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CANADA



BRITISH COLUMBIA  
UTILITIES COMMISSION

ORDER  
NUMBER G-10-96

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IN THE MATTER OF the Utilities Commission  
Act, S.B.C. 1980, c. 60, as amended

and

Applications by West Kootenay Power Ltd.  
for Approval of its Revenue Requirements and Integrated Resource Plan

**BEFORE:** M.K. Jaccard, Chairperson; and )  
L.R. Barr, Deputy Chairperson ) February 1, 1996

**O R D E R**

**WHEREAS:**

- A. On November 29, 1995 West Kootenay Power Ltd. ("WKP") filed with the Commission, pursuant to Sections 64 and 67 of the Utilities Commission Act ("the Act"), a draft Revenue Requirements Application (the "Application") for approval of rates effective January 1, 1996; and
- B. The Commission issued Order No. G-111-95 approving an average interim increase in rates of 3.85 percent effective January 1, 1996; and
- C. The Application included a request for Orders concerning automatic adjustment mechanisms to replace cost of service regulation with incentive regulation; and
- D. WKP also requested the implementation of a negotiated settlement process ("NSP"); and
- E. The Commission issued Order No. G-119-95 setting down a pre-hearing conference on January 19, 1996 to deal with procedural matters and the disposition of WKP's Integrated Resource Plan which was filed April 24, 1995. The Minutes of the pre-hearing conference held in Trail, B.C. and teleconferenced to Vancouver, B.C. are attached as Appendix A to the Order; and
- F The Commission now requires that a timetable and a process for dealing with the WKP draft Application be established.

**NOW THEREFORE** the Commission orders as follows:

- 1. WKP will hold a series of workshops concerning principal issues of the draft Application on February 13, 14 and 15, 1996 at the Grand Okanagan Conference Centre, 1310 Water Street, Kelowna, B.C. The workshops will include a session on the Integrated Resource Plan.
- 2. WKP is to file its final Revenue Requirements Application by February 26, 1996. The Application and supporting material are to be made available for inspection at the Head Office of West Kootenay Power Ltd., 1290 Esplanade, P.O. Box 130, Trail, B.C., V1R 4L4; and at its District Offices located at Castlegar, Crawford Bay, Creston, Grand Forks, Greenwood, Kaslo, Kelowna, Keremeos, Oliver, Osoyoos, Penticton, Salmo, South Slokan and Trail, B.C.

The Applications and supporting material are also to be made available for inspection at the office of the British Columbia Utilities Commission, 6th Floor, 900 Howe Street, Vancouver, B.C. V6Z 2N3.

3. WKP is to distribute copies of the Applications and any supplemental information to Registered Intervenor. WKP is to distribute an Executive Summary of the Applications to Interested Parties.
4. Registered Intervenor and Interested Parties intending to make requests for additional information from the Applicant on the Revenue Requirements Application and the Integrated Resource Plan should do so by March 8, 1996. Information Requests made by March 8, 1996 shall be responded to by WKP on or before March 25, 1996.
5. Negotiated settlement discussions are to take place in Trail, B.C. on April 9, 10 and 11, 1996 at the Head Office of West Kootenay Power Ltd., 1290 Esplanade, Trail, B.C. The Integrated Resource Plan will not form a subject for settlement. Following the negotiated settlement discussions, the Commission will issue a further Order setting down the disposition of the Integrated Resource Plan.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 1st day of February, 1996.

BY ORDER

*Original signed by:*

Dr. Mark K. Jaccard  
Chairperson

Attachment

**BRITISH COLUMBIA UTILITIES COMMISSION**  
**MEMORANDUM OF PROCEEDINGS**  
West Kootenay Power  
Draft Revenue Requirements Application  
January 19, 1996 in Trail , B.C.  
and  
Vancouver, B.C. (teleconference)

**Present in Vancouver**

W.J. Grant	BCUC
R.J. Pellatt	BCUC
D.W. Emes	BCUC
F.S. James	BCUC
R. Rerie	BCUC
N. Smith	BCUC
F. Weisberg	Commission Counsel
M. Doherty	BCPIAC
C. Reasons	BCPIAC
L. McLaren	MEMPR
R. Tarnoff	Natural Resource Industries

**Present in Trail**

R.H. Hobbs	WKP
Don Debiegne	WKP
B. Van Yzerloo	WKP
A. Crowley	WKP
C. Lee	WKP
Keith Veerman	WKP
Rick Spyker	WKP
S. Ash	UtiliCorp N.Z.
F. Marsh	ECA
D. Scarlett	ECA
P. Walsh	City of Nelson
V. Kumar	City of Nelson
B. Ling	Powerhouse Devel.
B. McKinlay	BCUC
R. McRae	City of Kelowna
R. Carle	City of Kelowna
D. Ericson	City of Penticton
K. Plummer	Council of Fruitvale
Norm Gabana	

The meeting was called to order at 9:15 a.m.

W. J. Grant presided as Chair.

The Agenda was reviewed and accepted as presented. General discussion ensued on all of the topics as follows:

**Overview of "Draft" Application and Content**

Commission staff stated that the Commission supports incentive regulation, but that support is tempered by a determination of what is appropriate in the circumstances. In this case, Price Cap regulation is not appropriate.

WKP responded with comments on the benefits of the incentive plan and provided a brief overview of the automatic adjustment mechanism. Deferral accounts were not discussed.

### **Overview of Negotiated Settlement Process ("NSP"):**

Commission staff reviewed Commission experience with NSP. Approximately 50 percent of rate cases are resolved through NSP and NSP tends to lead to better dialogue and debate. The NSP settlements do need a broad support from stakeholders for settlement components. To facilitate the process, workshops are important for an education function.

Don Scarlett's letter of January 8, 1996 and the Commission response of January 11, 1996 were discussed and all participants were given an opportunity to comment on the NSP process.

Consequently, C. Reasons addressed topics in his letter of December 14, 1995 and in particular WKP's proposed principle of regulation that the incentive plan must be voluntary for the company.

Commission staff reiterated that the NSP is voluntary and that participants are free to agree or dissent from a settlement agreement.

WKP indicated that the issue is only important in the context of a Commission Decision due to the fact that the issue could be raised before the Commission, if in fact a settlement agreement was not reached because of the NSP being voluntary to WKP.

As a result, P. Walsh expressed a concern that the NSP may increase the overall amount of time and effort of a rate application if the exercise does not result in a settlement, whereupon WKP asserted that it was committed to the NSP process and a successful result.

After further discussion, a consensus was reached to proceed with the NSP.

### **Preliminary Issues List:**

Commission staff reviewed the list of proposed issues arising from the application. The list had been prepared by WKP and circulated to meeting participants prior to the commencement of the conference. WKP clarified that the list was that proposed for workshops and that issues such as the justification of inputs to the automatic adjustment mechanism had not been raised as a topic. Commission staff indicated a preference to include issues such as justification of cost drivers and base costs as part of the workshops.

The inclusion of IRP as a hearing topic was also discussed with several participants identifying the linkage between IRP, particularly as related to capital expenditures, and the revenue requirements application.

WKP stated its position as set out in a letter to the Commission of December 13, 1995 and agreed that IRP justifies and supports revenue requirements and should be addressed at the workshops. Commission staff indicated that three responses had been received from a Commission letter of December 19, 1995 requesting comments on a process to address the IRP.

It was decided that the workshops should provide justification for the following:

- performance standards
- the productivity improvement factor
- cost drivers
- base costs
- base cost escalator
- capital expenditures

Commission staff and WKP would consult to determine the issues for the workshops.

**Workshops and Timetable:**

Commission staff indicated that participant funding is available for attendance at the workshops and negotiated settlement days.

It was determined that the workshops would be held in Kelowna and the negotiated settlement take place in Trail. Video-conferencing of the workshops was discussed for participants who wished to remain in Vancouver if possible ( it has since been determined that no video-conferencing facilities are available in Kelowna). However, the workshops will be videotaped.

The workshops were tentatively scheduled for February 12, 13 and 14, 1996 (WKP's wholesale customers subsequently requested that the workshops be held February 13, 14 and 15 in order to avoid conflicting with Monday city council meetings). The City of Nelson expressed a preference for the workshops to be held over two days. Commission staff suggested that the workshops should be held over three days but that the third day topics might not being integral to the application.

The following timetable was reached (as amended for workshop days as noted above):

Workshops (Kelowna)	February 13, 14 and 15
Comments on draft application	February 19
Final Application	February 26
Commission Staff information requests	March 4
Intervenor information requests	March 8
Response to information requests	March 25
Negotiated settlement days	April 9, 10 and 11

**Other topics:**

After some discussion it was decided that minutes would be prepared and circulated to everyone in attendance, the industrial customers and the intervenors from the last two hearings. (Note: it was expected that the pre-hearing conference would be videotaped, however, problems with the conference facilities in Vancouver prevented the taping from proceeding).

The pre-hearing conference concluded at approximately 11:15 a.m.