

Phone: 604-623-4046
Fax: 604-623-4407
bhydroregulatorygroup@bchydro.com

February 14, 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)**

BC Hydro is committed to an open and transparent regulatory process. This includes sharing information as well as being amenable to feedback and suggestions.¹ With this objective in mind, we are writing to provide BC Hydro's initial response to feedback and suggestions received so far during the Oral Hearing for the Application. While we considered waiting until our Final Argument to provide this response, we believe it will be more helpful to provide this information now.

- First, as noted by Mr. O'Riley during the Oral Hearing, BC Hydro agrees that it should have provided a formal response to the BCUC's Decision on the SAP Inquiry.² BC Hydro will provide a formal response to the BCUC and registered interveners in the SAP Inquiry proceeding by June 30, 2020.

While that response will provide a comprehensive view of BC Hydro's actions in response to the BCUC's recommendations, it is worth noting that three of the BCUC's recommendations were partially addressed by the outcomes of the recent Capital Expenditures and Projects Review (**CEPR**) proceeding. BC Hydro will include further details on the CEPR outcomes in its formal response. Any questions regarding the outcomes of the CEPR proceeding can be directed to Panel 4.

¹ Chris O'Riley, President and CEO discussed the importance of being amenable to feedback and suggestions in his opening statement (Tr. 5, p. 356, ll. 1-7).

² For further discussion, please refer to Tr. 5, p. 377, l. 16 to p. 389, l. 6.

- Second, there was discussion at the hearing regarding whether BC Hydro should prepare and file an updated depreciation study.³ BC Hydro's last depreciation study was prepared in August 2005 and is filed as Exhibit B-34 in this proceeding. BC Hydro has explained why it has confidence in the depreciation rates reflected in the revenue requirements process and we have provided our assessment of the value of conducting a study against BC Hydro's budget constraints and increasing work requirements.

Nevertheless, BC Hydro has reflected on the feedback received during the Oral Hearing and understands that performing a depreciation study may be necessary for parties to have confidence in BC Hydro's depreciation rates going forward. Accordingly, BC Hydro will perform a depreciation study.

As discussed further in BC Hydro's Rebuttal Evidence and during the Oral Hearing, it is likely not possible to complete a depreciation study in time to inform the next Revenue Requirements Application. The previous depreciation study took approximately one year from the completion of the Terms of Reference to the final report⁴ and a new study would need to be incorporated into the existing work requirements of the Finance Key Business Unit. BC Hydro will commence work on the depreciation study following the completion of its fiscal 2020 year-end financial statement process and will provide the study to the BCUC once it is available.

- Third, the Panel observed that the number of extension requests submitted by BC Hydro to the BCUC has been increasing.⁵ To provide greater insight into this area going forward, BC Hydro will prepare a report setting out, among other things, BC Hydro's active regulatory proceedings as well as any recent extension requests and the reasons for those requests. This report will be filed with BC Hydro's regular Anticipated Regulatory Filings reports to the BCUC.
- Lastly, the BCUC and interveners identified two areas where it may be helpful to develop a consensus on the best regulatory approach: the coordination of timing between the next revenue requirements application and the 2021 Integrated Resource Plan⁶ and whether it would be possible to file the next revenue requirements application earlier.⁷ BC Hydro will initiate consultation with the BCUC and interveners on these matters following the conclusion of the final argument phase of this proceeding.

³ For further discussion, please refer to Tr. 5, p. 432, l. 10 to p. 446, l. 17 and Tr. 7, p. 925 l. 11 to p. 953, l. 1 and Tr. 8A, p. 1245 l. 13 to p. 1247, l. 26 and p. 1249, l. 8 to p. 1250, l. 17.

⁴ For further discussion, please refer to Exhibit B-28, p. 16, ll. 9-14

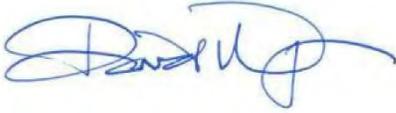
⁵ For further discussion, please refer to Tr. 6, p. 739, l. 26 to p. 742, l. 9.

⁶ For further discussion, please refer to Tr. 5, p. 425, ll. 6-26.

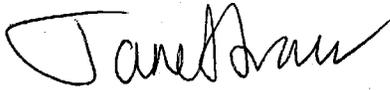
⁷ For further discussion, please refer to Tr. 6, p. 739, ll. 6-25.

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Fiscal 2020 to Fiscal 2021 Revenue Requirements Application (the Application)

Yours sincerely,



David Wong
Executive Vice President,
Finance, Technology, Supply Chain and Chief Financial Officer



Janet Fraser
Executive Vice President,
People, Customer and Corporate Affairs