



October 16, 2015

VIA EMAIL

Erica Hamilton
Commission Secretary
BC Utilities Commission
6th Floor 900 Howe Street
Vancouver, BC V6Z 2N3

Re: BCUC Residential Inclining Block (RIB) Rate Report to the Government of British Columbia – Comments on Companies’ Methodology and Process Submissions

We write to provide submissions in this proceeding on behalf of our client organizations, known collectively in utilities regulation proceedings as BC Old Age Pensioners’ Organization (BCOAPO) *et al.*

In FortisBC Inc. proceedings, we represent BCOAPO, Disability Alliance BC, Council of Senior Citizens’ Organizations of BC, and the Tenant Resource and Advisory Centre. In BC Hydro proceedings we represent BCOAPO, Active Support Against Poverty, Council of Senior Citizens’ Organizations of BC, Disability Alliance BC, Together Against Poverty Society, and Tenant Resource & Advisory Centre. In BC Hydro’s 2015 Rate Design Application (RDA), we also represent the BC Poverty Reduction Coalition.

The constituent groups of BCOAPO *et al.* represent the interests of low and fixed income energy consumers within British Columbia and more specifically in this process, the interests of BC Hydro and FortisBC’s low and fixed income residential ratepayers.

Background

In a letter dated July 6, 2015 (the “Minister’s Letter”), the Minister of Energy & Mines requested that the British Columbia Utilities Commission (the “Commission”) report to the BC Government on five specific questions concerning the impact of the BC Hydro and FortisBC’s residential inclining block (RIB) rates (the “RIB Rate Report”). Specifically the Minister requested the Commission provide information in response to five questions:

1. Do the residential inclining block rates cause cross-subsidy between customers with and without access to natural gas?
2. What evidence is available about high bill impacts [greater than 10 percent as a result of the adoption of the residential inclining block rates] on low income customers?

3. What evidence is available about factors that lead to high energy use and, therefore, bill impacts for customers without access to natural gas, including low income customers?
4. What is the potential for existing Demand Side Management programs to mitigate these impacts?
5. Within the current regulatory environment, what options are there for additional Demand Side Management programs, including low income programs?

The Commission's RIB Rate Report is to include in its review an analysis of the data the utilities provide and the Commission's conclusions regarding the Minister's five questions. The Commission is to provide the RIB Rate Report to government after the evidentiary phase of BC Hydro's 2015 RDA hearing.

In a letter dated August 15, 2015, the Commission outlined the process it proposes to develop the RIB Rate Report. The initial steps of the process involve:

- BC Hydro and FortisBC providing information on the methodologies they will use to gather information and report on the five questions posed by the Minister and any other relevant issues to be included in the report;
- Interested stakeholders providing comments on the same; and
- The Commission making its determination on the report methodologies, any other relevant issues to be included in the reports, and the regulatory timetable for the process.

To this end, the Commission requested that both BC Hydro and FortisBC provide submissions on the following by September 30, 2015:

- i. A detailed outline of the methodologies for the report the utilities will submit to the Commission on the five questions posed by Minister Bennett including:
 - a. How they intend to define "low-income" customers;
 - b. How they intend to define "factors" that lead to high energy use;
 - c. For each of the five questions, the general approach they intend to take to answer the question;
 - d. Any other relevant method they will use to gather information or answer the questions posed within the Minister's letter of July 6, 2015.
- ii. Any other relevant issues with the rates that have not previously been adequately addressed but should be reported on in the utility reports to the Commission and the Commission's report to government; and

- iii. Comments on the Commission’s proposed process and suggested timing.

The Commission further requested that the registered interveners in the most recent RIB rate proceedings for BC Hydro and FortisBC provide comments to the Commission by October 16, 2015 on:

- i. The utility methodology submissions;
- ii. Any other relevant issues with the rates that have not previously been adequately addressed but should be reported on in the utility reports to the Commission and the Commission’s report to government; and
- iii. Comments on the Commission’s proposed process and suggested timing.

On September 30, 2015 BC Hydro filed its submissions responding to the Commission’s requests as part of its 2015 RDA Application.¹ FortisBC filed its submissions on the same date.

In the sections below, we provide brief summaries of the Companies’ submissions on each issue, and BCOAPO’s comments on the same.

Summaries of Companies’ submissions and BCOAPO comments

1. Methodologies

1.1 Definition of “low income” customers

(a) BC Hydro

BC Hydro proposes to use Statistics Canada’s Low Income Cut Off (LICO) as the method for defining low income customers. According to BC Hydro’s 2015 RDA, the LICO estimates an income threshold at which a family is expected to devote a larger share (20 percentage points more than the average family) on the necessities of food, shelter and clothing. BC Hydro further proposes to use the pre-tax rather than after-tax income level, as it is considered easier for customers and survey respondents to think about and report.

BC Hydro notes that LICO is sensitive to family and community size as the cut-off varies by seven family sizes and five different population classifications.

BC Hydro notes that its bi-annual Residential End Use Studies (REUS) collect the income and family size information that, when combined with the household’s service town, will provide the necessary information to flag a given customer household as “low income”.

BC Hydro acknowledges that the accuracy of BC Hydro’s low income classification is dependent on: a) accurate disclosure of the survey respondents total household

¹ BC Hydro Rate Design Application, pp. 5-63 to 5-78.

income; b) the disclosure of the survey respondent's total number of household occupants and c) the fact the REUS uses bracketed household income levels. In this regard, BC Hydro notes that (similar to other market research studies) 25% of the customers in its most recent (2014) REUS chose not to disclose their total household income. BC Hydro uses neighbourhood income information to serve as a proxy for purposes of classification rather than discarding these missing values.

Finally BC Hydro notes that it consulted with BCOAPO on this issue and understands that BCOAPO agrees that Statistics Canada's LICO should be used for purposes of responding to the Minister's Letter.²

(b) FortisBC

FortisBC also proposes to use the LICO provided by Statistics Canada and notes that its approach is consistent with that taken by BC Hydro.³

FortisBC notes that its latest REUS research is based on a 2012 survey of 1,670 respondents which included self-reporting of questions related to demographics, including income level. FortisBC indicates that additional analysis will be required (by its REUS research partner) to examine the issues identified in the Minister's Letter and seeks direction from the Commission to do so.

(c) BCOAPO Comments

As noted in BC Hydro's submissions, BCOAPO supports the use of Statistics Canada's LICO for the purposes of defining and identifying "low income" customers. The primary reasons include:

- It is an established and generally accepted definition,
- It is flexible in that it varies by size of household and size of community,
- Both utilities have collected data that allows the definition to be readily employed in responding to the Minister's Letter.

While percentages of LICO (both above and below 100%) are used by various agencies for different purposes, the use of the LICO values for purposes of segmenting between low income and non-low income customers in order to address the questions posed by the Minister's Letter is reasonable.

In order to maintain a robust sample, BC Hydro has used neighbourhood information in order to identify income levels for those respondents where income levels or household size were not provided. The inclusion of the related responses will enhance the overall analysis. However, given the high incidence (over 25%) of non-responses, it would be useful if BC Hydro were to examine the basic parameters (e.g. electricity usage, heating

² BCH RDA Application, p. 5-68.

³ FBC Submission, p.2

type) of the two groups (respondents vs. non-respondents) in order to assess whether the inclusion of these records skews the general characteristics of “low income” customers.

FortisBC contrasts its 1,670 REUS respondents with the 10,000 customers that BC Hydro has used for its Residential rate design modelling. However, the two are not equivalent. The 10,000 BC Hydro residential customers are simply a representative sample of the BC Hydro’s overall residential customer base that was used to model/assess the distribution of rate/bill impacts (as opposed to using the entire Residential customer base). However, this sample does not have any demographic characteristics associated with it. What is equivalent to FortisBC’s 1,670 respondents to its REUS survey is the 7,451 households that responded to BC Hydro’s equivalent survey.

It is not entirely clear from FortisBC’s submission what, if any, analytics are readily available from its 2012 REUS survey that would provide information regarding the distinguishing features between low income and non-low income customers versus what information can only be obtained through additional work (and cost) by its REUS research partner and FortisBC staff. For example, from the discussion under FortisBC’s response to item I b), it appears that information may be available (without additional cost) that correlates usage by housing type and primary heating fuel. However, it is not clear if similar information is readily available segmented by income level.

FortisBC has provided no information as to what the total additional costs could be. Clearly, additional information may be required regarding the distinguishing characteristics of low income customers in order to address the Minister’s questions. However, this does not mean that the Commission should sign a “blank cheque”. Prior to providing any direction to FortisBC on this matter, the Commission should request more information from FortisBC as to the types of analyses it would intend to undertake and the associated costs.

1.2 Definition of “factors that lead to high energy use”

(a) BC Hydro

BC Hydro defines the phrase “high energy use” as including both energy consumption and peak demand.

Based on its 2014 REUS and Residential rate class segmentation analysis done during the RDA Stakeholder process, BC Hydro’s submission indicates that the factors driving higher than average annual electricity consumption are: a) household heating fuel and, to a lesser extent, b) housing type, denoted by the physical size of home and c) region.

(b) FortisBC

FortisBC intends to provide data on consumption by housing type and primary heating fuel as it considers these are the primary factors that drive electricity usage.

(c) BCOAPO Comments

FortisBC's submission identifies a number of other factors that it suggests are known to contribute to high energy use including: size of house, number of occupants, location (climate), domestic water heating fuel and presence of other electric high use end-uses (e.g. heated pools, hot tubs, etc.) and which could be analyzed.

Both FortisBC and BC Hydro have identified size of house, space heating fuel (i.e., electric vs. non-electric), and location as relevant factors that could/will lead to higher energy use. There would appear to be merit in both BC Hydro and FortisBC exploring domestic water heating fuel and the presence of other electric high use end-uses, assuming the data exists in their respective REUS's to do so.

Furthermore, given that the Minister's questions focus on customers without access to natural gas and low income customers, both Companies should seek to refine their analysis to specifically look at which factors lead to high energy use for each of these two groups as opposed to the Residential class in general.

1.3 General approach companies intend to take to answer each of the Minister's questions

1.3.1 Cross-subsidization between customers with and without access to natural gas

(a) BC Hydro

BC Hydro proposes to address this question using cost of service information and to utilize information from FEI to establish which communities do and do not have access to natural gas.

(b) FortisBC

FortisBC also proposes to address this question by looking at whether there are cost differences in serving the two groups – those with and without natural gas - and to employ its COS analysis to do so.

(c) BCOAPO Comments

BCOAPO agrees that the starting point for assessing cross subsidization is the cost of serving each of the two groups, as determined by the companies' respective COS analyses. However, cross-subsidization does not arise simply because there are "cost differences" in serving two groups of customers but rather if there are cost differences that are not captured through the rates used to bill the two groups. Even in the case where the two groups are charged the same "rate", cost differences may or may not be captured in the rate design used. Indeed, the costs to serve the two groups may be the same, but cross-subsidization could result if the rate design leads to the two groups paying different bills.

Both companies' COS analyses require detailed load data, including not only customer counts and energy use but also non-coincident peak (NCP) and coincident peak (CP) data for each of the groups being assessed. Neither company has addressed the extent to which the adequate NCP and CP information will be available to undertake the analysis either through load research or its recent implementation of AMI.

1.3.2 High bill impact on low income customers as a result of introducing RIB Rates

(a) BC Hydro

To respond to this question BC Hydro proposes:

- To highlight the Commission's findings of the RIB rate impacts on low income customers in the 2008 RIB Decision that "the vast majority of BC Hydro's low-income customers will be better off under a simple two-step inclining block structure that is revenue neutral for the residential customer class than under the [then current] flat rate";
- To assess the two F2017-F2019 pricing principle options for the RIB rate discussed in its RDA (section 5.2.5.1) noting that BC Hydro's preferred pricing principle Option 1 results in bill impacts in F2017, F2018 and F2019 of 4 per cent, 3.5 per cent; and 3 per cent respectively, with no low income customer having a bill impact greater than 10 per cent under RIB rate pricing principle Option 1.

BC Hydro notes that, as the RIB rate has been in place for almost seven years, the only sound method to gauge bill impacts to low income customers is to compare the RIB rate to an alternative had the RIB rate not been in place. BC Hydro proposes that the flat energy rate modelled for its 2015 stakeholder engagement process serve as the counter-factual. BC Hydro also notes that with a flat rate, in F2017 80 per cent of low income accounts will experience bill impacts greater than 10 per cent, and 47 per cent greater than 20 per cent.

(b) FortisBC

As noted above, FortisBC has indicated that it is able to link its REUS data to individual accounts and, thereby, identify the usage levels by low income customers. The one reservation appears to be the small sample size supporting its REUS data, including income level data.

However, FortisBC has not provided any information as to how it proposes to assess the bill impacts on low income customers from the implementation of the RIB rate.

(c) BCOAPO Comments

With respect to BC Hydro's submission, we note that the 2008 RIB Decision was based on the 2006 REUS. If BC Hydro proposes to rely on the Commission's 2008 Decision,

the Company should also indicate the extent to which the results of the 2006 REUS are comparable to those of the current 2014 REUS, in terms of energy use by low income customers.

Furthermore, since the Minister's question is with regard to the bill impact on low income customers as a result of the adoption of the RIB rate, the resulting impacts in F2017 through F2019 of continuing to apply the RIB rate are not relevant. Indeed, the extent to which high bill impacts will result from returning to a flat rate is also irrelevant to the question posed.

Rather, to gain an appreciation of the impact of implementing the RIB rate on low income customers, BC Hydro should use its 2015 RDA analysis to identify the extent to which low income customers would *benefit* from a return to flat rates, as these are the customers who would have experienced higher bills when BC Hydro implemented RIB rates.

FortisBC should undertake a similar analysis; however, FortisBC should also explicitly address the issue of sample size and indicate whether the number of low income customers identified in its REUS is sufficient to provide an adequate (i.e. statistically valid) picture of energy use by low income customers.

1.3.3 Factors that lead to high energy use and therefore (high) bill impact on customers without access to natural gas, including low income customers (as a result of introducing RIB Rates)

(a) BC Hydro

BC Hydro notes that as part of its 2015 RDA, it has modelled the bill impacts moving from the RIB rate to the flat rate by dwelling type and for customers using electric space heating. Similarly, it also proposes to model the bill impacts of moving from the RIB rate to the flat rate for customers in communities that do not have access to natural gas.

(b) FortisBC

FortisBC's submission specifically addresses the factors that would be assessed to explain the incidence of high energy use as between low income and non-low income customers. However, its submission makes no specific reference to addressing the question of differences in energy use and bill impacts as between customers with and without access to natural gas.

(c) BCOAPO Comments

There are two aspects to this issue. The first is what are the factors that lead to high energy use amongst customers without access to natural gas and, including (or particularly) low income customers without access to natural gas. The second aspect is the extent or degree to which this higher energy use has resulted in high bill impacts for these customers due to the implementation of the RIB rate.

As already noted in the comments provided under section 1.2 above, the first aspect requires the Companies' analyses of the factors leading to higher energy use to specifically address the factors relevant for these two groups, as well as the intersection of the two groups—namely, low income customers without access to natural gas. While BC Hydro indicates it will undertake bill impact analyses for these two groups, it is not clear whether BC Hydro has undertaken (or plans to undertake) specific analysis of the factors affecting energy use by each of these two groups. FortisBC's submission indicates that such analysis would be undertaken with respect to low income versus non-low income customers; however, there is no indication that a similar analysis will be done with respect to customers with access to natural gas versus those without access to natural gas. These possible shortcomings need to be addressed.

The second aspect deals with the bill impacts on the two groups as a result of the implementation of the RIB rate. With respect to BC Hydro, the comments made under section 1.3.2 above are also applicable here with regard to the proposals concerning customers without access to natural gas. As for FortisBC, the company does not indicate the approach it will take to determine the bill impacts on customers without access to natural gas as a result of RIB rate implementation. Again, the comments made under item 1.3.2 with respect to FortisBC are also applicable here.

1.3.4 Potential for existing Demand Side Management programs to mitigate these impacts

(a) BC Hydro

BC Hydro's response to this issue is limited to providing a summary of its existing Residential DSM programs and detailed information on its two existing low income DSM offers.

BC Hydro also notes its assessment that in comparison to the RIB rate, a move to a flat rate will result in high bill impacts to the majority of BC Hydro's low income customers. In addition, BC Hydro notes that no low income customer will have a bill impact greater than 10 per cent under RIB rate pricing principle Option 1.

(b) FortisBC

FortisBC proposes to provide a list and brief description of the DSM programs that customers can participate in that can impact the factors it identifies in response to question 3 as leading to high energy use.

(c) BCOAPO Comments

In BCOAPO's view, BC Hydro has not really addressed the Minister's fourth question. The objective of the first three questions was to determine those factors that lead to high energy use for Residential customers who are low income or without access to natural gas, and to determine the degree to which, as a result, the implementation of the RIB rate has already led to high bill impacts for these customers. In BCOAPO's view, the purpose of the fourth question is to identify the potential for existing DSM programs

to help offset the high bill impacts experienced to date (and that continue) by targeting the factors that lead to high energy use by these specific customer groups. The objective is not, as BC Hydro's submissions appear to suggest, to assess the merits in moving back to a flat rate and/or the future impacts of continuing with the RIB rate. However, on this point, we have been clear that we do not see any basis to depart from the existing RIB structure, as BC Hydro has pointed out that there is a small but beneficial positive impact of the RIB rate for the majority of low income residential customers.⁴

FortisBC's submission on this issue accords with BCOAPO's understanding of the purpose of the fourth question, which is to discuss the extent to which its existing DSM programs can impact the factors leading to high energy use for these groups of customers.

1.3.5 Options for additional DSM programs, including low income programs

(a) BC Hydro

Rather than describing how it will identify options for additional DSM programs, BC Hydro's submission sets out its view as to the regulatory process that would need to be followed for the Commission to accept or reject new DSM related expenditures and limitations imposed by the F2017-F2019 rate caps (per section 9 of Direction No. 7).

(b) FortisBC

FortisBC proposes to provide a discussion of any potential additional DSM programs, or potential modification to existing programs, that could be undertaken within the existing regulatory environment.

(c) BCOAPO Comments

BC Hydro's submission does not address the main point of the Minister's fifth question which, in BCOAPO's view, is to identify any additional DSM programs that could help offset the higher bills already being experienced by low income customers and customers with no access to natural gas (due to the RIB rate) by targeting the factors that lead to high energy use by these specific customer groups. Furthermore, as we understand it, the purpose of the exercise is not to identify DSM programs for the Commission to accept or reject as part of the RIB review process; but rather, programs that could be incorporated by the Commission in its report to the Minister.

BCOAPO agrees with FortisBC's proposed approach.

1.3.6 Other relevant method(s) they will use to gather information or answer the questions posed within the Minister's Letter

⁴ http://www.bcuc.com/Documents/Proceedings/2015/DOC_44747_A2-1_BCH-2015-RDA-Sec5.5and5.6.pdf, page 5-71

(a) BC Hydro and FortisBC's Submissions

In responding to the preceding questions both Companies' submissions have indicated that they plan on relying on their most recent REUS and their existing billing records to provide the information required to answer the questions posed by the Minister's Letter. In FortisBC's case, this may involve (subject to direction from the Commission) additional analysis of its REUS data which would be undertaken by its REUS research partner. Both Companies have also indicated that they will describe their existing DSM programs and, in addition, FortisBC plans on identifying additional DSM programs that could target the factors leading to high energy use by low income customers and customers without access to natural gas.

Apart from these, neither Company has identified any other relevant methods/sources that may be used to gather information or answer the questions in the Minister's Letter.

(b) BCOAPO Comments

BCOAPO does not have any comments on this issue.

2. Other relevant issues

(a) BC Hydro

BC Hydro notes that it is reviewing the RIB rate as part of its RDA (Module 1) and is of the view that the RDA will address any other relevant issues.

(b) FortisBC

FortisBC notes that it has not identified any other relevant issues.

(c) BCOAPO Comments

We have identified several other relevant issues.

i. Definition of "access to natural gas"

The term "access to natural gas" is not defined in the Minister's Letter. BC Hydro proposes adopting a community approach to define access to natural gas:

As noted in the Workshop 12 summary notes found at Appendix C-1B, pages D8 to D10 of Fortis Gas' tariff list communities that have access to natural gas. Examples of B.C. communities in BC Hydro's service area without natural gas include: Clearwater, Golden, Invermere, Port Hardy and Valemount.⁵

[Footnotes omitted]

⁵ http://www.bccuc.com/Documents/Proceedings/2015/DOC_44747_A2-1_BCH-2015-RDA-Sec5.5and5.6.pdf, page 5-70.

FortisBC in its submission does not comment on the definition.

In our view, an equally valid definition of “access to natural gas” could include residential customers who cannot afford to switch from electricity to natural gas or are unable to switch for other reasons, even if they could connect to natural gas service in their homes. For example, low income residential ratepayers would likely not have the funds to purchase natural gas fireplaces, furnaces or other appliances, even if residential natural gas service is available in their area. Similarly, it is likely that many renters, even if they could connect to the natural gas system and could afford purchase and installation costs, would have difficulty getting permission from their landlords to install natural gas appliances.

We therefore support an interpretation of “access to natural gas” for the purpose of this RIB review that takes these factors into account, particularly since this review is specifically aimed in part at gathering information about low income residential customers.

ii. Whether DSM programs can include fuel switching

Another issue that should be addressed in this proceeding is whether the Companies’ proposed DSM measures can include measures that incent fuel switching. The *Clean Energy Act*, SBC 2010 c. 22, states that DSM measures cannot include measures that the main purpose of which is to promote fuel switching from the use of one kind of energy to another such that the switch would increase greenhouse gas emissions in BC:

Section 1

...

"demand-side measure" to means a rate, measure, action or program undertaken

- (a) to conserve energy or promote energy efficiency,
- (b) to reduce the energy demand a public utility must serve, or
- (c) to shift the use of energy to periods of lower demand,

but does not include

(d) a rate, measure, action or program the main purpose of which is to encourage a switch from the use of one kind of energy to another such that the switch would increase greenhouse gas emissions in British Columbia, or

(e) any rate, measure, action or program prescribed;

[Emphasis added]

Since this review seems to be concerned with cross-subsidization, it would be helpful for the companies to comment on whether DSM measures that they each propose would run contrary to the prescribed fuel switching guidelines.

iii. The need for a bill affordability program for low income residential electricity customers

As noted already, according to BC Hydro, its RIB rates have a small but beneficial impact for the majority of its low income customers.⁶ In BC Hydro's service territory, low income households make up at least 10% of its residential customer base.⁷ We assume the percentage of FortisBC's residential accounts that are low income will be similar to BC Hydro; however, we ask that FortisBC provide this figure in its report to the Commission.

BCOAPO would welcome additional DSM measures for low income residential ratepayers who are adversely affected by the two tier rate.

The more pressing issue, however, is that ongoing and significant residential electricity rate increases are affecting the ability of low income BC Hydro and FortisBC customers to pay for their electricity bills. For example, BC Hydro electricity rates have increased by almost 50% in the last 10 years, and are on track to increase by another 10.5% over the next three years. Following the end of the current rate caps, there is likely no end in sight for rate increases. Electricity is an essential service, and it is time to directly address the increasing unaffordability of BC Hydro and FortisBC's rates for low income customers.

In BC Hydro's Rate Design Application, we intend to lead evidence, including expert evidence, about the need for BC Hydro to offer a suite of bill affordability measures for its low income residential customers. The measures we will propose through the expert evidence include lifeline rates, emergency bill assistance for customers facing disconnection, and terms and conditions specific to low income customers, such as waiver of reconnection and late payment fees and flexible arrears payment arrangements. Evidence submitted in the RDA process may be useful to the Minister's RIB Rate review, particularly with regard to low income customers of BC Hydro.

iv. Clarifying the Objectives of the RIB Rate Review

Overall, BCOAPO finds the wording of the Minister's first question "[D]o the residential inclining block rates cause cross-subsidy between customers with and without access to natural gas?" somewhat confusing, as the question seems to imply that the government's policy of postage stamp rates is under review. BCOAPO has just completed a lengthy pre-RDA filing consultation process with BC Hydro and the other customer group interveners and it has been understood that the policy of postage stamp

⁶ *Ibid*, p. 5-71.

⁷ BC Hydro Rate Design Application, Exhibit B-1, page 5-12.

rates was not open to review. This understanding informed many of the issues discussed at the workshops.

Government policy on postage stamp rates was reviewed at the 2007 RDA, and the Commission stated in its decision at pp. 204-5⁸:

“[T]he only evidence of this policy introduced during the proceeding, was a 2003 letter from the Minister of Energy, Mines and Petroleum Resources to the President of the Union of British Columbia Municipalities indicating his support for postage stamp rates:

‘Electricity rates will be set on a postage stamp basis. This means all customers within a particular customer class will receive the same rate, regardless of their location in the Province’ (Exhibit B-47).

In its response to Commission Panel IR, BC Hydro noted that in “the absence of any indication to the contrary ... BC Hydro considers that postage stamp rates throughout Zone I and Zone II respectively are consistent with current government policy” (Exhibit B-10, Panel IR 1.12.0). BC Hydro also submits that there is very little evidence on the record from which one could make any meaningful conclusions about the possible benefits of regionally-differentiated rates, and does not believe any of its customer-Intervenors would support such rates (BC Hydro Argument, p. 63).

No Intervenors challenged BC Hydro’s position or addresses it in Argument.

Commission Determination

The Commission Panel is of the view that there is insufficient evidence before it which justifies any departure by BC Hydro from setting rates on the postage stamp principle”

When the Minister speaks of “cross-subsidy between customers,” BCOAPO assumes that he refers to intra-class cross-subsidy. BCOAPO considers it most likely that such cross-subsidy will exist within many residential rate classes, as customers in major urban centres will cross subsidize customers in small rural centres; customers near generating facilities will cross subsidize those at the end of a transmission line; customers who consume off peak will cross subsidize those who consume on peak. Indeed postage stamp ratemaking creates elements of such cross-subsidy.

To determine if intra-class cross-subsidy exists, BCOAPO envisages the Commission having to determine the cost of serving a community like Lillooet (by way of example as it has no access to natural gas) with that of serving the neighbouring community of Cache Creek (which does have access) and attempting to ascribe differences to RIB and non-RIB causes. It will result in the Fully Allocated Cost of Service study prepared by BC Hydro acquiring new relevance.

⁸BCUC Decision, 2007 BC Hydro Rate Design Application, at pp. 204-205.

Finally, should the Commission determine that the RIB rates do actually cause cross-subsidy between customers with and without access to natural gas, and that the cross-subsidy is significant, BCOAPO wonders what relevance such a finding would have. The purpose of a RIB rate is to encourage conservation by encouraging customers to heed a cost signal and reduce their consumption, and in BCOAPO's opinion the purpose should remain unaffected by the end use of the energy.

BCOAPO submits that it would be useful for the Commission to seek clarification from the Minister before embarking on what is shaping up to be an expensive exercise for the utilities and their ratepayers, without clearly understood objectives.

3. Commission's Proposed Process and Suggested Timing

The Commission has proposed the following process to develop its report to government:

- BC Hydro and FortisBC provide information on the methodologies they will use to gather information and report on the five questions posed by Minister Bennett and any other relevant issues to be included in the report;
- Interested stakeholders provide comments on the same;
- The Commission makes its determination on the report methodologies and any other relevant issues to be included in the reports, and the regulatory timetable for the process;
- BC Hydro and FortisBC gather information for their reports to the Commission according to the approved methodologies;
- BC Hydro and FortisBC provide their reports to the Commission;
- The Commission establishes a public comment process (format and final scope of which is to be determined); and
- The Commission provides its report to government including a summary of the utility reports and public comments received and its assessment and conclusions.

(a) BC Hydro

BC Hydro comments regarding process focus on the need to integrate the preparation and timing of its input to the Commission for purposes of the RIB Report to the Minister with the current RDA regulatory timetable. To this end, BC Hydro suggests that:

- the RDA Round #1 IR process be used by the Commission to ask any follow-up questions concerning BC Hydro's proposals and material provided to date (as part of its RDA Application); and

- the proposed (per its RDA) December 2015 procedural conference be used to seek input on the timing of BC Hydro's report to the Commission in support of the RIB review.

Otherwise, BC Hydro had no other comments on the Commission's overall proposed process.

(b) FortisBC

FortisBC indicates that it is able to work within the timeframe suggested by the Commission and had no specific comments on the process.

(c) BCOAPO Comments

The Minister's Letter indicated that the Commission should use the 2015 RDA regulatory review as the process to collect information for the report, rather than a separate process. As a result, BC Hydro's suggestions are reasonable, with a note that the procedural conference following the first round IRs is currently scheduled for January 2016. It will be necessary for the Commission to establish a separate process (if deemed warranted) to address any follow-up questions it may have concerning FortisBC proposals. Furthermore, FortisBC will need to be an active participant in the portion of January 2016 procedural conference that deals with the timing of utility reports to the Commission in regard to the RIB Review.

We note that the Minister's Letter also recommends that "the BCUC gather information from ratepayers in regions not served by natural gas regarding the impacts of conservation rates and awareness of ratepayer mitigation options". The Commission's proposed process does not specifically address this point. However, it could be (and should be) incorporated as a specific element of the public comment process.

Please do not hesitate to contact us should you have any further questions.

Yours truly,

BC Public Interest Advocacy Centre

**Sarah Khan and Erin Pritchard
Staff Lawyers**

- c. Tom Loski, Chief Regulatory Officer, BC Hydro
Diane Roy, Director, Regulatory Services, FortisBC