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www.bcuc.com**British Columbia
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. 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

Are you currently registered as an intervener or interested party?

Name (first and last)

City

Province

Email

Phone number

Letter of Comment

Name (first and last)

Heather Nelson-Smith on behalf of the District of Port Hardy

Date:

Aug 15, 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.

As a joint resolution submitted to the UBCM 040-15 with the Regional District of Mount Waddington we provide the following background information to the need to consider different options to the *Residential Inclining Electricity Rates in areas where there is no option to access alternative fuel options*.

WHEREAS BC Hydro has adopted a two tiered rate structure to encourage energy conservation with the lower rate threshold based on approximately 90% of the provincial median household consumption of electricity and this average is weighted from the consumption patterns of two-thirds of BC households that are able to use natural gas for their heating, hot water and cooking energy requirements;

AND WHEREAS the BCUC reduced the upper price threshold charged by BC Hydro from the requested 1600 kilowatt hours to 1350 kilowatt hours for the bi-monthly billing period and most households in rural and remote communities do not have access to natural gas and cannot reduce their consumption by conservation measures sufficiently to avoid the higher tiered rate;

THEREFORE BE IT RESOLVED that AVICC request the BC Utilities Commission to review the BC Hydro residential electrical tariff structure and increase the amount of kilowatt-hours that qualify for the lower rate in all areas that do not have natural gas service.

Background

In 2008, BC Hydro applied to the BC Utilities Commission (BCUC) to approve a two tiered rate increase that was intended to encourage energy conservation (*BC Hydro 2008 Residential Inclining Block Application*). The submission was driven in part from the Provincial government's 2007 BC Energy Plan which mandated that 50% of BC Hydro's increment needs were to be from conservation by 2020. The application included extensive research into rate models that concluded that this would be the most effective way to encourage energy conservation while remaining revenue neutral. All residential customers were to pay the new rate, except farms and residents of Bella Bella who would continue to pay a flat rate. BC Hydro stated that "*The design shields the vast majority of BC Hydro's residential customers from incremental, unacceptably large bill impacts, again under a reasonably wide range of cost of service and revenue requirement scenarios.*" However, they also stated that about 334,000 customers with more than 14,500 kwh of annual consumption would be paying more than they would with flat rate structure. No analysis was undertaken to show where these customers lived, even though the tier levels were derived from an average usage calculated on the consumption patterns of all users, including the 70% who don't use electricity to heat their homes (primarily using natural gas). While BC Hydro had requested a 1600kwh bi-monthly threshold for the second tier, BCUC approved the rate structure conditional that it be dropped to 1350kwh.

Unfortunately, what the two tiered pricing did not address the reality that non-agricultural customers in rural and remote areas have no option to avoid the higher rate by utilizing natural gas for their heating, hot water and even cooking needs. While oil and propane are options for many rural residents, they are considerably more expensive than both gas and electricity. Wood is also a heating option for some rural residents but depends on a local dependable supply, often expensive structural modifications and may have an adverse impact on community air quality. The sponsors contend that the two tiered rate structure does not meet the BCUC requirement that rates must be “*fair, just and not unduly discriminatory*” (*Utilities Commission Act, s59*), because the two-tiered rate discriminates against all non-farm residents living in primarily rural areas that have no natural gas service.

BC Hydro provided a sample of billing from residential customers living in the Regional District of Mount Waddington, which has no natural gas service available. This information showed that average household consumption was 14,330 kwh per year for all dwelling types with an average of 40% of rates charged out at the Tier 2 level. It is notable that single family homes, which make up 65% of the regional housing mix, averaged over 18,000 kwh per year and 55% of their charges were at the tier 2 level. Only 2% of apartment units billings, making up 11% of the housing mix, were charged at Tier 2 rates. As a result of the BCUC intervention to decrease the Tier 2 threshold rate to 1350 kwh bi-monthly, average rates are 3% higher than they would have been at a 1600kwh threshold.

2013 Powersmart “Evaluation of the Residential Inclining Block Rate F2009-F2012”

This evaluation measured the effectiveness of the two tiered rate in encouraging energy conservation and concluded that the rate was responsible for reducing consumption in the period by between .5% and 1.2%. They also stated that “*Regionally, households on Vancouver Island were the most likely to have incurred Step 2 consumption.*” This is despite the fact that the majority of the households on Vancouver Island have access to nearby natural gas service.

Previous UBCM Resolutions

In 2002, the UBCM commented on the Provincial Energy Policy that “*in 1997 UBCM members endorsed B65 requesting that the provincial government assess the impact of utility deregulation on small and remote communities and institute mitigating measures to guarantee fairness and equity in utility rates and revenues to local government.*”

Three resolutions (C7, C8 & B85) were considered by UBCM in 2013 in the context of the impact of the rate increase on low income consumers as well as those not served by natural gas. It appears that the resolutions were ignored by the government, BCUC and BC Hydro. Another proposed 2013 resolution (C-7) from the Thompson Nicola Regional District (TNRD) was very similar to the current resolution addressing the inequity to rural areas for the two-tiered rate. However, this resolution was not considered separately, instead being inappropriately linked to the low income resolution from Greenwood.