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BRITISH COLUMBIA UTILITIES COMMISSION

ORDER NUMBER G-3-12

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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
L.A. O'Hara, Commissioner
M.R. Harle, Commissioner

January 13, 2012

O R D E R

WHEREAS:

A. On March 31, 2011, FortisBC Inc. (FortisBC) filed an application for approval of a Residential Inclining Block (RIB) Rate (Application) to the British Columbia Utilities Commission (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 18 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 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. FortisBC proposed that the Application be reviewed through a written hearing process, including only one round of Information Requests (IRs) and concluding on June 15, 2011 by way of its Reply Submission. Based on this Regulatory Timetable, FortisBC anticipated the RIB rate structure to become effective January 1, 2012;

F. The Application was reviewed through a written hearing process. The Regulatory Timetable was revised a number of times and ultimately included:

- One round of IRs from Commission staff and Interveners;
- One round of IRs from the Commission Panel;
- A Procedural Conference held 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 written hearing;
- The filing by FortisBC of additional evidence on August 24, 2011 to clarify, among other issues, how 2012 RIB rates are to be calculated, the value of the long-run marginal cost, elasticity and conservation measures, and the customer charge calculated on a cost of service basis;
- An additional round of IRs from Commission staff and Interveners; and
- The filing of evidence by Interveners;

G. The Commission has reviewed the Application and the material submitted through the written hearing process.

NOW THEREFORE the Commission, for the reasons set out in Decision issued concurrently with this Order, determines as follows:

1. FortisBC is directed to implement a RIB rate consisting of four components: a Customer Charge, a threshold and two block rates, set at the following values, based on May 1, 2011 rates:

   a. A Customer Charge of $28.93 per billing period;
   b. A threshold set at 1,600 kWh per billing period;
   c. A Block 1 Rate of 7.828 cents per kWh; and
   d. A Block 2 Rate of 11.272 cents per kWh.

2. FortisBC is to implement this RIB rate as soon as is reasonably practicable, and by no later than July 31, 2012. FortisBC is to file a revised Tariff Sheet for Rate Schedule 01, no later than 30 days prior to the date the RIB rate becomes effective.

3. FortisBC is directed to apply Pricing Principle 1 to future rate increases for the years 2012 to 2015. Specifically:

   a. The Customer Charge is exempt from general rate increases, other than rate rebalancing increases;
   b. The Block 1 rate is subject to general and rebalancing rate increases; and
   c. The Block 2 rate is increased by an amount sufficient to recover the remaining required revenue (*i.e.*, the residual rate).

4. FortisBC is directed to apply the RIB rate on a mandatory basis to all residential customers with the exception of those taking service at a Time-of-Use (TOU) rate at the time this Decision is issued.

5. FortisBC is directed to provide a RIB Rate Evaluation Report (Report) covering the period from the date of implementation to December 31, 2013. This Report should provide the utility, the Commission and Interveners the opportunity to evaluate the effectiveness of the RIB program, in particular with respect to its impact on conservation. The Report is to include, but not be limited to, the following:

   a. The energy consumption reductions achieved;
   b. Whether the consumption reductions persist or are temporary;
   c. How the rate design impacts electric heat customers; and
   d. The resulting operating cost reductions to the utility.

   The Report should also include an in-depth analysis of the full long-run marginal cost of acquiring energy from new resources, including the long-run marginal cost to transport and distribute that energy to the customer, and how that cost compares to the Block 2 rate; the combined effect of integrating TOU and RIB rates on the conservation achieved by the RIB, should that information be available; an update of the Conservation Potential Review and report on the potential effects of interaction between RIB rates and Demand Side Management targets; comparison of energy usage of indirect customers with the energy usage of direct customers; and an analysis of the potential effect of a two-tier wholesale rate on the consumption of its wholesale customers. This Report should be submitted to the Commission no later than April 30, 2014.

6. FortisBC is directed to establish a control group in conjunction with the introduction of the RIB rate to develop elasticity data for its own customers. The results of this elasticity study are to be included in the RIB Rate Evaluation Report.

DATED at the City of Vancouver, in the Province of British Columbia, this 13th day of January 2012.

BY ORDER

Original signed by:

D. Morton
Panel Chair/Commissioner