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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-19-06

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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
Transmission Service Outstanding Matters Application**

BEFORE: R.H. Hobbs, Chair February 22, 2006

O R D E R

WHEREAS:

- A. On March 10, 2005, British Columbia Hydro and Power Authority ("BC Hydro") applied to the Commission for approval of Transmission Service Rates ("TSR Application"). The TSR Application proposed eliminating Rate Schedule ("RS") 1821 - the primary rate for transmission voltage industrial and commercial customers - and replacing it with RS 1823 (stepped rate) or RS 1825 (Time-of-Use stepped rate), both of which are mandatory. Also included in the TSR Application were proposed Guidelines for establishing Customer Baseline Loads ("CBL Guidelines") required to implement stepped rates and Time of Use stepped rates; and
- B. The Commission established a Negotiated Settlement Process ("NSP") to review the Application and a Negotiated Settlement Agreement was reached; and
- C. On August 29, 2005, the Commission issued Order No. G-79-05 approving the Negotiated Settlement Agreement for BC Hydro's TSR Application, including CBL Guidelines; and
- D. On December 22, 2005, BC Hydro filed its Transmission Service Outstanding Matters Application ("TSOM Application") to address and obtain BCUC approval of BC Hydro's proposals respecting the outstanding matters from the Negotiated Settlement Agreement; and
- E. On January 26, 2006, the Joint Industry Electricity Steering Committee ("JIESC") submitted that it disagreed with BC Hydro over interpretation of the CBL Guidelines concerning how a plant capacity increase, inside of a plant aggregation, should be dealt with. The JIESC requested an expedited NSP process to resolve the issue; and
- F. BC Hydro responded to the JIESC letter on January 30, 2006 and acknowledged the disagreement. BC Hydro submitted that the disagreement would best be dealt with through the dispute resolution section (Section 6.2) of the CBL Guidelines; and

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- G. On February 3, 2006, the Commission issued a letter to BC Hydro and TSR Application Intervenors, requesting comments from Intervenors by Friday, February 10, 2006, and a response from BC Hydro by Tuesday, February 14, 2006; and
- H. In its February 10, 2006 letter, the JIESC argues that “...in situations where a customer has completed capital additions to a plant, the 5% or 10 GWh threshold for adjustment of the CBL should apply at the plant level, notwithstanding aggregation.” The JIESC also confirms that, with the exception of the aggregation issue, it accepts the changes to the transmission rates proposed in the TSOM Application; and
- I. No other Intervenor submitted comments on the TSOM Application; and
- J. BC Hydro responded on February 14, 2006, and submitted that its proposed methodology is consistent with treatment of CBL revisions in other sections of the CBL Guidelines, and that the JIESC concern would best be dealt with through the dispute resolution process under Section 6.2 of the CBL Guidelines. BC Hydro also indicated that it would extend the deadline for CBL aggregations until March 1, 2006.

NOW THEREFORE the Commission Orders as follows:

1. The Commission approves the TSOM Application as filed.
2. The Commission notes that Section 6.2 of the CBL Guidelines contains a procedure for dealing with disputes regarding the determination of a customer’s CBL, and directs parties to resolve disputes under that section of the CBL Guidelines. If any party believes that further changes are required to the CBL Guidelines themselves, such changes may be proposed in the context of the next BC Hydro rate design application.

DATED at the City of Vancouver, in the Province of British Columbia, this 22nd day of February 2006.

BY ORDER

Original signed by:

Robert H. Hobbs
Chair

REASONS FOR DECISION

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY TRANSMISSION SERVICE OUTSTANDING MATTERS APPLICATION

Background

On December 22, British Columbia Hydro and Power Authority (“BC Hydro”) filed its Transmission Service Outstanding Matters Application (“TSOM Application”, “Application”) to address and obtain Commission approval of matters outstanding from the Negotiated Settlement concerning BC Hydro’s March 2005 Transmission Service Rate Application (“TSRA”). The Negotiated Settlement was approved by Commission Order No. G-79-05.

The TSOM Application requests approval of Transmission Service Rate Schedules, a Time of Use (“TOU”) Transmission Service Agreement (Tariff Supplement No. 72), and The Customer Baseline Load (“CBL”) Guidelines, all to be effective April 1, 2006. BC Hydro requests an expedited process for dealing with the Application and states that changes to the rates proposed in the Application arose from consultations between BC Hydro and interested parties. BC Hydro further states that the rates proposed are revenue neutral and therefore do not result in any revenue shifting to other customer classes.

Specific changes in the Application include a change in the pricing for the Standby/Maintenance rate schedule (RS 1880) and in the definition of Reference Demand; changes arising from stakeholder consultations to simplify the Time of Use Rate; and modifications to the Energy Imbalance Rate 1890 in order to provide retail access to customers who wish to serve part of their load through retail access.

In a letter filed with the Commission on January 26, 2006, the Joint Industry Electricity Steering Committee (“JIESC”) submitted that it disagreed with BC Hydro over interpretation of the CBL Guidelines concerning how a plant capacity increase, inside of a plant aggregation, should be dealt with. The JIESC requested an expedited NSP process to resolve the issue.

BC Hydro responded to the JIESC letter on January 30, 2006 and acknowledged the disagreement. However, BC Hydro submitted that the disagreement would best be dealt with through the dispute resolution section (6.2) of the CBL Guidelines and outlined the process that would be involved in dealing with the disagreement under section 6.2.

On February 3, 2006, the Commission issued a letter to BC Hydro and TSRA Intervenors and requested comments from Intervenors by Friday, February 10, 2006. BC Hydro was requested to respond by Tuesday, February 14, 2006, and was directed to extend the deadline by which customers must declare their position on aggregation by one week until February 22.

In its February 10, 2006 letter, the JIESC argued that “...in situations where a customer has completed capital additions to a plant, the 5% or 10 GWh threshold for adjustment of the CBL should apply at the plant level, notwithstanding aggregation.” The JIESC suggested that its interpretation would lead to plant expansions being treated similarly to new plants, and that the alternative interpretation, which is to apply the 5 percent threshold to the aggregated CBL, would cause the additional plant capacity to be charged at the Tier 2 rate alone and thereby diminish the economics of plant expansions. The JIESC confirmed that, with the exception of the CBL “aggregation issue”, it accepts the changes to the transmission rates proposed in the TSOM Application.

No other Intervenor submitted comments.

BC Hydro responded on February 14, 2006, and submitted that its proposed methodology is consistent with other aspects of the CBL Guidelines. In BC Hydro's view the "asymmetry of the JIESC's interpretation" would potentially allow an aggregating customer to increase capacity at one plant and have that plant's CBL revised (if outside the 5 percent or 10 GWh threshold) and reduce consumption at another plant (within the 10 percent deadband of the aggregated CBL). BC Hydro noted that section 5.1.2 of the CBL Guidelines allows customers to make new aggregations, disaggregate or to revise any existing aggregations by giving six month prior notice to BC Hydro. BC Hydro also indicated that it is prepared to extend the deadline for CBL aggregations until March 1, 2006.

Commission Determinations

With the exception of the aggregation issue related to the CBL Guidelines, no party opposes approval of BC Hydro's TSOM Application. However, the Commission notes that several of the proposed changes were discussed in the Negotiated Settlement Agreement and parties agreed that they would be addressed in BC Hydro's next general rate design application. Therefore while the Commission determines that the proposed modifications should be approved, BC Hydro should discuss the changes in its next rate design application so that parties that wish to take issue with any of the changes may raise them during the review of the rate design application.

The main issue raised in relation to the Application concerns the appropriate threshold for triggering a revision to the CBL of a Transmission Service Rate customer that chooses to aggregate the load from several plants. Both BC Hydro and the JIESC point to wording that, in their view, clearly supports their position. On this issue, the Commission accepts BC Hydro's interpretation of the Guidelines.

The Commission acknowledges that the wording in the CBL Guidelines is somewhat ambiguous on the issue of CBL revisions caused by an increase of plant capacity in aggregated plants. In the Commission's view, section 5.2.3, in conjunction with section 5.2.2 suggests that the threshold may apply to the aggregated energy CBL. This interpretation is based on the wording of the CBL Guidelines as approved following the Negotiated Settlement Process. However, this view does not represent a finding as to the merits of whether the threshold percentage should apply to the energy consumption at the affected plant or to the consumption of the aggregated plants. In the Commission's view, the dispute resolution procedure outlined in section 6.2 of the CBL Guidelines provides a means of reviewing the merits of an issue such as the one raised by the JIESC, if the parties are unable to resolve it themselves.

Section 6.2 establishes a dispute resolution process that will assist in the future interpretation of the Guidelines. As section 6.2.2 states, "This process recognizes that BC Hydro cannot anticipate precisely all adjustments that may be justifiable within the principles of the tariff." Under section 6.2, BC Hydro will file CBL determinations with the Commission for approval. In situations where BC Hydro and the customer disagree on BC Hydro's determination of the CBL under the Guidelines, each party can file its proposed CBL with the Commission. The Commission will then determine the final CBL after whatever process it establishes to review the dispute. If the Commission accepts an adjustment not previously accepted in the tariff, BC Hydro will amend the tariff practice to accommodate similar adjustments in the future.

The Commission concludes that two factors support approval of the TSOM Application. First, the CBL Guidelines filed with the TSOM Application are, with the exception of some changes to the time periods related to the TOU Rate, the same as those contained in the Negotiated Settlement Agreement and approved by Order No. G-79-05. Second, section 6.2 discussed above contains a mechanism for settling disputes such as the one the JIESC has raised. Therefore, the Commission is persuaded that approving the Application is in the public interest. If any party, after having worked with the CBL Guidelines for some time, believes that the wording should be revised, it may raise the issue in BC Hydro's next rate design hearing.

