



VIA EMAIL

February 9, 2016

BC HYDRO
2015 RATE DESIGN

EXHIBIT A-16

TO: British Columbia Hydro and Power Authority
Registered Interveners (BCH-RDA2015-RI)

Re: British Columbia Hydro and Power Authorities
Project No. 3698781/G-156-15
2015 Rate Design Application Module 1
Medium General Service and Large General Service 100 percent Part 1 Pricing

Further to Order G-175-15, enclosed please find Commission Order G-16-16 with Reasons for Decision regarding the Medium General Service and Large General Service 100 percent Part 1 Pricing.

Yours truly,

Original signed by:

Erica Hamilton
YD/cms

Enclosure



ORDER NUMBER
G-16-16

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

British Columbia Hydro and Power Authority
2015 Rate Design Application

BEFORE:

D. M. Morton, Commissioner/Panel Chair
D. A. Cote, Commissioner
K. A. Keilty, Commissioner

on February 9, 2016

ORDER

WHEREAS:

- A. British Columbia Hydro and Power Authority (BC Hydro) filed on September 24, 2015, pursuant to sections 58-61 of the *Utilities Commission Act*, the 2015 Rate Design Application (RDA);
- B. In the Application, BC Hydro proposed, among other things, that the new Medium General Service (MGS) accounts served under rate schedules 15xx and new Large General Service (LGS) accounts served under rate schedules 16xx pay 100 percent Part 1 pricing instead of the current 85 percent Part 1 pricing and 15 percent Part 2 pricing on monthly consumption of energy (100 percent Part 1 Pricing);
- C. BC Hydro further requested that the MGS and LGS new accounts 100 percent Part 1 Pricing rule be effective January 1, 2016, and that the proposal be reviewed by way of an expedited process that would consist of one round of information requests (IRs) followed by intervener written arguments and reply argument;
- D. By Order G-156-15 dated September 29, 2015, the Commission requested all parties to address BC Hydro's proposed process for 100 percent Part 1 Pricing, among other things;
- E. By Order G-175-15 dated November 3, 2015, the Commission determined that an expedited process was appropriate for the review of the 100 percent Part 1 Pricing, and established an initial round of IR process to be followed by written arguments. In the Reasons attached as Appendix A to Order G-175-15, the Commission concluded that it was not practical to issue a decision by December 10, 2015, as proposed by BC Hydro; instead the Commission contemplated a decision on or before February 10, 2016, after the argument phase established for the period January 8 to January 15, 2016;
- F. Intervener arguments were filed by FortisBC Energy Inc. and FortisBC Inc. (FEI/FBC), the British Columbia Sustainable Energy Association and the Sierra Club of B.C., the Non-Integrated Area Rates Group, the Commercial Energy Consumers Association of British Columbia, the British Columbia Old Age Pensioners' Organization *et al.* (BCOAPO), and the Association of Major Power Producers (AMPC);

- G. None of the Interveners who filed arguments opposed the proposed 100 percent Part 1 Pricing, but FEI/FBC submit approval should be effective January 1, 2016. BCOAPO provides conditional support subject to tracking of the impact of change in pricing rules for new accounts within the relevant regulatory accounts and AMPC refers to BC Hydro's proposal as an interim measure;
- H. In reply, BC Hydro maintains its view that other ratepayers are not harmed by the 100 percent Part 1 Pricing and that it is amending the effective date for the proposed new account pricing from January 1, 2016 to April 1, 2016; and
- I. The Commission Panel has considered the submissions and the amendments to Rate Schedules 1500, 1501, 1510, 1511, 1600, 1601, 1610 and 1611.

NOW THEREFORE for the Reasons attached as Appendix A to this order, and pursuant to sections 58-61 of the *Utilities Commission Act*, the British Columbia Utilities Commission orders as follows:

- 1. The amendments to Rate Schedules 1500, 1501, 1510, 1511, 1600, 1601, 1610 and 1611 changing the pricing for customers without historical baselines from 85/15 Pricing to 100 percent Part 1 Pricing, as shown in the draft tariff sheets of Appendix F-1A of the 2015 Rate Design Application, are approved effective April 1, 2016.
- 2. BC Hydro is directed to file the amended tariffs within 15 business days of the date of this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 9th day of February 2016.

BY ORDER

Original signed by:

D. M. Morton
Commissioner/Panel Chair

Attachment

British Columbia Hydro and Power Authority
2015 Rate Design Application

REASONS FOR DECISION
Medium General Service and Large General Service
100 percent Part 1 Pricing

Although none of the interveners who filed arguments opposed British Columbia Hydro and Power Authority's (BC Hydro) proposal for 100 percent Part 1 Pricing for the new accounts of the Medium General Service (MGS) and Large General Service (LGS) accounts instead of the current 85 percent Part 1 and 15 percent Part 2 pricing on monthly energy consumption, there is a need to address a number of issues in these Reasons to provide greater clarity regarding the Panel's decision making.

1. Effective date

FortisBC Energy Inc. and FortisBC Inc. (FEI/FBC) submit that the British Columbia Utilities Commission (Commission) should approve the 100 percent Part 1 Pricing for new accounts in MGS and LGS effective January 1, 2016.¹

In the Reasons attached to Order G-175-15, the Commission noted that time constraints did not permit the Commission to render its decision on the 100 percent Part 1 Pricing for MGS and LGS new accounts by BC Hydro's proposed date of December 10, 2015 for a decision effective date of January 1, 2016. BC Hydro, in reply, takes notice of the current regulatory schedule and amends its requested order such that the effective date is April 1, 2016.² Accordingly, Order G-16-16 dated February 9, 2016 determines that the effective date for implementation is to be April 1, 2016.

2. Interim measure

The Association of Major Power Customers of British Columbia (AMPC) observes that BC Hydro's proposal, if accepted, would be supplanted by a final order concerning its new proposed MGS and LGS pricing as set out in the 2015 Rate Design Application (RDA), which BC Hydro proposes to implement effective April 1, 2017. AMPC therefore submits that the Commission's acceptance of the proposal is an interim measure that will only apply until the MGS and LGS tariffs are amended through the RDA.³

The Commercial Energy Consumers Association of British Columbia (CEC) observes that if BC Hydro's proposals to flatten the rate structures of LGS and MGS rate classes are approved and effective April 1, 2017, then the Commission order for 100 percent Part 1 Pricing would effectively be supplanted or expired. CEC further observes that it is BC Hydro's intention that the 100 percent Part 1 Pricing would remain in place if the Commission does not approve BC Hydro's proposal to flatten the LGS and MGS rates.⁴

¹ FEI/FBC Argument, p. 1

² Reply Argument, Attachment 1

³ AMPC Argument, p. 1

⁴ CEC Argument, para. 1

The Panel clarifies that its approval is for a permanent rate, not an interim rate. Therefore, the 100 percent Part 1 Pricing principle will remain in place if the Commission does not approve BC Hydro's proposal to flatten the LGS and MGS rates.

3. Impact on other customer classes

FEI/FBC submit that based on the evidence, the implementation of the proposed rate does not harm other ratepayers and does not affect F2016 revenue requirements.⁵ Both the British Columbia Sustainable Energy Association and Sierra Club of BC (BCSEA) and CEC submit that they accept BC Hydro's evidence that the 100 percent Part 1 Pricing for new accounts would not cause a cross-subsidy between LGS and MGS classes with the other rate classes.⁶

The British Columbia Old Age Pensioners Organization *et al.* (BCOAPO) submits that the proposed 100 percent Part 1 Pricing for MGS and LGS differs from the approach currently used for Rate Schedule (RS) 1823 transmission service customers. In the case of the RS 1823 two-part rate, the rate applied to new accounts and customers that do not have a customer baseline, is not the Part 1 or Tier 1 rate but a flat energy rate. BCOAPO submits that there is not enough information on the record as to the revenue impact of BC Hydro's proposal versus an equivalent flat energy rate approach. BCOAPO concludes that there is potential harm to other ratepayers in the form of higher future rates because if MGS and LGS revenues from the 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 and recovered by way of a rate rider. BCOAPO proposes that the impact of the change in pricing rules for new accounts, in particular for the period up to March 31, 2016, be tracked separately.⁷

In reply, BC Hydro submits that it is neither practical nor worthwhile to track the impact of the change in pricing rules for new accounts separately within the relevant regulatory accounts because it currently does not forecast target revenue from MGS and LGS new accounts, and because the F2015 billing data informed BC Hydro that the difference in revenue between the current and proposed pricing rule is only \$2.2 million or 0.38 percent of total LGS rate class energy revenue in F2016. BC Hydro also notes that it is amending the effective date for the proposed new account pricing from January 1, 2016 to April 1, 2016.⁸

Given the implementation date of April 1, 2016, the Panel accepts BC Hydro's argument that it is neither practical nor worthwhile to track the impact of the change in pricing rules.

⁵ FEI/FBC Argument, p. 2

⁶ BCSEA Argument, p. 1; CEC Argument, p. 5

⁷ BCOAPO Argument, pp. 3-4

⁸ Reply Argument, p. 4