

# William J. Andrews

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British Columbia Utilities Commission  
Sixth Floor, 900 Howe Street, Box 250  
Vancouver, BC, V6Z 2N3  
Attn: Marija Tresoglavic, Acting Commission Secretary  
By web posting

Dear Madam:

Re: Re: British Columbia Hydro and Power Authority,  
F2020 to F2021 Revenue Requirements Application,  
BCUC Project No. 1598990  
B.C. Sustainable Energy Association Response to BC Hydro's Oral Submissions

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This is the intervener BCSEA's written response to BC Hydro's oral submissions to the Commission panel on June 12, 2020.<sup>1</sup> The Commission's questions are restated in italics, followed by BCSEA's submissions.

*1.1 Please clarify BC Hydro's position on whether the Utilities Commission Act (UCA) gives the British Columbia Utilities Commission (BCUC) the authority to put any limits on how much BC Hydro can reallocate with respect to its accepted Demand Side Management (DSM) expenditures during the test period. Why or why not?*

BCSEA agrees with BC Hydro's response to this question. In BCSEA's view, the Commission's jurisdiction to accept a DSM expenditure schedule includes jurisdiction to specify limits on reallocation in order to clarify what expenditures are included in the accepted expenditure schedule for the purpose of recovery in rates.<sup>2</sup>

*1.2 Please discuss whether BC Hydro anticipates the COVID-19 Pandemic to result in over or underspending of its DSM forecast during the test period.*

BCSEA does not disagree with BC Hydro's oral response to this question.

In BCSEA's view, it is reasonable to expect that the COVID-19 Pandemic will have various positive and negative impacts on DSM spending during the second year of the test period, i.e., F2021. However, the size of any net (positive or negative) impact is highly uncertain. BCSEA would respectfully oppose reopening the evidentiary record to obtain an estimate of the impact of the pandemic on DSM spending during the test period, for the following reasons. An estimate would likely be too approximate to be useful in adjusting the proposed DSM expenditure level. An estimate is not necessary, because mechanisms are already in place to deal appropriately with underspending or overspending on DSM during the test period. And, any potential benefit of

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<sup>1</sup> This submission is provided pursuant to the regulatory timetable set out in the Commission's June 2, 2020 letter, Exhibit A-34.

<sup>2</sup> See paragraphs 263 to 270 of BCSEA's May 4, 2020 Final Argument.

reopening the evidentiary record for this purpose would not be justified by the added regulatory uncertainty and regulatory expense.

*1.3 Given that the DSM regulatory account is a benefit matching account rather than a variance account, please explain whether any over or underspending of DSM expenditures during the current test period resulting from the COVID-19 Pandemic would be recovered or returned to customers. If yes, please explain how. If not, please explain why this would not be necessary.*

BCSEA accepts BC Hydro's explanation provided in the oral session. BCSEA's understanding is that DSM actual expenditures in a given year are recovered starting in the following year, based on the actual spending (and according to the approved amortization period).

*2.1 Please clarify how it is possible to maximize the value of surplus energy while maximizing Powerex's trade income. Please provide a concrete historical example of this/these scenario(s).*

BCSEA does not disagree with BC Hydro's explanation. BCSEA's understanding is that the optimization, or maximization, is applied to net revenue for both BC Hydro and Powerex, after BC Hydro meets its load-serving requirements.

*3.1 Given that Direction No. 8 states that rate base includes "the amount listed as property, plant and equipment in service, less accumulated amortization," please clarify whether the inclusion of these properties in rate base prior to the development of the substations is in accordance with Direction No. 8. [Emphasis added]*

BCSEA does not disagree with BC Hydro's view, which BCSEA would paraphrase as follows:

- The properties in question are included in rate base under standard regulatory principles (the properties are "useful" if not "used").
- Direction No. 8 is not intended to, and does not, preclude inclusion of the properties in rate base.
- The question of whether BC Hydro's acquisition of the properties was prudent is not an issue in the current proceeding (because the shareholder's return is fixed by Government direction) and will be addressed in BC Hydro's next revenue requirement application.

*3.2 Please clarify what BC Hydro means when it states that the "carrying costs are not material enough to warrant the establishment of a deferral account for each property." Please quantify BC Hydro's view of materiality under these circumstances.*

BCSEA agrees with BC Hydro's explanation. The quoted statement was a reply to an intervenor's position that there should be a deferral account for the carrying costs of the properties in question contrary to BC Hydro's position that a deferral account is not warranted. BCSEA's understanding is that BC Hydro's submission is that while the materiality of the costs is one of the factors (among others) a utility should address in applying for approval of a regulatory account BC Hydro is not seeking approval of a regulatory account in this instance, there is no materiality threshold in the regulatory account guidelines, and the size of the carrying costs does not warrant a deferral account.

*4.1 Please provide the incremental cost of implementing and maintaining the FERC Uniform System of Accounts for regulatory and benchmarking purposes compared to using the BCUC Uniform System of Accounts.*

As distinct from providing new evidence, BC Hydro argued that evidence on the record supports an inference that using the FERC system of accounts would entail BC Hydro developing an institutional understanding and proficiency with the FERC SoA that BC Hydro currently lacks. BCSEA agrees that that inference is supported by the evidence on the record.

*5.1 Given that by Order R-18-19 dated September 9, 2019, the BCUC had approved a Compliance Violation Investigation of BC Hydro with respect to a number of vegetation-related events, please explain how the testimony regarding vegetation management follows the BCUC's finding and recommendation in the SAP Inquiry regarding BC Hydro's approach to information disclosure.*

BCSEA has examined the preamble to question 5.1, the referenced Order R-18-19, the transcript of the BC Hydro witnesses' testimony referred to in question 5.1, BC Hydro's oral submissions to the Panel on June 12 on this topic, and the Panel's June 12 comments on this topic.

BCSEA believes that its interests are engaged by the topic of question 5.1. As the Panel Chairperson said regarding utility witnesses, "It's not only the Commission that they're testifying to, they're testifying to other interveners and they're testifying to the general public."<sup>3</sup>

BCSEA considers the witness's comment that BC Hydro's level of vegetation inspections exceeded the MRS requirements to be innocent of any attempt to mislead the public or the Commission. The comment was provided for background and did not relate directly to an issue in the RRA proceeding. The comment was neutral or negative to BC Hydro's position in the current proceeding that spending on vegetation management should be increased in the next test period.

More broadly, BCSEA commends the witness for providing helpful, informed evidence during the oral hearing.

*6.1 Please discuss the legal and practical issues regarding an advance assessment by the BCUC that BC Hydro is planning to consider.*

*6.2 Please clarify when BC Hydro plans to initiate further discussions with BCUC staff.*

BC Hydro responded to these two questions together.

BCSEA supports in principle the development of a mechanism for the BCUC to assess the applicability of the GRR in advance, as stated in its final argument.<sup>4</sup>

BCSEA acknowledges that there are significant legal and practical challenges associated with implementing an advance assessment procedure.

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<sup>3</sup> T16:2970, lines 15-18.

<sup>4</sup> BCSEA Final Argument, May 4, 2020, para.132.

*6.3 Please explain whether BC Hydro plans to bring the Bear Mountain Terminal to Dawson Creek Transmission Voltage Conversion project and the North Montney Transmission Development project to the BCUC for an advance assessment of the applicability of the GRR.*

*6.3.1 If so, please discuss when BC Hydro plans to bring these two projects to the BCUC for an advance assessment. If not, please discuss why not.*

BC Hydro says it “does not have any plans at this time to bring the Bear Mountain and North Montney projects forward for an advanced assessment, because these projects may or may not be prescribed undertakings under the GRR.” The uncertainty is because the projects have not been given internal final approval to proceed and so it cannot yet be determined if BC Hydro expects the in-service date to be no later than December 31, 2022, which is a requirement under GRR s.4(2). This is a reasonable response, in BCSEA’s view.

*7.1 Please clarify why BC Hydro is now proposing to budget for project write-offs and have it recoverable from ratepayers when in the past its practice was to have these costs be borne by its shareholder. Was there a change in BC Hydro’s capital planning and delivery process that prompted this change?*

BCSEA understands BC Hydro’s response to this question to be that the proposed change regarding project write-offs was not prompted by a change in its capital planning and delivery process. Rather, the proposed change was prompted by “a reassessment of how a regulatory principle should be applied in the context of a mature capital planning process.”

All the above is respectfully submitted.

Yours truly,

William J. Andrews



Barrister & Solicitor

Encl.