BC hydro

2015 Rate Design Application

June 25, 2014 Workshop No. 3

Electric Tariff Terms and Conditions, Residential Inclining Block Rate

BC Hydro Summary and Consideration of Participant Feedback

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This memo documents stakeholder feedback in relation to the 2015 Rate Design Application (**RDA**) June 25, 2014 Workshop No. 3 (**Workshop No. 3**) (Electric Tariff Terms and Conditions, Residential Inclining Block Rate (**RIB**)). BC Hydro's consideration of this input is also set out.

The memo is structured as follows:

The main body includes a summary of comments with BC Hydro's consideration, organized as follows:

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Attachment 1 includes the Workshop No. 3 summary notes which provide a more detailed description of issues (including questions and answers).

Attachment 2 includes the feedback forms and written comments received during the written comment period.

Attachment 3 contains BC Hydro's comments with respect to the issue of the allocation of BC Hydro's Heritage resources raised by Canadian Office and Professional Employees Union Local 378 (**COPE 378**) in its written comments dated September 2, 2014.

Workshop No. 3 was held in Vancouver, B.C. Stakeholders were also given an opportunity to participate remotely through a webinar. Copies of the workshop invitation and presentation slides can be found on the BC Hydro website at bchydro.com/about/planning_regulatory/2015-rate-design.html.

Stakeholder feedback was received during Workshop No. 3, and through feedback forms and written comments submitted during a subsequent 45-day comment period which began with the posting of draft Workshop No. 3 notes on July 16, 2014.

1 Standard Charges in the Electric Tariff

1.1 Introductory Comments to Standard Charges

1.1.1 Participant Comment

COPE 378 commented that BC Hydro should seek input on the principles that inform the various items considered in updating the Standard Charges, that is participants should know: if charges are to reflect incremental costs, or the basis of the charge; how BC Hydro reconciles incremental cost recovery with its embedded Cost of Service (**COS**) model; and where and why an average cost approach is used or whether a cost is customer specific. Once the principles discussion is underway, COPE 378 would also like to see how the charges are calculated to determine the appropriateness of the specific fees.

1.1.2 BC Hydro Consideration

One of the principles informing the various items considered in updating the Standard Charges is recovery of BC Hydro's costs – and these typically are average costs. Incremental costs are more relevant to the Distribution extension provisions found in section 8 of the Electric Tariff, which will be the subject of a separate early December 2014 workshop. BC Hydro is of the view that a marginal COS is not required for purposes of potentially revising the Standard Charges. There is no inconsistency in using an embedded COS as one of the sources informing the Standard Charges. As set out in its consideration memo concerning the June 19, 2014 COS workshop available at BC Hydro's 2015 RDA website, most electric utilities use embedded COS to analyze cost causation and allocate revenue requirements (**RR**).

In BC Hydro's view, the major Standard Charge cost issue is whether the charge should be customer specific, or whether all customers benefit and some portion of the cost should be spread among the Distribution connected customers. However,

not all Standard Charges concern recovery of costs – an example is the 1.5 per cent late payment charge discussed below.

For purposes of the proposed February 2015 workshop on residential rates and Standard Charges, BC Hydro will document and seek input concerning the basis for its Standard Charges, and indicate where an average cost has been applied or where a charge is customer specific.

1.2 Late Payment Charge

Pursuant to sections 6.2 and 11.3 of the Electric Tariff, BC Hydro's late payment charge of 1.5 per cent per month is assessed on a bill with an unpaid balance of $30 or more that has not been paid in full on or before the due date of the bill. BC Hydro sought feedback on whether there should be a $30 threshold for the charge to be applied.

1.2.1 Participant Comments

BC Hydro received a range of views on this topic.

BC Sustainable Energy Association & Sierra Club of British Columbia (**BCSEA**) noted four considerations: (1) impact on low-income customers; (2) a low charge may incent some customers to pay late; (3) simplicity for both the customer and BC Hydro, i.e., late payment charges on amounts under $30 "would be more trouble than it's worth"; and (4) the legality of the 19.6 per cent effective interest rate.

British Columbia Old Age Pensioners' Organization (**BCOAPO**) suggested that there be separate terms and conditions for low-income customers, including 'lower late payment charges and interest rates on overdue accounts'. COPE 378 questioned which customers have bills less than $30, and sought to understand the rationale for the $30 threshold and its continued use. COPE 378 thought the charge should be BC Hydro's cost plus a reasonable amount to create a disincentive for late payment.

Commercial Energy Consumers Association of BC (**CEC**) indicated that the late payment charge should apply to all outstanding bill amounts and should also include processing costs.

1.2.2 BC Hydro Consideration

BC Hydro notes that the late payment charge of 1.5 per cent per month is not characterized in the Electric Tariff as an interest rate but understands how that assumption has been made, particularly with the inclusion of the equivalent 19.6 per cent per annum compounded monthly figure in section 11.3 of the Electric Tariff.[1]

The rationale for late payment charges is that all customers benefit from encouraging the prompt payment of bills, which in turn reduces costs to utilities. The 1.5 per cent charge and the $30 threshold have been in place since their introduction in 1977. The British Columbia Utilities Commission (**BCUC or Commission**) as part of its 2007 decision concerning BC Hydro's 2007 RDA approved continued use of the 1.5 per cent late payment charge.[2] BC Hydro notes that many electric utilities it surveyed charge customers a late payment of 1.5 per cent per month: FortisBC Inc. (**FortisBC**); New Brunswick Power; Nova Scotia Power; and Ontario electric utilities such as Hydro One and Toronto Hydro Electric System. (A late payment charge of 1.5 per cent per month is the maximum allowed by the Ontario Energy Board).[3] Manitoba Hydro charges customers a late payment of 1.25 per cent per month. BC Hydro undertook high-level analysis of its accounts receivable reporting for outstanding balances of less than $30 that are overdue between 30 and 60 days. Approximately half of the accounts are apartments, predominantly in the Lower Mainland.

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1 The legal issue raised by BCSEA concerns section 347 of the Criminal Code, which establishes the offence of charging or receiving an effective interest rate that exceeds 60 per cent per year on credit advanced.

2 *In the Matter of British Columbia Hydro and Power Authority: 2007 Rate Design Application, Phase-1*, Decision, October 26, 2007 (**2007 RDA Decision**), pages 199 to 200.

3 http://www.ontarioenergyboard.ca/OEB/Consumers/Electricity/Customer+Service+Rules.

Given the results of its jurisdictional assessment, BC Hydro is not proposing changes to the 1.5 per cent late payment charge at this time, but remains open to further input. The expected revenue impact of assessing a late payment charge for accounts with less than $30 owing is estimated to be less than $100,000 per year (the late payment charge revenue is estimated to be $7.5 million for F2015). BC Hydro agrees with BCSEA's simplicity consideration, and given the relatively small amount, BC Hydro will not be pursuing a proposal to eliminate the $30 threshold.

1.3 Reconnection Charges

Currently, sections 6.7 and 11.2 of the Electric Tariff provide for a minimum reconnection charge ($115 – regular hours; $158 – overtime; and $355 – call out). BC Hydro requested feedback on what costs should be included in the reconnection charge:

- disconnection process and reconnection process costs
- capital and Information Technology (**IT**) costs for the remote disconnect/reconnect (**RDR**) switch for the disconnection and the reconnection
- IT costs for self-serve reconnection
- manual disconnection and manual reconnection costs.

BC Hydro questioned whether there should be an average charge for both the remote and manual disconnect/reconnect and whether there should be a different charge for customers moving into vacant disconnected premises.

1.3.1 Participant Comments

Commission staff commented that the basis for the costs is needed to determine what should be included in the reconnection charge – in particular, any reduction in costs as a result of RDR as compared to manual costs should be reflected in the charge. Clarification is needed as RDR is seen as standard functionality with benefit

to all residential customers, rather than as an incremental cost to be recovered in the reconnection charge. Commission staff questioned whether situations such as seasonal disconnections would provide customers with the option to pay RDR costs rather than the rate minimums.

BCSEA noted that: (1) it supports "making it less difficult for people with financial difficulties to reestablish service after a disconnection"; and (2) more information is needed on the impact to seasonal or intermittent occupancy with the reduction of the reconnection charge, e.g., whether a lower reconnection charge would result in more service termination requests, the pros and cons of doing so, the revenue cost to BC Hydro and safety issues.

BCOAPO stated that disconnection costs should not be included in the reconnection charge. Costs for each agent-performed process should be determined to arrive at the costs for the reconnection process, for use in the reconnection charge. IT costs for self-serve reconnection, as well as RDR switch and IT costs, should not be included in the reconnection charge as they are "part of the basic functionality of the smart meter program and benefit all users of the system". Manual costs should be built into the reconnection charge but "the full cost of the reconnection fee can still be collected from customers who opt out of smart meters". Manual and remote costs should be incorporated into the reconnection charge.

CEC stated that the following costs should be included in the reconnection charge: an estimated average of agent costs, a proportional amount of the RDR switch and associated IT costs, manual disconnection/reconnection costs, and a proportional amount of IT costs for self-serve reconnection. CEC further stated that an average reconnection charge should be used for remote and manual disconnections as individual costing would be administratively costly and that there should not be a different reconnection charge for unsigned premises as the charge should be standardized.

1.3.2 BC Hydro Consideration

The reconnection charge is designed to recover all associated costs; any costs not recovered in the charge go to the broader rate base. BC Hydro's primary use of RDR is for account management and collections, which were the drivers for the investment. BC Hydro agrees with BCOAPO that the RDR switch and IT costs should not be included in the reconnection charge given the benefit to all customers. BC Hydro chose to purchase RDR-enabled meters and implemented use of the RDR switch to improve management of its accounts receivables and bad debts. For the proposed February 2015 workshop, BC Hydro will model the reconnection charge to include detailed disconnection costs. Detailed costs for manual disconnection/reconnection will also be included in the analysis. BC Hydro will look at detailed agent costs for the credit review and payment reporting processes.

Disconnected customers that wish to reconnect within 12 months of the service termination are required to pay the greater of the costs of restoration or reconnection, or the total minimum charges the customer would have paid (section 2.6 of the Electric Tariff). If the 12-month rule were to be removed, BC Hydro would need to consider impacts and would need to ensure gaming would not occur so as to impact its fixed cost recovery (through the Basic Charge). BC Hydro will report out on these issues at the proposed February 2015 workshop.

As the Smart Meter Choices Program monthly and initial charges were recently reviewed by the Commission (Order No. G-59-14), BC Hydro considers a separate reconnection charge for those customers who opt for a legacy or radio-off meter to be out of scope for purposes of putting together its 2015 RDA.

1.4 Account Charge

Sections 6.4 and 11.3 of the Electric Tariff pertain to the account charge, which is $12.40 when a "change in Customer occurs". BC Hydro asked for feedback on charging a different set-up fee for new customers, and whether a discount should be

provided for customers who do their account set-up online. Costs to process the move-in for a new customer are higher than for existing customers who move and have a previous account with BC Hydro, as additional steps are required to verify new customer information.

1.4.1 Participant Comments

Commission staff questioned whether BC Hydro intended to survey for residential customer preferences.

BCOAPO commented that existing customers should not be charged as much as new customers "given that low-income ratepayers probably move more often than those with higher incomes". A discount for processing a move online was not supported given accessibility to the internet, with the observation that a discount is not provided for those who pay their bills online.

BCSEA noted that there wasn't enough of a distinction provided between a new customer and an existing customer to determine if the charge should be different. BCSEA was supportive of a discount for customers processing their move online. CEC indicated that if the cost for a new customer set-up was significantly different, the account charge should be different. Additionally if the savings are meaningful for self-serve account set-up, there should be a discount.

1.4.2 BC Hydro Consideration

In addition to determining the additional costs for new customer validation, BC Hydro will better define what is meant by a new customer.

BC Hydro will not be proceeding with offering a discount for processing a move online. The online service is fairly new and some customers may be disadvantaged by not having internet access. BC Hydro appreciates BCOAPO's point concerning the consistency of not offering discounts for other online transactions. Based on initial analysis, BC Hydro estimates a savings of $300,000 with online move

processing. These and additional savings from increased use of self-service options will be reflected in the analysis of moving and account set-up costs.

In August 2014, BC Hydro hosted six residential focus groups in the Lower Mainland, Nanaimo and the Interior/Northern area of B.C., which among other things canvassed various charges. A summary of these six focus groups will be posted to BC Hydro's 2015 RDA website.

1.5 Non-Payment Report Charge

BC Hydro asked whether there should be a charge for reporting payments not received to deter such behaviour, if the reconnection charge is significantly reduced.

1.5.1 Participant Comments

BCOAPO indicated that such a charge may deter behaviour and also noted that 'penalties' should be carefully considered given other impacts to customers who do not make their payments. BCSEA requested further information on the linkage between a reduced reconnection charge and the non-payment report charge but considers such a charge may be needed. BCSEA further suggested consideration of a sliding scale charge for repeat occurrences. CEC indicated that there should be a non-payment report charge.

1.5.2 BC Hydro Consideration

BC Hydro clarifies that the reconnection charge is to recover costs, and its current level acts somewhat as a deterrent to service disconnection. However, if the reconnection charge is reduced to a low amount, customers may report payments that have not been made to be reconnected for little cost. An additional charge to address non-payment reporting may deter such behaviour.

BC Hydro will consider current volumes of customers who report payments that are not received, particularly where a manual disconnect/reconnect is required as a reduced reconnection charge will not recover those costs while a non-payment

report charge may offset some of those costs. BC Hydro will set out its analysis and proposal concerning a non-payment report charge at the proposed February 2015 workshop.

1.6 Credit Card Charges

BC Hydro requested feedback on whether credit card payments should be accepted and fees recovered through all ratepayers or whether credit card payments should only be accepted if the fees could be passed on to the customer paying by credit card.

1.6.1 Participant Comments

BCOAPO did not support credit card payments unless the fees were passed on to the customers using credit cards to pay their bills, which BCOAPO felt were more likely to be higher income customers. BCSEA noted it does not have a final position on recovering fees from all ratepayers. CEC indicated that credit card fees should be recovered in the general rates as “facilitating payment methods and channels is helpful to cash flow and to all customers”.

1.6.2 BC Hydro Consideration

BC Hydro notes that there appears to be a lack of strong support for recovering credit card payment fees, including customer feedback received through its August 2014 residential focus groups which indicates no desire for paying by credit cards. Accordingly BC Hydro does not intend to explore this option further. Customers wishing to pay by credit card will continue to be able to use a third-party provider where available.

2 Alternative Designs to the RIB

2.1 Three-Step Rate

BC Hydro reviewed the performance of a three-step rate consisting of a Step-2 rate set equal to the upper end of the energy LRMC and a Step 2/Step 3 threshold set to constrain bill impacts to 10 per cent. BC Hydro requested feedback on whether it should continue to consider a three-step rate and if so, what additional analysis would stakeholders recommend (with reasons).

2.1.1 Participant Comments

Participants seek further analysis and consideration of a three-step rate. COPE 378 suggests calibration of a third tier rate to generate sufficient revenue from affluent, gluttonous users so as to allow for a meaningful subsidy for ratepayers that qualify based on a Low Income Cut Off (**LICO**).[4] BCOAPO suggests modeling a three-step rate with a very low "heritage" rate (e.g., 5 cents per kilowatt hour (**¢/kWh**)) applicable to consumption below a low threshold that would reflect basic energy needs (e.g., 250 kWh). BCOAPO suggests setting the third tier rate at a 10 per cent premium over LRMC as a means to provide the revenue necessary to offer the very low rate, or to fund other low-income programs.

Commission staff seek to understand whether a three-step rate would be an acceptable and reasonable rate design to encourage efficient energy consumption, in light of potential bill decreases and given the wide distribution in residential usage. Staff suggest it would be useful to provide information on the number of customers that might face decreases under a three-step rate, as well as information on the experience in other jurisdictions with three or more rate tiers.

BCSEA indicates that BC Hydro should not pursue a three-step rate, stating that the status quo (**SQ**) RIB has the advantage of simplicity, ease of understanding and

[4] LICO is an income threshold below which a family will likely devote a larger share of its income on necessities of food, shelter and clothing than the average family. Statistics Canada constructs LICOs.

customer acceptance. BCSEA notes that a three-step rate would not induce significantly more conservation, and many low-income customers would not benefit (while many non-low income but low consumption customers would benefit); many low-income customers have average or above-average consumption.

2.1.2 BC Hydro Consideration

BC Hydro will model a three-step rate where the revenue collected from a high priced third step would provide for a low rate for step 1 consumption, and will provide information on the number of customers that might face decreases under a three-step rate. BC Hydro will model the three-step rate using the parameters suggested by BCOAPO as a starting point, and present the results at the proposed February 2015 workshop.

BC Hydro agrees with BCSEA that 'low-income' does not necessarily mean 'low consumption'; some low-use customers may be high income and conversely some high-use customers may be low income. Energy use rises with the size of the dwelling unit. BC Hydro also agrees that a comparison of customer bills under the SQ RIB versus a three-step rate would be useful, and this information will be reviewed with stakeholders at the proposed February 2015 workshop, together with a Bonbright criteria assessment.

BC Hydro reviewed other jurisdictions with multi-tiered rates (three or more tiers), both in terms of their efficiency and general acceptance by customers, but also where such rates are targeted to basic needs or assistance to low income customers. Only one Canadian jurisdiction has a three-step rate, Yukon Electrical Company Limited (**YECL**), with energy charges applicable to consumption up to 1,000 kWh; between 1,001 to 2,500 kWh; and in excess of 2,500 kWh.[5] The applicable rates to each block of energy vary depending on whether a customer is

[5] Yukon Electrical Company Limited Rate Schedules 1180, 1280, 1380 and 1480; https://www.yukonenergy.ca/media/site_documents/1045_1480%20Residential%20Service%20Old%20Crow%20Diesel,%20Government.pdf.

government or non-government, and whether the customer is served by hydroelectric or diesel. The rates applicable to third tier consumption are based on the incremental cost of diesel generation. In 2010, the Yukon Utilities Board determined that rates in the third block should be defined as being on the order of 50 per cent of the incremental cost of diesel generation or greater.[6] While the three-tiered rate is defined in YECL's Rate Schedules, most customers are unaware of the block structure of the rates as customer billing only shows one consumption amount and one cost of energy amount.[7]

California residential rate structures had been the subject of legislated restrictions in the wake of the 2001 energy crisis, resulting in large deviations from cost of service. Four and five tiered rates were implemented. Assembly Bill IX capped rates for Tiers 1 and 2 at February 2001 levels, and for nearly nine years all RR increases assigned to residential customers had to be recovered through increases in rates for Tiers 3 and above. A law passed in 2013, Assembly Bill 327, gives the California Public Utilities Commission (**CPUC**) greater flexibility to set residential rates. As discussed at Workshop No. 3, Pacific Gas and Electric Company filed a proposal with the CPUC to move its tiered residential tariff from four to two tiers in two stages.[8] Southern California Edison Company (**SCE**) currently has a proposal before the CPUC to reduce the number of tiers in its residential rate structure from four down to two by 2017.[9]

BC Hydro also examined California's 'baseline allowance' as this was raised by some participants at Workshop No. 1 held on May 8, 2014 and Workshop No. 3. BC Hydro notes that it was the California legislature, and not the CPUC, that

[6] http://yukonutilitiesboard.yk.ca/pdf/Board%20Orders%202000/1158_Board%20Order%202010-13%20Appendix%20A.pdf

[7] Personal Correspondence, YECL staff, October 2014.

[8] http://www.pgecurrents.com/2014/02/28/pge-proposes-rate-reforms-for-residential-electric-customers/.

[9] http://www3.sce.com/sscc/law/dis/dbattach5e.nsf/0/6B56E1DB39AA8D6688257C8D00808524/$FILE/R.12-06-013_RRD%20OIR-%20SCE%20Phase%201%20Rate%20Change%20Proposal.pdf.
Prior to the 2001 energy crisis, SCE's default residential rate structure was an inclining block, two-tier rate with a fixed customer charge. Tier 1 was and is the baseline rate.

mandated with the 1975 *Warren-Miller Energy Lifeline Act*[10] that each California residential electricity customer should receive a minimal supply of electricity at a discounted price while paying a higher price for electricity taken in excess of that minimum. The California legislature tasked the CPUC with designating a baseline quantity "which is necessary to supply a significant portion of the reasonable energy needs of the average residential customer". The baseline allowance was originally based on the usage necessary to support specified end use of electricity.[11] The definition of baseline allowance under California statute and under CPUC orders has evolved over time. BC Hydro understands that electric utilities presently calculate the baseline using between 50 to 55 per cent of the average residential usage for a number of California climactic zones.

Woven into some of the participant comments concerning a three-step rate is the concept of a 'lifeline' rate. BC Hydro will continue to examine the impact of alternative rate designs on its low income customers, together with possible rate design changes in respect of mitigating bill impact concerns. BC Hydro takes no position on the social value of lifeline rates, which BC Hydro believes is within the authority of the British Columbia legislature. Rather, in the context of rate setting function governed by sections 58 to 61 of the *Utilities Commission Act* (***UCA***), lifeline rates are likely to be seen as unduly preferential to low-income customers or unduly discriminatory to the remaining customers who subsidize those rates because the lifeline rate would be based on the personal characteristics of the customer, divorced from the cost to deliver electricity from the premises. In response to BCSEA regarding possible *UCA* amendments to facilitate a lifeline rate, BC Hydro notes for information purposes only private member Bill M 206 (the *Hydro Affordability Act, 2014*, introduced in the 2014 Legislative Session but not passed), which proposed a

[10] California Stats 1975, Ch. 1010, section 1(a).

[11] D.86087, 80 CPUC 182, 1976 Cal. PUC LEXIS 387: space and water heating, lighting, cooking and food refrigeration.

new section 60.1 of the *UCA*. BC Hydro will not be proposing amendments to the *UCA* as part of the 2015 RDA.

Refer also to the topic of Step 2 Pricing at section 3.1 below.

2.2 Seasonal Rate

BC Hydro reviewed the performance of a seasonal rate design consisting of a higher winter threshold to potentially moderate bill impacts to electric space heating customers. BC Hydro requested feedback on whether it should continue to consider a seasonal rate structure and if so, what additional analysis would stakeholders recommend (with reasons).

2.2.1 Participant Comments

Most participants are of the view that BC Hydro should not continue to consider a seasonal rate structure. BCOAPO noted that the objective of a seasonal rate – to convey a benefit on electric space heating customers – appears at odds with the principle to avoid rates that would require BC Hydro to look behind the customer meter. COPE 378 is concerned that a seasonal rate would be unfair and discriminatory across different regions and peak use patterns, and would be too complex for customers to understand, let alone respond to.

BCSEA sees no merit in exploring a seasonal rate any further. BCSEA notes that BC Hydro is limited in its ability to reliably define and determine the category of electric space heating customer, and that the variability in consumption and load shape are only loosely tied to electric heat versus non-electric heat status. BCSEA also notes that, in principle, it is during the winter months that BC Hydro's residential consumption peaks, and therefore it is during the winter that the price signal for conservation and efficiency should be higher, not lower, than the price signal in the non-peak months. BCSEA is concerned that a lower rate in winter would run counter to the conservation supporting function of the RIB rate.

Only CEC indicated that BC Hydro should continue to consider a seasonal rate structure. Commission staff desire a discussion of the possible implications of seasonal rates on exposure to Step 2 and whether fuel switching would be an issue. Staff also seek to understand whether BC Hydro has the peaking characteristics that would require seasonal rates.

2.2.2 BC Hydro Consideration

BC Hydro agrees with the feedback of the participants who see no merit in exploring any further a seasonal rate that consists of a higher winter threshold. BCSEA reiterated the concern expressed by BC Hydro at Workshop No. 3 that a seasonal rate would be misaligned with BC Hydro's peak period cost causation (November to February) and would result in some customers facing lower effective rates in winter due to the higher threshold. All surveyed jurisdictions with seasonal rates have separate higher rates in the peaking period to match the characteristics of cost causation.

In response to the comments of Commission staff, BC Hydro notes that whether a customer would "fall out of Step 2" depends on that customer's consumption, which is not driven solely by heating method. It is possible that both electrically heated and alternatively heated homes can fall out of step 2 in the winter due to a higher threshold. It is unlikely that this would result in a high degree of energy switching because the economic benefit is likely to be much lower than costs for most typical customers.

In response to Commission staff comment concerning peaking characteristics, BC Hydro is a winter peaking jurisdiction, with demand highest in the four winter months of November, December, January and February. It is not clear to BC Hydro whether Commission staff, in asking this question, are raising the possibility of a seasonal rate with a higher rate targeted to a winter season (and a lower rate in the other months). In BC Hydro's view, this kind of rate would be a blunt instrument to

achieve any intended winter peak savings, and would impose higher bill impacts on customers who already claim to have high bill impacts in winter (such as electric heating customers). BC Hydro notes that Newfoundland Power offers a voluntary residential seasonal rate in which residential customers pay a higher rate for electricity during winter months (defined as December through April) and a lower rate for electricity during non-winter months (May to November) compared to the standard residential rate.[12] Newfoundland Power states that residential customers "most likely NOT to benefit" from the voluntary seasonal rate are "those using more electricity in winter than the non-winter months". Approximately 1 per cent of Newfoundland Power's residential customers have opted for the seasonal rate.

In addition, in BC Hydro's view such a seasonal rate is a form of TOU rate, albeit with the on-peak and off-peak periods being defined only as months as opposed to hours (and months). A voluntary seasonal rate would suffer from the problems set out in section 4.2 below. Examples include conferring a benefit to some participating customers that do not change their consumption behaviour and yielding no reliable capacity deferral (assuming that customers can even meaningfully shift consumption from winter to summer, for example).

2.3 Customer Specific Baseline Rate

BC Hydro reviewed the concept of a Customer Specific Baseline Rate and concluded that this form of rate is not a viable option for residential customers.

2.3.1 Participant Comments

COPE 378 and BCSEA agree with BC Hydro's conclusion. BCOAPO also agrees in general terms, but notes that some U.S. jurisdictions give low-income customers and those with certain medical conditions an additional amount of energy each day in their baseline amounts. Commission staff question if weather variability would also present a fairness issue with the design of a Customer Specific Baseline Rate.

[12] https://secure.newfoundlandpower.com/customerrelations/seasonalrates.aspx.

2.3.2 BC Hydro Consideration

At this time BC Hydro does not propose to pursue a Customer Baseline Rate for residential customers. Such a Customer Specific Baseline Rate would be impractical and would impose significant implementation challenges due to the large scale (1.8 million residential customers), and complexity in design and billing. The conceptual results presented at Workshop No. 3 illustrate that most customers' bills would not change much from the SQ RIB, and that bill increases for typical customers that are higher than RR would otherwise be likely due to maintaining class revenue neutrality. No North American utility offers individual residential customer baseline rates.

Refer to section 2.1 above for BC Hydro's consideration in regard to California's baseline allowance. BC Hydro is interested in what other U.S. jurisdictions BCOAPO is referring to concerning baseline allowances for essential energy service or medical conditions.

2.4 Flat Rate

BC Hydro reviewed the performance of a Flat Rate and observed that it performs worse relative to the SQ RIB rate in terms of efficiency and fairness. BC Hydro concluded that no further modeling of a Flat Rate is required and asked for stakeholder comment.

2.4.1 Participant Comments

All participants commenting on a flat rate structure except CEC agreed that BC Hydro should not consider a Flat Rate for residential customers any further.

CEC submits that BC Hydro should consider an "efficiency rated flat rate, as an alternative (likely as a pilot initially)". BC Hydro followed up with CEC on what the concept of this rate entails and how the rate would be determined. CEC indicated that such a rate structure would be voluntary and would be based on efficiency

ratings determined on a participating customer basis. CEC will be looking to provide evidence to support this concept and how it could be used efficiently.

2.4.2 BC Hydro Consideration

In light of 2015 RDA participant feedback to date and the drawbacks associated with a Flat Rate, at this time BC Hydro does not propose to return to a Flat Rate for residential customers.

With respect to the CEC suggestion, BC Hydro is unclear whether the optional efficiency based rate would be in lieu of the RIB rate, or work as an adjunct to the RIB rate. BC Hydro will be meeting with CEC to further understand this concept.

3 Alternative Means of Delivering the RIB

3.1 RIB Step 2 Pricing and Energy LRMC

BC Hydro requested input on whether a RIB rate pricing principle should constrain the Step 2 rate to equal LRMC. BC Hydro also asked whether there are compelling reasons to depart from prior Commission decisions that the LRMC is the appropriate referent to a Step 2 rate, and if so what the alternative referent would be.

3.1.1 Participant Comments

Commission staff remark that one of the most important changes since the 2011 Commission review of the RIB rate[13] is the downward revision of the BC Hydro estimate of LRMC. Staff suggest that it would be useful for BC Hydro to discuss if the new LRMC should be used as a benchmark for rate design in the context of a wider range and lower confidence level in the LRMC estimate.

BCOAPO comments that the calculation of LRMC is almost meaningless in B.C. in light of provincial energy policy that mandates self-sufficiency and requires the purchase of intermittent power at premium prices and in excess of need. COPE 378

[13] Refer to Commission Order No. G-45-11.

states that the setting of the Step 2 rate is an academic exercise in that customer consumption decisions are not based on whether their power is being charged at Step 1 or Step 2, and thus behaviour will not be shaped by whether Step 2 is strictly tied to LRMC or not.

BCSEA explains that the pricing of Step 2 in reference to LRMC is a useful way to describe the appropriate price signal for RIB in the present context. The price signal should not be constrained by LRMC in principle or as a hard-and-fast rule, but balanced against other priorities for the RIB rate. BCSEA notes that there appears to be no urgency to reduce the current Step 2 rate in response to a recently reduced LRMC, and that such a change could be confusing or counterproductive and contrary to the intent of prior Commission decisions, particularly if the result were a Step 2 rate lower than Step 1.

CEC states that the Step 2 rate should not be constrained by LRMC and that alternatives with higher price signals may be valid options to consider.

3.1.2 BC Hydro Consideration

BC Hydro does not agree with the Commission staff suggestion that there is less confidence in the energy LRMC set out in the 2013 Integrated Resource Plan (**IRP**) simply because it is a range of $85 per megawatt hour (**/MWh**) to $100/MWh ($F2013), as opposed to the prior single value based on the weighted average levelized energy price resulting from a past power acquisition process. BC Hydro believes this energy LRMC range is appropriate for purposes of rate design, and the energy LRMC range was used in BC Hydro's 2013 RIB re-pricing application.

BC Hydro continues to support the concept of setting the last block of energy that customers consume at the LRMC level because it sends a price signal to BC Hydro customers that minimizes the overall cost of producing and delivering energy to consumers.

BC Hydro agrees with BCSEA that the pricing of the Step 2 rate in reference to LRMC should not be regarded as a hard and fast rule. BC Hydro accepts the BCSEA idea that prior Commission decisions on LRMC as the appropriate reference for signaling economically efficient use should not be strictly interpreted as a pricing principle that might, for example, ultimately support a declining block residential rate. BC Hydro would not propose reducing the current RIB Step 2 rate to precisely match the upper end of the energy LRMC range for the reasons advanced by BCSEA.

In response to Commission staff feedback at Workshop No. 3, BC Hydro would like to hear from stakeholders what reasons there are for *intentionally* setting a RIB Step 2 or other rate above LRMC. BC Hydro expects to continue this line of discussion in its exploration of a three-step rate where Step 3 would intentionally be set above the upper end of the energy LRMC.

3.2 RIB Step 1/Step 2 Threshold

BC Hydro requested input on whether there are compelling reasons to change the SQ RIB threshold (currently set at 1,350 kWh per two-month billing period, being more or less 90 per cent of the median consumption of BC Hydro's residential customers of about 760 kWh per month) and if so, what additional analysis would stakeholders recommend (with reasons). BC Hydro also requested input on why BC Hydro would model very low thresholds (500, 400, other kWh/month) as these thresholds do not reflect typical residential use.

3.2.1 Participant Comments

BCSEA sees no compelling reason to change the SQ RIB threshold, which is understood and accepted by customers. BCSEA suggests that BC Hydro model modest changes to the threshold. BCSEA highlights the increased conservation that is estimated under a higher threshold, which is the outcome of a consequent increase in the Step 2 rate. BCSEA generally supports the idea of exposing more, rather than fewer, customers to the Step 2 rate. BCSEA does not propose that

BC Hydro model very low thresholds for a two-step rate, although BCSEA is open to hearing from other stakeholders on how a very low threshold might be considered within a 'lifeline rate' concept.

BCOAPO suggests that lowering the SQ RIB threshold to 600 kWh per month may encourage more conservation by exposing more customers to the Step 2 price during winter months. CEC remarks that alternative thresholds should be examined if they improve conservation and efficiency, and very low thresholds could be appropriate if they reflect efficient use living and not typical use.

3.2.2 BC Hydro Consideration

BC Hydro modelled a range of both increases and decreases to the SQ RIB threshold. As reviewed at Workshop No. 3, the bill and conservation impacts of changing the threshold vary by the exposure of customers to the Step 1 rate (which is held constant) and by the consequent increase or decrease to the Step 2 rate (to maintain revenue neutrality):

- Exposing more customers to the Step 2 rate through even a moderate decrease in the threshold has the effect of imposing higher than SQ bill impacts on nearly all typical customers, with no substantive change in conservation overall. Alternatively, residually calculating the Step 1 rate while keeping the Step 2 rate constant would subject a number of typical customers to bill impacts higher than the RR (SQ), but with no substantive change in net conservation.
- Increasing the threshold would result in an increase in conservation – a direct result of increasing the Step 2 rate to maintain class revenue neutrality – but would impose a wide range of bill impacts across customer types. A moderate increase to the threshold results in lower bill impacts to typical customers and higher bill impacts to higher than average users.

BC Hydro proposes to undertake no further modelling of alternative RIB thresholds. Moving the threshold results in no substantive changes from SQ RIB conservation

forecasts within the scope modeled, given a maximum bill impact constraint of 10 per cent. BC Hydro agrees with BCSEA that there is no apparent problem with the current threshold, and generally that the SQ RIB design has the advantage of customer understanding and acceptance.

3.3 Basic and Minimum Charges

BC Hydro reviewed the performance of alternative Basic and Minimum Charges to recover fixed distribution and customer care costs from residential customers. BC Hydro sought input on whether the amount of such costs recovered through the Basic Charge should be increased toward cost-based, or decreased, and what additional analysis, if any, would stakeholders recommend (with reasons). BC Hydro proposed that no further modeling was required for 100 per cent fixed cost recovery through a Basic Charge or for eliminating all forms of fixed charges. BC Hydro also sought input on whether the Minimum Charge should be decoupled from the Basic Charge, including in relation to whether the Basic Charge should be changed.

3.3.1 Participant Comments

BCOAPO seeks a common understanding of the purpose of the Basic Charge. BCOAPO is of the view that the Basic Charge is regressive and opposes any proposal to increase the charge. BCOAPO suggests that BC Hydro consider a charge that is based on the amperage at which customers take service (for example, 200 amps versus 400 amps). BCOAPO agrees with the concept of decoupling the Minimum Charge from the Basic Charge.

BCSEA opposes any change to the Basic Charge, noting that the current charge is accepted by customers and any change would produce little or no additional conservation. BCSEA sees no reason to decouple the Minimum Charge from the Basic Charge, which is currently accepted by customers and does not conflict with the RIB conservation signal.

CEC states that BC Hydro should not need to look at eliminating all forms of fixed charge. CEC advances that BC Hydro should consider an "Access Charge" that combines elements of the Basic Charge and Minimum Charge.

Commission staff acknowledge that the current Basic Charge distorts the fair cost recovery within a class, and question if higher fixed charges would adversely affect low income customers. Staff request that BC Hydro provide its rationale for the Basic Charge it would propose.

3.3.2 BC Hydro Consideration

As discussed at Workshop No. 3, BC Hydro considers that the purpose of the Basic Charge is to recover a portion of BC Hydro's fixed distribution and customer care costs through a fixed charge, consistent with underlying cost causation, since such costs do not vary with usage. The current Basic Charge is 16.64¢ per day, resulting in about 30 per cent recovery of customer-related fixed costs assigned to the Residential class. At Workshop No. 3 BC Hydro noted that for utilities surveyed customer-related fixed cost recovery ranges from 22 per cent-100 per cent, with most utilities in the 35 per cent-65 per cent range.

BC Hydro does not favour eliminating all forms of fixed charges; utilities generally have a fixed charge in addition to a volume-based energy charge. Nor does BC Hydro favour increasing fixed charges to recover 100 per cent of costs due to the very high bill impacts imposed on some customers. BC Hydro shares BCOAPO's concern with increasing the amount of cost recovery through the Basic Charge due to the impact on low consuming customers, including apartments and some low income customers.

BC Hydro notes that either changing the amount of cost recovery through a Basic Charge or decoupling a Minimum Charge from the Basic Charge will not necessarily alter the exposure of customers to the RIB rate, nor the conservation outcome, if the effect is to not change the Step 2 rate.

BC Hydro considers that a separate Minimum Charge may be warranted to reflect the cost of customers remaining connected to the system during periods of very low consumption or dormancy. BC Hydro notes that some additional cost recovery through a separate Minimum Charge may benefit lower consuming customers, including some low income customers, given that the charge would allow for a consequent lowering of the Step 1 rate. A $15 per month Minimum Charge roughly equates to the average fixed cost per month for BC Hydro to keep a customer connected to the system. BC Hydro plans to model this Minimum Charge design in detail coincident with the SQ Basic Charge for the period F2017 to F2019. The detailed results of this design will be presented at the proposed February 2015 workshop. BC Hydro proposes to present the results of one additional model, a $15 Minimum Charge and no Basic Charge, under the same comparative F2016 assumptions as for the suite of options considered at Workshop No. 3.

With respect to rates based on amperage, BC Hydro notes that new residential service is charged a one-time fixed fee to recover the connection costs associated with service type and size. BC Hydro questions the practicality of an ongoing charge for service on the basis of amperage given that the fixed costs of residential service, such as those associated with meters, secondary wires and customer care, do not materially vary by service type and size. BC Hydro's billing system does not record the amperage of its residential customers, and thus there is an implementation challenge to segment the residential class, determine cost-based rates and develop appropriate billing system support.

4 Other Residential Rate Issues

4.1 LRMC for RIB Ratemaking – Capacity Value

The question of whether the LRMC for RIB ratemaking should include a capacity value was raised by a participant in the Streamlined Review Process to consider BC Hydro's 2013 RIB re-pricing application. BC Hydro brought this issue forward for

RDA engagement at Workshop No. 1. BC Hydro proposed at that time that the LRMC for RIB rate-making not include capacity value, and it was on this basis that it proceeded with rate design modeling to support Workshop No. 3.

At Workshop No. 3, BC Hydro again proposed that the LRMC for RIB rate-making not include a capacity value to be added to the energy LRMC, but sought stakeholder's views on the concept. BC Hydro indicated that including a capacity value based on the Unit Capacity Cost of $50/kW-year to $55/kW-year for Revelstoke Unit 6, the next most cost-effective generating capacity resource addition, would increase the energy LRMC by about $11/MWh ($F2013).[14]

4.1.1 Participant Comments

BCSEA, CEC and BCOAPO submit that the LRMC for RIB should include a capacity value because the RIB delivers associated capacity savings.

4.1.2 BC Hydro Consideration

For clarity, the energy LRMC range of $85/MWh to $100/MWh ($F2013) identified in BC Hydro's 2013 IRP is for annual firm energy and does not include avoided generation capacity costs.

It is the case that RIB-related energy savings deliver associated capacity savings. BC Hydro recognizes this by including the RIB's associated capacity savings in its resource stack. In addition, when measuring the cost-effectiveness of the RIB (and other DSM initiatives), BC Hydro uses the Total Resource Cost test which accounts for all avoided costs, including generation capacity resource costs. BC Hydro notes that FortisBC in its 2015/2016 Demand Side Management (**DSM**) filing used a LRMC of $99/MWh for firm energy, which FortisBC states is inclusive of generation capacity with no need for adjustment to capture avoided generation capacity costs. FortisBC included a capacity estimate of $35.60/kW-year as a proxy to represent the

[14] Based on a residential load factor of 53 per cent used for BC Hydro's residential DSM programs.

value of avoided transmission and distribution capital expenditures due to DSM program energy conservation to arrive at an overall LRMC $112/MWh figure.[15]

In BC Hydro's view, adding such a capacity value to signal these savings could confuse the pricing of the RIB with its purpose, that being energy conservation not peak capacity reduction. The RIB rate is an energy conservation rate, and it is not clear how residential customers would respond to a price signal incorporating a generation capacity value from a timing perspective (i.e., will residential customers actually respond during peak demand time periods?).

The Commission has stated that the RIB Step 2 rate should be based on a "price signal for customers to understand *what is happening to the cost of energy* they will consume in the future"[16] [emphasis added]. Use of BC Hydro's energy LRMC for energy conservation rate structures such as the RIB is consistent with past Commission decisions:

- In its 2008 RIB decision, the Commission used the levelized weighted average plant-gate price of $82.7/MWh based on BC Hydro's F2006 Open Call for tenders as a proxy for LRMC rate setting purposes.[17] The F2006 Call levelized weighted average plant-gate price is an energy price that does not contain the avoided cost of generation capacity.
- In its 2011 RIB re-pricing decision, the Commission used the levelized weighted average plant-gate price of $111.1/MWh based on BC Hydro's 2009 Clean Power Call, the most recent power acquisition process at the time, as a proxy for LRMC rate setting purposes.[18] The 2009 Clean Power Call levelized

[15] As noted by BCOAPO and CEC in their final submissions concerning the FortisBC 2015/2016 DSM expenditure proceeding; http://www.bcuc.com/ApplicationView.aspx?ApplicationId=451.

[16] Commission Order No. G-45-11 dated March 14, 2011, Reasons for Decision, Appendix A, page 3 of 19.

[17] *In the Matter of British Columbia Hydro and Power Authority: Residential Inclining Block Rate Application*, Reasons for Decision to Order No. G-124-08 dated September 24, 2008, pages 107 to 108.

[18] *Supra*, note 15.

weighted average plant-gate price is an energy price that does not contain the avoided cost of generation capacity.

4.2 Residential Voluntary TOU Rate

At the first RDA workshop, BC Hydro proposed that mandatory TOU for residential customers was out of scope for purposes of putting together its 2015 RDA on the basis that the B.C. Government has confirmed to BC Hydro that a mandatory TOU for residential customers is not an option that BC Hydro can pursue. Commission staff asked if a voluntary TOU rate for residential customers was in scope. BC Hydro committed to liaising with the B.C. Government, and to review the pros and cons of pursuing a voluntary TOU rate for residential customers at the June 25, 2014 workshop. The B.C. Government subsequently confirmed that voluntary TOU for residential customers could be explored by BC Hydro.

At Workshop No. 3, BC Hydro presented it views on the pros and cons of pursuing a voluntary TOU rate for residential customers, and solicited participant input as to whether BC Hydro should pursue a voluntary TOU rate for residential customers.

4.2.1 Participant Comments

Most participants oppose BC Hydro pursuing a voluntary residential TOU rate:

- BCOAPO opposes a voluntary TOU for residential customers, stating that "[TOU] rates are unlikely to benefit low-income ratepayers"
- COPE 378 opposes a voluntary TOU: "A voluntary program encourages self-selection, creating a situation where free-riders (those who would otherwise be incented to conserve or those few who have the ability to shape their use beyond the ability of the majority of ratepayers to take advantage of the lowest rate) will be receiving a subsidy from the majority of ratepayers who cannot modify their usage and who do not have the time to determine how best to

shape their usage patterns". COPE 378 noted that a voluntary TOU does not incent energy conservation and is likely to result in minimal capacity savings

- BCSEA stated: "our view is that mandatory time of use rates should be considered. Voluntary residential [TOU] rates would have minimal benefits".

Only CEC favours examining a voluntary TOU rate for residential customers. Commission staff requested more jurisdictional information, particularly on hydro-based utilities that have implemented residential TOU rates.

4.2.2 BC Hydro Consideration

Given the shortcomings of a residential voluntary TOU, and in light of 2015 RDA participant feed-back to date, at this time BC Hydro does not propose to pursue a voluntary TOU for residential customers.

As part of reviewing a voluntary TOU for residential customers, BC Hydro researched other jurisdictions. While many North American jurisdictions have voluntary TOU rates for the residential sector, these are mainly U.S. utilities with only a minority of Canadian utilities offering voluntary residential TOU rates. With respect to Canadian electric utilities with hydro-based systems, BC Hydro understands that Hydro Quebec's voluntary residential TOU pilot ended in March 2010. Manitoba Hydro does not offer voluntary time varying rates to its residential customers. BC Hydro also advises that: SaskPower does not offer voluntary time varying rates to its residential customers; Nova Scotia Power's voluntary TOU rate for residential customers is restricted to certain end uses (residential customers must have electric-based heating systems that have capacity to store heat, and timing and controls in place approved by Nova Scotia Power); and Ontario's residential TOU rate is mandatory.

BC Hydro did not base its analysis of the pros and cons of a voluntary TOU for its residential customers solely on its review of other jurisdictions. BC Hydro has concerns about the transferability of findings from different utilities, users and

climates, and the fact that research in the area tends to show an inconsistent and wide range of values with respect to the true effectiveness of peak-load pricing.

BC Hydro agrees with COPE 378's concerns over the self-selection effects that are present with a voluntary TOU rate, and in particular that if 'structural winners' with favorable load shapes choose a voluntary residential TOU rate, there would be a cost shift to other residential customers. Another issue is the low margins (the differential between on-peak and off-peak pricing) that would be associated with a TOU rate in BC Hydro's service area. BC Hydro notes the Industrial Electricity Policy Review task force's questioning of how an industrial TOU in B.C. with its small differential between on-peak and off-peak pricing could lead to significant peak shaving,[19] and BC Hydro believes this is even more questionable in the context of a voluntary TOU rate for residential customers. Studies have generally found that voluntary residential TOU participation rates are low – Hydro Quebec in a 2007 submission to its regulator quotes an Electric Power Research Institute study that found that participation rates can be as low as 5 per cent if customers are not informed and there are costs to transact;[20] a U.S. Department of Energy study compiled customer enrollment patterns in TOU rate programs and found that about 11 per cent of customers voluntarily opted-in.[21] In addition, BC Hydro is concerned that a voluntary TOU rate overlaid on to the RIB would undermine the simple message associated with the RIB ('if you consume more, you pay more') making it harder to achieve BC Hydro's aggressive DSM target.

BC Hydro does not believe that a voluntary TOU for residential customers is a resource that it could plan to rely on for purposes of deferring capacity generation.

[19] IEPR Task Force, "Industrial Time of Use (TOU) Rates"; http://www.empr.gov.bc.ca/EPD/Documents/Task%20Force%20Issue%20Paper%20-%20Time%20of%20Use%20Rates%20FINAL.pdf.

[20] Hydro Quebec's Proposal Regarding Time-Season Ratemaking, Application R-3644-2007, page 27 of 55.

[21] "Analysis of Customers' Enrollment Pattern in Time-based Rate Programs – Initial Results from the SGIC Consumer Behaviour Studies", published by U.S. Department of Energy in July 2013.

BC Hydro foresees no reliability benefits. Voluntary residential TOU rates do not in any way provide 'dispatchable' demand response.

4.3 In-Depth Rate Modelling & Other Items in Follow-up

Based on the assessment and modeling of RIB rate alternatives reviewed to date and the feedback summarized above, BC Hydro will perform in-depth rate modelling of the following alternatives for review at the next residential RDA workshop, to be scheduled for February 2015:

1. SQ RIB Rate and SQ Basic Charge
2. SQ RIB Rate and SQ Basic Charge and Minimum Charge of $15/month
3. Three-Step Rate as set out in Workshop No. 3
4. Three-Step Rate as suggested by BCOAPO.

In-depth modelling will determine rates for the period F2017 to F2019 and estimate the cumulative conservation difference between each of the rate alternatives and the SQ for each year. Annual and cumulative bill impacts will be reviewed, along with bill impact distributions and charts illustrating better-off or worse-off customers.

BC Hydro will also review at the February 2015 residential workshop the following items raised in the written comments received:

1. The performance of the SQ RIB rate against the Bonbright criteria (Commission staff)
2. The energy conservation role of the RIB rate in relation to other energy conservation activities, particularly DSM programs and codes and standards (BCSEA)
3. Information on BC Hydro's low income DSM programs and conservation potential (Commission staff, BCOAPO, COPE 378). This will include

information on the July 2014 changes to the *Demand-Side Measures Regulation* which raised the low income program eligibility threshold

4. The bill impact test - its purpose and level and the applicable customer percentile threshold (Commission staff, COPE 378).

Based on Commission staff and other participant comments, BC Hydro is scheduling an information session in late November 2014 to review its Residential End Use Survey methodology.

BC hydro

2015 Rate Design Application

June 25, 2014 Workshop No. 3
Electric Tariff Terms and Conditions, Residential Inclining Block Rate

BC Hydro Summary and Consideration of Participant Feedback

Attachment 1

Workshop No. 3 Summary Notes

BC Hydro Rate Design Workshop – Residential Inclining Block and other Potential Residential Rate Design Issues

SUMMARY 25 JUNE 2014 9AM AM TO 2:30 P.M. BCUC Hearing Room 1125 Howe St., Vancouver

TYPE OF MEETING	RDA Workshop No. 3 - Electric Tariff - Terms and Conditions (T&C), Residential inclining Block (RIB) and other potential residential rate issues
FACILITATOR	Anne Wilson, BC Hydro
PARTICIPANTS	Association of Major Power Customers of British Columbia (AMPC), British Columbia Old Age Pensioners Organization (BCOAPO, formerly referred to as Pensioners' and Senior's Organization), BC Sustainable Energy Association and Sierra Club of Canada, BC Chapter (BCSEA), British Columbia Utilities Commission (BCUC) staff, Commercial Energy Consumers Association of British Columbia (CEC), City of New Westminster, Canadian Office and Professional Employees Local Union 378 (COPE 378), FortisBC, Weisberg Law Corporation.
BC HYDRO ATTENDEES	Jane Christensen, Daren Sanders, Gordon Doyle, Craig Godsoe, Rob Gorter, Bryan Hobkirk, Paulus Mau, Cindy Verschoor, Jeff Christian (external counsel).
AGENDA	1. Welcome & Introductions including review of draft agenda 2. Electric Tariff - T&C 3. RIB and other potential residential rate issues

MEETING MINUTES

ABBREVIATIONS

AMPC……Association of Major Power Consumers of British Columbia
BCSEA…..BC Sustainable Energy Association and Sierra Club of Canada (B.C. Chapter)
BCOAPO…British Columbia Old Age Pensioners Organization
CEC…….Commercial Energy Consumers Association of British Columbia
COPE 378…Canadian Office and Professional Employees Local Union 378
RDA……..Rate Design Application
BCH …… BC Hydro
COS……Cost of Service
DSM…… Demand Side Management
kWh…….kilowatt hour
GWh…….Gigawatt hour
BCUC……BC Utilities Commission
IRP…….Integrated Resource Plan
LRMC……Long Run Marginal Cost
REUS…….Residential End-Use Survey
RIB…….Residential Inclining Block
RDR……Remote Disconnection/Reconnection
T&C……Terms and Conditions
TOU……Time of Use

1. ***Welcome and Introductions***

Anne Wilson opened the meeting and emphasized two ways for stakeholders to provide feedback: (1) comments and questions at the workshop itself; and (2) written comments through the feed-back form or otherwise after Workshop No.3, within a 45 day comment period starting with the posting of Workshop No. 3 notes [Note – Workshop No. 3 notes were posted to the BCH 2015 RDA website on 15 July 2014].

2. Presentation: Electric Tariff - Terms and Conditions

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Jane Christensen - discussed potential updates to Electric Tariff T&C including standard charges (sections 6 and 11 of Electric Tariff); and noted that section 8 of the Electric Tariff T&C, which deals with distribution extension, would be discussed in a later workshop.

Daren Sanders – discussed minimum reconnection charges and how the reconnection process and cost drivers of the reconnection process have undergone a fundamental change with the introduction of smart meters.

	FEEDBACK	RESPONSE
1.	**COPE 378** What type of customer/dwelling would have a bi-monthly bill less than $30?	BC Hydro does not apply late payment charge to accounts under $30 (section 6.2 of Electric Tariff). Should BCH maintain the $30 threshold or remove it? BCH has not done analysis to determine which customers have bills less than $30. BCH will address this issue in more detail in the planned January 2015 RIB workshop.
2.	**BCOAPO** Slide 6: In the last RDA FortisBC suggested that extension charges should vary depending on level of service (i.e. 100 vs. 200 amp)	BCH will be looking into varying extension charges on the basis of level of service taken. This will be discussed at the distribution extension workshop in the fall.
3.	**BCUC** Slide 8: People with summer residences who disconnect from system for majority of year. Is BC Hydro considering charging the minimum charge at time of reconnection?	If the reconnection is within one year of the disconnection, BCH charges the greater of the reconnection charge or the sum of the basic charge (which equals minimum charge), applied for all months during the period of disconnection (section 2.6 of Electric Tariff).
4.	**BCUC** Slide 9: Was the $60 million investment for remote disconnect/reconnect (RDR) functionality primarily a manufacturers cost or an internal BC Hydro cost?	The cost was primarily a manufacturers cost along with BCH Information Technology investment.
5.	**COPE 378** Slide 10: Costs for RDR should be recovered from all customers not just in reconnection charge. All customer meters have this functionality and benefit from RDR. Have not seen examples where metering costs have been deconstructed and assigned to different customers. Costs should not be shifted to the reconnection charge as it will impact primarily low-income customers.	BCH presented four scenarios on slide #10 and is requesting feed-back. The issue is whether there are significant system benefits to disconnecting such that costs should be spread across the customer base.
6.	**BCSEA** Would like to understand BCH's principles for assigning costs to the reconnection charge.	The principles BCH will be using to evaluate reconnection charge (section 6.7 of Electric Tariff) options are the Bonbright criteria. At this time BC Hydro is seeking customer stakeholder input on how and why certain allocations could be made. BCH will develop a proposal with a description of the Bonbright criteria applied after taking into consideration stakeholder feedback.
7.	**BCOAPO**	At this time it's predominately used for non-payment.

BC Hydro Rate Design Workshop – Residential Inclining Block and other Potential Residential Rate Design Issues

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	Is RDR solely for disconnection and reconnection?	
8.	**BCUC** Are there cost of service (COS) implications associated with the allocation of costs to the reconnection charge?	Costs assigned to the reconnection charge would be directly assigned. BCH will address this at the October 7, 2014 COS workshop.
9.	**BCUC** Current disconnection charge does not include any meter related charges – just labour and vehicles. The reconnection charge does not need to be punitive as the reconnection charge already allows BCH to bill the minimum charge for the period of disconnection.	BCH is concerned that if the reconnection charge is too low that there may not be an appropriate disincentive to not paying the bill. Additionally if BCH has to undertake a manual disconnection or reconnection, the charge may not recover the costs.
10.	**COPE 378** Disconnection of electric service is in itself a significant deterrent and carries a large burden to low income customers trying to reconnect.	Refer to BCH's response to BCUC above.
11.	**BCSEA** What would be included in reconnection charge if BCH only looked at incremental costs?	Scenario 4 set out on slide 10 is the closest to an incremental approach.
12.	**CEC** Slide 11: To what degree are BCH overheads included in the miscellaneous charges? Are processing costs included in the returned cheque charge?	The bank charge is a flow-through. BCH will look at whether BCH's processing costs should be included in the returned cheque charge (section 6.3 of Electric Tariff). More generally, BCH acknowledges the distinction between incremental and fixed cost recovery in going forward discussions regarding charges.
13.	**BCOAPO** 1.5% per month late payment charge is punitive in today's low interest environment and should not increase further.	BCH will undertake jurisdictional review and consider BCOAPO's comment (section 6.2 of Electric Tariff).
14.	**BCSEA** Principles for cost basis of miscellaneous charges should be understood (cost recovery vs. deterrent).	BCH is reviewing the cost basis of the miscellaneous charges. In most cases cost recovery is appropriate. However, for some charges there may be an element of the charge acting as a deterrent.
15.	**BCSEA** Slide 13/14: Why would a Non-Payment Report Charge be necessary? Customers would pay the reconnection charge each time they were reconnected to the system.	BCH is concerned that if the reconnection charge is too low there would be little deterrent to reporting payments that are not received; reconnection charge may not be sufficient if manual reconnect is required.
16.	**BCOAPO**	Typically BCH will see reported payment within 2-3 days of the customer making the payment. Occasionally there are

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	What is the time between payment and it showing up in BCH's system?	delays in the system (which BCH is made aware of) but non-receipt of a payment is typically attributable to customers not actually making the payment.
17.	**BCUC** Slide 15 – Is it typical for electric utilities to recover credit card fees from all ratepayers?	It is not common for electric utilities to recover fees from all ratepayers. However, BCH offers pre-authorized bank account debit.
18.	**COPE 378** If there is an Electric Tariff provision that provides for gross-up of credit card payments to account for BCH's incremental costs, then it is authorized by law and would trump VISA-BCH agreement.	BCH to consider whether this is correct.

3. Presentation: RIB and other potential residential rate issues - Overview

Rob Gorter provided responses to feedback received from the May 8th workshop (refer to slides 19 and 20), including the use of the eight Bonbright criteria set out in the 1961 text, purpose of the Residential Basic and Minimum Charge, and a voluntary Time-of-Use rate (TOU) for Residential customers.

Paulus Mau walked through an overview of Residential customer characteristics and the Residential End Use Survey (REUS).

	FEEDBACK	RESPONSE
1.	**BCOAPO** Slide 19/29 – Is the Long-Run Marginal Cost (LRMC) value pf 11.01cents/kWh real? Is the LRMC used for RIB Step 2 consistent with Large General Service, Medium General Service and Transmission Service Rate Schedule 1823?	The 11.01 cents/kWh is in $F2016, which is equivalent to the upper bound of the LRMC at 10 cents/kWh in $F2013 (real) prices. The inflation assumptions and equations used to arrive at $11.01 cents per kWh are set out on slide 29. The underlying principle is the same, which is to expose customers to marginal costs. The vintage of the resources used to set LRMC differ given the different implementation timing of these conservation rate structures. Refer to the 8 May 2014 Workshop No. 1 slide deck [Note –slide 13 of the 8 May Introductory workshop slide deck]
2.	**BCSEA** Slides 21-28 – For the REUS how are residences with multiple units behind a single meter captured?	Surveys are sent BCH customers. Therefore, in cases where the landlord is the customer paying the BCH electricity bill, the landlord would be sent a survey, not the individual tenants. If tenants pay the BCH electricity bills they are sent a survey.
3.	**BCOAPO** Slides 21-28 – Are participants self-selected or statistically chosen?	The REUS is sent to a random sample of residential customers. Participation (completing the survey) is voluntary.
4.	**COPE 378** Slide 26 – COPE 378 requests that BCH file the REUS methodology as part of the 2015 RDA. Low income is less likely to respond to surveys such as the REUS, and there is also the stigma	BCH will post the REUS methodology on its 2015 RDA website, and if there is interest, BCH can hold a smaller meeting to walk through the REUS methodology.

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	attaching to self-identifying as low income. Low income may form more than 10% of BCH's residential customers.	
5.	**BCOAPO** What was used to define low income?	For statistical analysis, BC Hydro uses Statistics Canada low income cut-off (LICO) criteria to flag customers in its REUS as to whether or not they are likely low income qualified. The LICO rate is defined as the percentage of families or households which fall below a low income threshold – that being, an income level whereby a family is spending a larger share of its total income on the necessities of food, shelter and clothing than does an average family in an appropriate comparison group (the lower a household's income, a greater percentage of the total is tied to the necessities of living).
6.	**BCOAPO** Slide 21-28 – Very large consumers such as farms and common areas for condominiums tend to skew the results higher.	Farms and apartment 'common use areas' are excluded from the REUS. In any event, use of the median tends to avoid any bias.

4. Presentation: Alternatives to the RIB

Rob Gorter and **Paulus Mau** walked through modelling results for alternative rate designs to the RIB:

- Three Step Rate
- Seasonal Rate
- Customer Specific Baseline Rate
- Flat Rate.

Each of the alternatives was compared against the RIB with respect to Economic Efficiency, Fairness, Practicality and Stability.

	FEEDBACK	RESPONSE
	3 Step Rate (Slides 32-36)	
1.	**COPE 378** Would like to see a 3 Step rate where the 3rd step is a glutinous consumption rate priced very high, with the revenue collected from the 3rd step allocated to fund a lifeline Step 1 rate. Elasticity diminishes as income rises and COPE 378 urges BCH to consider this in rate making.	BCH will model such a rate. BCH would like COPE 378 and other stakeholders' comments on how such a rate aligns with Bonbright criteria such as fairness (cost causation) and efficiency. In particular, what is the basis upon which a very high rate for 'large customers' might be increased, and then ultimately determined? It is not possible to model and/or apply changes in elasticity in relation to income levels as BCH does not collect income data on its customers when they open an account.
2.	**CEC** What problem would a 3 Step rate be trying to address? CEC emphasized fairness, which it tied to complaints about the RIB.	BCH modeled the 3 Step rate, as it was raised in the 2008 RIB proceeding. Refer to slide 32 for the various rationales put forward in the BCUC 2008 RIB proceeding for a 3 step rate. BCH uses the term fairness as described by Bonbright in his 1961 text, referring to cost causation. Complaints are associated with customer acceptance, a separate Bonbright

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		criterion; refer to slide 20.
3.	**COPE 378** Difficult to demonstrate impact of inclining block rate due to recent rate increases. If RIB is working properly there should be an impact on load.	The 2013 RIB Evaluation report demonstrates that the RIB has resulted in cumulative energy savings of between 195 GWh and 444 GWh for the period 2008-2012.
4.	**BCSEA** Is BCH assuming that the LRMC of $85-100 is constant?	Yes. The 2013 Integrated Resource Plan (IRP) identifies the energy LRMC as $85-100, and the primary resources used to fill the gap are Demand Side Management (DSM) and independent power producer electricity purchase agreement renewals. BCH will be doing an IRP update in fall of 2015.
5.	**BCOAPO** Do any utilities have an inclining block rate that includes a very low step 1 price (e.g., 5 cents/kWh) to cover essentials?	Yukon Energy is the only Canadian jurisdiction with a 3 step rate. BCH will examine if Yukon Energy's step 3 rate is set at LRMC. BCH is not aware of a Canadian utility that has a very low step 1 rate that is designed to cover essentials. [Note: California sets aside a minimum electricity allowance for all residential customers, called a baseline allowance. Pursuant to California law, the baseline allowance represents the electricity necessary to supply a significant portion (50-60%) of the reasonable needs of the *average* residential customer]
6.	**COPE 378** Would like to see additional 3 step rate modeling that includes changes to the first step threshold; revenue gained under step 3 should go to low income. Will suggest alternatives to the 10% bill impact to the single most adversely impacted customer. COPE 378 also suggests including information on low income DSM programs.	See BCH's response above that it is open to modelling additional variations of a 3 step rate. BCH modelled the 3 step rate using the 2013 RIB proceeding measurement of limiting bill impacts to 10% for the single most adversely impacted customer. BCH is interested in hearing from stakeholders on alternatives for the measure of bill impacts. BCSEA has suggested an alternative is to measure bill impact on the 95th percentile customer as opposed to the single most adversely impacted customer. BCH agrees that modelling bill impacts around the 95th to 98th percentile by consumption is reasonable. BCH agrees that information on its low income DSM programs is in scope for context, and will provide this information as part of its next RIB workshop, expected for January 2015.
7.	**BCUC** Interested in knowing what the rate impacts would be if the top 5% of customers were excluded from the bill impact threshold; in other words, that the Step 3 rate be set based on a 10% bill impact to	BCH expects that the Step 2/Step 3 threshold would increase, and the Step 3 rate would increase, all other things being equal.

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	the 95th percentile customer.	
8.	**BCUC** Expressed a concern about incentives if the Step 1 rate is set very low.	
9.	**COPE 378** Questioned BCH's assessment that a 3 step rate would be less understandable than the current two step rate.	Experience in other jurisdictions demonstrates that there is increased complexity as the number of steps increases. Pacific Gas & Electric in California is seeking to reduce the number of steps in its tiered rates from 4 to 2.
10.	**BCSEA** Would the removal of the 10% bill impact constraint allow for a higher step 3 rate and greater conservation?	Yes. However, and as noted above, BCH would be interested in hearing what Bonbright criteria would support a very high step 3 rate above LRMC.
	Seasonal Rates (slides 37-42)	
11.	**BCSEA** Why did BCH relax the 10% bill impact constraint for modelling seasonal rates? Even with the 10% bill impact constraint relaxed there is very little change to customer bills when comparing seasonal to the RIB.	Imposing the 10% constraint would make the modelling of the Seasonal rate very complicated. Agreed. This raises the question of why BCH would pursue a seasonal rate as an alternative to RIB.
12.	**CEC** There is a fairness issue. Rates should reflect cost causation.	The seasonal rate as modelled was proposed in the 2008 RIB proceeding and does not reflect cost causation.

5. ***Presentation:*** *Alternative Means of Delivering the RIB; LRMC; Voluntary TOU for Residential; Lifeline Rate*

Rob Gorter and **Paulus Mau** walked through modelling results for alternative means of delivering the RIB that were identified in prior BCUC proceedings:

- Step 2 Rate = LRMC
- Step 1 / Step 2 Threshold alternatives
- Basic Charge and Minimum Charge Alternatives.

Each of the alternatives was compared against the RIB with respect to Economic Efficiency, Fairness, Practicality and Stability.

Rob Gorter also followed up on the issue of whether the energy LRMC should include a capacity value, which was raised at the 8 May 2014 Workshop No. 1; voluntary TOU for residential customers; and Lifeline rates.

	FEEDBACK	RESPONSE
1.	**BCUC** Slide 54 - Limiting the Step 2 rate to LRMC will reduce conservation, and with Revenue Requirement increases, will likely result in a flat	Setting the Step 2 rate at LRMC would satisfy the Bonbright efficiency criteria; however, bill impact and rate stability are also important considerations. BCH used F2016 as the year for modelling for this

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	rate regardless of intent. Thus pricing principles even under the status quo RIB are important elements of the rate design discussion. There should be good reasons behind having a Step 2 rate that exceeds LRMC.	workshop. BCH will model future years for the next RIB workshop, which will likely be in January 2015. BCH agrees that pricing principles are and important element of rate design. BCH would like to hear from stakeholders what the good reasons are for *intentionally* setting the Step 2 rate above LRMC.
2.	**BCUC** What is the elasticity response of customers at Step 1 and Step 2? Questioned whether if a customer sees a Step 2 rate, is their elasticity assumed to be -0.1?	This information is contained in the RIB evaluation report submitted as part of the 2013 RIB re-pricing application. BCH has 8 years of empirical data supporting a step 2 elasticity of -0.1. The step 1 elasticity is -0.05, but it is difficult to measure given that the Step 1 rate has remained essentially flat for the 8 year period that was evaluated. BCH will post a copy of its RIB evaluation report to its 2015 RDA website. Generally, yes, as estimated on a monthly basis. Conservation modelling is done in aggregate, using calendarized monthly customer billing data. The consumption that is subjected to the elasticity of -0.1 for each month is computed by summing up the monthly consumption for customers who have been charged the step 2 rate for each respective month.
3.	**BCUC** Slide 59 - When looking at the different thresholds did BCH remove the outliers as was done in the 2008 RIB?	Yes.
4.	**BCUC** Slide 63 – The 758 kWh threshold appears to impact larger consuming customers but reduces the exposure to the Step 2 rate for the bulk of customers. What are the conservation impacts?	As seen on slide 60 there is an increase of 54 GWh in conservation as a result of the increased threshold. This is a result of the higher Step 2 rate that larger consumers are exposed to.
5.		
6.	**BCUC** Slide 67 - The introduction of a Minimum Charge has a high impact on low consuming customers. Customers may try to game it by cancelling service and reconnecting later. Minimum Charge should be looked at with Reconnection Charge.	The Basic Charge is the Minimum Charge for Residential service presently. If the reconnection is within one year of the disconnection, the Minimum Charge would be the greater of the Reconnection Charge or the sum of the Basic Charges, applied for all months during the period of disconnection.
7.	**BCOAPO** BCH should examine a Minimum Charge based on service size.	BCH will do this for the next RIB workshop, likely to be January 2015.
8.	**BCSEA** Slide 82 - Would like to see greater justification of adding a capacity value to the LRMC.	BCH committed to review this issue as it was raised in the 2013 RIB Re-pricing application by an intervener, but it is not seeking to justify the idea. Rather, BCH set out its understanding of this issue, and the reasons it proposes to not add a capacity value to the LRMC of energy for RIB

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		ratemaking. BCH has yet to hear from the specific intervener that raised this issue, but is interested to hear from stakeholders as to whether, and why this this idea might be justified
9.	**COPE 378** Questioned whether the addition of a capacity value to the energy LRMC used for RIB step 2 would result in a customer response.	BCH does not believe that there would be a capacity related response by customers. The effect of adding a capacity value to the LRMC would raise the energy LRMC from $100/MWh to about $112/MWh.
10.	**BCOAPO** LRMC for capacity should be based on capacity resources and not intermittent resources.	Agreed; The capacity reference is Revelstoke Unit 6 at $50/kW-year to $55/kW-year.
11.	**BCSEA** Slide 83 - Would like to see a voluntary TOU for Residential. BCSEA would also be interested in jurisdictional and other information on a mandatory TOU for Residential customers.	BCH would be interested as to what benefits a voluntary TOU program could bring. BCH set out in slide 83 that a voluntary TOU for Residential has substantial limitations with few expected benefits. In the 8 May workshop, BCH set out that it would not examine a mandatory TOU for residential on the basis that such a rate is against BC Government policy. BCH believes it is possible to assess a voluntary TOU for residential without looking at a mandatory TOU for residential.
12.	**COPE 378** There was a voluntary TOU pilot that may have some findings, such as not much consumption impact. Could BCH make this available?	BC Hydro will consider posting the Voluntary TOU pilot report on the 2015 RDA website.
13.	**COPE 378** Slide 84 - COPE 378 will pursue Lifeline rates in the 2015 RDA process.	

6. Closing Comments

Anne Wilson thanked everyone for making the time to participate in the workshop, reviewed the ways that feedback can be submitted to BC Hydro, and reiterated that the 45 day written comment period starts with the posting of Workshop # 3 notes [Note – posted on 15July 2014].

BCH will be providing information on anticipated workshops at the beginning of September. A second COS workshop is set for 7 October 2014; BCH anticipates a Distribution and Transmission extension workshop(s) in October; and a Large General Service/Medium General Service rate structure workshop in November. BCH is continuing to meet with customer groups – BCH is meeting with AMPC on load curtailment/interruptible rates on 27 June 2014, for example. Meeting minutes from these meetings will be posted to BCH's 2015 RDA website.

Meeting adjourned at 2:30 p.m.

BC hydro

2015 Rate Design Application

June 25, 2014 Workshop No. 3
Electric Tariff Terms and Conditions, Residential Inclining Block Rate

BC Hydro Summary and Consideration of Participant Feedback

Attachment 2

Feedback Forms and Written Comments

TOPICS		PROPOSED OPTIONS FROM BC HYDRO	STAFF COMMENTS
SLIDES 7 TO 10	Standard Charges Update • connection charges • reconnection charges • miscellaneous charges	BC Hydro is proposing an update to the current minimum reconnection charge from, for example, $125 (regular) to one of the 4 scenarios: (~ $33 to $213) as a result of the new functionality (self-reconnection) introduced by Smart Meter.	The factual basis for what costs should be included in the reconnection charge (e.g., how much do RDR and IT costs bring other system benefits; and what were the drivers for incurring these costs?) is necessary to choose between the scenarios (slide 10). Slide 9 indicates a $60 million incremental investment to allow remote disconnection. The RDA should discuss why this cost is not part of SMI investment cost since it appears to be standard functionality and that it benefits all residential customers. To the extent that SMI technology has resulted in lower disconnection and reconnection costs than manual costs, should these lower costs be reflected in the tariff as a benefit from SMI? The existing tariff has a condition that a customer seeking reconnection within one year must pay the basic (which equals minimum) charges that were missed. Is the aim to avoid gaming or seasonal disconnection? With RDR functionality, should customers be provided with options to pay RDR costs instead of missed charges? BC Hydro explained at the workshop that the $90 cost for RDR Metering and IT was a simple calculation of the $60 million spread over 20 years. Is BC Hydro going to refine that

				to the actual expected revenue requirement impact?
Slides 11 to 15	Standard Charges Update • Account Charge • Non-payment report charge • New charges	BC Hydro is proposing: • Different treatment of new customers vs. existing customers who move • On-line account move discount • New charge for non-payment when reporting a payment • Credit card payment fees		In BC Hydro's proposals for new charges or discounts, does BC Hydro plan to undertake residential customers' preference surveys to inform the 2015 RDA? e.g., use of credit cards for payment? On-line account move discount?
Slides 17 to 20	BC Hydro Recapturing feedback and response on Workshop 1 • TOU • 10 % bill impact threshold • Basic charges and minimum charges • RIB rate threshold • LRMC • Beyond customer meter • Lifeline rates • Electric vehicle rates • Bonbright criteria	BC Hydro's position: • LRMC continues to be the appropriate referent to a Step-2 rate • EV is not material in the first 10 years of the 2013 load forecast		Before proposing rate design changes to the RIB rate, staff believe that it would be useful for BC Hydro to comment how the current RIB rate meets the various elements in the Bonbright test.
Slide 20	Bonbright Criteria	The Bonbright criteria (as set out in 1961 and supplemented with 1988 text) can be grouped		Since the Bonbright principles somewhat conflict (e.g., perfect cost causation versus administrative simplicity), the application should tie its emphasis of some Bonbright principles over others to the circumstances of the utility (cost,

		under: • Efficiency • Fairness • Practicality, and • Stability	policy, etc.) and to BC Hydro's objectives.
Slides 21 to 28	Understanding residential accounts: • Region • Dwelling type • Electric space heating • Household size • Low-income		Will BC Hydro be providing a definition of 'electric space heating'? E.g., does it have to be 100% space heated by electric or does it qualify if it meets a certain percentage? Will electric baseboards in some rooms in the house constitute electric space heating for that customer account? Does BC Hydro have the information on how households use electric space heating? BC Hydro indicated that it will post its REUS methodology on its 2015 RDA website, and if there is interest, it can hold a smaller meeting to walk through the REUS methodology. It would be useful for Hydro to inform workshop participants when the REUS methodology has been posted, and after parties have had a chance to review it, poll them on interest in a workshop. If there is the possibility that issues such as the REUS methodology can be largely explored before the application is filed that could save substantial time and effort during the proceeding. Also, BCH indicated that low-income data is not broken out by heating type (it is by housing type). Can the low-income data be disaggregated by heating type, and if so, would there be value in doing so? In order to assess whether the current Step1/2 threshold is correctly designed, will BC Hydro include any commentary on how to measure efficiency benefits and fairness? As an example, what % of single family homes in each of the four regions consume tier 2 electricity on 3 or more billing periods

			(i.e. 6 months)?
Slides 29 to 30	Key modelling assumptions	The key assumptions in the BC Hydro model are in relation to: • Billing data • Sampling • Bill impact constraint • Revenue neutrality • LRMC BC Hydro models revenue neutrality to status quo target revenue on forecasted load and a revenue requirement of 6%.	A discussion on the 10% cap assumption for bill impact would be useful, e.g., whether the 10% should also include revenue requirements impact? Or whether 10% may be exceeded where the absolute dollar value of the increase is very small?
Slides 31 to 51	Alternative Designs to the RIB • 3-step rate • Seasonal rate • Customer specific baseline • Flat rate	BC Hydro's proposed evaluation methods include: • Jurisdictional assessment • Modelling of rates, bill impacts and conservation • Measured against Bonbright principles	Under the 3-step rate design, a discussion on the potential number of customers with bill decrease would be useful. Is a substantial decline in rates to a particular large group within a class considered to be an acceptable rate design? Is the 3 step rate a reasonable tool to encourage efficient energy consumption given the wide disparity of residential usage (dwelling size, number of occupants)? Providing information on jurisdictions with 3 (or more) tier rates and their similarities and differences with BC Hydro will be useful. It will be useful to discuss whether BC Hydro has the peaking characteristics that require seasonal rates? Would seasonal rates result in dwellings with alternative space heat falling out of Step 2? Would this result in energy switching? Does fuel switching align with provincial government policy?

				Slide 47: Fairness of the Customer Specific Baseline Rate doesn't mention the impact of weather variability for heating customers. Does BC Hydro consider this to be a significant fairness issue?
Slides 52 to 65	Alternative Means of Delivering the RIB • Step 2 rate = LRMC • Step1/Step 2 Threshold alternatives • Basic Charge & Minimum Charge alternatives	BC Hydro's proposed evaluation methods include: • Jurisdictional assessment • Modelling of rates, bill impacts and conservation • Measured against Bonbright principles		One of the most important changes since the last rate design on the RIB rate is the downward revision of the BC Hydro estimate of LRMC. As a result, the current Step-2 rate is higher than LRMC. It is useful for BC Hydro to discuss if the new LRMC should be used as the benchmark for rate design in the context of a wider range of estimate and a lower confidence level than previous LRMC estimates. Is BC Hydro able to determine the extent that customers who only consume under the Step 1 rate could be over-consuming electricity as a result? For example, would a lower Step I rate encourage air conditioner sales? Keeping Basic Charges below cost allows more cost recovery from consumption charges but distorts the fair cost recovery within a class. Do higher fixed charges adversely affect low income customers? BCH should provide its rationale for the basic charges it proposes.
Slides 53 to 56	The current Step 2 rate is > LRMC	Should a RIB rate pricing principle constrain the Step 2 rate to equal LRMC? If so, there will be a large increase to Step 1 rate and large reduction in conservation. Are there compelling		The issue is whether conservation inducement should occur up to BC Hydro's marginal cost of supply or whether conservation should be encouraged at even higher prices. The RDA should explore the logic between these options in the context of government policy, directives to the BCUC legislation, customer behaviour studies, and rate design principles. The current Step 2 rate is higher than the LRMC estimate. At this higher rate, does BC Hydro have any evidence that residential customers are discouraged from using electricity

		reasons to depart from prior BCUC Decisions that the LRMC is the appropriate referent to Step 2 rate? What is the alternative to LRMC?	even when it is efficient use? Does BC Hydro have evidence that residential customers are making more investments in efficient energy consumption? Slide 82 discusses the arguments for and against adding a capacity value to LRMC and BC Hydro indicates in its summary that it is not proposing to add a capacity value (Sec. 5, #8). Even though BCH indicates that the LRMC, including a capacity value, is lower than the current step 2 rate, how much is the inclusion (or not) of a capacity value in the LRMC an issue going forward?
Slides 57 to 65	Is the current threshold (i.e., 90 % of median) still appropriate?	BC Hydro's analysis: • Reduction in the current threshold will reduce Step 2 rate • High threshold, e.g., >719 will exceed the 10% bill impact	BCH may want to analyze the 10% bill threshold in the context of the vast majority of customers (e.g., 90-95%) rather than the most extreme customer. Slides 61-64 show bill impacts for electric heat customers at various Step 2 thresholds. Is it possible to show the level of consumption of heating and non-heating customers relative to the thresholds, and the potential conservation impact arising from the different thresholds?
Slides 66 to 80	Currently, BC Hydro minimum charge is the basic charge. • Should basic charge be increased toward cost-based? Or decreased? • Should minimum charge be decoupled from the basic charge • What level of minimum charge would be appropriate? What additional analysis do stakeholders recommend (with	BC Hydro models four scenarios of basic charges: (1) No basic (2) SQ basic (3) 50% FC recovery basic charge (4) 100% FC Basic In (2) and (3) sensitivity analyses are carried out for different levels of Minimum Charge per	The 4 scenarios will be informative for the application and future hearing. BC Hydro should evaluate each scenario's contribution to conservation vs. fair cost recovery. Slides 79-80 indicate for the Economic Efficiency criterion, that the Step 2 rate is unchanged. It may be that this is intended to imply no impact on conservation, but it would be useful to explicitly address the conservation impact.

	reasons)?	month.	
Slides 81 to 82	LRMC for Rate Making	BC Hydro proposes that the LRMC for RIB rate-making not include a capacity value to be added to the LRMC (energy).	
Slides 81 & 83	Voluntary TOU Rates	BC Hydro's position is that there will be no associated energy savings and low to modest capacity savings; there will be cost-shifting; participation will be limited to natural winners and self-selecting customers; and can result in a revenue shortfall.	Providing evidence on the take up rates and benefits where TOU has been implemented, and which, if any, of the utilities that implement TOU have hydro-based systems, would be informative to whether it makes sense at BC Hydro. Is there network constraint at BC Hydro so that it is necessary to encourage customers to shift to off-peak usage?
Slide 81	Lifeline Rates	BC Hydro views that it is outside BCUC's jurisdiction and the lifeline rates are likely to be unduly discriminatory. BC Hydro references the 2008 RIB Argument and Reply.	A discussion of the conservation potential of low income customers under RIB rate and under targeted DSM programs would be helpful.

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FOR GENERATIONS

2015 RDA – June 25th, 2014 RIB and Terms & Conditions Workshop Feedback Form

Name/Organization: BC Public Interest Advocacy Centre on behalf of BCOAPO *et. al.*	
	Comments (Please do not identify third-party individuals in your comments. Comments bearing references to identifiable individuals will be discarded due to privacy concerns).
Presentation 1: Electric Tariff – Terms and Conditions	
Updates and Clean-Up Late Payment Charge – should the late payment charge apply to all outstanding balances owing, not just outstanding balances over $30 (i.e., no $30 threshold)?	There should be separate terms and conditions in BC Hydro's tariff for those who can establish with BC Hydro their low-income status. The terms and conditions should include (inter alia) security deposits; under-billing adjustments; equal billing and payment plans; disconnection policies; arrears payment agreements; lifeline rates; lower late payment charges and interest rates on overdue accounts; financial assistance policies; demand side management programs; and lower reconnection charges.
Standard Charges - Reconnection Charges	
Should agent costs (or a portion of) to initiate disconnection process be included? If a portion, what percentage? Please provide an explanation for the amount.	
Should the remote disconnect/reconnect (**RDR**) switch and related Information Technology (**IT**) costs (or a portion of) for the disconnection be included? If a portion, what percentage? Please provide an explanation for the amount.	

Should the manual disconnection costs (or a portion of) be included? If a portion, what percentage? Please provide an explanation for the amount.	BC Hydro should not include in the reconnection charge the costs of disconnecting the customer in the first place.
Should agent costs (or a portion of) to initiate the reconnection process be included? If a portion, what percentage? Please provide an explanation for the amount.	As BC Hydro's agents are likely expected to perform a certain number of transactions each hour, the basic cost to BC Hydro of each agent-performed process can be ascertained and could then form the basis of a cost-based reconnection charge.
Should IT costs (or a portion of) for self-service reconnection be included? If a portion, what percentage? Please provide an explanation for the amount.	These costs should not be factored into the reconnection charge. These costs are part of the basic functionality of the smart meter program and benefit all users of the system and not just those who get disconnected and reconnected
Should the RDR switch and related IT costs (or a portion of) for the reconnection be included? If a portion, what percentage? Please provide an explanation for the amount.	These costs should not be factored into the reconnection charge. These costs are part of the basic functionality of the smart meter program and benefit all users of the system and not just those who get disconnected and reconnected.
Should the manual reconnection costs (or a portion of) be included? If a portion, what percentage? Please provide an explanation for the amount.	The costs of manual disconnection for the small number of customers who (for no fault of their own) cannot have their meters disconnected remotely should be built into the standard reconnection charge. The full cost of the reconnection fee can still be collected from customers who opt out of smart meters.
Should an average reconnection charge for remote and manual disconnections be used?	The charge to reconnect should incorporate the costs of remote reconnects and the costs of reconnecting manually all those customers who (for no fault of their own) cannot have their meters disconnected remotely.

Should there be a different reconnection charge for customers moving into disconnected unsigned premises?	
Standard Charges - New Miscellaneous Charges	
Account Charge – should a different fee be charged for the set-up of new customers?	Given that low-income ratepayers probably move more often than those with higher incomes, BC Hydro should not charge as much for customers who move as for setting up new accounts.
Account Charge – should a discount be offered for customers processing the account move through the on-line channel?	Given that low-income ratepayers have less access to the internet, we do not support this discount. Further, BC Hydro is not proposing to give those who pay their bills using internet banking any form of discount.
Non-Payment Report Charge – if the reconnection charge is significantly reduced, should there be a charge for reported payments not received as a means of deterring behaviour?	In the event that BC Hydro significantly reduces the reconnection charge (from $125 to at most $30) then introducing such a charge may deter such behaviour. Customers who default on their payment obligations are already being penalized by being denied service and having to pay interest on overdue accounts. Therefore, the impact of further penalties should be carefully considered.
Credit Card Charges – should credit card payments be accepted and include fees in general rates?	No, as higher income people are more likely to pay their bills with credit cards, all ratepayers should not have to pay their credit card fees.
Credit Card Charges – should credit card payments be accepted but only if able to pass on fees to customers using payment channel?	Yes, credit cards should only be accepted if BC Hydro can pass on the additional fees associated with credit card payments to the custoemrs who choose to pay with credit cards.

Presentation 2 - Residential inclining Block (RIB) and other potential residential rate issues	
A. Should BC Hydro continue to consider a Three Step Rate and if so, what additional analysis do stakeholders recommend (with reasons)?	BC Hydro should consider modeling a 3 step rate where i) the first tier gives every residential customer enough power each month (e.g. 250 kWh) to meet the basic necessities at a very low "heritage" rate of, for example, 5 cents/kWh, and ii) where the third tier would be set at an approximately 10% premium over LRMC to fund i) lifeline rates for low-income ratepayers ii)low-income DSM programs, and iii) financial assistance programs.
B. Should BC Hydro continue to consider a Seasonal Rate structure and if so, what additional analysis do stakeholders recommend (with reasons)?	A seasonal rate structure might convey a benefit on those customers who use electricity to heat their space and water. This would seem like looking beyond the meter, which is something BC Hydro seeks to avoid.
C. BC Hydro concludes that a Customer Specific Baseline Rate is not a viable option.	Agreed in general terms, but BCOAPO notes that some US jurisdictions give their low-income customers and those with certain medical conditions an additional amount of energy each day in their base line amounts.
D. BC Hydro considers that a Flat Rate is inconsistent with government policy and performs worse relative to the SQ in terms of efficiency and fairness considerations. BC Hydro therefore proposes that no further modeling is required, and asks for stakeholder comment.	Agreed. A flat rate would be inconsistent with provincial policy as presently enunciated.
E. BC Hydro seeks input on whether a RIB rate pricing principle should constrain the Step-2 rate to equal LRMC.	

F. Are there compelling reasons to depart from prior BCUC Decisions that the LRMC is the appropriate referent to a Step 2 rate, and if so what is the alternative?	In many jurisdictions, LRMC may be a meaningful concept, but in BC, the provincial energy policy that mandates "self-sufficiency" and requires BC Hydro to purchase far more intermittent power than it needs at premium prices makes the calculation of LRMC almost meaningless.
G. BC Hydro seeks input on whether there are compelling reasons to change the SQ RIB threshold and if so, what additional analysis do stakeholders recommend (with reasons)?	The underlying principle should be subject to ongoing review. Lowering the SQ RIB threshold to 600kWh/mo. may encourage more conservation by showing more people the Tier 2 price during the winter months. BC Hydro might also consider monthly billing as opposed to bi-monthly, as this would send price signals twice as often to its customers.
H. BC Hydro seeks input on why BC Hydro would model very low thresholds (500, 400, other kWh/mo.) as they do not reflect typical Residential use. What is the objective basis for a very low threshold?	See the response to A. above.
I. BC Hydro seeks input on increasing or decreasing the Basic Charge, and what additional analysis, if any, stakeholders recommend (with reasons).	It would help if BC Hydro, its regulator, and its customers all shared a common understanding of the purpose of the Basic Charge. BC Hydro's Basic Charge is inherently regressive and as a consequence, BCOAPO *et al.* plans to oppose any proposal to increase it. We have suggested that BC Hydro consider establishing a charge that reflects the amperage at which customers take service (i.e. someone taking service at 200 amps would pay a lower charge than a customer taking service at 400 amps).

J. BC Hydro seeks input on decoupling the Minimum Charge from the Basic Charge, including in relation to whether the Basic Charge should be changed.	We agree with the concept of decoupling.
K. BC Hydro proposes no further modeling is required in respect of 100% fixed cost recovery through a Basic Charge or in respect of eliminating all forms of fixed charges.	
L. What additional analysis, if any, do stakeholders recommend (with reasons)?	We have suggested that BC Hydro consider establishing a charge that reflects the amperage at which customers take service (i.e. someone taking service at 200 amps would pay a lower charge than a customer taking service at 400 amps).
M. BC Hydro proposes that the LRMC for RIB rate-making not include a capacity value to be added to the LRMC (energy). What are stakeholders' views on the concept?	BC Hydro should recognize that all energy requires capacity and that under current government policy, the intermittent power that BC Hydro is obliged to contract for at premium prices delivers very limited amounts of dependable capacity. Accordingly any estimate of LRMC should include recognition of the UCC of Revelstoke 6 and the necessary transmission and substation infrastructure, increased by a line loss factor.
N. BC Hydro seeks stakeholder feedback on the reasons why BC Hydro would pursue Voluntary TOU for Residential customers.	We oppose voluntary TOU for residential customers. TOU rates are unlikely to benefit low-income ratepayers.

Additional Comments, Items you think should be in-scope, not currently identified:

CONSENT TO USE PERSONAL INFORMATION

I consent to the use of my personal information by BC Hydro for the purposes of keeping me updated about the 2015 RDA. For purposes of the above, my personal information includes opinions, name, mailing address, phone number and email address as per the information I provide.

Signature:_____ Date: _____

Thank you for your comments.

Comments submitted will be used to inform the RDA Scope and Engagement process, including discussions with Government, and will form part of the official record of the RDA.

You can return completed feedback forms by:

Mail: BC Hydro, BC Hydro Regulatory Group – "Attention 2015 RDA", 16th Floor, 333 Dunsmuir St. Van. B.C. V6B-5R3

Fax number: 604-623-4407 – "Attention 2015 RDA"

Email: bchydroregulatorygroup@bchydro.com

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2015 RDA – June 25th, 2014 RIB and Terms & Conditions Workshop Feedback Form

Name/Organization: B.C. Sustainable Energy Association and Sierra Club of B.C.

29 August 2014

		Comments (Please do not identify third-party individuals in your comments. Comments bearing references to identifiable individuals will be discarded due to privacy concerns).
		Presentation 1: Electric Tariff – Terms and Conditions

	Comments (Please do not identify third-party individuals in your comments. Comments bearing references to identifiable individuals will be discarded due to privacy concerns).
Updates and Clean-Up Late Payment Charge – should the late payment charge apply to all outstanding balances owing, not just outstanding balances over $30 (i.e., no $30 threshold)?	BCSEA-SCBC understand that the current Late Payment Charge is 1.5% per month (equivalent to 19.6% per annum compounded monthly). [p.11] We don't have information about a $30 threshold. There are two parts to the question: 1. Should there be a $30 threshold? 2. If there is a $30 threshold, should the charge apply only to amounts above $30 or should the charge apply to the entire outstanding amount. Several factors should be taken into consideration: 1. Impact on low income customers. Where a payment is late because the customer lacks the ability to pay, it is important that the late payment charge not unnecessarily exacerbate the situation. For example, it would probably be desirable for the customer to know exactly how much must paid, as opposed to a moving target that goes up by a few cents every period of time. One wouldn't want a situation where the customer pays the outstanding amount, only to discover that the bill is not fully paid because of the late payment charge. 2. Discouraging financially motivated late payment. Clearly, it would not be desirable to have such a low finanical consequence of late payment that a shrewd customer could actually save money by paying late. 3. Simplicity. For both BC Hydro and the customer there is value in simplicity. For example, if the threshold was abolished entirely, then there could be late payment charges that work out to less than a dollar. That would be more trouble than it's worth. Also, some customers may round off their payment: a little over on one invoice, a little under on the next. It wouldn't be helpful to get into disputes about trivially small late payments.

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	4. Legality of the effective interest. We don't know what the maximum legal rate of effective interest is, or whether it technically applies to a utility rate. But 19.6% per annum seems like a very high penalty for late payment.
Standard Charges - Reconnection Charges	
Should agent costs (or a portion of) to initiate disconnection process be included? If a portion, what percentage? Please provide an explanation for the amount.	For all of these Reconnection Charges questions, BCSEA-SCBC make two points at this time. 1. We support making it less difficult for people with finanical difficulties to reestablish service after a disconnection due to their inability to pay. 2. We don't feel we have enough information on the potential for a reduction in the Reconnection Charge to influence the behaviour of customers whose occupancy is seasonal or intermittent. To what extent would reducing the Reconnection Charge induce people to terminate and reconnect rather than retaining service during periods of non-occupancy? What are the pros and cons of inducing people to terminate and reconnect electrical service for periods of non-occupancy? Is there a signficant net revenue cost to BC Hydro? Are there safety issues (wired smoke alarms being inoperative, for example)?
Should the remote disconnect/reconnect (**RDR**) switch and related Information Technology (**IT**) costs (or a portion of) for the disconnection be included? If a portion, what percentage? Please provide an explanation for the amount.	
Should the manual disconnection costs (or a portion of) be included? If a portion, what percentage? Please provide an explanation for the amount.	
Should agent costs (or a portion of) to initiate the reconnection process be included? If a portion, what percentage? Please provide an explanation for the amount.	

	Comments (Please do not identify third-party individuals in your comments. Comments bearing references to identifiable individuals will be discarded due to privacy concerns).
Should IT costs (or a portion of) for self-service reconnection be included? If a portion, what percentage? Please provide an explanation for the amount.	
Should the RDR switch and related IT costs (or a portion of) for the reconnection be included? If a portion, what percentage? Please provide an explanation for the amount.	
Should the manual reconnection costs (or a portion of) be included? If a portion, what percentage? Please provide an explanation for the amount.	
Should an average reconnection charge for remote and manual disconnections be used?	
Should there be a different reconnection charge for customers moving into disconnected unsigned premises?	
Standard Charges - New Miscellaneous Charges	

	Comments (Please do not identify third-party individuals in your comments. Comments bearing references to identifiable individuals will be discarded due to privacy concerns).
Account Charge – should a different fee be charged for the set-up of new customers?	BCSEA-SCBC understand that the question is whether there should be a different charge for setting up a new account for a new customer compared to setting up a new account for an existing customer (i.e., a customer who is moving from one premises to another). [p.12] "Validation of identity is an additional step performed only for new customers." We don't have enough information at this point to be convinced that there is a sufficiently clear cut line between a new and and existing customer for that distinction to be the basis for a different charge. The decision whether to do a validation of identity can be made with internal policies and guidelines that allow more exercise of judgement and discretion than would be possible if there there financial consequences to the customer. For example, what length of time between the termination of the old account and the set-up of the new account would disqualify a person from the existing-customer charge? What about a change from an account in two names to an account in one name? What about a change in the customer's name – how much of a difference does there have to be between the old and the new name?
Account Charge – should a discount be offered for customers processing the account move through the on-line channel?	Yes. BCSEA-SCBC strongly favour rewarding customers for using more efficient means of interacting with the company.

	Comments (Please do not identify third-party individuals in your comments. Comments bearing references to identifiable individuals will be discarded due to privacy concerns).
Non-Payment Report Charge – if the reconnection charge is significantly reduced, should there be a charge for reported payments not received as a means of deterring behaviour?	BCSEA-SCBC need more information on the rationale for linking a false payment report charge to the reconnection charge being significantly reduced. There probably should be a charge for a false payment-made report. Consideration could be given to a sliding scale for repeat occurrences by the same customer/account. On the one hand, people who are having difficulties getting their service reconnected are vulnerable and it would be counter-productive to add to their woes unnecessarily. On the other, it would not be functional to create a loophole by which a person could get electrical service without paying for it, simply by making repeated false payment-made reports.
Credit Card Charges – should credit card payments be accepted and include fees in general rates?	BCSEA-SCBC don't have a final position on this question. We understand that BC Hydro currently allows auto debit from financial accounts. Is there an important reason why offering a credit card payment option would meet customers' needs, beyond rewards points?

	Comments (Please do not identify third-party individuals in your comments. Comments bearing references to identifiable individuals will be discarded due to privacy concerns).
Credit Card Charges – should credit card payments be accepted but only if able to pass on fees to customers using payment channel?	On p.15, the materials state, "Consideration of BC Hydro accepting credit card payments directly and passing fees onto customers that use this payment channel." Noting that credit card company transaction charges can deduct several percent from the merchant's net receipt, it would be highly desirable to assign credit card charges to the particular customers causing them, if that were possible. However, we understand that the credit card companies don't normally allow a merchant to impose a surcharge on a transaction paid by credit card. Also, note that the size of the credit card fee varies by the type of card. Cards with high customer rewards attract high transaction fees (normally paid by the merchant). If it were not possible for BC Hydro to pass the credit card transaction fee on to customers paying by credit card, then other ratepayers would be subsidizing the convenience and credit card rewards received by customers who pay by credit card. This would not be fair, unless there is an important rationale for making credit card payment service available that we are unaware of.
Presentation 2 - Residential inclining Block (RIB) and other potential residential rate issues	

	Comments (Please do not identify third-party individuals in your comments. Comments bearing references to identifiable individuals will be discarded due to privacy concerns).
A. Should BC Hydro continue to consider a Three-step Rate and if so, what additional analysis do stakeholders recommend (with reasons)?	No. On the understanding that BC Hydro has rejected modeling a life-line rate, BCSEA-SCBC think that the three-step rate offers insufficient benefits to justify changing from the existing, known two-step rate design. Other things being equal, retaining the *status quo* two-step rate has the advantage of simplicity, customer acceptance and customer understanding. Moving to a three-step design would not induce significantly more conservation and efficiency. BCSEA-SCBC would be sympathetic to life-line rate concept for low income customers. However, simply adding a low-consumption/low-rate step would not efficiently assist low income customers because many low income customers would not benefit (because they have average or above consumption), and many non-low-income customers would benefit (because they happen to have very low consumption for any of a variety of reasons, such as seasonal occupancy, well insulated premises, non-electric heat, etc.) We note an apparent inconsistency between BC Hydro's stated principle that the Step 2 price ought not to exceed the LRMC and the modelled Step 3 price in this instance (pp.35-36). Given that BC Hydro has modeled a three-step rate where the highest rate exceeds the LRMC, it would be useful to model a two-step rate where the second step exceeds the LRMC.

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B. Should BC Hydro continue to consider a Seasonal Rate structure and if so, what additional analysis do stakeholders recommend (with reasons)?	BCSEA-SCBC see no merit in BC Hydro's exploring the Seasonal Rate further. We understand that the question is whether BC Hydro should continue to consider a Seasonal Rate structure that is somehow designed to moderate bill impacts (of a two-step rate) for electric space heating customers. Given that BC Hydro apparently is not able to define and determine (for the 1.7 million accounts) the category of electric space heating customer, there are few if any viable ways to limit the bill impacts for space heating customers during the winter using the rate design itself. We note that the "electric heat customer" (e.g., p.40) is a profile based on the REUS, and does not indicate that BC Hydro has reliable data on which accounts are and are not "electric heating." In addition, as would be expected, with a revenue neutral rate design, any tweak (such as lowering the threshold during winter months) is more expensive for some customers and less expensive for other customers. The balancing point between winners and losers is based primarily on the quantity of consumption, and to a lesser extent the degree of seasonal variability of the customer's consumption. Both of these factors are only loosely related to electric heat versus non-electric heat status. Another problem with trying to use the residential rate structure to reduce the bill impacts of a two-step rate on electric space heating customers is that, in principle, it is during the winter months that BC Hydro's residential peaks, and therefore it is during the winter that the price signal for conservation and efficiency should be the higher, not lower, than the price signal in the non-peak months. This is contrary to the conservation supporting function of the RIB rate, which BCSEA-SCBC support.
C. BC Hydro concludes that a Customer Specific Baseline Rate is not a viable option.	Agreed.

	Comments (Please do not identify third-party individuals in your comments. Comments bearing references to identifiable individuals will be discarded due to privacy concerns).
D. BC Hydro considers that a Flat Rate is inconsistent with government policy and performs worse relative to the SQ in terms of efficiency and fairness considerations. BC Hydro therefore proposes that no further modeling is required, and asks for stakeholder comment.	BCSEA-SCBC agree that BC Hydro should not devote further resources toward modeling a residential flat rate (as compared to the existing two-step rate). The two-step rate is a conservation rate. Customers understand and accept the two-step rate.
E. BC Hydro seeks input on whether a RIB rate pricing principle should constrain the Step-2 rate to equal LRMC.	BCSEA-SCBC think BC Hydro's examination of residential rate structures should treat the concept of the top-tier rate being constrained by the LRMC as a factor, but not as a principle or a hard-and-fast rule, for three reasons: 1. The LRMC changes from time to time, and sometimes even goes downward. Right now, for example, the Step 2 rate exceeds the recently reduced LRMC, yet there is apparently no urgent problem. It could be confusing and counterproductive suddenly to reduce the Step 2 rate just because of a decline in the official LMRC. 2. The BC Hydro LRMC, as a single number (or range) "approved" by cabinet acceptance of BC Hydro's IRP, does not necessarily jibe with the theoretical basis for the proper price signal for conservation and efficiency purposes. For example, an "LRMC" that is defined for use in analyzing supply-side projects with decades-long time scales is not necessarily suitable for residential consumption decisions that are analyzed on the basis of a price elasticity assumption. Another way to put it is that there is no single definition of and methodology for determing "LRMC." This is illustrated by the fact that the LRMC in the IRP is expressed as a range, not a single number. 3. As long as the average cost to the customer is lower than the avoided cost of energy and capacity, there can be economic inefficiencies that are not eliminated merely by having a two-step rate with the highest step equal to the avoided cost.

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F. Are there compelling reasons to depart from prior BCUC Decisions that the LRMC is the appropriate referent to a Step 2 rate, and if so what is the alternative?	The response of BCSEA-SCBC depends on what is meant by "appropriate referent." We consider the commission's previous decisions to have been based on the concept that the Step 2 rate should send the economically appropriate price signal, which at the time of those decisions the commission said was BC Hydro's LRMC, being in the commission's view BC Hydro's cost of acquiring clean or renewable energy. We agree that the term LRMC is a useful shorthand way to describe the appropriate price signal for the RIB in the present context. In that sense, the LRMC is the "appropriate referent" to the Step 2 rate. However, for example, we don't think the commission's previous decisions on the appropriate size of the Step 2 rate should be used without further consideration to justify a nominal reduction in the Step 2 rate. Also, in our view, the commission's previous Step 2 rate decisions were not intended to cause a situation in which capping Step 2 at LRMC would make Step 2 lower than Step 1. Also, the use of the LRMC as an "appropriate referent" should be balanced against other priorities for the RIB rate, particularly the goal of maximizing cost-effective DSM.
G. BC Hydro seeks input on whether there are compelling reasons to change the SQ RIB threshold and if so, what additional analysis do stakeholders recommend (with reasons)?	The view of BCSEA-SCBC is that there are not compelling reasons to change the *status quo* RIB threshold. The current threshold is understood and accepted by customers. There is no apparent problem with the current threshold. Changing the threshold to foster one legitimate purpose would inevitably diminish acheivement of another legitimate purpose, and would cause costs associated with the transition and with regaining customer acceptance for the new *status quo*.

	Comments (Please do not identify third-party individuals in your comments. Comments bearing references to identifiable individuals will be discarded due to privacy concerns).
H. BC Hydro seeks input on why BC Hydro would model very low thresholds (500, 400, other kWh/mo.) as they do not reflect typical Residential use. What is the objective basis for a very low threshold?	BCSEA-SCBC do not propose that BC Hydro model very low thresholds for a two-step RIB rate. To be clear, we understand that this is a different question than whether the *status quo* threshold should be adjusted modestly upward or downward. On the latter topic, BCSEA-SCBC suggest that BC Hydro do further modelling on modest changes to the Step 1/Step 2 threshold. For example, it appears that the positive conservation consequence of a higher threshold (p.60) may be due at least partly (mainly?) to the assumption of a Step 2 rate higher than LRMC. BCSEA-SCBC generally support the idea of exposing more, rather than fewer, customers at least some of the time to the Step 2 rate. To the extent that a very low threshold might be considered in the context of a life-line rate concept, we are open to hearing from other stakeholders on this topic (and all other topics, for that matter).

	Comments (Please do not identify third-party individuals in your comments. Comments bearing references to identifiable individuals will be discarded due to privacy concerns).
I. BC Hydro seeks input on increasing or decreasing the Basic Charge, and what additional analysis, if any, stakeholders recommend (with reasons).	BCSEA-SCBC oppose changing the basic charge at a higher rate than the rate of inflation. The current basic charge is accepted by customers. The modeled changes, either up or down, produce little or no additional conservation. We particularly oppose raising the basic charge, as it would reduce customers' exposure to the two-step rate that is designed to encourage conservation. Also, any change to the basic/minimum charge carries a cost in terms of customer education, understanding and acceptance. Unless the purpose of making a change is very clear and substantial, a change would not be justified. We acknowledge that at the extreme low end – i.e., zero basic/minimum charge – there may be issues concerning the small subset of customers who do pay only the basic/minimum. For example, a zero basic/minimum charge may induce customers to fail to terminate their service when they otherwise would terminate service, which might be an administrative problem. Also, the basic/minimum charge affects customers with seasonal occupancy patterns considerably more than it affects other customers.
J. BC Hydro seeks input on decoupling the Minimum Charge from the Basic Charge, including in relation to whether the Basic Charge should be changed.	BCSEA-SCBC see no reason to decouple the minimum charge from the basic charge. The current basic/minimum charge is accepted by customers. Implementing a de-coupled minimum charge would introduce a price signal that would conflict with the RIB conservation signal, with possible adverse effects for conservation.
K. BC Hydro proposes no further modeling is required in respect of 100% fixed cost recovery through a Basic Charge or in respect of eliminating all forms of fixed charges.	Agreed.

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L. What additional analysis, if any, do stakeholders recommend (with reasons)?	It would be useful to have information on the characteristics of the customers who pay only the basic/minimum charge. How many are there? For how many months in a row do they pay only the basic/minimum charge? What are the seasonal patterns? Are there any particular costs to BC Hydro associated with these customers?
M. BC Hydro proposes that the LRMC for RIB rate-making not include a capacity value to be added to the LRMC (energy). What are stakeholders' views on the concept?	BCSEA-SCBC think that the Step 2 rate should, barring exceptional circumstances, be based on the avoided cost of electricity savings due to the two-step rate, which should in general reflect the avoided cost of both energy and capacity. To the extent that "the LRMC" is defined as strictly an energy cost then this would mean adding avoided capacity costs to the avoided energy costs.
N. BC Hydro seeks stakeholder feedback on the reasons why BC Hydro would pursue Voluntary TOU for Residential customers.	Our view is that mandatory time of use rates should be considered. Voluntary residential TOU rates would have minimal benefits.

Additional Comments, Items you think should be in-scope, not currently identified:

BC Hydro deferred (p.19) BCSEA-SCBC's suggestion that rate design for charging for electric vehicles be considered in this rate design project. BC Hydro said it is prepared to meet with BCSEA, and such a meeting is in the works. BC Hydro "notes that EV load is not material in the first 10 years of the 2013 load forecast..." That may be true, but our view is that it is very important that BC Hydro put in place rate mechanisms designed to meet the unique needs of EV charging long before EV load becomes a material portion of the total load. BC Hydro could play a valuable role in helping to reduce GHG emissions in BC by facilitating the adoption of EVs through implementing practical EV charging rates mechanisms.
BCSEA-SCBC support a life-line rate or some other mechanism to lessen the impact of rising residential electricity rates on low-income customers. If the BCUC is prevented by statute from approving such a rate, then BC Hydro could develop options and identify the legislative changes that would be required to implement them.
BCSEA-SCBC support taking a cautious approach to any changes to the *status quo* RIB design. We believe it is important at this time to reinforce the consistency of the RIB rate from the customer's perspective. There should be a high threshold of justification for changes to the RIB.
In BCSEA-SCBC's view, it would be helpful for BC Hydro to articulate more clearly the energy conservation goals of the RIB rate. (It is assumed that energy conservation is the main rationale for the inclining block rate structure.) BC Hydro should explain the energy conservation role of the RIB rate in relation to other energy conservation activities, particularly DSM programs and codes and standards. This would give useful context in determining the utility and importance of various aspects of the RIB.
The scatter diagram on slide 61 seems to show that all customers would pay more if the threshold were changed to 635 kWh per month. This needs explanation, as it seems to violate revenue neutrality.
As an aside from the RIB design itself, BC Hydro should consider redesigning the display of information on the bills it provides to its customers. This may help to enhance the effect of the RIB rate, as it could enhance customer understanding of the rates they are paying. Similarly for the web pages for residential customers. The billing data and energy use data sections in particular could be improved in terms of the customer's ability to understand their electricity use over varying time periods.

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I consent to the use of my personal information by BC Hydro for the purposes of keeping me updated about the 2015 RDA. For purposes of the above, my personal information includes opinions, name, mailing address, phone number and email address as per the information I provide.

Signature:_____ _____ Date: _____ 29 August 2014 _____

Thank you for your comments.

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2015 RDA – June 25th, 2014 RIB and Terms & Conditions Workshop Feedback Form

Name/Organization:

	Comments (Please do not identify third-party individuals in your comments. Comments bearing references to identifiable individuals will be discarded due to privacy concerns).
Presentation 1: Electric Tariff – Terms and Conditions	
Updates and Clean-Up Late Payment Charge – should the late payment charge apply to all outstanding balances owing, not just outstanding balances over $30 (i.e., no $30 threshold)?	Yes and the late payment charge should reflect processing costs (i.e. Not necessarily linear)
Standard Charges - Reconnection Charges	
Should agent costs (or a portion of) to initiate disconnection process be included? If a portion, what percentage? Please provide an explanation for the amount.	Yes, include agent costs at estimated average required
Should the remote disconnect/reconnect (**RDR**) switch and related Information Technology (**IT**) costs (or a portion of) for the disconnection be included? If a portion, what percentage? Please provide an explanation for the amount.	Yes, include switch and IT costs proportional to estimated function use of switch and IT capabilities
Should the manual disconnection costs (or a portion of) be included? If a portion, what percentage? Please provide an explanation for the amount.	Yes, manual disconnect cost should be included

	Comments (Please do not identify third-party individuals in your comments. Comments bearing references to identifiable individuals will be discarded due to privacy concerns).
Should agent costs (or a portion of) to initiate the reconnection process be included? If a portion, what percentage? Please provide an explanation for the amount.	Yes, include agent cost to initiate reconnection at estimated average required
Should IT costs (or a portion of) for self-service reconnection be included? If a portion, what percentage? Please provide an explanation for the amount.	Yes, IT cost should be included at proportion estimated based on use of IT capabilities
Should the RDR switch and related IT costs (or a portion of) for the reconnection be included? If a portion, what percentage? Please provide an explanation for the amount.	Yes, RDR switch and IT cost should be included at proportion estimated based on use of switch and IT capabilities
Should the manual reconnection costs (or a portion of) be included? If a portion, what percentage? Please provide an explanation for the amount.	Yes, manual reconnection cost should be included
Should an average reconnection charge for remote and manual disconnections be used?	Yes, specific costing would be administratively costly
Should there be a different reconnection charge for customers moving into disconnected unsigned premises?	No, charges should be standardized
Standard Charges - New Miscellaneous Charges	
Account Charge – should a different fee be charged for the set-up of new customers?	Yes, if costs significantly different, otherwise blend into single Account Charge
Account Charge – should a discount be offered for customers processing the account move through the on-line channel?	Yes, if savings of customer self-service processes are meaningful

	Comments (Please do not identify third-party individuals in your comments. Comments bearing references to identifiable individuals will be discarded due to privacy concerns).
Non-Payment Report Charge – if the reconnection charge is significantly reduced, should there be a charge for reported payments not received as a means of deterring behaviour?	Yes
Credit Card Charges – should credit card payments be accepted and include fees in general rates?	Yes
Credit Card Charges – should credit card payments be accepted but only if able to pass on fees to customers using payment channel?	No, facilitating payment methods and channels is helpful to cash flow and to all customers
Presentation 2 - Residential inclining Block (RIB) and other potential residential rate issues	
A. Should BC Hydro continue to consider a Three Step Rate and if so, what additional analysis do stakeholders recommend (with reasons)?	BC Hydro should consider a smooth transition formula rate to avoid threshold discontinuity
B. Should BC Hydro continue to consider a Seasonal Rate structure and if so, what additional analysis do stakeholders recommend (with reasons)?	Yes
C. BC Hydro concludes that a Customer Specific Baseline Rate is not a viable option.	BC Hydro should have a full discussion of customer concerns about unfairness and potential solutions

	Comments (Please do not identify third-party individuals in your comments. Comments bearing references to identifiable individuals will be discarded due to privacy concerns).
D. BC Hydro considers that a Flat Rate is inconsistent with government policy and performs worse relative to the SQ in terms of efficiency and fairness considerations. BC Hydro therefore proposes that no further modeling is required, and asks for stakeholder comment.	BC Hydro should consider efficiency rated flat rate, as an alternative (likely as a pilot initially)
E. BC Hydro seeks input on whether a RIB rate pricing principle should constrain the Step-2 rate to equal LRMC.	No. Alternative with higher price signals may be valid options to consider
F. Are there compelling reasons to depart from prior BCUC Decisions that the LRMC is the appropriate referent to a Step 2 rate, and if so what is the alternative?	Yes, where efficiency rated rates may be developed it may be useful to increase incentives to adopt efficiency
G. BC Hydro seeks input on whether there are compelling reasons to change the SQ RIB threshold and if so, what additional analysis do stakeholders recommend (with reasons)?	Yes. Thresholds that improve conservation and efficiency should be examined as alternatives.
H. BC Hydro seeks input on why BC Hydro would model very low thresholds (500, 400, other kWh/mo.) as they do not reflect typical Residential use. What is the objective basis for a very low threshold?	If they reflect efficient use living and not typical use then providing price signal support may be useful
I. BC Hydro seeks input on increasing or decreasing the Basic Charge, and what additional analysis, if any, stakeholders recommend (with reasons).	BC Hydro should consider a substantial basis charge reflecting access to electricity costs, then except normal users thereby including it all in energy charge but leaving charge in for periodic use or no use connection

	Comments (Please do not identify third-party individuals in your comments. Comments bearing references to identifiable individuals will be discarded due to privacy concerns).
J. BC Hydro seeks input on decoupling the Minimum Charge from the Basic Charge, including in relation to whether the Basic Charge should be changed.	BC Hydro should look at combining all these concepts into Access Charge
K. BC Hydro proposes no further modeling is required in respect of 100% fixed cost recovery through a Basic Charge or in respect of eliminating all forms of fixed charges.	BC Hydro should not need to look at eliminating all forms of fixed charge
L. What additional analysis, if any, do stakeholders recommend (with reasons)?	BC Hydro should look at customer options to participate in future conservation and efficiency pilot programs.
M. BC Hydro proposes that the LRMC for RIB rate-making not include a capacity value to be added to the LRMC (energy). What are stakeholders' views on the concept?	LRMC for RIB should include capacity costs. RIB accounts are the fundamental driver of peak capacity requirements in the system
N. BC Hydro seeks stakeholder feedback on the reasons why BC Hydro would pursue Voluntary TOU for Residential customers.	BC Hydro should look to voluntary TOU as a means of piloting into controls technology which could make this a viable source of peak capacity in the future

Additional Comments, Items you think should be in-scope, not currently identified:

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Presentation 1: Electric Tariff – Terms and Conditions	
Updates and Clean-Up Late Payment Charge – should the late payment charge apply to all outstanding balances owing, not just outstanding balances over $30 (i.e., no $30 threshold)?	COPE asks BC Hydro how many (if any) of its ratepayers have bi-monthly bills of $30 or less? Also, the Union asks BC Hydro to explain what rationale it used to choose and to continue to use this figure as the LPC threshold. Lastly, the Union fails to see a significant enough correlation between the interest rate charged for this and BCH's real cost of these debts. Rather than resembling a credit card's interest rate, BCH's interest rate should be their cost plus a reasonable premium to disincent customers from using their Hydro bills as a form of low cost loans.
Standard Charges - Reconnection Charges	
Should agent costs (or a portion of) to initiate disconnection process be included? If a portion, what percentage? Please provide an explanation for the amount.	Interveners are being asked in this series of questions (and throughout this process) to provide input on an ad hoc basis rather than on a more productive basis, that being input on the principles that inform these individual items. (cont.)

	Comments (Please do not identify third-party individuals in your comments. Comments bearing references to identifiable individuals will be discarded due to privacy concerns).
Should the remote disconnect/reconnect (**RDR**) switch and related Information Technology (**IT**) costs (or a portion of) for the disconnection be included? If a portion, what percentage? Please provide an explanation for the amount.	COPE does not see that we have a clear statement of the principles by which these various charges were established or those that will be relevant to determine on what basis BCH proposes to proceed with them in the future. In furtherance of this, COPE suggests it would be helpful to participants to know: (cont.)
Should the manual disconnection costs (or a portion of) be included? If a portion, what percentage? Please provide an explanation for the amount.	To what extent BCH is intending that these various charges reflect the incremental costs of the services provided or whether there is another basis upon which they have been set; How BCH reconciles this incremental cost approach for payment, reconnection, and the others outlined here with its refusal to consider anything other than the embedded cost approach for the supply of electricity, and the internal inconsistency using incremental and embedded methodologies within the same COS model; and Whether (and how) BCH is applying the 'postage stamp' principle here and an explanation as to what costs are averaged to establish a common charge and what costs are set on a customer specific basis and why. (cont.)
Should agent costs (or a portion of) to initiate the reconnection process be included? If a portion, what percentage? Please provide an explanation for the amount.	When a discussion of the principles BCH is operating under is underway, COPE would also like to see how each of these fees are being calculated in order to determine what input to give on whether specific fee levels are appropriate on a cost and principled basis. (cont.)
Should IT costs (or a portion of) for self-service reconnection be included? If a portion, what percentage? Please provide an explanation for the amount.	Absent a presentation of the principles BCH is operating under, providing input on these items is rendered arbitrary and ineffectual because there is no global vision driving these items towards a useful unity that would render these more technical issues than ad hoc policy ones.

	Comments (Please do not identify third-party individuals in your comments. Comments bearing references to identifiable individuals will be discarded due to privacy concerns).
Should the RDR switch and related IT costs (or a portion of) for the reconnection be included? If a portion, what percentage? Please provide an explanation for the amount.	See comments above.
Should the manual reconnection costs (or a portion of) be included? If a portion, what percentage? Please provide an explanation for the amount.	See comments above.
Should an average reconnection charge for remote and manual disconnections be used?	See comments above.
Should there be a different reconnection charge for customers moving into disconnected unsigned premises?	See comments above.
Standard Charges - New Miscellaneous Charges	
Account Charge – should a different fee be charged for the set-up of new customers?	See comments above.
Account Charge – should a discount be offered for customers processing the account move through the on-line channel?	See comments above
Non-Payment Report Charge – if the reconnection charge is significantly reduced, should there be a charge for reported payments not received as a means of deterring behaviour?	See comments above.
Credit Card Charges – should credit card payments be accepted and include fees in general rates?	See comments above.

	Comments (Please do not identify third-party individuals in your comments. Comments bearing references to identifiable individuals will be discarded due to privacy concerns).
Credit Card Charges – should credit card payments be accepted but only if able to pass on fees to customers using payment channel?	See comments above.
Presentation 2 - Residential inclining Block (RIB) and other potential residential rate issues	
A. Should BC Hydro continue to consider a Three Step Rate and if so, what additional analysis do stakeholders recommend (with reasons)?	BCH should continue to consider a 3 step RIB rate calibrated to target affluent gluttonous users – those who have no financial need to react to price signals and are therefore immune to the conservation messaging in any rate structure. The Union would suggest calibrating this 3rd tier to generate sufficient money to allow for a meaningful subsidy of those ratepayers who would qualify for a LICO (Low Income Cut Off) subsidy.
B. Should BC Hydro continue to consider a Seasonal Rate structure and if so, what additional analysis do stakeholders recommend (with reasons)?	A seasonal rate may discriminate between ratepayers in various areas of the province as their peak use patterns may vary along seasonal lines (i.e. summer v. winter peaks). Presuming BCH intends this to be a winter electric heating relief measure, those who live in areas where their peak electricity use is in summer will suffer financially compared to their winter peaking brethren. Also, it is the Union's view that a Seasonal Rate structure violates the Bonbright principles of understandability and simplicity as well as (arguably) fairness because our province's regional seasonal loads are not uniform. Add to that, we already have a RIB rate and government making noise about a Time of Use rate and the already taxed ability of the average residential or small commercial user to understand, let alone respond to, yet another rate is negligible.

	Comments (Please do not identify third-party individuals in your comments. Comments bearing references to identifiable individuals will be discarded due to privacy concerns).
C. BC Hydro concludes that a Customer Specific Baseline Rate is not a viable option.	Agreed.
D. BC Hydro considers that a Flat Rate is inconsistent with government policy and performs worse relative to the SQ in terms of efficiency and fairness considerations. BC Hydro therefore proposes that no further modeling is required, and asks for stakeholder comment.	
E. BC Hydro seeks input on whether a RIB rate pricing principle should constrain the Step-2 rate to equal LRMC.	The setting of the Tier 2 rate is an academic exercise because in the real world people do not make decisions like heating based on whether their power is being charged at Tier 1 or Tier 2, and their behaviour is certainly not going to be shaped by whether Tier 2 is strictly tied to the LRMC or not. This assumes the average ratepayer has the time to track their usage on an ongoing basis as well as the sophistication and financial ability to react in a manner that minimizes their exposure to the LRMC.
F. Are there compelling reasons to depart from prior BCUC Decisions that the LRMC is the appropriate referent to a Step 2 rate, and if so what is the alternative?	
G. BC Hydro seeks input on whether there are compelling reasons to change the SQ RIB threshold and if so, what additional analysis do stakeholders recommend (with reasons)?	

	Comments (Please do not identify third-party individuals in your comments. Comments bearing references to identifiable individuals will be discarded due to privacy concerns).
H. BC Hydro seeks input on why BC Hydro would model very low thresholds (500, 400, other kWh/mo.) as they do not reflect typical Residential use. What is the objective basis for a very low threshold?	
I. BC Hydro seeks input on increasing or decreasing the Basic Charge, and what additional analysis, if any, stakeholders recommend (with reasons).	
J. BC Hydro seeks input on decoupling the Minimum Charge from the Basic Charge, including in relation to whether the Basic Charge should be changed.	
K. BC Hydro proposes no further modeling is required in respect of 100% fixed cost recovery through a Basic Charge or in respect of eliminating all forms of fixed charges.	
L. What additional analysis, if any, do stakeholders recommend (with reasons)?	
M. BC Hydro proposes that the LRMC for RIB rate-making not include a capacity value to be added to the LRMC (energy). What are stakeholders' views on the concept?	

	Comments (Please do not identify third-party individuals in your comments. Comments bearing references to identifiable individuals will be discarded due to privacy concerns).
N. BC Hydro seeks stakeholder feedback on the reasons why BC Hydro would pursue Voluntary TOU for Residential customers.	The Union does not support this. A voluntary program encourages self-selection, creating a situation where free-riders (those who would otherwise be incented to conserve or those few who have the ability to shape their use beyond the ability of the majority of ratepayers to take advantage of the lowest rate will be receiving a subsidy from the majority of ratepayers who cannot modify their usage and who do not have the time to determine how best to shape their usage patterns. The Union notes that this rate structure does not incent conservation; instead, it is a capacity-shaving measure with limited value given the cost of energy. In our view, energy conservation, not the minimal capacity shaving that would be achieved with a voluntary TOU should be a priority. Whether voluntary or not, TOU is a bad idea when a RIB is already in place but the Union asserts that initiating this voluntary format is the thin edge of moving towards a mandatory one and that is not something COPE wishes to see happen.

Additional Comments, Items you think should be in-scope, not currently identified:

The biggest challenge in the structuring of any rate is to reconcile the perceived need for marginal cost price signals to promote conservation and economically efficient electricity use with the requirement to limit total revenue recovery to the embedded costs allocated to residential service. Generally, the underlying question in this, as in any rate design process, is how to allocate the benefits of our low cost heritage supply in an efficient and equitable manner, not only within the residential rate class but amongst all the classes.

The current RIB is, in COPE's view, not efficient or equitable.

1. It allocates the benefits of low cost heritage power disproportionately to small households without electric heating in warmer regions of the province.
2. It also doesn't make any allowances for affordability issues for low and fixed income households.
3. It fails to provide efficient price signals to promote conservation and efficient energy use for those households whose consumption falls near or below the first tier threshold.

This hearing provides a much needed opportunity to consider whether and how the benefits of BC's low cost heritage supply could be allocated to customers in a more efficient and equitable manner.

A starting point would be to deliver more or all of the benefits of low cost heritage supply through a customer credit (i.e., negative charge). In effect the allocation of the benefits of low cost heritage supply would be implemented as an explicit subsidy to all customers in order that the use rate could reflect marginal costs. The heritage supply 'subsidy' would be allocated in accordance with specific criteria. Those criteria could include location (reflecting, for example, the availability of natural gas or other low cost heating sources), dwelling type (apartment, row or single detached), and household size to recognize differences in basic electricity requirements. The allocation criteria could also take into account household income for purposes of addressing lifeline rate concerns.

This approach would enable a well-considered, targeted allocation of the heritage supply benefits while at the same time providing all customers a common strong incentive to conserve.

A discussion of this and other possible ways to distribute heritage supply benefits should precede consideration of the detailed questions on the current tiered rate structure. Put somewhat differently, the feedback to each of the specific questions BC Hydro has raised is to ask – how does this enhance efficiency and equity, and how does it compare to a rate strategy as suggested above.

CONSENT TO USE PERSONAL INFORMATION

I consent to the use of my personal information by BC Hydro for the purposes of keeping me updated about the 2015 RDA. For purposes of the above, my personal information includes opinions, name, mailing address, phone number and email address as per the information I provide.

Signature: _____ Date: Sept 2/14

Thank you for your comments.

Comments submitted will be used to inform the RDA Scope and Engagement process, including discussions with Government, and will form part of the official record of the RDA.

You can return completed feedback forms by:

Mail: BC Hydro, BC Hydro Regulatory Group – "Attention 2015 RDA", 16th Floor, 333 Dunsmuir St. Van. B.C. V6B-5R3

Fax number: 604-623-4407 – "Attention 2015 RDA"

Email: bchydroregulatorygroup@bchydro.com

Form available on Web: http://www.bchydro.com/about/planning_regulatory/regulatory.html

Any personal information you provide to BC Hydro on this form is collected and protected in accordance with the ***Freedom of Information and Protection of Privacy Act***. BC Hydro is collecting information with this for the purpose of the 2015 RDA in accordance with BC Hydro's mandate under the ***Hydro and Power Authority Act***, the BC Hydro Tariff, the ***Utilities Commission Act*** and related Regulations and Directions. If you have any questions about the collection or use of the personal information collected on this form please contact the BC Hydro Regulatory Group via email at: bchydroregulatorygroup@bchydro.com

BC hydro

2015 Rate Design Application

June 25, 2014 Workshop No. 3
Electric Tariff Terms and Conditions, Residential Inclining Block Rate

BC Hydro Summary and Consideration of Participant Feedback

Attachment 3

Allocation of BC Hydro's Heritage Resources

COPE 378 in its written comments submits that the key underlying issue for the 2015 RDA is how to allocate the benefit of BC Hydro's low cost Heritage resources in an efficient and equitable manner among BC Hydro's customer classes. COPE 378 goes on to describe its proposal for allocation, which as BC Hydro understands it, would consist of a "customer credit" to be allocated based on specific criteria such as location, dwelling type, household size and income.

BC Hydro takes the opportunity to summarize the position it has taken to date on the allocation of the Heritage resources, as reflected in 2007 RDA-related submissions and other filings.

Policy Action No. 1 of the 2002 Energy Plan recognizes that BC Hydro's Heritage resources represent a valuable asset. As the Commission noted in its 2007 RDA Decision, the Government acted through the *BC Hydro Public Power Legacy And Heritage Contract Act* to ensure that electricity generated by the Heritage resources continues to be available to BC Hydro's customers based on cost of service, not market prices.[1] The resulting Heritage Contract is found at Appendix A to Direction No. 7 to the Commission. The Heritage Contract has been in place since 2003 and is legislated in perpetuity.[2]

There are a number of important elements to the Heritage Contract scheme for purposes of the 2015 RDA:

- The first and most important is that BC Hydro's rates are established on a cost of service basis (section 5(d) of Direction No. 7), which means BC Hydro's customers get the full benefit of the Heritage resources
- An important corollary element is the principle that new customers should be able to benefit from the Heritage resources, as shown in Schedule B to the Terms of

1 2007 RDA Decision, page 8.

2 Order in Council 849/2008 (8 November 2008).

Reference attached to the Commission's October 17, 2003 Report and Recommendations.[3]

In BC Hydro's view, the Commission is left with considerable discretion to design rates for BC Hydro's customers that balance the competing interests of different customer groups, and to allocate the benefits of the Heritage resources between customer classes subject to the elements identified above.

In BC Hydro's embedded COS study, the costs of both Heritage resource energy and non-Heritage resource energy are allocated to the customer classes based on the energy consumption and peak demand of each customer class. As a result, each class receives a share of the benefits of the Heritage resources based on the class' share of total consumption and peak demand.

It is not clear to BC Hydro how COPE 378's proposal would re-distribute the benefits of the Heritage resources. BC Hydro is unable to provide any further substantive comment in regard to the proposal in the absence of an explanation of what the proposal is specifically trying to achieve and how it would work.

3 In the Matter of British Columbia Hydro and Power Authority: An Inquiry into a Heritage Contract for British Columbia Hydro and Power Authority's Existing Generation Resources and Regarding Stepped Rates and Transmission Access, Report and Recommendations, 17 October 2003; available at http://www.bcuc.com/Documents/Decisions/2003Dec/Heritage%20LGIC%20Rpt-Recommend.pdf.