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Sent by E-mail

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC Canada V6Z 2N3

Attention: Marija Tresoglavic, Acting Commission Secretary

Dear Madame:

British Columbia Hydro and Power Authority – Transmission Service Market Reference-Priced Rates Application – Project 1599053 – Intervener Final Arguments on Response to Panel Information Requests

We are legal counsel to AMPC in this matter and write on its behalf. Pursuant to the regulatory timetable, we provide AMPC's further comments on BC Hydro's proposed Incremental Energy Rate pilot program ("**IER**", or "**RS 1893**") following BC Hydro's responses to BCUC Panel information requests (Exhibit B-13).

I. Background

This filing follows AMPC's RS 1893 final argument, submitted July 6, 2020. The Commission reopened this proceeding to ask additional information requests following Catalyst Paper's application to temporarily reduce its RS 1893 baselines at two sites between June and August 2020.[1] AMPC's positions have not changed.

II. Supplemental Comments

The purpose of the IER pilot is to provide BC Hydro customers an opportunity to purchase incremental electricity while BC Hydro has an energy surplus. More specifically:

- The energy surplus is sold in export markets, typically at prices lower than BC Hydro's cost-of-service-based rates. The result is, effectively, a subsidization of export markets by BC Hydro customers, to the extent that exports originate from surplus volumes rather than arbitrage opportunities.

- The Freshet rate, previous Freshet rate pilot, and proposed IER therefore aim to put customers on a more even footing with export markets during the surplus period, by tying IER pricing to the Mid-C market.

[1] Exhibit B-1 in Proceeding 63656, Catalyst Paper Baseline Adjustment Request, pdf p. 2.

- But IER purchases must be incremental, i.e., electricity that would not have been purchased at standard cost-based rates. If that were not the case, other rate classes paying cost-based rates (established via a proper cost of service study) would be inappropriately cross-subsidizing IER customers. The IER mechanics therefore seek to limit purchases to incremental generation.

Catalyst's request to lower its baseline is likewise predicated on incremental purchases:

- Catalyst shut down mills in response to the effect of the COVID-19 pandemic on Catalyst's export paper market.

- Catalyst's application to change its baselines reflects these new circumstances and targets electricity that it would not purchase under RS 1823 pricing.

BC Hydro's response to Panel IR 1.1.1 explains this context clearly,[2] and BC Hydro's response to Panel IR 1.1.3 articulates why BC Hydro does not expect that Catalyst's request would have any long-term implications on the performance of the IER program or on ratepayers in general.[3] Rather, from the information on both proceeding records, AMPC submits that the IER program provides an opportunity for both Catalyst and BC Hydro ratepayers to re-establish electricity sales that would otherwise be lost due to the COVID-19 pandemic. In consequence, Catalyst's application provides no cause for concern relative to the IER rate design and the IER should be approved as filed. Catalyst's application should be dealt with separately.

AMPC notes the prospect of an F2022 update report in BC Hydro's response to Panel IRs 1.2.4.1 and 1.2.4.2, to track total IER usage and revenues as a check point on ratepayer impacts.[4] While AMPC maintains its position that a full evaluation of the pilot is best executed in December 2023, so that the evaluation can benefit from both a broader range of conditions and broader participant involvement over a longer period of time, AMPC does not oppose the approximately $30,000 effort suggested by BC Hydro.

Please contact the writer if you have any questions.

Yours very truly,

For Matthew D. Keen

[2] Exhibit B-13, BC Hydro response to Panel IR 1.1.1, pdf pp. 3-4.
[3] Exhibit B-13, BC Hydro response to Panel IR 1.1.3, pdf p. 11.
[4] Exhibit B-13, BC Hydro response to Panel IRs 1.2.4.1 and 1.2.4.2, pdf pp. 26-28.