

**Manitoba Hydro 2014/15 & 2015/16 General Rate Application
MH/GAC (COLTON)-1**

Section:	Various	Page No.:	
Topic:	Bill Affordability		
Subtopic:			
Issue:			

PREAMBLE TO IR (IF ANY):

Throughout his evidence, Mr. Colton appears to suggest that customers with an inability to pay represent a substantial number of the Company's residential customer population.

QUESTION:

Please provide Mr. Colton's definition of an "inability-to-pay customer".

RATIONALE FOR QUESTION:

To clarify the reference to inability-to-pay customers in the expert evidence

RESPONSE:

“Inability-to-pay” refers to a customer who by reason of level of income and/or level of consumption, alone or in combination, receives monthly bills that cannot be consistently paid in a sustainable fashion over the course of time.

RATIONALE FOR REFUSAL TO FULLY ANSWER THE QUESTION:

Section:	Part 5	Page No.:	121
Topic:	Bill Affordability		
Subtopic:			
Issue:			

PREAMBLE TO IR (IF ANY):

Mr. Colton appears to suggest that there is a population of customers with chronic inability-to-pay problems - totalling tens of thousands of customers.

QUESTION:

Please estimate the number of Manitoba Hydro customers who would fall into the inability-to-pay category and provide the method, rationale and supporting calculations for the estimate provided.

RATIONALE FOR QUESTION:

To clarify the reference to inability-to-pay customers in the expert evidence

RESPONSE:

Mr. Colton’s testimony stated: “There is a population of customers with chronic inability-to-pay problems –totaling tens of thousands of customers-- that, in the best of circumstances and irrespective of how well designed or administered the programs I just mentioned are, will not be adequately served.”

That statement was based on several calculations, each of which used Company-supplied data. First, Mr. Colton examined the Company’s report titled “2009 Residential Energy Use Survey Report: Low-Income Cutoff (LICO) Sector” (May 2010). According to that report, Manitoba Hydro has 74,938 LICO100 customers and 105,784 LICO125 customers. (pages 6

**Manitoba Hydro 2014/15 & 2015/16 General Rate Application
MH/GAC (COLTON)-2**

– 7). The average income of the LICO100 population was reported as \$20,318 while the average income of the LICO125 population was reported as \$23,597.

- Ø At a percentage of income of 3.0% for LICO100 non-electric heating customers, 39,722 have a non-sustainable energy burden (7,370 + 13,154 + 10,385 + 5,795 + 3,018) (page 37). At a percentage of income of 6.0% for LICO100 electric heating customers, 16,102 have a non-sustainable energy burden (5,612 + 5,055 + 3,518 + 1,917) (page 37).

- Ø To test “sustainability” against a higher percentage of income, Mr. Colton found that at a percentage of income of 6.0% for LICO100 non-electric heating customers, 32,352 have a non-sustainable energy burden (13,154 + 10,385 + 5,795 + 3,018) (page 37). At a percentage of income of 9.0% or more for LICO100 electric heating customers, 10,490 have a non-sustainable energy burden (5,055 + 3,518 + 1,917) (page 37).

The calculations support Mr. Colton’s statement that “there is a population of customers with chronic inability-to-pay problems –totaling tens of thousands of customers. . .”

Mr. Colton then checked his findings based on percentage-of-income burdens against Manitoba Hydro’s reported data on residential accounts in arrears in any given month for the years 2012 through 2014 (recognizing that January 2012 data was not reported). The Company provided the total residential accounts in arrears by aging of arrears (GAC/MH-I-2, attaching MMF/MH-I-45a). With a recognition that it is reasonable to expect that roughly 40% of a utility’s arrears can be attributed to low-income customers, the number of low-income accounts in 30+ days in arrears, on a monthly average, was 22,310 in 2012; 23,366 in 2013; and 23,834 in 2014. Particularly when combined with the observation that these are accounts in arrears in any given month, and that different accounts will be in arrears in any individual month, or in any combination of months, this assessment supported Mr. Colton’s conclusion that “there is a population of customers with chronic inability-to-pay problems – totaling tens of thousands of customers. . .”

Finally, Mr. Colton checked his two findings discussed above against a review of Manitoba Hydro’s reported data on residential accounts in arrears by the size of arrears. (GAC/MH-I-2, attaching MMF/MH-I-45c). Adding the reported numbers of accounts each month, and allocating 40% to low-income accounts, Mr. Colton found that the average low-income accounts in arrears was 21,270 in 2012; 21,885 in 2013; and 22,677 in 2014. This confirmed his prior findings.

**Manitoba Hydro 2014/15 & 2015/16 General Rate Application
MH/GAC (COLTON)-2**

Though it is just a matter of arithmetic, Mr. Colton checked his conclusion against the possibility that the percentage of accounts in arrears that are low-income might be less than 40%. Even reducing that number to 35% and 30% supported his conclusion that “there is a population of customers with chronic inability-to-pay problems –totaling tens of thousands of customers. . .”

Mr. Colton’s calculations were designed to characterize the scope of low-income payment difficulties facing Manitoba Hydro. As can be seen, his conclusion that “there is a population of customers with chronic inability-to-pay problems –totaling tens of thousands of customers. . .” is accurate. Particularly given the internal consistency of the conclusions reached through multiple inquiries, Mr. Colton concluded that the statement is an accurate representation of the circumstances facing Manitoba Hydro.

RATIONALE FOR REFUSAL TO FULLY ANSWER THE QUESTION: