

**Rate Design Application Workshop for  
BC Hydro's Large Commercial (> 35 kW) Customers  
Meeting Minutes  
Grand Hotel, Nanaimo, BC  
February 1, 2007**

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**ATTENDEES**

Name	Company
Bud Dovey	Equitex
Jack Stephens	Coastland Wood Industries
Mark Demecha	City of Nanaimo, Parks Rec and Culture
Brian Denbigh	City of Nanaimo, Public Works Dept
Brian Going	District of Saanich
Barry Metcalfe	Surfside RV Resort
Holger Garthe	School District 68
Brian Kingsley	Malaspina University-College
Brian Hunt	Great Canadian Casinos
Douglas MacKenzie	Pope and Talbot
Brian Higgins	Bay West Hardware
Mike Jancowski	Kennametal Ltd
Bill Laturnas	Paulcan Enterprises Ltd
Mick Farup	Minus 28 Cold Storage Ltd
Glenn Brennan	Greater Victoria School Board

**BC HYDRO PROJECT TEAM**

Name	Organization & Department
Fred James	BC Hydro
Jane Christensen	BC Hydro
Basil Stumborg	BC Hydro
Krista Richmond	BC Hydro

**OTHER ATTENDEES – PRESENTERS OR OBSERVERS**

Name	Organization & Department
Janna Gamache	BC Hydro

## MEETING OBJECTIVES

The objectives for the meeting were for BC Hydro to present the drivers for changing the Large General Service Tariff, the general principles that utilities use in rate design, and several options for stakeholders to discuss.

## Agenda

1. **Introduction and Welcome**
2. **Objectives**
3. **Background**
4. **Current Large General Service Rate**
5. **Rate Design Objectives**
6. **Rate Design Options**
7. **Feedback**
8. **Additional Rate Application Topics**
  - Rebalancing**
  - E-Plus**
  - Distribution and Extension Policy**
9. **Next Steps**

## HANDOUTS PROVIDED AT THE MEETING

Paper copies of the following materials were distributed at the meeting.

<b>Item</b>	<b>Description</b>
F2008 Rate Design Application: Large Commercial Customer Rate Restructuring Workshop	A PowerPoint presentation describing the current Large General Service rate structure, the drivers for change, the principles for designing a new rate structure, and two options for discussion.
Feedback Form	A form that allows participants to take away the questions posed by BC Hydro during the meeting and answer them later if a) there was no time during the meeting, or b) participants wished to answer the questions once they had a chance to examine the two options presented in more detail.

## PRESENTATIONS DELIVERED AT THE MEETING

The following Power Point presentations were delivered during the meeting; paper copies of this were distributed at the meeting as indicated above.

Item	Description
F2008 Rate Design Application: Large Commercial Customer Rate Restructuring Workshop	A PowerPoint presentation describing the current Large General Service rate structure, the drivers for change, the principles for designing a new rate structure, and two options for discussion.

### AGENDA ITEM #1 and 2 – Welcome and Introductions

Basil Stumborg welcomed the group to the meeting. The objectives for the meeting were for BC Hydro to present the drivers for changing the Large General Service Tariff, the general principles that utilities use in rate design, and several options for stakeholders to discuss.

### AGENDA ITEM #3 - 5 – Background, Current Rates, and Objectives

Fred James and Jane Christensen presented material on the large general service class. The existing rate structures for other rate classes and for the Large General Service class were contrasted. It was noted that the Large General Service Class' rate was unique in a) not reflecting the marginal cost to serve for energy and demand, and b) biased towards using more energy (through a declining block structure).

An emphasis was placed on the projected gap between supply and demand for energy and capacity in the province's future, and how appropriate price signals will play a key role in making supply meet demand.

Using data from the participants, several examples of load factors were calculated. These ranged from 50% to 63%. Many participants said that they did not know their load factor and would appreciate having the opportunity after the meeting to determine this (with the help of a Key Account Manager, if needed).

### AGENDA ITEM #6 – Rate Design Options

Fred James and Jane Christensen walked through two examples of what rate flattening would look like. The objective was to let participants see how there are different ways to balance the competing rate design objectives, and that these different approaches have different impacts depending on the customer's type.

Key issues raised:

The group discussed the incremental cost of energy, and how current energy prices are too low to drive people to change their behaviour and too low to justify energy-saving projects within businesses and at the public sector level.

### AGENDA ITEM #7 – Feedback

Basil Stumborg led the group through a brief discussion around the two options put forward by BC Hydro. The group was asked think about the rate design principles presented, and asked, if they were BC Hydro, how they would weigh these.

The key issues raised were:

**Rate Shock** – the participants expressed a desire to limit the change from year to year of rates so that businesses could adjust to these price changes.

**Short-term pain vs. long-term gain** – some participants felt that the initial adjustment period under different (i.e., higher) rates was not as important as addressing the coming gap between supply and demand. The discussion also highlighted that using rates to help close this gap avoided the negative environmental impacts of other energy options. One participant offered that the rates ought to be stepped in an inclining way to better reflect the cost of new energy.

**Distinction between the public and private sector** – several participants from the private sector felt that higher marginal costs would be good because that would allow them to justify new power savings projects. However, business owners felt that higher price structures would punish growth whereas the current rate structure encourages the growth in the size of business.

Some participants noted that moving from an inclined demand charge to a flattened one as in Option 2 removed the step between demand rates that they had been using to target demand reductions. In other words, the **flattened demand charge lessened the incentive to reduce demand** for larger companies.

**Assistance to change consumption** – the group as a whole was very interested in the increased use of Power Smart programs to assist companies in reducing their energy consumption and demand. This interest ranged from an increased use of incentives to additional tips in reducing demand. Some participants noted that their desire to contact BC Hydro about this was greater than BC Hydro's ability to get back to them and work with them on an ongoing basis.

**Commercial TOU** – One participant noted that they had taken part in the Commercial TOU pilot project and were keen to see that introduced back as a rate option. The group discussed this and a sentiment expressed was that significant changes are needed, not just more pilot programs.

When asked which they had more **control over, demand or energy**, the participants who responded were clear that they had more ability to control energy use but little control over their demand.

In **comparing Option 1 and Option 2**, most participants felt that they needed to return to their offices to make more detailed calculations. However, the only option that received some support was Option 2.

## **AGENDA ITEM #9 – Additional Rate Application Topics**

**Rate Rebalancing** – The project team presented to the group the current estimates of the revenue to cost ratios for each rate class and raised the question of how close these have to be to unity (i.e., R/C = 100%) in order to be considered fair enough.

**E-Plus** – The E-Plus rate, its history, and the drivers for change were presented to the group by Fred James.

The key issues raised by the group were:

**What exactly was the deal made with these customers?** Several participants felt they needed to know exactly what BC Hydro and the customers had agreed to when they entered the original contract before being comfortable supporting its continuance or its phasing out.

**The rate should be removed** was an option several participants supported. One line of thought was that customers had already benefited enough in the past to compensate for any work they

have done on their houses. Another line of thought was that, since the energy surplus was gone, then the deal can be changed or removed.

**The best way to remove the rate** was also discussed by the group. Several participants thought that it should be removed through attrition; as current owners sell their houses, the contract should not be renewed with the new owners. Some felt that an audit should be conducted to see whether E-Plus customers really do have a backup heat source. If they don't have one, then enforce this part of the contract or allow the deal to expire for that residence.

**Distribution and Extension Policy** – The updates and changes to the distribution and extension policy were presented to the group. The group offered few comments to this topic.

## **AGENDA ITEM #9 – NEXT STEPS**

The group was given a rough description of what would occur once the Rate Design Application was filed in March. Participants were encouraged to fill out a feedback form and/or send one in later to help BC Hydro shape its changes to the Large General Service Class.