

**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER G-167-12**

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IN THE MATTER OF  
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473  
  
and  
  
FortisBC Inc.  
Application for Approval of an Exempt Residential Rate

**BEFORE:** B.A. Magnan, Commissioner

November 8, 2012

**O R D E R**

**WHEREAS:**

- A. On March 31, 2011, FortisBC Inc. (FortisBC or the Utility) filed with the British Columbia Utilities Commission (Commission) an Application for a Residential Inclining Block Rate (RIB Application);
- B. On January 13, 2012, by Order G-3-12, the Commission issued its Decision on the RIB Application and directed FortisBC to implement the RIB to all residential customers, with the exception of those taking service under the Time-of-Use rate;
- C. Order G-3-12 also directed FortisBC to establish a control group in conjunction with the introduction of the RIB rate to develop elasticity data for its own customers;
- D. Effective July 1, 2012, FortisBC's Residential Rate Schedule 1 was amended to reflect the replacement of the flat residential rate with the RIB rate, referred to as the Residential Conservation Rate (RCR) by FortisBC;
- E. On September 27, 2012, FortisBC filed an Application for an Exempt Residential Rate, to provide exemption from the RCR for customers identified as participants in the RCR control group and certain qualifying farm customers, as well as for a minor amendment to one of the Utilities Terms and Conditions (the Application);
- F. On October 5, 2012, the Commission issued a letter to Interveners of the RIB Application and the FortisBC 2009 Cost of Service and Rate Design Application requesting written submissions on whether they supported FortisBC's Application and what further process, if any, was necessary;
- G. The Commission received submissions from Henry Stanski (Strata KAS2464), Andy Shadrack (Area D Director for the Regional District of Central Kootenay) and Norm Gabana, after which FortisBC filed a reply submission;

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- H. The three submissions supported FortisBC's request for an exempt residential rate for the RCR control group; however, none of the submissions supported the exemption for eligible farm customers. None of the submissions advocated for more process;
- I. The Commission has reviewed the Application and submissions and determines that approval of certain amendments in the Application is in the public interest.

**NOW THEREFORE** as set out in the Reasons for Decision attached as Appendix A to this Order, the Commission orders as follows:

1. Approval to establish Rate Schedule 3 - Exempt Residential Rate for the RCR control group, as set out in Appendix B to the Application, amended to exclude the following: APPLICABLE (2) and SPECIAL CONDITIONS (B).
2. Approval to establish a Rate Schedule – Exempt Residential Rate for eligible farm customers, as set out in Appendix B to the Application, amended to exclude the following: APPLICABLE (1) and SPECIAL CONDITIONS (A), on a non-refundable interim basis.
3. The interim Exempt Residential Rate for farm customers will be cancelled 15 months after the date of this Order unless, by that date, FortisBC has filed a Farm Customer Exemption Application with the Commission for approval of a permanent rate.
4. Approval to amend the Terms and Conditions, Sheet TC 14, as described in Appendix C to the Application.
5. FortisBC is to file amended Tariff Rate Schedules and Terms and Conditions in accordance with the terms of this Order within 30 days of the date of this Order.

**Dated** at the City of Vancouver, in the Province of British Columbia, this 8<sup>th</sup> day of November 2012.

BY ORDER

*Original signed by:*

B.A. Magnan  
Commissioner

Attachment

FortisBC Inc.  
Application for an Exempt Residential Rate

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**REASONS FOR DECISION**

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**1.0 INTRODUCTION**

On January 13, 2012, by way of Order G-3-12, the British Columbia Utilities Commission (the Commission) issued a Decision on the FortisBC Inc. (FortisBC or the Utility) Application for a Residential Inclining Block Rate (RIB Application) and directed FortisBC to implement the RIB rate to all residential customers with the exception of those taking service under the Time-of-Use (TOU) rate. As a result, residential Rate Schedule 1 was amended to reflect the replacement of the flat residential rate with the RIB rate and on July 1, 2012 all residential customers not served on the TOU rate were moved to the RIB rate. FortisBC calls the RIB rate the Residential Conservation Rate (RCR), and formally referred to it under this moniker.

Order G-3-12 also directed FortisBC to establish a control group (RCR control group) in conjunction with the introduction of the inclining block rate to develop elasticity data from its own customers.

**2.0 THE APPLICATION**

Subsequent to implementing the RCR rate FortisBC identified two issues with the rate in its current form. In order to address these issues FortisBC filed an Application with the Commission on September 27, 2012 for approval of the following (the Application):

1. A new rate schedule (Rate Schedule 3 – Exempt Residential Service) to be established and applicable to:
  - a. Customers who are members of the RCR control group; and
  - b. Eligible farm customers, as identified in the Special Conditions applicable to Rate Schedule 3;
2. A minor change to the Company's Terms and Conditions to reflect 1(b).

**3.0 SUBMISSIONS**

FortisBC submitted in the Application that there would be minimal impact to either FortisBC or its customers in general if the Commission were to approve the items requested in the Application. FortisBC further submitted that an opportunity for written comments by the parties of the 2009 Cost of Service and Rate Design should be sufficient for the Commission to make a determination.

On October 5, 2012, the Commission issued a letter to Interveners of the FortisBC 2009 Cost of Service and Rate Design Application and the RIB Application (combined distribution list of 37) requesting written submissions on whether they supported FortisBC's Application for an Exempt Residential Rate and what further process, if any, they considered necessary.

The Commission received submissions from Henry Stanski (Strata KAS2464), Andy Shadrack (Area D Director for the Regional District of Central Kootenay) and Norm Gabana, after which FortisBC filed a reply submission. The three submissions supported an exempt residential rate for the RCR control group; however, none of the submissions supported the exemption for eligible farm customers. None of the submissions advocated for more process.

#### 4.0 REQUESTS: RATE SCHEDULE 3 – EXEMPT RESIDENTIAL SERVICE

##### 4.1 RCR Control Group Exemption

###### Background

As directed under Order G-3-12 FortisBC established an RCR control group from a stratified random sample of residential customers. Each participant in the control group needs to be kept on the prevailing flat rate in order to determine the impact of the inclining block rate structure on consumption habits. However, no provisions were made as part of Order G-3-12 to establish a rate schedule for the RCR control group. As a result, the group is currently being billed at a rate for which no approved rate schedule exists.

*The Utilities Commission Act* (Act) section 61 (3) states that “[t]he rates in schedules as filed and as amended in accordance with this Act and the regulations are the only lawful, enforceable and collectable rates of the public utility filing them, and no other rate may be collected, charged or enforced.”

In order to rectify this situation, FortisBC filed the Application to re-introduce a flat rate schedule (as Rate Schedule 3 attached as Appendix A to the Application) equal to the Rate Schedule 1 flat rate that would have been in effect had the RCR not been approved.

FortisBC states in the Application that the flat rate and the RCR are considered revenue neutral across the residential customer class and therefore there are no cost-of-service related issues inherent in the request.

###### Submissions

None of the submissions received by the Commission opposed re-introducing the flat residential rate (Rate Schedule 3) for the RCR control group.

FortisBC states in its reply submission that the exempt rate should be approved for the control group customers regardless of the Commission’s determination with respect to eligible farm customers.

###### Commission Determination

FortisBC is required by the Commission to have an RCR control group but currently does not have an approved rate schedule under which to bill this group. **The Commission has reviewed proposed Rate Schedule 3 and approves its use for the RCR control group.**

##### 4.2 Eligible Farm Customer Exemption

###### Background

In the Application, FortisBC submits that subsequent to implementing the RCR the Utility identified issues with the RCR relating to certain farm customers. Under section 4.3.5 of FortisBC’s Terms and Conditions, certain farms are permitted (optional) to be billed under residential rates as follows:

“Farm residences and their outbuildings shall qualify for the Residential Service rate providing the farm is assessed for property tax purposes as agricultural lands and the Service is used primarily for the production of food or industrial crops on that land. Other use for commercial or non farm purposes is billed on the Commercial Service rate.”

Pursuant to Order G-3-12 current FortisBC farm-use residential customers have been transferred to the RCR as of July 1, 2012 and any future farm-use customers who elect to take service under the residential rate will also be placed on the RCR under the current tariff conditions.

In the Application, FortisBC requests that these farm customers be exempt from the RCR because they are potentially unduly penalized under the RCR, given that a large portion of their consumption is for non-residential use. FortisBC also provides further rationale stating that BC Hydro has a Farm Exemption.<sup>1</sup>

However, FortisBC further states that it “does not have segmented information that would allow for the identification of farms as a sub-group of the residential class and therefore cannot provide and estimate the financial impact to the Company of a certain percentage of farm customers moving to the RCR.” However, FortisBC submit that it is not likely to be significant.

### Submissions

Of the 37 participants that were given the opportunity to comment on the Application only three parties submitted comments, none of which supported the proposed exemption for farm customers.

Strata KAS2464 submits that “...subsidies, grants and exemptions should be provincially administered to bring equality to Agriculture Farms.” These include subsidies, grants and exemptions including pesticide programs, tax exemptions and water consumption rates in addition to electricity rates. Strata KAS3464 further states that BC farms are in a healthy position and no longer need special exemptions. Strata KAS2464 put forward eight questions they would like to have answered by FortisBC, some of which are out of the scope of this Application, as they do not fall under the jurisdiction of the Commission, and others which the Utility has stated in the Application that they do not have the data requested.

Andy Shadrack submits that if FortisBC does not know how many of the 80,000 residential customers would be eligible for the proposed exemption how they could know the impact on the remaining residential customers. Mr. Shadrack is also concerned that other customers may come forward seeking a similar exemption in the future. However, Mr. Shadrack is sympathetic to the financial plight of many farmers and suggests the Commission consider allowing a temporary farm customer exemption tariff until FortisBC determines the financial impact to itself and other residential customers.

Norm Gabana’s submission was simply in support of Andy Shadrack’s submissions.

FortisBC states in its reply submission that “[t]his exemption is not a subsidy to any portion of the agricultural sector. Rather it follows from recognition of the mixed commercial/residential nature of some farms in a manner already considered and approved by the Commission for the BC Hydro service area. As such, it provides

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<sup>1</sup> In the BC Hydro Residential Indining Block (RIB) Rate Application, BC Hydro proposed farm accounts be exempt from the RIB Rate and be billed at a flat rate. There was little attention brought to this issue in the Information Request and Submission process with the Commission ultimately approving BC Hydro’s request. Currently BC Hydro farm accounts are exempt from the RIB rate and are charged under Rate Schedule 1151.

consistent treatment of these customers in all areas of the province.” FortisBC further submits that the mix of commercial and residential consumption is the driver for the exemption. “Commercial consumption is not subject to a residential conservation rate.”

FortisBC further states that “this exemption does not provide a ‘wedge’ that will lead to other higher-consumption residential customers having a legitimate claim for similar treatment. A residential customer whose consumption is solely and properly for residential service is appropriately placed on the conservation rate regardless of consumption.”

FortisBC also submits that although the data to summarize the usage characteristics or the number of farm customers is not currently available, that in the future (if the exemption is granted and in place for a defined period) the Company would be able to calculate the aggregate bill differential between the stepped and flat rate. However, FortisBC asserted that if the farm exemption is approved they do not anticipate the financial implications to be significant and states that at this time they consider the greatest possible financial implications would be a loss of revenue from the farm customer resulting in a 0.2 percent impact to rates generally.

### **Commission Determination**

The Commission considered having a further written process to obtain more information regarding the proposed eligible farm customer exemption. However, the Commission noted that FortisBC does not have the necessary data available at this time. The Commission agrees with Mr. Shadrack’s position, that if FortisBC does not know how many of the 80,000 residential customers would be eligible for the proposed exemption, how could they know the impact on the remaining residential customers? As a result, the Commission determined that any further process would not provide the information required to approve a permanent eligible farm customer exemption.

However, given the small number of submissions objecting to the farm customer exemption and the fact that BC Hydro currently provides a farm customer exemption in other areas of the Province, the Commission does not think it appropriate at this time to completely deny FortisBC’s request.

The Commission recognizes the merit in Mr. Shadrack’s suggestion to approve the eligible farm customer exemption on a temporary basis to allow FortisBC to collect the data necessary for the Commission to make a fair determination for a permanent farm exemption in the future.

**Therefore, the Commission approves FortisBC to establish a new Exempt Residential Farm Customer Rate Schedule on an interim, non-refundable basis only.** The rate is non-refundable as to not unduly penalize an eligible farm customer, who elect to go on the flat rate, in the event that the Commission does not approve a permanent exemption in the future.

**The Interim non-refundable Exempt Residential Farm Customer Rate Schedule will be cancelled 15 months after the date of this Order unless, by that date, FortisBC has filed a Farm Customer Exemption Application with the Commission for approval of a permanent rate.** The Farm Customer Exemption Application should include sufficient evidence to support a permanent farm customer exemption. Data on each of the customers who transfer to the Exempt Residential Farm Customer rate should be provided, including the aggregate bill differential between the step and the flat rate and the impact to the remaining customers on the RCR.

The Commission notes that Strata KAS2464 and Andy Shadrack put forward in their submissions questions to FortisBC. The Commission encourages these parties to put forward any relevant questions when/if FortisBC submits a Farm Customer Exemption Application for a permanent rate.