

IRIS LEGAL

Environmental, Natural Resources &
Indigenous Law

VIA EFILE

August 14, 2020

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC. V6Z 2N3

Attention: Marija Tresoglavic, Acting Commission Secretary

Dear Ms. Tresoglavic,

**Re: BC Hydro F2020-F2021 Revenue Requirements Application
Project No. 1598990
Zone II Ratepayers Group's Submissions in Response to Panel Requests**

On behalf of the Zone II Ratepayers Group (“**Zone II RPG**”), we write in response to the Panel’s letters dated July 6 and July 15, 2020 (Exhibits A-37 and A-38, respectively) and BC Hydro’s submissions in response (Exhibits B-59 and B-60).

Approach to Setting Rates for F2022 and Beyond

In response to Exhibits A-37 and B-59, Zone II RPG agrees with the Panel that it is necessary to take steps to realign the RRA process to address the issues of regulatory efficiency and ratepayer risk. As BC Hydro notes (Exhibit B-59), COVID-19 also has created unprecedented uncertainty, including with respect to BC Hydro’s revenues and possibly its rates.

Zone II RPG supports BC Hydro filing future revenue requirement applications earlier, and the Commission consider ways to manage its process that would reduce the length of future proceedings. Zone II RPG does not support foregoing a full cost of service review for F2022, but does appreciate some flexibility may be needed for that particular proceeding. BC Hydro has proposed the Panel consider a cost of service approach focussed on incremental requirements for F2022, which Zone II RPG does not oppose. Zone II RPG also considers an incremental approach preferred to the Panel’s proposed “inflation factor” for the reasons presented by BC Hydro: that not all of BC Hydro’s costs are directly tied to inflation and that future proceedings may need to address the impact of COVID-19. Zone II RPG also sees merit in involving all stakeholders in the development of the scope for the fiscal 2022 RRA to ensure critical issues are addressed in an efficient manner.

Zone II RPG also sees value in combining at least two test years in a single review proceeding in a cost of service regime as part of the effort to achieve efficiency of the regulatory review process.

Zone II RPG agrees with the submission of the BC Sustainable Energy Association (“**BCSEA**”) (Exhibit C8-8) that the Commission’s proceeding regarding BC Hydro’s Performance Based Ratemaking Report (“**PBR**”) is the appropriate venue for selecting the base year in the event that a PBR framework is recommended for BC Hydro. The PBR proceeding is at a very early stage and it is premature to discuss a base year at this time. Further, in light of this discussion about the impact of delays, Zone II RPG submits it will be important to pursue the PBR proceeding expeditiously also.

Section 3 of Direction No. 8

Zone II RPG’s responses to the Panel’s seven questions are as follows:

1. Section 3 of Direction No. 8 does not limit the Commission’s authority to disallow recovery of expenditures.
2. The timing of the Commission’s decision in this proceeding does not affect the Commission’s authority under section 3 of Direction No. 8. Zone II RPG supports BC Hydro’s submissions that the implications of a late decision support earlier and more expeditious proceedings.
3. Zone II RPG agrees with BC Hydro’s submissions (Exhibit B-60) in response to this question.
4. Section 3 of Direction 8 requires the Commission to provide BC Hydro with a reasonable opportunity to earn a return of \$712 million in each year of the Test Period, as submitted by BC Hydro (Exhibit B-60) and BCSEA (Exhibit C8-9).
5. Zone II RPG agrees with BCSEA (Exhibit C8-9) that variances between the allowed return and achieved return are not recovered from, or returned to, customers in subsequent test periods.
6. Section 3 of Direction No. 8 does not change how the Commission may regulate and set rates for the test period, except for providing a reasonable opportunity to earn the requisite annual rate of return in each year of the Test Period.
7. Zone II agrees with BC Hydro (Exhibit B-60) that “[t]he BCUC should apply the established legal principles governing just and reasonable rates and the fair return standard (with \$712 million deemed to be a fair return), such that section 3 of Direction No. 8 should not affect the BCUC’s approach to these matters.”

Should you require anything further, please let us know.

Yours truly,
IRIS LEGAL

A handwritten signature in blue ink, appearing to read 'Jmf', is positioned above the printed name.

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