



October 2017

Dear Customer,

Re: Demand Billing - Large Commercial Customers

The Utility Regulation and Competition Office (OfReg) has approved the introduction of Demand Rates for Large Commercial Customers. This is a standard rate structure for Large Commercial customers in most other markets throughout the world.

The goal of Demand Rates is to fairly allocate variable costs into an energy charge and fixed costs into a demand charge. Currently these fixed and variable charges are recovered in a single energy charge on customers' bills. The peak demand imposed on the system by consumers drives the amount and size of fixed assets in place, and therefore the level of demand charges. Demand Rates will therefore send the right price signal and encourage peak demand management whereby customers focus on using less energy during peak hours by conserving, or by moving energy use to off-peak times such as night time and weekends. Peak demand management may not necessarily decrease total energy consumption, but by reducing peak demand it can be expected to reduce the need for ongoing investments in power plants and transmission and distribution assets. This reduction benefits all consumers and will impact electrical rates in the future.

Demand Rates will be introduced to all Large Commercial class customers in January 2018 and will be done in an incremental manner, that is, CUC will not fully allocate the fixed cost to the Demand Rate immediately but will do so over a period of three years. More specifically, the energy charge on bills that currently includes 100% of demand charges will have 33% of the demand charges removed and allocated to the separate demand charge in year one, 66% in year two, and in the third year the full allocation of demand charges into the Demand Rates. In all cases charges for fuel factor, fuel duty and licence and regulatory fees will remain as separate line items based on energy consumption.

Effective July 2017, bills reflected peak monthly demand in the lower portion of the bill with the meter read. This data is for *information purposes only*, and allows you to begin to take note of the level of peak demand at your various properties. The demand billing will be multi-faceted and will include rates for the monthly peak and the peak for the past 24 months.

We will be hosting two informational sessions, one in October and another in November and hope that you and representatives of your company can attend. The process will provide increased visibility of your businesses' consumption patterns and will give you more control over your level of expenditure. We feel this rate structure will be beneficial to your organisation and look forward to assisting you so that your team may discover the benefits.

Sincerely,
Your CUC Customer Service Team