

**Fred James**

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September 30, 2020

Ms. Marija Tresoglavic  
Acting Commission Secretary and Manager  
Regulatory Support  
British Columbia Utilities Commission  
Suite 410, 900 Howe Street  
Vancouver, BC V6Z 2N3

Dear Ms. Tresoglavic:

**RE: Project No. 1599045**  
**British Columbia Utilities Commission (BCUC or Commission)**  
**British Columbia Hydro and Power Authority (BC Hydro)**  
**Review of BC Hydro Performance Based Regulation (PBR) Report**

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BC Hydro writes in response to the BCUC's request, as set out in Exhibit A-9, for submissions on the scope of the further review of BC Hydro's PBR Report and the remaining review process for the current proceeding.

BC Hydro continues to support a cost of service approach to the BCUC's regulation of BC Hydro. This approach is aligned with BC Hydro's status as a Crown Corporation. BC Hydro remains concerned about the appropriateness and efficacy of adopting any incentive-based mechanisms that, for instance, rely on a utility's motivation to achieve higher profits or that would result in a less detailed regulatory review of BC Hydro's operations.

While these concerns remain, BC Hydro believes that the breadth of topics covered by Dr. Lowry at the workshop and the initial list of scope issues put forward by the BCUC Panel in Exhibit A-9 provides a useful basis to discuss the goals of BCUC regulation with respect to BC Hydro in the next phase of this proceeding.

**Scope of the Review – List of Issues**

BC Hydro supports the initial list of scope issues put forward by the BCUC Panel in questions 1 (a) through (g) of Exhibit A-9.

In particular, BC Hydro supports a focus on question 1 (b) – specifically, the goals of BCUC regulation with respect to BC Hydro. To-date, this proceeding has been focused on potential aspects of PBR design without a clear articulation of the goal or problem that is being addressed. It is only once goals have been identified that it will be possible

to evaluate the extent to which any of the regulatory approaches explored through this proceeding may be successful in achieving those goals.

Although we have no objection to question 1 (a) regarding the BCUC's jurisdiction, we consider that to be a settled issue that can be removed from further consideration.

### **Remaining Review Procedure for Current Proceeding**

With regard to the specific questions raised by the BCUC Panel with regard to the remaining review procedure for the current proceeding, BC Hydro's responses are as follows:

- (a) BC Hydro is seeking an opportunity for further evidentiary submissions;
- (b) BC Hydro is not seeking an opportunity for a round of information requests to the BCUC Staff Consultant;
- (c) BC Hydro does not see a need for an Oral Hearing to review the current record, at this time; and
- (d) BC Hydro suggests that the format for final arguments and bringing this proceeding to a conclusion be determined at a later date. The specific elements of our proposal are discussed further below.

Expanding on the above responses, with regard to the next steps in this proceeding, BC Hydro specifically proposes:

1. Intervener evidence or comments, as described further below; and
2. BC Hydro supplementary evidence.

BC Hydro is proposing intervener evidence or letters of comment as the first step in this proceeding for two reasons:

- First, interveners have not yet had an opportunity to address BC Hydro's PBR Report and the BCUC Staff Consultant report, and should be provided with that opportunity; and
- Second, it is important for interveners to have the opportunity to provide their views on questions 1 (a) through (g) and especially question (b) with regard to the goal of BCUC regulation with respect to BC Hydro, and to address any other issues added as determined by the BCUC Panel, prior to any submission by BC Hydro so that BC Hydro can respond as necessary in its evidence.

Following intervener evidence or comments, BC Hydro is proposing supplementary evidence from BC Hydro in response to the BCUC Staff Consultant Report and intervener evidence or letters of comment. This supplementary evidence would serve two purposes:

- First, while BC Hydro is not seeking an opportunity to submit information requests to the BCUC Staff Consultant (Dr. Lowry), we do need an opportunity to respond to the BCUC Staff Consultant report. Dr. Lowry has framed the concept of PBR more

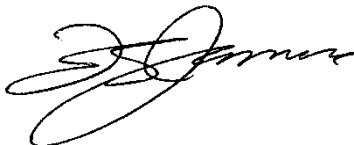
broadly than BC Hydro had understood the BCUC's original intent to be when it requested a report from BC Hydro. As a result, BC Hydro should have an opportunity to put forward evidence in response to many of the concepts covered in the BCUC Staff Consultant report; and

- Second, if interveners are provided with the opportunity to set out their views on the appropriate goals for the BCUC's regulation of BC Hydro and the concepts covered in BC Hydro's PBR Report and the BCUC Staff Consultant report, BC Hydro should be provided with an opportunity to respond to that evidence.

BC Hydro suggests that, following its submission of supplementary evidence, the proceeding could move to written arguments on the issues set out in questions 1 (a) through (g) of Exhibit A-9. As BC Hydro will have just submitted supplementary evidence, the argument phase could begin with intervener submissions, followed by BC Hydro's reply submission. In these submissions, the parties could identify any issues where further process, such as an oral argument phase or a Negotiated Settlement Process may be required, in order to resolve the issue in this proceeding.

For further information, please contact Chris Sandve at 604-974-4641 or by email at [bchydroregulatorygroup@bchydro.com](mailto:bchydroregulatorygroup@bchydro.com).

Yours sincerely,



Fred James  
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