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Our File:	11-2017
Date:	January 27, 2012

British Columbia Utilities Commission
600-900 Howe Street
Vancouver, B.C.
V6Z 2N3

Attention: Ms. Alanna Gillis
Acting Commission Secretary

Dear Sirs/Mesdames:

**Re: BC Hydro Project No. 3698622/Order G-40-11
F2012-F2014 Revenue Requirements Application**

We write to respond to the Commission's letter of January 19, 2012 Exhibit A-22 in this matter on behalf of the Association of Major Power Customers of British Columbia (AMPC).

In its letter the Commission "invites Interveners to make submissions on the level of the interim rate increase to take effect April 1, 2012" and notes:

The Commission does not anticipate BC Hydro filing a separate application requesting an interim rate increase given that on page 1-41 of the Amended Fiscal 2012 to Fiscal 2014 Revenue Requirements Application (the Application) BC Hydro requested an order to set interim rates effective April 1, 2012 (F2013) and April 1, 2013 (F2014).

AMPC, like the Commission, does not anticipate BC Hydro to be filing a new or amended application seeking to vary the requested 3.91 percent interim increase sought at page 1-41 of the Amended Application. AMPC also does not seek to have the BC Hydro requested interim increase varied.

The Canadian Office of Professional Employees Union, Local 378 (COPE) argues that higher interim rate are necessary. AMPC disagrees strongly.



COPE may think the rate increases of 10% per year for three years (and beyond) and the excessive staffing levels at BC Hydro that were contemplated in the original application are sustainable, but most people realize they are not. The need to reduce the rate of rate increases from 4 to 5 times the rate of inflation year after year is vital to the economic future of the Province. That such reductions can be achieved is evident from the Provincial Government Review into BC Hydro¹ which called for major cuts in both proposed rates and staffing numbers at BC Hydro, together with capital expenditure restraint.

On November 24, 2011, just two months ago, BC Hydro filed its Amended F2012 – F2014 Revenue Requirements Application taking that report into account. In that Application BC Hydro, recognizing the need to make changes, applied for revised interim increases of 8.0%, 3.91% and 3.91% over three years. Cumulatively these increases amount to a little over half of those sought in the original Application. Clearly, the decision to cut the level of the requested interim rate increases was a joint decision of BC Hydro and its Shareholder and represents rate levels that they feel they can justify and that are required from their perspective.

It must also be recognized that the amended increases sought by BC hydro are not small increases. They are still two to four times the rate of inflation and will have a detrimental impact on the economy. They are not a floor as suggested by COPE, they are a ceiling. A ceiling defined by BC Hydro and its Shareholder.

COPE argues that some of the measures that have led to the amended rate increases are deferrals of current period costs and accordingly may not meet with regulatory approval. That characterization may be true for some items, but no one should come to the conclusion that an interim rate should be higher based on general assertions of the type made by COPE. Contrary to COPE'S assertion, AMPC submits that the cuts and restraint shown in the Amended Application do not go as far as recommended by the Review Panel and that a hearing may well show that the level of interim rates is not too low as COPE suggests, but rather is too high. However, that is a decision for a hearing on the merits, not now.

BC Hydro, and its Shareholder, have decided upon a level of interim rate increases which they deem sufficient for BC Hydro. To the best of our knowledge there is no precedent for this Commission granting a higher interim than that sought by the Applicant and we should not create one now.

¹ BC Hydro Amended F2012-14 Revenue Requirements Application, Government Review Report June 2011, New Appendix BB



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No further process is required on this issue. The Commission should set the interim level of rates in this case at the level proposed in the Amended Application by BC Hydro.

Yours truly,

A handwritten signature in cursive script that reads 'R. Brian Wallace'.

Bull, Housser & Tupper LLP
R. Brian Wallace, Q.C.
RBW/skg/3407764.02