

IRIS LEGAL

Environmental, Natural Resources &
Indigenous Law

VIA EFILE

May 4, 2020

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

Attention: Patrick Wruck, Commission Secretary

Dear Mr. Wruck,

**Re: BC Hydro F2020-F2021 Revenue Requirements Application
Project No. 1598990 – Final Submissions**

On behalf of Kwadacha Nation and Tsay Keh Dene Nation (aka. Zone II Ratepayers Group) ("**Zone II RPG**"), please find enclosed Zone II RPG's final submissions in the above-named proceeding.

Should you require anything further, please let us know.

Yours truly,
IRIS LEGAL



Jana McLean
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BRITISH COLUMBIA UTILITIES COMMISSION
IN THE MATTER OF THE *UTILITIES COMMISSION ACT*,
RSBC 1996, c. 473

And

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
FISCAL 2020 TO FISCAL 2021 REVENUE REQUIREMENTS APPLICATION

**Final Submissions of
Zone II Ratepayers Group
("Zone II RPG")**

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Overview of Submissions

1. Zone II RPG consists of the Kwadacha Nation (“**Kwadacha**”) and Tsay Keh Dene Nation (“**Tsay Keh Dene**”), whose traditional territories are in remote areas of northern British Columbia. Kwadacha is based in Fort Ware, BC and Tsay Keh Dene in Tsay Keh Dene, BC.
2. Both Kwadacha and Tsay Keh Dene became non-integrated area (“**NIA**”) BC Hydro customers in 2013 pursuant to the Remote Communities Electrification program.¹ The two Nations take non-integrated service from BC Hydro under subsidized Zone II rates which do not reflect the real cost of electricity generated by BC Hydro’s diesel-powered generators. In addition to diesel-powered generation, Kwadacha has a biomass facility that it constructed and operates, which became operational in April 2017. Its output is sold to BC Hydro.
3. Kwadacha and Tsay Keh Dene are two communities most impacted by BC Hydro’s infrastructure in the Province, as a result of their forced relocation during the construction of the WAC Bennett Dam. These two Nations bring a unique perspective to this proceeding, as northern indigenous Nations located in BC Hydro’s NIA who seek energy independence and full recognition of their rights including title.
4. Zone II RPG’s position on the orders sought by BC Hydro, as set out in its draft order found at Appendix B to its Evidentiary Update² (“**Draft Order**”), corrected by Exhibit B-11-2, is as follows:
 - (a) Zone II RPG supports the orders sought at paras. 1, 2, 3, 4(a), 7 and 10 of the Draft Order; and
 - (b) Zone II RPG takes no position on the orders sought at paras. 4(b), (c), (d), (e), (f) to (j), 5, 6, 8 and 9 of the Draft Order.

¹ Exhibit C5-9 (Zone II RPG Evidence);

² Exhibit B-11.

5. In particular, Zone II RPG is of the view that BC Hydro's proposed rates meet the key criteria of affordability in this Test Period.³ BC Hydro's efforts in this proceeding also meet its stated goals of being transparent and open,⁴ although the British Columbia Utilities Commission ("**Commission**") plays a critical, ongoing role in safeguarding these important values in the regulation of electricity in this Province.
6. Zone II RPG recognizes that BC Hydro's moderation strategy for DSM is reasonable in light of BC Hydro's energy surplus and the need for the upcoming Integrated Resource Plan ("**IRP**") to inform future decisions on DSM. Zone II RPG is especially supportive of BC Hydro's proposed Demand Side Management ("**DSM**") Expenditure Schedule, which represents an increase in residential DSM expenditures by approximately 50 percent since the last test period. This increase in residential DSM expenditures for F2020 to F2021 brings that spending more in line with expenditures for commercial and large industrial sectors. BC Hydro's proposed DSM expenditures is expected to be beneficial for Zone II RPG and other NIA communities. BC Hydro was frank in this proceeding that DSM is a key part of its current efforts to reduce Zone II RPG and NIA communities' reliance on diesel generation. Without an overarching strategy and action to reduce reliance on diesel generation in the NIA, DSM in the NIA takes on additional importance particularly to manage electricity demand in the community. In Tsay Keh Dene, electricity demand is exceeding BC Hydro's projections, with blackouts and flickering lights occurring on a weekly basis. The community is committed to reducing electricity consumption by implementing DSM programs in the community.⁵ Multi-year DSM funding is critical to the success of these programs in the NIA.
7. Zone II RPG recognizes that BC Hydro's new DSM program in the NIA has had a slow start in year one of the new program. Especially with the impact of COVID-

³ Exhibit B-1 (Application), pp. 1-3, l. 17, Appendix E (Government Mandate Letter); Transcript Vol. 5, p. 358, ll. 2 – 6 (O'Riley).

⁴ Transcript Vol 5, p. 356, ll. 1 – 7 (O'Riley).

⁵ Exhibit C5-9, Zone II RPG Evidence (Hoeg, page 4-5).

19, it may be necessary to review the effectiveness of this program beyond the Test Period. BC Hydro's Annual Report on DSM Activities also should specifically address whether the program has been effective in reducing barriers for NIA customers in accessing DSM programs, thereby meeting the objective of Directive 23 from the previous Revenue Requirements Application.

8. Although Zone II RPG is supportive of some of the key orders sought in this proceeding, Zone II RPG also asks that the Commission consider the following, including in exercising its powers to issue directives, where appropriate:
 - (a) In this proceeding, BC Hydro acknowledges that reconciliation with Indigenous peoples was a priority. However, BC Hydro also indicated that it does not have an internal method for systematically accessing its progress on reconciliation with Indigenous peoples, nor does it track or report on those costs in a way that can be reviewed by the Commission. Consistent with the legal requirements imposed on the provincial government in the *Declaration on the Rights of Indigenous Peoples Act*, SBC 2019, c. 44, BC Hydro should have an annual action plan and annual report on its reconciliation efforts, prepared in consultation with Indigenous peoples. BC Hydro also should better track associated costs. Such reporting would facilitate assessment of BC Hydro's performance in this key area;
 - (b) BC Hydro needs to prioritize the development of an over-arching diesel reduction strategy in the NIA in consultation with NIA communities, especially given ongoing delays in implementing such a strategy. Although BC Hydro has developed DSM measures that should reduce reliance on diesel⁶, BC Hydro has not developed any supply-side measures for reducing diesel reliance in the NIA. An overarching strategy, developed in consultation with NIA communities, would assist the Commission and the NIA in assessing progress in this area. It should be action-focused and identify a specific team mandated with implementing such action items on a prescribed deadline. BC

⁶ Exhibit B-6, Zone II RPG IR 1.4.1.

Hydro also should report on whether it achieves its set objectives to the Commission in accordance with Goal 2 of BC Hydro's Service Plan;⁷

- (c) In assessing BC Hydro's actions to reduce reliance on diesel in future proceedings, the Commission should consider broad societal benefits, including reconciliation with Indigenous peoples, a reduction in greenhouse gas emissions and improved air quality;
 - (d) In order to assess the cost effectiveness of NIA DSM programs as compared to the integrated area, BC Hydro should consider the application of the 40 percent low-income adder and other non-electricity benefits in the NIA in its reporting to the Commission. Further, when comparing the NIA to the integrated area, the same customer classes should be used for both areas based on the composition of the NIA.; and
 - (e) In consideration of the Zone II rate analysis by AMPC, BC Hydro needs to prioritize the review of Zone II rates, as it committed to do in Module 1 of its 2015 Rate Design Application.
9. Zone II RPG also urges BC Hydro to quantify Standard Charges on a priority basis and file these changes in its upcoming revenue requirement application, if not sooner. Zone II RPG communities are low-income, making any bill impact savings important to them.
 10. Zone II RPG takes no position in response to the three questions posed by the Commission in Exhibit A-31.
 11. With respect to BC Hydro's response to COVID-19, Zone II RPG agrees with BC Hydro that this proceeding needs to be brought to a conclusion.⁸ Zone II RPG also agrees the Commission may take judicial notice of the fact that the COVID-19 pandemic is having "ongoing detrimental economic effects and is disrupting daily life in unprecedented ways".⁹ BC Hydro goes on to state in its submissions that

⁷ Exhibit B-1, Application, Appendix E.

⁸ BC Hydro's Final Submissions dated April 1, 2020 ("**BCH Submissions**"), para. 599.

⁹ BCH Submissions, para. 595.

the “extent and duration of impacts of the pandemic on BC Hydro’s revenues and costs are uncertain”, with BC Hydro proposing that its regulatory accounts will mitigate much of this uncertainty by capturing variances from forecast that will be dealt with in the next test period.¹⁰ To the extent the Commission retains jurisdiction, Zone II RPG is supportive of the Commission reviewing the impact of COVID-19 on BC Hydro’s revenue requirements in the next test period or earlier should the Commission consider it necessary, especially after the full impacts of COVID-19 are better understood. Indeed, it will be important for the Commission to do so to ensure openness and transparency.

Introduction to Zone II RPG

12. Zone II RPG brings a unique perspective to this proceeding, which is grounded in the impacts caused by BC Hydro’s infrastructure development on Kwadacha and Tsay Keh Dene, as well as the current socio-economic conditions of Kwadacha and Tsay Keh Dene’s remote northern communities.
13. Many of Kwadacha Nation’s members reside in Fort Ware, BC, which is located 400 km north of Mackenzie, BC. Fort Ware can be accessed by small plane or an eight to ten-hour drive on a logging road. Fort Ware has approximately 90 homes and about 12 percent of its population currently rely on Income Assistance (\$760 per month for a single person).¹¹
14. Many of Tsay Keh Dene Nation’s members live in Tsay Keh Dene, a community located on the north end of the Williston Reservoir, which was formed by the construction of the W.A.C. Bennett Dam in the 1960s. The community has a population of approximately 290 people, with roughly 100 homes. It is located 430 km north of Prince, George BC. The only way to reach the community is by chartered flight, or a six to ten-hour drive along a logging road, from either Mackenzie or Prince George.¹²

¹⁰ BCH Submissions, para. 596.

¹¹ Exhibit C5-9, Zone II RPG Evidence (Chief Van Sommer, Kwadacha Nation).

¹² Exhibit C5-9, Zone II RPG Evidence (Stieg Hoeg, Tsay Keh Dene Nation).

15. Both Kwadacha and Tsay Keh Dene were forcibly re-located when BC Hydro's constructed the W.A.C. Bennett Dam and formed the Williston Reservoir. This forced relocation had far-reaching and long-lasting impacts on members of these two Nations. In the words of Chief Van Sommer, of Kwadacha: "The history of flooding and relocations is still painful for many of the elders and residents".¹³ Tsay Keh Dene's Executive Director Mr. Stieg Hoeg describes how Tsay Keh Dene homes are not built overlooking the Williston Reservoir because of the painful memories it evokes.¹⁴ Mr. Hoeg also stated that residents of Tsay Keh Dene continue to suffer from exposure to silica and other dust from the Williston Reservoir to this day.¹⁵
16. Kwadacha and Tsay Keh Dene hold rights, including title, over their traditional territories. Both Nations are actively engaged in the ongoing process of reconciliation with the Crown, and its various agencies and corporations including BC Hydro. Each Nation has Settlement Agreements with BC Hydro.
17. As northern, isolated, Indigenous communities, Zone II RPG members have unique challenges that need to be addressed in the provision of electricity. According to Chief Van Sommers, Kwadacha's unique circumstances and concerns include the following:
 - Many homes in the community are sub-standard and in need of major renovation and upgrades. In some homes, wood is the predominant heat source, but electricity is required as a back-up and to operate circulation fans, heat crawl spaces and for food storage.
 - Low incomes, combined with higher electricity demand (especially in the cold winter months), make affordability a key issue in the community.
 - DSM programs are especially important to the community to reduce electricity consumption.

¹³ Exhibit C5-9, Zone II RPG Evidence (Chief Van Sommer, Kwadacha Nation).

¹⁴ Exhibit C5-9, Zone II RPG Evidence (Stieg Hoeg, Tsay Keh Dene Nation).

¹⁵ Exhibit C5-9, Zone II RPG Evidence (Stieg Hoeg, Tsay Keh Dene Nation).

18. For Tsay Keh Dene, Mr. Hoeg identified similar unique characteristics and challenges:
- The community's newer homes are prefabricated and largely built with poor quality construction. In some instances, the homes are collapsing with shifting and crumbling foundations and gaps in the walls and crawl spaces. This poor construction also contributes to significant heat loss.
 - Electricity is used in many community homes, in whole or in part, including for lighting, hot water, spacing heating (electric furnaces) and household appliances. Some members also rely on propane and wood heat, but Tsay Keh Dene wishes to transition away from these fuel sources for health, safety and cost reasons.
 - Tsay Keh Dene has prioritized energy independence. It also wishes to reduce its reliance on diesel generation, which is considered consistent with BC's Climate Leadership Plan.
 - A key priority for Tsay Keh Dene is building long-term capacity within its community to efficiently and responsibly manage energy consumption.
 - Tsay Keh Dene receives electricity from BC Hydro under the subsidized Zone II rates, which do not reflect the real cost of electricity generated by the diesel-powered generators. Tsay Keh Dene's proposed biomass energy plant, with the output sold under an electricity purchase agreement to BC Hydro, is a viable alternative that would allow the community to become a self-sufficient energy provider.
19. Mr. O'Riley, President and CEO of BC Hydro, recognized some of these challenges in his own evidence, testifying: "The Kwadacha and Tsay Keh Dene people experience directly the affordability challenges of being BC Hydro customers in a harsh northern climate and they've also arguably been the most impacted by the developments of the BC Hydro system."¹⁶

¹⁶ Transcript Vol. 5, p. 353 l. 23 to p. 354, l. 1 (O'Riley).

20. Zone II RPG appreciates BC Hydro's ongoing acknowledgment of the extraordinary impact BC Hydro operations have had on their communities.

Rate Increases for F2020 – F2021

21. Zone II RPG is supportive of the reduction of the DARR from 5 percent to 0 percent and the proposed rates during the Test Period, which involves a 6.85 percent rate increase in F2020 and 1.01 percent decrease in F2021. In Zone II RPG's submission, these proposed rate impacts meet the key criteria of "affordability", which is particularly important to Zone II RPG communities and their members with low income.¹⁷
22. These rate impacts are modest compared to the previously approved rate increases in the BC Hydro F2017-F2019 Revenue Requirements Application (4 percent in F2017, 3.5 percent in F2018, and 3 percent in F2019).
23. Zone II RPG also is supportive of amortizing the credit balance in the Cost of Energy variance accounts over the Test Period, with different amounts being credit in F2020 and F2021 so that the permanent rate increase for F2020 matches the interim rate increase already approved by the BCUC.¹⁸ In this proceeding, Zone II RPG considered other scenarios for amortizing the credit balance in the Cost of Energy variance accounts during the Test Period. These alternatives included amortizing the credit balance in the Cost of Energy variance accounts as follows: 75 percent in F2020 and 25 percent in F2021; 25 percent in F2020 and 75 percent in F2021; or equally amortizing the accounts across F2020 and F2021.¹⁹ Zone II RPG agrees that BC Hydro's approach will avoid a one-time true-up bill adjustment between fiscal 2020 interim rates and final rates, which might create unnecessary hardship and confusion for customers.²⁰
24. Although Zone II RPG is supportive of the rate impacts in the Test Period, Zone II RPG does share some of the Association of Major Power Customers of BC

¹⁷ Exhibit C5-9, Zone II RPG Evidence (Chief Van Sommer).

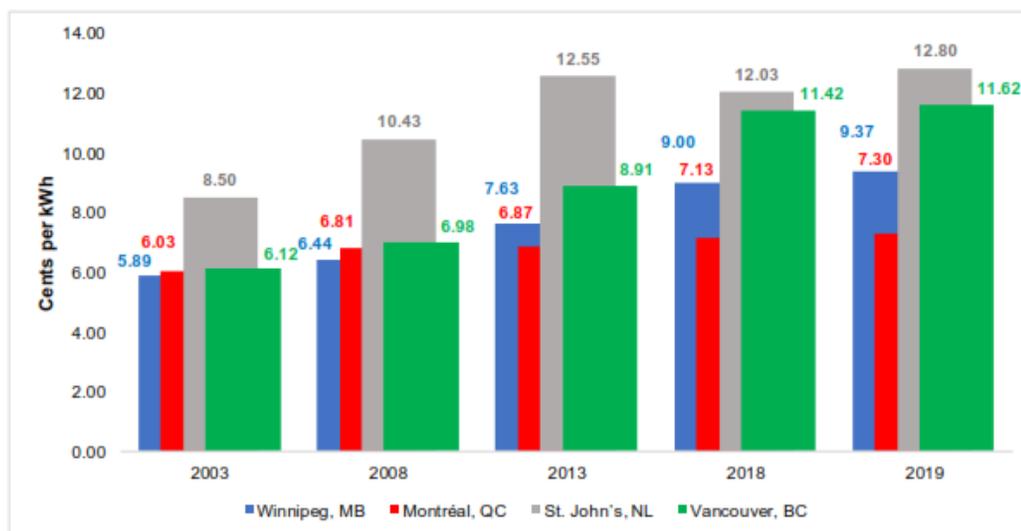
¹⁸ BCH Submissions, page 245-246; Exhibit B-11-2, Exhibit B-19, Evidentiary Update, p. 9 – 10.

¹⁹ Exhibit B- 17, Zone II RPG IRs 3.60.2.i, 3.60.2.ii, 3.60.2.iii and 3.57.2.

²⁰ BCH Submissions, page 246.

(“AMPC”)’s concerns about the competitiveness of BC Hydro’s rates overall, particularly as it relates to the growth in Vancouver residential electricity rates from 2003 through to 2019 compared to prices in other Canadian cities where the power source is predominantly from hydro (Winnipeg, Montreal and St John’s), as depicted in Figures 2-1 and 2-2 below.²¹ According to the information contained in those figures, Vancouver’s electricity prices have increased 90 percent during this period. Vancouver also has the highest growth in average electricity prices in this period, when compared to Montreal (21 percent), St. John’s (51 percent) and Winnipeg (59 percent).²² As of 2019, residential electricity prices in Vancouver were the second highest of this group of cities. In 2003, Vancouver was more similar to Montreal and Winnipeg residential rates.²³

Figure 2-1: Comparison of average electricity prices in Vancouver for Residential Customers (with 1,000 kWh monthly consumption) to other Canadian cities where the power source is predominantly from hydro¹⁶

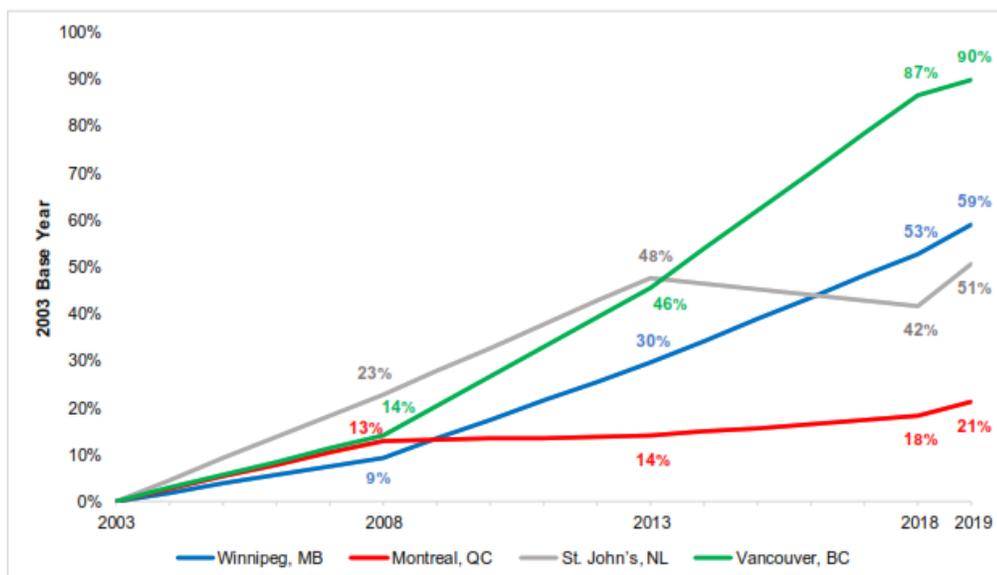


²¹ Exhibit C11-13, AMPC to Zone II RPG IR 2.1.

²² Exhibit C11-13, AMPC to Zone II RPG IR 2.1, Figure 2-2.

²³ Exhibit C11-13, AMPC to Zone II RPG IR 2.1, Figure 2-1.

Figure 2-2: Comparison of average electricity prices growth in Vancouver for Residential Customers (with 1,000 kWh monthly consumption) to other Canadian cities where the power source is predominantly from hydro¹⁷

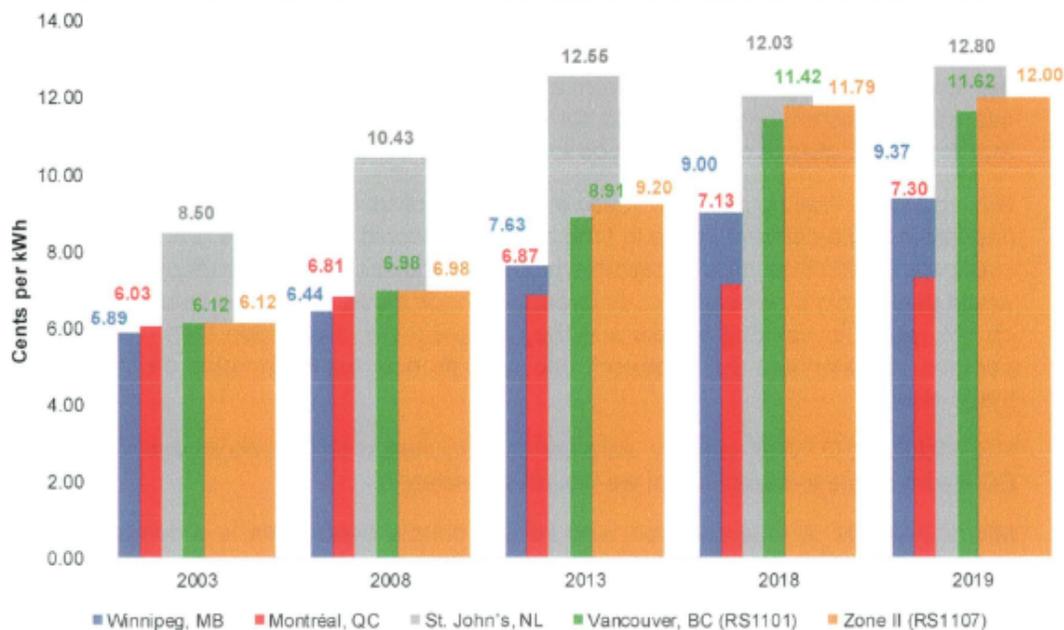


25. Zone II RPG also has concerns about the Zone II electricity rate and whether it remains consistent with rates in Zone I. The Zone I Residential Inclining Block (“**RIB**”) rate was reviewed as part of the 2015 Rate Design Application (“**RDA**”) Module 1. NIA electricity rates, including Zone II, were to be included as part of Module 2 of the 2015 RDA that BC Hydro indicated it would file after the Commission’s Module 1 determinations.²⁴ The review of NIA electricity rates still has not taken place. The analysis done by AMPC, as depicted in Figure 2-1 below, shows that for the same monthly consumption (1,000 kWh) the Zone I RIB rate (RS1101) and the Zone II rate (RS 1107) were similar in 2003 and 2008 and started to diverge with Zone II rates being higher than Zone I rates in 2013, 2018 and 2019.²⁵ Zone II RPG is supportive of a rate review soon to ensure general consistency between Zone I and Zone II rates and that the rates are relatively affordable.

²⁴ BCUC Decision and Order G-5-17 dated January 20, 2017.

²⁵ Exhibit C11-26, AMPC Undertaking No. 1 (Figure 2-1).

Figure 2-1: Comparison of average electricity prices in Vancouver for Residential Customers (with 1,000 kWh monthly consumption) to other Canadian cities where the power source is predominantly from hydro, with Zone II Residential (RS1107) added¹



Reconciliation with Indigenous Peoples

26. The Province of British Columbia has clearly committed to pursuing reconciliation with Indigenous peoples, recently passing legislation concerning its implementation in this province titled the *Declaration on the Rights of Indigenous Peoples Act*, SBC 2019, c. 44. For a number of years, as part of that broader effort, the Province has directed BC Hydro to “ensure that going forward [BC Hydro] incorporates the UNDRIP and TRC, given the specific mandate and context of your organization”.²⁶
27. BC Hydro has been clear in this proceeding that it considers reconciliation with Indigenous peoples to be a priority.²⁷ Mr. O’Riley affirmed BC Hydro’s commitment to reconciliation with Indigenous peoples,²⁸ and agreed that a key

²⁶ Exhibit B-1, Appendix E, p. 2 (2018 Government Mandate Letter); Exhibit C10-12 (2017 Mandate letter); Transcript Vol 13, p. 2400, l. 14 to p. 2401, l. 6 (Leonard).

²⁷ Exhibit B-13, INCE IR 2.30.0.

²⁸ Transcript Vol. 6, p. 629, l. 11 – 15 (O’Riley).

part of reconciliation for BC Hydro is looking at ways to implement the UN *Declaration on the Rights of Indigenous People* (“**UNDRIP**”) and the Truth and Reconciliation Commission’s (“**TRC**”) *Call to Action*.²⁹ Generally, Mr. O’Riley described BC Hydro’s reconciliation efforts as an “ambitious program”, which includes relationship agreements with 54 individual First Nations.³⁰

28. BC Hydro’s own Service Plan also clearly states that BC Hydro is committed to incorporating UNDRIP.³¹
29. Despite this clear commitment to reconciliation, when BC Hydro witnesses were asked what BC Hydro is doing to implement UNDRIP and the TRC’s *Call to Action*, they provided fairly general answers. Both Mr. O’Riley and Mr. Leonard, BC Hydro’s Senior Vice-President responsible for Indigenous relations³², first referred to BC Hydro’s Aboriginal Statement of Principles, which govern BC Hydro’s reconciliation efforts.³³ Those principles are as follows:³⁴
 1. We will always operate safely and protect the safety of individuals.
 2. We will inform First Nations communities, to the best of our ability, of our multi-year planning, identifying potential projects and works as early as possible for discussion.
 3. We will strive to provide the most clear, accessible and transparent information possible.
 4. We will seek advice on Indigenous perspectives on how to best reduce or avoid impacts on the environment, cultural heritage and social needs.
 5. We will be accessible and open to understanding the unique interests of Indigenous Peoples in relation to our operations.
 6. We will respect that our perspectives may be based on different world views.
 7. We will seek opportunities for meaningful benefit with First Nation communities as we refurbish existing facilities and assets, build new infrastructure or undertake work.
 8. We will seek solutions to improving the accessibility of clean reliable and affordable power to First Nations communities in remote areas of the province.
 9. We will support Indigenous candidates to succeed in gaining employment with BC Hydro and to increasingly become a part of our workforce.

²⁹ Transcript Vol. 6, p. 629, I. 19 to p. 630, I. 9. (O’Riley).

³⁰ Transcript Vol. 6., p. 630, II. 15 – 19 (O’Riley).

³¹ Transcript Vol. 13, p. 2401, I. 10 – 14 (Leonard).

³² Transcript Vol. 10, p. 1830 (Leonard).

³³ Transcript Vol. 6, p. 631, II. 1 – 5 (O’Riley); Transcript Vol. 13, p. 2401, I. 17 to p. 2403, I. 20 (Leonard); see also INCE IR 2.30.0)

³⁴ Exhibit B-6, Zone II RPG IR 1.12.1, Attachment 1.

10. We will deliver on our commitments and we will be open and transparent if something is standing in the way of our mutual success.

These principles are broad. They do not represent a clear action plan for implementing UNDRIP or the Call to Action by BC Hydro.

30. In this proceeding, Mr. Leonard acknowledged that BC Hydro does not have an overarching plan for the implementation of UNDRIP, indicating that BC Hydro prefers to work on a case-by-case basis with individuals nations.³⁵ When asked how he, as the person with overall responsibility with engaging with Indigenous peoples in British Columbia, is assured on an annual basis that BC Hydro is meeting its commitments, Mr. Leonard pointed only to “actually being out there” and getting a lot of feedback from communities. Similarly, Mr. O’Riley referred to “ongoing feedback” under the various relationship agreements BC Hydro has entered into with First Nations.³⁶ While Zone II RPG sees values in such community engagement, it is of the view that BC Hydro should have a more thorough and systematic ability to assess its progress on reconciliation.
31. BC Hydro also has not identified any incremental costs associated with the implementation of UNDRIP or the Calls to Action in its application before the Commission. Mr. O’Riley’s evidence is that it would be “difficult” to determine on an annual basis what the costs incurred in support of reconciliation are.³⁷
32. Both Mr. O’Riley and Mr. Leonard emphasized the role of an external third-party review of BC Hydro’s indigenous relations by Progressive Aboriginal Relations.³⁸ BC Hydro only provided the Executive Summary and a summary of areas in need of improvement,³⁹ making it difficult to assess the orientation, focus and quality of this review process.
33. Indeed, Mr. O’Riley recognized this external third party review had its limits, stating: “It’s not the be all and end all, and it’s not everybody’s cup of tea, but it is

³⁵ Transcript Vol. 13, p. 2406, ll. 2 to 18 (Leonard).

³⁶ Transcript Vol. 6, p. 636, l. 24 to p. 637, l. 11 (O’Riley).

³⁷ Mr. Ince’s Information Requests 2.30.0; Transcript Vol. 6, p. 633, l. 14 to p. 636, l. 1 (O’Riley).

³⁸ Transcript Vol. 13, p. 2408, l. 15 to p. 2409, l. 1 (Leonard).

³⁹ Exhibit B-57 (BC Hydro Undertaking No. 48).

an objective external review and we haven't found anything, you know, better than that to put on the scorecard..."⁴⁰. Usefully, Mr. O'Riley agreed that having a formal structure or annual internal review to assess progress had "some merit"⁴¹ and that to properly assess performance likely requires both short-term regular evaluation as well as longer-term perspective.⁴²

34. Mr. O'Riley also indicated that BC Hydro would be "happy" to "report in more detail on its engagement with reconciliation and possibly the costs associated with" it, despite having not done so in this proceeding.⁴³ Chairperson Morton also appeared to indicate tracking the cost of reconciliation would have value to the Commission, noting that BC Hydro's current approach to accounting for these costs makes it "challenging...to even know what costs are associated with what policy. And it makes it extremely difficult for us to even know what policies you are implementing, let alone how much those policies cost."⁴⁴
35. Zone II RPG sees value in requiring BC Hydro to track its costs associated with reconciliation in more detail and to report in more detail on its reconciliation efforts to the Commission. Zone II RPG also supports BC Hydro developing a specific action plan and annual reporting on reconciliation, in consultation with Indigenous peoples.
36. With respect to reconciliation with Kwadacha and Tsay Keh Dene, specifically, BC Hydro has indicated in this proceeding that it considers the following specific activities to demonstrate its commitment to reconciliation:⁴⁵
 - Employee continuity for key roles (ie. Indigenous Relations KBU has taken steps to avoid turn-over);
 - Developing cultural awareness, including financial support and viewing of "Kwadacha on the River", a documentary produced by the Kwadacha Nation;

⁴⁰ Transcript Vol. 6, p. 636, ll. 20 – 24 (O'Riley).

⁴¹ Transcript Vol. 6, p. 638, l. 7 (O'Riley).

⁴² Transcript Vol. 6, p. 638, ll. 8 – 18 (O'Riley).

⁴³ Transcript Vol. 6, p. 638, l. 24 to p. 639, l. 17 (O'Riley).

⁴⁴ Transcript Vol. 6, p. 747, l. 12 to p. 748, l. 3.

⁴⁵ Exhibit B-13, Zone II RPG IR 2.39.1.

- Clean energy development; and
- Demand side management.

Zone II RPG agrees each of these items are important, although these steps alone would not achieve reconciliation.

37. It is important to recognize, on BC Hydro's own evidence, that renewable energy development (which in the case of the NIA must include the objective of reducing reliance on diesel) and demand side management are critical items identified by BC Hydro for fulfilling reconciliation with Zone II RPG members.

Reduction in Reliance on Diesel Generation in the NIA

38. Zone II RPG is of the view that BC Hydro could do more to pursue the reduction of the NIA's reliance on diesel for energy production, especially since BC Hydro has acknowledged this effort is part of its reconciliation with Indigenous peoples.
39. BC Hydro's Statement of Indigenous Principles states: "We will seek solutions to improving the accessibility of clean reliable and affordable power to First Nations communities in remote areas of the province."⁴⁶
40. BC Hydro has indicated in its application that the cost of diesel generation is one of two key energy costs of servicing the NIAs and that it "actively look[s] for opportunities to displace diesel generation with clean or renewable resources in the non-integrated area communities when it is cost effective to do so."⁴⁷
41. BC Hydro also acknowledged that Kwadacha and Tsay Keh Dene wish to reduce reliance on diesel generation and efforts to meet this objective could form part of BC Hydro's reconciliation efforts with Indigenous nations.⁴⁸ BC Hydro witnesses agreed that diesel reduction would have a number of other benefits, including reducing greenhouse gas emissions in the Province.⁴⁹

⁴⁶ Exhibit B-6, Zone II RPG IR 1.12.1, Attachment 1.

⁴⁷ Exhibit B1 (Application), p. 4-12, s. 4.3.3; Transcript Vol. 6, p. 639, l. 19 to p. 640, l. 4 (Mr. O'Riley).

⁴⁸ Transcript Vol. 5, p. 355, ll. 9 – 19. (O'Riley).

⁴⁹ Transcript Vol. 13, p. 2417, ll. 4 to 23. (Daschuk).

42. Despite diesel reduction being an important objective, BC Hydro has not yet developed a comprehensive strategy for diesel reduction in the NIA.⁵⁰ In this proceeding, BC Hydro also was vague on its commitment to involving First Nations in its development of a strategy to reduce the NIA's reliance on diesel generation, although said it would do so. In a response to Zone II IR 2.29.2.2, BC Hydro indicated it "has not made any decisions on the engagement approach for any potential analysis or projects related to diesel reduction in NIA communities."⁵¹
43. The evidence in this proceeding specifically establishes that:
- BC Hydro has not met its stated target of updating its approach to diesel reduction in the fall 2019 or winter 2020.⁵² Neither the costs nor the benefits of diesel reduction are part of this application.⁵³
 - Although BC Hydro could point to some efforts being made on a case-by-case to reduce reliance on diesel in the NIA⁵⁴, it also confirmed that an "integrated cohesive plan is not ready yet."⁵⁵ BC Hydro has not established any targets for diesel reduction⁵⁶ nor does it have any business or financial plans in place to reduce NIA's reliance on diesel.⁵⁷
 - Instead, BC Hydro indicated it is waiting for the outcome of Phase 2 of the Comprehensive Review initiated by the Province. To date, the only Indigenous involvement in Phase 2 has been attendance at two update sessions on the Comprehensive Review, led by the Province.⁵⁸

⁵⁰ Transcript Vol. 5, p. 355, ll. 9 – 19. (O'Riley).

⁵¹ Exhibit B-13, Zone II RPG IR 2.29.2.2.

⁵² Exhibit B-13, Zone II RPG IR 2.29.1; and Transcript Vol. 9, p. 1581, l. 15 to p. 1582, l. 8 (Daschuk).

⁵³ Exhibit B-13, Zone II RPG IR 2.29.1; and Transcript Vol. 9, p. 1591, l. 22 to p. 1592, l. 1 (Daschuk); Vol. 13, p. 2411, ll. 4 – 18. (Daschuk).

⁵⁴ Exhibit B-6, Zone II RPG IR 1.4.1; and Transcript Vol. 5, p. 355, ll. 9 – 19 (O'Riley); Vol. 9, p. 1581, ll. 3 – 14 (Daschuk); and Vol. 6, p. 640, l. 5 to p. 641, l. 8 (O'Riley).

⁵⁵ Transcript Vol. 9, p. 1593, ll. 11 – 16 (Daschuk).

⁵⁶ Exhibit B-13, Zone II RPG IR 2.30.2; Transcript Vol. 6, p. 645, ll. 7 – 13 (O'Riley).

⁵⁷ Transcript Vol. 9, p. 1592, ll. 9 – 17 (Daschuk).

⁵⁸ Transcript Vol. 13, p. 2412, l. 18 to p. 2413 l. 1; and p. 2494, ll. 12 – 25. (Leonard).

- BC Hydro also indicated that DSM is a key part of its strategy for reducing the NIA's reliance on diesel (Vol. 13, p. 2419, ll. 8 – 26).
 - BC Hydro has not sought approval for any major capital expenditures in the NIA in the Test Period. Its only plan is to maintain or upgrade current infrastructure.⁵⁹
44. BC Hydro's Mr. O'Riley did not disagree that the historic impacts suffered by Zone II RPG members from the construction of the W.A.C. Bennet Dam⁶⁰ and the desire for reconciliation could justify BC Hydro prioritizing a response to Kwadacha and Tsay Keh Dene in terms of reducing reliance on diesel generation". When asked if such a priority should be given, he stressed that it was a priority for BC Hydro.⁶¹
45. Mr. O'Riley also was frank when he acknowledged that reducing the NIA's reliance on diesel is a "very hard problem and we're not there yet on a solution" (p. 641, l. 6 – 8). One of the key issues is cost, specifically the \$300 per MWH, which as the avoided cost of diesel represents a high-level proxy for diesel generation fuel costs across the NIA.⁶² BC Hydro indicated to replace diesel with renewable source of power will likely require some outside investment in order to overcome this cost hurdle, including possibly the investment of public funds.⁶³
46. In Zone II RPG's submission, BC Hydro could be doing more to promote a reduction in the NIA's reliance on diesel generation. A key starting point would be the development of a comprehensive strategy for reducing reliance on diesel generation in the NIA, in consultation with NIA communities including Kwadacha and Tsay Keh Dene. This overarching strategy should identify a specific team and action items, with specific deadlines, and BC Hydro should report on whether it achieves its set objectives to the Commission.

⁵⁹ Transcript Vol. 13, p. 2410, l. 19 to p. 2411, l. 3 (Leonard).

⁶⁰ Transcript Vol. 6, p. 642, ll. 7 – 11 (O'Riley).

⁶¹ Transcript Vol. 6, p. 642, ll. 7 – 21 (O'Riley).

⁶² Exhibit B-5, BCUC IR 1.185.1; Transcript, Vol. 6, p. 643, L. 21 – 26 (O'Riley).

⁶³ Volume 13, p. 2415, l. 24 to p. 2416, l. 3 (Leonard); Vol. 13, p. 2418, ll. 10 – 26 (Daschuk).

47. If evaluating any actions to reducing reliance on diesel generation in future proceedings, it also would be appropriate for the Commission to consider not just the avoided cost of diesel, but the broader societal benefits of reducing (or eliminating) reliance on diesel generation, including a positive step in reconciliation, a reduction in GHGs and an improvement in air quality.⁶⁴ Such analysis would allow the Commission to fully assess whether the proposed approach is in the public interest, within which reconciliation with Indigenous peoples must be a key component, and just and convenient.

F. Moderation Approach to DSM and the Integrated Resource Plan

48. BC Hydro has maintained its moderation approach to energy efficiency and conservation in this Test Period consistent with the previous application. It has developed the DSM Plan on this basis.⁶⁵ This moderation approach is designed to be cost-effective given BC Hydro's current energy surplus and Zone II RPG supports this approach.⁶⁶
49. BC Hydro has indicated that future decisions on DSM will be informed by its next IPR which is to be submitted to the Commission by February 28, 2021.⁶⁷ Zone II RPG is unaware of any stakeholder consultation with respect to the proposed IRP, which would be important both in terms of reconciliation with Indigenous peoples and BC Hydro being assured that the NIA's unique characteristics and needs are addressed, including the area of diesel reduction (supply side).

DSM Expenditure Schedule and NIA DSM

50. In BC Hydro's F2017 to F2019 Revenue Requirements Application, the Commission found that to promote the effectiveness of DSM programs and ensure all customers have a reasonable opportunity to participate that BC Hydro should "take into account regional variations when designing its DSM programs, such as variations in customer market barriers to energy efficiently, utility avoided costs

⁶⁴ Transcript Vol. 13, p. 2416, l. 19 to p. 2417, l. 23.

⁶⁵ Exhibit B-1, Application, section 10.4.1, page 10-19.

⁶⁶ Exhibit B-1, Application, section 10.4.1, page 10-5.

⁶⁷ Exhibit B-1, Application, section 10.4.1, page 10-21.

and emission reduction benefits.”⁶⁸ The Commission, in that proceeding, approved BC Hydro’s proposed DSM expenditure schedule, but made a number of additional directives, including the following:

Directive 21: The Panel recommends BC Hydro consider more targeted DSM programs directed at residential customers in the next DSM application.

Directive 23: The Panel directs BC Hydro to include a line item in BC Hydro’s Annual Report on DSM Activities to reflect the NIA activities that are tracked separately. The Panel further directs BC Hydro to include in its next DSM application:

- an estimate of the differences in TRC, mTRC and UCT results of BC Hydro’s DSM programs available to customers in the NIAs compared to the integrated areas; and
- an update of whether (and if so how) BC Hydro has addressed the DSM concerns raised above by NIARG and Zone II regarding the NIAs.

51. Presumably in response to those directions, BC Hydro seeks approval of a DSM expenditure schedule which increases the DSM budget for residential customers (a 50 percent increase from F2017-F2019 RRA) and contains a new DSM program in the NIA, focused on residential and commercial users. Zone II RPG supports the DSM expenditure schedule and increased budget allocation for residential DSM, on the basis that it is just and reasonable and in the public interest. BC Hydro’s proposed DSM expenditure schedule, with its increased expenditures for residential customers, are consistent with the Commission’s previous directives. It also is in line with the Province’s mandate letter to BC Hydro, which instructed BC Hydro to implement affordability measures such as expanded DSM programs targeted at low income rate payers⁶⁹ and BC Hydro’s commitment to responding to DSM needs in the NIA⁷⁰ and more broadly to pursuing reconciliation with Indigenous peoples.⁷¹

⁶⁸ Decision and Order G-47-18, dated March 1, 2018, at pp. 83 – 84.

⁶⁹ Exhibit B-1 (Application), Appendix E (Government Mandate letter), at p. 3; Transcript Vol. 15, p. 2856, II. 20 – 23 (Hanlon).

⁷⁰ Exhibit B-6, Zone II RPG IR 1.20.3.

⁷¹ Exhibit B-13, Zone II RPG IR 2.40.1.

52. It is expected that BC Hydro's new NIA DSM program will allow BC Hydro to support remote and predominantly Indigenous communities in saving electricity, reducing utility bills and improving home comfort. It is also expected the NIA DSM program will reduce the use of electricity and therefore the NIA's reliance on diesel generation, which is a goal of Zone II RPG.
53. BC Hydro is providing funding under its DSM Codes and Standards initiatives, which Zone II RPG supports. BC Hydro has allocated approximately \$450,000 each year during the Test Period under the Codes and Standards initiative, to support capacity building initiatives in both integrated and non-integrated Indigenous communities, including the development of community energy plans.⁷² Long-term investments in capacity building is needed to allow Zone II RPG communities to effectively participate in energy decisions on their territories.

NIA DSM Program Spending is Cost Effective

54. Zone II RPG also submits that BC Hydro's NIA DSM program is cost effective. The expected costs of this program are \$1.2 million for F2020 and \$1.4 million for F2021⁷³, which is based on program design and participation estimates.⁷⁴
55. Table 10-5 of BC Hydro's Application shows a comparison of the cost effectiveness of DSM in the integrated area and NIA, which was updated in BC Hydro's response to BCUC IR 1.185.2.⁷⁵ This updated table uses two types of analysis to assess cost-effectiveness: (a) benefit/cost ratio analysis; and (b) net levelized cost.
56. When comparing the cost-effectiveness of the integrated area and the NIA, in Table 10-5 of the Application, BC Hydro's analysis of cost-benefit ratios and net levelized costs includes all residential, commercial and industrial DSM programs. BC Hydro provided a breakdown of the NIA load forecast in its Undertaking 22 (chart below), which shows there is no large industrial load in the NIA. In order to

⁷² Exhibit B-6, Zone II RPG IR 1.22.2.1.

⁷³ Exhibit B-1, Application, Appendix X, page 36; Transcript Vol. 15, p. 2869, ll. 17 – 24 (Hanlon).

⁷⁴ Transcript Vol. 15, p. 2870, ll. 2 – 5 (Hanlon).

⁷⁵ Exhibit B-5, Application, BCUC IR 1.185.2.

properly compare DSM in the integrated and NIA, the same customer classes should be used.

Sector Breakdown of NIA Load Forecast Before Rate Impacts and Before DSM¹

(GWh)	Purchase Areas ²	Zone II and Zone 1B			Fort Nelson		
	Breakdown Not Available ³	Residential	Commercial & Light Industrial	Large Industrial	Residential	Commercial & Light Industrial	Large Industrial
F2019	14	60	44	0	21	40	119
F2020	15	61	47	0	21	40	120
F2021	15	62	47	0	21	41	120
F2022	15	62	48	0	21	75	120
F2023	15	62	48	0	21	76	120
F2024	15	62	48	0	21	77	120

57. According to BC Hydro's analysis, the cost-benefit ratio for the NIA DSM program is lower than the Integrated Area but above 1. According to this ratio, the NIA DSM program is considered cost effective. This analysis appropriately accounts for higher avoided costs based on the proxy cost of diesel.⁷⁶
58. In the second type of analysis – net levelized cost – BC Hydro's analysis used four types of benefits (as shown in Table A-8 at Appendix X of the Application), which are more appropriate for the integrated area than the NIA, as Ms. Hanlon for BC Hydro agreed during cross-examination.⁷⁷ As stated by BC Hydro in response to Zone II RPG IR 2.46.7⁷⁸:

...BC Hydro recognizes that **there are likely other non-electricity benefits that apply to the NIA, which have not yet been included in our modelling given the early stages of the NIA Program.** For example, the 40 per cent adder for Low Income programs may apply to some components of the program. Likewise, there may be benefits associated with reducing consumption of secondary heating fuels (propane, oil, wood), similar to the natural gas benefits modelled for integrated system programs. BC Hydro expects to gather more information about some of these benefits. While the program is cost-effective without them, **going forward BC Hydro will look to incorporate these types of benefits into the program model, as appropriate.**

⁷⁶ Transcript Vol. 15, p. 2875, ll. 13 – 18 (Hanlon).

⁷⁷ Transcript Vol. 15, p. 2879, ll. 1 – 24 (Hanlon).

⁷⁸ Exhibit B-13.

[Emphasis added].

59. During cross-examination, Ms. Hanlon for BC Hydro also agreed it would be appropriate to apply the 40 percent low income adder, as contemplated in the *Demand-Side Measures Regulation*, BC Reg 326/2008 (as amended), in some cases, which would in turn improve the performance of the NIA in a net levelized cost assessment, making it even more cost effective than currently suggested in BC Hydro's application.⁷⁹
60. In future assessments of DSM programs in the NIA, BC Hydro should be required to consider benefits that may be unique in the NIA.⁸⁰ As noted above, the NIA does not have any large industrial loads, whereas the integrated area does. The analysis of DSM effectiveness should reflect these differences.
61. Although Zone II RPG is supportive of the DSM Expenditure Schedule, and especially the increase in residential DSM expenditures, Zone II RPG has concerns about the pace of implementation. Ms. Hanlon acknowledged that implementation in F2020 has been slow and it expects additional work.⁸¹ Zone II RPG is of the view that years beyond the current Test Period may be required to assess program effectiveness, particularly in light of the impact that COVID-19 may have on the implementation of this nascent program in its second year.
62. In addition, Zone II RPG would encourage BC Hydro to continue to engage with NIA communities and fund ongoing comprehensive assessments of their energy plans in order to set priorities and action plans for DSM activities.
63. In its response to Zone II RPG's IR 1.20.3⁸², BC Hydro set out its understanding of potential barriers experienced by Indigenous communities in the areas of energy conservation and management. These barriers, which BC Hydro described broadly in five categories (availability, awareness, accessibility, affordability and acceptance) are consistent with the evidence filed by Zone II RPG in this proceeding, which establishes that Indigenous communities in the NIA have

⁷⁹ Transcript Vol. 15, p. 2880, l. 1 to p. 2881, l. 19 (Hanlon).

⁸⁰ Transcript Vol. 15, p. 2882, ll. 2 – 14; p. 2884, l. 25 to p. 2886, l. 6 (Hanlon).

⁸¹ Exhibit B-57, Undertaking 66.

⁸² See also Exhibit B-6, Zone II RPG IR 1.26.9.1.

unique energy needs. Implementing effective programs that address these needs requires a strong understanding of individual participating NIA communities.

Details of NIA DSM Require Ongoing Review and Adjustment

64. With respect to the specifics of the NIA DSM program, Zone II RPG is of the view that these nascent programs require further developing, including to adequately address the following:

- (a) BC Hydro notes that its “DSM efforts may need to be sustained over several years in order to support customers in the Non-Integrated areas with overcoming barriers and realizing energy saving opportunities...”⁸³ Zone II RPG agrees that multi-year funding is needed and in fact is critical to the success of these programs and “accordingly BC Hydro has included a multi-year Non-Integrated Areas program in our longer-term DSM planning.”⁸⁴ Short-term capacity funding is limited in its ability to build capacity. Capacity is not built on short-term cycles, but rather a long-term investment in skill and knowledge at the community level.
- (b) BC Hydro’s NIA DSM program was informed by its pilot program⁸⁵. It is critical that DSM initiatives in the NIA take into account local community interests, needs and objectives. Both Kwadacha and Tsay Keh Dene have an Energy Management Plan (“EMP”). Kwadacha’s EMP “sets priorities for energy management projects to achieve long term change in the community”,⁸⁶ including meeting holistic community needs, taking into account energy efficiency, building construction, health and safety and climate change.⁸⁷ Tsay Keh Dene’s EMP provides “tailor-made DSM initiatives to its community”⁸⁸ which focuses on a commitment to reduce electricity consumption and capacity building to get the community involved

⁸³ Exhibit B-6, Zone II RPG 1.26.6.

⁸⁴ Exhibit B-6, Zone II RPG 1.26.6.

⁸⁵ Exhibit B-1, Application, Appendix X, p. 35 and Vol. 15, p. 2856 II. 20-23.

⁸⁶ Exhibit C5-12, Zone II RPG to BCUC IR 1.1, 1.1.1..

⁸⁷ Exhibit C5-11 Zone II RPG to CEC IR 1.1.

⁸⁸ Exhibit C5-12, Zone II RPG to BCUC IR 1.1, 1.1.1.

and educated about energy savings.⁸⁹ BC Hydro ought to work closely with communities who develop such plans to ensure DSM (and other) programing align with those EMPs. EMPs also allow communities to access funding from multiple sources and not just BC Hydro, which can be critical to supporting ambitious structural change in northern isolated communities.⁹⁰

Future Review of NIA DSM Program

65. Given that BC Hydro's NIA DSM program is nascent, Zone II RPG is of the view that it would be valuable to review this program in the future, including whether it has been effective in reducing barriers for NIA customers in accessing DSM programs, thereby meeting the objective of Directive 23 from the previous RRA. Such a report could be made in BC Hydro's Annual Report on DSM Activities and in its next DSM application.

Standard Charges

66. BC Hydro proposed to regularly review Standard Charges and to propose changes, as required, in the upcoming revenue requirement applications so that the charges would remain current.⁹¹ Due to repatriation of the Customer Service functions from Accenture the costs for the Account Charge, Returned Payment Charge and Minimum Reconnection Charges are still being developed and therefore BC Hydro did not update the Standard Charges for the Test Period. BC Hydro further states that it is "still working through what the savings will be that BC Hydro will see" and "that it would be a year or two" to identify the costs.⁹²
67. Zone II RPG urges BC Hydro to quantify these costs on a priority basis and file these changes to Standard Charges in the upcoming revenue requirement

⁹⁰ Exhibit C5-11 Zone II RPG to BCUC IR 1.1.1.

⁹¹ Exhibit B-1, Application, section 2.8, page 2-27.

⁹² Transcript Vol. 8A, page 1170, lines 12 – 14 (Fraser).

application, if not sooner. Zone II RPG communities are low-income and therefore any bill impact savings is extremely important to them.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.