

REQUESTOR NAME: **BC Sustainable Energy Association and Sierra Club BC**
INFORMATION REQUEST ROUND NO: 1
TO: **E-Plus Homeowners Group**
DATE: **May 27, 2016**
PROJECT NO: **3698781**
APPLICATION NAME: **BC Hydro 2015 Rate Design Application**

1.0 Topic: Future of Residential¹ E-Plus Rate
Reference: Exhibit C10-4, E-Plus Homeowners Group Evidence

1.1 If:

(a) the Commission was to deny BC Hydro's application to change the E-Plus terms and conditions to make the rate "practically interruptible,"² and

(b) the Commission was to determine that the original purpose of the E-Plus rate is not valid and useful at the present time and going forward, and

(c) the Commission was to determine that apart from fair and reasonable treatment of the existing E-Plus customers the E-Plus rate does not have a valid and useful purpose at the present time and going forward, and

(d) the Commission was to examine the options for terminating the E-Plus rate in a way that is fair and reasonable to existing E-Plus customers, and

(e) the Commission was to acknowledge that E-Plus customers have made investments of time and money to install and maintain a non-electric heating system in compliance with the terms of the existing E-Plus rate and in reliance on receiving the benefits of the E-Plus rate, and

(f) the Commission was to find that E-Plus customers' investments in a non-electric heating system should be deemed to have continued until such time as the terms of E-Plus rate no longer require the customer to have and maintain a non-electric heating system, and

(g) the Commission was to consider an E-Plus rate termination plan in which (i) the non-electric heating system requirement was eliminated as of a certain date (at or after the decision) and (ii) the E-Plus rate would continue to be available to existing E-Plus customers on its other existing terms and conditions (i.e., closed) for a certain number of years (call it a 'sunset period'³), and

(h) the Commission was to determine that the length of the sunset period should be fair and reasonable to E-Plus customers taking into account various factors, including but not limited to E-Plus customers' actual and deemed investments in a non-electric heating system up to the time of the elimination of the requirement to maintain a non-electric heating system,

¹ In this document, the "E-Plus Rate" means the residential E-Plus Rate.

² Exhibit B-1, p.1-6.

³ The term "phase out period" is avoided because it can imply that the obligations and benefits of the rate are gradually reduced toward elimination.

then:

(A) in the view of the E-Plus Homeowners Group, what factors should the Commission consider in determining the length of the sunset period, and

(B) should the length of the sunset period be determined in the present proceeding or should it be the subject of some further decision-making process, and if the latter what would be the focus and nature of the further process, and

(C) what would be an appropriate number of years for the length of the sunset period if the Commission was to set one in the current proceeding?

Response to (A)

In the circumstances outlined in the preamble to the question, the factors the commission should consider in determining a fair and reasonable approach to ending E-plus (i.e. establishing a sunset period) are:

- 1. The total financial impact on E-Plus customers of ending the rate: This goes beyond the initial cost of installing back-up heating systems as well as electric heat, the cost of maintaining back-up systems and fuel supplies over many years, and any question of whether those specific costs have or have not been recovered through reduced rates.**

In making their decision to join the E-Plus rate, and on the clear understanding that this would be available permanently and interruptions would only occur under specified conditions, E-Plus customers effectively “burned their bridges” as far as other heating options were concerned. Were they to lose the rate now they would have to either continue with electric heat at Tier 2 rates, which we believe would be among the most expensive forms of home heating, or they would have to install alternate heating systems at considerable cost.

More specifically, their options would be:

- a) To continue with electric heat and incur increased heating costs that BC Hydro has estimated will average about \$740/year in the first year, increasing thereafter (for comparison, the current maximum OAS payment is \$ 570.52/month).**
- b) To run back-up systems at all times, if they felt this would be more economical. Considering that back-up systems are predominantly wood fired this could be problematic in many communities.**
- c) For those with electric forced air heat to either add heat pumps at a cost of about \$15,000 or if practical to replace their electric furnaces**

with oil, propane or NG (if available) using existing the hot air distribution ductwork within their homes. The cost of such a conversion would be at least \$10,000 but could be substantially more due to the difficulty of adding necessary chimneys or vents.

d) Some with electric baseboard heating may be able to convert to fossil fuel furnaces, possibly incorporating heat pumps but this would likely be prohibitively expensive, and in the case of homes built on slabs, impractical.

2. That a phase out of the E-Plus rate is already well underway as the result of the decision of the 2007 RDA Panel to allow BC Hydro to end transferability to new buyers: The costs and challenges described in the previous paragraphs will still apply but have been deferred until customers sell their home or die. The purchaser of the home will have to incur the financial penalties described and will discount the price of the home accordingly.
3. That customers have been on the E-Plus program for varying lengths of time: Some joined the program when it was being actively promoted, between 1987 and 1990. Others joined it when they bought their homes, prior to the end of transferability in 2008, and in many cases paid a premium price for an “E-Plus home” that they will not be able to recover upon sale. For these recent purchasers it will be very difficult, likely impossible, to achieve any kind of “break even” status.

Response to (B) and (C)

In our view, if the above factors are given full and proper consideration it would be impossible for the Commission, or for any other “decision making process”, to determine a “sunset period” that would be fair and reasonable for all E-Plus customers.