

*News From the BC Public Interest Advocacy Centre*

## **September 1997, Volume 1.3**

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#### **Telco Views**

#### **A CRTC Update**

In our last newsletter we discussed the CRTC's decision on the parameters of price cap regulation to take effect January 1, 1998. The CRTC has established a process for establishing telephone company rate levels going into the new form of regulation which places caps on the extent to which these rates can be raised.

All of the telephone companies, including BC Tel, are taking full advantage of all opportunities to raise rates going into price cap. BC Tel has applied for a residential rate increase of over \$160 million for basic telephone service. Why such a large increase?

(a) The CRTC approved across-the-board \$3 per month increases effective January 1, 1996 and January 1, 1997. In May of this year it also approved an increase of up to \$3 per month effective January 1, 1998. BC Tel is asking for the full amount. This amounts to \$59.5 million.

(b) BC Tel is proposing to reduce its revenue from local business rates by \$10.6 million. The 10.6 million will be recovered from residential customers.

(c) BC Tel is claiming that the CRTC should allow it to accelerate depreciation of its existing plant because of competition. This adds \$40 million to rates.

(d) BC Tel is claiming that because of competition the company will be a riskier investment and is asking for an increase in its approved return on capital from 11.25% to 12.75% which amounts to \$38.6 million.

The CRTC is changing the way it regulates BC Tel. Instead of regulating BC Tel's costs, the CRTC will now allow telephone companies to raise rates up to a specified "cap" on an annual basis. Overall residential rates cannot increase by more than the rate of inflation, but individual rates within the residential class may be increased by up to 10%. This gives BC Tel increased flexibility in focusing rate increases, and the larger increases will undoubtedly be seen in smaller centres. As well, because BC Tel wants to lower rates in the limited areas in which it will be facing local competition (businesses in downtown Vancouver and Victoria

and some new residential developments in those cities' cores), it will want to increase rates elsewhere as much as possible, particularly in rural areas.

In addition to this major increase, BC Tel has applied for, and has in some cases received, additional increases relating to installation charges, the message relay centre for the deaf, 911 service, extended area service, and directory assistance charges. BC Tel's strategy appears to be to get as many increases as possible prior to January 1, 1998 so that the base on which the price caps are applied is as high as possible. By 2002, basic local telephone service will cost between \$25 and \$35 per month.

All this is being done in the name of competition, but it will be some time before residential subscribers have the opportunity to choose competitive suppliers. This is because the CRTC did not require BC Tel to lease its telephone lines to competitors at a discount as it did when long-distance competition was introduced. Accordingly, competitors have to have their own facilities. Long-distance competitors such as AT&T Canada and Sprint do not have these facilities in place. Cable companies do, but it is a one-way technology which is not currently capable of being used for telephones, and it will be at least a few years before the technology is available and affordable.

## **Climate Change**

### **BC Greenhouse Gas Forum**

While many of the problems that BC PIAC and its clients grapple with are daunting in their scale and complexity, global climate change must surely be the foremost among these. The industrialized economies of the world are entirely built upon the principal cause of global climate change, namely the combustion of oil, natural gas, coal and other fossil fuels. For humanity to make a genuine effort to reduce global climate change in the long run will therefore require an unprecedented restructuring of the way we all live. If we fail to act, however, we face not merely the prospect of countless millions of deaths from such causes as flooding, increased incidence of tropical diseases, and starvation, but possibly the complete and irreversible collapse of our climate system within the next century.

For the past few months, BC PIAC has been representing several of its client groups in a process that is attempting to deal with climate change issues here in British Columbia. The BC Greenhouse Gas Forum was created by the Government of BC to bring together representatives from different sectors to advise it on, first, what BC's position should be going into the international negotiation process on a global climate change accord in Kyoto in December 1997, and second, what strategy BC should pursue in order to implement whatever greenhouse gas emission reductions are required by the treaty that comes out of Kyoto.

From the point of view of our clients, the challenge is to advocate a position that makes real progress on reducing greenhouse gas emissions but does not impose the cost of that progress on those low-income consumers who are least able to bear it.

Surprisingly, given the diversity of interests on the Forum, some progress has actually been made. On September 3, 1997, Forum members completed work on a briefing document for the Minister of Environment and the Minister of Employment and Investment.

In that document, all of the parties that were willing to support any reductions at all agreed that an appropriate target would be to reduce emissions to 20% below 1990 levels by the year 2005 and to reduce further to 50 to 65% below 1990 levels by the year 2010. The parties supporting this position on the Forum included representatives of labour, environmental organizations, consumer groups, and municipal governments. We understand that all of Canada's major medical associations will also be coming out in favour of these targets. It remains to be seen whether the Government will be persuaded by these groups or by the representatives of the fossil fuel industries who oppose emission reductions.

## **Electricity Market Structure**

### **BC Task Force**

As outlined in our May newsletter, the British Columbia government appointed a stakeholders task force to study and develop electricity market reforms in British Columbia.

The Task Force has been meeting on a regular basis since May. It produced an interim report setting out its proposed process and is preparing a second interim report which is due October 31, 1997. This report will contain basic recommendations for any reforms.

The Task Force is endeavouring to make decisions by consensus, The Chair of the Task Force developed a proposal for discussion which was rejected by a number of Task Force members, including consumer, environmental, and union groups. These groups prepared a new proposal as a basis for negotiation. At the time of writing, it was not clear how this proposal was going to be received.

We will provide a further update on the Task Force activities in our next newsletter.

## **Freedom of Expression**

### **Media Foundation**

Should broadcasters be able to accept advertisements from those who promote one side of a public policy issue and refuse advertisements from those who promote the other side? That's the question at the heart of *Adbusters Media Foundation v. C.B.C.*, which will be heard in the BC Court of Appeal on October 8th and 9th.

Our client is the Media Foundation, an organization that raises serious questions about the messages that are fed to us by the communications media, but generally does so in a lighthearted manner. Its advertisement "Autosaurus" used an animated dinosaur to question the future of the automobile in our society. Unfortunately, the C.B.C. decided not to honour its contract to broadcast Autosaurus, labeling it as "advocacy", despite having no problem accepting advertisements from companies that want to promote consumption of the automotive products.

At trial, the BC Supreme Court ruled in favour of the Media Foundation on the issue of whether the C.B.C. had violated its contract, but ruled against it on the issue of whether the Media Foundation's Charter right to freedom of expression had been violated. The Court held that the C.B.C. was not a governmental body and that the Charter therefore does not apply to it. Our argument on behalf of the Media Foundation is that not only does the Charter apply to the C.B.C., it could apply to any broadcaster in a similar situation.

## Energy Views

### BC Southern Gas Crossing

This fall, the BC Utilities Commission will conduct a major hearing into the BC Gas "Southern Crossing" pipeline proposal. The pipeline would run from the Alberta Natural Gas line at Yahk, in the Kootenays, to Oliver, in the Okanagan, at a cost of \$300 million to \$500 million, depending on whose estimates you prefer.

The main reason BC Gas gives for the pipeline is to meet expected gas requirements in the Lower Mainland and the Okanagan, especially for homeowners. They predict that the pipeline would meet growth in demand for the next 30 years. They also argue that it would give access to cheaper sources of gas, for both homeowners and industry, and that it would help BC Gas export surplus gas into US markets, which would help bring down BC customer rates.

Today, the company gets most of its natural gas from the Westcoast Energy pipeline that runs from BC's Peace River area into the Lower Mainland. One motive behind the pipeline is to reduce BC Gas' dependence on Westcoast, and strengthen its hand when negotiating rates and services.

All of these justifications seem to hold some merit, but we have expressed concerns about the way the pipeline would be financed. As proposed, BC Gas customers would bear all of the financial risk of this huge investment, because the company wants to fold the cost of the project into their regular utility operations. That risk is especially significant given the rapid changes underway in our energy industry, which make the future impossible to predict with any security.

We would rather see a project that is financed like an ordinary business investment, where

the company and its shareholders put themselves on the line instead of relying on captive customers to guarantee profitability. The present proposal would leave residential customers paying most of the bill, while industrial gas customers who would receive major benefits would get a free ride.

Meanwhile, there are six alternative proposals before the Commission, each aimed at finding a way to supply more gas to BC Gas customers, especially during winter cold-snaps when demand reaches its peak. The alternatives involve ways to bring more gas down from the north-east, east from Alberta (like the Southern Crossing), or up from the US; others involve increased liquefied natural gas storage facilities in or near the Lower Mainland.

This hearing, scheduled for three weeks in October, has emerged as the focus of a large struggle within the region's energy industry, and nearly 100 parties will be joining in.