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ORDER NUMBER
G-147-20

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Pacific Northern Gas (N.E.) Ltd.
COVID-19 Deferral Account Application

BEFORE:
D. M. Morton, Panel Chair
A. K. Fung, QC Commissioner
T. A. Loski, Commissioner
R. I. Mason, Commissioner

on June 10, 2020

ORDER

WHEREAS:

A. On April 9, 2020, Pacific Northern Gas Ltd. (PNG-West) and Pacific Northern Gas (N.E.) Ltd. (PNG(NE)) (collectively, PNG) filed an application with the British Columbia Utilities Commission (BCUC) for approval to establish a new interest bearing deferral account, the COVID-19 Deferral Account, for each of PNG-West and PNG(NE) (Application). The Application is made pursuant to sections 59 to 61 and 91 of the *Utilities Commission Act* (UCA);

B. PNG(NE) proposes to include the following in the COVID-19 Deferral Account: (1) any bad debt resulting from customers in any rate class who do not pay their bills due to the impacts of COVID-19 on their financial circumstances; and (2) any unplanned expenses due to the COVID-19 pandemic that PNG(NE) has incurred related to continuing operations;

C. PNG(NE) also plans to implement a bill payment deferral program that will allow for up to a three month deferral of energy bill payments for residential customers served under Rate Schedule (RS) 1 and small commercial customers served under either RS 2 (Small Commercial) or RS 22 (Small Commercial Transportation) that are unable to pay their energy bills due to impacts from the COVID-19 pandemic;

D. On April 14, 2020 the BCUC issued information requests to PNG regarding the Application and PNG filed its responses on April 16, 2020. On April 17, 2020, the BCUC held a web-based oral hearing regarding the Application;

E. By Order G-89-20 dated April 17, 2020, the BCUC granted interim approval for PNG(NE) and established a public hearing process for the review of the Application. By Order G-106-20, dated May 4, 2020, the BCUC established the remainder of the Regulatory Timetable; and

F. The BCUC has reviewed the Application, evidence and submissions and makes the following determinations on the Application.

NOW THEREFORE pursuant to sections 59 to 61 of the UCA, the BCUC orders as follows:

1. PNG(NE) is granted final approval, effective the date of the interim Order G-89-20, to:

    a. Offer bill payment deferrals as filed in the Application until June 30, 2020 to residential customers served under RS 1 and small commercial customers served under either RS 2 or RS 22 that are unable to pay their energy bills due to impacts from the COVID-19 pandemic; and

    b. Establish the new COVID-19 Deferral Account attracting interest at PNG(NE)'s weighted average cost of debt (WACD) to record the following:

        i. Any unrecoverable revenues resulting from customers in any rate class who do not pay their bills due to the impacts of COVID-19 on their financial circumstances until June 30, 2021, tracked by rate class;

        ii. Any incremental, unplanned expenses and cost savings related to the COVID-19 pandemic that PNG(NE) has incurred related to continuing operations until December 31, 2020, tracked by expense category; and

        iii. Incremental financing costs associated with the bill payment deferral program and prolonged repayment period until March 31, 2021. These costs are not approved to attract interest at PNG(NE)'s WACD.

2. PNG(NE) is directed to file by June 22, 2020 an assessment on the need for an extension or any other formal change to the bill payment deferral program beyond June 30, 2020, with a copy provided to interveners in the current proceeding.

3. PNG(NE) is directed to file monthly reports with the BCUC detailing the status of the bill payment deferral program and the COVID-19 Deferral Account, including the following:

    a. The total number of customers that have applied and the total number of customers that have been accepted to the bill payment deferral program, in addition to the total amount of bill payments deferred as part of the program, by rate class.

    b. The balance of the COVID-19 Deferral Account, broken down as follows:

        i. Unrecoverable revenues, by rate class.

        ii. Unplanned, incremental expenses, by expense category;

        iii. Interest at PNG(NE)'s WACD that has accrued on the deferral account balance;

        iv. Financing costs, including confirmation that any financing costs associated with the bill payment deferral program and prolonged repayment period are not also attracting interest at PNG(NE)'s WACD; and

        v. Any cost savings related to COVID-19 that have been identified by PNG(NE) to date.

The first report must be filed on June 30, 2020 and will consist of data up to May 31, 2020. Subsequent reports must be filed on the 15th day of each month with data to the end of the preceding month.

DATED at the City of Vancouver, in the Province of British Columbia, this 10th day of June 2020.

BY ORDER

Original Signed By:

D. M. Morton
Commissioner

Attachment

Pacific Northern Gas Ltd.
COVID-19 Deferral Account Application

REASONS FOR DECISION

1.0 Introduction

On April 9, 2020, Pacific Northern Gas Ltd. (PNG-West) and Pacific Northern Gas (N.E.) Ltd. (PNG(NE)) (collectively, PNG) filed an application pursuant to Sections 59 to 61 and 91 of the *Utilities Commission Act* (UCA) with the British Columbia Utilities Commission (BCUC) for approval to establish a new interest bearing deferral account (the COVID-19 Deferral Account) for each of PNG-West and PNG(NE) (Application). The Application also outlines PNG's plans to implement a three-month bill payment deferral program for residential and small commercial customers that are unable to pay their energy bills due to impacts from the COVID-19 pandemic. PNG states the Application was filed in response to the growing impact of the COVID-19 pandemic in British Columbia. These reasons for decision address the Application with respect to PNG(NE).

The BCUC held a public hearing process for the review of the Application, which included a web-based oral hearing, BCUC and Intervener information requests (IRs) to PNG and written final and reply argument. British Columbia Old Age Pensioners' Organization *et al.* (BCOAPO) and British Columbia Sustainable Energy Association (BCSEA) registered as interveners.

2.0 Application and Approvals Sought

In the Application, PNG requests approval of the COVID-19 Deferral Account, to record the following:

- Any unrecoverable revenues resulting from PNG(NE) customers in any rate class who do not pay their bills due to the impacts of COVID-19 on their financial circumstances. PNG proposes to record these revenues in the deferral account between April 2020 and Q2 2021;
- Incremental, unplanned expenses for ongoing operations PNG(NE) incurs due to COVID-19, including customer service, information technology, personal protective equipment and additional financing costs. PNG proposes to record unplanned expenses in the deferral account from March 2020 until the end of 2020 and "incremental financing costs associated with the bill payment deferral program and prolonged repayment period" until Q2 2021.[1] PNG submits it will also identify any offsetting cost savings associated with COVID-19 before finalizing a specific amount in the deferral account for recovery.[2]

PNG also outlines in the Application its plans to implement a bill payment deferral program until June 30, 2020 that will allow for up to a three-month deferral of energy bill payments without late charges or risk of disconnection. The program is available for residential and small commercial customers that are unable to pay their energy bills due to impacts from the COVID-19 pandemic and agree to enter into repayment arrangements for their deferred balances to be paid by March 31, 2021.[3]

[1] Exhibit B-1, p. 2 and Exhibit B-2. BCUC IR 1.5.6.
[2] Exhibit B-3, BCUC IR 1.7.1.
[3] Exhibit B-1, p. 3.

Position of the Parties

PNG submits the COVID-19 Deferral Account provides transparency regarding the financial impacts of COVID-19. With respect to the bill payment deferral program, PNG submits the program balances the needs of customers seeking immediate relief due to the impacts of COVID-19 on their financial circumstances with the cost of such relief to all PNG(NE) customers.[4]

BCSEA supports approval of the Application and does not oppose PNG's decision not to offer a bill credit program in addition to, or instead of, the proposed bill payment deferral program. With respect to the timing of the bill payment deferral program, BCSEA submits that an extension to the June 30, 2020 end date may be required if the economic impact of the COVID-19 pandemic continues.[5]

BCOAPO does not oppose PNG's application for approval of the COVID-19 Deferral Account or the bill payment deferral program. However, BCOAPO requests that the BCUC direct PNG to re-assess the need to extend the bill payment deferral timeframe prior to the end of the current three-month period, which is June 30, 2020. BCOAPO submits the program should continue "until the number of residential and small commercial customers seeking to defer payments is reduced to a level that would be manageable using the approach PNG normally employs to help its customers when they are facing financial difficulties."[6] In addition, BCOAPO also asks the BCUC to direct PNG to file either an application for a residential bill credit program or "a persuasive, fact-based economic case justifying its decision not to do so."[7] BCOAPO recommends that the BCUC provide interested parties with an opportunity to comment on PNG's findings regarding a bill credit program and the extension of the bill payment deferral program.[8]

PNG submits in its Reply Argument that it is too early to extend the bill payment deferral program beyond June 30, 2020 given that the timing and impact of COVID-19 are not yet known. Further, the timing is consistent with the objective of providing customers in need with immediate relief and "and complements longer term assistance programs developed by provincial and federal governments." PNG states that beyond June 30, 2020 it will work with customers on an individual basis to develop payment arrangements, stating that it has the flexibility in its tariff to do so without BCUC approval.[9]

PNG submits that a bill credit program is not appropriate for the utility, as it would not balance the needs of the customers seeking relief under the program with the costs to all other customers. PNG highlights that it has a small customer base with higher natural gas rates and the costs of a bill credit program would need to be recovered from all of its customers.[10]

Panel Determination

The Panel notes the PNG(NE) bill payment deferral program and COVID-19 Deferral Account are generally supported by Interveners and PNG has provided evidence to validate the need for both the bill payment deferral program and the COVID-19 Deferral Account in order to address the impact of COVID-19 on PNG(NE) and its customers. The intervener recommendations focused on the length of the customer relief and the potential for a residential bill credit program.

[4] PNG Final Argument, pp. 2 and 5.
[5] BCSEA Final Argument.
[6] BCOAPO Final Argument, p. 4.
[7] BCOAPO Final Argument, p. 6.
[8] BCOAPO Final Argument, p. 6.
[9] PNG Reply Argument, p. 3.
[10] PNG Reply Argument, p. 4.

With regards to BCOAPO's proposal that PNG should come forward with either an application for a residential bill credit program or an economic case justifying its decision not to do so, the Panel is satisfied with PNG's explanation that the current approach to offer the bill payment deferral program achieves a reasonable balance between providing immediate relief to customers in need and costs to all customers. Thus, the Panel rejects BCOAPO's proposal that PNG should apply for a residential bill credit program, or submit an economic case justifying its decision not to do so.

With respect to the timing of the bill payment deferral program, both BCSEA and BCOAPO indicate the program may need to be extended beyond June 30, 2020 and BCOAPO requests that the BCUC direct PNG to re-assess the need to extend the bill payment deferral timeframe prior to the end of the current three-month period. The Panel agrees that it would be beneficial to consider whether the end date for the bill payment deferral program of June 30, 2020 remains appropriate, with consideration for the evolving impact of COVID-19 on PNG and its customers. Accordingly, **PNG(NE) is directed to file by June 22, 2020 an assessment on the need for an extension or any other formal change to the bill payment deferral program beyond June 30, 2020, with a copy to interveners in the current proceeding.** BCOAPO requests that all interested parties be provided an opportunity to comment on PNG's findings regarding need to extend the bill payment deferral program beyond June 30, 2020. The Panel notes that, at present, the results of the assessment are unknown and there is no PNG application before the BCUC to extend the bill payment deferral program. Accordingly, the Panel declines to order a comment process on PNG's assessment at this time. However, in order to keep the interveners informed, the Panel considers it appropriate that PNG provide a copy of its assessment filed on or before June 22, 2020 to interveners in the current proceeding.

For the foregoing reasons, t**he Panel approves PNG(NE)'s bill payment deferral program and the COVID-19 Deferral Account, in accordance with Order G-147-20. Further, PNG(NE) is directed to file monthly reports with the BCUC detailing the status of the bill payment deferral program and the COVID-19 Deferral Account in accordance with directive 3 of Order G-147-20.**