

**BRITISH COLUMBIA UTILITIES COMMISSION
IN THE MATTER OF THE UTILITIES COMMISSION ACT
S.B.C. 1996, CHAPTER 473**

And

**RE: British Columbia Hydro and Power Authority -
Application for F2012-2014 Revenue Requirements**

**VANCOUVER, B.C.
March 25th, 2011**

Procedural Conference

BEFORE:

Liisa O'Hara,	Chairperson
Alison Rhodes,	Commissioner
David Morton,	Commissioner

VOLUME 1

APPEARANCES

G.A. FULTON, QC	Commission Counsel
J. CHRISTIAN C. FUNT	British Columbia Hydro and Power Authority
R. B. WALLACE, QC	Association of Major Power Customers of British Columbia
C. WEAFER	Commercial Energy Consumers Association of British Columbia
J. QUAIL	Consumers' Association (B.C. Branch, B.C. Old Age Pensioners' Organization, Counsel Of Senior Citizens' Organizations, Federated Anti- Poverty Groups Of B.C., West End Seniors' Network
W. ANDREWS	B.C. Sustainable Energy Association and Sierra Club of British Columbia
M. OULTON J. HUGHES	Canadian Office and Professional Employees' Union, Local 378
J. SKOSNIK	Line Contractors' Association of British Columbia.
D. AUSTIN	Clean Energy Association of British Columbia
P. CASSIDY	Morgan Stanley Capital Group
T. VULCANO	On His Own Behalf
I. LEIS	On Her Own Behalf

CAARS

VANCOUVER, B.C.

March 25, 2011

(PROCEEDINGS RESUMED AT 9:01 A.M.)

5 THE CHAIRPERSON: Please be seated. Good morning, ladies
6 and gentlemen. My name is Liisa O'Hara. With me are
7 Commissioners -- can you hear, there, in the back?

With me are Commissioners Alison Rhodes and David Morton. Welcome to this morning's proceeding to consider the regulatory timetable for the review process for B.C. Hydro's revenue requirements application for fiscal 2012 to 2014, filed on March 1st, 2011.

As you all know, the fiscal 2011 revenue requirements application was reviewed by way of a negotiated settlement process. By Order G-180-10, dated December 2nd, 2010, the Commission approved a negotiated settlement agreement which represented a compromise of the positions taken by the parties during the settlement discussions. It is noteworthy that the agreement included 17 different commitments agreed to by B.C. Hydro, most of which have influenced the content of the current application.

1 conference which is the occasion for this morning.

2 **Proceeding Time 9:03 a.m. T2**

3 By order G41-11 the Commission approved the
4 right for across-the-border rate increase of 9.73
5 percent effective April 1, 2011, subject to the
6 decision on the residential inclining block rate pre-
7 pricing application on an interim and refundable
8 basis.

9 Similarly, the applied-for increase in the
10 open access transmission tariff, and the continuation
11 of the deferral account rate rider at 2.5 percent were
12 approved effective April 1, 2011, again on an interim
13 basis.

14 Now that the stage has been set, it is my
15 pleasure to acknowledge and introduce a number of
16 individuals who will play an important role in the
17 review of the application. Claudia McMahon, senior
18 financial analyst, is the Lead Staff, while Philip
19 Nakoneshny as the Director of Rates and Finance
20 continues to play a key role in this proceeding as
21 well.

22 Commission Counsel for this proceeding is
23 Mr. Gordon Fulton from Boughton Law Corporation. And
24 then last but not least, our Hearing Officer is Mr.
25 Hal Bemister.

26 As indicated in the letter L19-11 which was

dated March 17, 2011, we are here this morning to address procedural matters which include but are not limited to (1) identification of significant issues; (2) scope of the Commission's review of various sections of the application; (3) completeness of the application; (4) whether the reviews would proceed by oral or written public hearings, or some other process; (5) steps and timetable associated with the regulatory review process; and (6) any other matters that will assist the Commission to efficiently review the F2012 to F2014 application.

Proceeding Time 9:05 a.m. T03

Following this pre-hearing conference, the Commission panel expects to issue an Order establishing the regulatory timetable for the balance of this review process. Before Mr. Fulton takes over, I would like to comment on the tasks awaiting us.

B.C. Hydro has filed a revenue requirement application covering three test years. As if this was not a substantive application by itself, the filing also includes certain one-time events, such as reintegration of BCTC back into B.C. Hydro, new Special Directives from the government, transition to international financial reporting standards, prudency review of the G. M. Shrum Unit re evidence, et cetera. Because of the large volume of information already

1 filed, it is crucial that we all remain focused on the
2 real issues that are within the scope of this
3 application. Therefore I must remind all of you that
4 this Commission only has jurisdiction to deal with
5 matters assigned to it by the *Utilities Commission Act*
6 or various regulations.

7 I am now going to ask Mr. Fulton to call
8 appearances.

Proceeding Time 9:07 a.m. T04

At the same time you are entering your appearance, should you have any additional issues that you wish to add to the agenda for consideration this morning, please identify those as well.

17 Mr. Fulton, please proceed.

18 MR. FULTON: Thank you, Madam Chair. I am going to
19 suggest that during the course of appearances today,
20 with the exception of B.C. Hydro, that the parties
21 don't speak to additional matters they may have for
22 this procedural conference, because B.C. Hydro, as I
23 understand it, has an application that they wish to
24 make to adjourn the procedural conference today, and
25 Mr. Christian will be speaking to that in due course.

So with those preparatory remarks, then, I

1 will call for appearances.

2 British Columbia Hydro and Power Authority.

3 MR. CHRISTIAN: Good morning, Madam Chair.

4 Commissioners, Jeff Christian, C-H-R-I-S-T-I-A-N, on
5 behalf of British Columbia Hydro and Power Authority.

6 On my right is Mr. Christopher Funt, F-U-N-T. Behind
7 me is Ms. Joanna Sofield, she is chief regulatory
8 officer with B.C. Hydro. And on Mr. Funt's right is
9 Janet Fraser, director regulatory of B.C. Hydro.

10 And as Mr. Fulton averted to, I will be
11 making a motion at the earliest convenience to propose
12 an adjournment of today's procedural conference.

13 THE CHAIRPERSON: Thank you, Mr. Christian.

14 MR. FULTON: Association of Major Power Customers of
15 British Columbia.

16 MR. WALLACE: R. B. Wallace, appearing on behalf of the
17 Association of Major Power Customers of British
18 Columbia. Thank you.

19 THE CHAIRPERSON: Thanks, Mr. Wallace.

20 MR. FULTON: Commercial Energy Consumers Association of
21 British Columbia.

22 MR. WEAFER: Good morning, Madam Chair, members of the
23 panel. Chris Weafer appearing for the Commercial
24 Energy Consumers' Association of British Columbia.
25 Thank you.

26 THE CHAIRPERSON: Thank you, Mr. Weafer.

1 MR. FULTON: British Columbia Old Age Pensioners'
2 Organization *et al.*

3 MR. QUAIL: Good morning. Jim Quail appearing.

4 THE CHAIRPERSON: Good morning, Mr. Quail.

5 MR. FULTON: B.C. Sustainable Energy Association and
6 Sierra Club of British Columbia.

7 MR. ANDREWS: Good morning, members of the panel.
8 William Andrews, representing BCSEA and SCBC.

9 THE CHAIRPERSON: Thank you, Mr. Andrews.

10 MR. FULTON: Canadian Office and Professional Employees'
11 Union, Local 378.

12 MR. OULTON: Madam Chair, Commissioners. Mark Oulton, O-
13 U-L-T-O-N, appearing as counsel on behalf of COPE.
14 With me is Ms. Jacqueline Hughes, also counsel, and
15 Lori Winstanley, who is with COPE. Thank you.

16 THE CHAIRPERSON: Thank you, Mr. Oulton.

17 MR. FULTON: Line Contractors' Association of British
18 Columbia.

19 MR. SKOSNIK: Good morning, everyone. Jeff Skosnik,
20 appearing on behalf of the Line Contractors'
21 Association.

22 THE CHAIRPERSON: Thank you, Mr. Skosnik.

23 MR. FULTON: Clean Energy Association of British
24 Columbia.

25 MR. AUSTIN: Good morning, panel. David Austin appearing
26 on behalf of the Clean Energy Association of B.C.

1 THE CHAIRPERSON: Thank you, Mr. Austin.

2 MR. FULTON: Morgan Stanley Capital Group.

3 MR. CASSIDY: Good morning. Paul Cassidy appearing for
4 Morgan Stanley Capital Group.

5 THE CHAIRPERSON: Good morning, sir. Perhaps you can
6 spell your name for the record properly. It's a new
7 name for us.

8 MR. CASSIDY: It's a good Irish name. C-A-S-S-I-D-Y.

9 THE CHAIRPERSON: Thank you, Mr. Cassidy.

10 MR. FULTON: Madam Chair, Terry Vulcano, whose name
11 appears at number 23 on the order of appearances, has
12 had discussions with the Hearing Officer, exchanged
13 correspondence with the Hearing Officer yesterday, and
14 with myself. He is in Prince Rupert. Where matters
15 have been left is that if he wishes to make
16 submissions on a point, he will e-mail the Hearing
17 Officer and the Hearing Officer will call him and Mr.
18 Vulcano will make his submissions by way of
19 speakerphone.

20 THE CHAIRPERSON: Thank you, Mr. Fulton.

21 **Proceeding Time 9:12 a.m. T5**

22 MR. FULTON: Is there anyone here this morning who has
23 appeared – oh, Ms. Leis.

24 MS. LEIS: My name is Ilse Leis. I am just a ratepayer.
25 I'm not representing anyone. I am here to ensure that
26 we have complete transparency and responsibility to

1 myself as a ratepayer, and that's all. Thank you very
2 much.

3 THE CHAIRPERSON: Thank you, Ms. Leis.

4 MR. FULTON: Now, is there anyone else here whose name I
5 have not called, who has intervened in these
6 proceedings and wishes to appear this morning?

7 No response, Madam Chair, so I will now
8 turn the mike over to Mr. Christian. And what I
9 suggest we do in terms of the order of submissions
10 after Mr. Christian is we will go through the list and
11 then come back in reverse order to Mr. Christian again
12 for final reply on the part of B.C. Hydro.

13 THE CHAIRPERSON: That sounds like a good plan, Mr.
14 Fulton.

15 MR. CHRISTIAN: Thank you. As I mentioned, as Mr. Fulton
16 averred to, B.C. Hydro is moving to adjourn today's
17 procedural conference. The reasons are to some extent
18 perhaps familiar or maybe not surprising to panel
19 members and other participants in this proceeding.
20 There has been talk in the press with respect to a
21 review by the Minister of Energy of B.C. Hydro's rate
22 application. B.C. Hydro can confirm today that there
23 will be a review by the new Minister of Energy of B.C.
24 Hydro's rate application and its applied-for rate
25 increases. That's a certainty.

26 It's also certain and B.C. Hydro can

1 confirm that the outcome of that review will be, for
2 at least one or more of the years in the test period,
3 a lower revenue requirement and a lower than currently
4 applied-for average rate increase.

5 In consequence, it's apparent at some point
6 in this proceeding, B.C. Hydro will be filing an
7 amendment to its application. That's what's known.

8 What isn't known, unfortunately, today, is
9 what the scope of that ministerial review will be.
10 What's not known is the timing of that ministerial
11 review. Nor is it known by what mechanism government
12 and/or B.C. Hydro will affect the outcome of that
13 review in an amended application. So timing, scope,
14 mechanism, none of those are clear at this point in
15 time. Moreover, the final outcome of course isn't
16 known, as I've said. It's clear that there will be
17 for at least one or more of the years in the test
18 period a lower revenue requirement and lower than
19 currently applied-for rate increase, but to what
20 extent the application will seek a lower rate increase
21 is not known either.

22 In light of that, B.C. Hydro anticipates
23 firstly that interveners will want to have commentary
24 on and provide submissions on how we proceed, in a way
25 that they wouldn't have been able to until I was able
26 to deliver this news to the Commission and the

1 participants. Similarly B.C. Hydro needs to form its
2 views, and it's only got clarification on those
3 certain items very recently, and so it hasn't been in
4 a position to come up with a proposal yet on how it
5 should proceed. B.C. Hydro is also hopeful, not
6 certain but hopeful that in those areas where there is
7 some uncertainty against scope, timing, mechanism,
8 that it will get some further certainty in the next
9 few days if not in the next week.

10 And accordingly, what B.C. Hydro proposes
11 this morning is to adjourn the procedural conference
12 for two weeks until Friday, April 8th; and that in the
13 meantime B.C. Hydro would file a submission by next
14 Friday, April 1st, and in B.C. Hydro's submission to be
15 filed on April 1st it would, in any event, make a
16 proposal with respect to how to proceed, in light of
17 the Ministerial review of the applied-for rate
18 increases. And to the extent possible, provide any
19 further information or clarification it can in those
20 areas of uncertainty – again, scope, timing,
21 mechanism.

22 **Proceeding Time 9:16 a.m. T06**

23 The more information, of course, Hydro has
24 with respect to those areas, the easier it will be to
25 make a proposal that all participants and the
26 Commission panel, most importantly, will have some

1 confidence in in setting a process going forward.

2 The only impact of that, of course, with
3 respect to the current schedule is that right now
4 Commission staff IRs are scheduled to be filed on
5 April 6th, which would fall two days prior to the
6 reconvened procedural conference. To address that
7 issue, what B.C. Hydro proposes is that the entire
8 first round of IRs, that entire schedule with respect
9 to the first round of IRs, be advanced by one week,
10 subject to further Order, after the April 8th
11 procedural conference. So at least for the time being
12 some people have some idea that they don't have to be
13 filing IRs on April 6th. We would propose that all of
14 the dates be moved ahead by one week, so that the
15 staff IRs would be filed on April 13th, intervener IRs
16 on April 20th, and B.C. Hydro's responses would be on
17 May 24th, not May 23rd, which is a holiday. So there is
18 an eight-day extension for the filing of response.
19 And that would be a -- for the time being, an interim,
20 if you will, procedural Order that accounts for the
21 fact that the process to be determined in light of the
22 Ministerial review won't be resolved until after April
23 8th.

24 THE CHAIRPERSON: What was the last date again, Mr.
25 Christian?

26 MR. CHRISTIAN: Sorry. May 24th.

1 THE CHAIRPERSON: May 24th. Thank you.

2 MR. QUAIL: I'm sorry, could you just go through those
3 dates again?

4 MR. CHRISTIAN: So, with respect to the process going
5 forward, Hydro would propose that it file submissions
6 on April 1, that interveners respond -- and, sorry, I
7 think I missed this part in my -- maybe this is what
8 you're missing, Mr. Quail -- that interveners would
9 have an opportunity respond in writing by April 6th.
10 That's a Wednesday. And that this procedural
11 conference resume on April 8th. So April 1, April 6,
12 April 8 for Hydro's submissions, interveners'
13 submissions, and reconvening this procedural
14 conference.

15 And as I say, the -- B.C. Hydro's
16 submission would propose, for sure, a proposal on how
17 to go forward in light of the Ministerial review, and
18 hopefully that proposal would be informed by more
19 clarity on those areas of uncertainty that I've
20 already mentioned.

21 And then again --

22 THE CHAIRPERSON: And then the -- and still repeat the
23 other dates.

24 MR. CHRISTIAN: Right. And then I will. And then the
25 interim Order, if you will, with respect to the first
26 round of IRs, the dates would be changed from April 6th

1 to April 13th for BCUC staff IRs, from April 13th to
2 April 20th for intervener IRs, and from May 16th to May
3 24th for B.C. Hydro's response to those first-round
4 IRs. And again, those dates, those three dates on
5 IRs, would all be subject to the Commission Order
6 coming out of the April 8th procedural conference.

7 And subject to any questions from the
8 Commission panel --

9 COMMISSIONER RHODES: I have a question. What do you
10 expect to know by April the 1st?

11 MR. CHRISTIAN: Well, we hope to know more, clearly. I
12 mean, the scope of the review is very unclear, and the
13 scope of the review has a potentially significant
14 impact on how we proceed. And to give you, like, the
15 two extreme examples, okay? These are not based on my
16 knowledge of any of the discussions between Hydro and
17 the Minister, just to give you an illustration of how
18 they might affect the schedule.

19 If on one hand the government review
20 results simply in a change in the water rentals that
21 B.C. Hydro pays for the generation of electricity from
22 its hydro plants, then that would probably -- and
23 almost certainly, in my submission -- not cause the
24 procedure to be affected in any way at all, because
25 that would simply be a change to the cost of energy
26 that flows through and could be done in the

1 evidentiary update. And that wouldn't require any
2 change at all.

To take another extreme example, if certain capital projects that are meant to be coming in to service in the test period were meant to be deferred or delayed, that might have a bigger impact, because of, you know, capital projects impact, the human resources impact, the timing of different things. And that might cause Hydro to have to revisit a substantive part of the evidence that it's already filed. And that might make it far more challenging to continue with the process until the application was re-filed.

14 And so, the type of information we're
15 hoping to get in the next week will hopefully clarify
16 what the scope of the review is, and therefore the
17 type of amendment that Hydro would have to file in
18 its application, which would then inform how the
19 process might go forward. So that's one area of
20 the scope.

21 Proceeding Time 9:21 a.m. T7

1 And I think that's self-evident that the process, to
2 the extent it's only a week, that is the Ministerial
3 review, that everything could be moved a week subject
4 to an amendment by Hydro if it was convenient to do
5 that.

6 So that's the type of information we're
7 hoping for. How much we can get we don't know. But
8 in any event, regardless of whether we get any more
9 clarification, regardless of whether I can add to
10 anything I've already said today, Hydro will be having
11 a proposal by next week on how to proceed.

12 COMMISSIONER MORTON: And how about the interim rate
13 increase for April 1st? Are you proposing any change
14 to that?

15 MR. CHRISTIAN: Hydro would not propose any change to
16 that. You know, one of the reasons of course that
17 we're trying to get this done quickly in terms of
18 having a submission by next week and having
19 intervenors respond and having further procedural
20 order is an acknowledgement that that interim rate
21 increase does take effect on April 1. But we're not
22 proposing to change that.

23 THE CHAIRPERSON: Thank you, Mr. Christian.

24 MR. CHRISTIAN: Thank you.

25 MR. FULTON: Association of Major Power Customers of B.C.

26 MR. WALLACE: Thank you. Madam Chairman, Commissioners,

1 MPC has welcomed the Minister's announcements. We've
2 been following them over the last day or so with
3 curiosity about how they would impact today. We
4 believe that Hydro's suggestion of adjourning this
5 pre-hearing conference and delaying the schedule by
6 one week appears appropriate in the circumstances.
7 We're hoping this will be a significant review. It's
8 clearly required, and we would ask the Commission to
9 allow the time for a little more certainty. Thank
10 you.

11 THE CHAIRPERSON: Thank you.

12 MR. FULTON: Commercial Energy Consumers' Association of
13 British Columbia.

14 MR. WEAFER: Madam Chair, members of the Panel, the CEC
15 has also welcomed the public pronouncements of the
16 Minister that this rate increase that we are to see
17 for the next three years from B.C. Hydro is to be
18 reviewed. This is the first we've heard of
19 adjournment of this procedural conference from Mr.
20 Christian this morning and we do support the
21 adjournment for one week to review.

22 We would make two comments, and not so much
23 to the role of the Commission but we would encourage
24 B.C. Hydro, if this review with the Minister is to be
25 substantive, to engage customer representatives in
26 that discussion to the extent they may be able to

1 assist. And secondly, to follow up on Commissioner
2 Morton's comments, we think it egregious that there's
3 clear concern as to the level of rate increases such
4 that there's an adjournment now and a review to try
5 and mitigate the rate impacts, but Hydro continues to
6 seek the interim rate increase at the level applied
7 for. So we would ask that that also be considered by
8 B.C. Hydro in the discussions with the Minister.

9 Those are our comments. Thank you. Sorry,
10 Mr. Fulton has corrected me. It's a two-week
11 adjournment and we support the adjournment as
12 requested by Mr. Christian.

13 THE CHAIRPERSON: It's a two-week adjournment with the
14 procedural conference, but one week adjournment in the
15 schedule, right.

16 MR. WEAFER: Correct, yes.

17 THE CHAIRPERSON: Thank you, Madam Chair.

18 MR. FULTON: BCOAPO *et al.*

19 MR. QUAIL: Madam Chairperson and Panel members, we
20 support the application for adjournment. We are not
21 content with the approach that B.C. Hydro has taken
22 towards the interim rate. The interim rate was
23 premised upon a particular applied-for permanent
24 increase. We now have a statement from B.C. Hydro
25 through its counsel that in fact rates will increase
26 by a lesser amount than the application. In my

1 submission it is not appropriate to proceed on an
2 interim basis and collect that money from hard-pressed
3 ratepayers on what's now no longer a substantiated
4 assumption as to what the maximum exposure to rate
5 increases might be. That interim rate is a product of
6 an order of this Commission, not of B.C. Hydro's
7 making. And in my submission it would be appropriate
8 as a condition of the adjournment for this Commission
9 to reduce the interim rate increase for the coming
10 year and I would suggest reducing it by two percent,
11 which I suggest is a modest amount, assuming that the
12 Minister has a substantial interest in finding, you
13 know, some meaningful reductions. So, I suggest that
14 that's, I hope, modest compared to what the end result
15 is, which would mean that interim rates would be --
16 rate increase would be reduced to 7.73 percent,
17 effective April 1st.

Proceeding Time 9:25 a.m. T08

19 And I must say it's painful for me to even
20 pronounce those words. My client is very unhappy with
21 the scale of increase.

I might add, in terms of context for all of this, that our analysis indicates that a substantial driver in these increases is government policy. And so a review of government policy could have quite a significant impact on rates going forward, and all of

1 that should be taken into account in trying to divine
2 what the appropriate point is to set the interim rate,
3 so that there isn't over-collection from B.C. Hydro,
4 which would cause needless hardship. On the other
5 hand, we recognize that setting the rates wildly low
6 creates a problem afterward, in terms of collection,
7 although deferral accounts, of course, are a mechanism
8 that could be used for recoupment. It's much easier
9 for B.C. Hydro to make up a little bit of lost ground
10 than for homeowners to deal with overpaying their
11 Hydro bills for several months until this application
12 is resolved. So, in my submission, the balance of
13 convenience favours a meaningful reduction in the
14 interim rate. Perhaps that's also a useful prod to
15 the utility and the government to dig even deeper and
16 find even more significant rate relief for ratepayers.

17 THE CHAIRPERSON: Thank you, Mr. Quail.

18 MR. FULTON: B.C. Sustainable Energy Association and
19 Sierra Club of British Columbia.

20 MR. ANDREWS: Madam Chairman, members of the panel, the
21 B.C. Sustainable Energy Association and the Sierra
22 Club of B.C. support B.C. Hydro's application to
23 adjourn the procedural conference and to push back the
24 dates for the first series of events in the procedure.
25 Of course, like the other interveners, the news of
26 this application for adjournment just reached us this

1 morning, so I don't have instructions regarding *ad lib*
2 comments about the merits of the review that the
3 Minister is undertaking or how Hydro should conduct
4 that review.

5 Since counsel for BCOAPO made a suggestion
6 about a change to the interim rate, I can only say
7 that BCSEA/SCBC's position is that there ought to be
8 some evidence before the Commission for it to make a
9 decision, and that, you know, whether the change
10 should be two percent or nothing, or five percent, in
11 my respectful submission, is a matter that the
12 Commission has to make a decision on based on some
13 sort of evidence. And it doesn't appear that there is
14 an evidentiary basis for such a decision at this point
15 in time.

16 But subject to any questions, those are my
17 submissions.

18 THE CHAIRPERSON: Do you have any ideas what you would be
19 looking for as reasonable evidence for this
20 adjustment, Mr. Andrews?

21 MR. ANDREWS: I think the evidence would take the form of
22 an indication from B.C. Hydro as to what the -- at
23 least the outlines of its, presumably, revised
24 application for revenue requirement decisions by the
25 Commission over the three-year test period, if indeed
26 the revised application is for a three-year test

1 period. In other words, we've been told that there
2 will be a change in the application of some nature,
3 and that directionally it will be a lower revenue
4 requirement, at least in the test period. We don't
5 know whether that will mean that rate increases or
6 revenue requirement will be pushed to future years, as
7 compared to simply disappearing altogether. But I
8 think the Commission would need to know at least the
9 outline of what Hydro was proposing for it to be able
10 to decide what ought to be the interim rate.

Proceeding Time 9:30 a.m. T09

12 THE CHAIRPERSON: Thank you, Mr. Andrews.

13 MR. ANDREWS: Thank you.

14 MR. FULTON: Canadian Office and Professional Employees'
15 Union, Local 378.

16 MR. OULTON: Madam Chair, Commissioners, COPE doesn't
17 have much to add to what has been said already. It,
18 like other interveners, has been watching the
19 commentary in the media and welcomes the suggestion
20 from the Minister that a review is going to take
21 place, and that it will have a downward impact on the
22 rate increase. I think all ratepayers are probably
23 welcoming that announcement. And we're somewhat
24 sympathetic to the position that, I think, B.C. Hydro
25 finds itself in, and in that regard we have no
26 objection to the proposed adjournment or the

1 timetable.

2 There is one point, however, that remains
3 outstanding, and that is COPE made a request in
4 Exhibit C2-2 for disclosure of further information
5 surrounding B.C. Hydro's long-term sourcing strategy
6 and how that feeds into the application. Because as
7 you're aware B.C. Hydro committed to trying to have a
8 process that's more transparent in this application,
9 and efficient, and all of that, and it has made
10 strides in that regard. COPE doesn't mean to diminish
11 what B.C. Hydro has done. This application is more
12 accessible than perhaps past applications have been.

13 But that area is one that's particularly
14 troubling, and that area being the operating costs and
15 the assumptions that B.C. Hydro has set into its
16 application particularly surrounding the Accenture
17 arrangement. There is no mention of the long-term
18 sourcing strategy which COPE is aware of, because of
19 its dealings with both Accenture and B.C. Hydro, and
20 it seems abundantly clear that if there is a strategy
21 in place that is guiding B.C. Hydro's actions that has
22 certain objectives with respect to costs and
23 efficiencies and everything else, it's conspicuous by
24 its absence that that isn't discussed in the
25 application. And the Commission wrote following
26 Exhibit C2-2 and said that would be dealt with here.

1 COPE is concerned if that gets pushed out a
2 further couple of weeks because, as was indicated in
3 its letter to the Commission, it understands that
4 decisions are being made by B.C. Hydro over the next
5 couple of months with respect to how it's going to
6 restructure or renew or go to market with respect to
7 the services that Accenture is currently providing.
8 And all of those things in COPE's view will affect the
9 revenue requirements. And I expect that will be dealt
10 with in an evidentiary hearing or an evidentiary
11 update or an amendment to the application. But COPE
12 doesn't want to be in the position and doesn't think
13 other interveners and parties here, and the
14 Commission, should be in the position where it's
15 getting this information after all the decisions have
16 already been made, and the cost consequences are
17 there. It would prefer that some disclosure be made
18 at the front end so we can at least give that the
19 fulsome and rigorous review that this application, as
20 a whole, demands.

21 THE CHAIRPERSON: So are you asking then, Mr. Oulton,
22 that the panel deals with your request after today,
23 rather than waiting the two weeks until April 8th, and
24 deal with it at that time?

25 MR. OULTON: We're somewhat in the Commission's hands,
26 obviously, and I recognize the utility in dealing with

1 it at a procedural conference. It is a procedural
2 matter, whether or not the application in COPE's view
3 is complete. I don't know if my friend is ready to
4 deal with the issue today. I can say we are, because
5 we didn't know until this morning that this conference
6 was going to be adjourned. COPE will accept, if it's
7 pushed out two weeks, but as I said, COPE has a very
8 serious concern that the further this gets pushed out
9 the closer we are to when the decisions are being
10 made, and the less utility fulsome disclosure will
11 have in terms of our ability to fully assess and deal
12 with it.

13 THE CHAIRPERSON: Thank you.

Proceeding Time 9:35 a.m. T10

15 MR. FULTON: Line Contractors' Association of B.C.

16 MR. SKOSNIK: The Line Contractors' Association of B.C.
17 supports Hydro's motion to adjourn and revision to the
18 schedule. Thank you.

19 THE CHAIRPERSON: Thank you.

20 MR. FULTON: Clean Energy Association of B.C.

21 MR. AUSTIN: The Clean Energy Association of B.C.

22 supports B.C. Hydro's application to adjourn.

23 However, having interrupted a holiday to get here, I
24 just wanted to make a couple of comments.

First of all, with respect to BCOAPO's request for a reduction in interim rate, clearly it

1 can't be based on Mr. Quail's evidence that government
2 policy is the cause of rate increases. I think the
3 sensible thing to do is wait for two weeks and let
4 B.C. Hydro come forward with whatever information it
5 has, and make a decision on that at that point in time
6 with respect to any rate reduction. There is no
7 evidence, as Mr. Andrews has said before this panel,
8 that it could make a decision with respect to a rate
9 reduction. It makes no sense whatsoever.

10 B.C. Hydro, in its application for
11 adjournment, mentioned the fact that it would then --
12 it would come forward to this Commission with -- it
13 would best be described as the "way ahead". The Clean
14 Energy Association would urge B.C. Hydro to think in
15 terms of the way ahead in a manner that is
16 procedurally fair to all interveners, and that's in
17 relation to whether it proceeds by written process,
18 some sort of negotiated settlement, or a full oral
19 hearing. I think it's imperative at this time that
20 there be a full oral hearing, because of the public's
21 complete uncertainty and, more to the point, shock in
22 terms of the rate increases.

23 The Commission panel should also start
24 thinking about what its educational role is with
25 respect to this type of application, because clearly
26 in the past all it's done is written a decision, maybe

1 a brief executive summary, and it's been issued on a
2 Friday afternoon. And the Clean Energy Association
3 doesn't think that's going to work any more. Thank
4 you.

5 THE CHAIRPERSON: Thank you, Mr. Austin.

6 MR. FULTON: Morgan Stanley Capital Group.

7 MR. CASSIDY: This is the first time I've become aware of
8 this adjournment application and as far as I know my
9 client is not aware of it either. As a result, you
10 can mark Morgan Stanley down as taking no position in
11 respect of the application. However, I am aware of
12 some concerns within Morgan Stanley with regard to the
13 nature of the interim rate increase and as a result I
14 reserve the right at a subsequent time when this
15 matter presumably resumes to make further comments
16 about that. Thank you.

17 THE CHAIRPERSON: Thank you, Mr. Cassidy.

18 MR. FULTON: Ilse Leis.

19 MS. LEIS: I apologize, first of all, for not addressing
20 you, which I should have done, I'm sorry.

21 I have a number of concerns about the
22 timelines. I support the delayed -- this postponement
23 of this conference. However, I don't see how we can
24 get the information that quickly from the government.
25 We don't know how quickly the government is going to
26 act, and then we have to digest that information and

1 kind of, you know -- so I'm a little concerned about
2 the timeline.

3 The other thing that I'm very concerned
4 about is the interim rate increase that is supposed to
5 be in effect April the 1st. And to me, it's a high
6 increase, and from what I've heard and so far, there
7 seems to be an indication that the rate increase asked
8 for by B.C. Hydro is more than what is actually
9 required.

10 **Proceeding Time 9:39 a.m. 11**

11 And I think it's very important that we do
12 not allow B.C. Hydro to have an unnecessarily high
13 rate increase that eventually may or may not be paid
14 back to the ratepayers. And I think paying back the
15 ratepayers in itself, it would be an expensive
16 proposition. So I would recommend that the Commission
17 seriously look at not having any rate increase at this
18 point in time and wait until we have more information
19 from B.C. Hydro and from the government. Thank you.

20 THE CHAIRPERSON: Thank you, Ms. Leis, and apologies
21 accepted.

22 MR. FULTON: Now I will turn to the Hearing Officer at
23 this point and ask whether he has received an e-mail
24 from Mr. Vulcano. And as he exists stage left we will
25 await the information that he's going to provide us.

26 COMMISSIONER RHODES: Mr. Fulton, I have a question that

1 parties might address when they're coming back, and
2 that is the utility of maintaining an IR schedule when
3 the application may change.

4 MR. FULTON: The Hearing Officer has advised that he has
5 received no e-mail from Mr. Vulcano, so we will now go
6 through the schedule in reverse order.

7 Ms. Leis was the last person to speak.
8 Does she have anything further to say? Okay.

9 Morgan Stanley? Oh, sorry. And this, Ms.
10 Leis, is just in response to any comments that people
11 have made before you.

12 THE CHAIRPERSON: And I agree. I think Commissioner
13 Rhodes had a good comment, so we really would like to
14 hear submissions on that.

15 MS. LEIS: Thank you. It's very hard for me to – I don't
16 take shorthand and it's hard for me to write down
17 everything, and my auditory skills are not the
18 greatest so I'm kind of handicapped in that way and
19 I'm a visual learner. However, I really support what
20 the COPE representative from – I think Mr. Quail said,
21 and I think that there are a number of speakers that
22 have made very good comments in favour of decreasing
23 the rate increase and so on, so I'd really like to
24 support that. Thank you very much.

25 THE CHAIRPERSON: Thank you.

26 MR. FULTON: Morgan Stanley? Clean Energy Association of

1 B.C.?

2 MR. AUSTIN: I would just like to comment on Commissioner
3 Rhodes' question with respect to the IR schedule. I
4 think the IR schedule can be maintained. The reason
5 for that is typically there's an evidentiary update in
6 any revenue requirements application, and there's
7 always a round of information requests after that to
8 reflect any changes to the application because of
9 that. I think that even with a government review, the
10 main body of the evidence is not going to change all
11 that much. There certainly may be adjustments in
12 terms of capital projects or water rentals as
13 suggested by B.C. Hydro, but the basic core of it will
14 remain the same. And those are the Clean Energy
15 Association's comments.

16 THE CHAIRPERSON: Thank you.

17 MR. FULTON: Line Contractors' Association of B.C.?

18 MR. CASSIDY: No additional comments.

19 MR. FULTON: Canadian Office and Professional Employees'
20 Union Local 378?

21 MR. OULTON: Madam Chair and Commissioners, just a brief
22 comment on Commissioner Rhodes' query about the IR
23 schedule. I think it is reasonable at this stage to
24 follow the tentative schedule that my friend has
25 proposed, for this reason.

26 **Proceeding Time 9:44 a.m. T12**

The hope is, in the next week or two, some clarity, I'm sure not final clarity but some clarity will come as to the timing and the anticipated scope of the review that the Minister's office is intending to propose. At a minimum we'll have B.C. Hydro's proposal as to how they intend, subject to the Commissioners' ultimate decision, of course, to proceed with this application. And I think at that time, at the next procedural conference, we can revisit the IR schedule and whether or not it makes sense. I think it's probably safe to say, while most of us are hopeful that the Minister's review may result in some significant changes, there will be elements of the application that are not going to change, and hopefully any work that we're doing on information requests in the intervening two weeks will not be for naught.

18 THE CHAIRPERSON: Thank you, Mr. Oulton.

19 MR. FULTON: B.C. Sustainable Energy Association and
20 Sierra Club of British Columbia.

21 MR. ANDREWS: I really have only two points in reply.
22 First, my friend Mr. Oulton, on behalf of COPE Local
23 378, I'm probably paraphrasing here, said that
24 probably all ratepayers welcome the news from the
25 Minister's office regarding a downward shift in rates.
26 I want to clarify that the B.C. Sustainable Energy

1 Association and the Sierra Club of B.C. are very
2 interested in this proceeding in the proper market
3 economic price signals being sent by the rates that
4 are charged by B.C. Hydro, and the intergenerational
5 equity aspects of that. So while my clients are not
6 at all desirous of rate increases in and of themselves
7 and sort of for an abstract purpose, and they wish to
8 see them only cost-effective and prudent expenditures
9 in the rate base. If the facts require a rate
10 increase, that is, the actual amount that it costs to
11 provide electricity service to customers in B.C., if
12 those facts require a rate increase, then my clients
13 will be supporting a rate increase now as opposed to
14 pushing some of that revenue into future years to
15 burden future generations.

16 In terms of the utility of maintaining the
17 IR schedule, I would support maintaining the IR
18 schedule because, as Mr. Austin said, the main body of
19 the evidence won't change, and there's a lot of work
20 to be done in preparing IRs and having those dates
21 gives us the assurance that there's something to work
22 toward. If those dates were suspended, the question
23 would arise whether we should continue to work on
24 preparing IRs, and that would in turn potential delay
25 the whole hearing process regardless what happens as a
26 result of the Minister's review. So I'd be in favour

1 of keeping those dates. Of course they can be changed
2 at the next procedural conference if the Commission
3 decides to adjourn this one. So those are my
4 submissions.

5 THE CHAIRPERSON: Thanks, Mr. Andrews.

6 MR. FULTON: British Columbia Old Age Pensioners'
7 Organization *et al.*

8 MR. QUAIL: There's three matters I'd like to address in
9 reply. First of all, the matters raised by my friend
10 Mr. Oulton. I just want to register the point that if
11 B.C. Hydro is undertaking a major recontracting of
12 customer service, we remember the jolt that took place
13 in terms of the quality of service when it was
14 originally contracted, and our clients will have
15 concerns about customer – the quality of service
16 impacts of major shifts in that direction, and it is a
17 matter where we expect disclosure from B.C. Hydro of
18 whatever state of awareness they have with the
19 situation and that they keep the Commission and
20 intervenors apprised of developments.

21 In response to Mr. Andrews and Mr. Austin
22 on the issue of the interim rate, basically they are
23 saying that there is no evidentiary basis on the
24 record to calibrate, I suppose one could say, what the
25 adjustment might be in terms of the interim rates.
26 The problem is that there is no possibility of such

1 evidence on record by April the 1st when interim rates
2 would come into effect.

Proceeding Time 9:49 a.m. T13

4 There is no possibility according to the
5 information we have from my friend, Mr. Christian, of
6 having any better evidentiary base than we do now.
7 And nobody in this room created that situation, but
8 that's the circumstance that the Commission must deal
9 with. My friend Mr. Andrews talks about setting
10 appropriate price signals. We say that over-
11 collection of its costs by B.C. Hydro can never be
12 appropriate and, in fact, is contrary to the
13 legislation, contrary to the provisions of the
14 *Utilities Commission Act*, in my submission.

15 We know that the current rate is wrong.
16 The current interim rate is the wrong number. That is
17 one piece of certain information that we have got.
18 And in my submission, it's incumbent on the Commission
19 to adjust that number, given the information
20 available. In the absence of further evidence to
21 quantify it, I submit that a meaningful but, you know,
22 not excessive adjustment is an appropriate response.
23 There isn't any basis to calibrate it more precisely
24 than that.

25 I was tempted to say, suggest, you know,
26 zero increase, or cut it in half or something. In my

1 submission, something like rolling it back by two
2 percent is modest, and it's modest enough that if the
3 ultimate rate adjustment is slightly higher than that,
4 there is not a great deal of room to be made up in
5 terms of the collection mechanisms available through
6 deferral accounts and other means. So in my
7 submission, that is the proper and is the just way to
8 deal with this situation.

9 Finally, regarding the schedule, more than
10 anything I am guided by the notion that the dates that
11 are tentatively set for Information Requests are
12 provisional. Frankly, I expect that they will not
13 materialize. That depends, I suppose, on what
14 indications we receive from B.C. Hydro as to the scale
15 and nature of the kinds of changes that are likely to
16 their application. The idea that we would go ahead
17 with discovery of an application that's going to be
18 substantively changed, in my submission, is not -- I
19 suppose this may be argument for April the 1st,
20 assuming we resume then, but I'll just register the
21 point that, you know, going after an application that
22 we know is going to change, and changes cascade
23 through various dimensions of the material, makes no
24 sense. It's very inefficient, is a waste, frankly, of
25 my time and of everybody's time, and Hydro's time in
26 chasing after answers where the story, we know, is

1 going to change in some respects. We want the whole
2 story in front of us at least as it's known at every
3 stage of the process before discovery proceeds.

4 Having said that, though, we're quite happy
5 to have markers on the calendar that might act as
6 guideposts, and if the adjustments to the application
7 are small, which we certainly hope is not the case,
8 then it may well be that those dates can be written in
9 ink instead of pencil.

10 Those are my submissions.

11 Oh, I'm sorry, yes. We would be
12 reconvening April the 8th. I'm sorry that B.C. Hydro
13 -- my friend, Mr. Fulton, corrects me. Which if
14 anything fortifies my point that, you know, the train
15 has already left the station by then in terms of the
16 effect of the implementation of the interim rates.
17 It's too late at that point to have anything that we
18 know with any confidence is the right rate in place on
19 April 1st unless some adjustment is made at this point.
20 Those are my submissions.

21 THE CHAIRPERSON: Thank you, Mr. Quail.

22 MR. FULTON: Commercial Energy Consumers' Association of
23 B.C.

24 MR. WEAFER: Thank you, Madam Chair. I'd like to speak
25 to the two issues of the interim rate, given the
26 comments that occurred after I spoke, and the

1 schedule.

2 I'll deal with the schedule first. We
3 think the schedule should be maintained as a
4 placeholder. We don't know what revisions are going
5 to come, but we do know there is a heavy regulatory
6 agenda coming up this year and having a place-setter
7 of dates is, we believe, helpful at this time. And
8 that can be readdressed at the next procedural
9 conference if need be.

10 With respect to the comments on the interim
11 rate, we have two submissions. One is, in response to
12 the fact that there is no evidence that the interim
13 rate should be changed -- there is in fact no interim
14 -- there is in fact questionable evidence that the
15 interim rate should be approved as is, and the
16 Commission, we believe, has two options, is to defer
17 implementation of the interim rate at a level that
18 reflects what the actual application is after this
19 review with the Minister, which is to occur over the
20 next few weeks, or secondly to allow an opportunity
21 for evidence such as it can be gathered by those who
22 oppose the existing interim rate to file submissions
23 to the Commission as to what the interim rate might
24 be. We would prefer the deferral of implementation of
25 an interim rate until such time as we know what the
26 quantum will be. There's clearly strong public

1 statements that the rate is going to be less than that
2 which is presently filed for. Thank you.

3 THE CHAIRPERSON: Thank you, Mr. Weafer.

4 Proceeding Time 9:53 a.m. T14

5 MR. FULTON: Association of Major Power Customers of
6 British Columbia.

7 MR. WALLACE: Thank you. There are three issues that I'd
8 like to address that have come up since I spoke.

With respect to the adjournment and
Commissioner Rhodes' question with respect to the
information requests, we are of the view that there is
a benefit in keeping the existing information request
schedule altered by the two weeks -- or by the week,
I'm sorry -- as suggested by Mr. Christian. Once
people let things out of their calendars it's often
hard to get them back. If we're only looking at two
weeks to April 8th to discuss this further, we think it
should be left till then before any decisions are
being made on suspending the information request
schedule.

With respect to the interim, I didn't address that, frankly, because this is all so new. I heard about it at about five to nine that we were going to have the adjournment application. I hadn't thought about it very much, still haven't thought about it a lot. But what has occurred to us is that the status of the interim is clearly questionable. The Minister is reported to having made statements that B.C. Hydro's revenue requirement, or request, will be less, and Mr. Christian has confirmed that, at a very uncertain level, but confirmed it.

Mr. Andrews and Mr. Austin, who often seem to think consumer rates should be higher, say there should be evidence for a reduction. In my submission that's completely backwards. An interim is a privilege that is granted to utilities by this Commission. That privilege requires that there be evidence supporting the increase or the interim. And in this case we now have a situation where it's completely uncertain as to what an appropriate interim is. Not, as I say, the fault of people in this room, but that's the situation. If you switch the onus and say to the customers, well, how much do you think it should be reduced, you're completely reversing the onus, and in my submission that would be wrong.

There is, as I think has been pointed out,

1 no evidence of what is appropriate, and our submission
2 would be that you should suspend their interim until
3 April 15th, deal with it at the conference on the 8th
4 when we have more information, and make your decision
5 then on what an appropriate interim is, if you're able
6 to. It's a three-year application. We see no reason
7 that a two-week suspension of the interim will cause
8 anybody irreparable harm, and it seems to be the
9 appropriate thing to do. Thank you.

10 THE CHAIRPERSON: Thanks, Mr. Wallace.

11 MR. FULTON: That, then, takes us back to B.C. Hydro,
12 Madam Chair.

13 MR. CHRISTIAN: Madam Chair, I'm going to require 15
14 minutes, maybe 20 minutes to take instructions,
15 particularly on the issues arising from the discussion
16 on the interim rate increase and what might be done
17 with that. It's 10 o'clock now and so I propose --
18 almost 10 o'clock and I propose that we adjourn and
19 reconvene at 10:15.

20 THE CHAIRPERSON: That's a good plan. We shall return at
21 10:15.

(PROCEEDINGS ADJOURNED AT 9:58 A.M.) T15

23 (PROCEEDINGS RESUMED AT 10:17 A.M.)

24 THE CHAIRPERSON: Please be seated. Mr. Christian?

25 MR. CHRISTIAN: Thank you, Madam Chair. I have to

address three issues. The IR schedule, whether it

1 should be maintained, COPE's request that we address
2 and resolve their motion set out in Exhibit C2-2
3 today, despite a potential adjournment of the
4 procedural conference generally, and then lastly the
5 different submissions we heard with respect to
6 maintaining the current interim rate increase.

7 So let me deal with the -- I think the most
8 straightforward one first, namely that's the IR
9 schedule. Commissioner Rhodes, that issue came up
10 from yourself, and I think I'd simply echo the
11 comments of our interveners who spoke to the
12 desirability of maintaining that IR schedule even on a
13 provisional basis, or to -- and quote Mr. Quail's
14 words, even if it's only penciled in for the time
15 being, it does help keep people's minds focused on
16 what they need to do, and it's a lot harder to put
17 things back in the schedule after they've been taken
18 out. So we would propose to maintain that, on the
19 basis earlier described.

20 With respect to the interim rate increase
21 and whether it should be maintained, I have a few
22 submissions to make on that topic. First of all, as
23 I've said, B.C. Hydro believes the interim rate
24 increase effective April 1 should be maintained, and
25 Hydro still has that position. A number of
26 propositions were put to the Commission panel this

1 morning with respect to why that shouldn't be the
2 case. One of them was on the evidence, and whether or
3 not there is evidence to support the interim rate
4 increase at all. And there was a debate about whether
5 or not there is any evidence to lower it by some
6 amount or entirely.

7 And in my submission, the best evidence
8 with respect to the rates on April 1, 2011, still is
9 in the application. The Commission panel will recall
10 that I said that there is a considerable uncertainty
11 about the scope of the Ministerial review, and its
12 timing and its mechanisms. One thing was certain,
13 that there was going to be a reduction in Hydro's
14 revenue requirements in one or more of the years in
15 the test period. But that does not imply – and I
16 don't think there is any basis in the submissions I
17 have said or anything I am aware of from discussions
18 with my client – that there is necessarily going to be
19 a reduction in the required rate increase for F11
20 arising out of the Ministerial review -- sorry, F12.
21 And so the proposition that on April 1, 2011, there
22 will necessarily begin to be an over-collection, in my
23 submission, is faulty. It's not based on anything
24 that has been admitted by Hydro today, or otherwise
25 put on the record of this proceeding, and the only
26 evidence that's still -- despite it not being as good

1 as it could be, clearly, is the application which in
2 my view supports the interim rate increase that the
3 Commission has already granted.

4 I can also add on that question of whether
5 there is an over-collection, and perhaps the
6 Commission panel may not have delved into the
7 application as much, so this may be a little bit
8 unfamiliar, I suspect. Most of my friends will
9 appreciate this though. The F12 interim rate increase
10 is for 9.73 percent, an average rate increase of 9.73
11 percent. The evidence in support of what the rate
12 increase would have been but for B.C. Hydro's rate-
13 smoothing proposals, which are described in Chapter 1
14 and Chapter 2 in the application, would actually be
15 13.89 percent. So to some extent at least the 9.73
16 represents an under-collection with costs to be
17 recovered in future periods through the rate-smoothing
18 mechanism that B.C. Hydro has proposed in the
19 application. So reducing the interim rate increase
20 from 9.73 percent down further is already, you know --
21 exacerbates a position or an issue that my friend, Mr.
22 Andrews, alluded to, which is the undesirability of
23 pushing costs off into the future and the associated
24 intergenerational equity concerns that that raises.

25 Finally -- well, not finally, but another
26 comment that was made was that the idea of rates being

higher than they should be at the outset through an interim order is somehow offensive to the rate-setting process and customers, interveners, and those involved in these proceedings. On that point, I'd like to say that there has been -- this is the fifth revenue requirement application that B.C. Hydro has brought since it came back under rate regulation in 2004.

Proceeding Time 10:21 a.m. T16

24 It also strikes B.C. Hydro that seeking
25 relief with respect to the interim rate increase
26 effective April 1 is getting ahead of ourselves, in

1 the sense that Hydro will be making a submission, if
2 the Commission accepts B.C. Hydro's submissions, by
3 next week to address to the extent it can the
4 uncertainty about timing and scope of the Ministerial
5 review. But in any event Hydro, as I've said, will
6 have a proposal going forward. And it seems to me
7 that that is the vehicle to address, with hopefully
8 the benefit of some better information, what exactly
9 should be done with the interim rate increase. And in
10 this regard, I refer to Mr. Weafer's, on behalf on the
11 Commercial Energy Customers', first submission on the
12 topic of interim rates, where he urged B.C. Hydro to
13 address the interim rate question in its submission
14 that it proposes to file next week. And B.C. Hydro
15 thinks that that's a good suggestion, and would be
16 proposing to do that in its submission hopefully with,
17 as I say, the benefit of more information on the scope
18 and timing of the Ministerial review.

19 And, subject to any questions from the
20 Commission panel, those are my submissions on the
21 question of the interim rate increase.

Proceeding Time 10:23 a.m. T17

23 THE CHAIRPERSON: Perhaps about mechanics, Mr. Christian,
24 like Mr. Wallace proposed one more option which was
25 the April 15th. Is that technically even doable?

26 MR. CHRISTIAN: It depends what would be done. My

1 understanding is that to simply reverse the increase
2 that's there right now, before April 1, could be done
3 in two or three days. Unfortunately I don't know
4 whether that could be reversed as readily once it's in
5 place. The systems are kind of designed right now to
6 be starting billing on the new rates on April 1. That
7 could still be changed. I'm not sure what happens
8 after the new rates are in, whether it can be reversed
9 as quickly. I'm also uncertain as to whether or not
10 there's a difference in the timing with respect to
11 whether or not it's the current rates or the interim
12 rates on April 1, or some other rate in between. And
13 in that regard I'm thinking about Mr. Quail's
14 submission that perhaps 2 percent ought to come off
15 the interim rate increase, and I'm uncertain as to the
16 timing of that as well, how long it takes to adjust
17 the billing system for something like that.

18 COMMISSIONER MORTON: I think the question, though, was
19 what if, for example, the interim rate on April 1st was
20 to be posted until April 15th. Would that be
21 physically possible?

22 MR. CHRISTIAN: I'd need to take instructions. I'm not
23 entirely certain. My understanding is that if the
24 Commission were to grant the order requested by the
25 JIESC on that point, namely to roll back the interim
26 rate increase so that it doesn't take effect on April

1 1 but rather on April 15th, that that could be done
2 provided the Commission Order so directed by the end
3 of the day Tuesday next week, consistent with the two
4 to three days that I understood would be required.

5 THE CHAIRPERSON: Thank you, Mr. Christian. And then
6 were you going to then address the COPE motion?

7 MR. CHRISTIAN: Yes, and so B.C. Hydro is actually happy
8 to respond to the COPE motion set out in Exhibit C-2
9 today and not put that over for two weeks. I've got
10 submissions prepared in response to that motion. I'm
11 happy to make them now, subject only to whether or not
12 my friend Mr. Oulton wanted to elaborate or add to
13 that submission or whether I can just respond to the
14 written submission as it's stated right now.

15 THE CHAIRPERSON: Mr. Oulton?

16 MR. OULTON: I do have a few more comments to make, but
17 I'd like to hear from my friend, to simply elaborate
18 on what I said already and what is already set out in
19 C2-2. I would appreciate the right to reply to my
20 friend.

21 THE CHAIRPERSON: Please proceed, Mr. Christian.

22 MR. CHRISTIAN: Thank you. So as most people in this
23 hearing room probably know, B.C. Hydro is in the
24 eighth year of its arrangements with Accenture, and
25 the primary vehicle of the arrangements with
26 Accenture, the Amended Master Services Agreement, that

1 agreement expires a little more than two years from
2 now on March 31, 2013.

Proceeding Time 10:27 a.m. T18

Under the amended Master Services
Agreement, Accenture provides back-office services to
B.C. Hydro. For example, it provides invoice
processing, prepares and sends bills to customers and
so on. The AMSA, as it's referred to, the amended
Master Services Agreement, will expire in two years
unless B.C. Hydro takes some steps now. And it's
clear, then, that B.C. Hydro must be planning for that
expiry a little over two years from now. In fact, it
seems pretty clear to B.C. Hydro that the BCUC would
be very properly concerned if B.C. Hydro wasn't taking
steps now to address the imminent expiry of the AMSA.

16 B.C. Hydro's course of action at this time
17 with respect to the imminent expiry of the AMSA is to
18 negotiate ultimately a new arrangement with Accenture.
19 And to that end, it's been discussing with Accenture
20 how a new arrangement might be structured. The intent
21 is that B.C. Hydro would like to improve on the
22 current arrangement to the extent it can, to respond
23 to changing business needs, and its experience with
24 Accenture over the last ten years. Although I pause
25 here to say that the fact that it seeks to improve on
26 the existing arrangement doesn't detract from the

1 success that it's been. B.C. Hydro still is on
2 target, it believes, to achieve the estimated \$250
3 million cost savings it was hoping to achieve when it
4 first entered into the arrangement. But in any event,
5 it's on target to achieve what it sought to do in the
6 first place, and wants to make it better. And to that
7 end, it's discussing with Accenture whether or not the
8 arrangement can be restructured on a go-forward basis
9 to be better.

10 It's clear, though, that B.C. Hydro can't
11 continue discussions just with Accenture indefinitely.
12 The closer it gets to the expiry of the AMSA, frankly,
13 the less bargaining position B.C. Hydro has. It must
14 look at alternatives if the arrangements with
15 Accenture can't be renegotiated. And so, B.C. Hydro
16 has set a milestone for its discussions with
17 Accenture. It's set late May, and now it's been moved
18 into June, as a time by which B.C. Hydro would
19 conclude, based on its discussions with Accenture,
20 whether in fact it's possible to negotiate a new
21 restructured arrangement.

22 That milestone is the only decision that
23 B.C. Hydro is facing that is an imminent decision.
24 And by "imminent", in this case I mean in the next few
25 months. If B.C. Hydro decides that it will or can --
26 or if it concludes that it can make a new arrangement

1 with Accenture, those negotiations would begin in
2 earnest some time later this summer.

On the other hand, if B.C. Hydro concludes that it can't continue with Accenture, then B.C. Hydro will look to alternative arrangements. One of those alternative arrangements will be issuing a Request for Proposals to alternative third-party service providers, other parties who might be able to provide the same back-office services that Accenture currently provides. If Hydro chooses that route, the RFP route because it can't do a deal with Accenture, then Accenture will be excluded from the RFP process for fairness reasons obviously. Accenture would have an inside edge in terms of responding to any kind of RFP.

Proceeding Time 10:30 a.m. T19

16 So to be clear, there's only one decision
17 that's pending before B.C. Hydro in the next few
18 months, and that is whether or not it continues to
19 negotiate or try to negotiate an arrangement with
20 Accenture, or whether it goes to an RFP and looks for
21 other third party service providers. In either case
22 Hydro needs to do something in light of the fact that
23 the AMSA will expire in a little over two years' time.

24 So let me now turn to COPE's letter, their
25 motion. It's Exhibit C2-2 as I mentioned. The COPE
26 letter refers to a long-term sourcing strategy, and I

1 can confirm on behalf of B.C. Hydro that there is such
2 a plan. And that plan includes, among other things,
3 what B.C. Hydro hopes it can achieve through new or
4 renewed arrangements in the future, either with
5 Accenture or other third party service providers. The
6 plan exists and it talks about what Hydro hopes it can
7 achieve in the future through outsourcing arrangements
8 similar to those that it has with Accenture today.

9 COPE's request set out in Exhibit C2-2 is
10 that the BCUC require B.C. Hydro to produce the long-
11 term sourcing strategy and any related analysis "as
12 soon as possible". COPE says the requested
13 information should be produced as soon as possible,
14 because waiting for the IR process to unfold in the
15 normal course will allow B.C. Hydro to make decisions,
16 and I'm going to quote here now, "locking in the
17 accompanying financial and service consequences for
18 ratepayers before the parties to this proceeding will
19 have had an opportunity to fully consider and explore
20 these issues."

21 In B.C. Hydro's view, the COPE submission
22 is without merit on this point because there's only
23 one decision that's going to be made. That's the
24 decision I've already referred to and that's the
25 decision as to whether or not to continue to negotiate
26 or try to negotiate a rearranged structure with

1 Accenture, or to issue an RFP to other third party
2 service providers. That's one decision and it's not a
3 decision, in my respectful submission, that will lock
4 in financial or service consequences. B.C. Hydro is
5 not going to be doing a new arrangement. It's simply
6 choosing from the field of potential third party
7 service providers and excluding one or not, and that's
8 the decision facing it. There's no locking in of
9 anything until there's a new arrangement one way or
10 another, quite clearly, in my submission.

11 It follows that the extraordinary process
12 that COPE is asking for, namely production of the
13 long-term sourcing strategy and related financial
14 analyses outside of the normal IR process, that
15 extraordinary process serves no, frankly, legitimate
16 purpose.

17 **Proceeding Time 10:33 a.m. T20**

18 Oh, and let me back up one step here. The
19 decision to exclude Accenture, or not, from its
20 continued look into the long-term sourcing strategy
21 and its consideration of third-party service
22 providers, is not one that requires a BCUC approval.
23 The decision that Hydro is going to make, about
24 whether or not to continue with Accenture or not,
25 doesn't require an approval. Hydro is not going to be
26 filing an application seeking Commission approval of

1 it. Nor, with respect, is it a decision that the
2 Commission has the authority to prevent B.C. Hydro
3 from making. So, quite aside from whether Hydro
4 brings an application – it's not going to, there is no
5 obligation under it to do so under the Act – nor is it
6 one that the Commission can stop B.C. Hydro from
7 doing.

8 And for those reasons, that B.C. Hydro says
9 that there is no benefit, no purpose to be gained by
10 granting COPE's request for some extraordinary process
11 with respect to the long-term sourcing strategy.

12 One might reasonably ask, however, even if
13 there is no benefit to be gained, nothing that serves
14 this process, this Commission proceeding, in requiring
15 some extraordinary process with respect to the long-
16 term sourcing strategy, whether there might be a cost
17 to requiring B.C. Hydro to produce it, and any related
18 financial analysis. In other words, even if it
19 doesn't help anybody or anything that's legitimately
20 in front of this Commission, nevertheless is there a
21 cost to providing this information that's requested by
22 COPE? In B.C. Hydro's submission, there would be a
23 cost. And that cost really is to the -- ultimately to
24 the integrity and repute of the BCUC and its
25 processes. To the extent the BCUC allows its
26 processes to be used for purposes other than those

1 purposes for which it is established, it undermines
2 those processes and ultimately its own legitimacy.

3 It follows that in considering COPE's
4 request, if the Commission concludes there is no
5 purpose served in this proceeding to allow the
6 extraordinary process, that the Commission should
7 dismiss COPE's application.

8 I only want to add one point and that is,
9 B.C. Hydro is not objecting to the relevancy of the
10 questions with respect to the long-term sourcing
11 strategy in this proceeding. This is not a response
12 to an IR where we say this is simply not an
13 appropriate line of inquiry. Quite clearly, I would
14 suggest, questions with respect to B.C. Hydro's long-
15 term sourcing strategy, what its plans are with
16 respect to what happens after April 1, 2013, what the
17 current state of affairs is and how Hydro sees the
18 landscape today, those are all legitimate questions.

19 Subject to questions of legal privilege,
20 confidentiality or other reasons that Hydro might from
21 time to time file information in confidence or redact
22 information, B.C. Hydro expects it will get IRs on
23 these topics raised by COPE and respond to them. So,
24 it's important to understand we're not objecting to
25 the legitimacy of the questions, what we're objecting
26 to is the idea that B.C. Hydro should file forthwith

1 this information that's asked for outside of the
2 normal IR process.

3 Those are all my submissions.

4 COMMISSIONER RHODES: Mr. Christian, what sort of
5 circumstances would you envisage that would support an
6 extraordinary process outside of the IR process?

7 That's your objection, right? It's just really the
8 process.

9 MR. CHRISTIAN: Absolutely. The issue is the process,
10 and whether there should be some extraordinary
11 process. And so, if in fact Hydro is precipitous, was
12 making a decision that in fact locked in financial
13 consequences, service consequences, and it was a
14 decision that the Commission had the ability to stop
15 through a legitimate exercise of its authority under
16 the *Utilities Commission Act*, or that Hydro was
17 required to being an application for approval of, then
18 those are all clearly -- and in my view, if those
19 criteria are met, then it would be quite legitimate
20 for the commission to require Hydro to produce
21 information. And regardless, frankly, whether there is
22 a current proceeding in front of the Commission. If
23 Hydro was taking a step that was locking in
24 significant financial consequences and an approval was
25 required, that the Commission had the ability to say
26 "no", then it would be quite legitimate for the

1 commission to say, "Give us this information" and as I
2 say, it wouldn't require the cover if you will of an
3 existing or ongoing process. That is a Commission
4 power that exists in any event.

Proceeding Time 10:37 a.m. T21

6 And that is really, I guess, underscores my
7 view or my submission that you know, a revenue
8 requirement proceeding shouldn't be used for either
9 purposes. If there is a legitimate purpose to the
10 COPE request, it should stand on its own, quite aside
11 in the way they framed it at least, quite aside from
12 this revenue requirement proceeding. And we don't
13 think it meets that test.

THE CHAIRPERSON: Thank you. Thank you, Mr. Christian.

15 MR. CHRISTIAN: Thank you.

16 THE CHAIRPERSON: So now we have the reply from COPE?

17 MR. OULTON: Thank you, Madam Chair, Commissioners. I
18 will try to be very brief in reply, perhaps the best
19 place to start is, my friend seeks to characterize
20 what we are asking for as an extraordinary remedy.
21 With respect, from COPE's perspective what is
22 extraordinary here is the discussion in the
23 application of what is happening at the end of the
24 Accenture contract.

25 At page -- I think I have it here. Yes, I
26 believe it is Exhibit B-1, page 5-99 and 5-100. B.C.

1 Hydro's position on this application and in support of
2 its rate increases, is that simply we are to assume
3 that the costs under the Accenture contract are going
4 to go up by inflation the year following the Accenture
5 contract. There is no mention of the long-term
6 sourcing strategy. My friend says, "Well, the only
7 decision that is going to happen is go or no go with
8 respect to whether or not we restructure what is
9 happening with Accenture and enter into a new deal
10 with them." With respect, that is too simplistic of a
11 view. It may well be right, but the problem is, COPE
12 and none of the other interveners in this Commission
13 have no way of knowing that, because the application
14 is wholly silent with respect to the long-term
15 sourcing strategy, what it involves, what this
16 restructuring is.

17 COPE's understanding from its discussions
18 with B.C. Hydro and Accenture, is that there is a
19 chance this is not going to go out to one service
20 provider who is providing all of the backroom services
21 that Accenture does, it could go to six. Well, if
22 that is the case, the decision to not go with
23 Accenture and to put it out for an RFP is something
24 that, in our respectful submission, is material and
25 ought to have been included in the application in the
26 first instance. Particularly, an application where a

1 few months ago, B.C. Hydro committed to provide more
2 transparency or a process that has the goal of more
3 transparency.

I can't comment on whether or not there is no financial ramifications because we haven't seen anything to do with the long-term sourcing strategy, the business cases that B.C. Hydro is using to inform its decisions and its negotiations. And I appreciate negotiations are commercially sensitive, and COPE was careful in its request. It wasn't asking for the details of the negotiations, what it was asking for is B.C. Hydro apparently has a Long-Term Sourcing Strategy, all capital letters at the beginning. It has a plan in place, it has a strategy in place that is guiding it in its dealings with Accenture, and a plan for going forward. And Accenture may fit into that, may not. The problem is none of that was disclosed in the application in the first instance.

Proceeding Time 10:41 a.m. T22

20 And I guess my friend's point, he says
21 they're not objecting to the relevancy, we can explore
22 all of this in information requests, but COPE wishes
23 to advise right now that failure to disclose
24 information at the front end, if decisions are made
25 that do have significant financial consequences, COPE
26 will be standing here at the oral hearing taking a

1 very strong position on the recoverability of the
2 costs associated with that. And if B.C. Hydro feels
3 that there's no risk, that their three percent over
4 inflation covers all of that, then I defer to my
5 friend in that regard. But COPE's concern is
6 disclosure should -- if transparency is the goal, if
7 this Commission is to assess the rates not only based
8 on whether or not they're reasonable or unjust, but
9 the other requirements that are set out in Section 60
10 that encourage efficiency, namely rates that encourage
11 efficiency and the other criteria that are set there,
12 we need this information to be before the Commission.
13 And we're in the Commission's hands as to whether or
14 not this happens through the evidentiary update,
15 amendments, IR process. But COPE's intent was not to
16 try to seek some extraordinary remedy. It was simply
17 to highlight a deficiency in the application at a
18 stage in the process where it could be meaningfully
19 addressed without decisions having been made. Because
20 my friend's client is the only party that is in a
21 position to give information to this Commission and
22 the parties as to whether or not there are any
23 financial consequences to the decisions being made,
24 because we haven't seen a stitch of evidence about the
25 strategy or anything else.

26 Subject to any questions, those are my

1 submissions.

2 THE CHAIRPERSON: Thank you, Mr. Oulton.

3 MR. OULTON: Thank you.

4 THE CHAIRPERSON: Mr. Fulton, are we now done with the
5 submissions?

6 MR. FULTON: I'll just look around the room and confirm
7 that no one else --

8 MR. QUAIL: Yes, Madam Chairperson and Commissioners.

9 I'm essentially a non-combatant. I say non-combatant
10 except that as I indicated earlier, our clients have
11 -- certainly have an interest in access to this
12 information and we're gratified to hear from B.C.
13 Hydro they agree this is relevant, it'll be disclosed.

14 **Proceeding Time 10:44 a.m. T23**

15 Just in terms of sort of process, because,
16 you know, the same shoe could be on another foot,
17 including ours in another context, the suggestion that
18 there is something extraordinary about information
19 being filed or disclosed other than in the context of
20 this scheduled IR process, I suggest, is not correct.
21 It's not uncommon that a utility is required to file
22 or disclose information at any stage in the
23 development of a proceeding.

24 And by way of maybe an observation that may
25 or may not be of assistance, this should be put in the
26 context of the application made by B.C. Hydro to

1 adjourn the proceeding, because it may appear that, in
2 the existing schedule, the information would be
3 disclosable pursuant to the IR process before the
4 milestone date anyway. So the question may have less
5 urgency to the parties interested in it.

6 However, we don't yet know what the shape
7 is going to be of the process. And there may be an
8 issue where the disclosure of the information and the
9 milestone date sort of cross over. So I would suggest
10 as perhaps a way of dealing with this matter that it
11 be revisited at the anticipated future procedural
12 conference. But I just want to register my concern
13 about the idea that there is sort of brick walls
14 around Information Request processes in terms of
15 parties having a right to disclosure of information
16 that their clients consider to be in their vital
17 interests. I wouldn't want to be in a position in a
18 future process where we were met by a similar
19 objection to the disclosure of information that
20 appears to our clients to have some urgency. Pardon
21 me, this cold is doing the rounds, I'm starting to
22 croak a little bit.

23 I'll leave it at that, subject to any
24 questions the panel might have.

25 THE CHAIRPERSON: Thank you, Mr. Quail. Ms. Leis?

26 MS. LEIS: I don't have the actual numbers in front of

1 me, because there has been none. I was actually
2 involved with B.C. Gas as an intervener when they
3 first contemplated or negotiated or set up Accenture,
4 in conjunction with B.C. Hydro. And I remember at the
5 time, and this is quite a few years ago, I think it
6 might have been 2002 -- is that correct? What time --
7 what --

8 MR. CHRISTIAN: B.C. Gas was a little before then.

9 MS. LEIS: Well, no, no, but, I mean, when they changed
10 from their own billing system to Accenture. But what
11 I did notice was that -- and there was a great deal of
12 concern raised, I think it might have been in 2000 or
13 -- it probably was in 2000. In any case, what was
14 noted and what people were objecting to was the
15 incredible increase in the cost that was going to be
16 -- or that actually eventually did occur, when
17 Accenture was raised.

18 And just to give you an example, I think at
19 the time B.C. Gas -- the cost for the billing was
20 around -- it could be roughly \$5 and something. And
21 B.C. Hydro's cost for billing was roughly in the
22 neighbourhood of -- that's monthly, by the way -- and
23 B.C. Hydro's costs were somewhere in the neighbourhood
24 between \$4 and \$5 every second month.

25 **Proceeding Time 10:47 a.m. T24**

26 Now, if you look at the billing cost from

1 Accenture, you will notice that it's more than doubled
2 that cost, that if you combine, you know -- if you
3 look at the cost that B.C. Gas charges now and Hydro
4 charges, it's significantly higher. Now, I don't have
5 the details and it's been a long time, but it seems to
6 me that it would be highly appropriate and I will
7 insist upon actually getting the facts about exactly
8 how much does it cost, and do they do just the
9 billing? Are there other functions that they provide?
10 And you know, it is an outsourcing, and why is B.C.
11 Hydro in fact outsourcing this? I mean, why are they
12 not having their own staff do this?

13 So those are my questions and I'd really
14 like to have an answer. Thank you very much.

15 THE CHAIRPERSON: Thank you.

16 MR. FULTON: Madam Chair, in terms of questions of that
17 nature, in my submission those questions are better
18 asked during the information request process. The
19 purpose of today originally was to deal with
20 procedural issues. We've started off the day and
21 spent all of the day so far on the adjournment issue.
22 So I'm not anticipating that there would be any
23 answering of questions by B.C. Hydro today to the
24 questions that have been raised by Ms. Leis. But she
25 can ask those questions in the IRs. And that's the
26 direction that I've also given to Mr. Vulcano as well

1 during the exchange. He sent along some questions to
2 me, or to the Hearing Officer yesterday which the
3 Hearing Officer forwarded to me, and I wrote back to
4 Mr. Vulcano to say that those questions are more
5 properly information request type questions and there
6 is a timetable for that, and he had filed in time to
7 meet that deadline provided for by the timetable. So
8 I don't really think we need to get into answers to
9 questions today, and that's not what we usually do on
10 procedural conferences.

11 THE CHAIRPERSON: Thank you for returning us back on the
12 correct track for the procedural conference. So is
13 this now the end of the submissions then?

14 MR. FULTON: Yes, I believe that's correct, Madam Chair.
15 I would just say that the options for the Panel at
16 this time appear to be to deal with the matter right
17 now in terms of the adjournment and the other relief
18 that's sought, or to decide to either -- on the one
19 hand if the adjournment is to be granted, you can also
20 go away and decide that you're going to give reasons
21 later. I understood from Mr. Christian's submissions
22 that on the interim rate issue, B.C. Hydro needed to
23 know by Tuesday at the latest.

Proceeding Time 10:50 a.m. T25

1 question was whether today's procedural conference
2 should be adjourned, and if you decide that it
3 shouldn't be adjourned, then we are back into the
4 schedule as was provided in Exhibit A-4, in terms of
5 the matters to be discussed.

6 THE CHAIRPERSON: Thank you, Mr. Fulton. So, the panel
7 will now step down for ten minutes.

8 **(PROCEEDINGS ADJOURNED AT 10:51 A.M.)**

9 **(PROCEEDINGS RESUMED AT 11:04 A.M.)**

10 THE CHAIRPERSON: Please be seated.

11 Ladies and gentlemen, the Commission panel
12 grants B.C. Hydro's application to adjourn the
13 procedural conference to April 8, 2011.

14 The panel also accepts B.C. Hydro's
15 proposal to extend the dates in the initial regulatory
16 timetable on a tentative basis by one week, or as a
17 placeholder, as some people called it, which then
18 means that the Commission Information Requests are due
19 on April 13th, intervener Information Requests are due
20 on April 20, and the B.C. Hydro responses are due on
21 May 24th, 2011.

22 Furthermore, we note the new dates
23 suggested and accept those dates, and that is B.C.
24 Hydro's submission regarding the scope and timing
25 issues that were triggered by the Ministerial review.
26 That's due on April 1st. Intervener submissions

1 regarding B.C. Hydro's submission are due on April 6th.

2 And as I said before, the procedural conference will
3 take then place on April 8th, 2011, 9 o'clock.

4 The COPE motion will also be addressed on
5 April 8th, in our procedural conference.

6 And finally, with regard to the interim
7 rate increase, the panel will rule that then in the
8 process Order that will be issued. And we are fully
9 aware that Tuesday is the critical date, so our
10 intention is to have that available then by Tuesday.

11 With that, I believe we have completed this
12 morning's session. Thank you very much, everybody,
13 for attending, and the conference is adjourned.

14 **(PROCEEDINGS ADJOURNED AT 11:07 A.M.)**

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