June 1, 2021

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

Attn: Mr. Patrick Wruck
Commission Secretary

Dear Sir:

Re: BCUC Review of British Columbia Hydro and Power Authority's Performance Based Regulation (PBR) Report, BCUC Project No. 1599045

In accordance with the regulatory timetable for the above proceeding, please find attached the Final Argument of Ms. Edlira GJOSHE, an independent intervener in this proceeding.

Many continued thanks to the Commission for extending me an opportunity to participate in this regulatory process.

Sincerely,

Edlira GJOSHE

The review of BC Hydro's Performance Based Regulation (PBR) Report was initiated as part of BC Hydro's F2020-F2021 Revenue Requirements Application, which was filed by BC Hydro on February 25, 2019. This review was later spun as a separate process by the British Columbia Utilities Commission (BCUC or the Commission) by Order G-245-19 dated October 11, 2019. The review addresses the applicability of PBR to BC Hydro given the opportunities and challenges associated with its adoption. On matters at hand - more specifically whether the Commission ought to adopt PBR in its regulation of BC Hydro, and if so, what form or shape a possible approach ought to take, I include herein my submissions and final argument.

COSR vs. PBR and Adoption of PBR

From the information provided and the evidence submitted in the proceedings to date, I conclude the following:

a) Over the last few decades, The Commission's approach to the regulation of BC Hydro has not been a "pure form" Cost of Service Regulation (COSR) approach; rather it has blended elements of Performance Based Regulation (PBR): most notably elements of revenue decoupling in the form of deferral of certain costs (deemed prudently-incurred for future recovery in rates) in a number of deferral accounts; along with the monitoring, benchmarking and reporting by BC Hydro of certain of its performance indicators - regulatory activities these that are typically more aligned with PBR than with a more traditional COSR regime.

   The consultant for the Commission - Pacific Economics Group Research LLC (PEG), attests to this hybrid approach taken by the Commission over the years, among other in Exhibit A2-12 in response to GJOSHE Information Requests 1-1 and 1-3, in statements: "… the Non-Heritage Deferral Account effectively acts like a comprehensive revenue decoupling mechanism (RDM)…" and "PBR provisions can coincide with COSR provisions in a regulatory system, and the BCUC has used this hybrid approach".

b) In fulfilling their regulatory responsibilities, regulators tend to tailor the regulatory approach to meet their regulatory objectives at a given juncture, based on the specific conditions of the jurisdiction at hand, the exigencies of the industry subject to regulation (i.e. lifecycle phase), and the nature of the entity subject to regulation (whether for-profit, cooperative or publicly-owned utility). It appears, "pure form" COSR or PBR are theoretical constructs as such, and in practice most regulatory regimes accommodate provisions of both COSR and PBR.

   Dr. Weisman, the expert retained by BC Hydro, refers to such theoretical constructs as "textbook models of COSR and PBR"… so as to distinguish

from the regulatory constructs that are generally employed in practice (see Exhibit A2-1, Appendix FF, Introduction, PDF p82, paragraph 2).

c) In regulatory literature, PBR is referred to as 'incentive regulation'. However, the expert retained by BC Hydro Dr. Weisman, suggests that incentives for efficient performance are inherent in both COSR and PBR: "Whereas COSR is frequently treated in the literature as a discrete alternative to PBR, these two types of regulatory regimes are best understood in terms of lying along a continuum based on the strengths of the incentives for efficient performance." (Exhibit A2-1, Appendix FF, Executive Summary, PDF p77, paragraph 2).

The continuum Dr. Weisman speaks of, is illustrated in Exhibit A2-1, Appendix FF, Introduction, PDF p81, Figure 1, and I include it below:

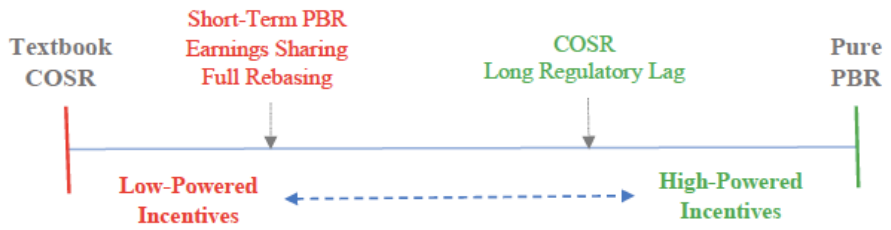

Figure 1. Continuum of Regulatory Regimes

d) Based on my conclusion in (a) above, were we to plot the Commission's historical (over the last few decades) approach to the regulation of BC Hydro in the "continuum" graph (presented as Figure 1 above) – I presume, it would probably lie somewhere to the left of the middle of the continuum.

e) In the Canadian landscape, the blending of PBR provisions with COSR in the regulation of a public utility is best illustrated by the experience of the Province of Quebec in its regulation of Hydro Quebec. In response to BCUC Information Request 1.4.1, BC Hydro provides insights on certain elements of PBR adoption for Hydro Quebec (Exhibit B-9; PDF pages 30-32), including: indexing of rates that HQP (Hydro Quebec Production – i.e. generation) can charge for its "Heritage block"; "measures and incentives to improve the performance of the electric power carrier" (i.e. HQT: Hydro Quebec Transmission) including "transmission benchmarking and multi-factor productivity studies"; "rate hearings every five years" for HQD (Hydro Quebec Distribution) starting in rate year 2025, including (in the interim) formulas for escalation in reference to inflation of HQD rates.

In its Final Argument, BC Hydro submits: "

> "The evidence in this proceeding, including the consensus view of three

> respected experts (Dr. Weisman, Mr. Kolesar and Dr. Lowry), is that all forms of regulation provide incentives to encourage improved performance by utilities, falling on a continuum in terms of the strength of those incentives." (BC Hydro Final Argument, Part One Introduction, Paragraph 1, PDF page 6), and:
>
> "In that context, characterizing the central issue in this proceeding as a choice between Cost of Service regulation ("COSR") and PBR would present an overly simplistic… dichotomy." (BC Hydro Final Argument, Part One Introduction, Paragraph 2, PDF page 6)

Based on my conclusions highlighted in paragraphs (a) to (e) above, I agree with BC Hydro on these submissions.

Recommendation:

> For reasons that I will discuss below, should the Commission (in its regulation of BC Hydro) decide to move further along the incentive "continuum" (provided as Figure 1 above) towards the right of its present position, I would, in principle, support such a move. That is, I encourage the Commission to adopt in its regulation of BC Hydro incremental elements of PBR that would help increase incentives for efficient performance at BC Hydro.
>
> As for whether such a changed regulatory regime is to be referred to as a hybrid regime, a modified COSR, an enhanced PBR regime or else, it is of no consequence. Evidence is abound in that provisions of both COSR and PBR do coincide in a regulatory regime and can be combined (in practice) in the regulation of a crown corporation or a public utility, such as has been the case to date with the Commission's regulation of BC Hydro, or the Province of Quebec's regulation of Hydro Quebec.

Possible Incentive Mechanisms

In its Final Argument, BC Hydro informs that:

> "The experts… have identified a range of incentive mechanisms for consideration. BC Hydro is advancing three of them as part of its upcoming Fiscal 2023-Fiscal 2025 Revenue Requirements Application ("RRA") proceeding – a three-year test period, statistical benchmarking, and expanded use of performance metrics. The evidence demonstrates that the three mechanisms are forms of PBR… are relatively easy to implement, will improve the existing incentives for BC Hydro to perform well…" (BC Hydro Final Argument, Part One Introduction, PDF p6, Paragraph 3).

> "A three-year test period (which Dr. Lowry refers to as an MRP with a stair-step Attrition Relief Mechanism ("ARM")) is a form of PBR. It can be expected to strengthen incentives, increase regulatory efficiency and retain valued transparency, such that it merits further consideration in the upcoming RRA." (BC Hydro Final Argument, Part One Introduction, PDF p10, Paragraph 3).

Three-year Test Period

The Commission highlighted the need to "address the issues of regulatory efficiency and ratepayer risk", in its review of BC Hydro's F2020-F2021 RRA through its Panel Request for Comments Regarding Section 3 of Direction 8 (BCUC Project 1598990; Exhibit A-38).

In my reply comments (see BCUC Project 1598990; Exhibit C14-9, Page 1, last paragraph), I supported the move to a three-year rate cycle with the following arguments (reproduced below), which I reiterate:

> "On the issue of regulatory efficiency, I would support a move (albeit gradual - were it not for the disruptions caused by the COVID-19 pandemic) towards a three-year cycle for BC Hydro's RRA's recognizing that a three-year cycle would provide a better (as compared to the present two-year cycle) alignment with the regulatory principle of prospective rate setting. In addition, in the longer run, it would contribute to a lower administrative burden on the part of BC Hydro related to preparation and regulatory support for its consecutive RRA's. As well, a three-year RRA cycle may prove beneficial going forward, to the degree that it may enable BC Hydro to "sharpen" its near term focus on the business of its customers and load, something that will perhaps become more attainable as feedback from BC Hydro's smart-metering infrastructure makes more inroads into its load and revenue forecasting activities."

Additional arguments for moving to a three-year test period are summarized by BC Hydro in its Final Argument, expressing the consensus of all three experts that contributed to this proceeding:

> "Mr. Kolesar similarly states: "Accordingly, I agree with Dr. Lowry and Dr. Weisman that a three-year test period will create a greater disconnect between BC Hydro's allowed revenue and actual costs and increase the incentive power of COSR." (BC Hydro Final Argument, Part Four, PDF p55, Paragraph 2).

Now, I confer that a three-year test period does carry relatively more forecasting and ratepayer risk, as compared to a two-year test period. For one, a longer test period does "blunt" somewhat the "human instrument" of forecasting resulting in a weaker "line-of-sight" to load and revenue forecasting in the latter year(s) of the

test period. However, as BC Hydro also points out in its Final Argument (PDF p23, second Paragraph), the Commission and BC Hydro have been at this before, in that BC Hydro's Fiscal 2017 to Fiscal 2019 RRA covered three forward test years; and a possible return to a three-year test period would mean the Commission and BC Hydro would be treading in familiar territory in so far as the activities of load and revenue forecasting are concerned.

As well, the objective of increasing the incentive power of COSR as per the referenced statement by Mr. Kolesar above, by means of creating a greater disconnect between BC Hydro's allowed revenue and actual costs introduces elements of increased ratepayer risk, as it concerns determination of prudently incurred costs for a longer test period, where such costs would be subject to pass-through (i.e. deferral). In Exhibit B-10, BC Hydro addresses questions to this effect by British Columbia Old Age Pensioner's Organization Et Al. (BCOAPO), and admits that: "Extending the test period may mean less frequent reviews/testing of how costs subject to "pass through" are derived" (Exhibit B-10, (BCOAPO 1.4.2, PDF p22). One concludes that at least directionally, as cost forecasting becomes more difficult as the length of the test period is extended (see also Exhibit B-10, BCOAPO 1.4.3, PDF p24), inherent thereof with a longer test period lie elements of increased ratepayer risk associated with determination of prudently incurred costs, where such costs would be subject to pass-through.

Lastly, as it concerns the goal of regulatory efficiency, the discussions to date have focused on the number and frequency of regulatory filings associated with either COSR or PBR, and the pro's and con's thereof. For example, in response to BCUC 1.1.1, BC Hydro offers evidence by Mr. Kolesar: "Alberta experienced an increase in regulatory filings under PBR…" (Exhibit B-9, PDF p2, last Paragraph). Other aspects of regulatory efficiency mentioned in the same vein, include ease of understanding of a regulatory regime, transparency and accessibility: "it may be possible for PBR to be understandable if well explained"; "COSR is more transparent and accessible while PBR is more esoteric, relying on specialized expertise" (Exhibit B-9, PDF p2, last Paragraph).

Naturally, learning comes from experience and such insights as those provided in the above paragraph, are drawn from the history of the past few decades and the experience with COSR, PBR, or hybrid regimes in those jurisdictions that have adopted these forms of regulation. Understandably, they are earned and offered in that light, i.e. from looking at the historical "compact". It would be beneficial to see more expert forward-looking discussion on trade-offs of various COSR vs. PBR aspects, i.e. such advice as derived from looking forward with the intent of trying to anticipate any future developments in the overall macroeconomic backdrop that BC Hydro operates in, which may shift preference, say, for certain elements of PBR versus others.

For example, in the last few decades North American utilities have conducted their business within a relatively steady macroeconomic backdrop characterised

by measured, relatively predictable inflation growth and cost pressures. For North American economies, one ought to recall the experience of the early 1980's for signs of elevated inflationary pressures. Dr. Lowry speaks to the need for the regulatory approach to evolve in step with macroeconomic developments when discussing the experience of California with the adoption of Multiple Rate Plans (MRPs) and Attrition Relief Mechanisms (ARMs) in the early 1980's (Exhibit A2-5, PDF p78, Paragraphs 3, 4, 5):

> "Establishment of rate plans for California energy utilities raised issues of whether and how rates could be adjusted between rate cases. Utilities in the early 1980s were subject to cost pressures from brisk inflation and capacity growth."
>
> "Under these circumstances, the CPUC acknowledged that escalation of revenue is typically needed between rate cases. ARMs were thus permitted, and energy costs were addressed by trackers. The out-years of the rate case cycle came to be called *attrition years."*
>
> "… high inflation encouraged use of inflation measures in ARMs, and many subsequent California ARMs have provided some automatic inflation relief."

There is growing evidence and mounting concern among North American policy, financial and business circles that developments of recent years, including the disruptions caused by the COVID-19 pandemic, have given rise to otherwise unexpected, as of late, inflationary pressures. There is evidence of unanticipated upward movements in core and non-core consumer price gauges along with supply chain disruptions that are being felt by businesses and consumers alike. One such example of cost pressures, was provided by BC Hydro as evidence in its F2020-F2021 RRA proceedings where Mr. Wong, BC Hydro's Chief Financial Officer testified on BC Hydro's experience of late with rising insurance costs (see BCUC Project 1598990, Oral Hearing, Transcript Volume 5, PDF p54).

Of debate is whether these inflationary pressures are transitory or whether they will persist going forward; and perhaps more importantly whether they will translate into cost-of-living and/or cost-of-doing-business "fault lines" for individuals and/or corporations alike. A May 25th, 2021 article on inflation published in the link referenced in the footnote below, quotes Richard Fisher, a former President of the Dallas Federal Reserve, who in talking about the nature of the current inflation, puts it this way[1]: "We were never good at forecasting. Nobody is, not even the brilliant minds at the Fed (i.e. the Federal Reserve). I pray the Fed will be right. I hope it's transitory. It's not clear it will be."

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[1] **https://www.cnn.com/2021/05/25/business/inflation-economic-growth-**

All of this to suggest that, in a hypothetical macroeconomic environment of heightened volatility, the consideration of simply the number and frequency of regulatory filings associated with a regulatory approach of choice, might just be a "good problem" to have. I urge the Commission to look through this forward lens, in its deliberations as to the choice and fine details of those incremental PBR elements that it might adopt in its regulation of BC Hydro.

Recommendation:

> I support the Commission's adoption of a three-year test period for BC Hydro's next (Fiscal 2023-Fiscal 2025) RRA. I trust it to be a move in the right direction in advancing the prerogatives of regulatory efficiency and balancing of ratepayer risk, both being cited by the Commission (see Exhibit A-9) as among the goals of the BCUC's regulation with respect to BC Hydro.
>
> I trust the Commission will employ the necessary regulatory checks and balances to insure that the above-mentioned risks related to forecasting of load, revenues and costs at the tail end of a three-year test period are satisfactorily addressed, in order to balance the objectives of regulatory efficiency and ratepayer risk.

Goals of BCUC Regulation with respect to BC Hydro

Early on in this proceeding, the Commission probed on what should be the goals of BCUC regulation with respect to BC Hydro, stating among others: regulatory efficiency, cost control, and or balancing of risk between BC Hydro and ratepayers (Exhibit A-9, page 2, bullet point (b)).

In the Supplementary Evidence of BC Hydro, filed as Exhibit B-8, BC Hydro argues that: "to the extent that the BCUC's interest in pursuing PBR was rooted in a desire to bolster BC Hydro's cost control efforts, that impetus may no longer apply" (Exhibit B-8, PDF p13, second bullet point). BC Hydro bases this argument on the fact that:

> "While the BCUC's Decision on BC Hydro's Fiscal 2017 to Fiscal 2019 Revenue Requirements Application, which prompted this proceeding, emphasized cost control, the BCUC's more recent Decision on BC Hydro's Fiscal 2020 to Fiscal 2021 Revenue Requirements Application, expressed concern that cost cutting may be too aggressive".

I respectfully disagree with BC Hydro's argument and submit that while the Commission's emphasis may change from one RRA filing to another to accommodate the more pressing needs of a particular test period, I believe the Commission's goal of cost control to remain unadulterated by such changes in the Commission's emphasis as may happen from time to time. Further, the

recommended pursuit of a three-year test period for BC Hydro's next RRA (in itself an incentive mechanism; considered a PBR element) will not take away from the Commission's determination of prudently incurred costs, where such costs are recovered in rates in the test period.

Recommendation:

> I submit that cost control ought to remain a recurring objective of the Commission's regulation of BC Hydro, and kindly ask the Commission Panel to weigh in on this aspect of its regulation as it concerns the future review of BC Hydro's RRAs.

Performance Incentives

Management Compensation Structure

For purposes of corporate goal setting, corporate performance measurement, as well as individual performance evaluation and compensation, BC Hydro's management produces and aligns its objectives in BC Hydro's Service Plan.

BC Hydro's 2020-21 – 2022-23 Service Plan[2] sets the following goals:

> Goal 1: Safety Above All
> Goal 2: Set the Standard for Reliable and Responsive Service
> Goal 3: Help Keep Electricity Bills Affordable for our Customers
> Goal 4: Help Make Renewable Clean Power, British Columbia's Leading Energy Source

Individual performance is typically measured based on alignment with the stated Service Plan goals, usually involving arriving at a performance measure by weighing each of the four stated goals, to arrive at a weighted measure of performance. I observe that productivity improvements or cost control are not among the stated goals in BC Hydro's Service Plan.

In its Final Argument, BC Hydro provides the following rationale offered by Mr. Kolesar with regard to the connection between the affordability goal and the pursuit of productivity improvements at BC Hydro (Final Argument, PDF p19 last Paragraph):

> "BC Hydro's mandate to have rates "among the most affordable in North America" provides a strong incentive to ensure that the costs to provide

[2] https://www.bchydro.com/content/dam/BCHydro/customer-portal/documents/corporate/regulatory-planning-documents/service-plans/bchydro-service-plan-2020-21-2022-23.pdf

> utility service are necessary and prudently incurred, at minimum, and also provides a further incentive to seek productivity improvements to satisfy this mandate by keeping rates as low as possible."

While I agree with Mr. Kolesar's position and understand that to be the case in the longer run, i.e. that long-run affordability is achieved, among other, through sustained cost control efforts and pursuit of productivity improvements, it is also plausible that over shorter-term stretches, affordability objectives can be aided by other measures such as the writing-off of deferred costs; revenue decoupling (i.e. the deferral of costs deemed prudently-incurred for recovery in rates in future periods), etc.

And while affordability is not an objective of the Commission for rate setting purposes, as BC Hydro states in Exhibit B-10, in response to Commercial Energy Consumers Association of British Columbia (CEC) IR 1.1.4, PDF p107:

> "Affordability for all customer classes - residential, commercial and industrial – is an important objective for BC Hydro. However, with regard to the regulation of BC Hydro and setting rates, affordability is not an objective. As the BCUC explained on page 194 of BCUC Order No. G-246-20 on BC Hydro's Fiscal 2020 to Fiscal 2021 Revenue Requirements Application: Affordability is a reasonable objective for BC Hydro ultimately its corporate existence depends on its customers being able to afford to buy its services. Affordability may also be a matter of public policy in which the government of BC may choose to take an interest and pass legislation or take other measures. However, the BCUC has no legislative mandate to make rates affordable, either for all customers or for specific groups of customers."

A question arises: how does BC Hydro's management differentiate and/or reconcile between the various measures that may contribute to achieving affordability as part of their performance review and incentive?

Profit Maximization Incentive

In Exhibit B-10, in its response to BC Sustainable Energy Association's (BCSEA) IR 1.3.1, PDF p58, BC Hydro offers the following as a rationale for concluding that BC Hydro does not have a profit maximization mandate:

> "BC Hydro's point is simply that its proposal to continue using Trade Income to reduce the overall revenue requirements rather than increase the return realized by the Government of B.C. demonstrates that BC Hydro does not have a profit maximization mandate. Put another way, if BC Hydro was mandated to maximize profits like an investor owned utility, then BC Hydro would be expected to flow Trade Income to the shareholder rather than to ratepayers."

Despite BC Hydro's argument to the contrary as per above, over the last few decades a more 'commonplace' practice in this regard has generally seen both B.C. ratepayers and the shareholder benefit from profitable trade revenue realized by BC Hydro. And, in spite of the present mandatory 'hiatus' from this more historically 'commonplace' practice there are no indications to suggest that the practice won't be re-introduced or prevail in the longer run. One would find more parallels in this regard between BC Hydro and Hydro Quebec despite each jurisdiction's nearer-term 'ebb and flow' of balancing one's government objectives, than BC Hydro is willing to acknowledge.

However, whether one agrees with BC Hydro's argument re: its lack of a profit maximization mandate or not, the experts do offer alternatives to adoption of management compensation structures in light of profit maximization for publicly owned entities, in the form of strengthened incentives for superior performance. For example, Dr. Weisman, in Exhibit A2-1, Appendix FF, Report on the Theory and Practice of Performance-Based Regulation; PDF p138 explains:

> 'It is noteworthy that postal systems throughout the world are government owned. Nonetheless, PBR has been successfully applied to postal systems to strengthen incentives for superior performance."
>
> "It should be noted that some doubt exists as to whether a public-sector institution (without, for example, employee stock options) can successfully use these tools. Leading experts, however, believe that a combination of negative incentives (such as holding managers accountable for performance) and positive incentives (such as performance bonuses) can take full advantage of this innovative mechanism to the ultimate benefit of ratepayers."

Recommendation:

> I encourage the Commission to recommend that BC Hydro's management more explicitly align its stated goals with the Commission's regulatory objective of cost control.
>
> I support the Commission's use of productivity improvement measures as part of its future review of BC Hydro's RRAs, through the use of a combination of positive and negative performance incentives directly tied to performance evaluation for BC Hydro's management.

Indexing and Benchmarking

In its Final Argument (on PDF p64, third Paragraph) BC Hydro states that a "Formula or index based ratemaking should not be pursued". Further (on PDF p66, second Paragraph), BC Hydro provides the following statement as one of

the reasons for its position against the use of indexing or formula (in general) in future RRA applications:

> "With regard to maintaining public confidence and support, BC Hydro submits that the use of a multi year cost forecast is superior to an index or formula approach, particularly in the case of BC Hydro, which is publicly owned and has a significant public profile and has only recently come back into relatively unfettered regulation. A multi year forecast provides better insight into BC Hydro's operations than an index or formula and will allow the BCUC and interveners to develop greater familiarity and understanding of BC Hydro's costs over time."

While all of that stands to reason, given the juncture at which BC Hydro find itself in its regulation by the Commission, BC Hydro seems to want to 'close the door' to the consideration of indexes or formulas in the future, where such an index or a formula would be used to set the allowed revenue or drive cost forecasts. BC Hydro seems to favour regular benchmarking studies to inform the assessment of its forecasts (as opposed to the use of indexes, including those based on inflation and productivity or X factors (i.e. on I-X formulas):

> "BC Hydro explained that a productivity factor may be used to set rates or could be used to establish a benchmark data point to assess the reasonableness of a cost forecast. In previous RRAs, BC Hydro has provided benchmarking studies to help the BCUC and interveners assess the reasonableness of BC Hydro's cost forecasts. BC Hydro is intending to undertake regular benchmarking to inform the assessment of its forecasts… (BC Hydro Final Argument, PDF p26, first Paragraph)".

In response to BCOAPO's IRs and 1.9.1 and 1.9.1.2, in Exhibit B-10, PDF p37 & p38, on "whether the establishment of an X factor can be viewed as a form of statistical benchmarking", BC Hydro's response states: "the difference is whether the outcome of the study, informs the decision or makes the decision".

More specifically, in response to Association of Major Power Customers of BC's (AMPC's) IR 1.2.1, in Exhibit B-10, PDF p5 & p6, BC Hydro opposes the use of indexes for rate setting purposes for the two suggested categories of expenses: non-deferred O&M (on an inflation less productivity basis) and sustainment capital (on an inflation less productivity basis). The stated reasons for opposing the recommended approaches, is that such approaches would introduce controversy and complexity.

I struggle to reconcile how statistical benchmarking in general fairs better in informing the assessment of BC Hydro's forecasts for purposes of revenue requirements as compared to the development of indexes, as both indexing and benchmarking are instruments for assessing the reasonableness of BC Hydro's

forecasts, and with due process would be able to assist the BCUC and interveners in this regard.

BC Hydro presents the development and use of indexes as a more mechanistic approach. Rather the decision at the end of the day is always a collective (including the regulator and interveners) rationalization process, whether a study or an index is used to inform the reasonableness of forecasts. An index or a study 'does not make a decision'. Rather much like a benchmarking exercise, an index can be used to 'true up' or inform the reasonableness of forecasts.

In addition, the use of indexes based on productivity factors specific to BC Hydro's three major lines of business (i.e. generation, transmission and distribution) may help better understand how BC Hydro's performance with regard to its product offering (accounting for customer growth and inflation considerations) evolves over time.

From a regulatory efficiency perspective, aligning the development of line-of-business specific indexes with the regulatory objectives and process of any future Cost of Service studies and review would be beneficial.

Recommendation:

> While I am generally supportive of BC Hydro's proposal to improve the benchmarking of its various performance aspects, I urge the Commission to not limit its consideration of incremental PBR elements in its regulation of BC Hydro to improved benchmarking alone, but to also 'leave the door open' to selectively consider indexing of revenue and/or costs over time in order to ensure line-of-sight to efficiency and productivity drivers in BC Hydro's future performance.

All of which is respectfully submitted.

Sincerely,

Edlira Gjoshe
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