



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-79-05

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**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 Transmission Service Rates**

BEFORE: R.H. Hobbs, Chair August 29, 2005
L.A. O'Hara, Commissioner
R.W. Whitehead, Commissioner

O R D E R

WHEREAS:

- A. On March 10, 2005, British Columbia Hydro and Power Authority ("BC Hydro") applied to the Commission for approval of Transmission Service Rates ("Application"); and
- B. The Commission reviewed the Application and established a Procedural Conference to be held on April 7, 2005 to determine the further process and timetable for reviewing the Application; and
- C. Participants at the Procedural Conference submitted that there was a significant possibility of a negotiated settlement on issues in the Application and asked that the Commission establish a Workshop, Settlement Conference and Negotiated Settlement Process ("NSP"); and
- D. Commission Order No. G-35-04 dated April 8, 2005 established a BC Hydro Workshop and a subsequent NSP to begin on April 27, 2005, and a Procedural Conference to be held on May 18, 2005; and
- E. Commission Order No. G-38-05 revised the date of the Workshop and commencement of the NSP to May 16, 2005 and revised the date of the Procedural Conference to June 2, 2005; and
- F. Commission Order No. G-50-05 revised the date of the Procedural Conference to June 28, 2005; and
- F. On June 15, 2005, Commission staff circulated the proposed settlement package, including the Negotiated Settlement and letters of agreement or dissent from participants to all Intervenors, and requested comments from Intervenors who did not participate in the settlement negotiations by June 22, 2005; and
- G. Two Intervenors who had not participated in the NSP submitted comments in support of the Negotiated Settlement, and one Intervenor who was not a participant in the NSP submitted comments in opposition to the Negotiated Settlement; and

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- H. At the Procedural Conference held by the Commission on June 28, 2005, no party advocated any further process to review the Application or the Negotiated Settlement; and
- I. The Commission has reviewed the Application, the Negotiated Settlement and the letters of comment from participants in the settlement negotiations and other Intervenors, and has determined that the Negotiated Settlement, including the Customer Baseline Load (CBL) Determination Guidelines attached to the Negotiated Settlement, should be approved.

NOW THEREFORE the Commission Orders as follows:

1. For the Reasons attached as Appendix A, the Commission approves for BC Hydro the Negotiated Settlement as issued on June 15, 2005 and attached as Appendix B to this Order.
2. The Commission will accepted Revised Electric Tariff Rate Schedules in accordance with the terms of the Negotiated Settlement and this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 29th day of August 2005.

BY ORDER

Original signed by:

Robert H. Hobbs
Chair

Attachment

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
Transmission Service Rate Application

REASONS FOR DECISION

BACKGROUND

In November 2002, the Provincial Government released Energy for our Future: A Plan for BC (Energy Plan). Policy Action #14 indicated that large industrial or transmission rate customers would be able to meet all or part of their load from private generation, and that stepped pricing would create an incentive for such customers to meet part of their needs from self-generation or IPPs when more cost-effective than utility supply. Policy Action #21 stated that stepped and time-of-use rates would be developed to encourage industrial and large commercial customers to meet part of their electricity needs through conservation and energy efficiency or non-utility supply. The stepped rates would be designed such that the last block of energy consumed would reflect the cost of new supply and would be revenue neutral.

On March 25, 2003 the Government issued Order-in-Council No. 0253 (OIC 253) directing the Commission to convene a public inquiry and provide recommendations relating to a Heritage Contract for BC Hydro's existing Generation Resources and Stepped Rates and Transmission Access. Amongst other things, the Terms of Reference attached to OIC 253 directed the Commission to make specific recommendations for desirable changes to the rates of transmission voltage customers to accomplish the objectives set out in the Energy Plan, including terms and conditions for transmission and generation access from other suppliers and provisions for stepped rates.

In July and August 2003, the Commission held public hearings in Victoria, Prince George, Kelowna and Vancouver. On October 17, 2004, the Commission issued its Report and Recommendations regarding a Heritage Contract for BC Hydro's existing Generation Resources and Stepped Rates and Transmission Access (BCUC Report). Recommendation #8 of the BCUC Report recommended that stepped rates be implemented according to the following principles:

- the Tier 2 rate should reflect the long-term opportunity cost of new supply, where long-term is understood to include the acquisition cost required to obtain that supply;
- the quantity of power being sold to industrial customers at Tier 1 of the stepped rate should be initially set at 90 percent, and the Tier 2 quantity should make up the remaining 10 percent (the Tier 1/Tier 2 Split); and
- the Tier 1 rate should be derived from the Tier 2 rate and the tier 1/Tier 2 Split to achieve, to the extent reasonably possible, revenue neutrality.

The BCUC Report also recommended that:

- a report be submitted to the Government of a three year review of the impacts of stepped rates (Recommendation #9);
- that load aggregation within a multiplant ownership be allowed so long as it is restricted to operating units (Recommendation #11);
- that the Customer Baseline Load (CBL) used for applying stepped rates to industrial customers should be based on past experience adjusted for anomalies and reviewed annually, and that the Commission would approve CBLs and resolve disputes as necessary (Recommendation #12);

- that time-of use rates should be implemented at the same time as stepped rates (Recommendation #13);
- that industrial and large commercial customers taking service under Rate Schedule 1821 be required to take service under either the stepped rate or the time-of-use rate, and that RS 1821 would be eliminated (Recommendation #14); and
- that Aquila (now FortisBC), New Westminster and UBC, as entities that distribute all or a significant portion of their load to others, be exempted from the application of stepped rates at this time and form a new rate schedule (Recommendation #15).

The government accepted the above recommendations (with the added condition to Recommendation #11 that for load aggregation to occur within multiplant ownership each unit aggregated would have to qualify individually for stepped rates and retail access). Special Direction No. HC2 further stated in Section 3(1) that:

“In designing rates for the authority’s transmission rate customers, the commission must ensure that those rates are consistent with recommendations #8 to #15 inclusive in the commission’s report and recommendations to the Lieutenant Governor in Council dated October 17, 2003.”

APPLICATION

On March 10, 2005, British Columbia Hydro and Power Authority (BC Hydro) filed its Transmission Service Rate Application (TSRA), pursuant to sections 58 and 61 of the Utilities Commission Act (UCA, the Act). The TSRA requested approval of new tariffs and amendments to existing tariffs for customers taking service at transmission voltage, to implement stepped and time-of-use rates for transmission service customers.

Specifically, BC Hydro asked for approval of the following:

- Transmission Service Stepped Rate Schedule 1823 as a replacement for Rate Schedule 1821;
- Transmission Service Time-of-use (TOU) Rate Schedule 1825;
- Time-of-use Transmission Service Agreement, Electric Tariff supplement No. 70;
- Transmission Service Rate for Exempt customers Schedule 1827, as a replacement for Rate Schedule 1821;
- Transmission Service-Standby and Maintenance Supply Schedule 1880, as amended;
- Imbalance Charge for Retail Access Schedule 1890;
- Retail Access Program Agreement, electric tariff Supplement no. 71;
- Modified Demand Transmission Service Schedule 1852, as amended; and
- Termination of Transmission Service Rate Schedules.

THE REGULATORY PROCESS

The Commission issued Information Request No. 1 to BC Hydro on April 4, 2005 and BC Hydro responded on April 22, 2005 providing further information on the TSRA.

Commission Order No. G-28-05 established a Procedural Conference held on April 7, 2005 to discuss opportunities for a Negotiated Settlement Process (NSP) on certain issues, regulatory process and timetable for a proceeding to review the application and any other relevant matters. At the April 7th Procedural Conference, several participants supported a NSP as an early step in the regulatory process.

Commission Order No. G-35-05 established a BC Hydro Workshop, NSP, and Procedural Conference to follow the NSP. In response to a request from an Intervenor, Order No. G-38-05 amended the timetable such that the Workshop and NSP would start on May 16, 2005 and the Procedural Conference would be held on June 2, 2005.

The Workshop and NSP were held from May 16 through May 18, facilitated by Commission staff. A list of the organizations that participated in the NSP is attached as Appendix 1. A Negotiated Settlement and draft CBL Guidelines were circulated to NSP participants on a confidential basis on June 3, 2005. Comments from NSP participants were received by June 10, 2005. Most parties supported the Negotiated Settlement. Taylor Gas Liquids Limited Partnership ("TGL"), CBT Energy Inc. ("CBTE"), British Columbia Transmission Corporation ("BCTC") did not.

The NSP documents were made public on June 15, 2005, and along with the comments from NSP participants, were circulated to Intervenors who had not participated. Two responses were received, both supporting the proposed Negotiated Settlement. The Negotiated Settlement is attached to the Order issuing these Reasons for Decision.

Order No. G-50-05 amended the date of the Procedural Conference to June 28, 2005. At that Procedural Conference, BC Hydro submitted that the Negotiated Settlement should be approved as it had the support of the vast majority of those parties that had provided letters of comment. BC Hydro further submitted that no further process was required. No participant at the Procedural Conference advocated a different process than suggested by BC Hydro.

On July 25, 2005, the Commission issued a letter to NSP participants seeking clarification of Section 8 of the Negotiated Settlement. Comments were received from participants on or before August 18, 2005.

ISSUES ARISING FROM THE NSP

Customer Baseline Load

As noted in the Negotiated Settlement, some parties desired a mechanism in the CBL Guidelines to ensure that, if there were legitimate events that would affect their CBL calculation, there would be an avenue for pursuing CBL adjustments for events outside of those specific defined reasons in the CBL Guidelines. In recognition of that concern, the Overview and Section 6.2.2 of the CBL Guidelines allow a customer to propose adjustments other than those that are defined in the CBL Guidelines. If BC Hydro agrees with the proposed adjustment, it will file the proposed CBL with the Commission. If BC Hydro does not agree with the proposed adjustment, both BC Hydro and the customer can make submissions to the Commission, and the Commission will determine the final CBL.

Highland Valley Copper stated in its June 9, 2005 letter that: “We are satisfied that the negotiated agreement provides a process that the customer, BC Hydro and the Commission can follow to resolve adjusting CBL’s in a manner to take care of events that are not defined in the guidelines.” Western Pulp Limited, in its May 19 letter to the Commission, stated that while it was not in full agreement, it would sign off on the negotiated settlement and “...will present its case if necessary through the negotiated system, which will allow requests for CBL adjustments to be brought before the Commission.”

TGL outlined concerns related to the impact of planned outages, small but regular load growth by a stepped rate customer, and plant capacity increases, on the determination of CBLs. TGL submitted that these items had not been fully addressed in the Negotiated Settlement and therefore it could not fully support or endorse the CBL Guidelines.

Retail Access Provisions

In the TSRA (Ex. B-1, pp. 1-37 and 1-38), BC Hydro submitted that there are two alternatives for a third party to act as a retail supplier to a BC Hydro customer: one alternative would be to use Point-to-Point service under BCTC’s Open Access Transmission Tariff (OATT) and the other would be for the supplier to supply the retail access customer via BC Hydro as an integrated network resource. Under the first alternative (Point-to-Point service under the OATT), BC Hydro proposed that the customer expose its full load to retail access such that the retail access customer would become a customer of BCTC and cease to be a customer of BC Hydro.

CBTE disagreed with the Retail Access provisions which require a customer arranging for transmission services through BCTC to expose the customer’s full load to retail access. The Independent Power Producers Association of British Columbia (“IPPBC”), which did not participate in the NSP process, also submitted in a letter dated June 13, 2005 that it disagreed with the Retail Access provisions in the TSRA.

BCTC also did not support the requirement for a retail access customer using the OATT to expose its full load to retail access. However, BCTC did not consider resolution of this issue to be an impediment to acceptance of the Negotiated Settlement. BCTC submitted that it was unaware of any large customer that wished to serve a portion of its load through the BCTC tariff and therefore did not foresee any imminent harm arising from approval of the Application. BCTC also stated that it is aware of certain metering and settlement issues that may need to be resolved before removal of the restriction. In BCTC’s submission the issue should be dealt with in the context of a general BC Hydro tariff/rate design application provided that such an application was filed in a timely manner.

BC Hydro General Rate Design Application

As noted in the Negotiated Settlement, BC Hydro will address Standby and Maintenance rates, including their availability, as part of its next general rate design application. Parties to the Negotiated Settlement also agreed that several other issues that were not resolved within the Negotiated Settlement would be addressed by BC Hydro in the comprehensive general rate design application that it intends to file by December 16, 2005. These issues included possible modifications to the time of use rate; issues related to determination of demand, demand aggregation and demand charges; and possible modifications to its Retail Access provisions. The Negotiated Settlement also established that parties could bring forward any modifications respecting Force Majeure at the time of BC Hydro’s next general rate design application.

CBTE commented that it was concerned about the number of issues that are not addressed in the Negotiated Settlement and are to be addressed in the next general rate design application. CBTE submitted that parties were simply increasing the complexity of the next general rate design application and thereby foregoing the opportunity of dealing with those issues in this proceeding.

BCTC noted that its concerns about BC Hydro's retail access proposals should be construed as informing the Commission of an issue to be addressed by BC Hydro "...within a discrete timeframe and in the context of a broader rate design application.'

CPC, which supported the Negotiated Settlement, noted its interest in the commitment by BC Hydro to meet with stakeholder groups to review further modifications to the Retail Access provisions of the TSRA, prior to the next general rate design application.

The Saskatchewan Wheat Pool, which also accepted the Negotiated Settlement, submitted that while it had some concerns about elements of the Negotiated Settlement, it accepted BC Hydro's assertion that these issues would be better addressed in the general rate application.

Exemptions from the Stepped Rate

As noted above, Recommendation #15 of the BCUC Report recommended that FortisBC, the City of New Westminster and UBC, as entities that distribute all or a significant portion of their load to others, should be exempted from the application of stepped rates. Special Direction HC2 directed the Commission to ensure that BC Hydro's rates for transmission service customers are consistent with recommendations #8 to #15 of the Commission's report.

During the proceeding, two additional transmission service customers, Vancouver International Airport Authority ("VIAA") and Simon Fraser University ("SFU"), indicated that they may wish to be exempted from the application of stepped rates and that they believed they shared similar characteristics to the three customers named in the BCUC Report (Exhibits C10-1 and C16-2, VIAA letter dated June 8, 2005). VIAA in its June 8 letter further asked that the Commission provide it with some indication of when an application for an exemption for stepped rates should be filed.

BC Hydro submitted that in its view the Commission could not grant the exemption requested as Recommendations of the BCUC Report and the Special Direction together restricted exemptions to the three customers named in the Recommendation #15 (Ex. B-3, Response to BCUC IR 1.17.1).

In the Negotiated Settlement parties agreed that the Commission should take steps to confirm with government that the BCUC does have the discretion to grant such exemptions, or absent such discretion, seek the necessary legislative approvals.

Tier 2 Rate

The BC Hydro TSRA proposed a Tier 2 price of 5.4 cents/kWh, which is the weighted average price of energy from its last province-wide Call for Tender ("CFT"). Section 3 of the Negotiated Settlement states that participants generally agree that setting the Tier 2 price on that basis represents the long term opportunity cost of new supply as required by the Recommendation in the BCUC Report, is based on a known amount and can be arrived at fairly objectively. However, Section 3 also notes that that some participants are concerned that the initial Tier 2 price may not adequately reflect future costs and that some other participants want stability of the Tier 2 rate for planning purposes. The Negotiated Settlement establishes that the earliest date the Tier 2 rate will be adjusted is April 1, 2008 at which time it will be reset to reflect the most appropriate CFT price.

CBTE submitted that it could not support the Negotiated Settlement because of its concerns related to costs adopted for establishing the Tier 2 Rate. Terasen Gas Inc. ("TGI") submitted that it shared the concerns of CBT and that adoption of 5.4 cents/kWh as the initial Tier 2 rate should not constrain the debate in BC Hydro's general rate design about the future marginal costs of serving other customers. TGI also notes that Section 4 of the Negotiated Settlement commits BC Hydro to posting results of all CFTs on its website as soon as they

become available, in advance of April 1, 2008. TGI submitted that the posting of CFT results should be in sufficient detail and accompanied by other comparable electricity market information in order to provide adequate public benchmark information.

Columbia Power Corporation (“CPC”) supported the Negotiated Settlement and submitted that it represented a “...reasonable compromise at this time”. CPC also submitted that its interest included seeing that the Tier 2 rate is adjusted on or after April 1, 2008 to reflect the most appropriate province-wide CFT, as determined by the Commission, to reflect the long-term opportunity cost of new electricity supply.

Other Issues

Norske Skog Canada Limited accepted the Negotiated Settlement but submitted that a remaining concern was the lack of a fixed period for which stepped rates would remain in effect, and that it required some assurance of the term in order to make Demand Side Management investments.

COMMISSION DETERMINATIONS

The Commission has reviewed the Negotiated Settlement documents along with the letters of comment. The Commission is aware that the TSRA has arisen in response to the Energy Plan, the BCUC Report and recommendations relating to stepped rates for transmission voltage customers, and the directions to the Commission in Special Direction HC2 from the Government. The Commission finds that the Negotiated Settlement can reasonably be expected to achieve the objectives for stepped rates as identified in the Energy Plan.

The Commission notes that the majority of those who intervened in the proceeding support the TSRA, including most transmission voltage service customers who will be affected by the transmission service rates.

The Commission also acknowledges the support for the Negotiated Settlement by representatives of customer classes who could be affected if cost-shifting occurs, specifically the BC Old Age Pensioners et al. (“BCOAPO”), and the Commercial Energy Consumers. BCOAPO submitted that the Negotiated Settlement addresses its main concern, which is to ensure, insofar as possible in compliance with provincial energy policy, that approval of industrial stepped rates will not result in industrial ratepayers being subsidized by other ratepayer classes

Further, the Commission notes that annual and third year reporting requirements in the Negotiated Settlement will require BC Hydro to provide analysis of potential or actual cost-shifting between customer classes.

For the reasons set out above, the Commission determines that approval of the Negotiated Settlement with respect to the TSRA is in the public interest.

Finally, the Commission notes, with respect to allowing exemptions for customers from stepped rates, that under the Negotiated Settlement it should take steps to confirm with government that it has the discretion to allow such exemptions, or if it does not, to seek the necessary legislative approval. The Commission notes that the TSRA and Negotiated Settlement mark the end of a process characterized, in part, by communication between the Commission and government through the Commission’s recommendations and government response to the Heritage Contract Inquiry. Viewed in this context, the Commission is amenable to the suggestion that it take steps to confirm with government its discretion to address exemptions as considered in the Negotiated Settlement. The Commission intends to follow up on this matter with government as contemplated in the Negotiated Settlement.

**Appendix 1 to
BC Hydro TSRA
Reasons for Decision**

BCH-TSRA NSP PARTICIPANTS

British Columbia Hydro and Power Authority
The BC Old Age Pensioners Organization
British Columbia Sustainable Energy Association (“BCSEA”)
British Columbia Transmission Corporation
Canadian Forest Products Ltd. (“Canfor”)
CBT Energy
Chemtrade
City of New Westminster
Columbia Power Corporation
Commercial Energy Consumers
Elk Valley Coal
ERCO Worldwide
Highland Valley Copper
Howe Sound Pulp and Paper Ltd.
Joint Industry Electricity Steering Committee (“JIESC”)
Kemess Mines
Nexen Chemicals
Norske Canada
Pope and Talbot Limited
Prince Rupert Grain Ltd.
Saskatchewan Wheat Pool
Simon Fraser University
Talisman Energy
Taylor Gas Liquids Limited Partnership
Terasen Gas Inc.
Terasen Pipelines (Trans Mountain) Inc.
Tolko Forest Products
University of British Columbia
Vancouver International Airport Authority
Weimer Consulting Inc.
West Fraser Mills Ltd.
Western Pulp Limited
ZE Power Group



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Log No. 9426

VIA E-MAIL

June 15, 2005

Dear Participants:

Re: British Columbia Hydro and Power Authority ("BC Hydro")
Negotiated Settlement
Transmission Service Rate Application

Enclosed with this letter is the proposed settlement package for BC Hydro's Transmission Service Rate Application.

This settlement package is now public and is being submitted to the Commission and all Intervenors. Also enclosed are Letters of Comment from the Participants in the negotiated settlement process.

Prior to consideration by the Commission, Intervenors who did not participate in the settlement negotiations are requested to provide to the Commission their comments on the settlement package by Wednesday, June 22, 2005.

By Order No. G-50-05, the Commission scheduled a Procedural Conference to consider the settlement package to commence at 9:00 a.m. on Tuesday, June 28, 2005 in the Commission Hearing Room on the Sixth Floor, 900 Howe Street. A public hearing may not be required unless there is significant opposition to the proposed settlement.

Yours truly,

Original signed by:

William J. Grant

JWF/rt

Attachments

cc: Mr. Tony Morris
Acting Chief Regulatory Officer
British Columbia Hydro and Power Authority

~~CONFIDENTIAL~~

British Columbia Hydro and Power Authority

**Transmission Service Rate Application
dated March 10, 2005**

NEGOTIATED SETTLEMENT

BC Hydro filed its Transmission Service Rate (“TSR”) Application (“Application”) on March 10, 2005. This document constitutes the Settlement Agreement among parties, including the British Columbia Hydro and Power Authority (“BC Hydro”), to the Negotiated Settlement Process held on May 16 through May 19, 2005 concerning the Application. The BC Hydro Application is accepted except for the changes identified in this document.

1. Context of the Application

Several events preceded and helped shape the Application and are summarized here for context to the Settlement Agreement. In November 2002 the B.C. Government issued “Energy for Our Future: A Plan for BC” (“Energy Policy”). The Energy Policy contained 26 Policy Actions which have provided context for this and other applications. In particular, Policy Action #1 stated that a legislated heritage contract would preserve the benefits of BC Hydro’s existing generation and that the BCUC would review and recommend the terms and conditions for the heritage energy. Policy Action #21 indicated that new stepped rate and time-of use prices should be developed for BC Hydro’s industrial and large commercial customers.

In the terms and conditions for an inquiry into a heritage contract (pursuant to Policy Action #1), the Government requested that the Commission make specific recommendations relating to the detailed provisions of new stepped rate schedules as discussed in the Energy Plan. The Commission held an Inquiry and issued its Heritage Contract Report and Recommendations on October 27, 2003 (“Heritage Inquiry Report and Recommendations”).

Following the release of the Heritage Inquiry Report and Recommendations, the Government issued Heritage Special Direction No. HC2 to the British Columbia Utilities Commission (“Special Direction HC2”), which directed that the Commission must ensure that rates for BC Hydro’s transmission rate customers are consistent with Recommendations Nos. 8 to 15 of the Commission’s Report and Recommendations.

In developing the TSR Application containing Stepped and Time-of-Use rates, BC Hydro held many consultation sessions with its industrial customers. Following submission of its Application to the BCUC, BC Hydro continued to work closely with its customers, in particular, the Joint Industry Electricity Steering Committee (“JIESC”) to eliminate areas where the parties held different views on the structure of Stepped and Time-of-Use rates.

2. Customer Baseline Load (“CBL”) Determination Guidelines

BC Hydro and the JIESC had undertaken considerable work to develop the CBL Guidelines prior to the initiation of the NSP. The attached CBL Guidelines incorporate the further changes agreed to in negotiations. These replace the Guidelines filed in the Application under Part 1, Tab 2.

3. Stepped Rate Schedule 1823

Participants accept BC Hydro's proposed rate design for the Stepped Rate, in accordance with Section 3 of the Application, with one modification in respect of the duration of the Tier 2 price.

The Tier 2 price of 5.4 cents/kWh is the weighted average price of energy from the last province-wide Call For Tender ("CFT"). Participants generally agree setting the Tier 2 price on this basis represents the long term opportunity cost of new supply (as required by the BCUC Recommendations), has the advantage of being based on a known amount, and can be arrived at fairly objectively. Notwithstanding, some participants are concerned the rate may not represent future costs adequately. At the same time, other participants desire some stability in the Tier 2 price for planning purposes.

To strike a balance between the participants' respective positions, it is agreed that the earliest date the Tier 2 price will be adjusted is April 1, 2008, at which time it will be reset to reflect the most appropriate CFT price.

4. Future Changes to Tier 2 Price

In order to provide customers with as much notice of Tier 2 price changes as possible, BC Hydro agrees to post results of all CFTs on its website, as soon as they become available, in advance of April 1, 2008.

5. Standby/Maintenance Rate Schedule 1880

It is agreed that Rate Schedule ("RS") 1880 will not be modified as part of this Application except for non-substantive amendments arising necessarily as a result of replacing RS 1821 with RS 1823. Participants are concerned about the potential for cost increases to affected customers if the changes proposed by BC Hydro respecting availability of the rate are made at this time.

It is therefore agreed that BC Hydro will address Standby and Maintenance rates, including their availability, as part of its next general rate design application. If resolution of such application is delayed beyond mid-2006, BC Hydro may make a separate application that addresses any modifications to Standby and Maintenance rates.

6. Other Matters for BC Hydro's Next General Rate Design Application

Some participants raised concerns respecting other provisions of the proposed Rate Schedules. Those concerns are not resolved by this Settlement Agreement and will be addressed by BC Hydro in the comprehensive general rate design application that it intends to file by December 16, 2005. In relation to that application:

- a. Prior to filing its general rate design application BC Hydro will initiate meetings with customers on the development of time of use rates, including consideration of demand response rates.

BC Hydro will address modifications to the time of use rate in its general rate design application.

For clarity, Time of Use Rate Schedule 1825 submitted by BC Hydro in its Application is accepted.

- b. Prior to filing its general rate design application BC Hydro will initiate meetings with customers on demand aggregation and the appropriate means of determining the demand of a customer.

BC Hydro will address the appropriate level of demand charges, and the appropriate means of determining demand, in its next general rate design application.

- c. Prior to filing its general rate design application BC Hydro will initiate meetings with BCTC and customers, including interested IPPs, to address further modifications to Retail Access provisions, including consideration of enabling customers to meet their load requirements partially through third party suppliers who wish to utilize the Open Access Transmission Tariff of the British Columbia Transmission Corporation.

BC Hydro will include any modifications to its Retail Access provisions in its next general rate design application.

For clarity, the Retail Access provisions submitted by BC Hydro in the TSR Application are accepted.

- d. Some participants had concerns with the current definition of Force Majeure as found in their Electric Supply Agreements (“ESAs”) and the impact thereof on the CBL for the Stepped Rate. However, Force Majeure has implications that go beyond the Stepped Rate proposal.

Any modifications respecting Force Majeure may be brought forward at the time of BC Hydro’s next general rate design application.

7. CBL Adjustments

Some parties expressed a desire to have a mechanism in the CBL Guidelines to ensure that, if there were legitimate events that would affect their CBL calculation, there would be an avenue for pursuing CBL adjustments for events outside of those specific defined reasons in the CBL Guidelines. In recognition of that concern, the Overview section and Section 6.2.2 of the CBL Guidelines contain a mechanism for such CBL reviews.

8. Exemptions

At present, FortisBC Inc. (formerly Aquila Networks Canada (British Columbia) Ltd.), the City of New Westminster and the University of British Columbia are exempt from the application of stepped rates. In accepting the Commission's Recommendation #15 in the Heritage Inquiry Report and Recommendations, the Government response described these customers as "effectively distributors who sell the electricity they purchase onwards to end-use customers." BC Hydro proposes to serve these exempt customers under a separate rate schedule, RS 1827.

Two participants to the negotiations (Simon Fraser University (“SFU”) and the Vancouver International Airport Authority (“VIAA”)) may also wish to seek exemption from stepped rates. All parties agree that the Commission should have the discretion to address the issue of exemptions, and they do not oppose exemptions for SFU or VIAA if they apply at some future date. The parties agree that the Commission should take steps to confirm with Government that

the BCUC does have the discretion, or absent such discretion, seek the necessary legislative approvals.

9. Administrative Costs

Parties agree that administrative costs of RS 1823 and RS 1825 incurred by BC Hydro shall remain in the transmission voltage customer rate class for cost allocation purposes.

10. Annual Report and Third Year Evaluation

BC Hydro commits to filing a public Annual Report with the Commission regarding the new rate schedules 1823, 1825, and 1827. Those Annual Reports will provide information on the aggregate CBLs and load for customers on RS 1823 and RS 1825, CBL adjustments pursuant to the CBL Guidelines, the estimated impacts of conservation and energy efficiency, and any public information available regarding economic expansions of customers' facilities. The Annual Reports shall set out an analysis by BC Hydro relating to any potential for or actual cost shifts to or from other customer classes, including those arising from the basis upon which the Tier 2 rate is set, in recognition of the general intent of Recommendation #13 of the Heritage Inquiry Report and Recommendations. Parties may make submissions to the Commission based on those Annual Reports.

After BC Hydro's third annual report to the Commission, the parties expect that the Commission, pursuant to Special Direction HC2 and BCUC recommendation #9, will provide a comprehensive evaluation to Government regarding the new rate schedules (Evaluation). This Evaluation will be filed by the end of 2009 and will be an expansive review of whether the new rates are achieving the objectives of the Energy Plan and Heritage Inquiry Report and Recommendations, including the objective of avoiding cost-shifting between customer classes. The parties expect that Commission staff will work with interested parties to formulate the terms of reference for the Evaluation to ensure that it will provide a comprehensive review of the operation and results of the new rates. The parties expect that the Commission will make recommendations to the government regarding any necessary or desirable changes to Special Direction HC2.

CUSTOMER BASELINE LOAD (CBL) DETERMINATION GUIDELINES

WITHOUT PREJUDICE
BC HYDRO DRAFT MAY 18, 2005

1 **1.0 Overview**

2 The purpose of these Customer Baseline Load (CBL) Determination Guidelines is to
3 describe the criteria and procedures that will guide BC Hydro in the determination of the
4 CBL for each customer plant taking electricity service under Rate Schedule 1823
5 (Stepped Rate) or Rate Schedule 1825 (Transmission Time-of-Use (TOU) Service.

6 In general, the intent will be to determine an initial CBL that will be representative of the
7 customer's historic annual consumption prior to the customer commencing service under
8 the applicable rate schedule. The CBL will then be subject to revision annually, and at
9 other times to reflect long term changes affecting the customer's plant, in order to ensure
10 that the CBL continues as an appropriate baseline to encourage electricity conservation
11 and efficiency of use while not discouraging economic growth.

12 All CBLs will be subject to final approval by the British Columbia Utilities Commission
13 (the "Commission"). In the event of disagreement between BC Hydro and the customer
14 as to the appropriate CBL, the customer can raise the disagreement with respect to its
15 CBL with the Commission.

16 BC Hydro recognises that these CBL Determination Guidelines may not capture all
17 adjustments that may be justifiable within the principles of the tariff. Hence, in
18 circumstances where customers propose adjustments that are not defined in these CBL
19 Determination Guidelines, and where the Commission is in agreement, BC Hydro will
20 amend the tariff practice to accommodate similar adjustments in the future. To the extent
21 that the sum of the adjusted CBL's exceed reasonably anticipated consumption of the
22 non-exempt customers, CBLs may be prorated.

1 **2.0 Definitions**

2 (a) **Billing Period** means a period of from 27 to 35 consecutive days as defined in the
3 customer's Electricity Supply Agreement (Tariff Supplement 5), and used by BC
4 Hydro for billing purposes.

5 (b) **Billing Year** means the twelve monthly Billing Periods starting with the first day of
6 the Billing Period which commences nearest to April 1st in each year, and ending on
7 the last day of the 12th Billing Period thereafter.

8 (c) **Demand Side Management (DSM)** means capital projects relating to energy
9 efficiency, energy conservation, and load displacement.

10 (d) **Energy Savings Persistence** means the lesser of the life of the demand-side
11 management project or ten years from the implementation of Stepped Rates, where
12 implementation of the project occurred after November 25, 2002.

13 For projects producing annual energy savings of greater than 10 GWh, BC Hydro
14 may, at the end of the ten year period, call upon the customer to provide evidence of
15 the ongoing nature of the project's annual savings. For projects producing annual
16 energy savings of less than 10 GWh, BC Hydro may, at the end of the ten year
17 period, call upon the customer to provide evidence of the ongoing nature of the
18 project's annual savings, subject to a \$10,000 administrative fee, refundable if the
19 extension of the CBL adjustment is approved by the BCUC.

20 In either case, where the energy savings continue after the end of the ten years the
21 Energy Savings Persistence will be extended to be equal to the life of the demand
22 side management project.

23 (e) **Force Majeure** is as defined in the customer's Electricity Supply Agreement.

24 (f) **Net Scheduled Output** is as defined in the Retail Access Program Agreement.

1 **3.0 Initial CBL Determination**

2 **3.1 RS1823 - Stepped Rate**

3 3.1.1 For customers taking service under RS1823 a single "Energy CBL" will be
4 determined. This Energy CBL will be representative of normal historic
5 annual energy consumption by the customer's plant, and will be applied
6 as a cumulative annual threshold for purposes of the stepped rate
7 structure in RS1823. Consumption under RS1880 is excluded for these
8 purposes.

9 3.1.2 The initial Energy CBL, which will be effective upon implementation of
10 RS1823, will be determined on the basis of the customer's energy
11 consumption for the twelve Billing Periods of calendar 2005.

12 3.1.3 If the customer's plant or operations were affected by Force Majeure
13 events during the twelve Billing Periods of calendar 2005, BC Hydro will
14 adjust the historic data to remove the effect of these events. Normally, BC
15 Hydro will use data from the days, weeks, or months prior to the event to
16 make the adjustment; however, BC Hydro may also refer to appropriate
17 data from the same period during the prior year for guidance in making
18 the adjustment.

19 3.1.4 Adjustments will also be made to the Energy CBL to reflect:

20 3.1.4.1 *BC Hydro funded DSM Projects.* For projects with an in-service
21 date during the twelve Billing Periods of calendar 2005, the
22 Energy CBL will be decreased to reflect the impact of the project
23 over a full year's operations;

24 3.1.4.2 *Customer funded DSM Projects.* For projects with an in-service
25 date between November 25, 2002 and the end of the last Billing
26 Period of calendar 2005, and delivering verified energy savings
27 of at least 0.3 GWh / year, the Energy CBL will be increased to
28 remove the impact of the project over a full year's operations;

29 3.1.4.3 *Customer Buy-Back of BC Hydro DSM Project Incentives.* For
30 projects with a Power Smart Agreement signed after November

1 25, 2002 and with annual energy savings of at least 0.3 GWh,
2 the customer has the option of converting the BC Hydro funded
3 project into a customer funded project by paying back a pro-
4 rated portion of the project incentive to BC Hydro together with
5 interest. To avail itself of this option the customer must notify BC
6 Hydro of its election by December 31, 2005, and the Energy
7 CBL will then be adjusted in the same manner as under
8 paragraph 3.1.4.2. The customer must repay the pro-rated
9 portion of the incentive plus accrued interest by March 31, 2006.

10 3.1.4.4 *Plant Capacity Increases*. If the customer has completed capital
11 investments in its plant during the twelve Billing Periods of
12 Calendar 2005, which have resulted in a permanent increase in
13 plant capacity, the Energy CBL will be increased to reflect the
14 impact of the capacity increase over a full year's operations so
15 that the customer will not be penalized for its investment in the
16 form of the higher stepped rate. To qualify, the plant capacity
17 increase must have resulted in a verified increase in the annual
18 energy consumption by the customer's plant of at least 5% over
19 the pre-project annual consumption or 10 GWh, whichever is
20 less.

21 **3.2 RS1825 - Time of Use Rate**

22 3.2.1 For customers taking service under RS1825, separate "Demand CBL"
23 and "Energy CBL" values will be determined, which will be representative
24 of the normal historic demand and energy consumption of the customer's
25 plant. There will be one Demand CBL for each of the monthly Billing
26 Periods within a Billing Year. There will be one Energy CBL for each of
27 the non-Winter monthly Billing Periods (March to October) within a Billing
28 Year. There will be a separate Energy CBL for the HLH and LLH periods
29 for each of the Winter monthly Billing Periods (November to February)
30 within a Billing Year. The Demand CBL and Energy CBL values so

1 determined will be applied for purposes of the TOU Rates in RS1825.

2 Consumption under RS1880 is excluded for these purposes.

3 3.2.2 The initial Demand CBL and Energy CBL values, which will be effective
4 upon implementation of RS1825, will be determined on the basis of the
5 customer's demand and energy consumption for the twelve Billing
6 Periods in calendar 2005.

7 3.2.3 In any case where the events or circumstances described in paragraphs
8 3.1.3 and 3.1.4 would apply if the customer were taking service under
9 RS1823, BC Hydro will adjust the Energy CBL values in the same
10 manner as for customers taking service under RS1823, except that any
11 adjustments will be allocated to the monthly and HLH / LLH Energy CBL
12 values as applicable. Demand CBL values will also be adjusted in
13 proportion to any adjustments made to the Energy CBL values.

1 **4.0 CBL Revisions**

2 **4.1 RS1823 - Stepped Rate**

3 Once the Stepped Rate and the TOU Rate are in effect, the CBLs will be subject to
4 revisions at the end of each Billing Year. Revisions to the CBLs can also occur within a
5 Billing Year for BC Hydro funded DSM projects and for significant plant expansions. The
6 guidelines for these revisions are as follows.

7 4.1.1. The Energy CBL for RS1823 customers will be subject to revision at the
8 beginning of each Billing Year as follows:

9 4.1.1.1. If the total energy billed under RS 1823 in the previous Billing
10 Year is between 90.0% and 110.0%, inclusive, of the customer's
11 Energy CBL, then the customer's Energy CBL will remain unchanged
12 for the current Billing Year.

13 4.1.1.2. If the total energy billed under RS 1823 in the previous Billing
14 Year is less than 90.0% of the customer's Energy CBL or more than
15 110.0% of the customer's Energy CBL, then the following adjustments,
16 where applicable, will be applied to the customer's previous year's
17 actual energy billings under RS 1823:

- 18 • If the customer's plant or operations were affected during the previous
19 Billing Year by Force Majeure, the customer's previous year's actual
20 energy billed will be further adjusted in the same manner as would
21 have been made for the initial Energy CBL determination.
- 22 • In the case of customers taking retail access service, the customer's
23 previous year's actual energy billings under RS 1823 will be further
24 increased by the amount of the Net Scheduled Output (as defined in
25 the customer's Retail Access Agreement) of the current Billing Year.
- 26 • For customers with self-funded DSM projects that realize an energy
27 savings of at least 0.3 GWh/year, the customer's previous year's
28 actual energy billings under RS 1823 will be further increased to

1 reflect the annual energy savings from the project (applicable for the
2 duration of the project's Energy Savings Persistence).

3 • Where the Commission has approved an adjustment as described in
4 paragraph 6.2.2, the customer's previous year's actual energy billings
5 under RS 1823 will be further adjusted by that amount.

6 4.1.1.2.1 If the customer's adjusted energy billings under RS 1823 are
7 between 90.0% and 110.0%, inclusive, of the customer's
8 Energy CBL, then the customer's Energy CBL will remain
9 unchanged for the current Billing Year.

10 4.1.1.2.2 If the customer's adjusted energy billings under RS 1823 are
11 less than 90.0% of the customer's Energy CBL or more than
12 110.0% of the customer's Energy CBL, then the customer's
13 Energy CBL for the current Billing year will be reset to the
14 customer's adjusted energy billings under RS 1823.

15 4.1.2. The Energy CBL for RS1823 customers will be subject to further revision
16 between Billing Year anniversary dates as follows:

17 4.1.2.1. *BC Hydro funded DSM Projects Completed during the Billing*
18 *Year.* The Energy CBL will be decreased in successive steps as
19 follows:

20 4.1.2.1.1. The current year's Energy CBL will be decreased effective as
21 of the start of the first Billing Period following the in-service date,
22 in proportion to the energy savings that will be realized from the
23 project between the in-service date and the end of the Billing
24 Year, and

25 4.1.2.1.2 At the start of the next Billing Year, the Energy CBL
26 will be further decreased to reflect any further annual
27 energy savings that will be realized from the project
28 and that were not reflected in the adjustment made
29 under paragraph 4.1.2.1.1.

1 subject to the same terms as for RS1823 customers, as provided in
2 paragraph 4.1.1; except that the Demand CBL and Energy CBL for each
3 TOU period will each be adjusted by the ratio of the actual energy
4 consumed in the prior billing year to the annual energy CBL for the prior
5 billing year.

6 4.2.2 The Demand CBL and Energy CBL for RS1825 customers will be subject
7 to further revision between Billing Year anniversary dates in the same
8 manner and subject to the same terms as for RS1823 customers, as
9 provided in paragraph 4.1.2; except Demand CBL values will be revised
10 in the same proportions as the revisions to the Energy CBL values, and
11 any Energy CBL revisions will be apportioned to the monthly and HLH /
12 LLH Energy CBL values, where applicable.

1 **5.0 Aggregation / Disaggregation of CBLs**

2 **5.1 RS1823 and RS1825 – Determination of Initial Aggregated CBL**

3 5.1.1 Customers with two or more operating plants can choose to aggregate
4 any combination of their operating plants and have an aggregated Energy
5 CBL determined for the plants. All plants within an aggregation must be
6 taking service from BC Hydro under the same rate schedule.

7 5.1.2 If a customer wishes to aggregate or disaggregate its operating plants
8 effective with the implementation of RS1823 and RS1825, the customer
9 must notify BC Hydro no later than February 15, 2006. The aggregation
10 or disaggregation will be effective as of the commencement of the 2006
11 Billing Year. Thereafter, customers may only elect to make any new
12 aggregations, or to disaggregate or revise any existing aggregations, by
13 giving at least six month's prior notice to BC Hydro of their election, listing
14 the plants to be aggregated / disaggregated. The effective date of the
15 aggregation / disaggregation will be the first day of the Billing Year
16 following expiry of the customer's notice.

17 5.1.3 BC Hydro will determine individual Energy CBLs for all operating plants
18 included within an aggregation, and the resulting individual Energy CBLs
19 will then be aggregated to establish the aggregated Energy CBL.

20 5.1.4 Only Energy CBLs may be aggregated. Demand CBLs determined under
21 RS1825 may not be aggregated.

22 **5.2 RS1823 and RS1825 - Aggregated CBL Revisions**

23 5.2.1 Aggregated Energy CBLs will be subject to revision at the beginning of
24 each Billing Year and between Billing Year anniversary dates in the same
25 manner as for individual customer plants taking service under RS1823 or
26 RS1825 on an unaggregated basis.

27 5.2.2 For the purpose of annual Energy CBL revisions the customer's total
28 aggregated energy billed under RS 1823 or RS 1825 for the previous

1 Billing Year will be compared to the aggregated Energy CBL, and if the
2 total aggregated energy billed under RS 1823 or RS 1825 is outside the
3 thresholds specified in paragraph 4.1.1.2, the Energy CBLs for each plant
4 within the aggregation will be revised based on the energy consumed by
5 each plant for the previous Billing Year adjusted in accord with the
6 provisions of paragraph 4.1.1.2. The individual Energy CBLs so
7 determined will then again be aggregated to establish the new
8 aggregated Energy CBL for the next Billing Year. For RS1825 customers
9 the Demand CBL values for each plant will then be revised in the same
10 proportions as the revisions to the Energy CBL values for each plant.

11 5.2.3 Revisions to aggregated Energy CBLs between Billing Year anniversary
12 dates will be made in the same manner and subject to the same terms as
13 for individual plants taking service under RS1823 or RS1825, as provided
14 in paragraphs 4.1.1 and 4.2.1. The individual Energy CBLs will be revised
15 for the plant or plants affected, and aggregated to establish the revised
16 aggregated Energy CBL. For RS1825 customers the Demand CBL values
17 for each plant will be revised in the same proportions as the revisions to
18 the Energy CBL values for each plant.

1 **6.0 General**

2

3 **6.1 Verification of Energy Savings and Capacity Changes**

4 6.1.1 In the case of BC Hydro funded DSM projects, BC Hydro will normally
5 verify energy savings attributable to the project under the procedures
6 specified in the funding agreement with the customer. This will include a
7 "Measurement and Verification Report" ("M&V Report") prepared by BC
8 Hydro approximately one year following project completion. If the M&V
9 Report indicates that the actual energy savings for the project are greater
10 or less than the savings used for purposes of any prior CBL adjustments,
11 the applicable CBL will be further adjusted to reflect the actual savings.

12 6.1.2 For the purpose of assessing plant capacity changes and customer
13 funded DSM projects, and determining whether the investments have
14 resulted in energy consumption changes beyond the specified thresholds,
15 BC Hydro may require that the impact on consumption be verified by a
16 study ("Impact Study") prepared by an acceptable third party retained and
17 paid for by the customer. For DSM projects, the Impact Study will apply
18 the same criteria as BC Hydro would apply in evaluating a DSM project.
19 The customer will deliver a copy of the Impact Study report to BC Hydro
20 for review. BC Hydro will not be bound to accept the conclusions of the
21 Impact Study, but may also rely on metering / billing data, or other
22 available data, in making its determination. If BC Hydro determines that a
23 second Impact Study is required to verify the change in consumption, BC
24 Hydro will pay the cost of the second study.

1 **6.2 Filing of CBL Determinations for Approval / Disputes**

2 6.2.1 BC Hydro will submit all CBL determinations to the customer for review
3 and comment prior to filing the CBL determinations with the Commission
4 for approval.

5 6.2.2 If the customer proposes adjustments that are not defined in these CBL
6 Determination Guidelines, BC Hydro will discuss the proposed
7 adjustments with the customer. In cases where BC Hydro agrees with the
8 customer's proposed adjustments and they are consistent with BC
9 Hydro's overall rate design principles, BC Hydro will file the proposed
10 CBL with the Commission. In cases where BC Hydro does not agree with
11 the proposed adjustments and they are not consistent with BC Hydro's
12 overall rate design principles, BC Hydro will file the CBL in accordance
13 with the CBL Determination Guidelines. The customer can file its
14 proposed CBL with the Commission and indicate that its CBL is under
15 dispute. In these circumstances, BC Hydro will provide information where
16 requested by the Commission. However, the Commission will determine
17 the final CBL.

18 This process recognises that BC Hydro cannot anticipate precisely all
19 adjustments that may be justifiable within the principles of the tariff.
20 Where the Commission accepts an adjustment not previously
21 accommodated in the tariff, BC Hydro will amend the tariff practice to
22 accommodate similar adjustments in the future. To the extent that the
23 sum of the adjusted CBL's exceed the reasonably anticipated
24 consumption of the non-exempt customers, CBLs may be prorated.

25 6.2.3 If the customer disagrees with the CBLs as determined by BC Hydro, the
26 customer can raise its dispute with the CBLs to the Commission. In that
27 event, BC Hydro will file its CBL determination(s) with the Commission for
28 approval, and the customer can notify the Commission that the
29 determination(s) are under dispute. For billing purposes, BC Hydro will
30 use the filed CBL determinations until such time as the CBL values have

1 been finally determined and approved by the Commission, whereupon BC
2 Hydro will make any necessary retroactive billing adjustments.

3 **6.3 RS1825 Initial CBL Determination – Customer Right of Withdrawal**

4 6.3.1 The customer will have a period of 30 days following approval of the
5 customer's initial CBL by the British Columbia Utilities Commission within
6 which the customer may, by written notice to B.C. Hydro, withdraw from
7 taking service under Schedule 1825, and revert to taking service under
8 Schedule 1823 (Stepped Rate) instead. This right of withdrawal is
9 available only when the customer first subscribes to take service under
10 Schedule 1825, and is applicable only in respect of the initial CBL
11 determination. If the customer exercises this right of withdrawal Schedule
12 1823 will apply from the commencement of the Billing Year, and B.C.
13 Hydro will make any necessary billing adjustments.

14
15 **6.4. Change of Ownership of a Facility**

16
17 6.4.1. The CBL and CBL adjustments which have been determined for a facility,
18 and which have been approved by the Commission, are maintained for
19 the facility even if there has been a change of ownership of the facility.

20 6.4.2. If a facility's load is part of an aggregated CBL and if there is a change of
21 ownership of the facility, the facility's load will be disaggregated and an
22 individual CBL will be determined for the facility. If the original owner
23 chooses to keep its remaining facilities aggregated, a new adjusted
24 aggregated CBL will be derived to reflect the removal of the sold facility.
25 Otherwise the original owner may choose to disaggregate its CBL and
26 have individual CBLs for each of its remaining facilities.

27



Richard Stout
Chief Regulatory Officer
Phone: (604) 623-4046
Fax: (604) 623-4407

June 7, 2005

Mr. William J. Grant
Executive Director
Regulatory Affairs & Planning
British Columbia Utilities Commission
Sixth Floor – 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Mr. Pellatt:

**RE: British Columbia Hydro and Power Authority (BC Hydro)
Transmission Service Rate Application
Negotiated Settlement**

BC Hydro confirms its acceptance of the Negotiated Settlement Agreement and CBL Guidelines attached to the Commission's letter of June 3, 2005.

BC Hydro thanks all participants for their efforts during these negotiations.

Yours sincerely,

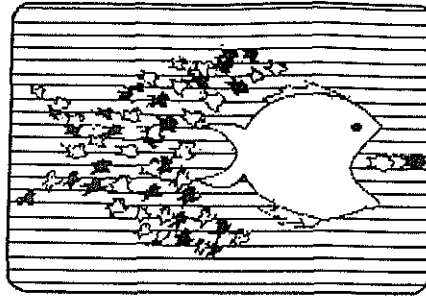
A handwritten signature in black ink, appearing to read "Stout", written over a horizontal line.

Richard Stout
Chief Regulatory Officer



The
British Columbia
Public Interest
Advocacy Centre

208-1090 West Pender Street
Vancouver, BC V6E 2N7
Tel: (604) 687-3063 Fax: (604) 682-7896
email: bcpiac@bcpiac.com
<http://www.bcpiac.com>



APPENDIX B
to Order No. G-79-05

Page 22 of 54

Richard J. Gathercole 687-3006
Sarah Khan 687-4134
Patricia MacDonald 687-3017
James L. Quail 687-3034
Patricia Cochran 687-3044
(articled student)
Barristers & Solicitors

June 10, 2005

VIA E-MAIL

William J. Grant
Executive Director
Regulatory Affairs & Planning
BC Utilities Commission
Sixth Floor - 900 Howe Street
Vancouver, BC V6Z 2N3

**Re: British Columbia Hydro and Power Authority ("BC Hydro") Negotiated Settlement
Transmission Service Rate Application**

BCOAPO has reviewed the Negotiated Settlement Agreement on this application and finds it acceptable. BCOAPO's main concern was to ensure, as far as possible that, in compliance with the provincial energy policy, the approval of industrial stepped rates would not result in industrial ratepayers being subsidized by other ratepayer classes and it is of the view that this Negotiated Settlement addresses that concern.

Yours sincerely,

BC PUBLIC INTEREST ADVOCACY CENTRE

ORIGINAL IN FILE SIGNED

Richard J. Gathercole
Executive Director

c: Intervenor

RJG/ar

William J. Andrews

Barrister & Solicitor

1958 Parkside Lane, North Vancouver, BC, Canada, V7G 1X5
Phone: 604-924-0921, Fax: 604-924-0918, Email: wjandrews@shaw.ca

June 10, 2005

British Columbia Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC, V6Z 2N3
Attn: Robert J. Pellatt, Commission Secretary

Dear Sirs/Mesdames:

Re: BCUC Project #3698385, BC Hydro Transmission Service (Stepped) Rate Application

I am writing on behalf of the B.C. Sustainable Energy Association and the Sierra Club of Canada (BC Chapter) to express their support for the Negotiated Settlement Agreement (NSA) circulated by letter of June 3, 2005, from William Grant.

BCSEA and SCCBC participated in the negotiated settlement process (Order G-38-05) with a view toward ensuring that the proposed Stepped Rate for transmission-level electricity customers would efficiently and effectively promote conservation and energy efficiency.

BCSEA and SCCBC are very interested in the Annual Reports by BC Hydro and the Third Year Evaluation by the Commission discussed in Section 10 of the NSA. The Evaluation is described as "an expansive review of whether the new rates are achieving the objectives of the Energy Plan and Heritage Inquiry Report and Recommendations..." (p.4) BCSEA and SCCBC are particularly gratified by the stated expectation "that Commission staff will work with interested parties to formulate the terms of reference for the Evaluation to ensure that it will provide a comprehensive review of the operation and results of the new rates." (p.4)

BCSEA and SCCBC would like to take this opportunity to acknowledge the constructive participation of BC Hydro, JIESC, the other intervenors and Commission staff in this negotiated settlement process.

Yours truly,

William J. Andrews



Barrister & Solicitor



Marcel Reghelini
Director, Regulatory Affairs
Phone: 604 699-7331
Fax: 604 699-7537
E-mail: marcel.reghelini@bctc.com

June 10, 2005

Mr. Robert J. Pellatt
Commission Secretary
British Columbia Utilities Commission
Sixth Floor, 900 Howe Street
Box 250
Vancouver, BC V6Z 2N3

Dear Mr. Pellatt:

**Subject: BC Hydro Transmission Services Rates Application
Project 3698354**

BCTC has reviewed the negotiated settlement in respect of the above noted proceeding. This letter provides BCTC's position in respect of the Application and settlement.

BCTC declined to be a party to the settlement because of its concerns with certain aspects of the Application described herein.

BCTC's interest in this proceeding is limited to BC Hydro's proposals in respect of retail access and their impact on the open access transmission environment. BCTC takes no position on BC Hydro's proposals for stepped and time of use rates as described in the Application or as subsequently modified through the proposed settlement. For reasons that will be detailed below, BCTC considers that its concerns with respect to BC Hydro's retail access proposals should not be viewed as an impediment to acceptance of the proposed settlement, but as informing the Commission of an issue to be addressed by BC Hydro within a discrete timeframe and in the context of a broader rate design application.

Retail Access via the Open Access Transmission Tariff (OATT)

BC Hydro's proposals with respect to retail access are found at page 1-38 of the Application under sections 7.3 and 7.4. Section 7.3 imposes restrictions on customers that wish to secure retail access directly from generators through the use of Point to Point (PTP) service under BCTC's OATT.

Section 7.4 provides for retail access to customers from generation that is designated as a network resource by facilitating a buy/sell arrangement between the customer and BC Hydro. BCTC's comments are restricted to section 7.3, retail access via the OATT.

BC Hydro proposes that any customer wishing to take retail access for a portion of its load directly from a generator by taking PTP service under the OATT, must cease to be a BC Hydro customer and must serve 100% of its load through retail access from generators other than BC Hydro. BC Hydro argues that this condition is, necessary because BC Hydro will not have the information that it considers necessary regarding the amount of transmission capacity booked or energy delivered pursuant to the PTP contract.

BCTC opposes the restriction that BC Hydro seeks to impose and submits that the practical effect of this condition will be to prohibit retail access to customers from generators other than BC Hydro using PTP service under the OATT. The cost of taking 100% of a customer's load under retail access from generators other than BC Hydro (rather than the portion that would otherwise be subject to tier 2 of the stepped rates) is so high that no customer would likely take such a service.

BCTC notes the following policy actions from Energy For Our Future: A Plan for BC (the Energy Plan).

#1 A legislated heritage contract will preserve the benefits of BC Hydro's existing generation.

#14 Under new rates, large electricity consumers will be able to choose a supplier other than the local distributor. These larger customers will be able to meet all or a portion of their consumption from private generation. This policy change introduces retail competition for large BC Hydro customers.

#21 New rate structures will provide better price signals to large electricity consumers for conservation and energy efficiency.

BCTC submits that the benefits described in policy action #1 are to be preserved for the benefit of electricity consumers, small and large, in British Columbia. A condition that denies access to existing generation to those large electricity consumers in British Columbia that may wish to take retail access for a portion of their load only, and to do so via generators taking PTP service under the OATT is contrary to that policy. The condition that BC Hydro seeks to impose in section 7.3 of the Application implies that the benefits of heritage generation are BC Hydro's to confer or deny, rather than a right that belongs to the consumer.

BCTC submits that a stepped rate structure, such as that proposed by BC Hydro in response to policy action #21 is intended to expose consumers to marginal price signals reflective of long run marginal cost. Retail access in BC makes sense only as a competitive alternative to tier 2, higher priced energy, under the stepped rate. Retail access provisions that allow a consumer to purchase from alternate suppliers, the energy that would otherwise be purchased under tier 2, are the only retail access provisions that make economic sense. The requirement to purchase 100% of energy from alternate suppliers if any of the consumer's energy requirements is purchased from a generator taking PTP service under the OATT effectively prohibits generators from providing retail access through the use of PTP service.

BCTC submits that both retail access for large electricity customers and the preservation of heritage benefits are desirable. BCTC does not believe that the Provincial Government intended to require large electricity customers to choose between retail access and the benefits of heritage generation. BCTC acknowledges that BC Hydro's proposal for retail access through the network resource buy/sell arrangement described in section 7.4 does provide to consumers the benefits of retail access while preserving for those same consumers the benefits of BC Hydro's existing generation. However, BCTC submits that BC Hydro should not restrict consumers to buy/sell arrangements as the only means to obtain the benefits of retail access and access to BC Hydro's existing generation. Consumers should not lose the benefit of BC Hydro's existing generation because of the form of transmission service that they wish to use.

Harm not Imminent

BCTC is not aware of any large electricity consumer that wishes to serve a portion of its load from a generator by taking PTP service under the OATT. In that respect, there is no imminent harm that will arise if BC Hydro's proposed restriction is not removed as a condition of approval of the Application. BCTC is also aware that certain metering and settlement issues, may need to be resolved prior to removal of the condition.

For that reason, BCTC does not consider that resolution of this issue should be an impediment to acceptance of the settlement. Nor does BCTC consider that this issue must immediately be resolved through a hearing of the matter. Instead BCTC considers that this issue should be dealt with in the context of a general BC Hydro tariff/rate design application, provided that such an application is filed within a reasonable time frame. If that application is not filed by the end of December of this year this matter should be revisited by the Commission with a view to removing the restriction before July 2006.

BCTC is prepared to work with BC Hydro, large consumers and other generators to find a means of resolving any metering and settlement issues over the course of this year so that BC Hydro will be in a position to remove the restriction in the context of its next general rate design application.

BCTC acknowledges that in paragraph 6(c) of the settlement agreement, BC Hydro has indicated that;

"Prior to filing its general rate design application BC Hydro will initiate meetings with BCTC and customers, including interested IPPs, to address further modifications to Retail Access provisions, including consideration of enabling customers to meet their load requirements partially through third party suppliers who wish to utilize the Open Access Transmission Tariff of the British Columbia Transmission Corporation."

Notwithstanding the above, BCTC chose not to be a party to the settlement because it wanted to:

- (a) make clear to the Commission the specific defect in the proposed retail access provisions,

- (b) express its view that the defect is of such importance that it should be remedied. and,
- (c) propose that a discrete time frame be imposed to remedy the defect.

BCTC submits that paragraph 6(c) by itself is not sufficient to completely address BCTC's concerns.

All of which is respectfully submitted.

Sincerely,

Original signed by:

Marcel Reghelini
Director, Regulatory Affairs

cc: Negotiated Settlement Participants



Canadian Forest Products Ltd.

and affiliated companies

June 10, 2005

By facsimile 604 660 - 1102

British Columbia Utilities Commission
6th Floor – 900 Howe Street
Vancouver, B.C. V6Z 2V3

Attention: Robert J. Pellatt
Commission Secretary

Re: Negotiated Settlement on BC Hydro Transmission Service Rate Application

Dear Sir:

This is to acknowledge that Canadian Forest Products Ltd. supports the negotiated settlement as detailed in the June 3, 2005 letter from William J. Grant to participants in the process.

As expressed by other members of the Joint Industry Electricity Steering Committee, we appreciated the efforts of BC Hydro and Bill Grant during the course of the negotiations and settlement.

Yours truly,

A handwritten signature in black ink that reads "Michael Jordan".

Michael Jordan
Environment and Energy Manager



from the office of: P. John Landry
direct tel: 604.643.2935
direct fax: 604.605.3588
john_landry@davis.ca

June 10, 2005

file number: 46798-00016

DELIVERED BY E-MAIL

Mr. William, J. Grant
Executive Director,
Regulatory Affairs & Planning
British Columbia Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC V6Z 2N3

Dear Mr. Grant:

Re: British Columbia Hydro and Power Authority ("BC Hydro")
Negotiated Settlement Agreement ("NSA") Transmission Service Rate Application

As we have indicated to you on previous occasions, CBT Energy Inc. ("CBTE") is not able to support the NSA in its present format. CBTE's concerns primarily relate to the proposed Tier 2 rate proposal and the Retail Access provision as outlined in Section 6(c) of the NSA. More specifically, our concerns are as follows:

1. Tier 2 Rate: Under Section 3 of the NSP a \$54/MWh rate proposal is advocated. In CBTE's view, to be effective the Tier 2 rate should be set by reference to BC Hydro's long term opportunity cost of new supply. CBTE's position is in accord with the Commission's decision set out in BC Hydro's Existing Generation Resources and Stepped Rates and Transmission Access Report and Recommendations dated October 17, 2003. At pp. 59, the Commission clearly states that "*the Commission Panel concludes that the Tier 2 rate should reflect the long term opportunity cost of new supply defined with reference to BC Hydro's expected resource acquisition costs*" [emphasis added]. The proposed \$54/MWh Tier 2 rate is set using the weighted average price of energy from [BCH] last province wide Call for Tender which reflects a cost of energy established two years ago not its "expected resource acquisition costs" for new supply. Given that this is the first attempt to establish a stepped rate since the 2003 Commission Report, CBTE strongly believes that the Tier 2 rate should be set as recommended by the BCUC. For example, BC Hydro is in a formal regulatory process regarding its 2005 REAP. That plan will undoubtedly provide a forecast requirement for new supply along with the

DAVIS
& company

Page 2

associated long-term opportunity cost. In CBTE's view it is that cost which should be used to determine the Tier 2 rate.

2. Section 6(c): CBTE submits that the Retail Access provisions outlined by BC Hydro in the TSR Application should not be accepted by the BCUC ; even for a temporary period. BC Hydro proposes that customers arranging for transmission services through BCTC (when buying directly from IPPs) "*expose its full load to retail access. In the process, the retail access customer becomes a customer of BCTC and ceases to be a customer of BC Hydro*" [emphasis added]. CBTE believes BC Hydro's proposal is punitive and denies the customer access to its Heritage Entitlement. This provision, in CBTE's view, is contrary to the spirit and intent of the Energy Plan, is designed to ensure BC Hydro maintains all of its customers, and nullifies BCTC's efforts to provide real open transmission access. As presently proposed, there is little doubt that if implemented this proposal will result in practically no customers opting for this provision - thereby thwarting retail access.

CBTE is also concerned with the number of issues that are not addressed in the NSA (and consequently, the current regulatory process) and are left to the next "General Rate Design Application". These items are listed in the NSP, Section 6. CBTE is concerned that the parties are simply increasing the complexity of the next general rate design application and thereby foregoing the opportunity of dealing with key issues relating to the stepped rate design in this proceeding, a proceeding which is intended to deal with exactly these issues.

If you have any questions regarding CBTE's concerns, please do not hesitate to contact us.

Yours truly,

DAVIS & COMPANY LLP

Per: 

P. John Landry

PJL/sas

cc: Registered intervenors

AK MacMillan Consulting Ltd.

1391 Madrona Drive, Nanoose Bay, B.C. V9P 9C9
Telephone: (250) 468-9284 Fax: (250) 468-9285

June 10, 2005

Mr. Robert Pellatt,
Commission Secretary
British Columbia Utilities Commission
Sixth Floor – 900 Howe Street
Vancouver, B.C. V6Z 2N3

Dear Mr. Pellatt:

**RE: BC Hydro and Power Authority Negotiated Settlement
Transmission Service Rate Application**

On behalf of Chemtrade Pulp Chemicals LP, we wish to confirm support for the negotiated settlement as outlined in Mr. William J. Grant's letter to Participants, dated June 3, 2005.

We sincerely appreciate both the efforts of B.C. Hydro's Mr. Richard Stout and Commission staff in reaching a settlement in this matter.

Yours truly,



A.K. MacMillan, P.Eng.

cc: Mr. Jim Coles



June 10, 2005

By Email

Mr. Robert Pellatt
Commission Secretary
BC Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC V6Z 2N3
email: commission.secretary@bcuc.com

Dear Mr. Pellatt:

***Re: BC Hydro Negotiated Settlement
Transmission Service Rates Application***

The City of New Westminster accepts the Transmission Service Rates Application Settlement reached by the negotiating parties and BC Hydro, as presented in the June 3, 2005 letter of Commission Executive Director, Bill Grant. The City thanks BC Hydro for making this, its first negotiated settlement process under the BC Utilities Commission Act, an effective and efficient utilization of everyone's time and efforts.

The City explicitly endorses the efforts of the Commission, as part of this Settlement, to seek procedural clarification regarding customer applications for entry to, and exit from RS 1827.

It is hoped that the two service providers, BC Hydro and BC Transmission, can derive quickly the technical and operational requirements to allow high-voltage customers to purchase third-party energy under the Open Access Transmission Tariff while customers retain Heritage Contract benefits. Consistent with meeting several of the Energy Plan objectives, this outcome will provide benefits to both retail and wholesale customers of BC Hydro.

Yours truly,

Penny Cochrane

Penny Cochrane
Willis Energy Services Ltd.

cc: Mr. Richard Stout,
Chief Regulatory Officer,
British Columbia Hydro and Power Authority

Mr. Randy Grant,
Manager of Collection Services,
City of New Westminster



P.O. Box 9131, Stn Prov Govt
844 Courtney Street, 3rd Floor
Victoria, British Columbia
Canada V8W 9B5
Tel: (250) 953-5179
Fax: (250) 356-2819

June 10, 2005

VIA EMAIL

Mr. R. J. Pellatt
Commission Secretary
BC Utilities Commission
Sixth Floor, 900 Howe Street
Vancouver, B.C. V6Z 2N3

Dear Mr. Pellatt:

Re: British Columbia Hydro and Power Authority ("BC Hydro") Transmission Service Rate Application (the "Application") – Negotiated Settlement

I am writing to express the support of Columbia Power Corporation ("CPC") for the Negotiated Settlement, as documented in the letter to participants from William J. Grant dated June 3, 2005. CPC is a registered Intervenor in the review of the Application and participated in the negotiated settlement process concerning the Application. In CPC's view, the Negotiated Settlement represents a reasonable compromise at this time.

CPC's interest includes ensuring, pursuant to section 3 of the Negotiated Settlement, that the Tier 2 price in Stepped Rate Schedule 1823 is adjusted on or after April 1, 2008 to reflect the most appropriate province-wide Call For Tender price, as determined by the Commission, to represent the long term opportunity cost of new electricity supply. CPC's interest also includes the commitment, pursuant to section 6(c), that, prior to BC Hydro filing its general rate design application (which BC Hydro intends to file by December 16, 2005), BC Hydro address with BCTC, customers and interested IPPs further modifications to the Retail Access provisions to enable customers to meet their load requirements partially through third party suppliers who wish to utilize the Open Access Transmission Tariff of the British Columbia Transmission Corporation.

Yours truly,

A handwritten signature in cursive script that reads "Bruce Duncan".

Bruce Duncan
Vice President, Strategic Planning & Regulatory Affairs
Columbia Power Corporation

Copy to: Mr. Lorne Sivertson, CPC
Mr. Ken Epp, CBT Energy Inc.
Mr. Richard Stout, BC Hydro

Elk Valley Coal- B C Hydro-TSRA.txt
From: Grant, Bill J BCUC:EX
Sent: Monday, June 13, 2005 8:22 AM
To: Fraser, Jim BCUC:EX
Subject: FW: B C Hydro-Transmission Service Rate Application

-----Original Message-----

From: JD Newlands [mailto:dnewlands@telus.net]
Sent: Friday, June 10, 2005 8:57 AM
To: Pellatt, Rob BCUC:EX
Cc: jim popowich; Grant, Bill J BCUC:EX; Dal Scott (E-mail); Dan Potts
Subject: B C Hydro-Transmission Service Rate Application

Dear Mr. Pellatt

RE: B C Hydro-Transmission Service Rate Application
Negotiated Settlement

Elk Valley Coal Corporation supports the Negotiated Settlement Agreement, attached to the letter of June 3, 2005, from William J. Grant, Executive Director, Regulatory Affairs and Planning, British Columbia Utilities Commission.

This settlement is the result of extensive discussions, extending over several years, between industrial customers and B C Hydro, prior to the commencement of the implementation of the British Columbia Utilities Commission, Negotiated Settlement Process, and further extensive discussions with parties, including representatives of both the Residential and Commercial Customer Groups, during the Commission's Negotiated Settlement Process.

Yours truly

J. David Newlands



June 10, 2005

British Columbia Utilities Commission
6th Floor – 900 Howe Street
VANCOUVER, BC V6Z 2V3

Attention: Robert J. Pellatt
Commission Secretary

Dear Sirs/Mesdames:

**Re: BC Hydro and Power Authority
Negotiated Settlement
Transmission Service Rate Applications**

ERCO Worldwide, A division of Superior Plus Inc., would like to express its support for the negotiated settlement as documented in the letter to participants from William J. Grant dated June 3, 2005.

This settlement was reached after extensive discussions between the JIESC and BC Hydro prior to the formal negotiated settlement process being implemented, and further discussions between all parties as a part of the negotiated settlement process. It should be implemented as presented.

Yours truly,



Michael J. Filippelli
Director, Raw Materials & Energy

MJF/sm

c.c. T. Miller



Engineering · Research · Commitment · Optimization

ERCO Worldwide

302 The East Mall, Suite 200
Toronto, Ontario M9B 6C7

Tel: 416-239-7111
Fax: 416-239-0235

Web: www.ercoworldwide.com



Highland Valley Copper

June 9, 2005

British Columbia Utilities Commission
6th Floor – 900 Howe Street
Vancouver, BC V6Z 2V3

Attention: Robert J. Pellatt
Commission Secretary

Dear Sirs/Mesdames:

RE: BC Hydro and Power Authority
Negotiated Settlement
Transmission Service Rate Application

Highland Valley Copper supports the negotiated settlement as documented in the letter to participants from William J. Grant dated June 3, 2005.

This settlement was reached after extensive discussion between industrial customers and BC Hydro prior to the negotiated settlement process being implemented, and further discussions between parties who participated in the negotiated settlement process. It should be implemented as presented.

We were concerned that BC Hydro's original proposal was too narrow in defining the methodology of handling anomalies.

We are satisfied that the negotiated agreement provides a process that the customer, BC Hydro and the Commission can follow to resolve adjusting CBL's in a manner to take care of events that are not defined in the guidelines.

These anomalous events, if not handled by a process in a proper manner, would have impacted the development of a customer's original CBL and subsequent adjustment of CBL's in the future in a manner that would not have been either fair, or reasonable.

Yours truly,

M.D. Scott
Superintendent Mill Engineering

U:caa/word/Dal/letter/BCHydro-Neg.Settle-R.Pellatt.doc





June 9, 2005

British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, BC V6Z 2N3

Attention: Robert J. Pellatt
Commission Secretary

Dear Mr. Pellatt:

Re: BC Hydro and Power Authority
Negotiated Settlement Process
Transmission Service Rate Application

I am writing on behalf of Howe Sound Pulp and Paper Limited Partnership to express support for the negotiated settlement as documented in the letter to participants from William J. Grant dated June 3, 2005.

As a member of the JIESC, I took part in the extensive discussions between the JIESC and BC Hydro prior to the formal negotiated settlement process being implemented, as well as the discussions between all parties as a part of the negotiated settlement process. The agreement should be implemented as presented.

I would like to express my appreciation to BC Hydro for its efforts in reaching a settlement in this matter, and particularly for the efforts of Richard Stout, without which it is unlikely a settlement could have been reached.

Yours truly,

Howe Sound Pulp and Paper Limited Partnership
By its General Partner, HSPG General Partner Ltd.

A handwritten signature in cursive script, appearing to read "Pierre G. Lamarche".

By: _____
Pierre G. Lamarche
Manager, Energy

"The obligations of Howe Sound Pulp and Paper Limited Partnership (the "Partnership") hereunder shall not be binding upon nor shall resort hereunder be had to the property of the limited partners of the Partnership but shall only be binding upon and resort shall only be had to the property and assets of the Partnership and HSPG General Partner Ltd."

Mill Office: 3838 Port Mellon Highway, Port Mellon, B.C., Canada V0N 2S0
Telephone (604) 884-5223 Facsimile (604) 884-2170 E-mail hspgcomments@hspp.ca Web www.hspp.ca
Registered Office: Bentall 5, 1500 - 550 Burrard Street, Vancouver, B.C., Canada V6C 2C1
Telephone (604) 661-5241 Facsimile (604) 661-5235 E-mail info@canfor.ca Web www.canfor.ca



**Bull,
Housser
& Tupper**

3000 Royal Centre . PO Box 11130
1055 West Georgia Street
Vancouver . BC . Canada . V6E 3R3
Phone 604.687.6575 Fax 604.641.4949
www.bht.com

Reply Attention of:	Brian Wallace
Direct Phone:	604.641.4852
Direct Fax:	604.646.2506
E-mail:	RBW@bht.com
Our File:	03-2802
Date:	June 10, 2005

British Columbia Utilities Commission
6th Floor – 900 Howe Street
Vancouver, BC V6Z 2V3

Attention: Robert J. Pellatt
Commission Secretary

Dear Sirs/Mesdames:

**Re: BC Hydro and Power Authority
Negotiated Settlement
Transmission Service Rate Applications**

We write on behalf of the Joint Industry Electricity Steering Committee ("JIESC") to express its support for the negotiated settlement, as documented in the letter to participants from William J. Grant dated June 3, 2005.

This settlement was reached after extensive discussions between the JIESC and BC Hydro prior to the formal negotiated settlement process being implemented, and further discussions between all parties as a part of the negotiated settlement process. It should be implemented as presented.

The JIESC wishes to express its appreciation the efforts of BC Hydro's regulatory group to reach a settlement in this matter and the assistance of the BCUC staff in concluding a settlement.

Yours truly,

Bull, Housser & Tupper

Brian Wallace
RBW/sg/1313401



NEXEN CHEMICALS – Calgary
801 – 7th Ave SW Calgary AB Canada T2P 3P7
T 403 699.4000 F 403 699.5735 www.nexenchemicals.com
Email lisa_doig@nexeninc.com

June 10, 2005

Sent via Email

British Columbia Utilities Commission
6th Floor – 900 Howe Street
Vancouver, BC V6Z 2V3

Attention: Robert J. Pellatt
Commission Secretary

Re: BC Hydro Negotiated Settlement Transmission Service Rate Application

Nexen Chemicals wishes to confirm its support for the negotiated settlement dated June 3, 2005 and suggest that a public hearing is not required as the Negotiated Settlement already includes the input of, and accommodations for interested stakeholders.

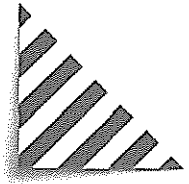
Although we accept Time-of-Use Rate Schedule 1825 as filed, recognizing it will not be used, we expect the urging of the Commission and other interested parties will ensure timely improvements are implemented so that the will rate(s) become useful and beneficial to BC Hydro and its customers.

We would like to express our gratitude towards all involved parties for their constructive contribution in the process that will hopefully reduce the regulatory burden of cost and time in the province.

Regards,

Lisa Doig
Director, Energy
Nexen Chemicals





Norske Skog Canada Limited
16th Floor, 250 Howe Street
Vancouver, British Columbia
Canada V6C 3R8

Tel: 604 654 4000
Fax: 604 654 4048

NorskeCanada

June 10, 2005

By E-Mail

To: Bill Grant
Executive Director, BC Utilities Commission

**Re: BC Hydro Negotiated Settlement
Transmission Service Rate Application**

Dear Bill:

We wish to confirm our acceptance of the terms of the Negotiated Settlement Agreement circulated June 3, 2005. We suggest that a public hearing is not required as the Negotiated Settlement already includes the input of, and accommodations for interested stakeholders.

The one concern we have left is that there is no fixed period for which Stepped Rates will remain in effect. Before we will make DSM investments there needs to be some assurance of long-term benefits perhaps through grandfathering, or it is unlikely that the investment will be made in the first place and the full potential of the energy policy will not be realized.

Our thanks to the regulatory group at BC Hydro for their effort in working with JIESC and with individual customers such as NorskeCanada over the past year or more, and thanks are also due to the role of BCUC staff in the success of reaching this Negotiated Settlement with all interested stakeholders.

Regards,

Dennis Fitzgerald
Director of Energy, NorskeCanada

cc: Brian Wallace, BH&T
Dal Scott, Chair JIESC
Dan Potts, Executive Director JIESC

POPE & TALBOT LTD.
Harmac Pulp Operations

British Columbia Utilities Commission
6th Floor – 900 Howe Street
Vancouver, BC V6Z 2V3

Attention: Robert J. Pellatt
Commission Secretary

June 10, 2005

By E-Mail

Dear Mr. Pellatt:

Re: BC Hydro Negotiated Settlement
Transmission Service Rate Application

This letter is to advise the BCUC that Pope and Talbot Ltd. supports the negotiated settlement as documented in the letter to participants from William J. Grant dated June 3, 2005.

The negotiated settlement process addressed two of our largest concerns through the addition of Section 6.2.2 (revision of CBL's) and through revision of the Energy Savings Persistence language.

Pope and Talbot Ltd. would like to acknowledge the contributions of both JIESC and Richard Stout and the BC Hydro team in working together to achieve this settlement.

Sincerely,

Douglas J. McKenzie, P. Eng.
Process Engineering Superintendent

Pope & Talbot Ltd.

1000 Wave Place
Nanaimo, BC V9R 5M5

Tel: (250) 722-3211
Fax: (250)-722-4330



Saskatchewan Wheat Pool

P.O. Box 86038, North Vancouver, B.C. V7L 4J5 • Tel (604) 990-2560 • Fax (604) 990-2559

June 10, 2005

VIA E-MAIL

British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, B.C. V6Z 2N3

Attention: R.J. Pellatt, Commission Secretary

Dear Sirs/Mesdames:

**Re: Negotiated Settlement Document
Stepped Rate - Transmission Service Rate Application
British Columbia Hydro and Power Authority**

Saskatchewan Wheat Pool finds the proposed Negotiated Settlement Document as circulated in its latest draft acceptable for submission to the BC Utilities Commission.

Though Saskatchewan Wheat Pool has some concerns about elements of the Negotiated Settlement Document we accept BC Hydro's assertion that these will be better addressed in their General Rate Application scheduled for this fall.

We thank all the participants for their input in the process, in particular BC Hydro for their work in steering a difficult paradigm shift in energy management that this NSP Document addresses.

Yours truly,

Peter Idema

Peter Idema P. Eng
Director Engineering and Maintenance

**Taylor Gas Liquids
Limited Partnership**

P.O. Box 460
Taylor, British Columbia,
V0C 2K0

June 15, 2005

In regards to: Negotiated Settlement

British Columbia Utilities Commission
Sixth Floor, 900 Howe St., Box 250
Vancouver, BC, V6Z 2N3

Dear British,

Subject: Response to the Draft CBL Load Determination Guidelines

Taylor Gas Liquids is not in a position to accept the proposed CBL Load Determination Guidelines as set out at the Negotiated settlement for the reasons indicated below.

As a participant of the negotiated settlement process representing Taylor Gas Liquids Limited Partnership, I had three primary issues to put on the table to receive consideration during the hearing. Those three issues were:

- a) Planned outages, which do not occur on a yearly basis will impact both the determination of the initial CBL and the ongoing CBL adjustments. Wording should be included into the CBL Load Determination Guidelines which specify that *"Planned outages such as regular plant turnarounds, shall not be included in the determination of a facility's CBL."* This is critical, as the turnaround itself may not directly contribute to the recalculation of the facility's CBL, however it may be a significant portion of a cumulative sequence of outages for a particular calendar year; which would have the net affect of changing the facility's CBL by more than the proposed 10% dead band.

Although the point was raised, and discussions took place at the hearing indicating that the "intent" was to exclude planned maintenance activities in the calculation of the initial CBL and/or future CBL calculations, there was no specific wording included in the document to support that discussion. Taylor, would like to see wording included into the CBL Load Determination Guidelines which reflect the boards understanding of this clause. It could be included under section 4.1.1.2.

- b) Customers, who have facilities that are currently operating at reduced capacities at the time that the CBL is set, will be adversely affected should the capacity increase in increments of less than the 10% dead band. Although discussions took place at the hearing and Article 6.1.2 was added to the CBL Load Determination Guidelines, the issue does not specifically address the concerns of customers who are currently at the lower end of their plant capacity, and have excess processing capacity available. Customers who experience small but regular growth which does not trigger the 10% dead band will be penalized, and will pay the Tier 2 price for power. BC Hydro indicated throughout the hearing that the new Stepped Rates program was designed to be revenue neutral and symmetrical. The current design is neither revenue neutral, nor symmetrical to customers who have already invested capital in their facilities to expand their operations, yet due to the cyclical nature of the business are at the lower end of

● Page 2

their name plate capacity. Guidelines need to be put in place to ensure that customers, who are currently operating at less than their name plate capacities, are not penalized as their production rates return to normal levels. All power consumption for existing customers should be maintained at the 90/10 split until name plate capacities are exceeded. This will level the playing field between existing customers, and new customers who construct facilities which can process an equal capacity to the *expansion capacity* of the existing customer.

- c) The final point of discussion is in regards to the Plant Capacity Increases. Discussions took place during the hearing and feed back was given to the board stating that although the capacity increase was lowered to 5% over the pre-project Energy CBL or 10 GWh, whichever is less, this number continued to be far to high for many current 1821 customers. This high hurdle will again penalize existing customers who have potential projects to expand which fall shy of the proposed guidelines. I see no advantage to setting any type of hurdle. If one of the mandates for the implementation of the Stepped Rates program is to not negatively impact the growth of business in British Columbia, then I believe that this capacity increase minimum requirement, is counterproductive to existing customer's facility expansion projects.

It is unfortunate to note that it appeared that the concerns of the smaller 1821 customers, who were not part of the Joint Industrial Electricity Council (JIEC), were overshadowed by the preliminary and ongoing negotiations between the JEIC and the BCUC, and very little progress was achieved in dealing with the smaller customer concerns.

Therefore, based on the items that have not been fully addressed, Taylor Gas Liquids Limited Partnership cannot fully support or endorse the "Customer Baseline Load (CBL) Determination Guidelines" and therefore votes against acceptance of the new guidelines.

Sincerely,

Jim Fallows
Operations Manager

Taylor Gas Liquids Limited Partnership



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Toll Free: 1-800-773-7001
www.terasengas.com

Via Email

June 10, 2005

British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Mr. William J. Grant
Executive Director, Regulatory Affairs and Planning

Dear Sir:

**Re: Project No. 3698385 – BC Hydro Transmission Service Rate Application
Comments of Terasen Gas Inc. on the Proposed Negotiated Settlement**

Terasen Gas Inc. ("Terasen Gas") is a Registered Intervenor in the BC Hydro Transmission Service Rate Application ("TSRA") proceeding and participated in the negotiated settlement process ("NSP") for this application occurring between May 16 and May 19, 2005. Terasen Gas submits this letter in response to the request in the June 3, 2005 covering letter accompanying the draft TSRA Negotiated Settlement materials that letters of comment and confirmation of acceptance be provided by June 10, 2005.

Terasen Gas agrees that Draft Negotiated Settlement document and Customer Baseline Load (CBL) Determination Guidelines distributed to NSP participants on June 3, 2005 fairly reflect the agreement reached through discussions that occurred in the May 16 – 19 NSP meetings and subsequent minor edits through email interchange.

Terasen Gas believes the provisions of the Settlement are acceptable for the introduction of this new rate design and generally address the directions of the provincial government in Special Direction No. HC2 and the government response to BCUC Recommendations 8 to 15 from the Heritage Contract, Stepped Rates and Transmission Access Inquiry. On this basis, Terasen Gas confirms its acceptance of the TSRA Negotiated Settlement and CBL Determination Guidelines as circulated to NSP participants on June 3, 2005 subject to the following comments.

Section 3 of the Negotiated Settlement notes that some participants are concerned that the initial Tier 2 price of 5.4 cents/kWh may not adequately reflect future costs. Terasen Gas holds this position and also wishes to indicate its view that adoption of 5.4 cents per kWh as the initial Tier 2 rate for Transmission Service customers should not constrain the debate in BC Hydro's upcoming general rate design about what future marginal costs are to serve other customer classes.

Section 4 of the Negotiated Settlement indicates that BC Hydro commits to posting the results of all CFTs on its website as soon as the results are known to provide advance notice of prospective Tier 2 price changes. This section addresses the provincial government response to BCUC Recommendation No. 8 which directs that prospective Tier 2 rates should be published periodically, even if no rate change is being made, for the purpose of providing public benchmark information. Terasen Gas believes that the posting of CFT results on BC Hydro's website should be in adequate detail and accompanied by other comparable electricity market information so that the purpose of providing public benchmark information is adequately served.

Section 8 of the Negotiated Settlement deals with exemptions from stepped rates for customers that are themselves distributors of electricity, selling all or significant portions of their purchased electricity to other end users beyond their receipt point. Industrial customers in the service areas of the exempt entities, at this point, will not be subject to mandatory stepped rates as in BC Hydro's service territory (Terasen Gas is aware that Fortis BC has optional time-of-use rates for many of its rate schedules although they are not stepped within the time-of-use periods.) Although there may be difficulties in implementation, Terasen Gas believes it would be appropriate for similar stepped rate tariffs to be applicable wherever transmission service customers are located in B.C. so that similar dynamics affect investment and energy efficiency decisions throughout the province.

Yours truly,

TERASEN GAS INC.

Original signed by

David A. Perttula
Manager, Market Development & Analysis

Phone: (604) 592-7470

Email: dave.perttula@terasengas.com

C: Negotiated Settlement Participants

Fasken Martineau DuMoulin LLP *
Barristers and Solicitors
Patent and Trade-mark Agents

Suite 2100
1075 Georgia Street West
Vancouver, British Columbia, Canada V6E 3G2

604 631 3131 Telephone
604 631 3232 Facsimile

APPENDIX B
to Order No. G-79-05
www.fasken.com
Page 47 of 54

**FASKEN
MARTINEAU** 

C.B. Johnson, Q.C.
Direct 604 631 3130
Facsimile 604 632 3130
cjohnson@van.fasken.com

June 8, 2005
File No.: 252295.00098

British Columbia Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC V6Z 2N3

Attention: William J. Grant
Executive Director, Regulatory Affairs & Planning

Dear Mr. Grant:

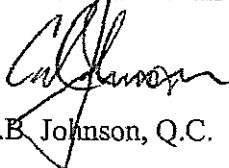
Re: British Columbia Hydro and Power Authority
Transmission Service Rate Application

We act on behalf of Terasen Pipelines (Trans Mountain) Inc. in this matter.

We hereby confirm that Terasen Pipelines (Trans Mountain) Inc. agrees to the settlement set out in Negotiated Settlement Agreement distributed with your letter of June 3, 2005.

Yours truly,

FASKEN MARTINEAU DuMOULIN LLP


C.B. Johnson, Q.C.

CBJ/vde

DM_VAN/252295-00098/6358679.1

Fasken Martineau DuMoulin LLP is a limited liability partnership under the laws of Ontario and includes the following offices:

Vancouver Calgary Toronto Montréal Québec City New York London Johannesburg



*Vancouver International Airport Authority
Administration de l'aéroport international de Vancouver
P.O. Box 23750
Airport Postal Outlet
Richmond, B.C. Canada V7B 1Y7
Website: www.yvr.ca*

June 8, 2005

British Columbia Utilities Commission
P.O. Box 250
Sixth Floor, 900 Howe Street
Vancouver, BC V6Z 2N3

Attention: Mr. William J. Grant
Executive Director

Dear Mr. Grant:

**Re: Negotiated Settlement Agreement Dated June 3, 2005 with Respect to
BC Hydro's Transmission Service Rate Application Filed March 10, 2005
(the "Negotiated Settlement Agreement")**

The Vancouver International Airport Authority (the "Airport Authority") wishes to acknowledge and thank all of the parties that participated in the British Columbia Utilities Commission's (the "Commission's") Negotiated Settlement Process (NSP) for their hard work and contributions to the Negotiated Settlement Agreement issued by the Commission in final form on June 3, 2005.

The Airport Authority operates the Vancouver International Airport (YVR) and resells a portion of its electricity purchases from BC Hydro under the current Rate Schedule 1821 to end-use customers in the terminals and airside areas at YVR. The Airport Authority intervened in these proceedings and participated in the NSP as a result of concerns it had regarding the general terms and conditions of the Rate Schedules 1823, 1825 and 1827 as proposed by BC Hydro in their Transmission Service Rate Application to the Commission. In particular, the Airport Authority was concerned about the proposed Stepped Rate (1823) and Time-of-Use (TOU) Rate (1825) given its distribution obligations to other end-users.

The Airport Authority accepts the Negotiated Settlement Agreement as issued by the Commission on June 3 to the parties that participated in the NSP. The Airport Authority confirms that the parties to the Negotiated Settlement Agreement believed that the Commission either has, or that it should seek, the discretion to exempt the Airport Authority from the Stepped or TOU Rates should we file an application seeking such exemption.

The Airport Authority also confirms that several issues raised by other participants during the NSP were, in the interests of achieving a settlement, deferred to BC Hydro's forthcoming General Rate Design Application (GRDA) expected to be filed with the Commission later this year. As a result, the Airport Authority may seek intervenor status when the GRDA is filed to see how BC Hydro proposes to deal with those outstanding issues, and to determine the impacts, if any, on the Airport Authority and its distribution obligations to other end-users.

Once the Negotiated Settlement Agreement is in place, the Airport Authority will be giving its final considerations to the filing of an application with the Commission for exemption from the Stepped and TOU Rate Schedules. The Airport Authority requests that the Commission provide us with some indication as to when such an application should be filed.

Yours truly,



Bob Cowan
Senior Vice President of Engineering

Cc. M. O'Brien, Vice President of Strategic Planning and Legal Services
R. Stout, Chief Regulatory Officer, BC Hydro
C. Bois, Miller Thomson



West Fraser Mills Ltd

June 10, 2005

British Columbia Utilities Commission
6th Floor – 900 Howe Street
Vancouver, BC V6Z 2V3

Attention: Robert J. Pellatt
Commission Secretary

Dear Sirs:

Re: BC Hydro & Power Authority Transmission Service Rate Application (Stepped Rates) –
Negotiated Settlement

This is to advise that West Fraser Mills Ltd supports the negotiated settlement as documented in the letter to participants from William J. Grant dated June 3, 2005.

The stepped rate/CBL format is a new and untried structure. The development of rules for implementation involved months of consultation between BC Hydro and the industrial consumers, and much compromise on both sides. This structure was fine tuned and finalized through the NSP.

Two important parts of the solution are:

- The flexibility in setting initial and revised CBL's covered in the Overview and Section 6.2.2.
- The definition of Energy Savings Persistence which allows for extension of the 10 year life of customer funded projects.

West Fraser believes this process served all stakeholders well, and we wish to acknowledge the contributions of Richard Stout during the months leading up to the NSP, and Bill Grant at the NSP, as significant to the successful outcome.

Yours truly,

A handwritten signature in black ink, appearing to read 'Bill LeGrow', with a stylized, cursive script.

Bill LeGrow
VP, Transportation & Energy



WESTERN PULP LIMITED

May 19, 2005

British Columbia Utilities Commission
Box, 250, 990 Howe Street
Vancouver, B.C.
V6Z 2N3

Attention: Commission Secretary

Dear Sirs:

Re: Western Pulp Signing Off on Negotiated Settlement Process

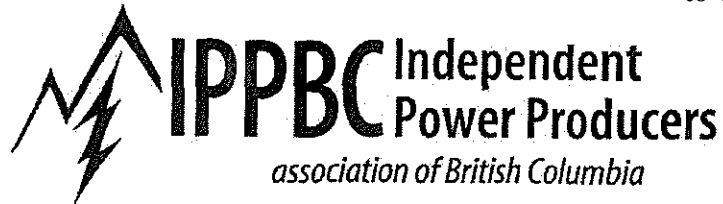
Western Pulp is not in full agreement with the negotiated settlement. The inability to adjust CBL's for market related production changes puts industry at a disadvantage compared to the 1821 rate. Even worse this could stall/slow an industries recovery from poor market conditions by increasing its overall energy costs while at the same time giving a "windfall of revenues" to B.C. Hydro.

Western Pulp will sign off on the negotiated settlement as Western Pulp believes that further dialogue will create more expenses and is unlikely to alter the present outcome. Western Pulp will present its case if necessary through the negotiated system, which will allow requests for CBL adjustments to be brought before the commission.

Yours truly,

Stephen Sutherland
Western Pulp Limited
Manager of Purchasing Services

*Suite 1500 – One Bentall Centre
505 Burard Street, Box 51
Vancouver, B.C. V7X 1M5
Tel: 604 . 665 . 8801
Fax: 604 . 665 . 8806*



June 13, 2005

Mr. R. Pellatt
Commission Secretary
British Columbia Utilities Commission
Sixth Floor, 900 Howe Street
Vancouver, B.C.
V6Z 2N3

Dear Sir:

**Re: An Application by British Columbia Hydro and Power Authority for
Transmission Service Rates (Stepped Rates)**

Dear Mr. Pellatt:

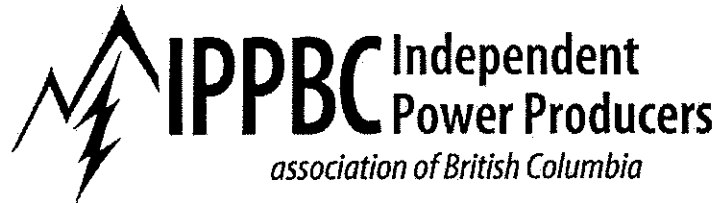
Due to the uncertainty surrounding the application of the B.C. Utilities Commission's Participant Assistant/Cost Award Guidelines, the IPPBC can't afford to participate in a significant way with respect to the above proceedings.

For the record, the IPPBC raised extensive concerns about Stepped Rates during the B.C. Utilities Commission's Heritage Contract Review. These concerns, such as BC Hydro's/Powerex continued unrestricted ability to participate in the stepped rate electricity market, were not addressed. Apparently, Powerex has expressed the view that it would become a regulated utility if it participated in this market. For this purpose, the IPPBC does not see any difference between BC Hydro and Powerex.

On page 33 of the B.C. Energy Plan it states:

"The B.C. Utilities Commission will conduct a hearing to develop new stepped and time-of-use pricing for BC Hydro's industrial and large commercial customers. As a principle, for stepped rates, the last block of energy consumed should reflect the cost of new supply. This will encourage these customers to meet part of their electricity needs through conservation and energy efficiency, or from other sources (self-generation or IPP purchases) where they can do so cost-effectively. To keep rates low overall, the stepped rate structure will be revenue-neutral (see box)...."

Continuing the trend started in the Heritage Contract Review, the Application does absolutely nothing to encourage IPP purchases. On the contrary it actively discourages these purchases. For example, under the heading "7.3 Retail Access via the OATT" it states:



“Under OATT, the retail access customer would arrange the transmission service from BCTC and the energy from a third party supplier. BC Hydro does not have access to information regarding what transmission capacity the customer has booked on the system nor the quality of energy delivered. As such, under this scenario, BC Hydro is proposing that the customer expose its full load to retail access. In the process, the retail access customer becomes a customer of BCTC and ceases to be a customer of BC Hydro.”

This is totally contrary to the U.S. Federal Energy Commission’s concept of “open access” that BC Hydro and Powerex have embraced and benefited from in the United States. But for the purposes of its home market, BC Hydro is quite prepared to severely penalize any of its customers who might be foolish enough to purchase electricity from IPPs and who arrange transmission service from BCTC.

Yours truly,

“Original signed by David Austin”

David Austin

William E Ireland, QC
Douglas R Johnson⁺
Allison R Kuchta⁺
Christopher P Weafer⁺
Gregory J Tucker⁺
Gary M Yaffe
Jean L McPherson
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D Barry Kirkham, QC⁺
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Our File: 23841/0006

June 15, 2005

VIA ELECTRONIC MAIL

British Columbia Utilities Commission
6th Floor, 800 Howe Street
Vancouver, B.C.
V6Z 2N3

Attention: Jim Fraser

Dear Sirs/Mesdames:

Re: British Columbia Hydro and Power Authority's Transmission Service Rate Application

We have reviewed the Draft Negotiated Settlement and supporting documents provided by the Commission's staff on June 3, 2005. The Commercial Energy Consumers Association of British Columbia agrees with the terms set out in Draft Negotiated Settlement and supporting documents.

We appreciate the significant effort that the parties and the Commission staff have put in to arrive at this settlement.

If you have any questions regarding the foregoing, please do not hesitate to contact the writer.

Yours truly,

OWEN BIRD LAW CORPORATION

Christopher P. Weafer

Christopher P. Weafer
CPW/jlb