

1 June 2020

**VIA E-FILING**

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



Reply to: Leigha Worth  
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Ph: 604-687-3034  
Our File: 7300.610

Dear Mr. Wruck and Ms. Tresoglavic,

**Re: Pacific Northern Gas Ltd. and Pacific Northern (NE) Gas Ltd. (PNG)  
COVID-19 Deferral Account Application  
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 PNG 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")**

**Pacific Northern Gas Ltd. and Pacific Northern (NE) Gas Ltd. (PNG) - COVID-19 Deferral  
Account Application  
BCOAPO Final Argument**

**June 1, 2020**

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**Introduction**

On April 9, 2020, PNG filed an application with the British Columbia Utilities Commission (BCUC) for approval of the following:

- The establishment of an interest-bearing deferral account to capture COVID-19 related bad debt and any unplanned expenses incurred by the utility.
- A program that will allow for up to a three month bill deferral program for those in rate schedule 1, 2, 22, and 23 customers (Rate Schedule 1 is the PNG's residential customers) who are unable to pay their bills due to the impacts of COVID-19 pandemic. These deferred payments will not be subject to late fees and will not trigger disconnections during the three month period cited in the application. Customers receiving this deferral must enter into a repayment agreement, with the full balance to be paid no later than March 31, 2021.

By Order G-88-20, the BCUC granted interim approval to PNG of the Utility's applied-for relief 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 PNG Application.

**Approvals Requested by PNG**

Pursuant to sections 59 to 61 and 91 of the *Utilities Commission Act* the following specific approval is sought by PNG<sup>1</sup>:

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

(i) Establish a new interest bearing deferral account, the COVID-19 Deferral Account, to record and track separately (1) by rate class any unrecovered revenue resulting from customers being unable to pay their bills due to the COVID-19 pandemic, and (2) any incremental expenses arising related to COVID-19 to ensure continuity of operations.

## **Submissions**

### **Payment Deferral Program**

PNG came to the BCUC asking for an approval of its plan to offer up to a three month deferral of energy bill payments starting April 1, 2020 for residential customers<sup>2</sup> and a variety of other rate classes who have been unable to pay their energy bills due to impacts from the COVID-19 pandemic<sup>3</sup>. During this period, payments would be deferred without late charges, or threat of disconnection<sup>4</sup>.

It would be available to:

- 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 such as loss of employment or being unable to work.
- Small Commercial customers who have temporarily closed their businesses or who have continued operating, albeit doing so when suffering a significant reduction in revenue due to COVID-19.
- Small Commercial Transportation customers unable to pay their energy bills due to the direct effects of COVID-19.
- Commercial Transportation Customers unable to pay their bills for the same reasons listed above.<sup>5</sup>

At the time PNG applied for this relief, it was not yet offering it to its customers. In response to IR's, the Utility indicated it would "implement the proposed bill payment deferral plan immediately

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<sup>3</sup> Exhibit B-1, pp. 2-3

<sup>4</sup> Exhibit B-1, page 3

<sup>5</sup> Exhibit B-1, page 2-3

upon receiving approval...”<sup>6</sup> This Commission Panel issued Order G-89-20 on April 17, 2020, granting PNG interim approval of its application.

To be clear, BCOAPO does not oppose PNG taking a careful and measured approach to its response to this previously unthinkable social and economic crisis. Our clients have no interest in seeing PNG overextend itself and potentially compromising its operations. What is of concern to PNG’s residential ratepayers is the Utility’s response to BCOAPO IR 1.2.1, indicating that the long repayment and “federal and provincial COVID-19 programs and benefits” will be sufficient to provide the necessary assistance to its ratepayers beyond the three months covered by PNG’s application<sup>7</sup>.

BCOAPO et al. is compelled to, at this point, note that there is no way PNG can make that assumption, nor can it be considered evidence of a lack of need. As a result, PNG’s proposals are flawed in the same way so many other utility offerings have been: they have not contemplated anything beyond an arbitrary three month window ending June 30, 2020. Do the members of BCOAPO hope that COVID-19 defies expectation and peters out after only one pass at humanity? Of course they do. Do they believe that is realistic? No, of course they don’t. Our clients in this process, like in the others they have participated in, feel compelled to bring to the record the facts we are now beginning to hear more and more often in the media. This virus is not just far more easily spread than most Coronaviruses, but one with far greater systemic effects than originally thought: more a virus that attacks the circulatory system than one that attacks the respiratory one (although one of the best known effects of that circulatory attack is pulmonary distress and lung damage. It is, in a word, virulent.

While the possible timelines for a vaccine vary widely, those associated with the more credible sources are fairly consistent: 12 to 18 months after the onset of research is a best case scenario and the human cost of a model seeking a sharp, swift move toward herd immunity is, by any measure, unthinkable. However, whether we follow the science and the example set by history such as the multiple waves of Spanish Flu or not it is, in our submission, unrealistic to set a firm three month end date to the need for any bill relief measures.

While British Columbia is making some small, measured moves towards reopening for business, our leadership has made it clear that progress in that direction is entirely dependent upon whether those actions do not result in a surge in infection. As we have said in another, similar process,

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<sup>6</sup> Exhibit B-2, BCUC IR 1.2.1

<sup>7</sup> Exhibit B-3, BCOAPO IR 1.2.1

BC is not likely to resume business as usual across the board for quite some time to come because we are not the kind of society willing to throw the lives and health of our people to the wolves to feed the economic ambitions of the one percent. However, PNG has made it clear in its IR's that this deferral is intended to cover only April 1 to June 30, 2020 and "[c]ustomers that fail to meet obligations under the repayment program will be captured in PNG's regulator delinquency process. The delinquency process rules will be subject to reinstatement based on suspension of certain of these activities during the pandemic (i.e. no service interruption). When PNG resumes regular delinquency and collections activity, customers will be subject to late fee charges and service disconnections."<sup>8</sup> Does this mean that if the virus defies Trump's wholly unscientific expectations and survives warmer weather for a second wave of infection that PNG's customers whose income and/or employment remain negatively impacted by COVID-19 on July 1<sup>st</sup> will face imminent disconnection, accruing interest, and late fees?

#### *Need for Approval/Rationale*

PNG has indicated that, in its view, it does not require this Panel's approval of its bill payment deferral program, only the resulting COVID-19 Deferral Account<sup>9</sup>.

BCOAPO agrees with the Utility that, given the likelihood that this relief will be widely accessed, it is a good idea to bring this proposal to its regulator, particularly as any bad debt and other costs associated with this program will fall to its ratepayers.

#### *Deferral Period*

PNG is seeking approval of a deferral account to record monies associated with a three-month bill payment deferral, and any resulting debt or unforeseen COVID-19 related expenses<sup>10</sup>.

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 approach PNG normally employs to help its customers when they are facing financial difficulties.

#### *Repayment Period*

PNG's proposal is to make deferrals available to its qualifying customers for up to three months: from April 1<sup>st</sup>, 2020 to June 30, 2020. The repayment period proposed commences July 1<sup>st</sup> and ending by March 31, 2021. Because PNG is not seeking approval of its bill deferral program, its

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<sup>8</sup> Exhibit B-2, BCUC IR 1.4.2

<sup>9</sup> Exhibit B-2, BCUC IR 1.1.3

<sup>10</sup> Exhibit B-1, Appendix A

repayment term does not form a part of the Order it seeks to have approved but it has specified that its customers are required to accept those repayment terms when they apply for bill deferral<sup>11</sup>.

In our submission, 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 PNG keep itself apprised of current COVID-19 related events while working with its stakeholders to determine what actions are called for as the situation evolves.

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

PNG is requesting approval to establish an interest bearing deferral account for each of its two utilities: PNG-West and PNG(NE) to capture the bad debt associated with COVID-19 and any unplanned costs associated with the pandemic. What the applied for deferral account will not do is capture its customers' deferrals and repayments: they will only see the deferral accounts when and if they become bad debt.

According to its response to BCOAPO IR 1.4.1, PNG referred to an "equity return component" and pre-tax adjustments but there was no mention of either in its Application. We ask that PNG confirm in its Reply that the interest rate it proposes on the deferred bill payments will be a weighted average cost of debt with no equity component.

In its application, PNG specified that it would wait to see the extent of the impacts of COVID-19 on customers and what funds fall to its deferral account.<sup>12</sup> In this one way, our clients agree that a wait and see approach is best for both the utility and its ratepayers in general, whether they are facing COVID-19 related economic pressures or not.

### **Conclusion**

BCOAPO does not oppose PNG's application to provide bill deferrals for up to three months to the customers listed in its application: these are ratepayers who, through no fault of their own, are suffering significant loss of income. They deserve the support of their fellow ratepayers and utility during this difficult time. Depending on the Utility's response to our request for clarification regarding the way in which interest will be calculated, our clients do not object to the creation of

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<sup>11</sup> Exhibit B-1, page 3

<sup>12</sup> Exhibit B-1, page 2

a deferral account to capture those monies not recovered during an extended repayment period. However, this does not mean that our clients are content with the entirety of PNG's application. We submit that PNG should be ordered to revisit its firm three month end date for its bill deferral program and that that reconsideration should not be based on arbitrary numbers and uninformed belief, but facts, figures and evidence – something lacking in too many utilities' justifications for their decisions to limit the relief they offer their ratepayers during this extraordinary time. To say our clients are disappointed that PNG either made no effort to cost a bill credit or discounted rate to assist its ratepayers or to provide such evidence when prompted by BCOAPO IR's 1.2.1 and 1.2.2 would be a gross understatement. As a result, our clients ask this Commission Panel direct PNG 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 PNG's 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:*

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**Leigha Worth**, Executive Director

BC Public Interest Advocacy Centre

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**Irina Mis**, Staff Lawyer

BC Public Interest Advocacy Centre