



Silversmith Power & Light Corporation

Producing Green Electricity Since 1897 in Sandon, BC

PO Box 369, New Denver, BC V0G 1S0

P 250.358.2247 | silversmithpowerandlight@gmail.com

March 12, 2020

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

Dear Mr. Wruck

RE: Final Argument:

Submitted to BC Hydro Application to Amend Net Metering Service Under Rate Schedule 1289

We respectfully submit the following points to be considered by the Commission in the decisions which will impact the future of the BC Hydro (BCH) Net Metering Program:

POINT 1: There is a fundamental difference between the mandates and responsibilities a privately operated utility that reports to private shareholders and BCH which is owned by the government. BCH, a Crown owned utility is more than just a for profit enterprise. It has a responsibility to meet and support the inherent public values entrusted to the government which include climate change mitigation, citizens participation, local economic development and quality of life considerations.

POINT 2: There is a long history dating back to the 1980's of federal, provincial and local governments and BCH inviting and encouraging the involvement of citizens and small business in developing green electricity at a local level for integration into the grid. We have an extensive library of documents soliciting public participation, many of which were created by BCH in response to government directives. Today, this direction is even more relevant, and these concepts have been adopted and endorsed by the world's most progressive nations. It is essential that BCH does not undermine the fundamental intentions of these initiatives that are designed to de-centralize our electrical supply and to build and utilize the greenest possible sources. Programs such as Net Metering and Standing Offer need to be expanded and streamlined, not devalued or dismantled.

POINT 3: Net Metering (and Standing Offer) were both intended to invite small players to participate in our clean electricity solutions. These are essential tools for public engagement. Quotas were established for these programs, but they were corrupted by BCH by making the entrance requirements needlessly onerous for small players. This allowed BCH to claim that there was insufficient interest by small players so that they could give the quotas away to much larger Independent Power Producers (IPPs) in shameful secret deals that have sadly tarnished the reputations of IPPs generally. This was a dark period in BCH history and government and BCUC need to ensure that the dirty deals between BCH and large scale IPPs do not negatively impact the ability of the general public and small business to participate in meaningful climate change action.

POINT 4: On page 2, lines 13-15 of BCH's final argument, the statement "resulting in systemic generation of surplus energy" is vastly exaggerated. The number of "oversized" generating facilities in the most exaggerated scenario will always be very small and all of them are limited to a maximum of 100 kw. This is a very trivial amount of electricity, far smaller than the amount produced by just one of the large IPPs with secret contracts at unjustifiably inflated prices.

POINT 5: On page 3, line 6 of BCH's final argument, they make mention of "mid-C" prices as a benchmark for fair acquisition pricing for future net metering rates. We believe this is a red herring. Our understanding is that mid-C pricing is relative to British Columbia's power entitlement from the Columbia River Treaty. Correct us if we are wrong, but we understand that

this applies to isolated electricity which is produced on the USA side of the border in American facilities of which British Columbia has a partial entitlement. This electricity is stranded in competitive US markets and not available to use in British Columbia. BCH has told us many times that there is negligible transmission capacity cross border, preventing us to transmit BC generated electricity south, or mid-Columbia electricity to British Columbia. What is the truth? We believe mid-C pricing has no bearing on domestically produced electricity. As an observation, it might be enormously more beneficial for BCH to invest more attention to building transmission capacity across the border (and into Alberta) than trying to dismantle the Net Metering and Standing Offer Programs.

POINT 6: Electricity received by all available sources in the Net Metering program as it stands is arguably the cleanest, greenest electricity available to BCH. It is also made available at virtually no capital cost to BCH and the program participants shoulder almost all the risk. It cannot get much better than this.

POINT 7: References in BCH's final argument suggesting that British Columbia will have an electricity surplus until at least 2030 conflict with the government's own data. The BC government and BCUC have recently received professional reports pointing out that Site C is going to add less than 10% to BCH's overall generation. The reports also illustrate that the current capacity of BCH of approximately 15,000 mw will need to increase to 37,000 mw if we factor in electrification of BC automobiles. Our government is telling us that they want to quickly transition to electric vehicles, and they are also telling us that industry and citizens homes need to be more electrified. BCH's forecasts are suspect and common sense tells us that electrical consumption in BC is going to rise steadily if not rapidly in the coming years.

POINT 8: On page 3, line 21 of BCH's final argument, the term "oversized generating facilities" is used. It is used repeatedly throughout the rest of the document. We believe that the overuse of this over-statement is designed to inappropriately influence the reader to believe that the handful of 100 kw net metering customers are an OVERSIZED problem. This is silly because 100 kw is a minuscule amount of electricity. "Oversized" is more appropriately applied to an IPP such as the Waneta Expansion Project (BCH/Columbia Power joint venture) which is singled out in the BC Government's own report "Zapped", identifying it as the worst business case in the BCH portfolio.

POINT 9: On page 5, lines 8-10, of BCH's final argument, the suggestion is that it will be necessary to prepare net metering customers to receive lower prices. British Columbia's electricity prices are already artificially low on the world stage. Only BCH seems to believe that over the next 5 years power prices will decline, and demand will not increase. This conflicts with government expectations and world trends. BCH should be preparing for the increase.

POINT 10: On page 7, lines 7-12 of BCH's final argument is a statement that effectively says other utilities are doing it so we should too. This is one of the oldest and lamest justifications of bad behaviour used by humans. Other utilities have entirely different circumstances and if they do not want to align with progressive jurisdictions, it is most unfortunate. It has little relevance here in British Columbia.

POINT 11: On page 8, lines 7-9 of BCH's final argument, the suggestion is made that the proposed amendments "are not expected to have a material impact on most existing or future program customers." We disagree. The revenue figures may not be significantly different for existing customers because most Net Metering surplus payments are very small amounts of money. However, the specter of lower prices and taking away the prospect of a customer potentially producing more electricity than they consume (with a possible credit at the end of the year), is a big disincentive for ordinary people to make substantial investments in their own local green climate change solutions.

POINT 12: On page 10, lines 6-8 of BCH's final argument is another suggestion that the "oversized" producers could cause an epidemic of large amounts of overpriced electricity being plugged into the grid. This is partially addressed in POINT 4. Even if it resulted in a large amount of capacity into the grid (which it won't), the current price of 9.9¢ kwh is still substantially low enough that BCH can re-sell it to retail customers and still achieve the basic maximum 15% profit allowed to utilities by BCUC. How is this not fair?

POINT 13: Page 21, lines 1-3 of BCH's final argument has a misleading statement suggesting that generation from customers "does not provide the same flexibility and storage capabilities as BCH's heritage assets." In actual fact, for the majority of each year, every kw produced into the grid by "customers" allows BCH to store a kilo-watt equivalent amount of water in a reservoir for release at BCH's discretion. This will likely occur at peak periods when stored electricity reaches its highest value and it is most advantageous to BCH.

POINT 14: On page 21, lines 15-20 of BCH's final argument are statements about costs of electricity produced at BCH's heritage generating plants. This kind of accounting is of little value if it doesn't factor in the ultimate replacement costs of the heritage facilities, the costs to the environment, losses of other resource values and even social and cultural values. At 9.9¢ kwh, Net Metering electricity might seem like a better deal, made better yet by the customer fronting the work and BCH having no capital costs or debt.

POINT 15: On page 23, lines 19-24 of BCH's final argument, BCH suggests that in five years, the Net Metering price of 9.9¢ will be reduced. First, inflation would be a normal reason to raise prices over 5 years. Secondly, electrical generating equipment usually takes more than 5 years to pay off. BCH's own generating facilities are financed over a period of decades and it is silly to suggest that BCH's own pricing should be lower now than it was 5 years or decades ago. In the case of solar panels, their life expectancy is less than 25 years and replacement costs will become a cost factor up to 3 times in a customer's lifetime.

POINT 16: On page 33, sections 78 & 79 of BCH's final argument, BCH argues that it is not fair to pay Net Metering customers rates for excess generation "far in excess of the value of that energy to BCH and customers." If this is the case, and according to section 59(2)(b) of the Utilities Commission Act (UCA), it would be fair to pay Net Metering customers an equivalent to the pricing of BCH's secret contracts to select IPP's. This would suggest a much higher price. We appreciate that BCUC is frustrated by the inability to expose the secret IPP contracts due to their private nature. However, we respectfully ask that BCUC demands transparency of the IPP contracts between BCH and Columbia Power because they are both publicly owned entities and should not be exempted from transparency. Having knowledge of the rates that Columbia Power receives for its Arrow Lakes, Brilliant Expansion and Waneta Expansion electricity would be substantially useful in this discussion.

POINT 17: To undermine the original intent of the Net Metering Program is detrimental to the public if it is done in isolation of providing alternate programs that can address the same progressive objectives originally intended for Net Metering. The impact is worsened by the recent suspension of the Standing Offer Program. What effective initiatives will replace the objectives of these two programs? Customers deserve choices in how and where their electricity is produced.

POINT 18: It seems remiss to not bring Site "C" cost of electricity into this conversation because the BC government elected to acquire electricity from Site "C" at a higher price than the current 9.9¢ kwh offered by Net Metering. The government did this with their eyes open and in defiance of BCUC's recommendation to curtail the site "C" project. It is not fair to make BCH customers suffer a loss of participatory programs due to the Site "C" decision. If it is "fair" to the government to pay the price of Site "C" power, it must also be fair to pay constituents the same price. The Site "C" scenario burdens BC citizens with massive long-term debt. Net Metering electricity is made available to British Columbians with no public debt.

In conclusion, the above 18 points are submitted by us for your careful consideration.

We also wish to congratulate the BCH team that authored the final argument. We would have probably tried a similar approach if we were mandated to present an argument to support the old monopoly model of utility management. It was a valiant effort, but it is a little like convincing us the Titanic is unsinkable.

The final argument presented by BCH is highly repetitive and heavily padded. We ask BCUC to consider our points carefully with hopes that this conversation can be simplified. In summary, it appears a very counterproductive move to gut the only remaining program in BCH that was designed to be specifically inclusive of all willing electricity consumers and to invite them to participate and invest in meaningful climate change solutions.

Respectfully,

Hal Wright, Manager

~ the Power of History ~