

20 May 2020

**VIA E-FILING**

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



Reply to: Leigha Worth  
ED@bcpiac.org  
Ph: 604-687-3034  
Our File: 7300.610

Dear Mr. Wruck,

**Re: FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC) - COVID-19 Customer Recovery Fund Deferral Account Application dated April 3, 2020  
BCOAPO Final Argument**

We represent the BC Old Age Pensioners' Organization, Active Support Against Poverty, Council of Senior Citizens' Organizations of BC, Disability Alliance BC, and Tenant Resource and Advisory Centre, known collectively in BC Hydro regulatory processes as "BCOAPO et al." ("BCOAPO").

Enclosed please find the BCOAPO's Final Argument with respect to the above-noted matter.

If you have any questions, please do not hesitate to contact the undersigned.

Sincerely,

**BC PUBLIC INTEREST ADVOCACY CENTRE**

*Original on file signed by:*

Leigha Worth  
Executive Director | General Counsel

Encl.

**BC OLD AGE PENSIONERS' ORGANIZATION, ACTIVE SUPPORT AGAINST  
POVERTY, COUNCIL OF SENIOR CITIZENS' ORGANIZATIONS OF BC,  
DISABILITY ALLIANCE BC, AND TENANT RESOURCE AND ADVISORY CENTRE  
("BCOAPO")**

**FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC) - COVID-19  
Customer Recovery Fund Deferral Account Application  
BCOAPO Final Argument**

**May 20, 2020**

---

**Table of Contents**

<b>Introduction</b> .....	2
<b>Approvals Requested by FortisBC</b> .....	2
<b>Payment Deferral Program</b> .....	3
<i>Need for Approval/Rationale</i> .....	5
<i>Eligible Customer Classes / Eligibility Criteria</i> .....	6
<i>Deferral Period</i> .....	7
<i>Repayment Period</i> .....	8
<i>Application Process</i> .....	9
<b>Bill Credit Program</b> .....	10
<i>Need for Approval/Rationale</i> .....	10
<i>Restriction to Small Commercial Customers</i> .....	12
<i>Confirmation of Eligibility</i> .....	13
<i>Bill Credit Period</i> .....	14
<i>Application Process</i> .....	15
<b>COVID-19 Customer Recovery Fund Deferral Accounts</b> .....	16
<i>Rationale for Establishing the Deferral Accounts</i> .....	16
<i>Amounts to be Recorded</i> .....	17
<i>Potential Double Counting</i> .....	19
<i>Rate Base Treatment</i> .....	20
<i>Reporting</i> .....	21
<i>Future Repayment</i> .....	21
<b>Conclusion</b> .....	21

## **Introduction**

On April 3, 2020, FortisBC filed an application with the British Columbia Utilities Commission (BCUC) for approval of the following for each of FBC and FEI<sup>1</sup>:

- The discretion to offer a three-month bill payment deferral starting April 1, 2020 to residential and small commercial customers who have been directly impacted financially as a result of the COVID-19 pandemic.
- The discretion to offer bill relief in the form of bill credits for three months, from April 1, 2020 through to July 1, 2020, to small commercial customers that have been ordered to temporarily close their businesses to comply with public health orders due to the COVID-19 pandemic.
- A COVID-19 Customer Recovery Fund deferral account to record and track separately by rate schedule (1) any unrecovered revenue resulting from customers being unable to pay their bills due to the COVID-19 pandemic, (2) any bill payment deferrals provided to customers due to the COVID-19 pandemic and subsequent payments of those deferred amounts; and (3) any bill credits provided to customers due to the COVID-19 pandemic.

By Orders G-80-20, G-81-20 and G-97-20, the BCUC granted interim approvals for FBC and FEI and established a public hearing process for review of the Application. This process involved one round of information requests followed by written submissions. Set out below are BCOAPO's submissions regarding the FBC and FEI application.

## **Approvals Requested by FortisBC**

Pursuant to sections 59 to 61 and 91 of the *Utilities Commission Act* the following specific approvals are sought for each of FBC and FEI<sup>2</sup>:

(i) The discretion to offer a three-month bill payment deferral to residential customers, and to small commercial customers served under FEI Rate Schedules 2, 2B, 2U and 2X, and FBC Rate Schedules 20 and certain Rate Schedule 22 customers that meet the Rate Schedule 20 size restrictions who have been directly impacted financially as a result of the COVID-19 pandemic;

(ii) The discretion to offer bill relief in the form of bill credits for three months, starting April 1, 2020 through to July 1, 2020, to small commercial customers served under FEI Rate Schedules 2, 2B, 2U and 2X and FBC Rate Schedule 20 that have been ordered to

---

<sup>1</sup> Exhibit B-1, page 1

<sup>2</sup> Exhibit B-1, Appendix A

temporarily close their businesses to comply with public health orders due to the COVID-19 pandemic; and

(iii) Establishment of a rate base deferral account for the COVID-19 Customer Recovery Fund to record (a) any unrecovered revenue resulting from customers being unable to pay their bills due to the COVID-19 pandemic, which will be tracked separately by rate schedule, (b) any bill payment deferrals provided to customers due the COVID-19 pandemic and subsequent payments of those deferred amounts; and (c) any bill credits provided to customers due to the COVID-19 pandemic.

## **Submissions**

### **Payment Deferral Program**

The proposal is to offer a three-month deferral of energy bill payments starting April 1, 2020 for residential customers<sup>3</sup> and small business customers<sup>4</sup> who are unable to pay their energy bills due to impacts from the COVID-19 pandemic. During this period, payments would be deferred without penalty, fees, interest charges, or threat of disconnection<sup>5</sup>.

It would be available to<sup>6</sup>:

- Residential customers who are unable to pay their energy bills because they have been directly impacted financially as a result of the COVID-19 pandemic for reasons such as being unable to work, having lost their job, or having been temporarily laid off.
- Small commercial customers who are still operating, but have experienced an impact to their business, such as a reduction in revenue, operating hours, or have had to undergo restructuring of their operations to comply with public health orders.

Residential and small commercial customers who apply and qualify for the three-month bill deferral will also enter into repayment arrangements for their deferred balance to be paid over the twelve months following the deferral period, commencing July 1, 2020<sup>7</sup>.

---

<sup>3</sup> Applicable to customers in Rate Schedules 1, 1B, 1U and 1X for FEI and Rate Schedules 1, 2A and 3A for FBC.

<sup>4</sup> Applicable to Small Commercial Service customers, Rate Schedule 2, 2B, 2U and 2X for FEI and Rate Schedule 20 and certain Rate Schedule 22 customers for FBC that meet the Rate Schedule 20 size restriction.

<sup>5</sup> Exhibit B-1, page 2

<sup>6</sup> Exhibit B-1, page 2

<sup>7</sup> Exhibit B-1, page 2

BCOAPO et al. is compelled to, at this point, note that some of the Fortis Utilities' proposals are to

1. *defer* for a three month period bill payments for residential ratepayers and small businesses in economic distress due to the impacts of the COVID-19 pandemic and for the bad debt that may also arise; and
2. *forgive*, at their discretion, the power bills of *small businesses only* for that same three month period.

The Application was not crafted to accommodate the reality we are now beginning to hear more and more often in the media. The fact of the matter is, COVID-19 is a truly novel virus – easily communicable and with far greater systemic effects on the long term health outcomes of those who contract it than originally thought, making it potentially far more dangerous than even the Spanish Flu, despite the significant improvements in medical sciences since 1918. As a result of the danger this virus poses, and the time that will elapse between now and when even the most optimistic experts are saying we might have a vaccine -12 to 18 months from when research began – it is, in our submission, unrealistic to set a firm three month end date for any bill relief measures. British Columbians are not likely to resume business as usual across the board for quite some time to come because we are not a society willing to throw the lives and health of our people to the wolves to feed the economic ambitions of the one percent.

A second concern BCOAPO wishes to flag is the fact that the Utilities have opted to offer only some small businesses the option of seeking bill forgiveness. In response to IR's posed by counsel for BCOAPO, the Utilities relied upon on a representation that FEI and FBC lack the financial wherewithal to support customers over the short term<sup>8</sup> the way that the Ontario and British Columbian governments have mandated for their larger electrical utilities during this crisis. However, Fortis has failed to cost even its own more modest proposals, let alone one that includes bill credits for residential customers with a demonstrable need so its assertions that such a relief measure would not work is less than persuasive: more opinion than fact.

On page 4 of the Fortis Utilities' Final Submission, it says, "FortisBC's proposed approach provides relief to affected customers in all rate classes, with a delivery approach tailored to the volume and needs of customers in each rate class."<sup>9</sup> While it is true that residential customers do tend to use less energy than the other rate classes, we do not agree that its choice to offer

---

<sup>8</sup> Exhibit B-3, BCOAPO 2.1.1, 2.1.2, 2.2.1 & 2.2.2

<sup>9</sup> FortisBC Final Submission, page 4, paragraph 9

preferential relief to small businesses is defensible on that basis: there is no equivalency between the volume of energy use and the effects of the COVID-19 pandemic on the individual ratepayers within each class. The quantum of negative impacts is entirely rooted in each household's or small business' circumstances. To be clear: BCOAPO does not suggest that small businesses forced to close temporarily should not be offered bill forgiveness, but rather questions why the utility has failed to offer it to residential customers as well – it flies in the face of the Utilities' assertion that their relief package “offers consistent support across the relatively large group of residential and small commercial customers<sup>10</sup> and goes to the heart of whether this approach is truly just and reasonable. That the Utilities chose not to offer any preliminary forecast costing of this option is troubling, to say the least, especially after stating it had considered those relief measures.

#### *Need for Approval/Rationale*

FortisBC notes that for bill payment deferrals tariff amendments are not required for either FEI or FBC as their General Terms and Conditions provide the Companies with the flexibility to implement bill payment deferral on a case-by-case basis. Thus, while no tariff amendments are required to implement the bill deferment program, given the circumstances of the COVID-19 pandemic, in FortisBC's view, by formalizing this program, FortisBC is making it available more broadly to customers who need help at this critical time and allows FortisBC to communicate and make customers aware of this assistance if they need it<sup>11</sup>.

Given the number of customers that are likely to need bill deferment<sup>12</sup>, BCOAPO agrees that it is useful for the “plan” to be formalized and reviewed by the BCUC so it, as our regulator, can ensure it is designed in a fair and legally defensible manner and will be applied on standard and equivalent basis to all eligible customers.

The draft orders provided by FortisBC provide the Companies the “discretion to offer a three-month bill payment deferral to residential customers, and small commercial customers”<sup>13</sup>. BCOAPO is concerned that the wording of the approval would allow FortisBC's employees the discretion to deny payment deferral to a residential or small commercial customer even though they meet the prescribed eligibility criteria. In BCOAPO's view this would be inconsistent with the overall rationale for seeking approval of the program. If there are legitimate reasons why the

---

<sup>10</sup> FortisBC Final Submission, page 7, paragraph 12

<sup>11</sup> Exhibit B-2, BCUC 1.4

<sup>12</sup> Exhibit B-5, MoveUP 1.2 - As at May 8, 2020, FortisBC received 14,630 applications for the COVID-19 Customer Recovery Fund (includes both bill deferral and bill credit applications),

<sup>13</sup> Exhibit B-1, Appendix A

program would be denied to certain residential and small commercial customers “who have been directly impacted financially as a result of the COVID-19 pandemic”, then these should be spelled out as a part of their application seeking the program’s approval and available to those who will eventually seek to avail themselves of this relief. Without that, it is far from transparent and there is too much uncertainty to avoid possible allegations of unfair bias according one ratepayer a better outcome than another who is similarly situated.

It is BCOAPO’s submission that there should be no discretion granted to FortisBC in making the program available to qualifying customers: the criteria should be clearly spelled out now and when customers apply and if those criteria are met, then the customer should be granted the relief sought.

#### *Eligible Customer Classes / Eligibility Criteria*

FortisBC notes that while the approval requested is with respect to a bill deferment program for residential and small commercial customers, industrial, large commercial and transportation accounts are reviewed individually, and payment arrangements are made on a case-by-case basis<sup>14</sup>.

BCOAPO considers this approach to be reasonable. The large number of potential applications from residential and small commercial customers precludes dealing with them on an individual basis and supports the need for a standard and more formalized program if customer needs are to be met in timely fashion. On the other hand, the smaller number of industrial, large commercial and transportation customers means that their needs can be addressed directly on a one-on-one basis.

There are two eligibility criteria for the bill deferral program: i) the customer has experienced a loss of revenue/income due to the COVID-19 pandemic, affecting their ability to pay their FortisBC bill, and ii) the customer agrees to enter into a repayment plan of the deferred bill balance commencing July 1, 2020. The eligibility criteria are the same for both FEI and FBC customers.

In BCOAPO’s view the first criterion is reasonable. Indeed, BCOAPO would encourage the Companies to adopt the principle on a wider basis and, after the current pandemic circumstances have passed, continue (under the provisions of their respective General Terms and Conditions) to offer bill relief measures to customers experiencing other circumstances that temporarily impact

---

<sup>14</sup> Exhibit B-3, BCOAPO 1.3

their ability to pay their FortisBC bill in the form of deferral or a crisis grant, like that offered by BC Hydro.

With respect to the second criterion, in response to information requests<sup>15</sup> FortisBC has noted that “it expects the COVID-19 pandemic situation will continue to evolve” and that:

“As a result, FortisBC will continue to work with its customers and monitor the impacts of the pandemic. If FortisBC believes a change or extension to relief measures is necessary, it will apply to the BCUC.”

Given this uncertainty, we cannot help but to think, for the purposes of allowing the utilities to respond more quickly to what is likely to be a long-term, sine wave pattern of rising and abating infections and to minimize the regulatory costs associated with those ongoing actions, the approval granted to FortisBC should be more flexible rather than specifying, as it does now, that repayments will start July 1, 2020. This issue discussed further in the following sections.

#### *Deferral Period*

The approvals requested specifically reference a three-month bill payment deferral<sup>16</sup>. However, as just noted, FortisBC has acknowledged that an extension could be required/requested depending upon how the COVID-19 pandemic evolves.

A question arises: should there be any future need to extend the payment deferral period, is that something that should be left solely to the discretion of FortisBC (i.e., the need considered only in response to an “application” by FortisBC). The Utilities will, of course, decide on a preferred course of action but, in BCOAPO’s submission, it would be more appropriate for the Commission to seek input/submissions from all interested parties regarding the need for any such extension, prior to the end of the current three-month period and to proceed with its own determinations taking into account any evidence on the record.

It is BCOAPO’s view that a standardized “deferred payment program” will need to continue at least until the number of residential and small commercial customers seeking to defer payments is reduced to a level that would be manageable using the one-on-one approach applied by FortisBC under normal circumstances.

---

<sup>15</sup> Exhibit B-3, BCOAPO 5.1. See also, Exhibit B-5, MoveUP 1.1

<sup>16</sup> Exhibit B-1, Appendix A

### *Repayment Period*

FortisBC is proposing a 12-month repayment period, to start the month after the payment deferral period ends. While the payment repayment period and start date are not part of the requested approval, customers are required to accept them as part of the Application process<sup>17</sup>. However, FortisBC's on-line application form<sup>18</sup> also includes the following disclaimer:

"Depending on how the COVID-19 outbreak situation progresses and the duration of public health orders and measures in place, adjustments to the repayment period may be made"

With respect to the 12-month repayment period, FortisBC has also stated in its interrogatory responses:

"Initially, the repayment arrangements would be set for a twelve-month period; however, individual customers can contact FortisBC to discuss their individual circumstances and FortisBC will determine whether lengthier repayment arrangements are reasonable"<sup>19</sup>.

A similar message is found on FortisBC's COVID-19 Customer Recovery Fund webpage under the FAQ section<sup>20</sup>:

*Does the repayment period have to be a year?*

*No, we'll work with customers individually to determine what repayment period meets their needs. If a shorter or longer timeframe is desired or required, our customer service team will work with customers to meet their unique circumstances.*

FortisBC has also indicated that if customers fail to meet the 12-month repayment plan, then:

"Depending on the state of the economic recovery post COVID-19 pandemic, FortisBC's would work with customers on a case-by-case basis given their individual circumstances and enter into different payment arrangements or, if appropriate, FortisBC would institute its regular collections process."<sup>21</sup>

---

<sup>17</sup> <https://webforms.fortisbc.com/forms/view.php?id=1228330>

<sup>18</sup> <https://webforms.fortisbc.com/forms/view.php?id=1228330>

<sup>19</sup> Exhibit B-2, BCUC 2.3

<sup>20</sup> <https://www.fortisbc.com/about-us/supporting-british-columbia-during-the-covid-19-outbreak/covid-19-customer-recovery-fund>

<sup>21</sup> Exhibit B-2, BCUC 2.1. See also Exhibit B-6, Shadrack 3.

Given the uncertainty regarding how the COVID-19 circumstances will evolve in the future and the fact that the impacts on individual residential and commercial customers could vary widely depending upon their specific circumstances (e.g. occupation, personnel situation, type of business, etc.), it is important that i) customers are aware of FortisBC's willingness to be flexible in terms of the repayment schedule where circumstances warrant and ii) customers be advised that should different repayment arrangements be required, they should contact FortisBC as soon as practical. BCOAPO acknowledges that this information is already included on FortisBC's website but these are unprecedented situations where many who have never fallen behind on their bills before are doing so now and they may not appreciate there are resources available to them in their continuing hour of need. As a result, it is BCOAPO's submission that, as part of its approval of the deferred payment program, the BCUC should direct FortisBC to directly communicate both of these points to all participating customers via not only its website but bill inserts in multiple languages.

#### *Application Process*

The application process involves the customer completing an application form either on-line or over the phone with a FortisBC customer service representative. In its Application<sup>22</sup>, information request responses<sup>23</sup> and on its website<sup>24</sup>, FortisBC has indicated that, to be eligible, residential customers must acknowledge loss of employment, livelihood or being forced to take a voluntary leave due to the COVID-19 outbreak while commercial customers must acknowledge a loss of revenue due to the COVID-19 pandemic. Also, all applying customers must agree to enter a payment arrangement for their deferred balance.

Following verification of the information provided, applications are coded into an automated system which both defers the payment balances and enters the customer into a twelve-month repayment arrangement<sup>25</sup>. FortisBC has indicated that it does not intend to collect private customer information, nor does it intend to audit applications for the deferment program<sup>26</sup>. As a result, FortisBC is largely relying on the honesty and integrity of each customer applying for bill

---

<sup>22</sup> Exhibit B-1, page 2

<sup>23</sup> Exhibit B-2, BCUC 1.2 and Exhibit B-4, CEC 3.2

<sup>24</sup> <https://www.fortisbc.com/about-us/supporting-british-columbia-during-the-covid-19-outbreak/covid-19-customer-recovery-fund>

<sup>25</sup> Exhibit B-4, CEC 2.2 and 3.1

<sup>26</sup> Exhibit B-2, BCUC 1.5

deferment<sup>27</sup>. This automation allows the processing of the applications to be managed by existing staffing levels.

BCOAPO agrees with this approach. Collecting private information would increase the administrative efforts required to support the deferment program and as would any auditing of the applications. It would also delay the provision of relief to customers, particularly in view of the number of applications that could be received<sup>28</sup>. However, should the BCUC order the Fortis Utilities to return with a plan for bill credits, lower rates, or similar forms of relief, BCOAPO acknowledges that a greater degree of utility vigilance would be required and that could be dealt with at the time such relief is considered.

Furthermore, in case of the Payment Deferral Program, after the fact review of consumption levels during the deferral period would not be a useful measure of need or eligibility. Indeed, residential consumption may increase if the account holders are required to self-isolate at home and commercial businesses, while impacted, may still be operating at a similar or somewhat reduced level.

### **Bill Credit Program**

The proposal is to offer bill relief in the form of bill credits for three months, from April 1, 2020 through to July 1, 2020, to small commercial customers served under specified Rate Schedules that have been ordered to temporarily close their businesses to comply with public health orders due to the COVID-19 pandemic<sup>29</sup>.

#### *Need for Approval/Rationale*

In the case of the bill credits, approval is required from the BCUC as section 63 of the *UCA* states: “A public utility must not, without the consent of the commission, directly or indirectly, in any way charge, demand, collect or receive from any person for a regulated service provided by it, or to be provided by it, compensation that is greater than, less than or other than that specified in the subsisting schedules of the utility applicable to that service and filed under this Act.”<sup>30</sup>

In the Application<sup>31</sup> FortisBC indicates that the proposal is designed around the principles put forward by FortisBC and the British Columbia Hydro and Power Authority in the Evacuation Relief Tariff Amendments proceeding currently before the BCUC, which is proposing bill credits for

---

<sup>27</sup> Exhibit B-1, BCUC 1.5

<sup>28</sup> Exhibit B-4, CEC 1.4, 1.6 and 3.2

<sup>29</sup> Exhibit B-1, Appendix A

<sup>30</sup> Exhibit B-1, BCUC 1.4

<sup>31</sup> Exhibit B-1, page 3

customers that are under an evacuation order rather than being under a public health order. In both cases the underlying principle is that the customers involved are unable to benefit from their energy service as their businesses have been closed due to a government mandate (i.e., an Evacuation Order or a Public Health Order)<sup>32</sup>. A related consideration is that fact that, if the businesses are “closed”, there will be minimal consumption and, therefore, the total amounts credited (which eventually have to be recovered from customers) will be minimal<sup>33</sup>.

FortisBC has indicated that it expects consumption during the “closure period” period to be minimal and that it will review customer consumption at the end of the three month period to confirm it is reasonable and consistent with the closure of a business and if not, it can further inquire with the customer in order to verify the customer’s eligibility<sup>34</sup>.

However, there is a notable difference between the impacts of an Evacuation Order and a Public Health Order. Public Health Orders and directives for COVID-19 do not preclude FortisBC’s customers from accessing their businesses’ premises. Instead, these Public Health guidelines address different types of objectives such as limiting gatherings and enforcing physical distancing measures. As a result, some businesses can continue their operations in some form by implementing changes to service delivery, modifying operating practices, installing barriers, limiting numbers of customers, or enforcing physical distancing<sup>35</sup> while others simply cannot.

In BCOAPO’s view there is real potential for different interpretations as to what is meant by “closed”. Given FortisBC’s approach whereby customers’ applications for the bill credit program will largely be accepted “as is”, this could lead to some commercial customers deciding not to apply based on their interpretation of “closed” while others operating under similar circumstance may feel they qualify and apply. It could lead to some differing interpretations of what “closed” constitutes by FortisBC employees resulting in inconsistencies within their own operations regarding what situations will result in qualifications or rejections. It could also lead to customers being deemed ineligible after the fact and having to repay their bill credits even though they completed the application in good faith, due to a misunderstanding regarding the eligibility requirements. This second outcome is more than likely, if FortisBC adopts a fairly strict interpretation of what “closed” means. In the alternative, a broader interpretation could

---

<sup>32</sup> Exhibit B-4, CEC 3.3

<sup>33</sup> Exhibit B-1, page 3 and Exhibit B-4, CEC 1.1 and 3.3

<sup>34</sup> Exhibit B-4, CEC 3.2

<sup>35</sup> Exhibit B-4, CEC 3.3

significantly increase the total amounts credited and, as result, the increase the overall costs/foregone revenues to be recovered from other customers.

BCOAPO submits that there is a need for FortisBC to more clearly define what it means by a business that has been “closed” in order to “comply with public health orders due to the COVID-19 pandemic”. Furthermore, consistent with the principles that: i) the bill credit is applicable in situations where customers are unable to benefit from their energy service and ii) that the total “cost” of the bill credit will have a minimal impact on other customers, the interpretation should be fairly restrictive. This issue is also discussed in the following sections.

#### *Restriction to Small Commercial Customers*

The Bill Credit program is not available to either Residential customers or large commercial, industrial and transportation accounts.

FortisBC’s rationale for excluding Residential customers impacted by the COVID-19 pandemic (e.g., those unable to work due to business closures and/or directed to self-isolate) but including commercial customers required to close reflects the view that small commercial customers who have closed their businesses due to the COVID-19 pandemic are not able to continue benefitting from utility service. In addition, the utilities assume that eligible small commercial customers will have minimal consumption and they represent a relatively small number of customers in relation to total customers so the impact of the proposed relief will be minimal<sup>36</sup>.

They assume.

In BCOAPO’s view this rationale is only credible if the availability of bill credits is limited to commercial customers that have had to truly “close” their businesses as a result of a public health order: i.e. they are shuttered with no active employees working and no beneficial commercial activity taking place. If the bill credit program is also available to small commercial customers who are able to maintain some level of business operations then: i) they are benefitting from their energy service and ii) the impact of the proposed relief will be greater. In such cases, bill credits will be provided to commercial customers on the basis that they are experiencing :”financial distress” as result of public health orders and, in BCOAPO’s submission, a similar rationale can (and should be) applied to Residential customers who are experiencing distress as a result of a public health order. Failing to do so results in an unfair and unduly preferential benefit to one rate class over another.

---

<sup>36</sup> Exhibit B-3, BCOAPO 2.1

In the case of large commercial, industrial and transportation accounts, FortisBC's rationale for excluding them is that: i) their inclusion could materially increase the cost of the program<sup>37</sup> and ii) they represent a relatively small number of customers with diverse needs that FortisBC is able to address on a case-by-case basis<sup>38</sup>.

Again, it is BCOAPO's view that this rationale is only credible if the availability of bill credits is limited to commercial customers that have had to truly "close" their businesses as a result of a public health order but again, it is difficult to offer informed submissions in the absence of forecast scenarios setting out possible outcomes.

#### *Confirmation of Eligibility*

As with the Payment Deferral program, FortisBC's intention is to require customers to self-identify their eligibility for the Bill Credit program<sup>39</sup>. However, in the case of the Bill Credit program, FortisBC will review customer consumption at the end of the three month period to confirm that there was no or only very limited consumption during this time such that the expected amount credited will be minimal<sup>40</sup>.

FortisBC has not defined what it will consider 'limited or minimal consumption'. Rather, its plan is to review consumption after the three-month period and compare against historical consumption on an individual customer basis to determine if further investigation is required<sup>41</sup>. In the case where the consumption pattern over the bill-credit period is higher than expected, FortisBC has simply indicated that it will contact the customer to discuss how this consumption pattern might reasonably be the case in the circumstance if the business is actually closed<sup>42</sup>.

As noted earlier, it is BCOAPO's view that, without additional clarification up front as to what "closed" means and what will be considered "limited consumption" there is a real potential for a large number of small commercial customers who received bill credits being deemed ineligible after the fact resulting in considerable customer dissatisfaction with the program. It is impossible not to draw the ire of customers where there is a lack of transparency, communication and the possibility of inconsistent or unpredictable outcomes. BCOAPO is also concerned that, in order to avoid such a situation and to ease the administration of the program, FortisBC will be incented

---

<sup>37</sup> Exhibit B-4, CEC 1.1 and 1.5

<sup>38</sup> Exhibit B-4, CEC 1.6

<sup>39</sup> Exhibit B-4, CEC 3.2

<sup>40</sup> Exhibit B-1, page 3

<sup>41</sup> Exhibit B-3, BCOAPO 2.3

<sup>42</sup> Exhibit B-2 BCUC 3.4

to adopt a less restrictive definition as to what a “closed” business is, which will increase the total amount credited to applicants and then required to be recovered from customers.

BCOAPO reiterates its earlier submissions that there is a need for FortisBC to more clearly define what it means by a business that has been “closed” in order to “comply with public health orders due to the COVID-19 pandemic”. Furthermore, consistent with the principles that: i) the bill credit is applicable in situations where customers are unable to benefit from their energy service and ii) that the total “cost” of the bill credit will have a minimal impact on other customers, BCOAPO reiterates its view that the interpretation should be fairly restrictive.

FortisBC has drawn parallels between its proposed Bill Credit Program and its currently pending application for Exemption from Applicable Residential and Commercial Tariff Charges for Customers Under Evacuation Orders<sup>43</sup>. BCOAPO notes that in the case of the proposed evacuation relief, FortisBC intends to “pro-actively identify customers eligible for evacuation relief once an Evacuation Order is made”<sup>44</sup>. Given the number of customers involved, it is likely administratively impractical for FortisBC to confirm, at the time of a customer’s application, whether or not closure of the business was the required in order to comply with a public health order and still provide relief on a timely basis. However, consistent with the approach used for the proposed evacuation relief, it is BCOAPO’s submission that the BCUC should require FortisBC to confirm, as part of its after the fact eligibility review, whether or not and for what period the government public health orders for closure were applicable to the commercial customer’s business.

#### *Bill Credit Period*

The Application requests approval to provide bill credits to eligible customers for the period April 1, 2020 through to July 1, 2020<sup>45</sup>. However, as was the case with the Payment Deferral Program, FortisBC has acknowledged that an extension could be required/requested depending upon how the COVID-10 pandemic situation evolves<sup>46</sup>.

As stated earlier in our submission, BCOAPO questions whether the future need to extend the bill credit period should be left solely to the discretion of FortisBC (i.e., the need considered only in response to an “application” by FortisBC). Again, in BCOAPO’s submission it would be more appropriate for the Commission to build into an order the ability for it as our regulatory body to

---

<sup>43</sup> Exhibit B-1, page 3

<sup>44</sup> FortisBC’s Evacuation Relief Application, Exhibit B2-6, BCOAPO 8.1

<sup>45</sup> Exhibit B-1, page 3 and Appendix A

<sup>46</sup> Exhibit B-1, page 2

proactively seek input/submissions from all interested parties regarding the need for any such extension as time goes by.

### *Application Process*

The Application process for the Bill Credit program is similar to that for the Payment Deferral program and also largely automated<sup>47</sup>. Indeed, the two programs use a common application form<sup>48</sup>.

As noted above, in its Application<sup>49</sup>, information request responses<sup>50</sup> and on its website<sup>51</sup>, FortisBC has indicated that, to be eligible, small commercial customers must confirm that they have temporarily closed their business to comply with public health orders due to COVID-19. However, BCOAPO notes that actual on-line application form<sup>52</sup> does not make specific reference to public health orders as being the basis for the closure but only asks for confirmation that the business was forced to close due to the COVID-19 outbreak and provides no further clarification as to how “closed” is defined. BCOAPO submits that the application form should be consistent with any approval granted by the BCUC and make specific reference to the business being closed in order to comply with a public health order. Also, as discussed above, information disseminated via bill inserts, the media and the application process should also more clearly set out how “closed” is defined.

FortisBC has indicated that it does not intend to collect private customer information nor does it intend to audit applications for the Bill Credit Program<sup>53</sup> but rather is relying on the honesty and integrity of the customers completing the application<sup>54</sup>. Again, this approach (in conjunction with the automation) allows the processing of the applications to be managed by existing staffing levels. However, as discussed below, FortisBC does intend to review customer consumption at the end of the three-month period to confirm that there was no or only very limited consumption during the applicable period, consistent with a business closure. So, while the intrusion into a customer’s privacy is minimized, it is minimized with some acknowledgement that bill relief in the form of a credit requires greater, albeit strictly limited, vigilance.

---

<sup>47</sup> Exhibit B-4, CEC 3.1

<sup>48</sup> Exhibit B-4, CEC 3.2. See also <https://webforms.fortisbc.com/forms/view.php?id=1228330>

<sup>49</sup> Exhibit B-1, page 3

<sup>50</sup> Exhibit B-2, BCUC 1.2 and Exhibit B-4, CEC 3.2

<sup>51</sup> <https://www.fortisbc.com/about-us/supporting-british-columbia-during-the-covid-19-outbreak/covid-19-customer-recovery-fund>

<sup>52</sup> <https://webforms.fortisbc.com/forms/view.php?id=1228330> and Exhibit B-4, CEC 3.2

<sup>53</sup> Exhibit B-2, BCUC 1.5

<sup>54</sup> Exhibit B-1, BCUC 1.5

BCOAPO agrees with this approach. As noted in the case of the Payment Deferral Program, collecting private information would increase the administrative efforts required to support the deferment program, as would any auditing of the applications. It would also delay the provision of relief to customers, particularly in view of the number of applications that could be received<sup>55</sup>.

As with the Payment Deferral applications, following verification of the information provided, Bill Credits applications are coded into an automated system. Bill credits will then be calculated at the end of the deferral/bill credit period and credited to the customer as a lump sum<sup>56</sup>.

Crediting the customer's account as a lump sum after the fact is likely to be administratively easier for FortisBC. However, it is liable to result in "customer confusion" if customers eligible for the Energy Credit Program continue to receive energy bills during the eligibility period. It is BCOAPO's view that such bills will need to be accompanied by clear messaging that indicates the customers are not required to pay.

### **COVID-19 Customer Recovery Fund Deferral Accounts**

Each of the Companies are requesting<sup>57</sup> approval to establish rate base deferral accounts for the COVID-19 Customer Recovery Fund to record and track separately by rate schedule: (1) any unrecovered revenue resulting from customers being unable to pay their bills due to the COVID-19 pandemic, (2) any bill payment deferrals provided to customers due to the COVID-19 pandemic and subsequent payments of those deferred amounts; and (3) any bill credits provided to customers due to the COVID-19 pandemic.

FortisBC has indicated<sup>58</sup> that it will seek approval of the method of recovery of the balances in the COVID-19 Customer Recovery Fund deferral accounts in future rate setting processes when the impact of unrecovered customer amounts from the COVID-19 pandemic is better known.

#### *Rationale for Establishing the Deferral Accounts*

FortisBC's stated rationale for establishing the COVID-19 Customer Recovery Fund Deferral Accounts is that they will provide transparency into the amount of customers' energy bills by rate schedule that ultimately become unrecoverable from customers due to the COVID-19 pandemic<sup>59</sup>.

---

<sup>55</sup> Exhibit B-4, CEC 1.4, 1.6 and 3.2

<sup>56</sup> Exhibit B-4, CEC 3.1

<sup>57</sup> Exhibit B-1, page 3 and Appendix A

<sup>58</sup> Exhibit B-1, page 4

<sup>59</sup> Exhibit B-1, page 4

In response to the interrogatories FortisBC has also stated<sup>60</sup> that:

“FortisBC views the COVID-19 pandemic as an exogenous event that is uncontrollable and unforeseen. In the absence of this deferral account approval, FortisBC would have applied to the BCUC to recover these additional bad debts and bill credits along with other COVID-19 pandemic related costs and savings as an exogenous factor in its upcoming annual reviews”.

We submit that it is reasonable to consider any increase in bad debt due to the COVID-19 pandemic as an exogenous event (as defined for purposes of FortisBC’s 2015-2019 PBR plans<sup>61</sup>). It is clearly uncontrollable and unforeseen and warrants consideration as such. Subject to the BCUC’s decision regarding FortisBC’s 2020-2024 Multi-Year Rate Plan, BCOAPO submits that the establishment of the COVID-19 Customer Recovery Fund Deferral Accounts for purposes of tracking related bad debt expense is reasonable. Given this context, it is also our submission that, if approved, the principles applicable to exogenous events in the Multi-Year Rate Plan should be applied to any proposals regarding the carrying costs to be attributed to this portion along with any proposals regarding the eventual recovery of the related balances.

The same cannot be said for the Bill Credit Program. While the Program is in response to an unforeseen and uncontrollable event, it is FortisBC proposing the actual terms and scope of the Program. As result, FortisBC has some control over the revenue impacts that are likely to occur. Indeed, FortisBC’s proposal to limit eligibility to small commercial customer is specifically based on limiting the overall revenue impacts. This being said, BCOAPO does not object to the establishment of the related deferral accounts, just in the impacts of the bill credit being treated as an exogenous event. If the bill credit program was to be offered to a wider group of FortisBC’s ratepayers as was the case with BC Hydro, then BCOAPO would need to reconsider our position on this.

#### *Amounts to be Recorded*

The deferral accounts are intended to capture all deferred bill payments as a result of the COVID-19 pandemic. The Utilities have structured their plans in such a way that they will also capture all payments of these deferred amounts according to the repayment arrangements made with the customers. Accordingly, the balance in the deferral account will ultimately reflect only the

---

<sup>60</sup> Exhibit B-3, BCOAPO 8.1

<sup>61</sup> FortisBC’s Application of the Companies’ 2020-2024 Multi-Year Rate Plan also includes provision for exogenous events but approval by the BCUC is still pending.

unrecovered amounts related to the deferral of bill payments due to the COVID-19 pandemic<sup>62</sup>. If, for example, all deferred payments are ultimately paid, the ending balance in the deferral accounts related to this measure would be zero<sup>63</sup>.

The deferral accounts will also capture any other<sup>64</sup> unrecovered revenue resulting from customers in any rate class being unable to pay their bills due to the COVID-19 pandemic. Billed amounts for energy services only become unrecoverable from customers if, after FortisBC exhausts its reasonable and practical collection efforts, they are ultimately unable to be collected from customers over a reasonable period of time given the circumstances<sup>65</sup>.

Both Companies' proposed Multi-Year Rate Plans include provisions for bad debt in their Base O&M expense<sup>66</sup>. An issue therefore arises as to whether any of the unrecoverable revenues recorded in the proposed COVID-19 Customer Recovery Fund Deferral Accounts should actually be attributed to bad debt expense. In the case of the unrecoverable deferred bill payments, FortisBC is proposing to treat all such amounts as specifically attributable to the COVID-19 pandemic<sup>67</sup>. However, since the intent of the Payment Deferral Program is for payments to be deferred until after at least the major impacts of the pandemic have subsided, it is questionable whether all subsequent unrecoverable revenues can or should be attributed to the COVID-19 pandemic.

FortisBC has indicated that, in determining whether unrecoverable revenues not specifically related to the Payment Deferral Program should be recorded in the deferral accounts, its customer service or other personnel working with the customer will have the ability to classify the primary reason that the customer is unable to pay some or all of their energy bills based on the information provided by that customer (i.e., loss of employment, business closure due to COVID-19, etc.)<sup>68</sup>. In BCOAPO's view, a similar triage should be performed for the unrecoverable revenues related to the Payment Deferral Program and only those where the non-recovery can be primarily related to the COVID-19 pandemic should the balances be retained in the proposed deferral accounts.

Finally, the deferral accounts will also capture any bill credits provided by FortisBC to customers in any rate class due to the COVID-19 pandemic<sup>69</sup>.

---

<sup>62</sup> Exhibit B-1, page 3

<sup>63</sup> Exhibit B-3, BCOAPO 4.1.1

<sup>64</sup> Exhibit B-3, BCOAPO 3.2

<sup>65</sup> Exhibit B-1, page 3

<sup>66</sup> Exhibit B-3, BCOAPO 3.1

<sup>67</sup> Exhibit B-3, BCOAPO 3.2

<sup>68</sup> Exhibit B-3, BCOAPO 3.2

<sup>69</sup> Exhibit B-1, page 3

### *Potential Double Counting*

In response to interrogatories FortisBC has explained that unrecoverable revenues are not included in the flow-through deferral accounts. Rather, as a customer is billed, the actual revenue is recognized with an equivalent setup of an accounts receivable with the expectation of a cash receipt from the customer. If there is determination at a later point that the cash is unlikely to be received from the customer, a bad debt expense is booked as a reserve against the accounts receivable and the previously recognized revenue remains unchanged. With the establishment of the COVID-19 Recovery Fund Deferral Accounts, the total bad debt expense will be split into two amounts – that which is due to the COVID-19 pandemic and recorded in the deferral account, and that which is a normal course bad debt expense that continues to reside in O&M expense<sup>70</sup>. It is FortisBC's position that the proposed deferral accounts will not result in a "double-counting" of bad debt expense.

Similarly, FortisBC has indicated that Energy Bill Credits will not be double counted as the recognition of revenue, which is subject to already established revenue flow-through mechanisms, is distinct from the bill credits which are proposed to be captured in the deferral account and are provided at a later time<sup>71</sup>.

However, in response to interrogatories submitted regarding its evacuation relief application, FortisBC indicated that the loss of revenue associated with relief provided to evacuee customers would be recorded in FortisBC's Flow-Through deferral accounts in the year the relief is provided<sup>72</sup>. The response then went on to state: "This assumes that all customer revenue variances would continue to be recorded in the Flow-Through deferral account<sup>6</sup>, as requested in the FEI and FBC 2020-2024 Multi-Year Rate Plan Application proceeding and as previously approved in the 2014-2019 Performance Based Ratemaking Plans for both FEI and FBC".

As a result, the evidence provided regarding the evacuation relief application appears to directly contradict FortisBC's claim in this proceeding that the flow-through accounts do not reflect revenue losses due to bill credits. As part of any approval of the proposed deferral accounts the BCUC should direct FortisBC to, as part of its annual reporting and annual rate review processes, clearly demonstrate that the flow-through accounts do not include the impact of any revenue variances attributable to the Bill Credit Program.

---

<sup>70</sup> Exhibit B-3, BCOAPO 7.1 and 7.2

<sup>71</sup> Exhibit B-3, BCOAPO 7.3

<sup>72</sup> FortisBC's Evacuation Relief Application, Exhibit B2-3, BCUC 3.11

### *Rate Base Treatment*

In its Application<sup>73</sup>, FortisBC is proposing that the COVID-19 Recovery Fund Deferral Accounts be established as a rate base deferral accounts and, as such, attract a return based on the weighted average cost of capital<sup>74</sup>. FortisBC's rationale is that the rate base treatment of the COVID-19 deferral accounts is directly comparable to the inclusion of revenue lead lag days in the cash working capital component of rate base, to which the rate base rate of return is applied and approved by the BCUC<sup>75</sup>.

The purpose of the COVID-19 Recovery Fund Deferral Accounts is to capture the impacts of the exceptional circumstances associated with the COVID-19 pandemic. In this regard, it is different from the allowance for working capital included in rate base which reflects systematic and ongoing revenue lead lag days. FortisBC has drawn parallels<sup>76</sup> between the relief related to the COVID-19 pandemic and the evacuation relief it has requested in a separate application. In the case of the evacuation relief application, the proposal is to capture the impact of revenue variances in the flow-through accounts<sup>77</sup>. BCOAPO's position is that consideration should be given to return attributed to these accounts when establishing the treatment of the COVID-19 Recovery Fund Deferral Accounts.

FortisBC has indicated that in the 2020-2024 MRP Application proceeding, FEI and FBC have requested approval to extend the use of their respective Flow-through deferral accounts that were established in the 2014-2019 PBR Plan and that the proposed Flow-through deferral accounts, which would capture the variances associated with the short-term relief for Evacuee Customers, attract a weighted average cost of capital (WACC) return<sup>78</sup>. However, based on current approvals<sup>79</sup>, FBC's flow-through deferral account accrues carrying charges on the flow-through deferral account based on FortisBC Inc.'s short term interest rate. In BCOAPO's submission, the basis for the carrying charges applicable to the COVID-19 Recovery Fund Deferral Account should be the same as the basis for the carrying charges ultimately approved for the flow-through accounts in FortisBC's 2020-2024 MRP Application proceeding.

---

<sup>73</sup> Exhibit B-1, page 3

<sup>74</sup> Exhibit B-3, BCOAPO 9.2.1

<sup>75</sup> Exhibit B-3, BCOAPO 9.1

<sup>76</sup> Exhibit B-1, page 3; Exhibit B-2, BCUC 1.4 & 3.5 and Exhibit B-4, CEC 3.3

<sup>77</sup> FortisBC's Evacuation Relief Application, Exhibit B2-3, BCUC 3.11

<sup>78</sup> FortisBC's Evacuation Relief Application, Exhibit B2-3, BCUC 4.8

<sup>79</sup> BCUC Order G-163-14

### *Reporting*

FortisBC proposes to report on the COVID-19 Customer Recovery Fund deferral account balances in its regular rate setting processes (e.g., annual reviews), the first of which will first occur in Q3 of 2020<sup>80</sup>.

FortisBC has also indicated that the deferral accounts are designed to separately track the deferred amounts attributable to unrecovered revenue due to COVID-19, bill payment deferrals and subsequent payments, and bill credits<sup>81</sup>. The deferral accounts will also track the balances by rate schedule<sup>82</sup>.

BCOAPO supports FortisBC's proposed level of detail for tracking and reporting schedule for the deferral account balances.

### *Future Repayment*

FortisBC has indicated they will seek approval of the method of recovery of the balances in the COVID-19 Customer Recovery Fund deferral accounts in future rate setting processes when the impact of unrecovered customer amounts from the COVID-19 pandemic is better known<sup>83</sup>.

In BCOAPO's view, any future application by FortisBC for recovery of the deferral account balances needs to consider not only which customers classes (i.e., rate schedules) the amount should be recovered from, but also whether all of the balance should be recovered from FortisBC's customers as opposed to being shared between FortisBC's shareholders and its customers. The COVID-19 pandemic is placing significant financial pressures on all businesses (both in terms of revenues and additional costs) such that few, if any, can be expecting to earn what would be considered a "normal" rate of return. Under such circumstances, our clients, the residential ratepayers of British Columbia urge to BCUC to be cognizant of that and sees the BCUC will need to carefully consider whether it is reasonable to impose a recovery scheme that effectively guarantees FortisBC what would be considered a fair return under normal circumstances.

### **Conclusion**

Overall, BCOAPO supports the aspects of FortisBC's application brought forward subject to the recommendations outlined above although we cannot say it strongly enough: it falls short of providing a truly persuasive argument to justify their failure to proceed with a full consideration of

---

<sup>80</sup> Exhibit B-1, BCUC 4.3

<sup>81</sup> Exhibit B-3, BCOAPO 4.2

<sup>82</sup> Exhibit B-3, BCOAPO 4.3

<sup>83</sup> Exhibit B-1, page 4

a residential bill credit program, let alone an application for one. In our submission, these are unprecedented times requiring unprecedented action by those privileged enough to provide an essential service in a monopoly market. As a result, BCOAPO recommends that the Commission direct FortisBC to re-assess the need to extend the payment deferral period and the bill credit period prior to the end of the current three-month period, to come back with either an application for a residential bill credit program or a persuasive, fact-based economic case justifying its decision not to do so. It is further recommended that the Commission provide all interested parties with the opportunity to comment on FortisBC findings regarding the need for any such extension and any further bill credit processes.

ALL OF WHICH IS RESPECTFULLY SUBMITTED:

*Original on file signed by:*

---

**Leigha Worth**, Executive Director

BC Public Interest Advocacy Centre

---

**Irina Mis**, Staff Lawyer

BC Public Interest Advocacy Centre