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01 December 2004

Mr. Robert J. Pellatt  
Commission Secretary  
British Columbia Utilities Commission  
Sixth Floor – 900 Howe Street  
Vancouver, BC V6Z 2N3

Dear Mr. Pellatt:

**RE: British Columbia Hydro and Power Authority (“BC Hydro”)  
2004/05 and 2005/06 Revenue Requirements Application  
British Columbia Utilities Commission (the “Commission”) Order G-96-04  
Decision, 29 October 2004, Page 94 , Directive No. 30 Page 220**

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BC Hydro writes in response to the request from the Commission to BC Hydro regarding the collection and use of contractor safety statistics. The Commission wrote:

“The Commission Panel directs BC Hydro to include Contractor statistics in its goal setting and objectives for its pay for performance systems for its employees and to monitor Contractor safety for work on the BC Hydro system in the same manner as it does for its own employees. It may take some time for Contractors to establish systems to collect such statistics, therefore, if BC Hydro does not expect to be in a position to comply with this directive by the next revenue requirements application, then BC Hydro should file a report with the Commission, by December 1, 2004, to seek temporary relief from this directive.”

This response is to advise the Commission that BC Hydro intends to pursue and implement a contractor safety information system. However, BC Hydro does not expect to be able to implement the system sufficiently to allow it to have contractor safety measures and targets integrated into its variable pay contracts by February 2006, when it expects to file its next revenue requirement application. BC Hydro, therefore, seeks temporary relief from this request. BC Hydro describes below why it requires the requested relief.

## **Discussion**

Compliance with the Commission’s requests has two discreet components. The first is the collection of the safety information, and the second is the creation and integration of contractor safety measures and targets into BC Hydro's variable pay contracts.

Regarding the former, BC Hydro notes the following issues must be addressed as part of any contractor safety information system:

- The contractors to be covered under this system must be defined.
- Appropriate contract terms must be developed. Contract terms must communicate BC Hydro's requirements regarding the collection and reporting to BC Hydro of safety incidents arising from BC Hydro-related work. Such terms must also minimize any likelihood that BC Hydro assumes any incremental liability risk; may depend on the nature of the contractor from whom BC Hydro would require safety information; and must identify suitable sanctions in the event of contractor non-compliance.
- Amendments to existing contracts must be negotiated with contractors (and standard form contracts must be modified) to include the new contract terms.
- Some contractor training will be necessary to ensure that BC Hydro receives accurate and reliable information from its contractors.

In addition, BC Hydro will need to develop a mechanism for maintaining and using the contractor safety information, and management system, including the development and use of standardized reports and amendments to its contractor safety policy.

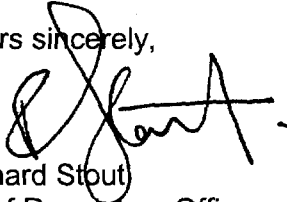
BC Hydro expects to begin collecting contractor safety statistics by the spring or summer 2005. However, BC Hydro doubts it will get consistent, reliable information from all its contractors until the winter or spring of 2006.

The second component of the Commission's request is the creation and integration of contractor safety measures and targets into BC Hydro's variable pay contracts. BC Hydro believes it is likely to take a full year from the time it gets substantial compliance with its reporting requirements to achieve this step. This is for one major reason, namely the necessity to establish a contractor safety "baseline" against which performance may be measured. Due to seasonal work, varying conditions and types of work, and the time required for overall safety statistics to achieve stability, it will take a full year of reliable data to create this baseline. There is simply no way to incent behaviour without such baseline information. It follows that the earliest BC Hydro is likely to have the information necessary to begin incenting contractor-safety behaviour is the winter or spring of 2007 (although it could be earlier if it can achieve full reporting compliance earlier than the winter or spring of 2006).

In addition, the creation and integration of performance measures related to contractor safety can not be done in isolation from other goals and objectives BC Hydro aims to achieve, at least in part, through its variable pay program. Both the goals and objectives themselves, and their relative importance, are not static, but instead change from time to time as objectives are achieved and as other issues arise and require attention. As was evidenced in the revenue requirement proceeding the development of corporate-wide and business unit-wide goals and objectives is a process that typically begins in the summer of every year, culminating in BC Hydro's Service Plan early in the New Year. Thus, the performance measures and goals that will be reflected in what BC Hydro anticipates will be a February 2006 revenue requirement application will begin to be

developed in the summer of 2005. For the reasons discussed above BC Hydro will not in the summer of 2005 have a baseline of contractor safety information, and therefore will not be in a position to consider how and to what extent contractor safety is to factor into the variable pay program for F2007 that will be described in its February 2006 revenue requirement application. Conversely BC Hydro thinks it very likely that it will have the necessary information on hand by the following revenue requirement application to be able to consider contractor safety in the context of defining the goals and measures that are reflected in its variable pay contracts.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'R. Stout', written over the printed name.

Richard Stout  
Chief Regulatory Officer