

IRIS LEGAL

Environmental, Natural Resources &
Indigenous Law

VIA EFILE

December 17, 2019

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC. V6Z 2N3

Attention: Patrick Wruck, Commission Secretary

Dear Mr. Wruck,

**Re: British Columbia Hydro and Power Authority F2020-F2021 (Project No. 159890)
Zone II Ratepayer Group Information Request No. 1 to Association of Major Power Customers (AMPC)**

Please find enclosed our client Zone II Ratepayers Group's information requests in response to the written evidence filed by AMPC in the above matter.

Should you require anything further, please let us know.

Yours truly,
IRIS LEGAL


Jana McLean
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REQUESTOR NAME: **Zone II Ratepayers Group (Zone II RPG)**

INFORMATION REQUEST ROUND NO: 1

TO: **Association of Major Power Customers (AMPC)**

DATE: **December 17, 2019**

PROJECT NO: **1598990**

APPLICATION NAME: **British Columbia Hydro and Power Authority F2020 to F2021 Revenue Requirements Application**

1.0 Topic: Industrial Cost of Service Study and Rate Rebalancing
Reference: Exhibit C11-11 (AMPC Evidence), pages 14 and 33.

In Table 4-1 of Exhibit C11-11, the following is provided:

Table 4-1: Summary of Key Issues Addressed in BC Government's Comprehensive Review

Issue	Current BCUC Proceeding	Subsequent BCUC Proceeding	Unaddressed Issues
Industrial Cost of Service Study and Rate Rebalancing (as well as potentially other classes) (Section 4.7)			Uncertain

On page 33, AMPC Evidence states:

Formal review of BC Hydro's cost-of-service study and any specific actions intended as rate rebalancing are now considered outside BCUC jurisdiction unless requested by BC Hydro, ⁵¹ based on government's stated ground that revenue-cost ratios are "a policy decision". This rationale is not applied in other jurisdictions and directly conflicts with the fundamental objective of achieving cost-based, just and reasonable rates. Insisting on utility authority to retain cross-subsidization of some customer classes by others is highly unusual within Canadian utility and BC Hydro history of regulation.

On page 33, AMPC Evidence states:

BC Hydro should bring forward the Cost of Service study for an open and transparent review with a clear intent to produce defensible Revenue to Cost ratios for each class.

1.1 Please provide details on how often other utilities perform a Cost of Service study.

1.1.1 For any of these utilities, is there any regulation, mandate, etc. requiring when/if to bring forward a Cost of Service study. Please identify and provide further details.

1.2 Please confirm or explain otherwise that the Cost of Service Study and Rate Rebalancing will need to assess all BC Hydro rate classes and not only the Industrial rate class.

2.0 **Topic: Industrial Rate Competitiveness**

Reference: Exhibit C11-11 (AMPC Evidence), page 16 - 18.

AMPC Evidence provides the following tables on pages 16, 17 and 18:

Figure 4-1: Comparison of average electricity prices in Vancouver for Large-Power Customers to other Canadian cities where the power source is predominantly from hydro²⁰

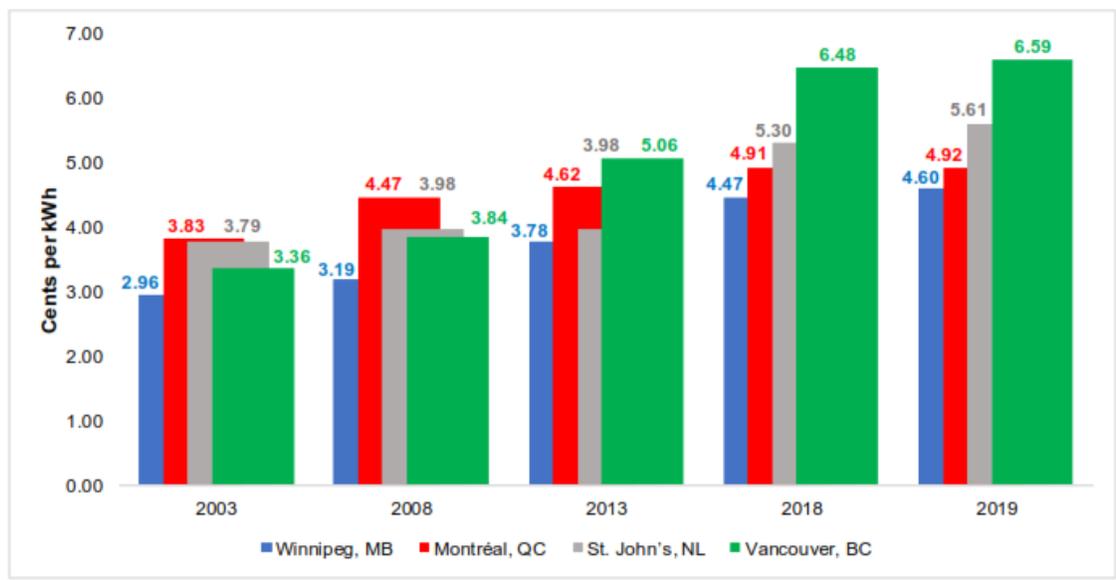


Figure 4-2: Comparison of average electricity prices growth in Vancouver for Large-Power Customers to other Canadian cities where the power source is predominantly from hydro²¹

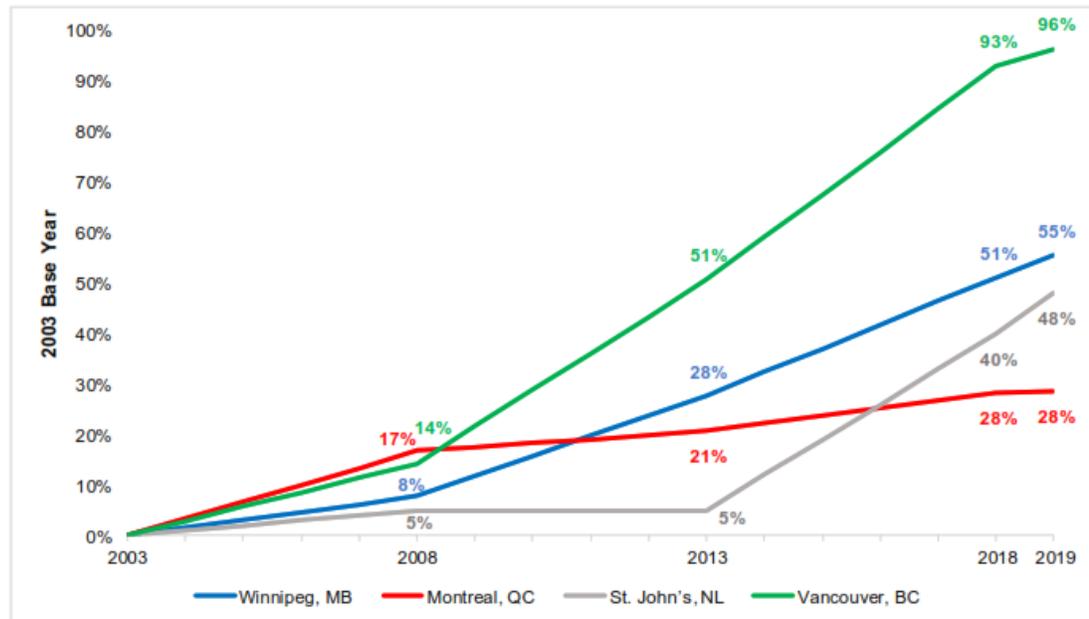
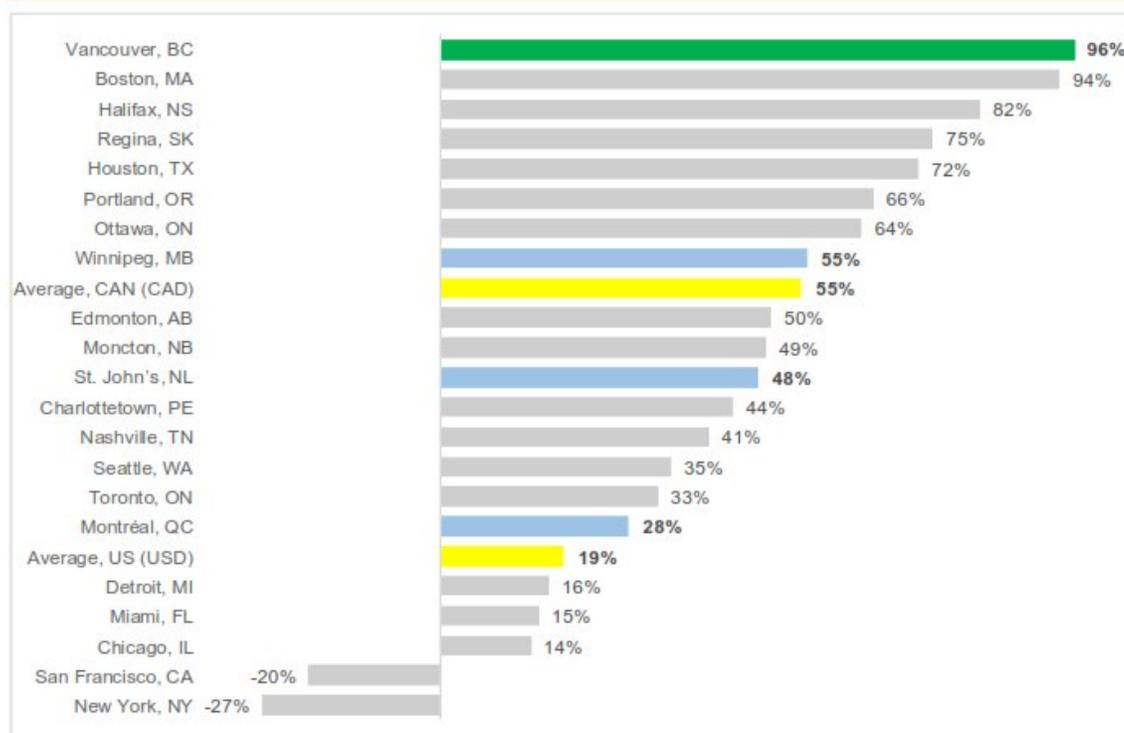


Figure 4-3: Electricity Prices Growth in Major North American Cities in last 16 years in local currency (from April 1, 2003 to April 1, 2019)²²



2.1 For Figures 4.1, 4-2, 4-3 above, confirm or explain otherwise, that these same trends in comparison of average electricity prices are similar for BC Hydro's residential customer class.

3.0 Topic: Independently Establish Fair Return on Equity
Reference: Exhibit C11-11 (AMPC Evidence), page 21.

A significant role for regulators in jurisdictions where the utility is expected to earn a financial return for shareholders is to determine a fair level of ROE. This regulatory role is not universal. For example, jurisdictions which prioritize competitive rates and a cost-of-service model for utility service delivery, such as Manitoba, do not include any return to the government shareholder. In BC, however, the Government-imposed regulatory framework does presently include a targeted return to the shareholder.

- 3.1** Please identify the Manitoba legislative provision (or policy statement), which makes it clear that Manitoba utilities do not include any return to the government shareholder.
- 3.2** Please identify any other jurisdictions in Canada that do not provide a return to the government shareholder.

4.0 Topic: IPP and Other Cost Issues Impacted by Government
Reference: Exhibit C11-11 (AMPC Evidence), page 29-30.

The current proceeding, however, has been structured to ensure the Government receives its desired ROE, while taking advantage of circumstances (favourable account forecasts and IFRS transition impacts) to avoid rate impacts and clean-up some issues, without targeting solutions for the excessive cost growth (notably through IPPs) and resulting uncompetitive rates.

- **RECOMMENDATION/CONCLUSIONS** *There are costs included in BC Hydro's Application that contribute materially to the uncompetitiveness of rates but are understood to be beyond the regulatory jurisdiction of the BCUC at this time,*
- 4.1** Clarify what is meant by "clean-up some issues". Please identify the specific issues that AMPC suggests were "cleaned up", if that is the intended meaning of this statement.
 - 4.2** Please provide some examples of key costs that AMPC says "contribute materially to the uncompetitiveness of rates but are understood to be beyond the regulatory jurisdiction of the BCUC at this time" with a brief rationale as to why those costs have that impact on rates.