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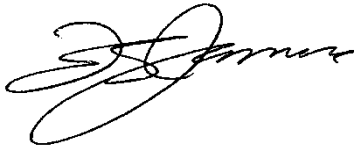
Ms. Marija Tresoglavic
Acting Commission Secretary and Manager
Regulatory Support
British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

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
Reply Argument**

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

Yours sincerely,



Fred James
Chief Regulatory Officer

jc/ma

Enclosure

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

**Counsel’s Reply Submission
on behalf of
British Columbia Hydro and Power Authority**

February 10, 2021

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1 Introduction and Overview

1. The following interveners have filed arguments in the British Columbia Utilities Commission (**BCUC**) proceeding to consider the evaluation reports filed by British Columbia Hydro and Power Authority (**BC Hydro**) with respect to the Customer Crisis Fund Pilot (**CCF Pilot**) as required by BCUC Order No. G-339-20:
 - BC Old Age Pensioners' Organization et al. (**BCOAPO**);
 - BC Sustainable Energy Association (**BCSEA**);
 - Commercial Energy Consumers Association of British Columbia (**CEC**);
and
 - Zone II Ratepayers Group (**Zone II**).
2. In order to evaluate the CCF Pilot, BC Hydro filed its Year One Evaluation Report on July 31, 2019¹ and its Two-Year Evaluation Report on July 31, 2020² (together the "**Evaluation Reports**") as part of the CCF Evaluation Report Proceeding.³ By BCUC Order No. G-266-20, the BCUC reopened the CCF Evaluation Report Proceeding and determined that the scope of the review of the Evaluation Reports 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."

¹ Exhibits B-1 and B-1-1.

² Exhibits B-5 and B-5-1.

³ The CCF Evaluation Report Proceeding was established in 2019 and 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.

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3. BC Hydro's view is that in order for an economic or cost of service justification to be made, the economic benefits of the CCF Pilot to non-participants needed to equal or exceed its costs.⁴ BC Hydro conducted this analysis, summarized in the Evaluation Reports, and concluded that "...the evaluation of the CCF Pilot Program indicates there are insufficient utility benefits to justify [the CCF Pilot] on an economic or cost of service basis notwithstanding the potential societal benefits of the CCF".⁵
 4. In general, BCSEA, Zone II and CEC accepted that the evaluation conducted, and the methodology used, by BC Hydro (as summarized in the Evaluation Reports) was reasonable and appropriate. All of the interveners recognized the societal benefits of the CCF Pilot and expressed a desire for the CCF Pilot to continue on a permanent basis so as to enable the ongoing societal benefit provided by it. However, in alignment with the BCUC's decision in BC Hydro's 2015 Rate Design Application⁶ (**2015 RDA**) in which the BCUC determined that it did not have the jurisdiction to set a preferential rate for low income customers without an economic or cost of service basis, BCSEA, Zone II and CEC accepted that, notwithstanding the societal benefits, the conclusion reached by BC Hydro that the CCF Pilot could not be justified on an ongoing basis was correct.
 5. In support of its view that the CCF Pilot should be approved as a permanent program, BCOAPO provided a number of arguments with respect to BC Hydro's evaluation methodology underlying the Evaluation Reports and BC Hydro's assessment of the costs and benefits of the CCF Pilot in its analysis. BC Hydro has responded to these arguments in Part [2](#) below.

⁴ Exhibit B-8, BC Hydro response to BCUC IR 1.4.1 and Exhibit B-9, BC Hydro's response to BCSEA IR 1.1.1.

⁵ Exhibit B-5, page 3.

⁶ BCUC Order No. G-5-17.

2 Reply to Interveners Final Arguments

2.1 Reply to BCSEA Final Argument

6. BCSEA accepted that the evidence submitted through the Evaluation Reports established that the CCF Pilot has not demonstrated an economic or cost of service basis to support it as a permanent program and concluded that the CCF Pilot must terminate on May 31, 2021.
7. BCSEA also concluded that the Evaluation Reports “withstand scrutiny” and that the methodology used was appropriate. BCSEA accepted that BC Hydro’s definition of “economic justification and cost of service justification” for the Evaluation was appropriate. Further, BCSEA noted that additional months of analysis would not change the outcome under the Evaluation Reports.
8. BC Hydro has no submissions in reply to BCSEA’s Final Argument.

2.2 Reply to Zone II Final Argument

9. Zone II also accepted that there is no economic or cost of service basis for the CCF Pilot to be established as a permanent program based on BC Hydro’s assessment of the CCF Pilot under the Evaluation Reports.
10. Zone II submitted that “BC Hydro’s evaluation methodology was appropriate”, that “the data sets were large enough to reveal economic benefits, if they had existed” and “extending the [CCF Pilot] further is not likely to change the conclusions”.
11. Zone II also submitted that BC Hydro ought to accept applications under the CCF Pilot until it terminates on May 31, 2021.
12. BC Hydro confirms that it will accept applications under the CCF Pilot until May 31, 2021. Subject to the outcome of this proceeding, BC Hydro will stop collecting the CCF Rate Rider⁷ after May 31, 2021 and will administer those

⁷ Collected pursuant to Rate Schedule 1903 of BC Hydro’s Electric Tariff.

applications it has received prior to May 31, 2021 over the months following.

BC Hydro has no other submissions in response to the Zone II Final Argument.

2.3 Reply to CEC Final Argument

13. In its Final Argument, CEC recommended that the BCUC permit the rate-based elements of the CCF Pilot to terminate on May 31, 2021 and to direct BC Hydro to terminate the non-rate components of the Pilot simultaneously. Further, CEC accepted "BC Hydro's assessment of the costs and benefits of the CCF Pilot".
14. BC Hydro has no submissions in response to the CEC Final Argument.

2.4 Reply to BCOAPO Final Argument

15. BCOAPO submitted that the BCUC should reject BC Hydro's recommendation to allow the CCF Pilot to terminate on May 31, 2021 and should instead approve the CCF Pilot as a permanent program from and after that date. BCOAPO also identified what it viewed as a number of deficiencies in BC Hydro's analysis presented in the Evaluation Reports and recommended that, in the alternative, the BCUC should order BC Hydro to remedy these deficiencies. BC Hydro has responded to each of BCOAPO's arguments below.

BCUC Jurisdiction Over Rates Without an Economic or Cost of Service Justification

16. BCOAPO cited BC Hydro's submission in the proceeding to amend BC Hydro's Electric Tariff pursuant to sections 59 to 61 of the *Utilities Commission Act* to enable BC Hydro to provide relief to residential renters who may not be customers of BC Hydro but who were situated in BC Hydro's service territory through BC Hydro's COVID 19 Residential Relief program (**COVID 19 Program**). This application was made in furtherance of the application made by BC Hydro to amend its Electric Tariff to enable BC Hydro to provide COVID 19

relief to residential ratepayers following the issuance of Order in Council No. 159/2020 (**OIC 159**).⁸

17. In reliance on a submission made by BC Hydro in that proceeding that neither an economic nor cost of service justification is required in order to establish a program, BCOAPO concluded that in approving the changes to BC Hydro's Electric Tariff the BCUC must have:
- “accepted that the Renter’s Relief Rate Program was not a rate and therefore required no cost of service or economic justification; and that it did indeed have the jurisdiction to approve tariff provisions for the Utility’s “non-rate program”, or
 - accepted that it did indeed have the jurisdiction to approve the proposed changes to a non-rate program and also the ability to do so without regard to whether there was a cost of service or economic justification for them.”
18. With respect, the BCOAPO’s argument that the BCUC must have come to one or the other of the two conclusions set out in the argument is speculative, as the BCUC simply never addressed the issue. In contrast the issue was squarely raised in the context of the CCF Program from the outset. Moreover, other elements of the COVID 19 Program, including BC Hydro’s ability to defer costs incurred to the established regulatory account were already set pursuant to OIC 159. Indeed, as BC Hydro noted in its submission made in that proceeding on June 1, 2020:

“In approving the amendments to BC Hydro’s Electric’s Tariff, the BCUC was only acting in accordance with stated provincial policy direction made through the OIC.... The amendments to BC Hydro’s Electric Tariff necessary to allow for BC Hydro to provide the relief offered under the COVID 19 Program were

⁸ Direction to the British Columbia Utilities Commission Respecting COVID-19 Relief, April 2, 2020, issued pursuant to section 3 of the *Utilities Commission Act*.

approved pursuant to the OIC which reflected a clear statement of provincial policy direction....”

19. In any event, since the CCF Pilot rate provisions were only approved for three years by the BCUC,⁹ a further proceeding to establish these terms on a permanent basis would be required. BC Hydro submits that the principles established in the 2015 RDA would apply such that an application for permanent rate provisions that would enable preferential service to low income customers could only be made if there was an economic or cost of service basis for that rate.
20. BCOAPO also referred to BC Hydro's Fleet Electrification rates as evidence that rates could be approved without a cost of service or economic justification in the short term. BC Hydro assessed whether the Overnight Rate and Demand Transition Rates had an economic or cost of service justification over a 10 year period and determined they would be justified on an economic or cost of service basis over that term.¹⁰ Further, BC Hydro committed to evaluate the rates after three years and that changes to the prices, terms and conditions could be made as appropriate.¹¹ However, unlike these rates, BC Hydro does not foresee the CCF Pilot being justified on an economic or cost of service basis under any time period.

Appropriateness of Cost and Benefit Assumptions

21. BCOAPO also argued that the BCUC should expect costs of a pilot to be reduced as the program matures due to efficiency in future years. A question of whether a full benefit analysis was conducted to reflect all possible utility benefits was also raised, including benefits arising to participant ratepayers.

⁹ BCUC Order No. G-166-17.

¹⁰ BC Hydro's Final Argument in the BCUC proceeding regarding BC Hydro's Fleet Electrification Rates application.

¹¹ Exhibit B-1, page 53 and Exhibit B-4, BC Hydro's response to BCUC IR 1.19.4 each in the BCUC proceeding regarding BC Hydro's Fleet Electrification Rates application.

22. As noted above, BC Hydro has completed its analysis on the basis that in determining whether there is an economic or cost of service basis for the CCF Pilot, BC Hydro had to determine whether the benefits exceeded the costs for non-participant ratepayers. BCSEA, CEC and Zone II supported this approach. BC Hydro provided extensive evidence as to the costs and expected benefits, including theoretical benefits, of the CCF Pilot.¹² Specifically, BC Hydro estimated the maximum total benefit to non-participants to be potentially as high as, but no higher than, about \$190,000 annually¹³ and BC Hydro estimated the cost of the CCF Pilot Program to be a total annualized cost of \$1.63 million annually.¹⁴ BC Hydro notes that three-quarters of its operating costs are variable costs¹⁵ and BC Hydro hasn't identified any major opportunities to reduce costs.¹⁶ The maximum total benefits are therefore lower than operating costs, let alone the amount of the grants. BC Hydro continues to believe its analysis adequately considers the costs and benefits to non-participant ratepayers.

BC Hydro's Evaluation Methodology

23. BCOAPO submitted lengthy evidence questioning whether BC Hydro's evaluation methodology was appropriate.
24. In response to these comments raised, BC Hydro confirms that the methodology used is an industry standard methodology¹⁷ and is extensively used by BC Hydro to evaluate its programs and initiatives, such as its - demand-side measures program. This evaluation was done by qualified

¹² Exhibit B-8, BC Hydro's response to BCUC IRs 1.4.3 and 1.4.3.1.

¹³ \$187,753.

¹⁴ Two Year evaluation and Exhibit B-9, BC Hydro response to BCSEA IR 1.1.2 where BC Hydro confirmed that the \$1.63 million of costs excluded evaluation costs.

¹⁵ Exhibit B-8, BC Hydro's response to BCUC IR 1.2.8.

¹⁶ Exhibit B-8, BC Hydro's response to BCUC IR 1.3.2.1.

¹⁷ Please refer to BC Hydro's response to BCUC IRs 1.12.1 and 1.12.2 for a detailed discussion of BC Hydro's evaluation methodology and a discussed of why BC Hydro determined it was appropriate.

individuals capable of performing this analysis. CEC, BCSEA and Zone II all accepted BC Hydro's evaluation methodology as being appropriate.

25. While BCOAPO presented numerous areas where, in its view, additional inquiry and evaluation could be done to ensure the cost/benefit analysis was inclusive, in BC Hydro's view, the disparity between these two values is too significant for such further inquiry to likely result in a different outcome. Further, many of the assertions put forward by BCOAPO are untested and uncertain. While further process may result in some of the assertions leading to additional benefits or reduced costs, again the difference between the cost and benefit values is too great to warrant additional process.
26. Further, even absent the use of the evaluation methodology, BC Hydro's analysis concluded that while grants given under the CCF Pilot may have helped recipients in the short term, there was not an ongoing benefit to non-participants because the financial issues faced by participants appears to have arisen again in the period following the receipt of the grants.¹⁸

Further Process

27. Finally, BCOAPO argued that if the BCUC determines through this process that there is sufficient evidence on the record to allow it to determine whether the CCF Pilot should be continued on a permanent basis, then a further process is required to make this determination.
28. BC Hydro does not believe that a further process, or further evidence, is required for the BCUC to make the determination of whether the CCF Pilot should be established on a permanent basis. In BC Hydro's view, the Evaluation Reports and BC Hydro's responses to both the BCUC and intervener IRs¹⁹ demonstrate that the marginal benefits to non-participant

¹⁸ Exhibit B-8, BC Hydro's response to BCUC IR 1.4.3.

¹⁹ Exhibits B-8 and B-9.

ratepayers of the CCF Pilot are far outweighed by the costs of the CCF Pilot and therefore there is no economic or cost of service justification for continuing the CCF Pilot on a permanent basis. As a result, further process to determine if the CCF Pilot should be continued on a permanent basis is not necessary for the BCUC to make this determination.

3 Conclusion

29. BC Hydro understands the value of the CCF Pilot to those who have accessed it and to those who may have needed to access it in future. However, in order to justify the CCF Program on a permanent basis, BC Hydro needed to establish that there was an economic or cost of service justification sufficient to justify making the CCF Pilot permanent.
30. Unfortunately, BC Hydro's analysis does not support the conclusion that there is an economic or cost of service basis for making the CCF Pilot permanent. As confirmed in BC Hydro's Final Argument, BC Hydro confirmed that, even with the addition of unmeasured, theoretical benefits incremental to those examined by BC Hydro, the economic benefits provided to non-participants is far less than CCF Pilot Program costs. As a result, BC Hydro confirms its view that the CCF Pilot should terminate on May 31, 2021.

ALL OF WHICH IS RESPECTFULLY SUBMITTED FEBRUARY 10, 2021



Per: _____

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