



NEWS RELEASE – BCUC Releases Decision on BC Hydro Rate Design Application

January 20, 2017

The BC Utilities Commission has released its decision on BC Hydro's Rate Design Application, the first application of its type since 2007 and only the third such application in BC Hydro's history.

DECISION

In the decision the BCUC approves changes to the design of BC Hydro's rates for residential, commercial and industrial customers. Rate design is the way customer rates are structured including the terms and conditions for service.

KEY DETAILS

In this decision the BCUC makes the following determinations that will take effect on April 1, 2017:

Maintaining the current two-tier residential rate structure.

- The rate structure was maintained because eliminating the two-tier structure would cause increased bills for most customers. As well, the rate is well understood by customers, creating an incentive to conserve energy.
- In a related process the BC Minister of Energy and Mines has requested the BCUC provide government with a report on the impacts of two-tier residential rates. The BCUC will complete and issue this report publically in the near future.

Ending the residential E-Plus rate program.

- The E-Plus rate is a discount rate for customers with space and water heating that was put in place in 1987 as a way for BC Hydro to market its surplus energy at a time when the utility did not have a consistent ability to sell its surplus energy to market. The rate was subsequently closed to new customers in 1990. There has been a decreasing number of E-Plus customers since then. Currently, around 7,500 customers remain on this rate. The BCUC has decided to end this rate because there is no justification to maintain such a discounted rate for a small group of customers. The BCUC recognizes that this decision will cause cost increases for the small number of E-Plus customers and directs a five year rate phase-out to bring rates to the same level as rates for other residential customers.

Simplifying commercial rates by eliminating the two and three-tiered rates.

- The existing rate structures for many commercial rate classes were found to be too complex and difficult for customers to understand due to their multiple pricing tiers. These complex, tiered rates were originally designed to create a price signal to promote energy conservation to customers. However, because customers have difficulty understanding the existing rates they were generally not able to react to the price signals and conserve energy as the design of the rates intended. The new rate design approved in this decision is much simpler because the different parts of the rate are priced at a flat rate rather than a tiered rate.

Denying a request from an intervener group for special low-income rates

- The BCUC made this decision because it does not have legal jurisdiction to create a rate specific to low-income customers. However the BCUC approved a number of measures that will benefit low-income and other customers including:
 - reducing the minimum reconnection charge from \$125 to \$30 for customers who have been disconnected or require service;
 - directing that BC Hydro develop a crisis assistance pilot program for customers who are unable to pay their electricity bills; and
 - directing BC Hydro to create and work with a low-income advisory committee to develop measures that may assist low-income customers.

Approving a Freshet Rate pilot program for industrial customers

- In early 2016, the BCUC also approved the Freshet Rate for industrial customers as a pilot program. The freshet is the snowmelt period from May- July each year when BC Hydro generates more electricity due to increased water flows. BC Hydro has had an oversupply of energy during the freshet period for many years and, due to supply and demand forces, has sold the excess energy on the market at very low prices. As an alternative, the BCUC has approved BC Hydro to implement a two year rate pilot where a lower rate is available to some of BC's industrial customers from May-July. This lower rate will help BC Hydro manage freshet oversupply while maintaining economic benefits in the province rather than exporting electricity to market at very low prices.

BCUC PROCESS

The BCUC undertook an extensive review process with active participation from the public to review BC Hydro's application. 36 parties intervened and many participated actively in the review. These interveners were comprised of organizations representing low and fixed income customers, environmental interests, commercial and industrial customers, among other groups, and individual BC Hydro customers. 41 letters of comment were submitted by individuals in the review process.

BC Hydro's application contained a number of requests and issues to be addressed, with varying degrees of urgency and complexity. To prepare its application, BC Hydro undertook almost two years of consultation with stakeholders through workshops, customer surveys and discussions with customer groups. The BCUC tailored the review process and used a number of different processes to allow for an efficient assessment of the application and effective public participation. The review included a five day oral hearing, multiple rounds of written information requests, a one day streamlined review process and a negotiated settlement for different aspects of the application.

To read the decisions please visit the following links:

[BC Hydro Rate Design Decision](#)

[BC Hydro Pilot Freshet Rate Decision](#)

CONTACT INFORMATION

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BACKGROUND: GENERAL EXPLANATION OF RATE DESIGN

Rate design is the way customer rates are structured including the terms and conditions for service. For example, for BC Hydro's residential rate, the structure is a three-part rate: a fixed daily charge and a two-tier energy charge where energy is charged at a lower rate until a certain threshold, after which a higher rate is charged. The rate is designed in tiers to promote conservation.

Changes to the rate design can lead to changes in customer bills. In the example of the residential tiered rate, if the rate design resulted in a different threshold the consumption of energy under each tier could change which could result in changes to customer bills – although in this decision, no changes were made to the structure of two tier residential rates.

Rates may also change because of changes in costs to obtain energy and operate a utility. These changes are reviewed in a revenue requirements proceeding. BC Hydro's costs are currently under public and BCUC review in the [2017-2019 BC Hydro Revenue Requirements proceeding](#).

The rate design process is typically carried out less frequently than revenue requirement proceedings. In this case the most recent general rate design for BC Hydro was completed in 2007 while revenue requirement proceedings typically occur every one to three years.