

WEISBERG LAW
C O R P O R A T I O N

2730 Ailsa Crescent
North Vancouver, BC
V7K 2B2
Fred J. Weisberg
Barrister & Solicitor
Direct: (604) 980-4069
fredweislaw@gmail.com

October 11, 2016

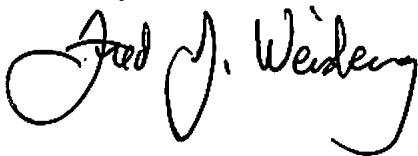
Ms. Laurel Ross
Acting Commission Secretary
British Columbia Utilities Commission
Sixth Floor – 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Ms. Ross:

RE: Project No. 3698781
British Columbia Utilities Commission (Commission)
British Columbia Hydro and Power Authority (BC Hydro)
2015 Rate Design Application (2015 RDA) Module 1
Non-Integrated Areas Ratepayers Group Final Argument

We are writing to submit the Final Argument of our clients the Non-Integrated Areas Ratepayers Group (NIARG) in the above-captioned matter.

Yours truly,



Fred J. Weisberg
Barrister & Solicitor
Weisberg Law Corporation
Counsel to NIARG

British Columbia Utilities Commission

**BC Hydro 2015 Rate Design Application
Module 1**

**Non-Integrated Areas Ratepayers Group (NIARG)
Final Argument**

October 11, 2016

Fred J. Weisberg, Barrister & Solicitor
2730 Ailsa Crescent
North Vancouver, BC V7K 2B2

TABLE OF CONTENTS

PART I - INTRODUCTION and OVERVIEW

Introduction	1
Overview of Final Argument	2

PART II – CONTEXT

Legal Regime and Previous Commission Decisions.....	2
Energy LRMC	2
Rate Design Criteria	3
Consultation with Stakeholders	3

PART III – RELIEF SOUGHT BY BC HYDRO

A. BC Hydro Residential Rate Proposals	
RIB Rate – RS 1101/RS 1121.....	3
Residential E-Plus Amendment – RS 1105	4
B. BC Hydro General Service Rate Proposals	
SGS Rate Class – RS 1300/1301/1310/1311 (collectively, RS 13xx).....	5
MGS Rate Class – RS 1500/1501/1510/1511 (collectively, RS 15xx).....	6
LGS Rate Class – RS 1600/1601/1610/1611 (collectively, RS 16xx).....	6
C. BC Hydro Transmission Service Rate Proposals.....	6
D. BC Hydro Electric Tariff Terms and Conditions Proposals	
Standard Charges.....	6
Security Deposits.....	7
Miscellaneous Terms and Conditions Amendments.....	7

PART IV – LOW-INCOME PROPOSALS

A. Need to Address Rising Residential Rates for Low Income Customers.....	7
B. Commission Jurisdiction to Order Programs Targeted at Low Income Ratepayers....	8
C. BCOAPO Proposals	
Essential Services Usage Block.....	9
Crisis Intervention Fund	10
Low Income Customer Terms and Conditions.....	11
Payment Plans.....	12
Late Payment Charges.....	12
Exempting Low Income Customers from Cash Security Deposits.....	13
Waived Reconnection and Account Charges.....	13
Barring Use of External Credit Scores.....	13
Low Income DSM.....	14
BCOAPO Proposals Not Involving Terms and Conditions.....	14
Uncontested and Partially Contested Proposals Advanced by BCOAPO.....	14

PART V – NEXUS TO MODULE 2.....

PART VI – CONCLUSION

PART I: INTRODUCTION and OVERVIEW

Introduction

This is the Final Argument of the Non-Integrated Areas Ratepayers Group (NIARG) in Module 1 of the 2015 RDA.

NIARG is an association of ratepayers located in BC Hydro's Zone 1B and Zone II Non – Integrated Areas, comprising the Heiltsuk Tribal Council in Bella Bella, Shearwater Marine Limited on Denny Island and Gitga'at First Nation in Hartley Bay. By virtue of their location these communities and the ratepayers who reside there do not have the benefit of access to BC Hydro's integrated grid system. The combination of geographic remoteness and reliance on electric generation from local resources or infrastructure not connected to BC Hydro's integrated grid creates a set of challenges and circumstances that significantly differs from those in BC Hydro's Zone 1.

Both the Heiltsuk Tribal Council and Shearwater Marine Limited were very active participants in BC Hydro's prior Rate Design Application in 2007. Phase II and Phase III of that proceeding were added by the Panel at the insistence of the Heiltsuk Tribal Council and Shearwater Marine Limited, who sought redress from the inequity of being required to pay rates based on the cost of diesel generation notwithstanding that virtually all power in BC Hydro's Bella Bella service territory was generated by the legacy hydro facility at Ocean Falls, BC. BC Hydro's current Zone 1B (Bella Bella) was created by the Commission expressly in response to those unique circumstances.¹

NIARG's interests in the BC Hydro 2015 Rate Design Module 1 include recognizing and defending the significant relief sought and obtained by Bella Bella ratepayers in the 2007 RDA, and avoiding any regressive outcomes. In addition, NIARG seeks to ensure that all determinations, orders and directions made by the Commission in Module 1 appear appropriate to apply to Zone 1B and Zone II and expressly provide for any necessary modification that may be indicated by the more extensive Zone 1B and Zone II customer consultation and engagement that will follow Module 1 as well as the subsequent information discovery process in Module 2.

Under cross-examination by counsel to NIARG, Mr. Doyle acknowledged that BC Hydro's proposals with respect to rate structures largely apply only to Zone 1, whereas the terms and conditions apply across the Zones (i.e. also including Zone 1B and Zone II).² That general delineation between what Module 1 elements do or don't apply in Zone 1B and Zone II greatly influenced the nature and extent of NIARG's participation in the Module 1 proceeding and has significantly shaped the contents of this Final Argument.

¹ http://www.bcuc.com/Documents/Proceedings/2007/DOC_17589_12-21_BCH_2007RDA-Decision-Phases_2&3_Final.pdf

² T6, p. 1185, ll. 11- 15.

Due to the relatively small number of customers in Zone 1B and Zone II relative to Zone 1, and perhaps also as a function of the geographic and physical separation from BC Hydro's integrated system, the Non-Integrated Areas may too easily be regarded as an afterthought or the subject of an overlooked footnote. Yet despite the relatively small number of customers, rising electricity rates and related rate design issues are every bit as important to Zone 1B and Zone II customers as they are to Zone 1 customers. The Commission expressly acknowledged the legitimacy and importance of such concerns in its 2007 RDA³ and 2008 RIB Decisions.

NIARG encourages the Commission to keep both Zone 1B and Zone II in mind as it makes its determinations and ensures that its Module 1 Decision provides clear and express guidance as to whether specific Module 1 approvals or directions apply to Zone 1B and/or Zone II or remain subject to further consideration and potential modification in Module 2 and the preceding consultation process. Such express delineation of whether particular matters are fully settled or remain open would greatly assist BC Hydro and interveners to enhance the efficiency of Module 2. For example, the Commission's guidance could assist in the identification of Module 2 issues and refinement of the nature and scope of the preceding consultation process.

Overview of Final Argument

To assist the Commission in reviewing, comparing and considering multiple Final Arguments from various parties, NIARG's Final Argument has been organized to generally follow an outline similar to BC Hydro's Final Argument and BCOAPO's Final Submissions on BCOAPO Proposals to the greatest extent possible.

PART II – CONTEXT

Legal Regime and Past Commission Decisions

NIARG does not take issue with BC Hydro's submissions in its Final Argument regarding the legal regime or past Commission decisions.

Energy LRMC

NIARG notes that the Energy Long Run Marginal Cost (LRMC) derived by BC Hydro for its Zone 1 requires careful consideration before being applied to Zone 1B or Zone II. Any such impacts in respect of Zone 1B or Zone II should be deferred to Module 2, following the appropriate customer consultation and engagement subsequent information discovery process.

For the same reason, consideration of any conservation rates for Zone 1B and Zone II should be deferred to Module 2 to permit the development of an adequate information base in that regard.

³ See also http://www.bcuc.com/Documents/Proceedings/2007/DOC_17004_10-26_BCHydro-Rate-Design-Phase-1-Decision.pdf

Rate Design Criteria

NIARG believes it is appropriate for the Commission to apply the Bonbright principles to its evaluation of the rate design proposals that have arisen in this proceeding.⁴

Consultation with Stakeholders

NIARG participated in BC Hydro's customer workshops preceding the 2015 RDA. NIARG commends BC Hydro on its consultation efforts (recognizing the focus on Zone 1) and the generally cooperative spirit it brought to that process. NIARG recognizes that BC Hydro was required to deal with a broad range of complex issues and detailed proposals, and acknowledges the logic and appropriateness of deferring most Zone 1B and Zone II –specific issues until they can be addressed more fully in Module 2 of the 2015 RDA.

NIARG encourages the Commission, as part its Module 1 Decision, to provide its views on the relative success and appropriateness of the pre-application consultation process. The Commission's observations may assist both BC Hydro and interveners in structuring the contemplated consultation process prior to the filing of the Module 2 application.

PART III – RELIEF SOUGHT BY BC HYDRO

A. BC Hydro Residential Rate Proposals

RIB Rate – RS 1101/RS 1121

Any Commission determinations or directions regarding the Residential Inclining Block (RIB) Rate in the 2015 RDA should expressly acknowledge that the RIB Rate does not apply in Zone 1B (Bella Bella). The RIB exemption in Zone 1B was confirmed by Mr. Doyle in BC Hydro's Panel 1 under cross-examination by counsel to NIARG.⁵ Mr. Doyle also confirmed that Zone II communities are not exempt from the RIB rate, but have rates different than the RIB.⁶

NIARG supports BC Hydro's proposal to maintain the status quo RIB Rate, expressly including the existing RIB Rate exemption in Zone 1B (Bella Bella). The exemption originated in Commission Order G-124-08.⁷

Although NIARG agrees with BC Hydro's assertion that a Commission order is not required to give effect to the continuation of the RIB Rate, or for that matter to the Zone 1B exemption, an express finding in that regard would provide helpful clarity in the lead-up to the subsequent RIB Rate Review.

⁴ BC Hydro Final Argument, PDF 14, para. 25.

⁵ T4; p. 595, l. 11 – p. 596, l. 5.

⁶ T4; p. 596, ll. 6 – 15.

⁷ Commission Order G-124-08, p. 3, para. 2(i)

BC Hydro proposes that the current RIB Rate pricing principles should be continued in F2017 through F2019. In light of BC Hydro observing that Order G-13-14 has expired and Order G-40-16 provides interim approval for RIB pricing principles for F2017 only, NIARG agrees that the Commission should issue an order giving final approval for the RIB Rate pricing principles in F2017 through F2019.⁸

NIARG's support for the *status quo* continuation of the RIB Rate in Zone 1 is premised on the understanding that BC Hydro believes the RIB Rate achieves measurable energy savings and that Zone 1 customers generally find it understandable and effective.

Residential E-Plus Amendment – RS 1105

NIARG understands the Residential E-Plus rate is a non-firm service that permits eligible customers to obtain electricity for heating purposes only subject to an important condition – the requirement to have an alternative fuel back-up heating system.⁹

It is important to note that although Residential E-Plus is a non-firm service, BC Hydro has never interrupted service to those customers under the terms of the E-Plus rate since its introduction in 1987.¹⁰ Any service interruption in the future appears highly unlikely as BC Hydro acknowledges that it is now operationally impractical to do so.¹¹ Thus the originally intended useful function of the Residential E-Plus rate appears to have become a phantom objective.

The original purpose of the E-Plus rate appears clearly outdated. BC Hydro stated that the original purpose was to market surplus energy to BC Hydro customers to avoid spills, yet that ceased to be a compelling rationale once BC Hydro gained access to export markets.¹²

The Residential E-Plus revenue/cost ratio of either 65% or 45% - depending on whether or not generation costs are assigned – is significantly lower than the approximately 93% revenue/cost ratio for the Residential class collectively.¹³ Yet in the absence of any interruption over almost 30 years, the service received by Residential E-Plus and regular Residential customers appears objectively indistinguishable.

BC Hydro's preference (option 3) to amend Residential E-Plus terms and conditions to enable a practical option to interrupt service appears to introduce new challenges. Any actual interruptions in service seem likely to be discouraged or prevented by what BC Hydro describes as "public relations challenges".¹⁴

⁸ BC Hydro Final Argument, PDF 21, para. 42 - 43.

⁹ BC Hydro Final Argument PDF 31, para. 61.

¹⁰ BC Hydro Application, Ex. B-1, p. 5-50.

¹¹ BC Hydro Final Argument, PDF 33, para. 66.

¹² BC Hydro Application, Ex. B-1, PDF 2360.

¹³ T4: p. 724.

¹⁴ BC Hydro Application, Ex. B-1, PDF 2383.

Given the nearly three decades of significant savings already realized by Residential E-Plus customers without any offsetting system benefit (e.g. BC Hydro’s ability to interrupt service as required), the outdated rationale, and the estimated \$3 to \$6 million per year subsidization of Residential E-Plus customers by all other residential customers¹⁵, NIARG submits that phasing out the service is the most appropriate option to balance competing interests.

Eligibility for Residential E-Plus service being conditional upon having an alternative fuel back-up heating system gives rise to other considerations. It provides a helpful illustration of why it is imperative to determine whether concepts that are appropriate in Zone 1 may not be appropriate in Zone 1B or Zone II. In BC, natural gas is widely acknowledged as the most common and economical home heating fuel choice. However, while natural gas distribution is readily available to most customers in Zone 1, it simply isn’t an option available to customers in the remote communities of Zone 1B or Zone II. E-Plus was never an option in the Non-Integrated Areas.

Although the E-Plus rate was originally meant to serve Zone 1 areas where natural gas was not available, it was later marketed more broadly to permit natural gas as an alternate back-up heating source.¹⁶ In the context of the 2015 RDA that background highlights the need to specifically examine whether a proposal appropriate for Zone 1 may require modification in order to be appropriate in the Non-Integrated Areas, or alternatively whether an NIA-specific solution is required.

B. BC Hydro General Service Rate Proposals

SGS Rate Class – RS 1300/1301/1310/1311 (collectively, RS 13xx)

NIARG submits that the existing SGS rate appears superior to any contemplated alternatives, and concurs with BC Hydro’s reasoning for maintaining the existing SGS rate structure of a flat energy rate and a basic charge.

NIARG supports BC Hydro’s proposal to increase the RS 13xx basic charge from approximately 33% to 45% recovery of SGS class customer-related costs in Zone 1.

NIARG submits that there is insufficient evidence on the record in Module 1 to enable the Commission to approve BC Hydro’s SGS rate design proposals on a permanent basis for Zone 1B or Zone II. The need for such changes and the implications of implementing BC Hydro’s current SGS proposals in Zone 1B or Zone II should be considered in Module 2 and the consultation process that precedes it.

¹⁵ BC Hydro Application, Ex. B-1, PDF 2386.

¹⁶ BC Hydro Application, Ex. B-1, PDF 2361.

MGS Rate Class – RS 1500/1501/1510/1511 (collectively, RS 15xx)

NIARG supports BC Hydro’s proposals for MGS rate design for application to Zone 1.

NIARG submits that there is insufficient evidence on the record in Module 1 to enable the Commission to approve BC Hydro’s MGS rate design proposals on a permanent basis for Zone 1B or Zone II. The need for such changes and the implications of implementing BC Hydro’s current MGS proposals in Zone 1B or Zone II should be considered in Module 2 and the consultation process that precedes it.

LGS Rate Class – RS 1600/1601/1610/1611 (collectively, RS 16xx)

NIARG supports BC Hydro’s proposals for LGS rate design for application to Zone 1.

NIARG submits that there is insufficient evidence on the record in Module 1 to enable the Commission to approve BC Hydro’s LGS rate design proposals on a permanent basis for Zone 1B or Zone II. The need for such changes and the implications of implementing BC Hydro’s current LGS proposals in Zone 1B or Zone II should be considered in Module 2 and the consultation process that precedes it.

C. BC Hydro Transmission Service Rate Proposals

NIARG supports BC Hydro’s proposals regarding Transmission service rates.

D. BC Hydro Electric Tariff Terms and Conditions Proposals

Standard Charges

The Standard Charges described proposed in the Application¹⁷ appear cost-based and otherwise appropriate, with the exception of the Late Payment Charge (LPC).

Most LPCs are assessed in circumstances where there is a payment made within approximately six months or less of the due date.¹⁸ As noted by BCSEA-SCBC in its Final Argument, the short-term nature of most late payments that attract an LPC makes BC Hydro’s short term bank interest rate a more appropriate cost measure than its weighted average cost of debt.¹⁹

The reduction from the current LPC of 1.5% per month to the 1.25% per month advocated by BCSEA-SCBC appears to result in a relatively small difference in cost for most customers, it would be more consistent with the principle of standard charges being cost-based rather than punitive.

¹⁷ BC Hydro Application, Ex. B-1, Table 8-1.

¹⁸ T6: 1146, lines 17 - 26.

¹⁹ BCSEA-SCBC Final Argument, p. 48, para. 198 – 201.

Security Deposits

BC Hydro proposes two changes to security deposits:

- a. to allow BC Hydro to charge a new security deposit or increase an existing one if actual consumption significantly exceeds the consumption estimated at the time the account was created; and
- b. to permit greater flexibility in the assessed amount of a security deposit.

NIARG supports the first of those proposed changes because the amount of a security deposit should be reasonably proportional to the risk (i.e. bad debt) that it mitigates.

NIARG supports the second proposed change to security deposits on the express understanding that by reducing the Tariff's current rigidly prescriptive approach, BC Hydro would have greater discretion to increase or decrease the size of a security deposit.

Miscellaneous Terms and Conditions Amendments

BC Hydro's proposed amendments to the wording of specified Terms and Conditions appear reasonable, administrative in nature and likely to improve customer understanding. NIARG supports those changes referenced in BC Hydro's Final Argument at paragraph 172 and found in Exhibit B-1-1 at PDF 216.

BC Hydro also notes two other additional Electric Tariff amendments identified during the course of the Module 1 hearing.

NIARG concurs that the introduction of two in-person customer service desks, and anticipated opening of at least one more, should be reflected in the proposed amendments.²⁰

NIARG supports the proposed amendment of Section 2.10 of the Electric Tariff as it improves clarity that should enable better customer understanding regarding payment for re-application for service.

PART IV – LOW INCOME PROPOSALS

A. Need to Address Rising Residential Rates for Low Income Customers

NIARG is very concerned by the expectation of BC Hydro electricity rate increases of over 30% in the next 8 years, in addition to 51% increase in rates over the past 11 years.²¹ That rate of increase in the cost of an essential service is likely to prove too onerous for some customers, particularly those with low incomes that clearly have not kept pace with past BC Hydro rate increases, nor likely with expected future rate increases.

²⁰ BC Hydro Final Argument, p. 74, para. 174.

²¹ BCOAPO Final Submissions, PDF 11, para. 3.1.

BCOAPO's table comparing BC Hydro rate increases, MSDSI income assistance rate increases and minimum wage increases 2006 through present, and anticipated increases through 2018, provides a useful illustration of the disparity of increases in the cost of electricity and incomes for an identifiable group of BC Hydro customers.²²

The combined impacts of Energy Savings Kits and the Energy Conservation Assistance Program appear useful but inadequate to address rising electricity costs for low income customers.

Other jurisdictions' experience with bill assistance programs to assist low income customers appears instructive, particularly the examples in Ontario and most recently in Manitoba.

The Commission accepted Mr. Klein as an expert regarding the extent and profile of poverty in BC, and the difficulties faced by low income people within the province, including the cost of electricity in their dwellings.²³ Mr. Klein's evidence noted that poverty rates within BC are particularly acute for certain demographic groups, including Indigenous people. NIARG notes that BC Hydro's Non-Integrated Areas contain a significant First Nations population – a fact referenced in the Module 1 Hearing but that should be examined further in Module 2. Accordingly, the low income customer proposals are particularly pertinent for NIARG.

The evidence of all six of BCOAPO's advocate witnesses indicated that had become familiar with bill affordability issues for low income BC Hydro ratepayers because they regularly and directly see clients who are unable to pay their BC Hydro bills.²⁴ Four of BCOAPO's advocate witnesses noted that a significant or disproportionate number of their clients are First Nations.²⁵ Stacey Tyers' evidence noted that customers without gas heating typically have electric heating leading to very high BC Hydro bills which low income people are often unable to pay. Ms. Tyers' evidence further noted that communities in the North are typically darker and colder in the winter than other parts of the province and residents are required to use more light and heat.²⁶ NIARG notes that BC Hydro's Non-Integrated Areas are located further north than all major population centers in BC and lack access to the distribution necessary for natural gas heating.

B. Commission Jurisdiction to Order Programs Targeted at Low Income Ratepayers

NIARG has reviewed BCOAPO's extensive submissions regarding the Commission's jurisdiction to order programs targeted at low income residential ratepayers. NIARG concurs with BCOAPO's helpful discussion of the legal framework, the scope of the Commission's jurisdiction, the application of statutory interpretation principles and relevant case law.²⁷

²² BCOAPO Final Submissions, PDF 12, Table 1.

²³ T5: p. 774, ll. 20 -24 and p. 782, ll. 12 – 19.

²⁴ Ex. C2-12, PDF 302 (P. Edwards), 308 (E. Gauvin), 324 (A. Schwartz), 332 (S. Tyers) and 338 (S. Portman); Ex. C2-14 PDF 3 (K. Simmonds).

²⁵ Ex. C2-12, PDF 302 (P. Edwards), 324 (A. Schwartz), 332 (S. Tyers) and 338 (S. Portman).

²⁶ Ex. C2-12, PDF 333.

²⁷ BCOAPO Final Submissions PDF 30 -52.

NIARG also notes the existence of Canadian precedents for programs to assist low income customers of electric utilities, particularly Ontario and Manitoba.²⁸

C. BCOAPO Proposals

NIARG notes that Roger Colton was accepted as expert witness in low income utility rate and customer service issues, including low income usage, payment patterns, affordability programs, and low income DSM.²⁹

Essential Services Usage Block

BCOAPO states that its proposed Essential Services Usage Block (ESUB) is grounded in a three-part regulatory foundation: “it will improve cost-reflectivity to low income, low-use customers; it will increase the efficiency of BC Hydro operations; and it will improve the affordability of essential electric service to low income customers.”³⁰

Basically, the ESUB will provide an initial block of 400 kWh, priced \$0/04 per kWh below the Step 1 rate, to low income customers to reflect the lower costs imposed on BC Hydro’s system by low use customers.³¹

The 400 kWh block size was chosen because it closely tracks actual use by low-use customers and BC Hydro agrees it represents an appropriate demarcation of a “low use” customer. The \$0.04 per kWh price discount (e.g. an expected bill reduction of \$9 to \$16 per month) is meant to balance meaningful savings for eligible customers while avoiding the creation of an unreasonable burden for ineligible Residential customers.³²

Mr. Colton testified that the ESUB could be reasonably expected to have a cost of about \$13.5 million annually, based on an anticipated 50% take-up rate. On those assumptions, the cost per kWh spread across the entire residential class would be \$0.00077 per kWh resulting in a bill impact of less than \$0.50 per month for non-participating residential customers.³³

Mr. Colton expects ongoing annual administrative costs would add bill impacts of about \$0.23 per year and the approximately \$1.5 million in “start-up” costs would impose no incremental burden on ratepayers.³⁴

To provide some perspective on the costs, BCOAPO observes that the combined costs of Province-ordered subsidies to BC’s pulp and paper and mining industries potentially totals about

²⁸ BCOAPO Final Submissions PDF 53 -54.

²⁹ T7: p. 1226, ll. 12 – 26 to p. 1227, ll. 1 -11.

³⁰ BCOAPO Final Submissions, PDF 55.

³¹ BCOAPO Final Submissions, PDF 55.

³² BCOAPO Final Submissions, PDF 55, section 6.1.1.

³³ BCOAPO Final Submissions, PDF 56, section 6.1.2.

³⁴ BCOAPO Final Submissions, PDF 57.

\$430 million – or 16 times the cost for the proposed ESUB for one year assuming a 100% take up rate.³⁵

BCOAPO's first regulatory justification for ESUB is improving the cost-reflectivity of rates. BCOAPO's Final Submissions lay out the rationale and evidence supporting the view that ESUB would avoid charging the highest rates to the customers imposing the lowest costs, and result in rates to low use customers that better reflect their lower costs.³⁶ In that regard NIARG finds the BCOAPO's logic persuasive.

BCOAPO's second regulatory justification for ESUB is improving the efficiency of BC Hydro's collections. Although BC Hydro asserts that the Bonbright "efficiency criterion" applies only to procurement of energy and capacity resources, NIARG agrees with BCOAPO that efficiency of operations should be extended more broadly. NIARG finds Mr. Colton's evidence regarding the 77 reports³⁷ documenting the proposition that reducing bills to low-income customers results in improved revenue collection³⁸ more persuasive than BC Hydro's rebuttal that it has "no evidence to suggest" costs would be materially reduced by intruding the ESUB.³⁹ NIARG expects that ESUB would result in some collections efficiencies that would reduce costs, but finds this regulatory justification weaker than the other two because the cost savings don't appear to be readily quantifiable.

BCOAPO's third regulatory justification for ESUB is improving the affordability of BC Hydro's rates. NIARG submits that justification must be considered in the context of Mr. Klein's testimony:

"...energy poverty is understood as "a situation where a household's quality of life is compromised by the high cost of energy needed for heating, hot water, lighting and appliances."⁴⁰

The University of Victoria's Environmental Law Centre 2007 update of the Ministry of Energy, Mines and Resources' 2005 report estimated between 297,000 (17%) and 349,000 (20%) BC households were living in energy poverty.⁴¹

NIARG finds Mr. Colton's ESUB evidence persuasive, and considers the improved affordability of BC Hydro rates to be the most compelling justification – enhanced by improved cost reflectivity and improved collections efficiency. Bearing in mind Michael Hennessey's caution that the goal of perfect policies is one of the greatest enemies of the achievement of good

³⁵ BCOAPO Final Submissions, PDF 58, section 6.1.2.3.

³⁶ BCOAPO Final Submissions, PDF 58 - 62.

³⁷ T7: p. 1388, l. 13; 1390, l. 9.

³⁸ Ex. C2-12, Direct Testimony of Roger Colton, PDF 23.

³⁹ Ex. B-31, BC Hydro Rebuttal Evidence, p 6.

⁴⁰ Ex. C2-12, Direct Testimony of Seth Klein, PDF 284.

⁴¹ Ex. C2-12, Direct Testimony of Seth Klein, PDF 285.

policies⁴², NIARG submits that ESUB will help to make electricity rates more affordable for BC Hydro's poorest customers without imposing an unreasonable burden on ineligible Residential ratepayers. Accordingly, NIARG supports Commission approval of the proposed ESUB.

Crisis Intervention Fund

BCOAPO also proposes introducing an addition to the fixed monthly customer charge directed to a Crisis Intervention Fund to provide funds when a low income customer faces circumstances that threatens a customer's ability to continue to take electric service.

BCOAPO envisions either an independent third party (i.e. other than BC Hydro) or a network of community-based organizations and local/provincial government agencies would carry out the outreach, intake and grant-making functions.

BCOAPO proposes all customer classes would pay a \$0.25 per month charge for the Crisis Intervention Fund, which is estimated to collect \$5.4 million per year.

NIARG finds Mr. Colton's rationale of improved cost reflectivity less persuasive in this context. While NIARG believes providing crisis assistance is a laudable objective, the proposal appears to require additional development and clarification of its structure (e.g. identification of the administering party/parties), transparency (e.g. contract with BC Hydro, grant criteria, administration costs, etc.), and an indication of the timeframe within which a claim could be received and processed.

Low Income Customer Terms and Conditions

BCOAPO intends its proposed low income customer Terms and Conditions to balance the obligation of all BC Hydro customers to pay their electricity bills with the fact that some customers find that difficult or impossible to do. The stated purpose of BCOAPO's proposed Terms and Conditions is to improve the cost-effective collection of BC Hydro bills to its low income customers.⁴³

The evidence established several basic notions. Customers' inability to pay their electricity bills obviously causes customer to have payment problems, but also results in the utility having collection problems. Customers' inability to pay also renders expenditures on notices or customer contacts unproductive, and credit or collection responses that increase a customer's bill ineffective. Those approaches will not enable a customer to pay money that they simply don't have.

⁴² Exhibit C2-18, BCOAPO's response to BCSEA 4.2. Page 85 of the report cited at that IR cites Cleveland State University (1980), Lifeline Electric Rates and Alternative Approaches to the Problems of Low-Income Ratepayers: Ten Case Studies of Implemented Programs, at p. 253, National Technical Information Center: Washington D.C.

⁴³ BCOAPO Final Submissions, PDF 75, section 6.3.

Payment Plans

BCOAPO proposes making payment plans for low income customers more affordable and thus more effective through three steps:

- a. Capping the down payment at no more than 10% of arrears;
- b. Ensuring the term is 12 months or more;
- c. Alternatively to setting a minimum term, requiring arrearage payments to not exceed an average monthly bill.⁴⁴

NIARG finds BCOAPO's payment plan rationale and evidence persuasive and supports Commission approval in that regard.

Late Payment Charges

BCOAPO makes three proposals for modifications to BC Hydro's late payment charges.

First, BCOAPO proposes exempting low income customers from late payment charges. NIARG concurs with BCOAPO's reasoning on this point. The "costs" attributed by BC Hydro to late payment charges appear overstated and neither the service for which the charge applies nor the costs associated with that service appear to be "clearly identifiable". NIARG submits that for low income customers already unable to pay their utility bills, increasing the amount with a late payment charge is counterproductive and ineffective. NIARG supports Commission approval of the proposed waiver of late payment charges for low income customers.

Second, BCOAPO proposes imposing late payment charges only on account balance that are at least 60 days overdue, regardless of customer income. Based on BC Hydro's own data, NIARG is persuaded that BC Hydro's current practice doesn't adequately the revenue generated with the costs incurred to ensure that the customers paying the late payment charge are the same customers causing the associated costs. BCOAPO also describes a timing issue in which late payment charges are applied before the activities giving rise to the costs purportedly recovered have even begun. Accordingly, NIARG supports Commission approval of a delay in applying late payment charges until Day 60.

Third, BCOAPO proposes that the late payment charges be set equal to the short-term cost of debt. NIARG understands BC Hydro to have acknowledged that change would be appropriate⁴⁵ and supports Commission approval for a reduction of late payment charges to 1.25% to reflect BC Hydro's short-term cost of debt.

⁴⁴ BCOAPO Final Submissions, PDF 77.

⁴⁵ T6, p.1146, ll. 17- 25.

Exempting Low Income Customers from Cash Security Deposits

NIARG commends BC Hydro on its efforts to work with MSDSI to avoid security deposits and if necessary postpone disconnections for customers who have applied to MSDSI for support. BCOAPO proposes exempting low income customers from posting cash security deposits and that BC Hydro accept specified alternative forms of deposits. NIARG is persuaded by the evidence led by BCOAPO that the burden of cash security deposits for low income customers outweighs the uncertain risk of revenue loss, and that cash security deposits may be counter-productive to the collection of bills from customers facing affordability problems.

NIARG supports Commission approval for exempting low income customers from cash security deposits.

NIARG also commends BC Hydro for its willingness to bring forward tariff changes to permit one customer to be a surety for another customer.⁴⁶ However, NIARG finds virtue in BCOAPO's two proposed modifications: permitting a surety other than a BC Hydro customer (e.g. government agency, private organization, church, etc.) seems practical and helpful, and requiring a surety to guarantee only to the limits of the avoided cash security deposit (i.e. rather than the complete bill as BC Hydro proposes).

NIARG supports Commission approval for BC Hydro's proposed tariff changes regarding sureties, with the two changes proposed by BCOAPO.

Waived Reconnection and Account Charges

BCOAPO explains how the account charge and reconnection charge can worsen rather than improve a low income customer's ability to pay.⁴⁷ The current approach of triggering a cycle of increasingly punitive and costly collection steps for customers without the *ability* to pay (as opposed to a *willingness* to pay) appears misguided and futile. NIARG is persuaded that waiving the account charge and reconnection charge for low income customers would be a helpful step toward assisting such customers to pay for the electric service they receive rather than for additional charges.

NIARG supports Commission approval of a waiver of account charges and reconnection charges for low income customers.

Barring Use of External Credit Scores

NIARG agrees with BCOAPO's reasoning for seeking to prohibit BC Hydro from imposing cash security deposits based on external credit scores, unless such a rating is determined exclusively from the applicant's prior utility payment history. BCOAPO details the transparency issues that

⁴⁶ T3; p. 483, ll. 6 – 20.

⁴⁷ BCOAPO Final Submissions, PDF 94 – 96.

may prevent BC Hydro or the applicant customer from understanding the reason(s) for a “fail” determination or identifying and rectifying any mistakes that may underlie the determination.⁴⁸

Low Income DSM

NIARG supports Commission directions that may encourage BC Hydro to expand its low income Demand Side Management (DSM) initiatives for low income customers beyond the current offerings of the Energy Savings Kits (ESK) and Energy Conservation Assistance Program (ECAP). Evidence regarding very limited uptake of ECAP in First Nations communities in Zone 1B and Zone II⁴⁹ suggests that DSM in the Non-Integrated Areas is not well understood and will need to be explored in the Module 2 proceeding and the consultation process preceding it.

BCOAPO Proposals Not Involving Terms and Conditions

BCOAPO also put forward a number of proposals intended to improve service to low income customers, but do not require Commission orders.

NIARG finds value in the proposal to have BC Hydro conduct a customer segmentation analysis of nonpayment patterns. If carried out in consultation with residential and low income stakeholders, including Zone 1B and Zone II, such a study may be helpful in identifying, implementing and assessing effective strategies for dealing with nonpayment.

NIARG encourages BC Hydro begin to track and report basic consumer credit and collection activities and outcomes, as suggested by Mr. Colton.⁵⁰ Such data would be useful to evaluate the performance of any low income customer proposals approved or encouraged by the Commission, as well as informing future consideration of any proposals not approved or encouraged by the Commission.

NIARG believes there is merit in BCOAPO’s proposal to have BC Hydro create a dedicated Low Income Customer Assistance Unit (CAU). If a CAU is developed, the initiative should include full consultation with Zone 1B and Zone II to ensure the inclusion of Non-Integrated Areas concerns and a practical strategy for providing CAU assistance in remote communities.

Uncontested and Partially Contested Proposals Advanced by BCOAPO

NIARG urges the Commission to approve establishment of a Low Income Advisory Group. The extensive proposals made by BCOAPO in respect of low income customers, regardless of which proposals may be approved or encouraged by the Commission, are a strong indication of a need to explore solutions well informed by customer experience and concerns. In the course of cross-examination of BC Hydro Panel 1 by counsel to NIARG, Mr. Anderson stated that BC Hydro

⁴⁸ BCOAPO Final Submissions, PDF 96 – 99.

⁴⁹ Ex. B-44, BC Hydro Undertaking No. 8; Ex. B-5, BCOAPO 1.135.8; Ex. B-23 Zone II 2.26.3.

⁵⁰ Ex. C2-12, Direct Testimony of Roger Colton, PDF 154-155.

would expect and have no problem with Zone 1B and Zone II representation in a low income advisory group.⁵¹

NIARG commends BC Hydro for its willingness to bring forward a “pilot project” winter shutoff moratorium for the 2016/2017 winter. Mr. Anderson acknowledged that winter shutoff of service in the Non-Integrated Areas of Zone 1B or Zone II, in a rural setting without capabilities for fuel switching or other sources, customers would potentially face greater hardship than in other areas.⁵² NIARG welcomes and appreciates winter shutoff pilot program and looks forward to working with BC Hydro and stakeholders to make it a success.

NIARG encourages BC Hydro to continue to develop an appropriate process for delaying disconnections in cases where customers establish a medical reason for requiring power, and to accommodate BCOAPO’s concerns regarding the need to broaden it beyond only medical emergencies and to allow adequate time for administrative processes (e.g. seeking and applying for assistance) to be completed.

PART V – NEXUS TO MODULE 2

As consistently observed by counsel to NIARG throughout this proceeding, and noted in the Introduction section above, there is a clear nexus between the Commission’s orders and determinations in Module 1 and the issues to be examined in Module 2. NIARG is mindful of Mr. Doyle’s assurance that:

“With respect to the terms and conditions, I believe we've committed to, if it arises through the engagement process that there's a good reason to look at some differentiated terms for the Zone 1B in Zone II customers, we would do so.”⁵³

PART VI – CONCLUSION

For the reasons set out above, NIARG requests the Commission to make determinations consistent with the following submissions:

Regarding the RIB rate, expressly confirm that Zone 1B remains exempt from the RIB rate and that Zone II does not have the RIB rate. For Zone 1, NIARG has no objection to retaining the status quo RIB rate and believes it would be appropriate to issue an order giving final approval for the RIB Rate pricing principles in F2017 through F2019.

Regarding Residential E-Plus, the service appears to have outlasted its intended function and should be phased out.

⁵¹ T4: p. 608, l. 19 – p. 609, l. 1.

⁵² T4: p. 610, ll. 3 – 10.

⁵³ T6: p. 1185, l. 22 – p. 1186, l. 2.

Regarding SGS, MGS and LGS, NIARG has no objection to Commission approval of the BC Hydro's proposals in respect of Zone 1. However, SGS, MGS or LGS rate design applicable to Zone 1B or Zone II should be determined in Module 2, or alternatively subject to modification if determined in Module 1.

Regarding BC Hydro' proposed Terms and Conditions, NIARG supports:

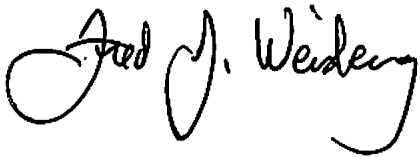
- reduction of Late Payment Charges to 1.25% to reflect short-term borrowing costs;
- BC Hydro's two proposals regarding security deposits; and
- BC Hydro's miscellaneous Terms and Conditions amendments identified in the Application, and the two identified in the hearing.

Regarding BCOAPO's low income customer proposals:

- NIARG submits rising electricity rates are no longer just and reasonable to the extent that residential electricity is unaffordable for a significant number of low income customers;
- The Commission has the requisite jurisdiction to direct BC Hydro to implement the ESUB;
- BCOAPO's low income customer terms and conditions are reasonable and should be approved;
- BCOAPO proposals not involving terms and conditions, and its uncontested and partially contested proposals, are worthwhile and appropriate and should be encouraged.

All of which is respectfully submitted.

October 11, 2016



Fred J. Weisberg
Barrister & Solicitor
Weisberg Law Corporation
Counsel to Non-Integrated Areas Ratepayers Group