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April 10, 2019

Mr. Patrick Wruck
Commission Secretary and Manager
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British Columbia Utilities Commission
Suite 410, 900 Howe Street
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Dear Mr. Wruck:

**RE: Project No. 1598941
British Columbia Utilities Commission (BCUC or Commission)
An Inquiry into the Regulation of Electric Vehicle
Charging Service – Phase 2
British Columbia Hydro and Power Authority (BC Hydro)
Reply Argument on Revised Scope**

BC Hydro writes in response to BCUC Order No. G-50-19 to submit its Reply Argument on the Revised Scope in Phase 2 of the EV Inquiry.¹

Introduction and Overview

On March 28, 2019, BC Hydro submitted its final argument in this phase of the proceeding along with 14 other interveners (the **Intervener Arguments**).

By Order No. G-50-19 the BCUC revised the Phase 2 scope items for consideration and confirmed that: (i) it will issue its recommendations with respect to scope items 13 and 14 as soon as possible following receipt of arguments, and (ii) it will provide high level guidance for future applications with respect to the remaining scope items (specifically, scope items 1, 3 to 6, 8, 11 and 12).

This approach recognizes the Province's policy objective of enabling the participation of non-exempt public utilities in the EV charging market as soon as possible², and acknowledges that until the Province chooses the specific mechanism that will facilitate

¹ In this reply argument, defined terms and acronyms have the same meaning as in BC Hydro's Final Argument on Revised Scope unless stated otherwise.

² BCUC Order G-50-19, pp. 3-4.

non-exempt public utility participation in the EV market, anything other than high level guidance with respect to the myriad of other issues raised would be premature.

As it did in its final argument, BC Hydro has organized its reply to focus on a few issues raised with respect to the scope items rather than address the various intervenor arguments within each scope item in turn. BC Hydro has taken this approach because, despite the guidance from the Commission, many intervenors advanced arguments in their submissions that are either beyond the scope of this inquiry or are more appropriately addressed through a separate process at a later stage. As such, while BC Hydro provides summary responses to some of those issues, a lack of response to a specific intervenor submission should not be taken as agreement with that submission.

Participation of Non-exempt Utilities in the EV Market

It is now clear that the Province intends to facilitate investment in EV charging services by non-exempt public utilities and that non-exempt public utilities will be allowed to recover the costs of delivering EV charging services from ratepayers.³ While the Province has not chosen the specific mechanism it will use to enable this participation, in Phase 1 of the EV Inquiry, the BCUC sought submissions with respect to whether non-exempt public utilities were permitted to invest in EV charging stations as a prescribed undertaking under section 18 of the *Clean Energy Act (CEA)* and section 4 of the *Greenhouse Gas Reduction Regulation (GGRR)*. In the revised scope for Phase 2 of the EV Inquiry, the BCUC has requested submissions on whether amendments to the GGRR to allow public utilities to own and operate EV charging stations as a “prescribed undertaking” are appropriate and if so, what the appropriate extent and scope of such undertaking is (see scope item 14).

BC Hydro has provided extensive submissions in this inquiry with respect to proposed amendments to the GGRR that would facilitate broader involvement by itself and FBC (the non-exempt public utilities) in the EV sector more generally. In the context of scope item 14, BC Hydro has also provided that an amendment to the GGRR is not the only mechanism at the Province’s disposal and a direction pursuant to section 3 of the *Utilities Commission Act (UCA)* could also serve to achieve the Province’s stated policy goals.

Of the parties that submitted comments with respect to amendments to the GGRR, BC Hydro notes that a number are of the view that an amendment to the GGRR is the appropriate vehicle to provide regulatory certainty quickly.⁴ While BCSEA and BCOAPO support an amendment to the GGRR, they both provide that some consideration should be given to a reasonable limitation or “cap” on the amount of costs that will be

³ Procedural Conference Transcript Volume 10, MEMPR, pp. 691-692.

⁴ See for example the final arguments of BrightSide, Mr. Flintoff at sections 2.2 and 3.2; BCOAPO and BCSEA.

appropriate⁵ and, for BCOAPO's part, the imposition of a temporal limit.⁶ In BC Hydro's Phase 1 Final Argument, BC Hydro provided that its proposed amendment to the GGRR would add an entire new class of undertaking to the GGRR and, subject to the consideration of the Province, the class of undertaking could also be defined with a temporal and/or financial limit.⁷ While BC Hydro does not believe that such limits are necessary, it does not object to financial or temporal parameters on EV investment provided that whatever those parameters are facilitate and do not impede the policy objective of rapid development of the EV market.

Of the parties opposed to an amendment to the GGRR to facilitate non-exempt public utility involvement, CEC provides that "market uncertainty" and difficulty describing the prescribed undertaking are primary reasons for its objection.⁸ Additionally, CEC is of the view that establishing a prescribed undertaking in the GGRR for the non-exempt public utility could serve to hinder the development of the competitive market and be contrary to government objectives in supporting market development.⁹ Because of this, CEC argues that investment by a non-exempt public utility is best examined on a case-by-case basis and not approved as a prescribed undertaking. BC Hydro notes that various other interveners also support the notion of a case-by-case evaluation of EV investment, though for differing reasons than CEC.¹⁰ For its part, CEABC goes so far as to say that existing public utilities should be required to file business cases on a non-confidential basis for advance approval by the BCUC.¹¹ BC Hydro provides the following responses to these submissions.

First, with respect to difficulty describing the prescribed undertaking and any amendments to the GGRR - as provided above, in its Phase 1 Final Argument BC Hydro provided proposed amendments to the GGRR that could be easily and quickly implemented. FBC (with minor modification) agrees with those amendments as do a number of other parties.¹² As such, and contrary to CEC's submission, any amendment to the GGRR to include EV charging services as a prescribed class of undertaking should not be difficult to describe or implement.

⁵ BCSEA final argument, p. 9.

⁶ BCOAPO final argument, pp. 11 and 17. See also the final arguments of Brightside at p. 5 and Flintoff at section 3.3.3 who advocates a cap at two per cent in 2019 values, held at the 2019 amount and retired within five years. It is unclear to BC Hydro what the two per cent is with respect to and Mr. Flintoff provides no further basis for this position.

⁷ See BC Hydro Phase 1 Final Argument, Appendix B, p. 1 of 1.

⁸ CEC Final Argument, p. 5.

⁹ CEC Final Argument, pp. 1 and 5-6.

¹⁰ See BCOAPO Final Argument, pp. 4-5; ChargePoint Responses to Phase 2 Questions Exhibit C25-12, p. 11.

¹¹ See CEABC Final Argument, pp. 2-3.

¹² FortisBC Inc. (FBC) Final Argument, p. 10; BrightSide Solutions, Final Argument pp. 3, 6, and 7; BSEA-SCBC Final Argument, p. 9; Flintoff Final Argument, Chapter 3.2.

Second, with respect to proposals regarding case-by-case evaluation of EV infrastructure investment, BC Hydro is strongly opposed to any such evaluation scheme that requires non-exempt public utilities to apply to the BCUC for approval of EV charging investments on a case-by-case basis. In BC Hydro's view, this would result in protracted, repetitive and inefficient applications to the BCUC and would only serve to delay the deployment of EV charging infrastructure. This would be in conflict with the Province's stated intention of "as soon as possible" facilitating the participation of non-exempt public utilities so that they can kick-start the EV market. As such, these arguments should not be accepted by the Commission.

Remaining Phase 2 Scope Items

In Order No. G-50-19, the BCUC confirmed that with respect to scope items 1, 3 to 6, 8, 11 and 12 it will focus its recommendations (if any) on providing high level guidance for future applications. As stated in its Final Argument, BC Hydro supports the revised scope and the BCUC's intention to not make any detailed determinations with respect to, for example, specific rate design, cost of service or tariff issues when those issues can and should be more appropriately addressed in a future rate design or revenue requirement proceeding or are issues that can be revisited at a future time when the EV market is sufficiently developed. BC Hydro notes that a number of interveners also support this approach, as outlined below:

- with respect to scope item 5, each of FBC, BCOAPO¹³, and BCSEA¹⁴ submit that any determinations regarding the potential for stranded assets can be addressed through the usual regulatory processes at the appropriate time (i.e., if/when assets are found to be stranded). BC Hydro agrees – the examination of prudence, cost treatment and design of rates to recover public utility expenditures are best suited to the applicable regulatory proceeding.¹⁵
- with respect to scope item 8, each of FBC, BCOAPO and BCSEA submit that issues related to the obligation to serve can be examined in the usual course but each confirm that while non-exempt public utilities may have an obligation to serve EV drivers at currently existing EV charging stations, they do not have a legal obligation to create a new public EV charging station upon request.¹⁶ BC Hydro agrees.¹⁷
- with respect to scope items 11 and 12, each of FBC, Flintoff, and BCOAPO provide that issues related to specific tariff provisions for the wholesale provision of electricity

¹³ See BCOAPO Final Argument, p 12.

¹⁴ See BC Sustainable Energy Association and Sierra Club BC, Final Argument p 5.

¹⁵ See BC Hydro Phase 2 Evidence, Exhibit C1-7, Scope Item 5.

¹⁶ BCOAPO Final Argument pp. 13-14 and BCSEA Final Argument, pp. 5-6.

¹⁷ As stated in BC Hydro's Phase 2 Evidence, Exhibit C1-7, in response to Scope Item 8, BC Hydro notes that a public utility has an obligation to serve which may include EV charging services. See also BC Hydro response to BCUC IRs 1.4.5 and 1.4.5.1 in Phase 1 of the EV Inquiry, Exhibit C1-4.

for EV charging and the suitability of various rate structure options are best dealt with in a specific rate application by the non-exempt public utility at the appropriate time. BCSEA also suggests that there is insufficient evidence on the record of this proceeding for the Commission to make any detailed determinations with respect to a “wholesale rate”.¹⁸ BC Hydro agrees with these submissions. The need for specific tariff provisions for the wholesale provision of electricity for EV charging, and the suitability of various rate structure options, depends on the legal and policy context that a utility operates in. Any analysis of rate design options is best suited to a rate design application.¹⁹

BC Hydro also provides the following submissions with respect to a handful of submissions that, in its view, go beyond the suggestion of high level guidance:

- in response to scope item 1, a number of parties commented (as they did in their Phase 1 submissions) that public utility involvement and participation in the EV sector will tilt the playing field in favour of the non-exempt public utility and/or there will be a barrier to the development of the sector because public utility rates will undercut private sector rates.²⁰ As submitted in its Phase 1 Reply Argument, these arguments are unsupported and should not be accepted by the Commission; many interveners support the entry and continued investment in the EV sector that would be provided by BC Hydro and FBC and, as confirmed in its Phase 1 evidence, BC Hydro agrees that any EV service rate it would seek Commission approval of would be a market rate (as best can be determined).²¹
- in response to scope item 1, a number of parties also submitted that non-exempt public utilities should be restricted to participating in remote geographical locations or locations that, at the time of application, are underserved.²² However, as stated by BCSEA,²³ restricting non-exempt public utilities to providing EV service only in remote geographic locations would defeat the purpose of parties like BC Hydro and FBC providing those services in order to kick-start the EV sector in B.C. BC Hydro agrees and does not support imposing any geographic restrictions on the participation of non-exempt public utilities.²⁴
- with respect to scope item 3, while CEC agrees that a separate rate class for EV customers is unnecessary it states that “to the extent that non-electricity EV charging costs cannot practically be collected from EV charging customers...those costs would be recovered from other ratepayers if they were incorporated into rate base.

¹⁸ See BCSEA Final Argument at p. 7.

¹⁹ See BC Hydro Phase 2 Evidence, Exhibit C1-7, Scope Items 11 and 12.

²⁰ See CEABC, Exhibit C2-4 Phase 2 Responses to Panel Queries January 28, 2019 p. 2 and CEC Exhibit C24-21 Intervener Evidence on Phase 2 Scoped Items, January 28, 2019 p. 1.

²¹ See BC Hydro response to BCUC IR 1.2.1, Exhibit C1-4.

²² See CEABC, Responses to Panel Queries, Exhibit C2-4 January 28, 2019 p. 2 and BCOAPO Final Argument, p.5.

²³ See BCSEA-SCBC Evidence, Phase Two, January 28, 2019, p. 5 of 11.

²⁴ See BC Hydro Phase 2 Evidence, Exhibit C1-7, Scope Item 1.

These costs could also be collected into a deferral account for future collection from EV charging customers.”²⁵ BC Hydro submits that it would be premature for the Commission to make any recommendation such as the one put forward by CEC. Until the mechanism for non-exempt public utility participation has been settled by the Province, determinations related to rate design and deferral accounts are at best speculative and go beyond the provision of high level guidance.

Other Issues Raised

A number of parties have raised various issues that are beyond the scope of this inquiry. In no particular order, BC Hydro provides the following brief reply with respect to those issues.

In response to scope item 10, at page 6 of its final argument BrightSide submits that it would be useful to have the *Low Carbon Fuel Requirements Regulation (LCFRR)* adjusted to enable all providers of fueling station service to be able to receive and monetize credits or, that the Commission consider requiring utilities to pass on LCFRR credits earned from EV stations to the customers for these stations. In making this argument Brightside acknowledges that its request is outside BCUC control. BC Hydro agrees - this issue is outside the scope of the revised Phase 2 scope items and the EV Inquiry more generally.

At pages 3-5 of its final argument, CEABC provides submissions with respect to: (i) the return on equity for existing public utilities, (ii) BC Hydro’s interconnection policies, (iii) a rate public utilities should pay for electricity to themselves, and (iv) the provision of loans by public utilities to market providers. Clearly, all of these submissions are beyond the scope of the present proceeding and go well beyond the high level guidance the BCUC intends to provide in its report. Furthermore, none of the arguments advanced by CEABC with respect to these issues appear to have an evidentiary basis at all and certainly not sufficient to allow the Commission to make any of the requested recommendations.

Finally, with respect to scope item 13, BC Hydro notes that in addition to requesting submissions from parties with respect to the interpretation of the *Electrical Safety Regulation (ESR)*, the BCUC also invited submissions on the interpretation of the term “distribution equipment” in the UCA. BC Hydro, like MEMPR, is of the view that submissions with respect to whether or not EV equipment would fall within the definition of “distribution equipment” has no bearing on the interpretation of the ESR.²⁶ That is, it is not necessary for the BCUC or any other party to consider whether EV charging

²⁵ CEC Final Argument, p. 2.

²⁶ See p. 12 of MEMPR January 28 submissions. For its part, BC Hydro is of the view that on its face, EV charging equipment would appear to fall within the definition in the UCA of “distribution equipment” which is broadly defined to include “...other apparatus of a public utility used to supply service to the utility customers.”

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infrastructure is “distribution equipment” in order to properly interpret section 3 of the ESR.

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

Yours sincerely,



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