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April 6, 2021

Patrick Wruck
Commission Secretary
British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC, V6Z 2N3
Commission.Secretary@bcuc.com

Re: British Columbia Hydro and Power Authority ("BC Hydro") – Fiscal 2022 Revenue Requirement Application ("the Application") - Project No. 1599164 - Residential Consumer Intervenor Association (via its agent Midgard Consulting Incorporated) Final Argument

Dear Mr. Wruck,

Enclosed please find the Residential Consumer Intervenor Association's ("RCIA") Final Argument with respect to the above-noted matter.

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

Sincerely,

Original on file signed by:

Peter Helland
Director on behalf of the Residential Consumer Intervenor Association

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BRITISH COLUMBIA UTILITIES COMMISSION

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY

F2022 REVENUE REQUIREMENTS APPLICATION

PROJECT NO. 1599164

FINAL ARGUMENT OF THE RESIDENTIAL CONSUMER INTERVENOR ASSOCIATION ("RCIA")

APRIL 6, 2021

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1 Introduction

This is the Final Argument of the Residential Consumer Intervenor Association ("RCIA") in the British Columbia Utilities Commission's ("BCUC") proceeding regarding the British Columbia Hydro and Power Authority's ("BC Hydro") Fiscal 2022 Revenue Requirement Application ("the Application").

For convenience, this Final Argument follows the structure of BC Hydro's March 18, 2021 Final Argument ("the Argument").

1.1 RCIA's Interest in the Proceeding

The RCIA is a society that has been recently formed to represent the interests of all residential customers for electricity, natural gas, and heating in proceedings before the BCUC in a non-discriminatory manner.

1.2 Proceeding Overview

On December 22, 2020, BC Hydro filed its Fiscal 2022 Revenue Requirements Application with the BCUC requesting, among other things:

1. Approval of an increase in rates by 1.16 %, effective April 1, 2021, for fiscal 2022; and
2. Approval of the Fiscal 2022 Open Access Transmission Tariff ("OATT") rates as set out in Table 9-4 of the Application effective April 1, 2021.[1]

The Application also requested that the changes be made effective April 1, 2021, on an interim basis, pending the BCUC's final order regarding the Application.[2] The BCUC subsequently issued Order G-1-21 approving, on an interim basis, the requested rate increase of 1.16 % and the requested Fiscal 2022 OATT rates, effective April 1, 2021.

By Orders G-345-20 and G-91-21, the BCUC Panel established and later amended a Regulatory Timetable for the review of the Application which provided for one round of BCUC and intervener information requests ("IRs"), a review session, and submission of written arguments.

In accordance with the most recent procedural Order G-91-21, the RCIA makes the following submissions regarding BC Hydro's F2022 Revenue Requirements Application.

[1] Exhibit B-2, Application, p. 1-17.
[2] Exhibit B-2, Application, p. 1-18.

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2 Load and Revenue Forecast

2.1 Overview

BC Hydro has made three changes to its load forecast methodology which are summarized as follows:

1. BC Hydro has refined the methodology to avoid overlap in efficiency requirements for end uses of electricity;
2. A new methodology for EVs is used to reflect the targets in the *Zero-Emission Vehicles Act;* and
3. A new approach to developing uncertainty bands was applied to distribution and transmission industrial loads.[3]

2.2 RCIA Submissions

The RCIA has no comments on matters related to BC Hydro's load and revenue forecast.

[3] BC Hydro Final Argument, para. 17.

3 Cost of Energy

3.1 Overview

BC Hydro's Cost of Energy is broken down into three categories: Heritage Energy, Non-Heritage Energy, and Market Energy. BC Hydro's total Cost of Energy is forecast to be $1,669.4 million in F2022.[4]

The cost of Heritage Energy and Non-Heritage Energy is forecast to increase by $32.9 million and $64.3 million respectively in F2022 relative to F2021, and the cost of Market Energy is forecast to decrease by $93.5 million in F2022 relative to F2021.[5] A detailed breakdown of the components of each category are summarized in the following tables.[6]

Table 4-2 Cost of Heritage Energy

Cost of Heritage Energy ($ million)	Schedule Reference	F2020 RRA	F2020 Actual	F2021 RRA	F2021 Forecast	F2022 Plan
		1	2	3	4	5
Water Rentals	4.0 L27	329.3	331.6	323.2	331.0	375.4
Natural Gas for Thermal Generation	4.0 L28	7.5	7.1	8.5	8.2	11.8
Domestic Transmission - Other	4.0 L29	24.5	24.8	24.4	25.7	25.5
Columbia River Treaty Related Agreements	4.0 L30	15.0	37.7	(11.7)	(34.2)	(19.0)
Remissions and Other	4.0 L31	(25.2)	(42.4)	(26.7)	(42.1)	(43.2)
Total	4.0 L32	351.2	358.8	317.7	288.6	350.6

Table 4-5 Cost of Non-Heritage Energy

Cost of Heritage Energy ($ million)	Schedule Reference	F2020 RRA	F2020 Actual	F2021 RRA	F2021 Forecast	F2022 Plan
		1	2	3	4	5
IPPs and Long-Term Commitments[1]	4.0 L33	1,294.7	1,314.0	1,410.8	1,388.7	1,475.7
Non-Integrated Area	4.0 L34	30.5	31.3	30.2	26.1	27.4
Gas & Other Transportation	4.0 L35	3.7	4.5	2.5	5.2	4.9
Water Rentals (Waneta 2/3)	4.0 L36	3.7	3.3	3.7	3.2	3.5
Total	4.0 L37	1,332.4	1,353.1	1,447.2	1,423.1	1,511.5

Table 4-9 Cost of Market Energy – based on 2020 TPA

Cost of Energy ($ million)	Schedule Reference	F2020 RRA	F2020 Actual	F2021 RRA - Reclassified	F2021 Forecast	F2022 Plan
		1	2	3	4	5
TPA Reference Agreement				2020 TPA	2020 TPA	2020 TPA
System Imports	4.0 L40			153.9	37.8	77.1
System Exports	4.0 L41			(269.2)	(211.0)	(296.5)
Domestic Transmission – Export	4.0 L43			17.0	45.1	27.5
Total	4.0 L44	0.0	0.0	(98.4)	(128.1)	(191.9)

[4] Exhibit B-2, Application, p. 4-1.
[5] Exhibit B-2, Application, p. 4-5.
[6] Exhibit B-2, Application, p. 4-6, 4-11, and 4-19.

It is also noted in paragraph 22 of BC Hydro's Final Argument that customers only pay BC Hydro's actual Cost of Energy since any variances between planned and actual Costs of Energy will be captured in one of BC Hydro's approved deferral, regulatory or variance accounts, as appropriate.[7]

3.2 RCIA Submissions

The RCIA understands that the forecast F2022 Cost of Energy is impacted by various factors, one being the above average water year experienced in F2020. More specifically, the Water Rentals component of the cost of Heritage Energy is forecast to be $52.5 million higher in F2022 than in F2021 as a result of the above average water year experienced in F2020[8], and the cost of Market Energy in the F2022 plan is $93.5 million lower than in the F2021 plan due to lower system imports and higher system exports, which are also driven by the higher water inflows.[9]

The RCIA submits that the marginal cost of incremental Water Rentals should be significantly lower than the value of increased exports and reduced imports, and consequently, the net Market Energy cost reduction should be significantly greater than the corresponding Water Rentals cost increase caused by the higher than average inflows. The RCIA recommends that in future applications, BC Hydro should provide a more comprehensive and quantified explanation of the relationship between increased water rental costs due to above average inflows and the corresponding energy cost offsets resulting from reduced market imports and/or increased market exports enabled by the increased inflows.

The RCIA also submits that capturing variances between BC Hydro's planned and actual Cost of Energy into one of BC Hydro's approved deferral, regulatory or variance accounts is an appropriate means of ensuring that customers only pay for BC Hydro's actual cost of energy regardless of the forecast Cost of Energy.

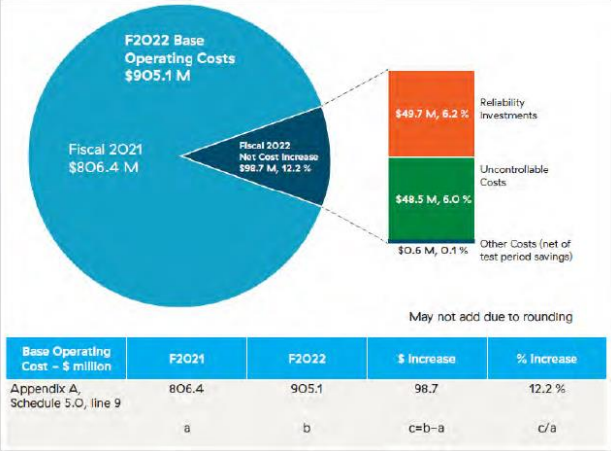
[7] BC Hydro Final Argument, para. 22.
[8] Exhibit B-2, Application, p. 4-7.
[9] Exhibit B-2, Application, p. 4-19.

4 Operating Costs

4.1.1 Overview

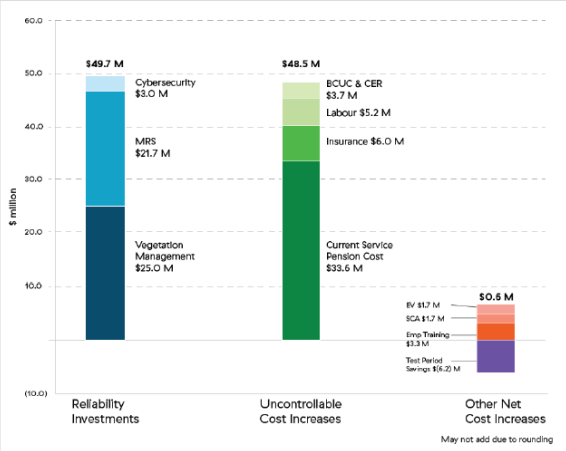
For the purposes of discussing the Operating Cost component of the Application, BC Hydro focuses solely on addressing the proposed increase in operating costs from F2021 to F2022 relative to its base operating costs, as highlighted in Figures 5-2 and 5-3 of the Application.[10]

Figure 5-2 Summary of Base Operating Costs Increases



Base Operating Cost – $ million	F2021	F2022	$ Increase	% Increase
Appendix A, Schedule 5.0, line 9	806.4	905.1	98.7	12.2 %
	a	b	c=b–a	c/a

Figure 5-3 Fiscal 2022 Base Operating Cost Changes



BC Hydro also notes in its Application that:

> *"Base operating costs continue to be, in BC Hydro's view, the relevant measure for the assessment of our efforts to control operating costs because they exclude costs that, among other things, vary according to changes in accounting rules and the mechanisms in place to recover regulatory account balances."*[11]

4.1.2 RCIA Submissions

The RCIA takes issue with the apparent presumption in this Application that all base costs from the prior RRA are not subject to testing, and only those areas in which increases are proposed require defense in this proceeding.

The implicit presumption throughout the present application appears to be that maintaining historically approved levels of O&M spending requires little or no justification, and consequently all operating cost submissions in the application and subsequent discussions have focused primarily or solely upon areas of proposed spending increases.

[10] Exhibit B-2, Application, p. 5-11 & 5-15.
[11] Exhibit B-2, Application, p. 5-13.

The abbreviated procedural schedule and constrained allowance for intervention efforts has obviated fulsome canvassing of all material areas of base O&M spending, so the RCIA has focused its inquiries upon the identified matters driving increased operational spending.

RCIA wants to put on the record that its lack of rigorous investigation of the bulk of BC Hydro's cost of service elements does not signal acceptance that the historically approved spending levels represent an appropriate baseline for future test periods. In fact, BC Hydro has not demonstrated in this proceeding that its historical levels of operational spending in all operational categories are essential, or that it would be beyond BC Hydro's abilities to achieve incremental operational efficiencies in subsequent test periods. As a result, the RCIA does not have sufficient information to assess the appropriateness and cost-effectiveness of BC Hydro's baseline operational spending.

The RCIA submits that BC Hydro should be expected to continually improve its operational cost structure in each test period, that historical base costs should not be treated as incontestable, and that BC Hydro should be required to provide supporting evidence in subsequent filings to explain and justify the cost-effectiveness of its baseline operating spending.

4.2 Mandatory Reliability Standards

4.2.1 Overview

As part of its F2022 Application, BC Hydro is proposing to include an operating cost increase of $21.7 million and an FTE increase of 21.5 to maintain and achieve compliance with Mandatory Reliability Standards ("MRS").[12] The planned MRS work is considered by BC Hydro to be non-discretionary and essential to the protection of the Bulk Electric System.[13]

In paragraph 33 of its Argument, BC Hydro notes that $21.3 million of the planned $21.7 million total MRS operating cost increase was developed in conjunction with, and approved by, the Western Electricity Coordinating Council ("WECC").[14]

It is also noted in paragraph 35 of the Argument that BC Hydro's evidence regarding mitigation plans and the basis for the budgeted MRS funding is subject to confidentiality requirements[15], and as a result, very little evidence has been made publicly available for review by interveners throughout this proceeding.

[12] Exhibit B-2, Application, p. 5-24.
[13] BC Hydro Final Argument, para. 26.
[14] BC Hydro Final Argument, para. 33.
[15] BC Hydro Final Argument, para. 35.

4.2.2 RCIA Submissions

The RCIA does not dispute that addressing MRS non-compliance is non-discretionary and essential to the protection of the system. However, the RCIA does not agree that sufficient evidence has been provided publicly to demonstrate that the associated proposed spending is either optimal or non-discretionary.

BC Hydro is proposing a significant increase in both operating and capital spending associated with MRS compliance. BC Hydro has also indicated that the WECC has approved the bulk of its proposed MRS mitigation efforts but has not publicly provided evidence that it is spending only what is necessary to mitigate its non-compliances. Simply stating that the WECC has approved the proposed mitigations does nothing to demonstrate that they are the most cost-effective solutions. Since the WECC is only concerned that its members take effective action to address MRS deficiencies and non-compliances, the WECC does not have a mandate to evaluate the cost-effectiveness of the proposed mitigations.

The problem for the RCIA is the veil of secrecy that is cast over the entire MRS budgeting and reporting process. BC Hydro has not provided sufficient evidence on the public record to explain or justify the cost-effectiveness of its spending, and as a result, the RCIA does not have enough information to assess the cost-effectiveness of BC Hydro's spending due to its treatment as entirely secret and unavailable for review by ratepayers.

Although the RCIA understands BC Hydro's stated position that some aspects of the MRS must be kept confidential to prevent signaling vulnerabilities that could be exploited by malicious actors, BC Hydro has not compellingly demonstrated that every aspect of the MRS must be kept secret from those expected to pay for the associated investments. In the RCIA's opinion, this blanket treatment of all matters associated with MRS as being off-limits for review at a meaningful level by the constituency that actually pays for these expenditures is unreasonable.

The RCIA recommends that future applications provide more effective mechanisms to enable ratepayers to understand what is causing BC Hydro to be non-compliant across a range of MRS standards, why the proposed operating (and capital) investments are needed, and why the selected mitigations proposed for implementation are the most cost-effective way to address the deficiencies.

The RCIA also recommends that to the extent possible without compromising system security, BC Hydro should be required to report on at least the number of non-compliances (including trends over time), the high-level areas of concern, the types of actions being taken to mitigate problems (e.g., training, staffing, operating practice enhancements, capital investments) and some evidence that BC Hydro is making best efforts to control the associated costs. If necessary, the RCIA is willing to review any information deemed to potentially pose security risks under the terms of strict confidentiality.

4.3 Vegetation Management

4.3.1 Overview

Directive 22 of the BCUC's Decision and Order G-246-20 on BC Hydro's F2020 to F2021 RRA ("Previous Application") directed BC Hydro to address the adequacy of its vegetation management funding.[16]

As part of its F2022 Application, BC Hydro is proposing to include additional $25 million and 18 FTEs to support the vegetation management program in F2022.[17] A detailed breakdown of the proposed vegetation management funding is summarized in the following table.[18]

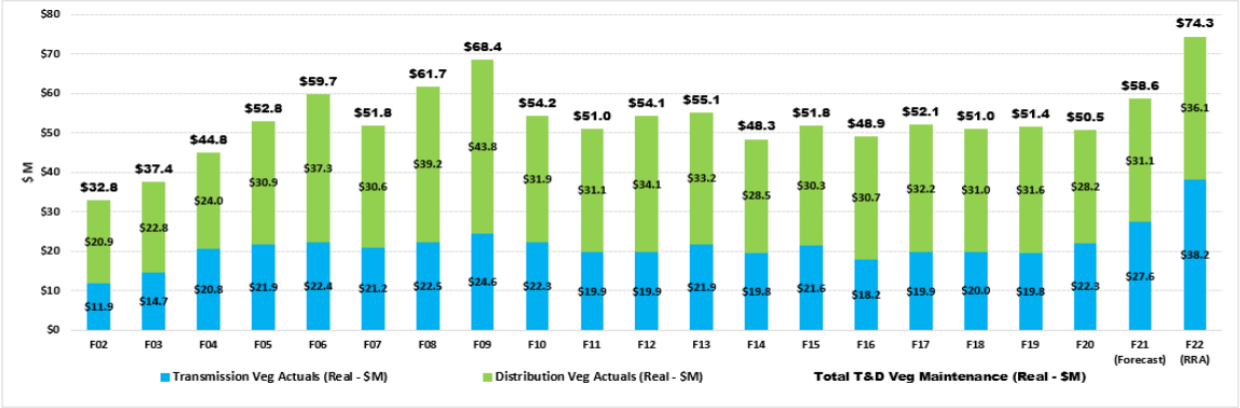
Table 5-11 Fiscal 2021 and Fiscal 2022 Vegetation Program Funding Summary[93]

($ million)	F2021 RRA	Standard Labour Rate Increase	Incremental Funding	F2022 Plan
Transmission Vegetation Maintenance	17.8	0.1	15.5	33.3
Distribution Vegetation Maintenance	30.6	0.2	5.4	36.1
LiDAR	-	-	4.0	4.0
Planning Resources	-	-	0.9	0.9
Total Gross	**48.4**	**0.2**	**25.8**	**74.4**
Distribution Vegetation Recoveries (TELUS)	(6.1)	-	(0.8)	(6.9)
Total Net of Recoveries	**42.2**	**0.2**	**25.0**	**67.4**

The proposed incremental funding results in a vegetation management budget increase of over 50% between F2021 and F2022.

BC Hydro explains in paragraph 49 of its Argument that one of the main factors driving the significant planned increase in vegetation management spending is the diminishing long-term benefits from prior extensive clearing efforts.[19] As illustrated in the following figure[20], BC Hydro conducted significant vegetation clearing during the period from F2006 to F2009, which was then followed by over a decade of more modest and stable spending levels.

[16] Exhibit B-2, Application, p. 5-6.
[17] Exhibit B-2, Application, p. 5-34.
[18] Exhibit B-2, Application, p. 5-39.
[19] BC Hydro Final Argument, para. 49.
[20] Exhibit B-8, Presentation for Review Session, slide 8.



When asked in RCIG IR No. 1.18.1 if the level of spending in F2022 represents a baseline level of spending going forward, BC Hydro explained that it expects to maintain expenditures at a similar level for at least the next few years, and that it may be possible to reduce expenditures below F2022 levels once the accumulation of vegetation on the system is addressed.[21]

In its response to RCIG IR No. 1.15.1, BC Hydro also explained that the 18 new FTEs are expected to be needed on an ongoing basis since they will be required to support a long-term level of vegetation management that will be set out in the new Vegetation Management Strategy that is in the process of being developed.[22]

BC Hydro's new Vegetation Management Strategy is expected to be completed in time for BC Hydro's next RRA.[23]

4.3.2 RCIA Submissions

The RCIA does not dispute that BC Hydro needs to increase the effectiveness of its vegetation management efforts. However, the evidence filed demonstrates that the vegetation management work has been somewhat neglected, or at least de-emphasized as a corporate concern, over the past dozen years. The RCIA is concerned that the requirement for such a significant step increase in spending in F2022 may at least partly be driven by failure to maintain the gains that had been achieved under the accelerated vegetation management efforts undertaken from F2006 to F2009.

The RCIA also submits that BC Hydro has not compellingly demonstrated why the accelerated vegetation management efforts in F2006 to F2009 were able to be achieved by a short term gradual increase in spending, which was then dialed back to more modest spending levels for a dozen years, but the new 50% spending increase must be extended indefinitely (and possibly even increased in future years) to achieve

[21] Exhibit B-5, BCH Responses to Intervener IR1, RCIG IR No. 1.18.1.
[22] Exhibit B-5, BCH Responses to Intervener IR1, RCIG IR No. 1.15.1.
[23] BC Hydro Final Argument, para. 59.

similar results. As described in the following excerpt from the review session, BC Hydro has also provided evidence that the proposed increase in vegetation management spending is near the upper limit of what it can reasonably manage in the short term with its existing resources and processes, and the RCIA is concerned that this presents a high risk of inefficient spending.

> *"We've had a number of questions in the information request about why couldn't we do more, spend more money for vegetation next year, and I do want to make a couple of points about that. First, the proposed budget is what we believe is the maximum amount that we feel that we can effectively manage in a single year. Rapid growth in resourcing is limited by the number of qualified contractors in the market and also our own ability to do the studies and to engage in the appropriate consultation needed to do this work."*[24]

BC Hydro has not demonstrated that it is prudent to increase vegetation management spending by 50% in a single year and to hire 18 additional permanent FTEs to deliver a revised vegetation management strategy that has not yet been finalized or submitted for review. In the RCIA's opinion, costs are being incurred and permanent FTEs are being hired before having a properly developed plan in place.

The RCIA is also concerned that the proposed 50% step increase in vegetation management spending is expected to form the new long-term baseline for future program spending, as suggested in various comments made by BC Hydro during the review session and in IR responses.

The RCIA notes that the BCUC directed BC Hydro in the Previous Application to address the adequacy of its vegetation management funding. The RCIA understands that BC Hydro's revised vegetation management strategy will address this directive and the RCIA looks forward to reviewing and opining on this revised strategy once it is provided for review. Absent this revised strategy, the RCIA submits that BC Hydro has not provided evidence to support or justify the proposed incremental funding associated with vegetation management. Therefore, the RCIA does not support BC Hydro's incremental funding and FTE request, and recommends that the vegetation management funding be limited to the F2021 forecast until after the revised vegetation management strategy has been finalized and approved by the Commission.

[24] Web-based Review Session, Transcripts Volume 1, p. 26-27.

4.4 Cybersecurity

4.4.1 Overview

As part of its F2022 Application, BC Hydro is proposing to include an operating cost increase of $3.0 million and an FTE increase of 4 for cybersecurity management.[25] The planned increase is expected to address the growing sophistication of cybersecurity threats.[26]

It is also noted in paragraph 71 of the Argument that information about cybersecurity is sensitive[27], and as a result, very little evidence has been made publicly available for review by interveners throughout this proceeding.

4.4.2 RCIA Submissions

The RCIA does not dispute that BC Hydro needs to address increasing cybersecurity threats. However, the RCIA does not agree that sufficient evidence has been provided publicly to demonstrate that the associated spending increase is optimal.

Similar to RCIA's submissions regarding BC Hydro's MRS spending, the issue for the RCIA is the veil of secrecy that is cast over the entire cybersecurity budgeting and reporting process. The RCIA submits that it does not have enough information to conclude that the spending on cybersecurity is appropriate and cost-effective.

The RCIA recommends that future applications provide more effective mechanisms to enable ratepayers to understand why the proposed operating investments are needed and why the selected mitigations proposed for implementation are the most cost-effective way to address the deficiencies.

The RCIA also recommends that to the extent possible without compromising system security, BC Hydro should be required to report on at least the number of threats (including trends over time), the high-level areas of concern, the types of actions being taken to mitigate problems (e.g., training, staffing, operating practice enhancements, capital investments) and some evidence that BC Hydro is making best efforts to control the associated costs. If necessary, the RCIA is willing to review any information deemed to potentially pose security risks under the terms of strict confidentiality.

[25] Exhibit B-2, Application, p. 5-77.
[26] BC Hydro Final Argument, para. 70.
[27] BC Hydro Final Argument, para. 71.

4.5 Uncontrollable Operating Cost Increases

4.5.1 Overview

The remaining operating cost increase is associated with several factors that BC Hydro has characterized as being uncontrollable, including service costs, wages, insurance cost premiums and cost recovery levies.[28]

4.5.2 RCIA Submissions

The RCIA understands that BC Hydro is subject to certain cost pressures which are outside of BC Hydro's direct control. The RCIA does not take issue with BC Hydro's claim that some operating cost increases may be driven by external factors outside of its control, but the RCIA expects BC Hydro to take reasonable actions to minimize ratepayer cost increases associated with such factors.

For example, the RCIA is not convinced that the discount rate used to calculate the F2022 service costs, which is described in the following excerpt from the Application, has been developed in a manner representative of the actual future pension servicing costs BC Hydro needs to face.

> *"The present value of future pension benefits earned by employees in the current year are determined using the market discount rate at the date of the forecast. The market discount rate is based on AA Canadian Corporate bond yields. Current service costs are sensitive to changes in the market discount rate. Table 5-19 below, shows changes in discount rates and current service costs in recent years.*

Table 5-19 Current Service Costs

($ million)	F2020 RRA	F2020 Actual	F2021 RRA	F2021 Forecast	F2022 Plan	Change from F2021 RRA
Current Service Costs	130.0	128.5	132.5	122.8	188.5	56.0
Discount Rate	3.33%	3.33%	3.33%	3.83%	2.59%	(0.74)

> *The $56.0 million increase in planned current service 1 costs for fiscal 2022 compared to the fiscal 2021 RRA Plan is primarily due to:*
>
> - *The 74 basis points decrease in the discount rate from 3.33 per cent (based on discount rates at March 31, 2019) in fiscal 2021 to 2.59 per cent (based on discount rates at July 31, 2020) in fiscal 2022."*[29]

The methodology described in evidence calculates BC Hydro's long-term pension obligations using a discount rate that is heavily influenced by the current short-term interest rate of AA Canadian Corporate bonds, and as such is subject to unnecessary volatility. This is particularly the case for the reference rate used in the F2022 RRA filing, which was captured when the current bond rate was at a low bookend in July 2020.

[28] BC Hydro Final Argument, para. 83.
[29] Exhibit B-2, Application, p. 5-103 – 5-104.

The RCIA submits that BC Hydro should be required to calculate its service costs utilizing a discount rate developed using multi-year rate trends (e.g., 5-year historical trend) rather than single point in time rates. In the absence of better information, BC Hydro should be required to utilize the actual rate of 3.83% applied in F2021.

5 Capital Expenditures and Additions

5.1 Overview

For the purposes of discussing capital expenditures and additions, BC Hydro notes in its Argument that the capital forecast is based on robust capital planning and delivery processes[30], and that BC Hydro has well-established and effective processes for the planning and delivery of its capital investments.[31]

However, the Asset Investment Planning Tool project, which was encouraged to be pursued by the BCUC in Order G-246-20 dated October 2, 2020, was recently cancelled by BC Hydro in light of new information on the expected total project cost.[32] When asked in RCIG IR No. 1.30.1 to provide documentation of the evaluation undertaken by BC Hydro that resulted in the cancellation of the Asset Investment Planning Tool, BC Hydro provided a redacted Project Cancellation Authorization Form, which states, among other things, that:

> *"The original objective of the project was to support and implement process and technology changes to enable a consistent, transparent and more objective approach to asset investment planning and management across BC Hydro, on an enterprise scale. BC Hydro requires a more effective way to plan and optimize the scope and timing of asset investments to maximize business value while minimizing system risk."*[33]

BC Hydro explains in its Application that the reasons for cancellation include new information on the expected total project cost, limited availability of subject matter expertise to successfully support the project, and realization that the project would be more cost-effective to pursue following consolidation of BC Hydro's asset data repositories and implementation of an Enterprise Asset Management platform.[34]

5.2 RCIA Submissions

The RCIA notes that BC Hydro has abandoned and proposes to write off the already incurred capital costs associated with its proposed Asset Investment Planning Tool, a tool which was supposed to enable more consistent and objective comparisons of the risks, costs and benefits of different capital investments. However, BC Hydro has not provided evidence to demonstrate that it is doing anything to address the capital investment process deficiencies that the Asset Investment Planning Tool was expected to mitigate. As a result, the RCIA submits that BC Hydro's claims that its existing capital planning and delivery processes are robust, well-established and effective has not been substantiated in this proceeding.

[30] BC Hydro Final Argument, para. 85.
[31] BC Hydro Final Argument, para. 87.
[32] Exhibit B-2, Application, p. 6-8 & 6-14.
[33] Exhibit B-5, BCH Responses to Interveners IR1, RCIG IR 1.30.1 PUBLIC Attachment 1, p. 1.
[34] Exhibit B-2, Application, p. 6-14 – 6-15.

Additionally, BC Hydro's project management and cost control performance on recently completed and ongoing capital projects undermines credibility of its claim that its capital delivery processes are robust. For example, the significant Site C project schedule delays and cost increases incurred to date indicate deficiencies in project execution and risk management capabilities at BC Hydro.

The RCIA notes the following excerpt from BC Hydro's Argument:

> *"BC Hydro submits that its planned level of spending on sustainment capital represents "an appropriate balance of system performance, risk and affordability". The Panel explains in section 5.13 that the BCUC has no mandate to consider the affordability of utility's rates. When considering BC Hydro's submission in its entirety, we interpret BC Hydro's submission to refer to balancing risks to system performance and asset deterioration while containing costs as far as it deems prudent. Looked at in this light, we agree with BC Hydro's submission."*[35]

Notwithstanding this statement, the RCIA is very concerned with utility rate affordability, and expects to conduct detailed investigation of BC Hydro's renewal capital spending trends in future RRA proceedings to evaluate the cost effectiveness of the proposed spending and to ensure demonstration of quantified alignment between spending, reliability performance, asset condition and risk management targets.

[35] BC Hydro Final Argument, para. 87.

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6 Regulatory Accounts

6.1 Overview

BC Hydro has proposed limited changes to the following regulatory accounts:

1) Cost of Energy Variance Accounts,
2) Amortization of Capital Additions Regulatory Account,
3) Dismantling Cost Regulatory Account,
4) Project Write-off Costs Regulatory Account,
5) Electric Vehicle Costs Regulatory Account, and
6) Rock Bay Remediation Regulatory Account.

6.2 RCIA Submissions

The RCIA has no comments with respect to BC Hydro's proposed changes to its regulatory accounts.

However, the RCIA has a general concern that the regulatory accounts enable BC Hydro to engage in behaviour that is less fiscally accountable than it would otherwise need to be in the absence of the regulatory accounts. Although the RCIA understands than there are factors that are beyond the control of BC Hydro that will impact both revenues and costs, it is not obvious that the existing regulatory accounts only capture exogenous risks. Rather, the regulatory accounts may enable indirect (or unaccountable) risk management measures to be taken by BC Hydro.

Although fulsome review of all BC Hydro regulatory accounts has not been feasible in the present proceeding, the RCIA intends in subsequent proceedings to review the intended purposes and necessity of all BC Hydro regulatory accounts, to confirm that they are producing the intended results and are not interfering with BC Hydro's accountability to manage risk, capital spending and operational costs.

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7 Other Revenue Requirements Items

7.1 Overview

The main issue discussed in BC Hydro's Argument with respect to the Other Revenue Requirements Items is its proposed regulatory account to capture variances between the amount of net income reflected in the proposed rates for F2022 and the net income flowing from the BCUC's determination in the upcoming BC Hydro cost of capital proceeding.[36] It is also noted that BC Hydro will propose how to return any balance to ratepayers in the next RRA.[37]

7.2 RCIA Submissions

The RCIA has no comments with respect to BC Hydro's Other Revenue Requirements Items, aside from the general comments made in the prior section.

[36] BC Hydro Final Argument, para. 115.
[37] BC Hydro Final Argument, para. 119.

8 Transmission Revenue Requirement

8.1 Overview

BC Hydro proposed F2022 OATT rates are set out in Table 9-4 of the Application.[38]

Table 9-4 Proposed OATT Rates Fiscal 2022

	Rate Schedule	Rate Class	Reference	F2022 Plan
1	Attachment H	NITS Revenue Requirement ($)	Schedule 3.4 L33	985,900,800
2	RS 00	NITS Monthly Rate ($)	Schedule 3.4 L34	82,158,400
3	RS 01	Long Term Firm Point-to-Point		
4		Yearly - $/MW of Reserved Capacity per year	Schedule 3.4 L42	78,862
5		Short Term Firm and Non-Firm Maximum Price for Delivery		
6		Monthly - $/MW of Reserved Capacity per month	Schedule 3.4 L43	6,571.79
7		Weekly - $/MW of Reserved Capacity per week	Schedule 3.4 L44	1,516.57
8		Daily - $/MW of Reserved Capacity per day	Schedule 3.4 L45	216.06
9		Hourly - $/MW of Reserved Capacity per hour	Schedule 3.4 L46	9.00
10	RS 03	Scheduling, System Control and Dispatch Service ($)		
11		per MW of Reserved Capacity per hour	Schedule 3.4 L49	0.155

8.2 RCIA Submissions

The RCIA has no comments regarding BC Hydro's proposed OATT rates.

[38] Exhibit B-2, Application, p. 9-17.

9 Demand Side Management

9.1 Overview

BC Hydro's proposed traditional demand side management ("DSM") and low-carbon electrification ("LCE") expenditures are set out in Table 10-4 of the Application.[39]

Table 10-4 Fiscal 2021 and Fiscal 2022 Expenditure Summary ($ million)

	F2021 RRA	F2021 Forecast	F2022 Plan
Rate Structures	0.5	0.5	0.5
Programs			
Residential	19.7	19.8	21.0
Commercial	17.5	17.1	16.6
Industrial	26.9	21.6	20.8
Total Programs	64.1	58.5	58.4
Capacity-focused	4.3	3.6	2.9
Supporting Initiatives	20.2	19.9	20.5
Total Traditional DSM	**89.1**	**82.4**	**82.2**
Low-Carbon Electrification	7.7[240]	7.6	15.5
Total Expenditures	**96.8**	90.0	97.6

As highlighted by BC Hydro in its Argument, the proposed $82.2 million in traditional DSM is expected to result in 588 GWh/year in new incremental energy savings and 93 MW of new incremental associated capacity savings.[40]

BC Hydro also states in its Argument that its traditional DSM is cost effective.[41]

9.2 RCIA Submissions

The RCIA does not dispute the importance of DSM and LCE activities. However, the RCIA does not agree that BC Hydro's level of proposed spending is justified given the continued development of the Site C Project.

Since the Site C Project will provide an additional 1,100 MW of capacity and produce 5,100 GWh of electricity per year[42], BC Hydro is going to have vast amounts of additional energy to market in the near future. The RCIA is of the opinion that BC Hydro should defer any significant additional investments in DSM, and instead consider either investing in increased storage capacity or developing customized reduced seasonal load rates to utilize some of that surplus energy.

[39] Exhibit B-2, Application, p. 10-9.
[40] BC Hydro Final Argument, para. 125.
[41] BC Hydro Final Argument, para. 132 point (e).
[42] Exhibit B-2, Application, p. 6-84.

For example, the RCIA does not understand why the second residential tier makes sense if BC Hydro has to annually manage approximately 4,000 GWh of surplus energy.[43] The RCIA submits that a flat or reduced rate during surplus periods makes more sense. If the primary concern is time of use, especially during system peak, the RCIA submits that should be the focus of incremental DSM spending.

In addition, per the DSM cost effectiveness discussed in paragraph 132 (e) of BC Hydro's Argument, if BC Hydro does not require any additional energy, then purchasing incremental energy, even at a comparatively low cost, is still an unnecessary expenditure.

If no new resources are required, then paying for low cost DSM energy represents an unnecessary overpayment that is contrary to ratepayers' interests.

[43] Exhibit C10-3, BC Hydro F2020 – F2021 RRA, CEABC IR No. 27 & 28. https://www.bcuc.com/Documents/Proceedings/2019/DOC_54844_C10-3-CEABC-IR2-to-BCH.pdf

10 Electrification

10.1 Overview

BC Hydro notes in its Argument that it is in the process of developing a five-year electrification plan which is expected to be filed in its next RRA, but highlights that is it already moving forward with certain initiatives as the plan development is underway.[44]

10.2 RCIA Submissions

The RCIA has no comments with matters related to electrification.

[44] BC Hydro Final Argument, para. 141.

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11 Conclusion

Through these submissions, RCIA has crafted its positions, and set out its concerns and recommendations, taking into consideration the regulatory and legal parameters applicable to this Application.