

REQUESTOR NAME: **BC Sustainable Energy Association and Sierra Club of British Columbia**

INFORMATION REQUEST ROUND NO: **2**

TO: **B.C. Hydro**

DATE: **March 6, 2012**

PROJECT NO: **3698622**

APPLICATION NAME: **F2012-2014 Revenue Requirements Application**

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**2.38.0 Topic: Regulatory Accounts**

**Reference: Exhibit A-17, Order G-17-12; Exhibit B-16, BCSEA IR 1.26.2**

In Order G-17-12, the Commission determined that “The F2013 DARR [Deferral Account Rate Rider] is to be set at 5.0 percent effective April 1, 2012, on an interim and refundable basis pending the determination of this Application.”

**“If the DARR were set based on Table 7-3, the DARR be 5 per cent in each of F2012, F2013 and F2014.”** [Exhibit B-16, BCSEA IR 1.26.2]

- 2.38.1 Please confirm that a final determination by the Commission to set the DARR for F2013 at 5.0 percent would have no bill impact.
- 2.38.2 Regarding the DARR for F2014, if the Commission determined that the F2014 DARR was to be set according to the DARR Table (without resort to the exception clause), and if the net balance in the deferral accounts on September 30, 2012 is in excess of \$500-million, then please confirm that the F2014 DARR would remain unchanged at 5.0 percent and there would be no bill impact.
- 2.38.3 Please confirm that prior to Order G-17-12, the DARR had always been determined by the DARR Table exception clause and not by the DARR Table itself.
- 2.38.4 Does BC Hydro agree that the existence of an exception clause has negated the intended purpose of a formulaic method of reducing the net balance in the deferral accounts?
- 2.38.5 Looking forward, does BC Hydro agree that any formulaic method of reducing the net balance in the deferral accounts that includes an exception clause will more likely be applied through the exception clause than through the formula? If not, why not?
- 2.38.6 Does BC Hydro agree that the Commission should establish an effective formulaic method of reducing the net balance in the deferral accounts by requiring the DARR to be set, going forward, according to the DARR Table without an exception clause? If not, why not?
- 2.38.7 Given that the DARR is now 5.0 percent (on an interim and refundable basis), if the Commission did establish an effective formulaic method of reducing the net balance in the deferral accounts by requiring the DARR to be set, going forward, according to the DARR Table without an exception clause, please confirm that there would be no bill impact

because the DARR would remain at 5.0 percent until the net balance in the deferral accounts fell below \$500-million, after which the bill impact would be negative (reduced bills).

**2.39.0 Topic: Demand Side Management**

**Reference: Exhibit B-16, BCSEA IR 1.1.22.1**

“1.1.22 Reference: Attachment 4, p. 31, re Lead By Example program.

1.1.22.1 Please explain why BC Hydro has not committed to identifying and implementing all cost-effective efficiency investment opportunity in all its facilities as soon as practically feasible.

**RESPONSE:**

**BC Hydro is identifying and implementing cost effective energy efficiency investments in its facilities. BC Hydro has undertaken a number of investigations of its physical facilities to identify inefficiencies and potential energy savings opportunities. Energy efficiency projects have been and continue to be implemented within the context of the current business environment impacted by reduced capital expenditures and fewer resources across the company. As discussed in Exhibit B-1-3, section 6.3.5, page 6-19, projects and programs to improve BC Hydro’s facilities to add economic value (including projects to improve energy efficiency) were not considered mandatory when BC Hydro reduced its planned capital additions from the F12-F14 RRA. Most facility improvement projects of this nature have been deferred to beyond F2014. Deferring cost effective energy efficiency projects to beyond F2014 means that the benefits, including financial benefits, will not be realized until a later time.”**

2.39.1 Does this response mean that BC Hydro is not planning to implement all cost effective energy efficiency investments in its facilities?

2.39.2 Please explain why it is legitimate to continue to call the program “Lead by Example” if BC Hydro is choosing to defer cost-effective energy savings and financial benefits due to perceived financial constraints?

2.39.3 By deferring realization of net benefits of cost-effective efficiency investment in BC Hydro’s own facilities, is Hydro reducing the present worth of net benefits to its customers?

**2.40.0 Topic: Demand Side Management**

**Reference: Exhibit B-15, BCUC IR 1.453.4**

**“For example, BC Hydro significantly reduced television advertising for Power Smart in F2012 and instead relied upon the balance of other lower cost or no cost mediums to support the Power Smart brand and awareness levels. The strength of the Power Smart brand is important to BC Hydro securing active participation from key DSM market partners that enable BC Hydro to deliver DSM programs. In addition, the Power Smart brand is key to general awareness of energy conservation among the public which serves as a foundation for customer participation in DSM initiatives. Investment in the Power Smart brand is needed to maintain the strength of the brand and awareness levels among the public over time. BC Hydro research shows that customers rate television advertising as one of the most effective ways to communicate with them, and while BC Hydro does**

**not expect an initial reduction in television advertising investment to have an immediate effect on participation or energy savings, it is concerned that this reduction will lead to deterioration in support from DSM market partners and customer participation in the future and as a result increase the risk of not achieving forecast long-term DSM energy savings.**

[underline added]

- 2.40.1 If the proposed reduction in short-term DSM spending does result in deterioration in support from DSM market partners and customer participation in the future, how many years would it take for increased DSM spending to restore support from DSM market partners and customer participation?
- 2.40.2 Is BC Hydro concerned about its ability to meet 66% of future load growth through conservation and efficiency measures given the combination of increased forecasted load and decreased proposed short-term DSM spending? If not, why not?

**2.41.0 Topic: Demand Side Management  
Reference: Exhibit B-15, BCUC IR 1.453.4**

**“...While the Government Review prompted BC Hydro to make a more concerted effort to reduce costs, BC Hydro did not target cost reduction activities that would result in lower electricity savings in the short-term. As noted in the Application, Appendix II, section 3.3, page 44 of 250, BC Hydro is of the view that the \$30 million net reduction in F2012 and F2013 (this corrected value is provided in the response to BCUC IR 1.453.3) could increase the risk of not achieving the forecast long-term DSM savings. The statement on page 44 of 250 indicating that the cost reduction in F2012 and F2013 is not expected to reduce short-term DSM energy savings was meant to refer to the cost reductions prompted by the Government Review. BC Hydro will monitor DSM Plan performance and make required adjustments as needed.”**

- 2.41.1 Is it correct to conclude that the Government Review prompted BC Hydro to reduce DSM spending in the short term at the cost of increased risk of shortfalls in DSM savings in the long term?
- 2.41.2 Has BC Hydro quantified the cost (in incremental generation) of shortfalls in future DSM savings due to short term reductions in DSM spending prompted by the Government Review? If so, please provide the results. If not, why not?

**2.42.0 Topic: Demand Side Management  
Reference: Exhibit B-16, BCSEA IR 1.11.1**

**“Reference: Exhibit B-3-1, New Appendix II F12/F13 DSM Expenditures, p.11 of 250**

“Electricity savings achieved by implementing the measures supported by the F12/F13 DSM Expenditures will reduce BC Hydro’s electricity supply obligations, thereby reducing the size of the Load Resource Balance (LRB) deficit that must be eliminated by F2017. Cost-effective DSM electricity savings avoid the higher cost of acquiring new

supply-side resources to reduce the LRB deficit.” “1.11.1 Please confirm that achieving additional electricity savings through increased F12-13 DSM expenditures would provide a greater reduction in the size of the LRB that must be eliminated by F2017.

**RESPONSE:**

**Additional DSM electricity savings beyond those in the Application, Appendix II, Attachment 2 would further reduce the LRB deficits identified in Appendix II, Section 2.4. However, BC Hydro’s need for additional resources is subject to significant uncertainty at this time. Please refer to Appendix II, Section 2.8.**

**Please also refer to the response to BCSEA IR 1.1.15.2.”**

- 2.42.1 Please file BC Hydro’s December 2011 Long-Term Load Forecast.
- 2.42.2 Please confirm that BC Hydro’s need for additional resources has been bolstered by the most recent load forecast. Does this increase the merits of achieving additional electricity savings through increased F12-13 DSM expenditures?
- 2.42.1 Please summarize the B.C. Government’s recent Self-Sufficiency changes and Natural Gas Strategy and LNG Strategy announcements.
- 2.42.2 Please discuss the implications of the Government’s Self-Sufficiency changes and Gas and LNG announcements for BC Hydro’s load resource balance, and for the degree of certainty regarding BC Hydro’s need for additional resources.
- 2.42.3 Please provide an analysis of the implications of short-term (F2014) DSM spending ramp-up versus spending maintenance in conjunction with the contingency of LNG load materializing versus not materializing.