

REQUESTOR NAME: **BC Sustainable Energy Association and Sierra Club BC**
INFORMATION REQUEST ROUND NO: 1
TO: **BC Old Age Pensioners, et al.**
DATE: **May 27, 2016**
PROJECT NO: **3698781**
APPLICATION NAME: **BC Hydro 2015 Rate Design Application**

1.0 Topic: Essential Services Program

Reference: Exhibit C2-12, Part 1, Roger Colton evidence, Part 1

- 1.1 Mr. Colton proposes that the maximum size of the Essential Services usage block would be 4,800 kWh per year, or 400 kWh per month. Is the proposal that this would be converted to kWh per day for billing purposes, given that some bills are monthly and some are bimonthly?
- 1.2 How would the proposed Essential Services program handle the two-step Residential Inclining Block (RIB) rate structure? Would the Step 1 rate, the threshold, and Step 2 rate apply as usual, except that consumption up to the prorated amount of the ES usage block would be charged at Step 1 or Step 2, as applicable, less the ES discount rate? In other words, would consumption within the Essential Services usage block count toward the threshold between Step 1 and Step 2?
- 1.3 How long would a participant's qualification for the Essential Services program last? Would there be a mechanism through which a participant would leave the program if and when he or she ceased to meet the income criterion?

2.0 Topic: Low-Income Eligibility Criterion

Reference: Exhibit C2-12, Part 1, Roger Colton evidence, p.14

"The Essential Services usage block should be available to customers confirmed as having income at or below 100% of the Pre-Tax Low-Income Cutoff (LICO-PT)." [p.14]

- 2.1 Did Mr. Colton consider the idea of defining eligibility for the Essential Services usage block at some percentage less than 100% of the LICO-BT, so that there could be a larger block or a steeper discount for the same financial impact to residential customers as a whole? If so, why was this approach rejected?
- 2.2 Did Mr. Colton reject the idea of defining eligibility for the Essential Services usage block at some percentage greater than 100% of the LICO-BT, so that more low-income customers would be eligible for Essential Services support. If so, why was this approach rejected?

3.0 Topic: Usage Block Size

Reference: Exhibit C2-12, Part 1, Roger Colton evidence, pp. page 14, lines 20-23, p.15, p.17

BC Hydro's category of "small" customers [Appendix C-3B, page 126 of 609] includes customers who consume only in Step 1, i.e., less than the current

threshold of 675 kWh per month. Mr. Colton notes that “the Company reports that its definition of “low-use” varies between 370 kWh per month and 380 kWh per month.”

- 3.1 Given that the average consumption of customers who consume only in Step 1 is between 370 kWh/m and 380 kWh/m, did Mr. Colton consider a maximum ES usage block between 370 kWh/m and 380 kWh/m? Why was 400 kWh/m proposed?

“My recommended Essential Services usage block [4,800 kWh/y] is just below the low-income median consumption of 5,298 kWh per year. (BCOAPO 1.58.3)...” [p.15]

- 3.2 Does this mean that slightly less than half of low-income customers would purchase all their power at the ES rate (assuming all low-income customers with usage below 4,800 kWh/y are approved for the ES program)?
- 3.3 Please explain why 4,800 kWh/y was chosen, instead of, say, 5,300 kWh/y (the low-income median annual consumption rounded). Is it because 4,800 kWh/y is easily divided by 12 months and therefore easier to explain?

“I recommend that the Essential Services usage block be set at 400 kWh a month, 4,800 kWh per year.” [p.14]

- 3.4 Please confirm that setting an Essential Services usage block as recommended (4,800 kWh/y) would result in \$192 plus applicable taxes in bill relief for a low-income customer who was able to take full advantage of the block.
- 3.5 For an Essential Services usage block of 4,800 kWh/y, please provide the arithmetic mean and the median annual bill relief for participating customers. If the data is available, please provide the annual bill relief as a percentage of the customer’s total annual bills.
- 3.6 Please discuss the expected practical effects for a typical participating customer of receiving the rate relief of the Essential Services program as proposed (maximum 4,800 kWh/y at \$0.04/kWh discount). Would the bill relief make a meaningful contribution to the low-income customer’s ability to afford electricity service?

4.0 Topic: Essential Services Program, Justification
Reference: : Exhibit C2-12, Part 1, Roger Colton evidence

- 4.1 Is it the author’s argument that low-income customers pay more than their share of costs compared to non-low-income residential customers because low-income customers tend to have lower consumption than non-low-income customers at each decile of consumption and low-usage customers cost less to serve?

- 4.2 Please comment on these observations: Low usage is not a good proxy for low income. While many low income customers have low usage, many other low income customers have medium or high usage. Altering the residential rate design to recover less revenue from low-use customers and more revenue from high-use customers would increase the bills of medium-use and high-use low income customers while reducing the bills of non-low-income low-use customers.
 - 4.3 Does the author agree that under the Residential Inclining Block rate (that BC Hydro proposes to continue), low-use customers effectively pay less per unit of energy than do high use customers?
 - 4.4 Please comment on the observation that an Essential Services program, defined as a limited block of power available at a reduced rate to qualifying low income customers, is fully justified by affordability factors.
 - 4.5 In the author's opinion, do residential customers as a whole have an interest in ameliorating the unaffordability burden of electricity rates on low-income customers?
 - 4.6 Does the author agree that there is no particular reason to believe that the hardship imposed by electricity bills on low income customers is worse for low-use low income customers than it is for medium-use and high-use low income customers?
 - 4.7 Please confirm that the proposed Essential Services program is intended to, and would if implemented, provide a modest bill discount to qualifying low income customers whether their consumption is low-use, medium-use or high-use.
- 5.0 Topic: Usage Block Model**
Reference: Exhibit C2-12, Part 1, Roger Colton evidence
- 5.1 The usage block model provides a bill benefit that is an increasingly small percentage of low-income customers' bills the higher the customers' annual consumption (where consumption is above the size of the usage block). Has Mr. Colton considered alternative models, such as a smaller discount for qualifying low-income customers but a discount applied to all energy consumed? If so, why were alternative models rejected?
- 6.0 Topic: Clarification**
Reference: Exhibit C2-12, Part 1, Roger Colton evidence, A. The Need for an Essential Services Usage Block, pp.5-13, Exhibit C2-12
- 6.1 Please confirm, or otherwise explain, that the various numbers of customers provided in this section of the evidence refer to numbers of accounts and not the numbers of people who live in the residences served by these accounts. For example, "there are 78,442 low-income apartment dwellers" [p.6, lines 21-22] means 78,442 low-income accounts.

7.0 Topic: Balancing Meaningful Assistance and Unreasonable Burden
Reference: Exhibit C2-12, Part 1, Roger Colton evidence, p.14

“First, the block size and discount should be sufficient to provide meaningful assistance to low-income customers taking service under this rate. Second, the cost of providing the level of discount should not impose an unreasonable burden on residential ratepayers not taking service under the Essential Services usage block.” [p.14 underline added]

7.1 Does Mr. Colton agree that one of the factors relevant to whether a particular Essential Services usage block size and discount imposes an unreasonable burden on non-participating customers is the extent to which the ES program does provide meaningful assistance to low-income customers?

8.0 Topic: Schedule RDC-1
Reference: Exhibit C2-12, Part 1, Roger Colton evidence, p.5

8.1 Please provide a revised version of page 2 of Schedule RDC-1 showing for (a) Residential and (b) Low Income the number of customers and percentage by Characteristic (the percentage meaning the number of, say, Residential Single-family Detached customers as a percentage of all Residential customers).

9.0 Topic: Program Cost Estimate
Reference: Exhibit C2-12, Part 1, Roger Colton evidence, Schedule RDC-2

“The total cost of providing the \$0.04 [kWh] discount on 400 kWh [month] will not exceed \$26,912,049 [year].” [p.23]

9.1 Please explain more about Schedule RDC-2.

9.1.1 Please confirm that Number of Customers shows the number of low-income customers in the corresponding Housing Type and Median Annual Use.

9.1.2 Confirm that the total Number of Customers is 161,383, jibing with the 161,383 low-income customers in BC Hydro’s disaggregation of low-income customers discussed in Footnote 13 on page 23.

9.1.3 Confirm that for each pair of Housing Type and Heating Type there are four Median Annual Use figures provided, presented from largest to smallest. What percentiles define these four tranches?

9.2 Do the data for Number of Low-Income Customers by Housing Type/Heating Type/Median Usage shown in Schedule RDC-2 provide a basis for showing the number of low-income customers at various usage levels? Would it be possible to present a breakdown of the number of low-income customers by annual usage, such as by quartile or decile? If so, please provide it. If not, please explain why it would not be possible.

9.3 Using the data shown in Schedule RDC-2 (or from elsewhere if it is available), please provide an estimate of the number and percentage of low-income customers who are (a) below 4,800 kWh/y usage and (b) above 4,800 kWh/y usage.

9.4 Please confirm that the estimate that ES bill reduction costs would not exceed \$26,912,049 per year is based on an assumed 100% take-up rate.

“When fully ramped up, I would expect a participation rate of roughly 50% of the total income-eligible population.” [pp.31-32]

9.5 Please provide an estimate of the not to exceed annual cost of the ES program based on a 50% take-up rate.

10.0 Topic: Low Income Qualification

Reference: Exhibit C2-12, Part 1, Roger Colton evidence, pp.28-31

The author proposes that in the first stage, BC Hydro would accept a confirmation of low-income eligibility from the BC Ministry of Social Development and Social Innovation, or receipt of social assistance on First Nations reserves, or residence in a home provided through non-profit housing provider or community service organization. The author proposes that in Stage 2 BC Hydro would expand the social service agencies from which it will accept a confirmation of income eligibility. The author proposes that in Stage 3 BC Hydro would accept confirmation of income eligibility from the “third party administrator retained to operate the [proposed] crisis intervention program”

10.1 Please confirm, or otherwise explain, that the proposal is that BC Hydro itself would not process applications for confirmation of low-income eligibility. What are the reasons for that approach?

11.0 Topic: Reporting

Reference: Exhibit C2-12, Part 1, Roger Colton evidence, p.32

“I recommend that the Company routinely review and report on take-up rates in future Rate Design Application proceedings.”

11.1 What does the author recommend regarding requirements for BC Hydro to report to the Commission about the Essential Services program?

11.2 What lessons can be learned from the studies identified in Appendix B about reporting and reporting requirements regarding low-income utility bill programs?

12.0 Topic: Crisis Intervention Fund

Reference: Exhibit C2-12, Part 1, Roger Colton evidence,

12.1 The author proposes that the crisis intervention program should be administered by an independent third party. Why should it not be administered by BC Hydro?

- 12.2 Please explain why the author proposes a small rate rider as the mechanism for funding the proposed crisis intervention program. Were other funding mechanisms considered, such as an annual lump sum from the revenue requirement?
- 12.3 The author proposes a bill rider of \$0.25 per month per account on all accounts, residential and non-residential, to yield annual fund revenue of approximately \$5.4 million [pp.43-44]. How does this fund size compare with crisis intervention funds established in other jurisdictions?
- 12.4 Would a fund of the proposed size be sufficient to make a meaningful difference?

13.0 Topic: Low-Income DSM and RDA
Reference: Exhibit C2-12, Part 1, Roger Colton evidence, page 21, lines 1-6 and footnote 12; p.44

“A multi-state study of affordability programs in the United States, of which I was a co-author, found that “every state that has adopted a home energy affordability program has incorporated an energy efficiency component into that affordability initiative.” The study found that “these [low-income efficiency] programs can effectively complement the impacts of affordability programs.” They cannot, however, serve as a stand-alone response.”

- 13.1 Please file the report titled “Ratepayer Funded Low-Income Energy Programs: Performance and Possibilities” in this proceeding.
- 13.2 Please discuss why low-income efficiency programs cannot “serve as a stand-alone response.”
- 13.3 Please confirm that, according to the economic principle of demand elasticity, other things being equal, a decline in electricity rates should stimulate an increase in electricity usage.
- 13.4 In Mr. Colton’s view would adoption of the proposed Essential Services program tend to stimulate increased consumption by participating customers due to the change in the price signal? Is Mr. Colton aware of any evidence on the elasticity of demand shown by low-income electricity customers?
- 13.5 On page 52, the author cites BCOAPO 1.106.1 (revised), Attachment 2, pages 4, 8 and 33 of 40 [Exhibit B-14]. Is this the correct citation?

14.0 Topic: Cold Weather Disconnections
Reference: Exhibit C2-12, Part 1, Roger Colton evidence, B. Cold Weather Shutoff Protections, pp.68-77

“...BC Hydro should adopt restrictions on the disconnection of service for nonpayment during the cold weather period stretching from November 1 through April 1 of each winter heating season.” [p.68]

- 14.1 Please describe in detail the author's proposal for a BC Hydro cold weather disconnections policy. Would there be a low-income qualification? Does "restrictions" mean no disconnections?
- 14.2 What is the author's understanding of BC Hydro's current policy and practice regarding cold weather disconnections? Is it inadequate? Why?

15.0 Topic: Sensitive Customer Disconnections

Reference: Exhibit C2-12, Part 1, Roger Colton evidence, C. Shutoff Protections for the Very Young, Seniors and People with Medical Emergencies, pp.77-83

"I conclude that it is reasonable for BC Hydro to provide a renewable 60-day delay in nonpayment disconnections for the very young, seniors and people with medical emergencies."

- 15.1 Please describe in detail the author's proposal for a BC Hydro policy regarding disconnections of the very young, seniors and people with medical emergencies. How would it work? How would BC Hydro become informed that someone meeting the criteria for special protection lives within the premises that are subject to disconnection? Would it be BC Hydro, or a third party, that would determine that an account has a person qualifying for special protection? What happens if the account holder cannot reasonably make a payment plan that would eliminate the arrears? What would be the role of the Commission in this mechanism?

16.0 Topic: Deferred Payment Plans

Reference: Exhibit C2-12, Part 1, Roger Colton evidence, D. Deferred Payment Arrangements, pp.83-88

I recommend several modifications to BC Hydro practices and procedures that will improve both the effectiveness and the efficiency of the Company's use of deferred payment plans as a collection tool. These modifications include:

Downpayments: For payment plans offered to customers with income less than 100% of LICO, I recommend that required downpayments be set at 10% of the outstanding delinquency.

Payment plan term (in months): For payments plans offered to customers with income less than 100% of LICO, I recommend that BC Hydro offer a payment plan term of not less than 12 months.⁴⁵ Payment plan installments to be paid toward arrears, however, should not exceed the average of a monthly bill for current service."

- 16.1 Is the author's critique of BC Hydro's current approach to bill arrears payment plans basically that BC Hydro insists on payment terms that are too onerous over too short a time period?
- 16.2 Is it the author's understanding that BC Hydro's current approach to arrears payment plans requires such a plan to fully recover all of the arrears (if it was implemented), i.e., with no forgiveness of any part of the arrears?

- 16.3 To clarify, in the author's proposed approach to arrears payment plans does the payment plan call for payment of the same total amount of arrears as a status quo BC Hydro payment plan would recover (if implemented)?
- 16.4 Is there evidence to support the idea that arrears payment plans that are longer rather shorter are more successful in terms of the amount of arrears recovered?

17.0 Topic: Late Payment Charges

Reference: Exhibit C2-12, Part 1, Roger Colton evidence, E. Late Payment Charges, pp.89-104

- 17.1 Is the gist of the author's critique of BC Hydro's 1.5%/month late payment charge that (a) 1.5% is higher than BC Hydro's carrying cost and (b) is not prorated by the day of the month when payment occurs?

"I recommend that BC Hydro be allowed to establish an annual Late Payment Charge equal to its Weighted Average Cost of Debt rounded to the nearest one-half percent. At present, that WACD equals 4.28 percent, rounded to 4.5%."
[p.97]

- 17.2 What does the author mean by an "annual Late Payment Charge"? Is the proposal that the Late Payment Charge be prorated daily (e.g., between the due date and the payment date), with the amount being based on the WACD?

"I further recommend that no late payment charge should be imposed unless and until an arrearage reaches 60 days beyond the bill's due date."

- 17.3 Is there a risk that this recommendation would invite all residential ratepayers, low income and otherwise, to treat the "due date" as optional for up to 60 days? Would that be a problem? Are there ways to formulate the recommendation to avoid that problem?
- 17.4 In its response to BCOAPO IR 2.298.1 [Exhibit B-23, pdf p.488 of 951], BC Hydro lists various circumstances in which it may use discretion to waive or suspend the application of late payment charges. The author notes that "Not on that list are those instances when a customer has entered into a deferred payment plan." [p.97] Does the author recommend that entry into a deferred payment plan be a specific circumstance in which BC Hydro may use discretion to waive or suspend the application of late payment charges?

"I recommend that low-income customers --defined to be those customers who are taking service under the Essential Services usage block-- be exempt from late payment charges." [p.98]

- 17.5 Is there a risk that this recommendation would induce low-income customers to not pay on the due date and thereby go into arrears that might prove to be even more difficult to pay off than the original bill on the

due date? Can this recommendation be structured so as to prevent this problem?

18.0 Topic: Low Income Exemption from Minimum Reconnection Charge and Account Charge
Reference: Exhibit C2-12, Part 1, Roger Colton evidence, F. Exempting Low-Income Customers from Specified Charges, pp.100-104

“...I recommend that BC Hydro exempt low-income customers from the assessment of a “minimum reconnection charge” and from the proposed “account charge.” [p.100]

18.1 Is the author’s proposal that the low-income exemption from the Minimum Reconnection Charge and Account Charge would be determined on the same basis as eligibility for the proposed Essential Services program?

19.0 Topic: Security Deposits
Reference: : Exhibit C2-12, Part 1, Roger Colton evidence, G. Reform Security Deposits, pp.105-117

“I recommend that the Company’s proposal to impose cash security deposits on all new residential customers be denied.” [p.110]

19.1 Is this an over-statement of BC Hydro’s proposal regarding security deposits?

“The Company should be prohibited from imposing a cash security deposit on an applicant for service based on a credit rating from an external credit agency unless that credit rating is based exclusively on the prior utility bill payment history of the new applicant.” [p.110, underline added]

19.2 To clarify, please confirm, or otherwise explain, that this recommendation applies to applicants for service, not to existing account holders.

19.3 To clarify, does this recommendation apply to any applicant for service, regardless of income, or is it limited to low-income applicants?

19.4 In the author’s experience, is it practical for a public utility to obtain a credit rating based exclusively on a person’s prior utility bill payment history? Does this type of credit rating exist?

19.5 Does “cash security deposit” mean ‘financial security deposit’? If it means something else, please explain.

“Q: PLEASE EXPLAIN YOUR RECOMMENDATION THAT LOW-INCOME HOUSEHOLDS BE EXEMPT FROM PAYING CASH SECURITY DEPOSITS.
A. In recommending that low-income households be exempt from paying cash security deposits, I find that it is important first to focus on the purpose of a deposit...” [p.112]

19.6 Does the author recommend that existing low-income account holders be exempt from paying a security deposit in situations of (a) reconnection and/or (b) arrears?

19.7 Is the phrase “cash security deposits” used here to distinguish from security deposits paid by MSDSI on behalf of a low-income customer or applicant for service?

“While BC Hydro proposes to waive deposits for customers whose bills are being directly paid by MSDSI, those direct payment customers represent only 6,000 of the 170,000 low income customers on the BC Hydro system.” [p.114]

19.8 For clarity, what is the author’s recommendation regarding BC Hydro’s proposal to waive deposits for customers whose bills are being directly paid by MSDSI?

“Given the costs of maintaining deposits, it is in the best financial interests of BC Hydro to seek non-cash alternatives to the collection of deposits. One alternative to cash security deposits is the solicitation of third-party sureties.” [p.115, underline added]

19.9 Is there a concern that using third-party sureties to bolster a low-income applicant or customer’s financial credit, in circumstances where a financial security deposit would otherwise have been required, would ‘back-fire’ on low income applicants and customers? Has the author considered the experience with landlords requiring sureties or guarantors as a condition of renting premises?

19.10 Is there evidence that a utility’s use of a third-party surety in place of a financial security deposit is actually effective in terms of promoting on-time payments or reducing arrearages or bad debts?

20.0 Topic: Non-payment Response Strategy

Reference: : Exhibit C2-12, Part 1, Roger Colton evidence, H. Implement Specific Practices and Procedures

“I recommend that BC Hydro undertake a customer segmentation study that is specifically directed toward characterizing patterns of nonpayment; identifying the characteristics of nonpayers; identifying predictors of nonpayment; and identifying early indicators of nonpayment. I recommend that this study further be specifically directed toward assessing, for each customer segment (e.g., type of nonpayer, type of nonpayment), the extent to which, if at all, the following activities have the impact of reducing residential arrears and/or residential bad debt: (1) cash security deposits; (2) deferred payment agreements; (3) disconnections for nonpayment; (4) field collections; (5) call center collection calls; (6) budget billing plans; and (7) late payment charges. Based on this empirical analysis, which should be pursued in consultation with residential and low-income stakeholders, BC Hydro should identify the most effective and cost-effective strategies to respond to nonpayment.” [p.121, underline added]

20.1 In what timeframe would be it reasonable for BC Hydro to be in a position to identify strategies to respond to nonpayment?

"I recommend that the Company be required to begin, no later than six months after a final decision in this proceeding, reporting basic consumer credit and collection activities and outcomes. One reasonable model for such collection is the list of data elements included in a resolution of the National Association of State Utility Consumer Advocates (NASUCA). NASUCA's proposed list of data reporting elements is attached as Schedule RDC-5." [p.122]

20.2 What other utilities collect and report basic consumer credit and collection activities and outcomes?

20.3 What makes the NASUCA proposed list of data reporting elements a reasonable model for BC Hydro to use?

21.0 Topic: Low-Income Customer Assistance Unit
Reference: : Exhibit C2-12, Part 1, Roger Colton evidence, (3) Skills-Based Low-Income Customer Assistance Unit (CAU)

"Accordingly, BC Hydro should create a dedicated staff unit specifically assigned the responsibility of addressing the customer service and bill payment needs of low-income customers. The dedicated staff unit should be trained as specialists in understanding and addressing the unique needs of low-income customers. These specialized staff can generate additional resources to be applied to low-income bills to the advantage of both the low-income customer base and the utility." [p.123]

21.1 Please explain the term "skills-based" applied to the concept of a BC Hydro Low-Income Customer Assistance Unit.

22.0 Topic: Low-Income Advisory Group
Reference: : Exhibit C2-12, Part 1, Roger Colton evidence, (4) Standing Low-Income Advisory Group

The author supports a proposal that BC Hydro establish a Low-Income Advisory Group that would build upon the relationships recently developed with BCPIAC and MSDSI.

22.1 Based on his experience and the reports in Appendix 2, is Mr. Colton able to provide recommendations aimed at ensuring that the low-income advisory group achieves its full potential?

22.2

22.3