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March 9, 2018

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

Re: FortisBC Inc. (FBC)
Project No. 1598939
2017 Cost of Service Analysis and Rate Design Application
Clarification of Five Year Residential Conservation Rate (RCR) Phase Out Period

FBC writes to provide additional information to the British Columbia Utilities Commission (the Commission) and Interveners regarding the proposal contained in the FBC 2017 Cost of Service Analysis and Rate Design Application (the Application) to phase out the Residential Conservation Rate (RCR) in favour of a flat rate structure.

The purpose of this letter is to provide clarity such that participants have an accurate understanding regarding FBC's proposal upon which to base their intervention including the submission of information requests.

In the Application, at page 7, FBC describes the proposal, which is,

...to phase out the Residential Conservation Rate (RCR) as the default rate for residential customers by reducing the differential between the Tier 1 and Tier 2 rates over the course of five years such that at the beginning of year five the rate is flat. The phase-in approach is intended to mitigate rate impacts for lower consumption customers. (emphasis added)

The adjustment of the RCR elements over the course of the implementation period is outlined in Table 6-10 of the Application as shown below.

RCR Charge	Current RCR	Year 1	Year 2	Year 3	Year 4	Year 5
Customer Charge (\$ per mo)	16.05	16.58	17.11	17.64	18.17	18.70
Tier 1 Rate (\$ per kWh)	0.10117	0.10394	0.10699	0.11024	0.11373	0.11749
Tier 2 Rate (\$ per kWh)	0.15617	0.14915	0.14188	0.13421	0.12610	0.11749

FBC has characterized this transition to a flat rate as, "...occurring over the course of 5 years"¹ based on the number of rate adjustments that would occur between the current RCR and the arrival at a flat rate in year five. There are five such adjustments.

However, FBC is aware that elsewhere in the Application, this may be less clear², and in light of comments that FBC is aware of in the public domain, and in this regulatory process³, we wish to clarify the proposal contained in the Application.

Should the proposal included in the Application be approved, there would be four years where there would still be an inclining block rate in place, with the gap between the Tier 1 and Tier 2 rates getting successively smaller each year.

The current RCR, which is already in place, should not be included in the count. All customers, unless taking service on the proposed optional time-of-use rate, would be billed on the flat rate as of the *beginning* of year five.

If further information is required, please contact Corey Sinclair at 250-469-8038.

Sincerely,

FORTISBC INC.

Original signed:

Diane Roy

cc (email only): Registered Parties

¹ Application, page 72, line 25

² Such as at page 70, line 18 where FBC states, "...a return to a flat rate for the default residential rate were phased in over a 5 year period..." or page 72, line 25, "...the Company is proposing to effect the transition over the course of 5 years."

³ As in the March 6, 2017 Procedural Conference Transcript. Page 33, lines 12-14 where Mr. Bursey remarks, "My clients would like to file expert evidence to deal with the implications of the two tier rate and continuing it for another five years."