BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-127-13

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, BC V6Z 2N3 CANADA
web site: http://www.bcuc.com

TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

FortisBC Inc.
Terms of Reference for Residential Inclining Block Rate Evaluation Report

BEFORE: L.F. Kelsey, Commissioner
C.A. Brown, Commissioner
N.E. MacMurchy, Commissioner
B.A. Magnan, Commissioner
D.M. Morton, Commissioner
R.D. Revel, Commissioner
C. van Wermeskerken, Commissioner

August 22, 2013

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. On January 13, 2012, the Commission issued Order G-3-12 which directed FortisBC to:

1. Implement a RIB rate consisting of four components: a customer charge, a threshold and two block rates;
2. Implement this RIB rate as soon as is reasonably practicable, and by no later than July 31, 2012;
3. Apply the following pricing Principle to future rate increases for the years 2012 to 2015:

   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 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. Apply the RIB rate on a mandatory basis to all residential customers with the exception of those taking service at a Time of Use rate at the time Order G-3-12 was issued.

5. Provide a RIB Rate Evaluation Report (Report);

6. Establish a control group in conjunction with the introduction of the RIB rate to develop elasticity data for its own customers;

C. The RIB Rate was implemented on July 1, 2012, in accordance with Order G-3-12. FortisBC renamed the RIB rate to the Residential Conservation Rate (RCR) upon implementation;

D. Since the introduction of the RCR by FortisBC, the Commission has received a significant number of complaints regarding the new rate structure. During the period July 1, 2012-June 30, 2013, the Commission received 149 complaints regarding FortisBC's RCR.

E. Based on the complaints received the Commission believes certain action must be taken.

NOW THEREFORE the Commission pursuant to section 83 of the *Utilities Commission Act* orders as follows:

1. FortisBC must file a preliminary Residential Conservation Rate Evaluation Report (Report), covering the period from the date of implementation to July 31, 2013.

2. The Report should provide the utility, the Commission and the interveners the opportunity to evaluate the effectiveness of the Residential Conservation Rate (RCR) program, in particular with respect to its impact on conservation. This Report will assist the Commission to determine if any further action is warranted on this matter. 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 including how has the rate impacted customers that use alternative heating/cooling systems such as heat pumps (geothermal/air source), if available;

   d. Evaluate the impact the rate is having on customers that have no access to natural gas;

   e. The resulting cost implications to the utility including the resulting change in revenue earned to the utility (is the rate revenue neutral?);

   f. Provide an evaluation of the feasibility of changing the rate structure and/or the threshold. Potential options to be evaluated include:

      - Threshold set too high or too low
      - Household threshold
      - Individual threshold (i.e. AMI based)
      - Other;

…/3

g. Provide an evaluation as to how the rate structure works with the Equal Payment Plan and indicate what action FortisBC is taking to ensure estimated bills are accurate;

h. Overall impact on customers due to the introduction of the RCR:

- Percentage who have seen their bills decrease, by how much?
- Percentage who have seen their bills increase, by how much?
- How many customers have taken advantage of the Residential Demand Site Management Reduce Your Use program, which was introduced in 2012 to coincide with the introduction of the RCR?
- Comparison of the actual impacts of the RCR versus anticipated impacts. Please indicate if any lessons were learned on this matter.

2. Where reasonable, the Report must include:

a. A summary analysis of the full long-run marginal cost to acquire 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;

b. The combined effect of integrating Time of Use and RCR rates on the conservation achieved by the RCR, should that information be available;

c. An update of the Conservation Potential Review and report on the potential effects of interaction between RCR rates and Demand Site Management targets;

d. Comparison of energy usage of indirect customers with the energy usage of direct customers;

e. An analysis of the potential effect of a two-tier wholesale rate on the consumption of its wholesale customers.

3. The Report is to be filed with the Commission by no later than October 31, 2013.

DATED at the City of Vancouver, in the Province of British Columbia, this 23rd day of August 2013.

BY ORDER

Original signed by:

D.M. Morton
Commissioner