IN THE MATTER OF

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY

APPLICATION TO AMEND TARIFF SUPPLEMENT NO. 74
CUSTOMER BASELINE LOAD DETERMINATION GUIDELINES FOR
RS 1823 CUSTOMERS WITH SELF-GENERATION

DECISION

FEBRUARY 17, 2014

BEFORE:

A.A. Rhodes, Panel Chair / Commissioner
C. van Wermeskerken / Commissioner

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EXECUTIVE SUMMARY

On November 2, 2012, the British Columbia Hydro and Power Authority (BC Hydro) applied to the British Columbia Utilities Commission (Commission) for approval to amend its Electric Tariff Supplement No. 74, which provides for the determination of Customer Baseline Loads for industrial customers taking service at transmission voltage under Rate Schedule 1823, to make specific reference to those customers which also have self-generation facilities (Application). The amendments are proposed to be made by way of new "Attachment B Guidelines", with ancillary amendments to the body of the tariff necessitated by the new guidelines.

Customer Baseline Loads are used to determine a customer's "normal" annual electricity consumption, against which changes can be measured, for the purposes of billing under Rate Schedule 1823, which is a two-tiered "stepped" rate.

The Customer Baseline Load of a self-generator is necessarily affected by its self-generation output.

Prior to this Application, Customer Baseline Loads for customers with self-generation facilities were determined not only under Tariff Supplement No. 74, but also by having reference to various business practices, including business practices developed in relation to demand-side management investments. The purpose of this Application is to formalize these business practices into guidelines to be incorporated in the tariff supplement for specific application to self-generators.

The Attachment B Guidelines identify the Customer Baseline Load related treatments for Contracted generating units and Non-Contracted generating units. For both types, BC Hydro proposes to use a Generator Baseline (GBL) mechanism to identify the annual volume of actual self-generation output (if any) that is incremental to the baseline amount. The two main types of GBLs are "Non-Contracted GBLs" and "Contracted GBLs".

A Non-Contracted GBL basically represents the annual generation output of a customer's self-generation facility which is not the subject of a contract with BC Hydro. This self-generation output is used solely for the purpose of servicing the customer's own load. The guidelines for the initial and subsequent determination of a Non-Contracted GBL are contained in the Attachment B Guidelines.

A Contracted GBL represents the generation output of a customer's self-generating unit, which must be used for self-supply, where the unit and/or its output is the subject of a contract between the customer and BC Hydro, either a Load Displacement Agreement (LDA), where BC Hydro has paid an incentive to the customer to invest in the self-generation, or an Energy Purchase Agreement (EPA), where BC Hydro has agreed to purchase all or a portion of the output of the self-generation unit. A Contracted GBL is defined in the Attachment B Guidelines as "a customer's annual, seasonal, monthly or hourly contractual commitment for self-supply from a Generating Unit that must be satisfied to obtain financial payments or incentives pursuant to an EPA and/or an LDA in relation to self-generation output in excess of the Contracted GBL. A Contracted GBL can represent a commitment for self-supply from a single generating unit or multiple generating units." (Attachment B Guidelines, s. 2(b))

The principles for determining a Contracted GBL, however, are not included anywhere in the tariff, but rather are contained in an Information Report filed with the Commission by BC Hydro in 2012.

BC Hydro takes the position that it filed the 2012 Information Report for information purposes only, and that it is not seeking approval of those principles from the Commission in this Application, or at all.

The Commission Panel finds that, in the context of Tariff Supplement No. 74, a GBL is a "rate" within the meaning of the *Utilities Commission Act*, RSBC 1996, c. 473. The Commission Panel further finds that the provision of more detailed guidelines for the determination of Contracted

GBLs would be of assistance not only to the Commission, but to all parties which either have self-generation facilities or are considering installing such facilities. The Commission Panel finds that there is considerable merit to the consistency and transparency in the treatment of self-generating customers taking service under Rate Schedule 1823 that will result. Accordingly, the Panel directs BC Hydro to file an Application with the Commission for approval of updated Contracted GBL guidelines, to be incorporated into Tariff Supplement No. 74, as soon as is reasonably practicable, but no later than six months after the date of the Order issued concurrently with this Decision.

The Panel did not identify any other concerns with the Attachment B Guidelines as they relate to the determination of Customer Baseline Loads, and therefore approves the Attachment B Guidelines and the ancillary amendments to Electric Tariff Supplement No. 74 as filed.

1.0 INTRODUCTION

On November 2, 2012, the British Columbia Hydro and Power Authority (BC Hydro) filed an application with the British Columbia Utilities Commission (Commission) under sections 58-61 of the *Utilities Commission Act* (*UCA)* for approval to amend Electric Tariff Supplement No. 74 – Customer Baseline Load Determination Guidelines, to provide specific guidelines for its industrial customers with electrical power self-generation facilities (Application).

The body of Electric Tariff Supplement 74 "CBL Determination Guidelines" (TS 74) contains guidelines for the determination, adjustment and reset of Customer Baseline Loads (CBL or Energy CBL) for each customer's plant taking electricity service under Rate Schedule 1823 – Transmission Service – Stepped Rate (RS 1823)[1].

However, TS 74 does not specifically prescribe how CBLs are determined, adjusted and reset for customers with self-generation facilities.[2] Rather, since RS 1823 first came into effect in 2006, BC Hydro has developed and applied various business practices for treatment of these customers. For the most part, BC Hydro has applied the treatments used for Demand Side Management (DSM) for customers with self-generation facilities.

RS 1823 is a stepped conservation rate, where any RS 1823 energy consumption over 90 percent of a customer's normal annual RS 1823 energy consumption is charged at a higher rate. The Energy CBL is used to define a customer's normal annual RS 1823 consumption, against which changes can be measured. CBLs are customer-specific and reviewed each year, at which time they may be adjusted and reset.

As the determination of a self-generator's RS 1823 consumption, and therefore its CBL, is affected by the self-generator's output, BC Hydro now seeks approval to add "Guidelines for Rate Schedule 1823

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1 TS 74 also applies to RS 1825 — Transmission Service – Time-of-Use-Rate; however, there are currently no customers taking service under this rate schedule.

2 "Self-generation facilities" means electrical power generation facilities that are installed at the same site as the customer's plant, on the customer's side of the point of delivery, and that are used to supply a portion of the customer's load.

Customers with Self-Generation Facilities" to TS 74 as Attachment B (Attachment B Guidelines)[3]. As noted, the Attachment B Guidelines apply to the determination, adjustment and reset of CBLs for RS 1823 customers with self-generation facilities.

The proposed Attachment B Guidelines are intended to incorporate BC Hydro's business practices into a formal Tariff Supplement. BC Hydro submits that the Attachment B Guidelines will provide additional information for RS 1823 customers with existing self-generation facilities, or customers which are considering installing new self-generation facilities, to assist them in making decisions in relation to [investments in] self-generation facilities at their plant sites. (Exhibit B-1, p. 3)

The Attachment B Guidelines only apply to RS 1823 customers with self-generation facilities which are used to supply a portion of the customer's load. They do not apply to customers seeking to sell their self-generation output to a third party. (Exhibit B-1, p. 8; Exhibit B-4, Celgar IR 1.1.0)

BC Hydro also seeks approval for associated amendments to the body of TS 74, which delete content and references to CBL determinations, adjustments or resets for customers with self-generation facilities because those treatments will now be wholly contained in the Attachment B Guidelines. (Exhibit B-1, p.1)

2.0 PROCEDURAL BACKGROUND

The Commission established a written hearing process to review the Application by way of Order G-172-12, Letter L-1-13, and Order G-91-13. The proceeding included two rounds of Commission and Intervener Information Requests (IRs) with final written submissions.

3.0 CONSULTATION PROCESS

BC Hydro states that in addition to consulting with all RS 1823 customers (including specific customers with self-generation) it also consulted with the Association of Major Power Customers and other

[3] The Attachment A Guidelines relate to "Customer-funded DSM project Duration".

interested parties, as well as the Ministry of Energy, Mines and Natural Gas and Commission staff prior to filing the Application.

The Consultation process included workshops and tariff reviews, which continued through October 2012. In addition, BC Hydro held a Pre-filing Workshop on October 12, 2012 which was attended by AMPC, RS 1823 customers, Commission staff and other interested parties. (Exhibit B-1, pp. 14-16)

4.0 REGISTERED INTERVENERS

The Association of Major Power Customers of BC (AMPC) and Zellstoff Celgar Partnership Limited (Celgar) registered as Interveners in this proceeding.

4.1 AMPC

AMPC represents a number of major industrial electricity customers of BC Hydro, including companies involved in the pulp and paper, wood products, mining, electrochemical and petrochemical sectors, all of which may be affected directly or indirectly by the Application.

In its December 7, 2012 letter requesting Intervener status, AMPC confirmed its support for the Application as filed. AMPC did not file IRs or evidence. (Exhibit C1-1)

AMPC's Final Submission continues to support the Application. AMPC states that:

> "[p]rior to filing the Application BC Hydro had detailed discussions regarding its proposed changes with those industrial customers that might be affected by the changes and took many of their suggestions for improvements into account. As a result, BC Hydro has filed an Application that codifies the role and use of GBLs in a manner that is fair, will encourage new incremental generation in the future, and at the same time protects other customers."

AMPC further submits that "[n]one of BC Hydro's customers has objected to the Application and those most affected support it. AMPC believes that this support, and the lack of any contrary evidence, is a compelling reason to approve the Application as filed."

AMPC further cautions that:

> "[t]he specific language of Attachment B was the subject of considerable discussion. It should not be altered lightly, and if it is amended, it should only be amended after input is obtained on all proposed changes from BC Hydro and its stakeholders. GBL's [sic] are a complex subject and the possibility of creating unintended adverse consequences by trying to fine tune the tariff language is significant."

(AMPC Final Submission, p. 1)

AMPC is the only Intervener in this proceeding representing BC Hydro RS 1823 customers.

4.2 Celgar

Celgar is a long-standing industrial customer of FortisBC Inc. (FortisBC). Its pulp mill is situated near Castlegar, British Columbia, which is outside the BC Hydro service area.

Celgar has the ability to generate electricity and is therefore considered a self-generator. Celgar's Northern Bleached Softwood Kraft pulp mill has two turbine generators with a total rated capacity of 100 MW. It uses its generation to serve its own load, of approximately 44 MW, augmented by purchases from FortisBC. (An Application by FortisBC for a CPCN for the Purchase of Utility Assets of the City of Kelowna Phase 2 proceeding: Exhibit C5-14, Celgar response to BCUC IR 1.4.1; Exhibit C5-13, Celgar response to Tolko IR 1.1.4)

As a FortisBC customer, Celgar is currently only able to sell its self-generation on a net of load basis. Celgar currently sells excess electricity to BC Hydro pursuant to an Electricity Purchase Agreement (EPA) with BC Hydro.

In its December 10, 2012 letter requesting Intervener status, Celgar states that it will be "affected by the Application because the proposal to establish terms of service for self-generation customers of BC Hydro will have direct or indirect consequences on self-generation customers of FortisBC Inc." (Exhibit C2-1)

Celgar argues that these consequences are related to and flow from the level of utility services and rate structures available to BC Hydro's pulp and paper customers, which are competitors of Celgar. (Celgar Final Submission, p. 4)

Celgar advocates for the consistent application of province-wide standards for rate structures and their components, including GBLs. (Celgar Final Submission, p. 4)

BC Hydro takes the position that since the Attachment B Guidelines only apply to BC Hydro's RS 1823 customers, and FortisBC has other mechanisms available to it to determine the load of its self-generating customers it will serve from its resource stack. "...the Application will not have direct or indirect consequence for Celgar or any other self-generating customer of FortisBC." (Exhibit B-4, BC Hydro Cover Letter, p. 2)

BC Hydro further argues that Celgar's Final Submission does not comment on the merits of the Attachment B Guidelines or the ancillary amendments to the body of TS 74 but rather speaks to issues that are extraneous to the Application. BC Hydro notes:

> "…that the [Commission] Panel did not request the parties to address any legal issues in their submissions, Celgar is largely seeking to revisit matters previously argued before and determined by the [Commission], the Celgar arguments do not address a live legal issue between BC Hydro and Celgar that require [Commission] adjudication, and Celgar's utility supplier FortisBC Inc. was not provided notice that legal issues that might relate to the terms of its service to Celgar will be considered in this proceeding."

BC Hydro does, however, address Celgar's arguments in a separate section of its Reply Argument in the event the Panel chooses to consider them. (BC Hydro Reply, pp. 1–2)

Panel Discussion

In the Panel's view it is not uncommon for parties to argue legal issues in their submissions. The issue is not whether the Panel should consider the legal argument but whether BC Hydro was provided with an opportunity to reply to it. Given that BC Hydro was provided with such an opportunity (which it exercised) there is no prejudice and procedural fairness is maintained.

Although the Panel does not see this Application as the appropriate forum to consider issues relating to province-wide standards, as advocated by Celgar, it does find the Information Requests and arguments relating to GBLs generally as being in scope and useful to its determinations.

5.0 GENERAL BACKGROUND

As noted above, the Attachment B Guidelines set out the criteria for CBL determination, adjustment and reset specific to BC Hydro RS 1823 customers with electrical power self-generation facilities.

5.1 Rate Schedule 1823

Rate Schedule 1823 is the default rate for BC Hydro customers taking transmission service supplied at 60,000 volts or higher. (Exhibit A2-1, p. 3) The Terms and Conditions for transmission service customers are contained in Tariff Supplement No. 5 "Electricity Supply Agreements" (TS 5) and Tariff Supplement No. 6 "Agreement for New Transmission Customer" which apply to transmission service customer rate schedules. Each RS 1823 customer has a discrete Electricity Supply Agreement (ESA) with BC Hydro under TS 5.

BC Hydro customers in the transmission service class are primarily engaged in natural resource industries such as forestry, mining and oil/gas processing. In Fiscal Year 2012 there were approximately 135 customer sites accounting for energy purchases totalling 12,983 GWh. This represented approximately 25 percent of BC Hydro's total sales to all domestic customers of 51,487 GWh in that period. (Exhibit A2-1, p. 3)

RS 1823 is a "stepped rate" designed to incent conservation. It includes a flat Demand Charge and an inclining block Energy Charge. The inclining block Energy Charge is a two tiered rate where any RS 1823 energy consumption in excess of 90 percent of the customer's normal annual RS 1823 consumption is charged at a higher rate than the first 90 percent. The stepped rate is designed to be revenue neutral for the customer class and customer bill neutral at 100 percent of normal annual RS 1823 consumption. Customer class revenue neutrality is premised on a set Tier 2 rate and a residually-priced Tier 1 rate. The Tier 2 rate is set to reflect BC Hydro's cost of new supply (i.e. long-run marginal cost of energy). (Stepped Rate Design Principles, Order G-79-05, Reasons for Decision, p. 1)

In order to implement the inclining block feature of the stepped rate, it is necessary to determine an energy consumption baseline against which future consumption can be measured. The customer's annual RS 1823 energy consumption for the purposes of the two tiered rate is determined in the first instance based on actual measured RS 1823 consumption over the previous year. This amount becomes the customer's unique "Initial Energy Customer Baseline Load" (Initial Energy CBL). The Initial Energy CBL is then subject to adjustment to reflect "normal" operations.

The Energy CBL is intended to be dynamic and is adjusted annually to reflect changes in a customer's consumption due to factors such as changes in production levels, customer investments in capacity, efficiency measures and changes in self-generation output. For new customers with no billing history a flat Energy Charge (RS 1823A) is applied until such time as an Initial Energy CBL can be determined.

The intent of the stepped RS 1823 is to elicit a customer demand response to the Tier 2 price signal, whereby the customer is encouraged to invest in energy conservation, energy efficiency and self-generation to reduce or displace load. Customer actions that reduce or displace the customer's load in turn reduce the load BC Hydro is required to serve. (Exhibit B-1, p. 5)

Customers without an Energy CBL receive service at a flat rate under RS 1823A of approximately $37.24 per MWh (RS 1823A, effective April 1, 2013). Customers may not have an Energy CBL if they are new customers, with no consumption history, or in circumstances where there have been plant shutdowns and restarts or changes in self-generation such that a "normal" historical consumption

baseline cannot be determined. For customers with an Energy CBL the RS 1823 Energy Charge is $33.20 per MWh for Tier 1 and $73.60 per MWh for Tier 2 (RS 1823, effective April 1, 2013).

5.2 TS 74 — CBL Determination Guidelines

Given the dynamic nature of the CBL, formal guidelines were developed to set out detailed rules and criteria for the determination, adjustment and reset of a CBL. By Order G-79-05 the Commission approved CBL Guidelines which formed the basis for TS 74. TS 74 itself was approved by Commission Letter L-63-06. Since that time there have been a number of amendments to TS 74.

Features of the CBL Determination Guidelines as set out in the body of TS 74 can be summarized as follows:

CBL Determination

Initial CBL: For all customers the Initial CBL is based on normalized historical annual electrical energy consumption for the most recent 365 day period. The Initial CBL may be adjusted up or down for various events such as capacity or efficiency investments as identified in section 3.1.5 of TS 74.

CBL Adjustments[4]

Final Adjusted CBL: Once an Initial CBL has been set it will subsequently be adjusted up or down for various events and criteria such as DSM projects, capacity investments, plant shut-downs, etc., as identified in section 4.1 of TS 74, to determine the Final Adjusted CBL for a particular year. The Final Adjusted CBL, as determined by BC Hydro, is forwarded to the customer for review and agreement and then filed with the Commission for approval.

CBL Annual Reset[5]

CBL Annual Reset: The Final Adjusted CBL is subject to adjustment on an annual basis based on consumption over the previous year. Where a customer's consumption, adjusted for verified

[4] CBL Adjustments are also referred to as CBL Revisions
[5] CBL Resets are also referred to as CBL Revisions

eligible events such as Force Majeure, curtailment of supply, DSM projects, etc., as set out in section 4.4 of TS 74 (Adjusted Energy Purchases), is less than 90 percent or more than 110 percent of its Final Adjusted CBL it will be reset to accord with the adjusted consumption of the previous year. (Exhibit B-1, pp. 5–6)

However, as already stated, the CBL Determination Guidelines contained in the body of TS 74 currently do not explicitly prescribe CBL-related treatments for customers with self-generation facilities, which is the purpose of the Attachment B Guidelines for which approval is sought in this Application.

5.3 Customers with Self-Generation

Of the 135 customer sites taking service under RS 1823, 15 have electrical power self-generation facilities that are operational. For these customers, the CBL (determination, adjustments and reset) and the RS 1823 Energy Charges are impacted by self-generation output.

Historically, most transmission customers with self-generation have used their self-generated electricity to serve their own industrial plants to displace electricity they would otherwise have purchased from BC Hydro. Each customer's decision to use its self-generation for self-supply has largely been influenced by the technical requirements of the customer's industrial plant and the cost of self-generation relative to the avoided cost of purchasing electricity from BC Hydro. (Exhibit A2-1, pp. 3–4)

The incremental cost of fuel for self-generation is a particularly important consideration. For example, the cost of fuel for self-generation may be low if the fuel is a by-product of the customer's industrial process. In other cases, the customer may have to go to the market to purchase fuel, which could increase the price significantly. (Exhibit A2-1, p. 4)

The fifteen RS 1823 customer sites with electrical power self-generation facilities have a total of 712 MW of installed (nameplate or maximum electric rating) "behind the meter" self-generation capacity. BC Hydro calculates that in F2012, 39 percent of self-generation capacity was idle, as set out below.

Nameplate Capacity	712 MW
Energy (712 MW X 365 day X 24 hours)	6,237 GWh
Total plant electric requirements	7,118 GWh
Purchases from BC Hydro	4,169 GWh (59 percent or requirement)
Self-Generation for self supply	2,946 GWh (approx. 49 percent of capacity)
Incremental energy sold under EPA	857 GWh
Total generation output	3,806 GWh (61 percent of capacity)
Total idle generation output	39 percent (100 - 61)

(Exhibit A2-1, pp. 4–5)

BC Hydro states that customers are not using their idle self-generation capacity primarily because (in the absence of a contract to sell that energy) the incremental costs such as fuel and maintenance are greater than RS 1823 rates. Similarly, customers may choose not to invest in upgrades to the existing generation or invest in new generation when the avoided costs (RS 1823 rates) are insufficient to justify the investment. (Exhibit A2-1, p. 5) As a result, BC Hydro is of the view that it and its customers are not realizing the full benefits of cost effective energy and capacity supplied from customer self-generation. BC Hydro argues that incremental energy generated at a customer's industrial site is often an attractive, cost effective resource for BC Hydro. For example, self-generation may track the customer's load profile, particularly if it is linked to the customer's production process. Further, BC Hydro may avoid infrastructure costs and transmission losses incurred to transmit electricity to the customer's site. Moreover, incremental electricity generated from idle capacity can be brought on-line quickly and may have dispatch capability. (Exhibit A2-1, p. 19)

6.0 NEED FOR SELF-GENERATION

6.1 Economic and Policy Context

BC Hydro advises that over the past decade, projected energy and capacity load-resource gaps have made it necessary for BC Hydro to pursue a variety of resource options including RS 1823 customer self-generation. BC Hydro states that the acquisition of these self-generating customers' resources is consistent with the following laws and policies:

- BC's mandate to achieve electricity self-sufficiency by 2016 by holding the rights to electricity that is generated in BC from clean or renewable resources[6] sufficient to meet BC Hydro's domestic needs. (*Clean Energy Act* [*CEA*], S.B.C. 2010, c. 22], section 6; Special Direction No. 10 to the [Commission])
- *CEA* energy objectives including:
    - The implementation of Demand Side Measures such as load displacement. (Objective 2(b))
    - Generation of at least 93 percent of electricity in BC from clean or renewable resources. (Objective 2(c))
    - Reduction in BC Greenhouse Gas (GHG) emissions. (Objectives 2(g) and (i))
    - Reduction in waste by encouraging the use of biomass. (Objective 2(j))
- Net zero GHG emissions from new electricity generation projects. (2007 BC Energy Plan, Policy Action 18)
- At least 90 percent of total generation from clean or renewable sources. (2007 BC Energy Plan, Policy Action 21)
- The implementation of a bioenergy strategy. (2007 BC Energy Plan, Policy Action 21)
- The implementation of a bioenergy call for power. (2007 BC Energy Plan, Policy Action 21)
- BC Bioenergy Strategy

(Exhibit A2-1, p. 7)

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[6] Clean or renewable resources are defined in *CEA,* SBC 2010 c. 22, section 1, as biomass, biogas, geothermal heat, hydro, solar, ocean, wind or any other prescribed resource.

BC Hydro states that within this economic, legal and policy context, it has entered into contractual arrangements with a number of self-generating customers to mitigate or remove the economic barriers to the use of idle generation and investments in upgrades and new generation. BC Hydro advises that as of June, 2012 it had executed nine Energy Purchase Agreements with its self-generating customers and one with Celgar, a FortisBC self-generating customer, for over 1,800 GWh of firm energy purchase commitments per year. (Exhibit A2-1, p. 8)

7.0 THE APPLICATION

As stated previously, prior to this Application for approval of the Attachment B Guidelines, the body of TS 74 did not explicitly address circumstances related to CBL determination for customers with self-generation. Rather, self-generation was treated as load displacement in accordance with TS 74 treatment of investments in DSM. BC Hydro also relied on s. 6.2.2 of TS 74 which provides for discussion with the customer of customer-proposed adjustments to a CBL where the proposed adjustments are not contemplated by the provisions of TS 74, with ultimate determination by the Commission in the event of disagreement. This treatment resulted in the development of business practices applicable to CBL determination, adjustment and reset specific to RS 1823 self-generating customers. (BC Hydro Final Submission, p. 3) The Application seeks approval from the Commission to incorporate these current business practices as reflected in the Attachment B Guidelines explicitly into TS 74. BC Hydro states that these business practices are consistent with the principles already set out in the existing body of TS 74.

BC Hydro further states that these business practices were reflected in each self-generating customer's CBL determination letter and annual CBL Statement that was filed with the Commission for annual review and approval. (BC Hydro Final Submission, p. 4)

BC Hydro submits that the Attachment B Guidelines are necessary in order to provide additional information to RS 1823 customers with existing self-generation, the Commission, and customers that are considering installing new self-generation facilitates, in order to assist them in evaluating and making such investment decisions. (Exhibit B-1, p. 3; BC Hydro Final Submission, p. 3)

7.1 Attachment B Guidelines

Most of the CBL Determination Guidelines contained in the body of TS 74 also apply to customers with self-generation; however, where further guidelines and interpretations are necessary they are now specifically addressed in the Attachment B Guidelines. The Attachment B Guidelines therefore apply in addition to the body of TS 74 and they are intended to work together as a unit.

The proposed Attachment B Guidelines are organized into four distinct sections. Sections 1 and 2, which contain an overview and definitions, apply generally to all RS 1823 customers with self-generating units. Section 3 deals specifically with **Customers with Non-Contracted Generating Units**, and applies exclusively to RS 1823 customers which have generation facilities but do not have a contract with BC Hydro in relation to any portion of their self-generation output. Section 4 deals specifically with **Customers with Contracted Generating Units** and applies exclusively to RS 1823 customers that have an Electricity Purchase Agreement and/or a Load Displacement Agreement (LDA)[7] with BC Hydro for some or all of their self-generation output.

The proposed Attachment B Guidelines are distinct for Customers with Non-Contracted Generating Units and Customers with Contracted Generating Units and are explained below.

7.1.1 Customers with Non-Contracted Generating Units

Section 3.0 of the Attachment B Guidelines introduces the concepts of a Non-Contracted Generator Baseline and Incremental Generation as it applies to customers with Non-Contracted Generating Units.

An RS 1823 self-generating customer without the ability to sell any of the electricity produced by its self-generating unit to BC Hydro through an EPA or one that does not have an LDA with BC Hydro with respect to a self-generating unit, can request that BC Hydro recognise the output of its non-contracted self-generating unit(s) for the purposes of TS 74.

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[7] Load Displacement Agreements provide the customer with a financial incentive to make incremental generation.

For RS 1823 self-generating customers, the normal historical energy purchases which are used to determine the Initial CBL reflect that portion of the customer's total plant load served by BC Hydro, and therefore also necessarily take the customer's own self-generation output used to supply the balance of the customer's total plant electricity requirements into account.

BC Hydro states that the purpose of the Non-Contracted Generator Baseline (GBL) is to identify the annual volumes of actual non-contracted self-generation output (if any) that is incremental to the baseline amount that physically displaces annual RS 1823 Energy purchases in order to determine CBL adjustments and resets in accordance with TS 74 and the Attachment B Guidelines. A Non-Contracted GBL provides a mechanism to separate actual self-generation output during a billing year into a "normal self-supply" portion and an "incremental self-generation" portion.

The Non-Contracted GBL is defined in the Attachment B Guidelines as:

> "the gross output of a Non-Contracted Generating Unit used to serve an equivalent portion of the customer's plant load during the 365 day period used to determine the Energy CBL for the customer's plant. Where there was no generating unit at the same site as the customer's plant during the 365 day period used to determine the Initial Energy CBL, the Non-Contracted GBL will be zero."

A Non-Contracted GBL may be subsequently determined in accordance with the Attachment B Guidelines. (Exhibit B-1, Appendix B, Draft Tariff Supplement No. 74, Attachment B Guidelines, p. 3)

Incremental Self-Generation Output is defined as the verified annual amount of energy produced from a Non-Contracted Generating Unit in excess of the applicable Non-Contracted GBL.

The remainder of section 3 of the Attachment B Guidelines addresses how, for non-contracted self-generating customers, the CBL is determined, adjusted and reset and how the GBL interacts with the CBL.

7.1.2 Customers with Contracted Generating Units

Section 4.0 of the Attachment B Guidelines applies to customers with Contracted Generating Units. These are customers who have contracts with BC Hydro, where BC Hydro either purchases a certain amount of the customer's self-generation under an EPA or provides the customer with a financial incentive to make additional generation under an LDA.

Most of the existing CBL Determination Guidelines contained in the body of TS 74 already apply to RS 1823 customers with EPAs or LDAs with BC Hydro. For the most part, the Attachment B Guidelines provide additional information for customers that are entering into new or amended EPAs or LDAs; however, some provisions in the Attachment B Guidelines do provide additional clarity in respect of customers with existing contracts.

Sections 4.1 and 4.2 of the Attachment B Guidelines apply to self-generating customers which have a CBL and enter into a new or amended EPA and/or LDA with BC Hydro for some or all of their self-generation output. Section 4.1 provides that such customers will be transferred to RS 1823A (which is a flat rate) for the initial 12 billing periods, and possibly longer, depending on when there is sufficient energy consumption history available to determine a new "normal" level of energy consumption given the new circumstances, so a new CBL can be determined. Section 4.2 provides for some exemptions from the transfer to RS 1823A.

Section 4.3 of the Attachment B Guidelines establishes how a CBL is to be prorated to reflect the in-service date of a new or amended EPA or LDA.

Section 4.4 of the Attachment B Guidelines establishes an additional qualifying Energy Bill Adjustment, available only to customers with Contracted EPAs or LDAs, to prevent a CBL reset which would otherwise occur, from taking place. The exemption applies when a Contracted GBL is temporality decreased in accordance with the terms of an EPA or LDA.

Section 4.5 of the Attachment B Guidelines set out how the Energy Bill Adjustment in section 4.4 is treated in determining a CBL reset.

Section 4.6 of the Attachment B Guidelines set out certain treatments which are applicable when an LDA or an EPA expires.

8.0 KEY ISSUES WITH THE APPLICATION

8.1 Complexity of the Rate

The Panel is concerned that the calculation of the CBLs, GBLs and the subsequent Energy Charges is overly complicated, particularly with the addition of the Attachment B Guidelines.

A basic rate design principle is that a rate should be simple to understand. The Attachment B Guidelines add additional complexity to an already complex two tiered inclining block conservation rate. However, the Commission Panel also appreciates that the 15 or so customers that are affected by this rate are all large, sophisticated industrial customers. The Commission Panel concurs with AMPC that GBLs are a "complex subject".

Although CBLs and GBLs are necessarily complicated as they are customized to reflect each individual customer's situation, the Panel would encourage BC Hydro to consider possible ways to simplify RS 1823 for future rate design applications. The Panel is of the view that simplified rates might be more likely to solicit the conservation result that the existing rates are designed to achieve.

8.2 Incenting Conservation

The intent of the RS 1823 inclining block conservation rate is to elicit a customer DSM response to the Tier 2 price signal (a proxy for BC Hydro's long-run marginal cost of energy), whereby the customer is encouraged to invest in energy conservation and energy efficiency including self-generation to reduce or displace BC Hydro's load.

BC Hydro acknowledges once a customer displaces 100 percent of its Tier 2 purchases with incremental self-generation it will no longer receive a Tier 2 price signal, such that there will no longer be any incentive to invest in additional self-generation and/or to take further energy conservation and efficiency measures. (Exhibit B-5, BCUC IR 2.27.3)

The Commission Panel is concerned that incenting self-generating customers to maintain consumption of BC Hydro energy at or below 90 percent of their CBLs, thereby offsetting the Tier 2 Energy Charge, as the Attachment B Guidelines do, may not reduce the customers' total actual electricity usage and therefore may not incent them to invest in any other energy conservation or energy efficiency programs that would reduce their actual total consumption of electricity.

Although the Panel has the concern expressed above, it also accepts that incenting customers to increase their self-generation does reduce BC Hydro's overall load requirements, other things being equal, and is therefore consistent with the definition of "demand-side measure" under the *CEA* which states in part: "demand-side measure means a rate, measure, action or program undertaken...(b) to reduce the energy demand a public utility must serve..." (*CEA*, s. 1(1))

The Panel also accepts that incenting self-generation is consistent with the following policy actions of the 2002 Energy Plan:

> "Policy Action #14 (new): Under new rate structures, large electricity consumers will be able to choose a supplier other than the local distributor. New stepped pricing will provide an incentive for large industrial or transmission rate customers to purchase from IPPs, or to self-generate, when they can do so less expensively than the utility's cost of new supply. These larger customers will be able to meet all or a portion of their consumption from private generation. This policy change introduces retail competition for large BC Hydro customers."
>
> "Policy Action #21 (new): New rate structures will provide better price signals to large electricity consumers for conservation and energy efficiency.

> ….As a principle, for stepped rates, the last block of energy consumed should reflect the cost of new supply. This will encourage these customers to meet part of their electricity needs through conservation and energy efficiency, or from other sources (self-generation or IPP purchases), where they can do so cost-effectively."
>
> (Exhibit B-5, BCUC IR 2.15.2)

8.3 The Introduction of GBLs

For the most part the proposed Attachment B Guidelines are only formalizing treatments that have already been in use by BC Hydro for some time and do not differ significantly from the DSM treatments already approved in TS 74 for customers which do not have self-generation. No Interveners opposed any of the proposed changes to TS 74.

However, the characterization of the rules relating to the determination and use of GBLs, which are now proposed to be formalized for the first time as part of TS 74, which is a rate, is an issue in this Proceeding.

Celgar states in its Final Submission:

> "…this proceeding raises the opportunity for the Commission to consistently regulate not only Customer Baselines (CBLs), which the Commission already regulates as rates, but also Generator Baselines (GBLs), which are, like CBLs, an integral part of 1823 customers' rate schedules."

The Commission Panel notes that the Attachment B Guidelines not only define Non-Contracted GBLs, but also include specific principles for their determination. They also provide for the annual reset (if any) of a Non-Contracted GBL in conjunction with the annual reset (if any) of a self-generating customer's CBL. In addition, BC Hydro will review the Non-Contracted GBL each year in instances where a self-generating customer submits a "Declaration of Generation" in support of a request to have its Incremental Self-Generation Output recognized as an energy bill adjustment. (Exhibit B-5, IR 2.16.1) However, there are no approved guidelines for setting a Contracted GBL; rather, the customer and BC Hydro negotiate the GBL in accordance with the principles set out in an Information Report filed with the Commission by BC Hydro on June 20, 2012 (BC Hydro 2012 Information Report).

Once set, the Contracted GBL remains in effect for the term of the EPA. (Exhibit A2-1; Exhibit B-4, IR 1.2.4, 1.2.5)

8.3.1 Non-Contracted GBLs

With a Non-Contracted GBL, all of the generating unit's output is used by the customer for self-supply, displacing the equivalent volume of RS 1823 energy purchases which would otherwise have been made. There is no sale of self-generated electricity. (BC Hydro Final Submission, pp. 7-8) The nominal value of the Incremental Self-Generation Output is represented by energy bill savings equal to the incremental energy volume multiplied by the prevailing RS 1823 Tier 2 and Tier 1 Rates, as applicable. (Exhibit B-3, BCUC IR 2.14.1)

The principles for the initial and subsequent determination of a Non-Contracted GBL are contained in the proposed Attachment B Guidelines.

8.3.2 Contracted GBLs

A Contracted GBL is defined in the Attachment B Guidelines as:

> "a customer's annual, seasonal, monthly or hourly contractual commitment for self-supply from a Contracted Generating Unit that must be satisfied to obtain financial payments or incentives pursuant to an EPA and/or LDA in relation to self-generation output in excess of the Contracted GBL. A Contracted GBL can represent a commitment for self-supply from a single generating unit or multiple generating units." (Attachment B Guidelines, s. 2 (b))

The principles for determining a Contracted GBL are contained in the BC Hydro 2012 Information Report but are neither included nor referenced in the Attachment B Guidelines. BC Hydro takes the position that it submitted the 2012 Information Report to the Commission for information purposes only is not seeking approval from the Commission for the GBL principles included in the Report. (Exhibit B-4, Celgar IR 1.2.8)

As will be discussed further below, the Panel is concerned that the guidelines for Contracted GBLs have never been submitted to the Commission for approval, nor are they proposed to be included as part of TS 74 under RS 1823.

9.0 GENERATOR BASELINE BACKGROUND

9.1 Relevant Commission Orders and Letters Relating to Self-Generation

9.1.1 Commission Order G-38-01

BC Hydro references "the principles of Order G-38-01" as forming a basis for determinations relating to the identification of incremental self-generation output which might be eligible to be sold to third parties, other than BC Hydro. (Exhibit B-4, Celgar IR 1.2.9)

Order G-38-01 was made in 2001, in response to a BC Hydro request to the Commission for guidance in respect of its duty to serve those of its self-generating customers which were seeking to sell their self-generation into what at that time was a very lucrative export market, and to increase their purchases of lower cost power from BC Hydro to run their operations.

In Order G-38-01, the Commission directed BC Hydro to "allow [its Transmission Service] Rate Schedule 1821 [now RS 1823] customers with idle self-generation capability to sell excess self-generated electricity", provided they did not engage in "arbitrage" between embedded cost utility service and market prices, meaning that BC Hydro was not required to supply any increased embedded cost of service energy to an RS 1821 customer which was selling its self-generation into the market. The Commission confirmed that it expected BC Hydro to "make every effort to agree on a customer baseline, based either on the historical energy consumption of the customer or the historical output of the generator". The Commission further stated: "[d]ue to the unique circumstances that currently exist, and without prejudice to the resolution of long-term rights of self-generators to take their generation to the market, this program is established until March 31, 2002 and may be continued after that date if conditions warrant". (Order G-38-01)

9.1.2 Commission Order G-17-02

By Order G-17-02, the Commission determined that the program established by Order G-38-01 (discussed above) should continue until future circumstances warranted a further review.

9.1.3 Commission Order G-48-09

In 2009, BC Hydro applied to the Commission for an amendment to its 1993 Power Purchase Agreement with FortisBC under RS 3808 (1993 PPA) to prevent self-generating customers of FortisBC from selling their self-generation into the market, while simultaneously purchasing energy from FortisBC that included electricity sourced from RS 3808. By Order G-48-09 the Commission approved the requested amendment to the 1993 PPA. The Commission concluded that "[w]hat will not be permitted is the supply of embedded cost power to service the domestic load, at any time when the self-generator is selling power into the market". The practical effect of this Decision was to require self-generating customers of FortisBC, of which Celgar is one, to service 100 percent of their load from self-generation, prior to engaging in export sales, to the extent that their load would otherwise be served indirectly by BC Hydro, under the 1993 PPA ("net of load"). (Commission Order G-48-09, RS 3808 PPA Decision, pp. 28–29) This "net of load" methodology is different than the GBL methodology approved for BC Hydro's customers by Order G-38-01.

9.1.4 Commission Letter L-106-09

By letter L-106-09 dated November 29, 2009, the Commission asked BC Hydro to provide draft guidelines relating to the determination of GBLs, including answers to 20 questions which the Commission posed, as part of its next major filing involving EPAs or its next Long Term Acquisition Plan. In its letter, the Commission noted that a number of EPAs had recently been filed which relied upon GBLs. The Commission further noted that the concepts expressed in Order G-38-01, discussed above, in the context of near term power sales were now being applied to longer term EPAs. The Commission referenced the CBL Guidelines contained in TS 74, suggesting that Guidelines in respect of GBLs might similarly be appropriate "to assist efficiency and consistency" in the determination and review of GBLs.

9.1.5 BC Hydro June 20, 2012 Information Report

On June 20, 2012, in response to Commission Letter L-106-09, BC Hydro submitted an Information Report[8] addressing:

- principles for establishing GBLs ;
- GBL establishment considerations for EPA customers; and
- the 20 questions from Letter L-106-09.

(Exhibit B-1, p. 4)

The BC Hydro 2012 Information Report explains, in broad terms, the context and purpose of GBLs as well as the principles, process and considerations used by BC Hydro for establishing a GBL in cases where a self-generating customer enters into an EPA to sell electricity to BC Hydro.

The Information Report goes on to address the two main types of GBLs BC Hydro uses — Contracted and Non-Contracted, although the main focus is on contracted GBLs.

10.0 GBLs AS A RATE

As discussed, the proposed TS 74 Attachment B Guidelines relate to BC Hydro customers with self-generation facilities, and formally involve the determination and use of GBLs. Celgar submits that a GBL is a "rate" under the *UCA* and its characterization as such is an important issue in this proceeding. (Celgar Final Submission, p. 5)

Celgar submits that CBLs and GBLs are integrally related and that, just as CBLs are regulated by the Commission as an essential part of each customer's rate schedule, so should GBLs be subject to regulation. Celgar argues that the Commission has abdicated its rate-making responsibility insofar as GBLs are concerned, and ceded it to BC Hydro. Celgar further argues that it follows that if a GBL is a rate, there should be greater transparency and consistency regarding the determination of GBLs than exists at this time. (Celgar Final Submission, pp. 2–3, 5 and 8)

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[8] The Information Report dated June 20, 2012 is marked as Exhibit A2-1 in this proceeding

BC Hydro confirms its position that it is not expecting the Commission to approve any customer GBLs as a consequence of the proposed TS 74 amendments [which include the Attachment B Guidelines]. (Exhibit B-3, BCUC IR 1.1.3) It further confirms that it has never sought, nor is it now seeking, approval of its GBL Information Report, filed with the Commission on June 20, 2012, pursuant to the Commission's November 27, 2009 request, as part of this Application, or otherwise. (BC Hydro Final Submission, p. 5)

Celgar submits that the first question which needs to be addressed in considering whether or not a GBL is a rate, [and any consequences that may flow from that determination], is "what is a GBL?" (Celgar Final Submission, p. 5)

Celgar submits that a GBL defines the level of service that a utility must supply to a self-generating customer, in that it represents a demarcation point, below which the self-generator supplies its own load, and above which any additional load will be provided by the utility. (Celgar Final Submission, p. 5)

BC Hydro is not in complete agreement and states that that a GBL by itself is simply an amount of electricity; basically just a number, and how it is used will determine whether it is a component of a rate. BC Hydro argues that "[t]he context in which a GBL mechanism is used is key" and that its use as part of a contract or regulatory instrument will determine whether the "GBL mechanism" is a component of a rate. (BC Hydro Reply, pp. 4–5)

BC Hydro does not dispute, however, that two types of GBLs (Contracted and Non-Contracted) are used in the Attachment B Guidelines and, in fact, are defined in section 2 thereof. Both GBLs serve the same purpose, which is to identify "normal" historical self-generation used for self-supply, so that additional "incremental" generation beyond that can be determined. In either case, incremental generation is measured against the customer's GBL.

BC Hydro states that "[a] Non-Contracted GBL is simply the actual gross metered output of self-generation facilities during the 365 day period used to determine the energy CBL". As such,

> "[o]ther than the fact that electricity self-generation reduces purchases during the CBL establishment period, the Non-Contracted GBL has no bearing on the determination of the Initial Energy CBL. The Non-Contracted GBL is used to identify Incremental Self-Generation Output, if any, in future billing years." (Exhibit B-3, BCUC IR 1.1.3.2)

BC Hydro states that it uses Non-Contracted GBLs in connection with Energy CBL-related treatments in accordance with TS 74 and that it has filed the TS 74 Attachment B Guidelines as a tariff respecting a "rate" because the CBL, as determined in accordance with TS 74, relates to the compensation of BC Hydro. (Exhibit B-5, BCUC IR 2.1.1.2)

BC Hydro states that a Contracted GBL is an express or an implied term of an EPA and/or an LDA. (Exhibit B-3, BCUC IR 1.2.1) It acknowledges that "the [Commission] has the jurisdiction to review an EPA as part of a filing under section 71 of the *UCA*, if applicable". It suggests that "[s]uch a review could include consideration of whether the Contracted GBL is appropriate such that the EPA is in the public interest", among a number of other considerations. BC Hydro further acknowledges that the Commission

> "may also consider Contracted GBLs in reviewing a DSM expenditure schedule filing under section 44.2 of the *Utilities Commission Act*, to the extent that the expenditure schedule includes expenditures on LDAs with Contracted GBLs", again among a number of other considerations. (Exhibit B-3, BCUC IR 1.1.3.2)

BC Hydro cautions, however, that

> "the Clean Energy Act exempts BC Hydro from Utilities Commission Act section 71 filing requirements in respect of certain EPAs, and directed [sic] the [Commission] to ensure BC Hydro's rates allow it to recover the costs incurred in respect of the specified EPAs and LDAs." (Exhibit B-3, BCUC IR 1.1.3.2)

BC Hydro takes the position, however, that it would not be appropriate to include the determination of Contracted GBLs in TS 74 or the Electric Tariff more generally, on the basis that neither an EPA nor and LDA are "rates" as that term is defined in the *UCA.* (Exhibit B-5, BCUC IR 2.1.3.1)

BC Hydro concedes that "[There] is no controversy that a rate can incorporate a 'GBL mechanism'. …In fact, the Application seeks BCUC approval under sections 58-61 of the *UCA* [which relate to the setting of rates] of Attachment B Guidelines that incorporate 'GBL mechanisms' BC Hydro uses for the determination, adjustment and reset of customer baseline loads (CBLs) which are an integral component of the RS 1823 rate schedule." (BC Hydro Reply, p. 5, para. 12)

BC Hydro argues that there is therefore no need for this Panel to "make a determination that a rate that incorporates a 'GBL mechanism' is a rate". (BC Hydro Reply, p. 5, para. 13)

Commission Panel Determination

In the Panel's view, BC Hydro's position that the Panel need not "make a determination that a rate that incorporates a 'GBL mechanism' is a rate" misses the point. In the Panel's view, the issue is more properly described as whether a GBL mechanism is a rate when it is incorporated into a rate as an integral component of that rate.

The Panel agrees with BC Hydro that it is necessary to look at the use to which a GBL mechanism is being put and the specific context for that use. In this respect, the Panel does not agree with Celgar's broader approach. The Panel does not consider this Proceeding as appropriate to examine broader issues concerning the provision of utility service by different utilities to self-generating customers on a province-wide basis. The Panel will therefore confine its determinations to the context of this Application.

In the Panel's view, the Application itself concerns a request for approval of amendments to TS 74, made up of Attachment B Guidelines and consequent ancillary amendments. These amendments relate to the determination of a self-generating customer's CBL.

The Panel notes that, although the Attachment B Guidelines apply to the determination, adjustment, and reset of the CBL, which, for all customers, is based on historical energy consumption, both the CBL and RS 1823 energy purchases of self-generators are affected by their self-generation output.

(BC Hydro Final Submission, p. 4) Self-generation output is measured (in the case of a Non Contracted GBL) or determined (in the case of a Contracted GBL) by the GBL mechanism.

A customer's CBL is necessarily affected by its self-generation output because the self-generating customer's plant load is serviced by both its purchases from BC Hydro as well as its self-generation output. (Exhibit B-1, p.7)

The *UCA* defines "rate" as follows:

> "rate" includes
>
> > (a) a general, individual or joint rate, fare, toll, charge, rental or other compensation of a public utility,
> >
> > (b) a rule, practice, measurement, classification or contract of a public utility or corporation relating to a rate, and
> >
> > (c) a schedule or tariff respecting a rate…

It also defines the term "compensation" as meaning:

> "a rate, remuneration, gain or reward of any kind paid, payable, promised, demanded, received or expected, directly or indirectly..."

The word "rate" itself is defined in The Canadian Oxford Dictionary as "a fixed price or appropriate charge or cost or value; a measure of this" including "a stated numerical proportion between two sets of things…as the basis of calculating an amount or value." [9]

In the Panel's view, the GBL mechanism, the use of which is integral to the determination of a CBL for self-generating customers under TS 74, is a "rate" within the meaning of the *UCA*, insofar as TS 74 is concerned. The Panel notes that the definition of "rate" is inclusive. The Panel considers that the GBL mechanism, as used in TS 74, could be viewed as any of a "rule, practice or measurement" relating to a rate, determining, as it does, a customer's CBL. These measurements in turn are involved in the

[9] "Rate" Def. 1 and 2. The Canadian Oxford Dictionary. Oxford University Press (1998). Print.

determination of the compensation payable to BC Hydro by each of its self-generating industrial customers under TS 74.

The Panel determines that both Contracted and Non-Contracted GBLs meet the definition of a "rate" in the context of TS 74. While the Attachment B Guidelines deal with Non-Contracted GBLs, they do not include guidelines for Contracted GBLs. **Consequently, BC Hydro is directed to file an application with the Commission as soon as is practicable, but no later than 6 months after the date of the Order issued concurrently with this Decision for approval of Contracted GBL guidelines to be incorporated into TS 74.** BC Hydro should consult with its RS 1823 customers with self-generation facilities and include consideration of the following:

- Definitions for Incremental Generation and Idle Generation;
- The treatment of a GBL when an EPA or LDA expires; and
- GBL Dispute resolution.

The Panel is of the view that to the extent the Commission may be asked to make a determination on a Contracted GBL for a RS 1823 customer in the future, a Contracted GBL mechanism filed and approved as part of TS 74 will provide some guidance to the parties. The Commission considers that, although Contracted GBL guidelines would be restricted to TS 74, there is merit to the transparency and consistency in their application which is likely to result.

No Intervener took exception to the Attachment B Guidelines as they relate to Non-Contracted GBLs. Overall, the Panel is satisfied with the determination and operation of Non-Contracted GBLs for TS 74 as set out in the Attachment B Guidelines.

11.0 PANEL DETERMINATION ON THE APPLICATION

The Panel did not identify any other concerns in the Attachment B Guidelines as they relate to the determination of Customer Baseline Loads. The Panel has also reviewed the ancillary amendments to TS 74, all of which relate to the Attachment B Guidelines, and has not identified any issues nor has any

Intervener raised a concern. **As such, under sections 59-61 of the *UCA*, the Commission Panel approves the Attachment B Guidelines and ancillary amendments to TS 74 as filed.**

The Application was filed on November 2, 2012 and requested an effective date of April 1, 2013. BC Hydro states:

> "The Attachment B Guidelines incorporate into the tariff existing business practices in respect of CBL-related treatments for RS 1823 customers with self-generation facilities. There are no incremental financial impacts to BC Hydro or other ratepayers" (BC Hydro Final Submissions, p. 9)

The Commission Panel sees no compelling reason to backdate the effective date. **The Attachment B Guidelines and ancillary amendments to TS 74 are effective as of the date of the Order issued concurrently with this Decision.**

DATED at the City of Vancouver, in the Province of British Columbia, this 17th day of February, 2014.

Original signed by:

A.A. RHODES
COMMISSIONER

Original signed by:

C. VAN WERMESKERKEN
COMMISSIONER

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BRITISH COLUMBIA UTILITIES COMMISSION

ORDER NUMBER G-19-14

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IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

British Columbia Hydro and Power Authority
Application to Amend Tariff Supplement No. 74
Customer Baseline Load Determination Guidelines for RS 1823
Customers with Self-Generation Facilities

BEFORE: A.A. Rhodes, Panel Chair/Commissioner
C. van Wermeskerken, Commissioner February 17, 2014

O R D E R

WHEREAS:

A. On November 27, 2009, the British Columbia Utilities Commission (Commission) issued Letter L-106-09 asking the British Columbia Hydro and Power Authority (BC Hydro) to provide draft guidelines for the determination of Generator Baselines (GBLs). In addition, the Commission requested that BC Hydro address twenty questions attached to Letter L-106-09 when submitting the draft GBL guidelines;

B. On June 20, 2012, BC Hydro submitted an Information Report (2012 Information Report) which, among other things, set out certain principles for establishing GBLs and responded to the twenty questions posed in Letter L-106-09 (Exhibit A2-1);

C. On November 2, 2012, BC Hydro filed an application with the Commission under sections 58-61 of the *Utilities Commission Act* for approval to amend Electric Tariff Supplement No. 74 (TS 74) to include proposed Attachment B Guidelines (Application);

D. The proposed Attachment B Guidelines address the determination, adjustment and reset of Customer Baseline Loads (CBLs) for Transmission Service Rate (TSR) Schedule 1823 customers with electrical power self-generation facilities which are installed at the same site as the customer's plant, on the customer's side of the point of delivery, and which are used to supply a portion of the customer's load;

E. The Attachment B Guidelines identify the CBL-related treatments for customers with Contracted generating units and customers with Non-Contracted generating units. For both types of generating units, BC Hydro proposes to use a GBL mechanism to identify the annual volume of actual self-generation output (if any) that is incremental to the baseline amount;

F. The principles for the initial and subsequent determination of GBLs for customers with Non-Contracted generating units (Non-Contracted GBLs) are contained in the proposed Attachment B Guidelines;

…/2

G. The principles for setting GBLs for customers with Contracted generating units (Contracted GBLs) are not included in the Attachment B Guidelines rather, BC Hydro states that the customer and BC Hydro negotiate the Contracted GBL in accordance with the principles set out in the 2012 Information Report;

H. The 2012 Information Report is neither included nor referenced in the Attachment B Guidelines. BC Hydro takes the position that it submitted the 2012 Information Report to the Commission for information purposes only and is not seeking approval from the Commission for the GBL principles contained in that report;

I. The Application also seeks approval for associated amendments to the body of TS 74 which delete content and references to CBL-related treatments for customers with self-generation facilities because those treatments are now wholly contained in the Attachment B Guidelines;

J. The Association of Major Power Customers of BC (AMPC) and Zellstoff Celgar Partnership Limited registered as Interveners in this proceeding;

K. BC Hydro states that it undertook consultation with TSR customers and AMPC on the proposed changes. In addition, BC Hydro held a pre-filing workshop which was attended by AMPC, TSR customers, Commission staff and several other interested parties; and

L. The Commission established a written hearing process to review the Application by way of Order G-172-12, Letter L-1-13, and Order G-91-13. The proceeding included two rounds of Commission and Intervener Information Requests with final written submissions.

NOW THEREFORE, for the reasons stated in the Decision issued concurrently with this Order, the Commission makes the following determinations:

1. Pursuant to sections 59-60 of the *Utilities Commission Act*, the Commission approves the Attachment B Guidelines and the ancillary amendments to the body of Tariff Supplement No. 74 effective the date of this Order.

2. The British Columbia Hydro and Power Authority is directed to file an application with the Commission no later than 6 months after the date of this Order for approval of updated Contracted Generator Baseline guidelines to be incorporated into Tariff Supplement No. 74.

3. Pursuant to section 61 of the *Utilities Commission Act*, the British Columbia Hydro and Power Authority is directed to file amended Tariff Supplement No. 74 Rate Schedules within 15 business days of the date of this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 17th day of February 2014.

BY ORDER

Original signed by:

A.A. Rhodes
Panel Chair/Commissioner

GLOSSARY

1993 PPA	1993 Power Purchase Agreement between BC Hydro and FortisBC under RS 3808
AMPC	Association of Major Power Customers of BC
Application	Application for approval to amend Electric Tariff Supplement No. 74 – Customer Baseline Load Determination Guidelines, effective April 1, 2013
ATA	Administrative Tribunals Act
Attachment B Guidelines	"Guidelines for Rate Schedule 1823 Customers with Self-Generation Facilities" to TS 74 as Attachment B
BC Hydro	British Columbia Hydro and Power Authority
BC Hydro 2012 Information Report	Information Report filed with the Commission on June 20, 2012
CBL Determination Guidelines	Guidelines for the determination, adjustment and reset of Customer Baseline Loads
CBL or Energy CBL	Customer Baseline Loads
CEA	*Clean Energy Act*
Celgar	Zellstoff Celgar Partnership Limited
Commission, BCUC	British Columbia Utilities Commission
DSM	Demand Side Management
EPA	Electricity Purchase Agreement
ESA	Electricity Supply Agreement
GBL	Generator Baseline
GHG	Greenhouse Gas
Initial Energy CBL	Initial Energy Customer Baseline Load
IR	Information Request
LDA	Load Displacement Agreement
RS 1823	Rate Schedule 1823 – Transmission Service – Stepped Rate
RS 1823A	Flat rate for transmission service, applicable to new customers with no billing history
Self-generating customers	RS 1823 customers with electrical power self-generation facilities
TS 5	Tariff Supplement No. 5 "Electricity Supply Agreements"
TS 74	Electric Tariff Supplement 74 "CBL Determination Guidelines"
UCA	*Utilities Commission Act*

IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

British Columbia Hydro and Power Authority
Application to Amend Tariff Supplement No. 74
Customer Baseline Load Determination Guidelines for RS 1823
Customers with Self-Generation Facilities

EXHIBIT LIST

Exhibit No.	Description
COMMISSION DOCUMENTS	
A-1	Letter Dated November 14, 2012 – Order G-172-12 to Establish an Initial Regulatory Timetable for the Proceeding
A-2	Letter Dated December 17, 2012 – Commission Information Request No. 1
A-3	Letter Dated January 21, 2013 – Commission providing BC Hydro extension to file Responses to Information Request No. 1
A-4	Letter Dated January 31, 2013 – L-1-13 Establishing Preliminary Regulatory Timetable
A-5	Letter Dated February 4, 2013 – Appointment of Panel
A-6	Letter Dated February 18, 2013 – Commission Information Request No. 2
A-7	Letter Dated February 25, 2013 – Amendment to the Panel
A-8	Letter Dated June 12, 2013 – Commission Order G-91-13 and Regulatory Timetable
A-9	Letter Dated January 8, 2014 – Extension of Powers for Alison Rhodes
COMMISSION STAFF DOCUMENTS	
A2-1	Letter Dated November 22, 2012 – Commission staff filing British Columbia Hydro and Power Authority Transmission Service Rate (TSR) Customer Generator Baselines (GBLs) Information Report

Exhibit No.	Description
APPLICANT DOCUMENTS	
B-1	**BRITISH COLUMBIA HYDRO AND POWER AUTHORITY (BCH**) Letter Dated November 2, 2012 – Application to Amend Tariff Supplement No. 74 Customer Baseline Load Determination Guidelines for RS 1823 Customers with Self-Generation Facilities
B-2	Letter Dated January 17, 2013 – BCH Requesting an extension to submit BCUC and Intervener IR Responses
B-3	Letter Dated January 25, 2013 – BCH Responses to BCUC IR No. 1
B-4	Letter Dated January 25, 2013 – BCH Responses to Celgar IR No. 1
B-5	Letter Dated March 8, 2013 – BCH Responses to BCUC IR No. 2
B-5-1	**CONFIDENTIAL** Letter Dated March 8, 2013 – BCH Confidential Responses to BCUC IR No. 2
B-6	Letter Dated March 8, 2013 – BCH Responses to Celgar IR No. 2
INTERVENER DOCUMENTS	
C1-1	**ASSOCIATION OF MAJOR POWER CUSTOMERS OF BC (AMPC)** Letter Dated December 7, 2012 – Request for Intervener Status by Brian Wallace, Matthew Keen and Richard Stout
C2-1	**ZELLSTOFF CELGAR LIMITED PARTNERSHIP (CELGAR)** Letter dated December 10, 2012 – Request for Intervener Status by Robert Hobbs
C2-2	Letter dated December 21, 2012 – Celgar Submitting Information Request No. 1
C2-3	Letter dated February 18, 2013 – Celgar Submitting Information Request No. 2