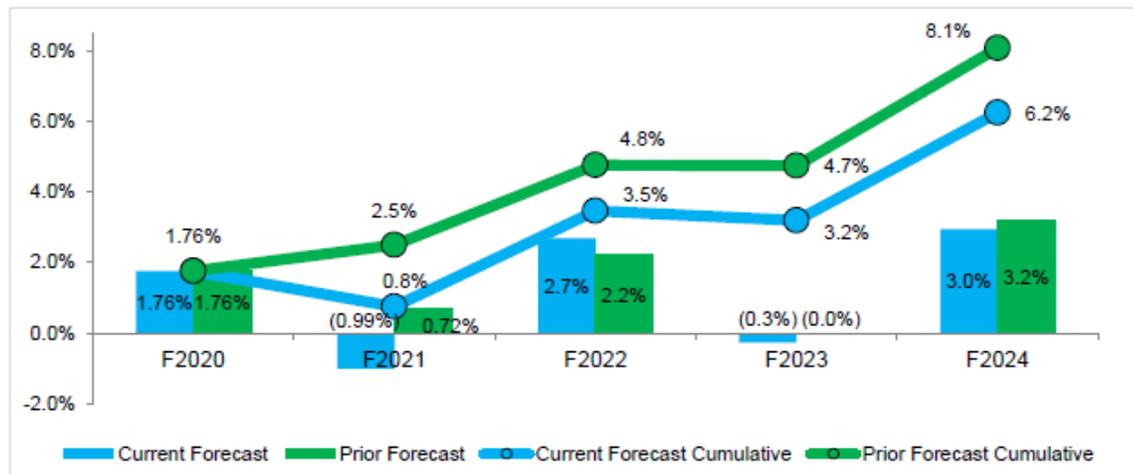


REQUESTOR NAME: **BC Sustainable Energy Association (BCSEA)**  
 INFORMATION REQUEST ROUND NO: 3  
 TO: **BC Hydro and Power Authority**  
 DATE: **September 19, 2019**  
 PROJECT NO: **1598990**  
 APPLICATION NAME: **BC Hydro F2020 to F2021 Revenue Requirements Application**

**76.0 Topic: F2020 Rate Increase or Decrease**  
**Reference: Evidentiary Update, Exhibit B-11, p.1, pdf p.6**

“As described in detail in this filing, the updated revenue requirements in the Evidentiary Update result in a favourable impact on customers. BC Hydro is forecasting a reduction of \$122.4 million to our total revenue requirements over the test period. We are proposing to reflect this reduction through a rate decrease of 0.99 per cent on April 1, 2020, with no change to the fiscal 2020 rates approved by the BCUC on an interim basis.” [underline added]

**Figure 1 Five Year Net Bill Increases Forecast**



The following questions are for information only, and do not imply a position at the present time.

- 76.1 Did BC Hydro consider an alternative approach in which there is a zero per cent rate increase in F2021 and correspondingly smaller rate increases in F2022, F2023 and F2024? If so, please provide the pros and cons of this approach. If not, why did BC Hydro not consider this approach?
- 76.2 Are there any regulatory impediments to an alternative approach in which there is a zero per cent rate increase in F2021 and correspondingly smaller rate increases in F2022, F2023 and F2024?
- 76.3 How would an alternative approach in which there is a zero per cent rate increase in F2021 and correspondingly smaller rate increases in F2022, F2023 and F2024 be dealt with under International Financial Reporting Standards (IFRS), including IFRS 14 (Regulatory Deferral Accounts)? Would there be any implications for the Office of the Auditor General’s

removal of its qualification on the Public Accounts (i.e., the Government of B.C.'s financial statements) regarding the use of rate-regulated accounting at BC Hydro in fiscal 2019? [Reference: Exhibit B-12, BC Hydro Response to BCUC IR 2.201.3]

76.4 Please provide a table, and a version of Figure 1, showing the current proposed and forecast rate increases for F2020 to F2024 and equivalent rate increases (achieving the same revenue requirement) where the F2020 increase remains as proposed and the F2021 increase is zero per cent. Please specify the assumptions for the estimate of revised rate increases for F2022, F2023 and F2024.

**77.0 Topic: F2020 Rate Increase or Decrease**

**Reference: Exhibit B-13, BC Hydro Response to BCSEA IR 2.61.1; Exhibit B-12, BCUC Response to BCUC IR 2.231.1; Exhibit B-6, BC Hydro Response to BCSEA IR 1.26.1**

BC Hydro acknowledges that “Yes, the re-purposing of the unallocated funds budget will, necessarily, have an impact on BC Hydro’s ability to manage unanticipated costs pressures during the test period.” [Exhibit B-6, BC Hydro Response to BCSEA IR 1.26.1]

BC Hydro also acknowledges that “there will be significant challenges during the test period to manage within the total operating cost budget.” [Exhibit B-13, BC Hydro Response to BCSEA IR 2.61.1, referring to Exhibit B-12, BCUC Response to BCUC IR 2.231.1]

BC Hydro goes on to say that “As operating cost pressures resulting from unplanned work demands and unanticipated cost pressures are not known at this time, BC Hydro cannot quantify what this pressure will be.” [Exhibit B-13, BC Hydro Response to BCSEA IR 2.61.1, pdf p.476]

The following questions are for information only, and do not imply a position at the present time.

77.1 What are BC Hydro’s views on whether the re-purposing of the unallocated funds budget and the significant challenges in managing within the total operating cost budget during the test period are factors weighing in favour of a zero per cent rate increase in F2020 rather than the proposed decrease of 0.99 per cent?

**78.0 Topic: IFRS 16**

**Reference: Evidentiary Update, Exhibit B-11, Appendix F, Implementation of IFRS 16, Table F-1; Application, Exhibit B-1, p.8-29, pdf p.991**

Table F-1 of the Evidentiary Update provides a comparison of Forecast Adjustment to Actual Impact of IFRS 16 regarding EPAs. Two line items (in \$millions) change substantially: Right-of-Use Assets goes from 93.1 to 1,428.4; and Lease Obligations goes from 560.4 to (857.8). The Net Change goes from (18.0) to 64.8.

Regarding the Net Change, the Application states:

“The net credit adjustment, estimated in the amount of \$18 million, will be recorded as a decrease to the balance in the Non-Heritage Deferral Account in fiscal 2020, to the benefit of ratepayers. This is not required under existing orders, but is being done to provide the benefit to ratepayers.”

- 78.1 Please explain the substantial changes in the IFRS 16 impact of Right-of-Use Assets and Lease Obligations regarding EPAs between the Application Forecast and the April 1, 2019 Actual.
- 78.2 With reference to the statement in the Application that the forecast net credit adjustment of \$18.0 million recorded to the Non-Heritage Deferral Account was not required under existing orders but was being done to provide the benefit to ratepayers, please explain the basis for the net debit adjustment of \$64.8 million recorded to the Non-Heritage Deferral Account.

**79.0 Topic: Residential Use Per Account**  
**Reference: Evidentiary Update, Exhibit B-11, Appendix G, Fiscal 2019 Variance Explanations, p.2, pdf p.55; Exhibit B-1, Appendix O, Table 4-6, pdf p.1825.**

In the Evidentiary Update, BC Hydro says that Residential energy (GWh) sales in F2019 was somewhat (1.4%) lower than forecast. This was related to lower than expected usage per residential account, as the number of accounts was slightly higher than forecast and temperature was slightly colder than normal (assumed in the forecast).

The forecast residential use per account for F2019 was 9,981 kWh/account: Exhibit B-1, Appendix O, pdf p.1825.

- 79.1 What is the actual residential use per account for F2019?
- 79.1.1 What would be the equivalent weather normalized residential use per account for F2019, for comparison with the forecast residential use per account for F2019 of 9,981 kWh/account?
- 79.2 Does BC Hydro see the lower than forecast residential use per account in F2019 as a material change likely to continue in future years? Is the F2019 residential use per account reflected in the 20-year forecast that BC Hydro will file shortly in the current proceeding?

**80.0 Topic: Wind Projects**  
**Reference: Evidentiary Update, Exhibit B-11, Appendix G, Fiscal 2019 Variance Explanations, p.2, pdf p.57**

“Line 7 - Lower costs from Independent Power Producers primarily resulting from lower deliveries from hydro projects due to low water inflows, delayed Commercial Operation Date for several projects, suspension of the Standing Offer Program, lower deliveries from wind

projects, and the termination of several Electricity Purchase Agreements”  
[underline added]

- 80.1 Why were deliveries from wind projects lower than forecast? To what extent does this reflect generator interruptions due for example to maintenance, differences between actual and normal weather (wind), or less-than-anticipated generation efficiency?
- 81.0 Topic: Litigation costs**  
**Reference: Evidentiary Update, Exhibit B-11,**
- Variances of \$30.2 million related to net provisions and other were primarily due to: ... [other items, and] Higher litigation costs of \$5.2 million related to a capital project... [underline added]
- 81.1 Were the “Higher litigation costs of \$5.2 million related to a capital project” related to the Site C Project? Were litigation costs related to the Site C Project \$5.2 million in F2019?
- 82.0 Topic: Chapter 4. Cost of Energy**  
**Biomass Energy Program and Retired Railway Ties**  
**Reference: Exhibit B-13, BC Hydro Response to BCSEA IR 2.59.1, pdf p.472; Exhibit B-1, Application, s.4.3.2, pdf p.237; BC Hydro Response to BCSEA IR 1.13.1, pdf p.671**
- Regarding the status of BC Hydro’s new Electricity Purchase Agreements with Atlantic Power and other operators of biomass generation facilities, BC Hydro states as of September 3, 2019:
- “At this time, confidential bilateral negotiations are still underway for new Electricity Purchase Agreements related to biomass facilities eligible for the Biomass Energy Program. As a result, BC Hydro does not yet know what the outcome of that process will be.”
- 82.1 Please provide an update of the status of BC Hydro’s new Electricity Purchase Agreements with Atlantic Power and other operators of biomass generation facilities.
- 83.0 Topic: Chapter 10, Demand Side Management, DSM Envelope**  
**Reference: Exhibit B-13, BC Hydro Response to BCSEA IR 2.63.1, pdf p.478**
- BC Hydro provided the following table showing the traditional DSM expenditures on a plan and actual basis (where applicable) for fiscal 2017 to fiscal 2021, with and without TMP DSM spending:

The table below updates the table in BC Hydro’s response to BCSEA IR 1.33.1 to include fiscal 2019 actuals.

	Total Costs (\$ million)		Total Costs (\$ million) Less TMP	
	Plan	Actual	Plan	Actual
<b>F2017</b>	<b>113.7</b>	<b>97.4</b>	<b>113.7</b>	<b>97.3</b>
<b>F2018</b>	<b>119.5</b>	<b>82.3</b>	<b>104.8</b>	<b>84.2</b>
<b>F2019</b>	<b>127.9</b>	<b>104.2</b>	<b>100.7</b>	<b>76.4</b>
<b>F2020</b>	<b>90.8</b>	<b>TBD</b>	<b>90.8</b>	<b>TBD</b>
<b>F2021</b>	<b>116.2</b>	<b>TBD</b>	<b>89.1</b>	<b>TBD</b>

- 83.1 Please confirm, or otherwise explain, that for traditional DSM without TMP the Actual Costs are below Plan Costs in \$ million by 16.4 (14%), 20.6 (20%), and 24.3 (27%) for F2017, F2018 and F2019 respectively.
- 83.2 Would BC Hydro agree that for F2017-F2019 there has been a significant underspend in the traditional DSM budget (without TMP) and that it has increased over that time period?
- 83.3 What are the reasons for the underspend in the traditional DSM budget (without TMP) for F2017-F2019?
- 83.4 Does BC Hydro anticipate that traditional DSM (without TMP) spending in the test period will be underspent compared to Plan?
  - 83.4.1 If so, what could BC Hydro do to reduce or eliminate the underspend?
  - 83.4.2 If not, what will be different than during the F2017-F2019 period?

**84.0 Topic: Chapter 10, Demand Side Management  
Capacity-Focused DSM  
Reference: Exhibit B-13, BC Hydro Response to BCSEA IR 2.70.1, 2.70.2**

The “High voltage utility charger – MURB and Commercial customers” pilot addresses EV charging in multi-unit residential buildings or commercial buildings. The pilot has two components, the second of which is supported by the new billing arrangements enabled by Order G-92-19:

“The main component focused on the development of a charger with an integrated transformer, which is intended to reduce EV charging infrastructure costs...

An additional component focused on a solution for metering energy consumption for EV charging separately from a building’s common area (i.e., non-EV loads) within multi-unit residential buildings...”

BC Hydro is taking steps to inform owners and residents of strata and rental properties of the new potential metering and billing arrangements enabled by Order No. G-92-19: updating internal processes and procedures, updating BC

Hydro's public website, and communicating with industry associations who promote and install electric vehicle charging.

As of June 2019, when BC Hydro responded to BCUC IR 1.183.1, BC Hydro said that "Expectations are the pilot will run during the winter of 2019 with results being available later in 2020."

BCSEA strongly supports measures to accelerate the implementation of EV charging infrastructure in MURBs and commercial buildings.

84.1 Please provide an update. Is the "High voltage utility charger – MURB and Commercial customers" pilot still on track to run during the winter of 2019?

**85.0 Topic: Demand-Side Management, Non-profit Buildings**  
**Reference: Transcript Vol. 3, Community Input Session, Vancouver, September 5, 2019, Presentation by Mr. Cullis; F2020-F2021 DSM Plan, Exhibit B-1, Appendix X**

Mr. Cullis says that BC Hydro has decreased its demand-side management spending and "largely stepped out of conservation" regarding "non-profit buildings." He appears to be addressing both existing buildings and new construction in the non-profit housing sector. Regarding new construction, he indicates that BC Hydro's calculation of the DSM incentive amount considers only the common space and not the tenant space. It is unclear how Mr. Cullis's comments relate to BC Hydro's F2020-F2021 DSM Plan.

BC Hydro says in F2019 it introduced a new Social Housing Retrofit Support Offer for Multi-Unit Residential that provides "an opportunity for qualifying social housing providers (e.g., BC Housing, and the B.C. Non-Profit Housing Authority) to minimize their operating costs and improve whole building performance."  
[F2020-F2021 DSM Plan, Exhibit B-1, Appendix X, pdf pp.2154-2155, p.2185]

85.1 What is BC Hydro's response to Mr. Cullis' comments?

85.2 Please describe BC Hydro's proposed F2020-F2021 DSM incentives for social housing providers for existing buildings and new construction.