

DEPARTMENT OF NATIONAL DEFENCE

THIS ELECTRICITY SUPPLY AGREEMENT made as of
the 5th day of December, 2019
for the Department of National Defence near Esquimalt, BC.

BETWEEN:

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY,
having its head office at 333 Dunsmuir Street,
Vancouver, British Columbia V6B 5R3
(herein called **BC Hydro**)

OF THE FIRST PART

AND:

HER MAJESTY IN RIGHT OF CANADA, herein represented by the Minister
of National Defence
having an office in British Columbia at
Canadian Forces Base Esquimalt, P.O. Box 17000 Stn Forces, Victoria B.C.
V9A 7N2
(herein called the **Customer**)

OF THE SECOND PART

WITNESSES THAT the parties declare and agree as follows:

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- A. The Customer is a BC Hydro customer at the Canadian Forces Base located at Esquimalt (the **Base**) with its Point of Delivery located at the BC Hydro Esquimalt substation (**ESQ**);
- B. The Customer, although being served at distribution service voltage, is currently billed under BC Hydro's transmission rate, Rate Schedule 1823;
- C. Prior to 1998, the Customer was a BC Hydro transmission customer on BC Hydro's default transmission rate at that time, Rate Schedule 1821, with a point of delivery at the Customer-owned Naden substation;
- D. In 1999, BC Hydro and the Customer entered into a special tariff agreement which was approved and accepted for filing by the BCUC as Tariff Supplement No. 41 (**TS 41**) on January 13, 1999, per Commission Order No. G-7-99, as extended by Commission Order No. G-88-19 and Commission Order No. G-173-19 (collectively, the **Initial Tariff Agreement**);
- E. The Initial Tariff Agreement:
- (i) Became effective on April 30, 1999 with a 20 year term;
 - (ii) Allowed the Customer to access and use BC Hydro's available excess transformation capacity at ESQ;
 - (iii) Moved the Customer's deemed point of delivery from the Naden substation to the 230kV transformer bus at ESQ;
 - (iv) Located the Point of Metering on the 12.5 kV feeder within ESQ; and
 - (v) Reduced costs for both parties by enabling BC Hydro to retire part of its 1L14 transmission line and the Customer to retire its Naden substation; and

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F. BC Hydro and the Customer have agreed to transition terms with respect to the supply of electricity to the Base as set out herein (the **Tariff Agreement**).

NOW THEREFORE THIS TARIFF AGREEMENT WITNESSES THAT in consideration of the mutual agreements between the parties and for other good and valuable consideration, BC Hydro and the Customer agree as follows:

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1.0 DEFINITIONS AND INTERPRETATION

1.1 DEFINITIONS

In this Tariff Agreement, the following terms shall have the following meanings:

- (a) **“Accommodation Costs”** has the meaning set out in section 6.4;
- (b) **“Base”** has the meaning set out in Recital A;
- (c) **“BCUC”** means that British Columbia Utilities Commission or its successor;
- (d) **“Billing Period”** has the meaning set out in TS 5;
- (e) **“Cost Collection Process”** has the meaning set out in Article 7.0;
- (f) **“Contract Demand”** has the meaning set out in the Electricity Supply Agreement and is initially set at ■ MVA for the Term, unless otherwise agreed to by the parties in accordance with Article 6;
- (g) **“Customer’s Plant”** has the meaning set out in TS 5;
- (h) **“Dedicated Facilities”** means those BC Hydro owned facilities used exclusively for the supply of electricity to the Customer pursuant to this Tariff Agreement, including, but not limited to, ESQ circuit breaker for the Base feeder and the electricity supply infrastructure between ESQ and the Base;
- (i) **“Demand Request”** has the meaning set out in section 6.3;

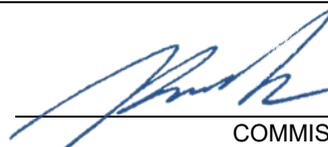
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- (j) **“Effective Date”** means the first day of the next Billing Period immediately following the approval of this Tariff Agreement by the BCUC or such other effective date as the BCUC so prescribes;
- (k) **“Electric Tariff”** means BC Hydro’s Electric Tariff as amended from time to time by the BCUC;
- (l) **“Electricity Delivery Facilities”** means both Dedicated Facilities and Shared Facilities, being the electrical facilities owned and required by BC Hydro to transport electricity from the 230 kV transformer bus at ESQ to the location where BC Hydro's facilities terminate at the Customer’s switch at the Base, and as further described in Schedule A;
- (m) **“Electricity Supply Agreement”** means the electricity supply agreement entered into between the parties in the form, currently approved as TS 5 by the BCUC;
- (n) **“ESQ”** has the meaning set out in Recital A;
- (o) **“Formula”** has the meaning set out in Schedule B;
- (p) **“Initial Tariff Agreement”** has the meaning set out in Recital D;
- (q) **“Mitigation Efforts”** includes demand side management and/or other mitigation measures to reduce load at ESQ and does not include increasing the Outdoor Feeder Capacity in order to address a Shortfall and accommodate a Demand Request;

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- (r) **“Outdoor Feeder Capacity”** means the outdoor feeder section capacity at ESQ, including components up to but excluding the transformation secondary windings;
- (s) **“Point of Delivery”** has the meaning set out in TS 5;
- (t) **“Point of Metering”** has the meaning set out in TS 5;
- (u) **“Rate”** has the meaning set out in section 3.1;
- (v) **“Rider Charge”** means an ongoing monthly charge that the Customer pays for its use of the Electricity Delivery Facilities, as set out in greater detail in Schedule B;
- (w) **“Shared Facilities”** means those BC Hydro owned facilities which, in the opinion of BC Hydro, are used, or potentially used, in whole or in part by BC Hydro to supply other customers in addition to the Customer, including, but not limited to, the 230/12.5 kV transformers at ESQ;
- (x) **“Shortfall”** has the meaning set out in section 6.4;
- (y) **“Tariff Agreement”** has the meaning set out in Recital F;
- (z) **“Term”** has the meaning set out in section 11.1;
- (aa) **“Transformer Energy Loss”** means the energy that is deemed to have been lost between the Point of Delivery and the Point of Metering as determined by BC Hydro;
- (bb) **“TS 5”** has the meaning set out in section 2.2; and
- (cc) **“TS 41”** has the meaning set out in Recital D.

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1.2 INTERPRETATION

In this Tariff Agreement, except as otherwise expressly provided or as the context otherwise requires:

- (a) Attached to and forming part of this Tariff Agreement are the following schedules:

Schedule A – Electricity Delivery Facilities

Schedule B – Rider Charge

- (b) Headings are for convenience only and are not intended as a guide to interpretation of this Tariff Agreement or any portion thereof;
- (c) The word "including", when following any general statement or term, is not to be construed as limiting the general statement or term to the specific items or matters set forth or to similar items or matters but rather is permitting the general statement or term to refer to all other items or matters that could reasonably fall within its broadest possible scope;
- (d) A reference to a statute includes all regulations made thereunder, all amendments thereto or regulations in force from time to time and any statute or regulation that supplements or supersedes such statute or regulation; and
- (e) A reference to an entity includes any successor to that entity.

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2.0 CONFLICTING PROVISIONS BETWEEN TARIFF SUPPLEMENTS

2.1 If there is an inconsistency between any of the provisions of this Tariff Agreement and the provisions of any other BCUC approved tariff, the provisions of this Tariff Agreement shall prevail.

2.2 For greater clarity and without limitation, the following provisions in this Tariff Agreement shall prevail over the following provisions in Tariff Supplement No. 5 (**TS 5**):

- (a) Article 6.0 of this Tariff Agreement shall prevail over section 6(a) of TS 5;
- (b) Section 8.2 of this Tariff Agreement shall prevail over section 13(c) of TS 5;
- (c) Section 9.3 of this Tariff Agreement shall prevail over section 7(e) of TS 5; and
- (d) The term and termination provisions as set out in Article 11.0 of this Tariff Agreement shall prevail over section 4(a) and 4(b) of TS 5.

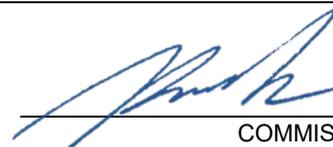
3.0 RATE AND RIDER CHARGE

3.1 The Customer will be billed for energy and demand in accordance with Rate Schedule 1823 of BC Hydro's Electric Tariff as amended or restated from time to time and approved by the BCUC (the **Rate**).

3.2 In addition to the Rate, the Customer will pay the ongoing Rider Charge per Billing Period in accordance with Schedule B, which shall be billed and payable for the Term.

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4.0 TRANSFORMATION CAPACITY AT ESQ AND USE OF DEDICATED FACILITIES

4.1 The Customer shall be entitled, for the Term, to the following:

- (a) Use of the Shared Facilities capacity up to the Contract Demand; and
- (b) Exclusive use of the Dedicated Facilities, unless the parties agree otherwise to a third party use.

4.2 The Customer acknowledges and agrees that all rights to title and ownership of Electricity Delivery Facilities shall remain with BC Hydro.

5.0 CAPITAL EXPENDITURES FOR DEDICATED AND SHARED FACILITIES

5.1 The Rider Charge does not include capital expenditures for Dedicated Facilities. If, at any time during the Term, BC Hydro determines, using reasonable accounting judgement, that the treatment of costs to be incurred to complete work on Dedicated Facilities constitute capital expenditures, the Customer will be responsible for all actual capital expenditure costs and such costs will be collected pursuant to the Cost Collection Process set out in Article 7.0.

5.2 The Rider Charge includes a component to cover the cost of capital expenditures on the Shared Facilities in accordance with Schedule B, excluding the two ESQ 230/12.5 kV transformers and any upgrades required in accordance with Article 6.0. If, at any time during the Term, BC Hydro determines, using reasonable accounting judgement, that the treatment of costs to be incurred to complete partial or full replacement work on one or more of these transformers constitute capital expenditures, the

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Customer will be responsible for its pro-rata share of all actual capital expenditure costs. The Customer's pro-rata share of all actual costs for each transformer will be calculated as Contract Demand divided by either i) the existing ESQ transformation capacity of 197 MVA or ii) the revised transformation capacity of ESQ substation if the partial or full replacement work results in an increase in ESQ substation transformation capacity, as applicable, and such costs will be collected pursuant to the Cost Collection Process set out in Article 7.0.

6.0 CUSTOMER'S LOAD

- 6.1 The Customer's load shall not exceed the Contract Demand during the Term, unless agreed to in accordance with this Article 6.0.
- 6.2 The Customer shall be required to enter into the Electricity Supply Agreement concurrently with the execution of this Tariff Agreement. In the event that there is a change in Contract Demand during the Term, the Electricity Supply Agreement will be amended to reflect the new Contract Demand.
- 6.3 The Customer may increase its Contract Demand, from time to time during the Term, up to an aggregate maximum of 25 MVA, upon provision of two years' advance written notice to BC Hydro, together with sufficient documentation demonstrating the need for each such increase (each such request, a **Demand Request**). Upon review and assessment of a Demand Request, BC Hydro will provide written notice to the Customer outlining the conditions upon which such Demand Request will be approved, including, but not limited to, any Accommodation Costs (as defined below) to be paid

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by the Customer. For greater clarity, the schedule for completion of any work required to accommodate this request will be specified in BC Hydro's Demand Request approval.

- 6.4 If BC Hydro forecasts a shortfall in Outdoor Feeder Capacity over the remaining Term (**Shortfall**), approval of such Demand Request will be subject to the Customer paying for its share of actual costs to address a Shortfall. In BC Hydro's sole discretion:
- (a) If BC Hydro determines that an increase in Outdoor Feeder Capacity is the desired method to address the Shortfall, the Customer will pay a pro-rata share of actual costs associated with increasing the capacity of the Outdoor Feeder Section, with such pro-rata calculation based on new Contract Demand divided by the upgraded Outdoor Feeder Capacity; or
 - (b) If BC Hydro determines that Mitigation Efforts are the desired method to address a Shortfall in Outdoor Feeder Capacity, the Customer will pay all actual costs associated with the Mitigation Efforts to avoid exceeding the firm capacity of the Outdoor Feeder Capacity
- (in either case, the **Accommodation Costs**).
- 6.5 In either section 6.4(a) or section 6.4(b), upon receipt of the approved Demand Request, BC Hydro will follow the Cost Collection Process set out in Article 7.0.
- 6.6 Notwithstanding the foregoing, the Customer may apply to BC Hydro at any time during the Term to decrease its Contract Demand. For greater clarity, if the Customer has reduced its Contract Demand in accordance with this

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Tariff Agreement but subsequently submits a Demand Request, such Demand Request will be subject to the conditions set out above.

7.0 COST COLLECTION PROCESS

7.1 In respect to sections 5.1, 5.2 and 6.4, the parties agree to adhere to the following cost collection process:

- (a) BC Hydro will provide written notice to the Customer setting out the details and estimated costs associated with the work;
- (b) Within 90 days of receipt of such notice, the Customer shall (i) provide notice that it wishes BC Hydro to proceed and provide to BC Hydro a deposit in the amount of the estimated actual costs; or (ii) provide BC Hydro notice of its decision to terminate this Tariff Agreement in accordance with the terms hereof, effective 30 days after such notice is given; and
- (c) If the Customer provides a deposit towards the actual costs of the work, then forthwith upon completion of work on the assets or Mitigation Efforts, as applicable, and BC Hydro providing the final amount of actual costs incurred in connection with this work to the Customer, any difference between the estimated costs and the actual costs will be paid by or refunded to the Customer, as appropriate in accordance with BC Hydro's standard billing terms

(together, the **Cost Collection Process**).

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8.0 METERING

- 8.1 The Customer's supply of Electricity shall be at the Point of Delivery. For the purposes of billing, the energy and demand charges shall include adjustment factors programmed at the Point of Metering to account for the Transformer Energy Loss within ESQ from 230 kV to 12.5 kV.
- 8.2 The Customer will not have obligations with respect to protecting, repairing or replacing the meter or metering apparatus.

9.0 ELECTRICAL SYSTEM CONSIDERATIONS

- 9.1 Compliance with Power Factor requirements as set out in the Electricity Supply Agreement will be carried out using measurements taken at the Point of Metering.
- 9.2 All equipment for which Electricity is provided under this Tariff Agreement will be subject to the reasonable approval of BC Hydro and the Customer will at all times take and use Electricity so as not to endanger BC Hydro's apparatus or cause any undue or abnormal fluctuation of BC Hydro's line voltage or introduce disturbing elements into BC Hydro's electrical system. BC Hydro may require the Customer, at the Customer's own expense, to provide equipment which will reasonably limit such fluctuations or disturbances and may refuse to provide Electricity or suspend Service until such equipment is provided.
- 9.3 The Customer acknowledges and agrees that the initial three-phase symmetrical fault contribution at 12.5 kV from the BC Hydro electrical system, when operating normally, at the Customer's Plant shall not be less

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than 103.6 MVA and the ultimate three-phase symmetrical fault contribution from the BC Hydro electrical system shall not exceed 250 MVA.

10.0 ELECTRICAL EQUIPMENT ON THE BASE

10.1 The Customer owns and is responsible for the maintenance of all the electrical supply and distribution system and any other electrical equipment located on the Base save and except for one BC Hydro-owned pole and two BC Hydro-owned spans of 12.5 kV line where BC Hydro's wires terminate at the Customer's switch at the Base.

10.2 If, at any time during the Term, electricity infrastructure is required to be installed/replaced at the Base and BC Hydro requires the Customer to install dual voltage equipment, BC Hydro will reimburse the Customer for the cost difference between the dual voltage (25/12.5 kV) transformer(s) and the equivalent 12.5 kV transformer(s).

11.0 TERM AND TERMINATION

11.1 Subject to early termination as provided herein, this Tariff Agreement and BC Hydro's obligation to provide electrical service pursuant to Rate Schedule 1823 of the Electric Tariff and TS 5 shall commence on the Effective Date continuing in force until the earlier of 10 years and the date that the Customer ceases taking service under the Electricity Supply Agreement (the **Term**). Upon expiry of the Term or earlier termination of this Tariff Agreement in accordance with its terms, the parties may pursue and enforce any rights and may enforce any obligations arising under this Tariff Agreement prior to the expiry of the Term.

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- 11.2 The parties acknowledge and agree that BC Hydro shall have the right to terminate this Tariff Agreement upon the provision of two years' notice to the Customer if the load for ESQ is approaching the transformation capacity of 197 MVA.
- 11.3 The parties acknowledge and agree that the Customer shall have the right to terminate this Tariff Agreement upon 30 days' prior written notice.
- 11.4 Notwithstanding section 11.1, where either party breaches a fundamental term or condition of this Tariff Agreement or is in substantial breach of a term or condition of this Tariff Agreement or abandons this Tariff Agreement, the non-breaching party may, without prejudice to any other rights or remedies it has, terminate this Tariff Agreement by giving the breaching party 10 days' prior written notice to remedy the breach. If the breaching party fails to remedy such breach within 10 days' of receipt of such notice, this Tariff Agreement shall terminate immediately.
- 11.5 Upon the expiration or early termination of this Tariff Agreement, the Customer will cease taking service under Rate Schedule 1823 of the Electric Tariff and TS 5 and the Customer will be subject to the applicable BC Hydro rates and terms and conditions applicable to the Customer's class of service as determined appropriate by BC Hydro in accordance with the Electric Tariff.

12.0 GENERAL

- 12.1 **Regulatory Approval.** This Tariff Agreement is subject to the approval of the BCUC. If such approval is not granted, this Tariff Agreement shall be considered unenforceable.

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12.2 **Mutual Cooperation.** The parties agree that each of them shall:

- (a) Make bona fide efforts to resolve any disputes arising between them by amicable negotiations; and
- (b) Provide frank, candid and timely disclosure of all relevant facts, information and documents to facilitate those negotiations.

12.3 **Notice.** Unless otherwise provided for by this Tariff Agreement, a notice, consent, request, demand, statement or bill that either party may be required or may desire to give to the other party shall be in writing and shall be deemed to be given to and received by the addressee on the business day next following when it is delivered by hand, courier or electronic transmission, and is deemed to be given when received if delivered by prepaid mail at the address that each party shall give notice of from time to time.

The address that BC Hydro gives notice of is:

Key Account Manager

4th Floor - 333 Dunsmuir St., Vancouver, BC V6B 5R3

The address that the Customer gives notice of is:

Officer Commanding – Section Esquimalt, Real Property Operations Unit
(Pacific), Bldg SH575, CFB Esquimalt Stn Forces, Victoria, BC V9A 7N2
Phone No. (250-363-7904); Facsimile Copier No. (250-363-4787);
Email: Stefanie.Bendall@forces.gc.ca.

12.4 **Terms and Conditions of Tariff Agreement.** Except to the extent inconsistent with the terms and conditions of this Tariff Agreement, in which case the terms and conditions of this Tariff Agreement shall prevail, the

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supply and taking of electricity is subject to the terms and conditions of the BC Hydro's Electric Tariff (including amendments thereto and replacements thereof) applicable to Rate Schedule 1823 service, as filed with and approved by the BCUC. The Customer may inspect BC Hydro's Electric Tariff during normal business hours at BC Hydro's head office or its other general offices and such right to inspect is sufficient notice of the terms and conditions contained therein.

- 12.5 **Successors/Assigns.** This Tariff Agreement shall operate and take effect for the benefit of, and be binding upon, BC Hydro and the Customer and their respective successors and, in the case of BC Hydro, its assigns. This Tariff Agreement, or any part of it, or any benefit or interest in it, shall not be assigned by the Customer without the prior written consent of BC Hydro. BC Hydro shall not unreasonably withhold consent for the assignment of this Tariff Agreement by the Customer.
- 12.6 **Amendment to Tariff Agreement.** Any amendment or variation of this Tariff Agreement shall be binding on BC Hydro and the Customer only if made in writing and signed by the authorized representative of all parties and approved by the BCUC.
- 12.7 **Waiver.** Any failure of a party to enforce or require the strict performance of any of the provisions of the Tariff Agreement shall not in any way constitute a waiver of these provisions; or affect or impair those provisions or any right a party has at any time to avail itself of any remedies it may have for any breach of these provisions, or to require work to be performed in accordance with the Tariff Agreement. Neither party is bound by a waiver of

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any provision of the Tariff Agreement unless the waiver is clearly expressed in writing and signed by the party.

12.8 **Governing Law.** This Tariff Agreement shall be governed by the laws of the Province of British Columbia. BC Hydro and the Customer shall comply with all relevant laws and regulations and the relevant orders, rules and requirements of all lawful authorities having jurisdiction.

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IN WITNESS WHEREOF he duly authorized representatives of each party have executed this Tariff Agreement as of the date first above written.

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY

By:



(signature)

Printed Name:

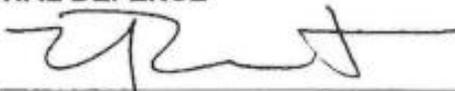
Keith Anderson

Title:

BC Hydro, VP of Customer Service

DEPARTMENT OF NATIONAL DEFENCE

By:



(signature)

Printed Name:

COL M RANCOURT
COMD CF RP OPS GP
20 Dec 19

Title:

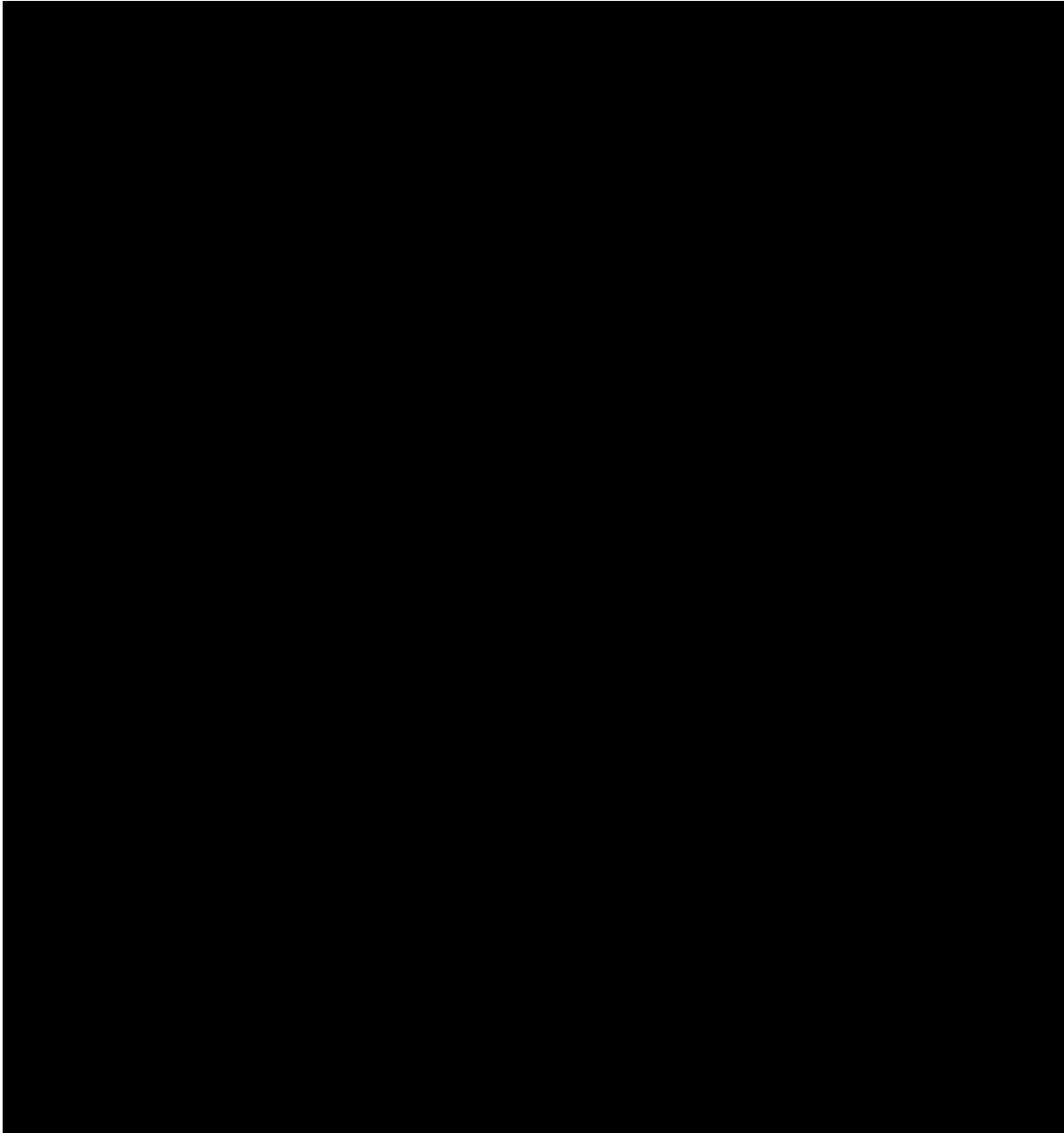
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SCHEDULE A
ELECTRICITY DELIVERY FACILITIES



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**SCHEDULE B
RIDER CHARGE**

The Rider Charge is applied as a monthly amount charged each Billing Period through the Term based on the following table:

Contract Demand	Monthly Rider Charge (\$)
14 MVA	9,877.42
15 MVA	10,542.78
16 MVA	11,208.13
17 MVA	11,873.48
18 MVA	12,538.83
19 MVA	13,204.18
20 MVA	13,869.53
21 MVA	14,534.89
22 MVA	15,200.24
23 MVA	15,865.59
24 MVA	16,530.94
25 MVA	17,196.29

The Rider Charge has been calculated to recover costs related to the Electricity Delivery Facilities during the Term. The Rider Charge has been calculated by estimating the Customer's portion of maintenance, finance, amortization, tax and capital-related costs over the Term. These costs are then adjusted for inflation to current (real) dollars and are then levelized, resulting in a single monthly payment amount.

For the purposes of determining the Rider Charge, the Customer's pro-rata share of costs for Shared Facilities is calculated based on the Customer's Contract Demand divided by the ESQ firm station capacity of 131 MVA (the **Formula**).

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The Rider Charge has been calculated based on the following components:

1 MAINTENANCE EXPENSE COMPONENT

The Rider Charge includes a maintenance expense component, which covers all future maintenance work on the Shared and Dedicated Facilities over the Term and which, using BC Hydro's reasonable accounting judgement is an expense and not capital. To calculate this component of the Rider Charge, BC Hydro has forecast maintenance expenses for the Shared Facilities and Dedicated Facilities at ESQ for the Term using a 10 year history of actual maintenance expenses incurred by BC Hydro. For the dedicated distribution line that extends from ESQ to the Base, which is also part of the Dedicated Facilities, BC Hydro has forecast maintenance expenses using the average cost per kilometer for maintaining BC Hydro's system of distribution lines multiplied by the total length of the distribution line extending from ESQ to the Base. For the Shared Facilities, the Customer's allocation of forecasted costs is determined by the Formula. For the Dedicated Facilities, the Customer is allocated 100 per cent of forecasted costs.

2 FINANCE, AMORTIZATION AND TAX COMPONENT

- (i) Amortization for the Shared Facilities is calculated based on the estimated net book value and the International Financial Reporting Standards' estimated life of the equipment. The Customer's share of the amortization is based on the Formula; and
- (ii) Finance charges are calculated on the total mid-year net book value of Shared Facilities' assets multiplied by BC Hydro's weighted average cost of debt multiplied by the Formula; and

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- (iii) Taxes are calculated based on an estimate of taxes for both the ESQ substation land parcel and Shared Facilities multiplied by the Formula. The Customer is charged 100 per cent of the estimated taxes for the Dedicated Facilities.

3 CAPITAL EXPENDITURE COMPONENT

The Rider Charge include a capital expenditure component, which covers all work on the Shared Facilities over the Term and which, using BC Hydro's reasonable accounting judgement is to be capitalized and not expensed. For this component of the Rider Charge, BC Hydro has forecast capital expenditures for the Shared Facilities over the Term using an available seven year history of actual capital expenditures for the Shared Facilities. The Customer's allocation of this forecast is based on the Formula. For clarity, the Rider Charge does not include any amounts for work which may be capitalized relating to: i) the Dedicated Facilities (see section 5.1), ii) the ESQ 230 kV/12.5 kV transformers (see section 5.2), or iii) that may be required to address a Demand Request (see Article 6.0).

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