



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

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-36-11**

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 Corix Multi-Utility Service Inc.
for Exemption from Two-Part Large General Service Rates

BEFORE: A.A. Rhodes, Commissioner
L.A. O'Hara, Commissioner
C. Brown, Commissioner
March 3, 2011

ORDER

WHEREAS:

- A. On October 16, 2009, British Columbia Hydro and Power Authority (BC Hydro) filed its Large General Service (LGS) Rate Application seeking orders establishing new energy rates, including two-part rates, for customers who take or would take service under Rate Schedules (RS) 1200, 1201, 1210, 1211 – General Service (35kW and Over);
- B. A Negotiated Settlement Process (NSP) was held to review the LGS Rate Application during March and April 2010 and a Negotiated Settlement Agreement (NSA) was reached and was made public on May 14, 2010. The Commission approved the NSA by Order G-110-10 dated June 29, 2010;
- C. One of the participants in the NSP, and a signatory to the NSA, was Corix Multi-Utility Services Inc. (Corix);
- D. Clause 14 of the NSA (attached as Appendix B to Order G-110-10) states: “[c]ustomers may apply to the BCUC for an exemption from the applicable two-part rate on the basis that they are electricity re-sellers under regulated tariffs with conservation rates for their end-use customers”;
- E. BC Hydro filed its Large General Service Rate Tariff with the British Columbia Utilities Commission (Commission) on August 27, 2010;
- F. On October 13, 2010, Corix applied to the Commission to be exempted from the Large General Service Rate Tariff as filed and sought to have its service provided under a new, alternate rate schedule (the Application) (Exhibit B-1);
- G. By letter dated November 4, 2010, BC Hydro opposed Corix’s application (Exhibit C-1);

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- H. By letter dated November 18, 2010, Corix responded to BC Hydro's objections (Exhibit B-2);
- I. Following its consideration of the Parties' submissions, the Commission established a Written Hearing Process and Regulatory Timetable for its review of the Application;
- J. The Written Hearing Process concluded with the filing of a Sur-Reply by BC Hydro on February 14, 2011.

NOW THEREFORE as set out in the Reasons for Decision appended hereto as Appendix A, the Commission Panel orders as follows:

1. Corix's application to be exempted from the LGS tariff is granted.
2. Corix and BC Hydro are to negotiate a flat rate tariff.
3. The flat rate tariff should reflect the embedded cost of Heritage Power and the Long Run Marginal Cost of new supply. The flat rate tariff should also reflect the fact that services are provided by Corix, relieving BC Hydro of such cost.
4. The flat rate tariff is only applicable to those customers of BC Hydro who:
 - a. Qualify as General Service Customers;
 - b. Are utilities regulated by the Commission;
 - c. Resell electricity; and
 - d. Employ inclining block rates similar to those charged by BC Hydro for their end-use customers.
5. The tariff is to be filed with the Commission within 90 days of the date of this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this *Third* day March 2011.

BY ORDER

Original signed by:

A.A. Rhodes,
Commissioner

Attachment

An Application by Corix Multi-Utility Service Inc.
for Exemption from Two-Part Large General Service Rates

REASONS FOR DECISION

INTRODUCTION

Corix Multi-Utility Services Inc. (Corix) is an electrical utility which operates as a re-seller of electricity which it purchases from British Columbia Hydro and Power Authority (BC Hydro) at two locations in BC: Sun Rivers (near Kamloops) and Sonoma Pines (near Westbank). Corix has applied to the British Columbia Utilities Commission (Commission) for an exemption from BC Hydro's Large General Service (LGS) Tariff, which has a two-part inclining rate, and which, absent the exemption, would otherwise apply to it.

The Large General Service Tariff was approved by the Commission under Order G-110-10 dated June 29, 2010, following a Negotiated Settlement Process in which Corix participated. The Negotiated Settlement Agreement specifically provides that "customers may apply to the BCUC for an exemption from the applicable two-part rate on the basis that they are re-sellers under registered tariffs with conservation rates for their end-use customers." Corix made its application for an exemption on October 13, 2010.

For the Reasons which follow, the Commission Panel has concluded that Corix, in its capacity as a reseller of electricity charging the same rates as BC Hydro, should be exempt from the Large General Service Tariff. The Commission Panel directs Corix and BC Hydro to negotiate a flat rate schedule which reflects both the embedded cost of Heritage Power and BC Hydro's Long Run Marginal Cost for new power supply, as well as the fact that costs are incurred by Corix to provide distribution and other services to its customers, which BC Hydro therefore does not incur. This tariff is to be filed with the Commission within 90 days from the date of the Order accompanying these Reasons for Decision.

PROCEDURAL BACKGROUND

As noted above, Corix applied to the Commission on October 13, 2010 to be exempted from Part 2 of BC Hydro's Large General Service Tariff. (Exhibit B-1)

BC Hydro opposed Corix's Application by letter dated November 4, 2010. BC Hydro submitted that the Application should either be dismissed or made the subject of a hearing process to receive input from both Corix and BC Hydro customers. (Exhibit C1-1, p. 6)

Corix responded by letter dated November 18, 2010. Corix reiterated its position that, as a re-seller of electricity with no additional ability to influence its customers' consumption habits, it should be exempted from Part 2 of the LGS Tariff. Corix also disputed the utility of subjecting BC Hydro customers to further process and of seeking input from its own customers when such input would not likely result in new or different information. (Exhibit B-2)

By Order G-172-10 dated November 25, 2010, the Commission established a written hearing process to allow for information requests and submissions, beyond the material already filed. (Exhibit A-1)

One round of information requests was held.

Final Submissions were received from FortisBC Inc. and the Terasen Utilities, in addition to BC Hydro and Corix. The written hearing concluded with BC Hydro's filing of a Sur-Reply on February 14, 2011.

POSITIONS OF THE PARTIES

Corix

Corix takes the position that, as a re-seller of electricity to mainly residential customers charging the same rates and offering the same Power Smart opportunities as BC Hydro, the conservation incentive inherent in BC Hydro's inclining block residential rate structure is passed on to its customers and there is no reason to subject it to an inclining rate structure as well. Corix contends that, with the inclining rate structure in Part 2 of the tariff, it will be subject to increased rates as the customer base in its service areas grows. It contends that this result is not consistent with the purpose of the tariff which is to incent conservation among end-users. Corix argues that it has no reasonable ability to influence its customers' consumption habits beyond the steps it is already taking. (Exhibit B-1, pp. 2-4)

Corix also argues that it participated in the regulatory process for BC Hydro's new LGS stepped rate, including the NSP, and that the inclusion of clause 14 in the NSA which states:

14. Customers may apply to the BCUC for an exemption from the applicable two-part rate on the basis that they are electricity re-sellers under regulated tariffs with conservation rates for their end-use customers

was key to its support of the NSA.

Corix proposes that the Commission set criteria to limit the applicability of the exemption it seeks to only those customers who:

1. Qualify as General Service Customers;
2. Are utilities regulated by the Commission;
3. Resell electricity; and
4. Employ conservation rates for their end-use customers.

(Exhibit B-2, p. 2)

These criteria, at present, would serve to restrict the application of an exemption to Corix alone. (Exhibit C1-3, BCUC IR 1.2.1)

FortisBC Inc. and the Terasen Utilities support Corix.

FortisBC Inc. expresses the view that conservation rate signals are most effective when sent to end-use customers and notes that Corix sends the same signals to its residential customers as BC Hydro sends to its own customers.

The Terasen Utilities agree and submit that a flat rate for regulated resellers combined with conservation rates for end-use customers provides the best method of communicating conservation goals to customers.

BC Hydro

BC Hydro opposes Corix's application primarily on the basis of fairness. BC Hydro concedes that any impacts on its revenues, rates or conservation targets are minimal. (Exhibit C1-3, BCUC IR 1.3.1) Rather, BC Hydro submits that all of its customers should be exposed to the more expensive Long Run Marginal Cost (LRMC) pricing signal and that customers who do not face such pricing are, in effect, being subsidized by those who do. (Exhibit C1-3, BCUC IR 1.6.1) BC Hydro submits that exposing customers to the LRMC of new supply on marginal consumption is the best way to promote economically efficient conservation by those customers. (BC Hydro Submission, January 18, 2011, p. 2) It is not in dispute that Corix is a customer of BC Hydro.

BC Hydro takes the position that clause 14 of the NSA, set out above, provides procedural and not substantive support for Corix's position. BC Hydro argues that the clause simply allows FortisBC Inc. to make an application for exemption in the first instance, and nothing more. (BC Hydro Submission, January 18, 2011, p. 10)

BC Hydro also takes the position that Corix is under no obligation to continue to charge the same rates as BC Hydro and that, as a regulated utility, it is in a position to apply to increase rates to its customers when its own costs increase. BC Hydro also sees nothing unfair in Corix's customers paying different rates than BC Hydro customers for the same service, and notes that this is in fact the case in the Kelowna area where there are four different electric utilities providing service. (BC Hydro Submission, January 18, 2011, p. 8)

Commission Determination

In the Panel's view, clause 14 of the Negotiated Settlement Agreement for the LGS Rate, although not determinative, does provide some support to Corix's position. The clause is specific in nature and clearly applies to Corix. This indicates to the Panel that the parties to the Negotiated Settlement Process contemplated that the application of the new LGS Tariff to Corix remained open to challenge by Corix and further Commission process.

The Commission Panel recognizes the overarching purpose of the two part LGS Tariff is to incent conservation. In the Panel's view, this purpose is best achieved when directed at the end-user, so that all residents of the Province will be encouraged to develop a culture of conservation. To apply the two part rate to a pure reseller of electricity will simply serve to increase the overall price to its customers generally, all else equal, which does not, on its own, necessarily send the intended signal to those end-use customers. Nor does charging a pure reseller an inclining two part rate serve to incent the reseller, as it is not the reseller who is consuming the electricity.

However, the Commission Panel also accepts that to exempt a customer from any exposure to the LRMC of new electricity supply may also be unfair, as an unintended cross subsidy could result. In the Panel's view, most, if not all, customers should at least be aware of the cost of new supply and should potentially share in the burden.

The Commission Panel finds that an acceptable solution to maintain fairness and yet to best incent conservation would be to exempt Corix from the existing LGS two part rate and for BC Hydro and Corix to agree to a new, flat rate tariff. This tariff should reflect the embedded cost of Heritage Power and also the LRMC of new supply. The tariff should also reflect the fact that Corix provides the distribution and other services to its customers, relieving BC Hydro of any need to incur the related cost.

The Commission Panel approves the criteria proposed by Corix in basic form in that the tariff would only apply to those customers who:

1. Qualify as General Service Customers;
2. Are utilities regulated by the Commission;
3. Resell electricity; and
4. Employ inclining block rates similar to those charged by BC Hydro for their end-use customers.

The tariff is to be filed with the Commission within 90 days of the date of the Order accompanying these Reasons for Decision.