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February 18, 2016

British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Ms. Laurel Ross, Acting Commission Secretary and Director

Dear Ms. Ross:

Re: Project No. 3698781

British Columbia Hydro and Power Authority (BC Hydro) 2015 Rate Design Application

FortisBC Energy Inc. and FortisBC Inc. Submission in Response to Exhibit A-18 Regarding the Negotiated Settlement Process for Cost of Service Study and Rate Class Segmentation

FortisBC Energy Inc. and FortisBC Inc. (collectively FortisBC) submit the following with respect to the British Columbia Utilities Commission letter dated February 11, 2016 (Exhibit A-18) pertaining to the Negotiated Settlement Process (NSP) scheduled for March 7 and 8, 2016, regarding BC Hydro's Cost of Service Study and Rate Class Segmentation:

1. Confirmation from the parties who intend to participate in the settlement discussions

FortisBC confirms that two representatives from FortisBC will participate in the NSP.

2. Submissions from registered interveners on BC Hydro's submission in its letter dated January 21, 2016 (Exhibit B-10)

FortisBC is not opposed to BC Hydro's proposal that certain Commission staff should be designated by the Panel as Active Participants for any F2016 COS NSP in accordance with Part IV, section 1(iv) (a) of the NSP Guidelines.

3. *Comments on the specific issues related to the cost of service study (COSS) and rate class segmentation including the street lighting rate class proposal that parties wish to have addressed in the Cost of Service Negotiated Settlement Process (NSP) on March 7 to 8, 2016*

FortisBC's intervention in BC Hydro's 2007 Rate Design Application (RDA) with respect to the COSS in that proceeding was primarily focused on cost allocation methodologies that reflect the winter peaking nature of the BC Hydro system. Although the BCUC decision in the 2007 RDA did not adopt all of FortisBC's submissions on the COSS, FortisBC believes the Commission's findings in that decision provided a fair balance in the cost allocation methodologies approved. FortisBC does not believe that cost allocation methodologies should remain frozen over time when there are good reasons to change, so its interests in the NSP on the F2016 COSS are primarily aimed at confirming that the methodologies adopted continue to reflect the essential nature of the service provided by BC Hydro to its different customer classes.

4. *Comments on the recommendation by the Commission Panel that the Facilitator of the NSP be Ms. Liisa O'Hara*

FortisBC is supportive of the proposal that Ms. Liisa O'Hara serve as Facilitator of the NSP.

If further information is required, please contact Michelle Carman at 604-592-7458.

Sincerely,

on behalf of FORTISBC

Original signed:

Diane Roy

cc (email only): Registered Parties