



April 29, 2020

Sent by email (commission.secretary@bcuc.com)

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

**Re: British Columbia Utilities Commission (Commission)
Boralex Ocean Falls Limited Partnership (Boralex LP)
Application for Approval of Rates and Terms and Conditions of Service
for Boralex LP's Service to British Columbia Hydro and Power Authority
(BC Hydro) dated September 30, 2019 (Application)
Application Update
Project No. 1599046**

Dear Mr. Wruck,

Boralex LP is writing to provide an update to the Application that has become necessary primarily due to the impacts of the novel coronavirus (COVID-19). Unless otherwise indicated, the responses to the second round of Information Requests from the Commission and interveners filed concurrently with this letter reflect the revisions to the Application set out below.

Boralex LP would first like to take this opportunity to express its thoughts and sympathies to its customers and participants in this proceeding and their families who have faced hardship due to COVID-19. Boralex LP also wishes to advise that Boralex LP and Boralex Inc. continue to devote significant time and attention to ensuring the ongoing safety of Boralex LP's people and customers in Ocean Falls and to ensuring that the Ocean Falls Facilities remain safe and operational and that electric service is maintained during this period.

The required updates to the Application are summarized below. The revisions to Table 3 (Revenue Requirement 2019 to 2022), Table 11 (Forecast Capital Additions 2019 to 2022), Table 20 (Forecast 2019 to 2022 Rate Base) and Table 27 (Forecast O&M



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Expenses) of the Application, and the updated applied-for rates for Boralex LP's service to BC Hydro (paragraph 10 and Table 30), are set out below.

Also enclosed with this letter is an updated version of the financial model (initially filed as Exhibit B-3) used to calculate the BC Hydro rates based on these updates to the Application.

Application Updates

1. Penstock Rehabilitation Project

Boralex LP has determined that it is necessary to delay the first stage of the Penstock rehabilitation project by one year due to COVID-19. This delay has the effect of delaying the subsequent stages of the project by one year as well.

BBA Engineering has prepared an updated engineering report (BBA Technical Report Penstock 2) dated April 23, 2020 that reflects (i) the recommendation to implement the revised rehabilitation project described in Boralex LP's response to BCUC IR 7.1 (Exhibit B-6) and updated responses to BCUC IRs 7.1 and 7.8 (Exhibit B-9), and (ii) the one year delay in the project schedule due to COVID-19. Appendix D to the updated BBA report sets out a monitoring plan and monitoring schedule for Penstock 2 developed by BBA Engineering that Boralex LP has implemented and followed since last Fall. Boralex LP will continue to follow the plan and schedule described in Schedule D over the course of this year and until the project is completed.

The BBA Technical Report Penstock 2 contains commercially sensitive technical and financial information and as such has been filed by Boralex LP confidentially with the Commission by separate letter. Boralex LP has no objection to the report being made available to interveners in this proceeding who sign and file a Confidentiality Declaration and Undertaking Form with the Commission in accordance with the Commission's Rules of Practice and Procedure.

This one year delay in the first stage of the Penstock rehabilitation project results in the following changes to the Application:

- (a) The forecast capital costs of the project are now \$0 in 2020, \$1,069,000 in 2021 and \$2,562,000 in 2022. The project will continue beyond the current test period with forecast expenditure of \$1,841,000 in 2023 and \$1,854,000 in 2024. As noted in Boralex LP's response to updated BCUC IR 7.8 (Exhibit B-9), an additional engineering study will also be undertaken in 2021 to determine whether head gate closure improvements or a second point of closure will be required for the penstock and the associated costs of

the alternatives.

- (b) Since there will no longer be a 6 week shut-down of the Ocean Falls generating facilities between mid-April and the end of May of this year, there will no longer be forecast costs associated with purchasing power from BC Hydro in 2020. In addition, based on further discussions with Boralex LP's external auditors, Boralex LP has determined that the cost of purchasing power from BC Hydro under Tariff Supplement No. 7 during the shut-down period in 2021 (\$51,000) and 2022 (\$52,000) should be expensed (as was proposed in the initial Application filing) and not capitalized as part of the penstock project. Accordingly, the forecast capital costs of the project and the forecast O&M Expenses have been revised to reflect this change in the treatment of these costs.
- (c) Also, since there will no longer be a six week shut-down for the penstock rehabilitation project this year, the 2020 load forecast for BC Hydro and Boralex LPs' two industrial customers in Ocean Falls has been adjusted upwards. BC Hydro's forecast consumption now increases to 13.1 GWh in 2020 (which also changes the 2020 Tier 1/Tier 2 threshold from 11.63 GWh to 13.1 GWh) and the industrial customers' forecast consumption in 2020 increases to 8.873 GWh. There is no change to the forecast revenue from sales to Boralex LP's retail customers in Ocean Falls as these customers would have continued to receive service in 2020 during the shut-down period with electricity purchased by Boralex LP from BC Hydro under Tariff Supplement No. 7. There are no changes to the forecast BC Hydro load in 2021 or 2022 or to the forecast revenue from the retail and industrial customers in Ocean Falls in 2021 or 2022.

2. Operating & Maintenance Expenses

Boralex LP has made the following updates to the forecast O&M expenses over the test period:

- (a) The Salaries and Benefits costs have been reduced by \$28,000 for Q3/Q4 2019 due to a duplication error. Additionally, the retirement of one current full time employee has been delayed from the start of 2021 to the end of 2021. Consequently, the hiring date of one of the new employees has been delayed from January 2021 to June 2021. The net impact is an increase of \$44,000 in Salaries and Benefits in 2021, but no other changes to the other years.
- (b) The forecast Training expenses have been revised from \$38,000 in 2020 and \$46,000 in 2021 to \$15,000 in 2020 and \$38,000 in 2021 as a result of

the hiring delay of the new employee.

- (c) The hiring of an additional site supervisor originally planned for Q1 2020 has been deferred until Q1 2021 due to COVID-19. This reduces Site Management costs (part of Corporate Services) in 2020 from \$182,000 to \$104,000.
- (d) The hiring of a Regulatory Affairs person has been deferred from Q1 2020 to Q4 2020 due to COVID-19. This reduces Regulatory Affairs costs (part of Corporate Services) in 2020 from \$138,000 to \$34,000.
- (e) The forecast costs associated with Human Resources (part of Corporate Services) have been reduced by \$2,000 per year in each of 2020, 2021 and 2022 due to a duplication error in the original forecast.
- (f) The forecast Recruitment expenses have been revised from \$13,000 in 2020 and \$0 in 2021 to \$5,000 in 2020 and \$5,000 in 2021 as a result of the hiring delays.
- (g) The forecast Regulatory Costs have increased by \$375,000 for additional external consulting and legal services associated with the Application review process. These costs, which will be amortized evenly over the test period, have increased due to a number of factors, including the delay in hiring of the Regulatory Affairs person (who was expected to provide assistance to the Application review process when originally anticipated to be hired at the beginning of 2020), the need to update the Application due to changes to the Penstock rehabilitation project and COVID-19, a greater reliance on external services due to the demands placed on Boralex LP management as a result of COVID-19, and a more involved Application review process than originally anticipated.

Updated Application Tables

The following are updates to Tables 3, 11, 20 and 27 of the Application that reflect the revisions to the Application described above.

Table 3: Revenue Requirement 2019 to 2022 (\$000's)

	2019	2020	2021	2022
<i>Rate Base</i>	\$13,507	\$13,904	\$15,905	\$19,749
<i>Deemed Equity</i>	\$6,754	\$6,952	\$7,952	\$9,874
<i>Deemed Debt</i>	\$6,754	\$6,952	\$7,952	\$9,874

	2019 (Q3-Q4)	2020	2021	2022
Return on Equity	\$331	\$678	\$737	\$882
Return on Debt	\$182	\$373	\$406	\$485
Depreciation Expense	\$134	\$282	\$311	\$368
Income Taxes	\$0	\$0	\$0	\$0
Property and School Taxes	\$177	\$362	\$373	\$384
Water Rentals	\$33	\$66	\$68	\$69
O&M	\$987	\$1,881	\$2,347	\$2,299
Gross Revenue Requirement	\$1,844	\$3,642	\$4,241	\$4,487

Ocean Falls Retail Customer Revenue	\$50	\$94	\$96	\$98
Ocean Falls Industrial Customer Revenue	\$304	\$533	\$503	\$512
Total	\$354	\$627	\$599	\$610

Net Revenue Requirement	\$1,490	\$3,015	\$3,642	\$3,877
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Table 11: Forecast Capital Additions (2019 to 2022) (\$000's)

Project #	Project	Q3-Q4 2019	2020	2021	2022	Total
1	Penstock Rehabilitation	\$137	-	\$1,069	\$2,562	\$3,768
2	Turbine Rehabilitation	-	\$313	\$268	\$244	\$824
3	Powerhouse Electrical	-	\$67	\$362	\$371	\$800
4	Ocean Falls Switchyard	-	\$53	-	\$215	\$268
5	Shearwater Substation	-	\$104	\$288	\$262	\$654
6	Interconnection Line	-	\$15	\$200	\$205	\$420
7	General Plant	\$37	\$125	\$125	\$354	\$641
	Total	\$174	\$678	\$2,311	\$4,212	\$7,375



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Table 20: Forecast 2019 to 2022 Rate Base (\$000's)

	2019	2020	2021	2022
Starting Rate Base	\$12,834	\$13,107	\$13,504	\$15,505
Add: Capital Additions	\$542	\$678	\$2,311	\$4,212
Subtract: Depreciation	-\$268	-\$282	-\$311	-\$368
Ending Rate Base	\$13,107	\$13,504	\$15,505	\$19,349
Add: Working Capital	\$400	\$400	\$400	\$400
Total Rate Base	\$13,507	\$13,904	\$15,905	\$19,749

Table 27: Forecast O&M Expenses (\$000's)

O&M Line Item	2019 (Q3-Q4)	2020	2021	2022
Employee Costs	-	-	-	-
<i>Salaries and Benefits</i>	\$275	\$606	\$793	\$776
<i>Expenses</i>	\$77	\$224	\$225	\$164
<i>Recruitment</i>	-	\$5	\$5	-
<i>Training</i>	\$2	\$15	\$38	\$46
Corporate Services	-	-	-	-
<i>Corporate Services</i>	\$59	\$157	\$268	\$276
<i>Engineering and Environment</i>	\$25	\$59	\$61	\$63
<i>Operations Senior Management</i>	\$9	\$18	\$19	\$19
<i>Operations Site Management</i>	\$48	\$104	\$185	\$191
Maintenance and Repairs	-	-	-	-
<i>Control Systems</i>	\$166	\$138	\$140	\$143
<i>Machinery</i>	\$49	\$35	\$35	\$36
<i>Turbines-Generators</i>	\$1	\$50	\$51	\$52
<i>Heavy Machinery & Mobile Equipment</i>	\$17	\$28	\$28	\$29



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O&M Line Item	2019 (Q3-Q4)	2020	2021	2022
<i>Dam, Buildings and Land</i>	\$44	\$73	\$74	\$76
<i>Oil, Fuel and BC Hydro Power</i>	\$18	\$25	\$77	\$78
Health, Safety and Environment	\$24	\$23	\$23	\$23
Insurance	\$52	\$105	\$107	\$109
Permits and Land Rights	\$1	\$6	\$6	\$6
Third Party Services	\$21	\$15	\$15	\$15
Regulatory Costs	\$97	\$195	\$195	\$195
Total O&M Expenses	\$987	\$1,881	\$2,347	\$2,299

Rates for Boralex LP's Service to BC Hydro

The following is an update to the applied-for rates for Boralex LP's service to BC Hydro set out in paragraph 10(a) and Table 30 of the Application to reflect the revisions to the Application described above. The updated rates have been calculated on the basis set out in paragraphs 158 to 164 of the Application.

	(\$/MWh)		(\$/MWh)		
	2019*	2020	2021	2022	
Tier 1 (up to 13.10 GWh/year)	\$270.81	\$276.23	Tier 1 (up to 11.63 GWh/year)	\$281.75	\$287.39
Tier 2 (greater than 13.1 GWh/year)	\$50.00	\$51.00	Tier 2 (greater than 11.63 GWh/year)	\$52.02	\$53.06

*July 1 to December 31 for rate and energy amount.

Yours truly,

Borex Ocean Falls Limited Partnership



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Enclosure



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