

Fred James

Chief Regulatory Officer

Phone: 604-623-4046

Fax: 604-623-4407

bchydroregulatorygroup@bchydro.com

March 12, 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)
Transmission Service Rate (TSR) Fiscal 2020 and Fiscal 2021 Pricing
Principles Extension Application (Application)
Responses to BCUC Staff Information Request No. 1**

BC Hydro writes to provide its responses to BCUC Staff Information Request No. 1.

A. STAKEHOLDER ENGAGEMENT AND CUSTOMER FEEDBACK

**1.0 Reference: STAKEHOLDER ENGAGEMENT AND CUSTOMER
FEEDBACK
Exhibit B-1, p. 2, pp. 6-7; Appendix B, p. 11, Summary
Feedback
Stakeholder Feedback**

Page 2 of the Application states that “100 accounts were served under RS 1823 Energy Charge B.”

Pages 6 and 7 lists various groups of stakeholders that attended workshops in Vancouver, Prince George, Kamloops and Calgary, including: customers, the Ministry of Energy, Mines and Petroleum Resources, BCUC staff and interveners.

Page 7 states that “Of the 31 workshop participants that submitted feedback forms, 74 per cent supported BC Hydro’s proposal, six per cent did not support BC Hydro’s proposal, 11 per cent were unsure, and nine per cent did not respond to that particular question.”

Page 7 also states that “BC Hydro has subsequently decided to apply for a two-year extension as opposed to the one-year extension consulted on, in order to consider the results of phase two of the government review and to allow for further stakeholder engagement and a regulatory process.”

Page 11 of Appendix B provides the below table that lists the feedback participation rates for each workshop location.

WORKSHOP LOCATION	NO. OF ATTENDEES	FEEDBACK FORMS RECEIVED
Vancouver (in person)	49	31 (in-person and webcast)
Vancouver (webcast)	27 (registered)	
Prince George	13	8
Kamloops	10	6
Calgary	6	2
TOTAL	105	47

- 1.1. Please confirm that the “31 workshop participants that submitted feedback forms” as stated on page 7 of the Application refer to attendees from the Vancouver workshop and webcast only.

RESPONSE:

Confirmed. The “31 workshop participants that submitted feedback forms” as stated on page 7 of the Application refer to attendees from the Vancouver workshop and webcast only. BC Hydro acknowledges that this is incorrect and the Application should have indicated a total of 46 workshop participants that submitted feedback forms, which is the total from all workshop locations and not just from the Vancouver workshop (the 46 workshop participants is a corrected number, as explained below).

While preparing these IR responses, BC Hydro has corrected its statistics regarding the number of workshop participants that submitted feedback forms by workshop location as follows. BC Hydro has determined that an error was made in the reporting of the total number of feedback forms received for the Vancouver workshop. The number of workshop participants that submitted feedback forms for the Vancouver workshop has been corrected from 31 to 27. No feedback forms were received from Vancouver workshop webcast participants. Vancouver was the only workshop for which a webcast option was provided. Further, the total number of feedback forms received from all workshop participants is 46, not 47 as previously stated. These updated redlined results are shown in the table below.

Number of Attendees by Workshop Location

WORKSHOP LOCATION	NO. OF ATTENDEES	FEEDBACK FORMS RECEIVED
Vancouver (in person)	49	31 -27 (in-person and webcast)
Vancouver (webcast)	27 (registered)	
Prince George	13	98
Kamloops	10	6
Calgary	6	42
TOTAL	105	467

As a result, BC Hydro provides in the attached Errata No. 1 an updated Appendix B of the Application to include the following:

- the revised table Number of Attendees by Workshop Location on page 1;
- the revision to Feedback Themes (first bullet) which replaces “74%” with “72%”; and
- the revised Figure 1.1.1 on page 4, which shows the percent of those participants submitting feedback forms that support the maintenance of status quo RS 1823 pricing principles for F2020.

1.1.1. If confirmed, please update both response percentages and the number of participants to include feedback provided from other workshop locations.

RESPONSE:

Please refer to the table below which show both response percentages and the number of participants to include feedback provided by workshop location.

Workshop Location	# of Attendees	# of Feedback Forms	Status Quo Pricing Principle (%) Yes (support)	Status Quo Pricing Principle (%) No	Status Quo Pricing Principle (%) Unsure	Status Quo Pricing Principle (%) No response	
Vancouver (in person)	49	27	37%	4%	11%	7%	
Vancouver (webcast)	27						
Prince George	13	9	17%	0	2%	0	
Kamloops	10	6	11%	0	0	2%	
Calgary	6	4	7%	0	0	2%	
Totals	105	46	72%	4%	13%	11%	100%

1.2. Please categorize responses to support BC Hydro's proposal to maintain the status quo into the following two approaches:

- By industry
- By workshop location
- By Stakeholder group (customer / intervener / other)

RESPONSE:

The respondents that support BC Hydro's proposal to maintain status quo RS 1823 pricing principles for F2020 are segmented by workshop location and industry type and stakeholder group in the table below.

Location	Industry							Other - Prospective customers	Interveners	Total by location
	Cement	Pulp & Paper	Solid Wood	Mining	Chemicals	Oil & Gas				
Vancouver	1	2	1	3	2	0	7	1	17	
Prince George	0	2	3	0	2	1	0	0	8	
Kamloops	0	1	2	2	0	0	0	0	5	
Calgary	0	0	0	1	0	0	2	0	3	
Total by Stakeholder Group	1	5	6	6	4	1	9	1	33	
# of yes respondents to status quo by Industry	2%	11%	13%	13%	9%	2%	20%	2%	72%	

- The table shows the breakdown of responses by industry that support BC Hydro's proposal to maintain the status quo: 2 per cent cement, 11 per cent pulp and paper, 13 per cent solid wood, 13 per cent mining, 9 per cent chemicals and 2 per cent oil and gas. The remaining responses that support BC Hydro's proposal consist of 20 per cent other prospective customers and 2 per cent interveners.
- Please refer to the table provided in BC Hydro's response to BCUC Staff IR 1.1.1 which shows the breakdown of responses that support BC Hydro's proposal by workshop location.

1.3. Please confirm what percentage of respondents supported a one-year extension to the TSR pricing principles.

RESPONSE:

Of the 46 participants who completed a feedback form, 72 per cent agree with BC Hydro's proposal for a one-year extension of the TSR pricing principles.

1.4. Please discuss why BC Hydro did not further consult on its subsequent decision to apply for a two-year extension as opposed to the one-year extension that was consulted on.

RESPONSE:

As stated in its application, BC Hydro’s decision to apply for a two-year extension was made since it requires time to consider the rate design options for the Transmission Service Stepped Rate in light of the repeal of Direction No. 7 as part of the B.C. Government’s Comprehensive Review of BC Hydro completed on February 14, 2019. BC Hydro also expects that the outcome of phase two of the B.C. Government’s review of BC Hydro may help inform any changes to the Transmission Service Stepped Rate.

BC Hydro did not further consult on its decision to apply for a two-year extension as opposed to the one-year extension given the limited time available and its expectation that the level of support for a two-year extension would likely be similar to that received for a one-year extension.

1.5. Of the 100 accounts served under RS 1823 Energy Charge B, please confirm how many participated in the various transmission workshops held in Vancouver, Prince George, Kamloops and Calgary.

RESPONSE:

Based on registration forms received, a total of 53 RS 1823 customers, including both RS 1823 Energy Charge A and Energy Charge B customers, attended the workshops held in Vancouver, Prince George, Kamloops and Calgary. BC Hydro cannot verify how many RS 1823 Energy Charge A and Energy Charge B customers attended via webcast. The breakdown of RS 1823 customer attendees by Energy Charge B and Energy Charge A by workshop location is shown in the table below:

Location	RS 1823B No. of attendees	RS 1823A No. of attendees
Vancouver (in person)	12	6
Vancouver (webcast)	Unknown	
Vancouver November (in person)	7	3
Vancouver November (webcast)	Unknown	
Prince George	13	
Kamloops	8	
Calgary	4	
Total	44	9

B. LRM

**2.0 Reference: STAKEHOLDER ENGAGEMENT AND CUSTOMER
FEEDBACK
Exhibit B-1, p. 7
Potential Change in Tier 2 Price**

Page 7 of the Application states that “BC Hydro indicated that an updated LRM for energy may be lower than that used in the 2015 RDA.”

- 2.1. Please discuss what factors could decrease the LRM higher or lower than that used in the 2015 RDA.

RESPONSE:

The LRM depends on the need for marginal resources and the cost of those marginal resources. In general, the LRM could decrease if the need for or cost of those marginal resources decrease, and it could increase when the need for or cost of those marginal resources increase.

In the 2015 RDA, BC Hydro used an energy LRM of \$85/MWh (\$F2013). However, this energy LRM is considered out of date.

BC Hydro has not updated its LRM but plans to do so in its next Integrated Resource Plan (IRP).¹

For further information, please contact Anthea Jubb at 604-623-3545 or by email at bchydroregulatorygroup@bchydro.com.

Yours sincerely,



(for) Fred James
Chief Regulatory Officer

ac/ma

Enclosure (1)

¹ The Government of B.C. issued the BC Hydro Integrated Resource Plan Regulation (B.C., Reg. 266/2018) under the *Clean Energy Act* prescribing February 28, 2021 as the date for BC Hydro's next IRP.

Transmission Service Rate Fiscal 2020 and Fiscal 2021 Pricing Principles Extension Application

ERRATA – March 12, 2019

REMOVE	INSERT	NOTE
Appendix B – Page 11 of 14	Appendix B Revision 1 – Page 11 of 14 – March 12, 2019	1
Appendix B – Page 13 of 14	Appendix B Revision 1 – Page 13 of 14 – March 12, 2019	2
Appendix B – Page 14 of 14	Appendix B Revision 1 – Page 14 of 14 – March 12, 2019	3

Notes:

1. Correction to number of workshop participants that submitted feedback forms in Vancouver from 31 to 27. Also correction to the total number of feedback forms received from all workshop participants from 47 to 46.
2. Correction to first bullet of Feedback Themes, from 74% to 72% in favour (as per Figure 1.1.1) for the maintenance of status quo RS 1823 pricing principles for F2020.
3. Correction to Figure 1.1.1 with revised percentages for participant feedback regarding existing RS 1823 pricing principles.

TSR WORKSHOPS

A total of four half-day Workshops were conducted by BC Hydro between 11 October and 17 October 2018. The Workshops were presented by BC Hydro staff from Customer Service and Regulatory. There was no charge to attend.

- ❖ Workshops were held as follows:
 - 11 October 2018 - Vancouver (BC Utilities Commission Hearing Room);
 - 12 October 2018 - Prince George (BC Hydro Regional Office);
 - 16 October 2018 - Kamloops (local hotel); and
 - 17 October 2018 - Calgary (local hotel).
- ❖ Each Workshop session was approximately 3.15 hours in length, starting at 8:45 am and ending at 12:00 pm.
- ❖ Invitations were extended to existing transmission service customers, prospective new customers, registered interveners and interested parties.
- ❖ Representatives from all existing transmission service customer accounts were invited to attend. The customer list was selected by BC Hydro Key Account Managers.
- ❖ Invitations were sent via email by BC Hydro staff approximately 2-3 weeks prior to the date of the first Workshop. Follow-up email invitation reminders were sent leading up to the start of the Workshops.
- ❖ Various BC Hydro Key Account Managers and support staff attended Workshops with customers from their account portfolios. Note: BC Hydro staff are not included in attendee numbers.
- ❖ The Vancouver Workshop included a webcast service for participants unable to attend in person.

Number of Attendees by Workshop Location

WORKSHOP LOCATION	NO. OF ATTENDEES	FEEDBACK FORMS RECEIVED
Vancouver (in person)	49	31 27 (in-person and webcast)
Vancouver (webcast)	27 (registered)	
Prince George	13	98
Kamloops	10	6
Calgary	6	42
TOTAL	105	467

PART 1: RS 1823 Pricing Principles

Background:

Rate Schedule 1823 Stepped Rate (RS 1823) is BC Hydro's default rate for transmission customers supplied with electricity at 60,000 volts or higher. It has been in effect since April 2006. It was approved by the British Columbia Utilities Commission in 2005 following a Negotiated Settlement Agreement process. RS 1823 has a two-step inclining block energy charge which separates the pricing of the customer's annual energy consumption relative to a historic customer baseline load (the CBL). This stepped energy rate approach has customers purchase the first 90% of their annual energy use at a lower price (the Tier 1 Rate) and the balance at a higher price (the Tier 2 Rate). The intent of the higher-priced Tier 2 energy block is to encourage energy conservation, efficiency, and incremental self-generation.

Key Topics for Review and Discussion:

- ❖ An overview of RS 1823 Stepped Rate
- ❖ RS 1823 Pricing Principles Background
- ❖ Impact of Re-pricing RS 1823 Energy Charges
- ❖ BC Hydro's Proposed RS 1823 Pricing Principles for F2020

BC Hydro provided an overview of RS 1823 pricing principles and the 2015 Rate Design Application through which the Commission approved the pricing principles for the RS 1823 Stepped Rate. BC Hydro also reviewed the pricing proposal for F2020, and proposed status quo – no change to the Tier 1 rate and Tier 2 rate or demand charges as a result of LRMC changes. Any F2020 RRA increases would be applied uniformly to Demand and Energy rates.

Feedback Themes:

- There was clear support (724% in favour as per Figure 1.1 below) for the maintenance of status quo RS 1823 pricing principles for F2020. The status quo proposal is to uniformly increase all rate components by the amount approved by the Commission in BC Hydro's next Revenue Requirements Application.
- Customers commented that current pricing principles preserve the benefit of DSM investments, provide rate stability and do not negatively impact competitiveness.
- Concern was expressed for any prospective re-pricing of the RS 1823 Tier 2 rate down to reflect a lower Long Run Marginal Cost (LRMC) value and associated re-pricing of the RS 1823 Tier 1 rate up - this would have a significant negative impact on both existing and prospective customer conservation investment.

Summary of Participant Feedback:

1.1 Existing RS1823 Pricing Principles

Figure 1.1.1:

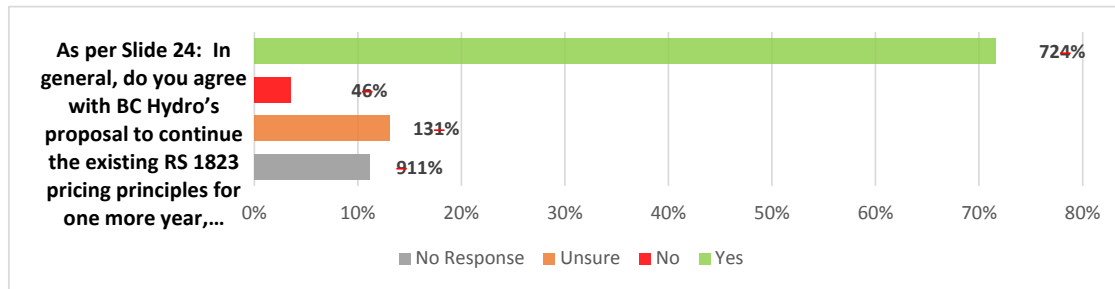


Table 1.1.1: Written Feedback

Additional comments	Location
Permanent	Prince George
Can't have Tier 1 increase more than Tier 2 due to the investment that has been made; to decrease Tier 2 and increase Tier 1 would be cost prohibitive	Prince George
I would prefer to see a price decrease and rates that better reflect cost of service	Prince George
I agree with continuing the pricing; significant change to Tier 1 rate will change customer funded DSM projects	Kamloops
Lots of concerns about repricing; need to understand the reason	Vancouver
RS 1823 does not meet needs of customers	Vancouver
Energy usage efficiency improvements are still important require a good (high) Tier 1 to Tier 2 difference to continue.	Vancouver
BC Hydro and BCUC need to provide BC operators an opportunity to be competitive	Vancouver
We support the pricing principles for 1 more year on the basis of rate stability but generally feel that RS1823 is outdated especially in light of the current surplus power situation	Vancouver
Big incentive to reduce power under existing scenario as Tier 1 and Tier 2 get closer there is less incentive to improve energy efficiency. Also provides a large penalty for those customer plants that have reduced their purchases to 90-92% of CBL	Vancouver
For short term, this is only reasonable solution. This is not likely the long term best solution but businesses need longer term planning for such large financial impacts to utility budget	Vancouver
It seems counterintuitive to customer DSM if CBL is adjusted each year, the customer will always be stuck at Tier 1 thus penalized if they implement further DSM	Vancouver
With lower Tier 1 and Tier 2 mixed rate	Vancouver
B.C. is in power surplus; our site is waiting for the Economic Development Rate	Vancouver
Rebalancing the rate classes by adding more weight to Tier 1 rate will be counter to commitment BC Hydro has made to encourage efficiency initiatives	Vancouver
Stability is key for large customers; any changes must be done very carefully or risk stranding customer investments. The existing conservation rate can create a barrier for incremental consumption, but it is an effective mechanism to mitigate the risk of load shifting from other programs (e.g., Freshet Rate)	Vancouver
Let the need for revising the rates and related principles be widely circulated among the bulk consumers and customers	Vancouver
We need a full measure effort to attract business now!	Vancouver
Don't necessarily agree with the Long Run Marginal Cost (LRMC) of power going down	Vancouver