



January 15, 2018

**VIA E-FILING**

Patrick Wruck  
Commission Secretary  
BC Utilities Commission  
6th Floor 900 Howe Street  
Vancouver, BC V6Z 2N3

**Re: BC Hydro and Power Authority F2017 to F2019 Revenue Requirements  
Application ~ Project No. 1598931  
Final Submissions of BCOAPO et al.**

**Introduction**

1. We make the following submissions on behalf of our clients, the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Council of Senior Citizens' Organizations of BC, Disability Alliance BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre, known collectively in regulatory processes as "BCOAPO et al." The constituent groups of BCOAPO et al. represent the interests of low and fixed income energy consumers within BC and more specifically in this process, the interests of BC Hydro's low and fixed income residential ratepayers.
2. These organizations, through interventions before the British Columbia Utilities Commission (Commission), attempt to ensure that residential electricity rates are kept to a minimum, and that barriers to affordability are addressed so that the most vulnerable members of our society can access this essential service.

**Summary of proceedings**

3. On July 28, 2016, BC Hydro filed its F2017 to F2019 Revenue Requirements Application with the Commission requesting, among other things, final approval to increase rates by an average of 4.0% effective April 1, 2016, 3.5% effective April 1, 2017 and 3.0% effective April 1, 2018 (Application).
4. The Commission established a regulatory timetable for the review of the Application.
5. BC Hydro's Final Argument and Intervener Arguments were submitted on May 23, 2017 and June 13, 2017, respectively, followed by a Reply Argument from BC Hydro on July 4, 2017.

6. On November 8, 2017, BC Hydro applied to amend its F2019 rates, seeking approval to:
  1. change its requested rate increase for F2019 from 3% to 0%, and
  2. maintain its 2018 Open Access Transmission Tariff rates for F2019 (Amended Application).
7. BC Hydro has amended its request with respect to F2019 in order to give effect to the BC Minister of Energy, Mines and Petroleum Resources' August 24, 2017 Mandate Letter (Mandate Letter). Among other things, the Mandate Letter contemplates a freeze of BC Hydro's electricity rates while a comprehensive review of BC Hydro is conducted, and while a refreshed plan to keep electricity rates low and predictable over the long-term is developed.<sup>1</sup>
8. Following a procedural conference on November 23, 2017, the Commission established a written information request process for the Amended Application. BC Hydro filed its Final Argument on the Amended Application on December 21, 2017.

#### **Submissions on BC Hydro's Amended Application to freeze electricity rates**

9. BC Hydro submits that the portions of the allowed revenue requirement not recovered in rates for F2019 are to be deferred to the Rate Smoothing Regulatory Account (RSRA), consistent with Direction No. 7 to the Commission. The resulting rate freeze is expected to add an estimated \$142.3 million to the RSRA. This is comprised of the estimated impact of the rate freeze of \$140.8 million, as well as estimated finance charges of \$1.4 million to this amount. This amount will have to either be offset or recovered in rates in future years.<sup>2</sup>
10. Absent any further actions (e.g., resulting from the comprehensive review of BC Hydro that will be undertaken, and the refreshed plan for rates that will be developed), BC Hydro's revenue will be lower in F2019 and all future years by the revenue foregone as a result of a 0 per cent rate increase in F2019, plus the revenue that would have been generated by the foregone F2019 revenue increasing as a result of future rate increases.<sup>3</sup>
11. There is no guarantee that the outcome of the refreshed rates plan and the completion of another review of BC Hydro will include a reduction in BC Hydro's annual revenue requirement either by \$142.3 million per year or at all.<sup>4</sup>
12. BC Hydro's rates have been artificially low for the last few years because the previous provincial government capped rates through Orders in Council which barred the Commission from approving rates higher than the rate caps. For

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<sup>1</sup> Exhibit B-23.

<sup>2</sup> Exhibit B-25, BCSEA 4.3.4.1, BCUC 4.2.6.

<sup>3</sup> Exhibit B-25, BCSEA 4.3.2.

<sup>4</sup> Exhibit B-25, BCSEA 4.1.3, BCUC 4.6.4.

example, the combined effect of the F2017 and F2018 rate caps and the proposed F2019 rate freeze is to produce F2019 rates that are approximately 10% lower than they would have been in the absence of the RSRA.<sup>5</sup>

13. The government's Mandate Letter is not an Order in Council requiring BC Hydro to freeze rates.
14. BC Hydro currently has close to \$6 billion in deferral accounts.<sup>6</sup> Even without a rate freeze on April 1, 2018, the balance in the RSRA would be \$1,082.7 billion. These costs have already been incurred by BC Hydro and will have to be collected from ratepayers, including low income ratepayers, in the future. If the Commission grants a rate freeze, \$142.3 million will be added in F2019 to the RSRA balance, increasing it to \$1,225 billion.<sup>7</sup>
15. The Commission is supposed to set electricity rates based on the cost of providing electricity to customers - this is a basic principle of utilities regulation and required under the *Utilities Commission Act*<sup>8</sup>. In general, BCOAPO *et al.* supports cost of service rate regulation, and opposes government interference in the Commission's rate setting jurisdiction.
16. We see no evidence of a cost of service basis for a rate freeze for F2019. BC Hydro agrees that apart from the Minister's Mandate letter there is no regulatory justification for a 0% rate increase for F2019 instead of the previously requested 3% rate increase for F2019.<sup>9</sup>
17. Further, BC Hydro customers who *can* afford to pay their electricity bills will also have their rates frozen, and low income ratepayers will not be exempt from paying in the future for the amounts transferred to the RSRA as a result of this rate freeze.
18. Residential electricity rates have gone up almost 25% since 2013.<sup>10</sup> This is a significant increase over five years and does not reflect the actual cost of service. The actual rate increases should have been much higher, which is why the balance that ratepayers are accruing in the RSRA has increased so dramatically.
19. BC Hydro estimates that about 10% (170,000) of its residential customers have incomes at or below Statistics Canada's pre-tax Low Income Cut-off (LICO) measure.<sup>11</sup> About 21% of its residential customers have incomes at or below LICO

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<sup>5</sup> Exhibit B-25, BCSEA 4.4.2.

<sup>6</sup> Exhibit B-1-1, page 7-4.

<sup>7</sup> Exhibit B-25, BCOAPO 4.146.1, BCUC 4.1.3, BCSEA 4.3.4.1.

<sup>8</sup> RSBC 1996, c. 473.

<sup>9</sup> Exhibit B-25, BCSEA 4.1.11.

<sup>10</sup> Exhibit B-25, CEC 4.190.3 Attachment 1, page 16.

<sup>11</sup> BC Hydro 2015 RDA - Exhibit B-1, p. 5-12 and p. 5-67 - see

[http://www.bcuc.com/Documents/Proceedings/2015/DOC\\_44664\\_B-1-BCH-2015-Rate-Design-App1.pdf](http://www.bcuc.com/Documents/Proceedings/2015/DOC_44664_B-1-BCH-2015-Rate-Design-App1.pdf)

(BCOAPO understands that the figure of 161,287 low income households is based on the 2013 tax year and that this figure is derived from BC Hydro's 2014 Residential End Use Survey). See also BC Hydro 2015 RDA Transcript Volume 3, p. 375, lines 24-26 and p. 376, line 1 - see

plus 30%.<sup>12</sup> BC Hydro offers no rates or terms and conditions of service that specifically apply to low income customers to assist these customers to mitigate the rising cost of electricity, other than Energy Savings Kits and the Energy Conservation Assistance Program (ECAP).

20. During BC Hydro's 2015 Rate Design Application (2015 RDA), we provided extensive evidence about a comprehensive strategy to assist low income ratepayers who are having increasing difficulty paying their electricity bills. Specifically, we asked the Commission to order BC Hydro to:

- implement a discounted electricity rate for a set amount of usage;
- establish a Crisis Intervention Fund for qualified low income ratepayers who are facing disconnection;<sup>13</sup>
- amend the Electric Tariff to allow for rules specific to qualified low income customers and in some cases residential ratepayers more generally, such as waiver of reconnection charges, account charges and security deposits. We also asked for several business practices changes, such as offering increased flexibility in installment plans and setting up a low income Customer Assistance Unit; and
- direct BC Hydro to increase the number of ECAPs that it carries out for eligible low income ratepayers.

21. The most appropriate way to deal with rising BC Hydro rates is to implement a discounted electricity rate, helpful customer service rules and energy efficiency programs for low income residential ratepayers, and we urge BC Hydro and the government to implement the proposals which we detailed in our evidence and submissions during the 2015 RDA. BC Hydro has demonstrated an ability to work collaboratively with us and other intervenor groups to develop the Customer Emergency Fund (a program similar to the Crisis Intervention Fund we proposed) and we are confident that BC Hydro is in a position to also deliver discounted rates, specific customer service rules and energy efficiency programs for low income ratepayers.

22. In the meantime, low income ratepayers have been struggling to cope with rising electricity rates, and therefore find it difficult to oppose a rate freeze even though the rate freeze does not accord with cost of service regulation.

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[http://www.bcuc.com/Documents/Transcripts/2016/DOC\\_47086\\_08-16-2016-Transcript-OralHearing-Vol-3.pdf](http://www.bcuc.com/Documents/Transcripts/2016/DOC_47086_08-16-2016-Transcript-OralHearing-Vol-3.pdf).

<sup>12</sup> BC Hydro 2015 RDA - Exhibit B-1, Appendix C-3B, p. 216 of 609 (p. 2011 of PDF) – see:  
[http://www.bcuc.com/Documents/Proceedings/2015/DOC\\_44664\\_B-1-BCH-2015-Rate-Design-App.pdf](http://www.bcuc.com/Documents/Proceedings/2015/DOC_44664_B-1-BCH-2015-Rate-Design-App.pdf).

Figure based on BC Hydro's 2012 Residential End Use Survey.

<sup>13</sup> The Commission did order BC Hydro to develop and implement a Customer Emergency Fund (CEF) Pilot Program which will be available to all eligible residential customers – see BCUC Order G-166-17 at: [http://www.bcuc.com/Documents/Proceedings/2017/DOC\\_50323\\_11-17-2017\\_Order-G-166-17\\_Reasons-for-Decision.pdf](http://www.bcuc.com/Documents/Proceedings/2017/DOC_50323_11-17-2017_Order-G-166-17_Reasons-for-Decision.pdf). BC Hydro is in the process of implementing the CEF.

## **Conclusion**

23. While we oppose BC Hydro's application for a rate freeze for F2019 on cost of service rate regulation principles, after many years of rate increases, low income ratepayers cannot afford to say no to a rate freeze. However, we urge the provincial government and BC Hydro as part of the review and refreshed rates plan to implement a comprehensive program to assist low income ratepayers to pay their electricity bills, including a discounted rate for electricity, customer service rules and expanded energy efficiency programs.
24. Since there is already extensive evidence about the scope of these programs on the record as part of the 2015 RDA, we ask that these programs be implemented quickly, in time for the 2018/19 winter heating season. We are prepared to work with the government and BC Hydro to implement these programs.
25. This strategy will allow the government and BC Hydro to create a long term response to BC Hydro's need to increase rates in order to recover the RSRA and other regulatory and deferral account balances.

All of which is respectfully submitted,

**BC PUBLIC INTEREST ADVOCACY CENTRE**

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