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May 30, 2016

Christopher P. Weafer
Owen Bird Law Corporation
2900-595 Burrard Street
Vancouver, BC V7X 1J5

Attention: Christopher P. Weafer

Dear Mr. Weafer:

**RE: British Columbia Utilities Commission (BCUC or Commission) Project 3698781
BC Hydro 2015 Rate Design Application (2015 RDA)
Information Request No. 1 on Commercial Energy Consumers Association of
British Columbia (CEC) Evidence**

BC Hydro writes in compliance with Commission Order No. G-61-16 to submit its Information Request No. 1 on CEC Evidence.

For further information, please contact Gordon Doyle at 604-623-3815 or by email at bchydroregulatorygroup@bchydro.com.

Yours sincerely,

Tom Loski
Chief Regulatory Officer

gd/ma

Enclosure (1)

Copy to: **BCUC**
Attention: Laurel Ross
commission.secretary@bcuc.com

BCUC Project No. 3698781 (2015 RDA)
Registered Intervener Distribution List

May 30, 2016
Christopher P. Weafer
Owen Bird Law Corporation
British Columbia Utilities Commission (BCUC or Commission) Project 3698781
BC Hydro 2015 Rate Design Application (2015 RDA)
Information Request No. 1 on Commercial Energy Consumers Association of British
Columbia (CEC) Evidence

British Columbia Hydro and Power Authority

**Information Request No. 1 to
CEC**

Project No. 3698781

2015 Rate Design Application

1.0 Reference: CEC Evidence, Exhibit C1-10

“The evidence has been prepared by Mr. David Craig in consultation with commercial customers in the Greenhouse Growers sector and the Flood Pumping authorities sector as well as other general services customers.”
(Exhibit C1-10, PDF page 1/100).

“Key companies in the forestry sector have expressed interest in the initiative to explore options for dealing with their problems with the demand charge structure and costs and would like to explore participation in a pilot initiative with regard to a non-firm interruptible service.” (Exhibit C1-10, PDF page 21/100).

- 1.1 Please provide a list of the general service customers that were consulted with in the course of preparing the CEC’s evidence (Exhibit C1-10), and indicate which of those customers are “in the Greenhouse Growers sector”, which are in the “Flood Pumping authorities sector” and which are in the “Forestry sector”.
- 1.2 Please describe how the CEC determined which general service customers to consult with for the purpose of preparing its evidence (Exhibit C1-10) and, in particular, how the CEC determined which general service customers did not to attempt to consult with.
- 1.3 Please provide a list of general service customers that the CEC attempted to but was unable to consult with for the purpose of preparing its evidence (Exhibit C1-10).
- 1.4 Please produce any materials that were created by the CEC for the purpose of the consultations referred to in the cover letter to the CEC’s evidence (Exhibit C1-10).
- 1.5 Please produce any copies of any written feedback received by the CEC in the course of the consultations referred to in the cover letter to the CEC’s evidence (Exhibit C1-10).

2.0 Reference: CEC Evidence, Exhibit C1-10

“The evidence has been prepared by Mr. David Craig in consultation with commercial customers in the Greenhouse Growers sector and the Flood Pumping authorities sector as well as other general services customers.” (Exhibit C1-10, PDF page 1/100).

2.1 Please confirm that Mr. David Craig is the primary author of pdf pages 2 to 41 of the CEC evidence (Exhibit C1-10) or, if he is not the primary author, please provide the name and curriculum vitae(s) of such author(s).

3.0 Reference: CEC Evidence, Exhibit C1-10

It is unclear what if any orders the CEC seeks from the Commission in its Module 1 decision:

“The CEC proposes that BC Hydro develop one or more Pilot Projects relating to the provision of a Non-firm or Interruptible Rate, and/or a Demand Response Program for Medium and Large General Service customers.” (Exhibit C1-10, PDF page 5/100, underlining added).

“A number of customer groups in the Commercial sector have expressed some urgency for bringing this issue forward because they face increased rates and constant pressures on their cost structures. They are interested in working with BC Hydro to develop the pilot initiatives proposed in this document.” (Exhibit C1-10, PDF page 6/100, underlining added).

At sections 4.1 and 4.2 of the CEC evidence the CEC proposes terms and conditions for a specific “MGS and LGS Interruptible rate pilot”.

“A Demand Response Pilot Project should be determined to best suit BC Hydro requirements, whilst offering value to the customer.” (Exhibit C1-10, pdf pages 30/100-31/100).

“Time of Use rates would be another suitable option for BC Hydro to offer to General Service customers and should be examined for their potential to free-up BC Hydro capacity.” (Exhibit C1-10, PDF page 32/100, underlining added).

“Non-firm interruptible rates, and/or Demand Response/Load Curtailment Programs are valuable offerings that should be explored and made available to Large General Service and Medium General Service Customers.” (Exhibit C1-10, PDF page 41/100, underlining added).

3.1 Is the CEC seeking from the Commission:

- orders immediately establishing one or more of:
 - one or more pilot programs?
 - the proposed “MGS and LGS Interruptible rate pilot”?
 - a demand response program?
 - an optional time of use rate?
- orders directing BC Hydro to develop one or more of:
 - one or more pilot programs?
 - the proposed “MGS and LGS Interruptible rate pilot”?

- a demand response program?
 - an optional time of use rate for general service customers?
 - other orders?
 - no orders?
- 3.2 On the assumption that the Commission does in its 2015 RDA Module 1 order direct BC Hydro to develop one or more of the CEC's preferred general service options described in its evidence (Exhibit C1-10), please explain whether in CEC's view the work BC Hydro would be directed to do should be prioritized over the other 2015 RDA Module 2 consultation efforts BC Hydro will be undertaking generally, or with regard to BC Hydro's planned consultation efforts for general service options particularly.
- 3.3 Please confirm the CEC's understanding that the "Load Curtailment Pilot Project for Transmission Voltage Customers" referred to at pdf page 34/100 of its evidence (Exhibit C1-10) was not approved by the Commission as a "rate", "service", or otherwise.
- 3.4 Please discuss the CEC's understanding of the Commission's jurisdiction to direct BC Hydro to undertake non-rate, non-service programs (including load curtailment programs).

4.0 Reference: CEC Evidence, Exhibit C1-10

"A Non-Firm Interruptible Rate and Demand Response Program Pilots are proposed at this time to coincide with the current BC Hydro Rate Design (RDA) proceeding. BC Hydro planned to address voluntary Residential and General Service options in Module 2 of the RDA, as it considered it imperative that issues with the default rates were addressed prior to optional rates. In this way, Module 1 was to lay the foundation for Module 2. The establishment of a pilot project at this time could permit development activities to be completed prior to or in conjunction with the evaluation of Module 2, ensuring that the program details and/or results are available for examination and approval during Module 2. Delaying the Pilot project could result in several years delay for its implementation if development activities are not initiated until after a Module 2 Decision is rendered." (Exhibit C1-10, PDF page 24/100, underlining added).

- 4.1 Please comment on the reasonableness of the following timeline:
- 2015 RDA Module 2 workshops and consultation initiatives starting in October 2016;
 - a 2015 RDA Module 1 decision from the Commission in or about December 2016 or January 2017;
 - a 2015 RDA Module 2 application in the spring or summer 2017; and
 - if appropriate, an expedited process for optional general service rates and services in the fall 2017 (part of the 2015 RDA Module 2 proceeding and analogous to the streamlined review process employed in regard to the freshet rate service in the 2015 RDA Module 1 proceeding).

5.0 Reference: CEC Evidence, Exhibit C1-10

BC Hydro has proposed, among other things, the establishment of flat demand charges for both its MGS and LGS customer classes in place of existing three-step demand charges (refer to page 1-7 and 1-8 of the 2015 RDA, Exhibit B-1, pdf pages 27/4902 and 28/4902). The CEC evidence states “*The new BCH rate structures increase Demand Charges for Commercial customers and there will be significant rate impacts. These impacts can be mitigated in a couple of key areas where mitigation is a fair and reasonable objective mitigating potential rate shock impacts for certain key economic sectors.*” (Exhibit C1-10, PDF page 5/100).

- 5.1 Explain how BC Hydro’s demand charge proposals “increase Demand Charges”?
- 5.2 Explain the “significant rate impacts” and “rate shock impacts” that will arise from BC Hydro’s MGS and LGS and demand charge proposals by reference to the general service customers that the CEC consulted with in the course of preparing its evidence (Exhibit C1-10).

6.0 Reference: CEC Evidence, Exhibit C1-10

“Commercial customers pay well in excess of their Cost of Service (COS) so mitigating structures which do not impact other customer classes are reasonable initiatives for BCH and the Commission, and other ratepayer groups, to consider and support.” (Exhibit C1-10, PDF page 6/100, underlining added).

- 6.1 Please confirm that under the approved negotiated settlement agreement regarding BC Hydro’s F2016 Cost of Service Study (Commission Order No. G-47-16, Appendix A, page 23/56) the revenue-cost ratios of the SGS, MGS and LGS customer classes are 111.9 per cent, 117.2 per cent and 101.3 per cent respectively.
- 6.2 Please confirm that if existing general service customers have their demand charges reduced, through interruptible rate pilots or otherwise, then BC Hydro will earn less revenues than would otherwise be the case (all else being equal).
- 6.3 Please assume that all of the various rates and pilots the CEC is advocating for in this proceeding would, if approved, result in a revenue loss to BC Hydro (i.e., less revenue to BC Hydro than would otherwise be the case, all else being equal). On this assumption:
 - please confirm that “other ratepayer classes” are not impacted by the proposed rate pilots only if the assumed BC Hydro revenue loss is recovered from general service customers.
 - please confirm that if the assumed BC Hydro revenue loss is recovered from general service customers that only those general service customers who participate in the proposed rate pilots can be better off (i.e., will have electricity bills lower than they would otherwise have).
- 6.4 Please discuss the extent to which the possibility of cost-shifting between general service customers arising from the proposed rate pilots was the

subject of the consultations engaged in by the CEC for the purpose of preparing the CEC evidence (Exhibit C1-10).

7.0 Reference: CEC Evidence, Exhibit C1-10

At sections 4.1 and 4.2 of the CEC evidence (Exhibit C1-10, PDF pages 25/100 to 27/100 and 27/100 to 29/100, respectively) the CEC proposes terms and conditions for a specific *“MGS and LGS Interruptible rate pilot... which would be consistent with BC Hydro proposed MGS and LGS firm energy rates...”*.

- 7.1 Please confirm that some elements of the CEC’s “MGS and LGS Interruptible rate pilot” proposal are premised on the Commission’s approval of BC Hydro’s MGS and LGS default rate proposals.
- 7.2 Please confirm that the Commission may reject BC Hydro’s MGS and LGS default rate proposals.

8.0 Reference: CEC Evidence, Exhibit C1-10

At sections 4.1 and 4.2 of the CEC evidence the CEC proposes terms and conditions for a specific *“MGS and LGS Interruptible rate pilot”* (Exhibit C1-10, PDF pages 25/100 to 27/100 and 27/100 to 29/100, respectively). The CEC’s proposed *“MGS and LGS Interruptible rate pilot”* includes MGS demand charges reduced by 60 per cent and LGS demand charges reduced by 65 per cent from the MGS and LGS demand charges that are part of the BC Hydro MGS and LGS default rate proposals (Exhibit C1-10, PDF pages 28/100 and 25/100/100, respectively).

- 8.1 How were the CEC’s proposed 60 per cent MGS and 65 per cent LGS demand charge reductions determined?
- 8.2 Why do the proposed demand charge reductions differ between MGS (at 60 per cent) and LGS (at 65 per cent)?
- 8.3 BC Hydro’s proposed MGS and LGS demand charges - part of BC Hydro’s MGS and LGS default rate proposals - are to set the MGS and LGS demand charges at the per-kWh level sufficient to allow BC Hydro to recover 35 per cent of its demand-related costs attributable to the MGS class, and 65 per cent of its demand-related costs attributable to the LGS class, respectively. What if any relationship is there between BC Hydro’s proposal and the CEC’s proposed demand charge reductions?
- 8.4 Please confirm the CEC’s understanding that the demand charge elements of BC Hydro’s proposed MGS and LGS default rate structures are meant to allow BC Hydro to recover a portion of its demand-related costs attributable to those customer classes, and no portion of BC Hydro’s energy and customer-related costs.
- 8.5 If a benefit of the proposed service is the deferral of new capacity resources, why should the proposed demand charges reductions be determined by reference to embedded costs?

9.0 Reference: CEC Evidence, Exhibit C1-10

At sections 4.1 and 4.2 of the CEC evidence the CEC proposes terms and conditions for a specific *"MGS and LGS Interruptible rate pilot"* (Exhibit C1-10, PDF pages 25/100 to 27/100 and 27/100 to 29/100, respectively). The CEC's evidence also refers to a demand response program, a time-of-use rate, and generically to one or more interruptible rate pilots. As BC Hydro understands the CEC's evidence, all the various proposals involve some element of non-firm service or interruptibility, and concomitant reductions in demand charges.

- 9.1 Would any of the various rates and pilots the CEC is advocating for in its evidence (Exhibit C1-10) be available only to new, incremental loads?
- 9.2 To the extent that the various rates and pilots the CEC is advocating for in its evidence (Exhibit C1-10) would be available to existing firm-service loads, would that not create a stranded asset risk?
- 9.3 Assuming a stranded asset risk is created by allowing existing firm-service loads to take service under one or more of the proposals in the CEC's evidence (Exhibit C1-10), does the CEC have an opinion about who should bear that risk, as between participating general service customers, non-participating general service customers, non-general service customers or BC Hydro's shareholder?
- 9.4 Assuming the establishment of one or more of the proposals advocated for in the CEC's evidence, and assuming a later request by one or more participating customers to return to firm non-interruptible service under BC Hydro's default general service tariffs, does the CEC accept the need for BC Hydro's distribution system extension policy to account for the possible change in service?
- 9.5 Assuming the establishment of one or more of the proposals advocated for in the CEC's evidence, and assuming a later request by one or more participating customers to increase their interruptible non-firm service (on a kW basis), on what basis would BC Hydro (and by extension non-participating customers) make any financial contribution through its distribution system extension policy or otherwise?
- 9.6 Please confirm the CEC's understanding that BC Hydro's distribution system extension policy is the subject, in part, of the 2015 RDA Module 2.

10.0 Reference: CEC Evidence, Exhibit C1-10

At sections 4.1 and 4.2 of the CEC evidence the CEC proposes terms and conditions for a *specific "MGS and LGS Interruptible rate pilot"* (Exhibit C1-10, PDF pages 25/100 to 27/100 and 27/100 to 29/100, respectively). The CEC's evidence also refers to a demand response program, a time-of-use rate, and generically to one or more interruptible rate pilots. As BC Hydro understands the CEC's evidence, all the various proposals involve some element of interruptibility that would be exercised only at times of system peak demand.

- 10.1 Would any of the various rates and pilots the CEC is advocating for in its evidence (Exhibit C1-10) be interruptible by BC Hydro on the basis of short-term economic gain to BC Hydro?

- 10.2 To the extent that the various rates and pilots the CEC is advocating for in its evidence (Exhibit C1-10) would be interruptible only at times of system peak demand
- how does the CEC expect BC Hydro to know with certainty when times of system peak demand will arise?
 - does the CEC accept that BC Hydro will from time to time interrupt service in anticipation of system peak demand that does not materialize?
 - to the extent that BC Hydro can interrupt service a limited number of times in a particular period of time, does the CEC accept that BC Hydro risks not interrupting service during the actual system peak demand in the period?

11.0 Reference: CEC Evidence, Exhibit C1-10

“The BC Flood Pumping Coalition represents the agencies which are engaged in managing major flood pumping requirements in the lower mainland. There is approximately 3.2 MW of MGS customer demand and 18.5 MW of LGS customer demand. Their flood pumping requirements are derived from the need to protect dykes and levees along the Fraser River and for tributaries or runoffs running into the Fraser. The cause of the flood pumping requirements comes from two sources; rainfalls and spring snow melts. The pumping is required whenever the volumes are sufficient to overwhelm the natural runoff capabilities of the water flows, which happens when the Fraser levels reach certain critical levels.”
(Exhibit C1-10, PDF page 15/100).

BC Hydro is concerned at the prospect of voluntarily interrupting service to customers who operate emergency flood control pump equipment (Flood Control Customers).

- 11.1 Would Flood Control Customers agree to indemnify and hold BC Hydro harmless from lawsuits seeking compensation for losses suffered by third parties as a result of flooding that would not have happened but for BC Hydro’s interruption of service to Flood Control Customers?
- If yes, please provide all supporting documentation.
 - If no, does the CEC have any reason to believe that
 - BC Hydro could find third-parties willing to insure the liability risk?
 - the Commission would approve the necessary tariff amendments to fully eliminate the liability risk?
 - BC Hydro’s shareholder or BC Hydro’s non-Flood Control Customers would be willing to have BC Hydro accept the liability risk?
- 11.2 Have the Flood Control Customers consulted with all relevant government agencies about the prospect of taking non-firm interruptible electrical service?
- If yes, please provide all supporting documentation.

- 11.3 Have the Flood Control Customers consulted with all persons who might be impacted as a result of flooding that would not have happened but for BC Hydro's interruption of service to Flood Control Customers?

12.0 Reference: CEC Evidence, Exhibit C1-10

At sections 4.1 and 4.2 of the CEC evidence the CEC proposes terms and conditions for a specific "*MGS and LGS Interruptible rate pilot*" (Exhibit C1-10, PDF pages 25/100 to 27/100 and 27/100 to 29/100, respectively).

- 12.1 Please confirm that the CEC's proposed "MGS and LGS Interruptible rate pilot" does not address the following items:
- whether an eligible customer could nominate some amount less than its full load requirement as non-firm and interruptible;
 - assuming that a customer could nominate less than its full load requirement as non-firm and interruptible, who would pay for the incremental metering costs;
 - whether the BC Hydro's MGS and LGS meters are capable of being remotely disconnected;
 - a non-compliance rate to be charged if customers take service during a period of interruption;
 - the permitted frequency, individual duration, and cumulative duration of interruptions in a year;
 - participation requirements; and
 - subscription limits or over-subscription rules.

13.0 Reference: CEC Evidence, Exhibit C1-10

Section 4.2 of the CEC evidence shows the load profiles of flood-pumping customers (Exhibit C1-10, PDF pages 25/100 to 27/100 and 27/100 to 29/100, respectively).

- 13.1 Please confirm that flood-pumping can be required on or near the day of BC Hydro's system peak.