

# BC Hydro Rate Design Stakeholder Engagement Session

## SUMMARY

JANUARY 29, 2014

10 A.M. TO 12.30 P.M.

Langford City Hall

<b>TYPE OF MEETING</b>	2015 RDA Stakeholder Engagement – Distribution Extension Policy: Re-Presentation of December 16, 2014 Workshop No. 7
<b>FACILITATOR</b>	Brent Molnar, City of Langford
<b>PARTICIPANTS</b>	City of Langford, Ecoasis Bear Mountain, McElhanney, Dockside Green, Westhills, Verity Construction, Keycorp Consulting (West Shore Developers Association), Limona Construction, Associated Engineering, Eagle Ridge Development Corp and TJSB Holdings
<b>BC HYDRO ATTENDEES</b>	Kevin Lim-Kong, Rob Zeni
<b>AGENDA</b>	<ol style="list-style-type: none"> <li>1. Introduction including review of draft agenda</li> <li>2. Background</li> <li>3. What should BC Hydro’s maximum contribution cover</li> <li>4. Options for updating BC Hydro’s maximum contribution</li> <li>5. Other issues: Extension fee refund and connection charges</li> <li>6. Closing and next steps</li> </ol>

MEETING MINUTES			
<b>ABBREVIATIONS</b>	<table border="1" style="width: 100%;"> <tr> <td style="width: 50%;">                     BCH..... BC Hydro                      BCUC.....British Columbia Utilities Commission                      COS.....Cost of Service                      DCC.....municipal Development Cost Charge                 </td> <td style="width: 50%;">                     RDA.....Rate Design Application                      SET Guidelines ... BCUC 1996 System Extension Test Guidelines                      SFD....Single Family Dwelling                      SI.....System Improvement                 </td> </tr> </table>	BCH..... BC Hydro BCUC.....British Columbia Utilities Commission COS.....Cost of Service DCC.....municipal Development Cost Charge	RDA.....Rate Design Application SET Guidelines ... BCUC 1996 System Extension Test Guidelines SFD....Single Family Dwelling SI.....System Improvement
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<b>1. Introduction</b>			
<p><b>Rob Zeni</b> opened the meeting by reviewing the agenda set out in slide 2 of the Distribution Extension Policy slide deck. Rob acknowledged the technical difficulties for those attempting to join the Webcast of Workshop No. 7 at the BCUC hearing room, and that the purpose of this engagement session was to go over the Workshop No. 7 materials and collect feedback.</p>			
<b>2. Background</b>			
<p><b>Rob Zeni</b> gave an overview of section 8 of BCH’s Electric Tariff, which contains the Distribution extension provisions. During the discussion of the Application of Bonbright Criteria (slide 8) there were several comments regarding the “Fairness” principle with respect to the current Extension Policy as applied to residential developments in the Langford area. Additional comments were recorded with respect to the “Customer Acceptance” principle in the sense that members of the group felt that they were not consulted in the 2007 RDA and therefore have not accepted the current Policy. Based on the discussion and feedback it seemed that the group had anticipated some form of BCH adoption of a more favourable extension policy when dealing with single family type developments in response to their concerns expressed during the July 31, 2014 session held in Langford.</p> <p><b>Note to readers:</b> BCH contemplates more stakeholder engagement on Distribution Extension policy. All distribution voltage connected customers (existing and new) have an interest in this topic, and to date there have been conflicting views on which options BCH should pursue. BCH anticipates another workshop in the fall of 2015 to present its overall Distribution Extension Policy objectives and refined options for further input.</p>			

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3. <i>What Should BCH's Maximum Contribution Cover</i>	
<p><b>Kevin Lim-Kong</b> provided an overview of BCH's Maximum Contribution and what it applies to. Discussions focused on several project specific details rather than high level examples, the presentation material supplemented the discussions and many slides were not discussed.</p> <p>The discussions primarily revolved around 1) The cost and allocation of Extensions, 2) The differences between Extension and SI, and 3) Implementation of the existing Extension Fee Refund provisions. Recovery of SI Costs particularly the DCC model (Option 3 from presentation) was also discussed.</p>	
FEEDBACK	RESPONSE
<p>1. Several complaints relating to process and timelines associated with Customer Build.</p>	<p>BCH explained that they could not address any specific complaints associated with the Customer Build program as this session as it is project delivery issue and not a section 8 Electric Tariff issue. A separate session was held with the appropriate BCH representatives to discuss concerns with the Customer Build program.</p> <p>BCH's Customer Build Program is an alternate delivery model for customers/developers with Underground Residential electrical infrastructure requirements. BCH provides general oversight and acceptance for projects from initiation, preliminary and detailed design, through to construction and energization. Specifically selected external Engineering Firms, referred to as "Certified Service Providers", are authorized for private property related electrical works in conjunction with BCH infrastructure changes and improvements on public property.<sup>1</sup></p>
<p>2. A number of participants expressed concerns regarding the allocation of Extension costs to developers particularly when:</p> <ul style="list-style-type: none"> <li>a) the developments were small,</li> <li>b) the Extension costs were high or</li> <li>c) when future developments were planned to connect to the Extension.</li> </ul> <p>Participants' views on the appropriate allocation of Extension costs ranged from that of, BCH should be responsible for the costs of anything "offsite" to BCH should finance the Extension and as development occurs recover a portion of those costs from all downstream new customers.</p> <p>One suggestion that a number of Langford developers supported was expanding the idea of a DCC based SI Fee to recover all Extension costs (in addition to all SI Costs) thru an averaged per-lot fee regardless of the actual work constructed.</p>	<p>BCH confirmed that feedback from the stakeholder engagement sessions helps guide the development of Extension Policy including methodologies for improving the pioneer provisions.</p> <p>In addition to stakeholder engagement sessions, BCH must also consider the 1996 SET Guidelines, the 2007 RDA decision, jurisdictional experience, etc. in the overall development of Distribution Extension Policy.</p>
<p>3. Given that BCH is looking at a number of ways to allocate SI Costs i.e. DCC model, there is a need to clarify where the line between Extension and SI is. There was concern that if a DCC model was adopted for SI costs, BCH could identify the work as Extension to collect monies up front.</p>	<p>BCH acknowledges that clarifying the definitions of SI Costs and Extension is fundamental to the review of Distribution Extension Policy.</p>

<sup>1</sup> For further information, please visit: <https://www.bchydro.com/powersmart/business/programs/customer-build.html>.

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4.	What is BCH's role in economic development and why doesn't BCH actively expand the distribution system enabling others to connect?	"Economic development" can mean protecting existing customers from rate increases as well as encouraging new customer developments. To date, and consistent with the 2007 RDA decision, BCH seeks to balance the cost of new distribution infrastructure between new and existing customers. BCH is seeking to make any new Extension Policy transparent and more easily understandable so that Distribution Extension Policy is not a barrier to new development.
5.	Would BCH be open to being flexible in situations such as Langford such that the costs of the Extension could be recovered thru a special agreement (similar to the DCC).i.e. could BCH and/or the Municipality finance the Extension and recoup those costs over time as development build out occurs?	<p>BCH is open to working with a single developer or a consortium of developer representatives to find flexible solutions within the context of the existing Electric Tariff. In the case of Extension fees which may result in uneconomic outcomes for a development, BCH encourages developers within a development area to share costs whenever possible.</p> <p>BCH is not familiar with any provisions in the Community Charter or Local Government Act which may restrict or allow local governments to finance extensions on behalf of developers, with the intent of recovering costs over time. BCH is willing to work with City of Langford to investigate options.</p>
6.	A few comments arose regarding the BCH's Contribution for detached housing vs high density high-rises and whether the BCH Contribution amount should be different.	BCH acknowledged that high density residential development is more efficient to serve than single family type developments and that in general, there are excess Contributions in high density residential which may offset more of the Extension costs when compared to low density developments.
7.	How does BCH account for improvements to its system through the construction of an Extension? For example if a looped system is created through an Extension and this offers a reliability improvement, how does BCH contribute to the Extension in recognition of the system benefit?	<p>If BCH identifies works that corrects deficiencies in its distribution system, then the associated costs are not included in the Extension Fee.</p> <p>In the case of a developer's Extension creating a loop in the underground system, BCH acknowledges that its standard planning practice is to have a loop in its underground system due to the longer restoration times associated with cable repairs. In some cases the initial Extension is installed radially due to the cost of completing the loop in advance of adjacent infrastructure. It is anticipated that when the next phase of the development is installed, the loop will be completed in accordance with BCH guidelines.</p>
8.	A few comments were made regarding the perception that BCH is waiting for customers to request Extensions so that deficiencies in the existing system can be addressed.	BCH continually evaluates its Distribution system and prioritizes system deficiencies to address within its capital plan. If an Extension creates an opportunity for BCH to address a system deficiency, then the associated costs of the improvement are not included in the Extension Fee.
9.	A comment was made regarding whether or not there was an opportunity to identify a threshold cost where the Extension Fee would be paid for by BCH and recovered over time from the customers that benefit from it.	BCH acknowledged challenges with implementing this model as there would likely be regional and project specific challenges which may make a fixed threshold for investment unworkable. BCH identified that in its review of other utility extension policies, there was evidence of fixed infrastructure investment practices but BCH did not know the basis for the practices.

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<b>4. <i>Options for Updating BCH's Maximum Contribution</i></b>	
<b>Did not have sufficient time to cover this part of the presentation.</b>	
<b>5. <i>Other Issues: Extension Fee Refund and Connection Charges Update</i></b>	
<b>Kevin Lim-Kong</b> described how the current Extension Fee Refund provisions generally work.	
FEEDBACK	RESPONSE
1. It was noted that in Langford, new development is predominantly single family detached housing and that the cost of the "onsite" servicing (Extension within the confines of the development) always exceed any available BCH Contribution and thus there is rarely or never any unused BCH Contribution to go back to the "Pioneer".	BCH confirmed that the mechanics of the existing Extension Fee refund provisions only provide benefit for situations where there are unused BCH Contribution and that Extensions to serve single family detached housing, particularly when underground servicing is a municipal requirement, generally utilize the maximum BCH Contribution.
2. It was also noted that some of the large developments in Langford are staged over several years and that due to the high upfront costs of the Extension, that by the time any higher density residential or commercial loads are added, the 5 year Extension Fee refund window has elapsed and that a longer timeframe would be more fair for these instances.	Feedback noted.
<b>6. <i>Closing and Next Steps</i></b>	
<b>Kevin Lim-Kong and Rob Zeni</b> thanked everyone for participating in the feedback session and confirmed that a summary of this session along with the presentation materials and feedback forms would be sent to all participants.	