

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-119-08**

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**IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473**

and

**An Application by British Columbia Hydro and Power Authority
for Review of the F2009 and F2010 Revenue Requirements Application**

BEFORE: L.A O'Hara, Panel Chair
B. Milbourne, Commissioner August 15, 2008
A. Rhodes, Commissioner

O R D E R

WHEREAS:

- A. British Columbia Hydro and Power Authority ("BC Hydro") filed on February 20, 2008, pursuant to sections 58 to 61 of the Utilities Commission Act ("the Act"), its F2009 and F2010 Revenue Requirements application for, among other things, approval of across-the-board rate increases of 6.56 percent and 8.21 percent, effective April 1, 2008 and April 1, 2009, respectively, and approval of a reduction of the Deferral Account Rate Rider from 2.0 percent to 0.5 percent, effective April 1, 2008 (the "F09/F10 RRA" or "Application"); and
- B. The Application also sought refundable interim relief pursuant to sections 58 to 61 and section 90 of the Act to allow BC Hydro to increase its rates by 6.56 percent on an across-the-board basis and to decrease its Deferral Account Rate Rider from 2.0 percent to 0.5 percent, both effective April 1, 2008, pending a full hearing into the F09/F10 RRA and orders subsequent to that hearing, on the basis that on April 1, 2008 BC Hydro's current rates would otherwise no longer be fair, just, sufficient and not unduly discriminatory; and
- C. On February 22, 2008 the Commission issued Letter L-5-08 that included establishing the regulatory process and timetable for the F09/F10 RRA and the Transmission Service Rate Re-pricing Application ("TSR Re-pricing Application") and for parties to address, by written submission, the BC Hydro request to implement interim rates effective April 1, 2008; and
- D. On February 25, 2008 the Commission issued Order G-21-08 establishing the Regulatory Timetable for the F09/F10 RRA. The Regulatory Timetable included a Workshop on March 6, 2008, Commission and Intervenor Information Requests, Responses by BC Hydro, and a Procedural Conference on April 28, 2008. The Procedural Conference was to consider further process for the F09/F10 RRA, TSR Re-pricing Application, and Residential Inclining Block ("RIB") Application; and

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- E. On February 28, 2008 the Commission issued Order G-28-08 that included a Notice of Applications; and
- F. On March 14, 2008 the Commission issued Order G-40-08 that approved interim refundable rate changes for the 6.56 percent across-the-board rate increase and the decrease in BC Hydro's Deferral Account Rate Rider from 2.0 percent to 0.5 percent, both effective April 1, 2008; and
- G. At the April 28, 2008 Procedural Conference BC Hydro presented a "Strawman Regulatory Timetable" that coordinated the three applications. For the F09/F10 RRA, BC Hydro proposed a regulatory timetable that included a Negotiated Settlement Process ("NSP"). BC Hydro also proposed an Oral Public Hearing commencing on Monday, October 6, 2008 for issues not resolved in the NSP. BC Hydro also proposed a Pre-hearing Conference one week before the commencement of the Oral Public Hearing; and
- H. At the Procedural Conference BC Hydro proposed that all issues arising from the F09/F10 RRA, except for Demand Side Management ("DSM") issues, should be included within the scope of the NSP. BC Hydro was of the view that DSM expenditures during the test period are more appropriately addressed in the context of the Long-Term Acquisition Plan ("LTAP") proceeding, and that the anticipated demand response to those expenditures should also be resolved in the LTAP proceeding. In addition, BC Hydro was of the view that the appropriate amortization period for DSM expenditures are also more appropriately addressed in the context of the LTAP proceeding; and
- I. All the Intervenor in attendance were supportive of or did not take a position on the BC Hydro proposed regulatory timetable for the F09/F10 RRA except for the City of New Westminster; and
- J. The Commission considered the submissions received at the Procedural Conference and by Order G-78-08 established a Regulatory Timetable for the review of F09/F10 RRA through an NSP that was to commence on Monday, August 18, 2008. The Order also established that in the event the NSP does not conclude with an agreement on all issues within the scope of the NSP, then a Pre-hearing Conference will commence on Monday, September 29, 2008 at 9:00 a.m. and an Oral Public Hearing will commence on Monday, October 6, 2008 at 9:00 a.m.; and
- K. On July 2, 2008 BC Hydro filed an Evidentiary Update to the RRA that included F2008 actual results and F2008 closing balances of all regulatory and deferral accounts, an update on the DSM energy savings and expenditures to be consistent with forecasts in BC Hydro's 2008 LTAP, as well as updated forecasts for energy sales, revenues and cost of energy. If all these changes are approved the final rates for F2009 and F2010 would be annualized rate increases of approximately 9 percent per year. BC Hydro proposes deferring forecast increases on those costs that are subject to deferral but flowing through into rates the forecast net reduction in those costs not subject to deferral. Based on this approach BC Hydro proposes final rate increases of 5.96 percent and 8.12 percent effective April 1, 2008 and 2009 respectively; and

- L. On July 30, 2008 Mr. Stuart Meade issued a late information request to BC Hydro. The Regulatory Timetable attached to Order G-78-08 established the Information Request No. 2 deadline of May 21, 2008. On August 1, 2008 the Commission advised BC Hydro that it may provide a response to the late information request before the commencement of the NSP discussions if time and resources permit. On August 1, 2008 BC Hydro in its letter to the Commission indicated that the late information request with 82 questions were beyond reasonable for BC Hydro to be flexible and responsive. However, BC Hydro indicated that it would be prepared to answer Mr. Meade's questions through the oral hearing should the NSP beginning on August 18, 2008 not be successful. On August 6, 2008 BC Hydro wrote to Mr. Meade that it is unable to respond to his information request prior to August 18, 2008; and
- M. On August 13, 2008, the Canadian Office and Professional Employees Union ("COPE") filed a request for leave to submit evidence for the negotiated settlement/hearing since the Intervenor Evidence deadline of July 29, 2008 established by Order G-78-08 had passed. COPE in its request included a summary of its evidence. On August 13, 2008, BC Hydro objected to the late filing of the evidence because it will not allow information requests to be issued on the evidence and responses received prior to the NSP. BC Hydro noted that participants to an NSP are free to bring any issues to the table in the NSP regardless of whether evidence has been filed or not. Depending on the outcome of the NSP, BC Hydro stated that it may not maintain its objection; and
- N. On August 13, 2008, the Joint Electricity Steering Committee ("JIESC") filed a letter stating that it initially supported the holding of an NSP on the F09/F10 RRA but it no longer does. The JIESC also noted that in BC Hydro's Evidentiary Update the rate increases are approximately 9 percent per year for F2009 and F2010 to meet BC Hydro's revenue requirement, and based on BC Hydro material filed in other proceedings there could be annual increases of a similar magnitude continuing in the future. In the JIESC's view, BC Hydro has failed to justify the proposed expenditures and resulting rate increases in spite of all the information filed. The JIESC considers that the NSP does not have any realistic possibility of success in resolving all or even some of the significant issues in this proceeding. The JIESC requests that the Commission cancel the NSP and proceed to a full public hearing on Monday October 6, 2008 as set out in the Regulatory Timetable; and
- O. On August 14, 2008 the British Columbia Old Age Pensioner's Organization et al. ("BCOAPO") joined the JIESC's request to the Commission that the NSP should be cancelled and the matter proceed to an oral public hearing scheduled for October 6, 2008. BCOAPO stated that it was reasonably optimistic before the evidentiary update was filed that an NSP might succeed if BC Hydro was reasonable and responsive to the concerns and requests of customer groups during negotiation. After reviewing the evidentiary update, BCOAPO states that it reexamined its position and came to same conclusion as the JIESC that there is no realistic chance of success for an NSP; and
- P. On August 14, 2008, the Rental Owners and Managers Society of BC ("ROMS BC") concurred with the August 13 and 14, 2008 submissions of the JIESC and BCOAPO respectively. ROMS BC requests that the NSP be cancelled and this matter proceed to the scheduled public hearing on October 6, 2008; and

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- Q. On August 14, 2008 BC Hydro replied to the JIESC's and BCOAPO's letters of August 13 and 14, 2008 respectively. BC Hydro states that it regrets the additional burden that these positions will create but feels that without the willing participation of these two intervenors it is not worthwhile to proceed with the NSP. BC Hydro intends to address the current schedule for the balance of the F09/F10 RRA regulatory process in a further submission next week; and
- R. The Commission has reviewed the submissions and concludes that a determination is required.

NOW THEREFORE the Commission orders as follows:

1. The NSP Settlement Discussions on the F09/F10 RRA that are scheduled to commence on Monday, August 18, 2008 are cancelled.
2. A Pre-hearing Conference is scheduled for 9:00 a.m. on Thursday, August 21, 2008 in the Commission Hearing Room on the Twelfth Floor, 1125 Howe Street, Vancouver, B.C. to receive submissions from Intervenor and BC Hydro on a regulatory timetable and the scope of the issues to be addressed in the review of the F09/F10 RRA.
3. The late information request by Mr. Meade and the filing of a response to the information request by BC Hydro will be addressed at the Pre-hearing Conference.
4. The request by COPE to file intervenor evidence and the filing of related information requests and responses are to be addressed at the Pre-hearing Conference.
5. Any other matters that will provide for an efficient review of the F09/F10 RRA can be addressed at the Pre-hearing Conference.

DATED at the City of Vancouver, in the Province of British Columbia, this 15th day of August 2008.

BY ORDER

Original signed by:

L.A. O'Hara
Panel Chair