July 31, 2018

Mr. Patrick Wruck  
Commission Secretary and Manager  
Regulatory Support  
British Columbia Utilities Commission  
Suite 410, 900 Howe Street  
Vancouver, BC V6Z 2N3

Dear Mr. Wruck:

RE: Project No. 1598939  
British Columbia Utilities Commission (BCUC or Commission)  
FortisBC Inc. 2017 Cost of Service Analysis and Rate Design Application  
(FortisBC RDA)  
British Columbia Hydro and Power Authority (BC Hydro)  
Intervener Evidence

BC Hydro writes further to Order No G-101-18 and encloses BC Hydro’s written evidence.

The FortisBC RDA seeks approval of clarifying language in the rate harmonization provision contained in its transmission tariff. While BC Hydro has no concerns with respect to the specific tariff amendments FortisBC seeks, BC Hydro does have concerns with FortisBC’s view that a broader review of the rate harmonization provisions of the respective BC Hydro and FortisBC tariffs is not required. As such, BC Hydro’s evidence provides further context with respect to the continued applicability and appropriateness of those rate harmonization provisions. Specifically, and as a result of changes to retail access in BC Hydro’s service territory and changes to market characteristics over the past 20 years, BC Hydro believes that a broader review of the rate harmonization provisions may be warranted and that such review could include both BC Hydro and FortisBC.

Submissions with respect to further process, if any, will be made in final argument.
For further information, please contact Anthea Jubb at 604-623-3545 or by email at bchydroyregulatorygroup@bchydro.com.

Yours sincerely,

Fred James
Chief Regulatory Officer

pm/tl
FortisBC Inc. 2017 Cost of Service Analysis and Rate Design Application

Evidence of British Columbia Hydro and Power Authority

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1 Introduction

This is BC Hydro’s evidence in respect of FortisBC Inc.’s (FortisBC) 2017 Cost of Service Analysis and Rate Design Application (FortisBC RDA).¹

The FortisBC RDA seeks various approvals with respect to its residential, commercial and irrigation and wholesale rate schedules; a change to its optional time of use rates; changes to its transmission service rates and its general terms and conditions. Amongst its requested relief, FortisBC has proposed changes which seek to clarify the rate harmonization provisions or, “anti-pancaking”² language, contained in Rate Schedule (RS) 101 (Long-term and Short-Term Firm Point-to-Point (PTP) Transmission Service)³ and specifically, to clarify the applicability of the PTP transmission service. The specific amendments proposed are described in section 7.2.3 of the FortisBC RDA and, as noted in the application⁴, BC Hydro provides a similar clarification for its customers through its Open Access Transmission Tariff - Business Practice, Posting of Transmission Offerings.⁵

As such, BC Hydro has no concerns with the specific amendments to RS 101 requested by FortisBC.

However, in response to information requests FortisBC offered its views on a number of related rate harmonization issues that BC Hydro does not necessarily agree with. Further, in response to BCUC IR 1.63.7 (Exhibit B-8) FortisBC offered that no "broader review of the harmonization provisions [of the respective tariffs of BC Hydro and FortisBC]" is presently required. In BC Hydro’s view there have been

¹ FortisBC RDA, Exhibit B-1.
² "Pancaking" involves the stacking of transmission tariffs which would result in a customer paying the tariffs of both utilities (i.e., BC Hydro and FortisBC) when power was moved between the two service territories.
³ The same language is contained in FortisBC’s RS 102 but FortisBC seeks to remove RS 102 as part of its application.
⁴ See FortisBC RDA, Exhibit B-1, Section 7.2, page 92.
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a number of changes to the electricity sector in the past 20 years that bear on the rate harmonization provisions that might well warrant a broader review. Consistent with the Commission’s procedural Order No. G-101-18, at this time BC Hydro offers only evidence of those changes. Submissions on possible future processes, if any, will be made in final argument.

2 Background

As outlined in section 7.2.1 of the FortisBC RDA, the rate harmonization provisions that are the subject of FortisBC’s proposed tariff amendment arose from a joint application (in 1998) by BC Hydro and FortisBC (then West Kootenay Power). The application was for amendments to their respective wholesale transmission tariffs that sought to avoid the “pancaking” of rates for customers seeking to serve their loads from a third-party and where the transmission systems of both utilities would be required to deliver the power to the customer. In such cases, it was proposed that the customer would be charged only the transmission service rate of the utility within whose service area the customer is located.

The application was approved by Commission Order No. G-12-99 which resulted in tariff modifications to both the BC Hydro OATT and FortisBC transmission tariff. BC Hydro notes that the record of the application was quite modest, and that a related exemption application is readily available on the public record (see FortisBC’s response to the Industrial Customers Group IR 15.2 (Exhibit B-26)).

In its reasons for decision approving the joint application, attached as Appendix A to Order No. G-12-99, the Commission observed that:

the license plate approach [that is, the simple implementation of a zero $ PTP rate] to harmonization can create a transfer of revenue responsibility between the ratepayers of participating

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6 See FortisBC RDA, Exhibit B-1, Appendix I-1, 1998 Joint BC Hydro/West Kootenay Power Ltd. Rate Harmonization Application.
7 Ibid.
utilities. Since most open access transactions in B.C. are expected to run from the BC Hydro system to the WKP system, and since these transactions will tend to displace RS 3808 transactions – through which WKP ratepayers make their contribution to the BC Hydro transmission system – there is likely to be a net transfer of cost responsibility for the BC Hydro system toward BC Hydro ratepayers and away from WKP ratepayers.\(^8\)

In its determination, the Commission stated that it “supports the license plate approach for its simplicity” and that it “[saw] few problems with its application as long as the use of wheeling tariffs [was] relatively low.” Finally, the Commission commented that “the license plate approach [was] probably not a harmonization method that could survive indefinitely, since in a high-use environment, the shifting of revenue responsibility would reach unacceptable levels.”\(^9\) In light of this concern, the Commission noted that after two years, a review of the relative use of the harmonization provisions and effectiveness of the approach would be appropriate.

Since 1999, FortisBC has offered retail access to its large industrial customers through its wheeling tariff and associated service provisions.\(^10\) To the best of BC Hydro’s knowledge, the service has not been used to date.

For a short period of time, retail access on the BC Hydro system was also made available. BC Hydro’s OATT defines an “eligible customer” (in part) as:

\[\text{…Any retail customer taking unbundled transmission service for all or part of its energy purchase pursuant to a provincial requirement that the Transmission Provider offer the transmission service, or pursuant to a voluntary offer of such service by the Transmission Provider, is an Eligible Customer under the Tariff.}\]

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\(^8\) See FortisBC RDA Exhibit B-1, Appendix I-3, Commission Order G-12-99, Appendix A, Reasons for Decision Section 2.1, page 2 of 4.


\(^10\) Retail access is offered by FortisBC under their transmission access tariff supplement (TS No. 7), point-to-point transmission service rate schedule (RS 101) and associated ancillary service provisions.
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In BC Hydro’s (then British Columbia Transmission Corporation) August 2004 OATT application it proposed that BC Hydro’s large retail customers (defined as those on BC Hydro’s RS 1821 (now RS 1823)) would be eligible customers under the OATT. This proposal constituted BC Hydro’s voluntary offer of retail access contemplated in the definition of “eligible customer.” The Commission approved BC Hydro’s request in Order No. G-58-05.

In BC Hydro’s March 2014 F15-F16 Revenue Requirements Application (RRA), BC Hydro withdrew the offer previously made – that is, it applied for a final order from the Commission accepting BC Hydro’s withdrawal of any obligation to provide unbundled transmission services pursuant to BC Hydro’s OATT. The Commission accepted BC Hydro’s withdrawal by Order No. G-36-14.

The result of the foregoing is that there is no retail access in BC Hydro’s service territory and BC Hydro retail load customers cannot use the BC Hydro OATT for retail access. The removal of retail access in BC Hydro’s service territory did not impact potential FortisBC retail access customers.

3 Current Considerations

Since the insertion of the rate harmonization provisions in the respective BC Hydro and FortisBC transmission tariffs no entity has ever used the PTP service across the point of interconnection between the BC Hydro and FortisBC transmission systems. As a result, the review of the license plate approach and harmonization method contemplated by the Commission in its 1999 approval has never occurred.

The review contemplated by the Commission was premised, in large part, on evaluating how much revenue loss the utilities incurred. While the Commission specifically noted that BC Hydro was expected to experience greater revenue loss,

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12 The Commission’s approval was compelled by law through section 14(1)(a) of Direction No. 7.
because most of the deliveries would be to FortisBC’s service territory and not to BC Hydro’s service territory, it was an open question. As a result of the withdrawal of retail access in BC Hydro’s service territory, it is no longer an open question: under the rate harmonization provisions only BC Hydro will be providing PTP wheels at no charge for retail loads in BC.

In addition to the above issue, BC Hydro also notes that current market conditions have changed such that as a result of low Mid-C market prices, there are now economic incentives for the development of retail loads in FortisBC’s service territory, specifically through imports from the U.S. using PTP service on the BC Hydro system.

Finally, BC Hydro notes that in the Commission’s reasons for decision accompanying Order No. G-12-99, it contemplated the prospect of extending harmonization beyond just PTP transmission rates and into ancillary services. Ultimately, and in consideration of the fact that “the permanency of the license plate approach to harmonization is open to question,” the Commission left those issues to be decided at another time.¹³

Despite the foregoing, BC Hydro recognizes that there are potential uses of rate harmonization that may mean that it continues to have significance for British Columbia, including maintaining options for Independent Power Producers and facilitating load retention, load attraction and economic development opportunities. BC Hydro does not seek an end to rate harmonization per se, nor does it object to FortisBC’s specific tariff amendment proposal. Rather, it seeks to alert the Commission to the reasons that a broader review of rate harmonization may be warranted despite FortisBC’s evidence on the point.

¹³ See FortisBC RDA, Exhibit B-1, Appendix I-3, Commission Order G-12-99, Appendix A, Reasons for Decision, Section 2.4, page 4 of 4.