



ORDER NUMBER
G-175-24

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

and

British Columbia Hydro and Power Authority
Rate Schedules 1823 and 1828 Billing Demand Interpretation for Customers Served under Rate Schedules 1892
and 1893

BEFORE:

W. E. Royle, Commissioner

on June 26, 2024

ORDER

WHEREAS:

- A. On April 29, 2024, British Columbia Hydro and Power Authority (BC Hydro) filed a letter with the British Columbia Utilities Commission (BCUC) requesting the BCUC's consent under section 63 of the *Utilities Commission Act* to charge less than specified in the applicable rate schedules due to billing errors and to not back-bill customers for any difference in Rate Schedule (RS) 1823 and RS 1828 demand charges. BC Hydro also requests approval to reduce the balance of the Load Variance Regulatory Account by \$7,529,546 in fiscal 2024 for the estimated under-collected amount resulting from BC Hydro's error, which would reduce BC Hydro's net income by the same amount in fiscal 2024 (Application);
- B. In the Application, BC Hydro informs the BCUC of billing errors that it recently discovered that have resulted in customers being under-billed for demand under RS 1823 (Transmission Service – Stepped Rate) and RS 1828 (Transmission Service – Biomass Energy Program) when those customers also receive service under RS 1892 (Transmission Service – Freshet Energy) or RS 1893 (Transmission Service – Incremental Energy Rate);
- C. BC Hydro explains that the errors relate to incorrect billing instructions being provided when the Freshet Energy rate pilot was first implemented in 2016 and subsequent incorrect billing instructions being provided when the Incremental Energy Rate was implemented in 2020. This has resulted in under-billing for 20 unique transmission voltage customer sites between fiscal 2017 and fiscal 2024;
- D. BC Hydro's rationale for seeking consent to not back-bill customers for any difference in RS 1823 and RS 1828 demand charges includes that it would be difficult to objectively determine the amount customers should be back-billed given that they likely would have changed their behaviour if the demand charges had been applied correctly and that BC Hydro incorrectly confirmed its initial misinterpretation of the RS 1892 billing formula and confirmed subsequent changes to the RS 1892 and RS 1893 billing formulas to customers since that time;

- E. BC Hydro states that reducing the Load Variance Regulatory Account balance by the estimated under-collected amounts resulting from BC Hydro's error would ensure that no ratepayers pay for these amounts;
- F. BC Hydro explains that the estimated under-collected amount of \$7,529,546 is based on the amount of incremental demand charge revenue that might reasonably have been billable to customers taking service under RS 1892 and RS 1893 from fiscal 2017 through fiscal 2024;
- G. By Order G-128-24, the BCUC established a regulatory timetable for the review of the Application, which included public notice requirements, the filing of supplementary information by BC Hydro, letters of comment, and BC Hydro's reply submission. The BCUC also determined that the unredacted version of the Application will be kept confidential until further order of the BCUC due to its commercially sensitive nature;
- H. On May 15, 2024, BC Hydro filed its supplementary information, which states that the estimated under-collected amount of \$7,529,546 does not include carrying costs. The carrying costs associated with the under-collected amounts are approximately \$0.56 million, determined by applying BC Hydro's weighted average cost of debt to the under-collected amounts for each year between fiscal 2017 and fiscal 2024;
- I. By Order G-104-20, the BCUC directed BC Hydro to file an evaluation report of RS 1892 by December 31, 2024; and
- J. The BCUC has reviewed the Application, supplementary information, letters of comment, and BC Hydro's reply submission and makes the following determinations.

NOW THEREFORE for the reasons outlined in the decision accompanying this order, the BCUC orders as follows:

- 1. BC Hydro is granted consent under section 63 of the *Utilities Commission Act* to charge less than the billing demand specified in RS 1823 and RS 1828, as applicable, for the 20 transmission voltage customer sites noted in Recital C of this order, and to not back-bill customers for any resulting difference in RS 1823 and RS 1828 demand charges, for the period from fiscal 2017 to fiscal 2024.
- 2. BC Hydro is approved to reduce the balance of the Load Variance Regulatory Account for fiscal 2024 by the estimated under-collected amounts resulting from the billing error, in the total of \$7,529,546, which will reduce BC Hydro's net income by \$7,529,546 in fiscal 2024.
- 3. BC Hydro is directed to reduce the balance of the Load Variance Regulatory Account by approximately \$0.56 million to account for carrying costs associated with the under-collected amounts, determined by applying BC Hydro's weighted average cost of debt to the under-collected amounts for each year between fiscal 2017 and fiscal 2024.
- 4. BC Hydro is directed to include in its evaluation report, directed by Order G-104-20, an analysis of the impact, if any, of the application of demand charge ratchets on the performance of the Freshet Energy rate.
- 5. BC Hydro is directed to file with the BCUC, on or before December 31, 2024, proposed amendments to RS 1892 to clarify the place and use of demand charge ratchets.

DATED at the City of Vancouver, in the Province of British Columbia, this 26th day of June 2024.

BY ORDER

Original signed by:

W. E. Royle
Commissioner

British Columbia Hydro and Power Authority
Rate Schedules 1823 and 1828 Billing Demand Interpretation for Customers Served under Rate Schedules 1892
and 1893

DECISION

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APPENDIX A EXHIBIT LIST

Executive Summary

British Columbia Hydro and Power Authority (BC Hydro) recently discovered errors that have resulted in some transmission customers being under-billed for demand under Rate Schedule (RS) 1823 (Transmission Service – Stepped Rate) and RS 1828 (Transmission Service – Biomass Energy Program) when those customers also receive service under RS 1892 (Transmission Service – Freshet Energy) or RS 1893 (Transmission Service – Incremental Energy Rate). BC Hydro applies to the BCUC for consent under section 63 of the *Utilities Commission Act* to charge less than specified in the applicable rate schedules and to not back-bill the 20 affected customer sites for the estimated \$7.53 million of under-collected revenue resulting from the error which occurred between fiscal 2017 and fiscal 2024.

BC Hydro submits that these rates are complex. RS 1823 and RS 1828 are subject to demand charge ratchet provisions, which act as a minimum charge for customers, while the interruptible service under RS 1892 and 1893 is not. BC Hydro states it provided incorrect billing instructions that did not properly incorporate the RS 1823 and RS 1828 demand ratchet provisions for customers who participated in the RS 1892 and RS 1893, and confirmed this misinterpretation to customers. Further, BC Hydro submits it would be difficult to objectively calculate the amount to back-bill, as customers would have likely changed their behaviour if the demand charges had been applied correctly.

The Panel grants consent to BC Hydro to charge less than the billing demand specified in RS 1823 and RS 1828 and to not back-bill its customers for the under-collected revenue resulting from the error. The Panel approves BC Hydro's request to instead reduce the Load Variance Regulatory Account by the estimated under-collected amount of \$7.53 million, plus carrying charges, to ensure that no ratepayers pay for this amount. The Panel also directs BC Hydro to provide further analysis and clarification of RS 1892 by December 31, 2024.

1.0 Introduction

On April 29, 2024, British Columbia Hydro and Power Authority (BC Hydro) filed a letter with the British Columbia Utilities Commission (BCUC) requesting the BCUC's consent under section 63 of the *Utilities Commission Act* (UCA) to charge less than specified in the applicable rate schedules due to billing errors and to not back-bill customers for any difference in Rate Schedule (RS) 1823 and RS 1828 demand charges. BC Hydro also requests approval to reduce the balance of the Load Variance Regulatory Account by \$7,529,546 in fiscal 2024 for the estimated under-collected amount resulting from BC Hydro's error, which would reduce BC Hydro's net income by the same amount in fiscal 2024 (Application).

On May 8, 2024, by Order G-128-24, the BCUC established the regulatory timetable for the review of the Application, which included public notice requirements, the filing of supplementary information by BC Hydro, letters of comment, and BC Hydro's reply submission. The order also granted the unredacted version of the Application be kept confidential until further order of the BCUC due to its commercially sensitive nature.

The BCUC received letters of comment from the following two parties:

- i. Paper Excellence;¹ and
- ii. Association of Major Power Customers of British Columbia (AMPC).²

This decision addresses the Panel's final determinations on the Application.

2.0 Billing Demand for Customers on Rate Schedule 1892 and 1893

In the Application, BC Hydro informs the BCUC of billing errors that it recently discovered that have resulted in customers being under-billed for demand under RS 1823 (Transmission Service – Stepped Rate) and RS 1828 (Transmission Service – Biomass Energy Program) when those customers also receive service under RS 1892 (Transmission Service – Freshet Energy) or RS 1893 (Transmission Service – Incremental Energy Rate).³

RS 1892 was initially offered as a pilot starting in 2016 and was later made permanent.⁴ RS 1893 was offered as a pilot from January 1, 2020 to March 31, 2024, but was not extended or made permanent after the pilot's conclusion.⁵

BC Hydro explains that the errors relate to incorrect billing instructions being provided when the Freshet Energy rate pilot was first implemented in 2016 and subsequent incorrect billing instructions being provided when the Incremental Energy Rate was implemented in 2020. At the time, BC Hydro did not properly incorporate the RS 1823 or RS 1828 demand charge ratchet provisions (i.e. part (b) and (c) of the billing demand formulas in RS 1823 and RS 1828) for customers who participated in RS 1892 or RS 1893, which act as a minimum charge for customers. This has resulted in under-billing for 20 unique transmission voltage customer sites between fiscal 2017 and fiscal 2024.⁶

¹ Exhibit D-1.

² Exhibit D-2.

³ Exhibit B-1, Application, p. 1.

⁴ Approved as permanent by Order G-104-20.

⁵ Exhibit B-1, Application, p. 3.

⁶ Exhibit B-1, Application, p. 2.

BC Hydro is seeking consent to not back-bill customers for any difference in RS 1823 and RS 1828 demand charges because:⁷

- The errors have occurred since the implementation of RS 1892 and RS 1893;
- BC Hydro incorrectly confirmed its initial misinterpretation of the RS 1892 billing formula and confirmed subsequent changes to the RS 1892 and RS 1893 billing formulas to customers since that time;
- If the billing demand provisions under RS 1823, RS 1828, RS 1892, and RS 1893 had been applied and communicated properly, some of the affected customers likely would have changed their behaviour; and
- It would be difficult to objectively determine the amount, if any, customers should be back-billed, given that they likely would have changed their behaviour if the demand charges had been applied correctly.

BC Hydro states that reducing the Load Variance Regulatory Account balance by the estimated under-collected amounts resulting from BC Hydro's error would ensure that no ratepayers pay for these amounts. The estimated under-collected amount of approximately \$7.53 million is based on the amount of incremental demand charge revenue that might reasonably have been billable to customers taking service under RS 1892 and RS 1893 from fiscal 2017 to fiscal 2024.⁸

The estimated under-collected amount does not include carrying costs. BC Hydro calculates associated carrying costs of approximately \$0.56 million, determined by applying BC Hydro's weighted average cost of debt to the under-collected amounts for each year between fiscal 2017 and fiscal 2024. BC Hydro believes it is appropriate to further reduce the balance of the Load Variance Regulatory Account by the \$0.56 million to account for the carrying costs.⁹

Since the discovery of these billing errors, BC Hydro has initiated a review of its billing system specifications for compliance with its rate schedules and a review of its relevant control processes. BC Hydro has also initiated an investigation for potential additional controls to detect potential billing issues. BC Hydro states that it will provide the BCUC with a copy of the management review summary report once complete, including any resulting recommendations and actions.¹⁰

Positions of the Parties

Paper Excellence and AMPC disagree with BC Hydro that there was a billing error. Paper Excellence submits that the absence of the ratchets in RS 1892 and RS 1893 was intentional, not an oversight or an error, to maximize a participant's potential flexibility to shift their load for the benefit of all customers.¹¹ AMPC submits that the absence of demand charge ratchets in RS 1893 encourages additional price-responsive energy consumption and AMPC raises five points to support that the ratchet was not to be used.¹² However, with respect to RS 1892, AMPC submits that the application of demand ratchets appears feasible but improbable given the number of years that have gone by and the number of evaluations that have been completed by BC Hydro since the implementation of the Freshet Energy rate.¹³

⁷ Exhibit B-1, Application, p. 11.

⁸ Exhibit B-1, Application, p. 11.

⁹ Exhibit B-3, p. 1.

¹⁰ Exhibit B-1, Application, pp. 12–13.

¹¹ Exhibit D-1, p. 1.

¹² Exhibit D-1, pp. 2–3.

¹³ Exhibit D-2, p. 4.

AMPC submits that BC Hydro's "incorrect" billing practices match BC Hydro's representations to customers and its previous submissions to the BCUC.¹⁴ AMPC recommends that the BCUC:¹⁵

- a) Confirm BC Hydro's proposal to not recover any amounts from customers because no underbilling occurred or, in the alternative, because recovering the underbilling from BC Hydro's net income is appropriate in the circumstances.
- b) Direct BC Hydro to file a proposal to revise RS 1892 to clarify the place and use of demand charge ratchets to avoid any future customer confusion.
- c) Direct BC Hydro to consult with customers about return to service mechanisms that advance electrification, maximize overall consumption, and are fair to all ratepayers.

In reply to Paper Excellence, BC Hydro submits that RS 1892 and RS 1893 were designed to purposely avoid load shifting. With respect to demand ratchets, BC Hydro explains that because the incremental energy supplied under RS 1892 and RS 1893 is interruptible, there are no incremental demand charges for these rates, and the incremental energy does not impact the demand ratchets for the underlying base rates (i.e. RS 1823 or RS 1828). However, participation in RS 1892 or RS 1893 does not, and should not, allow that customer to avoid the demand ratchets for energy consumed under its base rate.¹⁶

In reply to AMPC, BC Hydro addresses the five points raised by AMPC regarding the application of demand ratchets in RS 1893.¹⁷ Regarding RS 1892, BC Hydro submits that the billing error only became materially apparent as customers with permanently or partially shut-down facilities have used the rates. Moreover, the evaluations of RS 1892 were not focused on billing under the base rates (i.e. RS 1823 and RS 1828).¹⁸

BC Hydro also acknowledges that certain of its consultation materials, and subsequent confirmation to customers, relayed an incorrect understanding that demand ratchets under their base rate would not be applied. However, BC Hydro submits that it is not aware of any filings with the BCUC that indicated that customers enrolled in RS 1892 or RS 1893 would be exempt from the demand ratchets under their base rates.¹⁹

With respect to AMPC's request that the BCUC direct BC Hydro file proposed amendments to RS 1892, BC Hydro submits that it does not object to such a direction. With respect to AMPC's request that the BCUC direct BC Hydro to consult with customers about return to service mechanisms, BC Hydro submits that such a direction is not necessary. This is because BC Hydro regularly meets with AMPC and other customers to discuss rate design issues and it is planning to engage with customers this summer on potential new rates and it could include return to service mechanisms in the scope of that engagement.²⁰

Panel Determination

The Panel grants BC Hydro's request for consent under section 63 of the UCA to charge less than the billing demand specified in RS 1823 and RS 1828, as applicable, for the 20 transmission voltage customers that were underbilled, and to not back-bill customers for any difference in RS 1823 and RS 1828 demand charges, for the period from fiscal 2017 to fiscal 2024.

The Panel approves BC Hydro's request to reduce the balance of the Load Variance Regulatory Account for fiscal 2024 by the estimated under-collected amounts resulting from the billing error, in the total of

¹⁴ Exhibit D-2, p. 1.

¹⁵ Exhibit D-2, p. 6.

¹⁶ Exhibit B-4, pp. 2–3.

¹⁷ Exhibit D-2, pp. 4–6.

¹⁸ Exhibit B-4, p. 6.

¹⁹ Exhibit B-4, pp. 3–4, 6.

²⁰ Exhibit B-4, p. 7.

\$7,529,546, which will reduce BC Hydro's net income by \$7,529,546 in fiscal 2024. The Panel directs BC Hydro to further reduce the balance of the Load Variance Regulatory Account by approximately \$0.56 million to account for carrying costs associated with the under-collected amounts, determined by applying BC Hydro's weighted average cost of debt to the under-collected amounts for each year between fiscal 2017 and fiscal 2024.

The Panel finds that BC Hydro was charging less than specified in the applicable rate schedules. The Panel is persuaded by BC Hydro's submission that the demand charge ratchet provisions in RS 1823 and RS 1828 are applicable to customers which participate in RS 1892 or RS 1893. The Panel is also persuaded by BC Hydro's submission that the billing error had only become materially apparent recently and that it wouldn't have been discovered from the past evaluations filed with the BCUC.

The Panel is not persuaded by AMPC's submission that BC Hydro's past filings with the BCUC indicated that customers enrolled in RS 1892 or RS 1893 would be exempt from the demand ratchets under their base rates. However, the Panel is persuaded that BC Hydro's past filings may not have explicitly stated the applicability of the demand ratchets and BC Hydro acknowledges it relayed an incorrect understanding of the demand ratchets in certain consultation material and communications with customers. The Panel also recognizes that some of the affected customers likely would have changed their behaviour and, as a result, there is difficulty in objectively determining the amounts to back-bill. Given these circumstances, the Panel finds that it is appropriate for BC Hydro to reduce its net income for the under-collected amounts, including any associated carrying costs, rather than collect them from ratepayers.

The Panel notes that the BCUC had previously directed BC Hydro to file a full evaluation report on the Freshet Energy rate by December 31, 2024.²¹ With consideration that customers likely would have changed their behaviour had they been billed correctly, it would be appropriate for BC Hydro to address this as part of its evaluation report. Therefore, **the Panel directs BC Hydro to include in its evaluation report, directed by Order G-104-20, an analysis of the impact, if any, of the application of demand charge ratchets on the performance of the Freshet Energy rate.**

The Panel acknowledges that the rates are complex, which may have led to the misunderstanding of the billing demand formula in the rate schedules. As such, it would be beneficial to amend RS 1892 to improve the clarity of the application of the demand ratchets, which BC Hydro does not object to doing. The proposed amendments should be filed with the BCUC with sufficient time to inform customers that may elect to participate in the rate in the next Freshet Energy period and, with consideration for regulatory efficiency, could be filed along with the evaluation report on the Freshet Energy rate or when BC Hydro files for amendments to other rate schedules. Therefore, **the Panel directs BC Hydro to file with the BCUC, on or before December 31, 2024, the proposed amendments to RS 1892 to clarify the place and use of demand charge ratchets.**

The Panel acknowledges the actions taken by BC Hydro to investigate the billing errors and to identify and mitigate similar errors in the application of its other rate schedules. The Panel appreciates BC Hydro's commitment to providing the BCUC with the management review summary report once complete. However, the Panel notes that customers' misunderstanding of the billing demand formula in the rate schedules was in part due to BC Hydro's consultation material and communication with customers. As such, the Panel encourages BC Hydro to include in its management review summary report how it is ensuring that its employees are appropriately trained in, and accurately explaining to customers, the rate design and billing formulas of its rates.

Finally, the Panel declines AMPC's request for a BCUC directive to BC Hydro to consult with customers about return to service mechanisms. The Panel is not persuaded that such a direction is necessary. Instead, the Panel encourages BC Hydro to include return to service mechanisms in the scope of its engagement with customers this summer.

²¹ Order G-104-20.

DATED at the City of Vancouver, in the Province of British Columbia, this 26th day of June 2024.

Original signed by:

W. E. Royle
Commissioner

British Columbia Hydro and Power Authority
Rate Schedules 1823 and 1828 Billing Demand Interpretation for Customers Served under Rate Schedules 1892
and 1893

EXHIBIT LIST

Exhibit No. **Description**

COMMISSION DOCUMENTS

A-1	May 3, 2024 - Appointment of Panel for the Rate Schedule 1823 and 1828 Billing Demand Interpretation for Customers Served under Rate Schedules 1892 and 1893
A-2	May 8, 2024 – BCUC Order G-128-24 with regulatory timetable and request for supplemental information

APPLICANT DOCUMENTS

B-1	April 29, 2024 - BRITISH COLUMBIA HYDRO AND POWER AUTHORITY (BC HYDRO) – PUBLIC - Rate Schedule 1823 and 1828 Billing Demand Interpretation for Customers Served under Rate Schedules 1892 and 1893 Application
B-1-1	April 29, 2024 - CONFIDENTIAL – BC Hydro submitting Rate Schedule 1823 and 1828 Billing Demand Interpretation for Customers Served under Rate Schedules 1892 and 1893 Application
B-1-2	May 15, 2024 – BC Hydro submitting updated Attachment 1 to the Application
B-2	May 14, 2024 – BC Hydro submitting public notice in compliance with Order G-128-24 Directive 3
B-3	May 15, 2024 – BC Hydro submitting supplemental information in compliance with Order G-128-24 Directive 2
B-4	June 10, 2024 – BC Hydro submitting reply to Letters of Comment

LETTERS OF COMMENT

D-1	June 3, 2024 – PAPER EXCELLENCE - Letter of Comment
D-2	June 3, 2024 – ASSOCIATION OF MAJOR POWER CUSTOMERS OF BC (AMPC) - Letter of Comment