BC Hydro
Power smart

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December 15, 2017

Mr. Patrick Wruck
Commission Secretary and Manager
Regulatory Support
British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

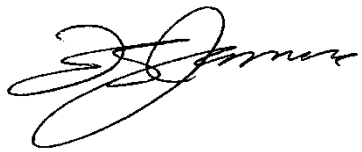
Dear Mr. Wruck:

RE: Project No. 3698869
British Columbia Utilities Commission (BCUC or Commission)
British Columbia Hydro and Power Authority (BC Hydro)
F2017 to F2019 Revenue Requirements Application
Responses to Commission and Intervener Information Requests No. 4

BC Hydro writes in compliance with Exhibit A-34 to provide as Exhibit B-25, its responses to Commission and Interveners Information Request No. 4 on the Amended Application.

For further information, please contact Chris Sandve at 604-974-4641or by email at bchydroregulatorygroup@bchydro.com.

Yours sincerely,



Fred James
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Enclosure

145.0 Reference: Exhibit B-23, Attachment 1

BC Hydro has amended its request with respect to fiscal 2019 in order to give effect to the B.C. Government's recent Mandate Letter which contemplates a freeze of rates while a comprehensive review of BC Hydro is conducted, and while a refreshed plan to keep electricity rates low and predictable over the long-term is developed.

4.145.1 Are there any other elements of the recent Mandate Letter that the BCUC should take into account/consider when making its determination regarding BC Hydro's F2017-F2019 Revenue Requirements Application?

RESPONSE:

This response also addresses the following CEC IRs:

4.188.2	**4.191.1.1**	**4.195.1**	**4.195.1.1**	**4.195.2**	**4.195.2.1**	**4.198.1**	**4.198.2**
4.198.3	**4.198.3.1**	**4.198.4**	**4.198.5**	**4.198.6**	**4.198.7**	**4.199.1**	**4.199.2**
4.199.3	**4.199.3.1**	**4.199.4**	**4.199.5**	**4.199.6**	**4.199.7**	**4.199.8**	**4.200.1**
4.200.2	**4.200.3**	**4.200.3.1**	**4.200.4**	**4.200.5**	**4.200.6**	**4.200.7**	**4.200.8**
4.201.1	**4.201.2**	**4.201.3**	**4.201.3.1**	**4.201.4**	**4.201.5**	**4.201.6**	**4.201.7**
4.201.8	**4.202.1**	**4.202.2**	**4.202.3**	**4.202.3.1**	**4.202.4**	**4.202.5**	**4.202.6**
4.202.7	**4.202.8**	**4.203.1**	**4.203.2**	**4.203.3**	**4.203.3.1**	**4.203.4**	**4.203.5**
4.203.6	**4.203.7**	**4.203.8**	**4.203.9**	**4.204.1**	**4.204.2**	**4.204.3**	**4.204.3.1**
4.204.4	**4.204.5**	**4.204.6**	**4.204.7**	**4.204.8.**			

BC Hydro has focused on the rate freeze at this time because giving effect to that portion of the Minster's Mandate Letter required us to seek an amendment to the Fiscal 2017 to Fiscal 2019 Revenue Requirements Application before the Commission made its decision.

BC Hydro notes that the August 24 Mandate Letter contains a number of expectations, in addition to the mandate to freeze BC Hydro rates. These expectations included:

- **Incorporating the United Nations Declaration on the Rights of Indigenous People and the Calls to Action of the Truth and Reconciliation Commission;**
- **Participating fully in the BCUC review of Site C;**

- **Delivering planned capital projects on time and on budget;**
- **Immediately conducting a comprehensive review of BC Hydro and developing a refreshed rates plan;**
- **Supporting the creation of a roadmap for the future of B.C. energy;**
- **Providing leadership in advancing government's climate action strategies;**
- **Identifying further opportunities for clean energy in B.C.;**
- **Performing system upgrades to be well-positioned to connect future customers;**
- **Implementing the five-year safety plan;**
- **Maintaining/improving customer service through timely and responsive service; and**
- **Providing quarterly and annual performance reports.**

BC Hydro's view is that all other elements of the recent Mandate Letter are appropriately reflected in the revenue requirements for the fiscal 2017 to fiscal 2019 test period, and notes that a number of the activities described in the Mandate Letter were detailed in BC Hydro's original Application. BC Hydro also notes that our rate freeze application stated: "BC Hydro is maintaining its requests related to the fiscal 2019 demand-side management expenditure schedule as well as the total revenue requirements for fiscal 2019."

BC Hydro further notes that the Mandate Letter states "it is expected that BC Hydro will manage its programs and initiatives within its existing budget targets, unless otherwise directed." BC Hydro's "existing budget targets" are the forecast revenue requirements the period fiscal 2017 to fiscal 2019 that are before the Commission in this application.

To the extent that these other elements give rise to such costs during the fiscal 2017 to fiscal 2019 test period, are not subject to deferral, and cause a variance from Commission-approved revenue requirements, any such variances will be to the account of the shareholder. Over the coming months, BC Hydro will work with government to determine the activities required to support these expectations and we will take the time to consider how these activities will be resourced, the timeline for conducting these activities and their impact on BC Hydro's revenue requirements after this test period. Any proposals will be the subject of a future application.

In addition, in its November 8, 2017 announcement regarding the rate freeze, government stated that:

> **"The rate freeze will provide government the time to undertake a comprehensive review of BC Hydro. That review will identify changes and cost savings to keep rates low while ensuring BC Hydro has the resources it needs to continue to provide clean, safe and reliable electricity. Details of the scope and process for the review will be developed once government has made a final decision on Site C.**
>
> **After completing a comprehensive review of BC Hydro, any cost and revenue adjustments identified will be reflected in rates starting in April 2019."**

Therefore, BC Hydro considers that:

- **There are no other elements of the August 24 Mandate Letter that the Commission should consider when making its determination regarding BC Hydro's Fiscal 2017 to Fiscal 2019 Revenue Requirements Application;**
- **Additional Commission approval for any costs associated with Mandate Letter activities in fiscal 2019 is not required as those costs are already reflected in BC Hydro's revenue requirements in its original Application; and**
- **The rate freeze application has not been prioritized relative to other elements contained in the Mandate Letter.**

146.0 Reference: Exhibit B-1-1, pages 1-37, 1-38 and 1-45

BC Hydro's Final Argument, May 23, 2017, page 263

In its Final Argument BC Hydro noted that there were a number of updates, errata and commitments which would be reflected, along with any directives from the BCUC, in any Compliance Filing made after the BCUC's Decision.

4.146.1 Please update Table 1-6, Table 1-7 and Table 1-8 to reflect the amended request for F2019 along with the updates, errata and commitments referenced in Paragraph #581 of BC Hydro's Final Argument.

RESPONSE:

Please refer to updated Table 1-6, Table 1-7 and Table 1-8 below, updated to reflect the amended request for fiscal 2019. Please note that these tables have been updated only to reflect the impact of the proposed fiscal 2019 rate freeze. BC Hydro is unable to update the table for the other items noted in the question as a result of the significant amount of modelling work that would be required to do so, and the limited time allotted to respond to these information requests.

Updated Table 1-6 Summary of Fiscal 2017 to Fiscal 2019 Revenue Requirements – Gross View

	Schedule Reference (Appendix A)	F2016 RRA ($ million)	F2017 Plan ($ million)	F2018 Plan ($ million)	F2019 Plan ($ million)	F2019 Rate Freeze ($ million)
Cost of Energy	1.0L1	1,391.7	1,549.3	1,657.8	1,762.9	1,762.9
Operating Costs	1.0L2	1,146.6	1,185.0	1,250.9	1,183.4	1,183.4
Taxes	1.0L3	224.1	223.3	231.8	238.7	238.7
Amortization	1.0L4	758.0	785.4	825.7	855.6	855.6
Finance Charges	1.0L5	838.3	711.4	745.9	785.0	786.5
Return on Equity	1.0L6	651.9	684.7	698.4	712.4	712.4
Non-Tariff Revenue	1.0L7+L21	(126.6)	(138.9)	(147.4)	(149.9)	(149.9)
Inter-Segment Revenue	1.0L8	(53.5)	(62.5)	(64.3)	(65.3)	(65.3)
Deferral Account Transfers	1.0L12	199.2	181.8	197.0	215.3	208.1
Other Regulatory Account Transfers	1.0L16	(215.4)	(293.9)	(406.5)	(327.0)	(469.3)

	Schedule Reference (Appendix A)	F2016 RRA ($ million)	F2017 Plan ($ million)	F2018 Plan ($ million)	F2019 Plan ($ million)	F2019 Rate Freeze ($ million)
Subsidiary Net Income	1.0L19	(115.1)	(119.7)	(119.9)	(120.2)	(120.2)
Other Utilities Revenue	1.0L20	(16.5)	(12.6)	(12.0)	(12.1)	(12.1)
Deferral Rider Revenue	1.0L22	(223.0)	(223.5)	(231.3)	(241.8)	(234.8)
Total Rev. Requirements		4,459.7	4,469.9	4,626.1	4,836.8	4,695.9
Less Rev. at F2016 Rates		(4,459.7)	(4,298.0)	(4,297.8)	(4,362.5)	(4,362.5)
Revenue Shortfall	1.0L29	0.0	171.9	328.3	474.2	333.4
Rate Smoothing Act. Transfer	2.2L172	121.2	210.0	285.9	299.4	441.7
Annual Rate Increase (%)	1.0L30	6.00	4.00	3.50	3.00	-
Deferral Account Rate Rider (%)	1.0L31	5.00	5.00	5.00	5.00	5.00
Net Bill Increase (%)	1.0L32	6.00	4.00	3.50	3.00	-

Updated Table 1-7 Summary of Fiscal 2017 to Fiscal 2019 Revenue Requirements – Current View

	Schedule Reference (Appendix A)	F2016 RRA ($ million)	F2017 Plan ($ million)	F2018 Plan ($ million)	F2019 Plan ($ million)	F2019 Rate Freeze ($ million)
Cost of Energy	3.0L64	1,514.3	1,723.9	1,838.6	1,951.8	1,946.4
Operating Costs	3.0L65	977.7	976.3	936.4	941.0	798.6
Taxes	3.0L66	224.1	223.3	231.8	238.7	238.7
Amortization	3.0L67	796.0	863.0	922.2	962.8	962.8
Finance Charges	3.0L68	726.6	506.9	523.2	566.6	568.1
Return on Equity	3.0L69	651.9	684.7	698.4	712.4	712.4
Non-Tariff Revenue	3.0L70+L74	(123.3)	(138.9)	(147.4)	(149.9)	(149.9)
Inter-Segment Revenue	3.0L71	(53.5)	(62.5)	(64.3)	(65.3)	(65.3)
Subsidiary Net Income	3.0L72	(14.7)	(70.8)	(69.3)	(67.3)	(68.8)

	Schedule Reference (Appendix A)	F2016 RRA ($ million)	F2017 Plan ($ million)	F2018 Plan ($ million)	F2019 Plan ($ million)	F2019 Rate Freeze ($ million)
Other Utilities Revenue	3.0L73	(16.5)	(12.6)	(12.0)	(12.1)	(12.1)
Deferral Rider Revenue	3.0L75	(223.0)	(223.5)	(231.3)	(241.8)	(234.8)
Total Rev. Requirements		4,459.7	4,469.9	4,626.1	4,836.8	4,695.9
Less Rev. at F2016 Rates		(4,459.7)	(4,298.0)	(4,297.8)	(4,362.5)	(4,362.5)
Revenue Shortfall	1.0L29	0.0	171.9	328.3	474.2	333.4
Rate Smoothing Act. Transfer	2.2L172	121.2	210.0	285.9	299.4	441.7
Annual Rate Increase (%)	1.0L30	6.00	4.00	3.50	3.00	-
Deferral Account Rate Rider (%)	1.0L31	5.00	5.00	5.00	5.00	5.00
Net Bill Increase (%)	1.0L32	6.00	4.00	3.50	3.00	-

Updated Table 1-8 Fiscal 2017 to Fiscal 2019 Amounts Transferred to the Rate Smoothing Regulatory Account[1]

	F2017 ($ million)	F2018 ($ million)	F2019 ($ million)	F2019 Rate Freeze ($ million)
Total Revenue Requirements	4,679.9	4,912.1	5,136.1	5,137.6
Revenue Recovered under Rate Caps	4,469.9	4,626.2	4,836.8	4,695.9
Amount Transferred to Rate Smoothing Regulatory Account	210.0	285.9	299.4	441.7
Rate Smoothing Regulatory Account Balance	497.4	783.3	1,082.7	1,225.0

[1] **Updated Table 1-8 has been corrected to be consistent with Appendix A of Exhibit B-1-1.**

146.0 Reference: Exhibit B-1-1, pages 1-37, 1-38 and 1-45

BC Hydro's Final Argument, May 23, 2017, page 263

In its Final Argument BC Hydro noted that there were a number of updates, errata and commitments which would be reflected, along with any directives from the BCUC, in any Compliance Filing made after the BCUC's Decision.

4.146.2 Please itemize the individual updates, errata and commitments that impacted the revised versions of Table 1-6, Table 1-7 and Table 1-8 provided in response to part 1 above.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.146.1.

147.0 Reference: Exhibit B-1-1, page 1-2 (lines 5-10)

Exhibit B-10, AMPC 1.1.4

BC Hydro Final Argument, page 263

4.147.1 Please update the first Table provided in the response to AMPC 1.1.4 based on BC Hydro's amended application and to incorporate any relevant updates, errata and commitments as noted in BC Hydro's Final Argument. Please include a row identifying any revenue shortfall remaining at the end of the 10-year rate plan period (as done in response to AMPC 2.1.1, Table 2.

RESPONSE:

The table provided in BC Hydro's response to AMPC IR 1.1.4 was based on the 2013 10 Year Rates Plan at the time the rates plan was announced, and prior to the Fiscal 2017 – Fiscal 2019 Revenue Requirements Application being filed. Please refer to BC Hydro's response to BCUC IR 4.1.4, in which we note that the expected recovery period for the Rate Smoothing Regulatory Account has not changed. Accordingly, in the table below, there is no "revenue shortfall remaining at the end of the ten-year rate plan period."

Please refer to the updated table below, updated to reflect the Fiscal 2017 – Fiscal 2019 Revenue Requirements Application as well as the rate freeze application. This table is based on the same approach as used in Scenario 2 from BC Hydro's response to BCUC IR 4.6.3.

If the lower revenue caused by a zero per cent rate increase in fiscal 2019 results in higher annual rate increases in the fiscal 2020 to fiscal 2024 period (i.e., higher than 2.6 per cent as forecast during the proceeding, and as forecast in the 2013 10 Year Rates Plan), and there are no changes in BC Hydro's revenue requirements resulting from the comprehensive review of BC Hydro or the refreshed plan for rates that will be developed, then there would be no revenue shortfall in the fiscal 2020 to fiscal 2024 period.

Please note that the table has been updated only to reflect the impact of one hypothetical outcome of the proposed fiscal 2019 rate freeze noted above for the purpose of responding to this question. BC Hydro is unable to update the tables for the other items noted in the question as a result of the significant amount of modelling work that would be required to do so, and the limited time allotted to respond to these information requests.

Scenario 2

F19 Rate Freeze followed by 3.8% rate increases for F20-F24	F2015	F2016	F2017	F2018	F2019	F2020	F2021	F2022	F2023	F2024
Rate Increase (%)	9.0	6.0	4.0	3.5	0.0	3.8	3.8	3.8	3.8	3.8
Return on Equity (%)	11.96	12.26	11.84	11.60	11.23	10.67	10.34	10.07	9.84	9.68
Net Income ($ million)	581	655	685	698	712	712	712	712	712	712
Water Rentals ($ million)	361	358	380	350	350	345	352	368	388	391
Grants & Taxes ($ million)	207	216	230	238	245	251	260	268	275	283
Dividend ($ million)	264	326	271	171	71	-	-	-	-	-
Rate Smoothing Reg. Account ($ million)	166	287	497	783	1,225	1,726	1,865	1,537	915	-
Total Debt ($ million)	16,682	18,002	19,657	20,870	21,962	23,447	24,285	24,547	24,413	24,004
Debt to Equity Ratio	80:20	80:20	80:20	79:21	78:22	77:23	76:24	75:25	73:27	71:29
Heritage Deferral Account ($ million)	165	(24)	(20)	(16)	(12)	(7)	(4)	(2)	(1)	(1)
Non-Heritage Deferral Account ($ million)	524	917	771	613	446	263	147	86	42	19
Annual Revenue Shortfall ($ million)	-	-	-	-	-	-	-	-	-	-

147.0 Reference: Exhibit B-1-1, page 1-2 (lines 5-10)

Exhibit B-10, AMPC 1.1.4

BC Hydro Final Argument, page 263

4.147.2 Assuming the revenue requirement outlook for 2020-2024 remains unchanged what level of annual rate increase would be required over the five years to fully recover the balance in the Rate Smoothing Regulatory Account (including the impact of the F2019 freeze)?

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.6.3.

148.0 Reference: Exhibit B-23

The November 8, 2017 letter states: "The Province and BC Hydro are committed to take further actions as required as part of the comprehensive review of BC Hydro that is expected to begin in fiscal 2018 and is likely to be completed in fiscal 2019. The comprehensive review of BC Hydro and refreshed plan for rates are expected to inform revenue requirement applications for subsequent fiscal years beginning in fiscal 2020."

4.148.1 Does BC Hydro have any more information regarding with the scope of the focus of the "comprehensive review" that will be undertaken?

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.6.4.

1.0 Topic: F2019 Rate Freeze Request

Reference: Exhibit B-23

4.1.1 Please explain why BC Hydro did not apply for a F2019 rate freeze immediately after receiving the August 24, 2017 Minister's Mandate Letter.

RESPONSE:

BC Hydro submitted our rate freeze application once a decision had been made that the appropriate mechanism to give effect to the mandate to BC Hydro to freeze rates was for BC Hydro to apply to amend its Application to the Commission.

1.0 Topic: **F2019 Rate Freeze Request**

Reference: **Exhibit B-23**

4.1.2 BC Hydro says the anticipated comprehensive review of BC Hydro and refreshed rates plan are expected to inform revenue requirement applications for subsequent fiscal years beginning in F2020. [Exhibit B-23, p.3] Did BC Hydro consider awaiting the results of this review and rates plan before deciding whether a rate freeze is justified? If not, why not?

RESPONSE:

BC Hydro did not wait for the results of the comprehensive review of BC Hydro as the review is expected to take significant time, and a rate freeze is mandated by Government for fiscal 2019. As explained in the Government's announcement:

> **"The rate freeze will provide government the time to undertake a comprehensive review of BC Hydro. That review will identify changes and cost savings to keep rates low while ensuring BC Hydro has the resources it needs to continue to provide clean, safe and reliable electricity. Details of the scope and process for the review will be developed once government has made a final decision on Site C.**
>
> **After completing a comprehensive review of BC Hydro, any cost and revenue adjustments identified will be reflected in rates starting in April 2019."[1]**

As noted above, the scope and process of the comprehensive review are not yet known, and the review has not yet started. BC Hydro expects the comprehensive review and the development of a refreshed plan for rates will require significant time to complete as well as implement. This is consistent with the Government announcement above that any resulting changes will be reflected in rates starting in fiscal 2020.

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[1] **The full announcement can be found at this link: https://news.gov.bc.ca/releases/2017EMPR0021-001875**

1.0 Topic: F2019 Rate Freeze Request

Reference: Exhibit B-23

4.1.3 Please confirm that BC Hydro is not able to assure the Commission at this time that the outcome of the development of a refreshed rates plan and the completion of another review of BC Hydro will include a reduction in BC Hydro's annual revenue requirement either by $140 million per year or at all.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.6.4.

1.0 Topic: F2019 Rate Freeze Request

Reference: Exhibit B-23

4.1.4 Please confirm that it is reasonable to expect that substituting a 0% F2019 rate increase for a 3% F2019 rate increase would result in higher rate increases in future years than would otherwise be required.

RESPONSE:

While a rate freeze in fiscal 2019 will defer some costs to future fiscal years, the government announced that a comprehensive review of BC Hydro will be undertaken to identify future savings, and that a refreshed plan for rates will be developed to keep rates low and predictable over the long-term. The results of these initiatives will be reflected in rates starting in fiscal 2020. Therefore, we do not consider it reasonable to assume that there will be higher rates in future years than would otherwise be the case.

Notwithstanding the above, please refer to BC Hydro's response to BCUC IR 4.6.3.

1.0 Topic: F2019 Rate Freeze Request

Reference: Exhibit B-23

4.1.5 What rate increases would be necessary in each of F2020 to F2024 to fully recover the balance of the Rate Smoothing Regulatory Account by the end of F2024 in the event of a 0% rate increase for F2019, all else equal? Assume equal rate increases comparable to the 2.6% target annual rate increases for F2020 to F2024 in the 10 Year Rates Plan.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.6.3.

1.0 Topic: F2019 Rate Freeze Request

Reference: Exhibit B-23

4.1.6 Under BC Hydro's proposed 0% rate increase for F2019, what is the forecast maximum balance in the RSRA before reductions and in what fiscal year will this occur? How does this compare with the maximum under the 3% F2019 rate increase, i.e., $1.589 billion in F2021 per Table 7-2, Exhibit B-1-1, p.7-6, pdf p.500?

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.1.3, in which BC Hydro has updated the forecast balances in the Rate Smoothing Regulatory Account for the two scenarios discussed there:

1. **If the lower revenue caused by a 0 per cent rate increase in fiscal 2019 is offset by changes in revenues and/or costs in future years (i.e., the approximately $140 million impact occurs only in fiscal 2019) and there were no other changes in BC Hydro's revenue requirements resulting from the comprehensive review of BC Hydro or the refreshed plan for rates that will be developed.**

   As can be seen in the table in BC Hydro's response to BCUC IR 4.1.3, the maximum balance in the Rate Smoothing Regulatory Account is estimated at $1,704 million in fiscal 2021 ($115 million dollars higher than the forecast maximum balance in Table 7-2 of the Application).

2. **If the lower revenue caused by a 0 per cent rate increase in fiscal 2019 is not offset by changes in revenues and/or costs in future years (i.e., the approximately $140 million impact occurs in fiscal 2019 and the remainder of the 2013 10 Year Rates Plan – fiscal 2020 through fiscal 2024) and there were no other changes in BC Hydro's revenue requirements resulting from the comprehensive review of BC Hydro or the refreshed plan for rates that will be developed.**

   As can be seen in the table in BC Hydro's response to BCUC IR 4.1.3, the maximum balance in the Rate Smoothing Regulatory Account is estimated at $1,865 million in fiscal 2021 ($276 million dollars higher than the forecast maximum balance in Table 7-2 of the Application).

1.0 Topic: F2019 Rate Freeze Request

Reference: Exhibit B-23

4.1.7 Does BC Hydro remain committed to fully recovering the balance of the RSRA by the end of F2024? If not, why not? Does BC Hydro interpret the Minister's Mandate Letter as relieving the Province and BC Hydro from their commitment to fully recover the balance of the RSRA by the end of F2024?

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.1.4.

1.0 Topic: F2019 Rate Freeze Request

Reference: Exhibit B-23

4.1.8 BC Hydro says the purpose of the RSRA is to smooth out rate increases. [Exhibit B-1-1, p.7-13, pdf p.507] Confirm that this is the only purpose under the Bonbright principles. Does BC Hydro agree that a 0% rate increase in F2019, preceded by and followed by annual rate increases, would be inconsistent with the purpose of the RSRA to smooth out rate increases?

RESPONSE:

BC Hydro does not agree that a 0 per cent rate increase in fiscal 2019, preceded by and followed by annual rate increases, would be inconsistent with the purpose of the Rate Smoothing Regulatory Account to smooth out rate increases, as suggested in the question.

BC Hydro did not describe the purpose of the Rate Smoothing Regulatory Account as referenced in the question; rather, BC Hydro described it in section 7.5.24 of the Application, as follows:

> **"Order No. G-48-14 established the Rate Smoothing Regulatory Account in fiscal 2015 to defer for recovery in rates in future fiscal years, those portions of the allowed revenue requirement in a particular fiscal year that were not, or are not to be recovered in rates in that particular fiscal year. As part of the 2013 10 Year Rates Plan, this account was to be created to keep rate increases as gradual and predictable as possible, by spreading costs that occur in the earlier years of the 2013 10 Year Rates Plan over the later years of the Plan. Additionally, this account is to be paid down to zero by the end of fiscal 2024."**

As shown above, in addition to "keep(ing) rate increases as gradual and predictable as possible…" another purpose of the account is to "defer for recovery in future fiscal years, those portions of the allowed revenue requirement in a particular fiscal year that were not, or are not to be recovered in rates in that particular fiscal year."

BC Hydro's rate freeze application is consistent with the purpose of the Rate Smoothing Regulatory Account in that the portion of the allowed revenue requirement for fiscal 2019 related to BC Hydro's request that rate increases in fiscal 2019 be 0 per cent will be deferred to the Rate Smoothing Regulatory Account.

1.0 Topic: F2019 Rate Freeze Request

Reference: Exhibit B-23

4.1.9 Does BC Hydro agree that substituting a 0% F2019 rate increase for a 3% F2019 rate increase would worsen the intergeneration inequity associated with the Rate Smoothing Regulatory Account?

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.2.1.

1.0 Topic: F2019 Rate Freeze Request

Reference: Exhibit B-23

4.1.10 Does BC Hydro agree that substituting a 0% F2019 rate increase for a 3% F2019 rate increase would worsen the sub-optimal price signal (i.e., rates lower than cost of electricity would encourage more use of electricity than is economically efficient) associated with the Rate Smoothing Regulatory Account?

RESPONSE:

Please refer to BC Hydro's response to BCSEA IR 4.1.13.

Assuming all else being equal, BC Hydro would agree. However, BC Hydro's submission is that the fiscal 2019 rate freeze is an unequivocal expression of Government policy, and that this outweighs any potential impacts related to price signals.

1.0 Topic: F2019 Rate Freeze Request

Reference: Exhibit B-23

4.1.11 Please confirm that apart from the Minister's Mandate letter there is no regulatory justification for a 0% rate increase for F2019 instead of the previously requested 3% rate increase for F2019. Alternatively, please explain.

RESPONSE:

BC Hydro confirms that the regulatory justification for the 0 per cent rate increase is the Minister's Mandate Letter, as an expression of government policy. BC Hydro's submission is that the unequivocal expression of Government policy outweighs the evidence on the record that supports BC Hydro's overall revenue requirements and a 3 per cent rate increase set at the cap under Direction No. 7.

The Commission has, in the past, given significant weight to clear expressions of government policy. BC Hydro identified several examples at the recent Procedural Conference. They are repeated below.

2012 Application to Suspend the Retail Access Program

The Commission's decision on BC Hydro's 2012 *Application to Suspend the Retail Access Program*[1] was an analogous situation. In that case, BC Hydro enclosed a letter from the former Minister of Energy, Mines and Petroleum Resources that expressed support for suspending the program pending a review to occur over the following two years. Minister Coleman's letter conclude with: "To this end, I am directing BC Hydro to extend the suspension of the Program until a comprehensive review of industrial electricity policy is complete."[2] The Commission gave Minister Coleman's letter significant weight:

> **In the Commission's view, it is the letter from Minister Coleman that has the most bearing on the Commission's decision as it is a direct statement of government policy. The Commission is guided by government policy in its decision making. However, the Commission does see merit in a full exploration of the concept of retail access and notes the support of at least three stakeholders for the Program.**
>
> **Given that the government's desire is to suspend the Retail Access Program pending an overall review of BC Hydro's industrial service over**

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1 **Order G-39-12**

2 **Decision, Appendix A, p.2.**

> **the next two years, the Commission suspends the Retail Access Program for a maximum of two years. The Commission directs BC Hydro to provide the results of its proposed review of the Retail Access Program by the end of 2012, and, by the end of two years from the date of this Decision, to bring forward a proposal on a Retail Access Program going forward.**

The former Minister's direction is akin to the current Minister's Mandate Letter regarding the rate freeze - a clear direction to BC Hydro to pursue a rate change before the Commission in anticipation of a future Government review.

Commission Addressed Net Metering Based on Government "Policy Action"

Net Metering is another good example. The Commission initiated a process to address net metering in response to what it characterized as a clear directive in BC Government's 2002 Energy Plan. Order No. G-26-04 recounted the influence of policy, in part, as follows:[3]

> **On December 10, 2002, interested stakeholders applied to the Commission for a change to BC Hydro's standard metering practices to include a "limited and simple form of net metering", citing Policy Action No. 20 of the B.C. Government's energy policy, Energy For Our Future, A Plan For BC ("Energy Plan"), released in late 2002.**
>
> **Stakeholders had proposed a similar change in October 2001, but the Commission, with input from BC Hydro, deferred consideration of net metering until after the release of the Energy Plan. The Commission agreed that Policy Action No. 20 makes a clear directive for utilities to develop policies such as net metering to support the voluntary goal of acquiring 50 percent of new supply from BC Clean Electricity over the next 10 years. In Letter No. L-3-03, the Commission requested that BC Hydro prepare, in consultation with customer groups and other utilities such as Aquila Networks, a report to assess the potential for net metering in B.C., including a discussion of policy considerations for successful development and implementation. BC Hydro submitted a consultant's report on net metering and written comment from various interest groups and individuals.**

Commission Approved the Standing Offer Program Based on Government Policy

The Standing Offer Program (SOP) originated with a "Policy Action" of the 2007 Energy Plan. The Commission approved the establishment of the SOP based

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[3] **Appendix A, p.4.**
https://www.ordersdecisions.bcuc.com/bcuc/orders/en/115431/1/document.do

on that Policy Action.[4] The SOP was only later incorporated into the *Clean Energy Act*.

2007 Energy Plan "Policy Actions" Drove Re-Pricing of Net Metering

The Commission's decision in *An Application by British Columbia Hydro and Power Authority for Approval to Re-Price Net Metering Services* is another example where non-legislated Government policy was determinative.[5] In fact, the main issue in the decision was how to interpret specific words ("generally consistent") used in the applicable "Policy Action" set out in Government's 2007 Energy Plan:

> **BCEP Policy Action #11 also requires that, to ensure even treatment, the rate paid for net annual surpluses of generation purchased by BC Hydro is generally consistent with the prices paid in the SOP. At the time the Application was submitted, the energy rate in RS 1289 was 5.40 cents/kWh. There was a wide differential between that and the SOP rate; the two rates were not consistent. Given the qualitative differences between the SOP and Net Metering programs, the Commission is of the view that achieving a Net Metering energy rate consistent with the SOP rate does not require that the rates be equal. Instead, the Commission interprets "generally consistent" as meaning that the two rates are of similar magnitude and are not biased toward either source of supply. The SOP rate schedule varies by location, which means a range of prices offered by BC Hydro.**
>
> **The proposed RS 1289 rate is within the upper portions of the SOP rate range for 2008 and for 2009. Therefore, the Commission deems the Net Metering rate to be generally consistent with that offered under SOP.**

A Minister's Letter Was Basis For Reconsidering Rate Rebalancing

BC Hydro's Application for reconsideration of Rate Rebalancing Orders arising from the 2007 RDA Phase 1 Decision was based on a letter from the former Minister to BC Hydro identifying government's intent to pursue legislative steps to ensure that rate rebalancing elements would not be implemented. The Commission granted the reconsideration request in Order No. G-34-08. The Commission summarized the relevant facts in the recitals:

> **H. Appendix B to the Reconsideration Application is a letter dated February 15, 2008 from the Minister of Energy, Mines and Petroleum**

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[4] **Order No. G-43-08 March 19, 2008 approved a Negotiated Settlement Agreement regarding the SOP. See Recital B.**
https://www.ordersdecisions.bcuc.com/bcuc/orders/en/116729/1/document.do

[5] **Order No. G-4-09**
https://www.ordersdecisions.bcuc.com/bcuc/orders/en/117003/1/document.do

Resources, to the Chair of BC Hydro's Board of Directors (the "Minister's Letter"). The Minister's Letter states in part as follows:

"The Government intends to introduce legislation in the Spring 2008 sitting of the Legislature that would ensure that the rate rebalancing elements of the BCUC's Orders will not be implemented. In particular, the new legislation would address the elements of the Decision and Orders in which the BCUC directed BC Hydro to implement rate changes over three years, to move the revenue to cost ratios of the customer classes to one-to-one and directed BC Hydro to maintain revenue to cost ratios within a range of 0.95 to 1.05. The legislation would also define rules for the future treatment of rate rebalancing. Government's intention is to preserve the revenue to cost ratios that were reflected in rates in place immediately before BC Hydro filed its 2007 Rate Design Application in March 2007"; and

I. The Minister's Letter further states that the contemplated legislation is expected to apply retroactively to ensure that BC Hydro customers will not experience any net changes in their bills due to rate rebalancing this year, regardless of when legislation may be passed; and

…

Q. The Commission has reviewed the Reconsideration Application, the Intervenors' submissions and BC Hydro's reply submission and considers that, given the changed circumstances resulting from the Minister's Letter, the relief requested by BC Hydro ought to be granted.

1.0 Topic: F2019 Rate Freeze Request

Reference: Exhibit B-23

4.1.12 Please confirm that a F2019 rate freeze is not a prerequisite for any of the potential mechanisms for reducing BC Hydro's revenue requirement that may be considered in the development of a refreshed rates plan and another review of BC Hydro. Alternatively, please describe any potential method of reducing BC Hydro's revenue requirement that would be precluded by a 3% F2019 rate increase and not by a 0% F2019 rate increase.

RESPONSE:

Confirmed.

1.0 Topic: F2019 Rate Freeze Request

Reference: Exhibit B-23

4.1.13 Please provide a table showing how the Bonbright principles apply to the requested F2019 rate freeze.

RESPONSE:

In section 2.4.1 of the 2015 Rate Design Application, BC Hydro discussed the eight Bonbright criteria, which the Commission has accepted as consistent with the *Utility Commission Act's* test that rates are fair, just and not unduly discriminatory[1]. These eight criteria and BC Hydro's application of the criteria to rate structures was provided in Table 2-7 of the 2015 Rate Design Application.

The following table provides the eight Bonbright criteria, with comments on impacts of the requested fiscal 2019 rate freeze. Note that the Bonbright criteria are presented in no particular order and are numbered solely for ease of reference.

We note that the authors of Bonbright are clear that the ratemaking principles they articulate often conflict with one another, and must be weighed in light of the circumstances and other principles. For instance:

> **"Lists of this nature [the Attributes of a Sound Rate Structure] are useful in reminding the ratemaker of considerations that might otherwise be neglected, and also useful in suggesting important reasons why problems of practical rate design do not yield readily to scientific principles of optimum pricing. But they are unqualified to serve as a base on which to build these principles because of their ambiguities (how, for example, does one define "undue discrimination"?), their overlapping character, their inconsistencies, and their failure to offer any basis for establishing priorities in the event of a conflict. For such a basis, we must start with a simpler and more fundamental classification of ratemaking functions and objectives." (Bonbright, Principles of Public Utility Rates (2nd), 1988, p. 384.)**

[1] **2007 RDA Decision, supra note 49, page 58.**

Bonbright Criteria	Impact of Fiscal 2019 Rate Freeze
1. Price signals that encourage efficient use and discourage inefficient use	**Small reduction in price signal in fiscal 2019, however price signals are maintained as the balance of the Rate Smoothing Regulatory Account is recovered.**
2. Fair apportionment of costs among customers	**Deferral due to fiscal 2019 rate freeze may have small impacts on apportionment of cost recovery, however deferral amount of approximately $140 million is relatively small compared to total billed revenue.**
3. Avoid undue discrimination	**Same as in Bonbright criteria (2).**
4. Customer understanding and acceptance, practical and cost effective to implement	**No expected change. BC Hydro communicates rate change information to our customers.**
5. Freedom from controversies as to proper interpretation	**Same as in Bonbright criteria (4).**
6. Recovery of the revenue requirement	**The impacts of the fiscal 2019 rate freeze will be deferred to the Rate Smoothing Regulatory Account for recovery.**
7. Revenue stability	**Same as in Bonbright criteria (6).**
8. Rate stability	**Impacts of proposed fiscal 2019 rate freeze are expected to be smoothed over the term of the recovery of the Rate Smoothing Regulatory Account, limiting impacts to rate stability.**

1.0 Topic: F2019 Rate Freeze Request

Reference: Exhibit B-23

4.1.14 Please specify the exhibit numbers and page references of the evidence and previous argument on which BC Hydro relies, in addition to the Minister's Mandate Letter in Exhibit B-23.

RESPONSE:

As discussed in the response to BCSEA IR 4.1.11, the Minister's Mandate to BC Hydro is the regulatory justification to freeze rates. BC Hydro's submission is that the Commission has given such policy statements significant weight in the past, and should do so here as well.

BC Hydro continues to rely on all of its evidence and arguments in support of its overall revenue requirements and other requests, with the exception of the new evidence of the Minister's Mandate Letter to BC Hydro which mandates a rate freeze.

BC Hydro's evidence over the course of the proceeding demonstrated that we took significant steps to reduce costs during the test period, and that BC Hydro's forecast revenue requirements exceed the 3 per cent cap for fiscal 2019.

2.0 Topic: 10 Year Rates Plan

Reference: Exhibit B-1-1, pp.1-17 to 1-18, pdf pp.45-46

"The final five years of the 2013 10 Year Rates Plan target rate increases of 2.6 per cent in each of fiscal 2020 to fiscal 2024, subject to British Columbia Utilities Commission review and approval. The 2013 10 Year Rates Plan also includes fully recovering the balance in the Rate Smoothing Regulatory Account at the end of fiscal 2024." [underline added]

4.2.1 Confirm that the 10 Year Rates Plan concept of full recovery of the balance in the RSRA by the end of F2024 is predicated on a 3% F2019 rate increase followed by target rate increases of 2.6% in each of F2020 to F2024.

RESPONSE:

Confirmed.

2.0 Topic: 10 Year Rates Plan

Reference: Exhibit B-1-1, pp.1-17 to 1-18, pdf pp.45-46

"The final five years of the 2013 10 Year Rates Plan target rate increases of 2.6 per cent in each of fiscal 2020 to fiscal 2024, subject to British Columbia Utilities Commission review and approval. The 2013 10 Year Rates Plan also includes fully recovering the balance in the Rate Smoothing Regulatory Account at the end of fiscal 2024." [underline added]

4.2.2 Confirm that, all else equal, a F2019 rate increase of 0% instead of 3% would make it impossible for implementation of target rate increases of 2.6% in each of F2020 to F2024 to result in full recovery of the balance of the RSRA by the end of F2024.

RESPONSE:

Confirmed, absent any further actions. BC Hydro notes that the Government has committed to a comprehensive review of BC Hydro to find additional savings that would inform the refreshed plan for rates, and the results of which would be reflected in rates beginning in fiscal 2020.

Please also refer to BC Hydro's response to BCUC IR 4.6.3.

2.0 Topic: 10 Year Rates Plan

Reference: Exhibit B-1-1, pp.1-17 to 1-18, pdf pp.45-46

"The final five years of the 2013 10 Year Rates Plan target rate increases of 2.6 per cent in each of fiscal 2020 to fiscal 2024, subject to British Columbia Utilities Commission review and approval. The 2013 10 Year Rates Plan also includes fully recovering the balance in the Rate Smoothing Regulatory Account at the end of fiscal 2024." [underline added]

4.2.3 Confirm that a F2019 rate increase of 0% instead of 3% would reduce BC Hydro's revenue by three percentage points in each of F2020 to F2024, and thereafter, all else equal.

RESPONSE:

BC Hydro considers that, absent any further actions (e.g., resulting from the comprehensive review of BC Hydro that will be undertaken, and the refreshed plan for rates that will be developed), it is generally true that BC Hydro's revenue will be lower in fiscal 2019 and all future years by the revenue foregone as a result of a 0 per cent rate increase in fiscal 2019.

However, some of our revenue is not subject to rate increases and hence we do not consider the statement in the question that our revenue would be reduced by "three percentage points" to be completely accurate.

3.0 Topic: Increased transfers to RSRA

Reference: Exhibit B-23, p.3; Exhibit B-1-1, Table 1-8, Fiscal 2017 to Fiscal 2019 Amounts Transferred to the Rate Smoothing Regulatory Account, pdf page 74

"The amount transferred to the account in fiscal 2019 is expected to change from the $299.4 million[3] included in the Application. The final amount to be transferred will be calculated as part of the compliance filing and will take into account adjustments committed to be made through the Revenue Requirements Application proceeding, any adjustments resulting from the Commission's order on the Application, as well as revenues that were expected to be received in fiscal 2019 as a result of the 3 per cent rate increase in the Application. The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million." [Exhibit B-23, p.3, underlined added]

4.3.1 Confirm that, all else equal, a 0% rate increase for F2019 would mean that the rate increase for F2020 would have to be roughly 5.6% (3% + 2.6% = 5.6% without compounding) in order to recover a similar amount of revenue in F2020 as would occur had there been a 3% increase in F2019 followed by a 2.6% increase in F2020. Alternatively, please explain.

RESPONSE:

Confirmed.

However, pursuant to the 2013 10 Year Rates Plan, rate increases in fiscal 2020 through fiscal 2024 are smoothed (i.e., they are designed to be equal in each of these years). Accordingly, the impact of BC Hydro's request for a 0 per cent rate increase in fiscal 2019 (compared to a 3 per cent increase) would be spread over the remaining years of the 2013 10 Year Rates Plan.

3.0 Topic: Increased transfers to RSRA

Reference: Exhibit B-23, p.3; Exhibit B-1-1, Table 1-8, Fiscal 2017 to Fiscal 2019 Amounts Transferred to the Rate Smoothing Regulatory Account, pdf page 74

"The amount transferred to the account in fiscal 2019 is expected to change from the $299.4 million[3] included in the Application. The final amount to be transferred will be calculated as part of the compliance filing and will take into account adjustments committed to be made through the Revenue Requirements Application proceeding, any adjustments resulting from the Commission's order on the Application, as well as revenues that were expected to be received in fiscal 2019 as a result of the 3 per cent rate increase in the Application. The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million." [Exhibit B-23, p.3, underlined added]

4.3.2 Please confirm that a 0% rate increase for F2019 would be expected to increase the transfer to the RSRA by approximately $140 million not only in F2019 but in every year thereafter until such time as the difference between the annual revenue requirement and the annual revenue falls below $140 million. Alternatively please explain.

RESPONSE:

Confirmed that, absent any further actions (e.g., resulting from the comprehensive review of BC Hydro that will be undertaken, and the refreshed plan for rates that will be developed), BC Hydro's revenue will be lower in fiscal 2019 and all future years by the revenue foregone as a result of a 0 per cent rate increase in fiscal 2019, plus the revenue that would have been generated by the foregone fiscal 2019 revenue increasing as a result of future rate increases.

3.0 Topic: Increased transfers to RSRA

Reference: Exhibit B-23, p.3; Exhibit B-1-1, Table 1-8, Fiscal 2017 to Fiscal 2019 Amounts Transferred to the Rate Smoothing Regulatory Account, pdf page 74

"The amount transferred to the account in fiscal 2019 is expected to change from the $299.4 million[3] included in the Application. The final amount to be transferred will be calculated as part of the compliance filing and will take into account adjustments committed to be made through the Revenue Requirements Application proceeding, any adjustments resulting from the Commission's order on the Application, as well as revenues that were expected to be received in fiscal 2019 as a result of the 3 per cent rate increase in the Application. The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million." [Exhibit B-23, p.3, underlined added]

4.3.3 Please confirm that, all else equal, a 0% rate increase for F2019 would be expected to increase the transfer to the RSRA by approximately $140 million in each year of the 10 Year Rates Plan from F2019 to F2024, so that the total increase in transfer to the RSRA would be approximately $840 million. Alternatively please explain.

RESPONSE:

Not confirmed.

Please refer to the tables provided in BC Hydro's response to BCUC IR 4.1.3, in which we show in either scenario that amounts are not being added to the Rate Smoothing Regulatory Account in the later years of the 2013 10 Year Rates Plan. Rather, the balance in the account is being recovered in those years, such that the balance in the Rate Smoothing Regulatory Account at the end of the 2013 10 Year Rates Plan is nil.

3.0 Topic: Increased transfers to RSRA

Reference: Exhibit B-23, p.3; Exhibit B-1-1, Table 1-8, Fiscal 2017 to Fiscal 2019 Amounts Transferred to the Rate Smoothing Regulatory Account, pdf page 74

"The amount transferred to the account in fiscal 2019 is expected to change from the $299.4 million[3] included in the Application. The final amount to be transferred will be calculated as part of the compliance filing and will take into account adjustments committed to be made through the Revenue Requirements Application proceeding, any adjustments resulting from the Commission's order on the Application, as well as revenues that were expected to be received in fiscal 2019 as a result of the 3 per cent rate increase in the Application. The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million." [Exhibit B-23, p.3, underlined added]

4.3.4 Please provide a revised and updated Table 1-8, showing:

4.3.4.1 the original F2019 column,

RESPONSE:

Please refer to the table below. The table has been prepared on the basis of the request in our rate freeze application, all else being equal. The figures in the table have been unchanged except for those highlighted, which are those requested in the question.

Updated Table 1-8: Fiscal 2017 to Fiscal 2019 Amounts Transferred to the Rate Smoothing Regulatory Account[1]

	F2017 ($ million)	F2018 ($ million)	F2019 ($ million)	F2019 Rate Freeze ($ million)
Total Revenue Requirements	**4,679.9**	**4,912.1**	**5,136.1**	**5,137.6**
Revenue Recovered under Rate Caps	**4,469.9**	**4,626.2**	**4,836.8**	**4,695.9**
Amount Transferred to Rate Smoothing Regulatory Account	**210.0**	**285.9**	**299.4**	**441.7**
Rate Smoothing Regulatory Account Balance	**497.4**	**783.3**	**1,082.7**	**1,225.0**

[1] **Updated Table 1-8 has been corrected to be consistent with Appendix A of Exhibit B-1-1.**

The difference between the Amount Transferred to the Rate Smoothing Regulatory Account in the fiscal 2019 and fiscal 2019 Rate Freeze columns in the table above is $142.3 million. This is comprised of the estimated impact of the rate freeze of $140.8 million, as well as estimated finance charges of $1.4 million to this amount. The latter amount also explains the difference between the amounts in the fiscal 2019 and fiscal 2019 Rate Freeze columns for the Total Revenue Requirements row, as shown above.

BC Hydro notes that it inadvertently did not include the $1.4 million in financing costs in its rate freeze application. BC Hydro will update our revenue requirements and amount transferred to the Rate Smoothing Regulatory Account for these financing costs in its Compliance Filing, along with the other updates, errata and commitments referred to in Part Thirteen of BC Hydro's Final Submission, and the impact of any directives from the Commission in its decision in this proceeding.

3.0 Topic: Increased transfers to RSRA

Reference: Exhibit B-23, p.3; Exhibit B-1-1, Table 1-8, Fiscal 2017 to Fiscal 2019 Amounts Transferred to the Rate Smoothing Regulatory Account, pdf page 74

"The amount transferred to the account in fiscal 2019 is expected to change from the $299.4 million[3] included in the Application. The final amount to be transferred will be calculated as part of the compliance filing and will take into account adjustments committed to be made through the Revenue Requirements Application proceeding, any adjustments resulting from the Commission's order on the Application, as well as revenues that were expected to be received in fiscal 2019 as a result of the 3 per cent rate increase in the Application. The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million." [Exhibit B-23, p.3, underlined added]

4.3.4 Please provide a revised and updated Table 1-8, showing:

4.3.4.2 adding a F2019 with rate freeze column,

RESPONSE:

Please refer to BC Hydro's response to BCSEA IR 4.3.4.1.

3.0 Topic: Increased transfers to RSRA

Reference: Exhibit B-23, p.3; Exhibit B-1-1, Table 1-8, Fiscal 2017 to Fiscal 2019 Amounts Transferred to the Rate Smoothing Regulatory Account, pdf page 74

"The amount transferred to the account in fiscal 2019 is expected to change from the $299.4 million[3] included in the Application. The final amount to be transferred will be calculated as part of the compliance filing and will take into account adjustments committed to be made through the Revenue Requirements Application proceeding, any adjustments resulting from the Commission's order on the Application, as well as revenues that were expected to be received in fiscal 2019 as a result of the 3 per cent rate increase in the Application. The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million." [Exhibit B-23, p.3, underlined added]

4.3.4 Please provide a revised and updated Table 1-8, showing:

4.3.4.3 adding a row showing the balance in the RSRA, and

RESPONSE:

Please refer to BC Hydro's response to BCSEA IR 4.3.4.1.

3.0 Topic: Increased transfers to RSRA

Reference: Exhibit B-23, p.3; Exhibit B-1-1, Table 1-8, Fiscal 2017 to Fiscal 2019 Amounts Transferred to the Rate Smoothing Regulatory Account, pdf page 74

"The amount transferred to the account in fiscal 2019 is expected to change from the $299.4 million[3] included in the Application. The final amount to be transferred will be calculated as part of the compliance filing and will take into account adjustments committed to be made through the Revenue Requirements Application proceeding, any adjustments resulting from the Commission's order on the Application, as well as revenues that were expected to be received in fiscal 2019 as a result of the 3 per cent rate increase in the Application. The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million." [Exhibit B-23, p.3, underlined added]

4.3.4 Please provide a revised and updated Table 1-8, showing:

4.3.4.4 either the original figures or revised (e.g., actuals) figures at BC Hydro's option.

RESPONSE:

Please refer to BC Hydro's response to BCSEA IR 4.3.4.1.

4.0 Topic: Cumulative rate increases

Reference: Exhibit B-9, BCH response to BCUC IR 1.1.1, pdf page 3

In response to Commission IR 1.1.1, BC Hydro says:

"A comparison of fiscal 2019 rate increases with or without the fiscal 2017 to fiscal 2019 rate caps prescribed by the 2013 10 Year Rates Plan must be done on a cumulative basis compared to fiscal 2016 rates. Please see the table below for a comparison of annual and cumulative rate increases with and without rate caps.

	F2017 (%)	F2018 (%)	F2019 (%)
Annual rate increases – with rate caps	4.0	3.5	3.0
Cumulative rate increases – with rate caps	4.0	7.6	10.9
Estimated Annual rate increases – without rate caps	8.9	5.0	3.0
Estimated Cumulative rate increases – without rate caps	8.9	14.3	17.8

As shown in the table above, without rate caps, on a cumulative basis, BC Hydro estimates that rates in fiscal 2019 would need to be approximately 17.8 per cent higher than fiscal 2016 rates in order to generate sufficient revenue to require no transfers to the Rate Smoothing Regulatory Account. With rate caps, on a cumulative basis, fiscal 2019 rates will be 10.9 per cent higher than fiscal 2016 rates. The difference of 6.9 per cent (17.8 per cent less 10.9 per cent), multiplied by the revenue subject to rate increase in fiscal 2019 of $4,362.5 million (Appendix A, Schedule 1.0, line 28) results in a $299.4 million transfer (this result is not exact due to rounding of the 6.9 per cent) to the Rate Smoothing Regulatory Account."

4.4.1 Please provide a version of the table in Exhibit B-9, BCUC IR 1.1.1 that adds a column showing a 0% rate increase in F2019.

RESPONSE:

Please refer to the table below. The table has been prepared on the basis of our request in our rate freeze application, all else being equal. The figures in the table have been unchanged except for those highlighted, which are those requested in the question.

	F2017 (%)	F2018 (%)	F2019 (%)	F2019 Rate Freeze (%)
Annual rate increases – with rate caps	**4.0**	**3.5**	**3.0**	**0.0**
Cumulative rate increases – with rate caps	**4.0**	**7.6**	**10.9**	**7.6**
Estimated Annual rate increases – without rate caps	**8.9**	**5.0**	**3.0**	**3.0**
Estimated Cumulative rate increases – without rate caps	**8.9**	**14.3**	**17.8**	**17.8**

4.0 Topic: Cumulative rate increases

Reference: Exhibit B-9, BCH response to BCUC IR 1.1.1, pdf page 3

In response to Commission IR 1.1.1, BC Hydro says:

"A comparison of fiscal 2019 rate increases with or without the fiscal 2017 to fiscal 2019 rate caps prescribed by the 2013 10 Year Rates Plan must be done on a cumulative basis compared to fiscal 2016 rates. Please see the table below for a comparison of annual and cumulative rate increases with and without rate caps.

	F2017 (%)	F2018 (%)	F2019 (%)
Annual rate increases – with rate caps	4.0	3.5	3.0
Cumulative rate increases – with rate caps	4.0	7.6	10.9
Estimated Annual rate increases – without rate caps	8.9	5.0	3.0
Estimated Cumulative rate increases – without rate caps	8.9	14.3	17.8

As shown in the table above, without rate caps, on a cumulative basis, BC Hydro estimates that rates in fiscal 2019 would need to be approximately 17.8 per cent higher than fiscal 2016 rates in order to generate sufficient revenue to require no transfers to the Rate Smoothing Regulatory Account. With rate caps, on a cumulative basis, fiscal 2019 rates will be 10.9 per cent higher than fiscal 2016 rates. The difference of 6.9 per cent (17.8 per cent less 10.9 per cent), multiplied by the revenue subject to rate increase in fiscal 2019 of $4,362.5 million (Appendix A, Schedule 1.0, line 28) results in a $299.4 million transfer (this result is not exact due to rounding of the 6.9 per cent) to the Rate Smoothing Regulatory Account."

4.4.2 Would it be accurate to say that the combined effect of the F2017 and F2018 rate caps and the proposed F2019 rate freeze is to produce F2019 rates that are approximately 10% lower than they would have been in the absence of the rate smoothing account?

RESPONSE:

Confirmed.

5.0 Topic: Full recovery of RSRA

Reference: Exhibit B-1-1, p.1-18, pdf p.47

"The targets in the latter years of the 2013 10 Year Rates Plan and the requirement to recover the Rate Smoothing Regulatory Account balance by fiscal 2024 have direct implications for the current Revenue Requirements Application. Any transfers to the Rate Smoothing Regulatory Account over this test period will be recovered over the remaining years of the 2013 10 Year Rates Plan."[underline added]

4.5.1 Is "the requirement to recover the Rate Smoothing Regulatory Account balance by fiscal 2024" still in place?

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.1.4.

5.0 Topic: Full recovery of RSRA

Reference: Exhibit B-1-1, p.1-18, pdf p.47

"The targets in the latter years of the 2013 10 Year Rates Plan and the requirement to recover the Rate Smoothing Regulatory Account balance by fiscal 2024 have direct implications for the current Revenue Requirements Application. Any transfers to the Rate Smoothing Regulatory Account over this test period will be recovered over the remaining years of the 2013 10 Year Rates Plan."[underline added]

4.5.2 Does BC Hydro continue to commit that "Any transfers to the Rate Smoothing Regulatory Account over this test period will be recovered over the remaining years of the 2013 10 Year Rates Plan"?

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.1.4.

6.0 Topic: Deferral and regulatory account balances

Reference: Exhibit B-1-1, Table 7-1, p.7-4, pdf p.498

Table 7-1 Summary of Deferral and Regulatory Account Balances, Fiscal 2015 to Fiscal 2016 Actual and Fiscal 2017 to Fiscal 2019 Forecast

$-Million	F2015 Actual	F2016 Actual	F2017 Forecast	F2018 Forecast	F2019 Forecast
Opening Balance	4,699.5	5,434.4	5,908.3	5,684.7	5,894.2
Additions	799.1	796.6	269.8	258.2	174.4
Interest	67.2	72.5	76.1	68.4	60.2
Recoveries/Other	(131.4)	(395.2)	(569.5)	(117.1)	(122.7)
Net change	734.9	473.9	(223.6)	209.5	111.9
Closing Balance	5,434.4	5,908.3	5,684.7	5,894.2	6,006.1

4.6.1 Please provide an updated version of Table 7-1 and add a column showing F2019 Forecast on the assumption of a 0% rate increase for F2019.

RESPONSE:

Please refer to the table below. The table has been prepared on the basis of our request in our rate freeze application, all else being equal. The figures in the table have been unchanged except for those highlighted, which are those requested in the question.

Summary of Deferral and Regulatory Account Balances

$ Million	F2015 Actual	F2016 Actual	F2017 Forecast	F2018 Forecast	F2019 Forecast	F2019 Forecast (Rate Freeze)
Opening Balance	**4,699.5**	**5,434.4**	**5,908.3**	**5,684.7**	**5,894.2**	**5,894.2**
Additions	**799.1**	**796.6**	**269.8**	**258.2**	**174.4**	**174.4**
Interest	**67.2**	**72.5**	**76.1**	**68.4**	**60.2**	**60.2**
Recoveries / Other	**(131.4)**	**(395.2)**	**(569.5)**	**(117.1)**	**(122.7)**	**26.7**
Net Change	**734.9**	**473.9**	**(223.6)**	**209.5**	**111.9**	**261.3**
Closing Balance	**5,434.4**	**5,908.3**	**5,684.7**	**5,894.2**	**6,006.1**	**6,155.5**

The difference between the Closing Balance amounts in the fiscal 2019 Forecast and fiscal 2019 Forecast (Rate Freeze) columns reflects the impacts of the rate freeze, associated finance charges, and lower recoveries of the Cost of Energy Variance Accounts as a result of lower revenue from the Deferral Account Rate Rider (due to the rate freeze). The impacts noted above are reflected in the Table in line "Recoveries/Other".

7.0 Topic: RSRA balance forecast

Reference: Exhibit B-1-1, Table 7-2, Regulatory Account Balances - Fiscal 2015 to Fiscal 2016 Actual, Forecast Fiscal 2017 to Fiscal 2024 ($million), p.7-6, pdf p.500

	($ million)	F2015 Actual	F2016 Actual	F2017 Forecast	F2018 Forecast	F2019 Forecast	F2020 Forecast	F2021 Forecast	F2022 Forecast	F2023 Forecast	F2024 Forecast
	Rate Smoothing Accounts										
27	Rate Smoothing	166	287	497	783	1,083	1,491	1,589	1,286	733	0
	Total	166	287	497	783	1,083	1,491	1,589	1,286	733	0

4.7.1 Please provide a version of Line 27 of Table 7-2 showing (a) the original Rate Smoothing RA balances with a 3% F2019 rate increase, with updates if material, and (b) revised RSRA balances assuming a 0% F2019 rate increase and extended to future years until the balance reaches zero.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.1.3.

1.0 Reference: Deferral and regulatory account forecast balances
Exhibit B-23, Amended Application, p. 1; Exhibit B-9, BCUC IR 1.24.2; Transcript Vol. 8, p. 451

BC Hydro states that its amended request from a 3 percent to 0 percent rate increase in F2019 results in an increase to the transfer to the Rate Smoothing Regulatory Account (RSRA) in fiscal 2019 of approximately $140 million, for a total of $439.4 million.[1]

In BCUC IR 1.124.2, BC Hydro provided each of its actual and forecast regulatory account balances for the years from F2012 to F2024.

Section 7 (k) of Direction No. 7 states that subject to setting rates for BC Hydro in the test period, the Commission:

> … must set the authority's rates in such a way as to allow the regulatory accounts to be cleared from time to time and within a reasonable period.

During the Procedural Conference, Mr. Andrews stated:

> This 3 percent increase is a permanent rate increase. Therefore, a rate freeze with a zero percent means failure to recover $140 million not only in the test year, but in every year therefore, unless and until there's a change in the rates.[2]

4.1.1 Please comment on the above statement by Mr. Andrews.

RESPONSE:

BC Hydro does not agree that the foregone revenue as a result of the rate freeze will not be recovered in all future years "unless and until there's a change in the rates" (emphasis added).

BC Hydro considers that a change in the revenue requirements in fiscal 2020 and future years would avoid the situation described in the question. The extent to which the situation would be avoided would depend on the quantum and the timing in the change in BC Hydro's revenue requirements in fiscal 2020 and future years.

[1] $299.9 million + $140 million
[2] Transcript Vol. 8, p. 451

The Mandate Letter from Government to BC Hydro dated August 24, 2017 indicates that the Government "…expect(s) that BC Hydro will work with the Ministry of Energy Mines and Petroleum Resources (Ministry) to:

…

- **Freeze BC Hydro rates and develop a refreshed plan to keep electricity rates low and predictable over the long-term while making significant investments to expand the system and maintain aging infrastructure;**

  …

- **Conduct an immediate and comprehensive review of BC Hydro's activities, performance and organizational structure to identify potential efficiencies that could benefit ratepayers, and ensure that the organization is positioned to deliver on BC Hydro's objectives and government's priorities."**

The Government's announcement regarding the rate freeze included the following:

> **"The rate freeze will provide government the time to undertake a comprehensive review of BC Hydro. That review will identify changes and cost savings to keep rates low while ensuring BC Hydro has the resources it needs to continue to provide clean, safe and reliable electricity. Details of the scope and process for the review will be developed once government has made a final decision on Site C.**
>
> **After completing a comprehensive review of BC Hydro, any cost and revenue adjustments identified will be reflected in rates starting in April 2019."**

The full announcement can be found at this link:
https://news.gov.bc.ca/releases/2017EMPR0021-001875

The above statements indicate that any changes to BC Hydro's revenue requirements resulting from the comprehensive review or from the development of the refreshed plan for rates will be reflected in rates starting in fiscal 2020.

1.0 Reference: Deferral and regulatory account forecast balances
Exhibit B-23, Amended Application, p. 1; Exhibit B-9, BCUC IR 1.24.2; Transcript Vol. 8, p. 451

BC Hydro states that its amended request from a 3 percent to 0 percent rate increase in F2019 results in an increase to the transfer to the Rate Smoothing Regulatory Account (RSRA) in fiscal 2019 of approximately $140 million, for a total of $439.4 million.[1]

In BCUC IR 1.124.2, BC Hydro provided each of its actual and forecast regulatory account balances for the years from F2012 to F2024.

Section 7 (k) of Direction No. 7 states that subject to setting rates for BC Hydro in the test period, the Commission:

> … must set the authority's rates in such a way as to allow the regulatory accounts to be cleared from time to time and within a reasonable period.

During the Procedural Conference, Mr. Andrews stated:

> This 3 percent increase is a permanent rate increase. Therefore, a rate freeze with a zero percent means failure to recover $140 million not only in the test year, but in every year therefore, unless and until there's a change in the rates.[2]

4.1.2 Please provide an estimate of the annual carrying cost of an additional $140 million to the RSRA and show calculations.

RESPONSE:

Please see the table below for an estimate of the annual carrying cost of an additional $140 million to the Rate Smoothing Regulatory Account. For the purpose of this response, BC Hydro has assumed that, in the short term (i.e., in fiscal 2019), BC Hydro would fund the revenue shortfall related to the rate freeze and additional $140 million in the Rate Smoothing Regulatory Account by issuing more short term debt. If this increase in debt were to persist over the longer term and not be reduced, BC Hydro has assumed that a mix of short term and long term debt would be issued. Additionally, for the purpose of this response, BC Hydro has not assumed that interest would be compounding.

[1] $299.9 million + $140 million
[2] Transcript Vol. 8, p. 451

	in $ millions	Reference	F2019	F2020-F2024 (In each fiscal year not recovered)
A	Incremental debt		140	140
B	Long term portion %		0%	85%
C	Long term debt	C= A x B	-	119
D	Debt (1/2 yr rule applied – F2019 only)		-	119
E	Long term interest rate	Appendix A, Schedule 8.0, Line 91	4.60%	4.60%
F	Long term finance charge	F = D x E	-	5.5
G	Short term portion %		100%	15%
H	Short term debt	H = A x G	140	21
I	Debt (1/2 yr rule applied – F2019 only)	I = H / 2	70	21
J	Short term interest rate	Appendix A, Schedule 8.0, Line 99	2.03%	2.03%
K	Short term finance charge	K = I x L	1.4	0.4
L	Total finance charge	L = F + K	$1.4	$5.9

1.0 Reference: Deferral and regulatory account forecast balances
Exhibit B-23, Amended Application, p. 1; Exhibit B-9, BCUC IR 1.24.2; Transcript Vol. 8, p. 451

BC Hydro states that its amended request from a 3 percent to 0 percent rate increase in F2019 results in an increase to the transfer to the Rate Smoothing Regulatory Account (RSRA) in fiscal 2019 of approximately $140 million, for a total of $439.4 million.[1]

In BCUC IR 1.124.2, BC Hydro provided each of its actual and forecast regulatory account balances for the years from F2012 to F2024.

Section 7 (k) of Direction No. 7 states that subject to setting rates for BC Hydro in the test period, the Commission:

> … must set the authority's rates in such a way as to allow the regulatory accounts to be cleared from time to time and within a reasonable period.

During the Procedural Conference, Mr. Andrews stated:

> This 3 percent increase is a permanent rate increase. Therefore, a rate freeze with a zero percent means failure to recover $140 million not only in the test year, but in every year therefore, unless and until there's a change in the rates.[2]

4.1.3 Please provide an updated table, as was provided in BCUC IR 1.124.2, as a result of the amended request.

RESPONSE:

Please refer to the tables below, in which BC Hydro has updated the forecast balances in the Rate Smoothing Regulatory Account for two scenarios:

1. **If the lower revenue caused by a 0 per cent rate increase in fiscal 2019 is offset by changes in revenues and/or costs in future years (i.e., the approximately $140 million impact occurs only in fiscal 2019) and there were no other changes in BC Hydro's revenue requirements resulting from the comprehensive review of BC Hydro or the refreshed plan for rates that will be developed; and**

[1] $299.9 million + $140 million.
[2] Transcript Vol. 8, p. 451.

2. If the lower revenue caused by a 0 per cent rate increase in fiscal 2019 is not offset by changes in revenues and/or costs in future years (i.e., the approximately $140 million impact occurs in fiscal 2019 and the remainder of the 2013 10 Year Rates Plan – fiscal 2020 through fiscal 2024) and there were no other changes in BC Hydro's revenue requirements resulting from the comprehensive review of BC Hydro or the refreshed plan for rates that will be developed.

The tables have been prepared on the basis of our request in our rate freeze application, all else being equal, and include the estimated impact due to finance charges.

Table 1

Rate Smoothing Regulatory Account Balance ($ million)	F2017	F2018	F2019	F2020	F2021	F2022	F2023	F2024
Without F2019 rate freeze	497	783	1,083	1,491	1,589	1,286	733	0
With F2019 rate freeze – Scenario 1	497	783	1,225	1,625	1,704	1,370	797	0

Table 2

Rate Smoothing Regulatory Account Balance ($ million)	F2017	F2018	F2019	F2020	F2021	F2022	F2023	F2024
Without F2019 rate freeze	497	783	1,083	1,491	1,589	1,286	733	0
With F2019 rate freeze – Scenario 2	497	783	1,225	1,726	1,865	1,537	915	0

1.0 Reference: Deferral and regulatory account forecast balances
Exhibit B-23, Amended Application, p. 1; Exhibit B-9, BCUC IR 1.24.2; Transcript Vol. 8, p. 451

BC Hydro states that its amended request from a 3 percent to 0 percent rate increase in F2019 results in an increase to the transfer to the Rate Smoothing Regulatory Account (RSRA) in fiscal 2019 of approximately $140 million, for a total of $439.4 million.[1]

In BCUC IR 1.124.2, BC Hydro provided each of its actual and forecast regulatory account balances for the years from F2012 to F2024.

Section 7 (k) of Direction No. 7 states that subject to setting rates for BC Hydro in the test period, the Commission:

> … must set the authority's rates in such a way as to allow the regulatory accounts to be cleared from time to time and within a reasonable period.

During the Procedural Conference, Mr. Andrews stated:

> This 3 percent increase is a permanent rate increase. Therefore, a rate freeze with a zero percent means failure to recover $140 million not only in the test year, but in every year therefore, unless and until there's a change in the rates.[2]

4.1.4 Please discuss how the amended request impacts the Commission's mandate under section 7(k) of Direction No. 7.

RESPONSE:

BC Hydro considers that our rate freeze application does not impact the Commission's mandate under section 7(k) of Direction No. 7, as the Commission retains the authority to determine a reasonable recovery period for the Rate Smoothing Regulatory Account.

BC Hydro does not interpret the Minister's Mandate Letter as affecting the recovery period for the Rate Smoothing Regulatory Account.

As noted in section 1.1.1 of the Application:

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1 $299.9 million + $140 million
2 Transcript Vol. 8, p. 451

> **"The 2013 10 Year Rates Plan is built on the basis of average rate increases of 2.6 per cent in the last five years of the plan from fiscal 2020 to fiscal 2024, including the full recovery of the balance in the Rate Smoothing Regulatory Account (which captures the unrecovered portion of the revenue requirements from the earlier years of the 2013 10 Year Rates Plan)."**

BC Hydro continues to consider that the balance in the Rate Smoothing Regulatory Account must be recovered by the end of fiscal 2024.

Notwithstanding the above, BC Hydro notes that the Government has announced that a comprehensive review of BC Hydro will be undertaken and a refreshed plan for rates will be developed. As the scope and process for this review is not yet known, it is not possible to speculate as to the outcomes of the comprehensive review and the refreshed plan for rates, including with regard to the Rate Smoothing Regulatory Account.

2.0 Reference: Regulatory justification and government policy
Exhibit B-1-1, p. 1-17; Transcript Volume 8, pp. 403, 404

In the original Application, BC Hydro states: "If the caps on rate increase set out in Direction No. 7 were not in place, it is estimated that BC Hydro's proposed rate increases for these years would have been 8.9 per cent, 5.0 per cent and 3.0 per cent respectively."

4.2.1 Please discuss the impact on intergenerational inequity as it relates to the amended request from a 3 percent rate increase to 0 percent rate increase in F2019.

RESPONSE:

BC Hydro's view is that a rate freeze in fiscal 2019 would not materially impact customers from the perspective of intergenerational equity. As noted in BC Hydro's response to BCUC IR 4.1.4, the Commission retains the authority to set the recovery period for the Rate Smoothing Regulatory Account, and BC Hydro's planned recovery period for the account remains unchanged.

2.0 Reference: Regulatory justification and government policy
Exhibit B-1-1, p. 1-17; Transcript Volume 8, pp. 403, 404

During the Procedural Conference held on November 23, 2017, BC Hydro stated that the Minister's mandate is "a statement of government policy" and that "it should be given considerable weight."[1]

4.2.2 In addition to BC Hydro's position that considerable weight should be given to a statement of government policy, please discuss any further basis on which the Commission can approve the amended request based on established regulatory principles.

RESPONSE:

The Commission can give effect to the clear expression of Government policy favouring a rate freeze in the present circumstances within the bounds of established regulatory principles. The predominant principle of regulation at play in the context of a revenue requirements proceeding like this is the principle that a utility should be entitled to recover its prudently incurred costs. The Commission gives effect to this principle, irrespective of the level at which rates are set, by ensuring that BC Hydro is able to recover its forecast revenue requirements. In the present case, recovery would come from the use of the Rate Smoothing Regulatory Account, which captures the difference between approved rates and the approved revenue requirements for recovery in future years.

[1] Transcript Volume 8, pp. 403, 404

2.0 Reference: Regulatory justification and government policy
Exhibit B-1-1, p. 1-17; Transcript Volume 8, pp. 403, 404

Section 7 (h) of Direction No. 7 states that the Commission:

> (h) must allow the authority to establish the following regulatory accounts:
>
> > (i) an account to defer for recovery in rates in future fiscal years of the authority those portions of the authority's allowed revenue requirement in a particular fiscal year that were not or are not to be recovered in rates in that particular fiscal year;

Section 9 (2) of Direction No. 7 states:

> If the base line rate change exceeds 4% in F2017, 3.5% in F2018 or 3% in F2019, the commission must order the authority to defer to the rate smoothing regulatory account the amount that is determined by subtracting the amount in paragraph (b) from the amount in paragraph (a)

4.2.3 In the scenario that the amended request of a 0 percent rate increase is approved for F2019, please discuss whether the Commission has the jurisdiction to disallow the transfer of the $140 million into the RSRA.

RESPONSE:

If the Commission approves BC Hydro's amended request for a 0 per cent rate increase for fiscal 2019, then the shortfall between BC Hydro's approved revenue requirements for fiscal 2019 and BC Hydro's forecast revenue for fiscal 2019 must be deferred to the Rate Smoothing Regulatory Account pursuant to sections 4, 7(h)(i), and 9 of Direction No. 7.

BC Hydro's request for a 0 per cent rate increase in fiscal 2019 is based on deferring a portion of our requested revenue requirements to the Rate Smoothing Regulatory Account. If the Commission approves BC Hydro's requested revenue requirements for fiscal 2019, then the Commission must set rates to allow BC Hydro to recover those approved costs, as public utilities like BC Hydro have a right to recover their prudently incurred costs and an opportunity to earn a return on, and return of, invested capital.

Further, section 4 of Direction No. 7 requires the Commission to allow BC Hydro to collect sufficient revenue in each year to enable BC Hydro to, amongst other things, meet all of its debt service, tax and other financial obligations and achieve its prescribed annual rate of return on deemed equity. The effect of these provisions is that the Commission may not attribute the approximately $140 million in costs to be deferred due to the rate freeze in fiscal 2019, or the interest on it, to the account of the shareholder.

2.0 Reference: Regulatory justification and government policy
Exhibit B-1-1, p. 1-17; Transcript Volume 8, pp. 403, 404

Section 7 (h) of Direction No. 7 states that the Commission:

> (h) must allow the authority to establish the following regulatory accounts:
>
> > (i) an account to defer for recovery in rates in future fiscal years of the authority those portions of the authority's allowed revenue requirement in a particular fiscal year that were not or are not to be recovered in rates in that particular fiscal year;

Section 9 (2) of Direction No. 7 states:

> If the base line rate change exceeds 4% in F2017, 3.5% in F2018 or 3% in F2019, the commission must order the authority to defer to the rate smoothing regulatory account the amount that is determined by subtracting the amount in paragraph (b) from the amount in paragraph (a)

4.2.4 Please discuss whether there is regulatory justification for the Commission to attribute the $140 million F2019 revenue deficiency to the account of BC Hydro's shareholder.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.2.3.

2.0 Reference: Regulatory justification and government policy
Exhibit B-1-1, p. 1-17; Transcript Volume 8, pp. 403, 404

Section 7 (h) of Direction No. 7 states that the Commission:

> (h) must allow the authority to establish the following regulatory accounts:
>
> > (i) an account to defer for recovery in rates in future fiscal years of the authority those portions of the authority's allowed revenue requirement in a particular fiscal year that were not or are not to be recovered in rates in that particular fiscal year;

Section 9 (2) of Direction No. 7 states:

> If the base line rate change exceeds 4% in F2017, 3.5% in F2018 or 3% in F2019, the commission must order the authority to defer to the rate smoothing regulatory account the amount that is determined by subtracting the amount in paragraph (b) from the amount in paragraph (a)

4.2.5 Please discuss whether there is regulatory justification for the Commission to attribute the financing costs related to the $140 million to the account of BC Hydro's shareholder.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.2.3.

2.0 Reference: Regulatory justification and government policy
Exhibit B-1-1, p. 1-17; Transcript Volume 8, pp. 403, 404

Section 7 (h) of Direction No. 7 states that the Commission:

> (h) must allow the authority to establish the following regulatory accounts:
>
> > (i) an account to defer for recovery in rates in future fiscal years of the authority those portions of the authority's allowed revenue requirement in a particular fiscal year that were not or are not to be recovered in rates in that particular fiscal year;

Section 9 (2) of Direction No. 7 states:

> If the base line rate change exceeds 4% in F2017, 3.5% in F2018 or 3% in F2019, the commission must order the authority to defer to the rate smoothing regulatory account the amount that is determined by subtracting the amount in paragraph (b) from the amount in paragraph (a)

4.2.6 Please discuss the short-term and long-term implications to ratepayers of BC Hydro's amended request. What is the value proposition for ratepayers? What are the risks?

RESPONSE:

The short-term implications and value proposition of BC Hydro's rate freeze application for ratepayers is that customer rates would not increase in fiscal 2019.

The long-term implications and risks of BC Hydro's rate freeze application for ratepayers will depend on the approved rates in fiscal 2020 and future years. The results of comprehensive review of BC Hydro that will be undertaken, and the refreshed plan for rates that will be developed, will be reflected in rates starting in fiscal 2020.

The rate freeze will, other things being equal, result in an estimated additional $142.3 million (refer to BC Hydro's response to BCSEA IR 4.3.4.1 for an explanation of this number) flowing to the Rate Smoothing Regulatory Account that will have to either be offset or recovered in rates in future years. The Government's announcement regarding the rate freeze provides insights for ratepayers as to its objectives; namely, Government noted that the comprehensive review "…will identify changes and cost savings to keep rates low while ensuring BC Hydro has the resources it needs to continue to provide clean, safe and reliable electricity."[1]

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[1] **The full announcement can be found at this link: https://news.gov.bc.ca/releases/2017EMPR0021-001875**

2.0 Reference: Regulatory justification and government policy
Exhibit B-1-1, p. 1-17; Transcript Volume 8, pp. 403, 404

Section 7 (h) of Direction No. 7 states that the Commission:

> (h) must allow the authority to establish the following regulatory accounts:
>
> > (i) an account to defer for recovery in rates in future fiscal years of the authority those portions of the authority's allowed revenue requirement in a particular fiscal year that were not or are not to be recovered in rates in that particular fiscal year;

Section 9 (2) of Direction No. 7 states:

> If the base line rate change exceeds 4% in F2017, 3.5% in F2018 or 3% in F2019, the commission must order the authority to defer to the rate smoothing regulatory account the amount that is determined by subtracting the amount in paragraph (b) from the amount in paragraph (a)

4.2.6.1 Please calculate the NPV impact to ratepayers of deferring the $140 million in F2019 over 5, 10 and 15 years and compare this to the cost of recovering the $140 million in rates in F2019.

RESPONSE:

Please see the table below for the estimate of the comparative NPV impacts of deferring $142.3 million in fiscal 2019 and recovering over five, 10 and 15 years (which includes estimated financing costs). Please refer to BC Hydro's response to BCSEA IR 4.3.4.1 for an explanation of the $142.3 million.For the purposes of this calculation, BC Hydro assumed a discount rate of 6 per cent, which is BC Hydro's nominal discount rate used for business case evaluation.

$ millions	1 Year (F19)	5 Years	10 Years	15 Years
Estimated NPV impact to ratepayers of recovering $142.3 million over various periods	**($142.3)**	**($134.0)**	**($129.1)**	**($124.8)**

3.0 Reference: Minister's Mandate letter
Exhibit B-23, Attachment 1, p. 2; BC Hydro Final Argument, p. 21

The Minister's Mandate letter attached in Exhibit B-23 states:

> Freeze BC Hydro Rates and develop a refreshed plan to keep electricity rates low and predictable over the long-term while making significant investments to expand the system and maintain aging infrastructure.

BC Hydro states in its Final Argument that it:

> …re-prioritized capital expenditures and additions. BC Hydro cancelled some growth projects and delayed others to later years when the load will have increased to the point that they will again be required. This exercise resulted in a $381.2 million reduction in planned capital expenditures and a $392.5 million reduction in planned capital additions over the test period.

4.3.1 Given that BC Hydro has re-prioritized its capital expenditures and cancelled or delayed other projects in order to reduce capital additions over the test period, please discuss what additional capital projects will be delayed, cancelled or re-prioritized as a result of the amended request. Provide a list, where appropriate.

RESPONSE:

We anticipate continuing the capital-related and other expenditures filed in our Application in fiscal 2019. As a result, our rate freeze application includes the following:

> **"BC Hydro is maintaining its requests related to…the total revenue requirements for fiscal 2019."**

Our forecast revenue requirements for the test period reflect significant steps to control costs, including with respect to capital investments. The Minister's Mandate Letter suggests that BC Hydro should continue to operate within its existing budgets, which extend to the end of the test period. The results of comprehensive review of BC Hydro that will be undertaken, and the refreshed plan for rates that will be developed, will be reflected in rates starting in fiscal 2020.

It is premature to speculate on changes for fiscal years beyond the test period, since BC Hydro must consider the results of Government's comprehensive review. As noted in the Government's announcement regarding the rate freeze,

"…the scope and process for the (comprehensive) review will be developed once the government has made a final decision on Site C."[1]

Also in that announcement, Government indicated that the review will "…ensur(e) BC Hydro has the resources it needs to continue to provide clean, safe and reliable electricity."

Further, the Mandate Letter includes the following:

- **"Freeze BC Hydro rates and develop and refreshed plan to keep electricity rates low and predictable over the long-term <u>while making significant investments to expand the system and maintain aging infrastructure</u>" (emphasis added)**

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[1] **The full announcement can be found at this link: https://news.gov.bc.ca/releases/2017EMPR0021-001875**

3.0 Reference: Minister's Mandate letter
Exhibit B-23, Attachment 1, p. 2; BC Hydro Final Argument, p. 21

The Minister's Mandate letter attached in Exhibit B-23 states:

> Freeze BC Hydro Rates and develop a refreshed plan to keep electricity rates low and predictable over the long-term while making significant investments to expand the system and maintain aging infrastructure.

BC Hydro states in its Final Argument that it:

> …re-prioritized capital expenditures and additions. BC Hydro cancelled some growth projects and delayed others to later years when the load will have increased to the point that they will again be required. This exercise resulted in a $381.2 million reduction in planned capital expenditures and a $392.5 million reduction in planned capital additions over the test period.

4.3.2 Please provide BC Hydro's interpretation of the above portion of the Mandate letter. Please discuss how BC Hydro plans to make significant capital investments while keeping rates low and predictable over the long term.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.3.1, in which we note that we anticipate continuing the capital-related and other expenditures filed in our Application in fiscal 2019.

For years beyond the test period, at this time BC Hydro is only in a position to relay Government's expressed intention to conduct a comprehensive review and to develop a refreshed plan for rates, and not the results. As noted in the Government's announcement regarding the rate freeze, "…the scope and process for the (comprehensive) review will be developed once the government has made a final decision on Site C."[1]

[1] **The full announcement can be found at this link: https://news.gov.bc.ca/releases/2017EMPR0021-001875**

4.0 Reference: Previous Commission decisions
Transcript Volume 8, p 404

At the Procedural Conference, BC Hydro submitted that a number of past Commission orders and decisions provide precedent for the manner in which the Commission can interpret Ministerial letters to be government policy and therefore provide regulatory justification for the amended request.

4.4.1 Please confirm that all of the orders and decisions relied upon by BC Hydro (apart from the Ministerial letter related to the rate re-balancing arising from the 2007 Rate Design) also had other evidence which the Commission could rely on as regulatory justification for approval of the orders sought.

RESPONSE:

Not confirmed.

In the 2012 Application to Suspect the Retail Access Program, the Commission stated that the letter from Minister Coleman had the "most bearing on the Commission's decision as it is a direct statement of government policy."[1] Commission Order No. G-39-12 states: "The Retail Access Tariff is suspended for a maximum of two years, until March 23, 2014, because of the government's policy direction from the Minister of Energy and Mines."[2]

[1] **Order G-39-12, dated March 15, 2012, Appendix A Reasons for Decision, p. 2.**
[2] **Order G-39-12, dated March 15, 2012, p. 2.**

4.0 Reference: Previous Commission decisions
Transcript Volume 8, p 404

At the Procedural Conference, BC Hydro submitted that a number of past Commission orders and decisions provide precedent for the manner in which the Commission can interpret Ministerial letters to be government policy and therefore provide regulatory justification for the amended request.

4.4.2 Please confirm that the Ministerial letter related to the order and decision on rate re-balancing arising from the 2007 Rate Design contained a definite statement that legislation would be introduced to make changes to the Commission's prior determination.

RESPONSE:

Confirmed. However, at the time the Commission considered and gave weight to the Minister's statement, it was only a statement of Government's intent.

4.0 Reference: Previous Commission decisions
Transcript Volume 8, p 404

At the Procedural Conference, BC Hydro submitted that a number of past Commission orders and decisions provide precedent for the manner in which the Commission can interpret Ministerial letters to be government policy and therefore provide regulatory justification for the amended request.

4.4.3 Please discuss whether BC Hydro is aware of any past Commission orders or decisions where the sole regulatory justification for the approval sought, in the absence of a definitive statement of impending change in legislation, was a Ministerial letter.

RESPONSE:

The Commission's Decision in BC Hydro's 2012 Application to Suspect the Retail Access Program is analogous to the present situation. Minister Coleman's direction in that case is akin to the current Minister's Mandate Letter regarding the rate freeze: it is a clear direction to BC Hydro to pursue a rate change before the Commission in anticipation of a future Government review, with no statement of impending change in legislation.

Further, until legislation has passed and received royal assent, it is not law. Therefore, in cases such as the Commission's approval of the Standing Offer Program in Order No. G-43-08 or reconsideration of rate rebalancing orders in Order No. G-34-08, the fact that there is an expectation of a change in legislation should not be considered a distinguishing feature. In the absence of an actual change in legislation, the Commission was relying solely on an expression of government policy. For example, the Commission's approval of the Standing Offer Program was based on the expression of government policy in the 2007 Energy Plan. The Standing Offer Program was only later incorporated into the *Clean Energy Act.*

5.0 Reference: Cost savings and cost management
BC Hydro Final Argument, pp. 20–22; Exhibit B-1-2, line 2 of Table 1-1, p. 1-23 and line 7 of Table 5-5, p. 5-19; Exhibit B-10, BCOAPO IR 31.1

In its Final Argument, BC Hydro states that in the years leading up to this test period, it has:

- reduced the number of executive and senior managers by 10;
- implemented a process to improve efficiency and enhance internal control over key business functions;
- reduced planned capital expenditures from an average of approximately $2.1 billion per year to $1.7 billion per year (not including the Site C Clean Energy Project);
- eliminated a further 341 non-operational positions; and
- terminated or deferred 27 Electricity Purchase Agreements with Independent Power Producers ("IPPs") since 2013, thereby reducing electricity purchase commitments by $2.1 billion. [1]

BC Hydro also states that it:

- limited forecast base operating costs (before sustainment costs related to the Smart Metering and Infrastructure program) to an annual average of 1.2 per cent over the test period;
- re-prioritized capital expenditures and additions by cancelling some growth projects and delayed others to later years creating a $381.2 million reduction in planned capital expenditures and a $392.5 million reduction in planned capital additions over the test period;
- Delayed and cancelled capital projects which enabled BC Hydro to reduce its forecasted operating costs related to dismantling of existing facilities slated for replacement by $70 million over the test period;
- re-examined its energy portfolio by negotiating lower energy prices upon renewal of Electricity Purchase Agreements;
- initiated a process to modernize and improve the cost-effectiveness of its DSM programs and reducing its overall level of planned DSM expenditures;
- introduced a debt management strategy for future debt that is expected to yield savings of approximately $45 million over the three-year test period.[2]

In the Application, BC Hydro forecasts incremental test period savings (relative to fiscal 2018) of $0.2 million for F2019.[3] BC Hydro also states that other lines in Table 5-5 show further incremental reductions (relative to fiscal 2017) in

1 BC Hydro Final Argument, p. 20.
2 BC Hydro Final Argument, pp. 21–22.
3 Exhibit B-1-2, line 2 of Table 1-1, p. 1-23 and line 7 of Table 5-5, p. 5-19.

fiscal 2018 and/or fiscal 2019 as a result of BC Hydro's efforts to manage its operating costs, "including on lines 11, 16, 17, 18, 22, 32 and 39."[4] Commission staff note the incremental reductions on these lines total $1.3 million for F2019.

4.5.1 In the context of the amended requests to set rates for F2019 at 0 percent instead of 3 percent, please discuss what additional cost cutting and cost reduction measures BC Hydro will commit to in F2019 in order to further align its costs with the revenues it anticipates to receive (and hence reduce its rate impact to customers). Please provide a detailed plan.

RESPONSE:

Our rate freeze application includes the following:

> **"BC Hydro is maintaining its requests related to…the total revenue requirements for fiscal 2019."**

The above statement indicates that we anticipate continuing the activities related to our expenditures filed in our Application in fiscal 2019. BC Hydro continues to rely on all of its evidence and arguments in support of its overall revenue requirements and other requests, with the exception of the Mandate Letter which mandates a rate freeze.

BC Hydro's evidence over the course of the proceeding demonstrated that we took significant steps to reduce costs during the test period.

The Government's announcement regarding the rate freeze includes the following:

> **"After completing a comprehensive review of BC Hydro, any cost and revenue adjustments identified will be reflected in rates starting in April 2019."[5]**

BC Hydro expects that the comprehensive review and the development of a refreshed plan for rates will require significant time to complete as well as implement. This is consistent with the Government announcement above that resulting changes will be reflected in rates starting in fiscal 2020.

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[4] Exhibit B-10, BCOAPO IR 31.1.

[5] **The full announcement can be found at this link: https://news.gov.bc.ca/releases/2017EMPR0021-001875**

5.0 Reference: Cost savings and cost management
BC Hydro Final Argument, pp. 20–22; Exhibit B-1-2, line 2 of Table 1-1, p. 1-23 and line 7 of Table 5-5, p. 5-19; Exhibit B-10, BCOAPO IR 31.1

In its Final Argument, BC Hydro states that in the years leading up to this test period, it has:

- reduced the number of executive and senior managers by 10;
- implemented a process to improve efficiency and enhance internal control over key business functions;
- reduced planned capital expenditures from an average of approximately $2.1 billion per year to $1.7 billion per year (not including the Site C Clean Energy Project);
- eliminated a further 341 non-operational positions; and
- terminated or deferred 27 Electricity Purchase Agreements with Independent Power Producers ("IPPs") since 2013, thereby reducing electricity purchase commitments by $2.1 billion. [1]

BC Hydro also states that it:

- limited forecast base operating costs (before sustainment costs related to the Smart Metering and Infrastructure program) to an annual average of 1.2 per cent over the test period;
- re-prioritized capital expenditures and additions by cancelling some growth projects and delayed others to later years creating a $381.2 million reduction in planned capital expenditures and a $392.5 million reduction in planned capital additions over the test period;
- Delayed and cancelled capital projects which enabled BC Hydro to reduce its forecasted operating costs related to dismantling of existing facilities slated for replacement by $70 million over the test period;
- re-examined its energy portfolio by negotiating lower energy prices upon renewal of Electricity Purchase Agreements;
- initiated a process to modernize and improve the cost-effectiveness of its DSM programs and reducing its overall level of planned DSM expenditures;
- introduced a debt management strategy for future debt that is expected to yield savings of approximately $45 million over the three-year test period.[2]

In the Application, BC Hydro forecasts incremental test period savings (relative to fiscal 2018) of $0.2 million for F2019.[3] BC Hydro also states that other lines in Table 5-5 show further incremental reductions (relative to fiscal 2017) in

1 BC Hydro Final Argument, p. 20.
2 BC Hydro Final Argument, pp. 21–22.
3 Exhibit B-1-2, line 2 of Table 1-1, p. 1-23 and line 7 of Table 5-5, p. 5-19.

fiscal 2018 and/or fiscal 2019 as a result of BC Hydro's efforts to manage its operating costs, "including on lines 11, 16, 17, 18, 22, 32 and 39."[4] Commission staff note the incremental reductions on these lines total $1.3 million for F2019.

4.5.1 In the context of the amended requests to set rates for F2019 at 0 percent instead of 3 percent, please discuss what additional cost cutting and cost reduction measures BC Hydro will commit to in F2019 in order to further align its costs with the revenues it anticipates to receive (and hence reduce its rate impact to customers). Please provide a detailed plan.

4.5.1.1 Please explain why these additional measures were not cost cutting and cost reduction measures were not identified in the original Application.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.5.1.

[4] Exhibit B-10, BCOAPO IR 31.1.

5.0 Reference: Cost savings and cost management
BC Hydro Final Argument, pp. 20–22; Exhibit B-1-2, line 2 of Table 1-1, p. 1-23 and line 7 of Table 5-5, p. 5-19; Exhibit B-10, BCOAPO IR 31.1

In its Final Argument, BC Hydro states that in the years leading up to this test period, it has:

- reduced the number of executive and senior managers by 10;
- implemented a process to improve efficiency and enhance internal control over key business functions;
- reduced planned capital expenditures from an average of approximately $2.1 billion per year to $1.7 billion per year (not including the Site C Clean Energy Project);
- eliminated a further 341 non-operational positions; and
- terminated or deferred 27 Electricity Purchase Agreements with Independent Power Producers ("IPPs") since 2013, thereby reducing electricity purchase commitments by $2.1 billion. [1]

BC Hydro also states that it:

- limited forecast base operating costs (before sustainment costs related to the Smart Metering and Infrastructure program) to an annual average of 1.2 per cent over the test period;
- re-prioritized capital expenditures and additions by cancelling some growth projects and delayed others to later years creating a $381.2 million reduction in planned capital expenditures and a $392.5 million reduction in planned capital additions over the test period;
- Delayed and cancelled capital projects which enabled BC Hydro to reduce its forecasted operating costs related to dismantling of existing facilities slated for replacement by $70 million over the test period;
- re-examined its energy portfolio by negotiating lower energy prices upon renewal of Electricity Purchase Agreements;
- initiated a process to modernize and improve the cost-effectiveness of its DSM programs and reducing its overall level of planned DSM expenditures;
- introduced a debt management strategy for future debt that is expected to yield savings of approximately $45 million over the three-year test period.[2]

In the Application, BC Hydro forecasts incremental test period savings (relative to fiscal 2018) of $0.2 million for F2019.[3] BC Hydro also states that other lines in Table 5-5 show further incremental reductions (relative to fiscal 2017) in

1 BC Hydro Final Argument, p. 20.
2 BC Hydro Final Argument, pp. 21–22.
3 Exhibit B-1-2, line 2 of Table 1-1, p. 1-23 and line 7 of Table 5-5, p. 5-19.

fiscal 2018 and/or fiscal 2019 as a result of BC Hydro's efforts to manage its operating costs, "including on lines 11, 16, 17, 18, 22, 32 and 39."[4] Commission staff note the incremental reductions on these lines total $1.3 million for F2019.

4.5.1 In the context of the amended requests to set rates for F2019 at 0 percent instead of 3 percent, please discuss what additional cost cutting and cost reduction measures BC Hydro will commit to in F2019 in order to further align its costs with the revenues it anticipates to receive (and hence reduce its rate impact to customers). Please provide a detailed plan.

4.5.1.2 If no additional cost reduction efforts can be made in F2019, please discuss whether there are commitments BC Hydro can make at this time (to be implemented in the next test period) which may give the Commission the assurance that BC Hydro will have a fully developed plan in place to control future risks and further impacts for its ratepayers.

RESPONSE:

At this time, BC Hydro is only in a position to relay Government's expressed intention which is, as stated in the application, that both the Province and BC Hydro are committed to take further actions as required as part of a comprehensive review and to develop a refreshed plan for rates. BC Hydro cannot provide any further information on the results of such actions.

Government's announcement regarding the rate freeze provides insights for ratepayers as to its objectives; namely, Government noted that the comprehensive review "…will identify changes and cost savings to keep rates low while ensuring BC Hydro has the resources it needs to continue to provide clean, safe and reliable electricity."[5]

[4] Exhibit B-10, BCOAPO IR 31.1.

[5] **The full announcement can be found at this link: https://news.gov.bc.ca/releases/2017EMPR0021-001875.**

5.0 Reference: Cost savings and cost management
BC Hydro Final Argument, pp. 20–22; Exhibit B-1-2, line 2 of Table 1-1, p. 1-23 and line 7 of Table 5-5, p. 5-19; Exhibit B-10, BCOAPO IR 31.1

In its Final Argument, BC Hydro states that in the years leading up to this test period, it has:

- reduced the number of executive and senior managers by 10;
- implemented a process to improve efficiency and enhance internal control over key business functions;
- reduced planned capital expenditures from an average of approximately $2.1 billion per year to $1.7 billion per year (not including the Site C Clean Energy Project);
- eliminated a further 341 non-operational positions; and
- terminated or deferred 27 Electricity Purchase Agreements with Independent Power Producers ("IPPs") since 2013, thereby reducing electricity purchase commitments by $2.1 billion. [1]

BC Hydro also states that it:

- limited forecast base operating costs (before sustainment costs related to the Smart Metering and Infrastructure program) to an annual average of 1.2 per cent over the test period;
- re-prioritized capital expenditures and additions by cancelling some growth projects and delayed others to later years creating a $381.2 million reduction in planned capital expenditures and a $392.5 million reduction in planned capital additions over the test period;
- Delayed and cancelled capital projects which enabled BC Hydro to reduce its forecasted operating costs related to dismantling of existing facilities slated for replacement by $70 million over the test period;
- re-examined its energy portfolio by negotiating lower energy prices upon renewal of Electricity Purchase Agreements;
- initiated a process to modernize and improve the cost-effectiveness of its DSM programs and reducing its overall level of planned DSM expenditures;
- introduced a debt management strategy for future debt that is expected to yield savings of approximately $45 million over the three-year test period.[2]

In the Application, BC Hydro forecasts incremental test period savings (relative to fiscal 2018) of $0.2 million for F2019.[3] BC Hydro also states that other lines in Table 5-5 show further incremental reductions (relative to fiscal 2017) in

1 BC Hydro Final Argument, p. 20.
2 BC Hydro Final Argument, pp. 21–22.
3 Exhibit B-1-2, line 2 of Table 1-1, p. 1-23 and line 7 of Table 5-5, p. 5-19.

fiscal 2018 and/or fiscal 2019 as a result of BC Hydro's efforts to manage its operating costs, "including on lines 11, 16, 17, 18, 22, 32 and 39."[4] Commission staff note the incremental reductions on these lines total $1.3 million for F2019.

4.5.2 Please discuss whether BC Hydro has considered applying for a Performance Based Plan in future test periods, in particular with a mechanism where cost caps are implemented to match rate caps, and the utility manages it owns operating costs within the cost caps. Please discuss the pros and cons for such a mechanism.

RESPONSE:

BC Hydro is not currently considering applying for a performance based ratemaking (PBR) plan.

Common attributes of PBR mechanisms include:

- **Some of the revenue requirement is formula-driven, often based on industry productivity factors;**
- **Benefits of reduced costs, and the risk of excess costs, from the formula-driven benchmark are shared between the utility and its customers; and**
- **PBR mechanisms usually run over several years, so the utility has time to manage its operations and costs to achieve targeted savings. Of course, under normal cost of service regulation the utility already has a strong incentive to manage the business to stay within approved revenue requirements during a test period. The idea behind PBR mechanisms is that achieving some longer term benefits requires investments in the near term. In such cases, the PBR term must be long enough for the benefits to materialize, so that there is incentive to make the investments.**

BC Hydro has not given the option of a PBR plan sufficient consideration to provide a fully informed opinion on the pros and cons to customers and to BC Hydro. However, there are some potential generic pros and cons of PBR. For example, a PBR mechanism can help to facilitate longer-term planning and budgeting where short-term investments may be required to produce longer-term benefits. Also under PBR, the utility/shareholder and customers can share benefits if actual costs are less than the target amounts, and there is corresponding risk mitigation for the utility.

[4] Exhibit B-10, BCOAPO IR 31.1.

There are also a number of potential cons to a PBR mechanism. PBR plans are complex and may take multiple iterations to perfect over time (setting productivity factors etc.). There may also be an extended period between full revenue requirements applications, which may be of concern to some stakeholders.

As well, significant components of a utility's costs may be non-controllable and not suited to being subject to a PBR formula, such as cost of energy, which form a significant portion of BC Hydro's revenue requirements. It can also be difficult to accommodate "lumpy" capital within a formula, and large capital investment plans such as BC Hydro's may therefore not be suitable for a PBR.

Other issues include potentially increased reporting requirements during the performance term, and stakeholder acceptance of the PBR structure, term and formulas, etc.

6.0 Reference: 10-year rates plan
BC Hydro Final Argument, pp. 19, 25; Exhibit B-10, NIARG IR 1.1.1; Transcript Volume 8, pp. 444, 457, 461

BC Hydro submits that:

> The Commission should find that BC Hydro has taken appropriate and significant steps to manage costs and focus on important priorities during the test period, given the context of the 2013 10 Year Rates Plan and the Minister's Mandate Letter of Expectations. The Commission will review BC Hydro's rates and revenue requirements and deferral account balances for fiscal 2020 to fiscal 2024 in future proceedings, making it unnecessary for the Commission to make findings at this time regarding BC Hydro's progress towards achieving the 2013 10 Year Rates Plan rate targets for years after the test period. BC Hydro expects to file its next revenue requirements application prior to fiscal 2020.

The 10 Year Rates Plan to be implemented by BC Hydro was built on the basis of average rate increases of 2.6 percent in the last five years of the plan from F2020 to F2024, including full recovery of the balance in the Rate Smoothing Regulatory Account (which captures the unrecovered portion of the revenue requirements from the earlier years of the 2013 10 Year Rates Plan)[1]

BC Hydro also stated that "We are not currently anticipating that any factors will put us off track to achieve these targets. We have taken actions outlined in the Application to remain on track despite forecasting approximately $3.5 billion less revenue over the period covered by the 2013 10 Year Rates Plan. We will continue to take actions, working with Government, to remain on track by adapting to changing circumstances and challenges."[2]

At the Procedural Conference, when asked about the status of the 10 year rates plan, BC Hydro states that "…the government has identified that they're going to be looking at a different rates plan, a refreshed rates plan going forward.[3] …the refreshed rates plan would take care of [the recovery of the deferral account balances] going forward in future years."[4]

4.6.1 Given the context of the expectation that the RSRA balance will be fully recovered by F2024, does this equate to a 10-year revenue deficiency deferral account?

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1 Ibid., p. 19.
2 Exhibit B-10, NIARG IR 1.1.1.
3 Transcript Volume 8, p. 457.
4 Ibid., p. 461.

RESPONSE:

BC Hydro understands the reference to a revenue deficiency deferral account to be a reference to accounts such as FortisBC Energy (Vancouver Island) Inc.'s Revenue Deficiency Deferral Account and accounts that the Commission has approved for thermal energy utilities to mitigate the rate impacts of high up-front costs and smooth rates over time. The Rate Smoothing Regulatory Account has similar features in the sense that its effect is to smooth rates over a 10-year period.

BC Hydro described the Rate Smoothing Regulatory Account in section 7.5.24 of the Application, as follows:

> **"Order No. G-48-14 established the Rate Smoothing Regulatory Account in fiscal 2015 to defer for recovery in rates in future fiscal years, those portions of the allowed revenue requirement in a particular fiscal year that were not, or are not to be recovered in rates in that particular fiscal year. As part of the 2013 10 Year Rates Plan, this account was to be created to keep rate increases as gradual and predictable as possible, by spreading costs that occur in the earlier years of the 2013 10 Year Rates Plan over the later years of the Plan. Additionally, this account is to be paid down to zero by the end of fiscal 2024."**

The purpose of the account has not changed as a result of the requested rate freeze.

6.0 Reference: 10-year rates plan
BC Hydro Final Argument, pp. 19, 25; Exhibit B-10, NIARG IR 1.1.1; Transcript Volume 8, pp. 444, 457, 461

BC Hydro submits that:

> The Commission should find that BC Hydro has taken appropriate and significant steps to manage costs and focus on important priorities during the test period, given the context of the 2013 10 Year Rates Plan and the Minister's Mandate Letter of Expectations. The Commission will review BC Hydro's rates and revenue requirements and deferral account balances for fiscal 2020 to fiscal 2024 in future proceedings, making it unnecessary for the Commission to make findings at this time regarding BC Hydro's progress towards achieving the 2013 10 Year Rates Plan rate targets for years after the test period. BC Hydro expects to file its next revenue requirements application prior to fiscal 2020.

The 10 Year Rates Plan to be implemented by BC Hydro was built on the basis of average rate increases of 2.6 percent in the last five years of the plan from F2020 to F2024, including full recovery of the balance in the Rate Smoothing Regulatory Account (which captures the unrecovered portion of the revenue requirements from the earlier years of the 2013 10 Year Rates Plan)[1]

BC Hydro also stated that "We are not currently anticipating that any factors will put us off track to achieve these targets. We have taken actions outlined in the Application to remain on track despite forecasting approximately $3.5 billion less revenue over the period covered by the 2013 10 Year Rates Plan. We will continue to take actions, working with Government, to remain on track by adapting to changing circumstances and challenges."[2]

At the Procedural Conference, when asked about the status of the 10 year rates plan, BC Hydro states that "…the government has identified that they're going to be looking at a different rates plan, a refreshed rates plan going forward.[3] …the refreshed rates plan would take care of [the recovery of the deferral account balances] going forward in future years."[4]

4.6.2 Please discuss what impact the amended request will have on BC Hydro's ability to meet its stated commitment to fully recover the balance in the Rate Smoothing Regulatory Account by 2024.

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1 Ibid., p. 19.
2 Exhibit B-10, NIARG IR 1.1.1.
3 Transcript Volume 8, p. 457.
4 Ibid., p. 461.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.1.4.

6.0 Reference: 10-year rates plan
BC Hydro Final Argument, pp. 19, 25; Exhibit B-10, NIARG IR 1.1.1; Transcript Volume 8, pp. 444, 457, 461

BC Hydro submits that:

> The Commission should find that BC Hydro has taken appropriate and significant steps to manage costs and focus on important priorities during the test period, given the context of the 2013 10 Year Rates Plan and the Minister's Mandate Letter of Expectations. The Commission will review BC Hydro's rates and revenue requirements and deferral account balances for fiscal 2020 to fiscal 2024 in future proceedings, making it unnecessary for the Commission to make findings at this time regarding BC Hydro's progress towards achieving the 2013 10 Year Rates Plan rate targets for years after the test period. BC Hydro expects to file its next revenue requirements application prior to fiscal 2020.

The 10 Year Rates Plan to be implemented by BC Hydro was built on the basis of average rate increases of 2.6 percent in the last five years of the plan from F2020 to F2024, including full recovery of the balance in the Rate Smoothing Regulatory Account (which captures the unrecovered portion of the revenue requirements from the earlier years of the 2013 10 Year Rates Plan)[1]

BC Hydro also stated that "We are not currently anticipating that any factors will put us off track to achieve these targets. We have taken actions outlined in the Application to remain on track despite forecasting approximately $3.5 billion less revenue over the period covered by the 2013 10 Year Rates Plan. We will continue to take actions, working with Government, to remain on track by adapting to changing circumstances and challenges."[2]

At the Procedural Conference, when asked about the status of the 10 year rates plan, BC Hydro states that "…the government has identified that they're going to be looking at a different rates plan, a refreshed rates plan going forward.[3] …the refreshed rates plan would take care of [the recovery of the deferral account balances] going forward in future years."[4]

4.6.3 In the context of the current 10-year rate plan, please provide an updated estimate of the average rate increase in the last five years of the plan from F2020 to F2024, which includes full recovery of the balance in the RSRA in F2024 (including any

1 Ibid., p. 19.
2 Exhibit B-10, NIARG IR 1.1.1.
3 Transcript Volume 8, p. 457.
4 Ibid., p. 461.

incremental additions to the RSRA as a result of the amended request).

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.1.3, in which we outline two scenarios:

1. **If the lower revenue caused by a 0 per cent rate increase only occurs in fiscal 2019 and is offset in future years by changes in revenues and/or costs (i.e., the approximately $140 million impact occurs only in fiscal 2019) and there were no other changes in BC Hydro's revenue requirements resulting from the comprehensive review of BC Hydro or the refreshed plan for rates that will be developed.**

2. **If the lower revenue caused by a 0 per cent rate increase in fiscal 2019 is not offset by changes in revenues and/or costs in future years (i.e., the approximately $140 million impact occurs in fiscal 2019 and the remainder of the 2013 10 Year Rates Plan – fiscal 2020 through fiscal 2024) and there were no other changes in BC Hydro's revenue requirements resulting from the comprehensive review of BC Hydro or the refreshed plan for rates that will be developed.**

In the case of scenario 1, we estimate that, all else equal, annual rate increases for each of fiscal 2020 through fiscal 2024 would be 2.9 per cent.

In the case of scenario 2, we estimate that, all else equal, annual rate increases for each of fiscal 2020 through fiscal 2024 would be 3.8 per cent.

It is important to note that scenario 2 above is absent any further actions, such as those that would result from the comprehensive review of BC Hydro that will be undertaken, and the refreshed plan for rates that will be developed. The resulting changes from these initiatives will be reflected in rates starting in fiscal 2020. Achieving scenario 1 may involve changes resulting from the comprehensive review or refreshed plan for rates, and there is thus a third scenario that should be considered in response to this particular question:

3. **Same as scenario 1, except that changes in revenues and/or costs not only offset the impact of the forgone revenue in fiscal 2019 in future years, but are sufficient to offset even the impact of the lost revenue from fiscal 2019.**

In the case of scenario 3, depending on the level of changes resulting from the comprehensive review of BC Hydro or the refreshed plan for rates, annual rate increases for each of fiscal 2020 through fiscal 2024 could remain at 2.6 per cent.

6.0 Reference: 10-year rates plan
BC Hydro Final Argument, pp. 19, 25; Exhibit B-10, NIARG IR 1.1.1; Transcript Volume 8, pp. 444, 457, 461

BC Hydro submits that:

> The Commission should find that BC Hydro has taken appropriate and significant steps to manage costs and focus on important priorities during the test period, given the context of the 2013 10 Year Rates Plan and the Minister's Mandate Letter of Expectations. The Commission will review BC Hydro's rates and revenue requirements and deferral account balances for fiscal 2020 to fiscal 2024 in future proceedings, making it unnecessary for the Commission to make findings at this time regarding BC Hydro's progress towards achieving the 2013 10 Year Rates Plan rate targets for years after the test period. BC Hydro expects to file its next revenue requirements application prior to fiscal 2020.

The 10 Year Rates Plan to be implemented by BC Hydro was built on the basis of average rate increases of 2.6 percent in the last five years of the plan from F2020 to F2024, including full recovery of the balance in the Rate Smoothing Regulatory Account (which captures the unrecovered portion of the revenue requirements from the earlier years of the 2013 10 Year Rates Plan)[1]

BC Hydro also stated that "We are not currently anticipating that any factors will put us off track to achieve these targets. We have taken actions outlined in the Application to remain on track despite forecasting approximately $3.5 billion less revenue over the period covered by the 2013 10 Year Rates Plan. We will continue to take actions, working with Government, to remain on track by adapting to changing circumstances and challenges."[2]

At the Procedural Conference, when asked about the status of the 10 year rates plan, BC Hydro states that "…the government has identified that they're going to be looking at a different rates plan, a refreshed rates plan going forward.[3] …the refreshed rates plan would take care of [the recovery of the deferral account balances] going forward in future years."[4]

4.6.4 Please provide an update on the status of the government's proposed review of BC Hydro and what impact might this have on the current 10-year rate plan.

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1 Ibid., p. 19.
2 Exhibit B-10, NIARG IR 1.1.1.
3 Transcript Volume 8, p. 457.
4 Ibid., p. 461.

At the Procedural Conference, Mr. Keen stated that there is: "potential for intergenerational inequity, and that arises in the context of a very discreet amount. We don't think that that's something you need more information to deal with. It's a small amount in the grand scheme of things..."[5]

RESPONSE:

As noted in the Government's announcement regarding the rate freeze, "…the scope and process for the (comprehensive) review will be developed once the government has made a final decision on Site C."[6] BC Hydro cannot provide any further update in this regard.

Further, at this time BC Hydro is only in a position to relay Government's expressed intention to conduct a comprehensive review and to develop a refreshed plan for rates, and not the results.

[5] Transcript Volume 8, p. 444

[6] **The full announcement can be found at this link: https://news.gov.bc.ca/releases/2017EMPR0021-001875**

6.0 Reference: 10-year rates plan
BC Hydro Final Argument, pp. 19, 25; Exhibit B-10, NIARG IR 1.1.1; Transcript Volume 8, pp. 444, 457, 461

BC Hydro submits that:

> The Commission should find that BC Hydro has taken appropriate and significant steps to manage costs and focus on important priorities during the test period, given the context of the 2013 10 Year Rates Plan and the Minister's Mandate Letter of Expectations. The Commission will review BC Hydro's rates and revenue requirements and deferral account balances for fiscal 2020 to fiscal 2024 in future proceedings, making it unnecessary for the Commission to make findings at this time regarding BC Hydro's progress towards achieving the 2013 10 Year Rates Plan rate targets for years after the test period. BC Hydro expects to file its next revenue requirements application prior to fiscal 2020.

The 10 Year Rates Plan to be implemented by BC Hydro was built on the basis of average rate increases of 2.6 percent in the last five years of the plan from F2020 to F2024, including full recovery of the balance in the Rate Smoothing Regulatory Account (which captures the unrecovered portion of the revenue requirements from the earlier years of the 2013 10 Year Rates Plan)[1]

BC Hydro also stated that "We are not currently anticipating that any factors will put us off track to achieve these targets. We have taken actions outlined in the Application to remain on track despite forecasting approximately $3.5 billion less revenue over the period covered by the 2013 10 Year Rates Plan. We will continue to take actions, working with Government, to remain on track by adapting to changing circumstances and challenges."[2]

At the Procedural Conference, when asked about the status of the 10 year rates plan, BC Hydro states that "…the government has identified that they're going to be looking at a different rates plan, a refreshed rates plan going forward.[3] …the refreshed rates plan would take care of [the recovery of the deferral account balances] going forward in future years."[4]

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1 Ibid., p. 19.
2 Exhibit B-10, NIARG IR 1.1.1.
3 Transcript Volume 8, p. 457.
4 Ibid., p. 461.

4.6.5 What is BC Hydro's view on AMPC's suggestion that the $140 million addition to the RSRA is a "very discreet amount?"

RESPONSE:

BC Hydro's view is that any amount transferred to the Rate Smoothing Regulatory Account must receive due consideration, and that the financial implications of the transfer resulting from the rate freeze application are clearly defined in our responses to BCUC IRs 4.1.2, 4.1.3, 4.2.6.1 and 4.6.3.

188.0 Reference: Exhibit B-23, page 1

> BC Hydro writes, pursuant to sections 58-60 of the *Utilities Commission Act,* to amend our requests as they relate to fiscal 2019 as follows:
>
> (i) Change the requested rate increase for fiscal 2019 from 3 per cent to 0 per cent, and
>
> (ii) Request that Open Access Transmission Tariff (**OATT**) rates for fiscal 2019 remain unchanged from fiscal 2018.
>
> As explained below, our amended requests give effect to the B.C. Government's recent Mandate Letter to BC Hydro (**Attachment 1**), which contemplates a freeze of rates while a comprehensive review of BC Hydro is conducted, and while a refreshed plan to keep electricity rates low and predictable over the long-term is developed.

4.188.1 Please comment on the urgency with which BC Hydro believes the rate freeze should be implemented and provide any supporting evidence.

RESPONSE:

BC Hydro believes that the fiscal 2019 rates should be approved shortly after the conclusion of this process, allowing for sufficient time for the Commission Panel to consider the new evidence in conjunction with the evidence that is already on the record. Fiscal 2019 rates, whether interim or permanent, must be in place by the beginning of March 2018 so as to take effect at the beginning of fiscal 2019 (April 1, 2018). Please refer to BC Hydro's response to CEC IR 4.189.1 for further discussion about why it makes sense to determine permanent rates instead of deferring the decision.

188.0 Reference: Exhibit B-23, page 1

> BC Hydro writes, pursuant to sections 58-60 of the *Utilities Commission Act,* to amend our requests as they relate to fiscal 2019 as follows:
>
> (i) Change the requested rate increase for fiscal 2019 from 3 per cent to 0 per cent, and
>
> (ii) Request that Open Access Transmission Tariff (**OATT**) rates for fiscal 2019 remain unchanged from fiscal 2018.
>
> As explained below, our amended requests give effect to the B.C. Government's recent Mandate Letter to BC Hydro (**Attachment 1**), which contemplates a freeze of rates while a comprehensive review of BC Hydro is conducted, and while a refreshed plan to keep electricity rates low and predictable over the long-term is developed.

4.188.2 Please comment on why BC Hydro has brought forward only one element of the Minister's mandate letter at this time.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

189.0 Reference: Exhibit B-23, page 2 of 4

> The Commission has approved interim refundable rates for fiscal 2017 and fiscal 2018, pursuant to Order Nos. G-40-16, G-39-17 and G-46-17. It has made no orders with respect to fiscal 2019 to date.

4.189.1 Please comment on the requirements of the Commission to make a final order at this time with regard to 2019 rates. Please comment on whether or not it could issue an order for interim refundable rates for 2019 or defer a decision until after BC Hydro has had an opportunity to identify potential savings in its spending.

RESPONSE:

The Commission has the discretion to issue an order for interim refundable rates for fiscal 2019. It also has the discretion to defer making a decision to some extent, although an interim rates order would have to be issued by the Commission by early March, prior to the commencement of fiscal 2019 on April 1, 2018. That said, we are of the view that the Commission should approve final rates for fiscal 2019 at this time.

The Minister's Mandate Letter to BC Hydro expresses the expectation that BC Hydro "will manage its programs and initiatives within its existing budget targets, unless otherwise directed." BC Hydro's "existing budget targets" the period fiscal 2017 to fiscal 2019 are before the Commission in this Application. BC Hydro has filed a substantial body of evidence that supports our forecast of test period revenue requirements, including discussion of a number of steps we have taken to reduce costs already. It is our expectation that the Government review and refreshed rates plan would not have implications until fiscal 2020, as confirmed by Government's November 8, 2017 announcement regarding the rate freeze. In such circumstances, it would be inefficient and unnecessary to revisit the evidence on fiscal 2019 revenue requirements or defer a decision on permanent rates.

The full announcement can be found at this link:
https://news.gov.bc.ca/releases/2017EMPR0021-001875

190.0 Reference: Exhibit B-23, page 2 of 4

On August 24, 2017, the B.C. Government issued its Mandate Letter to BC Hydro which among other things requests that BC Hydro will work with Government to:

> "Freeze BC Hydro Rates and develop a refreshed plan to keep electricity rates low and predictable over the long-term while making significant investments to expand the system and maintain aging infrastructure."

4.190.1 Please provide BC Hydro's interpretation of what is meant by a 'refreshed plan', and discuss whether or not this refreshed plan would be expected to replace the 10 Year Rates Plan.

RESPONSE:

BC Hydro interprets the 'refreshed plan' for rates to be a plan that BC Hydro and government will develop that will help inform future Revenue Requirement Applications to the Commission. BC Hydro expects the refreshed plan for rates will modify or replace the 2013 10 Year Rates Plan, but does not have further details at this time regarding the scope of any potential changes.

190.0 Reference: Exhibit B-23, page 2 of 4

On August 24, 2017, the B.C. Government issued its Mandate Letter to BC Hydro which among other things requests that BC Hydro will work with Government to:

> "Freeze BC Hydro Rates and develop a refreshed plan to keep electricity rates low and predictable over the long-term while making significant investments to expand the system and maintain aging infrastructure."

4.190.2 Please provide BC Hydro's views as to when the 'refreshed plan' would likely be complete.

RESPONSE:

Please refer to BC Hydro's responses to BCUC IR 4.6.4, CEC IRs 4.191.3 and 4.191.5 and NIARG IR 4.30.1.

190.0 Reference: Exhibit B-23, page 2 of 4

On August 24, 2017, the B.C. Government issued its Mandate Letter to BC Hydro which among other things requests that BC Hydro will work with Government to:

> "Freeze BC Hydro Rates and develop a refreshed plan to keep electricity rates low and predictable over the long-term while making significant investments to expand the system and maintain aging infrastructure."

4.190.3 Please provide BC Hydro's view, quantitatively, of what constitutes 'low' electricity rates.

RESPONSE:

BC Hydro's 2016/17 Annual Service Plan Report and Fiscal 2017/18 to Fiscal 2019/20 Service Plan, includes Goal 2: Ensure Rates are Among the Most Affordable in North America. Under this goal, BC Hydro's objective is to continue to have low, predictable rates while efficiently managing our costs and to make important investments to maintain and expand our system. This goal is consistent with and informed by Government policy.

Government has provided policy direction to BC Hydro regarding affordable rates through a number of different means, including BC Hydro's most recent Mandate Letter. In addition, Section 2 (f) of the *Clean Energy Act* provides the British Columbia Energy Objective of: "to ensure the authority's rates remain among the most competitive charged by public utilities in North America" and, the Mandate Letter (Appendix D of the BC Hydro's Original Application) provides direction to BC Hydro to "continue to implement the 10 Year Plan to keep electricity rates low and predictable by optimizing resources and advancing its Revenue Requirements and Rate Design Applications."

BC Hydro's objective to ensure rates are among the lowest in North America is measured annually through the Hydro Quebec Comparison of Electricity Prices in Major North American Cities Report (Hydro Quebec Report). The Hydro Quebec Report is based on four customer categories, including residential, small, medium and large power. BC Hydro's Competitive Rates performance metric target in the Fiscal 2017/18 to Fiscal 2019/20 Service Plan is to be in the first quartile with Residential rates. BC Hydro further strives to be in the first quartile with all customer categories, including small, medium and large power customers.

BC Hydro's Electricity Rate Comparison Annual Report No. 10 for fiscal 2016/17 (Attachment 1 to this response) is based on the Hydro Quebec Report which

breaks down each customer category into five to six usage levels (large power has six). BC Hydro calculates a relative index for each usage level within each customer category and then calculates an average of the indices to create an overall ranking for each customer category. BC Hydro ranks each usage level individually based on the calculated indices and some individual usage rankings may be higher or lower than the average overall ranking for the customer category.

In BC Hydro's 2015 Rate Design Application, one of the three prioritized rate design criteria BC Hydro applied under Bonbright's *Principle of Public Utility Rates* was 'Stable rates for customers' which included minimizing unexpected changes that can be seriously adverse to existing customers.

BC Hydro
Power smart

Ken Peterson
Executive Chair
Phone: 604-623-4046
Fax: 604-623-4407
bchydroregulatorygroup@bchydro.com

Via email: MEM.Minister@gov.bc.ca

December 7, 2017

Hon. Michelle Mungall
Minister of Energy and Mines and
Petroleum Resources
PO Box 9060 Stn Prov Govt
Victoria BC V8W 9E3

Dear Minister Mungall:

RE: British Columbia Hydro and Power Authority (BC Hydro)
Electricity Rate Comparison Annual Report No. 10

BC Hydro writes to the Minister to file its Electricity Rate Comparison Annual Report (**Report**) which provides a comparison of BC Hydro's monthly bills and average prices for residential, commercial and industrial customers with other North American utilities as of April 1, 2017 (**Attachment A**) and therefore includes BC Hydro's 3.5 per cent rate increase that was effective on that date. The report is prepared in response to *Clean Energy Act* section 8(4), which states that:

> "The authority must provide to the minister, in accordance with the regulations, an annual report comparing the electricity rates charged by the authority with electricity rates charged by public utilities in other jurisdictions in North America, including an assessment of the extent to which the authority's electricity rates continue to be competitive with those other rates."

BC Hydro has adhered to the Province of British Columbia's Rate Comparison Regulation (Ministerial Order No. M167) (**Attachment B**). The Rate Comparison Regulation requires that the Report provide a comparison of BC Hydro's monthly electricity bills with at least one public utility in each of at least 15 other North American jurisdictions, including all of the following: the provinces of Alberta, Quebec, Ontario and Manitoba; and the states of Washington, Oregon and California. The comparison concerns the previous year's applicable rates for residential, commercial and industrial customers in Canadian funds. Additionally, BC Hydro is to provide its previous five years of applicable rates.

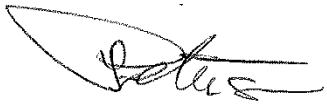
For efficiency and consistency in reported data, the Report consists of information taken from a Hydro-Quebec rate survey report titled "Comparison of Electricity Prices in Major North American Cities" in which BC Hydro participates. The Hydro-Quebec report is

prepared each year. Monthly bills and average prices are calculated and submitted to Hydro-Quebec by the participating utilities using the rates that are in place as of April 1 of that current year. As such, some of the rates used may be interim rates that are approved and in effect at that time. The Hydro-Quebec report is typically available by the fall of the same year.

The Report indicates that BC Hydro's monthly bills and average prices for the residential and medium power categories remain within the first (i.e., lowest rate) quartile of the public utilities surveyed while BC Hydro's small and large power categories are in the second quartile. On average, and based on the Hydro Quebec report, BC Hydro's residential rates are sixth lowest, small power (defined by Hydro Quebec as less than 100 kilowatts (**kW**)) are eighth lowest, medium power (defined by Hydro Quebec as 100 kW to 5,000 kW) are fifth lowest, and large power (defined by Hydro Quebec as greater than 5,000 kW) are seventh lowest. BC Hydro applicable rates for each category are listed in Table 11 of Attachment A.

For further information, please contact Fred James at 604-623-4317 or by email at bchydroregulatorygroup@bchydro.com.

Yours sincerely,



Ken Peterson
Executive Chair

ls/rh

Enclosure

Copy to:

British Columbia Utilities Commission
Attention: Mr. Patrick Wruck
Commission Secretary
Commission.secretary@bcuc.com

Ministry of Energy and Mines
Deputy Minister's Office
Attention: Elaine McKnight
Deputy Minister
Elaine.McKnight@gov.bc.ca

Ministry of Energy and Mines
Electricity & Alternative Energy Division
Attention: Les MacLaren
Assistant Deputy Minister
Les.MacLaren@gov.bc.ca

BC Hydro
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BC Hydro Electricity Rate Comparison
Annual Report

Report No. 10

Attachment A

Rates as at April 1, 2017

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Monthly Bills and Average Prices as at April 1, 2017 1

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Monthly Bills and Average Prices as at April 1, 2017

This is the tenth Electricity Rate Comparison Annual Report (**Report**) prepared by BC Hydro in response to the Rate Comparison Regulation, issued by Ministerial Order No. M167 under the *Clean Energy Act* on June 28, 2011.[1] The Report provides a comparison of BC Hydro's monthly bills and average prices for residential, commercial and industrial customers with other North American utilities, including those in Alberta, Quebec, Ontario, Manitoba, Washington, Oregon and California in Canadian funds.[2]

Each year BC Hydro participates in a Hydro-Quebec rate comparison survey, submitting bill calculations based on electricity prices that are in place as of April 1 of the current year, and which may reflect approved interim rate increases. Hydro-Quebec compiles the information and provides the monthly bills and average prices for 12 Canadian utilities and 10 American utilities in an annual report. The Report provides survey information taken from the Hydro-Quebec report entitled *Comparison of Electricity Prices in Major North American Cities*.[3]

The Hydro-Quebec report provides the monthly bills, excluding taxes and non-utility levies, calculated for specific consumption points for four different customer segments: residential, small power, medium power and large power. The average price is also calculated, for each customer segment and specific consumption point, by dividing the monthly bill by the amount of monthly energy consumption. For example, if an electric bill for 1,000 kWh was calculated to be a monthly amount of $50, the average price would be $50 divided by 1,000 kWh, or 5 cents/kWh.

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1 The first Electricity Rate Comparison Annual Report was issued on June 10, 2009 in response to Ministerial Order No. M114, which was subsequently replaced by Ministerial Order No. M167.

2 Monthly bills and average prices for American utilities have been converted to Canadian dollars using the exchange rate as at 12 p.m. Eastern on April 1, 2017 of $0.7468 (C$1 = US$0.7468). The Canadian dollar had depreciated by 2.57 per cent relative to the U.S. dollar since April 1, 2016.

3 2017 Hydro Quebec Comparison of Electricity Prices in Major North American Cities Report.

The monthly bills for customers are presented in Table 1, Table 2, Table 3 and Table 4. The average prices for customers are presented in Table 5, Table 6, Table 7 and Table 8. BC Hydro's monthly bills and average prices over the past five years are summarized in Table 9 and Table 10.

The Hydro-Quebec residential segment includes calculations for BC Hydro's residential customers. The Hydro-Quebec small power segment includes calculations for both BC Hydro's general service under 35 kW customers and general service 35 kW and over customers, while the medium power segment includes calculations for BC Hydro's general service 35 kW and over customers. Lastly, the Hydro-Quebec large power segment includes calculations for BC Hydro's general service 35 kW and over customers and transmission service customers. Table 11 shows the specific BC Hydro rate schedules that have been included in each Hydro Quebec segment. Table 12 summarizes BC Hydro's relative rankings in each rate class during the last five years of participation in the survey.

Based on the data from the Hydro-Quebec survey, BC Hydro's monthly bills and average prices for all customer segments are within the first (i.e., lowest rate) quartile of utilities for the residential and medium power categories, with low rates providing a competitive advantage to these customer segments in BC Hydro's service area. BC Hydro's small power category has moved from the first quartile to the second quartile of utilities for the first time. BC Hydro's large power category ranking is unchanged from last year and remains in the second quartile. The rankings of the top five participating utilities including BC Hydro with the lowest monthly bills and average prices are noted in the tables. Out of the 22 utilities providing data, BC Hydro's monthly bills and average price rankings against the other utilities using the Hydro-Quebec report for April 1, 2017 data are as follows:

Rate Class & Usage	Ranking at April 1, 2017
Residential	
Residential - 625 kWh	3
Residential - 750 kWh	3
Residential - 1,000 kWh	5
Residential - 2,000 kWh	9
Residential - 3,000 kWh	9
Small Power	
Small Power - 750 kWh/6 kW	7
Small Power - 2,000 kWh/14 kW	7
Small Power - 10,000 kWh/40 kW	7
Small Power - 14,000 kWh/100 kW	5
Small Power - 25,000 kWh/100 kW	8
Medium Power	
Medium Power - 100,000 kWh/500 kW	4
Medium Power - 200,000 kWh/500 kW	5
Medium Power - 200,000 kWh/1,000 kW	5
Medium Power - 400,000 kWh/1,000 kW	5
Medium Power - 1,170,000 kWh/2,500 kW	6
Large Power	
Large Power - 2,340 MWh/5,000 kW/25 kV	6
Large Power - 3,060 MWh/5,000 kW/25 kV	6
Large Power - 5,760 MWh/10,000 kW/120 kV	5
Large Power - 17,520 MWh//30,000 kW/120 kV	7
Large Power - 23,400 MWh/50,000 kW/120 kV	8
Large Power - 30,600 MWh/50,000 kW /120 kV	8

Table 1 Residential Monthly Bills

Hydro-Quebec Electricity Prices Comparison Report – Residential Monthly Bills as of April 1, 2017 CDN $/Month											
Utility	**City**	**625 kWh**		**750 kWh**		**1,000 kWh**		**2,000 kWh**		**3,000 kWh**	
Hydro-Quebec	Montreal, QC	(1st)	49	(1st)	56	(1st)	71	(1st)	160	(2nd)	249
Manitoba Hydro	Winnipeg, MB	(2nd)	57	(2nd)	67	(2nd)	87	(2nd)	166	(1st)	246
EPCOR Energy	Edmonton, AB	(5th)	73	(4th)	83	(3rd)	103	(3rd)	184	(3rd)	264
Enmax	Calgary, AB	(4th)	73	(5th)	83	(4th)	105	(4th)	189	(4th)	274
Newfoundland Power[2]	St. John's, NL		76		88		112	(5th)	207	(5th)	303
BC Hydro	Vancouver, BC	(3rd)	62	(3rd)	77	(5th)	111	(9th)	246	(9th)	381
NB Power	Moncton, NB		89		103		130		238		346
CenterPoint Energy[1]	Houston, TX		93		108		123		239		356
Florida Power and Light[1]	Miami, FL		88		103		134		284		434
Commonwealth Edison[1]	Chicago, IL		102		119		151		237		343
Seattle City Light	Seattle, WA		85		107		151		326		501
Nashville Electric Service[1]	Nashville, TN		101		118		152		288		424
Hydro Ottawa	Ottawa, ON		101		118		152		288		424
Pacific Power and Light[1]	Portland, OR		96		113		146		319		492
SaskPower	Regina, SK		108		125		159		297		434
Nova Scotia Power	Halifax, NS		105		124		161		312		463
Maritime Electric[1]	Charlottetown, PE		112		129		164		304		415
Toronto Hydro[1]	Toronto, ON		112		129		163		300		436
DTE Electric[1]	Detroit, MI		133		159		212		424		635
NSTAR Electric & Gas	Boston, MA		181		216		285		560		836
Consolidated Edison[1]	New York, NY		193		228		297		572		848
Pacific Gas and Electric[1]	San Francisco, CA		184		230		310		780		1,317

1) These bills have been estimated by Hydro-Québec and may differ from actual bills.
2) Newfoundland Power rates.

Note: Bill calculations exclude taxes and levies. BC Hydro's bill calculation includes the rate rider. The top five participating utilities with the lowest monthly bills are ranked in the table above, from lowest to highest. The sort order indicates the utility's overall ranking in the category.

Table 2 Small Power Monthly Bills

Hydro-Quebec Electricity Prices Comparison Report – Small Power
Monthly Bills as of April 1, 2017
CDN $/Month

Utility	City	6 kW 750 kWh 17% load factor	14 kW 2,000 kWh 20% load factor	40 kW 10,000 kWh 35% load factor	100 kW 14,000 kWh 19% load factor	100 kW 25,000 kWh 35% load factor
Manitoba Hydro	Winnipeg, MB	(2nd) 84	(1st) 188	(1st) 854	(2nd) 1,707	(2nd) 2,235
Enmax	Calgary, AB	102	(2nd) 201	(2nd) 969	(1st) 1,536	(1st) 2,094
Hydro-Quebec	Montreal, QC	(3rd) 86	(3rd) 208	(4th) 990	(4th) 1,816	2,686
EPCOR Energy	Edmonton, AB	(4th) 88	(4th) 210	(3rd) 988	2,021	(5th) 2,596
Newfoundland Power[2]	St. John's, NL	93	(5th) 241	1,014	1,818	(4th) 2,533
CenterPoint Energy[1]	Houston, TX	(1st) 76	285	(5th) 1,013	1,850	(3rd) 2,489
Seattle City Light	Seattle, WA	(5th) 93	247	1,237	(3rd) 1,784	2,826
BC Hydro	Vancouver, BC	(7th) 100	(7th) 250	(7th) 1,138	(5th) 1,818	(8th) 2,834
Commonwealth Edison[1]	Chicago, IL	114	258	1,278	2,085	2,998
Florida Power and Light[1]	Miami, FL	107	263	1,321	2,460	3,252
NB Power	Moncton, NB	121	284	1,349	2,347	3,366
SaskPower	Regina, SK	129	294	1,350	2,596	3,525
Pacific Power and Light[1]	Portland, OR	133	316	1,421	2,384	3,493
Hydro Ottawa	Ottawa, ON	129	315	1,503	2,341	3,757
Nova Scotia Power	Halifax, NS	120	294	1,533	2,699	3,832
DTE Electric[1]	Detroit, MI	136	340	1,620	2,260	4,020
Toronto Hydro[1]	Toronto, ON	156	353	1,610	2,916	4,498
Maritime Electric[1]	Charlottetown, PE	153	368	1,711	2,965	4,195
Nashville Electric Service[1]	Nashville, TN	158	360	1,605	3,246	4,247
NSTAR Electric & Gas	Boston, MA	202	520	2,736	5,380	7,251
Pacific Gas and Electric[1]	San Francisco, CA	233	598	2,857	4,788	6,866
Consolidated Edison[1]	New York, NY	243	809	2,815	5,368	6,947

1) These bills have been estimated by Hydro-Québec and may differ from actual bills.

2) Newfoundland Power rates.

Note: Bill calculations exclude taxes and levies. BC Hydro's bill calculation includes the rate rider. The top five participating utilities with the lowest monthly bills are ranked in the table above, from lowest to highest. The sort order indicates the utility's overall ranking in the category.

Table 3 Medium Power Monthly Bills

Hydro-Quebec Electricity Prices Comparison Report – Medium Power
Monthly Bills as of April 1, 2017
CDN $/Month

Utility	City	500 kW 100,000 kWh 28% load factor	500 kW 200,000 kWh 56% load factor	1000 kW 200,000 kWh 28% load factor	1000 kW 400,000 kWh 56% load factor	2500 kW[1] 1,170,000 kWh 65% load factor
Manitoba Hydro	Winnipeg, MB	(1st) 9,455	(1st) 13,271	(1st) 18,693	(1st) 26,325	(1st) 65,021
Enmax	Calgary, AB	(2nd) 10,256	(2nd) 15,093	(3rd) 19,848	(2nd) 29,523	(2nd) 75,715
Newfoundland Power[4]	St. John's, NL	(3rd) 10,356	(3rd) 16,414	(2nd) 19,584	(3rd) 31,565	(4th) 86,123
Hydro-Quebec	Montreal, QC	12,070	(4th) 17,155	24,140	(4th) 31,878	(3rd) 79,040
BC Hydro	Vancouver, BC	(4th) 11,660	(5th) 17,443	(5th) 23,328	(5th) 34,878	(6th) 94,890
Commonwealth Edison[2]	Chicago, IL	12,507	18,043	25,005	35,768	(5th) 91,453
CenterPoint Energy[2]	Houston, TX	11,776	17,589	26,274	37,900	98,233
Seattle City Light	Seattle, WA	(5th) 11,726	21,242	(4th) 23,129	42,108	119,608
Pacific Power and Light[2]	Portland, OR	14,802	22,840	28,231	43,568	109,930
EPCOR Energy[3]	Edmonton, AB	15,392	22,122	28,572	42,033	113,207
Florida Power and Light[2]	Miami, FL	15,115	21,721	30,129	43,342	115,897
SaskPower	Regina, SK	15,787	23,198	31,560	46,382	113,215
DTE Electric[2]	Detroit, MI	16,019	23,343	32,019	46,260	112,121
NB Power	Moncton, NB	14,499	23,769	28,994	47,534	134,588
Hydro Ottawa	Ottawa, ON	15,229	26,254	30,258	52,308	151,227
Nova Scotia Power	Halifax, NS	17,033	25,538	34,065	51,075	137,388
Nashville Electric Service[2]	Nashville, TN	18,053	26,626	35,847	52,993	158,845
Maritime Electric[2]	Charlottetown, PE	17,960	29,150	35,865	58,245	164,553
Toronto Hydro[2]	Toronto, ON	19,192	31,274	37,936	61,871	165,401
NSTAR Electric & Gas	Boston, MA	29,283	42,754	58,343	85,284	233,920
Consolidated Edison[2]	New York, NY	30,903	45,259	61,746	90,458	186,106
Pacific Gas and Electric[2]	San Francisco, CA	33,924	47,580	65,713	91,482	187,868

1) Supply voltage of 25 kV, customer-owned transformer.
2) These bills have been estimated by Hydro-Québec and may differ from actual bills.
3) Bills corresponding to consumption levels of 500 kW or more have been estimated by Hydro-Québec based on the applicable general rate.
4) Newfoundland Power rates.

Note: Bill calculations exclude taxes and levies. BC Hydro's bill calculation includes the rate rider. The top five participating utilities with the lowest monthly bills are ranked in the table above, from lowest to highest. The sort order indicates the utility's overall ranking in the category.

Table 4 Large Power Monthly Bills

Hydro-Quebec Electricity Prices Comparison Report – Large Power
Monthly Bills as of April 1, 2017
CDN $000/Month

Utility	City	5,000 kW 2,340,000 kWh 25 kV 65% load factor		5,000 kW 3,060,000 kWh 25 kV 85% load factor		10,000 kW 5,760,000 kWh 120 kV 80% load factor		30,000 kW 17,520,000 kWh 120 kV 81% load factor		50,000 kW 23,400,000 kWh 120 kV 65% load factor		50,000 kW 30,600,000 kWh 120 kV 85% load factor	
Manitoba Hydro	Winnipeg, MB	(1st)	127.6	(1st)	153.5	(1st)	252.7	(1st)	766.0	(1st)	1,089.2	(1st)	1,321.9
Hydro-Quebec	Montreal, QC	(2nd)	135.1	(2nd)	158.6	(2nd)	288.5	(3rd)	873.3	(3rd)	1,265.9	(3rd)	1,501.3
Newfoundland Power[4]	St. John's, NL	(4th)	169.4	(4th)	212.6		397.5	(2nd)	867.2	(2nd)	1,226.4	(2nd)	1,498.2
Enmax	Calgary, AB	(3rd)	149.1	(3rd)	186.3	(4th)	353.2	(5th)	1,070.4	(5th)	1,484.1		1,855.7
EPCOR Energy[3]	Edmonton, AB		195.8		234.9	(3rd)	317.2	(4th)	948.9	(4th)	1,395.0	(4th)	1,617.0
Commonwealth Edison[2]	Chicago, IL	(5th)	182.2	(5th)	220.9		391.1		1,104.7		1,528.2		1,915.7
BC Hydro	Vancouver, BC	(6th)	189.8	(6th)	230.7	(5th)	367.5	(7th)	1,114.1	(8th)	1,574.8	(8th)	1,925.0
CenterPoint Energy[2]	Houston, TX		193.7		236.4		419.5		1,267.9		1,779.1		2,192.0
NB Power	Moncton, NB		202.5		240.5		440.2		1,333.1		1,920.3		2,294.7
SaskPower	Regina, SK		217.4		265.4		431.4		1,293.7		1,809.0		2,233.8
Florida Power and Light[2]	Miami, FL		231.5		276.2		463.9		1,399.4		2,013.2		2,407.2
DTE Electric[2]	Detroit, MI		223.7		259.7		484.4		1,463.7		2,154.7		2,507.8
Pacific Power and Light[2]	Portland, OR		218.4		267.1		497.5		1,501.7		2,136.6		2,588.8
Hydro Ottawa	Ottawa, ON		303.8		381.2		565.8		1,183.7		1,567.1	(5th)	1,854.2
Seattle City Light	Seattle, WA		239.4		307.3		533.7		1,621.2		2,200.2		2,821.0
Maritime Electric[2]	Charlottetown, PE		234.9		284.9		544.7		1,650.9		2,349.0		2,848.6
Toronto Hydro[2]	Toronto, ON		410.6		445.3		575.3		1,234.4		1,658.3		1,946.4
Nova Scotia Power	Halifax, NS		252.2		310.3		591.6		1,794.2		2,521.8		3,103.5
Nashville Electric Service[2]	Nashville, TN		319.5		385.9		583.4		1,698.6		2,492.8		2,910.4
Consolidated Edison[2]	New York, NY		372.0		441.5		848.1		2,567.3		3,718.7		4,413.8
Pacific Gas and Electric[2]	San Francisco, CA		372.3		450.9		859.9		2,600.6		3,699.4		4,485.4
NSTAR Electric & Gas	Boston, MA		446.1		541.6		1,035.1		3,136.4		4,457.8		5,412.9

1) Customer-owned transformer

2) These bills have been estimated by Hydro-Québec and may differ from actual bills.

3) Bills corresponding to consumption levels of 500 kW or more have been estimated by Hydro-Québec based on the applicable general rate.

4) Newfoundland Power and Labrador Hydro rates for customers with a power demand of 30,000 kW or more; Newfoundland Power rates for all other customer categories.

Note: Bill calculations exclude taxes and levies. BC Hydro's bill calculation includes the rate rider. The top five participating utilities with the lowest monthly bills are ranked in the table above, from lowest to highest. The sort order indicates the utility's overall ranking in the category.

Table 5 Residential Average Prices

Hydro-Quebec Electricity Prices Comparison Report – Residential Average Prices as of April 1, 2017 CDN ¢/kWh											
Utility	**City**	**625 kWh**		**750 kWh**		**1,000 kWh**		**2,000 kWh**		**3,000 kWh**	
Hydro-Quebec	Montreal, QC	(1st)	7.77	(1st)	7.45	(1st)	7.07	(1st)	8.00	(2nd)	8.30
Manitoba Hydro	Winnipeg, MB	(2nd)	9.18	(2nd)	8.97	(2nd)	8.71	(2nd)	8.32	(1st)	8.19
EPCOR Energy	Edmonton, AB	(5th)	11.73	(4th)	11.11	(3rd)	10.34	(3rd)	9.18	(3rd)	8.80
Enmax	Calgary, AB	(4th)	11.65	(5th)	11.12	(4th)	10.45	(4th)	9.45	(4th)	9.12
Newfoundland Power[2]	St. John's, NL		12.10		11.68		11.15	(5th)	10.36	(5th)	10.10
BC Hydro	Vancouver, BC	(3rd)	9.98	(3rd)	10.27	(5th)	11.08	(9th)	12.30	(9th)	12.70
NB Power	Moncton, NB		14.27		13.69		12.97		11.89		11.53
CenterPoint Energy[2]	Houston, TX		14.91		14.36		12.34		11.97		11.85
Florida Power and Light[2]	Miami, FL		14.02		13.74		13.39		14.20		14.47
Commonwealth Edison[2]	Chicago, IL		16.37		15.80		15.10		11.84		11.45
Seattle City Light	Seattle, WA		13.58		14.24		15.05		16.28		16.69
Nashville Electric Service[2]	Nashville, TN		16.14		15.72		15.19		14.40		14.13
Hydro Ottawa	Ottawa, ON		16.19		15.75		15.21		14.40		14.13
Pacific Power and Light[2]	Portland, OR		15.42		15.04		14.57		15.95		16.41
SaskPower	Regina, SK		17.26		16.67		15.94		14.84		14.47
Nova Scotia Power	Halifax, NS		16.80		16.51		16.15		15.60		15.42
Maritime Electric[2]	Charlottetown, PE		17.89		17.24		16.42		15.19		13.82
Toronto Hydro[2]	Toronto, ON		17.91		17.20		16.32		14.99		14.55
DTE Electric[2]	Detroit, MI		21.26		21.24		21.22		21.19		21.18
NSTAR Electric & Gas	Boston, MA		28.97		28.74		28.45		28.02		27.88
Consolidated Edison[2]	New York, NY		30.94		30.37		29.67		28.62		28.26
Pacific Gas and Electric[2]	San Francisco, CA		29.39		30.65		31.05		38.99		43.91

1) In Canadian currency.

2) These bills have been estimated by Hydro-Québec and may differ from actual bills.

3) Newfoundland Power rates.

Note: The top five participating utilities with the lowest average prices are ranked in the table above, from lowest to highest. The sort order indicates the utility's overall ranking in the category.

Table 6 Small Power Average Prices

Hydro-Quebec Electricity Prices Comparison Report – Small Power
Average Prices as of April 1, 2017
CDN ¢/kWh

Utility	City	6 kW 750 kWh 17% load factor	14 kW 2,000 kWh 20% load factor	40 kW 10,000 kWh 35% load factor	100 kW 14,000 kWh 19% load factor	100 kW 25,000 kWh 35% load factor
Manitoba Hydro	Winnipeg, MB	(2nd) 11.16	(1st) 9.39	(1st) 8.54	(2nd) 12.19	(2nd) 8.94
Enmax	Calgary, AB	13.57	(2nd) 10.05	(2nd) 9.69	(1st) 10.97	(1st) 8.37
Hydro-Quebec	Montreal, QC	(3rd) 11.42	(3rd) 10.40	(4th) 9.90	(4th) 12.97	10.74
EPCOR Energy	Edmonton, AB	(4th) 11.74	(4th) 10.48	(3rd) 9.88	14.43	(5th) 10.39
Newfoundland Power[3]	St. John's, NL	12.39	(5th) 12.05	10.14	(5th) 12.99	(4th) 10.13
CenterPoint Energy[2]	Houston, TX	(1st) 10.12	14.26	(5th) 10.13	13.21	(3rd) 9.96
Seattle City Light	Seattle, WA	(5th) 12.37	12.37	12.37	(3rd) 12.74	11.31
BC Hydro	Vancouver, BC	(7th) 13.37	(7th) 12.49	(7th) 11.38	(5th) 12.99	(8th) 11.34
Commonwealth Edison[2]	Chicago, IL	15.25	12.90	12.78	14.89	11.99
Florida Power and Light[2]	Miami, FL	14.26	13.15	13.21	17.57	13.01
NB Power	Moncton, NB	16.10	14.21	13.49	16.76	13.46
SaskPower	Regina, SK	17.21	14.70	13.50	18.54	14.10
Pacific Power and Light[2]	Portland, OR	17.77	15.78	14.21	17.03	13.97
Hydro Ottawa	Ottawa, ON	17.18	15.73	15.03	16.72	15.03
Nova Scotia Power	Halifax, NS	16.06	14.71	15.33	19.28	15.33
DTE Electric[2]	Detroit, MI	18.20	16.99	16.20	16.14	16.08
Toronto Hydro[2]	Toronto, ON	20.81	17.64	16.10	20.83	17.99
Maritime Electric[2]	Charlottetown, PE	20.45	18.40	17.11	21.18	16.78
Nashville Electric Service[2]	Nashville, TN	21.04	18.01	16.05	23.19	16.99
NSTAR Electric & Gas	Boston, MA	26.97	25.98	27.36	38.43	29.00
Pacific Gas and Electric[2]	San Francisco, CA	31.01	29.91	28.57	34.20	27.47
Consolidated Edison[2]	New York, NY	32.41	40.46	28.15	38.34	27.79

1) In Canadian currency.
2) These bills have been estimated by Hydro-Québec and may differ from actual bills.
3) Newfoundland Power rates.

Note: The top five participating utilities with the lowest average prices are ranked in the table above, from lowest to highest. The sort order indicates the utility's overall ranking in the category.

Table 7 Medium Power Average Prices

Hydro-Quebec Electricity Prices Comparison Report – Medium Power
Average Prices as of April 1, 2017
CDN ¢/kWh

Utility	City	500 kW 100,000 kWh 28% load factor	500 kW 200,000 kWh 56% load factor	1000 kW 200,000 kWh 28% load factor	1000 kW 400,000 kWh 56% load factor	2500 kW[1] 1,170,000 kWh 65% load factor
Manitoba Hydro	Winnipeg, MB	(1st) 9.45	(1st) 6.64	(1st) 9.35	(1st) 6.58	(1st) 5.56
Enmax	Calgary, AB	(2nd) 10.26	(2nd) 7.55	(3rd) 9.92	(2nd) 7.38	(2nd) 6.47
Newfoundland Power[5]	St. John's, NL	(3rd) 10.36	(3rd) 8.21	(2nd) 9.79	(3rd) 7.89	(4th) 7.36
Hydro-Quebec	Montreal, QC	12.07	(4th) 8.58	12.07	(4th) 7.97	(3rd) 6.76
BC Hydro	Vancouver, BC	(4th) 11.66	(5th) 8.72	(5th) 11.66	(5th) 8.72	(6th) 8.11
Commonwealth Edison[3]	Chicago, IL	12.51	9.02	12.50	8.94	(5th) 7.82
CenterPoint Energy[3]	Houston, TX	11.78	8.79	13.14	9.48	8.40
Seattle City Light	Seattle, WA	(5th) 11.73	10.62	(4th) 11.56	10.53	10.22
Pacific Power and Light[3]	Portland, OR	14.80	11.42	14.12	10.89	9.40
EPCOR Energy[4]	Edmonton, AB	15.39	11.06	14.29	10.51	9.68
Florida Power and Light[3]	Miami, FL	15.11	10.86	15.06	10.84	9.91
SaskPower	Regina, SK	15.79	11.60	15.78	11.60	9.68
DTE Electric[3]	Detroit, MI	16.02	11.67	16.01	11.57	9.58
NB Power	Moncton, NB	14.50	11.88	14.50	11.88	11.50
Hydro Ottawa	Ottawa, ON	15.23	13.13	15.13	13.08	12.93
Nova Scotia Power	Halifax, NS	17.03	12.77	17.03	12.77	11.74
Nashville Electric Service[3]	Nashville, TN	18.05	13.31	17.92	13.25	13.58
Maritime Electric[3]	Charlottetown, PE	17.96	14.57	17.93	14.56	14.06
Toronto Hydro[3]	Toronto, ON	19.19	15.64	18.97	15.47	14.14
NSTAR Electric & Gas	Boston, MA	29.28	21.38	29.17	21.32	19.99
Consolidated Edison[3]	New York, NY	30.90	22.63	30.87	22.61	15.91
Pacific Gas and Electric[3]	San Francisco, CA	33.92	23.79	32.86	22.87	16.06

1) In Canadian currency.

2) Supply voltage of 25 kV, customer-owned transformer.

3) These bills have been estimated by Hydro-Québec and may differ from actual bills.

4) Bills corresponding to consumption levels of 500 kW or more have been estimated by Hydro-Québec based on the applicable general rate.

5) Newfoundland Power rates.

Note: The top five participating utilities with the lowest average prices are ranked in the table above, from lowest to highest. The sort order indicates the utility's overall ranking in the category.

Table 8 Large Power Average Prices

Hydro-Quebec Electricity Prices Comparison Report – Large Power
Average Prices as of April 1, 2017
CDN ¢/kWh

Utility	City	5,000 kW 2,340,000 kWh 25 kV 65% load factor	5,000 kW 3,060,000 kWh 25 kV 85% load factor	10,000 kW 5,760,000 kWh 120 kV 80% load factor	30,000 kW 17,520,000 kWh 120 kV 81% load factor	50,000 kW 23,400,000 kWh 120 kV 65% load factor	50,000 kW 30,600,000 kWh 120 kV 85% load factor
Manitoba Hydro	Winnipeg, MB	(1st) 5.45	(1st) 5.01	(1st) 4.39	(1st) 4.37	(1st) 4.65	(1st) 4.32
Hydro-Quebec	Montreal, QC	(2nd) 5.77	(2nd) 5.18	(2nd) 5.01	(3rd) 4.98	(3rd) 5.41	(3rd) 4.91
Newfoundland Power[2]	St. John's, NL	(4th) 7.24	(4th) 6.95	6.90	(2nd) 4.95	(2nd) 5.24	(2nd) 4.90
Enmax	Calgary, AB	(3rd) 6.37	(3rd) 6.09	(4th) 6.13	(5th) 6.11	(5th) 6.34	(5th) 6.06
EPCOR Energy[1]	Edmonton, AB	8.37	7.68	(3rd) 5.51	(4th) 5.42	(4th) 5.96	(4th) 5.28
Commonwealth Edison[3]	Chicago, IL	(5th) 7.79	(5th) 7.22	6.79	6.31	6.53	6.26
BC Hydro	Vancouver, BC	(6th) 8.11	(6th) 7.54	(5th) 6.38	(7th) 6.36	(8th) 6.73	(8th) 6.29
CenterPoint Energy[3]	Houston, TX	8.28	7.73	7.28	7.24	7.60	7.16
NB Power	Moncton, NB	8.66	7.86	7.64	7.61	8.21	7.50
SaskPower	Regina, SK	9.29	8.67	7.49	7.38	7.73	7.30
Florida Power and Light[3]	Miami, FL	9.89	9.03	8.05	7.99	8.60	7.87
DTE Electric[3]	Detroit, MI	9.56	8.49	8.41	8.35	9.21	8.20
Pacific Power and Light	Portland, OR	9.33	8.73	8.64	8.57	9.13	8.46
Hydro Ottawa	Ottawa, ON	12.98	12.46	9.82	6.76	6.70	(5th) 6.06
Seattle City Light	Seattle, WA	10.23	10.04	9.27	9.25	9.40	9.22
Maritime Electric[3]	Charlottetown, PE	10.04	9.31	9.46	9.42	10.04	9.31
Toronto Hydro	Toronto, ON	17.55	14.55	9.99	7.05	7.09	6.36
Nova Scotia Power	Halifax, NS	10.78	10.14	10.27	10.24	10.78	10.14
Nashville Electric Service[3]	Nashville, TN	13.65	12.61	10.13	9.70	10.65	9.51
Consolidated Edison[3]	New York, NY	15.90	14.43	14.72	14.65	15.89	14.42
Pacific Power and Light[3]	San Francisco, CA	15.91	14.74	14.93	14.84	15.81	14.66
NSTAR Electric & Gas	Boston, MA	19.06	17.70	17.97	17.90	19.05	17.69

1) In Canadian currency.

2) Customer-owned transformer.

3) These bills have been estimated by Hydro-Québec and may differ from actual bills.

4) Bills corresponding to consumption levels of 500 kW or more have been estimated by Hydro-Québec based on the applicable general rate.

5) Newfoundland Power and Labrador Hydro rates for customers with a power demand of 30,000 kW or more; Newfoundland Power rates for all other customer categories.

Note: The top five participating utilities including BC Hydro with the lowest average prices are ranked in the table above, from lowest to highest. The sort order indicates the utility's overall ranking in the category.

Table 9 BC Hydro Monthly Bills Summary

BC Hydro Monthly Bills Summary for the Previous Five Years CDN$/Month					
Vancouver, BC	**April 1, 2013 [1]**	**April 1, 2014 [2]**	**April 1, 2015 [3]**	**April 1, 2016 [4]**	**April 1, 2017 [5]**
Residential					
625 kWh	50	55	58	60	62
750 kWh	62	67	72	74	77
1,000 kWh	89	97	103	107	111
2,000 kWh	198	215	228	238	246
3,000 kWh	306	334	354	368	381
Small Power					
750 kWh/6 kW	79	86	92	95	100
2,000 kWh/14 kW	201	219	233	242	250
10,000 kWh/40 kW	960	1,015	1,075	1,120	1,138
14,000 kWh/100 kW	1,632	1,734	1,836	1,912	1,818
25,000 kWh/100 kW	2,294	2,510	2,658	2,769	2,834
Medium Power					
100,000 kWh/500 kW	9,563	10,207	10,794	11,256	11,660
200,000 kWh/500 kW	14,414	15,310	16,181	16,884	17,443
200,000 kWh/1,000 kW	19,207	20,534	21,720	22,643	23,328
400,000 kWh/1,000 kW	28,909	30,740	32,493	33,889	34,878
1,170,000 kWh/2,500 kW	78,776	83,763	88,570	92,439	94,890
Large Power					
2,340 MWh/5,000 kW/25 kV	157,631	167,643	177,269	185,006	231,493
3,060 MWh/5,000 kW/25 kV	192,035	203,833	215,470	224,920	276,242
5,760 MWh/10,000 kW/120 kV	295,443	322,044	341,362	355,023	463,887
17,520 MWh//30,000 kW/120 kV	895,720	976,368	1,034,937	1,076,363	1,399,442
23,400 MWh/50,000 kW/120 kV	1,266,076	1,380,070	1,462,863	1,521,420	2,013,159
30,600 MWh/50,000 kW /120 kV	1,547,611	1,686,954	1,788,148	1,859,722	2,407,246

1) Rates used reflect a 1.44 per cent approved increase effective April 1, 2013.
2) Rates used reflect a 9.00 per cent approved increase effective April 1, 2014.
3) Rates used reflect a 6.00 per cent approved increase effective April 1, 2015.
4) Rates used reflect a 4.00 per cent proposed increase effective April 1, 2016.
5) Rates used reflect a 3.50 per cent proposed increase effective April 1, 2017.

Note: Bill calculations exclude taxes and levies and include the rate rider.

Table 10 BC Hydro Average Prices Summary

BC Hydro Average Prices Summary for the Previous Five Years CDN¢/kWh					
Vancouver, BC	**April 1, 2013 [1]**	**April 1, 2014 [2]**	**April 1, 2015 [3]**	**April 1, 2016 [4]**	**April 1, 2017 [5]**
Residential					
625 kWh	8.03	8.75	9.27	9.64	12.10
750 kWh	8.26	9.00	9.54	9.92	11.68
1,000 kWh	8.91	9.71	10.29	10.70	11.15
2,000 kWh	9.88	10.77	11.42	11.88	10.36
3,000 kWh	10.21	11.12	11.80	12.27	10.10
Small Power					
750 kWh/6 kW	10.58	11.53	12.23	12.72	10.12
2,000 kWh/14 kW	10.06	10.97	11.63	12.09	14.26
10,000 kWh/40 kW	9.60	10.15	10.75	11.19	10.13
14,000 kWh/100 kW	11.66	12.39	13.12	13.66	13.21
25,000 kWh/100 kW	9.18	10.04	10.63	11.07	9.96
Medium Power					
100,000 kWh/500 kW	9.56	10.21	10.79	11.26	11.66
200,000 kWh/500 kW	7.21	7.66	8.09	8.44	8.72
200,000 kWh/1,000 kW	9.60	10.27	10.86	11.32	11.66
400,000 kWh/1,000 kW	7.23	7.69	8.12	8.47	8.72
1,170,000 kWh/2,500 kW	6.73	7.16	7.57	7.90	8.11
Large Power					
2,340 MWh/5,000 kW/25 kV	6.74	7.16	7.58	7.91	8.11
3,060 MWh/5,000 kW/25 kV	6.28	6.66	7.04	7.35	7.54
5,760 MWh/10,000 kW/120 kV	5.13	5.59	5.93	6.16	6.38
17,520 MWh//30,000 kW/120 kV	5.11	5.57	5.91	6.14	6.36
23,400 MWh/50,000 kW/120 kV	5.41	5.90	6.25	6.50	6.73
30,600 MWh/50,000 kW /120 kV	5.06	5.51	5.84	6.08	6.29

1) Rates used reflect a 1.44 per cent approved increase effective April 1, 2013.
2) Rates used reflect a 9.00 per cent approved increase effective April 1, 2014.
3) Rates used reflect a 6.00 per cent approved increase effective April 1, 2015.
4) Rates used reflect a 4.00 per cent proposed increase effective April 1, 2016.
5) Rates used reflect a 3.50 per cent proposed increase effective April 1, 2017.

Table 11 Corresponding BC Hydro Rate Schedules included in each Segment of the Hydro-Quebec Rate Survey

Hydro Quebec Segment	Corresponding BC Hydro Rate Schedule
Residential	
625 kWh	RS 1101
750 kWh	RS 1101
1,000 kWh	RS 1101
2,000 kWh	RS 1101
3,000 kWh	RS 1101
Small Power	
750 kWh/6 kW	RS 1300
2,000 kWh/14 kW	RS 1300
10,000 kWh/40 kW	RS 1500
14,000 kWh/100 kW	RS 1500
25,000 kWh/100 kW	RS 1500
Medium Power	
100,000 kWh/500 kW	RS 1600
200,000 kWh/500 kW	RS 1600
200,000 kWh/1,000 kW	RS 1600
400,000 kWh/1,000 kW	RS 1600
1,170,000 kWh/2,500 kW	RS 1611
Large Power	
2,340,000 kWh/5,000 kW/25 kV	RS 1611
3,060,000 kWh/5,000 kW/25 kV	RS 1611
5,760,000 kWh/10,000 kW/120 kV	RS 1823
17,520,000 kWh/30,000 kW/120 kV	RS 1823
23,400,000 kWh/50,000 kW/120 kV	RS 1823
30,600,000 kWh/50,000 kW/120 kV	RS 1823

Table 12 BC Hydro Rankings Summary in Hydro-Quebec Rate Surveys, Out of 22 Utilities Surveyed

BC Hydro Rates Comparisons Ranking Summary for Previous Years

Vancouver, BC	April 1, 2013	April 1, 2014	April 1, 2015	April 1, 2016	April 1, 2017
Residential					
625 kWh	3	3	3	3	3
750 kWh	3	3	3	3	3
1,000 kWh	3	3	3	5	5
2,000 kWh	5	5	7	8	9
3,000 kWh	6	7	8	9	9
Small Power					
750 kWh/6 kW	6	5	5	6	7
2,000 kWh/14 kW	5	4	6	6	7
10,000 kWh/40 kW	5	4	6	8	7
14,000 kWh/100 kW	4	5	5	5	5
25,000 kWh/100 kW	4	4	6	7	8
Medium Power					
100,000 kWh/500 kW	4	3	4	4	4
200,000 kWh/500 kW	4	3	3	4	5
200,000 kWh/1,000 kW	4	3	4	5	5
400,000 kWh/1,000 kW	4	4	4	5	5
1,170,000 kWh/2,500 kW	6	4	4	5	6
Large Power					
2,340 MWh/5,000 kW/25 kV	6	4	4	6	6
3,060 MWh/5,000 kW/25 kV	6	3	5	7	6
5,760 MWh/10,000 kW/120 kV	3	3	6	6	5
17,520 MWh//30,000 kW/120 kV	5	4	7	9	7
23,400 MWh/50,000 kW/120 kV	5	4	7	9	8
30,600 MWh/50,000 kW /120 kV	5	4	7	9	8

BC Hydro
Power smart

BC Hydro Electricity Rate Comparison
Annual Report

Report No. 10

Attachment B

Ministerial Order No. M 167

PROVINCE OF BRITISH COLUMBIA

REGULATION OF THE MINISTER OF ENERGY AND MINES AND MINISTER RESPONSIBLE FOR HOUSING

Clean Energy Act

Ministerial Order No. M 167

I, Rich Coleman, Minister of Energy and Mines and Minister Responsible for Housing, order that the Rate Comparison Regulation, B.C. Reg. 140/2009, is repealed, and the following Rate Comparison Regulation is made.

RATE COMPARISON REGULATION

Definition

1 In this regulation:

"Act" means the *Clean Energy Act*;

"applicable rates" means, with respect to a public utility's electricity rates, the average monthly bill for electricity, but not any other terms and conditions of those rates.

Report requirements

2 In a report to be provided to the minister under section 8 (4) of the Act, the authority must do all of the following:

(a) include a comparison with at least one public utility in each of at least fifteen other jurisdictions in North America, including all of the following:

(i) the provinces of Alberta, Quebec, Ontario and Manitoba;

(ii) the states of Washington, Oregon and California;

(b) compare the previous year's applicable rates for residential, commerical and industrial customers with similar rates of the public utilities referred to in paragraph (a);

(c) express the monetary comparisons in Canadian currency;

(d) provide the authority's previous 5 years of applicable rates.

DEPOSITED
JUN 2 8 2011
B.C. REG. 119/2011

JUN 2 8 2011
Date

Minister of Energy and Mines and Minister Responsible for Housing

(This part is for administrative purposes only and is not part of the Order.)

Authority under which Order is made:

Act and section: *Clean Energy Act*, S.B.C. 2010, c. 22, s. 37 (f)

Other: *Utilities Commission Act*, R.S.B.C. 1996, c. 473, s. 125.1 (4) (c); M114/2009

June 9, 2011 Resub R/77/2011/27

page 1 of 1

190.0 Reference: Exhibit B-23, page 2 of 4

On August 24, 2017, the B.C. Government issued its Mandate Letter to BC Hydro which among other things requests that BC Hydro will work with Government to:

> "Freeze BC Hydro Rates and develop a refreshed plan to keep electricity rates low and predictable over the long-term while making significant investments to expand the system and maintain aging infrastructure."

4.190.4 Please confirm that 'low' electricity rates would be expected to apply to all rate classes.

RESPONSE:

Confirmed. Please refer to BC Hydro's response to CEC IR 4.190.3.

190.0 Reference: Exhibit B-23, page 2 of 4

On August 24, 2017, the B.C. Government issued its Mandate Letter to BC Hydro which among other things requests that BC Hydro will work with Government to:

> "Freeze BC Hydro Rates and develop a refreshed plan to keep electricity rates low and predictable over the long-term while making significant investments to expand the system and maintain aging infrastructure."

4.190.4 Please confirm that 'low' electricity rates would be expected to apply to all rate classes.

4.190.4.1 If not confirmed, please explain why not.

RESPONSE:

Not applicable. Please refer to BC Hydro's response to CEC IR 4.190.4.

190.0 Reference: Exhibit B-23, page 2 of 4

On August 24, 2017, the B.C. Government issued its Mandate Letter to BC Hydro which among other things requests that BC Hydro will work with Government to:

> "Freeze BC Hydro Rates and develop a refreshed plan to keep electricity rates low and predictable over the long-term while making significant investments to expand the system and maintain aging infrastructure."

4.190.5 Please provide BC Hydro's view of what would constitute 'predictable' rates over the long term.

RESPONSE:

Please refer to BC Hydro's response to CEC IR 4.190.3.

190.0 Reference: Exhibit B-23, page 2 of 4

On August 24, 2017, the B.C. Government issued its Mandate Letter to BC Hydro which among other things requests that BC Hydro will work with Government to:

> "Freeze BC Hydro Rates and develop a refreshed plan to keep electricity rates low and predictable over the long-term while making significant investments to expand the system and maintain aging infrastructure."

4.190.6 Please provide BC Hydro's view, qualitatively, of what would constitute 'significant investments'

RESPONSE:

As discussed in Chapter 6 of the Fiscal 2017-Fiscal 2019 Revenue Requirements Application, BC Hydro plans to make significant capital investments over the test period, in order to meet its objectives of providing safe, reliable and responsive service to customers across the province. The capital plan is also aligned with the objectives and targets of the 2013 10 Year Rates Plan. BC Hydro's capital plan for the test period is appropriate and is supported by evidence filed during the proceeding.

As discussed in BC Hydro's response to BCUC IR 4.6.4, BC Hydro has not received the terms of reference or time frame for the comprehensive review or the refreshed rates plan, and is therefore unable to predict what, if any impacts to the capital plan would result.

Please also refer to BC Hydro's response to BCUC IR 4.3.2.

190.0 Reference: Exhibit B-23, page 2 of 4

On August 24, 2017, the B.C. Government issued its Mandate Letter to BC Hydro which among other things requests that BC Hydro will work with Government to:

> "Freeze BC Hydro Rates and develop a refreshed plan to keep electricity rates low and predictable over the long-term while making significant investments to expand the system and maintain aging infrastructure."

4.190.7 Please provide BC Hydro's view, quantitatively, of what would constitute 'significant investments'

RESPONSE:

Please refer to BC Hydro's response to CEC IR 4.190.6.

190.0 Reference: Exhibit B-23, page 2 of 4

On August 24, 2017, the B.C. Government issued its Mandate Letter to BC Hydro which among other things requests that BC Hydro will work with Government to:

> "Freeze BC Hydro Rates and develop a refreshed plan to keep electricity rates low and predictable over the long-term while making significant investments to expand the system and maintain aging infrastructure."

4.190.8 Please provide BC Hydro's view, qualitatively, of what it means to 'expand the system' and in what areas these would likely be addressed ie. Increased generation, increased capacity, increased transmission, increased distribution reach, etc.

RESPONSE:

Please refer to BC Hydro's response to CEC IR 4.190.6.

190.0 Reference: Exhibit B-23, page 2 of 4

On August 24, 2017, the B.C. Government issued its Mandate Letter to BC Hydro which among other things requests that BC Hydro will work with Government to:

> "Freeze BC Hydro Rates and develop a refreshed plan to keep electricity rates low and predictable over the long-term while making significant investments to expand the system and maintain aging infrastructure."

4.190.9 Please provide quantification of the size of expansion that BC Hydro would contemplate as being undertaken with significant investments based on the types of system expansion considered.

RESPONSE:

Please refer to BC Hydro's response to CEC IR 4.190.6.

190.0 Reference: Exhibit B-23, page 2 of 4

On August 24, 2017, the B.C. Government issued its Mandate Letter to BC Hydro which among other things requests that BC Hydro will work with Government to:

> "Freeze BC Hydro Rates and develop a refreshed plan to keep electricity rates low and predictable over the long-term while making significant investments to expand the system and maintain aging infrastructure."

4.190.10 Please confirm that the Mandate Letter can be treated as evidence by the Commission in its determination with respect to rates, but that the Commission is not required to follow the requests outlined in the Mandate Letter.

RESPONSE:

As discussed in BC Hydro's response to BCUC IR 4.3.2, we confirm that the Minister's Mandate Letter is evidence to be considered along with all other evidence filed in this proceeding to date. While the Commission is not required to follow the Minister's Mandate Letter, we believe the Commission should give considerable weight to such an expression of government policy.

190.0 Reference: Exhibit B-23, page 2 of 4

On August 24, 2017, the B.C. Government issued its Mandate Letter to BC Hydro which among other things requests that BC Hydro will work with Government to:

> "Freeze BC Hydro Rates and develop a refreshed plan to keep electricity rates low and predictable over the long-term while making significant investments to expand the system and maintain aging infrastructure."

4.190.11 Please confirm that the Commission is required to follow the directions established in Direction 7 which include the following:

4 Subject to section 7, in regulating and setting rates for the authority, the commission must ensure that those rates allow the authority to collect sufficient revenue in each fiscal year to enable the authority to

(a) provide reliable electricity service,
(b) meet all of its debt service, tax and other financial obligations,
(c) comply with government policy directives, including, without limitation, government policy directives requiring the authority to construct, operate or extend a plant or system, and
(d) achieve an annual rate of return on deemed equity,
(i) for F2017, that would be necessary to yield a distributable surplus of $684 million,
(ii) for F2018, that would be necessary to yield a distributable surplus of $698 million, and
(iii) for F2019 and subsequent fiscal years, that would be necessary to yield a distributable surplus of $712 million.

9 (1) When regulating and setting rates for the authority for F2017, F2018 and F2019, under sections 4, 5, 6, 7, 9 (2), 10 (3) and 11 of this direction, the commission must not allow the rates to increase by more than 4% in F2017, 3.5% in F2018 and 3% in F2019, on average, compared to the rates of the authority immediately before the increase.

RESPONSE:

Confirmed.

We note that section 4 of Direction No. 7 is subject to section 7 regarding the deferral of costs to regulatory accounts, including 7(h)(i) which provides for an account "to defer for recovery in rates in future fiscal years of the authority those portions of the authority's allowed revenue requirement in a particular fiscal year that were not or are not to be recovered in rates in that particular fiscal year."

190.0 Reference: Exhibit B-23, page 2 of 4

On August 24, 2017, the B.C. Government issued its Mandate Letter to BC Hydro which among other things requests that BC Hydro will work with Government to:

> "Freeze BC Hydro Rates and develop a refreshed plan to keep electricity rates low and predictable over the long-term while making significant investments to expand the system and maintain aging infrastructure."

4.190.12 Please confirm that BC Hydro's original request for a 3% rate increase for 2019 represented the lowest increase that BC Hydro deemed reasonable for 2019 prior to the Mandate Letter being provided by the government.

RESPONSE:

BC Hydro's requested revenue requirements exceeded the amount that would be recovered with a 3 per cent rate increase for fiscal 2019, but 3 per cent is a cap by virtue of Direction 7, section (9)(1). As such, in the absence of the Minister's Mandate Letter, BC Hydro sought a 3 per cent increase. BC Hydro confirms that the revenue requirements still exceed the 3 per cent cap, and that the reason for seeking a rate increase that is lower than the cap (zero per cent) is the Government Mandate Letter. Please also refer to BC Hydro's response to BCUC IR 4.2.2.

190.0 Reference: Exhibit B-23, page 2 of 4

On August 24, 2017, the B.C. Government issued its Mandate Letter to BC Hydro which among other things requests that BC Hydro will work with Government to:

> "Freeze BC Hydro Rates and develop a refreshed plan to keep electricity rates low and predictable over the long-term while making significant investments to expand the system and maintain aging infrastructure."

4.190.12 Please confirm that BC Hydro's original request for a 3% rate increase for 2019 represented the lowest increase that BC Hydro deemed reasonable for 2019 prior to the Mandate Letter being provided by the government.

4.190.12.1 If not confirmed, please explain why not.

RESPONSE:

Please refer to BC Hydro's response to CEC IR 4.190.12.

190.0 Reference: Exhibit B-23, page 2 of 4

On August 24, 2017, the B.C. Government issued its Mandate Letter to BC Hydro which among other things requests that BC Hydro will work with Government to:

> "Freeze BC Hydro Rates and develop a refreshed plan to keep electricity rates low and predictable over the long-term while making significant investments to expand the system and maintain aging infrastructure."

4.190.12 Please confirm that BC Hydro's original request for a 3% rate increase for 2019 represented the lowest increase that BC Hydro deemed reasonable for 2019 prior to the Mandate Letter being provided by the government.

4.190.12.2 If confirmed, please summarize the reasons why BC Hydro earlier deemed the 3% rate increase to be the lowest reasonable increase for 2019.

RESPONSE:

Please refer to BC Hydro's response to CEC IR 4.190.12.

191.0 Reference: Exhibit B-23 page 2 and page 3 of 4

> The Mandate Letter also outlines that a comprehensive review of BC Hydro will be undertaken.
>
> The amendment of the fiscal 2019 rate increase from 3 per cent to 0 per cent is aligned with the Mandate Letter from Government. Since the development of the 2013 10 Year Rates Plan, both the Province and BC Hydro have taken action to keep our rates low and in line with the Plan. The Province and BC Hydro are committed to take further actions as required as part of the comprehensive review of BC Hydro that is expected to begin in fiscal 2018 and is likely to be completed in fiscal 2019. The comprehensive review of BC Hydro and refreshed plan for rates are expected to inform revenue requirement applications for subsequent fiscal years beginning in fiscal 2020.

4.191.1 What activities has BC Hydro undertaken already to prepare for the comprehensive review?

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.6.4.

BC Hydro is always managing our business, including operational results and costs, as well as identifying risks and opportunities and considers that these activities will provide input into the comprehensive review. BC Hydro anticipates beginning work related to the comprehensive review after the Government has made a final decision on Site C, as that is when Government has noted the scope and process for the review will be developed.

191.0 Reference: Exhibit B-23 page 2 and page 3 of 4

> The Mandate Letter also outlines that a comprehensive review of BC Hydro will be undertaken.
>
> The amendment of the fiscal 2019 rate increase from 3 per cent to 0 per cent is aligned with the Mandate Letter from Government. Since the development of the 2013 10 Year Rates Plan, both the Province and BC Hydro have taken action to keep our rates low and in line with the Plan. The Province and BC Hydro are committed to take further actions as required as part of the comprehensive review of BC Hydro that is expected to begin in fiscal 2018 and is likely to be completed in fiscal 2019. The comprehensive review of BC Hydro and refreshed plan for rates are expected to inform revenue requirement applications for subsequent fiscal years beginning in fiscal 2020.

4.191.1 What activities has BC Hydro undertaken already to prepare for the comprehensive review?

4.191.1.1 If BC Hydro has not taken any action to initiate the comprehensive review yet, please discuss whether or not BC Hydro has prioritized the request for a rate freeze over initiating the comprehensive review, and explain why.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

191.0 Reference: Exhibit B-23 page 2 and page 3 of 4

> The Mandate Letter also outlines that a comprehensive review of BC Hydro will be undertaken.
>
> The amendment of the fiscal 2019 rate increase from 3 per cent to 0 per cent is aligned with the Mandate Letter from Government. Since the development of the 2013 10 Year Rates Plan, both the Province and BC Hydro have taken action to keep our rates low and in line with the Plan. The Province and BC Hydro are committed to take further actions as required as part of the comprehensive review of BC Hydro that is expected to begin in fiscal 2018 and is likely to be completed in fiscal 2019. The comprehensive review of BC Hydro and refreshed plan for rates are expected to inform revenue requirement applications for subsequent fiscal years beginning in fiscal 2020.

4.191.2 Please identify any costs that BC Hydro has incurred to date in preparation for the comprehensive review.

RESPONSE:

BC Hydro has not incurred incremental costs to date in preparation for the comprehensive review.

191.0 Reference: Exhibit B-23 page 2 and page 3 of 4

> The Mandate Letter also outlines that a comprehensive review of BC Hydro will be undertaken.
>
> The amendment of the fiscal 2019 rate increase from 3 per cent to 0 per cent is aligned with the Mandate Letter from Government. Since the development of the 2013 10 Year Rates Plan, both the Province and BC Hydro have taken action to keep our rates low and in line with the Plan. The Province and BC Hydro are committed to take further actions as required as part of the comprehensive review of BC Hydro that is expected to begin in fiscal 2018 and is likely to be completed in fiscal 2019. The comprehensive review of BC Hydro and refreshed plan for rates are expected to inform revenue requirement applications for subsequent fiscal years beginning in fiscal 2020.

4.191.2 Please identify any costs that BC Hydro has incurred to date in preparation for the comprehensive review.

4.191.2.1 Please identify the manner in which the costs for the comprehensive review will be accounted and if and when they will be collected from ratepayers.

RESPONSE:

As noted in the Government's announcement regarding the rate freeze, "…the scope and process for the (comprehensive) review will be developed once the government has made a final decision on Site C."[1]

Notwithstanding the above, BC Hydro considers that any costs incurred are likely to be operating costs. Any variances between planned and actual operating costs during the test period are to the account of the shareholder.

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[1] **The full announcement can be found at this link: https://news.gov.bc.ca/releases/2017EMPR0021-001875**

191.0 Reference: Exhibit B-23 page 2 and page 3 of 4

> The Mandate Letter also outlines that a comprehensive review of BC Hydro will be undertaken.
>
> The amendment of the fiscal 2019 rate increase from 3 per cent to 0 per cent is aligned with the Mandate Letter from Government. Since the development of the 2013 10 Year Rates Plan, both the Province and BC Hydro have taken action to keep our rates low and in line with the Plan. The Province and BC Hydro are committed to take further actions as required as part of the comprehensive review of BC Hydro that is expected to begin in fiscal 2018 and is likely to be completed in fiscal 2019. The comprehensive review of BC Hydro and refreshed plan for rates are expected to inform revenue requirement applications for subsequent fiscal years beginning in fiscal 2020.

4.191.3 Please provide BC Hydro's best estimate as to what quartier in 2018 the comprehensive review will commence.

RESPONSE:

As noted in the Government's announcement regarding the rate freeze, "…the scope and process for the (comprehensive) review will be developed once the government has made a final decision on Site C."[1]

We expect that the scope and process for the comprehensive review will be developed starting in the first quarter of 2018, and that the comprehensive review would likely thus commence in the first or second quarter of 2018.

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[1] **The full announcement can be found at this link: https://news.gov.bc.ca/releases/2017EMPR0021-001875**

191.0 Reference: Exhibit B-23 page 2 and page 3 of 4

> The Mandate Letter also outlines that a comprehensive review of BC Hydro will be undertaken.
>
> The amendment of the fiscal 2019 rate increase from 3 per cent to 0 per cent is aligned with the Mandate Letter from Government. Since the development of the 2013 10 Year Rates Plan, both the Province and BC Hydro have taken action to keep our rates low and in line with the Plan. The Province and BC Hydro are committed to take further actions as required as part of the comprehensive review of BC Hydro that is expected to begin in fiscal 2018 and is likely to be completed in fiscal 2019. The comprehensive review of BC Hydro and refreshed plan for rates are expected to inform revenue requirement applications for subsequent fiscal years beginning in fiscal 2020.

4.191.4 If the comprehensive review will not commence in the first quarter of 2018, please explain why not.

RESPONSE:

Please refer to BC Hydro's response to CEC IR 4.191.3.

191.0 Reference: Exhibit B-23 page 2 and page 3 of 4

> The Mandate Letter also outlines that a comprehensive review of BC Hydro will be undertaken.
>
> The amendment of the fiscal 2019 rate increase from 3 per cent to 0 per cent is aligned with the Mandate Letter from Government. Since the development of the 2013 10 Year Rates Plan, both the Province and BC Hydro have taken action to keep our rates low and in line with the Plan. The Province and BC Hydro are committed to take further actions as required as part of the comprehensive review of BC Hydro that is expected to begin in fiscal 2018 and is likely to be completed in fiscal 2019. The comprehensive review of BC Hydro and refreshed plan for rates are expected to inform revenue requirement applications for subsequent fiscal years beginning in fiscal 2020.

4.191.5 Please provide BC Hydro's best estimate as to when in 2019 the comprehensive review will be completed.

RESPONSE:

As noted in the Government's announcement regarding the rate freeze, "…the scope and process for the (comprehensive) review will be developed once the government has made a final decision on Site C."[1]

Since the scope and process for the comprehensive review are not yet known, BC Hydro cannot estimate when in fiscal 2019 the comprehensive review will be completed. Please refer to BC Hydro's response to BCSEA IR 4.1.2 for additional information.

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[1] **The full announcement can be found at this link: https://news.gov.bc.ca/releases/2017EMPR0021-001875**

191.0 Reference: Exhibit B-23 page 2 and page 3 of 4

> The Mandate Letter also outlines that a comprehensive review of BC Hydro will be undertaken.
>
> The amendment of the fiscal 2019 rate increase from 3 per cent to 0 per cent is aligned with the Mandate Letter from Government. Since the development of the 2013 10 Year Rates Plan, both the Province and BC Hydro have taken action to keep our rates low and in line with the Plan. The Province and BC Hydro are committed to take further actions as required as part of the comprehensive review of BC Hydro that is expected to begin in fiscal 2018 and is likely to be completed in fiscal 2019. The comprehensive review of BC Hydro and refreshed plan for rates are expected to inform revenue requirement applications for subsequent fiscal years beginning in fiscal 2020.

4.191.5 Please provide BC Hydro's best estimate as to when in 2019 the comprehensive review will be completed.

4.191.5.1 Please provide the stages of the comprehensive review and expected time frames to the extent this information is available.

RESPONSE:

As noted in the Government's announcement regarding the rate freeze, "…the scope and process for the (comprehensive) review will be developed once the government has made a final decision on Site C."[1]

Since the scope and process for the comprehensive review are not yet known, BC Hydro cannot speculate as to the stages and time frames requested in the question.

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[1] **The full announcement can be found at this link: https://news.gov.bc.ca/releases/2017EMPR0021-001875**

191.0 Reference: Exhibit B-23 page 2 and page 3 of 4

> The Mandate Letter also outlines that a comprehensive review of BC Hydro will be undertaken.
>
> The amendment of the fiscal 2019 rate increase from 3 per cent to 0 per cent is aligned with the Mandate Letter from Government. Since the development of the 2013 10 Year Rates Plan, both the Province and BC Hydro have taken action to keep our rates low and in line with the Plan. The Province and BC Hydro are committed to take further actions as required as part of the comprehensive review of BC Hydro that is expected to begin in fiscal 2018 and is likely to be completed in fiscal 2019. The comprehensive review of BC Hydro and refreshed plan for rates are expected to inform revenue requirement applications for subsequent fiscal years beginning in fiscal 2020.

4.191.6 Does BC Hydro expect to conduct the comprehensive review itself, or contract outside service?

RESPONSE:

As noted in the Government's announcement regarding the rate freeze, "…the scope and process for the (comprehensive) review will be developed once the government has made a final decision on Site C."[1]

Since the scope and process for the comprehensive review are not yet known, BC Hydro cannot speculate by whom the comprehensive review will be conducted.

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[1] **The full announcement can be found at this link: https://news.gov.bc.ca/releases/2017EMPR0021-001875**

191.0 Reference: Exhibit B-23 page 2 and page 3 of 4

> The Mandate Letter also outlines that a comprehensive review of BC Hydro will be undertaken.
>
> The amendment of the fiscal 2019 rate increase from 3 per cent to 0 per cent is aligned with the Mandate Letter from Government. Since the development of the 2013 10 Year Rates Plan, both the Province and BC Hydro have taken action to keep our rates low and in line with the Plan. The Province and BC Hydro are committed to take further actions as required as part of the comprehensive review of BC Hydro that is expected to begin in fiscal 2018 and is likely to be completed in fiscal 2019. The comprehensive review of BC Hydro and refreshed plan for rates are expected to inform revenue requirement applications for subsequent fiscal years beginning in fiscal 2020.

4.191.7 Please provide BC Hydro's best estimate as to the expected cost of the comprehensive review.

RESPONSE:

As noted in the Government's announcement regarding the rate freeze, "…the scope and process for the (comprehensive) review will be developed once the government has made a final decision on Site C."[1]

Since the scope and process for the comprehensive review are not yet known, BC Hydro cannot speculate as to the expected cost of the comprehensive review.

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[1] **The full announcement can be found at this link: https://news.gov.bc.ca/releases/2017EMPR0021-001875**

191.0 Reference: Exhibit B-23 page 2 and page 3 of 4

> The Mandate Letter also outlines that a comprehensive review of BC Hydro will be undertaken.
>
> The amendment of the fiscal 2019 rate increase from 3 per cent to 0 per cent is aligned with the Mandate Letter from Government. Since the development of the 2013 10 Year Rates Plan, both the Province and BC Hydro have taken action to keep our rates low and in line with the Plan. The Province and BC Hydro are committed to take further actions as required as part of the comprehensive review of BC Hydro that is expected to begin in fiscal 2018 and is likely to be completed in fiscal 2019. The comprehensive review of BC Hydro and refreshed plan for rates are expected to inform revenue requirement applications for subsequent fiscal years beginning in fiscal 2020.

4.191.8 Does BC Hydro require Commission approval for the expenditure of the costs related to the comprehensive review? Please explain why or why not.

RESPONSE:

Please refer to BC Hydro's response to CEC IR 4.198.8, the content of which applies equally here.

191.0 Reference: Exhibit B-23 page 2 and page 3 of 4

> The Mandate Letter also outlines that a comprehensive review of BC Hydro will be undertaken.
>
> The amendment of the fiscal 2019 rate increase from 3 per cent to 0 per cent is aligned with the Mandate Letter from Government. Since the development of the 2013 10 Year Rates Plan, both the Province and BC Hydro have taken action to keep our rates low and in line with the Plan. The Province and BC Hydro are committed to take further actions as required as part of the comprehensive review of BC Hydro that is expected to begin in fiscal 2018 and is likely to be completed in fiscal 2019. The comprehensive review of BC Hydro and refreshed plan for rates are expected to inform revenue requirement applications for subsequent fiscal years beginning in fiscal 2020.

4.191.9 Does BC Hydro expect that the comprehensive review will identify sufficient savings to maintain the rate freeze beyond 2019 and into the future? Please explain why or why not.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.6.4.

192.0 Reference: Exhibit B-2, page 3 of 4

The amendment of the fiscal 2019 rate increase from 3 per cent to 0 per cent is aligned with the Mandate Letter from Government. Since the development of the 2013 10 Year Rates Plan, both the Province and BC Hydro have taken action to keep our rates low and in line with the Plan. The Province and BC Hydro are committed to take further actions as required as part of the comprehensive review of BC Hydro that is expected to begin in fiscal 2018 and is likely to be completed in fiscal 2019. The comprehensive review of BC Hydro and refreshed plan for rates are expected to inform revenue requirement applications for subsequent fiscal years beginning in fiscal 2020.

4.192.1 Please identify and quantify any costs that BC Hydro would expect to defer from the test period to outside of the test period as a result of the proposed rate freeze.

RESPONSE:

As noted in our rate freeze application, BC Hydro estimates that the impact of the rate freeze will be "to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million."

This estimated amount represents the incremental portion of the revenue requirement that is not to be recovered in rates in fiscal 2019, and thus would be transferred to the Rate Smoothing Regulatory Account pursuant to Direction No. 7.

193.0 Reference: Exhibit B-23, page 3 of 4

> BC Hydro is maintaining its requests related to the fiscal 2019 demand-side management expenditure schedule as well as the total revenue requirements for fiscal 2019. Consistent with Direction No. 7, the portions of the allowed revenue requirement in a particular fiscal year that are not to be recovered in rates in that particular fiscal year are to be deferred to the Rate Smoothing Regulatory Account. The amount transferred to the account in fiscal 2019 is expected to change from the $299.4 million[3] included in the Application. The final amount to be transferred will be calculated as part of the compliance filing and will take into account adjustments committed to be made through the Revenue Requirements Application proceeding, any adjustments resulting from the Commission's order on the Application, as well as revenues that were expected to be received in fiscal 2019 as a result of the 3 per cent rate increase in the Application. The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million.

4.193.1 Please confirm that the RSRA would likely be at approximately $440 million by 2019 as a result of the rate freeze.

RESPONSE:

Not confirmed.

BC Hydro interprets "would likely be at" in the question to mean the <u>balance</u> of the Rate Smoothing Regulatory Account. It is not the case that BC Hydro expects the balance of the account to be at approximately $440 million by 2019.

Rather, BC Hydro expects that, as a result of the rate freeze, the <u>total transfer</u> to the Rate Smoothing Regulatory Account in fiscal 2019 would be approximately $441.7 million, as shown in BC Hydro's response to BCSEA IR 4.3.4.1.

For information regarding the expected <u>balance</u> in the Rate Smoothing Regulatory Account as a result of the rate freeze, please refer to BC Hydro's response to BCUC IR 4.1.3.

193.0 Reference: Exhibit B-23, page 3 of 4

> BC Hydro is maintaining its requests related to the fiscal 2019 demand-side management expenditure schedule as well as the total revenue requirements for fiscal 2019. Consistent with Direction No. 7, the portions of the allowed revenue requirement in a particular fiscal year that are not to be recovered in rates in that particular fiscal year are to be deferred to the Rate Smoothing Regulatory Account. The amount transferred to the account in fiscal 2019 is expected to change from the $299.4 million[3] included in the Application. The final amount to be transferred will be calculated as part of the compliance filing and will take into account adjustments committed to be made through the Revenue Requirements Application proceeding, any adjustments resulting from the Commission's order on the Application, as well as revenues that were expected to be received in fiscal 2019 as a result of the 3 per cent rate increase in the Application. The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million.

4.193.1 Please confirm that the RSRA would likely be at approximately $440 million by 2019 as a result of the rate freeze.

4.193.1.1 If not confirmed, please explain why not and provide BC Hydro's estimate of this deferral account balance in 2019.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.1.3.

193.0 Reference: Exhibit B-23, page 3 of 4

> BC Hydro is maintaining its requests related to the fiscal 2019 demand-side management expenditure schedule as well as the total revenue requirements for fiscal 2019. Consistent with Direction No. 7, the portions of the allowed revenue requirement in a particular fiscal year that are not to be recovered in rates in that particular fiscal year are to be deferred to the Rate Smoothing Regulatory Account. The amount transferred to the account in fiscal 2019 is expected to change from the $299.4 million[3] included in the Application. The final amount to be transferred will be calculated as part of the compliance filing and will take into account adjustments committed to be made through the Revenue Requirements Application proceeding, any adjustments resulting from the Commission's order on the Application, as well as revenues that were expected to be received in fiscal 2019 as a result of the 3 per cent rate increase in the Application. The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million.

4.193.2 Please quantify what the 2019 projected RSRA balance would equate to in terms of rate increases for future ratepayers.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.6.3.

193.0 Reference: Exhibit B-23, page 3 of 4

BC Hydro is maintaining its requests related to the fiscal 2019 demand-side management expenditure schedule as well as the total revenue requirements for fiscal 2019. Consistent with Direction No. 7, the portions of the allowed revenue requirement in a particular fiscal year that are not to be recovered in rates in that particular fiscal year are to be deferred to the Rate Smoothing Regulatory Account. The amount transferred to the account in fiscal 2019 is expected to change from the $299.4 million[3] included in the Application. The final amount to be transferred will be calculated as part of the compliance filing and will take into account adjustments committed to be made through the Revenue Requirements Application proceeding, any adjustments resulting from the Commission's order on the Application, as well as revenues that were expected to be received in fiscal 2019 as a result of the 3 per cent rate increase in the Application. The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million.

4.193.3 Please discuss how and when BC Hydro plans to dispose of the RSRA balance.

RESPONSE:

Please refer to BC Hydro's response to BCUC IRs 4.1.3, 4.1.4 and 4.6.3.

193.0 Reference: Exhibit B-23, page 3 of 4

> BC Hydro is maintaining its requests related to the fiscal 2019 demand-side management expenditure schedule as well as the total revenue requirements for fiscal 2019. Consistent with Direction No. 7, the portions of the allowed revenue requirement in a particular fiscal year that are not to be recovered in rates in that particular fiscal year are to be deferred to the Rate Smoothing Regulatory Account. The amount transferred to the account in fiscal 2019 is expected to change from the $299.4 million[3] included in the Application. The final amount to be transferred will be calculated as part of the compliance filing and will take into account adjustments committed to be made through the Revenue Requirements Application proceeding, any adjustments resulting from the Commission's order on the Application, as well as revenues that were expected to be received in fiscal 2019 as a result of the 3 per cent rate increase in the Application. The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million.

4.193.4 Please provide BC Hydro's views as to the potential for intergenerational inequities that could arise from the proposed increase in the deferral account.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.2.1.

193.0 Reference: Exhibit B-23, page 3 of 4

> BC Hydro is maintaining its requests related to the fiscal 2019 demand-side management expenditure schedule as well as the total revenue requirements for fiscal 2019. Consistent with Direction No. 7, the portions of the allowed revenue requirement in a particular fiscal year that are not to be recovered in rates in that particular fiscal year are to be deferred to the Rate Smoothing Regulatory Account. The amount transferred to the account in fiscal 2019 is expected to change from the $299.4 million[3] included in the Application. The final amount to be transferred will be calculated as part of the compliance filing and will take into account adjustments committed to be made through the Revenue Requirements Application proceeding, any adjustments resulting from the Commission's order on the Application, as well as revenues that were expected to be received in fiscal 2019 as a result of the 3 per cent rate increase in the Application. The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million.

4.193.5 Please provide BC Hydro's views as to the best method to mitigate the effect of any intergenerational inequities that could arise.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.2.1.

193.0 Reference: Exhibit B-23, page 3 of 4

> BC Hydro is maintaining its requests related to the fiscal 2019 demand-side management expenditure schedule as well as the total revenue requirements for fiscal 2019. Consistent with Direction No. 7, the portions of the allowed revenue requirement in a particular fiscal year that are not to be recovered in rates in that particular fiscal year are to be deferred to the Rate Smoothing Regulatory Account. The amount transferred to the account in fiscal 2019 is expected to change from the $299.4 million[3] included in the Application. The final amount to be transferred will be calculated as part of the compliance filing and will take into account adjustments committed to be made through the Revenue Requirements Application proceeding, any adjustments resulting from the Commission's order on the Application, as well as revenues that were expected to be received in fiscal 2019 as a result of the 3 per cent rate increase in the Application. The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million.

4.193.6 Could BC Hydro reduce any of its anticipated spending during the test period to such that the difference between the zero % increase and the 3% increase was partially or completely offset? Please explain why or why not.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.5.1.

193.0 Reference: Exhibit B-23, page 3 of 4

BC Hydro is maintaining its requests related to the fiscal 2019 demand-side management expenditure schedule as well as the total revenue requirements for fiscal 2019. Consistent with Direction No. 7, the portions of the allowed revenue requirement in a particular fiscal year that are not to be recovered in rates in that particular fiscal year are to be deferred to the Rate Smoothing Regulatory Account. The amount transferred to the account in fiscal 2019 is expected to change from the $299.4 million[3] included in the Application. The final amount to be transferred will be calculated as part of the compliance filing and will take into account adjustments committed to be made through the Revenue Requirements Application proceeding, any adjustments resulting from the Commission's order on the Application, as well as revenues that were expected to be received in fiscal 2019 as a result of the 3 per cent rate increase in the Application. The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million.

4.193.6 Could BC Hydro reduce any of its anticipated spending during the test period to such that the difference between the zero % increase and the 3% increase was partially or completely offset? Please explain why or why not.

4.193.6.1 If yes, please discuss how BC Hydro could adjust its spending during the test period to reduce the final amount to be transferred to the Rate Smoothing Regulatory Account in fiscal 2019.

RESPONSE:

Not applicable. Please refer to BC Hydro's response to BCUC IR 4.5.1.

193.0 Reference: Exhibit B-23, page 3 of 4

BC Hydro is maintaining its requests related to the fiscal 2019 demand-side management expenditure schedule as well as the total revenue requirements for fiscal 2019. Consistent with Direction No. 7, the portions of the allowed revenue requirement in a particular fiscal year that are not to be recovered in rates in that particular fiscal year are to be deferred to the Rate Smoothing Regulatory Account. The amount transferred to the account in fiscal 2019 is expected to change from the $299.4 million[3] included in the Application. The final amount to be transferred will be calculated as part of the compliance filing and will take into account adjustments committed to be made through the Revenue Requirements Application proceeding, any adjustments resulting from the Commission's order on the Application, as well as revenues that were expected to be received in fiscal 2019 as a result of the 3 per cent rate increase in the Application. The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million.

4.193.7 Please comment on whether or not spending reductions during the test period to reduce or completely offset the deferral would be in any manner constrained by the Commission's approval of the spending anticipated in the amended application.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.5.1.

193.0 Reference: Exhibit B-23, page 3 of 4

> BC Hydro is maintaining its requests related to the fiscal 2019 demand-side management expenditure schedule as well as the total revenue requirements for fiscal 2019. Consistent with Direction No. 7, the portions of the allowed revenue requirement in a particular fiscal year that are not to be recovered in rates in that particular fiscal year are to be deferred to the Rate Smoothing Regulatory Account. The amount transferred to the account in fiscal 2019 is expected to change from the $299.4 million[3] included in the Application. The final amount to be transferred will be calculated as part of the compliance filing and will take into account adjustments committed to be made through the Revenue Requirements Application proceeding, any adjustments resulting from the Commission's order on the Application, as well as revenues that were expected to be received in fiscal 2019 as a result of the 3 per cent rate increase in the Application. The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million.

4.193.7 Please comment on whether or not spending reductions during the test period to reduce or completely offset the deferral would be in any manner constrained by the Commission's approval of the spending anticipated in the amended application.

4.193.7.1 If BC Hydro would be constrained, please comment on the actions that BC Hydro would need to take to facilitate these spending reductions.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.5.1.

193.0 Reference: Exhibit B-23, page 3 of 4

> BC Hydro is maintaining its requests related to the fiscal 2019 demand-side management expenditure schedule as well as the total revenue requirements for fiscal 2019. Consistent with Direction No. 7, the portions of the allowed revenue requirement in a particular fiscal year that are not to be recovered in rates in that particular fiscal year are to be deferred to the Rate Smoothing Regulatory Account. The amount transferred to the account in fiscal 2019 is expected to change from the $299.4 million[3] included in the Application. The final amount to be transferred will be calculated as part of the compliance filing and will take into account adjustments committed to be made through the Revenue Requirements Application proceeding, any adjustments resulting from the Commission's order on the Application, as well as revenues that were expected to be received in fiscal 2019 as a result of the 3 per cent rate increase in the Application. The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million.

4.193.8 Please discuss whether or not BC Hydro's proposed plan for the use of the deferral account conforms to Generally Accepted Accounting Principles.

RESPONSE:

BC Hydro's use of the Rate Smoothing Regulatory Account conforms to the Prescribed Standards. The Prescribed Standards, described in section 8.12 of the Application, are the accounting rules BC Hydro is required to follow.

193.0 Reference: Exhibit B-23, page 3 of 4

> BC Hydro is maintaining its requests related to the fiscal 2019 demand-side management expenditure schedule as well as the total revenue requirements for fiscal 2019. Consistent with Direction No. 7, the portions of the allowed revenue requirement in a particular fiscal year that are not to be recovered in rates in that particular fiscal year are to be deferred to the Rate Smoothing Regulatory Account. The amount transferred to the account in fiscal 2019 is expected to change from the $299.4 million[3] included in the Application. The final amount to be transferred will be calculated as part of the compliance filing and will take into account adjustments committed to be made through the Revenue Requirements Application proceeding, any adjustments resulting from the Commission's order on the Application, as well as revenues that were expected to be received in fiscal 2019 as a result of the 3 per cent rate increase in the Application. The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million.

4.193.8 Please discuss whether or not BC Hydro's proposed plan for the use of the deferral account conforms to Generally Accepted Accounting Principles.

4.193.8.1 Please provide any evidence that BC Hydro is aware of that the proposed plan for the use of the deferral account does not conform to Generally Accepted Accounting Principles.

RESPONSE:

Please refer to BC Hydro's response to CEC IR 4.193.8.

194.0 Reference: Exhibit B-23, Attachment 1, page 1

> This Mandate Letter lays out the principles of this government and you are to take these into consideration when revising your Service Plan for the *Budget 2017 Update*. It is expected that BC Hydro and Power Authority (BC Hydro) will manage its programs and initiatives within its existing budget targets, unless otherwise directed.

4.194.1 Please confirm or otherwise explain, that an appropriate characterization of the Minister's Mandate Letter is to establish 'principles' for the Authority on a going forward basis.

RESPONSE:

BC Hydro takes the Minister's Mandate Letter at face value, including with respect to the quoted passage in the preamble that indicates: "This Mandate Letter lays out the principles of this government and you are to take these into consideration when revising your Service Plan for the Budget 2017 Update." We view the contents of the Minister's Mandate Letter to be an expression of Government policy, and the Government policy favouring a rate freeze is unequivocal.

195.0 Reference: Exhibit B-23, Attachment 1, page 2

> To support true and lasting reconciliation with First Nations in British Columbia, our government will be fully adopting and implementing the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), and the Calls to Action of the Truth and Reconciliation Commission (TRC). Please ensure that going forward your organization incorporates the UNDRIP and TRC as appropriate, given the specific mandate and context of your organization.

4.195.1 Please provide an overview of the implications, including financial implications of implementing UNDRIP.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

195.0 Reference: Exhibit B-23, Attachment 1, page 2

> To support true and lasting reconciliation with First Nations in British Columbia, our government will be fully adopting and implementing the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), and the Calls to Action of the Truth and Reconciliation Commission (TRC). Please ensure that going forward your organization incorporates the UNDRIP and TRC as appropriate, given the specific mandate and context of your organization.

4.195.1 Please provide an overview of the implications, including financial implications of implementing UNDRIP.

4.195.1.1 Please quantify any financial implications.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

195.0 Reference: Exhibit B-23, Attachment 1, page 2

> To support true and lasting reconciliation with First Nations in British Columbia, our government will be fully adopting and implementing the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), and the Calls to Action of the Truth and Reconciliation Commission (TRC). Please ensure that going forward your organization incorporates the UNDRIP and TRC as appropriate, given the specific mandate and context of your organization.

4.195.2 Please provide an over view of the implications, including financial implications of implementing TRC.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

195.0 Reference: Exhibit B-23, Attachment 1, page 2

> To support true and lasting reconciliation with First Nations in British Columbia, our government will be fully adopting and implementing the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), and the Calls to Action of the Truth and Reconciliation Commission (TRC). Please ensure that going forward your organization incorporates the UNDRIP and TRC as appropriate, given the specific mandate and context of your organization.

4.195.2 Please provide an over view of the implications, including financial implications of implementing TRC.

4.195.2.1 Please quantify any financial implications.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

196.0 Reference: Exhibit B-23, Attachment 1, page 2

> As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:
>
> - Participate fully in the British Columbia Utilities Commission review of Site C and impact on BC Hydro ratepayers associated with completing, suspending or terminating the project;

4.196.1 Please confirm that BC Hydro is already participating fully in the BCUC review of Site C and will continue to do so.

RESPONSE:

Confirmed.

196.0 Reference: Exhibit B-23, Attachment 1, page 2

> As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:
>
> - Participate fully in the British Columbia Utilities Commission review of Site C and impact on BC Hydro ratepayers associated with completing, suspending or terminating the project;

4.196.2 Please identify any additional costs that may be incurred during the test period as a result of the Minister's Letter relating to Site C participation.

RESPONSE:

BC Hydro confirms that there will be additional costs incurred related to the Commission Inquiry respecting Site C. The total amount of these costs is still being finalized. The majority of the costs are related to the costs incurred by the Commission to carry out the Inquiry. The total costs will be capitalized to the Site C project.

197.0 Reference: Exhibit B-23, Attachment 1, page 2

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Continue to deliver your planned capital projects on time and on budget to maintain the reliability of the system;

4.197.1 Does BC Hydro expect to adjust any of its activities relating to planned capital projects to maintain the reliability of the system as a result of the Minister's Letter relating to planned capital projects?

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.3.1.

197.0 Reference: Exhibit B-23, Attachment 1, page 2

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Continue to deliver your planned capital projects on time and on budget to maintain the reliability of the system;

4.197.1 Does BC Hydro expect to adjust any of its activities relating to planned capital projects to maintain the reliability of the system as a result of the Minister's Letter relating to planned capital projects?

4.197.1.1 If yes, please explain.

RESPONSE:

Please refer to BC Hydro's response to CEC IR 4.197.1.

197.0 Reference: Exhibit B-23, Attachment 1, page 2

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Continue to deliver your planned capital projects on time and on budget to maintain the reliability of the system;

4.197.2 Would it be appropriate for the BC Hydro to defer any planned capital projects to outside the test period in order to minimize the impact on the RSRA as a result of a rate freeze? Please explain why or why not.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.3.1.

197.0 Reference: Exhibit B-23, Attachment 1, page 2

> As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:
>
> - Continue to deliver your planned capital projects on time and on budget to maintain the reliability of the system;

4.197.2 Would it be appropriate for the BC Hydro to defer any planned capital projects to outside the test period in order to minimize the impact on the RSRA as a result of a rate freeze? Please explain why or why not.

4.197.2.1 If yes, please identify any capital projects that could be deferred to outside the test period to reduce the impact on the RSRA as a result of the proposed rate freeze.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.197.2.

198.0 Reference: Exhibit B-23, Attachment 1, page 2

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Support the creation of a roadmap for the future of BC energy that will drive innovation, expand energy efficiency and conservation programs, generate new energy responsibly and sustainably, and create lasting good jobs across the province;

4.198.1 Please provide BC Hydro's views as to the activities that will be required to create the 'roadmap'.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

198.0 Reference: Exhibit B-23, Attachment 1, page 2

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Support the creation of a roadmap for the future of BC energy that will drive innovation, expand energy efficiency and conservation programs, generate new energy responsibly and sustainably, and create lasting good jobs across the province;

4.198.2 Does BC Hydro expect to create the 'roadmap' itself or does it expect to utilize consultants? Please explain.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

198.0 Reference: Exhibit B-23, Attachment 1, page 2

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Support the creation of a roadmap for the future of BC energy that will drive innovation, expand energy efficiency and conservation programs, generate new energy responsibly and sustainably, and create lasting good jobs across the province;

4.198.3 Please identify the activities that BC Hydro has already taken to commence the creation of the 'roadmap'.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

198.0 Reference: Exhibit B-23, Attachment 1, page 2

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Support the creation of a roadmap for the future of BC energy that will drive innovation, expand energy efficiency and conservation programs, generate new energy responsibly and sustainably, and create lasting good jobs across the province;

4.198.3 Please identify the activities that BC Hydro has already taken to commence the creation of the 'roadmap'.

4.198.3.1 If BC Hydro has not taken any action to initiate the creation of a roadmap please discuss whether or not BC Hydro has prioritized the request for a rate freeze over initiating the creation of a roadmap and explain why.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

198.0 Reference: Exhibit B-23, Attachment 1, page 2

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Support the creation of a roadmap for the future of BC energy that will drive innovation, expand energy efficiency and conservation programs, generate new energy responsibly and sustainably, and create lasting good jobs across the province;

4.198.4 Please provide BC Hydro's expected timelines with respect to the creation of the roadmap.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

198.0 Reference: Exhibit B-23, Attachment 1, page 2

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Support the creation of a roadmap for the future of BC energy that will drive innovation, expand energy efficiency and conservation programs, generate new energy responsibly and sustainably, and create lasting good jobs across the province;

4.198.5 Please provide the expected total costs of creating the roadmap by year, including any consultant fees.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

198.0 Reference: Exhibit B-23, Attachment 1, page 2

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Support the creation of a roadmap for the future of BC energy that will drive innovation, expand energy efficiency and conservation programs, generate new energy responsibly and sustainably, and create lasting good jobs across the province;

4.198.6 Please provide the costs that BC Hydro has incurred to date in the creation of the roadmap.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

198.0 Reference: Exhibit B-23, Attachment 1, page 2

> As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:
>
> - Support the creation of a roadmap for the future of BC energy that will drive innovation, expand energy efficiency and conservation programs, generate new energy responsibly and sustainably, and create lasting good jobs across the province;

4.198.7 Please outline the manner in which BC Hydro plans to account for the costs to be incurred in creating the roadmap and if and when they will be collected from ratepayers.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

198.0 Reference: Exhibit B-23, Attachment 1, page 2

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Support the creation of a roadmap for the future of BC energy that will drive innovation, expand energy efficiency and conservation programs, generate new energy responsibly and sustainably, and create lasting good jobs across the province;

4.198.8 Does BC Hydro require Commission approval for the costs related to the 'roadmap'? Please explain.

RESPONSE:

Not confirmed for the fiscal 2017 to fiscal 2019 test period.

BC Hydro seeks approval of its revenue requirements and rates for a test period on a forecast basis. BC Hydro has submitted evidence to support its forecast revenue requirements and rates for fiscal 2017 to fiscal 2019. BC Hydro is not seeking an increase in its forecast revenue requirements to reflect any "roadmap"-related costs. (The Minister's Mandate Letter makes it clear that Government expects BC Hydro "to manage its programs and initiatives within its existing budget targets, unless otherwise directed.") To the extent that such costs arise during the fiscal 2017 to fiscal 2019 test period, are not subject to deferral, and cause a variance from Commission-approved revenue requirements, any such variances will be to the account of the shareholder.

To the extent that, over the coming months, we forecast "roadmap"-related costs for years after fiscal 2019, we would include them in our next revenue requirements application.

199.0 Reference: Exhibit B-23, Attachment 1 Page 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Provide leadership in advancing government's climate action strategies, including through:
  - fuel switching and electrification initiatives in the transportation, oil and gas, and other sectors;
  - initiatives under the *Greenhouse Gas Reduction (Renewable and Low Carbon Fuel Requirements) Act*, to further reduce emissions in the transportation sector;
  - policies and programs to increase the energy efficiency of buildings;

4.199.1 Please provide BC Hydro's views as to the activities that will be required to provide leadership in advancing government's climate action strategies.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

199.0 Reference: Exhibit B-23, Attachment 1 Page 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Provide leadership in advancing government's climate action strategies, including through:
  - fuel switching and electrification initiatives in the transportation, oil and gas, and other sectors;
  - initiatives under the *Greenhouse Gas Reduction (Renewable and Low Carbon Fuel Requirements) Act*, to further reduce emissions in the transportation sector;
  - policies and programs to increase the energy efficiency of buildings;

4.199.2 Does BC Hydro expect to conduct these activities itself or does it expect to utilize consultants? Please explain.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

199.0 Reference: Exhibit B-23, Attachment 1 Page 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Provide leadership in advancing government's climate action strategies, including through:
  - fuel switching and electrification initiatives in the transportation, oil and gas, and other sectors;
  - initiatives under the *Greenhouse Gas Reduction (Renewable and Low Carbon Fuel Requirements) Act*, to further reduce emissions in the transportation sector;
  - policies and programs to increase the energy efficiency of buildings;

4.199.3 Please identify the activities that BC Hydro has already taken to commence the leadership role.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

199.0 Reference: Exhibit B-23, Attachment 1 Page 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Provide leadership in advancing government's climate action strategies, including through:
  - fuel switching and electrification initiatives in the transportation, oil and gas, and other sectors;
  - initiatives under the *Greenhouse Gas Reduction (Renewable and Low Carbon Fuel Requirements) Act*, to further reduce emissions in the transportation sector;
  - policies and programs to increase the energy efficiency of buildings;

4.199.3 Please identify the activities that BC Hydro has already taken to commence the leadership role.

4.199.3.1 If BC Hydro has not taken any action to advance the government's climate action strategies please discuss whether or not BC Hydro has prioritized the request for a rate freeze over advancing the government's climate action strategies.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

199.0 Reference: Exhibit B-23, Attachment 1 Page 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Provide leadership in advancing government's climate action strategies, including through:
  - fuel switching and electrification initiatives in the transportation, oil and gas, and other sectors;
  - initiatives under the *Greenhouse Gas Reduction (Renewable and Low Carbon Fuel Requirements) Act*, to further reduce emissions in the transportation sector;
  - policies and programs to increase the energy efficiency of buildings;

4.199.4 Please provide BC Hydro's expected timelines with respect to the advancing the government's climate action strategies.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

199.0 Reference: Exhibit B-23, Attachment 1 Page 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Provide leadership in advancing government's climate action strategies, including through:
  - fuel switching and electrification initiatives in the transportation, oil and gas, and other sectors;
  - initiatives under the *Greenhouse Gas Reduction (Renewable and Low Carbon Fuel Requirements) Act*, to further reduce emissions in the transportation sector;
  - policies and programs to increase the energy efficiency of buildings;

4.199.5 Please provide the expected total costs of advancing the government's climate action strategies, including any consultant fees.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

199.0 Reference: Exhibit B-23, Attachment 1 Page 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Provide leadership in advancing government's climate action strategies, including through:
  - fuel switching and electrification initiatives in the transportation, oil and gas, and other sectors;
  - initiatives under the *Greenhouse Gas Reduction (Renewable and Low Carbon Fuel Requirements) Act*, to further reduce emissions in the transportation sector;
  - policies and programs to increase the energy efficiency of buildings;

4.199.6 Please provide the costs that BC Hydro has incurred to date in advancing the government's climate action strategies.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

199.0 Reference: Exhibit B-23, Attachment 1 Page 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Provide leadership in advancing government's climate action strategies, including through:
  - fuel switching and electrification initiatives in the transportation, oil and gas, and other sectors;
  - initiatives under the *Greenhouse Gas Reduction (Renewable and Low Carbon Fuel Requirements) Act*, to further reduce emissions in the transportation sector;
  - policies and programs to increase the energy efficiency of buildings;

4.199.7 Please outline the manner in which BC Hydro plans to account for the costs to be incurred in advancing the government's climate action strategies and if and when they will be collected from ratepayers.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

199.0 Reference: Exhibit B-23, Attachment 1 Page 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Provide leadership in advancing government's climate action strategies, including through:
  - fuel switching and electrification initiatives in the transportation, oil and gas, and other sectors;
  - initiatives under the *Greenhouse Gas Reduction (Renewable and Low Carbon Fuel Requirements) Act*, to further reduce emissions in the transportation sector;
  - policies and programs to increase the energy efficiency of buildings;

4.199.8 Does BC Hydro require Commission approval for the costs related to advancing the government's climate action strategies? Please explain why or why not.

RESPONSE:

Please refer to BC Hydro's response to CEC IR 4.198.8, the content of which applies equally here. As we noted in Exhibit B-21, BCUC IR 3.340.1.1 and paragraph 462 of our Final Argument, BC Hydro will file information on its low carbon electrification initiatives in future applications as appropriate.

200.0 Reference: Exhibit B-23, Attachment 1, page 2 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Provide comprehensive quarterly and annual performance reports to the Deputy Minister of Energy, Mines and Petroleum Resources on the status of BC Hydro finances and forecasts, as well as other initiatives and directions approved by the BC Hydro Board and the Minister of Energy, Mines and Petroleum Resources. This will include regular report backs on Site C progress in accordance with previous standing directions from government. As and when appropriate, also update the Deputy Minister of Energy, Mines and Petroleum Resources on other emerging trends and issues as they occur;

4.200.1 Please provide BC Hydro's views as to the activities that will be required to provide comprehensive performance reports on the status of BC Hydro finances and forecasts as well as other initiatives and directions, plus reports and updates on emerging trends and issues.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

200.0 Reference: Exhibit B-23, Attachment 1, page 2 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Provide comprehensive quarterly and annual performance reports to the Deputy Minister of Energy, Mines and Petroleum Resources on the status of BC Hydro finances and forecasts, as well as other initiatives and directions approved by the BC Hydro Board and the Minister of Energy, Mines and Petroleum Resources. This will include regular report backs on Site C progress in accordance with previous standing directions from government. As and when appropriate, also update the Deputy Minister of Energy, Mines and Petroleum Resources on other emerging trends and issues as they occur;

4.200.2 Does BC Hydro expect to conduct these activities itself or does it expect to utilize consultants? Please explain.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

200.0 Reference: Exhibit B-23, Attachment 1, page 2 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Provide comprehensive quarterly and annual performance reports to the Deputy Minister of Energy, Mines and Petroleum Resources on the status of BC Hydro finances and forecasts, as well as other initiatives and directions approved by the BC Hydro Board and the Minister of Energy, Mines and Petroleum Resources. This will include regular report backs on Site C progress in accordance with previous standing directions from government. As and when appropriate, also update the Deputy Minister of Energy, Mines and Petroleum Resources on other emerging trends and issues as they occur;

4.200.3 Please identify the activities that BC Hydro has already taken to commence the development of the performance reports and other initiatives and directions, plus reports and updates.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

200.0 Reference: Exhibit B-23, Attachment 1, page 2 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Provide comprehensive quarterly and annual performance reports to the Deputy Minister of Energy, Mines and Petroleum Resources on the status of BC Hydro finances and forecasts, as well as other initiatives and directions approved by the BC Hydro Board and the Minister of Energy, Mines and Petroleum Resources. This will include regular report backs on Site C progress in accordance with previous standing directions from government. As and when appropriate, also update the Deputy Minister of Energy, Mines and Petroleum Resources on other emerging trends and issues as they occur;

4.200.3 Please identify the activities that BC Hydro has already taken to commence the development of the performance reports and other initiatives and directions, plus reports and updates.

4.200.3.1 If BC Hydro has not taken any action on the above reporting and updating listed, please discuss whether or not BC Hydro has prioritized the request for a rate freeze over these activities.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

200.0 Reference: Exhibit B-23, Attachment 1, page 2 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Provide comprehensive quarterly and annual performance reports to the Deputy Minister of Energy, Mines and Petroleum Resources on the status of BC Hydro finances and forecasts, as well as other initiatives and directions approved by the BC Hydro Board and the Minister of Energy, Mines and Petroleum Resources. This will include regular report backs on Site C progress in accordance with previous standing directions from government. As and when appropriate, also update the Deputy Minister of Energy, Mines and Petroleum Resources on other emerging trends and issues as they occur;

4.200.4 Please provide BC Hydro's expected timelines with respect to developing the reports and updates and other activities listed.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

200.0 Reference: Exhibit B-23, Attachment 1, page 2 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Provide comprehensive quarterly and annual performance reports to the Deputy Minister of Energy, Mines and Petroleum Resources on the status of BC Hydro finances and forecasts, as well as other initiatives and directions approved by the BC Hydro Board and the Minister of Energy, Mines and Petroleum Resources. This will include regular report backs on Site C progress in accordance with previous standing directions from government. As and when appropriate, also update the Deputy Minister of Energy, Mines and Petroleum Resources on other emerging trends and issues as they occur;

4.200.5 Please provide the expected total costs of the reporting and updates and other activities listed above.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

200.0 Reference: Exhibit B-23, Attachment 1, page 2 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Provide comprehensive quarterly and annual performance reports to the Deputy Minister of Energy, Mines and Petroleum Resources on the status of BC Hydro finances and forecasts, as well as other initiatives and directions approved by the BC Hydro Board and the Minister of Energy, Mines and Petroleum Resources. This will include regular report backs on Site C progress in accordance with previous standing directions from government. As and when appropriate, also update the Deputy Minister of Energy, Mines and Petroleum Resources on other emerging trends and issues as they occur;

4.200.6 Please provide the costs that BC Hydro has incurred to date in developing the reporting and updating and other activities listed above.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

200.0 Reference: Exhibit B-23, Attachment 1, page 2 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Provide comprehensive quarterly and annual performance reports to the Deputy Minister of Energy, Mines and Petroleum Resources on the status of BC Hydro finances and forecasts, as well as other initiatives and directions approved by the BC Hydro Board and the Minister of Energy, Mines and Petroleum Resources. This will include regular report backs on Site C progress in accordance with previous standing directions from government. As and when appropriate, also update the Deputy Minister of Energy, Mines and Petroleum Resources on other emerging trends and issues as they occur;

4.200.7 Please outline the manner in which BC Hydro plans to account for the costs to be incurred in the reporting and updates and other activities listed above.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

200.0 Reference: Exhibit B-23, Attachment 1, page 2 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Provide comprehensive quarterly and annual performance reports to the Deputy Minister of Energy, Mines and Petroleum Resources on the status of BC Hydro finances and forecasts, as well as other initiatives and directions approved by the BC Hydro Board and the Minister of Energy, Mines and Petroleum Resources. This will include regular report backs on Site C progress in accordance with previous standing directions from government. As and when appropriate, also update the Deputy Minister of Energy, Mines and Petroleum Resources on other emerging trends and issues as they occur;

4.200.8 Does BC Hydro require Commission approval for the costs related to reporting and updating and other activities listed above? Please explain why or why not.

RESPONSE:

Please refer to BC Hydro's response to CEC IR 4.198.8, the content of which applies equally here.

201.0 Reference: Exhibit B-23, Attachment 1 pages 2 and 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Identify further opportunities for clean energy in British Columbia to support BC's economic growth and meet the needs of customers;

4.201.1 Please provide BC Hydro's views as to the activities that will be required to identify further opportunities for clean energy in BC to support BC's economic growth and meet the needs of customers.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

201.0 Reference: Exhibit B-23, Attachment 1 pages 2 and 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Identify further opportunities for clean energy in British Columbia to support BC's economic growth and meet the needs of customers;

4.201.2 Does BC Hydro expect to conduct these activities itself or does it expect to utilize consultants? Please explain.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

201.0 Reference: Exhibit B-23, Attachment 1 pages 2 and 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Identify further opportunities for clean energy in British Columbia to support BC's economic growth and meet the needs of customers;

4.201.3 Please identify the activities that BC Hydro has already taken to commence the identification of further opportunities for clean energy in BC to support BC's economic growth and meet the needs of customers.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

201.0 Reference: Exhibit B-23, Attachment 1 pages 2 and 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Identify further opportunities for clean energy in British Columbia to support BC's economic growth and meet the needs of customers;

4.201.3 Please identify the activities that BC Hydro has already taken to commence the identification of further opportunities for clean energy in BC to support BC's economic growth and meet the needs of customers.

4.201.3.1 If BC Hydro has not taken any action on identifying further opportunities for clean energy in BC, please discuss whether or not BC Hydro has prioritized the request for a rate freeze over these activities.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

201.0 Reference: Exhibit B-23, Attachment 1 pages 2 and 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Identify further opportunities for clean energy in British Columbia to support BC's economic growth and meet the needs of customers;

4.201.4 Please provide BC Hydro's expected timelines with respect to identifying further opportunities for clean energy in BC.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

201.0 Reference: Exhibit B-23, Attachment 1 pages 2 and 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Identify further opportunities for clean energy in British Columbia to support BC's economic growth and meet the needs of customers;

4.201.5 Please provide the expected total costs of identifying further opportunities for clean energy in BC.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

201.0 Reference: Exhibit B-23, Attachment 1 pages 2 and 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Identify further opportunities for clean energy in British Columbia to support BC's economic growth and meet the needs of customers;

4.201.6 Please provide the costs that BC Hydro has incurred to date in identifying further opportunities for clean energy in BC.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

201.0 Reference: Exhibit B-23, Attachment 1 pages 2 and 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Identify further opportunities for clean energy in British Columbia to support BC's economic growth and meet the needs of customers;

4.201.7 Please outline the manner in which BC Hydro plans to account for the costs to be incurred in identifying further opportunities for clean energy in BC.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

201.0 Reference: Exhibit B-23, Attachment 1 pages 2 and 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Identify further opportunities for clean energy in British Columbia to support BC's economic growth and meet the needs of customers;

4.201.8 Does BC Hydro require Commission approval for the costs related to identifying further opportunities for clean energy in BC? Please explain why or why not.

RESPONSE:

Please refer to BC Hydro's response to CEC IR 4.198.8, the content of which applies equally here.

202.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Perform system upgrades where necessary to ensure that BC Hydro is well-positioned to connect future customers in a timely and cost-effective manner;

4.202.1 Please provide BC Hydro's views as to the activities that will be required to perform system upgrades where necessary to satisfy the requirements contained in the Minister's mandate letter.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

202.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Perform system upgrades where necessary to ensure that BC Hydro is well-positioned to connect future customers in a timely and cost-effective manner;

4.202.2 Does BC Hydro expect to conduct these activities itself or does it expect to utilize consultants? Please explain.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

202.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Perform system upgrades where necessary to ensure that BC Hydro is well-positioned to connect future customers in a timely and cost-effective manner;

4.202.3 Please identify the activities that BC Hydro has already taken to commence the identification of system upgrades or perform the system upgrades to satisfy the requirements contained in the Minister's mandate letter.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

202.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Perform system upgrades where necessary to ensure that BC Hydro is well-positioned to connect future customers in a timely and cost-effective manner;

4.202.3 Please identify the activities that BC Hydro has already taken to commence the identification of system upgrades or perform the system upgrades to satisfy the requirements contained in the Minister's mandate letter.

4.202.3.1 If BC Hydro has not taken any action on identifying or performing the system upgrades please discuss whether or not BC Hydro has prioritized the request for a rate freeze over these activities also included in the Minister's mandate letter.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

202.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Perform system upgrades where necessary to ensure that BC Hydro is well-positioned to connect future customers in a timely and cost-effective manner;

4.202.4 Please provide BC Hydro's expected timelines with respect to identifying and performing the system upgrades.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

202.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Perform system upgrades where necessary to ensure that BC Hydro is well-positioned to connect future customers in a timely and cost-effective manner;

4.202.5 Please provide the expected total costs of identifying and performing system upgrades and the incremental costs required to satisfy the requests in the Minister's mandate letter.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

202.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Perform system upgrades where necessary to ensure that BC Hydro is well-positioned to connect future customers in a timely and cost-effective manner;

4.202.6 Please provide the costs that BC Hydro has incurred to date in identifying and performing system upgrades to satisfy the request in the Minister's mandate letter.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

202.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Perform system upgrades where necessary to ensure that BC Hydro is well-positioned to connect future customers in a timely and cost-effective manner;

4.202.7 Please outline the manner in which BC Hydro plans to account for the costs to be incurred in identifying and performing system upgrades as requested in the Minister's mandate letter.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

202.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 3 of 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Perform system upgrades where necessary to ensure that BC Hydro is well-positioned to connect future customers in a timely and cost-effective manner;

4.202.8 Does BC Hydro require Commission approval for the costs related to identifying and performing system upgrades to satisfy the request in the Minister's mandate letter.

RESPONSE:

Please refer to BC Hydro's response to CEC IR 4.198.8, the content of which applies equally here.

203.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Continue to implement the five-year safety plan to ensure the safety of the BC Hydro workforce and the public; and

4.203.1 Please provide BC Hydro's views as to the activities that will be required to continue to implement the five-year safety plan to satisfy the requirements contained in the Minister's mandate letter.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

203.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Continue to implement the five-year safety plan to ensure the safety of the BC Hydro workforce and the public; and

4.203.2 Does BC Hydro expect to conduct these activities itself or does it expect to utilize consultants? Please explain.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

203.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Continue to implement the five-year safety plan to ensure the safety of the BC Hydro workforce and the public; and

4.203.3 Please identify the activities that BC Hydro has already taken to commence any new activities related the five year safety plan as a result of the Minister's mandate letter.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

203.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Continue to implement the five-year safety plan to ensure the safety of the BC Hydro workforce and the public; and

4.203.3 Please identify the activities that BC Hydro has already taken to commence any new activities related the five year safety plan as a result of the Minister's mandate letter.

4.203.3.1 If BC Hydro would need to, but has not taken any new actions on the five year safety plan to satisfy the Minister's mandate letter, please discuss whether or not BC Hydro has prioritized the request for a rate freeze over these activities.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

203.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Continue to implement the five-year safety plan to ensure the safety of the BC Hydro workforce and the public; and

4.203.4 Please provide BC Hydro's expected timelines with respect to the five year safety plan.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

203.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Continue to implement the five-year safety plan to ensure the safety of the BC Hydro workforce and the public; and

4.203.5 Please provide the expected total costs of the five year safety plan.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

203.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Continue to implement the five-year safety plan to ensure the safety of the BC Hydro workforce and the public; and

4.203.6 Please provide the expected total incremental costs of the five year safety plan that will be required as a result of the Minister's mandate letter.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 1.145.1.

203.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Continue to implement the five-year safety plan to ensure the safety of the BC Hydro workforce and the public; and

4.203.7 Please provide the costs that BC Hydro has incurred to date in continuing the five year safety plan to satisfy the request contained in the Minister's mandate letter.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

203.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Continue to implement the five-year safety plan to ensure the safety of the BC Hydro workforce and the public; and

4.203.8 Please outline the manner in which BC Hydro plans to account for the costs to be incurred in the five year safety plan as requested in the Minister's mandate letter.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

203.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Continue to implement the five-year safety plan to ensure the safety of the BC Hydro workforce and the public; and

4.203.9 Does BC Hydro require Commission approval for the costs related to continuing the five year safety plan as requested in the Minister's mandate letter.

RESPONSE:

Please refer to BC Hydro's response to CEC IR 4.198.8, the content of which applies equally here.

204.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Maintain or improve customer satisfaction by providing timely and responsive service.

4.204.1 Please provide BC Hydro's views as to the activities that will be required to maintain or improve customer satisfaction by providing timely and responsive service to satisfy the requests in the Minister's mandate letter.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

204.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Maintain or improve customer satisfaction by providing timely and responsive service.

4.204.2 Does BC Hydro expect to conduct these activities itself or does it expect to utilize consultants? Please explain.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

204.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Maintain or improve customer satisfaction by providing timely and responsive service.

4.204.3 Please identify the activities that BC Hydro has already taken to commence any new activities related maintaining or improving customer satisfaction to satisfy the request contained in the Minister's mandate letter.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

204.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Maintain or improve customer satisfaction by providing timely and responsive service.

4.204.3 Please identify the activities that BC Hydro has already taken to commence any new activities related maintaining or improving customer satisfaction to satisfy the request contained in the Minister's mandate letter.

4.204.3.1 If BC Hydro would need to, but has not taken any new actions on maintaining or improving customer satisfaction to satisfy the Minister's mandate letter, please discuss whether or not BC Hydro has prioritized the request for a rate freeze over these activities.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

204.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Maintain or improve customer satisfaction by providing timely and responsive service.

4.204.4 Please provide BC Hydro's expected timelines with respect to maintaining or improving customer satisfaction by providing timely and responsive service.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

204.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Maintain or improve customer satisfaction by providing timely and responsive service.

4.204.5 Please provide the expected total costs of any new activities related to maintaining or improving customer service to satisfy the requests contained in the Minister's mandate letter.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

204.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Maintain or improve customer satisfaction by providing timely and responsive service.

4.204.6 Please provide the costs that BC Hydro has incurred to date in maintaining or improving customer satisfaction by providing timely and responsive service as a result of the request contained in the Minister's mandate letter.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

204.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- Maintain or improve customer satisfaction by providing timely and responsive service.

4.204.7 Please outline the manner in which BC Hydro plans to account for the incremental costs to be incurred in maintaining or improving customer service plan as a result of the request contained in the Minister's mandate letter.

RESPONSE:

Please refer to BC Hydro's response to BCOAPO IR 4.145.1.

204.0 Reference: Exhibit B-23, Attachment 1, pages 2 and 4

As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to:

- [illegible]
- Maintain or improve customer satisfaction by providing timely and responsive service.

4.204.8 Does BC Hydro require Commission approval for the incremental costs related to maintaining or improving customer service as requested in the Minister's mandate letter.

RESPONSE:

Please refer to BC Hydro's response to CEC IR 4.198.8, the content of which applies equally here.

20.0 Topic: Amended Application

Reference: Exhibit B-1-1, Appendix A, Page 2…

The summary of BC Hydro's F2017 to F2019 Revenue Requirements is found in Schedule 1.0 of the Financial Schedules in Exhibit B-1-1, Appendix A and the F2019 Revenue Requirements are summarized in Column 9 of Schedule 1.0

4.20.1 Other than adjustments pertaining to the F2019 rate freeze sought in the Amended Application do the F2019 revenue requirements presented in Column 9 of Schedule 1.0 continue to represent BC Hydro's F2019 revenue requirement request in this proceeding?

RESPONSE:

Column 9 of Schedule 1.0 of Appendix A to the Application, along with BC Hydro's Errata No. 1 filed as Exhibit B-1-2, the Evidentiary Update filed as Exhibit B-2, and the commitments made by BC Hydro as part of this proceeding as noted in Part Thirteen of our Final Submission represent BC Hydro's fiscal 2019 revenue requirement request in this proceeding.

20.0 Topic: Amended Application

Reference: Exhibit B-1-1, Appendix A, Page 2…

The summary of BC Hydro's F2017 to F2019 Revenue Requirements is found in Schedule 1.0 of the Financial Schedules in Exhibit B-1-1, Appendix A and the F2019 Revenue Requirements are summarized in Column 9 of Schedule 1.0

4.20.2 If the F2019 revenue requirements have been revised earlier in the proceeding (i.e. prior to Exhibit B-23, the November 8, 2017 application for an F2019 rate freeze) through an evidentiary update or in response to information requests, please provide references to the exhibit and page numbers, etc. where BC Hydro's final application for F2019 revenue requirements, prior to the rate freeze request, can be found.

RESPONSE:

BC Hydro summarized the updates, errata and commitments affecting its requested revenue requirements in paragraphs 579 and 580 of its Final Argument. As indicated in paragraph 581 of its Final Argument, BC Hydro proposes to recalculate its revenue requirements for the updates, errata and commitments, as well as any directives from the Commission, in its compliance filing.

20.0 Topic: Amended Application

Reference: Exhibit B-1-1, Appendix A, Page 2…

The summary of BC Hydro's F2017 to F2019 Revenue Requirements is found in Schedule 1.0 of the Financial Schedules in Exhibit B-1-1, Appendix A and the F2019 Revenue Requirements are summarized in Column 9 of Schedule 1.0

4.20.3 If the revised F2019 Revenue Requirements provided in the response to FortisBC IR 20.1.1 have not been presented in the format of Schedule 1.0 of Exhibit B-1-1, Appendix A please provide a revised version of Schedule 1.0 that reflects any revisions to the F2019 Revenue Requirements made prior to Exhibit B-23.

RESPONSE:

Please refer to BC Hydro's response to FortisBC IR 4.20.4.1.

20.0 Topic: Amended Application

Reference: Exhibit B-1-1, Appendix A, Page 2…

The summary of BC Hydro's F2017 to F2019 Revenue Requirements is found in Schedule 1.0 of the Financial Schedules in Exhibit B-1-1, Appendix A and the F2019 Revenue Requirements are summarized in Column 9 of Schedule 1.0

4.20.4 The first paragraph on page 3 of 4 in Exhibit B-23 states (in part) the following:

"The amount transferred to the account in fiscal 2019 is expected to change from the $299.4 million[3] included in the Application. The final amount to be transferred will be calculated as part of the compliance filing and <u>will take into account adjustments committed to be made through the Revenue Requirements Application proceeding</u>, any adjustments resulting from the Commission's order on the Application, as well as revenues that were expected to be received in fiscal 2019 as a result of the 3 per cent rate increase in the Application. The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million.

4.20.4.1 With respect to the underlined text in the quote, please identify the references in the hearing record where each of the commitments has been made that has an impact on the F2019 revenue requirements and on the amount to be deferred in the Rate Smoothing Regulatory Account for F2019.

RESPONSE:

Refer to paragraphs 579 and 580 of BC Hydro's Final Argument for a summary of the updates, errata and commitments affecting BC Hydro's requested revenue requirements. Impacts on the amounts to be deferred to the Rate Smoothing Regulatory Account related to the above items for fiscal 2019 have not been calculated, and BC Hydro does not have sufficient time to model the impacts in the time allotted to respond to these information requests.

20.0 Topic: Amended Application

Reference: Exhibit B-1-1, Appendix A, Page 2…

The summary of BC Hydro's F2017 to F2019 Revenue Requirements is found in Schedule 1.0 of the Financial Schedules in Exhibit B-1-1, Appendix A and the F2019 Revenue Requirements are summarized in Column 9 of Schedule 1.0

4.20.4 The first paragraph on page 3 of 4 in Exhibit B-23 states (in part) the following:

"The amount transferred to the account in fiscal 2019 is expected to change from the $299.4 million[3] included in the Application. The final amount to be transferred will be calculated as part of the compliance filing and <u>will take into account adjustments committed to be made through the Revenue Requirements Application proceeding</u>, any adjustments resulting from the Commission's order on the Application, as well as revenues that were expected to be received in fiscal 2019 as a result of the 3 per cent rate increase in the Application. The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million.

4.20.4.2 What is the combined $ impact of the commitments identified in FortisBC IR 4.20.1.4.1 on the F2019 revenue requirements and amounts being deferred for F2019 in the Rate Smoothing Regulatory Account?

RESPONSE:

Please refer to BC Hydro's response to FortisBC IR 4.20.4.1.

20.0 Topic: Amended Application

Reference: Exhibit B-1-1, Appendix A, Page 2…

The summary of BC Hydro's F2017 to F2019 Revenue Requirements is found in Schedule 1.0 of the Financial Schedules in Exhibit B-1-1, Appendix A and the F2019 Revenue Requirements are summarized in Column 9 of Schedule 1.0

4.20.5 What is the aggregate revenue requirement increase for F2019 before any adjustments that may arise from the Commission decision (which are not known) and assuming no additions to or recovery from the RSRA in F2019? Please express the answer in total dollars and as a percentage increase. Please confirm that the full F2019 revenue requirement increase would be the sum of $299.4 million plus $140 million plus or minus the combined impact of the commitments made by BC Hydro as identified in the response to FortisBC IR 4.20.1.4.1.

RESPONSE:

Please refer to BC Hydro's response to FortisBC IR 4.20.4.1.

21.0 Topic: Rate Smoothing Regulatory Account

Reference: Exhibit B-10, Response to CEA BC IR 1.3.3

In the response to CEA BC IR 1.3.3, BC Hydro provided the following forecast of the Rate Smoothing Regulatory Account (RSRA) balances and annual additions / recoveries to the account (also provided in the response to BCUC IR 1.124.11). BC Hydro also indicated that the accumulated RSRA balance would be recovered by the end of F2024 within the context of F2020 to F2024 rate increases averaging 2.6% per year

Rate Smoothing

$ million	F2017 Plan	F2018 Plan	F2019 Plan	F2020 Forecast	F2021 Forecast	F2022 Forecast	F2023 Forecast	F2024 Forecast
Beginning of Year	287.4	497.4	783.3	1,082.7	1,490.7	1,589.4	1,285.8	732.5
Additions/(Recovery)	210.0	285.9	299.4	408.0	98.7	(303.6)	(553.3)	(732.5)
Interest	-	-	-	-	-	-	-	-
End of Year	497.4	783.3	1,082.7	1,490.7	1,589.4	1,285.8	732.5	-

4.21.1 Please provide an updated version of the table above assuming the rate freeze for F2019 is approved by the Commission

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.1.3, which shows the balance by year of the Rate Smoothing Regulatory Account in two scenarios.

Please see the tables below, which expand upon the information provided in that response in the format requested in the question.

Table 1: With 2019 rate freeze – Scenario 1

Rate Smoothing Regulatory Account Balance ($ millions)	F2017	F2018	F2019	F2020	F2021	F2022	F2023	F2024
Beginning of Year	**287**	**497**	**783**	**1,225**	**1,625**	**1,704**	**1,370**	**797**
Additions / (Recovery)	**210**	**286**	**442**	**400**	**79**	**(334)**	**(573)**	**(797)**
End of Year	**497**	**783**	**1,225**	**1,625**	**1,704**	**1,370**	**797**	**0**

Table 2: With F2019 rate freeze – Scenario 2

Rate Smoothing Regulatory Account Balance ($ millions)	**F2017**	**F2018**	**F2019**	**F2020**	**F2021**	**F2022**	**F2023**	**F2024**
Beginning of Year	**287**	**497**	**783**	**1,225**	**1,726**	**1,865**	**1,537**	**915**
Additions / (Recovery)	**210**	**286**	**442**	**501**	**138**	**(328)**	**(622)**	**(915)**
End of Year	**497**	**783**	**1,225**	**1,726**	**1,865**	**1,537**	**915**	**0**

21.0 Topic: Rate Smoothing Regulatory Account

Reference: Exhibit B-10, Response to CEA BC IR 1.3.3

In the response to CEA BC IR 1.3.3, BC Hydro provided the following forecast of the Rate Smoothing Regulatory Account (RSRA) balances and annual additions / recoveries to the account (also provided in the response to BCUC IR 1.124.11). BC Hydro also indicated that the accumulated RSRA balance would be recovered by the end of F2024 within the context of F2020 to F2024 rate increases averaging 2.6% per year

Rate Smoothing

$ million	F2017 Plan	F2018 Plan	F2019 Plan	F2020 Forecast	F2021 Forecast	F2022 Forecast	F2023 Forecast	F2024 Forecast
Beginning of Year	287.4	497.4	783.3	1,082.7	1,490.7	1,589.4	1,285.8	732.5
Additions/(Recovery)	210.0	285.9	299.4	408.0	98.7	(303.6)	(553.3)	(732.5)
Interest	-	-	-	-	-	-	-	-
End of Year	497.4	783.3	1,082.7	1,490.7	1,589.4	1,285.8	732.5	-

4.21.2 With the updated RSRA balances in table provided in the previous response what rate increases would be required for F2020 to F2024 period in order to clear the RSRA balance by the end of the ten year rate plan?

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.6.3.

21.0 Topic: Rate Smoothing Regulatory Account

Reference: Exhibit B-10, Response to CEA BC IR 1.3.3

In the response to CEA BC IR 1.3.3, BC Hydro provided the following forecast of the Rate Smoothing Regulatory Account (RSRA) balances and annual additions / recoveries to the account (also provided in the response to BCUC IR 1.124.11). BC Hydro also indicated that the accumulated RSRA balance would be recovered by the end of F2024 within the context of F2020 to F2024 rate increases averaging 2.6% per year

Rate Smoothing

$ million	F2017 Plan	F2018 Plan	F2019 Plan	F2020 Forecast	F2021 Forecast	F2022 Forecast	F2023 Forecast	F2024 Forecast
Beginning of Year	287.4	497.4	783.3	1,082.7	1,490.7	1,589.4	1,285.8	732.5
Additions/(Recovery)	210.0	285.9	299.4	408.0	98.7	(303.6)	(553.3)	(732.5)
Interest	-	-	-	-	-	-	-	-
End of Year	497.4	783.3	1,082.7	1,490.7	1,589.4	1,285.8	732.5	-

4.21.3 Please confirm that the yearly impact on BC Hydro's revenue requirements of additions to or recoveries from the RSRA is characterized by the difference between the annual additions to / (recoveries from) the RSRA and the prior year's additions to / (recoveries from) the RSRA. Using F2022 in the preamble table as an example, the F2022 revenue requirement impact of RSRA activity would be in the order of $402.3 million (i.e., -$303.6 million F2022 recoveries from – $98.7 million F2021 additions to). Please confirm also that RSRA revenue requirement impacts in the order of $400 million would represent a rate increase percentage of approximately 8% to 9% (based on annual revenue requirements being in the range $4.5 billion to $5.0 billion).

RESPONSE:

Confirmed that the yearly impact on BC Hydro's revenue requirements of additions to or recoveries from the Rate Smoothing Regulatory Account is as described in the question.

With regards to the F2022 example, BC Hydro confirms the statement on the assumption that the $400 million would be recovered in one year and that there are no other changes to other components of the revenue requirements or as a result of load growth. However, BC Hydro notes that in the forecast referenced in the question, there are other changes to the revenue requirements and as a result of load growth such that the Rate Smoothing Regulatory Account revenue requirement impacts can be absorbed with rate increases averaging 2.6 per cent per year from F2020 to F2024.

21.0 Topic: Rate Smoothing Regulatory Account

Reference: Exhibit B-10, Response to CEA BC IR 1.3.3

In the response to CEA BC IR 1.3.3, BC Hydro provided the following forecast of the Rate Smoothing Regulatory Account (RSRA) balances and annual additions / recoveries to the account (also provided in the response to BCUC IR 1.124.11). BC Hydro also indicated that the accumulated RSRA balance would be recovered by the end of F2024 within the context of F2020 to F2024 rate increases averaging 2.6% per year

Rate Smoothing

$ million	F2017 Plan	F2018 Plan	F2019 Plan	F2020 Forecast	F2021 Forecast	F2022 Forecast	F2023 Forecast	F2024 Forecast
Beginning of Year	287.4	497.4	783.3	1,082.7	1,490.7	1,589.4	1,285.8	732.5
Additions/(Recovery)	210.0	285.9	299.4	408.0	98.7	(303.6)	(553.3)	(732.5)
Interest	-	-	-	-	-	-	-	-
End of Year	497.4	783.3	1,082.7	1,490.7	1,589.4	1,285.8	732.5	-

4.21.4 Do the F2020 to F2024 rate increases provided in the response to FortisBC IR 4.21.2 include or exclude the rate impacts associated with the year-over-year increases in recoveries from the RSRA?

RESPONSE:

The rate increases referenced in the preamble to the question (i.e., 2.6 per cent per year for fiscal 2020 through fiscal 2024) and provided in BC Hydro's response to BCUC IR 4.6.3 are inclusive of the rate impacts of recoveries from the Rate Smoothing Regulatory Account.

22.0 Topic: Deferral and Regulatory Account Balances under the Amended Application

Reference: Exhibit B-9, Response to BCUC IR 1.124.2, Exhibit B-10, Response to FortisBC IR 1.2.1 and Exhibit B-23

The response to FortisBC IR 1.2.1 provided a table of forecast account balances for each of BC Hydro's deferral and regulatory accounts to the end of F2024, the last year in the 10 Year Rates Plan

4.22.1 Please provide an updated version of the table from the response to FortisBC 1.2.1 taking into consideration both the proposed rate freeze and any other updated information such as, for example, the commitments made during the proceeding as identified in the responses to FortisBC IRs 4.20.1.4.1 and 4.20.1.4.2.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.1.3. Please note that only the Rate Smoothing Account was updated in this table, and only to reflect the impact of the proposed fiscal 2019 rate freeze. BC Hydro is unable to update the table for the commitments noted in the question as a result of the significant amount of modelling work that would be required to do so, and the limited time allotted to respond to these information requests.

28.0 Topic: Rate Smoothing Regulatory Account Impacts

Reference: Exhibit B-23, PDF 3
BC Hydro cover letter to Fiscal 2017 to Fiscal 2019 Revenue Requirement Amendment Application

BC Hydro states "Consistent with Direction No. 7, the portions of the allowed revenue requirement in a particular fiscal year that are not to be recovered in rates in that particular fiscal year are to be deferred to the Rate Smoothing Regulatory Account. The amount transferred to the account in fiscal 2019 is expected to change from the $299.4 million included in the Application. The final amount to be transferred will be calculated as part of the compliance filing and will take into account adjustments committed to be made through the Revenue Requirements Application proceeding, any adjustments resulting from the Commission's order on the Application, as well as revenues that were expected to be received in fiscal 2019 as a result of the 3 per cent rate increase in the Application. The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million."

4.28.1 What is BC Hydro's expectation of the increase to the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 as a result of "account adjustments committed to be made through the Revenue Requirements Application proceeding"? Please identify the specific account adjustments and related commitment and break out the expected $ impact due to each one.

RESPONSE:

Please refer to BC Hydro's response to FortisBC IR 4.20.4.1.

28.0 Topic: Rate Smoothing Regulatory Account Impacts

Reference: Exhibit B-23, PDF 3
BC Hydro cover letter to Fiscal 2017 to Fiscal 2019 Revenue Requirement Amendment Application

BC Hydro states "Consistent with Direction No. 7, the portions of the allowed revenue requirement in a particular fiscal year that are not to be recovered in rates in that particular fiscal year are to be deferred to the Rate Smoothing Regulatory Account. The amount transferred to the account in fiscal 2019 is expected to change from the $299.4 million included in the Application. The final amount to be transferred will be calculated as part of the compliance filing and will take into account adjustments committed to be made through the Revenue Requirements Application proceeding, any adjustments resulting from the Commission's order on the Application, as well as revenues that were expected to be received in fiscal 2019 as a result of the 3 per cent rate increase in the Application. The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million."

4.28.2 What is BC Hydro's expectation of the increase to the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 as a result of "any adjustments resulting from the Commission's order on the Application"? Please identify the types of adjustments contemplated by BC Hydro.

RESPONSE:

BC Hydro does not yet know what directions the Commission will issue in its final decision in this proceeding.

29.0 Topic: Comprehensive Review of BC Hydro

Reference: Exhibit B-23, PDF 3
BC Hydro cover letter to Fiscal 2017 to Fiscal 2019 Revenue Requirement Amendment Application

BC Hydro states "The Province and BC Hydro are committed to take further actions as required as part of the comprehensive review of BC Hydro that is expected to begin in fiscal 2018 and is likely to be completed in fiscal 2019."

4.29.1 Please provide BC Hydro's expectations of when in fiscal 2018 the comprehensive review is likely to begin (e.g. what month or quarter). Please reconcile that expectation with bullet 4 on page 2 of the Mandate Letter directing BC Hydro to "conduct an ***immediate*** and comprehensive review…".

RESPONSE:

Please refer to BC Hydro's response to CEC IR 4.191.3.

29.0 Topic: Comprehensive Review of BC Hydro

Reference: Exhibit B-23, PDF 3
BC Hydro cover letter to Fiscal 2017 to Fiscal 2019 Revenue Requirement Amendment Application

BC Hydro states "The Province and BC Hydro are committed to take further actions as required as part of the comprehensive review of BC Hydro that is expected to begin in fiscal 2018 and is likely to be completed in fiscal 2019."

4.29.2 Please provide BC Hydro's expectations of when in fiscal 2019 the comprehensive review is likely to be completed (e.g. what month or quarter).

RESPONSE:

Please refer to BC Hydro's response to CEC IR 4.191.5.

30.0 Topic: Refreshed Plan for Rates

Reference: Exhibit B-23, PDF 3
BC Hydro cover letter to Fiscal 2017 to Fiscal 2019 Revenue Requirement Amendment Application

BC Hydro states "Since the development of the 2013 10 Year Rates Plan, both the Province and BC Hydro have taken action to keep our rates low and in line with the Plan. The Province and BC Hydro are committed to take further actions as required as part of the comprehensive review of BC Hydro that is expected to begin in fiscal 2018 and is likely to be completed in fiscal 2019. The comprehensive review of BC Hydro and refreshed plan for rates are expected to inform revenue requirement applications for subsequent fiscal years beginning in fiscal 2020."

4.30.1 Does BC Hydro expect that a "refreshed plan for rates" will be developed only after the comprehensive review is completed? If so, what is BC Hydro's expectation of the additional time necessary to develop a refreshed plan for rates?

RESPONSE:

BC Hydro is not able to provide further details at this time as to the timing of the comprehensive review or the refreshed plan for rates, or how those timelines may interact. Please also refer to BC Hydro's response to BCUC IR 4.6.4 and CEC IRs 4.191.3 and 4.191.5.

30.0 Topic: Refreshed Plan for Rates

Reference: Exhibit B-23, PDF 3
BC Hydro cover letter to Fiscal 2017 to Fiscal 2019 Revenue Requirement Amendment Application

BC Hydro states "Since the development of the 2013 10 Year Rates Plan, both the Province and BC Hydro have taken action to keep our rates low and in line with the Plan. The Province and BC Hydro are committed to take further actions as required as part of the comprehensive review of BC Hydro that is expected to begin in fiscal 2018 and is likely to be completed in fiscal 2019. The comprehensive review of BC Hydro and refreshed plan for rates are expected to inform revenue requirement applications for subsequent fiscal years beginning in fiscal 2020."

4.30.2 Does BC Hydro expect that a refreshed plan for rates could be developed concurrently with the comprehensive review? Please explain.

RESPONSE:

Please refer to BC Hydro's response to NIARG IR 4.30.1.

30.0 Topic: Refreshed Plan for Rates

Reference: Exhibit B-23, PDF 3
BC Hydro cover letter to Fiscal 2017 to Fiscal 2019 Revenue Requirement Amendment Application

BC Hydro states "Since the development of the 2013 10 Year Rates Plan, both the Province and BC Hydro have taken action to keep our rates low and in line with the Plan. The Province and BC Hydro are committed to take further actions as required as part of the comprehensive review of BC Hydro that is expected to begin in fiscal 2018 and is likely to be completed in fiscal 2019. The comprehensive review of BC Hydro and refreshed plan for rates are expected to inform revenue requirement applications for subsequent fiscal years beginning in fiscal 2020."

4.30.3 What is BC Hydro's expectation of the filing date for a F2020 Revenue Requirements Application?

RESPONSE:

BC Hydro anticipates filing its next Revenue Requirements Application in the fourth quarter of fiscal 2019.

31.0 Topic: Roadmap for the Future of BC Energy

Reference: Exhibit B-23, PDF 7
Attachment 1, Government Mandate Letter

The Mandate Letter directs BC Hydro to "Support the creation of a roadmap for the future of BC energy that will drive innovation, expand energy efficiency and conservation programs, generate new energy responsibly and sustainably, and create lasting good jobs across the province".

4.31.1 Does BC Hydro expect that a roadmap for the future of BC energy will be a different initiative and document than the refreshed plan for rates? Please explain.

RESPONSE:

Yes, BC Hydro expects that a roadmap for the future of BC energy will be a different initiative than the refreshed plan for rates. Specifically, BC Hydro expects the roadmap to be a government policy initiative that may take into account energy efficiency, conservation and economic development opportunities that go beyond BC Hydro's own mandate and operations while the refreshed plan for rates would apply only to BC Hydro.

BC Hydro notes that the roadmap for the future of B.C. energy is a government initiative that BC Hydro is expected to support and is not an initiative that is being led by BC Hydro. At this time, we do not have any details regarding the expected start or end date for the development of the roadmap or whether the British Columbia Utilities Commission would be involved with the roadmap.

31.0 Topic: Roadmap for the Future of BC Energy

Reference: Exhibit B-23, PDF 7
Attachment 1, Government Mandate Letter

The Mandate Letter directs BC Hydro to "Support the creation of a roadmap for the future of BC energy that will drive innovation, expand energy efficiency and conservation programs, generate new energy responsibly and sustainably, and create lasting good jobs across the province".

4.31.2 When does BC Hydro expect that development of a roadmap for the future of BC energy will begin, and when is it likely to be completed?

RESPONSE:

Please refer to BC Hydro's response to NIARG IR 4.31.1.

31.0 Topic: Roadmap for the Future of BC Energy

Reference: Exhibit B-23, PDF 7
Attachment 1, Government Mandate Letter

The Mandate Letter directs BC Hydro to "Support the creation of a roadmap for the future of BC energy that will drive innovation, expand energy efficiency and conservation programs, generate new energy responsibly and sustainably, and create lasting good jobs across the province".

4.31.3 Does BC Hydro expect that the British Columbia Utilities Commission would be involved in some way with a roadmap for the future of BC energy? Please explain. If yes, describe the nature of such expected involvement (e.g. review an Application for approval, consider it as an input informing an Application, accept a filing for reference only, etc.)

RESPONSE:

Please refer to BC Hydro's response to NIARG IR 4.31.1.

43.0 Reference: Exhibit B-23, Attachment 1 (Government Mandate)

Topic: Comprehensive Review of BC Hydro

The Ministry's August 24, 2017 mandate letter, which is Exhibit B-23 ("**Mandate Letter**"), states:

"As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to… conduct an immediate and comprehensive review of BC Hydro's activities, performance and organizational structure to identify potential efficiencies that could benefit ratepayers, and ensure that the organizations is positioned to deliver on BC Hydro's objectives and government's priorities…"

4.43.1 Provide a status update and a schedule/timeline for this comprehensive review.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.6.4 and CEC IRs 4.191.3 and 4.191.5.

43.0 Reference: Exhibit B-23, Attachment 1 (Government Mandate)

Topic: Comprehensive Review of BC Hydro

The Ministry's August 24, 2017 mandate letter, which is Exhibit B-23 ("**Mandate Letter**"), states:

"As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to… conduct an immediate and comprehensive review of BC Hydro's activities, performance and organizational structure to identify potential efficiencies that could benefit ratepayers, and ensure that the organizations is positioned to deliver on BC Hydro's objectives and government's priorities…"

4.43.2 Provide any documents describing the specific scope and objectives of the comprehensive review.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.6.4.

Additionally, the Government's announcement notes that the comprehensive review "…will identify changes and cost savings to keep rates low while ensuring BC Hydro has the resources it needs to continue to provide clean, safe and reliable electricity."[1]

[1] **The full announcement can be found at this link: https://news.gov.bc.ca/releases/2017EMPR0021-001875**

43.0 Reference: Exhibit B-23, Attachment 1 (Government Mandate)

Topic: Comprehensive Review of BC Hydro

The Ministry's August 24, 2017 mandate letter, which is Exhibit B-23 ("**Mandate Letter**"), states:

"As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to… conduct an immediate and comprehensive review of BC Hydro's activities, performance and organizational structure to identify potential efficiencies that could benefit ratepayers, and ensure that the organizations is positioned to deliver on BC Hydro's objectives and government's priorities…"

4.43.3 Provide any documents describing any work that has been done to date on the comprehensive review.

RESPONSE:

The comprehensive review has not yet started. Please refer to BC Hydro's response to BCUC IR 4.6.4 and CEC IR 4.191.1.

43.0 Reference: Exhibit B-23, Attachment 1 (Government Mandate)

Topic: Comprehensive Review of BC Hydro

The Ministry's August 24, 2017 mandate letter, which is Exhibit B-23 ("**Mandate Letter**"), states:

"As the Minister responsible for BC Hydro, I expect that BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to… conduct an immediate and comprehensive review of BC Hydro's activities, performance and organizational structure to identify potential efficiencies that could benefit ratepayers, and ensure that the organizations is positioned to deliver on BC Hydro's objectives and government's priorities…"

4.43.4 Provide any written correspondence from the provincial government on the comprehensive review other than the Mandate Letter dated August 24, 2017.

RESPONSE:

BC Hydro does not have any additional written correspondence from government regarding the comprehensive review.

44.0 Reference: Exhibit B-1-1, Section 1.4.2 (The 2013 10 Year Rates Plan); Exhibit B-23, Attachment 1 (Government Mandate);

Topic: Rate Smoothing Regulatory Account

BC Hydro states on pp. 1-17 and 1-18 of Exhibit B-1-1 that:

The final five years of the 2013 10 Year Rates Plan target rate increases of 2.6 per cent in each of fiscal 2020 to fiscal 2024; subject to British Columbia Utilities Commission review and approval. The 2013 10 Year Rates Plan also includes fully recovering the balance in the Rate Smoothing Regulatory Account at the end of fiscal 2024.

….

BC Hydro states in Exhibit B-23: "The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million."

The Mandate Letter states: "Freeze BC Hydro rates and develop a refreshed plan to keep electricity rates low and predictable over the long-term while making significant investments to expand the system and maintain aging infrastructure…"

4.44.1 Confirm whether BC Hydro's refreshed plan will continue to target a rate increase for each of fiscals 2020 to fiscal 2024 at no more than 2.6 per cent each year?

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.6.4.

44.0 Reference: Exhibit B-1-1, Section 1.4.2 (The 2013 10 Year Rates Plan); Exhibit B-23, Attachment 1 (Government Mandate);

Topic: Rate Smoothing Regulatory Account

BC Hydro states on pp. 1-17 and 1-18 of Exhibit B-1-1 that:

The final five years of the 2013 10 Year Rates Plan target rate increases of 2.6 per cent in each of fiscal 2020 to fiscal 2024; subject to British Columbia Utilities Commission review and approval. The 2013 10 Year Rates Plan also includes fully recovering the balance in the Rate Smoothing Regulatory Account at the end of fiscal 2024.

….

BC Hydro states in Exhibit B-23: "The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million."

The Mandate Letter states: "Freeze BC Hydro rates and develop a refreshed plan to keep electricity rates low and predictable over the long-term while making significant investments to expand the system and maintain aging infrastructure…"

4.44.2 Confirm whether BC Hydro's refreshed plan will continue to seek to fully recover the balance in its Rate Smoothing Regulatory Account by the end of fiscal 2024?

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.6.4.

44.0 Reference: Exhibit B-1-1, Section 1.4.2 (The 2013 10 Year Rates Plan); Exhibit B-23, Attachment 1 (Government Mandate);

Topic: Rate Smoothing Regulatory Account

BC Hydro states on pp. 1-17 and 1-18 of Exhibit B-1-1 that:

The final five years of the 2013 10 Year Rates Plan target rate increases of 2.6 per cent in each of fiscal 2020 to fiscal 2024; subject to British Columbia Utilities Commission review and approval. The 2013 10 Year Rates Plan also includes fully recovering the balance in the Rate Smoothing Regulatory Account at the end of fiscal 2024.

….

BC Hydro states in Exhibit B-23: "The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million."

The Mandate Letter states: "Freeze BC Hydro rates and develop a refreshed plan to keep electricity rates low and predictable over the long-term while making significant investments to expand the system and maintain aging infrastructure…"

4.44.3 Confirm whether one of the objectives of the comprehensive review is or will be, to find at least $140 million of cost savings (plus any carrying costs) to balance out the fiscal 2019 transfer to the Rate Smoothing Regulatory Account.

RESPONSE:

Please refer to BC Hydro's response to BCUC IR 4.6.4.

44.0 Reference: Exhibit B-1-1, Section 1.4.2 (The 2013 10 Year Rates Plan); Exhibit B-23, Attachment 1 (Government Mandate);

Topic: Rate Smoothing Regulatory Account

BC Hydro states on pp. 1-17 and 1-18 of Exhibit B-1-1 that:

The final five years of the 2013 10 Year Rates Plan target rate increases of 2.6 per cent in each of fiscal 2020 to fiscal 2024; subject to British Columbia Utilities Commission review and approval. The 2013 10 Year Rates Plan also includes fully recovering the balance in the Rate Smoothing Regulatory Account at the end of fiscal 2024.

….

BC Hydro states in Exhibit B-23: "The impact of the latter is expected to increase the transfer to the Rate Smoothing Regulatory Account in fiscal 2019 by approximately $140 million."

The Mandate Letter states: "Freeze BC Hydro rates and develop a refreshed plan to keep electricity rates low and predictable over the long-term while making significant investments to expand the system and maintain aging infrastructure…"

4.44.4 Identify any specific areas that BC Hydro has identified for achieving such cost savings.

RESPONSE:

Please refer to BC Hydro's response to BCUC IRs 4.5.1, 4.5.1.2 and 4.6.4.

45.0 Reference: Exhibit B-23

Topic: Regulatory Justification

BC Hydro has pointed to the Mandate Letter as support for its application for this rate freeze for fiscal 2019.

4.45.1 Please specify the exhibit numbers and page references of the evidence and previous argument on which BC Hydro relies, in addition to the Mandate Letter.

RESPONSE:

Please refer to BC Hydro's response to BCSEA IR 4.1.14.

45.0 Reference: Exhibit B-23

Topic: Regulatory Justification

BC Hydro has pointed to the Mandate Letter as support for its application for this rate freeze for fiscal 2019.

4.45.2 Please provide any other information that BC Hydro relies on in support of this rate freeze for fiscal 2019.

RESPONSE:

Please refer to BC Hydro's response to BCSEA IR 4.1.14.