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August 18, 2020

Fred James, Chief Regulatory Officer
British Columbia Hydro and Power Authority
333 Dunsmuir Street
Vancouver BC V6B 5R3
By email: bhydroregulatorygroup@bhydro.com

Dear Mr. James:

Re: Catalyst Paper Request to Reduce RS1893 Baselines
BCUC File No. 63656
B.C. Sustainable Energy Association Information Request No.1 to BC Hydro

Pursuant to the regulatory timetable amended by Order G-207-20 [Exhibit A-6], attached please find BCSEA's Information Request No. 1 to BC Hydro. A version in Word format will be provided separately. If you have any questions, please do not hesitate to contact me.

Yours truly,

William J. Andrews



Barrister & Solicitor

Encl.

REQUESTOR NAME: **BC Sustainable Energy Association (BCSEA)**

INFORMATION REQUEST ROUND NO: 1

TO: **BC Hydro and Power Authority**

DATE: **August 18, 2020**

PROJECT NO: **n/a**

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

1.0 Topic: Design intent of RS 1893

Reference: Exhibit C1-2-1, p.1

BC Hydro states:

“1. The design intent of RS 1893 is to encourage incremental electricity use above normal historical levels. The purpose of RS 1893 baselines is to separate normal levels of RS 1823 electricity purchases from incremental levels of RS 1893 electricity purchases;

2. Consistent with the design intent of RS 1893, BC Hydro considers that baseline adjustments which enable the customer to purchase energy under RS 1893 that it would not have otherwise consumed under RS 1823 should be admissible;”

1.1 Is BC Hydro’s paragraph 2 a generic point, or is it specific to the economic impacts of the COVID-19 pandemic?

1.2 Was this point discussed in the development of RS 1893? Was there discussion of the applicability of RS 1893 to downturn situations in which power (a) would not otherwise have been consumed under RS 1823 and (b) would be below normal historical levels?

2.0 Topic: RS 1893 Special Condition 11, RS 1823A

Reference: Exhibit C1-2-1, pp.2, 4

BC Hydro states:

“4. For the Catalyst Crofton facility, if RS 1893 baselines are set to reflect shutdown operations, the magnitude of a mill restart in any month is such that Special Condition 11 of RS 1893 will be automatically triggered. This will have the effect of automatically pricing 50 per cent of total electricity use under RS 1893 and 50 per cent of total electricity use under RS 1823 and will make the adjusted RS 1893 baselines obsolete;

5. To address baseline harmonization challenges that arise between RS 1823 and RS 1893 when the principles and criteria of TS 74 are applied to a shutdown plant seeking an opportunity for economic re-start, BC Hydro considers that transfer of the customer site to RS 1823A would be a fair and pragmatic solution;”

BC Hydro also states:

“20. In general, BC Hydro agrees that transfer to RS 1823A would resolve the baseline harmonization issue. However, transfer to RS 1823A is only a partial solution insofar as it will address RS 1823 pricing risk (for BC

Hydro, but not necessarily the customer), but will not address RS 1823 energy volume risk including load shifting. In addition, a transfer to RS 1823A would require the customer to remain under this rate until at least 12 Billing Periods of normal operations have been achieved for a CBL to be re-determined;”

- 2.1 In BC Hydro’s paragraph 4, if Special Condition 11 of RS 1893 is triggered, do the adjusted RS 1893 baselines become 50% of total electricity? What does “obsolete” mean here?
 - 2.2 Please explain paragraph 5 more fully. Would the outcome be that 50% of the energy load is priced under RS 1823A and 50% is priced under RS 1893? Does a transfer of the customer site to RS 1823A require Commission approval?
 - 2.3 Please explain paragraph 20 more fully. What does BC Hydro mean when it says transfer to RS 1823A would “not necessarily” address RS 1823 pricing risk for the customer? What does BC Hydro mean when it says transfer to RS 1823A “will not address RS 1823 energy volume risk including load shifting”?
- 3.0 Topic: RS 1828, Transmission Service – Biomass Energy Program
Reference: Exhibit C1-2-1, BC Hydro Intervener Evidence, pp.2, 5; Exhibit B-3, Catalyst Response to BCUC IR 3.2, pdf p.4**

After stating that Special Condition 11 in RS 1893 creates financial risk (for Catalyst regarding a restart of the Crofton TMP paper operations), Catalyst states:

“Fortunately, the design of RS 1828 provides a potential solution to these challenges:

Firstly, there are no baselines in RS 1828 and thus no need for reconciliation with the RS 1893 baselines. Secondly, the RS 1828 rate is based on the historic consumption of Tier 1 and Tier 2 energy under RS 1823 and therefore preserves the impact of action, or inaction, that a customer has made to pursue electricity conservation and efficiency of use. Finally, Special Condition 11 in RS 1893 does not apply to customers on RS 1828 and thus alleviates the future cost risk associated with a partial restart, in our case at least, of TMP paper production. The RS 1828 design may provide a framework for encouraging incremental load during these uncertain times while adhering to the intent of TS 74 to not discourage economic growth.” [Exhibit B-3, Catalyst Response to BCUC IR 3.2, pdf p.4]

BC Hydro states:

“6. BC Hydro considers the Catalyst proposal to use the RS 1828 Transmission Service - Biomass Energy Program design and criteria to encourage incremental use from shutdown plant to be out of scope for the current proceeding. This rate schedule was approved by the BCUC pursuant to government direction;”

BC Hydro also states:

“23. To avoid the application of Special Condition 11, Catalyst has proposed a treatment equivalent to it being served under Rate Schedule 1828 (Transmission Service - Biomass Energy Program). Catalyst opines that this rate design may ‘... *provide a framework for encouraging incremental load during these uncertain times while adhering to the intent of TS 74 to not discourage economic growth.*’ It would also have the result of fixing the price of Catalyst’s baseline energy purchases at the RS 1823 Tier 1 energy rate. BC Hydro considers this submission to be out of scope for the current proceeding.” [italics in the original]

- 3.1 In addition to RS 1828 having been approved by the BCUC pursuant to a government direction, is it BC Hydro’s view that transfer to RS 1828 would be inappropriate because this would have the result of fixing the price of Catalyst’s baseline energy purchases at the RS 1823 Tier 1 energy rate? If so, for greater certainty please explain why in BC Hydro’s view this would be inappropriate. If not, please explain.

4.0 Topic: Load attraction and load retention rates
Reference: Exhibit C1-2-1, p.2; “ENGAGEMENT SUMMARY REPORT, TRANSMISSION SERVICE RATES, COMMENTS AND FEEDBACK, From October 2018 Transmission Service Rate Design Workshops,” Appendix G, Exhibit B-1, BC Hydro Transmission Service Market Reference Priced Rates Application, pdf p. 460

BC Hydro states:

“7. BC Hydro is supportive of outcomes that encourage incremental use of electricity by Catalyst and that can be applied fairly and equally to all eligible transmission service customers in similar circumstances.” [Exhibit C1-2-1, p.2]

In the TSMRP Application, BC Hydro stated:

“BC Hydro has approximately 150 industrial load customers served electricity at transmission voltage. The transmission customer class is presently dominated by resource-dependent industry such as forestry, mining, electrochemical and oil/gas with large electrical loads. These loads are dynamic. BC Hydro seeks to retain and diversify its industrial customer base by providing electricity service to existing and new transmission customers at competitive rates that reflect its cost of service.

In October 2018, BC Hydro engaged with customers, industry and key stakeholders on two existing and three prospective transmission service rate designs. These five rate designs are listed below:

Transmission Service Rate Design	Service Type	Status
RS 1823 Stepped Rate	Firm service	Existing default rate
RS 1892 Freshet Rate	Non-firm service	Existing optional rate
Incremental Energy Rate	Non-firm service	Proposed optional rate
Load Attraction Rate	Discounted firm service	Proposed optional rate
Load Retention Rate	Discounted firm service	Proposed optional rate

” [Appendix G, Exhibit B-1, BC Hydro Transmission Service Market Reference Priced Rates Application, pdf p. 460]

BCSEA notes that on November 19, 2018 BC Hydro held a Transmission Service Rate Design Workshop for stakeholders. Agenda Item 3 was “Load Attraction Rate and Load Retention Rates.”

- 4.1 In BC Hydro’s view, is the current proceeding the appropriate venue for identifying an outcome that encourages incremental use of electricity by Catalyst and that can be applied fairly and equally to all eligible transmission service customers in similar circumstances? If so, why? If not, does BC Hydro have a suggested process?
- 4.2 What is the status of BC Hydro’s consideration of a load retention rate for transmission service customers?
- 4.3 What are BC Hydro’s views regarding whether RS 1893 is a “load retention” rate in addition to being a “load attraction” rate? Does BC Hydro consider the distinction between a *load attraction* rate and a *load retention* rate to be meaningful, either generally or in the context of the economic impact of the COVID-19 pandemic?