

1 Q. Application, Schedule B, page RSP-10 to RSP-12, section 2.2, Hydro states, in the  
2 section dealing with Teck Resources:  
3 **“Note: Once new base rates are approved based on Hydro’s 2013 Test Year, Hydro**  
4 **will apply for the disposition of any differences between the adjustment amounts**  
5 **calculated and the adjustment which would have been calculated using the 2013**  
6 **approved Test Year rates. The difference will be refunded to, or collected from,**  
7 **Teck Resources, in a manner to be approved by the Board.”**

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9 Although the OCs included with the Application make specific reference to a phase-  
10 in, in three equal annual percentage increases, of rates to Teck Resources, they are  
11 silent on the rate at which rates to the other Industrial Customers will be phased in  
12 over the three-year period. Please explain why Hydro has not chosen to phase in  
13 rates to the other Industrial Customers during the three-year period in three equal  
14 annual percentage increases.

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17 A. It is Hydro’s understanding that based on the OCs, only in the second year of the  
18 three- year phase-in is there discretion in setting rates for Island Industrial  
19 Customers excluding Teck Resources.

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21 The rate increase in the initial year of the phase-in results from the removal of the  
22 RSP credit as stated in OC2013-089, S. 2), as amended “...Effective September 1,  
23 2013 all Island industrial customers, with the exception of Teck Resources, will be  
24 subject to the same standard industrial rate, equivalent to the existing base rate but  
25 excluding the Rate Stabilization Plan adjustment currently in place”.

1       The final increase will be realized when, effective September 1, 2015, all Island  
2       industrial customers, including Teck Resources, are subject to the Board-approved  
3       standard Island industrial rate.

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5       For the second year of the phase-in, Hydro is proposing for the Board's  
6       consideration, a methodology that would result in all Island industrial customers,  
7       excluding Teck Resources, receiving the same percentage rate increase regardless  
8       of the individual customer's load factor or current amount of specifically assigned  
9       charges. As outlined on Page 9, lines 20 to 24, "Hydro is proposing to apply to the  
10      September 1, 2013 to August 31, 2014 Phase-In rates, including specifically assigned  
11      charges, the equal annual percentage required over the three year phase in period  
12      the increase that would occur if Hydro's new Test Year base rates are implemented,  
13      when compared with Hydro's revenue at the rates, including the RSP adjustment, in  
14      effect August 31, 2013."