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June 29, 2012

Ms. Erica Hamilton  
Commission Secretary  
British Columbia Utilities Commission  
Sixth Floor – 900 Howe Street  
Vancouver, BC V6Z 2N3

Dear Ms. Hamilton:

**RE: British Columbia Utilities Commission (BCUC)  
British Columbia Hydro and Power Authority (BC Hydro)  
Medium General Service (MGS) Rate  
Accelerate the MGS Conservation Rate Implementation Schedule**

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BC Hydro applies pursuant to section 6(a) of the 2009 Large General Service (**LGS**) Rate Application Negotiated Settlement Agreement (**NSA**),<sup>1</sup> which indicates as follows:

BC Hydro may at any time after June 30, 2011, in its sole discretion, apply to the Commission for orders altering the implementation schedule described in section 5 above, or amending the two-part rate in regard to some or all of the MGS accounts, or both;

As contemplated by this section, BC Hydro is writing in regard to section 5 of the NSA, that indicates the following schedule to transfer MGS customers to a two-part rate:

April 1, 2012: peak demand  $\geq$  85 kW (about 4,000 accounts);  
April 1, 2013: peak demand  $\geq$  55 kW (another 6,000 accounts);  
April 1, 2014: balance of MGS accounts (about 6,500 accounts).

In particular, BC Hydro seeks approval of a modified implementation schedule that would apply the MGS two-part rate to all MGS accounts with peak demand less than 85 kW on April 1, 2013 rather than transfer the accounts in two tranches, on April 1, 2013 and April 1, 2014, respectively, as set out in section 5.

## **Background**

The LGS Rate Application was filed in October 2009. Among other things, it sought the BCUC's approval to establish two new rate classes from the class of customers then-served under Rate Schedules (**RS**) 1200, 1201, 1210 and 1220 and referred to in the application as the Existing Large General Service rate class. The proposed new customer classes were the MGS class (about 16,500 accounts) and the LGS class (about 6,500 accounts). The former refers to those

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<sup>1</sup> Approved by the BCUC Order No. G-110-10.

general service customers with a monthly peak demand that is equal to or greater than 35 kW but less than 150 kW, and the latter to those general service customers with a monthly peak demand equal to or greater than 150 kW.

The LGS Rate Application also sought the establishment of a “two-part” rate for the customers in the new LGS class. Under a two-part rate, incremental energy consumption relative to historic baseline consumption is priced at marginal cost, and energy savings relative to the historic baseline are similarly credited at marginal cost. The purpose of the proposed two-part rate is to provide an incentive for customers to conserve energy while minimizing bill impacts.

The establishment of the MGS and LGS classes, and the establishment of the two-part rate for the LGS class, were confirmed in the LGS NSA, generally as applied for by BC Hydro. LGS accounts were transferred to the two-part rate on January 1, 2011. The LGS NSA also provided for the establishment of a two-part rate for the MGS class, over time, as scheduled in section 5, referenced above. Prior to being transferred to the two-part rate MGS accounts are billed on the pre-existing declining block rate, a rate structure with a higher Tier 1 rate for the first 14,800 kWh of energy consumption, and a lower Tier 2 rate for the remaining consumption in a billing period.

All MGS customers were contacted individually in November 2010 and informed that over the next few years their account(s) would be transferring to a conservation rate. This correspondence did not indicate a specific date of transfer, though the section 5 LGS NSA schedule was posted on bchydro.com. Following that initial contact, BC Hydro sent further notification approximately five months before the transfer date to all MGS accounts that moved to the two-part rate on April 1, 2012 (i.e., accounts with demand > 85 kW). If this application is approved, BC Hydro will notify all remaining MGS customers in the fall of 2012 that they will be transferred to the two-part rate on April 1, 2013.

The primary reason for phasing-in the MGS accounts to the two-part rate over three years was uncertainty over the implementation logistics of a completely new type of rate structure for this class. As the majority of MGS customers do not have the support of a BC Hydro Key Account Manager, it was thought that a more gradual phase-in would be needed to ensure that BC Hydro had in place full support for this customer class as each tranche transferred to the new rate structure.

Based on BC Hydro's 18 month experience with the implementation of a two-part rate for the LGS class, and recent experience transferring the first tranche of MGS accounts to a two-part rate on April 1, 2012,<sup>2</sup> BC Hydro believes there is no reason to continue with the gradual phase-in and that there are significant advantages to be gained by moving all remaining MGS accounts to the MGS two-part rate on April 1, 2013.

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<sup>2</sup> Consistent with the schedule prescribed by section 5 of the LGS NSA.

## **Rationale**

BC Hydro has monitored customer understanding of the new rate structures, the functioning of the billing system, and customer support channels during the entire implementation of two-part rates. The proposed revision to the phase-in schedule is prompted by the lessons learned and monitoring the results of the implementation plan.

In particular:

### Improved Customer Communication, Understanding and Rate Adoption

Some customers with MGS accounts have a mixture of accounts on both the original MGS rate and the two-part MGS rate. The proposed acceleration of the phase-in to the MGS two-part rate will simplify customer rate communications, lead to better customer understanding of the MGS rate and improved BC Hydro customer support. BC Hydro also expects that energy forecasting and conservation planning will be simpler for customers to manage and implement with a single MGS rate structure.

As directed in the LGS NSA, BC Hydro developed forecasting tools to support customers billed on the two-part rate. As part of the rate implementation a web-based energy forecasting tool and online baseline presentment were created that enable a customer to simply and accurately forecast their account's future energy charges based on their individual energy use planning. These tools are not available for accounts on the pre-existing declining block rate.

### Rate Implementation Experience and Certainty

BC Hydro has been billing energy charges under a two-part rate for LGS accounts since January 1, 2011 and MGS accounts since April 1, 2012. Rate implementation monitoring confirms that BC Hydro is correctly billing the two-part rate and indicates that customer support channels are adequately informing MGS customers of the rate change and responding to customer enquiries.

Further, the number of calls handled by Business Customer Care pertaining to LGS and MGS rates has been low. In particular:

- LGS rate calls in the first year after implementation (calendar 2011) totaled 133, or about 11 calls per month; and
- MGS rate calls from October 2011 to May 2012 totaled 73, or about 10 per month. (Accounts transferring to the two-part rate on April 1, 2012 were notified in October 2011.)

### Avoided Costs

Transferring all remaining MGS accounts to the two-part rate on April 2013 will result in avoided costs for BC Hydro of approximately \$100,000 due to billing process simplification (no longer billing on the original MGS rate) and avoided implementation efforts.

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### Greater Conservation

As the overall goal of the two-part rate is to signal marginal costs of energy and encourage conservation, advancing the implementation schedule ought to result in more conservation within the MGS class in fiscal 2014 than would otherwise be the case. In particular, approximately 6,500 MGS accounts will be exposed to the long-run marginal cost-based energy rate under the two-part rate structure one year earlier than scheduled.

### **Relief Sought**

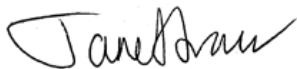
BC Hydro proposes to modify page 34-15, section 5, for RS 15xx – Medium General Service, by applying Energy Charges under Part 2 to all remaining MGS customers on April 1, 2013 and by doing so to eliminate the transfer of MGS accounts on April 1, 2014. The proposed changes are shown in the Attachment 1 to the draft order (Appendix 1).

### **Process**

BC Hydro has received informal endorsements to this application from some of the key participants in the original LGS proceeding, and expects that the application will be uncontroversial. Nevertheless, BC Hydro has copied the application to all of the LGS interveners, and it is appropriate that they be given an opportunity to comment. BC Hydro proposes that they be given 10 days to provide comments, and that BC Hydro be given five days to respond. Such a schedule would allow a BCUC order well before September 1, thereby facilitating the timely development of customer communications, billing system changes and internal documentation.

For further information, please contact Sylvia von Minden at 604-623-3830 or by e-mail at [bchydroregulatorygroup@bchydro.com](mailto:bchydroregulatorygroup@bchydro.com).

Yours sincerely,



Janet Fraser  
Chief Regulatory Officer

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Enclosure (1)

Copy to: BCUC Project No. 3698573 (LGS NSA) Registered Intervener Distribution List.

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**Medium General Service (MGS) Rate  
Consolidation of the Schedule  
for Transfer to the Two-Part Rate**

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**Appendix**

**1**

**Draft Order**

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MGs Rate Consolidation of the Schedule  
for Transfer to the Two-Part Rate  
Appendix 1

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



**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER** G-

TELEPHONE: (604) 660-4700  
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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)  
Regarding an Electric Tariff Amendment to Change the Schedule by which  
Medium General Service (MGS) Rate Accounts Transfer to the Two-Part Rate

**BEFORE:**

, 2012

**ORDER**

**WHEREAS:**

- A. On October 16, 2009 BC Hydro filed its Large General Service (LGS) Rate Application under sections 58 to 61 of the *Utilities Commission Act*, seeking orders establishing new energy rates for customers who take or would take service under Rate Schedules 12xx;
- B. On June 29, 2010 the Commission approved, and resolved, by Order No. G-110-10, a Negotiated Settlement Agreement (NSA) regarding the LGS Rate Application;
- C. Section 5 of the LGS NSA outlines the schedule by which Medium General Service (MGS) accounts are to transfer to a two-part rate. Under that schedule accounts with peak demand of 85 kW and greater transfer on April 1, 2012; accounts with peak demand of 55 kW and greater transfer on April 1, 2013 and all remaining accounts transfer on April 1, 2014.
- D. On June 29, 2012, BC Hydro filed an application with the Commission requesting the approval of an amendment to section 5 of Rate Schedules 15xx – Medium General Service. In particular, the application sought a modified implementation schedule that would apply the MGS two-part rate to all MGS accounts on April 1, 2013, rather than transfer the accounts that remain on the Interim MGS Rate in two tranches on April 1, 2013 and April 1, 2014, as contemplated by the LGS NSA.
- E. [FURTHER RECITALS RE. PROCESS]

**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER** G-

2

**NOW THEREFORE** the Commission orders as follows:

1. That the proposed amendments to Rate Schedule 15xx, as shown in the attachment to this order, are approved.

**DATED** at the City of Vancouver, in the Province of British Columbia, this      day of      , 2012.

BY ORDER

DRAFT

**BC Hydro**

Rate Schedules

Effective: 01 April 2012

Second-Third Revision - Page 34-15

5. Transfer to the rate under Part 2

Energy Charges under Part 2. will be applied progressively to groups of Customers according to their kW Billing Demand, as follows:

- a. Commencing on April 1, 2012, Customers whose Billing Demand is equal to or greater than 85 kW and less than 150 kW at least once in the twelve month period ending September 30 in the previous year.
- b. Commencing on April 1, 2013, ~~Customers whose Billing Demand is equal to or greater than 55 kW and less than 150 kW at least once in the twelve month period ending September 30 in the previous year~~ all remaining Medium General Service Customers.
- c. ~~Commencing on April 1, 2014, all remaining Medium General Service Customers.~~

Rate Rider:

The Deferral Account Rate Rider as set out in Rate Schedule 1901 applies to all charges payable under this Rate Schedule, before taxes and levies.

Interim  
Increase:

Effective April 1, 2012 the Rates and Minimum Charge under these schedules include an increase of 3.91% before rounding, approved by BCUC Order No. G-17-12.

ACCEPTED: \_\_\_\_\_

ORDER NO. \_\_\_\_\_

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ACTING COMMISSION SECRETARY