



**ORDER NUMBER
G-248-22**

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

and

British Columbia Hydro and Power Authority
Fiscal 2023 to Fiscal 2025 Revenue Requirements Application

BEFORE:

D. M. Morton, Panel Chair
A. K. Fung, QC, Commissioner
R. I. Mason, Commissioner
A. Pape-Salmon, Commissioner

on September 7, 2022

ORDER

WHEREAS:

- A. On August 31, 2021, the British Columbia Hydro and Power Authority (BC Hydro) filed its Fiscal 2023 to Fiscal 2025 Revenue Requirements Application (Application) with the British Columbia Utilities Commission (BCUC) pursuant to sections 44.2, and 58 to 61 of the *Utilities Commission Act* requesting, among other things, interim and, after certain future determinations in other proceedings, permanent approval of the following:
 - (i) Increase in rates by 0.62 percent, effective April 1, 2022, by 0.97 percent, effective April 1, 2023 and by 2.18 percent, effective April 1, 2024; and
 - (ii) The fiscal 2023, fiscal 2024, and fiscal 2025 Open Access Transmission Tariff rates as set out in Table 9-4 of the Application;
- B. In the Application, BC Hydro also requested to set the Deferral Account Rate Rider on an interim and permanent basis at (2.0) percent, effective April 1, 2022 for fiscal 2023; and, on a permanent basis at (1.0) percent, effective April 1, 2023 for fiscal 2024 and (0.5) percent, effective April 1, 2024 for fiscal 2025;
- C. By Order G-239-22, the BCUC established an amended regulatory timetable for the review of the Application which included a one week oral hearing, set the oral hearing scope topics and estimated time allotments for each topic and provided for parties' written submissions on the connecting customers component of the Electrification Plan. Order G-239-22 also noted that the Panel "will review submissions on the Electrification Plan issues and BC Hydro's rebuttal evidence, and, as a consequence, may make further modifications to, including possibly remove, the Electrification Plan and asset management planning and strategy topics from the oral hearing;"
- D. By letter dated August 23, 2022, BC Hydro provided its submission on the connecting customers component of the Electrification Plan. In addition, BC Hydro requested clarification on whether intervenor witness panels will appear at the end of the oral hearing or on a topic-by-topic basis;

- E. By letters dated August 25, 2022, Residential Consumer Intervener Association, Commercial Energy Consumers Association of British Columbia, BC Sustainable Energy Association, British Columbia Old Age Pensioners' Organization *et al.*, The Association of Major Power Customers (AMPC), and Kwadacha Nation and Tsay Key Dene Nation, together the Zone II Ratepayers Group provided submissions on the connecting customers component of the Electrification Plan. By letter dated August 29, 2022 BC Hydro filed a reply;
- F. By letter dated August 22, 2022, AMPC raised concerns with the BCUC's allocation of oral hearing time to the topic of depreciation and net salvage, and to seek relief;
- G. By letter dated August 26, 2022, the Panel acknowledged receipt of AMPC's letter, and the concerns outlined. Further, the Panel noted that "... the time allotments provided in Order G-239-22 are only estimates. Depending on whether further modifications to the Electrification Plan and asset management planning and strategy topics in the oral hearing are made after the Panel has reviewed submissions on the connecting customers component of the Electrification Plan and BC Hydro's rebuttal evidence, the Panel will address the relief sought by AMPC, if necessary, at that time;" and
- H. The BCUC has considered the written submissions made by the parties and BC Hydro's reply and AMPC's letter dated August 22, 2022 and finds that amendments to the oral hearing scope topics and estimated time allotments are warranted.

NOW THEREFORE for the reasons set out in Appendix A attached to this order, the BCUC orders:

1. An oral hearing on the topic of the connecting customers component of the Electrification Plan is not warranted.
2. The final oral hearing scope topics, estimated time allotments, and the order with which each topic will be cross-examined, are as follows:

Topic	Estimated Time Allotment
BC Hydro Rebuttal Evidence (included as part of the time allotments for each topic below)	
Depreciation and net salvage	1.5 days
Expected asset lives used in asset management planning and strategy	1 day
DARR and cost of energy forecasts	1 day
UNDRIP and steps to advance reconciliation	0.5 day
Vegetation management	1 day

DATED at the City of Vancouver, in the Province of British Columbia, this 7th day of September 2022.

BY ORDER



D. M. Morton
Commissioner

Attachment

REASONS FOR DECISION

1.0 Background

By Order G-239-22 the British Columbia Utilities Commission (BCUC) Panel amended the regulatory timetable for the above-noted proceeding to accommodate a one-week oral hearing, determined the topics and their expected time allotments, and invited parties to provide submissions regarding the connecting customers component of the Electrification Plan. Further, the Panel noted that it “will review submissions on the Electrification Plan issues and BC Hydro’s rebuttal evidence, and, as a consequence, may make further modifications to, including possibly remove, the Electrification Plan and asset management planning and strategy topics from the oral hearing.”

The British Columbia Hydro and Power Authority (BC Hydro), BC Sustainable Energy Association (BCSEA), Kwadacha Nation and Tsay Key Dene Nation, together the Zone II Ratepayers Group (Zone II RPG), the Association of Major Power Customers (AMPC), Residential Consumer Intervener Association (RCIA), Commercial Energy Consumers Association of British Columbia (the CEC) and British Columbia Old Age Pensioners’ Organization *et al* (BCOAPO) filed submissions and BC Hydro filed a reply.¹ In addition, BC Hydro filed its rebuttal evidence on the topics of depreciation and net salvage (rebuttal to evidence from RCIA and AMPC), expected asset lives in asset planning (rebuttal to evidence from RCIA), and vegetation management (rebuttal to evidence from AMPC and RCIA).²

2.0 Electrification Plan Topic

As noted above, the Panel invited BC Hydro and interveners to provide submissions on the Electrification Plan, specifically “...on whether both the operating and capital expenditures of the connecting customers component of the Electrification Plan are covered by either OIC No. 355 or the GGRR.” For reference, section 5 of OIC No. 355 respecting capital costs states:

The commission must not disallow for any reason the recovery in rates from persons who receive or may receive service under the specified rate schedules, over a period determined by the authority, of the capital costs incurred by the authority to provide service to persons who receive incentives or other funding, or are otherwise encouraged to apply for service, under the load-attraction program or the low-carbon electrification program.

BC Hydro submits that the estimated capital expenditures for connecting customers of \$146.6 million is included in section 5 of OIC 355 and that the BCUC must not disallow, for any reason, the recovery of these costs.³ Further, BC Hydro reiterates that the only portion of the test period Electrification Plan expenditures not covered by OIC No. 355 or the GGRR is \$5.1 million of operating expenses for connecting customers, and that an oral hearing on these costs is not warranted. BCSEA and the CEC agree with BC Hydro.⁴

¹ Exhibit B-35, C1-11, C5-16, C7-27, C8-24, C9-12, C11-9, B-37.

² Exhibit B-36, B-36-1, B-36-2, B-36-3.

³ Exhibit B-35

⁴ Exhibits C1-11 and C9-12

AMPC and RCIA both agree with BC Hydro that the effect of OIC No. 355 is that the BCUC must not disallow the recovery of capital expenditures associated with the Electrification Plan. However, RCIA submits that the capital and operating expenses associated with the connecting customers component of the Electrification Plan should remain in scope for the oral hearing to address cost effectiveness. BC Hydro disagrees, noting that OIC No. 355 states that the BCUC cannot disallow recovery of these capital expenditures “for any reason.”⁵ AMPC states that the Electrification Plan should be in scope given that “it relates to the current test period to the extent it continues to affect rates.”⁶

BCOAPO submits that OIC No. 355 specifically refers to “incurred” capital expenditures and does not cover “forecast” capital expenditures, and that both the operating and forecast capital expenditures associated with the connecting customers component of the Electrification Plan should remain in scope for the oral hearing. In reply, BC Hydro states that forecast capital expenditures are not recovered in rates until a capital project is placed in service and that “an associated amortization of \$3 million has been included in the Test Period revenue requirements.” Further, BC Hydro points out that variances between forecast and actual amortization is captured in the Amortization of Capital Additions Regulatory Account.⁷

Panel determination

In the view of the Panel, OIC No. 355 is clear that the BCUC is prohibited from disallowing the recovery of capital expenditures incurred “to provide service to persons who receive incentives or other funding, or are otherwise encouraged to apply for service, under the load-attraction program or the low-carbon electrification program.” Due to the clear limitations on the BCUC’s jurisdiction, the Panel does not consider it appropriate to include expenditures covered by OIC NO. 355 or the GGRR in the oral hearing scope, as suggested by RCIA and AMPC.

With respect to BCOAPO’s submission that OIC No. 355 does not address “forecast” capital expenditures, the Panel is not persuaded that this point provides justification for including the capital expenditures related to connecting customers component of the Electrification Plan in the oral hearing scope. As noted by BC Hydro, variances between forecast and actual amortization are recorded in the Amortization of Capital Additions Regulatory Account, meaning that ratepayers will ultimately pay for actual (i.e. incurred) capital expenditures.

The only remaining Test Period capital and operating Electrification Plan expenditures not covered by OIC No. 355 or the GGRR are the \$5.1 million in operating expenditures related to connecting customers.

Given the substantial evidentiary record related to these expenditures and the amount of these costs (i.e. \$5.1 million) in relation to BC Hydro’s overall Test Period revenue requirements, the Panel determines that an oral hearing on the topic of the connecting customers component of the Electrification Plan is not warranted.

3.0 Intervener Witness Panels

BC Hydro requests clarification on whether intervener witness panels will appear at the end of the oral hearing or on a topic-by-topic basis, and states it is amendable to either order.⁸ BCSEA prefers a topic-by-topic approach.⁹ AMPC suggest that BC Hydro’s witness panel for the depreciation and net salvage topic be scheduled

⁵ BC Hydro Reply, Exhibit B-37

⁶ Exhibits C7-27 and C8-24

⁷ BC Hydro Reply, Exhibit B-37

⁸ Exhibit B-35

⁹ Exhibit C1-11

last before interveners, with RCIA and Mr. Bowman to follow.¹⁰ While BC Hydro agrees there is a benefit to the witness panels on this topic being heard together, it states that this can also be achieved with the topic-by-topic approach.¹¹

Panel Determination

The Panel recognizes the benefit of presenting evidence on individual topics together at the oral hearing, including but not limited to depreciation and net salvage, and considers that this can be achieved with a topic-by-topic approach. **Accordingly, BC Hydro and intervener witness panels for each topic will appear in sequence at the oral hearing, with BC Hydro witness panels appearing first, followed by interveners.**

4.0 AMPC Letter Dated August 22, 2022

On August 22, 2022, the BCUC received a letter from the AMPC raising concerns with the BCUC's allocation of oral hearing time to the topic of depreciation and net salvage, and to seek relief.¹²

AMPC submits that at least two days of the oral hearing should be allocated to depreciation and net salvage (e.g. one day to cross-examine BC Hydro's witnesses and a half day for each of AMPC and RCIA's witness panels), as these are critical issues and the extent of BC Hydro's rebuttal evidence, which should be the focus for this topic at the oral hearing, is not yet known. Further, AMPC states that the second week of the hearing should be retained for now.

AMPC requests that, if there is ultimately only one hearing day to address this topic, the bulk of the time available is reserved to cross-examine BC Hydro's rebuttal evidence and the available time is allocated particularly to those interveners that have filed competing evidence. Should this be the case, AMPC requests the opportunity to make submissions following receipt of BC Hydro's rebuttal evidence regarding why such a time allocation would be fair relative to the limited time allocated to this topic.

In response, the Panel acknowledged receipt of AMPC's letter, and the concerns outlined. Further, the Panel noted that "... the time allotments provided in Order G-239-22 are only estimates. Depending on whether further modifications to the Electrification Plan and asset management planning and strategy topics in the oral hearing are made after the Panel has reviewed submissions on the connecting customers component of the Electrification Plan and BC Hydro's rebuttal evidence, the Panel will address the relief sought by AMPC, if necessary, at that time."

Panel Discussion

The Panel acknowledges AMPC's submission that at least two days of the oral hearing should be allocated to depreciation and net salvage and that the second week of the oral hearing should be retained for now. However, based on the existing evidentiary record on this topic and the Panel's desire to complete the RRA proceeding within a reasonable amount of time, the Panel is not persuaded that this is justified at present. Notwithstanding, the Panel determined in Section 2.0 of these reasons that an oral hearing on the topic of the connecting customers component of the Electrification Plan is not warranted. Accordingly, the Panel considers it

¹⁰ Exhibit C7-27

¹¹ BC Hydro Reply, Exhibit B-37

¹² Exhibit C7-28

appropriate that the time that was set aside for this topic be reallocated to the topic of depreciation and net salvage to allow for an estimated 1.5 days.

The Panel notes AMPC’s submission that if only one day is allocated to the topic of depreciation and net salvage, “the bulk of the time available is reserved to cross-examine BC Hydro’s rebuttal evidence and the available time is allocated particularly to those interveners that have filed competing evidence.” As discussed above, the BC Hydro and intervener witness panels for each topic will appear in sequence at the oral hearing, with BC Hydro witness panels appearing first, followed by interveners. With respect to the order of cross-examination by interveners, the Panel considers it reasonable that those interveners that filed evidence on a particular topic should be afforded the first opportunity to cross-examine BC Hydro’s witness panels on the same topic, followed by the remaining interveners.

Further, in the Panel’s view, extended oral hearing hours may provide additional time on certain topics, as needed. Although the Panel recognizes that there may be challenges associated with extended oral hearing hours, it is warranted in these circumstances to enable the proceeding to conclude in a reasonable amount of time.

5.0 Final Order Hearing Scope

Based on the reasons above and those accompanying Order G-239-22, the Panel determines that the final order hearing scope topics, estimated time allotments, and the order with which each topic will be cross-examined, are as follows:

Topic	Estimated Time Allotment
BC Hydro Rebuttal Evidence (included as part of the time allotments for each topic below)	
Depreciation and net salvage	1.5 days
Expected asset lives used in asset management planning and strategy	1 day
DARR and cost of energy forecasts	1 day
UNDRIP and steps to advance reconciliation	0.5 day
Vegetation management	1 day

BCUC staff have entered Exhibit A2-10 and confidential Exhibit A2-10-1 on the record, which relate in part to the proposed accounting treatment for any incremental Test Period costs associated with the electricity purchase agreement (EPA) renewal for the Island Generation facility. With respect to the DARR and cost of energy forecasts, cross-examination on this topic may include the proposed accounting treatment for any incremental Test Period costs associated with this EPA renewal. Any registered interveners requesting access to confidential Exhibit A2-10-1 may do so in accordance with the BCUC’s Rules of Practice and Procedure.

As noted above, the above-noted time allotments are only estimates and BC Hydro and intervener witness panels for each topic will appear in sequence at the oral hearing (i.e. topic-by-topic), with BC Hydro witness panels appearing first, followed by interveners.