

PBR Comments to BCUC

1. Scope of the Review – List of Issues

a. To what extent does the BCUC have jurisdiction to approve or direct PBR or incentive-based mechanisms for BC Hydro?

The Bonbright Principles lays out quite well the basics of what the responsibilities of a Utility Commission should be and I think setting up a PBR system falls within these Principles.

b. What should be the goals of BCUC regulation with respect to BC Hydro (e.g. regulatory efficiency, cost control, and/or balancing risk between ratepayers and BC Hydro)?

It is important to recognize that there is a significant overlap between the ratepayers and the government. I think the goal of the Commission should be to minimize the risk, financial, safety and reliability with respect to the ratepayer. However, considering the overlap there is not a significant difference between the ratepayer and the government.

c. What aspects of PBR would help in achieving the above goals?

I cannot see that PBR would be that useful because of the mentioned overlap.

d. Are there unique aspects of BC Hydro regulation that affect the application of PBR to BC Hydro?

The one area that should be considered is the bonus system for employees and management. The prime result of good performance by employees and management should be the costs, reliability, and safety of the utility. The connection between the bonus payments to management and the performance of the Utility is not clear.

e. Are there unique aspects of BC Hydro business conditions that affect the application of PBR to BC Hydro?

Yes, there are a number. For example, weather conditions can have a significant impact on the performance of BC Hydro. This includes storms and the amount of rainfall. Another key consideration is the demand growth or stability of electricity use.

f. Should some form of PBR be implemented for BC Hydro?

I believe some form of PBR should be implemented with respect to employee and management bonuses.

If PBR were to be implemented, is an incremental approach necessary?

Yes, considering the bonus structure mentioned above, some form of incremental approach should be used.

What is the process and timing to implement that form of PBR?

I think some changes should be made to the bonus structure within 2 years and a more significant change within 5 years.

g. What elements of PBR could be added to a more traditional form of rate regulation (i.e. Cost-of service) to achieve the BCUC's regulatory goals, and what is the process and timing for implementing those elements?

The rate structure should be set up so that a portion of the income from rate is tied to a bonus structure. For example, if 10% of BCH's rate revenue was based on normal BCH performance, then this 10% could fluctuate depending on the Utility's performance. The 10% value is not based on any sophisticated analysis but just mentioned as an example.