

## **BCPIAC's Low Income Electricity Affordability Proposals for BC Hydro's Rate Design Application**

**August 15, 2016**

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### **GROUPS SEEK ASSISTANCE FOR LOW INCOME CUSTOMERS AT BC UTILITIES COMMISSION HEARING STARTING ON AUGUST 16, 2016**

Starting on August 16, 2016, the BC Utilities Commission (BCUC) will hold a public hearing to review BC Hydro's Rate Design Application (RDA). In this process, the BCUC will hear evidence and submissions from BC Hydro and intervener groups and determine rate structures and terms and conditions of service for residential, business and industrial customers.

The BC Public Interest Advocacy Centre (BCPIAC) is representing seven organizations in this rare opportunity to ask the BCUC to order BC Hydro to implement a discounted rate for electricity, low income customer rules, a crisis intervention fund, and expanded energy efficiency programs for low income residential customers who are struggling to pay endlessly rising electricity rates. BCPIAC has presented evidence from 13 witnesses in support of its proposals - two expert witnesses, five advocates and six low income BC Hydro ratepayers.

BCPIAC's client organizations are:

- Active Support Against Poverty
- BC Old Age Pensioners' Organization
- BC Poverty Reduction Coalition
- Council of Senior Citizens' Organizations of BC
- Disability Alliance BC
- Tenant Resource and Advisory Centre
- Together Against Poverty Society.

The hearing will take place on August 16-18 and 23-24, 2016 at 1200 - 1125 Howe Street in downtown Vancouver.

### **BC HYDRO CURRENTLY OFFERS NO BILL AFFORDABILITY PROGRAMS FOR ITS MORE THAN 170,000 LOW INCOME CUSTOMERS**

About 170,000 (10%) of BC Hydro's residential customers are low income, meaning they are living at or below Statistics Canada's Low Income Cut Off (LICO).

People living in poverty have a hard time paying for essential services such as electricity when their incomes are stagnant. Low income BC Hydro customers have no spare money to pay higher electricity costs, and since electricity is essential to survival, people can only pay their electricity bills at the expense of competing household necessities, such as food and medicine.

BC Hydro currently offers no rates or terms and conditions of service that specifically apply to low income customers apart from two energy efficiency programs:

1. Energy Savings Kits comprised of a few energy saving products which, if fully installed, might save \$30 per year, and
2. In more limited cases, energy efficiency audits and certain home upgrades through BC Hydro's Energy Conservation Assistance Program.

Energy efficiency is important, but it is only part of a comprehensive low income bill affordability strategy in the context of never-ending rate increases.

Ontario offers a comprehensive bill affordability program, and Manitoba is developing one. The US has an extensive low income home energy assistance program that is funded in part by the federal government and is available in all 50 states.

## **LOW INCOME PEOPLE INCREASINGLY UNABLE TO AFFORD ELECTRICITY DUE TO RATE INCREASES**

BC Hydro residential electricity rates have increased by 50% in the last 10 years, and are on track to increase by over 30% in the next eight years. Rates are projected to continue to rise significantly because:

- Due to dropping demand for electricity and the rate caps imposed by the BC government, BC Hydro is not collecting enough revenue to pay expenses. BC Hydro is also incurring and deferring financial losses from its electricity purchases from independent power producers;
- Up to March 31, 2016, BC Hydro had funneled \$6.5 billion of expenses into deferral accounts, money that will have to be collected from ratepayers in the future through rate increases; and
- Despite this, the government still requires BC Hydro, through all its ratepayers, including ratepayers who are on income assistance, to pay a dividend to the provincial treasury.

BC Hydro is building the Site C dam at a currently projected cost of almost \$9 billion. The BC government exempted Site C from a full public review by the BCUC, with the risk that the final costs of Site C could be much higher. BC Hydro will likely ask that the full costs be collected from its ratepayers starting in 2024.

While BC Hydro's electricity rates have increased dramatically, there have been extremely minor increases in income for low income people. Over the last 10 years, BC social assistance rates have only gone up by \$100 or less (for a single person) and the BC general minimum wage has only gone up by \$2.45 an hour, as set out in the chart below:

Year	BC Hydro Residential Rate Increases	Ministry of Social Development and Social Innovation (MSDSI) Income Assistance Rates for a single person		General Minimum Wage
		Basic Assistance	Disability Assistance	
2006	1.54%	\$510.00	\$856.00	\$8.00
2007	0.10%	\$610.00	\$906.00	\$8.00
2008	2.34%	\$610.00	\$906.00	\$8.00
2009	8.74%	\$610.00	\$906.00	\$8.00
2010	6.11%	\$610.00	\$906.00	\$8.00
2011	8%	\$610.00	\$906.00	\$8.75/\$9.50
2012	3.9%	\$610.00	\$906.00	\$10.25
2013	1.44%	\$610.00	\$906.00	\$10.25
2014	9%	\$610.00	\$906.00	\$10.25
2015	6%	\$610.00	\$906.00	\$10.25/\$10.45
2016	4% cap	\$610.00	\$906.00*	\$10.60 est.
2017	3.5% cap	\$610.00	\$906.00*	\$10.87 est.
2018	3% cap	\$610.00	\$906.00*	\$11.09 est.
Total 2005-2018	74.16%	19.61%	5.84%	38.62%

*\*there is a \$77/month planned increase for MSDSI disability assistance ratepayers starting on September 1, 2016 in order to offset transportation costs.*

## BCPIAC'S PROPOSALS

BCPIAC is asking the BCUC to order implementation of three programs to assist low income residential customers:

### 1. Essential Services Usage Block

- Implement a discounted rate of 4 cents per kWh for the first 400 kWh of electricity per month for low income residential customers. This rate will result in savings of up to \$16/month (\$192/year) for a low income customer.

- All low income customers who receive the discounted rate will be approached to participate in BC Hydro's free Energy Conservation Assistance Program, a program to increase home energy efficiency.
- Costs of offering this rate will be spread out over all residential consumption, resulting in a negligible financial impact on non-low income customers.

## **2. Crisis Intervention Fund**

- Implement a Crisis Intervention Fund through which low income households who have arrears with BC Hydro and are facing disconnection can apply for a grant to avoid disconnection.
- This would be paid for through a \$0.25 monthly charge on all BC Hydro accounts.

## **3. Low income customer rules**

- Implement customer rules for low income customers, including:
  - waiver of security deposits, account charges, reconnection fees, and late payment charges;
  - more flexible payment arrangements;

We are also recommending that BC Hydro expand its ECAP program to reach 5700 low income households each year.

In addition, BCPIAC is asking for a range of customer service rules for all residential ratepayers, including time-based winter shutoff restrictions, a renewable 60-day delay on disconnections for people with medical emergencies, and delay in assessing late payment charges.

## **EVIDENCE IN SUPPORT OF BCPIAC'S PROPOSALS**

These proposals were developed by Roger Colton, an expert in low income rate design from the United States, who will testify as an expert witness at the RDA hearing. Mr. Colton states that:

“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; 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.”

[http://www.bcuc.com/Documents/Proceedings/2016/DOC\\_46279\\_C2-12\\_BCOAPO-Intervener-Evidence.pdf](http://www.bcuc.com/Documents/Proceedings/2016/DOC_46279_C2-12_BCOAPO-Intervener-Evidence.pdf) (p. 18 of PDF; Mr. Colton’s evidence starts at PDF p. 3)

Seth Klein, Director of the Canadian Centre for Policy Alternatives, BC Office, will also be testifying at the hearing about the extent and profile of poverty in BC and the difficulties low income residents of BC have paying for the basic necessities of life including residential electricity. Mr. Klein’s Direct Testimony is available at [http://www.bcuc.com/Documents/Proceedings/2016/DOC\\_46279\\_C2-12\\_BCOAPO-Intervener-Evidence.pdf](http://www.bcuc.com/Documents/Proceedings/2016/DOC_46279_C2-12_BCOAPO-Intervener-Evidence.pdf) (starting at p. 255 of PDF).

**BC Hydro’s Rate Design Application and associated documents can be found at:**

<http://www.bcuc.com/ApplicationView.aspx?ApplicationId=511>