



# **Regulatory Reform Workshop**

**October 19, 2007**

# Agenda

1. Introduction and Background 9:00 – 9:20
2. Feedback from Stakeholders 9:20 – 10:15
3. Coffee Break 10:15 – 10:45
4. BC Hydro Proposals 10:45 – 12:00

# Introduction & Objectives

- Why are we here?
- Committed in F2007/F2008 NSA to hold a workshop on regulatory reform to consider ways to improve BC Hydro's regulatory applications and processes.
- Present and discuss proposals that address this objective.
- Achieve an outcome that:
  - Reduces regulatory burden on BC Hydro and intervenors;
  - Reduces regulatory costs flowing through to ratepayers.

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# Structuring the Regulatory Reform Initiative

- Scope of the initiative includes all BC Hydro's regulatory activities, not just RRA.
- Sought extensive input from key stakeholders.
- Reviewed all of the input in developing proposals to bring forward to this Workshop.

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# Primary Opportunities for Improving Regulatory Efficiencies

1. Timing and Scheduling of Applications
2. Application preparation/pre-filing phase
3. Regulatory review process
4. PBR (Performance Based Ratemaking)

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## Feedback from Stakeholders

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# General Observations from Stakeholders

- Agreement that most of current inefficiencies reside with regulatory review process:
  - Many key process issues are beyond the control of BC Hydro;
  - Diminishes the scope of what BC Hydro can do to become more efficient from a regulatory standpoint.
- Range of solutions offered for dealing with these regulatory inefficiencies:
  - Accept the process as it is and work around perceived shortcomings of the Utilities Commission Act;
  - Complete overhaul of the Act to better reflect the current energy environment BC Hydro is operating in.

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# General Observations from Stakeholders (cont.)

- Efficiency improvements should be targeted to specific applications; not a 'one size fits all' approach.
- Stakeholders want to become better informed about BC Hydro's plans and activities outside the formal regulatory process.

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# Timing and Scheduling of Applications

- Cycle that has been accepted by the BCUC for IEP and LTAP applications is viewed as reasonable.
- Diverse views on the appropriate term for BC Hydro's Revenue Requirements Application.
- Scheduling of applications should have more regard for the time to have them reviewed by the BCUC.

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# Application/Pre-Filing Phase

- Consistency in the quality of our applications could be improved:
  - RRA
    - o Consistency in financial reporting to enable comparisons between test periods;
    - o focus on incremental spending for new initiatives that are not part of BC Hydro's 'base' business;
    - o mapping of financial schedules to more detailed information in the application.

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# Application/Pre-Filing Phase (cont.)

- IEP/LTAP
  - expect future LTAP applications to contain more spending requests.
  
- Revelstoke 5 CPCN
  - recommended this as a template for future CPCN applications.
  
- Support for using appendices to provide additional information on major topics/issues raised in an application.

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# Application/Pre-Filing Phase (cont.)

- Want more stakeholder engagement in all forms during the preparation of our applications.
- Pre-filing technical workshops on major issues such as cost of energy and load forecast would be useful:
  - Structure workshops at a level of sophistication for expert consultants to participate in;
  - Understanding gained at such workshops may reduce the number of IRs served on BC Hydro.

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# Application/Pre-Filing Phase (cont.)

- Generally favoured circulating a draft application a few weeks before filing and engaging stakeholders through a workshop to discuss the application:
  - Benefit will depend on the extent to which BC Hydro is able to consider intervenor input in finalizing application;
  - Could result in fewer IRs served on BC Hydro.
- Pre-filing engagement processes could pose a problem for some intervenors without funding assistance.

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# Regulatory Review Process

- Topic was discussed at length at the BCUC stakeholder meeting in the spring of 2007.
- Consensus view that the volume of IRs is a primary obstacle to an efficient review process.
- Intervenors believe all parties should exercise discipline in serving IRs on the applicant.

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# Regulatory Review Process (cont.)

- Several proposals aimed at trying to fix the IR process were advanced by stakeholders:
  - Prior to issuing IRs, the pre-hearing conference should include discussion amongst all parties to scope the materiality of the issues that would provide the focus of intervenors' IRs to BC Hydro;
  - Limit the rounds of IRs in an oral hearing, saving any follow up questions for cross-examination.

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# Regulatory Review Process (cont.)

- Consider formally dividing examination of issues amongst intervenors so that they focus only on those issues that are important to them;
- BC Hydro could object more often to answering IRs that are immaterial relative to the amount of work required to respond to them. Onus would be on the intervenor to bring forward a motion to the BCUC to compel BC Hydro to respond;
- Direct discussion between BC Hydro and intervenors on points of clarification or information without having to put this on the record through an IR.

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# Regulatory Review Process (cont.)

- Better information management practices could make handling the volume of IR material more efficient.
- Most parties felt that the current method of developing an issues list is not helpful to the review process.
- Overwhelming preference for NSPs to deal with BC Hydro's applications wherever possible.

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# Performance Based Ratemaking (PBR)

- Viewed as an improvement to traditional ratemaking processes in that it reduces the frequency of revenue requirements applications.
- Most parties concluded that PBR is not appropriate for BC Hydro to undertake at this time because:
  - Alignment of interests between the shareholder and ratepayers cannot be achieved;
  - Unpredictable economic climate in which BC Hydro currently operates:
    - o significant customer and load growth;
    - o cost escalation for labour, materials and supply inputs;
  - Aging infrastructure requiring major capital expenditures to be made.

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## Section 3

# BC Hydro Proposals

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# BC Hydro Proposals on Timing and Scheduling of Application

- Fewer RRAs by extending time between applications:
  - Proposing a 3 year RRA for F2009/F2010/F2011.
- Prepare a comprehensive RDA every 3-4 years (cost of service study and updated terms and conditions).
- Cycle for planning applications:
  - IEP every 4 years and LTAP every 2 years.
- BC Hydro and BCTC have discussed the coordination of timing of their filings.

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# BC Hydro Proposals Regarding Applications Filing Phase

- Continue to pro-actively engage intervenors and BCUC staff in pre-application filing processes to identify and resolve issues prior to the filing of the application.
- Continue to hold pre-application filing workshops to assist intervenors in reaching an understanding of the key issues and evidence.
- Continue practice of sharing draft applications with intervenors and BCUC staff, as appropriate.

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# BC Hydro Proposals Regarding Regulatory Review Process

- Negotiated Settlement Process (NSP):
  - Continue to propose this mechanism for dealing with BC Hydro's applications where there is support from intervenors and there is a reasonable possibility of settlement.

# BC Hydro Proposals Regarding Regulatory Review Process (cont.)

- Propose to establish a IR topic list through the following steps:
  - BC Hydro would hold a post-filing workshop on the application (optional);
  - Post-workshop, BC Hydro would encourage intervenors to send BC Hydro their topics of interest;
  - Develop and circulate a draft IR topics list before the BCUC procedural conference is held;
  - List would be discussed at this conference;
  - IR topic list would be finalized by the BCUC and attached to the procedural order with the regulatory timetable;
  - BCUC staff and Intervenors would be directed to tag each IR to one of the topics on this list.

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# BC Hydro Proposal for Stakeholder Information Sessions

- Purpose of proposed stakeholder information sessions will be to provide a less formal forum for stakeholders and BC Hydro to communicate and provide the opportunity for BC Hydro to be more open and transparent about its plans and activities.
- Still recognize need for and value of topic-specific stakeholder engagement, e.g.:
  - Electricity conservation and efficiency;
  - Conservation potential;
  - Rates;
  - Calls for power;
  - Resource planning.

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# BC Hydro Proposal for Stakeholder Information Sessions (cont.)

- Proposal of BC Hydro is to:
  - Meet twice yearly to inform a range of stakeholders including our intervenors and BCUC staff of BC Hydro's business plans and activities.
  - Agenda could include:
    - o discussion of our near to medium term plans and activities;
    - o report on progress of current initiatives;
    - o updates on our financial performance;
    - o discussion of our regulatory filing calendar for the near term.
  - External guest speaker.
  - BC Hydro Executive VP of Finance and CFO would chair these sessions.

# BC Hydro View on Performance Based Ratemaking

- BC Hydro committed in its next RRA to address whether PBR is appropriate for BC Hydro.
- Shareholder's expectations of BC Hydro along with little support from intervenors on this issue suggests that this is not the time for BC Hydro to pursue PBR.

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# Next Steps

- Invite your feedback on these proposals;
- Request feedback from other stakeholders not in attendance today;
- For stakeholder information sessions, confirm plans with stakeholders once content and logistics have been determined.

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