

REQUESTOR NAME: **BC Sustainable Energy Association and Sierra Club BC**
INFORMATION REQUEST ROUND NO: 1
TO: **Richard Landale**
DATE: **March 10, 2017**
PROJECT NO: **3698869**
APPLICATION NAME: **BC Hydro F2017 to F2019 Revenue Requirements Application**

1.0 Topic: Purpose of evidence

Reference: Exhibit C15-11, Landale Evidence, 1.0 Preface, pdf p.1

“1.1 The following evidence challenges existing legislation and directives as of the original application date July 28th 2016. Specifically, direction 7, Clean Energy Act and the Utilities Commission Act, as they pertain to the “Burrard facility in Port Moody BC” Chapter 8, Section 8.1 Other Revenue Requirements Items, and Table 8-1 Burrard Synchronous Condense Facility Depreciation Rates on pages 8-2 to 8-4 inclusive from within the application.”

- 1.1 Is Mr. Landale’s argument that legislation that refers to Burrard Thermal or the Burrard Thermal Generating Plant has no application to what BC Hydro now refers to as the Burrard Synchronous Condense Facility, because BC Hydro has changed the name of the facility?
- 1.2 Specifically, is Mr. Landale suggesting that the provisions of Direction No. 7 that refer to “Burrard Thermal” do not apply to the “Burrard Synchronous Condense Facility”?
- 1.3 Is Mr. Landale suggesting that it is the intention of the B.C. government that Direction No. 7 does not apply to the “Burrard Synchronous Condense Facility”?
- 1.4 Is all of Mr. Landale’s evidence exclusively related to this legal argument? Please specify, in the hypothetical event that the Commission was to rule that statutes and directions in question do apply to the “Burrard Synchronous Condense Facility,” what portions of Mr. Landale’s evidence would be relevant and to what decision(s) the Commission may make in this proceeding.

2.0 Topic: Synchronous Condenser Operation

Reference: Exhibit C15-11, Landale Evidence, p.4.

“3.5 What BC Hydro did not present as background.

On June 8th. 2004 in the BC Hydro Revenue Requirement Hearing 2004/05 and 2005/06 filed their BCTC Undertaking Exhibit B1-157, (transcript ref: Volume 18, Page 3117) to the BCUC Counsel’s; Question: How long has BC Hydro been using the units at Burrard in synchronous condenser operation ?. Response: The Burrard generators were converted to synchronous condenser operation between the year 1986 and 1990.

Question: Does the Commission have all the facts required ahead of their decision ?

Please also refer paragraph 8.7 on page 12 for further concerns.”

- 2.1 Is this paragraph saying that BC Hydro in the current application (F2017-F2019 RRA) did not include as background information that “The Burrard

generators were converted to synchronous condenser operation between the year 1986 and 1990”?

- 2.2 Please identify as precisely as possible the decision or decisions that the Commission will or may make in the current application that Mr. Landale says should be informed by the fact that “The Burrard generators were converted to synchronous condenser operation between the year 1986 and 1990.”
- 2.3 Please explain the implications for the Commission’s decision(s) in the current application of the fact that “The Burrard generators were converted to synchronous condenser operation between the year 1986 and 1990.” For example, what does Mr. Landale say should be the outcome of the Commission’s decision(s) due to the Commission being aware that “The Burrard generators were converted to synchronous condenser operation between the year 1986 and 1990”?
- 2.4 Is the reference to “paragraph 8.7 on page 12 for further concerns” correct?

3.0 Topic: Accounting Standards
Reference: Exhibit C15-11, Landale Evidence.

“5.1 In addressing the details discussed by BC Hydro in this chapter, the main focus is not to challenge the various accounting standards prescribed by Government Organization Accounting Standards Regulation 257/2010, effective April 1, or Financial Accounting Standards Board Accounting Standards Codification 980 Regulated Operations 2012, or the Office of the Superintendent of Financial Institutions (OSFI), BC Hydro are committed to follow, namely, International Financial Reporting Standards (IFRS), Uniform System of Accounts (USoA).”
[underline added]

- 3.1 Please confirm that “the main focus” refers to Mr. Landale’s main focus, not BC Hydro’s main focus. Is Mr. Landale saying that he does not challenge the accounting standards that BC Hydro says are applicable to depreciation of the Burrard Facility?

4.0 Topic: Amortization Expense
Reference: Exhibit C15-11, Landale Evidence, p.5

“5.2 The issue in contest by this evidence is born from Chapter 8 Section 8-1 Lines 11,12,13 on page 8-1, namely: quote:

“Amortization Expense

Depreciation and amortization (collectively referred to as amortization) is the allocation of the original cost of assets over their estimated service lives

Line 15 the amortization of property, plant and equipment in service

Lines 18,19,& 20 dismantling costs related to assets which do not have an associated provision required under the Prescribed Standards as defined in section 8.12 (before regulatory transfers and recoveries)”

Further:

Lines 24 to 26 consecutively with Lines 1 to 9 on page 8-2, including Table 8-1 inclusively.” [underline in the original]

- 4.1 What is it about these statements that Mr. Landale disagrees with?
- 4.2 Please clarify what is “the issue in contest by this evidence.”

5.0 Topic: Assets and Depreciation Figures
Reference: Exhibit C15-11, Landale Evidence.

“5.4 BC Hydro’s response to Landale IR 2.3.2 Attachment 1, 12 page asset table is appreciated. As the table focuses on assets installed pre 2016, having NBV at March 31st. 2016. The table hi-lights how an Asset Class in Table 8-1, has a huge array of other related assets. Please see paragraph 8.7, page 12 herein for related concerns.”

- 5.1 What are Mr. Landale’s concerns regarding the assets and depreciation figures listed in Exhibit B-15, Landale IR 2.3.2 Attachment 1?
- 5.2 If the reference to paragraph 8.7 is an error, please provide the correct reference or restate the concerns.

6.0 Topic: Name of Facility
Reference: Exhibit C15-11, Landale Evidence, p.6

In sections 6.1 to 6.6, Mr. Landale discusses the name(s) of the Burrard facility (or Facility).

- 6.1 What conclusion(s) is Mr. Landale saying the Commission should draw from the fact that BC Hydro now refers to the Burrard Facility as the Burrard Synchronous Condense Station? Is Mr. Landale saying that the name of the facility affects the depreciation of assets within the facility? If so, how?

7.0 Topic: Asset Classes
Reference: Exhibit C15-11, Landale Evidence, p.8.

“7.3 It is observed that on the whole BC Hydro follows these overarching principles and definitions prescribed in the USoA. So the issue comes down to asset classes.” [underline added]

- 7.1 What is the issue regarding asset classes (or impaired assets)?
- 7.2 Where does “Table S-3 Asset Health Index for Substation Assets” come from? Was it prepared by BC Hydro or by Mr. Landale?
- 7.3 Does “Table S-3 Asset Health Index for Substation Assets” apply to “Substation Assets” or to the Burrard Facility? The evidence states “The

following table appears, or has the closest relevancy to the Burrard Facility:..." What does this mean? How is the table relevant to the Burrard Facility?

"7.7 Not only was I denied access to these drawings, although I had indicated the willingness to sign a confidentiality agreement to view these drawings. The Commission is also denied the benefit of that review opportunity. Which is perhaps even more significant, seeing as the Commission is now being asked to approve asset depreciations rates without grounds." [underline added]

7.4 Does Mr. Landale disagree with the depreciation rates assigned by BC Hydro to the various assets within the Burrard Facility? Or is the point more specific, i.e., that BC Hydro has not filed sufficient evidence to support adequately the depreciation rates it has assigned to assets within the Burrard Facility?

"7.8 I am in agreement with the fundamental principles of these tables. In an overview perspective I believe the "**onus**" is now on BC Hydro to correctly classify all 106 assets given in Table 8-1 in the context of these five health index classifications. (*emphasis added*)"

7.5 What are the fundamental principles of the Asset Health tables that Mr. Landale agrees with? Is it the apportionment of an asset class into five categories of asset health (from Very Good to Very Poor)?

7.6 In Mr. Landale's view, how should the Burrard Facility depreciation rates by asset classes (shown in Table 8-1) be related to or informed by Asset Health by asset class?

7.7 Does Mr. Landale believe that if BC Hydro filed an Asset Health index for the Burrard Facility asset classes then the depreciation rates shown in Table 8-1 would be seen to be inaccurate?

"7.6.3 The following table appears, or has the closest relevancy to the Burrard Facility: I have added arrow heads to certain asset classes that if I had been granted access to BC Hydro's "Process Flow Diagrams" and "Pneumatic and Instrumentation Diagrams" as requested in my Information Request No. 2.3.7 in detailing the eligible assets in "Table 8-1 Burrard Synchronous Condense Facility Depreciation Rates" for the Commission's approval, I may have been more accurate."

7.8 Please explain how examination of BC Hydro's "Process Flow Diagrams" and "Pneumatic and Instrumentation Diagrams" (for the Burrard Facility) inform Mr. Landale's identification of which substation asset classes are most relevant to the Burrard Facility in terms of asset health classification, otherwise inform the determination of the appropriate depreciation rates for asset classes associated with the Burrard Facility.

8.0 Topic: Spreadsheet
Reference: Exhibit C15-11, Landale Evidence, RTL BSCF Depreciation Rates Ver 2.xls.

"6. If the Commission approves Table 8-1 as requested in the application, during the test period, BC Hydro will depreciate these assets by \$8.23 million or 33.34% of their combined NBV between 2016 and 2019. (\$8,230,000/\$24,704,700*100)"

- 8.1 What does Mr. Landale say is the appropriate accounting treatment for depreciation of these assets instead of BC Hydro's proposed treatment?
- 8.2 In Mr. Landale's view, are the Commission's options for determining the appropriate accounting treatment for depreciation of these constrained by Direction No. 7?

"8. This is an "ACCOUNTING ABOMINATION" ! by BC Hydro for a facility that has no legal identity, and, no protection under the existing legislative framework, while operating as a "CONSUMER of GRID POWER - NO REVENUE" versus a "GENERATING FACILITY" which produces income to BC Hydro, where amortizing/depreciating assets contribute to the accounting of BC Hydro's Balance Sheet."

- 8.3 What does Mr. Landale mean by saying that the Burrard Facility "has no legal identity"? Should the Burrard Facility have a "legal identity"? BC Hydro has numerous facilities – in Mr. Landale's view do they all lack a "legal identity" or is the lack of a "legal identity" particular to the Burrard Facility?
- 8.4 In Mr. Landale's view, what is the connection between the Burrard Facility's lack of a "legal identity" and the proper accounting treatment for depreciation of Burrard Facility assets?
- 8.5 Please confirm, or otherwise explain, that "a "CONSUMER of GRID POWER - NO REVENUE" versus a "GENERATING FACILITY" are Mr. Landale's phrases.
- 8.6 In Mr. Landale's view, how does the Burrard Facility becoming a synchronous condense facility after having been a generating facility affect the proper accounting treatment of Burrard Facility assets?

"9. BC Hydro's Attachment 1 Table to the information request highlights another accounting "trick" of "ACCELERATED" depreciation rates to coincide with BC Hydro's indicated planning to decommission the BSCS by 2025. On top of this planned depreciation of assets, BC Hydro has further indicated their intention to spend \$20 million plus more on various capital equipment for a facility that is going to be decommissioned. Ridiculous...!"

- 8.7 In Mr. Landale's view, does BC Hydro's proposed accounting treatment of depreciation of Burrard Facility assets go beyond what is required by Direction 7 or other legislation? If so, in what way?
- 8.8 Is the comment that BC Hydro has indicated an "intention to spend \$20 million plus more on various capital equipment for a facility that is going to be decommissioned" an aside, or is it relevant to the proper depreciation

rates for the Burrard Facility within the context of Direction 7? If the latter, please explain the point more fully.

- 8.9 Is the main thrust of Mr. Landale's evidence that Burrard Facility assets that are, or will become, not useful due to the government's closure of the Burrard Thermal Generating Plant should be 'written off' to the account of the shareholder rather than being depreciated to the account of ratepayers? If so, how does Direction 7 fit in?

9.0 Topic: Table 8-1

Reference: Exhibit C15-11, Landale Evidence, 8.0 STEAM BOILER PROCESS FLOW DIAGRAM (PFD) EXAMPLE, p.12

"8.3 The objective of this exhibit [Mr. Landale's Exhibit 2] is to demonstrate how one boiler has many assets and asset classes....

"8.5 What makes Exhibit 2 (albeit different systems to the Burrard) so relevant is also the similarities. My request to see the Burrard PFDs along with the P&IDs, so important to verifying the appropriate Table 8-1 Assets, rather than the Depreciation Rates."

- 9.1 To clarify, is it Mr. Landale's view that Table 8-1 is incomplete, i.e., that it does not list all the assets and asset classes that should be listed for the Burrard Facility?

- 9.2 Is Mr. Landale suggesting that an examination of schematic diagrams for the Burrard Facility would disclose the existence of certain assets or asset classes that are inappropriately absent from Table 8-1?

"8.6 I believe the Commission must evaluate independently all the assets listed in Table 8-1 for themselves..."

- 9.3 Please explain why Mr. Landale believes each of the assets listed in Table 8-1 should be evaluated.

"8.6 ...The denial to access these drawings was imperative to assessing the validity of the asset in the Table 8-1. The actual depreciat[ion] rates, while horrific in my opinion appear consistent with accepted accounting practices, (*regrettably*).

The question remains are the assets themselves appropriate ?."

- 9.4 If the depreciation rates in Table 8-1 are consistent with accepted accounting practices, please explain why Mr. Landale considers them horrific and regrettable.

- 9.5 Is Mr. Landale suggesting that the Commission should not accept the depreciation rates in Table 8-1 even if they are consistent with accepted accounting practices?

- 9.6 Is the essence of Mr. Landale's concern that ratepayers will have to pay through their rates for the cost of assets that the government has decided will no longer be used but that he believes should continue to be used by BC Hydro for their original purpose?

9.7 Is Mr. Landale suggesting that some of the assets listed in Table 8-1 may have value for a use other than by BC Hydro for their original purpose? Is that what he means by “The question remains are the assets themselves appropriate”?

“8.6... DOES THE COMMISSION HAVE “FIRST HAND” KNOWLEDGE OF WHAT THEY MIGHT BE APPROVING ? Take a long look at the pictures on pages 40 and 41. They are not just assets in a table. There is so much more to Table 8-1. Take a second look at BC Hydro’s application to cease operations, which includes their 6 pictures in Appendix G.”

9.8 Should the reference be to Appendix H of Mr. Landale’s evidence?

9.9 What does Mr. Landale say should be noted from looking at the map of the water supply right of way on pdf page 13 and at the photos in Appendix H? Is the point that these are valuable assets; more valuable than is recognized by the depreciation rates in Table 8-1?

10.0 Topic: Recommendations

Reference: Exhibit C15-11, Landale Evidence, 10.0 Summary Recommendation, p.15

10.1 Is the intended outcome of Mr. Landale’s recommendations that BC Hydro ratepayers would not have to pay for the assets at and associated with the Burrard Facility that have been or will be rendered useless to BC Hydro because of B.C. government directions?