



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: 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
Response to Zone IB Ratepayers Group Information Request No. 2
Project No. 1599046**

Dear Mr. Wruck,

In accordance with the regulatory timetable set out in Order G-3-20, enclosed is Boralex LP's response to Zone IB Ratepayers Group Information Request No. 2.

Yours truly,

Boralex Ocean Falls Limited Partnership

A handwritten signature in blue ink, appearing to read "Maxime Tremblay".

Maxime Tremblay, ing.
Regional Manager, wind and hydro
maxime.tremblay@boralex.com

Enclosure



Boralex – Ocean Falls
General Delivery
Ocean Falls, British Columbia VOT 1P0
Canada

T. 250-289-3868

Borex Ocean Falls Limited Partnership
Application for Rates and Terms and Conditions for Service to British Columbia
Hydro and Power Authority - July 1, 2019 to December 31, 2022

**ZONE 1B RATEPAYERS GROUP INFORMATION REQUEST NO. 2 TO BORALEX OCEAN
FALLS LIMITED PARTNERSHIP**

**1.0 Reference: B-6-BORALEX-RESPONSE-TO-BCUC-IR1.PDF PDF 3, RESPONSE TO
BCUC 1.2**

“Borex LP would note that the 1986 EPA contained fixed power prices and ***did not require Borex LP*** to maintain redundant generating capacity, which would have allowed Borex LP (and before it Central Coast Power Corporation) to benefit financially if it was able to maintain service levels and reduce costs by idling capacity.” (emphasis added)

1.1 Please confirm that the 1986 EPA did not specifically require Borex LP to do anything because Borex LP neither owned nor operated the Ocean Falls Facilities until 2009.

RESPONSE:

Borex LP assumed the rights and obligations of Central Coast Power Corporation under the 1986 EPA when the agreement was assigned to Borex LP at the time of its acquisition of the Ocean Falls Facilities in 2009. The point made in Borex LP’s response to BCUC IR 1.2 remains the same. The power prices under the 1986 EPA were fixed (and therefore Borex LP had a direct financial incentive to reduce costs where possible during the term of the 1986 EPA) and Borex LP had no obligation under the agreement to maintain redundant generating capacity. Accordingly, Borex LP would have stood to benefit financially if was able to reduce costs by idling generating capacity while at the same time maintaining service levels. However, Borex LP did not to do so because the operating practice and level of generator redundancy described in Borex LP’s response to BCUC IR 1.1 (which is the same as that adopted and maintained by Central Coast Power Corporation between 1986 and 2009) is the best operating practice and the minimum level of redundancy necessary to allow Borex LP to maintain very high levels of service reliability to BC Hydro (and therefore BC Hydro’s Zone IB ratepayers in Shearwater and Bella Bella) at the lowest cost.

1.2 Please confirm that at the time it acquired the facilities and transmission lines from Central Coast Power Corporation, Borex LP fully understood that going forward the BCUC had the jurisdiction and authority to approve EPAs with different terms and conditions than those set out in the 1986 EPA. If not confirmed, please describe Borex LP’s contrary understanding at the time of acquisition and the underlying basis for that view.

RESPONSE:

Confirmed.

2.0 Reference: B-6-BORALEX-RESPONSE-TO-BCUC-IR1.PDF PDF 8, RESPONSES TO BCUC 2.3

“First, virtually all of Boralex LP’s capital and operating costs are required to provide service to BC Hydro and the Bella Bella NIA. ***If Boralex LP had no retail or industrial customers, the only costs that Boralex LP would be able to avoid*** are the relatively minor costs associated with the distribution lines in the Ocean Falls town site and Martin Valley. Accordingly, while Boralex LP does not incur any significant costs in providing service to its retail and industrial customers, the revenue that Boralex LP is able to generate from these customers is beneficial to BC Hydro because Boralex LP is able to use that revenue to reduce its gross revenue requirement.” (emphasis added)

- 2.1 Assume that Boralex LP did ***not*** provide service to BC Hydro and the Bella Bella NIA, but only to retail and industrial customers in Ocean Falls and Martin Valley. Under that scenario, please confirm that ***all*** capital and operating costs, except for the Shearwater Substation and Interconnection Line, would be required to serve retail and industrial customers in Ocean Falls and Martin Valley. If not confirmed, please provide a table identifying the description and amount of all costs that could be avoided each year.

RESPONSE:

The scenario posed in the question is entirely theoretical and contrary to the history and development of the Ocean Falls Facilities. Central Coast Power Corporation only acquired the Ocean Falls Facilities from the BC Government and constructed the 45 km line between Ocean Falls and Shearwater to provide service to the Bella Bella NIA. The Ocean Falls utility would never have been formed in the first place if the only customers were the retail customers in Ocean Falls (the industrial customers came later). Accordingly, under the scenario posed, if there had been no Bella Bella NIA load, no capital and operating costs would have been incurred to serve customers in Ocean Falls and Martin Valley.

3.0 Reference: B-6-BORALEX-RESPONSE-TO-BCUC-IR1.PDF PDF 11, RESPONSE TO BCUC 3.1

In response to a request to apply each of eight Bonbright principles, Boralex LP stated:

“Fair apportionment of costs among customers (fairness)

This principle is not germane to the proposed rate structure for BC Hydro since BC Hydro is the only customer subject to the rate structure.

Avoid undue discrimination (fairness)

This principle is not germane to the proposed rate structure for BC Hydro since BC Hydro is the only customer subject to the rate structure.”

- 3.1 Please confirm that under Boralex LP’s preferred approach any utility that applied

different rate structures to different categories of customers could always claim that fair apportionment of costs among customers and avoiding undue discrimination are never a legitimate or relevant concern. Please explain.

RESPONSE:

Boralex LP is not claiming that “fair apportionment of costs among customers and avoiding undue discrimination are never a legitimate or relevant concern”. The portion of the response quoted above relates to the second part of the request in BCUC IR 3.1, namely, to apply the eight Bonbright principles to the “proposed rate structure for BC Hydro”. The two cited principles (Fair apportionment of costs among customers and Avoid undue discrimination) are simply not germane to the proposed rate structure for BC Hydro since BC Hydro is the only customer subject to the rate.

- 3.2 Is Boralex LP aware that BC Hydro has different rate structures for different categories of customers but is nevertheless required by the BCUC to give consideration to the Bonbright principles of fair apportionment of costs among customers and avoiding undue discrimination? If not, please explain.

RESPONSE:

Boralex LP has no direct knowledge of this but assumes it to be the case.

4.0 Reference: B-6-BORALEX-RESPONSE-TO-BCUC-IR1.PDF PDF 13, RESPONSE TO BCUC 4.5

In response to a request seeking clarification of the use of the Link River bridge, Boralex LP stated:

“The Link River bridge is a private bridge owned and used by Boralex LP. The bridge is also used by Mowi Canada West to access its fish hatchery operation, by Ocean Falls Blockchain to access its cryptocurrency mining operation in the space leased from Boralex LP in Boralex LP’s workshop/storage building, and occasionally by members of the public to access the local landfill. Mowi Canada West contributed \$200,000 to the cost of the new bridge and supplied the quarry rock required for the bridge construction in exchange for its use of the bridge.”

- 4.1 How was the amount of Mowi’s \$200,000 contribution determined?

RESPONSE:

Mowi Canada West contributed \$200,000 to the cost of construction the bridge and supplied the quarry rock required for the bridge construction. This was determined by negotiation between Boralex LP and Mowi Canada West.

- 4.2 Is Mowi expected or required to make any future payments toward operation or maintenance costs for the Link River bridge? If so, please explain.

RESPONSE:

Mowi Canada West is not required to make future payments toward operating or maintenance costs for the Link River Bridge.

- 4.3 What proportion of the total capital costs of the Link River bridge was covered by Mowi's contribution?

RESPONSE:

The total cost of the bridge was \$1,204,000. Accordingly, without taking into account the value of the quarry rock supplied by Mowi Canada West, approximately 17% of the total capital cost of the bridge was covered by Mowi Canada West's contribution.

- 4.4 Please explain why did Ocean Falls Blockchain (OFB) not make a similar or any other contribution?

RESPONSE:

Ocean Falls Blockchain is entitled to access and occupy its leased premises within the workshop/storage building under the terms of its lease with Boralex LP. The lease payment revenue and the EPA revenue from Ocean Falls Blockchain makes a contribution to all of Boralex LP's costs, including the cost of the bridge, which serves to reduce Boralex LP's rates to BC Hydro. Boralex LP has incurred no incremental costs in providing service to Ocean Falls Blockchain. Conversely, Boralex LP would avoid no capital or operating costs (including costs associated with bridge) if Ocean Falls Blockchain was not a customer.

- 4.5 If OFB's use of the Link River Bridge was intended to be compensated through its lease payments to Boralex LP please confirm and quantify the total and annual amounts allocated for that cost.

RESPONSE:

The lease agreement with Ocean Falls Blockchain does not specifically allocate any amount as payment for access to the leased premises.

- 4.6 Is OFB expected or required to make any future payments toward operation or

maintenance costs for the Link River bridge? If so, please explain.

RESPONSE:

Ocean Falls Blockchain is required to make lease payments to Boralex LP for so long as the lease is in effect.

- 4.7 Please describe Boralex LP's methodology for determining a reasonable allocation of usage, and therefore costs, of the Link River bridge by Boralex, Mowi, OFB and the public.

RESPONSE:

Boralex LP does not have a methodology for allocating costs to use the bridge. As discussed above, the amounts paid by Mowi Canada West and Ocean Falls Blockchain are negotiated amounts. The public make very limited use of the bridge and only to access the local landfill.

- 5.0 Reference: B-6-BORALEX-RESPONSE-TO-BCUC-IR1.PDF PDF 14, RESPONSE TO BCUC 4.5.1

In response to a request seeking clarification of allocation of the costs of constructing the new Link River bridge, Boralex stated:

*"Boralex LP **cannot safely and economically operate** the Ocean Falls Facilities without continuous land access between the Ocean Falls town site and the plant, the workshop/storage building, the south dam abutment and the intake gatehouse, so it was **incumbent upon Boralex LP to rebuild the bridge across the river as no other parties were willing to do so.**" (emphasis added)*

Bearing in mind that "the bridge is also used by Mowi Canada West to access its fish hatchery operation, by Ocean Falls Blockchain to access its cryptocurrency mining operation ... and occasionally by members of the public to access the local landfill" please explain:

- 5.1 How Mowi could safely and economically operate its fish hatchery operation without access by the Link River bridge?
- 5.2 How OFB could safely and economically operate its cryptocurrency mining operation without access by the Link River bridge?
- 5.3 How members of the public could safely and economically make use of the local landfill without access by the Link River bridge?

RESPONSE:

Mowi Canada West, Ocean Falls Blockchain and members of the public would have to arrange some form of water access across the Link River if they did not have bridge access. That would be less safe and economical than bridge access.

6.0 Reference: B-6-BORALEX-RESPONSE-TO-BCUC-IR1.PDF PDF 23, RESPONSE TO BCUC 7.5

In response to a request seeking clarification of the relationship between future capital improvements and system load from its industrial customers, Boralex LP stated:

“Neither the timeline nor scope of any forecast capital improvements has been affected by the historical or forecast increase in system load from Boralex LP’s industrial customers. The future capital improvements are driven by asset condition and BC Hydro interconnection requirements and ***are necessary in order to maintain safe and reliable service to BC Hydro and the Bella Bella NIA.***”

6.1 Please explain why future capital improvements, except for the Shearwater Substation and Interconnection Line, are not also necessary to maintain safe and reliable service to Boralex LP’s retail and industrial customers.

RESPONSE:

The improvements are necessary and are being incurred in order to maintain safe and reliable service to BC Hydro and the Bella Bella NIA, but they do have the residual effect of helping to maintain safe and reliable service to Boralex LP’s retail and industrial customers. This is beneficial to BC Hydro because, while the same improvements would need to be made if there were no retail or industrial customers, the fact that there are retail and industrial customers allows Boralex LP to generate additional revenue (approximately \$600,000 in each of 2020, 2021 and 2022) that can be used to reduce BC Hydro’s rates.

7.0 Reference: B-6-BORALEX-RESPONSE-TO-BCUC-IR1.PDF PDF 52, RESPONSE TO BCUC 22.3

In response to a request seeking detailed scenario analysis of Boralex’s expectations for Non-BC Hydro deliveries and revenue forecasts for the 2019–2022 period, Boralex stated:

“Boralex LP has not performed a detailed scenario analysis on forecast non-BC Hydro deliveries for the following reasons.

With regard to Boralex LP’s retail customers, this load represent (sic) ***approximately 5% of the Bella Bella NIA load*** and does not change from one year to the next by amounts that materially impacts either Boralex LP operations or revenue. Boralex LP’s retail customers have consumed an ***average of 766 MWh annually*** between 2010 and 2019 (please see Boralex LP’s response to BCUC IR 22.4.2). Maximum annual consumption was ***803 MWh in 2017*** and the minimum was ***689 MWh in 2013***. Boralex LP’s retail customer base is not expected to grow measurably over the forecast period.

Boralex LP’s industrial customers already operate at levels close to their power capacity limits. The industrial customers are not subject to large swings in year over year consumption unless they encounter operational problems, in which case they would

consume less electricity than forecast. The industrial customers have not informed Boralex LP that they intend to expand their operations or to increase their electric loads over the forecast period. Therefore, the high consumption scenario is not materially different than the expected mid consumption scenario, whereas a lower than forecast consumption scenario is a possibility, which represents a revenue risk to Boralex LP.” (emphasis added)

- 7.1 The Response makes it impossible to readily compare the significance and implications of retail vs. industrial deliveries. Why did Boralex LP choose to provide specifics only with regard to its retail customers but not provide equivalent numbers for its industrial customers?

RESPONSE:

In the referenced response Boralex LP did not provide specifics regarding the quantum of the industrial load because this specific information was not required in order to answer the IR. Historic sales and revenue from Boralex LP’s retail and industrial customers for 2014 to 2019 were provided in Boralex LP’s response to BCOAPO IR No. 5.1.

- 7.2 For Boralex LP’s industrial customers, this load represents approximately what percentage of the Bella Bella NIA load?

RESPONSE:

The annual industrial load represents on average approximately 28% of the annual Bella Bella NIA load over the 2010 to 2019 period.

- 7.3 What was Boralex LP’s industrial customers’ average annual consumption (MWh) between 2010 and 2019?

RESPONSE:

The industrial customers’ average annual consumption between 2010 and 2019 was 3,583 MWh.

- 7.4 What was Boralex LP’s industrial customers’ maximum and minimum annual consumption between 2010 and 2019, and in what years?

RESPONSE:

Please see the table in Boralex LP’s response to Zone IB Ratepayers Group IR 8.1.

8.0 Reference: B-6-BORALEX-RESPONSE-TO-BCUC-IR1.PDF PDF 53, RESPONSE TO BCUC 22.4.2

8.1 Please provide a table in the same format as that provided in Response to BCUC 22.4.2, but showing the equivalent customer load data from 2008 to 2019 for Boralex LP's industrial customers.

RESPONSE:

Please see the following table.

	Industrial Customer Load (MWh)	Yr / Yr Change (%)
2009	1,939	
2010	2,474	
2011	2,117	-14.5%
2012	2,238	5.7%
2013	2,688	20.1%
2014	2,924	8.8%
2015	2,760	-5.6%
2016	2,590	-6.2%
2017	2,735	5.6%
2018	6,076	122.2%
2019	9,233	52.0%

Note that information for 2009 begins on April 7, 2009. Boralex LP does not have access to records before this date.

9.0 Reference: BORALEX'S FEBRUARY 24, 2020 RESPONSE TO BCUC 22.3 STATED:

"The industrial customers have not informed Boralex LP that they intend to expand their operations or to increase their electric loads over the forecast period."

Boralex's September 30, 2019 Application at page 43 stated:

"Boralex LP has had discussions with Ocean Falls Blockchain regarding a possible expansion of Ocean Falls Blockchain's cryptocurrency facility and an increase in electrical

load, but there are no definitive agreements between the parties in this regard."

Boralex's February 24, 2020 filing also included this Request and Response:

"22.7 Please provide details of the forecasted increase in electrical load if the possible expansion Ocean Falls Blockchain's cryptocurrency facility were to take place.

RESPONSE:

Based on recent discussions with Ocean Falls Blockchain, Boralex LP **now does not expect** Ocean Falls Blockchain to expand its cryptocurrency facility or to increase its electricity load over the forecast period.”

- 9.1 The above quoted excerpts appear contradictory. On what date(s) did Boralex LP have “recent discussions” with OFB regarding its expectations of expansion of the cryptocurrency facility or increased load?

RESPONSE:

The discussions with Ocean Falls Blockchain referred to in Boralex LP’s response to BCUC IR 22.7 occurred in early February 2020.

- 9.2 What timing of possible facility expansion and/or load increases were previously discussed by Boralex LP and OFB? What magnitude of load increase(s) was discussed by Boralex LP and OFB?

RESPONSE:

The discussions with Ocean Falls Blockchain referred to in the September 30, 2019 Application are confidential, but reflected the possibility at that time that the projected state of cryptocurrency mining operations and pricing might have formed the basis for an expansion of Ocean Falls Blockchain’s operations at Ocean Falls.

- 9.3 Did the recent discussions between Boralex LP and OFB include consideration of how an OFB facility expansion or load increase might inform the question of fairness in cost allocation between Boralex LP’s industrial/retail customers and BC Hydro’s Bella Bella NIA customers? Please explain.

RESPONSE:

The rates paid by Ocean Falls Blockchain are negotiated rates based on what Ocean Falls Blockchain was willing and able to pay for electricity having regard for the total costs of locating and operating in Ocean Falls, a remote and isolated location, and not based on an allocation of costs. The marginal cost to provide service to Ocean Falls Blockchain is very low (and significantly lower than the price paid to Boralex LP for electricity) and therefor the revenue from any electricity that Boralex LP is able to sell to Ocean Falls Blockchain makes a contribution to Boralex LP’s gross revenue requirement and reduces Boralex LP’s rates for service to BC Hydro.

Boralex LP would also observe that “the question of fairness in cost allocation between Boralex LP’s customers and BC Hydro’s Bella Bella NIA customers” does not arise because the Bella Bella NIA customers are not customers of Boralex LP. The Bella Bella NIA customers are customers of BC Hydro and pay the BC Hydro

rates for service in Rate Zone IB, which are based on BC Hydro's own cost allocation and rate setting methodologies.

10.0 Reference: 10.0 B-6-BORALEX-RESPONSE-TO-BCUC-IR1.PDF PDF 54, RESPONSE TO BCUC 22.9

Clarification of who would receive the benefit if additional industrial load materializes over the forecast period was addressed in:

"22.9 If additional load materializes during the test period, for example from either new industrial or retail customers or from increased load from Ocean Falls Blockchain, please explain if the incremental revenue will be to the account of Boralex LP's shareholder.

RESPONSE:

Any increase in industrial revenue from that forecast over the forecast period would be for the account of Boralex LP's shareholder. However, Boralex LP sees little likelihood of this occurring. Please see Boralex LP's response to BCUC IRs 21.2 and 22.2"

10.1 Please reconcile Boralex LP's seeking a cost of service approach for Bella Bella NIA customers while simultaneously seeking to retain any incremental revenue from its industrial or retail customers over the forecast period.

RESPONSE:

All the forecast revenue from sales to the retail and two industrial customers in Ocean Falls has been credited to the cost of service to reduce BC Hydro's rates over the test period. Accordingly, Boralex LP is at risk if this revenue does not materialize. It follows that if Boralex LP is at risk for revenue not materializing that it should stand to benefit if additional revenue does materialize (which is a highly unlikely scenario over the test period).

10.2 Does Boralex LP agree that if incremental revenues result from industrial and/or retail load increases over the forecast period, then those customers' fair allocation of Boralex LP's costs should also proportionately increase? If not, please explain.

RESPONSE:

No, because the rates paid by the retail customers are already fixed by reference to BC Hydro's Zone II rates and the rates for the two industrial customers are negotiated rates based on what the customers were willing and able to pay, not on an allocation of costs. If Boralex LP was required to allocate costs to its retail and industrial customers in excess of the revenue generated from the rates charged to these customers, then because Boralex LP would not be able to adjust the rates charged to these customers Boralex LP would not be able to recover its revenue requirement or have the opportunity to earn its allowed return on common equity. If the forecast load from the retail or industrial customers for the next test period were to be higher than the current forecast, then any additional revenue

associated with the higher load forecast would be credited to the forecast revenue requirement in the next test period and further reduce the rates for Boralex LP's service to BC Hydro during that test period.