

January 8, 2016

British Columbia Utilities Commission
6th Floor - 900 Howe Street
Vancouver, BC V6Z 2V3

Attention: Erica Hamilton, Commission Secretary

Dear Sirs/Mesdames:

Re: BC Hydro Rate Design Application Submission to

- a. Include Zone II rates in Module 1; and**
- b. Direct BC Hydro to provide responses to Zone II Ratepayers Group Information Requests**

We are representing the Zone II Ratepayers Group, a Registered Intervener in the BC Hydro Rate Design Application (RDA). Currently Module 1 of the RDA is addressing Zone I rate design, terms & conditions of service and RIB review. Zone II rate design is currently scheduled to be addressed in Module 2.

For the following reasons, the Zone II Ratepayers Group is respectfully requesting that the British Columbia Utilities Commission (Commission) include Zone II rate design in the Module 1 phase of the RDA and that BC Hydro be directed to respond to the Zone II Ratepayers Group Information Requests (IRs) in Exhibit B-5 that BC Hydro declined to respond to.

1. Zone II Rate Design is Based on Zone I Rate Design

Currently Module 1 includes a review of the Residential Inclining Block (RIB) rate design. Zone II rate design is derived from the Zone I RIB rate design and is also a RIB rate design and therefore the issues for Zone II need to be fully addressed in Module 1. In order to fully inform the RIB rate design, the information being requested in the IRs is required. For example, how BC Hydro will deal with the Regulatory Deferral Accounts and the trajectory of BC Hydro rates (rate increases) is an important consideration in the

RIB rate design and even whether a RIB rate is required. Rate increases as a price signal and demand response should be considered when addressing the RIB rate.

DSM programs whether in integrated or non-integrated remote communities must be considered in rate design and terms and conditions. Lack of energy supply options (natural gas) and limited ability to lower consumption are important considerations that appear to have been recognized in the Minister's RIB Report Letter.

2. Terms and Conditions

Terms and Conditions are being addressed in Module 1. Rate design cannot address Terms and Conditions in isolation of the rate design as they are an integral part of the rate design for both Zones I and II and therefore must be addressed at the same time as Zone II rate design.

3. Interplay between the Minister RIB Report Letter and the RDA

Module 1 informs the RIB rate design information to the Minister. Since the Minister's RIB Report Letter has the potential to comprise an important component of the RDA decision or government policy, it is important for Zone II issues to also be considered (i.e. low income, DSM, lack of viable options, cross-subsidies, etc.) as part of the RDA Module 1.

4. RDA Process is Dysfunctional and Unduly Complex

BC Hydro is declining to respond to the IRs submitted in IR No. 1 on matters raised by the Zone II Ratepayers Group and others. These are issues of importance to all customers and in particular the information is relevant to Terms and Conditions and RIB rate design affecting all residential customers and cannot be deferred to Module 2 or the Revenue Requirements Application (RRA). Without access to all relevant information, the Commission cannot make the determinations anticipated by Module 1 and the Minister cannot be fully informed on RIB rate issues.

This regulatory process has traditionally started with a RRA and a Cost Allocation Study followed by a Rate Design Application. Interveners and the Commission have the opportunity for disclosure of information in a logical and orderly process. The current regulatory process does not allow for that to happen as is reflected in responses to IRs directing parties to another proceeding in the future.

The options available to the Commission are to reconsider and revise the current Module 1, Module 2 and RRA regulatory process. Failing that, the less desirable option is to combine Modules 1 and 2 with respect to all residential rates and to direct BC Hydro to respond to all relevant and reasonable information requests from all Interveners

with respect to costs, rates and services. The default RIB rate and Zone II rates can be dealt with in a single process.

We appreciate your consideration of this matter at the upcoming Procedural Conference.

Yours truly,

A handwritten signature in black ink that reads "Linda Dong". The signature is written in a cursive, flowing style.

Linda Dong

cc: Registered Interveners