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Our File: 23841/0131

February 5, 2016

**VIA ELECTRONIC MAIL**

British Columbia Utilities Commission  
Sixth Floor, 900 Howe Street  
Vancouver, BC  
V6Z 2N3

**Attention: Ms. Erica Hamilton, Commission Secretary**

Dear Sirs/Mesdames:

**Re: British Columbia Hydro and Power Authority ("BC Hydro") 2015 Rate Design Application**

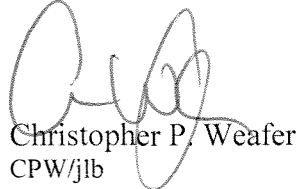
We are counsel for the Commercial Energy Consumers Association of British Columbia ("CEC"). Attached please find the CEC's Final Submissions regarding Rate Schedules 1827, 1852, 1253 and 1853 with respect to the above-noted matter.

A copy of this letter and attached Final Submissions have also been forwarded to BC Hydro and registered interveners by e-mail.

Should you have any questions regarding the foregoing, please do not hesitate to contact the writer.

Yours truly,

**OWEN BIRD LAW CORPORATION**



Christopher P. Weafer  
CPW/jlb

cc: CEC  
cc: BC Hydro  
cc: Registered Intervenors

**COMMERCIAL ENERGY CONSUMERS ASSOCIATION  
OF BRITISH COLUMBIA (CEC)**

**FINAL ARGUMENT REGARDING RATE  
SCHEDULES 1827, 1852, 1253 AND 1853**

**British Columbia Hydro and Power Authority (BC Hydro)  
2015 Rate Design Application, Project No. 3698781**

**February 5, 2016**

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1. The CEC represents the interests of ratepayers and prospective ratepayers consuming energy under commercial tariffs in Applications before the BC Utilities Commission (BCUC or Commission). The CEC has participated in the BC Hydro 2015 Rate Design Application proceedings and workshops. Pursuant to Commission Order No. G-12-16, the CEC provides the following Final Submissions with respect to Rate Schedules 1827, 1852, 1253 and 1853.

**Summary of Recommendations**

2. The CEC recommends that the Commission adopt the BC Hydro proposals with respect to Rate Schedules:
  - 1827;
  - 1852;
  - 1253; and
  - 1853.
3. The CEC recommends that the Commission require those customers consuming energy under Rate Schedule 1827 to demonstrate continued Demand Side Management (DSM) initiatives to continue to qualify for this rate schedule.
4. The CEC notes that from a big picture standpoint there is no shortfall as the Revenue to Cost ratio for the Transmission rate class is 101.5% in the draft F2016 COS<sup>1</sup> and has considered this circumstance in its submissions.

**Rate Schedule 1827 (Exempt)**

5. Rate Schedule (RS) 1827 governs transmission service for four exempt customers including City of New Westminster (CNW), UBC, SFU and the Vancouver airport (YVR), which

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<sup>1</sup> Exhibit B-1, Appendix C-5B, Attachment 1, Page 4, 110 of 212

accounts for about 6% of Transmission Service sales. It includes a flat energy rate and a demand charge. The demand charge is the same as RS 1823 and the energy charge is the same as RS 1823 Part A,<sup>2</sup> which is below the LRMC.<sup>3</sup> Hydro is not proposing any changes to RS 1827.<sup>4</sup>

6. Exemption from stepped rates for CNW and UBC are prescribed under section 391) of Direction No. 7 (Heritage Contract recommendation #15).<sup>5</sup> The exemption was confirmed in March 2014 via Direction No 7.<sup>6</sup> BC Hydro's legal position is that the Commission cannot unilaterally transfer either New Westminster or UBC to a stepped rate such as RS 1823.<sup>7</sup> The BC government is of the view that the reasons for the exemption for SFU and YVR continue to apply.<sup>8</sup>
7. Additionally, BC Hydro points out that there does not appear to be any significant change in circumstances for SFU or YVR since they were originally exempted from stepped rates in 2006. All customers have little control over their energy usage as they are re-sellers, and both SFU and YVR have undertaken significant DSM initiatives and will continue to do so. Since 2002, SFU has spent approximately \$8 million on electricity conservation initiatives, including \$2.3 million in incentive funding from BC Hydro. These initiatives have resulted in 18.3 GWh of electricity savings. Since 2009, YVR has spent approximately \$30 million on electricity conservation initiatives, resulting in savings of 11.3 GWh plus additional savings yet to be measured. BC Hydro contributions to these initiatives were \$1.8 million.<sup>9</sup>
8. The CEC accepts the BC Hydro legal submissions with respect to New Westminster and UBC and the BC Government's view with respect to SFU and YVR. BC Hydro indicated in Workshop 10 that a move to a tiered rate would have no impact on DSM.<sup>10</sup> The CEC proposed that the Commission should recommend to the BC Government that the four exempt customers should be required to undertake significant DSM initiatives to qualify for RS 1827. The CEC noted that culture may be more significant than price in promoting

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<sup>2</sup> Exhibit B-1, Page 7-47

<sup>3</sup> Exhibit B-1, Page 7-49

<sup>4</sup> Exhibit B-1, Page 7-46

<sup>5</sup> BC Hydro Workshop #7, Page 43

<sup>6</sup> BC Hydro Workshop #7, Page 43

<sup>7</sup> Exhibit B-1, Page 7-47

<sup>8</sup> Exhibit B-1, Page 7-48

<sup>9</sup> Exhibit B-5, BCUC 1.117.1

<sup>10</sup> Exhibit B-1, Appendix C-5B, Pages 93-94 of 212

conservation and efficiency.<sup>11</sup> BC Hydro indicates that all customers have undertaken DSM initiatives.<sup>12</sup>

9. The CEC submits that there is no evidence of Commission authority and/or government support to justify a move to stepped rates for these customers.
10. The four customers are strongly opposed to changing the rate either to RS 1823 or to one similar to RS 3808.<sup>13</sup> BC Hydro considered whether FortisBC and some or all of the exempt customers should remain part of the Transmission Service or be placed in new rate classes. Only New Westminster and FortisBC have load factors that differ significantly from other Transmission service customers.<sup>14</sup>
11. The CEC accepts BC Hydro's recommendation for status quo with respect to this rate schedule at this time.
12. The CEC reiterates its recommendation that the Commission require evidence of significant DSM initiatives by the exempt customers in order to qualify for this rate schedule.

#### **Rate Schedule 1852 (Modified Demand)**

13. RS 1852 (Modified Demand) is a voluntary<sup>15</sup> interruptible rate that applies only to the demand charge for customers already taking service under RS 1823.<sup>16</sup> RS 1852 affords benefits from the availability of demand flexibility within the transmission limits set out in the Modified Demand Agreement (TS 54) in exchange for daily load curtailments during HLH as nominated in TS 54. RS 1852 customers are also required to make themselves available for additional mandatory curtailments (up to twelve times per year) at the request of BC Hydro or Powerex.<sup>17</sup> RS 1852 is available at BC Hydro's discretion to Transmission Service customers in locations: (1) that are transmission constrained; and/or (2) market opportunities arise which allow for a different HLH time period. All energy consumption is at RS 1823.<sup>18</sup> The excess demand rate is the same as RS 1823 (7.341 \$/k.VA) but the

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<sup>11</sup> Exhibit B-1, Appendix C-5B, Attachment 2, Page 174 of 212

<sup>12</sup> Exhibit B-1, Appendix C-5B, Attachment 1, Page 115 of 212

<sup>13</sup> Exhibit B-1, Appendix C-5B, Page 91 of 212

<sup>14</sup> Exhibit B-1, Appendix C-5B, Page 96 of 212

<sup>15</sup> BC Hydro Workshop #7, Page 43

<sup>16</sup> Exhibit B-1, Page 7-22

<sup>17</sup> Exhibit B-1, Page 7-22

<sup>18</sup> Exhibit B-1, Page 7-22

calculation under RS 1823 is modified to reflect a distinct morning and afternoon peak to define HLH.<sup>19</sup>

14. Only one customer has taken service under RS 1852 at any one time.<sup>20</sup> Currently, there is one customer taking service under RS 1852 and the customer accounts for between 4% and 6% of TSR sales.<sup>21</sup> While efforts were made to identify potential customers there does not appear to be significant interest in the RS by customers in the South Peace area which is currently transmission constrained.<sup>22</sup> BC Hydro's view is that there has been no opportunity lost in of financial value to BC Hydro with respect to relieving short-term constraints.<sup>23</sup>
15. The HLH definition was designed around Vancouver Island's 'two peak' system load (6 a.m. to 10 a.m. and 4 p.m. to 8 p.m.). Vancouver Island is the only region in BC Hydro's service area that has this 'two-peak' system load.<sup>24</sup> Transmission constraints occur in different areas, at different times<sup>25</sup> and change over time.<sup>26</sup> BC Hydro sought stakeholder feedback on the demand definition (i.e., 2 peaks).<sup>27</sup> The CEC commented that RS 1852 should be refined to better match BC Hydro's system demand issues.<sup>28</sup>
16. BC Hydro proposes a change in the current RS 1852 definition of HLH.<sup>29</sup> The intent is to provide BC Hydro with discretion to determine the HLH periods that will apply based on a customer location/region. It will afford BC Hydro the option to curtail to alleviate potential local or regional transmission constraints or take advantage of a market opportunity. BC Hydro is also proposing to amend the definition of Availability in RS 1852 to the same end.<sup>30</sup> BC Hydro is not proposing any restrictions as to how frequently it can alter the definition of HLH or any related customer information.<sup>31</sup> BC Hydro is proposing no further refinement in Module 2.<sup>32</sup>

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<sup>19</sup> Exhibit B-1, Appendix C-5B, Page 98 of 212

<sup>20</sup> Exhibit B-1, Appendix C-5B, Page 105 of 212

<sup>21</sup> Exhibit B-1, Appendix C-5B, Page 115 of 212

<sup>22</sup> Exhibit B-1, Page 7-23

<sup>23</sup> Exhibit B-5, BCUC 1.98.4

<sup>24</sup> Exhibit B-1, Appendix C-5B, Page 103 of 212

<sup>25</sup> Exhibit B-5, BCUC 1.98.3

<sup>26</sup> Exhibit B-1, Page 7-22

<sup>27</sup> Exhibit B-1, Appendix C-5B, Page 103 of 212

<sup>28</sup> Exhibit B-1, Appendix C-5B, Attachment 2, Page 174 of 212

<sup>29</sup> Exhibit B-1, Page 7-22

<sup>30</sup> Exhibit B-1, Page 7-22

<sup>31</sup> Exhibit B-5, BCOAPO 1.164.1

<sup>32</sup> Exhibit B-5, CEC 1.75.1

17. The CEC submits that the revision is suitable and will enable BC Hydro to better manage their system demand over changing circumstances.
18. The CEC submits that without additional customer interest in RS 1852 it is unnecessary to make any other changes to accommodate new customers.
19. The CEC recommends the Commission approve the revision as filed by BC Hydro.

### **IPP Service Station Rates**

20. BC Hydro provides bundled station service to IPPs under RS 1253 (Distribution voltage) and RS 1853 (Transmission voltage). The rates provide for interruptible service for black start and maintenance back-up purposes only on the basis of an energy-only market price and a nominal monthly minimum.<sup>33</sup>
21. Currently, IPP customers on RS 1253 and RS 1853 have rates priced off market prices.<sup>34</sup> BC Hydro's view is that the same pricing should apply to both rate schedules.<sup>35</sup> BC Hydro states that non-firm energy sold to IPPs should be priced off the mid-C market because non-firm energy from the IPPs is typically sold to BC Hydro at a Mid-C market price. This ensures that non-firm energy is consistently valued whether it flows from BC Hydro to the IPP or from the IPP to BC Hydro.<sup>36</sup>
22. BC Hydro would have a hard time justifying converting the service into a firm service with a demand charge in the face of IPP opposition.<sup>37</sup>
23. The CEC agrees with the BC Hydro position that non-firm energy should be priced off the mid-C market to retain consistent value regardless of the flow direction.

### **General Service Rate RS 1253 IPP (Service Station- Distribution Voltage)**

24. Energy is provided on an as-available basis at Mid-C, with a monthly minimum under RS 1253. There is no demand charge as it is a Non-firm rate.<sup>38</sup> BC Hydro did not expressly discuss RS 1253 with stakeholders, and no IPP customer expressed concern with this rate.<sup>39</sup>

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<sup>33</sup> Exhibit B-1, Appendix C-1A, Page 119 of 280

<sup>34</sup> Exhibit B-1, Appendix C-5B, Attachment 1, Page 116 of 212 (response to CEC question, not a CEC statement)

<sup>35</sup> Exhibit B-5, BCUC 1.85.1

<sup>36</sup> Exhibit B-1, Appendix C-5B, Attachment 1, Page 116 of 212 (response to CEC question, not a CEC statement)

<sup>37</sup> Exhibit B-1, Appendix C-1A, Page 119 of 280

<sup>38</sup> Exhibit B-1, Page 6-74

<sup>39</sup> Exhibit B-1, Page 6-74

BC Hydro does not plan/construct either transmission or distribution facilities to provide service under RS 1253.<sup>40</sup>

25. BC Hydro will continue with its practice of providing RRA rate increases to the monthly minimum.<sup>41</sup>

**Rate Schedule 1853 (IPP Service Station – Transmission Voltage)**

26. Energy is provided on an as available basis at Mid-C index price with a monthly minimum.

During F2014, about 14 GWh sold under RS 1853 with revenues of about \$0.6 million.<sup>42</sup>

27. BC Hydro proposes not to change to RS 1853 except to increase the monthly charges to reflect inflation.<sup>43</sup>

28. One concern with RS 1853 is its lack of alignment with RS 1880<sup>44</sup> (standby and maintenance rate for TSR customers with self-generation).<sup>45</sup> One option would be to base the energy charge on RS 1823 Tier 2 rate rather than lower spot market prices as this helps ensure that any additional incremental costs are recovered from customers using the non-firm services.<sup>46</sup>

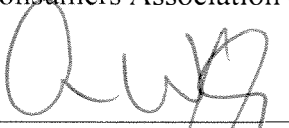
29. The CEC agrees with the BC Hydro proposal to continue the status quo with respect to RS 1853 including basing the energy charge on Mid C<sup>47</sup> to maintain consistent value pricing and maintain a fair, just and not unduly discriminatory principle in energy pricing.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

*David Craig*

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David Craig, Consultant for the Commercial Energy Consumers Association of British Columbia



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Christopher P. Weafel, Counsel for the Commercial Energy Consumers Association of British Columbia

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<sup>40</sup> Exhibit B-5, BCOAPO 1.157.1

<sup>41</sup> Exhibit B-1, Page 6-74

<sup>42</sup> BC Hydro Workshop #7, Page 45

<sup>43</sup> Exhibit B-1, Appendix C-5B, Page 100 of 212

<sup>44</sup> Exhibit B-1, Appendix C-5B, Pages 100-102 of 212

<sup>45</sup> Exhibit B-1, Appendix C-1A, Page 119 of 280

<sup>46</sup> Exhibit B-1, Page 6-74

<sup>47</sup> Exhibit B-1, Appendix C-5B Attachment 2, Page 174 of 212