Attachment 2.

Based on BC Hydro's current high substation forecast, BC Hydro forecasts that it will have sufficient available capacity at ESQ (both feeder section capacity and transformation capacity) to supply the Customer with [REDACTED] MVA of capacity for the Term of the Transition Tariff Agreement. Under the Transition Tariff Agreement, the Customer has the option to request up to 25 MVA of capacity during the Term, which is consistent with the capacity of the Dedicated Facilities. Should the Customer seek an increase in Contract Demand, BC Hydro will evaluate whether it is able to provide additional capacity to the Customer without the need for either capital investments within ESQ or other mitigation measures. If such actions are required, BC Hydro will allocate a portion of these costs to the Customer in accordance with the cost sharing mechanisms set out in the Transition Tariff Agreement (see Attachment 2, Article 7.0).

Conclusion

The Initial Tariff Agreement resulted in benefits for both parties and the permanent reconfiguration of the Customer's service from transmission to distribution voltage. The Transition Tariff Agreement allows for the Customer to continue to be charged on the default transmission service rate (Rate Schedule 1823) with a monthly Rider Charge for a 10 year term. Upon the expiration or early termination of the Transition Tariff Agreement, the Customer will be moved to the otherwise applicable rate, terms and

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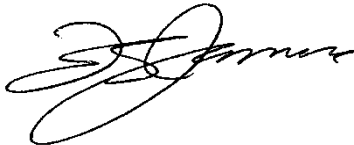
conditions for distribution voltage electricity service as set out in BC Hydro's Electric Tariff. The Transition Tariff Agreement allows the Customer time to prepare for a change in billing from Transmission Service to General Service rates. Should the Transition Tariff Agreement not be approved, BC Hydro will move the Customer to the applicable General Service rate (Rate Schedule 1611). Based on recent billing history, this would result in a bill increase of about 20 per cent.

BC Hydro requests approval of this Application by November 30, 2019. It is BC Hydro's view that minimal regulatory process is required because we have the support of the Customer who is principally affected by the Transition Tariff Agreement. If, however, the Commission believes a public hearing process is warranted, BC Hydro respectfully requests a written process informed by letters of comment from the Customer and other interested parties.

A letter of support from the Customer for the Transition Tariff Agreement is provided as Attachment 5.

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

bh/tl

Enclosure

Copy to: **The Department of Public Works and
Government Services
Esquimalt Graving Dock**
Attention: Stafford Bingham
Stafford.bingham@pwgsc-tpsgc.gc.ca

**BC Hydro 2015 Rate Design
Application registered interveners**

**BC Hydro Department of National Defense
Tariff Supplement No. 95**

Attachment 1

Draft Order

ORDER NUMBER

G-xx-xx

IN THE MATTER OF

the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

British Columbia Hydro and Power Authority (BC Hydro)
Department of National Defence (DND)
Tariff Supplement No. 95

BEFORE:

Commissioner
Commissioner
Commissioner

on Date

ORDER

WHEREAS:

- A. On January 13, 1999, the British Columbia Utilities Commission (**BCUC**) approved a special tariff agreement between BC Hydro and DND dated November 20, 1998 in the form of Tariff Supplement No. 41 pursuant to Order Number G-7-99 (**TS 41**). TS 41 allowed DND to take service under Rate Schedule 1821 while being served at distribution voltage from BC Hydro's Esquimalt substation (**ESQ**). TS 41 had a term of 20 years, commencing on April 30, 1999.
- B. Prior to the expiry of TS 41, BC Hydro and DND entered into discussions for a transition agreement that is intended to mitigate bill impacts and will recover incremental costs associated with serving DND prior to DND moving to BC Hydro's Large General Service RS 1611 (**Transition Tariff Agreement**);
- C. To allow the parties more time for settling the terms of the Transition Tariff Agreement, the BCUC issued Order No. G-88-19 and Order No. G-173-19, approving a short-term extension of TS 41 which allowed the parties to continue discussions (**Extension**). The Extension allowed BC Hydro to continue to bill DND in accordance with Rate Schedule 1823 with a rate rider of \$0 until September 30, 2019, or if the Transition Tariff Agreement is filed prior to September 30, 2019, then the Extension will expire 30 days after the BCUC's order is issued.
- D. On September 30, 2019, BC Hydro filed for BCUC approval of the Transition Tariff Agreement as Tariff Supplement No. 95. An approved Tariff Supplement No. 95 allows DND to continue on transmission service rate per Rate Schedule 1823 while receiving distribution service at 12.5 kV from ESQ. Tariff Supplement No. 95 includes a monthly rate rider charge and additional conditions to recover incremental costs associated with their service.

- E. Tariff Supplement No. 95 does not allow for subsequent renewal at the end of the ten year term and after such time DND will transition to the otherwise applicable rate schedule.

NOW THEREFORE pursuant to sections 58 to 61 of the *Utilities Commission Act*, the BCUC orders as follows:

1. Tariff Supplement No. 95 is accepted as filed;
2. The BCUC will hold the confidential version of the Application confidential as it contains safety and security sensitive information; and
3. BC Hydro is directed to refile with the BCUC, Tariff Supplement No. 95 for endorsement by the BCUC within 30 days of the issuance of this order, in accordance with the terms of this order.

DATED at the City of Vancouver, in the Province of British Columbia, this (XX) day of (Month Year).

BY ORDER

(X. X. last name)
Commissioner

Attachment Options

**BC Hydro Department of National Defense
Tariff Supplement No. 95**

**Attachment 2
Tariff Supplement No. 95**

PUBLIC

BC Hydro

Electric Tariff Supplement No. 95
Department of National Defence
Effective:

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DEPARTMENT OF NATIONAL DEFENCE

THIS ELECTRICITY SUPPLY AGREEMENT made as of

the ___ day of _____, 20
for _____.

BETWEEN:

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY,
having its head office at 333 Dunsmuir Street,
Vancouver, British Columbia V6B 5R3
(herein called **BC Hydro**)

OF THE FIRST PART

AND:

HER MAJESTY IN RIGHT OF CANADA, herein represented by the Minister
of National Defence
having an office in British Columbia at
Canadian Forces Base Esquimalt, P.O. Box 17000 Stn Forces, Victoria B.C.
V9A 7N2
(herein called the **Customer**)

OF THE SECOND PART

WITNESSES THAT the parties declare and agree as follows:

ACCEPTED: _____

ORDER NO. _____

COMMISSION SECRETARY

BC Hydro

Electric Tariff Supplement No. 95
Department of National Defence
Effective:

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-
- A. The Customer is a BC Hydro customer at the Canadian Forces Base located at Esquimalt (the **Base**) with its Point of Delivery located at the BC Hydro Esquimalt substation (**ESQ**);
- B. The Customer, although being served at distribution service voltage, is currently billed under BC Hydro's transmission rate, Rate Schedule 1823;
- C. Prior to 1998, the Customer was a BC Hydro transmission customer on BC Hydro's default transmission rate at that time, Rate Schedule 1821, with a point of delivery at the Customer-owned Naden substation;
- D. In 1999, BC Hydro and the Customer entered into a special tariff agreement which was approved and accepted for filing by the BCUC as Tariff Supplement No. 41 (**TS 41**) on January 13, 1999, per Commission Order No. G-7-99, as extended by Commission Order No. G-88-19 and Commission Order No. G-173-19 (collectively, the **Initial Tariff Agreement**);
- E. The Initial Tariff Agreement:
- (i) Became effective on April 30, 1999 with a 20 year term;
 - (ii) Allowed the Customer to access and use BC Hydro's available excess transformation capacity at ESQ;
 - (iii) Moved the Customer's deemed point of delivery from the Naden substation to the 230kV transformer bus at ESQ;
 - (iv) Located the Point of Metering on the 12.5 kV feeder within ESQ; and
 - (v) Reduced costs for both parties by enabling BC Hydro to retire part of its 1L14 transmission line and the Customer to retire its Naden substation; and

ACCEPTED: _____

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COMMISSION SECRETARY

BC Hydro

Electric Tariff Supplement No. 95
Department of National Defence
Effective:

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F. BC Hydro and the Customer have agreed to transition terms with respect to the supply of electricity to the Base as set out herein (the **Tariff Agreement**).

NOW THEREFORE THIS TARIFF AGREEMENT WITNESSES THAT in consideration of the mutual agreements between the parties and for other good and valuable consideration, BC Hydro and the Customer agree as follows:

ACCEPTED: _____

ORDER NO. _____

COMMISSION SECRETARY

BC Hydro

Electric Tariff Supplement No. 95

Department of National Defence

Effective:

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ACCEPTED: _____

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1.0 DEFINITIONS AND INTERPRETATION

1.1 DEFINITIONS

In this Tariff Agreement, the following terms shall have the following meanings:

- (a) **“Accommodation Costs”** has the meaning set out in section 6.4;
- (b) **“Base”** has the meaning set out in Recital A;
- (c) **“BCUC”** means that British Columbia Utilities Commission or its successor;
- (d) **“Billing Period”** has the meaning set out in TS 5;
- (e) **“Cost Collection Process”** has the meaning set out in Article 7.0;
- (f) **“Contract Demand”** has the meaning set out in the Electricity Supply Agreement and is initially set at ■■■ MVA for the Term, unless otherwise agreed to by the parties in accordance with Article 6;
- (g) **“Customer’s Plant”** has the meaning set out in TS 5;
- (h) **“Dedicated Facilities”** means those BC Hydro owned facilities used exclusively for the supply of electricity to the Customer pursuant to this Tariff Agreement, including, but not limited to, ESQ circuit breaker for the Base feeder and the electricity supply infrastructure between ESQ and the Base;
- (i) **“Demand Request”** has the meaning set out in section 6.3;

ACCEPTED: _____

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- (j) **“Effective Date”** means the first day of the next Billing Period immediately following the approval of this Tariff Agreement by the BCUC or such other effective date as the BCUC so prescribes;
- (k) **“Electric Tariff”** means BC Hydro’s Electric Tariff as amended from time to time by the BCUC;
- (l) **“Electricity Delivery Facilities”** means both Dedicated Facilities and Shared Facilities, being the electrical facilities owned and required by BC Hydro to transport electricity from the 230 kV transformer bus at ESQ to the location where BC Hydro's facilities terminate at the Customer’s switch at the Base, and as further described in Schedule A;
- (m) **“Electricity Supply Agreement”** means the electricity supply agreement entered into between the parties in the form, currently approved as TS 5 by the BCUC;
- (n) **“ESQ”** has the meaning set out in Recital A;
- (o) **“Formula”** has the meaning set out in Schedule B;
- (p) **“Initial Tariff Agreement”** has the meaning set out in Recital D;
- (q) **“Mitigation Efforts”** includes demand side management and/or other mitigation measures to reduce load at ESQ and does not include increasing the Outdoor Feeder Capacity in order to address a Shortfall and accommodate a Demand Request;

ACCEPTED: _____

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- (r) **“Outdoor Feeder Capacity”** means the outdoor feeder section capacity at ESQ, including components up to but excluding the transformation secondary windings;
- (s) **“Point of Delivery”** has the meaning set out in TS 5;
- (t) **“Point of Metering”** has the meaning set out in TS 5;
- (u) **“Rate”** has the meaning set out in section 3.1;
- (v) **“Rider Charge”** means an ongoing monthly charge that the Customer pays for its use of the Electricity Delivery Facilities, as set out in greater detail in Schedule B;
- (w) **“Shared Facilities”** means those BC Hydro owned facilities which, in the opinion of BC Hydro, are used, or potentially used, in whole or in part by BC Hydro to supply other customers in addition to the Customer, including, but not limited to, the 230/12.5 kV transformers at ESQ;
- (x) **“Shortfall”** has the meaning set out in section 6.4;
- (y) **“Tariff Agreement”** has the meaning set out in Recital F;
- (z) **“Term”** has the meaning set out in section 11.1;
- (aa) **“Transformer Energy Loss”** means the energy that is deemed to have been lost between the Point of Delivery and the Point of Metering as determined by BC Hydro;
- (bb) **“TS 5”** has the meaning set out in section 2.2; and
- (cc) **“TS 41”** has the meaning set out in Recital D.

ACCEPTED: _____

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1.2 INTERPRETATION

In this Tariff Agreement, except as otherwise expressly provided or as the context otherwise requires:

- (a) Attached to and forming part of this Tariff Agreement are the following schedules:

Schedule A – Electricity Delivery Facilities

Schedule B – Rider Charge

- (b) Headings are for convenience only and are not intended as a guide to interpretation of this Tariff Agreement or any portion thereof;
- (c) The word "including", when following any general statement or term, is not to be construed as limiting the general statement or term to the specific items or matters set forth or to similar items or matters but rather is permitting the general statement or term to refer to all other items or matters that could reasonably fall within its broadest possible scope;
- (d) A reference to a statute includes all regulations made thereunder, all amendments thereto or regulations in force from time to time and any statute or regulation that supplements or supersedes such statute or regulation; and
- (e) A reference to an entity includes any successor to that entity.

ACCEPTED: _____

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2.0 CONFLICTING PROVISIONS BETWEEN TARIFF SUPPLEMENTS

- 2.1 If there is an inconsistency between any of the provisions of this Tariff Agreement and the provisions of any other BCUC approved tariff, the provisions of this Tariff Agreement shall prevail.
- 2.2 For greater clarity and without limitation, the following provisions in this Tariff Agreement shall prevail over the following provisions in Tariff Supplement No. 5 (**TS 5**):
- (a) Article 6.0 of this Tariff Agreement shall prevail over section 6(a) of TS 5;
 - (b) Section 8.2 of this Tariff Agreement shall prevail over section 13(c) of TS 5;
 - (c) Section 9.3 of this Tariff Agreement shall prevail over section 7(e) of TS 5; and
 - (d) The term and termination provisions as set out in Article 11.0 of this Tariff Agreement shall prevail over section 4(a) and 4(b) of TS 5.

3.0 RATE AND RIDER CHARGE

- 3.1 The Customer will be billed for energy and demand in accordance with Rate Schedule 1823 of BC Hydro's Electric Tariff as amended or restated from time to time and approved by the BCUC (the **Rate**).
- 3.2 In addition to the Rate, the Customer will pay the ongoing Rider Charge per Billing Period in accordance with Schedule B, which shall be billed and payable for the Term.

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4.0 TRANSFORMATION CAPACITY AT ESQ AND USE OF DEDICATED FACILITIES

4.1 The Customer shall be entitled, for the Term, to the following:

- (a) Use of the Shared Facilities capacity up to the Contract Demand; and
- (b) Exclusive use of the Dedicated Facilities, unless the parties agree otherwise to a third party use.

4.2 The Customer acknowledges and agrees that all rights to title and ownership of Electricity Delivery Facilities shall remain with BC Hydro.

5.0 CAPITAL EXPENDITURES FOR DEDICATED AND SHARED FACILITIES

5.1 The Rider Charge does not include capital expenditures for Dedicated Facilities. If, at any time during the Term, BC Hydro determines, using reasonable accounting judgement, that the treatment of costs to be incurred to complete work on Dedicated Facilities constitute capital expenditures, the Customer will be responsible for all actual capital expenditure costs and such costs will be collected pursuant to the Cost Collection Process set out in Article 7.0.

5.2 The Rider Charge includes a component to cover the cost of capital expenditures on the Shared Facilities in accordance with Schedule B, excluding the two ESQ 230/12.5 kV transformers and any upgrades required in accordance with Article 6.0. If, at any time during the Term, BC Hydro determines, using reasonable accounting judgement, that the treatment of costs to be incurred to complete partial or full replacement work on one or more of these transformers constitute capital expenditures, the

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Customer will be responsible for its pro-rata share of all actual capital expenditure costs. The Customer's pro-rata share of all actual costs for each transformer will be calculated as Contract Demand divided by either i) the existing ESQ transformation capacity of 197 MVA or ii) the revised transformation capacity of ESQ substation if the partial or full replacement work results in an increase in ESQ substation transformation capacity, as applicable, and such costs will be collected pursuant to the Cost Collection Process set out in Article 7.0.

6.0 CUSTOMER'S LOAD

- 6.1 The Customer's load shall not exceed the Contract Demand during the Term, unless agreed to in accordance with this Article 6.0.
- 6.2 The Customer shall be required to enter into the Electricity Supply Agreement concurrently with the execution of this Tariff Agreement. In the event that there is a change in Contract Demand during the Term, the Electricity Supply Agreement will be amended to reflect the new Contract Demand.
- 6.3 The Customer may increase its Contract Demand, from time to time during the Term, up to an aggregate maximum of 25 MVA, upon provision of two years' advance written notice to BC Hydro, together with sufficient documentation demonstrating the need for each such increase (each such request, a **Demand Request**). Upon review and assessment of a Demand Request, BC Hydro will provide written notice to the Customer outlining the conditions upon which such Demand Request will be approved, including, but not limited to, any Accommodation Costs (as defined below) to be paid

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by the Customer. For greater clarity, the schedule for completion of any work required to accommodate this request will be specified in BC Hydro's Demand Request approval.

- 6.4 If BC Hydro forecasts a shortfall in Outdoor Feeder Capacity over the remaining Term (**Shortfall**), approval of such Demand Request will be subject to the Customer paying for its share of actual costs to address a Shortfall. In BC Hydro's sole discretion:
- (a) If BC Hydro determines that an increase in Outdoor Feeder Capacity is the desired method to address the Shortfall, the Customer will pay a pro-rata share of actual costs associated with increasing the capacity of the Outdoor Feeder Section, with such pro-rata calculation based on new Contract Demand divided by the upgraded Outdoor Feeder Capacity; or
 - (b) If BC Hydro determines that Mitigation Efforts are the desired method to address a Shortfall in Outdoor Feeder Capacity, the Customer will pay all actual costs associated with the Mitigation Efforts to avoid exceeding the firm capacity of the Outdoor Feeder Capacity
- (in either case, the **Accommodation Costs**).

- 6.5 In either section 6.4(a) or section 6.4(b), upon receipt of the approved Demand Request, BC Hydro will follow the Cost Collection Process set out in Article 7.0.

- 6.6 Notwithstanding the foregoing, the Customer may apply to BC Hydro at any time during the Term to decrease its Contract Demand. For greater clarity, if the Customer has reduced its Contract Demand in accordance with this

ACCEPTED: _____

ORDER NO. _____

COMMISSION SECRETARY

Tariff Agreement but subsequently submits a Demand Request, such Demand Request will be subject to the conditions set out above.

7.0 COST COLLECTION PROCESS

7.1 In respect to sections 5.1, 5.2 and 6.4, the parties agree to adhere to the following cost collection process:

- (a) BC Hydro will provide written notice to the Customer setting out the details and estimated costs associated with the work;
- (b) Within 90 days of receipt of such notice, the Customer shall (i) provide notice that it wishes BC Hydro to proceed and provide to BC Hydro a deposit in the amount of the estimated actual costs; or (ii) provide BC Hydro notice of its decision to terminate this Tariff Agreement in accordance with the terms hereof, effective 30 days after such notice is given; and
- (c) If the Customer provides a deposit towards the actual costs of the work, then forthwith upon completion of work on the assets or Mitigation Efforts, as applicable, and BC Hydro providing the final amount of actual costs incurred in connection with this work to the Customer, any difference between the estimated costs and the actual costs will be paid by or refunded to the Customer, as appropriate in accordance with BC Hydro's standard billing terms

(together, the **Cost Collection Process**).

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8.0 METERING

- 8.1 The Customer's supply of Electricity shall be at the Point of Delivery. For the purposes of billing, the energy and demand charges shall include adjustment factors programmed at the Point of Metering to account for the Transformer Energy Loss within ESQ from 230 kV to 12.5 kV.
- 8.2 The Customer will not have obligations with respect to protecting, repairing or replacing the meter or metering apparatus.

9.0 ELECTRICAL SYSTEM CONSIDERATIONS

- 9.1 Compliance with Power Factor requirements as set out in the Electricity Supply Agreement will be carried out using measurements taken at the Point of Metering.
- 9.2 All equipment for which Electricity is provided under this Tariff Agreement will be subject to the reasonable approval of BC Hydro and the Customer will at all times take and use Electricity so as not to endanger BC Hydro's apparatus or cause any undue or abnormal fluctuation of BC Hydro's line voltage or introduce disturbing elements into BC Hydro's electrical system. BC Hydro may require the Customer, at the Customer's own expense, to provide equipment which will reasonably limit such fluctuations or disturbances and may refuse to provide Electricity or suspend Service until such equipment is provided.
- 9.3 The Customer acknowledges and agrees that the initial three-phase symmetrical fault contribution at 12.5 kV from the BC Hydro electrical system, when operating normally, at the Customer's Plant shall not be less

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than 103.6 MVA and the ultimate three-phase symmetrical fault contribution from the BC Hydro electrical system shall not exceed 250 MVA.

10.0 ELECTRICAL EQUIPMENT ON THE BASE

10.1 The Customer owns and is responsible for the maintenance of all the electrical supply and distribution system and any other electrical equipment located on the Base save and except for one BC Hydro-owned pole and two BC Hydro-owned spans of 12.5 kV line where BC Hydro's wires terminate at the Customer's switch at the Base.

10.2 If, at any time during the Term, electricity infrastructure is required to be installed/replaced at the Base and BC Hydro requires the Customer to install dual voltage equipment, BC Hydro will reimburse the Customer for the cost difference between the dual voltage (25/12.5 kV) transformer(s) and the equivalent 12.5 kV transformer(s).

11.0 TERM AND TERMINATION

11.1 Subject to early termination as provided herein, this Tariff Agreement and BC Hydro's obligation to provide electrical service pursuant to Rate Schedule 1823 of the Electric Tariff and TS 5 shall commence on the Effective Date continuing in force until the earlier of 10 years and the date that the Customer ceases taking service under the Electricity Supply Agreement (the **Term**). Upon expiry of the Term or earlier termination of this Tariff Agreement in accordance with its terms, the parties may pursue and enforce any rights and may enforce any obligations arising under this Tariff Agreement prior to the expiry of the Term.

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BC Hydro

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-
- 11.2 The parties acknowledge and agree that BC Hydro shall have the right to terminate this Tariff Agreement upon the provision of two years' notice to the Customer if the load for ESQ is approaching the transformation capacity of 197 MVA.
- 11.3 The parties acknowledge and agree that the Customer shall have the right to terminate this Tariff Agreement upon 30 days' prior written notice.
- 11.4 Notwithstanding section 11.1, where either party breaches a fundamental term or condition of this Tariff Agreement or is in substantial breach of a term or condition of this Tariff Agreement or abandons this Tariff Agreement, the non-breaching party may, without prejudice to any other rights or remedies it has, terminate this Tariff Agreement by giving the breaching party 10 days' prior written notice to remedy the breach. If the breaching party fails to remedy such breach within 10 days' of receipt of such notice, this Tariff Agreement shall terminate immediately.
- 11.5 Upon the expiration or early termination of this Tariff Agreement, the Customer will cease taking service under Rate Schedule 1823 of the Electric Tariff and TS 5 and the Customer will be subject to the applicable BC Hydro rates and terms and conditions applicable to the Customer's class of service as determined appropriate by BC Hydro in accordance with the Electric Tariff.

12.0 GENERAL

- 12.1 **Regulatory Approval.** This Tariff Agreement is subject to the approval of the BCUC. If such approval is not granted, this Tariff Agreement shall be considered unenforceable.

ACCEPTED: _____

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12.2 **Mutual Cooperation.** The parties agree that each of them shall:

- (a) Make bona fide efforts to resolve any disputes arising between them by amicable negotiations; and
- (b) Provide frank, candid and timely disclosure of all relevant facts, information and documents to facilitate those negotiations.

12.3 **Notice.** Unless otherwise provided for by this Tariff Agreement, a notice, consent, request, demand, statement or bill that either party may be required or may desire to give to the other party shall be in writing and shall be deemed to be given to and received by the addressee on the business day next following when it is delivered by hand, courier or electronic transmission, and is deemed to be given when received if delivered by prepaid mail at the address that each party shall give notice of from time to time.

The address that BC Hydro gives notice of is:

Key Account Manager
4th Floor - 333 Dunsmuir
Vancouver, BC V6B 5R3

The address that the Customer gives notice of is:

Property Officer, Canadian Forces Base Esquimalt, having an office at
P.O. Box 17000 Stn Forces, Victoria, B.C. V9A 7N2.

12.4 **Terms and Conditions of Tariff Agreement.** Except to the extent inconsistent with the terms and conditions of this Tariff Agreement, in which case the terms and conditions of this Tariff Agreement shall prevail, the

ACCEPTED: _____

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supply and taking of electricity is subject to the terms and conditions of the BC Hydro's Electric Tariff (including amendments thereto and replacements thereof) applicable to Rate Schedule 1823 service, as filed with and approved by the BCUC. The Customer may inspect BC Hydro's Electric Tariff during normal business hours at BC Hydro's head office or its other general offices and such right to inspect is sufficient notice of the terms and conditions contained therein.

- 12.5 **Successors/Assigns.** This Tariff Agreement shall operate and take effect for the benefit of, and be binding upon, BC Hydro and the Customer and their respective successors and, in the case of BC Hydro, its assigns. This Tariff Agreement, or any part of it, or any benefit or interest in it, shall not be assigned by the Customer without the prior written consent of BC Hydro. BC Hydro shall not unreasonably withhold consent for the assignment of this Tariff Agreement by the Customer.
- 12.6 **Amendment to Tariff Agreement.** Any amendment or variation of this Tariff Agreement shall be binding on BC Hydro and the Customer only if made in writing and signed by the authorized representative of all parties and approved by the BCUC.
- 12.7 **Waiver.** Any failure of a party to enforce or require the strict performance of any of the provisions of the Tariff Agreement shall not in any way constitute a waiver of these provisions; or affect or impair those provisions or any right a party has at any time to avail itself of any remedies it may have for any breach of these provisions, or to require work to be performed in accordance with the Tariff Agreement. Neither party is bound by a waiver of

ACCEPTED: _____

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any provision of the Tariff Agreement unless the waiver is clearly expressed in writing and signed by the party.

- 12.8 **Governing Law.** This Tariff Agreement shall be governed by the laws of the Province of British Columbia. BC Hydro and the Customer shall comply with all relevant laws and regulations and the relevant orders, rules and requirements of all lawful authorities having jurisdiction.

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BC Hydro

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IN WITNESS WHEREOF he duly authorized representatives of each party have executed this Tariff Agreement as of the date first above written.

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY

By:

(signature)

Printed Name:

Title:

DEPARTMENT OF NATIONAL DEFENCE

By:

(signature)

Printed Name:

Title:

ACCEPTED: _____

ORDER NO. _____

COMMISSION SECRETARY

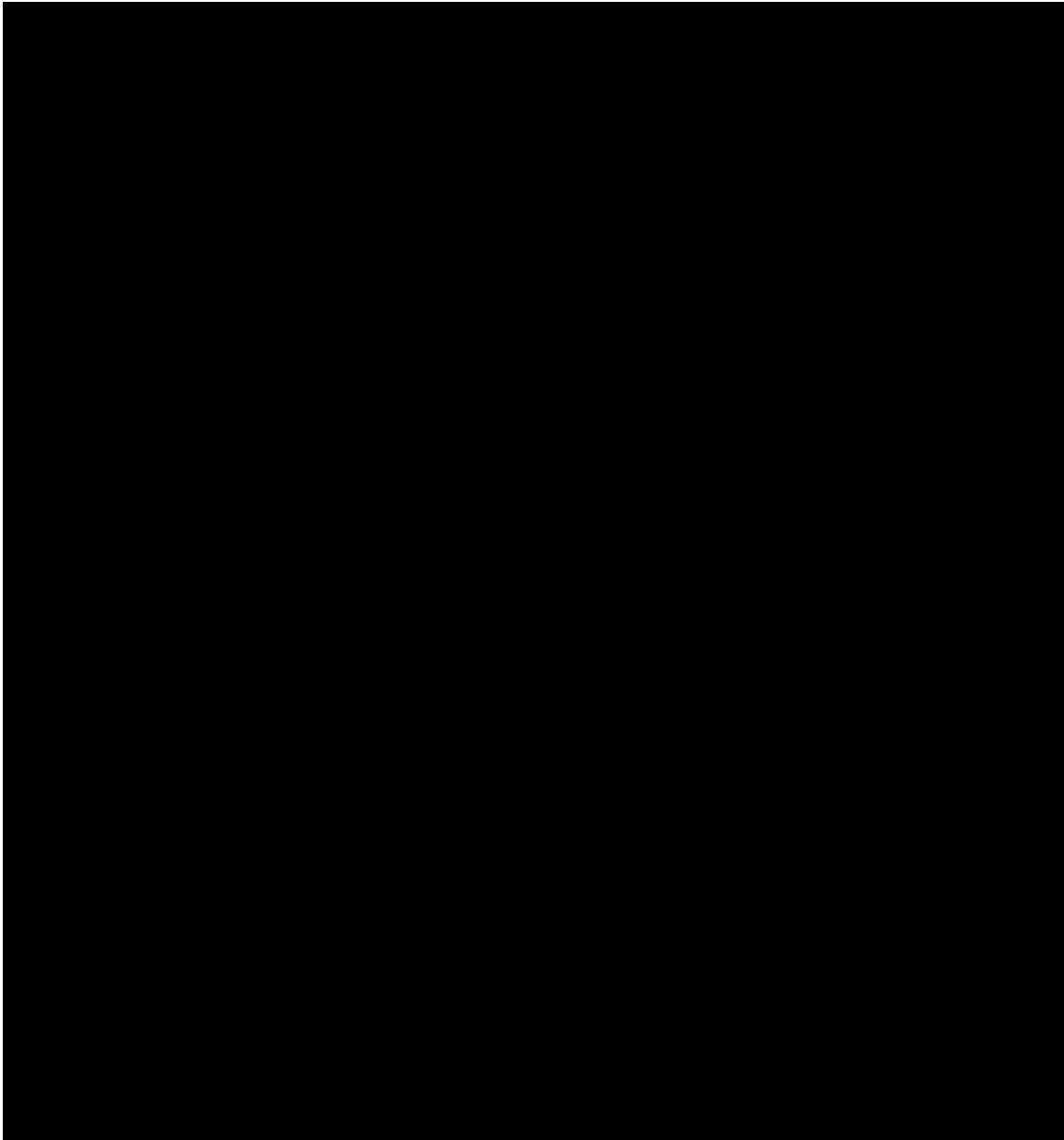
BC Hydro

Electric Tariff Supplement No. 95
Department of National Defence
SCHEDULE A

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SCHEDULE A
ELECTRICITY DELIVERY FACILITIES



ACCEPTED: _____

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COMMISSION SECRETARY

BC Hydro

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 Department of National Defence
 SCHEDULE B

Effective:

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SCHEDULE B
RIDER CHARGE

The Rider Charge is applied as a monthly amount charged each Billing Period through the Term based on the following table:

Contract Demand	Monthly Rider Charge (\$)
14 MVA	9,877.42
15 MVA	10,542.78
16 MVA	11,208.13
17 MVA	11,873.48
18 MVA	12,538.83
19 MVA	13,204.18
20 MVA	13,869.53
21 MVA	14,534.89
22 MVA	15,200.24
23 MVA	15,865.59
24 MVA	16,530.94
25 MVA	17,196.29

The Rider Charge has been calculated to recover costs related to the Electricity Delivery Facilities during the Term. The Rider Charge has been calculated by estimating the Customer's portion of maintenance, finance, amortization, tax and capital-related costs over the Term. These costs are then adjusted for inflation to current (real) dollars and are then levelized, resulting in a single monthly payment amount.

For the purposes of determining the Rider Charge, the Customer's pro-rata share of costs for Shared Facilities is calculated based on the Customer's Contract Demand divided by the ESQ firm station capacity of 131 MVA (the **Formula**).

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BC Hydro

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SCHEDULE B

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The Rider Charge has been calculated based on the following components:

1 MAINTENANCE EXPENSE COMPONENT

The Rider Charge includes a maintenance expense component, which covers all future maintenance work on the Shared and Dedicated Facilities over the Term and which, using BC Hydro's reasonable accounting judgement is an expense and not capital. To calculate this component of the Rider Charge, BC Hydro has forecast maintenance expenses for the Shared Facilities and Dedicated Facilities at ESQ for the Term using a 10 year history of actual maintenance expenses incurred by BC Hydro. For the dedicated distribution line that extends from ESQ to the Base, which is also part of the Dedicated Facilities, BC Hydro has forecast maintenance expenses using the average cost per kilometer for maintaining BC Hydro's system of distribution lines multiplied by the total length of the distribution line extending from ESQ to the Base. For the Shared Facilities, the Customer's allocation of forecasted costs is determined by the Formula. For the Dedicated Facilities, the Customer is allocated 100 per cent of forecasted costs.

2 FINANCE, AMORTIZATION AND TAX COMPONENT

- (i) Amortization for the Shared Facilities is calculated based on the estimated net book value and the International Financial Reporting Standards' estimated life of the equipment. The Customer's share of the amortization is based on the Formula; and
- (ii) Finance charges are calculated on the total mid-year net book value of Shared Facilities' assets multiplied by BC Hydro's weighted average cost of debt multiplied by the Formula; and

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SCHEDULE B

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-
- (iii) Taxes are calculated based on an estimate of taxes for both the ESQ substation land parcel and Shared Facilities multiplied by the Formula. The Customer is charged 100 per cent of the estimated taxes for the Dedicated Facilities.

3 CAPITAL EXPENDITURE COMPONENT

The Rider Charge include a capital expenditure component, which covers all work on the Shared Facilities over the Term and which, using BC Hydro's reasonable accounting judgement is to be capitalized and not expensed. For this component of the Rider Charge, BC Hydro has forecast capital expenditures for the Shared Facilities over the Term using an available seven year history of actual capital expenditures for the Shared Facilities. The Customer's allocation of this forecast is based on the Formula. For clarity, the Rider Charge does not include any amounts for work which may be capitalized relating to: i) the Dedicated Facilities (see section 5.1), ii) the ESQ 230 kV/12.5 kV transformers (see section 5.2), or iii) that may be required to address a Demand Request (see Article 6.0).

ACCEPTED: _____

ORDER NO. _____

COMMISSION SECRETARY

**BC Hydro Department of National Defense
Tariff Supplement No. 95**

Attachment 3

TS 41 Order

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. V6Z 2N3 CANADA
web site: <http://www.bcuc.com>



BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER **G-7-99**

TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by British Columbia Hydro and Power Authority
for Approval of a Special Agreement Tariff Supplement No. 41 with
The Department of National Defence

BEFORE: P. Ostergaard, Chair)
L.R. Barr, Deputy Chair)
P.G. Bradley, Commissioner) January 13, 1999
K.L. Hall, Commissioner)

O R D E R

WHEREAS:

- A. On December 7, 1998, British Columbia Hydro and Power Authority ("B.C. Hydro") filed for Commission approval a Special Agreement with The Department of National Defence ("DND") identified as Tariff Supplement No. 41; and
- B. The November 20, 1998 Special Agreement allows DND to continue taking service under Rate Schedule 1821 while receiving power at 12.5 kV from B.C. Hydro's Esquimalt Substation; and
- C. The Commission has reviewed the B.C. Hydro application and finds that it should be approved.

NOW THEREFORE the Commission approves and accepts for filing for B.C. Hydro, Tariff Supplement No. 41, Special Agreement dated November 20, 1998, with DND for service under Rate Schedule 1821 with delivery at 12.5 kV from B.C. Hydro's Esquimalt substation to DND's electrical connection at its Canadian Forces Base Esquimalt.

DATED at the City of Vancouver, in the Province of British Columbia, this 20th day of January, 1999.

BY ORDER

Original signed by:

Peter Ostergaard
Chair

**BC Hydro Department of National Defense
Tariff Supplement No. 95**

**Attachment 4
TS 41 Extension Orders**



bcuc
British Columbia
Utilities Commission

Suite 410, 900 Howe Street
Vancouver, BC Canada V6Z 2N3
bcuc.com

P: 604.660.4700
TF: 1.800.663.1385
F: 604.660.1102

ORDER NUMBER

G-88-19

IN THE MATTER OF

the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

British Columbia Hydro and Power Authority (BC Hydro)
Department of National Defence Special Agreement
Tariff Supplement No. 41 Extension Application

BEFORE:

B. A. Magnan, Commissioner

on April 25, 2019

ORDER

WHEREAS:

- A. On April 5, 2019, BC Hydro filed an application with the British Columbia Utilities Commission (BCUC) requesting a short-term extension of Tariff Supplement 41 (TS 41) which would allow BC Hydro to continue to bill the Department of National Defence (DND) in accordance with Rate Schedule 1823 with a rate rider of \$0 (Extension);
- B. On January 13, 1999, the BCUC issued Order No. G-7-99 approving a Special Agreement between BC Hydro and the DND for service to the Canadian Forces Base Esquimalt (Base) as TS 41. The Special Agreement allows BC Hydro to continue to serve the DND at the Base as a transmission customer while receiving power at 12.5kV from BC Hydro's Esquimalt substation. TS 41 has a term of 20 years, effective April 30, 1999;
- C. The Extension would allow the parties to continue discussions regarding a transition agreement (Transition Agreement). BC Hydro's intended purpose for a potential Transition Agreement is to assist the DND with mitigating their bill impacts as the customer transitions to BC Hydro's Large General Service Rate Schedule 1611; and
- D. The Extension would be effective from April 30, 2019 and would expire July 31, 2019; or, if BC Hydro files a Transition Agreement with the BCUC prior to July 31, 2019, the Extension will expire 30 days after the BCUC's subsequent order is issued.

NOW THEREFORE pursuant to sections 58 to 61 of the *Utilities Commission Act*, the BCUC approves BC Hydro's requested extension of TS 41 with a rate rider of \$0, effective April 30, 2019, and expiring on July 31, 2019; or, if BC Hydro files a Transition Agreement with the BCUC prior to July 31, 2019, the Extension will expire 30 days after the BCUC's subsequent order is issued.

DATED at the City of Vancouver, in the Province of British Columbia, this 25th day of April 2019.

BY ORDER

Original signed by:

B. A. Magnan
Commissioner



bcuc
British Columbia
Utilities Commission

Suite 410, 900 Howe Street
Vancouver, BC Canada V6Z 2N3
bcuc.com

P: 604.660.4700
TF: 1.800.663.1385
F: 604.660.1102

ORDER NUMBER**G-173-19****IN THE MATTER OF**

the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

British Columbia Hydro and Power Authority
Department of National Defence Special Agreement
Tariff Supplement No. 41 Extension Application

BEFORE:

B. A. Magnan, Commissioner

on July 30, 2019

ORDER**WHEREAS:**

- A. On July 24, 2019, the British Columbia Hydro and Power Authority (BC Hydro) filed an application with the British Columbia Utilities Commission (BCUC) requesting a further extension to the expiry date of Tariff Supplement No. 41 (TS 41) from July 31, 2019 to September 30, 2019 (Extension). The Extension would vary Directive 1 of Order G-88-19, which granted BC Hydro approval to continue to bill the Department of National Defense (DND) in accordance with Rate Schedule 1823 with a rate rider of \$0;
- B. On January 13, 1999, the BCUC issued Order G-7-99 approving a Special Agreement between BC Hydro and DND for service to the Canadian Forces Base Esquimalt (Base), identified as TS 41. The Special Agreement allows BC Hydro to continue to serve DND at the Base as a transmission customer while receiving power at 12.5kV from BC Hydro's Esquimalt substation. TS 41 has a term of 20 years, effective April 30, 1999;
- C. Prior to the expiry of TS 41, BC Hydro and DND entered into discussions with respect to a proposed transition agreement intended to mitigate bill impacts as DND transitions to BC Hydro's Large General Service Rate Schedule 1611 (Transition Agreement);
- D. On April 5, 2019, BC Hydro filed an application requesting a short-term extension of TS 41 which allows BC Hydro to continue to bill DND in accordance with Rate Schedule 1823 with a rate rider of \$0 from April 30, 2019 until July 31, 2019, or if the Transition Agreement is filed prior to July 31, 2019, then the short-term extension will expire 30 days after the BCUC's final order is issued;
- E. On July 25, 2019, the BCUC issued Order G-88-19 granting an extension of TS 41 from April 30, 2019 to July 31, 2019;
- F. BC Hydro submits that a further extension to the expiry date of TS 41 would allow BC Hydro and DND more time to settle the proposed terms of the Transition Agreement;

G. The BCUC has reviewed the Extension and has determined a variance to Directive 1 of Order G-88-19 is warranted.

NOW THEREFORE pursuant to sections 58 to 61 and 77 of the *Utilities Commission Act*, the BCUC approves BC Hydro's requested Extension of TS 41, and thus a variance to Directive 1 of Order G-88-19 with a rate rider of \$0, effective July 31, 2019 and expiring on September 30, 2019; or, if BC Hydro files a Transition Agreement with the BCUC prior to September 30, 2019, the Extension will expire 30 days after the BCUC's subsequent order is issued.

DATED at the City of Vancouver, in the Province of British Columbia, this *30th* day of July 2019.

BY ORDER

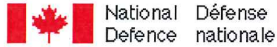
Original Signed By:

B. A. Magnan
Commissioner

**BC Hydro Department of National Defense
Tariff Supplement No. 95**

Attachment 5

DND's Letter of Support



Department of National Defence
Real Property Operations Unit Pacific
Section Esquimalt
Building SH575
P O Box 17000 Station Forces
Victoria BC V9A 7N2

6841-7655-E78 (RP Ops U (P) – Sect Esq/RDMIS #968774)

23 July 2019

Mr. Bernard A. Magnan
Commissioner
British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver BC V6Z 2N3

Dear Mr. Magnan,

The Department of National Defence is in agreement with the terms and conditions of the Special Transition Agreement between the Department of National Defence and British Columbia Hydro and Power Authority. The Department of National Defence requests that the British Columbia Utilities Commission support and approve this application. The Department of National Defence also requests an extension to facilitate the finalization of the agreement between British Columbia Hydro and Power Authority and the Department of National Defence.

Yours truly,


Captain S.G. Leblanc
A/Officer Commanding
Real Property Operations Unit (Pacific)
Section Esquimalt

Canada