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British Columbia Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC, V6Z 2N3
Attn: Erica Hamilton, Secretary
By email: Commission.Secretary@bcuc.com

Dear Madam:

Re: British Columbia Hydro and Power Authority,
Southern St'at'imc Communities Electrification Project Application
BCUC Project No. 3698586

This is the Final Submission of the B.C. Sustainable Energy Association and Sierra Club British Columbia regarding this matter, pursuant to BCUC Order No. G-163-09.

Remedy requested

BCSEA-SCBC support BC Hydro's request¹ for the following two orders from the Commission:

- an order accepting that expenditures of \$12.1 million on the Project² (SSCEP) are in the public interest pursuant to section 44.2 of the *Utilities Commission Act*; and
- an order that customers in the Southern St'at'imc Communities are eligible to pay Rate Zone I rates under the Electric Tariff.

Legal framework

The four Southern St'at'imc Communities are listed in the Schedule to the Remote Communities Regulation, B.C. Reg. 240/2007, as amended by B.C. Reg. 35/2009, under the *BC Hydro Public Power Legacy and Heritage Contract Act*, SBC 2003, c.84.³ As a result, BC Hydro is required to provide electricity service to persons whose premises are within 90 meters of a distribution system in those communities and who apply for service. Accordingly, BCSEA-SCBC agree with BC Hydro that "need" for the Project is not an issue in this application.

The application is an expenditure schedule filed with the Commission under section 44.2(1)(b) of the *Act*. After reviewing the expenditure schedule, the Commission must accept or reject all or part of the schedule: section 44.2(3) and (4). In considering whether to accept an expenditure schedule, s.44.2(5) requires the Commission to consider certain factors, of which the most relevant in the present case are:

¹ February 5, 2010 Final Submission by BC Hydro filed in this proceeding, p.3 lines 16-20.

² The Project comprises BC Hydro's acquisition of existing distribution systems, construction of new distribution lines, and construction of two substations. BC Hydro Final Submission, p.6; Application section 1.9 and 3.6.

³ Exhibit B-1, Appendix C.

- (a) the government's energy objectives, and ...
- (e) the interests of persons in British Columbia who receive or may receive service from the public utility.

The government's energy objectives are defined in section 1 of the *Act*. The most relevant to the present application are:

- (a) to encourage public utilities to reduce greenhouse gas (GHG) emissions; ... and
- (f) to encourage public utilities to take prescribed actions in support of any other goals prescribed by regulation [i.e., the Remote Communities Regulation cited above].

BCSEA-SCBC agree with BC Hydro⁴ that the Project is an “extension” of BC Hydro’s existing system within the meaning of s.45(2) of the *Act*, and therefore Certificate of Public Convenience and Necessity (CPCN) is not required for the Project.

Argument

The Project is structured so that the electricity service will be provided by a direct connection to BC Hydro’s integrated system (the “grid”) rather than by diesel generation (alone or in conjunction with renewable generation), which is the default form of service to communities under the Remote Communities Electrification (RCE) program. The finances of the Project are structured so that BC Hydro, and hence its ratepayers, pay only as much as it would otherwise cost to implement diesel generation. The additional costs of grid interconnection are to be borne by the St’at’imc First Nations communities (the “St’at’imc Contribution”).

In response to an Information Request from BCSEA-SCBC, BC Hydro provided a table⁵ showing yearly Project energy (in MWh), corresponding GHG emissions in tonnes CO₂e from the electrical power from the BC Hydro system proposed to be provided under the SSECP, and GHG emissions from diesel-electric generation of the type that would be the alternative to grid power for the SSECP. The table shows that over twenty years the total GHG emissions from the Project (grid-connection) would be approximately 1,754 tCO₂e, whereas the total GHG emissions from the Project in a diesel-electric generation configuration would be about 54,757 tCO₂e. In other words, by providing electricity service to the four communities via grid connection instead of diesel generation the Project avoids emissions of approximately 53,000 tCO₂e over twenty years.

This is a substantial reduction in BC Hydro’s GHG emissions, in the context of the fact that BC Hydro must provide electricity service to the Southern St’at’imc communities in any event. Furthermore, due to the unique financial structure of the Project these GHG reductions come at no incremental cost to BC Hydro ratepayers. Therefore, BCSEA-SCBC respectfully submit that in considering the Project expenditure schedule the Commission should conclude and take into account that the Project is strongly consistent with the government’s objective that utilities reduce GHG emissions.

⁴ BC Hydro Final Submission, p.3, lines 21-28.

⁵ Exhibit B-4, BC Hydro Response to BCSEA IR 1.1.1.

In addition to GHG emissions reductions, avoiding diesel-electric generation has other environmental benefits, such as eliminating noise, emission of conventional air pollutants, and the risk of fuel spills. These are adverted to in BC Energy Plan Item 28, along with economic (operating cost) issues associated with diesel generation. In evidence, BC Hydro confirmed that these factors apply to the Southern St'at'imc Communities.⁶

Rate Zone I rates

A question arose during this proceeding as to whether the wording of Special Direction 10 means that the Commission would be required to order that customers who take service under the Project would do so at Rate Zone II rates. Apparently because of the uncertainty regarding that topic, BC Hydro seeks a Commission order that customers in the Southern St'at'imc Communities are eligible to pay Rate Zone I rates.

BCSEA-SCBC are of the view that by virtue of the Electric Tariff customers in the Southern St'at'imc Communities would be eligible to pay Rate Zone I rates even in the absence of a Commission order to that effect. In response to an Information Request, BC Hydro states:

In the ordinary course, customers receiving service in the Southern St'at'imc Communities would be provided service under Rate Zone I rates since they will be connected to BC Hydro's integrated electric grid. The criteria for receiving service under the Rate Zone I tariff are that the customer is connected to the integrated electricity system (that is, part of the Integrated Service Area), in accordance with the Electric Tariff.⁷

While it is true that SD10 refers to customers under the RCE program being provided service under Rate Zone II rates, BCSEA-SCBC agree with BC Hydro that "The 2007 Energy Plan does not expressly state whether or not customers in remote communities who are integrated to the electric grid should pay Rate Zone I rates."⁸ There is a reasonable explanation for the reference to Rate Zone II rates for RCE customers in SD10. At the time, it was not expected that grid connection was "likely to be a viable option for any eligible remote communities."⁹ In that context, Rate Zone II rates would be *lower* than whatever rates would otherwise be applicable to RCE customers. Presumably, the rationale for mentioning Rate Zone II rates in SD10 was to prevent the RCE program from being undermined by low take-up because of especially high rates for RCE customers. SD10 and the RC Regulation apply up to the point that the Project is implemented. After that point, the cost of energy to supply the SSCEP customers is the same as for all customers connected to the integrated electricity system. So there is no underlying rationale for applying Rate Zone II rates to the SSCEP customers. As BC Hydro confirmed:

BC Hydro's Rate Zone II rates are higher than the corresponding customer class rates in Rate Zone I in order to recognize the inherent higher cost to serve customers in non-integrated areas, primarily related to how BC Hydro generates and delivers power to the customers in each rate zone.¹⁰

⁶ Exhibit B-4, BC Hydro Response to BCSEA IR 1.2.1.

⁷ Exhibit B-4, BC Hydro Response to BCSEA IR 1.3.3.

⁸ Exhibit B-4, BC Hydro Response to BCSEA IR 1.3.1.

⁹ *Ibid.*

¹⁰ Exhibit B-4, BC Hydro Response to BCSEA IR 1.3.2.

In addition, it would be particularly unfair to the Southern St'at'imc Communities for them to be charged at Rate Zone II rates for power from the integrated system given the fact that they paid for the additional cost of being connected to the grid (through the St'at'imc Contribution.)

While it could be argued that a Rate Zone I order is unnecessary, BCSEA-SCBC support BC Hydro's position¹¹ that such an order would be desirable in this case in order to prevent future uncertainty.

Conclusion

For the reasons stated above, BCSEA-SCBC respectfully request that the Commission conclude that the expenditures of \$12.1 million on the Southern St'at'imc Communities Electrification Project are in the public interest; and that the Commission order that customers in the Southern St'at'imc Communities are eligible to pay Rate Zone I rates under the Electric Tariff

Yours truly,

William J. Andrews



Barrister & Solicitor

cc. Distribution List by email

¹¹ Exhibit B-4, BC Hydro Response to BCSEA IR 1.3.6.