

E-Plus Homeowners Group

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July 4, 2017

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
BC Sustainable Energy Association and Sierra Club BC Information
Request No. 1 to E-Plus Homeowners Group, June 18, 2017**

Please find attached the response of the E-Plus Homeowners Group to the subject document. Responses to individual questions have been inserted into the text of the document, in italics.

Respectfully,

Gary McCaig – for E-Plus Homeowners Group

c.c. BCSEA

REQUESTOR NAME: **BC Sustainable Energy Association and Sierra Club BC**
INFORMATION REQUEST ROUND NO: 1
TO: **E-Plus Homeowners Group**
DATE: **June 18, 2017**
PROJECT NO: **N/A**
APPLICATION: **E-Plus Homeowners Group Application for Reconsideration and Variance of Order G-5-17 ~ Phase 2**

1.0 Topic: Comments on Phase-out Periods and Design Models
Reference: Exhibit A-4; Exhibit C2-3; Exhibit B-3

The Commission states:

“BC Hydro is directed to file evidence on or before June 6, 2017 with an analysis of the phase out of the residential E-plus rate by the end of each of five, seven and ten years from April 1, 2017. Each analysis must include the following scenarios:

- a. Scenario 1: Bill impact evenly distributed over the phase out period.”
- b. Scenario 2: Bill impact weighted towards the end of the phase out period.” [Exhibit A-4]

BC Hydro filed evidence provided an analysis for Five-Year, Seven-Year and Ten-Year phase out periods broken down as follows:

“Commission Scenario 1: Bill impact evenly distributed over the phase-out period.

- Design A: immediate transition to two step rate structure; and
- Design B: Two Step Rate Structure delayed until end of phase-out year(s).

Commission Scenario 2: Bill impact weighted towards the end of the phase-out period.

- Design C: two step rate structure delayed until near the middle of phase-out years;
- Design D: Two Step Rate Structure delayed until end of phase-out year(s); and
- Design E: moderate increases combined with delayed two-step rate structure.” [Exhibit C2-3]

BC Hydro states:

“BC Hydro is of the view 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 weighted towards the end of the transition period. However, BC Hydro believes E-Plus customers’ comments on the models are important to informing the Commission’s decision.”
[Exhibit C2-3, page 2]

EPHG has said it prefers a longer rather than shorter phase-out period and that it prefers a design in which the bill is weighted towards the end of the phase-out period. [Exhibit B-3]

- 1.1 What are EPHG’s comments on the design models (A, B, C, D and E)?
- 1.2 What are EPHG’s comments on the Five-Year, Seven-Year and Ten-Year phase out periods?
- 1.3 What are EPHG’s comments on Design D for a ten-year phase-out
- 1.4 Does EPHG have a proposal for a preferred combination of phase-out period and design model? If so, please describe it in detail.

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- 1.1 What are EPHG’s comments on the design models (A, B, C, D and E)?

This and the following questions strike at the heart of EPHG’s Application and arguments and a more fulsome response, informed by BC Hydro’s responses to the current round of Information requests will form the major part of our Final Argument. For this reason it would be premature to provide detailed responses at this time.

*Briefly, EPHG’s position is that the impact of the large and unprecedented increases for home heating costs that will come with the phase out of E-Plus will make electric heat unacceptably expensive for the majority of residential E-Plus customers, and they will be pressed to find an “**exit strategy**” from the rate. EPHG has asked for an extension of the phase out period to 10 years, with most or all of the rate increase to take place near the end of that period. This would mitigate the impact on most E-Plus customers in one of two ways:*

- *The rate of natural attrition of E-Plus customers over the next 10 years, through death or sale of their homes, would ensure that many current customers would not have to face a future of home heating costs that they may be unable to afford. Their homes would pass into the hands of those who are aware of the coming rate increase and had built that cost into their home purchase decision.*

- *Those remaining in their current homes would have realized additional savings through having the E-Plus rate and in many cases these would be used to defer the significant cost of converting to alternate heating systems.*

EPHG's specific response to question 1.1 is that we believe the choice of "design models" is appropriate and adequate for purposes of considering the different phase out alternatives available. The data provided by BC Hydro can be interpolated or extrapolated to cover additional possibilities as well. However EPHG believe the analysis completed on the models is seriously flawed in two areas.

First, the it is illogical and misleading to consider the impact of annual rate increases (Appendix B) as a percentage of total electrical bill rather than as a percent of the E-Plus (home heating) bill. Doing so has the effect of diminishing the apparent impact of increases on home heating costs, which is the issue under discussion and the subject of the EPHG Application for Reconsideration. In terms of quantifying the impact of rate increases on customers it makes no more sense to combine electric heating costs with non-heating electricity costs than it would to combine them with e.g. telephone or cable costs.

Second, the data in Appendix C which pertains to show the impact of different designs on revenue collection fails to recognize the significant attrition in the number of E- Plus customers that has occurred since the base period and will continue to occur through the phase out period. For this reason EPHG believe the amounts reported for changes in revenue collection are greatly exaggerated. Additionally, there is a case for making a further correction to reflect the fact that rising rates, or even the knowledge that rates will be increased in future, will lead to more use of back up heating systems such as wood burners and a further drop in E-Plus electricity purchases.

EPHG has submitted information requests to BC Hydro, asking them to provide additional data to address these deficiencies in their analysis.

- 1.2 What are EPHG's comments on the Five-Year, Seven-Year and Ten-Year phase out periods?

EPHG believe the data provided for the 5 year and 7 year periods supports their contention that these periods are too short to provide the type and amount of mitigation outlined in our response to 1.1. Of the five 10 year phase out designs examined, Designs A, B and E do not provide the "deferment" of major increases to near the end of the phase out period, which was a key part of the subject Application. Designs C and D are discussed below.

Note that in EPHG's view, while the major reason for deferring the rate increase is to achieve greater mitigation of the impact of higher rates a second factor is to avoid having customers facing very large annual increases in heating costs, year after year for up to 10 years. We believe customers would prefer to have the total rate increase applied at or near the end of the 10 year period when they have had the most time to prepare for it by developing and implementing their exit strategies.

1.3 What are EPHG's comments on Design D for a ten-year phase-out

Design D introduces yearly increases for the E-Plus rate, in excess of the RRA increases generally applied, starting in 2025. This is in line with the Application's request for a ten year phase out with most of the cost increase deferred until the end of the phase out period. Design D does not introduce the two tier system until the end of the phase out period.

In the final paragraph of their submission of Evidence (Exhibit C2-3) BC Hydro states "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". We agree that simplicity and "understandability" for customers is important. In this respect Design D is superior to Design C which introduces the two tier system in 2026 and in our opinion is overly complex.

A concern we have with Design D is that the E-Plus rate would exceed the standard (RS 1105) Step 1 rate in the final years. Although we believe that for the vast majority of E-Plus customers, little if any of their heating bills would be subject to Step 1 rates, there are bound to be a few exceptions and those customers would rightly complain that they were being treated unfairly if a portion of their E-Plus bill was at a higher rate than would be applicable to non-E-Plus customers This problem could be avoided if the "ramp up" curve in Design D was modified slightly.

1.4 Does EPHG have a proposal for a preferred combination of phase-out period and design model? If so, please describe it in detail.

Further to our response to 1.3, we favour a design model that;

- in order to avoid unnecessary complexity, maintained a single rate (that is, did not introduce two tier rates) until the end of a 10 year phase out period*
- had no increase beyond the RRA until 2025 or later*
- did not exceed Step 1 rates until the end of the Phase out period when two tier rates are introduced*

Such a model could be created through a slight modification of Design D as described in 1.3. However, EPHG's preference would be to defer all increases, other than the RRA, until the end of the 10 year period. This would be the simplest approach, providing what amounts to a 10 year period of notice of the termination of the program, and would provide the most mitigation of the negative impact to the greatest number of customers.