



Fred James
Chief Regulatory Officer
Phone: 604-623-4046
Fax: 604-623-4407
bchydroregulatorygroup@bchydro.com

July 31, 2018

Mr. Patrick Wruck
Commission Secretary and Manager
Regulatory Support
British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Mr. Wruck:

RE: Project No. 1598939
British Columbia Utilities Commission (BCUC or Commission)
FortisBC Inc. 2017 Cost of Service Analysis and Rate Design Application
(FortisBC RDA)
British Columbia Hydro and Power Authority (BC Hydro)
Intervener Evidence

BC Hydro writes further to Order No G-101-18 and encloses BC Hydro's written evidence.

The FortisBC RDA seeks approval of clarifying language in the rate harmonization provision contained in its transmission tariff. While BC Hydro has no concerns with respect to the specific tariff amendments FortisBC seeks, BC Hydro does have concerns with FortisBC's view that a broader review of the rate harmonization provisions of the respective BC Hydro and FortisBC tariffs is not required. As such, BC Hydro's evidence provides further context with respect to the continued applicability and appropriateness of those rate harmonization provisions. Specifically, and as a result of changes to retail access in BC Hydro's service territory and changes to market characteristics over the past 20 years, BC Hydro believes that a broader review of the rate harmonization provisions may be warranted and that such review could include both BC Hydro and FortisBC.

Submissions with respect to further process, if any, will be made in final argument.

July 31, 2018
Mr. Patrick Wruck
Commission Secretary and Manager
Regulatory Support
British Columbia Utilities Commission
Intervener Evidence

For further information, please contact Anthea Jubb at 604-623-3545 or by email at bchydroregulatorygroup@bchydro.com.

Yours sincerely,



Fred James
Chief Regulatory Officer

pm/tl

**FortisBC Inc. 2017 Cost of Service Analysis and
Rate Design Application**

**Evidence of
British Columbia Hydro and Power Authority**

July 31, 2018

Table of Contents

1	Introduction	1
2	Background	2
3	Current Considerations	4

1 Introduction

2 This is BC Hydro's evidence in respect of FortisBC Inc.'s (FortisBC) 2017 Cost of
3 Service Analysis and Rate Design Application (FortisBC RDA).¹

4 The FortisBC RDA seeks various approvals with respect to its residential,
5 commercial and irrigation and wholesale rate schedules; a change to its optional
6 time of use rates; changes to its transmission service rates and its general terms
7 and conditions. Amongst its requested relief, FortisBC has proposed changes which
8 seek to clarify the rate harmonization provisions or, "anti-pancaking"² language,
9 contained in Rate Schedule (RS) 101 (Long-term and Short-Term Firm Point-to-
10 Point (PTP) Transmission Service)³ and specifically, to clarify the applicability of the
11 PTP transmission service. The specific amendments proposed are described in
12 section 7.2.3 of the FortisBC RDA and, as noted in the application⁴, BC Hydro
13 provides a similar clarification for its customers through its *Open Access*
14 *Transmission Tariff - Business Practice, Posting of Transmission Offerings*.⁵ As
15 such, BC Hydro has no concerns with the specific amendments to RS 101 requested
16 by FortisBC.

17 However, in response to information requests FortisBC offered its views on a
18 number of related rate harmonization issues that BC Hydro does not necessarily
19 agree with. Further, in response to BCUC IR 1.63.7 (Exhibit B-8) FortisBC offered
20 that no "broader review of the harmonization provisions [of the respective tariffs of
21 BC Hydro and FortisBC]" is presently required. In BC Hydro's view there have been

¹ FortisBC RDA, Exhibit B-1.

² "Pancaking" involves the stacking of transmission tariffs which would result in a customer paying the tariffs of both utilities (i.e., BC Hydro and FortisBC) when power was moved between the two service territories.

³ The same language is contained in FortisBC's RS 102 but FortisBC seeks to remove RS 102 as part of its application.

⁴ See FortisBC RDA, Exhibit B-1, Section 7.2, page 92.

⁵ See BC Hydro's *Open Access Transmission Tariff – Business Practice, Posting of Transmission Service Offerings* at: https://www.bchydro.com/content/dam/BCHydro/customer-portal/documents/corporate/suppliers/transmission-scheduling/business_practices/2016%20October%20-%20Posting%20of%20Transmission%20Service.pdf.

1 a number of changes to the electricity sector in the past 20 years that bear on the
2 rate harmonization provisions that might well warrant a broader review. Consistent
3 with the Commission's procedural Order No. G-101-18, at this time BC Hydro offers
4 only evidence of those changes. Submissions on possible future processes, if any,
5 will be made in final argument.

6 **2 Background**

7 As outlined in section 7.2.1 of the FortisBC RDA, the rate harmonization provisions
8 that are the subject of FortisBC's proposed tariff amendment arose from a joint
9 application (in 1998) by BC Hydro and FortisBC (then West Kootenay Power). The
10 application was for amendments to their respective wholesale transmission tariffs
11 that sought to avoid the "pancaking" of rates for customers seeking to serve their
12 loads from a third-party and where the transmission systems of both utilities would
13 be required to deliver the power to the customer.⁶ In such cases, it was proposed
14 that the customer would be charged only the transmission service rate of the utility
15 within whose service area the customer is located.⁷

16 The application was approved by Commission Order No. G-12-99 which resulted in
17 tariff modifications to both the BC Hydro OATT and FortisBC transmission tariff.
18 BC Hydro notes that the record of the application was quite modest, and that a
19 related exemption application is readily available on the public record (see
20 FortisBC's response to the Industrial Customers Group IR 15.2 (Exhibit B-26)).

21 In its reasons for decision approving the joint application, attached as Appendix A to
22 Order No. G-12-99, the Commission observed that:

23 the license plate approach [that is, the simple implementation of
24 a zero \$ PTP rate] to harmonization can create a transfer of
25 revenue responsibility between the ratepayers of participating

⁶ See FortisBC RDA, Exhibit B-1, Appendix I-1, 1998 Joint BC Hydro/West Kootenay Power Ltd. Rate Harmonization Application.

⁷ *Ibid.*

1 utilities. Since most open access transactions in B.C. are
2 expected to run from the BC Hydro system to the WKP system,
3 and since these transactions will tend to displace RS 3808
4 transactions – through which WKP ratepayers make their
5 contribution to the BC Hydro transmission system – there is
6 likely to be a net transfer of cost responsibility for the BC Hydro
7 system toward BC Hydro ratepayers and away from WKP
8 ratepayers.⁸

9 In its determination, the Commission stated that it “supports the license plate
10 approach for its simplicity” and that it “[saw] few problems with its application as long
11 as the use of wheeling tariffs [was] relatively low.” Finally, the Commission
12 commented that “the license plate approach [was] probably not a harmonization
13 method that could survive indefinitely, since in a high-use environment, the shifting
14 of revenue responsibility would reach unacceptable levels.”⁹ In light of this concern,
15 the Commission noted that after two years, a review of the relative use of the
16 harmonization provisions and effectiveness of the approach would be appropriate.

17 Since 1999, FortisBC has offered retail access to its large industrial customers
18 through its wheeling tariff and associated service provisions.¹⁰ To the best of
19 BC Hydro’s knowledge, the service has not been used to date.

20 For a short period of time, retail access on the BC Hydro system was also made
21 available. BC Hydro’s OATT defines an “eligible customer” (in part) as:

22 ...Any retail customer taking unbundled transmission service for
23 all or part of its energy purchase pursuant to a provincial
24 requirement that the Transmission Provider offer the
25 transmission service, or pursuant to a voluntary offer of such
26 service by the Transmission Provider, is an Eligible Customer
27 under the Tariff.

⁸ See FortisBC RDA Exhibit B-1, Appendix I-3, Commission Order G-12-99, Appendix A, Reasons for Decision Section 2.1, page 2 of 4.

⁹ See FortisBC RDA, Exhibit B-1, Appendix I-3, Commission Order G-12-99, Appendix A, Reasons for Decision, Section 2.2, page 3 of 4.

¹⁰ Retail access is offered by FortisBC under their transmission access tariff supplement (TS No. 7), point-to-point transmission service rate schedule (RS 101) and associated ancillary service provisions.

1 In BC Hydro's (then British Columbia Transmission Corporation) August 2004 OATT
2 application it proposed that BC Hydro's large retail customers (defined as those on
3 BC Hydro's RS 1821 (now RS 1823)) would be eligible customers under the OATT.
4 This proposal constituted BC Hydro's voluntary offer of retail access contemplated in
5 the definition of "eligible customer." The Commission approved BC Hydro's request
6 in Order No. G-58-05.

7 In BC Hydro's March 2014 F15-F16 Revenue Requirements Application (RRA),
8 BC Hydro withdrew the offer previously made – that is, it applied for a final order
9 from the Commission accepting BC Hydro's withdrawal of any obligation to provide
10 unbundled transmission services pursuant to BC Hydro's OATT.¹¹ The Commission
11 accepted BC Hydro's withdrawal by Order No. G-36-14.¹²

12 The result of the foregoing is that there is no retail access in BC Hydro's service
13 territory and BC Hydro retail load customers cannot use the BC Hydro OATT for
14 retail access. The removal of retail access in BC Hydro's service territory did not
15 impact potential FortisBC retail access customers.

16 **3 Current Considerations**

17 Since the insertion of the rate harmonization provisions in the respective BC Hydro
18 and FortisBC transmission tariffs no entity has ever used the PTP service across the
19 point of interconnection between the BC Hydro and FortisBC transmission systems.
20 As a result, the review of the license plate approach and harmonization method
21 contemplated by the Commission in its 1999 approval has never occurred.

22 The review contemplated by the Commission was premised, in large part, on
23 evaluating how much revenue loss the utilities incurred. While the Commission
24 specifically noted that BC Hydro was expected to experience greater revenue loss,

¹¹ See BC Hydro's March 7, 2014 F15-F16 RRA, page 1 and 5.

¹² The Commission's approval was compelled by law through section 14(1)(a) of Direction No. 7.

1 because most of the deliveries would be to FortisBC's service territory and not to
2 BC Hydro's service territory, it was an open question. As a result of the withdrawal of
3 retail access in BC Hydro's service territory, it is no longer an open question: under
4 the rate harmonization provisions only BC Hydro will be providing PTP wheels at no
5 charge for retail loads in BC.

6 In addition to the above issue, BC Hydro also notes that current market conditions
7 have changed such that as a result of low Mid-C market prices, there are now
8 economic incentives for the development of retail loads in FortisBC's service
9 territory, specifically through imports from the U.S. using PTP service on the
10 BC Hydro system.

11 Finally, BC Hydro notes that in the Commission's reasons for decision
12 accompanying Order No. G-12-99, it contemplated the prospect of extending
13 harmonization beyond just PTP transmission rates and into ancillary services.
14 Ultimately, and in consideration of the fact that "the permanency of the license plate
15 approach to harmonization is open to question," the Commission left those issues to
16 be decided at another time.¹³

17 Despite the foregoing, BC Hydro recognizes that there are potential uses of rate
18 harmonization that may mean that it continues to have significance for British
19 Columbia, including maintaining options for Independent Power Producers and
20 facilitating load retention, load attraction and economic development opportunities.
21 BC Hydro does not seek an end to rate harmonization per se, nor does it object to
22 FortisBC's specific tariff amendment proposal. Rather, it seeks to alert the
23 Commission to the reasons that a broader review of rate harmonization may be
24 warranted despite FortisBC's evidence on the point.

¹³ See FortisBC RDA, Exhibit B-1, Appendix I-3, Commission Order G-12-99, Appendix A, Reasons for Decision, Section 2.4, page 4 of 4.