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### British Columbia Hydro and Power Authority

# Fiscal 2024 Residential Inclining Block Rate Pricing Principles Application

## Decision and Order G-140-23

June 13, 2023

Before:

T. A. Loski, Panel Chair

A. K. Fung, KC, Commissioner

D. M. Morton, Commissioner

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**COMMISSION ORDER G-140-23** 

APPENDIX A Exhibit List

#### **Executive summary**

On March 8, 2023, the British Columbia Hydro and Power Authority (BC Hydro) filed with the British Columbia Utilities Commission (BCUC) an application to establish pricing principles for Rate Schedule 1101, 1121 – Residential Service (collectively, RS 1101) for fiscal 2024 (Application).

RS 1101 is commonly referred to as the residential inclining block (RIB) since it applies to most of BC Hydro's residential customers in its Rate Zone I and currently consists of three components or charges: a daily basic charge; a step 1 energy charge (Step 1 Energy Charge); and a higher step 2 energy charge (Step 2 Energy Charge). Since the implementation of the RIB rate, it has been necessary to establish pricing principles for residential service each fiscal year in order to determine how BC Hydro applies general rate changes arising from its revenue requirements application (RRA) to each of the three components of the RIB rate.

In the Application, BC Hydro proposes to apply any fiscal 2024 general rate increase (F2024 RRA Rate Increase) arising from the BC Hydro Fiscal 2023 to Fiscal 2025 Revenue Requirements Application (F2023 to F2025 RRA), currently under the BCUC's review, equally to all three components of the RS 1101 charges (Proposed Residential Service Pricing Principles). Although there are no economic or conservation-related justifications to increase the Step 2 Energy Charge, BC Hydro submits that the Proposed Residential Service Pricing Principles can be justified on the basis of customer understanding and acceptance, considering the current high global inflation environment which, starting in fiscal 2023, has driven up costs for more households, resulting in concerns regarding affordability. When combined with the proposed increase to the Deferral Account Rate Rider (DARR) for fiscal 2024 in the BC Hydro F2023 to F2025 RRA proceeding, the Proposed Residential Service Pricing Principles would result in all customers experiencing an average net bill increase of 2.0 percent equally regardless of their volume of energy consumption.

The pricing principles proposed for fiscal 2024 are different from the current residential service pricing principles (F2023 Residential Service Pricing Principles) which expired on March 31, 2023.

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 denies BC Hydro's request to apply the F2024 RRA Rate Increase to RS 1101 using the Proposed Residential Service Pricing Principles. Instead, BC Hydro is directed to apply any F2024 RRA Rate Increase to RS 1101, effective April 1, 2023, using the F2023 Residential Service Pricing Principles as follows:

- Basic Charge: apply the F2024 RRA Rate Increase;
- Step 2 Energy Charge: hold the Step 2 Energy Charge constant at its current level of 14.08 cents 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 2024 from its RS 1101 customers as if the F2024 RRA Rate Increase had been applied equally to all three charges of RS 1101.

In making this determination, the Panel considered the following Bonbright Criteria: "price signals that encourage efficient use and discourage inefficient use", "fair apportionment of costs among customers", and "customer understanding and acceptance".

The Panel is concerned that applying the Proposed Residential Service Pricing Principles would continue to encourage inefficient levels of consumption and finds that the resulting rates would not reflect the most appropriate apportionment of costs among customers based on BC Hydro's marginal cost of energy.

The Panel acknowledges the concerns raised in the letter from the Minister of Energy, Mines and Low Carbon Innovation to the BCUC<sup>1</sup>, in particular regarding low-income customers. However, under BC Hydro's proposal, customers, including low-income customers, in the three highest energy consumption segments are impacted by annual bill increases ranging from \$60 to \$244 while customers in the three lowest energy consumption segments face annual increases of a much more modest \$6 to \$22.<sup>2</sup>

In contrast, under the F2023 Residential Service Pricing Principles, customers in the three highest energy consumption segments face annual bill increases of \$46 to \$140, while customers in the three lowest energy consumption segments would face annual bill increases ranging from \$8 to \$26. Therefore, for high energy consumption customers the bill increase under the F2023 Residential Service Pricing Principles is \$14 to \$104 less than the annual increase under the BC Hydro proposal, and while customers in the three lowest energy consumption segments do pay more, it is only approximately \$2 to \$5 more.<sup>3</sup>

This evidence was persuasive to the Panel in rejecting the BC Hydro proposal. We are concerned about the significant cost impact on low-income customers who may be in a high energy consumption segment and unable to reduce their consumption – for example, those who have no access to natural gas, have a large family or are renters with limited access to demand side management measures to upgrade their accommodations.

Although the Panel agrees that customer understanding and acceptance are important considerations, it is not persuaded that they should be given greater weight than the economic or conservation-related considerations.

The Panel also directs BC Hydro to file an application for changes to the current RS 1101 rate design by June 30, 2024, including an evaluation of potential changes to, or elimination of the RIB rate, as outlined in the Decision.

<sup>&</sup>lt;sup>1</sup> Exhibit B-1, Appendix D.

<sup>&</sup>lt;sup>2</sup> Please see Table 5 of this Decision. The far-right column (Column G) shows the \$14 to \$104 difference between the F2023 Residential Pricing Principles and BC Hydro's proposal in the three highest energy consumption segments.

<sup>&</sup>lt;sup>3</sup> Please see Table 5 of this Decision. The far-right column (Column G) shows the \$2 to \$5 difference between BC Hydro's proposal and the F2023 Residential Pricing Principles in the three lowest energy consumption segments.

#### 1.0 Introduction

On March 8, 2023, the British Columbia Hydro and Power Authority (BC Hydro) filed with the British Columbia Utilities Commission (BCUC) an application to establish the fiscal 2024 pricing principles for Rate Schedule 1101, 1121 – Residential Service (collectively, RS 1101) (Application).

This Decision addresses BC Hydro's proposal in the Application to apply any fiscal 2024 general rate increase (F2024 Revenue Requirements Application (RRA) Rate Increase) arising from the BC Hydro Fiscal 2023 to Fiscal 2025 RRA (F2023 to F2025 RRA), currently under the BCUC's review, equally to all three components of the RS 1101 charges.<sup>4</sup>

Subsequent to the filing of the Application, on April 21, 2023, the BCUC issued its Decision on BC Hydro's F2024 RRA Rate Increase. The BCUC approved on an interim basis, among other matters, a general rate increase of 0.97 percent and a Deferral Account Rate Rider (DARR) of (1.0) percent for fiscal 2024, effective April 1, 2023, subject to final adjustments. As of the date of this Decision, these rates are interim as the BCUC continues its review of two outstanding issues in the BC Hydro F2023 to F2025 RRA proceeding. A decision is expected on the two issues in due course, which may further impact the interim rates.<sup>5</sup>

#### 1.1 Application and Regulatory Process

As noted above, BC Hydro proposes to apply the approved F2024 RRA Rate Increase equally to all three components of RS 1101 (Proposed Residential Service Pricing Principles). RS 1101 consists of three components or charges: a daily basic charge, a step 1 energy charge; and a higher step 2 energy charge.

On March 21, 2023, by Order G-59-23, the BCUC approved the Proposed Residential Service Pricing Principles on an interim basis, effective April 1, 2023.

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, which included one round of BCUC information requests (IR), letters of comment, and BC Hydro's final argument and reply to letters of comment.<sup>6</sup>

The BCUC received four letters of comment from members of the public, which will be discussed in Section 2.4 of the Decision.

#### 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 its Rate Zone I. The RIB rate structure is a two-step (also called a two-tier) inclining block rate. Customers are charged a daily basic charge rate, as well as one rate for electricity (Step 1 Energy Charge) up to a certain threshold in each billing period, and a higher rate for all electricity use beyond that threshold (Step 2 Energy Charge). The consumption threshold between the Step 1 and Step 2 Energy Charges is 1,350 kilowatt hours (kWh) per two-month billing period and was designed to be near 90 percent of the median

<sup>&</sup>lt;sup>4</sup> Exhibit B-1, p. 1.

<sup>&</sup>lt;sup>5</sup> BC Hydro F2023 to F2025 RRA, Decision and Order G-91-23, pp. 9–10.

<sup>&</sup>lt;sup>6</sup> Order G-59-23.

consumption of BC Hydro's residential customers. BC Hydro states that approximately 75 percent of all residential customers have consumption above the threshold in one or more billing period per year.<sup>7</sup>

BC Hydro applies general rate changes arising from its RRA to each of the three components of the RIB rate using BCUC-approved pricing principles. Since the implementation of the RIB rate, it has been necessary to establish pricing principles for residential service each fiscal year. The approval of the current residential service pricing principles expired on March 31, 2023.<sup>8</sup>

The original impetus for the RIB rate structure was the Province of BC's 2002 energy policy, which called for implementing "Stepped Rates for Conservation and Energy Efficiency" and set out two key principles for inclining block (or "stepped") rates: "As a principle, for stepped rates, the last block of energy consumed should reflect the cost of new supply..."; and "...the stepped rate structure will be revenue-neutral." The RIB rate structure was first introduced in the BC Hydro 2008 RIB Rate Application in response to the Government of BC's 2007 Energy Plan objective of encouraging electricity conservation through rate structures.

Since fiscal 2008, the RIB rate pricing principle of uniformly changing the RIB rate components by the approved RRA rate changes for the period has generally been maintained and approved by the BCUC, with the exception of fiscal 2023 and fiscals 2012 to 2014 inclusive. For fiscal 2023, the BCUC found there was no economic justification to increase the Step 2 Energy Charge nor any compelling evidence of the specific value at which the Step 2 Energy Charge should be set. As such, the BCUC reduced the price differential between the Step 1 and Step 2 Energy Charges by "freezing" the Step 2 Energy Charge, increasing the basic charge by the general rate increase, and increasing the Step 1 Energy Charge to collect the same amount of forecast revenue had the general rate increase been applied equally to the three charges of the RIB rate (F2023 Residential Service Pricing Principles). For fiscals 2012 to 2014, the BCUC found that the Step 2 Energy Charge had to increase at a rate higher than the approved RRA rate increase due to the existing wide percentage differential between the Step 2 Energy Charge and BC Hydro's long-run marginal cost (LRMC). Energy Charge and BC Hydro's long-run marginal cost (LRMC).

#### 1.3 Legislative Framework

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

<sup>&</sup>lt;sup>7</sup> Exhibit B-1, p. 1; Appendix B, p. 1.

<sup>&</sup>lt;sup>8</sup> Exhibit B-1, pp. 1, 4.

<sup>&</sup>lt;sup>9</sup> Exhibit B-1, Appendix B, p. 1.

 $<sup>^{10}</sup>$  BC Hydro 2008 RIB Application, Final Order G-124-08 with Reasons for Decision.

<sup>&</sup>lt;sup>11</sup> BC Hydro Application for Review of its F2011 Revenue Requirements, Final Order G-180-10 with Reasons for Decision; BC Hydro RIB Rate Re-Pricing Application, Final Order G-45-11 with Reasons for Decision and Final Order G-13-14; BC Hydro 2015 Rate Design Application, Decision and Order G-5-17; BC Hydro RIB Rate Pricing Principles Extension Application, Final Order G-214-18; BC Hydro RIB Rate Pricing Principles Extension for Fiscal 2021 and Fiscal 2022 Application, Final Order G-62-20 with Reasons for Decision; BC Hydro Fiscal 2023 Rate Schedule 1101, 1121 Residential Service Pricing Principles Application, Decision and Order G-210-22.

<sup>&</sup>lt;sup>12</sup> Exhibit B-1, p. 4; BC Hydro Fiscal 2023 Rate Schedule 1101, 1121 Residential Service Pricing Principles Application, Decision and Order G-210-22, pp. 7–8.

<sup>&</sup>lt;sup>13</sup> BC Hydro RIB Rate Re-Pricing Application, Final Order G-45-11, Appendix A, BC Hydro RIB Re-Pricing Reasons, pp. 14–15.

#### 2.0 Overview of BC Hydro's Proposal

In the following subsections, the Panel reviews BC Hydro's rationale for the Proposed Residential Service Pricing Principles, including its bill impacts, the alternatives considered, and the feedback received from stakeholders. Based on the evidence, the Panel makes its determinations for permanent fiscal 2024 pricing principles in Section 3.0 of the Decision.

#### 2.1 Rationale for the Proposed Residential Service Pricing Principles

BC Hydro submits that the assessment of the Bonbright criteria for rates can change over time depending on the circumstances. <sup>14</sup> In this case, BC Hydro submits that customer understanding and acceptance should receive more explicit consideration and that the Proposed Residential Service Pricing Principles can be justified on that basis, considering the current high global inflation environment which has driven up costs for more households starting in fiscal 2023 and the resulting concerns regarding affordability. <sup>15</sup>

The Government of BC's "January 2023 Consumer Price Index (CPI) Update" reported that BC's January 2023 CPI was 6.2 percent higher than in January 2022, arising from price increases in almost all categories of spending. In this inflationary environment, BC Hydro's view is that it is appropriate to prioritize the rate design that minimizes the bill impacts across the largest number of affected customers. This is because cost increases, even moderate cost increases, could cause hardship for some customers who are facing the cumulative effect of rising costs of living that include, but are not limited to, housing, food, transportation and energy. In the cumulative effect of rising costs of living that include, but are not limited to, housing, food, transportation and energy.

BC Hydro submits that its view, including the impacts of global inflation, are supported by the letter enclosed as Appendix D to the Application, from the Minister of Energy, Mines and Low Carbon Innovation (Ministerial Letter) to the BCUC. The Ministerial Letter asks the BCUC to consider taking the measures it can, within the context of BC Hydro's pricing principles Application, "to protect people – especially low-income households – who are struggling to pay today's higher prices." Further, the Ministerial Letter asks the BCUC to consider approving BC Hydro's Application, as requested, stating that the Government of BC is focused on helping people most impacted by the rising costs around the world for food, fuel and other essential goods. 18

#### 2.2 Bill Impact of the Proposed Residential Service Pricing Principles

BC Hydro states that, if the F2024 RRA Rate Increase of 0.97 percent is approved as applied for, the Proposed Residential Service Pricing Principles would result in the RS 1101 charges as set out below:

<sup>&</sup>lt;sup>14</sup> BC Hydro Final Argument and Reply to Letters of Comment, p. 2.

<sup>&</sup>lt;sup>15</sup> BC Hydro Final Argument and Reply to Letters of Comment, p. 3; Exhibit B-1, Cover Letter, p. 2; Exhibit B-1, p. 3; Exhibit B-3, BCUC IRs 2.1 to 2.2 and 2.4 to 2.6.

<sup>&</sup>lt;sup>16</sup> Exhibit B-1, p. 3.

<sup>&</sup>lt;sup>17</sup> BC Hydro Final Argument and Reply to Letters of Comment, p. 3; Exhibit B-3, BCUC IR 3.2.

<sup>&</sup>lt;sup>18</sup> Exhibit B-1, p. 3; Appendix D, p. 2.

Table 1: Result of Proposed Residential Service Pricing Principles<sup>19</sup>

|                              | Fiscal 2023 (interim) | Fiscal 2024 |
|------------------------------|-----------------------|-------------|
| Basic Charge (¢/day)         | 20.90                 | 21.10       |
| Step 1 Energy Charge (¢/kWh) | 9.50                  | 9.59        |
| Step 2 Energy Charge (¢/kWh) | 14.08                 | 14.22       |

Combined with the proposed increase in the DARR, BC Hydro states that the Proposed Residential Service Pricing Principles would result in all customers experiencing an average net bill increase of 2.0 percent equally regardless of their volume of energy consumption, which is easier for customers to understand. This is shown by annual energy consumption segment in Table 2 below:<sup>20</sup>

Table 2: Bill Impacts of Proposed Residential Service Pricing Principles, F2024 RRA Rate Increase and DARR Increase by Energy Consumption Segment<sup>21</sup>

| Annual Energy<br>Usage (kWh)<br>Segment | Percent of<br>Customer<br>Total | Average<br>Annual Bill<br>F23 | Average<br>Annual Bill<br>(Forecast)<br>F24 | Average<br>Annual Bill<br>Impact<br>(Forecast)<br>F24 (\$) | Average<br>Annual Bill<br>Impact<br>(Forecast)<br>F24 (%) |
|-----------------------------------------|---------------------------------|-------------------------------|---------------------------------------------|------------------------------------------------------------|-----------------------------------------------------------|
| 0-4000                                  | 21%                             | \$305                         | \$311                                       | \$6                                                        | 2.00%                                                     |
| 4001-8000                               | 29%                             | \$643                         | \$656                                       | \$13                                                       | 2.00%                                                     |
| 8001-12000                              | 22%                             | \$1,104                       | \$1,126                                     | \$22                                                       | 2.00%                                                     |
| 12001-20000                             | 20%                             | \$1,820                       | \$1,857                                     | \$36                                                       | 2.00%                                                     |
| 20001-30000                             | 6%                              | \$3,013                       | \$3,074                                     | \$60                                                       | 2.00%                                                     |
| 30001-50000                             | 2%                              | \$4,683                       | \$4,777                                     | \$94                                                       | 2.00%                                                     |
| >50000                                  | 0%                              | \$12,222                      | \$12,466                                    | \$244                                                      | 2.00%                                                     |

In addition, BC Hydro submits that, during a time when customers are facing higher costs due to global inflation, the above-noted pricing principles will be easier for customers to accept (compared to the alternative discussed further in Section 2.3 below).<sup>22</sup>

#### 2.3 Alternatives Considered

In the alternative, BC Hydro considered applying the approved F2023 Residential Service Pricing Principles to fiscal 2024 such that the Step 2 Energy Charge remains unchanged and is offset by a higher increase to the Step 1 Energy Charge.<sup>23</sup>

BC Hydro recognized that certain facts with respect to economics and conservation that underpinned the BCUC's decision on the F2023 Residential Service Pricing Principles (2023 Decision), as outlined below, have not changed for fiscal 2024 and remain relevant.<sup>24</sup> These are: <sup>25</sup>

<sup>&</sup>lt;sup>19</sup> Exhibit B-1, p. 4; As noted in in Footnote 10 on page 4 of the Application, the requested 2024 increase in the DARR of 1.0 percent (from negative 2.0 percent to negative 1.0 percent), has no impact on the charges under RS 1101; rather, it is applied after the fact.

<sup>&</sup>lt;sup>20</sup> Exhibit B-1, p. 4; Exhibit B-3, BCUC IR 2.6.

<sup>&</sup>lt;sup>21</sup> Exhibit B-1, p. 4.

<sup>&</sup>lt;sup>22</sup> Exhibit B-3, BCUC IR 2.6.

<sup>&</sup>lt;sup>23</sup> Exhibit B-1, p. 5.

<sup>&</sup>lt;sup>24</sup> BC Hydro Final Argument and Reply to Letters of Comment, p. 2.

<sup>&</sup>lt;sup>25</sup> Exhibit B-1, pp. 2-3, Exhibit B-3, BCUC IR 2.2.

- 1. BC Hydro's LRMC of energy of \$65/megawatt hour (MWh), as set out in Appendix L to BC Hydro's 2021 Integrated Resource Plan Application, remains below the Step 2 Energy Charge; and
- 2. The RIB rate is no longer achieving incremental energy conservation, which means there is no conservation-related justification to increase the Step 2 Energy Charge.

Given these facts, as it did in the F2023 Residential Service Pricing Principles proceeding, BC Hydro acknowledges that the existing Step 2 Energy Charge already encourages an inefficient level of consumption, and only by decreasing the Step 2 Energy Charge so that it is closer to BC Hydro's LRMC, will it start to encourage a more efficient level of consumption.<sup>26</sup> Therefore, there is no economic or conservation-related justification to increase the Step 2 Energy Charge.<sup>27</sup>

If the existing F2023 Residential Service Pricing Principles were extended to fiscal 2024, this would result in the rate increases and charges as set out in Table 3:

Table 3: Result of Extending F2023 Residential Service Pricing Principles to Fiscal 2024<sup>28</sup>

| RS 1101                | F2023 Charges (interim) | F2024 Charges   |
|------------------------|-------------------------|-----------------|
| Proposed Rate Increase |                         |                 |
| Basic Charge           | N/A                     | 0.97%           |
| Step 1 Energy Charge   | IN/A                    | 1.90%           |
| Step 2 Energy Charge   | 2 Energy Charge         |                 |
| Basic Charge           | 20.90 ¢ per day         | 21.10 ¢ per day |
| Step 1 Energy Charge   | 9.50 ¢ per kWh          | 9.68 ¢ per kWh  |
| Step 2 Energy Charge   | 14.08 ¢ per kWh         | 14.08 ¢ per kWh |

As shown in the table above, under this alternative, the Step 2 Energy Charge will not increase. Accordingly, the Step 2 Energy Charge will not deviate further from BC Hydro's LRMC of new supply, which better encourages efficient use of electricity. In addition, the differential between the Step 1 Energy Charge and Step 2 Energy Charge will decrease, which better support decarbonization and electrification.<sup>29</sup>

However, under this approach, BC Hydro submits that the average annual net bill increase for customers would range from 1.15 percent to 2.73 percent, depending on their overall consumption, instead of being 2.0 percent for all customers.<sup>30</sup> This is shown in Table 4 below, where customers with lower energy consumption would have larger bill increases by percentage compared to customers with higher energy consumption because the Step 1 Energy Charge would increase but the Step 2 Energy Charge would not.<sup>31</sup>

<sup>&</sup>lt;sup>26</sup> Exhibit B-3, BCUC IR 2.4.

<sup>&</sup>lt;sup>27</sup> Exhibit B-3, BCUC IR 2.6.

<sup>&</sup>lt;sup>28</sup> Exhibit B-1, p. 5.

<sup>&</sup>lt;sup>29</sup> Exhibit B-3, BCUC IR 2.6.

<sup>&</sup>lt;sup>30</sup> Exhibit B-1, p. 5; BC Hydro Final Argument and Reply to Letters of Comment, p. 4.

<sup>&</sup>lt;sup>31</sup> Exhibit B-1, p. 6.

Table 4: Bill Impacts of Extending F2023 Residential Service Pricing Principles to Fiscal 2024<sup>32</sup>

| Annual Energy<br>Usage (kWh)<br>Segment | Percent of<br>Customer<br>Total | Average<br>Annual Bill<br>F23 | Average<br>Annual Bill<br>(Forecast) F24 | Average<br>Annual Bill<br>Impact<br>(Forecast)<br>F24 (\$) | Average<br>Annual Bill<br>Impact<br>(Forecast)<br>F24 (%) |
|-----------------------------------------|---------------------------------|-------------------------------|------------------------------------------|------------------------------------------------------------|-----------------------------------------------------------|
| 0-4000                                  | 21%                             | \$305                         | \$313                                    | \$8                                                        | 2.73%                                                     |
| 4001-8000                               | 29%                             | \$643                         | \$661                                    | \$18                                                       | 2.72%                                                     |
| 8001-12000                              | 22%                             | \$1,104                       | \$1,129                                  | \$26                                                       | 2.32%                                                     |
| 12001-20000                             | 20%                             | \$1,820                       | \$1,854                                  | \$34                                                       | 1.85%                                                     |
| 20001-30000                             | 6%                              | \$3,013                       | \$3,060                                  | \$46                                                       | 1.53%                                                     |
| 30001-50000                             | 2%                              | \$4,683                       | \$4,747                                  | \$63                                                       | 1.35%                                                     |
| >50000                                  | 0%                              | \$12,222                      | \$12,362                                 | \$140                                                      | 1.15%                                                     |

BC Hydro notes that, in fiscal 2023, all customers received net bill decreases from the application of the F2023 Residential Service Pricing Principles. Due to the rate decrease, BC Hydro submits that there was likely low customer awareness of the fiscal 2023 pricing principles and the fact that these principles were different than the immediately preceding years. In contrast, for fiscal 2024, BC Hydro believes that applying the F2023 Residential Service Pricing Principles that result in customers with different consumption levels seeing different bill increases, would result in lower customer understanding relative to the Proposed Residential Service Pricing Principles.<sup>33</sup>

Comparing the two options, the differences between the annual bill impacts of extending the F2023 Residential Service Pricing Principles to fiscal 2024 and the Proposed Residential Service Pricing Principles are calculated in the last column in the following table:

Table 5: Average Annual Bill Differences<sup>34</sup>

|                                                |                                        | Proposed Residential<br>Service Pricing Principles |                                             | F2023 Residential Service<br>Pricing Principles |                                             |                                                                                                                               |
|------------------------------------------------|----------------------------------------|----------------------------------------------------|---------------------------------------------|-------------------------------------------------|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| Annual Energy<br>Usage (kWh)<br>Segment<br>(A) | Percent of<br>Customer<br>Total<br>(B) | Average<br>Annual Bill<br>Impact (\$)<br>(C)       | Average<br>Annual Bill<br>Impact (%)<br>(D) | Average<br>Annual Bill<br>Impact (\$)<br>(E)    | Average<br>Annual Bill<br>Impact (%)<br>(F) | Average Annual Bill Increase/(Decrease) if F2023 Residential Service Pricing Principles are Extended to F2024 (G) = (E) - (C) |
| 0 - 4,000                                      | 21%                                    | \$6                                                | 2.00%                                       | \$8                                             | 2.73%                                       | \$2                                                                                                                           |
| 4,001 - 8,000                                  | 29%                                    | \$13                                               | 2.00%                                       | \$18                                            | 2.72%                                       | \$5                                                                                                                           |
| 8,001 - 12,000                                 | 22%                                    | \$22                                               | 2.00%                                       | \$26                                            | 2.32%                                       | \$4                                                                                                                           |
| 12,001 - 20,000                                | 20%                                    | \$36                                               | 2.00%                                       | \$34                                            | 1.85%                                       | \$(2)                                                                                                                         |
| 20,001 - 30,000                                | 6%                                     | \$60                                               | 2.00%                                       | \$46                                            | 1.53%                                       | \$(14)                                                                                                                        |
| 30,001 - 50,000                                | 2%                                     | \$94                                               | 2.00%                                       | \$63                                            | 1.35%                                       | \$(31)                                                                                                                        |
| >50,000                                        | 0%                                     | \$244                                              | 2.00%                                       | \$140                                           | 1.15%                                       | \$(104)                                                                                                                       |

<sup>&</sup>lt;sup>32</sup> Exhibit B-1, p. 5.

<sup>&</sup>lt;sup>33</sup> BC Hydro Final Argument and Reply to Letters of Comment, p. 4 Exhibit B-3, BCUC IR 2.6.

<sup>&</sup>lt;sup>34</sup> Exhibit B-3, BCUC IR 3.1, reformatted by the BCUC. Column G (i.e. the right-most column) shows the difference between keeping the F2023 Residential Service Pricing Principles and BC Hydro's proposal (i.e. column E minus column C).

The above table shows that compared to applying the Proposed Residential Service Pricing Principles, extending the F2023 Residential Service Pricing Principles to fiscal 2024 would result in, on average, approximately 72 percent of customers (the total of the first three usage segments) seeing a higher annual bill increase of \$2 to \$5, while the remaining customers would see a lower average annual bill increase of \$2 to \$104. BC Hydro submits that, because most customers will see higher bill increases, extending the F2023 Residential Service Pricing Principles could result in lower customer acceptance.<sup>35</sup>

#### Impact on Low-Income Customers

With respect to low-income customers, BC Hydro estimates that approximately 193,745 or 10 percent of its residential customers are considered low income and that low-income customers fall into most energy consumption segments. BC Hydro defines low-income customers using Statistics Canada's Low-Income Cut-off thresholds on customers' before-tax income and used the consumption data of the representative surveyed low-income customers from BC Hydro's 2020 Residential End Use Study, in which BC Hydro surveyed approximately 7,000 residential customers, to extrapolate the consumption distribution of all low-income customers.<sup>36</sup>

Based on BC Hydro's analysis, Table 6 below shows that compared to applying the Proposed Residential Service Pricing Principles, approximately 86 percent<sup>37</sup> of BC Hydro's low-income customers (the total of the first three usage segments) would pay up to \$5 more if the F2023 Residential Service Pricing Principles were extended. However, the remaining approximately 14 percent of BC Hydro's low-income customers would pay up to \$104 less.

Table 6: Average Annual Bill Differences for BC Hydro Low-Income Customers<sup>38</sup>

|                                      |                               | Low-Income Customers                                                                                                                  |                                                 |
|--------------------------------------|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|
| Energy Usage<br>(kWh) Segment<br>(A) | Number of<br>Customers<br>(B) | Average Annual Bill Increase/(Decrease) if F2023 Residential Service Pricing Principles are Extended to Fiscal 2024 <sup>39</sup> (C) | Percentage of<br>Customers <sup>40</sup><br>(D) |
| 0-4000                               | 67,072                        | \$2                                                                                                                                   | 35%                                             |
| 4001-8001                            | 62,661                        | \$5                                                                                                                                   | 32%                                             |
| 8001-12000                           | 36,182                        | \$4                                                                                                                                   | 19%                                             |
| 12001-20000                          | 21,932                        | \$(2)                                                                                                                                 | 11%                                             |
| 20001-30000                          | 5,081                         | \$(14)                                                                                                                                | 3%                                              |
| 30001-50000                          | 817                           | \$(31)                                                                                                                                | 0%                                              |
| >50000                               | Not Available                 | \$(104)                                                                                                                               | Not Available                                   |
| Total                                | 193,745                       |                                                                                                                                       | 100%                                            |

<sup>35</sup> Exhibit B-3, BCUC IR 2.6.

<sup>&</sup>lt;sup>36</sup> Exhibit B-3, BCUC IRs 3.4 and 3.5.

<sup>&</sup>lt;sup>37</sup> BC Hydro rounded-up to 90 percent in response to BCUC IR 3.5.

<sup>&</sup>lt;sup>38</sup> Exhibit B-3, BCUC IR 3.5, table created by the BCUC.

<sup>&</sup>lt;sup>39</sup> As compared to the Proposed Residential Service Pricing Principles.

<sup>&</sup>lt;sup>40</sup> Calculated as Column B, divided by the approximate total estimated number of low-income customers.

#### 2.4 Stakeholder Feedback

BC Hydro obtained stakeholder feedback on the RIB rate pricing principles for fiscal 2024 as part of a broader residential rate design consultation and engagement process.

On November 29, 2022, BC Hydro held a residential rate design workshop where it presented the two pricing principle options as described in Sections 2.2 and 2.3 above. <sup>41</sup> The workshop consisted of 49 attendees that included representatives of intervener groups in BC Hydro's regulatory proceedings, local governments and municipalities, and other interested parties across different regions of BC Hydro's service territory. <sup>42</sup>

Following the workshop, BC Hydro solicited feedback through a post-event survey and 19 stakeholder responses were received regarding pricing principles. Of the responses received, 9 out of 19 stakeholder responses (or 47 percent) supported applying the approved F2023 Residential Service Pricing Principles to fiscal 2024 as compared to 4 out of 19 stakeholder responses (or 21 percent) who supported the Proposed Residential Service Pricing Principles. As BC Hydro acknowledges this but submits that the Proposed Residential Service Pricing Principles can be justified on the basis of customer understanding and acceptance for the reasons outlined earlier in Section 2.1 of the Decision. Specifically, BC Hydro points to the potential customer understanding and acceptance challenges of extending the fiscal 2023 pricing principles at this time due to the inflationary environment and submits that the F2024 RRA Rate Increase should be applied equally to all three charges of RS 1101. This is because the written comments received in the post-event survey for those who preferred something other than the approved F2023 Residential Service Pricing Principles and the Proposed Residential Service Pricing Principles expressed concern over the greater bill increases for low-consuming customers (many whom, BC Hydro submits, are also low income) from applying the approved F2023 Residential Service Pricing Principles to fiscal 2024.

The letters of comments received from members of the public raised the following concerns, including, but not limited to:<sup>47</sup>

- Whether the higher Step 2 Energy Charge is discriminatory for those who rely solely on electric heating or hot water;
- Whether the higher Step 2 Energy Charge serves as a disincentive for people to switch to heat pumps and electric vehicles;
- Whether the higher Step 2 Energy Charge unfairly affects renters and lower-income customers, and
  whether the consumption threshold for Step 2 Energy Charges should be adjusted based on household
  size or income level; and
- Whether BC Hydro should have explored additional residential service rate design options.

<sup>&</sup>lt;sup>41</sup> Exhibit B-1, p. 6.

<sup>&</sup>lt;sup>42</sup> Exhibit B-3, BCUC IR 4.2.

<sup>&</sup>lt;sup>43</sup> Exhibit B-1, p. 7, Figure 1.

<sup>&</sup>lt;sup>44</sup> Exhibit B-1, p. 7; Appendix E, p. 3, Figure 5.

<sup>&</sup>lt;sup>45</sup> 5 out of 19 stakeholder responses (or 26 percent) (Exhibit B-1, p. 7, Figure 1).

<sup>&</sup>lt;sup>46</sup> Exhibit B-3, BCUC IR 4.5.

<sup>&</sup>lt;sup>47</sup> Exhibit E-1 to E-3.

One letter of comment stated that the BCUC should approve the continuation of the pricing principles that applied to fiscal 2023 for fiscal 2024, as it provides a more economically rational price signal for low-carbon electrification by residential customers.<sup>48</sup>

In response to the letters of comment, BC Hydro submits that the scope of this Application is limited to pricing principles. That is, the way general rate increases are applied to the pricing elements or components of the RIB rate. As such, BC Hydro submits that the concerns raised by members of the public, particularly regarding the Step 2 Energy Charge, would be better considered in BC Hydro's upcoming residential rate design application(s) as discussed in Section 4.0 of this Decision. With regard to the continuation of the pricing principles that applied to fiscal 2023, BC Hydro submits that the criterion of customer understanding and acceptance should receive more explicit consideration (as discussed in Section 2.1 of this Decision) when setting pricing principles for the RIB rate for fiscal 2024 and the Proposed Residential Service Pricing Principles can be justified on that basis.<sup>49</sup>

#### 3.0 Panel Determination on Residential Service Pricing Principles

The Panel denies BC Hydro's request to apply the F2024 RRA Rate Increase to RS 1101 rates using the Proposed Residential Service Pricing Principles. Instead, BC Hydro is directed to apply the F2024 RRA Rate Increase to RS 1101, effective April 1, 2023, using the F2023 Residential Service Pricing Principles. Specifically, BC Hydro is directed to apply any F2024 RRA Rate Increase approved in the BC Hydro F2023 to F2025 RRA proceeding as follows, effective April 1, 2023:

- Basic Charge: apply the F2024 RRA Rate Increase;
- Step 2 Energy Charge: hold the Step 2 Energy Charge constant at its current level of 14.08 cents per 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 2024 from its RS 1101 customers as if the F2024 RRA Rate Increase
  had been applied equally to all three charges of RS 1101.

Rate design proposals, including pricing principles applications, are typically evaluated by the BCUC in accordance with the well-recognized rate design criteria derived from Bonbright's Principles of Public Utility Rates text (Bonbright Criteria). The Bonbright Criteria, as paraphrased by BC Hydro and endorsed by the BCUC in previous proceedings<sup>50</sup> are:

- Recovery of the revenue requirement;
- Fair apportionment of costs among customers;
- Price signals that encourage efficient use and discourage inefficient use;
- Customer understanding and acceptance;

<sup>48</sup> Exhibit E-4.

<sup>&</sup>lt;sup>49</sup> BC Hydro Final Argument and Reply to Letters of Comment, pp. 5–6.

<sup>&</sup>lt;sup>50</sup> BCUC's Reasons for Decision to Order G-124-08 regarding BC Hydro's 2008 Residential Inclining Block Rate Application, dated September 24, 2008, pp. 49, 51.

- Practical and cost effective to implement;
- Rate and bill stability;
- Provision of revenue stability; and
- Avoidance of undue discrimination.

The BCUC, in previous decisions, has held that the eight Bonbright Criteria form an appropriate foundation for rate structures, as they are consistent with the requirement under the UCA that rates be "fair, just and not unduly discriminatory" while recovering the totality of the approved revenue requirement.<sup>51</sup>

BC Hydro submits that the Bonbright criterion of "customer understanding and acceptance" should receive more explicit consideration in this proceeding than in previous pricing principle proceedings, and that the Proposed Residential Service Pricing Principles can be justified on that basis. The Panel accepts that different criteria can be given different weight over time.

However, the Panel is not persuaded that the Proposed Residential Service Pricing Principles can be justified on the basis of giving greater consideration of this criterion, nor is the Panel persuaded that this criterion should be afforded greater weight in this proceeding than the other Bonbright criteria. Specifically, the Panel considers that the Bonbright criteria of "fair apportionment of costs among customers" and "price signals that encourage efficient use and discourage inefficient use" should not be given less weight than the criterion of "customer understanding and acceptance", which would be necessary if the Panel were to agree with BC Hydro's submission.

The Panel will first consider the criteria of "price signals that encourage efficient use and discourage inefficient use" and "fair apportionment of costs among customers", followed by the criterion of "customer understanding and acceptance."

The Panel notes that the original impetus behind implementing stepped rates was conservation and energy efficiency, which is aligned with the criterion of "price signals that encourage efficient use and discourage inefficient use". <sup>52</sup> BC Hydro submits that the existing Step 2 Energy Charge encourages an inefficient level of consumption, <sup>53</sup> therefore, the Panel is concerned that increasing the Step 2 Energy Charge any further by the F2024 RRA Rate Increase as proposed would not send the appropriate price signals to BC Hydro's residential customers and would continue to encourage an inefficient level of consumption. Further, as acknowledged by BC Hydro, only by decreasing the Step 2 Energy Charge so that it is closer to BC Hydro's LRMC, will it start to encourage a more efficient level of consumption. <sup>54</sup> The Panel acknowledges that the RIB rate itself is not the subject of this proceeding. However, the Panel is also concerned that a higher Step 2 Energy Charge may send price signals to customers that serve as a disincentive to switch to heat pumps and electric vehicles, thereby hindering government policy regarding electrification and decarbonization. The Panel considers such outcomes to be inconsistent with the criterion to encourage efficient use and discourage inefficient use.

<sup>&</sup>lt;sup>51</sup> BCUC's Reasons for Decision to Order G-124-08 regarding BC Hydro's 2008 Residential Inclining Block Rate Application, dated September 24, 2008, p. 51.

<sup>52</sup> Exhibit B-1, Appendix B, p. 1

<sup>53</sup> Exhibit B-3 BCUC IR 2.4.

<sup>54</sup> Exhibit B-3, BCUC IR 2.4.

The Panel notes for the original implementation of inclining block rates, the last block of energy consumed (step 2), as a principle, should reflect the marginal cost of energy. As the evidence shows for fiscal 2024, as it did for fiscal 2023, the Step 2 Energy Charge is significantly higher than BC Hydro's marginal cost of energy, which renders the cost justification for the Step 2 Energy Charge suspect.

The Panel notes that for fiscal 2023, the BCUC found there was no economic justification to increase the Step 2 Energy Charge, nor any compelling evidence of the specific value at which the Step 2 Energy Charge should be set. The Panel agrees that the circumstances have not changed for fiscal 2024. Consequently, the Panel finds that the rates resulting from the application of the Proposed Residential Service Pricing Principles would not reflect the most appropriate apportionment of costs among customers based on BC Hydro's marginal cost of energy. The Panel notes that BC Hydro agreed that there are no economic or conservation-related justifications for adjusting the three components of the RIB rate equally for fiscal 2024, which is what BC Hydro has proposed. In fact, BC Hydro acknowledged that the facts that underpinned the BCUC's 2023 decision regarding the F2023 Residential Service Pricing Principles, <u>not</u> to uniformly increase the RIB rate components in fiscal 2023 by the approved RRA rate increase, have not changed. <sup>55</sup> Accordingly, as stated above, the Panel considers that the criteria of "price signals that encourage efficient use and discourage inefficient use" and "fair apportionment of costs among customers" should not be given less weight than the economic and conservation-related considerations in this proceeding.

The Panel will next consider the Bonbright criterion of "customer understanding and acceptance" by parsing the two components of the criterion: first, customer understanding and second, customer acceptance. The Panel accepts that rate changes resulting from the application of the Proposed Residential Service Pricing Principles would likely be easier for many customers to understand. Simply put, the same percentage change applied to all three rate components is easy to understand, whereas different percentage changes to each rate component would likely cause some customers to pose questions about such a proposal.

The Panel considers that if one rate component is to change by a greater amount than the F2024 RRA Rate Increase, it will likely cause some confusion for some customers and raise questions as to the equity of the changes. The Panel also agrees that pricing principles that result in all customers seeing a net bill increase of 2.0 percent will obtain greater customer understanding compared to pricing principles that result in some customers seeing net bill increases that are higher or lower than 2.0 percent. Despite these observations, the Panel is not persuaded that "customer understanding" should be given greater consideration than economic and efficiency considerations.

With respect to customer acceptance, the Panel perceives this to be a consideration related largely to affordability. The Panel notes that BC Hydro submits that its Proposed Residential Service Pricing Principles can be justified on the basis of giving greater consideration to customer understanding and acceptance, due to the current high inflation environment, with "resulting concerns regarding affordability."<sup>56</sup> The Panel also notes that the Ministerial Letter asks the BCUC to consider taking the measures it can, within the context of BC Hydro's pricing principles application, "to protect people – especially low-income households – who are struggling to pay today's higher prices."<sup>57</sup>

<sup>55</sup> Exhibit B-1, p. 2; Exhibit B-3, BCUC IR 2.2.

<sup>&</sup>lt;sup>56</sup> Exhibit B-1, Cover Letter, p. 2.

<sup>&</sup>lt;sup>57</sup> Exhibit B-1, p. 3; Appendix D, p. 2.

The Panel acknowledges that approximately 72 percent of BC Hydro's customers, and approximately 86 percent of BC Hydro's low-income customers, would potentially see modestly lower average annual bills (\$2 to \$5) under the Proposed Residential Service Pricing Principles as compared to the average annual bills under the F2023 Residential Service Pricing Principles. However, the Panel notes that many customers, including many low-income customers, who have higher energy consumption, will experience bill savings by a much greater amount (i.e. by up to \$104) by applying the F2023 Residential Service Pricing Principles in fiscal 2024 as compared to the average annual bills under the Proposed Residential Service Pricing Principles.

Given that the current evidence shows low-income customers fall into most energy consumption segments, the Panel considers that higher annual bill increases of up to \$104 will be less affordable for struggling households than annual bill reductions of up to \$5. Accordingly, the Panel finds that the affordability benefits associated with the relatively minor reduction in annual bills for the majority of residential customers under the Proposed Residential Service Pricing Principles do not outweigh the potentially much higher annual bill increase for the remaining residential customers who also fall into the low-income category.

Although the Panel agrees that customer understanding and acceptance are important considerations, the Panel is not persuaded that they should be given greater weight than the economic or conservation-related considerations as outlined above. The Panel finds that extending the F2023 Residential Service Pricing Principles to fiscal 2024 will not result in rates that are unjust, unreasonable, unduly discriminatory or unduly preferential, which are prohibited by sections 59 and 60 of the UCA. The Panel also notes that some stakeholders who participated in BC Hydro's November 29, 2022 residential rate design workshop, and one stakeholder who submitted a letter of comment, preferred extending the F2023 Residential Service Pricing Principles to fiscal 2024.

The Panel acknowledges the concerns raised in the Ministerial Letter, in particular regarding low-income customers. However, as the Panel outlined above, under BC Hydro's proposal, customers, including low-income customers, in the three highest energy consumption segments are impacted by annual bill increases ranging from \$60 to \$244 while customers in the three lowest energy consumption segments face annual increases of a much more modest \$6 to \$22.<sup>58</sup>

In contrast, under the F2023 Residential Service Pricing Principles, customers in the three highest energy consumption segments face annual bill increases of \$46 to \$140, while customers in the three lowest energy consumption segments would face annual bill increases ranging from \$8 to \$26. Therefore, for high energy consumption customers the bill increase under the F2023 Residential Service Pricing Principles is \$14 to \$104 less than the annual increase under the BC Hydro proposal, and while customers in the three lowest energy consumption segments do pay more, it is only approximately \$2 to \$5 more.<sup>59</sup>

This evidence was persuasive to the Panel in rejecting the BC Hydro proposal. We are concerned about the significant cost impact on low-income customers who may be in a high energy consumption segment and unable to reduce their consumption – for example those who have no access to natural gas, have a large family or are renters with limited access to demand side management measures to upgrade their accommodations.

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<sup>&</sup>lt;sup>58</sup> Please see Table 5 of this Decision. The far-right column (Column G) shows the \$14 to \$104 difference between the F2023 Residential Service Pricing Principles and BC Hydro's proposal in the three highest energy consumption segments.

<sup>&</sup>lt;sup>59</sup> Please see Table 5 of this Decision. The far-right column (Column G) shows the \$2 to \$5 difference between BC Hydro's proposal and the F2023 Residential Service Pricing Principles in the three lowest energy consumption segments.

Ideally, those annual increases would be mitigated for those unable to bear that economic burden. However, the BCUC is limited in its ability to target rates to customer segments based on income.<sup>60</sup> Therefore, Government may be in a better position than the BCUC to take more targeted measures as needed to assist specific customers, or groups of customers, that are most in need of rate relief.

BC Hydro is directed to refund or recover, as the case may be, the difference between the interim pricing principles approved by Order G-59-23 and the residential service pricing principles approved on a permanent basis in this decision to or from residential customers as necessary. The refund or recovery is to be made in conjunction with any final adjustments arising from the BCUC's final decision on the permanent F2024 RRA Rate Increase as determined in the BC Hydro F2023 to F2025 RRA proceeding.

BC Hydro is directed to file for endorsement with the BCUC an updated RS 1101 reflecting the approved residential service pricing principles and the permanent rate change for fiscal 2024 as directed in the BC Hydro F2023 to F2025 RRA proceeding, pursuant to any final orders made by the BCUC in that proceeding.

#### 4.0 Long-Term Plan for RS 1101 Charges

During the proceeding, BC Hydro stated that it intends to make best efforts to file an application with the BCUC by no later than June 30, 2024, regarding changes to the current rate design for residential customers. In addition, BC Hydro will look for opportunities to advance application(s) sooner, in phases, if it makes sense to do so, as it recognizes that there is a need to advance the residential rate design work quickly since previous efforts to do so have already taken a substantial amount of time.<sup>61</sup>

Based on extensive consultation with residential customers on rate design proposals over the past two years, BC Hydro explained that rather than advancing an application that would identify a single new default rate design to transition all Residential customers to, for example, a single rate to replace the RIB rate, it believes it will be more effective to advance an approach that recognizes the diverse range of customer perspectives by providing customers with rate choices. As such, BC Hydro intends to advance changes to the RIB rate in combination with a range of optional rate proposals. In BC Hydro's view, this approach will lead to better outcomes for its customers so that when changes to the RIB rate are implemented, customers can choose to remain on that rate and adapt to those changes or can choose to move to a different rate that may be better suited to their individual electricity needs.<sup>62</sup>

#### **Panel Determination**

The Panel directs BC Hydro to file, by June 30, 2024, an application for changes to the current RS 1101 rate design. The application must include the following: an evaluation of potential changes to, or elimination of, the RIB rate, considering the alignment with marginal costs and cost of service; how the revised rate design supports government policy of electrification and decarbonization; and whether the revised rate design provides greater flexibility to modify rates over time or add optional rates to reflect changes to the policy and economic environment within which BC Hydro operates.

<sup>&</sup>lt;sup>60</sup> BC Hydro 2015 Rate Decision Application, Decision and Order G-5-17 dated January 20, 2017, pp. 53–54, 80.

<sup>61</sup> Exhibit B-3, BCUC IR 1.1.

<sup>62</sup> Exhibit B-3, BCUC IR 1.1.

| Original signed by:        |
|----------------------------|
| T. A. Loski                |
| Panel Chair / Commissioner |
| Original signed by:        |
| A. K. Fung, KC             |
| Commissioner               |
| Original signed by:        |
| D. M. Morton               |
| Commissioner               |



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#### ORDER NUMBER G-140-23

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

and

British Columbia Hydro and Power Authority
Fiscal 2024 Residential Inclining Block Rate Pricing Principles Application

#### **BEFORE:**

T. A. Loski, Panel Chair A. K. Fung, KC, Commissioner D. M. Morton, Commissioner

on June 13, 2023

#### **ORDER**

#### WHEREAS:

- A. On March 8, 2023, British Columbia Hydro and Power Authority (BC Hydro) filed with the British Columbia Utilities Commission (BCUC) an application for approval of pricing principles that would apply to the residential service inclining block rate under Rate Schedule 1101, 1121 (collectively, RS 1101) for fiscal 2024 (Application);
- B. In the Application, BC Hydro proposes to apply any fiscal 2024 general rate increase (F2024 RRA Rate Increase) approved in the separate, ongoing proceeding to review BC Hydro's Fiscal 2023 to Fiscal 2025 Revenue Requirements Application (F2023 to F2025 RRA) equally to all three components of the RS 1101 charges, which are: the Basic Charge, Step 1 Energy Charge and Step 2 Energy Charge (Proposed Residential Service Pricing Principles);
- C. By Order G-59-23 dated March 23, 2023, the BCUC approved the Proposed Residential Service Pricing Principles on an interim basis, effective April 1, 2023. Order G-59-23 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;
- D. On April 21, 2023, by Decision and Order G-91-23, the BCUC issued its decision on BC Hydro's F2024 RRA Rate Increase, approving on an interim basis, among other matters, a general rate increase of 0.97 percent and deferral account rate rider decrease of (1.0) percent for fiscal 2024, effective April 1, 2023, subject to final adjustments. Order G-91-23 also directed BC Hydro to re-calculate its revenue requirements and file a revised Appendix A to the application and updated rate schedules, reflecting the corrections to the Application identified in the errata filed in the proceeding, the terms of Order G-91-23, the determinations and directions issues in the decision issued concurrently, and any future BCUC determinations and directives issued in the proceeding; and

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E. The BCUC has reviewed the Application, evidence, letters of comment, and BC Hydro's final argument and reply to letters of comment and makes the following determinations.

**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 Proposed Residential Service Pricing Principles as set forth in the Application, are denied.
- 2. BC Hydro is directed to apply any F2024 RRA Rate Increase as follows, on a permanent basis, effective April 1, 2023:
  - Basic Charge: apply the F2024 RRA Rate Increase;
  - Step 2 Energy Charge: hold the Step 2 Energy Charge constant at its current level of 14.08 cents 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 2024 from its RS 1101 customers as if the F2024 RRA Rate Increase had been applied equally to all three charges of RS 1101.
- 3. BC Hydro is directed to refund or recover, as the case may be, the difference between the interim pricing principles approved by Order G-59-23 and the residential service pricing principles approved on a permanent basis in the decision issued concurrently with this order to or from residential customers as necessary. The refund or recovery is to be made in conjunction with any final adjustments arising from the BCUC's final decision on the permanent F2024 RRA Rate Increase as determined in the BC Hydro F2023 to F2025 RRA proceeding.
- 4. BC Hydro is directed to file for endorsement with the BCUC an updated RS 1101 reflecting the approved residential service pricing principles and the permanent rate change for fiscal 2024 as directed in the BC Hydro F2023 to F2025 RRA proceeding, pursuant to any final orders made by the BCUC in that proceeding.
- 5. BC Hydro is directed to file, by June 30, 2024, an application for changes to the current RS 1101 rate design as determined in the decision issued concurrently with this order.

| <b>DATED</b> at the City of Vancouver, in the Province of British Columbia, this | 13 <sup>th</sup> | day of June 2023. |
|----------------------------------------------------------------------------------|------------------|-------------------|
| BY ORDER                                                                         |                  |                   |

Original signed by:

T. A. Loski Commissioner

Final Order 2 of 2

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

and

## British Columbia Hydro and Power Authority Fiscal 2024 Residential Inclining Block Rate Pricing Principles Application

#### **EXHIBIT LIST**

| Exhibit No.  | Description                                                                                                                                                           |
|--------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| COMMISSION I | DOCUMENTS                                                                                                                                                             |
| A-1          | Letter dated March 10, 2023 – Appointing the Panel for the review of the BC Hydro Fiscal 2024 Residential Inclining Block Rate Pricing Principles Application         |
| A-2          | Letter dated March 21, 2023 – BCUC Order G-59-23 approving interim Residential Service Pricing Principles for F2024 and establishing a regulatory timetable           |
| A-3          | Letter dated April 12, 2023– BCUC Information Request No. 1 to BC Hydro                                                                                               |
| APPLICANT DO | CUMENTS                                                                                                                                                               |
| B-1          | BRITISH COLUMBIA HYDRO AND POWER AUTHORITY (BC HYDRO) - Fiscal 2024 (F2024) Residential Inclining Block (RIB) Rate Pricing Principles Application dated March 8, 2023 |
| B-2          | Letter dated April 12, 2023 – BC Hydro providing Notice of Application in compliance with Order G-59-23                                                               |
| B-3          | Letter dated April 26, 2023 – BC Hydro submitting responses to BCUC Information Request No. 1                                                                         |

#### **INTERESTED PARTY DOCUMENTS**

D-1 **BRYENTON, R. (BRYENTON)** – Submission dated March 31, 2023 Request for Interested Party Status

#### **LETTERS OF COMMENT**

| E-1 | SLATER, J. (SLATER) – Letter of Comment dated March 24, 2023                    |
|-----|---------------------------------------------------------------------------------|
| E-2 | EDMIIDZ, N. (EDMIIDZ) – Letter of Comment dated May 1, 2023                     |
| E-3 | BRYENTON, R. (BRYENTON) – Letter of Comment dated May 3, 2023                   |
| F_1 | RC SUSTAINABLE ENERGY ASSOCIATION (RCSEA) - Letter of Comment dated May 4, 2022 |