

30 June 2020

VIA E-FILING

Marija Tresoglavic
Acting Commission Secretary
BC Utilities Commission
6th Floor 900 Howe Street
Vancouver, BC V6Z 2N3



Reply to: Leigha Worth
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Ph: 604-687-3034
Our File: 7500.121

Dear Ms. Tresoglavic,

Re: British Columbia Utilities Commission Review of British Columbia Hydro and Power Authority's Performance Based Regulation Report

Please note that Ms. Mis and I continue to represent the client groups known collectively in BC Hydro Regulatory Proceedings as BCOAPO or BCOAPO *et al.* Our clients are a collection of community-based organizations and groups whose interventions are on behalf of their members and clients: a large and diverse population of BC Hydro's residential ratepayers.

We submit the following clarifying and high-level questions for the BCUC staff consultant in compliance with the amended regulatory schedule as specified in this Commission Panel's March 27, 2020 order G-70-20.

Thank you.

Sincerely,
BC PUBLIC INTEREST ADVOCACY CENTRE

Leigha Worth
Executive Director | General Counsel

1. Impact of Business Conditions (pages 8-15 and 110)

- Pages 8-15 discuss how the efficacy of COSR varies by business conditions and that customers' benefits are greater when key business conditions (e.g. revenue growth matches cost growth) are favourable.
 - Is the efficacy (i.e. the effectiveness) of PBR impacted by the business conditions a utility faces and, if so, how?
 - Are there particular elements of/approaches to PBR that are more appropriate under certain business conditions?

2. Performance Metric Systems (pages 22-28)

- Can performance metric systems be adapted to COSR or are they exclusive to PBR?
- Do performance metric systems work better in conjunction with PBR as opposed to COSR?

3. Targeted Incentives (pages 29-32)

- Can targeted incentives work in conjunction with either COSR or PBR?
- Do targeted incentives work better in conjunction with PBR as opposed to COSR?
- Doesn't the need for "careful prudence oversight" of such incentives (in order to avoid overuse of targeted inputs) simply create the type of regulatory burden PBR is seeking to avoid?

4. Multiyear Rate Plans (pages 33-35 and 37-47)

- Is there a distinction between a forecast ARM (per page 38) and COSR that involves a multi-year test period?
- Is such an approach (vs. PBR) more appropriate under certain circumstances and if so what the circumstances?
- Overall, the discussion appears to suggest that Indexed ARM is most appropriate for standard OM&A costs while forecasted ARM/cost of service/cost trackers are more appropriate for volatile OM&A costs and capital expenditures – please comment.
- Could the use of cost trackers, Y-factors and Z-factors in MRPs reduce a utility's incentives to "perform well"? If so, how should regulators determine their appropriate use?

5. Cost Trackers (pages 47-52)

- Is it feasible to build efficiency/performance incentives into cost trackers, particularly capital cost trackers?

6. PBR for BC Hydro

- There is no discussion as to whether or how productivity factors should be used in a MRP for BC Hydro. Please comment on the role of productivity factors in establishing an MRP for

BC Hydro, how such factors could be established and whether the work done for OPG (page 88) is of any relevance.

- The Report states (page 111) that “the efficacy of MRPs would be increased if management compensation is tied to cost performance goals”.
 - To what extent is increasing the link between management compensation and cost performance a prerequisite to introducing MRP.
 - Are there any potential drawbacks to increasing the link between management compensation and cost performance?
- The Report states (page 111) that “as a vertically integrated utility serving many large-load customers, the marketing flexibility that MRPs can facilitate can help BC Hydro retain and attract large-load customers”.
 - Within BC Hydro’s context, how would MRPs need to be designed in order to increase marketing flexibility and help BC Hydro retain and attract large-load customers?
- Overall, given the business conditions that BC Hydro is facing, what elements of BC Hydro’s revenue requirement does Pacific Economics consider to be best suited for an Indexed ARM. For those elements of BC Hydro’s revenue requirement where indexed ARM is not appropriate what approaches should be used and specifically what role should forecast ARM, cost trackers and Y-factors play?