

June 18, 2018

To: All Lonsdale Energy Corporation Customers

**Re: Lonsdale Energy Corporation (LEC)
Application for 2018 Rate Adjustment
July 9, 2018 Public Meeting and Opportunity to Comment**

Mesdames/Sirs:

LEC has applied to its regulator, the City of North Vancouver, for permission to adjust its rates by November 1, 2018. Detailed information regarding the application is available in the section "Latest News & Updates" at www.LonsdaleEnergy.ca. The 2018 Rate Review and Bylaw Amendment report will also be available for viewing at City Hall between 8:30 am and 5:00 pm, Monday to Friday, except Statutory Holidays, from June 18, 2018, and online at www.cnv.org/publicmeetings.

LEC's rate structure includes three components:

- 1) The Meter Charge, which is constant from month to month at \$30.42 per month for Schedule 1 customers and \$163.81 per month for Schedule 2 customers, per service connection.
- 2) The Capacity Charge, which is constant from month to month, but different for each customer on the basis of their capacity requirement. Basically, the charge is for ensuring that LEC's system generating capacity is sufficient to meet LEC's customer capacity requirements. The monthly charge is currently set at \$3.7841 per kilowatt multiplied by the energy capacity nominated by a customer.
- 3) The Commodity Charge, which varies from month to month and is based on the amount of energy consumed. This charge essentially covers the cost of the energy purchased by LEC to provide heat to the buildings. The total charge is based on the amount of heat consumed in a month and the unit cost is adjusted in line with FortisBC gas price fluctuations. The current charge is \$0.03396 / kW.h for Schedule 1 customers and \$0.02869 / kW.h for Schedule 2 customers multiplied by the monthly consumption.

More information with regard to these charges is available on our website at www.LonsdaleEnergy.ca under the heading "How Rates Are Calculated" or also directly available at <http://www.cnv.org/City-Services/Lonsdale-Energy/About-LEC-Rates>.

The two rate system provides flexibility to customers based on annual energy consumption. Customers choosing Rate Schedule 1 benefit from a lower monthly Meter Charge, but have a higher Commodity Charge rate. Customers choosing Rate Schedule 2 have a higher monthly Meter Charge, but benefit from a lower Commodity Charge rate. The Capacity Charge is the same for both Rate Schedule 1 and Rate Schedule 2. While customers can select the rate schedule to apply to their accounts, as a rule of

thumb, LEC recommends that customers consuming less than 300 MWh of energy per year select Rate Schedule 1.

Basically, the rate adjustment request aims to adjust the Meter and Capacity charges by the Consumer Price Index (CPI) rate of inflation estimated at 1.5% for one year. This adjustment allows LEC's rates to account for a general increase in purchasing and operation costs. LEC's Commodity Charge would continue to be adjusted based on the cost of natural gas and therefore is not adjusted for inflation and is not impacted by the request.

In addition to this LEC is also recommending a 5% increase of the Capacity Charge after adjustment for the rate of inflation. As per the Council report dated July 19, 2017, LEC intends to request this additional annual increase of 5% over a 5 years period to fund LEC's costs for the recovery of heat from the North Shore Wastewater Treatment Plant based on an agreement signed between LEC and the Greater Vancouver Sewerage and Drainage District on October 05, 2017. The increase will also allow the timely reimbursements of LEC's loans from the City of North Vancouver. The first increase was implemented on January 1, 2018; there was a two month delay from LEC's regular rate adjustment date of November 1st to allow for the ratification of the above mentioned agreement.

A summary of the impact on the two rate schedules follows:

Rate Schedule 1 (Consumption up to 300 MWh per year)

Charge	Current Rate	CPI Rate of Inflation	Rate Adj. for Inflation	5% Increase to Capacity	2018 Rates
Meter Charge (per month)	\$ 30.42	1.5%	\$ 30.88	n/a	\$ 30.88
Capacity Charge (per kW)	\$ 3,7841	1.5%	\$ 3,8409	5.0%	\$ 4,0329
Commodity Charge (per kW.h)	\$ 0.03398	n/a	\$ 0.03398	n/a	\$ 0.03398

Rate Schedule 2 (Consumption over 300 MWh per year)

Charge	Current Rate	CPI Rate of Inflation	Rate Adj. for Inflation	5% Increase to Capacity	2018 Rates
Meter Charge (per month)	\$ 163.81	1.5%	\$ 166.27	n/a	\$ 166.27
Capacity Charge (per kW)	\$ 3,7841	1.5%	\$ 3,8409	5.0%	\$ 4,0329
Commodity Charge (per kW.h)	\$ 0.02871	n/a	\$ 0.02871	n/a	\$ 0.02871

Total impact on an average customer:

Assuming constant natural gas prices, the average net increase is estimated at 3.7% of the total amount invoiced to customers.

While the total increase exceeds the rate of inflation, the increase should be considered in the context of LEC's rate competitiveness. As shown in the report, LEC's average cost is currently the lowest of comparable Lower Mainland district energy providers. It is also lower than the cost of using stand-alone in-building boilers or electric baseboards.

The 2018 Rate Review and Bylaw Amendment report provides additional information and I invite you to review it. The recommendation contained in the report was adopted by the Council of the City of North Vancouver at its regular Council meeting of June 11, 2018.

Any member of the public may forward comments to LEC's regulator, the City of North Vancouver, as per the following:

- 1) Written submissions referring to "LEC rate adjustment" must include your name and address and be received no later than 4:00 pm, Monday, July 9, 2018. Submissions should be sent to the attention of the City Clerk, City of North Vancouver, 141 West 14th Street, North Vancouver, BC, V7M 1H9, fax 604.985.9417, email: input@cnv.org.
- 2) In person, at the Public Meeting to be held at 6:30 pm on July 9, 2018 in the Council Chamber, City Hall, 141 West 14th Street, North Vancouver, BC.

My contact information is noted at the bottom of this letter. Please do not hesitate to contact me with any questions or requests for information. Finally, with sufficient notice, I would be happy to meet with building Strata Councils, if deemed appropriate.

Sincerely,



Ben Themens, MBA, P.Eng., CPA, CGA

Director

Phone: 604-983-7312

Email: bthemens@LondaleEnergy.ca

c.c. City Council of the City of North Vancouver