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VIA E-FILING

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BC Utilities Commission
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Reply to: Leigha Worth
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Dear Ms. Tresoglavic,

**Re: British Columbia Hydro and Power Authority Customer Crisis Fund (CCF) Pilot Program – Evaluation Report ~ Project No. 1599030
BCOAPO Final Submission**

Please be advised that we continue to represent the very large and diverse residential ratepayer group served by our clients, the BC Old Age Pensioners' Organization, Active Support Against Poverty, Council of Senior Citizens' Organizations of BC, Disability Alliance BC, and Together Against Poverty Society, known collectively in this regulatory process as "BCOAPO et al." ("BCOAPO"). We make the following submissions regarding the fate of the BC Hydro Customer Crisis Fund Program on their behalves.

1. BCOAPO POSITION

While we recognize that the results presented by BC Hydro in the Year Two Review of its CCF program do not show the program has a cost of service justification, BCOAPO does not, for reasons explained below, accept that the information currently on the record is complete or of such a nature that it is a sufficient basis upon which to abandon a program that a Commission Panel was persuaded had sufficient merit to justify the establishment of a pilot.

As such, we are recommending to this Panel that it reject BC Hydro's recommendation that it allow its CCF pilot program to terminate on May 31st of this year and instead approve the BC Hydro CCF permanently.

However, should the Commission Panel determine that an Order approving the CCF's transition from a pilot program to a permanent one is not appropriate, we submit that, in the alternative, the

Commission should order the Utility to address the deficiencies we identify and discuss in this submission.

2. BACKGROUND

In its Final Submission regarding BC Hydro's 2015 Rate Design Application (2015 RDA), BCOAPO sought a number of Orders from the Commission primarily aimed at assisting qualified low-income residential ratepayers to maintain electricity service in the context of ever-increasing electricity bills including an essential services usage block (ESUB) rate, a crisis intervention fund (CIF), and amendments to the BC Hydro Electric Tariff for qualified low-income customers¹.

In its Decision the Commission found that low-income rates unsupported by an economic or cost of service justification are unjust, unreasonable and unduly discriminatory and are therefore not in accordance with sections 59 - 60 of the UCA². Given this finding the BCUC denied BCOAPO's request to establish an essential services usage block rate for qualified low-income ratepayers.³ However, with respect to the Crisis Intervention Fund (now referred to as the Customer Crisis Fund or CCF), the Commission Panel expressed the view that if the overall cost of the CIF is small and there can be some reasonably expected tangible benefits, it is worth establishing a CIF pilot to assess the actual impacts, provided the CIF results in no undue discrimination among residential customers. The Panel also expressed the view that there was insufficient information on the record in this proceeding to make a determination on the establishment of a crisis intervention fund on a permanent basis.

As a result, the Panel directed BC Hydro to file a proposal for a pilot program within six months of the date of the 2015 RDA Decision. In reaching this decision the Panel noted that it was reasonable to consider the monthly payment into the CIF by all residential ratepayers as being akin to an insurance premium to provide coverage in the event a ratepayer finds itself in a financial crisis and is unable to pay its account and avoid disconnection⁴. The Panel also directed that BC Hydro must include the following information/analysis when filing the proposed crisis intervention fund pilot program plan with the Commission:

¹ BCOAPO's Final Submissions, September 26, 2016, pages 4-6

² BCUC Decision and Order G-5-17, page 59

³ BCUC Decision and Order G-5-17, page 93

⁴ BCUC Decision and Order G-5-17, page 97

1. The proposed start and end date of the pilot program, including a discussion of the feasibility of operating the CIF pilot until the next RDA hearing so that the Commission and the parties can obtain a greater understanding of the impact of a CIF;
2. Development of cost/benefit measurement criteria to be able to access (sic) the impact of the proposed CIF pilot or program; and
3. Details regarding the implementation and operation of the CIF pilot program, including the amount of the monthly charge, who and how the CIF will be administered, and the eligibility criteria for ratepayers to access the CIF.

On July 24, 2017 BC Hydro filed a proposal⁵ for the establishment of a Customer Emergency Fund Pilot Program (CEF Pilot – now the CCF Pilot) with the Commission and specifically applied, pursuant to sections 58 to 61 and 49(a) of the Utilities Commission Act (UCA), for the following Commission orders necessary to implement the CEF Pilot:

- Approval of Rate Schedule 1903 (RS 1903), which would establish the proposed Customer Emergency Fund Rate Rider (CEF Rate Rider), to be effective June 1, 2018 and amending Rate Schedule 1901 (RS 1901) to exclude the application of the Deferral Account Rate Rider to the CEF Rate Rider charge;
- Approval of certain related changes to BC Hydro's Electric Tariff (CEF Tariff Changes), to be effective June 1, 2018; and
- Approving the establishment of a new regulatory account (Customer Emergency Fund Regulatory Account), to be effective the date of the Commission's order.

In its proposal⁶, BC Hydro also outlined the criteria customers would be required to meet in order to qualify for a CEF grant. These criteria included the following:

- Be the BC Hydro residential account holder, or authorized representative;

⁵ Exhibit B-1

⁶ Exhibit B-1, page 9

- Have a BC Hydro account in arrears and under the possibility of disconnection, or have been disconnected;
- Have an account balance of less than \$1,000;
- Account holder must reside at the address for which there are arrears;
- Have demonstrated prior attempt to pay the bill per their account records;
- and
- Have not have been issued a CEF grant within the past 12 months.

In addition, customers would be required to meet a second set of criteria consistent with the idea that the CEF Pilot could be akin to “insurance” for all customers should they find themselves in a temporary financial crisis. This second set of criteria focused on customers who have recently experienced a “life event” within the previous 12 months that has caused short-term financial hardship. BC Hydro’s proposal noted that the program was not intended to provide customers with assistance for long-term financial issues, nor is it to be limited to low-income customers. To this end, customers participating in recognized assistance programs (e.g., Income Assistance, Canada Pension Program – Guaranteed Income Supplement) would not need to provide further proof of financial emergency beyond establishing their “life event”. However, customers not in these assistance programs will be required to provide additional financial information (e.g., bank statements) to demonstrate that they had exhausted all legal sources of funds (e.g., income, liquid assets, and other financial assistance programs)⁷.

BCOAPO notes that this second set of criteria is in line with the original proposal by BCOAPO which described the crisis intervention program as follows⁸:

“A crisis intervention program would involve providing funds when a low-income customer faces a situation that threatens the continuing ability of that customer to take electric service. Such a crisis situation may, but need not necessarily, involve providing a grant to prevent the disconnection of service for nonpayment. In the alternative, a crisis intervention grant might respond to a level of arrears that the program administrator deems is of sufficient size that the customer will never be capable of retiring them in full. Moreover, a crisis situation might involve circumstances where a

⁷ Exhibit B-1, pages 10-11

⁸ BCOAPO’s Final Submissions, September 26, 2016, page 67

customer is already “off-system” and lacks sufficient funds to make an arrearage payment, along with paying a reconnection charge and possibly a cash security deposit. A crisis intervention grant is intended to respond to unexpected and temporary circumstances that place a customer’s service in jeopardy.”

BC Hydro’s July 2017 proposal also set out its plan to evaluate the CEF Pilot, and provide an evaluation report to the Commission. The evaluation was expected to be undertaken near the end of the two-year pilot period, and to include⁹:

- Estimates of the costs and benefits of the CEF pilot;
- Comparison of CEF pilot participants to the population of all BC Hydro customers on the basis of region, housing type and other available parameters;
- Participation, grant levels and Customer Emergency Fund Regulatory Account balances over time; and
- Effectiveness of program design and delivery, including eligibility criteria.

On November 17, 2017 the Commission issued Order G-166-17 where the Commission ordered as follows:

1. Approval of Rate Schedule 1903, which establishes a CEF Rate Rider, effective June 1, 2018.
2. Approval of an amendment to Rate Schedule 1901, to exclude the application of the Deferral Account Rate Rider to the CEF Rate Rider, effective June 1, 2018.
3. Approval of the CEF Tariff Changes, as applied for, effective June 1, 2018.
4. Approval of the establishment of the CEF Regulatory Account, as applied for, effective the date of this Order.
5. BC Hydro is directed to file Rate Schedule 1903 and amended Rate Schedule 1901, in tariff supplement form and the CEF Tariff Changes for

⁹ Exhibit B-1, page 32

endorsement by the Commission at least 30 days prior to their effective date.

6. BC Hydro is directed to file an evaluation report with the Commission within 90 days of the completion of the second year of the CEF Pilot. The CEF Pilot will continue until the earlier of three years from the CEF pilot implementation date, Commission approval of an application from BC Hydro to end the pilot prior to the end of the three-year CEF Pilot, or issuance of a Commission order to end the CEF Pilot.

On June 1, 2018, the CEF, renamed the Customer Crisis Fund Pilot, came into effect.

After receiving a significant number of complaints regarding the CCF Pilot, the BCUC directed (Order G-211-20) BC Hydro to file an evaluation report of the CCF Pilot Program within 90 days of the completion of the first year of the CCF Pilot Program. The BCUC subsequently commenced a proceeding to review the Evaluation Report (CCF Evaluation Report Proceeding). By Order G-5-20, the BCUC adjourned the CCF Evaluation Report Proceeding pending the filing of the two-year evaluation report on or before July 28, 2020 in compliance with Order G-166-17.

On July 31, 2020 BC Hydro filed its Two-Year Evaluation Report for the Customer Crisis Fund (CCF) Pilot Program (Two-Year Evaluation Report) with the British Columbia Utilities Commission (BCUC). By Order G-266-20 dated October 23, 2020, the BCUC established a regulatory timetable, including one round of BCUC and intervener information requests, and a deadline for interveners to file notice of intent to file evidence. No interveners filed notice of intent to file evidence and, on December 18, 2020, the BCUC issued Order G-339-20 directing that the regulatory process should proceed to written final arguments.

On January 18, 2021 BC Hydro filed its Final Argument advocating for the abandonment of the program at the end of the three-year pilot. BCOAPO's Final Submission is set out in detail below.

3. BCOAPO'S RECOMMENDATION TO APPROVE THE CCF PERMANENTLY

In taking the position that the Commission should approve the CCF program permanently, we rely on materials filed on the public record in the British Columbia Hydro and Power Authority (BC Hydro) COVID-19 Residential Rate Relief for Renters Application.

3.1 The Residential Rate Relief for Renters Application

The Utility's original COVID-19 Customer Relief Program was filed after the Lieutenant Governor in Council issued Order in Counsel No. 159, which included the following directions to the BCUC:

3 (1) Within 5 days of the date of an application by the authority for the purposes of this section, the commission must issue final orders

(a) so that the authority's Electric Tariff is amended as set out in Appendix A to this direction, and

(b) so that the authority's Electric Tariff is amended by amending Tariff Supplement No. 90 and adding Tariff Supplement No. 97, Tariff Supplement No. 98 and Tariff Supplement No. 99, as set out in Appendix B to this direction.

...

(3) The commission must allow the authority to do the following:

(a) defer to the customer crisis fund regulatory account the following amounts:

(i) the amounts credited to customers in accordance with the emergency program for residential customers;

(ii) the costs incurred by the authority in administering the emergency program for residential customers;

(iii) in relation to the balance in the customer crisis fund regulatory account, interest determined in a fiscal year at a rate equal to the authority's weighted average cost of debt in that fiscal year;

(b) reduce the customer crisis fund regulatory account by amounts paid to the authority under the customer crisis fund rate rider;¹⁰

After a meeting with its Low Income Advisory Committee (LIAC) during which representatives identified several service gaps in the Utility's original COVID-19 relief program, BC Hydro did the right thing: it filed an application seeking to modify the necessary tariff provisions to enable it to

¹⁰ The entirety of OIC 159 can be found at https://www.bclaws.gov.bc.ca/civix/document/id/oic/oic_cur/0159_2020.

put into action its intention to expand the program's eligibility to include those who pay their electricity through their rent in the most cost-effective manner possible.¹¹

While Interveners were not granted leave to ask IR's, the Commission Staff were and BC Hydro filed its responses publicly on May 26, 2020 (Exhibit B-2). In the cover letter for those IR's, BC Hydro offered the following response to the Commission Staff's IR 1.1.2: "in BC Hydro's view the Commission is not compelled as a matter of law, whether by section 3(1)(a) of the Direction to the British Columbia Utilities Commission Respecting COVID-19 Relief (Order in Council No. 159), or otherwise, to approve the application."¹²

Then, in response to IR 1.1.5, the Utility took the following position when asked whether the relief sought had any economic or cost of service justification:

The scope of BC Hydro's application is limited to changes to the language in our Electric Tariff to allow us to issue on-bill credits.

As BC Hydro's Renters Relief Program is not a rate, there is no requirement to design the program based on a cost of service or economic justification for ratepayers. As such, BC Hydro has not examined whether such a justification may exist. BC Hydro's application is in response to policy direction from Government which is to support residential electricity consumers who have lost their jobs or become unable to work because of COVID.

The alternative to on bill credits would be for BC Hydro to send cheques to eligible tenants. The estimated incremental cost of sending a cheque relative to applying an on-bill credit, is \$22.90 per transaction. Most of that cost is labour but it also includes costs for postage and banking fees. The total cost of administering the Rental Relief Program without approval of the requested Electric Tariff amendments would be around \$460,000, plus

¹¹ The following is a link to the archived webpage for this regulatory process, a means by which those not already familiar with this regulatory process can access all the documents on the record in the BC Hydro COVID-19 Residential Rate Relief for Renters Application referred to in this Argument:
<https://www.bcuc.com/ApplicationView.aspx?ApplicationId=764>

¹² British Columbia Hydro and Power Authority (BC Hydro) COVID-19 Residential Rate Relief for Renters Application, Exhibit B-2.

whatever time is needed for training the additional staff to temporarily perform that function.¹³

[emphasis added]

BC Hydro's June 1st submission included the following argument:

The [Emergency Program for Residential Customers] was not a "rate" or "service" when the BCUC issued Order G-79-204 and it hasn't changed in any way that makes it a "rate" or "service". The scope of the Program has expanded to account for tenants who have no direct service relationship with BC Hydro, and as explained below the BCUC now has a discretion whether to approve the related tariff amendments, but otherwise the character of the Program as a non-rate program has not changed.¹⁴

After characterizing the requested tariff amendments as a non-rate program, BC Hydro then went on to repeat its position that the Commission was not compelled under OIC 159 to approve its application: a position presumably made explicit in response to IR's in which the Commission had clearly signaled a concern that its jurisdiction to grant the relief sought might be lacking. Hydro offered the argument that section 3(1)(a) of the OIC 159 was spent and no longer had any force or effect, so the Commission retained the discretion whether to approve the Application, or not, as it saw fit.¹⁵

The Commission's Order in the BC Hydro Residential Rate Relief for Renters Application does not rely upon an argument that it is bound by OIC 159 to approve the sought-after relief. Instead, on page 2 of Order G-139-20, the Commission Panel stated "The BCUC has reviewed the Application, evidence filed in the proceeding and submissions made by the parties and considers that a web-based oral hearing is not required, and approval of the Application is warranted."

In our respectful submission, in the absence of anything in G-139-20 indicating otherwise, we must assume the Commission Panel made its decision to approve BC Hydro's application in the

¹³ British Columbia Hydro and Power Authority (BC Hydro) COVID-19 Residential Rate Relief for Renters Application, Exhibit B-2, IR 1.1.5.

¹⁴ British Columbia Hydro and Power Authority (BC Hydro) COVID-19 Residential Rate Relief for Renters Application, BC Hydro June 2, 2020 Written Submission, Exhibit B-3, p. 2.

¹⁵ *Ibid*, at p. 5.

BC Hydro COVID-19 Residential Rate Relief for Renters relying on the materials BC Hydro had filed, including those we have referenced above. So, if that is indeed the case, we must then conclude that the Panel either:

- a) accepted that the Renter's Relief Rate Program was not a rate and therefore required no cost of service or economic justification¹⁶; and that it did indeed have the jurisdiction to approve tariff provisions for the Utility's "non-rate program"¹⁷, or
- b) accepted that it did indeed have the jurisdiction to approve the proposed changes to a non-rate program and also the ability to do so without regard to whether there was a cost of service or economic justification for them.

In either case, BCOAPO relies upon not only the passages referenced above but the conclusions we are driven by logic to make to take the position that there is precedent upon which to rely in our recommendation to this Panel that it deny BC Hydro's application to allow it to abandon this program as of May 31st of this year and to instead approve its continuation on a permanent basis.

4. SUBMISSIONS SUPPORTING THE CONTINUATION OF THE PILOT PROGRAM

BCOAPO's submissions address the following issues:

- The Pilot's Objective
- The Purpose(s) of the Evaluation and the Current Proceeding
- The Methodology Used in the Evaluation
- The Specific Results/Findings Regarding Benefits and Costs
- The Evaluation's Overall Conclusions
- The Length of the Pilot

4.1 The Pilot's Objective

In the first section of its Two-Year Evaluation Report (the "Report") BC Hydro stated the CCF Pilot's objective was to "test whether a crisis intervention program available to all residential customers experiencing a temporary financial crisis can generate a utility benefit that sufficiently

¹⁶ British Columbia Hydro and Power Authority (BC Hydro) COVID-19 Residential Rate Relief for Renters Application, BCUC IR 1.1.5, Exhibit B-2.

¹⁷ *Supra*, note 11, at p. 5.

justifies on an economic or cost of service basis so that the program may proceed on a more permanent basis¹⁸". Elsewhere in the Report BC Hydro said: "The purpose of the CCF Pilot is to determine if there are economic benefits resulting from operational cost savings and decreases to revenue losses and bad debt expenses which would offset program costs"¹⁹.

We note that, in its Decision regarding BC Hydro's 2015 RDA, the Commission found that "there is insufficient information on the record in this proceeding to make a determination on the establishment of a crisis intervention fund on a permanent basis"²⁰ but that "while the amount of benefits the CIF may provide have not been quantified, to the extent that the receipt of CIF funds results in a reduction in bad debts, it could have an impact that potentially would offset what is an immaterial cost to ratepayers."²¹ As a result, the Panel concluded "it is worth establishing a CIF pilot to assess the actual impacts, provided the CIF results in no undue discrimination among residential customers"²².

It is also noted that in Order G-266-20 (issued in conjunction with the current proceeding) the Panel stated that "the BCUC approved the concept of a crisis intervention fund as a pilot program to assess whether there is an economic or cost of service justification for a permanent fund."²³

4.2 Purpose of the Two-Year Evaluation Report and Current Proceeding

In the Report's Executive Summary BC Hydro stated that:

"The purposes of the Two-Year Evaluation Report are to summarize CCF Pilot operations during the first two years of the program, and to provide an evaluation of participant and non-participant benefits that provides information for an examination of whether a crisis fund "would not amount to a social assistance program if it generates a utility benefit sufficiently justifiable on an economic or cost of service basis."²⁴

¹⁸ Exhibit B-5, page 7

¹⁹ Exhibit B-5, page 56

²⁰ BCUC Decision and Order G-5-17, page 97

²¹ *Ibid.*

²² *Ibid.*

²³ Appendix B, page 5

²⁴ Exhibit B-5, page 1

The Report also stated that it addresses the following questions based on BC Hydro's two years of experience operating the CCF Pilot:

- a. Does providing grants to customers in a temporary financial crisis:
 - Maintain their electrical service, and
 - Improve their ongoing ability to pay their bills? And
- b. Are there operational cost savings (including revenue losses and bad debt expenses) that offset program costs to justify the CCF program on an economic or cost of service basis?²⁵

At the same time BC Hydro stated that "the purpose of the Year Two Evaluation Report is not to make a recommendation regarding the viability of an on-going customer crisis program."²⁶

As discussed earlier in our submission, prior to BC Hydro's filing of the Two-Year Evaluation Report, the Lieutenant Governor in Council (LGIC) issued Order in Council (OIC) 159 which directed the Commission to allow BC Hydro to defer certain amounts to the customer crisis fund regulatory account and restricted the Commission's powers to amend, cancel or suspend the customer crisis fund rate rider, except on application by the authority. As result, the Commission sought submissions from parties regarding several items including the BCUC's jurisdiction to review the CCF Pilot Program, whether a review should take place and the scope of any such review. The Commission subsequently issued Order G-266-20 wherein it directed that:

"The scope of the review is limited to the CCF Evaluation Reports, specifically the measurement of whether there is an economic or cost of service justification for the CCF Pilot Program, and any other approaches or matters that should be considered in measuring and assessing utility and ratepayer benefits and costs associated with the CCF Pilot Program."

In our submission, the stated purpose of the Two-Year Evaluation report and the questions the Utility identified reasonably align with the Commission's direction as to the scope of the review per Order G-266-20.

²⁵ Exhibit B-5, page 8

²⁶ Exhibit b-5, page 8

The first of the two questions focused on ratepayer benefits from the CCF participants' perspectives and the second dealt directly with the matter of whether there is an economic or cost of service justification for the CCF Program. In our submission, this brings into consideration the question of ratepayer benefits from the perspective of those that did not participate in the Program. To do so the question looks at both costs and the benefits from a utility perspective. However, it is important to note that the scope of the review (as defined by Order G-266-20) is not strictly limited to an assessment of the relative costs incurred for the CCF Pilot Program versus the benefits of the CCF Pilot Program as determined by BC Hydro. Rather the scope includes "any other approaches or matters that should be considered in measuring and assessing utility and ratepayer benefits and costs associated with the CCF Pilot Program". In BCOAPO's view there are a number of other approaches and matters that should be considered in measuring and assessing utility and ratepayer benefits and costs associated with the CCF Pilot Program. These are addressed in later in BCOAPO's submissions.

In terms of costs, it is important to recognize the CCF Pilot Program was just that – a pilot. As a result, there were costs incurred in setting up, managing and evaluating the pilot program that would not be incurred if the program was to continue. Furthermore, it should be expected that lessons learned from the pilot would enable the program to operate more efficiently in future years if the program was continued. These considerations need to be taken into account when measuring and assessing utility and ratepayer costs associated with the CCF Pilot Program.

Similarly, given the scope of the review as established by the BCUC, when assessing "benefits" it is important for the Commission to consider:

- i) whether there are other benefits (apart from the four BC Hydro considered²⁷), and
- ii) whether the methodology used by BC Hydro to measure any hypothesized benefits was appropriate.

Finally, BC Hydro indicated that the purpose of the Two-Year Evaluation Report is not to make a recommendation regarding the viability of an on-going customer crisis program²⁸. Similarly, the scope of the review set out by the BCUC review was limited to the CCF Evaluation Reports,

²⁷ Exhibit B-5, page 28 (Table 9)

²⁸ Exhibit B-5, page 8

specifically the measurement of whether there is evidence of an economic or cost of service justification for the CCF Pilot Program. This did not include the broader question as to whether or not the CCF Program should be continued on a permanent basis.

In this process, BC Hydro has taken the position that, in accordance with Order G-166-17, the CCF Pilot Program should be terminated on May 31, 2021 since (according to its analysis) there is no economic or cost of service justification for making the CCF Pilot Program permanent.

As discussed above, both BC Hydro and the Commission were broadly in agreement regarding the purpose of the CCF Pilot: to provide the information necessary for the Commission to make a determination as to whether or not a CCF Program should be established on a permanent basis. In BCOAPO's view it is incumbent upon the Commission to first decide, based on the results of the CCF Pilot and the current review, whether or not sufficient evidence is now on the record to make such a determination. If the answer is yes, then the BCUC should establish a process to explicitly do so because, per Order G-266-20, that is beyond the scope of the current review. If not, then the Commission needs to determine whether the concept warrants further investigation and, if so, what additional information is required and what is the best way for such information to be obtained.

4.3 Analysis of Participant Benefits

BC Hydro has acknowledged that “The Two-Year evaluation primarily focused on non-participant (i.e., ratepayer) benefits, which are cost savings or revenue increases to BC Hydro that result from the issuance of CCF grants.”²⁹ Rather, participant benefits were assessed through the Year One participant survey and the results described in Section 3 of the Year One Evaluation Report. Key results of the survey were³⁰:

- With respect to whether the grant assisted customers in maintaining electrical service, 89 per cent of these customers agreed – including some 76 per cent strongly – that “without the grant payment, my household would have lost electricity service”.

²⁹ Exhibit B-8, BCUC 1.4.1. See also BCUC 1.16.2

³⁰ Exhibit B-1, page 44

- Similarly, with respect to the question as to whether the grant improved their ongoing ability to their bills - 68 per cent agreed that “receiving the grant payment has improved my ability to pay my electricity bills on time”.

While a “participant survey” was not undertaken as part of the Year Two Evaluation Report, BC Hydro measured participants’ continuation of electrical supply through the number of grants approved; and the improved ability of participants to pay their bill on time by comparing the rates of disconnection of participants and a comparison group, both at the time of receiving a Final Notice of Disconnection as well as in the period after receipt of the CCF grant.³¹

Overall, we submit it should be uncontroversial to say that BC Hydro has acknowledged that the CCF Pilot provide benefits to participants.³²

Avoiding disconnection as a result of a temporary financial crisis is the key issue the CCF is intended to resolve: it was certainly the main focus of the program as proposed by BCOAPO during the 2015 RDA and the BCUC Panel’s views as to the purpose of the program when directing that a pilot be undertaken.³³

Given that avoiding disconnections were the main focus of the program, BCOAPO submits that ability of the program to avoid disconnections should be the primary measure of whether or not participants benefited. In this regard, the fact that 89% the participants surveyed agreed that without the CCF they would have lost electrical service (i.e., been disconnected) demonstrates that the program provided clear and significant benefits.

BCOAPO further submits that the BCUC should attach significant weight to the survey results when assessing the benefits to both participants and non-participants. Both BC Hydro and the BCUC have relied heavily on the views of “participants” when assessing the benefits of potential “rate programs” previously under consideration. Evidence of this can be found in the BCUC’s Decision regarding the Freshet Rate where the BCUC relied on the input from participants when determining the appropriate level for “energy adder” and what the impact higher levels could have on participation and, thus, overall program benefits.³⁴ Evidence of this approach can also be

³¹ Exhibit B-8, BCUC 1.4.1

³² Exhibit B-8, BCUC 1.4.1

³³ Exhibit B-9, CEC 1.8.2

³⁴ Order G-104-20, Appendix A, page 17

found in a more recent Decision: the Incremental Energy Rate Pilot. There, the BCUC again relied upon input from potential participants when determining the appropriate level for the “energy adder” in the non-freshet months and the impact higher levels could have on participation and overall program benefits.³⁵

Furthermore, it is BCOAPO’s submission that little to no weight should be attached to comparisons of rates of disconnections between the CCF test group and “comparison groups” constructed by BC Hydro in determining the benefits of the CCF program to participating customers. As discussed in the section regarding BC Hydro’s evaluation methodology, the comparison groups used do not adequately control for the key criteria used to determine program eligibility – namely the fact the customer was experiencing a temporary financial crisis and either had limited resources to address the crisis³⁶ or had already exhausted all available financial resources. BCOAPO submits that the fact that disconnection rates and average amounts overdue for the test group declined to levels similar to those prior to the “financial crisis” as demonstrated by Figures 9 and 11³⁷ respectively, clearly show that the grant assisted participants in seeing their way through the crisis.

4.4 Analysis of Non-Participant Benefits

4.4.1 BC Hydro’s Evaluation Methodology

The Report assessed the operating cost reductions that can be attributed to the CCF Pilot Program due to:

- i) reduced lost revenue due to disconnections,
- ii) reduced cost of collection/overdue bill notifications,
- iii) reduced cost of borrowing from delayed revenues and
- iv) reduced bad debt expenses.³⁸

The primary methodology used for the evaluation was a quasi-experimental comparison as opposed to a more traditional randomized control trial. The quasi-experimental methodology

³⁵ Order G-256-20, Appendix A, pages 9-10

³⁶ As indicated by the customer’s participation in a recognized assistance program

³⁷ Exhibit B-5

³⁸ Exhibit B-5, pages 27-29 and 41-42

compares the parameters of interest from the test group (i.e., those customers receiving a CCF grant) with that of a matched control group with similar characteristics³⁹. The test group and matched control group were “matched on the following” parameters⁴⁰:

- (a) Customer housing type (single family dwellings, row houses, apartments, mobile homes and other);
- (b) Primary customer heating fuel type (electric space heat or non-electric space heat. Customers with electric space heat have significantly higher seasonal variations in annual electricity consumption);
- (c) Annual consumption;
- (d) Overdue amount as reported in the FNOD;
- (e) Billing type (regular or equal payment plan); and
- (f) Account close date (This was required for the two-year evaluation to allow for a comparison of numbers of accounts expensed as bad debt).

Recognizing that the selection criteria used for “matching” did not address issues related to income disparity and whether the members of the matched control group were also impacted by an “unplanned life event”, a Difference of Difference (DID) methodology was applied to determine if there was a difference between the test and match control groups for a given measure of interest. This methodology involves looking at the change in the parameter of interest as between before and after the event (i.e. provision of the grant) for both the test group and the control group and then evaluating whether there was a (statistically significant) difference in change.⁴¹ BC Hydro has contended that the use of the DID methodology controls for any selection bias due to the inability to select a matched control group with similar characteristics to the test group in terms of income or the occurrence of a “life event” that led to a financial crisis.⁴²

BCOAPO the use of a randomized control trial was not possible for ethical reasons: it would have meant the unconscionable withholding or delaying of the CCF grant from customers who needed financial support simply to establish a proper control group.⁴³ However, it is BCOAPO’s submission that, given the matching criteria used to develop the control group, the DID

³⁹ Exhibit B-5, pages 28-31 and Exhibit B-8, BCUC 1.12.1

⁴⁰ Exhibit B-5, pages 31 & 38

⁴¹ Exhibit B-5, pages 39-42

⁴² Exhibit B-9, BCOPA 1.21.1 and Exhibit B-8, BCUC 1.12.1

⁴³ Exhibit B-9, BCOAPO 1.6.3

methodology does not determine the change in each of the measures of interest (e.g. disconnection rates) resulting from the eligible customers receiving a grant.

Given that avoiding disconnection is the key issue the CCF is intended to address, it is notable that the matching criteria used to establish the control group did not include two of the key eligibility criteria, namely⁴⁴:

- An unexpected life event that results in a temporary financial crisis;
- Having utilized and exhausted all other financial resources, such as income, liquid assets, and other financial assistance programs.

BC Hydro has gone on record suggesting that matching based on the overdue amount approximates income and financial hardship for the matched control group.⁴⁵ However, BC Hydro has also admitted that:

- It does not have insight into a customer's financial situation and is unaware of whether a customer receiving an Important Notice is experiencing financial hardship as determined by the CCF Pilot Program eligibility criteria⁴⁶, and
- Similarly, it has no way of knowing what caused the matched customers' overdue amounts to increase to similar levels as those in the test group and, in particular, if it was an 'unexpected life event' as defined for the CCF Pilot Program⁴⁷.

Based on these admissions, BCOAPO submits that, contrary to BC Hydro's submissions on the matter, the evidence is clear that matching on overdue amounts does not result in a matched control group in terms of either income or financial hardship.

BC Hydro "is confident the DID technique limited the effect of selection bias for any event that influenced overdue amounts in the same way for both the test and matched control groups during

⁴⁴ Exhibit B-9, BCOAPO 1.18.2

⁴⁵ Exhibit B-9, BCOAPO 1.6.3

⁴⁶ Exhibit B-9, BCOAPO 1.6.1 and 1.6.2

⁴⁷ Exhibit B-9, BCSEA 1.5.2.1 and Exhibit B-8, BCUC 1.12.1

the comparison months.”⁴⁸ However, as previously noted, BC Hydro does not know if the events that led to an increase in the overdue amounts for those customers in the control group were the same as the events (i.e., life events leading to a financial crisis) that led to the overdue amounts and resulting FNODs for the test group. Similarly, BC Hydro does not know if the financial resources available to the control group’s customers to address the increase in the overdue amount were limited/exhausted to the extent they were for the test group’s customers. As a result, we submit that it is anything but evident that the DID methodology is capable of limiting the effect of selection bias due to these factors.

Furthermore, what the DID methodology compares is:

- The change in outcome (e.g., disconnection, lost revenue, etc.) for the control group’s customers as between: a) before and after the increase in the overdue bill with
- The change in outcome for the test group’s customers as between a) before to the life event led to a financial crisis and the overdue bill increase and b) after the life event occurred and the grant was given.

As a result, what the DID methodology will reveal in these circumstances is whether the change in outcome of interest is similar or different as between a) the before and after situation for customers whose financial circumstances are unknown and whose overdue bill increased (for some unknown reason) versus b) the before and after situation for customers who faced a similar overdue bill increase due to a life event and associated financial crisis and also received a grant to assist with their arrears. To the extent there is no difference in the change, all this tells the BCUC is that after receiving the grant the change in outcome for customers who had experienced a life event/financial crisis and received a CCF grant is similar to that of other customers with comparable levels of arrears but for whom neither the reason for increase in arrears nor what financial resources were available to subsequently reduce the arrears are known. It is BCOAPO’s submission that this comparison does not provide an indication of the impact of the grant has on the outcome of interest for a customer facing a financial crisis as a result of a life event with limited financial resources versus what that outcome would have been for a similar customer who did not receive a CCF grant – as this is where any benefit from the CCF Program is truly be generated.

⁴⁸ Exhibit B-9, BCSEA 1.5.2.2

It is BCOAPO's view, a more appropriate approach to evaluating the impact of the CCF Pilot Program would be to draw on the findings of the participant survey regarding the impact of the grant of the customers' ability to maintain electrical service. As noted previously, both BC Hydro and the BCUC have relied on "participant" input to determine the benefits of both the permanent Freshet Rate and Incremental Energy Rate Pilot and in BCOAPO's submission should do so in this instance as well. How such an approach could be used is addressed in the following sections that discuss the evaluation of the four potential sources of benefit noted by BC Hydro.

4.4.2 Reduced Lost Revenue Due to Disconnections

To assess whether there was a reduction in lost revenue due to a reduction in disconnections BC Hydro compared the change in disconnection rates (before and after the grant month) for the test group versus the control group and found that there were on average 0.002 more disconnections per customer from the test group than the matched control group.⁴⁹ However, the analysis found that difference was too small to have any statistical significance at either 80% or 90% confidence levels.⁵⁰ Based on that, BC Hydro concluded that the CCF Pilot did not provide economic benefits in the form of reduced revenue loss due to reduced disconnections.⁵¹

It is BCOAPO's view that, given the construction of the control group, the DID methodology does not provide measure of the impact of providing a CCF grant on the disconnection rate and the resulting reduction in lost revenues.

In the case of disconnections, what the analysis indicates is that when one compares the disconnection rates during the three to four months prior to the grant with the disconnection rates during the three to four months after the grant – the differences between the control group and the test group are not statistically significant. However, all this is really revealing is that after customers who experience a "life event" and have limited financial resources/exhausted their financial resources receive a CCF grant, the change in their disconnection rates is no different than that for other customers with similar levels of arrears but for whom their reason for their increase in arrears or their financial ability to reduce their arrears is unknown.

⁴⁹ Exhibit B-5, page 43 and Exhibit B-8, BCUC 1.12.5

⁵⁰ Exhibit B-5, page 44 and Exhibit B-8, BCUC 1.12.6

⁵¹ Exhibit B-5, page 44

In contrast, the participant survey indicates that for 89% of the customers receiving grants, the grant enabled them to maintain their electrical service (i.e., avoid disconnection).⁵² In BCOAPO's view a reasonable approach would be to use these results to estimate the impact of the CCF Program on disconnections. In our information requests⁵³, we sought to understand the impact of using a more conservative disconnection rate of 40% for the control group⁵⁴ in the post grant period in order to simulate the impact on the test group customers had been unable to maintain their electrical service. However, the response provided did not truly respond to the question. Instead, it assumed the 40% applied to both the pre and post grant months. Unfortunately, the regulatory timetable established by the BCUC in Order G-339-20 did not provide us with the opportunity to follow up and determine what the results would be if a higher disconnection rate was applied to just the four months following the grant month.

Also, BC Hydro's analysis looked at the change between the number of disconnections in the three to four-month period after the grant month versus the three to four-month period prior to the grant month. What this analysis fails to capture is the shorter term, one-time impact that disconnection could have on revenues, particularly if one was to assume that without the grant 89% of the participant would have lost electrical service (i.e., been disconnected) for at least some period of time.

Finally, 15% of the CFF Pilot test group customers had been disconnected prior to applying for the grant.⁵⁵ BCOAPO submits that one would expect this percentage to decrease as customer awareness of the program increased. Therefore, if the results of the CCF Pilot are to be used to gauge whether there is an economic benefit from a permanent program, it would be reasonable to use a percentage higher than 89% when assessing the percentage of customers for whom a CCF grant meant they avoided the loss of electrical service (i.e., disconnection).

4.4.3 Cost of Collections Notifications

In its evidence, BC Hydro stated that the DID estimator indicated there were, on average, 0.006 more FNOD letters for the Test Group than there were for the Control Group before taking the

⁵² Exhibit B-1, page 44

⁵³ Exhibit B-9, BCOAPO 1.22.7

⁵⁴ Assuming the results could be scaled up/down to provide the results for higher/lower disconnection rates

⁵⁵ Exhibit B-5, page 18.

position that this difference between the numbers was too small to have any statistical significance.⁵⁶ On the basis that there was not, according to its calculations, a statistically significant difference in the number of collections notices sent for test group and matched control group accounts, BC Hydro concluded the CCF Pilot did not provide economic benefits in the form of reduced collections notification costs⁵⁷.

BC Hydro's analysis looked at the change in collection notices issued in the three to four-month period prior to the grant versus the number issued in the three to four-month period after the grant.⁵⁸

In response to BCUC 1.4.3⁵⁹, BC Hydro acknowledged that, theoretically there may be one-time savings if a CCF grant recipient applied to the CCF Pilot Program after receiving an Important Notice rather than a FNOD. However, BC Hydro then noted that only 3% of the customers receiving grants (and not disconnected) received only an Important Notice whereas 72% received both an Important Notice and a Final Notice of Disconnection and 25% received just a Final Disconnection Notice⁶⁰. As a result, it was only of the 3% receiving only an Important Notice for which the opportunity existed for a reduction in notification costs⁶¹.

In response to BCUC 1.4.3.1 BC Hydro quantified other potential sources of benefits including these potential one-time savings. However, one would expect that as familiarity with the CCF Program increased, more customers would apply after receiving just the Important Notice and the opportunity for savings due to reduced collection notice costs would increase beyond the 3% observed in the Pilot Program. BCOAPO submits that any evaluation as to the economic benefits for a permanent CCF Program should assume that a significant portion of the 72% that applied after receiving both notices would apply after receiving just the Important Notice.

⁵⁶ Exhibit B-5, page 45

⁵⁷ Exhibit B-5, page 46

⁵⁸ Exhibit B-5, page 45 and Exhibit B-9, BCOAPO 1.26.1

⁵⁹ Exhibit B-8

⁶⁰ Exhibit B-9, BCOAPO 1.24.3.3

⁶¹ In response to BCOAPO 1.5.1 BC Hydro explained its "dunning process" and the fact that, depending upon a customer's credit worthiness, an Important Notice may be sent and followed up with a Final Notice of Disconnection if payment is not received or BC Hydro (for less credit worthy accounts) may proceed directly to issuing a Final Notice of Disconnection.

Given the significant increase in the public's awareness of the program resulting from the COVID-19 pandemic, it is our position that the response to BCUC 1.4.3.1 materially understates the potential benefits.

4.4.4 Cost of Borrowing from Delayed Revenues

When looking at the change between the three to four months prior to the grant month and the three to four months after the grant month, the general trend for the test group was a slight decrease in the overdue amount while the control group was slightly higher⁶². The DID methodology estimated a saving of \$28.66 which was statistically significant at the 90% confidence level⁶³.

Using these results, BC Hydro calculated that the CCF Pilot led to a benefit of reduced borrowings from the reduction in delayed revenues of \$143 per year.⁶⁴ Again, BCOAPO submits that, due to the construction of the matched control group, the application of the DID methodology does not reveal the true impact of the CCF Pilot had on reducing overdue amounts per the submissions in section 4.4.1 above.

As noted earlier, the participant survey conducted as part of the Year One Evaluation found that that 89% of the test group customers would have lost electrical service without the grant and 68 per cent agreed that "receiving the grant payment has improved my ability to pay my electricity bills on time". It is these facts that should be used by BC Hydro to determine the impact of the CCF Pilot on average monthly arrears. BCOAPO notes BC Hydro claims that the average monthly arrears are not a function of the number of disconnections⁶⁵. However, it seems obvious to BCOAPO that, since disconnection arise due to an inability to pay arrears, that there will be some degree of correlation between the two.

4.4.5 Bad Debt Expense

BC Hydro was unable to apply its DID methodology to assess whether the CCF grant resulted in a reduction in unpaid accounts that are closed and expensed as bad debt. Rather, for purposes

⁶² Exhibit B-5, page 46. See also Exhibit B-9, BCOAPO 1.26.2

⁶³ Exhibit B-5, page 47

⁶⁴ Exhibit B-5-1, page 48

⁶⁵ Exhibit B-9, BCOAPO 1.26.4

of the evaluation, a simple comparison between the number of bad debt cases and amounts for the test and control groups was made. This comparison showed that almost twice as many CCF Pilot grant recipients as Control Group accounts were closed and expensed as bad debts. As well as that, the CCF Pilot grant recipients had over \$5,000 more in bad debt than accounts in the Control Group. While the difference between the two groups is statistically significant, the small sample sizes (59 and 30) led BC Hydro to conclude that there is no evidence of economic benefits in the form of lower bad debt expense that result from the CCF Pilot.⁶⁶

While BC Hydro did not utilize the DID methodology, it did use the post grant month results (i.e., number of bad debt accounts and bad debt amounts) for the matched control group as the “benchmark” for determining whether the CCF grants had increased/decreased bad debt expense. However, as discussed previously⁶⁷, the selection criteria used for “matching” did not address issues related to income disparity and whether the members of the matched control group were also impacted by an “unplanned life event” – two of key eligibility criteria for the CCF Pilot. As result, the matched control group does not reflect the bad debt results that would have occurred had the customers in the test group not been able to access the CCF grant.

In its interrogatories BCOAPO asked⁶⁸: “What would have been the bad debt expense for the matched control group if the disconnection rate for the group was 0.4 and the values for the percentage of those accounts expensed as bad debt along with the average bad debt per account were the same as those provided in response to the preceding questions for all eligible customers?”⁶⁹ BC Hydro responded by saying: “In the CCF Pilot Program evaluation, there is no identified relationship between the disconnection rate and the bad debt expense. Therefore, it is not possible to determine bad debt expense from an assumed disconnection rate.” However, in the same response BC Hydro referred to BCUC 1.4.3.1 which “identifies a theoretical bad debt expense benefit using broader operational data.”⁷⁰

BCOAPO notes that the use of “broader operational data” in the form of: i) the ratio of accounts disconnected to accounts expensed as bad debt and ii) average amounts expensed as bad debt

⁶⁶ Exhibit B-5, pages 48-49

⁶⁷ See section 4.4.1 above

⁶⁸ Exhibit B-9, BCOAPO 1.29.7

⁶⁹ Again, with the view that the results could be scaled up/down to reflect higher/lower disconnection rates.

⁷⁰ Exhibit B-8

is precisely what had been requested in the original question. BCOAPO also notes that the response to BCUC 1.4.3.1 just provides an aggregate estimate as to value of savings from a number of sources, one of which was bad debt expense. There are no details provided as to level of savings attributed specifically to the reduction in bad debt expense or as to how the value for bad debt was calculated.

In our submission, this lack of detail is critical as it is required to establish the reasonableness of BC Hydro's calculations.

4.4.6 Other Potential Sources of Benefits

In its interrogatories BCUC Staff asked BC Hydro to:

“list and describe any other potential sources for analyzing the benefits of the CCF Pilot Program (other than those listed Table 9) that have been identified by BC Hydro, or that BC Hydro is aware of, and discuss why these were ultimately not included in the Evaluation Reports.”⁷¹

In its response BC Hydro provided a table which summarized the various areas where costs are incurred by BC Hydro when customers do not pay their bills on-time and identified a number of areas where additional savings could potentially be achieved. In a subsequent response, BC Hydro provided an estimate of \$187,753 as the maximum additional (theoretical) savings to non-participants.⁷²

Areas for which additional savings were calculated included⁷³:

- Labour costs of the collections team and contact centre;
- Late payment communications,
- Disconnections, and
- Bad debt expense (including collection agency commissions).

⁷¹ Exhibit B-8, BCUC 1.4.3

⁷² Exhibit B-8, BCUC 1.4.3.1

⁷³ Exhibit B-8, BCUC 1.4.3

As noted previously, BC Hydro has only provided an estimate as to the overall additional dollar savings it believes are potentially or theoretically available. It has not broken the savings down by area or indicated how the values were calculated (e.g. what the underlying assumptions were). In our submission, understanding of the associated assumptions, particularly the assumed disconnection rate in the absence of a CCF grant, is critical to determining reasonableness of the ascribed savings value of \$187,753. Without this information, we cannot see how the BCUC can make an informed determination as to the non-participant benefits attributable to the CCF Program.

4.4.7 CCF Program Costs

The Report set out both the set-up costs for the CCF Pilot Program and operating cost for the two-year period, where the latter averaged \$498,909 per annum.⁷⁴ BC Hydro also stated that it would be reasonable to estimate that future operating costs would be similar to the Year Two Actual Cost of \$439,639 shown in Table 7, assuming that ongoing application volumes are similar to those experienced in Year Two of the CCF Pilot Program⁷⁵.

In BCOAPO's submission, \$439,639 overstates the future operating costs of a CCF Program. First, the \$439,639 includes \$26,618 for program evaluation – clearly not an ongoing annual cost. Indeed, elsewhere in its interrogatory responses BC Hydro has excluded these costs from its estimate of ongoing operating costs.⁷⁶

Also, BCOAPO notes that a significant portion of the annual operating costs are considered “variable”. Indeed, over 85% of the Year Two operating costs are variable in that they are based on the number of applications received and CCF grants audited⁷⁷. Furthermore, in the second year of the Pilot there were 13,719 grant applications received but only 4,002 grants approved (after the audits).⁷⁸ However, were the CCF Pilot Program made permanent or extended, increased familiarity with the program's eligibility criteria would reduce the number of unsuccessful applications and thereby reduce the overall operating costs per successful application or grant.

⁷⁴ Exhibit B-5, pages 24-25

⁷⁵ Exhibit B-9, BCOAPO 1.15.1.2

⁷⁶ Exhibit B-9, BCSEA 1.1.2

⁷⁷ Based on total Year Two costs (net of program evaluation) of \$415,021 – per Exhibit B-5, page 25 – and variable costs for Year Two of \$355,957 – per Exhibit B-9, BCOAPO 1.15.3

⁷⁸ Exhibit B-5, page 22 and Exhibit B-9, BCOAPO 1.15.3

To stand any level of scrutiny, we submit any analysis of the economic benefits of the CCF Program should include reasonable assumptions regarding these future savings. That is not the case in the materials brought forward by BC Hydro here.

4.4.8 Overall Non-Participant Benefits/Costs

In response to interrogatories BC Hydro stated:

The Two-Year Evaluation concludes that costs of the CCF Pilot Program are greater than its benefits and therefore the CCF Pilot Program is not justified on either a cost of service or economic basis.”⁷⁹

The response then said:

The Two-Year Evaluation Report found there are negligible economic benefits, amounting to only \$143 per year (Table 21, page 50). Further, as shown in the Two-Year Evaluation Report, the annualized average of CCF grants was \$1.15 million (page 13, Table 2) and the annualized operating cost of the CCF Pilot Program was \$0.48 million (page 25, Table 7, less annualized evaluation costs of \$0.02 million), thereby resulting in a total annualized cost of \$1.63 million.

Altogether, this analysis indicates there is not a cost of service justification for the CCF Pilot Program because economic benefits are substantially less than program costs. In addition, this conclusion does not change even if operating costs could be significantly reduced nor if additional theoretical economic benefits identified in BC Hydro’s response to BCUC IR 1.4.3.1 were added to those measured in the Two-Year Evaluation Report.

As noted through the preceding sections, BCOAPO has identified significant issues with BC Hydro’s evaluation of the non-participant benefits arising from the CCF Pilot Program including:

⁷⁹ Exhibit B-9, BCSEA 1.1.2

- Concerns that the selection of the matched group used for purposes of the evaluation was unable to account for two of the critical eligibility criteria namely – i) that the customer must be facing a life crisis/temporary financial crisis and ii) the customer must have limited financial resources/exhausted all available financial resources.
- Concerns that the DID methodology employed by BC Hydro does not adequately address this deficiency and give a true picture of the impact on the test customers arrears and likely disconnection in event that the CCF grant had not been made available.
- Failure of BC Hydro to incorporate in its analysis the findings of its participant survey, particularly the fact that 89 per cent agreed that “without the grant payment, my household would have lost electricity service”.
- Failure of BC Hydro to recognize that the benefits in certain areas (e.g. lost revenues due to disconnection) will likely increase as awareness of the program increases.
- Failure of BC Hydro to provide details regarding its valuation of additional potential benefits identified during the interrogatory process.

Similarly, BCOAPO has identified a number of issues regarding the costs BC Hydro has ascribed to the CCF Pilot Program for purposes of the evaluation.

These shortcomings are sufficiently material that it prevents the BCUC from being in a position to conclusively determine whether or not a permanent CCF Program would be justified on cost of service or economic basis.

4.5 The Two-Year Period is Insufficient Timeframe to Assess the Economic or Cost of Service Justification of the CCF

In its Final Argument, BC Hydro has again taken the position that the CCF Pilot Program should terminate on May 31, 2021, because there is no economic or cost of service justification for the CCF Pilot Program based on the Two-Year evaluation Report.⁸⁰

⁸⁰ BC Hydro Final Argument, page 3

However, BCOAPO notes there have been several recent cases when the BCUC approved certain rates and programs on a permanent basis despite the fact that they were not justified on economic and cost of service basis in a short term:

1. The BC Hydro Fleet Electrification Rate, and
2. The FortisBC Energy (FEI) System Extension Fund (SEF) Program.

4.5.1 The BC Hydro Fleet Electrification Rate

When BC Hydro applied for the Fleet Electrification Rates in the BC Hydro Fleet Electrification Rate process⁸¹, the Utility used a much longer period than normal to analyze whether the two proposed rates, the Overnight Rate and Demand Transition Rate, could be justified on a cost of service and economic basis. Instead of a two-year period used in this, BC Hydro used 5, 10 and 15-year periods to assess benefits to ratepayers (i.e., an economic basis) and cost recovery for these rates (i.e., a cost of service basis).⁸²

Additionally, the evidence in the above-noted process showed that the Demand Transition Rate could not even be justified on a cost of service basis even over a 10-year period. With respect to economic justification, the ratepayer Benefit-Cost Ratio was significantly less than 1.0 (i.e., 0.74) over the first five years (F2020-F2024) and just over 1.0 (i.e., 1.04) for the ten-year period (F2020-F2029).

However, despite this evidence, the BCUC approved the Demand Transition Rate on a permanent basis.⁸³

4.5.2 The FortisBC Energy (FEI) System Extension Fund (SEF) Program

Another recent example where the BCUC approved on a permanent basis a pilot program that involved a ratepayer-wide subsidization of a small group of customers is the FEI System Extension Fund (SEF) Program⁸⁴.

⁸¹ Online < <https://www.bcuc.com/ApplicationView.aspx?ApplicationId=700>>

⁸² BC Hydro Fleet Electrification Rate, Exhibit B-1, Table 4, page 37; Table 6, page 45; Table 7, page 47

⁸³ BCUC Order G-67-20 dated March 26, 2020

⁸⁴ FortisBC Energy Inc. System Extension Fund (SEF) Pilot Program Compliance Filing and Application for Approval of the SEF on a Permanent Basis ~ Project No. 1599112 [FEI System Extension Application]; online <<https://www.bcuc.com/ApplicationView.aspx?ApplicationId=782>>

In 2016, the BCUC approved a three-year SEF pilot program with a \$1 M/year budget intended to provide homeowners not currently on the FEI system with funds to help offset some of the full cost of connecting to FEI’s natural gas system. In approving the SEF Pilot, the Panel noted that “approval of the SEF may lead to some degree of subsidization and discrimination to favour a targeted group of customers”, but, the Panel did not consider this “unduly discriminatory given the potential benefit to the overall FEI ratepayer resulting from increased throughput.”⁸⁵

In 2020, FEI applied for the SEF program to be approved on a permanent basis⁸⁶. However, FEI’s evaluation and rate impact analysis (“RIA”) showed that, over the three-year period of the Pilot, “existing FEI customers have incurred a small cost to see the SEF participants added as customers to date”.⁸⁷ FEI calculated a cumulative average rate impact of 0.01% or a \$0.08 per customer per year.⁸⁸

	RIA Results for 2017-2019 Growth Related to Customers Under SEF Program
Average Cost per GJ with Growth	\$4.1682
Average Cost per GJ without Growth	\$4.1678
Rate Impact per GJ	\$0.0004
Percentage of Rate Impact	0.01%
Average <u>Cost</u> per Customer	8 cents per customer per year

FEI asserted that “[i]t is reasonable to expect that mains that continue to generate revenues will, over the lengthy service life of the mains, be modest net contributors of benefits to customers as a whole.”⁸⁹ In the revised Final Argument FEI stated⁹⁰:

The economics will only improve – and may ultimately yield net benefits – over the long life of the mains, as the original customer continues to take service and new customers connect.

⁸⁵ Decision and Order G-147-16, page 51 [Emphasis added]; online <https://www.bcuc.com/Documents/Proceedings/2016/DOC_47597_09-16-2016_FEI_2015-System-Extension_Decision.pdf>

⁸⁶ FEI System Extension Application

⁸⁷ FEI System Extension Application, FEI Revised Final Argument, pages 10 – 11 https://www.bcuc.com/Documents/Arguments/2020/DOC_59394_2020-10-13-FEI-Revised-Final-Argument.pdf

⁸⁸ FEI System Extension Application, FEI Revised Final Argument, pages 10 – 11

⁸⁹ FEI System Extension Application, Exhibit B-5-1, BCSEA IR1 2.3 [Emphasis added]

⁹⁰ Page 1

[Emphasis added]

In other words, evaluation at the end of the Pilot period did not show that the SEF program provided an actual long-term net benefit to FEI customers, and “the potential benefits” to all customers required by Order G-147-16 have remained hypothetical.

So, despite clear evidence showing a lack of a cost of service or economic basis upon which to justify it, the SEF program was approved by the BCUC on a permanent basis after the end of its three-year Pilot program.⁹¹ Instead, the BCUC Panel noted that “there will likely be benefits from increased throughput on the FEI system.”⁹²

Regarding the cost impact to non-participating ratepayers, the Commission stated:

The evidence confirms that the costs associated with the SEF pilot have not been and are not expected to be an excessive or unreasonable burden on non-participating ratepayers. As FEI notes, a rate designed to promote equitable treatment is expected to benefit some ratepayers more than others...⁹³

4.5.3 BCOAPO's Analysis

BCOAPO acknowledges that, per section 75 of the *UCA*, the BCUC is not bound by precedent, but we submit that applying wildly different principles and standards of evaluation in similar circumstances would undermine public confidence in BCUC regulatory process.

Considering that the rates mentioned above were approved without evidence of an economic or cost of service justification in the short term, or at all, and that these rates benefit to far more economically privileged customers (i.e. transportation companies, in case of a Demand Transition Rate, and homeowners in case of the FEI SEF Program), it is difficult to posit a defensible reason why the CCF program, an emergency fund for people experiencing financial crisis, should then be cancelled – particularly when based on incomplete and flawed evidence.

⁹¹ Decision and Order G-338-20 dated December 18, 2020

⁹² Decision and Order G-338-20, page 1 [Emphasis added]

⁹³ Decision and Order G-338-20, page 9

BCOAPO also notes that under the FEI SEF Program, the subsidy to participants was increased from 50% of the connection cost to 95% with the maximum funding level of \$10,000 per customer. Additionally, the homeowners who apply for the SEF subsidy do not need to provide proof of financial need or inability to pay the full cost of the connection. In contrast, the maximum grant under the CCF Pilot is \$600 for customers with electric heat and \$500 for customers with other than electric heat, and the applicants must demonstrate that they had exhausted all legal sources of funds to pay their electricity bill.

Accordingly, BCOAPO submits that the CCF program can be approved on a permanent basis without the evidence of benefits to all residential ratepayers in short-term period. While FEI's SEF program could potentially provide benefits to non-participants through future customer additions, the CCF could potentially provide benefits to non-participants. BCOAPO also submits that a CCF Rate Rider is not an excessive or unreasonable burden on non-participating ratepayers, and is not unjust, unreasonable or unduly discriminatory under sections 59 to 61 of the UCA.

In FEI System Extension Application, the Commission also considered "equitable access to service" as one of the considerations in approving the SEF, noting that:

Ensuring such equitable access to service is desirable in ratemaking and should be weighed with other rate design principles⁹⁴

The BCUC stated that the SEF "can help reduce the cost and eliminate a financial barrier for residential ratepayers facing a higher connection cost than those ratepayers who are closer to existing gas mains."⁹⁵ In a similar way, the CCF promotes equitable access to electricity services and helps to reduce a financial barrier for residential ratepayers in temporary financial crisis facing disconnections.

BCOAPO disagrees with BC Hydro's position that "extending the analysis to include additional months of program operations... will not change the conclusions of the Two-Year Evaluation Report", and that "additional analysis at this time would be skewed by the effects of COVID-19 and not provide a meaningful assessment of the costs and benefits of the CCF Pilot Program."⁹⁶

⁹⁴ Decision and Order G-338-20, page 7

⁹⁵ Decision and Order G-338-20, page 7

⁹⁶ Exhibit B-8, BCUC 1.1.1.1

6.0 The Importance of the Current Context When Considering the CCF

With the COVID-19 pandemic approaching its first-year anniversary, there is no magic reset button that will allow us to simply go back to “normal” – at least not in a near future. The pandemic caused economic disruptions and financially impacted thousands of British Columbians, and it is not unreasonable to assume that a post-pandemic future would be different from what we knew before and that effect of economic disruption will last for years. For this reason, the additional evaluation will not be “skewed” by the effects of COVID-19 but instead will be appropriately adjusted by the effects of the pandemic and post-pandemic “new normal

What the Commission has before it now is an evaluation BC Hydro filed on July 31, 2020 based on 22 months of data: to April 30, 2020 – a time period and analysis that does not include the impacts of COVID but it is impossible to deny that it has had significant impacts, including on customer awareness of the program.

“Participation and awareness of the CCF Pilot was heightened by the end of year two with the onset of the COVID-19 pandemic. Customers seeking assistance from BC Hydro in March were directed to apply to the CCF, and BC Hydro’s announcement of the COVID-19 Relief Fund in April further helped awareness of the CCF Pilot and made April 2020 the highest month of application submissions since the beginning of the CCF Pilot. Correspondingly, total grant applications received in year two more than doubled the number received in year one.”⁹⁷

In fact, BC Hydro’s evidence shows that the majority of those increased applications are directly traceable to just March 2020 (2,300) and April 2020 (5,700)⁹⁸. In response to BCUC IR 1.2.1, BC Hydro updated Table 2 to include a third column regarding BC Hydro’s experience in March and April of 2020, and a Year to Date for Year 3 – data that spanned May 1, 2020 to October 31, 2020. This table is reproduced below:

⁹⁷ Exhibit B-5, BC Hydro Customer Crisis Fund Pilot Program Two-Year Evaluation Report, p. 26.

⁹⁸ Exhibit B-5, BC Hydro Customer Crisis Fund Pilot Program Two-Year Evaluation Report, p. 14

Table 2 Summary of CCF Grant Application Processing

Applications	Year 1 (Reported)	Year 2 May 1 to Feb 28	Year 2 Mar 1 to Apr 30	Year 3 May 1 to Oct 31	CCF Pilot Totals
Total Number of Applications Received	6,416	5,773	7,946	4,420	24,555
Average # of Applications Per Day	18	19	130	24	27
Approved Applications	2,282	2,781	1,356	1,631	8,050
Rejected Applications	3,827	2,750	3,288	2,505	12,370
Grant Reversals after Audit	170	135	0	0	305
Total Rejected Applications	3,997	2,885	3,288	2,505	12,675
Applications Closed or In Progress	137	107	3,302	284	3,830
Online	5,775	5,121	7,668	4,076	22,640
Paper	641	652	278	344	1,915
Applications Submitted With Help of 3 rd Party (includes Law Foundation Partners & Service BC)	283	190	77	56	606
Applications Submitted With Help of Other Assistance (includes Band Social Workers or friend/family)	534	369	372	287	1,562
Applications Submitted Without Help of 3 rd Party or Other Assistance	5,599	5,214	7,497	4,077	22,387
Total CCF Grants Awarded (\$)	847,518	965,110	484,924	689,004	2,986,556
Average Grant Amount (After Audit) (\$)	371	347	358	422	371

Clearly, there has been a major change in the numbers of people accessing the program and there is, at this time, no evidence on the record showing that that this trend is reversing, nor does the information we have gathered regarding the state of our economy and employment/unemployment rates.

According to Statistics Canada, British Columbia's population in Q4 of 2020 was an estimated 5,145,851 people⁹⁹ with BC's Minister of Social Development and Poverty Reduction, Minister Shane Simpson, saying in March of 2020 that – prior to the pandemic – 421,000 British

⁹⁹ Statistics Canada. Table 17-10-0009-01 Population Estimates, Quarterly
<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710000901> accessed 02/02/2021

Columbians were living in poverty¹⁰⁰ but, as we know, poverty for many of those people is not a temporary financial crisis, it is a persistent one. However, the B.C. Child and Youth Advocacy Coalition First Call's 2020 Report Card said, "The pandemic has amplified pre-existing inequities and poor children and their families have been among the worst affected."¹⁰¹ The fact that this statement encompasses the 40% of adults who live in poverty who were, before COVID-19, employed, may not be so clearly known as to constitute Judicial Notice, but it certainly satisfies the requirements of common sense, particularly in light of the ample evidence regarding the changing employment and economic situations of many Canadians, including British Columbians.

For example, the fall Economic Statement by Canada's federal government that said

The virus has disproportionately spread in low-income and racialized communities. Job and wage losses have been higher among young people, low-income workers, people living with disabilities, and women. Mothers with small children, racialized and newcomer women and the women who often take on the additional burden of unpaid care work, also have reduced access to community services and supports. Lower-wage workers, who were already vulnerable to income shocks given lower savings and reduced access to credit, also lost jobs in disproportionate numbers.¹⁰²

We also have the following stark figures provided by WorkBC, comparing the unemployment rates in various areas of BC in December of 2020 versus the same (pre-COVID) period in 2019.¹⁰³

¹⁰⁰ Ministry of Social Development and Poverty Reduction, *Minister's Statement on Income Survey on February 26, 2020 (2020)*.

¹⁰¹ First Call BC Child and Youth Advocacy Coalition. 2020 BC Child Poverty Report Card. December 2020, p.4. https://firstcallbc.org/wordpress/wp-content/uploads/2020/12/First_Call_Report_Card_2020_Dec_web_final.pdf

¹⁰² Supporting Canadians and Fighting Covid-19 Fall Economic Statement 2020, <https://www.budget.gc.ca/fes-eea/2020/report-rapport/toc-tdm-en.html>

¹⁰³ WorkBC. Labour Market Snapshots, December 2020, <<https://www.workbc.ca/labour-market-industry/b-c-s-economy/labour-market-snapshots.aspx>> accessed 02/02/2021

Unemployment rate (%)	December 2020	vs	December 2019
Cariboo	9.3%		6.8%
Kootenay	6.6%		4.2%
Mainland / Southwest	7.1%		4.5%
Abbotsford	8.4%		4.9%
Mission	8.4%		4.9%
Vancouver	7.4%		4.8%
North Coast & Nechako	5.6%		3.9%
Northeast	4.3%		5.1%
Thompson-Okanagan	7.7%		5.0%
Kelowna	4.5%		4.1%
Vancouver Island / Coast	7.3%		4.6%
Victoria	5.8%		3.4%

Source: Monthly Labour Force Survey, 3-month moving average, seasonally unadjusted

And Statistics Canada has also generated useful, if grim, comparisons¹⁰⁴:

Geography ¹	Labour force characteristics	December 2019	November 2020	December 2020	December 2019 to December 2020	November 2020 to December 2020	November 2020 to December 2020	December 2019 to December 2020
British Columbia(map)		Persons			Percentage change			
	Population (x 1,000) ¹	4,273.1	4,317.5	4,319.2	46.1	1.7	0.0	1.1
	Labour force (x 1,000) ²	2,781.2	2,798.9	2,798.2	17.0	-0.7	-0.0	0.6
	Employment (x 1,000) ³	2,647.1	2,595.4	2,596.8	-50.3	1.4	0.1	-1.9
	Full-time employment (x 1,000) ⁴	2,084.6	2,024.7	2,045.9	-38.7	21.2	1.0	-1.9
	Part-time employment (x 1,000) ⁵	562.4	570.7	550.9	-11.5	-19.8	-3.5	-2.0
	Unemployment (x 1,000) ¹¹	134.1	203.5	201.4	67.3	-2.1	-1.0	50.2
		Percentage			Percentage change			
	Unemployment rate ¹²	4.8	7.3	7.2	2.4	-0.1

¹⁰⁴ Statistics Canada. Table 14-10-0287-03 Labour force characteristics by province, monthly, seasonally adjusted <<https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1410028703>> accessed 02/02/2021.

In light of this reality, when not only those who were already living in poverty are suffering disproportionately from the negative economic impacts of COVID-19, but we have a large number of people who are facing the economic impacts of job loss.

The BC Utilities Commission, BC Hydro, and those of us representing intervener groups as counsel are a highly privileged population. We have jobs that we have been able to continue during the pandemic and the economic stability that confers and, while sweeping generalizations are ill-advised, it is safe to say that the majority of us within these groups will fall under one or more of the following privileged categories less likely to be impacted by COVID: older, middle income or higher, white, male, Canadian citizens, and able to access reliable childcare when needed. At this point, we feel compelled to note that this cannot reasonably be characterized as an exhaustive list of those populations more vulnerable to the negative impacts of COVID-19: it is simply one that mirrors those areas identified by the Federal Government in its Fall Economic Statement, referenced above.

So, as a group who have the rights, benefits, immunities and/or unearned societal advantages of some, if not all, of the above noted areas of privilege it is fair to say that collectively we may be a group more likely to fail to appreciate the depth and breadth of the negative impacts COVID-19 has had on those less privileged than themselves and as such we should be guided by the voices of those who are “in the know”: those who have accessed the CCF itself.

In our submissions, we have outlined the bases upon which we recommend this Panel rely to deny BC Hydro’s application and to either approve the CCF on a permanent basis, or to extend it. However, there is one last consideration we wish to raise: based on the Honourable Minister Mungall’s February 21, 2020 Mandate Letter, the CCF is clearly in alignment with our provincial government’s priorities. The mandate letter directed BC Hydro to “make life more affordable, deliver services people can count on, and build a strong and sustainable economy that supports jobs throughout the Province,” while not, in our submission, offending the boundaries of what is “practical and realistic in a B.C. context and in our fiscal environment, and judiciously managing affordability pressures...”¹⁰⁵ And, the Honourable Minister Mungall made clear her expectations that BC Hydro would “make substantive progress on the following priorities and incorporate them

¹⁰⁵ Ministry of Energy, Mines and Petroleum Resources, 2019-2020 Mandate Letter, Minister of Energy, Mines and Petroleum Resources, 2019 at p. 1. <
<https://www.bchydro.com/content/dam/BCHydro/customer-portal/documents/corporate/accountability-reports/openness-accountability/bch-mandate-letter-2019-2020.pdf>>

in the goals, objectives and performance measures included in your Service Plan: ... Continue delivering affordability measures, including demand-side management programs targeted to low-income ratepayers, and any other measures that may be identified through development of BC's Poverty Reduction Strategy.¹⁰⁶

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Sincerely,

BC PUBLIC INTEREST ADVOCACY CENTRE

Original on file signed by.

Original on file signed by.

Leigha Worth
Executive Director | General Counsel

Irina Mis
Barrister & Solicitor

¹⁰⁶ *Ibid.* at p. 3.