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October 13, 2015

Ms. Erica Hamilton  
Commission Secretary  
British Columbia Utilities Commission  
Sixth Floor – 900 Howe Street  
Vancouver, BC V6Z 2N3

Dear Ms. Hamilton:

**RE: British Columbia Utilities Commission (BCUC or Commission)  
British Columbia Hydro and Power Authority (BC Hydro)  
2015 Rate Design Application (2015 RDA Application)**

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BC Hydro writes to provide its written submissions on the five matters raised in Appendix B of BCUC Order No. G-156-15.

#### **1 Fiscal 2016 Cost of Service Study**

BC Hydro's initial submissions on this topic are found at sections 1.6.1 (pages 1-25 to 1-26), 3.1.1 and 3.1.2 of the Application (**Exhibit B-1**). The Commission asked for BC Hydro's input concerning two specific Fiscal (F) 2016 Cost of Service (COS) study matters.

*(a) If the F2016 COS study should be subject to Commission approval, endorsement or be limited in its use "as a contextual document for rate design"*

#### **Assessment of F2016 COS as Evidence**

As set out in section 3.1.1 of Exhibit B-1, the F2016 COS study is evidence informing various proposals advanced in the 2015 RDA, as follows:

- Increasing the Small General Service basic charge recovery of customer-related costs (sections 6.2.1, 6.2.3.2 and 6.2.4 of Exhibit B-1);
- Increasing the Medium General Service (**MGS**) demand charge recovery of demand-related costs (sections 6.3.1, 6.3.4.2 and 6.3.5 of Exhibit B-1);
- Increasing the Large General Service (**LGS**) demand charge recovery of demand-related costs (sections 6.4.1, 6.4.4.2 and 6.4.5 of Exhibit B-1);

- Dividing the existing Street Lighting rate class into BC Hydro-owned Street Lighting rate class and Customer-owned Street Lighting rate class (section 4.6 of Exhibit B-1).

In addition, the F2016 COS is a significant input into BC Hydro's review of the Residential E-Plus rate (Rate Schedule (RS) 1105); refer to section 5.3.2 of Exhibit B-1.

BC Hydro submits that to issue final 2015 RDA Module 1 orders in regard to these rate proposals, the Commission must assess those elements of the F2016 COS study that are material to these rate proposals. The Commission's assessment can be through a Negotiated Settlement Process (NSP) or through some other process.

BC Hydro notes that the F2016 COS study would be used to inform a number of RDA Module 2 issues, including distribution and transmission extension policies and farm/irrigation service treatment.

### **F2016 COS Methodology Endorsement(s)**

BC Hydro further submits that the Commission should endorse those F2016 COS study methodologies for which there is a fair degree of stakeholder consensus. BC Hydro defines what it means by Commission endorsement in section 8.2 (page 8-5) of Exhibit B-1. Commission endorsement gives BC Hydro direction and clarity to other parties by declaring a treatment will be presumed unless there is a good reason for another treatment. BC Hydro set out the F2016 COS study methodologies for which it believes there is a fair degree of stakeholder consensus in section 1 of the Workshop 4 consideration memo as follows: Embedded COS approach; Demand Side Management functionalization; Independent power producer (IPP) contract classification; Transmission classification; Customer Care classification; and allocation of BC Hydro Generation and IPP contract demand-related costs and Transmission costs.

There are three reasons for this submission:

- First, a great deal of work and stakeholder time has gone into the F2016 COS study; refer to the Workshop 2 and Workshop 4 consideration memos at Appendix C-2A and Appendix C-2B of Exhibit B-1. Commission endorsement would make the regulatory review process for the proposed F2019 COS study more effective and efficient because treatment would be presumed for a number of F2016 COS study methodologies (for which there is a fair degree of stakeholder consensus), leaving BC Hydro to focus on those COS methodology topics which a number of 2015 RDA stakeholders had differing views such as Heritage Hydroelectric cost classification and smart meter infrastructure cost classification;
- Second, in the absence of any Commission endorsement(s), BC Hydro would be bound to undertake the F2019 COS in accordance with the 2007 RDA decision directions summarized in Table 3-1 of Exhibit B-1 (page 3-10). BC Hydro respectfully submits that some of these directions require changes. An example is 2007 RDA

decision direction 4, which mandates classification of Customer Care costs as 65 per cent demand and 35 per cent customer. As identified by BC Hydro's COS consultants, the 2007 RDA direction 4 Customer Care classification is not consistent with standard embedded COS methodologies; all surveyed electric utilities classify Customer Care costs as 100 per cent customer (Exhibit B-1, page 3-8, lines 12-16);

- Third, in the absence of any Commission endorsement(s), the 2007 RDA COS would be used to inform Module 2 issues including distribution and transmission extension policies and farm/irrigation service treatment.

BC Hydro is not seeking any Commission approval (e.g., requested order) with respect to the F2016 COS study as the F2016 COS study is evidence and not itself a rate design proposal. However, Commission endorsement gives BC Hydro direction and clarity to other parties by declaring a treatment will be presumed unless there is a good reason for another treatment.

*(b) If there should be a full review of the F2016 COS, whether it should be undertaken as a Negotiated Settlement Process*

As noted there is a fair degree of stakeholder consensus regarding a number of F2016 COS study methodologies. In these circumstances a NSP for the F2016 COS study would be an effective and efficient way to proceed. A NSP would afford the parties a forum to discuss and potentially agree on what methodologies should be endorsed by the Commission before any subsequent oral hearing, and indeed to assess whether in light of an approved settlement it was necessary or desirable to resolve any outstanding F2016 COS study issues in an oral hearing. Nevertheless, BC Hydro is not opposed to an oral hearing on the entirety of the F2016 COS.

In any event, BC Hydro is of the view that a Commission process order relating to the F2016 COS should not be issued until after BC Hydro's submission of Round 1 information requests (IRs) and the January 2016 procedural conference.

## **2 Large General Service and Medium General Service 100 Per Cent Part 1 Pricing Review Process**

BC Hydro's submission on this topic is found at section 1.6.2 (page 1-26) of Exhibit B-1. Refer also to section 6.6 of Exhibit B-1, which set out the reasons why BC Hydro seeks a final order, separate from the main order concerning LGS and MGS rates, for the different treatment of LGS and MGS accounts that do not have historical baselines.

## **3 BC Hydro's Proposed Expedited Review Processes for Transmission Service Rates**

BC Hydro's initial submissions on this topic are found at section 1.6.1 of Exhibit B-1 (pages 1-24 to 1-25).

(a) Freshet Rate

The timing imperatives concerning the freshet rate are discussed in sections 1.1.3 (pages 1-12 to 1-13) and 7.3.4 of the Application. BC Hydro requires a Commission decision on or before February 1, 2016. The issuance of a Commission decision after this date increases the risk that the freshet rate cannot be in place prior to the 2016 freshet period, meaning an entire year is lost.

BC Hydro requests that the Commission issue a process order with respect to the freshet rate prior to the procedural conference, after receiving BC Hydro's and intervener's written submissions and reply submissions in accordance with BCUC Order No. G-156-15. In BC Hydro's submission, a Commission process order issuing sometime after the procedural conference slated for January 12, 2016 may be too late to ensure a review process is in place to permit a Commission decision on or before February 1, 2016.

(b) Rate Schedule 1823

While the freshet rate timing imperatives do not exist for the requested RS 1823 pricing principles, BC Hydro reiterates its position that an oral hearing is not warranted for this topic. The positions of the various parties have been gleaned through two workshops (Workshop 5 and Workshop 10), and BC Hydro's evidence can be adequately tested through Round 1 IRs and a Streamlined Review Process. In addition to the support of Association of Major Power Consumers of British Columbia (**AMPC**) for BC Hydro's proposed RS 1823 pricing principles review process, Canadian Petroleum Producers Association (**CAPP**) has advised BC Hydro that it supports BC Hydro's proposed RS 1823 pricing principles review process. Together AMPC and CAPP represent the majority of BC Hydro customers taking service under RS 1823.

**4 BC Hydro's Proposed Expedited Review Process for Minimum Reconnection Charges**

BC Hydro's submission on this topic is found in section 1.6.1 (page 1-25) of Exhibit B-1. Refer also to section 8.3.2 of Exhibit B-1, which discusses the stakeholder engagement concerning and cost drivers of the Minimum Reconnection Charges.

**5 Any Other Relevant Matters**

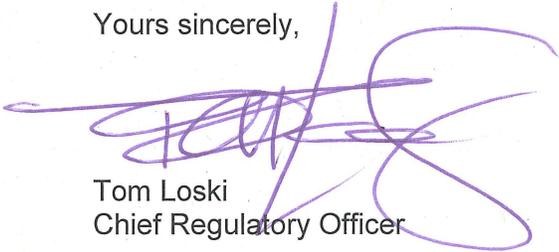
At this time, BC Hydro does not have any other relevant matters it wishes to bring to the attention of the Commission Panel prior to the scheduled January 2016 procedural conference. BC Hydro will revisit this topic after it receives intervener written submissions on Wednesday, October 14, 2015.

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For further information, please contact Gordon Doyle at 604-623-3815 or by email at [bhydroregulatorygroup@bhydro.com](mailto:bhydroregulatorygroup@bhydro.com).

Yours sincerely,



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Chief Regulatory Officer

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