

IRIS LEGAL

Environmental, Natural Resources &
Indigenous Law

VIA EFILE

November 13, 2020

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC. V6Z 2N3

Attention: Marija Tresoglavic, Acting Commission Secretary

Dear Ms. Tresoglavic,

**Re: Project No. 1599030
BC Hydro – Customer Crisis Fund Evaluation Report**

On behalf of the Zone II Ratepayers Group (“**Zone II RPG**”), and pursuant to Order G-266020 [Exhibit A-5], we submit the attached Information Request No. 1.

Should you require anything further, please let us know.

Yours truly,
IRIS LEGAL



Jana McLean
jana@irislegal.ca

cc. Fred James, BC Hydro (bchydroregulatorygroup@bchydro.com)

REQUESTOR NAME: **Zone II Ratepayers Group (Zone II RPG)**

INFORMATION REQUEST ROUND NO: 1

TO: **BC Hydro and Power Authority**

DATE: **November 13, 2020**

PROJECT NO: **1599030**

APPLICATION NAME: **BC Hydro and Power Authority Customer Crisis Fund (CCF) Pilot Program – Evaluation Report - Project No. 1599030**

1.0 Topic: CCF Benefits
Reference: Exhibit B-5 (Report), pages 2 - 4

On page 2 of the Report BC Hydro states:

The purpose of the CCF Pilot is to examine the economic benefits resulting from reduced operating costs associated with notification and collection of overdue bills, creation of payment arrangement and disconnection and reconnection service, reduced interest costs because of more timely payments, and increased revenue by avoiding losses in consumption (i.e., revenue loss from losing customer consumption), and to determine whether the economic benefits are sufficient to offset the program costs.

On page 2-3 of the Report BC Hydro further states:

While the operational performance of the CCF Pilot was evaluated over a 24-month period, the economic analysis was over a period of 22 months; with the test and control group samples each consisting of about 2,800 accounts. These datasets were large enough to reveal CCF Pilot economic benefits if they had existed.

The analyses of disconnection volumes, notification and collection costs, and bad debt expense did not identify statistically significant economic benefits....

Accordingly, the evaluation of the pilot program indicates there are insufficient utility benefits to justify CCF on an economic or cost of service basis notwithstanding the potential societal benefits of the CCF.

Further on page 4 of the Report, in the BCUC 2015 RDA Decision, the Panel states:

... it was persuaded by the intervener group's argument that a crisis intervention program "would not amount to a social assistance program if it generates a utility benefit sufficiently justifiable on an economic or cost of service basis."

1.1 How did BC Hydro determine which operating costs to include in the evaluation of the economic benefits for the CCF Pilot?

1.1.1 Were there other costs other than operating costs that BC Hydro considered but did not include in the evaluation?

1.1.1.1 If so, please identify and explain the reasons for not including those costs in the evaluation.

1.1.1.2 Provide any evidence (such as reports, memos, etc.) discussed the evaluation criteria.

1.1.2 How did BC Hydro determine that the datasets were large enough to reliably assess CCF Pilot economic benefits? Explain your reasons.

1.1.3 What would have been necessary to satisfy BC Hydro that the CCF was justifiable on an economic or cost of service basis?

1.1.4 Explain what is meant by “statistically significant economic benefits” in the context of this Report.

2.0 Topic: COVID-19 Pandemic
Reference: Exhibit B-5 (Report), page 10

In the Report on page 10, BC Hydro discusses the impact of COVID-19 and the measures BC Hydro implemented:

With the onset of the COVID-19 pandemic, the Government of B.C. declared a State of Emergency on March 17, 2020. As a result, BC Hydro took action to assist customers through this pandemic by immediately announcing a suspension of all dunning activities, including a halt to collection of late payment charges, issuance of final notice of disconnection (FNOD) letters, and the suspension of disconnection activities. BC Hydro also mentioned the Customer Crisis Fund as a potential means of relief for customers in its initial communications in response to the COVID-19 pandemic, prior to the announcement of the COVID Relief Fund that was approved by BCUC Order No. G-79-20.

In addition, the operation of the CCF Pilot Program was temporarily changed, including:

- Customers could apply as soon as they had accounts in arrears without waiting for a notice of disconnection.....*
- Customers could receive a second CCF grant between April 1, 2020 and December 31, 2020 (within the 12-month period of the previous grant) if the initial grant had been for less than the maximum amounts.*

The impacts of the COVID-19 pandemic are reflected in the Two-Year Evaluation as follows:

- The impacts of the COVID-19 pandemic are reflected in the analysis of the operational summary of the CCF Pilot (section 2) as this analysis covers the 24 months ending April 30, 2020....*

The impacts of the COVID-19 pandemic are not reflected in the analysis of CCF Pilot benefits (section 3). This is because, due the suspension of dunning

activity, data from March and April 2020 was not usable in the analysis...

The impacts of the COVID-19 pandemic may have influenced the responses to the public opinion survey (section 4), as the survey was administered in May 2020, however the influence of the impact of the pandemic on responses is unknown.

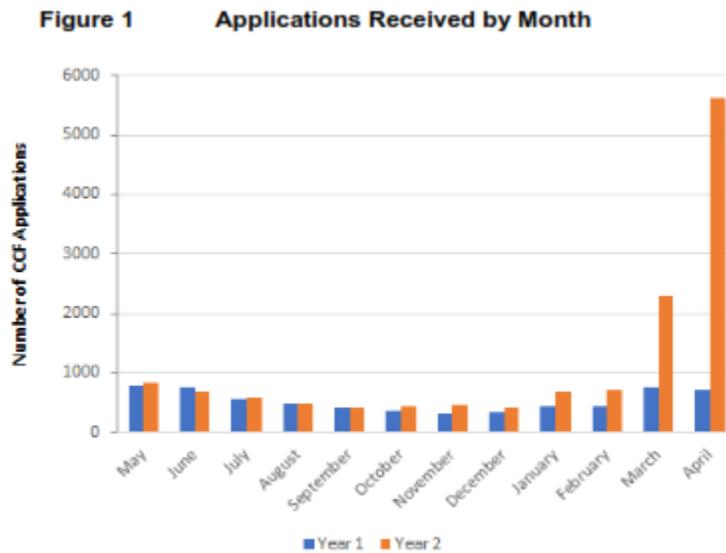
- 2.1 Confirm or explain otherwise whether BC Hydro is continuing to suspend all dunning activities, including halting late payment charges, issuing FNOD and suspension of disconnection activities.
- 2.2 Without the CCF, what other supports does BC Hydro offer its customers as potential means of relief, both during the pandemic and otherwise? Please explain and provide examples.

3.0 Topic: CCF Pilot Operations and Approved Applications
Reference: Exhibit B-5 (Report), page 13; Figure 1, page 13; Figure 3, page 16; Figure 4, page 19

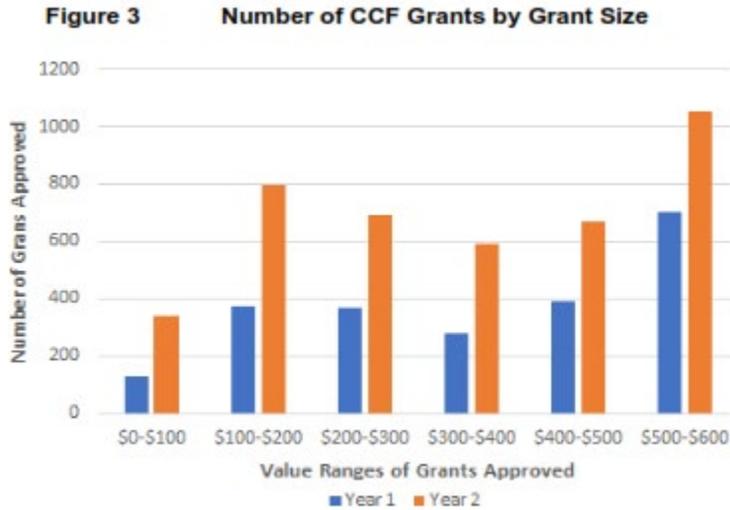
BC Hydro states that:

The number of applications increased significantly in March and April 2020 with the onset of the COVID-19 pandemic. With the Government of B.C. declaring a State of Emergency on March 17, 2020, the CCF program saw a dramatic spike in applications of 2,300 (74 per day) in March 2020 and 5,700 (188 per day) in April 2020.

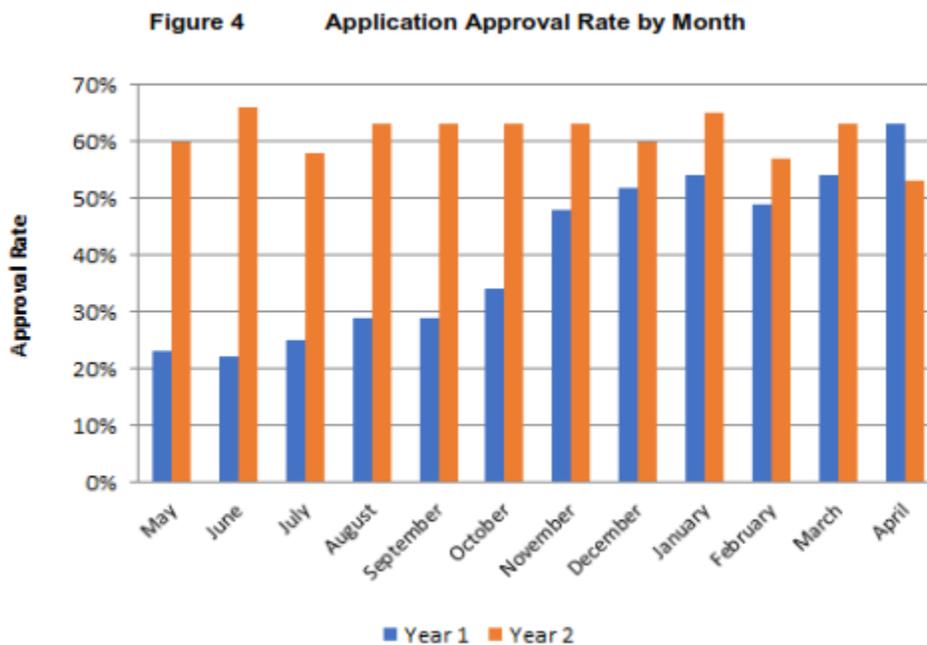
On page 13, Figure 1 shows the Applications Received by Month:



Further on page 16, Figure 3, shows the Number of CCF Grants by Grant Size:



On page 19, BC Hydro provides Figure 4 which shows the Application Approval Rate by Month:



- 3.1 For the period beyond April 2020, please update Figure 1 for “Year 3” showing the CCF applications received by month to date.
- 3.2 Given the dramatic increase in applications received during the COVID-19 period, why did BC Hydro not include data after dunning activities were reinstated in the analysis? Explain your reasons.

3.2.1 If BC Hydro had included this data, would the analysis have yielded similar results as the analysis contained in this Report? Please provide your reasons.

3.3 For the period beyond April 2020, please update Figure 3 for “Year 3” showing the number of CCF grants by grant size and by month.

3.4 For the period beyond April 2020, please update Figure 4 for “Year 3” showing the application approval by month.

4.0 Topic: CCF Pilot Costs

Reference: Exhibit B-5 (Report), page 24-25; Table 7, page 25

On page 24 and 25, BC Hydro states that:

The annualized operating cost of \$498,909 is 25 per cent lower than originally estimated.....

The most significant reasons for lower actual costs are program management, information technology systems, and community service organization costs.

Table 7 on page 25 is shown below:

Table 7 Estimated and Actual Year One and Two CCF Pilot Operating Cost (Excluding Grants)

CCF Pilot Annual Operating Costs	Estimated Annual Cost (\$)	Year 1 Actual Cost (\$)	Year 2 Actual Cost (\$)	Actual Annualized (\$)
Program Management	200,000	74,069	29,672	51,871
Administration and Adjudication	450,000	381,044	349,757	365,401
Information Technology Systems	50,000	38,098	0	19,049
Training	10,000	9,001	232	4,617
Program Evaluation	30,000	11,205	24,618	17,911
Community Service Organizations Application Support	160,000	44,763	35,358	40,060
Total Annual Operating Costs	900,000	558,179	439,639	498,909

4.1 Confirm or explain otherwise that BC Hydro forecasts that future annual operating costs for the CCF would be in the range of \$400,000, according to the Year 2 Actual Cost. Please provide your reasons.

4.2 In what ways could BC Hydro reduce the operating costs of operating the CCF?

4.2.1 Confirm or explain otherwise whether BC Hydro has investigated these opportunities to reduce costs.

4.2.2 Confirm or explain otherwise if BC Hydro has considered outsourcing the management of the CCF to another party. Please provide your reasons.

5.0 Topic: Pilot Participation and Grants
Reference: Exhibit B-5 (Report), Table 8, page 26; page 26-27

On page 26, BC Hydro provides Table 8 showing estimated and actual CCF Pilot Participation:

Table 8 Estimated and Actual CCF Pilot Participation

CCF Pilot Participation Results	Estimated	Year 1 Actual (Reported)	Year 2 Actual	Actual Annualized
Grant Applications Received	15,000	6,416	13,719	10,068
Grants Provided	10,250	2,282	4,137	3,193
Average Grant Amount (Net of Reversals After Audit) (\$)	400	371	350	360
Total Grants (\$)	4,100,000	847,518	1,450,034	1,148,776

On pages 26-27, BC Hydro states that:

The annualized number of applications was approximately 67 per cent of that estimated in the CEF Application, and the annualized number of grants approved was approximately 30 per cent of that estimated in the CEF Application. This is due to not having a good basis for estimating participation because of the new and unique nature of the CCF Pilot, as well as the time required to generate awareness and understanding for a new program. The onset of the COVID-19 pandemic raised customer awareness for the CCF Pilot and drove applications to its highest point since the beginning of the pilot.

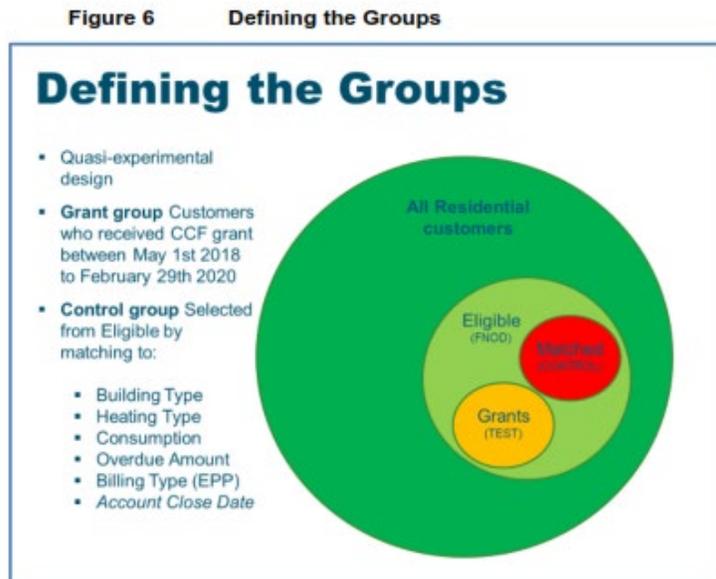
- 5.1** Confirm or explain otherwise that given that participation was well below the estimated amount as well as the time required to generate awareness and understand for this program, BC Hydro estimates that participation of this program would increase for Year 3 of the CCF pilot?
- 5.2** Please identify efforts by BC Hydro to generate public awareness and understanding of the new program, particularly in Year 2 when Year 1 applications were well below estimates.

6.0 Topic: Analysis of CCF Pilot Benefits
Reference: Exhibit B-5 (Report) page 28; Figure 6, page 31

On page 28, BC Hydro states:

The primary methodology used for the evaluation was a quasi-experimental comparison. This methodology compares the parameter of interest from the test group to that of a matched control group.

On page 31, BC Hydro provides Figure 6:



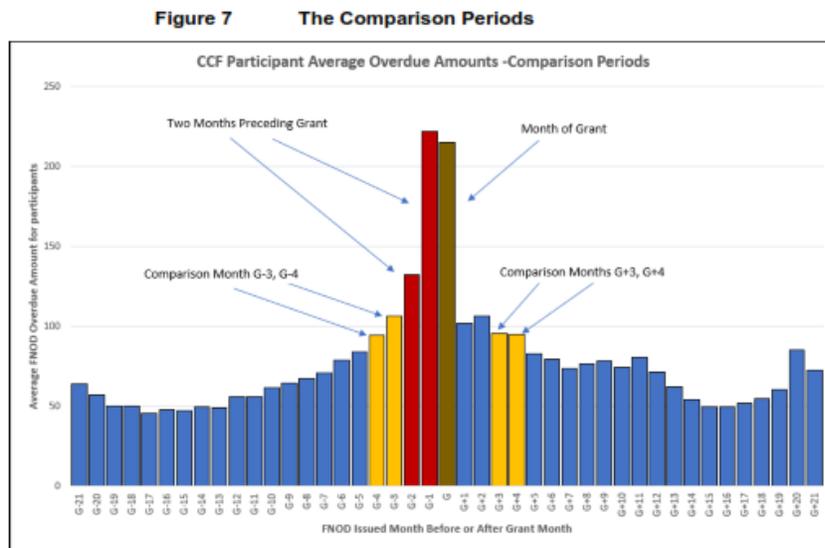
- 6.1** Explain the reasons why BC Hydro used a quasi-experimental comparison for the methodology for the evaluation.
- 6.1.1** What other methodologies were considered?
- 6.1.2** Discuss the pros and cons of these other methodologies in comparison to the quasi-experimental comparison.
- 6.2** Explain how the criteria/parameters were chosen for the matched control group.
- 6.2.1** Confirm or explain otherwise that customer specific data, such as employment, income, household size, etc. was not considered for inclusion. Explain your reasons.

7.0 Topic: The ‘Crisis Period’ Effect
Reference: Exhibit B-5 (Report), page 33; Figure 7, page 34

On page 33, BC Hydro states:

Figure 7 shows the average overdue amount reported by the FNODs issued to participants and indicates that, typically, a participant is affected by an ‘unexpected life event’ which results in an increase in the average overdue amount during the two months prior to the application for the CCF grant. After the grant is applied the average overdue amount is reduced to a range like that prior to the ‘unexpected life event’ impact. These three months (i.e., the two months before the grant plus the grant month) form a ‘Crisis Period’ that is atypical from overdue amounts preceding the ‘unexpected life event’. A comparison of the overdue amount immediately prior to and after the grant being given simply indicates the impact of the grant on the overdue amount but does not measure the longer-term impact of the CCF program on BC Hydro operating costs associated with the CCF Pilot.

Figure 7 is shown on page 32:



7.1 Provide further explanation why BC Hydro chose the Crisis Period as three months (i.e. the two months before the grant plus the grant month).

7.1.1 What would be the impact on the operating costs evaluation if the Comparison Months (G-3, G-4) were also included in the analysis? Explain your reasons.

7.2 Explain if it is possible for BC Hydro to undertake an analysis on the longer-term impact of the CCF program on BC Hydro operating costs, and advise of the expected results of that analysis. Provide your reasons.

8.0 Topic: CCF Pilot Benefits and Public Opinion
Reference: Exhibit B-5 (Report), page 56 – 57; Exhibit B-1, BC Hydro F2020-F2021 RRA, Appendix E (Government Mandate Letter)

On pages 56 – 57, BC Hydro summarized the CCF Pilot Benefits as follows:

The analyses of disconnection volumes, notification and collection costs, and bad debt expense did not identify statistically significant economic benefits for those aspects of BC Hydro’s operations as a result of the CCF Pilot Program. An annual benefit of approximately \$156 was identified for reduced borrowings from a reduction in delayed revenues.

Accordingly, the evaluation of the pilot program indicates there is no evidence of economic benefits arising from the CCF Pilot.

On page 57, the findings of the public opinion survey indicated that:

In summary, among 1,000 British Columbians polled, 88 per cent indicated it is appropriate for BC Hydro to continue offering a program such as CCF to help customers avoid disconnection of service when facing a temporary financial crisis. In addition, over 67 per cent of respondents indicated they supported of BC Hydro continuing to charge a small fee to continue CCF.

From Appendix E, the Government Mandate Letter states:

Our first commitment is to make life more affordable. We expect all public sector organizations to support the Government’s agenda to help manage the daily cost of living for British Columbians.

.....

Implement affordability measures, such as low income rates and expanded demand-side management programs targeted to low income ratepayers;

- 8.1** Confirm or explain otherwise that the evaluation of the pilot program provides benefits beyond economic benefits. Explain your reasons and provide a listing of these benefits.
- 8.2** How does BC Hydro’s evaluation of economic and social benefits compare with findings from other jurisdictions that have implemented similar programs such as the CCF Pilot? Please provide a summary of the jurisdiction comparison.
- 8.3** Confirm or explain otherwise that the CCF is consistent with the directives in the Government Mandate Letter. Please provide your reasons.
- 8.4** Confirm or explain otherwise whether BC Hydro has investigated other forms of funding for the CCF beyond the CCF Rate Rider. Please provide your reasons.

- 8.5** Confirm or explain otherwise whether the CCF has community benefits.
- 8.5.1** Has BC Hydro has considered funding the CCF in the same manner that it funds its other community endowments? Please provide your reasons.
- 8.6** Confirm or explain otherwise that the existence of the CCF and CCF Rate Rider has the support of British Columbians. Please provide your reasons.