



**ORDER NUMBER**  
**G-174-16**

IN THE MATTER OF  
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

British Columbia Hydro and Power Authority  
Review of the Regulatory Oversight of Capital Expenditures and Projects

**BEFORE:**

K. A. Keilty, Commissioner/Panel Chair  
W. M. Everett, Commissioner  
R. I. Mason, Commissioner

on November 30, 2016

**ORDER**

**WHEREAS:**

- A. On May 3, 2016, the British Columbia Utilities Commission (Commission) issued Order G-58-16 establishing a proceeding to review the regulatory oversight of British Columbia Hydro and Power Authority's (BC Hydro) capital expenditures and projects;
- B. On May 10, 2016, the Commission issued Order G-63-16, which set out a preliminary regulatory timetable, including a procedural conference and submissions on a Proposed Scope of the Issues and Timing document attached as Appendix B to that order;
- C. By Order G-86-16, the Commission determined that the scope of the proceeding would remain as outlined in Appendix B to Order G-63-16, subject to review at the Procedural Conference;
- D. On November 3, 2016, BC Hydro submitted comments for review in advance of the Procedural Conference;
- E. By letter dated November 9, 2016, the Commission requested BC Hydro and registered interveners to address the following items at the Procedural Conference:
  - a) BC Hydro's November 3, 2016 submission;
  - b) scope of the hearing;
  - c) key issues related to the regulatory oversight of BC Hydro's capital expenditures and projects;
  - d) the most appropriate review process;
  - e) the timing of the hearing; and
  - f) any additional issues;
- F. The Procedural Conference was held on November 17, 2016, and submissions were made by BC Hydro, B.C. Old Age Pensioners' Organization *et al.*, Commercial Energy Consumers' Association of British Columbia, Canadian Office and Professional Employees Union, Local 378, Association of Major Power Customers of BC and BC Sustainable Energy Association and Sierra Club of British Columbia and Commission staff; and

- G. The Commission has reviewed the submissions and finds that a further Regulatory Timetable for the Review of the Regulatory Oversight of Capital Expenditures and Projects proceeding should be established.

**NOW THEREFORE**, for the reasons set out in Appendix A to this order, the British Columbia Utilities Commission orders as follows:

1. The scope of the Review of the Regulatory Oversight of Capital Expenditures and Projects proceeding remains as outlined in Appendix B to Order G-63-16, subject to review at the next procedural conference.
2. Further regulatory process will commence following the issuance by the Commission of the final Commission decision on the British Columbia Hydro and Power Authority Fiscal 2017 to Fiscal 2019 Revenue Requirements Application and will proceed according to the amended Regulatory Timetable as set out in Appendix B to this order.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 30<sup>th</sup> day of November 2016.

BY ORDER

*Original signed by:*

K. A. Keilty  
Commissioner

Attachments

British Columbia Hydro and Power Authority  
Review of the Regulatory Oversight of Capital Expenditures and Projects

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REASONS FOR DECISION

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On May 3, 2016, the British Columbia Utilities Commission (Commission) issued Order G-58-16 establishing a proceeding to review the regulatory oversight of British Columbia Hydro and Power Authority's (BC Hydro) capital expenditures and projects.

By Order G-86-16, the Commission determined the scope of the proceeding would remain as outlined in Appendix B to Order G-63-16, subject to review at the Procedural Conference.

In its comments filed in advance of the Procedural Conference, BC Hydro submitted the following:

1. The scope of the proceeding as outlined in Appendix B to Order No. G-63-16 remains appropriate.
2. The outcome of this proceeding should be Commission-approved BC Hydro Capital Filing Guidelines (Guidelines).
3. BC Hydro proposes the following process:
  - (a) BC Hydro files its draft responses to the items within scope of this proceeding and draft Guidelines;
  - (b) The Commission holds a transcribed, on-the-record workshop to discuss and comment on BC Hydro's draft responses and draft Guidelines;
  - (c) BC Hydro files its final responses to the items within scope of this proceeding and proposed draft Guidelines; and
  - (d) The Commission holds a procedural conference to determine subsequent process steps.<sup>1</sup>

With respect to timing, due to the reality of the resources constraints on BC Hydro and other parties and the experience that will be gained by the parties in the BC Hydro Fiscal 2017 to Fiscal 2019 Revenue Requirements Application (RRA) proceeding, BC Hydro proposes to file its "strawman" proposal following completion of argument in that proceeding.<sup>2</sup>

In accordance with the Regulatory Timetable set out in Order G-63-16, the Procedural Conference was held on November 17, 2016. BC Hydro, B.C. Old Age Pensioners' Organization *et al.* (BCOAPO), Commercial Energy Consumers' Association of British Columbia (CEC), Canadian Office and Professional Employees Union, Local 378 (MoveUP), Association of Major Power Customers of BC (AMPC), BC Sustainable Energy Association and Sierra Club of British Columbia (BCSEA) and Commission staff made submissions on the scope, process and timing of the review of the regulatory oversight of capital expenditures and projects (Review).

#### Scope of the Review

BC Hydro confirmed its view, as set out in its pre-filed comments, that the scope as set out in Order G-63-16 is appropriate, adding that BC Hydro intends to be "pragmatic and practical" with respect to the scope in this proceeding.<sup>3</sup>

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<sup>1</sup> Exhibit B-2, p. 1.

<sup>2</sup> *Ibid.*, pp. 4–5.

<sup>3</sup> Transcript Volume 1, p. 8.

All parties supported the scope of the proceeding as set out in Order G-63-16. BCOAPO stated they agree with the proposed scope, but noted that the Commission should not “overly restrict” the scope at this stage.<sup>4</sup> Similarly, BCSEA supported the proposed scope, as long as it remains flexible.<sup>5</sup> MoveUP stated it prefers that the scope remain flexible, for instance to accommodate findings from the Inquiry of Expenditures related to the adoption of the SAP Platform (SAP Inquiry), another proceeding involving BC Hydro presently before the Commission.<sup>6</sup>

In reply, BC Hydro agreed the scope should “not be overly constrained” and if there are issues coming out of the BC Hydro SAP Inquiry and RRA proceedings, those issues could be incorporated into this proceeding<sup>7</sup> and could be addressed at a second procedural conference.<sup>8</sup>

### **Commission determination**

**The scope of the Review of the Regulatory Oversight of Capital Expenditures and Projects proceeding remains as outlined in Appendix B to Order G-63-16, subject to review at the next procedural conference.**

The Panel notes there was general consensus between the parties that the scope set out by the Commission in Order G-62-16 for the Review remains appropriate provided it is flexible and the parties can seek to add to the scope, if warranted, during the process. Some parties expressed concerns that the scope should remain flexible, given that the BC Hydro SAP Inquiry and RRA proceedings are underway and may inform the scope of this Review. The Panel agrees it is appropriate that the scope of the Review remains as set out in Order G-63-16, and that a second procedural conference in the Regulatory Timetable set out in Appendix B of this order will provide an opportunity for the parties to address the scope again.

### Regulatory process for the Review

BC Hydro’s view of the appropriate process to complete the Review is consistent with its pre-filed comments.<sup>9</sup> BC Hydro proposes to prepare and file a “strawman proposal” consisting of draft Guidelines, followed by a “fully transcribed, on-the-record workshop.” BC Hydro submits this would provide interveners the opportunity to work collaboratively to finalize the Guidelines. Finally, a procedural conference would be convened to determine further process.<sup>10</sup>

Parties agreed with BC Hydro’s proposed process for the Review except some parties expressed a preference for a round of Information Requests (IRs) in advance of the proposed workshop. BCOAPO suggested “one round of IRs or some other two-step process where we would have the ability to forward any initial issues or questions to BC Hydro and this would ensure that they are raised and help focus the issues in the workshop.”<sup>11</sup> CEC,<sup>12</sup> MoveUP<sup>13</sup> and BCSEA<sup>14</sup> also supported a round of IRs prior to the workshop.

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<sup>4</sup> Ibid., p. 14.

<sup>5</sup> Ibid., p. 24.

<sup>6</sup> Ibid., p. 21.

<sup>7</sup> Ibid., p. 30.

<sup>8</sup> Ibid., p. 33.

<sup>9</sup> Ibid., p. 9.

<sup>10</sup> Ibid., pp. 9–11.

<sup>11</sup> Ibid., p. 15.

<sup>12</sup> Ibid., p. 17.

<sup>13</sup> Ibid., p. 21.

<sup>14</sup> Ibid., p. 25.

In reply, BC Hydro stated it was agreeable to a round of written information requests (IRs) prior to the workshop and indicated it could either respond in writing prior to the workshop or provide responses at the workshop.<sup>15</sup>

### **Commission determination**

**The Panel determines the Review will proceed according to the amended Regulatory Timetable as set out in Appendix B to this order.**

The Panel notes all interveners support the process proposed by BC Hydro. The Panel agrees this proposed process is appropriate with the addition of process that allows parties to ask technical or clarifying questions in advance of the workshop to enable BC Hydro to focus on and better clarify the issues during the workshop. The Panel acknowledges BC Hydro's proposed purpose for the workshop to be one of discussion and collaboration prior to finalizing its proposed Guidelines. Accordingly, in the Panel's view the questions submitted in advance of the workshop requests should be less formal than a typical round of IRs and focused on identifying issues and obtaining an understanding of the proposal so that BC Hydro can address the items in its presentation at the workshop. The Panel leaves it up to BC Hydro to determine whether the questions submitted by the Commission and interveners are best responded to in writing in advance of the workshop or addressed during the workshop.

### Timing of the Review

BC Hydro clarified it would prefer to submit its "strawman" proposal after the reply argument in the BC Hydro Fiscal 2017 to Fiscal 2019 RRA proceeding before the Commission, because it would be "more efficient and productive for this proceeding to commence after the revenue requirements are completed."<sup>16</sup>

BCOAPO stated this Review should begin only once the SAP Inquiry proceeding is complete.<sup>17</sup>

CEC submitted that this Review should not take place until after the Reply argument in the BC Hydro Fiscal 2017 to 2019 RRA proceeding, but that it was not necessary to delay the start of this Review until the conclusion of the SAP Inquiry proceeding.<sup>18</sup>

MoveUP stated it prefers to wait until the conclusion of the SAP Inquiry proceeding, or at least until it is substantially underway, to avoid duplication of effort with this Review.<sup>19</sup>

AMPC stated it also prefers to wait until the SAP Inquiry is at "least substantially underway." AMPC also submitted this Review can and should run in parallel with the BC Hydro RRA proceeding.<sup>20</sup>

BCSEA supported starting this Review two weeks after BC Hydro's Reply Argument in its RRA proceeding, being "sympathetic with the allocation of resources argument."<sup>21</sup> BCSEA would also support starting the Review after the RRA decision.<sup>22</sup>

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<sup>15</sup> Ibid., p. 31.

<sup>16</sup> Ibid., p. 12.

<sup>17</sup> Ibid., p. 15.

<sup>18</sup> Ibid., pp. 18–19.

<sup>19</sup> Ibid., p. 20.

<sup>20</sup> Ibid., p. 21.

<sup>21</sup> Ibid., p. 26.

<sup>22</sup> Ibid., p. 28.

To better inform the process, Commission staff suggested starting this Review two weeks after the BC Hydro RRA decision rather than two weeks after the RRA Reply Argument.<sup>23</sup>

In reply, BC Hydro stated it also sees merits in waiting until after the BC Hydro RRA decision and indicated it is agreeable to waiting until the conclusion of the SAP Inquiry proceeding, which it believes will be completed prior to the BC Hydro RRA proceeding.<sup>24</sup>

### **Commission determination**

#### **Further regulatory process will commence following the issuance by the Commission of the final decision on the BC Hydro Fiscal 2017 to Fiscal 2019 Revenue Requirements Application.**

The Panel agrees with CEC and others that this proceeding is “a separate and discrete process”<sup>25</sup> and that it is not necessary to wait for the end of the other proceedings before the Commission. The Panel also recognizes that other Commission proceedings should not dictate how and when we should deal with the issues before us. However, the findings in the BC Hydro SAP Inquiry and RRA proceedings may inform and provide insights for this Review. In addition, the Panel recognizes the heavy regulatory schedule impacting BC Hydro and other parties, including the Commission. The Panel notes BC Hydro’s statement that it expects the SAP inquiry should be complete prior to the RRA proceeding and thus the Panel determines that this Review should start once the RRA decision has been issued by the Commission. While there is uncertainty related to whether the Review will commence after the SAP Inquiry decision is issued, it is likely that the SAP Inquiry will be substantially underway by the time the Commission renders its decision in the RRA.

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<sup>23</sup> Ibid., p. 27.

<sup>24</sup> Ibid., p. 32.

<sup>25</sup> Ibid., p. 29.

British Columbia Hydro and Power Authority  
Review of the Regulatory Oversight of Capital Expenditures and Projects

**REGULATORY TIMETABLE**

ACTION	DATE
BC Hydro files “Strawman” proposal	Two weeks following the issuance of the final Commission decision in the British Columbia Hydro and Power Authority Fiscal 2017 to Fiscal 2019 Revenue Requirements Application proceeding
Commission and Intervener written technical or clarifying questions to BC Hydro regarding the “Strawman” proposal	Three weeks following the filling of the “Strawman” proposal
Transcribed workshop including responses to written technical or clarifying questions	Three weeks following submission of written or clarifying questions to BC Hydro
BC Hydro files revised proposal	Three weeks following the transcribed Workshop
Procedural conference regarding further process	Two weeks following the filing of the revised proposal