POLICY PAPER

RE: CLIMATE ACTION FOR THE ENERGY SECTOR

Adopted by Executive Council: December 7, 2020

Reviewed by Advisory Committee:

MoveUP represents more than 12,000 union members at public and private sector companies in Western Canada. Our union has a long and proud tradition of representing workers dating back to the 1930s. We began as the union for BC Electric, the predecessor of BC Hydro, and now represent members in many of the industries and professions fundamental to our economy including BC Hydro, FortisBC, ICBC, and transit providers.

We are on the cusp of tectonic changes in the way our economy provides and uses energy, which will have profound consequences for all actors in the energy sector, including BC Hydro, the FortisBC gas and electric utilities, and their regulator. As well, the global pandemic – and the possibility for future pandemics – has shown a shift the way people use energy, evidenced by BC Hydro seeing an eight per cent drop in energy load since March. We need strategies to navigate the coming period of intense transformation and ensure that energy sector workers, and the public that relies on them, have a path to a just and secure future. In order for the energy sector in B.C. to grow and succeed, the B.C. Government's energy policies need to be modernized and updated directions need to be given to the regulator (BCUC).

Energy is consumed and generated at different times each day and that timing is important. Some energy generation, such as solar, is only generated in the daytime and wind generation is intermittent and depends on fluctuations of wind currents. When energy is produced during times where there is low usage the market value of that energy decreases and this has consequences on energy utilities and customers.

BC Hydro: Resource Planning and Rates

The provincial government's *Comprehensive Review of BC Hydro* has been undertaken to identify measures and strategies that will contain rate increases, control costs, and position BC Hydro for future success. Phase 1 of the Review, now completed, identified measures to contain rates and control costs. A major factor in rising rates has been the policy thrust (self-sufficiency policy) on BC Hydro by the previous government to pay Independent Power Producers (IPPs) premium rates for the energy they produce regardless of when they produce the energy. BC Hydro is forced to buy whenever the IPPs want to sell and, even though many times that energy's market value is very low, BC Hydro has to pay premium rates. These rates harm the energy utility, but also harm consumers with increased rates. This has an even bigger negative impact on low-income British Columbians.

We recommend:

- Changing policy to enable BC Hydro to take full advantage of low-cost surplus from neighbouring jurisdictions.

- Ending the self-sufficiency policy that drains BC Hydro and forces rates up. BC Hydro should not be expected to buy energy from IPPs when the supply is not needed or when it does not make economic sense.
- BC Hydro continue with its reconciliation objectives and initiatives, including the development of local resources where mutually beneficial and of interest to do so, and connect remote First Nations communities to the grid wherever this is feasible.
- Creating a new approach to IPPs, where BC Hydro offers a platform for others to use and pay for on a cost-recovery basis, but is not required to purchase the power generated especially at premium, above-market pricing.

BC Hydro: New Domestic Generation

BC Hydro needs to develop or acquire new energy generation that can be generated when electricity is most needed and valuable. Traditionally, when BCUC approves development of new resources, the determination is mainly about the lowest rates for ratepayers. Cheap energy alone will not do the trick; BC Hydro will need to develop resources that provide stable, flexible energy to meet emerging demand. Where companies or communities develop wind, run-of-river, or other intermittent, low-value generation projects, BC Hydro's role should be limited to providing a "platform" for these developments. BC Hydro can provide transmission, distribution, back-up power, and other services at rates that represents their actual cost.

We recommend:

- Stopping new, take-or-pay energy purchase contracts, as well as any other policies that unduly constrain BC Hydro's ability to take advantage of low electricity prices in neighbouring jurisdictions.
- Create targeted subsidies and other measures for low-income customers.
- Comprehensive rate reform that enables customers to freely choose the rate options that best serve their needs, with an overall rate design aligning interests so that the decisions individual customers make do not shift cost-recovery to others.

BCUC – Regulatory Compact

The BCUC requires regulated utilities to provide reliable service to ratepayers at the lowest rate possible. This is an element of the "regulatory compact" that was developed in a very different time, with very different societal imperatives. Regulation of utilities is meant to replicate the supposed cost-containment and quality-assurance pressures of a competitive market: they get monopolies in exchange for regulatory scrutiny that ensures they don't inflate prices for their customers through mismanagement or improper priorities. They are not allowed to help save the planet using their customers' money.

FortisBC: New Domestic Generation

FortisBC operates two energy utilities with MoveUP workforces. FortisBC Inc. (FBC) handles electricity generation and FortisBC Energy Inc. (FEI) is the gas utility. Additionally, they have a third energy utility – FortisBC Alternative Energy Services (FAES) – which focuses on alternative energy generation. The only way for FortisBC's three utilities to succeed, prosper, and preserve jobs is with clear direction from the B.C. Government to BCUC to permit the integration of the three utilities that will allow worker mobility as well as economic and planning efficiencies.

We recommend:

- Facilitate the free movement of members between FBC, FEI and FAES within a singular collective agreement to ensure a smooth transition for members if activity shifts from natural gas to alternative energy services.

FortisBC's Action on Climate Change: Greening Natural Gas and Alternative Energy

The integration of the energy utilities is also valuable as the company acts on climate change. The gas division (FEI) and the alternative energy division (FAES) have been working with CleanBC to green the gas utility by increasing the proportion of "renewable natural gas" (RNG) with the goal of 30% coming from sustainable resources (currently, from agricultural and municipal waste). Sadly, primarily by not permitting the utilities from including these costs as part of their rates, BCUC creates barriers to the utilities taking action on climate change including greening the gas, and diversifying alternative energy sources.

We recommend:

- Directing BCUC to allow costs of climate action be factored into FortisBC's rates such as using 30% renewable natural gas, and diversifying to other alternative energy sources.
- Supporting FEI's promotion of compressed and liquefied natural gas as transportation fuels to displace diesel and gasoline, and thus help B.C. meet its greenhouse gas (GHG) targets.
- Continue with its reconciliation objectives and initiatives, including the development of local resources where mutually beneficial and of interest to do so.

Retrofitting BC Homes: A new B.C. Crown Corporation

The impact of climate change will be profound for all British Columbians including: increased forest fires, invasive species such as the pine beetle, coast line erosion, coastal and inland flooding, fish stock depletion and weather pattern changes that will deplete snow pacts and, as such, decrease B.C.'s ability to generate hydroelectricity. It is in all our interests to take action and mitigate climate change. The best way to reduce GHG emissions and create good paying jobs is through home retrofitting. A Federation of Canadian Municipalities report estimates that energy-efficiency retrofits generate up to 20 local jobs for every $1 million invested.

MoveUP proposes that B.C. create a new crown corporation to retrofit homes across the province. A crown corporation would:

- Coordinate with energy utilities (BC Hydro and FortisBC)
- Coordinate financing and grant programs
- Ensure that all work is done by red-seal qualified tradespeople
    - Provide training and skills development for sustainable jobs
    - Including red-seal apprenticeship programs for indigenous people, women, young people, and other equity groups
- Provide a "one-stop-shopping" resource and support for residents
- Provide on-the-ground recruitment of participants
- Develop a made-in-B.C. Retrofit manufacturing supply (especially doors and windows)
- Coordinate and organize construction contracts to create efficiencies (economy of scale)
- Include on-going research into new trends and technologies

Home retrofits create jobs in the construction work on homes, and in the manufacturing of key elements of retrofits: doors and windows. Doors and windows are key areas where energy leaks from homes and any retrofit upgrading must include these two elements. B.C. will need to scale

up this manufacturing of windows and doors. This, in of itself, will be a job creator in manufacturing. This is also a valuable economic development tool that the B.C. government could use in communities that need economic development. These jobs are best created in areas of the province where it is colder in the winter and are located near key transportation corridors. Creating door- and window-manufacturing plants in the South Okanagan and in Merritt would be strategic economically.

Over time, B.C. could also become a key manufacturer of energy efficient retrofit materials and could be an exporter of doors and windows, for example, to other jurisdictions.

We recommend:

- The creation of a new crown corporation to retrofit B.C. homes and, in so doing, reduce GHG emissions, create good paying jobs, and develop a new retrofit supply manufacturing industry.