

**Fred James**

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November 4, 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)  
Information Responses to BCUC Staff Questions**

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BC Hydro writes to provide its responses to Commission Staff Questions No. 1.

BC Hydro is filing a number of IR attachments to responses confidentially with the Commission. BC Hydro confirms that in each instance, an explanation for the request for confidential treatment is provided in the IR response. BC Hydro seeks this confidential treatment pursuant to section 42 of the *Administrative Tribunals Act* and Part 4 of the *Commission's Rules of Practice and Procedure*.

For further information, please contact Anthea Jubb at 604-623-3545 or by email at [bchydroregulatorygroup@bchydro.com](mailto:bchydroregulatorygroup@bchydro.com).

Yours sincerely,



(for) Fred James  
Chief Regulatory Officer

bh/tl

Enclosure

<b>British Columbia Utilities Commission Staff</b> Information Request No. <b>1.1.1</b> Dated: <b>October 17, 2019</b> British Columbia Hydro & Power Authority Response issued <b>November 4, 2019</b>	Page 1 of 2
British Columbia Hydro & Power Authority <b>BC Hydro Department of National Defence Tariff Supplement No. 95</b>	<b>Exhibit:</b>

**1.0 Reference: Application, pp. 3–4, 7;  
Attachment 2, Tariff Supplement No. 95, Schedule B Rider Charge**

The proposed Tariff Supplement No. 95 (TS 95, Transition Tariff Agreement) between British Columbia Hydro and Power Authority (BC Hydro) and the Department of National Defence (DND, Customer) allows the Customer to be billed under the transmission service rate schedule, Rate Schedule (RS) 1823, with a monthly rider charge. Otherwise, the Customer will be billed under the applicable General Service rate (RS 1611). On page seven, BC Hydro indicates that based on recent billing history, the Customer's bill will increase by about 20 percent.

On page three, BC Hydro states the justifications for the Transition Tariff Agreement, including:

- Based on BC Hydro's current load forecast, there is available capacity at BC Hydro's ESQ substation to continue to meet the Customer's load requirement for the next 10 years.
- It reflects BC Hydro's cost of serving the customer.

In terms of the Rider Charge set out in Schedule B of TS 95, BC Hydro states:

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.

- 1.1.1 Please confirm, or explain otherwise, that the 20-year term special tariff agreement approved by Order G-7-99 has allowed DND to continue to be a transmission service rate customer, and that DND has been a customer under RS 1823 since it was established.

**RESPONSE:**

**Confirmed. DND has been a customer under RS 1823 (and the predecessor rate RS 1821) since it signed Tariff Supplement No. 41 (TS 41).**

**Commission Order G-7-99 approved the special agreement between the Department of National Defence at Esquimalt (DND) as TS 41.**

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British Columbia Hydro & Power Authority <b>BC Hydro Department of National Defence Tariff  Supplement No. 95</b>	<b>Exhibit:</b>

Commission Order G-7-99 allowed DND during the term of the agreement to be deemed a Transmission Service customer and to continue to qualify for all applicable and available transmission rates. This rate treatment was extended by Commission Orders G-88-19 and G-173-19 until September 30, 2019, or if BC Hydro files an application for a new special agreement by September 30, 2019, 30 days after the Commission has issued its subsequent order for this Application. Copies of the above mentioned three orders are provided as Attachments 3 and 4 to BC Hydro's Tariff Supplement No. 95 Application.

Since 1963 DND has consistently been charged in accordance with BC Hydro's default transmission service rate schedule.

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- 1.1.2 Please provide a detailed breakdown of BC Hydro's cost of serving the customer under the transmission service versus General Service rate schedules. If this analysis is not available, please explain why.

**RESPONSE:**

**BC Hydro's best estimate of the cost of serving DND is shown below. This estimate is based on average Transmission Service rate class cost of service plus the proposed Rider Charge.**

**BC Hydro's estimate of cost of serving DND is independent of the Rate Schedule under which DND is billed.**

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Energy Related Cost (\$)	0.0318 per kWh of annual energy usage		Source: BC Hydro's F2017 Fully Allocated Cost of Service Study, Transmission Service rate class average embedded cost
Demand Related Cost (\$)	167/kW-yr of coincident peak demand		
Customer Related Cost (\$)	6709/year		
Electricity Delivery Facilities Related Costs	Contract Demand	Monthly Rider Charge (\$)	Proposed Rider Charge, Tariff Supplement No. 95 Schedule B
	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		

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- 1.1.3 On page seven of the Application, BC Hydro proposes minimal regulatory process because it has support of the customer "who is principally affected" by the Transition Tariff Agreement. Please identify any other customers or customer classes who may be impacted by the terms of the agreement.

**RESPONSE:**

**DND is the only customer impacted by this Transition Tariff Agreement. Other BC Hydro ratepayers are negligibly affected as a result of revenues recovered being lower under transmission rates in comparison with distribution rates.**

<b>British Columbia Utilities Commission Staff</b> Information Request No. <b>1.1.4</b> Dated: <b>October 17, 2019</b> British Columbia Hydro & Power Authority Response issued <b>November 4, 2019</b>	Page 1 of 1
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- 1.1.4 In the summary of key terms section on page four, BC Hydro states that the agreement does not allow for a subsequent renewal. Please clarify why this is not allowed.

**RESPONSE:**

In 2018, BC Hydro and DND met to discuss the expiry of TS 41. TS 41 allowed for a renewal of the original agreement upon agreement by the parties. The parties did not agree to renew TS 41. Rather, the parties agreed to a one-time agreement (TS 95) which allows DND time to transition to the otherwise applicable rate schedule (Large General Service) pursuant to the Electric Tariff.

BC Hydro believes that transitioning DND to distribution service rates after the 10 year term would be appropriate to align DND's service configuration with their rate schedule and conditions of service.

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- 1.1.5 Please provide the supporting calculation for the 20 percent bill increase if the Customer moves from RS 1823 to RS 1611. Does the bill impact calculation include the monthly rider charge? Has BC Hydro contemplated any options to smooth out the Customer's rate impact over time under this scenario?

**RESPONSE:**

**The requested bill calculation is provided as confidential Attachment 1 to this response. Attachment 1 is based on actual monthly metered consumption (kWh), demand (kVA) and lowest Power Factor (PF) over a 12-month period between 2017 and 2018. Using this historical billing data, a total bill is calculated based on current rates as indicated by RS 1823 and RS 1611 and does not include the monthly Rider Charge.**

**BC Hydro has sought to minimize rate impact to DND during the 10 year term and allow the Customer time to prepare for a change in billing from Transmission Service rate to General Service rate. Therefore, no rate smoothing was considered.**



**CONFIDENTIAL  
ATTACHMENT  
FILED WITH BCUC  
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- 1.1.6 Please discuss whether BC Hydro considered any other feasible alternatives other than the proposed TS 95, and why they were rejected.

**RESPONSE:**

**Given the permanent and irreversible changes to DND's service configuration following the approval of TS41, there is no other feasible supply alternative to the Customer aside from being served at distribution voltage.**

**Moving the Customer directly to distribution rates is an option but for the reasons indicated in the Application under the Transition Tariff Agreement Rationale, BC Hydro supports a one-time continuation of rate treatment under RS 1823 with an additional monthly Rider Charge.**

<b>British Columbia Utilities Commission Staff</b> Information Request No. <b>1.1.7</b> Dated: <b>October 17, 2019</b> British Columbia Hydro & Power Authority Response issued <b>November 4, 2019</b>	Page 1 of 1
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1.1.7 Please provide the supporting calculation for the Monthly Rider Charge as set out in Schedule B of TS 95.

**RESPONSE:**

The spreadsheet used to calculate the Monthly Rider Charge is provided as Confidential Attachment 1 to this response. This information is being provided confidentially as the spreadsheet contains information on the Customer's Contract Demand and also contains detailed information on ESQ substation assets and identifies those assets that are used to serve the Customer.

**CONFIDENTIAL  
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- 1.1.8 BC Hydro requests approval of the Application by November 30, 2019. If the process to review the Application extends beyond the requested timeframe, please indicate how this will impact BC Hydro and the Customer. Will BC Hydro apply for an interim order?

**RESPONSE:**

**BC Hydro will not recover the monthly Rider Charge during the interim period. Commission Order No. G-173-19 allows BC Hydro to continue to bill in accordance with RS 1823 with a rider charge of \$0 and will expire 30 days after the BCUC's subsequent order is issued for this Application. Without the Rider Charge, BC Hydro does not recover costs associated with the Electricity Delivery Facilities.**