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January 15, 2016

VIA EMAIL

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

Attention: Erica Hamilton, Commission Secretary

Dear Sirs/Mesdames:

Re: 2015 Rate Design Application Module 1 Procedural Conference - January 19, 2016

We are representing the Zone II Ratepayers Group (Zone II), a registered intervener in the BC Hydro Rate Design Application (RDA). Our clients are BC Hydro Zone II ratepayers whose interests and rates will be impacted by this proceeding.

In response to the Commission Panel's requests included in Exhibit A-10 dated January 12, 2016, Zone II have the following comments:

- 1. Whether the evidentiary record on a number of overarching issues, that is, issues that apply to all rate classes in Module 1 should be expanded. Examples: tests used to analyze bill impact, the re-prioritization of Bonbright criteria for the 2015 RDA from previous rate design studies, Long-Run Marginal Cost (LRMC) as referent pricing for energy rates and the level of precision, assumptions related to elasticity for estimates on conservation savings, etc.***

Zone II consumers have limited ability to respond to electricity costs and rates through DSM and alternate fuels. This, along with rate increases which also effect demand, perhaps significantly, and affordability should also be considered in evaluating rate design. Bonbright principles are a matter of balance rather than prioritization. Further comments are provided in response to 3 below.

Maps and a brief background of the Zone II Ratepayers Group are attached for information.

- 2. Whether the evidentiary record on a number of jurisdictional issues should be expanded prior to the Argument Phase of the proceeding. Examples: the Commission's obligation under the Clean Energy Act British Columbia's Energy Objectives as it pertains to the 2015 RDA, the BCUC jurisdiction with regards to tariffs for low income customers, etc.**

Zone II customers are located in remote communities and have a direct interest in low income tariffs including Term and Conditions (T&C) such as budget programs, disconnection and reconnection policies and charges and payment options. Zone II customers wish to explore the eligibility criteria that are being proposed.

- 3. The Minister's letter to the Commission regarding a Residential Inclining Block (RIB) Rate Report, made reference to the 2015 RDA as follows:**

FortisBC and BC Hydro have both demonstrated that their respective residential inclining block rates are resulting in residential electricity conservation, and that they are revenue neutral to the utilities. The Government is unaware of any evidence that the residential inclining block rates result in higher greenhouse gas emissions, and BC Hydro has indicated that they have no evidence of this. Any analysis of alternative rate structures and the issues listed in this paragraph would be best left to existing regulatory processes, which in BC Hydro's case is the 2015 Rate Design Application (RDA).

Should this be interpreted to mean that the 2015 RDA is required to address higher greenhouse gas emissions from the RIB rate and the potential fuel switching as a result of the RIB rate? If so, address whether the evidentiary record is sufficient or needs to be expanded.

Zone II agrees that the RIB rate is best addressed in the 2015 RDA. Zone II have requested that BC Hydro respond to the IRs submitted in IR 1 addressing rate design in the context of community circumstances, DSM, supply alternatives, heating fuel alternatives and forecast regulatory deferral recoveries and rate increases (Exhibit B-5; Zone II IR 1).

Zone II is supportive of a negotiated settlement process (NSP) for RIB. This could be a separate process where the parties produce a report to the Commission which may be a consensus or include dissenting views.

- 4. In reasons attached to Order G-175-15 dated November 3, 2015, the Commission indicated that it would make a determination on the issues of BC Hydro's request for endorsement of its 2016 Cost of Service Study (COSS). Parties have provided submissions on this matter leading to Order G-175-15. Have parties changed their positions as a result of BC Hydro's responses to Information Request No. 1?**

Zone II has concerns about the level of NIA costs and allocation of costs to NIAs including line losses and fuel costs. For these reasons and the lack of detailed information in support of the summary costs provided in the COSS, Zone II cannot endorse the COSS.

5. Whether there is sufficient evidence on the record for each of the proposed categories of rate class design and proposed Terms and Conditions (T&C)? Submissions for each item below should also include the appropriate review process (written, oral, streamlined review process or negotiated settlement process or a combination of processes):

- **Residential**
- **Small General Service (SGS)**
- **Medium General Service (MGC)**
- **Large General Service (LGS)**
- **Transmission Service Rate (TSR)**
- **Irrigation**
- **Street lighting**
- **T&C's**

Zone II does not feel that there is sufficient evidence on the record for the Residential rates and proposed T&C as referenced in our letter (Exhibit 36-4) to the Commission. In addition, the residential class is not homogenous. Customers for example may have electric heating and hot water with constraints on alternate fuels including economic, building design and no access to natural gas. The BC Hydro rate design does not take these factors into account.

The IRs that BC Hydro declined to provide responses to are relevant to rates whether Zone I or Zone II and services under the Residential rate, including DSM and T&C. Without access to all relevant information, Zone II customers cannot effectively participate, the Commission cannot make the determinations anticipated by Module 1 and the Minister cannot be fully informed on RIB rate issues. Currently Module 1 includes a review of the 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, which may also apply to Zone I, need to be fully addressed in Module 1. It was the intent of Zone II to work within the current regulatory process and timetable; however, this would have required a response to Zone II IRs submitted in IR 1 and flexibility on the issues.

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.

Zone II is supportive of a negotiated settlement process (NSP) if the process allows a full exploration of the issues, including a round 2 of IRs. Failing a resolution through NSP, a written or streamlined process may prove workable. The Strawman Regulatory Timetable for Rate Design Application Module 1 circulated by BC Hydro on January 13, 2016 shows a process that

ends in September 2016. NIA issues can be addressed in a timely manner as part of Module 1 within this timeframe. The process would be preceded by a workshop in advance of a NSP, focused on Zone II. However, we recognize that Zone 1B is also part of Module 2.

6. *The appropriate review process for subsequent filings:*

- a. *Exhibit B-1-1, proposed amendments to Electric Tariffs;*
- b. *BC Hydro's Assessment of Potential Low Income T&C's filed as Appendix A to BCOAPO IR 1.192.1;*
- c. *Other?*

In general, Zone II supports NSP where there is a full exchange of information and an agreement is a likely outcome.

- a. Amendments to Electric Tariffs can be addressed through NSP.
- b. T&Cs for low income, which can also be expanded to NIAs, can be dealt with through NSP.

Where necessary, a written or streamlined process can follow to deal with matters which could not be resolved through NSP. The Freshet rate and General Service rates are examples of how filings can be dealt with in an efficient and timely manner.

7. *Whether you will participate in the Freshet SRP scheduled for the afternoon of January 25th, 2016.*

Zone II does not intend to participate in the Freshet SRP.

8. *Whether the Panel assigned to hear this Application should also make determinations on participant costs incurred during BC Hydro's workshop engagement process, or should this matter be addressed in BC Hydro's upcoming Revenue Requirements Application? Should the participant costs accrued during BC Hydro's workshop engagement process be determined in accordance with the Commission's Participant Assistance Cost Award (PACA) Guidelines outlined in Appendix A to Order G-72-07?*

Since BC Hydro's workshop engagement process addressed issues associated with the RDA, the Panel assigned to hear the Application should also make determinations on participant costs incurred. Zone II has concerns about the PACA Guidelines with respect to rates and hours and the impact of the processes on Participants' ability to participate. Zone II also respectfully requests the Panel clarify the schedule for the PACA awards associated with Module 1 RDA.

Sincerely,

A handwritten signature in black ink that reads "Linda Dong". The signature is fluid and cursive, with "Linda" on top and "Dong" below it, both starting with a capital letter.

Linda Dong

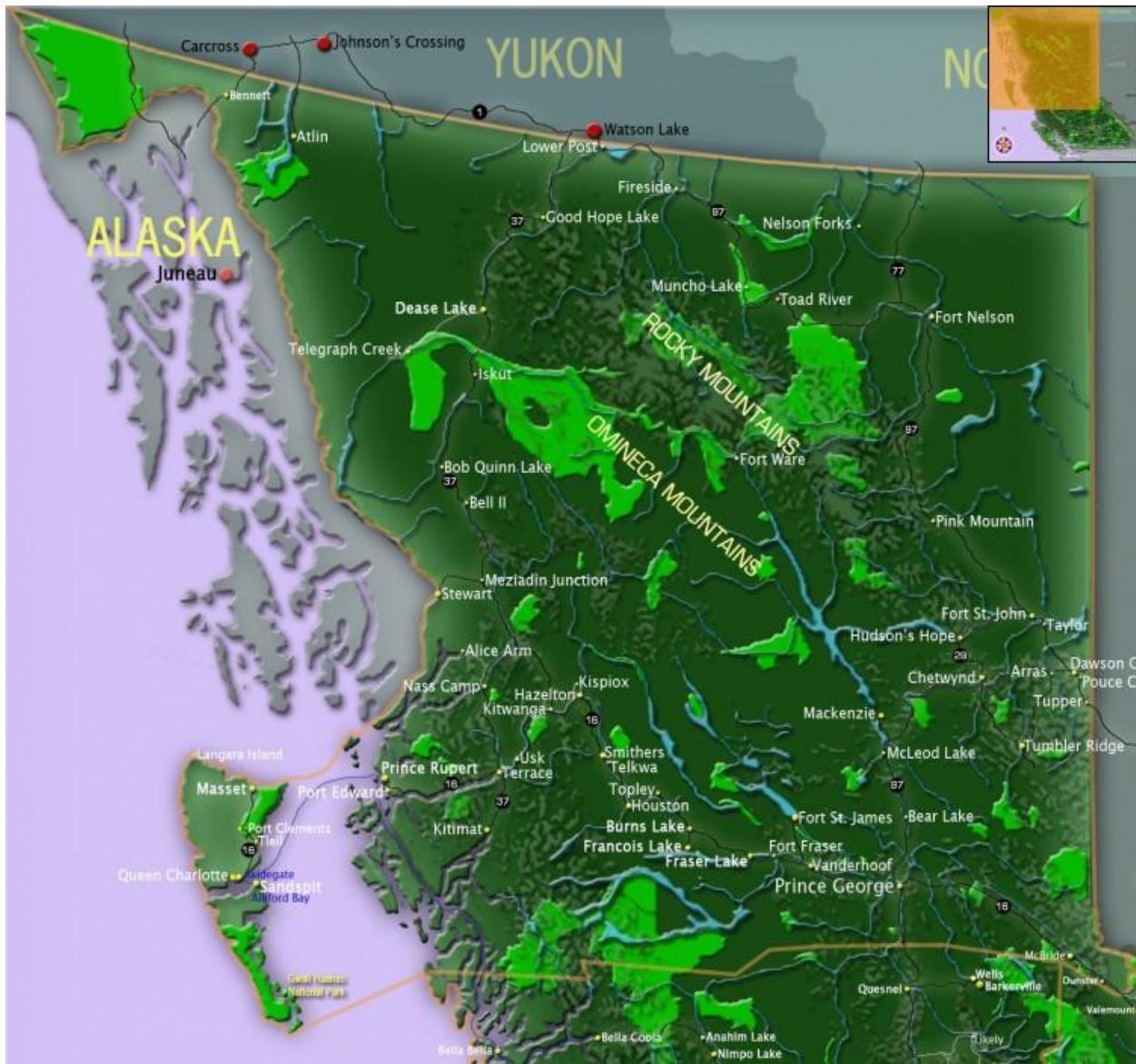
Attachments: Zone II Ratepayers Group

- Kwadacha Nation (map and website links)
- Great Bear Initiative/Coastal First Nations Communities (map and website link)

BC Hydro Rate Map A - Rate Zone Limits

Zone II Ratepayers Group

I. Kwadacha Nation



Fort Ware was relocated from its original location due to the flooding of the lower Finlay Valley by Lake Williston in the late 1960s. The Kwadacha Nation (Tsek'ene) is commonly known as Fort Ware. Kwadacha is located 570 km North of Prince George BC at the confluence of the Fox, the Kwadacha, and Finlay rivers in the Rocky Mountain Trench.

<http://www.kwadacha.com/>

<https://www.youtube.com/watch?v=pypol54tLxg>

<https://www.youtube.com/watch?v=liiJVBA06E>

II. Great Bear Initiative/Coastal First Nations Communities

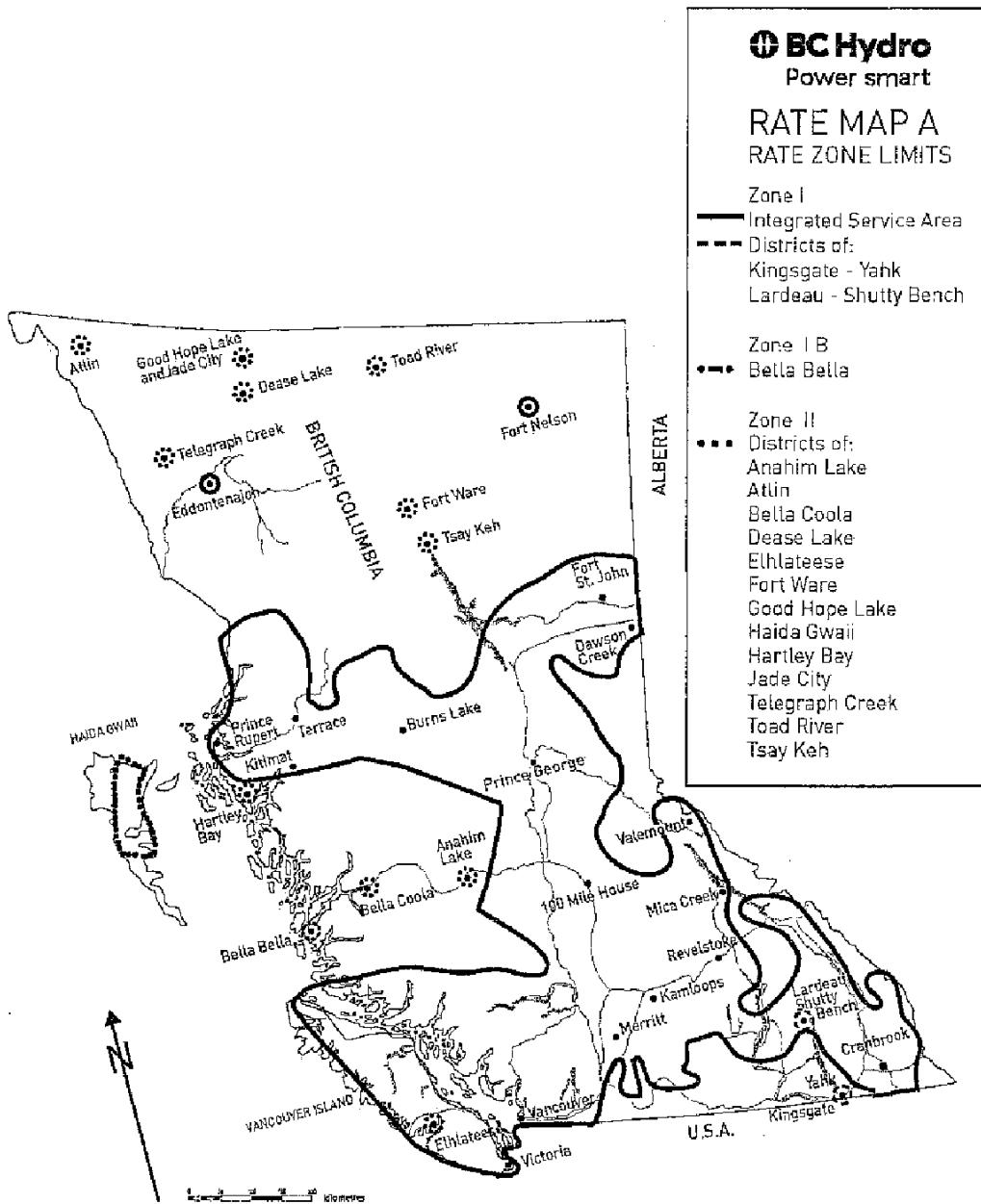


The Coastal First Nations (Great Bear Initiative) is an alliance of First Nations on British Columbia's North and Central Coast and Haida Gwaii. The Coastal First Nations include Wuikinuxv Nation, Heiltsuk, Kitasoo/Xaixais, Nuxalk Nation, Gitga'at, Metlakatla, Old Massett, Skidegate, and Council of the Haida Nation.

<http://www.coastalfirstnations.ca/>

BC Hydro Rate Map A

Rate Zone Limits



Reference: British Columbia Hydro and Power Authority Electric Tariff, Terms and Conditions effective October 30, 2015.