

August 31, 2016

To: All Lonsdale Energy Corporation Customers

**Re: Lonsdale Energy Corporation (LEC)
Application for 2016 Rate Adjustment
October 3, 2016 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 in the fall of 2016.

LEC's rate structure includes three components:

- 1) The Meter Charge, which is constant from month to month and similar for each customer, currently at \$150 per month, per service connection.
- 2) The Capacity Charge, which is constant from month to month, but different for each customer. Basically, the charge is for ensuring that LEC's generating capacity is sufficient to meet LEC's system capacity requirement. The monthly charge is currently set at \$3.231 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 charge currently stands at \$0.02747 / kW.h.

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

The application aims to implement a two rate system that will provide more flexibility to customers based on annual energy consumption. Customers choosing Rate Schedule 1 will pay a lower monthly Meter Charge but a higher Commodity Charge. Customers choosing Rate Schedule 2 will pay a higher monthly Meter Charge but a lower Commodity Charge. The Capacity Charge will be same for both Rate Schedule 1 and Rate Schedule 2. However, the proposed rate adjustment contemplates increasing the Capacity Charge to \$3.5541 per kW. Both rates are summarized as follows:

Rate Schedule 1

(recommended for consumption of approximately 300 MWh per year or less)

- Meter Charge \$30 per month
- Capacity Charge \$3.5541 per kW
- Commodity Charge \$0.03398 per kW.h

Rate Schedule 2

(recommended for consumption exceeding approximately 300 MWh per year)

- Meter Charge \$161.55 per month
- Capacity Charge \$3.5541 per kW
- Commodity Charge \$0.02871 per kW.h

The application also recommends changing the Late Payment Charge to 1.5% per month, and increasing the Service Connection Fee to \$75 per kilowatt of nominated energy capacity. Note that the latter one-time Service Connection Fee is usually paid by developers during construction.

Total impact on an average customer:

Assuming constant natural gas prices, the net increase is estimated at 7.0% of the total amount invoiced to an average customer.

For your convenience, an estimate of the impact of the rate adjustment on your property is enclosed.

While the increase exceeds the rate of inflation, the following factors should be considered:

- The Capacity Charge remained constant since LEC started operations in 2003 through 2013. The last increase was on July 1, 2014, more than two years ago.
- The Meter Charge has never been increased since LEC's start of operations in 2003.
- The Commodity Charge was last set at \$0.0458 / kW.h in 2007 to follow natural gas prices fluctuations. Due to market pricing decrease of the price of natural gas, it currently is at a record low level of \$0.02747 / kW.h; a 40.0% decrease.
- As shown in the attached 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.

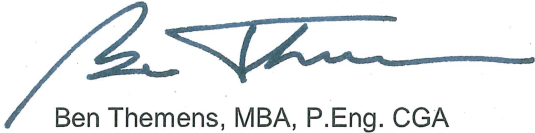
The attached report provides additional information. The recommendation contained in the report was adopted by the Council of the City of North Vancouver at its regular Council meeting of July 25, 2016.

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" may be forwarded prior to 4:00 p.m. on October 3, 2016, attention of the City Clerk, City of North Vancouver, 141 West 14th Street, North Vancouver, BC, V7M 1H9, fax 604.985.9417, email: kgraham@cnv.org.
- 2) In person, at the Public Meeting to be held at 6:30 p.m. on October 3, 2016, in the Council Chamber, City Hall, 141 West 14th Street, North Vancouver, BC.

Please do not hesitate to contact me with any questions or requests for information. With sufficient notice, I would be happy to meet with building Strata Councils, if deemed required.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Ben Themens', with a stylized flourish at the end.

Ben Themens, MBA, P.Eng. CGA
Director
Lonsdale Energy Corp.
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c.c. City Council of the City of North Vancouver