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16 May 2007

British Columbia Utilities Commission
#600 - 900 Howe Street, Box 250
Vancouver, B.C.
V6Z 2N3

Attention: R. J. Pellatt, Commission Secretary

VIA E-mail

Dear Sirs:

**Subject: Information Request #2 for B.C. Hydro Rate Design Application
BCUC Project # 3698455**

On behalf of my client, Corix Multi-Utility Services Inc. ("Corix"), please find attached Information Request #2 in PDF form and Word form. These questions are as a direct result of the responses to the first round of IRs (Exhibit B-3).

Respectfully submitted on behalf of Corix,

HIGHCLIFF ENERGY SERVICES LTD.



Ronald L. Cliff, P. Eng, M.B.A.
President

cc. Ms. Joanna Sofield, Chief Regulatory Officer, B.C. Hydro
Mr. Ken Donison, Corix Multi Utility Services Inc.

CORIX MULTI-UTILITY SERVICES INC.

**INFORMATION REQUEST NO. 2
TO B.C. Hydro & Power Authority (“B.C. Hydro”)**

**B.C. Hydro
2007 Rate Design Application**

Question #6: Rate Design Application

Reference: Exhibit B-3, in various Information Responses, B.C. Hydro provided information, summarized as follows:

- The residential revenue to cost ratio was 89.1% in 1991 (Corix 1.2.3) and yet nothing was done at the time (Corix 1.2.1);
- The period of time that rates were not in balance is not a consideration for future rate rebalancing (CECBC 1.6.1);
- The results of this study are valid and can be relied on by stakeholders (Corix 1.1.3);
- The only reason why a change in the residential rate is being proposed at this time is because the GS<35 kW is above 110% (Corix 1.3.1); and,
- B.C. Hydro expects to have “preliminary results by the end of summer 2007” from an outside consulting firm providing additional research on the demand responses to rate changes (BCUC 1.4.3).

- Request:**
- 6.1 Please reconcile the statement “Moving the residential class to 100 per cent would not have a material effect on conservation” (CECBC 1.1.2) with the fact that an outside consultant has been hired to examine demand response to rate changes? If it is not expected to be material, why is the study being conducted?
 - 6.2 Please provide a reference to, or provide, the terms of reference for this study. Specifically, please comment as to whether increasing the trailing block of customer rates is to be examined. If it is not in the terms of reference, please explain why it is not included.

- 6.3 Please reconcile the fact that interveners are to rely on the information in the Application (Exhibit B-1) but it is only used to rebalance rates once revenue to cost ratios fall out of the 90% to 110% band?
- 6.4 In the case of the rebalancing proposed, including the 1% increase to residential customers, why is the change not made to target 100% revenue to cost ratios rather than just stay within the range or 90 to 110%? In other words, once it is proposed to act because the range is exceeded why would one not target the mid-point of the range, given that this is the best information available and is deemed reliable?
- 6.5 Please state whether or not it would be appropriate to proceed with moving towards rate design initiatives in this proceeding that include items such as moving towards balanced revenue to cost ratios or increasing trailing block rates, even though B.C. Hydro will not obtain demand response information until after the end of this proceeding. If not, please explain why not.

Question #7: Potential for a Rate Rebalancing

Reference: Exhibit B-3, Response to CECBC 1.17.2:

- Request:**
- 7.1 Please confirm whether or not the column referred to as “Annual Bill Feb 07 Rate” is in fact the proposed rate after the proposed rebalancing in the Application (ie. April 08)?
 - 7.2 Please recreate the same table with both the Feb 07 (current) Rate and the April '08 (proposed BCH) Rate, together with the “Proposed Rate” as shown. Please recalculate the percentage bill changes relative to the Feb 07 and Apr 08 rates, accordingly.
 - 7.3 Please confirm that the “average increase” from February 2007 is indeed 6.3%? Please state what the average increase is relative to both the current (Feb 07) rates and the proposed BCH rate (Apr 08).
 - 7.4 Please provide a reference to, or provide, the bill frequency analysis used to calculate the figures referred to in item #7.3, above. In other words, the breakdown of the residential class of customers by consumption level.
 - 7.5 Notionally, would a move to this type of rate structure (inclining trailing block) be an acceptable and viable solution to BC Hydro? If not, why not? Is there an alternative mechanism to increasing residential rates that B.C. Hydro would prefer?
 - 7.6 If the rate restructure described in 7.5 is acceptable and viable, over what time period (number of years) would B.C. Hydro propose to move to such a rate? Is there a maximum annual rate increase that B.C. Hydro believes should not be exceeded?

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6.0 Reference: Exhibit B-3, in various Information Responses, B.C. Hydro provided information, summarized as follows:

- The residential revenue to cost ratio was 89.1% in 1991 (Corix 1.2.3) and yet nothing was done at the time (Corix 1.2.1);
- The period of time that rates were not in balance is not a consideration for future rate rebalancing (CECBC 1.6.1);
- The results of this study are valid and can be relied on by stakeholders (Corix 1.1.3);
- The only reason why a change in the residential rate is being proposed at this time is because the GS<35 kW is above 110% (Corix 1.3.1); and,
- B.C. Hydro expects to have “preliminary results by the end of summer 2007” from an outside consulting firm providing additional research on the demand responses to rate changes (BCUC 1.4.3).

2.6.1 Please reconcile the statement “Moving the residential class to 100 per cent would not have a material effect on conservation” (CECBC 1.1.2) with the fact that an outside consultant has been hired to examine demand response to rate changes? If it is not expected to be material, why is the study being conducted?

RESPONSE:

The study is not being conducted for the purpose of measuring the effect on conservation of rebalancing and increasing BC Hydro’s rates. As stated in the response to BCUC IR 1.4.3, BC Hydro has engaged an outside consulting firm as part of the development of its long term rate strategy. The research will examine the expected demand response from possible TOU rates, inverted block rates and other rate structures that BC Hydro does not yet offer its customers.

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- The residential revenue to cost ratio was 89.1% in 1991 (Corix 1.2.3) and yet nothing was done at the time (Corix 1.2.1);
- The period of time that rates were not in balance is not a consideration for future rate rebalancing (CECBC 1.6.1);
- The results of this study are valid and can be relied on by stakeholders (Corix 1.1.3);
- The only reason why a change in the residential rate is being proposed at this time is because the GS<35 kW is above 110% (Corix 1.3.1); and,
- B.C. Hydro expects to have “preliminary results by the end of summer 2007” from an outside consulting firm providing additional research on the demand responses to rate changes (BCUC 1.4.3).

2.6.2 Please provide a reference to, or provide, the terms of reference for this study. Specifically, please comment as to whether increasing the trailing block of customer rates is to be examined. If it is not in the terms of reference, please explain why it is not included.

RESPONSE:

Attached is the Request for Proposal (RFP) issued for the initial work on BC Hydro’s long term rate strategy. Included under scope of services is a requirement that the consultant provide “a defensible analysis of the expected elasticities of conservation and load management rates at various ranges based on literature from other jurisdictions and BC Hydro in-house information, the load reduction and capacity reduction potential of each, benefits to BC Hydro, and expected impact on customers”. This would include examining the effects of increasing the trailing block of customer rates.



Long-Term Rates Strategy Project

Version: LTRS Rate Design RFP (Feb.22.07).doc

Background

British Columbia Hydro and Power Authority ("BC Hydro") is a commercial Crown corporation, owned by the Province of BC and regulated by the British Columbia Utilities Commission ("BCUC"). As one of the largest electric utilities in Canada, BC Hydro serves more than 1.7 million customers in an area containing over 94 per cent of British Columbia's population.

Between 43,000 and 54,000 gigawatt hours of electricity are generated annually, depending upon prevailing water levels, with more than 80 per cent produced by major hydroelectric generating stations on the Columbia and Peace rivers. Electricity is also generated from other hydroelectric facilities and three natural gas-fuelled thermal power plants. Electricity is delivered to customers mainly through an interconnected system of over 73,000 kilometres of transmission and distribution lines. BC Hydro's corporate purpose is to provide Reliable Power, at Low Cost, for Generations.

Additional details can be found on BC Hydro's website (www.bchydro.com).

In alignment with its purpose and strategic priorities, BC Hydro is undertaking the development of a long-term rates strategy. This strategy will also provide a framework to coordinate and align other measures such as Advanced Metering Infrastructure, the 20-Year DSM Plan, the Integrated Electricity Plan, pilots such as the Conservation Research Initiative and future pilots and studies and will be undertaken within the context of the province's Energy Policy.

Since 1992 no significant changes have been made to BC Hydro's rate structure except the introduction of Transmission Service Stepped Rates and Time of Use Rates in April 2006

British Columbia is net importer of electricity. As laid out in BC Hydro's Integrated Electricity Plan, the first and best way of meeting our province's growing electricity needs is to conserve more, therefore we must make sure BC Hydro's rates are designed to meet that goal while ensuring strong customer satisfaction and stable BC Hydro financial performance.

BC Hydro is undertaking the development of a long-term rates strategy (LTRS) to ensure electricity rates serve the strategic priorities outlined in BC Hydro's Service Plan and are aligned with government policy. The rate strategy will outline how rates need to evolve to meet customer needs and provide a long-term vision and specific changes for BC Hydro's tariff. Specifically, the long-term rate strategy is expected to include:

- A long-range vision for BC Hydro based on an articulation of its business priorities, customers' preferences, stakeholders' interests and assessment of its current operating environment.
- A first set of rate design changes recommended for pilot and/or application to the BCUC based on a detailed assessment of their potential to have the desired effect.



This includes examining customer bill impacts and overall costs and benefits to BC Hydro.

- Additional considerations to assess over the long term, and would also outline the technologies, customer support, and other things that would be required to implement new rates.
- Quantification of the potential for rate design to contribute to BC Hydro's 20-Year Electricity Conservation and Efficiency goals and capacity savings.

Scope of Services

This Invitation for Proposals is to seek the services of an independent external consulting firm to provide direction from an industry perspective, with specific knowledge of Canadian, North American (and to some extent, global) activities in electric utility long-term rate strategy development and in innovative demand-side management rates.

Task – For Residential and Commercial Customers, develop a report that includes the following components:

- A thorough analysis of conservation, load management and other rate options, including a defensible analysis of the expected elasticities of conservation and load management rates at various ranges based on literature from other jurisdictions and BC Hydro in-house information, the load reduction and capacity reduction potential of each, benefits to BC Hydro, and expected impact on customers. BC Hydro and consultant will work together to determine the rates to be analyzed for the residential and commercial classes. Proponents will be asked to provide input and advice to the research plan BC Hydro intends to undertake with customers.
- A detailed recommendation on the rate structures BC Hydro should consider implementing after thorough consideration against the project's goals and BC Hydro's operating context and strategic priorities. Recommendations to include a high-level vision for BC Hydro's rates over the next three years with specific rate changes to be introduced during that period, including any technological requirements to facilitate such changes, and document any data gaps and next steps. Proponent to provide input and recommendations to rate pilot(s) BC Hydro may consider undertaking in the near term, and is expected to identify other rate strategies that BC Hydro should consider in the longer term.

In parallel with this work, related activities are being coordinated with this task by BC Hydro include: customer research program, stakeholder engagement, Advanced Metering Infrastructure Business Case, DSM/Power Smart 20-Year Plan, and Conservation Research Initiative (residential TOU pilot).

Post completion of Task #1 BC Hydro may require additional assistance with the following activities:

- Development of business case(s) and implementation plans to transition to new rate structures (pilot and/or full implementation); and,
- Development of rate strategies beyond the 3-year timeframe outlined in Task #1.



Proposal Content

Each proposal must contain the following items:

- Corporate Summary. Provide a corporate overview, including history, strategy/vision, and number of employees.
- Statement of engagement in any rate design projects in the marketplace.
- Project overview of how you propose to meet the Scope of Services outlined above, including project methodology. Please indicate any areas of the Scope that you may not be able to provide, and any suggested tasks that should be incorporated into the Scope of Services.
- Detailed project schedule. Include an estimate of time required to meet with the BC Hydro project team to become familiar with our business.
- List of recommended personnel, including resumes and a summary of their qualifications and credentials.
- Availability of recommended resources starting March 15, 2007 and percentage time spent on this project by key personnel.
- List any sub-contractors that may be used by your firm. If no sub-contractors will be used, please state so.
- Price schedule including hourly rates and estimated number of hours to complete the project. Please also include any reasonably anticipated expenses. Provide an estimate of total costs based on the estimated hours. Indicate any charges for services beyond the anticipated number of total hours.
- List of previous and current clients. State prior experience and technical capabilities for similar work with North American electric utilities of similar size to BC Hydro within the last 3 years, and provide where possible documentation of project work similar to Task #1 above. Provide three (3) references with contact information.
- List regulatory credentials and experience, i.e. defending studies and final reports, preparing information responses and undertakings

Each proposal may optionally include:

- Any value-added services you may be able to bring to this project.

Timing and Deliverables

It is anticipated that the key milestones will include the following approximate dates:

- RFP issued – February 21, 2007
- Deadline for RFP submissions – March 6, 2007
- March 14, 2007 – Award contract to chosen proponent
- Initial meeting – Completed by March 21, 2007
- Task #1 – Completed by May 4, 2007



Evaluation Criteria

Proponents who submit an acceptable proposal will be evaluated on the following criteria:

- Breadth of knowledge of the energy industry
- Knowledge of rate design strategies and principles for electric utilities
- Demonstrated experience in innovative rate design strategies and with rates that achieve conservation and load management goals in similar projects for large electric utilities in other jurisdictions, and accuracy of previous rate designs
- Experience in regulatory proceedings
- Approach and methodology
- Cost
- References

Short-listed proponents will be expected to demonstrate experience in rate design strategies and provide sample rate strategies that were developed to meet utility objectives. In addition, short-listed proponents may be expected to present a mini strategy to BC Hydro.

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6.0 Reference: Exhibit B-3, in various Information Responses, B.C. Hydro provided information, summarized as follows:

- The residential revenue to cost ratio was 89.1% in 1991 (Corix 1.2.3) and yet nothing was done at the time (Corix 1.2.1);
- The period of time that rates were not in balance is not a consideration for future rate rebalancing (CECBC 1.6.1);
- The results of this study are valid and can be relied on by stakeholders (Corix 1.1.3);
- The only reason why a change in the residential rate is being proposed at this time is because the GS<35 kW is above 110% (Corix 1.3.1); and,
- B.C. Hydro expects to have “preliminary results by the end of summer 2007” from an outside consulting firm providing additional research on the demand responses to rate changes (BCUC 1.4.3).

2.6.3 Please reconcile the fact that interveners are to rely on the information in the Application (Exhibit B-1) but it is only used to rebalance rates once revenue to cost ratios fall out of the 90% to 110% band?

RESPONSE:

BC Hydro considers that any rate class with a revenue to cost ratio within the range of reasonableness of 90 per cent to 110 per cent is paying their full cost of service. Please refer to the response to BCUC IR 2.87.1.

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6.0 Reference: Exhibit B-3, in various Information Responses, B.C. Hydro provided information, summarized as follows:

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- B.C. Hydro expects to have “preliminary results by the end of summer 2007” from an outside consulting firm providing additional research on the demand responses to rate changes (BCUC 1.4.3).

2.6.4 In the case of the rebalancing proposed, including the 1% increase to residential customers, why is the change not made to target 100% revenue to cost ratios rather than just stay within the range or 90 to 110%? In other words, once it is proposed to act because the range is exceeded why would one not target the mid-point of the range, given that this is the best information available and is deemed reliable?

RESPONSE:

Please refer to the response to BCUC IR 2.87.1.

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6.0 Reference: Exhibit B-3, in various Information Responses, B.C. Hydro provided information, summarized as follows:

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- The results of this study are valid and can be relied on by stakeholders (Corix 1.1.3);
- The only reason why a change in the residential rate is being proposed at this time is because the GS<35 kW is above 110% (Corix 1.3.1); and,
- B.C. Hydro expects to have “preliminary results by the end of summer 2007” from an outside consulting firm providing additional research on the demand responses to rate changes (BCUC 1.4.3).

2.6.5 Please state whether or not it would be appropriate to proceed with moving towards rate design initiatives in this proceeding that include items such as moving towards balanced revenue to cost ratios or increasing trailing block rates, even though B.C. Hydro will not obtain demand response information until after the end of this proceeding. If not, please explain why not.

RESPONSE:

As discussed in the responses to BCUC IRs 1.4.2 and 1.4.3, BC Hydro’s long term rate strategy is under development. BC Hydro expects to be introducing new rates over the next few years.

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7.0 Reference: Exhibit B-3, Response to CECBC 1.17.2:

- 2.7.1 Please confirm whether or not the column referred to as “Annual Bill Feb 07 Rate” is in fact the proposed rate after the proposed rebalancing in the Application (ie. April 08)?

RESPONSE:

Please refer to the response to CORIX IR 2.7.2.

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7.0 Reference: Exhibit B-3, Response to CECBC 1.17.2:

2.7.2 Please recreate the same table with both the Feb 07 (current) Rate and the April '08 (proposed BCH) Rate, together with the "Proposed Rate" as shown. Please recalculate the percentage bill changes relative to the Feb 07 and Apr 08 rates, accordingly.

RESPONSE:

There was an error in the response to CECBC IR 1.17.2. The following table provides the billing determinants and the average increase in the residential rate from both the February 1, 2007 rate and the April 1, 2008 rate.

	Billing Determinants	Feb 07 Rate	Apr 08 Rate	CECBC Proposed Rate	
Customer Days	548,050,448	0.1213	0.1226	0.1226	\$/day
Energy <= 5,000 kWh/year	4,386,981,043	0.0615	0.0621	0.0621	\$/kWh
Energy > 5,000 kWh/year	12,126,606,783	0.0615	0.0621	0.0668	\$/kWh
Total Annual Revenue (\$ million)		1,082.1	1,092.7	1,149.7	
Increase from Feb 07 Rates				6.25%	
Increase from Apr 08 Rates				5.22%	

The above analysis is based on the billing determinants for Rate 1101 only. The total annual revenue under the CECBC proposed rate was set equal to the total annual revenue under the April 1, 2008 rate adjusted to achieve a revenue to cost ratio of 100 per cent for the class (i.e. the total annual revenue under the CECBC proposed rate of \$1,149.7 million is equal to the total annual revenue under the April 1, 2008 rate of \$1,092.7 million divided by the April 1, 2008 revenue to cost ratio for the residential rate class of 95.04 per cent). The Tier 2 price of 6.68 cents/kWh under the CECBC proposed rate was selected to achieve the desired total annual revenue of \$1,149.7 million.

Under the CECBC proposed rate the increase would vary by size of customer, as shown in the following table.

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Annual kWh	Annual Bill Feb 07 Rate	Annual Bill Apr 08 Rate	Annual Bill CECBC Rate	Increase from Feb 07 Rate	Increase from Apr 08 Rate
5,000	\$352	\$355	\$355	1.0%	0.0%
7,500	\$506	\$510	\$522	3.3%	2.3%
10,000	\$659	\$666	\$689	4.5%	3.5%
12,500	\$813	\$821	\$856	5.3%	4.3%
15,000	\$967	\$976	\$1,023	5.8%	4.8%
17,500	\$1,121	\$1,131	\$1,190	6.2%	5.2%
20,000	\$1,274	\$1,287	\$1,357	6.5%	5.5%
22,500	\$1,428	\$1,442	\$1,524	6.7%	5.7%
25,000	\$1,582	\$1,597	\$1,691	6.9%	5.9%

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7.0 Reference: Exhibit B-3, Response to CECBC 1.17.2:

- 2.7.3 Please confirm that the “average increase” from February 2007 is indeed 6.3%? Please state what the average increase is relative to both the current (Feb 07) rates and the proposed BCH rate (Apr 08).

RESPONSE:

Please refer to the response to CORIX IR 2.7.2.

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7.0 Reference: Exhibit B-3, Response to CECBC 1.17.2:

- 2.7.4 Please provide a reference to, or provide, the bill frequency analysis used to calculate the figures referred to in item #7.3, above. In other words, the breakdown of the residential class of customers by consumption level.

RESPONSE:

Please refer to the response to CORIX IR 2.7.2.

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7.0 Reference: Exhibit B-3, Response to CECBC 1.17.2:

2.7.5 Notionally, would a move to this type of rate structure (inclining trailing block) be an acceptable and viable solution to BC Hydro? If not, why not? Is there an alternative mechanism to increasing residential rates that B.C. Hydro would prefer?

RESPONSE:

Please refer to the response to BCUC IR 1.5.4 for a discussion of potential issues with the use of inverted rates for residential customers.

BC Hydro will be assessing inverted and other alternative structures for the residential rate as part of the development of its long term rate strategy.

CORIX Information Request No. 2.7.6 Dated: May 16, 2007 British Columbia Hydro & Power Authority Response issued June 1, 2007	Page 1 of 1
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7.0 Reference: Exhibit B-3, Response to CECBC 1.17.2:

2.7.6 If the rate restructure described in 7.5 is acceptable and viable, over what time period (number of years) would B.C. Hydro propose to move to such a rate? Is there a maximum annual rate increase that B.C. Hydro believes should not be exceeded?

RESPONSE:

Please refer to the response to CORIX IR 2.7.5.