

18 June 2020

VIA E-FILING

Marija Tresoglavic
Acting Commission Secretary
BC Utilities Commission
6th Floor 900 Howe Street
Vancouver, BC V6Z 2N3



Reply to: Leigha Worth
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Ph: 604-687-3034
Our File: 7500.120

Dear Ms. Tresoglavic,

Re: British Columbia Hydro and Power Authority F2020 to F2021 Revenue Requirements Application ~ Project No. 1598990

Please note that Ms. Mis and I continue to act on behalf of the intervener group known in this regulatory proceeding as BCOAPO et al. and we make the following submission in response to BC Hydro's June 12, 2020 oral submissions to the Commission.

Please note that in the interest of regulatory efficiency, where we take no position on the subject-matter of the Panel's question or we are content to rely solely on the contents of our Final Submission, we have chosen to omit a specific response in this document.

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?

BCOAPO's response is not to disagree entirely with what Mr. Bystrom said in his oral submissions, but by providing additional clarification crystalizing our position on this. We agree with Hydro on behalf of our clients, a broad cross-section of economically and regionally diverse residential ratepayers, that there is not anything specific within the *UCA* prohibiting BC Hydro or another utility from choosing to reallocate as much of its DSM expenditures as it sees fit from the amounts and ratepayer groups specified in an approved DSM Schedule. However, we also note that Mr. Bystrom was right that the Commission does have the jurisdiction to limit the utility's ability to recover those funds reallocated ¹ in rates absent a BCUC Order approving those specific amendments to the DSM expenditure schedule.

¹ Transcript, Volume 16, page 2917, ll 4-12.

In other words, our clients are putting on the record that they, the BCUC and likely other interveners will be watching to ensure BC Hydro's transfers are of a defensible quantum and also compliant with the requirements that would have been considered by a Utilities Commission Panel had the utility brought forward an application for an amendment to their DSM expenditure schedule. Absent such justification, the utility and its shareholder are at very real risk of the Commission determining those reallocated amounts are unrecoverable in BC Hydro's rates.

3.0 *Reference: Property Purchases for Future Substations
BC Hydro Reply Argument, pp. 70, 71*

With respect to Association of Major Power Customers of BC's (AMPC) submission that including properties in rate base before the substations are developed is "inconsistent with current regulation principles," BC Hydro submits on page 70 of its Reply Argument that BC Hydro's "accounting treatment in this regard have no bearing on matters before the BCUC in this proceeding" as amounts in rate base do not impact BC Hydro's net income.

In response to British Columbia Old Age Pensioners' Organization et al.'s (BCOAPO) argument that BC Hydro should be directed to establish a regulatory account to defer carrying costs until the Vancouver substation properties are eligible for capitalization, BC Hydro submits on page 71 of its Reply Argument that "carrying costs are not material enough to warrant the establishment of a deferral account for each property." Furthermore, BC Hydro submits that the carrying costs for the East Vancouver property (for the new Murrin substation) are minimized as the property is currently leased to a tenant.

- 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]*
- 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.*

BC Hydro spoke to the issues raised by these questions in their oral submissions, putting forward again the utility's view that there was no need to create a deferral account due to the quantum of costs associated with carrying these properties. Despite our general intention to leave unaddressed those issues where our position remains as stated in our Final Submission, we feel compelled to point out that BC Hydro's argument on this point did not contain any specific information or law that allays our concerns in this regard. As a result, we continue to urge the Commission to direct BC Hydro to create a deferral account for these expenses.

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 borne by its shareholder. Was there a change in BC Hydro’s capital planning and delivery process that prompted this change?*

In his oral submissions, Mr. Ghikas made clear that it is BC Hydro’s view that, while past practice was these costs were borne by the shareholder, it is now BC Hydro’s view that a reassessment of how it applies the applicable regulatory principle to its “mature capital planning process” justifies its request to have project write-offs recoverable from ratepayers going forward². However, the fact that BC Hydro has reassessed its treatment of write off expenses does not necessarily equate to an improvement in its operations, nor a necessary action – particularly in the absence of a factual driver behind it. It is our client’s position that the simple fact that there is some regulatory principal that arguably supports this change does not, by itself justify a material change in how BC Hydro is treating its write off expenses. Absent evidence of a factual driver, our clients continue to oppose this aspect of BC Hydro’s application.

On another note, we would like to point out that while those involved in this process are privileged enough to continue to be gainfully employed and presumably not subject to the additional and, to be honest, often unsustainable cost pressures associated with COVID-19, that is not the case for many British Columbians as evidenced by the unprecedented growth in the numbers of individuals and businesses now struggling economically. While we recognize that COVID was not a fact of life when BC Hydro filed this application making this request, it is and has been part of the landscape now for more than three months and residential ratepayers put to this Panel that this is a context important to inform the Commission’s decision on this issue, particularly as BC Hydro continues to advocate for its approval in the absence any asserted driver beyond “we can, so we should.”

ALL OF WHICH IS RESPECTFULLY SUBMITTED,

Original on file signed by

Leigha Worth
Executive Director | General Counsel

Original on file signed by

Irina Mis
Staff Lawyer

² Transcript, Volume 16, page 2979