

**BC Hydro
F2012-F2014
Revenue Requirements Application
Response to BC Hydro Submission
- by ESVI -**

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For: Energy Solutions for Vancouver Island Society (ESVI)
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Background

On April 8, 2011, BC Hydro submitted Exhibit B-5 in regards to several issues, including the Government review of BC Hydro's rate increases. It includes a press release and Terms of Reference produced by the BC Government.

On April 8, 2011, BCUC requested BC Hydro clarify the intentions of BC Hydro regarding the next stages in the RRA with Exhibit A-8.

On April 11, 2011, BC Hydro responded with their clarifications on the RRA process with Exhibit B-6.

The following comments are provided by ESVI in response to BCUC Exhibit A-7, the exhibits noted above, and other related filings.

Discussion

1.0 ESVI Procedural Document C16-2

In response to Exhibit A-4, ESVI submitted Exhibit C16-2 to address procedural matters in a written form. If the Procedural Conference does proceed as scheduled, we request that the comments in Exhibit ESVI C16-2 be addressed and be responded to.

2.0 First Round of IRs After Panel Review

With the uncertainty of how the Government (panel) review and subsequent BC Hydro amended submission will change the application, and to decrease the amount of unnecessary information requests and Intervenor time, we suggest that the first

round of IRs occur after the Government review instead of the proposed schedule in April/May. Any Intervenors that have prepared IRs in anticipation of an earlier deadline could submit them at that time, if they are still relevant.

3.0 Consistent with Government Intentions

We note that BC Hydro stated in Exhibit B-6: “*The advantages of continuing with the proceeding include consistency with government’s intentions with respect to its review, as noted in BC Hydro’s April 8, 2011 letter (Exhibit B-5).*”

We disagree.

We submit that delaying the IRs and RRA until after the Government review is consistent with Government’s intentions. In the press release (attachment #1 of Exhibit B-5), the BC Government states: “*The government review does not replace the normal, more-detailed rate increase examination conducted by the BCUC, **which will resume after government’s review.***” **[emphasis added]**

We interpret the “*normal, more-detailed rate increase examination conducted by the BCUC*” to mean that the RRA, including the IR process. Therefore, we suggest that the government intends that the RRA process should resume **after** the government’s review, and by implication, it will have had to be suspended during the review (in order to later resume the process).

We interpret this statement to set the timeframe of the RRA process relative to the government review (that is the RRA to occur after the review).

We also note that the Terms of Reference (attachment #2 of Exhibit B-5) includes different wording: “*This review will not **alter** or **interfere** with the normal, more detailed rate increase review which BCUC undertakes pursuant to its statutory authority.*”

We interpret this statement to say that the review is not intended to alter or interfere with the RRA process once it has resumed. In other words, we suggest that the following stages should occur:

- the RRA process is suspended,
- the government review occurs (with the RRA process suspended),
- then the review is provided as a “one-time” input to the RRA process, and
- then the RRA process can resume (using the review as a “one-time” input).

We suggest that the review does not alter or interfere with the process by following the above stages, because the RRA process is suspended while the review is taking place. We suggest that only after the government review is finished, can the RRA process then resume.

On the other hand, we suggest that to continue the RRA process (such as the submission of IRs and responses) during the Government review (as suggested by BC Hydro) would actually alter and interfere with that process. For example, IR questions asked for the RRA during the review may have to be later re-asked in a different way to accommodate the Government's review. Similarly, IR answers provided in response to the IRs may have to be changed to accommodate the review. We suggest that both of these cases alter and interfere with the process.

In addition, by having the first round of IRs before (or during) the Government review, the questions asked might influence or inform the Government review process. That potential effect could influence the questions themselves being asked, and therefore could be interpreted as "altering" or "interfering" with the RRA process. In other words, IRs presented before or during the Government review may end up being focused on that Government review process, rather than being directed at the RRA application process itself.

We submit that the RRA IR process is intended to be directed at only the RRA process, and is not intended to be a process to inform the Government review. If that is desired (informing the Government review), we suggest that a different process should be established, with a clear scope and directions.

4.0 Scope of Information Requests

We note that BC Hydro states: ". . . *allowing information requests to continue as per the Amended Regulatory Timetable, particularly where such IRs relate to factual information or externally driven assumptions, such as water inflows, reliability statistics and interest rate forecasts, could be beneficial.*"

We believe that BC Hydro's suggestion to narrow the scope of IRs or to provide preference for certain types of IRs, could very well result in unnecessary time being spent on articulating the scope or on the consequences of the conflicting opinions of the scope.

Therefore, to be safe, it may be decided that another round of "fresh" IRs should be provided after the review to "catch" ambiguities. If this later round of IRs is allowed, it begs the question of why the earlier IRs should be allowed in the first place.