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Environmental, Natural Resources &  
Indigenous Law

VIA EFILE

April 6, 2021

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

Attention: Patrick Wruck, Commission Secretary

Dear Mr. Wruck,

**Re: Zone II Ratepayers Group's Final Argument  
British Columbia Hydro and Power Authority; Fiscal 2022 Revenue  
Requirements Application (Project No. 1599164)**

In response to BC Hydro's Fiscal 2022 Revenue Requirements Application  
("Application"), please accept the enclosed final argument for the Zone II Ratepayers  
Group.

If you require anything further, please let us know.

Yours truly,  
IRIS LEGAL



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**BRITISH COLUMBIA UTILITIES COMMISSION****IN THE MATTER OF THE *UTILITIES COMMISSION ACT*,  
RSBC 1996, c. 473****BRITISH COLUMBIA HYDRO AND POWER AUTHORITY****FISCAL 2021 TO FISCAL 2022 REVENUE REQUIREMENTS APPLICATION**

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**Final Submissions of  
Zone II Ratepayers Group  
("Zone II RPG")**

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**Zone II Ratepayers Group – Kwadacha and Tsay Keh Dene Nations**

1. Zone II RPG consists of the Kwadacha Nation ("**Kwadacha**") and Tsay Keh Dene Nation ("**Tsay Keh Dene**"), whose traditional territories are in remote areas of northern British Columbia. Kwadacha is based in Fort Ware, BC and Tsay Keh Dene in Tsay Keh Dene, BC.
2. Both Kwadacha and Tsay Keh Dene became non-integrated area ("**NIA**") BC Hydro customers in 2013 pursuant to the Remote Communities Electrification program. The two Nations take non-integrated service from BC Hydro under subsidized Zone II rates which do not reflect the real cost of electricity generated by BC Hydro's diesel-powered generators. In addition to diesel-powered generation, Kwadacha has a biomass facility that it constructed and operates, which became operational in April 2017. Its output is sold to BC Hydro under a long-term power purchase agreement.
3. Kwadacha and Tsay Keh Dene are two communities most impacted by BC Hydro's infrastructure in the Province, as a result of their forced relocation during the construction of the WAC Bennett Dam. These two Nations bring a unique

perspective to this proceeding, as northern Indigenous Nations located in BC Hydro's NIA who seek energy independence and full recognition of their rights, including title.

### **Rate Increase and Affordable Electricity**

4. In this Application, BC Hydro seeks, among other things, an approval of an increase in rates by 1.16 percent, effective April 1, 2021.<sup>1</sup> Zone II RPG does not oppose this rate increase although Zone II RPG continues to have concerns about electricity affordability.
5. The evidence establishes that this proposed rate increase is less than the forecasted inflation<sup>2</sup>. The evidence also suggests, as BC Hydro submits, that this rate increase reflects ongoing fiscal discipline and targeted investment in system reliability and resilience, as submitted by BC Hydro.<sup>3</sup>
6. In its evidence and Final Argument, BC Hydro has indicated that it recognizes the importance of both affordability and system investment and seeks to balance these considerations. In his evidence before the Commission, Mr. O'Riley confirmed BC Hydro's focus on affordability, indicating that BC Hydro is open to suggestions on additional measures that would be helpful going forward<sup>4</sup>.
7. Zone II RPG has concerns about how BC Hydro measures customers' electricity affordability because it does not consider customers' ability to pay. Mr. O'Riley testified that in the Province's mandate letter<sup>5</sup> to BC Hydro "they specifically call out affordability."<sup>6</sup> In its Fiscal 2021 Service Plan, BC Hydro also states that it is aligned with the Province's key priority of making life more affordable by:

Helping keep electricity bills affordable for our customers by managing our costs, exploring innovative solutions to support our customers and

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<sup>1</sup> Exhibit B-2, BCH F2022 RRA, page 1-1.

<sup>2</sup> Transcript Volume 1, p. 18 (Mr. O'Riley's testimony).

<sup>3</sup> BCH Final Argument, p. 1.

<sup>4</sup> Transcript Volume 1, p. 118 (Mr. O'Riley's testimony); see also BCH Final Argument, p. 4.

<sup>5</sup> BCH Mandate Letter from the Province dated February 21, 2019; <https://www.bchydro.com/content/dam/BCHydro/customer-portal/documents/corporate/accountability-reports/openness-accountability/bch-mandate-letter-2019-2020.pdf>

<sup>6</sup> Transcript Volume 1, p. 116 (Mr. O'Riley's testimony).

making cost-effective investments to maintain and expand our electricity system. (Objective 3.1)<sup>7</sup>

8. Mr. O’Riley confirmed that one of the important metrics for measuring affordability is inflation and that:

[t]here’s been many, many years in the last 20 years where the rate increases were well, well, well above inflation. So I acknowledge that for many customers their income levels don’t, you know, don’t go up with inflation and I’m sensitive to that, but for us it is an important benchmark. The other benchmark that we pay a lot of attention to is how we’re doing relative to other utilities, and so the importance of staying in that first quartile.<sup>8</sup>

Zone II RPG supports the Province’s key priority of keeping electricity bills affordable and has concerns that inflation might not be the correct metric for many customers because their incomes and ability to pay is not measured by inflation. Instead, BC Hydro should consult with the Low-Income Advisory Committee (“**LIAC**”) to determine a more appropriate metric to measure affordability and customers’ ability to pay.

9. In this proceeding BC Hydro suggested that it provides supports to low-income customers. Mr. O’Riley testified that:

I am sensitive to the ability of customers to pay and particularly for lower income customers and that’s why you see investments in things like the conservation programs that help lower income customers bring their bills down, why we have had the customer crises fund and hope to have some form of that in the future.<sup>9</sup>

Other than the Customer Crisis Fund, which is currently under review by the Commission (and appears unlikely to continue), BC Hydro has few bill relief measures to support residential customers. The only other known measures are that “BC Hydro offers customers a deferral of payment up to 30 days or an instalment plan to allow for payment over a longer period.”<sup>10</sup>

<sup>7</sup> BCH RRA Appendix Q, Fiscal 2021 BC Hydro Service Plan, page 6 of 29

<sup>8</sup> Transcript Volume 1, p. 115 (Mr. O’Riley’s testimony).

<sup>9</sup> Transcript Volume 1, p. 115-116 (Mr. O’Riley’s testimony).

<sup>10</sup> Exhibit B-5, BCH F2022 RRA, Zone II IR 1.15.2.1.

10. Zone II RPG remains concerned about affordability of electricity in its service territory, especially in northern low-income communities like Fort Ware and Tsay Keh Dene, and suggests that BC Hydro ought to invest additional resources into investigating ways to ensure electricity remains affordable, in connection with its participation on the LIAC. Such an investment could include retaining and funding an outside consultant, in conjunction with other LIAC members, in order to assist LIAC in progressing this important issue.

### **Operating Costs**

11. Zone II RPG agrees with BC Hydro's proposed increases in operating costs for vegetation management, and encourages BC Hydro to continue to provide procurement opportunities for Indigenous communities as it implements its vegetation management contracts.
12. Zone II RPG also supports the increased operating costs for cybersecurity. It is clear the issue of cybersecurity is a matter of growing concern. BC Hydro's evidence establishes that the cybersecurity threat landscape is growing and changing<sup>11</sup> and BC Hydro ought to direct additional resources into improving its capacity and capability in managing this important issue as directed in the Commission's Decision in the previous RRA.
13. Zone II RPG takes no position on BC Hydro's proposed operating costs for Mandatory Reliability Standards because it did not have access to the confidential information filed with the Commission on this topic.
14. Zone II RPG also agrees with BC Hydro's proposed uncontrollable cost increases for regulatory, labour, insurance and current service pension costs as well as other net cost increases.

### **Demand Side Management ("DSM")**

15. Zone II RPG agrees with BC Hydro's Moderation Strategy for the integrated area for the time-being until the next Integrated Resource Plan ("IRP") is developed,

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<sup>11</sup> Exhibit B-2, BCH F2022 RRA, page 1-9.

and also agrees with BC Hydro's \$82.2 million Fiscal 2022 DSM Expenditure Schedule<sup>12</sup> for DSM in the Test Period.

16. Zone II RPG also agrees with BC Hydro that the Moderation Strategy, which originated in the 2013 IRP, is not appropriate for the NIA. Instead, NIA community plans and information gathered during BC Hydro's implementation of the NIA DSM program should determine target levels of energy savings for the NIA program.<sup>13</sup> Zone II RPG suggests that the forthcoming diesel reduction strategy should also provide some guidance as to the future levels of DSM in the NIA.
17. Though the F2022 NIA DSM Program is cost-effective<sup>14</sup>, Zone II RPG encourages BC Hydro to more fully develop the DSM evaluation methods for the NIA so that cost effectiveness of future DSM in the NIA can be better evaluated. The Test Period BC Hydro's assessment of Non-Electricity Benefits for the NIA were based solely on the 40 percent adder applied to the program benefits, as required under the *Demand-Side Measures Regulation*.<sup>15</sup> In BC Hydro's previous RRA (F2020 and F2021), BC Hydro's witnesses acknowledged that there could be other, additional benefits, such as natural gas benefits and capacity benefits<sup>16</sup>, which BC Hydro did not incorporate into its analysis in the current Application. In his testimony in the current Application, Mr. Hobson had indicated "it's something that we would look towards for the Fiscal 2023 application...".<sup>17</sup>
18. Finally, and importantly, Zone II RPG is concerned with continuing delays in implementing DSM in the NIA, which were also identified in the previous proceeding (RRA F2020-2021). In that proceeding, BC Hydro indicated that "it has taken longer than anticipated for participation in this new DSM program to gain

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<sup>12</sup> Exhibit B-2, BCH F2022 RRA, Table 10-1, p. 10-2.

<sup>13</sup> Exhibit B-5, Zone II RPG IR 1.16.2.1.

<sup>14</sup> Exhibit B-5, Zone II RPG IR 1.21.5.

<sup>15</sup> Exhibit B-5, Zone II RPG IR 1.22.1.

<sup>16</sup> BCH RRA F2020-2021, Transcript Volume 15, pp. 2882-3 (Ms. Hanlon's testimony).

<sup>17</sup> BCH RRA F2022, Transcript Volume 1, p. 249 (Mr. Hobson's testimony).

momentum in NIA communities.”<sup>18</sup> In the current proceeding, BC Hydro has indicated:

that the energy savings targets for the Non-Integrated Area demand side management program will not be achieved in fiscal 2021....However, we continue to monitor projects within the NIA DSM program that will need to complete to achieve those forecasts and recognize that there is continued uncertainty within some NIA communities as a result of the COVID-19 pandemic.<sup>19</sup>

Furthermore, the following table provides actual, forecast and planned expenditures and new incremental electricity savings for the NIA program which shows that actual/forecast energy savings and expenditures for the new NIA DSM program are below plan: <sup>20</sup>

	NIA New Incremental Energy Savings (GWh/year)		NIA Total Expenditures (\$ million)	
	Plan	Actual/Forecast	Plan	Actual/Forecast
<b>F2020</b>	<b>0.45</b>	<b>0.14</b>	<b>1.21</b>	<b>0.92</b>
<b>F2021</b>	<b>0.61</b>	<b>0.53</b>	<b>1.42</b>	<b>1.13</b>
<b>F2022</b>	<b>0.57</b>	<b>n/a</b>	<b>1.41</b>	<b>n/a</b>

19. Barriers to implementing DSM in the NIA were noted in the Commission Decision (Directive 47) in BC Hydro’s RRA F2020-2021, where the Commission directed BC Hydro to report on the progress of the NIA DSM Program and an assessment of whether that program has been effective in reducing barriers to NIA customers.<sup>21</sup>
20. The impacts of COVID-19 on DSM in the NIA are uncertain; however, BC Hydro has developed plans to mitigate these impacts in F2022. BC Hydro has indicated that it recognizes “that the COVID-19 pandemic continues to evolve and there is uncertainty as to how it will impact our ability to implement our planned

<sup>18</sup> BCH F2020-2021 RRA, Exhibit B-57 (BCH Undertaking No. 66).

<sup>19</sup> Exhibit B-4, BCUC IR 1.67.1; Exhibit B-5, Zone II RPG IR 1.24.1.1.

<sup>20</sup> Exhibit B-4, BCUC IR 1.67.2.

<sup>21</sup> BCH F2020-F2021 RRA Decision and Order G-246-20 (Directive 47).

expenditures.”<sup>22</sup> BC Hydro has also advised: “In fiscal 2022, BC Hydro has plans for a number of activities that will assist in the ramp up in Non-Integrated Area (NIA) and Indigenous communities, as well as, to help mitigate the impacts of COVID-19....such as employ(ing) local community members and contractors to conduct home energy upgrades....and offering remote and virtual training options.”

<sup>23</sup>

21. Given the importance of DSM in the NIA, including reducing the usage of diesel, BC Hydro should prioritize DSM implementation in this region and mitigate the impacts of COVID-19 in delivering these programs, and consider how to make implementation more efficient, by for example coordinating it with other BC Hydro activities in NIA communities (ie. LED lighting, vegetation work), whenever possible.<sup>24</sup>

### **Diesel Reduction in NIA**

22. The evidence in this proceeding establishes that the Province expects to announce the recommendations and associated actions from the Comprehensive Review of BC Hydro in the spring of 2021.<sup>25</sup> BC Hydro has indicated that its long-term strategic approach to diesel reduction in the NIA will be informed by Phase 2 of this Comprehensive Review, and therefore be part of its Fiscal 2023 RRA.<sup>26</sup>
23. The Provincial Government has been slow to issue the results of Phase 2 of the Comprehensive Review apparently due to COVID-19 and the provincial election,<sup>27</sup> to the clear detriment of any advancement of BC Hydro’s diesel reduction strategy in the NIA.

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<sup>22</sup> Exhibit B-2; Section 10.2.1.3, page 10-12

<sup>23</sup> Exhibit B-5, Zone II RPG IR 1.18.1.

<sup>24</sup> Exhibit B-9, BC Hydro Undertaking No. 18.

<sup>25</sup> Exhibit B-5, Zone II RPG IR 1.13.5.

<sup>26</sup> Exhibit B-2 (Application), p. 6-31; and Exhibit B-5, Zone II RPG 1.5.1.1.

<sup>27</sup> Exhibit B-5, Zone II RPG IR 1.13.5.1.

24. In the absence of a diesel reduction strategy, BC Hydro should focus on reducing diesel reliance in all sectors, which would include fast-tracking LED light installation in the NIA and prioritizing the NIA DSM Program. BC Hydro also should consider the implications of offering electric vehicle recharging stations in NIA communities where electricity is in fact generated by diesel.<sup>28</sup> Helpfully, Ms. Daschuk confirmed in her testimony that it there were “really good ideas that came out from the information requests. And you are absolutely right, we do have an opportunity to reduce diesel reliance”<sup>29</sup> She added: “And while I can’t confirm what the schedule for NIA street light replacements is, we will be looking at finding ways to accelerate it.”<sup>30</sup> Zone II RPG encourages BC Hydro to proactively pursue these matters.
25. Zone II RPG also is concerned as to the levels of renewable diesel that BC Hydro is considering using for a portion of its diesel supply in the NIA as part of its diesel reduction strategy.<sup>31</sup> NIA communities are interested in renewable energy projects that reduce diesel use and generate economic benefits for its communities.

### **Load Forecast**

26. Zone II RPG agrees with BC Hydro’s use of COVID Scenario A as the appropriate basis for forecasting revenues during the Test Period. This forecast has been particularly tracking closely against actuals to date.<sup>32</sup>

### **Hearing Process**

27. Finally, Zone II RPG notes that this regulatory review of BC Hydro’s Fiscal 2022 Revenue Requirements Application was expedited and significantly less rigorous than the regulatory review of the prior RRA for BC Hydro. Zone II RPG agrees

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<sup>28</sup> Exhibit B-5, Zone II RPG 1.2.2; Transcript Volume 1, p. 258 (Mr. Anderson’s testimony)

<sup>29</sup> Transcript Volume 1, p, 256 (Ms. Daschuk’s testimony).

<sup>30</sup> Transcript Volume 1, p. 257 (Ms. Daschuk’s testimony); see also Exhibit B-5, Zone II RPG IR 1.6.1

<sup>31</sup> Transcript Volume 1 (Chris O’Riley testimony), page 251.

<sup>32</sup> BCH Final Argument, p. 11; Exhibit B-5, Zone II RPG IR 1.3.1.

with BC Hydro's submission that the Commission ought to limit determinations in this proceeding to matters actively canvassed by the parties.<sup>33</sup>

28. In Zone II RPG's submission, future RRA proceedings require more time to allow the parties and the Commission the appropriate level of rigor to assess the merits of the application before the Commission.
29. Zone II RPG appreciates that BC Hydro has indicated an ongoing commitment to embracing BCUC regulation and be responsive to feedback.<sup>34</sup>

ALL OF WHICH IS RESPECTFULLY SUBMITTED

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<sup>33</sup> BCH Final Argument, p. 6

<sup>34</sup> BCH Final Argument, p. 4