

April 8, 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: 7500.311

Dear Mr. Wruck,

**Re: British Columbia Hydro and Power Authority (BC Hydro) Transmission Service
Market Reference-Priced Rates Application – Freshet Rate Component
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 Freshet Rate Component of 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 (BC Hydro) Transmission Service Market
Reference-Priced Rates Application – Freshet Rate Component**

BCOAPO Final Argument

April 8, 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 a diverse cross-section of residential energy utility ratepayers within BC who hold progressivist views. Their interventions focus on the best interests of the residential ratepayer group as a class while taking into consideration the impacts of proposed rates, rate structures, and projects on the most economically vulnerable amongst them: the low and fixed income residents of BC.

1. Introduction

The Freshet Rate was initially offered as a pilot for three years, from 2016 through 2018. In Order G-106-19, the BCUC subsequently extended the Freshet Rate Pilot to include a fourth year (2019) such that it terminated on December 31, 2019.

Order G-106-19 also directed BC Hydro to:

- Submit an evaluation report for the Freshet Pilot for 2019, on or before October 31, 2019, and
- File an Application with the BCUC for a permanent Freshet Rate on or before September 30, 2019.

On August 23, 2019, BC Hydro applied to the BCUC for a one month extension to file its application for a permanent Freshet Rate from September 30, 2019 to October 31, 2019. This request was approved in Commission Order G-224-19 which directed BC Hydro to file its

application for a permanent Freshet Rate, together with the 2019 Freshet Rate Pilot evaluation report, no later than October 31, 2019.

On October 31, 2019, BC Hydro filed the 2019 Freshet Rate Pilot evaluation report in compliance with Commission Order G-224-19. On the same date, BC Hydro also filed an Application¹ requesting approval of an amended, ongoing Freshet Rate (Rate Schedule 1892) with no fixed termination date, commencing April 1, 2020. The amended Freshet Rate contains house-keeping amendments and new terms.

On December 12, 2019, the BCUC issued Order G-327-19 establishing a regulatory timetable for the review of the Application which was subsequently revised by Order G-49-20. The regulatory process with respect to the Freshet Rate proposal involved one round of interrogatories, questions filed prior to an SRP which was subsequently cancelled, a second round of interrogatories and written submissions by both intervenors and BC Hydro.

Set out below is a summary of BC Hydro's Freshet Rate proposal followed by BCOAPO's submissions.

2. BC Hydro's Freshet Rate (RS 1892) Proposal

2.1. Summary of Proposal

The previously approved Freshet Rate is an optional rate for non-firm, interruptible electricity service above normal RS 1823 baseline amounts during a historical freshet period commencing May 1 and ending July 31. Key aspects of the previously approved Freshet Rate and proposed changes are:

- *Availability:* The Freshet Rate pilot was open to RS 1823 customers during the Freshet Period of May 1 to July 31. In the current Application BC Hydro is proposing to extend the Availability condition to include Biomass Energy Program customers taking service under RS 1828². There is no change to the actual Freshet Period from that used in the Pilot³.
- *Interruptible:* RS 1892 service is non-firm and interruptible. BC Hydro will only provide service where it has energy and capacity to do so. BC Hydro has the right to interrupt RS 1892 service for transmission and generation system constraints. RS 1892 load

¹ The Application also included a proposal for an Incremental Energy Rate Pilot (RS 1893) on a pilot basis beginning January 1, 2020 and ending March 31, 2024.

² Exhibit B-1, page 48

³ Exhibit B-1, page 50

- is not included in BC Hydro's load forecast and BC Hydro will not advance any system investments to serve the load⁴. These provisions are the same as those in the Freshet Pilot. BC Hydro has made it explicitly clear⁵ that the terms and conditions for RS 1892 do not permit interruptions for economic reasons (e.g., if BC marginal cost exceeds the price charged for RS 1892).
- *Pricing:* Freshet Rate energy pricing is based on the day-ahead ICE Mid-C Peak and Off Peak weighted average index prices, applicable to the hour. In addition, the energy pricing includes a price floor of \$0/MWh (in the event the Mid-C price falls below \$0/MWh) and an adder of \$3/MWh⁶. There is no demand charge. The only change in current Application is to align the definition of peak and off peak (i.e., high load and low load hours) with that used for RS 1823 and RS 1828⁷.
 - *Notice:* Both RS 1823 and RS 1828 Customers must notify BC Hydro by March 1 of each year that they wish to take electricity under RS 1892 for the forthcoming Freshet Period. The Customer notice must include an estimate of the amount of incremental energy that the Customer expects to take under the rate schedule and a description of their planned actions to increase load⁸. These provisions are the same as those in the Freshet Pilot.
 - *Customer Baselines:* The default period for determining HLH and LLH Baselines and Reference Demand (used for RS 1823 and RS 1828 Demand billing) will be based on RS 1823 Electricity usage from the 2015 Freshet Period unless an alternate period is approved by the BCUC. This results in seasonal average baselines for energy and demand. These provisions are the same as those in the Freshet Pilot. However, BC Hydro is now proposing that new Customers will require at least one year of historical RS 1823 or RS 1828 Electricity usage during the Freshet Period. BC Hydro has also proposed that, where Customers do not have RS 1823 Electricity usage in the default 2015 Freshet Period, electricity usage during the most recent Freshet Period will be used⁹.

⁴ Exhibit B-1, page 50

⁵ Exhibit B-4, BCUC 1.9.4

⁶ Exhibit B-1, page 49

⁷ Exhibit B-1, page 51

⁸ Exhibit B-1, page 50

⁹ Exhibit B-1, pages 51-53

2.2. Rationale for Application

In the Application, BC Hydro's stated reasons for applying for the amended Freshet Rate to be made available on an ongoing basis, commencing April 1, 2020 with no fixed termination date, are¹⁰:

- The previously approved Freshet Rate was successful in terms of customer participation, incremental energy sales and positive ratepayer impact over the pilot period. Over the four-year pilot period the Freshet Rate:
 - i. Had participation from approximately 30 per cent of eligible RS 1823 customers;
 - ii. Increased domestic energy sales by 569 GWh and gross revenues by \$14.9 million; and
 - iii. Resulted in a net revenue gain of \$5.8 million.
- Evaluation results for the Freshet Rate pilot show that there have been ratepayer and participant benefits. The amended Freshet Rate is expected to continue to provide benefits to participants and ratepayers if Mid-Columbia (Mid-C) market prices and BC Hydro's marginal cost of energy are similar to the conditions experienced over the four-year pilot period; and
- BC Hydro has consulted extensively with its existing transmission service customers and the Association of Major Power Customers (AMPC). They support the Freshet Rate being offered on an ongoing basis.

3. Submissions

3.1. Net Revenue Gains During Pilot

The referenced \$5.8 M in net revenue gains is based on a simple comparison of the revenues received versus a valuation of the kWh sold using BC Hydro's cost for the marginal resource that was deemed to serve incremental RS 1892 HLH and LLH energy volumes during each day of the 2019 Freshet Period¹¹.

The analysis does not account for:

¹⁰ Exhibit B-1, pages 4-5

¹¹ Exhibit B-1, Appendix E, pages 15-18

- i. The incremental costs incurred in offering the rate – for the four years these total \$296,000 (\$205,000 for years 1-3 per Appendix D, page 15 of 296 and an estimated cost of \$91,000 for year 4 per Exhibit B-6, BCUC 6.0)
- ii. The impact of load shifting and natural load growth – the actual impacts for these have only been calculated for years 1 and 2 – for which the total estimated impact is \$842,000. The impact for year 3 has only been determined on a forecast basis (\$205,000) and no estimate/actual calculation has been done for year 4¹².
- iii. The impact of customers using RS 1892 as a replacement service for RS 1880 during events of forced generator outage – again, the actual impacts for this have only been calculated for years 1 and 2 – for which the total estimated impact is \$1,053,000. The impact for year 3 is “forecasted” to be \$220,000 and no estimate/actual calculation has been done for year 4¹³. Exclusive of year 4 load shifting/natural load growth¹⁴ impacts, items (ii) and (iii) represent additional “costs” totaling \$2.32 M.

BC Hydro acknowledges that the reporting of net revenue would be more representative if the value could have been adjusted for all verified costs, including load shifting impacts¹⁵. Allowing for the implementation costs in years 1-4 and the actual/forecast cost of load shifting and natural load growth in years 1-3, would reduce the net revenue to \$3.166 M¹⁶ and any load shifting/natural load growth that occurred in year 4 would reduce the net revenue even further.

Furthermore, BC Hydro has acknowledged that it does not have sufficient information to ascertain whether, in cases where there was no increase in annual RS 1823 energy sales, some portion of a given customer’s incremental energy use during any given freshet period might have occurred anyways (i.e., in the absence of RS 1892) and for what reasons¹⁷. This means that the Net Revenue estimate could be even lower still.

Finally, the Evaluation Reports acknowledge that in addition to the incremental costs reported there were other staff and administration costs that were funded under existing operating budgets¹⁸. While these costs are not “incremental” they do call on the capacity capability of the

¹² Exhibit B-6, BCUC 6.0 and Exhibit B-5, BCOAPO 1.4.1 & 1.15.1

¹³ Exhibit B-6, BCUC 6.0

¹⁴ Throughout these submission reference to load shifting/natural load growth impacts is meant to also include the impact of customers using RS 1892 as a replacement service for RS 1880 during events of forced generator outage.

¹⁵ Exhibit B-5, BCSEA 1.5.1

¹⁶ Exhibit B-6, BCUC 6.0

¹⁷ Exhibit B-5, BCOAPO 1.14.1.1

¹⁸ Exhibit B-1, Appendix E, page 15 of 21 and Appendix D, page 35 of 296

existing budget and represent hours that could be directed to other activities. Indeed, this is the premise underlying BC Hydro's Work Smart initiative¹⁹. While BC Hydro declines to acknowledge there is a "cost" associated with these internal activities, it is more than willing to attribute internal costs to activities that would be funded under current budgets when objecting to the need for future reporting²⁰.

Overall, BCOAPO submits that BC Hydro's evaluation of rate payer benefits of \$5.8 M during the Pilot period is significantly overstated.

Furthermore, it is our position that the estimated increased domestic energy sales of 569 GWh is also overstated as it does not account for load shifting and natural load growth impacts. BC Hydro has estimated that for the first two years of the Pilot these events contributed to an approximately 15 per cent higher volume of RS 1892 energy than may otherwise have been the case²¹.

3.2. Participating Customers Benefits During the Pilot Period

In Appendix D (page 13 of 296), BC Hydro estimates that in the first three years of the Pilot the participating customers' bills were \$9.3 M lower than if they'd been billed under RS 1823. In BCOAPO's view this is a conservative estimate of participating customers' bill savings in the first three years as the calculation used the RS 1823 Tier 1 rate as the basis of comparison²². Since it is unlikely that these customers were operating solely within Tier 1, BCOAPO does not accept this comparison as truly representative of the cost savings realized by the participating customers.

Given the foregoing and the fact the \$9.3 M does not include participating customer bill savings for year 4, it is BCOAPO's view that the participating customers' bill savings during the pilot period were likely materially higher than \$9.3 M and that, overall, the bill reductions seen by the participating customers far exceed the net revenue benefits accruing to the non-participating customers over the Pilot period.

3.3. Expected Future Net Revenue Benefits

BC Hydro states that "The amended Freshet Rate is expected to continue to provide benefits to participants and ratepayers if Mid-Columbia (Mid-C) market prices and BC Hydro's marginal cost of energy are similar to the conditions experienced over the four-year pilot period"²³.

¹⁹ Per BC Hydro's F2020-F2021 RRA, Exhibit B-1, page 5-16 – 5-17, the gains made through the Work Smart program can be used to address workload issues and absorb new work.

²⁰ Exhibit B-7, BCUC 2.0

²¹ Exhibit B-1, Appendix D, page 55 of 296

²² Exhibit B-1, Appendix D, Table 2

²³ Exhibit B-1, page 5

In Appendix E²⁴ BC Hydro explains that system conditions during the Freshet Period generally fall into one of three categories:

- Condition 1: Minimum generation with forced export – where BC Hydro will see an approximate revenue gain equal to the sum of the CAD \$3.00/MWh energy adder collected under RS 1892 and the avoided USD \$5.16/MWh wheeling fee plus 1.9 per cent transmission loss charge for avoided energy delivery from the BC border to the Mid-C market (converted to Canadian dollars). This gain is roughly equal to \$10.00/MWh.
- Condition 2: Minimum generation with economic import – where BC Hydro will see an approximate revenue loss equal to the difference between the CAD \$3.00/MWh energy adder collected under RS 1892 and the US \$5.16/MWh wheeling fee and 1.9 per cent transmission losses charge converted to Canadian dollars paid for energy delivery from the Mid-C market to the BC border. This loss is roughly equal to \$4.00/MWh. (Note: On any days where the market price is negative, the revenue loss from deemed market imports will be reduced by the difference between the actual market price and the \$0/MWh floor price under RS 1892)
- Condition 3: Higher basin generation on the margin – where the loading of BC Hydro's large basin generation will be increased to serve additional RS 1892 load. BC Hydro considers that the cost consequence (revenue gain or loss) of this circumstance can be estimated by comparing the actual revenue gained from RS 1892 energy sales with the deemed value of the water/energy removed from the BC Hydro large basin to serve the additional load rather than being held in storage. The value of the incremental generation from the large basin that is operated to serve the load is expressed as a daily System Marginal Value. The extent to which sales under RS 1892 leads to a net revenue loss or gain depends on this daily System Marginal value which is calculated as part of BC Hydro's Monthly Energy Studies²⁵ and is considered confidential²⁶.

As a result, whether or not there was a positive or negative contribution to net revenue in each of the four years of the pilot depended upon the extent to which each of these three conditions existed during the freshet period, the difference between Mid-C prices and BC Hydro's System

²⁴ Exhibit B-1, Appendix E, page 15 of 21

²⁵ Exhibit B-5, BCOAPO 1.9.8

²⁶ Exhibit B-4, BCUC 1.20.6

Marginal Values when Condition #3 existed and the volumes of Freshet Energy sold when each condition existed. This can readily be seen from Appendix E, Table 5.

The critical point is that there is no guarantee that BC Hydro's proposed pricing for RS 1892 based on Mid-C prices and a \$3/MWh adder will produce positive net revenues in any given year and whether or not there will be positive net revenue in the future will depend on future system conditions and export (Mid-C) prices. BC Hydro claims that the Freshet Rate will provide benefits if future system conditions and prices are similar to the conditions and prices experienced over the four-year pilot. However, it is important to note that this may not be the case.

To further understand the likelihood of the Freshet Rate providing benefits in the years to come, BCUC Staff requested²⁷ that BC Hydro "provide BC Hydro's revenue forecast and ratepayer impact of the Freshet Rate over the next 3 years, similar to that provided for the IER pilot". The analysis incorporated forward-looking data inputs for the three-year period of fiscal 2020 to fiscal 2022 and considered 46 historical weather sequences²⁸. The analysis assumed that the number of Freshet Rate customers would be 50% lower than the number of historical RS 1892 participants and resulted in average expected incremental load of 64 GWh (BCOAPO notes that, annual incremental load during the pilot ranged from 111.5 GWh to 168.4 GWh and averaged 142.3 GWh/per annum²⁹). The results, which did not account for implementation costs or the impacts of natural load growth/load shifting, produced an expected incremental net revenue of \$71,000 per year, with 10th percentile and 90th percentile values of -\$314,000 and \$436,000 respectively. The analysis also indicated that the net revenue would be zero between the 35th and 40th percentiles³⁰.

In the second round of interrogatory responses BC Hydro expressed reservations regarding the use of the model's analysis to forecast future revenues:

- "The model was intended to test reasonableness of the adder under a range of conditions. It was not primarily intended to provide a forecast of future revenues. Input assumptions to the model differ from the actual conditions of the past four years. As an example, the model assumed customer participation levels and incremental energy

²⁷ Exhibit B-4, BCUC 1.7.1

²⁸ Exhibit B-1, pages 74-75

²⁹ Exhibit B-1, Appendix E, Table 2

³⁰ Exhibit B-8, BCOAPO 2.48.1

use to be approximately 50 per cent lower than was typically seen over the past four years”³¹.

- “As described in BC Hydro’s response to BCUC pre-filed Question No. 7, input assumptions to the model differ from actual Pilot conditions and results. The model was intended to test the reasonableness of the energy charge adder under a range of conditions. It was not primarily intended to provide a forecast of future RS 1892 participation or revenues”³².
- “For clarity, BC Hydro notes that the intent of the model and assumptions therein, is not to prescribe a specific revenue impact value and should not be interpreted to do so. The model analysis presented in BC Hydro’s response to BCUC IR 1.7.1 provides a directional view as to whether RS 1892 energy pricing, including the proposed energy charge adder of \$3/MWh and energy price floor of \$0/MWh, is sufficient to recover the expected cost of the marginal resource that the model assumes would supply the incremental volume of RS 1892 energy under a range of potential conditions”³³.”

In the second round of IR responses BC Hydro also stated that: “BC Hydro cautions that it would not be appropriate to combine the expected net revenue values from the model results with BC Hydro’s estimate of future RS 1892 implementation or load shifting costs for the purpose of determining an adjusted ratepayer benefit”³⁴.

BC Hydro has acknowledged that the reporting of net revenue would be more representative if the value could have been adjusted for all verified costs, including load shifting impacts³⁵. BC Hydro also acknowledges that its modelled net revenue values (per Exhibit B-4, BCUC 1.7.1) are not adjusted for any prospective implementation costs or load shifting impacts³⁶. Given these two facts, BCOAPO submits that the critical question is not whether the model produces the specific future net revenue impact anticipated from the Freshet Rate but rather: i) can the model and its results be used to provide a directional view as to whether the proposed energy charge adder of \$3/MWh and energy price floor of \$0/MWh is sufficient to cover not only the expected cost of the marginal resource but also cover implementation costs and the impact of load shifting/natural load

³¹ Exhibit B-6, BCUC 7.0

³² Exhibit B-8, BCOAPO 2.47.1

³³ Exhibit B-8, BCOAPO 2.48.1

³⁴ Exhibit B-8, BCOAPO 2.47.1

³⁵ Exhibit B-5, BCSEA 1.5.1

³⁶ Exhibit B-8, BCOAPO 2.47.1

growth and, more importantly, ii) does it provide better insight into this question than the results of the four-year pilot? In BCOAPO's view the answer to both questions is yes.

With respect to the first question, BC Hydro's analysis indicates that the expected net revenue over the next two years is \$71,000 per annum, assuming incremental sales in the order of 60 to 65 GWh per annum. BC Hydro has provided no estimates as to the expected revenue impact of load shifting and natural load growth over the next three years. However, based on this analysis, if the implementation costs and revenue impact of load shifting and natural load growth exceed \$71,000 per year then the "directional view" would be that the proposed energy charge adder of \$3/MWh and energy price floor of \$0/MWh will not be sufficient. BC Hydro has estimated that the annual ongoing implementation costs for RS 1892 will be \$10,000³⁷, leaving \$61,000 to cover the impact of load shifting/natural load growth.

During the first two years of the Freshet Rate pilot, for which actual estimates as to the impact load shifting and natural load growth were calculated, the dollar impacts were \$735,000 in F2016 and \$1,160,000 in F2017³⁸ on incremental Freshet Rate load volumes of 139,064 MWh and 169,399 MWh respectively³⁹. While the expected incremental Freshet Rate load in the analysis is a fraction of that in either of these years (46.0% and 37.8% respectively), the dollar impact from the load shifting and natural load growth associated with the expected incremental load would have to be less than 10% of that experienced in these two pilot years in order for the overall expected net revenue to not be negative. In BCOAPO's submission, that is highly unlikely. Even if one were to consider the lower and more favourable forecasted load shifting/natural load growth results for F2018, the future dollar impact from load shifting/natural load growth would need to be less than 14.4% of that predicted for F2018 when the expected incremental load used in the analysis was 42.6% of that experienced in F2018. Again, BCOAPO submits such results are highly unlikely.

Overall, BCOAPO submits that the directional view provided by BC Hydro's analysis of the F2020-F2022 period indicates that the proposed energy charge adder of \$3/MWh and energy price floor of \$0/MWh is insufficient to cover the expected cost of the marginal resource as well as the annual implementation costs and the impact of load shifting/natural load growth.

As noted earlier, the second critical question is whether the BCUC should rely on:

³⁷ Exhibit B-8, BCOAPO 2.46.1

³⁸ Exhibit B-6, BCUC 6.0

³⁹ Exhibit B-1, Appendix E, Table 2

- i. The evidence presented in BCUC 1.7.1 which relied on a forward-looking analysis, and the assessment of the results provided above, or
- ii. BC Hydro's claim that the \$3/MWh energy charge adder and \$0/MWh energy price floor are sufficient to manage the risk of economic losses over the entire freshet⁴⁰, which is supported only by its evaluation of the pilot period results.

In BCOAPO's submission, the analysis based on the BCUC 1.7.1 is superior for the following reasons:

- While the pilot period analysis relies on the results of just four specific years (and even then for some of these years the analysis is incomplete), the analysis presented in BCUC 1.7.1 incorporates 46 years of historical weather sequences⁴¹ and therefore provides a more robust analysis of what the future could be.
- While the pilot period analysis uses the mid-C prices and system values specific to the four historical years considered the analysis presented in BCUC 1.7.1 uses forward mid-C prices⁴² and expected future system values which we submit are more representative of what the future could be.
- BC Hydro has stated⁴³ that "the assessment of ratepayer risk for RS 1892 service should be based on the results across entire freshet periods, and across multiple freshet periods". The analysis provided in BCUC 1.7.1 achieves this by considering a full range (i.e. 46) of historical weather sequences whereas the pilot period analysis focused on a very limited number.
- The analytical model underpinning the analysis presented in BCUC 1.7.1 is the same model that BC Hydro is using to justify the proposed adders for the Incremental Energy Rate (IER). If the model is sufficiently robust to test the appropriateness of the IER adders, then it should be sufficiently robust to address questions regarding the Freshet Rate adder.

Based on the foregoing, it is BCOAPO's submission that BC Hydro has not provided compelling evidence that the proposed energy charge adder of \$3/MWh and energy price floor of \$0/MWh are sufficient to cover the cost of the marginal resources that will be used to supply future Freshet

⁴⁰ Exhibit B-6, BCUC 4.0 & 8.0

⁴¹ Exhibit B-1, page 75

⁴² Exhibit B-1, page 75

⁴³ Exhibit B-6, BCUC 2.0

Rate load as well as the annual implementation costs and the impacts of load shifting/natural load growth such that the RS 1892 rate will hold non-participating customers harmless, let alone provide them a net benefit. Indeed, consideration of all the evidence provided would suggest that the opposite is the case.

As result, BCOAPO submits that the BCUC should not approve the Freshet Rate (RS 1892) as proposed by BC Hydro.

3.4. Possible Options to protect non-participating customer

During the interrogatory process BC Hydro was asked more than once in what ways it could manage the potential economic losses⁴⁴. In its responses, BC Hydro declined to provide any suggestions and simply asserted that “BC Hydro considers the \$3/MWh energy charge adder and \$0/MWh energy price floor to be sufficient to manage the risk of economic losses over the entire freshet period and over multiple freshet periods”.

However, as submitted above, the overall evidence presented does not support this claim. In BCOAPO’s view there are a number of ways the currently proposed Freshet Rate could be re-designed in order to ensure non-participating customer are held harmless: a task that must be left to the utility.

One option would be to increase the energy charge adder so that it would be sufficient to cover the cost of the marginal resources that will be used to supply future Freshet Rate load as well as the anticipated annual implementation costs and impacts of load shifting/natural load growth. We recognize that this would likely change the behaviour of potential RS 1892 participants and reduce the overall volumes of incremental GWh sold but, as noted above, the current design conferred significantly higher benefits to participating customers than it did to non-participating customers during the Pilot period so some rebalancing of the benefits would be reasonable.

Another option would be to suspend the Freshet Rate in years when BC Hydro predicts that there is a high probability of economic losses due to unfavorable conditions. BCOAPO notes that this was the approach initially considered by BC Hydro for F2019⁴⁵. BC Hydro has expressed reservations regarding such an approach citing the regulatory process required to establish the conditions under which suspension of the rate would occur⁴⁶. In BCOAPO’s view, while there may be regulatory costs associated with this option, that is simply one of the considerations that

⁴⁴ Exhibit B-6, BCUC 4.0 and Exhibit B-7, BCUC 2.H

⁴⁵ Exhibit B-4, BCUC 1.9.2

⁴⁶ Exhibit B-6, BCUC 5.0

would need to be taken into account in determining whether a “suspension option” was the best approach to ensure non-participating customers are held harmless, and, provided all who participate act in good faith, the costs incurred would be justifiable. The desire to keep regulatory costs low must always be balanced with the benefit that regulatory process confers to not only the ratepayers, but the utility itself: open, public regulatory processes followed by decision and unassailable reasons for judgement tend to minimize, although not entirely, the perception that the Utility is acting in a manner contrary to the public interest.

BC Hydro has also asserted that its customers would have difficulty planning if BC Hydro were able to curtail service⁴⁷. In BCOAPO’s view, it is important to note that, under this option, service would not be curtailed with notice of only a day or less but rather the curtailment would be a suspension of the rate offering with several months’ notice. As a result, BCOAPO does not see customers’ ability to plan as being materially impacted, nor their operations unfairly prejudiced, particularly when one considers that customers on the Freshet Rate typically have to plan on day to day basis as the rate itself can change daily.

A third option would be to not suspend the offering of the rate for entire Freshet periods but rather to curtail the rate for those specific days where there is a high probability of economic losses due to unfavorable system conditions. While this option has greater implication for customer planning it would allow for a lower energy charge adder. Again, these are considerations that would need to be taken into account in determining which option was the best approach to ensure non-participating customers are held harmless.

In BCOAPO’s view there is insufficient evidence on the record for the BCUC to establish which would be the preferred option, and, while it would be preferable to have presented that evidence, we note the onus is on the Applicant to present evidence sufficient to justify approving the application: something BC Hydro has failed to do in this instance. As a result, BCOAPO submits that BC Hydro’s application should be denied. We, on behalf of BCOAPO, have identified alternative ways in which BC Hydro might possibly – although not necessarily – salvage its intention to proceed with a Freshet rate and if the Utility still wishes to proceed with a Freshet Rate, it can review these and any other options available⁴⁸ and, if it deems there is an option that makes the Freshet Rate viable for participating customers while holding non-participating customers harmless, make another Application to the BCUC. Furthermore, the BCUC should

⁴⁷ Exhibit B-5, BCOAPO 1.13.1.2

⁴⁸ This may include additional options over and above those noted in these submissions

direct BC Hydro to suspend the offer of the Freshet Rate (after the 2020 freshet period) until such time as a Freshet Rate is approved.

3.5. Reporting

BC Hydro has indicated⁴⁹ that it does not intend to continue to monitor and report on load shifting impacts or annual net revenues if the proposed Freshet Rate is made permanent. In justifying this position BC Hydro states⁵⁰:

- “BC Hydro has monitored and reported on the Freshet Energy Rate four times, covering each of the four years of the Freshet Energy Rate Pilot. BC Hydro considers the results included in these reports to provide conclusive information on the performance of the Freshet Energy Rate over a variety of conditions”.
- “Monitoring and reporting on individual rate schedules is resource intensive, resulting in increased costs for ratepayers, and is not standard practice for all rate schedules”.

However, BC Hydro has indicated⁵¹ that “given the possibility of future unforeseen changes that could result in a deterioration in net revenues attributed to the rate, BC Hydro would be amenable to considering revisiting the economics of RS 1892, after a period of at least ten years from the effective date of an approved rate schedule”.

In response to BC Hydro’s comments as to why continued monitoring and reporting is not necessary BCOAPO notes:

- While the Freshet Pilot lasted for four years, comprehensive analysis and reporting of the results was only completed for the first two years.
- The performance results for the Freshet Rate during the Freshet Pilot period are markedly different from the direction view provided by BC Hydro’s subsequent forward-looking analysis. While the Net Revenue benefits (prior to any allowance for implementation cost and impacts due to load shifting/natural load growth) during the Pilot period averaged \$1,445,500 per annum⁵², the expected incremental load net revenue for the forward looking analysis was only \$71,000 per annum⁵³ (less than 5% of that observed during the Pilot period).

⁴⁹ Exhibit B-4, BCUC 1.14.1

⁵⁰ Exhibit B-4, BCUC 1.14.1

⁵¹ Exhibit B-5, BCOAPO 1.13.1.2

⁵² Exhibit B-6, BCUC 6.0

⁵³ Exhibit B-4, BCUC 1.7.1

BCOAPO has submitted its position that the evidence is not sufficient to justify an approval of the Freshet Rate as proposed by BC Hydro. However, should the BCUC decide to approve the rate or some variation thereof, then BCOAPO submits that further monitoring, in the short term, is required. In this regard, BCOAPO notes that BC Hydro proposes to provide an evaluation report on its Incremental Energy Rate pilot in the fall of 2023, after the completion of the third full fiscal year of the pilot (fiscal 2023). BCOAPO submits that this would be an appropriate time at which to also file an evaluation report on the performance of the Freshet Rate.

If the IER is approved, then there may be synergies/efficiencies to be gain in jointly performing the two evaluations. If it not approved, then the period following the 2023 Freshet is still a timely point for such an evaluation. In BCOAPO's submission, given the current uncertainties regarding the future performance, ten years would be too long to wait before it is reviewed again.

4. Conclusion

For the reasons outlined above, BCOAPO submits that the Freshet Rate as proposed by BC Hydro should not be approved.

ALL OF WHICH IS RESPECTFULLY SUBMITTED:

Original on file signed by:

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