See attachment panel

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Duncan J Manson+
Daniel W Burnett, QC+
Ronald G Paton+
Karen S Thompson+
Laura A Wright
James H McBeath+
Edith A Ryan+
Daniel H Coles+
Sameer Kamboj
Patrick J Weafer
Robin C Macfarlane+
Alan A Frydenlund, QC+*
Harvey S Delaney+
Paul J Brown+
Gary M Yaffe+
Harley J Harris+
Kari F Richardson+
James W Zaitsoff+
Jocelyn M Bellerud+
Brian Y K Cheng***
Josephine M Nadel, QC+
Allison R Kuchta+
James L Carpick+
Patrick J Haberl+
Heather E Maconachie
Jonathan L Williams+
Paul A Brackstone+*
Pamela E Sheppard+
Tony R Anderson
Sarah M Péloquin**
James D Burns+
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Christopher P Weafer+
Gregory J Tucker, QC+
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Michael F Robson+
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December 10, 2018

VIA ELECTRONIC MAIL

British Columbia Utilities Commission
Sixth Floor, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Patrick Wruck, Commission Secretary

Dear Sirs/Mesdames:

Re: British Columbia Hydro and Power Authority Review of the Regulatory Oversight of Capital Expenditures and Projects ~ Project 3698877

We are counsel for the Commercial Energy Consumers Association of British Columbia (the "**CEC**") in this matter.

Enclosed please find the Information Request Responses in response to the Information Requests of British Columbia Hydro and Power Authority – Exhibit B-11.

Yours truly,

OWEN BIRD LAW CORPORATION

Christopher P. Weafer
CPW/jj
cc: CEC
cc: BC Hydro
cc: Interveners

INTERLAW MEMBER OF INTERLAW, AN INTERNATIONAL ASSOCIATION OF INDEPENDENT LAW FIRMS IN MAJOR WORLD CENTRES

COMMERCIAL ENERGY CONSUMERS ASSOCIATION OF BRITISH COLUMBIA

Responses to British Columbia Hydro and Power Authority to Information Requests on Evidence

Prepared by Mr. David W. Craig

British Columbia Hydro and Power Authority Review of the Regulatory Oversight of Capital Expenditures and Projects – Project No. 3698877

December 10, 2018

COMMERCIAL ENERGY CONSUMERS ASSOCIATION OF BRITISH COLUMBIA

Responses to British Columbia Hydro and Power Authority to Information Requests on Evidence

British Columbia Hydro and Power Authority Review of the Regulatory Oversight of Capital Expenditures and Projects – Project No. 3698877

December 10, 2018

1.0 REFERENCE: EXHIBIT C3-10: PARAGRAPH 5, "THE FOLLOWING IS A DIAGRAM OF THE KEY BC HYDRO CAPITAL MANAGEMENT SYSTEM ("CMS") AND ITS COMPONENT PARTS"; PARAGRAPHS 181 TO 185

1.1 Please explain the origin of the term "Capital Management System" or "CMS".

ANSWER

This is a term (CMS) that the author used to identify the collection of processes that seemed to the author to describe and encompass the key elements for management of capital on which the author wanted to focus.

1.2 Please explain the origin of Mr. Craig' description of the components of the CMS.

ANSWER

The components that the author used to identify the CMS processes that seemed to the author to describe and encompass the key elements for management of capital were selected by the author for the purpose of focusing on those elements.

1.3 Please define and explain the following terms used by CEC: "capital driver management", "capital driver processes", and "driver systems".

ANSWER

The use of the term 'capital driver' was intended to capture the external to BC Hydro forces, which would be the source of the needs for capital expenditures and investments to meet those needs. It was also selected to ensure that it could comprehensively cover all of the types of requirements used by BC Hydro to provide justifications for capital expenditures and investments.

The use of the term 'capital driver management' was intended to capture the concept of how 'capital drivers' would be managed. The term 'capital driver processes' was intended to capture the concept of processes through which the 'driver' would be effected in causing capital expenditures and investments. The term 'driver systems' was intended to refer to a collection of

processes that would be capturing the driver information and causing initiation of a need for capital expenditures.

The CEC sought to accept the BC Hydro offer for a consultative process.

> Mr. Bystrom
>
> "So, as we said in the initial Procedural Conference in November of 2016, BC Hydro continues to approach this proceeding in a pragmatic fashion. It does not wish to restrict the range of inquiry or scope in an unhelpful way. Consistent with that approach, BC Hydro has listened to the comments from interveners and Commission at the workshop and has sought to address those comments in its revised proposal which is filed as Exhibit B-2. BC Hydro believes that it's in its long-term interest to come to a common understanding with the Commission and interveners on the key aspects of the regulatory oversight of its capital expenditures and projects."[1]
>
> Mr. Weafer:
>
> "Clearly it will be more efficient and effective if Hydro will cooperate with that expert/consultant in terms of questions they may have, and that would be something if the Commission is willing to entertain this approach, that we would hope that they would direct BC Hydro to make available to the consultant the material they may need to do their assessment and to grant access to personnel staff to determine responses to questions that that consultant may have."[2]

BC Hydro resisted having alternatives to the 'strawman' allowed in the Commission's process and showed little interest in cooperating to enable working toward common understandings on key aspects of the regulatory oversight of its capital expenditures and projects.

Consequently, the CEC of necessity developed evidence independently and instead focused on the evidentiary records of BC Hydro proceedings which BC Hydro files with the Commission looking for opportunities for the Commission to improve its oversight information with respect to the BC Hydro capital expenditure. CEC received investment and project processes resulting in BC Hydro's capital expenditures and investments and the cost-effectiveness of those results.

The CEC does not claim that it has a proposal for a final definition of guidelines for improving the Commission's oversight information about BC Hydro's capital expenditures, investments and their management processes. However, the CEC does believe that it has provided a useful starting point for the Commission to conduct subsequent staged processes for ensuring that a common understanding is developed about how the Commission's information can be upgraded to enable it to focus on the cost-effectiveness of BC Hydro's capital expenditures and investments.

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[1] BCH-Capital Expenditures & Projects Review Procedural Conference - June 27, 2018 - Volume 3 Page: 145

[2] BCH-Capital Expenditures & Projects Review Procedural Conference - June 27, 2018 - Volume 3 Page: 163

2.0 REFERENCE: EXHIBIT C3-10: PART I, SECTION C: STRATEGY PLAN & INFORMATION REQUIREMENTS TO IMPROVE COMMISSION OVERSIGHT; PARAGRAPH 12 AND PARAGRAPHS 103 AND 134.

2.1 Please provide working excel files for the Generation, Transmission and Distribution, Properties, Fleet, and Information and Communication Technology spreadsheets included in Part I of the CEC's evidence.

ANSWER

Please see attached file.

2.2 For each of the Generation, Transmission and Distribution, Properties, Fleet, and Information and Communication Technology spreadsheets included in Part I of the CEC's evidence, please explain the meaning of all row and column headings.

ANSWER

The meaning of all of the row and column headings have their common meanings in the context of a hydro-electric utility such as BC Hydro and the logic of the calculation proposed.

2.1 For each of the Generation, Transmission and Distribution, Properties, Fleet, and Information and Communication Technology spreadsheets included in Part I of the CEC's evidence, please explain how the spreadsheet is intended to be completed and used.

ANSWER

The process for completion and use, which the CEC intends is as follows;

(1) The Commission, BC Hydro and Interveners would come to a common understanding on what would be appropriate staging of a process for improving the Commission's oversight information with respect to BC Hydro's capital expenditures and investments.

(2) The Commission, BC Hydro and Interveners identify and focus on which areas of information about the BC Hydro capital expenditures and investments would represent the most useful and productive for identifying how to represent the cost-effectiveness of the capital expenditures and investments and to seek understandings of what may be appropriate improvements in that cost-effectiveness.

(3) Most importantly, the Commission could then start by asking BC Hydro to provide its own views with respect to what would be either the existing information sets that currently represent the cost-effectiveness of BC Hydro's capital expenditures and investments or what BC Hydro would propose for that purpose. The CEC proposed templates could then act as or be used as a second starting point for a discussion leading toward a common understanding of what could become improved Commission oversight information.

(4) In this Commission led process once common understanding of what improvements of the Commission's oversight information would lead to better understanding of the cost-effectiveness, the Commission could ask for population of the agreed upon oversight information with specific data and provide appropriate calculations of the required information.

(5) The CEC would propose that this process become a continuous improvement process for upgrading the Commission's oversight information. In this way the benefits of the process can be built and accumulated over time driven by a sense of priority with respect to opportunity to generate value from the information.

The CEC, in the alternative, could ask sufficient IRs in various BC Hydro processes to over time extract the information it would want to start completing a full data set of Commission oversight information for understanding the cost-effectiveness of BC Hydro's capital expenditures and investments.

The CEC believes that a Commission led cooperative process would be a more productive and cost-effective process for developing improved Commission oversight information. However, if there is no cooperative process in the offing then the CEC would proceed with the alternative.

3.0 REFERENCE: EXHIBIT C3-10: PARAGRAPHS 98, 451 AND 452

3.1 Please confirm that CEC's reference in paragraph 98 to "[a]ssessments being conducted at a higher level and at an earlier stage" refers to assessments of "the beginning stages (capital drivers, strategies & plans) of capital expenditures" in the format of the spreadsheets in Part I of the CEC's evidence that would be filed in CEC's proposed Annual Capital Report as shown in paragraph 452.

ANSWER

Not Confirmed.

The CEC expects that the template spreadsheets in Part 1 would be suggested calculations for cost-effectiveness, which would be further developed in a Commission led process asking for BC Hydro's currently used metrics for cost-effectiveness and seeking agreement on a common ground basis for upgrading the Commission's oversight information.

The proposed annual Capital Report would contain information on capital drivers, strategies and plans as outlined elsewhere. Assessments of the Commission oversight information in regard to these items would be determined by the Commission in whatever processes it deems appropriate.

3.2 Please explain how the CEC envisions the Commission would conduct its assessment of the various spreadsheets in Part I of the CEC's evidence.

ANSWER

BC Hydro's stated objective in its capital expenditure and investment management is to maximize the lifecycle value of its assets, expenditures and investments.

The CEC would expect that the Commission may want to use the information that the CEC proposes be developed for improving Commission oversight would lead to the Commission being able to assess whether or not and how well BC Hydro is maximizing lifecycle value.

The CEC expects that this information would be valuable to the Commission in its various approval processes and lead to significant improvements to the public interests and the ratepayer interests.

3.3 Please explain the regulatory process, if any, that CEC envisions would be followed upon the filing of the CEC's proposed Annual Capital Report.

ANSWER

Initially the CEC would anticipate that as improvements are made to the Commission's oversight information the Commission may want to review that information with stakeholders in the regulatory process and continue prioritize the development of the oversight information. This would enable the Commission to put into effect the continuous improvement process.

As the oversight information developed, the CEC would expect the Commission would turn to the explicit processes for using the information in its regulatory approval processes. The CEC expects that the Commission may want to seek stakeholder input on the validity of the information and the appropriate use of the information in approval processes.

3.4 Does the CEC envision that the Commission would approve the Annual Capital Report, issue directions or recommendations, or simply receive the information?

ANSWER

The CEC would expect that as such oversight information was annually filed with the Commission that the Commission would want to have such processes as it may find appropriate to ensure that the information is valid, reliable and useful to its potential approval decision processes.

This may become a compliance process with Commission staff or a regulatory process with stakeholders or a combination as required to build understanding.

Finally, the Commission could approve the use of this information base in future regulatory approval processes for all stakeholders in those processes.