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British Columbia Hydro and Power Authority

Application for Approval to Set the Fiscal 2025 Deferral Account Rate Rider and Trade Income Rate Rider and Reconsideration Related to the Trade Income Rate Rider

Decision and Order G-43-24

February 20, 2024

Before:
M. Jaccard, Commissioner

TABLE OF CONTENTS

Page no.

Executive summary	i
1.0 Introduction	1
2.0 The Proposed F2025 Deferral Account Rate Rider	1
3.0 Trade Income Rate Rider	2
3.1 BC Hydro's Reconsideration Request and Grounds for Reconsideration	2
3.2 The Proposed F2025 Trade Income Rate Rider and Rate Smoothing Regulatory Account	5

COMMISSION ORDER G-43-24

APPENDIX A Exhibit List

Executive summary

On October 30, 2023, British Columbia Hydro and Power Authority (BC Hydro) filed an application with the British Columbia Utilities Commission (BCUC) for approval of the Deferral Account Rate Rider (DARR) and the Trade Income Rate Rider (TIRR) for fiscal 2025 (Application). BC Hydro also requests leave to apply for reconsideration of Directive 77 of the Fiscal 2023 to Fiscal 2025 (F2023 to F2025) Revenue Requirements Application Decision¹ (RRA Decision), which pertains to the mechanism to set the TIRR annually. Finally, BC Hydro requests an order varying the requirements under Directive 77 related to the amounts repaid via the TIRR for fiscal 2025 and the establishment of a new Rate Smoothing Regulatory Account (RSRA).

Pursuant to Directive 77 of the RRA Decision, the TIRR would be set at -10 percent for fiscal 2025, resulting in a total customer bill decrease of 5.9 percent. According to BC Hydro's current forecasts, this bill decrease will be followed by a total bill increase of 12.1 percent in fiscal 2026.² BC Hydro considers these forecast bill changes to constitute unfavourable bill volatility for customers and the forecast bill increase in fiscal 2026 to be "rate shock".³ Accordingly, BC Hydro requests approval to instead set the fiscal 2025 TIRR at -2.3 percent and defer the remainder of the TIRR balance that would otherwise have been refunded to customers in fiscal 2025 to the RSRA. This proposal results in a total bill increase of 2.3 percent for fiscal 2025.⁴

The BCUC received letters of comments from six parties, three of which either support or do not oppose the requests in the Application, while the other three do not support BC Hydro's proposal to vary Directive 77. Additionally, the Association of Major Power Customers of British Columbia (AMPC) submits that the Application fails to adhere to the BCUC rules for reconsideration and recommends the BCUC make two directives to BC Hydro.

After reviewing the Application, evidence, letters of comment, and BC Hydro's reply submission, the Panel:

- finds, pursuant to the leave granted to BC Hydro to file a reconsideration request, that the Application has established, on its face, reasonable grounds that could support reconsideration of Directive 77 pursuant to Rule 26.05 (d) to (f) of the BCUC Rules of Practice and Procedure;⁵
- approves BC Hydro's request to vary Directive 77 to set the TIRR at -2.3 percent for fiscal 2025;
- approves BC Hydro's request to establish the RSRA;
- approves BC Hydro's request to set the DARR at -2.5 percent for fiscal 2025;
- declines to make the directives recommended by AMPC.

Regarding the grounds for reconsideration related to Directive 77, the Panel is persuaded that the events causing the significant expected bill volatility between fiscal 2025 and fiscal 2026 largely occurred since the evidentiary record closed in the F2023 to F2025 RRA proceeding. Additionally, the forecast bill increase of 12.1 percent in fiscal 2026 can generally be characterized as "rate shock", which provides just cause for BC Hydro's reconsideration request.

Regarding BC Hydro's proposal to set the TIRR at -2.3 percent for fiscal 2025, with consideration of the forecast change in bill impact between fiscal 2025 and fiscal 2026, the Panel sees the importance of taking measures to alleviate the anticipated, significant bill volatility and provide rate stability for all customers, which includes the establishment of the RSRA.

¹ Decision and Order G-91-23 dated April 21, 2023.

² Exhibit B-1, Table 1, p. 3.

³ Exhibit B-1, p. 1.

⁴ Exhibit B-1, p. 9.

⁵ BCUC Rules of Practice and Procedure attached to the BCUC Order G-72-23 dated April 3, 2023.

Regarding the DARR, parties either support or do not oppose BC Hydro's request. The Panel finds the requested DARR for fiscal 2025 to not be unjust, unreasonable, unduly discriminatory, or unduly preferential.

1.0 Introduction

On October 30, 2023, British Columbia Hydro and Power Authority (BC Hydro) filed an application with the British Columbia Utilities Commission (BCUC) for approval of the Deferral Account Rate Rider (DARR) and the Trade Income Rate Rider (TIRR) for fiscal 2025 (Application). BC Hydro also requests leave to apply for reconsideration of Directive 77 of the Fiscal 2023 to Fiscal 2025 (F2023 to F2025) Revenue Requirements Application Decision⁶ (RRA Decision) related to the TIRR, an order varying Directive 77, and the establishment of a new Rate Smoothing Regulatory Account (RSRA). The Application is filed pursuant to sections 59 to 60 and 99 of the *Utilities Commission Act* (UCA), which relate to setting utility rates and reconsiderations, respectively.

On November 3, 2023, by Order G-300-23, the BCUC approved BC Hydro's request for permission to apply for reconsideration of Directive 77 and established the regulatory timetable for the review of the Application. The regulatory timetable included public notice of the Application, one round of BCUC information requests, letters of comment and BC Hydro's reply.

The BCUC received letters of comments from the following six parties:

- i. Association of Major Power Customers of British Columbia (AMPC);⁷
- ii. Canadian Association of Petroleum Producers (CAPP);⁸
- iii. Residential Consumer Intervener Association (RCIA);⁹
- iv. BC Sustainable Energy Association (BCSEA);¹⁰
- v. Richard McCandless (McCandless);¹¹ and
- vi. the Commercial Energy Consumers Association of British Columbia (the CEC).¹²

During the proceeding, the Panel issued a letter regarding the regulatory process established by Order G-300-23 in response to concerns raised by AMPC.¹³

This Decision addresses the Panel's final determinations on the Application. The Panel first addresses the fiscal 2025 DARR and then addresses matters related to the fiscal 2025 TIRR, including the reconsideration request related to Directive 77 of the RRA Decision.

2.0 The Proposed F2025 Deferral Account Rate Rider

The RRA Decision was issued on April 21, 2023 and included Directive 79 which denied BC Hydro's requested DARR for fiscal 2025 and instead directed BC Hydro to, commencing in fiscal 2025:

- Set the DARR annually, using BC Hydro's proposed DARR table mechanism, at the beginning of each fiscal year, based on the most recently available actual net Cost of Energy (COE) Variance Account balances without the Trade Income Deferral Account (TIDA) balance. For example, commencing April 1,

⁶ BC Hydro F2023 to F2025 RRA, BCUC Decision and Order G-91-23 dated April 21, 2023.

⁷ Exhibits D-1, D-1-2.

⁸ Exhibits D-2, D-2-1.

⁹ Exhibit D-3.

¹⁰ Exhibit D-4.

¹¹ Exhibit D-5.

¹² Exhibit D-6.

¹³ Exhibit A-5.

2024, set the DARR based on the actual ending fiscal 2023 balances, with the same process to follow for each subsequent fiscal year; and

- File for approval of the DARR annually in a filing separate from its RRA filings.

BC Hydro requests approval in the Application to recover the balances in the COE Variances Accounts through the DARR using the DARR table mechanism and set the DARR at -2.5 percent (i.e. a 2.5 percent refund) for fiscal 2025.

Positions of the Parties

BCSEA, CAPP, and McCandless support BC Hydro's proposal to set the DARR at -2.5 percent for fiscal 2025, while RCIA, the CEC, and AMPC do not oppose the request.

Panel Determination

The Panel finds that the proposed DARR has been calculated in accordance with Directive 79 and it is not unjust, unreasonable, unduly discriminatory, or unduly preferential. Accordingly, **the Panel approves BC Hydro's request to set the DARR at -2.5 percent for fiscal 2025.**

3.0 Trade Income Rate Rider

Directive 77 of the RRA Decision required BC Hydro to undertake the following commencing in fiscal 2025:¹⁴

- Recover the test period Trade Income forecast from a rate rider rather than through the general revenue requirement (i.e. a TIRR).
- Recover or repay the TIDA balance from/to customers via the TIRR, instead of the DARR, over a 3-year amortization period, and limit the amortization of a deficit in the TIDA balance to the amount of forecast Trade Income that year. As a result, the TIRR will not be less than zero.
- Set the TIRR annually at the beginning of each fiscal year based on the most recently available actual results.
- File for approval of the TIRR annually in a filing separate from its RRA filings.

In the following subsections, the Panel first addresses BC Hydro's request for reconsideration of Directive 77, and then the proposed fiscal 2025 TIRR and the RSRA.

3.1 BC Hydro's Reconsideration Request and Grounds for Reconsideration

BC Hydro requests an order varying the requirements under Directive 77 related to the amounts repaid via the TIRR for fiscal 2025. Pursuant to this directive, the TIRR would be set at -10 percent (i.e. a 10 percent refund), resulting in a total bill decrease of 5.9 percent for fiscal 2025. According to BC Hydro's current forecasts, this bill decrease will be followed by a total bill increase of 12.1 percent in fiscal 2026.¹⁵ BC Hydro considers this forecast bill change to constitute unfavourable bill volatility for customers and the forecast bill increase in fiscal 2026 to be "rate shock".¹⁶ Accordingly, BC Hydro requests to instead set the TIRR at -2.3 percent (i.e. a 2.3 percent refund), resulting in a total bill increase of 2.3 percent for fiscal 2025 with the remainder of the TIRR balance¹⁷

¹⁴ RRA Decision, Directive 77, p. 280.

¹⁵ Exhibit B-1, Table 1, p. 3.

¹⁶ Exhibit B-1, p. 1.

¹⁷ Consists of the fiscal 2025 TIDA amortization and the fiscal 2025 forecast Trade Income as shown in Appendix B to the Application.

that would otherwise have been refunded on customer bills in fiscal 2025 pursuant to Directive 77 being deferred to the RSRA.¹⁸

Rule 26.05 of the BCUC's Rules of Practice and Procedure¹⁹ (BCUC Rules) states that an application for reconsideration of a decision must contain a concise statement of the grounds for reconsideration, which must include one or more of the following:

- (b) the BCUC has made an error of fact, law, or jurisdiction which has a material bearing on the decision;
- (c) facts material to the decision that existed prior to the issuance of the decision were not placed in evidence in the original proceeding and could not have been discovered by reasonable diligence at the time of the original proceeding;
- (d) new fact(s) have arisen since the issuance of the decision which have material bearing on the decision;
- (e) a change in circumstances material to the decision has occurred since the issuance of the decision; or
- (f) where there is otherwise just cause.

BC Hydro states that its request for reconsideration and variance of Directive 77 is based on the grounds of new information, a material change in circumstances and just cause pursuant to Rule 26.05 (d) to (f) of the BCUC Rules.²⁰

Based on BC Hydro's current forecast information, the annual bill impact from fiscal 2024 to fiscal 2029 resulting from the mechanisms set out in Directives 77 and 79 is summarized in the following table.

Table 1: Results of Directives 77 and 79²¹

(%)	F2024 Decision	F2025 Decision	F2026 Forecast	F2027 Forecast	F2028 Forecast	F2029 Forecast
Annual rate increase	1.2	6.4	8.3	1.3	3.5	2.4
DARR	(1.0)	(2.5)	5.0	5.0	2.5	1.0
TIRR	0.0	(10.0)	(14.4)	(15.4)	(9.6)	(8.0)
Annual bill impact – increase / (decrease)	2.2	(5.9)	12.1	0.2	7.4	2.5

BC Hydro explains that the conditions that lead to the forecast bill volatility have largely occurred since the F2023 to F2025 RRA forecast was prepared and include the following:²²

- The 10 percent TIRR refund in fiscal 2025 is primarily due to the fiscal 2023 actual Trade Income being higher than plan by \$827 million; and
- The 7.5 percent increase in the DARR in fiscal 2026 (i.e. from negative 2.5 percent in fiscal 2025 to positive 5.0 percent in fiscal 2026) is the result of dry conditions experienced in the fall and winter of calendar 2022 that has continued into calendar 2023. This has resulted in BC Hydro forecasting fewer exports and higher import volumes in fiscal 2024 than previously forecast in the F2023 to F2025 RRA, which increases the forecast COE Variance Accounts balance for fiscal 2024 that will be used to determine the DARR for fiscal 2026.

¹⁸ Exhibit B-1, p. 9.

¹⁹ BCUC Rules of Practice and Procedure attached to the BCUC Order G-72-23 dated April 3, 2023.

²⁰ Exhibit B-1, p. 2.

²¹ Exhibit B-1, Table 1, p. 3.

²² Exhibit B-1, pp. 3–4.

Positions of the Parties

Aside from AMPC, no party commented on whether the Application has established reasonable grounds for reconsideration under the BCUC Rules.

AMPC submits that the Application fails to adhere to the BCUC Rules for reconsideration.²³ Specifically, the Application does not meet the bar of a “new fact...[with] material bearing on the decision”, does not qualify as a change in circumstances material to the decision, and there is no otherwise just cause.²⁴ AMPC notes that the RRA Decision recognized that the BCUC’s decision may increase bill volatility, but that these concerns were not outweighed by efficiency, transparency, and intergenerational equity. AMPC stresses the importance of finality in the decision-making process and notes that past BCUC decisions have made explicit that “a reconsideration is not intended to be a second ‘kick at the can’.”²⁵

In reply, BC Hydro submits that the conditions causing the significant expected bill volatility largely occurred since the evidentiary record closed in the F2023 to F2025 RRA proceeding. This includes the availability of the actual fiscal 2023 Trade Income amount, which is at a level not achieved in over 20 years, and the present lower water levels resulting from the ongoing drought in B.C.²⁶

BC Hydro argues that the magnitude of the bill volatility driven by subsequent events is at a level typically considered “rate shock”. Further, BC Hydro submits that the BCUC highlighted in the RRA Decision the importance of monitoring and mitigating bill volatility, as shown in the following passage:²⁷

We appreciate that these directives may increase bill volatility and we share BC Hydro and certain Interveners’ concerns regarding bill volatility. However, rate stability is only one Bonbright principle. Equally important are that rates are not unduly discriminatory and are economically efficient. It is the role of the regulator to balance these principles and that balance is a key principle in our determination. That said, it is important to have mechanisms in place to monitor bill volatility and, when possible, take steps to mitigate it.²⁸ [Emphasis added]

Panel Determination

The Panel finds, pursuant to the leave granted to BC Hydro to file a reconsideration request, that the Application has established, on its face, reasonable grounds that support reconsideration of Directive 77 pursuant to Rule 26.05 (d) to (f) of the BCUC Rules.

The Panel is persuaded that the events causing the significant expected bill volatility largely occurred since the evidentiary record closed in the F2023 to F2025 RRA proceeding. The Panel acknowledges that during the F2023 to F2025 RRA proceeding, there was evidence to suggest that actual Trade Income for fiscal 2023 would be greater than forecast in the revenue requirement and that there were dry conditions during fiscal 2023.²⁹ However, the Panel is persuaded that the variance between the actual and forecast fiscal 2023 Trade Income is materially larger than anticipated, considering that the actual fiscal 2023 Trade Income results are at a level not achieved in over 20 years, and that the dry conditions are more severe and lasted longer than it was anticipated in the F2023 to F2025 RRA proceeding.

In the Panel’s view, the forecast bill increase of 12.1 percent in fiscal 2026 resulting from Directives 77 and 79 can generally be characterized as “rate shock”, which provides just cause for BC Hydro’s reconsideration

²³ Exhibit D-1-2, p. 6.

²⁴ Exhibit D-1-2, pp. 10–11.

²⁵ Exhibit D-1-2, pp. 6–8.

²⁶ BC Hydro Reply Submission, p. 3.

²⁷ BC Hydro Reply Submission, p. 7.

²⁸ RRA Decision, p. 281.

²⁹ Exhibit D-1-2, p. 18.

request. Further, the BCUC recognized in the RRA Decision that even with the mechanisms included in Directive 77, bill volatility could still be a concern that needed to be monitored and, when possible, further mitigated. The Panel considers a bill decrease of 5.9 percent in one year followed by a bill increase of 12.1 percent the following year to be volatile. BC Hydro’s request to vary Directive 77 to set the TIRR for fiscal 2025 is a proposed step to mitigate bill volatility as contemplated in the RRA Decision. Therefore, having regard to these factors, the Panel is satisfied that the Application adheres to the BCUC Rules for reconsideration and that the requested reconsideration is not a “second kick at the can” as suggested by AMPC.

Having found that the Application has established reasonable grounds that support reconsideration, the following section of the Decision discusses the merits of BC Hydro’s proposal to set the TIRR at -2.3 percent for fiscal 2025.

3.2 The Proposed F2025 Trade Income Rate Rider and Rate Smoothing Regulatory Account

As discussed in the previous section, BC Hydro requests an order varying Directive 77 to set the TIRR at -2.3 percent (i.e. a 2.3 percent refund) on customer bills for fiscal 2025 instead of at -10 percent (i.e. a 10 percent refund) pursuant to Directive 77.³⁰

BC Hydro’s request would result in an overall bill increase of 2.3 percent in fiscal 2025 and will position it to potentially smooth the annual bill increases to 2.3 percent over a five-year period based on BC Hydro’s current forecasts, as shown in the following table.

Table 2: Rate and Bill Impacts of the Proposed TIRR³¹

(%)	F2024 Decision	F2025 Decision	F2026 Forecast	F2027 Forecast	F2028 Forecast	F2029 Forecast
Annual rate increase	1.2	6.4	8.5	1.3	3.5	2.2
DARR	(1.0)	(2.5)	5.0	5.0	2.5	0.5
TIRR	0.0	(2.3)	(15.3)	(14.5)	(13.1)	(11.1)
Annual bill impact	2.2	2.3	2.3	2.3	2.3	2.3

BC Hydro also requests approval to establish the RSRA to:³²

- a. Capture the remainder of the TIRR balance that would otherwise have been refunded on customer bills in fiscal 2025 pursuant to Directive 77; and
- b. Apply interest to the balance of the account based on BC Hydro’s current weighted average cost of debt.

Based on BC Hydro’s proposed TIRR for fiscal 2025, the forecast fiscal 2025 ending balance of the RSRA is approximately a credit of \$464 million (i.e. payable to ratepayers) before consideration of any interest for the year. BC Hydro plans to provide a proposal regarding the disposition of the RSRA balance in the compliance filing to set the TIRR and DARR for fiscal 2026 and/or its next RRA. BC Hydro states that it expects the amortization period to be relatively short in order to maintain intergenerational equity while balancing the need for bill stability.³³

³⁰ Exhibit B-1, p. 9.

³¹ Exhibit B-1, Table 5, p. 7.

³² Exhibit B-1, p. 10.

³³ Exhibit B-1, p. 9.

Alternatives to Setting the F2025 TIRR

The proposed fiscal 2025 TIRR of -2.3 percent is one of several alternatives reviewed in the proceeding to reduce the forecast bill volatility resulting under Directives 77 and 79.³⁴ The other alternatives considered by BC Hydro include setting the fiscal 2025 TIRR at a 4.5 percent refund to achieve a 0 percent bill impact in fiscal 2025 and to position BC Hydro to potentially smooth bill impacts over two years or over four years.³⁵

BC Hydro considers either of its alternatives to be favourable compared to the results from Directives 77 and 79, but it prefers its proposed alternative (i.e. setting the TIRR at -2.3 percent for fiscal 2025).³⁶ This is because it results in a bill impact in fiscal 2025 that is below the forecast inflation rate and it provides the longest period of bill stability and a level of risk mitigation by setting aside additional funds in the short term to offset expected higher than planned expenditures in the future, such as COE related to drought conditions.³⁷

Rate Stability and Customer Understanding and Acceptance

BC Hydro states that rate and bill stability, in addition to customer understanding and acceptance, are recognized ratemaking principles. BC Hydro considers a large bill reduction in fiscal 2025 followed by a larger bill increase in fiscal 2026 to be an undesirable volatility for customers and it would be difficult for customers to understand and accept.³⁸

Based on the results of a 2021 survey commissioned by BC Hydro, it observes that residential customers perceive bill stability as being important. Based on its interactions with customers, BC Hydro also concludes that small businesses, municipalities, and government customers are likely to prefer stable rates or bills. However, BC Hydro acknowledges that, depending on the nature of their business, understanding and acceptance of large business and industrial customers are likely to vary from customer to customer.³⁹

Reasonableness of BC Hydro's Forecasts Beyond Fiscal 2025

BC Hydro states that it can forecast with relative confidence the large bill increase in fiscal 2026 that results under Directive 77 because it is mainly due to the amortization of energy costs that have already been incurred and recorded in regulatory accounts. BC Hydro also currently forecasts an increase in operating costs in fiscal 2026, resulting in an estimated bill increase of 3.5 percent that year, due to the current inflationary environment and Site C coming into service, as well as other factors.⁴⁰

BC Hydro's methodology for developing forecasts of the annual rate and bill increases for fiscal 2026 to fiscal 2029 in the Application is consistent with its methodology in developing forecasts for its RRAs, which is to use the best available information at the time the forecast is developed and to use a consistent approach to gather and consolidate the information. Some of the key inputs used in developing the forecasts and the ending balances of the COE Variance Accounts in the Application include BC Hydro's April 2023 Reference Load Forecast, its June 2023 Energy Study, and an updated Trade Income forecast based on the latest five-year average of actual Trade Income (i.e. from fiscal 2019 to fiscal 2023).⁴¹

³⁴ Exhibit B-1, p. 5; Exhibit B-4, BCUC IR 3.7.

³⁵ Exhibit B-1, p. 5.

³⁶ Exhibit B-1, p. 5.

³⁷ Exhibit B-1, p. 7.

³⁸ Exhibit B-1, p. 4.

³⁹ Exhibit B-4, BCUC IR 3.4.

⁴⁰ Exhibit B-1, p. 4.

⁴¹ Exhibit B-4, BCUC IRs 1.2, 1.6.

Positions of the Parties

BCSEA,⁴² CAPP,⁴³ and McCandless⁴⁴ either support or do not oppose BC Hydro's proposal. However, RCIA,⁴⁵ the CEC,⁴⁶ and AMPC⁴⁷ do not support BC Hydro's proposal and prefer no variance to Directive 77.

RCIA, the CEC, and AMPC raise concerns related to deferring the Trade Income refund to customers. Both RCIA and the CEC argue that Trade Income should be refunded to customers as quickly as possible.⁴⁸ AMPC also submits that BC Hydro's proposal would be unjust due to intergenerational inequity and uncertainties regarding the mechanics of the RSRA, specifically around the timing and probability that customers will receive the corresponding rate reduction in the future.⁴⁹

In reply, BC Hydro submits that the "time value of money" rationale put forward by RCIA and the CEC is unpersuasive considering the magnitude of the change in bill impact between fiscal 2025 and fiscal 2026. With respect to the RSRA, BC Hydro expects to propose a relatively short amortization period for the new RSRA in a future filing to ensure intergenerational equity while balancing bill stability.⁵⁰ BC Hydro submits that intergenerational equity must be weighed against competing considerations, and that its proposal mitigates bill volatility and retains the transparency of Trade Income.⁵¹

The CEC submits that BC Hydro's proposal would distort the impacts of the costs that BC Hydro has incurred and/or will incur and that smoothing of capital projects coming into service should be addressed in separate applications to the BCUC.⁵² In reply, BC Hydro submits that its proposal maintains transparency as the COE Variance Accounts and TIDA are being used as intended and BC Hydro is not proposing to change the structure of those accounts or the TIRR. In addition, the drought, not specific capital projects, is the major contributor to the bill volatility between fiscal 2025 and fiscal 2026.⁵³

CAPP submits that BC Hydro's proposal provides relative rate stability compared to the alternatives considered.⁵⁴ Similarly, AMPC notes that industrial customers consider rate stability when making investment decisions⁵⁵ and generally supports predictability in rates.⁵⁶ However, AMPC submits that accepting BC Hydro's proposal would be unjust because it would materially change the rates customers pay with "almost no notice."⁵⁷ Further, AMPC notes that electricity bills will effectively increase by 8.1 percent,⁵⁸ which is close to the level typically considered as "rate shock".⁵⁹

In reply, BC Hydro submits that the first instance where customers could have calculated a potential 5.9 percent bill decrease was when its annual report was released on August 31, 2023. Whereas the first time BC Hydro made the 5.9 percent bill decrease public was in the current Application, which was filed on October 30, 2023.

⁴² Exhibit D-4.

⁴³ Exhibit D-2-1, pp. 1–2.

⁴⁴ Exhibit D-5.

⁴⁵ Exhibit D-3.

⁴⁶ Exhibit D-6.

⁴⁷ Exhibit D-1-2, p. 5.

⁴⁸ Exhibit D-3, p. 1; Exhibit D-6, p. 2.

⁴⁹ Exhibit D-1-2, pp. 3, 14.

⁵⁰ BC Hydro Reply Submission, p. 20.

⁵¹ BC Hydro Reply Submission, p. 19.

⁵² Exhibit D-6.

⁵³ BC Hydro Reply Submission, p. 13.

⁵⁴ Exhibit D-2-1, pp. 1–2.

⁵⁵ Exhibit D-1-2, p. 7.

⁵⁶ Exhibit D-1-2, p. 20.

⁵⁷ Exhibit D-1-2, p. 13.

⁵⁸ Difference between the 5.9 percent bill decrease in fiscal 2025 under Directive 77 and the 2.2 percent bill increase in fiscal 2025 currently proposed by BC Hydro.

⁵⁹ Exhibit D-1-2, pp. 3, 13.

To the extent that customers could have calculated the bill decrease from BC Hydro's annual report, there would have only been a two-month period where the 5.9 percent bill decrease was anticipated.⁶⁰ Further, BC Hydro submits that most of its customers would be comparing the proposed 2.3 percent bill increase with either the bill increase contemplated in the F2023 to F2025 RRA (i.e. 2.7 percent) or in the July 19, 2023 compliance filing (i.e. 2.69 percent) rather than comparing with the -5.9 percent bill decrease based on data filed in the Application.

AMPC submits that BC Hydro relies heavily on the ratemaking principle of rate stability at the expense of the other principles. In addition to rate stability, AMPC notes the applicability of the following principles: recovery of the revenue requirement, customer understanding and acceptance, and avoiding undue discrimination.⁶¹ In reply, BC Hydro submits that it is not suggesting that a single ratemaking principle should be considered in isolation, but rather that the BCUC should give additional weight to rate stability given the likelihood of "rate shock" in fiscal 2026.⁶²

AMPC submits that BC Hydro relies on unproven assumptions and that BC Hydro failed to provide key assumptions and data, and that the factors and figures asserted are subject to significant uncertainty.⁶³ In reply, BC Hydro submits that the forecasts provided in the Application are based on its standard robust financial forecasting approach using the best available information at the time of filing.⁶⁴

AMPC submits that bill volatility is "not an immediate concern for the current test period"⁶⁵ and can be handled during future RRAs. AMPC recommends the BCUC direct BC Hydro to do the following to ensure that it is prepared to address bill volatility concerns, if they end up materializing:⁶⁶

- i. Include a five-year rate plan as part of its next RRA filing to enable predictability in rates with ample notice while allowing the opportunity for rate smoothing across short time periods, avoiding intergenerational inequity concerns; and
- ii. Consult with customers on the DARR mechanism and provide options for altering it as part of its next rate application so as to minimize the rate volatility it causes.

In reply, BC Hydro submits that "delaying consideration of rate smoothing until fiscal 2026 as AMPC suggests would significantly limit the ability to smooth rates."⁶⁷ This is because a large portion of the TIDA balance would have been used to reduce fiscal 2025 bills significantly below 2024 levels.⁶⁸ BC Hydro also submits that AMPC's recommended five-year rate plan would result in intergenerational inequity, but unlike BC Hydro's proposal, AMPC's recommendation would shift costs to future customers.⁶⁹

Further, BC Hydro submits that it would be procedurally improper to provide the directives recommended by AMPC. Regarding AMPC's recommendation for a five-year rate plan, BC Hydro notes that the current Application and proceeding address the fiscal 2025 rates whereas there is a separate proceeding underway to determine the nature of BC Hydro's next rate filing. Regarding AMPC's recommendation on customer consultation on the DARR mechanism, BC Hydro notes that AMPC has already challenged the DARR twice on the same basis and the BCUC rejected it on both occasions. BC Hydro submits that it is "difficult to square AMPC's repeated challenges to the DARR with its argument that BC Hydro's application to vary Directive 77 offends the principle of finality."⁷⁰

⁶⁰ BC Hydro Reply Submission, pp. 15–16.

⁶¹ Exhibit D-1-2, pp. 17–20.

⁶² BC Hydro Reply Submission, pp. 23–24.

⁶³ Exhibit D-1-2, pp. 17–20.

⁶⁴ BC Hydro Reply Submission, p. 20.

⁶⁵ Exhibit D-1-2, p. 20.

⁶⁶ Exhibit D-1-2, pp. 5, 20–21.

⁶⁷ BC Hydro Reply Submission, p. 18.

⁶⁸ BC Hydro Reply Submission, p. 18.

⁶⁹ BC Hydro Reply Submission, p. 19.

⁷⁰ BC Hydro Reply Submission, pp. 24–25.

Panel Determination

The Panel approves BC Hydro's request to vary Directive 77 to set the TIRR at -2.3 percent for fiscal 2025. The mechanism to set the TIRR for all other fiscal years remains unchanged from the original Directive 77 contained in the RRA Decision. **Accordingly, the Panel varies Directive 77 to the following:**

Commencing in fiscal 2025, the Panel directs BC Hydro to:

- **Set the TIRR annually at the beginning of each fiscal year based on the most recently available actual results.**
- **File for approval of the TIRR annually in a separate application from its RRA.**
- **For fiscal 2025 only, set the TIRR at -2.3 percent on customer bills.**
- **For all other fiscal years, BC Hydro is directed to:**
 - **Recover the test period Trade Income forecast from a rate rider rather than through the general revenue requirement (i.e. a TIRR).**
 - **Recover or repay the TIDA balance from/to customers via the TIRR, instead of the DARR, over a 3-year amortization period, and limit the amortization of a deficit in the TIDA balance to the amount of forecast Trade Income that year. As a result, the TIRR will not be less than zero.**

The Panel approves BC Hydro's request to establish the RSRA to:

- **Capture the remainder of the TIRR balance that would otherwise have been refunded on customer bills in fiscal 2025 pursuant to Directive 77 (i.e. the amount over and above the 2.3 percent refunded on customer bills in fiscal 2025 under the proposals in the Application); and**
- **Apply interest to the balance of the account based on BC Hydro's current weighted average cost of debt.**

The Panel finds that the forecasts in the Application are reasonable for the purposes of setting the TIRR for fiscal 2025. The Panel is satisfied that BC Hydro's methodology for developing the forecasts in the Application is consistent with the methodology used in its RRAs and that it uses the most currently available information at the time the forecast was developed. There is no evidence to suggest that the forecasts are unreasonable and although uncertainty in forecasts will always exist, it does not prevent the BCUC from setting rates.

The Panel acknowledges the concerns raised by parties in their letters of comment. However, considering the forecast change in bill impact from a decrease of 5.9 percent in fiscal 2025 to an increase of 12.1 percent in fiscal 2026, the Panel sees the importance of taking measures to alleviate the anticipated, significant bill volatility and provide rate stability for all customers. This is consistent with the comments made in the RRA Decision that "it is important to have mechanisms in place to monitor bill volatility and, when possible, take steps to mitigate it."

Several parties, namely RCIA, the CEC and AMPC, argue that the funds should be returned to ratepayers as soon as possible and AMPC specifically raises concerns regarding intergenerational equity. The Panel reiterates the importance in this instance of providing bill stability to customers, considering the anticipated, significant bill volatility between fiscal 2025 and fiscal 2026. With respect to the RSRA, the Panel notes that the account will accrue carrying costs to the benefit of ratepayers, which alleviates issues related to the time value of money. Further, there is no evidence that the disposition of the RSRA balance will not be determined by the BCUC in future proceedings, with consideration given to relevant factors including intergenerational equity.

Regarding the CEC's comment that BC Hydro's proposal would distort cost impacts, the Panel is persuaded by BC Hydro's argument that transparency is maintained because its proposal does not change the structure of the

COE Variance Accounts, the TIDA, or the TIRR and that capital projects are not the major contributor to the fiscal 2025 to fiscal 2026 bill volatility.

The Panel is not persuaded by AMPC's comment that there was "almost no notice" for the proposed rate change. The Panel notes that the Application was filed on October 30, 2023 for rates effective April 1, 2024. Further, the Panel is persuaded by BC Hydro's argument that at most there would have been a two-month period where the 5.9 percent bill decrease was anticipated.

Finally, the Panel declines to make the directives recommended by AMPC. Regarding the five-year rate plan, the Panel notes that the evidence in this proceeding indicates significant, anticipated bill volatility between fiscal 2025 and fiscal 2026, which has been addressed in this Decision. Therefore, the Panel is not persuaded at this time of the merits of directing BC Hydro to file a five-year rate plan in its next RRA.

The Panel is also not persuaded that it would be beneficial to direct BC Hydro to consult with customers on the DARR mechanism and provide options for altering it in BC Hydro's next rate application, considering this topic was recently explored in the F2023 to F2025 RRA proceeding.

DATED at the City of Vancouver, in the Province of British Columbia, this 20th day of February 2024.

Original signed by:

M. Jaccard
Commissioner



ORDER NUMBER

G-43-24

IN THE MATTER OF

the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

British Columbia Hydro and Power Authority

Application for Approval to Set the Fiscal 2025 Deferral Account Rate Rider and Trade Income Rate Rider and
Reconsideration Related to the Trade Income Rate Rider

BEFORE:

M. Jaccard, Commissioner

on February 20, 2024

ORDER

WHEREAS:

- A. On October 30, 2023, British Columbia Hydro and Power Authority (BC Hydro) filed an application with the British Columbia Utilities Commission (BCUC) pursuant to Directives 77 and 79 of the Fiscal 2023 to Fiscal 2025 Revenue Requirements Application (RRA) Decision and Order G-91-23 (Application). In the Application, BC Hydro seeks the following:
- i. Approval to recover the balances in the Cost of Energy Variances Accounts through the Deferral Account Rate Rider (DARR) using the DARR table mechanism and set the DARR at (2.5) percent for fiscal 2025;
 - ii. Leave to apply to reconsider Directive 77, and an order varying Directive 77 to set the Trade Income Rate Rider (TIRR) at (2.3) percent on customer bills for fiscal 2025 with the remainder of the TIRR balance that would otherwise have been refunded on customer bills in fiscal 2025 pursuant to Directive 77 being deferred to a new Rate Smoothing Regulatory Account; and
 - iii. Approval to establish a new Rate Smoothing Regulatory Account to:
 - Capture the remainder of the TIRR balance that would otherwise have been refunded on customer bills in fiscal 2025 pursuant to Directive 77; and
 - Apply interest to the balance of the account based on BC Hydro's current weighted average cost of debt;
- B. Directive 77 of Decision and Order G-91-23 directed BC Hydro, commencing in fiscal 2025, to:
- Recover the Test Period Trade Income forecast from a rate rider rather than through the general revenue requirement (i.e. a Trade Income Rate Rider or TIRR);
 - Recover or repay the Trade Income Deferral Account (TIDA) balance from/to customers via the TIRR, instead of the DARR, over a 3-year amortization period, and limit the amortization of a deficit in the TIDA balance to the amount of forecast Trade Income that year. As a result, the TIRR will not be less than zero;

- Set the TIRR annually at the beginning of each fiscal year based on the most recently available actual results; and
 - File for approval of the TIRR annually in a filing separate from its RRA filings;
- C. Directive 79 of Decision and Order G-91-23 directed BC Hydro, commencing in fiscal 2025, to:
- Set the DARR annually, using BC Hydro's proposed DARR table mechanism, at the beginning of each fiscal year, based on the most recently available actual net Cost of Energy Variance Account balances without the TIDA balance. For example, commencing April 1, 2024, set the DARR based on the actual ending F2023 balances, with the same process to follow for each subsequent fiscal year; and
 - File for approval of the DARR annually in a filing separate from its RRA filings;
- D. In the Application, BC Hydro states that the issuance of a final BCUC decision on the Application prior to February 29, 2024 would enable customer bills to be updated in time for fiscal 2025 and therefore it requests permission to file for reconsideration of Directive 77 and an order varying Directive 77 to set the TIRR at (2.3) percent for fiscal 2025. BC Hydro states that its request for reconsideration and variance of Directive 77 is on the basis of new information, a material change in circumstances and just cause;
- E. By Order G-300-23, the BCUC approved BC Hydro's request for permission to apply for reconsideration of Directive 77 of Order G-91-23 and determined that the request for reconsideration should proceed to a hearing. The order also established a regulatory timetable for the review of the Application, which included public notice requirements, one round of BCUC Information Requests to BC Hydro, letters of comment, and BC Hydro's reply submission; and
- F. The BCUC has reviewed the Application, evidence, letters of comment, and BC Hydro's reply submission and makes the following determinations.

NOW THEREFORE pursuant to sections 59 to 61 and 99 of the *Utilities Commission Act*, and for the reasons stated in the decision issued concurrently with this order, the BCUC orders as follows:

1. BC Hydro is approved to recover the balances in the Cost of Energy Variance Accounts through the DARR using the DARR table mechanism and set the DARR at (2.5) percent for fiscal 2025 pursuant to Directive 79 of Order G-91-23.
2. Directive 77 of Order G-91-23 is varied to set the TIRR at (2.3) percent for fiscal 2025, as set out in the decision issued concurrently with this order, with the remainder of the TIRR balance that would otherwise have been refunded on customer bills in fiscal 2025 pursuant to Directive 77 of Order G-91-23 being deferred to the Rate Smoothing Regulatory Account established pursuant to Directive 3 of this order.
3. BC Hydro is approved to establish the Rate Smoothing Regulatory Account to capture the remainder of the TIRR balance that would otherwise have been refunded on customer bills in fiscal 2025 pursuant to Directive 77 of Order G-91-23. BC Hydro is to apply interest to the balance of the account based on BC Hydro's current weighted average cost of debt.
4. BC Hydro is directed to file for endorsement with the BCUC updated rate schedules for fiscal 2025 within 30 days of the date of this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 20th day of February 2024.

BY ORDER

Original signed by:

M. Jaccard
Commissioner

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

and

BC Hydro and Power Authority
Application for Approval to Set the F2025 Deferral Account Rate Rider and
Trade Income Rate Rider and Reconsideration Related to the TIRR

EXHIBIT LIST

Exhibit No.	Description
<i>COMMISSION DOCUMENTS</i>	
A-1	Letter dated November 3, 2023 – Appointing the Panel for the review of the BC Hydro Application for Approval to Set the F2025 Deferral Account Rate Rider and Trade Income Rate Rider and Reconsideration Related to the TIRR
A-2	Letter dated November 3, 2023 – BCUC Order G-300-23 establishing a regulatory timetable
A-3	Letter dated November 15, 2023 – BCUC inviting BC Hydro to file reply submission
A-4	Letter dated November 21, 2023 – BCUC Information Request No. 1 to BC Hydro
A-5	Letter dated November 21, 2023 –BCUC response to AMPC submission
<i>COMMISSION STAFF DOCUMENTS</i>	
A2-1	Letter dated January 11, 2023 – BCUC staff submitting excerpt from the BC Hydro Fiscal 2023 Annual Report to the BCUC dated August 31, 2023

APPLICANT DOCUMENTS

- B-1 **BRITISH COLUMBIA HYDRO AND POWER AUTHORITY (BC HYDRO)** - Application for Approval to Set the F2025 Deferral Account Rate Rider (DARR) and Trade Income Rate Rider (TIRR) and Reconsideration Related to the TIRR dated October 30, 2023
- B-2 Letter dated November 7, 2023 – BC Hydro submitting public notice compliance with Order G-300-23
- B-3 Letter dated November 17, 2023 – BC Hydro submitting response regarding AMPC letter
- B-4 **PUBLIC** - Letter dated December 21, 2023 – BC Hydro submitting public response to BCUC Information Request No. 1
- B-4-1 **CONFIDENTIAL** - Letter dated December 21, 2023 – BC Hydro submitting confidential response to BCUC Information Request No. 1

LETTERS OF COMMENT

- D-1 **ASSOCIATION OF MAJOR POWER CUSTOMERS OF BC (AMPC)** – Letter of Comment dated November 9, 2023
- D-1-1 Letter dated January 2, 2024 – AMPC submitting Confidentiality Declaration and Undertakings for M. Keen and M. Manhas
- D-1-2 AMPC – Additional Letter of Comment dated January 16, 2024
- D-2 **CANADIAN ASSOCIATION OF PETROLEUM PRODUCERS (CAPP)** – Letter of Comment dated November 20, 2023
- D-2-1 CAPP - Additional Letter of Comment dated January 16, 2024
- D-3 **RESIDENTIAL CONSUMER INTERVENER ASSOCIATION (RCIA)** – Letter of Comment dated January 10, 2024
- D-4 **BC SUSTAINABLE ENERGY ASSOCIATION (BCSEA)** – Letter of Comment dated January 16, 2024
- D-5 **MCCANDLESS, RICHARD C. (MCCANDLESS)** – Letter of Comment dated January 15, 2024
- D-6 **COMMERCIAL ENERGY CONSUMERS ASSOCIATION OF BRITISH COLUMBIA (CEC)** – Letter of Comment dated January 16, 2024