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Our file: 7615

October 14, 2015

VIA EMAIL

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

Re: BC Hydro 2015 Rate Design Application – Submissions on Issues in Appendix B to Order G-156-15

We write to provide submissions in response to Appendix B to the BC Utilities Commission's ("Commission") Order G-156-15, on behalf of 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 Tenant Resource & 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 residential energy consumers within BC and more specifically in this process, the interests of BC Hydro's low and fixed income residential ratepayers.

Commission Order G-156-15 (and Appendix B to that Order) invites submissions on several preliminary issues respecting BC Hydro's 2015 Rate Design Application (the "Application"). We will address each of the issues in turn below. As noted by the B.C. Sustainable Energy Association ("BCSEA") and the Sierra Club of B.C. ("SCBC") in their submission of today's date, our submissions in response to this request were substantially completed prior to receiving BC Hydro's submission yesterday afternoon.

1. Review process for the F2016 Cost of Service study

The purpose of a cost of service ("COS") study is to break down the total revenue requirement between the customer classes and show the cost to serve each customer class – and where necessary, rebalance costs as between the classes.

The recent amendment to Section 9 of Direction 7 to the BCUC set out in BC Reg. 140/2015 Order-in-Council ("OIC") 405 said the Commission must not set BC Hydro's rates for the purpose of changing the revenue-cost ratio for a class of customers for F2017, F2018, and F2019—more plainly, the OIC specifically prohibits rate rebalancing.

During its workshop on July 30, 2015, BC Hydro said that:

- 1) It submits Fully Allocated Cost of Service (“FACOS”) results with the Commission every year pursuant to 2007 RDA Direction 2, and will continue to do so, and
- 2) BC Hydro thinks there is value in reviewing the F2016 COS with the 2015 RDA.¹

At that workshop, BCH proposed that it review COS methodologies again in F2019 and file a study for BCUC review to inform F2020 and beyond.

We agree with BC Hydro that there is value in full review and Commission approval of the F2016 COS study as part of the Application process. There is value in stakeholders having a chance to analyze and ask questions about the study and the fairness of existing rates, despite that there will be no potential rebalancing until 2020. Also, as noted in the Commission’s Order, the COS study serves to inform the rate design process and, before it is used for such purposes, it should be subject to review. The last time that stakeholders were involved in a full review of BC Hydro’s COS study was during the last Rate Design Application in 2007-2008.

Therefore, it is our view that there should be a full review of the current COS study regarding all aspects that are relevant to Module 1, Module 2 and methodological directions regarding production of the F2019 COS study. We agree with BC Hydro’s submission of October 13, 2015 that the COS should be reviewed initially through the first round of information requests in the RDA.

We will be in a better position to determine whether the COS should be dealt with through a written or negotiated settlement process (NSP) once the first round of information requests in this process is complete. We agree with BC Hydro’s submission of October 13, 2015 that the Commission should wait for the Procedural Conference on January 12, 2016 to determine the process for review of the F2016 COS study.

2. Accelerated process for LGS/MGS customers without historical baseline

BC Hydro has proposed an accelerated review process for new Large General Service customers and Medium General Service customers who are without historical baseline to take service at 100 percent Part 1 Pricing (instead of 85/15 Pricing).²

At page 6-71 of the Application, BC Hydro says that its proposal would recover BC Hydro’s embedded costs, and therefore does not harm other ratepayers.

If this is the case, BCOAPO is not opposed to an expedited review of these rates by way of a written proceeding. However, as we set out in greater detail under Issue 4 below, given that BC Hydro has proposed an accelerated timeline for these customers

¹ https://www.bchydro.com/content/dam/BCHydro/customer-portal/documents/corporate/regulatory-planning-documents/regulatory-matters/01_2015-07-30-wksp-12-pres.pdf.

² Exhibit B-1, Application, p.1-26.

and has requested a final order approving this change effective January 1, 2016,³ we will support this expedited review process for a final order so long as there is also an expedited review process for the revised residential Minimum Reconnection Charge (“MRC”), so that the MRC can also be approved and implemented by either December 1, 2015 or January 1, 2016, as described in more detail under Issue 4 below.

3. Expedited review process for freshet rate, pricing principles for RS 1823, and other existing Transmission Service rates

With respect to the pricing principles for RS 1823, BCOAPO notes that all of the options presented by BC Hydro utilize a “customer bill” definition of revenue neutrality for F2017 and that all of the options under-recover when a “forecast revenue” definition of revenue neutrality is used (p. 7-13). We will be in a better position to determine whether the pricing principles should be dealt with through a Streamlined Review Process once the first round of information requests is complete.

We support BC Hydro’s proposed expedited process for the freshet rate, and other Transmission Service rates, on the condition that the MRC is dealt with through an expedited review process and implemented by either December 1, 2015 or January 1, 2016, as described in more detail under Issue 4 below.

BCOAPO is not opposed to a written review process for the freshet rate, and other existing Transmission Service rates.

4. Expedited process for Minimum Reconnection Charge (“MRC”)

BCOAPO requests that approval for implementation of a revised residential MRC be completed by December 1, 2015, rather than BC Hydro’s current request for implementation by April 1, 2016.

BCOAPO submits that the amount of the current MRC is clearly a fairness issue since the current charge of \$125.00 plus GST no longer reflects BC Hydro’s actual costs to reconnect a customer—it is important to reiterate that the Reconnection Charge was approved by the Commission as a cost-based charge in the 2007 RDA.⁴

BCOAPO does not accept BC Hydro’s argument that the \$950,000 reduction in net income for 2015/16 is a valid reason to maintain in full force and effect the high MRC for another six months. The current MRC is unjust and unreasonable, and no longer reflects BC Hydro’s cost to reconnect customers. This charge should be replaced as quickly as possible by a lower MRC so that low income BC Hydro residential customers are not required to continue paying a charge in order to prevent a revenue shortfall. We

³ Exhibit B-1, Application, p. 6-70.

⁴ http://www.bcuc.com/Documents/Proceedings/2007/DOC_17004_10-26_BCHydro-Rate-Design-Phase-1-Decision.pdf at p. 200.

also note that \$950,000 is less than 0.2% of BC Hydro's 2014/15 net income of \$581 million.⁵

Revenue issues aside, BCOAPO notes that BC Hydro has not addressed whether it would actually be feasible to achieve a December 1, 2015 implementation date for the revised MRC, even with an expedited review. In the event that implementation is not possible by December 1st, we request an implementation date of no later than January 1, 2016 – the same implementation date BC Hydro suggests would result from an expedited review of the MGS/LGS new customer rate proposal. We would also like customers who have to pay the current MRC after December 1, 2015 to be refunded the difference between the current and revised MRC, plus interest.

An expedited review of the MRC is extremely important to our client groups. Earlier implementation of a reduced charge will make a significant difference to customers that are disconnected during the winter months. Paying a large reconnection charge in addition to the arrears that led to the disconnection is a major barrier to low income customers across the province – a group that includes seniors, people with disabilities, and single-parent families. It would also be extremely unfair to allow an expedited review of LGS/MGS new customer rates and Transmission Service rates while disallowing a similar review for the MRC, particularly when low income customers are so adversely affected by the current MRC.

BCOAPO supports a written review process for the MRC, on an expedited schedule so that implementation can be achieved by either December 1, 2015 or January 1, 2016.

5. Other issues – BCOAPO's evidence

We continue to represent the interests BC Hydro's low and fixed income residential customers. BC Hydro states that based on its Residential End Use Survey results, about 10% of its residential accounts have incomes below Statistics Canada's Low Income Cut-Off.⁶

BC Hydro's ongoing and significant rate increases are causing immense hardship for these customers. Rates have increased by almost 50% in the last 10 years, and are on track to increase by another 10.5% over the next three years. Following the end of the current rate caps, there is likely no end in sight for rate increases. Electricity is an essential service, and it is time to directly address the increasing unaffordability of BC Hydro's rates for low income customers.

We intend to lead evidence, including expert evidence, about the need for BC Hydro to offer a suite of bill affordability measures for its low income residential customers. The measures we will propose through the expert evidence include lifeline rates, emergency bill assistance for customers facing disconnection, and terms and conditions specific to

⁵ <http://www.bchydro.com/content/dam/BCHydro/customer-portal/documents/corporate/accountability-reports/financial-reports/annual-reports/bc-hydro-annual-report-2015.pdf>, at p. 20.

⁶ Exhibit B-1, page 5-12.

low income customers, such as waiver of reconnection and late payment fees and flexible arrears payment arrangements.

As BC Hydro's next Rate Design Application will likely not be filed before 2020 (and possibly much later) it is critical that we present this evidence in Module 1 of the RDA so that the Commission can direct BC Hydro to implement such measures in the near future.

Please do not hesitate to contact us should you have any questions.

Yours truly,
BC Public Interest Advocacy Centre

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