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January 8, 2016

VIA ELECTRONIC MAIL

British Columbia Utilities Commission
Sixth Floor, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Ms. Erica Hamilton, Commission Secretary

Dear Sirs/Mesdames:

Re: British Columbia Hydro and Power Authority 2015 Rate Design Application

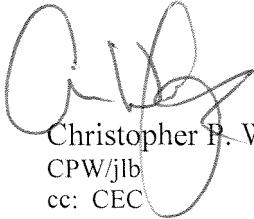
We are counsel for the Commercial Energy Consumers Association of British Columbia ("CEC"). Attached please find the CEC's Final Submissions regarding the Medium General Service and Large General Service Pricing with respect to the above-noted matter.

A copy of this letter and attached Final Submissions have also been forwarded to BC Hydro and registered interveners by e-mail.

Should you have any questions regarding the foregoing, please do not hesitate to contact the writer.

Yours truly,

OWEN BIRD LAW CORPORATION


Christopher P. Weafer
CPW/jlb
cc: CEC
cc: BC Hydro
cc: Registered Intervenors

**COMMERCIAL ENERGY CONSUMERS ASSOCIATION
OF BRITISH COLUMBIA**

**FINAL SUBMISSIONS REGARDING
LARGE GENERAL SERVICE AND MEDIUM GENERAL
SERVICE 100 PER CENT PART 1 PRICING**

British Columbia Hydro and Power Authority 2015 Rate Design Application

1. The Commercial Energy Consumers Association of British Columbia (CEC) represents the interests of ratepayers and prospective ratepayers consuming energy under commercial tariffs in applications before the BC Utilities Commission (BCUC or Commission). On September 24, 2015 BC Hydro and Power Authority (BC Hydro or BCH) filed a 2015 Rate Design Application (RDA) addressing multiple topics in rate design for each rate class. Pursuant to BCUC G-175-15 an expedited process was approved for the topic of Part 1 Pricing for Large General Service (LGS) and Medium General Service (MGS) customers without historical baselines. If the LGS and MGS pricing proposals for the balance of the RDA process are approved and effective April 1, 2017¹ as proposed by BC Hydro the order for the Part 1 Pricing will effectively be supplanted/expire.² BC Hydro's intention is that the 100 per cent Part 1 Pricing would remain in place if the Commission does not approve BC Hydro's proposal to flatten the LGS and MGS rates.³

Overview of CEC Submissions and Recommendations

2. The CEC submits that it is appropriate to provide 100% Part 1 Pricing for new LGS and MGS accounts at the present time. The CEC submits that since Part 1 pricing effectively represents consumption at the 'current baseline' it is appropriate for a new customer to receive this pricing. Additionally the current pricing principle of 85/15 is not effective in reducing consumption nor in controlling 'gaming'. The proposal is consistent with the recent BCUC decision regarding Sobeys West Inc. (Sobeys).
3. The CEC recommends that the Commission approve the 100% Part 1 pricing for new accounts as proposed by BC Hydro.

CEC Submissions

4. BC Hydro's submission with respect to new account pricing is outlined in Section 6.6 of its Application. BC Hydro proposes to change the pricing for new accounts that do not have a Historical Baseline (HBL) under RS 15xx and RS 16xx from the existing 85% Part 1 pricing and 15% Part 2 pricing to 100% Part 1 Pricing.⁴

¹ Exhibit B-1, Page 1-9

² Exhibit B-5, BCOAPO 1.19.3

³ Exhibit B-5, BCOAPO 1.19.4

⁴ Exhibit B-1, Page 6-70

Rationale for Change

5. The 85/15 principle was originally established in 2009, and was considered a deterrent for customers with a growing load that might 'game' the system by opening new accounts, thereby resetting their baseline and lowering their costs.⁵ Additionally, the pricing structure is poorly understood by customers,⁶ and there have been a number of customer complaints⁷ such as Sobeys and others.
6. The CEC submits that the issue identified in the original rationale for the 85%/15% is no longer valid as BC Hydro has limitations on the opening of new accounts⁸ and does not appear to experience gaming in this context.⁹
7. The CEC submits that customer understanding and acceptance are important Rate Design criteria which will be facilitated with 100% Part 1 pricing for new accounts without an historical baseline, particularly in the absence of other positive benefits.

Effects of Change

8. The CEC submits that the effect of the move from a revenue perspective would be beneficial for new LGS and MGS accounts in relieving an unnecessary cost burden and providing greater customer understanding and acceptance, and would not be unfair to other customer groups.
9. 100% Part 1 pricing for customers without an historical baseline would not cause a cross-subsidy with other rate classes because the Part 1 Pricing is largely based on BC Hydro's embedded costs with minor adjustments for forecasted Part 2 charges and credits.¹⁰ The move to 100% Part 1 pricing would recover all embedded costs and would therefore not harm other ratepayers.¹¹
10. Additionally, the CEC submits that there is no material advantage to maintaining exposure to the LRMC which has been largely ineffective in promoting conservation (the proposed 100% Part 1 pricing would not expose the customer to Long Range Marginal Cost (LRMC) pricing for the first year).¹² There is minimal conservation achieved in the two part LGS rate structure and no conservation is achieved from the two part MGS rate structure.¹³

⁵ Exhibit B-1, Page 6-70

⁶ Exhibit B-1, Page 6-41

⁷ Exhibit B-1, Page 6-70

⁸ Exhibit B-1, Page 6-70

⁹ Exhibit B-5, BCUC 1.77.1

¹⁰ Exhibit B-5, BCOAPO 1.19.1

¹¹ Exhibit B-1, Page 6-70

¹² Exhibit B-1, Page 6-70

¹³ Exhibit B-5, BCUC 1.78.3

11. The CEC agrees with the BC Hydro view that with customers not responding to price signals, fairness and customer acceptance and understanding become priorities in rate design considerations.¹⁴
12. The CEC notes that consuming only at the Part 1 rate means consuming exactly at baseline.¹⁵ The CEC submits that it is fair, logical and acceptable for a customer that is in the process of establishing a baseline to be charged at the effective rate for that baseline. The CEC submits that charging at a rate that exceeds their baseline is the effective outcome of the current pricing for new accounts, and is generally unfair.

LGS

13. BC Hydro confirms that the LGS two part energy rate has been evaluated to have delivered lower than expected conservation savings (77 gWh by the end of F2014) and has forecasted zero conservation savings from the LGS two-part energy rate if it was to continue.¹⁶
14. Table 6-14 in the Application provides the existing LGS Energy rates.

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Table 6-14 Existing LGS Energy Rates (F2016)

Part 1 Energy Rate – Tier 1 (cents/kWh)	10.66
Part 1 Energy Rate – Tier 2 (cents/kWh)	5.13
Part 2 Energy Rate (cents/kWh)	9.90

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15. As illustrated above, although there is a significant price signal difference between the Part 2 rate and the Part 1 Tier 2 rate and between the Part 1 Tier 1 rate and the Part 1 Tier 2 rate, there is not a significant price signal difference between the Part 2 rate and the Part 1 Tier 1 rate, as both prices are relatively close in value.^{18 19}
16. Table 2-6 in the Application provides the Inflation Adjusted Range for the LRMC for distribution service, which demonstrates that the Part 1 Tier 1 Energy Rate is in excess of the lower end of the LRMC energy range in any event.

¹⁴ Exhibit B-5, CEC 1.61.3

¹⁵ Exhibit B-5, BCUC 1.59.3a, and Exhibit B-1, Page 6-41

¹⁶ Exhibit B-5, CEC 1.64.1

¹⁷ Exhibit B-1, Page 6-40

¹⁸ With respect to LGS

¹⁹ Exhibit B-5, CEC 1.64.1 (note: reference is to LGS)

Table 2-6 Inflation Adjusted Range in Energy LRM C for Distribution Service

Fiscal Year	Lower End of Energy LRM C Range (cents/kWh)	Upper End of Energy LRM C Range (cents/kWh)
F2013	8.5	10.0
F2013 (Distribution loss 6 per cent):	9.01	10.60
F2014	9.03	10.62
F2015	9.17	10.79
F2016	9.36	11.01
F2017	9.46	11.13
F2018	9.65	11.35
F2019	9.84	11.58

17. The CEC submits that new customers are effectively already exposed to the cost of new energy in the Part 1 Tier 1 rates, and that as the Part 2 energy rates have not delivered savings, they amount to an unfair and unreasonable charge that should be eliminated.

18. Additionally, it is consistent with the proposed flat energy rates.²⁰

19. The CEC notes that the benefits of investing in conservation and efficiency are not strictly tied to the presence of the LGS rate structure. Although the cost savings may be less, energy conservation and efficiency measures help reduce the overall electricity cost of customers even with a flat rate.²¹

20. The CEC submits that the above illustrates it is not appropriate for LGS customers to be exposed to the LRM C in the Part 2 rate for the first year of operation.

MGS

21. Table 6-5 of the application provides the existing MGS Energy rates for F2016.

Table 6-5 Existing MGS Energy Rates (F2016)

Part 1 Energy Rate – Tier 1 (cents/kWh)	9.89
Part 1 Energy Rate – Tier 2 (cents/kWh)	6.90
Part 2 Energy Rate (cents/kWh)	9.90

22. The CEC notes that the Part 1 Tier 1 Energy Rates are also higher than the lower end of the LRM C shown above. BC Hydro states that no conservation is achieved from the two part MGS rate structure.²²

²⁰ Exhibit B-5, BCUC 1.78.3

²¹ Exhibit B-5, CEC 1.67.2

²² Exhibit B-5, BCUC 1.78.3

23. The CEC submits that the above evidence illustrates it is also not appropriate for MGS customers to be exposed to the LRMC in the Part 2 rate for the first year of operation.

Consistency with TS 82 and Transmission Service

24. The 85/15 pricing also currently applies to the incremental load under TS 82 for the first 12 months.²³ BC Hydro does not apply for similar treatment for incremental load because incremental load is already treated differently than new accounts, and there have been no customer complaints with respect to the 85/15 pricing for TS 82.²⁴

25. Incremental load of an existing account in the first year is priced at the Part 2 energy rate up to 20 per cent of its Historic Baseline (HBL). An existing customer with prospective growth has an option of applying for service under TS 82 where its incremental load in the first year is subject to 85/15 pricing.

26. BC Hydro believes it is difficult to apply the same pricing principle in the first year for all these circumstances. They state that since BC Hydro is proposing to eliminate the LGS rate effective April 1, 2017, BC Hydro's preference is to maintain the existing pricing for incremental load of an existing customer so as not to incur additional implementation costs such as billing and customer communication costs.²⁵

27. The CEC submits that to the extent that incremental load under TS 82 is effectively similar to new load from a new customer, it would be reasonable to extend the 100% Part 1 pricing to these customers, but accepts that it may be difficult to do so. The CEC reiterates that consuming at the Part 1 rate means consuming exactly at baseline,²⁶ and is appropriate for situations in which new load is having baseline established.

28. New Transmission service accounts have a flat energy rate of 4.303 cents/kWh.²⁷

29. The proposed 100% Part 1 energy rate for both LGS and MGS customers remains significantly higher than the flat rate for new Transmission accounts.²⁸

²³ Exhibit B-5, BCUC 1.65.3

²⁴ Exhibit B-5, BCUC 1.78.2

²⁵ Exhibit B-5, BCUC 1.78.2

²⁶ Exhibit B-5, BCUC 1.59.3 a

²⁷ Exhibit B-1, Page 7-5, Table 7-1, RS 1823

²⁸ Exhibit B-5, BCUC 1.90.3

	F2016 Rates
RS 1823 Energy Rate A	4.303 cents/kWh
Existing MGS RS 15xx	
First 14,800 kWh – Tier 1 Rate	9.89 cents/kWh
All additional kWh – Tier 2 Rate	6.90 cents/kWh
Existing LGS RS 16xx	
First 14,800 kWh – Tier 1 Rate	10.66 cents/kWh
All additional kWh – Tier 2 Rate	5.13 cents/kWh

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30. Table 2-5 in the Application provides the Inflation Adjusted Range in Energy LRM C for Transmission Service.

Table 2-5 Inflation Adjusted Range in Energy LRM C for Transmission Service

Fiscal Year	Lower End of Energy LRM C Range (cents/kWh)	Upper End of Energy LRM C Range (cents/kWh)
F2013	8.5	10.0
F2014	8.47	9.97
F2015	8.58	10.10
F2016	8.75	10.29
F2017	8.92	10.5
F2018	9.10	10.71
F2019	9.28	10.92

31. New Transmission service accounts energy rate of 4.303 cents/kWh,³⁰ which is significantly below the lower end of the LRM C.

32. BC Hydro is not concerned that these new accounts are not exposed to the LRM C in the first year because the first year load of new accounts is a relatively small proportion of class load, and there is little impact on conservation.³¹

33. The CEC submits that it would not be unreasonable for new Transmission service accounts to have a first year energy with some portion that more closely reflected the LRM C and is more consistent with the LGS and MGS structure.

Timing

34. BC Hydro has requested final approval of the 100% Part 1 Pricing for new accounts that do not have an HBL in RS 15xx and RS 16xx in advance of the full Application.

²⁹ Exhibit B-5, BCUC 1.90.3

³⁰ Exhibit B-1, Page 7-5, Table 7-1, RS 1823

³¹ Exhibit B-5, BCUC 1.90.2

35. BC Hydro's intention is that the 100 per cent Part 1 Pricing would remain in place if the Commission does not approve BC Hydro's proposal to flatten the LGS and MGS rates.³²
36. The CEC submits that since there is no intention to alter the proposal in the event that the remainder of the pricing proposal is not approved, it is appropriately examined on its own merits and can be reviewed separately.
37. Several customers have complained formally or informally to the Commission.³³ The Commission has already ordered that BC Hydro was to waive the difference in the amount Sobeys was to be billed under the LGS and MGS new account rule versus the amount it would have been paying under an acquired assets baseline.^{34 35}
38. From January 2011 to September 2015 there were 2,427 new LGS accounts consuming energy under the 85/15 pricing, representing 27% of all LGS accounts.³⁶
39. From April 2012 to September 2015, there were 5,153 new MGS accounts billed under 85/15 pricing, which is 25 per cent of total MGS accounts. There were no MGS accounts consuming only at the Part 1 rate for 12 consecutive months.³⁷
40. Approximately 867 MGS and 235 LGS accounts are forecast to be affected in 2016. There will be approximately 620 more MGS accounts and 170 more LGS accounts if the pricing cannot be changed prior to the end of 2016. There will be 1,850 more MGS accounts and 490 more LGS accounts affected if the rule is not changed prior to the end of 2017.³⁸
41. The CEC submits that the Part 2 energy rate is ineffective and represents an unjust and unreasonable charge that should be eliminated as soon as possible. Due to the sizeable number of affected customers it is appropriate to address the issue at this time rather than wait until the new LGS/MGS pricing is approved.

³² Exhibit B-5, BCOAPO 1.19.4

³³ Exhibit B-1, Page 6-71

³⁴ Exhibit B-1, Page 6-71

³⁵ BCUC G-142-15

³⁶ Exhibit B-5, BCUC 1.65.1

³⁷ Exhibit B-5, BCUC 1.65.2

³⁸ Exhibit B-5, BCUC 1.84.1

Conclusion

42. The CEC supports the BC Hydro proposal to institute 100% Part 1 pricing at the present time and recommends that the Commission approve this aspect of the application as filed.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

David Craig

David Craig, Consultant for the Commercial Energy
Consumers Association of British Columbia



Christopher P. Weafer, Counsel for the Commercial
Energy Consumers Association of British Columbia