



LETTER L-22-14

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. CANADA V6Z 2N3
TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

Log No. 39204

ERICA M. HAMILTON
COMMISSION SECRETARY
Commission.Secretary@bcuc.com
web site: <http://www.bcuc.com>

VIA EMAIL

electricity.regulatory.affairs@fortisbc.com

June 10, 2014

Mr. Dennis Swanson
Director, Regulatory Affairs
FortisBC Inc.
Suite 100 – 1975 Springfield Road
Kelowna, BC V1Y 7V7

Dear Mr. Swanson:

Re: Generic Cost of Capital Proceeding (Stage 2) Decision and Order G-47-14
FortisBC Inc. Compliance Filing

The Commission is in receipt of a letter filed by FortisBC Inc. (FBC) dated May 2, 2014, in response to Order G-47-14 which was issued concurrently with the Generic Cost of Capital (GCOC) - Stage 2 Decision dated March 25, 2014. The FBC's May 2, 2014 letter was supplemented by an email filing dated May 29, 2014.

Order G-47-14 established, among other things, a deemed common equity component of 40.0 percent and an equity risk premium of 40 basis points for FBC, effective January 1, 2013. Directive 4 directed FBC to file a document setting out: (a) How and when it will implement the change to its capital structure; (b) amended rate schedules in accordance with the cost of equity as determined in the Decision issued concurrently with that Order; and (c) a proposal on the treatment of the difference between the interim rates being charged to customers and the permanent rates established by Order G-47-14.

A review of the filing indicates that FBC meets its compliance requirement only in item (a) but not the requirements for items (b) and (c) above. FBC did not receive approval to make permanent its 2013 rates that were set as interim (page 6 of 7 in Reasons that is attached to Order G-151-13). In spite of this, FBC proceeded to: (1) treat the difference between the interim rates and the rates as a result of GCOC Decision Stage 1 and 2 as if the interim rates had been made permanent and could be included in the 2013 revenue requirements; and (2) proceed to treat the revenue requirements surplus related to GCOC as it does other rate impacts.

FBC is to work with commission staff to develop a methodology to handle refunds to customers resulting from the rate impact of GCOC Stage 1 and 2 Decisions. This must be completed by June 30, 2014 with customers notified of the rate changes.

Yours truly,

Erica Hamilton

EC/yl