



**ORDER NUMBER
G-133-24**

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

and

British Columbia Hydro and Power Authority
Application for Reconsideration of Order G-91-23 Directive 20

BEFORE:

M. Jaccard, Panel Chair
T. A. Loski, Commissioner
B. A. Magnan, Commissioner

on May 16, 2024

ORDER

WHEREAS:

- A. On December 18, 2023, British Columbia Hydro and Power Authority (BC Hydro) filed an application with the British Columbia Utilities Commission (BCUC), pursuant to BCUC Order G-281-23, for a reconsideration of Directive 20 of the Fiscal 2023 to Fiscal 2025 Revenue Requirements Application (F23-F25 RRA) Decision and Order G-91-23 (Application);
- B. Directive 20 of Decision and Order G-91-23 directed BC Hydro to file in a compliance filing (Compliance Filing) a proposal for how best to implement Residential Consumer Intervener Association's (RCIA's) recommendations for incorporating both pre-capital investment risk scores and post-capital investment risk scores into Appendices I & J and the timing for same in future RRAs;
- C. On July 19, 2023, BC Hydro submitted its Compliance Filing to the BCUC related to its F23-F25 RRA, in accordance with various directives, including Directive 20 of Decision and Order G-91-23.
- D. In Order G-281-23, dated October 19, 2023, the BCUC directed that within 60 days BC Hydro either: (i) file a new compliance filing that, among other things, meets the requirements of Directive 20 of Decision and Order G-91-23 or (ii) file an application for a variance or reconsideration of Directive 20 in accordance with Section 26 of Part V of the BCUC's Rules of Practice and Procedure;
- E. By Order G-33-24 dated February 6, 2024, the BCUC established a public hearing and regulatory timetable to review the Application, which included a directive for BC Hydro to provide notice of this proceeding to all registered interveners in the F23-F25 RRA proceeding, an invitation to all parties to file letters of comment, and permission for BC Hydro to reply to the letters of comment;

- F. The following parties submitted letters of comment: RCIA, Association of Major Power Customers (AMPC), and the Commercial Energy Consumers Association of British Columbia (CEC); and
- G. The Panel has reviewed the Application and parties' submissions and finds that the following determinations are warranted.

NOW THEREFORE pursuant to section 99 of the *Utilities Commission Act*, and for the reasons outlined in the decision accompanying this order, the BCUC orders as follows:

1. BCUC directive 20 in Decision to Order G-91-23 is rescinded.
2. BC Hydro is directed to file an update on the Values-Based Decision Making project in its next revenue requirement application.

DATED at the City of Vancouver, in the Province of British Columbia, this 16th day of May 2024.

BY ORDER

Original signed by:

M. Jaccard
Commissioner

British Columbia Hydro and Power Authority
Reconsideration of BCUC Order G-91-23 Directive 20

DECISION

1.0 Introduction

On December 18, 2023, British Columbia Hydro and Power Authority (BC Hydro) filed with the British Columbia Utilities Commission (BCUC) an application for reconsideration of Directive 20 of BCUC Decision and Order G-91-23 issued on April 21, 2023, regarding BC Hydro's Fiscal 2023 to 2025 Revenue Requirements Application (F23-F25 RRA) (Reconsideration Application). In the Reconsideration Application, BC Hydro seeks to have Directive 20 of Decision and Order G-91-23 (Directive 20) rescinded.¹

Directive 20 stated:²

The Panel directs BC Hydro to file in its Compliance Filing a proposal for how best to implement RCIA's [Residential Consumer Intervener Association's] recommendations for incorporating both pre-capital investment risk scores and post-capital investment risk scores into Appendices I & J and the timing for same in future RRAs.

The BCUC established a public hearing and regulatory timetable for the review of the Application, directed BC Hydro to provide notice of this proceeding to all registered interveners in the F23-F25 RRA proceeding, invited parties to file letters of comment, and granted BC Hydro the opportunity to provide a reply to the letters of comment.³

The following parties have provided letters of comment on the Reconsideration Application:

- Residential Commercial Intervener Association (RCIA)
- Association of Major Power Customers (AMPC)
- Commercial Energy Consumers Association of British Columbia (CEC)

This decision addresses the panel's final determinations on BC Hydro's request for a reconsideration of Directive 20 of BCUC Decision and Order G-91-23.

2.0 Background

2.1 Directive 20 of Decision and Order G-91-23

In its final argument in the F23-F25 RRA proceeding, RCIA proposed improvements to the 2018 Capital Filing Guidelines.⁴ In accordance with these guidelines, BC Hydro provided Appendices I and J in its RRA including a

¹ Exhibit B-1, p. 7.

² BCUC Decision to Order G-91-23, Directive 20.

³ Exhibit A-2.

⁴ BC Hydro Fiscal 2023 to Fiscal 2025 RRA proceeding, RCIA Final Argument, p. 76.

spreadsheet listing all projects in the test period with capital expenditures over \$5 million, identifying major project filings, and summaries of projects in the test period with capital expenditures over \$20 million.⁵ In the decision on BC Hydro's F23-F25 RRA, the BCUC found merit in RCIA's recommendations for BC Hydro to provide enhanced risk reporting by including the following items in Appendices I and J in its next RRA:⁶

- 1) Appendix I: Replace the current pre-capital investment risk score (Column AC) showing the single highest uncategorized risk with columns of the highest pre-capital investment risk score in each of the five risk categories (Safety, Environment, Financial Loss, Reputational, Reliability).
- 2) Appendix I: Add columns for the post-capital investment risk scores for the highest risk score in each of the five risk categories (Safety, Environment, Financial Loss, Reputational, Reliability).
- 3) Appendix J: Replace the currently unquantified pre-capital investment Key Drivers (which are currently only consequence categories and not risks), with the highest risk score in each of the five risk categories (Safety, Environment, Financial Loss, Reputational, Reliability).
- 4) Appendix J: Add to Key Drivers, the post-capital investment risk scores for the highest risk score in each of the five risk categories (Safety, Environment, Financial Loss, Reputational, Reliability).

In that decision, the BCUC also recognized BC Hydro's submission that it currently does not calculate any post-capital investment risk scores for any of its projects and does not have the capacity to do so. Accordingly, the BCUC directed BC Hydro to file in its compliance filing (Compliance Filing) a proposal for how best to implement RCIA's recommendations for incorporating both pre-capital investment risk scores and post-capital investment risk scores into Appendices I and J and the timing for the same in future RRAs. The BCUC also emphasized its expectation that this would enable interveners and the BCUC to better understand the strategy underlying the formulation of BC Hydro's Capital Plan and the prioritization of capital projects and thereby, reduce the number of information requests relating to the same.⁷

2.2 BC Hydro's Compliance Filing Related to Directive 20 of Decision and Order G-91-23

On July 19, 2023, BC Hydro submitted its Compliance Filing to the BCUC related to its F23-F25 RRA, in accordance with various directives, including Directive 20 of Decision and Order G-91-23. The regulatory process for the review of BC Hydro's Compliance Filing with respect to Directive 20 included a proceeding with one round of BCUC staff questions to BC Hydro, a submission from RCIA, and a reply submission from BC Hydro.

In the Compliance Filing, BC Hydro provided the following two options on how best to implement RCIA's recommendations:

1. Develop an asset-based risk framework to generate pre- and post-capital investment asset-based risk scores (Option 1); and
2. Develop a value framework to facilitate Value-Based Decision Making (VDM) (Option 2).

BC Hydro proposed to pursue Option 2, implementing a value framework to facilitate VDM, which BC Hydro stated would provide a consistent means to assess the costs, benefits, risks, and performance of investments under consideration.⁸

⁵ Decision and Order G-91-23 to BC Hydro's Fiscal 2023 to Fiscal 2025 RRA, p. 90.

⁶ Decision and Order G-91-23 to BC Hydro's Fiscal 2023 to Fiscal 2025 RRA, p. 102.

⁷ Decision and Order G-91-23 to BC Hydro's Fiscal 2023 to Fiscal 2025 RRA, p. 102.

⁸ BC Hydro Compliance Filing to Decision and Order G-91-23. p. 43.

By Order G-281-23, dated October 19, 2023, the BCUC rejected BC Hydro's Compliance Filing with respect to Directive 20, directing BC Hydro as follows:

The Panel finds that BC Hydro has not complied with Directive 20 of Decision and Order G-91-23. Therefore, the Panel directs that, within 60 days of the date of Order G-281-23, BC Hydro either: (i) file a new compliance filing that meets the requirements of Directive 20 of Decision and Order G-91-23 and that also demonstrates how its proposal implements RCIA's recommendations for incorporating both pre- and post-capital investment risk scores into Appendices I & J in future RRAs or (ii) file an application for a variance or reconsideration of Directive 20 in accordance with Section 26 of Part V of the BCUC's Rules of Practice and Procedure.⁹

3.0 BC Hydro's Reconsideration Request and Grounds for Reconsideration

BC Hydro is seeking reconsideration of Directive 20 on the grounds that Rule 26.05 (c) facts material to the decision that existed prior to the issuance of the decision were not placed in evidence in the original proceeding and/or Rule 26.05 (f) there is otherwise just cause on the basis that Directive 20 raises a new issue that was not considered in the original proceeding that has a material bearing on whether Directive 20 should be implemented.¹⁰

Rule 26.05 states that an application for reconsideration of a decision must contain a concise statement of the grounds for reconsideration, which must include one or more of the following:

- (b) the BCUC has made an error of fact, law, or jurisdiction which has a material bearing on the decision;
- (c) facts material to the decision that existed prior to the issuance of the decision were not placed in evidence in the original proceeding and could not have been discovered by reasonable diligence at the time of the original proceeding;
- (d) new fact(s) have arisen since the issuance of the decision which have material bearing on the decision;
- (e) a change in circumstances material to the decision has occurred since the issuance of the decision; or
- (f) where there is otherwise just cause.

BC Hydro argues that during the original proceeding, RCIA made a new request in its final argument, which had not been discussed in its intervenor evidence. Namely, that BC Hydro should file certain pre-investment and post-investment risk scores in its RRAs. BC Hydro asserts that RCIA did not bring up these matters in its Information Requests (IRs) or intervenor evidence, depriving BC Hydro of the chance to present rebuttal evidence during the proceeding.¹¹

Furthermore, BC Hydro contends that Directive 20 would have a significant impact, leading to an inefficient use of expenditures and resources. BC Hydro suggests that Directive 20 might not achieve its intended objectives and could divert resources from other priorities, including the development of a VDM approach.¹²

⁹ Order G-281-23, Appendix pp.5-6.

¹⁰ Exhibit B-1, pp. 5-6.

¹¹ Exhibit B-1, p. 7.

¹² Exhibit B-1, p. 7.

3.1 BC Hydro's Reconsideration Request

BC Hydro further describes the challenges in implementing Directive 20, stating that developing pre-investment and post-capital investment risk scores would entail creating risk scores for over a thousand investments in its Power System 10-year capital plan.¹³ BC Hydro states that this process would demand substantial resources due to the complexity of investment decisions, which often involve multiple assets, system impacts, and alternatives.¹⁴ Stated challenges include assessing multiple alternatives for the same investment, handling investments involving multiple assets, and addressing changes in risk scores over time.¹⁵

BC Hydro states that its current enterprise-wide framework for capital prioritization does not align with the required risk assessments, making it necessary to collect new risk information for all investments in order to implement Directive 20. BC Hydro submits that to support the required risk assessments in Directive 20, it would need to establish asset management and investment frameworks, develop templates and tools for capturing risk scores, and ensure quality control of assessments. Furthermore, BC Hydro states that extensive support from internal subject matter experts familiar with BC Hydro's systems and risk environment would be essential.¹⁶

BC Hydro argues that implementing the required risk assessments would not meet Directive 20's goals of providing clarity on BC Hydro's investment decisions nor increase regulatory efficiency. BC Hydro states that it does not use asset-based risk scores in its planning and has no plans to do so.¹⁷ Further, it argues that these scores would likely lead to more inquiries and arguments without helping the BCUC's decision-making process.¹⁸

BC Hydro outlined plans to implement an asset management framework based on VDM in accordance with ISO 55000 Asset Management standards.¹⁹ VDM focuses on maximizing asset value rather than just reducing risk. It involves developing a value framework to assess costs, benefits, risks, and performance consistently, aiding in trade-off decisions.²⁰

BC Hydro claims that implementing a value framework is expected to enhance investment decision-making, align with industry standards and provide transparent communication in RRAs. BC Hydro believes this approach will improve understanding of its capital planning process and increase regulatory efficiency, ultimately fulfilling the objective of Directive 20.²¹ Consequently, BC Hydro deems implementing Directive 20 unnecessary considering its intention to adopt a VDM approach.²²

¹³ Exhibit B-1, p. 10.

¹⁴ Ibid., p. 10.

¹⁵ Ibid., p. 11.

¹⁶ Ibid., p. 11.

¹⁷ Ibid., p.12.

¹⁸ Ibid., p. 12.

¹⁹ ISO 55000:2014 Asset management – Overview, principles and terminology

(<https://www.iso.org/obp/ui/en/#iso:std:iso:55000:ed-1:v2:en>). The International Organization for Standardization (ISO) develops and publishes International Standards. ISO 55001:2014 specifies requirements for an asset management system within the context of the organization; this standard can be applied to all types of assets and by all types and sizes of organizations to assist them in realizing value from assets.

²⁰ Exhibit B-1, pp. 14-15.

²¹ Exhibit B-1, p. 15.

²² Exhibit B-1, p. 5.

Letters of Comment

RCIA argues that Directive 20 should remain unchanged, and BC Hydro's request for reconsideration should be denied. RCIA contends that there are no previously undisclosed material facts, and there is no just cause for reconsideration.²³ RCIA maintains that Directive 20 builds upon existing guidelines, requiring risk scores for projects listed in Appendices I & J, highlighting that in the latest RRA there were 181 listed projects, each needing up to five risk scores.²⁴ RCIA's submission emphasizes that the risk scores outlined in Directive 20 are intended to enhance regulatory reporting by providing improved information for the BCUC and interveners to assess the reasonableness and prudence of BC Hydro's proposed capital expenditures, while acknowledging that BC Hydro may already employ some form of objective risk assessment model for prioritizing its capital work and business cases.²⁵ RCIA asserts:

With Directive 20, RCIA is not seeking to “better understand **how** BC Hydro makes capital investment decisions”. {emphasis added}. Rather, RCIA is seeking to evaluate the outcomes of BC Hydro capital investment decisions and test the proposed investments for alignment with ratepayers needs and desires. While other factors, such as resource availability, will continue to influence scheduling of projects, there should, and needs to, be an objective means for the BCUC and interveners to assess how those factors impacted the underlying capital plan priorities. For example, if a high cost, low priority (based on risk assessment) project is moved ahead of other high-risk projects, it would be important and useful to understand the reasonableness and prudence of the expenditure and its timing. Similarly, absent any post-investment assessment, there is little objective evidence available to determine whether the proposed scope of the investment is appropriate. For example, would a partial replacement or smaller installation sufficiently address the risks? Absent a transparent and objective assessment tool, the BCUC and interveners are left with inadequate information.²⁶

RCIA notes that while delaying the post-implementation risk assessment is viewed as an inferior option, it aligns with the BCUC's allowance for BC Hydro to specify how and when it complies with Directive 20. RCIA, while not endorsing a deferral, suggests that if the BCUC allows additional time for post-investment risk assessment, it should be deferred no later than the first RRA filing after 2027.²⁷ If a VDM model is introduced in the future, RCIA suggests that the Directive 20 information should still be included to assess the validity of the new model.²⁸

AMPC urges the BCUC to reject BC Hydro's attempt to have another “kick at the can” at resisting RCIA's proposal, emphasizing that reconsideration should be rare and limited to significant changes.²⁹ In AMPC's view, compliance with Directive 20 is crucial for transparency and benefits the BCUC, interveners, and BC Hydro's customers.³⁰ AMPC is skeptical about BC Hydro's intention to adopt the VDM framework, highlighting that intentions should not substitute for Directive 20.³¹ AMPC asserts that Directive 20 is vital for addressing financial risks in BC Hydro's capital planning, ensuring transparency and safeguarding against uncertainties.³²

²³ RCIA Letter of Comment, p. 2.

²⁴ Ibid., p. 3.

²⁵ Ibid., p. 4.

²⁶ Ibid., p. 6.

²⁷ Ibid., p. 9.

²⁸ Ibid., p. 9.

²⁹ AMPC Letter of Comment, p. 1.

³⁰ Ibid., p. 3.

³¹ Ibid., p. 3.

³² Ibid., p. 4.

The CEC accepts BC Hydro's argument about potential material costs linked to generating asset-based risk scores as per Directive 20.³³ The CEC supports BC Hydro's initiative to enhance its asset management framework, recognizing potential benefits in the proposed VDM for understanding and analyzing investment priorities. The CEC acknowledges BC Hydro's position that the proposed VDM will achieve the objectives of Directive 20. The CEC suggests a review of BC Hydro's VDM by the BCUC and interveners before incurring costs for producing asset-based risk scores. The CEC notes the possibility of directing BC Hydro to produce asset-based risk scores if the VDM does not adequately meet the objectives of Directive 20. Furthermore, the CEC recommends that the BCUC instruct BC Hydro to specify a date by which the VDM will be available for review by the BCUC and interveners.³⁴

BC Hydro Reply

In response, BC Hydro challenges the characterization of evidence and issues by RCIA and AMPC, arguing that it has demonstrated that the implementation of pre- and post-capital investment risk scores, as mandated by Directive 20, would be a significant undertaking and would not effectively achieve the directive's objectives.³⁵ BC Hydro contends that its Reconsideration Application presents compelling grounds for reconsideration in accordance with the BCUC's Rules of Practice and Procedure.³⁶

BC Hydro states that if Directive 20 is rescinded, it anticipates implementing VDM in time for it to be applied in the RRA following the upcoming one. It claims that this would also be the earliest RRA in which BC Hydro could fully comply with Directive 20. Therefore, BC Hydro submits that pursuing VDM instead of Directive 20 would not delay the achievement of the directive's objectives.³⁷

BC Hydro argues that implementing pre- and post-capital investment risk scores, as mandated by Directive 20 and transitioning to VDM would be highly inefficient.³⁸ Furthermore, it states that if BC Hydro were to comply with Directive 20, it would delay the implementation of VDM, as the same subject matter experts would be needed for developing the necessary framework and processes.³⁹

Panel Determination

For the reasons below, the Panel rescinds Directive 20 in Order G-91-23. Further, BC Hydro is directed to file an update on its progress to date on the VDM project, including scope, schedule, cost, and project alternatives in its next RRA.

The Panel acknowledges that RCIA brought forward its request for pre- and post-project risk scoring in final argument in the previous RRA, and that BC Hydro was not given an opportunity to file evidence regarding this matter. We are satisfied that BC Hydro was unable to adequately canvass the issues it now raises with respect to the effort and cost the implementation of Directive 20 would require. The Panel considers that this context mitigates the concern raised by AMPC that BC Hydro is attempting to have another kick at the can through this reconsideration process. While the Panel agrees with AMPC that regulatory certainty and finality of decision making are important, in this instance given the above, the Panel considers it appropriate to re-evaluate Directive 20.

³³ CEC Letter of Comment, p. 1.

³⁴ Ibid., pp. 1-2.

³⁵ Exhibit B-3, p. 3.

³⁶ Ibid., p. 4.

³⁷ Ibid., p. 13.

³⁸ Ibid., p. 13.

³⁹ Ibid., p. 14.

BC Hydro states in its Reconsideration Application that the development of the pre- and post-capital project risk scores as mandated by Directive 20 would involve the creation of over a thousand records and require substantial resources. The Panel accepts BC Hydro's submissions about the materiality of undertaking the development of pre- and post-project risk scoring. In the Panel's view, the burden that would be imposed on BC Hydro by requiring it to comply with Directive 20 is a valid consideration in assessing whether there is just cause under Rule 26.05 (f) supporting the rescission of Directive 20.

The Panel also notes that Directive 20 only required BC Hydro to provide a proposal for how to implement RCIA's recommendations. BC Hydro suggests its proposed VDM project will provide a more efficient and transparent way to provide information regarding their capital planning process, which the Panel considers could satisfy the spirit of Directive 20. The Panel observes that BC Hydro has provided a proposal which, although it does not comply with the specific requirements of Directive 20, could accomplish a similar objective by providing the BCUC and the public with valuable information to better understand both BC Hydro's capital planning process strategy and the reasonableness of associated costs.

Although the Panel considers that there is not enough evidence on the record to determine whether the VDM project is justified, the Panel finds that BC Hydro has provided sufficient information to demonstrate that pursuing VDM is preferable to investing time and resources on the proposal required by Directive 20. The Panel also notes BC Hydro asserts that the VDM project has the potential to align BC Hydro with industry leading practices.

In the Panel's view, the factors discussed above, considered together, constitute just cause supporting the rescission of Directive 20 pursuant to Rule 26.05(f).

Additionally, we direct BC Hydro to provide an update on its VDM project in the next RRA, including scope, any alternatives, cost and schedule information, as well as further explanation on how the VDM project will remove the need for pre- and post-project capital risk scoring. Finally, we note BC Hydro's submission that even were the BCUC to order pre- and post-project risk scoring, the information would not be available until the RRA following the next RRA, which aligns with the timeline of the VDM project. Therefore, we encourage the panel appointed to review the next RRA to consider the merits of the proposed VDM project and any possible alternatives at that time.

DATED at the City of Vancouver, in the Province of British Columbia, this 16th day of May 2024.

Original signed by:

M. Jaccard
Panel Chair/Commissioner

Original signed by:

T. A. Loski
Commissioner

Original signed by:

B. A. Magnan
Commissioner