Mr. Andy Shadrack
Box 484
Kaslo, BC V0G 1M0

Dear Mr. Shadrack:

Re: FortisBC Inc.
Project No. 3698628/Order G-142-11
Residential Inclinig Block Rate Application

Further to Commission Order G-142-11, which revised the Regulatory Timetable with respect to the above noted Application, enclosed please find Commission Information Request No. 1 on Intervener Evidence Exhibit C9-13. In accordance with the Revised Regulatory Timetable, please file your responses electronically with the Commission by Friday, October 28, 2011 in accordance with the Commission’s Document Filing Protocols, effective May 16, 2005.

Yours truly,

Alanna Gillis

dd
Enclosure
cc: Registered Interveners
    (FBC-RIB-RI)
1.0 Reference: Exhibit C9-13, p. 1; Exhibit A2-3: FortisBC’s Residential Rates from January 2005 to October 2011

On p. 1 of Exhibit C9-13, Mr. Shadrack states that “Our biggest disappointment, given the energy savings we have already attained, is our failure to achieve the kind of financial savings that would allow us to recoup the capital investment that we made in a timely manner. Currently, on just the investment in appliances alone, we estimate that FortisBC’s current rate structure will mean that the payback period will stretch out for 16.95 years, before we break even.”

Based on Mr. Shadrack’s 2007-2011 energy savings (per the table “Electrical Consumption by Billing Period” on p. 1 of Exhibit C9-13) and on FortisBC’s residential rates (Exhibit A2-3), Commission staff calculated Mr. Shadrack financial savings over the period 2007-2011 (see Table 1 in Appendix A).

1.1 Does Mr. Shadrack agree that his household has realized, as of to date, a total of $922.91 in financial savings since converting to energy efficient appliances (see Table 1 in Appendix A)? If not, please provide the calculations demonstrating otherwise.

1.2 Please provide the amount of financial savings that would have allowed Mr. Shadrack’s household to recoup its capital investment in a timely manner and also define the terms “in a timely manner”.

1.2.1 Please describe the specific FortisBC rate structure (i.e., level of Basic Charge and Energy Charge) that would allow Mr. Shadrack’s household to reach the financial savings that would allow it to recoup its capital investment in a timely manner. Please provide the calculations.

1.3 Please provide the calculations to support the statement that “the payback period will stretch out for 16.95 years before we break even”.

1.4 Please justify why the full cost of Mr. Shadrack’s household appliances should be included in the cost of the energy conversion process as opposed to including only the cost difference between the energy efficient appliance and the non-energy efficient ones, plus the residual cost attributed to the residual useful life of Mr. Shadrack’s old appliances, unless they had already reached the end of their useful life, in which case no residual cost should be included.

2.0 Reference: Exhibit C9-13, p. 2; Exhibit A2-3: FortisBC’s Residential Rates from January 2005 to October 2011

On p. 2 of the Evidence, Mr. Shadrack states that “in the 2011 June-August billing period, despite a 34.5% drop in household energy consumption (see table above), the overall cost of electricity to our household has risen 3% since the June-August 2006 billing period”.

Exhibit A2-3 shows that FortisBC’s residential rates increased from 6.658 cents/kWh to 9.217 cents/kWh from the June-August 2006 billing period to the June-August 2011 billing period, i.e., a 38.4% increase over 5 years.
2.1 Looking at Mr. Shadrack’s 2011 June-August electricity bill, does Mr. Shadrack agree that the general rate increases from 2006 to 2011 (38.4% over 5 years) have more than offset the reduction in his household energy consumption (34.5% decrease) over the same period?

2.2 Does Mr. Shadrack agree that if his household had not become more energy efficient and had maintained its 2006 energy use level in 2011, his 2011 June-August electricity bill would have been higher by $30.23 and reached a total of $116.90 (i.e., (950 kWh – 622 kWh) x $0.09217/kWh)? If not, please explain why not.

2.2.1 As a result, does Mr. Shadrack agree that the 34% drop in his household energy consumption resulted in a 25.9% drop in the overall cost of electricity to his household, all else being equal (i.e., [(38.67/$116.90) - 1]*100), as opposed to a 3% rise?

3.0 Reference: Exhibit C9-13, p. 2; Exhibit B-11, pp. 1-4

On p. 2 of Exhibit C9-13, Mr. Shadrack indicates that the Basic Charge on his bill has increased since 2006, when Mr. Shadrack began converting electrical appliances to energy efficient ones, from only 18.1% of the total bill to 44% of the total bill.

3.1 Does Mr. Shadrack agree that if the Basic Charge is fixed, then the lower consumption of the variable portion of the monthly bill (kWh) will result in a higher percentage share of Basic Charge?

3.1.1 Mr. Shadrack on p. 2 says that “...we understand and accept the necessity of each residential customer paying their fair share of fixed costs...”. Please elaborate on what should be the fair share or optimal percentage share of the Basic Charge in a billing period?

3.2 Does Mr. Shadrack accept that the Basic Charge, even without recovery of full fixed costs, helps stabilize a utility’s revenue and reduces risks related to revenue volatility (Exhibit B-11, pp. 1-4)? If not, please provide the reasons.

4.0 Reference: Exhibit C9-13, pp. 2, 4; Exhibit B-11 pp. 12-13 and pp. 27-28

On p. 12 of Exhibit B-11, FortisBC submitted to the Commission that the use of a blended cost value does not recognize that customers place a fixed cost on the utility regardless of the level of consumption.

On pp. 27-28 of Exhibit B-11, FortisBC states that “Applying approved rate increases to the 2009 COSA amount would result in a customer-related cost of $65.53 per 2 month period. This compares to the proposed customer charge of $28.93 per 2 month period. In looking at reducing the customer charge, it must be recognized that a lower amount would deviate even more from the Commission-approved COSA.”

4.1 Does Mr. Shadrack agree with FortisBC that the utility is not recovering its full fixed cost in its Basic Charge? If no, please explain why not.

4.2 If the response to the above question is yes, does Mr. Shadrack agree that the current rate design with a Basic Charge lower than the Commission-approved COSA amount already partly addresses the concerns of small-usage customers like the Shadrack household?
4.3 Does Mr. Shadrack agree with the evidence provided by FortisBC on pp. 12-13 of Exhibit B-11 that customers who consume less than 4,050 kWh in a billing period are being subsidized by those consuming above that level? If not, please explain why not.

4.4 Does Mr. Shadrack accept that higher energy charges through freezing the existing amount of the Basic Charge (except for rebalancing), as opposed to letting it increase by the general rate increases, would address his disappointment over financial savings? If not, please explain why not.

5.0 Reference: Exhibit C9-13, p. 2

In the table “Hydro Cost by Billing Period” on p. 2 of Exhibit C9-13, Mr. Shadrack presents the change to bi-monthly electricity costs since 2006. Mr. Shadrack’s consumption in each bi-monthly period since 2006 has trended downwards with a few exceptions. The notable exception is June-August 2011 where the electricity consumption rose from 570 in 2010 to 622 in 2011 and the overall cost to the Shadrack household rose 3 per cent.

5.1 If, adhering to the principle of revenue neutrality, the Commission were to order FortisBC to lower the Basic Charge for each billing period and compensate its revenue requirement by allowing increases to the Step 1 and Step 2 rates, does Mr. Shadrack anticipate higher or lower electricity bills at constant 2011 consumption level going forward?

5.2 Please elaborate on whether residential customers’ conservation behaviour is affected by: (a) the increase to the total bill; (b) the inclining block rate structure as opposed to a flat rate structure; or (c) the blended unit cost of electricity.
Table 1: Mr. Shadrack’s Energy Savings (in kWh and $)

<table>
<thead>
<tr>
<th>Billing Period</th>
<th>2006 Savings (kWh)</th>
<th>2007 Rate</th>
<th>Savings ($)</th>
<th>2008 Savings (kWh)</th>
<th>Rate</th>
<th>Savings ($)</th>
<th>2009 Savings (kWh)</th>
<th>Rate</th>
<th>Savings ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>December-February</td>
<td>1,378</td>
<td>315</td>
<td>0.06738</td>
<td>21.22</td>
<td>668</td>
<td>0.07078</td>
<td>47.28</td>
<td>734</td>
<td>0.07463</td>
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<td>February-April</td>
<td>1,085</td>
<td>256</td>
<td>0.06738</td>
<td>17.25</td>
<td>455</td>
<td>0.07078</td>
<td>32.20</td>
<td>407</td>
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<td>April-June</td>
<td>1,023</td>
<td>342</td>
<td>0.06879</td>
<td>23.53</td>
<td>472</td>
<td>0.07135</td>
<td>33.68</td>
<td>442</td>
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<td>June-August</td>
<td>950</td>
<td>272</td>
<td>0.06879</td>
<td>18.71</td>
<td>547</td>
<td>0.07135</td>
<td>39.03</td>
<td>370</td>
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<td>August-October</td>
<td>934</td>
<td>362</td>
<td>0.06879</td>
<td>24.90</td>
<td>535</td>
<td>0.07135</td>
<td>38.17</td>
<td>504</td>
<td>0.07627</td>
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<td>October-December</td>
<td>846</td>
<td>184</td>
<td>0.06879</td>
<td>12.66</td>
<td>148</td>
<td>0.07135</td>
<td>10.56</td>
<td>159</td>
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<td><strong>TOTAL</strong></td>
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<td><strong>118.27</strong></td>
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<td><strong>200.92</strong></td>
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<td><strong>196.32</strong></td>
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<th>Billing Period</th>
<th>2010 Savings (kWh)</th>
<th>Rate</th>
<th>Savings ($)</th>
<th>2011 Savings (kWh)</th>
<th>Rate</th>
<th>Savings ($)</th>
<th>2007-2011 Savings ($)</th>
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<td>December-February</td>
<td>717</td>
<td>0.08085</td>
<td>57.97</td>
<td>782</td>
<td>0.08868</td>
<td>69.35</td>
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<td>February-April</td>
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<td>April-June</td>
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<td>June-August</td>
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<td>30.72</td>
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<td>0.09217</td>
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<td>August-October</td>
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<td>October-December</td>
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<td>20.05</td>
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<td><strong>TOTAL</strong></td>
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<td><strong>214.67</strong></td>
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