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VIA E-FILING SYSTEM

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

Attention: Erica Hamilton, Commission Secretary

Dear Sirs/Mesdames:

**Re: BC Hydro Rate Design Application (RDA)
Association of Major Power Customers of British Columbia (AMPC)
Submissions Re Negotiated Settlement Process (NSP) for 2016 Cost of
Service Study (COSS) and Rate Class Segmentation**

We are counsel to AMPC, and we write in response to the Commission's letter of February 11, 2016, requesting submissions relating to the forthcoming NSP for the COSS.

The Commission requested submissions on the following:

- (1) confirmation from the parties who intend to participate in the settlement discussions;
- (2) submissions from registered interveners on BC Hydro's submission in its letter dated January 21, 2016 requesting Commission staff be established as Active Participants; and
- (3) comments on the specific issues related to the COSS and rate class segmentation that parties wish to have addressed in the NSP.

AMPC confirms that it intends to participate in settlement discussions.

AMPC disagrees with BC Hydro's proposal to have Commission staff identified by the Chair at the commencement of the procedural conference be established as Active Participants for the NSP. Although Commission Counsel expressed a "staff" view regarding the COSS at the Procedural Conference, that does not make the staff concerned Active Participants in an NSP. Procedural Conferences are not NSPs, are not

covered by the NSP Guidelines, and should not be treated as if they are. Limitations on staff conduct, such as those associated with the Active Participant status provided in an NSP, should not be extended as a result of statements made in public hearings. An NSP is a very special process where parties often disclose confidential material and positions that will never become public and should not be shared with a Commission Panel or other staff should the matter proceed to hearing. A Procedural Conference is a very different type of proceeding. It is public and held before the Commission and all parties. Counsel often express staff views at Procedural Conferences and those views have not led to restrictions on staff's future participation in the proceeding. BC Hydro does not have a legitimate cause for complaint in this matter. It now has the benefit of knowing one or more staff member's opinion and ample opportunity to respond. As a result, in AMPC's view, there is no reason that those specific staff identified at the procedural conference should be appointed as Active Participants. The only staff that should be designated as Active Participants are those that actually participate in the NSP process and come within the definition of Active Participants as contemplated in the NSP Guidelines.

AMPC seeks to address the following issues through the NSP:

- **Rate Design and COSS Principles** – AMPC is of the view that the NSP is an appropriate forum to discuss principles that inform both rate design and COSS, while recognizing that rate design and COSS are separate and distinct exercises with COSS informing rate design.
- **Classification of Heritage Hydro** – AMPC believes that a capacity factor approach, which classifies heritage hydro costs 45% to energy and 55% to demand and is consistent with 2007 RDA Direction 5, continues to be the most appropriate classification mechanism for these generation costs.
- **Embedded Cost of Service** – AMPC supports BC Hydro's proposal to continue to use an embedded cost of service for revenue requirement allocation purposes, and, consistent with the 2007 RDA Decision, believes it to be appropriate to continue to use this approach because marginal cost should not be relevant to rate design.
- **Demand Side Management.** Although AMPC believes that BC Hydro's proposed allocation of 90%/5%/5% to generation/transmission/distribution is an improvement over the prior split of 90%/10% to generation/transmission, it is AMPC's view that a higher weighting on generation would be appropriate because this better reflects the generation displacement focus and justification of utility funded DSM.

- **Independent Power Producers (IPPs)** – AMPC believes that BC Hydro's shift from IPPs being classified as 100% energy to 93%/7% energy/demand is a small improvement over the status quo, but believes IPPs should not be classified to energy at all. IPP costs for BC Hydro are contractually fixed for the contract term. IPPs are not dispatchable and BC Hydro is required to take the IPP energy regardless of system needs at the time of delivery. IPP costs are therefore not incurred in real time as a function of system or customer energy requirements. As AMPC has advocated in the past, IPP costs are more appropriately attributable to demand.
- **Information Technology Costs** – As it has previously noted, AMPC continues to believe that a study that directly and more accurately assigns IT costs to all significant users of IT services including and specifically identifying metering, billing, customer service, and distribution operations and planning is necessary and should be conducted to inform a F2019 COSS.
- **Heritage Thermal** – AMPC believes that the Prince Rupert Generating Station and Fort Nelson Generating Station should be allocated 45%/55% to energy/demand, as BC Hydro proposes for Heritage Hydro, instead of based on BC Hydro's load factor approach. AMPC supports BC Hydro's proposal to classify the Burrard Generating Station as 100% demand, and fuel costs as 100% energy.
- **Customer Care Allocation** – AMPC supports BC Hydro's proposed allocation of customer care costs as 100% customer costs because customer costs do not vary with demand.
- **Smart Meter Infrastructure** – As above, AMPC supports BC Hydro's proposed allocation of smart meter costs as 100% customer costs. All customer metering and related systems required for appropriate meter functioning and billing (including any security and theft prevention attributes) are by definition a cost that is a function of the number of customers served. SMI costs are clearly not a function of the system energy or demand delivered.
- **Regulatory Accounts** – AMPC suggests that regulatory accounts should be treated as 100% customer costs.

Other issues of interest to AMPC that have not been identified above may arise in the submissions of other parties or during the course of the NSP, and AMPC will provide its position on those issues when appropriate.

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Please contact the undersigned if you have any questions.

Yours truly,

Bull, Houser & Tupper LLP



per: Matthew D. Keen