

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-124-08

TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. V6Z 2N3 CANADA
web site: <http://www.bccuc.com>



IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

Application by British Columbia Hydro and Power Authority ("BC Hydro")
2008 Residential Inclining Block Application ("RIB Application")

BEFORE: A.J. Pullman, Panel Chair
R.J. Milbourne, Commissioner August 28, 2008
L.A. O'Hara, Commissioner

ORDER

WHEREAS:

- A. On February 26, 2008 BC Hydro filed an application with the Commission, pursuant to sections 58 to 61 of the *Utilities Commission Act* (the "Act"), for the review and approval of a new, two-step, inclining block rate structure for its residential customers (the "RIB Application"); and
- B. The RIB Application contains a proposed restructuring of rates to BC Hydro's residential customers. The objective of the proposal is to encourage additional electricity conservation, a goal that was prescribed in certain Policy Actions to the 2007 Energy Plan released by the provincial government on February 27, 2008; and
- C. Specifically, BC Hydro aims to start contributing to the 2007 Energy Plan's 2020 conservation goal, to accelerate customer awareness of the increasing cost of electricity, and to gain experience with residential customer demand response to rates in order to inform future rate design proposals; and
- D. The RIB Application is revenue neutral on a forecast consumption basis at the residential class level. The proposed two-step rate has the Step-1 Threshold set at 1,600 kWh per bi-monthly billing period and under the threshold, customers pay a lower per unit rate for electricity consumption. The Step-2 Rate would be set annually and calculated residually, that is based on the amount that is necessary to allow the recovery of revenue requirement of the residential class, less the amount generated by the Step-1 Rate and the Basic Charge, which BC Hydro proposes to increase at its forecast of inflation. The Step-2 rate would be capped at the cost of new energy supply and incremental transmission and distribution delivery costs; and

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- E. BC Hydro seeks orders that approve (i) the design principles by which the current flat rate structure would be adjusted at first instance to the proposed RIB rate, and annually thereafter; (ii) amendments to Rate Schedules 1101 and 1121; (iii) creation of new Rate Schedules 1151 and 1161; and (iv) revised tariff sheets related to the Terms and Conditions of the General Service rates; and
- F. Specifically BC Hydro seeks, on the assumptions that the RIB rate structure would be approved on or before August 30, 2008 for implementation on October 1, 2008 and that the April 1, 2008 interim approval of BC Hydro's F2009 revenue requirement rate increase is still in effect, an order that approves: (i) Rate Schedules 1101 and 1121 to show a Step-1 Rate of 6.28 cents/kWh; a Basic Charge of 12.38 cents/day; and Step-1 Threshold of 1,600 kWh per bi-monthly Billing Period, and a Step-2 Rate of 6.98 cents/kWh; and (ii) Rate Schedules 1151 and 1161 to show a flat rate of 6.55 cents/kWh and a Basic charge of 12.93 cents/day; and
- G. By Commission Order G-28-08 dated February 28, 2008, the Commission established a Procedural Conference to be held on April 28, 2008 regarding the regulatory processes for the RIB Application, along with two other concurrent applications from BC Hydro: the F09/F10 Revenue Requirements Application and the Transmission Service Rate Re-pricing Application; and
- H. By Commission Order G-76-08 dated April 28, 2008, the Commission ordered that an Oral Public Hearing be held to review the RIB Application. The regulatory timetable for the proceeding included two rounds of Information Requests to BC Hydro, and a timetable for the submissions of Intervenor Evidence and Information Requests to Intervenors; and
- I. The only Intervenor to file Evidence was Energy Solutions for Vancouver Island; and
- J. On May 22, 2008, the British Columbia Old Age Pensioners' Organization *et al.* ("BCOAPO") filed a copy of the May 16, 2008 Decision of the Ontario Divisional Court regarding the jurisdiction of the Ontario Energy Board to implement a low income affordability program (Exhibit C10-4). BCOAPO referred this Ontario court decision as a subject matter for legal argument; and
- K. The Public Hearing commenced on June 16, 2008 in Vancouver and the evidentiary phase of the proceeding closed on June 19, 2008, subject to the delivery of responses to outstanding Undertakings; and
- L. By Commission Letter L-31-08 dated June 26, 2008, the Commission made a determination on the submissions of the Parties on the issue of the right of reply by Intervenors to the Final Arguments of other Intervenors and the schedule for Final Arguments by the Parties. The schedule provided for the filing of Undertakings by BC Hydro on July 4, 2008, filing of BC Hydro's Final Argument on July 9, 2008, filing of Intervenors' Final Arguments on July 24, 2008, and filing of BC Hydro's Reply Argument, as well as Intervenors' Reply Argument to BCOAPO's Argument on jurisdiction, on August 7, 2008; and

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M. On August 15, 2008 an Oral Phase of Argument was held; and

N. The Commission has considered the RIB Application and the evidence and submissions presented to it, including jurisdictional issues, and has determined that a RIB rate should be implemented provided that the conditions in this Order are met.

NOW THEREFORE pursuant to sections 58-61 of the Act, the Commission determines, with Reasons for Decision to follow, that it is in the public interest for BC Hydro to implement a RIB rate structure and orders that:

1. Provided BC Hydro files, no later than 14 days from the date of this Order, revised tariff sheets for Rate Schedules 1101 and 1121 that reflect a two-step RIB rate structure which incorporates the following design principles:
 - (i) for the period commencing on April 1, 2009, establishes the Step-2 rate at BC Hydro's current estimate of the cost of new energy supply at the plant gate, grossed up for losses, of 8.27 cents per kWh (Exhibit B-3, BCOAPO 1.3.3) and caps it at that amount;
 - (ii) for the period commencing October 1, 2008 through March 31, 2009 establishes the Step-2 rate as the above rate less one-half of the difference between that rate and 6.15 cents per kWh (being the rate for Rate Schedules 1101 and 1121 prior to the most recent interim rate increase);
 - (iii) establishes the Step-1 to Step-2 threshold at 1,350 kWh per billing period (being more or less 90% of the median consumption of BC Hydro's customers (Exhibit B-3, BCUC 1.4.7) of 762 kWh per month);
 - (iv) calculates residually the Step-1 rate and the Basic Charge for the period October 1, 2008 to March 31, 2009, and for April 1, 2009 for F2010 to achieve revenue neutrality for the residential rate class for those periods;

a RIB rate structure incorporating the above design principles is approved, effective October 1, 2008; otherwise the RIB Application is dismissed.
2. Subject to paragraph 1, the Commission also orders that:
 - (i) the proposed exempt residential Rate Schedule 1151 for farm accounts, residential service customers in Zone 1B, and those residential customers enrolled in the Conservation Research Initiative Pilot project is approved;

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- (ii) the proposed exempt Rate Schedule 1161 for Multiple Residential Service is approved;
- (iii) the revised tariff sheets related to the Terms and Conditions of the General Service rates are approved;
- (iv) the energy rate and the Basic Charge of Rate Schedules 1151 and 1161 are approved;
- (v) on or before February 28, 2009 BC Hydro shall file the Rate Schedules 1101, 1121, 1151 and 1161 that are to be effective April 1, 2009, and which reflect the revenue requirements applicable to the fiscal year beginning April 1, 2009; and
- (vi) should BC Hydro's current estimate of the cost of new energy supply at the plant gate, grossed up for losses be varied, BC Hydro is to apply to the Commission to amend and phase-in if necessary the Step-2 rate of Rate Schedules 1101 and 1121 accordingly.

DATED at the City of Vancouver, in the Province of British Columbia, this 28th day of August 2008.

BY ORDER

Original signed by:

A.J. Pullman
Panel Chair