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October 19, 2017

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

Dear Mr. Wruck:

RE: Project No. 1598922
British Columbia Utilities Commission (BCUC or Commission)
British Columbia Hydro and Power Authority (BC Hydro)
Site C Inquiry - Round 3 Information Responses
Response to BCUC IR 3.20.0

BC Hydro is writing to provide its response to an additional information request from the Commission Panel.

For further information, please contact Fred James at 604-623-4317 or by email at bchydroregulatorygroup@bchydro.com.

Yours sincerely,



Fred James
Chief Regulatory Officer

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Enclosure

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20.0 Reference: BC Hydro Response to BCUC IR 3.10.0

In response to IR 3.10.0, BC Hydro stated in part:

In our Fiscal 2017 – Fiscal 2019 Revenue Requirements Application, and in our response to BCUC IR 2.51.0 in this proceeding, we noted that our current forecasts extend through F2024, which is the end of the 10 Year Rates Plan period. We do not have rate forecasts beyond F2024.

Further, the comprehensive review of BC Hydro announced by Government will be undertaken, and we will be working with Government on a “refreshed plan to keep electricity rates low and predictable over the long-term....” As a result, we don’t have details as to what our revenue requirements will be in the years requested.

Our response to BCUC IR 2.51.0, referenced in the question, indicates that it is reasonable to assume no real rate increases over the very long-term. In that response, we provided evidence that residential rates have not increased on a real basis over the last 50 years. We also note that Governments and BC Hydro have taken actions to keep electricity rates among the lowest in North America. We noted that we expect this to remain unchanged over the long term. We consider that it is reasonable to assume no real rate increases even during the F2025 to F2036 period referenced in the question, despite Site C coming into service. Our view is based on the relatively modest rate impact mentioned above if Site C is brought into rate on a smoothed basis, and on the fact that Governments and BC Hydro have and are expected to continue to act to keep rates low and affordable. (emphasis added)

3.20.0 Can you please clarify the assumptions underlying the statement: “it is reasonable to assume no real rate increases despite Site C coming into service.” In particular, please provide the assumptions, if any, made regarding sales of surplus Site C energy and capacity over the life of the project.

RESPONSE:

In response to BCUC IR 3.16.0, BC Hydro considered an indicative, standalone rate impact estimate similar to that prepared for the Joint Review Panel in 2015. In that response, BC Hydro provided estimated rate impacts on a smoothed (over ten years) and unsmoothed basis, as shown in Attachments 1 and 2. This analysis assumes the energy from Site C will initially be sold as surplus, and that, over time, the Site C energy is assumed to serve domestic load. By fiscal 2035, it is assumed that 100 per cent of the Site C energy will serve domestic load.

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The attachments to BC Hydro’s response to BCUC IR 3.16.0 show the annual value of the assumed sale of surplus Site C energy over the life of the project, which can be found on Line 25 of Schedule 5.0 (“Input Tab”). These amounts may be conservative as we have not specifically considered capacity sales. The value associated with this surplus Site C energy is labelled as “Cost of Energy – Item #1”. For the purpose of this rate impact estimate, the increase in surplus sales revenue has the same impact as a reduction in cost of energy. The additional table below includes these same amounts, in \$ million, as well as the associated volume of assumed surplus Site C energy, which was not included as part of the attachments.

| | F25 | F26 | F27 | F28 | F29 | F30 | F31 | F32 | F33 | F34 | F35+ |
|------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|------|
| Surplus Site C Energy (GWh) | 3,072 | 5,286 | 4,467 | 3,239 | 2,745 | 2,013 | 1,777 | 1,364 | 1,030 | 409 | 0 |
| Surplus Sales Revenue (\$ million) | 140.2 | 256.2 | 243.1 | 182.9 | 161.7 | 124.2 | 116.9 | 96.3 | 77.0 | 31.7 | 0.0 |

As part of the current Site C inquiry, the revenue requirement and rate impact analyses which BC Hydro provided in our August 30 Filing, and subsequently in response to Commission requests provided estimate ratepayer impacts of alternative portfolios (in other words, impacts if alternative portfolios are pursued instead of Site C). The explanation above relates to the estimated rate impact only of Site C. As such, the results of this standalone estimated analysis cannot be directly compared to our other analyses. As noted, this standalone rate impact of Site C is similar to the analysis provided during the Joint Review Panel work in 2015.