

Regulatory Reform Workshop

Summary Notes

OCTOBER 19, 2007

9:00 AM – 12:00 NOON 1125 HOWE ST. 12TH FLOOR, VANCOUVER

MEETING CALLED BY	Joanna Sofield and Sandra Jones
TYPE OF MEETING	Workshop
ATTENDEES	Jim Quail, Leigha Worth, Bill Andrews, Lisa Prescott, Philip W. Nakoneshny, Don Flintoff, Tracy Erickson, Brian Wallace, Dave Newlands, Joyce Martin, Ron Cliff, Tom Loski, David Austin, Jim Weimer, Fred Weisberg
BC HYDRO	Joanna Sofield, Sandra Jones, Trish Pেকেles, Esther Leung Cam Matheson, Brian Tabe, Cindy Verschoor and Jeff Christian (Lawson Lundell)
AGENDA	<ol style="list-style-type: none"> 1. Introduction & Background 2. Feedback from Stakeholders 3. Coffee Break 4. BC Hydro Proposals

MEETING MINUTES															
ABBREVIATIONS	<table border="0"> <tr> <td>RDA..... Rate Design Application</td> <td>BCUC.....BC Utilities Commission</td> </tr> <tr> <td>RRA... ..Revenue Requirements Application</td> <td>IPP Independent Power Producer</td> </tr> <tr> <td>NSA.....Negotiated Settlement Agreement</td> <td>LTAPLong Term Acquisition Plan</td> </tr> <tr> <td>BCHBC Hydro</td> <td>N/ANot applicable</td> </tr> <tr> <td>DSM.....Demand Side Management</td> <td>TBDTo be determined</td> </tr> <tr> <td>IEP Integrated Electricity Plan</td> <td>CPCN... ..Certificate of Public Convenience and Necessity</td> </tr> <tr> <td>IR..... ..Information Request</td> <td></td> </tr> </table>	RDA..... Rate Design Application	BCUC.....BC Utilities Commission	RRA... ..Revenue Requirements Application	IPP Independent Power Producer	NSA.....Negotiated Settlement Agreement	LTAPLong Term Acquisition Plan	BCHBC Hydro	N/ANot applicable	DSM.....Demand Side Management	TBDTo be determined	IEP Integrated Electricity Plan	CPCN... ..Certificate of Public Convenience and Necessity	IR..... ..Information Request	
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1. Introduction & Background SUMMARY

Joanna Sofield opened the meeting by welcoming everyone and informing participants that the purpose of the workshop was to:

- share what has been heard from key stakeholders regarding opportunities for improving BC Hydro's regulatory applications and processes and
- to discuss BC Hydro's proposals in response to the feedback provided.

1.1 Joanna then introduced the representatives from BC Hydro, emphasizing the importance of key people within the organization hearing the feedback provided to enable them to assist in meeting our goal of becoming more efficient and effective in BC Hydro's regulatory processes.

1.2 A commitment was made by BC Hydro in the F2007/F2008 RRA NSA to investigate what improvements could be made to BC Hydro's regulatory processes to:

- (a) Reduce the regulatory burden on BC Hydro and Intervenor
- (b) Reduce the regulatory costs flowing through to ratepayers

1.3 Since the F2007/F2008 NSA, it was noted that BC Hydro had taken some proactive measures to engage stakeholders prior to filing regulatory applications by providing draft applications for review (e.g. Revelstoke 5 CPCN and RDA with the intention of addressing issues and concerns wherever possible. BC Hydro will continue to conduct these pre-filing activities as appropriate to the particular filing.

1.4 Over the past six months BC Hydro has sought input from key stakeholders to gain internal and external perspectives on regulatory reform. That input has been reviewed and is the basis for formulating the proposals to be brought forward at the workshop. The primary areas identified by stakeholders for further exploration included:

- a) Timing and scheduling of applications
- b) Application preparation and the pre-filing phase
- c) Regulatory review process
- d) Performance Based Rate Making

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2. Feedback from Stakeholders

Sandra Jones thanked all who met to discuss opportunities for regulatory reform for both their time and candid feedback. A broad range of feedback was received, some of which was outside of what BC Hydro can influence and/or change. BC Hydro's focus at the workshop was on what can be changed within the current regulatory construct. Sandra then presented the feedback received to date.

2.1 General discussion in response to the feedback received by BC Hydro included the following points:

A. Timing and Scheduling of Applications

- a) Integration of all filings could result in a perpetual hearing. Elements need to be segregated into discrete units to ensure the process is manageable.
- b) RRA applications every year would be too time intensive.
- c) Should there be a fixed schedule to ensure transparency? If yes, then what should the timeline be?
- d) It would be helpful if the major pillars of applications are as recent as possible. This approach may eliminate requests for revised financial information, load forecasts, etc, once the application has been filed.
- e) Applications should coincide with the business planning cycle: for example, they should be in sync with financial periods.
- f) Could load forecasting be shifted to coincide with the financial cycle?
- g) There are also external factors at play, outside of the control of BC Hydro.

B. Application Preparation and Pre-Filing Phase

- h) Consider completeness. Applications should be stand alone documents; if they are not more IRs will be generated.
- i) Everyone has different interests in the applications. IRs may be a more effective process to target stakeholder interests rather than trying to include a lot of information that is of limited interest to all parties.
- j) BC Hydro could provide a draft application and then ask for feedback on where more information is needed to satisfy varying interests.
- k) Major deficiencies will be noticed when reviewing draft applications, but intervenors don't necessarily turn their minds to the issues until the IR process begins.
- l) It can be very difficult to identify issues in large applications due to the need for consultation with clients and consultants.

C. Regulatory Review Process

- m) The problem with IRs is their marginal materiality with respect to the amount of labour required to address them. Encourage the utility to reject IRs that are not material to the application, or that lack rationale.
- n) IRs should: satisfy a need, decrease a need or increase efficiency.
- o) It would be helpful if the BCUC explained why they are asking for certain information. This approach could improve other parties' understanding and position BC Hydro to respond better. Example explanations include:
 - What is the data source?
 - Does not reconcile with information in section "x"
- p) Workshops to identify large issues versus smaller ones may be worthwhile.
- q) Grouping IRs by topic, replying comprehensively to the grouping, and referring other IRs to the comprehensive response may improve efficiency.
- r) Appropriate resourcing is needed to facilitate meaningful participation outside of the regulatory process
- s) Be careful not to add more process to deal with process.
- t) Even if everyone (applicant and intervenors) agrees with an NSP approach that doesn't guarantee the result – perhaps this point could be discussed further with the BCUC.

D. Performance Based Rate Making (PBR)

- u) PBR can work where greater flexibility can translate to greater return to the shareholder; since BC Hydro doesn't have a comparable structure it's hard to imagine how it could be structured for BC Hydro.

2.2 BCUC staff clarification included:

- a) Staff must do full discovery on the application.
- b) Applications are expected to be complete and BCUC staff will ask for IRs if it appears that the application lacks rigor or is inconsistent, to identify what alternatives were examined prior to selecting a particular course of action.
- c) If the utility feels that that BCUC staff is going into too much detail then the utility has the option of pushing back.
- d) Workshops to identify large issues versus smaller ones may be worthwhile.
- e) One round of IRs is problematic if there are content gaps in an application.
- f) Two rounds is most efficient – will try to address most issues in the first round.

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3. BC Hydro Proposals

Joanna Sofield presented BC Hydro's proposals based on the feedback received from intervenors prior to the workshop.

3.1 Proposals included:

- a) Timing of RRA, RDA, and planning applications.
 - A three-year RRA for F2009/F2010/F2011.
 - A comprehensive RDA every three to four years.
 - A four-year cycle for IEP and a two-year cycle for LTAP.
- b) Coordination of filings between BC Hydro and BCTC.
- c) Continued proactive engagement of intervenors and BCUC staff, including sharing draft applications, prior to filing.
- d) Establishment of an IR topic list, post-filing, that subsequent IRs would need to reference.
- e) Initiation of semi-annual stakeholder information sessions, as a less formal forum for communication and information sharing.
- f) Confirming a NSA commitment to address PBR in next RRA.

3.2 Feedback and general discussion in response to the proposals put forward included:

- a) Given the contextual uncertainty a three-year RRA would be difficult to deal with unless the third year had a very small impact.
- b) The forecast of the rates will be based on highly uncertain factors, such as the robustness of the economy.
- c) The potential for overshooting is as significant as the potential for undershooting.
- d) The business planning cycle should define the regulatory schedule.
- e) Consider sequencing over a six year period to assess effectiveness.
- f) Resource planning is driven by: load, resources and BCTC's infrastructure development. Too short of a timeline will result in a lot of regulatory process; too long a timeline will miss critical inputs.
- g) There is a need for clarity regarding the capital plan approval process and the DSM approval process because they don't follow traditional processes that would require a CPCN.
- h) BC Hydro should take responsibility for the topic list for IRs, including some general categories, and have everyone tag their IRs.
- i) An indexed database of all the IRs on a CD ROM would be helpful.
- j) BC Hydro should try to continue to move forward with the evolution of information management systems and create something that can be searched by key word.
- k) Information sessions could provide an opportunity for more information about what BC Hydro is doing on a day to day basis; it may not lead to any significant regulatory efficiencies but could result in fewer and better IRs.
- l) More information is needed to determine if the content planned for the information sessions would be specific enough and
- m) to the extent that the content was specific if there would be overlap with other current initiatives.
- n) Technical workshops will still be required to address the level of detail required, and may give more focus to IRs
- o) When BC Hydro looks at efficiency it tends to focus on costs; keeping in mind that the purpose is to get results, cost has to be compared to value.

4. CLOSING COMMENTS SUMMARY

Joanna Sofield thanked all for their attendance and the constructive dialogue that was generated.

	ACTION ITEM/AGREEMENT/OPEN ISSUE/INFORMATION/ANSWER OWED	PERSON RESPONSIBLE	DEADLINE
1.	Action: The BCUC to consider adding a pre-amble to IRs where possible. (P. Nakoneshny)	N/A	N/A
2.	Action: BC Hydro will distribute workshop summary notes to all who participated.	Sandra Jones	November 9, 2007
3.	Action: BC Hydro will contact other stakeholders, including those who were unable to attend the workshop, to discuss the proposals and provide them with an opportunity for input.	Sandra Jones	TBD
4.	Action: BC Hydro's intervenors will see the proposals implemented, where appropriate, in our regulatory applications and in meeting invitations to them and other interested stakeholders.	N/A	N/A