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January 12, 2009

BC HYDRO – 2008 LTAP

EXHIBIT

C21-8

British Columbia Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC, V6Z 2N3
Attn: Erica Hamilton, Secretary
By Web Posting

Dear Madam:

Re: British Columbia Hydro and Power Authority, 2008 Long Term Acquisition Plan,
BCUC Order No. G-96-08, BCUC Project #3698514

Attached please find Information Request #2 to BC Hydro on behalf of the B.C. Sustainable Energy Association and the Sierra Club of British Columbia.

Yours truly,

William J. Andrews



Barrister & Solicitor

cc. Distribution List by email

REQUESTOR NAME: B.C. Sustainable Energy Association and Sierra Club British Columbia
INFORMATION REQUEST ROUND NO: 3
TO: BRITISH COLUMBIA HYDRO & POWER AUTHORITY
DATE: January 12, 2009
PROJECT NO: 3698514
APPLICATION NAME: 2008 Long Term Acquisition Plan

3.33.0 Reference: Exhibit B-10, BC Hydro December 22, 2008 Evidentiary Update, 2.4 Impacts to DSM Plan, 2.4.2 Economic Potential and Impact on Expected Savings, Table 2-8, p.22

3.33.1 Please confirm that Table 2-8 uses DSM Option A figures.

3.33.2 Please provide a version of Table 2-8 that uses DSM Option B figures.

3.34.0 Reference: Exhibit B-10, BC Hydro December 22, 2008 Evidentiary Update, p.24; p.18

BC Hydro states on page 24:

“Reducing the three-year expenditures would run the risk of actual savings being lower than the adjusted expected amount. Maintaining the level of expenditures preserves the prospect of achieving the adjusted expected savings and may result in BC Hydro achieving more savings than that amount, which would be a positive outcome. If BC Hydro had maintained the original level of planned DSM savings, it would likely have needed to increase the three-year expenditures to compensate for changed circumstances. BC Hydro does not want to increase the three-year expenditures because they represent a substantial departure from historical levels and BC Hydro wants to gain experience and learnings from three years of operation at this higher level of effort before contemplating further increases in expenditures.” [underline added]

BC Hydro states on page 18:

“The impact to BC Hydro’s DSM Plan was analyzed first, before examining changes to the Clean Power Call target, because pursuant to subsections 44.1(2)(b) and (f) of the Utilities Commission Act (UCA), BC Hydro must pursue all cost-effective DSM before relying on supply-side resources.” [underline added]

3.34.1 To what level would BC Hydro have to increase the three-year DSM expenditures to yield the original level of planned DSM savings from DSM Option A?

3.34.2 Please provide the estimated unit cost of the DSM savings associated with increasing the three-year DSM expenditures to yield the original level of planned DSM savings from DSM Option A, and compare it to “IPP supply at \$120/MWh” [EU, p.25].

3.34.3 How does BC Hydro’s rationale for not wanting to increase the three-year DSM Option A expenditures jibe with BC Hydro’s statutory obligation to pursue all cost-effective DSM before relying on supply-side resources?

- 3.34.4 To what level would BC Hydro have to increase the three-year DSM expenditures to yield the original level of planned DSM savings from DSM Option B?
- 3.34.5 Please provide the estimated unit cost of the DSM savings associated with increasing the three-year DSM expenditures to yield the original level of planned DSM savings from DSM Option B, and compare it to “IPP supply at \$120/MWh” [EU, p.25].
- 3.34.6 Please provide the revised Total Resource Levelized Cost for Options A and B, as originally shown in Table 3-4 of the 2008 LTAP filing.

3.35.0 Reference: Exhibit B-10, BC Hydro December 22, 2008 Evidentiary Update, Table 2-9 Energy Gap After DSM, p.23; 2.6.1 New Clean Power Call Target

Table 2-9 shows “Gap Before 2008 LTAP actions”, “Adjusted DSM”, and “Energy Gap after Adjusted DSM.” The text states that “The bottom of Table 2-9 demonstrates the remaining gap that will need to be filled through acquisition processes.” The figure for “Energy Gap after Adjusted DSM” in F2017 is -3,000 GWh/year.

On page 26 BC Hydro states:

“Given the reduced energy load/resource gap post-2015 arising from this Evidentiary Update, BC Hydro decided to reduce the target size of the Clean Power Call from 5,000 GWh/year to 3,000 GWh/year. Using a 30 per cent attrition factor, the post-attrition volume of the Clean Power Call for planning purposes is now 2,100 GWh/year of firm energy.” [underline added]

- 3.35.1 Please confirm that the figure of -3,000 GWh/year for “Energy Gap after Adjusted DSM” in F2017 does not correspond directly to BC Hydro’s target of 3,000 GWh/year for the Clean Power Call – because the Clean Power Call target is pre-attrition at 30%. If not, please explain.
- 3.35.2 Please provide a version of Table 2-9 showing “Energy Gap after (Re-)Adjusted DSM” respectively for:
 - (a) a restored original level of planned DSM savings from DSM Option A (due to increased three-year DSM expenditures),
 - (b) an adjusted level of DSM Option B savings (without change to the Option B three-year DSM expenditures), and
 - (c) a restored original level of DSM Option B savings (due to increased three-year DSM expenditures).
- 3.35.3 Please provide a table showing the pre- and post-attrition target size for the Clean Power Call corresponding to the three DSM scenarios in the previous IR and (for comparison) the Adjusted DSM Option A per EU scenario.

3.36.0 Reference: Exhibit B-10, BC Hydro December 22, 2008 Evidentiary Update, 2.6.1 New Clean Power Call Target

BC Hydro requests Commission endorsement of a pre-attrition target of 3,000 GWh/year for the Clean Power based on a 30% attrition factor. In supporting its choice of 30% for the attrition factor, BC Hydro says that the expected attrition rate for the F2006 Call excluding coal-fired and

biomass projects is about 40%. BC Hydro says:

“BC Hydro is of the view that the market conditions were sufficiently unique and difficult during that period to expect that future acquisitions would be below that rate. Higher than normal attrition experienced by IPPs in B.C. is primarily attributed to the higher than expected rate of cost escalation. If the construction market stabilizes or softens in the near future, the likelihood and the extent of under-pricing should decrease thereby having a positive impact on project attrition rates.” [EU, p.27]

On page 13, BC Hydro states:

“• The recent volatility in the financial market has increased the cost of debt and equity for independent power producers (IPPs) and at the same time decreased the availability of credit and equity capital;”

- 3.36.1 To what extent was the higher than normal attrition experienced by IPPs in B.C. for the F2006 Call attributable to difficulties obtaining credit or equity capital and increased cost of debt and equity?
- 3.36.2 Does the “recent volatility in the financial market [that] has increased the cost of debt and equity for independent power producers ... and at the same time decreased the availability of credit and equity capital” continue at the present time?
- 3.36.3 Would BC Hydro agree that IPPs’ difficulties regarding the availability and cost of credit or equity capital are not reasonably likely to be resolved during the Clean Power Call bidding process and the construction period up to commercial operation? If so, would that have a negative impact on project attrition rates?
- 3.36.4 Has the construction market stabilized or softened as of the date of the Evidentiary Update or as of the date of BC Hydro’s responses to these IRs?
- 3.36.5 Does BC Hydro have an estimated future date, or date range, at which the construction market is likely to stabilize or soften? If so, please provide it.

3.37.0 Reference: Exhibit B-10, BC Hydro December 22, 2008 Evidentiary Update, 2.7 Revised Base Resource Plan, Table 2-10 Base Resource Plan – Energy Table, Figure 2-5 Base Resource Plan – Energy Graph

- 3.37.1 Please provide a version of Table 2-10 showing DSM Option B instead of DSM Option A, presumably using the DSM Option B figures requested in IR 3.33.2 above.
- 3.37.2 Please provide a version of Figure 2-5 showing DSM Option B instead of DSM Option A.
- 3.37.3 Please provide the yearly incremental DSM GWh and MW savings – not including decay of savings from previous years – for the revised Options A and B. Please indicate if savings include line losses and the appropriate line losses for converting from generation to the customer meter or vice-versa.
- 3.37.4 Please provide the yearly DSM spending to achieve the savings for revised Options A and B in the previous IR.

3.38.0 Reference: Exhibit B-10, BC Hydro December 22, 2008 Evidentiary Update, 2.7 Revised Base Resource Plan, Table 2-11 Base Resource Plan – Capacity Table, Figure 2-6 Base Resource Plan – Capacity Graph

3.38.1 Please provide a version of Table 2-11 showing DSM Option B instead of DSM Option A, presumably using the DSM Option B figures requested in IR 3.33.2 above.

3.38.2 Please provide a version of Figure 2-6 showing DSM Option B instead of DSM Option A.

3.39.0 Reference: Exhibit B-10, BC Hydro December 22, 2008 Evidentiary Update, 2.8 Fort Nelson Service Area;

The December 22, 2008 Evidentiary Update shows a significant increase in the expected load for BC Hydro's Fort Nelson service area.

Regarding the current status of BCTC transmission studies, BC Hydro reports at p.41:

“b) A non-tariff study for BC Hydro on the alternative transmission options to interconnect loads of 250 to 800 MW in the Fort Nelson region to the B.C. interconnected system is currently underway, and expected to be completed in the second quarter of 2009;”

The Terms of Reference for the section 5 Transmission Infrastructure Inquiry require the Commission to have regard for evidence regarding BC Hydro's and FortisBC's energy and capacity requirements under scenarios, with certain qualifications, including a scenario in which “the potential for long-term economic expansion in areas of British Columbia, such as the northeast region of British Columbia, is explicitly incorporated.” [underline added]

It is recognized that the Panel IR 1.21 (Exhibit A-15) addresses this topic.

3.39.1 What are BC Hydro's views on the (a) feasibility and (b) desirability of deferring Commission consideration of the proposed Fort Nelson Generating Station Upgrade in this 2008 LTAP proceeding so as to allow more-comprehensive examination of integrated transmission options for meeting load and peak demand growth in the Fort Nelson service area?

3.39.2 Would Commission approval of BC Hydro's proposed Fort Nelson Generating Station Upgrade in this 2008 LTAP proceeding have the effect of limiting the range of integrated transmission options for providing electricity service to the Fort Nelson service area that would be considered by the Transmission Inquiry?

3.39.3 If the Commission wanted to preserve the full range of integrated transmission options for providing electricity service to the Fort Nelson service area for consideration by the Transmission Inquiry, what changes, if any, would be required to BC Hydro's Fort Nelson Generating Station Upgrade proposal in this 2008 LTAP proceeding?

3.40.0 Reference: Exhibit B-10, BC Hydro December 22, 2008 Evidentiary Update, 3. DSM Regulation, Residential Low Income DSM Program, p.43

BC Hydro states:

“As a result of subsections 4(2)(b) and 4(6) of the DSM Regulation, BC Hydro is no longer requesting BCUC endorsement of the residential Low Income DSM program as

part of the 2008 LTAP. The request for endorsement stemmed from the residential Low Income DSM program falling below both the TRC and RIM benefit/cost ratio thresholds established by the BCUC in the F05/F06 RRA Decision. The 30 per cent TRC adder increases the program's TRC benefit/cost ratio from 0.9 to 1.2, so it no longer falls below the TRC threshold of 1.0 in Directive 60. In addition, in BC Hydro's view subsection 4(6) of the DSM Regulation eliminates that part of Directive 60 requiring BC Hydro to seek approval for new DSM programs with a RIM benefit/cost ratio of less than 0.8."

- 3.40.1 Please confirm that BC Hydro does intend to continue with the residential Low Income DSM program, even though BC Hydro is no longer requesting Commission endorsement of the program as part of the 2008 LTAP.

End of document