

GOVERNMENT SHOULD RELEASE THE HALF YEAR RESULTS OF BC HYDRO AND ICBC

In most years, the government would allow BC Hydro and ICBC to release their second quarter financial reports no later than 30 November. We are now beginning the third week of December and still no reports. This delay in releasing the actual revenue and expenditures for the April to September period is unnecessary and is a retrograde step on the part of the government to improve accountability to the public.

The Election Delayed the Government’s Second Quarter Report

The Budget Transparency and Accountability Act (BTAA) requires the government to release its financial report for the first six months no later than 30 November, except if a general election occurs during the period.¹ Because of the recently concluded general election the new government has delayed the release for the government’s second quarter report.

One must question why the delay in the release of the consolidated financial report for the whole government requires the delay in the release of the statements of the “self-sufficient” Crown corporations, such as BC Hydro and ICBC. In theory, these Crowns operate at arms length from the government with their own governing board of directors and separate legal authorities.²

What reason would the government have in withholding the financial results of the public’s electric utility or the public’s auto insurer? Perhaps the delay allows a new minister responsible, as in the case of ICBC, to become familiar with the key issues of the corporation. But what issues could be contested about the actual results, as opposed to a budget request or a new policy initiative?

The Impact of the COVID-19 Containment Measures

The government measures to contain the spread of the COVID-19 have had a significant impact on the finances of BC Hydro and ICBC, especially during the first quarter of the current fiscal year. For the April to June period, BC Hydro reported a significant decrease in electricity sales to its Commercial (down 8.3%) and Large Industrial (down

¹ https://www.bclaws.ca/civix/document/id/complete/statreg/00023_01 Section 10.

² The BC Ferries corporation is another step removed from government control. It released its second quarter results on 20 November 2020.

11.5%) customer classes, offset by a 10.5% increase in Residential sales.³ Although the Q1 revenue was lower than the budget forecast BC Hydro intends to defer the shortfall to its Non-Heritage deferral account to preserve the net income mandated by cabinet.

For ICBC, the pandemic containment measures resulted in some first quarter loss of premium revenue, as drivers reduced coverage or cancelled policies, and a significant decrease in claims costs resulting from fewer crashes. This followed the pattern of auto insurers across Canada and resulted in many insurers providing premium rebates to return the windfall savings to their policyholders. The government declined to allow ICBC to rebate some of the savings because of the low capital reserves and the uncertain financial outlook.

The Second Quarter Results Quebec Hydro and Manitoba Hydro

A review of six month reports for Hydro Quebec and Manitoba Hydro show that, in general, electricity sales revenue in the July to September period returned to levels similar to those recorded in the prior year.

Hydro Quebec reported net income for the April to June period of only \$80 million compared to \$264 million for the same period in 2019. In the July to September period the revenue had returned to the 2019 level.⁴ Hydro Quebec does not “de-couple” its revenue through a deferral account, therefore it will likely record a lower net income and a lower dividend by year-end.

The second quarter report from Manitoba Hydro also reported on the impact of COVID-19 on sales: “The reduction in domestic consumption by major industrial and commercial customers related to COVID-19 has been mainly offset by increased consumption in the residential sector due to favourable weather conditions and the impacts of COVID-19.”⁵

The Second Quarter Results for the Saskatchewan and Manitoba Auto Insurers

The compulsory Basic auto insurance in Saskatchewan is known as the Saskatchewan Auto Fund (SAF). Its second quarter report shows that the six-month premium revenue was slightly higher than for the prior year, while damage claims declined by

³ <https://www.bchydro.com/content/dam/BCHydro/customer-portal/documents/corporate/accountability-reports/financial-reports/quarterly-reports/BCHydro-F21-Q1-Report.pdf> p. 3.

⁴ <https://news.hydroquebec.com/en/press-releases/1661/quarterly-net-income-nearly-equal-to-last-years-despite-the-pandemic/?fromSearch=1>

⁵ https://www.hydro.mb.ca/corporate/pdfs/quarterly_report_200930.pdf pdf 2/12.

approximately 21% and injury claims declined by 9% (combined down by 16.2%). The lower claims costs reflect a decline in the frequency (claims per 1,000 policies) of both property and damage claims. The claims reduction has increased the net income and the capital reserve, which achieved a 165% minimum capital test (MCT) ratio on a 12-month rolling average basis, compared to the 140% target.⁶ The Saskatchewan government has not directed the SAF to rebate any of the windfall COVID-19 claims savings to its policyholders, despite the strong capital reserves.

The Manitoba Public Insurance (MPI) corporation has been rebating the pandemic savings (and excess Optional capital) to the Basic policyholders.⁷ For the first half of the year premium revenue was similar to the 2019 amount, while claims frequency was were down by almost 12% compared to the prior year.⁸

Summary

The government should allow BC Hydro and ICBC to publish their second quarter financial reports. There is no reason to hold back the information on actual results for the April to September period to await to release of the government's complete statements.

A review of the second quarter statements of similar Crown corporations in other provinces shows interesting results. The COVID-19 containment measures had a significant impact on electricity sales and on auto insurance sales and costs in the first quarter. For the second quarter this impact had greatly reduced. Is the same impact reflected in the BC Hydro and ICBC reports?

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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 was an intervener in the BC Utilities Commission's recent reviews of ICBC's and B.C. Hydro's rate requests.

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<https://www.sgi.sk.ca/documents/625510/2211028/SGI+Auto+Fund+Quarterly+Report+September+2020.pdf/07d48e2a-8381-42ba-9864-d1f2dd04ef43>

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http://www.bcpolicyperspectives.com/media/attachments/view/doc/commentary_mpi_rebates_5_december_2020/pdf/commentary_mpi_rebates_5_december_2020.pdf

⁸ <https://www.mpi.mb.ca/Pages/nr2020dec3.aspx> and

