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January 18, 2021

Ms. Marija Tresoglavic  
Acting Commission Secretary and Manager  
Regulatory Support  
British Columbia Utilities Commission  
Suite 410, 900 Howe Street  
Vancouver, BC V6Z 2N3

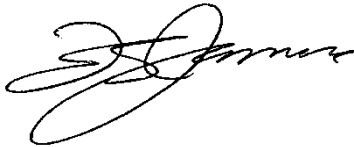
Dear Ms. Tresoglavic:

**RE: Project No. 1599030  
British Columbia Utilities Commission (BCUC or Commission)  
British Columbia Hydro and Power Authority (BC Hydro)  
Customer Crisis Fund (CCF) Evaluation Report  
Final Argument**

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BC Hydro writes in compliance with BCUC Order No. G-339-20 to provide its Final Argument

Yours sincerely,



Fred James  
Chief Regulatory Officer

jc/ma

Enclosure

**BC Hydro Customer Crisis Fund (CCF) Pilot  
Program – Evaluation Report**

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**Counsel’s Final Argument  
on behalf of  
British Columbia Hydro and Power Authority**

**January 18, 2021**

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## 1 Introduction and Overview

1. On September 24, 2015, BC Hydro filed its 2015 Rate Design Application (**2015 RDA**)<sup>1</sup> for BCUC approval to update its residential, general service and transmission service rates and the Electric Tariff terms and conditions. As part of the regulatory process to review the 2015 RDA, an intervener group made several proposals focusing on low-income residential customers, such as a low-income rate and a crisis intervention program. In its Decision accompanying Order No. G-5-17 (**2015 RDA Decision**), the BCUC determined that it did not have jurisdiction to set a preferential rate for low-income customers without an economic or cost of service basis for such a rate. However, it was persuaded that a crisis intervention program may be justified as a permanent program “if it generates a utility benefit sufficiently justifiable on an economic or cost of service basis.”<sup>2</sup> Given that there was insufficient evidence in that proceeding to determine if there was an economic or cost of service basis for this type of program, the BCUC directed BC Hydro to establish a crisis intervention fund pilot program.
2. On July 24, 2017, BC Hydro applied for approval of a rate rider, certain tariff amendments and of a regulatory account that would enable the crisis intervention fund pilot program to be established. By BCUC Order No. G-166-17, the BCUC approved the rate rider, tariff changes and the establishment of the regulatory account.<sup>3</sup> The pilot program was originally called the Customer Emergency Fund, later renamed the Customer Crisis Fund (**CCF Pilot Program**). BC Hydro commenced the CCF Pilot Program on

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<sup>1</sup> Exhibit A-1 of BC Hydro's 2015 Rate Design Application (Project No. 3698781).

<sup>2</sup> BCUC Order No. G-5-17, pages 96 to 98.

<sup>3</sup> Certain aspects of the CCF Pilot Program, such as the terms and conditions developed to implement the program, were not subject to BCUC approval.

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May 1, 2018 and Rate Schedule 1903 – Customer Crisis Fund Rate Rider came into effect June 1, 2018.

3. The CCF Pilot Program, as indicated in the 2015 RDA Decision and reaffirmed in BCUC Order No. G-5-20, 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 justifies the program on an economic or cost of service basis.
4. On July 31, 2019, BC Hydro filed its Year One Evaluation Report which was mainly focused on assessing the implementation of the CCF Pilot Program.<sup>4</sup> The BCUC established this CCF Evaluation Report Proceeding on August 16, 2019 to allow for the review of the Year One Evaluation Report.<sup>5</sup>
5. As discussed more fully below, in answering the key question of whether the CCF Pilot Program has an economic or cost of service based justification, BC Hydro needed to confirm whether the benefits of the CCF Pilot Program to non-participant ratepayers were sufficient to offset the costs. In the Year One Evaluation Report, BC Hydro concluded it did not have enough information to adequately assess the benefits to non-participant ratepayers.<sup>6</sup>
6. Following submissions by BC Hydro and registered interveners, by Order No. G-5-20 the BCUC adjourned the CCF Evaluation Report Proceeding pending the filing of a second evaluation report on or before July 28, 2020, being within 90 days of the completion of the second year of the CCF Pilot Program in compliance with Order No. G-166-17.

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<sup>4</sup> Exhibit B-1. The purposes of this Year One Evaluation Report were to assess the CCF Pilot Program set-up and operations during the first year, to assess and report on customer experience and opinion, and to provide an initial evaluation of participant and non-participant benefits so as to confirm the concept that 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”.

<sup>5</sup> Exhibit A-1.

<sup>6</sup> Exhibit B-1, pages 65 to 66.

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7. On July 31, 2020, BC Hydro filed its Two-Year Evaluation Report (**Two-Year evaluation**) which examined, among other things, the non-participant benefits of the CCF Pilot Program.<sup>7</sup> The Two-Year evaluation sought to answer the question of whether the CCF Pilot Program generated benefits to non-participant ratepayers sufficient to offset costs so as to justify it on an economic or cost of service basis. BC Hydro concluded that "...the evaluation of the [CCF Pilot Program] indicates there are insufficient utility benefits to justify [the CCF Pilot Program] on an economic or cost of service basis notwithstanding the potential societal benefits of the CCF".<sup>8</sup>
  8. By BCUC Order No. G-266-20, the BCUC reopened the CCF Evaluation Report Proceeding and determined that the scope of the review was to be "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."
  9. As required by BCUC Order No. G-339-20, this is BC Hydro's final argument in regard to evaluation of the CCF Pilot Program.<sup>9</sup> Specifically, BC Hydro confirms its submission made in the Two-Year evaluation that there is no economic or cost of service justification for the CCF Pilot Program and further that there are no other measures that cause the CCF Pilot Program to demonstrate utility and ratepayer benefits. BC Hydro submits that the CCF Pilot Program should terminate on May 31, 2021 as set out in BC Hydro's submission made on September 4, 2020.<sup>10</sup>

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<sup>7</sup> Exhibit B-5.

<sup>8</sup> Exhibit B-5, page 3.

<sup>9</sup> Exhibit A-7.

<sup>10</sup> Exhibit B-6.

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## **2 The CCF Pilot Program ought to be allowed to terminate as it has no economic or cost of service basis**

10. In its Two-Year evaluation, BC Hydro examined whether there were any cost savings resulting from the CCF Pilot Program that would reduce BC Hydro's operating costs and, therefore, would decrease the overall revenue requirement to be recovered from all ratepayers. In order for an economic or cost of service justification to be made, the economic benefits of the CCF Pilot Program to non-participants needs to equal or exceed its costs.<sup>11</sup> BC Hydro considers that the CCF Pilot Program would be justified on an economic or cost of service basis if the incremental program costs incurred were fully offset by economic benefits to non-participants.<sup>12</sup>
11. In the Two-Year evaluation, BC Hydro concluded that the non-participant benefits of the CCF Pilot Program arising from the specific areas examined amounted to \$143 annually.<sup>13</sup>
12. In its Information Requests, the BCUC asked BC Hydro to consider any other areas where benefits of the CCF Pilot Program may be achieved. In BC Hydro's response to BCUC Information Requests 1.4.3 and 1.4.3.1,<sup>14</sup> BC Hydro confirmed that, even with the addition of unmeasured, theoretical benefits incremental to those originally examined by BC Hydro, the economic benefits provided to non-participants is far less than CCF Pilot Program costs. Specifically, BC Hydro estimated the maximum total hypothetical benefit to

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<sup>11</sup> Exhibit B-8, BC Hydro response to BCUC IR 1.4.1.

<sup>12</sup> Exhibit B-9, BC Hydro's response to BCSEA IRs 1.1.1 and 1.1.2.

<sup>13</sup> Exhibit B-5. BC Hydro examined the benefits arising from reduced operating costs associated with notification and collection of overdue bills, creation of a 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). BC Hydro's original valuation was modified in BC Hydro's errata filing, Exhibit B-5-1, made on December 4, 2020.

<sup>14</sup> Exhibit B-8.

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non-participants to be potentially as high as, but no higher than, about \$190,000 annually.<sup>15</sup>

13. In the Two-Year evaluation, BC Hydro estimated the cost of the CCF Pilot Program to be a total annualized cost of \$1.63 million annually.<sup>16</sup>
14. BC Hydro acknowledges that societal benefits and benefits to CCF grant recipients under the CCF Pilot Program were identified. However, in answer to the question at hand, BC Hydro submits that since the benefits to non-participant ratepayers are substantially outweighed by the costs of the CCF Pilot Program, there is no economic or cost of service justification for making the CCF Pilot Program permanent. The CCF Pilot Program should be allowed to terminate on May 31, 2020.

### **3 Legal Considerations**

15. BC Hydro intends to terminate the non-rate components of the CCF Pilot Program as of May 31, 2021 when the rate components expire per BCUC Order No. G-166-17. This order confirmed that “The [CCF Pilot Program] will continue until the earlier of three years from the [CCF Pilot Program] implementation date, Commission approval of an application from BC Hydro to end the pilot prior to the end of the three-year [CCF Pilot Program], or issuance of a Commission order to end the [CCF Pilot Program].” BC Hydro confirms its view that the CCF Rate Rider and the related tariff provisions will terminate on May 31, 2021 without further action being required.<sup>17</sup>
16. BC Hydro will address the termination of the CCF Pilot Program, including filing amendments to its Electric Tariff to reflect the termination of the CCF Pilot Program, after May 31, 2021 in compliance with BCUC Order No. G-166-17.

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<sup>15</sup> \$187,753.

<sup>16</sup> Two-Year evaluation (Exhibit B-5) and Exhibit B-9, BC Hydro response to BCSEA IR 1.1.2.

<sup>17</sup> Exhibit B-6 and BC Hydro's response to BCUC IR 1.19.2 (Exhibit B-8).



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17. The CCF Regulatory Account will continue beyond May 31, 2021 since it cannot practically or legally terminate at that time and amounts remaining in the CCF Regulatory Account will be recovered after this date in accordance with Order in Council No. 159/2020.<sup>18</sup>

**ALL OF WHICH IS RESPECTFULLY SUBMITTED JANUARY 20, 2021**



Per: \_\_\_\_\_

Amanda Ward, Solicitor & Counsel, British Columbia Hydro and Power Authority

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<sup>18</sup> Direction to the British Columbia Utilities Commission Respecting COVID-19 Relief, April 2, 2020.