

3 ENERGY AND ENVIRONMENTAL ECONOMICS REPORT

In an effort to provide the broadest possible scope of input to the Commission as it considers the issues raised by paragraph 4 of the Terms of Reference, BC Hydro hired E3 to provide a report that sets out a range of stepped rate design options and issues. E3 was provided with the principles identified in Section 2, above, and asked to develop alternative rate forms to serve them. With the assistance of the March 5, 2003 Workshop, discussed below, and subsequent written commentary of stakeholders submitted to BC Hydro, E3 prepared an overall review of the alternatives to stepped rate design. E3's resulting report, "Stepped Rate Design Report", is found at Tab A of this volume. The curricula vitae of the authors of the report are found at Tab A(i).

E3 was not asked to and did not present a single complete rate design that emerges as the obvious best choice. Each of the designs presented in the report is suited to one or more of the rate design objectives. The choice among the designs ultimately requires a ranking of the relative importance of the stepped rate objectives, including the objectives in the Energy Plan.

The Energy Plan's objectives and constraints for the stepped rate design are described in E3's report, along with their expected implications for ratepayers and the utility. The analysis presented is intended to assist all stakeholders to determine for themselves how the objectives of the Energy Plan and their own interests will be served under each design.