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1.1 Introduction

In Order No. G-79-05 the British Columbia Utilities Commission (the “Commission”) approved the Negotiated Settlement (the “Transmission Settlement”) dated June 15, 2005 with respect to BC Hydro’s March 10, 2005 Transmission Service Rate Application. The Transmission Settlement includes Customer Baseline Load (CBL) Guidelines (the “CBL Determination Guidelines”) that describe the criteria and procedures that guide BC Hydro in the determination of the CBL for each customer plant taking electricity service under the Stepped Rate (RS 1823) or the Transmission Time-of-Use (TOU) Service (RS 1825).

On December 22, 2005, BC Hydro applied to the Commission for approval of BC Hydro’s proposals respecting outstanding matters from the Transmission Settlement, including amendments to the CBL Determination Guidelines (the “TSOM Application”) in respect of changes to the TOU Service. In Order No. G-19-06 the Commission approved that application as filed.

In accordance with the terms of Order No. G-79-05, the new Stepped Rate and optional TOU Rate will come into effect on the first day of the Billing Period which commences nearest to April 1, 2006.

In this application (the “CBL Application”) BC Hydro seeks Commission approval of the CBLs for each BC Hydro customer account that will be served on RS 1823.

A customer that chooses to take service under RS 1825 requires four CBLs, which are described in the TSOM Application. This CBL Application does not seek approval of any CBLs respecting the TOU Rate because no customer has requested service under RS 1825.

The CBL Application includes four appendices as follows:

- **Appendix A** provides a blank of the form “Stepped Rate/Time-Of-Use Rate - Customer Baseline Load (CBL) Adjustment Request Form”, which is discussed in section 4.1, below.

- **Appendix B** is confidential and contains the data BC Hydro used to calculate each customer’s CBL for which BC Hydro is seeking Commission approval.

- **Appendix C** is confidential and explains the adjustments BC Hydro made to individual customer CBLs.

- **Appendix D** contains the customer contact list for all customers requiring a CBL.
The confidentiality issues with respect to customer information are discussed in section 1.3, below.

### 1.2 Application

BC Hydro hereby applies pursuant to sections 58 to 61 of the *Utilities Commission Act* ("Act") for approval of the CBLs for each BC Hydro customer account that will be served on RS 1823.

BC Hydro is still reviewing some adjustment requests, most of which relate to customers who had DSM projects or plant capacity increases that came into service in 2005. An adjustment request for a DSM project or plant capacity change requires a technical review by BC Hydro staff to verify the energy savings achieved by the DSM project or the consumption change. Due to the time required to perform each review, not all reviews have been completed. These customers are identified in the column titled “Verification of Energy Savings and Capacity Changes - Section 6.1 Ongoing” in Appendix B to this CBL Application. The title refers to section 6.1 of the CBL Determination Guidelines, which sets out the process for verification of energy savings and capacity changes. BC Hydro will file these CBLs with the Commission by May 31, 2006.

In BC Hydro’s view CBLs need to be approved by the Commission prior to customers taking service under these rates, which come into effect on the first day of the Billing Period which commences nearest to April 1, 2006. Therefore, BC Hydro requests an order from the Commission pursuant to section 90 of the Act approving on an interim basis effective March 21, 2006 the CBLs in the column titled “CBL for Interim Approval” in Appendix B. The interim order will allow BC Hydro to finalise the CBLs that are still undergoing section 6.1 verification, allow customers to review the CBL that BC Hydro has proposed for them and file any disputes, and allow BC Hydro to begin billing on RS 1823 on the effective date. As this is the first determination of CBLs, BC Hydro anticipates that there will be several customers who will raise disputes about their CBLs with the Commission.

When the Commission approves the final CBLs, BC Hydro will make any necessary billing adjustments, as is contemplated in section 6.2.3 of the CBL Determination Guidelines.
1.3 Proposed Review Process

The CBL Application includes the 2005 electricity consumption data for BC Hydro’s transmission service rate customers and also includes information about plant capacity increases and downsizings, restarts, and Force Majeure events for specific customers. Most customers consider this information to be confidential because competitors could use it to estimate the customer’s production level as well as productivity. BC Hydro consistently treats this information as confidential.

To maintain the confidentiality of this information, BC Hydro is filing the complete versions of Appendices B and C to this CBL Application with the Commission and requests the Commission keep this information in confidence. In BC Hydro’s view the Commission has the power to receive and keep documentary evidence in confidence pursuant to section 42 of the Administrative Tribunals Act.

BC Hydro will distribute copies of the CBL Application to customers that will be served on RS 1823, but they will be provided with only the information in Appendices B and C that relates solely to their CBL and not the information that relates to other customers’ CBLs. BC Hydro will also distribute copies of the CBL Application to the other Transmission Settlement parties, but they will not be provided with any of the CBL information in Appendices B or C.

BC Hydro will file with the Commission by May 31, 2006 the CBLs for customers that are identified in the column titled “Verification of Energy Savings and Capacity Changes - Section 6.1 Ongoing” in Appendix B, as discussed above.

In BC Hydro’s view the Commission has broad discretion regarding the procedure for review of an application. In light of the confidentiality concerns identified above, BC Hydro has some suggestions as to how the Commission might review the CBL Application.

After May 31, 2006 the Commission could request that customers confirm in writing whether they agree with or dispute the CBL that BC Hydro has proposed for them. Customers could also confirm their confidentiality concerns at that time. BC Hydro suggests that the Commission could deal with disputes through a written process as follows:

- one round of information requests from the Commission and disputing customers to BC Hydro;
disputing customers file written submissions that explain their requested adjustments and the
factual context for them;

- one round of information requests from the Commission and BC Hydro to disputing
customers;

- disputing customers file written argument; and

- BC Hydro replies.

The responses to information requests and submissions would likely include confidential
customer information, and could be filed with the Commission in confidence.

BC Hydro notes that the last sentence of section 6.2.2 of the CBL Determination Guidelines
provides for the possibility of prorating CBLs if the sum of the adjusted CBLs exceeds the
reasonably anticipated consumption of the Stepped and TOU Rate customers. In light of this
provision, BC Hydro respectfully suggests that the Commission grant final approval of all CBLs
in a single order, rather than approving the undisputed CBLs separately from the disputed ones.

1.4 CBL Development Process

1.4.1 Initial CBLs

In preparation for the introduction of the Stepped and TOU Rates, BC Hydro hosted five
regional workshops in British Columbia and one in Calgary for customers headquartered in
Alberta. BC Hydro’s Key Account Managers had face-to-face meetings with each customer, as
well as meetings with the Joint Industry Electricity Steering Committee in October, November
and December 2005 and January, February and March 2006.

Initial CBLs were determined on the basis of the customer’s energy consumption for the twelve
Billing Periods of calendar 2005. This initial step is set out in section 3.1.2 of the CBL
Determination Guidelines and these initial CBLs are shown in Appendix B in the column titled
“2005 RS 1821 Billing Data”.

The next step was to adjust the initial CBLs, if necessary, in accordance with sections 3.1.3 and
3.1.4 of the CBL Determination Guidelines. In addition, the CBL Determination Guidelines
expressly recognise that they may not capture all adjustments that may be justifiable within the
principles of the tariff. Section 6.2.2 allows a customer to propose adjustments other than those
that are defined in section 3.1.
The process for determining the adjustments began with a BC Hydro request to customers that they complete and return a form titled “Stepped Rate/Time-of Use Rate – Customer Baseline Load (CBL) Adjustment Request Form”, a copy of which is included in Appendix A. BC Hydro’s Key Account Managers also met with customers to discuss their adjustment requests.

The CBL adjustments that BC Hydro made for all customers pursuant to sections 3.1.3, 3.1.4 and 6.2.2 are shown in tabular form in Appendix B, and are described in general terms below. The specific adjustments that BC Hydro made to specific customer CBLs are described in Appendix C.

In preparation for the development of CBL’s, it appears that there are five customers for which it is not appropriate to establish a CBL. One of these customers is a new operation, three are operations that have expanded to a point where estimating a CBL per section 6.1.2 is not practical and the last customer is, after being shut down for a number of years, in the process of restarting. BC Hydro submits that these customers be billed at the RS 1823 Energy Charge A for 12 Billing Periods from the time the new plant or plant expansion begins production. Then, based on the 12 months of history, the CBL will be calculated and submitted to the BCUC for approval.

1.4.2 Section 3.1 Adjustments

The adjustments under sections 3.1.3 and 3.1.4 fall into one of the following five categories (the references in parentheses are to the CBL Determination Guidelines):

- Customer Buy-Back of a BC Hydro DSM Project Incentives (section 3.1.4.3);
- Force Majeure (section 3.1.3);
- Plant Capacity Increases (section 3.1.4.4);
- BC Hydro funded DSM Project (section 3.1.4.1); and
- Customer funded DSM Projects (section 3.1.4.2).

These adjustments were made consistent with the provisions of section 3.1 of the CBL Determination Guidelines.

1.4.3 Section 6.2.2 Adjustments

BC Hydro discussed the adjustments proposed by specific customers pursuant to section 6.2.2 with them and considered whether the proposed adjustment is justifiable within the principles of
the tariff. The adjustments that BC Hydro made pursuant to section 6.2.2 fall into one of the following five categories:

**Load Curtailment Events**

BC Hydro held three load curtailments calls during 2005 and two customers participated. Both customers stated they did not subsequently make up the production that was lost during the curtailments. BC Hydro adjusted these customers’ CBLs for these events by adding back the curtailed energy amount.

**Plant Downsizing with new Electricity Supply Agreement (ESA)**

During 2005 three customers significantly reduced the operations of their plants and gave written notice to have the Contract Demand in their respective ESA lowered. Also, two customers gave written notice to have the Contract Demand in their respective ESAs lowered. Based on these requests to have the Contract Demand lowered, BC Hydro adjusted these customers’ CBLs to reflect the new operating level.

**Plant Restarts**

There were three RS 1821 customers that shutdown their plants for several years and began operating them again part way through 2005. These restarts were driven by strong commodity markets.

To develop a CBL for these three plants, BC Hydro prorated up a portion of their calendar 2005 energy consumption. The months used for this prorating were when the plants appeared to be operating at a stable level.

**Variable Output Generation**

The electricity supply for the mill at Powell River is in part obtained from hydroelectric generating stations at Powell Lake and Lois Lake. This customer has provided extensive history to BC Hydro that shows the water inflows to these reservoirs were higher in 2005 than the historical average. BC Hydro will adjust, on completion of the review, the CBL so that it is reflective of the customer’s purchase of electricity during an average water year. BC Hydro will not re-adjust this customer’s CBL in the future in respect of its hydroelectric generation supply.

**Significant Non-Annual Recurring Downtime in 2005**
Two customers took extended maintenance downtime in 2005, which reduced their annual energy consumption by more than 10 GWh each. These customers take maintenance downtime each year; however, they took extended downtime in 2005 for maintenance that does not occur every year but does reoccur on a pre-determined schedule. One of the customers takes this extended downtime every two years and the other takes it every five years.

In BC Hydro’s view it is consistent with the principles of the CBL Determination Guidelines to adjust a customer’s CBL if the customer had significant non-annual recurring downtime in the period used to determine the customer’s initial CBL. BC Hydro used the thresholds in section 4.1.2.2 of the CBL Determination Guidelines to determine whether customers with such downtime in 2005 should have their initial CBLs adjusted. Section 4.1.2.2 provides for CBL adjustment for a plant capacity increase that has resulted in a verified increase in the annual energy consumption by the customer’s plant of at least 5% over the pre-project CBL or 10 GWh, whichever is less.

Two customers met the thresholds, and BC Hydro will, upon completion of the review, adjust their CBLs up by the amount of their respective curtailment. Once the Stepped and TOU Rates are in effect, BC Hydro will only adjust CBLs in respect of non-annual recurring downtime for new customers.

If the Commission accepts the section 6.2.2 adjustments, BC Hydro will amend the tariff practice to accommodate similar adjustments in the future.

BC Hydro did not include all of the requests for adjustments it received from customers pursuant to section 6.2.2 because some of them were inconsistent with BC Hydro’s overall rate design principles. BC Hydro will be informing each customer the week of March 20, 2006 of the status of their CBL adjustment request.

BC Hydro does not know the current position of the customers who requested CBL adjustments that BC Hydro did not include. BC Hydro believes that customers who wish to pursue their adjustments should raise a dispute about their CBL to the Commission as contemplated in sections 6.2.2 and 6.2.3 of the CBL Determination Guidelines. BC Hydro expects that a number of customers will dispute the CBL that BC Hydro seeks approval of in Appendix B. A proposed process to review the disputes is set out above.
Complete & Return by December 31, 2005

Attention: Janice Triffon
Fax: (604) 453-6285
E-mail: Janice.Triffon@bchydro.com

Stepped Rate / Time-of-Use Rate - Customer Baseline Load (CBL) Adjustment Request Form

The proposed CBL is based on the 12-month electricity consumption for calendar 2005 and is intended to represent the future energy consumption that is expected in the absence of the Stepped rate or Time of Use (TOU) rate.

Company: 

Facility Name: 

BC Hydro Account Number: 

Date: 

<table>
<thead>
<tr>
<th>Start Period of Adjustment</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Year:</td>
<td>Month:</td>
</tr>
<tr>
<td>End Period of Adjustment</td>
<td></td>
</tr>
<tr>
<td>Year:</td>
<td>Month:</td>
</tr>
</tbody>
</table>

The following is a list of adjustments BC Hydro supports:

- Force Majeure Event (e.g. Labour Dispute/Lockout/Strike) [ ]
- Power Smart Project – BCH Funded – Buyback [ ]
  Incentive/Consultative File Number: ______________
- Power Smart Project – Customer Funded [ ]
- Significant Capital Plant Expansions [ ]
- Other [ ]

Please check (✓) the adjustment that is being requested and also provide any additional information to further describe the adjustment. Use a separate form for each adjustment request.

BC Hydro Use: Acct#: _________________ / CBL# _________ / Adj# __________