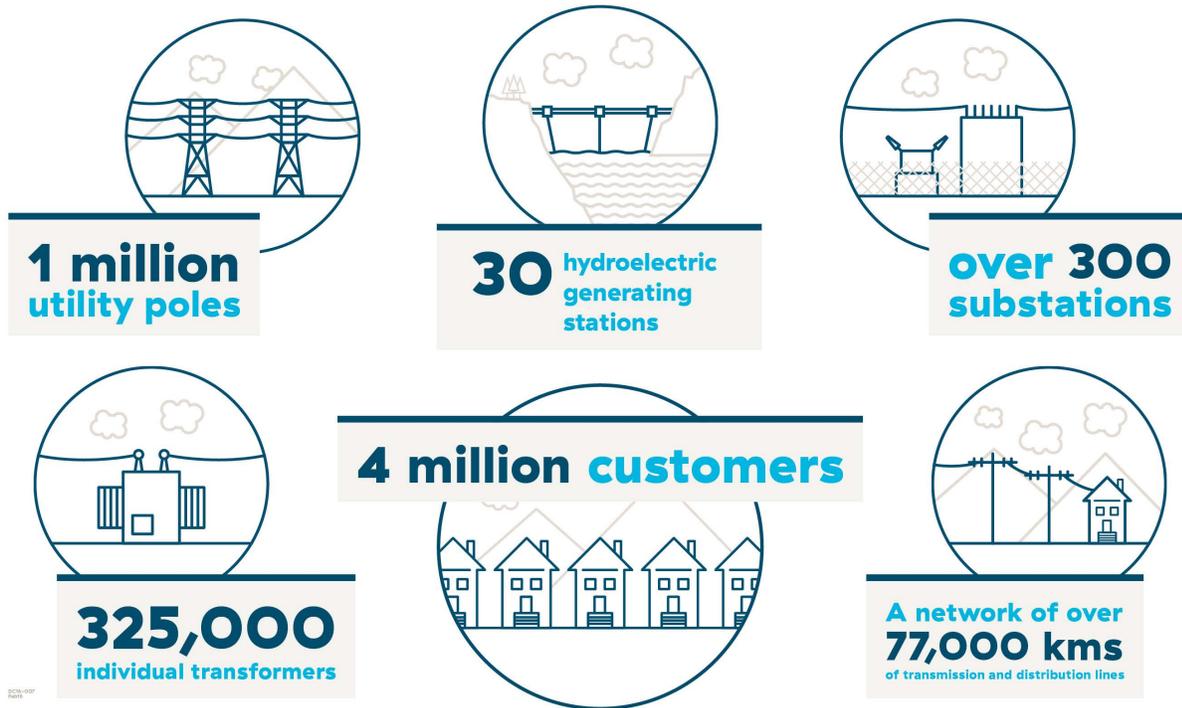


Jul 28, 2016

Why we're increasing rates: a look at how we're meeting growing electricity demand



BC Hydro manages a complex system to serve 4 million customers across B.C. We need to make major investments to replace aging equipment, expand our transmission network, and complete important upgrades to ensure we continue to deliver clean, reliable power.

We need to make investments in our aging system, which will affect rates

BC Hydro has been working hard to [keep rates as low as possible](#) as we upgrade the electricity system. But we need to make major investments, and that's going to have an impact on the rates that we need to charge.

This past February, we requested an interim rate increase of 4% from [the BC Utilities Commission](#), which went into effect April 1. We opted to file an interim rate application to allow us more time to update our Load-Resource Balance study, which is used to forecast long-term changes in electricity demand. We have since completed further study and have now filed our final Revenue Requirements Application to the BC Utilities Commission for a 4% rate increase.

It's all part of the 10-year rates plan announced in November 2013. We're keeping rates low and ensuring that any rate increases are predictable, while making the investments into our dams and power lines that are needed to provide reliable power.

For the next three years, we're planning for rate increases of 4% this year (effective April 1), then 3.5%, and 3% in the following years, consistent with the 10-year plan.

That means for the average residential customer, electricity bills will increase by around \$4 per month this year.

A 4% rate increase means...



\$4.65

extra per month
for a family of four
living in a single-family
detached home.



\$1.37

extra per month
for a single person
living in an apartment.



\$2.88

extra per month
for a couple
living in a townhouse.

The average residential customer will pay about \$4 more per month, still among the lowest rates in North America.

Incremental increases for residential bills



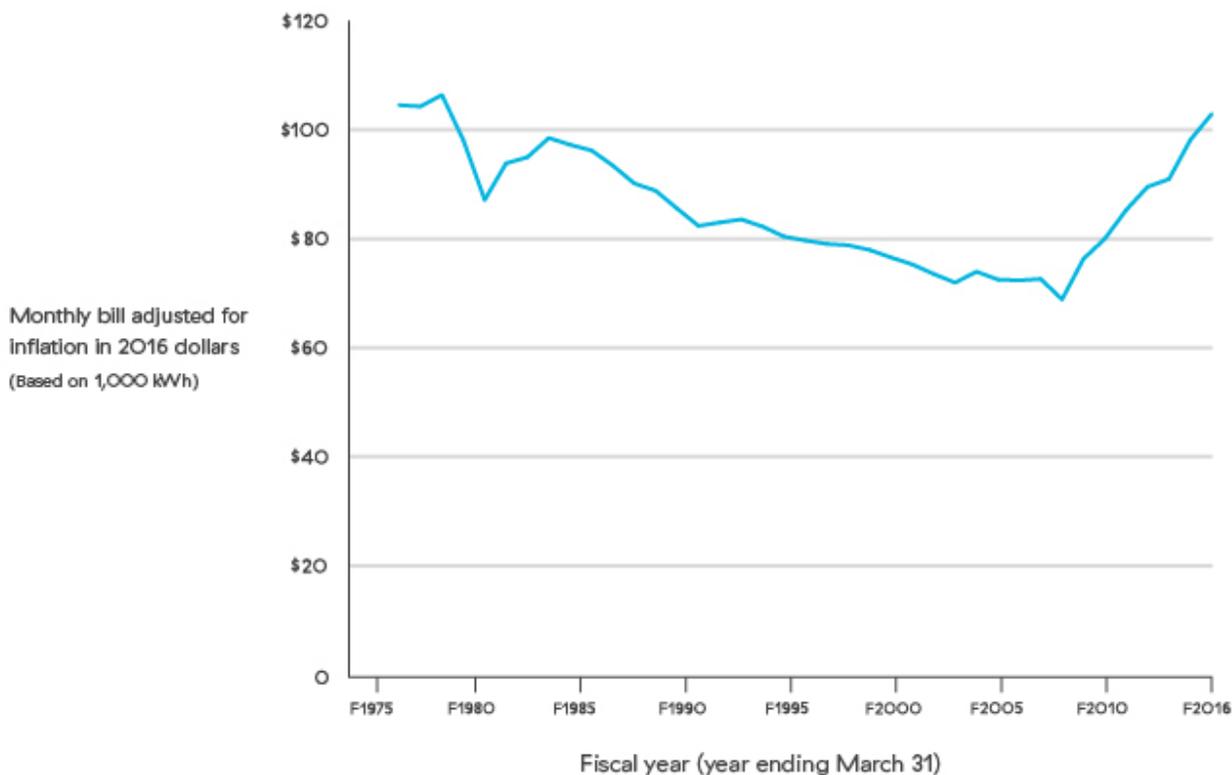
Average monthly residential bill based on 1,000 kWh consumption

Average incremental increase for monthly residential bill

While our rates are increasing, we're working hard to ensure that electricity in B.C. remains affordable. In fact, our rates are some of the lowest on the

continent. Under the 10-year rate plan, residential customers will see only incremental rate increases for the next three years. Adjusting for inflation, monthly residential bills are actually very similar to previous decades.

Average monthly residential bill, adjusted for inflation



After adjusting for inflation, electricity bills are comparable to the 1970s.

So why do rates need to go up? It's all about the need for system upgrades, and the growing demand for electricity.

Assets and equipment are aging and in need of replacement

Most of B.C.'s electricity system was built in the 1960s, 70s and 80s, and many of our assets and equipment are reaching the end of their expected lifespan. Other components can no longer meet the demand for electricity. To ensure that the system continues to deliver power safely and reliably, we need to make upgrades.



From generating stations and dams to wooden distribution poles, we need to complete upgrades and repairs across the province. Over the next three years, we'll spend \$7.2 billion in capital projects to upgrade and maintain the system.

In particular, our generating facilities and power poles require capital investment to replace aging equipment. For example:

The average age of BC Hydro's [electric generating facilities](#) is more than 45 years old.

- 70,000 wood poles across the province are at least 50 years old and need to be replaced.

These upgrades are costly: we need to invest about \$7.2 billion dollars over the next three years in capital investments to the system, including building new substations, seismically upgrading aging dams and increasing transmission capacity in key areas.

Demand is growing; energy and capacity are both needed

There's another reason that we need to make upgrades – the growing demand for power. While it's true that changes in industry and the economy have adjusted the expected demand for power in the short term, the bottom line is that demand is still increasing. That means we need to upgrade some facilities, and add new ones, to ensure we have enough energy over the long term, and enough [capacity to meet the demand during peak periods](#). By fiscal year 2026, we need new resources for both energy and capacity. Site C and Revelstoke Unit 6 will play a big role in helping us fill these gaps.

What's driving increased electricity demand?

A few key things:

- **A growing population.** B.C.'s population is expected to increase from 4.7 million people today to 5.8 million people by 2035.
- **Continued residential development.** 80,000 new homes will be constructed over the next three years alone.
- **Growth in key areas where infrastructure is at capacity.** Some areas, including the Lower Mainland, Dawson Creek, and Kamloops are experiencing substantial growth, and our infrastructure needs to be upgraded to meet the need.

In addition, growth from industrial sectors such as LNG may change, which would further increase electricity demand.

What are we doing to keep costs low?

Although our rates remain some of the lowest in North America, we know that any rate increase can be challenging for our customers. We've been working to keep our costs as low as possible, to reduce the rate increases that we need to fund [critical upgrades](#).

Part of that means carefully managing our costs on major projects.



We've completed more than 550 projects over the past five years, helping to keep our costs low.

Over the past five years, we've delivered 563 generation, substation, and transmission line projects, and we finished these projects 1.8% under budget overall.

We're also working internally to become more efficient and manage our costs, such as reducing operating costs. Our spending for the next three years is concentrated where it matters most, on areas such as safety, storm response, customer service, maintenance, and capital projects.

We'll continue to manage our costs and invest in B.C.'s electricity system, so that our customers can continue to enjoy clean, reliable power for decades to come.