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VIA E-MAIL

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March 4, 2008

Ms. Joanna Sofield
Chief Regulatory Officer
British Columbia Hydro and Power Authority
333 Dunsmuir Street
Vancouver, B.C. V6B 5R3

Dear Ms. Sofield:

Re: British Columbia Hydro and Power Authority
Report and Application re: 2007 Rate Design Application
Phase 1 Decision Directives

Further to your January 24, 2008 report and application to amend Rate Schedules with respect to the above noted proceeding, enclosed is Commission Order No. G-32-08 and Reasons for Decision.

BC Hydro is requested to copy Order No. G-32-08 and Reasons for Decision to its customers affected by the Application.

Yours truly,


Erica M. Hamilton

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Enclosure

cc: Registered Intervenors/Interested Parties (BCH-07Rate)

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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-32-08**

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

and

British Columbia Hydro and Power Authority ("BC Hydro")
Report and Application re 2007 Rate Design Application ("2007 RDA") Phase 1
Decision Directives

BEFORE: A.J. Pullman, Panel Chair
R.J. Milbourne, Commissioner March 4, 2008
L.A. O'Hara, Commissioner

O R D E R

WHEREAS:

- A. BC Hydro filed on March 15, 2007, pursuant to the *Utilities Commission Act* and Commission Order No. G-148-06, the 2007 RDA to update BC Hydro's rates and terms and conditions of service; and
- B. The 2007 RDA addressed, among other things, changes to the E-Plus rates (Rate Schedules 1105, 1205, 1206 and 1207). BC Hydro's proposal with respect to E-Plus rates was to phase them out over a ten-year period ending April 1, 2018; and
- C. The Oral Public Hearing for Phase I commenced on July 9, 2007 in Vancouver and ended on July 19, 2007; and
- D. On October 26, 2007, the Commission issued its Decision on the 2007 RDA Phase 1 ("Decision") and concurrently issued Commission Order No. G-130-07. BC Hydro's application to amend the E-Plus rates was denied with the exception of BC Hydro's application to amend the E-Plus rates to restrict transfer of service, which was found to be in the public interest and was approved. Also in Section 6.1 of the Decision, the Commission considered Special Condition 4 of Rate Schedule 1105 and in Section 6.2 the Commission noted the declining block rate structures of Rate Schedules 1205, 1206 and 1207 and the "Closed" Rate Schedules 1277 and 1278 that were not addressed by the 2007 RDA; and
- E. Directives 26, 27 and 28 of the Decision instructed BC Hydro to report to the Commission on the following: (i) E-Plus Residential Rate Schedule 1105 Special Condition 4; (ii) the declining block rate structure of the E-Plus General Service Rate Schedules 1205, 1206 and 1207; and (iii) Closed General Service Rate Schedules 1277 and 1278, respectively; and

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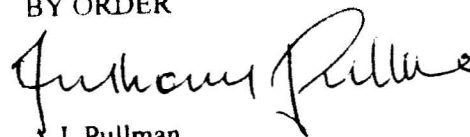
- F. By letter dated January 24, 2008, BC Hydro provided the Commission with a report in compliance of Directives 26, 27 and 28 and also applied for approval to amend Rate Schedules 1105, 1205, 1206 and 1207, to cancel Rate Schedule 1277, and to review Rate Schedule 1278 as part of its development of the Large General Service rate structure (the "Application"); and
- G. On January 28, 2008, the Commission issued Order No. G-16-08 setting out a process and timetable for Intervenor and Interested Parties and all customers affected by the Application to file written submissions to the Commission by February 15, 2008 and for BC Hydro to respond by February 22, 2008; and
- H. The Commission received ten submissions (Exhibits E-1 to E-10) before the February 15, 2008 filing date and four submissions after the February 15 date (Exhibit E-11 to E-13-1 and Exhibit C-1); and
- I. The Commission Panel has reviewed the submissions of one Intervenor who responded to Order No. G-16-08, the General Service E-Plus customers and BC Hydro's reply submission.

NOW THEREFORE the Commission, for the reasons stated in the Reasons for Decision attached as Appendix A to this Order, orders as follows:

1. BC Hydro's proposed revision to Rate Schedule 1105 is approved, as filed.
2. BC Hydro's proposals with respect to Rate Schedules 1277 and 1278 are approved.
3. BC Hydro's application to revise Special Condition 4 of Rate Schedules 1205, 1206 and 1207 is denied.

DATED at the City of Vancouver, in the Province of British Columbia, this 4th day of March 2008.

BY ORDER



A.J. Pullman
Panel Chair

British Columbia Hydro and Power Authority
2007 Rate Design Application Phase I – Decision Directives 26, 27 and 28
Application to Amend Rate Schedules 1105, 1205, 1206 and 1207
and to Cancel Rate Schedule 1277

REASONS FOR DECISION

1.0 BACKGROUND

On March 15, 2007 British Columbia Hydro and Power Authority (“BC Hydro”) filed its 2007 Rate Design Application (“2007 RDA”) with the British Columbia Utilities Commission (the “Commission”). Included in the 2007 RDA was a request to phase out Rate Schedules 1105, 1205, 1206 and 1207 (the “E-Plus Rate Schedules”). Following an Oral Public Hearing, the Commission issued interim Order No. G-111-07 dated September 19, 2007 and a final Order No. G-130-07 issued concurrently with a decision dated October 26, 2007. An Erratum to the decision was issued by the Commission on December 17, 2007. The Erratum changed certain references to Rate Schedule 1278 from Rate Schedule 1279. The October 26, 2007 decision and the Erratum are collectively referred to as the “Decision”.

In Section 6 of the Decision, the Commission reviewed a number of matters, which arose during the course of the proceeding, and gave BC Hydro directions concerning them, as follows:

Section	Subject Matter
6.1	Rate Schedule 1105
6.2	Miscellaneous Rate Schedules
6.3	Farms
6.4	Irrigation
6.5	Metering Costs
6.6	Street Lighting
6.7	Postage Stamp Rates

In Section 6.1 the Commission considered Special Condition 4 of Rate Schedule 1105, which deals with the ability of E-Plus customers to transfer to Rate Schedule 1101, noting that the notice period and the inability to transfer during a period of interruption may not be in the public interest and instructing BC Hydro to consider the matter and to report to the Commission within 90 days of the final Order as to why Special Condition 4 in Rate Schedule 1105 should not be eliminated (Directive 26).

In Section 6.2 the Commission noted that Rate Schedules 1205, 1206 and 1207 all had declining block rate structures and requested BC Hydro to file a report with the Commission within 90 days of the final Order on whether it is appropriate to eliminate these rates and if so how it proposed to do so (Directive 27). At page 20 of the Decision the Commission summarized its findings in BC Hydro's 1991 Rate Design Application where it had stated "The Commission agreed with BC Hydro that the declining block rate structure was inappropriate in light of BC Hydro's resource realities and the direction of government policy" (April 1992 Decision, p. 16).

Also in Section 6.2 the Commission noted that the 2007 RDA was silent on Rate Schedules 1277 and 1278, which are described as "Closed" and instructed BC Hydro to file a report with the Commission within 90 days of the final Order on whether it is appropriate to eliminate these Rate Schedules and if so how it proposed to do so (Directive 28).

2.0 THE APPLICATION

By letter dated January 24, 2008 BC Hydro wrote to the Commission in response to Directives 26, 27 and 28 and also applied pursuant to sections 58-60 of the *Utilities Commission Act* for approval to amend Rate Schedules 1105, 1205, 1206, 1207 and to cancel 1277. The Application proposed no change to Rate Schedule 1278 at this time (Exhibit B-1).

2.1 E-Plus Residential Rate Schedule 1105 Special Condition 4

BC Hydro states that it does not want to impede the movement of customers off the E-Plus rate and that it is in agreement with the Commission's directive to eliminate Special Condition 4 of Rate Schedule 1105. It attaches for the Commission's approval the revised tariff pages 4 and 5 for Rate Schedule 1105 reflecting the removal of Special Condition 4, effective April 1, 2008.

2.2 E-Plus General Service Rate Schedules 1205, 1206 and 1207

In the Application, BC Hydro notes that the existing tariff language gives it the ability to remove existing customers from Rate Schedules 1205, 1206 and 1207 by giving them written notice of the intent to do so thirty days prior to their anniversary of coming onto the rate. The Application quotes Special Condition 4 in Rate Schedules 1205, 1206 and 1207 which states:

“The initial contract period for dual fuel interruptible service under these rate schedules is:

- a) 1 year where no new facility is required to be constructed or the only facility required to be constructed by the Authority to serve the customer is a drop service, or
- b) 2 years where more than a drop service is required to be constructed by the Authority to serve the customer.

At the expiration of a contract period, the contract period is automatically extended from year to year unless either the customer or the Authority gives written notice to the other 30 days prior to the anniversary date. Transfer of the load served under these schedules to a general firm schedule will not be permitted during a Period of Interruption.”

BC Hydro states that it is no longer able to accurately determine the anniversary dates of most of its General Service E-Plus customers as these rates have been closed since 1990 and since that time a new billing system has been implemented. BC Hydro therefore proposes to amend Special Condition 4 of Rate Schedules 1205, 1206 and 1207 in order to provide for a one-year period of notice of cancellation, from April 1, 2008, rather than the thirty days currently stipulated. According to BC Hydro, customers on those rate schedules can be assured that their existing tariff rights are not being compromised if the Commission approves the proposed changes before April 1, 2008.

2.3 Rate Schedules 1277 and 1278

In the Application BC Hydro states that Rate Schedules 1277 and 1278 originated with BC Electric in the 1920s, were designed to encourage industrial development, specifically electric arc furnaces, and were closed in the 1970s. In its 1991 RDA BC Hydro had proposed to increase the rates by ten percent annually until rate equity occurred with the then-standard open rate. The Commission in Order No. G-36-92 did not approve the rate increase and determined that BC Hydro may terminate rate availability when there is a change in ownership or use.

BC Hydro states in the Application that there are no customers receiving service under Rate Schedule 1277 and applies to have the rate eliminated effective April 1, 2008. BC Hydro also states that there is currently one customer receiving service under Rate Schedule 1278 and that specific engagement with the customer did not occur as the rate was not reviewed with the 2007 RDA. As a result, BC Hydro believes it would be inappropriate to eliminate Rate Schedule 1278 at this time and proposes to review this rate schedule as part of its development of the Large General Service rate restructure directed by the Commission in the Decision.

3.0 COMMISSION PROCESS

By Order No. G-16-08 dated January 28, 2008, the Commission established a written process to deal with BC Hydro's Application. Intervenors, Interested Parties and all customers affected by the Application were directed to file written submissions with the Commission by Friday, February 15, 2008 on BC Hydro's proposals in the Application and to comment on the availability of any new evidence supporting BC Hydro's proposals. BC Hydro was directed to file reply submissions by Friday, February 22, 2008. In the covering letter to Order No. G-16-08 the Commission requested BC Hydro to copy the Order to customers affected by the Application.

4.0 SUBMISSIONS FROM CUSTOMERS

Submissions were received from or on behalf of affected customers as follows:

Roosendal Farms, Garden Bay, B.C.
Hudson Mitchell & Sons Lumber Inc., Surrey, B.C.
Town of Golden, B.C.
Rental Owners and Managers Society of BC ("ROMSBC")
Sophie Investments Inc., Victoria, B.C.
St. John's Catholic Church Finance Committee, Lillooet, B.C.
The Butchart Gardens, Victoria, B.C.
Ocean Vista Apt., Nanaimo, B.C.
Royal BC Museum, Victoria, B.C.
Canada's Log People Inc., 100 Mile House, B.C.
West Coast Motel on the Harbour ("West Coast Motel"), Ucluelet, B.C.
Campbell River Lodge & Fishing Resort ("Campbell River Lodge"), Campbell River, B.C.
Equitex Management, on behalf of R.K. Investment Ltd. ("Equitex"), of Victoria, B.C.

(Exhibits E-1 to E13 respectively)

The submissions from the West Coast Motel, Campbell River Lodge and Equitex (Exhibits E-11 to E-13-1) were received by the Commission after the February 15, 2008 date provided for by Order No. G-16-08. All customers oppose, either wholly or in part, BC Hydro's stated intention in its Application to give all its Rate Schedules 1205, 1206 and 1207 customers notice of termination.

In addition Energy Solutions Vancouver Island (“ESVI”) submitted a response (Exhibit C-1) in support of the comments made by the Butchart Gardens regarding the short response time and requested an extension of time for comments.

The submission from ROMSBC (Exhibit E-4) acknowledges that BC Hydro has always had the right to terminate the tariff but argues that BC Hydro should not be allowed to apply for a unilateral change to the contract provisions. Mr. Goldgruber of Ocean Vista Apt. (Exhibit E-8) submits that rather than a one year notice period, the Commission should extend the cancellation process to five years.

Sophie Investments Inc. asks the Commission to keep to the spirit of the original application to phase out the E-Plus program as of 2018. The Butchart Gardens requests that the Commission deny the Application in the same spirit that the Commission denied BC Hydro’s previous application for outright phase-out of the E-Plus program. The Butchart Gardens comments that if the Commission approves the Application, cancellation of the E-Plus program will cause it undue financial hardship unless it is phased in over ten years or more (Exhibit E-5, Exhibit E-7).

5.0 BC HYDRO’S REPLY SUBMISSIONS

By letter dated February 22, 2008 BC Hydro provided its reply submissions (Exhibit B-2). BC Hydro noted that, of all the submissions it received (that is, E-1 to E-10), only two customer submissions, ROMSBC and Ocean Vista Apt. addressed the proposed change to Special Condition 4 of Rate Schedules 1205, 1206 and 1207.

The Commission Panel observes that the submissions received after the February 15, 2008 date and not referred to by BC Hydro (Exhibits E-11, E-12 and E-13-1) also apparently did not address directly the Application at hand, namely the proposed change to Special Condition 4 of the General Service E-Plus rate.

The Commission Panel also observes that while the submissions received from or on behalf of the customers in general addressed the matter of “whether it is appropriate to eliminate these rates,” BC Hydro did not address this aspect of Directive 27 in its reply submissions.

BC Hydro submits that its proposed amendment would not compromise the existing rights of its customers and “is in their favour, as it provides for a much longer period of notification of cancellation than currently exists”. According to BC Hydro, the application to revise Special Condition 4 of the General Service E-Plus rates effective April 1, 2008 should therefore be approved (Exhibit B-2).

BC Hydro submits that since no Intervenor or affected party commented on Directives 26 or 28, that its application to amend Special Condition 4 of Rate Schedule 1105 and to cancel Rate Schedule 1277 should be approved, effective April 1, 2008.

6.0 COMMISSION DETERMINATION

The Commission Panel notes from the submissions that the affected customers received information of the Application and the Commission Order in letters from BC Hydro dated February 6, 2008 (Exhibits E-2, E-7, E-9, and E-11) and February 8, 2008 (Exhibit E-12). A number of customers mentioned that the time period between receiving notice and the submission deadline by February 15, 2008 was short (Exhibits E-3, E-7, E-13-1) or insufficient as the BC Hydro letter was received after the submission deadline (Exhibit E-11). One customer filed preliminary comments with the Commission before the deadline on February 15, 2008 and asked for slightly more time to formally submit its response before the BC Hydro submission deadline (Exhibit E-13-1). No other customer asked for an extension of the submission deadline. The only Intervenor which asked for an extension in time for comments was ESVI (Exhibit C-1).

The Commission Panel concludes that no amendments to the regulatory timetable should be made since the only Intervenor who proposed an extension was not actually an E-Plus customer.

In Section 6 of the Decision entitled “Other Matters”, BC Hydro was asked to consider several other matters related to the potential elimination of: (i) Special Condition 4 from Rate Schedule 1105 (Directive 26); (ii) the declining block structures of Rate Schedules 1205, 1206 and 1207 (Directive 27); and (iii) Rate Schedules 1277 and 1278 (Directive 28).

E-Plus Residential Rate Schedule 1105 Special Condition 4

In the Application BC Hydro submitted that “it does not want to impede the movement of customers off the E-Plus rate” and proposed the elimination of Special Direction 4 of Rate Schedule 1105. No Intervenor or affected customers made any submissions to this proposal. The Commission Panel finds the proposal to be in the public interest and approves BC Hydro’s proposed revisions to Rate Schedule 1105, as filed.

E-Plus General Service Rate Schedules 1205, 1206 and 1207

In BC Hydro's filing in compliance with Directive 27, the Commission Panel notes that BC Hydro has not addressed how to deal with the declining block rate structure.

The Commission Panel is cognizant that Special Condition 4 has existed in its present form since Rate Schedule 1205 was introduced in May 1987 when the Commission found it to be in the public interest. However, whether the Commission Panel agrees or disagrees with BC Hydro that its proposed amendment to Special Condition 4 for Rate Schedules 1205, 1206 and 1207 would not compromise its customers existing tariff rights is not critical to the decision in this Application. As pointed out by the submissions of a number of E-Plus General Service customers, the Commission has already made its decision in the 2007 RDA. The Commission Panel considers that BC Hydro has provided no new evidence to justify the requested revisions to Special Condition 4 of Rate Schedules 1205, 1206 and 1207.

Accordingly the Commission Panel denies BC Hydro's proposed amendment to Special Condition 4 for Rate Schedules 1205, 1206, and 1207. The Commission Panel re-directs BC Hydro to address the matter of the "appropriateness of the declining block rate structures" of Rate Schedules 1205, 1206 and 1207 pursuant to Directive 27 of the Decision and to file a report with the Commission within 90 days of the Order issued concurrently with these Reasons.

Rate Schedules 1277 and 1278

No Intervenor or affected customer made any submissions on the Application on Directive 28. The Commission Panel finds the proposals to be in the public interest and approves BC Hydro's proposals with respect to Rate Schedules 1277 and 1278.