

**BC GOVERNMENT ONCE AGAIN POLITICIZES BC HYDRO'S FINANCES**

Apparently, the BC government believes that BC Hydro can afford to provide a \$370 million rebate to its customers, and others, for the current year. The new rebate was announced in the 22 February 2024 budget. It follows the affordability gambit of October 2022, when the newly installed Premier Eby announced a \$320 million rebate for the 2022/23 fiscal year. Both rebates were justified as helping citizens with the rising cost of living.

When Finance Minister Katrine Conroy was questioned about the rebate she responded: “We feel (BC Hydro) can afford it, and people can’t afford us not to do it....”<sup>1</sup> If affordability was the priority why did the government order the regulator to set BC Hydro’s rates to generate a large \$712 million profit?<sup>2</sup>

**Can BC Hydro Afford the Revenue Loss?**

Based on BC Hydro’s new service plan forecast for 2023/24, the public power utility expects a net operating loss of \$55 million after the \$370 million rebate. This loss then becomes a \$314 million profit with the transfer of \$369 million from certain regulatory accounts (primarily the surplus in the Trade Income deferral account).<sup>3</sup>

Initially, one might argue that a \$314 million profit is acceptable, and probably more realistic than the cabinet-mandated \$712 million target imposed on the BC Utilities Commission when it determines an appropriate rate change. However, BC Hydro is carrying a large \$29.2 billion debt burden, which is expected to rise to \$35.9 billion by 2026/27.<sup>4</sup> The forecast equity to the total debt and equity ratio of 21.5% for 2026/27 is well below the government’s mid-term target of 40%. None of its major capital projects (such as Site C) include any equity financing.

The government’s credit rating agencies have been concerned about the size of BC Hydro’s large debt, because the borrowed funds are ultimately guaranteed by the taxpayer. The credit rating agencies have been mollified by the belief that BC Hydro’s relatively low rates can be raised to provide the funding to service the debt. Clearly, the

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<sup>1</sup> <https://globalnews.ca/news/10311494/bc-budget-hydro-gas-tax-credit/>

<sup>2</sup> The current government has ordered the BC Utilities Commission to set the rates to achieve a \$712 million net income for a number of years, despite promising to allow the Commission to use its discretion.

<sup>3</sup> Page 28 in <https://www.bchydro.com/content/dam/BCHydro/customer-portal/documents/corporate/regulatory-planning-documents/service-plans/bchydro-service-plan-2024-25-2026-27.pdf> Most of the loss was due to a massive decline in Trade profits compared to the budget.

<sup>4</sup> Ibid.

government's political decision to order a rebate runs counter to the agencies' belief that increasing the price of electricity is practicable.

### **Should BC Hydro Ratepayers Provide Rebates to Fortis Ratepayers?**

As was the case in 2022/23, the new government ordered rebate applies to both BC Hydro ratepayers (including industrial users this time), as well as the customers of Fortis electric (in the southern interior) and five municipalities that own their own electric utilities. The government has not provided its rationale for using funding generated by BC Hydro ratepayers to provide a cash subsidy to non-BC Hydro customers.

Some of the non-BC Hydro ratepayers, such as the customers of the City of New Westminster system, are using power supplied by BC Hydro. There may be an argument for these ratepayers to benefit from the rebate because they helped generate BC Hydro's revenue. But this clearly does not apply for Fortis electric customers.

The inclusion of non-BC Hydro electric customers as part of the rebate pool demonstrates the political nature of the decision to order the rebate. Perhaps the public should be relieved that this government did not attempt to use BC Hydro as a mechanism to rebate some or all of the increase in the carbon tax, as was previously rumoured.<sup>5</sup> Such a move would have completely distorted the public utility's mandate and financial statements for blatant political ends.

However, once again this government has decided that BC Hydro's finances are little more than an extension of the government's ministry of energy.

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The writer is a retired senior BC government public servant whose paper describing the BC government's manipulation of the finances of BC Hydro from 2008 to 2014 was published by BC Studies in November 2016. BC Studies published his paper on the 40-year financial history of ICBC in 2013. He is an intervener in the BC Utilities Commission's reviews of ICBC's and BC Hydro's rate requests.

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<sup>5</sup> <https://vancouversun.com/opinion/columnists/vaughn-palmer-ndp-joins-earlier-governments-in-feeding-at-bc-hydro-trough>

