First off let me comment on a bit of what I heard today. Equal treatment is not equitable treatment. Creating fairness for as many ratepayers as possible. That's equity.

There is precedent set already in other jurisdictions. BC Hydro went through all of the motions from a declining rate structure, switching to a flat rate in the early 90's, and finally to a ascending rate structure in 2008. The regulator there determined that it was in the public interest for BC Hydro to implement the new Residential Inclining Block (RIB) rate and required the new RIB rate structure go into effect October 1, 2008 for approximately 1.6 million residential customers. The Step 1 to Step 2 threshold was set at 1,350 kWh per billing period, approximately 90 per cent of the median consumption of BC Hydro's residential customers. The Step 2 rate was established at BC Hydro's current estimate of the cost of new energy supply, grossed up for losses and both the Step 1 rate and the Basic Charge were calculated residually to achieve revenue neutrality for the residential class.

The change was studied over a four year period and the results showed that there was up to 1.2% in energy use (kWh) reductions attributed to the rate structure change. In addition, there were demand (kW) reductions as well.

Thank you for the opportunity to be an intervener on Maritime Electric's general rate application.

For the benefit of those who may not know me, my name is Stephen Howard. I am the MLA for Summerside-South Drive and the Official Opposition Critic for Transportation, Infrastructure and Energy. The purpose of my intervening in these

hearings is to represent Islanders who are being negatively impacted by the proposal to maintain the existing two-tier declining rate structure for electricity.

I will demonstrate to the Commission that the rate structure proposed – or one could argue, continued – by Maritime Electric is discriminatory, unreasonable, and actually contravenes the *Electric Power Act*.

Furthermore, I will demonstrate that with a little investment and consideration, it is possible to provide a rate structure that is fair and equitable, encourages investment in energy efficiency and demand-side resource management, and results in helping vulnerable Islanders, managing existing and projected energy demands efficiently, while addressing our collective need to mitigate the reality of changing climate in measures that are both quantifiable and real.

If we take a look at the *Electric Power Act*, we would read the expectations that are put forth by that act. Specifically, we read in the preamble – the introduction to the act giving reason for its existence and what it aims to do – it states:

> *WHEREAS the rates, tolls and charges for electric power should be reasonable, publicly justifiable, and non-discriminatory;*
>
> *AND WHEREAS the regulation of public utilities supplying electric power should be conducted in a manner that is efficient;*
>
> *AND WHEREAS public utilities should utilize energy efficiency and demand-side resource measures whenever it is cost-effective to do so;*
>
> *AND WHEREAS the system of regulation of such public utilities should allow public input whenever the rates, tolls and charges for electric energy seem, in any respect, to be unreasonable or unjustly discriminatory;*

The Commission is no stranger to the fact that past rate structures have been both unfair and discriminatory. In fact, as recent as 2016 the Commission stated in Order UE16-04R:

> "[t]he residential second block is not based on cost of service; in effect, it is a method to subsidize electricity costs for certain classes of consumers…".

This was even mentioned prior to this in 2010. As the Commission wrote in Order UE10-03, the two-tier declining rate structure contravenes the principle of fairness enshrined in the Electric Power Act:

> "...rates must be based on the cost of providing this service. That means rates do not take into consideration the characteristics of the customer such as farming, fishing, home heat or industrial usage. Rates developed with a rate design objective of fairness based on cost of service are the requirements of the legislation."

Order UE10-03 also noted:

> "In true cost of service terms, the Commission was not presented with evidence that warrants retention of the declining 2nd block rate. However, evidence was heard that the residential rate class itself is seriously flawed. Adopted in 1994 from the NB Power rate structure, this rate structure is out of date."

I find it extremely puzzling and discouraging to see nearly 20 years later, Maritime Electric is still putting forth this discriminatory rate structure and expecting Islanders to be OK with it. I believe it is also unconscionable that Maritime Electric has ignored Order UE16-04R of the Commission that said:

> "any proposed continuation of the residential second block rate in future rate applications will require compelling evidence of its equity to ratepayers."

Where is this compelling evidence for retaining a discriminatory rate structure that passes the higher costs for services to those least able to access resources and measures to offset those costs? How does Maritime Electric justify expecting first block low-user customers – many of whom are vulnerable Islanders – to subsidize the energy costs of high-use customers?

While we have continued to employ an out-of-date rate structure, other Canadian jurisdictions have shifted to rate structures that discourage excessive electricity use either through the implementation of an ascending block structure that charges more for greater electricity use, or through the introduction of time-of-use rate structures that encourage electricity use at off-peak hours. British Columbia, Ontario, and Québec are all examples of provinces that have taken such approaches.

For example, British Columbia uses a Residential Inclining Block (RIB), a two-tier block structure where customers pay a lower price for first block energy and a higher price for second block energy. It is designed to promote conservation. It consists of:

1. A Basic Charge – a small, daily amount – that partially recovers fixed customer-related costs. This includes customer service channels, metering, billing, payment processing, collections, and distribution system costs that are customer-related, such as electrical lines and transformers.
2. A two-step energy charge:

a. Step One: $0.0945 per kWh for first 1,350 in an average two-month billing period, and
b. Step Two: $0.1417 per kWh over the 1,350 step one threshold.

A subsequent study by BC Hydro evaluated the RIB rate structure. It demonstrated positive conservation impacts were achieved as a result of switching to the RIB. A very cost effective way to do so.

In keeping with its mandate to regulate electricity in a fair manner, IRAC should consider the ways in which energy prices affect low-income Islanders. Low-income households spend a larger proportion of their budget on energy costs. As the Energy Efficiency Working Group noted in their paper, "Energy Efficiency and Energy Affordability for Low Income Households":

> "Families with incomes below Statistics Canada's Low Income Cut-Off (LICO) averaged 20.3% of their total expenditure on fuels and electricity, versus 7.0% for those above the LICO."

A 2014 paper, "Impact of Increases in Electricity Rates on Low and Non Low Income Households in Manitoba," also found this to be true. It also found that variations in electricity prices had impacts on household spending, with higher electricity prices leading to less spending on food, shelter, education, and other areas.

Low-income Islanders, as a result of their financial situation, have less of an ability to reduce their carbon footprint and energy use than higher-income Islanders.

For example, low-income people might live in older rental units or older homes, built at a time when energy efficiency was less of a priority, and are unable to afford upfront upgrades.

Further exacerbating the situation, and unlike other Canadian jurisdictions, Prince Edward Island has no dedicated funding source for the subsidization of electric bills of low-income residents. I contend that any subsidization should be available to those who need it most and not those who are better situated to meet the costs of energy use.

When Maritime Electric decided to ignore the Commission's order to provide compelling evidence for maintaining an unfair and discriminatory rate structure, it missed an opportunity to demonstrate forward thinking in the areas of responsible resource generation and demand-side management. In today's changing climate environment, we need good, sound investment in measures that positively impact our environment and take the necessary steps to meeting our climate change targets.

For example, a quick look at the rate structure in Ontario shows managing demand and energy consumption based through an escalating rate structure and a time-of-use structure.

Ontario's tiered rates charge a lesser amount for the first block of energy, and a greater rate for energy use beyond the first block. For residential use, the thresholds vary during the year, while they remain consistent for non-residential use.

The time-of-use rate is charged to most residential and small business customers. The rate is split into three sections: off-peak, which is when demand for electricity

is lowest; mid-peak, when demand is moderate; and on-peak, when demand is the highest.

This approach does not penalize low-use energy customers while encouraging all classes to be cognizant and deliberate in energy conservation.

As an intervener in this hearing, I propose there is a way to:

(a) fairly and equitably redistributes energy costs across the residential rate class;
(b) provide lower electricity rates for low- and middle-income Islanders and low-use consumers; while
(c) addressing our collective need to both measurably and effectively mitigate the reality of climate change.

The preamble of the *Electric Power Act* encourages the use of "demand-side resource measures whenever it is cost-effective to do so." It is in this vein that I propose a restructuring of residential electric rates.

The rate structure I am proposing would contain three blocks:

(a) a first block with the cheapest rate,
(b) a second block with median rate, and
(c) a third block for customers with high levels of electricity use that would have the highest rate.

Considering the heavy seasonal impacts on electricity use in Canada, the kWh boundaries for each block would vary between a summer period (beginning May 1 and ending October 31) and a winter period (beginning November 1 and ending April 30). Many Islanders use electricity to heat their homes. Our rate

structure takes this into consideration. We encourage Islanders to use electricity to heat their homes as it is largely clean energy – especially if it is generated using renewable sources.

For example:

Proposed Three-Tiered Escalating Rate Structure Model		
Period	**Use**	**Rate**
Summer (May 1 - Oct 31)	Up to 650 kWh	TBD (lowest)
	651-3000 kWh	TBD
	3000+ kWh	TBD (highest)
Winter (Nov 1 - Apr 30)	Up to 1300 kWh	TBD (lowest)
	1301-5000 kWh	TBD
	5000+ kWh	TBD (highest)

Under my proposed model, and using the data provided in Schedule 13-9 of Maritime Electric's General Rate Application, it is estimated 75.7% of all residential customers would fall under the first block in February, and 69.9% would fall under the first block in July.

Unfortunately, in the absence of exact data relating to the energy consumption of residential customers, I am unable to recommend a specific rate for each block. However, I would like to see the residential Revenue/Cost ratio to remain close to what it is today.

In principle, I recommend a reduced rate in the first block, with a greater rate in the second, and a further escalation for customers who use above 5000 kWh per month during heating season and 3000 kWh per month during our warmer seasons. An Island home of 2000 sq. ft can charge an electric car for regular use, be heated, and powered all from electricity for much less than 5000 kWh per month. Since this a residential rate class it makes sense to tailor it to be fair to the most households possible.

My proposed rate structure would have different impacts depending on where one finds oneself with respect to energy usage. Most residential customers would incur less energy-related expenses as a result of a lower first block rate. This would especially benefit low-income Islanders who can reallocate spending to other essentials.

Residential customers who find themselves in the second and third blocks would generally experience greater energy costs. However, this increased price sets a price signal for second- and third-block users to find efficiencies to reduce their energy consumptions.

This is of particular importance at this point in time. Prince Edward Island continues to face challenges posed by climate change – a new reality that we all must navigate and learn to live in.

Transition toward electricity rate structures that encourages energy efficiency will be a meaningful step towards reducing our carbon footprint and meeting our greenhouse gas reduction targets. Recently, we passed into law lower targets for greenhouse gas emissions with legislation stating we are to be carbon neutral by 2050.

While PEI has relatively clean electricity (approximately 69% from non-carbon-emitting sources), commercial, agricultural and residential electricity still make up a considerable percentage of the province's total carbon emissions.

By establishing an ascending block rate system like the one I am proposing, the province will be in effect providing larger energy consumers – those with the greatest financial capacity to increase their energy efficiency – incentive to reduce their carbon footprint.

Some may argue that this will lead to rate shock for some users. There will be an adjustment for all rate payers when the rate structure is adjusted towards a more fair and equitable design. However, the number of those who would experience rate shock would be minimal. And, also, these high-use energy consumers as pointed out earlier, have financial means to offset the short-term cost of shifting towards alternative energy sources and efficiency measures. They are also able to access programs and initiatives designed to help with this shift.

However, the Opposition is not unaware of these costs and understands the consternation that making this shift would cause. As such, I request an order from the Commission that Maritime Electric to prepare a complete rate design proposal, including all necessary supporting reports and data, toward the establishment of rates for an amended residential class. I further request that the amended residential class block structure that we have proposed here be implemented no later than 2021.

Thank you.