

REQUESTOR NAME: **BC Sustainable Energy Association**

INFORMATION REQUEST ROUND NO: 1

TO: **Catalyst Paper**

DATE: **July 15, 2020**

PROJECT NO: **n/a**

APPLICATION NAME: **Catalyst Paper Request to Reduce RS1893 Baselines**

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**1.0 Topic: Impact of COVID-19 pandemic on Catalyst's load**  
**Reference: Exhibit B-1**

In its May 21, 2020 letter to the Commission, Catalyst states:

“COVID-19 has had a dramatic impact on the global demand for the paper grades Catalyst Paper produces at its sites at Crofton, Port Alberni and Powell River. This has resulted in extensive production curtailments at these sites and an accompanying reduction in load as evidenced by the reduced purchases from BC Hydro in the April 2020 period.”

- 1.1** Is Catalyst able to estimate the duration of the extensive production curtailments at its paper making sites due to the impact on the global demand for the paper grades Catalyst Paper produces?

**No**

**2.0 Topic: Proposed adjustments to RS 1893 baselines and demand**  
**Reference: Exhibit B-1**

In its May 21, 2020 letter to the Commission, Catalyst states:

“We are requesting RS1893 baseline adjustments at Crofton and Port Alberni for the June to August 2020 billing periods. Access to incremental energy at the RS1893 rate *may* allow us to secure additional orders to support increased operating hours and employment. The adjustments are summarized in the table below and reflect the change in load in April 2020 relative to the adjusted load for the 12 months ending February 1, 2020.”  
[footnotes omitted]

The table referred to is redacted.

- 2.1** Please clarify the requested “RS1893 baseline adjustments at Crofton and Port Alberni for the June to August 2020 billing periods.”

**The specific values are commercially sensitive. Catalyst used actual April 2020 electricity purchases for each mill to represent our best estimate of expected post-COVID-19 monthly electricity purchases for that mill. The baseline adjustments first take the difference between actual average April 2020 mill load and average monthly mill load for the 12-month period of 01 Feb 2019 – 01 Feb 2020 and then apply this difference to reduce the existing baselines for each billing period for each mill.**

- 2.2 What is the basis for the adjustments? Are they based on an estimate by Catalyst of what the load would be in the three months in the absence of Catalyst having access to RS 1893 at the requested baselines and demand? Are they based on an amount of RS 1893 power that Catalyst considers would be necessary for it to secure additional orders?

**We used April 2020 as a proxy for “normal operations” during the COVID-19 impacted period since this is when we experienced the full impact of the sudden demand decline without any complications associated with a malware attack we suffered in late February.**

**The baselines are intended to reflect the amount energy Catalyst expects to consume during the COVID-19 impacted period based on market demand. The amount of incremental RS 1893 energy that we would hypothetically have been able to consume, since the requested period of adjustment is almost over, is a function of several variables as discussed in Catalyst’s response to A-5-BCUC IR1 3.2.**

- 2.3 The adjustments are defined in terms of the June to August 2020 billing periods. Does that mean the RS 1893 power at the two sites would be available only for the June to August 2020 billing periods? Or would the adjustments have a continuing effect?

**Please refer to the response to BCUC-IR-1 3.1**

- 2.4 Please explain why Powell River is not one of the sites for which Catalyst requested RS 1893 baseline reductions?

**We did not want to complicate the request with the considerations associated with the onsite, third party hydroelectric facility and potential interaction with contracted thermal generation at Powell River.**

**3.0 Topic: Recent experience and longer-term changes  
Reference: Exhibit B-1**

In its May 21, 2020 letter to the Commission, Catalyst states:

“We believe that an interim request will provide enough time to realize market opportunities and limit any *potential* negative impact to other rate payers while we collect data to evaluate the net impact of the reduced baselines to inform any longer-term changes.” [underline added]

- 3.1 Should this say ‘short-term’ rather than “interim”?

**Yes**

- 3.2 Can Catalyst provide an update on whether the possible market opportunities have been realized? Please comment on whether the requested adjustments (with interim approval) have been a factor in obtaining the market opportunities or not.

**Market opportunities were not realized since the interim approval was on an interim and refundable basis. This did not provide Catalyst with the required certainty on electricity pricing that we needed to take orders.**

- 3.3 Please describe the purpose of the data Catalyst will collect to evaluate the net impact of the reduced baselines. Is this the net impact on other rate payers? The net impact on Catalyst's consumption at the two sites? What does "net impact" mean – i.e., net of what?

**Catalyst will evaluate the impact of the lower baselines on its overall costs and what is our ability to realize a benefit. The "net impact" was in reference to the actual rate savings relative to the theoretical savings. There is a gross potential savings (or loss) based on a flat load through the month that would be the difference between the average RS 1893 rate and the average RS 1823 rate and/or internal cost of self-generation. The real savings (or loss) will consider fluctuations in load throughout the month and the monthly ratio that will be applied to determine net RS 1893 energy volumes to account for any baseline shortfalls in the hour. The "net impact" to Catalyst can be defined as the ratio of the real rate savings versus the gross potential savings and would be used to track internal performance and help inform production decisions based on projected RS 1893 prices.**

- 3.4 What does Catalyst mean by "any longer-term changes"? Is Catalyst considering adjustments to its RS 1893 baselines and demand that would apply in time periods beyond June to August 2020?

**Please refer to the response to BCUC-IR-1 3.1**

**4.0 Topic: TS 74  
Reference: Exhibit B-1**

In its May 21, 2020 letter to the Commission, Catalyst states:

"We recognize that RS1893 contemplates baseline adjustments under the principles set out in detail in TS74 and the proposed adjustments are calculated on that basis."

- 4.1 Please explain how the proposed baseline adjustments for RS 1893 are based on principles set out in detail in TS74.

**Please refer to the response to BCUC-IR-1 3.2**

- 4.2 How do Catalyst's RS 1893 baselines and demand interact with its customer baselines and demand under RS 1823?

**There is a single RS 1823 baseline, the Energy CBL, which represents the total energy purchases for a historical fiscal year, including any adjustments made since the Energy CBL was first determined, whereas. RS 1893 baselines are specific to each month and were initially determined for Catalyst using data from BC Hydro's fiscal 2019. RS 1823 demand is usually based on the peak 30-minute demand in any HLH for the month, whereas RS 1893 demand is usually based on the Monthly Reference Demand.**

**RS 1893 energy use does not contribute to RS 1823 Energy CBL calculations under TS 74. Therefore, simply shifting part of the load to RS1893 would reduce RS 1823 purchases and potentially trigger a CBL reset and expose a customer to Tier 2 purchases for baseline load in future years.**

**5.0 Topic: Incremental Energy Rate Pilot (RS 1893)  
Reference: Exhibit B-1**

- 5.1 Please describe Catalyst's use of the Freshet Rate Pilot (RS 1892) and the Incremental Energy Rate Pilot (RS 1893). Prior to the market impact of the COVID-19 pandemic had Catalyst intended to use RS 1892 or RS 1893?

**Catalyst has participated in the pilot and had intended to use RS 1893 in a couple of ways. First, we would turn down non contracted self-generation when the RS 1893 pricing was favorable. Second, the Reference Demand in RS 1893 allowed us to operate at the available capacity within any hour of the month without having to evaluate the costs of setting a RS 1823 demand peak versus the incremental production. Absent RS 1893, production is often restricted in HLH to maximize the load factor and minimize demand costs.**

- 5.2 Can Catalyst confirm that it is a member of the Association of Major Power Customers that is an intervener in the Commission's proceeding regarding BC Hydro's Transmission Service Market Reference-Priced Rates Application (TSMRP)?

**Yes, Catalyst is a member of AMPC.**

- 5.3 What are Catalyst's views on whether its application to reduce its RS 1893 baselines and demand for June to August 2020 would have the effect of adding 'load retention' to the 'load attraction' rationale for BC Hydro's Incremental Energy Rate Pilot (RS 1893)? Does Catalyst have a view on what proceeding should this be addressed in?

**Catalyst views total delivered energy costs, which is the combined impact of the base rate and rate programs, as a key component of**

**the competitive landscape for energy intensive, trade exposed companies. A lower delivered energy cost, all other things being equal, should attract and retain load whether this is achieved solely through a low base rate or via a higher rate and a portfolio of other rate designs. It should be noted that the RS 1893 price is not always less than RS 1823 and therefore represents an opportunity to lower costs and restart load, but not a guarantee.**

**Catalyst does not have a preference on what proceeding should address the 'load retention' debate, however we do feel that this application is not the appropriate venue for that discussion given the number of stakeholders and potential impacts.**