



March 6, 2019

<b>FAES 2018/19 RR &amp; CoS TES</b>
<b>DELTA SCHOOL DISTRICT      EXHIBIT A-12</b>

Via eFile

Mr. Doug Slater  
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**Re: FortisBC Alternative Energy Services Inc. – Application for Approval of the Fiscal 2018/2019 Revenue Requirements and Cost of Service Rates for the Thermal Energy Service to Delta School District No. 37 – Project Number 1598949 – Clarification Request on Phase-in Submissions**

Pursuant to British Columbia Utilities Commission (BCUC) Order G-36-19, FortisBC Alternative Energy Services Inc. (FAES) and Delta School District No. 37 (DSD) provided submissions on a potential phase-in of the proposed Cost of Service (COS) Rate.

In its submission dated February 26, 2019, DSD stated the following:

If, however, notwithstanding the DSD's position, the BCUC decides to issue an Order granting the Application and requiring the DSD to pay the Proposed COS Rate (rather than some alternative COS Rate calculated after a full prudency review has been undertaken), the DSD submits that the switch to the Proposed COS Rate should occur effective July 1, 2019 and should not be delayed or phased-in over a longer period of time. [emphasis added]

In its reply submission dated March 5, 2019, FAES stated the following:

Although the DSD states that there should be no delay, the effect of its request would be a one year delay. The DSD's proposal would mean that it remains on the Market Rate (MR) for the duration of the test period covered by this Application, and only move to the COS Rate in the next rate year. FAES submits that making the switch effective July 1, 2018, as proposed by FAES's Application, is more consistent with the DSD's own stated desire to avoid the adverse financial impacts of a phase-in.

The Panel seeks clarification regarding DSD's February 26, 2019 submission, as the submission appears to indicate a potential lack of understanding of the interim rate mechanism.

The Panel approved by Order G-77-18 the existing market rate mechanism and resulting market rate (Market Rate) on an interim and refundable basis, effective July 1, 2018, and directed that any variance between the interim Market Rate and the permanent rate be subject to refund/recovery. The result of this directive is that, in the event that the Panel approves a switch to the COS Rate, the COS Rate will take effect as of July 1, 2018 (not July 1, 2019).

In consideration of the above clarification regarding the implementation of a permanent rate and its effective date, the Panel requests DSD to clarify whether its reference to the proposed COS Rate taking effect July 1, 2019 was stated in error.

If DSD's reference to July 1, 2019 was not stated in error, the Panel requests DSD to clarify if it is therefore requesting that should the Panel determine that the switch to the COS Rate is appropriate, that the Panel nonetheless order that the implementation of that COS Rate be delayed to July 1, 2019. Such a delay would require that the difference between the interim Market Rate already approved in Order G-77-18, and the COS Rate that would otherwise be effective July 1, 2018, be added to the balance in the District Deferral Account (DDA). This would further potentially result in an increased COS Rate for Fiscal 2019/2020, as described by FAES in its March 5, 2019 submission, due to the increased balance in the DDA, and would essentially result in a one-year phase-in of the COS Rate notwithstanding DSD's request that the COS Rate not be phased in.

If DSD's February 26, 2019 submission erroneously referred to a potential COS Rate taking effect July 1, 2019 instead of the intended date of July 1, 2018, the Panel requests DSD to confirm its understanding that absent any phase-in ordered by the Panel or other agreement reached between FAES and DSD, the variance between the interim Market Rate and the permanent COS Rate (if approved) for the Fiscal 2018/2019 year would be recoverable by FAES from DSD immediately (i.e. the variance would not be added to the DDA for recovery in the future).

The Panel requests DSD to provide the above clarifications in writing by no later than Tuesday, March 12, 2019. FAES may, but is not required to, provide a written reply submission by no later than Friday, March 15, 2019.

Sincerely,

*Original signed by:*

Patrick Wruck  
Commission Secretary

cc: Erika Lambert-Shirzad  
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