

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.
August 1, 2006**

PROCEDURAL CONFERENCE

BEFORE:

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

VOLUME 3

APPEARANCES

G.A. FULTON	Commission Counsel
C. GODSOE J. CHRISTIAN	British Columbia Hydro and Power Authority
D. BENNETT	FortisBC
F. WEISBERG	Columbia Power Corporation
D. PERTTULA	Terasen Gas Inc., Terasen Gas Vancouver island Inc., Terasen Gas Whistler, Terasen Gas Squamish
S. BARRACLOUGH	EPCOR Utilities Inc
R.B. WALLACE	Joint Electricity Steering Committee
D. NEWLANDS	Elk Valley Coal Corporation
D. AUSTIN	Independent Power Producers of British Columbia
P. FELDBERG	British Columbia Transmission Corporation
R. PERCIVAL	Dokie Wind Energies Inc
J. JOHNSON	Cloudworks Energy Inc
S. EDMOND	Green Island Energy Ltd
C. WEAVER	Commercial Energy Consumers' Association of British Columbia
R. CARLE	City of New Westminster
J. QUAIL L. WORTH	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 C. MACKIE	Sierra Club Of Canada, B.C. Chapter; B.C. Sustainable Energy Association; and Peace Valley Environmental Association
A. WAIT	Himself
P. COCHRANE	Willis Energy Services Limited

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CAARS

VANCOUVER, B.C.

August 1, 2006

(PROCEEDINGS RESUMED AT 9:30 A.M.)

THE CHAIRPERSON: Please be seated. This procedural conference was established by Order G-59-06, which has been marked Exhibit A-5 in the IEP proceeding. We circulated an agenda last week, under cover of letter dated July the 27th, which has been marked Exhibit A-13 in the IEP proceeding. In response to that letter, B.C. Hydro filed a letter dated July the 28th which has been marked Exhibit B-14 in the IEP proceeding.

For the purposes of this procedural conference, you may find it helpful to have both of the letters, both the Commission letter and the B.C. Hydro letter. In addition, I understand that counsel have circulated a revised agenda, which I'll make one comment about, and it arises from the B.C. Hydro letter.

As an attachment to Exhibit A-13, the Commission circulated regulatory timetables. When making your submissions on the appropriate regulatory timetable, it may be helpful for you to make your comments in the context of the regulatory timetables that were circulated by the Commission. If they are useful in that regard, then they will have served

1 their intended purpose. And after hearing your
2 submissions and following this procedural conference,
3 the Commission panel will issue a regulatory timetable
4 or timetables.

5 **Proceeding Time 9:32 a.m. T2**

6 At the last procedural conference I
7 identified the staff that will be involved in this
8 proceeding and I won't do that again, but I will
9 mention the two lead staff, Ms. Eileen Chang is here
10 and Mr. Werner Krampfl is here as well and they are
11 here to assist you if you wish their assistance. Mr.
12 Fulton will be Commission counsel for today in this
13 proceeding or proceedings. The hearing officer is I'm
14 sure are known by all of you, Mr. Hal Bemister. For
15 this procedural conference Mr. Bemister, on a trial
16 basis, is providing an audio on-line broadcasting
17 service which we will consider sometime after this
18 proceeding for further use.

19 That's the extent of -- or those are the
20 extent of my opening comments this morning. I will
21 now ask for appearances. I am hoping that you have
22 the agenda that was circulated this morning. If you
23 have any revisions to make to that agenda it would be
24 helpful if you made them when you're making your
25 appearance. So with that, Mr. Fulton, if you can call
26 for appearances, we will begin.

1 MR. FULTON: Thanks, Mr. Chairman, and I have circulated
2 the revised agenda to everyone who was here before we
3 commenced the proceedings this morning. There are
4 extra copies at the back of the room for anyone who
5 arrived after I circulated the revised agenda.

6 In terms of appearances today, I propose to
7 call the appearances in the manner that I did at the
8 last procedural conference. I will call for
9 appearances in the IEP LTAP proceedings and when
10 parties enter their appearance, if they also could say
11 whether they're appearing in the RRA proceeding. As
12 was the case in May, there is a substantial
13 commonality between the two proceedings and that will
14 short circuit the number of appearances I'm hoping.

15 Having said that, then I'll begin with the
16 appearances. British Columbia Hydro and Power
17 Authority.

18 MR. GODSOE: Good morning, Mr. Chairman, members of the
19 Commission, Craig Godsoe for British Columbia Hydro
20 and Power Authority with respect to its 2006
21 Integrated Electricity Plan/Long-term Acquisition Plan
22 filing. With me today is Mr. Jeff Christian of Lawson
23 Lundell and Mr. Christian is B.C. Hydro's lead counsel
24 with respect to its F07/F08 Revenue Requirement
25 Application, and we have no amendments to the agenda
26 circulated earlier today.

1 MR. FULTON: FortisBC Inc.

2 **Proceeding Time 9:34 a.m. T03**

3 MR. BENNETT: Good morning. David Bennett for FortisBC,
4 and on both the applications.

5 MR. FULTON: Columbia Power Corporation.

6 MR. WEISBERG: Good morning, panel. Fred J. Weisberg,
7 appearing for Columbia Power Corporation in both the
8 IEP, LTAP and the RRA. And I have no additions,
9 although we will have comments throughout the agenda.

10 THE CHAIRPERSON: Thank you.

11 MR. WEISBERG: Thank you.

12 MR. FULTON: Terasen Gas, Inc.

13 MR. PERTTULA: David Perttula for Terasen Gas, Inc., and
14 my last name is spelled P-E-R-T-T-U-L-A. We don't
15 have any amendments to the agenda, and we're
16 intervenors in both applications.

17 MR. FULTON: EPCOR Utilities, Inc.

18 MR. BARRACLOUGH: Good morning. It's Shawn Barraclough
19 for EPCOR Utilities, representing it on both
20 applications, and we have no amendments.

21 THE CHAIRPERSON: Can you spell your last name for me,
22 please?

23 MR. BARRACLOUGH: I can. It's B-A-R-R-A-C-L-O-U-G-H.

24 THE CHAIRPERSON: Thank you.

25 MR. FULTON: Joint Industry Electricity Steering
26 Committee.

1 MR. WALLACE: R. B. Wallace, appearing on behalf of the
2 Joint Industry Steering Committee in both processes.
3 MR. FULTON: Elk Valley Coal Corporation.
4 MR. NEWLANDS: Good morning, Mr. Chairman, Commissioners.
5 David Newlands, on behalf of Elk Valley Coal and Elk
6 Valley Coal will appear in both proceedings. Thank
7 you, sir.
8 MR. FULTON: Independent Power Producers of British
9 Columbia.
10 MR. AUSTIN: David Austin, appearing on behalf of the
11 Independent Power Producers of B.C. We've intervened
12 in both proceedings.
13 MR. FULTON: British Columbia Transmission Corporation.
14 MR. FELDBERG: Good morning, panel. Peter Feldberg
15 appearing for British Columbia Transmission
16 Corporation on both applications. And I have no
17 changes to the agenda, either.
18 MR. FULTON: Dokie Wind Energy Inc.
19 **Proceeding Time 9:37 a.m. T04**
20 MR. FULTON: Dokie Wind Energy Inc.
21 MR. PERCIVAL: Ron Percival -- is this on? Ron Percival
22 appearing for Dokie Wind in both proceedings. Thank
23 you.
24 MR. FULTON: Cloud Works Energy Inc.
25 MR. JOHNSON: Good morning, panel. It's John Johnson of
26 Cloud Works Energy, just for the IEP and LTAP.

1 Thanks.

2 MR. FULTON: Green Island Energy Limited.

3 MR. EDMOND: Good morning, panel. Shawn Edmond, Green
4 Island Energy. We are intervenors in both
5 applications. We have no amendments to the agenda.

6 MR. FULTON: Commercial Energy Consumers Association of
7 British Columbia.

8 MR. WEAVER: Good morning. Chris Weafer appearing for
9 the Commercial Energy Consumers on both applications
10 and we're fine with the agenda as filed.

11 MR. FULTON: City of New Westminster.

12 MR. CARLE: Good morning, Mr. Chair. Rod Carle, that's
13 C-A-R-L-E, New Westminster. We also have Penny
14 Cochrane from Willis Energy with us today.

15 MR. FULTON: British Columbia Old Age Pensioners'
16 Organization *et al.*

17 MR. QUAIL: Good morning. Jim Quail appearing, and with
18 me is Ms. Leigha Worth, that's L-E-I-G-H-A W-O-R-T-H,
19 appearing in both applications.

20 MR. FULTON: Sierra Club of Canada, British Columbia,
21 Peace Valley Environmental Association, and B.C.
22 Sustainable Energy Association.

23 MR. ANDREWS: William Andrews, appearing for those three
24 organizations which I will refer to collectively as
25 SCCBC, and with me for today is Mr. Christopher
26 Mackie, M-A-C-K-I-E, who is an UVic Environmental Law

1 Clinic student. The groups have intervened on both
2 proceedings and we have nothing to add regarding the
3 agenda.

4 MR. FULTON: Allan Wait [phonetic].

5 **Proceeding Time 9:40 a.m. T5**

6 MR. WAIT: Alan Wait, A-L-A-N W-A-I-T. I'm intervening
7 only on the revenue review.

8 MR. FULTON: Is there anyone else here present this
9 morning whose name I have not called who wishes to
10 enter an appearance for the purposes of the record
11 today?

12 No response, Mr. Chairman. That concludes
13 the appearances for this morning.

14 THE CHAIRPERSON: Thank you, Mr. Fulton. On hearing no
15 revisions to the agenda, we will follow the agenda
16 that was circulated this morning and that will take us
17 then to B.C. Hydro.

18 MR. GODSOE: Thank you, Mr. Chairman. I'll be speaking
19 to the first bullet under issue one of the agenda
20 distributed earlier today, namely, first the timing of
21 the Section 71 filing of the F2006 Call Electricity
22 Purchase Agreements and, secondly, the timing of and
23 nature of B.C. Hydro's Amendments to the Long-term
24 Acquisition Plan, many of which flow out of the call
25 results.

26 Now, we'll be referencing a couple of

1 Information Requests in my submissions but I'm not
2 going to be asking, or I don't anticipate asking the
3 Commission panel to turn to those at this time.

4 So, Mr. Chairman, as you know, the
5 Commission approved in the 2005 Resource Expenditure
6 Acquisition Plan negotiated settlement in October 2005
7 certain targets for the F2006 call and those were
8 first 2,400 gigawatt hours per year of firm energy and
9 association non-firm energy with respect to large
10 projects, and 200 gigawatt hours per year of energy
11 from small projects, and by small projects I mean
12 those of less than 10 megawatts.

13 The fiscal 2006 call results were announced
14 on 27 July 2006. Thirty-eight projects were awarded
15 EPAs totaling approximately 7,000 gigawatt hours per
16 year of energy. So clearly the volumes accepted by
17 B.C. Hydro are larger than the negotiated settlement
18 targets.

19 Now, as B.C. Hydro has committed to do as
20 part of the negotiated settlement, a "full, reasoned
21 report on the evaluation process and outcome" of the
22 fiscal 2006 call will be filed with the Commission
23 together with the awarded EPAs. On 31 August 2006
24 B.C. Hydro will file the fiscal 2006 call EPAs
25 together with this evaluation process and outcome
26 report. That report will address, among other things,

1 the reasons why a volume larger than that anticipated
2 by the negotiated settlement was accepted by B.C.
3 Hydro. That report will also honour the negotiated
4 settlement commitment to "publish the after EPA award
5 the bid prices of all successful and unsuccessful
6 bidders" and B.C. Hydro will consult with stakeholders
7 concerning the manner that those bid prices will be
8 disclosed. Again, that was part of the negotiated
9 settlement.

10 Now, before I leave the topic of the F2006
11 call filing, I did want to draw the Commission panel's
12 attention to a provision found in both the large EPA
13 and small project EPA and that is Section 3.1.
14 Section 3.1 provides that a successful bidder may
15 terminate the EPA if within 120 days after the
16 effective date the Commission has not accepted the EPA
17 for filing as an energy supply contract pursuant to
18 Section 71 of the *Utilities Commission Act* and with an
19 effective date of 31 August 2006, that 120 day period
20 would expire on 29 December 2006.

21 I think it's important for the Commission
22 panel to understand the rationale behind the 120 day
23 period and the importance of making every effort to
24 accept these EPAs for filing within that time period.

25 It was necessary to specify an outside date
26 for the EPAs for the satisfaction of the regulatory

1 review period for a couple of reasons. First, bidders
2 and their lenders require certainty of timing.
3 Second, bidders need to know whether they have an
4 effective contract or not. Now, bearing in mind in
5 determining the appropriate outside date for
6 satisfaction of the regulatory review period, bidders
7 have been asked to hold their prices firm since the
8 submission of their tender and in the context of the
9 F2006 call that was on 7 April 2006. So with an
10 expiry of that period on 29 December 2006, it's B.C.
11 Hydro's submission that there's been a considerable
12 period of time for bidders to have to hold their
13 prices firm, particularly in a market such as this
14 where construction costs are going up.

15 **Proceeding Time 9:45 a.m. T06**

16 Just in concluding on the 120-day period,
17 B.C. Hydro was attempting to strike a balance between
18 sufficient time for Section 71 review on the one hand,
19 while trying to address legitimate bidder concerns
20 about a lengthy regulatory review period on the other.

21 Now, if there's no questions, then I'm
22 going to move to the second part of the first bullet,
23 which is the nature of the amendments to the LTAP.

24 THE CHAIRPERSON: It would be useful, Mr. Godsoe, if I
25 had an opportunity to review the NSP with you. Has it
26 been filed in this proceeding?

1 MR. GODSOE: It has. It's found in -- let me just find
2 that. It's Appendix C to the Integrated Electricity
3 Plan filing, I believe that's in Exhibit B1-B.

4 THE CHAIRPERSON: Can you take me to the references that
5 you made to it?

6 MR. GODSOE: Yes. The first reference I made was found
7 on page 8 of 11.

8 THE CHAIRPERSON: 8 of 11?

9 MR. GODSOE: Yes. So you have to turn to Appendix C --

10 THE CHAIRPERSON: Yes.

11 MR. GODSOE: -- and you'll find the 2005 REAP NSP.

12 THE CHAIRPERSON: Yes.

13 MR. GODSOE: And then at the bottom of that, you'll see
14 page 8 of 11.

15 THE CHAIRPERSON: Oh. Yes. Thank you.

16 MR. GODSOE: And item number 6 is disclosure of price
17 data. And that -- let me just quote that.

18 "B.C. Hydro will publish on its website
19 after EPA award the bid prices of all
20 successful and unsuccessful tenders. The
21 intention is to provide sufficient
22 information to allow stakeholders to
23 understand the outcome of the F-2006 call,
24 evaluation and basis of the awards.
25 However, the specifics of how bid prices
26 will be disclosed requires further input

1 from independent power procedures and
2 stakeholders."

3 THE CHAIRPERSON: Okay.

4 MR. GODSOE: Now, I also referenced the call size, and
5 that's on page 7 of 11, item number one. And that
6 lays out the targets that I referenced for both large
7 projects and small projects. And there you'll see the
8 2,400 gigawatt hours per year for firm electrical
9 energy from large projects, and the 200 gigawatt hours
10 per year of electrical energy from small projects,
11 those being less than 10 megawatts in size.

12 THE CHAIRPERSON: Okay. Thank you. Is it your
13 interpretation of the NSP that it requires that the
14 Section 71 review of the EPAs be part of this
15 proceeding?

16 MR. GODSOE: Is it my interpretation -- no, I don't think
17 the negotiated settlement speaks to that at all. Our
18 initial position is going to be, through the filing of
19 the report, that these awards are both cost-effective
20 and necessary in light of the increased energy demand
21 that we'll show -- which I'm going to get to shortly
22 in the LTAP amendments. So there's an increased gap,
23 load resource gap, and our position is because of
24 that, increased volumes were necessary, and that all
25 the awards are cost-effective.

26 THE CHAIRPERSON: Right. And do you -- can you now --

1 and this may be premature, because you're not filing
2 until the end of the month, but can you give me some
3 sense as to the review process that you anticipate for
4 this section Section 71 filing?

5 MR. GODSOE: Well, Mr. Chairman, we would like to hear
6 from intervenors on that issue. I think we propose
7 that the Section 71 report be filed, and at a maximum,
8 perhaps, a written Information Request process and
9 then those EPAs be accepted for filing. But we can
10 speak to that more as part of Item 3 once we've heard
11 from intervenors.

12 THE CHAIRPERSON: Okay, thank you.

13 **Proceeding Time 9:50 a.m. T7**

14 MR. GODSOE: Turning now to the timing of and nature of
15 amendments to the LTAP filing, again on 31 August
16 2006, B.C. Hydro will file certain amendments to the
17 LTAP to address, among other things, the following.

18 First, as I had foreshadowed in response to
19 a question, Mr. Chairman, a revised Section 8.3 to
20 show the updated load resource gap, taking into
21 account the F2006 call results.

22 Second are a couple of issues with respect
23 to Revelstoke Unit 5, and I must underline, these are
24 all subject to B.C. Hydro Board of Directors approval,
25 and the B.C. Hydro board isn't meeting till the end of
26 this month on this issue. First would be a revised

1 Revelstoke Unit 5 CPCN filing date, and we're
2 anticipating that will now move to early January 2007.
3 And second are two issues that arise out of
4 information requests asked by the B.C. Old Age
5 Pensioners, and they are 1.54.1 and 1.54.2, and those
6 requested respectively an updated cost estimate of
7 Revelstoke Unit 5 and an updated unit capacity cost
8 value for Revelstoke Unit 5 in light of that updated
9 cost estimate. So we would file those revised
10 responses at the same time as these amendments to the
11 LTAP.

12 Third is a micro-hydro low displacement
13 tube project which is described at page 8-14 of the
14 LTAP. In response to BCUC Information Request
15 2.368.1, which asked when B.C. Hydro anticipated
16 submitting an application to the Commission seeking
17 approval of this new micro-hydro LD2 project, B.C.
18 Hydro stated that it would file that application in
19 July 2006. It is now proposing to file that
20 application as part of the LTAP amendments on August
21 31, 2006. Consequently the order set out in Section
22 8.2 of the LTAP would be amended to request a
23 determination in respect of the proposed \$800,000
24 incentive with respect to this small micro-hydro
25 project, and we would also file a description of that
26 project and some rationale supporting our

1 determination request.

2 And if there are no questions, those
3 complete my initial submissions.

4 THE CHAIRPERSON: Thank you.

5 MR. CHRISTIAN: Good morning, Mr. Chairman, Commission
6 Panel. I'm going to speak to the second bullet under
7 the first agenda item, namely the evidentiary cutoff
8 date and evidentiary update re the fiscal 07 fiscal 08
9 revenue requirements application of B.C. Hydro.

10 B.C. Hydro has proposed to file an
11 evidentiary update to its application and it's
12 indicated that it would file an update of its revenue
13 requirement application dealing with any updated
14 forecasts of the costs of energy, changes arising from
15 the finalization of fiscal 2006 financial statements,
16 and evidence regarding the recent reorganization, the
17 internal reorganization within B.C. Hydro. In B.C.
18 Hydro's view, that evidentiary update would also mark
19 the evidentiary cutoff date that's suggested here in
20 the second bullet.

21 The issue really for Hydro, I think, is
22 one of timing and when the evidentiary update would be
23 filed. B.C. Hydro is able to file an evidentiary
24 update that deals with the issues I've just mentioned,
25 within 30 days, except for one point, one kind of
26 partial exception if I can, and that's the effects on

1 the cost structure of the organization arising from
2 the reorganization. The reorganization is being
3 currently -- the implementation is being finalized as
4 we speak. B.C. Hydro is not expected to be able to
5 restate its budgets entirely, completely, until
6 October, early October, and we have a target date for
7 October 9th. So an evidentiary update that provided a
8 full explanation of the cost implications of the
9 reorganization wouldn't be available till then. B.C.
10 Hydro has already stated on the record that it
11 believes that the overall revenue requirements will
12 not change as a result of that reorganization, but at
13 this stage of the evidence and they are on the record
14 to support that assertion.

15 We do however anticipate that within 30
16 days, although we can't do the full -- a full kind of
17 assessment, we may be able to provide a best effort,
18 if you will, so we really have, you know, a 30 day
19 from today to get an evidentiary update that does
20 everything but the full implications of the reorg, or
21 another effectively five weeks after that to deal with
22 a more quantitative assessment of the reorganization
23 changes.

24 THE CHAIRPERSON: Which takes us to October '09.

25 MR. CHRISTIANSON: Right. October 9, that's right.

26 THE CHAIRPERSON: October 9, sorry. Okay. Thank you.

1 I think I'll hear from the intervenors, unless you
2 have another suggestion, in the order of appearance.
3 I'll have you call the intervenors, Mr. Fulton.
4 MR. FULTON: Thank you, Mr. Chairman. FortisBC.
5 MR. BENNETT: Thank you. FortisBC doesn't take a
6 position at this time.
7 MR. FULTON: Columbia Power Corporation.
8 MR. WEISBERG: Just a clarification, Mr. Chairman. At
9 this time, you're looking for intervenor comments only
10 on agenda item one?
11 THE CHAIRPERSON: No.
12 MR. WEISBERG: We're moving to two.
13 THE CHAIRPERSON: Yes.
14 MR. WEISBERG: Okay. In that case, I'll take the three
15 headings there separately. In terms of consolidation
16 of the RRA and the EIP and LTAP, Columbia Power
17 Corporation would support a consolidation and believe
18 that the approach identified by Commission staff in
19 terms of a two-phase hearing makes a great deal of
20 sense, particularly if it's broken down as described,
21 that the elements of the RRA to the extent that they
22 can be identified that really have a substantial
23 connection to the IEP and LTAP be heard together. And
24 to assist you, looking at the proposed regulatory
25 timetable A, which sets out that proposal, Phase 1 and
26 Phase 2, so we would very much support that approach.

1 In terms of the second item, whether there
2 would be a negotiated settlement process for the RRA,
3 again, we would support that, although we don't expect
4 to be a lead champion of that approach, but if there
5 was a negotiated settlement process, CPC would take
6 part.

7 The only other comment I have about that
8 arises, I guess, from the discussion of the timetable
9 already this morning. That target date for the NSP
10 appears in timetable C and currently it's contemplated
11 that it might be held August 28th to 31st. I believe in
12 light of comments from B.C. Hydro counsel about the
13 LTAP amendments and the timing of the filing of those,
14 and the possibility that there may yet be Information
15 Requests dealing with that -- I'll address that
16 further in a minute. But I think that the timing of
17 the NSP, given the filing of these amendments, is a
18 bit too soon. I think it should properly follow
19 whatever process we set out to deal with the
20 amendments and, at the very least, follow the filing
21 of the amendments themselves.

22 Then, under the third item of intervenor
23 submissions, CPC in the IEP proceeding has filed,
24 recently filed a motion for further responses to
25 Information Requests. A response to that motion has
26 been filed by B.C. Hydro in Exhibit B-10-2. For Hydro

1 counsel, if at some point you can amend the date of
2 that letter, it was dated June 21st, but I believe the
3 correct date was July 21st. And within that, Hydro has
4 indicated that they will indicate some time today
5 about when the expected timing of a new reference
6 price would be available.

7 **Proceeding Time 10:00 a.m. T9**

8 That would be incorporating the results of
9 the 2006 call. We take the position that that's
10 reasonable, that some amount of time has to pass for
11 them to put that together, but if they could indicate
12 today that would be helpful. And as for the remainder
13 of the motion by CPC, we're satisfied for the time
14 being with B.C. Hydro's response. We don't request or
15 expect any further action by the Commission on that
16 motion. Any other concerns we have we intend to
17 address through the course of the hearing in cross or
18 argument.

19 THE CHAIRPERSON: What you're looking for from B.C. Hydro
20 is a date for the new reference price?

21 MR. WEISBERG: Quite right.

22 THE CHAIRPERSON: Okay.

23 MR. WEISBERG: The -- still on other process and steps,
24 if we look to the proposed timetables again, there are
25 before you proposals for two alternative dates for
26 intervenor evidence being filed in the IEP and LTAP,

1 those being timetable A, August 21st, and timetable C,
2 September 5th

3 Again, in light of the contemplated
4 amendments that would be filed by Hydro, and the
5 evaluation report, those two pieces of information, we
6 submit, are going to be important for intervenors to
7 have reviewed before they file their evidence. And I
8 think that it's clear why that should be the case. So
9 the 21st, as contemplated in timetable A now falls ten
10 days before the intended filing date so we would
11 suggest that needs another look. The September 5th
12 date, again, that's an alternative for a filing
13 deadline for intervenor evidence and that appears in
14 timetable C.

15 Again, that is going to be very tight given
16 the intended filing date of the 31st for the additional
17 information and the fact that there is a long weekend,
18 I believe, intervening in that period.

19 I won't propose a specific alternative date
20 for intervenor evidence. We would have some
21 flexibility there and would leave it in the panel's
22 hands to hear from other intervenors and, of course,
23 the applicant, and find some compromise, but we would
24 ask that you take into consideration the filing date
25 of the pieces yet to come and a reasonable amount of
26 time for that to be absorbed before intervenor

1 evidence was due.

2 My last comment then on other process steps
3 is something that Hydro itself, and to their credit
4 identified in their letter of July 28th, and that's
5 whether it will be appropriate for a further round of
6 information requests. Again, primarily going back to
7 the fact that there is two significant pieces yet to
8 be filed on August 31st and to be fair to all, we
9 didn't -- no one, I think, expressly contemplate that
10 would be the case, or at least that date would be the
11 deadline. So we would ask again in the schedule that
12 you consider an amendment to that to provide for a
13 further round of information requests and from our
14 point of view at least they could be limited to
15 whatever arose from the first round, properly arose
16 from that, and these two new pieces, the evaluation
17 report and the amendment.

18 And again, we have no proposed alternative
19 date, but would ask you to consider submissions of
20 other parties and try, if you can, to insert that.

21 THE CHAIRPERSON: Thank you.

22 MR. WEISBERG: Thank you.

23 MR. FULTON: Terasen Gas Inc.

24 **Proceeding Time 10:05 a.m. T10**

25 MR. PERTTULA: Terasen Gas just has a few comments. On
26 the three items there, under intervenor submissions,

1 on the issue of consolidation, we don't have a strong
2 view one way or the other. However, if the negotiated
3 settlement is to happen on the revenue requirement
4 application, that would sort of lean us slightly in
5 favour of keeping the two separate. But I think it --
6 that you can still have a negotiated settlement on the
7 revenue requirement application even if there's a
8 consolidation.

9 In general, Terasen Gas would favour any
10 process amendments that streamlined and keep the
11 regulatory process shortened and as much as possible
12 running smoothly. I think I've already mentioned that
13 as far as the negotiated settlement is concerned, we
14 would support an NSP process for the revenue
15 requirement application. The timetables, I think,
16 have to be adjusted somewhat given the submissions of
17 B.C. Hydro on both applications, and particularly I
18 would just echo Mr. Weisberg's comments about the
19 negotiated settlement process particularly needing to
20 be moved back, and also certainly some of the other
21 dates as well.

22 I think that's really all that Terasen Gas
23 has at this point. Thanks.

24 MR. FULTON: EPCOR Utilities Inc.

25 MS. BARRACLOUGH: EPCOR has no position at this time on
26 the consolidation or the NSP process. We're happy

1 with any of the timetables that are proposed, and I
2 think given the changes people have suggested. I
3 would like, just on the other issues, to mention that
4 we would certainly support the F-2006 call contract
5 process being concluded within the 120 days set out in
6 Section 71 and not being impacted by this process.

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

9 MR. WALLACE: Thank you. Mr. Chairman, the Joint
10 Industry Electricity Steering Committee has looked at
11 the three schedules that were attached to the Order
12 and doesn't find that any of them will work for a
13 variety of reasons, including those that have already
14 been raised. I have prepared, not an alternate
15 schedule, and I want to explain it before I pass it
16 forward, but a schedule of what the IEP and RRA
17 proceedings would look like if norm -- roughly normal
18 time frames were put in place and the normal steps
19 that this Commission has been utilizing in previous
20 hearings were put in place. And I do that, again,
21 because I'm going to suggest to you that, while you
22 might quibble with some of the dates and a week here,
23 a week there, whatever, this shows what this
24 Commission has been found to be reasonable in the past
25 for similar proceedings of similar complexity.
26 Anything less, in my submission, would be an expedited

1 proceeding and I would ask you to ask yourself on what
2 basis does B.C. Hydro deserve an expedited hearing in
3 this matter, given the delays.

4 That being said, I think we all want to see
5 a hearing carried out as quickly as is fairly
6 possible, because as we raised in the pre-hearing
7 conference, approving rates after the money's been
8 spent is closing the gate after the horse is out of
9 the stable. It simply is not as effective regulation.
10 Anything significantly less than what is suggested
11 here in our submission is regulatory stampede, and
12 that was a topic that came up in the last pre-hearing
13 conference. It's the fear of those intervenors who
14 are going to participate actively in this proceeding.

15 **Proceeding Time 10:10 a.m. T11**

16 Undoubtedly some people are going to
17 proceed -- or, participate in this proceeding at a
18 very low level and they couldn't care if they had to
19 file intervenor evidence tomorrow. They're just not
20 going to file it. But those of us who are considering
21 it care very much about what dates you set.

22 Mr. Chairman, I'd like to sort of go
23 through this from the start up to the end, and I know
24 you'll have already seen that the commencement of the
25 RRA is January 8th, and that's frightening to all of
26 us. So I acknowledge that, but I don't think that

1 takes away from the consideration of the process so
2 that when this is compressed we look at it, and if
3 we're going to compress it we do it in a reasonable
4 and a fair way.

5 The first item is intervenor follow-up IRs
6 in the RRA process. Obviously they're not needed in
7 the IEP process. I have there August 22nd. That may
8 seem a little longer than normal but 5,600 pages of
9 material were filed the other day. It is a lot of
10 material.

11 Second is the update of the LTAP, August,
12 and also I might mention that we are doing this whole
13 process in the summer when it's hard to find people
14 and get things done. A little deep compression
15 happens at that time. The update of the LTAP, August
16 31st it's coming in. It's going to be a very
17 significant update. We are talking about one and a
18 half times a Site C. We're talking about capital
19 expenditures B.C. Hydro said could top three and a
20 half to four billion dollars in support of this. It's
21 great to see Hydro -- they're acquiring resources, we
22 believe they're needed, but that shouldn't downplay
23 the significance of the update of the LTAP.

24 The update of the RRA, August 31st for the
25 main part of it coming forward, again could be
26 significant. Then I've got September 5th for a

1 response to follow up IRs. That's two weeks after the
2 intervenor IRs. That may or may not be enough. IRs
3 on the LTAP updates, put that for September 11th and
4 same for the RRA updates. Again I think they're
5 important. That's only a week with a long weekend, I
6 think, flowing in there, or a little over a week.
7 B.C. Hydro response to the LTAP and RRA IRs, two weeks
8 later, a normal type of procedure.

9 After that, on October 9th and it's not in
10 here, comes the B.C. Hydro reorganization update.
11 We're told that it won't have any consequence on the
12 revenue requirement if it doesn't. I'm not quite sure
13 why we're doing it, but it is there. It is a
14 significant reorganization and it has to at least be
15 noted.

16 I next have a negotiated settlement process
17 for both, and that's quite deliberate. It's after the
18 completion of the IRs, after time for consideration of
19 them, and prior to the filing of intervenor evidence.
20 And again it's deliberate and I'm going to come back
21 and talk a little more about the NSP, but suffice it
22 to say that the JIESC supports it.

23 We then have intervenor evidence on October
24 11th would be normal. It doesn't follow the week after
25 the NSP because everybody during the NSP is clearly
26 focused and then makes their adjustments. Hopefully

1 again, I think, demonstrated simply to say what would
2 happen if a normal process was followed.

3 Issue definition process and then I think
4 given the IEP possibility of overrun, et cetera, I
5 just thought you're into Christmas and through it into
6 the New Year, and again I stress that this schedule
7 wasn't one we're proposing because we'd like to see
8 some compression, but we also want to be sure that we
9 don't get burned by that compression. We are in the
10 middle of the summer period right now. People are
11 away on holidays. They can't possibly read all those
12 responses, get instructions, prepare evidence, get it
13 approved by clients, and file on August 21st. I mean
14 that just -- there is no way. September 5th is no
15 better. Earliest intervenor evidence I would suggest
16 could be filed, and it would be substantial
17 compression, would be late September, and that would
18 require the cooperation of B.C. Hydro in terms of more
19 responsive answers to follow up IRs, and by the way I
20 don't necessarily fault Hydro in lack responsiveness.
21 When you have the number of questions they have, the
22 complexity of the application the way it was filed, I
23 think there is a real tendency to rush like mad, grab
24 whatever you can, throw it in and say that's an
25 answer, and we'll take a look, and if it doesn't fly
26 we'll deal with it the next round. I don't -- it just

1 -- to me that's perfectly natural. It's an outcome of
2 what's happening in the way things are working right
3 now and I'm going to come back to that too.

4 We're also -- so we need some ability to
5 follow up IRs and Hydro suggested we talk to them and
6 try and tailor the questions and responses before we
7 come to the Commission crying foul and we're prepared
8 to do that. We also need more leniency on behalf of
9 the Commission in the hearing to cross-examination on
10 IRs that aren't followed up in the IR process. There
11 are IRs that simply asking another question doesn't
12 get the answer to it and those, in many cases, are
13 self-evident to counsel and are just marked let's deal
14 with that in cross. Unfortunately there's been a
15 tendency on behalf of the Commission that if you
16 didn't follow up on IRs in the IR process it maybe
17 limits on what you can do in cross-examination, and if
18 we want to move this ahead and reduce the rounds of
19 IRs then we have to be able to follow up in cross-
20 examination and it's just absolutely essential.

21 Turning then with respect to consolidation,
22 I thought I understood what consolidation was about
23 the first time. I'm not so sure when I saw the
24 schedules and it -- we are clearly in favour of
25 phasing of the hearing and that is helpful but having
26 looked at the schedule and looked at the -- where

1 consolidation moves material from the RRA process
2 forward into the LTAP IEP process gives us grave
3 concerns. The information is the most fresh, as I
4 say, 5,600 pages or something from the IRs a week ago,
5 a lot of that relates to the LTAP. We're going to
6 have more information coming forward in the LTAP. The
7 IEP part of the hearing is pretty well defined. It's
8 been out there a lot longer. People have had a lot
9 more time to look at it. We've had IRs. That process
10 is complete, so my submission is that we deal with it,
11 whether you call it consolidated or phasing, you do
12 the IEP, LTAP -- or IEP LTAP as originally filed. You
13 don't move any material forward from the RRA because
14 that's fresh material still under examination. You
15 have a break between the two proceedings and then you
16 proceed with the RRA proceeding, assuming these things
17 aren't settled, and hopefully they may be.

18 **Proceeding Time 10:20 a.m. T13**

19 And there should be only one argument to
20 follow both phases, so that the evidence in one can be
21 argued in the other, and we don't have those issues
22 about, well, if you wanted to raise that you should
23 have raised it in the other proceeding. And that's
24 what we want to avoid the most.

25 With respect to a negotiated settlement
26 process, the JIESC strongly supports that process. It

1 has worked very well in British Columbia for a large
2 number of years. It's a better process for balancing
3 the needs of the applicant and the intervenors than
4 the hearing process -- if it works. And it gets
5 greater satisfaction with outcomes from both sides, in
6 the matters that are most important -- or, from all
7 sides -- the matters that are most important are built
8 into the settlement and it is definitely our
9 preference. It's a lower-cost process than the
10 hearing process, and having all of these people in
11 hearings for an extended period, through cross-
12 examination. It should, as I suggested, be built into
13 the process as one step in the way, just into the
14 total process, so that we know if we don't get a
15 settlement we all move on, we're all getting prepared
16 because we know that what follows very closely
17 thereafter is a hearing, and filing of evidence, so
18 you don't put things off and see what comes out of it.

19 In our view, it will almost certainly
20 reduce hearing time and costs, whether it settles all
21 issues or not, or whether it just becomes a very good
22 discovery process so that people tailor positions in
23 the hearing, so that they will work better for the
24 other side and a consensus is reached.

25 Mr. Chairman, as far as the Section 71
26 review goes, the JIESC is delighted to see the level

1 of response to the call for tenders. We need more
2 energy, and we're pleased to see Hydro proceeding to
3 acquire it. That being said, we don't know any of the
4 details or merits yet, but would hope that, whatever
5 the outcome is, it's dealt with quickly. It costs --
6 we recognize it costs money for the IPPs to be out
7 there and holding their bids, and it's good to get
8 work started. So, it will -- we'll have to await, I
9 guess, seeing the detailed application, but the better
10 that is, and Hydro sounds like it's going to talk to
11 both the IPPs and the intervenors, the better we'll
12 all be, and hopefully we'll have a quick process.

13 One final matter I'd like to raise with
14 particular emphasis on this proceeding, or these
15 combined proceedings, is what the JIESC, at least,
16 perceived -- perceives as information overload. It
17 appears -- well, it appears, and maybe there's no
18 doubt, the process has been swamped in paper and in
19 our submission in danger of sinking. The IEL -- IEP
20 LTAP is over 7,000 pages. The RRA is approximately
21 8,100 pages, over 5,600 of which were filed in Exhibit
22 B-11 on July 26th, less than a week ago. It -- and I'm
23 sure you've been into some of that material. It is
24 hard to read, it is hard to coordinate across items, I
25 think Hydro's made a best effort, but finding the
26 jewels in there, it's a big haystack, and one is

1 looking -- it takes a lot of work. We believe that
2 there are a number of causes, and we believe that it's
3 not probably for this process, because we're into it,
4 but if people see something that can be done now, that
5 would be great. But something that really, really has
6 to be addressed before the next major proceeding
7 before this Commission. In this case, it's going to
8 bog down the hearing, but I'm sure we'll all push
9 through it somehow. We believe that it is part caused
10 by a poorly-presented application, it was a huge
11 application, but a lot of the information was not
12 relevant to the key items and, more importantly, there
13 were major difficulties in consistency of data, due to
14 reorganizations. That was a problem when we did the
15 last RRA proceeding, and we're -- we went into that
16 proceeding saying, "Okay, it's been ten years, there
17 have been big changes, this is inevitable." We were
18 very disappointed to see that sort of thing happen
19 again.

20 There have been a lot -- and possibly
21 excessive and unnecessary IRs. I think there's a
22 responsibility on all of us to maybe do a better job
23 of vetting the questions. If we really got our best
24 answer to that question, would it help the process or
25 not? And it's our submission that that -- we've all
26 got to pay more attention to that.

1 **Proceeding Time 10:25 a.m. T14**

2 And then I there was the pressure on B.C.
3 Hydro which led, in my submission and I mentioned it
4 earlier, hurried and unresponsive responses; responses
5 that either contained too much and unnecessary
6 information, or too little useful information that
7 didn't really, again, look and say, well, really what
8 are they trying to get at here? We know our data
9 better than they do and here's what we can do to make
10 it more available.

11 As I say, Mr. Chairman, it is a process
12 that I think -- something has to be done, I think,
13 that the Commission, the utilities and the intervenors
14 need to work together to address before we get into
15 another major hearing, because this is raising the
16 costs of the hearings to the utilities, to the
17 intervenors, to the Commission, and not necessarily
18 leading to better outcomes.

19 That concludes my comments. If there are
20 any questions.

21 THE CHAIRPERSON: I hesitate to take you back to your
22 schedule, but I want to confirm with your intention
23 with respect to providing the schedule to us. From
24 what I understand from your comments, it's been made
25 available to us to establish a point of reference, if
26 you will, with respect to what the proceeding would

1 look like if we followed some established conventions
2 of the Commission.

3 MR. WALLACE: That's correct.

4 THE CHAIRPERSON: Let me ask the question: Does the
5 nature of this proceeding, and I think in the context
6 of the point of time in which we find ourselves, does
7 the nature of this proceeding suggest to you that
8 compression is preferred to this schedule? You're
9 hesitant to identify the compression but that you
10 think there should be some compression? Or is it your
11 preference that in fact it followed a schedule similar
12 to this?

13 MR. WALLACE: I think there can be some compression. I
14 think --

15 THE CHAIRPERSON: The question really -- maybe I didn't
16 word it very well. The question is, should there be?

17 MR. WALLACE: That's very tough in the sense of how much
18 can you gain by putting in the compression? And I
19 think we can gain some efficiency, so I think we
20 should make every effort even now, even though we're
21 in this process, even though we have 15,000 pages or
22 whatever it is on the record already, that we should
23 do everything we can to compress it. Not for speed as
24 much, because we probably can only compress three or
25 four weeks out of it anyway, unless we get an NSP that
26 works, and that I guess would be my largest hope,

1 frankly. And I don't think that's an unrealistic hope
2 on the RRA. I'm not -- because we're not as involved
3 in the issues as the IEP, I'm not in as good a
4 position to judge that. But I think there's something
5 that can be done there.

6 The other area that I think quite a bit can
7 be done is on follow-up IRs. We absolutely need them.
8 But if we work with B.C. Hydro to make sure those are
9 minimized and then we get the responsive answers, and
10 if there's more leeway than there traditionally has
11 been on cross-examination of items that were left in
12 IRs, then I think there's room, if not for compressing
13 the time, at least making sure the record doesn't
14 continue to bloom the way it has.

15 THE CHAIRPERSON: Let me ask you, if we conclude that
16 there should be some compression from the schedule
17 that you've provided, is there a decision date that
18 you think we should try to accomplish?

19 MR. WALLACE: Well, I would -- I mean, one, there's this
20 reorganization going on and I'm hoping it'll save
21 money, not just be neutral. But clearly we're now in
22 August. They are not going to be able to deal -- the
23 money is probably spent for most of this year, but --
24 so I guess -- actually I don't think that's going to
25 answer the question. Sorry.

26

Proceeding Time 10:30 a.m. T15

1 I don't think you should make a decision
2 date the factor. They filed late, we have a process.
3 If we're going to have a meaningful review of the
4 application, we have to do it in the most efficient
5 way possible, and we urge that.

6 But to say that if you set -- I'm going to
7 have a decision -- you know, we're going to have a
8 decision out by December 1st, January 1st -- I mean,
9 that would be huge compression, probably more than
10 could be achieved -- there's a real fear that there
11 will be -- it will become a stampede to rubber-stamp
12 the application, because that's the 15,000 pages
13 you've got. Consideration is probably what disappears
14 if you push too hard. So we urge you to push for
15 efficiencies where they can be achieved, but not to
16 stampede the application.

17 THE CHAIRPERSON: Well, let me repeat the question with a
18 thought for you to consider. If we were to follow
19 your proposal with respect to the commencement of the
20 RRA hearing, it may be that it's then reasonable to
21 anticipate that there wouldn't be a Commission
22 decision on the revenue requirements until into F08,
23 and maybe, you know, a couple of months into F08.

24 MR. WALLACE: I would hope it wouldn't get delayed that
25 far. I don't anticipate a long hearing. I don't
26 think this has the risk of exploding, say, like VITR

1 did, where there were competing applicants, a large of
2 number of intervenors. When it actually gets down to
3 cross-examining and raising issues on a revenue
4 requirements application, they're pretty dry and it's
5 limited to the Commission staff and a very limited
6 number of intervenor parties. I don't see the hearing
7 part going more than a couple of weeks. Again, I may
8 be wrong -- I don't see the IEP going very long. I
9 think those time deadlines, frankly, put a lot of
10 pressure -- to the extent they are there, put a lot of
11 pressure on the NSP to get this resolved, get it out
12 of the way. They've put it on the intervenors, and
13 they've put it on Hydro, and I -- I put a lot of
14 weight in the NSP.

15 THE CHAIRPERSON: Thank you, Mr. Wallace.

16 MR. WALLACE: Thank you.

17 MR. FULTON: Elk Valley Coal Corporation.

18 MR. NEULANDS: Thank you, Mr. Chairman. As I sit and
19 listen to this, I wonder if you don't need a
20 negotiated settlement process to settle the timetable,
21 let alone anything else.

22 Elk Valley Coal was very mindful of EPCOR's
23 remarks as well as the JIESC's remarks, with regard to
24 the Section 71 and the timing thereof. In some ways,
25 it could be said that maybe Section 71 is behind the
26 times, in the sense that when that Section was put

1 into place, the Commission did not have a competitive
2 bidding process in front of it. It now does. I think
3 when the Commission gives consideration as to what
4 it's going to do vis-à-vis Section 71, the Commission
5 wants to remember, as it probably will in any event,
6 that there's an environmental assessment process that
7 runs parallel to this process. So to the extent there
8 are issues that could be dealt with, it may well be
9 that they should be dealt with in the environmental
10 assessment process.

11 Turning -- coming back to the proceedings
12 itself here, Elk Valley Coal would very much encourage
13 a negotiated settlement, particularly with regard to
14 the revenue requirements application. One needs to
15 bear in mind that we're probably consuming hundreds of
16 thousands of dollars of money in this proceeding,
17 which is a lot of money by any count. Any
18 initiatives, if it is considered there's problems with
19 the existing processes, that can be taken should be
20 taken now, to speed up or make the process more
21 efficient, as that's what the Commission deems
22 appropriate -- as opposed to putting it all off for an
23 extended period of time.

24 Elk Valley Coal would like to see the
25 process brought to a conclusion as soon as possible.
26 That said, one believes that you need the full amount

1 of information before you before you can do that. And
2 it would seem to me that B.C. Hydro's updated filings,
3 at the least they're required before one could have a
4 negotiated settlement process.

5 **Proceeding Time 10:35 a.m. T16**

6 When one contemplates a negotiated
7 settlement process, one looks ahead of reducing
8 expenditures for other processes. So in that sense,
9 if there can be some kind of reasonable gap between a
10 negotiated settlement process and the start of a
11 formal proceeding, that would tend to perhaps reduce
12 the accumulation of consulting and legal expenses. So
13 those would be the comments. Thank you. Thank you.

14 MR. FULTON: Independent Power Producers of B.C.

15 MR. AUSTIN: Good morning, members of the Panel, Mr.
16 Chairman. With respect to the agenda, the IPPBC is in
17 favour of the consolidation of the RRA and the IEP and
18 LTAP, provided that there is a sufficient gap between
19 the two so that the IPPBC can properly prepare for the
20 second application, whether it's the LTAP or the RRA.
21 It really doesn't matter to the IPPBC which one goes
22 first.

23 The IPPBC supports in part Mr. Wallace's
24 comments about not wanting a regulatory stampede. The
25 IPPBC appreciates that there has to be some sort of
26 compression. It would prefer not to have this

1 compression. It would have preferred to have B.C.
2 Hydro file its application when it was supposed to.
3 But as the Panel has noted or the Chairman has noted,
4 it might be some way into fiscal 2008 before a final
5 decision is rendered. Hopefully that can be sped up,
6 but the sooner the decision is rendered the better,
7 but we still all have to have an opportunity to
8 present our cases.

9 The IPPBC is adamantly opposed to any form
10 of negotiated settlement process. There are too many
11 issues outstanding, and with the upcoming updates to
12 the RRA and the LTAP, the scope of the RRA and the
13 LTAP is not entirely clear to the IPPBC at this point
14 in time. So even from the perspective of trying to
15 figure out what the issues are for the purposes of
16 negotiated settlement process, it can't -- the IPPBC
17 can't do that right now.

18 The IPPBC has only participated in one
19 negotiated settlement process and that was a 2005
20 resource expenditure and application negotiated
21 settlement process. Its experience in this process
22 was far from satisfactory. There was little if any
23 negotiation or discussion of matters that the IPPBC
24 wished to raise. Mr. Bill Grant was not receptive to
25 this type of activity. The NSP for the 2005 REAP was
26 an imposed settlement. It was not a negotiated

1 settlement process. A negotiated settlement process
2 is going to take some time. People have to be allowed
3 to express their views and their issues, and they have
4 to feel free to do it. And if it takes some time to
5 that, then so be it because it's a substitute for an
6 oral hearing. It's not a process that's supposed to
7 be run to a strict timetable and at times what feels
8 like a predetermined outcome.

9 With respect to the filing of the 2006 IPP
10 call contracts, the IPPBC has a number of comments.
11 The IPPBC has clearly stated its position a number of
12 times and on the record with respect to the filing of
13 IPP electricity agreements pursuant to Section 71. It
14 made its views known in the '04-06 revenue
15 requirements review process, and they are noted on
16 page 119 of the BCUC's October 29th, 2004 decision.
17 And to summarize, the IPPBC has consistently and
18 always said, "Let's get any battles over contracts,
19 process, selection done up front." It's critical for
20 IPPs to have this battle up front if there is going to
21 be a battle, because they spend millions of dollars in
22 the call process to prepare their bids.

23 There's also the problem now of potentially
24 120-day period before any approvals are received with
25 respect to these contracts that will be issued
26 pursuant to this call. There are fixed deadlines

1 under those electricity purchase agreements for
2 commercial in-service dates or commercial operation
3 dates. IPPs have to be able to have some sort of
4 certainty before they spend additional sums of money.
5 They have to put deposits down on equipment orders.
6 They have to be able to talk to contractors and
7 confirm prices that were given to them at least four
8 months ago, to see whether those prices are still
9 there. They have to file for environmental approvals
10 and that costs money. They have to engage consultants
11 to do all this. This 120-day periods is not a period
12 when IPPs can stand still if they expect to meet their
13 commercial operation dates. Those commercial
14 operation dates under this set of electricity purchase
15 agreements are fixed. There's penalties for not
16 meeting them.

17 **Proceeding Time 10:40 a.m. T17**

18 The other point the IPPBC wishes to raise
19 is, because it weighs the concept of the 2006 call
20 during the REAP process, and the Commission's review
21 of the REAP process, and the negotiated settlement
22 process, anybody who had objections could have raised
23 them at that point in time. The IPPBC was, first of
24 all, underwhelmed by the support it received from
25 other intervenors in relation to getting all battles
26 fought up front. And it was -- it notes that there --

1 a very few, if any, objections, were raised during the
2 NSP process or the run-up to the NSP process in
3 relation to the '05 resource expenditure and
4 acquisition plan.

5 As far as the IPPBC is concerned, it's
6 rather late in the day to start raising objections to
7 how the call was conducted, what the terms of the APA
8 are, and how the evaluations were made and decisions
9 made. They were made. People had plenty of
10 opportunity to raise any objections up front. The
11 IPPBC was a voice in the wilderness saying, "We want
12 all this done up front."

13 Just a few basic facts about the 2006 B.C.
14 Hydro competitive bidding process. By January 7th,
15 2006, bidders were registered to provide 16,000 gWh of
16 electricity. The contracts awarded were in the
17 magnitude -- are in the magnitude of around 7,00 gWh.
18 Each bidder, given the fact that the target at that
19 date was about 2,600 gWh, had about a one-in-five
20 chance of winning. It was -- just on the numbers
21 alone, it was extremely competitive process on the
22 basis of registration. Not every bidder that
23 registered actually bid. However, there were a lot of
24 people who registered. There was a lot of interest in
25 this. There were five different fuel types that were
26 covered by the contracts that have been awarded and

1 with respect to those bidders who expressed an
2 interest in bidding. They include coal. They include
3 wind. They include run-of-the-river hydro. They
4 include wood waste. They include the whole gambit of
5 all the fuels. If people had specific concerns about
6 fuel choice and type, that was the -- back in the
7 negotiated settlement process, or back in the REAP
8 process, they could have raised them.

9 They will also have the opportunity to
10 raise any concerns they want through all the
11 environmental assessment processes that have to be
12 conducted with respect to all these projects.

13 Ultimately, 38 winners were announced, and
14 they represent projects capable of supplying about
15 7,,000 gWh. However, and this is a big however, the
16 IPPBC expects that there will be significant attrition
17 with respect to this amount. The attrition is -- the
18 first level of attrition will probably occur by the
19 end of this month. The IPPBC estimates that the
20 security deposits that have to be deposited with
21 respect to the 7,000 gWh worth of output from the
22 projects will be in the magnitude to 60 to 80 million
23 dollars. That's a lot of money to raise between now
24 and the end of August. They're going to have to go
25 back to their backers, they're going to have to go
26 back to their financial institutions and people are

1 going to essentially have to put their money up or
2 drop out.

3 **Proceeding Time 10:45 a.m. T18**

4 After they also have to consider whether
5 they're going to be able to get the equipment that
6 they need for the purposes of their project. People
7 can't assume that the equipment manufacturers around
8 the world have an unlimited capacity to supply certain
9 types of equipment. A lot of the run of the river
10 projects are going to require Pelton generators,
11 Pelton turbines, and there aren't that many people in
12 the world who can do that so there is going to be some
13 sort of queuing process there. The opportunity to
14 order wind turbines from manufacturers around the
15 world is very, very restricted. Some people may find
16 some difficulties in that area. There are going to be
17 IPPs that are now going to have to go back to their
18 contractors and say that price you gave me four or
19 five months ago, is it still good? And if they do
20 that today they still may have to wait another 120
21 days before the Commission renders its final decision
22 on those contracts. So that may mean they have to put
23 down a security deposit. When they go back to their
24 contractor three months from now or four months from
25 now, the contractor may say, sorry, that's not the
26 price anymore.

1 They also are going to have to go through
2 -- receive all the approvals for their projects and
3 that approval process is not easy to negotiate. It
4 should be noted that there has never been an approval
5 for a coal fired thermal project in this province in
6 modern history. It's going to be new to the
7 regulators. The IPPBC expects some very difficult
8 times for those types of projects. The IPPBC is fuel
9 neutral but it realizes that there are a lot of
10 regulatory hurdles to overcome. Because of the
11 difficulties that I have just described, and there are
12 a lot more of them, the IPP anticipates that there
13 will be some forfeiture of bid and security deposits.
14 This could be, and hopefully it won't be, one of B.C.
15 Hydro's newest and biggest profit centres.

16 Mr. Chairman, and members of the panel, the
17 time for objecting to B.C. Hydro's 2006 call process
18 for new supplies of electricity is essentially passed.
19 The contract should be accepted and proved without
20 delay, and the IPP should be allowed to get along with
21 constructing and developing their projects as soon as
22 possible. Thank you.

23 MR. FULTON: British Columbia Transmission Corporation.

24 MR. FELDBERG: General members of the panel, I have a
25 couple of comments to make on the issue of, firstly,
26 consolidation and, secondly, and probably most

1 importantly, timetable.

2 On the -- I should identify -- well, BCTC
3 has intervened in both proceedings. It's primary
4 interest is in the IEP LTAP proceeding and my comments
5 will be primarily directed to that proceeding. With
6 respect to consolidation, it's BCTC's position that
7 consolidation is not necessary for these two
8 proceedings. I think the initial letter that came out
9 from the Commission on May 10th, 2006, characterized
10 the issue, in my view, correctly as whether the 2006
11 IEP and LTAP in the fiscal 07, 08 are inextricably
12 intertwined such that there cannot be separate
13 proceedings and in my submission that's actually the
14 right test.

15 From what I've heard from my friends up
16 till now, many of them said, "We support
17 consolidation, we think consolidation is a good idea,"
18 but I haven't heard in my submission an actual reason
19 why consolidation, a technical consolidation of the
20 hearings is necessary. Consolidation is, as I'm sure
21 you know, Mr. Chairman, at least in a court proceeding
22 is an extraordinary type of remedy. It's done when
23 the proceedings are inextricably intertwined and
24 typically where there's a danger that the -- you might
25 get two different results on the same set of facts
26 from two different judges, and in this context

1 obviously that's not the type of situation we find
2 ourselves in. The Commission can run itself so that
3 it can avoid that result simply by running the
4 proceedings in sequence.

5 **Proceeding Time 10:50 a.m. T19**

6 The proceedings are different. I mean, the
7 IEP and LTAP proceeding, the LTAP proceeding
8 characterizes itself, at least in large part, as a
9 proceeding under Section 45. It's a resource
10 planning, capital planning type of process and the
11 revenue requirement is a rate process. And there's
12 certainly no requirement in the Act that those two
13 types of proceedings be done together, and typically
14 those two types of proceedings are not. There is
15 inevitably some overlap in all regulatory processes,
16 but if that becomes the sole test that there is some
17 overlap between two proceedings, my concern is we're
18 going to find ourselves facing arguments to
19 consolidate virtually everything. It's difficult to
20 conceive of one application that a utility makes that
21 doesn't in some way overlap onto another one.

22 There's a practical reason for my
23 submission in this respect as well, and it may be that
24 for some of the intervenors, and I daresay maybe even
25 most, they have a strong interest in both proceedings
26 and perhaps one large proceeding with a very

1 extraordinary large record of 15,000 pages or so to
2 date, is of assistance to them, but at least certainly
3 from my clients' perspective, with an interest more in
4 one proceeding than in another there's an enormous
5 waste of time in having them monitor and spend a lot
6 of time worrying about the evidence in two
7 proceedings, and having to attend, in full, both just
8 in case that nugget of information that you thought
9 was resolved in the record of proceeding that you were
10 interested in, somehow becomes an issue that is undone
11 in another proceeding. So there's a practical aspect
12 to this as well.

13 Mr. Wallace raised the prospect, and I
14 think it's a fair comment from his perspective, that
15 he wants to avoid being in the wrong proceeding at the
16 wrong time and being told that he had to deal with his
17 issue in another proceeding. But in my submission,
18 the evidentiary requirements and flexibilities in
19 these proceedings are enough that a danger on a case-
20 by-case basis like that could be avoided.

21 So in my submission, there's absolutely
22 nothing about these cases that compels consolidation
23 in any technical sense, and there are practical
24 reasons for not doing so. Hearing them sequentially
25 is something that can be done.

26 If I could turn just to timetable briefly,

1 Mr. Chairman. I am concerned about the timetable
2 particularly because of some of what I heard this
3 morning, and what I heard this morning is that there
4 will be amendments to the LTAP, and that particularly
5 Section 8.3 of the LTAP, which is the load resource
6 gap and execution of LTAP section, which is a pretty
7 key section in Section 8. And I take it that much of
8 that will be done to update the LTAP and take into
9 account the results of the calls we -- at this point I
10 can't conceivably assess what the implications that
11 will have for my clients' evidence, and in my
12 submission I can't do so until I see it on August 31st.
13 So the concept of preparing evidence in advance for
14 that is quite difficult.

15 BCTC has a couple of distinct interests in
16 the IEP and LTAP proceeding, just by way of
17 explanation and background. Obviously the
18 transmission implications of the portfolios and plans
19 in the LTAP and the implications on timing and
20 resource selection are obviously issues in which BCTC
21 both has an interest and also in which BCTC has
22 helpful evidence for the Commission at times too, I
23 expect, in the sense that the transmission
24 implications for various options are something which I
25 would expect the Commission to be interested in. So
26 that's one focus of BCTC in this proceeding.

1 the LTAP in order that intervenors can assess their
2 positions, prepare their evidence and have it done in
3 a prompt fashion, and I suggest four weeks from the
4 date of the filing of the LTAP amendments is probably
5 a reasonable time to do so.

6 Those are my submissions, Mr. Chairman.

7 THE CHAIRPERSON: Mr. Feldberg, one of the proposals --
8 or one of the elements of this schedule that Mr.
9 Wallace provided was a consolidation of the two
10 proceedings, at least for the purpose of NSP. And
11 that may not be an essential part of this schedule,
12 but it would appear that that's part of his proposal.
13 Do your comments with respect to consolidation ring as
14 true for you with respect to the consolidation for the
15 purposes of NSP?

16 MR. FELDBERG: Yes, Mr. Chairman, in the sense that they
17 do. I think the proceedings are sufficiently distinct
18 that -- and I'm not -- and in my submission, I haven't
19 heard a good argument yet as to why NSP process for
20 the LTAP IEP -- we haven't considered one until Mr.
21 Wallace's proposal today. It wasn't on the initial
22 schedule, or regulatory schedule for it, and I hadn't
23 considered that there would be one for the IEP LTAP.
24 But again, the issues in that one are sufficiently
25 temporally different, in my sense, that there's very
26 little connection in a practical sense between the

1 two, or very little need that absolutely drives the
2 conclusion that the two ought to be settled together,
3 if you will. One looks out a long period of time; one
4 looks at what are the rates going to be over the next
5 year or two. I mean, there are quite substantial
6 differences in the focuses, quite substantial
7 differences in the evidence you're looking at, and
8 quite substantial difference both in the issues and in
9 the people interested in those issues, I suspect.

10 That's all.

11 THE CHAIRPERSON: Thank you.

12 MR. FULTON: Dokie Wind Energy.

13 MR. PERCIVAL: Thank you. Good morning, Mr. Chairman,
14 members of the panel. On item I, consolidation, Dokie
15 Wind Energy supports the comments made by Mr. David
16 Austin for IPPBC. We're in favour of consolidation.
17 In regard to item II, we don't have a strong position
18 on negotiated settlement, but any process that's
19 efficient, we would support anything that's efficient.

20 In regards to the 2006 CFT results, we
21 support comments made by Mr. David Austin. We want to
22 emphasize it's very critical that the F-2006 call
23 outcome be accepted within the 120 days. The
24 financing of power projects requires certainty. The
25 finance markets do not like uncertainty. They like
26 schedules. The successful bidders now are spending

1 support Mr. Wallace, Mr. Godsoe, Mr. Newlands, Mr.
2 Austin -- did quite a good job in explaining the
3 technical reasons why that would need to happen, to
4 avoid attrition and of course Mr. Percival just now.

5 We should remember that this CFT, these
6 EPAs, were originally -- the embryo was 2005, and that
7 we did have the negotiated settlement process last
8 October that hoped to move these EPAs through quickly.
9 Attrition will play a role in this call, as it has in
10 all the other ones, and as it has across Canada as
11 well. But I think we can probably avoid unnecessary
12 attrition if we get these EPAs approved by the
13 Commission as soon as possible. And that relates to
14 the financing aspect that was mentioned, in part.
15 Cloudworks is raising over 300 million in debt and of
16 course we can't -- they won't actually allow funding
17 from that agreement until we have acceptance by the
18 Commission.

19 And we can spend equity first, but the guys
20 in the equity side, they want to know that there's
21 some debt there before they get involved, so it's
22 obvious that this uncertainty could be costly to the
23 industry.

24 Regarding the contractors involved, too, I
25 don't need to point out there's a very tight market
26 out there for contractors, particularly the large ones

1 that are capable of providing EPC contracts. And they
2 also will look at this uncertainty, if there is an
3 extended period -- and I would say 120 days is way too
4 long, I would hope it would be far shorter than that.
5 And they'll reallocate their resources to other
6 sectors if they have to. It's that tight out there.
7 We're having to get in there and lock these guys down
8 now, and any uncertainty, we'll see that capital fly
9 to -- those resources fly to another sector.

10 One final comment on the disclosure of bid
11 prices. I do -- I think they should be disclosed, if
12 that's -- the negotiated settlement process, we have
13 no problem with that at Cloudworks. It's just that we
14 prefer to see that happen perhaps toward the end of
15 the year, once we've finalized EPC contracts, because
16 what will happen is the contractors will be predators
17 on the ones that have the highest bids, and they'll
18 drop everybody else. If that's the case, to keep it a
19 competitive process, I think we do need to just give
20 the average price, perhaps with some explanatory note
21 that the firm bid price is just -- is the biggest part
22 of this call, but also that there's non-firm
23 components to the call that come in at discounts from
24 that firm bid price as well. So, I would hope that we
25 would just wait till the end of the year if we were to
26 disclose individual, like, EPA prices, and just run

1 with an average, and perhaps some statistical variance
2 around a mean, if we need to, on August 31st.

3 Thanks very much.

4 MR. FULTON: Green Island Energy Limited.

5 MR. EDMOND: Thank you, Mr. Commissioner. On behalf of
6 Green Island Energy, I just have a few comments. This
7 is probably going to be a recurring theme that I'm
8 sure you're going to hear from a lot of the IPPs, but
9 before I get to that, we as intervenors don't have an
10 opinion on consolidation either way. Whatever is most
11 expeditious, we'll defer to the body of the other
12 intervenors on that topic.

13 The other comment on schedules -- we've
14 prepared to forego our holiday schedules when we
15 registered as intervenors. Therefore, we are
16 certainly accommodating of any truncated process
17 irrespective of holidays upcoming.

18 **Proceeding Time 11:05 a.m. T22**

19 That said, the one comment that is
20 principal to our interests is that we already have
21 capital at risk, subject to the bids that we provided
22 in the tender to B.C. Hydro. And in this day and age
23 of runaway construction costs, a constrained labour
24 pool, we're not just competing in this market but
25 others for the same labour force. In the risk of
26 interest rates rising, we are hopeful that we could

1 push the Section 71 filing of review and approval of
2 the EPAs to far less than 120 days, because within
3 that timeframe we will be subject to re-bids of our
4 contractors, and we're not sure what -- we don't want
5 to take that risk of what those numbers might look
6 like after our binding bid is expired.

7 So with that, those are the comments on
8 behalf of Green Island Energy. Thank you.

9 MR. FULTON: Commercial Energy Consumers Association of
10 British Columbia.

11 MR. WEAFFER: Good morning, members of the Panel. Dealing
12 with your agenda item 2, bullet point 1, we would
13 support a continued pragmatic separation of the two
14 applications, and by pragmatic that we not be
15 unreasonable where a stakeholder asks a question in
16 one application process that may touch on the other
17 application process, that they're going to face a non-
18 response to the question. Clearly it will be up to
19 the stakeholder to draw a tie into the application
20 that they're dealing with.

21 I think the pragmatic separation is created
22 by the proposal put forward by the JIESC this morning,
23 and I would turn to that. We are quite supportive of
24 what Mr. Wallace has put together, for a number of
25 reasons. One, it does create the pragmatic separation
26 of the two applications, so it does allow participants

1 to participate in applications as Mr. Goldberg stated
2 effectively, that there is a level of separation that
3 exists on that timetable.

4 Moving to the second point of your agenda
5 and the NSP, and the CEC would speak favourably around
6 an NSP process, our experience, my experience with NSP
7 processes has generally been positive in terms of
8 effective and efficient regulatory review. I am more
9 optimistic around effective NSP on the revenue
10 requirement application, and generally that is where
11 negotiated settlements have worked effectively in the
12 past for other utilities, at least where it's been
13 utilized. That said, we're not averse to an NSP
14 process around the LTAP.

15 Dealing with the timing, and again I'm
16 referring to Mr. Wallace's proposed schedule, there's
17 absolutely no way an NSP process on these two matters
18 can be accomplished in three days as presently set out
19 there, and I would, at a minimum, support an
20 adjustment to a pragmatic separation of a minimum
21 three days of NSP on the RRA; and then, assuming some
22 consensus that the LTAP can go to NSP, a further three
23 days scheduled for NSP on the LTAP.

24 I am optimistic that that approach will at
25 a minimum lessen the hearing time later on, and
26 potentially eliminate substantially all of the revenue

1 requirement hearing process. And here is where I'd
2 like to qualify my support of separation. I'd suggest
3 that in the NSP process on the RRA, where there are
4 issues that cannot be resolved, that there be an
5 ability to pass those issues on to the hearing
6 scheduled for the IEP, assuming that that hearing does
7 occur. So that if there is to be a hearing process,
8 it could all occur starting on the IEP oral hearing,
9 and those matters which have not been negotiated for
10 the revenue requirement could be tacked onto that
11 process. Because I do think we will likely
12 significantly reduce issues that would go to an RRA
13 hearing if an NSP process is adopted on the RRA.

14 **Proceeding Time 11:10 a.m. T23**

15 Mr. Austin was not in support of the NSP
16 and I just -- I do have to say the NSP guidelines do
17 provide for dissent and do provide for an opportunity
18 for issues to go to the hearing so if NSP process is
19 adopted currently any stakeholder under those
20 guidelines has an ability to bump the issues. I think
21 the pressure on settlement will be even more
22 significant in terms of the schedule that is before
23 the Commission, as by Mr. Wallace this morning as a
24 discussion point, because there will be, in all
25 probability, a hearing of some sort scheduled and the
26 stakeholder will be -- will have that opportunity to

1 move any material issues onto that hearing.

2 Moving to the Section 71 review, we have no
3 submissions except to say we are supportive of the IPP
4 and others who've spoken in favour of an expedited
5 review. We would urge B.C. Hydro, in it's August 31st
6 report, to file a fairly comprehensive report that
7 enables stakeholders who may be less directly affected
8 by the process to be comforted that the process has
9 worked and in the interest of customers which would
10 then, I would suggest, short circuit any substantive
11 review being required.

12 Those are my submissions, Mr. Chairman.

13 THE CHAIRPERSON: Thank you.

14 MR. FULTON: City of New Westminster.

15 MR. CARLE: Thank you, Mr. Chairman. The City of New
16 West will take no position at this time although from
17 my past experience over the years certainly the NSP
18 process has been valued to all the customers of B.C.
19 and we find that it's very cost effective. So the
20 City of New West, if the process goes that way, would
21 certainly be a participant. If not, we'll still be
22 involved from day one. Thanks.

23 MR. FULTON: British Columbia Old Age Pensioners'
24 Organization et al.

25 MR. QUAIL: I'd like to frame this discussion by pointing
26 out that the expectation originally was that Hydro

1 would be filing these applications in late November of
2 2005, and the applications will not be complete until
3 October 9th, 2006. That really says it all in terms of
4 the difficulty that the Commission and all the other
5 participants are facing. And we are dealing with a
6 Revenue Requirement Application that to a large extent
7 is based on a phantom organization. This is very
8 problematic.

9 On the issue of consolidation, in my
10 submission the word consolidation may not be very
11 helpful. To me it suggests merging the two
12 applications formally into a single application or
13 single proceeding and in my submission that is not
14 helpful and in general we would agree with my friend
15 Mr. Wallace's characterization of how this might be
16 dealt with.

17 I submit that the two applications should
18 maintain a separate formal status in formal terms and
19 that there is some importance in avoiding a smudging
20 between the two in a formal sense, that is, each piece
21 has it's own distinct function. It has its own
22 regulatory cycle. Each of the functions is a critical
23 part of the story and it's important to generate a
24 clean record in terms of determinations by the
25 Commission and the processes and requirements and so
26 on that will flow from the outcome of these

1 proceedings. So they do need to maintain somewhat of
2 an identify of their own. However, in my submission
3 the evidentiary record for each -- that is, there are
4 things that can be done to make the proceedings more
5 efficient by working them together. For example, the
6 evidentiary record for each process should be deemed
7 incorporated into the other to avoid duplication,
8 don't want to ask the same question on cross in two
9 different processes a few weeks apart, and to avoid
10 inconsistency of evidence, which would be a serious
11 problem to the extent that there is evidence that
12 straddles the fence between the two applications.

13 So I submit it should be styled as two
14 proceedings but the public hearing process should run
15 as a process with two modules. I'll speak to the NSP
16 in a moment but assuming that that doesn't happen and
17 there's left-over issues, that we hear the LTAP
18 process, pause for a breath very briefly and then
19 plunge into the hearing process on the Revenue
20 Requirement and have a process of a single schedule
21 for filing applications in both -- or filing
22 submissions in both applications.

23 **Proceeding Time 11:15 a.m. T24**

24 We're also concerned about the possibility
25 for shell games, where objections could be raised that
26 an issue raised in evidence or in argument in one

1 proceeding should have been dealt with in the other,
2 and that can be obviated through mechanisms like that.

3 Speaking to the issue of the NSP, I would
4 like to take issue with my friend Mr. Austin's
5 suggestion, where his characterization of the
6 negotiated settlement process as a substitute for an
7 oral hearing. In my submission, that is not correct,
8 and is not the most useful characterization. In my
9 submission, these are different -- entirely different
10 ways of resolving complex issues. The NSP can be a
11 very effective way to strike a best-fit resolution of
12 very complex issues among competing interests. It's
13 well-designed for doing that. There's other kinds of
14 things that a public hearing process is better
15 designed for.

16 We have no objection, as a matter of
17 principle, to attempting to resolve whatever can be
18 resolved here through a negotiated settlement process,
19 but somewhat skeptical that all of the issues could be
20 resolved in that manner, and expect that a public
21 hearing process will be required.

22 Some of the sources of that difficulty,
23 perhaps one of the most important, is the proposed
24 mechanism contained in the revenue requirement
25 application. What I'd call the *quasi*-CPCN process for
26 capital projects under a proposed threshold of 50

1 million dollars. So that's part of the revenue
2 requirement, but it isn't -- that isn't, strictly
3 speaking, the revenue requirement for the test period,
4 but dealing with a proposed new regulatory process for
5 dealing with certain kinds of capital expenditures.
6 This had its genesis in the -- actually, going back
7 some time, but was encountered as an issue in the 2005
8 REAP. And there was a negotiation that came out of
9 that, I'm not going to disclose any of the process in
10 the negotiation, but what came out of it was sort of a
11 patch-up that, in my submission, led to the need to
12 some kind of resolution of how we'll deal with this
13 situation where B.C. Hydro has taken a position that
14 certain quite substantial capital projects that do not
15 result in an actual physical expansion of their
16 system, their position has been that they do not
17 require a CPCN. But they appear to be proposing a
18 CPCN-like process for them to be reviewed, which I
19 suppose is a formalization of the template that was
20 followed in the REAP NSP.

21 So, we thrashed that around in one NSP and
22 didn't really finalize it. I don't know if it's more
23 negotiable now than it was a year ago.

24 The NSP is also very significantly
25 complicated by the reorganization. And, frankly, I
26 don't see any possibility of resolving the revenue

1 requirement by negotiation when we're flying blind in
2 terms of the impact of the corporate reorganization.
3 And I would echo the words of my friend, Mr. Wallace,
4 that we would be looking for a reduction in the
5 revenue requirement flowing from the reorganization,
6 or we would wonder why they've undertaken what must be
7 a process that involves financial expense and other
8 negative impacts on the organization.

9 We're prepared to agree to attempt an NSP,
10 at least on the revenue requirement, on a couple of
11 conditions. First of all, we would want the revenue
12 requirement NSP to take place after October 9th, so
13 that we are not flying blind in terms of evidence.
14 And secondly, we would be looking for an explicit
15 understand that intervenors will not be prevented
16 from pursuing issues in the LTAP. Let's say we're
17 able to settle the revenue requirement. Here's
18 another variant of the shell game problem. We don't
19 want to find ourselves in the -- having resolved the
20 revenue requirement by NSP, and then flowing into a
21 hearing on the LTAP, attempting to raise issues that
22 might be common issues in some sense, and being met
23 with an objection from B.C. Hydro or elsewhere that
24 that issue should have been addressed in the revenue
25 requirement, we had our chance, trying to get that
26 folded into that settlement, and are barred from

1 pursuing it here. So we would want it to be explicit
2 that we would not be prevented from pursuing issues
3 in the LTAP that may straddle the two matters, on the
4 basis that they could have been dealt with in the
5 revenue requirement NSP.

6 Regarding the issue of an NSP for the LTAP,
7 my submission -- I have some difficulty envisioning
8 how that's going to happen -- how this subject matter
9 is negotiable, in that the LTAP is fundamentally an
10 analysis. And frankly, I don't know how you negotiate
11 an analysis. The kind of questions that the
12 intervenors are interested in.

13 **Proceeding Time 11:20 a.m. T25**

14 The kind of questions, in my submission,
15 the regulator must ask itself in the LTAP are of a
16 somewhat different character from the sort of bottom-
17 line number outcomes that tend to dominate the revenue
18 requirement and which are more practically amenable to
19 negotiation.

20 On the issue of the duration of an NSP for
21 the revenue requirement, in my submission, three days
22 is unlikely to be enough, and frankly, one of the
23 reasons is that from my experience, B.C. Hydro is
24 unwilling to authorize its negotiators to negotiate.
25 And we go through a process where there are proposals
26 that are made, and then everything -- the brakes slam

1 on and the negotiators have to go back and get
2 instructions at every turn. And I would hope that if
3 Hydro is generally interested in a successful
4 negotiation and in expediting a resolution, that they
5 will empower their negotiators to achieve settlements
6 of issues.

7 On the issue of further information
8 requests, we are prepared to forego a second round of
9 intervenor IRs on the material filed to date, provided
10 that we are not prevented from pursuing issues in
11 cross-examination on the grounds they were not raised
12 in an IR. However, in my submission, it's essential
13 that there's an opportunity to pose IRs arising from
14 the new materials, that is, the LTAP amendments and
15 the revenue requirement updates. And those could be
16 limited in scope to what is new and different in each
17 of those proceedings -- in each of those filings, that
18 is.

19 I'm sort of rattling through a lot of
20 issues here. I should pause and let people catch up.

21 On the issue of intervenor evidence and the
22 timing for that, we are not planning on filing
23 evidence. It's possible but rather unlikely. But
24 others may, and we think it's very important for
25 everybody's benefit that they have a fair opportunity
26 to do that. In my submission, it does not make sense

1 to require intervenors to file evidence before B.C.
2 Hydro's applications are complete. So in the case of
3 the LTAP, that would mean some time in September
4 following filing of the amendments, revenue
5 requirement sometime at least mid or late October,
6 following the filing of the evidentiary update. They
7 require an opportunity to obtain those new materials,
8 to digest them, and also to obtain IR responses before
9 preparing their own evidence.

10 So in terms of sequencing of events, we
11 submit that it would be appropriate to take a stab at
12 an NSP to resolve as much of the revenue requirement
13 as possible, but again that that really can't properly
14 take place until sometime in October. But we should
15 be building room in the timetable to take unresolved
16 issues to a public hearing immediately after the LTAP
17 hearing is concluded.

18 THE CHAIRPERSON: Sorry, Mr. Quail, can you repeat what
19 you just said?

20 MR. QUAIL: Okay, that is that in laying out -- I don't
21 think I'm saying anything too new here. Laying out
22 the timetable, make sure that we built in room, as I
23 think that the timetables propose to do, at least
24 contemplate taking unresolved issues to public hearing
25 in the revenue requirement, following the resolution
26 of the LTAP hearing. And that can happen very quickly

1 after the close of the record and the LTAP, in my
2 submission. And in written submissions could take
3 place in the form of parties filing two sets of
4 submissions bundled together, once the record for both
5 proceedings is complete.

6 So we would have -- the general lineup
7 would be B.C. Hydro files its LTAP amendment, and the
8 revenue requirement update which we understand will be
9 in two bundles, one in 30 days and the other in
10 October. It may be useful to have an information
11 workshop to explain and answer preliminary questions
12 about the amendments, might help to streamline the
13 process following that and potentially reduce the
14 requirement for IRs flowing from that. In fact, it
15 may be possible to substitute an information workshop
16 for a further round of IRs flowing from the new
17 material. And that would depend on how forthcoming
18 with information B.C. Hydro is prepared to be at an
19 information session of that nature.

20 Following the responses, intervenor
21 evidence could be filed on the LTAP, and we had no
22 difficulty with Mr. Wallace's suggestion that that
23 could be in late September.

24 **Proceeding Time 11:25 a.m. T26**

25 Following the October 9th filing of the
26 balance of the revenue requirement application, the

1 process could flow into an effort via NSP to resolve
2 what we can of the revenue requirement. Flow from
3 that into the LTAP public hearing, assuming that that
4 can't be negotiated. Pause for breath, and then
5 plough right into the revenue requirement public
6 hearing, if that's required, and then written
7 submissions as I've suggested, bundled together in
8 both of the processes.

9 On the issue of the open call, again, I
10 would take issue with the characterization that was
11 offered by my friend Mr. Austin, having to do with the
12 opportunity of parties to address open call issues in
13 the NSP that took place last year. In my submission,
14 we're talking about different subject matters.
15 Resolving the terms of the -- an agreement on the
16 terms and conditions of the call is a different
17 question from approving the outcome. Nobody had it in
18 mind that in agreeing to the terms of the call, what
19 would flow from that is B.C. Hydro is free to go out
20 and sign any contract it wanted, and it would be
21 automatically approved no matter how uneconomic or
22 otherwise non-prudent.

23 That having been said, I submit that this
24 Section 71 process can be framed and should be as a
25 separate proceeding from the LTAP, and it could happen
26 in parallel, and I'm going to make a suggestion as to

1 how it might take place. And I submit that quite an
2 expeditious process can take place. It has to be
3 substantive, but it can be expeditious. One of the
4 reasons why, in my submission, it isn't really
5 necessary to fold the Section 71 process into the LTAP
6 is that we won't know the actual amount of capacity
7 and energy flowing from the open call until some time
8 in the future.

9 And that's going to be, first of all,
10 because there are other review processes, including
11 environmental review, and I expect if somebody wants
12 to burn coal in this province to generate electricity,
13 they're going to get a reaction. And that might take
14 some time. And secondly, attrition -- which for all
15 that's been said, in my submission, some attrition is
16 probably a healthy thing in a competitive bid process.
17 There's a certain survival of the fittest mechanism in
18 play, and we'd be concerned if there were no attrition
19 whatsoever among 38 potential contracts. I'm not
20 suggesting that we should be encouraging it, but
21 nobody should be alarmed that some attrition happens,
22 a certain amount is probably a healthy and natural
23 thing.

24 So, a summary written process would satisfy
25 us on the Section 71, and it could look something like
26 this -- we'd be getting disclosure of the details with

1 the filing that B.C. Hydro's indicated will be
2 happening late in August. I submit that an
3 information session or workshop would be useful, to
4 provide an opportunity to glean further information
5 from it. There could be a process for intervenors to
6 identify issues they want to comment on, that is,
7 we're not interested in filing 38 submissions, I'm
8 sure. There may be some issues having to do with the
9 outcome as a whole -- for example, the breaking point
10 between the 38 and the 39th on the list may be an issue
11 that some people might want to address. And that's
12 the rationale for wanting to know some of the
13 information for unsuccessful bids. And some of the
14 individual contracts may be contentious. So a process
15 to sort of -- a clearing house process to get this
16 stuff out of the way that people are not going to be
17 contesting, and then have written submissions on the
18 identified contentious issues, and that could all
19 happen quite quickly, and, as I said, it could happen
20 in parallel with the pre-hearing processes that would
21 be underway dealing with the LTAP and the revenue
22 requirement application.

23 And those are my submissions on issues at
24 this point in the agenda.

25 THE CHAIRPERSON: Thank you.

26 MR. FULTON: SCCBC.

1 MR. ANDREWS: Mr. Chairman, members of the panel. SCC's
2 comments regarding consolidation of the RRA and the
3 IEP/LTAP proceedings are that we're okay with
4 scheduling so that the two are dealt with in synch. I
5 do, I think, hear Mr. Feldberg's point about whether
6 it's necessary or required to go to a full
7 consolidation in a sense of a formal merging of the
8 two applications as well as the proceedings. But
9 certainly there's every reason to want to deal with
10 the two proceedings in a way that doesn't preclude the
11 parties from relying on issues and evidence from the
12 one in the other.

13 **Proceeding Time 11:30 a.m. T27**

14 Two important caveats that I might as well
15 express right here is that in our view there certainly
16 needs to be more time than the August 21st or September
17 5th proposals for intervenor evidence. The end of
18 September has been mentioned and that would be a push,
19 but that at least would meet the fairness requirements
20 of knowing the August 31st information at the time that
21 the evidence is being prepared.

22 And a second note about the consolidation
23 is that there is going to be a need for some kind of
24 either information request round or workshop or some
25 method of reviewing the information that Hydro files
26 under various headings, amendments to applications and

1 updates and so on.

2 Regarding a negotiated settlement process
3 for the RRA, CCBC is fine with that notion,
4 understanding that the issues that were unable to be
5 resolved in the NSP would revert to a public hearing.
6 In terms of the timing, CCBC would suggest that an NSP
7 should not happen before the information updates that
8 Hydro is referring to. And secondly, that it
9 shouldn't happen before intervenor evidence, that is,
10 that we should have the intervenor evidence when we
11 embark on the NSP.

12 On the last topic on the list, regarding
13 the EPA filings in the Section 71 process, SCCBC
14 certainly agrees with the acknowledgement of the
15 practical importance of having the issues resolved
16 sooner rather than later. And perhaps one thing that
17 we could suggest is that if that filing is anticipated
18 to be a separate proceeding, that there be a date set
19 within that separate proceeding as a date for
20 responses by potential intervenors to the August 31st
21 material, so that we already begin to know when things
22 are going to happen, and perhaps potential intervenors
23 could be invited at that point to identify issues of
24 concern and/or process proposals that they have.

25 Subject to questions, those are my
26 submissions.

1 THE CHAIRPERSON: Thank you, Mr. Andrews.

2 MR. FULTON: Mr. Wait.

3 MR. WAIT: Mr. Chairman and Commission, I'd first like to
4 address the consolidation. I would agree with the
5 comments of Mr. Wallace regarding consolidation of the
6 two hearings, since I am only intervening in the
7 revenue requirement hearing.

8 Secondly on the NSP, I would agree
9 wholeheartedly with Mr. Austin. My experience with
10 the NSP is it is a very superficial hearing looking
11 only at what the revenue numbers are, and is not a
12 review of the operations of the company. It does not
13 give you a chance to ask questions. And in this
14 particular case, we are looking at a depreciation
15 review, which we did the same thing with Fortis B.C.
16 this summer with an NSP, and I got no answers. There
17 was no professionals there to answer as to how the
18 numbers were compiled, and there's very serious
19 questions I have on that.

20 **Proceeding Time 11:35 a.m. T28**

21 I'm on record from that NSP as not agreeing
22 with the settlement because of the depreciation study
23 and I do have questions on it here which I would
24 certainly like to get answered. I find that it just
25 doesn't give you a chance to delve into other
26 operating procedures of the company. It is very

1 limited to those financial numbers.

2 On the other steps and processes I would
3 like to see a second round of IRs somewhere, whether
4 it's after more information comes out or sooner.

5 THE CHAIRPERSON: Thank you, Mr. Wait.

6 MR. FULTON: Mr. Chairman, that concludes the appearances
7 in terms of the intervenors. I do have a few
8 questions that I would like to direct to B.C. Hydro so
9 that they may respond to them in the course of their
10 submissions in reply to the others for the purposes of
11 clarification and assisting, what we might expect with
12 the August the 31st filing. We haven't discussed a
13 break for this morning. We're just about at the time
14 that we would ordinarily have a break, in fact we're
15 probably beyond it. I wouldn't be longer than five
16 minutes and it may be helpful at that point, subject
17 to your direction, Mr. Chairman, that we then take the
18 break. B.C. Hydro can come back and respond following
19 the break, but I'm in your hands.

20 THE CHAIRPERSON: I was anticipating that. I think the
21 only issue is how long we break. But proceed, please.

22 MR. FULTON: Thank you, Mr. Chairman. The questions that
23 I have of B.C. Hydro relate to the potential impact of
24 the -- on the assumptions made in the IEP and LTAP
25 from the filing that is now anticipated for August the
26 31st and staff would like to know whether or not the

1 LTAP that will be filed, or the amendments that will
2 be filed, will contain the following information:
3 comparison of the F2006 call levelized prices with the
4 levelized prices calculated in the 2005 resource
5 option report; secondly, the impact to the tier 2
6 price of the transmission stepped rate; thirdly, the
7 impact on the cost effectiveness and of resource smart
8 and power smart; and finally, whether or not the
9 filing will provide an assessment of an attrition
10 rate.

11 There is one other matter and that is in
12 any new load revenue gap to be filed, will that
13 document address the volume requirements of the fiscal
14 2007 and fiscal 2009 calls and if the answer to any of
15 those questions is no, then staff would like to have
16 an explanation on the record for the negative answer
17 at this time.

18 I did, in closing, Mr. Chairman, want to
19 say that B.C. Hydro had asked several questions of
20 staff in Exhibits B-14 and B-13-1, the first exhibit
21 in the IEP proceedings and the second in the RRA, and
22 all I wanted to say was that the timetable that was
23 attached to Exhibits A-13 and A-14 were meant to
24 encourage the discussion that we've had today in terms
25 of dates for filing, dates for hearing starts and so
26 forth. So that is my response to that letter and

1 some flexibility with respect to that. So if you feel
2 you need longer than a 15-minute break, indicate so,
3 and if it's an -- on an exceptional basis, you'll very
4 likely get longer than the established -- or the norm.
5 But once established -- once I've established a time
6 for us to return, it's unlikely that you will get an
7 extension of that. So I am asking you to proceed. I
8 appreciate that it's a little earlier than you'd
9 hoped. I think we will do our best to accommodate
10 you, and I appreciate that maybe ten minutes may have
11 made a difference in terms of your views with respect
12 to the intervenor submissions, but I'd still like to
13 hear them. So let's proceed.

14 MR. CHRISTIAN: Thank you, Mr. Chairman. I don't think
15 our submissions will suffer -- I think perhaps the
16 presentation of the process that we're working on is
17 going to maybe require some real-time editing as Mr.
18 Godsoe goes through it. He's going to speak to that
19 issue. I'm going to deal first with consolidation,
20 and then with the NSP for the '07/'08 RRA.

21 With respect to consolidation, I think a
22 few people have spoken in favour of Mr. Wallace's
23 proposal. That in fact what exactly what our proposal
24 was going to be. We think that the word
25 "consolidation" has an implication that is perhaps too
26 formal, and implies more of a Supreme Court-type

1 consolidation, which is not, we think, useful.
2 Rather, we think there are four elements that need to
3 be addressed, and whether we call them consolidation
4 or something else doesn't so much matter.

5 **Proceeding Time 12:32 p.m. T31**

6 First of all, we believe that the oral
7 testimony phase of the LTAP should precede the oral
8 testimony phase of the revenue requirement hearing,
9 with some suitable gap probably needed between the two
10 depending how many issues, if any, remain for the RRA
11 to be settled.

12 Secondly, we believe there should be one
13 set of arguments; that is, B.C. Hydro as an applicant
14 should file its arguments on both the LTAP and the
15 revenue requirement applications at the same time,
16 intervenors should respond on the same timetable, and
17 then Hydro should have an opportunity to reply again
18 dealing with both the applications in the same
19 document, if not the actual pieces of paper.

20 And then finally we think that there should
21 be one decision from the Commission, or one decision
22 issued that addresses all the relief sought in both
23 the proceedings. And by consolidation we don't imply
24 anything other than those elements.

25 Oh, and I think actually probably the most
26 important thing that I guess is implicit in all that,

1 moment, to the extent any issues remain with the RRA,
2 we don't know how long that will take. But if it
3 follows subsequent to the LTAP oral proceeding it
4 doesn't much matter. So I think it is important to
5 fix the days at least with the LTAP one. If the
6 process proceeds in this phase -- stage that we've
7 talked about, the oral testimony period of the Revenue
8 Requirement would be the last step before oral
9 argument or before argument.

10 THE CHAIRPERSON: Okay.

11 MR. CHRISTIAN: And with respect to, then, negotiated
12 settlement of the Revenue Requirement Application,
13 B.C. Hydro at this stage doesn't have any reason to
14 believe that we can settle the entirety of the
15 application through a negotiated settlement process
16 but, on the other hand, believes that it's very likely
17 that a number of issues at least can be taken off the
18 hearing list and that in light of that B.C. Hydro is
19 amenable to a negotiated settlement process with
20 respect to the Revenue Requirements proceeding. It
21 thinks that a full five days is an appropriate amount
22 of time and it agrees with the intervenors that it's
23 most useful when at least B.C. Hydro's evidentiary
24 update has been filed. And Mr. Godsoe, as I've said,
25 will give some specifics about the timing of these
26 different steps. But we would recommend that that

1 respect to timing. But I'll probably hear those for
2 Mr. Godsoe's submissions.

3 And so I have no questions at this stage.

4 MR. CHRISTIAN: Great. Thank you.

5 THE CHAIRPERSON: Assuming everyone has a copy --

6 MR. GODSOE: There's five more copies being made for
7 people at the very back of the room, but I distributed
8 25 copies. Five more are getting made now. What I
9 can do is address Mr. Fulton's questions, and then
10 move to the timetable, and during that time hopefully
11 the five copies will be distributed.

12 THE CHAIRPERSON: Thank you.

13 MR. GODSOE: You recall that just before, prior to the
14 break, Mr. Fulton had five issues that he wanted B.C.
15 Hydro's submissions on, with respect to the potential
16 impact of the F-2006 call, and how that would be
17 reflected in the LTAP.

18 The first issue is the comparison of the F-
19 2006 call levelized prices to the resource option
20 report pricing. And I can confirm that that will form
21 part of the Section 71 report, but only the Section 71
22 report. We don't believe it needs to be in the long-
23 term acquisition plan amendments.

24 The second is with respect to the impact of
25 the Tier 2 price of the stepped rate. And there, B.C.
26 Hydro's position is that will not be in the amended

1 LTAP, for this reason -- the stepped rate negotiated
2 settlement was quite clear that the earliest
3 adjustment to the Tier 2 pricing would occur on 1
4 April 2008, and it would "reflect the most appropriate
5 CFT price". So for that reason, because of the timing
6 and because we don't know what the most appropriate
7 CFT price will be on April 2008, we don't propose to
8 include that in the amendment to the LTAP.

9 **Proceeding Time 12:40 p.m. T34**

10 The third issue was the cost-effectiveness
11 of Resource Smart and Power Smart projects as compared
12 to the F2006 call result, and we confirm that that
13 will be in the amended LTAP.

14 The fourth issue is the attrition rate, and
15 that will be reflected in both the amendments to the
16 LTAP and the Section 71 report.

17 And finally, the updated load resource gap
18 and implications for the 2007 call and 2009 call will
19 form part of the amendments to the LTAP.

20 And I think that brings me to B.C. Hydro's
21 proposed regulatory timetable. Now you see, Mr. Chair
22 and members of the Commission, our schedule isn't so
23 far apart from the schedule circulated by Mr. Wallace,
24 I think with two exceptions. The first is we've
25 allowed ourselves more time to respond to information
26 requests than Mr. Wallace had set out, for the simple

1 reason that we agree with Mr. Wallace there's been a
2 lot of information requests, and two weeks, even on
3 certain amendments to the LTAP, we don't feel is an
4 adequate time, so we've built in three weeks, for
5 example, there. And again, with respect to the
6 evidentiary update, we've allowed ourselves more time
7 to respond to information requests, and also on the
8 second round of information requests on the revenue
9 requirement application, which I must emphasize are
10 follow-up information requests and should only be
11 aimed at our responses to Round 1 and shouldn't be
12 going back to the original application. So that's the
13 first significant departure, is really the amount of
14 time allowing for Hydro to respond to these
15 information requests.

16 With that, we have heard from intervenors,
17 I think all of them, that they desire to see the call
18 as a separate process from the LTAP IEP hearing, and
19 we've reflected that. What we've done is, after
20 August 31 when the call report goes in, we propose a
21 workshop on 7 September 2006 to discuss the report and
22 the EPA awards. And then we've built in an
23 opportunity for intervenors to make written
24 submissions on the F2006 call, and that would occur on
25 21 September 2006 so we'd give them two weeks to do
26 that after the workshop. And then we would have the

1 right of sort of rebuttal submissions on October 3rd,
2 and that would conclude the F2006 call process. There
3 would be no further process after that date.

4 We've also heard from intervenors that they
5 would like an opportunity to ask information requests
6 with respect to the admin LTAP, and we've built that
7 in. I do want to emphasize and I take -- we part
8 company with Mr. Weisberg from Columbia Power
9 Corporation on this issue. We do not believe that it
10 would be appropriate to have a round of information
11 requests on prior information requests dealing with
12 the Integrated Electricity Plan. We believe that it's
13 just -- we don't believe that it's appropriate to have
14 any more information requests than the IEP application
15 itself, or on the responses to information requests,
16 other than with respect to the targeted amendments to
17 the LTAP, the reason being, as Mr. Wallace has pointed
18 out, factoring in the 181 response we'll be filing on
19 August 4 with respect to the cost of capital evidence,
20 we will have answered 1,560 information requests on
21 the IEP with over 6,000 pages of evidence. So we
22 think it's not appropriate to have any more
23 information requests on the IEP, again with the
24 exception of the amendments to the LTAP. So we're
25 saying that those IRs should be confined to the
26 amendments to the LTAP.

1 **Proceeding Time 12:45 p.m. T35**

2 Turning over to the next page, I'm not
3 going to walk through this mechanically, but if you
4 have any questions, by all means stop me. You had a
5 question about the timing of the negotiated settlement
6 for the F-'07/F-'08 revenue requirement, and you'll
7 see we've built in five days during the week of 16 to
8 20 October, 2006, for that. We heard intervenors and
9 agree with intervenors that three days is not an
10 adequate amount of time, and so we built it into five
11 days.

12 And then, as Mr. Wallace was saying in his
13 submissions, assuming the NSP clears off some issues
14 or even if it doesn't, we then revert to the -- back
15 to the timetable in the revenue requirements with a
16 round of Information Requests on the evidentiary
17 update. And taking up where Mr. Christian left off, I
18 think this table reflects the fact of his definition
19 of consolidation, that is, there's two differing
20 commencement dates for the oral hearing of the IEP
21 LTAP, and that would be on Tuesday, 21 November 2006,
22 and then further down on that same page, the
23 commencement date for the F-'07/F-'08 revenue
24 requirement would be 17 January 2007.

25 THE CHAIRPERSON: Mr. Godsoe, why is there almost two
26 months between the filing of the evidentiary update

1 and the third round of Information Requests? Is it
2 because you're anticipating that the budgetary update
3 to be filed on October the 9th --

4 MR. GODSOE: Correct.

5 THE CHAIRPERSON: -- is going to be -- you're
6 anticipating that and you're anticipating that it's
7 going to be a significant document.

8 MR. GODSOE: Not so much that it's a significant
9 document, but at least one of our customer
10 intervenors, the B.C. Old Age Pensioners', has
11 expressed an interest in it. And that's why we want
12 to make sure it captures the budgetary updates.

13 THE CHAIRPERSON: And then you also have two distinct
14 hearing commencement dates.

15 MR. GODSOE: Correct. It's picking up on Mr. Wallace's
16 comments that it's a phased hearing approach.

17 THE CHAIRPERSON: And you prefer to have two distinct
18 hearings, rather than a single hearing with phases
19 within that hearing.

20 MR. GODSOE: Mr. Chairman, I'm struggling with the
21 distinction. I think this does reflect a phased
22 approach to the hearing process.

23 THE CHAIRPERSON: Well, what gives rise to my question,
24 then, is on your third page, you have a public hearing
25 commencing November the 21st. On the IEP LTAP.

26 MR. GODSOE: Right.

1 THE CHAIRPERSON: And then on January the 17th, you have
2 the public hearing on the RRA, assuming that you're
3 not successful to the NSP, or there's some issues that
4 go on to an oral hearing. That strikes me as two
5 distinct hearings, as opposed to a single hearing with
6 phases within that hearing. And your preference is --
7 my question to you is, your preference is for there to
8 be two distinct hearings, as is suggested by this
9 schedule.

10 **Proceeding Time 12:50 p.m. T36**

11 MR. GODSOE: I'm going to recast that question as
12 follows. I think the reason why the schedule falls
13 the way it does is to allow for some intervenor
14 evidence to be filed on the revenue requirement after
15 the conclusion of the LTAP oral hearing. It's just
16 simply not possible for intervenors to be filing it
17 during that oral hearing so it's a consequence of
18 timing as opposed to whether we prefer two separate
19 hearings or a phased hearing. I think we were in
20 favour of a phased hearing approach but the
21 practicalities of the timing are such that there is a
22 separation between the two commencement dates.

23 THE CHAIRPERSON: Well, if that's the case then did you
24 give some consideration to the intervenor evidence on
25 both applications being filed on -- close to or on the
26 October the 12th date, the IEP and the LTAP?

1 MR. GODSOE: The simple response to that is our case
2 wouldn't be in at that time. We will have filed the
3 F07/F08 RRA evidentiary update but there would be no
4 allowance for any information requests on that update
5 and so we didn't think it would be possible for
6 intervenors to file their evidence on the RRA without
7 that chance or opportunity to ask IRs on that
8 evidentiary update which we heard there was a
9 preference to issue some IRs on that, barring a
10 negotiated settlement process clearing all these
11 issues off.

12 THE CHAIRPERSON: Let me ask you a different question
13 then. Does it concern you that on your schedule if
14 you're unsuccessful at NSP that you won't have rates
15 approved April the 1st, 2007?

16 MR. GODSOE: Clearly, Mr. Chairman and Commission Panel,
17 it's not desirable or ideal but to pick up Mr.
18 Wallace's comments, we think this timetable reflects
19 the reasonable steps that have been adopted in the
20 past by the Commission.

21 THE CHAIRPERSON: Let me turn to your timing of the NSP
22 on the RRA. Assume for the moment that from the
23 conclusion of the NSP to the settlement -- the post-
24 NSP settlement documentation, so the time that's
25 available for parties to indicate their support or
26 concerns for the settlement, assuming for the moment

1 that that process is a three or four-week process, and
2 there is an additional week or so for the Commission
3 Panel to consider the settlement to reach a
4 determination as to whether or not it's in the public
5 interest, that means that the decision with respect to
6 the settlement is pushed out until -- towards the end
7 of November. That accommodates -- I suppose that
8 accommodates the public hearing --

9 MR. GODSOE: Right.

10 THE CHAIRPERSON: -- because you don't have it commencing
11 until January the 17th -- maybe that answers my
12 question.

13 MR. GODSOE: It's always good when you answer your own
14 questions, Mr. Chairman.

15 THE CHAIRPERSON: Even Mr. Wallace was proposing a
16 regulatory timetable, what I would loosely
17 characterize as his timetable where he thought there
18 was potential for some compression. Even that
19 timetable gets you to a decision that's earlier than
20 the timetable you're proposing.

21 MR. GODSOE: Correct. First of all, Mr. Wallace's
22 schedule didn't take into account the F06 call
23 process, which we have done, and secondly, as I've
24 pointed out, we've allowed ourselves more time to
25 respond to information requests based on past
26 experience in this proceeding. Two weeks simply is

1 not sufficient to answer information requests.

2 **Proceeding Time 12:55 p.m. T37**

3 Sorry, Mr. Chair, Mr. Christian has
4 reminded me with respect to the revenue requirement,
5 the third area of departure between the two schedules
6 is that Mr. Wallace had us doing the evidentiary
7 update and responding to Information Requests at the
8 same time, and that's not possible. So those are the
9 three areas of departure.

10 THE CHAIRPERSON: Well, yes, and the other one is the
11 timing of the filing of the intervenor evidence.
12 You're considerably later than Mr. Wallace's
13 compressed -- late September for the filing of the
14 intervenor evidence. You're into December.

15 Assuming, which I -- assuming, which I
16 assume is the case, that Mr. Wallace's October the 11th
17 date was intervenor evidence on both matters.

18 MR. GODSOE: I think that's correct. And I can't speak
19 for Mr. Wallace, but it looks -- eyeballing it, that
20 seems to be right.

21 THE CHAIRPERSON: Yes.

22 MR. GODSOE: That it was with respect to both
23 applications.

24 THE CHAIRPERSON: Yes. So you're two and a half months
25 later for intervenor evidence on the RRA.

26 MR. GODSOE: Correct. Intervenor evidence in the IEP's

1 within a day of Mr. Wallace's date.

2 THE CHAIRPERSON: Right. And that's because of the
3 proceeding steps that you're trying to accommodate
4 before the intervenor evidence on the RRA as well.

5 MR. GODSOE: That's correct.

6 THE CHAIRPERSON: And if time's permitted, because you're
7 not proposing the hearing start until January the 17th.

8 MR. GODSOE: Well, again, the reason why the hearing date
9 is moved back nine days from Mr. Wallace's date --
10 we've allowed a bit more time for the negotiated
11 settlement process, and we've allowed ourselves more
12 time to respond to Information Requests, and we've
13 built in the limited fiscal 2006 call process to
14 reflect comments from intervenors that it should be
15 limited and should be expedited.

16 THE CHAIRPERSON: Right.

17 MR. GODSOE: It amounts really only to -- it amounts to
18 nine days' difference, Mr. Chair.

19 THE CHAIRPERSON: On the hearing.

20 MR. GODSOE: Correct.

21 THE CHAIRPERSON: Right. Not on the intervenor evidence,
22 but on the hearing.

23 With your -- back to my comment that, with
24 your schedule for NSP, it's the end of November before
25 you can anticipate a Commission decision on the NSP --
26 on the settlement agreement, should you -- should

1 That, then, brings us to the fourth agenda
2 item, and I appreciate that there's certain reticence
3 on the part of B.C. Hydro on this issue, and I want to
4 spend a few minutes making some comments so that
5 perhaps you can better appreciate the importance of
6 this issue. In order to do that, I'd like to take you
7 back to the transcript of the first procedural
8 conference. If we turn to page 74 of that transcript,
9 lines 4 to 6, Mr. Godsoe says:

10 "MR. GODSOE: I think I can say, Mr.
11 Chairman, that there hasn't been much
12 interest expressed by our customers with
13 respect to that issue."

14 Let me then turn to page 75. We have Mr.
15 Johnson's at the top of the page, Mr. Johnson's
16 opening comment:

17 "MR. JOHNSON: I think it fair to say, Mr.
18 Chairman, that the Terasen Gas Utilities
19 find B.C. Hydro's proposal to be completely
20 unacceptable."

21 And then we turn to page 81 and we hear
22 from Mr. Craig. Mr. Craig says:

23 "MR. CRAIG: Mr. Chairman, the Commercial
24 Energy Consumers have been concerned about
25 the rate design issue, as you may remember,
26 since B.C. Hydro came under regulation."

1 What I want to impress upon you is that I
2 don't see very much merit in your submission at lines
3 4 to 6, Mr. Godsoe, at page 74. If all of your
4 customers but one didn't express an interest in a
5 review of interclass equity, that one customer's
6 submissions, in the context of interclass equity,
7 might very well be very persuasive, and one might not
8 anticipate hearing very much from the other customers.
9 So it doesn't strike me, when I think of this issue in
10 the context of the legislation, I don't find that
11 submission very helpful. And I look to the sections
12 of the Act with respect to this issue, and this is
13 fundamental for those of us who participate in
14 regulatory matters, but we do not approve of revenue
15 requirement under the Act. We approve rates. You had
16 before us evidence with respect to the revenue
17 requirement, but I see little evidence other than
18 perhaps a 15-year-old cost of service study with
19 respect to whether or not the rates are discriminatory
20 or unduly preferential in some way.

21 Now, when you applied in the last
22 proceeding for approval of the revenue requirement, we
23 then heard from you and you said, "Well, although we
24 don't have any evidence now --" I'm going to give you
25 a moment to correct me where you believe I'm wrong,
26 but "We don't have any evidence now with respect to

1 And I find them, in these circumstances, quite
2 significant.

3 And I think B.C. Hydro, in not filing, as
4 it said it would, and now being before us once again,
5 without evidence that goes to that issue, is remiss,
6 and ought to have done it as it said it was going to.
7 Now, I hear arguments concerning resources, and
8 similar concerns expressed, but when I look at the
9 legislated requirements of us, when we approve rates
10 for you, it concerns me that you haven't provided
11 sufficient evidence. And this is the second time that
12 you haven't done that.

13 Now, revenue requirement proceedings and
14 rate design proceedings can be independent of one
15 another, but relying on a 15-year-old cost of service
16 study is -- for your only evidence on that point -- is
17 a significant concern for us, and it concerns me that
18 perhaps that issue isn't being given sufficient
19 priority within B.C. Hydro. You certainly have made
20 it a priority to get revenue requirements materials to
21 us, but as I say, that's only part of what you need to
22 have done. You haven't provided any evidence with
23 respect to, as I say, inter-class equity, and I think
24 that's an issue, although it doesn't have any
25 immediate implications for B.C. Hydro, it's an issue
26 you ought to be concerned about.

1 page 83, lines 24 to 26:

2 "In regards to issue 7 it is our position
3 that the rate design application is not a
4 particularly urgent issue for us."

5 Now, we move to Commercial Energy Consumers, Mr.
6 Chairman, I do think you were a little bit selective
7 in what you were saying. What I took from David Craig
8 to be saying is, "Yes, all things being equal, we'd
9 like to have this in, but we're not in a rush to see
10 it happen, we've got a lot on our plate." And I would
11 direct you to page 82 where he says:

12 "So while I find the situation that we're in
13 with B.C. Hydro unfortunate, I am not
14 inclined to turn that into immediate rush.
15 I think they've laid out some plans with the
16 need to take some time to be dealt with and
17 we would want to take that time."

18 So I do think it was only one customer, Terasen, who
19 was pushing for an earlier date than our initial
20 submission. Our submission today would be we could do
21 -- we could submit the rate design application within
22 60 days. However, there is a lot on our collective
23 plates. I think we'd like to hear from customer
24 groups whether, in fact, they do want to see the rate
25 design application file within 60 days of today given
26 the timetable we have laid out with respect to the

1 2006 IEP/LTAP, the F2006 call process and the F07/F08
2 revenue requirement application.

3 THE CHAIRPERSON: In the context of -- let me -- at the
4 risk of being confrontational with my comment, in the
5 context of the revenue requirements application, you
6 surely would accept that one party in the proceeding
7 looking for an increase with sufficient for us to take
8 it seriously, in the context of rate design and inner
9 class equity, it's very analogous. As I say, if you
10 had all of your customers, I don't think -- your
11 characterization of Mr. Craig is somewhat helpful but
12 it is an issue for the commercial customers. They've
13 made that clear. They've made it clear for a long
14 time now and B.C. Hydro has said that they would deal
15 with it and you haven't. I'm not suggesting 60 days.
16 What I am looking for is a day -- I don't find the
17 submissions of JIESC or BCOAPO actually very
18 persuasive in this regard at all. As I said, it's --
19 it only takes one customer to be concerned about inner
20 class equity. It wouldn't surprise me that in many
21 circumstances there would only be one customer. The
22 other customers might very well not be very eager to
23 embark upon an inner class equity issue. But clearly
24 Terasen is, and CEC has been raising this issue for
25 some time. It's an issue that I think needs to be
26 given some attention and so you are going to get a

1 direction from the Commission with respect to this.
2 I'm not suggesting that it be on the schedule that
3 Terasen suggested, but I am looking for you to give a
4 date that makes this a higher priority than I have
5 seen from B.C. Hydro so far.

6 **Proceeding Time 1:15 p.m. T41**

7 MR. GODSOE: Mr. Chairman, I think that our submission
8 would be that we would be filing the rate design
9 application within thirty days of receipt of a
10 decision on the revenue requirement application.

11 THE CHAIRPERSON: Yes. Thank you. I think unless
12 someone can convince me on the basis of procedural
13 fairness, I think that's the end of item number 4.
14 Thank you.

15 Moving to item number 5 on the agenda, as
16 was stated in the cover letter, the Commission Panel
17 may change. I do not intend to provide any indication
18 as to what that change might be. That's at my
19 discretion. But what may not be at my discretion is
20 whether or not I can make a change. In most
21 circumstances, my understanding is that I'm able to
22 make a change to the Commission Panel right up to the
23 time of the commencement of the hearing. What makes
24 this unusual is the fact that we've had the technical
25 workshop and whether or not the technical workshop
26 restricts me in that regard I think is an open

1 question, but maybe it's a question that doesn't need
2 to be answered if there are no objections to me making
3 changes to the Commission Panel. So I'm asking if
4 there are any objections to be making to changes with
5 respect to the Commission Panel at this stage in the
6 proceedings.

7 MR. NEULANDS: Mr. Chairman, we would have no objection
8 to changes in the Commission Panel, but we would be
9 very concerned if it was going to drop down to a two
10 person panel where at the end of the day it may be a
11 non-decision. Thank you.

12 THE CHAIRPERSON: Thank you. Hearing no objections, I
13 will move -- I may actually bring our agenda to a
14 close. Are there any other matters that need to be
15 dealt with? Mr. Godsoe?

16 MR. GODSOE: Yes, Mr. Chairman. Columbia Power
17 Corporation had asked for clarification on when we
18 would be submitting the new reference price,
19 incorporating the results of the F2006 call. I must
20 say I'm not in a position to give a firm date at this
21 time. First of all, we don't know which bidders are
22 going to actually sign EPAs and post their performance
23 security. That is to occur on 28 August 2006. And
24 second of all, we've laid out a process for you on the
25 Section 71 review. It's quite limited. But until we
26 know which EPAs the Commission is going to set for

1 filing, and clearly our position is that all of them
2 should be accepted for filing, but until we know that
3 we're not in a position to give the reference price
4 because of course we don't know which EPAs are in,
5 which EPAs are out.

6 So at this time I can't be more helpful
7 than that. I think we can keep in touch with the
8 Columbia Power Corporation as events unfold, and once
9 we know the results of the F2006 call, we can provide
10 that new reference price.

11 I would take this opportunity to reiterate
12 our position as laid out in the cover letter
13 accompanying the first round of information requests
14 in the F'06/F'08 RRA, and that is our request that if
15 intervenors have issues with our responses, they talk
16 to us first before running off to the Commission for
17 an order. In my submission, it was inappropriate for
18 Columbia Power to go directly to the order request.
19 They should have spoken to us first and they did not.
20 So we're just asking that that occur in the future; if
21 there's problems with their information requests, they
22 contact us first.

23 THE CHAIRPERSON: Right. I mean, this is an area that
24 has evolved in terms of our practices over the last
25 few years, and I think your suggestion is a good one,
26 although I will also indicate that Mr. Weisberg was

1 consistent with practices that were in place a year or
2 so ago.

3 **Proceeding Time 1:20 p.m. T42**

4 I think in that context Mr. Weisberg's
5 bringing it to our attention was appropriate. But I
6 think for the balance of this proceeding, that's a
7 good process to follow. First bring it to your
8 attention, give you an opportunity to respond, and
9 then bringing it to the attention of the Commission at
10 that stage, I think, is appropriate.

11 MR. GODSOE: Thank you, Mr. Chairman. Those conclude my
12 submissions.

13 THE CHAIRPERSON: Thank you. Are there any other matters
14 that I need to deal with before we -- Mr. Quail?

15 MR. QUAIL: Yes, Mr. Chairman. I have a couple of sort
16 of procedural matters, some substance to them, that
17 perhaps this is the best juncture to deal with. The
18 first -- this is from Mr. Harper, who's our consultant
19 in the IEP LTAP, and has to do with depreciation
20 issues related to transmission, and the question of
21 whether these are being dealt with in this process or
22 BCTC. He's pointed out the BCTC application at page
23 13 and the B.C. Hydro revenue requirement at page 5-27
24 say that all the B.C. Hydro owner revenue requirement
25 components will be discussed in the B.C. Hydro
26 proceeding, except for transmission, capital and

1 service and non-tariff revenues. So as a result, we
2 are expecting all issues associated with depreciation
3 charges on transmission assets owned by B.C. Hydro to
4 be part of the B.C. Hydro proceeding.

5 And indeed, the Section 2.2.4 of the Hydro
6 application includes the depreciation charges. The
7 inconsistency arises in that it's the BCTC application
8 on page 16 that appears to be asking for approval of
9 the new depreciation rates on these transmission
10 assets. Really, that should be a part of this subject
11 matter for the B.C. Hydro revenue requirement. So a
12 direction from the Commission, or an agreement by B.C.
13 Hydro, I guess, to incorporate that as one of the
14 remedies sought in the Hydro process would resolve
15 that one.

16 Second issue, and this brought to our
17 attention by Mr. Fussell, who is our consultant in the
18 revenue requirement process, has to do with the
19 composition of B.C. Hydro's intended witness panels in
20 the revenue requirements. And we'd like to note an
21 extract from page 74 of the 2004 revenue requirements
22 decision, which reads as follows:

23 "The Commission panel finds that the budget
24 review and approval process does not
25 necessarily need to prioritize projects
26 across lines of business, but does need to

1 prioritize within the lines of business.
2 B.C. Hydro acknowledged that a significant
3 portion of capital expenditures,
4 particularly distribution, are incurred
5 pursuant to decisions made by the line
6 organization that were not reviewed by
7 senior management other than in the
8 aggregate. The Commission panel expects
9 B.C. Hydro to review the various
10 prioritization tools employed and provide
11 evidence at the next revenue requirements
12 proceeding as to how it prioritizes
13 expenditures within the lines of business
14 based on reliability and safety targets and
15 annual priorities established by senior
16 management."

17 So the comment in this is that we submit
18 it's important that B.C. Hydro produces department
19 heads for cross-examination, and not rely mainly on
20 technical experts. Prioritization will be a key
21 element in the evaluation of the revenue requirement,
22 and prioritization is a policy-based management
23 function, not a technical function. Hearing directly
24 from the department heads is especially important
25 because one of the key mechanisms B.C. Hydro relies on
26 for departmental accountability is the use of

1 individual service plans. So we would be seeking a
2 direction that the department heads be available for
3 cross-examination in the hearing.

4 THE CHAIRPERSON: Mr. Quail, is it satisfactory to you if
5 we first heard from B.C. Hydro with respect to their
6 witness panels with an opportunity for you to return
7 to this issue at that stage?

8 MR. QUAIL: Certainly.

9 THE CHAIRPERSON: Okay.

10 MR. QUAIL: I'm content to flag it at this point, and
11 maybe having done so, the problem will go away. And
12 if the problem hasn't gone away, no doubt there will
13 be an opportunity to deal with it down the road.
14 That's why I prefaced my comments by saying that, you
15 know, this may be a convenient juncture to raise these
16 matters. I'd like to at least flag them now.

17 THE CHAIRPERSON: Okay. Thank you.

18 **Proceeding Time 1:24 p.m. T43**

19 MR. CHRISTIAN: Mr. Chairman, I can say that B.C. Hydro's
20 position is that it would be inappropriate for the
21 Commission to provide a direction to B.C. Hydro to
22 tell B.C. Hydro how to present its case at the hearing
23 of this application. At the end of the day Hydro is
24 an applicant, and although the rules of evidence and
25 the procedures are very much looser than those
26 employed in court, nevertheless we are an applicant,

1 we have a burden of proof upon us, and it's our first
2 priority really to decide how we best meet that
3 burden. And for the Commission to say in advance,
4 "You must have certain witnesses addressing these
5 things," certainly at this stage of the proceedings in
6 particularly would in my view be inappropriate and
7 unhelpful and not a good precedent. At the end of the
8 day, if B.C. Hydro's witnesses fail to satisfy the
9 Commission that the applied-for rate increase is just
10 and reasonable, then Hydro bears that risk. But it's
11 not, in my view, open for the Commission in these
12 circumstances to tell Hydro now what witnesses it
13 should put forward.

14 THE CHAIRPERSON: All right, Mr. Quail, I may save you
15 some time here. I've given Mr. Quail the opportunity
16 to raise this issue with the Commission Panel after he
17 hears from you with respect to your witness panels.
18 The submissions that you've just made are submissions
19 that I think would be more timely then than now, and
20 so I would believe that I've given Mr. Quail that
21 opportunity and just leave the matter now, if that's
22 satisfactory with both of us.

23 MR. CHRISTIAN: It is.

24 MR. QUAIL: It is. That's fine.

25 MR. FULTON: Unless no one else has another argument, Mr.
26 Chairman, I just have some housekeeping items and I

1 was remiss in not asking that several documents be
2 marked as we went along, and I think we can mark them
3 at this point, with your leave.

4 We previously marked the agenda that was
5 originally circulated an exhibit, so in my submission
6 the revised agenda for this morning should also have
7 an exhibit number and it should be given A-14 in the
8 LTAP IEP proceedings, and A-15 in the RRA proceedings,
9 which is the next item in that sequence of exhibits.
10 (REVISED AGENDA FOR TODAY MARKED EXHIBIT A-14 IN LTAP
11 IEP PROCEEDINGS AND EXHIBIT A-15 IN RRA PROCEEDINGS)

12 MR. FULTON: With respect to the JIESC handout, it should
13 be marked Exhibit C15-6 in the LTAP IEP proceedings,
14 and C15-7 in the RRA proceedings.

15 (JIESC HANDOUT MARKED EXHIBIT C15-6 IN THE LTAP IEP
16 PROCEEDINGS, AND EXHIBIT C15-7 IN THE RRA PROCEEDINGS)

17 MR. FULTON: And with respect to the B.C. Hydro proposed
18 regulatory timetable, in my submission, it should be
19 marked Exhibit B-15 in the LTAP IEP proceedings, and
20 B-14 in the RRA proceedings.

21 THE CHAIRPERSON: Mr. Fulton, you may very well be
22 correct. My preference would be that we mark the
23 agenda because it may be necessary for the purposes of
24 the record that it be marked as an exhibit. And in
25 the context of this proceeding I'm not concerned about
26 whether or not the draft proceeding schedules be

1 marked as an exhibit, but as a general matter I would
2 prefer that they not be --

3 MR. FULTON: Very well.

4 THE CHAIRPERSON: -- and become part of the record. So I
5 must -- your advice to me is that they ought to be.
6 My preference would be that they not be and then we
7 wouldn't mark them.

8 MR. FULTON: Well, they were referred to at a number of
9 points --

10 THE CHAIRPERSON: Once.

11 MR. FULTON: -- during the discussions this morning.

12 THE CHAIRPERSON: We're going to issue an order that will
13 establish the regulatory timetable. Earlier drafts of
14 the regulatory timetable -- I mean your point, I
15 suppose your point is a good one. In the absence of
16 them being marked as an exhibit, it's going to be
17 difficult to follow the record. Okay. Unless anybody
18 else has the same concerns that I have and feels that
19 we do not need to mark them, then we'll mark them.
20 Okay. They are marked as you indicated, Mr. Fulton.
21 (B.C. HYDRO PROPOSED REGULATORY TIMETABLE MARKED
22 EXHIBIT B-15 IN THE LTAP IEP PROCEEDINGS, AND EXHIBIT
23 B-14 IN THE RRA PROCEEDINGS)

24 THE CHAIRPERSON: Are there any other matters before we
25 adjourn? Then we are adjourned.
26 **(PROCEEDINGS ADJOURNED AT 1:29 P.M.)**