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June 30, 2005

Mr. Robert J. Pellatt  
Commission Secretary  
British Columbia Utilities Commission  
Sixth Floor – 900 Howe Street  
Vancouver, BC V6Z 2N3

Dear Mr. Pellatt:

**RE: British Columbia Hydro and Power Authority (BC Hydro)  
2004/05 to 2005/06 Revenue Requirement Application  
British Columbia Utilities Commission (Commission)  
Decision – October 29, 2004  
Directive 69 (page 201), Directive 70 (page 202)**

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This letter informs the Commission of BC Hydro's compliance with:

### **Second Part of Directive 69**

BC Hydro was directed to provide information to the Commission for on-going review of Power Smart performance through:

Semi-annual reports on DSM activities which, amongst others, are to include:

- Detailed breakdown of OMA expenses related to support activities carried out within the Power Smart group and in other departments that support Power Smart organizations;
- Detailed description of the functions of portfolio level costs and how these costs are allocated to programs;
- Summaries of the overall performance of Power Smart with reference to program objectives; and
- Variances of fiscal year budgeted and actual deferral capital expenditures and explanation of variances.

### **Directive 70**

The Commission Panel directed BC Hydro to file evaluation results for F2005 by June 30, 2005 or as soon thereafter as practicable. The evaluation results are to include a comparison of actual and forecast for energy savings, Total Resource Cost (TRC), Utility Cost and Ratepayer Impact Measure (RIM) for the portfolio, by sector and by program. If the F2005 TRC for the portfolio is less than 0.9, then BC Hydro was directed to discontinue any programs with a TRC less than 1.0 and /or a RIM of less than 0.8. If the F2005 TRC for the portfolio is 0.9 or greater and less than 1.0, BC Hydro was

directed to make whatever program changes are appropriate to achieve a portfolio TRC exceeding 1.0. If the F2005 actual energy savings is less than 75 percent of the forecasted energy savings for the portfolio, then the Commission Panel directed BC Hydro to reapply for F2006 Power Smart program expenditures.

Attached is the Semi-Annual Report on Demand-Side Management Activities which complies with the second part of Directive 69 and Directive 70.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tony Morris', written over a horizontal line.

Tony Morris  
Acting Chief Regulatory Officer



**Semi-Annual Report on  
Demand- Side Management**

**June, 2005**

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# 1. Introduction

This BC Hydro semi-annual report to the British Columbia Utilities Commission (BCUC) on demand side management (DSM) activities responds to directives 69 and 70 from the BCUC's decision on BC Hydro's 2004/05 and 2005/06 Revenue Requirements Application (the Decision). The report provides information on the performance of BC Hydro's DSM programs in the 2004/05 fiscal year (Section 2), portfolio-level activities (Section 3) and operations, maintenance and administration activities (Section 4).

Directive 69 directed BC Hydro "to provide information to the Commission for on-going review of Power Smart performance through:

- Executive Summaries of milestone evaluation reports and full final evaluation reports for each program.
- Semi-annual reports on DSM activities which, amongst others, will include:
  - detailed breakdown of OMA expenses related to support activities carried out within the Power Smart group and in other departments that support Power Smart organization;
  - detailed description of the functions of portfolio level costs and how these costs are allocated to programs;
  - summaries of the overall performance of Power Smart with reference to program objectives; and
  - variances of fiscal year budgeted and actual deferred capital expenditures and explanation of variances."

BC Hydro is filing milestone and evaluation reports as a separate package. This report addresses the balance of directive 69.

Directive 70 directs BC Hydro "to file evaluation results for F2005 by June 30, 2005, or as soon thereafter as practicable. The evaluation results should include a comparison of actual and forecast for energy savings, TRC, UC and RIM for the portfolio, by sector and by program. If the F2005 TRC for the portfolio is less than 0.9, then BC Hydro is directed to discontinue any programs with a TRC less than 1.0 and/or a RIM of less than 0.8. If the F2005 TRC for the portfolio is 0.9 or greater and less than 1.0, then BC Hydro is directed to make whatever program changes are appropriate to achieve a portfolio TRC exceeding 1.0. If the F2005 energy

1 savings is less than 75 percent of the forecasted energy savings for the portfolio, then the  
2 Commission Panel directs BC Hydro to reapply for F2006 Power Smart program expenditures.”  
3 The TRC of the DSM, Energy Efficiency and Load Displacement portfolios are all greater than  
4 1.0, so BC Hydro does not plan to discontinue any programs per this directive. Also, electricity  
5 savings in F2005 exceeded the 75 percent of plan threshold, so BC Hydro will not reapply for  
6 F2006 DSM expenditures per this directive.

## 2. Program Performance in F2005

In F2005, BC Hydro's DSM programs<sup>1</sup> incurred \$71.1 million in capital expenditures and generated 518 GWh per year of incremental electricity savings. As such, expenditures were below plan while electricity savings were slightly above plan. Table 1 shows planned and actual DSM electricity savings and capital expenditures in F2005.

**Table 1**  
**DSM Electricity Savings and Capital Expenditures in F2005**

	Electricity Savings (GWh/yr)			Capital Expenditures (\$ 000)		
	Plan*	Actual	Variance	Plan*	Actual**	Variance
<b>Energy Efficiency</b>						
<b>Industrial Sector</b>						
Power Smart Partners	54	163	109	7,817	13,982	6,165
High Performance Buildings	0	1	1	0	184	184
Sector Enabling Activities	n/a	n/a	n/a	547	118	-429
<b>Sector Total</b>	<b>54</b>	<b>164</b>	<b>110</b>	<b>8,364</b>	<b>14,284</b>	<b>5,920</b>
<b>Commercial/Government Sector</b>						
Power Smart Partners	74	54	-19	17,562	7,837	-9,725
Schools, Univ., Colleges & Hospitals	24	31	7	7,473	3,951	-3,522
Product Incentive	32	9	-23	3,193	1,136	-2,057
Small Business CFL	0	3	3	25	521	496
High Performance Buildings	9	2	-7	2,329	216	-2,113
Traffic Light	1	0	-1	-128	137	265
Lighting Redesign	7	0	-7	3,381	0	-3,381
Sector Enabling Activities	n/a	n/a	n/a	1,059	789	-270
<b>Sector Total</b>	<b>147</b>	<b>99</b>	<b>-48</b>	<b>34,895</b>	<b>14,587</b>	<b>-20,308</b>
<b>Residential Sector</b>						
Compact Fluorescent Lighting	36	39	3	6,400	4,047	-2,353
Refrigerator Buy-Back	22	35	13	4,183	4,898	715
Seasonal Light Emitting Diode	1	19	18	769	807	38
New Home	6	4	-2	736	405	-331
Fuel Substitution	12	3	-10	1,163	229	-934
Renovation Rebate	1	1	0	459	354	-105
Variable Speed Motors	1	0	-1	189	16	-173
Sector Enabling Activities	n/a	n/a	n/a	716	164	n/a
<b>Sector Total</b>	<b>79</b>	<b>101</b>	<b>21</b>	<b>14,615</b>	<b>10,920</b>	<b>-3,143</b>
<b>Total</b>	<b>279</b>	<b>363</b>	<b>84</b>	<b>57,874</b>	<b>39,791</b>	<b>-17,531</b>
<b>Load Displacement</b>						
Load Displacement	236	155	-81	28,890	16,833	-12,057
Sector Enabling Activities	n/a	n/a	n/a	350	76	-274
<b>Total</b>	<b>236</b>	<b>155</b>	<b>-81</b>	<b>29,240</b>	<b>16,909</b>	<b>-12,331</b>
<b>Portfolio Level Costs</b>						
Indirect/Portfolio Enabling Activities	n/a	n/a	n/a	10,586	8,914	-1,672
Public Awareness & Communication	n/a	n/a	n/a	8,441	5,492	-2,949
<b>Total</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>19,026</b>	<b>14,406</b>	<b>-4,620</b>
<b>Total DSM</b>	<b>515</b>	<b>518</b>	<b>3</b>	<b>106,140</b>	<b>71,106</b>	<b>-34,482</b>

\* From BC Hydro's 2004/05 and 2005/06 Revenue Requirements Application.

\*\* These figures align with those in BC Hydro's 2005 Resource Expenditure and Acquisition Plan (REAP) and do not include approximately \$400,000 in specific capital expenditures on DSM-related information technology systems due to an oversight. These expenditures will be included in reported DSM capital expenditures in future.

<sup>1</sup> For descriptions of these DSM programs, see Appendix B of BC Hydro's 2005 Resource Expenditure and Acquisition Plan.

1 The following are variance explanations for the above figures.

<b>Energy Efficiency</b>	
<b>Industrial Sector</b>	
Power Smart Partners	Electricity savings exceeded plan due to higher than planned program activity, and capital expenditures were higher than plan due to this additional activity.
High Performance Buildings	Plan amounts are zero because they were captured within the Power Smart Partners program. The program has now been separated out from the Power Smart Partners program, and mirrors its presentation in the Commercial/Government sector.
Sector Enabling Activities	Expenditures were below plan due to anticipated work on legislative strategy and the Technology Centre not occurring, a delay in the e.Catalog initiative, lower than planned activity and costs on the Power Smart Alliance initiative and the charging of Information Gateway and Energy Manager initiative costs to the Power Smart Partners program since they support participants in that program alone.
Sector Total	Electricity savings and expenditures exceeded plan due to higher than planned program activity in the Power Smart Partners program, as noted above.
<b>Commercial/ Government Sector</b>	
Power Smart Partners	Electricity savings were below plan due to lower than anticipated program activity resulting from increased project threshold requirements for energy saving projects as well as the competitive incentive funding process not being as effective as expected for the Government sector. Corrective action is underway, including a new incentive model for the Government sector and an examination of program policies. Expenditures were below plan due to lower than planned program activity and implementation costs.
Schools, Univ., Colleges & Hospitals	Electricity savings were above plan due to higher than planned program activity. Expenditures were below plan due to lower than planned implementation costs and electricity savings being more cost-effective than planned.
Product Incentive	Electricity savings were below plan due to program take-up being slower than anticipated and product supply shortages. Corrective action is underway, including increased marketing activities and program policy changes. Expenditures were below plan due to this lower program activity.
Small Business CFL	Plan electricity savings are zero because in the 2004 RRA this program was not expected to operate in F2005. Expenditures were above plan because program implementation was delayed in F2004 and resulted in activity carrying over into F2005.
High Performance Buildings	This program did not launch in F2005, as anticipated in the 2004 RRA. The program has since launched in June 2005. Expenditures in F2005 were for program development only. Electricity savings are from a small number of projects implemented during program development.
Traffic Light	Reported electricity savings are below plan because they do not include market effects that are attributable to this completed program. These savings will be reported in future reports. Expenditures were above plan because a) costs associated with the program's evaluation and hand off to BC

	Hydro Customer Projects and Operations department were higher than anticipated and b) revenue recovery was lower than planned.
Lighting Redesign	The program did not launch in F2005, as anticipated in the 2004 RRA, due to a decision to test the program concept under the Power Smart Partners program. The program is anticipated to launch in F2006.
Sector Enabling Activities	Expenditures were below plan due to anticipated work on legislative strategy and the Technology Centre not occurring, a delay in the e.Catalog initiative, lower than planned activity and costs on the Power Smart Alliance initiative and the charging of Information Gateway and Energy Manager initiative costs to the Power Smart Partners program since they support participants in that program alone.
Sector Total	With the exception of the Schools, Universities, Colleges and Hospitals program, Commercial/Government sector programs saw lower than anticipated activity levels or later program launch dates, which resulted in lower than planned electricity savings and capital expenditures. Initiatives underway to increase program performance include a new incentive funding model for the Government sector and examining program policies.
<b>Residential Sector</b>	
Compact Fluorescent Lighting	Expenditures were below plan due to lower than expected bulb purchase costs to BC Hydro.
Refrigerator Buy-Back	Electricity savings were above plan due to strong retailer support. Expenditures were above plan due to this additional activity, but partially offset by lower than planned advertising costs due to strong retailer support and word of mouth.
Seasonal Light Emitting Diode	Electricity savings were far higher than planned due to prior years' program activity reducing market barriers faster than anticipated, resulting in higher than planned market effects.
New Home	Electricity savings were below plan due to delays in the building cycle and the real estate boom creating a situation in which new homes are sold with ease and builders are less interested in energy-efficient features that would help them to market new homes. Expenditures were similarly below plan and in line with program activity.
Fuel Substitution	Electricity savings and expenditures were below plan due to delays in establishing joint plans with Terasen Gas, BC Hydro's partner in this program.
Renovation Rebate	Expenditures were below plan due to lower than anticipated program activity.
Variable Speed Motors	This program did not operate in F2005 pending a review of its operation in F2004.
Sector Enabling Activities	Expenditures were below plan due to no activity occurring under the Retail Initiative and delays in planned work on the Home Energy Profile.

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<b>Sector Total</b>	Electricity savings were above plan due to higher than anticipated savings in the Refrigerator Buy Back and Seasonal LED programs. Expenditures were below plan due to better than anticipated cost effectiveness in the Compact Fluorescent Lighting and Refrigerator Buy Back programs.
<b>Portfolio Total</b>	Total electricity savings from energy efficiency programs were above plan due to higher than anticipated savings in the industrial and residential sectors, part of which was offset by lower than planned savings in the commercial/government sector. Expenditures were below plan due to lower than anticipated costs among selected programs.
<b>Load Displacement</b>	
Load Displacement Program	Electricity savings and expenditures were below plan because the plan spread the Canfor project between F2005 and F2006 due to uncertainty over its eventual timing. The project is scheduled to come online in July 2005. This was partially offset by the Weyerhaeuser project coming online in F2005 when it had been previously planned to come online in F2004.
Sector Enabling Activities	Expenditures were below plan due to anticipated work on the Technology Centre not occurring, lower than planned activity and costs on the Power Smart Alliance initiative and the charging of Information Gateway and Energy Manager initiative costs to the Power Smart Partners program since they support participants in that program alone.
<b>Portfolio Level Costs</b>	
Indirect/Portfolio Enabling Activities	Expenditures were below plan due to lower than anticipated activity and a net write off of approximately \$800,000 to OMA in order to reflect an increase in Customer Care OMA activities, as a result of an accounting review that took place during the fiscal year.
Public Awareness & Communication	Expenditures were below plan due to lower than anticipated advertising, sponsorship and outreach activities and the realization of efficiencies in the education initiative.
<b>Total DSM</b>	Electricity savings were on plan while expenditures were below plan due to a combination of unexpected electricity savings, lower than anticipated program activity and implementation costs and later than planned program launches among selected programs.

2 Table 2 provides figures on DSM electricity savings since the inception of the current round of  
3 DSM programs in 2001. At the end of F2005, electricity savings totalled 1,357 GWh per year,  
4 representing 38 percent of BC Hydro's 10-year target of roughly 3,600 GWh per year.

5 The table also provides updated cost test results based on actual DSM electricity savings and  
6 capital expenditures in F2005. The energy efficiency, load displacement and total DSM  
7 portfolios continue to demonstrate robust cost-effectiveness, with Total Resource Cost benefit-  
8 cost ratios of 1.3, 1.6 and 1.3, respectively. These ratios exceed the 0.9 threshold indicated in  
9 directive 70 of the Decision. As such, BC Hydro does not plan to discontinue any DSM  
10 programs.

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**Table 2  
Inception to Date Electricity Savings and Updated Benefit Cost Ratios**

	Savings					
	thru F2005 (GWh/yr)	10-Year Target (GWh/yr)	% of Target	TRC*	UC*	RIM*
<b>Energy Efficiency</b>						
<b>Industrial Sector</b>						
Power Smart Partners	468	1,384	34%	1.3	3.2	1.1
High Performance Buildings	<u>1</u>	<u>n/a</u>	<u>n/a</u>	<u>3.3</u>	<u>3.7</u>	<u>1.2</u>
Sector Total	469	1,384	34%	1.3	3.2	1.1
<b>Commercial/Government Sector</b>						
Power Smart Partners	251	372	68%	1.0	3.6	0.9
Schools, Univ., Colleges & Hospitals	86	125	69%	1.1	3.0	0.8
Product Incentive	11	99	11%	1.2	4.0	0.7
Small Business CFL	8	16	47%	4.0	3.3	0.7
High Performance Buildings	5	79	6%	2.2	4.0	0.9
Traffic Light	26	32	82%	1.0	1.8	0.6
Lighting Redesign	<u>0</u>	<u>31</u>	<u>0%</u>	<u>1.0</u>	<u>1.7</u>	<u>0.7</u>
Sector Total	387	754	51%	1.1	3.1	0.8
<b>Residential Sector</b>						
Compact Fluorescent Lighting	233	307	76%	1.8	3.0	0.7
Refrigerator Buy-Back	59	87	67%	2.3	2.1	0.7
Seasonal Light Emitting Diode	28	20	141%	2.3	3.9	0.8
New Home	18	73	25%	1.8	4.9	0.8
Fuel Substitution	3	190	2%	1.0	4.2	0.8
Renovation Rebate	4	23	17%	1.1	2.8	0.7
Variable Speed Motors	<u>2</u>	<u>17</u>	<u>11%</u>	<u>1.1</u>	<u>2.1</u>	<u>0.7</u>
Sector Total	346	719	48%	1.5	3.0	0.7
<b>Total</b>	<b>1,202</b>	<b>2,857</b>	<b>42%</b>	<b>1.3</b>	<b>3.1</b>	<b>0.9</b>
<b>Load Displacement</b>	<b>155</b>	<b>760</b>	<b>20%</b>	<b>1.6</b>	<b>3.2</b>	<b>1.1</b>
<b>Total DSM</b>	<b>1,357</b>	<b>3,618</b>	<b>38%</b>	<b>1.3</b>	<b>3.1</b>	<b>0.9</b>

\* Based on actual costs and electricity savings in F2002 through F2005 and forecast costs and electricity savings in F2006 through F2022.

TRC = Total Resource Cost, to be referred to as the All Ratepayers Test in the future.

UC = Utility Cost.

RIM = Ratepayer Impact Measure, to be referred to as the Non-Participant Test in the future.

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### 3. Portfolio-level Activities

This section describes how portfolio-level costs are allocated to programs and describes portfolio-level activities.

#### Allocation of Portfolio-level Costs to Programs

In keeping with directive 61 from the Decision, portfolio-level costs are allocated to DSM programs based on their share of total DSM electricity savings forecast in F2012. For example, the total DSM portfolio is forecast to save roughly 3,600 GWh per year in F2012, so a program that is forecast to save 36 GWh per year in F2012 represents 1 percent of the total. In turn, one percent of portfolio-level costs would be allocated to that program in each year.

#### Indirect and Portfolio Enabling Activities

Indirect and portfolio enabling activities support BC Hydro's DSM programs but are not directly attributable to specific programs, and are also not related to public awareness and communication activities. Costs are incurred to provide the overall organization and infrastructure essential to ensure due diligence, quality assurance and effective management for this type and complexity of investment. Activities associated with these costs include:

General Management: A portion of the business unit's general management of people and resources, and portfolio-level planning activities related to DSM.

Process and Policy: Support activities related to the development and administration of general processes, policies, and procedures related to DSM. Examples include measurement and verification protocols; energy study processes; business/ financial audits; credit policy; and risk policy.

Tracking and Reporting: Development and production of management reports including, but not limited to, the DSM Monthly Tracking Report (that details all monthly costs and energy related to specific programs and sectors) and the DSM Annual Report (that will be produced for regulatory reporting purposes).

General Administration: A portion of general administrative functions including costs associated with administrative assistants, photocopy and fax equipment, office supplies and building security, rent and concessions, as well as a portion of labour for individual timesheets, expense reporting and benefits administration.

1 DSM-related Training and Education: Costs associated with individual employee training related  
2 to DSM, including technical seminars and attendance at conferences.

3 Computer Costs: A portion of costs related to computing including individual network / LAN  
4 connections, e-mail messaging services, data storage, and general IT support.

5 Quality Assurance: The Quality Assurance department reviews, develops and recommends  
6 policies, processes, procedures and standards that assure the quality and integrity of DSM  
7 programs. The group advises on design and implementation issues, undertakes reviews to  
8 ensure that standards are observed, and carries out studies to support the DSM programs. It  
9 further serves to build credibility, save time and ensure consistency in the design and  
10 implementation of programs.

11 DSM Information Systems: Development, maintenance, administration and management of the  
12 DSM information systems. The DSM information systems contain a variety of operating systems,  
13 within a real-time data warehouse. The prime component is Converge, which includes the  
14 business customers' contact management system, campaign management tools,  
15 opportunity/sales management systems, energy savings reporting systems, etc. Within the  
16 contact management system the users can see the hierarchy of Key Account Manager portfolios,  
17 the "parent" companies or customers, the subsidiary companies, their sites, the contacts at those  
18 sites, and all activities and DSM opportunities that are connected with those sites.

19 Delivery Tracking System: This is for the development, maintenance, administration and  
20 management of the Delivery Tracking System (DTS). The purpose of the DTS is to track all  
21 Power Smart Partner and other DSM projects from application submission to the end of the  
22 contract obligation. Technical, financial and process due diligence is applied and the data is  
23 tracked at a facility/site level. The system supplies Converge with savings data for the monthly  
24 DSM reporting, load forecasting and corporate reporting. Financial commitments are monitored  
25 by the Incentives and Rates group and the Marketing group extracts information on an as  
26 needed basis.

## 27 **Public Awareness and Communication**

28 The objective of the Public Awareness and Communication initiative is to develop and foster a  
29 conservation culture in BC that leads customers to make a dramatic and permanent reduction in  
30 electricity intensity. It will accomplish this by raising awareness of the importance of energy  
31 efficiency among the customers of today and tomorrow.

1 Awareness of how to improve energy efficiency and the impacts that are associated with various  
2 actions is one of the major barriers to customers' investments in energy efficiency and energy  
3 conserving measures and the adoption of energy conserving practices and behaviours. This  
4 series of initiatives is designed to inform customers of how they can save energy and increase  
5 the response to and participation in all DSM programs. This initiative will reach all customer  
6 sectors and benefit business and residential programs alike. The initiative is designed to:

- 7 • Provide useful and tangible information about DSM and energy efficiency to all  
8 customers through community outreach and other communications initiatives such as  
9 the Internet, earned media and advertising.
- 10 • Educate all British Columbians about the role that DSM and energy efficiency plays in  
11 BC Hydro's electricity acquisition strategy and increase participation in DSM programs.
- 12 • Instil a conservation ethic in customers of today and tomorrow by delivering energy  
13 efficiency educational programs to schools in all 55 school districts within the BC Hydro  
14 service area.
- 15 • In order to achieve the levels of participation in DSM activities targeted, BC Hydro must  
16 continue to engage the public in all customer sectors to emphasize the importance of  
17 DSM with a platform of awareness, information delivery and education. This multi-  
18 channel initiative will position and entrench energy efficiency as a way of life and a way  
19 of doing business, a critical component of BC Hydro's electricity acquisition strategy.

20 There are eight key components to this initiative:

21 Power Smart Outreach: The Power Smart Outreach group, formerly known as the Power Smart  
22 Youth Team, is an effective, cost-efficient grassroots channel for delivering the DSM message  
23 to our customers in a face-to-face manner. The Power Smart Outreach group generates over \$3  
24 million every year in earned media coverage and engages in face-to-face or indirect contact with  
25 over one million customers each year through events, festivals and home shows. This outreach  
26 activity is an integral component of the Public Awareness and Communication initiative and  
27 delivers key messages to the public to influence the purchase of more efficient products. This  
28 activity makes a significant contribution to the market transformation objective of the mass-  
29 market programs.

30 Public Education and Information Advertising: Advertising is a cost-effective channel to reach  
31 the public and customers with frequent and carefully controlled messaging. The advertising

1 campaigns educate and inform customers about the need for electricity conservation and  
2 provide tangible ways in which they can do their part. By increasing awareness of DSM under  
3 the Power Smart brand (from a current unaided level of 37% to 55% by 2011) and deepening  
4 understanding of its importance to all British Columbians, the campaigns will also increase  
5 uptake on sector-specific tactical programs. In addition, they will play a major role in raising  
6 current program participation levels from 27% overall to 50% (based on BC Hydro tracking  
7 research). This support advertising is required to inform the public about BC Hydro's DSM  
8 activities and their importance.

9 Primary and Secondary School Education: Reaching approximately 100,000 students in 55  
10 districts and 900 schools, this program aims to reinforce Power Smart messages to school age  
11 children, BC Hydro's customers of tomorrow, and to encourage a lifelong commitment to an  
12 energy efficiency ethic. The initiative uses a number of complementary components featuring a  
13 range of tactics targeting students from K-12. These include behaviour change campaigns,  
14 energy audits of schools, as well as interactive electricity games that demonstrate how  
15 individual efforts can lead to significant savings. Educating the customers of tomorrow is  
16 essential to achieve BC Hydro's long-term DSM objectives.

17 Sponsorships and Events: Sponsorship of and attendance at major sporting and cultural events  
18 allow BC Hydro to extend the Power Smart DSM message and brand identity into grassroots,  
19 community settings. This multiplies our opportunities to educate customers about electricity  
20 conservation, and builds positive brand associations. It also helps reinforce BC Hydro's standing  
21 in the community as a committed corporate citizen. This program facilitates a reach (directly and  
22 indirectly) of over 1 million British Columbians every year, and is necessary to reinforce the  
23 messages to act on executing energy efficient behaviours.

24 Media Relations: Ongoing public relations activities and longer-term media education strategies  
25 are all part of the DSM public relations effort. These help ensure high-profile initial coverage and  
26 sustained long-term coverage of DSM issues, required to generate over 300 positive media  
27 articles each year.

28 Internet: British Columbia has the highest penetration of Internet access in Canada (over 70%  
29 and growing) and bchydro.com will experience over 2.5 million visits in F2005 (up nearly 50%  
30 from F2004). The web is a perfect channel to support the general and more succinct messages  
31 the public will receive through other channels. The Power Smart web pages contain general and  
32 product-specific information for residential and business customers, as well as numerous

1 applications to help them evaluate energy savings opportunities in their homes and businesses.  
2 This is an essential medium for reaching a large segment of our customer base.

3 Key Customer Recognition: The goal of this initiative is to encourage key customers to adopt  
4 Power Smart as an ongoing way of doing business and to reward and recognize customers  
5 (outside of the Power Smart Certified program) who demonstrate commitment to DSM. This  
6 program is required to provide Key Account Managers with an important tool for facilitating  
7 contact with key prospects.

8 Customer Benefits: Customers in all sectors will save electricity and money through a greater  
9 understanding of the importance of DSM and receive tangible electricity-saving information. All  
10 of the above channels are required to provide customers with information on the role electricity  
11 conservation plays in reducing costs and helping the environment, and is designed to prompt  
12 action on energy efficient investments and practices.

#### 4. Operations, Maintenance and Administration Activities

In F2005, BC Hydro incurred \$2.5 million in operations, maintenance and administration (OMA) expenses on DSM activities. This does not include OMA costs from BC Hydro's Distribution line of business or corporate groups.

BC Hydro applies accounting allocations to determine the proportion of total DSM costs that should be charged to OMA versus capital. This method is used because it is impractical to determine the OMA versus capital split on a day-by-day or task-by-task basis. Management reviews financial results each quarter to confirm that the OMA and capital allocations remain reasonable.

Table 3 provides a description and percentage breakdown of DSM OMA activities and expenses. The breakdown is based on managerial estimates of representative activities for each department.

**Table 3  
DSM OMA Activities**

<b>Activity</b>	<b>Description</b>	<b>Share of F2005 Total</b>
General Administration	A portion of general administrative functions including costs associated with administrative assistants, photocopy and fax equipment, office supplies and building security. Also, a portion of ongoing labour associated with the completion of individual timesheets, expense reporting and benefits administration.	27%
General Management	A portion of the business unit's general management of people and resources and strategic planning related to DSM.	23%
Computer Costs	A portion of costs related to computing including individual network / LAN connections, e-mail messaging services, data storage and general IT support.	11%
Training and Education	Costs associated with individual employee training on topics other than DSM, such as computer software.	10%
Process and Policy	Support activities related to the development and administration of general processes, policies, and procedures related to DSM. Examples include measurement and verification protocols, energy study processes, business/ financial audits, credit policy and risk policy.	10%
Concept-Phase DSM Program Development	Concept-phase research costs for new DSM programs where there isn't a high certainty (>85%) that the program will be launched.	9%
Concept-Phase DSM Sales Activity	Sales activity and supporting administrative costs directed at conceptual energy saving projects, as opposed to specific projects that will likely be carried out. Does not include Customer Care activities.	5%
Tracking and Reporting	Development and production of management reports including, but not limited to, the DSM Monthly Tracking Report and the Semi-Annual DSM Report.	5%
<b>Total</b>		<b>100%</b>