



British Columbia
Utilities Commission

2017/18 – 2019/20

BUSINESS PLAN

April 28, 2017

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CHAIR AND CEO'S STATEMENT

The 2017-2020 British Columbia Utilities Commission business plan, which was prepared under my direction sets out the goals, strategies and initiatives that will enable us to become more efficient and effective through a strong employee and commissioner work-force that executes its mandate collaboratively with engaged stakeholders. This is an ambitious plan and one that will significantly improve our operational effectiveness and our ability to execute our mission.

Underlying these strategies and initiatives is the recognition that we must continue to nurture our staff's pride and dedication, a culture that staff and commissioners are very proud to be a part of. The projects and initiatives outlined in this plan will improve operational efficiency and effectiveness; support internal communication, employee development and collaboration; strengthen the integrity of the review process; and enhance the profile and reputation of the BCUC among its stakeholders and the public.

This plan was developed with consideration of external stakeholder feedback gathered through the independent review process and internal input from staff and commissioners. As the Chair and CEO of the British Columbia Utilities Commission, I affirm responsibility for the contents of this plan and for ensuring that the organizational performance is measured and reported on in the Commission's Annual Report.



David Morton
Chair and CEO

OPERATING ENVIRONMENT

Legislative and policy framework

The British Columbia Utilities Commission (BCUC) regulates energy utilities and the Insurance Corporation of British Columbia's universal compulsory automobile insurance. The *Utilities Commission Act* (UCA), the *Clean Energy Act* and the *Insurance Corporation Act* provide legislative direction to the BCUC. The Government has further refined our mandate through its energy policy, including The BC Energy Plan: A Vision for Clean Energy Leadership (2007 Energy Plan); BC's Natural Gas Strategy: Fuelling BC's Economy for the Next Decade and Beyond; Liquefied Natural Gas: A Strategy for BC's Newest Industry; the recently issued Climate Leadership Plan; and various directives to the BCUC. This legislative and policy framework provides us with complex direction to consider regarding economic and environmental interests and impacts.

Vision, Mission and Values

Our Vision, Mission and Values are:

Vision: To be a trusted and respected regulator that contributes to the well-being and long-term interests of British Columbians.

Mission: To ensure that ratepayers receive safe, reliable and non-discriminatory energy services at fair rates from the utilities it regulates, and that shareholders of those utilities are afforded a reasonable opportunity to earn a fair return on their invested capital.

Values: Accessibility – We facilitate fair, transparent and inclusive processes that encourage well represented input from relevant stakeholders who possess the information required to present their views effectively.

Integrity – We lead in a straight forward and consistent manner, by making objective and well-reasoned decisions and by treating stakeholders with dignity and respect.

Responsiveness – We deliver efficient regulation, aligned with all relevant legislation and regulations and government policies, that takes into account the business needs of regulated entities and the public interest.

Innovation – We continually strive to develop new efficiencies and innovative solutions in our internal operations and regulatory processes.

Excellence – We promote excellence by expecting high standards of performance and conduct by regulated entities and by encouraging professional development and excellence in our staff and commissioners.

External environment

The BCUC, similar to other regulators across North America, faces evolving technology and public expectations. On the technology and energy fronts we continue to see trends toward new, small utilities, often serving a single development or community; increased concerns about cyber security and cyber risk for utilities; evolving electric reliability standards; and limited natural gas pipeline capacity in BC and the Pacific Northwest. Public concerns continue over the rising cost of living – including rising utility rates and bills – and over the environment – including differing and sometimes competing expectations about de-carbonizing energy systems. Public expectations are also growing for increased consultation.

To better ensure we meet these challenges, the BCUC has recently joined a research initiative with the University of Ottawa regarding public confidence of local communities in energy project decision-making. The initiative also assesses the role of public authorities in ensuring their concerns are met. Our position on the Positive Energy Advisory Council affords us a meaningful opportunity to help shape and engage in this work, which will benefit greatly from the perspectives and experience of a utilities regulator. It is essential that BCUC remains proactive and takes ongoing steps to ensure the public's confidence remains high.

We continue our active role in Canada's Energy and Utility Regulators (CAMPUT). This provides us with an excellent opportunity to share notes with other regulators as we continue to develop best practices. This year we are hosting the annual conference in Vancouver during the month of May. This is an important event for anyone involved in energy and utility regulation, providing the opportunity to dialogue with some of the most passionate and knowledgeable people in the field of energy and regulation both in Canada and internationally. As part of our participation in CAMPUT we are involved with the National Association of Regulatory Utility Commissioners (NARUC), our counterpart organization in the US and with ICER, the International Council of Energy Regulators. This year we are participating in planning the tri-annual ICER conference, to be held in 2018 in Mexico City.

In addition, this year, the BCUC will undergo a performance audit from the Office of the Auditor General of BC. The scope of the audit is yet to be defined but it is expected to run from January 2017 to early 2018. This will require a significant commitment of our resources.

Internal environment

Leadership changes

Over the course of the past year, new members were welcomed to the management team. Recruitment of a Chief Operating Officer began in September 2016, following negotiations with the Public Sector Employers' Council (PSEC) to address mandatory compensation ranges that impeded recruitment of optimal candidates. Recruitment and on-boarding of a Chief Operating Officer is expected to be completed in June, 2017.

With our renewed leadership team, the BCUC is on track to complete all our work on initiatives planned for 2016–2017 by the end of the fiscal year. We are taking additional steps to build on initiatives begun in 2015 to improve our effectiveness including analyzing workflow processes to meet our targets to gain further organizational efficiencies, and to improve communications and public engagement. These additional initiatives are described below.

Organizational effectiveness assessment

The Chair and CEO initiated an organizational effectiveness assessment in spring 2016. Input was sought from staff and commissioners over the course of the year guided by an expert consultant. High level feedback shows that the BCUC must further optimize its organizational structure to better respond to the nature of our work. To ensure we meet our commitments to improved effectiveness and maintaining public trust the following areas will be examined:

- Staffing and workload levels;
- Collaboration among teams;
- Clarity of roles and processes within our organization,
- Clarifying aspects of our vision, mission and values, and;
- Developing, supporting and recognizing staff.

Implementation of changes arising from the organizational efficiency assessment is planned for fiscal 2017–2018.

Workflow analysis

Linked to the organizational effectiveness assessment, a detailed workflow analysis was completed in 2016. The analysis and documentation of work process steps and procedures identified efficiency issues, especially due to legacy IT systems. The initiatives set out in this Business Plan will address the most important of the issues identified in the workflow analysis.

Communications and public engagement plan

An assessment of the effectiveness of our communications and public engagement was completed in 2016 with external assistance resulting in a number of recommendations for improving our internal, external and media communications and engagement with the public and stakeholders. Implementation of the key findings is planned for fiscal 2017–2018.

Anticipated filings

We anticipate a significant number of regulatory filings in fiscal 2017–2018 including notable applications such as the first comprehensive rate design application from FortisBC Energy Inc. since the early 1990s and the second component of a rate design application from the British Columbia Hydro and Power Authority. The workflow analysis has helped to identify the changes needed to remain abreast of the filings and to meet our commitment to timely turn around.

Assessment of strengths, opportunities, challenges and risks

Strengths and opportunities

The BCUC continues to be a very strong organization with significant expertise and a dedicated workforce. The strength of the staff and commissioners in terms of experience and professional knowledge, commitment to their work, and sense of engagement and teamwork is clear. The BCUC's ability to manage complex processes and be responsive to stakeholder needs while safeguarding the public interest is evident in the decisions we issue. BCUC is recognized by utilities and ratepayers as dispassionate and even handed in its decision making.

Challenges and risks

We have made substantial progress on the initiatives set out in our last plan, and we continue to face similar challenges and potential risks inherent in our legacy information technology systems. Utilities face growing complexities which has required us to augment our efforts to ensure comprehensive analysis and timely turn around. Over the last year workloads have intensified. Workload and our inability to provide competitive compensations led to difficulty filling some staff and commissioner positions. Uncertainty in our external environment can create a potential risk of a change to our mandate or areas of focus. This uncertainty requires the BCUC to build sufficient flexibility into this year's plan to ensure we can adapt to any changes that are required.

STRATEGIC DIRECTION

Our overall strategic direction for 2017–2018 remains the same as that set last year:

“To increase efficiency and effectiveness through a strong employee and commissioner workforce that executes its mandate collaboratively with engaged stakeholders”.

To support this strategic direction, we will ensure that staff and commissioners are provided training and development opportunities, a supportive working environment and work toward competitive compensation. The operational plan below sets out the goals, strategies, targets and performance measures to achieve our strategy.

OPERATIONAL PLAN

Goals for 2016-2017 continued from last year include:

1. Improving regulatory and operational effectiveness and efficiency;
2. Strengthening internal communication and collaboration; and
3. Engaging stakeholders.

New initiatives to be launched this year include in addition to our participation in Positive Energy, CAMPUT and ICER noted previously are set out in the following sections.

Small Utility Regulatory Framework

The UCA empowers the BCUC to regulate utilities that generally operate in non-competitive environments. The BCUC pursues fairness and balance to stakeholders in fulfilling its responsibilities under the UCA.

Small utilities have always been an important component of the BCUC's mandate. Government initiatives in the 1980's for rural gasification and electrification, remote communities, recreation locations, and changes in alternative energy options have led to the creation of public utilities providing important services to a small number of ratepayers.

The current regulatory approach can be onerous for these small utilities, leaving small utility ratepayers with a much higher proportionate cost of regulation than customers of larger utilities. In the case of a full BCUC hearing of rates and revenue requirements of BC Hydro or the Fortis gas and electric utilities, the total cost of the regulatory review (including utility costs, BCUC costs and intervener funding) generally represents a small fraction of one percent of annual revenue requirements. However, for a very small utility those regulatory review costs could be difficult for ratepayers to fund.

The BCUC is considering how best to adapt its regulatory processes to better meet the needs of small utilities. Recently, the BCUC developed a streamlined regulatory framework for small thermal energy utilities and the Small Utility Regulatory Framework project aims to build on the work done to develop that framework and to expand it to all small utilities.

Information Technology Strategic and Operational Plan

From August to October of 2016, an external consultant conducted an analysis of our workflows and produced a report, the BCUC Workflow Analysis Report. External input was considered necessary to ensure objectivity. This report identified a set of issues and risks with the way the BCUC operates, and identified processes that could be made more effective and efficient. Possible solutions were provided to mitigate these issues and risks, many of which were related to the need for information technology system improvements.

This project will look at several possible system solutions or improvements. This includes assessing the environment by understanding opportunities and limitations posed by Shared Services BC (SSBC) and the Tribunal Transformation Initiative (TTI). These solutions will be analyzed for appropriateness to the BCUC (cost, complexity, maintainability, etc.) and recommendations will be made. This list of consensus solutions will then be crafted into a short-term (1-year) and long-term (3-year) plan.

Communication Plan

An assessment of the effectiveness of our communications and public engagement was completed in 2016. Our Communication Plan, developed as part of that assessment, has led to the following strategic communication related initiatives:

- Proactive and strategic media relations
- Engaging in the digital media world
- Solidified issues management protocols
- Consistent, two-way internal communications

- Regular opportunities for stakeholder input
- Increasing public consultation and engagement

Key messages included in the Communication Plan are:

- The BCUC is open, transparent and focused on working with and listening to the public, stakeholders, utilities and government to improve our communications and engagement practices.
- The BCUC takes input from British Columbians seriously, and strives to balance the competing interests in the sectors we regulate to ensure British Columbians are served best.
- In order to be successful, we are strengthening our organization and working with our employees to ensure their knowledge and experience is used most effectively.
- We work hard to ensure British Columbians get value from their utilities, with safe, reliable energy services and fair energy and basic auto insurance rates.

Our next step is to operationalize this plan in the upcoming year.

COO recruitment

In early fiscal 2017/2018, an experienced operations executive will join the senior leadership team as Chief Operating Officer (COO). The COO will bring advanced management skills and significant experience in leadership positions requiring accountability to multiple stakeholders. They will be a positive and proactive change agent capable of gaining trust across an organization and aligning strategic objectives with cultural values to enhance operational effectiveness. Working with the CEO, the COO will assist in leading our staff and commissioners through the second phase of the Organizational Effectiveness project (see below).

Organizational Effectiveness Project

In fiscal 2016/2017 we completed the first phase of the Organizational Effectiveness Project. In Phase 1, staff and commissioner interviews were conducted to assess how the current organizational structure and conditions support cooperation and coordination between all operations. A report was generated that identified key gaps around integration, role clarity, workload, development & support and trust. A series of recommendations were proposed, framed around three primary areas of focus: (1) enhanced leadership, (2) structure reorganization and (3) staff training and development.

Phase 2 (the implementation of the recommendations generated in Phase 1) is underway, with the current emphasis placed primarily on staff development (three workshops covering communication and team building skills) and a workflow analysis to address the first step towards a structural reorganization. As well, a cross-functional advisory team has been established, to help enhance inclusion, communication and solicit broad perspectives for the coming structural reorganization. A structural reorganizational plan has been completed, with gradual implementation following shortly thereafter.

Reconsideration Guidelines

As part of a broader, multi-year initiative to review policy and procedure, we plan to review the Reconsideration Guidelines in fiscal 2017–2018.

Performance Measures & Targets¹

The BCUC will continue to assess and report its performance against the following Performance Measures and Targets:

Performance Measure	2017/18 Target
Decision Cycle Time	90% of decisions issued in 90 calendar days or less
Other Proceedings Total Cycle Time	Maximum annual average of 40 calendar days
Total Expenditure per Capita	No target. Indicative measure. ²
Energy Regulation Expenditure per Gigajoule	No target. Indicative measure.
Employee Engagement	Baseline (73) / Benchmark ³
Complaint and Enquiry Response Time	85% in 5 business days or less
Participant Assistance/Cost Award Cycle Time	100% issued in 60 calendar days or less

FINANCIAL PLAN

Budget risks and sensitivities

The BCUC budget is subject to certain risks and sensitivities. First and foremost, budgeting is highly dependent on regulatory proceedings. However, not all applications from regulated entities can be anticipated and those which can be anticipated are not always filed according to the forecast, resulting in unavoidable externally-driven volatility. This leaves the BCUC financially vulnerable if regulated entities file more applications than predicted.

The inherent volatilities described above are consistent across planning years and BCUC budgets. Key assumptions guiding the BCUC budget are expected to remain the same as last year.

¹ The BCUC's Performance Measures and Targets were developed through consultation with stakeholders as defined and reported in the BCUC Performance Measures and Targets Final Report, December 14, 2015, available at: www.bcuc.com/ServicePlan.aspx

² Indicative performance measures do not have targets due to the potential for erratic trends caused by external factors outside of Commission control. Targets may be developed for these indicative performance measures once more historical data is obtained.

³ The Commission's 2015 baseline score was 73 and the benchmark is set to the most recent BC Public Service WES Engagement score that is available.

In the event of excess revenues or expenses, amounts will be deferred and applied as a credit or debit to the entities regulated by the BCUC in the levy order for the following fiscal year.

Financial outlook summary

	Actual	Actual	Actual	Budget	Budget	Budget
	2014–15	2015–16	2016-17	2016–17	2017–18	2018–19
BCUC Expenses	\$6,561,624	\$7,192,785	\$8,025,302	\$9,147,812	\$9,390,000	\$9,790,000
Information Technology Strategic Initiatives ⁴	N/A	N/A	N/A	N/A	\$900,000	\$500,000

The BCUC does not receive funding from the provincial government; we have been funded by the utilities we regulate since 1988. BCUC costs are recovered primarily through a levy on its regulated entities.

For Fiscal F2017, the BCUC spent less than originally budgeted. This is due to a number of financially significant items. The most significant of these is that the hiring of a Chief Operating Officer, as well as qualified staff members and full-time commissioners has been more challenging than originally anticipated. This resulted in spending \$835,000 less than anticipated in 2016-17.

The hiring criteria for the COO included:

- Mature, proven leadership skills;
- Technical skills aligned with the utilities and auto insurance sectors;
- Communication and writing skills suited to dealing with the needs of sophisticated utilities

BCUC's compensation and benefits are not competitive with companies competing to hire individuals with the necessary skills and experience. As a result, the hiring process was protracted.

Other reasons for the difference between budget and forecast include:

- Less than expected benefit costs due to the challenges associated with hiring a COO and qualified staff members
- Changes in the timelines of proceedings

Key budget assumptions

The BCUC's 2017–2018 budget has been prepared with the following assumptions:

⁴ The budget for the Information Technology Strategic Initiatives is to update our legacy information technology systems with system solutions or improvements that were identified in the Information Technology Strategic and Operational Plan.

- The addition of a Chief Operating Officer in accordance with the 2015 revision to the *Utilities Commission Act*.
- The addition of a number of positions to address the projects and initiatives in this Plan including to improve operational efficiency and effectiveness; support internal communication, employee development and collaboration; strengthen the integrity of the review process; and enhance the profile and reputation of the BCUC among its stakeholders and the public.
- Increases to address salary range and compensation disparity.
- Increases to Expenses and Benefits to support and maintain organizational improvements.
- Increases to Building Occupancy Charges in accordance with the acquisition of additional space and the BCUC's lease agreement and inflation.