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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-34-08

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**IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473**

and

**An Application by British Columbia Hydro and Power Authority ("BC Hydro")
for Reconsideration of Orders No. G-111-07, G-130-07, G-10-08
and Certain Directions in the 2007 RDA Phase 1 Decision**

BEFORE:

A.J. Pullman, Panel Chair
R.J. Milbourne, Commissioner
L.A. O'Hara, Commissioner

March 7, 2008

O R D E R

WHEREAS:

- A. BC Hydro filed on March 15, 2007, pursuant to the *Utilities Commission Act* (the "Act") and Commission Order No. G-148-06, the 2007 Rate Design Application Phase I ("the 2007 RDA") to update BC Hydro's rates and terms and conditions of service; and
- B. In the 2007 RDA, BC Hydro stated that one of the five principal issues addressed by the 2007 RDA was rate rebalancing. It proposed increases to the rates of some customer classes, and decreases to others in order to bring the revenue-to-cost ratios of all customer classes within a range of 0.9-1.1; and
- C. The Oral Public Hearing for Phase I commenced on July 9, 2007 in Vancouver and ended on July 19, 2007; and
- D. On September 19, 2007, the Commission issued an Interim Order, Order No. G-111-07, to ensure that the Rate Schedules resulting from its impending decision could be in place by April 1, 2008. Order No. G-111-07 directed, among other things, a number of changes to the Fully Allocated Cost of Service Study in the 2007 RDA and directed BC Hydro to calculate rates and file Rate Schedules that would bring revenue-to-cost ratios of all customer classes to 1.0 within three years. The effect of these directions was to increase the rates of some customer classes and to decrease the rates of others, by amounts greater than proposed by BC Hydro; and
- E. On October 26, 2007 the Commission issued its Decision on the 2007 RDA Phase 1 ("Decision") and concurrently issued Commission Order No. G-130-07. Order No. G-130-07 confirmed as final the directions in the Interim Order No. G-111-07. The Decision also contained a number of Directives that directed BC Hydro as to the extent to which it should rebalance its rates for its various classes of customers; and

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-34-08

- F. BC Hydro submitted its filings in compliance with Interim Order No. G-111-07 on November 15, 2007. Upon review of the compliance filing, the Commission issued Order No. G-10-08 dated January 21, 2008, directing BC Hydro to re-file the Rate Schedules and Terms and Conditions. BC Hydro re-submitted its compliance filing pursuant to Order No. G-10-08 on January 30, 2008; and
- G. By letter to the Commission dated February 20, 2008 (the “Reconsideration Application”), BC Hydro seeks Commission orders temporarily suspending the specific orders and directions that BC Hydro has identified in Commission Orders No. G-111-07, G-130-07 and G-10-08 that collectively require BC Hydro’s rates to increase or decrease to achieve the revenue-to-cost ratios prescribed by the Commission (“the Rate Rebalancing Orders”) pending the sooner of the end of the Spring 2008 session of the Legislature, or the coming into effect of the legislation referred to in Appendix B to the Reconsideration Application; and
- H. Appendix B to the Reconsideration Application is a letter dated February 15, 2008 from the Minister of Energy, Mines and Petroleum Resources, to the Chair of BC Hydro’s Board of Directors (the “Minister’s Letter”). The Minister’s Letter states in part as follows:
- “The Government intends to introduce legislation in the Spring 2008 sitting of the Legislature that would ensure that the rate rebalancing elements of the BCUC’s Orders will not be implemented. In particular, the new legislation would address the elements of the Decision and Orders in which the BCUC directed BC Hydro to implement rate changes over three years, to move the revenue to cost ratios of the customer classes to one-to-one and directed BC Hydro to maintain revenue to cost ratios within a range of 0.95 to 1.05. The legislation would also define rules for the future treatment of rate rebalancing. Government’s intention is to preserve the revenue to cost ratios that were reflected in rates in place immediately before BC Hydro filed its 2007 Rate Design Application in March 2007”; and
- I. The Minister’s Letter further states that the contemplated legislation is expected to apply retroactively to ensure that BC Hydro customers will not experience any net changes in their bills due to rate rebalancing this year, regardless of when legislation may be passed; and
- J. Appendix A of the Reconsideration Application includes a list of the Order items and Directives that:
- “...constitute the entirety of the Commission’s orders that require BC Hydro to adjust its rates effective April 1, 2008 for the purpose of bringing the revenue-cost ratios of its major customer classes within the range prescribed by the Commission. Some of the orders apply more broadly, and require BC Hydro to do things that are unrelated to the Commission’s views on the appropriate revenue-cost ratios. Such orders are the subject of this reconsideration application, and the specific relief sought, only to the extent that they require BC Hydro to adjust its rates to achieve the prescribed revenue-cost ratios”; and

K. Specifically, the Order items and Directives are:

- (a) Order item (4) of BCUC Order No. G-111-07 – “BC Hydro’s proposed range of reasonableness of 90 percent to 110 percent is denied. BC Hydro is directed to file Rate Schedules for all classes to be effective April 1, 2008 which will reflect the first phase of a three-year equal percentage phase-in to achieve the Revenue-to-Cost ratios of 1.0 based on the revised FACOS”; and
- (b) Order item (1) of BCUC Order No. G-130-07 – “The Commission interim orders that are the subject matter of Order No. G-111-07 are confirmed as final”, and Order Item (2) of BCUC Order No. G-130-07 – “BC Hydro comply with all the directives of the Commission in the Decision, including those directives that are the subject matter of Order No. G-111-07”; and
- (c) Commission Directives contained in the 2007 RDA Phase I Decision:

- (i) Directive 1 – “BC Hydro’s proposed range of reasonableness of 90 percent to 110 percent is denied”;
- (ii) Directive 2 – “BC Hydro is directed to adjust its rates in equal percentage amounts over the next three years so as to achieve R/C ratios of unity for each class after adjustments to the FACOS as described elsewhere in this Section and to file Rate Schedules for all classes for the first phase of the three year phase-in with rates effective April 1, 2008 with the Commission, together with supporting documentation, within 60 days of the date of Order No. G-111-07.

BC Hydro is directed to undertake FACOS studies on an annual basis within 90 days of its fiscal year end in order to calculate actual R/C ratios and determine the need for future rate rebalancing applications in regard to the 95 percent to 105 percent range of reasonableness and submit the findings to the Commission”;

- (iii) Directive 12 – “In order that this proposal can be properly understood and valued by all of the stakeholders, the Commission Panel determines that BC Hydro’s rebalancing proposal and the resultant proposed increase of one percent to BC Hydro’s Residential Rate Schedules is denied. Further to the determinations in Section 3 of this Decision, BC Hydro’s proposed range of reasonableness of 90 percent to 110 percent is denied. BC Hydro is directed to file Rate Schedules for its residential class to be effective April 1, 2008, which will reflect the first phase of a three-year equal percentage phase-in to achieve the R/C ratios of 1.0 based on the revised FACOS.

BC Hydro is directed to file the revised documents referred to above with the Commission within 60 days of the date of Order No. G-111-07”;

- (iv) Directive 17 – “BC Hydro’s proposed decrease of 5.2 percent to its Small General Service Rate Schedules is denied. As noted in Section 3 of this Decision, BC Hydro’s proposed range of reasonableness of 90 percent to 110 percent is denied. BC Hydro is directed to file Rate Schedules for its Small General Service class to be effective April 1, 2008, which will reflect the first phase of a three-year equal percentage phase-in to achieve the R/C ratios of 1.0 based on the revised FACOS.

BC Hydro is directed to file the revised documents referred to above with the Commission within 60 days of the date of Order No. G-111-07”;

- (v) Directive 19 – “...As noted in Section 3 of this Decision, BC Hydro’s proposed range of reasonableness of 90 percent to 110 percent is denied. BC Hydro is directed to file Rate Schedules for its Large General Service class to be effective April 1, 2008, which will reflect the first phase of a three-year equal percentage phase-in to achieve the R/C ratios of 1.0 based on the revised FACOS.

BC Hydro is directed to file the revised documents referred to above with the Commission within 60 days of the date of Order No. G-111-07”;

- (vi) Directive 21 – “BC Hydro’s proposed increase to its Irrigation customers [sic] is denied. As noted in Section 3 of this Decision, BC Hydro’s proposed range of reasonableness of 90 percent to 110 percent is denied. BC Hydro is directed to file Rate Schedules for its Irrigation class to be effective April 1, 2008, which will reflect the first phase of a three-year equal percentage phase-in to achieve the R/C ratios of 1.0 based on the revised FACOS.

BC Hydro is directed to file the revised documents referred to above with the Commission within 60 days of the date of Order No. G-111-07”;

- (vii) Directive 22 – “...BC Hydro’s proposed range of reasonableness of 90 percent to 110 percent is denied. BC Hydro is directed to file Rate Schedules for its street lighting class to be effective April 1, 2008, which will reflect the first phase of a three-year equal percentage phase-in to achieve the R/C ratios of 1.0 based on the revised FACOS.

BC Hydro is directed to file the revised documents referred to above with the Commission within 60 days of the date of Order No. G-111-07”;

- (d) Order item (5) of BCUC Order No. G-10-08 – “BC Hydro is directed to refile the items listed above in Recital G, incorporating the directions in paragraphs 1 through 4”; and

- L. The January 30, 2008 compliance filing has not yet been approved by Commission order. In Schedule A of Appendix C of the Reconsideration Application, BC Hydro filed the tariff pages that it would be filing under Section 61 of the Act if the relief it seeks is granted and if the Commission were to make no other rate orders; and

- M. In the Reconsideration Application, BC Hydro expresses concern that not suspending the coming into force of the rates could result in rate and bill instability for customers should that the legislation described in the Minister's Letter comes into effect; and
- N. On February 22, 2008, the Commission issued Letter No. L-5-08, which concluded that the Reconsideration Application should proceed directly to Phase 2 and established the regulatory process and timetable for the Reconsideration Application. The Commission notes in its Letter that the relief BC Hydro is requesting does not require a final and permanent reversal of the Rate Rebalancing Orders and that the request relief, if granted, would result in the temporary suspension of the effect of those orders on BC Hydro's rates pending the anticipated legislation. If the legislation does not materialize, BC Hydro submits that the Rate Rebalancing Orders would apply to BC Hydro's rates so as to achieve the objective of those Orders; and
- O. In Letter No. L-5-08, the Commission determined that the Reconsideration Application should proceed directly to Phase 2 of the reconsideration process and established that Intervenors should file their submissions by February 29, 2008 and BC Hydro should file its reply submission by March 5, 2008. An oral phase of Argument, if required, was set for March 7, 2008; and
- P. Seven Intervenors filed submissions on the Reconsideration Application: Terasen Utilities, Commercial Energy Consumers Association of British Columbia, Corix Multi-Utility Services Inc., Joint Industry Electricity Steering Committee, Rental Owners and Manager Society of B.C., the British Columbia Old Age Pensioners' Organization *et al.*, and the City of New Westminster, five of whom commented that the Commission's decision was either correct or reasonable based on the evidence before the proceedings, however, all seven either supported or did not oppose the relief requested given the circumstances of the Minister's Letter. BC Hydro filed its reply submission on March 3, 2008; and
- Q. The Commission has reviewed the Reconsideration Application, the Intervenors' submissions and BC Hydro's reply submission and considers that, given the changed circumstances resulting from the Minister's Letter, the relief requested by BC Hydro ought to be granted.

NOW THEREFORE the Commission orders pursuant to Section 99 of the Act:

1. Each of the Rate Rebalancing Orders is varied by adding the following provision:

"Pursuant to section 90(1) of the Act, this Order shall come into operation no sooner than the end of the Spring 2008 legislative session."

2. For greater certainty:

- (a) the rates the Commission would expect BC Hydro to charge on April 1, 2008, assuming no other changes to BC Hydro rates other than as the result of paragraph 1 of this Order, are shown in Schedule A of Appendix C of the Reconsideration Application.

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-34-08

6

- (b) the Rate Rebalancing Orders are varied by the words in paragraph 1 of this Order only to the extent necessary to suspend the effect on BC Hydro's rates of the Commission's prescribed revenue-cost ratios.

DATED at the City of Vancouver, in the Province of British Columbia, this 7th day of March 2008

BY ORDER

Original signed by:

A.J. Pullman
Panel Chair