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**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER G-173-11**

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

**and**

**British Columbia Hydro and Power Authority  
F2012 to F2014 Revenue Requirements Application**

**BEFORE:** L.A. O'Hara, Panel Chair/Commissioner  
D. Morton, Commissioner October 13, 2011  
A.A. Rhodes, Commissioner

**O R D E R**

**WHEREAS:**

- A. On March 1, 2011, British Columbia Hydro and Power Authority (BC Hydro) filed its F2012-F2014 Revenue Requirements Application (the Application or F2012-F2014 RRA) with the British Columbia Utilities Commission (Commission) pursuant to sections 56 and 58 to 61 of the *Utilities Commission Act* (the Act) seeking, among other things, the determination of just, reasonable and sufficient rates for its fiscal years 2012, 2013 and 2014 (F2012, F2013 and F2014). On March 8, 2011, the Commission issued Order G-40-11 establishing the Initial Regulatory Timetable for the Application;
- B. BC Hydro also sought an order, on an interim and refundable basis, pending determination of the Application to: increase rates by an average of 9.73 percent, retain the Deferral Account Rate Rider (DARR) at 2.5 percent, and increase the Open Access Transmission Tariff (OATT) pursuant to sections 58 to 61, 89 and 90 of the Act, and section 15 of the *Administrative Tribunals Act* which the Commission approved on March 14, 2011 by Order G-41-11;
- C. On March 3, 2011, the Office of the Auditor General of British Columbia advised BC Hydro that it would undertake an audit of the effectiveness of BC Hydro's recovery of its deferral/regulatory accounts;
- D. At a Procedural Conference on March 25, 2011, BC Hydro sought an adjournment of the proceeding and an extension of the Initial Regulatory Timetable. On March 28, 2011, the Commission issued Order G-61-11 with Reasons, adjourning the Procedural Conference to April 8, 2011, amending the Initial Regulatory Timetable and, among other things, suspending Order G-41-11. The Amended Initial Regulatory Timetable was further amended by Letter L-25-11 dated March 31, 2011;
- E. On April 7, 2011, the Premier and the Minister of Energy and Mines on behalf of the Province of British Columbia, as the sole shareholder of BC Hydro, announced that it will conduct a review of BC Hydro (Government Review of BC Hydro) in order to provide recommendations and options for minimizing the rate increase. The Terms of Reference for the review were also released;

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- F. By letter dated April 8, 2011, BC Hydro filed a submission including, among other things, clarification regarding the Provincial Government review, BC Hydro's position on the process going forward, and a request to establish an average interim rate increase of 8.23 percent, effective May 1, 2011, applied to each element of BC Hydro's tariff;
- G. Following a Procedural Conference on April 20, 2011, the Commission issued Order G-72-11 on April 21, 2011 directing, among other things, an across-the-board rate increase of 8.0 percent effective May 1, 2011, on an interim and refundable basis pending the receipt of additional information following the Government Panel review and/or the Auditor General review and/or the determination of this Application and suspending the Revised Amended Regulatory Timetable established by Letter L-25-11 subject to further Order;
- H. The results of the Government Review of BC Hydro were made public on August 11, 2011. The Panel, consisting of John Dyble, Peter Milburn, and Cheryl Wenezenki-Yolland concluded that, among other things, the application for a 9.73 percent rate increase was an insufficient attempt to decrease costs to an acceptable level for the ratepayers. The report states "[t]he panel and BC Hydro executive have worked together to find areas where costs can be reduced in the short term and believe, based on this collaborative effort, BC Hydro can, with careful management, reduce the Review of BC Hydro's original rate increase for Fiscal 2012-2014 from the unacceptable 9.73% each year to increases which are approximately half that level.";
- I. By letter dated September 27, 2011, BC Hydro filed a submission addressing: (i) BC Hydro's plan to reduce the F2012-F2014 revenue deficiency by \$800 million; (ii) the proposed form and content of the Amended F2012-F2014 RRA; (iii) a proposed Initial Regulatory Timetable; and (iv) an extension request for the DSM Expenditure Application to coincide with the filing of the Amended F2012-F2014 RRA;
- J. The September 27, 2011 letter sets out the proposed changes to the revenue requirements (subject to approval by BC Hydro's Board of Directors) as follows:

<b>Revenue Requirement Components</b>	<b>(million)</b>
Operating cost reductions, increased miscellaneous revenue and reductions in taxes, finance charges and ROE	(\$340-\$420)
Capital additions reductions	(\$75-\$100)
DSM (reduced expenditures and increased amortization period)	(\$60-\$120)
Trade Income increase	(\$115-\$175)
Other	(\$125)

- K. By letter dated September 28, 2011, the Commission sought Intervener submissions on: (i) BC Hydro's September 27, 2011 letter; (ii) the Commission proposed Initial Regulatory Timetable; and (iii) BC Hydro's plan to submit the DSM Expenditure Application as a separate Application from the F2012-F2014 RRA. The letter provided for BC Hydro to make a reply submission;
- L. The Commission received submissions on October 6, 2011 from the following Interveners in response to BC Hydro's submissions: British Columbia Old Age Pensioners' Organization *et al.*, Canadian Office and Professional Employees Union Local 378, Commercial Energy Consumers Association of BC, BC Sustainable Energy Association and Sierra Club British Columbia, Clean Energy Association of British Columbia, Morgan Stanley Capital Group, Association of Major Power Customers of BC, FortisBC Energy Utilities, Capital Power Corporation and Alan Wait. BC Hydro filed a reply submission on October 12, 2011.

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**NOW THEREFORE** the Commission orders that:

1. The Procedural Conference tentatively scheduled for October 20, 2011 is cancelled.
2. The deadlines for Commission and Intervener Information Requests No. 1 to BC Hydro and the responses from BC Hydro are set out in the Revised Initial Regulatory Timetable attached as Appendix A to this Order.
3. The Commission will hold a Workshop to review the issues in the Application and the Marginal Cost Model on Thursday, December 1, 2011 commencing at 9:00 a.m. in the Commission's Hearing Room on the 12th Floor, 1125 Howe Street, Vancouver, BC.
4. A Procedural Conference will be held on Tuesday, December 6, 2011 commencing at 9:00 a.m. in the Commission's Hearing Room on the 12th Floor, 1125 Howe Street, Vancouver, BC.
5. BC Hydro is granted the DSM Expenditure Application filing extension.
6. BC Hydro is to file the DSM Expenditure Application for consideration as part of the Amended F2012-2014 RRA and not as a standalone Application.
7. BC Hydro is to provide a copy of this Commission Order to all parties who registered and/or participated in the F2011 Revenue Requirements proceeding, and who are not currently registered as Interveners or Interested Parties in the F2012-F2014 RRA proceeding.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 14<sup>th</sup> day of October 2011.

BY ORDER

*Original signed by:*

L.A. O'Hara  
Panel Chair/Commissioner

Attachment

British Columbia Hydro and Power Authority  
F2012 to F2014 Revenue Requirements Application

**REVISED INITIAL REGULATORY TIMETABLE**

<b>SUBJECT</b>	<b>DATE</b>
BC Hydro Files Amended F2012-F2014 RRA	Thursday, November 24, 2011
Application and Marginal Cost Model Workshop	Thursday, December 1, 2011
Procedural Conference	Tuesday, December 6, 2011
Filing of Participant Assistance/Cost Award Budgets	Tuesday, December 13, 2011
Commission and Intervener Information Requests No. 1	Friday, December 23, 2011
BC Hydro Responses to Information Request No. 1	Tuesday, January 31, 2012