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January 16, 2020

Mr. Patrick Wruck  
Commission Secretary and Manager  
Regulatory Support  
British Columbia Utilities Commission  
Suite 410, 900 Howe Street  
Vancouver, BC V6Z 2N3

Dear Mr. Wruck:

**RE: Project No. 1598990  
British Columbia Utilities Commission (BCUC or Commission)  
British Columbia Hydro and Power Authority (BC Hydro)  
Fiscal 2020 to Fiscal 2021 Revenue Requirements Application  
(the Application)**

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BC Hydro writes to provide an opening statement from Chris O'Riley, President and Chief Executive Officer of BC Hydro. Mr. O'Riley will deliver this statement at the Oral Hearing on Monday, January 20, 2020.

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

Yours sincerely,



(for) Fred James  
Chief Regulatory Officer

cs/rh

Enclosure

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## Opening Statement of Chris O'Riley

### January 20, 2020

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I really appreciated the evidence filed by the Zone II Ratepayer Group representing Kwadacha and Tsay Keh Dene First Nations. A revenue requirements application can be a highly technocratic process, with a heavy focus on economics and engineering and on costs and reliability. It tends to focus less on the human impacts of our business. Zone II's evidence rebalances that. The Kwadacha and Tsay Keh Dene people experience the affordability challenges of being BC Hydro customers in a harsh northern climate; they also have arguably been the most impacted by the development of the BC Hydro system. I've been to both communities on several occasions as we've worked through a process that we've come to know as reconciliation: a process with a start but no finish; a process that will carry on indefinitely. I recognize the leaders of the two nations: Chief Van Somer and Chief Pierre (and Chief Izony for years before him) for their commitment to their communities and to the hard work of reconciliation.

I've had the privilege to work with both nations through the achievement of several important reconciliation milestones, starting with the two settlement agreements among the First Nations, BC Hydro and the Government of B.C. As part of the Remote Community Electrification program, BC Hydro took over the power systems in both communities from the Federal Government. We've since engaged on customer issues including high bills, demand side management and reliability. In 2016, we opened the revamped Bennett Dam Visitor Centre, which includes an Indigenous Gallery designed to tell the story of the impacts of the dam on Indigenous Peoples in their own words. The Kwadacha Nation contributed greatly to

the content. The Tsay Keh Dene felt they were unable to contribute, given the ongoing emotional toll of the dam. This is expressly stated on a sign in the gallery. I spoke at the opening of the gallery in front of employees, community members and First Nations people who had travelled up to 10 hours by bus to be there. I apologized on behalf of BC Hydro for the impacts of the dam and how it was developed. Finally, we've worked with both nations to find offsets to diesel generation for the community. In 2016, we entered into an Energy Purchase Agreement to buy biomass energy from Kwadacha for the community. All of these efforts represent reconciliation, a process of coming together and moving forward, one that will continue for generations to come, if not forever. Again, I thank the communities for their participation in the regulatory process and we look forward to further discussion of their evidence.

This is a significant application for all of us, as the first Revenue Requirements application in many years where the BCUC has relatively unfettered ability to set rates for BC Hydro. We're approaching the one year anniversary of our application and initial workshop. I have two observations on the process so far: My first observation is that we've worked really hard to be open and transparent through the process. There are two parts to openness and transparency: one is sharing information; the second is being amenable to feedback and suggestions. I acknowledge that the first likely comes easier to us, but we recognize that both are important. As an executive team, we've set this tone and tried to reflect it at each stage in this process. Today, we have our entire witness team in the room to hear my testimony. In most cases, this will be their first experience testifying in a hearing before this Commission and I know they are taking this responsibility very seriously. I note that both the BCUC and the interveners have also done a tremendous job to ask good questions and ensure a broad understanding of the issues in this process.

My second observation relates to the complexity of the issues before the Commission. An example is the issues related to cost of energy and our modelling

capability, where questions seem to remain. For me this is one more downside of not having had regular, comprehensive Revenue Requirements proceedings before the Commission. I participated in the Heritage Contract Inquiry in 2003 and subsequent Revenue Requirements applications. As a result of those successive applications, I think the Commission and interveners built up a strong institutional knowledge and confidence in these critical cost categories and processes, which I think needs to be re-established. Similarly, I see this hearing as an opportunity to talk about our use of regulatory accounts and to bridge some of the persistent and opposing perspectives on these important tools.

As I emphasized in my opening statement at the workshop to begin this regulatory process, affordability is of great concern to us and I know to all of you. I talked about my meetings with the Low Income Advisory Council and Association of Major Power Consumers members, which have continued. A big focus of these meetings is always affordability. This year, we've experienced a downturn in the forest sector that was deeper and sharper than anyone seems to have forecast, including BC Hydro. We're very concerned about the impact of the forestry downturn on communities across B.C., on the companies themselves and on our broader ratepayers. It is a reminder of the challenging market conditions that many of our large customers must compete in and the importance of B.C. remaining competitive in terms of cost of power.

My view is that we have put forward a business plan that is consistent with this objective and I'm proud of the efforts we've made to maintain our competitive position against a backdrop of increasing complexity in our operating environment, the need to maintain a highly skilled workforce across the company, aging infrastructure, and the rising service expectations that I will discuss in a moment.

As a result of a changing operating environment, a lot of rigour goes in to our budgeting process. The Commission had questions about our budgeting coming out of our last revenue requirements application. My strong view is that our top-down /

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bottom-up budgeting process has limited operating and capital cost increases and that a full zero-based budgeting process that lacks the top-down constraint we have imposed would see greater cost increases.

Running the business in this environment also requires us to be flexible, and keep on top of areas where we are seeing pressures. And there are areas where we should expect to see operating cost increases beyond inflation in future revenue requirements processes. Three areas that are of particular concern to me are vegetation management, cyber security and employee training necessary to ensure we meet evolving safety and regulatory requirements. These areas are all very critical to our ability to operate effectively, and provide safe and reliable service in the future. I'm sure this will be a topic of further discussion in this process.

Having served in the President's role for two-and-a-half years now, I am very conscious of the service expectations on BC Hydro and I feel these responsibilities keenly. Some of these are obvious in terms of the importance of reliability. On January 2, I was in the Lumby area and able to witness firsthand the tremendous efforts required to restore power to customers in the rural areas on Mabel Lake Road after a snowstorm. Some of these expectations are more subtle, such as the growing expectation by customers to be kept updated during storms and outage events, and for BC Hydro to meet best practices in processes as articulated in audits. Other expectations come through the growing regulatory requirements on BC Hydro for safety, environment and reliability and higher expectations for conduct from society in general. I think societal expectations on institutions are increasing across the board, and correspondingly, societal risk tolerance is decreasing. This in itself becomes a cost pressure for a critical infrastructure provider such as BC Hydro.

We're very proud of the work we do at BC Hydro. We're proud of the progress we've made in critical areas of the business and acknowledge those areas where we need

to improve. We're absolutely open to feedback and this process is an important part of that.

That concludes my opening statement and I look forward to discussing our application further.