



ORDER NUMBER

G-315-20

IN THE MATTER OF

the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Catalyst Paper Corporation
Request to Reduce Rate Schedule 1893 Baselines

BEFORE:

B. A. Magnan, Commissioner

on December 4, 2020

ORDER

WHEREAS:

- A. On May 21, 2020, pursuant to sections 58 to 61 and 90 of the *Utilities Commission Act* (UCA) and section 15 of the *Administrative Tribunals Act*, Catalyst Paper Corporation (Catalyst) filed with the British Columbia Utilities Commission (BCUC) a request to reduce Rate Schedule (RS) 1893 Baselines at Catalyst (Application);
- B. In the Application, Catalyst seeks BCUC approval for adjustments to British Columbia Hydro and Power Authority (BC Hydro) RS 1893 customer High Load Hours (HLH) baselines, Low Load Hours (LLH) baselines and Monthly Reference Demand (Demand) (collectively, RS 1893 Baselines) at Crofton and Port Alberni sites for the June to August 2020 billing periods;
- C. Catalyst submits that the COVID-19 pandemic has caused a reduction in demand for pulp and paper, and as a result, Catalyst has had to curtail production at its facilities resulting in much lower electricity consumption than its HLH and LLH baselines. An interim adjustment to its RS 1893 Baselines and Demand would allow it adequate time to realize new market opportunities;
- D. Pursuant to the Tariff Supplement No. 74 (TS 74) Customer Baseline Load (CBL) Determination Guidelines and RS 1893, all CBLs and RS 1893 Baselines are subject to final approval by the BCUC;
- E. By Order G-129-20A dated June 10, 2020, the BCUC approved adjustments to Catalyst's HLH baselines, LLH baselines and Demand on an interim and refundable basis and established a regulatory timetable for review of the Application;
- F. By Order G-152-20 dated June 12, 2020, the BCUC amended the regulatory timetable to allow for intervenor registration, one round of BCUC information requests (IRs) and further process to be determined;
- G. By July 15, 2020, BC Hydro and the British Columbia Sustainable Energy Association (BCSEA) registered as interveners;

- H. By Order G-160-20 dated June 18, 2020, the BCUC amended the regulatory timetable to allow for intervenor written submissions on Catalyst's June 12, 2020 request to amend the regulatory timetable as set out in Appendix A to Order G-152-20;
- I. By Order G-207-20 dated July 31, 2020, the BCUC amended the regulatory timetable to allow for the submission of intervenor evidence, one round of IRs on evidence and further process to be determined;
- J. On August 28, 2020, Catalyst filed and the BCUC granted an extension request to its original Application, to include RS 1893 Baselines adjustments for September, October and November 2020;
- K. By Order G-228-20 dated September 3, 2020, the BCUC amended the regulatory timetable to allow for the submission of Catalyst's rebuttal evidence, one round of IRs on rebuttal evidence and final arguments;
- L. By Order G-240-20 dated September 22, 2020, the BCUC amended the regulatory timetable to allow for an extension in the submission of IRs on rebuttal evidence and final arguments;
- M. On October 9, 2020, Catalyst filed its final argument. BCSEA and BC Hydro filed their respective final arguments on October 20, 2020;
- N. On October 27, 2020, Catalyst filed its reply argument which included an extension request to its Application to allow for RS 1893 Baselines adjustments until the end of March 2021; and
- O. The BCUC has reviewed the Application, evidence and arguments in the proceeding and makes the following determinations.

NOW THEREFORE pursuant to sections 58 to 61 and 90 of the UCA, the BCUC orders as follows:

1. The Application for adjustment to Catalyst's RS 1893 Baselines is denied.
2. BC Hydro will retroactively adjust Catalyst's monthly billing statements for the interim approval period to reflect the original RS 1893 Baselines.

DATED at the City of Vancouver, in the Province of British Columbia, this 4th day of December 2020.

BY ORDER

Original Signed By:

B. A. Magnan
Commissioner

Attachment

Catalyst Paper Corporation
Request to Reduce Rate Schedule 1893 Baselines

REASONS FOR DECISION

1.0 Introduction

1.1 Application and Approval Sought

On May 21, 2020, pursuant to sections 58 to 61, 89 and 90 of the *Utilities Commission Act* (UCA), Catalyst Paper Corporation (Catalyst) filed with the British Columbia Utilities Commission (BCUC) a request to reduce Rate Schedule (RS) 1893 baselines at Catalyst's Crofton and Port Alberni sites (Application).¹

Specifically, Catalyst seeks BCUC approval for adjustments to British Columbia Hydro and Power Authority (BC Hydro) RS 1893 customer High Load Hours (HLH) baselines, Low Load Hours (LLH) baselines and Monthly Reference Demand (Demand) (collectively, RS 1893 Baselines) at Crofton and Port Alberni sites (Sites) for the June 2020 to August 2020 billing periods. Subsequently, during the course of the proceeding Catalyst also filed alternative RS 1893 Baselines from September 2020 to March 2021 for approval.

1.2 Background

Catalyst is classified by BC Hydro as a Transmission Service Rate (TSR) customer and is currently receiving service under both RS 1823B, the stepped rate, and RS 1893, the Incremental Energy Rate (IER). The IER is a BC Hydro pilot program which was approved by the BCUC by Order G-300-19. The pilot is approved to operate between January 1, 2020 and March 31, 2024. The intent of the IER is to encourage the incremental use of energy above a transmission customer's RS 1823 baseline load. RS 1893 Baselines are typically determined by BC Hydro using 12 months of historical consumption data.² Catalyst is a registered participant in the IER pilot program and, as such, RS 1893 Baselines were initially determined for its Sites based on the definitions and conditions of the rate schedule.

Catalyst states that in early 2020, as the economic effects of the pandemic expanded, "COVID-19 has had a dramatic impact on the global demand for the paper grades Catalyst Paper produces at its sites at Crofton, Port Alberni and Powell River. This has resulted in extensive production curtailments at these sites and an accompanying reduction in load as evidenced by the reduced purchases from BC Hydro in the April 2020 period."³

In response to reduction in load, Catalyst applied to BC Hydro "for annual (F2021) adjustment to each of its 12 monthly RS 1893 baselines for its Crofton and Port Alberni mills on May 7, 2020."⁴ BC Hydro submits that the intent of Catalyst's request was to use the IER to restart shutdown operations as market conditions allow, with

¹ Exhibit B-1, p. 1.

² BC Hydro Electric Tariff, RS 1893, p. 5-39.

³ Exhibit B-1, p. 1.

⁴ Exhibit C1-2-1, p. 3.

an eventual return to their normal historic consumption.⁵ BC Hydro advised Catalyst that its initial request was complex, and that a tariff and engineering review would likely take a significant amount of time to complete.⁶

Upon receipt of Catalyst's request, BC Hydro advised that it could not provide certainty to the timing or probable outcome of the review.⁷ Due to the urgency of its situation, on May 21, 2020, Catalyst filed its Application with the BCUC for alternative RS 1893 Baselines for the period of June 2020 to August 2020. Once becoming aware of the Application, BC Hydro did not further the tariff and engineering analysis for Catalyst, pending an outcome of the subject proceeding.

1.3 Regulatory Process

By Order G-129-20A, dated May 29, 2020, the BCUC established a regulatory timetable for review of the Application, which included a public comment period, one round of information requests (IR) and submissions on further process. Further, Order G-129-20A approved Catalyst's request for adjustments to its RS 1893 Baselines between June and August 2020 on an interim and fully refundable basis, pending final determination by the BCUC.

On June 9, 2020, the BCUC received comments from BC Hydro, indicating that it had pertinent evidence it wished to file. As a result, the regulatory timetable was amended to include intervenor registration, intervenor comments on the regulatory timetable and one round of intervenor IRs.⁸ Two parties registered as intervenors in the proceeding: BC Hydro and the British Columbia Sustainable Energy Association (BCSEA). The BCUC did not receive any intervenor comments with respect to the regulatory timetable.

Following Catalyst's response to BCUC and BCSEA IR No. 1 on July 23, 2020, the regulatory timetable was further amended to include the filing of intervenor evidence and one round of IRs on intervenor evidence.⁹ On August 11, 2020, BC Hydro filed evidence for the proceeding with the BCUC.

On August 20, 2020, Catalyst submitted an extension request for adjustment of its RS 1893 Baselines effective September 1, 2020 to November 30, 2020. In response to the extension request, the BCUC amended the regulatory timetable to include the submission of rebuttal evidence from Catalyst, one round of IRs on the rebuttal evidence, final arguments from Catalyst and intervenors, and a reply argument from Catalyst.¹⁰ In addition, the BCUC approved Catalyst's extension request on an interim and refundable basis pending final determination by the BCUC. The BCUC did not receive or issue any IRs with respect to Catalyst's rebuttal evidence.

On October 27, 2020, Catalyst's filed its reply argument, which included a second extension request for alternative baselines to March 31, 2021.

2.0 Catalyst's Request for Alternative RS 1893 Baselines

On May 21, 2020, Catalyst filed its Application with the BCUC for alternative RS 1893 Baselines due to the economic impact of the COVID-19 pandemic on its Sites. Catalyst submits that the alternative RS 1893 Baselines

⁵ Exhibit C1-2-1, p. 3.

⁶ Exhibit C-1-2-1, p. 3.

⁷ Exhibit C-1-2-1, p. 3.

⁸ BCUC Order G-152-20.

⁹ BCUC Order G-207-20.

¹⁰ BCUC Order G-228-20.

could potentially allow for additional orders and increased operating hours.¹¹ The Application was originally made for a 3-month period between June 2020 and August 2020 based on the urgency of the situation in which Catalyst experienced extensive curtailments at its Sites resulting from a drop-off in demand for paper grades.

Due to the length of the regulatory proceeding, Catalyst requested a first extension of the RS 1893 Baselines to the end of November 2020 and a second extension to the end of March 2021.¹² Catalyst submits the second extension request was meant to “provide [them] with an opportunity for [them] to work through the traditional baseline review process as per the TS74 guidelines with BC Hydro while maintaining energy cost stability for the sites in question.”¹³

2.1 Prospective RS 1893 Baselines and Tariff Supplement No. 74

Catalyst states that the alternative RS 1893 Baselines as requested in the Application were formulated based upon Catalyst’s April 2020 billing month consumption. Although Tariff Supplement No. 74 (TS 74) does not explicitly contemplate baseline determination based on prospective consumption data, Catalyst submits that April 2020 consumption is an appropriate proxy which could reasonably reflect the post-pandemic reduction in energy demand.¹⁴

Catalyst accepts that using historical consumption data over a reasonable period, usually defined as 12 months as stipulated by both RS 1893 and TS 74, is a robust approach for accurately determining a new baseline. However, Catalyst asserts that the impact of COVID-19 on paper markets has been extraordinary in both scale and speed and it has neither the luxury of time nor certainty that the markets will return to normal.

During the initial interim approval period, Catalyst submits it has been able to demonstrate several months of pandemic operation and contends that the use of a single month of data as proxy for its RS 1893 Baselines adjustments can adequately inform the RS 1893 Baselines determination and has done so during the course of the proceeding. Additionally, Catalyst views the Application as an opportunity to potentially secure market share that would otherwise be lost to other jurisdictions if it must wait for the typical 12 months of operating data as per RS 1893 and TS 74.¹⁵

Intervener Submissions

BC Hydro

BC Hydro disagrees with Catalyst’s use of a single month to represent post-pandemic demand, as RS 1893 Baselines are typically determined on a retrospective basis using historic data. Neither RS 1893 nor TS 74 contemplate making baseline adjustments on a prospective basis using a single month of electricity consumption data.¹⁶

BC Hydro submits that customer Baseline Loads (CBL), which are used to determine the pricing tier under which electricity consumption is billed under RS 1893B, are determined annually based on retrospective data according to the principles and criteria as set out in TS 74. RS 1893 energy is considered energy incremental to the RS 1823 CBL, where the RS 1893 baselines are set also based on historical consumption. BC Hydro submits that approval

¹¹ Exhibit B-1, p. 2.

¹² Exhibit B-5, p. 1.

¹³ Catalyst Reply Argument, p. 2.

¹⁴ Exhibit B-3, p. 1.

¹⁵ Catalyst Final Argument, p. 1.

¹⁶ Exhibit C1-2-1, p. 3.

of the Application would result in baseline harmonization challenges between RS 1893 and RS 1823 when the principles and criteria of TS 74 are applied to a shut-down plant seeking an opportunity for economic restart.¹⁷

BC Hydro states that the intent of the IER is to encourage additional energy use above normal historic levels and “was not expressly designed to enable economic restart for facilities that have been temporarily shut down and wish to return to ‘normal’ levels of operation on a short-term or ad-hoc basis.”¹⁸

BCSEA

BCSEA states that it registered as an intervener in the proceeding because it was an active intervener in the BCUC’s IER Pilot proceeding. BCSEA submits that although it is sympathetic to Catalyst’s situation, its focus is not specifically on Catalyst, but the implications of the Application on the IER.

BCSEA states that it “takes no position on whether the Commission should give final approval to adjusted RS 1893 energy baselines and reference demand for Catalyst’s two sites in question.”¹⁹ BCSEA is concerned that any mechanism that is intended to alleviate a TSR customer’s loss of load due to the COVID-19 pandemic should be designed bearing in mind the likelihood that there will not be an easily-identifiable time when the economic impact of the pandemic is over.²⁰

2.2 RS 1893 Price Risk

Catalyst states that while the BCUC provided approval on an interim and refundable basis, during the interim approval period of June 2020 to August 2020, it was not able to secure additional orders on the basis of the alternative RS 1893 Baselines due to the uncertainty of the rates that would result from the BCUC’s final determination. During the interim approval period, Catalyst continued to evaluate and accept orders based on its RS 1823 rates, but it was able to demonstrate a positive impact on its energy billing resulting from the alternative RS 1823 Baselines.²¹

Catalyst submits that an adjustment to its RS 1893 Baselines is not completely risk-free due to both the floating market price component of the RS 1893 rate and Special Condition 11 (SC 11), under RS 1893. The RS 1893 rates are based on peak and off-peak weighted average prices at the Intercontinental Exchange Mid-Columbia hub, which are published on a daily basis. Furthermore, SC 11 has the effect of pricing 50 percent of the volume of energy at RS 1893 rates and the remaining 50 percent at RS 1823 rates if the customer’s Monthly Reference Demand is exceeded in a given billing period. Catalyst concedes that it is prone to triggering SC 11 at its Crofton Site due to the electrically intensive nature of restarting the production of Thermo Mechanical Pulp and appreciates the price risk resulting from approval of the Application.²²

Intervener Submissions

BC Hydro agrees with Catalyst’s interpretation of SC 11 in which a price risk to Catalyst would result if the Application is approved.

In order to address the resulting harmonization challenge between RS 1893 Baselines and TS 74 CBLs, BC Hydro proposes moving Catalyst’s Sites from RS 1823B, the stepped rate, to RS 1823A, the blended rate, which would

¹⁷ Exhibit C1-2-1, pp. 1-2.

¹⁸ Exhibit C1-2-1, pp. 2-3.

¹⁹ BCSEA Final Argument, p. 2.

²⁰ BCSEA Final Argument, p. 3.

²¹ Exhibit B-6, p. 2.

²² Exhibit B-3, p. 4.

be a fair and pragmatic solution and in accordance with a facility shutdown under TS 74.²³ BC Hydro submits this is one possible alternative that would allow new baselines to be determined using 12 months of historical operating data in accordance with the principle of RS 1893 and TS 74.²⁴

Catalyst Reply Submission

In its reply, Catalyst cites the evidence it provided which demonstrates that RS 1823B Tier 1 rates are more expensive than all other hydroelectric jurisdictions in Canada, where most of its competition resides and a move to a blended rate would result in an even higher and uncompetitive rate for Catalyst.²⁵ Catalyst views such a move would jeopardize the competitiveness of its production capacity operating below the requested RS 1893 Baselines and could potentially drive a reduction in energy purchases.²⁶

Catalyst rejects BC Hydro's proposal of a transfer of its Sites to RS 1823A and considers it "neither fair nor pragmatic" due to the potential increased energy costs that could result. Alternatively, Catalyst requests an extension to its alternative baselines to March 2021 in order to provide them with the opportunity to accumulate the typical 12-month operating data for the traditional baseline review process as per TS 74, while maintaining energy cost stability for its Sites.²⁷

2.3 Ratepayer Impact

Catalyst states that as a single customer it has neither the data nor the modeling to be able to quantify the potential ratepayer impact of its Application.²⁸

Intervener Submissions

BC Hydro states that based on the early status of the IER pilot and the small amount of operating information it has gathered from Catalyst, it does not have sufficient data to conclusively determine the ratepayer impact of the Application.²⁹

3.0 Panel Determination

The Panel denies Catalyst's request for approval of the requested alternative RS 1893 Baselines.

The Panel finds that Catalyst's requested adjustment to RS 1893 Baselines is not in accordance with the principles and criteria of RS 1893 and the IER pilot program. The Panel is cognizant of the challenges faced by Catalyst as a result of the COVID-19 pandemic and its incentive to seek rate relief. However, the IER pilot was designed to incentivize TSR customers to consume energy above their historic baselines³⁰ and the principles and criteria of the IER pilot do not support Catalyst's intended use of RS 1893 for economic restart of its Sites. While Catalyst acknowledges the increased price risk to which it would be subject to due to SC 11 of RS 1893, the Panel is of the view that consistent triggering of this clause would indicate the inappropriateness of the new baselines. Furthermore, SC 11 was incorporated into RS 1893 with the purpose of mitigating the risk of unintended use of

²³ Exhibit C1-2-1, p. 2.

²⁴ Exhibit C1-3, pp. 10-11.

²⁵ Catalyst Final Argument, p. 2.

²⁶ Catalyst Final Argument, p. 2.

²⁷ Catalyst Final Reply, p. 2.

²⁸ Catalyst Final Argument, p. 2.

²⁹ Exhibit C1-3, p. 26.

³⁰ BC Hydro Final Argument, p. 4; Order G-256-20, p. 5.

incremental energy.³¹ In the case where a TSR customer disagrees with their RS 1893 Baselines, the Panel notes that Special Conditions 8, 9 and 10 of RS 1893 provide a reasonable avenue for adjustment of their baselines. TS 74 provides alternatives to address a change in TSR customers operational status, such as a shut-down due to market curtailment. However based on the evidence presented, the Panel notes that the options within the limitations of TS 74 may result in an energy rate that may impose even harsher economic conditions on Catalyst and that Catalyst has not produced any other viable alternatives in accordance with the principles and criteria of RS 1893 and TS 74 that would allow for the approval of the alternative RS 1893 Baselines as presented in the Application.

The Panel finds that the use of a single month of data to inform the adjustment to RS 1893 Baselines is not in accordance with the principles and criteria of RS 1893 and TS 74. Due to the novelty of the COVID-19 pandemic and its economic impact, the Panel recognizes the difficulty in determining alternative RS 1893 baselines. Both RS 1893 and TS 74 specify the use of one year of retrospective historical electricity consumption data in order to inform the determination of baselines and do not specifically contemplate the use of prospective baselines based on a single month of data.³² As such, it is difficult for the Panel to confirm if the proposed RS 1893 Baselines up to the requested March 2021 extension are reasonable without a prior tariff and engineering review by BC Hydro. The Panel encourages BC Hydro to work with Catalyst, with consideration of its current and historic operating states, to place it on an appropriate rate schedule consistent with the Electric Tariff and TS 74.

The Panel finds that there is no persuasive evidence to determine the ratepayer impact of the Application. During the course of the proceeding, no participant was able to provide adequate evidence in order to form a determination on ratepayer impact of the Application. Evidence was submitted by BC Hydro detailing hypothetical rate impacts based on several potential scenarios; however, a conclusion could not be reached due to the lack of historical data from the IER program which is still in the first year of its four year pilot.³³ Additionally, due to the prospective basis of the requested RS 1893 Baselines and the question surrounding its appropriateness, the Panel notes it is difficult for the parties to forecast how Catalyst may purchase energy during the approval period and what impact that would have on ratepayers. The Panel considers that the historical basis for the determination of RS 1893 Baselines, in accordance with RS 1893 and TS 74, will provide greater ratepayer certainty consistent with the design of the tariff.

³¹ Exhibit C1-4, p. 6.

³² Exhibit C1-2-1, p. 3.

³³ Exhibit C1-3, p. 36.