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British Columbia Hydro and Power Authority
Fiscal 2023 Rate Schedule 1101, 1121 Residential Service Pricing
Principles Application

Decision
and Order G-210-22

July 25, 2022

Before:
R. I. Mason, Panel Chair
A. C. Dennier, Commissioner
A. Pape-Salmon, Commissioner

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BCUC ORDER G-210-22

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Executive Summary

On February 11, 2022, the British Columbia Hydro and Power Authority (BC Hydro) filed with the British Columbia Utilities Commission (BCUC) an application to establish fiscal 2023 pricing principles for its Rate Schedule 1101, 1121 – Residential Service (RS 1101) (Application).¹ BC Hydro is proposing to apply any fiscal 2023 general rate increase arising from the Fiscal 2023 to Fiscal 2025 Revenue Requirement Application (F2023 RRA Rate Increase) to the three charges of RS 1101 as follows:²

- Basic Charge: apply the F2023 RRA Rate Increase;
- Step 2 Energy Charge: hold the Step 2 Energy Charge constant at its current level of 14.08¢ per kilowatt hour (kWh); and
- Step 1 Energy Charge: apply the rate increase necessary so that, on a forecast basis, BC Hydro will earn the same revenue in fiscal 2023 from its RS 1101 customers as if the F2023 RRA Rate Increase had been applied equally to all three charges of RS 1101 (Proposed Pricing Principles).

If the F2023 RRA Rate Increase is approved as applied for in BC Hydro's Fiscal 2023 to Fiscal 2025 Revenue Requirements Application, the Proposed Pricing Principles would result in a Basic Charge of 20.90¢ per day, a Step 1 Energy Charge of 9.50¢ per kWh, and a Step 2 Energy Charge of 14.08¢ per kWh.

Under a scenario where the Proposed Pricing Principles are applied, the combined impact of the proposed F2023 RRA Rate Increase and the proposed decrease in the Deferral Account Rate Rider would result in a bill decrease for all RS 1101 customers ranging from -0.99 to -1.93 percent. Customers with higher energy consumption will have a bigger percentage bill decrease than customers with lower energy consumption.

Alternative pricing principles, such as applying the F2023 RRA Rate Increase equally to all three charges of RS 1101 or applying the F2023 RRA Rate Increase to the Basic Charge only, were also considered by BC Hydro.

After reviewing the Application, evidence, letters of comment, and BC Hydro's final argument and reply to letters of comment filed in the proceeding, the Panel approves the Proposed Pricing Principles for fiscal 2023, effective April 1, 2022. The Panel finds that there is no compelling evidence of a specific value of long-run marginal cost at which the Step 2 Energy Charge should be set for fiscal 2023. In addition, the Panel finds that there is no economic justification to increase the Step 2 Energy Charge. The Panel also notes that there is no conservation-related justification for increasing the Step 2 Energy Charge to maintain the current gap between it and the Step 1 Energy Charge. The Panel finds that the Proposed Pricing Principles, comprising changes to how the F2023 RRA Rate Increase is applied to the Basic Charge, Step 1 Energy Charge and Step 2 Energy Charge, are reasonable and will not result in rates that are unjust, unreasonable, unduly discriminatory or unduly preferential, as required by sections 59 and 60 of the *Utilities Commission Act*.

¹ Exhibit B-1, p. 1.

² Ibid., p. 2.

1.0 Introduction

1.1 Application and Regulatory Process

On February 11, 2022, the British Columbia Hydro and Power Authority (BC Hydro) filed with the British Columbia Utilities Commission (BCUC) an application to establish fiscal 2023 pricing principles for its Rate Schedule 1101, 1121 – Residential Service (RS 1101) (Application).³ BC Hydro is proposing to apply any fiscal 2023 general rate increase arising from the Fiscal 2023 to Fiscal 2025 Revenue Requirement Application (F2023 to F2025 RRA) (F2023 RRA Rate Increase) to the three charges of RS 1101 as follows:⁴

- Basic Charge: apply the F2023 RRA Rate Increase;
- Step 2 Energy Charge: hold the Step 2 Energy Charge constant at its current level of 14.08¢ per kilowatt hour (kWh); and
- Step 1 Energy Charge: apply the rate increase necessary so that, on a forecast basis, BC Hydro will earn the same revenue in fiscal 2023 from its RS 1101 customers as if the F2023 RRA Rate Increase had been applied equally to all three charges of RS 1101 (Proposed Pricing Principles).

By Order G-40-22, the BCUC approved BC Hydro's Proposed Pricing Principles on an interim basis, effective April 1, 2022.

In BC Hydro's F2023 to F2025 RRA, which is currently before the BCUC, BC Hydro has requested approval of, among other things, a general rate increase of 0.62 percent and a decrease in the Deferral Account Rate Rider (DARR) from 0 percent to negative 2 percent, effective April 1, 2022, subject to any interim or final orders issued by the BCUC regarding the Application.⁵ By Order G-47-22, the BCUC approved the requested general rate increase and decrease to the DARR for fiscal 2023 on an interim basis and directed BC Hydro to file its applicable tariff sheets for endorsement reflecting the interim rates for fiscal 2023 approved by Orders G-47-22 and G-40-22.

As part of the review of the Application, the BCUC directed BC Hydro to provide public notice of the Application and established a regulatory timetable for the review of the Application, which included one round of BCUC information requests, letters of comments, followed by BC Hydro's final argument and reply to letters of comment.⁶ The BCUC received letters of comments from Hongsuk Jin (Jin), Peter Schmelcher (Schmelcher), Twila Burgmann (Burgmann), the BC Sustainable Energy Association (BCSEA), the Residential Consumer Intervener Association (RCIA), and the British Columbia Old Age Pensioners' Organization Et Al. (BCOAPO).⁷

BC Hydro plans to file a more extensive residential rate design application later this year, where BC Hydro will propose RS 1101 pricing principles for fiscal 2024 and beyond and introduce optional residential services.⁸

1.2 Background and Relevant Previous Decisions

RS 1101 is commonly referred to as the residential inclining block (RIB) rate and it applies to most of BC Hydro's residential customers in Rate Zone I. The RIB rate structure is a two-step (also called a two-tier) inclining block rate with a Basic Charge, a Step 1 Energy Charge and a Step 2 Energy Charge. The consumption threshold

³ Exhibit B-1, p. 1.

⁴ Ibid., p. 2.

⁵ Ibid., pp. 1 – 2.

⁶ Exhibit A-2, Order G-40-22.

⁷ Exhibits E-1 to E-6.

⁸ Exhibit B-1, p. 3.

between the Step 1 and Step 2 Energy Charges is 1,350 kWh per two-month billing period and was designed to be near 90 percent of the median consumption of BC Hydro's residential customers.⁹

The RIB rate structure was first introduced in the 2008 RIB Rate Application in response to the 2007 Energy Plan's objective of encouraging electricity conservation through rate structures and the BCUC previously determined that BC Hydro's long-run marginal cost (LRMC) of new supply is the appropriate referent for the Step 2 Energy Charge.¹⁰ The BCUC also previously stated that the Step 2 Energy Charge should reflect the LRMC, but that it does not need to exactly equal the LRMC.¹¹

BC Hydro applies general rate changes arising from its revenue requirements application (RRA) to each of the three components of the RIB rate using BCUC approved pricing principles.¹² Since the implementation of the RIB rate, it has been necessary to establish pricing principles for the rate each fiscal year. The approval of the current pricing principles for the RIB rate expired on March 31, 2022.

Since 2008, the RIB rate pricing principles have been to uniformly increase the RIB rate components by the approved RRA rate changes for the period (Uniform Pricing Principles). These have been maintained and approved by the BCUC, with the exception of the period from fiscal 2012 to fiscal 2014 inclusive.¹³ For the period from fiscal 2012 to fiscal 2014, the BCUC found that the Step-2 Energy Charge had to increase at a rate different from the approved RRA rate increase due to the existing wide gap between the Step-2 Energy Charge and the LRMC.¹⁴

1.3 Legislative Framework

When setting utility rates, the BCUC is governed by sections 59 and 60 of the *Utilities Commission Act* (UCA), which state that rates must not be "unjust, unreasonable, unduly discriminatory or unduly preferential."

2.0 Overview of BC Hydro's Proposal

2.1 Rationale for the Proposed RIB Rate Pricing Principles

BC Hydro states that it is proposing these pricing principles for fiscal 2023 because, based on BC Hydro's LRMC, there is no economic justification to increase the Step 2 Energy Charge beyond the current rate of 14.08¢ per kWh.¹⁵ BC Hydro explains that its 2021 Integrated Resource Plan (2021 IRP) application, that is currently before the BCUC, demonstrates that its LRMC of energy is 6.5¢ per kWh.¹⁶ BC Hydro also points out that there are several marginal resource blocks with an LRMC of less than the current Step 2 Energy Charge and that the LRMC is expected to remain below the current Step 2 Energy Charge for the 20-year planning horizon of the 2021 IRP.¹⁷

BC Hydro states that both the LRMC and Mid-Columbia (Mid-C) market price can provide an economically efficient price signal for rate design.¹⁸ BC Hydro expects to be in an energy surplus position during fiscal 2023

⁹ Exhibit B-1, p. 5.

¹⁰ Exhibit B-1, p. 6; BC Hydro RIB Rate Re-Pricing Application, Final Order G-45-11, Appendix A, BC Hydro RIB Re-Pricing Reasons, p. 9.

¹¹ BC Hydro RIB Rate Re-Pricing Application, Final Order G-45-11, Appendix A, BC Hydro RIB Re-Pricing Reasons, p. 11.

¹² Exhibit B-1, p. 1.

¹³ Ibid., Appendix B-1, p. 4.

¹⁴ BC Hydro RIB Rate Re-Pricing Application, Final Order G-45-11, Appendix A, BC Hydro RIB Re-Pricing Reasons, pp. 14 – 15.

¹⁵ Exhibit B-1, p. 2.

¹⁶ Ibid., p. 3.

¹⁷ Exhibit B-2, BCUC IR 3.7.

¹⁸ Ibid., BCUC IR 2.7.2.

and the energy reference price during system surplus is based on the Mid-C market price.¹⁹ BC Hydro points out that the Step 2 Energy Charge is also higher than the Mid-C market price as the average historic peak Mid-C daily price is 7.64¢ per kWh during fiscal 2022. BC Hydro explains that the historic Mid-C price would be lower than 7.64¢ per kWh when off-peak prices, which are generally lower, are considered.²⁰

In addition to the economic justification, BC Hydro states that it has received customer complaints regarding the Step 2 Energy Charge, such that it is burdensome for those who rely on electric heating or that it is a barrier to switching from fossil fuels to clean electricity.²¹

Further, BC Hydro conducted two comprehensive evaluations of the RIB Rate to verify the savings achieved by the rate structure and to evaluate customers' response to it. Based on the most recent evaluation conducted in 2018, BC Hydro does not believe that further conservation can be achieved by maintaining the current gap between the Step 1 and 2 energy charges. These evaluations found that although the RIB Rate achieved substantial energy conservation in the years immediately following implementation, it stopped achieving new conservation and BC Hydro stopped claiming any incremental rate structural savings since fiscal 2016.²²

BC Hydro states that the Proposed Pricing Principles are expected to maintain bill stability for all customers. This is because when the proposed F2023 RRA Rate Increase is combined with the proposed decrease in the DARR, it will result in a bill decrease for all RS 1101 customers.²³

2.2 Bill Impact of the Proposed RIB Rate Pricing Principles

If the F2023 RRA Rate Increase is approved as applied for in BC Hydro's F2023 to F2025 RRA, the Proposed Pricing Principles would result in the following fiscal 2023 rate increases to RS 1101:

Table 1: Result of Proposed Fiscal 2023 Pricing Principles²⁴

RS 1101	Proposed Rate Increase	F2023 Charges (proposed)	F2022 Charges (current)
Basic Charge	0.62%	20.90¢ per day	20.77¢ per day
Step 1 Energy Charge	1.17%	9.50¢ per kWh	9.39¢ per kWh
Step 2 Energy Charge	0%	14.08¢ per kWh	14.08¢ per kWh

Applying the F2023 RRA Rate Increase in accordance with the Proposed Pricing Principles would slightly decrease the price differential between the Step 1 and Step 2 Energy Charges. The Proposed Pricing Principles are revenue neutral and will result in BC Hydro earning the same revenue, on a forecast basis, as if each RIB Rate component were increased by the F2023 RRA Rate Increase.²⁵

Under a scenario where the Proposed Pricing Principles are applied, the combined impact of the proposed F2023 RRA Rate Increase and the proposed decrease in the DARR would result in a bill decrease for all RS 1101 customers ranging from -0.99 to -1.93 percent. As shown in the following table, this results in average annual bill decreases ranging from \$3 to \$271. Customers with higher energy consumption would have a bigger percentage bill decrease than customers with lower energy consumption.

¹⁹ Ibid., BCUC IR 2.7.

²⁰ Exhibit B-2, BCUC IR 2.7.2.

²¹ Ibid., BCUC IR 2.1.

²² Ibid., BCUC IR 1.4.

²³ Exhibit B-1, p. 3.

²⁴ Ibid., Table 1, p. 2.

²⁵ Ibid., p. 2.

Table 2: Bill Impacts of Proposed Pricing Principles, RRA Rate Increase and DARR Decrease by Energy Consumption Segment²⁶

Energy Usage (kWh) Segment	Percent of Customer Total	Average Annual Bill F22	Average Annual Bill (Forecast) F23	Average Annual Bill Impact (Forecast) F23 (\$)	Average Annual Bill Impact (Forecast) F23 (%)
0-4000	22%	\$306	\$303	-\$3	-0.99%
4001-8000	30%	\$651	\$644	-\$6	-0.99%
8001-12000	21%	\$1,106	\$1,093	-\$14	-1.22%
12001-20000	19%	\$1,838	\$1,810	-\$28	-1.51%
20001-30000	6%	\$3,026	\$2,974	-\$51	-1.70%
30001-50000	2%	\$4,791	\$4,704	-\$87	-1.81%
>50000	0%	\$13,995	\$13,724	-\$271	-1.93%

BC Hydro states that although the Proposed Pricing Principles result in differing forecast average annual bill impacts depending on a customer's energy consumption, the resulting rates are just, reasonable and not unduly discriminatory for the following reasons:²⁷

- The differing bill impacts arise due to differing electricity consumption characteristics of customers, rather than personal characteristics;
- All customers are expected to see bill decreases; and
- The range of bill impacts is quite modest, with less than a 1 percent difference between the customer segments that will see the largest and smallest bill decreases.

2.3 Alternatives Considered

BC Hydro considered the alternative of applying the Uniform Pricing Principles for fiscal 2023, whereby the F2023 RRA Rate Increase would be equally applied to all three charges of RS 1101, and the alternative of applying all the F2023 RRA Rate Increase to the Basic Charge and holding both the Step 1 and Step 2 Energy Charges constant.

The following table compares the RIB rate charges under the Proposed Pricing Principles and the two alternative approaches considered by BC Hydro assuming that the F2023 RRA Rate Increase is approved as applied for in BC Hydro's F2023 to F2025 RRA.

Table 3: Comparison of the RIB Rate Charges Under the Proposed Pricing Principles and the Alternatives Considered²⁸

	Proposed Pricing Principles	Uniform Pricing Principles	Increase the Basic Charge Only
Basic Charge	20.90¢ per day	20.90¢ per day	22.80¢ per day
Step 1 Energy Charge	9.50¢ per kWh	9.45¢ per kWh	9.39¢ per kWh
Step 2 Energy Charge	14.08¢ per kWh	14.17¢ per kWh	14.08¢ per kWh

²⁶ Exhibit B-1, Table 3, p. 7.

²⁷ Exhibit B-2, BCUC IR 4.2.

²⁸ Exhibit B-1, Table 1, pp. 2, 9, 10.

Under a scenario where the Uniform Pricing Principles are applied, the combined impact of the proposed F2023 RRA Rate Increase and the proposed decrease in the DARR would result in a bill decrease for all RS 1101 customers of -1.39 percent regardless of energy consumption. This scenario would result in average annual bill decreases ranging from \$4 to \$195.²⁹ BC Hydro does not propose the Uniform Pricing Principles be applied for fiscal 2023 because it considers there is no economic justification to increase the Step 2 Energy Charge further.³⁰

On the other hand, a scenario where the F2023 RRA Rate Increase is applied to the Basic Charge only would result in bill changes ranging from a 0.84 percent bill increase to a -1.91 percent bill decrease depending on the customer's energy consumption. This scenario would result in average annual bill increases of \$3 for customers consuming up to 4,000 kWh of energy annually and bill decreases ranging from \$2 to \$268 for all other RS 1101 customers.³¹ Customers with higher energy consumption will have a bigger percentage bill decrease than customers with lower energy consumption.³²

The Basic Charge is intended to recover a portion of BC Hydro's customer-related costs, which do not vary with usage. BC Hydro states that increasing the Basic Charge would better reflect BC Hydro's fixed customer-related costs as it currently recovers about 60 percent of those costs. However, since the introduction of the Basic Charge in 1977, it has always been increased by the amount of any general rate increase. Further, in BC Hydro's 2015 Rate Design Application, some parties opposed increases to the Basic Charge greater than the general rate increases because the current level was accepted by customers and greater increases would increase bills for low energy consuming customers. Therefore, BC Hydro does not propose this approach for fiscal 2023 and suggests that any consideration of increasing the Basic Charge by more than the general rate increase be undertaken as part of the proceeding to review BC Hydro's upcoming residential rate design application.³³

In addition to the alternative pricing principles above, a scenario where the Step 2 energy rate is equal to the LRMC of energy of 6.5¢ per kWh was explored. This would result in a declining block rate structure as the Step 1 Energy Charge would have to increase to 14.39¢ per kWh in order for RS 1101 to remain revenue neutral. This would result in average annual bill impacts ranging from \$113 to -\$6,827 or increases of 37 percent to decreases of -49 percent, which may cause challenges regarding customer understanding and acceptance.³⁴ Further, BC Hydro states that there is no way in which the F2023 RRA Rate Increase could be applied that would result in the Step 2 Energy Charge being equal to 6.5¢ per kWh.

2.4 Consultation

BC Hydro consulted on the RIB rate pricing principles for fiscal 2023 as part of a broader residential rate design engagement process.

On November 18, 2021, BC Hydro held a stakeholder workshop where it presented the Proposed Pricing Principles and the Uniform Pricing Principles. The workshop consisted of 66 attendees that included representatives of intervenor groups in BC Hydro's regulatory proceedings, BCUC staff, government organizations and municipalities.³⁵ Following the workshop, BC Hydro solicited feedback through a post-event survey. Of the 10 responses received from the post-event survey, 6 preferred the Proposed Pricing Principles, 2 preferred the Uniform Pricing Principles, and 2 preferred "something else." Of those that preferred "something

²⁹ Exhibit B-1, Table 4, p. 9.

³⁰ Ibid.

³¹ Ibid., Table 5, p. 10.

³² Ibid.

³³ Exhibit B-1, p. 10.

³⁴ Exhibit B-2, BCUC IR 2.3.

³⁵ Ibid., BCUC IR 7.1, 7.3.

else,” one commented that the Proposed Pricing Principles are “the minimum that should be done to move to better rate.”³⁶

On February 8, 2022, BC Hydro hosted an information session that had 38 attendees to help interested parties better understand the purpose and scope of the Application.³⁷ An informal poll held during the session indicated that 78 percent of the participants understood the Application and 58 percent of the participants supported the Proposed Pricing Principles.³⁸

3.0 Review of Proposed Pricing Principles

This section sets out the positions of the parties, followed by the Panel’s determination regarding the Application. In addition, the Panel will discuss some of the comments made by BCOAPO in its letter of comment.

Positions of the Parties

BC Hydro submits that the Proposed Pricing Principles satisfy the legal test for rates to be “fair, just and not unduly discriminatory,” and should be approved. BC Hydro submits that there is no economic justification for increasing the Step 2 Energy Charge of 14.08 cents per kWh as this is more than double that of BC Hydro’s current LRMC of energy of 6.5 cents per kWh, and this difference is too big for the Step 2 Energy Charge to be economically efficient.³⁹

BC Hydro also submits that there is no way to apply the proposed F2023 RRA Rate Increase such that the Step 2 Energy Charge would equal BC Hydro’s current LRMC of energy of 6.5 cents per kWh, and further submits that setting the Step 2 Energy Charge to BC Hydro’s current LRMC of energy of 6.5 cents per kWh would result in a declining block rate and a significant increase to bills of low consumption customers (e.g. a bill increase of 37 percent for customers consuming 4,000 kWh or less annually).⁴⁰

BC Hydro does not believe that maintaining the current gap between the Step 1 and Step 2 energy charges would achieve further conservation.⁴¹

BC Hydro submits that the Proposed Pricing Principles are not unduly discriminatory because the differing bill impacts to sub-groups of customers of RS 1101 arise due to customers’ differing electricity consumption characteristics rather than personal characteristics. BC Hydro adds that all customer segments are expected to see bill decreases, and the range of bill impacts is “quite modest” with less than a 1 percent difference between the customer segment that will see the largest bill decrease and the customer segment that will see the smallest bill decrease.⁴²

BCSEA supports BCUC approval of the Proposed Pricing Principles for fiscal 2023. BCSEA supports the simple approach proposed by BC Hydro, and submits that the many components of the RIB rate that could be adjusted should be examined in the up-coming comprehensive residential rates application.⁴³

RCIA submits that it has no objection to the Proposed Pricing Principles being approved “on an interim basis” because rate design principles will be “explored and tested in full” in BC Hydro’s forthcoming rate design filing.⁴⁴

³⁶ Exhibit B-1, p. 11.

³⁷ Exhibit B-2, BCUC IR 7.1.

³⁸ Exhibit B-1, pp. 12 – 13.

³⁹ BC Hydro Final Argument, pp. 3-4.

⁴⁰ Ibid., p. 3.

⁴¹ Ibid., p. 4.

⁴² Ibid.

⁴³ Exhibit E-4.

⁴⁴ Exhibit E-5.

In reply, BC Hydro notes that the BCUC has already approved the Proposed Pricing Principles on an interim basis pursuant to Order G-40-22 and that the BCUC will now determine whether to approve the Proposed Pricing Principles on a final basis.⁴⁵

BCOAPO takes no position on the Application because of the diversity of interests among its members. Notwithstanding, BCOAPO provides commentary on the Application to assist the Panel.⁴⁶

BCOAPO submits that utilities normally apply for a general rate increase (or decrease) that applies equally to all rate classes and all components of the rates it charges them, and that there is no precedent for what BC Hydro is requesting.⁴⁷

BC Hydro submits in reply that BCOAPO is mistaken, and that the BCUC has previously approved rate increases to its RS 1101 rate that have resulted in different applications of general rate increases to RS 1101 over time.⁴⁸ BCOAPO submits that BC Hydro has not provided the proper regulatory or legal justification for an increase to the Step 1 Energy Charge and not to the Step 2 Energy Charge.⁴⁹

BC Hydro submits that it has provided a “strong economic justification” that the Step 2 Energy Charge is too high, that it is not sending an economically efficient price signal and should not be increased further.⁵⁰ BC Hydro does not directly address BCOAPO’s submission regarding the lack of proper legal justification for the Application, but submits that the Proposed Pricing Principles satisfy the legal test for rates to be “fair, just and not unduly discriminatory.”⁵¹

BCOAPO submits that the Application is a departure from practices that ensure “just, fair, even, and predictable rates,” and that variations in how rate increases or decreases are applied unnecessarily complicate the residential rate and could be confusing for ratepayers. BCOAPO submits that this is contrary to the Bonbright Principle that rates should be “relatively stable, predictable, simple and easily understandable.”⁵²

BC Hydro submits in reply that it does not believe the Proposed Pricing Principles will have the effects described by the BCOAPO. BC Hydro notes that all customer segments are expected to see bill decreases and the range of bill impacts is quite modest.⁵³

Panel Determination

The Panel approves the Proposed Pricing Principles for fiscal 2023, effective April 1, 2022.

The Proposed Pricing Principles consist of proposed changes to how the F2023 RRA Rate Increase is applied to each component of BC Hydro’s RS 1101 residential rate. The Panel will address each component in turn, namely: the Step 2 Energy Charge, the Basic Charge, and the Step 1 Energy Charge.

The BCUC has established and subsequently reconfirmed⁵⁴ that the LRMC of new supply is the appropriate level at which to set the Step 2 Energy Charge to encourage efficient use of energy by BC Hydro’s customers. The Panel accepts this finding, but notes that economic efficiency is not the sole criterion that determines rates.

⁴⁵ BC Hydro Final Argument, p. 6.

⁴⁶ Exhibit E-6, p. 3.

⁴⁷ Ibid, p. 2.

⁴⁸ Orders G-124-08, G-180-10, G-45-11, G-13-14, G-5-18 and G-214-18.

⁴⁹ Exhibit E-6, p. 2.

⁵⁰ BC Hydro Final Argument, p. 7.

⁵¹ Ibid., pp. 3-4.

⁵² Exhibit E-6, p. 2.

⁵³ BC Hydro Final Argument, p. 8.

⁵⁴ Order G-124-08, p. 107, Order G-45-11, p. 9.

There are two alternative values proposed in this proceeding for BC Hydro's LRM of new supply: the value submitted in BC Hydro's 2021 IRP, 6.5 cents/kWh (2021 IRP LRM), and the Mid-C market price of energy, estimated as the average historic peak Mid-C daily price in fiscal 2022 of 7.64 cents/kWh (Mid-C Estimate). The 2021 IRP LRM has not been examined by the BCUC as the 2021 IRP proceeding is still underway and therefore the Panel does not place weight on the specific value of 6.5 cents/kWh. The Mid-C Estimate is an appropriate estimate of the cost of short-term supply for BC Hydro, but the Panel does not place weight on its value as a long-run estimate of the marginal cost of new supply. As a result the Panel finds that there is no compelling evidence of a specific value of LRM at which the Step 2 Energy Charge should be set for fiscal 2023.

In addition, there is no evidence that BC Hydro's LRM of new supply is higher than the current Step 2 Energy Charge, therefore the Panel finds that there is no economic justification to increase the Step 2 Energy Charge.

The proposed Fiscal 2023 RRA Rate Increase cannot be applied to the Step 2 Energy Charge to achieve a Step 2 Energy Charge equal to BC Hydro's 2021 IRP LRM of 6.5 cents/kWh, given that the Step 2 Energy Charge is currently 14.08 cents / kWh. Further, if the Step 2 Energy Charge were to be set as low as 6.5 cents/kWh, the resulting increase in the Basic Charge and Step 1 Energy Charge to compensate for the loss of revenue from the decrease in the Step 2 Energy Charge would cause a significant increase to the bills of low consumption customers (e.g., a bill increase of 37 percent for customers consuming 4,000 kWh or less per year). Such a change would be unreasonable to apply in the one year under consideration in this proceeding. BC Hydro states that it expects to file a more extensive residential rate design application in 2022, and the Panel finds that this would be the appropriate opportunity to consider more significant changes to the Step 2 Energy Charge.

In addition to the economic considerations, the Panel notes that the Step 2 Energy Charge was introduced in response to the 2007 Energy Plan's objective of encouraging energy conservation. The Panel gives weight to BC Hydro's evidence, which is not contested in this proceeding, that the current gap between the Step 2 Energy Charge and the Step 1 Energy Charge is no longer achieving further energy conservation by its customers. As a result, there is no conservation-related justification for increasing the Step 2 Energy Charge to maintain the current gap between it and the Step 1 Energy Charge.

For the foregoing reasons the Panel determines that the Step 2 Energy Charge shall remain unchanged for fiscal 2023.

The Panel further determines that the Basic Charge shall be increased in fiscal 2023 by the F2023 RRA Rate Increase. This increase is consistent with the pricing principles previously approved by the BCUC to modify BC Hydro's Basic Charge.

The Panel determines that the Step 1 Energy Charge shall be increased by the rate increase necessary so that, on a forecast basis, BC Hydro will earn the same revenue in fiscal 2023 from its RS 1101 customers as if the F2023 RRA Rate Increase had been applied equally to all three charges of RS 1101. Having determined that the Step 2 Energy Charge shall remain unchanged and that the Basic Charge shall be increased by the F2023 RRA Rate Increase, this determination will ensure that the changes to the RS 1101 rates in fiscal 2023 as a result of the F2023 to F2025 RRA are revenue neutral.

The Panel finds that the Proposed Pricing Principles, comprising changes to how the F2023 RRA Rate Increase is applied to the Basic Charge, Step 1 Energy Charge and Step 2 Energy Charge, are reasonable and will not result in rates that are unjust, unreasonable, unduly discriminatory or unduly preferential, as required by sections 59 and 60 of the UCA. The application of the Proposed Pricing Principles to the F2023 RRA Rate Increase is anticipated to result in a bill decrease for all RS 1101 residential customers, and a difference of less than one percent between the RS 1101 customer segments that will see the largest and the smallest bill decreases. Further, the differences between RS 1101 customer segments arise as result of their level of usage and not as a result of any individual characteristics.

While BCOAPO took no position on the Application, it provided commentary to which the Panel responds here.

The Panel disagrees with BCOAPO that there is no regulatory or legal justification for BC Hydro's Proposed Pricing Principles. The Panel has set out its reasons above for why the Proposed Pricing Principles are reasonable and will not result in rates that are unjust, unreasonable unduly discriminatory or unduly preferential as required by sections 59 and 60 of the UCA.

The Panel disagrees with BCOAPO that there is no precedent for approving BC Hydro's Proposed Pricing Principles. As BC Hydro submits in its final argument, the BCUC has applied general rate increases to RS 1101 in different ways over time. For example, for fiscal 2012 to fiscal 2014, the BCUC approved pricing principles whereby each of the three rate components had different increases:⁵⁵

Accordingly, BC Hydro is to increase the Step-2 energy rate by applying the Higher of CARC or 10% Principle effective April 1, 2011, subject to the Step-1 rate increasing by no less than the annual rate of inflation as set out by the B.C. Ministry of Finance. The Step-1 rate is to be calculated residually but should always be increased by no less than the rate of inflation. The Basic Charge is to be increased at the rate of general increase.

Even if there were no precedent for approving the Proposed Pricing Principles, which there is, section 75 of the UCA provides that the BCUC is not bound by precedent. The Panel is not obligated to follow any precedent as to how BC Hydro's pricing principles have, or have not, been set in the past.

The Panel acknowledges BCOAPO's concern that rates should be "relatively stable, predictable, simple and easily understandable," other things remaining equal. In this instance, the Panel is satisfied that the Proposed Pricing Principles will make a very modest difference compared to applying the same rate increase to all three components of the RS 1101 rate, and therefore meet the test of being relatively stable and predictable. In addition, while the Proposed Pricing Principles may not be relatively simple and easily understandable, they are no more complex than the underlying rate structure they propose to modify. Further, the BCUC has previously approved changes to RS 1101 of similar complexity (e.g., Order G-45-11) and there is no evidence of undue customer confusion arising as a result.

⁵⁵ Order G-45-11, p. 15

DATED at the City of Vancouver, in the Province of British Columbia, this

25th

day of July 2022.

Original signed by:

R. I. Mason
Panel Chair / Commissioner

Original signed by

A. C. Dennier
Commissioner

Original signed by

A. Pape-Salmon
Commissioner



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**ORDER NUMBER
G-210-22**

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

and

British Columbia Hydro and Power Authority
Fiscal 2023 Rate Schedule 1101, 1121 Residential Service Pricing Principles Application

BEFORE:

R. I. Mason, Panel Chair
A. C. Dennier, Commissioner
A. Pape-Salmon, Commissioner

on July 25, 2022

ORDER

WHEREAS:

- A. On February 11, 2022, British Columbia Hydro and Power Authority (BC Hydro) filed with the British Columbia Utilities Commission (BCUC) an application for approval of revised pricing principles (Residential Service Pricing Principles) for Rate Schedule 1101, 1121 (collectively, RS 1101) effective April 1, 2022 (Application or Residential Pricing Principles Application);
- B. By Order G-124-08, the BCUC approved BC Hydro's application to implement a Residential Inclining Block (RIB) rate for its residential customers, with approval of pricing principles for BC Hydro's fiscal 2009 to fiscal 2010 periods. By Orders G-180-10, G-45-11, and G-13-14, respectively, the BCUC approved RIB rate pricing principles for BC Hydro's fiscal 2011, fiscal 2012 to fiscal 2014, and fiscal 2015 to fiscal 2016 periods;
- C. By Order G-5-17, the BCUC approved a RIB rate pricing principle of uniformly increasing the basic charge, Step-1 energy rate, and Step-2 energy rate by the amount of the approved revenue requirements application rate increases (Uniform RIB Rate Pricing Principle) for BC Hydro's fiscal 2017 to fiscal 2019 period. By Orders G-214-18 and G-62-20, respectively, the BCUC approved the extension of the Uniform RIB Rate Pricing Principle for BC Hydro's fiscal 2020 and fiscal 2021 to fiscal 2022 periods;
- D. BC Hydro requests approval in the Application to apply any fiscal 2023 general rate increases approved in its Fiscal 2023 to Fiscal 2025 Revenue Requirements Application (F2023 to F2025 RRA) proceeding effective April 1, 2022, to the three RS 1101 charges as follows:
 - Basic Charge: apply the fiscal 2023 RRA general rate increase;
 - Step 2 Energy Charge: hold the Step 2 Energy Charge constant at its current level of 14.08¢ per kilowatt hour (kWh); and

- Step 1 Energy Charge: apply the rate increase necessary so that, on a forecast basis, BC Hydro will earn the same revenue in fiscal 2023 from its RS 1101 customers as if the fiscal 2023 RRA general rate increase had been applied equally to all three charges of RS 1101;
- E. By Order G-40-22, the BCUC approved the Residential Service Pricing Principles for RS 1101 on an interim basis, effective April 1, 2022. Order G-40-22 also established the regulatory timetable for the review of the Application, which included one round of BCUC Information Requests to BC Hydro, letters of comment, and BC Hydro's final argument and reply to letters of comment;
- F. As part of the separate, ongoing proceeding to review BC Hydro's F2023 to F2025 RRA, BC Hydro requested a general rate increase of 0.62 percent and a Deferral Account Rate Rider of (2.0) percent, resulting in a net bill decrease of 1.4 percent for fiscal 2023, effective April 1, 2022.
- G. By Order G-47-22, the BCUC approved the requested general rate increase and decrease to the Deferral Account Rate Rider for fiscal 2023 on an interim basis and directed BC Hydro to file its applicable tariff sheets for endorsement reflecting the interim rates for fiscal 2023 approved by Orders G-47-22 and G-40-22; and
- H. The BCUC has reviewed the Application, evidence, letters of comment, and BC Hydro's final argument and reply to letters of comment and determines that approval of the Residential Service Pricing Principles for fiscal 2023 on a permanent basis is warranted.

NOW THEREFORE pursuant to sections 59 to 61 of the *Utilities Commission Act*, for the reasons stated in the decision issued concurrently with this order, the BCUC orders as follows:

1. The Residential Service Pricing Principles for RS 1101 as set forth in the Application are approved for fiscal 2023 on a permanent basis, effective April 1, 2022.
2. BC Hydro is directed to file with the BCUC an updated RS 1101 reflecting the approved Residential Service Pricing Principles and the permanent April 1, 2022 rate change approved in the F2023 to F2025 RRA, pursuant to any final orders made by the BCUC in the F2023 to F2025 RRA proceeding.

DATED at the City of Vancouver, in the Province of British Columbia, this 25th day of July 2022.

BY ORDER

Original signed by:

R. I. Mason
Commissioner

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

and

British Columbia Hydro and Power Authority
Fiscal 2023 Rate Schedule 1101 and 1121 Residential Service Pricing Principles

EXHIBIT LIST

Exhibit No.	Description
<i>COMMISSION DOCUMENTS</i>	
A-1	Letter dated February 11, 2022 – Appointing the Panel for the review of BC Hydro F23 RS1101 Residential Service Pricing Principles Application
A-2	Letter dated February 18, 2022 – BCUC Order G-40-22 establishing a regulatory timetable
A-3	Letter dated April 7, 2022 – BCUC Information Request No. 1 to BC Hydro
<i>APPLICANT DOCUMENTS</i>	
B-1	BC HYDRO AND POWER AUTHORITY (BC HYDRO) - Fiscal 2023 (F23) Rate Schedule 1101 and 1121 (RS1101) Residential Service Pricing Principles dated February 11, 2022
B-1-1	Letter dated April 28, 2022 – BC Hydro submitting an Errata to the Application
B-2	Letter dated April 28, 2022 – BC Hydro submitting responses to BCUC Information Request No. 1
B-3	Letter dated May 9, 2022 – BC Hydro submitting compliance with Order G-40-22 providing Public Notice of the Application
<i>INTERESTED PARTY DOCUMENTS</i>	
D-1	WALFORD, A (WALFORD) - Submission dated February 26, 2022 Request for Interested Party Status
D-2	GILL, B. (GILL) - Submission dated March 13, 2022 Request for Interested Party Status
D-3	KOTAK, M. (KOTAK) - Submission dated March 13, 2022 Request for Interested Party Status

- D-4 **TANSOWNY, R. (TANSOWNY)** - Submission dated May 7, 2022 Request for Interested Party Status
- D-5 **WILLETT, P. (WILLETT)** - Submission dated May 23, 2022 Request for Interested Party Status

LETTERS OF COMMENT

- E-1 **JIN, H. (JIN)** – Letter of Comment dated March 2, 2022
- E-2 **SCHMELCHER, P. (SCHMELCHER)** – Letter of Comment dated April 10, 2022
- E-3 **BURGMANN, T. (BURGMANN)** – Letter of Comment dated May 6, 2022
- E-4 **BC SUSTAINABLE ENERGY ASSOCIATION (BCSEA)** – Letter of Comment dated May 24, 2022
- E-5 **RESIDENTIAL CONSUMER INTERVENER ASSOCIATION (RCIA)** – Letter of Comment dated May 24, 2022
- E-6 **BRITISH COLUMBIA OLD AGE PENSIONERS' ORGANIZATION ET AL. (BCOAPO)** – Letter of Comment dated May 24, 2022