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March 31, 2011

Via Email
Original via mail

Ms. Erica M. Hamilton
Commission Secretary
BC Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC V6Z 2N3

Dear Ms. Hamilton:

Re: FortisBC Inc. Residential Inclining Block Rate Application

FortisBC Inc. (FortisBC or the Company) files pursuant to Directive 10 of British Columbia Utilities Commission (BCUC or the Commission) Order G-156-10, the attached Application for Residential Inclining Block Rates (the Application). Accordingly, FortisBC applies under sections 58-61 of the Utilities Commission Act, R.S.B.C. 1996, c.473, as amended, for Commission approval of a new, two-step, inclining block rate for residential customers currently served under rate schedule RS01.

As directed per BCUC Letter No. L-78-06, a draft Order approving the Application is enclosed. For convenience an electronic version of the draft Order has been attached to the electronic filing.

If further information is required, please contact the undersigned at (250) 717-0890.

Sincerely,

A handwritten signature in blue ink, appearing to be "DS", with a horizontal line underneath.

Dennis Swanson
Director, Regulatory Affairs

cc: FortisBC 2009 Rate Design and Cost of Service Analysis Interveners



FORTISBC INC.

Residential Inclining Block Rate Application

March 31, 2011

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1 EXECUTIVE SUMMARY

FortisBC Inc. (FortisBC or the Company) files this Residential Inclining Block (RIB) Rate Application in compliance with Commission Order G-156-10 which directed the Company "...to develop a plan for introducing residential inclining block rates that also incorporate a lower Basic Charge in the immediate future and to file an RIB rate application with the Commission no later than March 31, 2011."

Accordingly, FortisBC hereby applies under sections 58-61 of the Utilities Commission Act, R.S.B.C. 1996, c.473, as amended, for British Columbia Utilities Commission (BCUC or the Commission) approval of a new, two-step, inclining block rate for its residential customers who are currently served under rate schedule RS01.

A RIB rate is intended to promote conservation by employing a tiered rate structure in which consumption that occurs above a certain amount is billed at a higher rate. The higher second tier, or "block" rate, is meant to incent customers to reduce consumption. RIB rates are discussed in greater detail in section 5 of the application.

The Company examined eighteen options for its RIB rate structure which varied the amount of the fixed customer charge as well as the block 1 and block 2 rates. Each option was designed to collect the necessary revenue requirement from the residential class as determined by FortisBC's 2011 Revenue Requirements Application. FortisBC used the total impact to customers' bills as a determining factor in setting the individual block rates and threshold. Each option was evaluated against general rate setting criteria based on the Bonbright Principles (see section 3.1) as well as criteria specific to a RIB rate structure. The preferred rate option is the most appropriate when these criteria are considered.

The option proposed by the Company, which exempts the customer charge from rate adjustments other than those related to rebalancing through to 2015, effectively reduces the customer charge relative to the other billing determinants. The block 1 and block 2 rates are set such that 95 per cent of customers will experience annual bill impacts of less than 10 per cent. The Company is of the opinion that its treatment of the customer charge complies with the directives of Order G-156-10 and gives due consideration to cost causation principles and the effect on the consumptive billing components of the rate. As explained in section 4.2, the current customer charge collects less than half of the amount prescribed by a cost of service analysis.

FortisBC has also considered the impact of the RIB rate on low income and electric heat customers and finds that the Company's preferred option generally results in lower bills for customers in these segments (see Table 9-1). Table 1-1 compares the current flat residential rate, including the anticipated May 1, 2011 increase related to rate rebalancing (but not including the anticipated interim rate increase related to the increased 2011 power purchase expense from BC Hydro), with the proposed RIB rate billing components.

Table 1-1: Current Flat Rate vs. Proposed RIB Rate

Rate Component	Current Flat Rate	Proposed RIB Rate
Customer Charge	\$28.93 per billing period	\$28.93 per billing period*
Flat Rate (\$ per kWh)	0.09090	-
Block 1 Rate (\$ per kWh)	-	0.07828
Block 2 Rate (\$ per kWh)	-	0.11272
Threshold (kWh)	-	1600

*Exempt from future rate increases (excluding rebalancing adjustments) through to 2015.

In the Company's proposal, the customer charge will be exempt from future rate increases (except for rebalancing adjustments) through to 2015. FortisBC proposes to apply future general revenue requirement rate increases (excluding rebalancing) as follows:

Customer charge: exempt from revenue requirement rate increases (but subject to rebalancing adjustments);

Block 1: adjusted by an amount equal to the sum of the general revenue requirement increase and any rebalancing adjustments; and

Block 2: adjusted by an amount sufficient to recover the balance of the general revenue requirement and any rebalancing adjustments.

As can be seen in Table 8-3 of the application, any scenario that forces all increases in the annual revenue requirement to be recovered by an increase in the block 2 rate alone results in an unacceptable increase in the block 2 rate and a differential between the rates that is too great and overly punitive to higher consumption customers.

The Company proposes to implement the RIB rate between six and nine months after receiving a Commission decision on the matter. The introduction of a RIB rate is a significant change that, in the opinion of the Company, must be preceded and accompanied by thorough information and a customer education component, the development of which cannot commence until Commission direction is provided.

- 1 The following Regulatory Agenda is proposed by FortisBC for review of this Application.

Application Filing Date	Thursday, March 31, 2011
Registration of Interveners and submission of participant funding budgets	Friday, April 8, 2011
Commission Information Request No. 1 to FortisBC	Thursday, April 14, 2011
Intervener Information Request No. 1 to FortisBC	Thursday, April 21, 2011
FortisBC Responses to Commission Information Request No. 1	Friday, May 13, 2011
FortisBC Responses to Intervener Information Request No. 1	Friday, May 20, 2011
FortisBC Written Final Submission	Friday, June 3, 2011
Intervener Written Final Submission	Friday, June 10, 2011
FortisBC Written Reply Submission	Wednesday, June 15, 2011

2 INTRODUCTION

2.1 FortisBC Committed to Conservation

FortisBC has a long tradition of promoting energy efficiency and conservation. Through its demand side management (DSM) programs the Company has many initiatives designed to influence energy consumption by encouraging customers to improve energy efficiency, reduce electricity use, change the time of use, or use a different energy source. PowerSense, which is FortisBC's DSM program has, since its creation in 1989, yielded impressive results totaling cumulative energy savings of over 300,000,000 kWh. In total, these projects have saved enough energy to meet the annual energy needs of over 24,000 households and saved customers \$18 million.

The Company continues to plan its activities and expenditures to consider energy efficiency objectives and conservation. FortisBC's 2009-2010 Capital Expenditure Plan application stated that:

"The Company is supportive of the Energy Plan goal of having conservation offset 50 percent of cumulative load growth by 2020. Over the last number of years, DSM has offset approximately 25 percent of FortisBC's annual energy growth requirements, thus effectively requiring an overall doubling of the current DSM resource acquisition rate in order to meet the Provincial Government's objective. New programming will include collaboration with government agencies and the other energy utilities in the province to work towards the objectives of the Energy Plan, and to ensure customers in BC are receiving a consistent DSM message."

RIB rates can encourage customers to conserve by increasing electricity rates as consumption rises. The options discussed in this application consider that the relative level of rates charged for the consumption of electricity can themselves have an impact on a customer's consumption habits. This is consistent with the Company's opinion expressed during the recently concluded 2009 Rate Design and Cost of Service process¹. In all cases, the price for energy consumed in the upper block (see the discussion in section 5) is greater than the current flat rate energy price and represents a real rate increase over current charges.

¹ FortisBC 2009 COSA and RDA Application BCUC IR No. 1

Q23.1 Please explain whether FortisBC believes that real rate increases (i.e., any rate increase that exceeds the general rate of inflation or CPI) are a form of "rate DSM," motivating customers to conserve energy.

A23.1 Yes, FortisBC believes that real rate increases result in reduced energy consumption.

2.2 Structure of the Application

In filing its RIB Application, the Company fulfills the requirement contained in Commission Order G-156-10 to file such a document by March 31, 2011. Given this regulatory impetus, the focus of the application is to present and evaluate a number of RIB rate options, and to recommend FortisBC's preferred option. The Company is aware that numerous potential variants of the rate exist. Those included in the application however are restricted to those that best maintain provincial consistency, accomplish the objectives set out in section 3, and that are not fraught with implementation issues.

Section 2 of the application describes the Company's commitment to conservation objectives, and provides the regulatory and legislative backdrop to the application. Section 3 sets out the objectives of rate design activities in general and of RIB rates specifically. Section 4 reviews recent public consultation activities conducted with respect to rate design. In section 5, the Company reviews the rate components that are varied in the analysis of options and specifically the levels that are tested. Sections 6,7,8 and 9 review the results when the options are examined with 2009 and 2010 customer billing data, present the expected bill impacts, and present the option that FortisBC believes best balances the objectives. In section 10, a plan for the implementation of the RIB rate is presented. The Company proposes to begin billing using the inclining block rates six to nine months from the date when a Commission decision on the matter is received.

2.3 Approval Requested

In this application, FortisBC is applying under sections 58-61 of the Utilities Commission Act, R.S.B.C. 1996, c.473, as amended, for BCUC approval of its proposed RIB rate. The RIB rate is intended to be the default, mandatory rate for all residential customers who are not taking service under FortisBC's Time-of-Use (TOU) option, rate schedule 2A.

The FortisBC recommended rate is described in section 8 of this application.

2.4 FortisBC COSA and RDA and Order G-156-10

The promotion of conservation is not a new objective for the Company. FortisBC filed a Cost of Service and Rate Design Application (2009 RDA) on October 30, 2009 in which one of the

cornerstone objectives was the promotion of conservation and energy efficiency for all rate classes.

The Company stated in the 2009 RDA:

Particular consideration within the Application is given to the conservation objectives contained within the Utilities Commission Act and the Energy Plan. In this Application, FortisBC pursued the Government's Energy Objectives. The Company has proposed rate structures that encourage energy efficiency and conservation. This is the first step down the path of the Company's commitment to the wide scale implementation of time-based conservation and efficiency rates. This RDA is a key component of FortisBC's energy conservation and efficiency strategy. In conjunction with the enhanced DSM Power Sense program, articulated in the Company's 2008 Strategic DSM Report, 2009 and 2010 Capital Expenditure Plan, 2009 Resource Plan and the forthcoming 2011 DSM Plan, FortisBC is confident that it will meet the conservation and efficiency objectives as set out in the Energy Plan.

The 2009 RDA included recommendations for immediate structural rate changes for the municipal and commercial rate classes and outlined a stepped approach for introducing conservation rates for residential customers that culminated in the use of mandatory TOU rates in 2014. The rationale for this approach was explained in the 2009 RDA and fully explored in the regulatory proceeding that tested the application.

In its Reasons accompanying Decision G-156-10, the Commission outlined its disagreement with the Company's approach. Saying, in part that,

...while TOU rates may result in a reduction in peak demand, residential inclining block rates can provide price signals for reducing the overall energy consumption. The Commission Panel is especially concerned that backing away from the RIB rate structure in the FortisBC service area today, in anticipation of TOU rates being implemented in five years time, would represent a foregone opportunity for energy efficiency and conservation.

Accordingly, the Commission Panel directs FortisBC to develop a plan for introducing residential inclining block rates that also incorporate a lower Basic Charge in the immediate future and to file an RIB rate application with the Commission no later than March 31, 2011.

2.5 Legislative and Regulatory Framework

Clean Energy Act

The Clean Energy Act (CEA) received Royal Assent on June 3, 2010. Generally speaking, the CEA increases the importance of energy efficiency objectives as a consideration in evaluating the activities, programs and rate-making undertaken by utilities within the province of British Columbia.

This mandate for the promotion of energy efficiency is reflected in other government initiatives and plans. Further examples of this are summarized below.

THE BC ENERGY PLAN (2007): A Vision for Clean Energy Leadership

Prior to the introduction of the CEA, the provincial emphasis on the promotion of energy efficiency was included in the Energy Plans of 2002 and 2007. The 2007 Plan included the following:

Policy Action #4 - Explore with B.C. utilities new rate structures that encourage energy efficiency and conservation.

“A key demand side management tool is pricing structures to either discourage consumption overall, or shift demand to less costly periods.”²

“The BC Energy Plan, all utilities are encouraged to explore, develop and propose to the Commission additional innovative rate designs that encourage efficiency, conservation and the development of clean or renewable energy.”³

The 2007 Energy Plan also listed the following future energy efficiency and conservation initiatives in more detail:

- Continuing to remove barriers that prevent customers from reducing their consumption;
- Building upon efforts to educate customers about the choices they can make today with respect to the amount of electricity they consume;
- Exploring new rate structures to identify opportunities to use rates as a mechanism to motivate customers either to use less electricity or use less at specific times (emphasis added);

² http://www.energyplan.gov.bc.ca/PDF/BC_Energy_Plan_Conservation.pdf, page 3

³ Ibid

- 1 • Employing new rate structures to help customers implement new energy efficient
2 products and technologies and provide them with useful information about their
3 electricity consumption to allow them to make informed choices (emphasis
4 added); and
- 5 • Advancing ongoing efforts to develop energy-efficient products and practices
6 through regulations, codes and standards.⁴

7 FortisBC believes that the proposal for a RIB rate contained in this application is one component
8 within a comprehensive demand reduction strategy that helps the Commission and the Province
9 fulfill conservation goals. As compared to a flat rate, the RIB rate allows the utility to provide an
10 incentive to reduce consumption by charging a higher rate for customers who have consumption
11 above a certain threshold.

⁴ THE BC ENERGY PLAN (2007): A Vision for Clean Energy Leadership, page 5

3 RATE DESIGN OBJECTIVES

3.1 General Objectives

In its 2009 RDA, FortisBC provided the fundamental principles guiding its rate design activities. These principles, generally based on those identified by Dr. James Cummings Bonbright⁵, are paraphrased below for convenience.

Principle 1 Recovery of the revenue requirement;

Principle 2 Fair apportionment of costs among customers (appropriate cost recovery should be reflected in rates);

Principle 3 Price signals that encourage efficient use and discourage inefficient use (consideration of social issues including environmental and energy policy);

Principle 4 Customer understanding and acceptance;

Principle 5 Practical and cost-effective to implement (sustainable and meet long-term objectives);

Principle 6 Rate stability (customer rate impact should be managed);

Principle 7 Revenue stability; and

Principle 8 Avoidance of undue discrimination (interclass equity must be enhanced and maintained).

The Bonbright objectives provide a framework against which all rate design activities and options can be compared. In addition, when comparing specific RIB rate options, there are criteria, constraints and objectives that are further subdivisions of the Bonbright criteria.

⁵ James C. Bonbright, *Principles of Public Utility Rates*, Columbia University Press, 1961

3.2 RIB Rate Objectives

In addition to the Bonbright criteria, FortisBC evaluates the RIB options using the following metrics.

1. Customer Bill Impact – Consistent with Bonbright principle 6, customer bill impacts while unavoidable, should not be unreasonable either to individual customers or groups of customers. As discussed further in this application, FortisBC considers customer bill impact to be a key consideration and constraint when evaluating the various RIB options that have been modeled;
2. Efficient Price Signals – The RIB rate allows the utility to introduce price signals that reflect the increased marginal cost of electricity. Low consumption customers are incented to avoid increasing consumption into the second block, while customers with consumption in the second block have an increased incentive to decrease consumption to lower their overall energy costs.
3. Promotion of Conservation – Working in concert with the objective above, each pricing option will be evaluated on the estimated impact to the aggregate load of the residential customer class.

4 PUBLIC CONSULTATION

FortisBC conducted public consultation with respect to its customers' preferences for various residential rate options in late 2009. A full account of these consultation activities was included in the 2009 RDA. The consultation report is attached to this application as Appendix C for convenience. As part of that consultation, the Company included a number of RIB rates in addition to the existing flat rate option. The following points are extracted from the 2009 RDA.

- Between May 25 and July 31, 2009, the Company held 7 public open houses on COSA and Rate Design in Creston, Castlegar, Kelowna and Osoyoos, which were open to all customer classes with key stakeholder groups receiving personal invitations;*
- The Company met twice with its DSM Advisory group, offered one First Nations workshop (which was cancelled due to lack of attendance), and held two facilitated Super Groups (focus groups);*
- A second set of public open houses was held to review rebalancing and rate design options being considered by the Company. The rate design options presented at the open houses are those Residential and General Service scenarios that are detailed in Section 8 and the presentation materials are attached in the Public Consultation Report appended to this Application as Appendix I;*
- Four open houses were held in July 2009 that were directly focused on rate rebalancing and rate design options with a brief review of the COSA. Each open house provided a PowerPoint presentation and an opportunity for participants to ask questions and provide input. Surveys were collected at the end of each open house in Creston, Castlegar, Kelowna and Osoyoos. Representatives from the Residential, General Service, Large General Service and Municipal rate classes signed into the sessions;*
- In addition to the public open houses, invitations were sent to the Bands and Nations within the FortisBC service area for a First Nations open house scheduled for July 21, 2009. This open house was not held as no Bands or Nations confirmed attendance and no written feedback was received on either the COSA or RDA;*
- In order to gather additional feedback and ensure input from a representative sample of FortisBC customer groups concerning the COSA and RDA, FortisBC hired Environics Research Group to conduct two large focus groups, called "Super Groups". The first Super Group was conducted in Castlegar on August 17 and the second in Kelowna on August 18, 2009;*
- In each case, a representative sample of customers was recruited at random, being told only that they would be participating in a focus group, but if they inquired were told that the subject matter was electricity rates for FortisBC. Participants were paid an honorarium for their attendance; and*

- *Participation by 58 customers in Castlegar and 56 customers in Kelowna resulted in 114 complete surveys with in-depth feedback. Participants were asked to complete a short entrance survey and a more detailed survey subsequent to the open house presentation by FortisBC staff. The exit survey enabled participants to provide their feedback on COSA, rebalancing and rate design. The Environics surveys and summary report are provided in Appendix I to this Application.*

Key findings with respect to an inclining block rate are listed below:

- *70 per cent agree that rate structures that encourage conservation are important;*
- *The implementation of inclining block rates to promote energy conservation and maintaining the status quo until Advanced Metering Infrastructure is implemented received mixed responses;*
- *The primary reason for supporting inclining block rate structures is energy conservation;*
- *Supporters for maintaining the existing rate structures often cited the implementation of Advanced Metering Infrastructure or a lack of reason to change as the rationale for preferring that option; and*
- *Participants are mixed concerning the idea of recovering fixed costs by raising the Basic Charge.*

During public consultation two inclining block rate options were presented. Both of these rate options charge customers a certain amount per kilowatt hour for the first block of energy used and, if more than the first block of energy is used, the price per kilowatt hour increases in the second block. Inclining block rate structures are intended to promote conservation by increasing the marginal cost for energy in the second block in order to discourage consumption.

During consultation FortisBC used as the block threshold approximately 85 percent of the median bill amount in terms of bi-monthly kWh consumption – 1,350 kWh.

One inclining block option includes the current bi-monthly charge of approximately \$24 (Option 2), while the other includes a bi-monthly charge of \$32 (Option 3). The higher fixed charge in Option 3 recovers a higher proportion of the COSA-recommended non-energy costs than Option 2.

It is clear that FortisBC customers value conservation. A conclusion drawn in the summary of public consultation cited above was:

1 *Participants were split on implementing inclining block rates to promote energy conservation*
2 *and maintaining the status quo until advanced metering (AMI) is implemented. The final*
3 *preferred option may depend how long it will take for AMI to be implemented.⁶*

4 The consensus reached during the public consultation, and the preference of the Company, was
5 for maintaining the status quo pending the AMI implementation. The RIB option was seen by
6 customers as a viable option, although it had lower support than waiting for AMI.

7 Based on this, the Company believes that customer acceptance will be largely based on
8 credible evidence of conservation impacts and careful management of bill impacts.

⁶ Appendix D – 2009 COSA and RDA Public Consultation Report, Page 73

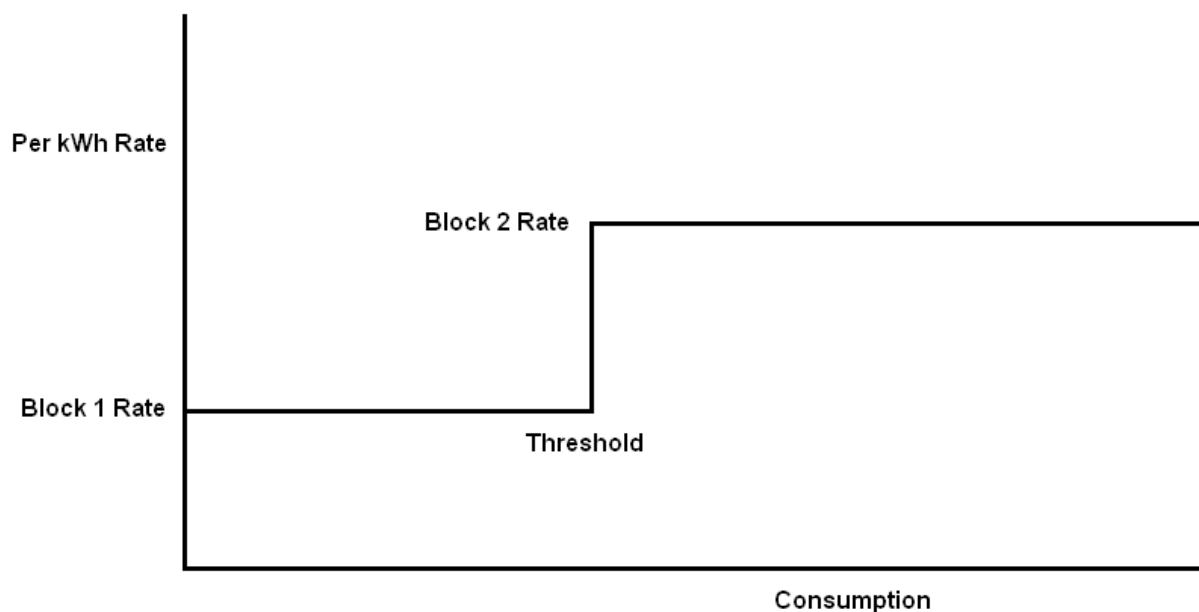
5 INCLINING BLOCK RATE OPTIONS

The residential inclining block rate is intended to become the mandatory default rate for all residential customers except those who elect to take service under the existing TOU rate. In an effort to design a rate that FortisBC customers will understand, maintains provincial consistency, meets the defined objectives and complies with Commission direction, the Company has restricted the options to RIB rate structures that vary the following four components:

1. **Customer Charge** – The customer charge is the fixed portion of the bill that does not vary with usage. Typically the customer charge is used to recover the costs incurred by the utility of providing services such as billing and meter reading to customers. FortisBC has been directed by the Commission to submit an inclining block rate option that includes a lower customer charge⁷;
2. **Threshold** – A threshold in an inclining block rate is the kWh consumption level at which the price for each subsequently consumed kWh will increase;
3. **Block 1 Rate** – The rate, expressed in cents/kWh, at which each kWh of consumption up to the threshold is billed; and
4. **Block 2 Rate** – The rate, expressed in cents/kWh, at which each kWh of consumption above the threshold is billed.

A typical RIB kWh consumption charge is shown in Figure 5-1 below:

Figure 5-1: Diagram of an Inclining Block Rate



⁷ See Commission Order G-156-10, dated October 19, 2010, Directive 5.

5.1 The Revenue Requirement Constraint

It is not possible to independently vary each of the RIB components. FortisBC must design a rate that will recover its revenue requirements for the residential customer class. At a minimum, one of the four variables will be dependent on the levels chosen for the other three. Each of the options examined as part of this application is designed to recover the revenue requirement as determined by the Company's recent 2011 Revenue Requirements Application.

Except for those options that include exempting the customer charge from future rate increases (except for rebalancing adjustments) as part of the structure, FortisBC proposes to apply future general revenue requirement rate increases (excluding rebalancing) as follows:

Customer charge: exempt from revenue requirement rate increases (but subject to rebalancing adjustments);

Block 1: adjusted by an amount equal to the sum of the general revenue requirement increase and any rebalancing adjustments; and

Block 2: adjusted by an amount sufficient to recover the balance of the general revenue requirement and any rebalancing adjustments.

5.2 Options for Inclining Block Rates

As discussed in Section 5, there are four components to the RIB rate that have been varied in the examination of rate options. A discussion of each follows. In calculating the rates under each of the options, FortisBC has based the analysis on the residential rate expected to be in effect as of May 1, 2011. This includes the impact of the 2.5 per cent rebalancing increase as approved by Commission Order G-196-10, but does not include any forecast interim flow through rate adjustment related to the BC Hydro 2012-2014 Revenue Requirements Application.

5.2.1 CUSTOMER CHARGE

As at January 1, 2011, the customer charge under the RS01 residential flat rate is \$28.22 per billing period and forecast to be \$28.93 per billing period⁸ after May 1, 2011. After consideration of the final Commission Order in the 2009 RDA that required adjustments to the cost of service

⁸ A billing period under the residential rate schedule is two months.

analysis, a customer charge based on cost causation principles was found to be \$28.74 per month. At the current level of \$28.22 per two month billing period, the customer charge presently collects just under 44 per cent of the amount required by strict adherence to cost causation principles.

As the Commission has determined that the RIB application will include a reduction in the customer charge, the level at which the charge is set becomes somewhat arbitrary.

It should be noted that lowering the customer charge has a bill impact very similar to that of a RIB rate – lower consumption customers pay less, and higher consumption customers pay more. Therefore, the combined bill impact of a lower basic charge and the block differential must be managed.

The three options modeled as part of the application are as follows:

- **Reduction through an exemption from future rate increases**

By exempting the existing customer charge from future rate increases (except for rebalancing adjustments), the proportion of customer class revenue collected through the customer charge will fall over time. At this time, the Company proposes to exempt the customer charge from rate adjustments other than those related to rebalancing through to 2015 and to revisit the issue at the end of that period. FortisBC is of the opinion that this a conservative and viable approach that will not immediately reduce the customer charge further below the amount identified by cost causation principles and will maintain consistent and acceptable levels for the rates charged for consumption (block 1 and particularly block 2 rates). As can be seen in Table 8-2, a reduction in the initial level of the customer charge drives significant increases in the level of the block 1 and block 2 rates.

- **Customer Charge Reduction**

To gauge and demonstrate the impact that lowering the customer charge has on the other rate components, the Company selected an additional option of a bi-monthly customer charge of \$21.50 to model for analysis.

5.2.2 THRESHOLD LEVEL

The threshold level in a two step inclining block rate refers to the level of consumption during the billing period, above which the block 2 rate applies. FortisBC has modeled three threshold levels, customer class mean consumption, customer class median consumption, and a kWh value at approximately 85 per cent of the median level. Based on customer billing data from 2009 and 2010, the mean consumption is 2,118 kWh, and the median consumption is 1,674 kWh. The Company has chosen to round the values down to the nearest hundred to increase the conservation potential of the options. Therefore, the threshold values used to investigate the RIB rates are:

- i. Mean Consumption – 2,100 kWh
- ii. Median Consumption – 1,600 kWh
- iii. 85 per cent of Median – 1,350 kWh

5.2.3 BLOCK RATES

The per kWh rates that apply to consumption up to the threshold (block 1 rate), and above the threshold (block 2 rate) are determined by setting the customer charge and threshold and introducing an allowable customer impact parameter.

The customer impact criterion is expressed in terms of the percentage of residential customers who will experience an annual rate impact due solely to the implementation of the RIB option of less than 10 per cent. The 10 per cent figure is generally accepted to represent the threshold of “rate shock”, though it is not an official position of the Commission.

For each combination of customer charge (2 variations) and threshold level (3 variations), FortisBC has specified three levels of permissible customer impact. These are:

- 1. 90% of customers will see a RIB related increase of less than or equal to 10%;
- 2. 95% of customers will see a RIB related increase of less than or equal to 10%; and
- 3. 100% of customers will see a RIB related increase of less than or equal to 10%.

There is only one set of block 1 and block 2 rates that will satisfy the customer impact criterion. FortisBC believes that an approach that considers the impact to its customers is reasonable and

consistent with Bonbright principle 6 as stated in section 3.⁹

This methodology will produce 18 distinct combinations of block 1 and block 2 rates that can then be evaluated against the factors described in section 7.

6 METHODOLOGY

RIB rate options were designed so that each scenario would yield revenues equivalent to the revenues received under the current flat residential rates. Given the approved forecast of the residential number of customers and kWh sales for 2011, and the rates approved for 2011 (escalated by the May 1, 2011 residential rate rebalancing adjustment of 2.5 per cent), the resulting revenues are forecast to be \$130.8 million. This is the 2011 revenue target for each of the RIB rate options considered.

For each option, the sales forecast of 1.26 million kWh was broken down between block 1 and block 2 using historic billing data. Actual billing data for 2009 and 2010 was used to determine what per cent of consumption would occur in blocks one and two using the three different threshold levels. The per cent breakdown between the blocks was applied to the 2011 forecast kWh sales in order to calculate the revenues received from each of the two blocks. The following per cents were calculated:

Table 6-1: Block Consumption by Threshold

Threshold	Block 1	Block 2
1,350 kWh	56.7%	43.3%
1,600 kWh	63.4%	36.6%
2,100 kWh	73.6%	26.4%

To determine the impacts of various rate options, two different analyses of bills were completed. The first analysis broke down all of the bills for 2009 and 2010 into a bill frequency that provided the number of customers and the number of bills that fell into discrete blocks of usage (i.e. 0-500 kWh, 500-1000 kWh, etc.). Using the average consumption in each of these discrete usage blocks, bill amounts under current rates and under the RIB rate options were calculated and compared to one another. This provides information on the bill impact at different usage levels.

Since customers have bills that vary over the year, a second analysis was completed to reflect the impacts on customers throughout the year. While a customer might see a 10 per cent impact on one or two bills during the year that fall into block two, bills in months when usage

⁹ Rate stability (customer rate impact should be managed)

1 only falls in block one may be much lower. The overall impact over the year could therefore be
2 less than 10 per cent.

3 In order to determine the annual impact on different customer segments, a representative
4 sample of customers was used. As part of the Residential End-Use Survey (REUS) conducted
5 as part of the Company's DSM program development, FortisBC gathered information on
6 residential dwelling heat sources and other demographic data¹⁰. The survey data was collected
7 from 871 customers in the FortisBC service area and reflects a representative sample of
8 FortisBC customers. The customers from the survey were matched up with actual billing data to
9 provide the kWh per billing period for the entire year. This allowed for the calculation of bills
10 under current rates and RIB rates for all six billing periods for each of the customers in the
11 sample.

12 To ensure that the sample data represented the customers proportionally, an additional
13 sampling of large usage residential customers was added and the sample was increased to 906
14 customers. Demographic data was not available for these additional customers.

15 The original sample of 871 customers provides a statistically significant sample of all FortisBC
16 customers. This sample size reflects a 95 per cent level of confidence with a 6.6 per cent
17 margin of error.

18 To develop the customer impacts due to RIB rate options, the bills for each billing period were
19 calculated for each customer in the sample. Customers were then placed into the discrete
20 annual usage blocks. Using this information, the average annual bill was calculated under both
21 the May 2011 rates and the RIB rate options and these bills were then compared to one
22 another. The summary of this analysis shows the average per cent increase in the annual bill for
23 each discrete usage block. The total percent of customers that fall into that usage block are also
24 presented.

¹⁰ The Residential End-Use Survey was completed in 2009

7 EVALUATING THE OPTIONS

As noted above, in order to evaluate the impact of a rate option on customer bills, the Company used a representative random sample of its direct residential customers.

For each of the 18 options, the evaluation factors listed in Table 7-1 below have been determined. FortisBC has not ranked these factors for importance, nor has the Company produced a score for each option intended to produce a final recommendation. The information is useful to compare outcomes against the criteria listed in section 2. It should also be noted that while the Company has estimated the conservation impact as discussed below, the amount of consumption that occurs in each discrete block has not been adjusted to account for the assumed impact of conservation.

Table 7-1: RIB Rate Evaluation Criteria

Evaluation factor	Description
Annual Breakeven kWh	The level of annual consumption required to have annual billing under the RIB rate option equal annual billing under the current flat rate option.
Percentage of Customers That Benefit	The percentage of customers whose annual bill for electricity is lower under the RIB Rate option than under the existing flat rate.
Maximum Bill Impact	The highest single percentage increase experienced by a customer in any month when the RIB rate option is compared to the flat rate.
Percentage of Customers with Bill Increases > 20%	The percentage of customers who will experience an annual increase in their bills greater than 20% when billing under the RIB rate option is compared to billing under the existing flat rate.
Number of Customers With Consumption in Block 2 At Least Once	The number of customers who will have consumption in a billing period in the second block at least once in a year.
Percentage of Load Billed in Block 2	Of the total residential load (in kWh), the percentage that is consumed in the second block.
Conservation Impact	The conservation impact of a RIB rate option is the estimated reduction in both consumption and demand that is attributable to the implementation of the given RIB rate option.

7.1 Conservation Impacts

FortisBC believes that a RIB rate will have an impact on the consumption habits of its residential customers. In order to arrive at an estimate of the conservation impact of each alternative RIB option, assumptions must be made on the anticipated response to an increase (or decrease) in the kWh rate charged in each block. To accomplish this, values for the price elasticity of demand for electricity must be assumed. Price elasticity of demand measures the percentage change in quantity demanded caused by a per cent change in price. This elasticity is almost always negative and is sometimes expressed in terms of absolute value (i.e. as positive numbers) since the negative can be assumed.

Typically, products like electricity are considered necessities and are therefore less sensitive to price changes (“inelastic” in economic terms).

7.2 Elasticity Assumptions

While FortisBC believes that the introduction of a RIB rate will have an impact on the consumption habits of its customers, determining the extent of that impact is difficult. The Company is of the opinion that arriving at a precise level of conservation owing to the RIB rate will not be determinative in the decision to either implement such a rate, or have a significant bearing on the rate option chosen.

The Company further contends that it is reasonable to assume that different elasticity values apply to consumption above and below the threshold level of consumption. This difference in elasticity results from the assumption that customers are more inclined to respond to a price that is above the current flat rate. For this reason, in examining the conservation effects of the RIB rate, two values for the elasticity have been used – a lower absolute elasticity value for consumption in the first block and a higher absolute value for consumption in the second block. Regardless of the values chosen, conservation impacts are evident.

In Table 7-2 below, the conservation impacts of three elasticity scenarios are shown in the last three columns. The numbers reflect the percentage decrease in total residential consumption assuming elasticity values as shown above and below the consumption threshold.

Table 7-2: Residential Inclining Block Rate Option Comparison

Option	Criterion	Threshold	Customer Charge	Block 1 Rate	Block 2 Rate	Block Differential	Annual Breakeven kWh	Percentage of customers better off	Maximum Bill Impact	Percentage of Customers with Bill Increases > 20%	Percentage of customers who have consumption in the second block at least once	Percentage of load billed in Block 2	Conservation Impact (-lower/upper)		
													.05/.010	.10/.20	.20/.30
1	90% see <10%	1350	28.93	0.06708	0.12208	82.0%	13500	70.7%	32.4%	2.7%	79.2%	43.3%	2.8%	5.6%	8.3%
2	95% see <10%	1350	28.93	0.07526	0.11138	48.0%	13500	70.7%	21.3%	0.1%	79.2%	43.3%	1.9%	3.7%	5.5%
3	100% see <10%	1350	28.93	0.08365	0.10039	20.0%	13500	70.7%	9.9%	0.0%	79.2%	43.3%	0.9%	1.7%	2.5%
4	90% see <10%	2100	28.93	0.07454	0.13641	83.0%	16000	78.7%	46.9%	4.2%	60.7%	26.4%	3.3%	6.6%	9.7%
5	95% see <10%	2100	28.93	0.08181	0.11618	42.0%	16000	78.7%	26.0%	0.4%	60.7%	26.4%	1.8%	3.7%	5.4%
6	100% see <10%	2100	28.93	0.08743	0.10055	15.0%	16000	78.7%	9.9%	0.0%	60.7%	26.4%	0.7%	1.4%	2.1%
7	90% see <10%	1600	28.93	0.07069	0.12584	78.0%	15000	75.7%	36.2%	2.7%	72.8%	36.6%	3.0%	6.0%	8.8%
8	95% see <10%	1600	28.93	0.07828	0.11272	44.0%	15000	75.7%	22.6%	0.2%	72.8%	36.6%	1.9%	3.7%	5.5%
9	100% see <10%	1600	28.93	0.08557	0.10012	17.0%	14000	72.5%	9.6%	0.0%	72.8%	36.6%	0.8%	1.6%	2.3%
10	90% see <10%	1350	21.50	0.07391	0.12121	64.0%	13500	70.7%	31.6%	1.9%	79.2%	43.3%	2.8%	5.6%	8.2%
11	95% see <10%	1350	21.50	0.08197	0.11066	35.0%	13500	70.7%	20.6%	0.1%	79.2%	43.3%	1.8%	3.7%	5.4%
12	100% see <10%	1350	21.50	0.09010	0.10001	11.0%	13500	70.7%	9.5%	0.0%	79.2%	43.3%	0.9%	1.7%	2.6%
13	90% see <10%	2100	21.50	0.08037	0.13341	66.0%	16000	78.7%	43.8%	2.7%	60.7%	26.4%	3.2%	6.4%	9.4%
14	95% see <10%	2100	21.50	0.08703	0.11488	32.0%	15500	77.3%	24.7%	0.4%	60.7%	26.4%	1.8%	3.6%	5.4%
15	100% see <10%	2100	21.50	0.09220	0.10050	9.0%	14000	72.5%	9.9%	0.0%	60.7%	26.4%	0.8%	1.5%	2.3%
16	90% see <10%	1600	21.50	0.07715	0.12421	61.0%	14000	72.5%	34.6%	2.7%	72.8%	36.6%	2.9%	5.8%	8.6%
17	95% see <10%	1600	21.50	0.08449	0.11152	33.0%	14000	72.5%	21.4%	0.1%	72.8%	36.6%	1.8%	3.6%	5.4%
18	100% see <10%	1600	21.50	0.09106	0.10016	10.0%	13500	70.7%	9.6%	0.0%	72.8%	36.6%	0.8%	1.7%	2.5%

8 ANALYSIS AND RECOMMENDATION

In determining the RIB rate to select from the available options, the Company compared the results against the general rate setting guidelines (as outlined in section 3.1) and more specifically, the RIB rate objectives noted in section 3.2. There are:

1. Customer Bill Impacts – Customer bill impacts, while unavoidable, should not be unreasonable;
2. The rate must be structured with efficient price signals. In practice, the differential between the block 1 and block 2 rate must be sufficient to provide a meaningful signal to incent conservation behavior; and
3. Promotion of Conservation – Working in concert with the objective above, each pricing option will be evaluated on the estimated impact to the aggregate load of the residential customer class.

An initial screening of the options was undertaken in order to reduce the number requiring further analysis. The screening was based on the difference between the block rates and the total residential load that would be billed in the second block. Table 8-1 below shows the results of the initial screening.

Table 8.1: Initial Screening of RIB Rate Options

Criterion (✓ = acceptable, X = unacceptable)			
Option	Block Differential	Percentage of load in second block	Comment
1	X	✓	Initial block differential too high
2	✓	✓	
3	X	✓	Initial block differential too low
4	X	X	Initial block differential too high / Insufficient load billed in second block
5	✓	X	Insufficient load billed in second block
6	X	X	Initial block differential too low / Insufficient load billed in second block
7	X	✓	Initial block differential too high
8	✓	✓	
9	X	✓	Initial block differential too low
10	X	✓	Initial block differential too high
11	✓	✓	
12	X	✓	Initial block differential too low
13	X	X	Initial block differential too high / Insufficient load billed in second block
14	✓	X	Insufficient load billed in second block
15	X	X	Initial block differential too low / Insufficient load billed in second block
16	X	✓	Initial block differential too high
17	✓	✓	
18	X	✓	Initial block differential too low

The four options that remain after the initial screening were subjected to an additional suitability test. While the initial rate levels are informative on their own, each of the three factors listed at the beginning of section 8 must also be applied when anticipated rate increases over the coming years are considered. Expected rate increases to 2015 are shown in Table 8-2 below. Note, no forecast of flow through rate increases related to increased power purchase rates from BC Hydro have been included.

Table 8-2: Forecast Residential Rate Increase

Rate Component	2012	2013	2014	2015
	(%)			
Revenue Requirement Increase	6.4	4.2	3.4	6.5
Rebalancing	2.5	2.3	-	-
Total Increase	8.9	6.5	3.4	6.5

Rate increases can either be applied to each rate component at a percentage that matches the overall rate increase being applied in a given year, or applied only to certain elements of the rate. For options 11 and 17 in Table 7-2, the Company examined two scenarios: E and G where the general and rebalancing increases were applied equally across the basic charge and block 1 rate components with the block 2 rate increased by an amount sufficient to recover the remaining required revenue, and F and H where the block 1 rate is frozen, general and rebalancing increases are applied to the basic charge with the block 2 rate increased by an amount sufficient to recover the remaining required revenue..

Options 2 and 8 are designed on the premise that the customer charge is exempt from rate increases (except for rebalancing adjustments), so two different scenarios were explored: A and C where the general and rebalancing increases are applied to the block 1 rate, with the block 2 rate increased by an amount sufficient to recover the remaining required revenue, and B and D where the block 1 rate is frozen, and only the second block receives any increases to recover the required revenue..

The results of this analysis are displayed in Table 8-3 below.

1 **Table 8-3: Impact of Rate Increases on RIB Rate Options**

	Base Rate Option	Threshold	Rate Increase Applied		2011	2012	2013	2014	2015
				Rate Increase*		8.90%	6.50%	3.40%	6.50%
A	2	1350 kWh	Both Blocks	Customer Charge	28.93	29.65	30.34	30.34	30.34
				Block 1 Rate	0.07526	0.08195	0.08728	0.09025	0.09611
				Block 2 Rate	0.11138	0.11904	0.12520	0.12761	0.13501
				Ratio: Block1 / Block 2	1.48	1.45	1.43	1.41	1.40
B	2	1350 kWh	Block 2 Only	Customer Charge	28.93	29.65	30.34	30.34	30.34
				Block 1 Rate	0.07526	0.07526	0.07526	0.07526	0.07526
				Block 2 Rate	0.11138	0.12781	0.14094	0.14724	0.16232
				Ratio: Block1 / Block 2	1.48	1.70	1.87	1.96	2.16
C	8	1600 kWh	Both Blocks	Customer Charge	28.93	29.65	30.34	30.34	30.34
				Block 1 Rate	0.07828	0.08525	0.09079	0.09387	0.09998
				Block 2 Rate	0.11272	0.12009	0.12603	0.12814	0.13541
				Ratio: Block1 / Block 2	1.44	1.41	1.39	1.37	1.35
D	8	1600 kWh	Block 2 Only	Customer Charge	28.93	29.65	30.34	30.34	30.34
				Block 1 Rate	0.07828	0.07828	0.07828	0.07828	0.07828
				Block 2 Rate	0.11272	0.13214	0.14766	0.15510	0.17292
				Ratio: Block1 / Block 2	1.44	1.69	1.89	1.98	2.21
E	11	1350 kWh	All Components	Customer Charge	21.50	23.41	24.94	25.78	27.46
				Block 1 Rate	0.08197	0.08926	0.09507	0.09830	0.10469
				Block 2 Rate	0.11066	0.12051	0.12539	0.12666	0.13179
				Ratio: Block1 / Block 2	1.35	1.35	1.32	1.29	1.26
F	11	1350 kWh	Customer Charge and Block 2	Customer Charge	21.50	23.41	24.94	25.78	27.46
				Block 1 Rate	0.08197	0.08197	0.08197	0.08197	0.08197
				Block 2 Rate	0.11066	0.12586	0.13811	0.14351	0.15675
				Ratio: Block1 / Block 2	1.35	1.54	1.68	1.75	1.91
G	17	1600 kWh	All Components	Customer Charge	21.50	23.41	24.94	25.78	27.46
				Block 1 Rate	0.08449	0.09201	0.09799	0.10132	0.10790
				Block 2 Rate	0.11152	0.11272	0.11714	0.11818	0.10619
				Ratio: Block1 / Block 2	1.32	1.23	1.20	1.17	0.98
H	17	1600 kWh	Customer Charge and Block 2	Customer Charge	21.50	23.41	24.94	25.78	27.46
				Block 1 Rate	0.08449	0.08449	0.08449	0.08449	0.08449
				Block 2 Rate	0.11152	0.12256	0.13481	0.14021	0.14045
				Ratio: Block1 / Block 2	1.32	1.45	1.60	1.66	1.66

* Does not include any forecast increases related BC Hydro flow-through

2

1 Upon further review, items B, D, F, and H in Table 8-3 were removed from consideration due to
2 the high and increasing ratio between block 1 and block 2. The Company believes that a
3 second block that is too high will be unduly punitive to higher consumption customers, such as
4 those with electric heat. Any scenario in which the annual rate increases are only applied to the
5 block 2 rate results in such a high ratio. The ratio between block 1 and block 2, which is an
6 indication of the conservation incentive provided by the rate, should also ideally remain fairly
7 constant and not decrease over time to the point where this incentive is no longer effective.

8 The result of this analysis is that items A and C in Table 8-3 are considered by FortisBC to be
9 the best options. Of these, the Company has selected option 8, with rate increases handled as
10 in item C as its preferred option. This selection allows more customers to benefit under the RIB
11 rate and puts slightly more of the conservation burden on high consumption customers. In
12 summary, this option includes:

- 13 • A customer charge frozen at the existing amount (with only rebalancing adjustments
14 applied in future years);
- 15 • A block 1 rate of \$0.07828 per kWh;
- 16 • A block 2 rate of \$0.11272 per kWh;
- 17 • A threshold of 1,600 kWh;
- 18 • Block 1 rate adjusted by an amount equal to the sum of the general revenue requirement
19 increase and rebalancing adjustments; and
- 20 • Block 2 rate adjusted by an amount sufficient to recover the balance of the general
21 revenue requirement and any rebalancing adjustments.

9 DEMOGRAPHIC IMPACT OF ALTERNATIVES

As part of the data analysis required to evaluate the various RIB rate options, FortisBC was able to integrate information gathered as part of the 2009 REUS. The use and inclusion of this data was described in section 6.

Table 9-1 compares the impact of different rate options on two key demographic customer traits – income level and heating fuel choice.

Two clear conclusions can be drawn from the data:

1. The implementation of a residential inclining block rate will affect different customer segments to different degrees; and
2. The choice of RIB rate from among the various options does not make a significant difference to customer bills.

Apart from the simple analysis of the proportion of customers in each segment who will experience an annual bill increase or decrease, it is also important to note the magnitude of each.

For example, although the sample data shows that 41 per cent of electric heat customers will see an annual bill increase, *on average*, those increases are 4.5 per cent or less under any of the options considered.

Similarly, while 14 per cent and 23 percent of customers in the <\$20,000 and \$20,000-\$40,000 income categories respectively will experience an annual bill increase, the average customer in these categories will see bills decrease between 0.8 per cent and 6.7 per cent under any of the options.

Demographic information is not helpful in determining which RIB option should be selected from among the options examined.

1

Table 9-1: Impact of Options by Income Level and Heating Fuel Choice

		Case	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Electric Heat	Percent Customers Seeing Annual Increase		42%	42%	42%	36%	36%	36%	41%	41%	41%	43%	42%	42%	36%	37%	39%	40%	40%	41%
	Percent Customers Seeing Annual Decrease		58%	58%	58%	64%	64%	64%	59%	59%	59%	57%	58%	58%	64%	63%	61%	60%	60%	59%
Other Heat	Percent Customers Seeing Annual Increase		19%	19%	19%	12%	12%	12%	17%	17%	17%	19%	19%	20%	13%	14%	16%	17%	17%	19%
	Percent Customers Seeing Annual Decrease		81%	81%	81%	88%	88%	88%	83%	83%	83%	81%	81%	80%	87%	86%	84%	83%	83%	81%
Income <\$20k	Percent Customers Seeing Annual Increase		14%	14%	14%	12%	12%	12%	14%	14%	14%	12%	12%	12%	12%	12%	12%	12%	12%	12%
	Percent Customers Seeing Annual Decrease		86%	86%	86%	88%	88%	88%	86%	86%	86%	88%	88%	88%	88%	88%	88%	88%	88%	88%
Income \$20k-\$40k	Percent Customers Seeing Annual Increase		26%	26%	26%	20%	20%	20%	23%	23%	23%	27%	26%	26%	21%	21%	23%	24%	23%	25%
	Percent Customers Seeing Annual Decrease		74%	74%	74%	80%	80%	80%	77%	77%	77%	73%	74%	74%	79%	79%	77%	76%	77%	75%
Income \$40k-\$60k	Percent Customers Seeing Annual Increase		22%	22%	22%	14%	14%	14%	21%	21%	21%	23%	23%	23%	14%	16%	18%	21%	21%	22%
	Percent Customers Seeing Annual Decrease		78%	78%	78%	86%	86%	86%	79%	79%	79%	77%	77%	77%	86%	84%	82%	79%	79%	78%
Income \$60k-\$80k	Percent Customers Seeing Annual Increase		36%	36%	36%	29%	29%	29%	36%	36%	36%	36%	36%	36%	32%	32%	36%	36%	36%	35%
	Percent Customers Seeing Annual Decrease		64%	64%	64%	71%	71%	71%	64%	64%	64%	64%	64%	64%	68%	68%	64%	64%	64%	65%
Income \$80k-\$120k	Percent Customers Seeing Annual Increase		30%	30%	30%	23%	23%	23%	26%	26%	26%	30%	31%	32%	23%	24%	27%	27%	27%	30%
	Percent Customers Seeing Annual Decrease		70%	70%	70%	77%	77%	77%	74%	74%	74%	70%	69%	68%	77%	76%	73%	73%	73%	70%
Income >\$120k	Percent Customers Seeing Annual Increase		39%	39%	39%	30%	30%	30%	39%	39%	39%	39%	39%	39%	34%	36%	39%	39%	39%	39%
	Percent Customers Seeing Annual Decrease		61%	61%	61%	70%	70%	70%	61%	61%	61%	61%	61%	61%	66%	64%	61%	61%	61%	61%

2

10 IMPLEMENTATION

10.1 Communication plan

FortisBC believes that a significant change in billing methodology to its largest customer group will require considerable education and communication prior to implementation. If approved, the Company will undertake to ensure that its customers understand how best to manage their energy usage under a RIB rate. Therefore, implementation of a RIB rate should take place between six to nine months after the Company receives a Commission decision on the matter. A detailed communication plan will not be developed until a decision is received, however such a plan would likely include:

- Web-based communication on the FortisBC website;
- Bill Insert materials;
- Contact Centre staff training to answer specific queries;
- Press release materials; and
- PowerSense information programs related to RIB rates.

Appendix A

PRO FORMA RESIDENTIAL
RATE SCHEDULE RS01 TARIFF SHEET

RATE SCHEDULES

SCHEDULE 1 - RESIDENTIAL SERVICE

APPLICABLE: To residential use including service to incidental motors of 5 HP or less.

BIMONTHLYRATE:

Customer Charge \$28.93 per period

First 1600 kW.h @ 7.828¢ per kW.h

Additional kW.h @ 11.272¢ per kW.h

OVERDUEACCOUNTS:

A late payment charge of 1 1/2 % will be assessed each month (compounded monthly 19.56% per annum) on all outstanding balances not paid by the due date.

Issued _____
FORTISBC INC.

Accepted for filing _____
BRITISH COLUMBIA UTILITIES COMMISSION

By: _____
Director, Regulatory Affairs

By: _____
Commission Secretary

EFFECTIVE (applicable to consumption on and after) _____

Appendix B
DRAFT ORDER

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-XX-11

TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, BC V6Z 2N3 CANADA
web site: <http://www.bcuc.com>



DRAFT PROCEDURAL ORDER

IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by FortisBC Inc.
for Approval of a Residential Inclining Block Rate

BEFORE:

XXXX XX, 2011

O R D E R

WHEREAS:

- A. On October 19, 2010, the British Columbia Utilities Commission (BCUC or the Commission) issued to FortisBC Inc. (FortisBC) Order G-156-10, that among other directives, required FortisBC to "...to develop a plan for introducing residential inclining block rates that also incorporate a lower Basic Charge in the immediate future and file an RIB rate application with the Commission no later than March 31, 2011."
- B. On March 31, 2011, FortisBC Inc. (FortisBC) applied (the Application) to the Commission pursuant to sections 58 to 61 of the *Utilities Commission Act* (the Act), for the review and approval of a Residential Inclining Block (RIB) rate;
- C. The Application proposed to implement a mandatory RIB rate for FortisBC's residential customers composed of a customer charge and two rate blocks separated by a threshold level of consumption of xxxx kwh. Consumption in the first block would be charged at a block 1 rate, while consumption above the threshold would be charged at the block 2 rate;
- D. The customer charge, block 1 and 2 rates, and the threshold level are set to ensure that bill impacts to FortisBC residential customers are limited such that 90% of customers will see bill increases of less than 10%;
- E. By Commission Order G-xx-11 dated XX, the Commission established a regulatory process for the RIB rate Application;

- F. The regulatory timetable for the proceeding included one round of Commission and Intervenor Information Requests to FortisBC, and a timetable for the filing of Company and Intervenor Written Final Submissions, as well as FortisBC's Written Reply Submissions;
- G. The Commission has considered the RIB Rate Application and submissions and has determined that a RIB rate should be implemented provided that the conditions in this Order are met.

NOW THEREFORE pursuant to sections 58-61 of the Act,

1. The Commission determines, with Reasons for Decision to follow, that it is in the public interest for FortisBC to implement a RIB rate structure and orders that provided FortisBC files, no later than 14 days from the date of this Order, revised tariff sheets for Rate Schedule 1 – Residential Service that reflect a two-step RIB rate structure which incorporates the following design principles:
 - (i) A threshold level of consumption, above which the block-two rate will apply, of **xxxx** kWh;
 - (ii) A customer charge of \$xx.xx per two month period, exempt from revenue requirement rate increases, with only rebalancing adjustments applied in future years;
 - (iii) Block 1 and 2 Rates to be determined using the customer-impact criterion proposed by the Company – that 90% of customers are subject to annual billing increases no greater than 10%;
 - (iv) Block 1 rate adjusted by an amount equal to the sum of the general revenue requirement increase and rebalancing adjustments;
 - (v) Block 2 rate adjusted by an amount sufficient to recover the balance of the general revenue requirement and any rebalancing adjustments after the customer charge and block 1 rate is calculated;
2. The Commission approves the RIB rate structure incorporating the above design principles, effective January 1, 2012.

DATED at the City of Vancouver, in the Province of British Columbia, this **XX** day of <month> 2011.

DATED at the City of Vancouver, In the Province of British Columbia, this day of <month> 2011.

BY ORDER

Original signed by:

XXXXXXX
Chair

Appendix C

2009 RATE DESIGN AND COSA
CONSULTATION REPORT

**COST OF SERVICE ANALYSIS AND RATE DESIGN
– PUBLIC CONSULTATION REPORT**

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Public Consultation Program

FortisBC engaged in public consultation for the Cost of Service Analysis (COSA) study and Rate Design Application (RDA) to ensure that interested residents, government and business stakeholders, as well as First Nations were provided with an opportunity to learn about and provide input into the final COSA study and RDA. Activities included face to face meetings, seven public open houses, one stakeholder technical workshop, one First Nations workshop, and two facilitated Super Groups (focus groups).

The consultation process was advertised in local news media across the service territory and on the FortisBC website. Stakeholders and First Nations were also notified through direct mail, email and phone calls.

These activities encouraged customer groups including residential, general service (commercial), industrial, lighting, irrigation and wholesale to learn more about the COSA study and RDA, and to ask questions and provide meaningful input.

FortisBC recognizes the need to file a COSA and RDA that balance the interests of all customer groups and to make sure that rates charged to its customers are fair and equitable. An overview of, and the materials used for, the public consultation activities for the COSA and RDA are provided below.

Consultation Notification and Open Houses

FortisBC's consultation program and notification strategies sought feedback through e-mail and mail, by telephone, through recorded comments during face to face meetings and at the technical workshop, and through questionnaires at seven open houses and two Super Groups (focus groups).

Open House Notification and Invitation

First Nations and stakeholders were notified of the COSA study, the RDA and all public sessions through direct mail, email and by telephone. The stakeholder list developed for these notifications endeavoured to represent all customer groups and included:

- First Nations (bands and nations)
- Mayor and Council of service area municipalities
- Members of Parliament and Members of the Legislative Assembly
- Past regular FortisBC intervenors
- The interior members of the BC Municipal Electrical Utilities
- Wholesale Customers
- Area Chambers of Commerce and Economic Development Commissions

- Representative customer organizations such as the BC Cattleman's Association, and the Water Supply Association of BC
- FortisBC large customers
- Participants from public open houses

In addition, a news release was issued and newspaper advertisements were placed in print media throughout the service area. Notification and all consultation documents were also included on the FortisBC website.

Open Houses

COSA

Three open houses were held in May 2009 with a focus on the COSA study. They ran from 7:00 p.m. to 8:00 p.m., with scheduled time for a PowerPoint presentation and an opportunity for open house participants to ask questions. The first open house was at the Sandman Hotel in Castlegar on May 26, 2009 and the second was at the Ramada Hotel in Kelowna on May 27, 2009 and the third was at the Best Western Sunrise Inn in Osoyoos on May 28, 2009.

Open House Materials

Participants were provided with copies of the PowerPoint slides to follow during the presentation. Attendees were asked to fill out an exit questionnaire prior to their departure. Copies of the draft COSA study were also made available.

RDA

Four open houses were held in July 2009 with a focus on rate rebalancing and rate design options. They ran from 6:00 p.m. to 8:00 p.m., with scheduled time for a PowerPoint presentation and an opportunity for participants to ask questions. The first open house was held at the RotoCrest Hall in Creston on July 27, 2009, the second was in at the Sandman Hotel in Castlegar, the third was held at Manteo Resort in Kelowna on July 29, 2009 and the last was held at the Sonora Community Centre in Osoyoos on July 30, 2009.

Open House Materials

A discussion guide was developed for the open houses and the participants were also provided with copies of the PowerPoint slides to follow during the presentation. Attendees were asked to fill out an exit questionnaire to prior to their departure. Copies of the draft COSA study were available.

Feedback received

FortisBC received 20 questionnaires and four written responses as a result of these open houses.

Follow-up Mechanisms

To ensure each attendee's input was included in the final COSA and RDA, the final slide of each open house presentation included a number of feedback mechanisms. These were communicated verbally during the presentation and were also included in the open house notifications, PowerPoint presentation handouts, discussion guide, and on the FortisBC website.

All open house participants that left contact information and those who provided comments in writing were notified when the final COSA and RDA was submitted to the BC Utilities Commission.

Application Team - Subject Matter Experts for Open Houses

Attendees had an opportunity to ask questions and discuss the COSA and RDA with the team identified below:

Dennis Swanson – Regulatory Affairs Director
 Corey Sinclair – Regulatory Affairs Manager
 Mark Warren – Customer Services Director
 Gary Saleba – EES Consulting President
 Gail Tabone – EES Consulting
 Jodie Foster Sexsmith – Corporate Communications

Super Groups

In order to gather additional feedback and ensure input from a representative sample of FortisBC customer groups about the COSA and RDA, FortisBC hired Environics Research Group to conduct two Super Groups. The first was in Castlegar on August 17, and the second in Kelowna on August 18, 2009.

In each case a representative sample of customer groups (residential, general service, industrial, irrigation and lighting) was randomly selected. 70 participants were confirmed to attend, and told only that they would be participating in a focus group, but if they asked they were told that the subject matter was electricity rates for FortisBC. Participants were paid either \$75 or \$100 which was determined by their distance from the meeting location.

In Castlegar 58 people participated and in Kelowna 56 people participated. Each participant was asked to fill out a short entrance survey. A PowerPoint presentation was provided by FortisBC staff and then participants completed a detailed exit survey.

Feedback received

FortisBC received 114 complete surveys with in-depth feedback, which have been provided in Appendix I together with a summary of findings.

Government Consultation

FortisBC sent invitations for each of the open houses and the technical workshop to each Mayor and CAO / CEO, MP and MLA within the FortisBC service area. FortisBC followed up these invitations with a phone call to the CAO / CEO at each area municipality and attended face to face meetings with many of the municipalities.

Business Consultation

Invitations to the open houses and the technical workshop were sent to wholesale and industrial customers as well as chambers of commerce, economic development commissions and customer organizations. Additional businesses and organizations such as the Okanagan Environmental Industry Association and BC Sustainable Energy Association were also included in this list.

The wholesale customers were additionally offered individual meetings since their electrical needs are significantly different from the needs of other customer classes. FortisBC staff spoke to all wholesale customers during May and June 2009.

First Nations Consultation

In addition to the public open houses, invitations were sent to the Bands and Nations within the FortisBC service area for a First Nations open house scheduled for July 21, 2009. No Bands or Nations attended and no written feedback was received on either the COSA or RDA.

Consultation Material Samples

Samples of the following materials have been included:

Stakeholder contact list used for COSA and RDA

COSA

- Ad for open houses
- Mailed / emailed invite to open houses

- News release
- Survey from open houses
- PowerPoint presentation

RDA

- Ad for open house
- News release
- Survey from open houses
- PowerPoint presentation
- COSA and RDA discussion guide
- Backgrounder for Super Groups
- Environics Super Group summary report

Method of Contact	First Name	Last Name	Organization	Position
BCUC				
Ministry of Energy, Mines and Petroleum Resources				
FortisBC Board of Directors				
Intervenors				
Invite / Letter and email	Harold	Lunner	Nova Independent Resources Ltd.	President
Invite / Letter and email + DSM	David	Mayes	Okanagan Environmental Industry Alliance	Executive Director
Invite / Letter and email	Mark	McKenny	MGM Management	
Invite / Letter and email	Richard	Billingsley		
Invite / Letter and email	Ludo	Bertsch	Horizon Technologies Inc.	
Invite / Letter and email	Thomas	Hackney	BC Sustainable Energy Association	
Invite / Letter and email	Norman	Gabana		
Invite / Letter and email + DSM	Sarah Y.	Khan	BC Public Interest Advocacy Centre	
Invite / Letter and email	Bill	Harper	Econalysis Consulting Service Inc.	
Invite / Letter and email	Andy	Shadrack		
Invite / Letter + DSM	Buryl	Goodman		
Invite / Letter and email + DSM	Richard	Tarnoff	Natural Resource Industries	
Invite / Letter and email + DSM	Alan	Wait		
Letter only	Don	Scarlett		
Email only	Chris	Weafer	Owen Bird Barristers and Solicitors	Commercial Energy Consumers of BC
Invite / Letter and DSM	Robert	Macrae		
Invite / Letter and DSM	Andrew	Pape-Salmon	BC Ministry of Energy, Mines and Petroleum Resources	Director - Energy Efficiency
Call	Tom	Loski	Terasen Gas	
IMEU Wholesale				
Email invite and call with offer of meeting	Sasha	Bird	City of Grand Forks	Interior Municipal Electrical Utilities
Email invite and call with offer of meeting	Terry	Andreychuk	City of Penticton	Interior Municipal Electrical Utilities
Email invite and call with offer of meeting	Cindy	McNeely	City of Kelowna	Interior Municipal Electrical Utilities
Email invite and call with offer of meeting	Ken	Ostraat	District of Summerland	Interior Municipal Electrical Utilities
Email invite and call with offer of meeting	Alexander	Love	Nelson Hydro	Interior Municipal Electrical Utilities
Other Wholesale Customers				

Method of Contact	First Name	Last Name	Organization	Position
Call for meeting			Zellstoff/Celgar	
Call for meeting			BC Hydro Yahk & Lardeau	
Call for meeting			Corona	
Call for meeting			Interfor	
Call for meeting			Roxul	
Chambers of Commerce				
Invite / letter and email with request to circulate to members and phone call	Pam	McLeod	Castlegar and District Chamber of Commerce	Executive Director
Invite / letter and email with request to circulate to members and phone call	Minika	Coleman	Creston and District Chamber of Commerce	Executive Director
Invite with no request to circulate			Grand Forks Chamber of Commerce	Executive Director
Invite / letter and email with request to circulate to members and phone call	Jerry	Henke	Greenwood Board of Trade	Executive Director
Invite / letter and email with request to circulate to members and phone call			Kaslo and Area Chamber of Commerce	Executive Director
Invite with no request to circulate	Linda	Wilson	Lake Country Chamber of Commerce	Executive Director
Invite / letter and email with request to circulate to members and phone call	Tom	Thompson	Nelson and District Chamber of Commerce	Executive Director
Invite with no request to circulate	Lorraine	Renyard	Penticton & Wine Country Chamber of Commerce	Executive Director
Invite / letter and email with request to circulate to members and phone call			Rossland Chamber of Commerce	Executive Director
Invite / letter and email with request to circulate to members and phone call			Salmo and District Chamber of Commerce	Executive Director
Invite with no request to circulate	Lisa	Jaagar	Summerland Chamber of Commerce	Executive Director
Invite / letter and email with request to circulate to members and phone call	Christine	Slagel	Trail and District Chamber of Commerce	Executive Director
Invite / letter and email with request to circulate to members and phone call	Joe	Sloga	Christina Lake Chamber of Commerce	VP

Method of Contact	First Name	Last Name	Organization	Position
Invite / letter and email with request to circulate to members and phone call	Bonny	Dancey	South Okanagan Chamber of Commerce	Executive Director
Invite / letter and email with request to circulate to members and phone call	Weldon	Leblanc	Kelowna Chamber of Commerce	Executive Director
Invite / letter and email with request to circulate to members and phone call	Colleen	Christensen	Similkameen Country	Executive Director
Invite / letter and email with request to circulate to members and phone call			Slocan District Chamber of Commerce	Executive Director
Economic Development Commissions				
Invite Letter and email			District of Summerland	Director of Economic Development
Invite Letter and email	Robert	Louie	Westbank First Nation	Chief
Invite Letter and email	Robert	Fine	Central Okanagan Economic Development Commission	
Invite Letter			Oliver and District Community Economic Development Society	Economic Development Officer
Invite Letter			Destination Osoyoos	Economic Development Officer
Invite Letter and email	Wendy	McCulloch	Regional District of Kootenay Boundary	Community Economic Development Coordinator
Invite Letter and email	Paul	Weist	Nelson Economic Development Partnership	General Manager of Community Futures
Invite Letter and email	Chris	Scott	Osoyoos Indian Band	Osoyoos Indian Band
Other Customer Groups				
Email	Dominique	Ramirez	Commercial Energy Consumers	Executive
Invite Letter	Archie	MacDonald	Council of Forest Industries	General Manager South Office
Invite Letter and email	Bob	France	BC Cattlemen's Association	Executive
Invite Letter and email	Len	Lucas	BC Fruit Growers Association	Executive
Invite Letter and email			Association of BC Winegrowers	
Invite Letter			BC Grapegrowers Association	

Method of Contact	First Name	Last Name	Organization	Position
Invite Letter	James	Chase	BC Hotel Association	Chief Executive Officer
Invite letter and email	Toby	Pike	Water Supply Association of BC	Chairman
Local Government				
Letter for information and invite with cc: to CAO / Call to CAO follow up	Mayor Lawrence	Chernoff	City of Castlegar	Mayor
Letter for information and invite with cc: to CAO / Call to CAO follow up	Mayor Ron	Toyota	Town of Creston	Mayor
Letter for information and invite with cc: to CAO / Call to CAO follow up	Mayor Libby	Nelson	Village of Fruitvale	Mayor
Letter for information and invite with cc: to CAO / Call to CAO follow up	Mayor Brian	Taylor	City of Grand Forks	Mayor
Letter for information and invite with cc: to CAO / Call to CAO follow up	Mayor Colleen	Lang	City of Greenwood	Mayor
Letter for information and invite with cc: to CAO / Call to CAO follow up	Mayor Greg	Lay	Kaslo	Mayor
Letter for information and invite with cc: to CAO / Call to CAO follow up	Mayor Sharon	Shepherd	City of Kelowna	Mayor
Letter for information and invite with cc: to CAO / Call to CAO follow up	Mayor Walter	Despot	Village of Keremeos	Mayor
Letter for information and invite with cc: to CAO / Call to CAO follow up	Mayor James	Baker	District of Lake Country	Mayor
Letter for information and invite with cc: to CAO / Call to CAO follow up	Mayor Randy	Kappes	Village of Midway	Mayor
Letter for information and invite with cc: to CAO / Call to CAO follow up	Mayor Griff	Welsh	Village of Montrose	Mayor
Letter for information and invite with cc: to CAO / Call to CAO follow up	Mayor John	Dooley	City of Nelson	Mayor
Letter for information and invite with cc: to CAO / Call to CAO follow up	Mayor Pat	Hampson	Town of Oliver	Mayor

Method of Contact	First Name	Last Name	Organization	Position
Letter for information and invite with cc: to CAO / Call to CAO follow up	Mayor Stu	Wells	Town of Osoyoos	Mayor
Letter for information and invite with cc: to CAO / Call to CAO follow up	Mayor Dan	Ashton	City of Penticton	Mayor
Letter for information and invite with cc: to CAO / Call to CAO follow up	Mayor Randy	McLean	Town of Princeton	Mayor
Letter for information and invite with cc: to CAO / Call to CAO follow up	Mayor Greg	Granstrom	City of Rossland	Mayor
Letter for information and invite with cc: to CAO / Call to CAO follow up	Mayor Ann	Henderson	Village of Salmo	Mayor
Letter for information and invite with cc: to CAO / Call to CAO follow up	Mayor Madeleine	Perriere	Village of Slocan	Mayor
Letter for information and invite with cc: to CAO / Call to CAO follow up	Mayor Janice	Perrino	District of Summerland	Mayor
Letter for information and invite with cc: to CAO / Call to CAO follow up	Mayor Dieter	Bogs	City of Trail	Mayor
Letter for information and invite with cc: to CAO / Call to CAO follow up	Mayor Jim	Nelson	Village of Warfield	Mayor
Letter for information and invite with cc: to CAO / Call to CAO follow up	Chair Gary	Wright	Regional District of Central Kootenay	Chair
Letter for information and invite with cc: to CAO / Call to CAO follow up	Chair Robert	Hobson	Regional District of Central Okanagan	Chair
Letter for information and invite with cc: to CAO / Call to CAO follow up	Chair Marguerite	Rotvold	Regional District of Kootenay-Boundary	Chair
Letter for information and invite with cc: to CAO / Call to CAO follow up	Chair Dan	Ashton	Regional District of Okanagan-Similkameen	Chair
Government (MLA and MP)				
Email for information with follow up call	Bill	Barisoff	MLA	Penticton

Method of Contact	First Name	Last Name	Organization	Position
Email for information with follow up call	John	Slater	MLA	Boundary-Similkameen
Email for information with follow up call	Katrine	Conroy	MLA	Kootenay West
Email for information with follow up call	Michelle	Mungall	MLA	Nelson-Creston
Email for information with follow up call	Ben	Stewart	MLA	Westside-Kelowna
Email for information with follow up call	Norm	Letnick	MLA	Kelowna-Lake Country
Email for information with follow up call	Steve	Thomson	MLA	Kelowna-Mission
Email for information with follow up call	Harry	Lali	MLA	Fraser Nicola
Email for information with follow up call	Stockwell	Day	MP	Okanagan-Coquihalla
Email for information with follow up call	Ron	Cannan	MP	Kelowna-Lake Country
Email for information with follow up call	Alex	Atamanenko	MP	British Columbia Southern Interior
Email for information with follow up call	Jim	Abbott	MP	Kootenay Columbia
First Nations				
Letters and call to CFO or band manager with offer to meet	Chief Johnathan	Kruger		Penticton Indian Band
Letters and call to CFO or band manager with offer to meet	Chief Fabian	Alexis		Okanagan Indian Band
Letters and call to CFO or band manager with offer to meet	Chief Clarence	Louie		Osoyoos Indian Band
Letters and call to CFO or band manager with offer to meet	Chief Chris	Luke Sr		Lower Kootenay Indian Band
Letters and call to CFO or band manager with offer to meet	Chief Richard	Holmes		Upper Similkameen Indian Band
Letters and call to CFO or band manager with offer to meet	Chief Joseph	Dennis		Lower Similkameen Indian Band
Business Associations				
Email invite with request to redistribute			Uptown Rutland Business Association	
Large Customers				
Call with invite to open houses	Jackie	Podger	UBC O	AVP
Call with invite to open houses	Doug	Owram	UBC O	Deputy Vice Chancellor
Call with invite to open houses	Al	Smilie	Crown Packaging	General Manager
Call with invite to open houses	Michael	Mercer	District of Lake Country	Director of Engineering
Call with invite to open houses	Al	Stober	Al Stober Construction	Owner

Method of Contact	First Name	Last Name	Organization	Position
Call with invite to open houses	Mark	Stober	Al Stober Construction	
Call with invite to open houses	Ted	Spearin	Interior Health	Energy Manager
Call with invite to open houses	Al	Cumbers	School District # 23	Director of Operations
Call with invite to open houses	Jeremy	Hopkinson	Big White Ski Resort	VP Operations
Call with invite to open houses	Paul	Plocktis	Big White Ski Resort	VP Real Estate and Development
Call with invite to open houses	Pat	Gable	Rona	Manager
Call with invite to open houses	Wayne	Meger	Overwaitea Food Group	Energy Manager
Call with invite to open houses	Norbert	Gelowitz	Orchard Park Shopping Centre	General Manager
Call with invite to open houses	Ron	Stevenson	Orchard Park Shopping Centre	Operations Manager
Call with invite to open houses	John	Younger	Sysco	VP
Call with invite to open houses	Kara	Baybutt	Sysco	CFO
Call with invite to open houses	Stan	Walt	Bingo Kelowna	Owner
Call with invite to open houses	Brad	Bennett	McIntosh Properties	
Call with invite to open houses	Greg	Saloum	Best Western Hotel	Owner
Call with invite to open houses	Ted	Callahan	Callahan Construction	Owner
Call with invite to open houses	Tod	Sanderson	Uptown Rutland Business Association	President
Call with invite to open houses	Deb	Gutherie	Uptown Rutland Business Association	Executive Director
Call with invite to open houses	Ralph	Tomlin	Springer creek	
Call with invite to open houses	David	Mcanerney	Columbia Brewery	Director
Call with invite to open houses	Gwen	Telling	Hushcroft Mill	
Call with invite to open houses	Craig	Upper	Porcupine Wood Products	
Call with invite to open houses	Scott	Weatherford	ATCO Wood Products	
Call with invite to open houses	Michael	Wigen	Wyndel Box and Lumber	
Call with invite to open houses	Steve	Podovnikoff	Selkirk College	
Call with invite to open houses	Steve	Moresette	SD 20	
Call with invite to open houses	Larry	Brown	SD8	
Call with invite to open houses	Michael	Strukoff	SD51	
Call with invite to open houses	Ted	Spearin	IHA	
Call with invite to open houses	John	MacLean	RDKB	

Method of Contact	First Name	Last Name	Organization	Position
Call with invite to open houses			Canadian Tire	
Call with invite to open houses	Wayne	Meager	Overwaite	
Call with invite to open houses			Safeway	
Call with invite to open houses	Don	Thompson	Red Mountain Resorts	
Call with invite to open houses	Elaine	Kalesnikoff	Kootenay Innovative Wood	
Call with invite to open houses			Toxco	
Call with invite to open houses	Thor		Pine Profiles	
Call with invite to open houses			Terasen	
Call with invite to open houses			Westfair foods (extra foods)	
Call with invite to open houses	Mitch	Van Aller	School District 53	Manager of Operations
Call with invite to open houses	Jeff	Larsen	Weyerhaeuser Princeton	Mill Manager
Call with invite to open houses	Wade	Walker	Greenwood Forest Products	Manager
Call with invite to open houses	Elizabeth	Everitt	Princeton Wood Preserves	President
Call with invite to open houses			Princeton Co-Gen	
Call with invite to open houses	Barry	Grace	Agriculture Canada	Science Director
Call with invite to open houses			Sterile Insect Release Program	
Call with invite to open houses	Alan	Tyabji	Okanagan Similkameen Cooperative Growers	General Manager
Call with invite to open houses	Michael	Daley	Vincor	Manager



Public Open House

Cost of Service Analysis (COSA)

This project links the revenue requirement for the utility to equitable allocation of those costs to the various customer classes.

FortisBC invites all customers including residential, commercial, irrigation, industrial and wholesale to attend a public open house to learn more about a Cost of Service Analysis (COSA) that will be filed with the BC Utilities Commission as a draft in June 2009.

The COSA will help FortisBC fairly and equitably allocate the cost of providing electrical service amongst the various customer classes.

Open houses will be hosted:

Castlegar Tuesday, May 26, 2009 from 7– 8 pm
Sandman Hotel, 1944 Columbia Ave

Kelowna Wednesday, May 27, 2009 from 7 - 8 pm
Ramada Hotel, 2170 Harvey Ave

Osoyoos Thursday, May 28, 2009 from 7 - 8 pm
Best Western Sunrise Inn, 5506 Main Street

These open houses focus on COSA and are the first step in examining both cost of service and rate design. More open houses will be held this summer.

For more information call 1-866-4FORTIS (1-866-436-7847) or visit www.fortisbc.com

FortisBC is a Canadian owned electric utility operating in the southern interior of British Columbia.

www.fortisbc.com



Public Open House Invitation

FortisBC invites all customers including residential, commercial, irrigation, industrial and wholesale to attend a public open house to learn more about a Cost of Service Analysis (COSA) that will be filed with the BC Utilities Commission as a draft in June 2009.

The COSA will help FortisBC fairly and equitably allocate the cost of providing electrical service among customer classes.

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Castlegar	May 26, 2009 from 7 – 8 pm Sandman Hotel, 1944 Columbia Ave
Kelowna	May 27, 2009 from 7 - 8 pm Ramada Hotel, 2170 Harvey Ave
Osoyoos	May 28, 2009 from 7 - 8 pm Best Western Sunrise, 5506 Main St

These open houses focus on COSA and are the first step in examining both cost of service and rate design. More open houses will be held this summer.

✦ FortisBC is a Canadian owned electric utility operating in the southern interior of British Columbia.

www.fortisbc.com



News Release

FOR IMMEDIATE RELEASE:

FortisBC hosts a series of open houses

Kelowna, BC, May 26, 2009 – FortisBC Inc. is hosting a series of open houses this week to provide information and receive feedback from stakeholders on a 2009 Cost of Service Analysis (COSA) currently underway.

The open houses have been scheduled to provide the public and interested parties with an opportunity to review and comment on the principles and preliminary results of FortisBC's 2009 COSA. As a utility, FortisBC is required to complete a Cost of Service study to review and update its cost of service allocations and methodologies.

"All utilities undertake a COSA periodically. The COSA is the basis to ensure that current rates reflect the fair and equitable allocation of costs to each customer class," said Michael Mulcahy, FortisBC's Vice President of Customer and Corporate Services. "As part of our consultation, we want to provide customers, stakeholders and First Nations with an opportunity to participate in this process, ask questions and understand how the COSA and the future rate design process may or may not affect them."

This week's open houses are the first step in a public process examining both cost of service and rate design. The open houses, which include a presentation with a question and answer period, are being held in Castlegar, Kelowna and Osoyoos.

FortisBC has made significant investments in the electrical system since the last COSA and rate design application process was completed. The 2009 COSA will reflect these changes and will update cost of service allocations and methodologies accordingly.

Once public input from the open houses has been gathered, a final draft of the COSA report will be prepared and posted on the Company's website to invite additional feedback and comment on the document.

Public, First Nations and stakeholder feedback is an important part of the consultation process and will be considered in FortisBC's Cost of Service Analysis filing, and a subsequent rate design review scheduled to start in July 2009. A draft 2009 Cost of Service Analysis report will be filed with the British Columbia Utilities Commission (BCUC) on June 30, 2009. Additional open houses will be held over the summer to further review the draft 2009 COSA report and explore future rate design options. A final 2009 COSA report and a 2009 Rate Design application will be filed with the BCUC by September 30, 2009.

For more information, contact FortisBC on the toll free number at 1-866-4FORTIS (1-866-436-7847) or visit the Company's website at www.fortisbc.com.

About FortisBC Inc.

FortisBC Inc. is an integrated regulated electric utility based in Kelowna, British Columbia. Focused on the safe delivery of reliable and cost-effective electricity, FortisBC serves approximately 158,000 customers directly and indirectly through wholesale utilities in the southern interior of B.C. FortisBC owns and operates four regulated hydroelectric generating plants and approximately 7,000 kilometres of transmission and distribution power lines. FortisBC employs over 500 people in British Columbia and is an indirect wholly owned subsidiary of Fortis Inc., the largest investor-owned distribution utility in Canada. Fortis Inc. shares are listed on the Toronto Stock Exchange and trade under the symbol FTS. Additional information can be accessed at www.fortisinc.com or www.sedar.com.

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For further information contact:

Jodie Foster Sexsmith
Communications and Media Relations Advisor
FortisBC Inc.
Tel: (250) 469-8007, Media Tel: (250) 718-1718
www.fortisbc.com

Cost of Service Analysis Open House Questionnaire

Please take a few minutes of time to complete this feedback form.

1. Now that you've attended an Open House and have had the opportunity to learn about Cost of Service Analysis, please provide us with feedback by rating the following statements:

- a) The 2009 Cost of Service Analysis information was presented in a balanced manner.

1	2	3	4	5
Strongly Agree				Strongly Disagree

- b) As a result of the Open House and presentation, I have a better understanding of the Cost of Service Analysis process.

1	2	3	4	5
Strongly Agree				Strongly Disagree

- c) Based on the information I received this evening, I believe I will have reasonable opportunity to stay informed and be involved as the Cost of Service Analysis review and the consultation on future rate design continues.

1	2	3	4	5
Strongly Agree				Strongly Disagree

- d) The methodology and principles as presented and used for the 2009 Cost of Service Analysis allocations appear reasonable.

1	2	3	4	5
Strongly Agree				Strongly Disagree

Please explain your choice(s).

2. Do you feel your questions were answered at this Open House? (Please circle your choice)

Yes No

Please explain your choice.

3. Are there any areas where you feel you may still need more information in order to fully understand and comment on the 2009 COSA? Please explain.

4. Would you attend another Open House in the summer to learn more about the 2009 COSA results and to participate in rate design consultation? (Please circle your choice)

Yes No

Please explain your choice.

5. How did you first hear about this Open House? (Check one)

Newspaper Ad? (which) _____ Personal Invitation letter? _____

Other? (please specify) _____

6. If you are interested in receiving updates on Cost of Service Analysis and rate design, please provide us your contact information below. (Please print)

Name: _____ Phone: _____

Title and Organization (if applicable) _____

Mailing Address: _____

E-mail address: _____ Fax: _____

7. To give us a better idea of who attended this Open House, we would appreciate it if you would answer the following questions. (Please circle your choice)

a) Are you...

Male

Female

b) A residential, commercial, industrial, irrigation, transmission or wholesale customer? (Please circle your choice)

Residential

General Service
(Commercial)

Industrial

Irrigation

Transmission

Wholesale

8. Additional comments:

8. Would you like to be contacted when FortisBC schedules the next series of open houses on COSA and rate design? (Please circle your choice)

Yes

No

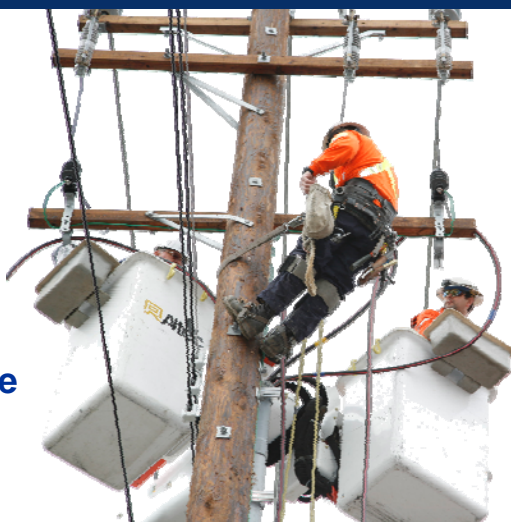
***Thank you for your comments.
Please return this questionnaire to the front table.***

FortisBC Inc.
100- 1975 Springfield Road,
Kelowna, BC
V1W 5C9

Email: regulatory@fortisbc.com

FortisBC Cost of Service Analysis

Public Open House
May 2009



FORTISBC

Goals of COSA Public Consultation

- Explain Cost of Service
- Gather Input
- Answer Questions
- Encourage Ongoing Participation

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The Public Consultation Process – “Who”

- Residential customers
- Industrial Customers
- Commercial Customers
- Municipal Utilities (Wholesale customers)
- Customer Group Organizations
- Government
- First Nations
- British Columbia Utilities Commission

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The Public Consultation Process – “How”

- General Communications
- One-on-one communications
- Meetings with wholesale and industrial customers
- Open Houses and Information Sessions

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FortisBC Profile

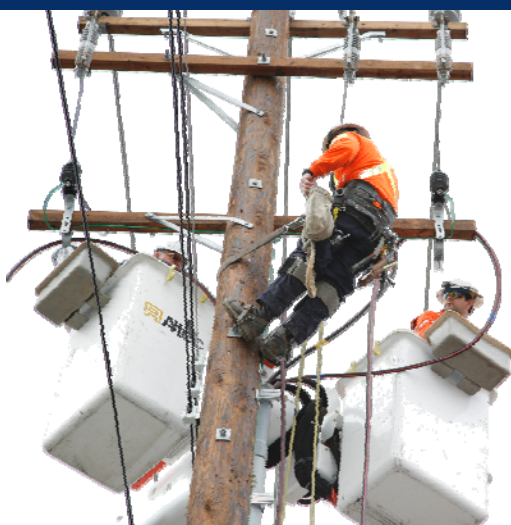
- Oldest electric utility in British Columbia
- 110,000 direct customers across BC's southern interior
- Provide power to 5 Municipal utilities (resellers)
- Four hydroelectric generating stations
- 7000 km of power lines, 65+ substations,
- Kelowna-based head office, with over 14 field offices
- Over 500 employees
- Many different types of customers



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FortisBC Cost of Service Analysis



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Key Concept - Revenue Requirement

Revenue Requirement

=

Power Supply
Operations & Maintenance
Depreciation & Taxes
Interest and Return

- Determines the revenue required to operate the utility

- Approved Annually by the Utilities Commission

- Basis for Annual Rate Adjustment

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What is “Cost of Service Analysis” ?

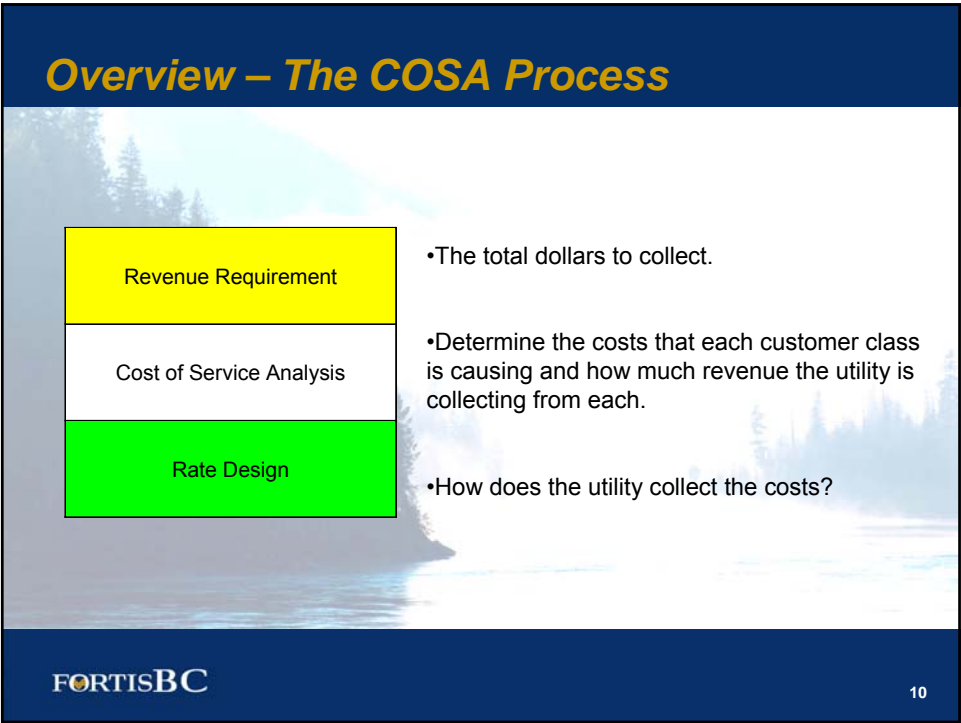
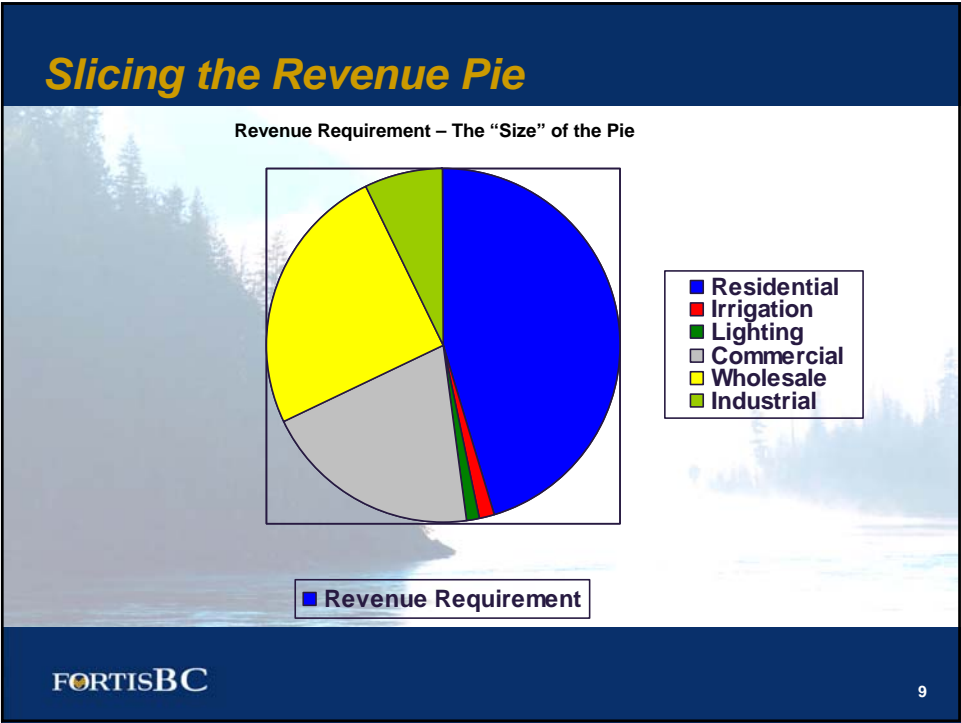
- The purpose of a Cost of Service Study is to break down the total Revenue Requirement to the Customer Classes.
- The result of the Cost of Service Study shows the Cost to Serve each Customer Class.

Why now?

- Last done in 1997
- Many changes to the system and the industry.


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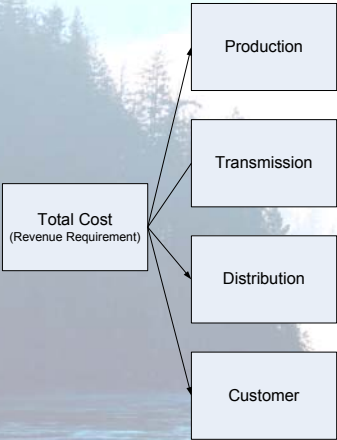
Brief Overview of COSA

	Determine the revenue requirement of the utility	Revenue Requirement Determination
Step 1	Functionalize costs and services	Cost of Service Analysis
Step 2	Classify costs	
Step 3	Allocate costs among customer classes	
	Design rates	Rate Design


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Step 1 - Functionalization

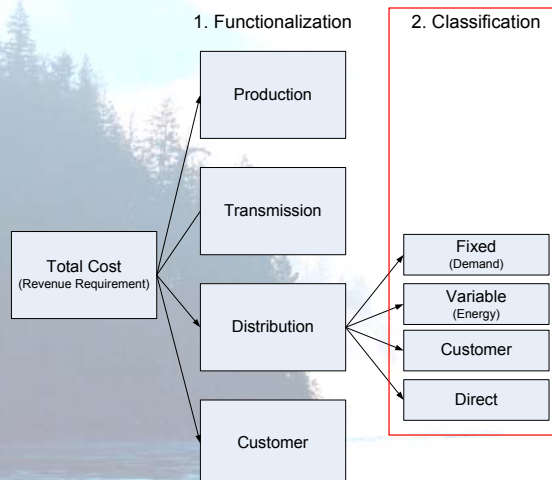
1. Functionalization



```
graph LR; A["Total Cost  
(Revenue Requirement)"] --> B["Production"]; A --> C["Transmission"]; A --> D["Distribution"]; A --> E["Customer"];
```

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Steps in COSA



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Step 3 – Allocation of Costs

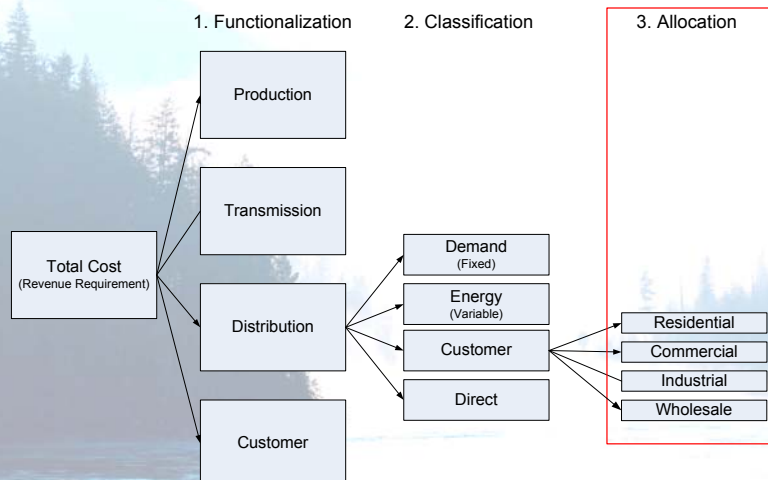
- **Cost allocation** – the process of matching the different types of classified costs to different groups of customers
- allocation factors proportion the costs on an equitable basis.
- Example
 - ❖ Meter costs can be allocated based upon the number of customers in each class of service

Class of Service	Number of Customers	%
Residential	4,000	93.9%
Commercial	250	5.9
Industrial	10	0.2%
Total	4,260	100.0%

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Steps in COSA



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Then & Now

Since 1997 the FortisBC system has changed in a number of ways:

- Significant investment in infrastructure
- Customer load characteristics are different
- Capacity Constrained

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Interpreting the COSA Results

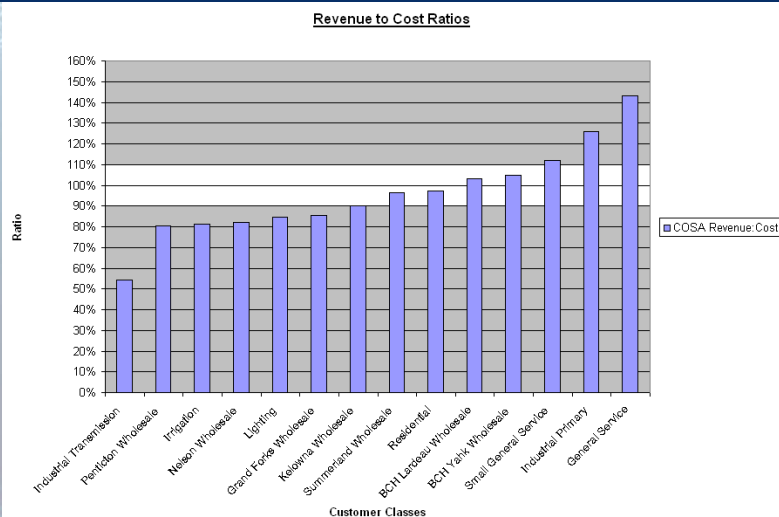
- The COSA results show the allocated cost that should be collected from rates for each customer class.
- The revenue to cost ratios for each class show FortisBC is collecting the appropriate amount of revenue from each class.
- COSA can be used to help design rates
- Revenue neutral to the Utility

Results of FBC COSA

- **Revenue to Cost Ratios** are used to show how much customers are paying relative to their allocated costs.

	2009 Revenue To Cost Ratio
Residential	97.1%
Small GS (20)	111.9%
General Service (21)	143.1%
Industrial Primary (30)	125.9%
Industrial Transmission	54.4%
Lighting	84.8%
Irrigation	81.3%
Kelowna Wholesale	90.1%
Penticton Wholesale	80.4%
Summerland Wholesale	96.4%
Grand Forks Wholesale	85.4%
BCH Lardeau Wholesale	103.3%
BCH Yahk Wholesale	104.9%
Nelson Wholesale	82.3%

Results of FBC COSA



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What is "Cost of Service Analysis" ?

Determines,

- How costs are divided among the customer groups.
- Whether FortisBC is collecting the appropriate amount of revenue from each class.

Now you know!

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Next Steps –Rate Design

- Rate Design is the next logical step that comes after the Cost of Service Analysis is complete.

Some considerations:

- *(1) A public utility must not make, demand or receive (a) an unjust, unreasonable, unduly discriminatory or unduly preferential rate for a service provided by it in British Columbia,.... UCA Section 59*
- Explore with B.C. utilities new rate structures that encourage energy efficiency and conservation. (2007 Energy Plan – Policy Action 4)

Rate Design Considerations

- “Conservation” Rates
- Revenue/cost ratio adjustments
- Rate Relevance
- Terms & Conditions Review

Rate Design Options

Options to Consider

- Flat Pricing
- Inclining Block Rates
- Time-of- Use Rates
- Critical Peak Pricing
- Customer Charge adjustments
- Others

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Regulatory Process

1. Cost of Service

- Public Consultation
 - Open Houses – Castlegar, Osoyoos, Kelowna
 - Feedback received by June 12
- COSA Submission to BCUC – June 30, 2009

2. Final COSA & Rate Design

- More Public Consultation
- Rate Design Application to BCUC – September 30, 2009

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Feedback

- Sign-in sheets
- Surveys
- Website
- Hand-out
- E-mail: regulatory@fortisbc.com

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Q & A

- Questions / Comments ?

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Public open house

Rate design

Your views are important to us.

FortisBC is seeking public input as we review how existing electricity rates are structured for all customers—residential, commercial, industrial, wholesale and irrigation—and determine what updates to rate structures are needed.

Over the next few months, FortisBC will be completing a review of cost of service and rate design to make sure rates charged to customers are fair and equitable. We invite you to learn more about rate design options and share your thoughts on this topic with us. Some examples of rate design options include conservation-based rates such as critical peak pricing, inclining rates, and time of use rates.

Feedback received from customers and stakeholders will be considered, along with technical and financial information, as FortisBC prepares a rate design application for submission with the BC Utilities Commission in September 2009.

Please drop by any of the following open houses. Each open house will begin with a presentation at 6 p.m. :

- Creston:** Monday, July 27, 2009 | 6-8 p.m.
Rotocrest Hall, 230B 19th Avenue
- Castlegar:** Tuesday, July 28, 2009 | 6-8 p.m.
Sandman Hotel, 1944 Columbia Avenue
- Kelowna:** Wednesday July 29, 2009 | 6-8 p.m.
Manteo Resort, 3762 Lakeshore Road
- Osoyoos:** Thursday, July 30, 2009 | 6-8 p.m.
Sonora Community Centre, 8505 68th Avenue

For more information, call 1-866-4FORTIS (1-866-436-7847) or visit www.fortisbc.com.



News Release

FOR IMMEDIATE RELEASE:

Public input invited as FortisBC begins electricity rate design review

KELOWNA, BC – July 24, 2009: FortisBC Inc. is hosting a series of open houses next week to provide information and gather public feedback as the utility completes a review of its cost of service and rate design to make sure rates charged to customers are fair and equitable.

“We are completing a review of how existing electricity rates are structured for all customers—residential, commercial, industrial, wholesale, lighting and irrigation—which will help determine what updates to rate structures are needed,” said Michael Mulcahy, FortisBC’s Vice President of Customer and Corporate Services. “Public input into this review is an important part of the process and will provide us with valuable information on what factors are important to our customers.”

All utilities review cost of service and rate design periodically to make sure that rates reflect the fair and equitable allocation of costs. A cost of service analysis determines the cost of providing electrical service by customer class. In May, open houses and customer meetings were held throughout the region to invite public input into the Company’s 2009 cost of service analysis (COSA). Following these open houses, FortisBC filed a draft COSA report with the British Columbia Utilities Commission (BCUC).

The next step for the Company is the rate design review currently underway to evaluate various rate structures, and determine if changes are needed to the Company’s basic customer charge and/or its energy charges. Essentially, rate structures determine how customers are billed for their electricity use.

Some examples of possible conservation based rate design options for residential customers include inclining block rates and time of use rates, among others.

Overall, changes resulting from a COSA and rate design review do not generate more revenue for a utility. Any changes proposed as a result of FortisBC’s 2009 COSA and rate design review would be aimed at rebalancing and restructuring rates paid by customers, making sure rates paid by a given customer reflect the cost of providing service to that customer, and that classes of customers are not unduly subsidizing each other.

The upcoming open houses will be held in the following communities and will start with presentations at 6 pm:

- | | |
|------------------|--------------------------------------------------------------------------|
| Creston | Monday, July 27 6-8 p.m;
Rotocrest Hall, 230B 19th Avenue |
| Castlegar | Tuesday, July 28 6-8 p.m.
Sandman Hotel, 1944 Columbia Avenue |
| Kelowna | Wednesday, July 29 6-8 p.m.
Manteo Resort, 3762 Lakeshore Road |
| Osoyoos | Thursday, July 30 6-8 pm
Sonora Community Centre, 8505 68th Avenue. |

All feedback received will be considered, along with technical and financial information, as FortisBC prepares a rate design application for submission to the BCUC by September 30, 2009. Once the COSA and rate design applications have been filed, the BCUC manages the regulatory process and will make the final decision regarding cost of service analysis and rate design(s) to be implemented.

Individuals interested in more information about rate design and these open houses are encouraged to visit www.fortisbc.com or call 1-866-4FORTIS (1-866-436-7847).

About FortisBC Inc.

FortisBC Inc. is an integrated regulated electric utility based in Kelowna, British Columbia. Focused on the safe delivery of reliable and cost-effective electricity, FortisBC serves approximately 158,000 customers directly and indirectly through wholesale utilities in the southern interior of B.C. FortisBC owns and operates four regulated hydroelectric generating plants and approximately 7,000 kilometres of transmission and distribution power lines. FortisBC employs over 500 people in British Columbia and is an indirect wholly owned subsidiary of Fortis Inc., the largest investor-owned distribution utility in Canada. Fortis Inc. shares are listed on the Toronto Stock Exchange and trade under the symbol FTS. Additional information can be accessed at www.fortisinc.com or www.sedar.com.

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For further information contact:

Jodie Foster Sexsmith
Communications and Media Relations Advisor
FortisBC Inc.
Tel: (250) 469-8007, Media Tel: (250) 718-1718
www.fortisbc.com

Rate rebalancing and rate design feedback form

Now that you've had the opportunity to learn about cost of service analysis, rate rebalancing and rate design, please provide us with feedback by rating the following statements and sharing your comments below.

Rate rebalancing

In my opinion, rate rebalancing is needed.

1	2	3	4	5
Strongly Agree				Strongly Disagree

Five years seems like an appropriate phase-in period for rate rebalancing.

1	2	3	4	5
Strongly Agree				Strongly Disagree

For customers whose revenue to cost ratios are below 100 per cent, capping their increases at 5% per year seems reasonable.

1	2	3	4	5
Strongly Agree				Strongly Disagree

It is important that FortisBC understands your level of agreement. Please provide any additional comments on rate rebalancing below:

Residential rate design

Please rank residential rate structure options proposed by FortisBC in your order of preference from 1—5:

_____ Option 1 Reduce basic charge with higher energy rates and minimum bill

_____ Option 2 Inclining block rate with lower basic charge and higher energy rates

_____ Option 3 Inclining block rate with higher basic charge and lower energy rates

_____ Option 4 Maintain existing rates

_____ Option 5 Other _____

It is important that FortisBC understands your level of agreement. Please provide any additional comments on residential rate design below:

Residential rate design cont.

I am currently billed every two months, but I would prefer to have my meter read and be billed monthly, even if there is a one-time, one per cent rate increase.

1	2	3	4	5
Strongly				Strongly
Agree				Disagree

It is important that FortisBC understands your level of agreement. Please provide any additional comments on monthly billing below:

General service rate design

It is appropriate to flatten the rate structure for commercial customers, moving them from three tiers to two.

1	2	3	4	5
Strongly				Strongly
Agree				Disagree

It is important that FortisBC understands your level of agreement. Please provide any additional comments on general service rate design below:

I agree that wholesale, industrial, irrigation, and lighting customers should continue with a flat rate structure because of the rebalancing required for those customer classes.

1	2	3	4	5
Strongly				Strongly
Agree				Disagree

It is important that FortisBC understands your level of agreement. Please provide any additional comments below:

General questions

Introducing rate structures that encourage energy efficiency and conservation is important.

1	2	3	4	5
Strongly				Strongly
Agree				Disagree

It is important that FortisBC understands your level of agreement. Please provide any additional comments below:

The materials in the presentation and discussion guide were presented objectively.

1	2	3	4	5
Strongly				Strongly
Agree				Disagree

It is important that FortisBC understands your level of agreement. Please provide any additional comments below:

The presentation and discussion guide helped me understand cost of service, and rate design including rate Rebalancing.

1	2	3	4	5
Strongly				Strongly
Agree				Disagree

It is important that FortisBC understands your level of agreement. Please provide any additional comments below:

Overall, the information provided in the presentation and discussion guide met my expectations.

1	2	3	4	5
Strongly				Strongly
Agree				Disagree

It is important that FortisBC understands your level of agreement. Please provide any additional comments below:

Going forward

FortisBC is committed to assisting customers transition to the new rate structures. Please indicate how helpful you would find the following methods to support your transition:

	Very helpful				Not very helpful
	1	2	3	4	5
Information on how to read your meter so you can monitor usage					
Spreadsheet to track electricity usage and costs	1	2	3	4	5
Website to view and forecast electricity usage and costs	1	2	3	4	5
Assistance via telephone to identify savings opportunities	1	2	3	4	5
Other _____	1	2	3	4	5

Based on the information I have received, I believe I will have reasonable opportunity to stay informed and be involved in the cost of service analysis and rate design application public consultation and British Columbia Utilities Commission regulatory processes .

1	2	3	4	5
Strongly Agree				Strongly Disagree

About you

Your feedback will be considered along with technical and financial input as FortisBC prepares our rate design application and final cost of service analysis filing. Feedback collected at open houses, through feedback forms and via written comments will be recorded and summarized in the rate design application consultation report which will be provided to the British Columbia Utilities Commission during the regulatory review process.

Please indicate if your account (or majority of accounts) is:

<input type="checkbox"/> Residential	<input type="checkbox"/> Industrial	<input type="checkbox"/> Wholesale
<input type="checkbox"/> General Service	<input type="checkbox"/> Irrigation	<input type="checkbox"/> Lighting

Did you attend an open house? ☐ Yes ☐ No

☐ Castlegar ☐ Creston ☐ Kelowna ☐ Osoyoos

Please provide your contact information (optional):

Name _____
 Address _____
 Email _____ Phone _____

Deadline for feedback forms or written comment is **Friday, August 28, 2009.**

You can return written feedback forms or comments by:

The slide features a close-up photograph of an orange utility meter. Several circular dials with black numbers (0-9) and black hands are visible. The text "KILOWATT HOURS" is printed in black on the orange surface. In the upper left, the text "Rr 8 1/3" is visible. Overlaid on the left side of the image is the title "Rate Rebalancing and Rate Design" in a large, bold, white sans-serif font. At the bottom, there is a dark blue horizontal bar containing the "FORTISBC" logo on the left and a small white number "1" on the right.

Rate Rebalancing and Rate Design

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The slide features a close-up photograph of a grey utility meter, similar to the one in the first slide. It shows several circular dials with black numbers (0-9) and black hands. The text "KILOWATT HOURS" is printed in black on the grey surface. Overlaid in the center is the text "Corey Sinclair – Regulatory Affairs" in a bold, dark blue sans-serif font, with "FortisBC" in a smaller, bold, dark blue sans-serif font directly below it. At the bottom, there is a dark blue horizontal bar containing the "FORTISBC" logo on the left and a small white number "2" on the right.

Corey Sinclair – Regulatory Affairs FortisBC

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Cost of Service Analysis

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Overview – The COSA Process

Cost of Service Analysis
Rate Design

→ Determine costs each customer class is causing and how much revenue the utility is collecting from each.

→ How the utility collects the costs?

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Preliminary 2009 COSA Results

- Revenue to cost ratios are used to show how much customers are paying relative to their allocated costs

Customer Class	2009 Revenue to Cost Ratio
Residential	99%
General Service	110% - 140%
Industrial Primary (30)	124%
Industrial Transmission (31)	62%
Lighting	84%
Irrigation	80%
Municipal Wholesale	68% - 96%
BC Hydro Wholesale	101% - 103%

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Rate Rebalancing

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Rate Rebalancing

- Rebalancing – moving rates closer to their costs
- Some rebalancing between classes is necessary
- Goal:
 - Move classes as close to 100 per cent as possible
 - Rebalancing increases capped at 5 per cent per year
 - Revenue from rebalancing used to manage increases to over-collecting classes

Revenue to Cost Ratios


<u>Customer Class</u>	<u>Revenue to Cost Ratio</u>
Customer Class #1	140%
Customer Class #2	100%
Customer Class #3	70%



Questions

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Rate Design

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Agenda

- Provincial Policy and Legislation
- Rate Design Principles
- Rate Design Options

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Provincial Policy and Legislation

BC Energy Plan

Explore with B.C. utilities new rate structures that encourage energy efficiency and conservation.

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FortisBC Rate Design Principles

- Customer feedback critical
- Fixed cost recovery must improve
- Rates should be simple
- Rate impact should be managed for large majority of customers
- New rate structures should only be introduced if they address long-term needs
- Conventional meters are not suitable for wide-scale time-based rates

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Rate Design Options

	Residential	Commercial
Net Metering	X	X
Basic Customer Charge	X	X
Inclining Block Rate	X	
Flattening Declining Block Rates		X
Monthly Meter Reading & Billing	X	X
Urban/Rural Rates	X	
Seasonal Rates	X	

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Residential Rate Structures

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Residential Rate Options

- **Two components that can be adjusted:**
 - Basic customer charge
 - Energy charge

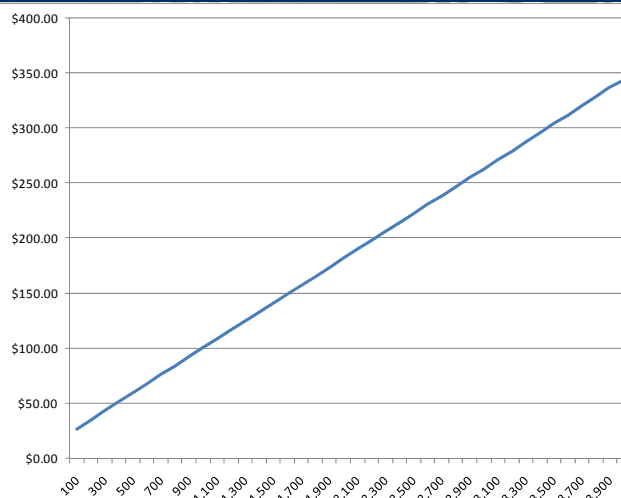
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Residential Flat Rate Billing (today)

**Fixed basic
bi-monthly
charge**

**Flat rate
per kWh**



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Residential Monthly Charges

- Reduce basic bi-monthly charges, increase energy rates
- Requires minimum bill to recover appropriate fixed costs
 - Residential: 50% reduction in basic bi-monthly charge = 7% increase in energy charge

Pros

- Encourages conservation since higher proportion of bill directly relates to energy use

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Residential Inclining Block Rates

- First block of energy used is priced at a base rate
- Second block of energy is priced higher than the first block

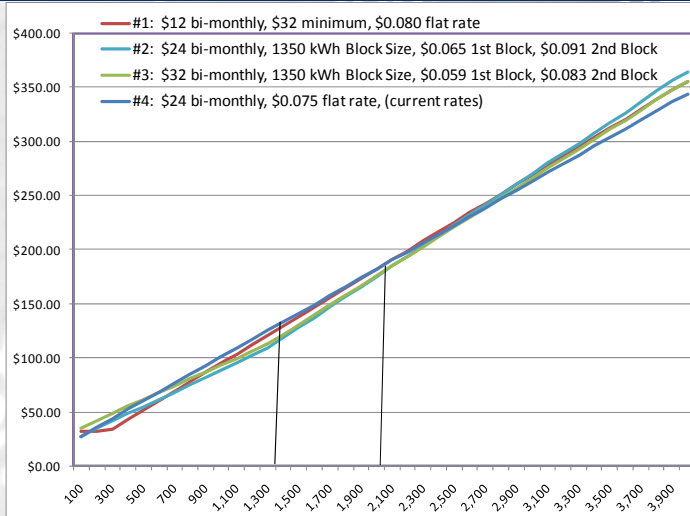
Pros:

- Customers using energy in second block have higher incentive to save energy
- Lower costs for customers below a consumption threshold

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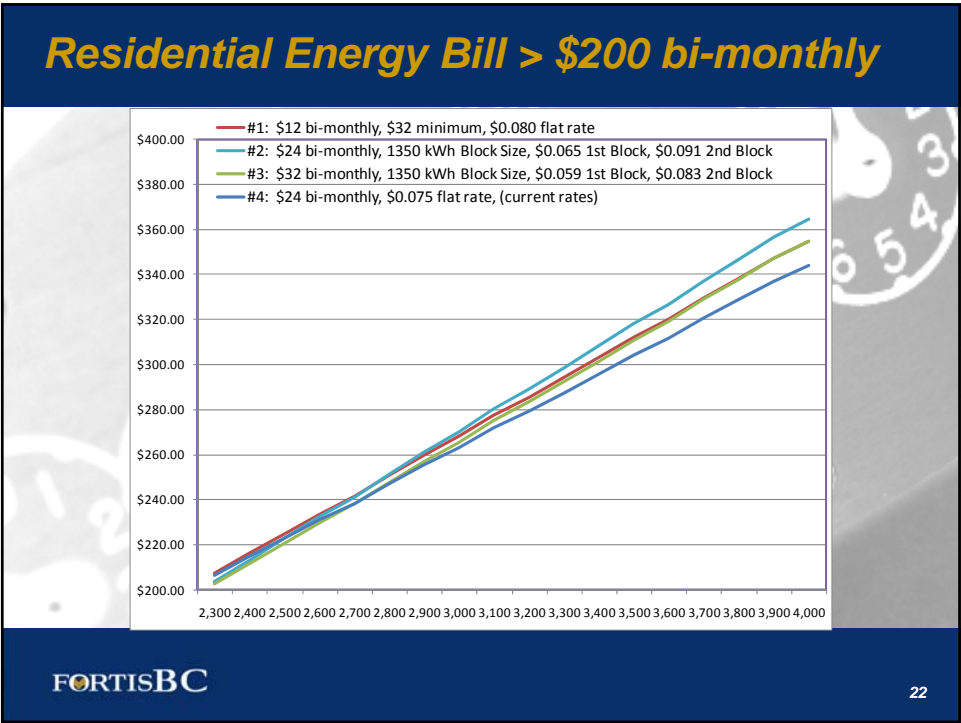
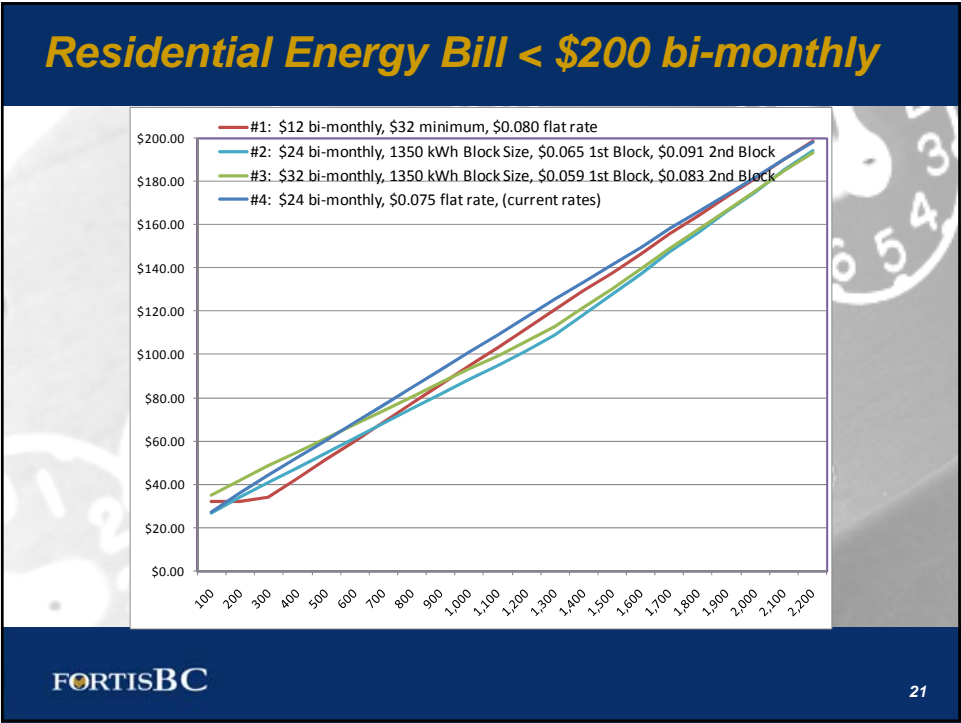
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Residential Rate Choices



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Other Rate Strategy Considerations

- Within the next five years, FortisBC hopes to implement Advanced Metering Infrastructure (AMI)
- AMI will allow a wider variety of rates, including time-varying rates
- Time-varying rates are more suitable for addressing the FortisBC capacity deficit

Residential Rate Feedback

Which conservation rate option do you think FortisBC should implement?

1. Implement lower bi-monthly charge and minimum bill
2. Implement residential inclining block rates – existing bi-monthly basic charge + higher rates than #3
3. Implement residential inclining block rates – higher bi-monthly basic charge + lower rates than #2
4. Maintain existing rate structure
5. Other - please explain

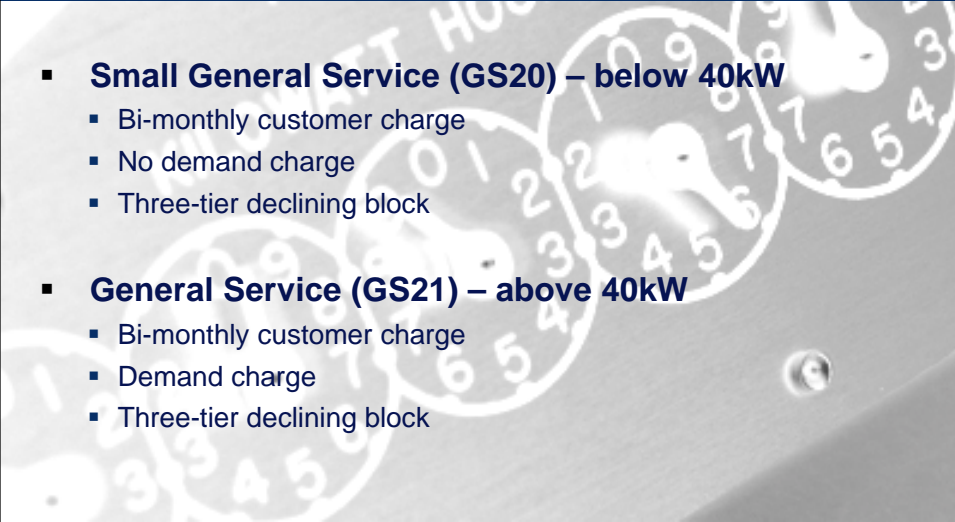


General Service Rate Proposal

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Current General Service Rates

- 
- **Small General Service (GS20) – below 40kW**
 - Bi-monthly customer charge
 - No demand charge
 - Three-tier declining block
 - **General Service (GS21) – above 40kW**
 - Bi-monthly customer charge
 - Demand charge
 - Three-tier declining block

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Current Declining Block Commercial Rates



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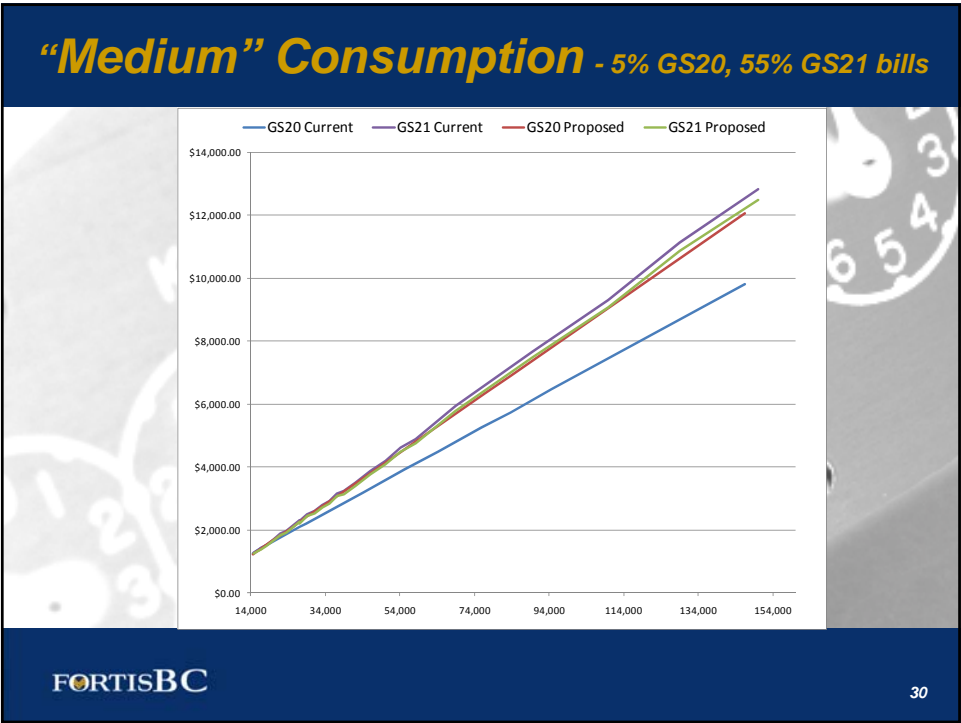
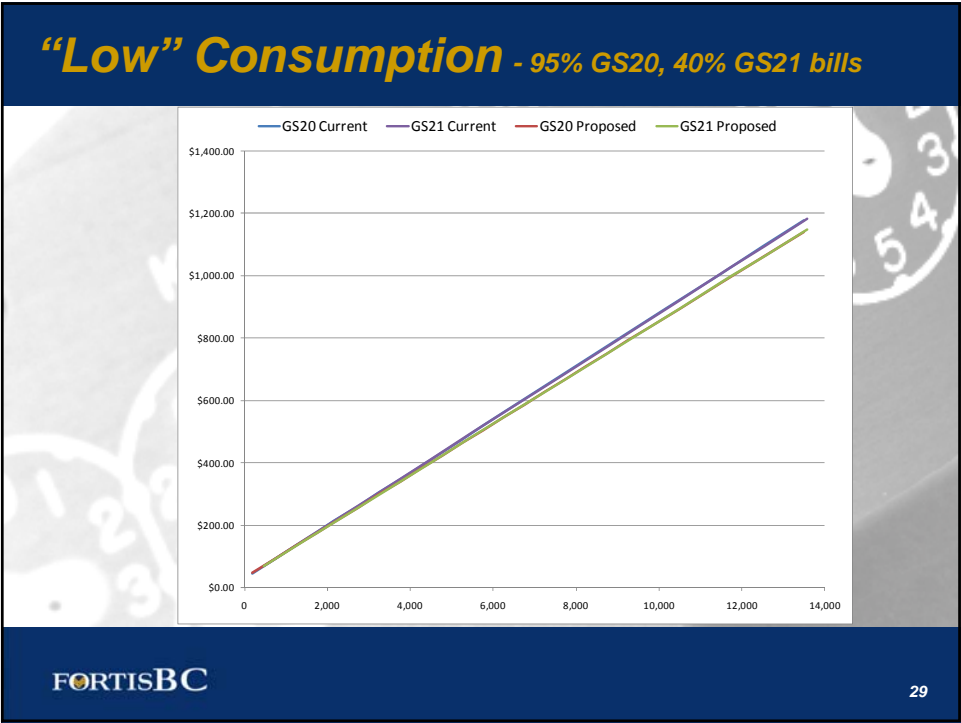
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General Service Rate Proposal

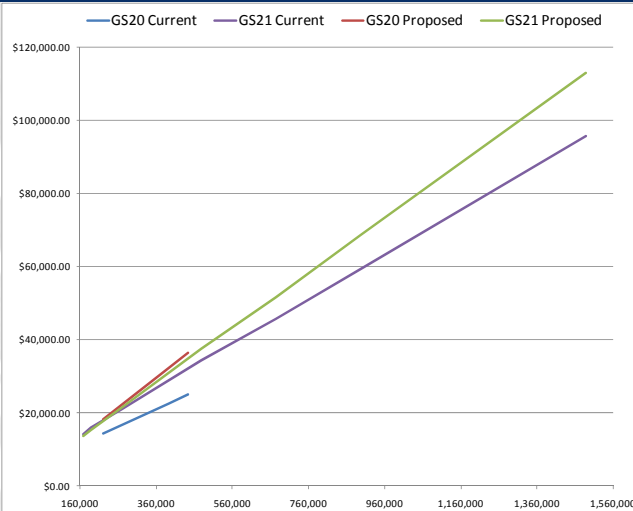
- Increase bi-monthly basic charges
- Increase demand component of GS21
- Reduce energy rate
- Convert GS20 to flat rate
- Convert GS21 rate to two-step rate, from existing three-tier declining block

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“High” Consumption - 0.01% GS20, 5% GS21 bills



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General Service Summary

GS20

- 33% of bills will be an average of 4% higher in the 0-700 kWh range
- 62% of bills will be an average of 2% lower in the 700-14000 kWh range
- 5% of GS20 bills will be an average of 4% higher in the 14000-160000 kWh range

GS21

- 40% of GS21 bills will be an average of 3% lower in the 0-14000 kWh range
- 55% of GS21 bills will be an average of 3% lower in the 14000-160000 kWh range
- 5% of GS21 bills will be an average of 6% higher above 160000 kWh
- 1% of GS21 bills will be more than 10% higher

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Next Steps

- **Deadline for additional written feedback, August 28, 2009**
- **File final COSA and Rate Design application to BCUC – September 30, 2009**
- **Further regulatory process – www.bcuc.com**

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Provide Your Feedback

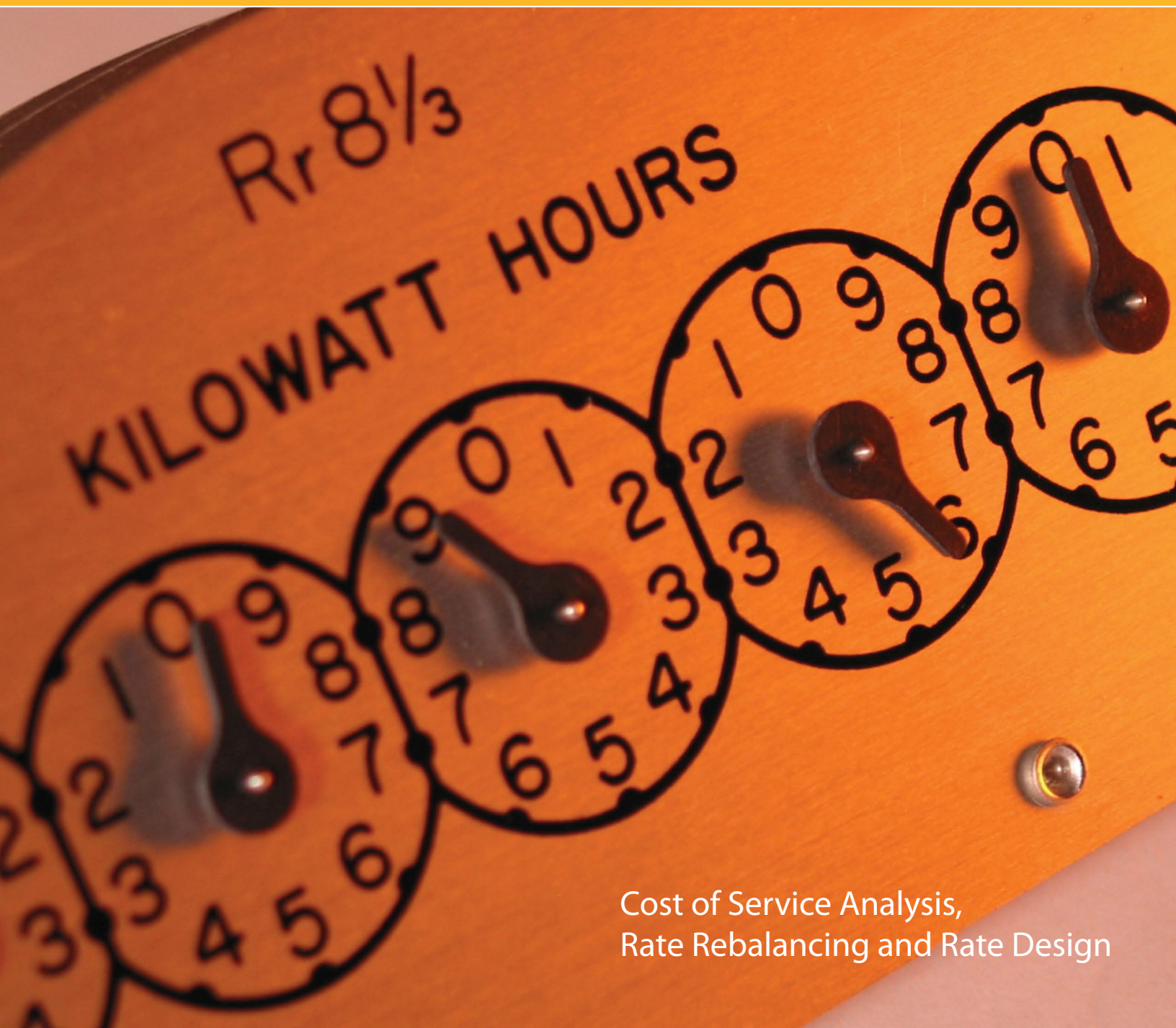
- **Website: www.fortisbc.com**
- **E-mail: regulatory@fortisbc.com**
- **Mail: 1290 Esplanade, PO Box 130, Trail, BC V1R 4L4**

We encourage and welcome your ongoing participation!

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Discussion Guide



Cost of Service Analysis,
Rate Rebalancing and Rate Design

Rate design

Your views are important to us

FortisBC is seeking public and First Nations input as we complete a review of cost of service and rate design to make sure rates charged to customers are fair and equitable.

All utilities review cost of service and rate design periodically to make sure rates reflect the fair and equitable allocation of costs. A cost of service analysis (COSA) determines the cost of providing electrical service by customer class and rate design evaluates various rate structures. Rate structures direct how customers are billed for their electricity use.

Overall, changes resulting from COSA and rate design do not generate more revenue for a utility. Any changes proposed will be aimed at rebalancing and restructuring rates paid by customers, and making sure rates paid by a given customer reflect the cost of providing service to that customer, and that classes of customers are not unduly subsidizing each other.

FortisBC is committed to open dialogue with customers, stakeholders and First Nations. We believe your feedback is an important part of the process as FortisBC completes a 2009 cost of service analysis (COSA) and rate design review. Please share your thoughts on these topics with us.

Input gathered from our consultation

activities will be compiled and included in FortisBC's final cost of service analysis filing and rate design application to the British Columbia Utilities Commission (BCUC).

Public consultation and regulatory process

FortisBC is committed to consultation, information sharing and building long-term cooperative relationships.

In the process of developing a 2009 cost of service analysis, FortisBC hosted public open houses and met with First Nations, customers and municipalities within our service territory in May and June of this year. The draft 2009 COSA was filed with the British Columbia Utilities Commission (BCUC) on June 30, 2009. Additional feedback from the public and First Nations on this draft COSA will be accepted until August 28, 2009. This input will be considered as FortisBC prepares the final 2009 COSA report to be filed with the BCUC on September 30, 2009.

FortisBC is also seeking public and First Nations input as we review how existing electricity rates are structured for all customers — residential, commercial, industrial, wholesale, lighting and irrigation — and determine what updates to rate structures are needed.

A series of open houses is being held across FortisBC's service area to invite

public input. For those unable to attend an open house, FortisBC is providing opportunities for input through an online feedback form available on our website at http://www.fortisbc.com/about_fortisbc/rates/other_applications.html. Submissions can also be sent to our regulatory affairs department by:

Email: regulatory@fortisbc.com
 Fax: 250 364-1270
 Mail: Corey Sinclair
 1290 Esplanade, PO Box 130
 Trail, BC
 V1R 4L4

All input must be received by August 28, 2009 in order to be considered for the final 2009 COSA filing and rate design application (RDA).

Feedback received from this consultation will be considered, along with technical and financial information, as FortisBC prepares its rate design application for submission to the BCUC by September 30, 2009. Once the COSA and RDA have been filed, the BCUC manages the regulatory process and will make the final decision regarding cost of service analysis and rate design(s) to be implemented.

The BCUC will set a schedule for a regulatory review process of both the COSA and RDA by the BCUC and interested parties.

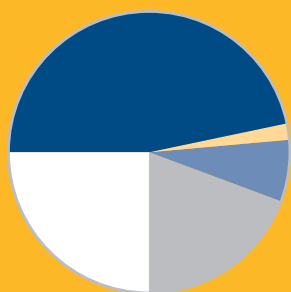
For more information on the BCUC, visit www.bcuc.com.

Customer classes

Customer classes or customer groups, as they are also known in the utility sector, include residential, general service (commercial), industrial, wholesale, lighting and irrigation. Each group has different characteristics and different requirements from the utility.

For example, a residential customer requires generation, transmission and distribution of electricity. A wholesale customer requires only generation and transmission of bulk electricity, but not distribution. Both customer groups need customer service such as billing and meter reading. Each customer group should pay its “fair share” of the total cost to operate the utility.

2008 Customer class revenues (\$1000s)



Residential	102,600
Commercial	53,820
Wholesale	45,614
Industrial	14,470
Lighting & Irrigation	4,405



Cost of service analysis and rate design

Rate setting involves three steps. The first step is to establish revenue requirements, a review that is done annually to determine the total cost of operating the utility each year.

Steps two and three are the focus of the 2009 COSA and rate design consultation.

- Cost of service analysis – completed periodically to determine the costs each customer class is causing and how much revenue the utility is collecting from each group. COSA is a critical step in setting fair and equitable rates for customer groups, making sure one customer group is not subsidizing another.
- Rate design – reviewed periodically to determine how the utility recovers costs from customers. Rate design evaluates rate structures, including the basic customer charge. Both cost of service analysis and rate

design are revenue neutral to FortisBC, they merely distribute the cost and revenue amongst the customer groups.

Cost of service analysis (COSA)

COSA is an important component in setting fair and equitable rates. Prior to 2009, the most recent cost of service analysis was completed for FortisBC in 1997. The FortisBC system has changed significantly since then with considerable investment in electrical infrastructure such as new transmission lines, substations and upgrades to generation facilities in order to meet our customers' electricity needs. The nature of customer electrical loads has also changed. FortisBC now experiences two seasonal peaks, summer and winter, rather than just the traditional winter peak for electricity demand. The utility is becoming capacity constrained, meaning that existing generation resources are becoming insufficient to meet customer demand during peak periods.



COSA principles

In order to reflect the changes in the electrical system, FortisBC used the principles below in the cost of service analysis study. With the exception of the use of contract demand as an allocation factor, these revisions to the 1997 methodology have a small impact on the study results.

- Contract demand – updated to better reflect the fact that FortisBC is contractually obligated to provide a firm reservation of line capacity for certain wholesale and industrial transmission customers to the limits specified in their demand contracts.
- Two coincident peak method – reflects the trend within the FortisBC system to a dual-peak system demand resulting in the convergence of the summer and winter peaks.
- Minimum system - along with the minimum system results, an offset to account for the peak load carrying capability (PLCC) of a minimum system was incorporated into the analysis. The PLCC adjustment recognizes that the minimum system would allow for some ability to carry additional capacity.
- Demand component of generation - in consideration of the capacity constrained nature of the FortisBC system and the fact that FortisBC's generation provides both energy and capacity, the allocation of generation rate base was changed from an assumption that 100 per cent of the cost amount was energy related, as was done in the 1997 study, to an 80 per cent energy, 20 per cent demand split in the 2009 version.

Rate design

A rate design application proposes rate structures including the basic monthly customer charge. Rate structures determine how customers are billed for their electricity use. Some examples include conservation-based rates such as inclining block rates, and time of use rates. Overall, changes resulting from rate design will not generate more revenue for FortisBC.

Rate rebalancing

The COSA is used to make sure that all customer groups are paying their fair share of the cost of electrical service. The draft 2009 COSA determined that there are currently some inequities. The table below shows revenue to cost ratios. Ideally, each customer group would show 100 per cent, meaning that they would be paying \$1 for every \$1 of their cost to the electrical system. Based on this analysis, customer classes over 100 per cent are paying more than their “fair share”, and customers below 100 per cent are not paying their “fair share”.

In order to move customer groups

closer to a 100 percent revenue to cost ratio, rates must be rebalanced.

FortisBC is proposing to achieve equity over time by moving customer classes as close to 100 per cent as possible over a five year period. This could be accomplished by increasing rates for those classes under 100 per cent by a maximum rebalancing increase of five per cent per year. The additional revenues generated would then be applied to those customers whose rates are currently over 100 per cent.

Please take a moment to provide us with your thoughts on this topic by filling out the rate rebalancing section of the feedback form.

Customer Class	2009 Revenue to Cost Ratio
Residential	98.5%
Small GS (20)	113.4%
General Service (21)	139.8%
Industrial Primary (30)	123.6%
Industrial Transmission	61.9%
Lighting	84.2%
Irrigation	79.6%
Kelowna Wholesale	87.9%
Penticton Wholesale	77.1%
Summerland Wholesale	95.6%
Grand Forks Wholesale	68.1%
BCH Lardeau Wholesale	101.2%
BCH Yahk Wholesale	103.1%
Nelson Wholesale	80.2%

Rate design considerations

In the rate design process FortisBC will be taking into consideration that:

- Customer feedback is critical
- Rates should be simple and easy to understand
- Rates should reflect costs to the utility – both fixed and variable
- Rate impact should be managed for the majority of customers
- Rates should consider the 2007 BC Energy Plan which encourages conservation
- Existing meters do not support wide-scale, time-based rates
- Within five years the company expects to implement advanced metering infrastructure (AMI) or “smart meters”
- New rate structures should only be introduced if they meet long-term needs

Conservation based rates

FortisBC supports the BC Energy Plan objectives. Rate structures that encourage energy efficiency and conservation can play a role in helping to meet these goals.

Residential rate structure options

The residential customer class includes approximately 96,000 customers who live in communities across FortisBC's service area in the southern interior of BC.

The current residential customer rate structures have two components:

- Basic charge of \$ 23.74/bi-monthly
- Energy charge of \$0.0764 cents/kilowatt hour (kwh)

In our review, FortisBC investigated many rate structure options.

Some conservation based rate structures offered by other utilities, such as time varying rates, are not feasible on a wide scale basis without automated metering infrastructure or "smart

meters" installed for all residential customers. Pending future regulatory approval, FortisBC expects to introduce AMI technology within the next five years. This would enable the introduction of a wider variety of rates, including time varying rate structures, that encourage conservation and could also help address FortisBC's capacity deficit.

For FortisBC's 2009 rate design review, we have evaluated four feasible options in-depth. The impact of each of the rate structure options currently being considered is shown in the table below.

FortisBC bills its residential customers bi-monthly (every second month). The amounts shown in this table are for a two month period. These examples

assume no change in customer consumption.

Recognizing the need to meet BC Energy Plan conservation goals, FortisBC sees option 3 as viable. The inclining block rate achieves conservation goals and the increased basic monthly charge meets the COSA principle of working toward appropriate cost recovery for fixed energy costs.

Option 4 is also viable. By maintaining the existing rate structure, FortisBC can work toward appropriate technology including meters, which will support alternate conservation rates.

Please take a moment to provide us with your thoughts on rate structures by filling out the residential rate design section of the feedback form.

Customer	KWh used for two months	Current bill amount for two months	Option 1 Reduce basic charge with an increase energy rate and minimum bill	Option 2 Inclining block rate with lower basic charge and higher energy rates	Option 3 Inclining block rate with higher basic charge and lower energy rates	Option 4 Maintain existing rate structure
Average customer	1900	\$166	\$164	\$156	\$158	\$166
Median customer (50 % of bills are higher, and 50% are lower)	1350	\$125	\$121	\$109	\$113	\$125
High end consumption customer	3850	\$312	\$320	\$327	\$319	\$312
Low end consumption customer	385	\$52	\$43	\$48	\$55	\$52

General service rate structure options

The general service customer classes (GS20 / GS21) include close to 11,000 diverse customer accounts representing numerous commercial ventures from corner stores to shopping malls, and from construction companies to hair salons. These customer classes are currently billed using a declining block rate structure.

In order to encourage energy conservation as directed by the BC Energy Plan and the Utilities Commission Act, FortisBC proposes a flattened rate structure, moving from three declining blocks to two. In addition, FortisBC proposes an increased monthly basic charge and lower energy rates.

See the table below for sample customers.

Rate design for other customer classes

FortisBC is not proposing new rate structures for wholesale, industrial, irrigation or lighting customers at this time since these customer groups are already billed under a flat rate structure. In addition, these customer groups will see rate rebalancing over the next several years.

Please take a moment to provide us with your thoughts on this topic by filling out the general service (commercial) rate design section of the feedback form.

Customer	KWh	KVA (demand)	Current bill	Preferred Option Flattened blocks, increase basic monthly charge and lower energy rate
GS20 average	3750		\$348	\$340
GS20 low consumption	743		\$92	\$93
GS20 high consumption	13,500		\$1,176	\$1,140
GS21 average	42,000	76	\$3,504	\$3,393
GS21 low consumption	11,700	40	\$1,026	\$995
GS21 high consumption	150,000	243	\$12,800	\$12,500

Industrial, lighting and irrigation customers

- The industrial primary customer class includes approximately 40 customer accounts.
- The industrial transmission customer class includes four customer accounts.
- The lighting customer class includes approximately 1900 customer accounts.
- The irrigation customer class includes approximately 1100 customer accounts.

Wholesale customers

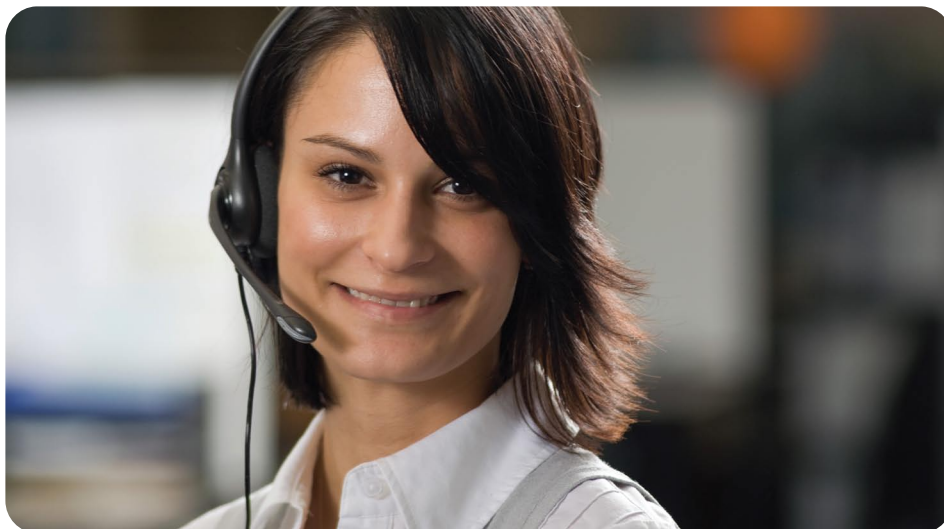
FortisBC's wholesale customers include the municipal electric utilities of Kelowna, Penticton, Summerland, Grand Forks and Nelson Hydro as well as BC Hydro facilities at Yahk and Lardeau.

These customers are listed individually rather than as a customer class, since each has a separate demand contract and uses specific components of FortisBC infrastructure such as transmission lines and substations.

Next steps

All feedback received will be considered, along with technical and financial information, as FortisBC prepares its rate design application for submission to the BCUC by September 30, 2009. Once the COSA and RDA have been filed, the BCUC manages the regulatory process and will make the final decision regarding cost of service analysis and rate design(s) to be implemented.

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FortisBC Inc.

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transmission and distribution power lines. FortisBC employs over 500 people in British Columbia and is an indirect wholly owned subsidiary of Fortis Inc., the largest investor-owned distribution utility in Canada. Fortis Inc. shares are listed on the Toronto Stock Exchange and trade under the symbol FTS. Additional information can be accessed at www.fortisinc.com or www.sedar.com

For more information about the Cost of Service Analysis and Rate Design Applications:

Call 1-866-4FORTIS (1-866-436-7847)

Email regulatory@fortisbc.com

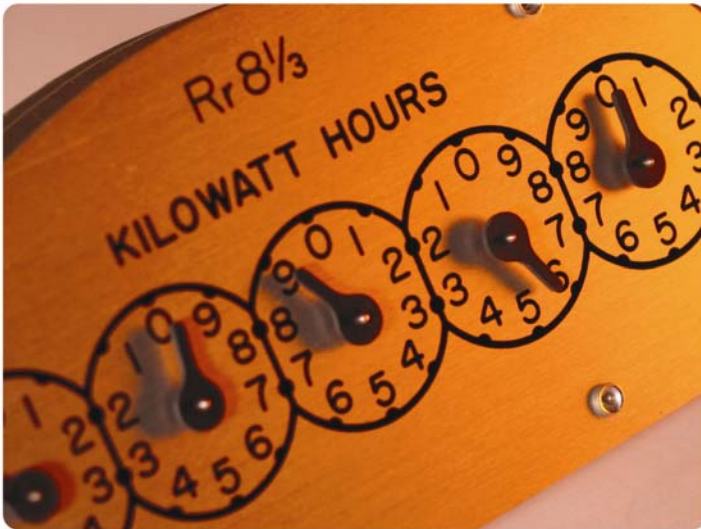
Or visit www.fortisbc.com



FortisBC Inc. is a Canadian owned electric utility operating in the southern interior of British Columbia

Backgrounder

Rate Design and Rebalancing



Definitions

Rate rebalancing

Rate rebalancing moves customer classes closer to a 100 per cent cost ratio, where customer classes pay \$1 for every \$1 of cost they cause on the electrical system. Rebalancing ensures each customer class pays its fair share of the total cost of operating the electric utility without one class unduly subsidizing another.

Basic customer charge

The basic customer charge is applied to each customer's bill to recover FortisBC's fixed costs. Fixed costs stay the same no matter how much or how little energy customers use and include costs for reading meters and maintaining poles and wires.

The basic customer charge for residential customers is approximately \$24 bi-monthly, or every two months. Some commercial customers are billed monthly and some bi-monthly and the basic customer charge is approximately \$29 bi-monthly.

Inclining block rate structure

Customers pay a certain amount per kilowatt hour (kWh) for the first block of energy they use. If customers use more than the first block of energy, the price per kWh goes up in the second block.

Declining block rate structure

Customers pay a certain amount per kilowatt hour (kWh) for the first block of energy they use. If customers use more than the first block of energy, the price per kWh goes down in the second block and down again in the third block.

Energy charge

The energy charge is the amount a customer is charged for each kilowatt hour (kWh) of energy they use. For residential customers it is a flat rate of approximately 7.5 cents per kWh.

For general service classes (GS20 and GS21), the energy charge is approximately 8.5 cents for the first block, 6.5 cents for the second and 4.8 cents per kWh for the third block of energy.

Proposed residential option descriptions

Option 1 - Lower basic bi-monthly charge with higher energy rates and a minimum bill

This option lowers the bi-monthly charge to \$12, implements a \$32 minimum bill and increases energy rates to a flat rate of approximately 8.0 cents per kWh.

Option 2 - Inclining block rate with existing bi-monthly basic charge and higher energy rates

In this option the bi-monthly basic customer charge remains at approximately \$24. The energy rate in the first block of 1350 kWh is approximately 6.5 cents and 9.1 cents per kWh after the first block. These energy rates are higher than Option 3.

Option 3 - Inclining block rate with higher basic bi-monthly charge and lower energy rates

This option increases the basic bi-monthly charge to \$32. The energy rate in the first block of 1350 kWh is approximately 5.9 cents and 8.3 cents per kWh after the first block. These energy rates are lower than Option 2.

Option 4 - Maintain existing rates

In this option the basic bi-monthly customer charge remains at approximately \$24 and the energy charge remains at approximately 7.5 cents per kWh regardless of how much energy you use.



An Assessment of Public Reactions to the Rate Rebalancing and Rate Design Options

September 4, 2009

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Summary and Insights

Support for the Principles of Rate Rebalancing

85% of Super Group participants agreed that rate rebalancing is needed. They strongly supported the notion of fairness across the customer classes.

"Making things fair for all." (General Service)

"To make it fair and equitable for everyone." (Residential)

"Those paying less than 100% should be paying equal to those paying more." (General Service)

"To make it fair for those who have been paying for other people's power." (Residential)

Issues to Communicate:

Changing from a Declining Block Rate to a Flatter Rate for Commercial Customers is Fair and Encourages More Conservation

"Commercial customers should not get a lower rate for using more." (Irrigation)

*"Some customers pay less, use more. In general it should be the opposite."
(General Service)*

Large Industry and Small Business Deserve Equal Treatment

"Small business should not subsidize larger industry." (General Service)

"Why should any people be subsidized by other groups?" (Residential)

Residential Customers Are Already Paying Their Own Way

***Emphasize the
principles of fairness
and equity in the rate
rebalancing
communications.***

Community Support for Conservation Measures

Energy conservation has strong community support, but there are concerns about the effectiveness of higher electricity rates to encourage conservation.

70% of workshop participants strongly agreed that rate structures that encourage energy efficiency are important....



35% ... but only 35% of workshop participants strongly agreed that a conservation rate that charges customers with higher energy usage more will reduce energy consumption.

Barriers to Greater Energy Conservation:

I'm Already Doing It

*"I don't know of anyone who deliberately uses more energy than they need."
(Castlegar)*

I Can't Change My House/Appliances

*"[It's] expensive to rebuild an existing home."
(Kelowna)*

I Don't Know How

*"We don't know what uses the most power in our homes."
(Kelowna)*

Lifestyle/Comfort Is More Important

*"Can't control usage all the time, you tell a teenager showers are 5 mins."
(Castlegar)*

Facilitating energy conservation through education, grants/upgrading support, and financial 'rewards' for conservation provide incentives and support – but customers have to see how changes in behaviour affect electricity usage. Advanced metering (AMI) may provide greater visibility and control over electricity usage.

Preferred Residential Options

	Definitely/ Probably Should Consider	Most Frequently Cited Reasons Why Should Consider	Most Frequently Cited Reasons Why Should <u>Not</u> Consider
Option 1 – Lower basic bi-monthly charge with higher energy rates and a minimum bill	44%	Promotes conservation (43%)	Low income need more help (33%)
Option 2 – Inclining block rate with existing bi-monthly basic charge and higher energy rates	56%	Promotes conservation (50%)	Low income need more help (42%)
Option 3 – Inclining block rate with higher basic bimonthly charge and lower energy rates	61%	Promotes conservation (44%)	Low income need more help (14%)
Option 4 – Maintain existing rates	61%	This is fair/makes sense (21%) Wait for new AMI meters to adjust rates (18%)	Want the AMI meters (16%)

Participants were split on implementing inclining block rates to promote energy conservation and maintaining the status quo until advanced metering (AMI) is implemented. The final preferred option may depend how long it will take for AMI to be implemented.

General Service Option

General Service participants were not generally in favour of the proposal to flatten the blocks and increase the basic charge. Many thought their electricity bills would increase with this change to electricity billing.

Residential Customers believe that the current declining block structure is unfair and does not do enough to encourage conservation.

"Companies should not get a declining rate." (Residential)

"More companies would not leave lights on all night... if it hit them in the pocket book they would learn to conserve more." (Residential)

General Service are as supportive of conservation rates as Residential Customers, and do not feel they should be subsidizing other customer classes. However, many are concerned that the proposed changes will have a negative effect on their business costs.

"Small business should not subsidize larger industry." (General Service)

"Encouraging efficiency and conservation is important but there may be better ways to achieve this than just rate structure." (General Service)

"It's easy to get used to a basic charge. The energy rates could throw your monthly budget out the window." (General Service)

The benefits of the new rate structure for General Service customers need to be clearly communicated.



Background and Methodology

Project Overview

Background

FortisBC Inc. is an integrated regulated electric utility based in Kelowna, British Columbia. Focused on the safe delivery of reliable and cost-effective electricity, FortisBC serves approximately 158,000 customers directly and indirectly through wholesale utilities in the southern interior of B.C. FortisBC owns and operates four regulated hydroelectric generating plants and approximately 7,000 kilometres of transmission and distribution power lines. FortisBC employs over 500 people in British Columbia and is an indirect wholly owned subsidiary of Fortis Inc., the largest investor-owned distribution utility in Canada.

Customer classes include residential, commercial (general service), industrial, lighting, irrigation and wholesale electricity customers.

Purpose for Research

FortisBC is currently reviewing the rates that different customer classes pay for electricity. As part of its Cost of Service Analysis and Rate Design Application for the BC Utilities Commission, FortisBC is undertaking consultation in the communities it services through open houses and direct dialogue with key stakeholders as well as general communications and one-on-one discussions.

FortisBC has asked Environics Research Group to utilise a market research process that will enable FortisBC to gain detailed customer feedback on the proposed rebalancing and rate design. This process will enable FortisBC to better understand the impacts that changes in rates will have on the different customer classes. The Super Group process also allowed a balanced representation of all customer classes, providing feedback from some customer classes which had been under-represented during previous public open houses.

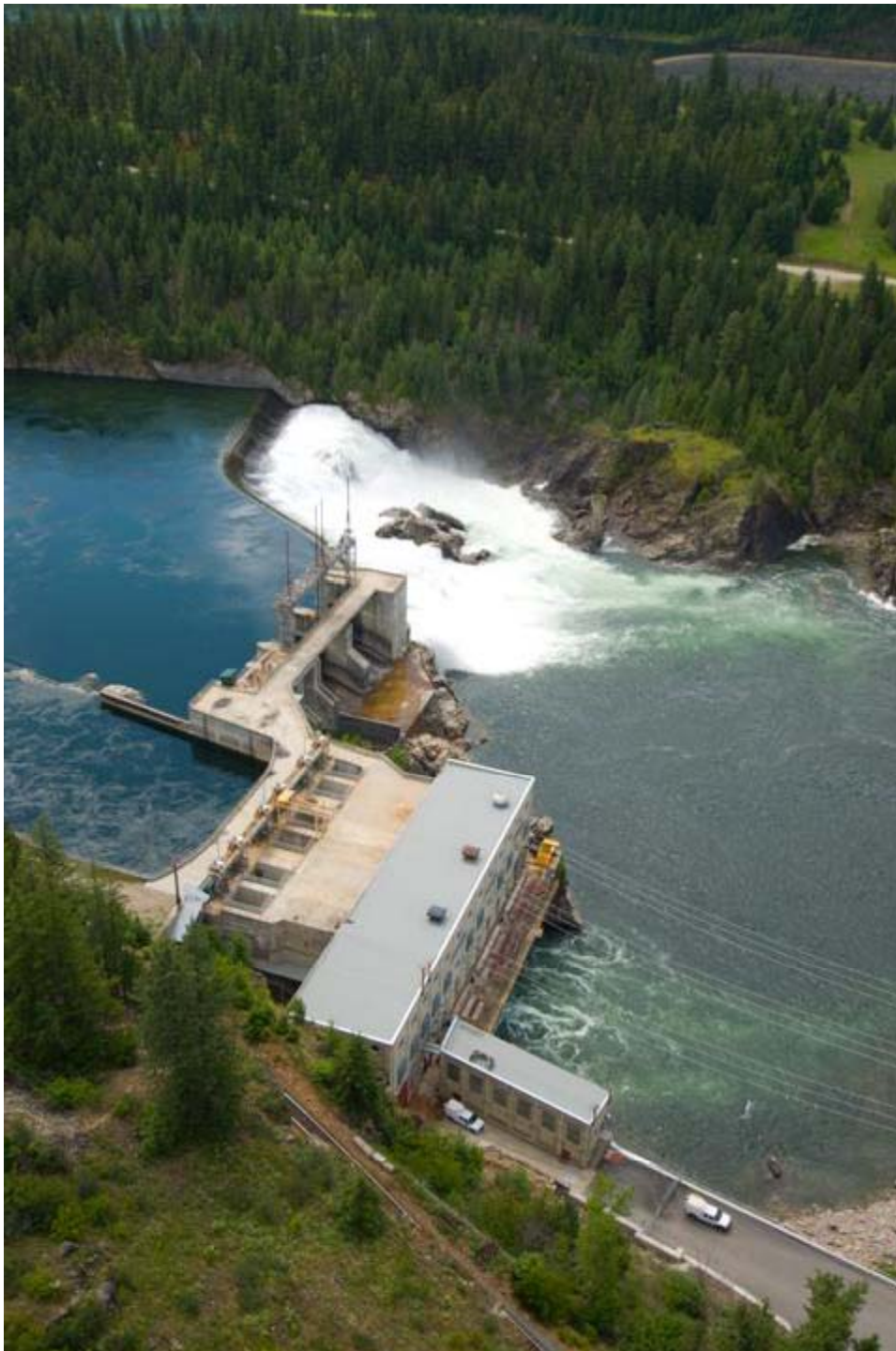
Research Objectives

- Engage customers, stakeholders and First Nations in meaningful dialogue and consultation on rate rebalancing and rate design.
- Gain input from each customer class so that all types of customers have the opportunity to have a say in the rate rebalancing and rate design process.
- Understand the impacts that changes in electricity rates will have on different customer classes (residential, general service [commercial], industrial, irrigation and lighting).
- Gain customer feedback on proposed rate options to identify which options will be most acceptable to members of the target audience.
- Provide useful information to help refine communications messages so that subsequent communications are able to explain the changes in rates in a way that resonates with each customer class.

Methodology

- Individuals were randomly selected by Research House, an Environics company, from FortisBC's customer database. These individuals were invited by telephone to attend a 'focus group'.
- The customer classes represented were: residential, general service (commercial), industrial, irrigation and lighting. A quota system was used to ensure that a minimum number of members of each of these customer classes was registered to attend the session.
- One Super Group was held in Castlegar on August 17, 2009 and second one was held in Kelowna on August 18, 2009. Participants were not advised in advance what the workshop would be about or who was sponsoring the session.
- In each Super Group, FortisBC gave a 90-minute presentation on the cost of service analysis and rate design options. Questions from participants were answered during the presentation.
- The Part A survey was completed prior to the presentation upon entry to the meeting, and the Part B survey was completed following the presentation.
- Local participants received a \$75 cash honorarium for attending. Individuals driving in excess of 1.5 hours were given a larger incentive of \$100.

	Castlegar Monday, August 17, 2009	Kelowna Tuesday, August 18, 2009
Total Number of Participants	58	56
Participants by Customer Class:		
- Residential	Residential – 42	Residential – 40
- General Service	General Service – 11	General Service – 12
- Industrial	Industrial – 0	Industrial – 1
- Irrigation/Lighting	Irrigation/Lighting - 5	Irrigation/Lighting - 3



Who We Talked To

Super Group Participants - Profiles

The demographic profile for Castlegar and Kelowna participants were similar.

	Total n=114	Castlegar n=58	Kelowna n=56
Age			
18 to 34	15%	10%	20%
35 to 54	39%	41%	36%
55 and more	46%	48%	43%
Refused	1%	0%	2%
Gender			
Male	52%	52%	52%
Female	48%	48%	48%
Employment Status			
Working full-time	54%	45%	63%
Working part-time	12%	14%	11%
Unemployed or looking for a job	4%	5%	2%
Stay at home full-time	6%	10%	2%
Student	2%	0%	4%
Retired	22%	26%	18%
Don't Know/Refused	1%	0%	2%
Number of People in Household			
1	20%	24%	16%
2	44%	41%	46%
3	17%	12%	21%
4 or more	18%	22%	14%
Don't Know/Refused	1%	0%	2%

Kelowna participants were more likely to have larger homes than those from Castlegar.

	Total n=114	Castlegar n=58	Kelowna n=56
Account Type			
Residential	100%	100%	100%
General Service	29%	31%	27%
Industrial	3%	0%	5%
Irrigation	8%	9%	7%
Wholesale	1%	0%	2%
Lighting	7%	7%	7%
Home Ownership			
Own	84%	86%	82%
Rent	16%	14%	18%
Dwelling Type			
Single detached house	79%	83%	75%
Townhouse or duplex	9%	3%	14%
Apartment building	4%	2%	7%
Mobile home	4%	9%	0%
Basement Suite/Suite	1%	2%	0%
Other	2%	2%	2%
Don't Know/Refused	1%	0%	2%
Square Footage			
Less than 800 sq. ft.	7%	9%	5%
800 to less than 1200 sq. ft.	26%	31%	21%
1200 to less than 1600 sq. ft.	21%	22%	20%
1600 to less than 2000 sq. ft.	11%	17%	5%
2000 to less than 2500 sq. ft.	16%	9%	23%
More than 2500 sq. ft.	18%	12%	23%
Don't Know/Refused	1%	0%	2%



Indicates significant differences

Super Group Participants - Profiles

	Total n=114	Castlegar n=58	Kelowna n=56
Fuel Used to Heat House (Multiple Responses)			
Natural Gas	63%	59%	68%
Oil	2%	3%	0%
Propane	3%	3%	2%
Electricity	47%	48%	46%
Wood	21%	33%	9%
Other	1%	2%	0%
Main Heating System			
Central air	56%	52%	61%
Electric baseboards	18%	19%	16%
Hot water baseboards / radiator	3%	3%	2%
Heat pump (air or ground)	4%	2%	5%
Wood, gas or electric fireplace	13%	16%	11%
Other (please describe):	5%	7%	4%
Don't Know/Refused	2%	2%	2%
Air Conditioning in Home			
Yes, central air	35%	21%	50%
Yes, a window unit	29%	22%	36%
No	36%	57%	14%
Opinion on Current Pricing			
Too low	0%	0%	0%
About right	54%	47%	61%
Too high	46%	53%	38%
Impact of Electricity Bill on Household Finances			
Noticeably	39%	48%	29%
Small impact	52%	45%	59%
No impact	6%	7%	5%
Don't Know/Refused	4%	0%	7%

Castlegar participants were more likely to use wood to heat their homes while Kelowna participants were more likely to have central air.

Participants in Castlegar had a greater propensity to report that their electricity bill has a noticeable impact on their household finances.





Rate Rebalancing and Rate Design Overall Opinions

Rate Rebalancing: Summary of Findings

- Over 85% of participants were in agreement that rate rebalancing is needed. (Page 18)
- The most critically important consideration in developing the rate structure is to encourage energy savings and conservation. (Page 19)
- Participants were mixed about the idea of recovering fixed costs by raising the basic customer charge. (Page 20)
- Most participants agreed that it is important to flatten the rate structure for commercial customers. (Page 21)
- Most participants agreed that capping increases at 5% per year is reasonable when customers' revenue-to-cost ratio is below 100%. (Page 22)
- Participants strongly disagreed with the rate design option which included a meter read and a monthly bill because it would increase costs without any major customer benefit. (Page 23)
- There was overwhelming agreement (86%) that it is important to introduce rate structures that encourage energy efficiency and conservation. (Page 24)
- There was general agreement that a conservation rate design where cost is relative to usage would result in lower energy consumption. (Page 25)
- Participants were mixed as to whether or not charging higher rates to higher users would result in lower energy usage. (Page 26)
- Participants perceived the cost of service analysis and rate design changes as revenue-neutral to FortisBC. They understood the goals of Rate Rebalancing and Rate Design as improving customer class equity. (Page 27)

Rate Rebalancing

Cost of Service Analysis (COSA) is an important component in setting fair and equitable rates. Prior to 2009, the most recent cost of service analysis was completed for FortisBC in 1997. Since then, FortisBC has invested in the electrical infrastructure and the nature of customer demand has changed, with seasonal peaks in both summer and winter. These changes in supply capability and demand characteristics mean that the Cost of Service Analysis conducted in 1997 is not a true reflection of today's costs.

The Cost of Service Analysis (COSA) is used to make sure that all customer groups are paying their fair share of the cost of electrical service. The draft 2009 COSA determined that there are currently some inequities.

The table at right shows revenue to cost ratios. Ideally, each customer group would show 100 per cent, meaning that they would be paying \$1 for every \$1 of their cost to the electrical system. Based on this analysis, customer classes over 100 per cent are paying more than their “fair share”, and customers below 100 per cent are not paying their “fair share”.

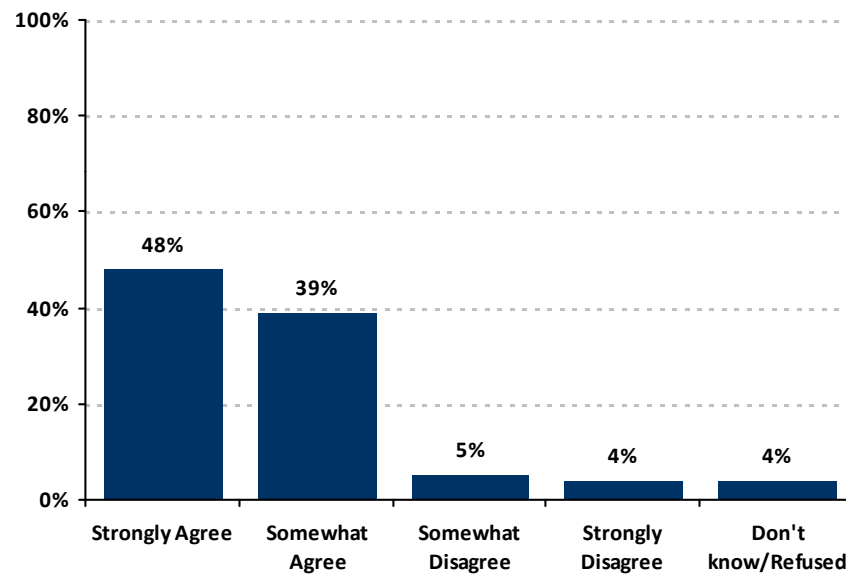
In order to move customer groups closer to a 100 percent revenue to cost ratio, rates must be rebalanced. FortisBC is proposing to achieve equity over time by moving customer classes as close to 100 per cent as possible over a five year period. This could be accomplished by increasing rates for those classes under 100 per cent by a maximum rebalancing increase of five per cent per year. The additional revenues generated would then be applied to those customers whose rates are currently over 100 per cent.

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Industrial Transmission	61.9%
Lighting	84.2%
Irrigation	79.6%
Kelowna Wholesale	87.9%
Penticton Wholesale	77.1%
Summerland Wholesale	95.6%
Grand Forks Wholesale	68.1%
BCH Lardeau Wholesale	101.2%
BCH Yahk Wholesale	103.1%
Nelson Wholesale	80.2%

Overall Opinions about Rate Rebalancing

Over 85% of participants were in agreement that rate rebalancing is needed.

% of Agreement – In my opinion, rate rebalancing is needed.
(Total Respondents, n=114)



These results were similar across both Castlegar and Kelowna participants.

"Small business should not subsidize larger industry." (Kelowna)

"Encourages conservation, rewards 'better' users." (Kelowna)

"Why should any people be subsidized by other groups?" (Kelowna)

"Those paying less than 100% should be paying equal to those paying more." (Kelowna)

"Rate rebalancing is needed but it would be better to wait for AMI meters to implement." (Castlegar)

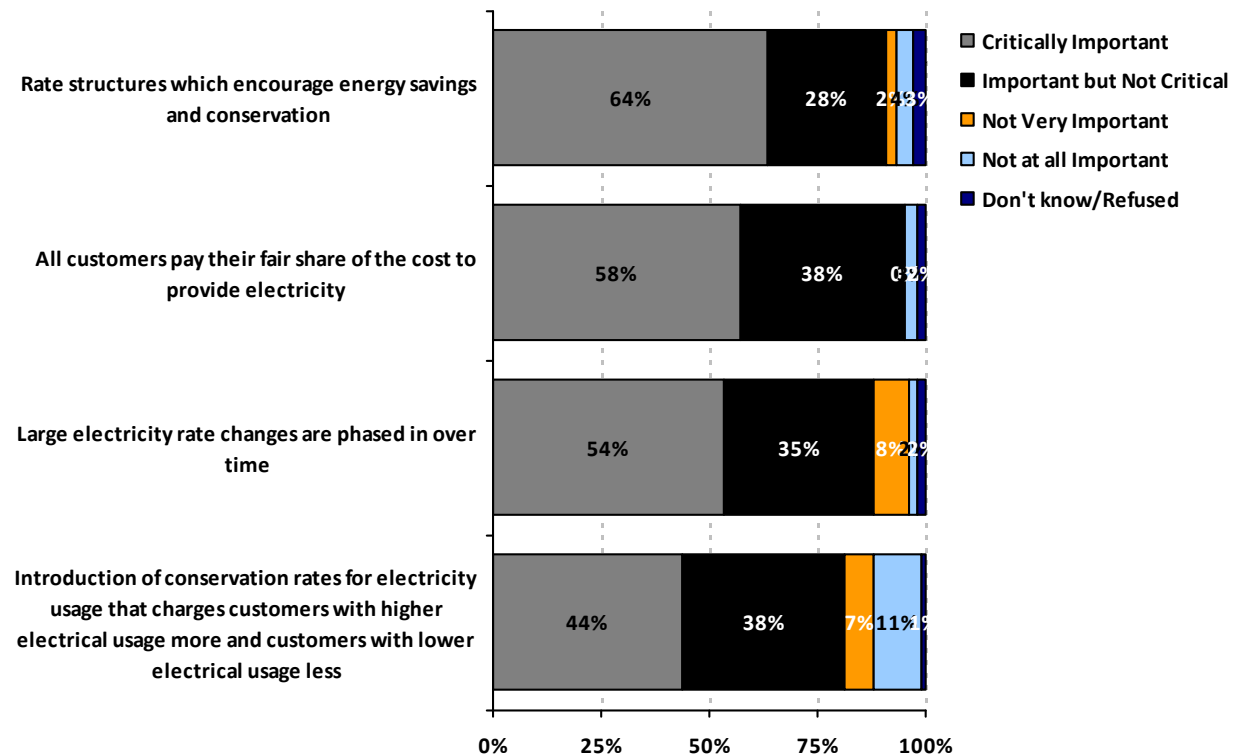
"To make it fair for those who have been paying for other people's power, it seems like that is fair." (Castlegar)

"It seems it should be more fair to balance actual costs." (Castlegar)

Considerations for Rate Rebalancing and Rate Design

The most critically important consideration in developing the rate structure is to encourage energy savings and conservation.

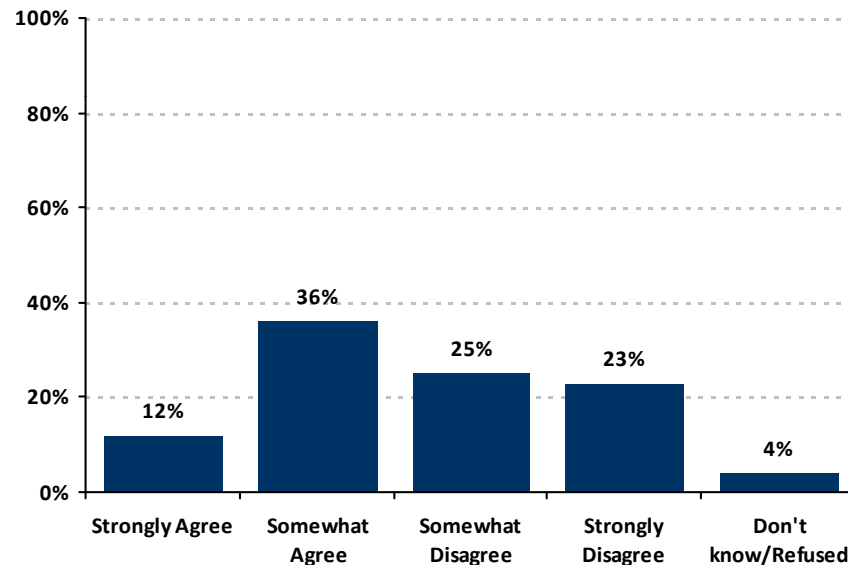
Considerations in Identifying the Best Rate Structure
(Total Respondents, n=114)



Overall Opinions about Rate Rebalancing

Participants were mixed about the idea of recovering fixed costs by raising the basic customer charge.

% of Agreement – It seems reasonable to recover more of the fixed costs by raising the basic customer charge.
(Total Respondents, n=114)



"Raising fixed costs does nothing to promote energy conservation = less power usage." (Kelowna)

"I'm lukewarm on this issue. I basically think the user should pay in relation to consumption." (Kelowna)

"This would not allow customers the control to regulate their cost." (Kelowna)

"Fixed costs need fixed revenue but in this case attempts to conserve energy needs to be rewarded." (Castlegar)

"Charging more should come from usage of power." (Castlegar)

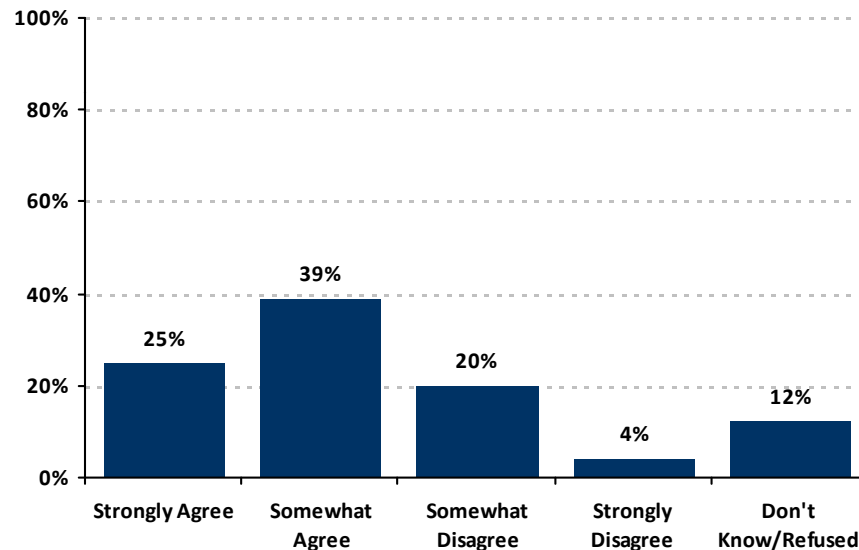
"[The] basic customer charge does not encourage conservation." (Castlegar)

"The fixed cost should remain the same and ... lower usage should be rewarded." (Castlegar)

Overall Opinions Towards Rate Design

Most participants agreed that it is important to flatten the rate structure for commercial customers.

% Agreement: It is important to flatten the rate structure for commercial customers.
(Total Respondents, n=114)



(Strongly Agree) "Everyone should pay the same rates regardless of why." (Castlegar)

(Strongly Agree) "Commercial customers need to start conserving energy also." (Kelowna)

(Strongly Agree) "Small business should not be paying more than large companies." (Kelowna)

(Somewhat Agree) "Ensure all users pay an equal amount to cover costs." (Castlegar)

(Somewhat Agree) "Smaller commercial customers need some help." (Castlegar)

(Somewhat Agree) "Declining rates do not help promote conservation." (Kelowna)

(Somewhat Disagree) "The gap between rates needs to be reduced but flatter rates probably would not be best." (Castlegar)

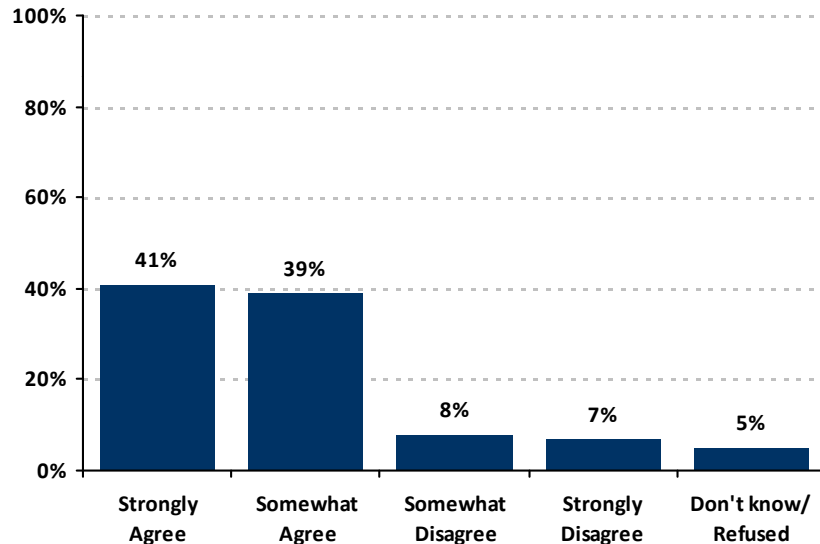
(Somewhat Disagree) "It's not consistent with your cost of doing business." (Kelowna)

Overall Opinions about Rate Rebalancing

Most participants agreed that capping increases at 5% per year is reasonable when customers' revenue to cost ratio is below 100%.

% of Agreement – For customers whose revenue to cost ratios are below 100%, capping their increases at 5% per year seems reasonable.

(Total Respondents, n=114)



Kelowna participants were more likely to strongly agree that capping increases is reasonable for those with revenue to cost ratios below 100%.

"Reasonable cost increase allows time to meet new expenses."
(Kelowna)

"They need time to adjust their new costs." (Kelowna)

"5% could be a big increase that could make or break someone."
(Kelowna)

"There should not be a shock to cost of doing business."
(Kelowna)

"Cost should reflect usage." (Castlegar)

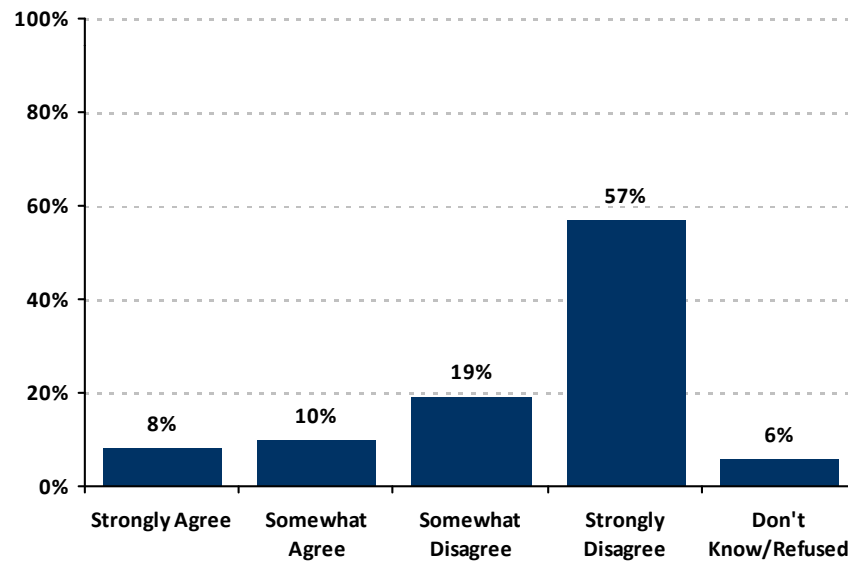
"Too much increase for some customers could be too difficult to manage." (Castlegar)

"Given the economy businesses may need more mercy, maybe 2% until economy gets moving again." (Castlegar)

Overall Opinions Towards Rate Design

Participants strongly disagreed with the rate design option which included a meter read and a monthly bill because it would increase costs without any major customer benefit.

% Agreement: Residential customers are billed every two months, but I would prefer to have my meter read and be billed monthly, even if there is a one-time one percent rate increase.
(Total Respondents, n=114)



(Strongly Agree) "I would like to see where I stand on a monthly basis." (Castlegar)

(Somewhat Disagree) "Don't think it would make any real difference." (Kelowna)

(Strongly Disagree) "Reading meters more often would increase costs with no benefit to the customer." (Castlegar)

(Strongly Disagree) "2 months is fine, what difference does it make?" (Castlegar)

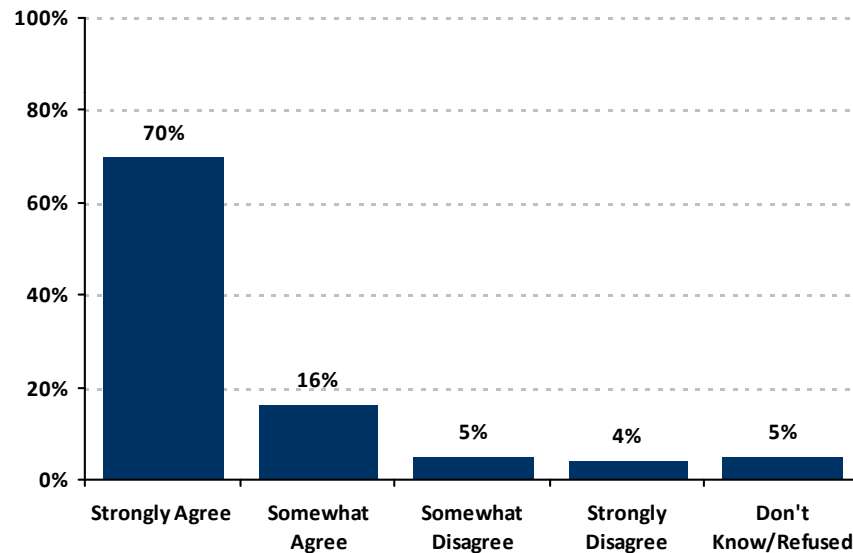
(Strongly Disagree) "I don't see any benefit to me, only an increase in cost." (Kelowna)

(Strongly Disagree) "Until AMI is established leave it at 2 month periods." (Kelowna)

Overall Opinions Towards Rate Design

There was overwhelming agreement (86%) that it is important to introduce rate structures that encourage energy efficiency and conservation.

% Agreement: Introducing rate structures that encourage energy efficiency and conservation is important.
(Total Respondents, n=114)



(Strongly Agree) "Rate should reflect how a person applies efficiency and conservation." (Castlegar)

(Strongly Agree) "A lot of changes need to be forced for some people/businesses to make a difference." (Castlegar)

(Strongly Agree) "It will help keep fixed costs lower by reducing needs for new generation." (Kelowna)

(Somewhat Disagree) "Expensive to rebuild an existing home." (Kelowna)

(Strongly Disagree) "People are already conserving an inclining rate for residential would be devastating for families." (Castlegar)

(Strongly Disagree) "Price to cost, not to control behaviour. pricing to cost will achieve that anyway." (Kelowna)

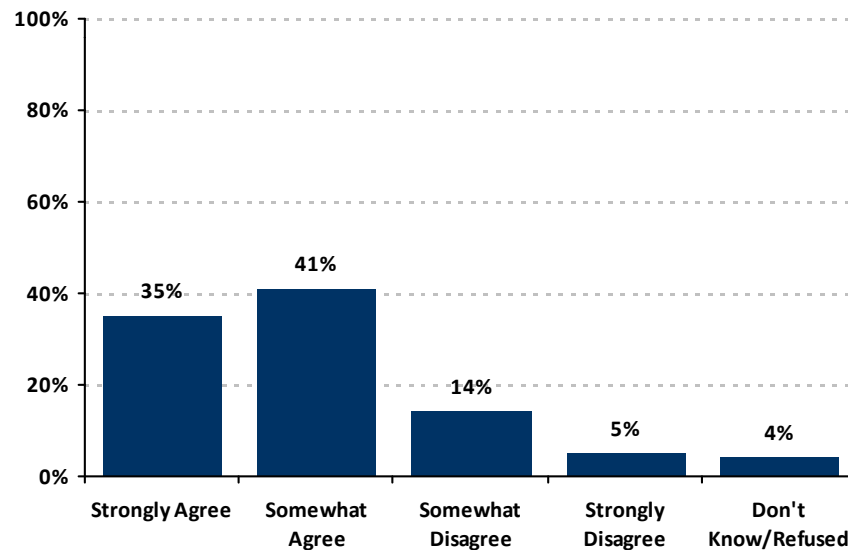
When giving reasons for selecting their answer, Castlegar participants were more likely to report that 'we need education on conservation' while Kelowna participants reported that 'we need to do all we can for the earth by reducing consumption.'

Overall Opinions Towards Rate Design

There was general agreement that a conservation rate design where cost is relative to usage would result in lower energy consumption.

% Agreement: A conservation rate for electricity usage that charges customers with higher electrical usage more and customers with lower electrical usage less will result in lower energy consumption.

(Total Respondents, n=114)



*(Strongly Agree) "Education and mindset is a step towards more awareness and invitation to further improve efficiency."
(Kelowna)*

*(Somewhat Agree) "A big house, energy efficient, need not pay the same as a house that is not cared for or energy efficient."
(Castlegar)*

*(Somewhat Agree) "It is a good idea but individual circumstances need to be considered."
(Castlegar)*

*(Somewhat Agree) "[This] will encourage lower consumption to those who are able to reduce consumption. Businesses are less able to reduce."
(Kelowna)*

*(Somewhat Agree) "It's a complicated subject. We don't know what uses the most power in our homes. Education process to reduce consumption."
(Kelowna)*

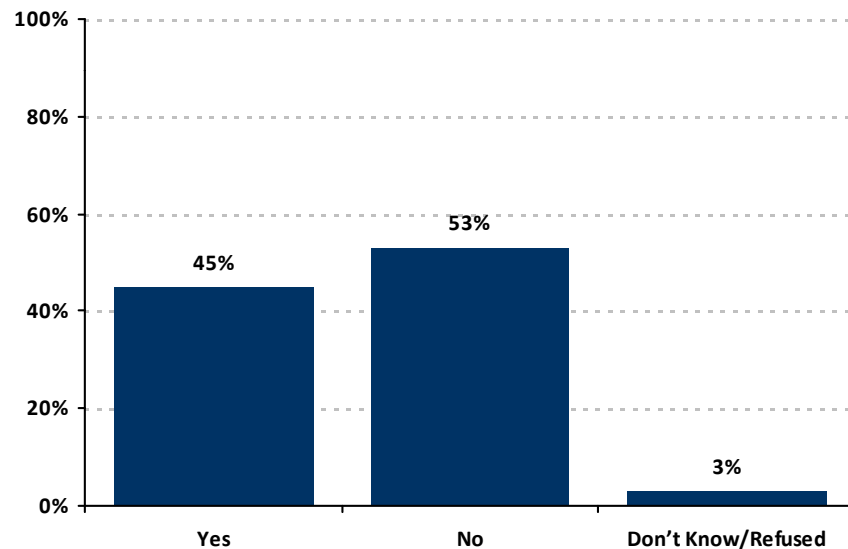
*(Somewhat Disagree) "Not necessarily, some companies may not be able to reduce their consumption any more than they already have."
(Kelowna)*

Impact on Energy Usage

Participants were mixed as to whether or not charging higher rates to higher users would result in lower energy usage.

Do you think that charging higher-usage customers a 20% higher rate for electricity will result in lower energy usage?

(Total Respondents, n=114)



(Yes) "Anything that encourages someone to save money will make more people consider making changes. People care when their money is at stake." (Castlegar)

(Yes) "Most customers are not reducing consumption at all or enough, while most are price conscious. If savings are the incentive, more efforts will be made to reduce consumption." (Castlegar)

(Yes) "Yes, but minimally. People accustomed to a standard of living will pay more thus use more to maintain it. The less usage of energy will come from more efficient and conservative technology, as opposed to any significant reduction of usage." (Kelowna)

(No) "Because higher usage customers often have a high enough income that by raising the rate won't make them aware of their electricity usage. Some people just don't care." (Castlegar)

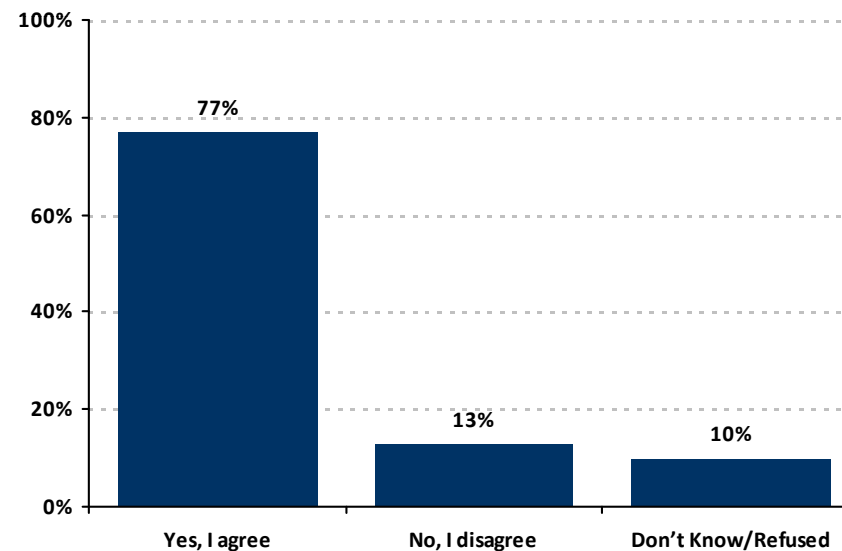
(No) "If applied to commercial users it will simply be passed on to their customers. If applied to residential users the high use consumers will pay whatever it takes to maintain their comfort with air conditioners." (Kelowna)

(No) "Because people will use the resources they need in spite of the cost (within reason)." (Castlegar)

Perceptions of Revenue Neutrality

Participants perceived the cost of service analysis and rate design changes as revenue-neutral to FortisBC. They understood the goals of Rate Rebalancing and Rate Design as improving customer class equity.

% Agreement: The cost of service analysis and rate design changes are revenue neutral to FortisBC and merely distribute the costs and revenue more equitably among customer groups.
(Total Respondents, n=114)





Residential Rate Design Options

Residential Rate Design: Summary of Findings

- Energy conservation was the primary reason for supporting Options 1, 2 or 3, while supporters for Option 4 often cited the implementation of AMI or a lack of reason to change as the rationale for preferring that option. (Page 32)
- Participants cited concerns with the impact on low-income households as the main concern with Option 2. (Page 33)
- Participants were mixed about Option 1, which was seen as more strongly promoting conservation through higher energy rates. (Page 34)
- Option 3 was one of the most preferred options but some participants did not like the concept of inclining block rates. (Page 38)
- Most participants who preferred Option 4 cited a lack of reason to change or the implementation of AMI as their reason for their preference. (Page 40)

Rate Design Options

FortisBC presented detailed information on each of the following four Rate Design options as part of the presentation. In addition, FortisBC invited participants to outline other options that they considered worth considering in the space provided for additional comments.

Information on each of the four options was provided to participants with their survey, so they could recall the differences between each option as they completed the Part B survey.

Option 1 - Lower basic bi-monthly charge with higher energy rates and a minimum bill

This option lowers the bi-monthly charge to \$12, implements a \$32 minimum bill and increases energy rates to a flat rate of 8 cents per kilowatt hour.

Option 2 - Inclining block rate with existing bi-monthly basic charge and higher energy rates

In this option the bi-monthly basic customer charge remains at approximately \$24. The energy rate in the first block of 1350 kWh is 6.5 cents and 9.1 cents per kilowatt hour after the first block. These energy rates are higher than Option 3.

Option 3 - Inclining block rate with higher basic bimonthly charge and lower energy rates

This option increases the basic bi-monthly charge to \$32. The energy rate in the first block of 1350 kWh is 5.9 cents and 8.3 cents per kilowatt hour after the first block. These energy rates are lower than Option 2.

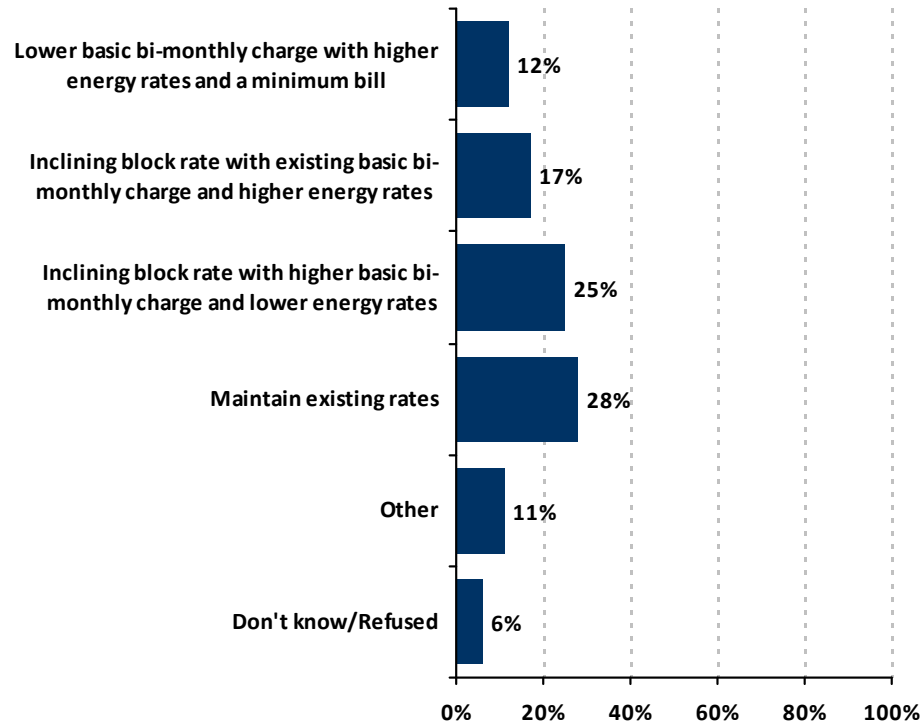
Option 4 – Maintain existing rates

In this option the basic bi-monthly customer change remains at approximately \$24 and the energy charge remains at approximately 7.5 cents per kilowatt hour regardless of how much energy you use.

Preferred Rate Options

Participants preferred to maintain existing rates or implement the inclining block rate with higher bi-monthly charges and lower energy rates.

Of All the Options Presented Tonight, Which ONE is Your Preferred Option?
(Total Respondents, n=114)



Castlegar and Kelowna had similar levels of preference for each rate option. There were no significant differences between these groups.

(Option 1) "This benefits consumers with lower consumption." (Kelowna)

(Option 2) "I do not think my billing would change very much, if any. I also believe this option would promote the most conservation." (Kelowna)

(Option 3) "Because it encourages conservation and helps to cover fixed costs for all customers." (Castlegar)

(Option 3) "[It] will lead to conservation of power and possible lower cost to each household." (Castlegar)

(Option 4) "It would make more sense to wait for new AMI meters to adjust rates as there would be more options available." (Castlegar)

(Option 4) "Leave it the way it is, I know what is happening." (Kelowna)

Reasons for Preferred Option

Energy conservation was the primary reason for supporting Options 1, 2 or 3, while supporters for Option 4 often cited the implementation of AMI or a lack of reason to change as the rationale for preferring that option.

Preferred Option #1:
Lower basic bi-monthly charge with higher energy rates and a minimum bill

Why: Prefer Option 1 Total Mentions	Total n=14
Promotes conservation	43%
Use more should pay more	29%
Should save money	21%
Low energy rate based on usage	7%
I conserve as much as I can	7%
Small business will benefit	7%
I am a low energy user	7%

Preferred Option #2:
Inclining block rate with existing basic bi-monthly charge and higher energy rates

Why: Prefer Option 2 Total Mentions	Total n=18
Promotes conservation	50%
Should save money	33%
Use more should pay more	22%
Low energy rate based on usage	6%
This is fair/makes sense	6%
Not properly informed about options - too much information	6%

Preferred Option #3:
Inclining block rate with higher basic bi-monthly charge and lower energy rates

Why: Prefer Option 3 Total Mentions	Total n=27
Promotes conservation	44%
Should save money	41%
Low energy rate based on usage	11%
Helps to cover fixed costs	11%
This is fair/makes sense	7%
I conserve as much as I can	7%
I use a lot of power	4%
Use more should pay more	4%
Bill will stay the same	4%
Easier to get used to basic charge	4%
Would like lower basic charge	4%

Preferred Option #4:
Maintain Existing Rates

Why: Prefer Option 4 Total Mentions	Total n=28
This is fair/makes sense	21%
Wait for new AMI meters to adjust rates	18%
Change is not needed	18%
Should save money	7%
Bill will stay the same	7%
Low energy rate based on usage	4%
I conserve as much as I can	4%
Use more should pay more	4%
Not properly informed about options - too much information	4%
I have no control over usage	4%
Change should be over time	4%
Cost of change will go to the consumer	4%
Other option will hurt low income users	4%
Would like decreased block with an equal energy rate	4%

Problems or Concerns with Preferred Option

Participants cited concerns with the impact on low-income households as the main concern with Option 2.

Preferred Option #1:
Lower basic bi-monthly charge with higher energy rates and a minimum bill

Why: Prefer Option 1 Total Mentions	Total n=9
No problems	44%
Low income need more help	33%
People already try to conserve and save money	11%
Need better options	11%
Need to know usage	11%
Need to save our resources	11%

Preferred Option #2:
Inclining block rate with existing basic bi-monthly charge and higher energy rates

Why: Prefer Option 2 Total Mentions	Total n=12
Low income need more help	42%
No problems	8%
People already try to conserve and save money	8%
Need to know usage	8%
All the time it takes for Fortis to research and actually change	8%
Excess profits being made	8%
Those with electric heat will suffer	8%
Overload of important information for making an unformed decision	8%
Education on ways to conserve	8%
Will it make a difference	8%

Preferred Option #3:
Inclining block rate with higher basic bi-monthly charge and lower energy rates

Why: Prefer Option 3 Total Mentions	Total n=22
Low income need more help	14%
No problems	14%
People already try to conserve and save money	9%
Rates would again raise in the near future	9%
Don't want bill to go up	9%
Not green enough	9%
Need to penalize choice not need of energy	9%
Need to know usage	5%
Those with electric heat will suffer	5%
Education on ways to conserve	5%
Need better options	5%
People need time to adjust	5%
All groups should be at 100%	5%
Don't know where the block rate will start	5%
I do not use Fortis	5%

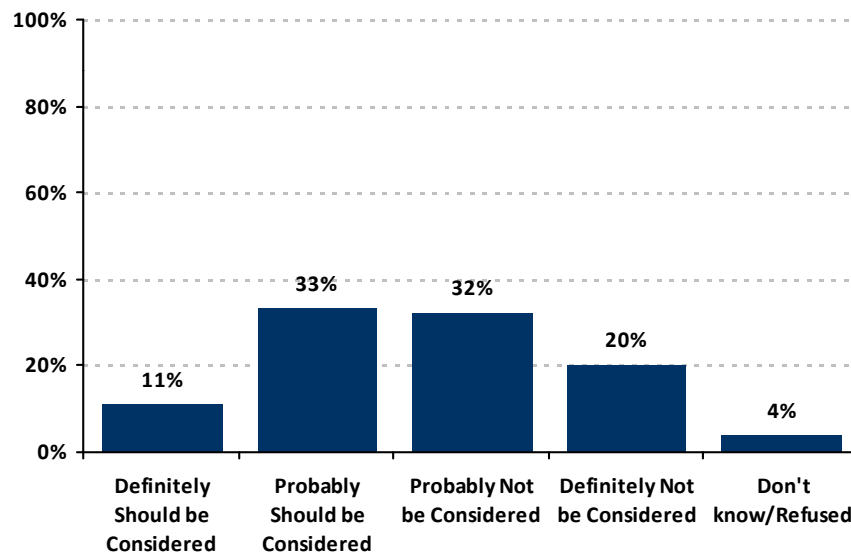
Preferred Option #4:
Maintain Existing Rates

Why: Prefer Option 4 Total Mentions	Total n=19
No problems	42%
Want the AMI meters	16%
People already try to conserve and save money	11%
Will change anyways, doesn't matter what I say	11%
People need time to adjust	5%
All the time it takes for Fortis to research and actually change	5%
Need to read the meters once a month	5%
Renters need incentive to save power	5%
Studies should be regulated every five years, ten years is too long	5%

Opinions towards Residential Option 1

Participants were mixed about Option 1, which was seen as more strongly promoting conservation through higher energy rates.

Preference towards Option 1: Lower basic bi-monthly charge with higher energy rates and a minimum bill
(Total Respondents, n=114)



(Definitely Should be Considered) "Promotes conservation by tying costs to usage." (Kelowna)

(Definitely Should be Considered) "This is a direct means of encouraging conservation." (Kelowna)

(Definitely Should be Considered) "Reward those who try to conserve." (Castlegar)

(Probably Should Not be Considered) "Not enough incentive to conserve." (Castlegar)

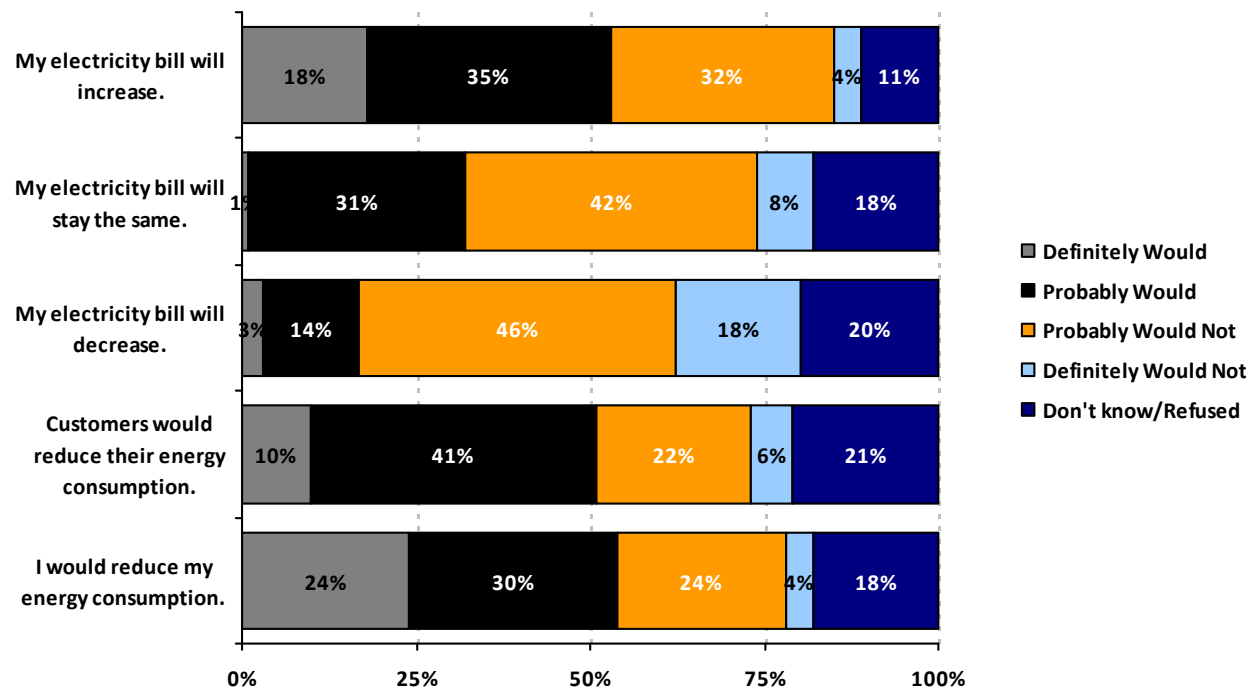
(Definitely Not be Considered) "Does not allow equalization of monthly bills when all conservation efforts have been exhausted." (Kelowna)

(Definitely Not be Considered) "Simply charge everyone a basic rate to cover Fortis fixed costs and then charge everyone the same energy rate." (Castlegar)

Perceived Outcomes of Implementation: Option 1

At least half of participants expected that Option 1 would reduce personal energy consumption, increase electricity bills and reduce energy consumption by customers overall.

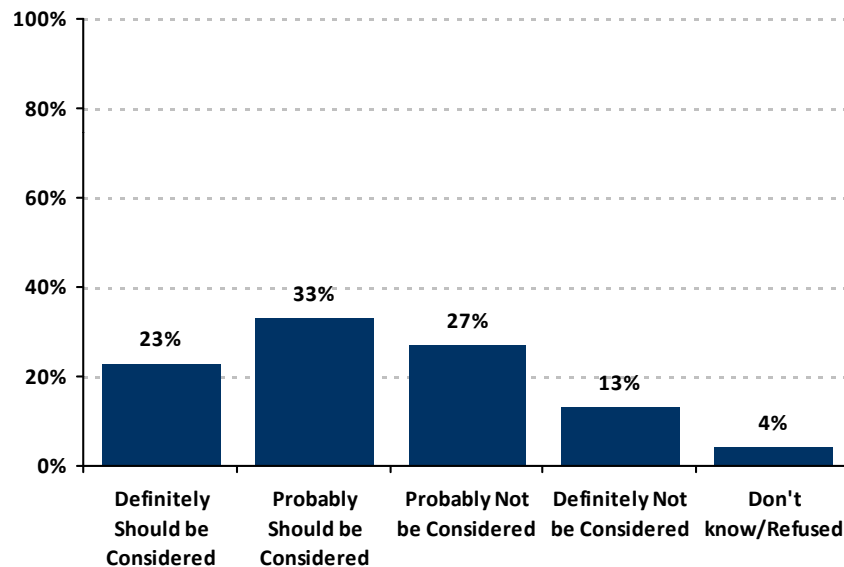
Perceived Outcomes Due to Implementation of Option 1
(Total Respondents, n=114)



Opinions towards Residential Option 2

More than half thought Option 2 should be considered.

Preference towards Option 2: Inclining block rate with existing basic bi-monthly charge and higher energy rates
(Total Respondents, n=114)



(Definitely Should be Considered) "The change to low users is less drastic. The incentive to use less power is higher, i.e., bigger gap between block prices." (Castlegar)

(Definitely Should be Considered) "Hopefully people would try to use less energy." (Kelowna)

(Probably Not be Considered) "Reduce consumption should be voluntary, plus I have renters downstairs and no control." (Kelowna)

(Probably Not be Considered) "Energy rate should be consistent with higher usage not higher rate." (Castlegar)

(Definitely Not be Considered) "Users will not be equal, lower income households will pay more." (Castlegar)

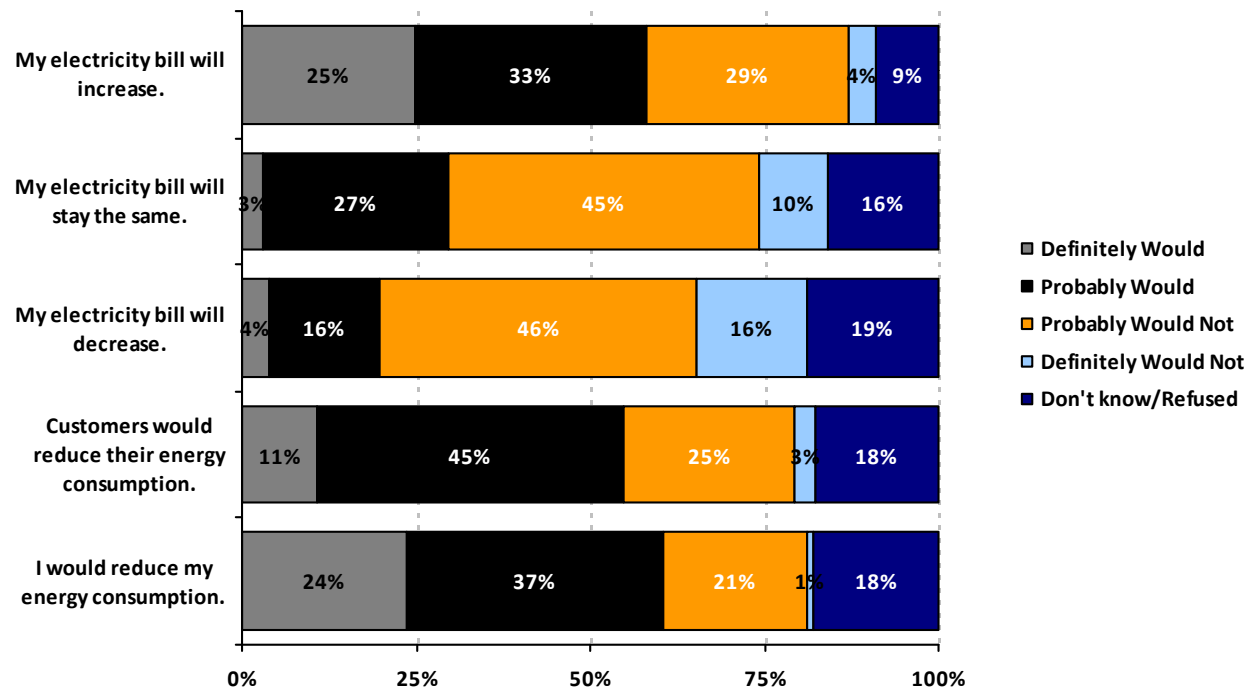
(Definitely Not be Considered) "Residential rates should definitely not be put on an inclining rate. Too many struggling families." (Castlegar)

(Definitely Not be Considered) "Because I feel I already am trying to save and our bill is high, so how am I going to save more?" (Kelowna)

Perceived Outcomes of Implementation: Option 2

Participants felt the same outcomes would occur from implementing Option 2 as Option 1—reduced personal consumption and customer consumption overall and increased bills.

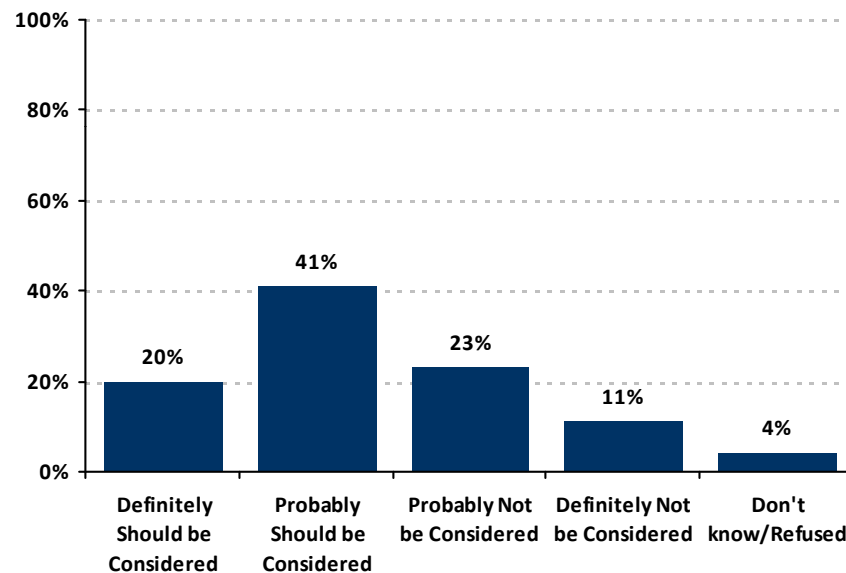
Perceived Outcomes Due to Implementation of Option 2
(Total Respondents, n=114)



Opinions towards Residential Option 3

Option 3 was one of the most preferred options but some participants did not like the concept of inclining block rates.

Preference towards Option 3: Inclining block rate with higher basic bi-monthly charge and lower energy rates
(Total Respondents, n=114)



(Definitely Should be Considered) "Seems to encourage better 'smart' usage whilst still covering fixed costs." (Kelowna)

(Definitely Should be Considered) "1-Fixed costs should be reflected in basic charge; 2-Conservation goals supported." (Castlegar)

(Probably Should be Considered) "It's fair to people to control their consumption. It kinda penalizes for more consumption." (Kelowna)

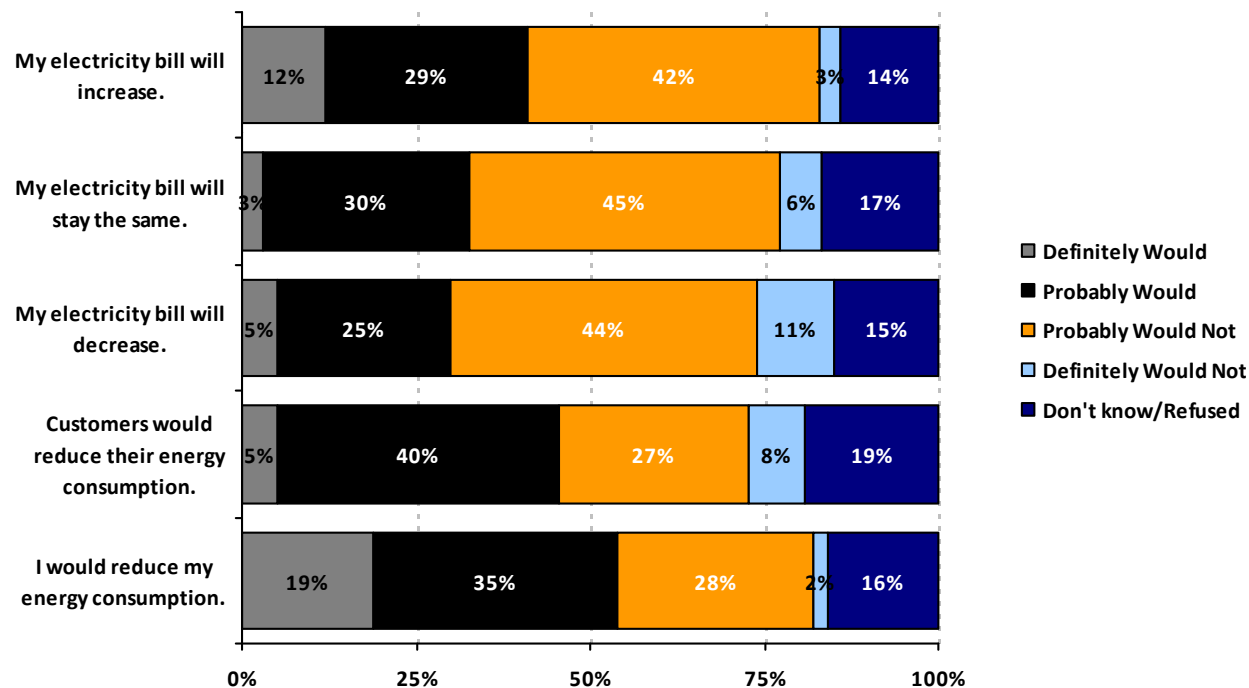
(Probably Should be Considered) "Could reduce monthly costs depending on how much the bimonthly charge increased." (Kelowna)

(Definitely Not be Considered) "No to the inclining block rate for residential." (Castlegar)

Perceived Outcomes of Implementation: Option 3

The majority of participants thought Option 3 would encourage them to reduce their own electricity consumption.

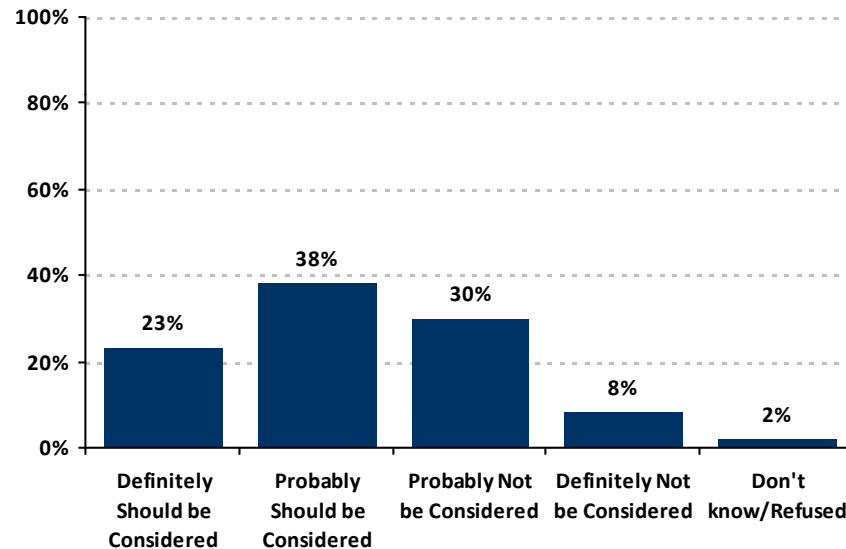
Perceived Outcomes Due to Implementation of Option 3
(Total Respondents, n=114)



Opinions towards Residential Option 4

Most participants who preferred Option 4 cited a lack of reason to change or the implementation of AMI as their reason for their preference.

Preference towards Option 4: Maintain existing rates
(Total Respondents, n=114)



(Definitely Should be Considered) "It makes more sense to wait for new meters and the new options they will allow before making changes." (Castlegar)

(Definitely Should be Considered) "As you are at 99% there is a consideration rates should stay the same." (Kelowna)

(Probably Should be Considered) "Wait until the smart meters come in and introduce a rebalanced rate then." (Castlegar)

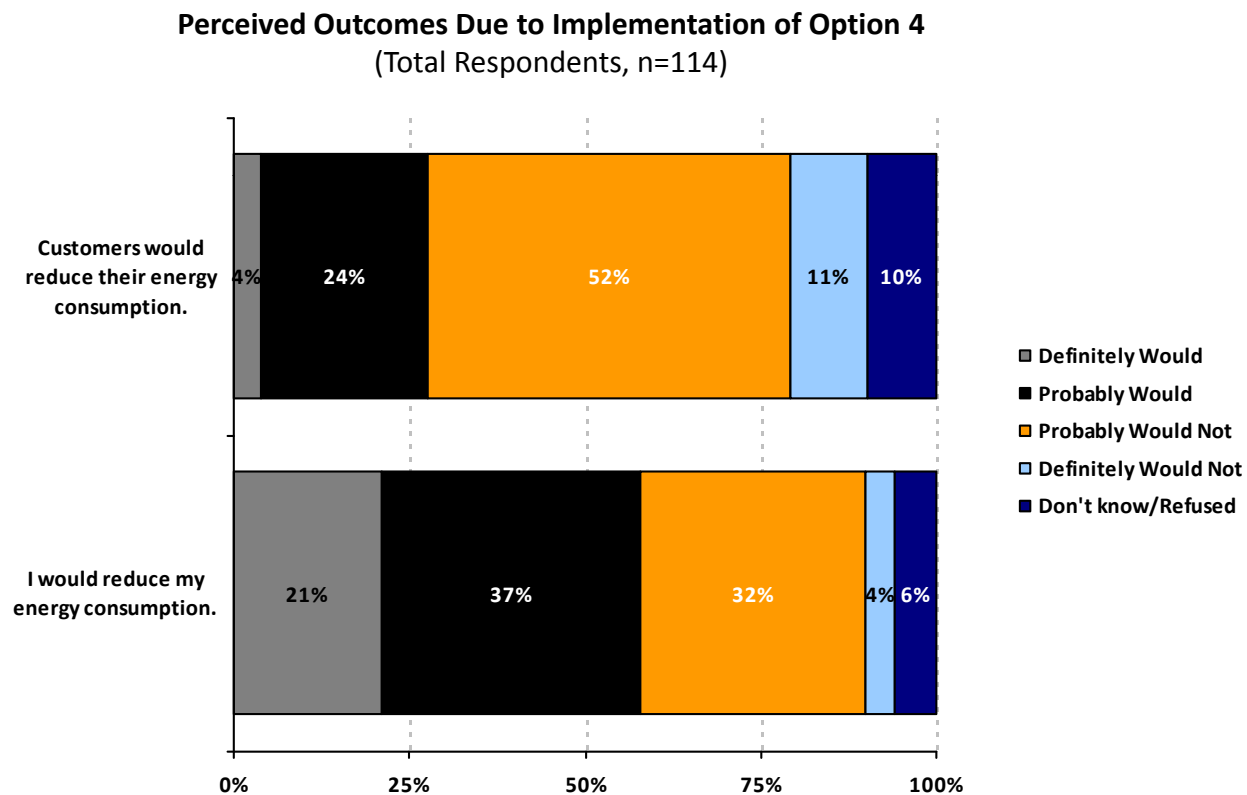
(Probably Should be Considered) "There is no substantial evidence to show that there will be a cost saving or a reduction in energy used to consider the choice." (Kelowna)

(Probably Not be Considered) "There is no incentive to reduce consumption." (Castlegar)

(Probably Not be Considered) "Doesn't encourage reduction of consumption." (Kelowna)

Perceived Outcomes of Implementation: Option 4

Many participants felt that maintaining existing rates would reduce their personal energy consumption but would not reduce overall consumption.





General Service Rate Design Options

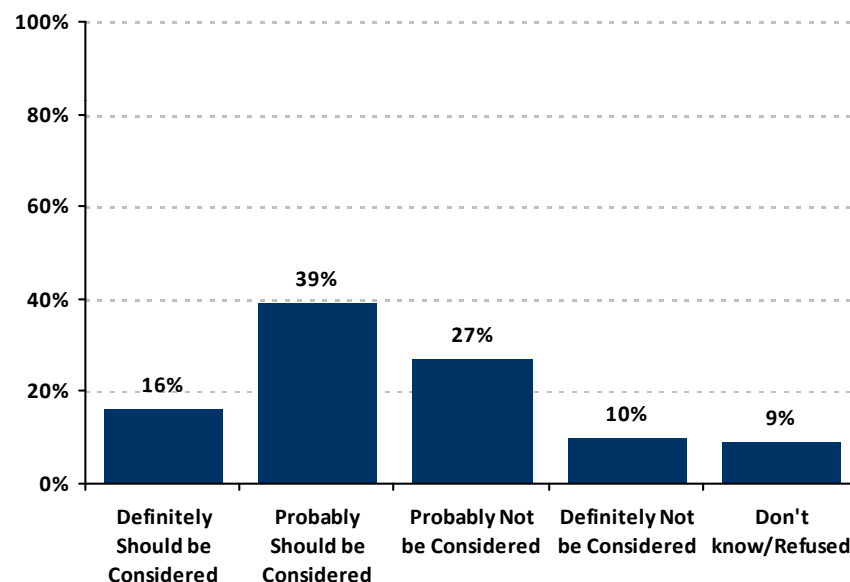
General Service Rate Design Options: Summary of Findings

- The majority of participants (55%) felt the general service option should be considered, however, there were also many against it. (Page 44)
- The General Service participants were also divided in their opinions on the general service option. Most felt it should not be considered, but many others disagreed. (Page 46)
- Nearly half of the General Service customers surveyed thought their electricity bill would increase with this option. (Page 47)

Opinions towards General Service (Commercial) Option

The majority of participants (55%) felt the general service option should be considered, however, there were also many against it.

Preference towards General Service Option: Flattened blocks with higher basic customer charge and lower energy rates
(Total Respondents, n=114)



(Definitely Should be Considered) "Business could lower their bills by reducing consumption." (Kelowna)

(Definitely Should be Considered) "1-Declining block rates are in opposition to conservation goals. 2-Basic charge should reflect fixed costs." (Castlegar)

(Probably Should be Considered) "These are high usage customers who need regular fixed costs." (Castlegar)

(Probably Should be Considered) "Flatten block would be fair, the more they use the more they pay." (Castlegar)

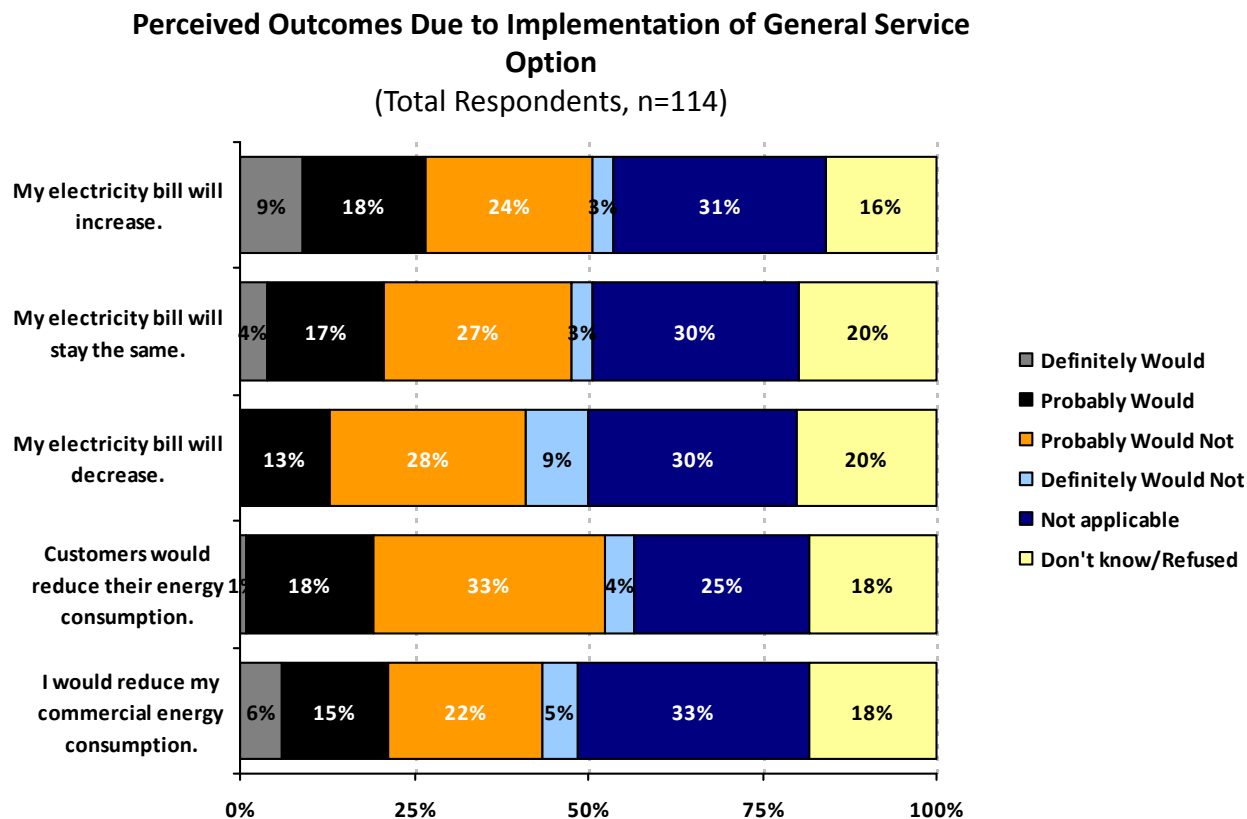
(Probably Should be Considered) "To bring cost and returns into better balance." (Kelowna)

(Probably Not be Considered) "No incentive to use less power." (Kelowna)

When looking at the answers from a Residential perspective versus a General Service perspective we find that the General Service segment is more likely to suggest that this option "probably should not be considered."

Perceived Outcomes of Implementation: General Service

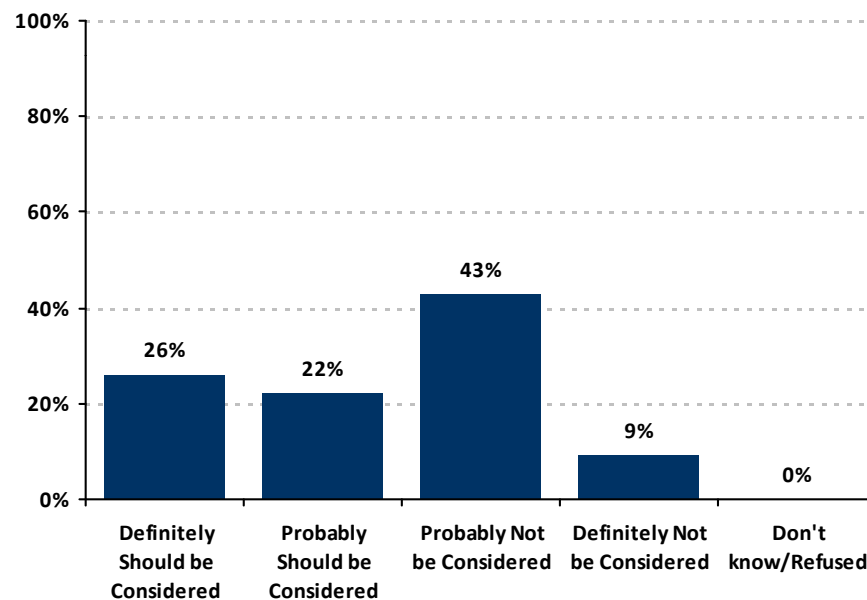
Many participants were not really sure what the outcome of implementing the General Service option would be. However, the General Service segment were more likely than Residential to claim they definitely would reduce consumption.



General Service Opinions Towards General Service (Commercial) Option

The General Service participants were also divided in their opinions on the general service option. Most felt it should not be considered, but many others disagreed.

Preference Towards General Service Option: Flattened blocks with higher basic customer charge and lower energy rates
(General Service Respondents, n=23)



CAUTION: Small sample base (n=23)

(Definitely Should be Considered) "Needs to be flattened for fairness." (General Service)

(Definitely Should be Considered) "They should not be encouraged to use more." (General Service)

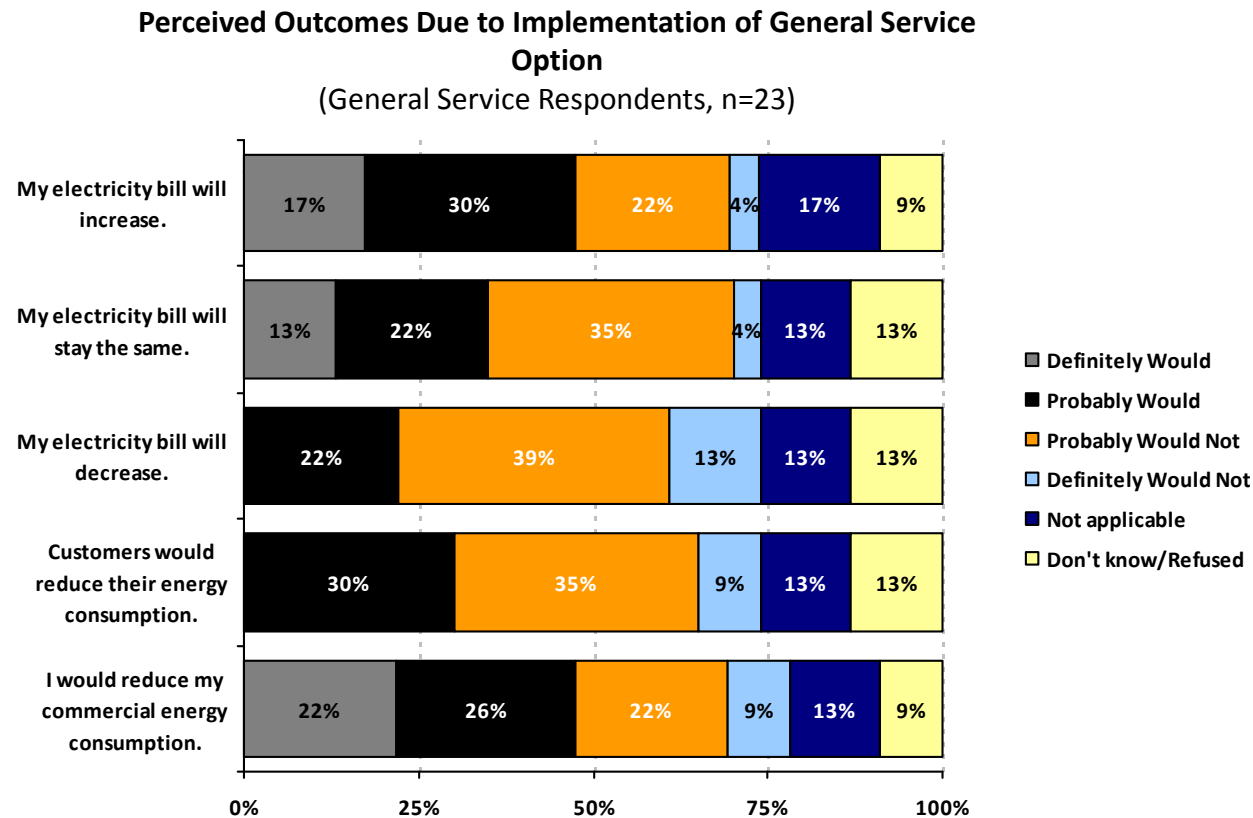
(Probably Should be Considered) "Flatten block would be fair, the more they use the more they pay." (General Service)

(Probably Should be Considered) "I don't know, but according to the first half of the presentation Fortis should do everything possible to bring these rates down." (General Service)

(Definitely Not be Considered) "One rate for all." (General Service)

Perceived Outcomes of Implementation: General Service

Nearly half of the General Service customers surveyed thought their electricity bill would increase with this option.





Communications and Consultation

Communications and Consultation: Summary of Findings

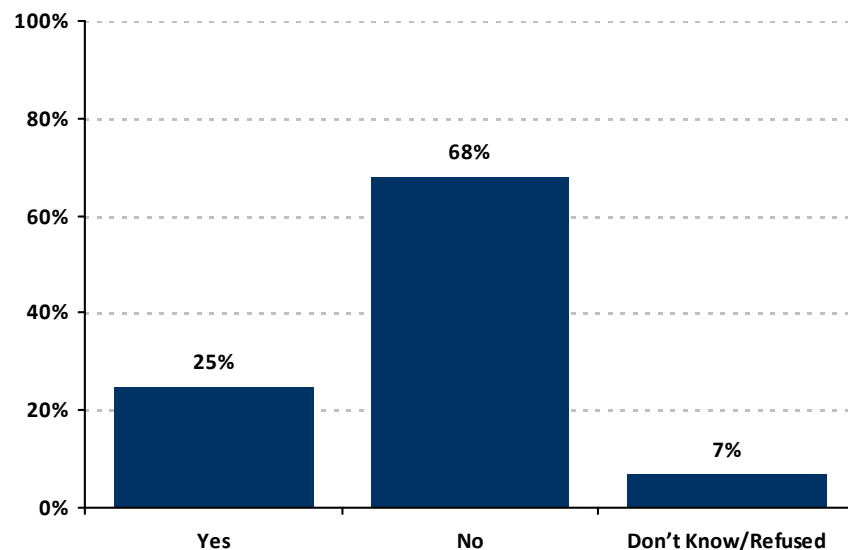
- **Most Super Group participants felt that the presentation was easy to understand. (Page 50)**
- **Super Group participants agreed that the materials in the presentation were presented objectively. However, 38% indicated only being somewhat in agreement. (Page 51)**
- **The presentation was successful in helping participants understand cost of service and rate design, including rate rebalancing. (Page 52)**
- **Participants identified a wide range of materials that would be helpful. Information on how to read the meter was rated as most helpful. (Page 53)**

Opinions Towards the FortisBC Presentation

Most Super Group participants felt that the presentation was easy to understand.

Was there anything in the presentation that was confusing or difficult for you to understand?

(Total Respondents, n=114)



(Yes) "Hard to really comprehend how much my bill would be impacted." (Castlegar)

(Yes) "Difficult to consider all the options because of variety of billing situations for different customers. Would not be possible to break down every one." (Kelowna)

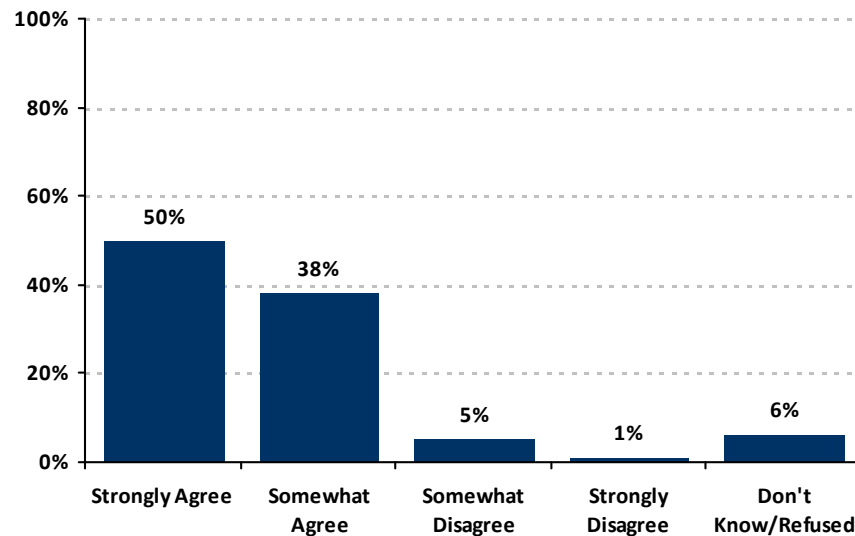
(Yes) "Why the commercial and light industrial users have been allowed to get so far out of balance with residential users." (Kelowna)

(No) "Nothing- plain to see power is going to cost more." (Castlegar)

Opinions Towards the FortisBC Presentation

Super Group participants agreed that the materials in the presentation were presented objectively. However, 38% indicated only being somewhat in agreement.

% Agreement: The materials in the presentation were presented objectively.
(Total Respondents, n=114)



(Strongly Agree) "Corey gave a very good presentation and kept the discussion on track for the most part." (Castlegar)

(Strongly Agree) "Enjoy [ed] very much and learned a lot about power." (Kelowna)

(Somewhat Agree) "Presentation a bit confusing for some people." (Castlegar)

(Somewhat Agree) "Can't really be totally objective if presented by a rep of the company." (Kelowna)

(Somewhat Disagree) "Being objective is unlikely when you are management presenting mgmt view." (Castlegar)

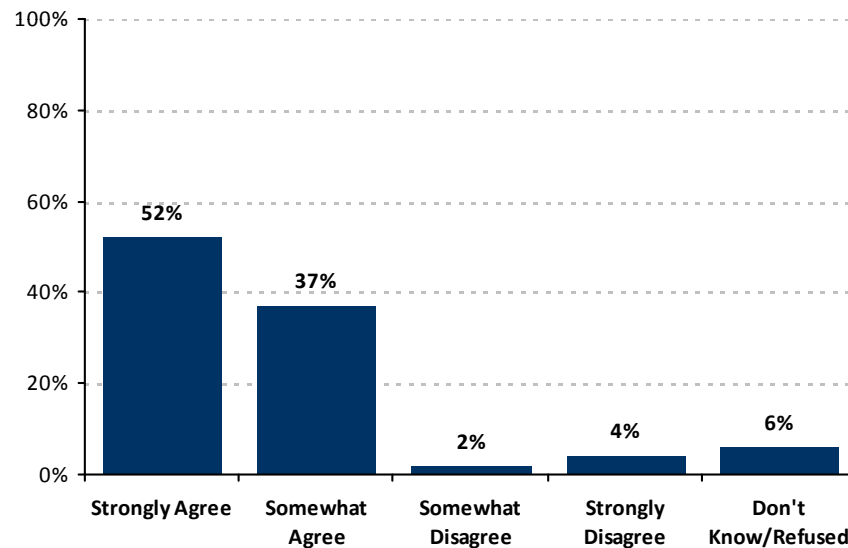
(Somewhat Disagree) "Presented confusingly, and giving us Fortis preferred method." (Kelowna)

Kelowna participants were more likely to strongly agree that materials were presented objectively.

Opinions Towards the FortisBC Presentation

The presentation was successful in helping participants understand cost of service and rate design, including rate rebalancing.

% Agreement: The presentation helped me understand cost of service and rate design, including rate rebalancing.
(Total Respondents, n=114)



(Strongly Agree) "Some people just have beefs that blocked their ability to understand the purpose of this exercise."
(Castlegar)

(Strongly Agree) "Makes me angry to see big business on a declining rate." (Castlegar)

(Strongly Agree) "Great way to show what and how the design works." (Kelowna)

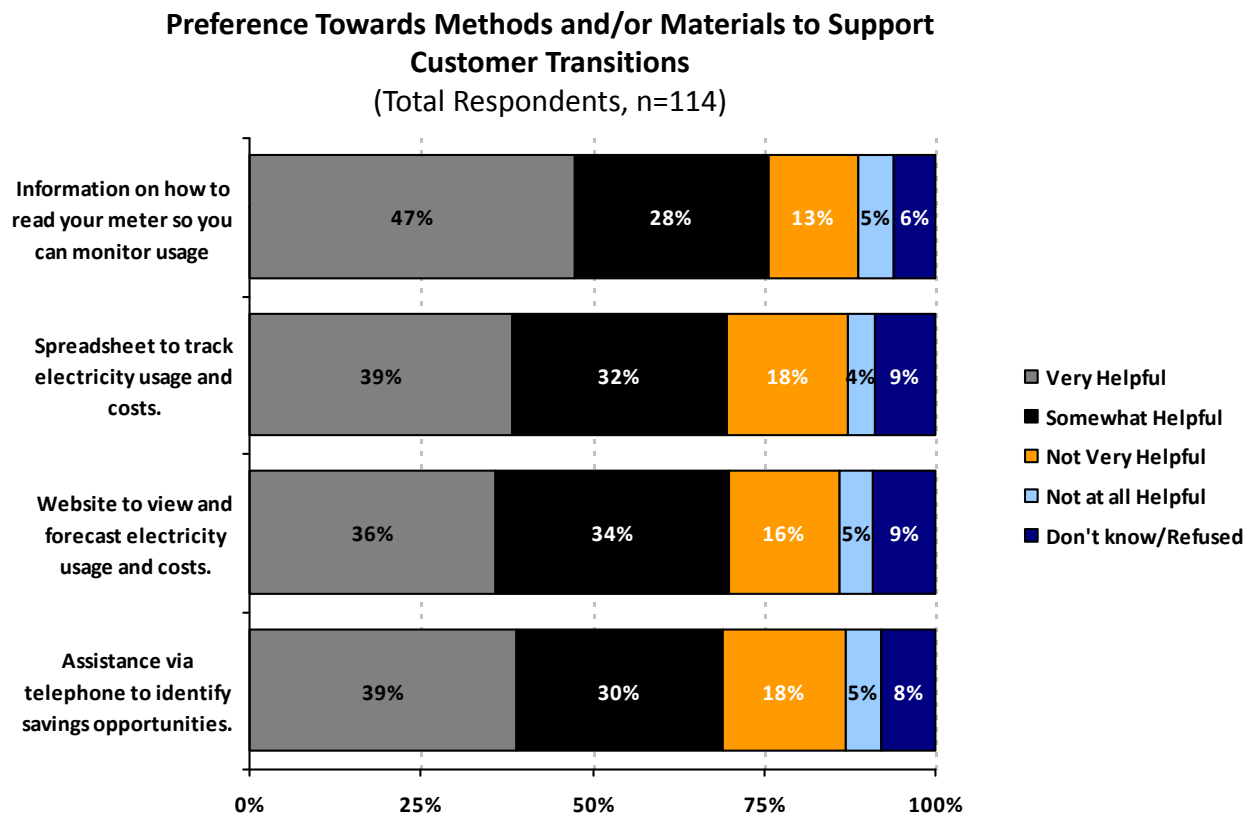
(Somewhat Agree) "Some information presented [was] more convoluted than necessary." (Castlegar)

(Strongly Disagree) "I was given absolutely NO sound and logical reason for any changes to be implemented." (Castlegar)

(Strongly Disagree) "This is too much for people to absorb."
(Castlegar)

Preferred Methods and/or Materials to Support Transitions

Participants identified a wide range of materials that would be helpful. Information on how to read the meter was rated as most helpful.





Appendix 1: Questionnaires

Questionnaire

Questionnaire: Part 1

Castlegar: August 17, 2009
Kelowna: August 18, 2009

Respondent: _____

PN: 6755

PART 1: BACKGROUND INFORMATION

Instructions

- You have 15 minutes to complete this section
- When you are done this section, please put your pencil down
- When everyone is ready, the facilitator will provide further instructions
- Please don't disturb your neighbours (Thank you!)

Part 1: Background Information

Page 1

Questionnaire

Part 1: Background Information

About You

1. Which of the following describes your account (or accounts) with FortisBC? Is it...

[CHECK ALL BOXES THAT APPLY]

- ☐ ₁ Residential
- ☐ ₂ General Service
- ☐ ₃ Industrial
- ☐ ₄ Irrigation
- ☐ ₅ Wholesale
- ☐ ₆ Lighting

2. Please write in your age.

_____ AGE

3. Please indicate your gender.

[CHECK BOX]

- ☐ ₁ Male
- ☐ ₂ Female

Part 1: Background Information

Page 2

4. Please record your postal code

— — — — —

5. Which of the following best describes your own present employment status?

Are you... [CHECK ONE BOX ONLY]

- ☐ ₁ Working full-time
- ☐ ₂ Working part-time
- ☐ ₃ Unemployed or looking for a job
- ☐ ₄ Stay at home full-time
- ☐ ₅ Student
- ☐ ₆ Retired

6. Do you currently own or rent your home? [CHECK ONE BOX ONLY]

- ☐ ₁ Own
- ☐ ₂ Rent

7. Which of the following best describes your home? [CHECK ONE BOX ONLY]

- ☐ ₁ Single detached house
- ☐ ₂ Townhome or duplex
- ☐ ₃ Apartment building
- ☐ ₄ Mobile home
- ☐ ₅ Basement Suite / Suite
- ☐ ₆ Other

Part 1: Background Information

Page 3

Questionnaire

8. What is the square footage of your home?

- ☐ ₁ Less than 800 sq. ft.
☐ ₂ 800 to less than 1200 sq. ft.
☐ ₃ 1200 to less than 1600 sq. ft.
☐ ₄ 1600 to less than 2000 sq. ft.
☐ ₅ 2000 to less than 2500 sq. ft.
☐ ₆ More than 2500 sq. ft.

9. What fuel do you use to heat your home?

[CHECK ALL BOXES THAT APPLY]

- ☐ ₁ Natural Gas
☐ ₂ Oil
☐ ₃ Propane
☐ ₄ Electricity
☐ ₅ Wood
☐ ₆ Other (please describe): _____

10. Please indicate the **main** heating system you use in your home

[CHECK ONE BOX ONLY]

- ☐ ₁ Central air
☐ ₂ Electric baseboards
☐ ₃ Hot water baseboards / radiator
☐ ₄ Heat pump (air or ground)
☐ ₅ Wood, gas or electric fireplace
☐ ₆ Other (please describe): _____

Part 1: Background Information

Page 4

11. Do you have air conditioning in your home?

- ☐ ₁ Yes, central air
☐ ₂ Yes, a window unit
☐ ₃ No

12. How many people, including yourself, currently live in your household?

13. Do you feel the price you currently pay for your household electricity service is:

[CHECK ONE BOX ONLY]

- ☐ ₁ Too low
☐ ₂ About right
☐ ₃ Too high

14. Does the current size of your household electricity bill make a noticeable, small or no impact on your household finances each month?

[CHECK ONE BOX ONLY]

- ☐ ₁ Noticeable impact
☐ ₂ Small impact
☐ ₃ No impact

Part 1: Background Information

Page 5

Questionnaire

15. FortisBC, your electricity supplier, is completing a review of electricity rates for all customer classes: residential, commercial, industrial, wholesale, lighting and irrigation. This review will help to ensure the electricity rates paid by each customer class reflects the cost of providing service to that customer class, and that classes of customers are not unduly subsidizing each other. It will also help to determine what, if any, updates to the rate structures are needed.

There are number of considerations in identifying the best rate structure going forward. Do you think each of the following considerations in Column A is critically important, important but not critical, or not very important in deciding updates to the current rate structures for electricity usage?

[CIRCLE ONE NUMBER IN EACH ROW FOR EACH ITEM IN COLUMN A]

	COLUMN A	Critically Important	Important but Not Critical	Not Very Important	Not at all Important
A	All customers pay their fair share of the cost to provide electricity	1	2	3	4
B	Introduction of conservation rates for electricity usage that charges customers with higher electrical usage more and customers with lower electrical usage less	1	2	3	4
C	Large electricity rate changes are phased in over time	1	2	3	4
D	Rate structures which encourage energy savings and conservation	1	2	3	4

Part 1: Background Information

Page 6

15. Do you think that charging higher-usage customers a 20% higher rate for electricity will result in lower energy use?

☐ 1 Yes

☐ 2 No

16. Why do you say that?

When you are done, please put your pencil down
and wait for the facilitator to provide further instructions.

Part 1: Background Information

Page 7

Questionnaire

PART 2:
REACTION TO PRESENTATION OF
RATE REBALANCING AND RATE STRUCTURE OPTIONS

Instructions

- You have 15 minutes to complete this section
- When you are done this section, please turn your survey over
- When everyone is ready, the facilitator will provide further instructions
- Please don't disturb your neighbours (Thank you!)

Part 2: Reactions to Rate Rebalancing and Rate Structure Options

Questionnaire

Part 2: Reaction to Presentation on Rate Rebalancing and Rate Structure Options

1. The presentation by FortisBC provided information about rate rebalancing, which would help ensure all customer groups pay their fair share of the cost of electrical service.

For each statement about rebalancing in Column A, please rate your level of agreement. Then, please write the reason why you say that in Column B.

[CIRCLE ONE NUMBER ONLY FOR EACH STATEMENT IN COLUMN A]

	COLUMN A	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	COLUMN B: REASON FOR SELECTING ANSWER
A	In my opinion, rate rebalancing is needed.	1	2	3	4	
B	For customers whose revenue to cost ratios are below 100%, capping their increases at 5% per year seems reasonable.	1	2	3	4	
C	It seems reasonable to recover more of the fixed costs by raising the basic customer charge.	1	2	3	4	

Thinking about the different rate structure options that are being considered by FortisBC, please answer the following questions about each option.

Part 2: Reactions to Rate Rebalancing and Rate Structure Options

Questionnaire

2a. Please indicate whether you think the following **residential** rate structure option should definitely be considered, should probably be considered, probably not be considered or definitely not be considered by circling the number in the corresponding column. Then, in Column B, please provide the reason **why** if you selected 'Should Be Definitely Considered'.

[CIRCLE ONE NUMBER ONLY]

	COLUMN A	Definitely Should Be Considered	Probably Should Be Considered	Probably Not be Considered	Definitely Not be Considered	COLUMN B Reason Why Option Should Be 'Definitely Considered'
A	Lower basic bi-monthly charge with higher energy rates and a minimum bill	1	2	3	4	

2b. If this option was implemented (**lower basic bi-monthly charge with higher energy rates and minimum bill**), please indicate for each statement below whether you think each potential result definitely would, probably would, probably would not, or definitely would not occur by circling the number in the corresponding column.

[CIRCLE ONE NUMBER ONLY]

	Lower basic bi-monthly charge with higher energy rates and a minimum bill	Definitely Would	Probably Would	Probably Would Not	Definitely Would Not
A	My electricity bill will increase.	1	2	3	4
B	My electricity bill will stay the same.	1	2	3	4
C	My electricity bill will decrease.	1	2	3	4
D	Customers would reduce their energy consumption.	1	2	3	4
E	I would reduce my energy consumption.	1	2	3	4

Part 2: Reactions to Rate Rebalancing and Rate Structure Options

Questionnaire

3a. Please indicate whether you think the following **residential** rate structure option should definitely be considered, probably should be considered, probably not be considered or definitely not be considered by circling the number in the corresponding column. Then, in Column B, please provide the reason **why** if you selected 'Should Be Definitely Considered'.

⊕

	COLUMN A	Definitely Should Be Considered	Probably Should Be Considered	Probably Not be Considered	Definitely Not be Considered	COLUMN B Reason Why Option Should Be 'Definitely Considered'
B	Inclining block rate with existing basic bi-monthly charge and higher energy rates	1	2	3	4	

3b. If this option was implemented (**inclining block rate with existing basic charge and higher energy rates**), please indicate for each statement below whether you think each potential result definitely would, probably would, probably would not, or definitely would not occur by circling the number in the corresponding column.

[CIRCLE ONE NUMBER ONLY]

	Inclining block rate with existing basic bi-monthly charge and higher energy rates	Definitely Would	Probably Would	Probably Would Not	Definitely Would Not
A	My electricity bill will increase.	1	2	3	4
B	My electricity bill will stay the same.	1	2	3	4
C	My electricity bill will decrease.	1	2	3	4
D	Customers would reduce their energy consumption.	1	2	3	4
E	I would reduce my energy consumption.	1	2	3	4

Part 2: Reactions to Rate Rebalancing and Rate Structure Options

Questionnaire

- 4a. Please indicate whether you think the following **residential** rate structure option should definitely be considered, probably should be considered, probably not be considered or definitely not be considered by circling the number in the corresponding column. Then, in Column B, please provide the reason **why** if you selected 'Should Be Definitely Considered'.

	COLUMN A	Definitely Should Be Considered	Probably Should Be Considered	Probably Not be Considered	Definitely Not be Considered	COLUMN B Reason Why Option Should Be 'Definitely Considered'
c	Inclining block rate with higher basic bi-monthly charge and lower energy rates	1	2	3	4	

- 4b. If this option was implemented (**inclining block rate with higher basic charge and lower energy rates**), please indicate for each statement below whether you think each potential result definitely would, probably would, probably would not, or definitely would not occur by circling the number in the corresponding column.

[CIRCLE ONE NUMBER ONLY]

	Inclining block rate with higher basic bi-monthly charge and lower energy rates	Definitely Would	Probably Would	Probably Would Not	Definitely Would Not
A	My electricity bill will increase.	1	2	3	4
B	My electricity bill will stay the same.	1	2	3	4
C	My electricity bill will decrease.	1	2	3	4
D	Customers would reduce their energy consumption.	1	2	3	4
E	I would reduce my energy consumption.	1	2	3	4

Part 2: Reactions to Rate Rebalancing and Rate Structure Options

Questionnaire

- 5a. Please indicate whether you think the following **residential** rate structure option should definitely be considered, probably should be considered, probably not be considered or definitely not be considered by circling the number in the corresponding column. Then, in Column B, please provide the reason **why** if you selected 'Should Be Definitely Considered'.

	COLUMN A	Definitely Should Be Considered	Probably Should Be Considered	Probably Not be Considered	Definitely Not be Considered	COLUMN B Reason Why Option Should Be 'Definitely Considered'
D	Maintain existing rates	1	2	3	4	

- 5b. If this option was implemented (**maintain existing rates**), please indicate for each statement below whether you think each potential result definitely would, probably would, probably would not, or definitely would not occur by circling the number in the corresponding column.

[CIRCLE ONE NUMBER ONLY]

⊕					
	Maintain existing rates	Definitely Would	Probably Would	Probably Would Not	Definitely Would Not
A	Customers would reduce their energy consumption.	1	2	3	4
B	I would reduce my energy consumption.	1	2	3	4

Part 2: Reactions to Rate Rebalancing and Rate Structure Options

Questionnaire

- 6a. Please indicate whether you think the following **general service** (commercial) rate structure option should definitely be considered, probably should be considered, probably not be considered or definitely not be considered by circling the number in the corresponding column. Then, in Column B, please provide the reason why if you selected 'Should Be Definitely Considered'.

	COLUMN A	Definitely Should Be Considered	Probably Should Be Considered	Probably Not be Considered	Definitely Not be Considered	COLUMN B Reason Why Option Should Be 'Definitely Considered'
B	Flattened blocks with higher basic customer charge and lower energy rates	1	2	3	4	

- 6b. If this option for **general service** customers was implemented (**flattened blocks with and higher basic customer charge and lower energy rate**), please indicate for each statement below whether you think each potential result definitely would, probably would, probably would not, or definitely would not occur by circling the number in the corresponding column.

[CIRCLE ONE NUMBER ONLY]

	Flattened blocks with higher basic customer charge and lower energy rates	Definitely Would	Probably Would	Probably Would Not	Definitely Would Not	N/A
A	My commercial electricity bill will increase.	1	2	3	4	5
B	My commercial electricity bill will stay the same.	1	2	3	4	5
C	My commercial electricity bill will decrease.	1	2	3	4	5
D	Commercial customers would reduce their energy consumption	1	2	3	4	5
E	I would reduce my commercial energy consumption	1	2	3	4	5

Part 2: Reactions to Rate Rebalancing and Rate Structure Options

Questionnaire

7. The following statements are about residential and commercial rate design. For each statement in Column A, please rate whether you strongly agree, somewhat agree, somewhat disagree or strongly disagree with each statement. Then, please provide the reason why you say that in Column B.

[CIRCLE ONE NUMBER ONLY FOR EACH STATEMENT IN COLUMN A]

	COLUMN A	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	COLUMN B: REASON FOR SELECTED ANSWER
A	Residential customers are billed every two months, but I would prefer to have my meter read and be billed monthly, even if there is a one-time one percent rate increase.	1	2	3	4	
B	It is important to flatten the rate structure for commercial customers.	1	2	3	4	
C	Introducing rate structures that encourage energy efficiency and conservation is important.	1	2	3	4	
E	A conservation rate for electricity usage that charges customers with higher electrical usage more and customers with lower electrical usage less will result in lower energy consumption.	1	2	3	4	

Part 2: Reactions to Rate Rebalancing and Rate Structure Options

Questionnaire

8. Considering all of the information from the presentation by FortisBC, please **RANK** the options in Column B, where a rank of **1 would be your most preferred** option and **4 would be your least preferred option**. Please do not provide tie rankings.



	COLUMN A: Energy Generation Option	COLUMN B: Your Rank (1 to 4)
A	Lower basic bi-monthly charge with higher energy rates and minimum bill	
B	Inclining block rate with existing basic bi-monthly charge and higher energy rates	
C	Inclining block rate with higher basic bi-monthly charge and lower energy rates	
D	Maintain existing rates	

Part 2: Reactions to Rate Rebalancing and Rate Structure Options

Questionnaire

9. Of all the options presented tonight, which **ONE** is your preferred option?

[CHECK ONE BOX ONLY]

- ☐ 1 Lower basic bi-monthly charge with higher energy rates and a minimum bill
- ☐ 2 Inclining block rate with existing basic bi-monthly charge and higher energy rates
- ☐ 3 Inclining block rate with higher basic bi-monthly charge and lower energy rates
- ☐ 4 Maintain existing rates
- ☐ 5 Other (Please Specify) _____

10. Why is this your preferred option?

11. What problems or concerns, if any, do you have with your preferred option?

Part 2: Reactions to Rate Rebalancing and Rate Structure Options

Questionnaire

12. Thinking about all the information presented about rate design, rate rebalancing and the rate structure options, please indicate whether you agree or disagree with the following statement.

The cost of service analysis and rate design changes are revenue neutral to FortisBC and merely distribute the costs and revenue more equitably among customer groups.

- ☐ 1 Yes, I agree
☐ 2 No, I disagree

13. The following statements are about tonight's presentation by FortisBC. Please indicate your level of agreement with the following statements.

[CIRCLE ONE NUMBER ONLY FOR EACH STATEMENT IN COLUMN A]

COLUMN A		Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	COLUMN B: Additional Comments and Feedback
A	The materials in the presentation were presented objectively.	1	2	3	4	
B	The presentation helped me understand cost of service and rate design, including rate rebalancing.	1	2	3	4	

Part 2: Reactions to Rate Rebalancing and Rate Structure Options

Questionnaire

14a. Was there anything in the presentation that was confusing or difficult for you to understand?

- ☐ 1 Yes
☐ 2 No

14b. IF YES, what was confusing or difficult to understand?

Part 2: Reactions to Rate Rebalancing and Rate Structure Options

Questionnaire

15. FortisBC is committed to assisting their customers transition to new rate structures. Please indicate how helpful you would find the following methods and/or materials to support your transition.

[CIRCLE ONE NUMBER ONLY FOR EACH OPTION IN COLUMN A]

+ COLUMN A		Very Helpful	Somewhat Helpful	Not Very Helpful	Not at all Helpful
A	Information on how to read your meter so you can monitor usage.	1	2	3	4
B	Spreadsheet to track electricity usage and costs.	1	2	3	4
C	Website to view and forecast electricity usage and costs.	1	2	3	4
D	Assistance via telephone to identify savings opportunities.	1	2	3	4

16. What additional comments or suggestions do you have?

When you are done, please turn your survey over
and wait for the facilitator to provide further instructions.

Part 2: Reactions to Rate Rebalancing and Rate Structure Options



Appendix 2: Super Group Question and Answer Transcripts

Question and Answer Transcripts - Castlegar

ENVIRONICS WEST
Focus Group Transcription

Fortis Focus Group
August 17, 2009

EXPLANATION OF HOW THE MEETING IS GOING TO WORK, INTRODUCTION OF FACILITATORS AND THEIR FUNCTION IN THIS PROJECT.

EXPLANATION OF WORKSHOP GUIDELINES.

GOING OVER AGENDA FOR THE DISCUSSION.

Filling out questionnaire

Are we ready to talk?

Cory giving presentation.

I have a question. I fall into the residential as well _____ shows that the business pay ____ 40% so you are going to raise the residential say 5% a year meanwhile the business are still paying the 140%.

Lets be clear then. The residential customers under the _____ are already at 100% we don't touch them. In order to bring the 140 down we bring these guys up because they are underpaying, but if you are in a residential class through rate rebalancing if you end up sitting at 99% when all the discussion is done on this and we have had the model challenged as you are talking about the assumptions have been tested, which they will be. If we are still at 100% at that point they won't go anywhere so as a small business owner your interest in this primarily is the fact that depending on the small business that you have you are either in here somewhere, you are either here or you are here.

Then I will be overpaying for the next 5 years.

No you will be going down.

All talking at once.

We want to bring you down and the guys not paying enough up.

So you want everybody at 100%.

Ideally we have everybody at 100% and everybody would be paying their share.

Industrial should always pay more.

The problem is is what _____

Hopefully everybody has a clear understanding if not we will take a lot of questions after.

No confusion here it is 100% of the cost of the delivery plus a little bit of profit like 12%.

When we talk about the costs of running the utility.

It is not the same rate.

When we talk about the cost of running utility in the interest of time, the cost of running utility which we call our revenue requirement, the amount of revenue we require on an annual basis to run the business includes a component of rate of return for our shareholder yes, but again the revenue requirement is not changing as a result of this process.

Explanation of rate design.

When are you going to get to the point where you don't need the actual meter readers coming around?

We are going to talk about the smart reader program in a little bit so why don't we save that. *More explanation.*

So if we do it ourselves (meter reading) you will take 1% off? (laughter).

If you would like to propose that as one of the other options then you are free to.

Do you share these ideas with similar firms like Terasen. For example I am surprised if Terasen hasn't gone to the two month billing like you guys because it would cut down their costs and hopefully they would pass on their savings to us so we would pay less for our Terasen.

I can't speak to whether we talked to them on that particular issue, but we talk to other utilities quite widely. Terasen you may not know is owned by the same company that we are so we are sort of sister companies. We occupy separate parts of the buildings.

Are you trying to go the same way as Terasen is going? Because if you are we are going broke.

No.

Why wasn't a climbing block rate for commercial not an option?

We are not considering it at this time because currently our commercial customers are on the declining block rate so really for the short or medium term it is kind of a bitter pill to

Question and Answer Transcripts - Castlegar

swallow to go to a situation where you have declining block rate with 3 tiers and suddenly have an inclining block rate. A lot of those customers have a limited ability to change how their operations work so we are walking before we can run basically. First we will flatten those rates out and then do this again and if it looks like it is warranted and we need to do that then we will look at it.

Showing graphs

How do you base the blocks _____

I will show you where that is. Here is our graph with a bunch of lines on it. I am going to break this graph down into sections on the next couple of slides and show you low consumption and high consumption. What is really telling on this graph when we are talking about the residential rates is all of these options don't produce a huge difference. At the upper end between the most extreme rates is about 9% difference for a customer in that upper consumption area. This point here is 1350 hours which is where we have set the block. That represents our median bill so half the bills we send out are lower and half are higher than that. In terms of picking a number where the block seems to be that seems reasonable. That is not to say that half are less than that dollar amount, that is number of bills. This line here is our average bill, just under 2100 kilowatt hours every couple of months.....*more explanation*

That depends on if the person has an electric furnace, their 1300 kilowatt is going to go up.....

Yes. So your observation is quite correct. Your rates cannot be perfect. We are not only getting people who are inefficient, we are just getting people who are simply high users. They may have a house full of compact fluorescent lights and energy efficient stuff, but they happen to have a big house. Part of what we have to decide is it fair to penalize somebody because they are a big user as opposed to being inefficient. The rates are not perfect.

That only means they will use less of other utilities though.

If you want to think gas.....

Let me get this straight, the \$24 one that is a bimonthly then I can choose to turn my lights out and I wouldn't pay as much as lets say the \$32.

I am going to go ahead a slide here because we will look at the bills that are less.

If you guys were to implement the \$24 bimonthly.

Are you talking about #2 or #4?

It is \$24 bimonthly and then it says.....

1350 kilowatt.....

Yes. If I choose to get energy efficient stuff and insulation then my rates won't be as high, I can choose to keep my rates lower.

Through your behavior you can try to make sure all your consumption happens in the first block.

If I am paying the \$32 I am set at that rate. I can choose to do lower, but I am still going to be fixed at \$32 and not at \$24.

Yes, but the kilowatt-hour rate drops even lower on that one. So basically what you have there is \$8 differential. You have to decide if you can make up that \$8 by having a rate that is slightly lower. You are paying a little bit more for a fixed charged, but your variable charge per kilowatt-hour is lower. It is going to move a little bit.

You are looking at an idea where you have control of what you can do with your home, but if you are renting you have no control over that.

Depending on your landlord and who is paying the bill. Certainly these rates are designed to do that very basic thing to make low users pay low and high users pay high, but it doesn't consider all situations and all people.

It feels like it is contradicting itself. When we started out residential weren't going to be effected and the last slide I thought it said it was so much, but if you cut back it would go up so now we are doing this.

Let me talk about the first point and by moving through the rest of the slides we will talk about the other one. When we talk about residential rates not being effected that was due to the rebalancing. That is to say none of this was happening and we were not changing the way the rates looked at all then that would be the case and we are still not talking about that class, but all the residences lumped together. The same thing applies here we are still revenue neutral on what the rates look like that is why if you put one up the other has to come down. They are not really related. The rate rebalancing deals with just the costs and whether everybody is paying their fair share in their class.

I really go for _____ and I am thinking why am I hear because I phone the electric company constantly. I ask all my friends and they say we don't even bother we just pay, but if you take that bill and follow it there are mistakes, discrepancies, it drives me nuts. I don't know if I am the only one in the world in the Kootenays that is having problems in their bill and understanding it.

Yes you are the only one having problems with their billing (laughter).

Question and Answer Transcripts - Castlegar

But the thing is there is a lot of stuff going on. You have to be very careful and read everything you get, but this seems like it is not very clear.

That is probably my fault.

What percentage of households are within that 1350?

Half of the bills we send out are higher and half are lower.

Can't make out his question.

Really what you are going to do then is set the first block higher, but what you are doing if you do that is you are giving everybody another 700 free kilowatt to do what they want so you are taking away some of the incentive to conserve. Anywhere you set it, the rate is going to change slightly because now you are going to have a higher percentage of people. Every time you raise that level you take away some of the conservation incentive.

So businesses, McDonalds bring in who knows what a year, their power bills, the more they use the cheaper it gets. The struggling family who I have to turn my baseboards on to heat my house and three kids at home I am going to get charged more for the more power I use.

We are talking about two different rates then. So first of all yes the industrial commercial customers are currently billed on a declining block, which is what we are trying to fix through this process, but we are trying to take the people such as (the lower consumption) the rates are designed to make your bills go down and to make the people at the other end who may be wasteful pick up that slack.

Don't you think people are already trying to conserve like turning off lights with what is going on in the economy right now. People are already doing that.

We think the people already doing that are going to benefit by this program.

I already do that and I haven't benefited.

I bought one of those fireplaces to try and get my gas rates down and they haven't gone down and if this implements that it is going to go up with the idea that we are paying less.....

We have a couple more slides to go through.....

Correct me if I am wrong, but it seems like when we are dealing up to 1350 or up to 1500.....the maximum cap between the lowest and highest billing. It is just about \$20 per month.

We are not talking about huge dollars, but we are trying to have a principal discussion. This then is the slightly expanded bill for the customers using less than \$200 worth of power every two months. The blue line on the top is our current rate, it is straight so under all these scenarios those customers in the lower consumption area and there is our \$1350 line still up above that, these low users are paying less.

Why? Everybody should be in sync.

Everybody would pay the same if they were using the same amount of power.

But the rate should be the same.

The rates are the same. Once you go over that 1350 kilowatt it goes up, everybody's would.

You should have a questionnaire then, who has kids, single guy, basement and five kids in their house. Why is a struggling family going to pay more for family than a single guy?

Remember these are only example rates, but like I said the rates and the way we can design them are not going to be perfect so there are going to be customers in the situation where they have 5 kids, in a big house, living below the average income line, drafty house that leaks heat, they are going to probably be at that upper end and this rate is going to effect them. Dennis?

What _____?

We are not saying we have to change to one of these, but if our customers overwhelmingly come out and say leave it alone we love it the way it is, that will resound with us as well.

This seems like a lot of work and you haven't showed a major change in the slope. There seems to be no green incentive there at all.

The change is not huge.

Contrary to what she said, I think you are trying to be a little greener, but there is no major change in the slope of those lines. There seems to be no _____ for over using.

Like I said these are four of the examples, they do keep the band fairly narrow and you are free to say you know what you are not doing enough.

You are not doing enough.

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That upper block should be twice as big as the lower one so when those guys crank up their 5000 square foot house and put their hot tubs on they really get hammered.

But really you are looking at people staying the same if you are charging more for the second block. I think we waste a lot of electricity, lights on, duh, duh, duh and I think if you actually (cough) you are paying more I think you will become more conscientious so really that is just showing you at a regular rate. If you want to save money you will conserve more.

We have a couple of different rates that are examples. We are not going to go to our death defending you. Customers that think that block differential should be bigger. If you want to change behavior make the block bigger. Put that on your forms and we will take that.

How will the block system relate to the seasonal _____ like in winter you use more than in the summer or would it be averaged on the annual consumption?

This graph is built with existing data so it takes that into account. We have looked at the monthly bills, averaged them and put them on here. Some of your bills will be higher and some lower. That is a fact. I want to speed ahead because we still have to go through the commercial stuff.....

I know my mother and I's case, our bills are the same heat wise for gas and electricity there is not that much difference, but if you are talking this scale, the people that heat their house with electricity, if it gets to 70 below they are going to be in the 2000 wattage.

They will be at the upper end for whatever months they are doing that in and your gas bill will go up as well during those months.

If you were heating with your power then you shouldn't be.....

What I would say to that then is if you think that rate should be based on the way you heat your house that is valid, but _____.

Heating isn't really wasteful and yet you are being charged as a wasteful person.

It would be administratively burdensome I would imagine. Our predecessor company West Kootenay Power once upon a time had rates for electrical heated customers and it did differentiate like that. That was changed and we don't have that anymore.

It seems totally wrong.

We do have a preferred option and among these options Fortis BC preferred option is #3 with the slightly higher bimonthly rate and the as low as we can go energy rates. That is our preferred option, some of that has to do with the fixed cost recovery. The results of

the cost of service study showed our residential fixed cost would be about \$60 so we are not collecting anything that the study says we should collect. That is our preference, but that is why we are here.

There is no reason to have the block signs remain static throughout the year. Could you not have an alternating point where it is less in the summer and more in the winter.

That is a great thought. One we hadn't heard before, change the block size throughout the year. Absolutely. Okay so..... other things that go into this mix, this gentleman asked about the advanced meters and meter reading. We did file last year an application with the utilities commission to put in place an AMI and advanced meter infrastructure or smart meter program. The utilities commission denied it. We are still hoping to get that in place within the next 5 years. The hoping is that they want BC hydro to go first and then we are to work closely with BC hydro to make sure we are putting similar technologies and infrastructure within the province to try and bring cost down for everybody, but within the next 5 years we do hope to have that. Once we have that we will have the ability to have the meters read automatically and we won't have meter readers coming around every couple of months to read the meters.

So would that lower the cost instead of making it more expensive? Would it balance out?

That is a good word when we mention the AMI program that is roughly about a 35 million dollar program, but because now that we offset a bunch of other costs such as meter reading it really doesn't have much of a rate impact at all. It is something fairly.....

So what _____ (can't make her out).

There were a lot of reasons, but a lot of it had to do with not jumping the gun, making sure the whole province was ready, working together with BC hydro. It is part of the energy plan. It is something that the government wants to see and what that will do once we get those because they do allow us _____ it will allow us to tell when you used it and then we can start talking about rates that are tied to time and the price of electricity. Once we get there that is really for us where the value is. Electricity on the market does vary with time and if we can change people's behavior so we don't have to buy electricity when it is expensive that helps everybody and brings everybody's rates down. That is something we are keen on.

If you get rid of the meter readers you also have more people unemployed again. One half fixes another.

Our situation with that is actually pretty positive because we have a core group of meter readers and they probably have 5 years notice on this coming out and a lot of them are

Question and Answer Transcripts - Castlegar

close to retirement age so if we can't do it all through attrition we are likely to find alternate _____ for all those folks.

I have heard so much that this is why people aren't going green is because of the job losses it would create.

We feel we have enough lead time and training options available and other positions coming up we likely won't see too many people affected. Time varying rates and the rates that will help us and allow us to respond to price signals effectively is what we will get out of the AMI meters.

So that ad where they say you should do your washing in the middle of the night is viable.

Yes right now if you do your washing in the middle of the night because we have a flat rate structure and there is no differential for rates unless you have a water rate it doesn't make a difference, but hopefully at some point we will. We will award customers who take those steps to bring those energy costs down.

I have been doing my laundry at 11 o'clock at night and there is no difference. Why thank you!

You are entrenching the type of behavior early that will make big rewards....

Oh yes I do all the things you tell me to do.....

You are helping and the way you are helping is if you get more people doing that you are not immediately personally benefiting in a way you can see, but you are contributing to a fact that we are having to buy less power at the peak. If everybody rushed home at 6 o'clock and turned the washing machines and stoves on at 6 o'clock, you would see that and that would impact your rates directly.

If everybody didn't between 3 and 7 use any power whatsoever that would impact you guys?

That would impact our power purchase costs. We are not exposed to the spot market all that often, only for short periods, but during those periods, prices can tend to get very high. Sometimes that that costs 5 cents a kilowatt-hour is costing \$200 a kilowatt-hour. When we are out there making public (cough) that is the reason.

How often do you purchase power?

A very short window just during our winter peak predominantly.

What about overall?

We have our four dams on the river and they serve about 55-60% of our energy needs and the bulk of it we have with long term power purchase contracts with entities like BC hydro, CPC. That gets us up almost to our total peak and every once in a while we see a spike. We set a peak when we had all that 40 degree weather.....we are real well covered.

BC hydro purchased \$1 million out of a 1/3.....

I was willing to go a little off track, but now I am not comfortable.

Will that affect your rates?

All I will say about that is that we are interested in that transaction and we will be following it very closely. We do occasionally purchase from _____. Here are our conservation rates laid out 1 through 5. #1 implement the lower monthly charge and minimum bill. #2 is implement residential including block rates with the existing monthly charge and higher rates than #3, which is implement residential ____ climbing block rates for a slightly higher monthly charge. Both of these in the first block would be lower a kilowatt basis charge that we charge now. #4 still a perfectly viable option if you think things are great maintain the existing rate structure. If you have any other ideas. You want us to tie the price of power to the stock market or something go ahead and suggest that.

Cory I am just going to interrupt, when you go to fill this out at the end there is another sheet in here that gives you those options one more time so when you are writing them down you make sure you have the right one.

These meters are they Canadian made?

We will go to tender for the meters once we get the program approved. There are a number of manufacturers that will be vying for that business depending on who we choose.

We are very patriotic.

I can see that. That is a good point.

As you stated earlier these options that we have won't cover all the situations that can arise. It is not going to be a perfect system regardless of which one we choose, but there could be some other things added to those things. Like in the case of the woman here and her five children and her incredible laundry bill, is there not room for some kind of service that allows for some limitation for people with large families?

Or on lower income?

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They are being penalized because they have a large family.

Apart from this and the rate design we (cough) with our power sense group working on some low-income programs. They will probably be structured like programs for helping people buy energy efficient appliances for example or go in and pick up old fridges. We are exploring a lot

I was also thinking of the home you talked about earlier this evening where somewhere purchasing who is rather wealthy has a large home and maybe there are a lot of people living there, but he has gone out of his way to have complete energy efficient stuff put in his place. I don't think he should be penalized for that as well.

Hopefully he has taken advantage of some of the power sense programs and got reimbursed in some fashion for doing some of that stuff. There is no way around it. We can't design rates that are going to perfectly apply to every situation.

Wouldn't it make more sense for business to have an inclining block and residential to have a declining for profit wise for you guys?

It doesn't make any difference profit wise to us. We are really talking about.....

It would make a huge difference if you charge McDonalds their normal rate than giving them a deal and the small guy gets more.

We would have to do another session on do utilities actually make money, which is not all that related to how much electricity will sell.

It is not fair.

If we put anybody on a new declining block rate I don't think that would sell.

The residential is facing the inclining I don't think that is fair.

That is the type of input we are looking for.

So I should be doing my laundry at work? Laughter.

What are we thinking makes sense to do to these guys?

This is really hard to say, if you are looking at lets say an auto shop that is using a fair amount of electricity at one point they are just going to pass it onto the consumer no matter which way you look at it. It just seems like we are getting bombarded from every corner.

Keep in mind then following your logic we are talking about exactly the same thing we are talking with the residential customers. The business customers use less energy, start

to pay a lower rate and have a lower cost, those customers are using a lot of energy to pay more. If you are using a little bit you pay less, you use a lot you pay more. That is the basic thing we are trying to get across with the rates. Bimonthly basic charges, which are about the same as the residential rates.

Do you have any industrial or commercial customers in town who may have been enticed to the community _____ and are there people that might pull out stakes if the _____?

I of course find it impossible to answer that question, but I understand where it is coming from.

We still have some of the lowest prices in the world.

Whether or not the rate differential created by any of these would be sufficient to offset the rate or money it would cost somebody to pick up and move they would have to be a big user. Most of those big users are not affected by this. So we are looking at the same sort of bimonthly basic charge increase to get more of those costs back from these guys. Increase of their demand component and the demand component has a piece of that fixed cost element in it as well. If we do that so remember every time we increase the fixed portion of the charges the variable portion goes down so if we did that then their energy rate would go down at all levels. The general service 20 customers that right now are on an inclining block rate we are proposing to flatten that. They would have one rate across the board for everything. The GS 21 customers that are currently on a 3-tier rate, we are proposing to drop them down to a 2-tier rate. Do you think that is okay? Then put that down. We are going to slice this up a little bit like we did with the residential guys and I am not going to spend a lot of time on these. Looks like there are two lines when there are four rates because the rates are the same for these two classes. You can see that our current rate is on the top and new rate is on the bottom. The important thing we look at here is the low consumption, which is 95% of those small businesses so we are talking about impact on business, 95% of those GS customers fall into this graph and their rates would be lower. We have 40% of our GS 21 bills who fall into this chart and their rates would be lower. We have a fairly significant portion of our small customer base that are currently relatively low users of energy and their rates would go down. As we get into the medium consumption now you can see that our current GS 21 rate is here and as the consumption goes up we are looking at bills that are approaching \$12,000 so this is 5% of the remaining small businesses and the other 55% of the GS 21 bills are also on here so the rates are starting to go up a little bit. Then we get up to the real high consumers, 0.1% of the GS 20 customers probably 1 guy who shouldn't be on this rate anyway. He is down here and paying quite a bit more than he was before as a real high user. The GS 21 customers at the upper end here now start to pay significantly more. The high uses pay more and the low uses pay less. That is the impact that these conservation rates are meant to have. Again not perfect, but overall should have a desired effect.

Summary.

Question and Answer Transcripts - Castlegar

We just have a couple of slides left we are doing alright. What happens now? So we have been out for the last couple of months doing presentations like this and getting in put from people, we have posted our cost of service study on our website, we did that in June. We are taking written feedback from any and all comers including what we have done here tonight up until the 28th of this month. What we do with all that information is put that in an application to the BC utilities commission based on a number of factors, customer input, which is one. We will likely make some recommendations on what we think should happen. That gets filed with the utilities commission at the end of September and that begins again a whole regulatory process, which in all likelihood before we get a decision from the commission on what we are to do could be 12 months, 18 months, it is a lengthy process.

How much did this cost to do this?

It is not cheap. There are lawyers involved.

If you produce _____ electricity for 5 cents why can't you sell it to everybody for 6 cents? If you make \$10,000 you pay 10% on your tax. If you make a million dollars you pay 10% (cough). Why don't you have a flat rate price?

I am assuming you mean for everybody.

Electricity for a unified price for everybody.

The reason it is not structured like that.....it goes back to at the beginning when we talked about cost of service. We are trying to match our revenues from each customer groups to the cost

It still costs a certain amount of money to produce electricity.

To produce or acquire it yes, but to deliver it to the different types of customers no. There is more to the electricity than spilling the water through the turbines. We have other things involved

That is a basic customer charge, all included in that.

A portion of it yes, but because some of the customer groups like the transmission customers use the transmission system to a greater extent than the residential customers. So yes we have some of those fixed charges and we divide them up as well. If you are a transmission customer you may absorb more of that fixed cost that you would a residential customer. That is the whole premise behind doing the cost of service so we don't charge everybody exactly the same.

A lot of those lines have been paid for time and time again.

But we keep on maintaining then and building new ones.

We already have government regulations, why don't we simply _____?

I don't think I want to see that.

Why would a restaurant right beside a residential house using the same transmission why should they pay any different per kilowatt-hour than residents. Cost of delivery is the same.

We are not talking about that one house and one restaurant and how much it costs to serve that one house and restaurant we are talking about how much it serves the class that contains that one house and the class that contains that restaurant. Try to imagine it this way. You have 50,000 houses and they are all spread all over the place. We don't look individually where all those houses are and calculate what it costs to serve them. We lump them altogether and make some assumptions in the model and we determine what we think it costs to serve the whole class. That is really the only way we can do it. If we could go to each individual meter and realistically figure out exactly what it costs to generate, deliver and bill power for that specific point we may be able to design rates that everybody pay and paid a different cost. At some level we have to lump them together.

You are asking us to give us answers for stuff that only you guys know the answers to. We don't know what it costs to get electricity.

We are not asking you to delve into that. We are dealing with higher-level concepts of the rebalancing and rate design.

I feel very inadequate, I don't know a lot of the stuff.

I can appreciate that. The cost of service process itself is pretty complicated and all we have given you is the results. I can understand where you are coming from. Try to give us the best answers you can with the knowledge you have tonight. That is all you can do and all we can expect.

I am just curious, how much energy is lost on delivery with the delivery method of the power, is that being looked into?

Our system wide losses, which include everything from line losses, lost in transmission and for those individuals that have farming operations and may or may not be paying for their electricity, system wide is about 9%.

I am going back to the _____ restaurant next door. The restaurant that is way in the boonies, they pay yearly because I am one of it. Our business is way in the business and for Fortis to come over there and put a pole in there it is cost you \$100 in town, \$1000 in the boonies, so I don't buy that.

Question and Answer Transcripts - Castlegar

The money an individual pays to build an extension to their place of business is ___ by the customer but it doesn't go into our rate base that we earn rates on.

I put my own pole in for a tenth of the price.

I am just talking about how the rates are designed. We collect our revenue based on what is in our rate base. Basically how much money we have invested in the system. When you invest money in the system we don't get to put that in our rate base. We don't get to incorporate that in the rates.

But I am being charged for it. I paid for it.

Yes. If you built that line that is 10 km long and another 500 people signed up you would get 500 portions of that line back as well. You are being charged that, lets take it away from you for a minute, if a customer wants to build that line because that is where they want to be, yes they have to pay for that line because at that point it is not really fair for a single customer who wants something dedicated just for them to expect everybody else to pay for it.

If you have a set rate, whatever the household pays the business pays. The business pays more so you get more revenue from them.

I am sorry I am missing.....we are not connecting here on some level so lets maybe we can work on it after.

What would it cost to implement a rate change like this?

Probably looking at \$200,000.

Here is what I want to do now is get the last slide up, this is our information and I want to wrap it up at this point and get Michelle to come up and make sure we get the surveys done and collected.

Is it advantageous to change it?

In what sense?

It is going to cost x amount of dollars to change so.....

I hate standing up here and acting like I am cryptic or something, but the only thing I can say is.....

Can't we keep it the same.

It is advantageous if you accept the goals of conservation and if you think that what we are doing tonight is going to get us there.

OK.

I think the only way it is going to be advantageous is if you go to the smart meters.

So one of the options is and it is on the sheet is don't do anything now and wait to get the smart meters and do it then.

A month and a half ago that was up for an option.

Are we going to change again once the smart meters come in. Are we going to spend another couple of hundred thousand dollars to change?

That is built into the smart meters.

Michelle. Before Michelle gets up here and gives you more instructions I just want to thank you again for all coming and asking good questions.

I want you to go home and tell my wife when to wash the clothes (laughter).

You give me your email address, I am not going to your house.

Nobody tells his wife anything (laughter).

The only instruction I have at this point is to please complete the questionnaire. I want to bring two things to your attention, this blue sheet at the back, some definitions on there and summary on the various options you can see if you need to refer back to them and question 8 asks you to rank the options. Please note that your first choice you will number number 1 and your least preferred choice will be 4. Thank you.

Question and Answer Transcripts - Kelowna

ENVIRONICS WEST
Focus Group Transcription

Fortis Focus Group
August 18, 2009 - Kelowna

EXPLANATION OF HOW THE MEETING IS GOING TO WORK, INTRODUCTION OF FACILITATORS AND THEIR FUNCTION IN THIS PROJECT.

EXPLANATION OF WORKSHOP GUIDELINE.

GOING OVER AGENDA FOR THE DISCUSSION.

Explanation

You talk about recovering the cost of providing the service to these different classes of customers and that is the cost recovery that is your break even point. What is the profit margin?

The total cost of running a utility, which in utility terms we call it a revenue requirement, which is something we go before the utilities commission every year to have approved and it is on the basis of the revenue requirement that are rates are set to recover that and that revenue requirement contains a portion that is the rate of return for our shareholder. So when we talk about the total cost of running utilities that includes that piece. It is a percentage set by the utilities commission. It is our allowable rate of return.

I thought you already had the commercial rate different than the residential rate, more expensive.

Exactly and that is exactly why because each of these different groups costs differently to serve so they have different rates.

Yes but don't you already know that?

We do. That is what we are here to talk about. *More explanation.*

What percentage, like I am a farmer, I am paying for irrigation and it looks like I am getting a good deal.

I am glad you see it that way.

I am only using 2% of the electricity. The residents are using.....

That is factored into the model. When we talk about the rebalancing where this is leading you don't have to do very much here to cause a big effect because of the ratio of how much that class as a whole is using.

Revenue to cost. Revenue _____. Cost to provide everything as you say is all broken down. Does that cost also include the percentage that goes to your investors?

Yes.

OK thank you.

That is all included in the revenue requirement, which is the big number we start with.

More explanation

Was data gathered before recession or no?

The data is historical for the most part. The load projections that form part of.....I know where you are going with it, but the data we collect is relevant and based on historical cost of utility infrastructure so that stuff doesn't really change. Recession doesn't impact us a whole bunch.

The industrial transmission pay 62%, how do they get that percentage? 40% less than what a normal person is paying.

What happens when you do the study is you take the costs and you allocate them out based on what you determine the costs that they are driving are. That customer group uses are high voltage system and creates much higher demand on our system and causes cost in different ways than residential customers so when you allocate the costs they may get a big chunk of something that another group doesn't get, which causes their percentage to fall.

But it costs more to provide, why wouldn't the cost go up?

What we are talking about is cost versus revenue so we have determined what the cost is now. We are looking at the rates we already have in place and determining whether they are sufficient to cover the costs. What we are finding is the rates we have now are really not sufficient to cover the costs.

That is for that particular group. If the residential _____ that should remain the same.

Yes. When we look at rebalancing, if you are already 100% we really don't need to do anything to you.

How do we know that your meters are true (laughter)?

Our meters are governed by measurement Canada and every year we have to pull a percentage of our meters from service in a batch and have them tested and verify they are running accurately. That goes on a 7 year rotating cycle. We pull meters every year, thousands of them and have them checked and very few of them are ever found to be bad.

Question and Answer Transcripts - Kelowna

Is that the same as the gas pumps at Petro Canada?

Yes those as well. Oddly enough of any of the ones that typically are found to be running off they are usually always airing in the customer's favor.

Prove it.

So then at our residential home every 7 years have our meters tested.

They are pulling a batch so all the meters purchased at the same time as your meter, a sample will be taken. We don't take every meter off, but we sample a batch of them and test them.

So if we thought there was a problem you guys would come out and test it anyways.

If you think there is a problem with your meter there is actually a process that you can request to have your meter pulled. You phone up and say I think my meter is wonky, you are willing to pay \$50 because you are confident your meter is wonky, we have it tested and if you are right you get your \$50 and if not it goes to measurement Canada.

So they can test a meter at your house? If a guy comes along and says I tested your meter and your meter is fine that is hooie. If he didn't take it anywhere.

In order to do a real test on the meter it has to be sent away, opened up, tested properly and resealed and sent back to the population. This is where we talk about the reasonable thing to do with rate rebalancing.....

That would be every year?

That would be every year until we got there.

That is a long time.

In terms of time we can get most classes to 100% within about five years. The four really big outliers don't quite make it when we run most of the scenarios associated with this, but they get pretty close. Likely what would happen is you would go back three years and look at it and see how you are progressing and if you have to make adjustments you would, but it looks like in about five years you could fix that. What happens then if you get additional revenue from those groups you have been collecting on you can take all that money and give it to the classes that you have been over collecting on to help mitigate any rate increases or actually bring rates down if you are looking at a small increase in any one year.

At the same kind of percentage rate? Like if they are up 40% that is going to take a long time for those 5% to cover that or you _____.

No it comes down. You only have so much revenue to play with so the way it actually works if you get a bunch extra from here that is all you have got so you can't fix all this in one year because you might not have enough revenue to do it so you have to phase in.

So those customers who have about 100% are they going to have a decrease in their percentage they are paying?

What happens under this scenario, we will back up, we have got what we would be proposing to do under that scenario would be to take a customer such as industrial transmission who is at 62%, they are the lowest so they are going to get 5% every year for five years. Residential customers would not likely get anything because they are already at essentially 100%.

Once again farmers are 4% of the population, residential is using how much of the electricity?

But they are covering the cost to provide them with that electricity.

If you guys want to eat you are going to have pay for the irrigation.

The last time we did this was 1997 and things weren't as far off as they are now, but at that time irrigation was low again and we had a negotiated settlement of the rebalancing in that year and it was simply decided that irrigation customers would not be _____ and really what we are here to get is input like that so when you are filling out your form if you say you know what I think the concept is fairly sound, but I think irrigation customers maybe should be brought up to 100% because they are the bread basket.....

Well you say we are 4% of the population, if the population doesn't want to support the farmers we are out numbered.

This is a purely mathematical exercise and if you feel it is appropriate to bring social aspects into it then that is something that can be considered and like I said last time it was.

Could you speak to who is in each category? Industrial primary is?

Industrial primary is our big customers, sawmills, breweries that type.

What is the 30 and the 31?

The distinction between 30 and 31 is simply the voltage they receive their power at. These guys are industrial transmission they receive their power at 60,000 V. They own their own transformation without getting too overly technical. They are distinct from the other class and they cost differently.

Question and Answer Transcripts - Kelowna

Industrial transmission is the bigger industrial enterprises?

They are not necessarily bigger, but they are distinct because they are getting their feed directly off the largest pipes we have got. We don't have to provide transformation to lower voltages to those guys so their cost is different on utility than others.

What voltage is industrial primary supplied at?

Typically 13,000.

So the residents are going to vote in favor of this because there will be no change. Industrial will be in favor of it because they will get a cut.

There is no doubt that groups will look at this and jump up and down and other ones that are going to jump up and down in a different way. There are interests here for sure.

The lighting is street lighting?

Yes. Some people have dusk to dawn lights on their homes that may fall into that category. I think we were saying that these guys are going to go up and I think to your question these guys yes they are going to see decrease, not necessarily a decrease in their overall rate because this is just rate rebalancing. If you want to assume that we are going to have a 5% general rate increase and they were going to get an offsetting minus 5% rebalancing aspect to it then in that year when some got 5% they might get nothing.

Are you taking into account the HST that is coming next June?

HST is separate from this. It will affect power bills though.

What were the percentages in 1997 when you did this the last time?

Residential was a little bit lower. A lot of the other ones were closer to 100 than this. I don't know exactly. At the time in 1997 residential was the one out of whack the most we were ordered to increase residential _____

Although the increase will affect any customer because we use industry, lighting, everything so it doesn't matter what class we are, we are still getting the increase through the customer.

There is a lot of discussion that could be had about what is going to happen with the businesses that see a rate increase and what they are going to do to their prices.

Why in your opinion have these numbers been allowed to be so different? What has led to these discrepancies?

There are two main reasons for that. One is structural, it is the physical nature of our system. We have spent about one hundred million dollars a year over the last year on the infrastructure, building new lines, upgrading power plants. Most of that money has gone into the transmission system, the back bone and to a certain extent into the generation so those customers that are most affected by costs associated with generation and transmission see their numbers go down because they get allocated those costs on a higher basis or ratio than somebody else.

Shouldn't they be paying more for that though? That is an improvement for their service.

That is what is driving part of these numbers yes. Now we are assuming those customers that increased demand on our transmission system are going to be paying a higher percentage of the demand and there was a second half to that question, which I am trying to remember. Oh yes. The second part is the model that was used has some assumptions in it that differ from the ones we used in 1997 and that has created some of that spread as well.

What concerns me is once you get all the numbers in line and some big industrial saw mill go to you guys and say you have to reduce our rates or we are going to lay off or shut down, how often does that happen? Because I can't go to.....

Neither can the industrial customers without involving the BC utilities commission and a public process. The rates.....

Has it been done?

Yes we hear from industrial customers all the time saying what you said and they would like a break on their rates and we have to say we have cost driven rates and they are the same for everybody in the class. Anything like that has to go through the commission. We are not at liberty to change rates at hawk for any group based on what we want to do. It is very controlled.

You have 8 different rates? Each paying a different cost or are some of them paying the same cost?

All of these classes are distinct rates. We currently have a lighting rate that is x cents per kh and irrigation rate. The only two that would be the same would be BC hydro wholesale and municipal wholesale. We do have a couple of areas that are in BC hydro's service area that they don't have facilities to feed so we supply them on a wholesale basis.

The municipal wholesale, that is for say the city of Penticton to supply power to residents?

_____.

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Just residents?

And their business community too. Anybody within the city of Penticton. But don't confuse the city of Penticton's residential customers with ours. These are only people who receive Fortis BC bills.

So regional district or non-municipal. What I am wondering is, is municipal wholesale buying power at a lower cost and reselling it to their residential clients or customers.

Are they getting it less than what we pay for it?

Sure they are buying it at wholesale. Then they turn around and retail it to their customers at roughly the same rates.

So there is the city buying power at 68%?

No. That is the cost and how it relates to the revenue. It is not that they are getting a discount on the power they are buying. All this is saying is we have figured out their cost for us to serve them and they are only paying 60% of it, but it doesn't relate to what we charge.

When you guys have excess electricity you sell it. Do those numbers go back into this?

Yes we don't have excess electricity.

You guys don't sell any power?

No.

Are you buying power on a regular basis?

Yes. Lets hang onto that for a second.

Other than the residential group have you surveyed these other groups about rebalancing their rates. If we are \$1 for \$1.

We have met with every one of our municipal customers separately. I don't know who showed up tonight, but this was a random sample of customers, but targeted to each group so we could get some small business owners in as well. We are being as inclusive as we can in our consultation.

The general service category to me seems to be unfair. I think it should be divided more. You are saying that general service includes restaurants and small businesses.....

I am going to talk about the general service categories when we get into rate design, whether we should differentiate them.

We are a private reseller. Where do we fall in there?

Like a trailer park?

No we are a company that has tenants. We buy electricity from you and sell it to them. We don't make any money on it.

If you are making money on it you would be a utility and then you would be regulated and you probably wouldn't like that too much. The odds are you are in here.

What about a winery?

In here as well. Just quickly before we move on, we have four generating plants on the Kootenay river generating electricity for us. They supply about 55% of the energy we need for our customers so we don't have any left over. We make up the difference primarily through long term purchase agreements with BC hydro, Columbia power corporation. At the very margins, peaks in the summer and winter we may be out in the general power market buying small amounts. We will talk in rate design how we would like to get out of that and lower that because that peak power is really expensive. We don't want to be buying that stuff.

Do you have any coal or gas fired generators?

No. All hydro.

Do you have any more coming on stream in the future?

Next month we are going to be filing a resource plan, which talks about how we are going to meet our needs for the next 20 years. There are a number of scenarios in there. Not a lot of opportunity in the province to build big hydro anymore. Not really going to be allowed to build it. We have to look at other means. Renewables. The man site management like the power sense program play a big role in that. Lets talk about rate design now. We are here after so if you have more questions before you fill out your things for personal interest, feel free to get us afterwards and we can talk about that. We are going to leave where we are talking about customer groups as a whole class and moving to where we are talking about individual bills and what they look like for you or your business and how those are structured. We are going to talk a little bit about the provincial policy and legislation that is driving this. Principles of rate design then we will look at some options and it is those options primarily that we are really interested in your

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input on. Again this has no effect on your bottom line, but it does with what we are trying to achieve, some conservation goals primarily through this stuff. We will put options up on here, you can like one of them, hate all of them, suggest something different. All we want is a sense of how you feel about it. *Explanation.*

I hate to ask this, but those fixed costs you are talking you send a bill out, has the electronic billing system saved you money?

Yes it saves money. Those are ways we have tried to bring those fixed costs down and there is an environmental component to that too of course. I don't work directly in the customer service part so I don't know what our uptake percentage has been on that.

I am just wondering if you have looked at all that and those initiatives and how they have affecting things over since 1997.

I don't think we have examined them that closely to know how it has changed over the last 12-13 years. All those changes are incorporated into the model. We know where we are today. We are doing things to get those costs down.

As a residential customer has there been any consideration done to extending the billing period from the two months it goes through now to say four months or six months so you would not have to send the meter reader out every two months and cut down on that cost?

Yes and no. Typically when we talk about providing metering information to people we are talking about the other way. We are trying to give people more information so they can make more decisions about it. We are looking at initiatives and we will get to one at a meter where we talk about meter reading costs specifically.

I think it something like \$11 a month for the basic charge, about \$22 every time I get my residential.....if you were doing that every four months can you not cut back on that charge because you don't have to send a reader out every two months and you don't have to send me a bill every two months and I have no problem with paying it on a four month basis.

That is an individual choice. What we hear predominantly loud and clearly from customers is that they don't like us doing that. We bill two months now and people get upset if we estimate in between.

Terrison does that right now and it is a pain in the back side every month when I receive my estimated billing that 1-1/2 times what I used. I don't have bank stamped across my forehead. I cannot pay that estimated billing and I phone my meter reading in and they have to go through all the paper work and computer generated process to reduce my billing because they have over estimated in my account.

That happens. The short answer to your question is no we haven't considered that and the other half is we could consider that. Generally speaking you have to look at people who are getting a bill every month for \$100, but if they get a bill at the end of six months that is \$600 that might be tough.

Same thing, people have to consider that they are going to have that bill and save the money.

Talking at once.

I just don't want the basic charge of \$24 every two months.

We are going to talk about basic charge in great detail. Moving down to the third one, rates should be simple.....*explanation.*

When you get condo developments and they are all individual meters do you guys have an electronic reading or do you send somebody there to read each meter?

We can do both. That is what the last one is getting at. One of the restrictions we have when we are talking about rate stuff is the meters we have on houses right now are pretty dumb. All they really tell us is how much you have used between point A and B. We go one month and it says 10 and later it says 20 and somewhere in between there you used 10. Point to point consumption. We are hoping to have an electronic meter system in place, which we call AMI (advanced meter infrastructure) something we will be applying for shortly and hope to have in wide scale used across the entire customer base within the next five years. At that point we would be able to do all the time based rates, time of use based rates.

So the meter would tell you when we are consuming most of our electricity.

What that allows us to do is allows us to say if we are on the market buying power and it is really expensive between 5 and 7 pm we can design a rate that rewards you for using it before that or penalizes you for using it between 5 and 7. That is helpful to the utility because that brings our overall costs down.

What is the relevance of what time you use your electricity?

Because our peak and a peak for most utilities is when everybody gets home from work from 5-7 and crank on the stove, there is a big concentration of energy used right then. If you have to go to the market, supply and demand is when everybody is using power at the same time, the price is higher. There is one in the morning, everybody gets up and gets ready for work and one when everybody gets home. We would like to stretch that out and the impact is lower.

I can't do laundry if I am not at home. Unless you design a washer that comes on automatically.

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So you are only home from 5-7?

I run out of gas some time in the evening.

There are a lot of dishwashers that have timing features available. That is what we talk about when we encourage people to make an investment in something like that and not following through on it long term. These meters don't need meter readers to read them. They are all read electronically.

So over long term it will be cost effective to switch to those meters and make people

_____.

Exactly that is a lot of money.

But our meter reading costs are very significant and over the life of that project it is actually.....if everybody did what that project allows us to do with our rates it would be a decrease over the end of the life of the project.

Why don't they have a system with some kind of digital meter reading that goes into a system.

That is what AMI system allows us to do. Smart meters. *More explanation – net metering.*

When did Fortis come out with that? I haven't seen anything with regards to solar generation back into the grid.

That program was just approved about two weeks ago.

Solar generation is a DC power source so how do you manage to revert that back into an AC form that would subsidize the power Fortis provides to residential customers.

With an inverter which is part of the customers system. The point is we have this system in place and it allows people to offset their consumption if they want to invest in a generation program. It is really only designed to help people offset their own consumption as opposed to being a big generator of any kind. If you have excess we buy that from you.

What percentage do you pay back?

Exactly what we charge. Your retail rate for it.....

Because Fortis now owns Terrace why do we have two meter readers. About a month and a half ago we had Terrace and Fortis on our street on the same day. It is the same company why do two guys going around.

Part of the AMI project looks at those synergies that might be available. There are a number of reasons there are still two. We will look at as part of the AMI advantages we can take. Urban and rural rates.....

Can't make out his question.

How many meter readers are employed here in Kelowna?

I don't know I am from Trail. I am looking for a house because I am moving here. Anybody have a house for sale? Let me finish the slide then you can put your hand down and you won't get tired.....

That would be good for the irrigation people. We only bill for six months of the year.

Then you go on the other rate and billed on the general service rate the rest of the year.

We don't use electricity for six months.

But you still have wires coming there. There are a lot of different things we can talk about.

Have you ever done a study of people who rent and don't rent. I rent and the person next door to me rents from the same people, but we use a lot of electricity because it is not insulated and he has no intention of doing it and we have no intention of doing it because we rent.

That is one of the factors when we talk about how we design rates and the impact on different people and whether or not it is inherently fair and we recognize that and we are going to talk about this. We haven't done studies we don't have rate differentiation based on ownership versus rental. If that is something people think we should have we could look at that. Part of what we look at with the rates, is by taking those people using large amounts of electricity and make them pay more. The people using less pay less. I suppose if your landlord is wasteful like that and doesn't care then the rates should impact accordingly.

But I am paying for it so it impacts me.

It is multiunit dwellings and rental situations are very hard to address in rate design. During regulatory processes such the one we will go through on this it comes up for sure. We are going to talk about residential rate options.....

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That would be an incentive for people to reduce their consumption.

The thinking on this one anytime people advocate for reducing the basic monthly charge is that it shifts a higher proportion of the bill directly to energy use therefore you have more incentive to control the number of kh you are using. The lower you bring it the more control you have. So some people advocate quite strongly for it. Again as a utility we like to make sure we are getting some of our fixed costs back from that.

Do you have a figure?

About \$60 out of that cost of service model for residential bimonthly.

Are you considering charging everybody \$60?

Not \$60.

Why would you be losing money if you increased the rates if you decrease the basic service charge?

We are not. We are affecting individual customers.

But you just said that idea isn't really popular with you guys because you like to cover your basic costs.

We would cover it, but it is an issue of certainty and where the money comes from. It is almost like your basic thing you like to get your fixed costs through a fixed charge and your variable costs through variable charge.

If you reverse that and made \$50 – would that be the charge and the power would go down?

Yes.

Do employees at Fortis get a better rate than any other residential?

No.

No employee incentive program?

No. Once upon a time that existed, but it doesn't anymore.

So over 1300 KW would take you to the second block?

Yes. The third option would be a slight increase in the bimonthly customer charge.....

That graph doesn't show that. It is basically showing the same.....

I am going to blow it up for you in a minute and you will see it. It will show that.

I don't even know what 1350 kw is? Is that a family of four in a normal home?

Our average KWH consumption, the average bill is about 2100. So whatever you would consider to be an average family living in an average house would use about 2000 KWH. 1000 KWH a month is pretty average.

If you wanted to drop your usage by say 500 KW what it would take to reduce your consumption by that much?

A lot of sweaters.

It is going to be behavior or equipment. You can change your behavior or put in more energy efficient.

If a family of two people have that kind of bill (\$400/every two months) who would have a \$200 bimonthly bill?

This is one of the things we want to talk about a little bit. If we flip this over and look at the other end of the graph. So customers with bills above \$200.....

What would you change the monthly fee to if you lower the rates of the power instead of the \$24 it is now?

We can't lower the KWH charge and lower, you can't do both. In any of these scenarios where we lower the rate, this one we increase it to \$32 to see your rates drop to 5.9 and 8.3 as opposed to 7.5. If you put that right up to recover our full fixed costs that the study tells us it is \$60 these are going to be significantly lower. It is really how you collect it and whether or not you think doing any one of these things encourages conservation in some fashion.

If a household was using say 2700 KW bimonthly, using the 32 bimonthly fixed charge with the lower for the first block and the higher, it would pretty near average out what we are paying now not?

It is slightly above. Close. We had a fellow in the session last night in Castlegar that said I like this idea I am all about these residential including block rates, but \$20 at this end doesn't do it for me. I think you should put this one way up and this one down to make an impact and somebody on the other end said look I am a single mother with four kids and I can't do anything about my consumption so I don't like it. Those are both valid arguments.

We have two forced air electric furnaces in our house. Our winter bill is fairly high \$500/\$600 dollars. Summer bill is \$150, but over a 20 year period we have gone from

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on an annual basis of about \$900 20 years ago to this year is going to be pushing very hard to \$1600. That is not a big increase, \$35 a year, but my concern is I like the idea of the higher monthly rate, but maybe end up costing us more in the winter, but we are not going to get an offset in the summer.

Yes depending on the characteristics of your bill that might happen. Depends on how you set the rate. If you set that high block compared to the low block then you are going to pay more here. Like I said it is not perfect.

Is one of your goals to reduce the total amount of electricity used by all your customers?

Yes.

Then user pay systems, which is what this is all about, how are you going to build into your system that the rich don't care whether they are residential customers, businesses who make insane amounts of money. How will this system pay discourage or bring down the overall use when we know there are going to be abusers that don't care what the cost is.

I think you are always going to have those outliers that you are not going to be able to do anything about, but our hope is overall that if you take that whole rate class and try to put some incentive in for some of them to bring their usage down they will do that. All those points you are bringing up are good. We are not overly married to any of those rates, but we are trying to get impact and feeling from everybody.

What percentage of savings do you hope to appreciate from AMI from your residential customers?

I won't be able to tell you that until we write the application. Anecdotally we have seen, there was actually a situation in Ontario by simply handing out fridge magnets and telling them they should use less energy at certain times they saw about 7% decrease in consumption by doing that. What these things allow you to do is connect the home directly to the meter that tells you what you are using and when, people pay attention and especially if it is tied to some sort of rate incentive, people's behavior will change.

There is a little red light or alarm that goes off.

This really helps us to address what is our concern as a utility is that we have that deficit of capacity and energy that we want to reduce and if we can get all of our customers to do that _____ it does drive costs down.

What about putting a meter inside the house? Who wants to go outside the house?

It is tied to an indoor display. You don't have to go outside in the freezing cold. These are the options they are in the same order as in your thing so I won't go through them all.

From the conservation side of things, how much more efficient are the little _____ coil light bulbs?

About 90 – 92% more efficient, plus they last a lot longer.

On a general 2200 sq. ft. house, how much difference if you converted all your bulbs to CFLs.

Lets talk about that after. They use only 8-10% of the power than the regular ones do.

What about the recycling?

You will see rebates for mercury.....we will talk about the general service rates before Jody comes in and yanks me out of here.

They get priority?

They don't get priority, but we make sure that if that group of customers is requiring us to build our system to a certain size to accommodate it that they are the ones paying for it.

They start the mill at 4 o'clock in the morning when everybody else is sleeping.

Most of them don't, but we do encourage soft starts and ways for them to reduce their peak. This is an example of the declining block rate.....

_____ what the KWH cost is to start?

I believe it is about 8-1/2 cents in the first block, somewhere around 6-1/2 in the second block and 5-1/2 in the third block. They are in that range.

Will the flat rate stay _____

The flat rate is lower overall because of the increase in the other ones. I could get that one for you, but I can't remember exactly what it is.

Question on the general service rates. I have a commercial account with Fortis and I am quoted a KDA rating on my bill. How does that affect the number of KW that are used.

It doesn't really. That is the measure of your peak demand at any one time in the system. Like a point where you fire up your biggest motor or whatever is driving your demand. KWH is more a trickle or usage over time.

Am I billed based on the KDA?

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Yes. You will see a charge on there so many KDA at \$5 and that is a one time charge. It only happens once during the month. This is what happens to the general service customers under that scenario.....

Does that represent the 5% increase?

This is independent of that rate rebalancing we were talking about earlier.

That looks like a huge impact that would have on those businesses.

We are talking about, these are pretty big when you get out to here. We only have about 1% of our customers left by the time you get out to here, but you are talking about somebody using 134,000 KWH at a rate differential of about \$2000.

Can you give an example of a business that would fall into that?

That is likely going to be at that range, small manufacturing plant who is using a lot of KWH, probably running 20 or 24 hours a day. This is not a corner store or McDonalds once you get up into here, you are talking larger businesses. Again they may not be doing something that is wasteful, just using a lot of power. That is something we need to consider. Once you get up into the high consumption we have in this whole range about 5% of our GS 20 customers, which are the slightly larger customers. Up in here at a million and a half KWH and I don't know who this is then you see a significant spread. Once up into here we only have 1 customer or something. Probably neither of these customers should be on that rate, they probably should be on a different rate by the time they get _____. There is a bit of a summary and this will be on your package.

_____ **comparing one group to another and how you are going to bill, but what is really going to happen across the board the price of electricity is going to go up for everybody.**

No these are all taking the same amount of revenue within these customer groups and collecting them differently. There is no change in the overall revenue.

The price of electricity is not going up for everybody across the board?

Not as a result of this. Whether or not the industry or the costs outside of this are going to change. The trend is for increasing prices in just about everything, but that is not related to what we are talking about here.

That is what I mean. The real issue is that the price of electricity is going to go up.

The real issue is that the price of electricity is going up. I don't want to call that the real issue in this forum because what we are really talking about is this. We are all concerned about the fact that prices are going up for just about everything.

What I hear you saying Cory is you are playing with numbers, playing with the basic charge versus the cost of the electricity, whether breaking it into blocks or whether it is a flat rate. The basic concept is my associate here is saying the rates are going to go up.

But the rates are going to go up and historically they have shown an upward pressure that they are going to rise, but this is going to apply whether they are down here or up here. This is independent of that.

This is to take your mind off of that.

It is a revenue neutral thing to us, but we are trying to create some rates that promote efficiency and conservation and the only way we can do that is to juggle the components we use to bill. Regardless of whether or not you want to talk about general pressure on rates, that is not really relevant to this discussion. That is the general service piece. That is also in your packages.

Feedback from?

We are talking about anybody that wants to provide any additional feedback, ideas, comment or anything else prior to the application being filed can put it in an email, letter, however and do that.

How long ago did you start doing these?

We started in May just talking about the cost of service then we were back out in June talking about rate rebalancing and rate design. This is the last session now. You are getting less time to react than anybody else. We started public consultation in May.

Sorry something about correspondence being sent could not make him out.

Not at this point. Until the process becomes formal and it is actually an application before the commission you can't register or send anything in that pertains to this to them. This is for if you have a comment you want included in the application.

This is to work you guys up so you don't do the wrong thing.....

Once it goes to BCUC then you can _____.

You can register. Make sure everybody has the information you need to fill out the questionnaire. Thanks a lot.

Cory on behalf of everybody in the room thank you very much to Fortis for allowing us the opportunity to partake in this.