

REQUESTOR NAME: **BC Sustainable Energy Association**

INFORMATION REQUEST ROUND NO: 1

TO: **Association of Major Power Customers**

DATE: **June 14, 2012**

PROJECT NO: **3698640**

APPLICATION NAME: **BC Hydro Application for a Certificate of Public Convenience and Necessity for the Dawson Creek and Area Transmission Line**

1.0 Topic: AMPC

Reference: BC Hydro F2012-F2014 RRA, Exhibit C18-14, AMPC Response to BCSEA IR 1.1

“AMPC members include major transmission level customers of BC Hydro in the Pulp and Paper, Forestry, Mining, Electrochemical and Petrochemical sectors. This includes major BC corporations, some struggling to stay in business and some with major growth and expansion plans.

All AMPC members have at least one facility served at transmission voltage level on BC Hydro’s TSR. Several AMPC members have multiple services some of which would be considered large commercial or small industrial. Some AMPC members have significant cogeneration and renewable generation facilities. All AMPC member representatives also personally have residential services.

AMPC typically does not make its membership list public. To be helpful, however, AMPC advises that its membership collectively purchased 10,642 GWh from BC Hydro in 2011. This represents approximately 21% of B.C.’s total load and 81% of large industrial load. [FN: Calculated based on Exhibit B-1-3, New Table 3-A.] Approximately 60% of this consumption was from forestry-related industries, 26% from mining, and 14% from electrochemical and petrochemical operations.

AMPC’s predecessor was the Joint Industry Electricity Steering Committee (“JIESC”) and before that the Council of Forest Industries and the Mining Association of B.C. AMPC and these predecessors have been active participants in Commission proceedings since BC Hydro became rate-regulated nearly four decades ago.”

1.1 Please update and/or confirm the description of AMPC.

2.0 Topic: Postage stamp rate principle

Reference: Exhibit C-3-10, p.4-

“BC Hydro’s Electric Tariff is based on the “postage stamp rate” principle that is very widely accepted by vertically integrated utilities. Under the postage stamp principle, rates do not differ by location or vintage of customer and are designed to recover the fully allocated cost of service...” [p.4]

2.1 To confirm, are you saying that under the postage stamp rate principle rates do not differ between new customers and existing customers, other things being equal, and subject to the customer contribution concept?

“Customers that choose to develop large electrical loads in locations that will require significant incremental transmission infrastructure construction are then

required to contribute to the cost of the infrastructure with a contribution payment before they can access the stable postage stamp rate.” [p.5]

- 2.1 Does the postage stamp rate principle always include the customer contribution concept?

3.0 Topic: Customer contribution
Reference: Exhibit C-3-10, p.4

“Customer contributions are a necessary component of postage stamp rates for several reasons. To be maintained, postage stamp rates require protection from undue price escalation and associated controversies that would occur if new customers or groups of customers causing significant expansion costs were not charged a "contribution in aid of construction" or "CIAC", usually termed a customer contribution.”

- 3.1 Please confirm that “undue price escalation” refers to upward pressure on rates for existing (and new) customers.
- 3.2 What is meant by “associated controversies”?

4.0 Topic: Timing of any changes to customer contribution policy
Reference: Exhibit C3-10, p.15, 16

“AMPC recommends that the Commission deny approval of the DCAT project pending a revision of TS 6 to provide an effective and consistent contribution policy, resulting in outcomes that are in the public interest.” [p.15]

“Q. What is your response to new customers’ concern that changing the tariff now would be too time-consuming given their projects’ needs, and the time and money they have already invested?”

A. Proceeding further with transmission construction under TS 6 would compound BC Hydro’s initial error. BC Hydro ought to have recognized that TS 6 would create this outcome several years ago once it became aware of the initial scope of demand driving the DCAT project. Natural gas powered compression or self generation may remain options, and from a cost perspective it is important to avoid the potential overbuild of the DCAT and GDAT projects.” [p.16]

- 4.1 If the Commission was persuaded that the customer contribution policy implicitly or explicitly applied to the new customers whose load would be served by the DCAT project was not adequate, would the Commission’s only option be to deny this CPCN application? Are there alternatives?
- 4.2 If this CPCN application was denied pending a revision of TS 6, as recommended by AMPC, what would be the procedure for (a) revising TS 6 and (b) revisiting the DCAT CPCN application?
- 4.3 Is the potential overbuild of the DCAT and GDAT projects the only reason for denying the requested CPCN, in AMPC’s view?

5.0 Topic: Decision-maker re customer contribution policy
Reference: Exhibit

“AMPC is concerned about the very different treatment of customer contributions, applicable to similar sizes of large industrial developments imposing similar incremental costs on the BC Hydro system, based solely on the presence or absence of existing but inadequate infrastructure in the vicinity of the new loads. The large majority of the DCAT project’s capacity expansion (costing in excess of \$219 million) is for the benefit of new industrial load, yet no contribution is required from these customers and the system costs are therefore “rolled-in” to the rates. In contrast, expansion projects of comparable size and cost in other parts of the province – notably the Northwest Transmission Line (NTL) project (\$228 million net of grants) – rely on customer contributions with no “roll-in”. Different tariff treatment for customers causing similar increases in system costs creates numerous problems and is not in the public interest.” [p.3]

- 5.1 Is AMPC’s main concern that new large loads requiring upgraded transmission infrastructure are not required to make a customer contribution; or that there is a discrepancy in that a customer contribution is required for new large loads requiring new transmission infrastructure but for new large loads requiring upgraded transmission infrastructure?
- 5.2 Please discuss AMPC’s view of the respective roles of the government, the Commission and BC Hydro in terms of determining the appropriate customer contribution policy.

6.0 Topic: Current Solutions Inc (CSI) evidence
Reference: Exhibit C15-5

- 6.1 Please provide any comments AMPC may have regarding CSI’s evidence.