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July 26, 2017

British Columbia Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC, V6Z 2N3
Attn: Patrick Wruck, Commission Secretary
By email: Commission.Secretary@bcuc.com

Dear Sir:

Re: E-Plus Homeowners Group Application for Reconsideration and Variance
of Order G-5-17 ~ Phase 2
BC Sustainable Energy Association and Sierra Club BC, Final Submission

This is the final submission of the interveners BCSEA-SCBC in response to the July 19, 2017 final argument of the E-Plus Homeowners Group.¹

For the reasons set out below, BCSEA-SCBC support Commission approval of the 10-year Design D phase-out model.

The Original Decision² was that “it is appropriate to phase out the residential E-Plus rate program over five years.” EPHG applied for reconsideration. The Commission established a second phase reconsideration proceeding limited to “the duration and shape of the phase out of the residential E-Plus rate.”³ EPHG filed written evidence. The Commission panel directed BC Hydro to file evidence regarding phase out periods of five, seven and ten years, with (a) bill impact evenly distributed and (b) bill impact weighted towards the end of the phase out period.⁴ BC Hydro filed written evidence. BC Hydro and EPHG responded to information requests on their respective evidence. EPGH filed its final argument.

Issues

At least five potentially interrelated aspects of the phase-out rate design require determination:

- What is the duration of the phase-out period?
- During the phase-out period, will E-Plus consumption will remain on a flat rate (cents/kWh) or become a two-part rate?
- If E-Plus consumption remains a flat rate during the phase-out period, is RS 1151, or something else, the basis for determining the size of the flat rate in the final year of the phase-out period?

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http://www.bcuc.com/Documents/Arguments/2017/DOC_49650_EPHG%20Final%20Argument%20July%2019%202017.pdf

² BCUC Order G-5-17, January 20, 2017.

³ BCUC Order G-55-17, April 13, 2017.

⁴ BCUC Order G-69-17, May 12, 2017.

- Should there be no change to the residential E-Plus rate (apart from general rate increases) during the course of the phase-out period, as proposed by EPHG?
- If, contrary to EPHG's proposal, the residential E-Plus rate will be increased (in addition to general rate increases) during the phase-out period, what should be the shape of the increase?

(i) Duration of phase-out period

In BCSEA-SCBC's view, the phase-out period should be increased to ten years as requested by EPHG. Several factors support this view.

First, BCSEA-SCBC agree with EPHG⁵ that phasing out the residential E-Plus rate will impose substantial rate shock on residential E-Plus customers.

Second, the phase-out and termination of the residential E-Plus rate will cause some residential E-Plus customers to incur capital costs associated with changing their residential heating systems. Directionally, this is a negative financial impact of the termination of the rate for those residential E-Plus customers who will respond in this way. BCSEA-SCBC don't consider it necessary to take a position regarding of the size of this factor in dollar terms.

Third, it is reasonable to expect that during the phase-out period there will be significant natural attrition in the number of residential E-Plus rate customers due to the rate being closed to new customers. Directionally, this factor reduces the cost of extending the length of the phase-out period beyond five years. BCSEA-SCBC don't consider it necessary to take a position regarding the size of the attrition factor.

Fourth, there is evidence on the record for a ten-year phase-out period.

While not determinative, it is notable that BC Hydro said in its evidence that a ten-year phase-out period (with Design D, discussed below) "strikes a good balance," subject to hearing the views of EPHG.

(ii) Flat rate versus two-step rate

Neither BC Hydro nor EPHG have expressed support for introducing a two-step rate for E-Plus consumption during the phase-out period.⁶ Each says that a two-step rate during the phase-out period would be too complex in terms of both customer understanding and BC Hydro implementation. BCSEA-SCBC agree.

BCSEA-SCBC agree with BC Hydro that designs with a two-step E-Plus rate before the end of the phase-out period (Designs A and C) are "complex rate structures [that] would create customer confusion and would require additional customer education and communication effort."⁷ In BCSEA-SCBC's view, simplicity is a important factor for the panel to consider in choosing the appropriate phase-out rate design. The remainder of these submissions is based on the assumption that the residential E-Plus rate will remain a flat rate during the phase-out period.

⁵ EPHG Final Argument, 2.0 Rate Shock.

⁶ It is understood that at the end of the phase-out period the residential E-Plus rate will end and all residential E-Plus customers will henceforth have all their consumption billed on their primary account (e.g., the Residential Inclining Block rate).

⁷ Exhibit C2-4, BCSEA 1.3.4.

(iii) Basis for size of flat rate at the end of the phase-out period

For its analysis, BC Hydro used the equivalent RS 1151 flat Residential Exempt Service rate to determine the residential E-Plus flat rate in the final year of the phase-out period.

EPHG says in its final argument that the 10-year Design D model “could be improved by modifying the increments of increase so that RS 1101 Step 1 rates were not exceeded during the ramp up phase.”⁸ This would leave a large gap between the residential E-Plus rate at the end of the phase-out period and the RIB rate applicable immediately after the phase-out period. This would be inconsistent with the basic concept that Design D brings the residential E-Plus rate up to the RS 1151 rate in the year prior to merging with the RS 1101 RIB rate.

EPHG notes correctly that basing the final-year E-Plus flat rate on RS 1151 means the rate in the final year (and perhaps earlier) would be higher than Step 1 of the RIB rate. While most E-Plus customers would be financially better off with their E-Plus consumption in the final year (or possibly preceding years as well) being billed at a flat E-Plus rate based on RS 1151, E-Plus customers with very low E-Plus consumption would be financially better off if the E-Plus rate was a two-step rate not a flat rate in that time period. However, BCSEA-SCBC don’t see this as something that should affect the Commission panel’s choice of a phase-out rate design, because (a) using a two-part rate design for E-Plus consumption during the phase-out period would be too complex, as discussed above, (b) E-Plus customers with very low E-Plus consumption who would be financially worse off toward the end of the phase-out period due to the E-Plus rate approaching and reaching RS 1151 could close their E-Plus account and have all their consumption billed on the RIB rate.

BCSEA-SCBC consider the RS 1151 flat rate to be the appropriate determinate for the flat E-Plus rate in the final year of the phase-out period. The RS 1151 flat rate is a Commission-approved blend of the two-part RS 1101 residential inclining block rate.

(iv) No rate changes during the phase-out period?

EPHG proposes a design in which there is no change to the existing flat E-Plus rate (other than RRA increases applied to all customers) during the phase-out period and then on the termination date the residential E-Plus rate would end and former residential E-Plus customers would have all their consumption billed on the RIB rate (or whatever is their applicable rate schedule).

EPHG provides four reasons for the ‘all at once after the phase-out period’ approach:

- that it is the simplest approach,⁹
- that natural attrition would reduce the number of customers who incur a bill impact at all,¹⁰
- that customers could put the financial savings toward reducing their electricity usage,¹¹ and

⁸ EPHG Final Argument, pp.7-8.

⁹ EPHG Final Argument, p.6.

¹⁰ EPHG Final Argument, p.7.

¹¹ EPHG Final Argument, p.7.

- that it would eliminate complaints and challenges to the BCUC, BC Hydro, the Provincial Government and the media during the course of the phase-out period.¹²

Addressing these point in sequence:

- the ‘all at once after the phase-out period’ approach is certainly simpler than the alternative of ramping up the rate during the phase-out period,
- EPHG’s preferred approach would indeed eliminate any bill impacts for customers who left the E-Plus program for whatever reason during the phase-out period,
- customers could put the financial savings toward reducing their electricity usage, although this is in effect a component of the merits of a more-generous / less-onerous phase-out, and
- it is not the role of the Commission to shape its decisions to avoid complaints being made to other bodies.

In BCSEA-SCBC’s view, the main difference between the two approaches is that the ‘all at once after the phase-out period’ approach has a single deferred very large bill shock event, whereas the ‘increases during the phase-out period’ approach has successive annual bill impacts. EPHG does not directly address this point.

It is straightforward to assume that residential E-Plus customers would be content to have no rate increases (other than general rate increases) during the phase-out period if that was all there was to consider. However, it would be counter-intuitive to anticipate that when the phase-out period ends residential E-Plus customers would be content with suddenly experiencing full RIB pricing for electricity consumption that had been priced at the E-Plus rate until then. The question is whether the ‘all at once after the phase-out period’ approach would provide ‘regulatory certainty’ or would in effect postpone confirmation of termination of the rate until the end of the phase-out period. Overall, despite the benefits of simplicity and the medium-term advantages to residential E-Plus customers, BCSEA-SCBC are not convinced that the ‘all at once after the phase-out period’ approach provides sufficient regulatory certainty.

(v) Shape of changes to a flat rate during the phase-out period

The alternative to EPHG’s proposed ‘all at once after the phase-out period’ approach is some pattern of annual increases of a flat residential E-Plus rate during the phase-out period, such as ‘equal annual bill impact’ over the phase-out period (e.g., Design B) or ‘bill impact weighted toward the end of the phase-out period’ (e.g., Design D).

As noted above, BC Hydro expressed conditional support for Design D for a ten-year phase-out period. BC Hydro states:

“BC Hydro is of the view that Design D for a ten-year phase-out period strikes a good balance with respect of being easy for customers to understand and relatively simple to implement, with bill impacts weighted towards the end of the transition period. However, BC Hydro believes E-Plus customers’ comments on the models are important to informing the Commission’s decision.”¹³

¹² EPHG Final Argument, p.6.

¹³ Exhibit C2-3, pdf p.2.

BC Hydro describes the shape of Design D as follows:

“The RS 1105 flat rate increases by general rate increases applied for in BC Hydro’s Fiscal 2017 – Fiscal 2019 Revenue Requirements Application until about the middle of the phase-out period, and then it is increased in fixed amounts to reach the equivalent RS 1151 flat Residential Exempt Service rate in the year prior to merging with the RS 1101 two-step rate.”¹⁴

EPHG, in the alternative to its ‘all at once after the phase-out period’ approach, expresses a preference for the 10-year Design D model. It states:

“Of the “designs” modelled by BC Hydro, Option ‘D’ for a 10 year phase out best meets the needs of E-Plus customers as well as being the Option favoured by BC Hydro.”¹⁵

BCSEA-SCBC support Commission approval of the 10-year Design D model proposed by BC Hydro and supported by EPHG in the alternative to its own proposal. BCSEA-SCBC believe that the 10-year Design D model achieves an appropriate balance of simplicity, mitigation of bill impacts, certainty and proper price signal.

All the above is respectfully submitted.

Yours truly,

William J. Andrews



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¹⁴ Exhibit C2-4, BCUC 1.2.1, underline added.

¹⁵ EPHG Final Argument, p.7.