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May 24, 2018

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**Attention: Patrick Wruck, Commission Secretary  
and Manager, Regulatory Support**

Dear Sirs/Mesdames:

**Re: British Columbia Hydro and Power Authority ("BC Hydro") - Inquiry of  
Expenditures related to the Adoption of the SAP Platform ~ Project No. 3698878**

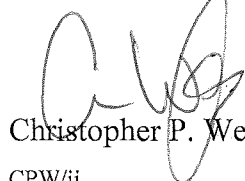
We are counsel to the Commercial Energy Consumers Association of British Columbia (the "CEC"). Please find attached the CEC's revised **CONFIDENTIAL** Final Argument with respect to the above-noted matter which now only has redacted material on a portion of page 1 of the Argument. The Submission is otherwise identical to our February 19, 2018 filing.

The revision to the level of redaction has been supported by counsel to BC Hydro.

If you have any questions regarding the foregoing, please do not hesitate to contact the undersigned.

Yours truly,

**OWEN BIRD LAW CORPORATION**



Christopher P. Weafer

CPW/jj

cc: Lawson Lundell LLP  
Atten: Clara C. Ferguson

**COMMERCIAL ENERGY CONSUMERS  
ASSOCIATION OF BRITISH COLUMBIA**

**CONFIDENTIAL FINAL SUBMISSIONS**

**British Columbia Hydro and Power Authority Inquiry of Expenditures Related  
to the Adoption of the SAP Platform ~ Project No. 3698878**

**February 19, 2018**

Commercial Energy Consumers Association of British Columbia  
British Columbia Hydro and Power Authority Inquiry of Expenditures Related to the  
Adoption of the SAP Platform  
Project No. 3698878

**CONFIDENTIAL FINAL SUBMISSION**

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**COMMERCIAL ENERGY CONSUMERS ASSOCIATION  
OF BRITISH COLUMBIA**

**CONFIDENTIAL FINAL SUBMISSIONS**

**British Columbia Hydro and Power Authority Inquiry of Expenditures Related to the Adoption  
of the SAP Platform ~ Project No. 3698878**

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The CEC represents the interests of ratepayers consuming energy under commercial tariffs in the application before the BC Utilities Commission (the "BCUC") or (the "Commission").

In or about April 2010, BC Hydro's external Code of Conduct Advisor received a copy of a complaint regarding a possible breach of the Code of Conduct [REDACTED]

[REDACTED] information technology ("IT") and/or information technology and telecommunications ("IT&T") planning documents, specifically failing to disclose that a decision to adopt a strategy to re-platform the company's enterprise software with SAP as the default solution, and to proceed with SAP Financials for replacement of BC Hydro's financial reporting systems (the "Code of Conduct Review").

The Code of Conduct Review documentation was provided on a confidential basis and the CEC's Executive Director and the CEC legal counsel signed the Commission's confidentiality undertakings in order to receive the materials and participate in making information requests in regard to the confidential material.

The following is the CEC Examination of the confidential documentation and the BC Hydro responses to information requests asked in regard to the confidential information.

**A. SUMMARY**

1. The CEC submissions on the Confidential Materials cover three main topics:
  - a) The Code of Conduct Process;
  - b) The Corporate Governance of IT&T Investments; and
  - c) The October 2008 Possible Misleading Information Supplied to the Commission.
2. The CEC summary position and recommendations in regard to these three main areas are provided below.

### **The Code of Conduct Process**

3. The CEC submits that having a Code of Conduct complaint review and investigations taken over by the internal legal department of BC Hydro to establish privilege in contemplation of litigation effectively turned the process into a preparation for a legal defense of BC Hydro. The CEC submits this led to a process more focused on defending the issues raised in the complaint than at airing the issues and learning from the complaint as to what can be done better in the future.
4. The CEC submits that the Commission should direct that BC Hydro make improvement to its Code of Conduct/ethics review processes to ensure that the objectives of the Code of Conduct/ethics review process are better served in the future.

### **The Corporate Governance of IT&T Investments.**

5. The CEC submits the evidence demonstrates approximately 70% of the projects being pursued by BC Hydro have had no quantitative business case undertaken and of those that did, 100% of those relied on a guess at a benefit, without any supporting evidence.<sup>1</sup>
6. The CEC submits that the justification for the SAP strategy has not been adequately supported with quantitative analysis and the previous IT&T management view of BC Hydro, that it was too expensive, has not been disproven. From a ratepayer perspective, it is a travesty that a strategy launching hundreds of millions of dollars of IT&T expenditures was not more thoroughly examined and evaluated in terms of quantitative benefit cost analysis.
7. The CEC submits that the IT&T governance at BC Hydro requires Commission regulatory oversight and, as an outcome of this process, needs both the management at BC Hydro and the Commission to establish and enforce a standard, which is quantified, measurable, auditable, verifiable and reviewable for prudence, in terms of the net present value of benefits and cost-effectiveness.
8. The CEC submits that the Commission should require quantitative benefits-based analysis to accompany capital planning and project justifications if BC Hydro should expect to recover these costs in rates in the future.

### **The October 2008 Possible Misleading Information Supplied to the Commission**

9. The CEC commends BC Hydro for acknowledging the specific regulatory missteps made in regard to the SAP Strategy disclosure and for being forthright and appropriate in setting out the standard to be met in informing the Commission on any issue.

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<sup>1</sup> Exhibit B8-1, Dix 1.1.9.0, Attachments 1-63

10. The CEC submits that this Inquiry has brought to light weaknesses in the regulation oversight of capital expenditures, particularly where the standard is for review combined with Revenue Requirement Applications for rate setting. These RRAs are typically for short periods of time (2 to 3 years) and involve capital expenditures that are for projects committed and underway, whereas the rate making focus is on capital additions entering service. The confined time period is not an ideal time frame for evaluating a capital expenditure plan and capital expenditure planning. The importance of key capital strategies would be better handled in a long-term capital planning review rather than having the issues compressed into an RRA.
11. The CEC submits that the Commission should consider instituting a long-term capital plan review, including for IT&T expenditures and benefits, given the importance of capital spending for future rates. The CEC submits that this issue may be appropriately joined into the existing regulatory process reviewing BC Hydro's capital management processes.

## **B. CODE OF CONDUCT PROCESS**

12. The Code of Conduct process began with the employee complaint made to the Code of Conduct Advisor, which would now be made to the Ethics Officer.<sup>2</sup> The investigation of the complaint is conducted by Audit Services, which will obtain the services of other groups including Corporate HR, Corporate Security, or Legal as appropriate.<sup>3</sup> The CFO is apprised of internal investigations and Legal/BC Hydro's General Counsel is consulted to determine if the investigation should be performed on a privileged and confidential basis.<sup>4</sup> In this case the high degree of confidentiality sought was likely related to a concern expressed by the complainant about potential reprisals.<sup>5</sup> The Code of Conduct Advisor does not approve any aspect of the investigation/review process but was informed of the high-level approach, which was confirmed as acceptable with the complainant.<sup>6</sup>
13. The final investigation report was prepared by Audit Services for Legal and indicates that it was considered to have been prepared in contemplation of litigation. If Audit Services did not prepare their report for counsel in contemplation of litigation, the report would have been confidential but likely not subject to legal privilege.<sup>7</sup>
14. The CEC submits that a Code of Conduct complaint from an employee should result in a process that is intended to air the issue under review and not simply determine the facts. This approach could then be used by management to 'course correct' the organizations behaviours.

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<sup>2</sup> Exhibit B26 - CEC 1.3.1.1 (Confidential)

<sup>3</sup> Exhibit B26 - CEC 1.3.1.7 (Confidential)

<sup>4</sup> Exhibit B26 - CEC 1.3.1.8 (Confidential)

<sup>5</sup> Exhibit B26 - CEC 1.3.2.1 (Confidential)

<sup>6</sup> Exhibit B26 - CEC 1.3.5.2 (Confidential)

<sup>7</sup> Exhibit B26 - CEC 1.3.7.3 (Confidential)

15. The CEC submits that having a Code of Conduct complaint review and investigations taken over by Legal to establish legal privilege in contemplation of litigation effectively turns the process into a preparation for a legal defense of BC Hydro. This then leads to a process more aimed at defending the issues raised in a complaint than at airing the issues and learning from the complaint what can be done better in the future. It could appear to be seen as part of a cover up process negatively impacting the credibility of BC Hydro. The CEC's primary concern however is that it will lead to a process that avoids learning from the issues and making improvements.
16. The CEC submits that the Code of Conduct/ethics review of a complaint should be separated from the legal preparations for potential litigation and that both should have separate review and investigation processes to serve their different purposes.
17. The CEC submits that the Commission should request BC Hydro to make improvement to its Code of Conduct/ethics review processes and its litigation defense processes to ensure that the objectives of the code of conduct/ethics review process are better served in the future.

#### **Corporate Governance of IT&T Investments**

18. The governance of IT&T investments is not done at the level of the Board of Directors nor at the Audit & Risk Management Committee ("ARMC") level.<sup>8</sup>
19. The Board is confined to receiving reports from management, which are tabled for the Board meeting but do not lead to the Board making any decisions with respect to IT&T investment. The ARMC also receives information updates from management but does not take any approval nor decision making role unless they might perceive a risk issue they would want to bring to the attention of the Board.

#### *"New Developments*

*Over the past quarter, since the overview of the IT&T (Information Technology and Telecommunications) strategy presented at the last ARMC meeting, the organization has been carrying out a number of key activities. We are implementing key aspects of the strategy in the areas of governance / organization and in the projects / operations.*

#### *Governance*

*We have established the overall structure for governance at the management level. It includes two levels of governance, one for the executive team and another for the senior leadership team."*<sup>9</sup>

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<sup>8</sup> Exhibit B26 – CEC 1.3.11.5 (Confidential)

<sup>9</sup> Exhibit B8 - 1 – Dix 1.1.9.0

20. A review of the attachments to this string of ARMC meeting minutes shows the updates being provided but no actions/decisions being recorded.<sup>10</sup>
21. BC Hydro's view of the role of the ARMC is "... with respect to IT&T strategies to review with management to determine whether policies and procedures are in place to identify, manage and monitor material risks related to IT&T strategies."<sup>11</sup>
22. The Executive Management Team IT&T Committee and the Senior Leadership Team have had numerous meetings the minutes for which often involve updates but also include action requirements and decisions.<sup>12</sup>
23. It is clear from reading the materials for these components of the governance process for IT&T strategy and expenditures that BC Hydro's governance processes are deeply flawed with respect to understanding the actions taken and whether or not they are producing any kind of benefit.
24. The CEC submits that about 70% of the projects being pursued by BC Hydro have had no quantitative business case and of those that did 100% of those relied on a guess at a benefit, without any supporting evidence.<sup>13</sup>
25. The CEC submits that the BC Hydro record in evidence does not support a deference to competent governance and management of IT&T.
26. The CEC submits that basis upon which BC Hydro's governance of IT&T has been performed is completely inadequate for the purpose of (1) setting a base line from which to assess the achievement of a benefit, (2) determining whether or not a benefit has been achieved, (3) tracking the achievement of benefits, (4) matching benefits to costs to determine cost-effectiveness or lack thereof, (5) conducting prudence review of the IT&T strategy and projects.
27. The CEC submits that, for a strategic direction with likely direct cost potentials in the hundreds of millions and direct plus indirect costs likely in the billions, the level of governance in evidence is woefully short of adequate. The BC Hydro promise was that the independent component projects for SAP implementation would be justified in separate individual business cases. The reality has been a massive failure to deliver on that promise.
28. As a background to the decisions to adopt a single source supplier, SAP, BC Hydro's interview notes show that the answer to why re-platforming to SAP was not a viable option for the Financial Upgrade project at the time. The answer was as follows:

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<sup>10</sup> Exhibit B8 – 1 – Dix 1.1.9.0, Attachments 1-63

<sup>11</sup> Exhibit B26 – CEC 1.3.11.5 (Confidential)

<sup>12</sup> Exhibit B8 – 1 – Dix 1.1.8.0, Attachments 1-86

<sup>13</sup> Exhibit B8-1, Dix 1.1.9.0, Attachments 1-63



*"In the fall of 2007, when IT projects were being contemplated, a number of initiatives were identified. A high-level analysis by the then current IT management concluded it was too expensive."*

29. When BC Hydro was asked for any evidence that a quantitative analysis was done to support a position that an SAP platform would not be too expensive the CEC was referred to the business case for the FRS project<sup>14</sup> but did not provide a reference to a quantitative analysis supporting SAP as a platform. The FRS project documents evidence on the record of this proceeding do not show any quantification of support for the FRS project nor any quantified support for the SAP platform<sup>15</sup> despite BC Hydro's denial.<sup>16</sup> Appendix F talks to benefits realization and definition of success factors but provides no assessment of the value to be achieved nor the approach to tracking benefit realization. All of the financial documents show zero for savings and indirect benefits. Also, there has been no post completion evaluation report according to BC Hydro's evidence.
30. The CEC submits that the assessment that re-platforming to SAP would be too expensive or that this assessment has been refuted has not been assessed by any component of the IT&T governance processes. The CEC submits that the BC Hydro governance processes for IT&T cannot be assessed as competent if they are not managing the cost-effectiveness and cost/benefits of IT&T investments.
31. The Office of the Chief Information Officer ("OCIO") strategy working paper drafts<sup>17</sup> do not contain any quantitative analysis supporting the SAP platform as a more cost-effective solution. In fact, the support for the strategy focused on costs and justification of levels of cost based on a percentage of expenditures.<sup>18</sup>
32. The CEC submits that the question of justification for the SAP strategy has not been adequately supported with quantitative analysis and the former IT&T management view that it was too expensive has not been disproven. It is of questionable prudence that a strategy launching hundreds of millions of IT&T expenditures was not more thoroughly examined and evaluated in terms of quantitative benefit cost analysis.
33. BC Hydro has made its own assessment of the state of its IT&T governance in a presentation prepared for the BC Hydro Board of Directors, September 16, 2015 and in which they have said the following:<sup>19</sup>

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<sup>14</sup> Exhibit B-26, CEC 1.3.18.1, (Confidential)

<sup>15</sup> Exhibit B-8-4, Dix 1.1.16.0, Attachments 58 & 59, Appendix F

<sup>16</sup> Exhibit B-26, CEC 1.3.16.1 & CEC 1.3.16.2

<sup>17</sup> Exhibit B-8-1, Dix 1.1.1.0

<sup>18</sup> Exhibit B-8-1, Dix 1.1.3.0, Attachment 2, PDF page 877

<sup>19</sup> Exhibit B8-2, Dix 1.1.11.0, Attachment 1, PDF page 437-452, slide 15

## **“What we’ve Learned About what’s Wrong:**

- IT projects in the past have come in over budget and often lacking demonstration of promised benefits;
  - Missing or inadequate processes/controls/metrics for planning and work management;
  - Weak justifications and no prioritization of projects in the capital portfolio;
  - No resource planning;
  - No financial transparency + no integrated view of capital & operating budgets;
  - Relationship between IT with the Business was non-collaborative; and
  - Some technology infrastructure systems need improvement.”
34. The CEC submits that this BC Hydro assessment prepared for its Board of Directors confirms quite profoundly the evidence on the record in this SAP Inquiry.
35. The CEC submits that the Commission needs to give sufficient weight to this evidence as a summary of the past period which gave rise to the SAP implementation and in defining a forward path for the Commission’s oversight of the improvement process.
36. The CEC submits that this is very persuasive evidence that BC Hydro has recognized internally a major failure in its IT&T management.
37. Further BC Hydro in the same presentation made recommendations to the Board of Directors for improvements, as follows;<sup>20</sup>

## **“Work Plan to Address Process Improvements**

- 1 **External IT Review** Engagement of external party to conduct assessment of IT organization;
- 2 **Business Justification** New IT Business Case Template & improved process;
- 3 **Resource Estimation** Develop IT Resource Estimation Method & Apply to F16 Portfolio;
- 4 **Portfolio Prioritization** Develop prioritization Framework and Process & apply to F16 portfolio;
- 5 **Delivery Model Selection** Comprehensive strategic sourcing framework;
- 6 **Delivery Management** Development of Monitoring and Controls for delivery of portfolio aligned with delivery models;
- 7 **Benefits Tracking** Development & implementation of approach for tracking benefits after project delivery;
- 8 **Tech Governance** Update Terms of Reference for Tech Governance;
- 9 **Multi-Year IT Planning** Revise and improve the 5 Year IT Plan (Projects & Operations);

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<sup>20</sup> Exhibit B8-2, Dix 1.1.11.0, Attachment 1, PDF page 437-452, slide 18

- 10 **IT Regulatory Treatment** Work with Regulatory group to establish appropriate approach for RRA submission;
  - 11 **Audit** Internal audit on cyber security + Internal audit on IT;
  - 12 **Contract Renewals** Complete end-of-term assessment and renewal of Telus contract + process for all renewals; and
  - 13 **Business Continuity** Complete business continuity risk assessment and planning”
38. The CEC submits that this again is very strong evidence that BC Hydro has recognized a need for better business case justification, benefits tracking, governance, and regulatory tracking, among the other issues identified.
39. The CEC submits that the IT&T governance at BC Hydro needs to have more significant Commission regulatory oversight and, as an outcome of this Inquiry, needs management at BC Hydro to set and enforce a standard, which is quantified, measurable, auditable, verifiable and reviewable for prudence, in terms of the net present value of benefits and cost-effectiveness.
40. The CEC submits that the Commission require BC Hydro to set out its progress on delivering the proposed improvements, particularly quantifiable benefits justifications, and the evidence of their implementation for review by the Commission as adequate.
41. The CEC submits that the Commission should set out criteria for definition of improved standards and timelines for delivery and implementation of those standards in a follow-up on regulatory process to this SAP Inquiry.
42. The BC Hydro presentation to the Board concludes<sup>21</sup> with self-congratulation that the IT&T management is in decent shape, being in the second quartile.
43. Most importantly the presentation includes an appeal for more resources and outlines the challenges of delivering an ambitious capital plan within staffing and budget constraints:

## “Wrap up

- Actions have been underway for some time to address issues and improve operations;
- External IT review revealed a number of needed improvements but suggested we are in decent shape in many areas – second quartile performance;
- Need to implement risk framework and cost transparency;
- Challenges delivering an ambitious capital plan and providing adequate service within staffing and operating budget constraints;
- Team is skilled and motivated – but need resources;

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<sup>21</sup> Exhibit B8-2, Dix 1.1.11.0, Attachment 1, PDF Page 437 to 452, Slide 23

- Focus on effective/efficient planning & delivery; and
  - Go-forward focus on key areas including enterprise apps, cloud, mobility, data management and analytics, and cyber security.”
44. The CEC submits that this Board presentation is symptomatic of the problems outlined earlier in the presentation and represents the propensity for large monopoly management to prioritize growth and the defence of budgets and spending over the demonstration of cost effectiveness.
45. The CEC submits that the presentation, if indeed the problems outlined had been solved, would have been able to emphasize the quantitative evaluation of benefits delivered, with a sound base line from which to demonstrate that the benefits were in fact delivered. The capital plan would be framed in terms of the magnitude of the present cost ineffectiveness, which would be solved through capital investment.
46. The CEC submits that what has been wrong, and continues to be wrong, is a failure to apply benefit/cost analysis with emphasis on defining and measuring real benefits such that their realization can be tracked. The result is that the bulk of the IT&T planning and management process has been confined to providing software function implementation management. The current IT&T planning and management process, while a necessary part of a good governance, is not sufficient on its own. The lack of sufficient quantitative benefits analysis and backing to the whole IT&T management process renders the governance wholly inadequate.
47. The CEC submits that the Commission cannot determine whether or not ratepayers are obtaining value for the IT&T capital investments without adequate quantitative-based benefit determinations underpinning the entire process.
48. The CEC submits that the Commission require quantitative benefits-based analysis to accompany the capital planning and the project justifications if BC Hydro should expect to recover these costs in rates in the future.

#### **C. BC HYDRO OCTOBER 2008 POSSIBLE MISLEADING INFORMATION SUPPLIED TO THE COMMISSION**

49. BC Hydro confirms the following background facts with respect to its provision of information to the Commission.
50. The Stuckert testimony was given on October 15, 2008.<sup>22</sup>
51. BC Hydro’s Executive Team decided to adopt the SAP strategy in May 2008.<sup>23</sup>

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<sup>22</sup> Exhibit B26, CEC 1.3.13.1 (Confidential)

<sup>23</sup> Exhibit B26, CEC 1.3.13.1 (Confidential)

52. The SAP strategy was not approved by nor was it subject to approval by the ARMC.<sup>24</sup>
53. The business case and expenditure of approximately \$1 million for acquiring SAP licenses had been approved at the time of the testimony. The rationale for acquiring the SAP licenses at that time rather than waiting for approval of specific SAP projects is explained in the business case.<sup>25</sup>
54. Mr. Stuckert did not mention SAP at all in his testimony.<sup>26</sup>
55. The business case and the associated \$1.2 million expenditure will be referenced in the full Financials business case (ie. Financial Systems Replacement Project) since the software components purchased at the current time are related to the SAP Financials.<sup>27</sup>

### Funding Sources

56. The funding for this purchase will come from the OCIO IT Budget capital budget department 9805.
57. In particular, the existing budget for the PeopleSoft Upgrade project will not be required since this is now being replaced by the SAP program per the IT&T strategy.<sup>28</sup>
58. BC Hydro confirms that the implications of providing inaccurate information in a Commission regulatory proceeding include:<sup>29</sup>
- undermining the effectiveness of the process;
  - loss of public confidence in the process;
  - potential for sub-optimal decisions by the Commission; and
  - damage to the reputation/credibility of the organization and/or the individual that provided the information.
59. BC Hydro agrees that complete, open and transparent answers to questions at the hearing and to Undertaking 62 should have included updates on the FRS Project and the SAP Strategy.<sup>30</sup>

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<sup>24</sup> Exhibit B26, CEC 1.3.13.1 (Confidential)

<sup>25</sup> Exhibit B26, CEC 1.3.13.1 (Confidential)

<sup>26</sup> Exhibit B26, CEC 1.3.14.2 (Confidential)

<sup>27</sup> Exhibit B24, Tab 36, Page 4, SAP Licensing Phase IA (Confidential)

<sup>28</sup> Exhibit B24, Tab 36, Page 5, SAP Licensing Phase 1A (Confidential)

<sup>29</sup> Exhibit B26, CEC 1.1.3.17 (Confidential)

<sup>30</sup> Exhibit B26, CEC 1.3.17.3 & CEC 1.3.17.4

BC Hydro under the same circumstances today would file both the document that was filed and an update on the SAP Strategy.<sup>31</sup>

60. BC Hydro offered its current view on obligations when filing information with the Commission.<sup>32</sup>
61. The legal obligation is to answer the question truthfully and completely. BC Hydro's view in 2008 and now is that witnesses should achieve a higher standard than merely meeting the legal obligation. BC Hydro expects its witnesses to be prepared to participate in the hearing in a cooperative, open, and informed manner, and to provide to the best of their knowledge, complete and accurate information.
62. The CEC acknowledges that BC Hydro has effectively recognized the errors involved in the presentation of information to the Commission in October 2008.
63. The CEC also acknowledges that BC Hydro has recognized the importance of its obligation to provide the best information available to the Commission, whenever it provides information or appears before a Commission process. BC Hydro also recognizes the significant implications of not meeting the highest standard in providing information to the Commission.
64. The CEC commends BC Hydro for acknowledging the specific regulatory missteps made in regard to the SAP Strategy disclosure and for being forthright and appropriate in setting out the standard to be met in informing the Commission on any issue.
65. BC Hydro's view with respect to the SAP Strategy is that the SAP Strategy is not an expenditure and that as such existing review and approval processes for projects and expenditures continue to apply.
66. The CEC submits that this view while technically correct under BC Hydro's existing policy, does not deal with a serious problem brought to light in this Inquiry, being that adoption of a strategy can drive very large expenditures. Therefore, the CEC does not accept BC Hydro's answer as appropriate but rather submits there is a need for revised processes for managing capital expenditures, capital planning and particularly IT&T capital planning, and the oversight thereof by the Commission.
67. The CEC notes that BC Hydro has numerous times in the past recognized the importance of a strategy change and the expenditures the change would drive. This has resulted in the full capital and/or program impact of the strategy being presented to the Commission. Dam safety is an area where the planning for the safety of all dams has been brought together to recognize the impact of the strategy and the need. Pole replacement, transformer replacements plans in general, and replacements for PCB removal were brought together and recognized for the

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<sup>31</sup> Exhibit B26, CEC 1.3.18.4

<sup>32</sup> Exhibit B26, CEC 1.3.20.2

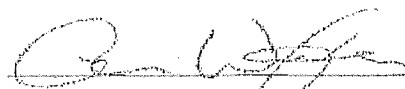
whole strategy. The entire purpose of the Load Resource Balance Planning for the long term is to bring together the energy demand and acquisition decision processes to manage the strategy long before specific project approvals are sought or needed.

68. The CEC submits that this Inquiry has brought to light weaknesses in the Commission's oversight of capital expenditure, particularly where the standard is for review combined with Revenue Requirement Applications for rate setting. These RRAs are typically for a short period of time (2 to 3 years) and involve capital expenditures that are for projects committed and underway, whereas the rate making focus is on capital additions entering service. The confined time period is not necessarily an ideal time frame for evaluating a capital expenditure plan and capital expenditure planning. Also, the importance of key capital strategies would be better handled in a long-term capital planning review rather than having the issues compressed into an RRA.
69. The CEC recommends that the Commission consider instituting a long-term capital plan review including for IT&T expenditures and benefits, given the importance of capital spending for future rates. The CEC submits that this issue may be appropriately joined into the existing regulatory process reviewing BC Hydro's capital management processes, provided that doing so would not cause a loss of the evident lessons learned from this SAP Inquiry.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

*David Craig*

David Craig, Consultant for the Commercial Energy  
Consumers Association of British Columbia



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Christopher P. Weaver, Counsel for the Commercial  
Energy Consumers Association of British Columbia