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Our File: 11-3512
Date: April 24, 2012

British Columbia Utilities Commission
6th Floor – 900 Howe Street
Vancouver, BC V6Z 2N3

Attention: Alanna Gillis, Acting Commission Secretary

Dear Madame:

Re: British Columbia Hydro and Power Authority (“BC Hydro”) Certificate of Public Convenience and Necessity (“CPCN”) Application Dawson Creek/Chetwynd Area Transmission (“DCAT”) Project, Project 3698640 Association of Major Power Customers of BC (“AMPC”) – Response to BC Hydro Letter dated April 17, 2012

This letter is AMPC's response to BC Hydro's letter of April 17, 2012. BC Hydro's letter makes a number of proposals and identifies information requests (“IRs”) that it seeks leave to “be relieved from answering” on the basis that the listed IRs are out of scope, answered by Exhibit B-22, or otherwise irrelevant.

This letter provides AMPC's responses to BC Hydro's new proposals, and also responds to BC Hydro's assertions that some of AMPC's IRs have been answered or are out of scope.

1. BC Hydro Proposals

1.1 *Accept partial IR responses*

BC Hydro requests that it be relieved from answering identified IRs when:

- some aspect of Exhibit B-22 or other material respond to the request;
- the request should be considered out of scope of the hearing; or
- “when taken as a whole” Exhibit B-22 and “other responses” “provide sufficient information to eliminate the need for written exchange.”

Where Exhibit B-22 has provided a full answer to an IR and where BC Hydro has identified the applicable portion of Exhibit B-22, AMPC accepts BC Hydro's proposed approach. Likewise, AMPC does not object to BC Hydro failing to respond to IRs that are clearly out of the scope of

the hearing. BC Hydro's supplemental evidence, however, demonstrates that there are multiple wide policy issues relevant to the DCAT Project and the relevant scope of the hearing is broader than implied by BC Hydro's correspondence.

The tariff's customer contribution policy, for example, is central to DCAT Project need and justification. Industrial development in B.C. is currently driving rapid transmission expansion in the Northeast, Northwest, and Kitimat regions. These transmission projects are all predicated on a tariff approved in 1991 that has not been tested by industrial load issues since that time. The DCAT Project has forced the issue of whether the mechanics of the tariff, and BC Hydro's administration of the tariff, respond to the policy goals the tariff was designed to meet or otherwise result in appropriate outcomes. As discussed more specifically in section 2.3, related AMPC IRs seek to better understand this issue – specific and not general responses from BC Hydro are therefore required.

AMPC accordingly rejects and opposes BC Hydro's request to deem partial answers complete answers by taking BC Hydro's March 23 letter and Exhibit B-22 "as a whole." If there is a gap between the content of Exhibit B-22 and a complete response, BC Hydro should fill it. BC Hydro is a public utility with many millions of dollars budgeted to its Regulatory Group. It has ample resources to take a small amount of time to upgrade partial answers into full answers. It has not provided any evidence concerning why proper responses would be an undue hardship, or why the resulting procedural unfairness to other parties is justified. Parties' IRs should be answered, or complete explanations should be provided about why the IRs are not relevant or are already answered.

1.2 *Dispense with IRs on new evidence*

BC Hydro also now requests dispensing with a "fourth round" of IRs because it "does not think that the time and expense associated with a fourth round is warranted." AMPC notes that this represents a change from the approach BC Hydro proposed both its March 23 letter and its April 5 letter. AMPC rejects this proposal as well for the reasons above. BC Hydro has simply provided no cogent reason why approximately 100 pages of new evidence should not be tested in the normal course.

2. BC Hydro responses to AMPC IRs

2.1 *No further responses required to certain IRs*

AMPC does not seek further responses to AMPC IRs 3.1.1 and 3.1.2 given BC Hydro's responses in its April 17 letter.

2.2 Further responses required to unreferenced IRs

BC Hydro's letter states:

BC Hydro is prepared to answer any remaining CP or round three IRs not referenced in this letter as part of a final round of responses. However, BC Hydro requests that the party issuing these IRs be required to confirm that it still requires responses to them in light of the supplemental material filed by BC Hydro on March 23, 2012 (March 23rd Letter) and the BCUC's final ruling in relation to scope arising out of the procedural conference.

AMPC IRs 3.1.5, 3.2.1, 3.2.2, 3.2.3 and 3.2.4 are not referenced in BC Hydro's letter. AMPC confirms that it still requires responses to these IRs.

2.3 Further responses required to referenced IRs

BC Hydro provided brief reasons justifying why it objects to providing further responses to AMPC IRs 3.1.3, 3.1.4, 3.2.5, 3.2.6 and 3.2.7. AMPC requires further responses to these IRs for the reasons set out below.

AMPC IR 3.1.3

AMPC IR 3.1.3 makes the following request:

Please identify the specific provisions of the Electric Tariff that govern the allocation of system upgrade costs between existing and new customers.

BC Hydro responded:

These IRs [3.1.3 and 3.1.4] are addressed in SE Questions 97 and 101 and discussed further in the March 23rd Letter under the TS 6 heading.

AMPC seeks an additional response from BC Hydro. AMPC does not view this additional response to be contentious.

SE Questions 87 and 101 and the TS 6 heading of the March 23 letter provide information responsive to the issue of system upgrade costs. AMPC notes that SE Questions 109-116 also provide responsive information.

The only information that AMPC seeks, however, is a list of the relevant provisions underpinning the discussion in SE Questions 87, 101, and 109-116 and the TS 6 heading. TS 6 is identified in each of the SE Questions. The March 23 letter describes Appendix 1 of TS 6. Relevant

provisions within Appendix 1 are not listed or discussed. Other provisions that may also be applicable are not discussed.

AMPC accordingly requests BC Hydro to list the relevant sections within Appendix 1 of TS 6 and confirm that there are no other relevant provisions with the “Electric Tariff”.

AMPC IR 3.1.4

AMPC IR 3.1.4 references BC Hydro’s response to BC IR 2.18.1, including the following quote:

Allocation of cost with respect to required system upgrades to meet forecast load is based on BC Hydro’s Electric Tariff.

AMPC IR 3.1.4 then makes the following request:

Please confirm that the Electric Tariff provides BC Hydro with no discretion in the allocation of system upgrade costs between existing and new customers. If not confirmed, please specify the provisions of the Electric Tariff that provide this discretion to BC Hydro, and also specify the provisions of the Electric Tariff and any other factors that BC Hydro takes into account in exercising this discretion.

BC Hydro responded:

These IRs [3.1.3 and 3.1.4] are addressed in SE Questions 97 and 101 and discussed further in the March 23rd Letter under the TS 6 heading.

AMPC seeks a further response from BC Hydro. The referenced material does not address the request for the following reasons:

- SE Question 97 “summarize[s] the purpose of TS 6.” It does not identify any specific provisions. It does not describe any discretion provided to BC Hydro.
- SE Question 101 “explain[s] the general operation of TS.” It also does not identify any specific provisions and also does not describe any discretion provided to BC Hydro.
- The TS 6 section of the March 23rd letter provides relevant context for TS 6. It does not identify any specific provisions or describe any discretion provided to BC Hydro. This section does include a high level discussion of system reinforcement costs and BC Hydro’s offset to them. It notes that “the attached supplemental evidence sets out how BC Hydro calculates the offset and how it was applied in the context of the DCAT Project.”

SE Questions 109-116 are presumably the portion of the supplemental evidence referred to. Parts of SE Questions 115 and 116 demonstrate that there is discretion contained within Appendix 1 of TS 6 (although it is not discussed directly). Relevant excerpts from SE Questions 115 and 116 follow below:

BC Hydro started its assessment by determining that 60 per cent of the estimated DCAT Project costs were properly assigned to the five new customers. This was a rounding from a calculated allocation of 64 per cent.

and

Because the calculation is not sensitive to the allocation percentage, BC Hydro has not attempted to refine it and accepts that there are a variety of potentially valid alternative means of calculating that percentage.

Answering AMPC's request amounts to discussing the above, noting any other discretionary powers, listing the relevant provisions, and listing the factors and sources that BC Hydro takes into account when exercising the referenced (or other) discretion. This is not onerous. Given that the requested material relates directly to BC Hydro IR responses, and now Exhibit B-22 as well, the requested response is within scope and relevant.

AMPC IR 3.2.5

AMPC IR 3.2.5 quotes, among other things, BC Hydro's response to BCUC IR 1.39.2, and makes the following request:

Please provide examples of past transmission facility proceedings where the Electric Tariff has been interpreted to:

- *require customer contributions in aid of construction [per the text of BCUC 1.39.2], and*
- *not require customer contributions in aid of construction because the applied-for transmission facilities were for system reinforcement.*

BC Hydro provided the following response:

This IR is addressed in SE Questions 106, 107, 110 and 114.

AMPC requires a further response from BC Hydro because these SE Questions do not address the request, for the following reasons:

- SE Question 106 answers the question of whether BC Hydro has “ever declined to provide service to any customer willing to assume its responsibilities under TS 6”. This topic, and the content of SE Question 106, are simply not relevant to past examples of customer contributions in aid of construction (“CIACs”).
- SE Question 107 provides an example of where a customer contribution that would include incremental generation costs was challenged before the Commission.
- SE Question 110 discusses the way in which the system contribution formula is applied in practice. BC Hydro makes the following allusions to relevant examples:

So long as the net revenue in the first year of normal operations times 7.4 (1/.135) is greater than the System Reinforcement cost, no further calculation is needed. That has proven to be the case in almost all past cases with the result that it has not normally proved necessary to calculate a value for the other variables in the formula. In fact, in the past 10 years TS 6 has been applied 23 times, of which 11 cases resulted in a System Reinforcement. In all of these, the offset formula produced a result in excess of the cost of the System Reinforcement.

- SE Question 114 confirms that not all system reinforcements lead to customer contributions. Again, no examples are provided.

In sum, the response is inadequate because it mentions one example, but alludes to many more. BC Hydro clearly has relevant and responsive information, and should provide it.

AMPC IR 3.2.6

AMPC IR 3.2.6 references a press release mentioning CIACs for the Northwest Transmission Line Project (“NTL project”) and asks the following:

Does BC Hydro expect the NTL project to receive other customer contributions in aid of construction? Why or why not? If the answer is yes, approximately what percentage of BC Hydro’s capital costs will be recovered by customer contributions in aid of construction?

BC Hydro provided the following response:

This IR is out of scope because the NTL project is not in issue in this proceeding.

AMPC requires a further response from BC Hydro. AMPC does not seek to put the NTL project in issue. AMPC seeks to understand how TS 6 is currently being applied in B.C. in relation to

CIACs, and given similarities between the NTL and DCAT projects the NTL project is a potentially useful example.

The operation of the tariff is relevant to DCAT Project need and justification. Inconsistencies in the application of TS 6, or inconsistencies in outcomes resulting from the application of TS 6, are also relevant to whether the DCAT Project is in the public interest. If, for example, the NTL project is largely funded by CIACs and the DCAT Project is funded by no CIACs, the equitableness of the tariff and the public interest in approving the DCAT Project could both be put into question.

BC Hydro has applied to amend TS 6 as part of its application on the same basis: to address a tariff “inequity,” given that distribution voltage level customers are not required to provide BC Hydro with security for transmission system reinforcement costs. The same principles are engaged here.

AMPC IR 3.2.7

AMPC IR 3.2.7 references BC Hydro responses to BCUC IRs dealing with the relative economics between gas drive compression and electric drive compression, and the application’s load forecast. A key factor is the assumed electrical service percentage, which depends on a number of economic factors. It then makes the following request:

If the Electric Tariff required customer contributions in aid of construction for the DCAT project, could the electrical service percentage of natural gas compression used in BC Hydro’s load forecast be affected? If the answer is yes, what level of customer contributions in aid of construction would result in changing the DCAT project design?

BC Hydro responded:

This IR is addressed in SE Questions 97 and 106. To the extent the IR seeks speculation about a hypothetical example, BC Hydro objects to the questions.

AMPC requires a further response from BC Hydro. The referenced SE Questions are not responsive, for following reasons:

- As noted above, SE Question 97 “summarize[s] the purpose of TS 6.” It is not relevant to questions about whether CIACs could affect the assumed electrical service percentage and project need.
- As noted above, SE Question 106 answers the question of whether BC Hydro has “ever declined to provide service to any customer willing to assume its responsibilities under

TS 6.” This information is also simply not relevant to questions about whether CIACs could affect the assumed electrical service percentage and project need.

Presumably BC Hydro means that any response based on the assumption that the tariff might require a CIAC for the DCAT Project is a “hypothetical question” and should not be answered. AMPC disagrees for the following reasons:

- The potential for the tariff to change and require CIACs exists now: the second stage of the DCAT Project will proceed in approximately 2016 and the Minister’s letter included with BC Hydro’s March 23 letter indicates that the government intends to revise its industrial electricity policy over the next two years.¹
- Responding to the question in the project context, and not the generic tariff context, allows the Commission and parties to the proceeding to better understand how the tariff affects industrial and natural resource development in the province. The question is relevant to whether approving the DCAT Project as applied for is in the public interest.
- Considering the effect of a CIAC is no different than taking other variables into account in BC Hydro’s load forecast sensitivity analysis. BC Hydro states that its analysis already considers “the regional resource potential, current applications for service, and the apparent attractiveness of gas vs. electricity from an overall economic perspective,”² as well as DSM opportunities and “key economic drivers such as projected trends in regional housing starts, employment and the economy.”³

Please contact the writer if you have any questions.

Yours truly,

Bull, Houser & Tupper LLP



Matthew D. Keen

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¹ Ex. B-1, p. 3-2 and ex. B-22, respectively.

² Ex. B-5, BC Hydro response to BCUC IR 1.36.2.

³ Ex. B-1, Appendix B, pages 79 and 80.