

2015 RATE DESIGN APPLICATION (RDA) WORKSHOP NO. 9B

1. SUMMARY OF RESIDENTIAL INCLINING BLOCK (RIB) RATE AND ADDITIONAL ALTERNATIVES TO THE RIB RATE
2. ALTERNATIVE MEANS OF DELIVERING THE RIB RATE
3. VOLUNTARY RESIDENTIAL RATE OPTIONS
4. OTHER RATE DESIGN ISSUES

AGENDA

Part 1: Summary of RIB rate and Additional Suggested Alternatives to the RIB Rate

Part 2: Alternative Means of Delivering the RIB Rate

1. Pricing Principles for F2017-F2019
2. Minimum Charge

Part 3: Voluntary Residential Rate Options

1. Review of other voluntary rate options
2. Terms and Conditions – Prepayment Option
3. Electric Vehicle (EV) Rate Option
4. Clean and Renewable Energy Charge Option

Part 4: Other Rate Design Issues

1. Dual Fuel rate (“Electric-Plus” (E-Plus) rate)
2. Non-Integrated Areas (NIA) Rates
3. Rates for Farm and Irrigation Services

Part 5: Next Steps

PART 1

RESIDENTIAL RATE DESIGN

SUMMARY OF RIB RATE AND ADDITIONAL SUGGESTED
ALTERNATIVES TO THE RIB RATE

BCUC STAFF COMMENTS

- # 1: Summarize legislative/policy underpinnings of RIB
- # 2: Be clear on whether BC Hydro believes there are problem(s) with RIB
- # 3: Bonbright efficiency criterion: Review May 2014 FortisBC Rate Schedule (RS) 3808 Decision and FortisBC Stepped and Stand-By Rates for Transmission Customer Decision:
 - Outline if RIB leads to efficient Residential customer consumption and investment decisions – example given: does RIB cause fuel switching from electricity to natural gas?

BC HYDRO CONSIDERATION OF BCUC STAFF COMMENT # 1

- **Unlike RS 1823 (Transmission Service default stepped rate), there is no legislative underpinning for RIB (or for default General Service rate structures)**
 - RIB set by BCUC Order No. G-124-08 under *Utilities Commission Act (UCA)* fair, just and not unduly discriminatory test
 - BCUC found RIB is a “conservation rate intended to show existing customers the cost of new supply and offer an incentive to reduce consumption” (2008 RIB Decision, pages 107-108)
- **Policy Action No. 4 of 2007 Energy Plan: “Explore with B.C. utilities rate structures that encourage energy efficiency and conservation”**
 - Examples given in 2007 Energy Plan: stepped rates for classes other than Transmission Service; interruptible/curtailable rates; clean electricity supply rates; and ‘tariffs focused on promoting energy efficient new construction’

BC HYDRO CONSIDERATION OF BCUC STAFF COMMENT # 2

- BCUC Order G-13-14: file rate design application in F2016 that includes: revisit of RIB Step 1/Step 2 threshold; interaction of RIB components (Basic Charge with Step 1/Step 2 energy charges; consider Minimum Charge); pricing principles beyond F2016
- BC Hydro reviewed RIB to respond to BCUC Order G-13-14 and stakeholder comments at Workshop 1
- In consideration of Workshop 3 content and review, BC Hydro believes there is no problem with the RIB rate when assessed against Bonbright criteria
- **RIB rate is BC Hydro's preferred default Residential rate design**

BC HYDRO CONSIDERATION OF BCUC STAFF COMMENT # 3

- **BC Hydro assumes that the RIB rate leads to behavioural changes (e.g., turning off light bulbs) not investment decisions (e.g., purchasing energy efficient appliances)**
 - Other two Demand Side Management (DSM) tools (codes and standards, programs) lead to investment decisions
- **Fuel switching from electricity to natural gas?**
 - BC Hydro load forecast: trend towards greater electric heating within each housing type (single family dwelling, row, apartment, etc.)
 - For dwellings with multiple heating sources, DSM initiatives may have a small side effect on fuel switching e.g., replace incandescent bulbs with LED may lead to more gas furnace use to replace lost heat
 - This is a risk, but eclipsed by utility viewpoint of efficient investment and operational decisions: RIB (and DSM programs/codes and standards) savings decrease the amount of supply side energy and capacity resources that would be required to meet service obligations

BRITISH COLUMBIA OLD AGE PENSIONERS ET AL (BCOAPO): LIFELINE RATE ALTERNATIVE

Meeting 4 May 2015

- BCOAPO interested in ‘lifeline’ rate structure and terms/conditions for Residential low income customers
 - Considering lifeline rate/low income terms and conditions proposals for 2015 RDA intervenor evidence – permit BCUC to consider application of *UCA* fair, just and not unduly discriminatory test to rate structure(s)
 - BCOAPO also advised BC Hydro it is neutral on E-Plus rate issues

BC Hydro Consideration

- BC Hydro to work with BCOAPO re: jurisdictional assessment for lifeline rates; and with BCOAPO regarding its proposals, to communicate any BC Hydro concerns and explore possibility that low income terms and conditions could reduce utility costs and thereby benefit all ratepayers

CANADIAN OFFICE AND PROFESSIONAL EMPLOYEES UNION LOCAL 378 (COPE 378): FLAT ENERGY RATE ALTERNATIVE

- Exchange of e-mails after Workshop 9a
- BC Hydro should examine merits of Residential flat rate structure(s), such as one based on Long-Run Marginal Cost (LRMC) with different mechanism (e.g., credit) to allocate Heritage Resource supply benefits and address social issues (e.g., lifeline rates)
- COPE 378 is not necessarily proposing segmenting Residential sector (creation of sub-classes) as an advocated result, but thinks segmentation based on dwelling type and/or primary heat source and/or number of occupants should be considered

BC Hydro Consideration

- BC Hydro to convey preliminary thoughts through Workshop 9a/9b Summary Notes
 - BC Hydro to address segmentation issue initially in Workshop Summary Notes, follow-up through Workshop 9 consideration memo and at 30 July 2015 workshop
 - BC Hydro not aware of any Canadian jurisdictions that have successfully adjusted Residential pricing on dwelling type, heating type or the number of full time residents in a dwelling
- BC Hydro to meet with COPE 378 subsequent to posting Workshop 9a/9b Summary Notes

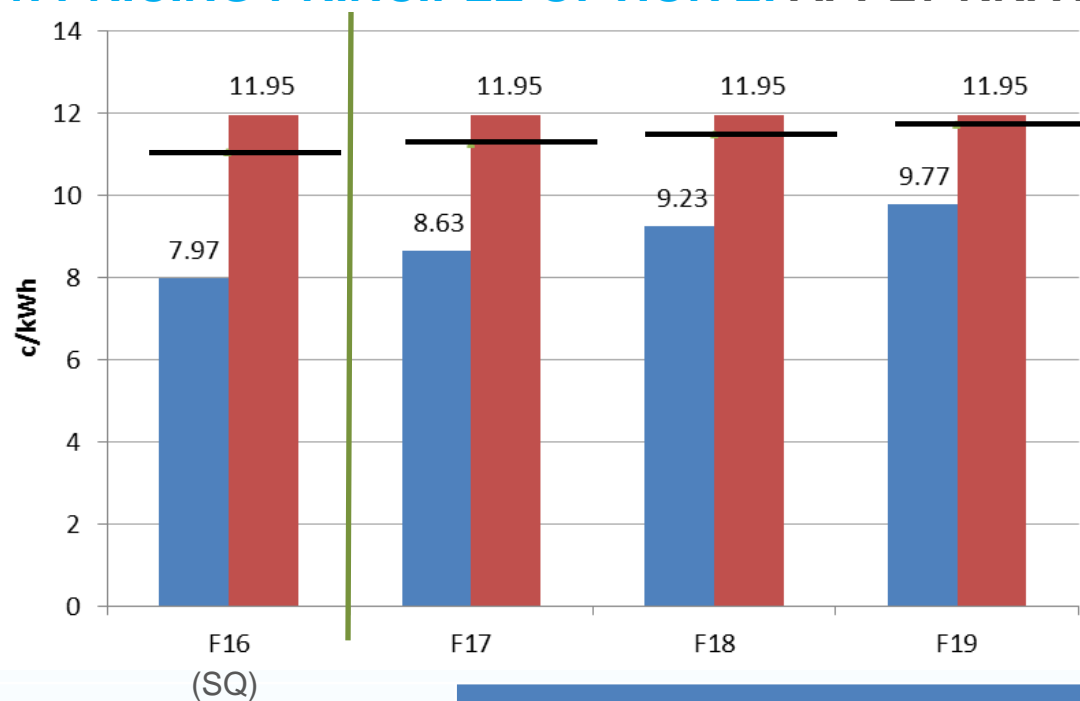
PART 2

RESIDENTIAL RATE DESIGN

ALTERNATIVE MEANS OF DELIVERING THE RIB RATE

1. Pricing Principles for F2017-F2019
2. Separate Minimum Charge

1. PRICING PRINCIPLE OPTION 2: APPLY RRA INCREASES TO STEP 1



Observations

- Step 2 is approximately at LRMC upper limit by F2019
- Step 1 has substantial influence on bill impact
- Between F16 and F19, S1 increases by 22.6% while cumulative rate increases only by 10.9%
- Loss of conservation relative to Status Quo (SQ)

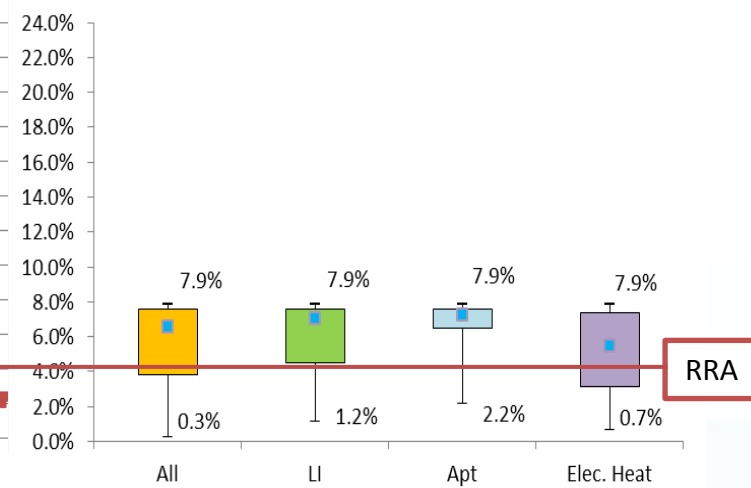
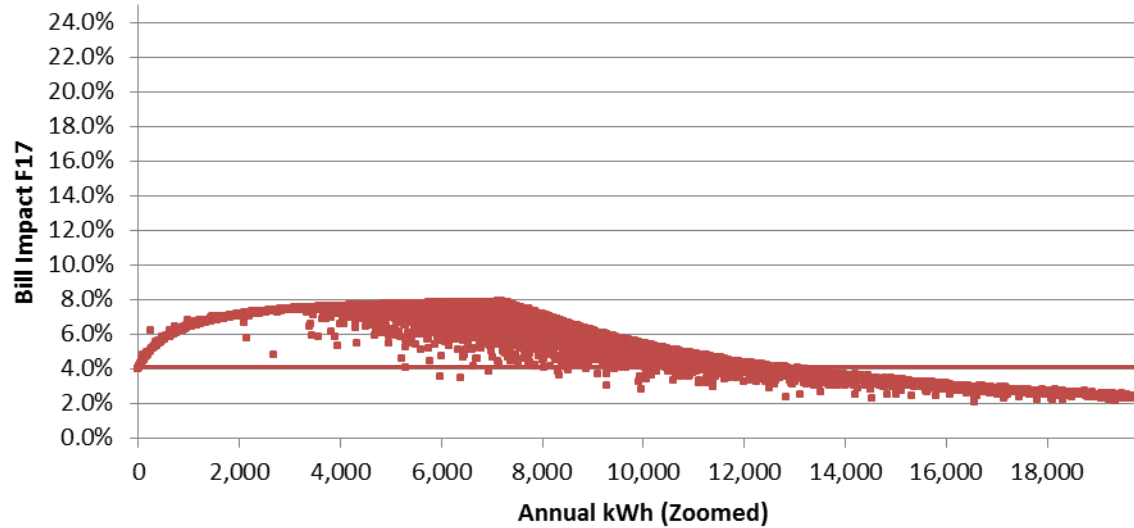
- Step 1
- Step 2 (Threshold = 675kWh/mo.)
- Energy LRMC (Upper Limit)

	% Change		
	F17	F18	F19
Step 1 Year/Year change	8.3%	7.0%	5.9%
RRA	4.0%	3.5%	3.0%
Step 1 Cumulative change	8.3%	15.8%	22.6%
Cumulative Rate increase since F16	4.0%	7.6%	10.9%
Energy LRMC (Upper Limit)	11.23	11.45	11.68
Cumulative Conservation vs SQ (GWh)	About 50 Less	About 93 Less	About 132 Less

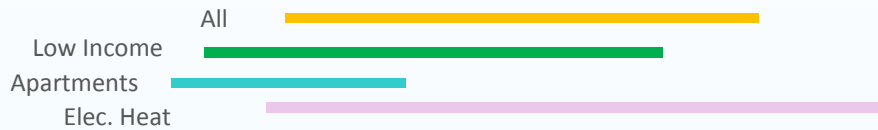
Notes: Step 2 held constant at F16 nominal prices; Basic Charge same as SQ

PRICING PRINCIPLE OPTION 2: APPLY RRA INCREASES TO STEP 1

BILL IMPACT DISTRIBUTIONS F2017



Bill Impact of customer segment
Color Bar: Middle 60%



Annual Consumption Range for the middle 60% of each customer segment

Customer Segments	Proportion Better off than SQ	Median Bill of Segment	Median Bill Difference from SQ
All Customers	19%	\$875	\$22
Low Income	14%	\$615	\$21
Apartment	2%	\$435	\$14
Electric Heat	29%	\$1,067	\$14

* "Better off" = at least 1% lower than SQ bill

Observations

- Highest impact at about 8%, total consumption around the 675 kWh/mo threshold
- Adverse impacts experienced by typical to lower consuming customers
- Larger customers are generally better off

PRICING PRINCIPLE OPTION 2: APPLY RRA INCREASES TO STEP 1

Summary

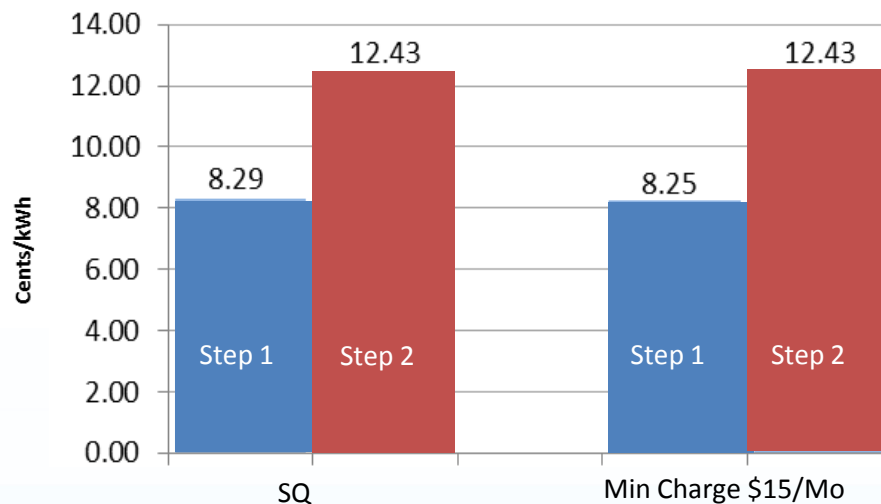
Criteria	Comments
Economic Efficiency	<ul style="list-style-type: none"> • Step 2 is approximately at Energy LRMC upper limit by F2019 • Differential in Step 1 and Step 2 rates narrows over time • Substantial loss of conservation relative to SQ
Fairness	<ul style="list-style-type: none"> • Increases to the Step 1 rate results in higher bill impacts for most customers, including low income customers • Larger customers are generally better off
Practicality	<ul style="list-style-type: none"> • May be worse from a customer understanding perspective (SQ (Option 1)) is more easily understood)
Stability	<ul style="list-style-type: none"> • Generally, flattening of rates will make bills more stable, revenues more predictable

BC Hydro considers that Pricing Principle Option 2 performs worse relative to the SQ (Pricing Principle Option 1: apply RRA increases equally to all three RIB rate components). BC Hydro proposes that no further modeling is required for Pricing Principle Option 2, and asks for stakeholder comment.

2. MINIMUM CHARGE OF \$15/MONTH, F2017

Modeling Approach:

- Set Step 2 rate = SQ Step 2
- Step 1 rate computed residually (reduced to meet revenue neutrality)
- No change to Basic Charge



Observations:

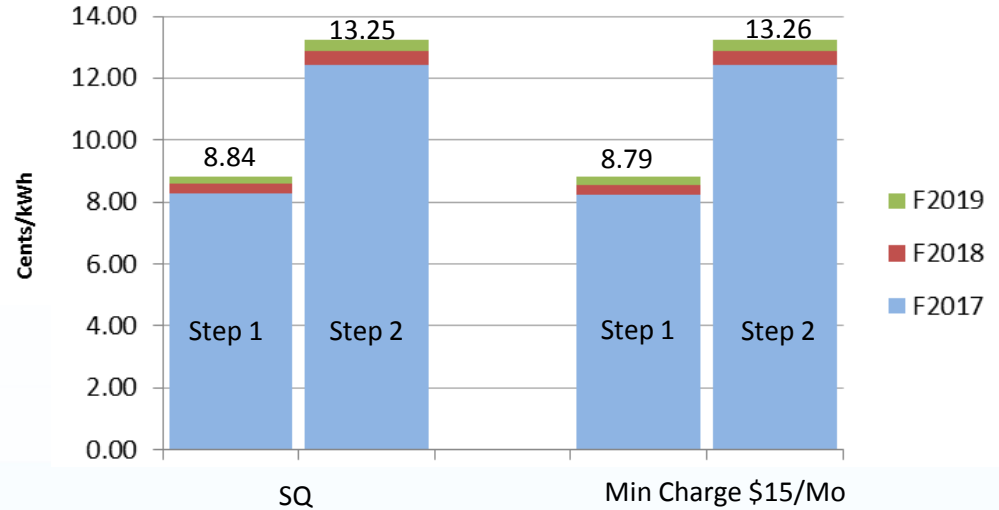
- No substantive changes to rates
- Very small reduction in Step 1 for all customers

Change from F16 to F17	Status Quo	Min Charge of \$15/Month	F16 SQ Rates Reference
S1 (c/kWh)	4.0%	3.5%	7.97
S2 (c/kWh)	4.0%	4.0%	11.95
Basic (\$0.1835/day)	4.0%	4.0%	0.1764
Inc. Conservation GWh vs. SQ		No Difference	

MINIMUM CHARGE OF \$15/MONTH, F2017 TO F2019

Modeling Approach After F2017:

- \$15/month Min charge applies
- Steps 1 and 2 increase by the same proportions to recover forecast revenue (~RRA)



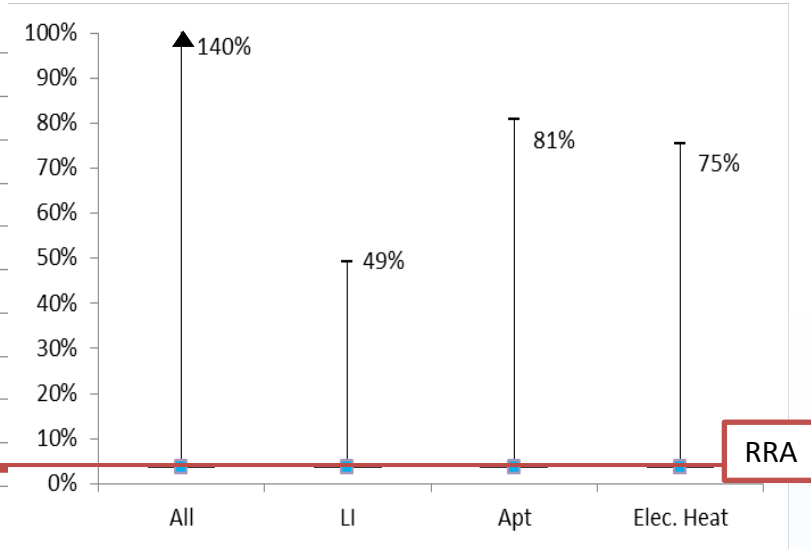
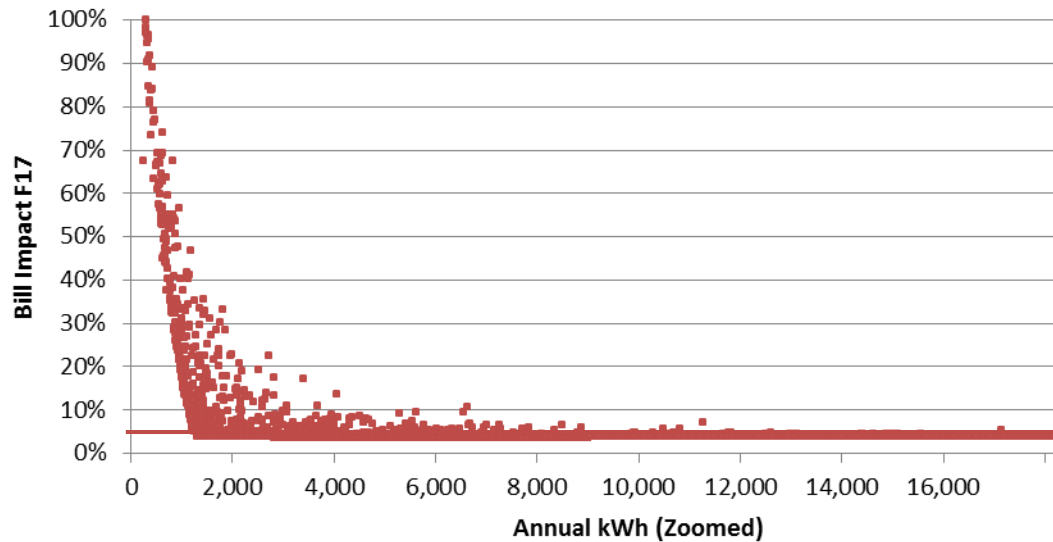
Observations:

- Very minor difference vs. SQ
- No change in conservation

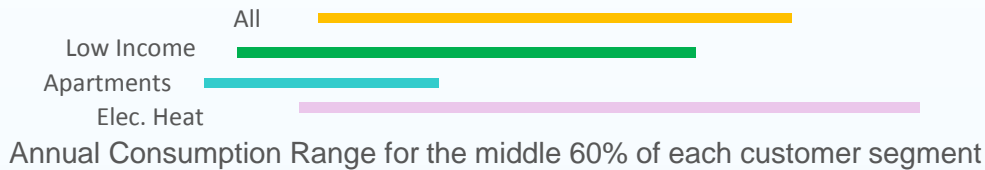
Rates, F17 to F19	F17	F18	F19	F19 SQ
S1 (c/kWh)	8.25	8.54	8.79	8.84
S2 (c/kWh)	12.43	12.87	13.26	13.25
Basic (\$/day)	0.1835	0.1899	0.1956	0.1956
% Change, Year/Year		3.5%	3.0%	
Cumulative Conservation vs. SQ (GWh)	No Difference			
Minimum Charge	\$15/month			

MINIMUM CHARGE OF \$15/MONTH

BILL IMPACT DISTRIBUTIONS F2017



Bill Impact of customer segment
Majority of customers at RRA



Observations

- Negligible impact on most customers
- Negative impacts are limited to customers who have bills under \$15/month

MINIMUM CHARGE

Summary

Criteria	Comments
Economic Efficiency	<ul style="list-style-type: none"> • Step 2 rate unchanged
Fairness	<ul style="list-style-type: none"> • Increases % of fixed costs recovered through fixed charges • Small reduction in Step 1 rate for all customers • Negligible bill impacts for most customers • Negative impacts limited to customers who have bills under \$15/month
Practicality	<ul style="list-style-type: none"> • Additional charge will diminish simplicity and increase administrative complexity, all else equal
Stability	<ul style="list-style-type: none"> • Increasing revenue collection through fixed charges will improve revenue stability, although the effect would be small

In consideration of the trade-offs between fixed cost recovery, customer bill impacts and practicality, BC Hydro seeks stakeholder comment on whether a Minimum Charge should be implemented, separate from the Basic Charge, to reflect cost of remaining attached to the system during periods of very low consumption or dormancy.

PART 3

VOLUNTARY RESIDENTIAL RATE OPTIONS

1. Review of other voluntary rate options
2. Terms and Conditions – Prepayment Option
3. EV Rate Option
4. Clean and Renewable Energy Charge Option

REVIEW OF OTHER VOLUNTARY RATE OPTIONS

1. Prepayment option

- BCOAPO asked BC Hydro if it was considering this payment option and to lay out the perceived pros and cons
- No reviewed Canadian jurisdiction offers this option; several U.S. utilities that are not regulated offer this option

2. EV rate option

- BCSEA asked BC Hydro if it was considering this option, and if so what the timeline would be
- No Canadian jurisdiction offers this option; some Oregon and California electric utilities do (typically a Time of Use (TOU) rate)

3. Clean and renewable energy charge option

- Optional program for customers to support a utility's reliance on clean/renewable resources – raised at Workshop 1
- No Canadian utility offers option; U.S. electric utilities do in context of binding Renewable Portfolio Standards (RPS)

PREPAYMENT OPTION

A voluntary payment option - Residential customers pay for a set value of electricity in advance of consumption, rather than paying monthly or bi-monthly after electricity has been used

- No Canadian jurisdiction offers this payment option;
- In U.S., largely restricted to unregulated entities such as municipal power companies although a regulated utility, Arizona Public Service (APS), offers a pilot prepayment program it proposes to continue

Asserted benefits:

- Energy savings – U.S. utility operating longest prepayment option reports overall reduction of 12% in energy use compared to standard residential service; however, these energy savings estimates have been challenged; In February 2015 APS reported 7.5% energy savings
- Customer choice – Customers can control amount and time of payment to utility; option typically does not require a deposit or credit check
- Utility benefits – Faster payment; reduction in bad debt expense; possible reduced costs associated with collections processes

PREPAYMENT OPTION

Concerns raised:

- Disconnection – Increased risk for participating customers; prepayment options typically provide for automatic disconnection when account balance reaches zero (there are limited exceptions for certain periods of time, inclement weather, etc.)
- Energy savings dispute – claims of a conservation effect have been disputed; to what extent is claimed energy savings due to forced usage reduction to avoid loss of service?

Refer to BC Hydro's responses to BCOAPO under Workshop 9 heading at 2015 RDA website for additional detail

BC Hydro is proposing to not pursue this option at this time; from an information technology perspective BC Hydro is 2 to 3 years away from being able to implement a prepayment option. BC Hydro is seeking feedback on whether BC Hydro should consider a prepayment option pilot after the 2015 RDA Module 1 decision.

EV RATE: RDA ENGAGEMENT TO DATE

1. Workshop 1: 8 May 2014 – RDA Scope

BCSEA agrees with the principle that BC Hydro avoid rate designs where it would need to know what happens behind the customer meter, except in the case of Electric Vehicle (EV) Rates

BC Hydro is prepared to meet with BCSEA on this issue but notes that EV load is not material in the first 10 years of the 2013 load forecast (F2022: 125 GWh; F2028: 590 GWh)(May 2014 Load Forecast Update).

2. Workshop 3

BCSEA

- Very important for BC Hydro to 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 greenhouse gas emissions in BC by facilitating the adoption of EVs through implementing practical EV charging rates mechanisms

3. Follow-up Meeting with BCSEA: 10 October 2014 – EV Activities and Tariff implications

- Meeting material posted to RDA website
- BC Hydro assisting government with charging stations regulatory model

Plug-in EV Load Forecast (GWh)		
Fiscal Year	2012	2014 Update
F15	2	8
F16	5	15
F22	161	141
F28	733	625
F33	1,396	1,215

EV RATE DESIGN

BC Hydro prefers to use Module 1 of 2015 RDA to first set the Residential default rate, and to consider the development of an EV rate after the 2015 RDA Module 1 decision. BC Hydro seeks stakeholder feedback on design considerations.

Considerations

- At-home charging (Residential)
- Basis on which to determine cost of service and load implications for pricing – different pattern of energy consumption (battery storage of electric power)
- Mechanism to enforce off-peak charging – time varying component (TOU); price differential is an issue; adopt California ‘super off-peak’ concept to encourage late night to early morning charging?
- Requirement of a separate meter?
- Interaction with RIB?
- Other?

GREEN PRICING PROGRAMS

- **Many utilities in the U.S. have ‘Green Pricing’ programs**
 - Predominantly energy-based programs that allow customers to choose a discrete block of energy (e.g. 100-kWh) to be provided from clean/renewable sources
 - Additional charges typically range between 1.0 c/kWh – 5.0 c/kWh
- **Example: Portland General Electric, 2014**
 - Sales = 1,000 GWh/year (rank = 1 of all U.S. utilities with green pricing programs)
 - Sales as % of total retail load = 8.5%
 - Participating customers = 100,000 (13% participation, rank = 3)
 - Net charge = 0.8 c/kWh (effective average cost / participating customer / year = \$80)

CLEAN AND RENEWABLE ENERGY CHARGE OPTION

Should BC Hydro implement an optional clean and renewable energy charge?

Considerations:

1. Need?

- Clean Energy Act: Clean & renewable energy = 93% of generation in BC
- BC Hydro (5-year average): Clean & renewable energy = 95% of generation in its service area
- U.S. State RPS:
 - Washington: 15% by 2020
 - Oregon: 25% by 2025
 - California: 33% by 2020

2. Practicality?

- Product design; new versus existing resources
- Product pricing, cost basis for charges
- Administrative issues, implementation and marketing, auditing (including alignment of receipt with resource purchase (and need, as above))

BC Hydro is proposing to not pursue this option at this time given the level of clean or renewable generation in its service area, but is seeking stakeholder feedback

PART 4

OTHER RATE DESIGN ISSUES

1. E-Plus rates
2. NIA Rates
3. Rates for Farm and Irrigation Services

PART 4

OTHER RATE DESIGN ISSUES

E-PLUS RATES (*Refer also to RDA Workshop 9 Discussion Guide*)

OVERVIEW

Interruptible electric service for Residential (RS 1105) and Commercial (RS 1205/1206/1207) heating load

- Discounted rate on condition of having back-up heating system, discount is ~50% of standard rates
 - e.g. F2016 RS 1105 discounted energy rate is 5.22 cents per kWh
- BC Hydro right to interrupt whenever lack of surplus hydro energy + no other economical supply -
Service has never been interrupted

Rate introduced in 1987; closed to new customers in 1990; accounts cannot be transferred as of 2008

Number of E-Plus Accounts	Residential	Commercial & Industrial	Total
2007	11,765	356	12,121
2008	11,120	325	11,445
2009	10,482	301	10,783
2010	9,963	280	10,243
2011	9,455	268	9,723
2012	8,997	254	9,251
2013	8,621	239	8,860
2014	8,177	232	8,409

Age of Residential Customers (Years)	E-Plus Residential Customers Percent By Category	All Residential Customers Percent By Category
18 to 24	0.1	1
25 to 34	0.6	9
35 to 44	2.8	12
45 to 54	12	18
55 to 64	30	24
65 or older	54.5	36
Total	100	100

ISSUES & CONSIDERATIONS

Level and cost of service

- E-Plus load currently included in both the energy and peak demand load forecasts, planned as firm
- Given the current terms of interruption, E-Plus load should likely not be in the energy forecast, but should remain in peak load forecast

E-Plus Energy Cost of Service F2014	Revenue to Cost (R/C) Ratio (% approx.)	Revenue Shortfall (\$ million approx.)
Full Energy Cost Allocation (Generation assignment or Market proxy)	45%	6.3
No Energy Cost Allocation	65%	2.7

Practical ability to interrupt

- Interruption provision is substantively different from usual ‘as available’ language in interruptible tariffs
- Difficult to define and/or act upon lack of surplus hydro energy + no other economical supply given BC Hydro’s operational framework and ready access to market supply

Attrition in accounts

- Average annual attrition: 513 (Residential); 18 (Commercial); 530 (Total)
- Natural termination of E-Plus: about 20-25 years
- Level of intra-class subsidy will decline over time
- Amount of available energy and capacity will decline over time, currently about 100 GWh, 25 MW

THREE OPTIONS IDENTIFIED TO DATE

1. SQ

- No change to existing special conditions regarding interruption and notice
- Continue verification of accounts, natural attrition of service

2. Phase-out the E-Plus rate and transfer accounts to default rates

- Residential – Transition E-Plus load in large part to the RIB rate (40% avg. bill increase)
- Commercial – Transition E-Plus load to the applicable General Service (GS) default RS

3. Amend interruption and notice conditions to provide practical interruptible option

- Amend special conditions to allow interruption ‘as available’ for both energy & capacity
- Amend special conditions to not restrict interruptions to periods of energy deficit only

STAKEHOLDER AND CUSTOMER ENGAGEMENT

RDA Workshop No. 1 (8 May 2014)

- BC Hydro proposed to maintain its verification and attrition approach (Option 1) – Some participants favoured review, phase-out if E-Plus rate not functioning as it should

E-Plus Customer Engagement 2015

- Letter to customers requesting feedback on whether to maintain E-Plus or to phase out the service
- Town-hall meetings held in Nanaimo and Victoria to discuss customer concerns and to answer any questions about the current process and the options under consideration

BC Hydro Response

- Develop three rate design options for engagement purposes; no decision until after 30 June 2015

BC Hydro is seeking input as to:

1. Whether there are any other E-Plus rate design options in addition to the three rate design options described above
2. Which E-Plus rate option is preferred, and why; and
3. If E-Plus Option 2 is preferred, what the proposed transition period should be

PART 4

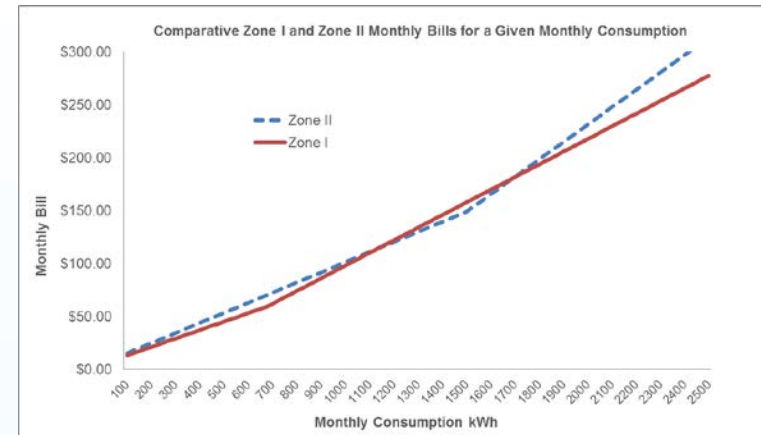
OTHER RATE DESIGN ISSUES

NIA RATES (*Refer also to RDA Workshop 9 Discussion Guide*)

OVERVIEW

- Zone II was created in 1966 as a separate rate zone within the NIA
- Bella Bella is served under Zone IB rates, exempt from the RIB rate
- Majority of the NIA is covered by Zone II rates; accordingly, the focus of the presentation
- Rates in Zone II were designed to reflect the higher costs of providing diesel generation and to discourage electric heat

F2016 Residential Rate Comparison	Zone I RIB (RS 1101)	Zone II Rate (RS 1107)
Basic Charge/day (cents)	17.64	18.82
Consumption Threshold (kWh/month)	675	1500
Rate for Consumption Below Threshold (cents/kWh)	7.97	9.55
Rate for consumption above threshold (cents/kWh)	11.95	16.41



- The annual bill of a customer in Zone II can be more or less the annual bill of a comparable Zone I customer depending on the level and timing of consumption
- Relatively few Residential customers in Zone II see the 1,500 kWh/month threshold in any given year, and thus for these customers it is expected that their total bills would be comparable to the bills they would pay if taking service in Zone I

ISSUES AND CONSIDERATIONS

Consistency of Zone II with Zone I

- Zone II rates have existed in their current form since about 1980
- General consistency between rates in Zone II and Zone I has not been maintained
 - Example: Introduction of the RIB rate and the Medium General Service (MGS) and Large General Service (LGS) 2-part rates in Zone I

Zone II Cost Recovery

- Rates have not kept pace with increasing marginal costs of diesel generation
- Under-recovered costs: ~ \$31.5 million (F14), ~ \$34 million (F15), ~ \$35 million (F16 forecast)
- R/C ratio = ~25%
- Operating losses paid for by ratepayers in Zone I

Zone II Accounts, Revenues and Costs	Accounts (F2014 approx.)	Revenues (F2014 \$ million)
Residential	5,300	5.4
General < 35 kW	1,100	2.1
General > 35 kW	100	2.1
Total	6,500	9.8
Total Costs	n/a	41.3
Total Zone II Under-recovered Costs	n/a	31.5

THREE BROAD OPTIONS – ZONE II

Option 1: SQ

- Maintain current rate structures in Zone II as a means to signal costs of diesel generation in NIAs
 - Under recovery of costs from Zone II customers
 - Exception to postage stamp pricing principles
 - Assess costs of diesel generation in relation to existing rates

Option 2: Full Cost Recovery

- Increase rates by roughly a factor of 4 under current rate Zone II rate structures (Residential)
 - Significant bill impacts
 - Would depart further from postage stamp pricing principles in comparison to SQ

Option 3: Equalize Zone II and Zone I Rates

- Equalize electricity rates on a postage stamp basis across the entire BC Hydro service area
- Likely maintain Zone II designation in the tariff terms and conditions for other purposes
- Example, assuming RIB were to apply to all Zone II residential customers:
 - Most Zone II residential customers would see a bill decrease, with the largest bill reductions available to the largest consumers
 - Under-recovered costs would increase by ~ \$300,000, about one per cent of the existing under recovery (Residential only)

NEXT STEPS AND STAKEHOLDER FEEDBACK

- BC Hydro proposes to address NIA-related rates as part of ‘Module 2’ of the 2015 RDA, to be filed with the Commission sometime after receipt of the 2015 RDA Module 1 decision
- There is particular uncertainty in the design of two-part MGS and LGS rates in Zone I going forward; BC Hydro’s position is to first confirm BC Hydro’s proposed GS and Residential rate designs to properly inform the option as to whether to equalize Zone II and Zone I rates
- BC Hydro is in the process of reviewing Zone IB rates and intends to address the associated issues and options as part of RDA Module 2, along with the other NIA rates

BC Hydro is seeking from stakeholders:

- 1. Input as to whether there are any other high level Zone II rate options in addition to the three options described above; and**
- 2. Suggestions for options analysis, including relevant jurisdictional assessment and bill impact analysis.**

PART 4

OTHER RATE DESIGN ISSUES

RATES FOR FARM AND IRRIGATION SERVICES
(Refer also to RDA Workshop 9 Discussion Guide)

REGULATORY BACKGROUND

2007 RDA Decision

- BCUC noted that farms take service under multiple rate schedules and expressed concern that farms be served on appropriate rates for domestic and commercial service
- BCUC requested BC Hydro review irrigation rate eligibility criteria in next RDA

2008 RIB Decision

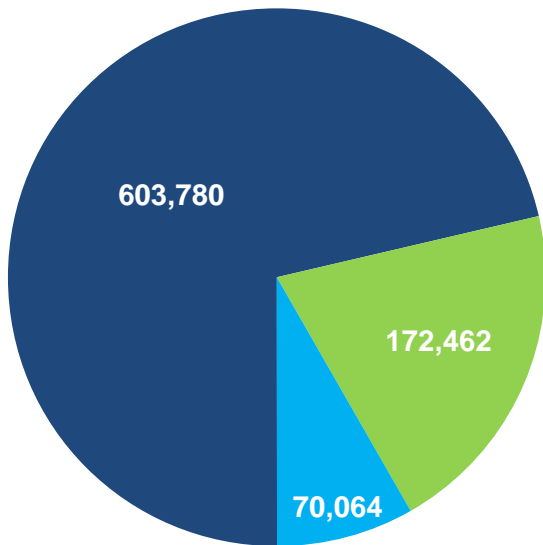
- BCUC approved exempting farms from the RIB rate
- Larger farms were given the option to move to applicable GS rate

Decisions related to FortisBC Farms and Irrigation Services

- BCUC reinforced requirement to analyze composition of irrigation rate class together with customer engagement
- BCUC directed further analysis on whether farm service should be permanently exempted from residential conservation rate

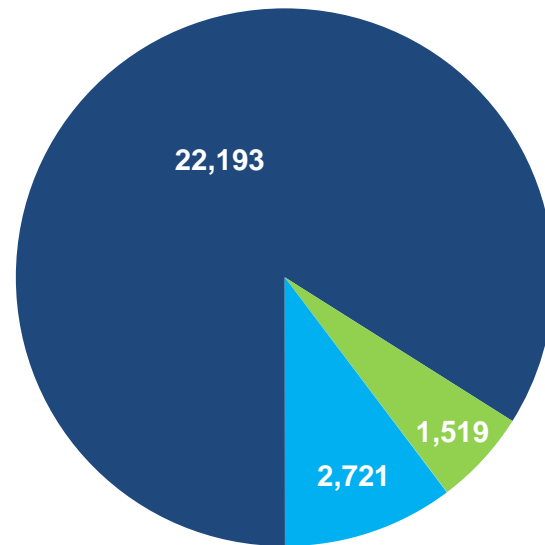
“Farm Customers”

Annual Sales (MWh)



■ Residential ■ Commercial ■ Irrigation

Number of Customers



■ Residential ■ Commercial ■ Irrigation

BC HYDRO PROPOSES TO ADDRESS FARM AND IRRIGATION ISSUES IN 2015 RDA MODULE 2

- Simplifying rate choice for farm customers requires that GS rate structures be clear to eligible farm services
- MGS and LGS rates are being reviewed in 2015 RDA Module 1
- Engagement with farm customers is on-going
- Jurisdictional assessment is also on-going: Hydro Quebec, SaskPower, Manitoba Hydro, Alberta
- Accordingly, BC Hydro proposes to include review of farm and irrigation issues in 2015 RDA Module 2

ENGAGEMENT ISSUES

- How to simplify rate choice for farm customers:
 - Should residential farms continue to be exempt from the RIB rate?
 - Should BC Hydro change the eligibility criteria for the exempt RS 1151 rate?
 - Should larger residential farms be moved to MGS / LGS?
- What should BC Hydro's metering policy be in the case where there is commercial activity on a residential farm?
- Should golf courses and municipal pumping continue to qualify for the irrigation rate?

BC Hydro is seeking stakeholder feedback on the key engagement issues and its plan to consider farm and irrigation rate designs as part of 2015 RDA Module 2.

PART 5

NEXT STEPS

NEXT STEPS

1. 30-day written comment period to commence with the posting of workshop summary notes (feedback end date will likely be mid-June with posting of notes by mid-May)
2. Consideration memo for Workshop 9 mid-July
3. Wrap-up RDA Workshop proposed for 30 July – rate classes; structure of 2015 RDA Module 1
4. 2015 RDA Module 1 to be filed on or about 17 September

THANK YOU

SEND COMMENTS TO:

bhydroregulatorygroup@bhydro.com

For further information,

please contact:

BC Hydro Regulatory Group

bhydroregulatorygroup@bhydro.com

(604) 623-4046



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