

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-16-09**

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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
for Review of the F2009 and F2010 Revenue Requirements Application**

BEFORE: L.A. O'Hara, Panel Chair
R.J. Milbourne, Commissioner March 13, 2009
A.A. Rhodes, Commissioner (dissenting in part)

O R D E R

WHEREAS:

- A. British Columbia Hydro and Power Authority ("BC Hydro") filed on February 20, 2008, pursuant to sections 58 to 61 of the Utilities Commission Act ("the Act"), its F2009 and F2010 Revenue Requirements Application for, among other things, approval of across-the-board rate increases of 6.56 percent and 8.21 percent, effective April 1, 2008 and April 1, 2009, respectively, and approval of a reduction of the Deferral Account Rate Rider from 2.0 percent to 0.5 percent, effective April 1, 2008 (the "F09/F10 RRA" or "Application"); and
- B. The Application also sought refundable interim relief pursuant to sections 58 to 61 and section 90 of the Act to allow BC Hydro to increase its rates by 6.56 percent on an across-the-board basis and to decrease its Deferral Account Rate Rider from 2.0 percent to 0.5 percent, both effective April 1, 2008, pending a full hearing into the F09/F10 RRA and orders subsequent to that hearing, on the basis that on April 1, 2008 BC Hydro's current rates would otherwise no longer be fair, just, sufficient and not unduly discriminatory; and
- C. On February 25, 2008 the Commission issued Order G-21-08 establishing the Regulatory Timetable for the F09/F10 RRA. The Regulatory Timetable included a Workshop on March 6, 2008 and a Procedural Conference on April 28, 2008; and
- D. On February 28, 2008 the Commission issued Order G-28-08 that included a requirement for the publication of a Notice of Applications; and

- E. On March 14, 2008 the Commission issued Order G-40-08 that approved interim refundable rate changes for the 6.56 percent across-the-board rate increase and the decrease in BC Hydro's Deferral Account Rate Rider from 2.0 percent to 0.5 percent, both effective April 1, 2008; and
- F. Following the April 28, 2008 Procedural Conference the Commission by Order G-78-08 dated April 30, 2008 established a Regulatory Timetable for review of the F09/F10 RRA through an Oral Public Hearing to commence on Monday, October 6, 2008 at 9:00 a.m., if the Negotiated Settlement Process ("NSP") scheduled to commence on August 18, 2008 did not conclude in an agreement; and
- G. On July 2, 2008 BC Hydro filed an Evidentiary Update to the F09/F10 RRA that included F2008 actual results and F2008 closing balances of all regulatory and deferral accounts, an update on the Demand Side Management ("DSM") energy savings and expenditures to be consistent with forecasts in BC Hydro's 2008 Long Term Acquisition Plan Application ("2008 LTAP"), as well as updated forecasts for energy sales, revenues and cost of energy; and
- H. On August 13, 2008, the Joint Electricity Steering Committee ("JIESC") filed a letter requesting that the Commission cancel the NSP and proceed to the full public hearing on Monday, October 6, 2008. The British Columbia Old Age Pensioners' Organization *et al.* ("BCOAPO") and Rental Owners and Managers Society of BC supported the JIESC's request. BC Hydro replied to the JIESC's and BCOAPO's letters noting it would not be worthwhile to proceed with the NSP in the circumstances; and
- I. By Order G-119-08 the Commission cancelled the NSP and established a Pre-hearing Conference on August 21, 2008 to receive submissions from Intervenor and BC Hydro on further regulatory process; and
- J. Following the August 21, 2008 Pre-hearing Conference the Commission issued Order G-122-08 that among other things confirmed the commencement of the Oral Public Hearing date of October 6, 2008; and
- K. In its Final Argument, BC Hydro seeks final rate increases of 6.56 percent and 7.50 percent effective April 1, 2008 and 2009, respectively, subject to the resolution of the 2008 LTAP; and
- L. The oral evidentiary phase concluded on October 29, 2008. Subsequently, the oral argument phase took place on January 16 & 19, 2009; and
- M. On February 17, 2009 the B.C. Government issued Order-In-Council ("OIC") No. 074, which amended sections 4 and 7 of Heritage Special Direction No. HC2 to the Commission, effective February 17, 2009. OIC No. 074 requires the Commission to set rates for BC Hydro to enable it to achieve an annual rate of return on deemed equity equal to the sum of the pre-income tax annual return on equity allowed by the Commission to the most comparable investor-owned energy utility and an additional 1.63 percent; and

- N. The Commission has considered the Application and evidence all as set forth in the Decision issued concurrently with this Order.

NOW THEREFORE the Commission, for reasons stated in the Decision, orders as follows:

1. The applied-for across-the-board rate increase of 6.56 percent and 7.50 percent, effective April 1, 2008 and 2009, respectively, subject to a revenue requirement compliance filing incorporating any further transfers to the NHDA in F2009 and F2010 necessary to maintain final rate increases of 6.56 percent and 7.50 percent, effective April 1, 2008 and 2009, respectively, after incorporating the impacts of certain determinations regarding DSM in the 2008 LTAP are not approved as filed.
2. The interim decrease in the Deferral Account Rate Rider from 2.0 percent to 0.5 percent, effective April 1, 2008, is approved.
3. BC Hydro is to calculate revised interim F2009 and F2010 rates and to submit in a compliance filing two sets of financial schedules including the spreadsheet model in accordance with the directives in the Commission's Decision, on or before March 27, 2009. The first set is to reflect the Commission's Decision, without regard for the amendments to Heritage Special Direction No. HC2 arising from OIC No. 074 dated February 17, 2009, while the second set is to reflect the Commission's Decision, but show the effect of the amendments on the F2010 revenue requirement.
4. If the F2009 revised interim rates are less than the interim rates of 6.56 percent, BC Hydro is to refund to customers the difference in revenue including interest at BC Hydro's most recent annual weighted average cost of debt for its most recent fiscal year, as soon as practicable. If the F2009 revised interim rates exceed 6.56 percent, the under-collection of revenues from April 1, 2008 to March 31, 2009 are to be placed in a deferral account for recovery at a future time. BC Hydro is to report on the average refund or rate increase by customer class.
5. BC Hydro is directed to submit a second compliance filing within 30 days of the Commission's final Decision and Order regarding the 2008 LTAP to finalize the F2009 and F2010 rates. The second compliance filing is to incorporate the further transfers to the NHDA in F2009 and F2010 necessary to maintain the final and permanent rate increase at the revised interim rate increase level, after incorporating the impacts of certain determinations in the 2008 LTAP regarding DSM. The revised interim rates for F2009 and F2010 are then approved as final and permanent rates for the period from April 1, 2008 to March 31, 2010 inclusive.

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6. The Commission will accept, subject to timely filing, amended Electric Tariff Rate Schedules which conform to the Commission's Decision for both the revised interim rates and the permanent and final rates. BC Hydro is to provide all customers with a notice of the change in rates, by way of an information notice and media publication.
7. BC Hydro will comply with all other directives in the Decision accompanying this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 13th day of March 2009.

BY ORDER

Original signed by:

L.A. O'Hara
Panel Chair