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January 15, 2018

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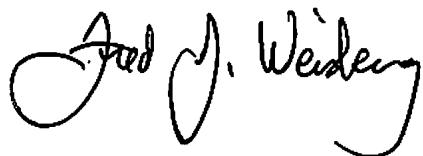
British Columbia Utilities Commission
6th floor, 900 Howe Street
Vancouver, BC V6Z 2N3
Attention: Patrick Wruck
Commission Secretary

Dear Mr. Wruck:

**Re: Project No. 3698869 - BC Hydro F2017 - F2019 Revenue Requirements Application
Non-Integrated Areas Ratepayers Group (NIARG) - Final Argument on Rate Freeze Amendment**

We enclose for filing NIARG's Final Argument regarding the Rate Freeze Amendment to the F2019 BC Hydro revenue requirement.

Yours truly,



Fred J. Weisberg
Weisberg Law Corporation
Counsel to Non-Integrated Areas Ratepayers Group

**BRITISH COLUMBIA UTILITIES COMMISSION
IN THE MATTER OF THE UTILITIES COMMISSION ACT
R.S.B.C. 1996, CHAPTER 473
and
BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
FISCAL 2017 – FISCAL 2019 REVENUE REQUIREMENTS APPLICATION**

**Non-Integrated Areas Ratepayers Group
Final Argument on
Rate Freeze Amendment**

January 15, 2018

**Weisberg Law Corporation
Fred J. Weisberg**

1. In accordance with the regulatory timetable established by the Commission in its letter dated December 13, 2017¹, BC Hydro filed its Final Submission related to the Rate Freeze Amendment on December 21, 2017.
2. The Non-Integrated Areas Ratepayers Group (NIARG), comprising ratepayers situated in BC Hydro's rate Zone IB and Zone II, file this Final Argument to respond to BC Hydro's Final Submission.
3. Notwithstanding significant concerns regarding under-recovery of the F2019 revenue requirement and the perils of indefinite deferral, NIARG supports the approval of a 0% rate increase in F2019.
4. In the event that the Commission approves the rate freeze, that determination would appear to give rise to some intergenerational inequity among ratepayers by shifting some costs for today's ratepayers to future ratepayers at an unspecified time.
5. The magnitude of that cost shift is expected to be about \$140 million plus interest - clearly a significant amount.
6. The requested rate freeze would push recovery of costs incurred in F2019 (and interest) to subsequent years not later than F2024 - thereby adding an expected additional 1.2% rate increase per year to the 2.6% annual rate increases already expected for F2020 through F2024.²
7. The provincial Government's August 24, 2017 Mandate Letter³ requires BC Hydro to request a rate freeze - and BC Hydro has done so. NIARG understands that BC Hydro has no choice in this regard. The apparent choice is the Commission's - whether or not to approve the requested rate freeze.
8. BC Hydro has acknowledged that the Commission is not fettered in its discretion to approve or deny the requested rate freeze.⁴
9. While the requested rate freeze would not recover the full F2019 cost of service in that same period, it would provide some temporary rate relief.
10. NIARG acknowledges that a Government "... comprehensive review of BC Hydro" can potentially be a positive initiative, but it should be made clear to all ratepayers that a rate freeze is likely to simply postpone the inevitable cost recovery

¹ Exhibit A-35.

² Exhibit B-25, BCH Response to BCUC 4.6.3.

³ Exhibit B-23.

⁴ BC Hydro Final Submission on Rate Freeze Amendment, p. 2, para. 3.

rather than avoid it. A Government review may lead to the identification of more equitable ways to achieve that cost recovery, or to reduce costs going forward, but NIARG does not see a F2019 rate freeze as **essential** to those objectives.

11. Regardless of whether the Commission determines to approve the requested rate freeze, NIARG hopes that a comprehensive review of BC Hydro would proceed and recommend meaningful changes and cost savings.

12. There is some apparent inconsistency between the objectives of a rate freeze and the current Rate Smoothing Regulatory Account. NIARG understands the former to be concerned with immediate but temporary rate relief, and the latter to be concerned with mitigating the shock of sharp rate increases. NIARG is concerned that approval of a rate freeze in F2019 will tend to add significant upward pressure on rates in subsequent years through F2024 – with the likely effect of making rate increases in F2020 and beyond higher than they otherwise would be.

13. Further, approval of a rate freeze resulting in a 0% rate increase for F2019 would seem to be at odds with the Rate Smoothing objective of making rates more predictable. It seems unlikely that any ratepayers liked the prospect of a 3% rate increase in F2019 (other than relative to an even higher increase), but quite likely had expected that rate increase based on the F2017 to F2019 Revenue Requirements proceeding. Reversing such expectations now, by implementing a rate freeze for F2019, would seem to have the unintended effect of making BC Hydro's rates less predictable.

14. Many of the ratepayers represented by NIARG find that payment of their BC Hydro electricity bills is already difficult, and may find that approval of a rate freeze would provide some modest relief. Unfortunately, unless the Government's comprehensive review results in better ways to address the unique challenges of providing affordable electricity service in BC Hydro's remote Non-Integrated Areas, that temporary relief in F2019 may exacerbate the effect of rate increases over the following five years.

15. NIARG is also aware of the very specific Government directions to the Commission regarding ICBC rate increases. In that light, NIARG is concerned that if the rate freeze is not approved by the Commission it may be made inevitable by further Government direction. If that turned out to be the case, the additional rate uncertainty over the intervening period would tend to make BC Hydro rates less predictable.

16. In the absence of practical alternatives NIARG supports approval of the F2019 rate freeze resulting in a 0% rate increase, notwithstanding the significant concerns discussed above.

17. NIARG submits that in balancing the merits of approving or denying the requested rate freeze, the Commission should recognize that the Government

comprehensive review offers at least the prospect to "... target potential offsetting cost savings that would impact rates after the current test period."⁵ It may turn out that the cost recovery deferred by a rate freeze will be offset to some extent by subsequent cost savings.

18. NIARG submits that the Commission can add the most value in these circumstances by ensuring that its Reasons for Decision clearly communicate that BC Hydro's ratepayers face an unavoidable trade-off. Approval of the rate freeze will bring temporary rate relief for one year, but is expected to push up rates higher than they otherwise would be for the following five years. Denial of the requested rate freeze may lessen the pressure on rate increases in future years, but result in a 3% rate increase in F2019.

19. "BC Hydro is still expecting to recover the balance in the Rate Smoothing Regulatory Account by Fiscal 2024, even with the rate freeze."⁶ NIARG urges the Commission to plainly state that ratepayers should expect that they will be asked to pay for full recovery of costs incurred by BC Hydro in F2019, one way or another. The real question is simply when will ratepayers be asked to make that payment – now or later.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Dated January 15, 2018

(Original signed by Fred J. Weisberg)
Weisberg Law Corporation
Counsel to Non-Integrated Areas Ratepayers Group

⁵ BC Hydro Final Submission on Rate Freeze Amendment, p. 1, para. 1.

⁶ Ibid.