

E-Plus Homeowners Group

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British Columbia Utilities Commission
6th Floor – 900 Howe Street
Vancouver, BC V6Z 2N3
Attention: Patrick Wruck, Commission Secretary
By email: commission.secretary@bcuc.com

Dear Mr. Wruck,

**RE: E-Plus Homeowners Group Application for Reconsideration
and Variance of Order G-5-17 - Phase 2**

E-Plus Homeowners Group Reply Argument

Please find attached the subject document.

Respectfully,

Gary McCaig – for E-Plus Homeowners Group

E-Plus Homeowners Group Application for Reconsideration and Variance of Order G-5-17 - Phase 2

E-Plus Homeowners Group Reply Argument

1.0 - Background Evidence

During the proceedings for this Application and the 2015 RDA which preceded it, the following facts were established:

- BC Hydro customers who joined the E-Plus program, either at the time it was introduced or later through purchase of an E-Plus home, did so based on assurances that the program would be permanent and they made long term housing and financial decisions on this basis (1).
- For most E-Plus customers there was a substantial cost for gaining and maintaining access to the program; those customers who joined in later years by purchasing “E-Plus homes” report paying a premium for those homes (2).
- While electric heating with E-Plus rates has offered significant savings over electric heating with standard RS 1101 residential rates, it has offered little if any savings over natural gas heating, particularly since the large increases affecting all BC Hydro rates in recent years (3).
- The “transferability” of E-Plus rates to new homeowners was ended in 2007 making E-Plus homes less attractive to purchasers and arguably less valuable (4).
- In their Decision and Order G-5-17, relating to the 2015 Rate Design Application, the British Columbia Utilities Commission directed BC Hydro to phase out the E-Plus rate within 5 years.
- Termination of the E-Plus rate will result in a very substantial increase in rates paid for the electricity necessary to heat E-plus homes. For the median E-Plus customer, almost all of whose heating electricity would then be charged at RS 1101 Step 2 rates, the increase will be almost 130% making electric heat considerably more expensive than other forms of home heating (5).
- The cost of an “exit strategy” for customers to replace or supplement existing electric heating systems with alternative systems will in almost all cases be very expensive, as much as \$15,000, and in some cases much higher (6).

- Existing assistance programs, or those that are likely to be extended to E-Plus customers to help them finance exit strategies, would only defer a very small part of that cost (7).
- The average age of E-Plus customers is 68 years, and “natural attrition” is occurring at a rapid rate; within 10 years 60% or more of current customers may be expected to have left the rate (8).

Based on these and other facts, E-Plus Homeowners Group (EPHG) have presented evidence to support their argument that a 5 year phase out of the E-Plus rate, as ordered following the 2015 RDA, would be “harsh and inappropriate” (9), would impose “undue and unjust financial hardship on E-Plus customers” (10), and that more consideration should be given to mitigating the impact on E-Plus customers, including allowing more time for “natural attrition” to occur.

BC Hydro and the BC Sustainable Energy Association - Sierra Club of BC both submitted Final Arguments relating to this Application on July 26, 2017, and this Reply Argument is written in response to those.

2.0 BC Hydro Final Argument

BC Hydro submitted a brief Final Argument on July 26, 2017. In this document BC Hydro states:

“The EPHG in its Final Argument proposes that the Commission direct the E-Plus phase out on the basis of... Design D, for a ten year period.” (11)

This statement is incorrect.

In fact, in its Final Argument EPHG states:

“**Of the ‘Designs’ modelled by BC Hydro** (emphasis added), 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. It could be improved by modifying the increments of increase so that RS 1101 Step 1 rates were not exceeded during the ramp up phase. However, E-Plus Homeowners Group ask the Commission Panel to consider simply setting a termination date 10 years in the future, and maintaining the E-Plus rate until that time, subject only to general rate increases” (12).

EPHG’s preference regarding a phase out model was clear and it provided a number of arguments supporting this “10 year notice” approach in preference to “Design D”.

It appears that in both its Evidence and its Final Argument, BC Hydro considered only those “Designs” for a phase out of E-Plus which fulfilled specific requests from the Commission. As these did not include the “10 year notice” advocated by EPHG, BC Hydro neither examined nor expressed an opinion on this approach. EPHG notes, however that this approach is entirely

consistent, and in fact is the best fit, with BC Hydro's expressed preference for a design that will "maintain a flat E-Plus rate until the end of the phase-out period" and will avoid complexities such as "billing and customer understanding issues" (13).

3.0 BCSEA – SCBC Final Argument

In their Final Argument submitted July 26, 2017, BCSEA –SCBC took the position that "the phase out period should be increased to ten years as requested by EPHG" (p.2). In terms of a preferred "Design" for phase out they stated "BCSEA - SCBC support Commission approval of the 10-year Design D model proposed by BC Hydro" (p.5).

BCSEA-SCBC also made input on the EPHG proposal for a simple "10 year notice" period. They noted the four reasons given by EPHG in support of this approach, which BCSEA - SCBC expressed as follows (14):

- "that it is the simplest approach"
- "that natural attrition would reduce the number of customers who incur a bill impact at all"
- "that customers would put the financial savings towards reducing their electricity usage", and
- "that it would eliminate complaints and challenges to the BCUC, BC Hydro, the Provincial Government and the media during the phase out period"

BCSEA – SCBC expressed general agreement with the first three of these reasons. They dismissed the fourth reason, stating "it is not the role of the Commission to shape its decisions to avoid complaints being made to other bodies". EPHG takes a different position, believing that for the BCUC to fulfill its role effectively it is imperative that the both customers and the public understand, respect and accept its processes and decisions.

In this as in other decisions a rule that can apply is that "justice must be seen to be done". Following this line of argument, the "10 year notice" approach advocated by EPHG facilitates sending a simple and clear message to customers regarding the termination of E-Plus that could not be misunderstood. The message would be that an old and little used program, would be terminated on a given date after a long period of notice. On the other hand "Design D", and in fact any other designs that implement termination through several consecutive years of very large rate increases, could be seen as confusing, unfair or even punitive. As was explained at length in the EPHG Final Argument (p.6), this difference and the way it affects customers' and the public's understandings and perceptions should not be dismissed. EPHG stands by their

assertion that a simple 10 year notice would help avoid “a renewed round of complaints and challenges every time an increase occurs” and similar issues (16).

Surprisingly, in view of the goals of their organizations, BC Sustainable Energy Association and Sierra Club of BC did not recognise or comment on a fifth reason given by EPHG. Specifically, extending the period before E-Plus rates rise, and maximizing customers savings during that period will both reduce environmentally harmful responses (such as wood burning) by customers affected by rate increases and will increase opportunities for them to install more environmentally friendly long-term heating systems (17).

While acknowledging that EPHG’s proposed approach had some merit, including “simplicity and some medium term advantage”, BCSEA –SCBC indicated concerns regarding the impact of a single large increase after 10 years, stating “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.... “ (18).

EPHG makes no claim that customers will be “content” with any of the Designs considered for eliminating E-Plus. E-Plus customers will be losing a rate that they had previously been assured was permanent and at some point will be experiencing a very substantial increase in their heating costs. However they are realistic and intelligent enough to want to achieve the best financial outcome they can and they recognize that this would come about from a “10 year notice” and this is the approach they advocate.

For customers near or above the median E-Plus use, the rate they are charged for almost all their heating electricity will be rising by 130% (5) as a result of terminating E-Plus. With “Design D” they would face increases of 25%, 23%, 30% and 26 % respectively in the final four years (19). (These figures do not include general rate increases.) The suggestion that these four very large increases, totalling 130% when compounded, would somehow reduce “rate shock” compared to a single increase supposes a naivety on the part of E-Plus customers that simply does not exist. The cumulative rate increase is so large that no matter how many years it is spread over, the impact will still be felt strongly.

Another concern expressed by BCSEA –SCBC is that the “10 year notice” would not provide sufficient “regulatory certainty”. EPHG cannot accept that such a ruling by the BCUC would have any less regulatory certainty than the current ruling or one based on, for example, Design D. In fact EPHG believes it sends a very clear and final notice of termination.

4.0 Final Comments

In the subject Application for Reconsideration, E-Plus Homeowners Group asked for a remedy that would “extend the [E-Plus] phase out period to 10 years with the majority of the rate cost

increase deferred until the later years of the transition period” (20). Subsequently, the Commission established a second phase reconsideration proceedings that was limited to “the duration and shape of the phase out of the residential E-Plus rate” (21).

In its Final Argument EPHG presented a number of arguments supporting both an extension to 10 years and an approach that would simply provide 10 years notice of termination. Such an approach is in keeping with the terms of reference of the Reconsideration, as stated above. It is clear and simple as favoured by BC Hydro. It provides as much or more regulatory certainty as would any other approach to ending E-Plus.

Only one intervener, other than BC Hydro, saw fit to participate in this proceeding. Clearly there is no widespread concern among stakeholders regarding the impact or fairness of the EPHG request to extend the phase out period of E-Plus to 10 years.

Both BC Hydro and BCSEA support a 10 year phase out, however they favour an approach identified as “Design D” (which brings in rate increases in four steps). In stating their conditional support for this Design BC Hydro acknowledges the importance of customer input as follows; “BC Hydro believes E-Plus customer’s comments on the models are important to informing the Commission’s Decision” (22).

Design D does not have any particular advantage over a simple 10 years notice other than the possibility suggested by BCSEA – SCBC that spreading the bill impact of the increase over time would be viewed as more benign than a single increase.

The increase in heating costs faced by E-Plus customers is very large and spreading it over 4 years, 5 years or even 10 years would not change that fact. BCSEA – SCBC cannot provide the kind of response of E-Plus customers to different rate designs that BC Hydro has requested, however EPHG can do so based on feedback from members. With the goal of reducing the number of customers affected and achieving the greatest mitigation for those remaining, EPHG members, who represent a wide and varied cross section of E-Plus customers throughout the province, support a simple 10 year notice of termination in preference to “Design D”.

Gary McCaig – for E-Plus Homeowners Group

References

1. BC Hydro 2015 RDA, Exhibit C-10-4, EPHG Evidence, section 2.0
2. EPHG Application for Reconsideration and Variance of Order G-5-17, Exhibit B.3, EPHG Phase 2 Evidence – p.6
3. EPHG Application for Reconsideration and Variance of Order G-5-17, EPHG Final Argument – p.2
4. EPHG Phase 2 Evidence – p.6
5. EPHG Application for Reconsideration and Variance of Order G-5-17, Exhibit C.2.4, BC Hydro Response to EPHG IR#1.3.4 -

“the percentage of E-Plus customers’ E-Plus electrical use that would be billed at Step 2 if E-Plus consumption were tiered – ranges from 0 percent to 100 percent with the median – being 99 percent”

and

EPHG Application for Reconsideration and Variance of Order G-5-17, Exhibit C.2.3, BC Hydro Evidence, Appendix A – Detailed Rate Design Descriptions and Rate Tables
6. EPHG Final Argument – p.4
7. EPHG Application for Reconsideration and Variance of Order G-5-17, Exhibit C.2.4, BC Hydro Response to BCUC IR #1.8.3
8. EPHG Final Argument – p.4
9. EPHG Application for Reconsideration and Variance of Order G-5-17, Exhibit B.1, EPHG Application - p.1
10. EPHG Final Argument – p.1
11. EPHG Application for Reconsideration and Variance of Order G-5-17, BC Hydro Final Argument – p.1
12. EPHG Final Argument – p. 7,8
13. BC Hydro Final Argument – p. 2
14. EPHG Application for Reconsideration and Variance of Order G-5-17, BCSEA-SCBC Final Argument – p.3,4
15. BCSEA-SCBC Final Argument – p.4

16. EPHG Evidence - p.6
17. EPHG Evidence - p.7
18. BCSEA-SCBC Final Argument – p.4
19. BC Hydro Evidence, Exhibit C.2.3, Appendix A, Figure A-14
20. EPHG Application, B.1 – p.2
21. BCUC Order G-55-17, April 13, 2017
22. BC Hydro Evidence – p.2