



March 11, 2020

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:

Ecotrust Canada submits herein its comments in response to BC Hydro's Application to extend the Residential Inclining Block (RIB) rate pricing principles to March 31, 2022. We oppose the BCUC's approval of the Application, on both the merits of the Application and the proposed regulatory process.

We are a national charity that works in deep partnership with rural, remote and Indigenous communities to develop locally-based and sustainable economies. Our Community Energy initiative supports communities that are facing disproportionately high utility costs, typically due to a combination of low home energy efficiency and limited choice of space heating fuels. Our work in regions that rely on electricity for space and water heating has demonstrated the shortcomings of the RIB for this customer group.

Tiered pricing is designed to encourage conservation, but experience has shown that not all households are able to use less energy and maintain their usage within the lower-priced block. This is particularly evident in larger homes that are heated with electric furnaces or baseboard radiators. For example, our work with the Regional District of Mount Waddington indicates that while apartment residents in the District pay less due to the tiered rate structure, those in single family dwellings pay more when compared to a flat rate (see Case Study below). On average, electric utility bills in the Regional District are 47% higher than the rest of the province.

It is an oft-quoted principle of utility ratemaking (and in B.C., a legislated requirement) that rates should not be "unduly preferential" to certain categories of customers. However, the concept of not discriminating unduly against certain groups is a critical extension of this principle. In an effort to avoid the perception of preferential treatment, utilities in B.C. have perhaps overlooked the extent to which rural, remote, and Indigenous communities are impacted by their geographic location, housing stock, and access to energy sources.

In justifying the negative bill impacts of the tiered rate structure to certain customers, BC Hydro in 2015 argued that these impacts were an 'incidental result from a pricing scheme that otherwise functions appropriately for the rest of the province'.¹ However, in the course of our work with communities we have found that these customers include some of the households most at-risk for energy poverty in the

¹ British Columbia Utilities Commission (2017, Jan 20). British Columbia Hydro and Power Authority 2015 Rate Design Application: Decision.

province, suggesting that the rate structure requires immediate attention in order to address these poor outcomes.

Reconsidering electricity rates in B.C. is also a necessary response to province-wide policy direction introduced under 2018's CleanBC climate plan, which encourages electrification of most energy end-uses, including space heating and transportation. The current rate structure does not incentivize widespread fuel switching to non-polluting energy sources, a shift which is necessary for the province to meet its legislated climate targets.

One of the objectives of the Comprehensive Review of BC Hydro is to consider rate pricing principles such as these. Shortcomings in the design of the RIB for today's context have already been noted in the Phase 2 Interim Report, which states that "This two-tier rate structure made sense when BC Hydro was in deficit and when the marginal cost of additional electricity supply was much higher than it is today."² The report goes on to suggest that opt-in rate structures are being considered as part of the Phase 2 review process.

Indeed, the energy landscape in B.C. has shifted significantly since the RIB was implemented, and BC Hydro now faces both a forecasted surplus of energy and a mandate to encourage electrification. We believe that redesigning BC Hydro's residential rate will be necessary to achieve this mandate, for example by encouraging the shift from fossil fuel space heating to electric heat pumps, and from gasoline cars to electric vehicles. This shift will require more than the introduction of optional rates (as discussed in the interim Phase 2 report); the entire customer base will need to be properly incentivized toward these outcomes in order to meet B.C.'s electrification and climate targets.

We submit that it is inappropriate to approve extension of the RIB for a further two years while these important discussions are ongoing and the final Phase 2 report has not been released. Although changes to the residential rate structure would not be expected to be implemented overnight, we believe that one year would be a sufficient timeframe to allow adequate consideration of findings from the remainder of the Phase 2 review process, and to engage in broader public consultation.

We believe that a number of parties would wish to participate in a full proceeding regarding the proposed rate extension. This would provide a meaningful opportunity for our group and others to provide input from our experience working directly with affected communities. We thank the Commission for the opportunity to submit our thoughts on this Application and are happy to discuss further.

Contact:

Dylan Heerema
Senior Analyst & Researcher
Ecotrust Canada



² Government of British Columbia (2020). COMPREHENSIVE REVIEW OF BC HYDRO: Phase 2 Interim Report. p. 11

Case Study: Regional District of Mount Waddington

The Regional District of Mount Waddington (RDMW) encompasses the northern end of Vancouver Island, the adjacent islands of the Broughton Archipelago, and a significant area of the southern Central Coast. Within the RDMW are four municipalities, six non-incorporated settler communities, and numerous First Nations living in at least 11 communities.

In partnership with RDMW, we completed a scientific poll with Mustel Group and an energy bill analysis for the region. Our findings demonstrate the prevalence of larger single-family homes with low energy efficiency throughout the region, which are extremely expensive to heat with incumbent electric baseboard radiators and electric furnaces.

Survey participants felt that BC Hydro's two-tiered rate structure disproportionately affects the region due to the prevalence of larger and less efficient homes, contributing to economic distress. We found that:

- **62%** of the region's housing stock and **98%** of the stock in Indigenous on-reserve housing is in detached single-family homes, compared to a provincial average of 44%
- Average household spending on heating in the RDMW is **47%** greater than the provincial average
- In one on-reserve community, electricity costs are **nearly 3 times** the B.C. average
- **33%** of residents reported that they were challenged to pay their household energy bills
- Of RDMW residents who are aware of BC Hydro's two-tiered pricing structure, **63%** said they **did not think it was fair**

Impacts of tiered rate pricing by housing type 2010-2016



The figure above shows the accumulated difference between electricity bills due to the current tier rate and a flat rate in Port McNeill, RDMW. While apartments, row houses and mobile houses have benefited slightly from the BC Hydro tiered rate, residents in single-family dwellings paid a total of more than \$200,000 extra due to the tiered rate during the period from 2010-2016. The accumulated extra costs from these households are much higher than the accumulated savings experienced by those living in other housing types.