

SIXTH FLOOR, 900 HOWE STREET, BOX 250  
VANCOUVER, B.C. V6Z 2N3 CANADA  
web site: <http://www.bcuc.com>



**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER** G-41-08

TELEPHONE: (604) 660-4700  
BC TOLL FREE: 1-800-663-1385  
FACSIMILE: (604) 660-1102

**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 Orders  
Varying the Pricing of Rate Schedules 1823, 1825, 1880 and 1890

**BEFORE:** R.J. Milbourne, Commissioner March 14, 2008  
A.A. Rhodes, Commissioner

**O R D E R**

**WHEREAS:**

- A. On February, 22, 2008 BC Hydro applied for interim and final orders regarding the pricing of certain rate schedules applicable to its transmission service customers ("TSR Re-pricing Application"), to reflect the cost of new supply as indicated by the results of its F2006 Call for Tender process; and
- B. The rate schedules ("RS") that are the subject of the TSR Re-pricing Application are RS 1823 (Stepped Rate); RS 1825 (Time of Use or "TOU" Rate); RS 1880 (Standby and Maintenance Supply Rate), and RS 1890 (Energy Imbalance Rate); and
- C. Each of the rate schedules that are the subject of the TSR Re-pricing Application have rates that are either set on the basis that they ought to reflect BC Hydro's cost of new supply (Tier 2 Rates), or are calculated residually in accordance with the pricing mechanism of the respective rate schedule (Tier 1 Rates); and
- D. On February 20, 2008 BC Hydro filed its F2009/F2010 Revenue Requirements Application ("F09/F10 RRA"), seeking interim rate relief as described therein. Also on February 20, 2008, BC Hydro applied to the Commission for reconsideration of certain elements of its October 26, 2007 Decision regarding BC Hydro's Rate Design Application ("Rate Rebalancing Reconsideration Application"); and

- E. On February 22, 2008 the Commission issued Letter No. L-5-08 establishing, among other things, the regulatory timetable for parties to address, by written submission, BC Hydro's request to implement as interim rates the rates described in the TSR Re-pricing Application and the F09/F10 RRA effective April 1, 2008; and
- F. By Order No. G-21-08 dated February 25, 2008, the Commission established the Regulatory Timetable for the F09/F10 RRA, which included a Workshop on the F09/F10 RRA for March 6, 2008 and also a Procedural Conference for April 28, 2008 to hear submissions on the regulatory process for the review of the F09/F10 RRA, the TSR Re-pricing Application, and the anticipated BC Hydro Residential Inclining Block Rate Application (the "RIB Rate Application"); and
- G. By Order No. G-28-08 dated February 28, 2008, the Commission issued orders under the style of the F09/F10 RRA, the TSR Re-pricing Application and the RIB Rate Application. Order No. G-28-08 related to the date of the Procedural Conference referred to in Order No. G-21-08, and also provided some details of the matters to be addressed at the Procedural Conference and further ordered BC Hydro to publish notice of the three applications and the Procedural Conference; and
- H. By Order No. G-29-08 dated February 29, 2008, the Commission established the Regulatory Timetable for the TSR Re-pricing Application, which included a Workshop on the TSR Re-pricing Application for March 13, 2008; and
- I. On March 10, 2008 the Commission received a submission from the Joint Industry Electricity Steering Committee ("JIESC") supporting the Tier 2 rate change but opposing interim approval of BC Hydro's proposed Tier 1 rate; and
- J. BC Hydro filed its Reply Submission on March 11, 2008; and

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- K. On March 7, 2008 the Commission issued Order No. G-34-08 granting BC Hydro's request for relief in the Rate Rebalancing Reconsideration Application; and
- L. On March 14, 2008 the Commission issued Order No. G-40-08 approving BC Hydro's request for approval of interim rates in the F09/F10 RRA; and
- M. The Commission has reviewed BC Hydro's TSR Re-pricing Application, and considered the submissions of parties made in regard to it, and has concluded that the relief requested should be granted.

**NOW THEREFORE** the Commission orders as follows:

1. The Tier 2 Rates shall be set on the basis of a cost of new supply of 7.36 cents/kWh, as applied for, on an interim and refundable basis, effective April 1, 2008.
2. The Tier 1 Rates shall be set in accordance with Commission Order No. G-34-08 dated March 7, 2008 regarding the Rate Rebalancing Reconsideration Application and Order No. G-40-08 dated March 14, 2008 granting interim, refundable relief with respect to the F09/F10 RRA, effective April 1, 2008.
3. BC Hydro shall file new rate schedules 1823, 1825, 1880 and 1890 reflecting paragraphs 1. and 2. above within fifteen days of this order.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 14<sup>th</sup> day of March 2008.

**BY ORDER**

*Original signed by:*

R.J. Milbourne  
Commissioner

Attachment

**British Columbia Hydro and Power Authority  
Transmission Service Re-Pricing Application**

**REASONS FOR DECISION**

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**1.0 APPLICATION**

On February 22, 2008 British Columbia Hydro and Power Authority (“BC Hydro”) applied for interim and final orders regarding the pricing of certain rate schedules applicable to its transmission service customers (“TSR Re-pricing Application”), to reflect the cost of new supply as indicated by the results of its F2006 Call for Tender process. The rate schedules (“RS”) that are the subject of the TSR Re-pricing Application are RS 1823 (Stepped Rate), RS 1825 (Time of Use or “TOU” Rate), RS 1880 (Standby and Maintenance Supply Rate), and RS 1890 (Energy Imbalance Rate). Each of the rate schedules that are the subject of the TSR Re-pricing Application have rates that are either set on the basis that they ought to reflect BC Hydro’s cost of new supply (Tier 2 Rates), or are calculated residually in accordance with the pricing mechanism of the respective rate schedule (Tier 1 Rates).

**2.0 BACKGROUND AND REGULATORY PROCESS**

On February 20, 2008 BC Hydro filed its F2009/F2010 Revenue Requirements Application (“F09/F10 RRA”), seeking interim rate relief as described therein. Also on February 20, 2008, BC Hydro applied to the Commission for reconsideration of certain elements of its October 26, 2007 Decision regarding BC Hydro’s Rate Design Application (“Rate Rebalancing Reconsideration Application”).

On February 22, 2008 the Commission issued Letter No. L-5-08 establishing, among other things, the regulatory timetable for parties to address, by written submission, BC Hydro’s request to implement the interim rates described in the TSR Re-pricing Application and the F09/F10 RRA effective April 1, 2008.

By Order No. G-21-08 dated February 25, 2008, the Commission established the Regulatory Timetable for the F09/F10 RRA, which included a Workshop on the F09/F10 RRA for March 6, 2008 and also a Procedural Conference for April 28, 2008 to hear submissions on the regulatory process for the review of the F09/F10 RRA, the TSR Re-pricing Application, and the anticipated BC Hydro Residential Inclining Block Rate Application (the “RIB Rate Application”).

By Order No. G-28-08 dated February 28, 2008, the Commission issued orders under the style of the F09/F10 RRA, the TSR Re-pricing Application and the RIB Rate Application. Order No. G-28-08 related to the date of the Procedural Conference referred to in Order No. G-21-08, and also provided some details of the matters to be addressed at the Procedural Conference and further ordered BC Hydro to publish notice of the three applications and the Procedural Conference.

By Order No. G-29-08 dated February 29, 2008, the Commission established the Regulatory Timetable for the TSR Re-pricing Application, which included a Workshop on the TSR Re-pricing Application for March 13, 2008.

On March 10, 2008, the Commission received a submission from the Joint Industry Electricity Steering Committee (“JIESC”) supporting the Tier 2 rate change but opposing interim approval of BC Hydro’s proposed Tier 1 rate. The JIESC opposes interim relief with respect to the Tier 1 rate because the rate is based on the acceptance of the increases applied for in BC Hydro’s F09/F10 RRA and notes that it filed its initial objections to interim relief with respect to that application in a separate letter. The JIESC also opposes the establishment of the regulatory account requested by BC Hydro to address the expected revenue implications for BC Hydro arising from the Transmission Service Rate and submits that the incremental revenue impacts that arise due to the difference between the customer’s actual consumption and its Customer Baseline Load (“CBL”) amount need to also consider the incremental cost impacts, which Hydro appears not to have done.

BC Hydro filed its Reply Submission on March 11, 2008, and notes that the interim relief it requests in the TSR Re-pricing Application specifically addresses the possibility that the Commission might not approve the interim F09/F10 RRA increase BC Hydro requests. BC Hydro’s Reply does not address the issue of the regulatory account.

On March 7, 2008, the Commission issued Order No. G-34-08 granting BC Hydro’s request for relief in the Rate Rebalancing Reconsideration Application, and on March 14, 2008, the Commission issued Order No. G-40-08 approving BC Hydro’s request for approval of interim rates in the F09/F10 RRA.

### **3.0 COMMISSION DETERMINATION**

The Commission has considered the Application, the JIESC Submission and BC Hydro's Reply Submission. The JIESC supports the interim relief requested with respect to the Tier 2 Rate, and a separate Commission Panel has approved BC Hydro's request for interim increases arising out of the F09/F10 RRA. Consequently, this Commission Panel concludes that it is consistent with and appropriate to approve BC Hydro's request for interim relief, on a refundable basis, with respect to the Tier 2 rate, which is unopposed, and the Tier 1 rate, which is based on the F09/F10 RRA. With respect to the regulatory account requested by BC Hydro to record the variance in incremental revenue that arises due to the difference between the customer's actual consumption and its CBL amount, the Commission Panel accepts that this is an issue that the parties may wish to explore in the proceeding established to review the TSR Re-pricing Application. However, the Commission Panel also concludes that the establishment of such an account does not grant pre-approval to BC Hydro to recover that variance in revenues on a permanent basis, unless the Commission Panel, after the proceeding to review the TSR Re-pricing Application, determines that such recovery is appropriate. Therefore, the Commission Panel concludes that approval of the regulatory account should be granted.