



	<b>REPORT NO.: 2018-16</b>
<b>MEETING DATE: MARCH 15, 2018</b>	<b>DATE PREPARED: FEBRUARY 27, 2018</b>
<b>SUBJECT: THE EFFECTS OF UTILITY COSTS ON LOW INCOME INDIVIDUALS</b>	

### **RECOMMENDATION**

For information only.

### **REPORT SUMMARY**

To provide information on the effects of utility costs on low income individuals.

### **BACKGROUND**

During the November 23, 2017 Board Meeting, on consensus, the Board directed Administration to prepare a report on the effects of utility costs on low income individuals.

### **COMMENTS**

Low income individuals are disproportionately impacted by increases in the cost of essential goods and services. The following report will outline the impacts of one such essential service, namely electricity rates, as a broader indicator of how the costs of utilities effect low income individuals. Electricity rates in Ontario have also come under increased scrutiny in recent years given steady price increases over the last decade (see Figure 1).

Given the difficulty of generalizing these impacts across a variety of providers, geographies, household sizes, individual usage, and other variables, the following statistical information is based on electricity rates in the City of Thunder Bay and the Ontario Energy Board reporting standard of 750 kilowatt hours (kWh) to illustrate the monthly electricity consumption of a typical residential customer.<sup>1</sup> Low income is defined according to the Statistics Canada Low-Income Measure After-Tax (LIM-AT) for the 2016 Census, adjusted for inflation, for a single individual (\$23,450 per annum).<sup>2</sup> Ontario Works rates are calculated based on the maximum entitlement for an individual (\$8,652 per annum). Earned income is calculated assuming the current minimum wage of \$14 per

<sup>1</sup> See Ontario Energy Board, *Report of the Ontario Energy Board: Defining Ontario's Typical Electricity Customer*, April 14, 2016:

[https://www.oeb.ca/oeb/Documents/Documents/Report\\_Defining\\_Typical\\_Elec\\_Customer\\_20160414.pdf](https://www.oeb.ca/oeb/Documents/Documents/Report_Defining_Typical_Elec_Customer_20160414.pdf)

<sup>2</sup> See Statistics Canada, *Low-income measures thresholds (LIM-AT and LIM-BT) for private households of Canada, 2015*: [http://www12.statcan.gc.ca/census-recensement/2016/ref/dict/tab/t4\\_2-eng.cfm](http://www12.statcan.gc.ca/census-recensement/2016/ref/dict/tab/t4_2-eng.cfm)  
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hour, after-tax, for a 35 hour work week, and 52 weeks a year (\$21,305 per annum). Average rent is for a one bedroom apartment in the City of Thunder Bay (\$765 per month), and derived from statistics compiled by the Canada Mortgage and Housing Corporation (CMHC).<sup>3</sup> It should be noted that utilities may or may not be included in the average rent as calculated by the CMHC. Finally, in addition to showing the average rent, Figure 1 and Figure 2 show the point at which 30% of income is reached. This is based on the Statistics Canada measure of housing affordability that considers “households that spend 30% or more of total household income on shelter expenses” to be “defined as having a ‘housing affordability’ problem.”<sup>4</sup>

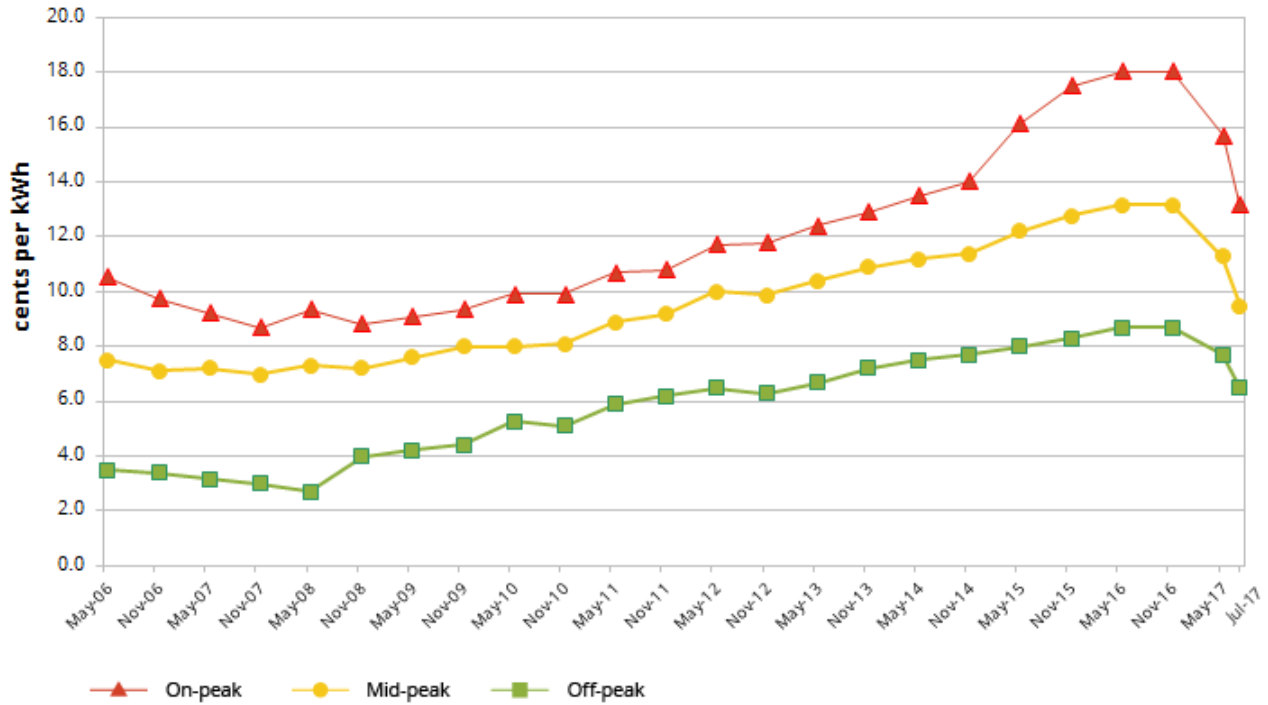


Figure 1: Historical Electricity Rates in Ontario (Source: Ontario Energy Board)

As was previously mentioned, the data presented in this report focuses on electricity rates in the City of Thunder Bay as a broader indicator of how utility rates impact low income individuals. For communities outside of Thunder Bay Hydro Electricity Distribution service area, electricity rates can be higher due to additional delivery charges. The reporting standard of 750 kilowatt hours (kWh) for Hydro One Residential Low Density customers, for instance, demonstrates an additional \$21.16 in delivery charges. For customers using electricity as their primary heating source the cost of electricity can be substantially higher.

With these assumptions in mind, Figure 2 and Figure 3 show the percentage of income, across the different low income categories, spent on electricity costs. These costs are represented in the graphs below without applying the substantial reductions that are available to qualifying low income households. The electricity costs shown in Figure 2 and Figure 3 are significantly reduced by programs such as the Ontario Electricity Support

<sup>3</sup> Canada Mortgage and Housing Corporation, *Thunder Bay Market Rental Report*, October 2017: [https://www.cmhc-schl.gc.ca/odpub/esub/65784/65784\\_2017\\_A01.pdf?fr=1519849966617](https://www.cmhc-schl.gc.ca/odpub/esub/65784/65784_2017_A01.pdf?fr=1519849966617)

<sup>4</sup> Statistics Canada, *Housing Affordability*: <http://www.statcan.gc.ca/pub/82-229-x/2009001/envir/hax-eng.htm> Rev(12/17)

Program (OESP) and the Rural and Remote Rate Protection program (RRRP). Both programs were expanded in 2017 with the passage of the Ontario Fair Hydro Act, resulting in an average 25% reduction on electricity costs across all households in the province and a 50% reduction for qualifying low income households.<sup>5</sup> As can be surmised from the data below, without these programs in place, or similar programs like the Low-Income Energy Assistance Program (LEAP), low income individuals would be much more severely impacted by the cost of utilities.

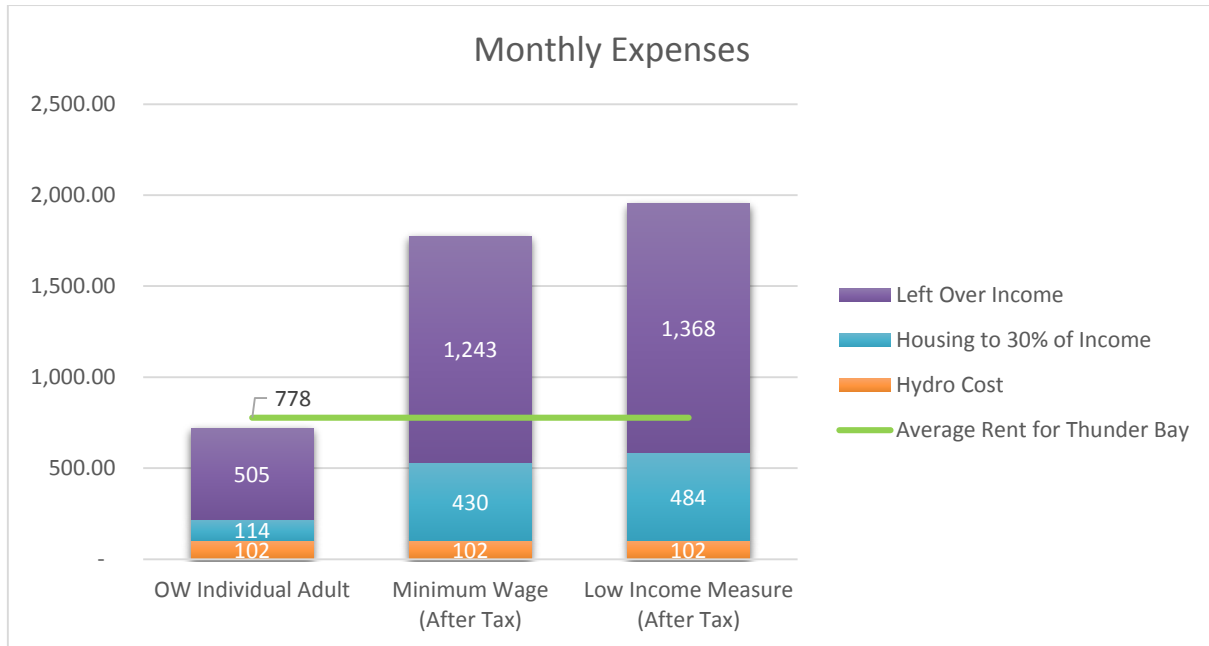


Figure 2: Monthly Expenses

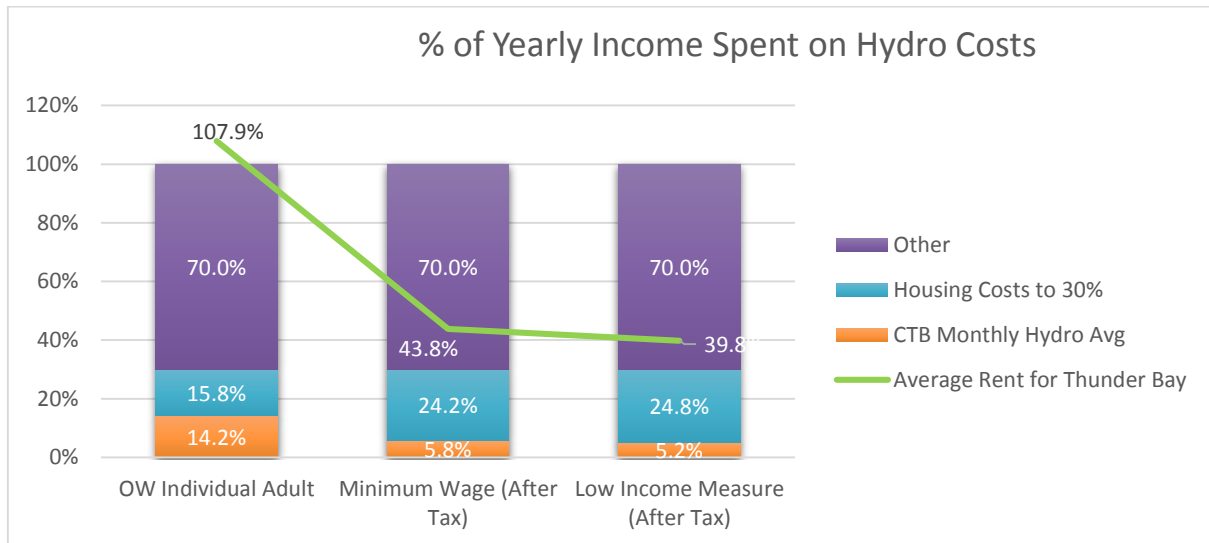


Figure 3: Percentage of Yearly Income Spent on Hydro Costs

It should be noted that of the 2,500 directly owned TBDSSAB units, 956 pay utilities directly (38%). Furthermore, TBDSSAB administers 476 rent supplement units, and of

<sup>5</sup> For a summary of the Act see Ontario Energy Board, *The Fair Hydro Act, 2017*:

<https://www.oeb.ca/newsroom/2017/fair-hydro-act-2017>

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these, 258 pay utilities directly (55%). The TBDSSAB recently advocated for a long-term reduction in electricity rates for social and affordable housing providers in Northern Ontario (see Report No. 2017-93).

For low income individuals and families, increases in the price of utilities have a disproportionate impact given that such increases expend a higher percentage of available income, especially for those on Ontario Works. Figure 4, based on the same assumptions used above, shows the greater impact that a 5% price increase would have on low income groups than on higher income households. According to the Statistics Canada Census Profile for 2016, the median income for the Thunder Bay census division is \$58,522.

	Annual Income	Annual Hydro Cost	% of Income	5% Increase in Hydro	% of Income	Difference in % of Income
OW Client	\$ 8,652	\$ 1,224	14.1%	\$ 1,285	14.9%	0.7%
Minimum Wage	\$ 21,305	\$ 1,224	5.7%	\$ 1,285	6.0%	0.3%
LIM-AT	\$ 23,450	\$ 1,224	5.2%	\$ 1,285	5.5%	0.3%
Income at \$40k	\$ 40,000	\$ 1,224	3.1%	\$ 1,285	3.2%	0.2%
Income at \$60k	\$ 60,000	\$ 1,224	2.0%	\$ 1,285	2.1%	0.1%
Income at \$80k	\$ 80,000	\$ 1,224	1.5%	\$ 1,285	1.6%	0.1%

Figure 4: Cost of Electricity as a Percentage of Income

For the working poor, the recent increase to the provincial minimum wage will help to further mitigate the impacts of utility costs, yet on a per annum basis this income level still falls over \$2,000 below the LIM-AT at full-time hours. Also of concern are the current rates of Ontario Works, which for an individual adult represents approximately 36% of the LIM-AT threshold. The increases to Ontario Works rates, as outlined in the *Income Security: A Roadmap for Change* document<sup>6</sup>, would help to ensure that sufficient income remains on a monthly basis to cover the costs of other essential goods and services.

### **FINANCIAL IMPLICATIONS**

None.



### **CONCLUSION**

It is concluded that utility rates disproportionately impact low income individuals and that, while there are programs in place to enhance the affordability of electricity, further efforts such as the proposed Ontario Works rate increases recommended in the *Income Security: A Roadmap for Change* document would provide much needed financial relief for those in deepest poverty.

<sup>6</sup> See *Income Security: A Roadmap for Change*: [https://files.ontario.ca/income\\_security\\_-\\_a\\_roadmap\\_for\\_change-english-accessible\\_updated.pdf](https://files.ontario.ca/income_security_-_a_roadmap_for_change-english-accessible_updated.pdf)

**REFERENCE MATERIALS ATTACHED**

None

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