VIA EMAIL

August 10, 2011

To: FortisBC Inc.
Registered Interveners (FBC-RIB-RI)

Re: FortisBC Inc.
Project No. 3698628/Order G-68-11
Residential Inclining Block Rate Application

Further to the Procedural Conference held on August 3, 2011, please find enclosed Order G-142-11 with attached Reasons for Decision and Revised Regulatory Timetable.

Yours truly,

Alanna Gillis

/il
Enclosure
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: D. Morton, Panel Chair/Commissioner August 10, 2011
L.A. O’Hara, Commissioner
M.R. Harle, Commissioner

ORDER

WHEREAS:

A. On March 31, 2011, FortisBC Inc. (FortisBC) filed an application for approval of a Residential Inclining Block (RIB) Rate (Application) to the Commission pursuant to sections 58 to 61 of the Utilities Commission Act;

B. The Application proposes to implement a default mandatory RIB rate for FortisBC’s residential customers. The RIB rate is composed of a customer charge and two rate blocks separated by a threshold level of consumption of 1,600 kWh per two-month billing period;

C. The Application examines eighteen options. The option proposed by FortisBC has the Block 1 and Block 2 rates set at levels such that 95 percent of customers will experience annual bill impacts of less than 10 percent;

D. FortisBC proposes to exempt the customer charge from future rate increases, other than those related to rebalancing through 2015, effectively reducing the customer charge relative to the other billing determinants. FortisBC also proposes to apply future general revenue requirement rate increases (excluding rebalancing) as follows: 1) Block-1 rate would be increased by an amount equal to the sum of the general revenue requirement increase and any rebalancing adjustments; and 2) Block-2 rate would be calculated residually to recover the balance of the general revenue requirement and any rebalancing adjustments;

E. By Order G-68-11 date April 12, 2011, the Commission established an Initial Regulatory Timetable with two rounds of Information Requests (IRs). The Order also provided for a Procedural Conference to take place in Kelowna, on May 10, 2011. The Commission Panel subsequently cancelled the Procedural Conference due to the limited number of attendance confirmations received and requested written submissions on the procedural matters that it had intended to canvass at the Procedural Conference;
F. By Order G-94-11 dated May 20, 2011, and further to written submissions by Intervenors, the Commission issued a revised Regulatory Timetable, which provided for, among other matters, a written hearing process. A corrected Regulatory Timetable was issued on May 30, 2011;

G. After FortisBC filed its responses to the first round of IRs, Commission staff identified various issues in some of the responses. By letter dated June 24, 2011, the Commission suspended the Regulatory Timetable pending an investigation by FortisBC staff into the issues raised by Commission staff and the receipt of a proposed update from FortisBC;

H. On June 27, 2011, FortisBC submitted its proposed update through the filing of Errata No. 3 relating to one table in the Application and certain of its IR responses;

I. The Commission Panel, upon reviewing the responses to IR No. 1 and the Errata No. 3, felt that the responses were lacking and had some further questions of its own. Accordingly, by Letter L-55-11 dated July 8, 2011, the Panel issued its own set of IRs;

J. By letter dated July 12, 2011, the Commission Panel confirmed that the Regulatory Timetable remained suspended;

K. On July 22, 2011, FortisBC responded to the Commission Panel IRs. Upon review of these responses, the Commission Panel found that there were still some outstanding questions that needed to be addressed;

L. In addition, an Intervener, Mr. Andy Shadrack, upon failing to receive a response to some of his questions in IR No. 1, asked the Commission to order FortisBC to respond. The Commission Panel provided FortisBC with an opportunity to provide a reply submission to Mr. Shadrack’s request. FortisBC responded to the questions, but Mr. Shadrack remains unsatisfied with its response;

M. By letter dated July 25, 2011, the Panel established a Procedural Conference to take place in Vancouver on August 3, 2011 to consider, among other matters, whether FortisBC had filed sufficient evidence to enable the evaluation of the Application, and whether the Application should proceed with an oral or a written hearing.

NOW THEREFORE for the reasons set out in the Reasons for Decision attached as Appendix A to this Order the Commission orders as follows:

1. The Revised Regulatory Timetable attached as Appendix B is hereby established. The Panel will revisit the question of whether the Application should be reviewed through a written or oral hearing process once the second round of IRs is completed.
2. FortisBC is to file evidence, as described further in the Reasons for Decision attached to this Order, on or before August 24, 2011.

3. FortisBC is to ensure that all evidence that is filed is accurate.

DATED at the City of Vancouver, in the Province of British Columbia, this 10th day of August 2011.

BY ORDER

Original signed by:

D. Morton
Commissioner
IN THE MATTER OF

FORTISBC INC.

An Application for Approval of a Residential Inclining Block Rate

REASONS FOR DECISION

August 10, 2011

BEFORE:

D. Morton, Panel Chair/Commissioner
L.A. O’Hara, Commissioner
M.R. Harle, Commissioner
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0 BACKGROUND</td>
<td></td>
</tr>
<tr>
<td>2.0 PROCEDURAL CONFERENCE OF AUGUST 3, 2011</td>
<td></td>
</tr>
<tr>
<td>2.1.1 Basic Charge</td>
<td>3</td>
</tr>
<tr>
<td>2.1.2 COSA Principles vs. Conservation and Energy Efficiency</td>
<td>4</td>
</tr>
<tr>
<td>2.2 Relationship between the Basic Charge, Block 1 and Block 2 Rates and the Threshold</td>
<td>4</td>
</tr>
<tr>
<td>2.3 Pricing Principles</td>
<td>5</td>
</tr>
<tr>
<td>2.4 Conservation Impact</td>
<td>6</td>
</tr>
<tr>
<td>2.5 Understanding FortisBC’s Plans with respect to Time of Use (TOU) and RIB Rates</td>
<td>6</td>
</tr>
<tr>
<td>2.6 Is there additional evidence required?</td>
<td>7</td>
</tr>
<tr>
<td>2.7 Written or Oral Hearing</td>
<td>7</td>
</tr>
<tr>
<td>2.8 Accuracy of the Evidence</td>
<td>8</td>
</tr>
<tr>
<td>3.0 COMMISSION PANEL DIRECTION ON THE FILING OF FURTHER EVIDENCE</td>
<td>8</td>
</tr>
</tbody>
</table>
1.0 BACKGROUND

Further to the FortisBC Inc.’s (FortisBC’s, Applicant’s) response to Mr. Shadrack (Exhibit B-7); Mr. Shadrack’s reply (Exhibit C9-10); issues of simplification and a convenient comparison of RIB Rate options raised by British Columbia Sustainable Energy Association (BCSEA); (Exhibit C11-4) and the FortisBC’s responses to the Commission Panel Information Requests (IRs) (Exhibit B-8), the Commission Panel convened a Procedural Conference on Wednesday, August 3, 2011. The Commission Panel sought submissions on the following matters:

1. Is the record sufficient to establish the level of Basic Charge in view of the findings of Order G-156-10 and accompanying Decision (pp. 56-57) or should further evidence be filed?
2. What is the relative importance of the COSA-derived level vis-a-vis the importance of sending appropriate pricing signals for conservation and energy efficiency?
3. Does the record allow for convenient comparisons to establish the relationship between the Basic Charge, Block 1 and Block 2 rates and the Threshold?
4. Does the Application clearly articulate, develop and test the pricing principles?
5. Does the Application adequately project and assess the impact on conservation?
6. Does the record provide a clear understanding of FortisBC Inc.’s plans regarding establishment of the Residential Inclining Block (RIB) rate and the Time of Use (TOU) rates?
7. Are there subject areas, where additional evidence would further contribute towards establishing a RIB Rate with appropriate pricing signals?
8. Does the hearing of the Application by way of written hearing remain preferable to an oral hearing process or would there be advantages to establishing an oral hearing process at this time?

Prior to the date scheduled for the Procedural Conference, the Commission Panel received written submissions from FortisBC and the following Interveners: Mr. Shadrack, Mr. Tarnoff and Strata Corporation KAS2464 (SCK). FortisBC also filed an errata to certain of its IR No. 1 responses on July 29, 2011.

2.0 PROCEDURAL CONFERENCE OF AUGUST 3, 2011

In addition to the Applicant, the following Interveners made submissions at the Procedural Conference: British Columbia Old Age Pensioners’ Organization (BCOAPPO), BCSEA, Mr. Shadrack, Mr. Tarnoff, Ms. Slack-Goodman and Mr. Gabana. The latter four individuals participated by teleconference. Commission counsel made submissions on behalf of Commission staff on Issues 1, 4 and 5 described above and in relation to staff’s concern with the accuracy of some of the Applicant’s material. We will now address in detail the submissions on each of the issues outlined above.

2.1.1 BASIC CHARGE

Question 1: Is the record sufficient to establish the level of Basic Charge in view of the findings of Order G-156-10 and accompanying Decision (pp. 56-57) or should further evidence be filed?

The Applicant submits it has provided various models with basic charges of: $21.50, $15.00, $10.00, $7.50 and $0.00 and thus the record is sufficient. Further, because Commission Order G-156-10 requires it to incorporate a lower basic charge, no examination of a higher basic charge is required. However, it is FortisBC’s position that a reduction in the Basic Charge can be satisfied by allowing the Basic Charge to remain at the same level while the other components of the RIB rate rise to meet increasing revenue requirements. It further states that the current existing basic charge is supported by its 2009 Rate Design Application (RDA) and subsequent compliance filings. (Exhibit B-10, pp. 2-3)

BCOAPPO maintains that there is insufficient evidence on this issue at this time. It submits that more information is needed to establish FortisBC’s marginal cost and on the composition of the cost-of-service derived customer costs. (T1:41)
BCSEA is satisfied with the evidence presented to date, but also requests that FortisBC provides an explanation of how changes in the customer charge affect the result of different RIB options. (T1:51)

Mr. Shadrack submits that a higher Basic Charge is in essence a subsidy to 40.3 percent of the residential customers who used more than 1900 kilowatts per billing period in 2008 and that FortisBC has not adequately responded to all of his questions in this regard. (T1:58; T1:60, T1:61)

Mr. Tarnoff cites FortisBC’s claim that a lower basic charge can lead to revenue volatility and instability and that this is a reason for not lowering the basic charge. (T1:65) He submits that FortisBC has provided no evidence supporting an established need for revenue stability, or evidence that decreasing the customer charge and increasing the energy charge adds to revenue volatility. (T1:65) In his written submission, he submits that the record is “... ambiguous, misleading and totally insufficient to establish the level of Basic Charge in view of Order G-166-10”. (Exhibit C1-3) Commission counsel agrees with Mr. Tarnoff’s view that more evidence about revenue stability is required. (T1:73)

SCK submits that the record is not adequate to establish the level of the Basic Charge. (Exhibit C10-7)

Commission Panel Discussion
The Panel finds that there is insufficient evidence in the record to date to establish the level of the Basic Charge. As there has been no evidence filed about revenue stability, it is not possible to determine what, if any, the adverse impacts of a lower Basic Charge will be. The Panel directs FortisBC to provide more information about how the Basic Charge is calculated on a cost of service basis.

2.1.2 COSA PRINCIPLES VS. CONSERVATION AND ENERGY EFFICIENCY

Question 2: What is the relative importance of the COSA-derived level vis-a-vis the importance of sending appropriate pricing signals for conservation and energy efficiency?

FortisBC submits that the principle of fair apportionment of costs among customers (Bonbright Principle 2) and sending appropriate pricing signals for conservation and energy efficiency (Bonbright Principle 3) may be competing considerations. It further maintains that since the variation in conservation impact between options is small, Principle 3 would have a limited role and other considerations can, and should, be given greater weighting. (Exhibit B-10, p. 5)

BCOAPO submits that it is not possible to design rates that are fair and that also promote conservation. (T1:40)

BCSEA submits that it is more important to send conservation signals than a cost of service based determination of customer service charge. (T1:52)

Commission Panel Determination
The Panel accepts that if differences in conservation potential between different options are small, then other principles, specifically Principle 2, should be given greater weighting. However, as discussed elsewhere in this Decision, the evidence on the record is not sufficient to support any claim that this difference is small. Accordingly, we direct FortisBC to revisit this question when it has established a more robust evidentiary record with respect to conservation savings.

2.2 RELATIONSHIP BETWEEN THE BASIC CHARGE, BLOCK 1 AND BLOCK 2 RATES AND THE THRESHOLD

Question 3: Does the record allow for convenient comparisons to establish the relationship between the Basic Charge, Block 1 and Block 2 rates and the Threshold?

The Applicant submits that it has filed a substantial body of evidence on the interaction for these four elements. (Exhibit B-10, pp. 6-7)
BCOAPO maintains that the record is insufficient to understand how the rates are derived for various options, if a 2011 implementation is assumed. It also points out that while FortisBC has acknowledged that the RIB will actually be implemented in mid-2012, the record is not clear on how the 2012 RIB rates will be set. Further, it states that the record is not sufficiently developed to make a decision regarding which option is to be preferred, and that it cannot be easily cleared up through another round of IRs. (T1:43)

BCSEA submits that the record is sufficient to establish the relationship between the Basic Charge, the Block 1 and the Block 2 rates. (T1:52)

SCK submits that the Threshold was developed by the Applicant based on two year’s worth of data, which is too short a period and failed to take into account various climatic influences. It further maintains the climate was benign during that period. (Exhibit C10-7)

Commission Panel Determination
The Panel finds that FortisBC has filed a significant amount of evidence on this relationship. However, it has not clearly articulated how 2012 RIB rates will be set. There is no discussion of the test period used, or whether this period is representative of a longer time period. The Panel directs FortisBC to provide clarification on how the 2012 rates are to be calculated. Are they based on 2011 rates increased by the revenue requirements? The Panel further finds that there is insufficient evidence that the test period is representative of the forecast period.

2.3 PRICING PRINCIPLES

Question 4: Does the Application clearly articulate, develop and test the pricing principles?

Fortis submits the Application clearly articulates, develops and tests the pricing principles. However, for this purpose, it defines pricing principles as “...the manner in which general rate increases are applied to the pricing elements of the RIB rate: the Basic Charge, Block 1 and Block 2.” (Exhibit B-10, pp. 9-10)

BCOAPO’s position is that the Application does not articulate, develop and test the pricing principles. It states that although the Application references the Bonbright principles, the metrics used by FortisBC in assessing the options do not directly follow from these principles or objectives. Of particular concern to the BCOAPO is the lack of assessment of whether the Block 2 price mirrors FortisBC’s marginal costs, and therefore whether they provide an efficient price signal. In addition, it expresses concern that bill impacts are considered as an input to the initial rate design, rather than looking first at designs that meet fairness and efficiency objectives, and then assessing the bill impacts. (T1:44-45)

BCSEA states that it would be helpful if FortisBC provides a closer connection between the pricing principles and the RIB rate. (T1:53)

Commission counsel submits that while there is analysis and testing for FortisBC’s proposed pricing principles in terms of bill impacts and conservation impacts for 2011, there is no such analysis or testing for 2012 through 2015. (T1:73)

SCK also submits that the Application does not articulate, develop and test the pricing principles. (Exhibit C10-7)

Commission Panel Determination
The Panel finds that there is insufficient analysis of the pricing principles for the period covered by the Application. FortisBC presents 18 options for RIB pricing in 2011. It then applied its four pricing principles to a subset of these options for the years 2012 to 2015. Although some analysis of bill and conservation impacts are presented for 2011, there is insufficient such analysis done for years 2012 through 2015.

The Panel shares BCOAPO’s concerns regarding the Bonbright principles. FortisBC’s analysis does not demonstrate a clear enough linkage between billing and conservation impact and specific Bonbright principles. Accordingly, the Panel directs FortisBC to demonstrate how the Bonbright principles are satisfied in options 8, 19, 22 and 25.
The Panel further directs FortisBC to demonstrate how its four pricing principles satisfy the Bonbright criteria. We expect the applicable Bonbright principles to be clearly identified and the RIB options to be presented, analyzed and discussed in the context of those principles.

2.4 CONSERVATION IMPACT

Question 5: Does the Application adequately project and assess the impact on conservation?

FortisBC states that it has made efforts to project and assess the impact of its rate designs on conservation. It acknowledges the uncertainties inherent in its approach, but submits that this is inherent to applications of this nature. To this end, it notes BC Hydro’s uncertainty in relation to anticipated conservation impacts, from the Decision accompanying Commission Order G-124-08. However, FortisBC maintains that such uncertainty should not be a barrier to proceeding with RIB rates. (Exhibit B-10, p. 11)

BCOAPO acknowledges that FortisBC does not have any values for price elasticity applicable to its service territory, and that accordingly using a range of values is appropriate. However, it questions whether different elasticity values should be used above and below the Threshold since it is neither immediately obvious nor supported by any research. (T1:46) BCOAPO submits that the analysis does not distinguish between reductions achieved with prices that are above, as opposed to below, the long-run marginal costs. It maintains that if conservation is defined as cost-effective load reduction, the record contains insufficient evidence. (T1:46 T1:47)

BCSEA submits that it would be useful to aggregate the three elasticity based estimates, the percentage of customers who have consumption in Block 2 and other conservation related parameters into a single parameter. (T1:53)

Commission counsel submits that FortisBC has provided two apparently very different sets of conservation estimates that result from the RIB. The first can be found in Exhibit B-5, the response to BCUC 1.9.3, and the second in the response to BCUC 1.19.2. (T1:73)

In his written submission, Mr. Shadrack states that FortisBC has failed to provide adequate information about conservation, which should now be available from other utilities using RIB rates (Exhibit C9-11).

Commission Panel Determination

FortisBC relies on a range of elasticity values to estimate conservation in its modelling scenarios. However, it provides no foundation for those values. We recognize the difficulty of obtaining precise price elasticity values for its service territory. However, as Mr. Shadrack suggests, there may be similar information available from other jurisdictions. FortisBC also did not provide evidence that it is appropriate to use different elasticity values for the different block rates. Therefore, the Panel directs FortisBC to provide further evidence on price elasticities in other jurisdictions, as well as the appropriateness of using different elasticity values for the different block rates.

2.5 UNDERSTANDING FORTISBC’S PLANS WITH RESPECT TO TIME OF USE (TOU) AND RIB RATES

Question 6: Does the record provide a clear understanding of FortisBC Inc.’s plans regarding establishment of the RIB rate and the TOU rates?

FortisBC submits that the record establishes that it presently offers a TOU rate under Rate Schedule 2A and that customers who take this service will not be covered under the proposed RIB rates. It points out that this represents less than 1% of the residential customer base. Further, it maintains that the record shows that the RIB will be the default mandatory rate for all customers not taking TOU service. It also notes that the record shows a Certificate of Public Convenience and Necessity (CPCN) application will be submitted for Advanced Metering Infrastructure (AMI) and that TOU rates would be offered at that time. (Exhibit B-10, pp. 12-13)
BCOAPO submits that although the record is unclear on how these two rate designs could be used in the future, it could be clarified through further IRs. (T1:47)

BCSEA submits that the record indicates that FortisBC is making this Application, prior to the AMI program introduction, as directed by the Commission. (T1:54) Further, it states that FortisBC has indicated that it will “cross the bridge when it gets to it” with respect to integration of TOU and RIB rates and that in its opinion, this is a reasonable position to take.

Mr. Shadrack states that he is still unclear about the future relationship between these two rate structures. He also expressed a concern that TOU rates will only deal with FortisBC’s desire to shave peak power purchases from the spot market. (Exhibit C9-11)

Commission Panel Determination
The Panel acknowledges that the record establishes facts about the existing voluntary TOU rates and FortisBC’s intention to develop an Advanced Metering Infrastructure to support an expansion of the voluntary TOU program, but agrees with Interveners who submit that there is a lack of information about the interaction between the RIB and the TOU rate. However, since FortisBC has stated clearly that the RIB rate will be the default mandatory rate for over 99% of its residential customers, and there has been no application for an AMI filed, the Panel is of the view that this is an issue that is best dealt with if, as, and when such an application is filed.

2.6 IS THERE ADDITIONAL EVIDENCE REQUIRED?

Question 7: Are there subject areas, where additional evidence would further contribute towards establishing a RIB Rate with appropriate pricing signals?

FortisBC does not believe that there is any need for additional evidence at this time and that the second round of IRs would allow any additional subject areas to be identified and explored.

BCOAPO believes that it would be useful if FortisBC provided additional information on the derivation of their marginal costs. (T1:47)

BCSEA submits that it is not aware of any additional subject areas, but a second round of IRs is important. With regard to the issue of long-run marginal cost, they claim there is evidence on it in the record and it is appropriate that BCOAPO ask further questions about it in the next round of IRs. (T1:55)

Commission Panel Determination
The Panel agrees with BCOAPO regarding the lack of evidence on the derivation of marginal cost. The Panel further finds that no additional subject areas have been identified where additional evidence would further contribute towards establishing a RIB Rate with appropriate pricing signals, other than those otherwise described in this Decision.

2.7 WRITTEN OR ORAL HEARING

Question 8: Does the hearing of the Application by way of written hearing remain preferable to an oral hearing process or would there be advantages to establishing an oral hearing process at this time?

FortisBC submits that it prefers a written hearing, in part because it is more cost effective than an oral hearing. However it also cites a number of other factors, including: the technical nature of the RIB does not lend itself well to an oral hearing; Interveners had the opportunity to orally examine conservation philosophies in its 2009 Rate Design hearing; and many issues have already been dealt with in the BC Hydro RIB Rate Decision. It also considers that the RIB Application only affecting a single customer class as a factor in its recommendation for a written hearing. (Exhibit B-10, p. 14)

BCOAPO suggests that the determination of this matter be left until the issues can be further identified and addressed through future IRs. It disagrees with FortisBC that the technical nature of the RIB is not conducive to an oral hearing. It also
disagrees that because the RIB only affects one rate class it would be more efficient to deal with as a written process. It argues that this is a rate structure that can have very serious implications for that rate class and the decision on the format of a hearing should not be made on this basis. (T1:48-49)

BCSEA is content with either approach, although it takes exception to many of the factors cited by FortisBC. It agrees that a written hearing can be more efficient, but submits that “a lot of common understanding is lost in a written process” and that an oral hearing can foster that understanding. (T1:56)

Mr. Shadrack supports an oral hearing if there is a need to clear up any remaining questions. (T1:78)
SCK submits that it prefers written submissions. (Exhibit C10-7)

Commission Panel Determination
The Panel agrees with FortisBC that a written hearing is more efficient than an oral hearing. However, it also agrees with the Interveners that the other factors cited by FortisBC do not necessarily support only a written hearing. The Panel defers a decision on the nature of the hearing until the filing of further evidence and the completion of the second round of IRs.

2.8 ACCURACY OF THE EVIDENCE

Commission counsel expresses a general concern about Commission staff’s confidence in the numbers that FortisBC is relying upon. He notes that FortisBC has now filed its fourth errata. Further, he points out an error in the spreadsheet that FortisBC filed as part of its Written Submission for this Procedural Conference (Exhibit B-10).

Commission Panel Determination
The Panel shares the concern about accuracy of the information presented by FortisBC. It should go without saying that in addition to undermining confidence in the Application itself, it is a source of considerable inefficiency in the regulatory process. The Panel directs FortisBC to ensure that evidence is accurate before it is filed and/or distributed to participants in this hearing.

3.0 COMMISSION PANEL DIRECTION ON THE FILING OF FURTHER EVIDENCE

The Panel has determined that in many cases, the record is inadequate to support FortisBC’s assertions and positions. Some Interveners maintain that in some cases, it could be satisfactory to explore these issues through the next round of IRs. The Panel does not agree with this approach. Some of the evidence to be introduced may require subsequent Information Requests – i.e., an IR No. 3. We believe that this would result in an inefficient process. Accordingly, the Panel directs that FortisBC, in addition to responding to the earlier directions it has received in this Decision, file additional evidence by no later than August 24, 2011. This evidence should, at a minimum, address the following areas:

1. Revenue Stability
   a. Demonstrate the need for revenue stability;
   b. Demonstrate that decreasing the Basic Charge and increasing the energy charge adds sales revenue volatility;
   c. Provide the anticipated costs of revenue volatility; and
   d. Provide the “specific needs of the company” with respect to revenue stability.

2. The RIB rate will not be introduced until 2012 at the earliest.
   a. Provide clarification on how 2012 rates are to be calculated. Are they based on the 2011 rate increased by the revenue requirements for 2012?
   b. Provide conservation and bill impact analysis for RIB scenarios for 2012 to 2015.
3. A response to the specific questions raised by Mr. Shadrack in the hearing, including:
   a. Whether customers that purchase over 1900 kilowatts in a billing cycle are receiving power below the costs of delivering it; and
   b. The threshold consumption below which customers pay less than 9.35 cents.

4. Long-Run Marginal Cost
   a. Explain why FortisBC does not agree that the Block 2 rate should be capped at the long-run marginal cost of power
   b. What value would FortisBC propose to use for its long-run marginal cost of power (as opposed to FortisBC’s marginal cost of power in the near to medium term). Why? How is this value determined? In what year’s dollar is it expressed?
   c. BCOAPO’s position is that prices that exceed the long-run marginal cost can lead to inefficient consumption decisions. Does FortisBC agree with this statement? Provide reasons for the response.

5. Elasticity and other Conservation Measures
   a. Provide further analysis on elasticity and RIB rates to support FortisBC’s position that the values for each of the two steps should be modelled differently. Is the difference in values of the two elasticity values a function of the size of the step?
   b. Provide further evidence on price elasticities in other jurisdictions.

6. Pricing Principles
   a. Demonstrate how the Bonbright principles are satisfied in options 8, 19, 22 and 25.
   b. Demonstrate how the four pricing principles satisfy the Bonbright criteria.

7. Test Period.
   a. Provide further information about the test data. What period(s) does it cover?
   b. Provide evidence that the test years can be considered normal years and are a representative sample of the customer class for the forecast period.

8. Basic Charge
   a. Provide more information about how the Basic Charge is calculated on a cost of service basis.
An Application by FortisBC Inc. for Approval of a Residential Inclining Block Rate

### REVISED REGULATORY TIMETABLE

<table>
<thead>
<tr>
<th>ACTION</th>
<th>DATE (2011)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FortisBC files additional evidence as directed</td>
<td>Wednesday, August 24</td>
</tr>
<tr>
<td>Commission and Intervener Information Request No. 2</td>
<td>Thursday, September 8</td>
</tr>
<tr>
<td>FortisBC Responses to Commission and Intervener Information Request No. 2</td>
<td>Thursday, September 29</td>
</tr>
<tr>
<td>Intervener Evidence (if any)</td>
<td>Friday, October 14</td>
</tr>
<tr>
<td>Commission, Intervener, and FortisBC Information Request No. 1 to Intervener</td>
<td>Friday, October 21</td>
</tr>
<tr>
<td>Intervener Responses to Commission, Intervener, and FortisBC Information Request No. 1</td>
<td>Friday, October 28</td>
</tr>
</tbody>
</table>