

NEW MEDIUM GENERAL SERVICE (MGS) CONSERVATION RATE

FAQ SHEET

1. I'm currently billed under the Large General Service rate class, what's changing?

The current Large General Service (LGS) rate class is diverse both in terms of size and energy needs. On January 1, 2011, the current LGS class will be divided into two separate classes – each with a new and separate rate structure:

- A Medium General Service (MGS) class for accounts with an annual peak demand between 35 and up to 150 kW
- A new LGS class for accounts with an annual peak demand greater than or equal to 150 kW or whose annual energy use is greater than 550,000 kWh.

These two new classes apply to customers who currently take service under rate schedules 1200, 1201, 1210 or 1211. You can find your rate schedule on your bill under 'Electric Charges'.

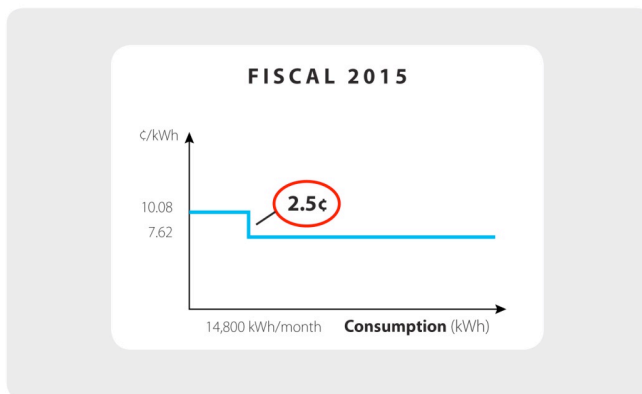
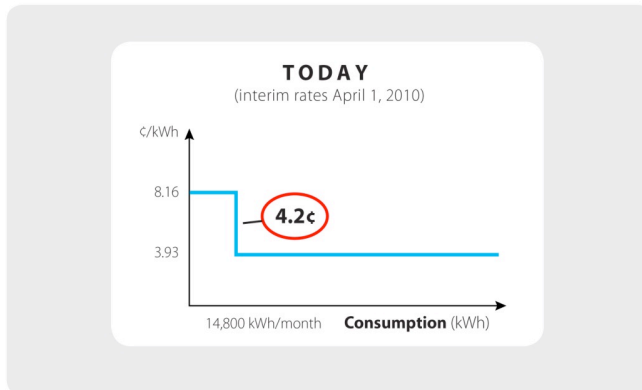
2. What rate structure will apply to the new MGS class?

On January 1, 2011 customers in the new MGS class will be billed on a rate structure that is very similar to their existing LGS structure. There will be no change to basic charges or demand charges; there will be a slight change to the kilowatt-hour charge.

The current structure of the kilowatt-hour charge is a 'declining block' rate structure with a step down between two pricing levels. Currently, you pay one price (8.16 ¢/kWh) for the first 14,800 kilowatt hours you consume in a month, and a lower rate (3.93 ¢/kWh) for additional electricity consumption in a month. On January 1, 2011 there will be a slight reduction in the difference between these two rates. (This higher rate for the first 14,800 kWh will come down, and the lower rate for additional consumption will go up. The exact prices will be available in late December 2010.) **For the majority of MGS accounts, this adjustment will mean a slight decrease in their total energy bill.** *On January 1, 2011 the only change occurring for MGS customers is this slight adjustment to the two prices.*

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Four further adjustments to reduce the difference between these two kWh rates will occur on April 1st in 2011, 2012, 2013 and 2014. These changes will occur independent of other general prices increases that will also apply to all BC Hydro customers.

70% of customers in the MGS class will see a slight decrease in their bills due to this gradual decrease in the difference between these prices (before general increases). Customers that pay more due to the structure change on January 1, 2011 and subsequent adjustments will, on average, see an annual bill increase of 1.4% over the next five years before taxes and other general price increases.

2015 pricing is for illustrative purposes only and includes estimates for general price increases as well as reductions in the "step" between the two prices.

3. What other changes will happen to the MGS class in the future?

The price adjustments that begin in 2011 form the foundation of the new MGS Conservation Rate structure that will be introduced in 2012 (see question 4 for details). All MGS customers will move onto the new MGS Conservation Rate between 2012 and 2014 on the following schedule:

- April 1, 2012, the new MGS Conservation Rate will go into effect for the largest MGS accounts (those with annual peak demand greater than or equal to 85 kW);
- April 1, 2013, the next group of MGS accounts move onto the new MGS Conservation Rate (accounts with annual peak demand greater than or equal to 55 kW);
- April 1, 2014, all remaining MGS accounts move to the new MGS Conservation Rate.
- MGS customers will receive information in the mail prior to their move to the Conservation Rate.

4. What is the MGS Conservation Rate?

The MGS Conservation Rate structure is composed of two parts. It is tailored to your account's historic usage. Under the new MGS Conservation Rate, your energy charges will be calculated in two parts:

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- Part 1: Each month, you will be charged for your specific **baseline amount of electricity** (an average amount based on your account's historical usage in that month). This baseline amount of electricity will be priced on the declining block structure described in the answer to question 2.
- Part 2: You will receive an energy **credit or charge** based on the difference between the actual amount of electricity you use in the month and your baseline amount of electricity (paid for in Part 1)
- A **credit** results if your electricity usage is below your baseline.
 - A **charge** results if your electricity usage is above your baseline.
 - A portion of these Part 2 credits or charges will be at a higher price that more closely reflects BC Hydro's cost of new electricity supply.

If your account uses the same amount of energy per month as you historically used for that month, there will be no Part 2 credit or charge. In this case, your bill would be virtually the same as it was under the previous rate structure.

Because the focus of the new MGS Conservation Rate is to encourage *energy* efficiency and conservation, only the structure of the kilowatt hour charge (the 'energy' charge) changes when you move to the new structure. All other components of the bill (demand charge, basic charge, and so on) will remain the same. This new rate structure is independent of general price increases which affect all BC Hydro customers.

5. How will the MGS Conservation Rate provide an increased financial incentive for electricity conservation?

With the new MGS Conservation Rate, customers who use less electricity than in the past (based on their baseline for each month) will see even larger bill savings than under the previous rate structure. This is because a portion of the credit is calculated using a higher price that more closely reflects BC Hydro's cost of new electricity supply.

6. Can you tell me more about the higher Part 2 price that applies to a portion of kWh usage below or above my baseline?

A portion of the Part 2 credit or charge will be priced to more closely reflect the higher cost of new electricity supply. This rate is called a long run marginal cost-based rate OR LRMC-based rate. This higher price is applied to kWh changes from your baseline up to a maximum of 20% of your baseline. Any credits or charges for changes beyond this 20% band will be priced using corresponding Part 1 prices.

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When the new MGS Conservation Rate is introduced to the first group of MGS customers in April 2012, the LRM-based rate in Part 2 will be 9.42 ¢/kWh for the next 12 months. Prices beyond that first year are not yet determined and will be addressed in a future application to the British Columbia Utilities Commission (BCUC) to determine a rate that more closely reflects the cost of new supply at that time.

7. Why isn't the new Conservation Rate being applied to all MGS accounts on January 1, 2011?

There are more than 24,000 business accounts moving to conservation rates over the next few years, therefore a phased approach is being used to ensure that all customers are fully supported during this change. All customers in the LGS rate class will be moving to a conservation rate in January 2011; then starting in 2012, MGS customers will be moved to the MGS Conservation Rate in groups of about 5,000 accounts per year.

8. When I eventually move to the MGS Conservation Rate, how will you calculate my baselines?

When MGS accounts move to the Conservation Rate on each of April 1, 2012, 2013 and 2014, their initial baselines will be based on their account history for the three year period ending September 30 in the previous year. Each account will receive additional information about the Conservation Rate and their individual account baselines prior to their move.

Your baselines will subsequently be updated each year with actual consumption and will eventually become a rolling three-year average of your historical energy use for each month, thereby ensuring your baselines keep pace with changes in your business operations. For example, over time your January baseline volume would be an average of the previous three Januarys.

9. I opened my account after June 30, 2010, when the segmentation between LGS and MGS happened, which rate will I be on come January 1, 2011?

BC Hydro identified all accounts that would become part of the new LGS class based on their usage during the 12 months ending June 30, 2010. New accounts that opened after that date (but prior to the January 1, 2011 start date of the new rate classes) automatically become part of the new MGS rate class on January 1, 2011. On an on-going basis all accounts in the MGS class will be monitored monthly and, if the demand or consumption thresholds required for the LGS class are reached, the customer will be notified (in advance) and the account would move into the new LGS Conservation rate class.

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Accounts opened after January 1, 2011, will be placed in either the MGS or LGS class based on an estimate of their energy and/or demand levels.

10. When will I know more details about how the upcoming changes?

By November 2010, all customers who have accounts in the new MGS rate class will receive a letter notifying them of changes that take affect on January 1, 2011. Further information regarding the change to the MGS Conservation Rate will be sent to each customer in advance of the transition to the Conservation Rate for their individual account(s).

11. How is the MGS Conservation Rate different than the LGS Conservation Rate?

In general the MGS Conservation Rate is very similar to the LGS Conservation Rate going into effect January 1, 2011. The table below outlines some of the key differences.

	MGS	LGS
Timing of the Conservation Rate	MGS customers will move onto the MGS Conservation Rate between 2012 and 2014 on the following schedule: <ul style="list-style-type: none"> • April 1, 2012: MGS accounts with annual peak demand greater than or equal to 85 kW • April 1, 2013: MGS accounts with annual peak demand greater than or equal to 55 kW • April 1, 2014: all remaining MGS accounts 	All customers in the LGS Class will move to the new LGS Conservation Rate on January 1, 2011.
Conservation Rate Pricing Structure	Part 1 charges are billed similar to the previous structure – two different prices depending on how much energy is used; however, a higher Tier 1 price will apply to the last 14,800 kWh per month up to the baseline total. Part 2 reflects the adjustment in the form of a credit or charge for the difference between the actual amount of electricity you use in a month and your baseline amount of	Part 1 charges are billed similar to the previous structure – two different prices depending on how much energy is used; a higher Tier 1 price will apply to the first 14,800 kWh and a lower price for any additional usage. Part 2 charges are the same as MGS.

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	<p>electricity. Lower usage results in a credit, increased usage results in a charge.</p> <p>If an MGS account reduces consumption to a level that is more than 20% below their baseline, there is a greater chance that Part 2 credits will be at the Tier 1 price, rather than Tier 2, which may mean a slightly higher credit.</p>	
Initial Baselines	When an MGS account moves onto the MGS Conservation Rate, their initial baselines are based on the energy consumption in the most recent three years.	At the launch of the rate on January 1, 2011, initial baselines will be set based on the highest kWh usage in either: January 1 2005 to December 31 2007 or July 1 2007 to June 30 2010.
Underlying Part 1 Pricing Structure	The underlying declining block structure for the MGS class is changing to gradually reduce the pricing difference between the two tiers. The only change occurring for MGS accounts on January 1, 2011 is the slight adjustment to the existing underlying structure.	The underlying structure remains similar to the structure that currently exists.

12. Will the new rate structure increase BC Hydro revenue?

No, this rate restructuring does not collect any more revenue from this group of customers, it just changes the way BC Hydro collects the revenue. Rate restructuring is independent of general price increases which affect all BC Hydro customers.

13. How can I learn more about how my new rate structure works?

Online webinars and tutorials are being developed to help you understand changes to this rate class and, in particular, details regarding the future MGS Conservation Rate.

We encourage you to register your accounts online for access to all online resources and to view your account information. Registering your account online is quick and easy - all you need is your last bill. If you are authorized by your organization – go to

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the BC Hydro website, select 'your account', select 'register', and follow the prompts for completing the online form.

14. How much will my bill be over the next year or two?

On January 1, 2011, the majority of MGS accounts are expected to experience a slight decrease in their bills. The 30% of customers that pay more due to the January 1, 2011 and subsequent adjustments could, on average, see an annual bill increase of 1.4% over the next five years before taxes or other general price increases. A budget forecasting spreadsheet is available on bchydro.com/mgs.

BC Hydro is also developing a comprehensive forecasting tool linked to your account data that will be available closer to the launch of the MGS Conservation Rate.

15. How can I start taking conservation action now?

Don't wait for the new rate – reducing waste and conserving energy makes good business sense. There are many Power Smart programs specifically designed to help businesses just like yours conserve electricity and save money. To find out more visit bchydro.com/powersmart

16. What process did BC Hydro use to develop these new rate structures?

BC Hydro started rate design work early in 2008 and submitted an application to the BCUC in October 2009 proposing conservation rates for this class. During the development of BC Hydro's application there were two major opportunities for customers and stakeholders to provide input on potential rate structures. All customers in the rate class were invited to actively participate in providing input to this project, and almost 600 customers participated.

After submission to the BCUC in October 2009, the application was subject to a regulatory review by the BCUC. A Negotiated Settlement Agreement (NSA) was developed as a result of a Negotiated Settlement Process involving BC Hydro and interveners (customers, stakeholders, and their representatives). This process enabled further customer input into the final designs approved by the BCUC. On June 29, 2010, the BCUC approved the NSA and ordered that new rate structures go into effect on January 1, 2011.

17. How do I learn more?

Our website at bchydro.com/mgs contains more details about this new rate structure. To learn more about Power Smart programs designed for your business please visit bchydro.com/powersmart