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C O R P O R A T I O N

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VIA EMAIL

January 8, 2016

Ms. Erica Hamilton, Commission Secretary
British Columbia Utilities Commission
6th Floor 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Ms. Hamilton:

**RE: BC Hydro and Power Authority
2015 Rate Design Application (“RDA”)
Non-Integrated Areas Ratepayers Group Final Argument
for 100 Percent Part 1 Pricing for Medium General Service (“MGS”)
and Large General Service (“LGS”) New Accounts**

We are writing to provide Final Argument regarding 100 Percent Part 1 Pricing for MGS and LGS New Accounts on behalf of our clients, the Heiltsuk Tribal Council and Shearwater Marine Limited, collectively registered as the Non-Integrated Areas Ratepayers Group (“NIARG”) in this proceeding.

Based on our review of the available evidence in Part 6.6. of BC Hydro’s Application regarding this issue, NIARG supports the proposal to provide 100% Part 1 Pricing for MGS and LGS new accounts. NIARG’s support is premised in part on the understanding that in the event the Commission approves other MGS and LGS pricing proposals sought by BC Hydro in the 2015 RDA, Part 1 Pricing will no longer apply in any event after the presumed effective date of April 1, 2017.¹

Simplicity and Customer Understanding

NIARG notes that the exiting 85% Part 1 Pricing and 15% Part 2 Pricing formula (“85%/15% formula”) appears to have created problems for some customers in some

¹ Exhibit B-5, BCOAPO IR 1.19.3

cases. The 85%/15% formula has been the subject of customer complaints² and apparently is not well understood by a number of BC Hydro customers.³

BC Hydro's intention to apply the change only to new accounts seems appropriate as those customers are perhaps most likely to face challenges in understanding the formula given their presumed limited experience with MGS and LGS rates.

Moving to a 100% Part 1 Pricing structure would offer greater simplicity that should assist customer understanding of the rates.

Potential Customer “Gaming”

NIARG understands that the 85%/15% formula was originally developed to address a concern that certain customers might open new accounts with the intent of “gaming” BC Hydro's system by trying to lower their costs by effectively resetting their baseline.⁴

The evidence available in this proceeding suggests that such “gaming” has not been a significant problem.⁵ In the apparent absence of the primary justification for the existing formula, the proposed change appears appropriate.

Fairness

In the context of rate design, ensuring fairness among customers and rate classes must be viewed as a key objective. Importantly, the evidence available suggests that a change to 100% Part 1 Pricing would recover the embedded costs associated with providing the service and would not be unfair to or harm other customers or rate classes.⁶

Impacts for Non-Integrated Areas

NIARG's support for the proposed change to 100% Part 1 Pricing for MGS and LGS new accounts is necessarily based on the evidence available in this Module 1 process of the 2015 RDA. Although NIARG currently does not anticipate discovering material differences in circumstances in the Non-Integrated Areas (i.e. Zone 1B and Zone 2) relative to Zone 1 that would make application of the proposed change inappropriate in the Non-Integrated Areas, the regulatory process has not yet provided an opportunity for NIARG to explore that possibility. NIARG intends to examine the issue further in the Module 2 process, to identify whether the proposed change to 100% Part 1 Pricing for MGS and LGS new accounts makes sense if applied to the Non-Integrated Areas.

² Exhibit B-1, p. 6-70

³ Exhibit B-1, p. 6-41

⁴ Exhibit B-1, p. 6-70

⁵ Exhibit B-5, BCUC IR 1.77.1

⁶ Exhibit B-1, p. 6-71

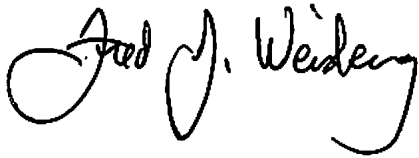
Letter to BC Utilities Commission
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NIARG also observes that it has been helpful to directly participate in this Module 1 process to have an opportunity to gain an understanding of the 100% Part 1 Pricing issue, and the related background. We expect that will significantly assist the efficiency and focus of the anticipated Module 2 process.

Conclusion

For the reasons discussed above, NIARG supports Commission approval of the proposed 100% Part 1 Pricing for MGS and LGS new accounts.

Yours truly,

A handwritten signature in black ink that reads "Fred J. Weisberg". The signature is written in a cursive style with a large initial "F" and a long, sweeping underline.

Fred J. Weisberg
Barrister & Solicitor
Weisberg Law Corporation
Counsel to the Non-Integrated Areas Ratepayers Group (“NIARG”)