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Utilities Commission**

## Letter of Comment

In accordance with the Commission's Rules of Practice and Procedure, to submit a letter of comment concerning an application currently before the Commission, please provide a completed form to [commission.secretary@bcuc.com](mailto:commission.secretary@bcuc.com). If email is unavailable, please mail the form to the address above. By doing so, you acknowledge that all letters of comment are published with the author's name as part of the public evidentiary record, both in print copy and on the Commission's website. All personal contact information provided on this page is removed before posting to the website. Forms must be received by the Commission by the last filing date included in the proceeding's regulatory timetable before final arguments.

Proceeding name

BCUC Request for Comments on Two-Tier Electricity Rates

Are you currently registered as an intervener or interested party?

Yes, intervener

Name (first and last)

Nicholas Marty

City

[REDACTED]

Province

BC

Email

[REDACTED]

Phone number

[REDACTED]

# Letter of Comment

Name (first and last)

Nicholas Marty

Date:

August 17, 2016

Comment: Please specify the reasons for your interest in the proceeding, your views concerning the proceeding, any relevant information that supports or explains your views, the conclusion you support and any recommendations. The Commission may disallow comments that do not comply with the Rules of Practice and Procedure.

I am a residential electricity customer of FortisBC, living in a rural area east of Osoyoos without access to natural gas.

I have experienced a 44% increase in my electricity rate since the introduction of two-tier pricing

Under the current two-tier pricing system, the majority of my electricity consumption is in Block 2 – 70% on average. My electricity bill, for the most recent winter months (Dec 12, 2015 – Feb 16, 2016) was \$977. My house was constructed in 2008, at which time the electricity rate was 7.08/kWh. By the time, the two-tier rate was introduced, it had risen to 9.45 cents/kWh. As of 2016, my electricity rate (with 70% of my consumption in Block 2) is 13.6 cents/kWh. Thus, my electricity rate has increased by 92% since I moved into my house 8 years ago. Since the two-tier rates were introduced in 2012, my rate has increased 44%.

The two-tier pricing regime has shifted virtually the entire burden of electricity rate increases onto rural customers without access to natural gas

The major reason 70% of my electricity consumption is in Block 2 is because I use electricity for space and water heating and to pump water from my well. Space heating accounts for 59% of the energy requirements of an average single detached home in BC. Water heating accounts for a further 18%. Customers who use natural gas for space and water heating (most residents in urban areas) can therefore maintain virtually all of their electricity consumption at the Block 1 rate. Since the introduction of two-tier rates, such customers have seen an increase in their electricity rate of only 4% (compared to my rate increase of 44%). Hence, the major impact of the two-tier pricing regime has been to shift virtually the entire burden of electricity rate increases since 2012 onto the backs of rural customers who use electricity for space and water heating.

Shifting the burden of rate increases onto the backs of a minority of Fortis' customers was a deliberate action by BCUC. According to BCUC "the current rate was chosen, in part, because 95% of customers would see a bill increase of 10% or less". In fact, according to Fortis, about 70% of customers were billed less under the two-tier rates than they would have been under the flat rate; with 33% of customers seeing a reduction in their bills of more than 10%. So, BCUC chose an option that was intended to shift the burden of paying system electricity costs to the 5% highest consumers of electricity. BCUC has never explained why they would choose such an option. I can only presume that they were under the misconception that the 5% highest electricity consumers were in that position because they were energy inefficient and thus this high use was a direct result of wasteful electricity

practices. Of course, this is clearly not the case. Most of these high electricity consumers simply lived in rural areas with no access to natural gas and thus use electricity for space and water heating, which, as I noted above, accounts for 77% of the energy consumption of a typical single detached home.

There is very little I can actually do to mitigate the impacts

I have taken the steps available to me to mitigate the impacts of these huge increases in my electricity rates – e.g. turning down my thermostat in winter; washing clothes on the cold cycle – but such actions have had little impact on my bill. When my house was constructed in 2008, I had it built to the Government R-2000 standard of efficiency and installed a geothermal heat pump for space heating and cooling (options recommended by governments for their efficiency and environmental benefits). There is virtually no opportunity to reduce my bill through improving further the energy efficiency of my house.

The most obvious way for me to reduce my electricity bill would be to switch to wood-heating, however, due to my concerns about the adverse environmental impacts of burning wood, I did not install such a system at the time of construction. It cost me \$37,000 for the geothermal heating system and another \$26,000 to bring power to my house from the lot line. There would be no environmental benefits and it would make no economic sense for me to switch to solar energy, which, in any event, would not be very effective in my region which experiences many cloudy days in winter. I am in the process of installing a fan in my propane fireplace, so that I can get more supplemental heat from it and hence lower the thermostat further on my geothermal system. Unfortunately, greater use of the propane fireplace in place of my geothermal heat pump will result in increased greenhouse gas emissions but I have no other option.

The negative impacts I am experiencing are primarily the result of an incorrectly designed “conservation” rate. They can only be mitigated by the Government fixing its design errors

The huge increase in electricity rates that I have experienced since 2012 is a direct result of the Government and the BCUC requiring electric utilities to implement a two-tiered pricing system that wasn't properly designed to address the diverse set of electricity consumers that exist in BC. Two-tier pricing, as a conservation initiative, only works if it is applied to a homogeneous set of residents. In that situation, a high level of consumption can be viewed as a proxy for energy inefficiency. But this is clearly not the situation in BC, where there is a very wide range among electricity customers in their activities (space and water heating, pumping water, heated barns etc) and circumstances (e.g. outside temperatures in winter and summer).

To compound the error, the BCUC has approved Block 2 rates at a unjustifiably high level. No other province charges a rate as high as 15.2 cents/kWh to its customers (except Ontario but they only charge their highest rate on consumption during peak hours). This Block 2 rate is completely unrelated to the cost of providing electricity. As Minister Bennett has often stated, the cost of electricity generation in BC is among the lowest in North America. And Fortis stated that its Block 2 rate exceeded the cost of bringing on new electricity back when it was 13.5 cents/kWh. Yet, BCUC has since approved the raising of the Block 2 rate by a further 13% to 15.2 cents/kWh. So, the reason

I am paying one of the highest electricity rates in Canada has nothing to do with the cost of providing that electricity and has virtually nothing to do with how efficiently I use that electricity. I am paying one of the highest electricity rates in Canada on the majority of my electricity consumption simply on the basis of where I live. If I lived in Vancouver, I would be experiencing electricity rates that were 40% lower. Setting rates in this fashion actually constitutes monopolistic price discrimination which BCUC is mandated to prevent.

The Government encouraged the BCUC to implement the RIB as part of its clean energy policy. However, the consumption of hydro-electricity produces no greenhouse gas emissions and the RIB, as structured, is making electricity consumers switch to fossil fuels which produce greenhouse gas emissions and a variety of other air pollutants.

The only way to mitigate the adverse impacts that the RIB it is having on a small percentage of BC residents is to fix the design of the two-tier rates or to move to a different rate system. The former might be achievable by segmenting the province into homogeneous groupings and applying different two-tier rates and block thresholds to each grouping. Such an approach to rate-setting would be administratively complex and would still produce some inequities since every resident represents a unique set of circumstances. Alternately, BCUC could return to a flat rate system but with a greater emphasis on the option of time-of-use rates. Fortis stopped allowing its customers to adopt time-of-use rates when it switched to the two-tier system. Yet, when dealing with a renewable energy source such as hydro-electricity, time-of-use rates are the only sensible way to encourage conservation since they deal with peak consumption which is ultimately the determining factor behind the need to add additional hydro-electric capacity.