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ROBERT J. PELLATT
COMMISSION SECRETARY

May 23, 1995

To: Regulated Utilities
Intervenors
Other Interested Parties

Re: British Columbia Utilities Commission
Staff Paper on Social Costing in Energy Utility Regulation

On March 29, 1995, the Utilities Commission sponsored a one-day workshop on Social Costing in Energy Utility Regulation. The purpose of the workshop was to familiarize participants with the principles of social costing and to gain a common understanding of issues, methods, and policies for implementing social costing in the energy industry, including a discussion of the role of regulatory commissions in this process.

At the workshop, the Chairperson committed to having Commission staff prepare a paper on Social Costing in the energy utility industry in British Columbia, which will be circulated for comment. The paper will discuss the following issues:

- What mechanisms exist to address the issue of social costing at a broader societal level?
- Under what circumstances will BCUC-imposed social costing in the energy sector lead to a sub-optimal environmental outcome overall, given that other entities in the energy sector and other sectors are not required to incorporate these costs into their decision-making processes? How likely are these circumstances?
- To what extent can the BCUC require utilities to consider social costs in their decision making (i.e., resource selection, dispatch and pricing)? Which aspects of utility social costing fall more appropriately into the domain of other agencies (e.g., Ministry of Environment, Lands and Parks, Crown Corporation Secretariat, etc.)? Does the BCUC have a role to play in either initiating, coordinating, or implementing these mechanisms, in conjunction with other agencies?
- If the Commission does play a role, what are appropriate methods of social costing (e.g., monetization vs. multi-attribute trade-off analysis; damage cost vs. abatement cost) given the circumstances in British Columbia?

The paper will also make recommendations as to the appropriate process and timetable to continue the discussion once comments have been received on the paper. For example, the Commission could initiate a task force, or hold a generic hearing etc. The Commission anticipates that it will issue a decision at the end of the process.

Staff intend to complete the paper by mid-summer and will distribute a copy as soon as it is available. At that time, interested parties will be invited to respond in writing to the Commission.

Yours truly,

Original signed by:

SAW/ssc

Robert J. Pellatt

SCW/Follow-up to Wkshp