

June 22, 2016

VIA EMAIL

Laurel Ross
Acting Commission Secretary
BC Utilities Commission
6th Floor 900 Howe Street
Vancouver, BC V6Z 2N3



Reply to: Sarah Khan
skhan@bcpiac.com
Ph: 604-687-4134

Our file: 7615

Dear Ms. Ross:

**Re: BC Hydro 2015 Rate Design Application Module 1
Information Request Responses of BCOAPO *et al.***

We write to file responses to the following parties' Information Requests to BCOAPO in the above noted proceeding:

1. British Columbia Utilities Commission (BCUC)
2. BC Hydro and Power Authority (BC Hydro)
3. BC Sustainable Energy Association and Sierra Club of BC (BCSEA)
4. Commercial Energy Consumers Association of British Columbia (CEC)
5. Movement of United Professionals (MoveUp)
6. Zone II Ratepayers Group (Zone II)

Please note that some of our responses contain links to various documents. We have indicated when links are replicated elsewhere in the responses.

Please let us know if you have any questions.

Sincerely,

BC Public Interest Advocacy Centre

Sarah Khan & Erin Pritchard
Barristers and Solicitors

c. Tom Loski, Chief Regulatory Officer, BC Hydro
Registered participants

Encl.

British Columbia Old Age Pensioners Organization *et al.*
Responses to Commercial Energy Consumers Association of British Columbia
Information Request No. 1 on BCOAPO Evidence

June 22, 2016

British Columbia Hydro and Power Authority
2015 Rate Design Application
Project No. 6398781

EVIDENCE OF MR. ROGER COLTON

1. Reference: Exhibit C2-12, Pages 1 and 2, Expert Evidence of Mr. Roger Colton

A. I work primarily on low-income utility issues. This involves regulatory work on rate and customer service issues, as well as research into low-income usage, payment patterns, and affordability programs. At present, I am working on various projects in the states of Rhode Island, New York, Maryland, Pennsylvania, Michigan, Wisconsin, Illinois, Iowa and California, as well as in various Canadian provinces. My clients include state agencies (e.g., Pennsylvania Office of Consumer Advocate, Maryland Office of People's Counsel, Iowa Department of Human Rights), federal agencies (e.g., the U.S. Department of Health and Human Services), community-based organizations (e.g., Energy Outreach Colorado, Natural Resources Defense Council, Advocacy Centre for Tenants Ontario), and private utilities (e.g., Unitol Corporation d/b/a Fitchburg Gas and Electric Company, Entergy Services, Xcel Energy d/b/a Public Service of Colorado). In addition to state- and utility-specific work, I engage in national work throughout the United States. For

1.1. Please describe the current projects being undertaken in Canada, and specify the jurisdiction.

RESPONSE

Currently, Mr. Colton is working on the following projects in Canada:

- Ongoing consultation with the Low-Income Energy Network (LIEN) regarding the Ontario Electric Support Program (OESP), Ontario;
- Ongoing consultation with Green Action Centre regarding low income rate affordability, Manitoba; and
- Consultation with BCOAPO regarding BC Hydro rate design, British Columbia.

1.2. Please provide Mr. Colton’s views on what circumstances create the need for an Essential Services Usage Block, and whether or not they are more or less prevalent in BC Hydro territory than elsewhere.

RESPONSE

The need for an Essential Services Usage Block occurs under circumstances described in Mr. Colton’s Direct Testimony (lack of cost reflectivity for low use customers, providing meaningful assistance without imposing an unreasonable burden on non-participating ratepayers, and improving the efficient operations of BC Hydro) and in Mr. Klein’s Direct Testimony (social need). Mr. Colton has not undertaken a comparative review of the “circumstances [that] create the need for an Essential Services Usage Block” in British Columbia relative to those same circumstances in other Canadian jurisdictions.

1.3. Under what conditions would it not be appropriate to provide an Essential Services Usage block? Please discuss.

RESPONSE

It would be inappropriate to provide an Essential Services Usage Block if those circumstances identified in the Direct Testimony of Roger Colton and/or Seth Klein did not exist.

1.4. Please confirm that if sufficient social services were available from government or other organizations to enable all residents to meet basic health and safety needs, it would not be necessary for a utility to provide an “Essential Services” service.

RESPONSE

Not confirmed. The justification of the proposed Essential Services Usage Block is not predicated on the lack of “sufficient social services.”

2. Reference: Exhibit C2-12, Page 4

- First, I examine the reasonableness of an Essential Services usage block within the BC Hydro Step 1 rates. I consider the regulatory justification for such a proposal and offer an administrative structure;
- Second, I examine the need for and justification of establishing and funding a crisis intervention fund;
- Third, I examine the role of considering low-income DSM within the context of the Company's Rate Design Application; and
- Finally, I examine the reasonableness of a series of proposed low-income Terms and Conditions.

2.1. Does Mr. Colton consider alternatives for addressing the need for Essential Services outside the utility, such as through improvements to government assistance or other social measures?

RESPONSE

Please see BCOAPO's response to CEC IR 1.4.

2.1.1. If yes, please discuss the steps Mr. Colton takes to identify such alternatives.

RESPONSE

Please see BCOAPO's response to CEC IR 2.1.

2.1.2. If yes, please discuss the alternatives Mr. Colton considered to a BC Hydro rate.

RESPONSE

Please see BCOAPO's response to CEC IR 2.1.

2.1.3. If yes, please discuss the analysis Mr. Colton takes to assess the alternatives.

RESPONSE

Please see BCOAPO's response to CEC IR 2.1.

2.1.4. If not, please explain why not.

RESPONSE

Please see BCOAPO's response to CEC IR 1.4.

2.2. Please provide a jurisdictional comparison of Essential Services Usage rates in Canada, including rates and basic terms and conditions.

RESPONSE

Mr. Colton has not undertaken such a review. For a summary of BC Hydro's jurisdictional comparison of low income rates and low income terms and conditions, please see section 2.2.2 of BC Hydro's Workshop 9a/9b consideration memo (Exhibit B-1, Appendix C-3B), page 19) and Exhibit B-1, BC Hydro's 2015 Rate Design Application, at sections 5.4 (page 5-58 to 5-61) and 8.6.1 (page 8-23). A full copy of BC Hydro's low income rate jurisdictional review is found at Exhibit B-1, Appendix C-3D (page 23-51). Please also see Attachment 1 to BC Hydro's response to BCOAPO IR 1.192.1 (page 7, Table 1) for a jurisdictional comparison of low income terms and conditions.

3. Reference: Exhibit C2-12, Page 5

The data shows that usage for low-income customers is substantially lower. At each decile of consumption,³ low-income customers have lower consumption than residential customers overall. As consumption decreases, the divergence between low-income customers and residential customers as a whole becomes bigger. The Company's data is presented in Schedule RDC-1 (page 1 of 2).⁴

3.1. Is it reasonable to expect that higher income customers are likely to have more energy-using devices than lower income customers? Please explain why or why not.

RESPONSE

Yes. A greater number of energy-using devices is typically associated with larger homes. Moreover, a greater number of energy-using devices is typically associated with the ability to pay for such devices.

4. Reference: Exhibit C2-12, Pages 6 to 7

As can be seen in the data presented in Schedule RDC-1, with the exception of low-income customers living in single-family detached housing, low-income customers consistently have consumption between the third and fourth deciles of residential consumption. Low-income apartment dwellers have consumption between the 10th and 20th percentiles. This is significant given the large proportion of low-income customers who live in apartments. As the Company reports, while there are 78,442 low-income apartment dwellers (BCOAPO 1.69.4(a)), there are only 55,325 low-income households living in single-family detached housing units. (BCOAPO 1.69.4(b)). This low-income penetration of apartments differs sharply from the residential population as a whole.

- 4.1. Please confirm that income does not always relate to wealth, or ability to afford service, such as might be found with a retired individual with low income but significant assets such as a house or apartment.

RESPONSE

Mr. Colton confirms that income does not always relate to wealth. Mr. Colton does not confirm that wealth always relates to ability to afford service.

- 4.1.1. If not confirmed, please explain why not.

RESPONSE

The presence of assets is an inappropriate test to use for “ability to afford service.” Mr. Colton’s discussion of the use of “asset tests” for energy assistance can be found in *Owning up to the Problems: Limiting the Use of an Assets Test for Determining Home Energy Assistance Eligibility*, online: Fisher, Sheehan & Colton Public Finance & General Economics http://www.fsconline.com/downloads/Papers/2013%2004%20Assets_Test_for_LIHEAP.pdf.

5. Reference: Exhibit C2-12, Page 7

A. No. Let me set aside for the moment the observation that the Company's continuing move toward a higher percentage of customer costs (BCOAPO 1.67.4) collected through an unavoidable fixed charge (compare BCOAPO 1.67.1 to BCOAPO 1.67.3) makes it more difficult, by definition, to reduce bills through usage reduction. The Company readily concedes that low usage is associated with greater non-responsiveness to price changes. The Company states that its RIB design assumptions include that "customers with a higher level of consumption tend to have a higher responsiveness to price." (BCOAPO 1.61.1).

5.1. Is it reasonable to consider that lower response to price changes in low usage customers may be because their usage is already at the lowest threshold possible for adequate comfort? Please explain why or why not.

RESPONSE

No. An assertion that "usage is already at the lowest threshold possible for adequate comfort" assumes homogeneity within the low income population that is known not to exist. Moreover, as Mr. Colton stated in his Direct Testimony:

"BC Hydro states that it 'is not aware of a commonly-accepted definition of what constitutes essential needs in a non-electric space heating household.' (BCOAPO 1.76.1, internal quotation marks omitted). The Company does not have an opinion about, or any information on, what usage amounts or end uses would exceed essential needs (BCOAPO 1.77.1). Nor does the Company have an opinion about, or any information on, whether the level of essential needs varies by income (BCOAPO 1.78.1)." (Exhibit C2-12, Direct Testimony of Roger Colton, page 14, lines 13-18 (PDF page 19/341)).

6. Reference: Exhibit C2-12

While the single family detached dwelling units more frequently have, at least on occasion, usage in the Step 2 usage block, low-income households are substantially under-represented in this cost segment. Not only do fewer low-income customers live in single family detached dwellings, but fewer low-income customers who live in single-family detached dwellings have usage that, even occasionally, let alone generally, reaches into the Step 2 block.

- 6.1. Please confirm that residents who are not exposed to Step 2 rates ultimately experience a lower price of electricity than those who are exposed to the Step 2 Rate.

RESPONSE

Not confirmed.

- 6.1.1. If not confirmed, please explain why not.

RESPONSE

Please see BCOAPO's response to BCUC IR 21.1.

7. Reference: Exhibit C2-12

Q. HOW DO PRINCIPLES OF AFFORDABILITY AFFECT YOUR ANALYSIS?

A. Affordability is certainly an underlying issue with the provision of an Essential Services usage block. My conclusions are supported in part by the observation that, in the absence of an Essential Services usage block, BC Hydro is increasing rates to households for whom service is already unaffordable (as documented by BCOAPO witness Seth Klein); who lack the ability to mitigate those rate increases through usage reduction; and who are facing the higher rates even though they impose lower costs on the Company. The proposal for an Essential Services usage block, however, is not based exclusively on affordability concerns. It is a mechanism through which BC Hydro can simultaneously address affordability concerns, improve cost reflectivity in rates, and improve the efficiency of its operations and reduce overall operating costs.

7.1. Please explain how the Essential Services usage block would improve the efficiency of BC Hydro operations.

RESPONSE

The Essential Services Usage Block improves the effectiveness and efficiency of BC Hydro operations by providing a more cost-effective response to nonpayment. See:

- Roger Colton, *Water Bill Affordability for the City of Philadelphia*, online: City of Philadelphia <http://www.phila.gov/water/rateboard/PDF/CityInformationRequestsSet%20I.pdf> (Also cited in BCOAPO's response to BCUC IR 12.2.)
- Roger Colton, "Final Evaluation of the Xcel Energy PEAP Program." (2012). Available at: http://bcpiac.com/wp-content/uploads/2016/06/Colton_Presentation_Xcel-Energy_Feb-2012.pdf (Also cited in BCOAPO's response to BCUC IR 12.2.)
- Roger Colton, *Public Service Company of Colorado's (PSCo) Pilot Energy Assistance Program (PEAP) and Electric Assistance Program (EAP): 2011 Final Evaluation Report*, online: Fisher, Sheehan & Colton Public Finance & General Economics http://www.fsconline.com/downloads/Papers/2012%2002%20Xcel_PEAP_Evaluation.pdf (Also cited in BCOAPO's response to BCUC IR 12.2.)

- Roger Colton, *An Outcome Evaluation of Indiana's Low-Income Rate Affordability Programs*, online: Fisher, Sheehan & Colton Public Finance & General Economics
<http://www.fsconline.com/downloads/Papers/2007%2007%20IN%20Outcome%20Evaluation-final.pdf> (Also cited in BCOAPO's response to BCUC IR 12.2.)
 - BCOAPO's response to BCUC IR 12.2 – Attachment 1
 - BCOAPO's response to BC Hydro IR 19.2 – Attachment 1
- 7.2. Please explain how the Essential Services usage block would reduce overall operating costs, and provide quantification of the savings that would accrue.

RESPONSE

Please see BCOAPO's response to CEC IR 7.1. See also: BCOAPO's response to BC Hydro IR 19.2.

8. Reference: Exhibit C2-12

Q. WHAT DO YOU PROPOSE FOR LOW-INCOME, LOW-USE CUSTOMERS?

A. I propose that a limited low-use Essential Services block of electricity be available to income-qualified customers. The Essential Services usage block should be available to customers confirmed as having income at or below 100% of the Pre-Tax Low-Income Cutoff (LICO-PT).⁹ I recommend that BC Hydro not engage in its own income qualification for the Essential Services usage block. Instead, BC Hydro should accept the income qualifications of designated federal and provincial social assistance programs. BC Hydro need not know the precise income of the customer; instead, income qualification is a yes/no toggle. The relevant third party need only confirm that a customer is (or is not) income qualified under the LICO-PT decision-rule. I will discuss the administration of this income qualification process in greater detail below.

- 8.1. Please confirm that income does not always relate to wealth, or ability to afford service, such as might be found with a retired individual with low income but significant assets such as a house or apartment.

RESPONSE

This request appears to be a duplicate of a prior question. Please see BCOAPO's responses to CEC IRs 4.1 and 4.1.1.

8.1.1. If not confirmed, please explain why not.

RESPONSE

Please see BCOAPO's responses to CEC IRs 4.1 and 4.1.1.

9. Reference: Exhibit C2-12, Page 14

Q. DO YOU APPLY ANY OBJECTIVE TESTS TO DETERMINE THE SIZE OF THE ESSENTIAL SERVICES USAGE BLOCK AND THE DEPTH OF THE DISCOUNT TO BE OFFERED?

A. Yes. There are two principles that I have applied in my determination of the size of the Essential Services usage block and the depth of the discount. First, the block size and discount should be sufficient to provide meaningful assistance to low-income customers taking service under this rate. Second, the cost of providing the level of discount should not impose an unreasonable burden on residential ratepayers not taking service under the Essential Services usage block.

9.1. Please confirm that none of the costs from the propose Essential Services usage block would be absorbed by non-residential customers.

RESPONSE

Confirmed.

9.1.1. If not confirmed, please explain and provide quantification of how the proposed Essential Services would impact non-residential customers of BC Hydro.

RESPONSE

Please see BCOAPO's response to CEC IR 9.1.

10. Reference: Exhibit C2-12, Page 14

Q. HAS BC HYDRO EVER DETERMINED WHAT LEVEL OF USAGE IS NEEDED TO PROVIDE ESSENTIAL RESIDENTIAL SERVICE?

A. No. BC Hydro states that it “is not aware of a commonly-accepted definition of what constitutes essential needs in a non-electric space heating household.” (BCOAPO 1.76.1, internal quotation marks omitted). The Company does not have an opinion about, or any information on, what usage amounts or end uses would exceed essential needs. (BCOAPO 1.77.1). Nor does the Company have an opinion about, or any information on, whether the level of essential needs varies by income. (BCOAPO 1.78.1).

10.1. Is Mr. Colton aware of, or has Mr. Colton compiled himself, usage-based evidence as to what may be considered a lower bound of electricity consumption per person or per household necessary for retaining basic health and welfare?

RESPONSE

No.

10.1.1. If yes, please provide the evidence and its sources.

RESPONSE

Please see BCOAPO’s response to CEC IR 10.1.

11. Reference: Exhibit C2-12, Pages 14 and 15

Q. WHAT LEVEL OF CONSUMPTION DO YOU RECOMMEND FOR A RESIDENTIAL ESSENTIAL SERVICES USAGE BLOCK?

A. I recommend that the Essential Services usage block be set at 400 kWh a month, 4,800 kWh per year. I accept the Company’s representation that for all of the Residential rates,

Q. IS AN ESSENTIAL SERVICES USAGE BLOCK CONSISTENT WITH HOW BC HYDRO HAS PREVIOUSLY DEFINED “LOW USAGE”?

A. Yes. The Company defines “low usage” as being roughly 400 kWh per month. (2015 Rate Design Application, at Appendix C-3B, page 126 of 609). At that point, the Company reports that its definition of “low-use” varies between 370 kWh per month and 380 kWh per month.

Q. PLEASE EXPLAIN THE BASIS FOR YOUR DETERMINATION OF THE SIZE OF AN ESSENTIAL SERVICES USAGE BLOCK.

A. My recommended Essential Services usage block is just below the low-income median consumption of 5,298 kWh per year. (BCOAPO 1.58.3). There is a series of balancing decisions I have made in reaching the conclusion that this level is appropriate. First, I agree with the Company that using an “average” (either mean or median) number for purposes of setting a coverage is *inappropriate* for purposes of making certain coverage decisions in all circumstances. Using either the mean or median (referring to either as the “average”) would result in an erroneous decision for half of the accounts. Instead, a decision rule set at the 80th percentile, according to BC Hydro, is a more appropriate

11.1. Why did Mr. Colton not recommend 375 hours as the Essential Services block threshold when the definition of low use varies between 370 kWh/mo and 380 kWh/mo?

RESPONSE

Please see BCOAPO’s response to BCSEA IRs 3.1 and 3.3.

11.2. Please confirm that the recommended Essential Services block is based on historical ‘low usage figure’ and that there is no basis or evidence of essential usage requirements such as basic annual requirements for light, cooking, heating etc.

RESPONSE

BCOAPO confirms that the basis for the Essential Services Usage Block does not (and is not intended to) reflect “basic annual requirements for light, cooking, heating, etc.”

The Essential Services Usage Block is not intended to provide a social subsidy to such “basic annual requirements.” Instead, the basis for the Essential Services Usage Block involves the foundations set forth in Mr. Colton’s Direct Testimony at page 5, line 1 through page 13, line 8 (Exhibit C2-12, PDF pages 10-18/341).

11.2.1. If not confirmed, please provide the essential usage requirements evidence on which the block is based.

RESPONSE

Please see BCOAPO’s response to CEC IR 11.2.

12. Reference: Exhibit C2-12, Page 18 and Appendix B

In fact, efficiency of operations extends to all elements of the Company’s provision of service. One aspect of the Company’s operations is the collection of the revenue which it bills. Time and again, third party evaluations have documented that reducing the bills to low-income customers results in an improved revenue collection. I have attached, as Appendix B, a list of third party evaluations of low-income programs prepared over the past thirty years. I do not offer the Essential Services usage block explicitly (or

Items for which Electronic Copies Exist	Date Report Published	Jurisdiction of Program Subject to Evaluation	Utility/Program	Consultant Preparing Evaluation Report	Report Title
Reports for which electronic copies do not exist:	1986	Minnesota	State	NCLC	Evaluation of Minnesota Fair Share Pilot Program.
	1985	Ohio	State	Tractell, Inc.	A Study of the Commission's Procedural Determination of Customer Payment Options Pursuant to the Investigation into the Long-Term Solutions Concerning Disconnection of Gas and Electric Service in Winter Emergencies.
	1988	Illinois	State	Brenda Griffin	IRAPP: Preliminary Evaluation of the Illinois Residential Affordable Payment Program.
	1989	Montana	State	Thomas Schneider	Evaluation of Ravalli County Percentage of Income Payment Plan (PIPP) Pilot Project.
	1992	Pennsylvania	State	Pennsylvania PUC, Bureau of Consumer Services	Final Report on Investigation into the Control of Uncollectible Balances (Vol. 1 and Vol. 2).
1.	Dec-87	Rhode Island	State	Nora Barnes	A Study of Client Satisfaction: Rhode Island Percentage of Income Payment Plan

12.1. Please identify those reports which analyze, with quantification, the improvement in revenue collections that are experienced, and the offset to the program costs.

RESPONSE

See, for example:

- Roger Colton, *Public Service Company of Colorado's (PSCo) Pilot Energy Assistance Program (PEAP) and Electric Assistance Program (EAP): 2011 Final Evaluation Report*, online: Fisher, Sheehan & Colton Public Finance & General Economics
[http://www.fsconline.com/downloads/Papers/2012%2002%20Xcel PEAP Evaluation .pdf](http://www.fsconline.com/downloads/Papers/2012%2002%20Xcel%20PEAP%20Evaluation.pdf) (Also cited in BCOAPO's response to BCUC IR 12.2.)
- Roger Colton, "Water Affordability in Philadelphia: Comparing the Tiered Discount and Percentage of Income-Based Bill Affordability Proposals." (2015). Available at: [http://bcpiac.com/wp-content/uploads/2016/06/Colton Water Affordability Philadelphia October-2015.pdf](http://bcpiac.com/wp-content/uploads/2016/06/Colton%20Water%20Affordability%20Philadelphia%20October-2015.pdf) (Also cited in BCOAPO's response to BCUC IR 12.2.)
- Roger Colton, *An Outcome Evaluation of Indiana's Low-Income Rate Affordability Programs*, online: Fisher, Sheehan & Colton Public Finance & General Economics
[http://www.fsconline.com/downloads/Papers/2007%2007%20IN%20Outcome %20Evaluation-final.pdf](http://www.fsconline.com/downloads/Papers/2007%2007%20IN%20Outcome%20Evaluation-final.pdf) (Also cited in BCOAPO's response to BCUC IR 12.2.)
- Roger Colton, *Water Bill Affordability for the City of Philadelphia*, online: City of Philadelphia
<http://www.phila.gov/water/rateboard/PDF/CityInformationRequestsSet%20I.pdf> (Also cited in BCOAPO's response to BCUC IR 12.2.)

12.2. Please provide examples, with quantification, of the improved revenue collections referenced above.

RESPONSE

Please see BCOAPO's response to CEC IR 12.1.

12.3. Please explain whether or not BC Hydro can expect to receive these revenue collection improvements and provide quantification as to the proportion of costs that will be offset.

RESPONSE

This calculation has not been performed for BC Hydro. Moreover, the Essential Services Usage Block is not set forth solely as a response to inability-to-pay; but rather, as a means to, among other things, improve cost-reflectivity. See Mr. Colton's Direct Testimony, at page 5, line 1 through page 13, line 8 (Exhibit C2-12, PDF pages 10-18/341).

12.4. Are there any reports which indicate that reducing bills to low-income customers has not resulted in an improvement in revenue collections?

RESPONSE

Mr. Colton is not aware of any such reports.

12.4.1. If yes, please identify those reports.

RESPONSE

Please see BCOAPO's response to CEC IR 12.4.

13.Reference: Exhibit C2-12, Page 18

past thirty years. I do not offer the Essential Services usage block explicitly (or exclusively) as a low-income "affordability" program, but rather as an appropriate response to the imposition of unavoidable increased bills on low-use, low-income customers in circumstances in which those low-use, low-income customers contribute fewer (not more) costs on the system. However, these evaluations provide empirical support for the proposition that adopting an Essential Services usage block will allow the Commission to ensure that BC Hydro will "increase efficiency, decrease costs and enhance performance" as required by the UCA by improving bill collection and reducing the costs of low-income nonpayment.

13.1. Would Mr. Colton agree that the cost-causation principle would suggest it is reasonable for all customers who contribute fewer costs to the system to pay lower bills, not just low-income customers? Please explain why or why not.

RESPONSE

Yes. The justification for an income-targeted Essential Services Usage Block is predicated, in part, on the synergistic impacts of this proposal, Mr. Colton's DSM proposals, and Mr. Colton's Terms and Conditions recommendations.

13.2. How would Mr. Colton's view of the Essential Services usage block change if he were explicitly and exclusively offering it as a 'low-income affordability program'? Please explain and provide details of the issues that Mr. Colton would consider and how they might be resolved differently.

RESPONSE

If Mr. Colton were seeking to design a low income affordability program as a stand-alone low income affordability program, he would take into account those factors and program design elements in his presentation to the 2016 annual National Energy Utility and Affordability Conference ("NEUAC") in a session titled "How to Successfully Implement a Low-Income Rate and Why" (online: National Energy & Utility Affordability

Coalition <http://neuac.org/wp-content/uploads/2016/06/2F-Roger-Colton.pdf>) (also cited in BCOAPO's response to BC Hydro IR 20.1.1).

See also: Mr. Colton's report entitled *Public Service Company of Colorado's (PSCo) Pilot Energy Assistance Program (PEAP) and Electric Assistance Program (EAP): 2011 Final Evaluation Report* (also cited in BCOAPO's response to BCUC IR 12.2). See also BCOAPO's response to Zone II IR 2.3.

14.Reference: Exhibit B2-12, Page 24

Bill reductions achieved through the Essential Services usage block discount would have the same effect. Unlike BC Hydro's focus on uncollectibles (BCOAPO 1.118.1), for example, one major source of cost reduction involves the reduction of the working capital associated with reduced arrears. Working capital reductions would occur whether or not the customer could "avoid arrears altogether" and even "if the customer continued to have arrears but the outstanding balance was lower." (BCOAPO 1.118.1). The Company acknowledges that improved collections would reduce its revenue requirement. (BCOAPO 1.127(a) – (e)). To the extent that the Essential Services usage block discount results in a reduced revenue requirement, that reduced revenue requirement would be identified in the Company's next base rate proceeding and would reduce rates to all customers. Accordingly, as I discuss above, pursuing such results is consistent with the Commission's obligations to consider efficiencies, enhanced performance, and decreased costs, under the UCA, section 60, subsection 60.1(b).

- 14.1. Please provide the appropriate calculation for the reduction of the working capital associated with reduced arrears.

RESPONSE

This calculation has not been performed by BC Hydro.

- 14.2. Please provide quantification for the saving association with the reduction of the working capital.

RESPONSE

Please see BCOAPO's response to CEC IR 14.1.

- 14.3. Please provide an estimate for the reduction that might be experienced in collection expenses that would be passed on to all ratepayers.

RESPONSE

Please see BCOAPO's response to CEC IR 14.1.

15.Reference: Exhibit C2-12, Pages 23 and 26

In light of this explanation, my calculation of the cost of providing a four cent discount on 400 kWh is set forth in Schedule RDC-2. The total cost of providing the \$0.04 discount on 400 kWh will not exceed \$26,912,049.¹³ For the reasons I explain above, even though the usage has been considerably disaggregated, to the extent that the median consumption in any of the cells that I use involves a blending of usage above and below the Essential Services usage block ceiling, there may be some limited degree of cost over-estimation.

Usage Decile	Annual Median Use	Annual Cost Over All kWh	Monthly Cost Over All kWh
1	2,556	\$3.94	\$ 0.33
2	3,821	\$5.88	\$ 0.49
3	5,063	\$7.80	\$ 0.65
4	6,236	\$9.60	\$ 0.80
5	7,454	\$11.48	\$ 0.96
6	8,769	\$13.50	\$ 1.13
7	10,575	\$16.29	\$ 1.36
8	12,742	\$19.62	\$ 1.64
9	16,392	\$25.24	\$ 2.10
10	160,885	\$247.76	\$ 20.65

15.1. Please provide the average percentage increase for each usage decile.

RESPONSE

The percentage increase in bills at existing and proposed rates would be as follows:

Usage Decile	Usage	Proposed Rate	Existing Rates
10	2,556	1.4%	1.5%
20	3,821	1.5%	1.6%
30	5,063	1.6%	1.7%
40	6,236	1.6%	1.7%
50	7,454	1.7%	1.7%
60	8,769	1.6%	1.7%
70	10,575	1.5%	1.6%

80	12,742	1.5%	1.6%
90	16,392	1.4%	1.5%
100	160,885	1.3%	1.3%

16. Reference: Exhibit C2-12, Page 27

kWh. The total program costs and cost per kWh under the two cost-recovery scenarios that I retained would be as follows:

Scenario	Gross Program Cost	Total Residential Usage	Tier 2 Usage
400 kWh / \$0.03 discount	\$20,184,037	\$0.00115	\$0.00276
350 kWh / \$0.04 discount	\$25,030,978	\$0.00143	\$0.00343
350 kWh / \$0.03 discount	\$18,773,233	\$0.00107	\$0.00257

I conclude that within the context of the two principles I established (providing meaningful assistance without an unreasonable burden), the 400 kWh Essential Services usage block with a four cent (\$0.04) discount is most reasonable.¹⁵

16.1. Please provide further details as to why 400 kWh Essential Services usage block with a four cent discount is more reasonable than the alternatives.

RESPONSE

Without a further explanation of what “further details” are requested and what “alternatives” for which the question seeks to have such details provided, Mr. Colton is unable to respond to this question.

17. Reference: Exhibit C2-12, Page 32

Commission, the Company, and other stakeholders. It would be, however, with one exception, unreasonable to expect a 100% take-up rate. On the one hand, thirty years of experience in helping to design, implement and evaluate low-income programs has taught me that whenever program applications are required, the application process will serve as a barrier to participation.¹⁹ The take-up rate will thus be less than 100%. Some people will find the application process to be a barrier to participation. Some people who might be income-qualified will choose not to participate because they do not see themselves as needing assistance. Some people will not realize that they qualify. Some people will not “trust” the Company. Some people will not want to fulfill other qualifications required to receive assistance (e.g., should BC Hydro require budget billing). When fully ramped up, I would expect a participation rate of roughly 50% of the total income-eligible population.

17.1. On what evidence did Mr. Colton derive his 50% figure?

RESPONSE

Mr. Colton’s expectation is based on his 30 years of experience in designing, implementing and evaluating such programs and on the information he has reviewed over the course of the years regarding programs requiring applications (including, but not limited to, energy assistance programs).

Consider, for example, the participation rates of Pennsylvania’s electric and natural gas utilities’ low income Customer Assistance Program (CAP) as a percentage of their “confirmed low-income” as set forth in the Table below. PECO (both electric and gas) has a somewhat higher percentage participation not because that Company’s participation is higher, but rather because it tends to use the program participation as its primary mechanism to “confirm” low income status. BC Hydro’s participation would be expected to be somewhat higher than the Pennsylvania CAPs since MSDSI recipients as a percentage of estimated low income is somewhat higher.

Company	2014
Duquesne	61%
GPU (Met Ed 2003)	26%

PECO-Electric	80%
Penelec (2003+)	28%
Penn Power	26%
PPL	24%
West Penn Power (2011+)	42%
Columbia	30%
Dominion (Peoples 2009+)	34%
Equitable	33%
NFG	35%
PECO-Gas	78%
PGW (2004+)	42%
UGI-Gas	18%
UGI--Penn Natural (2007+)	22%

18. Reference: Exhibit C2-12, Pages 41 and 43

Many payment practices not only fail to address a consumer's inability-to-pay problem, but they are actually counter-productive. To the extent that a low-income consumer borrows money to pay current bills, for example, that consumer will face current bills *plus* additional debt service obligations at some point in the future.

One of the most common counter-productive actions reported for low-income consumers involves the choice to forego the payment of other bills to free up cash to pay utility bills. The foregone bills reported for low-income consumers include:

- ❖ Failing to pay the electric bill in order to pay the heating bill;
- ❖ Using rent money to pay for utilities;
- ❖ Foregoing payment of other bills (*e.g.*, water/sewer, car payments, auto or home insurance) to pay for utilities.

* * *

Q. WHY NOT SIMPLY ALLOW THE COMPANY'S CREDIT AND COLLECTION PROCESSES TO PROCEED THROUGH THEIR NORMAL COURSE?

A. It is precisely those credit and collection processes that can be expected to give rise to having customers pursue the "negative options" identified above. The purpose of the crisis intervention process is to short-circuit the need for the customer to pursue those negative options.

18.1. Please confirm that where BC Hydro ratepayers enable customers to pay their car loan instead of their BC Hydro bill, BC Hydro ratepayers are effectively paying the customer's car loan.

RESPONSE

No information exists that would support the proposition set forth in the question that the effect of the Essential Services Usage Block would "enable customers to pay their car loan instead of their BC Hydro bill." Available research indicates that customers pay their utility bills before paying other bills (other than perhaps rent or mortgage payments). See:

- Roger Colton, *Understanding Why Customers Don't Pay: The Need for Flexible Collection Practices (Revised)*, online: Fisher, Sheehan & Colton Public Finance & General Economics <http://www.fsconline.com/downloads/Papers/1991%2001%20WHYNOPAY.pdf>
- Roger Colton, *Measuring LIHEAP's Results: Responding to Home Energy Unaffordability*, online: Fisher, Sheehan & Colton Public Finance & General Economics <http://www.fsconline.com/downloads/Papers/1999%2005%20measure-liheap.pdf>
- Joyce Mercier, Cletus Mercier and Susan Collins, "Iowa's Cold Winters: LIHEAP Recipient Perspective." (2000). Available at: http://bcpiac.com/wp-content/uploads/2016/06/Mercier_Iowa-LIHEAP-Survey_June-2000.pdf
- Ron Grosse, "Win-Win Alternatives for Credit and Collection." (Green Bay, WI: Public Service Corporation, 1995). Available at: http://bcpiac.com/wp-content/uploads/2016/06/Grosse_Win-Win-Collectons_August-1997.pdf (Also cited in BCOAPO's response to BCUC IR 16.2.)
- National Energy Assistance Directors' Association, *2005 National Energy Assistance Survey: Final Report*, online: National Energy Assistance Directors' Association <http://neada.org/wp-content/uploads/2013/03/survey20051.pdf>

- National Energy Assistance Directors' Association, *2008 National Energy Assistance Survey: Final Report*, online: National Energy Assistance Directors' Association <http://neada.org/wp-content/uploads/2013/05/NEADA-2008-Survey-Report.pdf>
- National Energy Assistance Directors' Association, *2009 National Energy Assistance Survey: Final Report*, online: National Energy Assistance Directors' Association http://neada.org/wp-content/uploads/2013/03/2010-04-19NEADA_2009_Survey_Report.pdf
- National Energy Assistance Directors' Association, *2011 National Energy Assistance Survey: Summary Report*, online: National Energy Assistance Directors' Association http://neada.org/wp-content/uploads/2013/05/FINAL_NEADA_2011_Summary_Report1.pdf

18.1.1. If not confirmed, please explain why not.

RESPONSE

Please see BCOAPO's response to CEC IR 18.1.

19. Reference: Exhibit C2-12, Pages 43 and 44

Q. WHAT DO YOU RECOMMEND?

A. I recommend that BC Hydro create a crisis intervention fund. This crisis intervention fund should be funded through a bill rider imposing a charge on all accounts (residential and non-residential) on a per-account basis. The bill rider should collect a monthly charge of \$0.25 per account.²⁶ The revenue generated through this crisis intervention bill

rider --\$0.25/month times 1.8 million customers should yield an annual fund of roughly \$5.4 million-- should be provided to a third party administrator, who will contractually agree to distribute those funds to customers. I conclude that recipients should be customers who, in the absence of such funds, would face the imminent or likely disconnection of service due to nonpayment; would carry arrears which, in the opinion of

19.1. Please confirm that the Crisis Intervention fund would only be available to residential customers.

RESPONSE

Confirmed.

19.1.1. If not confirmed, please explain which ratepayers the Crisis Intervention fund would be available to.

RESPONSE

Please see BCOAPO's response to CEC IR 19.1.

19.2. How did Mr. Colton arrive at a \$0.25 figure? Please explain.

RESPONSE

The \$0.25 was an easily explainable figure that generated a meaningful contribution to crisis intervention without imposing an unreasonable burden on ratepayers.

19.3. Why is \$5.4 million an appropriate size for the crisis intervention fund?

RESPONSE

The \$5.4 million was the resulting revenue from the \$0.25 figure; \$5.4 million was not selected as a starting point. See BCOAPO's response to CEC IR 19.2.

19.4. How many customers would Mr. Colton expect to assist annually with the Crisis Intervention fund?

RESPONSE

The number of customers needing assistance is likely to exceed the number of customers that a \$5.4 million fund could assist. The number of customers to be assisted annually would, accordingly, depend on program design decisions. As Mr. Colton said in his Direct Testimony:

"I recommend that the third party administrator, through a collaborative process involving the Company and other stakeholders, establish a set of program design guidelines. Developing such design guidelines, however, is not a necessary process to be pursued prior to approval of the funding mechanism. Instead, establishing the funding mechanism is the first necessary step." (Exhibit C2-12, Direct Testimony of Roger Colton, at page 44, lines 9-14 (PDF page 49/341).

19.5. Would Mr. Colton apply any maximum to the amount or frequency of assistance provided? Please explain.

RESPONSE

Please see BCOAPO's response to CEC IR 19.4.

20. Reference: Exhibit C2-12, Page 71

Q. IS THE PROVISION OF COLD WEATHER SHUTOFF PROTECTIONS THE INDUSTRY STANDARD IN COLD WEATHER JURISDICTIONS?

A. Yes. Due to the inherent dangers of terminating or restricting home heating service during cold weather, nearly all cold weather jurisdictions have adopted restrictions on the termination of home heating service to residential customers during cold weather. There is no uniformity in approach to these cold weather shutoff restrictions. Instead:

- Some jurisdictions have adopted date-based restrictions, with home heating shutoffs being restricted during designated time periods;
- Some jurisdictions have adopted temperature-based restrictions, with home heating shutoffs being restricted before or after temperatures fall below designated levels;
- Some jurisdictions require that regulatory permission be obtained prior to the disconnection of home heating service during the period of cold weather restrictions;
- Some jurisdictions require regulatory reporting of housing units to which home heating service has been disconnected during the period of cold weather restrictions;

20.1. Please provide the full list of cold-weather jurisdictions to which Mr. Colton refers, and identify those which include regulation of home heating during cold weather.

RESPONSE

Please see the following:

- U.S. Department of Health and Human Services, *Seasonal Termination Protection Regulations*, online: LIHEAP Clearinghouse <https://liheapch.acf.hhs.gov/Disconnect/SeasonalDisconnect.htm>
- John Howat and Julia Devanthary, *Public Service Commission Consumer Protection Rules and Regulations: A Resource Guide*, online: National Energy

Assistance Directors' Association http://neada.org/wp-content/uploads/2013/03/Consumer_Protection_Guide.pdf

- Charles Harak and Olivia Bae Wein, *Access to Utility Service: Regulated, De-Regulated and Unregulated Utilities, Deliverable Fuels, and Telecommunications*, 4th ed (National Consumer Law Center, 2008), pages 551-559 (Available at: http://bcpiac.com/wp-content/uploads/2016/06/Access-to-Utility-Service_4thED_pg551-559.pdf)

21. Reference: Exhibit C2-12, Page 77

A. I conclude that the termination of service during British Columbia's cold weather months is an inherently dangerous activity. I conclude that the standard utility practice in cold weather jurisdictions is to provide shutoff protections during these cold weather months. I conclude finally that imposing cold weather shutoff restrictions will not result in a systematic nonpayment of utility bills by customers protected by the restrictions. Accordingly, neither the Company nor ratepayers as a whole will be harmed by the implementation of such restrictions. I recommend that BC Hydro adopt a system of restrictions on the termination of service during the cold weather period of November 1 through April 1 of each winter heating season irrespective of income.

21.1. Please confirm that Mr. Colton recommends a restriction on cold weather shut off for residential ratepayers.

RESPONSE

Confirmed, except where residential ratepayers are on the interruptible rate that requires them to have a fully functioning back up heating system.

21.1.1. If not confirmed, please identify all the rate schedules to which the restriction would apply.

RESPONSE

Please see BCOAPO's response to CEC IR 21.1.

22. Reference: Exhibit C2-12, Pages 78 and 80

IN ADDITION TO THOSE PUBLIC HEALTH ISSUES PREVIOUSLY IDENTIFIED AS PRESENTED BY THE DISCONNECTION OF SERVICE TO SENIORS AND THOSE WITH MEDICAL EMERGENCIES, DO YOU HAVE ADDITIONAL CONCERNS?

Yes. Particularly for households with seniors or with medical emergencies, it is unreasonable for BC Hydro to expect that its traditional measures of responding to nonpayment will be effective. Work that I performed in 2008 for the Iowa Department of Human Rights examined the self-efficacy and self-advocacy regarding home energy emergencies. I found in that research, based on the Iowa Behavioral Risk Factor Surveillance System (“BRFSS”) data, that conditions associated with nonpayment of

Q. WHAT DO YOU RECOMMEND?

A. I recommend that BC Hydro adopt shutoff protections for the very young, for seniors and for households facing medical emergencies that mirror the model medical emergency regulation I authored for state utility regulators in the United States.⁴³ Pursuant to the processes set forth in that model regulation, BC Hydro would not disconnect service, or refuse to restore service, to premises when a qualified medical professional has certified that the customer or an applicant seeking restoration of service (or a member permanently residing in the customer’s or applicant’s household) is seriously ill or facing a medical emergency or disability that will be aggravated by cessation or denial of service, or will become seriously ill or have a medical emergency because of the cessation or denial of service, and that the denial of utility service would adversely affect the health of that customer or resident of the household. Nor would such disconnections occur for seniors or for households with young children.

22.1. Please confirm that customers who are seriously ill and facing medical emergencies experience difficult in accessing multiple services and basics,

such as grocery shopping, trips to the doctor, paying for medical supplies, natural gas etc.

RESPONSE

Mr. Colton has undertaken no study of the extent to which, if at all, “customers who are seriously ill and facing medical emergencies experience difficulty in accessing multiple services and basics, such as grocery shopping, trips to the doctor, paying for medical supplies, natural gas etc.”

- 22.2. Please identify any provincial, medical and non-governmental services that may be available to provide financial and/or other services to such individuals in the BC Hydro service territory.

RESPONSE

Please see BCOAPO’s response to BC Hydro IR 14.1.

23. Reference: Exhibit C2-12, Pages 130 and 131

BC Hydro can enhance its response to residential customers' payment troubles through specialized training for customer service representatives. The representatives benefiting from such education include any individual that might have personal contact with a customer on behalf of the utility. Early identification involves more than noticing an arrear when it appears on a customer's bill. It involves "hearing" indicators of financial distress on the part of the customer during normal day-to-day customer contacts. References, for example, to the need to make choices between competing needs (e.g., "I just *had* to get the car fixed this month", "Maria could not go another month without seeing the dentist") should alert the customer service representative (CSR) to the potential that the customer has limited income and could benefit from a referral to public assistance. Customers may make references to illness, job loss, or disability, any one of which merits an appropriate referral. The customer may directly mention participation in another program ("I *asked* LIHEAP for assistance, but they said they don't pay for water

23.1. Please provide the estimated initial and cost of a 'training program.'

RESPONSE

The net incremental costs of a training program would likely approach \$0. Utilities routinely provide training to their customer service staff, including call center staff. The costs of providing such training are already embedded in rates. While providing training to a specialized skills-based customer assistance unit might affect the selection of training topics in which the Company engages, there would appear to be no need for the Company to significantly expand the scope or costs of its training program.

23.2. Did Mr. Colton account for the costs of the training program in his assessment of the rate impacts?

RESPONSE

Yes.

23.2.1. Please provide the estimated rate impact for the training program.

See response to CEC 23.1.

24. Reference: Exhibit C2-12, Page 87

- **Downpayments:** For payment plans offered to customers with income less than 100% of LICO, I recommend that required downpayments be set at 10% of the outstanding delinquency.
- **Payment plan term (in months):** For payments plans offered to customers with income less than 100% of LICO, I recommend that BC Hydro offer a payment plan term of *not less* than 12 months.⁴⁵ Payment plan installments to be paid toward arrears, however, should not exceed the average of a monthly bill for current service.

24.1. How did Mr. Colton arrive at 10% of the delinquency as the appropriate required down payment?

RESPONSE

The 10% figure takes into account the size of existing arrearages and customer ability to pay. See BC Hydro's response to BCOAPO 1.204.1.

24.2. Please confirm that the payment plan towards arrears would be paid for in addition to the existing bill for current service.

RESPONSE

Confirmed.

24.3. Does Mr. Colton recommend either a standard or maximum payment plan term? Please explain.

RESPONSE

Mr. Colton did not recommend a standard or maximum term. Mr. Colton's Direct Testimony recommended the following:

"Payment plan term (in months): For payments plans offered to customers with income less than 100% of LICO, I recommend that BC Hydro offer a payment plan term of *not less* than 12 months. Payment plan installments to be paid toward arrears, however, should not exceed the average of a monthly bill for current service" (Exhibit C2-12, Direct Testimony of Roger Colton, page 87, lines 8-12, (PDF page 92/341)) (footnote omitted).

25. Reference: Exhibit C2-12, Pages 97 and 98

Q. WHAT DO YOU RECOMMEND?

A. I recommend that BC Hydro be allowed to establish an annual Late Payment Charge equal to its Weighted Average Cost of Debt rounded to the nearest one-half percent. At present, that WACD equals 4.28 percent, rounded to 4.5%. I further recommend that no late payment charge should be imposed unless and until an arrearage reaches 60 days beyond the bill's due date.

Q. DO YOU HAVE A THIRD RECOMMENDATION REGARDING LATE PAYMENT CHARGES?

A. Yes. I recommend that low-income customers --defined to be those customers who are taking service under the Essential Services usage block-- be exempt from late payment charges. I recommend limiting this waiver to customers taking service through the Essential Services usage block because it makes little sense to require the Company to independently confirm income eligibility for two separate but related Company initiatives.

25.1. By how much would BC Hydro's revenues decline if it were to institute Mr. Colton's recommendations for Late Payment Charge? Please provide Mr. Colton's estimate.

RESPONSE

BC Hydro provided its late fee revenue by year (since January 2011) in response to BCOAPO 1.180.1. BC Hydro states: "...BC Hydro does not track Late Payment Charge revenue by customer type" (Response to BCOAPO 1.180.1).

BCOAPO also notes that because BC Hydro charges 1.5% per month on a compounded basis, whereas its marginal borrowing rate is less than 1% based on the provincial government's access to the commercial paper market, it is difficult to make an estimate of the decline in BC Hydro's revenue and expenses.

26. Reference: Exhibit C2-12

F. Exempting Low-Income Customers from Specified Charges.

Q. PLEASE DESCRIBE THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I recommend that BC Hydro exempt low-income customers from the assessment of a “minimum reconnection charge” and from the proposed “account charge.” The Company proposes to set the minimum reconnection charge at \$30 (with graduated charges depending on varying circumstances, such as a

26.1. Please provide Mr. Colton’s estimate of the cost of exempting low income customers from ‘minimum reconnection charges’.

RESPONSE

BC Hydro reports that it reconnects roughly 2,500 accounts per month (BCOAPO IR 1.5.1). With a proposed minimum reconnection charge of \$30, assuming that 100% of all reconnections were low income, the gross loss of revenue occurring by exempting low income customers would be \$900,000 per year (2,500/month x \$30 x 12 months = \$900,000). If one were to scale that figure down to account for an assumption of the percentage of residential customers that are low income (i.e., roughly 170,000 low income customers of 1.6 million residential accounts), the cost would be roughly \$95,000 per year ($\$900,000 \times (170,000 / 1,600,000)$).

27. Reference: Exhibit C2-12, Page 131

Q. PLEASE EXPLAIN THE SPECIFIC SKILLS TRAINING YOU RECOMMEND.

A. Having identified a low-income customer, the second step in implementing the low-income CAU would be transferring that customer to staff that have received specialized training in responding to low-income payment troubles. The specialized skills-based training would not only allow these dedicated staff to identify particular problems, and to respond in a culturally-appropriate way, but would involve knowing what assistance might be available to respond to the problem. This knowledge involves knowing the “how” and the “who” of how to access financial assistance.

Customer service training should involve more than knowing that the payment-troubled customer might want to enroll his or her children in a particular social assistance program.⁶³ Research shows that even when individuals have knowledge about a program, they frequently lack what is called “effective knowledge.” “Effective knowledge” involves that information needed about how to access a program. The statement “yes, I know about energy assistance” is *different* from the statement “yes, I know how to apply for energy assistance.” Low-income CAU staff should be an

27.1. Please provide a list of the provincial and federal government services, and non-governmental organizations that are available to assist individuals to access social assistance programs.

RESPONSE

There are numerous organizations that assist individuals with accessing social assistance programs, and the extent and format of such assistance varies widely from organization to organization. BCOAPO understands that CEC is not seeking an exhaustive list of such organizations, and BCOAPO notes that such a list would be very onerous to compile.

The PovNet website provides links to organizations that provide advocacy services, including in many cases assisting people to access social assistance programs. See PovNet, *Find an Advocate*, online: <http://www.povnet.org/find-an-advocate>.

Similarly, the Red Book Online is a website funded by the United Way that connects people with critical services, including assistance in accessing various forms of social assistance. See bc211, *The Red Book Online*, online: <http://redbookonline.bc211.ca>.

EVIDENCE OF MR. SETH KLEIN

28. Reference: Exhibit C2-12, Page 30, Direct Testimony of Seth Klein

3. ENERGY POVERTY IN BC

Q16. Does BC have an energy poverty problem?

A16. Yes.

The CCPA explored the issue of energy poverty in a 2011 report under our Climate Justice Project, led by senior economist Marc Lee.³¹

Energy poverty is understood as “a situation where a household’s quality of life is compromised by the high cost of energy needed for heating, hot water, lighting and appliances.” The most common definition of energy poverty is when a household spends more than 10% of its after-tax income on home energy. It covers more than what a family spends on electricity, however, as shown below, electricity represents over half of total energy costs for households. As Lee et al. write:

“Households faced with a disproportionate energy burden – the percentage of income spent on household energy costs – are compromised in their ability to afford other essential elements of a healthy and decent lifestyle in order to heat their homes to a comfortable temperature. This problem is amplified by the fact that low-income households are the least able to alter their use of energy or pay for energy efficiency improvements, while occupying the greatest proportion of older homes with low efficiency insulation and appliances. Higher energy prices will thus exacerbate poverty at the bottom of the income ladder, unless mitigating features are deliberately built into the design of policies.”

28.1. How is it possible to distinguish those ratepayers who have asset-based wealth but limited income, from those ratepayers who have limited assets and limited income?

RESPONSE

This cannot be easily done, as Canada (unlike the US) does not ask people to disclose their financial and non-financial wealth on their tax returns. But people must declare the earned income/interest from financial and other assets (such as property) as part of their taxable income, and if those financial assets are substantial, this earned income/interest would put them over the poverty line and they would not be considered low income. It is no doubt the case that some people, particularly some seniors, are “property-rich but cash poor,” but there is no reason why a discount block of electricity should not be extended to such people (unless BC Hydro is of the view that such people

should be required to sell their homes or take out second mortgages to meet their bill-payment needs). Also, as noted in Mr. Klein's testimony, low income people in receipt of social assistance have already been required to liquidate most of their financial assets before they can qualify.

Mr. Colton explains in his IR responses why it is inappropriate to impose an assets test for energy assistance. Please see BCOAPO's responses to CEC IR 4.1 and 4.1.1.

29. Reference: Exhibit C2-12, Page 33

"Because low-income households are more likely to rely on less efficient appliances and live in energy inefficient homes, they may be faced with insurmountable barriers to adjusting their energy use patterns. A single parent, for example, has little choice but to consume electricity for cooking, cleaning, laundry, etc. before or after regular work and school hours. Renters living in apartment buildings may face the additional barrier of restricted hours of operation of shared laundry facilities.

Purchasing new devices that could enable personal benefit from smart metering may be out of the question. Although the burden of capital expenditures is equally distributed among residential customers, it is less likely to be offset by conservation potential and reduced peak energy consumption for the low-income households. Thus, high electricity users will tend to benefit more than low users."

- 29.1. Would programs such as Time of Use Rates be of assistance to low income households in managing their energy consumption? Please explain why or why not.

RESPONSE

Since the Honourable Deputy Premier, Minister of Natural Gas Development and Minister Responsible for Housing Rich Coleman promised the ratepayers of British Columbia that the government would never allow the introduction of TOU rates, the issue has gone away, and was not considered by BC Hydro during the lengthy consultation process with its ratepayer stakeholders. If either Mr. Klein or Mr. Colton has an opinion on the issue it is not germane to these proceedings.

30. Reference: Exhibit C2-12, Page 34

A17. Some (including the Minister responsible for BC Hydro) have rejected the proposition that BC Hydro rates pose an energy poverty challenge, given that BC Hydro's rates are among the lowest in North America. While it is true that BC Hydro rates remain relatively low compared to other jurisdictions, the problem with this response is that it views electricity in isolation from other costs.

As is widely known, housing costs in BC (particularly the Lower Mainland) rank among the highest in Canada. Rising sale prices for housing (far surpassing the rate of inflation or income growth) also have an effect on the rental market, keeping tenants in rental housing longer and pushing down vacancy rates.³⁸

Similarly, child care fees (another core expense for young families) have been increasing at a rate steadily outstripping CPI (the overall inflation rate). In the *Living Wage for Families* calculation, child care fees represent the second largest expense after housing for a family in Metro Vancouver. In the 2016 living wage calculation for Metro Vancouver, child care fees for the children (age four and seven) combined are \$1,356 per month, a 2.4% increase over the previous year.

30.1. Please confirm that there are programs and services available to British Columbians to address child care fees and housing in BC.

RESPONSE

We understand that CEC would like an idea of available programs in BC rather than a comprehensive survey of such programs.

There are such programs, and they are far from adequate. As noted in Mr. Klein's testimony, housing and child care costs have been steadily increasing faster than CPI. Yet the BC government has not increased the child care subsidy for low income parents since 2005 for children age five and younger, and since 2011 for school-age children in before- and after-school care. And these subsidies failed to fully cover child care costs even before they were frozen. For example, the current maximum subsidy for an infant is \$750/month, whereas the median infant fee for group care in Vancouver is \$1,292/month; the maximum subsidy for a 3-5 year old is \$550/month, whereas the media Vancouver fee is \$925/month. Notably, the sector is seeing fewer subsidized parents, as a growing number cannot afford the difference between fee and subsidy.

With respect to rental support, the BC government offers the Shelter Aid for Elderly Renters program for lower income seniors, and the Rental Assistance Program (which is only available to families with children under 18 who are not on social assistance). These programs aim to provide assistance to low income households in the private market. Theoretically, they are designed to help reduce the gap between what a

household can afford to pay based on their income and the cost of housing in the private market. However, it is entirely possible that in markets with a low vacancy rate (which is very much the case in Metro Vancouver), the RAP may merely encourage landlords to increase rents. The take-up rates for both these programs is low; according to the latest BC Housing Service Plan, 18,500 seniors drew on the SAFER program in 2015/16, and 11,460 families drew on the RAP program (in part because people are unaware of the programs, and the application process is complex for some). The RAP grants were frozen between 2008 and 2014. Currently, the RAP provides a maximum rent subsidy for a family of 4 or more in Metro Vancouver of \$846/month (compared to a median rent for a three-bedroom apartment of \$1,450/month, although qualifying families cannot pay more than \$1,190/month), and \$688/month outside Metro Vancouver, but the average subsidy is \$379/month.

For those who receive social assistance through the Ministry of Social Development and Social Innovation, the shelter portion has been frozen since 2005, and as Mr. Klein referenced in his testimony, even among the Downtown Eastside SROs, it has become near impossible to find shelter at the amount provided by social assistance.

Mr. Colton explains in the information request responses on his testimony why the availability of government social assistance programs is not a relevant factor to consider in any consideration of the Essential Services Usage Block, low income DSM and/or Low Income Terms and Conditions.