



BC Hydro Electricity Rate Increases

Overview

The Association of Major Power Customers (AMPC) is a registered not-for-profit society whose members are major industrial electricity consumers in BC. AMPC’s membership includes the Pulp and Paper, Solid Wood/Other Wood Products, Mining, Electrochemical and Petrochemical sectors. Electricity purchases by AMPC members represent approximately 20% of BC Hydro’s load.

AMPC is very concerned about increases to BC Hydro electricity rates. So far BC Hydro has not made any announcements about future rates increases; however these are expected to be rolled-out as part of BC Hydro’s upcoming Revenue Requirement Application next spring. Indications are that rates will increase significantly. Below is a summary of the signs pointing to increases to BC Hydro’s electricity rates.

Facts

BC Hydro Service Plan indicates that BC Hydro Electricity Rates will be going up

In early 2013, BC Hydro issued its [Service Plan for fiscal years 2013/14–2015/16](#). The Service Plan is a requirement of the Budget Transparency and Accountability Act and the B.C. Reporting Principles and is developed to be consistent with the Government’s strategic priorities and fiscal plan. The financial projections contained in the Service Plan indicate electricity rates will increase over the next 3 years.

BC Hydro’s financial projections show that Domestic Revenues will increase 30% whereas Domestic Sales will only increase 6% from F2011 to F2016. This indicates that rates must increase significantly over the period since domestic revenues are increasing at 5 times the domestic sales volumes.

		F2011	F2012	F2013	F2014	F2015	F2016
Domestic Revenue	\$ Million	\$ 3,438	\$ 3,692	\$ 3,971	\$ 4,214	\$ 4,729	\$ 5,147
Domestic Sales	GWh	50,607 GWh	51,487 GWh	51,515 GWh	52,701 GWh	53,024 GWh	54,643 GWh
revenue/sales ratio	\$/MWh	\$ 68	\$ 72	\$ 77	\$ 80	\$ 89	\$ 94
	index	100	106	113	118	131	139

Source: [Catalyst Paper submission to the Industrial Electricity Policy Review \(March 27, 2013\)](#)

Increase in the cost of BC Hydro's Northwest Transmission Line will have rate impacts

The Northwest Transmission Line (NTL) is an approximately 344-kilometre, 287 kilovolt transmission line between Skeena Substation (near Terrace) and a new substation to be built near Bob Quinn Lake. The Northwest Transmission Line (NTL) Project is designed to provide an interconnection point for future industrial development and clean power projects in Northwest B.C.

On June 26th the [Vancouver Sun](#) reported that BC Hydro dramatically increased the cost of its Northwest Transmission Line, adding more than \$150 million to the price tag. The new figure is \$736 million, a massive jump over a price range released just this spring of \$561 million to \$617 million. These new cost figures are included in BC Hydro's adjusted service plans.

The concern is what the impact of increasing power line costs for the Northwest Transmission Line will have on rates for BC Hydro ratepayers.

Rate increases inevitable to pay for BC Hydro's aging infrastructure

"BC Hydro is not adequately prepared to react, respond, and recover from a widespread catastrophic event such as an earthquake, as there is not a mature or integrated disaster preparedness program. An effective governance structure to oversee, coordinate and report on disaster preparedness activities is not in place."

These are the findings of a December 2012 report "Corporate Disaster Preparedness Planning" from BC Hydro's internal audit branch, which the [Tye](#) obtained through the freedom of information law.

In a follow-up interview with Minister Bill Bennett, as reported by [CBC News](#), B.C.'s Energy Minister Bill Bennett said he was not happy with the news from the audit either.

"I'm surprised that they're not further along with disaster preparedness," said Bennett, but he insisted the Crown corporation is addressing the concerns identified in the internal audit.

"They've identified deficiencies and certainly they are advising me that they are addressing those deficiencies and they are addressing those deficiencies as fast as they possibly can."

But Bennett also warned rate increases will be necessary to pay for the upgrading and rebuilding of the Crown corporation's aging infrastructure.

"You look at what BC Hydro is investing, you look at the fact that rates haven't gone up much for a very long time. We do have relatively cheap electricity rates in this province. I think we're number four in North America," said Bennett.

"There is going to have to be some kind of rate increase, and my job is to make sure the increase is as small as possible."

These comments stating the inevitable rate increases to fund BC Hydro's aging infrastructure provide further concerns regarding future rate increases.

What this means to AMPC Members

Electricity costs typically represent between 20 – 30% [NTD – check; Catalyst 15-20%] of AMPC members' operating costs. AMPC members are export-focused and operate in the highly-competitive global marketplace. As “price-takers” AMPC members cannot flow the increased cost of electricity to consumers. BC was once a region with low-cost electricity which offset other inherent disadvantages in BC such as, higher labour and transportation costs and declining interior wood basket, in the case of the forest sector.

Based on the [Hydro-Quebec “Comparison of Electricity Prices in Major North American Cities](#) documents, BC rates are up 24% over 3 years (2009 – 2012) relative to 6% for the rest of Canada, according to the [Catalyst Paper submission to the Industrial Electricity Policy Review \(March 27, 2013\)](#). In 2009, BC has the 2nd lowest industrial rates in Canada and in 2012 is 4th behind MB, NB and QB.

AMPC members must have access to reasonably-priced electricity and cannot continue to absorb these electricity rate increases in order to remain competitive.

Association of Major Power Customers of BC (AMPC)

www.ampcbc.ca

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