

REQUESTOR NAME: **BCOAPO**  
INFORMATION REQUEST ROUND NO: **1**  
TO: **BRITISH COLUMBIA HYDRO & POWER  
AUTHORITY**  
DATE: **April 24, 2018**  
PROJECT NO: **3698877**  
APPLICATION NAME: **BC Hydro Capital Expenditures and  
Project**

---

**1.0 Reference: Exhibit B-3, page 1, line 20-22**

**Preamble:** The Application states: “BC Hydro must obtain a separate Certificate of Public Convenience and Necessity (CPCN) for significant system extensions.” (emphasis added)

1.1 Please clarify whether, under section 45 of the *Utilities Commission Act (UCA)*, BC Hydro requires a CPCN for all system extensions or just significant system extensions.

1.1.1 If the latter, how does the *UCA* define “significant”?

**2.0 Reference: Exhibit B-3, pages 6-7**

2.1 Apart from “managing dam safety” and “managing asset safety”, what other regulatory or environmental issues could give rise to sustaining investments?

2.2 Would non-discretionary expenditures for activities such as relocation requests by municipalities (or other levels of government) also fall under “sustaining existing system assets”?

**3.0 Reference: Exhibit B-3, page 10**

**Preamble:** Starting at line 11, the Application sets out BC Hydro’s four step approach to Transmission and Distribution planning.

3.1 Please clarify where in the described planning process the identification and need for new facilities (or expansion of existing facilities) to meet increased capacity requirements or serve new customers (i.e., growth projects) is undertaken.

**4.0 Reference: Exhibit B-3, page 12**

4.1 Do Information Technology (IT) capital investments include all IT investments by BC Hydro including those associated directly with the operation of generation stations, transmission & distribution and metering?

4.1.1 For example, would IT capital investments include investments in: i) operating and control systems at generating stations, ii) SCADA systems, and iii) AMI? Alternatively, would such investments be considered power system projects?

**5.0 Reference: Exhibit B-3, page 14**

- 5.1 What has been BC Hydro's annual investment in Vehicle Fleet and Equipment over each of the last five years?
- 5.2 Are the investment requirements for Vehicle Fleet and Equipment expected to change materially in the future?
- 5.3 In the event that a major investment (>\$20 M) was required for a project falling into the "Other Capital Investments" category (section 2.3.5) what spending threshold in the Proposed Capital Filing Guidelines (Appendix B) would be applicable?

**6.0 Reference: Exhibit B-3, page 15, lines 18-20**

- 6.1 How does BC Hydro define "start construction" for purposes of CPCN applications/approvals?

**7.0 Reference: Exhibit B-3, page 15, lines 21-23**

- 7.1 Given that filing for acceptance of capital expenditures under section 44.2 of the UCA is voluntary, what does BC Hydro consider to be the role and purpose of such applications/approvals?

**8.0 Reference: Exhibit B-3, page 16, lines 5-10  
Exhibit B-3, page 23, lines 23-25**

- 8.1 In a revenue requirement proceeding, does the Commission have a role in assessing the appropriateness of the capital additions that were made in those years for which the most recent rate approval was based on "forecast" values (including the appropriateness of any variations between forecast and actual costs)?

8.1.1 If not, why not?

**9.0 Reference: Exhibit B-3, page 16, lines 11-16  
Exhibit B-3, page 24, lines 19-20**

**Preamble:** At page 16, the Application states that "in circumstances where the Commission has issued a CPCN or accepted an expenditure schedule, the question of whether a project is required ... does not arise again in later revenue requirement proceedings".

- 9.1 Does this restriction apply even if the circumstances may have changed materially since the CPCN was issued or the expenditure schedule accepted?
  - 9.1.1 If yes, please explain why?
  - 9.1.2 If not, what would BC Hydro consider a material change in circumstances that the project "need" should be revisited in a subsequent revenue requirements proceeding?

**10.0 Reference: Exhibit B-3, page 17, lines 5-20 and page 51, lines 2-6**

10.1 Are the Annual Reports that BC Hydro files with the Commission made available to the public?

10.1.1 If not why not?

10.1.2 If yes, how is this done? Please provide the link to any BC Hydro or Commission web-sites where the Annual Reports can be found.

**11.0 Reference: Exhibit B-3, page 17, lines 21-22 and page 51, lines 2-6**

11.1 Are the project-specific Compliance Reports that BC Hydro files with the Commission made available to the public?

11.1.1 If not why not?

11.1.2 If yes, how is this done?

**12.0 Reference: Exhibit B-3, page 18, lines 17-22**

12.1 For capital projects whose costs are expected to be \$50 million or less (\$20 million for IT), are approvals required at similar stages in the project and at what level in the organization is approval required?

**13.0 Reference: Exhibit B-3, page 20, lines 8-13**

13.1 Are the implementation budgets referenced at line 11 the same budgets that are approved (per page 18, lines 20-22) before the capital projects proceed to the Implementation Phase?

13.1.1 If not, what is the “budget” that is being referred to on page 20 and at what phase of project is it approved?

**14.0 Reference: Exhibit B-3, pages 23-24**

**Preamble:** For projects with either a CPCN or an accepted expenditure schedule, the Application appears to suggest that any subsequent considerations regarding cost should be left until after the project is in-service.

14.1 For projects with forecast capital additions during the test year that have either a CPCN or an accepted expenditure schedule, why isn't there a role for the Commission in reviewing and approving the level of expenditures that will be added to rate base and for which interest and depreciation will be included in the proposed revenue requirement and determining its appropriateness for purposes of setting rates, particularly in cases where there is a material variance from the originally forecasted cost?

**15.0 Reference: Exhibit B-3, page 24, lines 1-11**

- 15.1 With respect to lines 3-4, what spending threshold will be used to determine the underway projects for which a “status update” will be provided on timing and progress against budget?
- 15.2 With respect to lines 4-7, what spending threshold will be used to determine the projects completed in the previous test period for which BC Hydro will include an explanation of variance between the original applied for cost and the final project cost?
- 15.3 With respect to lines 9-11, is the materiality threshold referenced here the same as that referenced on page 17 (lines 14-16)? If not, what is it?

**16.0 Reference: Exhibit B-3, page 25, lines 4-7 and lines 9-11**

- 16.1 Please clarify at what “phase” (per page 34) BC Hydro considers a project to be “underway” (per line 5). Also, please clarify whether by “under way” BC Hydro means under way at some point during the period covered by the revenue requirement application or under way prior to the period covered by the revenue requirement application.
- 16.2 Please clarify at what “phase” (per page 34) BC Hydro considers a project to be “under development” (per line 10).

**17.0 Reference: Exhibit B-3, pages 26-27**

- 17.1 For projects that are expected to be in-service during the test years but will be subject to a future CPCN or section 44.2 application, please explain how the Commission would assess the reasonableness of the forecast in-service costs without assessing the need, alternatives and cost for project (per page 26, lines 16-21).
- 17.2 Does the Capital Additions Regulatory Account (per page 27, lines 23-25) hold ratepayers whole with respect to all forecast costs included in the revenue requirement for such projects if the project’s CPCN/section 44.2 application is not approved/accepted?

**18.0 Reference: Exhibit B-3, page 28**

- 18.1 At what “phases” (per page 34) in a project’s life-cycle is it deemed to have forecast capital expenditures in the test period for purposes of section 4.4.1 (lines 14-21)? For example, would the project be excluded from the scope of review in the revenue requirements proceeding, if expenditures during the test period only included those for: i) the Initiation and Identification phases or ii) the Initiation, Identification and Definition phases?

**19.0 Reference: Exhibit B-3, pages 28 (lines 14-19) and page 29 (lines 10-24)**

19.1 Does BC Hydro agree that it is preferable from both its perspective and a ratepayers' perspective if questions regarding the appropriateness of capital projects and their associated costs are raised/probed prior to the dollars actually being spent?

19.1.1 If not, why not?

19.1.2 If yes, please reconcile with the BC Hydro view set out on page 29.

**20.0 Reference: Exhibit B-3, page 30 (lines 15-17 and lines 19-21)  
Exhibit B-3, Appendix B, page 3 of 5, Item #11**

**Preamble:** At lines 15-17 BC Hydro includes "capability" along with geographic extent and capacity in the definition of extension. However, subsequently at lines 19-21, "capability" is not included.

The proposed Guidelines in Appendix B do not include "capability" in the definition of extension".

20.1 In BC Hydro's view does a capital expenditure that expands the capability of a utility plant or system represent an "extension" for purposes of determining the requirements for a CPCN?

20.2 Would a capital investment that increases the capability of BC Hydro's system to produce energy (but does not increase capacity) meet the definition of an extension and require a CPCN? Please reconcile the response with that to part one.

20.3 Would an IT capital investment that increases BC Hydro's capabilities meet the definition of an extension and require a CPCN? Please reconcile the response with that to part one.

**21.0 Reference: Exhibit B-3, pages 31-33**

21.1 If the implementation of a particular project will impact the future capital investment decisions (i.e., in terms of the alternatives that can be considered), should those capital projects associated with those future decisions also be considered as part of the current capital project?

21.1.1 If not, why not?

**22.0 Reference: Exhibit B-3, pages 33-34**

22.1 What level of cost estimate accuracy is required for a CPCN application or a section 44.2 capital expenditure schedule application?

**23.0 Reference: Exhibit B-3, page 36 (lines 2-4)**

23.1 Has the Commission previously order a CPCN Application for a project that did not meet the thresholds set out in the 2010 Guidelines? If so, please identify the project(s) and provide BC Hydro's understanding as to why the Commission ordered the application.

**24.0 Reference: Exhibit B-3, pages 36-41**

24.1 What would be the estimate number of CPCN Applications/Section 44.2 Filings over the next decade if, instead of increasing the threshold for Distribution projects to \$100 M, the threshold for both Transmission and Distribution projects was set at \$50 M? As part of the response, please identify the additional transmission projects that would be included.

**25.0 Reference: Exhibit B-3, page 41 (lines 18-20)**

25.1 In BC Hydro's view what would constitute a "significant" proportion of capital spending during the Definition phase such that a two-phase application process would be appropriate?

**26.0 Reference: Exhibit B-3, page 42**

26.1 Please explain how BC Hydro determines whether the "duty to consult" has been triggered. In particular, is the determination made entirely by BC Hydro?

26.2 Please confirm that under BC Hydro's proposal, unless the Commission orders an exception, there will be no public review of the adequacy of BC Hydro's consultations for projects where a "duty to consult" has been triggered but the project's budget is below the proposed spending threshold(s).

**27.0 Reference: Exhibit B-3, pages 43 (lines 12-21); page 44 (line 18-20) and page 44 (line 24) to page 45 (line 8).**

27.1 Please explain further why, if there is a business case (per page 43, line 18) supporting a proposed program of projects, there would be insufficient cost information (in terms of cost estimate accuracy) to meet the minimum filing requirements (per page 44, lines 4-5).

27.2 Please explain more fully why, if there is a single business case for a "program of projects", each individual project should be considered separately and a major project filing triggered only for individual projects that exceed the major project threshold.

**28.0 Reference: Exhibit B-3, pages 46-50**

28.1 The referenced pages describe the genesis of the strategies and plans for various areas within BC Hydro (e.g. generation, transmission & distribution, dam safety and information technology) and BC Hydro's proposals to provide each as part of its revenue requirements application. What is not discussed in this section is the "overall" capital expenditure plan wherein the needs of the various individual plans/strategies are combined, rationalized and prioritized. Will the revenue requirements application also include an overall plan and prioritization?

**29.0 Reference: Exhibit B-3, page 51**

29.1 Please provide a copy of the F2017 Annual Report.