

BRITISH COLUMBIA UTILITIES COMMISSION

**IN THE MATTER OF THE UTILITIES COMMISSION ACT
S.B.C. 1996, CHAPTER 473**

And

**An Application by British Columbia Hydro and Power
Authority (“BC Hydro”) for the Review of the F2007 and
F2008 Revenue Requirements Application (“RRA”) and
for the Review of the 2006 Integrated Electricity Plan
(“2006 IEP”) and the Approval of the 2006 Long-Term
Acquisition Plan (“LTAP”)**

**Vancouver, B.C.
May 19, 2006**

PROCEDURAL CONFERENCE

BEFORE:

R. Hobbs,	Chairperson
L. A. Boychuck,	Commissioner
A. J. Pullman	Commissioner

VOLUME 1

APPEARANCES

G.A. FULTON	Commission Counsel
C. GODSOE J. CHRISTIAN	British Columbia Hydro and Power Authority
P. FELDBERG	British Columbia Transmission Corporation
D. BENNETT	FortisBC
F. WEISBERG	Columbia Power Corporation
C.B. JOHNSON	Terasen Gas Inc., Terasen Gas Vancouver island Inc., Terasen Gas Whistler, Terasen Gas Squamish
R.B. WALLACE	Joint Electricity Steering Committee
D. NEWLANDS	Elk Valley Coal Corporation
D. AUSTIN	Independent Power Producers of British Columbia
D. CRAIG	Commercial Energy Consumers' Association of British Columbia
L. WORTH P. MACDONALD	B.C. Old Age Pensioners' Organization, the Active Support Against Poverty, B.C. Coalition of People with Disabilities, Council of Seniors' Organizations of B.C., End Legislated Poverty, Federated Anti-Poverty Groups of B.C., and the Tenants' Rights Action Coalition
W. ANDREWS	Sierra Club Of Canada, B.C. Chapter; B.C. Sustainable Energy Association; and Peace Valley Environmental Association
E. GOLDS	Burke Mountain Naturalists
J. THAYER	Mount Wartenbe Lone Prairie Pasture Society

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CAARS

VANCOUVER, B.C.

May 19, 2006

(PROCEEDINGS COMMENCED AT 9:05 A.M.)

THE CHAIRPERSON: Please be seated. My name is Robert Hobbs. With me are Commissioner Boychuk and Commissioner Pullman.

This is a procedural conference to consider certain issues that have been identified by the Commission in the Commission's letter dated May the 10th, 2006, which has been marked in this proceeding as -- well, in the B.C. Hydro IEP proceeding as Exhibit A-4, and the F'0708 Revenue Requirements Proceeding as Exhibit A-3.

Before turning to the issues for this procedural conference, I want to identify the staff, which includes both full-time and contract staff, that I currently anticipate will be involved in a review of the applications. Eileen Cheng will be lead staff in the 2006 IEP and LTAP proceeding, and Werner Krampfl will be lead staff on the revenue requirements proceeding. Rob Gorter, Brian Williston, Bob Rerie, Trent Berry, Jim Fraser, Elroy Switlishoff and George Isherwood will be staff involved with review of both applications. Doug Chong and Suzanne Sue will be staff involved with the review of the Revenue

1 Requirements Application.

2 I have identified the staff so that you can
3 contact them if you wish. This morning Ms. Cheng and
4 Mr. Krampf are here to assist you if you wish to speak
5 to them. And I see Mr. Nakoneshny and Ms. Su is here
6 as well, and Mr. Chong.

7 Commission Counsel for this proceeding will
8 be Mr. Fulton. The Hearing Officer for both
9 proceedings will be Hal Bemister.

10 Now I'll describe some of the record as it
11 stands today. By letter dated March the 15th, 2006, an
12 application was filed by B.C. Hydro for certain
13 orders, including an order for setting rates on an
14 interim basis. In that letter, B.C. Hydro advised
15 that it would file the balance of the application in
16 or about late April 2006. By Order G-32-06, the
17 Commission approved B.C. Hydro's application for
18 interim rates. By letter dated May 1st, 2006, in the
19 RRA proceeding, B.C. Hydro advised that the filing of
20 the F'0708 Revenue Requirement Application was delayed
21 and that it intended to file the balance of its
22 application towards the end of May 2006. By letter
23 dated May 5th, 2006, the JIESC requests reconsideration
24 of the interim order. By letter dated May the 8th,
25 2006, the BCOAPO advised that it agrees with the JIESC
26 request for reconsideration.

1 First, with respect to agenda item number
2 one, that in fact is the issue that's been identified
3 in the May 10th, 2006 letter as the first issue.
4 Similarly, I think the second issue on the May 10th,
5 2006 letter fully identifies the issues for the second
6 agenda item, separate processes for the 2006 IEP and
7 LTAP and Revenue Requirements. The third agenda item,
8 the need for a rate design application, as defined by
9 issue item number three and item number four, and it's
10 commented on in the paragraph immediately following
11 those issues. And then item number four is defined by
12 Issue No. 5 and Issue No. 6. And I see that B.C.
13 Hydro has filed a proposed regulatory timetable that
14 -- I'll look forward to hearing from B.C. Hydro on
15 this, but maybe is an alternative to the draft
16 regulatory timetable that was circulated by the
17 Commission. So we'll deal with those issues as item
18 number four.

19 With respect to the first agenda item, the
20 Commission has discretion as to whether or not to
21 reconsider the interim Order. And I think that is the
22 question before the panel today. So as to assist the
23 panel as to whether or not there should be a
24 reconsideration process, I think submissions on Issue
25 No. 1 will be helpful. I will address issues related
26 to agenda items numbers two and three and four when we

1 get there.

2 And with that, I'll ask for appearances,
3 and if there are any revisions that you propose with
4 respect to the agenda for this morning, I'd like to
5 hear from you at the same time that you're entering
6 your appearance.

7 Mr. Fulton.

8 **Proceeding Time 9:14 a.m. T3**

9 MR. FULTON: Thank you, Mr. Chairman. Good morning, Mr.
10 Chairman. Good morning, Commissioners.

11 When I move through the order of
12 appearances, Mr. Chairman, I will ask parties to
13 indicate whether they are appearing on both
14 applications or one application. I believe that there
15 is considerable commonality amongst the appearances.
16 There are several exceptions in terms of the Revenue
17 Requirements Application and the LTAP and the IEP. So
18 the order that I will begin with will be on the IEP
19 proceedings, and people can indicate whether they also
20 are appearing on the Revenue Requirement.

21 British Columbia Hydro and Power Authority.

22 MR. GODSOE: Good morning, Mr. Chairman and members of
23 the Commission. My name is Craig Godsoe spelled
24 G-O-D-S-O-E, and I am B.C. Hydro's in-house regulatory
25 counsel. I am also B.C. Hydro's lead counsel with
26 respect to its 2006 IEP/LTAP. With me today is Jeff

1 Christian spelled C-H-R-I-S-T-I-A-N, of Lawson
2 Lundell, and Geoff is B.C. Hydro's lead counsel with
3 respect to its '07/'08 Revenue Requirement Application
4 filing.

5 We have no revisions to the issues as
6 you've described them this morning, Mr. Chairman. One
7 comment on the structure. Jeff Christian will be
8 speaking first and he'll be addressing Issues 1, 2 and
9 4 as you have defined them this morning, and I will
10 then address Issue 3.

11 THE CHAIRPERSON: Thank you.

12 MR. FULTON: British Columbia Transmission Corporation.

13 MR. FELDBERG: Mr. Chairman, members of the Panel, Peter
14 Feldberg appearing for British Columbia Transmission
15 corporation, and our intervention was filed with
16 respect to both proceedings because at the time they
17 were filed that way, so.

18 THE CHAIRPERSON: Thank you.

19 MR. FULTON: FortisBC.

20 MR. BENNETT: Mr. Chairman, David Bennett, B-E-N-N-E-T-T,
21 on behalf of FortisBC, and we filed intervention on
22 both proceedings. Thank you.

23 MR. FULTON: Columbia Power Corporation.

24 MR. WEISBERG: Good morning, Mr. Chair and Commissioners.
25 Fred Weisberg, W-E-I-S-B-E-R-G, appearing for Columbia
26 Power Corporation, and our appearance is on both

1 matters.

2 MR. FULTON: Terasen Gas Inc.

3 MR. JOHNSON: Mr. Chairman, the name is Johnson. It's
4 initial C.B. I'm appearing on behalf of Terasen Gas
5 Inc. and as well, Terasen Gas Vancouver Island Inc.,
6 Terasen Gas Whistler, and Terasen Gas Squamish; and
7 we're appearing in both proceedings.

8 MR. FULTON: Joint Industry Electricity Steering
9 Committee.

10 MR. WALLACE: R.B. Wallace appearing on behalf of the
11 Joint Industry Steering Committee. We are appearing
12 on both applications.

13 MR. FULTON: Elk Valley Coal Corporation.

14 MR. NEWLANDS: Mr. Chairman, Commissioner Pullman,
15 Boychuk, David Newlands appearing on behalf of Elk
16 Valley Coal Corporation, and Elk Valley has intervened
17 in both applications.

18 MR. FULTON: Independent Power Producers of British
19 Columbia.

20 MR. AUSTIN: David Austin appearing on behalf of the
21 Independent Power Producers of B.C. I'm appearing on
22 both applications.

23 MR. FULTON: Sea Breeze Pacific Regional Transmission
24 System Inc., Sea Breeze Energy Inc., and Sea Breeze
25 Power Corp. No response.

26 Comstock Energy Inc. No response.

1 MR. FULTON: Sierra Club of Canada British Columbia,
2 Peace Valley Environment Association, and B.C.
3 Sustainable Energy Association.

4 MR. ANDREWS: Mr. Chairman, members of the panel, William
5 Andrews appearing for Sierra Club of Canada, B.C.
6 Chapter, B.C. Sustainable Energy Association, and
7 Peace Valley Environmental Association. I'll refer to
8 those groups collectively as SCCBC, and those groups
9 are intervening in both proceedings.

10 MR. FULTON: Burke Mountain Naturalists.

11 MS. GOLDS: Chairman, I'm Elaine Golds, representing the
12 Burke Mountain Naturalists at these proceedings, for
13 both.

14 THE CHAIRPERSON: May I have your name again, please? I
15 missed it.

16 MS. GOLDS: Oh, sorry. Elaine Golds. The last name is
17 spelled G-O-L-D-S.

18 THE CHAIRPERSON: Thank you.

19 MR. FULTON: Is there anyone here this morning who has
20 intervened whose name I have not called out at this
21 point? Yes? If you would like to come forward,
22 please.

23 MS. THAYER: Mr. Chairman, panel members, my name is
24 Joyce Thayer, T-H-A-Y-E-R, and I appear on behalf of
25 the Mount Wartenbe Lone Prairie Pasture Society, and
26 we have intervened in both proceedings.

1 MR. FULTON: Thank you, Mr. Chairman. I canvassed the
2 room before we commenced this morning, and that
3 concludes the intervenors in both proceedings who have
4 indicated to me that they are here today.

5 **Proceeding Time 9:22 a.m. T5**

6 THE CHAIRPERSON: Thank you. Hearing no suggestions
7 with respect to the agenda item, that will bring us to
8 the first agenda item as I identified it, the
9 reconsideration of the interim rates.

10 My proposal here, subject to any concerns
11 that it might raise, is that I first hear from the
12 applicant on the reconsideration, Mr. Wallace, then
13 from those who are in support of Mr. Wallace, then
14 those who object, with a right of reply to Mr.
15 Wallace. Does that raise any concerns for anyone?

16 Then you may proceed, Mr. Wallace.

17 MR. WALLACE: Thank you, Mr. Chairman. I think I can be
18 very brief. My comments were set out in my letter and
19 we obviously objected to rates being made interim in
20 this case in the first instance, particularly in the
21 absence of an -- well, totally in the absence of an
22 application having been received, and rates not -- an
23 interim rate not being ordered but simply current
24 rates being made interim.

25 We're very concerned about the regulatory
26 process. The JIESC believes that the regulatory

1 process in the case of B.C. Hydro has become
2 dysfunctional and is not serving the people of British
3 Columbia, or for that matter B.C. Hydro, well.
4 Interim rates encourage delay because they give the
5 sense, in our submission, that if they don't file it
6 doesn't matter. B.C. Hydro has made it clear that it
7 wants to recover 12 months' revenue requirement at 11
8 months, 10 months, 9 months, whatever it happens to be
9 when a rate is put in effect. That does not create an
10 incentive to get your application in in a timely
11 manner and tell people what you want. It increases
12 uncertainty for the customers, who, for example if
13 Hydro was seeking a 10 percent increase over 12
14 months, could turn around and have to have 20 percent
15 over six months in order to achieve the same revenue
16 requirement.

17 People simply don't know what they're
18 facing going forward. And in our submission, they
19 should. In fact, it would be our submission that the
20 application should have been filed well in front of
21 the fiscal year. In our submission it's only normal
22 practice of this Commission to require utilities to
23 file 30 days in advance of wanting an interim to take
24 effect. And the major utilities in this province seem
25 to be able to do that, with the exception of B.C.
26 Hydro.

1 Commission Counsel did send around some
2 precedents that would show that's not a universal
3 practice, but I would suggest to you it's the normal
4 practice, and it's a good practice, and it's a
5 practice that's been around for a while.

6 We are now in late May. The customers of
7 B.C. Hydro still don't have a clue what B.C. Hydro
8 wants, let alone what it's going to get. And in our
9 submission, that is not good for anyone. Furthermore
10 we are concerned that the regulation of B.C. Hydro is
11 becoming a very expensive waste of time. And that's a
12 strong statement, and the reason I say that to you is
13 that the problem is this Commission can't do much once
14 the money is spent. It's very difficult for you,
15 given the special directions and given practicalities,
16 to turn around and say, having spent all the money,
17 "Oh, that was imprudent, unreasonable, it will be
18 disallowed."

19 At the rate we're going, your decision will
20 come in the last half of B.C. Hydro's fiscal year. At
21 that stage, a substantial portion, probably the
22 majority, probability something significantly more
23 than the majority of B.C. Hydro's budget for the year
24 will have been spent or will be committed. It will be
25 too late for you to do anything about it. Had this
26 application been filed in January, which was the

1 original thought way back, and I think B.C. Hydro's
2 target to do it early in the year, an interim could
3 have been properly considered, and I suggest to you we
4 might have even been properly into the process. We
5 haven't even got started on the RRA yet and we can't
6 get started till that application is filed.

7 This case shows, in our submission, why
8 there shouldn't be interims. Interims were put
9 forward in a time when inflation was important to
10 prevent regulatory lag. Today we have application
11 lag, and the worst case of it I've seen in my
12 practice. Companies should be required to ask for the
13 increase, say what they want, say why and show why
14 they need it, before rates are made interim and before
15 they are increased, and even more, before the money is
16 spent. The current situation simply cannot be allowed
17 to continue and we believe the Commission has a
18 responsibility to not allow it to continue. Thank
19 you.

20 **Proceeding Time 9:25 a.m. T06**

21 THE CHAIRPERSON: Mr. Wallace, I'd like to address the
22 issue that's raised by B.C. Hydro in their letter in
23 response to you. It's the May 9th, 2006 letter,
24 Exhibit B-4. And I think there are -- you're going to
25 have a chance to reply, but I'd like to hear from you
26 now as well. I think one of their arguments is that

1 your application would be better addressed at the time
2 that we're ready to deal with permanent rights --
3 after the proceeding, and we've heard evidence with
4 respect to their application. And I'd like you to
5 comment on your views of the merits of doing that.

6 MR. WALLACE: Mr. Chairman, I think that goes right to
7 the core of what I've been talking about. We're not
8 getting anywhere in this matter. The fact is that
9 that application has not been brought on, there's no
10 incentive to bring it on, and there's a large degree
11 of detriment by leaving this uncertainty out there in
12 the manner that it is right now. The only message
13 they seem to understand is, you have to file if you
14 want an increase. It's a clear message, and the
15 Commission should send it to them.

16 Doing it after the fact, and doing it back
17 -- you know, when we get to argument on this, in
18 September, October, November, December, whenever it
19 is, is too late.

20 THE CHAIRPERSON: With respect to -- if we were to deny
21 -- if we eventually approve an increase but deny
22 recovery of a portion of that increase for F'06
23 because they were late in filing, would that not then,
24 at least for future applications, provide that
25 incentive?

26 MR. WALLACE: I have a real problem with that. One, will

1 something be denied? It is just very hard -- they're
2 going to be arguing Special Direction says you can't
3 deny anything. We've spent the money. And whereas if
4 you do it in advance, then they're imprudent, and
5 we're going somewhere, and we may have some control.
6 The other thing is, even if Special Direction weren't
7 a concern, the fact is that when you've been out there
8 and you've already spent half your budget before you
9 receive decision time, and you're probably committed
10 to at least another quarter, maybe more, you know,
11 we've got to look at this fiscal year as in real
12 jeopardy of you having any impact. And we say, who
13 should bear the consequences of that? It should be
14 B.C. Hydro, who's put us in that position, not the
15 ratepayers, who have to face the uncertainty, and not
16 the Commission, who's expected to make decisions about
17 prudence of expenditures that have been undertaken.
18 It's simply not appropriate.

19 With respect to your comment on future
20 years, I agree, a very significant portion of the
21 effort in this hearing should be to make sure we
22 aren't in this position for the next application.
23 That Hydro be ordered to file its application in time,
24 that it can not only be the interim be considered
25 before the hearing, but that the application can be
26 considered before a hearing, so that we move forward

1 where regulation is effective.

2 THE CHAIRPERSON: The applicant, and I think the
3 applicant will need to speak to this, but I suspect
4 the applicant will acknowledge that they're at risk,
5 even if the money is spent for F'06.

6 MR. WALLACE: In a practical sense.

7 THE CHAIRPERSON: Or, F'07, pardon me.

8 MR. WALLACE: Once that -- one, I'm not sure they will
9 acknowledge it, we'll have to see that. They may say
10 the Special Direction binds you in any event. But I
11 simply again say -- I'm been practicing in this area
12 for a number of years and my experience is that if you
13 do it after the fact, it's a whole lot harder for
14 Commissions to make decisions that control behaviour
15 than it is if they're done before the fact. There are
16 arguments about fairness, about all sorts of things
17 that come up after the money's spent. If the
18 Commission can look at it in advance, and stop the
19 behaviour, stop the expenditure, it just makes more
20 sense for everybody that, once it's spent, somebody's
21 losing. Before it's spent, there's a chance to do it
22 on a win-win situation.

23 THE CHAIRPERSON: I want to turn to your comments with
24 respect to prejudice, and I assume that's prejudice to
25 your clients because of the uncertainty that this
26 creates. They don't know -- they're operating under

1 F'07, but they don't know what the rates are likely to
2 be.

3 MR. WALLACE: Absolutely. These companies put in budgets
4 for calendar 2007. They put the -- they established
5 those budgets in September. They're at obviously some
6 risk that Hydro's fiscal year doesn't coincide with
7 the budget year. But when we get out to June, three
8 months into Hydro's fiscal year, the uncertainty is
9 becoming worse, the risks are becoming worse, and
10 these are very big budget items for industries like
11 pulp and paper in particular, that are facing very
12 tough times -- in the pulp and paper industry. And
13 they simply still don't even know what Hydro's asking
14 for.

15 In my submission, that's inexcusable, that
16 we should be this far into the year. And making the
17 rates interim has encouraged that. Possibly rewarded
18 it.

19 **Proceeding Time 9:30 a.m. T7**

20 THE CHAIRPERSON: Thank you. I'd like to hear from
21 participants that are in support of Mr. Wallace's
22 application that we proceed with a reconsideration of
23 the interim rates.

24 MR. NEULANDS: Mr. Chairman, Elk Valley Coal would
25 support Mr. Wallace's reconsideration. Elk Valley
26 Coal purchases about \$18 million a year of electricity

1 from B.C. Hydro. Elk Valley Coal are what one could
2 describe as price takers as opposed to price makers,
3 and that means they cannot recover these increases on
4 a retroactive basis. The coal market has been good.
5 The coal market is now becoming cyclical and not so
6 good. So you have to constrain your costs in both
7 good times and not so good times, and we would look to
8 the Commission to assist Elk Valley Coal in that
9 regard; that Elk Valley Coal had no way of making a
10 budget estimate of what this increase might be in the
11 sense that there was no available information from
12 B.C. Hydro.

13 Elk Valley Coal thinks there needs to be an
14 onus on B.C. Hydro and any other utility, to make
15 their requests in advance so everybody knows and
16 considers what they are, and we can proceed on that
17 basis as opposed to making increases or requests for
18 increases which are potentially retroactive and which
19 clearly may not be able to be recovered from the
20 customers. Thank you, sir.

21 THE CHAIRPERSON: Thank you. Ms. Worth.

22 MS. WORTH: Thank you, Chairperson and Commissioners.

23 I'd like to begin by setting out the
24 BCOAPO's position. In our May 8th letter to the
25 Commission, we outlined that we do, in essence, agree
26 with Mr. Wallace's submissions in regards to the

1 position that we are in currently. Basically the
2 Public Interest and Advocacy Centre has, on behalf of
3 the BCOAPO *et al.*, since Hydro made its March 15th
4 application for interim rate increase of zero percent,
5 been concerned about the potential ramifications of an
6 application delay in regards to its Revenue
7 Requirements Application.

8 Now, we put Hydro on notice as early as
9 April 18th, in a meeting with Ms. Joanna Sofield, of
10 our concerns regarding retroactivity and application
11 lag. And yet they have, as Mr. Wallace pointed out,
12 remained silent as to what increase they will
13 eventually seek after that. And there's no, to my
14 knowledge, no application for modification of their
15 current interim rate that's been made yet, and it's
16 almost June.

17 Our assessment of Hydro's decision to make
18 this application is simple. This is an attempt by
19 Hydro to establish a timeline upon which they can
20 collect any increase retroactively.

21 Now, the Commission kindly provided us with
22 copies of the past -- couple of past decisions, and we
23 have Decision G -- or sorry, Order G-34-95 and we also
24 have G-2-96. Those were situations where the utility
25 involved made application early in the year for an
26 interim rate of basically status quo, for a rate

1 increase effective May 1st. This is not analogous to
2 those particular situations. This is a situation
3 where we have no indication, actually no application,
4 and it is here the end of May. And yet there is an
5 interim rate increase that has been requested.

6 This is also not a situation that is
7 analogous to the third order that was included in that
8 letter yesterday, and that was G-7-01, and that was
9 where there was an application for an interim rate, a
10 status quo, where there was no substantial change in
11 rates expected for that year. All indications to the
12 BCOAPO *et al.* have been that there is going to be a
13 substantial rate increase, or at least something that
14 they would consider substantial in this coming fiscal
15 year.

16 Our clients do not have the luxury of
17 knowing what this rate increase is, and our concern is
18 the impact on our clients. Our clients are people
19 with little or no budgetary leeway. They are people
20 on fixed incomes. They are people who are low income.
21 Any increase will be a challenge. But they're not
22 unrealistic. They realize that the cost of living and
23 the cost of power has to go up as time passes by, and
24 they make provision for that as they can. However,
25 what they cannot do is to be asked to bear the
26 unexpected cost of a lump sum payment for a rate

1 increase that Hydro could have and should have sought
2 to recover at a much earlier date.

3 Here we have a situation where delay is not
4 caused by the conflicting availabilities of interested
5 parties, a lack of court time or jurists. This is
6 Hydro failing to file its own RRA in a timely manner.
7 As Mr. Wallace pointed out, delay at this point is not
8 benefiting anybody, but this is a situation where
9 there is no incentive for Hydro to avoid delay,
10 because they fully expect to recover all rates whether
11 retroactive to April 1st or when this Commission makes
12 its final order. It is our position that no incentive
13 or consequence, at this late date, has resulted in no
14 timely action, which will result in an unfair burden
15 to consumers both private and commercial.

16 As an intervenor I cannot presume to know
17 what as a fact the considerations were of the
18 Commission when they granted Hydro's application for
19 the zero percent rate increase, but I suspect that any
20 concerns that they may have had were offset by Hydro's
21 original timeline. Now, however, we have another
22 significant delay in the filing of the revenue
23 requirements, and I'm sure that the Commission will
24 wish to have that fully explained.

25 It is our position that rescinding the
26 March 15th order would ensure that Hydro bears the cost

1 of its failure to act in its own best interests, and
2 would provide a powerful incentive for the timely
3 filing of future applications.

4 In Ms. Joanna Sofield's May 9th letter to
5 the Commission, she rejected the idea that the BCUC
6 has the jurisdiction to consider this application; and
7 respectfully, we do not agree with that. It is our
8 position that this is not the situation, that B.C.
9 Hydro's inexplicable inability to fulfill its own
10 responsibility to file its '07-'08 revenue
11 requirements in a timely manner as directed by the
12 Commission, has indeed created a fundamental change in
13 circumstance. Thank you.

14 THE CHAIRPERSON: Thank you.

15 **Proceeding Time 9:38 a.m. T08**

16 THE CHAIRPERSON: Mr. Austin?

17 MR. AUSTIN: Good morning, Mr. Chairman, members of the
18 panel. The Independent Power Producers of B.C. wholly
19 supports the Joint Industrial Electricity Steering
20 Committee's application.

21 Three points that need to be highlighted in
22 this respect are, first of all, the JIESC's contention
23 that, once expenditures are made, it's too late to
24 really have any effect in terms of changing those, and
25 that is important from an IPPBC perspective, because
26 there may be expenditures made on demand-side

1 management programs that are not appropriate, and it's
2 going to be extremely difficult, if not impossible, to
3 penalize B.C. Hydro in that respect.

4 The second thing is, the IPPBC is concerned
5 about what can only be described as "regulatory
6 stampede." B.C. Hydro has had years to put the two
7 applications together, get them filed in a timely
8 manner. And what inevitably happens in these
9 circumstances is, there's this great rush to then
10 consider these applications so that they -- that your
11 decision will actually have an impact. As Mr. Wallace
12 points out, by the time you make your decision, you're
13 probably one-half of the way through the period for
14 which the Revenue Requirements Application has been
15 considered. You've only got a year left, so certainly
16 you will want to get your decision out as quickly as
17 possible. And the hearing process starts to get
18 compressed, and there are a lot of issues. And what
19 happened in the last revenue requirements hearing,
20 especially in relation to long-term planning, it
21 essentially got set aside. And the Independent Power
22 Producers of B.C. do not, in this particular instance,
23 want to see the long-term planning process set aside
24 because of regulatory stampede.

25 I guess the final thing from an Independent
26 Power Producers' perspective, it's just like the Joint

1 Industrial Electricity Steering Committee,
2 Independent power producers need to plan for future
3 projects and future calls. They need some sort of
4 certainty before they start spending development
5 dollars. As we're looking at this now, the certainty
6 that they require will probably not be made until --
7 or they will not be attained, probably, until December
8 of this year at perhaps the earliest. There might be
9 a call, say, next January or February. Well, that is
10 not helpful in terms of getting the best possible
11 projects forward at the best possible price. And if
12 you look at the Commission's letter of May the 10th,
13 and we'll get to this this morning, you can see that
14 Issue No. 2, we now have the long-term acquisition
15 plan and the Revenue Requirements Application being
16 intertwined. Well, exactly. They are being
17 intertwined, and that all has a knock-on effect in
18 terms of how IPPs plan their development budgets.

19 So it's incumbent on B.C. Hydro to start
20 disciplining itself to file applications on a regular
21 basis and on a timely basis, so that the rest of the
22 world can do its planning accordingly. Thank you very
23 much.

24 THE CHAIRPERSON: Thank you. Mr. Craig?

25 MR. CRAIG: Mr. Chairman, the CEC also supports the
26 JIESC's application, and the comments of both JIESC

1 and BCOAPO. The commercial customers that I've been
2 talking to are interested in the certainty that comes
3 out of the regulatory process. And that certainty
4 that they're looking for has to do with advance notice
5 of what's needed, so that they can plan for it. Prior
6 determination of the amounts, so that they know
7 specifically what they're dealing with in their budget
8 planning and avoidance, particularly, of any kind of
9 retroactive increase which completely upsets the kind
10 of planning that they're doing. And I would endorse
11 the comments about late in the process coming in to
12 pancaking, or doubling-up, of increases as a result of
13 shortening of the time frame.

14 All of this leads to us wanting to see this
15 type of process change, certainly, in the future. And
16 to the extent that the JIESC's application requests
17 reconsideration, we support that. Thank you, Mr.
18 Chairman.

19 **Proceeding Time 9:43 a.m. T9**

20 MR. ANDREWS: SCCBC supports the application for
21 reconsideration. There are two basic problems that
22 are posed by the delayed filing of the RRA
23 application, and the first is the application lag
24 problems which have been described by previous
25 speakers, and the second is the potential for
26 retroactive rate increases. Both of those are of

1 concern to SCCBC and in particular the application lag
2 problem that we can find ourselves in a situation
3 where we are all already into a fiscal period, and the
4 argument can be made that consideration of the matters
5 at hand is somehow less important because money has
6 already been spent.

7 We noticed that happening in the REAP
8 application, and that's a very unfortunate
9 circumstance to be in. I mean, if we're to be dealing
10 with this matters as a regulatory process, we need to
11 be dealing with them in a way that is going to have
12 traction in the real world. Those are my submissions.

13 THE CHAIRPERSON: Is there anyone else who wishes to
14 support Mr. Wallace's application?

15 Then I think, Mr. Christian, I'm going to
16 ask Mr. Fulton to use this opportunity to speak to
17 this issue if you wish to. If not, then I don't think
18 I'll hear from you later.

19 MR. FULTON: Apart from just confirming that in Exhibit
20 A2-1, in both proceedings, Mr. Chairman, I did request
21 the Commission Secretary to circulate three earlier
22 orders of the Commission, and some of the parties at
23 this point have now spoken to those orders. I just
24 wanted to indicate that that had been done so people
25 had the opportunity to speak to them, and the
26 Commission will have the benefit of those orders

1 understand that to be the potential new fact
2 identified by the Commission and the only one that I
3 could hear of my friends' referring to, that falls
4 within those four categories, previously established
5 by the Commission.

6 THE CHAIRPERSON: Well, are you suggesting that the delay
7 does not give rise to a new principle as a result of
8 the decision?

9 I mean, let's turn to those four criteria
10 that you've mentioned. I hear you suggesting that
11 there's been no error in fact or law, that there's not
12 been a fundamental change in circumstances.

13 MR. CHRISTIAN: And I acknowledge that the one potential
14 change in circumstance that was identified by the
15 Commission was the incremental delay from the filing
16 that we contemplated being at the end of April, and
17 now it will be at the end of May, and I will have
18 submissions on that point because I don't believe it
19 is fundamental. But so -- that one aside.

20 THE CHAIRPERSON: And then a basic principle had not been
21 raised in the original proceedings, a new principle
22 has arisen as a result of the decision. If we were to
23 conclude that, in fact, we'd never been in these
24 circumstances before, where the utility is -- told us
25 that they were going to file the application by a
26 certain date and didn't do so, and that that was the

1 reason -- and also assume for the moment, Mr.
2 Christian, that that was the reason for granting the
3 interim order. Doesn't that give rise to interesting
4 principles before us?

5 MR. CHRISTIAN: Well, let me put it this way. I think I
6 can respond to that by saying that the incremental
7 delay from a contemplated filing in late April, to now
8 late May, could raise -- could raise either of those
9 two. I mean, it could be a principle or it could be a
10 change in fact. I think the distinction between those
11 is somewhat grey. In any event, there's only one
12 thing that's been identified is my point, that falls
13 into any of the four categories.

14 THE CHAIRPERSON: Fair enough. Please proceed.

15 MR. CHRISTIAN: And in that regard, I'd like to give just
16 a little bit of background first, so that we're all
17 talking about exactly the same thing. In the normal
18 course, B.C. Hydro would have filed an application
19 well in advance of April 1, and April 1, of course, is
20 the start its fiscal period. The Commission, pursuant
21 to the Special Direction issued to it, is required to
22 set B.C. Hydro's rates on a fiscal-period basis and,
23 in the last revenue requirement proceeding, of course,
24 B.C. Hydro sought and received Commission
25 determinations with respect to some forecasts for
26 deferral account purposes, for example, trade income

1 heritage payment obligations. So of course, in the
2 normal course, the idea would be to get the thing done
3 and before the Commission well in advance of April 1.
4 And that was unfortunately -- could not occur this
5 year.

6 **Proceeding Time 9:50 a.m. T11**

7 We will be filing our application on or
8 before May 29th and seeking an interim rate increase a
9 month later. And that means that there's going to be
10 revenues that will not be otherwise recovered that
11 would have been recovered had we filed in the normal
12 course sometime in March or earlier, of four months --
13 or sorry -- yeah, four months. April, May, June.
14 Three months.

15 THE CHAIRPERSON: Pursuant to your request for the second
16 interim order, or pursuant to your request for a
17 permanent rate?

18 MR. CHRISTIAN: Had we filed and got a rate increase on
19 April 1, there would have been an incremental amount
20 of revenue earned between April 1 and when we will
21 presumably or hopefully get a rate increase a month
22 after we file. And it's that revenue deficiency that
23 I'm going to be referring to.

24 THE CHAIRPERSON: And are you foregoing that revenue
25 deficiency only for the purposes of the interim, or
26 for the purposes of the permanent as well?

1 MR. CHRISTIAN: Well, we're not foregoing it. I'm saying
2 that there is an amount of money that B.C. Hydro would
3 have earned had it got an interim rate increase on
4 April 1, that it will not earn in that period if it
5 gets an interim rate increase a month after it files,
6 again expected filing date of May 29th or --

7 THE CHAIRPERSON: Let me ask the question differently.
8 Are you going to seek recovery of those funds when you
9 seek to establish permanent rates for F'06?

10 MR. CHRISTIAN: Well, this, I guess, bears on the nub of
11 my submission here, and it was articulated in the
12 letter the other day. There isn't, right now, an
13 application before the Commission to deal with that
14 revenue deficiency, and my friends have made some
15 assumptions about how we might deal with that revenue
16 deficiency. Mr. Wallace, for example, referred to the
17 prospect of the rates being higher than they otherwise
18 would have been, to recover that revenue deficiency.
19 My friend on behalf of the BCOAPO referred to a lump
20 sum payment.

21 And the gist of my submission on this point
22 and why it's premature for the Commission to address
23 this reconsideration application right now is that
24 there isn't an application before the Commission on
25 which it can assess how that revenue deficiency will
26 be recovered. B.C. Hydro will seek ultimately to

1 recover it, but it's not -- and there's nothing on the
2 record that says it will recover it in either of
3 fiscal '07 or fiscal '08. And to assume that, and
4 base a reconsideration on it, would in my submission
5 be incorrect and unfair and unprejudicial to B.C.
6 Hydro.

7 THE CHAIRPERSON: Why didn't you apply for a deferral
8 account, then, in March?

9 MR. CHRISTIAN: I beg your pardon?

10 THE CHAIRPERSON: Why didn't you apply for a deferral
11 account for those funds in March? You sought an
12 interim order. If your intention is to defer a
13 recovery of those funds, perhaps beyond F'07, why
14 didn't you seek a deferral account at that stage?

15 MR. CHRISTIAN: Well, we may indeed be doing that, and
16 I'm not prepared right now to say exactly what our
17 application is going to seek. But seeking a deferral
18 account to carry forward that revenue deficiency is
19 obviously one of the mechanisms that is available to
20 B.C. Hydro, and whether it was done in March or is
21 done in the filing that we're going to be doing by the
22 end of the month, it's not clear to me where the
23 distinction between the timing of such a mechanism
24 lies or falls.

25 THE CHAIRPERSON: What's not clear to me is the
26 distinction between your use of the deferral account

1 and an interim order.

2 MR. CHRISTIAN: I don't think I'm --

3 THE CHAIRPERSON: You're suggesting that what you're
4 going to -- what you may do is recover funds that may
5 have been recoverable pursuant to an interim order,
6 pursuant to a deferral account. So what you didn't do
7 pursuant to an interim order, you're now suggesting
8 that you're going to do pursuant -- that you may try
9 to do pursuant to a deferral account?

10 MR. CHRISTIAN: We may seek final relief in that respect,
11 yes.

12 I'd like to take on a few comments made by
13 Mr. Wallace, first his submission that there has been
14 no application to support the interim rate, the order
15 to set the rates interim or otherwise, and B.C. Hydro
16 disagrees with that. Its March filing was indeed such
17 an application and indeed it was supported by evidence
18 that showed that under current rates, B.C. Hydro did
19 not anticipate earning its allowed return on equity in
20 fiscal '07 and fiscal '08.

21 **Proceeding Time 9:55 a.m. T12**

22 There was some back and forth between
23 yourself, Mr. Chairman, and Wallace with respect to
24 whether or not B.C. Hydro is at risk. And of course,
25 B.C. Hydro's submission is that it is very much at
26 risk. That at the end of the day, whether or not the

1 Commission allows B.C. Hydro to cover in rates the
2 entirety of its revenue requirement or not is very
3 much the Commission's discretion. And so B.C. Hydro
4 is at risk. If it has to refund money, of course,
5 it's paying money out. And it's at risk for that
6 money. And that is, in law, I would submit, the
7 discipline that the Commission has to exercise over a
8 utility with respect to its expenditures.

9 THE CHAIRPERSON: I want to be really clear on this
10 point, Mr. Christian, and I risk being redundant,
11 given what you've just said. But I do want to be
12 clear.

13 If we were to determine that fair and
14 reasonable rates for F'07 were not to be recovered
15 because of your delay, you're suggesting that the
16 Special Direction would not apply, and we would not be
17 required to give you the opportunity to recover that
18 full revenue requirement later.

19 MR. CHRISTIAN: Well, I think you're taking me to what
20 was going to be my next submission, which is that
21 although the revenues -- or B.C. Hydro's revenue
22 requirement is at risk, of course, in the normal
23 course, I don't believe that it's appropriate for the
24 Commission to sanction a utility by taking out some of
25 the money from its revenue requirement. This was a
26 position that Hydro articulated in the last revenue

1 requirement decision in its written argument, that
2 it's simply not appropriate for the Commission, or
3 lawful indeed, for the Commission to say, "Having
4 determined what your revenue requirement ought to be,
5 we are going to take a chunk of it out to sanction you
6 for having done something that we think was improper."

7 But the overall point that the revenues are
8 -- or that the revenue requirement is at risk, in a
9 sense that expenditures are imprudent, is very much
10 alive. And that, of course, includes any of the
11 revenues that would be -- the amount that makes up
12 what I've been referring to as the "revenue
13 deficiency."

14 THE CHAIRPERSON: So you're at risk with respect to what
15 we approve for your revenue requirement for F'07. But
16 once approving your revenue requirement for F'07,
17 you're not at risk for recovery of that full amount
18 because, perhaps, of your delay with respect to filing
19 the application.

20 MR. CHRISTIAN: Well --

21 THE CHAIRPERSON: And that's -- and if that's true, is
22 that true because of the Special Direction -- and if
23 so, can you take me to the provisions of the Special
24 Direction?

25 MR. CHRISTIAN: I would say that it arguably is true
26 based on the Special Direction. It's certainly true

1 because of the fact that the rates are made interim.
2 So in that sense, and this is an important point, I
3 think, establishing the rates as interim on April 1
4 doesn't, of course, give Hydro a right to a
5 retroactive rate increase. Nor does it allow Hydro a
6 right to recover that revenue deficiency. What it
7 does allow B.C. Hydro to do is argue and put evidence
8 before the Commission with respect to what its revenue
9 requirements for fiscal '07 ought to be.

10 THE CHAIRPERSON: Yes, but now let's -- I do want to get
11 quite specific here. I'd like you to make available a
12 copy of the Special Direction to the panel, and take
13 us through the provisions of the Special Direction
14 that you think speak to this issue. And that is the
15 issue of us having determined what the revenue
16 requirement should be for F'07, the lack of
17 jurisdiction at that stage for us to deny recovery of
18 that full amount because you were late in your filing.

19 MR. CHRISTIAN: Well, if you -- I don't have the Special
20 Direction with me right now, I'm not sure if you were
21 looking for a written submission or -- I'm not clear
22 what you want me to hand up to the panel, but --

23 THE CHAIRPERSON: Well, I'd like -- I was hoping that you
24 were going to be able to speak to the Special
25 Direction and the consequences of it on this issue.

26 MR. CHRISTIAN: Well, I'm not prepared to do that on --

1 first of all because I think -- two reasons. Even if
2 I had the Special Direction in front of me, I think
3 the issue is broader than the Special Direction. I
4 think it's a more general proposition, that a revenue
5 requirement, once determined by the Commission as
6 being necessary for the utility to earn in rates,
7 isn't subject to a decision that's unrelated to what
8 the utility has to do in a year to provide the service
9 it's meant to provide. And in that regard I referred
10 to the *Hemlock Valley* decision. I think it was a 1991
11 case, where the Commission determined that a proposed
12 rate increase, while justified on the basis of the
13 revenue requirement approved by it, was nevertheless
14 was going to lead to rate shock, because the rate
15 increase would have been too high -- disallowed a
16 portion of that revenue requirement on that basis, and
17 therefore allowed a lower rate increase than otherwise
18 would have been -- that was applied for. And that was
19 found to be unlawful by the Court of Appeal.

20 THE CHAIRPERSON: Right. And that's one branch of your
21 argument, and I appreciate you bringing that to our
22 attention.

23 **Proceeding Time 10:00 a.m. T13**

24 THE CHAIRPERSON: And that's one branch of your argument
25 and I appreciate you bringing that to our attention.

26 Is another branch of your argument on the

1 same point, the Special Direction? And if so, I'd
2 like you to take me through the Special Direction.

3 MR. CHRISTIAN: Well, if there's a copy handy I can point
4 to the paragraph that's referred to in our March 16th
5 letter.

6 MR. FULTON: I only have one copy, Mr. Chairman. I can
7 ask the Hearing Officer to make copies for the Panel.

8 THE CHAIRPERSON: Right, I think I'll hear the rest of
9 your submissions. We'll take a break and then I'll
10 hear from you after the break with respect to the
11 implications of the Special Direction.

12 The next issue, Mr. Christian, is if in
13 fact you're correct, that having approved your revenue
14 requirement for F'07, we can't then deny you the
15 opportunity to recover that in future years because
16 you were late in your filing. The next question,
17 then, is if we now reconsider the interim order and,
18 as Ms. Worth has suggested, effectively rescind it,
19 does that then have different consequences?

20 MR. CHRISTIAN: Well, as I articulated or tried to
21 articulate a few minutes, in my submission, setting
22 the rates interim, effective April 1, makes it lawful
23 for B.C. Hydro to apply for and recover the entirety
24 of its fiscal '07 revenue requirement as approved by
25 the Commission in its rates. In the absence of that
26 interim order, if it's rescinded, for example, then we

1 would be relying on the more general principles of the
2 *Hemlock Valley* case and this special direction. And
3 that's not as clear, in my submission, but I would say
4 it's clear enough. But that's I think what you want
5 to hear from me on after the break.

6 THE CHAIRPERSON: I think there may not be much of a
7 distinction in practice, but there may be in law with
8 respect to those two circumstances, and I'd like to
9 hear from you on both. So I will hear from you on
10 those after the break.

11 I'd like the rest of your submissions, Mr.
12 Christian, and then we will break.

13 MR. CHRISTIAN: The rest of the submissions on interim
14 rates, or the other issues that you'd identified?

15 THE CHAIRPERSON: The rest of the submissions on interim
16 rates if you have any further submissions.

17 MR. CHRISTIAN: Just to, I guess, to conclude really with
18 the overarching point that I was going to bring to the
19 Commission this morning, which is that until the
20 Commission sees exactly how B.C. Hydro proposes to
21 address the revenue deficiency, it's in my submission
22 -- it's not the right time for it to consider the
23 issue, simply because the effect of the delay, the
24 effect of not filing either well before April 1 or
25 indeed the end of April, cannot be assessed. And to
26 make a decision on the reconsideration in the absence

1 of that, in my submission, is unfairly prejudicial to
2 B.C. Hydro, for the reasons again that I've tried to
3 articulate, which is that, you know, the interim rates
4 in my view makes it clear that the revenue requirement
5 is recoverable, subject to the prudence review. And
6 in effect, to grant the reconsideration in the absence
7 of the revenue requirement or the balance of the
8 application is prejudicial to B.C. Hydro and unfair,
9 unfair because the Commission hasn't heard the full
10 story that it needs to hear to make a decision.

11 COMMISSIONER BOYCHUK: Mr. Christian then, you're saying
12 that we can't make a decision on the reconsideration
13 application without the benefit of your application,
14 yet we were able to make the decision to grant the
15 interim or to make the rates interim without the
16 benefit of the application.

17 MR. CHRISTIAN: And that's true, and you know, I think
18 the test to be applied for that application that we
19 filed in March was whether or not there was evidence
20 to support the fact that the rates on March 1 -- or
21 sorry, April 1, would no longer be just and
22 reasonable. And we filed evidence attached to that
23 filing that supported that. So that was the test
24 there.

25 I'm not aware of any legal principle or
26 even practice of the Commission that requires the

1 applicant seeking interim rates to address how the
2 revenue deficiency ought to be recovered. And maybe
3 that, you know -- I know that for example, referring
4 to the two orders that Mr. Fulton circulated
5 yesterday, that, you know, there was a mechanism
6 implied in those applications brought by Centra in the
7 mid-'90s, but it's not my understanding at least that
8 that's been the only way. Certainly it's not the only
9 lawful way, in my submission. I don't believe it's
10 the only way that it could be done as a matter of
11 Commission practice. And indeed, Mr. Chairman, you I
12 think thought, correctly, of the other possibility,
13 which is to seek a recovery of that revenue deficiency
14 through a deferral account mechanism.

15 THE CHAIRPERSON: Do you have any further submissions?

16 MR. CHRISTIAN: That's all I have, thank you.

17 THE CHAIRPERSON: The Panel now has a copy of the Special
18 Direction. Hopefully others do as well. We will take
19 a 20-minute break now.

20 **PROCEEDINGS ADJOURNED AT 10:06 A.M. T14, T15**

21 **PROCEEDINGS RESUMED AT 10:25 A.M.**

22 THE CHAIRPERSON: Please be seated. Mr. Christian?

23 MR. CHRISTIAN: Mr. Chairman, B.C. Hydro's position is
24 that, in the absence of an Order setting its current
25 rates interim, nothing in the Special Direction
26 requires the Commission to allow B.C. Hydro to recover

1 its revenue requirement for a fiscal period. And I
2 think that was the narrow question you were asking me.

3 THE CHAIRPERSON: Right.

4 MR. CHRISTIAN: So, to flip it around and put maybe even
5 a slighter finer point on it, if the interim rate
6 reconsideration application is granted, B.C. Hydro
7 doesn't believe that the Special Direction will give
8 it an ability to recover that revenue deficiency that
9 I've described earlier.

10 THE CHAIRPERSON: Thank you. Does *Hemlock* have any
11 applicability in those circumstances?

12 MR. CHRISTIAN: I don't believe it does, but I would like
13 an opportunity, if I may -- if your decision -- I
14 guess let me put it this way, Mr. Chairman, with
15 respect, if your decision were to turn on that, I'd
16 like an opportunity to reconsider. It's been some
17 time since I've read the case and the related
18 decisions, but I don't believe it does.

19 THE CHAIRPERSON: Thank you. There are two questions
20 before I hear from Mr. Wallace, Mr. Christian. Two
21 additional questions that I'd like your comments on,
22 if you're able to respond now.

23 The first one is, if we had not granted the
24 interim Order, would you have had rates that you could
25 lawfully recover from beyond April the first?

26 MR. CHRISTIAN: Yes, I can answer that. I don't doubt

1 that we had rates that we could lawfully recover.
2 Once the Commission sets the rates pursuant to the
3 *Act*, those are the lawful and just rates until such
4 time as they are re-set by the Commission.

5 THE CHAIRPERSON: Thank you. And the next question I
6 have for you is, if, in the absence of an interim
7 Order, could we, when we determine the revenue
8 requirement for the permanent rates, make those rates
9 retroactive to April the first, 2006?

10 MR. CHRISTIAN: So the question is, in the absence of an
11 Order establishing the current rates as interim, can
12 we nevertheless -- or could the Commission set the
13 rates prospectively in a way that recovered the
14 revenue deficiency?

15 THE CHAIRPERSON: No, it's -- well --

16 MR. CHRISTIAN: That I've described previously.

17 THE CHAIRPERSON: -- yes, the effect of -- the effective
18 date of that rate would be April the first, so the
19 effective date would be retroactive and you would be
20 recovering prospectively. But can we establish the
21 revenue requirement as of April the 1st, and permanent
22 rates in the absence of an interim Order?

23 MR. CHRISTIAN: I'd like to take just a very brief moment
24 to discuss this.

25 THE CHAIRPERSON: Right.

26 MR. CHRISTIAN: So, no, in B.C. Hydro's view the rates

1 could not be set retroactively in the way you've
2 described.

3 THE CHAIRPERSON: Thank you. Mr. Wallace?

4 MR. WALLACE: Thank you, Mr. Chairman. Your questions
5 have made my response shorter, I think, other than
6 maybe to underline some points.

7 First, Mr. Christian suggested that we had
8 not complied with the requirement for one of the four
9 criteria for a review, and variation of an Order. And
10 it would simply be my submission, and I think it's
11 been drawn out by yourself and others, that there is a
12 very major change of circumstances. There was
13 undoubtedly an assumption that B.C. Hydro would comply
14 with a Commission direction and it did not. And which
15 category you want to put that under, I don't think
16 matters. It is significant.

17 Mr. Christian also said B.C. Hydro would
18 normally file well in advance. Unfortunately, could
19 not this year. There's been no, in my submission,
20 satisfactory explanation of why it couldn't. All I
21 can remember is a suggestion at one point that there
22 was some snow pack uncertainty, and if that's the
23 reason -- and I don't know it was -- but surely that's
24 one line in an application, or one schedule, that
25 could have been updated as we got into a hearing.
26 That's not unusual. It is not a reason for the delay.

1 **Proceeding Time 10:30 a.m. T16**

2 Mr. Christian said that B.C. Hydro is "at
3 risk", but clearly as a result of your questions I
4 think it became evident that he's only talking about
5 imprudence. He is not talking about at risk for that
6 deficiency caused by the delay in applying, if the
7 interim is in place. So the interim has fostered and
8 fed that delay. I don't think you can come to any
9 other conclusion.

10 To the extent he's on risk for imprudence,
11 I addressed earlier and I just remind you that there
12 are very real problems of trying to set a revenue
13 requirement after the money is spent. And that
14 remains the situation.

15 Mr. Christian suggested that B.C. Hydro not
16 be sanctioned for a late filing. And in our
17 submission, this is wrong, a wrong way of viewing the
18 situation. Every other utility must, at least,
19 request and put forward a detailed application before
20 getting its increase -- every major one, in any event
21 -- and there's no reason B.C. Hydro shouldn't. You're
22 not sanctioning them for their failure, I would
23 suggest. You're simply applying common sense and
24 saying if you need a revenue increase and it's going
25 to impact people, then you should tell us what you
26 need and you should provide us at least a *prima facie*

1 application that shows you need it. And we'll
2 consider it, and if it looks appropriate for an
3 interim, we'll do it within 30 days. And that hasn't
4 happened here.

5 There are good reasons why B.C. Hydro
6 should be filing in that way. It allows a timely
7 review of costs and it gives advance notice to
8 customers of what the increase is likely to be.

9 Simply to conclude then, it's our
10 submission the current situation is bad for the
11 customers, it's bad for B.C. Hydro because they don't
12 have the advantage of the Commission's guidance, it's
13 bad for regulation because it puts you in an untenable
14 position doing things after the fact and should not
15 continue, and most importantly to us, it should not be
16 allowed to recur in the future. In the future there
17 must be advance filings, and the Commission should
18 consider its whole concept of doing interims. They
19 may have been appropriate in a time of inflation. In
20 our submission, the harm they're creating to others
21 now is worse than the benefit they created in the
22 past. Thank you.

23 THE CHAIRPERSON: Just on that last point, and perhaps
24 this is only incidental to the matters that are before
25 the Panel now, but if we were to have been in the
26 practice of interim orders and we were unable when we

1 did permit rates to make them retroactive, would that
2 not require utilities to file a significant period of
3 time before the effective date, so that the decision
4 with respect to the effective date was prior to the
5 effective date?

6 MR. WALLACE: It's obviously bigger than the question
7 before you today. It would require probably an
8 application three months in advance to allow more full
9 consideration and expedite it moving along. It would
10 vary with the utilities. I suspect in some utilities
11 it wouldn't be much of a problem. In some it might be
12 much more. In the case of B.C. Hydro, it would
13 require probably filing in December for an April 1st
14 increase.

15 THE CHAIRPERSON: Thank you. That brings us then to the
16 next agenda item. This agenda item may be one that
17 we'll deal with fairly quickly. The agenda item is
18 fully defined by item number 2 on our May 10th, 2006
19 letter, and that is whether or not those two
20 applications are so intertwined that we cannot proceed
21 separately through them. And this question arises in
22 part from submissions from JIESC with respect to the
23 intertwining of the applications, and also with
24 respect to the implications that might have for --
25 well, the agenda going -- the regulatory timetable
26 going forward. Perhaps an NSP process for one of the

1 applications and not for the other.

2 And so I would like to hear from anyone, if
3 there is anyone who would like to make the submission,
4 that they are so intertwined that we cannot proceed
5 separately with them. Is there anyone who wishes to
6 make that submission?

7 **Proceeding Time 10:35 a.m. T17**

8 MR. AUSTIN: Mr. Chair, I'm not quite sure in relation to
9 your comments what I'm addressing, and I just want to
10 clarify that, and I may be able to sit down.

11 The IPPBC's position is that yes, there's a
12 lot of commonality, but it wants full consideration of
13 both applications and it's not in favour of any NSP
14 process for either one of them. And I spoke to that
15 earlier, and if it's appropriate for me to sit down
16 because I don't quite understand your question I'll do
17 that right now, or I'll proceed.

18 THE CHAIRPERSON: Well, the question I want you to speak
19 to is question two. If you believe it's true that we
20 cannot proceed, really as a matter of the nature of
21 the application that we cannot proceed in separate
22 proceedings, if your view is that in no circumstances
23 we cannot proceed separately, then I'll hear from you.
24 And that's why I say, I'm not expecting to hear from
25 many on this issue, but I just want to get that --

26 MR. AUSTIN: Okay. I understand that, so I'll sit down.

1 That's fine, thanks.

2 THE CHAIRPERSON: Okay. Is there anyone who would like
3 to make submissions on that point?

4 We'll deal with -- just for clarity, Mr.
5 Wallace, because I know I may be creating some
6 confusion, we will deal with your issues with respect
7 to certain aspects of the applications being so
8 intertwined, for example, the IRs, when we deal with
9 the draft regulatory schedule. But if your comments
10 go beyond that, and it's your view that the two
11 processes simply cannot proceed by separate
12 proceedings, then I'd like to hear from you.

13 MR. WALLACE: Yes, Mr. Chairman, and that's the issue I
14 came to speak to.

15 THE CHAIRPERSON: Okay, sorry. Proceed, then.

16 MR. WALLACE: And I would like to hear from Hydro,
17 because in some extent what Hydro has to say is very
18 important on this, as they're the only ones that have
19 seen a draft of the RRA. And I hope they have one, at
20 this stage.

21 But, it -- the problem is, and I'm very
22 concerned about -- having said, you know, "We've got
23 to get on with this," I'm very concerned about what
24 Mr. Austin has raised, is regulatory stampede. That
25 the utility doesn't file its application, comes in
26 late, and then everybody says, "Yeah, we've got to

1 deal with this," and the parties that really wanted
2 this hearing wanted to have a chance to examine the
3 costs, wanted to consider the issues, wanted to look
4 at the long-term plan, don't get a proper chance. We
5 sit from 9 to 10 at night, we sit weeks, and we
6 stampede through it without a proper consideration of
7 the issues. And that's a real prejudice. It's not
8 simply a financial prejudice.

9 So having said that, we're asked, you know,
10 "Can the..." -- and I really think there are two
11 applications here, I'm probably with Hydro on that:
12 the long-term acquisition plan, which is set in the
13 context of the IEP, and which obviously both will have
14 to be considered, and the Revenue Requirements
15 Application. And as I read Hydro's application -- the
16 LTAP, there is parts of their acquisition, the first
17 two years coming up, DSM, et cetera, that are part of
18 the RRA. Now, my problem -- you ask me, is, you know,
19 whether the two applications, one of which I haven't
20 seen, are inextricably intertwined. I don't know.
21 And I'm concerned that we've got regulatory stampede
22 going on here, that we're trying to deal with one when
23 we haven't seen two, and we're trying to make
24 decisions of applications that B.C. Hydro said are
25 intertwined. And I don't think we can make this
26 decision until we see both applications. So my

1 submission would be, it has to be put off.

2 Having said that, I'm assuming that they
3 are intertwined, Hydro said they are, and I take that
4 in good faith and my gut reaction at this stage, of
5 not having seen them, is that they'll have to be two
6 phases of the same hearing, that we will have phase
7 one, have phase two, and I would hope we don't have
8 argument in between, because I think that arguing
9 about DSM, on whether it's the LTAP or it's the RRA,
10 and I'm sure there are other issues if I'd seen the
11 application, should be argued at once. So, my
12 submission on it is, consider phasing if you're going
13 to do anything. Do not create separate proceedings.
14 Thank you.

15 **Proceeding Time 10:40 a.m. T18**

16 THE CHAIRPERSON: Okay. Anyone else on the issue? I
17 think I'll give you the last opportunity, Mr.
18 Christian.

19 MR. JOHNSON: I'll be quite brief, Mr. Chairman. The
20 main areas of overlap between the two applications,
21 although we haven't seen one of them, would appear to
22 be expenditures that might be characterized as sort of
23 preliminary investigations. Those sort of
24 expenditures would be in the near term although they'd
25 be intended for longer-term purposes, but would affect
26 the near-term revenue requirements. And the DSM

1 spending would also fall into that category of items
2 that would affect near term.

3 Having said that, the position of the
4 Terasen utilities is that it would not appear that the
5 two proceedings are so intertwined that they cannot be
6 held separately. However, having said that, the
7 Terasen utilities believe that the two proceedings can
8 and should be reviewed together because that would be
9 the more efficient way of handling them, and perhaps
10 Mr. Wallace's idea of two phases would make good
11 sense.

12 THE CHAIRPERSON: Thank you. Ms. Worth.

13 MS. WORTH: Chairperson, Commissioners, our comments
14 about the inextricability and the intertwining of
15 these two separate processes are that it sounds
16 initially like a good idea to deal with the two things
17 in one hearing. But we do, after careful
18 consideration, have concerns about that.

19 Absorbing the vast amounts of information
20 generated in support of each application is daunting
21 at the best of times in isolation, but together I
22 suspect the task of being nearly impossible for those
23 involved. The scale and length of a combined hearing
24 is also of some concern, as the potential temptation
25 to over-edit examinations in order to streamline the
26 proceedings would likely take place. I'm admittedly a

1 new fish in the regulatory pond, but I do know there
2 are unavoidable time pressures on all involved in this
3 type of proceeding, and I worry that combining the IEP
4 and RRA process would create a situation where long-
5 term issues are pushed to the margin while shorter-
6 term issues are left to dominate.

7 My colleague Jim Quail has aptly
8 characterized these three proceedings, the IEP, the
9 LTAP, and the RRA, as a series of Russian nesting
10 dolls. Just as there is a certain order in which each
11 doll is revealed, here too there is a logical sequence
12 of examination, each calling for a separate level of
13 regulatory scrutiny.

14 Now, once the revenue requirement
15 application is filed, the next procedural conference
16 can assign the issues as between the proceedings.
17 These assignments may not actually conform exactly
18 with the filings as made by Hydro, but we would have
19 both of the filings in place before us so that we
20 could make those assignments. At this time, without
21 having the revenue requirement in front of us, that is
22 rather difficult.

23 We are expecting the LTAP to address the
24 appropriate mechanism for prior approval of capital
25 projects which B.C. Hydro has resisted incorporating
26 into the CPCN applications in the 2005 REAP filing.

1 But you know, that is something that the Commission
2 and the intervenors can also discuss at the further
3 procedural conference.

4 Now, we haven't had time to really consider
5 the possibility of a phased hearing, the two phases of
6 a single hearing. But it does seem to be in line with
7 what our idea is. We simply do not want to have a
8 situation arise where we would be required to, in one
9 sitting, or at least in one ongoing sitting, deal with
10 both the LTAP IEP and the RRA, because we do worry
11 that the examination that both the intervenors and the
12 Commission I'm sure would wish to do, might be
13 compromised by that. Those are my submissions.

14 **Proceeding Time 10:45 a.m. T19**

15 THE CHAIRPERSON: Just before you speak, Mr. Craig, this
16 may be helpful. I'm expecting that at the next
17 procedural conference, we will have the Revenue
18 Requirements Application. That would be interesting.
19 But we are hopeful, Mr. Christian.

20 And at that stage, I think those issues
21 related to consolidation will need to be addressed,
22 and the process beyond the process that is proposed,
23 either in the Commission's draft or B.C. Hydro's draft
24 will be dealt with. So we will need to deal with
25 issues relating to phasing and consolidation, and
26 we'll deal with those issues at the next procedural

1 conference.

2 What I was hoping to do here was if there's
3 a possibility that they just cannot be dealt with in
4 separate proceedings, then it does have implications
5 for us. So, for those of you who are looking for an
6 opportunity to deal with the issue of consolidation,
7 my encouragement would be for you wait until we get to
8 the next procedural conference when we can deal with
9 that with the benefit of the application itself.

10 It's a very narrow issue I've got before
11 you now. Mr. Craig?

12 MR. CRAIG: Mr. Chairman, let me just see if I've got
13 this right. The narrow issue is whether or not we're
14 so inextricably linked that you need to deal with that
15 now.

16 THE CHAIRPERSON: That they cannot be separate
17 proceedings.

18 MR. CRAIG: Right.

19 THE CHAIRPERSON: Yes.

20 MR. CRAIG: So I'll restrict myself to that.

21 THE CHAIRPERSON: Right.

22 MR. CRAIG: The starting point for consideration, I
23 think, is Section 45 of the *Utility Commission Act*,
24 6.1, which requires the utility to file plans for
25 capital expenditures, acquisition of energy, and
26 demand-side management. And that section requires it

1 as a "must-file," and gives the Commission discretion
2 to decide how to deal with it. And I think there's no
3 contemplation in that that it must be linked with the
4 Commission's determination of rates, which is dealt
5 with separately.

6 With regard to the linkages between the
7 plans, and revenue requirements, there are certainly a
8 number of them. The anticipation of future rates, for
9 instance, is a feedback effect in the forecasts, which
10 are used for rate planning. In particular, the
11 starting point of the existing system is a key point,
12 and issues like Burrard come up in that, and they have
13 direct implications right back into the revenue
14 requirements determination. And there are certainly
15 linkages with respect to expenditures on energy
16 acquisition, DSM, capital plans, and in particular as
17 a result of some brief consultation with B.C. Hydro, I
18 understand there are some anticipation of accounting
19 changes which will make that a more important linkage
20 for us when we get to the Revenue Requirements
21 Application. I have no idea whether that will be
22 there or not, but I had information that those
23 linkages will be significant.

24 And it's very important for us, when we're
25 considering the plans that need to be submitted to be
26 able to isolate the potential impacts on ratepayers,

1 and that's a linkage going in the other direction.

2 And when one gets to considering the
3 revenue requirements plan, having some understanding
4 of what the decisions are on those issues makes a
5 difference. Otherwise, we're potentially dealing with
6 multiple scenarios of decisions with respect to those
7 linkages, and multiple implications in terms of the
8 Revenue Requirements Application.

9 Having said that, there are many linkages
10 and implications -- I don't believe that we're so
11 inextricably linked that they should not be separate
12 applications. I think they can be, I think the
13 Commission can consider them separately, and I think
14 it's important in the overall process that one
15 consider planning, which tends to occur at higher-
16 level concepts, and revenue requirements in different
17 contexts, because they have different implications.

18 So, the potential that this may be dealt in
19 phases, and what that might look like, I think might
20 be the subject of the next procedural conference, and
21 we'd be supportive of looking at that at that time.

22 THE CHAIRPERSON: Right.

23 MR. CRAIG: Thank you, Mr. Chair.

24 THE CHAIRPERSON: Is there anyone else who wishes to
25 speak to this issue?

26 **Proceeding Time 10:50 a.m. T20**

1 Thank you. Many of you are going to be
2 wondering why I raised that issue.

3 If they could not be separate proceedings,
4 then there would be no need for us to consider whether
5 or not there should be a consolidation. It would
6 follow that there would have to be consolidation, and
7 in any case, we'll deal with that in the next
8 procedural conference.

9 Moving now to the next agenda item, need
10 for a rate design application --

11 MR. CHRISTIAN: Mr. Chairman?

12 THE CHAIRPERSON: Yes.

13 MR. CHRISTIAN: I did have a few comments to make on this
14 if I may.

15 THE CHAIRPERSON: Okay, sure.

16 MR. CHRISTIAN: They're going to be very brief.

17 THE CHAIRPERSON: Sure.

18 MR. CHRISTIAN: First, despite my confusion as to whether
19 we're in a situation of regulatory lag or regulatory
20 stampede, I think Mr. Wallace's submissions are
21 probably closest to B.C. Hydro's. We think that it's
22 likely these two hearings are going to end up in an
23 oral hearing, and that if they do, they should be in
24 phases with the LTAP proceeding first and then the
25 regulatory requirement immediately thereafter. And we
26 envisioned that there would be one set of -- a

1 consolidated record, one set of written arguments, and
2 one decision from the Commission.

3 The only thing we'd like to -- I think, and
4 I think you're already there, is that it's probably
5 premature to make that decision now. The procedural
6 schedule that I'll be speaking to in a few moments is
7 meant to allow a more or less parallel process for
8 some way down the road, at least for the next few
9 months, so that we can better assess whether a
10 consolidation is required or desirable at the next
11 procedural conference.

12 THE CHAIRPERSON: Right. Mr. Andrews.

13 MR. ANDREWS: I'm rising at this time because I
14 understood that earlier you asked for people who were
15 going to speak in favour of the notion that the
16 Commission has no authority to consider these
17 separately. And so I am here to say briefly, our
18 position is that the Commission does have the legal
19 authority, if it so chooses, to hear these
20 applications separately. The matter of whether it
21 should exercise such jurisdiction, I'm not addressing
22 and I understood that that's beyond what your question
23 is.

24 THE CHAIRPERSON: That's correct. Mr. Christian, does
25 that give rise to any comments that you'd like to
26 make?

1 MR. CHRISTIAN: No, it does not.

2 THE CHAIRPERSON: Okay. Let's move on now to the next
3 agenda item, the need for a rate design application.

4 This issue, I think, was raised for the
5 first time by the Commission. It's an issue that I
6 can tell you, Mr. Christian, is of some concern to the
7 Commission, and I think it's going to be important for
8 us to hear from you on this. And my suggestion is
9 that we hear from you first, then we hear from anyone
10 else who wishes to speak to this, and then we will
11 hear from you after that.

12 And I think the issues are reasonably well
13 defined by Issue No. 3 and No. 4, together with the
14 paragraph immediately following the issues. And on
15 the first issue, so Issue No. 3, Mr. Godsoe, the
16 question is really, is there a relationship between
17 the proposed rates as you see them, the rate
18 structures, and the demand-side management? So what
19 is your current thinking in that regard?

20 And then Issue No. 4 is really should there
21 be -- if your answer is no, there is no relationship
22 between them, then that gives rise to the next
23 question: Should there be? If there is a
24 relationship established, should it be considered in
25 the context of a rate design application, is a related
26 issue as well.

1 LTAP, the EE3, 4 and 5 approach in the LTAP is a
2 flexible and staged approach to both development and
3 implementation, and I want to talk first about
4 development. In the definition phase of EE3 and 4 and
5 5, B.C. Hydro will consider rate structures as a DSM
6 tool amongst other DSM tools such as incentives and/or
7 changes to regulation and legislation. So it's one of
8 many DSM tools to be considered in that phase.

9 Rate structures such as those described in
10 B.C. Hydro's response to BCUC IR 1.214.4, and some
11 examples are time of use, critical peak pricing, real
12 time pricing, are really price response DSM programs,
13 even if the implementation instrument is the rate
14 structure itself.

15 Now, that definition phase work is going to
16 draw on four different sources. The first is B.C.
17 Hydro's long-term rate strategy which, amongst other
18 things, is going to examine what types of rate
19 structures can effect conservation and should
20 therefore be considered as part of the definition
21 phase work on EE3, 4 and 5.

22 THE CHAIRPERSON: Is your long-term rate strategy set out
23 in the materials that you've filed so far?

24 MR. GODSOE: It has not been. It's ongoing.

25 THE CHAIRPERSON: When do you expect to file them?

26 MR. GODSOE: The long-term rate strategy?

1 THE CHAIRPERSON: As you've just defined it. I'm not
2 talking about a rate design application. The long-
3 term strategy.

4 MR. GODSOE: Okay. I'm going to be addressing that as
5 part of Issue 7, but if you want the quick answer now
6 I can give it to you.

7 THE CHAIRPERSON: No. If you're going to deal with it
8 later, that's fine.

9 MR. GODSOE: Okay.

10 Second is B.C. Hydro's experience with
11 industrial customer class rate design. As you know,
12 on 1 April 2006, B.C. Hydro introduced mandatory
13 stepped rates for its large industrial customers, and
14 I'm expecting we'll be able to draw from that
15 experience.

16 Third is relevant jurisdictional
17 experience, and here B.C. Hydro would be looking to
18 the experience of other jurisdictions to determine if
19 price response is in fact meeting expectations.

20 And four is work on a project called
21 Advanced Metering Infrastructure or AMI. Many of the
22 time-dependent rate structures examined by B.C. Hydro
23 and listed in the response to IR 1.214.4, such as
24 critical peak pricing and time of use, involve the
25 implementation of new metering systems.

26 **Proceeding Time 11:00 a.m. T22**

1 B.C. Hydro is currently exploring the
2 business case for AMI, and AMI actually potentially
3 opens the door to a number of things, first of which
4 is automated meter reading, second is detection of
5 diversion, illegal diversion but, more importantly for
6 purposes today, it would allow for -- facilitate
7 customer participation in rate structures.

8 Now, turning from the definition phase work
9 to the implementation phase work for EE3, 4 and 5 --
10 as set out at page 8-20 of the LTAP, and in B.C.
11 Hydro's response to BCUC IR 1.166.2, B.C. Hydro has
12 committed to file its implementation plan with the
13 Commission pursuant to subsection 45(6.1c) of the
14 *Utilities Commission Act*, once it's completed the
15 definition phase work.

16 THE CHAIRPERSON: Can you tell me when that might be?

17 MR. GODSOE: That's dealt with in an Information Request
18 response, Mr. Chairman, it would be approximately
19 fiscal 2008.

20 THE CHAIRPERSON: And just to be clear, what we're
21 talking about there is the long-term rate strategy.

22 MR. GODSOE: It wouldn't necessarily be the long-term
23 rate strategy. What it would be is, and let me get --
24 let me flesh out what the implementation plan filing
25 would deal with in terms of the link between DSM tools
26 on the one hand and rate structures on the other.

1 What it would speak to is, what rate structures B.C.
2 Hydro has proposed in conjunction with EE3, 4, and 5,
3 what impacts, if any, those rate structures would have
4 on EE3, 4 and 5, and lastly, what adjustments have
5 been made to EE3, 4 and 5 as a result.

6 THE CHAIRPERSON: So, I'm sorry, I may not be completely
7 with you.

8 MR. GODSOE: Yes.

9 THE CHAIRPERSON: You're suggesting that after the
10 definition phase work in F'08, the adjustments to E 3,
11 4 and 5 would be identified.

12 MR. GODSOE: Correct, in the implementation plan.

13 THE CHAIRPERSON: Thank you.

14 MR. GODSOE: If there are no questions on issue 3, I was
15 going to turn to my submissions with respect to issue
16 7.

17 THE CHAIRPERSON: Proceed.

18 MR. GODSOE: By way of background, before I get to the
19 two sub-issues that I think issue 7 raises, and this
20 might clarify where the long-term rate strategy falls
21 into the picture, Mr. Chairman -- B.C. Hydro counters
22 --

23 THE CHAIRPERSON: You're going to have an opportunity,
24 Mr. Weisberg, if that's what you're looking for.

25 MR. WEISBERG: There's confusion in the room about what
26 exactly issue 7 is, if that could be clarified.

1 MR. GODSOE: Oh, I'm sorry. Issue 7 is -- I've tagged it
2 as Issue 7. It's the timing of the filing of the rate
3 design application.

4 THE CHAIRPERSON: Right. If you will, it's adding a
5 number to the paragraph that immediately follows the
6 list of issues.

7 MR. GODSOE: Right. Sorry, I should have been more
8 clear.

9 THE CHAIRPERSON: Right.

10 MR. GODSOE: Just by way of background, B.C. Hydro
11 contemplates three phases to the development of rate
12 structures. The RA is the first phase, and as you
13 know, the RA provides justification for the total
14 revenue B.C. Hydro needs to collect to recover its
15 expenses, including a return on equity through a rate
16 increase across the board. It's not *per se* a rate
17 design application. However, it does feed into the
18 second phase, which is the general rate design
19 application RDA. And that's based on a BCUC-
20 determined revenue requirement. And in this case, let
21 me be clear about what B.C. Hydro envisions the RDA
22 containing. It's an update to B.C. Hydro's terms and
23 conditions for individual customer classes to reflect
24 current conditions and costs.

25 And then, Mr. Chairman, the third stage is
26 what we've just talked about in issue three. And it

1 arises out of B.C. Hydro's long-term rate strategy in
2 general, and the definition and implementation phases
3 of EE3, 4 and 5 in particular.

4 THE CHAIRPERSON: Is the RDA accompanied with a fully-
5 allocated cost of service study?

6 MR. GODSOE: Yes.

7 THE CHAIRPERSON: Proceed.

8 **Proceeding Time 11:05 a.m. T23**

9 MR. GODSOE: So the first sub-issue raised by Issue 7
10 is the timing of the RDA. The proposed timing for the
11 filing of the RDA is set out in the first paragraph of
12 B.C. Hydro's response to BCUC IR 1.214.3. B.C. Hydro
13 proposes to file the RDA following a BCUC decision
14 with respect to the IRA. And there are two reasons
15 for proposing this timetable.

16 The first is that filing that RDA any
17 earlier would likely result in B.C. Hydro needing to
18 prepare its cost of service study twice. The initial
19 cost of service study attached to an RDA filed in
20 advance of a BCUC decision on the RRA would likely
21 have to be updated with the results of the BCUC-
22 approved RRA.

23 In the second, there are currently two
24 regulatory filings that would precede any filing of
25 the RDA. That is the IEP/LTAP and the RRA. B.C.
26 Hydro submits that filing the RDA during the IEP/LTAP

1 and RRA regulatory review processes would lead to
2 overlap in workload and would be difficult for all
3 parties. So to make the regulatory process more
4 manageable for all parties in the situation where
5 there's two large applications involved, B.C. Hydro
6 submits that the RDA filing should follow the
7 rendering of a BCUC decision on the RRA.

8 Now, the second sub-issue that's raised by
9 Issue 7 is the reason for the delay. Quite simply,
10 the RDA was not filed in 2005 because B.C. Hydro
11 experienced a far larger regulatory burden than it had
12 anticipated. There was the stepped rate application,
13 the 2005 resource expenditure acquisition plan in
14 general, and in particular the fiscal 2006 call for
15 tender. And there was the 2005 resource options
16 report, and flowing out of that, the proposal for a
17 new regulatory review model that is now set out in the
18 response to BCUC IR 1.1.3.

19 And so, Mr. Chairman, if there's no
20 questions on Issue 7, I'm going to wrap up with Issue
21 4.

22 THE CHAIRPERSON: I do have some questions on Issue 7,
23 and I may make in my question to you some assumptions
24 that are incorrect.

25 You speak to E3, E4 and E5 and rate
26 structures, and I'm wondering if there are DSM

1 expenditures in F'07 and F'08 that you're seeking
2 recovery for, that may be -- that may have changed.
3 Maybe put that question to you this way: that may
4 have changed if you in fact had filed your rate design
5 last spring as you initially intended to. So would
6 your expenditures for DSM in F'07 and F'08 be
7 reasonably expected to be different if you had filed
8 your rate design in the summer of 2005?

9 MR. GODSOE: So two parts to the answer, Mr. Chairman.
10 First, EE3, 4 and 5 aren't expected -- are not going
11 to be hitting fiscal 2007 and fiscal 2008. So what
12 we're really talking about is EE2 and load
13 displacement 2. And in my submission, the RDA would
14 not impact that. It would move incrementally in terms
15 of affecting perhaps load forecasts, but that's it.
16 It would not impact on what we're projecting to need
17 for EE2 and LD2.

18 THE CHAIRPERSON: Would it have had an implication -- if
19 the revenue to cost ratios had changed, would it have
20 had an implication with respect to the RIM test?

21 MR. GODSOE: Mr. Chairman, we're getting close to me
22 giving evidence. I think the answer is I don't think
23 so, and if you really want a firm answer to that I
24 would have to make written submissions on that point.

25 THE CHAIRPERSON: I don't think that's going to be
26 necessary. What I'm trying to test early in this

1 proceeding is, are the implications to you and not
2 having filed the rate design when you initially
3 intended to, is in fact your application deficient
4 because you haven't filed a rate design, particularly
5 as it relates to DSM expenditures for F'07 and F'08.
6 I hear you with respect to E3, E4 and E5. We're left
7 with E2 and load displacement. Would those have been
8 different if you had done your rate design, making the
9 assumption that the revenue to cost ratios may have
10 changed? It's been 12 years or longer since you've
11 done a rate design or did a fully allocated cost of
12 study. Is it reasonable for us to assume that those
13 numbers would have changed and therefore your
14 application has that deficiency? Maybe it isn't, it
15 doesn't, but that's the issue I'm testing with you
16 this early in the proceedings, just to see if that's
17 the case.

18 And I think very likely, as much as we may
19 -- that may be an issue that gets tested during the
20 proceeding. Maybe that's the best way to leave it
21 with you, and I don't want you to be giving evidence
22 now but it may be an issue that gets tested. And
23 there may be some consequences to you, and this is
24 putting you on notice that there may very well be some
25 consequences to you of that.

26 So I have no further questions now with

1 least the nearest effective date after F'08?

2 MR. GODSOE: It means that it's going to be available to
3 B.C. Hydro at the same time that EE3, 4 and 5 is being
4 implemented.

5 THE CHAIRPERSON: Right.

6 MR. GODSOE: We're going to be looking at the definition
7 phase work, and then as part of the implementation
8 plan we're going to be looking at what DSM tools we're
9 going forward with, including rate structures.

10 THE CHAIRPERSON: Does that then take E3, 4 and 5 off of
11 the table for the purposes of this proceeding?

12 MR. GODSOE: I don't believe so. EE3, 4 and 5, there's
13 two parts to it. First is our request under our LTAP
14 for approval of expenditures with respect to the
15 definition phase work, so that's part of the Order
16 we're seeking with respect to the LTAP. And secondly,
17 EE 3, 4 and 5 was used in the portfolio modeling
18 analysis to arrive at what I call the "big buckets".
19 DSM, purchases from independent power producers, and
20 capacity additions at our resource-smart projects. So
21 I don't believe that it does remove it from the
22 IEP/LTAP proceeding.

23 THE CHAIRPERSON: We've discussed rate design from the
24 perspective of efficiency. There is perhaps another
25 consideration here, and that's simply equity. Whether
26 or not revenue/cost ratios are appropriate. It's been

1 a long time, I stand to be corrected but has it been
2 ten, twelve years or longer?

3 MR. GODSOE: 1991.

4 THE CHAIRPERSON: 1991. And so it's been fifteen years
5 since there's been a review of your revenue to cost
6 ratios. Are you concerned about equity and, if not,
7 why?

8 MR. GODSOE: As I had said in my submissions with respect
9 to the RDA, Mr. Chairman, that is an issue that will
10 be addressed in the RDA.

11 THE CHAIRPERSON: You haven't answered my question. Can
12 you give me -- if you haven't already, maybe I missed
13 it -- can you give me your -- well, your expected
14 filing date of the RDA is some time following the BCUC
15 decision on this.

16 MR. GODSOE: That's correct.

17 THE CHAIRPERSON: Should equity considerations be a
18 relevant consideration with respect to whether or not
19 we find that proposal acceptable?

20 MR. GODSOE: Which proposal are you referring to, Mr.
21 Chairman?

22 THE CHAIRPERSON: That you file the RDA some time
23 following our decision. Are you -- maybe I could ask
24 the question differently.

25 MR. GODSOE: Yes.

26 THE CHAIRPERSON: Has there been any interest expressed

1 by your customers with respect to equity concerns that
2 they may have regarding your rates?

3 **Proceeding Time 11:15 a.m. T25**

4 MR. GODSOE: I think I can say, Mr. Chairman, there
5 hasn't been much interest expressed by our customers
6 with respect to that issue.

7 THE CHAIRPERSON: Okay.

8 COMMISSIONER PULLMAN: How would you know that,
9 actually? I mean, you haven't communicated with your
10 customers what next year's rates are going to be, so
11 I'm amazed that you can make that statement.

12 MR. GODSOE: We have done some preliminary consultations
13 with customer groups, and that's what we've heard to
14 date.

15 COMMISSIONER PULLMAN: Well, hopefully the customers who
16 are in this room, we may hear from them too.

17 THE CHAIRPERSON: Are there any further submissions?

18 MR. GODSOE: No further submissions.

19 THE CHAIRPERSON: Okay. I will give you an opportunity
20 of reply. I think I'll take submissions in the order
21 of appearance, Mr. Fulton.

22 MR. FULTON: That will mean that we'll begin with BCTC.
23 No? FortisBC Inc.

24 MR. BENNETT: We have no submissions to make.

25 MR. FULTON: Columbia Power Corporation? No submissions.
26 Terasen Gas Inc.?

1 MR. JOHNSON: I think it fair to say, Mr. Chairman, that
2 the Terasen Gas utilities find B.C. Hydro's proposal
3 to be completely unacceptable. Perhaps the starting
4 point for this might be Commission Order G-79/05, and
5 its reasons for decision. That related to, or that
6 relates to, B.C. Hydro's stepped rate proposal, its
7 transmission service rate application, which was --
8 with regard to that application, there was a
9 negotiated settlement process last summer. And a
10 settlement agreement that B.C. Hydro committed to, and
11 which the Commission approved in its Order G79/05.
12 And in that settlement agreement, it indicates that
13 some participants in the hearing raised concerns
14 respecting other provisions of the proposed rate
15 schedules. These concerns were not resolved by this
16 settlement agreement, and will be addressed by B.C.
17 Hydro in the comprehensive general rate design
18 application that it intends to file by December 16,
19 2005. And in relation to that application, then there
20 are listed a series of items. I was reading there
21 from page 3 of the settlement agreement.

22 And the Commission's reasons for decision
23 that are attached to that Order on page four of seven
24 refer to that part of the settlement agreement, and
25 notes that parties to this negotiated settlement also
26 agreed that several other issues that were not

1 resolved would be addressed by B.C. Hydro in the
2 comprehensive rate design application that it intends
3 to file by December 16th.

4 What Mr. Godsoe has said, in his
5 submissions, we find problematic from two respects.
6 Firstly, the timing. And secondly, as I heard it, Mr.
7 Godsoe is saying that B.C. Hydro does not intend to
8 file a comprehensive rate design application. The
9 items that he raises are items that -- at least as I
10 heard them -- are really more specific to DSM-type
11 programs, and rate structures that may have a DSM
12 component to them. From the submission -- from the
13 perspective of the Terasen group of companies, they
14 were expecting more than that, and it's my submission
15 that B.C. Hydro should be required to file what it
16 committed to, being a comprehensive rate design
17 application. And it should be required to do that --
18 I'd like to say "immediately," but that's probably not
19 realistic. But as soon as humanly possible.

20 THE CHAIRPERSON: Can you offer a date?

21 MR. JOHNSON: Well, Mr. Godsoe indicated -- he seemed to
22 be saying that Hydro required the revenue requirement
23 decision, it required a number, in terms of dollars.
24 I say that's not required, they don't need the
25 dollars, you can do a rate -- you can do a cost-of-
26 service study assuming today's revenue requirements,

1 or add in x percent for next year's revenue
2 requirements. If, at the end of the day, that gets
3 tweaked a little bit, you plug in a couple of
4 different numbers in your Excel spreadsheet and the
5 answer gets spit out. In terms of a date -- I would
6 think, say, September 30th, something like that, would
7 be a reasonable date, that gives Hydro some time over
8 the summer but does require them to get on with it.

9 THE CHAIRPERSON: If it's -- let me pursue this with you
10 some more. You've commenced your comments by saying,
11 "B.C. Hydro's proposal is completely unacceptable," so
12 let me discuss this with you further. If September
13 the 30th, '06, and I appreciate that I'm pushing you to
14 beyond what you had anticipated speaking to, but if
15 September the 30th, '06, is the date that you would
16 suggest while on your feet, what is the appropriate
17 review period following that from your perspective?

18 **Proceeding Time 11:23 a.m. T26**

19 MR. JOHNSON: If you had a date of September 30th, then I
20 would think that the review period would be such that
21 those rates, or any restructuring of rates, could be
22 effective then for fiscal -- what are they? Fiscal
23 '08, so March, April 1 of '07, which I think would --
24 I'm not sure how we could do it before that, but if we
25 got an application, a comprehensive application in by,
26 as I say, in September, then that should be possible

1 to get it reviewed and implemented by the 1st of April.

2 THE CHAIRPERSON: Right. And then that becomes
3 acceptable to you, that if the effective date was
4 April the 1st, '07, that's acceptable?

5 MR. JOHNSON: I think that's what I'm saying, yes.

6 COMMISSIONER PULLMAN: And is that Phase 3 of this
7 application?

8 MR. JOHNSON: It could be characterized as Phase 3. I'm
9 not sure if the characterization of it is important,
10 Commissioner Pullman, whether we call it a separate
11 application or a third phase of this ongoing saga.

12 COMMISSIONER PULLMAN: Just wondering whether to plan
13 next year's vacation around it.

14 MR. JOHNSON: Yeah. Just examples of items that weren't
15 covered, or at least I didn't understand Mr. Godsoe
16 was covering, are things like system extension
17 policies, customer attachment policies. System
18 extension policies were raised by Terasen Gas in the
19 last B.C. Hydro revenue requirement proceeding, and
20 the Commission did make some comments that they should
21 be reviewed periodically. I appreciate it wasn't
22 ordered by X date, but we certainly anticipated that
23 that would be part and parcel of a comprehensive rate
24 design decision.

25 I know in the stepped rate proposal, there
26 were concerns by one of the other Terasen companies

1 with regard to how demand was calculated, which has a
2 very large impact on their rates, and that was
3 something that B.C. Hydro said it would look into and
4 consult with customers. Again I didn't hear Mr.
5 Godsoe raising any of those sorts of issues in what he
6 put forward. I think that completes my submissions.

7 THE CHAIRPERSON: Just to confirm, I think what you're
8 saying is that if we direct that they file by
9 September 30th, '06, the filing include issues like the
10 system extension policies.

11 MR. JOHNSON: Yes.

12 THE CHAIRPERSON: Thank you.

13 MR. FULTON: Joint Industry Electricity Steering
14 Committee.

15 MR. WALLACE: Mr. Chairman, the JIESC does not see rate
16 design as a matter of urgent priority at this time.
17 We have an awful lot on our plate. We consider
18 resource acquisition to be the leading concern. The
19 IEP and the LTAP obviously go to that in part. We
20 have to get rates clarified and rate design logically,
21 I think, in every proceeding I've ever been involved
22 in, follows capital plans, revenue requirements, and
23 then rate design. So we do not see it, as I say, as a
24 matter of urgency and would ask the Commission not to
25 give it a priority but rather than it spend its time
26 and effort on those things that we must deal with.

1 THE CHAIRPERSON: Thank you.

2 MR. FULTON: Elk Valley Coal Corporation.

3 MR. NEWLANDS: Mr. Chairman, Elk Valley Coal would
4 support Mr. Wallace.

5 THE CHAIRPERSON: Thank you.

6 MR. FULTON: Independent Power Producers of British
7 Columbia.

8 MR. AUSTIN: The IPPBC is in agreement that there are
9 more pressing issues than rate design.

10 However, on one narrow point, we certainly
11 do not want to repeat what we had in the last revenue
12 requirements hearing. In that hearing we had the
13 problem of what was going to happen with stepped rates
14 and its impact on DSM programs. And now I'm hearing
15 from Mr. Godsoe that it looks like we're going to have
16 a repeat of that problem by some future sort of rate
17 design that is going to be part of the DSM tool bag.
18 However, we really don't know what that DSM rate
19 design is going to look like.

20 So for the purposes of the upcoming revenue
21 requirements hearing or the Integrated Electricity
22 Plan LTAP proceedings and/or both, we'd certainly want
23 that clarified and we'd also want that considered at
24 that time, so that we're not in a position as we were
25 in the last revenue requirements hearing of trying to
26 sort out what was going to happen, while being told

1 in this process would be interested in having had that
2 opportunity. I think it's unfortunate that that
3 didn't occur, and to the extent that that represents
4 lag, it's probably important that we don't turn around
5 and create the stampede to try and do things all in an
6 immediate hurry. It's very important to the customers
7 that I've talked about that there be adequate
8 consultation, adequate notice of what's coming, and
9 ability to work with Hydro in regard to how that's
10 going to be developed and what the implications are
11 for the customer class.

12 As you will recall from the implementation
13 of the industrial rate design issues, they've taken
14 longer than was anticipated, and for good reason
15 there's needed to be a considerable consultation and
16 implementation in the process. It's very important,
17 of course, to all of us that the most efficient means
18 of dealing with DSM and the links between these are
19 available to us, but it's equally important that we
20 don't stampede and create a worse problem by rushing
21 at things.

22 So, while I find the situation that we're
23 in with B.C. Hydro unfortunate, I'm not inclined to
24 turn that into an immediate rush. I think they've
25 laid out some plans that need to take some time to be
26 dealt with, and we would want to take time.

1 long overdue. But we do see that the revenue
2 requirements application, the IEP and LTAP and rate
3 design are somewhat intertwined, but in our view, they
4 need to be viewed individually. Then, as a whole, to
5 ensure that they work harmoniously to achieve defined
6 goals.

7 We do wish to be cautious, though, that the
8 rate design process and a concern about the rate
9 design filing does not get bundled into the other two
10 proceedings and bog down the process.

11 Now, we do believe that Hydro's
12 presentation of DSM and in the latest IEP LTAP is
13 seriously inadequate. We appreciate Hydro's showing
14 the DSM targets, but this information is not as
15 meaningful as it would be in conjunction with the
16 information showing how these targets will be met.
17 Now, had the rate design -- or, sorry, the rate
18 requirements application and/or the rate design
19 application been filed by now, we may have been able
20 to access that further information. As it is, we only
21 have the IEP LTAP and so, at this point, that is our
22 assessment of what the information provided to us is.

23 However, the thought of scrapping what
24 Hydro has accomplished with its current filing, and
25 sending them back to the drawing board to beef up
26 their DSM component would have the effect of further

1 MS. GOLD: I have no submissions.

2 MR. FULTON: Mount Wartenbe Lone Prairie Community
3 Association?

4 MS. THAYER: No submissions.

5 MR. FULTON: That concludes the appearances, Mr.
6 Chairman.

7 THE CHAIRPERSON: Mr. Christian. Or pardon me, Mr.
8 Godsoe. I may do that a few times during this
9 proceeding.

10 MR. GODSOE: Two for the price of one.

11 I do have some comments on Mr. Johnson's
12 submissions. With all due respect it is incorrect to
13 say that rate design is not contingent on the need for
14 dollars. As I had just submitted to you in my opening
15 rounds, the cost of service study would have to be
16 redone once the Revenue Requirement Application
17 decision was rendered. So to me, it makes no sense to
18 have a filing on 30 September 2006, knowing that the
19 revenue requirement decision is going to be taking
20 place after that, and having to redo the cost of
21 service study.

22 I can assure Mr. Johnson, though, that
23 system extension policies will be covered by the RDA
24 filing.

25 The last point on Mr. Johnson's
26 submissions, he opened his remarks by saying it was

1 totally -- our proposal was totally unacceptable. And
2 then when I listened to him, in fact his timing isn't
3 so far off from our own. It's a matter of months.
4 He's suggesting 30 September 2006. We're suggesting
5 after a rendering of the BCUC decision on the revenue
6 requirement application.

7 I have no further submissions, Mr.
8 Chairman.

9 THE CHAIRPERSON: Your effective date is different than
10 Mr. Johnson's proposal though, wouldn't it be?

11 MR. GODSOE: Correct.

12 THE CHAIRPERSON: In fact, your effective date, could it
13 be one year later than Mr. Johnson's proposal?

14 MR. GODSOE: Could be six months.

15 THE CHAIRPERSON: And we would have an adjustment to your
16 rates in the middle of the year if in fact there was a
17 need to rebalance the rates.

18 MR. GODSOE: That's correct.

19 COMMISSIONER PULLMAN: How long do you believe it takes
20 from the time you get a revenue requirement decision
21 from this panel, to put the numbers through your
22 spreadsheet and come up with a new?

23 MR. GODSOE: That's a good question. I think our best
24 estimate is six weeks to two months.

25 COMMISSIONER PULLMAN: So as long as it wasn't over
26 Christmas you could do it in a month.

1 MR. GODSOE: I think I'll have to stay with my original
2 estimate, six weeks to two months.

3 COMMISSIONER PULLMAN: Thank you.

4 THE CHAIRPERSON: Was Mr. Craig correct that you have
5 prepared a fully allocated cost of service study in
6 some form in perhaps a draft? Did I understand Mr.
7 Craig correctly and is that correct?

8 MR. GODSOE: He is correct.

9 THE CHAIRPERSON: So you've told him that a fully
10 allocated cost of service study, in maybe a
11 preliminary form, has been prepared. And is that in
12 fact why you are able to turn it around in a couple of
13 months after our decision?

14 MR. GODSOE: That's correct.

15 THE CHAIRPERSON: Right. Okay. Thank you.

16 That brings us then to the last item on the
17 agenda, and I'm thinking that we should probably hear
18 from you first -- I'll make sure I get the right B.C.
19 Hydro counsel -- Mr. Christian, on this, in part
20 because you've prepared another draft for us. And
21 then I'll hear submissions and then give you an
22 opportunity to respond.

23 **Proceeding Time 11:40 a.m. T30**

24 MR. CHRISTIAN: Thank you, Mr. Chairman.

25 B.C. Hydro has carefully considered the
26 BCUC-proposed schedule, in light of a number of

1 things. And one of the most important things we've
2 thought about and looked at is the -- what seems to us
3 has been an increasing number of IRs to the different
4 regulatory proceedings that B.C. Hydro's been involved
5 in. And just by way of reference, B.C. Hydro's
6 current round of regulatory review, if I can call it
7 that, really commenced in its 19 -- or its 2003 CPCN
8 application for VIGP. And since then, it's been in,
9 you know, one hearing more or less after another. In
10 that proceeding, it received 755 IRs, in total,
11 breaking down the numbered ones into their sub-parts.
12 It was 755 questions.

13 By the time we got to the revenue
14 requirement, the last revenue requirement proceeding,
15 it received 1,930 different Information Requests. And
16 now in this current proceeding, it's only received one
17 round of IRs with respect to its LTAP, and it's
18 received 604 different questions. In light of that,
19 B.C. Hydro's concerned that the number of IRs it's
20 going to receive on the revenue requirements and the
21 LTAP in total is going to greatly exceed what it faced
22 last time it was in a revenue requirements proceeding.

23 B.C. Hydro is very concerned that it -- a
24 schedule is established that allows it to answer those
25 IRs within the time limits established. B.C. Hydro
26 does not want to be in a situation where it

1 consistently has to file only a partial set of
2 answers. And indeed, last week we did, I think, quite
3 a good job in filing most of the answers, a very high
4 percentage of them. We don't want to be in a
5 situation where we're having to file 50 or 60 percent
6 of them and the remainder come in dribs and drabs.
7 That complicates the record and I think that was
8 evidenced in the VITR proceeding, where there was some
9 confusion or some issues with respect to the number of
10 IRs and when they'd been filed.

11 And so in light of that, B.C. Hydro, I
12 think, has proposed really two significant changes
13 from the Commission's proposed schedule. The first
14 significant proposal is -- that's different from the
15 BCUC-proposed one -- is that the IR rounds for the
16 LTAP and the revenue requirement be staggered. So
17 that B.C. Hydro and intervenors and, of course,
18 Commission staff as well, are always dealing with only
19 one set of IRs to be reviewing and preparing.

20 And the second kind of difference which
21 relates, at least, to the RRA proposal and the BCUC
22 schedule, is that there be a full four weeks allowed
23 for the revenue requirement IRs, at least the first
24 round.

25 Only in this way does B.C. Hydro believe
26 that it can manage the workload that will be put on

1 it. It's the only way it believes that Commission
2 staff and intervenors are going to be able to make
3 meaningful sense of the information it files, and that
4 the Commission -- the process can proceed in an
5 orderly fashion in a way that allows all parties to
6 keep track and keep on top of the evidence as it's
7 developed.

8 The other main difference that we propose
9 in our schedule, which I'll get to in detail in a
10 moment, but the other main difference is that we
11 propose the second procedural conference happen after
12 the next set of IRs. That is, there would be one set
13 of IRs on the revenue requirement, and a further set
14 of Information Requests on the LTAP, and then it's
15 after those Information Requests responses are filed
16 that the second procedural conference would be held.
17 And in B.C. Hydro's view, that allows a better debate
18 at that time on some issues -- in particular, the ones
19 that we've addressed earlier, which is, whether or not
20 the hearings should be consolidated or not.

21 The proposal that I'll be discussing in a
22 moment also has just a small delay compared to the
23 BCUC, about two weeks in total. It accepts that BCUC
24 and intervenors would like to see the revenue
25 requirement application before they have to file their
26 Information Requests on the LTAP, although it doesn't

1 propose as much -- as long a period of time for that
2 review. And then, I guess, lastly -- again going back
3 to our concerns about the number of IRs we have, we
4 would propose that, if indeed the number of
5 Information Requests we get does look unmanageable in
6 light of whatever schedule the Commission establishes,
7 we would advise the Commission right away, rather than
8 filing only a partial number at the end of the IR
9 round.

10 And with that, I'd like to take the
11 Commissioners, if I may, to the proposed schedule. It
12 was distributed earlier, you should have a copy with
13 you.

14 THE CHAIRPERSON: Right. We have it.

15 **Proceeding Time 11:45 a.m. T31**

16 MR. CHRISTIAN: So the first two items of course are
17 things that are happening or have happened already.
18 One and two are in italics, the response to the first
19 round of IEP IRs and procedural conference that we're
20 having today.

21 Under B.C. Hydro's proposal, and indeed
22 I'll address this, we will be filing the F'07/F'08
23 revenue requirement application by Monday, May 29th.
24 Then we would propose that the second round of
25 information requests and the LTAP occur on Friday,
26 June 2nd, so that there still is a minimum of four full

1 working days between the time that we filed the
2 revenue requirement and the information requests in
3 the LTAP come out the second round.

4 And if I can just take you down quickly
5 from 4 to 7, and I guess it's 8, between 4 and 8.
6 Eight is Friday June 30th when B.C. Hydro would file
7 its responses to the second round of IRs on the LTAP,
8 and that's, as you can see, a full four weeks.

9 Going back to item number 5 on the proposed
10 schedule, B.C. Hydro will be filing with its Revenue
11 Requirement Application a revenue requirements model,
12 and that will be a spreadsheet model essentially, an
13 Excel spreadsheet model. What it proposes to do is
14 have a workshop in the week of June 5th in which it
15 would make that electronic spreadsheet available to
16 participants at the workshop, and work with them to
17 explain how it was developed and how it's meant to
18 work and how it can be used.

19 Then you can see, moving to items 6 and 7,
20 that B.C. Hydro would propose that the first round of
21 IRs on its revenue requirement application would occur
22 first on June 28th from the Commission, and then two
23 days later from the intervenors. That essentially
24 means there's only two days' overlap between the
25 revenue requirement information request round and the
26 LTAP round.

1 We thought it was useful and valuable to
2 stagger the days that we get the IRs from the
3 Commission and intervenors for two reasons. One, it
4 allows intervenors to review their proposed questions
5 in light of what the Commission has asked. So
6 hopefully if they are able to exercise some or use
7 that time, they can make the process a little more
8 efficient. And secondly, it helps B.C. Hydro, we
9 think, having reviewed the Commission questions, we
10 will be able to look at the intervenor questions and
11 figure out which ones of the intervenor questions are
12 already being asked. So it should make the process a
13 little bit more efficient if all parties used those
14 two days.

15 You can also see item 9 is something that
16 wasn't in the Commission proposal. B.C. Hydro in the
17 VITR hearing made a commitment to file evidence or
18 make a proposal with respect to how the Commission
19 ought to evaluate different projects, whether they're
20 privately funded projects or publicly funded projects.
21 And on the June 30th when it files the LTAP IRs, it
22 would propose to file that evidence on that issue.

23 And then item 10 is the --

24 THE CHAIRPERSON: Just, I think you said this, but item 9
25 is the evaluation criteria or methodology of the
26 privately owned projects, as compared to B.C. Hydro's?

1 MR. CHRISTIAN: That's correct. I think that's the right
2 scope to put on it.

3 THE CHAIRPERSON: And does that largely go then to cost
4 of capital issues?

5 MR. CHRISTIAN: Yes.

6 THE CHAIRPERSON: Okay.

7 MR. CHRISTIAN: So then moving on the list, item 10 is
8 the B.C. Hydro response to the revenue requirement
9 information requests, and that would occur four weeks
10 after we get the BCUC information requests, and two
11 days less with respect to the intervenor requests.
12 And that allows us to have a procedural conference the
13 week of July 31st. Having seen the evidence from
14 Hydro, seen the questions, seen where the parties'
15 interests lay and what Hydro's response is, in my
16 submission, everybody would be better prepared to make
17 submissions on how we proceed, and again, in
18 particular, how we proceed with respect to the
19 consolidation that we've discussed.

20 THE CHAIRPERSON: It may not be significant to any party,
21 and if that's the case then there may be more merit to
22 your proposal with respect to the timing of the
23 procedural conference. But it does delay the
24 establishment of the process to a time that may be
25 much closer to the hearing.

26

Proceeding Time 11:50 a.m. T32

1 MR. CHRISTIAN: Yeah, I'm not -- I mean, the way this
2 document is set up right now, the schedule for the
3 oral hearing is set out at the bottom as something to
4 be decided. I think I've heard a number of
5 intervenors say today that they don't have a desire to
6 rush through this, that quality is more important than
7 expediency. I would have thought we're in a much
8 better position having seen the number of IRs, and see
9 what people's questions are, to figure out actually
10 when the appropriate date for the oral hearings is.

11 This alternative, in my submission, also
12 allows an off-ramp, in a sense. Having seen the IRs
13 from both intervenors and the Commission's staff on
14 both application, I think we'll allow everybody to
15 better assess whether in fact two oral hearings are
16 required. As I mentioned earlier, B.C. Hydro expects
17 there will be two oral hearings, that's why it sees a
18 lot of value in Mr. Wallace's suggestion of a phased
19 approach. But it may turn out, depending on what
20 issues arise, that that doesn't look as desirable, at
21 least to some participants.

22 THE CHAIRPERSON: Right. At that procedural conference,
23 would you be in a position to propose the schedule for
24 both proceedings, going forward, including whether or
25 not there's an opportunity for NSP in one of them?

26 MR. CHRISTIAN: It would be our intention to do that.

1 THE CHAIRPERSON: Okay. Thank you. Are there any
2 further submissions?

3 MR. CHRISTIAN: No, that's it.

4 THE CHAIRPERSON: Okay. I think I'll take submissions
5 now -- yes, as you're intending, Mr. Fulton, in the
6 order of appearances.

7 MR. FULTON: Yes, Mr. Chairman. My intention, though,
8 may be not quite what you anticipated it to be, and
9 what I wanted to suggest at this point, because staff
10 has looked at the schedule, to put a counter-proposal.
11 There are just two small tweaks to the proposal, and
12 then to call the other parties to speak to both
13 proposals, if they wish.

14 THE CHAIRPERSON: Right.

15 MR. FULTON: The only tweaks are, at action item number
16 four, on B.C. Hydro's proposed schedule. Staff would
17 prefer that the date be Monday, June the 5th. It's
18 always helpful to have a weekend to make the necessary
19 adjustments to questions and give the questions some
20 additional thought. Having asked for an additional
21 three days on the IEP responses, though, Mr. Chairman,
22 if we then move to action item six, staff is prepared
23 to respond or to deliver their IRs on Thursday or by
24 Thursday, June the 22nd. That would allow the
25 intervenors some extra time to consider the staff
26 questions, and it would have no impact on the time for

1 B.C. Hydro to reply and in fact would give Hydro an
2 extra six days to consider the BCUC questions. Thank
3 you.

4 THE CHAIRPERSON: Thank you. Mr. Christian, I --

5 MR. CHRISTIAN: Oh, sorry.

6 THE CHAIRPERSON: -- sorry, Mr. Fulton. There is a
7 question, Mr. Christian, that I'd like to ask you that
8 I intended to, and I'm a little bit out of order
9 myself. But I think I can still appropriately ask
10 this question, and it's with respect to the model.
11 Will the panel be able to use the model without the
12 benefit of the workshop?

13 MR. CHRISTIAN: Well, it's a spreadsheet model. I
14 suppose, like any spreadsheet model, one can work
15 through it and figure out how to use it, and of course
16 I understand the substantive issue that you're
17 raising.

18 And we think you can, of course. What the
19 question is really I've been getting at is whether
20 it'll be necessary for you to have something similar
21 in order to get the maximum benefit of it. Because I
22 don't think there's any doubt that, you know, a
23 spreadsheet model, every one of the Commissioners is
24 quite capable of moving through.

25 Maybe -- because I think it's important,
26 you know, that there is value, we think, to putting

1 view the regulatory timetable proposed by B.C. Hydro,
2 with the two changes proposed by Staff, is largely
3 acceptable.

4 Comments I have are going to be restricted
5 entirely to how we deal with information requests, and
6 to get that issue I think we need to look at what's
7 been one of the major topics of discussion, the
8 interrelationships between the two applications before
9 you.

10 I think it's helpful if we look at, for an
11 example, recently held B.C. Hydro workshops regarding
12 the G.M. Shrum asset plan and Aberfeldie redevelopment
13 as providing a specific example of those types of
14 connections. In follow-up discussions to those
15 workshops, CPC requested confirmation of the implied
16 unit energy costs in dollars per megawatt hour
17 associated with the G.M. Shrum Units 1 to 5, and that
18 turbine replacement program. We did so because those
19 costs could not be determined specifically from the
20 written workshop materials. It's our understanding
21 from discussions with Hydro that they intend to
22 specify those costs as part of their RRA filing, in
23 support of the planned capital expenditures.

24 Hydro has also advised CPC that certain
25 other inquiries we'd made regarding the calculations
26 used to derive the Aberfeldie redevelopment unit

1 energy costs, will not be provided unless CPC submits
2 formal information requests. And the rationale as we
3 understood it is simply the existence of the
4 applications, in one case before you, and in the other
5 case the pending RRA.

6 At best, CPC and we believe other
7 intervenors then face considerable uncertainty about
8 what details, if any, of for example G.M. Shrum and
9 Aberfeldy projects will be included in the RRA filing.

10 There's also considerable overlap, in our
11 view, between the IEP and LTAP and the RRA regarding
12 issues such as unit energy and capacity costs
13 associated with B.C. Hydro Resource Smart project.

14 We submit, then, that it's essential to
15 manage these proceedings to ensure a common
16 information base, and we think that the best way to
17 accomplish that may be to consolidate the information
18 request process, and I think there have been steps
19 proposed along those lines. But I think the key point
20 in our view is having the timing on the same schedule.

21 The other key point, I think Mr. Christian
22 addressed earlier today, and that would be that the
23 requests and the responses would both be part of the
24 record in both proceedings, and that's an essential
25 point for CPC. In the absence of that approach, we
26 think that a number of problems could arise.

1 substance for both the requests and the responses. As
2 I've said, among different intervenors, there may be a
3 different focus. Some may be more focused on the RRA,
4 some may be more focused on the IEP, and depending on
5 where their focus is, they may put their Information
6 Requests into that stream which will result in a
7 disjointed approach. That also, I think, would
8 require almost perfect coordination among B.C. Hydro
9 staff in terms of who's working on the various
10 applications, given that some of the issues, at least,
11 are going to be common to both proceedings.

12 And finally, I guess, a concern about the
13 scope -- whether the scope of a question, for example,
14 was too broad, or the scope of a response was too
15 narrow. If, again, we're on two different timing
16 tracks, that determination may create problems. If
17 you ask the question in the RRA stream, and
18 subsequently find that there's a problem in terms of
19 scope, that window of opportunity, we think, might be
20 past, given that the RRA Information Requests are on
21 different timing.

22 The final comments I've got is that dealing
23 with a -- whether there's a third round of Information
24 Requests, we'd agree that the procedural conference
25 would be the place to deal with that question. And
26 we'd agree with Hydro's proposal that the procedural

1 conference follow receipt of Information Request
2 responses.

3 And finally, I guess, in -- I suggest that
4 we look at synching the timing for IRs and responses
5 on both the IEP and LTAP and the RRA, but I do think
6 it's helpful to have intervenor and staff IRs and
7 responses staggered, for the simple reason that the
8 intervenors certainly look to the questions and the
9 responses flowing back to staff, and are useful, and
10 hopefully will be used to reduce the overall number of
11 questions coming from intervenors.

12 Subject to any questions, those are my
13 comments.

14 THE CHAIRPERSON: Well, I guess I have one, Mr. Weisberg.
15 If we left them on separate tracks, but staggered some
16 dates so that you in fact had an opportunity to read
17 the IRs before you issued the next set of IRs, and I'm
18 thinking particularly of staggering the times between
19 actions seven and eight, does that in part, at least,
20 address your concerns about two different tracks?

21 MR. WEISBERG: It does. It is in part providing an
22 opportunity to review the responses in one track
23 before you commit yourself on the other track, and
24 hopefully avoid unnecessary repetition and also be
25 able to hopefully refine the next set of questions, I
26 guess.

1 THE CHAIRPERSON: So you began your comments by
2 suggesting that, with the revisions of staff, B.C.
3 Hydro's proposal is the one that you'd least like to
4 speak to, and if we then were to make a further
5 revision here, to delay action item number nine --
6 action number eight, that then goes at least partway
7 to solving your concerns about two different tracks.

8 MR. WEISBERG: Yes.

9 THE CHAIRPERSON: And then, does that begin to look like
10 a schedule that you could support?

11 MR. WEISBERG: Yes.

12 THE CHAIRPERSON: Okay.

13 MR. WEISBERG: Yes.

14 THE CHAIRPERSON: Thank you.

15 MR. WEISBERG: Thank you.

16 **Proceeding Time 12:05 p.m. T35**

17 MR. FULTON: Terasen Gas group of companies.

18 MR. JOHNSON: just a couple of comments, Mr. Chairman.
19 Perhaps first, just on something Mr. Christian said,
20 and it's not relating to the schedule at all but in
21 terms of the number of IRs that are asked, the Terasen
22 companies also have noticed a real increase in the
23 number of Information Requests that have been asked in
24 recent proceedings and I have to say many of those
25 originate with the staff. And I think everyone should
26 try to ensure that Information Requests are relevant

1 and are to a significant point and not simply designed
2 to ask a lot of questions.

3 Secondly, with regard to the point that Mr.
4 Weisberg was raising on the overlapping, perhaps
5 another partial answer to that issue, because I can
6 quite understand what he's saying, we are faced at the
7 moment with the situation where it hasn't yet been
8 decided if the Revenue Requirement and IEP LTAP
9 proceeding are going to be one proceeding or two
10 separate proceedings which gives, I think, rise to
11 part of the problem he's bringing forward.

12 If it were ordered that the responses, no
13 matter which set of responses, were to be regarded as
14 evidence in both proceedings, then that might avoid
15 some of the potential duplication just because of the
16 concern that you may not have asked the questions in
17 the right proceeding and if you wanted in argument to
18 refer to it, it isn't actually an exhibit in the
19 proceeding you're in, if at the end of the day they
20 are two separate proceedings.

21 Finally, in terms of the schedule itself,
22 the schedule, as modified by the staff's suggestion,
23 is -- looks to be quite reasonable and is certainly
24 acceptable to the Terasen Companies. Thank you.

25 THE CHAIRPERSON: Thank you.

26 MR. FULTON: JIESC.

1 MR. WALLACE: Mr. Chairman, a number of concerns with
2 Hydro's schedule as amended by Mr. Fulton. The first,
3 and I think most significant one that just popped out
4 at me was the subsequent filing of evidence. Item 9,
5 "B.C. Hydro Evidence Re Project Evaluation June 30th",
6 that's after the IRs are complete, at least the first
7 round for the intervenors, and second round for the
8 Commission. And I am very concerned that that's a
9 particularly important item and I'm at a loss why that
10 would not have been filed with the application or
11 filed by this point and would urge the Commission to
12 require that to be filed prior to the upcoming IRs.
13 It's one of the critical items, I think, of looking at
14 your resources, and it's not a new issue. It's been
15 out there for quite awhile.

16 Similarly, under "Dates To Be Decided After
17 Procedural Conference," number 2, is filing of IEP
18 LTAP evidence for B.C. Hydro and the intervenors. If
19 that's simply witness qualifications, of course I
20 don't have any problem at all but if it's something
21 more, and we're not even talking about it till in
22 August, I have a very real concern. So again, I would
23 urge clarification of that and I would urge the
24 setting of a deadline in the very near future for any
25 evidence beyond witness qualifications by B.C. Hydro
26 with respect to all the applications that are before

1 you.

2 Turning then to the more functional dates,
3 item 4, and I guess it's the filing of the intervenor
4 Information Request No. 1 June 2nd, while that will be
5 improved by the -- or actually, I'm not sure it will,
6 it's only four days after the RRA filing has been
7 done. Again, at bare minimum I would suggest making
8 that a Monday date. I think it is important that we
9 see both applications before we file those.

10 I have made -- oh, I'm sorry.

11 No, I'm sorry, that has already been taken
12 care of.

13 The other one that occurred to me as -- and
14 I think you raised it, Mr. Chairman, was the
15 intervenors following the Utility Commission's
16 Information Requests, and this is in general terms, it
17 has been very helpful to the intervenors to follow not
18 just the filing of the Commission's Information
19 Requests but the response to Information Request No. 1
20 to the Commission. That does result in substantial
21 savings. For the intervenors to follow the
22 Commission's information requests but not the
23 responses, does not generally save much money because
24 you've got to do all the preparation, you've got to
25 get ready, and you don't have the advantage of the
26 responses. The proposal that Hydro has here where we

1 follow shortly after the Commission will undoubtedly
2 save Hydro money because it'll have less questions.
3 We will have vetted some questions. It will make the
4 record cleaner but it will not do what the procedure
5 has done in many cases, of allowing us actually to
6 eliminate large areas or eliminate the invest- -- or
7 await the Commission's responses before doing the full
8 investigation. We will have to do the investigation,
9 we will have to derive the questions, and we will then
10 delete some, and that may be helpful.

11 **Proceeding Time 12:10 p.m. T36**

12 With respect to getting the timing of IRs
13 in sync, I have some sympathy for Mr. Weisberg's
14 point, but I also have some sympathy for our experts
15 who will be trying to handle a very large amount of
16 material for the same deadline. And so I would rather
17 not, I think, see the RRA and the IEP information
18 requests happen on the same day, and the responses
19 happen on the same day. I think that becomes
20 difficult.

21 This schedule does not address a second
22 round of information requests for intervenors. There
23 is room to talk about it in the July -- or in the
24 procedural conference number 2 in July. I think that
25 round of information requests is very important,
26 particularly given the Commission's, I think,

1 reluctance to see intervenors follow up and detail on
2 information requests in cross-examination that's been
3 expressed in other proceedings. So if we can't do it
4 in cross-examination, we have to be able to do it in
5 information requests. And that, I think, goes to the
6 number of information requests that Mr. Johnson
7 raised. I don't think you can ask people to be
8 complete in IRs, limit cross-examination, and expect
9 the number of IRs to do down. They go up. That's
10 experience and that's the way it works.

11 With respect to the timing of procedural
12 conference number 2, generally speaking the procedural
13 conference that reviews whether the record is complete
14 and setting down the hearing, should follow getting
15 the record -- or follow the record being fully
16 established. The only exception I see here is the
17 possibility of how to handle the interrelationship of
18 the two applications. Should they be separate
19 applications? Should they be consolidated? Should
20 they be phased? What is the inter-relationship
21 between the two? And there may be some benefit in
22 dealing with that before July 31st, but the rest of the
23 issues should clearly wait till at least July 31st.
24 Thank you.

25 **Proceeding Time 12:15 p.m. T37**

26 MR. FULTON: Elk Valley Coal Corporation.

1 THE CHAIRPERSON: Mr. Newlands.

2 MR. NEWLANDS: Mr. Chairman, there's been a lot of talk
3 about process and meetings dates and one thing and
4 another. Elk Valley Coal bears all of its own costs
5 of these proceedings. It also bears a portion of the
6 costs of Joint Industry Electric Steering Committee.
7 To the extent deadlines and information requests
8 produce undue costs on either the applicant or the
9 intervenors, Elk Valley would ask the Commission to
10 take this into consideration in developing its process
11 to bring it to a timely conclusion. That generally
12 speaking you don't want a proceeding to draw out, as
13 you all well know. Similarly one doesn't want
14 deadlines that are so tight that are forcing people
15 into overtime both with our consultants and lawyers as
16 well as the applicant and overtime.

17 So Elk Valley would ask that you take this
18 into consideration, bearing in mind that even though
19 we pay all of our own costs in this proceeding, we
20 also end up picking up perhaps a third of the other
21 intervenors' costs in this proceeding. So from our
22 point of view, we're interested in maximizing the
23 effectiveness of your proceeding, while at the same
24 time minimizing everybody's costs, because it accrues
25 to our benefits.

26 THE CHAIRPERSON: Right.

1 MR. NEWLANDS: Thank you, sir.

2 MR. FULTON: IPPBC.

3 MR. AUSTIN: The IPPBC has a very large concern about
4 item number 9, and it's not even clear from this
5 proposed regulatory timetable whether that evidence is
6 with respect to the IEP LTAP or the revenue
7 requirements hearing. It's just not appropriate to
8 have that evidence filed at that date, presumably
9 after all the IRs are completed. It's absolutely
10 essential that it be filed as part of the IEP LTAP or
11 revenue requirements hearing.

12 The second point, it's not a major point.
13 Point number 4, the IPPBC believes a date of June the
14 9th, as originally proposed by the Commission, is
15 appropriate. The IPPBC anticipates that the revenue
16 requirements application is going to be a very large
17 application, and four days, whether they be working
18 days for whatever, is not sufficient to review it as
19 proposed in the original timetable. And the
20 additional time over the weekend is not going to do it
21 either. It's something that we just don't know the
22 size and volume of, and we want a full opportunity to
23 have a look at it in relation to the questions that
24 might be asked in terms of the LTAP.

25 Mr. Fulton is indicating that June the 5th
26 is for the IEP, and I fully I understand that, but

1 we're trying to reduce the number of questions we want
2 to ask so we want to understand what's in the revenue
3 requirement application before we let go with all the
4 questions on the IEP.

5 And the final point is -- this is with
6 respect to additional evidence that might be filed
7 after procedural conference number 2. The same
8 concern about the evidence with respect to point
9 number 9. We want to see all the evidence up front so
10 we have an opportunity to understand it and ask
11 information requests, and not have evidence filed in
12 the back end unless it's absolutely essential and in a
13 sense is a response to intervenor evidence. Those are
14 my submissions.

15 THE CHAIRPERSON: Thank you. I know we're going well
16 past noon, but my thinking is we may very well finish
17 in the next 15 or 20 minutes, and so I'm inclined to
18 suggest that we continue unless there's anyone that
19 raises concerns for. Let's proceed.

20 MR. FULTON: CEC.

21 **Proceeding Time 12:20 p.m. T38**

22 MR. CRAIG: Mr. Chairman, just a few quick comments. I
23 think I would agree with the parties that would like
24 to see that the record of both hearings be a part of
25 each of the hearings. I think that will be
26 advantageous for everybody. With regard to the

1 schedule, the most important point, I think, I would
2 agree with the JIESC that it's very valuable to be
3 able to deal with IRs after the responses to BCUC
4 questions. That enables us to be much more efficient
5 and more effective, in terms of dealing with specific
6 questions.

7 And while the idea of synchronizing the
8 revenue requirement and the IEP and LTAP questions may
9 seem nice, we're, I think, more leaning towards seeing
10 them staggered in phases and coordinated that way
11 and would agree with the comments that we'd like to
12 see the -- all the evidence filed before the final
13 procedural conference, so that we know what we're
14 talking about on the record at the time we're dealing
15 with then the subsequent processes.

16 So with those changes, then, I think the
17 schedule that's evolving would be acceptable to us.

18 Thank you, Mr. Chairman.

19 MR. FULTON: BCOAPO.

20 MS. WORTH: I just have a couple of brief comments to
21 make. I'd like to begin by saying that the BCOAPO *et*
22 *al.* do like the tweaks to the schedule that Mr. Fulton
23 proposed. However, we do have some concern, as
24 outlined by Mr. Wallace, regarding the filing of
25 evidence, unless they are merely witness
26 qualifications, after the IRs have been submitted.

1 And also, I would like to just let the representatives
2 from B.C. Hydro know that the item five -- or action
3 five, which is the technical workshop, may be
4 problematic for the BCOAPO, because Mr. Quail is not
5 available on June 7th. And I just wanted to put the
6 Hydro staff on notice of that.

7 And those are my comments.

8 THE CHAIRPERSON: Thank you.

9 MS. WORTH: Thank you.

10 MR. FULTON: SCCBC.

11 MR. ANDREWS: I think most of the points that I was going
12 to address have been touched on. I would reiterate,
13 because of its importance, a ruling from the panel
14 that evidence in both of the proceedings be mutually
15 admissible. As a footnote to that, I note that the
16 exhibit numbering system isn't entirely in sync
17 between the two proceedings, and I don't have a
18 suggestion -- you know, at the mike right now, as to
19 what to do about that, but in the long run, it might
20 be beneficial to get that sorted out in some kind of
21 way, so that we don't trip over those differences for
22 the months to come.

23 It is important to SCCBC to have an
24 opportunity to review the responses to the IEP IRs
25 before filing our RRA IRs. And lastly, the -- it may
26 be advisable to anticipate a second round of

1 intervenor IRs. At this stage, my sense is that
2 having a second round of intervenor IRs is, in a lot
3 of ways, much more efficient than forcing the people
4 to try to ask ten questions to ensure they get the
5 answer they're looking for, as distinct from asking
6 one question and then asking what amounts to a follow-
7 up to clarify the answer.

8 Thank you.

9 **Proceeding Time 12:25 p.m. T39**

10 MR. FULTON: Burke Mountain Naturalists? No submissions.
11 Mount Wartenbe Lone Prairie Community
12 Association?

13 MS. THAYER: We adopt the submissions of Mr. Wallace and
14 the BCOAPO with respect to the importance of all the
15 evidence on the record being in place before the IRs
16 have to go out. It's critically important that the
17 June 30th evidence with regard to how private -- I'm
18 looking for the right word -- how private evaluations
19 are going to be done, be in place before my clients
20 have to put their submissions in. And I think that
21 it's important that the complete record be before the
22 Panel and the parties, and I don't think that the
23 small amount of time that would be involved to adjust
24 the schedule to accommodate that is anything that is
25 going to cause the parties difficulty. I think it's
26 far more important that the full record be before

1 everybody before we start moving forward. And those
2 are my submissions.

3 THE CHAIRPERSON: Thank you.

4 MR. FULTON: That concludes the intervenors, Mr.
5 Chairman.

6 THE CHAIRPERSON: Mr. Christian.

7 MR. CHRISTIAN: Thank you, Mr. Chairman. First of all,
8 just in no particular order, I'm really going from the
9 top of my notes on my list here, Mr. Johnson suggested
10 and a few other parties thought it was a good idea
11 that the Commission issue an order making evidence in
12 one proceeding evidence admissible in the other, and
13 B.C. Hydro has no objection to that and thinks it
14 would be potentially quite a good idea.

15 A few comments that Mr. Wallace had, first
16 of all, dealing with the proposed filing of evidence
17 on project evaluation on Friday, June 30th, Mr. Wallace
18 mentioned this and a few other folks mentioned it as
19 well, a desire to see that being filed earlier. The
20 fact is that it's not -- that evidence isn't just what
21 B.C. Hydro does, but it would also be a proposal for
22 what the Commission should do going forward. That's a
23 high level -- it's a significant policy level decision
24 or formulation that Hydro is going to have to come to.
25 It hasn't come to it yet. An order telling us to file
26 it sooner may just result in us saying we don't have

1 it. We think we can get it to the Commission in a
2 month. We don't think we can do it sooner than that.
3 It simply doesn't exist.

4 Of course one of the issues raised by it,
5 raised by this late filing, is whether there would be
6 IRs out. And of course we would anticipate that there
7 would be IRs on that. We're not trying to exclude
8 questioning on that evidence by having it later in the
9 date here. And I think it also may be useful to
10 remind the Commission and staff, I think everybody's
11 aware of this, but you know, the issue about project
12 evaluation, although it's been bubbling out there for
13 some time, really only came to the fore in the VITR
14 hearing, which was really on the eve of filing the IEP
15 and the LTAP. It would have been desirable to have
16 been able to address this issue in the IEP LTAP
17 filing. It wasn't because it didn't become imperative
18 to do so at the time, in B.C. Hydro's submission. So
19 we don't unfortunately think there's a lot of leeway
20 we can make with respect to that issue.

21 THE CHAIRPERSON: Are you familiar enough with the
22 evidence that B.C. Hydro filed in the VITR proceeding
23 to comment on whether or not you see a broader scope
24 for the filing that you're proposing here than --

25 MR. CHRISTIAN: Absolutely. If you're referring to Mr.
26 Morris's evidence with respect to how the special

1 direction works, I'm familiar with that evidence. And
2 this evidence that B.C. Hydro would be filing isn't of
3 that technical nature. It is the policy kind of
4 determination issues that we would be putting forward.

5 **Proceeding Time 12:28 p.m. T40**

6 A few parties mentioned, including Mr.
7 Wallace, a desire to not have to file IRs at all. I
8 think through what is -- we described as the first
9 round of RRA IRs, that they would rather have to see
10 both the Commission Information Requests and our
11 responses to them before they file their questions. I
12 mean -- and yet that comment is made in the context of
13 the overall schedule that we've proposed generally
14 being okay, and I'll get to some of the specific
15 comments, and it seems to me that all that really does
16 is push out either the hearing, by a month, the extra
17 month required for the B.C. -- for the intervenors to
18 get their number of IR rounds in, or they're going to
19 have one less IR round. It seems to me that there's
20 consequences either way. We proposed this schedule,
21 and it was consistent with what the Commission
22 proposed, but it seems to be also expedient. And
23 frankly, we haven't seen that the number of IRs has
24 decreased. We've seen that the number of IRs has
25 increased. So we're not as persuaded that the --
26 there's a lot of value in getting a first round of

1 Commission IRs out before we have intervenor IRs. Not
2 that that's always the case, but it just hasn't been
3 reflected in the number of questions we've had to
4 face.

5 Moving specifically to the schedule, B.C.
6 Hydro is fine with the proposed changes made by
7 Commission staff, subject only to moving out the
8 response on the second round of IRs on the LTAP and
9 the project evaluation evidence to Wednesday, July 5th.
10 And I think that also addresses issues raised by Mr.
11 Weisberg and other parties here today with respect to
12 having a little bit more opportunity to see what has
13 been filed previously before they have to make their
14 decisions. So, to be clear, then, we understood that
15 item four would be pushed out to Monday, June 5th, that
16 works for us. That item six would be pushed back to
17 Thursday, June 22nd, and that also works for B.C.
18 Hydro, but those two comments are subject to items
19 eight and nine being moved out to Wednesday, July 5th.

20 Oh, and there was another important issue
21 that was raised by Mr. Wallace, with respect to B.C.
22 Hydro's filing of evidence, and that was one of the
23 bullet points under the list of things to be decided
24 after procedural comments, number two, and it wasn't
25 intended by that reference to indicate that B.C.
26 Hydro's going to be filing some new evidence. The

1 thought is that, you know, any new evidence would be
2 rebuttal evidence only, if necessary, or the type of
3 evidence in which pre-filed -- witnesses identify
4 themselves and identify the sections of the
5 application that they're responsible for.

6 THE CHAIRPERSON: In my -- I won't dare speak for Mr.
7 Wallace, but that may be acceptable to Mr. Wallace in
8 the context of his comments with respect to
9 qualifications, so if you're providing qualifications
10 of witnesses, identifying the witnesses, and what
11 those witnesses are going to speak to, that may be
12 distinguishable from evidence, and if you're thinking
13 that there may be evidence beyond just those items,
14 and I might -- my recollection is is that in times
15 past you have filed beyond just identifying
16 qualifications, and who's going to speak to what.
17 Then, I'd like to hear, I think, your submissions on
18 that. If you think there's merit in that, and then if
19 you want to leave that opportunity available to you,
20 then I think I'd like to hear that.

21 **Proceeding Time 12:30 p.m. T41**

22 There have been circumstances in the past
23 when Hydro's filed, you know, the pre-filed testimony
24 of its witnesses, and for clean-up purposes really I
25 think it's fair to say has added some additional bits
26 of evidence where it's apparent that there is a gap

1 either because of questions that intervenors have
2 asked or otherwise. I don't think it's been anything
3 more than an exceptional circumstance. I think B.C.
4 Hydro would -- well, I'm going to ask right now to
5 reserve a right to continue that practice of, you
6 know, using the opportunity of filing the direct
7 testimony to put on the record any clean-up type
8 evidence. But it really is meant to be that -- you
9 know, the application and the Information Requests
10 really are the body of evidence that, in the normal
11 course, B.C. Hydro relies on.

12 THE CHAIRPERSON: Right.

13 MR. CHRISTIAN: And excepting, again, the need for any
14 rebuttal evidence arising from intervenor evidence.

15 THE CHAIRPERSON: Which arguable is a different issue?

16 MR. CHRISTIAN: Yes.

17 THE CHAIRPERSON: It's almost as if a fifth bullet needs
18 to be considered after the procedural conference
19 number 2.

20 MR. CHRISTIAN: Right.

21 THE CHAIRPERSON: Right. Thank you.

22 MR. CHRISTIAN: Those are my comments, thanks.

23 THE CHAIR: Well, unless there are any other matters I
24 think this brings us to the end of the procedural
25 conference is there anything else I need to deal with
26 before we adjourn?

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Mr. Fulton?

MR. FULTON: I would ask, Mr. Chairman, I did circulate the Special Direction. That should be marked Exhibit A-2-2 in these proceedings.

THE CHAIRPERSON: Right.

THE HEARING OFFICER: Exhibit A2-2
(HERITAGE SPECIAL DIRECTION NO. HC2 TO THE BRITISH COLUMBIA UTILITIES COMMISSION MARKED EXHIBIT A2-2)

MR. FULTON: Thank you.

THE CHAIRPERSON: Thank you. Are there any other matters? We're adjourned.

(PROCEEDINGS ADJOURNED AT 12:32 P.M.)