

**BC Hydro**  
**Residential Inclining Block Re-Pricing Application**  
**Final Submission**  
**- by ESVI -**

**By: Ludo Bertsch, Horizon Technologies Inc.**  
**For: Energy Solutions for Vancouver Island Society (ESVI)**  
**Date: Feb 18, 2010**

**1.0 We submit that this RIB Re-pricing application should be applicable for only the time period of F2012 to F2014.**

**In addition, we submit that BC Hydro should be required to file a new RIB application for F2015 and beyond, as, shown below, there would have been significant events by then and a whole new set of pricing circumstances to respond to.**

When asked about the significance of the seven year period used in calculations in the RIB Re-Pricing Application, BC Hydro stated that *“seven years was not specifically chosen, but rather is the result of the Proposed pricing principle”*<sup>1</sup>. Therefore, there is no particular reason to be focused on the seven year time period.

The time period of F2012 to F2014 for consideration in this application is supported by many references to significant considerations occurring around or before the F2014 time period.

In answer to ESVI’s question: *“Please describe the type of circumstances that might occur to require re-visiting [of the pricing principle] and give examples”*<sup>2</sup>, BC Hydro discusses the *“RIB Rate Report”*<sup>3</sup> which it said *“The proposed RIB Rate Report will not be filed with the BCUC for another two and a half to three years . . .”*<sup>4</sup>.

We also note that BC Hydro states that *“the earliest BC Hydro would expect to file a new application regarding the RIB rate would be at the end of the first quarter of F2014, or the end of June 2013.”*<sup>5</sup>

We also note that BC Hydro states that the CARC + 10 technique has *“an*

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<sup>1</sup> Exhibit B-2, ESVI IR 1.7.1

<sup>2</sup> Exhibit B-2, ESVI IR 1.1.1

<sup>3</sup> Exhibit B-2, ESVI IR 1.1.1

<sup>4</sup> Exhibit B-2, ESVI IR 1.13.7.2

<sup>5</sup> Exhibit B-2, BCUC IR 1.1.1

*effective phase-in period of three years.”<sup>6</sup>*

It is noted that “*BC Hydro will be filing its F2012-F2014 Revenue Requirements Application*”<sup>7</sup>.

In addition, “*BC Hydro believes that the current differential should be maintained at least until 2014*”<sup>8</sup>.

In answer to ESVI’s question: “*Will TOU rates be built on top of RIB rates or replace them?*”<sup>9</sup> BC Hydro responded that “*BC Hydro expects that TOU rates will be integrated with the RIB rate structure.*”<sup>10</sup> “*Currently BC Hydro expects to file its TOU application in late 2011, with a BCUC decision in regard to it no earlier than mid-2012.*”<sup>11</sup>

BC Hydro in its original RIB application stated: “*The proposed RIB rate structure should be considered as a first step on a path of residential rate restructuring, and one that does not preclude future development of residential rate structures.*”<sup>12</sup>

**2.0 We submit that when the RIB application is to be focused on the F2012 to F2014 time period (as proposed in item #1.0 above), a main argument for BC Hydro’s position in the RIB application changes significantly and should be taken into account.**

BC Hydro noted: “*It also should be noted that when the Proposed pricing principle has the Step-2 rate being equal to LRMC in seven years, the **total run-rate conservation is equal** for both the CARC + 10% scenario and the Proposed pricing principle.*”<sup>13</sup> [**emphasis added**]

We submit that the “equal” total run-rate conservation argument is not valid if taken at the F2014 time period.

ESVI asked BC Hydro: “*If a time frame of three years was used, please answer if BC Hydro believes that ‘CARC + 10 per cent’ pricing principle does not yield ‘material incremental total conservation’*”<sup>14</sup>

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<sup>6</sup> Exhibit B-1, Section 2.1, Page 3, Lines 23-24

<sup>7</sup> Exhibit B-2, BCUC 1.5.1

<sup>8</sup> Exhibit B-2, BCUC 1.7.1

<sup>9</sup> Exhibit B-2, ESVI IR 1.13.6

<sup>10</sup> Exhibit B-2, BCSEA IR 1.6.1

<sup>11</sup> Exhibit B-1, Section 3.3, Page 9, Lines 21-22

<sup>12</sup> Original RIB application, Exhibit B-1, Section 1.2.6, Page 1-12, Lines 13-15

<sup>13</sup> Exhibit B-2, BCSEA IR 1.8.2

<sup>14</sup> Exhibit B-2, ESVI IR 1.8.3

BC Hydro stated in response that “*at the end of F2014 – when the proposed RIB Rate Report would be filed – the cumulative difference in total conservation is 999 GWh.*”<sup>15</sup> The conservation for F2012 to F2014 is 3824 GWh<sup>16</sup> for “CARC + 10 per cent” pricing versus 2825 GWh<sup>17</sup> for BC Hydro’s proposed pricing.

Therefore, the “CARC + 10 per cent” pricing has 35.4%<sup>18</sup> more cumulated conservation than BC Hydro’s proposed pricing (again, considering the F2012 to F2014 time frame) and 36.6%<sup>19</sup> higher run-rate conservation in F2014.

We suggest that the difference in conservation between the two options is significant (from F2012 to F2014), and should be taken into account in deciding the rate structure. We suggest that BC Hydro re-evaluate its decision process with this consideration.

**3.0 Similarly, we suggest that BC Hydro should re-evaluate its work on analyzing all other rate structures<sup>20</sup> presented in this application process and should take into account only the F2012 to F2014 time period to ensure its conclusions are not skewed by considerations after F2014. This re-evaluation should include another look at how to set Step 1, Step 2 and Basic Charges.**

At the end of F2014, there will be a whole new set of conditions (e.g. Smart Meters installed<sup>21</sup>, TOU, RIB report, new LRMC, etc.) and a new RIB application which will dictate how to obtain further conservation.

The new application might change RIB significantly or could even discontinue RIB in lieu of rate structures aligned with the Smart Meters.

ESVI asked the question: “*Will TOU rates be built on top of RIB rates or replace them?*”<sup>22</sup> In answer, BC Hydro replied: “*As elaborated on in the 2008 RIB Rate proceeding, BC Hydro expects that TOU rates will be integrated with the RIB rate structure.*”<sup>23</sup>

Therefore, we suggest that it would not be appropriate to use the speculation beyond F2014 for determining the best rate structure within this RIB application.

<sup>15</sup> Exhibit B-2, BCUC IR 1.7.6

<sup>16</sup> Exhibit B-2, BCOAPO IR 1.2.1: 4357 GWh – 533 GWh = 3824 GWh

<sup>17</sup> Exhibit B-2, BCOAPO IR 1.2.1: 3358 GWh – 533 GWh = 2825 GWh

<sup>18</sup>  $999\text{GWh}/2825\text{GWh} = 35.4\%$

<sup>19</sup>  $(1459\text{GWh} - 1068\text{GWh})/1068\text{GWh} = 36.6\%$

<sup>20</sup> Exhibit B-2-1

<sup>21</sup> Exhibit B-2, ESVI Clean Energy Act attachment, Section 17

<sup>22</sup> Exhibit B-2, ESVI IR 1.13.6

<sup>23</sup> Exhibit B-2, BCSEA IR 1.6.1

For reference, and to enhance analysis, we have put together a table (see below) containing the F2012 to F2014 conservation (cumulated and run-rate) values of the proposals presented by BC Hydro in this application, sorted in decreasing conservation levels. Note that the highest cumulated conservation values are 51.1%<sup>24</sup> above the lowest. The highest run-rate conservation is 63.5%<sup>25</sup> above the lowest. We submit that such a large range should be taken into consideration in the decision process of the rate structure.

<b>Rate Structure</b>	<b>Cumulated Conservation F2012 to F2014</b>	<b>Run-Rate Conservation in F2014</b>
BCUC IR 1.3.5 page 4,5 <sup>26</sup>	4129 GWh	1765 GWh
BCUC IR 1.4.3 <sup>27</sup>	3835 GWh	1464 GWh
<b>CARC + 10%<sup>28</sup></b>	<b>3824 GWh</b>	<b>1459 GWh</b>
ESVI IR 1.2.3.2 <sup>29</sup>	3657 GWh	1459 GWh
BCUC IR 1.11.1 e page 7,8	3518 GWh	1459 GWh
BCUC IR 1.3.5 page 6,7 <sup>30</sup>	3457 GWh	1401 GWh
BCUC IR 1.11.1 page 3 <sup>31</sup>	3447 GWh	1391 GWh
BCUC IR 1.11.1 page 4,5 <sup>32</sup>	3052 GWh	1193 GWh
CEC IR 1.5.2 <sup>33</sup>	3052 GWh	1193 GWh
BCUC IR 1.4.4 <sup>34</sup>	2965 GWh	1132 GWh
BCUC IR 1.11.1 page 6 <sup>35</sup>	2854 GWh	1115 GWh
<b>BC Hydro Proposal<sup>36</sup></b>	<b>2825 GWh</b>	<b>1068 GWh</b>
BCUC IR 1.3.5 page 2,3 <sup>37</sup>	2824 GWh	1068 GWh
BCUC IR 1.11.1 page 1,2 <sup>38</sup>	2733 GWh	1079 GWh

**Table 1 – Conservation of various proposed rate structures**

<sup>24</sup> (4129 GWh - 2733 GWh)/2733 GWh = 51.1%

<sup>25</sup> (1765 GWh – 1079 GWh)/ 1079 GWh = 63.5%

<sup>26</sup> Exhibit B-2-1, BCUC IR 1.3.5

<sup>27</sup> Exhibit B-2-1, BCUC IR 1.4.3

<sup>28</sup> Exhibit B-2, BCOAPO IR 1.2.1

<sup>29</sup> Exhibit B-2-1, ESVI 1.2.3.2

<sup>30</sup> Exhibit B-2-1, BCUC IR 1.3.5

<sup>31</sup> Exhibit B-2-1, BCUC IR 1.11.1

<sup>32</sup> Exhibit B-2-1, BCUC IR 1.11.1

<sup>33</sup> Exhibit B-2-1, CEC IR 1.5.2

<sup>34</sup> Exhibit B-2-1, BCUC IR 1.4.4

<sup>35</sup> Exhibit B-2-1, BCUC IR 1.11.1

<sup>36</sup> Exhibit B-2, BCOAPO IR 1.2.1

<sup>37</sup> Exhibit B-2-1, BCUC IR 1.3.5

<sup>38</sup> Exhibit B-2-1, BCUC IR 1.11.1

**4.0 We submit that the RIB report must take into account the TOU rate and Smart Meters, and must re-evaluate pricing principles.**

In regards to the RIB report, BC Hydro stated in its application:

*“That report would do one of three things:*

- 1. if no further change is warranted to the RIB rate structure at that time, the report would say so, but propose a further, future reporting deadline; or*
- 2. if change is warranted to the RIB rate structure, and BC Hydro believes the timing is appropriate, the report would be accompanied by or be part of a new RIB rate application; or*
- 3. if change is warranted to the RIB rate structure, but the timing is not appropriate, BC Hydro would provide a commitment in the report to filing a new RIB rate application by a fixed date.”<sup>39</sup>*

We submit that the focus of the RIB Report should included a number of new areas.

We submit that BC Hydro should be required in its RIB Report to report on the TOU rates and Smart Meters. It should be required to analyze how the RIB will be integrated into TOU rates and how the RIB will accommodate Smart Meters. As noted by BC Hydro: *“BC Hydro expects that TOU rates will be integrated with the RIB rate structure”<sup>40</sup>*

We submit that BC Hydro should be required to produce an evaluation of new pricing principles in its RIB Report, if the focus on this application is the F2012 to F2014 time period (as proposed in item #1 of this document).

**5.0 We note that there could be a potential issue of discrimination on the basis of region if BC Hydro cannot specifically re-affirm that it “does not believe the proposed RIB rate unduly discriminates on the basis of region”<sup>41</sup> (in this application) instead of relying on an assumption by BCUC.**

ESVI asked in an Information Request: *“BC Hydro stated in the original RIB Application: ‘BC Hydro does not believe the proposed RIB rate unduly discriminates on the basis of region.’*

*1.14.1 The statement by BC Hydro above was made in the context the original RIB Application. Does BC Hydro believe that in this RIB Re-Pricing Application the RIB still does not unduly discriminate on the basis of region?*

<sup>39</sup> Exhibit B-1, Section 3.3, Page 10, Lines 12-21

<sup>40</sup> Exhibit B-2, BCSEA IR 1.6.1

<sup>41</sup> Exhibit B-2, ESVI 1.14.1

*Please explain.*<sup>42</sup>

BC Hydro replied in response to ESVI's IR: "*The Application is not proposing any changes to the BCUC-approved RIB rate, other than pricing principle. Therefore, on the assumption that the BCUC would not approve a rate that it believes discriminates on the basis of region, nor by type of customer, BC Hydro does not believe that the pricing principle it is proposing would discriminate between customers.*"<sup>43</sup>

We suggest that BC Hydro's response to the specific and clear question was not answered directly, and therefore, raises a concern about the potential for discrimination on the basis of region<sup>44</sup>.

BC Hydro's response raises two issues.

1. From the response, it seems that BC Hydro is implying that changes to the RIB pricing principle would not affect the potential for discrimination on the basis of region. We suggest that BC Hydro clarify whether or not the implication stated above is the position of BC Hydro, along with supporting arguments.
2. The question asked by ESVI was very clear and very direct: "*Does **BC Hydro** believe that in this RIB Re-Pricing Application the RIB still does not unduly discriminate on the basis of region?*" [**emphasis added**]

So, we are asking if BC Hydro believes, not what BCUC believes. We ask the question again, "*Does BC Hydro believe that in this RIB Re-Pricing Application the RIB still does not unduly discriminate on the basis of region*".

Should BC Hydro, even upon reflection of the points above, not be able to provide further clarification to their response<sup>45</sup>, we wish to raise the potential issue of discrimination on the basis of region in this RIB Re-Pricing application.

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<sup>42</sup> Exhibit B-2, ESVI IR 1.14.1

<sup>43</sup> Exhibit B-2, ESVI IR 1.14.1

<sup>44</sup> For background on this discussion, see Original RIB Application, Reasons for Decision to Order G-124-08, Page 65 to 71

<sup>45</sup> Exhibit B-2, ESVI IR 1.14.1