

JUL 06 2015



Ref.: 90892

Mr. Len Kelsey  
Chair and Chief Executive Officer  
British Columbia Utilities Commission  
Box 250, 900 Howe Street  
Vancouver, BC V6Z 2N3

Dear Mr. Kelsey:

I am writing to request that the British Columbia Utilities Commission (BCUC) report to the Government of British Columbia on the impact of BC Hydro's Residential Inclining Block Rate and FortisBC's Residential Conservation Rate (referred to as the "residential inclining block rates").

My colleagues and I have heard concerns from the public that the residential inclining block rates may have unreasonable bill impacts on some customers. One of the concerns was that rural customers do not have the option of heating their homes using natural gas. Please provide me with information on customers with significant (over 10 percent) bill impacts as a result of the adoption of the residential inclining block rates including, to the extent available, low income customers. I am requesting that the BCUC provide me with information on several issues, including:

- Do the residential inclining block rates cause a cross-subsidy between customers with and without access to natural gas service?;
- What evidence is available about high bill impacts on low income customers?;
- What evidence is available about factors that lead to high-energy use and, therefore, bill impacts for customers without access to natural gas, including low income customers?;
- What is the potential for existing Demand Side Management programs to mitigate these impacts?; and
- Within the current regulatory environment, what options are there for additional Demand Side Management programs, including low income programs?

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Ministry of  
Energy and Mines and  
Minister Responsible  
for Core Review

Office of the Minister

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FortisBC and BC Hydro have both demonstrated that their respective residential inclining block rates are resulting in residential electricity conservation, and that they are revenue neutral to the utilities. The Government is unaware of any evidence that the residential inclining block rates result in higher greenhouse gas emissions, and BC Hydro has indicated that they have no evidence of this. Any analysis of alternative rate structures and the issues listed in this paragraph would be best left to existing regulatory processes, which in BC Hydro's case is the 2015 Rate Design Application (RDA).

I would like the BCUC to work with the utilities in collecting the information it deems necessary to provide the BCUC's assessment of the five questions I have raised, and any other relevant issues with the rate that the BCUC believes have not been addressed adequately by previous reports and regulatory processes. I would also recommend the BCUC gather information from ratepayers in regions not served by natural gas regarding the impacts of conservation rates and awareness of ratepayer mitigation options.

#### **FortisBC**

In its March 26, 2015 letter to FortisBC, the BCUC observed that there was an opportunity for FortisBC to communicate with its customers receiving bill impacts greater than 10 percent as a result of stepped rates. I understand that FortisBC is working on further outreach and the development of an additional low income Demand Side Management program. I ask that the BCUC work with FortisBC to ensure that this outreach and the development of the report complement each other.

#### **BC Hydro and the 2015 RDA**

BC Hydro has already undertaken a significant amount of consultation on its residential inclining block rate to inform its upcoming RDA. The Government understands that BC Hydro will be filing the first phase of its 2015 RDA with the BCUC in mid-September 2015, and that the first phase will include analysis of BC Hydro's residential inclining block rate. The BCUC should use the 2015 RDA regulatory review as the process to collect information for the report, rather than a separate process.

The BCUC's report should include its review and analysis of the data provided by the utilities and the BCUC's conclusions regarding the five questions listed above. The report should be provided to the Government after the evidentiary phase of BC Hydro's 2015 RDA concludes, which we expect to occur sometime in the second quarter of 2016.

This request for a BCUC report would not preclude either utility from seeking approval to launch or expand Demand Side Management programming prior to the heating season this fall.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Bennett". The signature is fluid and cursive, with a long horizontal stroke extending from the end.

Bill Bennett  
Minister

pc: Honourable Suzanne Anton  
Minister of Justice and Attorney General

Ms. Jessica McDonald  
President and Chief Executive Officer  
BC Hydro

Mr. Michael Mulcahy  
President and Chief Executive Officer  
FortisBC