



**ORDER NUMBER**  
**G-144-16**

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

and

British Columbia Hydro and Power Authority  
F2017 to F2019 Revenue Requirements Application

**BEFORE:**

D. M. Morton, Commissioner / Panel Chair  
D. J. Enns, Commissioner  
K. A. Keilty, Commissioner

on September 7, 2016

**ORDER**

**WHEREAS:**

- A. On February 26, 2016, British Columbia Hydro and Power Authority (BC Hydro, Applicant) filed an application with the British Columbia Utilities Commission (Commission), pursuant to section 9(1) of Direction No. 7 to the Commission (Direction No. 7), sections 58 to 60, 89 and 90 of the *Utilities Commission Act* (UCA) for approval of an interim refundable rate increase of 4.0 percent, effective April 1, 2016;
- B. On March 22, 2016, the Commission issued Order G-40-16 approving a 4.0 percent interim refundable rates increase effective April 1, 2016;
- C. On July 28, 2016, BC Hydro filed its Fiscal 2017 to Fiscal 2019 Revenue Requirements Application (Application) pursuant to sections 58 to 61 of the UCA requesting, among other things:
  - i. final approval to increase rates by an average of 4.0 percent effective April 1, 2016, 3.5 percent effective April 1, 2017 and 3.0 percent effective April 1, 2018, which reflect the rate caps set out in Direction No. 7;
  - ii. final approval of Open Access Transmission Tariff rates effective April 1, 2016, April 1, 2017 and April 1, 2018 as set out in the Application;
  - iii. approval for changes and additions to certain regulatory and deferral accounts; and
  - iv. acceptance of the demand-side measurements expenditure schedules under section 44.2 of the UCA;
- D. On August 9, 2016, pursuant to Order G-130-16A, the Commission established a Regulatory Timetable for the initial review of the Application which included a procedural conference on September 1, 2016;
- E. On August 17, 2016, the Commission issued a letter identifying several procedural matters to be addressed by the parties at the Procedural Conference;

- F. On August 29, 2016, BC Hydro filed initial comments on the procedural matters set out in the Commission's letter (Pre-filed Comments);
- G. In accordance with the Regulatory Timetable set out in Order G-130-16A, the Procedural Conference took place on September 1, 2016, and was attended by the Applicant, Commercial Energy Consumers' Association of British Columbia, B.C. Old Age Pensioners' Organization et al., BC Sustainable Energy Association and Sierra Club of British Columbia, FortisBC Energy Inc., Canadian Office and Professional Employees Union, Local 378 (MoveUP), Zone II Rate Payers Group, Clean Energy Association of BC, Association of Major Power Customers of BC, Save our Northern Citizens, Richard Landale, Richard McCandless, and Margaret and James Little; and
- H. The Commission has considered BC Hydro's Pre-filed Comments and the submissions made by the parties at the September 1, 2016 Procedural Conference and finds that a further Regulatory Timetable for the review of the Application should be established.

**NOW THEREFORE**, for the reasons set out in Appendix A to this order, the British Columbia Utilities Commission orders that a further Regulatory Timetable for the review of British Columbia Hydro and Power Authority's Fiscal 2017 to Fiscal 2019 Revenue Requirements Application is established as set out in Appendix B to this order.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 7<sup>th</sup> day of September 2016.

BY ORDER

*Original signed by:*

D. M. Morton  
Commissioner

Attachments

British Columbia Hydro and Power Authority  
F2017 to F2019 Revenue Requirements Application

REASONS FOR DECISION

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On August 9, 2016, pursuant to Commission Order G-130-16A, the British Columbia Utilities Commission (Commission) established a regulatory timetable for the review of British Columbia Hydro and Power Authority's (BC Hydro) Fiscal 2017 to Fiscal 2019 Revenue Requirements Application (Application), which included a Procedural Conference scheduled for September 1, 2016. On August 17, 2016, the Commission issued a letter that identified procedural matters for the parties to address at the Procedural Conference. For ease of reference the matters are listed in Appendix C to this order.

On August 29, 2016, BC Hydro filed its initial comments on the procedural matters set out in the Commission's letter including a draft regulatory timetable (Pre-filed Comments).

The Procedural Conference took place on September 1, 2016, and was attended by BC Hydro, Commercial Energy Consumers' Association of British Columbia (CEC), BC Old Age Pensioners Organization et al. (BCOAPO), BC Sustainable Energy Association and Sierra Club of British Columbia (BCSEA), FortisBC Energy Inc. (FBC), Canadian Office and Professional Employees Union, Local 378 (MoveUP), Zone II Rate Payers Group (Zone II), Clean Energy Association of BC (CEA), Association of Major Power Customers of BC (AMPC), Save our Northern Citizens (SONS), Richard Landale (Mr. Landale), Richard McCandless (Mr. McCandless), and Margaret and James Little (Mrs. and Mr. Little).

Scope of review of the Application

BC Hydro put forward its position in its Pre-filed Comments and supplemented its position in its submission and reply at the Procedural Conference. In its submission at the Procedural Conference, BC Hydro put forward the following four points that can achieve both a meaningful and efficient review of the Application: 1) a focus on the three-year test period; 2) recognition of the legislative parameters and a focus on the aspects that the Commission retains discretion over; 3) recognition that some matters are to be addressed in separate proceedings; and 4) reliance on a written process<sup>1</sup> and if there is an oral hearing that it is focused on the right things.<sup>2</sup>

CEC submitted, and BCOAPO agreed, to the extent that future years are affected there should be exceptions to staying strictly focused on the three-year test period, specifically, citing Demand Side Management (DSM) expenditures.<sup>3</sup> BCSEA agreed and added that "money going into the revenue requirements that will have to be repaid by ratepayers beyond the three-year test period (rate smoothing account) is certainly within scope" but stated that BC Hydro is likely not in disagreement with that.<sup>4</sup> Mr. Landale appeared to support these positions as well.<sup>5</sup>

CEA submitted that "there is a need to be cognizant of the three-year test period, but there's also the need to look at what happens for a 20-year life, for example, an investment in demand-side management. So you have to look beyond the three-year test period to see if those benefits would be realized..."<sup>6</sup>

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<sup>1</sup> Transcript Volume 6, pp. 224–225.

<sup>2</sup> Ibid., p. 239.

<sup>3</sup> Ibid., pp. 242, 250.

<sup>4</sup> Ibid., p. 260.

<sup>5</sup> Ibid., pp. 275, 277–279.

<sup>6</sup> Ibid., pp. 285–286.

MoveUP submitted that the Application is substantially grounded in the context of the ten-year plan. Aside from the three-year test period that has been applied for, “the Commission needs to maintain a handle on that outlook...”<sup>7</sup> MoveUP further submitted that the jurisdiction of the Commission is not confined, “to the three-year test period that happens to be applied for by the utility. And the Commission needs to remain fully cognizant of the overall perspective and the trend in terms of the financial stability of the utility including capital and other costs in that evolving scenario.”<sup>8</sup>

AMPC agreed with CEA, MoveUP and BCSEA regarding the applicability of the three-year test period.<sup>9</sup>

With regard to the legislative constraints on scope, BCSEA submitted that it should be acknowledged that “it would be open for an intervener to disagree with whether a particular apparent legal constraint is valid, or whether the interpretation of that constraint ought to be one thing or another.”<sup>10</sup>

With regard to the scope matters set out in the Commission letter, BCSEA identified some concern regarding the scope of review of the Standing Offer Program.<sup>11</sup> CEC raised a concern with certain capitalized overheads related to Site C<sup>12</sup> and BCOAPO raised a concern with the limited amount of information around the thermal-mechanical pulping costs.<sup>13</sup>

In reply, BC Hydro agreed that it is correct to characterize the deferral accounts and DSM as having longer-term implications and provided assurance that it fully expects to answer question on the DSM proposals that have been put forward.<sup>14</sup> BC Hydro provided similar assurance regarding deferral accounts and submitted that “it is expecting to answer questions on more than just the simple rate request.” It stated that it is expecting to answer questions on its revenue requirement as a whole, a portion of which will be deferred.<sup>15</sup>

With regard to BCSEA’s concern around the Standing Offer Program, BC Hydro submitted that to the extent the costs are impacting the revenue requirement period, BC Hydro expects to answer questions on those issues. With regard to CEC’s concern with certain Site C capitalized overheads, BC Hydro replied that it would be pleased to answer those questions. BC Hydro also provided assurance that it is fair for parties to be asking questions to understand how the thermal-mechanical pulping costs are reflected.<sup>16</sup>

Generally speaking, other than those noted above and clarified by BC Hydro, there were no major disagreements among the parties regarding scoping. The Panel endorses BC Hydro’s assessment of scope, subject to the comments made by interveners as described above. In particular, we agree that there are expenditures that affect future years and that these expenditures are subject to review in this proceeding.

The Panel also agrees with BCSEA, that “there may come a point where interveners want to explore areas that Hydro believes are too far outside of the scope to warrant a response. Those types of issues can be dealt with at

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<sup>7</sup> Ibid., p. 267.

<sup>8</sup> Ibid., p. 268.

<sup>9</sup> Ibid., p. 295.

<sup>10</sup> Ibid., p. 261.

<sup>11</sup> Ibid., p. 260.

<sup>12</sup> Ibid., pp. 244–245.

<sup>13</sup> Ibid., p. 254.

<sup>14</sup> Ibid., pp. 311–312.

<sup>15</sup> Ibid., p. 312.

<sup>16</sup> Ibid., pp. 312–314.

the time through the regular procedures, and that the Commission Panel in particular doesn't have to try and anticipate at this point all of those possible points of friction within the Procedural Order."<sup>17</sup>

The Panel notes BC Hydro's submission that it is placing particular importance on "ensuring that the process affords participants a meaningful opportunity to review the revenue requirements of BC Hydro for the three-year test period,"<sup>18</sup> and that it intends to be pragmatic and practical about responding to information requests rather than dogmatic in terms of the scoping.<sup>19</sup> Accordingly, given the general agreement of the parties, at this point, the Panel finds no reason to restrict the scope beyond BC Hydro's assessment subject to the comments put forth by interveners and addressed in reply by BC Hydro. However, if the need arises the Panel will do so.

#### BC Hydro Regulatory Oversight of Capital Expenditures and Projects proceeding

The Panel is in agreement with the positions put forward by BC Hydro and many of the interveners that the outcome of the BC Hydro Regulatory Oversight of Capital Expenditures and Project proceeding should be applied on a prospective basis; it is not necessary to blend the two processes; and the review of capital projects in the Application should proceed in the normal course as part of this proceeding.<sup>20</sup>

The Panel notes BC Hydro's commitment to work with staff to provide the necessary data required to consider, at a high level, capital expenditures during the test period that have not been reviewed under a CPCN or a section 44.2 filing in advance of Information Request (IR) No. 1.<sup>21</sup>

#### The review process for the DSM component of the RRA

The Panel is in agreement with the position put forward by BC Hydro and supported by most of the interveners<sup>22</sup> that "the Commission is best positioned to make a determination on all of the matters in the application by hearing them as part of a single process."<sup>23</sup>

In its submission, BCOAPO indicated that it had asked a number of IRs on DSM in the recent BC Hydro Rate Design Application (RDA) hearing and noted that it has been working with BC Hydro to have some of those IRs adopted on the record of this proceeding prior to IR No. 1 being issued.<sup>24</sup> Zone II also indicated that it is also seeking to have some of its IRs from the RDA included and adopted into this proceeding.<sup>25</sup> The Panel encourages and supports BC Hydro working together with BCOAPO and Zone II in this endeavour and are encouraged by the regulatory efficiency that may result.

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<sup>17</sup> Ibid., p. 259.

<sup>18</sup> Ibid., p. 224.

<sup>19</sup> Ibid., p. 233.

<sup>20</sup> Ibid., BC Hydro, p. 234; CEC, p. 245; BCOAPO, p. 257; BCSEA, p. 261; MoveUP, p. 270; CEA, p. 288.

<sup>21</sup> Ibid., p. 314.

<sup>22</sup> Ibid., CEC, p. 246; BCOAPO, p. 257; BCSEA, p. 262; MOVEUP, p. 270; Mr. Landale, p. 279; Zone II, pp. 281–282; CEA, p. 288; AMPC, p. 295.

<sup>23</sup> Ibid., p. 235.

<sup>24</sup> Ibid., pp. 255–256.

<sup>25</sup> Ibid., p. 283.

### Process to review the RRA

Many interveners<sup>26</sup> submitted that the review of the Application should include, at least in part, a focused oral component but none identified any specific issues. Several interveners<sup>27</sup> suggested that the scope of the oral component should be determined at the second procedural conference or through written submissions later in the process.<sup>28</sup> AMPC and MoveUP took the position that the default review process for this Application should be an oral hearing. AMPC submitted that fundamentally, the “onus has to remain with BC Hydro to demonstrate that certain aspects of the application are not contentious, or are otherwise amenable to a written proceeding.”<sup>29</sup>

At this time, the Panel makes no determination on which parts of the Application, if any, should be the subject of an oral component. This issue will be further addressed at Procedural Conference No. 2.

### Regulatory Timetable for the review of the RRA

On pages 15 and 16 of the Pre-filing Comments, BC Hydro provided a draft regulatory timetable which provides for a full written process, and an oral hearing/component if necessary.

The interveners agree on the events outlined in the draft regulatory timetable except for the following four issues:

1. the placement of Procedural Conference No. 2;
2. the omission of a provision for interveners to file IRs on intervener evidence;<sup>30</sup>
3. the omission of a Participant Assistance / Cost Award (PACA) budget filing deadline,<sup>31</sup> and
4. the date for an oral hearing to commence.<sup>32</sup>

The draft regulatory timetable provides for Procedural Conference No. 2 to take place one week after BC Hydro files its responses to IR No.1. BC Hydro submitted that:

The purpose of having a second Procedural Conference would be if the Commission believed that the issue of whether or not something should be oral or written required an initial round of Information Requests to inform that decision, that we have a date that we could deal with that issue at if the Commission’s not ready to deal with that issue at this time.<sup>33</sup>

MoveUP suggested that the “parties will be in a much better position to sort of fine-tune their positions on what the appropriate way to shape the process is going to be once the second round of IRs has been responded to.”<sup>34</sup>

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<sup>26</sup> Ibid., CEC, p. 247; BCOAPO, p. 258; BCSEA, p. 262; MoveUP, p. 270; CEA, p. 289.

<sup>27</sup> Ibid., CEC, p. 247; BCOAPO, p. 258; BCSEA, p. 262; MoveUP, p. 270; CEA, p. 289; AMPC, p. 299.

<sup>28</sup> Ibid., MoveUP, p. 271.

<sup>29</sup> Ibid., p. 298.

<sup>30</sup> Ibid., BCSEA, p. 262; FBC, p. 265; Commission staff, p. 304.

<sup>31</sup> Ibid., BCSEA, p. 262; Mr. Landale, p. 278.

<sup>32</sup> Ibid., Zone II, p. 238; CEA, p. 325.

<sup>33</sup> Ibid., p. 241.

<sup>34</sup> Ibid., p. 271.

MoveUP concluded that the second procedural conference should instead take place after IR No. 2. Several of the interveners<sup>35</sup> supported MoveUP's position. CEA elaborated further, stating "...that is when [after IR No. 2] interveners will have a fairly good appreciation of what matters should be the subject of an oral hearing...that's when you can test the strength of the responses."<sup>36</sup>

In reply, BC Hydro submitted that it considered having the procedural conference after IR No.2 "and on balance chose to propose it after the first round... [I]t's a balance of [the reasons provided by the interveners] and also providing enough leeway, enough warning, leading up to an oral hearing."<sup>37</sup> BC Hydro further submitted that "as we know, Round 1 does canvass a lot of issues. And Round 2 is intended at elucidating information about the issues that have been canvassed in IR 1, not necessarily go after a bunch of new issues as well."<sup>38</sup>

The Panel finds that Procedural Conference No. 2 is most appropriately scheduled after the responses to IR No.1 have been filed by BC Hydro. The Panel is persuaded by BC Hydro's arguments that the issues should be known by the parties after IR No. 1 and that parties will need adequate time to prepare for an oral hearing if there should be one. Further, having Procedural Conference No. 2 before the filing of IR No.2 should benefit interveners in crafting their second round of information requests with the clarity of knowing whether the issues will be pursued through oral cross-examination or not.

The Panel also finds that the regulatory timetable should allow for interveners to file IRs on intervener evidence and establishes a deadline for filing PACA budgets. The Panel reminds interveners that they may file their PACA budgets in advance of the deadline if they require a staff comfort letter, especially regarding eligibility and expert witness budgets, prior to the Commission making a final determination on process.

Except as noted and addressed above, CEC,<sup>39</sup> BCSEA,<sup>40</sup> and FBC<sup>41</sup> submitted that they agree with the draft regulatory timetable. AMPC requested an additional week for interveners to file intervener evidence but offered to reduce the time for interveners to respond to IRs on that evidence by one week.<sup>42</sup> BCOAPO, MoveUP, AMPC and Zone II requested an extension to the date to file IR No.1<sup>43</sup> and Commission staff requested an extension of one week to file IR No.2 and IRs on Intervener Evidence.<sup>44</sup> Zone II, as supported by CEA, had a concern with the commencement date for an oral hearing and submits that "this date conflicts with spring vacation that starts on that date. So we are requesting moving the commencement of the oral hearing to early April instead, should there be an oral hearing."<sup>45</sup>

After some discussion the parties were not able to come to an agreement on all the dates in the regulatory timetable. It is worth noting that BC Hydro was willing to accommodate all the requests for additional time, other than the date for an oral hearing to commence, and in many cases agreed to shorten the time periods provided to them in order to ensure that the process did not stretch out any further.

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<sup>35</sup> Ibid., Mr. Landale, p. 279; AMPC, p. 300; BCSEA, p. 306; BCOAPO, p. 306; CEC, p. 308; and CEA, p. 289.

<sup>36</sup> Ibid., p. 289.

<sup>37</sup> Ibid., p. 319.

<sup>38</sup> Ibid., pp. 319–320.

<sup>39</sup> Ibid., p. 247.

<sup>40</sup> Ibid., p. 262.

<sup>41</sup> Ibid., p. 265.

<sup>42</sup> Ibid, pp. 300–301.

<sup>43</sup> Ibid., BCOAPO, p.258; MoveUp, p. 271, AMPC, p. 299; Zone II, p. 282.

<sup>44</sup> Ibid., p. 304.

<sup>45</sup> Ibid., p. 283, p. 325.

Given the number of parties involved, and the complexity of the review process, establishing dates in a regulatory timetable that is suitable to all the parties is likely not possible and will require some compromises on all sides. Further, the Panel notes that spring break in the province of BC can span any of the weeks in March 2017.

For those reasons, the Panel establishes Monday, March 13, 2017, as the date for an oral hearing to commence if any of the Application is to be heard by way of an oral hearing.

**A further Regulatory Timetable for the review of British Columbia Hydro and Power Authority's Fiscal 2017 to Fiscal 2019 Revenue Requirements Application is established as set out in Appendix B to this order.**



British Columbia Hydro and Power Authority  
F2017 to F2019 Revenue Requirements Application

**REGULATORY TIMETABLE**

ACTION	DATE (2016)
Commission IR No.1 to BC Hydro	Thursday, October 6
Intervener IR No.1 to BC Hydro	Wednesday, October 19
BC Hydro Responses to IR No.1	Monday, November 21
Procedural Conference No.2	Monday, November 28
Intervener PACA Budgets (on or before)	Monday, December 12
Commission IR No.2 to BC Hydro	Noon, Wednesday, December 14
Intervener IR No.2 to BC Hydro	Friday, December 16
	<b>DATE (2017)</b>
BC Hydro Responses to IR No.2	Monday, January 23
Intervener Evidence (if any)	Friday, February 3
Commission, BC Hydro and Intervener IRs on Intervener Evidence (if any)	Friday, February 17
Intervener Responses to IRs on Intervener Evidence (if any)	Friday, March 3
BC Hydro Rebuttal Evidence (if any)	Thursday, March 10
BC Hydro Final Argument ( <i>if written proceeding</i> )	Monday, March 20
Intervener Final Argument ( <i>if written proceeding</i> )	Monday, April 10
BC Hydro Reply Argument ( <i>if written proceeding</i> )	Friday, April 28
Oral Hearing Commences ( <i>if oral proceeding</i> )	Monday March 13
BC Hydro Final Argument ( <i>if oral or part written/oral proceeding</i> )	Three weeks after the oral hearing concludes
Intervener Final Argument ( <i>if oral or part written/oral proceeding</i> )	Three weeks after BC Hydro Final Argument
BC Hydro Reply Argument ( <i>if oral or part written/oral proceeding</i> )	Three weeks after Intervener Final Argument

British Columbia Hydro and Power Authority  
F2017 to F2019 Revenue Requirements Application

**COMMISSION PROCEDURAL MATTERS**  
From Letter Dated August 17, 2016

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1. In consideration of the regulatory framework applicable to the RRA as set out in section 3.2 of the Application, what are the limitations on the scope of the Commission's review, including consideration of the following matters:
  - (i) Heritage and non-heritage energy forecast;
  - (ii) Independent power purchase agreements and other long-term energy purchase contracts;
  - (iii) Load and revenue forecast;
  - (iv) Updated load resource balance and the long run marginal cost as set out in section 3.4 of the Application;
  - (v) Level of net debt and the costs of debt as set out in Appendix A, schedule 8 of the Application;
  - (vi) Site C expenditures;
  - (vii) Smart Metering and Infrastructure Program matters;
  - (viii) Return on equity;
  - (ix) Meters Choices Program;
  - (x) Thermal-mechanical Pulping Program;
  - (xi) The size of the demand side management spending envelop; and
  - (xii) Any other matters impacting scope.
2. Given the Commission's current proceeding for the BC Hydro Regulatory Oversight of Capital Expenditures and Projects, how should the review of capital expenditures and additions proceed in this RRA?
3. Whether there are any matters, such as DSM, which would be better carved out of the RRA and reviewed as separate processes.
4. Whether it is your intention to file intervener evidence and if so, relating to what specific matters.
5. Whether the review of the RRA should proceed by a written or oral public hearing, or some other process.
6. Steps and timetable associated with the recommended regulatory review process including submissions on the tentative dates set out for Information Request No. 1 in the Regulatory Timetable attached to Order G-130-16A. If proposing an oral public hearing, what specific matter should be addressed through that process?
7. Any other matter that will assist the Commission to efficiently review the RRA.