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February 13, 2021

British Columbia Utilities Commission  
Suite 410, 900 Howe Street  
Vancouver, BC Canada V6Z 2N3

**Attention: Patrick Wruck, Commission Secretary**

*Filed online*

Dear Mr. Wruck,

**Re: British Columbia Utilities Commission – Review of British Columbia Hydro and Power Authority’s Performance Based Regulation Report – Project No. 1599045**

These are the submissions of MoveUP concerning further process in this matter, filed pursuant to BCUC Order G-324-20.

**SUMMARY:**

MoveUP submits that the Commission should ask BC Hydro to articulate the modifications that it proposes to incorporate into its pending F2023-25 rate application. Interveners should be given an opportunity to comment, and Hydro to reply. The Commission should issue a decision providing guidance for the application anticipated for August of this year.

We should not seek a radical re-mapping of BC Hydro’s rate-regulation process, but rather should move in an evolutionary fashion that improves the regime and is ready to respond to emerging imperatives.

**DISCUSSION:**

This proceeding has been wide-ranging, and in some respects rather amorphous, exploring various options and their relative strengths and weaknesses for the design of BC Hydro’s rate-making process. While it has been illuminating, it cannot be said that it has progressed toward a resolution of the issues or brought participants closer to a crystalizing consensus.

That being said, there has been a degree of commonality among the experts who have contributed to the record, on some basic points of orientation.

First, no-one has claimed that there is a single best model or solution to the challenges of utility rate regulation. All options present strengths and weaknesses and finding the best solutions requires considerable critical judgment. Categorical approaches are not going to yield the best answers.

Second, it is undisputed that there exists a spectrum of available tools lying between the polar extremes of pure COSR and pure PBR. (In fact, it can hardly be said that the best solutions necessarily lie along the linear spectrum between these two models). We should not be looking for an off-the-rack set of rules, but rather a carefully-tailored solution that captures the strengths and avoids the weaknesses of each of the candidate features that are available.

Third, all are agreed that whatever direction is taken must be grounded in the specific realities and dynamics of BC Hydro and the context in which it operates, including its status as a provincial Crown corporation and the nature of its mandate from its shareholder, and including its regulatory history.

Fourth, rate regulation must always be approached as an evolving story, learning from experience while also responsive to the constant change that utilities and our communities are subject to. It should not be a matter of settling on a fully-crystallized end-point, especially in the case of a utility as complex and significant as BC Hydro.

With all respect, the question should not be “how can we adapt PBR so that it will work in the case of BC Hydro?” or “how can we tune-up COSR to make it more effective and efficient?” but rather “what is the best-fit solution to the evolving challenges facing BC Hydro and its regulator?”

Both Cost of Service Regulation and Performance-Based Regulation are the products of simpler eras, in terms of the imperatives facing utilities, regulators and society as a whole when it comes to the provision and use of energy. The Commission’s experience with PBR goes back a quarter of a century. Cost of Service Regulation is far older than that, but neither is novel and neither emerged from the challenges of our own time.

In their pure forms, both COSR and PBR are “steady-state” regimes, designed to maintain equilibrium and incremental performance improvements in times of relatively linear change. Neither was designed to address the most fundamental issues now facing energy regulators worldwide – above all, how to make the complex transitions that are essential to mitigate climate change and its impacts on humanity over the next few decades. The pursuit of operating efficiencies is always a desirable goal, but a remote one from the most compelling problems. Neither model was designed to answer the most important questions in the 21<sup>st</sup> century. All the more need to adopt a resilient approach to refashioning utility regulation.

For all of these reasons, we submit that the Commission should not attempt to resolve the issues in the abstract. The outcome of the proceeding should be grounded in the practical task of regulating BC Hydro.

PBR for the FortisBC utilities (beginning with BC Gas in the mid-nineties) was not designed as a blueprint that was subsequently applied to the utilities, but was developed over time to provide solutions to issues raised in the course of rate-setting cycles. We submit that the same approach should be applied to the development of rate-setting processes for BC Hydro.

The Commission is now addressing a one-year, stop-gap Revenue Requirements Application from BC Hydro for the current fiscal year; Hydro says it plans to file a three-year RRA this August. It would be most productive if the F2023-25 cycle saw the implementation of changes that move the entire process along an exploratory path toward more effective mechanisms.

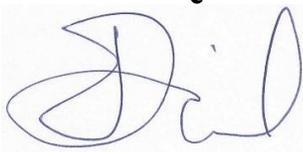
We recommend that the Commission call on BC Hydro to articulate, in greater detail than it has so far in this proceeding, the modifications to its regulatory process that it proposes for the pending three-year cycle. Interveners should be given an opportunity to comment, and BC Hydro to reply. Following this, the Commission should provide guidance for the purposes of the F2023-25 Application. If this progresses with reasonable dispatch, it should be possible to achieve a result that will inform the next BC Hydro rate-setting cycle.

Following this, the record of this proceeding will provide a valuable foundation for the ongoing evolution of BC Hydro's regulatory regime, as we pursue the ever-receding horizon.

All of which is respectfully submitted.

Yours very truly,

**ALLEVATO QUAIL & ROY**

A handwritten signature in blue ink, appearing to read 'Jim Quail', written over a light blue rectangular background.

*per* **Jim Quail**  
Barrister & Solicitor