

A7-5

F2017 - F2019 Revenue  
Requirements Application  
Decision and Order G-47-18

In its review of BC Hydro's operating costs, the Panel has identified a number of areas of concern and recommends these areas be included in the government's upcoming review. The Commission may also perform its own investigation of these and other areas in future revenue requirement applications:

1. BC Hydro has made and plans to invest in various technology assets and emerging technology pilot programs in a number of priority areas over the next five years.<sup>119</sup> While IT Investments are necessary for organizations to provide the right tools to support business functions, there should be a sound business case developed to support the investment with stated financial measurements such as NPV analysis ROI, or some other life cycle cost analysis. The Panel is unclear on whether these analyses were performed by BC Hydro and is unable to assess how technology investments will result in into quantifiable efficiencies and cost savings in other operational areas.
2. In the 2011 review of BC Hydro, it was recommended that there be a reduction of staff from the current 6,000 employees to 4,800.<sup>120</sup> In the Application, BC Hydro indicated it had net reduction of approximately 650 positions<sup>121</sup> in response to the 2011 review recommendations. However at this time, BC Hydro indicates it still has over 5,500 employees<sup>122</sup> and estimates total full time equivalent (FTE) staffing at 6,296 in 2017, 6,344 in 2018 and 6,365 in 2019.<sup>123</sup>
3. BC Hydro initiated a Work Smart program which uses Lean methodology to examine internal processes for opportunities to make them more efficient.<sup>124</sup> BC Hydro states these initiatives were implemented across the organization and are reported to have generated an estimated additional employee capacity of 22,550 hours annually.<sup>125</sup> Given these initiatives, in the Panel's view it should be expected that further efficiency savings should be identifiable in an organization as large as BC Hydro and that there should be incremental cost savings in F2018 and F2019. However, the Panel notes that BC Hydro states that it has not completed a cost benefit analysis for the initiatives<sup>126</sup> but instead will monitor as it is rolled out to evaluate its effectiveness.<sup>127</sup> The Panel recognizes that while BC Hydro states that it is not the intention of Work Smart to reduce costs but rather to allow for the reallocation of staff to more productive purposes, in our view a measured increase in productivity should result in costs savings.
4. In July 2015, BC Hydro launched the Workforce Optimization Program to examine its resourcing model to determine the right mix of internal and external resources. BC Hydro submits that increased labour costs are supposed to be more than offset by a reduction in capital labour costs associated with contractors.<sup>128</sup> Although BC Hydro reported the elimination of 900 positions,<sup>129</sup> its Workforce Optimization will actually add additional 170 FTE's through to F2019.<sup>130</sup> Although short-term savings are

<sup>119</sup> Exhibit B-1-1, Appendix O.

<sup>120</sup> Review of BC Hydro, June 2011, p. 6.

<sup>121</sup> Exhibit B-1-1, p. 1-14.

<sup>122</sup> Ibid., p. 1-34.

<sup>123</sup> Ibid., Exhibit B-9, BCUC IR 41.4.

<sup>124</sup> Ibid., p. 1-25.

<sup>125</sup> Ibid., p. 1-36; Exhibit B-9, BCUC IR 32.4.1.

<sup>126</sup> Ibid., BCUC IR 31.3.

<sup>127</sup> Ibid., BCUC IR 32.4.1.

<sup>128</sup> Exhibit B-9, BCUC IR 33.3.

<sup>129</sup> Exhibit B-1-1, p. 5-15.

<sup>130</sup> Ibid., p. 5-16; Exhibit B-9, BCUC IR 35.4.1 and 1.35.5.