



BRITISH COLUMBIA UTILITIES COMMISSION	
ORDER NUMBER.....	G-51-91

IN THE MATTER OF the Utilities Commission
Act, S.B.C. 1980, c. 60, as amended

and

IN THE MATTER OF an Application by
British Columbia Hydro and Power Authority

BEFORE:	J.G. McIntyre,	)	
	Chairman;	)	
	W.M. Swanson, Q.C.	)	June 25, 1991
	Commissioner and;	)	
	K.L. Hall,	)	
	Commissioner	)	

O R D E R

WHEREAS:

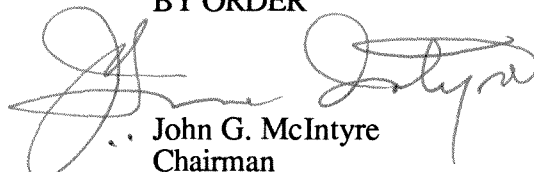
- A. By Order No. G-28-91 the Commission ordered that the Public Hearing into B.C. Hydro's Rate Design Application be heard commencing June 10, 1991 in Vancouver, B.C.; and
- B. On May 21, 1991 B.C. Hydro filed replacement materials for Volume I of the Rate Design Application which included an Industrial Rate Proposal expanding B.C. Hydro's Rate Design Program; and
- C. On May 31, 1991, Bull, Housser & Tupper, representing the Industrial Users requested that the Rate Design Application be adjourned until late Fall of 1991; and
- D. On June 5, 1991, at the public hearing into the adjournment request, the Commission issued a notice to registered intervenors and interested parties that the public hearing into Distribution Extension Policies and the Residential Electric Space Heating Connection Charge would commence on June 10, 1991, but the other Rate Design matters including the termination of Closed Rate Schedules, Cost of Service studies, proposed Residential and General Service rate restructuring and the Industrial Rate Proposal would be postponed to a later date and be the subject of a future Commission Order and Notice; and
- E. The Commission has considered the evidence presented at the second adjournment public hearing and finds that the timing of resumption of a public hearing into Rate Design matters that were not heard on June 10, 1991 requires action as set out in this Order and Reasons for Decision attached as Appendix A.

NOW THEREFORE the Commission orders as follows:

- 1. A consultation process, comprising B.C. Hydro and the Industrial Users, is to commence immediately under the coordination of the Commission staff. Other Registered Intervenors and Interested Parties who wish to participate in the consultation process should so advise the Commission Secretary.
- 2. The resumption of the public hearing into the proposed rate design will be confirmed by way of a future Commission Order upon receipt of a final report as set out in the Reasons for Decision attached to this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 25th day of June, 1991.

BY ORDER


John G. McIntyre
Chairman

REASONS FOR DECISION

1.0 INTRODUCTION

By Commission Order No. G-31-90, the British Columbia Utilities Commission ("BCUC", "Commission") ordered British Columbia Hydro and Power Authority ("B.C. Hydro") to file a Rate Design Application by December 1, 1990. As a result of an Application by B.C. Hydro to postpone the filing date, Commission Order No. G-95-90 set the filing for January 15, 1991. After receiving and reviewing this filing, Commission Order No. G-12-91 set a hearing of the Application for May 6, 1991.

At a Pre-Hearing Conference held on March 4, 1991, B.C. Hydro indicated its intention to vary its Application and seek an adjournment. A Notice of Motion to Adjourn was delivered to the BCUC on March 7, 1991. On March 11, 1991, the Commission heard argument on the motion. Subsequently, Commission Order No. G-28-91 was issued to adjourn the hearing to June 10, 1991 and set down a revised schedule of dates for submission of pre-filed evidence.

By letter dated April 5, 1991, B.C. Hydro stated that it did not have any supplemental evidence on which it intended to rely. However, on May 21, 1991 B.C. Hydro filed certain replacement materials for Volume I of the Application, including a revised Application for the first step of the Residential and General Service portion of its long-term Rate Design Program and a new Industrial Rate Proposal.

In response to this filing, the Industrial Users filed a request with the Commission that the Rate Design Application be adjourned until the late Fall of 1991. After reviewing the request, the Commission issued Order No. G-45-91 setting down June 5 to hear Argument on the request. Submissions proceeded on that date.

After hearing Argument, the Commission decided that the public hearing with regard to Distribution System Extension Policy and the proposed Residential Electric Space Heating Connection Charge would take place on June 10, 1991. The Application for Adjournment was otherwise allowed but the date, timing and process leading up to a resumption of the Rate Design Hearing was not fixed at that time. These Reasons for Decision and accompanying Order deal with these latter matters.

2.0 POSITION OF PARTIES

2.1 Industrial Users

In making the Application for Adjournment, counsel for the Industrial Users argued that B.C. Hydro had filed complex new evidence with respect to the treatment of industrial customers which constituted a complete change from that previously contained in the Application. Further, counsel argued that the filed evidence was incomplete and that in order to understand the material the Industrial Users would need to meet with B.C. Hydro and make formal information requests. Counsel also stated that the substantive nature of the changes meant that new analyses of the Application would need to be undertaken, new instructions solicited from senior management and possibly boards of directors, and new evidence prepared by the Industrial Users before they would be ready to proceed with the hearing. Therefore, counsel stated that the Industrial Users could not be ready to proceed prior to the late Fall and suggested a November, 1991 hearing date.

In addition to requesting an adjournment of the hearing, counsel for the Industrial Users also requested Commission staff intervention in a consultative process during the period between the request for adjournment and the recommencement of the hearing to ensure that public dialogue on the proposals takes place and that "everyone is ready and able to go when we next approach this hearing". (T. 5)

2.2 B.C. Branch Consumers' Association of Canada et al ("CAC")

Counsel for CAC stated his support for the Application for Adjournment since he was concerned about the potential impacts of the revised industrial proposals on his clients. In particular, he stated that the Industrial Rate Proposal appeared to be in conflict, in principle, with the approach to residential rates adopted by B.C. Hydro in that industrial customers appeared to have an immediate opportunity for reduced rates and therefore lower customer bills while residential customers would not. In addition, counsel stated that the proposal could lead to substantially reduced revenues from industrial customers and that this could have significant ramifications for residential and commercial customers. Counsel further argued that an adjournment was necessary to give his clients time to assess the impacts of the industrial proposal and prepare evidence on the impacts for presentation at the hearing. He proposed that the hearing proceed in mid-September or early October.

With respect to the issue of Commission staff involvement, counsel saw it as "being beneficial to all parties in the proceeding in the sense that it would hopefully expedite getting the hearing back on as quickly as possible".

2.3 The Foundries

Counsel for the Foundries made no specific application with respect to timing but stated that the revised Industrial Rate Proposal represented a major change. With respect to Commission coordination, counsel stated that he would have no problem with Commission staff participation in such proceedings but would oppose participation by the Panel members.

2.4 Peace Valley Environmental Association

Counsel for the Peace Valley Environmental Association stated that his clients did not oppose an adjournment to mid-September or early October since "people have not had time to adequately digest, analyze, and respond to the issues that are raised in very voluminous submissions that are going to be coming in at a late date." (T 32)

2.5 Rental Housing Council

The representative of the Rental Housing Council supported an adjournment of the complete hearing and stated that he would "be prepared to be fully ready by October." (T. 28)

2.6 Consumers Hydro Electric Economic Power Society of B.C.

The representative of the Consumers Hydro Electric Economic Power Society of B.C. supported an adjournment until mid-September.

2.7 Electrical Consumers Association

In a written submission, the Electrical Consumers Association supported an adjournment until the late Fall of 1991.

2.8 Wintertherm Systems Inc.

In a written submission, Wintertherm Systems Inc. stated that they would welcome an adjournment of the hearing in order to consider their position

2.9 B.C. Hydro

Counsel for B.C. Hydro stated that B.C. Hydro was ready to proceed with the hearing as scheduled but would not oppose an adjournment. Counsel stated that the earlier Application and the answers provided to the information requests had indicated the direction in which B.C. Hydro was proceeding and that while lacking detail, the basic principles were evident. Nonetheless, he stated that the fact that the industrial customers did not feel ready to proceed was sufficient to adjourn the hearing since he feared that without such an adjournment "we'll be debating issues which ultimately it's determined the parties don't really disagree on. And it's misunderstanding of each other's position that leads to the debate wasting Commission's time, not true disagreement." (T. 55)

Counsel indicated that B.C. Hydro was continuing to work intensively to translate the principles espoused in the Industrial Rate Proposal into Terms and Conditions for service. However, counsel was unable to indicate whether the terms and conditions would be the focus of the hearing, although he indicated he hoped they would be, since this depended on the outcome of the consultation process between B.C. Hydro and the intervenors.

Although B.C. Hydro did not oppose an adjournment of the hearing, counsel suggested that the hearing recommence in early September so that the rate design could be finalized prior to the commencement of an anticipated Revenue Requirement Hearing. At the March 11, 1991 hearing, counsel indicated that B.C. Hydro expected that an increase in rates for the 1991/92 fiscal year would be necessary and that he hoped that the exact financial requirements would be known by June. In response to questions by the Panel at the June 5, 1991 hearing, counsel indicated that he was still unable to be specific as to the amount of increase for which B.C. Hydro might apply and was not certain that it would be known by September. (T. 59/60)

Finally, counsel requested that all intervenors to the Rate Design Hearing be required by the Commission to file detailed papers outlining their positions with respect to B.C. Hydro's proposed rate design.

3.0 COMMISSION FINDINGS

Special Direction #3 requires the Commission to set rates for B.C. Hydro which ensure that rate increases are smooth, stable and predictable, contribute to conservation and the efficient use of electricity, and recognize that the costs of supplying new electricity are increasing. In addition, the Commission is instructed to ensure that electricity rates allow B.C. Hydro to generate adequate revenue each year to meet specific financial requirements. The Commission is instructed to accomplish these directives within its overall mandate to set rates which are fair, just and reasonable.

The Commission has been frustrated in the attainment of these goals by the slowness with which the Rate Design Hearing has proceeded and is loath to grant a long adjournment. Nonetheless, the Commission is cognizant that the revised Application, submitted by B.C. Hydro two and one-half weeks prior to the scheduled commencement of the hearing, contained significant and substantial enlargements to B.C. Hydro's original proposal, particularly with respect to industrial rates. These changes could not reasonably have been foreseen by the intervenors to the hearing. Therefore the Commission adjourned those portions of the hearing concerned with Closed and Terminated Rates, Cost of Service Studies, Monitoring Programs, and the Proposed Rate Structures for all classes of customers. Such adjournment will allow for consultation to take place among the parties concerning the industrial rate proposal.

The Commission believes it imperative that the consultation process proceed in a timely manner and that the scrutiny of the Industrial Rate Proposal be comprehensive. These rates will determine not only the price which industry will pay for electricity but could also affect the broader environment, including the growth of Independent Power Producer projects and the role of the Power Exchange. The Commission therefore accepts the request put forward by counsel for the Industrial Users that consultation take place under the coordination of the Commission staff. Such activity is consistent with the Commission's mandate to ensure that rates for service are fair, just and reasonable to all parties.

To accelerate the consultation process and ensure that the focus of the hearing is maintained, Commission staff will be responsible for providing the following reports to the Commission and all intervenors:

1. A report clearly outlining the goals of each of the parties to the consultative process with respect to the design of B.C. Hydro's industrial rates to be received by the Commission no later than July 17, 1991.
2. A report outlining alternative strategies, if any, for the achievement of the goals suggested by the participants to the consultative process to be received by the Commission no later than September 16, 1991.
3. A report outlining positions in common as well as areas of disagreement among the parties to be received by the Commission no later than September 30, 1991.

Primary participation in the consultative process is to include B.C. Hydro, Industrial Users intervenors and Commission staff. Other intervenors to the hearing are encouraged to attend meetings and participate fully in the consultative process. All intervenors will receive the three reports prepared by staff and are invited to give specific comments to the Commission on each of the first two reports. Comments on the second report should be received no later than September 27, 1991 so that they may be incorporated into the final report. In addition, the Commission will encourage the participation of the provincial Ministries of Energy, Mines and Petroleum Resources and Regional Development in the process.

The Commission believes that this process will address B.C. Hydro's request that the position of all parties to the hearing with respect to the industrial proposals be made clear. Once the final report is received from Commission staff, the Commission will set a new date for the commencement of the hearing. The Commission is aware of the potential for conflict in the timing of the Rate Design Hearing and a possible Revenue Requirement Application from B.C. Hydro. This potential emphasizes the need for commitment to the consultation process by all parties to the hearing so that a timely hearing can be scheduled.

The Commission recognizes that the issues raised by the Industrial Rate Proposal are both far reaching and complex. However, given a high level of cooperation by all parties to the consultation process, the Commission expects that substantial hearing time can be saved and that more comprehensive proposals can be developed which meet the needs of all affected parties.