REQUESTOR NAME:	**BCOAPO**
INFORMATION REQUEST ROUND NO:	**1**
TO:	**BRITISH COLUMBIA HYDRO & POWER AUTHORITY**
DATE:	**December 18, 2018**
PROJECT NO:	
APPLICATION NAME:	**Supply Chain Applications Project – Phase 2**

1.0 Reference: Exhibit B-1, page 1-1, lines
Exhibit B-1, page 2-1, lines 18-23 and 26-27

Preamble: The Application states (pages 1-1 and 2-1) that the revised estimated cost range for the SCA project is $71.3 M to $79.3 M – where the lower end is the Expected Cost estimate and the upper end is the Authorized Cost estimate

The Application also states (page 2-1) that: "The SCA Project's Expected Cost of $71.3 million has a cost estimating accuracy range of +15 per cent /- 10 per cent"

1.1 Please explain why $79.3 M is considered to be the upper end of the cost estimate when the Application's statement regarding the cost estimate accuracy suggests that there as accuracy range of -10% to +15% associated with the estimate which would suggest an upper end of $82 M (i.e., $71.3 x 1.15).

1.2 Please explain why the Expected Cost estimate of $71.3 M is considered the lower end of the cost estimate range when the Application's statement regarding the cost estimate accuracy suggests that there as accuracy range of -10% to +15% associated with the estimate.

2.0 Reference: Exhibit B-1, page 1-8
Exhibit B-1, Appendix E, page 5 of 12

Preamble: The Application states (page 1-8): "On September 27, 2018, BC Hydro's Board of Directors authorized the SCA Project to proceed with Implementation Phase activities up to the incremental increased value of $15 million in advance of a Commission Decision".

2.1 Please clarify what is meant by "incremental increased value". Does this mean that the BCH Board of Directors approved the expenditures of up to $15 M on the Implementation Phase of the project?

2.2 For how long (i.e., months) is such incremental funding expected to carry the project?

3.0 Reference: Exhibit B-1, pages 2-8, 2-12 and 2-15
Exhibit B-1, pages 6-4 to 6-5

3.1 Is the SCA Project's Expected Cost of $71.3 M (per Table 2-7) based on the Target In-Service Date (November 2019) or the Committed In-Service Date (March 2020)?

3.1.1 If the former (i.e., the Target In-Service Date), please re-do Table 2-7, up to Row AF based on the Committed In-Service Date.

3.2 Is the SCA Project's Authorized Cost of $79.3 M (per Table 2-7) based on the Target In-Service Date (November 2019) or the Committed In-Service Date (March 2020)?

3.2.1 If the former (i.e., the Target In-Service Date), what would be the Authorized Costs (per the above definition) based on the Committed In-Service Date? As part of the response, please provide a revised version of Table 2-7.

4.0 Reference: Exhibit B-1, pages 2-4 to 2-5, 2-7 and page 6-2

Preamble: The Application notes (page 2-4) that the current Expected Cost of the Definition Phase is $0.7 M less than the Mid-range Cost as set out in the Phase One Application".

The Application also notes (page 6-2) that the Definition Phase took three months longer than originally anticipated.

4.1 What is the impact of the additional three months on the overall cost of the Definition Phase?

4.2 Is this impact captured in the $0.7 M draw on contingency discussed on page 2-5 (lines 19-21)? If not where is it reflected in Table 2-2?

5.0 Reference: Exhibit B-1, pages 1-7, 2-9, 2-15 and 4-4

5.1 The Application indicates that there have been minor changes to the scope of the SCA Project. What impact, if any, have these changes had on either the total Expected Cost or Authorized Cost of the Project?

5.2 If there is an impact, please indicate how this change in scope affected the variances set out in Table 2-3 and Table 2-7.

6.0 Reference: Exhibit B-1, page 2-17
Exhibit B-1, Appendices F and J

6.1 How were the incremental annual operating and capital costs (per Appendix F) determined and has the forecast been "benchmarked" against experiences elsewhere?

6.2 Please indicate which incremental annual operating and capital costs (per Appendix F, i.e., low, high or mid-range values) where used in Appendix J and where in Appendix J they have been incorporated (i.e., what Tabs and Rows).

6.3 The Application makes reference to accelerating the depreciation of the remaining supply chain PassPort IT system costs. Please indicate where the impact of this accelerated depreciation is reflected in Appendix J (i.e., what Tabs and Rows).

7.0 Reference: Exhibit B-1, pages 1-7, 3-10 and 4-4

7.1 The Application indicates (page 1-7) that there have been minor changes to the scope of the SCA Project. What impact, if any, have these changes had on valuation of Expected Benefits?

7.2 If there is an impact, please indicate how this change in scope affected the variances set out in Table 3-3.

8.0 Reference: Exhibit B-1, page 3-10 (Table 3-3)

8.1 Please provide a revised version of Table 3-3 with two additional columns identifying the portion of the each variance that is due to: i) new or removed benefits per Table 3-2 versus ii) changes in the calculation of the benefits.

8.2 Please provide a revised version of Table 3-3 including a column setting out the Expected Monetized Benefits for each Capability Gap.

9.0 Reference: Exhibit B-1, page 3-12 (lines 1-5)
Exhibit B-1, pages 3-10 and 3-23

9.1 In its Revenue Requirement Applications, is BC Hydro's determination of the various elements of the revenue requirement (e.g., working capital requirements) sufficiently detailed to capture the savings associated with each of the Expected Monetized Benefits?

9.1.1 If not, please provide a revised version of Table 3-3 that includes a column setting out the Expected Monetized Benefits (for each Capability Gap) that can be captured in BC Hydro's Revenue Requirements Applications.

9.1.2 If not, please provide a revised version of Table 3-7 that includes only those Expected Monetized Benefits that can be reflected in the Revenue Requirements Application.

10.0 Reference: Exhibit B-1, Appendix H, page 22

Preamble: The explanation of the effort savings associated with Benefit LD#2 indicates that the hours were valued at $82.83/hour (BC Hydro's F18 blended SLR).

10.1 Please indicate how the $82.83 was determined (i.e., what type of employee/job classification was used) and what costs were included.

10.2 It appears that the same SLR was used to value all hours of effort savings regardless of the source or basis for the effort savings. Please explain why this is appropriate.

11.0 Reference: Exhibit B-1, page 3-14

Preamble: The Application states: "(iii) As the determination completed in (ii) was on the combined impact of total expected effort reduction benefits, BC Hydro discounted each discrete effort benefit value at the same rate to arrive at a monetized value at the benefit level. Individual effort reduction benefits are not necessarily linked directly to a headcount reduction, but rather it is the cumulative reduction from all effort benefits combined that will enable the headcount reduction."

11.1 Please explain more fully the adjustments made in step (iii) and why they were necessary.

12.0 Reference: Exhibit B-1, Appendix I-1

Preamble: For some Benefits (e.g. ID #5) the metric used is based on forecasts of what will occur given the SCA solution versus "estimates" prepared by BC Hydro of what would have occurred without the SCA solution. For other Benefits (e.g., ID #26) the metric used is based on actual comparisons of time/cost spent prior to versus after the SCA solution.

12.1 Please provide a schedule that indicates for each of the 12 Benefits that will be monitored: i) the Expected Benefit, ii) the Monetized Benefit and iii) whether the metric used is a comparison of actual before vs. after SCA effort/costs or an estimate of before vs. actual SCA effort/costs.

13.0 Reference: Exhibit B-1, page 3-19 (lines 12-16)

13.1 For purposes of determining the NPV of discounted cash flows in this Application, are the sunk costs the same as those used in the Phase One Application (i.e., up to November 2016) or do they also include expenditure that have been made since then and are now considered as "sunk"?

13.1.1 If the latter, what costs are considered as being sunk for purposes of the current Application?

14.0 Reference: Exhibit B-1, page 3-20

14.1 What is the basis for the assumed 10-year economic life for the SCA Project?

14.2 Is there evidence from other users/jurisdictions as to the economic life of the SCA Project? If so, please detail what users/jurisdictions evidence was used and provide user/jurisdiction-specific summaries of that information.

15.0 Reference: Exhibit B-1, page 3-21 (Table 3-6)

15.1 Please confirm that the percentage reported as the "Benefits Percentage Required to Breakeven" is the percentage of the Expected Benefits and Monetized Expected Benefits (per page 3-15) required to breakeven –

where these values have already been “discounted” to reflect a weighted realization rate of 54% (per page 3-8).

16.0 Reference: Exhibit B-1, page 3-24

16.1 If possible, please translate the Revenue Requirement Impacts (per Figure 3-2) into rate level increase/decrease impacts.