

January 8, 2016

VIA EMAIL

Erica Hamilton
Commission Secretary
BC Utilities Commission
6th Floor 900 Howe Street
Vancouver, BC V6Z 2N3



Reply to: Sarah Khan
skhan@bcpiac.com
Ph: 604-687-4134

Our file: 7615

Dear Ms. Hamilton:

**Re: BC Hydro 2015 Rate Design Application
Requested Order for LGS and MGS New Account Rule**

A. INTRODUCTION

1. We make the following submissions on behalf of our clients, the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, BC Poverty Reduction Coalition, Council of Senior Citizens' Organizations of BC, Disability Alliance BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre, known collectively in regulatory processes as "BCOAPO *et al.*" The constituent groups of BCOAPO *et al.* represent the interests of low and fixed income energy consumers within BC and more specifically in this process, the interests of BC Hydro's low and fixed income residential ratepayers.
2. BC Hydro's current MGS and LGS default rate structures both include a two-part energy rate approved by the BC Utilities Commission ("Commission") in 2010 as an outcome of the 2009 LGS Application NSA¹. In each case the rate structure employs a customer-specific baseline that is determined using the customer's historical monthly consumption. Part 1 energy charges (which consist of Tier 1 and Tier 2 energy rates) are applied to the customer's baseline consumption and then the Part 2 (LRMC-based) energy rate is applied as: i) a credit on the difference between the actual billed energy consumption and baseline consumption when consumption is lower than the baseline and ii) a charge on the difference between actual consumption and baseline consumption when consumption is higher than the baseline². In both cases there are additional provisions in the tariff that govern the

¹ Exhibit B-1, pages 6-15 and 6-38

² Exhibit B-1, pages 6-17- 6-18 and 6-40 – 6-42

annual adjustment to a customer's baselines and the application of the Part 1 vs. Part 2 energy tariffs.

3. For those customers that have new accounts with BC Hydro and therefore no history on which to base the determination of a customer baseline, the first 85% of the energy consumed in a monthly billing period is charged at the Part 1 energy rates and the last 15% is charged at the Part 2 energy rate until a baseline level is established one year hence³.

B. BC HYDRO'S APPLICATION

4. As part of its 2015 Rate Design Application, BC Hydro is seeking approval to implement flat energy rates for both its MGS and LGS rate classes effective April 1, 2017⁴.
5. However, BC Hydro is also requesting a separate order for approval of amendments to the MGS and LGS rates so as to change the pricing for customers without historical baselines from 85% of monthly consumption billed at the Part 1 energy rates and 15% of monthly consumption billed at the Part 2 energy rate to 100% of monthly consumption billed at the Part 1 energy rates effective January 1, 2016⁵. It is noted that there would be no need for either the 85/15 pricing or the 100% Part 1 pricing after April 1, 2017 if the Commission approves BC Hydro's default pricing proposals for the MGS and LGS rate classes. As a result, the requested order regarding the change in the treatment of new accounts would be supplanted by the requested MGS and LGS rates if approval for the proposals was granted⁶. However, if approval is not granted for BC Hydro's proposal to flatten the MGS and LGS energy rates then the 100% Part 1 pricing rule would remain in effect for new accounts⁷.
6. BC Hydro notes one of the reasons for the implementation of the 85/15 pricing rule for new accounts was to address the concern by some stakeholders that existing customers with growing load might open new accounts to have their customer baselines reset and to obtain bill savings⁸. However, BC Hydro has seen no evidence to date that this is occurring⁹.

³ Exhibit B-1, page 6-42 and 6-70

⁴ Exhibit B-1, pages 1-7 and 1-8

⁵ Exhibit B-1, page 1-9

⁶ Exhibit B-1, page 1-9 and Exhibit B-5, BCSEA 1.19.3

⁷ Exhibit B-5, BCSEA 1.19.4

⁸ Exhibit B-1, page 6-70

⁹ Exhibit B-1, pages 6-39 and 6-71.

7. At the same time, a number of LGS and MGS customers have complained formally to the Commission and/or informally to BC Hydro about the 85/15 pricing rule for new accounts. One such instance is where a new account is opened as a result of a change in legal ownership of an existing business and operations have not changed¹⁰.
8. As a result, BC Hydro is seeking early approval of the revised pricing rule for new MGS and LGS accounts.

C. COMMENTS

Applicability of the 100% Part 1 Pricing Rule

9. It is noted in BC Hydro's response to the BCUC 1.65.3 that the 85/15 pricing rule also applies under Tariff Supplement (TS) 82, whereby an existing LGS 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. BC Hydro does not propose to change TS 82 noting that this would involve additional implementation costs and that the complaints to-date have been with respect to the 85/15 pricing rule for new accounts¹¹.
10. TS 82 is optional and triggered by a customer application whereas the application of the 85/15 pricing rule to new accounts is not at the customer's choice. As a result, it is understandable why there has been little customer concern regarding the use of the 85/15 pricing in TS 82.
11. Overall, BC Hydro's proposal to address the concerns regarding the 85/15 pricing rule solely as they apply to new accounts is reasonable.

Proposed Use of Part 1 Energy Rates for 100% of Consumption

12. The proposal to use the Part 1 Energy Rates for 100% of the consumption by new MGS and LGS accounts differs from the approach currently used for RS 1823 (Transmission Service) customers. In the case of the RS 1823 two-part energy rate, the rate applied to new accounts and customers that do not have a CBL is not the Part 1 (or Tier 1) energy rate but rather a flat energy rate (similar to the RS 1827 flat

¹⁰ Exhibit B-1, page 6-71 and Order G-136-15

¹¹ Exhibit B-5, BCUC 1.78.2

energy rate) that is based on both the Tier 1 and tier 2 rates and meant to be revenue neutral¹².

13. In response to BCSEA 1.19.2 the question was raised as to whether it would be feasible to have new accounts pay a flat rate equivalent to the proposed flat rates for MGS and LGS customers. In its response BC Hydro did not indicate that such an approach was infeasible but rather noted that it would require a separate rate schedule which would cause additional billing costs. Unfortunately there is not information available on the record as to the revenue impact of BC Hydro's proposal versus an equivalent flat energy rate approach and, therefore, whether or not, it would more than offset the increased costs.
14. If the BC Hydro's MGS and LGS rate proposals are accepted by the BCUC then the revised new account pricing rule for these rate classes will only be in effect for 15 months and the proposed approach is reasonable based on the information available and subject to the comments in the following section.
15. However, if BC Hydro's proposals are not adopted then a longer term solution is required and an approach such as is used for RS 1823 customers would be more appropriate. Under such an approach, the energy rate for new accounts would be set equivalent to what the flat energy rate that would be required to recover the same energy-related revenues for the MGS and LGS classes respectively as the approved default energy rates.

Impact on Other Customer Classes

16. In its Application BC Hydro claims that the proposed new account pricing "recovers BC Hydro's embedded costs and therefore does not harm other rate payers"¹³. However, the response to BCUC 1.84.1 indicates that there are a material number of new accounts in F2016 that will be impacted if the change is not implemented on January 1, 2016 and even more if the change is not made for F2017.
17. To the extent the MGS and LGS revenues from new accounts for F2016 are lower due to the change being made effective January 1, 2016 the difference will be deferred to the Non-Heritage Deferral Account, which is recovered through the DARR¹⁴. As a result, contrary to BC Hydro's claims, there is a potential harm to other rate payers in the form of higher future rates.

¹² Exhibit B-1, Appendix C-5A, page 14 of 292

¹³ Exhibit B-1, page 6-71

¹⁴ Exhibit B-5, BCOAPO 1.156.1

18. Similarly, if the new pricing rule is in place for F2017 and leads to lower revenues at current rates than under the existing 85/15 pricing this will lead to an increase in the difference between the revenues generated by the rate increases prescribed under the Government’s BC Hydro Energy Plan and the revenue requirement eventually approved by the BCUC and therefore a larger amount for recovery from/a smaller amount refund to customers being be placed into the Rate Smoothing Regulatory Account that the BCUC is required to establish under Direction No. 7¹⁵. Again, assuming that any balances in the Rate Smoothing Regulatory Account are eventually recovered from/refunded to customers there is potential harm to other ratepayers from the change in the pricing rule for new MGS and LGS accounts.
19. Given this potential harm to other rate payers, BCOAPO submits that the impact of the change in pricing rules for new accounts (particularly for the period up to March 31, 2016) should be tracked separately within the relevant regulatory accounts and, if or when appropriate, future consideration possibly be given to a different approach for refund/recovery.

All of which is respectfully submitted.

Sincerely,

BC Public Interest Advocacy Centre

Sarah Khan
Staff Lawyer

- c. Tom Loski, Chief Regulatory Officer, BC Hydro
Registered Intervenors

¹⁵ BC Hydro’s F15-F16 RRA, page 4