

Dennis Swanson Director, Regulatory Affairs FortisBC Inc.
Suite 100 - 1975 Springfield Road
Kelowna, BC V1Y 7V7
Ph: (250) 717-0890
Fax: 1-866-335-6295
regulatory@fortisbc.com
www.fortisbc.com

October 1, 2009

<u>Via Email</u> 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.'s Preliminary 2010 Revenue Requirements Application for Approval Pursuant to Sections 60 and 61 of the Utilities Commission Act

Please find enclosed for filing 20 copies of the materials entitled "Preliminary 2010 Revenue Requirements". These materials are being filed in accordance with the Negotiated Settlement Agreement reached between FortisBC Inc. ("FortisBC" or "the Company") and a group of Stakeholders, and approved on May 23, 2006 by Commission Order G-58-06 ("the 2006 NSA"), and the extension of the Performance-Based Regulation Plan to December 31, 2011, approved by Commission Order G-193-08 (the "2009 NSA").

The Company will hold its 2009 Annual Review on November 17, 2009 commencing at 9:00 a.m., at the Delta Grand Okanagan Resort and Conference Centre, 1310 Water Street, in Kelowna, BC. The Annual Review is required to compare the Company's performance for the year to the approved targets for the Performance Standards and to determine the Company's eligibility to an incentive payment.

A Workshop will be held following the Annual Review to review the Preliminary 2010 Revenue Requirements materials. The financial information contained in this Application is based on results as of July 31, 2009 and forecasts to year end. On or before November 2, 2009, FortisBC will file updates to the 2009 and 2010 forecasts incorporating actual results to September 30, 2009. A Negotiated Settlement Process to set rates for the upcoming year will take place on November 18, 2009 at the same venue, at a time to be determined following the 2010 Revenue Requirements Workshop.

FortisBC is seeking a general rate increase effective January 1, 2010 of 4.6 percent to cover increased revenue requirements, as stated in the Preliminary 2010 Revenue Requirements materials, subject to a Settlement Agreement arising out of the November 18, 2009 Negotiated Settlement Process. The rate increase is driven primarily by the costs of

financing the Company's capital expenditures as described in Tab 7, and by increased Power Purchase expenses as described in Tab 6 of this Application.

Pursuant to Order G-58-06, FortisBC's Return on Equity is set relative to the benchmark low risk utility, Terasen Gas Inc., which is the subject of an application currently in process before the Commission. If a decision in that application is issued prior to determining final 2010 rates for FortisBC, the resulting FortisBC Return on Equity will be included in final rates. Otherwise FortisBC would expect to implement any resulting change to 2010 Revenue Requirements and rates by way of a flow-through adjustment at the time of the decision.

As in previous years the Company requests approval to implement any BC Hydro Power Purchase rate change by way of a flow-through adjustment at the time of a Commission decision approving a BC Hydro rate adjustment during 2010.

Accordingly, the Company requests, pursuant to Sections 60 and 61 of the Utilities Commission Act, and subject to the results of the November 2, 2009 update to the 2010 Revenue Requirements Application and an agreement between the parties to the November 18, 2009 Negotiated Settlement Process, that a general rate increase of 4.6 percent applicable to its existing tariff effective January 1, 2010, be approved as firm.

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

Sincerely,

Dennis Swanson

Director, Regulatory Affairs

cc: Registered Intervenors 2009 Revenue Requirements

2008 Revenue Requirements

2009 -2010 Capital Expenditure Plan