

Framework for the Application of Electricity Rates to Farms

This brochure sets out the criteria and definitions that govern the application of Hydro-Québec's domestic rate (Rate D) to farms. It summarizes the framework prepared by Hydro-Québec in cooperation with the UPA (Union des producteurs agricoles) in 1996 concerning the application of the Electricity Rates Bylaw to farms.

Context

Prior to 1973, Hydro-Québec billed farms at the domestic rate (Rate D), because they used electricity mainly for residential purposes. However, commercial or industrial farming operations were billed at the general rate.

Over time, the farming industry changed. Farm equipment was modernized and many farms became more specialized or bigger. This led to an increase in the use of electricity.

In 1973 Hydro-Québec began reviewing the criteria for determining whether farms qualified for the domestic rate. Its goal was to keep Rate D for family farms, while ensuring that commercial and industrial farming operations paid the general rate, as did non-farming businesses.

Despite Hydro-Québec's efforts to reserve Rate D for family farms, this goal was not achieved. Statistics showed that in 1994, 85% of farms in Québec were billed at Rate D. This created a sense of inequity among agricultural ratepayers.

Discussions between Hydro-Québec and the UPA thus led to the 1996 reform in electricity rates for farms, which was approved by the government of Québec through the Hydro-Québec Electricity Rates Bylaw in 1996. The goals of the reform were as follows:

- To simplify the application of rates.
- To ensure uniform and fair treatment.

The measures implemented in May 1996 mainly involved making all farms eligible for Rate D. Contrary to the situation prior to 1996, neither the customer's electrical installation (type of hookup, supply voltage or number of meters) nor the farmer's status (owner occupied or other) are now taken into consideration in the attribution of Rate D. Eligibility depends solely on the nature of the operations on the farm. Commercial and industrial operations are still subject to the general rate.

As well, the dual energy Rate DT is now reserved solely for homes. Farms billed under the Rate DT are subject to transitional measures that will gradually switch their billing over to Rate D by April 30, 2001.

This brochure is not under any circumstances a substitute for Hydro-Québec's Electricity Rates Bylaw.



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Farming Activities that Qualify for Rate D

For the farm to qualify for Rate D, the electricity must be supplied to a “farm” as defined in the Hydro-Québec Electricity Rates Bylaw (Section 1):

Farm: Land, buildings and equipment used for crop or animal farming, excluding any dwelling, as well as any facility used for commercial or industrial activity.

To be able to determine whether a customer account meets this definition, it is necessary to look at the nature of the activities that take place on the farm, and in particular the notions of *crop farming* and *animal farming*:

- **Crop farming:** Actions involved in preparing and conditioning beds, seeding, ensuring optimum conditions for growth, and protecting and harvesting the crop (before storage). “Crops” covers all plants, including trees.
- **Animal farming:** Actions involved in breeding, birthing and raising animals and fostering their development.

The Electricity Rates Bylaw places no restrictions on the type of farming that can be done, nor on the end result of the farming operation. Also, farming activity is not restricted to the farm’s sole needs. As long as an operation meets the definition for crop or animal farming, it qualifies for Rate D even if the work is done for a third party.

Rate D*

Crop farming

Use of electricity related to:

- seeds
- optimizing crop growth
- protecting crops up to storage of the harvest

Animal farming

Use of electricity related to:

- animal development
- animal raising
- breeding
- birthing

Farm activities that qualify for Rate D

* Assuming that the electricity is being supplied to a farm that meets the definition in Hydro-Québec’s Electricity Rates Bylaw.

Farming-Related Activities that Qualify for Rate D

When there are farming-related activities, those activities must meet two conditions in order for the farm to qualify for Rate D:

- They must be carried out on the farm.
- They must exclusively meet the needs of the farm.

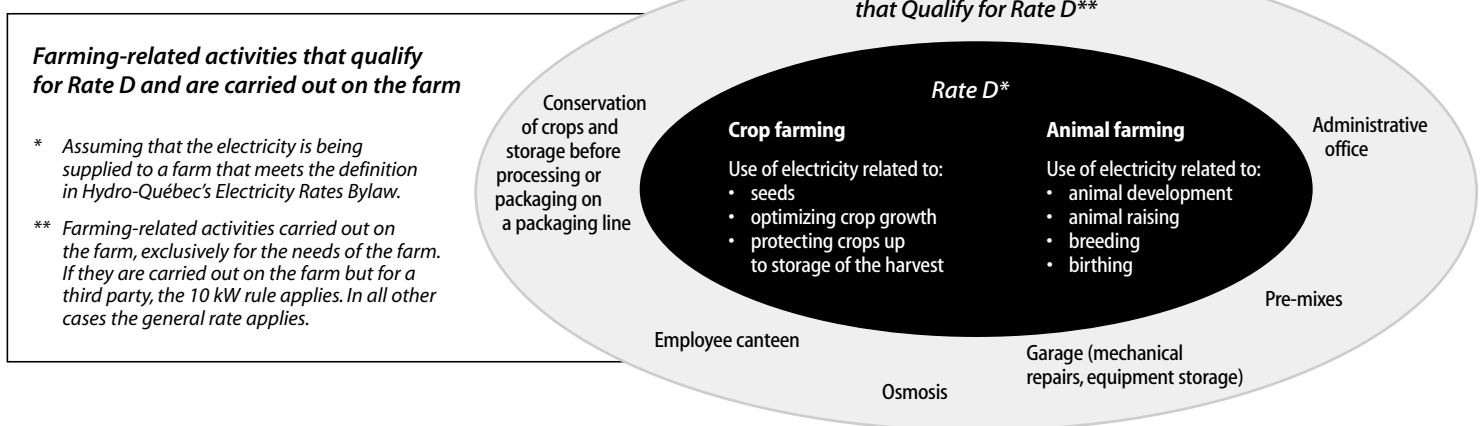
Farming-related activities are defined as follows: any activity carried out on a farm, exclusively for the needs of that farm, that does not strictly meet the definition of crop or animal farming, but is an integral part of such activities.

Examples of farming-related activities are activities related to administrative offices, a canteen or cafeteria for farmhands, the conservation of crops and storage before processing or packaging on a packaging line, a garage for storing and servicing farm equipment, pre-mix, and osmosis.

Farming-related activities cannot be separated from farming itself, just as certain areas for the exclusive use of building occupants (garage, storage area, cafeteria, etc.) cannot be separated from the act of occupancy.

When the farming-related activity is done for a third party, it becomes a commercial activity, just like a service offered by a non-farm business (such as storage, vehicle repair, accounting or restaurant services, which all are billed at the general rate). Rate D only applies to such activities if the electricity is measured on the same meter used by the farm or farm dwelling and if the installed capacity for the activity carried out for a third party is less than or equal to 10 kilowatts.

Furthermore, if a farming-related activity is not carried out on the farm, it becomes a commercial activity just like a service offered by a non-farm business. In that case, the general rate applies.



Commercial and Industrial Activities: General Rate

In general, commercial and industrial activities carried out on a farm do not qualify for Rate D. The Electricity Rates Bylaw defines such activities as follows (Section 1):

Commercial activity: All actions involved in the marketing or sale of products or services.

Industrial activity: All actions involved in the manufacture, assembly or processing of goods or foodstuffs, or the extraction of raw materials.

Examples of commercial and industrial activities in the farming sector:

- commercial activities: packaging on a packaging line for the marketing of farm products, stand or counter for selling farm products, horseback-riding lessons, classroom for agricultural courses, tasting room, country-style dining, sugar shack dining area.
- industrial activities: the making of wine, vinegar, cider, juice, butter, cheese or candy.

The appropriate general rate is applied to electricity used for commercial or industrial activities, whether those activities are carried out at a farm or not. However, Rate D applies if the three following conditions are met:

- The commercial or industrial activities are carried out on a farm subject to Rate D.
- The electricity for these activities is measured on the same meter as that used for the farm or dwelling.
- The installed capacity for commercial or industrial purposes is less than or equal to 10 kilowatts.

Note that Section 15 of the Electricity Rates Bylaw stipulates that:

Electricity not directly used for the dwelling, the residential outbuildings or the farm is measured by an additional meter and billed at the appropriate general rate.

If there is no additional meter, Rate D applies only when the installed capacity of the premises, other than the dwelling, the residential outbuildings or the farm, is less than or equal to 10 kilowatts. If the installed capacity of the premises is greater than 10 kilowatts, the appropriate general rate applies.

