

January 10, 2020

VIA E-FILING

Patrick Wruck
Commission Secretary
BC Utilities Commission
6th Floor 900 Howe Street
Vancouver, BC V6Z 2N3



Reply to: Leigha Worth
ED@bcpiac.org
Ph: 604-687-3034
Our File: 7500.621

Dear Mr. Wruck,

**Re: British Columbia Hydro and Power Authority Fleet Electrification Rate Application
~ Project No. 1599032
BCOAPO Final Argument**

We represent the BC Old Age Pensioners' Organization, Active Support Against Poverty, Council of Senior Citizens' Organizations of BC, Disability Alliance BC, Tenant Resource and Advisory Centre, and Together Against Poverty Society, known collectively in regulatory processes as "BCOAPO et al." ("BCOAPO").

Enclosed please find the BCOAPO's Final Argument with respect to the above-noted matter.

If you have any questions, please do not hesitate to contact the undersigned.

Sincerely,
BC PUBLIC INTEREST ADVOCACY CENTRE

Original on file signed by:

Leigha Worth
Executive Director | General Counsel

Encl.

**BC OLD AGE PENSIONERS' ORGANIZATION, ACTIVE SUPPORT AGAINST POVERTY,
COUNCIL OF SENIOR CITIZENS' ORGANIZATIONS OF BC,
DISABILITY ALLIANCE BC, TENANT RESOURCE AND ADVISORY CENTRE,
AND TOGETHER AGAINST POVERTY SOCIETY ("BCOAPO")**

**BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
FLEET ELECTRIFICATION RATE APPLICATION**

BCOAPO Final Argument

January 10, 2020

Please be advised that we provide the following final argument regarding the above noted application on behalf of our client groups known in this and other regulatory processes as BCOAPO or BCOAPO et al. The constituent groups of BCOAPO et al. represent the interests of low and fixed income energy consumers within BC and more specifically in this process, the interests of British Columbia Hydro and Power Authority's ("BC Hydro") low and fixed income residential ratepayers.

1. INTRODUCTION

On August 7, 2019, BC Hydro filed an Application¹ with the British Columbia Utilities Commission ("BCUC") pursuant to sections 58 to 60 of the *Utilities Commission Act* ("UCA") for approval of rates for two new optional services at demand equal to or greater than 150 kW with the goal of encouraging fleet electrification. The first referred to as the "Overnight Rate" and is intended for depot and overnight charging of fleet vehicles and vessels. It does not have a demand charge during the overnight period and has a flat energy charge. The second is referred to as the "Demand Transition Rate" and is intended for in route and daytime charging of fleet vehicles and vessels. It provides demand charge relief for a fixed period of years².

In its Application BC Hydro notes that the proposed rates respond to customer requests for alternative rates to the current Large General Service (LGS) rate that would help mitigate the impact of demand charges which are considered a barrier to fleet electrification³. It is BC Hydro's position that the proposed rates also support the B.C. Government's policies and objectives related to greenhouse gas emission reductions⁴.

¹ Exhibit B-1, Supplemental Information was filed on September 27, 2019 as Exhibit B-3.

² Exhibit B-1, page 1

³ Exhibit B-1, pages 6-7; Exhibit B-4, BCUC 1.2.1 and Exhibit B-5, BCSEA 1.11.1 & BCOAPO 1.1.1

⁴ Exhibit B-1, page 6 and Exhibit B-5, BCSEA 1.1.2

However, BC Hydro notes in its Application⁵ that:

“In the case of rates that are intended to advance a public policy purpose, such as reduction of GHGs, the Commission has determined that they must be able to stand independently on an economic or cost-of-service basis, regardless of the merits of the public policy purpose.”

In this regard, BC Hydro contends that both rates have an “economic basis” (i.e., benefit ratepayers) and that the Overnight Rate also has a cost of service basis⁶. It is on this basis that the BC Hydro justifies the rates as being “fair, just, reasonable and not unduly discriminatory” and, therefore, within the BCUC’s jurisdiction to approve⁷.

BCUC Order G-198-19 established a public hearing process and the regulatory timetable for the review of the Application. The timetable was subsequently updated in BCUC Orders G-295-19 and G-314-19.

Set out below are BCOAPO’s final submissions.

2. JUSTIFICATION FOR THE PROPOSED RATES

2.1. ECONOMIC JUSTIFICATION

For both proposed rates BC Hydro used an economic assessment framework to estimate the impact on electricity rates to all ratepayers due to marginal changes in utility revenue and costs. For each proposed rate the net present value of benefits and costs were estimated based on forecast consumption over 5, 10 and 15 year periods⁸.

Utility revenues were based on the proposed rates and the assumption that the entire load on each rate schedule is incremental (i.e., would not exist if the rate was not available)⁹ and is long lived¹⁰. In terms of costs, the analyses use estimates of BC Hydro’s marginal costs¹¹. For each proposed rate, various scenarios were developed using different estimates of BC Hydro’s marginal distribution capacity costs¹².

⁵ Exhibit B-1, page 13. See also Exhibit B-5, AMPC 1.2.1

⁶ Exhibit B-1, page 13 and Appendices E & F

⁷ Exhibit B-1, page 13

⁸ Exhibit B-1, Appendix E, page 1

⁹ Exhibit B-5, BCOAPO 1.14.1

¹⁰ Exhibit B-5, AMPC 1.4.1

¹¹ Exhibit B-1, Appendix E, pages 1-3

¹² Exhibit B-1, Appendix E, pages 6-8

As set out in the following table¹³, the Base Case results for the Overnight Rate suggest that there are Ratepayer benefits in all three time periods (i.e., Ratepayer Benefit Cost Ratio > 1.0).

Table 3 Results for Base Case for Overnight Rate

Time Period (Years)	Ratepayer Benefit Cost Ratio
5	1.13
10	1.43
15	1.42

In the case of the Demand Transition Rate, the Base Case results indicate that incremental revenues will not exceed the marginal cost of serving the new load over the first 5 years but will exceed it over the longer 10 and 15 year time periods¹⁴.

Table 6 Results for Base Case for Demand Transition Rate

Time Period for Load Factor	F2021 - F2025	F2026 - F2029	F2030 - F2034
Load Factor	15%	30%	52%
Time Period used for Ratepayer Benefit Cost Analysis	5 Years F2020-F2024	10 Years F2020-F2029	15 Years F2020-F2034
Ratepayer Benefit Cost Ratio	0.74	1.04	1.16

BCOAPO has several concerns regarding the economic analyses that BC Hydro has performed for the two proposed rates.

First, BC Hydro has indicated that “accounts” taking service under either of the Fleet Electrification rates will be metered and billed separately¹⁵. This means that there will be incremental costs associated with the provision of the meter and the billing of these accounts. The economic analyses performed by BC Hydro did not include the Basic Charge in the determination of the Ratepayer Benefit Cost Ratios. However, BC Hydro has acknowledged that the Basic Charge does not cover of the full customer costs (e.g., metering, billing and collecting) associated with an LGS (or Fleet Electrification)¹⁶. While these costs may be small, their inclusion would reduce the Benefit Cost Ratios.

¹³ Exhibit B-1, Appendix E, page 6

¹⁴ Exhibit B-1, Appendix E, page 7

¹⁵ Exhibit B-4, BCUC 1.1.3.2 and 1.1.3.2.1

¹⁶ Exhibit B-5, BCOAPO 1.14.3

Second, in determining the incremental revenues BC Hydro used the annual rate increases consistent with its initial F2020-F2021 RRA. Updating the rate escalation to reflect BC Hydro's revised F2020-F2024 rate escalation per Exhibit B-11 from BC Hydro's F2020-F2021 RRA (Figure 1) would: i) slightly lower the 5 year Benefit Cost Ratio for the Overnight Rate Base Case¹⁷ and ii) slightly lower the Benefit Cost Ratio for the Demand Transition Rate Base Case for all three timeframes¹⁸.

Third, BC Hydro's economic analyses used the ABB Fall 2017 Reference Case forecast of the Mid-C market price¹⁹. Updating the analyses for the 2018 Mid-C market price forecast would reduce both the Overnight and the Demand Transition Benefit Cost Ratios for all three timeframes²⁰.

Fourth, specifically with respect to the Overnight Rate, the Base Case analysis uses BC Hydro's maximum distribution extension contribution (\$15/kW-yr (\$2019)) as the basis for distribution capacity marginal costs and includes no allowance for non-bulk transmission capacity²¹. BCOAPO notes that customers are only responsible for incremental system improvement cost if their load exceeds 500 kVA²². BCOAPO also notes that analysis undertaken by BC Hydro of the load profiles for 55 substations in the Lower Mainland and South Vancouver Island indicates that in 30% of the cases there is insufficient capacity to serve the incremental Overnight Rate load²³. BCOAPO submits that the appropriate distribution capacity marginal cost for Overnight Base Case is \$25/kW-yr (i.e., \$15 plus \$10 (30% of the \$35/kW distribution substation marginal cost)). Revising the Overnight Rate's economic analysis to reflect this higher distribution capacity marginal cost would further reduce the Benefit Cost Ratios for all three timeframes.

Fifth, and in BCOAPO's view most significant, is BC Hydro's assumption that all of load associated with the two Fleet Electrification rates is incremental. This assumption is based on the fact that these loads do not currently exist²⁴. However, the key issue is not whether the load currently exists but whether it will materialize over the next 15 years even if BC Hydro did not offer the proposed Fleet Electrification Rates. BC Hydro asserts that for loads of this size (i.e., 150 kW and greater) the demand charge associated with the standard LGS rate is a barrier to the

¹⁷ Exhibit B-5, BCOAPO 1.5.6

¹⁸ Exhibit B-5, BCOAPO 1.7.4

¹⁹ Exhibit B-5, BCOAPO 1.14.2

²⁰ Exhibit B-5, BCOAPO 1.14.2 and 1.18.2.1

²¹ Exhibit B-1, Appendix E, pages 2-4

²² Exhibit B-4, BCUC 1.12.3

²³ Exhibit B-4, BCUC 1.17.10

²⁴ Exhibit B-5, BCOAPO 1.14.1 and 1.18.1

electrification of fleets and references letters from Translink, BC Transit and the Port of Vancouver supporting this claim²⁵.

BCOAPO accepts that for customers with accounts that would otherwise be billed using the LGS rate the demand charge is a barrier to the introduction of fleet electrification. However, BCOAPO does not accept that it is an absolute barrier and that no fleet electrification will occur over the next 15 years if just the current LGS rate is available. BCOAPO notes that Translink and BC Transit (the two parties relied on for the load projections used in the analyses²⁶) are both publicly owned transit providers and that both have plans for fleet electrification as part of their commitment and contribution to GHG reductions (per legislated targets)²⁷. Finally, BCOAPO notes that when specifically asked is the LGS demand charge was an absolute barrier to the fleet electrification, BC Hydro did not directly respond to the question posed²⁸. Rather BC Hydro stated that²⁹:

“Both BC Transit and Translink have targets for greenhouse gas emission reductions, and plans to meet those targets through fleet electrification. The Overnight Rate and Demand Transition Rate, as proposed, will help the organizations to be successful in meeting their respective targets.”

As result, it is BCOAPO’s submission that while the offering of Fleet Electrification Rates may accelerate the introduction of the fleet electrification in the short-term the “incremental load” that can be attributed to such rates is likely to be materially less than the total if one looks out 10 and minimal by 15 years. BCOAPO submits that it is the Benefit Cost Ratios for the five-year timeframe that are most important in determining if the rates are justified on an economic basis. Furthermore, even then only a portion of the load in the forecast for the period can be assumed to be truly incremental.

In this regard, BCOAPO notes that for the Demand Transition Rate the Rate Payer Benefit Cost Ratio is significantly less than 1.0 (i.e. 0.74) over the F2020-F2024 period and just over 1.0 (i.e., 1.04)³⁰ for the F2020-F2029 period, even before adjustments are made to address the previously noted issues and any recognition given to the fact all of the load is not likely to be truly incremental.

²⁵ Exhibit B-1, pages 1-2, 6-7 & Appendix C and Exhibit B-5, BCOAPO 1.1.1

²⁶ Exhibit B-1, page 3

²⁷ Exhibit B-1, Appendix C

²⁸ Exhibit B-5, BCOAPO 1.1.1, 1.1.2 and 1.1.3

²⁹ Exhibit B-5, BCOAPO 1.1.3

³⁰ Exhibit B-1, Appendix E, page 7

Accordingly, BCOAPO submits that the Demand Transition Rate cannot be justified on an economic basis.

In the case of the Overnight Rate, BC Hydro has indicated that (under its Base Case assumptions) for the five-year period at least 60% of the load must be truly incremental for the Ratepayer Benefit Cost Ratio to be 1.0 or greater³¹. However, BCOAPO questions the reasonableness of 60% value quoted. It is noted that the five-year Benefit Cost Ratio for the Overnight Rate (1.13) is based on: i) Benefits (Revenues) with a five-year NPV of \$1,882,804 and ii) Costs with a five-year NPV of \$1,661,582³². Assuming 60% of the load is incremental reduces the benefits/revenues five-year NPV to \$1,129,682 and the five-year cost NPV to \$996,949. However, one must also account for the lost revenue associated with the 40% of the load that is not “incremental”. In Appendix E (Attachment 1 – LGS Rate Depot Tab) BC Hydro indicates that, based on the LGS rates, the five-year NPV for the revenues from the Overnight rate load would be \$5,686,000. This would suggest that the lost revenue from the 40% that is not incremental would be \$1,521,278³³. Factoring this lost revenue into the analysis yields a Benefit Cost Ratio significantly less than 1.0³⁴. This would suggest that the percentage of the load that must be incremental in order for the five-year Benefit Cost Ratio for the Overnight Rate to exceed 1.0 must be materially higher than 60%.

When these results are considered in conjunction with the adjustments required to address the previously noted issues it is BCOAPO’s submission that the economic basis for the Overnight Rate has not been justified.

2.2. COST OF SERVICE JUSTIFICATION

In the case of the Demand Transition Rate, BC Hydro’s analysis indicates that the revenue to cost ratio based on fully allocated costs does not reach 100% until the rate has almost fully transitioned back to the LGS rate³⁵. As a result, there is not a cost of service justification for the Demand Transition Rate.

In the case of the Overnight Rate BC Hydro estimates the revenue to cost ratio based on fully allocated costs to be 104% in F2029 - subsequently updated to 101%³⁶. BC Hydro also notes that, as the load shape and pricing of the service is expected to be stable year to year, the revenue

³¹ Exhibit B-5, BCOAPO 1.14.1.2

³² Exhibit B-1, Appendix E, Attachment 1

³³ 40% * (\$5,686,000-\$1,882,804)

³⁴ Treating the lost revenue as a “cost” yields a Benefit Cost ratio of 0.45
(\$1,129,682/(\$1,521,278+\$996,949))

³⁵ Exhibit B-1, Appendix F, pages 6-7. Note: The main Application (page 45) indicates that a R/C ratio of 105% is achieved in F2032. However, in Appendix F the analysis is indicated to be for F2034.

³⁶ Exhibit B-4, BCUC 1.21.4.1

to cost ratio should also be stable year over year³⁷. As a result, BC Hydro concludes there is a cost of service justification for the Overnight Rate³⁸.

BCOAPO has a number of issues with BC Hydro's cost of service analysis of the proposed Overnight Rate.

First, similar to the economic analysis, the rate escalation used to determine revenues for F2029 is based on BC Hydro's initial F2020-F2021 RRA, the rate forecast from the Government Review Phase1 for F2022-F2024 and the Consumer Price Index (CPI) thereafter³⁹. Updating the rate escalation to reflect BC Hydro's revised F2020-F2024 rate escalation per Exhibit B-11 from BC Hydro's F2020-F2021 RRA (Figure 1) would lower the F2029 Revenue to Cost Ratio to 99%⁴⁰.

Second, while the rates used to calculate the revenues used in the numerator were escalated in accordance with the assumptions in BC Hydro's F2020-F2021 RRA, the costs used in the denominator were escalated using the CPI⁴¹. However, BCOAPO submits that a more reasonable assumption would have been to assume that the revenue requirement increases at the same percentage as the rates. This would be consistent with BC Hydro's assumption that the total load and the number of total customer accounts was unchanged aside from new fleet rate customer accounts⁴². Aligning the cost increase with the rate increases would increase the denominator in the revenue to cost ratio calculation and further reduce the revenue to cost ratio.

Third, it is noted that for purposes of determining the CP and NCP values for the Overnight load BC Hydro has used the hourly energy values as opposed to the (higher) hourly demand values⁴³. BCOAPO can accept BC Hydro's explanation⁴⁴ as to why the hourly energy values were used to determine billing demand values for purposes of calculating revenues. However, for purposes of allocating capacity costs, BCOAPO submits that it's the higher hourly capacity values that should be used as these reflect the capacity that is required to serve the load. Using these values would further reduce the revenue to cost ratio for the Overnight Rate.

Fourth, while BC Hydro claims that the revenue to cost ratios should be stable year over year, the revenue to cost ratio for F2024 is materially less than the one calculated for F2029. (Note: It is

³⁷ Exhibit B-1, Appendix F, pages 2-3

³⁸ Exhibit B-1, page 13

³⁹ Exhibit B-1, Appendix F, Attachment 1, TOC Tab

⁴⁰ Exhibit B-5, BCOAPO 1.5.6

⁴¹ Exhibit B-4, BCUC 1.18.2 and Exhibit B-5, BCOAPO 1.12.2

⁴² Exhibit B-4, BCUC 1.18.2, page 3

⁴³ See Appendix F, Attachment 1, Calculation Tab

⁴⁴ Exhibit B-4, BCUC 1.21.4

not clear if the F2024 value is 91% or 94% as the former value is quoted in the text portion of BCUC 1.21.5⁴⁵ while the latter value is the one set out in the accompanying table.)

Overall, it is BCOAPO's submission that the Overnight Rate is not justified on a cost of service basis.

3. ADDITIONAL CONSIDERATIONS

Both Fleet Electrification Rates are available for customers who qualify for general service where the customer is a business, government agency or other organization. The rates are only for separately metered charging of electric fleet vehicles or vessels owned or leased by, and operated by, the customer, at maximum charging demand equal to or greater than 150 kW. Electric fleet vehicles include passenger vehicles that are owned or leased, and operated, by BC Hydro's customer⁴⁶.

Customers who have existing accounts at a location will have to apply for a new separate meter for their charging facility. The separately metered charging facility will be a separate account and is subject to the Overnight or Demand Transition Rate basic charge. Customers' existing account will remain unchanged⁴⁷.

BC Hydro also notes that it will only be the electricity service provider to eligible fleet charging customers.⁴⁸ The fleet charging customers are responsible for the construction costs of the charging infrastructure, they will be the owner of the charging infrastructure, and they are responsible for the operation and maintenance of the charging infrastructure⁴⁹.

BC Hydro has confirmed that customers taking service under either Fleet Electrification Rate would be subject to BC Hydro's extension policies for any required system upgrades similar to a standard LGS customer⁵⁰.

3.1 OVERNIGHT RATE

Contribution Towards an Extension

⁴⁵ Exhibit B-4

⁴⁶ Exhibit B-1, pages 31 and 40

⁴⁷ Exhibit B-5, BCOAPO 1.6.1

⁴⁸ BC Hydro Final Argument, page 10

⁴⁹ Exhibit B-4, BCUC 1.12.8

⁵⁰ Exhibit B-4, BCUC 1.12.1, 1.12.2 and 1.12.3 and Exhibit B-5, BCOAPO 1.6.3.1 & 1.15.1

On October 30, 2019, BC Hydro filed a correction to the Overnight Rate Schedule included in the Application (Appendix B). The correction adds the following provision to the definition of Billing Demand for the Overnight Rate:

“Notwithstanding the foregoing, the Billing Demand will be the highest kW Demand in the Billing Period for the purposes of determining: (i) any discount under this Rate Schedule for Customer supplied Transformation; and (ii) BC Hydro’s contribution towards an Extension under section 8.3 (Extension Fee for Rate Zone I).”

BC Hydro claims that if its contribution toward an Extension is not based on the maximum demand in the Billing Period, then the Overnight Rate will be less attractive for potential customers and may be less successful in achieving its fleet electrification objectives⁵¹.

However, BCOAPO notes that BC Hydro’s contribution towards an extension is meant to recognize that “the new load also represents future incremental revenue, BC Hydro offsets the cost of the extension by a contribution proportional to the estimated billing demand of the new or increased loads”⁵². In this case the issue is that, for the Overnight Rate, there are only incremental revenues associated with demand that occurs between the hours 06:00 and 21:59 daily in the Billing Period. BCOAPO submits the change proposed in Exhibit B-1-1 with respect to the definition Billing Demand for purposes of determining BC Hydro’s contribution towards an Extension under section 8.3 is inconsistent with the principles underlying the determination of the extension allowance and should not be approved by the BCUC.

Energy Rate

The proposed Overnight Rate would be effective April 1, 2021 and is estimated to have the following pricing for the first year (i.e., F2022)⁵³:

- A demand charge equivalent to the demand charge used for BC Hydro’s LGS Rate, which at the time of the Application was estimated to be \$12.70 for F2022⁵⁴;
- No demand charge applies to monthly maximum demand set between the hours of 10:00 p.m. and 5:59 a.m., daily;

⁵¹ Exhibit B-1-1, page 2

⁵² Exhibit B-4, BCUC 1.12.3

⁵³ Exhibit B-1, page 8

⁵⁴ Per Exhibit B-5, BCOAPO 1.5.2 - The fiscal 2022 demand charge for the Overnight Rate would change to \$12.55/kW from \$12.70/kW if updated to reflect the revised fiscal 2020 - fiscal 2022 rate escalation per Exhibit B-11 from BC Hydro’s Fiscal 2020 - Fiscal 2021 Revenue Requirements Application

- A flat energy charge of 7.41 c/kWh applies to energy usage at any time of day⁵⁵. This energy charge is higher than the level energy charge used in BC Hydro's LGS Rate. The energy charge is escalated each year by the general rate increase; and
- A basic charge equivalent to that used in the BC Hydro's LGS Rate, which is estimated to be 27.52 cents per day in fiscal 2022⁵⁶.

In each following year, these rates would be escalated by the general rate increase.

BC Hydro has explained that the April 1, 2021 effective date is the result of the Overnight Rate requiring a time-based demand billing function which is currently not available in BC Hydro's distribution billing system. The proposed effective date of April 1, 2021 provides for the longer time required to develop and implement a time-based demand billing solution⁵⁷.

The Application notes that the Energy Rate is higher than the level of the energy charge that applies to LGS customers. When asked about the basis for the Overnight energy rate BC Hydro simply noted⁵⁸:

“The fiscal 2022 Overnight Rate energy rate of 7.41 cents/kWh was established by applying the rate escalation based on BC Hydro's Fiscal 2020 - Fiscal 2021 Revenue Requirements Application Exhibit B-1 (Figure 1 2) for fiscal 2021 and fiscal 2022 to the fiscal 2020 energy rate of 7.20 cents/kWh.”

However, there is no clear statement in the Application as to the principle(s) used to set the level of the rate for F2020. Interrogatory BCOAPO 1.5.5.2 sought to determine if the energy rate was set so as to yield particular revenue to cost ratio but the response was inconclusive. In BCOAPO's view the principle(s) underlying the setting of the Overnight energy rate have not be adequately explained and, without such an understanding, BCOAPO submits the BCUC should not approve the rate. Furthermore, it is BCOAPO's view that for the energy rate to be acceptable there should be a cost of service basis to the energy rate such as that suggested in BCOAPO 1.5.5.2.⁵⁹

⁵⁵ Per Exhibit B-5, BCOPA 1.5.5.3 - The fiscal 2022 energy rate for the Overnight Rate would change to 7.32 cents/kWh from 7.41 cents/kWh if updated to reflect the revised fiscal 2020 - fiscal 2022 rate escalation per Exhibit B-11 from BC Hydro's Fiscal 2020 – Fiscal 2021 Revenue Requirements Application

⁵⁶ Per Exhibit B-5, BCOAPO 1.5.4 - The fiscal 2022 basic charge for the Overnight Rate would change to 27.18 cents per day from 27.52 cents per day if updated to reflect the revised fiscal 2020 - fiscal 2022 rate escalation per Exhibit B-11 from BC Hydro's Fiscal 2020 - Fiscal 2021 Revenue Requirements Application

⁵⁷ Exhibit B-4, BCUC 1.6.3

⁵⁸ Exhibit B-5, BCOAPO 1.5.5.1

⁵⁹ Exhibit B-5, BCOAPO 1.5.5.2

3.2 DEMAND TRANSITION RATE

The proposed Demand Transition Rate would be effective April 1, 2020. The pricing for the rate would be as follows⁶⁰:

- No demand charge applies for the first six years that the rate is proposed to be offered (i.e., from fiscal 2021 to fiscal 2026);
- The demand charge transitions from \$0/kW to the LGS Rate Demand Charge over six years, starting in fiscal 2027 and ending in fiscal 2032;
- A flat energy charge of 9.24 cents per kWh in fiscal 2021, escalated each year by the general rate increase, applies for the first six years that the rate is proposed to be offered. The level of this energy charge is higher than the level of the energy charge that applies to the existing LGS rate (6.10 c/kWh in fiscal 2021);
- The energy charge transitions to the LGS energy charge over six years, starting in fiscal 2027 and ending in fiscal 2032;
- The basic charge is 26.92 cents per day in fiscal 2021 escalated in each following year by the general rate increase, which aligns with the Basic Charge used in the BC Hydro's LGS Rate; and
- The Demand Transition rate terminates in fiscal 2032, by which time the pricing of the rate has fully transitioned to the LGS Rate pricing.

BC Hydro has explained⁶¹ that the flat energy rate for F2021 is based on an estimate of the fiscal 2020 Large General Service blended average price multiplied by the fiscal 2021 Revenue Requirements Application increase, so that the Demand Transition Rate is revenue neutral to the Large General Service Rate based on the Large General Service class consumption and load, and therefore the class average load factor.

BC Hydro has also explained how it proposes to transition to the full LGS rate over the years F2027 to F2032⁶².

BC Hydro's transition proposal requires a forecast of the F2032 LGS Demand Charge as an input into demand rate determination for each of the years F2027 through F2031. It also requires a forecast of the F2032 LGS energy charge for each of these years. Furthermore, BC Hydro does

⁶⁰ Exhibit B-1, page 10

⁶¹ Exhibit B-5, BCOAPO 1.7.2

⁶² Exhibit B-1, Appendix B, pages 7-8 and Exhibit B-4, BCUC 1.14.7 & 1.14.7.1

not propose to revise Demand Transition Rate demand charges to account for the differences between the actual fiscal 2032 Large General Service Rate demand charge when it is made permanent and the forecast rates used in fiscal 2027 to fiscal 2031 Demand Transition Rate demand charge calculations⁶³. BCOAPO assumes the same would apply to differences between the actual F2032 LGS energy rate and the forecast values used to set the earlier years' rates.

In BCOAPO's view BC Hydro's approach for transitioning to the full LGS demand charge is subject to potential controversy over what the appropriate forecast values for the F2032 LGS demand and energy rates are. BCOAPO submits that a more straightforward approach for F2026 would be to move the demand rate 1/6th of the way to the actual approved LGS demand rate for that year and, similarly, move the energy rate 1/6th of the way to the actual approved LGS energy rate for that year. In F2027, the demand rates would then be adjusted to eliminate 1/5th of the difference between the F2026 demand rates and the approved F2027 demand rate. A similar approach could be used for transitioning the energy rate in F2027. This same approach would also be used in each subsequent year with the fraction used based on the remaining years until F2032. BCOAPO submits that if the BCUC decides to approve the Demand Transition Rate, then it should approve this alternative approach to transitioning to the LGS rates in years F2026 through F2032.

4. CONCLUSION

A key assumption underpinning BC Hydro's justification for its proposed Fleet Electrification rates is that the associated load will be new load that would not otherwise occur. While there is likely a case for some (but not all) of the forecast load associated with the proposed Fleet Electrification Rates being incremental in the short term, the further forward one looks in time the less likely this is the case, particularly for public agencies that have committed to GHG reductions. BCOAPO submits that the BCUC in considering the currently proposed rates (or any future proposed rates related to increasing electrification) should not accept that the entire related load and the associated revenues are incremental.

In the case of the two currently proposed rates, BCOAPO submits that any truly incremental load is likely to occur in the first five years and that the portion of load that is truly incremental will decline thereafter to close to zero after 10-15 years. As a result, BCOAPO submits that the critical period for determining whether the rates are justified on either an economic or cost of service basis is the first five years.

⁶³ Exhibit B-4, BCUC 1.14.7.1

In the case of the Demand Transition Rate, BC Hydro has acknowledged that there is no cost of service justification for the rate until well after 10 years. Furthermore BC Hydro's own analysis indicates the rate is not justified on an economic basis if one uses a five-year timeframe and, if BC Hydro's analysis is adjusted to account for the shortcomings noted in Section 2.1 above, the Demand Transition Rate will not provide ratepayer benefits if the timeframe is extended to 10 years.

In the case of the Overnight Rate, it is BCOAPO's submission that, after one accounts for the shortcomings in BC Hydro's economic analysis (per Section 2.1 above), the rate does not provide ratepayer benefits over the short-term. Similarly, after one accounts for the shortcoming in the cost of service analysis (per Section 2.2 above) there is no cost of service justification for the Overnight Rate.

Overall, BCOAPO submits that neither rate should be approved by the BCUC. However, should the BCUC decide to approve the rates then, at minimum, the terms associated with the rates should be amended as discussed in Sections 3.1 and 3.2.

All of which is respectfully submitted.

Sincerely,
BC PUBLIC INTEREST ADVOCACY CENTRE

Original on file signed by

Leigha Worth
Executive Director | General Counsel

Original on file signed by:

Irina Mis
Barrister & Solicitor