

Fred James

Chief Regulatory Officer

Phone: 604-623-4046

Fax: 604-623-4407

bchydroregulatorygroup@bchydro.com

February 15, 2019

Mr. Patrick Wruck
Commission Secretary and Manager
Regulatory Support
British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Mr. Wruck:

**RE: British Columbia Utilities Commission (BCUC or Commission)
British Columbia Hydro and Power Authority (BC Hydro)
Transmission Service Rate Fiscal 2020 and Fiscal 2021 Pricing Principles
Extension Application (the Application)**

BC Hydro writes to the BCUC, pursuant to sections 59 to 61 of the *Utilities Commission Act (UCA)*, to apply for approval to extend the current BCUC approved pricing principles for Rate Schedule (**RS**) 1823 (Transmission Service Stepped Rate) to March 31, 2021 (end of fiscal 2021).

The BCUC approved the current RS 1823 rate pricing principles for three years (fiscal 2017 to fiscal 2019) by Order No. G-5-17.¹ In fiscal 2017, the approved pricing principles applied to RS 1823 Energy Charge B rates set the Tier 2 rate at the low end of BC Hydro's Long-Run Marginal Cost (**LRMC**) for energy and the Tier 1 rate was residually calculated according to bill neutrality – i.e., 90 per cent of the Tier 1 rate plus 10 per cent of the Tier 2 rate is equal to the fiscal 2017 flat rate (the RS 1823 Energy Charge A or the RS 1827 energy rate). In fiscal 2018 and fiscal 2019, the approved pricing principles uniformly applied the approved Fiscal 2017 to Fiscal 2019 Revenue Requirements Application (**RRA**) rate increases for each fiscal year equally to the RS 1823 Energy Charge B Tier 1 rate and the Tier 2 rate. Approval of the current RS 1823 rate pricing principles expire on March 31, 2019.

BC Hydro now seeks an order approving the extension of the current RS 1823 pricing principles to the end of fiscal 2021, whereby all energy rate components of the RS 1823 Energy Charge B rate (i.e., the Tier 1 rate and Tier 2 rate) would be increased by the general rate increase approved by the BCUC for fiscal 2020 and fiscal 2021. A draft order is included in Appendix A.

¹ https://www.b cuc.com/Documents/Proceedings/2017/DOC_48618_01-20-2017_G-5-17_BCH-2015-RDA-Decision-WEB.pdf.

BC Hydro notes that the RS 1823 pricing principles also impacts the energy charges for the following rates: RS 1825 (Transmission Service Time of Use (**TOU**)), RS 1880 (Transmission Service Standby and Maintenance Supply), RS 1891 (Transmission Service Shore Power Service) and RS 1280 (Shore Power Service (Distribution)). The RS 1825 energy charges include Tier 1 and Tier 2 rates for the winter, spring and remaining periods of the year. The RS 1825 Tier 1 rate for each period is equal to the RS 1823 Energy Charge B Tier 1 rate. The RS 1825 Tier 2 rates are equal to the RS 1823 Energy Charge B Tier 2 rate on an annual weighted average basis. The RS 1880 and RS 1891 energy charges are equal to the RS 1823 Energy Charge B Tier 2 rate. The RS 1280 energy charge is equal to the RS 1823 Energy Charge B Tier 2 rate adjusted for average distribution losses of 3.44 per cent.

1 Background

1.1 Description of the Transmission Service Stepped Rate

The Transmission Service Stepped Rate (RS 1823) applies to BC Hydro's transmission service customers supplied at 60 kV or higher in Rate Zone I. Of the approximately 140 BC Hydro transmission service rate class accounts in fiscal 2018, 100 accounts were served under RS 1823 Energy Charge B. Under RS 1823, a customer baseline load (**CBL**) is initially determined for each specific customer site to represent the customer's normal historic annual energy consumption. The CBL is then subject to revision annually, and at other times in accordance with Tariff Supplement No. 74 (**TS 74**).

Under Energy Charge B of RS 1823, a customer purchases annual energy volumes at the Tier 1 rate up to 90 per cent of its CBL and at the Tier 2 rate above 90 per cent of its CBL. Since inception, RS 1823 was designed to be "customer bill neutral" when annual energy consumption is equal to 100 per cent of a customer's CBL. That is, a customer whose annual consumption equals 100 per cent of its CBL will pay an average energy rate equal to the RS 1823 Energy Charge A, which is for new accounts or for customers that, from time to time, do not have a CBL in accordance with TS 74. The Tier 2 rate has also been historically set to reflect BC Hydro's LRMC for energy.

The current fiscal 2019 RS 1823 pricing is set out in Table 1 below.

Table 1 Existing RS 1823 (Fiscal 2019)

RS 1823 as of April 1, 2018	Charge
RS 1823 Energy Charge A For new Customers and Customers that do not have a CBL by order of the British Columbia Utilities Commission	4.771 ¢ per kWh
RS 1823 Energy Charge B For customers with a CBL Tier 1 energy rate applied to all kWh up to and including 90% of the Customer's CBL in each Billing Year Tier 2 energy rate applied to all kWh above 90% of the Customer's CBL in each Billing Year	4.244 ¢ per kWh 9.509 ¢ per kWh
Demand Charge	\$8.139 per kVA of Billing Demand per Billing Period

1.2 Brief History of the Transmission Service Rate and the BC Hydro 2015 Rate Design Application (2015 RDA)²

The Transmission Service Stepped Rate originated from the 2002 Provincial Government Energy Plan. Policy Action #21 of the Plan indicated, in part, that:

“New rate structures will provide better price signals to large electricity consumers for conservation and energy efficiency. The BC Utilities Commission will conduct a hearing to develop new stepped and time-of-use pricing for BC Hydro’s industrial and large commercial customers. As a principle, for stepped rates, the last block of energy consumed should reflect the cost of new supply. This will encourage these customers to meet part of their electricity needs through conservation and energy efficiency, or from other sources (self-generation or IPP [Independent Power Producers] purchases), where they can do so cost-effectively...”

² https://www.bcuc.com/Documents/Proceedings/2015/DOC_44664_B-1-BCH-2015-Rate-Design-Appl.pdf.

On March 25, 2003 the Provincial Government issued Order in Council (**OIC**) 0253 directing the BCUC to convene a public inquiry and provide recommendations relating to the Heritage Contract for BC Hydro's existing Generation resources and Stepped Rates and Transmission Access. After the public inquiry was held, the BCUC issued its Report and Recommendations regarding the Heritage Contract and Stepped Rates (**BCUC Report**) on October 17, 2003. Recommendation #8 of the BCUC Report recommended that a stepped rate be implemented according to the following principles:

- the Tier 2 rate should reflect the long-term opportunity cost of new supply, where long-term is understood to include the acquisition cost required to obtain that supply;
- the quantity of power being sold to industrial customers at Tier 1 of the stepped rate should be initially set at 90 per cent, and the Tier 2 quantity should make up the remaining 10 per cent (the Tier1/Tier 2 Split); and
- the Tier 1 rate should be derived from the Tier 2 rate and the Tier 1/Tier 2 Split to achieve, to the extent reasonably possible, revenue neutrality.

The Lieutenant Governor in Council (**LGIC**) approved and ordered Heritage Special Direction No. HC2 (**HC2**) on November 27, 2003, which directed the BCUC to design rates for transmission rate customers that were consistent with Recommendations #8 to #15 of the BCUC Report.

BC Hydro filed its Transmission Service Rate Application on March 10, 2005. In that application, BC Hydro proposed a stepped rate with the Tier 2 rate equal to the weighted average price of firm energy contracts arising from the last province-wide Call for Tender (**CFT**). This was equal to \$54/MWh in nominal fiscal 2007 dollars based on the Fiscal 2003 Green Power Generation call for energy.

A negotiated settlement process was held in May 2005 to obtain agreement from parties on the stepped rate and other tariff items in BC Hydro's Transmission Service Rate Application. The BCUC approved the negotiated settlement package, including the stepped rate and other tariff items by Order Nos. G-79-05 and G-19-06. The Transmission Service Stepped Rate was implemented effective April 1, 2006.

As part of the negotiated settlement, parties agreed that the earliest date the Tier 2 price would be adjusted was April 1, 2008, at which time it would be reset to reflect the most appropriate CFT price. On February 22, 2008, BC Hydro applied for BCUC approval to reprice the Tier 2 rate effective April 1, 2008 from 5.4 cents/kWh to 7.36 cents/kWh, which was the levelized, weighted average plant-gate price of energy resulting from the 2006 Call for Tender and which BC Hydro viewed as best reflecting its long-term opportunity cost of new supply at the time. The BCUC approved this proposed repricing of the Tier 2 rate by Order No. G-97-08.

On March 5, 2014, the LGIC approved and ordered OIC 096, which required the BCUC to comply with Direction No. 6. The Direction ordered the BCUC to set fiscal 2015 and

fiscal 2016 Tier 1 and Tier 2 energy rates as set out in Appendix B of the Direction. The rates were increased by applying the RRA rate increases to the prior year's rates.

On March 5, 2014, the LGIC approved and ordered OIC 097, which repealed HC2 and required the BCUC to comply with Direction No. 7, which re-enacted the essential elements of the Heritage Contract formerly enshrined in HC2. Direction No. 7 also retained the provision that, in designing rates for BC Hydro's transmission service customers, the BCUC was required to ensure those rates were consistent with Recommendations #8 to #15 of the BCUC Report.

In Order No. G-5-17,¹ issued on January 20, 2017, the BCUC approved BC Hydro's proposal in its 2015 RDA regarding the Transmission Service Stepped Rate pricing principles for fiscal 2017 to fiscal 2019. Specifically, the BCUC approved:

- In fiscal 2017, the Tier 2 rate is set at the low end of BC Hydro's LRMC for energy and the Tier 1 rate is residually calculated according to bill neutrality – i.e., 90 per cent of the Tier 1 rate plus 10 per cent of the Tier 2 rate is equal to the flat rate (RS 1827 energy rate or the RS 1823 Energy Charge A); and
- In fiscal 2018 and fiscal 2019, uniform application of the approved RRA rate increases for each fiscal year equally to the RS 1823 Tier 1 energy rate and the Tier 2 energy rate.

2 Repeal of Direction No. 7

On February 14, 2019, the B.C. Government repealed Direction No. 7³ and, as a result, the BCUC is no longer required to ensure that BC Hydro's rates for transmission service customers are consistent with recommendations #8 to #15 of the BCUC Report.

3 Rationale for Approval Sought

BC Hydro is seeking approval for a two-year extension of the status quo RS 1823 pricing principles. BC Hydro has undertaken stakeholder engagement on the extension and there is strong customer support for an extension of the status quo RS 1823 pricing principles as explained in section 4 below.

BC Hydro requires time to consider the rate design options for the Transmission Service Stepped Rate in light of the repeal of Direction No. 7. BC Hydro also expects that the outcome of phase two of the B.C. Government's review of BC Hydro may help inform any changes to the Transmission Service Stepped Rate.

³ This was implemented by Order in Council No. 051 (B.C. Reg. 24/2019).

The B.C. Government launched its comprehensive, two-phased review of BC Hydro in June 2018. The first phase of the review is complete and one of its outcomes was the repeal of Direction No. 7, as noted above. In the upcoming second phase of the review, the B.C. Government:

... will establish an expert panel to provide recommendations to ensure BC Hydro is well positioned to maximize opportunities flowing from shifts taking place in the global and regional energy sectors, technological changes, and climate action.

The second phase of the review will be informed by new government strategies including an energy roadmap for the future of B.C. energy and a new climate action strategy...⁴

The second phase of the government review is expected to take approximately one year, after which BC Hydro will assess whether there are any rate design considerations arising from the review.

BC Hydro is requesting to extend the current pricing principles for the Transmission Service Stepped Rate to March 31, 2021 (end of fiscal 2021), because it anticipates that any changes to the Transmission Service Stepped Rate will require stakeholder engagement and time for an application and regulatory process.

4 Stakeholder Engagement and Customer Feedback

BC Hydro held a stakeholder engagement workshop on October 11, 2018 in Vancouver. Participants included customers, the Ministry of Energy, Mines and Petroleum Resources and BCUC staff and interveners. There were 49 in-person attendees and 27 webcast participants.

Interveners that were in attendance included:

- Association of Major Power Customers of BC (**AMPC**);
- BC Sustainable Energy Association (**BCSEA**);
- Clean Energy Association of BC (**CEA**);
- Commercial Energy Consumers Association of BC (**CEC**); and
- Movement of United Professionals (**MoveUP**).

⁴ Please refer to the following link, which outlines the 2018 Comprehensive Review of BC Hydro: <https://www2.gov.bc.ca/gov/content/industry/electricity-alternative-energy/electricity/bc-hydro-review>.

In addition, customer workshops were held in Prince George, Kamloops and Calgary on October 12, 16 and 18, 2018, respectively. At these workshops, BC Hydro presented its proposal to apply for an extension of the current Transmission Service Stepped Rate pricing principles, whereby any RRA increases would be applied equally to each of the Tier 1 rate, Tier 2 rate and demand charge. BC Hydro indicated that an updated LRMC for energy may be lower than that used in the 2015 RDA. The implication of repricing the Tier 2 rate to reflect a lower LRMC for energy is that the Tier 1 rate would need to be increased. BC Hydro showed the impact of repricing under a range of assumed lower LRMC values. An extract of the BC Hydro slide presentation covering this topic is provided in Appendix B.

BC Hydro sought feedback from workshop participants on whether they agreed with BC Hydro's proposal to continue the existing Transmission Service Stepped Rate pricing principles for fiscal 2020. Of the 31 workshop participants that submitted feedback forms, 74 per cent supported BC Hydro's proposal, six per cent did not support BC Hydro's proposal, 11 per cent were unsure, and nine per cent did not respond to that particular question.

Intervenors did not raise any particular concerns with BC Hydro's proposal for an extension of the pricing principles for the Transmission Service Stepped Rate in their written feedback. Some customers stated that their priorities were rate and bill stability and they indicated that BC Hydro's proposal would provide some certainty for planning their budget over the short-term.

BC Hydro has subsequently decided to apply for a two-year extension as opposed to the one-year extension consulted on, in order to consider the results of phase two of the government review and to allow for further stakeholder engagement and a regulatory process. BC Hydro expects that the level of support for a two-year extension would likely be similar to that received for a one-year extension.

A summary of the feedback from the October 11, 2018 workshop is provided in Appendix B.

5 Status Quo is Preserved During the Extension Period

By extending the current approved pricing principles for the Transmission Service Stepped Rate for fiscal 2020 and fiscal 2021, the status quo will be maintained. In particular, the following would continue to apply during the requested two-year extension:

- the rate structure would remain stable and predictable;
- the pricing principles would remain the same, so there would be no bill impacts arising from the approval of this application;
- there would be no incremental administrative cost; and

- the Transmission Service Stepped Rate would remain revenue neutral within the Transmission Service rate class.

6 Regulatory Process

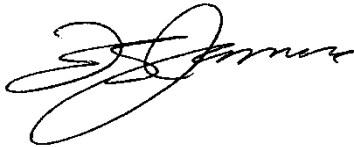
BC Hydro does not believe that any regulatory process is necessary for this application. BC Hydro notes that the BCUC approved BC Hydro's Residential Inclining Block Rate Pricing Principles Extension Application by Order No. G-214-18 on November 9, 2018 without any regulatory process. That application similarly requested an extension of rate pricing principles, whereby all rate components of the Residential Inclining Block rate would be increased by the general rate increase approved by the BCUC.

If the BCUC determines that a regulatory process is necessary for this application, BC Hydro respectfully requests that parties be given the opportunity to provide written comments, with BC Hydro having the opportunity to provide written responses.

Given that the approval of the current pricing principles for the Transmission Service Stepped Rate expire on March 31, 2019, BC Hydro respectfully requests that the BCUC approve this application before that date.

For further information, please contact Anthea Jubb at 604-623-3545 or by email at bchydroregulatorygroup@bchydro.com.

Yours sincerely,



Fred James
Chief Regulatory Officer

ac/ma

Enclosure

Copy to: **AMPC**
Attention: Mathew Keen
matthew.keen@nortonrosefulbright.com;
mdk@bht.com

CEA
Attention: David Austin
daustin@cwilson.com
Attention: Christopher Weafer
cweafer@owenbird.com

BCSEA
Attention: William J. Andrews
wjandrews@shaw.ca

CEC
Attention: Christopher Weafer
cweafer@owenbird.com
Attention: David Craig
dwcraig@allstream.net

BCOAPO
Attention: Leigha Worth
lworth@bcpiac.com

MoveUP
Attention: Jim Quail
jquail@aqwlaw.ca

...

**BC Hydro Transmission Service Rate
F2020 and F2021 Pricing Principles
Extension Application**

Appendix A

Draft Order



ORDER NUMBER

G-xx-xx

IN THE MATTER OF

the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

British Columbia Hydro and Power Authority (BC Hydro)
Transmission Service Rate F2020 and F2021 Pricing Principles Extension Application

BEFORE:

Commissioner
Commissioner
Commissioner

on Date

ORDER

WHEREAS:

- A. British Columbia Hydro and Power Authority (BC Hydro) filed the 2015 Rate Design Application (RDA) on September 24, 2015, pursuant to sections 58 to 61 of the *Utilities Commission Act*;
- B. By Order G-5-17 dated January 20, 2017, the British Columbia Utilities Commission (BCUC) approved BC Hydro's proposal on the Transmission Service Stepped Rate pricing principles for fiscal 2017 to fiscal 2019. In fiscal 2017, the Tier 2 rate was set at the low end of BC Hydro's energy Long-Run Marginal Cost (LRMC) and the Tier 1 rate was residually calculated according to bill neutrality. In fiscal 2018 and fiscal 2019, the approved revenue requirements application (RRA) rate increases for each fiscal year was applied equally to the RS 1823 Tier 1 energy rate and the Tier 2 energy rate;
- C. On February 14, 2019, the BC Government repealed Direction No. 7 and, as a result, the BCUC is no longer required to ensure that BC Hydro's rates for transmission service customers are consistent with recommendations #8 to #15 of the BCUC Report and Recommendations regarding the Heritage Contract and Stepped Rates dated October 17, 2003.
- D. On February 15, 2019, BC Hydro, pursuant to sections 59 to 61 of the *Utilities Commission Act*, applied to extend the current RS 1823 Transmission Service Stepped Rate pricing principles to the end of fiscal 2021 (the Application). BC Hydro states that it has undertaken stakeholder engagement and there is strong customer support for an extension of the status quo Transmission Service Stepped Rate pricing principles. BC Hydro indicates that it requires time to assess the rate design implications of the repeal of Direction No. 7 and phase two of the B.C. Government's review of BC Hydro on the Transmission Service Stepped Rate. The extension will allow time for BC Hydro to undertake stakeholder engagement and time for an application and regulatory process for any change to the Transmission Service Stepped Rate.

E. The BCUC has reviewed the Application and finds approval of the Application is warranted.

NOW THEREFORE the BCUC, pursuant to sections 59 to 61 of the *Utilities Commission Act*, orders as follows:

1. BC Hydro's application to extend the Transmission Service Stepped Rate (RS 1823) current pricing principles to March 31, 2021 (end of fiscal 2021), whereby all energy rate components of the RS 1823 Energy Charge B rate (Tier 1 rate and Tier 2 rate) would be increased by the general rate increases as approved by the BCUC for fiscal 2020 and fiscal 2021, is approved.

DATED at the City of Vancouver, in the Province of British Columbia, this (XX) day of (Month Year).

BY ORDER

(X. X. last name)
Commissioner

Attachment Options

DRAFT

**BC Hydro Transmission Service Rate
F2020 and F2021 Pricing Principles
Extension Application**

Appendix B

**Transmission Service Rate Design
October 11, 2018 Stakeholder Engagement
Workshop Slide Presentation
and Summary Feedback**

Transmission Service Rate Design Workshop



October 11, 2018

NOTE: For the purpose of the Transmission Service Rate Pricing Principles Extension Application, only the related information is provided in this Appendix.

To see the full version of the presentation please see:

https://www.bchydro.com/toolbar/about/planning_regulatory/regulatory.html

**BC Hydro Transmission Service Rate
Fiscal 2020 and Fiscal 2021 Pricing Principles Extension Request**

Rate Schedule 1823 (Stepped Rate) Pricing Principles

Anthea Jubb, Manager Tariffs

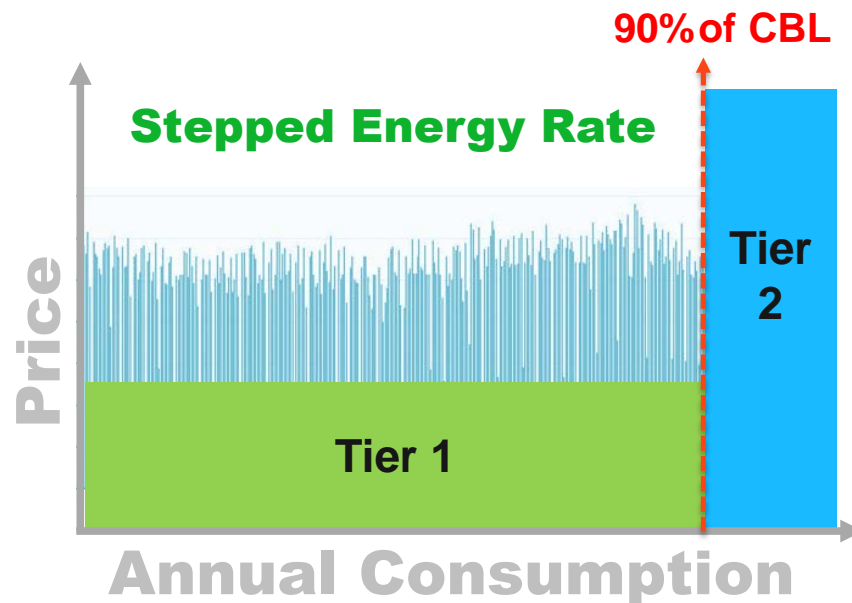


Outline

1. Overview of RS 1823
2. RS 1823 Pricing Principles Background
3. Rate Impacts of Re-pricing RS 1823 Energy Charges
4. BC Hydro's RS 1823 Pricing Principles Proposal for F2020

Overview of RS 1823 Stepped Rate

- RS 1823 is the default rate for BC Hydro's transmission service rate customers
- Introduced April 2006 pursuant to government direction
- Two step inclining block rate for energy to promote conservation
- Tier 2 rate set to reflect long-run marginal cost of new energy supply
- Flat rate for peak kVA demand



Energy pricing based on cumulative annual consumption relative to annual baseline (Annual Energy CBL)

- Up to 90% of CBL = Tier 1
- > 90% of CBL = Tier 2

RS 1823 Pricing Principles: Background

- Re-pricing refers to adjusting the prices of the various components of the rate (e.g. demand and/or energy charges), without changing the total revenue from the rate class
- Re-pricing may be undertaken periodically to better align the rate components with costs and with Bonbright rate design principles
- BCUC approves the pricing principles and any resulting re-pricing of RS 1823 energy and demand charges (subject to applicable government direction)
- Re-pricing may change the electricity bills of individual customers
- Current RS 1823 pricing principles expire March 31, 2019
- F2020 RS 1823 Pricing Principles Application to the BCUC planned for winter 2018/19

RS 1823 Repricing: 2015 Rate Design Application

Commission approved pricing principles for RS 1823 Stepped Rate:

For F2017:

- Tier 2 energy rate set to lower end of BC Hydro's long run marginal cost of energy (LRMC)
- Tier 1 energy rate picked up general rate increase

For F2018 and F2019:

- Tier 1 and Tier 2 rates increased equally by the general rate increase

Rate Schedule 1823	F2016	F2017	F2018	F2019
BC Hydro General Rate Increase	6.00%	4.00%	3.50%	3.00%
RS1823 Energy Charges				
RS 1823 Energy Charge A (\$/MWh)	43.03	44.75	46.31	47.70
RS 1823 Tier 1 Rate (\$/MWh)	38.36	39.81	41.20	42.44
RS 1823 Tier 2 Rate (\$/MWh)	85.04	89.20	92.32	95.09
RS1823 Demand Charge (\$/kVA)	7.340	7.634	7.901	8.138

Rate Impacts of Re-pricing RS1823 Energy Rates

- BC Hydro's updated long run marginal cost of energy may be lower than the value used in the 2015 RDA
- If so, then re-pricing Tier 2 lower may result in better alignment with marginal costs
- However, re-pricing the Tier 2 rate lower would necessitate increasing the Tier 1 rate higher

Illustrative Rate Impact of Re-pricing Tier 2 downwards in F2020 (Assuming 2.0% General Rate Increase and no Demand Charge Re-pricing)

		Status Quo Pricing Principles		Reprice Tier 2 to:					
				\$80/MWh		\$70/MWh		\$60/MWh	
				F2020 (c/kWh)	% change	F2020 (c/kWh)	% change	F2020 (c/kWh)	% change
RS 1823	F2019 (c/kWh)	F2020 (c/kWh)	% change	F2020 (c/kWh)	% change	F2020 (c/kWh)	% change	F2020 (c/kWh)	% change
Tier 1 rate	4.244	4.329	2.0%	4.518	6.5%	4.629	9.1%	4.74	11.7%
Tier 2 rate	9.509	9.699	2.0%	8.00	-15.9%	7.00	-26.4%	6.00	-36.9%

BC Hydro RS 1823 Pricing Proposal for F2020

- BC Hydro proposes status quo pricing principles for F2020
 - No change to the Tier 1 rate, Tier 2 rate or demand charge as a result of re-pricing. Any F2020 RRA increases would be applied equally to each of the Tier 1 rate, Tier 2 rate and demand charge
- This proposal would provide rate and bill stability, and be practical to implement
- We believe this proposal would also have customer understanding and acceptance, and seek your input on this.
- If supported, BC Hydro will file an application with the Commission for approval of this proposal
- Consultation on pricing principles for F2021 and beyond planned for next year

Do you support maintaining status quo RS1823 pricing principles for F2020?



January 08, 2019



ENGAGEMENT SUMMARY REPORT

TRANSMISSION SERVICE RATES COMMENTS AND FEEDBACK

From October 2018
Transmission Service
Rate Design Workshops

NOTE: For the purpose of the Transmission Service Rate Pricing Principles Extension Application only the related feedback is provided in this Appendix.

Transmission Service Rates www.bchydro.com

TSR WORKSHOPS

A total of four half-day Workshops were conducted by BC Hydro between 11 October and 17 October 2018. The Workshops were presented by BC Hydro staff from Customer Service and Regulatory. There was no charge to attend.

- ❖ Workshops were held as follows:
 - 11 October 2018 - Vancouver (BC Utilities Commission Hearing Room);
 - 12 October 2018 - Prince George (BC Hydro Regional Office);
 - 16 October 2018 - Kamloops (local hotel); and
 - 17 October 2018 - Calgary (local hotel).

- ❖ Each Workshop session was approximately 3.15 hours in length, starting at 8:45 am and ending at 12:00 pm.

- ❖ Invitations were extended to existing transmission service customers, prospective new customers, registered interveners and interested parties.

- ❖ Representatives from all existing transmission service customer accounts were invited to attend. The customer list was selected by BC Hydro Key Account Managers.

- ❖ Invitations were sent via email by BC Hydro staff approximately 2-3 weeks prior to the date of the first Workshop. Follow-up email invitation reminders were sent leading up to the start of the Workshops.

- ❖ Various BC Hydro Key Account Managers and support staff attended Workshops with customers from their account portfolios. Note: BC Hydro staff are not included in attendee numbers.

- ❖ The Vancouver Workshop included a webcast service for participants unable to attend in person.

Number of Attendees by Workshop Location

WORKSHOP LOCATION	NO. OF ATTENDEES	FEEDBACK FORMS RECEIVED
Vancouver (in person)	49	31 (in-person and webcast)
Vancouver (webcast)	27 (registered)	
Prince George	13	8
Kamloops	10	6
Calgary	6	2
TOTAL	105	47

ENGAGEMENT PROCESS

The purpose of the Workshops was to provide information and seek comments and feedback on a total of five transmission service rate topics (2 existing, 3 proposed):

- (1) RS 1823 Pricing Principles - existing;
- (2) RS 1892 Freshet Rate - existing;
- (3) Incremental Energy Rate - proposed;
- (4) Load Attraction Rate - proposed; and
- (5) Load Retention Rate - proposed.

The summary below describes how written and verbal feedback was collected and reported.

Written Feedback

Written feedback was collected by BC Hydro using a Feedback Form distributed to participants at each Workshop. Written feedback was provided in two ways: (1) a check-box to record participant opinions/preferences for each scope item identified by BC Hydro; and (2) sections provided for additional comments. Written comments have been consolidated, grouped by scope item, and reported in feedback summary tables as set out below. Only the location specific to each comment has been used to preserve individual customer confidentiality.

Verbal Feedback:

At each Workshop, detailed minutes were kept of participant questions/comments and BC Hydro's response. Workshop minutes (Summary Notes) are available at:

https://www.bchydro.com/toolbar/about/planning_regulatory/regulatory.html

PART 1: RS 1823 Pricing Principles

Background:

Rate Schedule 1823 Stepped Rate (RS 1823) is BC Hydro's default rate for transmission customers supplied with electricity at 60,000 volts or higher. It has been in effect since April 2006. It was approved by the British Columbia Utilities Commission in 2005 following a Negotiated Settlement Agreement process. RS 1823 has a two-step inclining block energy charge which separates the pricing of the customer's annual energy consumption relative to a historic customer baseline load (the CBL). This stepped energy rate approach has customers purchase the first 90% of their annual energy use at a lower price (the Tier 1 Rate) and the balance at a higher price (the Tier 2 Rate). The intent of the higher-priced Tier 2 energy block is to encourage energy conservation, efficiency, and incremental self-generation.

Key Topics for Review and Discussion:

- ❖ An overview of RS 1823 Stepped Rate
- ❖ RS 1823 Pricing Principles Background
- ❖ Impact of Re-pricing RS 1823 Energy Charges
- ❖ BC Hydro's Proposed RS 1823 Pricing Principles for F2020

BC Hydro provided an overview of RS 1823 pricing principles and the 2015 Rate Design Application through which the Commission approved the pricing principles for the RS 1823 Stepped Rate. BC Hydro also reviewed the pricing proposal for F2020, and proposed status quo – no change to the Tier 1 rate and Tier 2 rate or demand charges as a result of LRMC changes. Any F2020 RRA increases would be applied uniformly to Demand and Energy rates.

Feedback Themes:

- There was clear support (74% in favour as per Figure 1.1 below) for the maintenance of status quo RS 1823 pricing principles for F2020. The status quo proposal is to uniformly increase all rate components by the amount approved by the Commission in BC Hydro's next Revenue Requirements Application.
- Customers commented that current pricing principles preserve the benefit of DSM investments, provide rate stability and do not negatively impact competitiveness.
- Concern was expressed for any prospective re-pricing of the RS 1823 Tier 2 rate down to reflect a lower Long Run Marginal Cost (LRMC) value and associated re-pricing of the RS 1823 Tier 1 rate up - this would have a significant negative impact on both existing and prospective customer conservation investment.

Summary of Participant Feedback:

1.1 Existing RS1823 Pricing Principles

Figure 1.1.1:

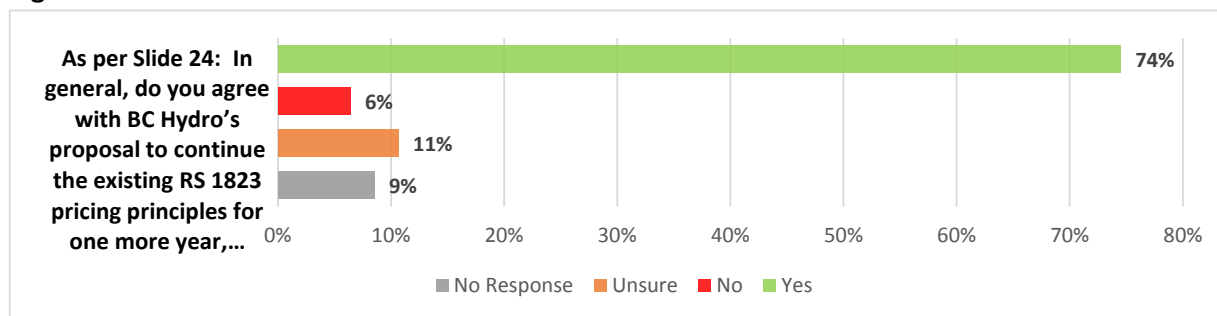


Table 1.1.1: Written Feedback

Additional comments	Location
Permanent	Prince George
Can't have Tier 1 increase more than Tier 2 due to the investment that has been made; to decrease Tier 2 and increase Tier 1 would be cost prohibitive	Prince George
I would prefer to see a price decrease and rates that better reflect cost of service	Prince George
I agree with continuing the pricing; significant change to Tier 1 rate will change customer funded DSM projects	Kamloops
Lots of concerns about repricing; need to understand the reason	Vancouver
RS 1823 does not meet needs of customers	Vancouver
Energy usage efficiency improvements are still important require a good (high) Tier 1 to Tier 2 difference to continue.	Vancouver
BC Hydro and BCUC need to provide BC operators an opportunity to be competitive	Vancouver
We support the pricing principles for 1 more year on the basis of rate stability but generally feel that RS1823 is outdated especially in light of the current surplus power situation	Vancouver
Big incentive to reduce power under existing scenario as Tier 1 and Tier 2 get closer there is less incentive to improve energy efficiency. Also provides a large penalty for those customer plants that have reduced their purchases to 90-92% of CBL	Vancouver
For short term, this is only reasonable solution. This is not likely the long term best solution but businesses need longer term planning for such large financial impacts to utility budget	Vancouver
It seems counterintuitive to customer DSM if CBL is adjusted each year, the customer will always be stuck at Tier 1 thus penalized if they implement further DSM	Vancouver
With lower Tier 1 and Tier 2 mixed rate	Vancouver
B.C. is in power surplus; our site is waiting for the Economic Development Rate	Vancouver
Rebalancing the rate classes by adding more weight to Tier 1 rate will be counter to commitment BC Hydro has made to encourage efficiency initiatives	Vancouver
Stability is key for large customers; any changes must be done very carefully or risk stranding customer investments. The existing conservation rate can create a barrier for incremental consumption, but it is an effective mechanism to mitigate the risk of load shifting from other programs (e.g., Freshet Rate)	Vancouver
Let the need for revising the rates and related principles be widely circulated among the bulk consumers and customers	Vancouver
We need a full measure effort to attract business now!	Vancouver
Don't necessarily agree with the Long Run Marginal Cost (LRMC) of power going down	Vancouver