



VIA EMAIL

adrian.dix.mla@leg.bc.ca

May 3, 2016

LETTER L-9-16

Mr. Adrian Dix
MLA, Vancouver-Kingsway
5022 Joyce Street
Vancouver, BC V5R 4G6

Dear Mr. Dix:

Re: British Columbia Hydro and Power Authority
Review of Information Technology Expenditures

On December 10, 2015, the British Columbia Utilities Commission (Commission) received your letter of complaint regarding British Columbia Hydro and Power Authority (BC Hydro). In the letter, you make a number of allegations against BC Hydro in relation to its Information Technology and Telecommunications 5 year plan (IT&T plan) with specific reference to the adoption of the SAP platform. This letter was provided to BC Hydro on December 11, 2015 for a response.

On January 8, 2016, BC Hydro provided the Commission with a response to your initial letter. In its response, BC Hydro admits some failures regarding historical disclosures made to the Commission related to the IT&T plan during its 2009 and 2010 Revenue Requirements Hearing as it provided details of an outdated IT&T plan during questioning and in response to Undertaking 62. Further, BC Hydro makes the following suggestions to address its adoption of the SAP platform, and to avoid issues related to the review and oversight of IT&T capital projects in the future:

- 1) BC Hydro could enter into discussions with the Commission regarding improvements to the practice for the review and oversight of IT&T capital projects for BC Hydro, as well as consideration of earlier review of capital projects; and/or
- 2) The Commission could conduct an in-depth review, in an appropriate forum, to achieve a common understanding of the SAP-related expenditures.

On February 4, 2016, the Commission received your reply to BC Hydro's January 8, 2016 submission. In that document, you raise a number of concerns related to the IT&T plan and the adoption of the SAP platform. You also propose a number of ways that this matter might be reviewed through Commission processes including:

- 1) Pursuit of a charge of an Offence under section 106 of the *Utilities Commission Act*;
- 2) A prudency review to determine if the Commission was "misled"; and/or
- 3) An in depth review to achieve a common understanding of SAP-related expenditures.

On March 8, 2016, the Commission submitted a list of staff questions to BC Hydro to obtain further information on the matter and gain a better understanding of the issues raised in your letters. After reviewing the responses to these questions along with other relevant materials within its official records, the Commission has considered your letters and responds as follows:

1) Pursuit of a charge of an Offence under section 106 of the Utilities Commission Act

At this time, the Commission will not lay an Information under section 106 of the *Utilities Commission Act* (UCA). The six month limitation period applicable to offences under section 106 has likely expired as there is strong indication the it began on June 12, 2009, when BC Hydro made a compliance filing to the Commission disclosing its plan to adopt the SAP platform. This does not preclude the Commission from pursuing these historical events under section 109.1 of the UCA, which allows for administrative penalties where a provision of the UCA has been contravened. However, at this time, the Commission does not find the evidence sufficient to warrant pursuing this course of action. Should additional evidence become available during the Commission process outlined in Item 3 below, the matter may be re-evaluated at that time.

2) A prudency review to determine if the Commission was “misled”

A prudency review by the Commission typically is held upon completion of a capital project at the time that final costs are known and are subject to recovery from ratepayers. In this instance, various SAP-related expenditures have not yet been incurred or projects finalized. However, your concern is largely related to the nature and intent of disclosures made to the Commission related to the IT&T plan and specifically the adoption of the SAP platform. Given that the IT&T plan disclosures and the SAP-related expenditures are interrelated, the Commission will further explore this matter as part of a process to better understand the adoption of the SAP platform. See Item 3 below for further details of the Commission’s ordered inquiry to review BC Hydro’s expenditures related to the adoption of the SAP platform.

3) An in depth review to achieve a common understanding of SAP-related expenditures

In your second letter, you propose a review of BC Hydro’s SAP-related expenditures. As you note, BC Hydro suggests there are benefits from conducting such an in-depth review. The Commission agrees with both parties and is ordering an inquiry under section 83 of the UCA to better understand the adoption of the SAP platform (as outlined in the attached G-58-16). This inquiry will consider matters such as project expenditures (direct and indirect), their approval processes, disclosures to the Commission, and other details as they relate to how and why such costs were incurred. Further details including a proposed scope of the proceeding will follow in due course.

Upon completion of the inquiry to review BC Hydro’s expenditures related to the adoption of the SAP platform, the Commission may take further action based on findings resulting from that proceeding. You will receive notification from the Commission in such event.

In addition to the matters raised by your letters, the Commission has also considered BC Hydro's suggestion for improvements to processes of regulatory approval and oversight of its IT&T capital projects. The Commission agrees that an examination of potential improvements to the regulatory approval and review process would be beneficial. Therefore, the Commission has ordered a proceeding to address regulatory oversight of future BC Hydro capital expenditures and projects (as outlined in the attached Order G-58-16). Further details including a proposed scope of the proceeding will follow in due course.

Yours truly,

Original signed by:

Laurel Ross

KB/cms

Enclosure

cc: Mr. Tom Loski
Chief Regulatory Officer
British Columbia Hydro and Power Authority
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