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July 12, 2018

Sent via eFile

BC HYDRO CAPITAL EXPENDITURES AND PROJECTS REVIEW EXHIBIT A-15

To: British Columbia Hydro and Power Authority
Registered Interveners

Re: **British Columbia Hydro and Power Authority – Review of the Regulatory Oversight of Capital Expenditures and Projects – Project No. 1598877**

Further to the June 27, 2018 Procedural Conference, enclosed please find British Columbia Utilities Commission Order G-126-18 with reasons and the regulatory timetable.

Sincerely,

Original signed by:

Patrick Wruck
Commission Secretary

/dg
Enclosure



ORDER NUMBER

G-126-18

IN THE MATTER OF

the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

British Columbia Hydro and Power Authority
Review of the Regulatory Oversight of Capital Expenditures and Projects

BEFORE:

K. A. Keilty, Commissioner/Panel Chair

W. M. Everett, Commissioner

R. I. Mason, Commissioner

on July 12, 2018

ORDER

WHEREAS:

- A. On May 3, 2016, the British Columbia Utilities Commission (BCUC) issued Order G-58-16 establishing a proceeding to review the regulatory oversight of British Columbia Hydro and Power Authority's (BC Hydro) capital expenditures and projects (Review);
- B. On May 10, 2016, the BCUC issued Order G-63-16, which set out a preliminary regulatory timetable, including a Proposed Scope of the Issues and Timing document attached as Appendix B to that order;
- C. On November 30, 2016, the BCUC issued Order G-174-16, which set out a further regulatory timetable, including a BC Hydro guidance document, BCUC and intervener questions, transcribed workshop and a procedural conference regarding further process, to commence following the issuance of the BCUC's final decision on the BC Hydro Fiscal 2017 to Fiscal 2019 Revenue Requirements Application (2017-2019 RRA);
- D. By Order G-47-18 dated March 1, 2018, the BCUC issued its final decision on the BC Hydro 2017-2019 RRA;
- E. By Order G-59-18 dated March 15, 2018, the BCUC issued an updated regulatory timetable;
- F. By Order G-89-18 dated May 1, 2018, the BCUC established a procedural conference on June 27, 2018;
- G. By letter dated June 18, 2018, the BCUC requested BC Hydro and registered interveners to address the following items at the Procedural Conference:
 - 1. The scope of the Review;
 - 2. The appropriate outcome of the Review;
 - 3. Whether the evidentiary record is adequate given the preferred scope;

- i. if so, whether the Review should proceed to final arguments or other regulatory process, and
 - ii. if not, the appropriate regulatory review process to gather more evidence.
4. The appropriate timeline of any subsequent process;
5. Other procedural matters;
- H. The Procedural Conference was held on June 27, 2018, and submissions were made by BC Hydro, Clean Energy Association of BC (CEABC), Commercial Energy Consumers Association of British Columbia (CEC), BC Sustainable Energy Association and Sierra Club of British Columbia; B.C. Old Age Pensioners' Organization *et al.*, Movement of United Professionals and BCUC staff;
- I. The BCUC has reviewed the submissions and finds that a further regulatory timetable for the Review should be established.

NOW THEREFORE for the reasons set out in Appendix A to this order, the BCUC orders as follows:

1. The scope of the BC Hydro Review of the Regulatory Oversight of Capital Expenditures and Projects (Review) proceeding remains as determined in Order G-174-16 and set out in section 2 of these reasons.
2. The regulatory timetable is set out in section 5 of these reasons.
3. CEABC's proposed amendment to the scope of the Review is denied.
4. CEC's proposed amendment to the scope of the Review is denied.

DATED at the City of Vancouver, in the Province of British Columbia, this 12th day of July 2018.

BY ORDER

Original signed by:

K. A. Keilty
Commissioner

Attachment

British Columbia Hydro and Power Authority
Review of the Regulatory Oversight of Capital Expenditures and Projects

REASONS FOR DECISION

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1.0 Introduction

On May 3, 2016, the British Columbia Utilities Commission (BCUC) established a proceeding to review the regulatory oversight of British Columbia Hydro and Power Authority's (BC Hydro) capital expenditures and projects (Review).¹

On June 27, 2018, a procedural conference was held to address various procedural matters regarding the Review.² Submissions were made by BC Hydro, Clean Energy Association of BC (CEABC), B.C. Old Age Pensioners' Organization *et al.* (BCOAPO), Commercial Energy Consumers Association of British Columbia (CEC), Canadian Office and Professional Employees Union, Local 378, and BC (MoveUp), Sustainable Energy Association and Sierra Club of British Columbia (BCSEA) and BCUC staff. Set out below are the Panel's reasons for its procedural decisions arising out of its consideration of submissions at the procedural conference.

2.0 Background

Scope of the Review

Following a procedural conference held on November 17, 2016, the BCUC confirmed, subject to review at the next procedural conference, the scope of the Review was to remain as follows:³

Item 1: The scope, timing, and process for the Commission's review of BC Hydro's capital expenditures and projects. This includes consideration of the appropriateness of such reviews as a component of various applications and filings BC Hydro makes with the Commission.

The various applications and filings include:

- i. Revenue Requirement Applications (RRA). How should the Commission address:
 - a. Projects approved or started prior to an RRA and
 - expected to enter service in the test period
 - expected to enter service outside of the test period
 - b. Projects exceeding the expenditure threshold and not approved or started prior to RRA and
 - expected to enter service in the test period
 - expected to enter service outside the test period
 - c. Projects below thresholds and not approved or started prior to RRA and
 - expected to enter service in the test period
 - expected to enter service outside the test period

¹ Pursuant to BCUC Order G-58-16.

² Pursuant to BCUC Order G-89-18.

³ BCUC Order G-174-16 confirmed the scope as outlined in Appendix B to Order G-63-16.

- ii. Annual Report;
- iii. Project-specific compliance filings;
- iv. Applications made pursuant to section 46(1) of the Utilities Commission Act (UCA) (CPCN Applications); and

Applications made pursuant to section 44(2) of the UCA (section 44.2 expenditure schedule applications).

Specifically, it is proposed that the proceeding address the following issues:

- Clarity on what constitutes a project. This would consider how to treat and review independent projects or programs that are linked (in function and/or geographic term) and, in aggregate, meet or exceed any prescribed expenditure thresholds.
- Establishment of a standardized convention for naming projects and programs to ensure consistency and the ability to track projects during their lifecycle.
- Definition of a strategy to review projects that are linked to capital strategies (for example: individual IT projects in relation to the 5 year IT&T Plan).

Item 2: The appropriateness of BC Hydro’s 2010 Capital Project Filing Guidelines for IT capital expenditures and projects or propose separate IT capital project filing guidelines.

Item 3: The appropriateness of expenditure thresholds contained in BC Hydro’s 2010 Capital Project Filing Guidelines.

Item 4: The circumstances under which it is appropriate for BC Hydro to file an application pursuant to section 46(1) of the UCA versus section 44(2) of the UCA.

This will address the following:

- Seek input on the position that under section 46(1) of the UCA, applications need only be filed for “extensions.”
- Evaluate whether it is appropriate to use of the definition of extension to a utility plant or system for general capital expenditures and IT projects.
- Given that the UCA expressly prohibits a public utility from starting construction in advance of the Commission granting a CPCN, consider the appropriateness of filing section 44(2) applications, which do not have this prohibition, for projects where the duty to consult First Nations is triggered?⁴

In its reasons for decision following the procedural conference on November 17, 2016, the BCUC noted that BC Hydro agreed the scope should not be overly constrained and if there are issues coming out of the BC Hydro SAP Inquiry and BC Hydro F2017 to F2019 Revenue Requirements Application (RRA) proceedings, those issues could be incorporated into this proceeding and could be addressed at a second procedural conference.⁵

⁴ BCUC Order G-63-16, Appendix B, pp. 1-2.

⁵ BCUC Order G-174-16, p. 2.

F2017 to F2019 RRA Decision

On March 1, 2018, the BCUC issued its Decision on the BC Hydro F2017 to F2019 RRA (F2017 to F2019 RRA Decision)⁶ and in addressing the issue of BC Hydro’s past capital project delivery, the BCUC found that “although overall BC Hydro projects delivered between fiscal 2012 to fiscal 2016 were comparable to budget in aggregate, there were several larger projects where BC Hydro was significantly over budget.” The BCUC identified a list of projects, including larger projects that had exceeded budget over this period, and referenced the budget issues with the Site C project.⁷

In the F2017 to F2019 RRA Decision, the BCUC stated that “the upcoming BC Hydro Review of the Regulatory Oversight of Capital Expenditures and Projects proceeding will provide another opportunity for the Commission and interveners to further refine their understanding of the effectiveness of BC Hydro’s capital processes. The Panel recommends the issue of the adequacy of BC Hydro’s planning and execution related to large capital projects be explored in this upcoming proceeding.”⁸

BC Hydro filings

On April 3, 2018, BC Hydro filed its draft proposal responding to the items within the scope of the proceeding together with its draft Proposed Capital Filing Guidelines (Initial Proposal).⁹

Following BC Hydro’s response to BCUC’s and interveners’ clarifying and technical questions regarding the Initial Proposal and a workshop held on May 23, 2018, BC Hydro filed a revised draft of its Initial Proposal and proposed Capital Filing Guidelines (Revised Proposal) on June 13, 2018.

With respect to the BCUC’s review of the adequacy of BC Hydro’s planning and execution of projects, BC Hydro states this topic is properly the subject of review in its revenue requirements applications or major project applications, where it could inform the BCUC’s determinations on the reasonableness of BC Hydro’s capital expenditure or additions forecasts or the prudence of completed projects.¹⁰

BC Hydro also notes that it is currently integrating its capital planning, delivery, and operations for greater efficiency, and will be including a description of its current planning and delivery processes in the next revenue requirements application.¹¹

June 27, 2018 Procedural Conference

By letter dated June 18, 2018,¹² the BCUC outlined the purpose of the Procedural Conference as being to address procedural matters and invited BC Hydro and registered interveners to make submissions on:

1. The scope of the Review;

⁶ BCUC Order G-47-18 dated March 1, 2018.

⁷ *Ibid.*, pp. 44–45.

⁸ *Ibid.*, p. 45.

⁹ Pursuant to BCUC Order G-174-16.

¹⁰ Exhibit B-7, p. 23.

¹¹ *Ibid.*, p. 24.

¹² Exhibit A-14.

2. The appropriate outcome of the Review;
3. Whether the evidentiary record is adequate given the preferred scope;
 - i. If so, whether the Review should proceed to final arguments or other regulatory process.
 - ii. If not, the appropriate regulatory review process to gather more evidence.
4. The appropriate timeline of any subsequent process;
5. Other procedural matters.

All participants agreed to address the procedural issues identified above and did not have any further issues to add for the panel's consideration.¹³ Each of the issues is considered below.

3.0 Scope of the proceeding

Participant submissions

BC Hydro

BC Hydro submits it intends to approach this proceeding in a pragmatic manner and that the scope of the proceeding is appropriate and encompasses the necessary matters to present a full review of its capital expenditures and projects.¹⁴ It further notes that the proceeding should stay focussed on BCUC's regulatory oversight of capital expenditures and projects and not be an actual review of the capital expenditures and projects or its planning processes or be duplicative or digress substantially into matters that are the subject of past or future revenue requirements or major project filings.¹⁵

CEABC

CEABC proposes, for the purposes of clarity, an amendment to the scope of the Review¹⁶ as follows:

How BC Hydro conducts its capital spending, financial evaluations, including the impact on revenues and also including a return on equity.¹⁷

CEABC provides two reasons for the proposed amendment to the scope of the proceeding. Firstly, it refers to BC Hydro's letter of June 13, 2018, which states: "As BC Hydro has an obligation to provide safe and reliable service, a project's ability to increase BC Hydro's revenue is not typically a driver of capital investments."¹⁸

CEABC takes the position that revenue must be a driver of capital investments and such investments cannot be done on the basis of safety and reliability. It submits that for BC Hydro to say revenue is not typically a driver of capital investments means that it can just continue to make capital investments without prioritizing those that

¹³ Transcript Volume 3, p. 142, l. 6-26 and p. 143, l. 1-15.

¹⁴ Ibid., p. 143, l. 25-26 and p. 144, l. 1-4 and 15-19.

¹⁵ Ibid., p. 145, l. 15-26 and p. 146 l. 5-11.

¹⁶ See section 2 above.

¹⁷ Transcript Volume 3, p. 148, l. 19-26 and p. 149, l. 1-2.

¹⁸ Exhibit B-7, p. 24.

would provide a greater impact to its revenue.¹⁹ Given BC Hydro's intention over the next ten years to spend approximately \$20 billion on capital expenditures, not including Site C and Waneta, CEABC submits that some very erroneous capital investment decisions could be made without looking at the revenue impacts of those capital expenditures.²⁰

Secondly, CEABC is proposing the amendment so that a return of equity is considered in the financial evaluation.²¹ It refers to BC Hydro's response to Information Request 1.6.0: "The target debt-to-equity ratio and weighted average cost of capital are not directly related to how BC Hydro ranks and prioritizes projects as part of the capital planning and prioritization process."²²

CEABC submits that it does not make good sense, considering the \$20 billion in expenditures over the next ten years (a considerable number of which will have amortization periods in the 30 to 40 year range), for BC Hydro to decide whether to go ahead with those expenditures when no return of equity is included in those evaluations.²³

CEC

CEC submits that if BC Hydro's proposed Capital Filing Guidelines are to have value they must emanate from an internally efficient and effective process. It seeks, therefore, to expand the scope of the proceeding, beyond consideration of what is in the proposed guidelines, to permit a more significant and thorough review of BC Hydro's internal processes. CEC submits an expanded scope would permit it to retain an expert to review and give evidence on the internal processes so that ratepayers and the BCUC can be comfortable that BC Hydro is acting prudently, efficiently and effectively with regard to significant capital expenditures.²⁴

BCSEA

BCSEA submits that the scope remains appropriate.²⁵

Regarding CEABC's submission on the return of equity, BCSEA does not fully understand the submission, but would characterize it as an argument as to the content of the proposed guidelines, which it views as in scope.²⁶ Regarding CEC's submission in respect of expanding the scope to include a review of BC Hydro's internal capital planning processes, BCSEA submits that jurisdiction for such a review resides with BC Hydro's board of directors under the *Hydro and Power Authority Act* and is not within the BCUC's jurisdiction to include within the scope of this proceeding.²⁷ BCSEA also states that addressing how the BCUC regulates or exercises its regulatory authority over BC Hydro's capital planning decisions and capital expenditures is a fundamentally different topic than the

¹⁹ Transcript Volume 3, p. 149, l. 12-15 and 20-26.

²⁰ Ibid., p. 149, l. 26 and p. 150, l. 1-6.

²¹ Ibid., p. 150, l. 8-11.

²² Transcript Volume 3, p. 150, l. 25-26 and p. 151, l. 1-6.

²³ Ibid., p. 151, l. 25-26 and p. 152, l. 1-7.

²⁴ Transcript Volume 3, p. 156, l. 5-26 and p. 157, l. 1-16.

²⁵ Ibid., p. 164, l. 23-26.

²⁶ Ibid., p. 165, l. 3-10.

²⁷ Ibid., p. 165, l. 12-20.

filing guidelines that identify what information Hydro will provide in the various circumstances in which the BCUC exercises regulatory authority over Hydro's capital spending.²⁸

BCOAPO

BCOAPO sees no need to amend the scope of proceedings.²⁹

MoveUP

MoveUP agrees with the scope of proceedings.³⁰

Regarding CEABC's submission that impact of revenue needs to be factored into BC Hydro's capital approval process, MoveUP submits that is a policy issue and not a review process issue. It further submits challenges can be made to BC Hydro capital expenditures and projects through revenue requirement processes, s. 44(2) and CPCN applications, and prudency reviews, on the basis revenue potential.³¹

Regarding CEC's proposed expansion of the scope of proceedings to include a review of BC Hydro's internal capital planning processes, MoveUP submits that while the BCUC has jurisdiction to review the output of management decisions and the work of BC Hydro, it does not have jurisdiction of oversight into the internal management processes of BC Hydro. It submits that jurisdiction properly lies with BC Hydro's board of directors and the shareholder of BC Hydro, and cites the BC Court of Appeal decision in *BC Hydro v BC Utilities Commission* as authority for that proposition.³²

BCUC staff

BCUC staff note some confusion regarding the exact scope of this proceeding may have arisen from BC Hydro's last revenue requirement decision where the BCUC recommended the issue of the adequacy of BC Hydro's planning and execution related to large capital projects be explored in this upcoming proceeding.³³

Regarding the BCUC's jurisdiction to enquire into BC Hydro's planning, BCUC staff agrees with MoveUp's submission that the Court of Appeal decision does say that the BCUC cannot make orders or directions regarding planning as a matter of internal management. However, BCUC staff suggests that section 24 of the *Utilities Commission Act* provides that in its supervision of public utilities, the BCUC must make examinations and conduct inquiries necessary to keep informed about the conduct of public utility business. It therefore notes BCUC could look into BC Hydro's planning but may not be able to make any orders or directions in that regard.³⁴

²⁸ Ibid., pp. 165-166.

²⁹ Ibid., p. 168, l. 1-3.

³⁰ Ibid., p. 174, l. 18-21.

³¹ Ibid., p. 172, l. 1-10.

³² Transcript Volume 3, p. 173, l. 12-26 and p. 174, l. 1-17.

³³ BCUC Order G-47-18, p. 45.

³⁴ Transcript Volume 3, p. 176, l. 3-12.

BCUC staff suggests it would be helpful to the parties for the Panel to clearly indicate whether widening the scope to include planning -- or even as suggested in the last BC Hydro RRA decision, planning and execution -- are within the purview of this proceeding or not.³⁵

BCUC staff also points out that regulatory efficiency appears to be a very important component of BC Hydro's Revised Proposal and suggests, without taking any position, that the Panel may wish to add regulatory efficiency and how it impacts other issues that are to be explored in this proceeding as a specific scope item.³⁶

BC Hydro's reply

BC Hydro opposes the amendments to scope sought by CEABC and CEC.

BC Hydro submits it believes that it has all the processes in place that are appropriate to prioritize its capital portfolio, and carry out the projects necessary to provide safe, reliable service to its customers. BC Hydro states the evidence that it does look at and chooses the least-cost alternatives has been before the Commission many times in its revenue requirements proceedings, major project filings, EPAs and so on. Further, BC Hydro notes the Commission CPCN Guidelines do require a financial analysis and that cost and benefits of all alternatives are to be presented.³⁷ BC Hydro also points out that the BCUC has the ability to review all of BC Hydro's capital projects and expenditures, both on a prospective basis in a revenue requirement proceeding or major project filing and on hindsight basis through a prudency review.³⁸

In response to CEABC, BC Hydro submits the purpose of this proceeding is to address the regulatory oversight of BC Hydro's capital expenditures and projects. It notes that CEABC's proposed scope amendments are not about regulatory oversight, but rather, about CEABC's views about how BC Hydro should be planning its system. For the reasons advanced by other interveners, BC Hydro agrees that CEABC's proposal is not within the BCUC's jurisdiction. To the extent that these matters are within the BCUC's jurisdiction, they can be explored in revenue requirements proceedings, major project filings, and other proceedings where it becomes relevant.³⁹

In response to CEC's proposal that the scope be expanded to include a review of BC Hydro's internal processes, BC Hydro submits such an expansion is not an addition to the scope of this proceeding, but an entirely different scope that is not related to the regulatory oversight of BC Hydro's capital expenditures and projects. It further submits that the proposed expansion of scope is properly the jurisdiction of BC Hydro internal management and not within the jurisdiction of the BCUC.⁴⁰

BCUC determination

The scope of the BC Hydro Review of the Regulatory Oversight of Capital Expenditures and Projects proceeding remains as determined in Order G-174-16 and set out in section 2 of these reasons.

³⁵ Ibid., p. 176, l. 13-22.

³⁶ Ibid., p. 176, l. 23-26 and p. 177, l. 1-5.

³⁷ Ibid., pp. 183-184.

³⁸ Ibid., p. 184.

³⁹ Ibid., p. 184, l. 20-26, p. 185 and 186, l. 1-13.

⁴⁰ Transcript Volume 3, p. 187, l. 18-26, p. 188, l. 1-4 and p. 189, l. 4-19.

Clarification of scope requested by BCUC staff

With respect to the clarification of scope of requested by BCUC staff, the Panel acknowledges a recommendation from the BC Hydro 2017-2019 RRA proceeding that the issue of the adequacy of BC Hydro's planning and execution related to large capital projects and the BCUC's findings that there were several larger projects where BC Hydro was significantly over budget be explored in this proceeding. However, the Panel agrees with BC Hydro that a review of the adequacy of BC Hydro's planning and execution of projects can be explored on a prospective basis in revenue requirements applications or major project applications to inform the BCUC about the reasonableness of BC Hydro's capital expenditures or additions forecasts or, retrospectively, in a prudence review of project execution.

The Panel finds that the BCUC's recommendation does not suggest an expansion of the scope of the Review, but instead considers that the findings in the BC Hydro 2017-2019 RRA proceeding may help inform the parties and the Panel about the appropriateness of the Revised Proposal, including consideration of the proposed filing thresholds, to ensure the proposed information to be filed by BC Hydro will allow for a fair and efficient review of capital expenditures in the areas of concern raised by the BCUC in its 2017-2019 RRA Decision.

The Panel considers it unnecessary to amend the scope regarding BCUC's staff's suggestion about regulatory efficiency, since regulatory efficiency is already a component of the Revised Proposal and in that sense is already within the current scope.

CEABC's proposed expansion of scope

The Panel denies CEABC's proposed amendment to the scope of the Review. The Panel agrees with the suggestion of BCSEA that CEABC's proposed amendment could be characterized as an argument as to the content of the proposed guidelines, which can be addressed in the argument phase of this proceeding. The Panel also agrees with BC Hydro that to the extent the scope issues raised by CEABC are within the BCUC's jurisdiction, they can be explored in BCUC proceedings involving the review BC Hydro's capital projects and expenditures, both on a prospective basis in a revenue requirement proceeding or major project filing and on a hindsight basis through a prudency review.

CEC's proposed expansion of scope

The Panel denies CEC's proposed amendment to the scope of the Review. The Panel agrees with BCSEA that addressing how the BCUC regulates or exercises its regulatory authority over BC Hydro's capital planning decisions and capital expenditures is a fundamentally different topic than the filing guidelines that identify what information BC Hydro will provide in the various circumstances in which the BCUC exercises regulatory authority over BC Hydro's capital spending. This is similar to BC Hydro's point that CEC's suggestion is more than an addition to the scope of this proceeding and is an entirely different scope that is not related to the regulatory oversight of BC Hydro's capital expenditures and projects.

At this time, the Panel makes no determination on whether CEC's proposal to permit a more significant and thorough review of BC Hydro's internal processes to assess whether BC Hydro is acting prudently, efficiently and effectively with regard to significant capital expenditure is within the jurisdiction of the BCUC. The Panel notes BC Hydro has stated it is currently integrating its capital planning, delivery, and operations for greater efficiency,

and will be including a description of its current planning and delivery processes in the next RRA.⁴¹ Further, as already pointed out by BC Hydro, the BCUC's review of the adequacy of BC Hydro's planning and execution of projects is properly the subject of review in its revenue requirements applications or major project applications, where it could inform the BCUC's determinations on the reasonableness of BC Hydro's capital expenditure or additions forecasts or the prudence of completed projects.⁴²

4.0 Outcome of the proceeding

Participant submissions

BC Hydro

BC Hydro submits the objective of this proceeding should be to establish clearly-understood guidance for regulatory review of its capital expenditures and projects in an efficient, effective and transparent manner. It submits this objective is best achieved through BCUC approval of BC Hydro's proposed Capital Filing Guidelines.⁴³

CEABC

CEABC submits that approval of the proposed Capital Filing Guidelines is not the appropriate outcome unless it includes revenues and return on equity in the capital expenditure evaluations.⁴⁴ In reply to other submissions, CEABC submits:

We have to remember that the Commission is looking at guidelines. It's not making any order. So I am not sure why there is so much concern, or some concern about the issue of jurisdiction. Quite frankly, if BC Hydro doesn't like the guidelines, it can ignore them. They are just guidelines.⁴⁵

CEC

CEC submits that whether it is approval of the proposed Capital Filing Guidelines or changes at BC Hydro which improve their internal process around expenditure of capital, the appropriate outcome is to have comfort and confidence that what BC Hydro is spending serious dollars on is being done in a prudent, efficient and effective manner.⁴⁶

BCSEA

BCSEA is of the view that BCUC-approved BC Hydro Capital Filing Guidelines would be an appropriate outcome of the proceeding.⁴⁷

⁴¹ Exhibit B-7, p. 24.

⁴² Ibid., p. 23.

⁴³ Transcript Volume 3, p. 146, l. 15-26 and p. 147 l.1-5.

⁴⁴ Transcript Volume 3, p. 152, l. 25-26 and p. 153, l. 1-4.

⁴⁵ Ibid., p. 180, l. 18-25

⁴⁶ Ibid., p. 159, l. 10-21.

⁴⁷ Ibid., p. 166, l. 16-19.

BCOAPO

BCOAPO did not address the issue of the appropriate outcome for this proceeding.

MoveUP

MoveUP submits the appropriate outcome would be revised guidelines subject to modification by the BCUC in the final outcome.⁴⁸

Panel discussion

The Panel acknowledges the varying positions of the parties on the appropriate outcome of the Review, but reserves making any determination until after the argument phase of this proceeding. The Panel acknowledges the comments of BCUC staff with respect to regulatory efficiency as well as BC Hydro's submission that the purpose of this proceeding is to assist with an efficient, effective and transparent regulatory oversight of BC Hydro's capital expenditures and projects.

5.0 Adequacy of evidentiary record and further process***Participant submissions***BC Hydro

BC Hydro submits the evidentiary record is sufficient to proceed to final argument, particularly given the exhibits filed, the record of the workshop evidence and the evidence on record of the BC Hydro fiscal 2017 to 2019 revenue requirement proceeding⁴⁹

BC Hydro, on the assumptions the scope of the proceeding remains unchanged and there is no further evidence to be submitted, proposes a regulatory timeline in its Revised Proposal. It suggests, if the proceeding is ready to go to final argument, that interveners file their final written arguments in three weeks following the date of this procedural order and BC Hydro provides its final written argument three weeks following the date of the filing of the interveners' final argument.⁵⁰

CEABC

CEABC would support CEC's proposal to retain an expert, either on its own or in conjunction with other interveners. It does not support the BCUC retaining such an expert because the BCUC would be inserting itself into the regulatory process as essentially an intervener, which in CEABC's view would be of no benefit to anyone.⁵¹

⁴⁸ Ibid., p. 174, l. 23-25.

⁴⁹ Transcript Volume 3, p. 147, l. 6-17.

⁵⁰ Ibid., p. 148, l. 3-11.

⁵¹ Ibid., p. 181 l. 1-12.

CEC

CEC is suggesting more significant evidence is required from an expert undertaking a significant internal review to ensure BC Hydro's capital expenditures are properly scrutinized not just through the proposed Capital Filing Guidelines, but also through BC Hydro's internal processes to give the ratepayers and the BCUC comfort that what BC Hydro is doing is effective and efficient.⁵²

BCSEA

To the extent that the scope remains as originally defined and as it has emerged through the workshop process, BCSEA's position is that the record is sufficient for the process to go to final argument.⁵³

BCOAPO

BCOAPO did not attend the procedural conference with the intention of making a submission regarding the filing of further evidence, but having heard CEC's submissions regarding the need for expert evidence, sees some significant value to such evidence and is prepared to explore that option with CEC, subject to possible conflicts and comfort from the BCUC regarding the financial risk such an expert report would present.⁵⁴

MoveUP

MoveUP submits the record is adequate for the scope of process and should proceed to final arguments.⁵⁵

BCUC staff

BCUC staff propose, if the Panel allows it, to conduct a jurisdictional review about whether other jurisdictions only look at expenditure thresholds, as is a constant theme through the proposed Capital Filing Guidelines, to see whether other jurisdictions also look at other non-financial criteria such as aspects of safety or reliability of the system as perhaps an indication of how a particular project should be dealt with when it's being reviewed. Staff would require approximately a month to put that evidence on record and then time would likely be needed to permit IRs.⁵⁶

BC Hydro reply

BC Hydro states that BCUC's staff proposal to do a jurisdictional inquiry would result in another process step and there should be an opportunity for information requests related to this information.⁵⁷ Further, BC Hydro stated it has no objection to a party wishing to file evidence within the scope of the Review and it is in favour of accommodating this. BC Hydro stated:

We do believe that it's in our long-term interest for us to come to a common understanding with interveners and the Commission on the scope and the nature of the Commission's

⁵² Ibid., p. 156, l. 5-13 and l. 16-26, p. 157, l. 1-7 and p. 160, l. 5-12.

⁵³ Ibid., p. 166, l. 24-26 and p. 167, l. 1-2.

⁵⁴ Ibid., p. 169, l. 14-26, p. 170, l. 1-10.

⁵⁵ Ibid., p. 174, l. 25-26.

⁵⁶ Ibid., p. 177, l. 6-17.

⁵⁷ Ibid., pp. 190-191.

regulatory oversight of capital. And if it's determined that having further evidence on that topic be filed, if it's determined that that would be useful, we're not opposed to that.⁵⁸

BCUC determination

The Panel determines the Review will proceed according to the regulatory timetable as set out in section 5 of these reasons. The Panel is willing to consider Interveners and BCUC staff filing further evidence within the scope of Review as confirmed in section 3 above. Prior to any participants filing further evidence, the Panel directs such participants to file notice of such intention together with a brief summary describing the nature and relevance of the proposed evidence (Evidence Summaries). In the event such notice of proposed evidence is filed, the Panel directs interveners and BC Hydro to provide any comments on the Evidence Summaries. If the Panel determines that it is appropriate to allow participants to file evidence, the Panel will allow parties the opportunity for information requests related to this evidence.

Although not specifically requested by participants, there has not been an opportunity to ask information requests on BC Hydro's Revised Proposal. In the Panel's view, to ensure a complete evidentiary record, a round of information requests is appropriate.

The table below contains the schedule for further regulatory process.

Action	Date (2018)
Deadline for Intervener(s) and BCUC staff to file Notices of Intention to File Evidence together with a brief summary of the nature of the proposed evidence and its relevance	Thursday, July 26
Written submissions of parties on the proposed Evidence Summaries and their relevance	Thursday, August 2
Filing of Evidence (if permitted by order of the Panel)	To be determined
BCUC and Intervener Information Requests (IRs) on BC Hydro Revised Proposal	To be determined
IRs on Evidence Filed	To be determined
Final and reply arguments	To be determined

⁵⁸ Ibid., pp. 191-192.