

**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER** G-10-08

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IN THE MATTER OF  
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by British Columbia Hydro and Power Authority  
2007 Rate Design ("2007 RDA") Phase I

**BEFORE:** A.J. Pullman, Panel Chair  
R.J. Milbourne, Commissioner January 21, 2008  
L.A. O'Hara, Commissioner

**O R D E R**

**WHEREAS:**

- A. British Columbia Hydro and Power Authority ("BC Hydro") filed on March 15, 2007, pursuant to the Utilities Commission Act ("the Act") and Commission Order No. G-148-06, the 2007 Rate Design Application ("Application") to update BC Hydro's rates and terms and conditions of service; and
- B. A public hearing regarding the Application commenced on July 9, 2007 in Vancouver. Following the hearing the Commission issued Interim Order No. G-111-07 dated September 19, 2007 and a decision ("Decision") issued concurrently with Order No. G-130-07 dated October 26, 2007; and
- C. The Interim Order directed BC Hydro, among other things, to revise the Fully Allocated Cost of Service Study ("FACOS") in its Application with the following changes:
  - i. using an allocation basis of 4 CP demand to allocate demand-related generation and transmission costs to rate classes;
  - ii. allocating the total distribution revenue requirement, from primary to meters and including related customer care costs and directly assigned street lighting on a 65 percent demand, 35 percent customer basis;
  - iii. allocating hydro plant as 55 percent demand and 45 percent energy;
  - iv. functionalizing the revenue requirement related to demand-side management 90 percent to generation and 10 percent to transmission and the portion functionalized to generation shall be allocated to the customer classes in the same proportions that the total generation revenue requirement is allocated to the customer classes;
  - v. allocating P3M costs to the customer classes in the same manner that the total generation revenue requirement is allocated to the customer classes;

- vi. allocating Powerex Net Income to the customer classes in the same manner that the total generation revenue requirement is allocated to the customer classes; and
- D. The Interim Order directed BC Hydro to prepare revised Revenue-to-Cost ratios for February 2007 Rates set out in Table 1 of its Application based on the revisions referred to in Recital C and to file Rate Schedules for all classes to be effective April 1, 2008, which would reflect the first phase of a three-year equal percentage phase-in to achieve the Revenue-to-Cost ratios of 1.0 based on the revised FACOS; and
- E. The Interim Order further required that BC Hydro file the revised FACOS and Rate Schedules within sixty days of the date of the Interim Order; and
- F. The October 26, 2007 Decision, among other things, denied BC Hydro's proposed System Extension Test ("SET") policy and directed BC Hydro to make changes to its set policy (Decision, pp.185-187); and
- G. On November 15, 2007 BC Hydro submitted its Compliance Filing composed of the following documents:
  - i. Appendix A – Cost of Service Model
  - ii. Appendix B – F07/F08 Revenue Requirements Schedules
  - iii. Appendix C – Rate Design Model
  - iv. Appendix D – Rate Schedules effective April 1, 2008 (tracked and clean versions)
  - v. Appendix F – Terms and Conditions effective April 1, 2008; and
- H. The Commission has reviewed the Compliance Filing and determined that the filing is deficient as follows:
  - (a) BC Hydro was directed to functionalize the entire revenue requirement related to DSM 90 percent to generation and ten percent to transmission, and in the Compliance Filing BC Hydro did not allocate Operating and Maintenance expense in this manner, nor was the allocation of finance charges appropriate;
  - (b) BC Hydro changed the allocation of Powertech Net Income, which change was not directed by the Commission;
  - (c) BC Hydro has not fully complied with the requirements of the Decision to calculate the present value of the revenue requirement used in the SET, including only the depreciation and return portion of the distribution demand revenue requirement, and
  - (d) BC Hydro's filing of Terms and Conditions and Rates Schedules have not identified the pages as being Original, which has been past Commission practice.

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3

**NOW THEREFORE** the Commission, for the reasons stated in Recital H, orders as follows:

1. BC Hydro is directed to functionalize DSM as specified in Order No. G-111-07.
2. BC Hydro is directed to allocate Powerex Net Income as directed in Order No. G-111-07 and not to vary the allocation of Powertech Net Income from that contained in the Application.
3. BC Hydro is directed to identify the Rate Schedules and Terms and Conditions pages as being Original pages.
4. BC Hydro is directed to calculate the present value of the revenue requirement used in the SET including only the depreciation and return portion of the distribution demand revenue requirement and otherwise comply with the requirements of the Decision as specified at pages 185 through 187.
5. BC Hydro is directed to refile the items listed in Recital G, incorporating the directions in paragraphs 1 through 4.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 21<sup>st</sup> day of January 2008.

**BY ORDER**

*Original signed by:*

A.J. Pullman  
Panel Chair