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June 1, 2021

**VIA ELECTRONIC MAIL**

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

Dear Sirs/Mesdames:

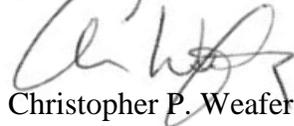
**Re: British Columbia Utilities Commission (“BCUC”) Review of British Columbia Hydro and Power Authority’s Performance Based Regulation Report ~ Project No. 1599045**

We are counsel to the Commercial Energy Consumers Association of British Columbia (the “CEC”). Attached please find the CEC’s Final Submissions with respect to the above-noted matter.

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: CEC  
cc: BC Hydro  
cc: Registered Interveners

**COMMERCIAL ENERGY CONSUMERS  
ASSOCIATION OF BRITISH COLUMBIA**

**FINAL SUBMISSIONS**

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

**June 1, 2021**

**Commercial Energy Consumers Association of British Columbia**

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

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**COMMERCIAL ENERGY CONSUMERS ASSOCIATION  
OF BRITISH COLUMBIA**

**FINAL SUBMISSIONS**

**British Columbia Utilities Commission Review of British Columbia Hydro and Power  
Authority’s (“BC Hydro”) Performance Based Regulation Report  
Project No. 1599045**

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The Commercial Energy Consumers Association of BC (the “**CEC**”) represents the interests of ratepayers consuming energy under commercial tariffs in applications before the British Columbia Utilities Commission (“**BCUC**” or “**Commission**”).

Directive 28 of the BCUC’s decision on British Columbia Hydro and Power Authority’s (“**BC Hydro**” or “**BCH**”) F2017-2019 Revenue Requirements Application directed BC Hydro to provide a report to the BCUC, that discusses, among other things, the opportunities and challenges associated with the adoption of Performance Based Regulation (“**PBR**”) at BC Hydro, and a possible approach to adopting PBR (“**PBR Report**”).<sup>1</sup>

By Order G-245-19, the Commission established a proceeding to review the BC Hydro PBR Report.

BC Hydro provided its PBR Report in Chapter 11 of its Fiscal 2020 to Fiscal 2021 Revenue Requirements Application (“**RRA**”).

BC Hydro filed a list of additional RRA evidence to be included in the Evidentiary Record.

The BCUC Staff filed various pieces of evidence including a Consultant Report by Pacific Economics Group and a presentation on PBR.

BC Hydro submitted Supplementary Evidence in November 2020.

The Proceeding has included a Workshop on PBR, and a round of Information Requests addressed to the BCUC Staff Consultant, and to BC Hydro on Supplementary Evidence.

BC Hydro filed its Final Argument on May 3, 2021.

The CEC has participated in the relevant proceedings and reviewed the evidence.

The CEC provides its Final Argument for the Commission’s review and consideration.

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<sup>1</sup> Order G-245-19

## **I. SUMMARY POSITION**

### PBR Not Appropriate & Seriously Flawed With Respect to Use for BC Hydro

1. The CEC is of the view that in general, from a ratepayer perspective, PBR has perverse incentives; in the case of BC Hydro, these incentives become useless or even dysfunctional incentives, and the Commission's oversight of BC Hydro would be poorly served by a PBR regime.

### COSR With Performance Metrics & Benchmarking is More Appropriate for BC Hydro

2. The CEC expects that BC Hydro will be highly incented by the Commission's adoption of its proposed regulatory regime and oversight of its development of enhanced performance metrics, performance objectives and goals, as well as suitable benchmarking in order to earn the Commission's public approval and endorsement of its drive for performance improvement.
3. The CEC submits that BC Hydro's proposed regulatory regime will provide for greater improvements in BC Hydro's performance, visibility of that performance improvement, and a much sounder and more productive base for the Commission's regulatory oversight and ratemaking.

### Commission Oversight Objectives Critical for Assessment of PBR Relevance

4. The CEC provides in this submission a perspective on the potential Commission interests in oversight information, so that it may more effectively carry out its regulatory and decision-making responsibilities.
5. It will be incumbent upon the Commission at some point to ensure that it has a clear view of its objectives in this regard, before committing to a rate setting regulatory regime.

### BC Hydro 3-Year Test Period Better with Commission Oversight

6. The CEC submits that during the 3-year test period proposed by BC Hydro the Commission should receive oversight reporting from BC Hydro, shared with interveners, on the progress BC Hydro is making toward implementing suitable statistical benchmarking and improved performance metrics, objectives and goals.

### Current Circumstances for BC Hydro and the Commission, Not Appropriate for PBR, If Ever

7. The CEC submits that PBR per se, is only preferable when there is an underlying confidence in the stability of the utility's economic data (used in the PBR processes to regulate the utility), the status of the utility, consistent performance levels and an expectation of a stable environment going forward. As well there is an assumption of comparability to PBR data used in the regulatory process, which primarily comes from US utilities or Canadian utilities with very different circumstances.

8. The CEC submits that future uncertainties, such as those relating to post-pandemic economic recovery and the progressive electrification of the province, serve to diminish the value of PBR type regulation, which relies on formulaic ratemaking that is not necessarily responsive to changing circumstances.

## **II. SUBMISSIONS**

9. BC Hydro provided a comprehensive Final Argument, which has been reviewed by the CEC.
10. The BCH Final Argument addressed the following main topics:
  - A) Review of Central Issue and Requested Findings demonstrated by the Evidence.
  - B) Considerations that should inform the BCUC determinations, including:
    - Alignment of expert evidence on key matters;
    - Incentive regulation as a continuum;
    - Incentives under current regulatory regime;
    - PBR elements in current regulatory regime;
    - Evidence of BC Hydro response to incentives;
    - Unique circumstance of BC Hydro as a Crown Corporation;
    - Unique circumstance of constraints on management compensation; and
    - Unique circumstance of transition in regulatory oversight.
  - C) BC Hydro's pending improvements to its Framework:
    - Three years test period strengthens incentives;
    - Statistical benchmarking will be valuable;
    - Expanded 'Information Only' Performance Metrics will be beneficial; and
    - Requested finding is demonstrated by the Evidence.
  - D) Additional mechanisms not meeting the cost/benefit test:
    - MRP longer than 3 years has questionable benefits;
    - Formula or Indexed Based rate-making should not be pursued;
    - Financial incentives added to Performance metrics would not enhance incentive power;
    - Partial decoupling would harm ratepayers; and
    - Requested finding demonstrated by the Evidence.

E) Conclusion

11. In general, the CEC is supportive of BC Hydro's position.
12. In particular, the CEC finds the following key points to be especially persuasive.
13. BC Hydro frames the Central Issue in the proceeding to be as follows:

Considering BC Hydro's unique circumstances, whether, *in principle*:

(i) a three-year test period, information-only performance metrics and regular statistical benchmarking merit further consideration in the upcoming RRA as potential mechanisms to strengthen the existing incentives for cost control, productivity improvements and performance; and

(ii) any of the four additional options for future consideration identified by Dr. Lowry has the potential to further increase the incentives for cost control, productivity improvements and performance, either at all or sufficiently to outweigh any disadvantages.<sup>2</sup>

14. The CEC submits that there are four additional high-level issues which merit consideration as foundational concerns with respect to PBR.
15. These are:

What are the overall objectives of implementing PBR, and why should it be considered?;

Is it appropriate for the Commission to implement PBR during a period of high economic uncertainty, and immediately following a long period of diminished oversight?;

Is PBR suitable for a Crown corporation with changing shareholder requirements and shareholder processes for obtaining, from BC Hydro, additional revenues from fees or providing relief for ratepayers?; and

What alternatives should be considered?

### **III. WHAT ARE THE OVERALL OBJECTIVES IN IMPLEMENTING PBR, AND WHY SHOULD IT BE CONSIDERED?**

16. The CEC considers that PBR should not be adopted in any jurisdiction without a clear understanding of the risks and benefits.

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<sup>2</sup> BC Hydro Final Argument page 4.

17. In the CEC's view, PBR seems to have been given high-level support and credibility with the BCUC. The CEC submits that this should only be the case if the implemented PBR is consistently re-examined at the highest levels for long term consequences, which the CEC submits has not been done in any material way.
18. The CEC submits that key considerations for the Commission are whether or not PBR is a sound means of regulatory oversight and ratemaking for a given utility, whether it should be used in the long term or short term, and how it can be properly evaluated in either case. The CEC submits that this needs to be done in the context of the Commission's regulatory objectives.

### The BCUC View of PBR

19. The BCUC provided a Workshop on September 8, 2020 which was intended to be an educational exercise<sup>3</sup> with respect to PBR.
20. Ms. Ashley initiated her presentation with a comparison of Cost of Service Regulation ("COSR") and PBR, in which she suggested an analogy could be made with respect to a single construction project.
21. That is, her friend 'Steve' was conducting a home renovation project and had the option of going with a time and materials based approach, or a fixed price contract. Steve 'isn't a home renovation expert' and his contractor 'had no incentives' so it ultimately cost Steve twice as much, and took twice as long than originally expected.<sup>4</sup>
22. Recognizing the obvious simplification, the CEC nonetheless considers that, in Ms. Ashley's presentation, the underlying premise behind the hapless homeowner managing a project and the BCUC administering COSR are that:
  - the homeowner/Commission is inexperienced, unskilled, uninformed, and generally unable to effectively manage the project on a 'cost of service' basis;
  - the homeowner/Commission is presumably otherwise occupied, does not have access to ongoing information regarding the 'project' nor able to exercise ongoing diligence and is generally powerless;
  - the project is a single defined activity, as opposed to a long-term relationship; and
  - the contractor/utility's objective is to maximize his own profit with limited regard for the outcome of the project or the cost to the homeowner/ratepayer.
23. While the CEC acknowledges the utility's superior access to internal information, the CEC submits that the Commission has the specified mandate to oversee utility operation,

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<sup>3</sup> Transcript Volume 2 page 50

<sup>4</sup> Transcript Volume 2 pages 53-54

costs and regulated rates, has broad powers to do so, and is armed with significant capabilities and a host of tools at its disposal in order to carry out these responsibilities.

24. Ms. Ashley goes on to state:

“The basic concept of PBR is to focus on an “outputs”-based approach rather than an “inputs”-based approach, where we define what we want the utility to achieve and design incentives for them to achieve it.”<sup>5</sup>

25. The CEC agrees that implementing incentives to achieve certain objectives for a utility’s regulation is appropriate, but considers that the Commission does not require PBR in order to incent the utility to deliver the desired utility outputs.

26. The CEC is of the view that from a ratepayer perspective PBR has perverse incentives, in general, and in the case of BC Hydro useless or even dysfunctional incentives and that the Commission’s oversight of BC Hydro would be poorly served by a PBR regime.

#### The Preferred View of PBR for BC Hydro

27. As noted in Part 3, Section C of BC Hydro’s Final Argument, incentive regulation can be considered as a continuum, not a binary choice between COSR and PBR.

28. The CEC agrees with BC Hydro and Dr. Kolesar’s assessment:

“...the choices before the Commission fall on a continuum between what may be seen as the two extremes between COSR and PBR...Accordingly, the Commission has a range of regulatory regime alternatives by which it may achieve its objectives in regulating BC Hydro.”<sup>6</sup>

29. The CEC also agrees with BC Hydro that ‘Characterizing PBR as Inherently Superior to COSR is Incorrect’.<sup>7</sup> The effectiveness of particular forms of incentive regulation depends on the circumstances.<sup>8</sup>

30. The CEC considers that the most important element for the Commission to consider is the current state of the utility’s oversight information available to the Commission and rate setting context, and determine precisely what it wants to achieve from its regulation of the utility.

31. These objectives may well change over time as the utility works towards meeting Commission requirements.

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<sup>5</sup> Transcript Volume 2, pages 54-55

<sup>6</sup> Exhibit B-8, Kolesar Report, page 4, as cited in BC Hydro Final Argument page 10.

<sup>7</sup> BC Hydro Final Argument page 12

<sup>8</sup> BC Hydro Final Argument page 12

32. The CEC submits that it would be reasonable for the Commission to adapt its regulation based on the goals it wishes to achieve.
33. The CEC agrees with BC Hydro that the current regulatory framework provides incentives.<sup>9</sup> The key question to answer is whether or not the incentives will be productive in achieving the Commission's regulatory aims and objectives.

#### Regulatory Efficiency

34. Regulatory efficiency is often considered to be one of the benefits of PBR.
35. The CEC does not support this conclusion in many instances.
36. The CEC notes that the establishment of the initial particular implementation of the PBR can be very complex and hotly contested, resulting in significant expenditures that would not be required under COSR.
37. BC Hydro provides a discussion of certain PBR mechanisms that do not meet the Cost/Benefit test, and have potential disadvantages. The CEC agrees with BC Hydro's observations.
38. The CEC further submits that constraining the scope of Annual Reviews in the interests of reducing regulatory costs is very likely a false economy, given that oversight regulation by the Commission has demonstrated benefits well in excess of the regulatory costs. Reducing regulatory oversight, while simultaneously diminishing information openness and transparency will lead to BC Hydro's disconnect from its ratepayer's interests and acceptance.

## **IV. OVERSIGHT INFORMATION**

#### Regulatory Objectives of the Commission for Information from BC Hydro

39. To regulate BC Hydro, as the principal electric utility in BC, the Commission has a duty to keep itself adequately informed about BC Hydro across all of its operations and projects. There are significant gaps in the Commission's understandings about BC Hydro, which can be summed up that the Commission does not know whether at any given time BC Hydro's performance is improving or declining.
40. BC Hydro is arguably focused on being able to develop such information. BC Hydro should be able to share this information with its stakeholders and the Commission as an outcome of the current RRA process being carried out under COSR.
41. The CEC submits that the Commission can be most effective if it supports BC Hydro in its proposed efforts and reviews the progress with respect to how it can be informative to the Commission's oversight objectives.

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<sup>9</sup> BC Hydro Final Argument Part 3, Section D

### Fair, Just and Reasonable Rates without Undue Discrimination

42. In setting rates for BC Hydro, as with all monopoly utilities, the Commission's regulation is a substitute under the regulatory compact for the performance pressures of the competitive markets. The Commission can best handle its rate setting responsibilities with cost causation information and with appropriate oversight visibility of BC Hydro's performance and the quantitative improvements it has implemented and sustained. This will enable the Commission to assess how much regulatory pressure to exert in its ratemaking decisions.

### Reasonable Customer Services and Service Levels

43. Ultimately, BC Hydro is providing services to about 2 million customer accounts and has an extensive range of customer interactions important to those customers. The Commission has a responsibility to ensure that customer service is suitable for those customers in the general market context for customer service standards and expectations.
44. This customer service includes the provision of conservation and efficiency options for reducing customer bills and the provision of GHG reduction options enabling customers to meet climate change objectives. The Commission needs to have oversight information of BC Hydro's performance in this regard for all dimensions of customer service.

### Operating in the Public Interest

45. There are many elements of public interest with which BC Hydro as a utility intersects.
46. Public interest issues regarding public safety or employee safety, environmental responsibility, respectful relations with indigenous peoples, care for historical and heritage sites and value, appropriate responsible care for social issues and adherence to appropriate standards and many other community values, are among the issues which the Commission must include in its assessments of BC Hydro's operations and projects.
47. The Commission's oversight information is critical to the Commission for incorporation of these issues into its approval decisions.

### Cost-Effective Performance in Operations and Projects

48. The Commission has a responsibility to assess the cost-effectiveness of BC Hydro's operations and projects, which is critical to its ratemaking decisions and an array of other related areas within which the Commission may provide direction. The Commission's oversight information with respect to this critical dimension of regulation, needs some improvement if the Commission's understanding of the related issues is to better enable informed decision making for its regulatory responsibilities.

### Compliance with Legislation, Laws, Regulations and Directives

49. BC Hydro has numerous responsibilities and obligations arising from legislation, directives from various governments and regulatory agencies, as well as from

professional standards across a number of fields. The Commission's oversight information needs to understand the array of these responsibilities and matters of compliance and/or breaches, should any occur.

#### The CEC's Perspective on the Importance of Commission Regulatory Oversight Objectives

50. The above is a partial summary of CEC's perspective on the potential Commission interests in oversight information, so that it may more effectively carry out its regulatory and decision-making responsibilities. It will be incumbent upon the Commission at some point to ensure that it has a clear view of its objectives in this regard, before committing to a rate setting regulatory regime.

#### **V. IS IT APPROPRIATE FOR THE COMMISSION TO IMPLEMENT PBR IMMEDIATELY FOLLOWING A PERIOD OF SIGNIFICANTLY DIMINISHED OVERSIGHT AND DURING CONSIDERABLE ECONOMIC UNCERTAINTY?**

51. As noted in BC Hydro's Final Argument, PBR is predicated on increasing the utility's autonomy to seek out efficiencies, and it is critical for the success of PBR that the utility is not at risk of being 'second-guessed' for its decisions during the test period.<sup>10</sup>
52. In the CEC's view, in addition to the importance of the utility not being 'second-guessed', it is also important for the BCUC not to be 'second-guessed', particularly in regard to its regulatory oversight responsibilities.
53. The CEC submits that it is very important for the BCUC to provide regulatory oversight, which can be seen to demonstrate, a comprehensive assessment of BC Hydro and a robust regulation of the utility going forward, which is consistent with that assessment.
54. The CEC agrees with BC Hydro that:
- “After a period during which the BCUC's oversight of BC Hydro was significantly curtailed, the BCUC is holding regular RRAs. These proceedings are an important source of credibility, not only for BC Hydro but for the regulatory framework more generally. Incentive mechanisms predicated on affording BC Hydro greater autonomy and involving more opaque approaches to rate setting would present unique stakeholder acceptance challenges.”<sup>11</sup>
55. The CEC submits that PBR can be a relatively blunt and awkward instrument that requires the regulator to implement exacting incentives, which may often be based on assumptions and uncertain information. Further, PBR can result in unforeseen consequences, which may be beyond the oversight of the regulator.

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<sup>10</sup> BC Hydro Final Argument page 42

<sup>11</sup> BC Hydro Final Argument page 41

56. In contrast COSR generally provides for significantly more openness and transparency and, as such, may serve to enhance public confidence in the BCUC regulation of BC Hydro.
57. The CEC submits that PBR per se, is only preferable when there is an underlying confidence in the stability of the utility's economic data (used in the PBR processes to regulate the utility), the status of the utility, consistent performance levels and an expectation of a stable environment going forward. As well there is an assumption of comparability to PBR data used in the regulatory process, which primarily comes from US utilities or Canadian utilities with very different circumstances.
58. The CEC notes that BC Hydro was exempted from BCUC oversight for some time and does not have a transparent and publicly available track record for that time period. The CEC further notes that, during the intervening period of government directed regulation, BC Hydro was caused to experience excesses and subsequent suppressions of critical BC Hydro actions and costs.
59. Additionally, there have been certain reports and proceedings over the last several years<sup>12</sup> which may have reduced public confidence in BC Hydro and BC Hydro's oversight.
60. The CEC submits that from a historical perspective, now is not the ideal time to implement PBR, particularly in light of the fact that there is a substantially better alternative available, which BC Hydro recommends and is prepared to willingly adopt.
61. Rather, lighter regulation with less transparency might be better implemented after a longer period of BC Hydro demonstrating performance improvement under Commission oversight review and regulation.
62. The CEC notes that COVID-19 has contributed to a considerable period of economic uncertainty for ratepayers and for BC Hydro, which is expected to continue into the future for some time.
63. Additionally, there is significant uncertainty with respect to the impact of Electric Vehicles and aggressive electrification plans on BC Hydro's load forecast, not to mention the post-pandemic uncertainties.
64. The CEC submits that such future uncertainties also serve to diminish the value of PBR type regulation, which relies on formulaic ratemaking that is not necessarily responsive to changing circumstances.

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<sup>12</sup> BC Hydro Comprehensive Review, Zapped, Site C Proceeding, SAP, etc.

**VI. IS PBR SUITABLE FOR A CROWN CORPORATION WITH CHANGING SHAREHOLDER REQUIREMENTS AND SHAREHOLDER PROCESSES FOR OBTAINING, FROM BC HYDRO, ADDITIONAL REVENUES FROM FEES OR PROVIDING RELIEF FOR RATEPAYERS?**

65. In the CEC's view, BC Hydro has provided ample evidence that PBR is not well-suited to corporations without a profit motivation in Part 3, Section G of its Final Argument.
66. As noted, there is no mandate for the utility to increase shareholder returns above the allowed ROE.<sup>13</sup>
67. Similarly,

The question is not whether the Government of B.C. would accept higher net income, but rather what the Government of B.C. expects of BC Hydro and has mandated BC Hydro to do. The mandate determines the incentives to which BC Hydro will and will not respond.<sup>14</sup>

68. The CEC submits that implementing 'PBR' without the profit incentive would result in the Commission losing transparency of critical information and not having confidence that BC Hydro would be acting in the interests of whatever goals the Commission had established for the Utility's oversight and ratemaking.

"Mr. Kolesar points out that, without the motive to exceed the allowed return, the incremental incentive power attributed to PBR is absent:

PBR is premised on the basic idea that the firm will respond to the incentive to earn greater returns for its shareholder by seeking productivity gains because its shareholders keep all (or a portion of) the greater returns that result from being more productive until the time of rebasing. If, as I have posited in my submission, BC Hydro is not a profit maximizer and therefore would not be expected to respond fully to the incentives of PBR to seek productivity gains so as to earn a return in excess of its allowed return, then there may be little or no advantage to adopting PBR in terms of economic efficiency."<sup>15</sup>

69. The CEC further points out that the shareholder, being the Government of BC, does not necessarily receive negative impacts from reducing profit, in that they in turn are funded from the taxpayer. In addition, the Government of BC has a number of other processes at its disposal to charge BC Hydro fees or relieve BC Hydro of costs.

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<sup>13</sup> BC Hydro Final Argument pages 28-30

<sup>14</sup> BC Hydro Final Argument page 31

<sup>15</sup> BC Hydro Final Argument page 32

70. In BC Hydro's case, the ratepayer and the taxpayer are frequently one and the same, though the quantitative impacts vary significantly for different taxation base reasons. Any penalties to the shareholder may ultimately be borne by the ratepayer in their role as taxpayer.
71. The CEC submits that this is not a suitable arrangement and that in BC Hydro's case, any incentive regulation should not focus on improving or reducing the shareholder's revenues.

## **VII. WHAT ALTERNATIVES SHOULD BE CONSIDERED?**

72. In Part 3 Sections D and E of its Final Argument, BC Hydro notes that its current regulatory framework provides incentives and the current regulatory regime includes PBR elements.
73. The CEC submits that increasing benchmarking, developing useful performance metrics for review and consistently reviewing the results for improvement are important elements of regulation and should be enhanced as quickly as possible.
74. BC Hydro argues that adding shareholder financial incentives to performance metrics would not enhance the incentive power because of BC Hydro's unique mandate, implementation challenges and inefficiency in reducing regulatory burden.
75. The CEC agrees that adding financial incentives to performance metrics under a traditional PBR regime is not useful.
76. The CEC expects that BC Hydro will be highly incented by the Commission's adoption of its proposed regulatory regime and oversight of its development of enhanced performance metrics, performance objectives and goals as well as suitable benchmarking in order to earn the Commission's public approval and endorsement of its drive for performance improvement.
77. BC Hydro can demonstrate to its stakeholders that it warrants the Commission's approval, by providing exceptional and cost-effective public utility services to its customers and the community.
78. It is this BC Hydro drive and the Commission oversight objectives that should stand head and shoulders above the level PBR incentives could possibly achieve.
79. The CEC expects that after the Commission has had at least 3 years of examining suitable benchmarking, enhanced performance metrics and the consequent performance improvement, the Commission may find it worthwhile to examine lessening the regulatory burden on the basis of the continuing performance information reporting.
80. The CEC submits that incentives would need to be devised in a manner that stimulates the correct activities, and does not expect increased shareholder ROE opportunity to be an appropriate or effective incentive for BC Hydro.

81. The CEC submits that now is the not the correct time to consider PBR, in the unlikely event that it would ever be suitable for BC Hydro.
82. The CEC submits that BC Hydro's proposed regulatory regime will provide for greater improvements in BC Hydro's performance, visibility of that performance improvement and a much sounder and more productive base for the Commission's regulatory oversight and ratemaking.

## **VIII. BC HYDRO'S PROPOSAL FOR FISCAL 2023-FISCAL 2025**

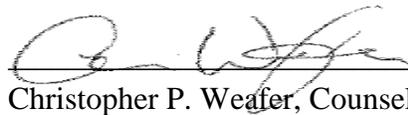
83. BC Hydro intends to incorporate a three years test period, statistical benchmarking and expanded use of performance metrics in its next RRA.<sup>16</sup>
84. The CEC supports the increased use of statistical benchmarking and the development of useful performance metrics as well as Commission oversight of the related performance improvements.
85. Further to the CEC's comments earlier in this submission, the CEC is of the view that enhanced regulatory oversight at this point would be useful until a longer track record is established, before lighter regulation of BC Hydro can be provided under Commission oversight of BC Hydro's new processes.
86. The CEC submits that during the 3-year test period proposed by BC Hydro the Commission should receive oversight reporting from BC Hydro, shared with interveners, on the progress BC Hydro is making toward implementing suitable statistical benchmarking and improved performance metrics, objectives and goals.
87. In this period the Commission can improve its oversight objectives and information as well as increase its ability to provide for fair just and reasonable rates. With these enhanced incentives for BC Hydro to improve its performance and demonstrate to its stakeholders its progress in improving such performance the question of the appropriate regulatory regime will be clearly and effectively answered.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

***David Craig***

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



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

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<sup>16</sup> BC Hydro Final Argument page 1