

**Fred James**

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July 26, 2017

Mr. Patrick Wruck  
Commission Secretary and Manager  
Regulatory Support  
British Columbia Utilities Commission  
Suite 410, 900 Howe Street  
Vancouver, BC V6Z 2N3

Dear Mr. Wruck:

**RE: British Columbia Utilities Commission (BCUC or Commission)  
British Columbia Hydro and Power Authority (BC Hydro)  
E-Plus Homeowners Group (EPHG)  
Application for Reconsideration and Variance of Order No. G-5-17  
in the matter of BC Hydro 2015 Rate Design Application (RDA)  
British Columbia Hydro and Power Authority (BC Hydro)  
Reply Argument**

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BC Hydro writes in compliance with Commission Order No. G-69-17 to provide its intervener Reply Argument. This argument is in response to the Final Argument of the EPHG filed on July 19, 2017, and builds on BC Hydro's June 6, 2017 phase-out analysis (Exhibit C2-3), and our responses to information requests filed on July 5, 2017 (Exhibit C2-4).

The issue before the Commission is how best to phase-out the E-Plus rate. The different phase-out alternatives modelled by BC Hydro are described in Exhibit C2-3. References in this argument to those alternatives are the same as in Exhibit C2-3.

The EPHG in its Final Argument proposes that the Commission direct the E-Plus phase-out on the basis of Commission Scenario 2, Design D, for a ten-year period (at page 7). That phase-out alternative is described at page 14 of Exhibit C2-3. BC Hydro has indicated 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 toward the end of the transition period" (at page 2 of Exhibit C2-3).

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The phase-out alternatives that BC Hydro prefers are those that maintain a flat E-Plus rate until the end of the phase-out period. This reduces complexity and thereby reduces billing and customer understanding issues. The phase-out alternatives that meet this criterion are:

### **Five-Year Phase-Out**

- Commission Scenario 1, Design B (page 2 of Exhibit C2-3);
- Commission Scenario 2, Design C (page 3 of Exhibit C2-3); and
- Commission Scenario 2, Design D (page 4 of Exhibit C2-3).

### **Seven-Year Phase-Out**

- Commission Scenario 1, Design B (page 7 of Exhibit C2-3); and
- Commission Scenario 2, Design D (page 9 of Exhibit C2-3).

### **Ten-Year Phase-Out**

- Commission Scenario 1, Design B (page 12 of Exhibit C2-3); and
- Commission Scenario 2, Design D (page 14 of Exhibit C2-3).

Conversely, the phase-out alternatives that BC Hydro is least in favour of are those that introduce a two-step rate structure for Rate Schedule (**RS**) 1105 consumption prior to the end of the phase-out period. These designs are complex and therefore have greater billing and customer understanding issues. Design A, under each Commission Scenario and phase-out duration, raises these concerns the most, due to the requirement to immediately introduce a two-step rate structure for RS 1105.

In its Final Argument EPHG discusses the possibility of E-Plus homeowners being able to make investments in their heating systems in order to lower on-going costs. However, on page 5 of its argument the EPHG concludes and submits that:

“There are no existing programs that would defray more than a fraction of the costs of these expenses (BC Hydro response to BCUC IR # 1.8.3).....However, deferring the phase out of the E-Plus rate for 10 years or more would increase customers’ savings while on the rate, helping them to defray the costs of heating conversions or upgrades and/or home improvements to improve energy efficiency. Possibly, new programs of financial assistance for such expenditures will be offered during that time.”

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As discussed in its response to BCUC IR 1.8.3, BC Hydro is considering the removal of the Electric Tariff restriction on replacement of existing space and hot water heating equipment to allow for energy efficiency upgrades. This would enable E-Plus customers to apply for BC Hydro conservation program incentives. However, to avoid increases in E-Plus load, BC Hydro believes it is necessary to maintain the restriction on E-Plus use for space and water heating purposes, and BC Hydro seeks a Commission confirmation of this principle in any reasons accompanying the final order. BC Hydro anticipates that the requirements to maintain a back-up heating system, and possibility of service interruption, would not be reintroduced during the phase-out period.

BC Hydro will reflect any required changes to RS 1105 resulting from the Commission direction on the phase-out in our compliance filing following the Commission's Decision.

Designs B, C, D and E maintain E-Plus consumption under a flat rate for at least four years. Should the Commission direct BC Hydro to implement one of these designs, BC Hydro suggests it would be preferable to set the effective date for the phase-out three months after the date of the order, but account for time between April 1, 2017 and the effective date of the phase-out order in setting the phase-out period. It refers in this regard to its response to BCUC IR 1.2.2 (Exhibit C2-4).

Design A requires immediate introduction of a two-step rate structure for RS 1105, which introduces additional complexity to the phase-out. For this reason, should the Commission decide on Design A, BC Hydro maintains that the phase-out period should start no earlier than October 2018.

For further information, please contact the undersigned.

Yours sincerely,



Fred James  
Chief Regulatory Officer

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