

**BRITISH COLUMBIA UTILITIES COMMISSION**

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

**and**

**British Columbia Hydro and Power Authority -  
F2020-F2021 Revenue Requirements Application**

**Vancouver, B.C.  
January 23<sup>rd</sup> , 2020**

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**PROCEEDINGS**

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**BBEFORE:**

<b>D. Morton,</b>	<b>Panel Chair/Commission Chair</b>
<b>A. Fung, Q.C.,</b>	<b>Commissioner/Deputy Chair</b>
<b>R. Mason,</b>	<b>Commissioner</b>
<b>B. Lockhart</b>	<b>Commissioner</b>

**VOLUME 8A**

## APPEARANCES

P. MILLER,	Commission Counsel
M. GHIKAS, T. AHMED, C. BYSTROM,	British Columbia Hydro & Power Authority
C. WEAFFER, P. WEAFFER,	Commercial Energy Consumers Association of British Columbia (CEC)
M. KEEN, E. CHAN, A. BAER,	Association of Major Power Customers of B.C. (AMPC)
W. ANDREWS, M. JACKSON, T. HACKNEY,	B.C. Sustainable Energy Association (BCSEA)
L. WORTH, I. MIS,	British Columbia Old Age Pensioners' Organizations, Active Support Against Poverty, Disability Alliance B.C., Council of Senior Citizens' Organizations of B.C., Tenants Resource and Advisory Centre and Together Against Poverty Society (BCOAPO)
D. AUSTIN, J. WEIMER,	Clean Energy Association of British Columbia (CEABC)
J. QUAIL, S. QUAIL,	Movement of United Professionals (MoveUP)
J. McLEAN, H. WANG, L. DONG,	Zone II Ratepayers
D. INCE,	Self
E. GJOSHE,	Self
P. WILLIS	Self
I. CULLIS	BC Non-Profit Housing Association

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**VANCOUVER, B.C.**

**January 23<sup>rd</sup>, 2020**

**(PROCEEDINGS RESUMED AT 8:31 A.M.)**

THE CHAIRPERSON: Thank you, please be seated.

**BC HYDRO PANEL 2 – OPERATING COSTS:**

**JANET FRASER, Resumed:**

**CAROLYNN RYAN, Resumed:**

**DAVID WONG, Resumed:**

**RYAN LAYTON, Resumed:**

**KIP MORISON, Resumed:**

THE CHAIRPERSON: Good morning everyone, I hope you had a good evening, as short as it may have been, and managed to stay dry.

Mr. Ahmed, I understand that you have some undertakings for us?

MR. AHMED: Yes please, thank you, Mr. Chair. If it's all right, we're trying to knock these off as quick as we can. A couple are written. The first one is marked as BC Hydro Undertaking No. 8, and it was a question that appears in the transcript at page 1057 from my friend Mr. Austin, asking about the number of key account managers who work with oil and gas customers. And I believe that undertaking has been provided in writing. And the exhibit number should B-35.

(BC HYDRO UNDERTAKING NO. 8 MARKED EXHIBIT B-35)

1 THE CHAIRPERSON: Thank you.

2 MR. AHMED: The second written undertaking that we have  
3 this morning is marked BC Hydro Undertaking No. 9, and  
4 that request was made on the transcript on page 1049  
5 and it was again a question from my friend Mr. Austin  
6 in relation to demand side management, and how many  
7 people are doing demand side management work on behalf  
8 of BC Hydro that would be considered to be the sales  
9 force. And I believe the exhibit number for that  
10 should be Exhibit B-36.

11 (BC HYDRO UNDERTAKING NO. 9 MARKED EXHIBIT B-36)

12 THE CHAIRPERSON: Thank you.

13 MR. AHMED: Thank you, Mr. Chair. There are a few  
14 other ones that we're hoping to just take care of  
15 verbally this morning. The first one, the transcript  
16 reference for that was on page 910 of the transcript,  
17 and Chairman Morton was asking about the calculation  
18 of Powerex's net income and the methodology that was  
19 used by BC Hydro in the last RRA, as well as whether  
20 that five year average was updated in the evidentiary  
21 update in that proceeding.

22 Mr. Wong, did you have an opportunity to  
23 look into that?

24 MR. WONG: A Yes, we looked into that, and in the  
25 previous application which was in Fiscal '17 to '19,  
26 BC Hydro actually did not file an evidentiary update,



1 so there wasn't one.

2 The application in itself, the full  
3 application for '17 to '19 was filed in July 2016, and  
4 just to note there, BC Hydro did calculate Powerex's  
5 net income using the five year average for trade  
6 income using actual results for Fiscal '12 to Fiscal  
7 '16. The consistent approach that we applied to this  
8 application as well. So, consistent in the principles  
9 there.

10 THE CHAIRPERSON: Thank you.

11 MR. AHMED: Thank you. The next question that was left  
12 was by my friend Ms. Mis at page 1008 of the  
13 transcript. And there she was asking what are the  
14 most recent quarterly results for fiscal 2020 for  
15 trade income and how does that compare with the same  
16 period for Fiscal 2018 and Fiscal 2019.

17 Did you have an opportunity to looking into  
18 that?

19 **Proceeding Time 8:33 a.m. T2**

20 MR. WONG: A Yes. So for trade income for Fiscal 2020  
21 I'd mentioned it was 65 million. The exact number is  
22 61 million for the six months ended September 30<sup>th</sup>,  
23 2019. For Fiscal '19, the same six month period, was  
24 208 million and Fiscal '18 was 118 million.

25 MR. AHMED: Thank you. The final item I have, the  
26 transcript reference for that is page 1036, and there

1 my friend, Mr. Austin, was asking about whether there  
2 were debt instruments longer than 30 years. And, Mr.  
3 Wong, your response was, "Yeah, I don't believe 30  
4 years is our max. I could double check that, but I'm  
5 pretty sure it's 30 years." Did you have an  
6 opportunity to look into that last night?

7 MR. WONG: A Yeah, we have only two issuances that are  
8 greater than 30 years, and those are identified in --  
9 we have a list of all our debt issuances in AMPC IR  
10 2.26.1 which lists out all the maturities, but just  
11 two.

12 THE CHAIRPERSON: Just a follow up question, Mr. Wong.  
13 Thank you for that.

14 MR. WONG: A Yeah.

15 THE CHAIRPERSON: Did you only check debt that's  
16 currently outstanding?

17 MR. WONG: A That's correct, yes.

18 THE CHAIRPERSON: So it's possible that --

19 MR. WONG: A It's possible that in the past there could  
20 have been issues.

21 THE CHAIRPERSON: It could have been -- and be retired  
22 already. But -- yeah, okay, thank you.

23 MR. WONG: A We didn't look into that.

24 THE CHAIRPERSON: Yeah, understood.

25 MR. AHMED: I'm sorry, I did speak too soon. I did  
26 have one more item that I did want to address and that

1 was Ms. Worth was asking Mr. Layton -- and there was a  
2 fairly lengthy exchange. It begins at page 996 of the  
3 transcript and it was asking about an update for  
4 capacity hours gained from the WorkSmart program. And  
5 perhaps if it jogs everyone's memory, Mr. Layton did  
6 some rough math and there was consideration whether  
7 that tentative undertaking needed to be addressed.  
8 And I think that conversation concluded at page 1001  
9 of the transcript where Ms. Worth said, "Provided it's  
10 not materially different, we're satisfied with that in  
11 conjunction with the provisional undertaking that  
12 we've asked for."

13 Mr. Layton, did you have a chance to have  
14 your team looking into that further?

15 MR. LAYTON: A I did indeed, and what I can report is  
16 that we're confident that when we actually tabulate  
17 the final number it's not going to be materially  
18 different than the estimation I gave yesterday, and so  
19 we consider that matter closed.

20 THE CHAIRPERSON: Thank you.

21 MR. AHMED: Thank you, Mr. Chair.

22 THE CHAIRPERSON: Thank you, MR. Ahmed. Mr. Ince?

23 MR. INCE: Good morning, Mr. Chair, panel members.

24 THE CHAIRPERSON: Good morning.

25 **CROSS-EXAMINATION BY MR. INCE:**

26 MR. INCE: Q. BC Hydro. An exchange just occurred with



1           that having to be given back, but I accept that \$430  
2           million is possibly one of the best years ever?

3 MR. WONG:    A    Let me just -- if you take a look at the  
4           last 13 years, definitely Fiscal '19 was the best year  
5           ever.

6 MR. INCE:    Q    Okay, thank you.  So, Mr. Wong, do you  
7           remember on Tuesday we were talking about the risk  
8           framework of BC Hydro, so we had a discussion, Mr.  
9           O'Riley, yourself and myself, regarding the risk  
10          priorities of BC Hydro.  So risk identification and  
11          risk prioritization, hopefully how that flowed into  
12          capital, sort of the money is tight, scarce capital,  
13          how capital is allocated within BC Hydro based on  
14          those risk allocations.  Do you remember that?

15 MR. WONG:    A    Yes, I do.

16 MR. INCE:    Q    And now I'm going to -- first, can I ask,  
17           is this specific regulator process an exercise in  
18           compromise in terms of trying to weigh the interest of  
19           the ratepayer, BC Hydro and the shareholder?

20 MR. WONG:    A    I don't see this hearing, the revenue  
21           requirement, as an exercise in compromise.  I see that  
22           what this is is a -- BC Hydro has to put its budgets  
23           together every year and there's lots of stakeholders  
24           that we have, our shareholder, ratepayers, regulator,  
25           and every budget we put together we have -- takes  
26           months.  There are definitely things that we need to

1 do and tradeoffs that need to happen, and what the  
2 management team does throughout the company is to put  
3 together what we believe is the best budget to put  
4 forward, taking into account all those tradeoffs that  
5 need to occur.

6 And so I think the purpose of this process  
7 is to validate that, for us to explain why the  
8 tradeoffs that we did to come to what we had here, why  
9 we need the funding that we need to do and to provide  
10 the evidence around the thoughtfulness that we went  
11 through in order to come up to the budgets that we  
12 have, in order to therefore determine the rates to  
13 ratepayers.

14 MR. INCE: Q So you're saying there's a tradeoff  
15 process within BC Hydro to balance those different  
16 objectives, including the lowering of rates, but  
17 there's also a tradeoff exercise in terms of this  
18 process in terms of the interaction between the  
19 ratepayer advocates, the Commission and BC Hydro?

20 MR. WONG: A Yeah, it's a good opportunity for everyone  
21 to ask us questions and hear what those tradeoffs are,  
22 and how we think about in developing our budgets.

23 **Proceeding Time 8:40 a.m. T04**

24 MR. INCE: Q And perhaps mitigate costs as a result of  
25 identification of potential tradeoffs? Further  
26 tradeoffs?

1 MR. WONG: A Well, no, we will leave that for the panel  
2 to decide. I mean the opportunity here is for us to  
3 have this dialogue, and to get the information out on  
4 the table, clarifications, on top of all the  
5 information that has been filed to date, to give that  
6 insight. So that's really why we're here.

7 I believe that we have a strong budget in  
8 place. That we've done a lot of thinking and hard  
9 work to rationalize where we got, and make some  
10 difficult tradeoffs to get here. So, I'm not saying  
11 that I think there are opportunities for additional  
12 mitigations.

13 MR. INCE: Q That was the point I was trying to get to,  
14 is that I have been involved in four utilities and  
15 three different regulatory jurisdictions, and I've  
16 never been involved in a rate case in which the  
17 applicant went in expecting to get all of it that they  
18 asked for. Is BC Hydro expecting, in terms of the  
19 rates it's asking for, to get that rate? Is it  
20 essential to get that rate?

21 MR. WONG: A I would say yes. We put an application,  
22 we didn't -- in your case I'm going to paraphrase, but  
23 pad the application in expectation there will be cuts.  
24 We were very diligent about putting the numbers  
25 together, really rationalizing. I mean Mr. Layton  
26 talked about our budgeting process and how we did the

1 top-down, keeping the application operating costs  
2 increase below inflation, not funding everything  
3 everyone wanted, because we wanted to come up with  
4 what is we believe our best budget. And we want to be  
5 here to defend our best budget, and I think any  
6 reduction will be very difficult to manage.

7 MR. INCE: Q That was the point I was trying to get to.  
8 So on Tuesday we talked about how BC Hydro spent money  
9 based on prioritization and trying to get to a  
10 justification in terms of those costs, but I'm going  
11 to turn the coin around in terms of what happens if BC  
12 Hydro does not get what it wants in terms of the  
13 compromises and tradeoffs that it has to make? I've  
14 never been involved in a regulatory proceeding which  
15 the applicant got everything it wanted. There was  
16 invariably reductions, in some sense.

17 So can I ask the panel members, and every  
18 panel member, in terms of what will be the difficult  
19 tradeoffs that you have to make, and the reduction in  
20 service, safety, reputation of the metrics that we  
21 talked about on Tuesday? So what will be those  
22 reductions? What will be to the detriment of BC Hydro  
23 as customers and perhaps the shareholder?

24 MR. WONG: A Maybe I will just start by saying that in  
25 development of this, I think any reductions will be a  
26 challenge and could impact the service metrics that we



1 put because we've developed a budget to be able to  
2 meet the services that require both for ratepayers and  
3 for our shareholder.

4 **Proceeding Time 8:43 p.m. T05**

5 The actual determination of where we would  
6 make changes, it's hard to conjecture right now  
7 because, you know, we're going through a whole bunch  
8 of discussions from many areas and we need to wait for  
9 the Commission to opine on each particular area. And  
10 so unless it was just a general cut, we needed to  
11 actually take a look at where these determinations  
12 would be.

13 I just want to caution the fact that, you  
14 know, we had discussions yesterday about finance  
15 charges as an example, where the current forecast of  
16 finance charges are lower than what we had in the  
17 application. But we shouldn't be looking at things  
18 in isolation, we should be looking at it as a whole  
19 because as an example there are areas where our load  
20 forecast is higher than actuals, so there's offsets  
21 against that.

22 And so we need to make sure that -- I would  
23 recommend if you're going to make changes we make sure  
24 that we get the whole picture looked at because what  
25 we don't want to be doing is having rate reductions  
26 for ratepayers in the test period but knowing that

1           there's going to be higher costs coming in the future  
2           that's going to bump up rates significantly forward.

3                           And I'll maybe leave it to the other panel  
4           members, they may some comments.

5 MR. INCE:    Q    I've got another follow-up question on it.  
6           Mr. Wong, have you prepared internally within BC Hydro  
7           a contingency plan in the event that you have to make  
8           a cut, let's say half a percent across the board?

9 MR. WONG:    A    No, we have not.

10 MR. INCE:    Q    Okay. Have you identified a  
11           prioritization in terms of not necessarily the costs,  
12           but the areas that you would look at first in terms of  
13           making cost reductions?

14 MR. WONG:    A    We haven't done that.

15 MR. INCE:    Q    Thank you.

16 MS. FRASER:  A    I'd just like to add, from a regulatory  
17           perspective, we prepared this application with the  
18           budget that we feel is necessary to run our business  
19           and that's the approach we take in every revenue  
20           requirements application, is to put forward a budget  
21           that we feel is appropriate, that we feel that we can  
22           provide evidence and show that it's the appropriate  
23           budget, and that's the approach we take.

24 MR. LAYTON:  A    And maybe just speaking for the overall  
25           budgeting perspective, I think we've talked a little  
26           bit this week about how we're about nine and a half

1 months into the year, and I think you've heard  
2 evidence from a number of members that the budget this  
3 year is very, very tight. There's no doubt that in  
4 previous applications, we did -- and we've talked  
5 about this, we had some unallocated funds that grew  
6 over time. For example, when we repatriated  
7 Accenture, that helped create an unallocated funds  
8 amount in the previous fiscal years and that helped be  
9 able to absorb increases in cost pressures that were  
10 happening across our business.

11 As you know, in this application there's no  
12 unallocated funds budget and therefore those two fact,  
13 the fact that we are very, very tight in our budget  
14 nine and a half months into the year, and that we have  
15 no unallocated funds to deal with cost pressures,  
16 again I think speaks to what Mr. Wong said, which we  
17 would be that reductions in any case would be  
18 impactful.

19 I also think, though, as Mr. Wong said,  
20 what we would have to do in the case that they were  
21 nonetheless ordered, is we have to read the decisions  
22 and the feedback from the Commission in order to be  
23 able to decide what reductions we might make.

24 MR. INCE: Q We talked on Tuesday about the overall  
25 revenue requirement of BC Hydro being \$5.3 billion of  
26 which \$780 million was OMA. And the discussion at



1 take to be able to do that and what further tradeoffs  
2 we need to make in the organization. I think it would  
3 be premature for us to say that, you know, this is  
4 what the impact will be.

5 Suffice it to say is that, you know with  
6 our operating costs, I think I mentioned earlier, we  
7 are already forecasting to be over the budget that we  
8 have within the application for this fiscal year and  
9 we're doing everything we can to rationalize to make  
10 sure we can meet that.

11 MR. INCE: Q Okay, thank you. Changing directions, Mr.  
12 Layton, financial forecasting and modeling, what's the  
13 turnaround time if BC Hydro has to make a financial  
14 forecast? So a quick internal financial forecast such  
15 as an exchange in long-term interest rates?

16 MR. LAYTON: A So, in our world "quick internal  
17 financial forecasts" may be an oxymoron. They  
18 typically are not quick and Mr. Ince will know, from  
19 having worked with him in BC Hydro, he used to work in  
20 load forecasts and that's one of many many many many  
21 inputs from across our company that go into the  
22 forecasts that will underlie an RRA or they will  
23 underlie an evidentiary update. It takes months to  
24 prepare that forecast from all the inputs that we take  
25 and then we have to run them through our model, which  
26 is our general model. We have to run finance charts

1 models and then we have to through a process to review  
2 all of that, obtain approvals and so on. So it's many  
3 many months.

4 There are, though, Mr. Ince, as you'll  
5 know, there are always back of the napkin type  
6 calculations one can make. Some components are easier  
7 than others to do that with. I'll use an example, an  
8 easy example is were the return on equity to change  
9 from \$712 million to something else, we can model that  
10 pretty quickly. That's just one number, it's not  
11 driven off other this, it doesn't onward impact other  
12 things generally.

13 Something like finance charges, something  
14 like load, those things are much more difficult to  
15 model and take much longer to model than some simple  
16 things. So sometimes we can make simple  
17 approximations, but to do the full process takes many  
18 months.

19 MR. INCE: Q Thank you. So I'm going to be asking  
20 questions regarding the load forecast I believe  
21 shortly, and regarding BC Hydro's load forecasts you  
22 mentioned that as a key input into your revenue  
23 forecasting process?

24 MR. LAYTON: A Yes.

25 MR. INCE: Q And I assume that's one of the more  
26 challenging ones in terms of all the dials and levers

1           behind the load forecasts and the lead time required  
2           to get those forecasts?

3 MR. LAYTON:    A    Yes, absolutely.

4 MR. INCE:     Q     So load forecasts typically are housed  
5           within corporations within either the resource  
6           planning group or the finance group, often the  
7           treasury group.  Is it possible that the load forecast  
8           group, I mean just technically, could be housed within  
9           the finance group of BC Hydro?

10 MR. LAYTON:    A    It's possible, sure.  I think where  
11           we've got it now within integrated planning, I think  
12           it is a planning function and it resides therefore  
13           with other planning functions and I think it, to me,  
14           makes more sense there than it would in finance.  It's  
15           more in tune with the operations and what's happening  
16           across our system.  Financial forecasting, as the name  
17           suggest, is mostly taking a bunch of inputs and then  
18           putting the financial piece on it.  This is more of, I  
19           think, more tied to the overall operation of our  
20           system and therefore arising -- sorry, therefore  
21           residing within our integrated planning group makes  
22           sense to me.

23 MR. WONG:     A    I also think that Chris was very  
24           thoughtful when he developed -- he talked a lot about  
25           the land, build, operate, support, all of that he's  
26           implemented at BC Hydro and putting revenue

1 forecasting into the planning group, which is very  
2 much a planning function which supports the planning,  
3 incorporating that together was something that I think  
4 he was very deliberate about.

5 I think Ms. Daschuk can talk a lot more  
6 about having the full group together, as well, in her  
7 panel.

8 MR. INCE: Q Thank you. There has been criticism, the  
9 load forecasts within corporations, they are run by  
10 engineers for engineers and that is the load forecast  
11 supports the building activity aspirations of the  
12 people who are actually doing the load forecast. And  
13 moving the load forecast out of resource planning  
14 group could potentially alleviate some of those  
15 concerns? Or should I ask that question at a later  
16 panel?

17 **Proceeding Time 8:52 a.m. T07**

18 MR. WONG: A I think you should defer it to the next  
19 panel.

20 MR. INCE: Q Would having a load forecast group within  
21 the finance group speed turnaround time in terms of  
22 direct interaction?

23 MR. LAYTON: A I don't think so. I think we work very  
24 collaborative and productively with that team, so I  
25 don't think having them reporting to us would change  
26 very much.



1 MR. WONG: A I should also, I mean, just reflecting  
2 back on Chris' comments about how moving away from  
3 lines of businesses to creating the one BC Hydro model  
4 that we have now, really supports the further  
5 collaboration or the collaboration across the company.  
6 And just a personal reflection of how we work on the  
7 executive team. We meet weekly, we bring all the  
8 issues on the table, we are having the dialogue and  
9 the tradeoffs. And so the point of this model is to  
10 prevent the siloing and to encourage us to have those  
11 conversations so we can tackle the issues across the  
12 company. And so the load forecast people know it's a  
13 key input to the forecast. They know they need to get  
14 it in time, and we get a better appreciation for what  
15 the challenges are. And so I think it's a very  
16 cohesive model that we have now.

17 MR. INCE: Q The finance group, though, typically on a  
18 short term has to make adjustments to the load  
19 forecasts when it gets better information in respect  
20 to, let's say an industrial customer going down or  
21 ramping up unexpectedly or a weather event. So, Mr.  
22 Layton, if you had insights as far as an El Nino or La  
23 Nina, that the load forecast takes perhaps months or  
24 weeks to retool, you would make those changes for the  
25 near term, is that correct?

26 MR. LAYTON: A No, the load forecast team will

1 sometimes make adjustments throughout the year when  
2 they see things like that happen, and I think of the  
3 Howe Sound Pulp and Paper a couple years ago, when  
4 that suddenly went down. It's the load forecast team  
5 that obtains that information and considers what the  
6 impacts are, and then they collaborate with us.  
7 Again, as Mr. Wong said, I think it's fairly cohesive.  
8 I think we are able to pivot on those kinds of things  
9 so that we're aware of the kinds of changes we might  
10 be seeing.

11 But as you'll know, Mr. Ince, the running  
12 of a full load forecast is quite an exercise, whether  
13 it is in finance or somewhere else. And I think while  
14 changes do happen from time to time, a full load  
15 forecast is a very full-on exercise that takes many  
16 months.

17 MR. INCE: Q So your testimony is that the load  
18 forecast is well integrated within the corporation and  
19 serves the finance function well?

20 MR. LAYTON: A Yes, absolutely.

21 MR. INCE: Q Those are my questions. Thank you for  
22 your responsive answers.

23 THE CHAIRPERSON: Thank you, Mr. Ince.

24 Ms. Gjoshe?

25 MS. GJOSHE: Q Good morning Mr. Chair, panel members.

26 THE CHAIRPERSON: Good morning.

1     **CROSS-EXAMINATION BY MS. GJOSHE:**

2     MS. GJOSHE:     Q     Good morning BC Hydro panel.

3                     I will start with taking us to Exhibit B-  
4     28.  It's BC Hydro's rebuttal evidence to AMPC.  
5     Appendix A refers to BC Hydro's electricity rate  
6     comparison annual report number 12, which is provided  
7     as Attachment B.  In there, there is a reference that  
8     is made that says,

9                     "The report adheres to the Province of B.C.'s  
10                    rate comparison regulation..."

11                   And then it's called Ministerial order number N167.

12     MS. FRASER:     A     Correct.

13     MS. GJOSHE:     Q     Yes.  So, I believe this line of  
14     questioning initially is for Mr. Wong, but please feel  
15     free to answer if anyone feels that the question  
16     should be answered by them.

17                    So the report consists of information taken  
18     from the BC Hydro Quebec rate survey report titled,  
19     "Comparison of electricity prices in major North  
20     American cities."

21     MS. FRASER:     A     Correct.

22     MS. GJOSHE:     Q     In all of the tables, but if you wanted  
23     a particular table as a reference, there is a note to  
24     the tables.  You may want to go to table 9 for  
25     example, and it says that,

26                    "Bill calculations exclude taxes and levies, and

1 include deferral account rate rider."

2 MS. FRASER: A Correct.

3 **Proceeding Time 8:56 a.m. T08**

4 MS. GJOSHE: Q I was wondering if you could shed some  
5 light, Mr. Wong, as to whether the thought behind  
6 excluding the taxes in the calculation is a  
7 requirement of that particular Ministerial order or  
8 how that Ministerial order is interpreted?

9 MS. FRASER: A My understanding is that it's not a  
10 requirement of the Ministerial order, it is the way  
11 that we do the calculations on it.

12 MS. GJOSHE: Q Yes. And would that -- thanks, Janet,  
13 for that answer. And would that -- or Ms. Fraser. Is  
14 that how BC Hydro interprets it or is it perhaps a  
15 component of how Hydro Quebec itself conducts the  
16 study?

17 **INFORMATION REQUEST**

18 MS. FRASER: A I believe it's a component of how Hydro  
19 Quebec conducts the study, but I can check that for  
20 you.

21 MS. GJOSHE: Q Mm-hmm. Okay, thank you, that would be  
22 great.

23 For a moment here I'm going to put on an  
24 economist's hat. It's not a commentary on the  
25 Ministerial order or the interpretation of it. But  
26 say you have an economist sitting somewhere in the

1 Ministry of Finance and they look at the  
2 attractiveness of certain jurisdictions in terms of  
3 their ability to attract new business, and I would  
4 presume that a lot of the customers, perhaps those  
5 clients or say large industrial customers or even  
6 commercial customers that make their decisions about,  
7 say, locating to B.C. versus other jurisdictions, is  
8 it fair to say that they would experience their  
9 experience of rates including taxes?

10 MS. FRASER: A So I'm understanding your question to be  
11 if customers were thinking about locating in the  
12 province they would consider taxes in their decisions?

13 MS. GJOSHE: Q Yes.

14 MS. FRASER: A Yes.

15 MS. GJOSHE: Q So is that a consideration in their  
16 decision making, to either locating or relocating to  
17 B.C. versus other North American jurisdictions?

18 MS. FRASER: A I can't comment specifically on what  
19 someone else would consider, but I'm assuming that,  
20 you know, customers when they consider locating in the  
21 province look at a number of different factors,  
22 including electricity rates, including all sorts of  
23 taxes and incentives available, and they would do a  
24 fulsome economic analysis of their own when they are  
25 making decisions.

26 MS. GJOSHE: Q Okay. As a residential customer I

1 receive a bill from BC Hydro bimonthly and there is a  
2 GST component to the bill and there is a provincial  
3 tax component to the bill. I presume that's the case  
4 for commercial and industrial customers as well?

5 MS. FRASER: A Yes.

6 MS. GJOSHE: Q So it's fair to say that the taxes  
7 collected by the ratepayer -- by BC Hydro on behalf of  
8 the ratepayer --

9 MR. LAYTON: A Sorry, Ms. Gjoshe, just one  
10 clarification if I may? The government has removed  
11 PST from electricity bills. So the GST will appear  
12 but not the PST.

13 THE CHAIRPERSON: For clarity, from all customers'  
14 bills, correct?

15 MR. LAYTON: A Yes.

16 THE CHAIRPERSON: All classes.

17 MS. GJOSHE: Q And that's the same across all customer  
18 classes.

19 MR. LAYTON: A I'm quite sure of that, yes.

20 MS. GJOSHE: Q Thank you for that clarification. I was  
21 unaware of that. But that's specific to the  
22 electricity bills, right? To the industry as opposed  
23 to other industrial activities in the province?

24 MR. LAYTON: A Yes.

25 MS. GJOSHE: Q Yes. So thank you for that, Mr. Layton,  
26 yes.



1 information on how they factor in new opportunities.

2 MS. GJOSHE: Q Absolutely, and I'm willing to park it  
3 there. Just in so far as to say that is there a  
4 general agreement that it will inform new account  
5 formation estimations?

6 MS. FRASER: A Well, the load forecast team works with  
7 the key account managers in customer service to  
8 understand different opportunities and then how they  
9 factor that in is probably best asked of that group.

10 MS. GJOSHE: Q I will, I will do so. But just a final  
11 comment on that note, if I may, while we're here with  
12 this panel. So the competitive ranking of BC Hydro as  
13 compared to other North American jurisdictions, if  
14 there is any potential of a confidence in that as a  
15 result of the tax picture being excluded from that  
16 ranking that would impact our assessment of new  
17 account formation, no?

18 MS. FRASER: A I don't believe so.

19 MS. GJOSHE: Q Okay, so I'll park it there. Now, I'll  
20 take us to the implications of that question for the  
21 performance part of the -- the role that the  
22 benchmarking study plays in the performance review and  
23 the performance measures. Exhibit B-1, pdf page 70,  
24 but actual page number is page 1-9, line 12. And this  
25 line of questioning relates to that note that I quoted  
26 earlier that accompanies the tables that says, "Bill



1           calculations exclude taxes and levies but include  
2           deferral account rate riders." And so this is with  
3           regard to that component of the notes that says, bill  
4           calculations include deferral account rate riders.

5 MS. FRASER:    A    While they're getting prepared to answer  
6           the question on the deferral rate rider, I'm just  
7           reading our annual report to the Minister, and it's the  
8           Hydro Quebec report that excludes taxes and non-  
9           utility levies, and so therefore that's why it's  
10          excluded in our report to the Minister.

11 MS. GJOSHE:    Q    I appreciate that, thank you, yes.

12                    So, to follow with Exhibit B-1, page 1-9,  
13           line 12, I will quote, I will read from that.

14                    "The following provides a summary of the actions  
15           that the Government of B.C. and BC Hydro are  
16           taking to keep rates affordable. Further on  
17           line 15 it describes the first measure as  
18           writing off 1.1 billion deferral account  
19           balance. The write-off of the rate smoothing  
20           regulator account contributes to a reduction in  
21           BC Hydro's forecast overall regulatory account  
22           balance at the end of Fiscal 2019 by 24 percent,  
23           from 4.7 billion to 3.6 billion. Lowering the  
24           overall regulator account balance means lowering  
25           the amount that would otherwise be recovered  
26           from ratepayers, reducing pressure on rates."



1 MS. GJOSHE: Q Thank you for that. So just a question,  
2 you may choose to answer it or not, has BC Hydro done  
3 a sensitivity analysis as to what that ranking,  
4 comparative ranking would be if the 1.1 billion that  
5 was written off were to be added to the rate impact  
6 calculation, say, in year 1 of the test period?

7 MR. LAYTON: A We have not.

8 MS. GJOSHE: Q Would BC Hydro be willing to do that?

9 MR. LAYTON: A I think that's quite a lot of work  
10 because you have to -- if the question is just to add  
11 \$1.1 billion to the revenue requirement using some  
12 framework over the next five years, I think we can do  
13 something like that. But to -- if the suggestion is  
14 go back and sort of create a revenue requirement as if  
15 the write-off hadn't happened, that's a very high  
16 amount of work to do.

17 MS. GJOSHE: Q Absolutely. And I completely agree with  
18 that. The only reason why I'm raising that question  
19 as to, say, a sensitivity analysis, is because it does  
20 inform your performance metrics. If I'm not mistaken,  
21 during the Panel 2 questioning yesterday Mr. Wong  
22 alluded to that being part of the service plan, the  
23 performance metric, and a relative ranking of BC Hydro  
24 as compared to other jurisdictions.

25 And so you have a relative ranking that's  
26 derived in large part from a combination of both BC

1 Hydro and government action and I'm wondering as to  
2 whether if you can add that into the calculation, the  
3 government component contribution to it, then perhaps  
4 you'd have a more fair representation of BC Hydro  
5 performance as it concerns that benchmarking study.

6 MR. LAYTON: A Well, I think one can always engage in  
7 hypotheticals, but the write-off is one component of a  
8 revenue requirement. The other entities in there,  
9 jurisdictions have all sorts of things going on,  
10 whether driven by governments, whether driven by  
11 themselves, I think all we can do is look at the  
12 actual bills that customers are actually experiencing  
13 and that's what that study seeks to do. And so I  
14 think for us there relevant hypothetical is the actual  
15 bills that customers are facing.

16 I think trying to do other hypotheticals is  
17 probably a lot of work and I'm not frankly sure for  
18 how much utility.

19 MS. GJOSHE: Q And I'm not a partisan of that, but to  
20 the degree that, say, if as a result of the inclusion  
21 of that 1.1 billion write-off you -- let's say  
22 hypothetically BC Hydro would no longer be in the top  
23 quartile, would that impact your performance review  
24 and, therefore, your -- and there was lots of  
25 discussion yesterday about holdback, and bonuses, and  
26 this and that, would that impact the performance

1 review and how BC Hydro views its own efforts?

2 MS. FRASER: A I think some information just before  
3 perhaps Mr. Wong answers that question, is that in  
4 prior years we have been the first quartile and those  
5 prior years included the rate smoothing without the  
6 write-offs. So we have been consistently over a  
7 number of years been in the first quartile with or  
8 without the rate smoothing write-off.

9 MS. GJOSHE: Q Thank you for that. I will leave it at  
10 that, I just wanted to --

11 THE CHAIRPERSON: May I? Ms. Fraser, the rate  
12 smoothing, historically the way that's been working is  
13 that that's been keeping rates lower, whereas I think  
14 in this scenario I think what Ms. Gjoshe's talking  
15 about is the review being a scenario where you would  
16 be amortizing the rate smoothing account, am I correct  
17 there?

18 MS. FRASER: A Right.

19 THE CHAIRPERSON: That may not be a correct assumption,  
20 but --

21 MR. LAYTON: A I think that's fair, yes.

22 THE CHAIRPERSON: Yeah. So the result might well be  
23 different in a scenario where you're amortizing it in  
24 a scenario where you're, you know, building it up and  
25 keeping rates down.

26 MS. FRASER: A Right.

1 THE CHAIRPERSON: I just want to point that out.

2 MR. LAYTON: A If the rate smoothing regulatory account  
3 had not been written off, then we would be recovering  
4 it between now and Fiscal '24 and that would result in  
5 higher rates than otherwise would be the case.

6 THE CHAIRPERSON: Exactly. Exactly, yeah.

7 MR. LAYTON: A And in those future years it would  
8 result -- all else equal and higher bills than would  
9 otherwise be the case, that I think would be reflected  
10 in our ranking in future studies as that amount is  
11 recovered in rates.

12 THE CHAIRPERSON: Right. So the calculation that's  
13 being asked for would be to take the amortized amount  
14 over four years and simply add that to the rates.  
15 That doesn't -- I mean whether you do it or not,  
16 that's up to you and Ms. Gjoshe, but it just doesn't  
17 sound that complicated to me.

18 MR. LAYTON: A Yeah. And if it's -- as I mentioned, if  
19 it's simply taking that and making a base assumption  
20 on when we would recover it, we can do that. I think  
21 if the request is just to add that to the forecast we  
22 have in the evidentiary update and show what would  
23 rates be, I think that is indeed relatively straight  
24 forward. Yes.

25 THE CHAIRPERSON: I'll just leave it at that.

26 MR. LAYTON: A Sure, thank you.

1 COMMISSIONER FUNG: If I can just follow up on one  
2 aspect of what you just said. Ms. Gjoshe referred to  
3 the connection between your rankings and the eservice  
4 plan targets. So what I want to understand is is your  
5 ranking relevant to whether or not an individual  
6 executive or director meets a service plan targets, in  
7 the sense that it affects their compensation or  
8 holdback?

9 **Proceeding Time 9:12 a.m. T11**

10 MS. FRASER: A It does.

11 MR. WONG: A The service plan has several metrics, one  
12 being the ranking on the Hydro Quebec study. So the  
13 result of that will have an impact on the variable  
14 component payout for sure, that they didn't find the  
15 percentages. So yes.

16 COMMISSIONER FUNG: So that is part of your corporate  
17 scorecard?

18 MR. WONG: A That is part of the corporate scorecard,  
19 yes.

20 COMMISSIONER FUNG: Thank you.

21 MR. WONG: A I think I just want to reflect, Ms.  
22 Gjoshe, on your request. Is that -- I mean, as part  
23 of the comprehensive review, phase 1, and the whole  
24 affordability, the province was deliberate of the  
25 writing off of the \$1.1 billion in rate smoothing.  
26 Not to impact ratepayers, and --

1 MS. GJOSHE: Q I wasn't disputing the merits of the  
2 decision. I did say notwithstanding the merits of the  
3 decision.

4 MR. WONG: A I understood, but the point being is that  
5 through that process, that is resulting in -- and this  
6 is a future impact, as Mr. Layton says, not the past  
7 impact related to this Hydro Quebec study. But that  
8 is the reason why -- and part of the reasons why we  
9 are having keeping rates low. And that benefit to the  
10 ratepayers.

11 And so I'm just pointing out that I'm not  
12 sure there is a lot of value in recalculating these  
13 out, and just -- we are calculating them based on what  
14 ratepayers need to pay.

15 MS. GJOSHE: Q I believe the discussion between Mr.  
16 Layton and the panel chair perhaps led me to believe  
17 that Mr. Layton you may deliver that calculation or --

18 MR. LAYTON: A Well as I said, we certainly can do  
19 that. I think Mr. Wong is just pointing out there may  
20 not be a lot of utility in so doing, but I think we  
21 can do that, yes.

22 MS. GJOSHE: Q As I said -- and we can leave it at  
23 that. The only reason I was interested in it is  
24 because the benchmarking study forms part of your  
25 corporate scorecard, which in turn informs your  
26 performance reviews, which in turn reforms your



1 performance payouts. So I am happy to leave it at  
2 that, as long as you understand where I am trying to  
3 go with that question.

4 MR. LAYTON: A I do, thank you.

5 MS. GJOSHE: Q Thank you. One more, since we are on  
6 this benchmarking topic, just one more question. In  
7 the first particularly two days of hearing, there was  
8 some discussion about how difficult it is to  
9 benchmark. Particularly in this industry, largely  
10 related to the different sizes of various utilities,  
11 different ages of assets, different footprints,  
12 geographical footprints. Different perhaps  
13 operations. So it's very difficult to benchmark.

14 I just have a general question with regard  
15 to -- there was an IR that I asked in round 1 and just  
16 summarized the sustaining capital expenditures over  
17 the last 20 years, and I was just thinking about that  
18 and said, well maybe could you for some of these  
19 comparisons that have to do with benchmarking, could  
20 you use sustainment capital and operational  
21 expenditures a proxy for comparison between the  
22 utilities? And this is a general question, Mr. Wong,  
23 feel free to weigh in. But is that, say if I were to  
24 compare the size of some spending here with -- can I  
25 use the DSM? Would that be a fair comparison to use  
26 the -- I'm sorry, sustainment expenditure as a proxy

1 for comparisons?

2 MR. WONG: A I'll have to think about that, because we  
3 have to consider the age of the equipment of other  
4 utilities, the types of equipment of other utilities.  
5 So, sustainment capital in itself is not necessarily  
6 consistent amongst all types of utilities. So, it's  
7 just something I will have to go back and think about.

8 MS. GJOSHE: Q When the entirety of say capital and  
9 operational sustainment expenditures reflect the age  
10 of the assets or the expected age of the assets?

11 MR. WONG: A Well, certainly the capital expenditures  
12 reflect the state of the assets, and age is a big  
13 component of that.

14 MS. GJOSHE: Q Thank you for that. I have a few more  
15 questions related to that, but I will reserve them for  
16 the DSM panel.

17 I will move on to a different topic, and  
18 this is my final question for the day. And this is  
19 for Mr. Morison. Good morning, sir.

20 In your testimony yesterday, there was some  
21 discussion about the base at which that particular --  
22 the IT side of the organization has grown. It's fair  
23 to say that it's outpaced a number of other areas  
24 within the organization in terms of growth?

25 **Proceeding Time 9:16 a.m. T12**

26 MR. MORISON: A I'm not sure I agree with that. I

1 think in terms of our operating expenditures they've  
2 only increased effectively over the last few years  
3 around the labour cost increases. Our head count has  
4 increased because of the workforce optimization  
5 program over the last four years.

6 MS. GJOSHE: Q Yeah, and I wasn't trying to get to  
7 that. I just mean strategically down the road, the  
8 way you see this part of the organization. There's  
9 room for lots of potential growth there.

10 MR. MORISON: A Well, I think it's true, we certainly  
11 have some pressures coming from growth in cyber  
12 security. We have a larger digital footprint. So I  
13 think there is an increasing need to, you know, expand  
14 our capabilities to meet those needs.

15 MS. GJOSHE: Q I'd like to take you to a component of  
16 your business that is one of these growth areas that,  
17 as you mentioned yesterday, are coming at you fast.  
18 And that's appreciable. It has to do with something  
19 that might be facilitated related to the smart  
20 metering infrastructure. There is a data analytics  
21 component to the smart metering infrastructure and so  
22 the completion or the largely completion of that  
23 project might bring in the future the ability to do a  
24 lot more with that component of the business. I'm not  
25 trying to quantify either the timing or the magnitude  
26 of it. But do you see any room in there, in that data

1 analytics function to perhaps provide in the future,  
2 if not in the test period, some connection or loop  
3 back to the load forecasting functions of the  
4 organization?

5 MR. MORISON: A Yeah, I think that's absolutely true.  
6 The recent smart metering infrastructure audit that we  
7 had, one of the findings of that audit was that we  
8 should make data more available to the business units  
9 and try to exploit that data more fully in the  
10 company. We're currently developing a smart meter  
11 strategy which will lay out the various opportunities  
12 within the business to exploit that data for a variety  
13 of purposes, and you could further refer that to Ms.  
14 Daschuk on the capital panel. She is now currently  
15 the executive sponsor to the smart metering program  
16 and is the owner of that strategy.

17 MS. GJOSHE: Q Thank you so much. I appreciate that.  
18 These are my questions, thank you.

19 THE CHAIRPERSON: Thank you, Ms. Gjoshe.

20 Mr. Miller, before you begin, I just would  
21 like to advise you, I'd like to try to schedule a  
22 break roughly 9:45-ish. So if you could let me know  
23 when's a good time.

24 MR. MILLER: That was going to be one of my questions,  
25 when did you want a break. So I'll target 9:45.

26 THE CHAIRPERSON: Thank you.

1 MR. MILLER: Staff was going to hand out another exhibit  
2 aid. All the documents in this exhibit aid are from  
3 the application with the exception of -- there will be  
4 three documents and I'll flag them when we get to  
5 them, and we'll mark them.

6 THE CHAIRPERSON: Thank you.

7 **CROSS-EXAMINATION BY MR. MILLER:**

8 MR. MILLER: Q Good morning, Panel. My first set of  
9 questions deal with labour costs and I assume these  
10 questions will be answered by Ms. Fraser and Ms. Ryan.

11 So if we go to the first document in the  
12 exhibit aid, it's page 522 from the application. In  
13 lines 9 through 14 of page 1 BC Hydro states that it  
14 considers management and professional compensation  
15 increases to be a priority akin to non-controllable  
16 costs given how BC Hydro employee compensation  
17 compares to median market. BC Hydro also states it  
18 has limited ability to increase management and  
19 professional salaries since 2012 due to the public  
20 sector employees council prior salary freeze, correct?

21 **Proceeding Time 9:21 a.m. T13**

22 MS. FRASER: A Correct.

23 MR. MILLER: Q And now if we turn to page 2 of the  
24 exhibit aid, this is a response to BCUC IR 42.5 -- and  
25 this is actually, sorry, page 3 of the exhibit aid,  
26 the IR starts on page 2. There's a table set out and

1           it provides the actual management and professional  
2           salary increase each year between 2012 and 2019,  
3           correct?

4 MS. FRASER:    A    Correct.

5 MR. MILLER:    Q    And so generally what the table shows is  
6           management and professional salary increases as  
7           percentage are less than the union salary increases,  
8           correct?

9 MS. RYAN:      A    That's correct.

10 MR. MILLER:    Q    And if we go page 4 of the witness aid,  
11           this is a response to BCUC IR 42.6. In the last  
12           paragraph on that page BC Hydro states that:

13                    "Public Sector Employers' Council sets policies  
14                    for exempt compensation in the B.C. public  
15                    sector. For example, from 2012 to 2018 their  
16                    manager salary freeze policy limited salary  
17                    increases between 0 and 2 percent per year..."

18           Correct?

19 MS. RYAN:      A    That's what it says, yes.

20 MR. MILLER:    Q    So I have a question then. Is it  
21           correct that the upper limit on the manager's salary  
22           freeze from 2012 to 2018 was 2 percent or was 2  
23           percent the average? I'm trying to figure out what  
24           the numbers actually represent.

25 MS. RYAN:      A    Sure. The first few years of the PSEC  
26           salary limitation policy was 0 percent increases for

1 management and professional, and then beginning in  
2 Fiscal '16 there was an allowance for between 0 and 2  
3 percent for some management and professional  
4 employees, there were some exemptions. And then again  
5 in Fiscal '17, '18 and '19 it was a maximum of 2  
6 percent increase per individual.

7 MR. MILLER: Q So no individual employee could get  
8 greater than a 2 percent increase.

9 MS. RYAN: A Up until -- yeah, during that time, yes.

10 MR. MILLER: Q Okay, great.

11 THE CHAIRPERSON: Per year?

12 MS. RYAN: A Per year, that's correct.

13 THE CHAIRPERSON: But you said -- the last gap that you  
14 said, '17, '18 and '19 I think that was it, right?  
15 You said no one could get greater than 2 percent.  
16 That's 2 percent per each of those three years,  
17 correct?

18 MS. RYAN: A No, 2 percent per year maximum for that  
19 individual.

20 THE CHAIRPERSON: For each of those three years?

21 MS. RYAN: A Yes. Yes, maximum.

22 THE CHAIRPERSON: Thank you.

23 COMMISSIONER LOCKHART: What's the difference between 2  
24 percent and maximum and 0 to 2 percent for the earlier  
25 years?

26 MS. RYAN: A In the earlier years there was 0 percent

1 possible.

2 THE CHAIRPERSON: But then 2016 you said 0 to 2  
3 percent. So what's the difference between 0 to 2 -- I  
4 think --

5 MS. RYAN: A Sorry, it's the same thing, 0 to 2 or 2  
6 percent max is the same thing. Yes, sorry.

7 COMMISSIONER LOCKHART: Okay.

8 MS. FRASER: A I think just to clarify that it's always  
9 dependent on the person's performance during the year.

10 MR. MILLER: Q If we can turn to page 6 of the witness  
11 aid, this is page 5-23 of the application and there's  
12 a table set out, Table 5-5. And under "Labour Costs"  
13 in the middle of the description there's a comment  
14 made and it states:

15 "The cost increase for this test period includes  
16 a 2.0 percent general wage increase for union  
17 employees and a 2.5 percent general wage  
18 increase for Management and Professional  
19 employees. Since 2012, due to the Public Sector  
20 Employers' Council salary freeze, salary  
21 increases for Management and Professional  
22 employees have been limited and below the amount  
23 provided to unionized employees over the same  
24 period."

25 Correct?

26 MS. RYAN: A Correct.



1 MR. MILLER: Q So the question then is, in light of  
2 that explanation is the proposed 2.5 percent  
3 management and professional employee wage increase for  
4 2020 and 2021 test period been set higher than the  
5 union 2 percent limit as a sort of catch up because  
6 they've been behind in prior years?

7 **Proceeding Time 9:26 a.m. T14**

8 MS. RYAN: A Yes, that's correct. We're in a little  
9 bit of a catch up period and we are trying to stay  
10 consistent with market increases which, according to  
11 the Conference Board of Canada, are anticipated to be  
12 2.6 percent. So in order to keep our rates  
13 competitive to attract and retain the employees that  
14 we need at BC Hydro in the management/professional job  
15 categories, we don't want to fall further behind. So  
16 there is a little bit of catch up there.

17 MR. MILLER: Q So I wanted to talk a bit about what's  
18 been referred to as the holdback as part of certain  
19 individual's compensation. So when talk about the  
20 holdback, is the 2.5 percent for  
21 management/professional, does that include the  
22 holdback or does that exclude the holdback? In other  
23 words, is the holdback an additional amount that can  
24 be earned on top of the 2.5 percent?

25 MS. RYAN: A Yes, the 2.5 percent proposed increase in  
26 the budget for management and professional salaries

1 includes the amounts needed for the corresponding  
2 holdback.

3 MR. MILLER: Q So if there's a cap at 2.5 percent and  
4 it includes the holdback amount, if all the targets  
5 aren't met then the actual wage increase paid may be  
6 less than 2.5 percent. Is that correct?

7 MS. RYAN: A We have set the budget anticipating target  
8 rates of .75 or so. But it's all inclusive.

9 MR. MILLER: Q And the 2 percent for union and 2.5  
10 percent proposed increase for management/professional,  
11 that's for both 2020 and 2021, correct?

12 MS. RYAN: A That's correct.

13 MR. MILLER: Q Would you turn to page 8 of the witness  
14 aid.

15 COMMISSIONER FUNG: Actually, Mr. Miller, are you  
16 moving off this issue?

17 MR. MILLER: No.

18 COMMISSIONER FUNG: Okay, thank you.

19 MR. MILLER: Q On page 8 of the witness aid, in line 7  
20 BC Hydro makes the comment that your total  
21 compensation package is designed to attract and retain  
22 qualified employees, correct?

23 MS. RYAN: A Correct.

24 MR. MILLER: Q And on the same page of the witness aid,  
25 in lines 15 through 17, this is referring to the  
26 Morneau Shepell assessment or report. It says:

1 "After factoring-in the value of pension  
2 benefits and time off programs, BC Hydro's  
3 compensation package is comparable, at 2  
4 percent below median market rates."

5 Correct?

6 MS. RYAN: A That's correct.

7 MR. MILLER: Q So will the 2 percent general wage  
8 increase for union employees for each of 2020 and 2021  
9 place those employees at the median market rate?  
10 Where will they be placed?

11 MS. RYAN: A They would -- the market comparison for  
12 our unionized employees is increasing by 2 percent as  
13 well, so I would expect that they would remain overall  
14 2 percent below the median market.

15 **Proceeding Time 9:32 a.m. T15**

16 MR. MILLER: Q Okay, and what about the 2.5 percent,  
17 same question for the management/professional  
18 employees. Where would that place them relative to  
19 the median and 2020 and 2021?

20 MS. RYAN: A The median market increases that the  
21 Conference Board of Canada has predicted is 2.6  
22 percent. So, I would expect that we would again  
23 remain in a similarly consistent position against the  
24 market.

25 THE CHAIRPERSON: Sorry, can I just ask a follow up  
26 question?

1 MS. RYAN: A Sure.

2 THE CHAIRPERSON: But I think you just said, and please  
3 correct me if I am wrong, but I think you just said  
4 that the actual professional increase is expected to  
5 be, I think you said, .75, not 2. Did I hear that  
6 correct?

7 MS. RYAN: A Sorry, I don't think I said .75. The  
8 market increase is 2.6 percent?

9 THE CHAIRPERSON: But within Hydro.

10 MS. RYAN: A Within Hydro --

11 THE CHAIRPERSON: Your actuals you said.

12 MS. FRASER: A Oh, I think what Ms. Ryan said was we  
13 have budgeted 2.5 percent increase and that is based  
14 on the performance levels of .75.

15 MS. RYAN: A That's for the holdback.

16 THE CHAIRPERSON: Sorry, so I am a little confused  
17 about what all of this is.

18 MS. FRASER: A Our accountants are helping us.

19 THE CHAIRPERSON: That's good to hear.

20 MR. MILLER: Q So are you going to provide a further  
21 explanation to the Chair?

22 MS. RYAN: A Yes, sorry. When I referenced the .75, on  
23 average, with respect to the holdback, employees  
24 receive awards that are about 75 percent of the  
25 maximum award. So that's specific to the holdback.  
26 So that is encompassed, that expectation is

1 encompassed within the 2.5 percent budget.

2 THE CHAIRPERSON: Okay, but overall you are expecting  
3 to pay out the budgeted increase to your professional  
4 workers, is that --

5 MS. RYAN: A That's correct, yes.

6 THE CHAIRPERSON: Okay.

7 MR. MILLER: Q So let me just follow up on that then.  
8 So let's assume BC Hydro had an excellent year and  
9 made all of its targets, then the wage increase might  
10 be slightly higher than the 2.5 percent?

11 MR. LAYTON: A I think that would mean in that  
12 instance, the actual holdback payouts would be higher  
13 than planned?

14 MR. MILLER: Q That's right.

15 MR. LAYTON: A Yes.

16 MR. MILLER: Q So that would mean the 2.5 percent would  
17 actually be slightly -- something, a number slightly  
18 higher than the 2.5 percent?

19 MR. LAYTON: A I actually don't think that's what it  
20 means. I think the 2.5 percent, if that were awarded  
21 to an individual, that would be the maximum increase  
22 they could achieve. The holdback is calculated  
23 encompassing that increase if -- and therefore, and we  
24 budget three-quarters, 75 percent payout on the  
25 holdback. And so in other words, if you are awarded  
26 2.5 percent, but we didn't achieve all of our goals,

1           the actual payout of our holdback is less, you're  
2           actually a net. Would it receive less than 2.5  
3           percent is the way I believe that it works.

4 MR. MILLER:    Q    Okay.

5 MS. RYAN:     A    And for clarity though, the 2.5 percent  
6           relates to the budget increase. There isn't a limit  
7           on a 2.5 percent for an individual.

8 MR. MILLER:    Q    Okay.

9 COMMISSIONER LOCKHART:        Mr. Miller, sorry, I have two  
10          more questions. So, yesterday I think we established  
11          that the holdback only applies to one percent of BC  
12          Hydro employees?

13 MS. RYAN:     A    That's correct.

14 COMMISSIONER LOCKHART:        And the 75 percent that you  
15          referenced, does that respond to my question at the  
16          end of yesterday that you're going to follow up, in  
17          terms of the 1.4 million budgeted for payout in  
18          holdback, is it in fact 75 percent that was paid out  
19          in F2019? I think that was something you were going  
20          to follow up on?

21 MS. RYAN:     A    Yes, we have that undertaking, and we are  
22          just not complete on it.

23 COMMISSIONER LOCKHART:        I see, okay.

24 MR. GHIKAS:        Yeah, we will be filing, we are working on  
25          that in the background, and so we will be providing --  
26          the specific question that was left as I understand







1 MS. RYAN: A Yes, that's correct.

2 MR. MILLER: Q So your voluntary turnover rate is one-  
3 third of the average, correct?

4 MS. RYAN: A That's correct.

5 MR. MILLER: Q And I believe yesterday you made the  
6 point that some employees are delaying retirement  
7 eligibility dates by four to five years, correct?

8 MS. RYAN: A Some are, yes.

9 MR. MILLER: Q And retirement rates are not included as  
10 part of the voluntary turnover rates, correct?

11 MS. RYAN: A That's correct.

12 MR. MILLER: Q And I think you also said, but I may be  
13 wrong, that at least for some apprentice positions you  
14 had a hundred applicants for each position.

15 MS. RYAN: A That's correct.

16 MR. MILLER: Q So you don't seem to be having any  
17 trouble in attracting and retaining employees at the  
18 current level, do you agree? Your current salary  
19 levels, compensation levels?

20 MS. RYAN: A We are very pleased with our low turnover  
21 rates and we work very hard to maintain those. We do  
22 also have non-voluntary turnover and retirement. So  
23 it's about 5 percent. You know, hundreds of  
24 employees each year are leaving. That figure is just  
25 the voluntary turnover rate.

26 MR. MILLER: Q So the non-voluntary retirement, how

1           does your -- I think you said 5 percent compare to  
2           your industry peers?

3 MS. RYAN:    A    I don't have that data handy in terms of  
4           the other non-voluntary or retirements, how that  
5           compares.

6 MR. MILLER:   Commissioner Morton, I'm about to move onto  
7           a new topic and I note it's -- it's not 9:45 but it's  
8           close.  Would you prefer to break right now?

9 THE CHAIRPERSON:    Yes, please, Mr. Miller.

10 MR. MILLER:        And when will we recommence?

11 THE CHAIRPERSON:    We'll come back at five to.

12 MR. MILLER:        Thank you.

13 THE CHAIRPERSON:    Thank you.

14 **(PROCEEDINGS ADJOURNED AT 9:43 A.M.)**

15 **(PROCEEDINGS RESUMED AT 9:58 A.M.)**

**T17/18**

16 THE CHAIRPERSON:    Please be seated, sorry about that.  
17           Thank you.

18                        Mr. Miller, please go ahead.

19 MR. MILLER:        Thank you, Commissioner Morton.

20 MR. MILLER:        Q    I'd like now to move on to the topic of  
21           the WorkSmart program.

22 COMMISSIONER LOCKHART:    Sorry, Mr. Miller.  Mr. Miller,  
23           at the risk of interrupting, just to clarify one more  
24           thing regarding before the break.  The 5 percent of  
25           employees, is that a combination of non-voluntary  
26           dismissal and retirements or is that just non-

1 voluntary dismissal?

2 MS. RYAN: A So, in BCUC IR 1.6213.3 we outline the  
3 voluntary, non-voluntary and retirement. So for  
4 Fiscal '19, yes, if you add up the 1.9 voluntary, the  
5 1.1 voluntary [*sic*] and the 2 for retirement that's  
6 about 5 percent.

7 COMMISSIONER LOCKHART: I see, okay. Thank you.

8 MR. MILLER: Q Mr. Layton, I believe the next question  
9 is for you. I just want to confirm some of your  
10 testimony from yesterday. Now, with respect to the  
11 cumulative capacity hours gained as a result of the  
12 WorkSmart program, is it correct that at the end of  
13 2019 the total hours gained was just over a hundred  
14 thousand, 100,973?

15 MR. LAYTON: A That's correct.

16 MR. MILLER: Q And if you turn to page 10 of the  
17 witness aid, this is a response to BCUC IR 2.223.9.  
18 In the bottom of the first paragraph of the response  
19 it says,

20 "This capacity is used to manage increases in  
21 work load and work complexity, as well as  
22 enabling employees to focus on the highest value  
23 work."

24 Correct?

25 MR. LAYTON: A That's correct, yes.

26 MR. MILLER: Q So can you explain to the panel what is



1 do an inventory cycle count before the Work Smart  
2 project and after we'd improved that process creates  
3 hours and when you multiply that by the number of  
4 times a process is carried out, you have an annual  
5 number of savings that you have available to you.

6 In the case of this team particularly, one  
7 of the workload challenges that they were facing was  
8 new WorkSafe regulations and so essentially again they  
9 came to us and said, "We need your help. We obviously  
10 have to comply with WorkSafe regulations, we just  
11 don't have the resources to do both, to carry on with  
12 the inventory cycle counts as we're doing them." So  
13 by enabling them to do more efficient work over here  
14 on the cycle counts, we enable them to deal with a  
15 workload issue they had over here, which was a new  
16 WorkSafe regulation.

17 I'll maybe give another example which is  
18 more of a project situation, which is with Site C.  
19 And so in the case of Site C, as you can imagine they  
20 work with many, many stakeholders and branches of  
21 government and so on. And they do something that's  
22 called a "leave to commence" and "leaves to  
23 construct". And essentially it involves working with  
24 folks like the Ministry of Forests, Lands and Natural  
25 Resource Operations, the Comptroller of Water Rights,  
26 their external contractors. So in other words, a

1 whole bunch of different people. And what they came  
2 to us and said was that, "This is a very onerous  
3 process. It is taking us away from the work we need  
4 to do because it's taking far too long."

5 So what we did in Work Smart is we brought  
6 together all of those stakeholders and said, "Let's  
7 find a more efficient way. Let's find a better way."  
8 And the outcome of that project was to reduce that  
9 whole process on average by 12 days per leave to  
10 commence, from 33 days to 21 days.

11 And so again, that creates what we call  
12 capacity hours gained. And so instead of having to  
13 spend 33 days, they only had to spend 21. So that  
14 employee or those employees now had 12 extra days each  
15 time they had one of these to do, to focus on  
16 something else.

17 And in the case of Site C, as I think we've  
18 heard testimony, there's lots of challenges in  
19 constructing a big project like Site C and so anytime  
20 they can identify ways to save time, they will do so.  
21 And that again freed them up to do more important  
22 parts of the project.

23 MR. MILLER: Q Are there any other examples that  
24 readily come to mind?

25 MR. LAYTON: A I think -- we're planning one in fiscal  
26 2020 on storm response and I think I would use that as

1 an example of the kind of work we're doing. So I  
2 think about half of our projects in fiscal '20 relate  
3 to either Site C or a thing we call "Making it easier  
4 to get work done". And I think we've filed our  
5 overall annual, what we call our placemat for Fiscal  
6 '20 of all our priorities within the corporation, and  
7 one of them is "Making it easier to get work done".

8 And so we're focussed very heavily in our  
9 projects in those areas and what it represents again  
10 is that the areas that need our help the most are the  
11 ones that are struggling the most with workload.

12 **Proceeding Time 10:05 a.m. T20**

13 MR. MILLER: Q So in the response that I referred you  
14 to, there was a distinction made between work  
15 complexity and highest value of work. Are there any  
16 -- what is meant, or are these related concepts? Or  
17 are these distinct concepts? Can you provide any  
18 examples where the Work Smart program allowed people  
19 to focus on the highest value work?

20 MR. LAYTON: A I'm not sure if I have any examples of  
21 those. They are different, slightly different  
22 concepts. Sometimes you are just freeing people up to  
23 stay above water, if I can use that phrase. Sometimes  
24 it is being able to work on higher value work. I'm  
25 not sure I have a great example in hand of the highest  
26 value work. But I mean, the Site C is maybe an

1           example of both. It's something where -- it's taken  
2           away a lot from your day job, but it is also probably  
3           not the highest priority or highest value work that  
4           you're undertaking on that project. And so I think  
5           perhaps that's an example of both things being  
6           addressed through a Work Smart project.

7 MR. MILLER:   Q   Now again, Mr. Layton, I'm going to  
8           refer to some of your testimony from yesterday. And I  
9           believe in response to Ms. Worth's questions you  
10          indicated that the imputed benefit or value of the  
11          roughly 100,000 hours gained as result of the work  
12          group program was approximately 9.5 million, correct?

13 MR. LAYTON:   A   That's correct, yes.

14 MR. MILLER:   Q   Are the total capacity hours gained and  
15          the imputed benefit value split evenly between capital  
16          and operating components? Or have you analyzed that?

17 MR. LAYTON:   A   I believe we have analyzed that. I  
18          think we put an IR on the record that went through the  
19          assumptions we make imputing that value and I think we  
20          take into account the capital and the operating. I  
21          don't have that split at my fingertips, but we do look  
22          at that, yes.

23 MR. MILLER:   Q   So what is the rationale for splitting  
24          between those two?

25 MR. LAYTON:   A   It is just being aware of the two. We  
26          don't actually -- like the 9 and a half million



1           dollars I mentioned yesterday, is the total value. We  
2           don't say this much is capital and this much is  
3           operating. We are focused on the total value the  
4           program has created. We haven't -- so we are aware  
5           that we are working in both capital and operating, and  
6           that there are different amounts to each. But our  
7           goal is to bring the most value we can bring to the  
8           areas that need the help the most.

9   THE CHAIRPERSON:        Just a quick question on value, Mr.  
10           Layton.

11   MR. LAYTON:        A    Sure.

12   THE CHAIRPERSON:        So is that a net amount? Because  
13           presumably there is some costs associated with this  
14           program. Is that a fair assumption?

15   MR. LAYTON:        A    Yes, and in our response to BCUC IR  
16           1.38.9 I think we tackle that issue, Commissioner, and  
17           we show the value of the capacity hours gained,  
18           divided by the program cost. And so through the end  
19           of Fiscal '18 what that calculation showed is -- the  
20           ratio of benefits to cost is 5 to 1.

21   THE CHAIRPERSON:        And the numerator in that is the 9.2?

22   MR. LAYTON:        A    Sorry, that is through Fiscal '18, I  
23           haven't -- I just mentioned the nine and a half, so.

24   THE CHAIRPERSON:        But that would be the numerator in  
25           the calculation?

26   MR. LAYTON:        A    It would be, yes, through Fiscal '19.

1 MR. MILLER: Q In your response a few moments ago, you  
2 referenced the Work Smart initiative which is set out  
3 on page 14 of the witness aid. And that's relating to  
4 people travelling across the province and inventory  
5 cycle counts. Are you able or have you analyzed the  
6 capacity hours gained for that particular initiative?

7 MR. LAYTON: A Absolutely. As you will see in that  
8 response, in the second paragraph, four lines from the  
9 bottom, we mentioned that that project created  
10 capacity hours gained of 1500.

11 MR. MILLER: Q Okay, thank you. Now I have a more  
12 general question. How can you establish or the cause  
13 and effect relationship between the Work Smart  
14 program, and what would have occurred without the Work  
15 Smart program? Can we not assume that there would  
16 have -- this may have been identified, this problem,  
17 without the Work Smart program?

18 **Proceeding Time 10:10 a.m. T21**

19 MR. LAYTON: A I think that's possible, but I think  
20 what we hear from employees when we talk to them is  
21 that Work Smart brings a structure. We fundamentally  
22 believe in Work Smart, and employees know the answers  
23 to the problems that they're facing but sometimes it's  
24 just very hard to implement that, and I think the Site  
25 C might be a great example of that, where you're  
26 working with many stakeholders, some internal, some

1 external, and it may be very difficult for the project  
2 itself without the kind of framework and structure  
3 that we bring through Work Smart to make those kinds  
4 of changes.

5 I think employees every day in BC Hydro  
6 look to make improvements in the way they do their  
7 work and their processes. Those are generally, I  
8 think, fairly smaller kind of improvements.  
9 Hopefully, I think we all do that, we look for ways to  
10 do everyday tasks better and smarter. What Work  
11 Smart's doing though is coming in and looking at a  
12 process. We're not trying to improve it a little bit,  
13 we're trying to improve it a lot, and I think that  
14 kind of big improvement takes a lot more effort and a  
15 lot more structure and framework and that's what we're  
16 able to do through Work Smart that employees probably  
17 just on their own would struggle to be able to  
18 achieve.

19 MR. MILLER: Q Can you turn to page 15 of the witness  
20 aid? This is a response to BCUC – excuse me – IR  
21 1.39.5 and in the first paragraph BC Hydro notes that  
22 both itself and ICBC operate in a Crown environment  
23 and both entities, like BC Hydro, need to be efficient  
24 and continuously improve to keep costs/rates low for  
25 taxpayers/ratepayers as the case may be. Correct?

26 MR. LAYTON: A Yes.

1 MR. MILLER: Q How is that any different than in the  
2 private sector, a non-Crown related business that  
3 wants to be successful? Don't they need to do the  
4 same thing?

5 MR. LAYTON: A I think so. I think what we looked at a  
6 couple of nearby entities that we're familiar with  
7 that provide, hopefully, the context that those  
8 entities have well respected lean based programs and  
9 are taking the same approach that we're taking at BC  
10 Hydro.

11 MR. MILLER: Q And at the bottom of page 15 BC Hydro  
12 makes the point that,

13 "...Work Smart is not confined to a specific  
14 business structure, but rather is a process  
15 improvement methodology that can be translated  
16 across many different businesses and  
17 industries."

18 Correct?

19 MR. LAYTON: A Yes.

20 MR. MILLER: Q So, if we assume that most successful  
21 businesses need to have an objective to be efficient  
22 and continuously improve to keep costs low and the  
23 Work Smart program offers a methodology to achieve  
24 this that is also applicable in other businesses, how  
25 is this program really different from what other  
26 businesses are doing? Or is it not different?

1 MR. LAYTON: A Again, I can't speak to what all other  
2 businesses are doing, what I can speak to is the  
3 couple that we mentioned here, being ICBC and  
4 Washington State. I know we participate in a group  
5 across -- in the local Lower Mainland region that have  
6 these kinds of programs, and so I can speak to their  
7 experience and the way they run their programs. I'm  
8 sure other private sectors perhaps do the same thing  
9 or perhaps do different things, I'm not sure.

10 MR. MILLER: Q Can we turn to page 16 of the witness  
11 aid?

12 Now, Mr. Chair, this is one of the  
13 documents I referred to that is not part of this  
14 application. This is an excerpt from page 34 of the  
15 2017 to 2019 revenue requirements decision and I'd  
16 like to have that marked as Exhibit A2-5.

17 THE CHAIRPERSON: Thank you.

18 (PAGE 34 OF 118 FROM ORDER G-47-18 MARKED EXHIBIT  
19 A2-5)

20 THE CHAIRPERSON: We're still on the Work Smart topic?

21 MR. MILLER: Yes.

22 MR. MILLER: Q Now, if we go to page 16 under item  
23 number 3, the last sentence in that paragraph states:

24 "The Panel recognizes that while BC Hydro states  
25 it is not the intention of Work Smart to reduce  
26 costs but rather to allow for the reallocation



1 taking too long for them in the first place and,  
2 therefore, just causing their workers to work harder  
3 and not get to the tasks they need to get to.

4 So if we came to them and said, "Help us  
5 improve this process, and then we'll take away some of  
6 your people and some of your budget," they would never  
7 engage in the first place, and in our estimation  
8 that's not a practice that we'd want to see.

9 Work Smart for us is a tool about limiting  
10 our operating cost increases and our -- well, our  
11 overall increases. And what we've shown in the nine  
12 and a half million dollars that I mentioned yesterday,  
13 is that's the imputed value of what we've created.  
14 And if we didn't have the Work Smart program what  
15 we're saying is our costs would be nine and a half  
16 million dollars higher.

17 So this is a case where we're viewing it as  
18 a cost avoidance measure and not an area where it  
19 would be wise or sustainable to take those costs away.

20 THE CHAIRPERSON: When you talk about Site C or doing  
21 this Work Smart work at Site C, are you talking about  
22 as it relates to BC Hydro employees or are you talking  
23 about contractors at Site C?

24 MR. LAYTON: A In the case of Site C it's both. In  
25 fact it's Hydro employees, contractor employees, and  
26 government employees. When we calculate saving

1           capacity hours gained, we're calculating on ourselves,  
2           on our own.

3   THE CHAIRPERSON:        Only on yourselves.

4   MR. LAYTON:     A    Yes.

5   THE CHAIRPERSON:        So presumably there's some benefit to  
6           contractors accruing from this, is that correct?

7   MR. LAYTON:     A    Indeed, yes.   Yes.

8   THE CHAIRPERSON:        And does that -- but you're under  
9           contractual obligation to pay them a certain amount so  
10          presumably that -- Hydro would get no benefit, no  
11          monetary benefit, direct monetary benefit?

12   MR. LAYTON:     A    No, it's a -- again, it's a productivity  
13          benefit. Just like Hydro, those contractors have been  
14          spending way too much time of these activities, and so  
15          by freeing them up to go back to what they're meant to  
16          be doing to build the dam, that's the value really.

17   THE CHAIRPERSON:        And I suppose it helps to manage  
18          contractor risk then too.

19   MR. LAYTON:     A    Absolutely, yes.

20   THE CHAIRPERSON:        Yeah.

21   COMMISSIONER MASON:       Can I possibly interrupt as well?  
22          Sorry. I assume it's reasonable that the unionized  
23          employees would be paid overtime and non-management  
24          employees would be paid overtime if they worked  
25          overtime.

26   MR. LAYTON:     A    Yes.



1 COMMISSIONER MASON: I don't know whether managers get  
2 paid overtime or not. Is that a factor?

3 MR. LAYTON: A In some cases managers can earn  
4 overtime. It's not a very common thing in most parts  
5 of the business. In operation it may be, but --

6 COMMISSIONER MASON: Okay. So which leads to the  
7 question, have you observed any reduction in overtime  
8 payments as a result of these Work Smart initiatives?

9 MR. LAYTON: A I'm not sure. I think it's a good  
10 question, I'm just not sure.

11 MR. MILLER: Q I want to refer to page 11 of the  
12 witness aid. This is following up on a comment you  
13 just made with regard to the incentive for employees  
14 to participate or possibly the disincentive that may  
15 come from focusing on specifically cost savings as  
16 opposed to avoided costs.

17 And this response is to BCUC IR 2.23.9 and  
18 in that response in the middle of the page is the  
19 statement:

20 "If, on the other hand, Work Smart solutions  
21 were required to deliver incremental cost and  
22 headcount savings instead of avoiding higher  
23 costs, the program would not be successful.  
24 More specifically, employees and teams facing a  
25 more growing and complex workload would not  
26 participate since they would not obtain the

1 capacity hours gained that they need. Instead  
2 they would be disincented to participate and  
3 offer the best solutions to improve processes as  
4 their position could be terminated as a result.  
5 Without positive participation from employees  
6 involved in the process, Work Smart initiatives  
7 would be unsuccessful."

8 **Proceeding Time 10:20 a.m. T23**

9 So my question to you is, surely there must be  
10 potential costs savings as a result of Work Smart that  
11 won't result in employee terminations.

12 MR. LAYTON: A I think for the most part, it's all  
13 about labour in this case. I guess -- I take your  
14 point that once in a while there could be. We haven't  
15 observed many of those, but for the most part, we're  
16 improving the people side of the processes here and  
17 that's why it really, for us, does boil down to  
18 labour.

19 MR. MILLER: Q Has BC Hydro examined whether there are  
20 any initiatives or programs where you could save costs  
21 where employees are not specifically at risk of having  
22 their positions terminated? Have you examined this as  
23 a specific area? What can we do to save costs that  
24 won't result in employee terminations?

25 MR. LAYTON: A I think we haven't. I think the way  
26 that we plan our program is we work with the business,

1 we go across all the business, all the executive teams  
2 and we ask them where is the biggest need for  
3 assistance through Work Smart here? We don't parse it  
4 out that way and say, "Okay, tell us about a process  
5 that we can improve without impacting employees?" We  
6 just say, "Tell us where your biggest need is?" And  
7 that tends to involve areas involving people and  
8 that's what we're facing in our company with a growing  
9 and more complex work environment. When people tell  
10 us where they need our help, it's typically in areas  
11 again involving people processes.

12 MR. MILLER: Q Thank you.

13 MR. LAYTON: A Sorry, one more point, if I may, Mr.  
14 Miller. One of the distinctions with Work Smart is  
15 Work Smart generally does not play in the IT area  
16 because those kind of fixes take longer to implement,  
17 and so that would be perhaps examples of -- you know  
18 IT projects can sometimes drive non-labour savings,  
19 and Mr. Morison has talked about those and others have  
20 talked about those. But because Work Smart is trying  
21 to quickly address and quickly implement changes,  
22 that's one of the things about it, it's about speed  
23 and doing things quickly and efficiently, it's looking  
24 at again, primarily people based processes.

25 If the answer to a problem is we need a new  
26 information technology system, then we'll phone Mr.

1           Morison and say, "Mr. Morison, here's an opportunity  
2           for you to consult with the business," and bring new  
3           solutions that way. But Work Smart is very people  
4           focussed. It generally does not tackle multi-year  
5           technology kind of improvements.

6 THE CHAIRPERSON:     Mr. Miller, are you finished that  
7           line?

8 MR. MILLER:         Yes.

9 THE CHAIRPERSON:     Could I just ask a follow-up question  
10           to that then, or a related question let's say.

11                         On page 15 of Mr. Miller's witness aid, at  
12           the end of that IR response you indicate that Work  
13           Smart is a process improvement methodology that can be  
14           translated across many different businesses and  
15           industries. At a very high level, is this some sort  
16           of established methodology that is used by other  
17           companies, and if so, what kind of practitioners do  
18           you have that apply this methodology, or is it  
19           something you've learned in house? Just at a high  
20           level.

21 MR. LAYTON:         A    Yes, thank you. I appreciate the  
22           ability to provide some context there. It actually  
23           started in the 1930s in Toyota and it's since spread.  
24           I have a number of notes here on big large companies  
25           doing it: General Electric, Ford, Boeing -- maybe I  
26           don't want to talk about Boeing at the moment. Bank

1 of America.

2 THE CHAIRPERSON: Not in front of a regulator.

3 MR. LAYTON: A Perhaps. Inside voice. And it started  
4 there. And it really is about reducing what the  
5 program calls waste, and waste meaning steps that  
6 aren't needed. Rework that happens because of  
7 inefficient steps or bad outputs. Removing the  
8 unnecessary reviews and so on. It's very focussed on  
9 what does the customer care about. If the customer  
10 wants you to produce a widget, they don't care about  
11 many of your internal processes. They care about the  
12 ones that have value to them. And that's  
13 fundamentally what it's predicated on. And so that's  
14 what our program is predicated on as well.

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

16 And because it is a global things, we call  
17 it Work Smart, that's our branding internally. You'll  
18 generally hear it called "Lean". You might hear it  
19 called "Six Sigma". That's another phrase that you  
20 may hear. And there are bodies that will -- that you  
21 can take tests and be accredited, and they use the  
22 white belt, yellow belt, black belt, et cetera and so  
23 the lead of our program actually has a black belt,  
24 which is the -- actually I'm not sure if it's a  
25 highest level, but it's quite a high level. Yes. And  
26 so our team comes from those kinds of backgrounds

1 generally because it is an accredited thing. And  
2 because it really is a structure that's unique. It's  
3 a unique way of thinking, a unique way of doing.

4 THE CHAIRPERSON: So thank you for that. So an  
5 additional follow-up question then is, given Mr.  
6 Miller's line of questioning there regarding the  
7 difference let's say between avoided costs and  
8 realized, crystallized, saved cost, to you knowledge  
9 these other companies that apply this methodology, do  
10 they actually have crystallized cost savings, or is it  
11 part of the methodology that it's only targetted  
12 towards improved efficiencies but not avoided costs  
13 and not crystallizing those savings?

14 MR. LAYTON: A Yeah, so the methodology itself is about  
15 identifying and implementing the savings. It doesn't  
16 tell you whether you should take the savings or  
17 redirect that effort. What we have looked at when we  
18 -- the entities that we have worked with, like ICBC,  
19 like Washington State, what I can tell you, and we put  
20 evidence on the record more detailed than what I'll  
21 get into here, but essentially what I can say is they  
22 take the same approach that we do. They are about  
23 avoiding costs. They are not about reducing their  
24 budgets. And I think the ones that work with in the  
25 Lower Mainland, it's for the same reason as us. We  
26 have an increasingly complex environment, we need to

1 keep our costs down. This is one tool to help us do  
2 that and to help avoid higher costs and higher rates.

3 THE CHAIRPERSON: Thank you.

4 MR. MILLER: Q Just following up on your response to  
5 Commission Morton's questions, is there a  
6 certification program for Work Smart?

7 MR. LAYTON: A Not for Work Smart. Sorry, let me take  
8 that in two different ways.

9 If I back away from Work Smart, which is  
10 our program, there are certification programs for Lean  
11 professions, and as I mentioned, our manager of  
12 program is certified black belt there. Internally we  
13 do delivery training to employees and different levels  
14 of training. So there's an online course, just to  
15 give you a flavour for what is it all about, what  
16 kinds of things should you be thinking about in your  
17 day-to-day job. What small improvements might you be  
18 able to make just at your desk within your sphere of  
19 responsibility. And then there's progressively higher  
20 levels. We go all the way up to a green belt, what we  
21 call a green belt. And green belt members are -- once  
22 they've gone through it, we take them through a  
23 project. But once we've gone through a project with  
24 them, are therefore internally able to facilitate Work  
25 Smart projects within the business.

26 So what we're trying to do to build our

1 culture of Work Smart is to have as many of those  
2 green belts, as many of those white belts, as many of  
3 those yellow belts as we can to embed it throughout  
4 our culture, so that we're always at an individual and  
5 a team at a company level thinking and looking for  
6 ways to be more efficient.

7 MR. MILLER: Q Thank you. I'd like to move onto to a  
8 new topic now. Who do I address questions related to  
9 the MRS program and the provincial reliability  
10 coordination?

11 MS. FRASER: A You could probably address them to  
12 myself and maybe Mr. Morison. In terms of the  
13 reliability coordinator role, that would probably be  
14 better addressed to Charlotte Mitha.

15 MR. MILLER: Q So the questions I have are mainly  
16 towards budget for the program. So would that be this  
17 panel?

18 MS. FRASER: A Yes. No.

19 THE CHAIRPERSON: You have to check with your  
20 accountant.

21 MR. LAYTON: A I mean if it's a very high level  
22 question maybe, but generally each executive is  
23 prepared to speak to their budgets.

24 MR. MILLER: Q So why don't we start and see if we can  
25 get anywhere and if not you can put me -- or point me  
26 in the right direction for a future panel.





1 getting an answer here, I'm not sure.

2 MR. WONG: A Excuse me, we are going to look into it,  
3 we might have the response for this question.

4 So, Mr. Miller, I think there might be a  
5 number of IRs on the record on this topic, but I will  
6 reference one, which is BC Hydro's response to BCUC IR  
7 2.241.1, and in there we talk about why there are  
8 amounts in the application related to the two fiscal  
9 years.

10 MR. MILLER: Q So the query is really are there any  
11 fees in Fiscal 2021 being paid to Peak, and if you are  
12 not able to answer that specifically I can defer it to  
13 the next panel.

14 MR. LAYTON: A No, I think I can speak to it. In that  
15 IR we mention that costs related to Peak in Fiscal  
16 2021 are estimated at \$0.4 Million.

17 MR. MILLER: Q And what are those fees comprise? What  
18 are they for?

19 MR. LAYTON: A I think at that point we are beyond my  
20 depth on the matter.

21 MR. MILLER: Q So I have a series of questions relating  
22 to start-up and annual on-going costs. Should those  
23 be deferred to the next panel?

24 MR. LAYTON: A Yes.

25 MR. MILLER: Q Okay, so the whole series of questions  
26 then we will defer to the appropriate panel in the

1 future.

2 We are probably going to skip a bunch in  
3 the witness aid, because I no longer have any  
4 questions to unallocated funds, and I would like to  
5 confirm also -- and I spoke to your counsel on this,  
6 questions relating to vegetation management should be  
7 going to panel 4, the capital panel, correct?

8 MR. LAYTON: A That's correct.

9 MR. MILLER: Q Okay.

10 THE CHAIRPERSON: The capital panel?

11 MR. MILLER: Panel 4, the capital panel.

12 THE CHAIRPERSON: On vegetation maintenance?

13 MR. MILLER: On vegetation management.

14 MR. WONG: A Yes, they'll speak to maintenance costs as  
15 well.

16 THE CHAIRPERSON: Okay.

17 MR. MILLER: Q The next topic I'd like to address then  
18 is vacancy factor savings. And I think you need to  
19 jump to page 41 of the witness aid. Page 41 is page  
20 5-3 of the application, and in lines 1 and 2, BC Hydro  
21 makes the statement that it has,

22 "...achieved reductions in controllable costs  
23 through a variety of means, including vacancy  
24 factor savings..."

25 Correct?

26 MR. LAYTON: A Yes.

1 MR. MILLER: Q If we turn the page in the witness aid  
2 to page 42, which is table 5-6, in the top row under  
3 the description for vacancy factor savings, the first  
4 sentence states, "In previous years, some KBUs," And  
5 that's Key Business Units, correct?

6 MR. LAYTON: A Yes.

7 MR. MILLER: Q "...have reduced their labour budgets to  
8 recognize that positions will not remain filled  
9 100 percent of the time. ..."

10 Correct?

11 MR. LAYTON: A Yes.

12 **Proceeding Time 10:35 a.m. T26**

13 MR. MILLER: Q And,  
14 "The exact approach for identifying these  
15 reductions for each KBU is varied. In the test  
16 period, BC Hydro has taken a consistent approach  
17 to assessing each KBU and identifying any budget  
18 reductions associated with unfilled positions.  
19 Across all KBUs, labour budgets have been  
20 reduced by an additional \$5.6 million in total."

21 Correct?

22 MR. LAYTON: A Correct.

23 MR. MILLER: Q Now, if we can turn to page 44 of the  
24 witness aid. This is a response to BCUC IR 143.1 and  
25 on the bottom of the page, the last paragraph --  
26 excuse me. Oh, sorry, top of the page. It says,

1 "Vacancy factor savings are budget adjustments  
2 must take into account the fact that positions  
3 will not remain filled 100 percent of the time."

4 And that's similar to what you've said in the  
5 application, correct?

6 MR. LAYTON: A Yes.

7 MR. MILLER: Q Down at the last paragraph of the same  
8 response on page 44 of the witness aid, it says:

9 "The saving of \$5.6 million for each of fiscal  
10 2020 and fiscal 2021 is our estimated operating  
11 savings as a result of applying a consistent  
12 approach to labour analysis for all key business  
13 units."

14 And then it says:

15 "The approach entailed a review of historical  
16 operating labour expenditures, estimated future  
17 vacancies, and charge out expectations for each  
18 key business unit. Adjustments as appropriate  
19 were made to each key business unit's budget  
20 based on resulting data."

21 If we go to page to page 47 of the witness  
22 aid, in the response to BCUC IR 1.43.3.2, BC Hydro  
23 states:

24 "Our approach to vacancy factor savings is cost  
25 based rather than position by position vacancy  
26 duration estimates and while there may be a

1                   number of positions that are not filled 100  
2                   percent of the time...the vacancy factor is an  
3                   estimated aggregation of all partial year  
4                   vacancies."

5                   Correct?

6                   MR. LAYTON:    A    Correct.

7                   MR. MILLER:    Q    And if we turn the page to page 48 of  
8                   the witness aid, and this is a response to BCUC IR  
9                   2.230.8, in the last paragraph of the response on that  
10                  page BC Hydro states:

11                  "The estimated aggregation of all partial year  
12                  vacancies to determine the vacancy factor  
13                  savings for each KBU was assessed taking into  
14                  account historical operating labour  
15                  expenditures, estimated future vacancies, and  
16                  charge our expectations. As a result, the  
17                  vacancy factor savings applied to each KBU  
18                  varied based on judgement based assessment of  
19                  the factors noted above."

20                  Correct?

21                  MR. LAYTON:    A    Correct.

22                  MR. MILLER:    Q    Now considering -- this is the question  
23                  and thank you for all those confirmations. This is  
24                  the question, considering that the vacancy factor  
25                  saving was based on judgement, what methodology or  
26                  what factors were applied in making that judgement

1 amount of 5.6 million in savings?  
2 MR. LAYTON: A So I think it's exactly the factors that  
3 you just referenced in this IR, Mr. Miller, which is  
4 BCUC IR 2.230.8, and you'll see in there that we look  
5 at historical operating labour expenditures, estimated  
6 future vacancies and charge out expectations.

7 If I can add a little bit of colour to  
8 that, so if I was going to talk to a KBU manager, say  
9 Ms. Ryan, you would look at both the historical  
10 experience that her KBU has experienced, so in other  
11 words, it is a KBU that tends to have a lot of  
12 vacancies throughout the year or is it one that  
13 doesn't? But we also look at the future. In other  
14 words, we don't accept that the past is necessarily an  
15 indicator of the future. Perhaps there's a unique  
16 circumstance operating in Ms. Ryan's department coming  
17 up and she might say, for example, "I had a vacancy in  
18 this area last year, we didn't fill that for whatever  
19 reason but we're going to be filling it very soon."  
20 And so, yes, that position's been vacant but it's not  
21 going to continue that way.

22 **Proceeding Time 10:40 a.m. T27**

23 And so that would be one that we would look at and  
24 consider both -- in other words both the past and our  
25 expectations of the future.

26 Of course we don't have actual data for the

1 future. I can't go to Ms. Ryan and say, "How many  
2 vacancies will you have next year?" Don't know. We  
3 have to, again, look at historical data to help us and  
4 future expectations on the work and the circumstances  
5 in a given department, those are the two factors  
6 there.

7 And then the charge out expectations are,  
8 some workers charge to what we call "work," which may  
9 be capital in nature, and if we expect some of those  
10 percentages are going to be changing in a specific  
11 business, then we'd want to consider that as well as  
12 we build the vacancy factor for that KBU.

13 MR. MILLER: Q Thank you.

14 THE CHAIRPERSON: Just to follow up on that, Mr. Layton

15 --

16 MR. LAYTON: A Sure.

17 THE CHAIRPERSON: -- due to comparisons -- well, a  
18 couple of questions. First of all, do you do  
19 comparisons with other companies or does your HR  
20 consultant provide any -- you know, are there any --  
21 is there any published data around this? Because I'm  
22 -- it's an issue -- or not an issue, but it's a  
23 circumstance that's faced by almost every company.  
24 You don't always have your FTE's filled. I mean --

25 MR. LAYTON: A Absolutely.

26 THE CHAIRPERSON: Yeah.



1 MR. LAYTON: A Yeah, I'm not aware of any third-party  
2 data on this. There may well be. As you say, every  
3 company faces this challenge. Our approach was focus  
4 on our individual KBUs and their circumstances.

5 THE CHAIRPERSON: All right. And so just to confirm,  
6 again generally speaking, I'm not referring to a  
7 specific previous year, but generally speaking, prior  
8 to you including this calculation in -- or including  
9 this circumstance in your budget forecasting, your  
10 budget simply included -- or your budget provided for  
11 all of the FTE positions that you had available?

12 MR. LAYTON: A Except for the ones we mentioned. Some  
13 KBUs were doing this kind of approach in the past with  
14 the factor, but absent that, yes.

15 THE CHAIRPERSON: So absent that then, that would  
16 result in savings then that would arise. If you don't  
17 take this approach, then those saving would have gone  
18 to the shareholder, is that a fair statement,  
19 generally speaking?

20 MR. LAYTON: A All else equal, yes. I will say that  
21 some departments if they have vacancies will simply  
22 use contractors instead. And so that's a way where --  
23 that's a situation where you wouldn't have those  
24 savings in that case.

25 THE CHAIRPERSON: Because that money, the money that  
26 would have been spent on FTEs is spent on -- for

1 budget purposes is spent on contractors, so it's a  
2 wash.

3 MR. LAYTON: A Exactly, yes.

4 THE CHAIRPERSON: Do you have any idea then of over the  
5 past number of years how much has accrued to the  
6 shareholder as a result of this, of not doing this on  
7 an enterprise basis?

8 MR. LAYTON: A Well, again, I think we manage our  
9 budget on an overall basis and I think in -- it's  
10 either three or four, or four of the last five, I  
11 can't remember exactly which, we missed our net income  
12 target, and so the shareholders actually received less  
13 from us than they were expecting. So this is one  
14 piece of that puzzle. We do manage that as well as  
15 every other piece of our operating budget to --

16 THE CHAIRPERSON: Understood. But they would have  
17 received a little less than the less that they  
18 would've received were it not for --

19 MR. LAYTON: A I think I follow, yes.

20 THE CHAIRPERSON: Yes.

21 MR. LAYTON: A I think that's fair.

22 THE CHAIRPERSON: Thank you.

23 MR. MILLER: Q Mr. Layton, given the fact that -- and I  
24 think I understood this from your answer, there is  
25 some crystal ball gazing into the future about what  
26 you're expecting, and so that's part of the judgment

1           that you're applying, correct?

2 MR. LAYTON:    A    Yes.

3 MR. MILLER:    Q    And so given that --

4 MR. LAYTON:    A    Sorry, just to clarify, we don't  
5           actually have crystal balls. We're -- hopefully we're  
6           -- we're trying to use data. We're trying to make it  
7           as --

8 THE CHAIRPERSON:       We're disappointed.

9 MR. LAYTON:    A    We're trying to be as data focused as we  
10           can. As I mentioned, we'll look at historical data.  
11           We look into the future, but we base that on facts and  
12           information, not merely a guess or anything. I don't  
13           want to imply that it's that imprecise.

14 MR. MILLER:    Q    I didn't intend it was a literal crystal  
15           ball.

16 MR. LAYTON:    A    Thank you, I suspected so. Thank you.

17 MR. MILLER:    Q    But if there is some estimation about  
18           what's to happen in the future, which generally is  
19           tough to predict 100 percent accuracy, then there's  
20           likely to be some variation from your \$5.6 million  
21           vacancy amount, correct?

22 MR. LAYTON:    A    Correct.

23 MR. MILLER:    Q    And are you planning on measuring the  
24           variation from your 5.6 million in the next RRA  
25           application?

26 MR. LAYTON:    A    Absolutely. I think this is something



1 MR. LAYTON: A Yes.

2 COMMISSIONER MASON: It says "incremental." Do I  
3 interpret "incremental" as meaning savings over the  
4 base budget? Over the labour budget without the  
5 savings?

6 MR. LAYTON: A Yes, and that is why you'll see in  
7 Fiscal 2021 it's incremental zero, but that just means  
8 we are keeping those savings, we are not taking them  
9 away the next year, they just stay at 5.6 in Fiscal  
10 '21.

11 COMMISSIONER MASON: That was going to be my next  
12 question. Is the 2021 incremental to 2020?

13 MR. LAYTON: A Yes.

14 COMMISSIONER MASON: So why wouldn't -- thank you for  
15 that clarification. Why wouldn't you show a savings  
16 of 5.6 million in that year as well? Maybe I am just  
17 misinterpreting?

18 MR. LAYTON: A It's just a different presentation. We  
19 could easily do a relative to before the RRA, and in  
20 each year it would show 5.6 and 5.6.

21 COMMISSIONER MASON: Okay, but just for clarity, you are  
22 expecting --

23 MR. LAYTON: A Absolutely.

24 COMMISSIONER MASON: -- savings in both years?

25 MR. LAYTON: A Yes indeed.

26 COMMISSIONER MASON: Thank you.

1 THE CHAIRPERSON: I'm looking at 11 o'clock for a  
2 break. I see you looking at the clock, if that's  
3 okay.

4 MR. MILLER: Well, I was just going to make the  
5 comment, Mr. Chair, that I am moving much quicker than  
6 I had anticipated, and I am about to move on to a new  
7 topic. So we could either break at 11, or we could  
8 break for a brief break now, I am in your hands.

9 THE CHAIRPERSON: But you are not going to be finished  
10 by 11?

11 MR. MILLER: No, I won't be finished.

12 THE CHAIRPERSON: Okay, let's wait. If you can work a  
13 break in at 11 that would be good, thank you.

14 MR. MILLER: Q My next series of questions relate to  
15 standard charges. So who would I direct those to?

16 MS. FRASER: A Standard labour charges?

17 MR. MILLER: Q No, standard -- well, I guess it's  
18 partly labour. Let me ask the question and then you  
19 can tell me who to address it to.

20 If we go to page 69 of the handout, there  
21 is a section called "Standard charges", and it refers  
22 to BC Hydro's electric tariff, and it's schedule of  
23 standard charges?

24 MS. FRASER: A I can answer those.

25 MR. MILLER: Q You can answer these? Okay. Now, if we  
26 go to the first paragraph, and this is, just for

1 reference sake, this is page 2-27 of the application.

2 It says,

3 "Section 11 of BC Hydro's Electric Tariff  
4 includes its Schedule of Standard Charges. Some  
5 of these charges were last approved by BCUC  
6 order number G-5-17 to BC Hydro's 2015 Rate  
7 Design..."

8 It says,

9 "...BC Hydro proposed to regularly review its  
10 Standard Charges and to propose changes as  
11 required in the upcoming revenue requirements  
12 application so that the charges would remain  
13 current."

14 Correct?

15 MS. FRASER: A Correct.

16 MR. MILLER: Q And then in the next paragraph you make  
17 the comment that you're not proposing any update to  
18 standard charges in the current application, and you  
19 also note that BC Hydro recently repatriated customer  
20 services function from Accenture, and is still  
21 identifying the costs of tasks involved in the account  
22 charge, return payment charge and minimum connection  
23 charge, correct?

24 MS. FRASER: A Correct.

25 MR. MILLER: Q Okay, and that's a spill over onto page  
26 70 of the witness aid.

1 **Proceeding Time 10:49 a.m. T29**

2 So when does BC Hydro expect to have  
3 sufficient information in order to identify the costs  
4 of tasks related to account charge, return payment  
5 charge and minimum reconnection charges?

6 MS. FRASER: A I actually don't have an exact date of  
7 when we'll have the information. I can certainly  
8 check to see --

9 MR. MILLER: Q Just roughly what do you anticipate?

10 MS. FRASER: A Well, I would imagine that we would want  
11 to have enough data from the repatriation as the --  
12 you know, we're still working through what the savings  
13 will be that BC Hydro will see. So, you know, I would  
14 gather that it would be a year or two.

15 MR. MILLER: Q Okay.

16 MS. FRASER: A But it's something that -- something  
17 that we review on a monthly basis, how we're doing  
18 with the repatriation specifically of the contact  
19 centre, because we have seen actually that we've been  
20 able to achieve more savings by repatriating than  
21 originally thought, so.

22 But I don't have an exact date.

23 MR. MILLER: Q Oh, that was fine. Your response was  
24 fine.

25 On page 70 the handout, which is page 2-28  
26 of the application, there's another comment made with



1           respect to additional charges. It says -- this is  
2           lines 3 to 5. It says:

3                       "BC Hydro plans to review and file separate  
4                       applications related to the methodologies  
5                       for calculating the service connection,  
6                       Meter Choices Program and Net Metering  
7                       related Standard Charges, in the future."

8           Correct?

9           MS. FRASER:    A    Correct.

10          MR. MILLER:    Q    Now, BC Hydro currently has an  
11          application with respect to net metering in front of  
12          the Utilities Commission. Correct?

13          MS. FRASER:    A    Correct.

14          MR. MILLER:    Q    And to my understanding, but you may  
15          have a better understanding, the application does not  
16          include a review of the methodology for calculating  
17          the net metering standard charges.

18          MS. FRASER:    A    Correct. In the net metering  
19          application that is in front of the Commission, we  
20          look to address some of the issues related to net  
21          metering, specifically the overbuilding that we saw  
22          some customers doing in terms of the amount of net  
23          metering and technology and capacity that they were  
24          putting in. We wanted to address high impact issues  
25          first and we may follow up with another application in  
26          the future.

1 MR. MILLER: Q Is there any anticipated timing with  
2 respect to that future application?

3 MS. FRASER: A I don't have that information in terms  
4 of timing. I think once we get through the net  
5 metering application process that's in front of the  
6 Commission, then we'll look to the next phase.

7 MR. MILLER: Q Okay, new topic then. This is Exhibit  
8 B-29. This was filed last week, where BC Hydro  
9 provided updates on changes to six technology capital  
10 projects and also referred to the cancellation of the  
11 Metro North transmission project. Correct?

12 MR. LAYTON: A Correct.

13 MR. MILLER: Q So in that document, BC Hydro states  
14 that any changes in capital expenditures or additions,  
15 including resulting amortization, for the test period  
16 associated with these updates will be managed within  
17 the amounts that were included in the application,  
18 correct?

19 MR. LAYTON: A Correct.

20 MR. MILLER: Q And actually the letter is found at page  
21 68 of the witness aid.

22 Do you have any idea of what the dollar  
23 amount impact to the revenue requirement is as a  
24 result of these changes for the six technology  
25 projects?

26 MR. LAYTON: A I do not offhand. You have to do some

1 math to assess that.

2 MR. MILLER: Q So perhaps you can do this in an  
3 undertaking. Can you provide the impact to the  
4 revenue requirement broken down by expense categories  
5 such as amortization expense, financing charges, and  
6 operating expenses? Is that possible?

7 **INFORMATION REQUEST**

8 MR. LAYTON: A I think so. If I can clarify, Mr.  
9 Miller, I think what we're saying here is that we're  
10 seeking not to impact the revenue requirement on the  
11 capital side. So to be responsive to your question I  
12 think what it would show is that these project in  
13 isolation, how much of the expected incremental costs  
14 related to these updates in this letter. Would that  
15 be responsive to your question?

16 MR. MILLER: Q Staff would like to know what the impact  
17 would have been had you chosen to include in the  
18 revenue requirement.

19 MR. LAYTON: A Thank you. I think we are saying the  
20 same thing.

21 MR. MILLER: Q Okay. Commission Morton, I note we're  
22 not quite at 11:00, but this is probably a convenient  
23 time to break.

24 THE CHAIRPERSON: Okay, let's come back at ten past  
25 eleven then. Thanks.

26 **(PROCEEDINGS ADJOURNED AT 10:55 A.M.)**



1 MR. MILLER: Q And we go to page 88 of the witness aid,  
2 this is a response to BCUC IR 1-150-1. BC Hydro also  
3 confirmed that it defers all of its DSM expenditures  
4 to the DSM regulatory account, correct?

5 MR. LAYTON: A Correct.

6 MR. MILLER: Q Now, during yesterday afternoon's  
7 testimony, I think this was in response to a question  
8 asked by Clean Energy, BC Hydro stated there are  
9 various DSM related activities that are done outside  
10 of the conservation and management team such as  
11 marketing and sale of the DSM programs. And BC Hydro  
12 indicated, I believe, that these costs are then  
13 transferred to DSM via an accounting allocation. Is  
14 that correct?

15 MS. FRASER: A Correct.

16 MR. MILLER: Q Is it fair to say that there are costs  
17 for activities deferred to the DSM regulatory account  
18 that are not directly involved in an installed DSM  
19 measure such as marketing, sales, public awareness  
20 programs, education and outreach?

21 MS. FRASER: A I think that all of the costs that go  
22 into the DSM regulatory account meet the definition  
23 that you just read out.

24 MR. MILLER: Q So all the costs are recorded in,  
25 they're not recorded outside, is that right?

26 MS. FRASER: A The costs associated with DSM

1 activities, including the public awareness, et cetera,  
2 are recorded in the DSM regulatory account.

3 THE CHAIRPERSON: I'd just like to clarify some wording  
4 here because the word "marketing" has been used and  
5 the word "public awareness program" has been used, but  
6 I don't see word "marketing" appearing in Direction 7.  
7 So, are we using the term "marketing" and "public  
8 awareness program" interchangeably?

9 MS. FRASER: A Yes. Yes, so when I'm referring to  
10 marketing I am meaning the conservation programs that  
11 you see on media and social media where we're  
12 promoting conservation and energy management.

13 THE CHAIRPERSON: Thank you.

14 MR. MILLER: Q You may need to do this as undertaking,  
15 but can you tell the panel what the forecast cost of  
16 the activities such as marketing, sales, public  
17 awareness, education and outreach are during the test  
18 period?

19 MS. FRASER: A I can take that as an undertaking or you  
20 may want to ask the panel number 5.

21 MR. MILLER: Q We'll direct it towards panel 5, thank  
22 you.

23 **Proceeding Time 11:15 a.m. T33**

24 Now, if we can turn to page 89 of the  
25 witness aid, and this is a copy of page 10-37 of the  
26 application. And at the top of the page there's Table

1           10-14 which shows the average measure life in years of  
2           its DSM portfolio for the test period, correct?

3 MS. FRASER:    A    Correct.

4 MR. MILLER:    Q    And in footnote 371 down at the bottom  
5           of the page, the first footnote, BC Hydro states:

6                   "The average measure life is based on the  
7                   median number of years that the measure is  
8                   installed is still in place and operable."

9           Correct.

10 MS. FRASER:    A    Correct.

11 MR. MILLER:    Q    Can you confirm whether the measure life of  
12           activity such as marketing, public awareness,  
13           education, and outreach are included in the average  
14           measure life in Table 10-14?

15 MS. FRASER:    A    I am unable to provide that information,  
16           but again Panel 5 will be able to.

17 MR. MILLER:    Q    So maybe we'll defer the rest of these  
18           questions because they are related. Or maybe I can  
19           try them with you.

20                   With respect to the activity such that we  
21           just mentioned, this group of activities, marketing,  
22           public awareness et cetera, are there any direct  
23           energy savings that can be measured with these type of  
24           activities?

25 MS. FRASER:    A    Again, probably better to ask Panel 5.

26 MR. MILLER:    Q    Fair enough. New topic, real property

1 sales regulatory account. And we should go to page 71  
2 of the witness aid. Page 71 is a copy of page 7-41 of  
3 the application. At line 13 of page 7-41 of the  
4 application, BC Hydro states:

5 "Since fiscal 2015 BC Hydro has been  
6 preparing surplus properties for sale."

7 Now, Direction 7, which we've referred to earlier and  
8 it's at page 74, required the BCUC to establish a real  
9 property sales regulatory account to defer the  
10 variances between actual and forecast real property  
11 gains and losses, correct?

12 MR. LAYTON: A Correct.

13 MR. MILLER: Q And the regulatory account was then  
14 established with interest to be applied to the account  
15 based on BC Hydro's weighted average cost of debt,  
16 correct?

17 MR. LAYTON: A Correct.

18 MR. MILLER: Q Now, in the application, and this page  
19 72 of the witness aid, this is lines 3 and 4, BC Hydro  
20 states:

21 "If this regulatory account was discontinued  
22 at the end of fiscal 2019 then the balance  
23 would be amortized into rates starting in  
24 F2020 but instead, if this account was  
25 maintained, it would mean that the exiting  
26 account balance would not be borne by  
ratepayers."



1           Actually that goes through line 9. Do you see that?

2 MR. LAYTON:    A    I do.

3 MR. MILLER:    Q    Okay. Now, in the evidentiary update  
4           which is on page 76 of the handout, this is under  
5           column -- sorry, row 10. It's real property sales.  
6           The amount in that account at the end of fiscal 2019  
7           is 49 million, is that correct?

8 MR. LAYTON:    A    That's correct.

9 MR. MILLER:    Now, can you clarify what is meant by the  
10           phrase "borne by ratepayers"?

11 MR. LAYTON:    A    Yes, the real property sales account,  
12           the idea here is that in the former ten year rates  
13           plan BC Hydro committed to achieving \$100 million of  
14           sales of surplus properties and provide that benefit  
15           to ratepayers over the period ending in fiscal 2024.  
16           And so I think what we're talking about here is that  
17           there is a balance in that account, as Mr. Miller  
18           enunciate, \$49 million at the end of fiscal '19 and  
19           if -- well, when we achieve the targeted \$100 million  
20           of sales over the next five years, up to fiscal 2024,  
21           as we've said in the application, subject to interest,  
22           that account should self -- what we call self-clear.  
23           In other words, the balance at the end again, only  
24           subject to interest at the moment, would be zero  
25           because we will have achieved \$100 million in gains  
26           and ratepayers would have got that benefit.

1 MR. MILLER: Q Thank you.

2 THE CHAIRPERSON: Are you finished with that topic, Mr.  
3 Miller? Could I just ask a follow-up question.

4 MR. MILLER: Yes.

5 THE CHAIRPERSON: So Direction 8 states that the balance  
6 is recoverable but it doesn't state that it must be  
7 recovered. Is that -- on March 31<sup>st</sup>, 2019?

8 MR. LAYTON: A I'm looking at my counsel here.

9 MR. GHIKAS: Maybe I could just ask a clarification  
10 question about -- are you emphasizing the date there  
11 or are you emphasizing the recoverability, full stop?

12 THE CHAIRPERSON: The date. The larger question is --  
13 maybe I'm misunderstanding this, but Direction 8 says  
14 that on a certain date it's recoverable but you are  
15 not to recover it and you're proposing instead to  
16 leave the balance and let it decline against future  
17 gains.

18 **Proceeding Time 11:21 a.m. T34**

19 MR. LAYTON: A As we have the sales, yes.

20 THE CHAIRPERSON: So I am just wondering does Direction  
21 8 give you the discretion to do that?

22 MR. GHIKAS: So as I understand it, I am just flipping  
23 to see what page that direction was on, this package.  
24 Do you remember what page it was, Paul?

25 MR. MILLER: 75?

26 MR. GHIKAS: Thank you.

1 MR. LAYTON: A I think I can actually take a shot at  
2 this, and then maybe let my lawyer correct me, if we  
3 can try that?

4 THE CHAIRPERSON: If that's okay with your lawyer, go  
5 for it. You don't have to check with your accountant,  
6 at least.

7 MR. GHIKAS: So, as I understood it, what that's  
8 actually doing in the cost recovery, you are talking  
9 about Direction 8 now?

10 THE CHAIRPERSON: Well, page 72 it states, "pursuant to  
11 Direction 8, the existing balance in this regulatory  
12 account as of March 31<sup>st</sup>, 2019, is recoverable from  
13 ratepayers." So I just want some clarification about  
14 what that actually means.

15 MR. GHIKAS: Okay, so I am with you. I have the  
16 section here. So what it's saying is, that the  
17 accrued balance up to that date is recoverable.

18 THE CHAIRPERSON: Okay, but not necessarily on that  
19 date?

20 MR. GHIKAS: That's right. And so it just must -- the  
21 Commission is directed to allow recovery of that  
22 balance. My submission to you is that you retain the  
23 discretion to determine how it is recovered, and over  
24 what period.

25 THE CHAIRPERSON: And what you are requesting is that  
26 we leave it in there, and let it decline as the gains

1 roll in, so to speak? Is that --

2 MR. LAYTON: A Yes.

3 THE CHAIRPERSON: Thanks for the clarification.

4 MR. MILLER: Q If we go to page 71 of the witness aid  
5 again? The second paragraph under the heading "real  
6 properties sales regulatory accounts," it's lines 10  
7 to 12. It says,

8 "The timing of the completion of real estate  
9 transactions is difficult to forecast  
10 accurately, and that this regulatory account  
11 would smooth the recognition of gains and losses  
12 from real property sales that could otherwise  
13 impact rates in a particular year,"

14 Correct?

15 MR. LAYTON: A Correct.

16 MR. MILLER: Q And so the main purpose of this account  
17 is to smooth out gains and losses from real property  
18 sales, is that right?

19 MR. LAYTON: A Essentially, yes. And to provide a  
20 vehicle to ensure that when those sales do occur,  
21 ratepayers get the benefit.

22 MR. MILLER: Q And since 2015 when this account was  
23 approved, about 50 million has been credited to  
24 ratepayers at the rate of 10 million per year,  
25 correct?

26 MR. LAYTON: A Correct.

1 MR. MILLER: Q And that treatment, or the crediting of  
2 roughly 10 million a year, has had the effect of  
3 reducing the overall revenue requirement and rate  
4 increases for BC Hydro customers, correct?

5 MR. LAYTON: A That's correct.

6 MR. MILLER: Q And you are proposing to continue this  
7 for another five years, correct?

8 MR. LAYTON: A That's correct.

9 MR. MILLER: Q Okay. Page 78 of the witness aid. The  
10 second full paragraph, not including the indented  
11 paragraphs at the top of the page. This is a response  
12 to BCUC IR 3-299-3. BC Hydro states, that

13 "It has recognized annual cumulative gains of  
14 4.4 million prior to F2020. And to reach BC  
15 Hydro's revised net gains target of 100 million,  
16 it is forecasting gains of 95.6 million between  
17 F2020 and F2024, which would self-clear this  
18 regulatory account subject to interest charges."

19 Correct?

20 MR. LAYTON: A Correct.

21 MR. MILLER: Q So tell me if what I am going to state  
22 is wrong. Over the last five years BC Hydro has  
23 forecast a cumulative net gain from property sales of  
24 50 million, but has only actually realized \$4.4  
25 million of net gains, correct?

26 MR. LAYTON: A That's correct, and in our evidence, I

1 don't have it at my fingertips, but we've explained  
2 some of the reasons why we absolutely would have liked  
3 to see more gains by now. But what we've seen is that  
4 in preparing properties for sale and actually going to  
5 the market, and working with groups like First Nations  
6 that we consult with when trying to facilitate these  
7 kinds of transactions, it has been challenging to  
8 actually conclude the transactions so far.

9 **Proceeding Time 11:27 a.m. T35**

10 What we said very clearly and very strongly I think in  
11 our evidence is that we're absolutely committed to  
12 achieving the \$100 million for ratepayers by the end  
13 of Fiscal 2024 and we will do so. And so I take your  
14 point that we haven't seen the gains yet, but what  
15 we're saying very clearly is we're still committed to  
16 achieving those gains, our \$100 commitment still  
17 stands, and when we achieve those, that will be to the  
18 benefit of ratepayers.

19 MR. MILLER: Q I wasn't making any point so far, I was  
20 just reading what was there.

21 MR. LAYTON: A Okay, thank you.

22 MR. MILLER: Q Now, gains of approximately 95.6 million  
23 between F2020 and F2024 would be approximately 20  
24 times higher than the 4.4 million you've actually  
25 realized between F2015 and F2019, correct?

26 MR. LAYTON: A Yes.

1 MR. MILLER: Q And there's no guarantee that gains from  
2 future property sales will occur or materialize. I  
3 mean it may well be probable, but there's no  
4 guarantees, correct?

5 MR. LAYTON: A I agree with that, yes. As I said,  
6 we're committed to that target, but there's never a  
7 guarantee.

8 MR. MILLER: Q Now, on page 79, which is the response  
9 to, again, to BCUC IR 3-299.3, BC Hydro states that:  
10 "In the absence of this regulatory account, the  
11 net gains would be to the account of the  
12 shareholder."

13 correct?

14 MR. LAYTON: A Correct.

15 MR. MILLER: Q Now, prior to the creating of this  
16 regulatory account, were the net gains and losses  
17 going to the account of the shareholder?

18 MR. LAYTON: A I believe so, yes.

19 MR. MILLER: Q Now, on page 79 of the witness aid,  
20 which is again a copy of the response to BCUC IR 3-  
21 299.3, in the third paragraph on the page, it says:

22 "BC Hydro does not consider the period between  
23 Fiscal 2020 and Fiscal 2024 over which time the  
24 account is expected to sell clear subject to  
25 interest charges to create material  
26 intergenerational equity issues."

1 Correct?

2 MR. LAYTON: A Correct.

3 MR. MILLER: Q Now, do you agree that to promote  
4 intergenerational equity it's important to accurately  
5 reflect gains and losses within a relatively close  
6 timeframe to when those gains and losses occur?

7 MR. LAYTON: A I think so. And I think, again, the  
8 program was always a ten-year program, so that was  
9 always the timeframe under which we were operating,  
10 but I agree with your suggestion, yes.

11 MR. MILLER: Q I wasn't making any comment, I just  
12 wondered if you agree with the general statement.

13 MR. LAYTON: A Yeah, I do.

14 MR. MILLER: Q And then, just generally, delaying  
15 benefits to ratepayers when the benefits actually  
16 occur promotes intergenerational equity, correct?

17 MR. LAYTON: A Sorry, can you repeat that, Mr. Miller?

18 MR. MILLER: Q Do you agree that delaying benefits to  
19 ratepayers to when the benefits actually occur – so  
20 matching them – promotes intergenerational equity  
21 generally?

22 MR. LAYTON: A Yes.

23 MR. MILLER: Q And do you agree that if BC Hydro  
24 continues its approach of forecasting gains of 10  
25 million every year and it encounters further  
26 difficulties or hurdles when selling properties,





1 I think the question as phrased is asking about the  
2 legal requirements of consultation and so perhaps if I  
3 could ask my friend to rephrase it.

4 MR. MILLER: I could rephrase.

5 MR. GHIKAS: Thank you.

6 MR. MILLER: Q Is it BC Hydro's policy to go to First  
7 Nations to determine if they want to acquire surplus  
8 properties when they are going to be disposed of?

9 MR. LAYTON: A I'm a little out of my depth on this. I  
10 would suggest probably this is a question for Mr.  
11 Leonard coming up on Panel 4. Thank you.

12 MR. MILLER: Q Let's put that aside then, but let's  
13 focus on the four items that are bulleted on the  
14 response on page 82. Would you agree that some of  
15 these contributing factors also create additional  
16 unanticipated costs for BC Hydro?

17 MR. LAYTON: A Yes.

18 MR. MILLER: Q And these increased or possible  
19 increased costs could result in lower net gains from  
20 sales than originally forecast.

21 MR. LAYTON: A They could, but again, our commitment is  
22 \$100 million in net gains, so net of any costs that we  
23 incur to achieve those. It's net \$100 million.

24 MR. MILLER: Q Now, in response to BCUC IR 299.7, BC  
25 Hydro provided a confidential list of properties that  
26 will be sold to achieve the \$100 million in net gains

1           by the end of 2024. My question is, is the increase  
2           in net gains from 50 to 100 million due to the  
3           increase in the value of properties to be sold, or has  
4           the number of properties increased, or is it a  
5           combination of both?

6 MR. LAYTON:    A    So I can speak to part of that. Part of  
7           it I think you'll want to talk to Mr. Leonard about.  
8           I can speak to the increase from 50 to 100 million  
9           dollars. That was a commitment that we made. The  
10          initial commitment was \$50 million and then we  
11          increased it to 100 and that's because, in  
12          consultation through the rates plan that's what we  
13          thought we could achieve and we thought we could  
14          deliver that value to ratepayers.

15                    The number of properties and the reasons  
16                    why and so on, those are questions that Mr. Leonard  
17                    will be able to answer for you.

18 MR. MILLER:    Q    Okay. Now, there's a difference between  
19           -- when you sell a property between net proceeds and  
20           net gains, correct? Or is this a question for Panel  
21           4?

22 MR. LAYTON:    A    That's probably a question for me. I'm  
23           not sure of the answer to that.

24 MR. MILLER:    Q    Okay, so in a confidential IR, BC Hydro  
25           -- and it's in its Exhibit B-16-1 and BCUC IR 2.99.7  
26           which is confidential, BC Hydro provided a schedule



1 Mr. Leonard. He leads, among other things, our  
2 properties function and could speak to that.

3 MR. MILLER: Q Can you speak to whether "surplus" means  
4 no longer used and useful?

5 MR. LAYTON: A I cannot.

6 MR. MILLER: Q Okay. I think then that probably the  
7 balance of the questions should go to panel 4, you  
8 said, correct?

9 MR. LAYTON: A Yes.

10 MR. GHIKAS: I think also I would just note for future  
11 reference, I think a question about whether something  
12 is used and useful is actually a legal question that  
13 involves a legal interpretation to some degree. So,  
14 questions that involve the factual issues about  
15 whether something's in use or not I think are  
16 completely appropriate but just when they're worded  
17 like that it creates some problems.

18 THE CHAIRPERSON: Okay. Well, perhaps Mr. Miller could  
19 rephrase when he puts the question to panel 4 then,  
20 please.

21 MR. MILLER: We'll address it in panel 4.

22 THE CHAIRPERSON: Okay, thank you.

23 MR. MILLER: Q Next series of questions is with respect  
24 to the debt management regulatory account.

25 THE CHAIRPERSON: Sorry, we just go -- can I ask?

26 MR. MILLER: Sure.

1 THE CHAIRPERSON: Without -- you know, I appreciate  
2 some part of this question may be more appropriate for  
3 panel 4, but to the extent that what's driving this  
4 disposition of property is need to dispose of it for  
5 whatever reason, then it's possible that you could  
6 incur losses and I'm wondering what happens to losses  
7 if they occur. Would they go into this account also?

8 MR. LAYTON: A It is about achieving net gains and I  
9 think --

10 THE CHAIRPERSON: Then you can adjust the timing  
11 accordingly if that's the driver.

12 MR. LAYTON: A Yeah, and I think Mr. Leonard probably  
13 would give a better answer than I might, but I suspect  
14 what he would say is that we wouldn't as part of this  
15 program sell something if we were going to incur a  
16 loss because it wouldn't contribute to the achievement  
17 of the program.

18 THE CHAIRPERSON: But if there were a loss for whatever  
19 reason, just from strictly the accounting answer to  
20 the question, is it would go into this account, is  
21 that correct?

22 MR. LAYTON: A I'd just like to read the original  
23 direction. I think the answer to your question,  
24 Commissioner, is yes.

25 THE CHAIRPERSON: Thank you. Thank you, Mr. Miller.

26 COMMISSIONER FUNG: Mr. Miller, may I just ask a

1 question to follow up to Mr. Layton?

2 If contrary to BC Hydro's commitment to  
3 achieve \$100 million of net gains from property sales  
4 by the end of 2024 and there's a large balance  
5 remaining in that account as a result of the  
6 Commission agreeing for you to continue the current  
7 practice, what is BC Hydro's current expectation as to  
8 what happens to that balance at the end of 2024?

9 MR. LAYTON: A I'm not sure we have turned our mind to  
10 that, Commissioner, because I think, as I said, we're  
11 very committed to achieving that. Thinking aloud, I  
12 think under the direction the Commission is required  
13 to let us recover the balance at the end of Fiscal  
14 2019, I think, again thinking aloud without prejudging  
15 how we might deal with that in a future set of  
16 proceedings, but I think I might take a view that  
17 perhaps we would seek to extend the program to ensure  
18 that we did achieve that project. In other words, so  
19 that we would not be in a position where we would be  
20 recovering from ratepayers when we didn't deliver on  
21 our commitment.

22 COMMISSIONER FUNG: And in that event would you agree  
23 with Mr. Miller's characterization that would raise  
24 the issue of intergenerational inequity?

25 MR. LAYTON: A At some point, yes, absolutely.

26 COMMISSIONER FUNG: Okay, thank you.

1 COMMISSIONER LOCKHART: Mr. Layton, so in terms of  
2 either \$100 million in value or the number of  
3 properties, can you give us a sense of what proportion  
4 are subject to First Nations consultations?

5 MR. LAYTON: A I cannot. Again, I think Mr. Leonard  
6 will be happy to answer that question for you.

7 COMMISSIONER LOCKHART: Thank you.

8 MR. MILLER: Q My next topic is with respect to the  
9 debt management regulatory account. And if you can  
10 turn to pages 90 through 93 of the witness aid, these  
11 are excerpts from the application for approval -- the  
12 application for approval of the debt management  
13 regulatory account. And they are pages 3, 6, 7 and  
14 10. And that should be marked as Exhibit A2-6.

15 **Proceeding Time 11:42 a.m. T38**

16 (EXCERPT FROM BC HYDRO APPLICATION FOR APPROVAL OF  
17 DEBT MANAGEMENT REGULATORY ACCOUNT, PAGES 3, 6, 7 AND  
18 10 MARKED EXHIBIT A2-6)

19 MR. MILLER: Q Now, when the debt management regulatory  
20 account was approved in 2016, BC Hydro stated in the  
21 application, and it starts at line 7 on page 90 of the  
22 witness aid, that the regulatory account is necessary  
23 to capture market-to-market gains and losses from  
24 future debt hedges as existing accounting options  
25 available to BC Hydro under prescribed standards,  
26 namely mark to market accounting, and hedge



1           accounting, could give rise to the following two  
2           undesirable consequences. And the first is,  
3           intergenerational inequity and rates, and rate  
4           volatility, and the second is increased overall debt  
5           load and finance charges as a result of impacts on  
6           dividends. Correct?

7   MR. LAYTON:    A    Yes.

8   MR. MILLER:    Q    Now, in the application, and this is  
9           page 93, lines 9 through 16, BC Hydro states that,  
10           "One of the pros in using this regulatory  
11           account compared to the two other accounting  
12           options available is that the amounts amortized  
13           out of this regulatory account would be included  
14           in finance charges. And these finance charges  
15           would be eligible for inclusion in the  
16           calculation of interest during construction,  
17           otherwise known as IDC, to the extent the debt  
18           relates to capital projects,"

19           Correct?

20   MR. LAYTON:    A    Correct.

21   MR. MILLER:    Q    Now, am I correct that interest during  
22           construction can be capitalized and included in the  
23           capital costs of the asset under construction and  
24           thereby recovered through rates over the life of the  
25           capital asset?

26   MR. LAYTON:    A    Yes.

1 MR. MILLER: Q And that helps to better match costs and  
2 benefits for customers, correct?

3 MR. LAYTON: A It does.

4 MR. MILLER: Q Now, in the current revenue requirement  
5 application, and this is on page 94 of the handout, in  
6 lines 16 through 18, it is stated that as a result of  
7 adopting IFRS 14, interest during construction cannot  
8 include de-amortization of the debt management  
9 regulatory account, correct?

10 MR. LAYTON: A Correct.

11 MR. MILLER: Q Since interest during construction can  
12 no longer be included in the amortization, can you  
13 confirm that the debt management regulatory account is  
14 still achieving its intended purpose and is still the  
15 best option compared to other options available to  
16 mitigate the two undesirable consequences?

17 MR. LAYTON: A Yes.

18 MR. MILLER: Q Yesterday I believe it was Mr. Keen  
19 referred you to an attachment to BCUC panel IR 2.17.3,  
20 and that's Exhibit B-31 dealing with future debt  
21 hedges? Sorry, this one is not in the handout, do you  
22 have it?

23 MR. LAYTON: A I have it, thank you, yes.

24 MR. MILLER: Q So, the first question is, where do the  
25 interest rates on the right-hand column of the table  
26 represent?

**Proceeding Time 11:46 a.m. T39**

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MR. LAYTON: A So those are the rates on the hedges.

MR. MILLER: Q The rates on the hedges?

MR. LAYTON: A Yes, the hedge contracts.

MR. MILLER: Q Can you turn to the Panel IR 2.17.4 of Exhibit B-31? Let me know when you're there.

MR. LAYTON: A We're there, thank you.

MR. MILLER: Q I understand that IR response to make two points. The first is the effective interest rate is 3.02 percent and the hedged interest rate is 3.36 percent. Is that correct?

MR. LAYTON: A Yes.

MR. MILLER: And so if you go to the column that says "settlement value", which is I think the fifth or the sixth column on the Table to 217.3, or the attachment. It's the same table I was asking you what do the rates represent on the right side, right-hand column.

MR. LAYTON: A And sorry, which line are you one?

MR. MILLER: Q The line is "Hedges placed during 2018" and particularly "2017-9-28". There the rate is 16.7. That doesn't seem to match -- or sorry, 2.5 -- sorry, on the right-hand side, 2.57. Excuse me, the table that says on the right-hand table -- sorry, right-hand column for the same timeframe.

So forget the settlement value, go right over to the right side of the page. It's 2.57



1 about amortization and interest rates, debt interest  
2 rates on long-term debt. And I think you said that  
3 you can't associate any particular interest rate or  
4 any particular debt issuance with a particular project  
5 or an asset. Did I hear you correctly?

6 MR. LAYTON: A That's correct.

7 THE CHAIRPERSON: So that would seem to be inconsistent  
8 with the statements made in the DMRA application,  
9 where you are identifying specific debt with a  
10 specific project.

11 MR. LAYTON: A Yeah, I mean the way we do the debt  
12 issuance is, is we take a look at our cash flow  
13 forecasts in future years. And so we take our capital  
14 plan and our operating income as such, and say, "Okay,  
15 this is our net cash expenditures."

16 **Proceeding Time 11:51 a.m. T40**

17 At that point then we need to determine  
18 when we need to issue debt, and then that  
19 determination is what then drives us to say, okay,  
20 well if we need to issue a debt in this particular  
21 year, say for ten years, then we're going to add an  
22 interest rate hedge associated with that. We don't go  
23 through and say, okay, well this particular piece of  
24 debt is for, let's say, the Site C project or this  
25 particular debt is for the PRES project, it's all just  
26 done on a portfolio basis.

1 THE CHAIRPERSON: So do all interest costs go into IDC  
2 then?

3 MR. WONG: A Okay, so -- sorry, I understand your  
4 question then. So we issue debt, then accounting  
5 rules say when you do a capital project you're allowed  
6 to capitalized interest associated with borrowing to  
7 develop that asset.

8 THE CHAIRPERSON: I understand that concept.

9 MR. WONG: A Yeah. And so we're not saying, oh, we've  
10 identified this particular piece of debt that goes to  
11 that project, it's more of a concept that, okay, we  
12 spend a billion dollars on a capital project, we have  
13 to go borrow money, that billion dollars, in order to  
14 --

15 THE CHAIRPERSON: But how do you know what interest  
16 rate you've borrowed it at if you can't associate that  
17 with a particular piece of data?

18 MR. WONG: A Yeah, so -- exactly. So we use a weighted  
19 average cost of debt. So we look at our entire  
20 portfolio and what our weighted average costs of the  
21 entire portfolio debt is to allocate that cost of  
22 interest to capitalize.

23 THE CHAIRPERSON: So your answer to Mr. Austin  
24 yesterday could arguably have included that nuance  
25 then, because you do in fact associate interest rate  
26 costs with capital projects and you use a weighted

1 average cost of debt to do that.

2 MR. WONG: A Yeah. And that's against the entire  
3 portfolio of debt. There's no specific individual.

4 THE CHAIRPERSON: Right. Yeah.

5 MR. WONG: A And that was the distinction I was trying  
6 to make there.

7 MR. MILLER: Q Thank you.

8 MR. WONG: A Yeah.

9 THE CHAIRPERSON: And second, second, I just would like  
10 some confirmation that as Mr. Miller pointed out -- or  
11 he questioned whether the debt management account is  
12 still, you know, useful I suppose, or is still  
13 achieving its intended purpose because of this IFRS  
14 rule, and the difference between what was then and  
15 what is now is that you've adopted IFRS since the  
16 application for the deferral account. I just want to  
17 confirm that that's the case. That this IFRS standard  
18 didn't apply at the time you -- to BC Hydro at least,  
19 or it didn't exist, I don't know, one of the two, at  
20 the time you applied for the account. Is that  
21 correct?

22 MR. LAYTON: A That's correct. And the implications of  
23 the change are actually quite small relatively. What  
24 it results in is a couple million dollar change and  
25 what has to go through the Site C regulatory account  
26 instead of the normal debt management process. And

1           also about -- less than a million dollars in terms of  
2           the difference to all the other capital projects  
3           across the whole company in total, less than a  
4           million-dollar change. And just for reference I'll  
5           reference BCUC IRs 1.157.8 and 1.157.8.1 that talks  
6           about some of those issues.

7   THE CHAIRPERSON:       Thank you.

8   MR. WONG:       A    Yeah, and while the accounting rules have  
9           changed and it's not a material change related to the  
10          implication, as Mr. Layton put out, I have to say the  
11          step management regulatory account is a very elegant  
12          solution to managing a very complex area of accounting  
13          and ensuring that costs are allocated to match the  
14          benefits the ratepayers have. And so by using this we  
15          don't have to do hedge accounting, therefore we can  
16          reduce costs associated with hedge accounting, it's  
17          very expensive, we don't have the auditor costs, so  
18          it's a very nice way to tie it together.

19   THE CHAIRPERSON:       Right. No, I appreciate that. I  
20          remember the application.

21   MR. WONG:       A    Yeah, okay. Good, excellent.

22   THE CHAIRPERSON:       Mr. Miller, given that we're at five-  
23          to-twelve, is this a good time to take a lunch break?

24   MR. MILLER:       So I have two very short, or expected to  
25          be short issues to address. I expect to be about 10  
26          to 15 minutes.



1 THE CHAIRPERSON: And then you're complete your --

2 MR. MILLER: Yeah, and I'm done.

3 THE CHAIRPERSON: Well, I think the panel also has some  
4 questions of the witness panel also so perhaps we'll  
5 leave everything until after lunch then. We'll come  
6 back at one o'clock, thanks.

7 **(PROCEEDINGS ADJOURNED AT 11:56 A.M.)**

8 **(PROCEEDINGS RESUMED AT 1:01 P.M.)** **T41/42**

9 THE CHAIRPERSON: Please be seated. Good afternoon, I  
10 hope you all had a good lunch.

11 Good. Mr. Ahmed, I'm sure you have  
12 something for us?

13 MR. AHMED: I do, we have some paper for you, Mr.  
14 Chair.

15 THE CHAIRPERSON: Thank you.

16 MR. AHMED: There are three undertakings that should be  
17 on everybody's desk, or handed around the room, and  
18 one correction after that.

19 THE CHAIRPERSON: Okay.

20 MR. AHMED: The three undertakings, they are not  
21 necessarily in numerical order by title, I will go  
22 through them in the order they've been pre-numbered as  
23 exhibits.

24 The first is BC Hydro Undertaking Number  
25 10, and this is a response to Commissioner Lockhart's  
26 questions yesterday about holdback pay for F2019. And

1 the transcript reference for that is page 1073. And  
2 BC Hydro has attempted to supplement this response  
3 too, to provide a little bit more information as well,  
4 based on the discussions earlier today. I believe  
5 that should be Exhibit B-37.

6 (BC HYDRO UNDER TAKING NO. 10 MARKED EXHIBIT B-37)

7 THE CHAIRPERSON: Thank you.

8 MR. AHMED: The next undertaking is titled BC Hydro  
9 Undertaking Number 7, that's an undertaking with  
10 respect to my friend Mr. Austin's question about when  
11 BC Hydro first funded the low carbon electrification  
12 budget. And the transcript reference for that is page  
13 1056. And I believe that should be Exhibit B-38.

14 (BC HYDRO UNDER TAKING NO. 7 MARKED EXHIBIT B-38)

15 MR. AHMED: The third one is titled BC Hydro  
16 Undertaking number 5, and that was a request that my  
17 friend Mr. Quail had with respect to retirement  
18 statistics I believe. And the transcript reference  
19 for that is page 1018, and the next exhibit number is  
20 B-39.

21 (BC HYDRO UNDER TAKING NO. 5 MARKED EXHIBIT B-39)

22 THE CHAIRPERSON: Okay. Thank you.

23 MR. AHMED: And there is one small correction to be  
24 made as well, and that is in reference to yesterday's  
25 transcript, beginning at the bottom of page 1004, and  
26 Mr. Layton, you were talking about the Metro North

1 project, and beginning at line 25 you say,  
2 "I think the Metro North project write off that  
3 we mentioned in our letter will result in the  
4 budget in Fiscal '21 being exceeded, and  
5 therefore there is no true up."

6 Did you have a correction you wanted to  
7 make about that?

8 MR. LAYTON: A I did. I was talking about the current  
9 fiscal year, and so I should have said Fiscal '20,  
10 instead of Fiscal '21.

11 THE CHAIRPERSON: Thank you.

12 MR. AHMED: Thank you, Mr. Chair.

13 THE CHAIRPERSON: Thank you. Mr. Miller, good  
14 afternoon.

15 MR. MILLER: Thank you, Commissioner Morton.

16 **CROSS-EXAMINATION BY MR. MILLER (Continued):**

17 MR. MILLER: Q I have two more topics and then I will  
18 conclude my cross-examination. The first topic  
19 relates to the errata that was filed in Exhibit B5-2,  
20 and it should be either a loose-leaf or the last page  
21 of the handout. Do you have that?

22 **Proceeding Time 1:04 p.m. T43**

23 MS. FRASER: A Is it the Transmission Revenue  
24 Requirement?

25 MR. MILLER: Q Yes.

26 MS. FRASER: A Yes, I have that.

1 MR. MILLER: Q BC Hydro, down the bottom of the page,  
2 the revised response, clarifies that:  
3 "The point-to-point allocation to  
4 distribution shown on Appendix A, schedule  
5 3.4 line 12, represents the cost to use  
6 point-to-point transmission service to re-  
7 export the Canadian entitlement plus  
8 associated scheduling and dispatch fees, and  
9 that these costs are borne by BC Hydro  
10 domestic load customers and is recovered  
11 through BC Hydro's bundled sales rate."

12 Correct?

13 MS. FRASER: A Correct.

14 MR. MILLER: Q Now, can you confirm that the revenue  
15 from the re-export of the Canadian entitlement is  
16 included in the revenue requirement?

17 MS. FRASER: A The transmission cost associated with  
18 the sales that Powerex makes of the Canadian  
19 entitlement on behalf of BC Hydro is a point-to-point  
20 transmission cost that is recovered through our  
21 electric tariff.

22 MR. MILLER: Q So that revenue is recorded in the  
23 revenue requirement, then?

24 MS. FRASER: A That's my understanding.

25 MR. MILLER: Q Okay.

26 THE CHAIRPERSON: Sorry, you're talking about  
transmission rates, though. Mr. Miller is talking



1 Ms. Fraser put it, is recorded. Where is it shown?  
2 Now, a different topic and my last topic,  
3 and this relates to a discussion that was held  
4 yesterday regarding the uniform systems of account.  
5 And I believe it was by the Old Age Pensioners  
6 Association regarding Hydro's request in this  
7 application for a rescission of Directive 57 from the  
8 BCUC's prior decision in the F2009/2010 RRA. And I  
9 believe a copy of excerpts of that decisions have been  
10 circulated, that should be marked as Exhibit A2-7.

11 **Proceeding Time 1:04 p.m. T44**

12 (EXCERPTS FROM BCUC'S F2009/2010 RRA DECISION DATED  
13 MARCH 13, 2009 MARKED EXHIBIT A2-7)

14 MR. MILLER: Q Now, in the top paragraph on page 216 of  
15 that decision, in the second line -- sorry, second  
16 sentence, it says:

17 "The ability to have reported information in a  
18 particular year that is comparable without  
19 modification to any other years assists in  
20 establishing a historical financial record that  
21 is transparent, comparable and consistent."

22 Correct?

23 MR. LAYTON: A Yes.

24 MR. MILLER: Q And then the directions that were  
25 referred to, or the directives, were that BC Hydro was  
26 to adopt a BCUC uniform system of account by no later

1           than the F2012 reporting year, correct?

2 MR. LAYTON:    A    Correct.

3 MR. MILLER:    Q    Now, was the purpose, to your  
4           understanding, of this directive to provide BC Hydro's  
5           data on a comparative basis year over year?

6 MR. LAYTON:    A    I believe so, yes.

7 MR. MILLER:    Q    And are you aware of any discussion in  
8           that decision that would indicate the purpose of that  
9           directive was relating to a comparison to other  
10          utilities in other jurisdictions for benchmarking  
11          purposes?

12 MR. LAYTON:    A    I am not.

13 MR. MILLER:    Q    Now, yesterday -- I don't think you need  
14          to turn there, you'll probably recall the exchange,  
15          but on transcript page 1013 Commissioner Morton asked  
16          BC Hydro to confirm that it uses, and he used the term  
17          "our uniform system of account, not the FERC uniform  
18          systems of account" and you agreed. Do you recall  
19          that?

20 MR. LAYTON:    A    I do, although I'm not sure that's quite  
21          the right context. I think the discussion  
22          Commissioner Morton and I were having was around if we  
23          were to revert and start using uniform system of  
24          account again, whether the old BCUC one would be  
25          preferable to the FERC one. At the moment we're using  
26          neither, just so we're clear, in BC Hydro.

1 THE CHAIRPERSON: That's where you would go to the  
2 transcript reference, Mr. Miller.

3 MR. MILLER: Q So, on page 1013 down towards the bottom  
4 where it says, "THE CHAIRPERSON" starting on line 24.  
5 It says,  
6 "Mr. Layton, so just to be clear, when you spoke  
7 just now about the US of A, you're talking about  
8 our US of A, so to speak, not the FERC US of A?"  
9 And Mr. Layton responds over the top of page 1014,  
10 "I am indeed, yes."  
11 So, that's just for context purposes.

12 MR. LAYTON: A Yeah, and I agree with that and I would  
13 just refer to the lines immediately before that on  
14 transcript page 1013, where on line 16 to 23,  
15 hopefully it's clear there that I'm talking about a  
16 hypothetical situation where we return to using the US  
17 of A. I don't want to leave the impression that we're  
18 using it today, we're not. This was a hypothetical  
19 around were we to resume using it, which one might be  
20 useful.

21 MR. MILLER: Q Fair enough. Now, was it your  
22 understanding when you answered the panel Chair's  
23 question that he was referring -- that you understood  
24 him to refer to the B.C. uniform systems of account  
25 that was referred to in the F2009/2010 RRA decision?

26 MR. LAYTON: A Yes.



1 MR. MILLER: Q Are you aware of when the BCUC uniform  
2 systems of account was last updated?

3 MR. LAYTON: A I am not.

4 **Proceeding Time 1:12 p.m. T45**

5 MR. MILLER: Q Would you, for the purposes of this next  
6 series of question, assume that the uniform systems of  
7 account was brought in in the 1960s, BCUC uniform  
8 system of accounting was last updated in May 1980, and  
9 hasn't been updated since then. That's roughly a 40  
10 year period that we are talking about since there has  
11 been revisions to the Uniform System of Account,  
12 correct?

13 MR. LAYTON: A It would be, yes.

14 MR. MILLER: Q Now, your business has evolved over the  
15 past 40 years, and there are different cost centres  
16 and different asset categories, correct?

17 MR. LAYTON: A Yes.

18 MR. MILLER: Q Now, at page 1014 of the transcript you  
19 made the comment that if BC Hydro,

20 "...were we to receive feedback that the Brattle  
21 study in and of itself is very valuable, then we  
22 might actually want to think about, could we  
23 follow the FERC? Because that would make,  
24 actually, the benchmarking much simpler."

25 Correct?

26 MR. LAYTON: A Yes.

1 MR. MILLER: Q I'm going to read a section of the  
2 *Utilities Commission Act* to you, I'm not going to ask  
3 you to interpret it, but under section 49 of the UCA,  
4 it says,

5 "The Commission may, by order, require every  
6 public utility to do one or more of the  
7 following..."

8 And under subsection (a) it says,

9 "(a) keep the records in account of the conduct  
10 of the utility's business that the Commission  
11 may specify, and for public utilities of the  
12 same class, adopt a uniform system of accounting  
13 specified by the Commission."

14 Now, do you have that in front of you?

15 MR. LAYTON: A I do now, yes.

16 MR. MILLER: Q Okay, there is no specific reference in  
17 that section that -- to BCUC's uniform systems of  
18 accounting that you can see, is there? It just says  
19 "a uniform system of account, specified by the  
20 Commission," correct?

21 MR. LAYTON: A I agree.

22 MR. MILLER: Q Now, given that BC Hydro is seeking  
23 relief to continue to report under the BCUC's uniform  
24 systems of account, which I've asked you to assume  
25 hasn't been revised since 1980, is BC Hydro asking or  
26 does it have an answer to whether or not you are

1 seeking to adopt any other set of UCA [sic] in order  
2 to meet the intent of the 2009/2010 RRA decision?

3 MR. LAYTON: A So, in the application we have not  
4 sought -- or we have not proposed to use any other  
5 system of account, we have simply sought to rescind  
6 the previous order.

7 MR. MILLER: Q Do you have an opinion? Or does BC  
8 Hydro have an opinion on whether FERC's uniform system  
9 of accounting would be a reasonable and easy  
10 transition for it to use?

11 MR. LAYTON: A I think there is a bunch of work that we  
12 would need to do to see how easy or hard that is. I  
13 think the point that I was making yesterday I our  
14 conversations was that if we get the feedback from the  
15 Commission that the Brattle study was useful, that was  
16 based on the peers using the FERC uniform system of  
17 account. So if the panel feels that there is a lot of  
18 value in that particular study, the Brattle study,  
19 then perhaps that would be useful to use the FERC  
20 system of accounts instead of the BCUC system of  
21 accounts.

22 MR. MILLER: Q One last question and then I'm done. Do  
23 you know how often FERC updates their uniform systems  
24 of account?

25 MR. LAYTON: A I do not.

26 MR. MILLER: Q Are you aware whether for comparison

1 purposes, what other Canadian utilities use? Is there  
2 a standard uniform systems of account?

3 MR. LAYTON: A My understanding is there is no such  
4 standard across Canada.

5 MR. MILLER: Q Thank you, those are my questions.

6 **Proceeding Time 1:16 p.m. T46**

7 THE CHAIRPERSON: Thank you, Mr. Miller.

8 The panel has some questions.

9 COMMISSIONER LOCKHART: Mr. Layton, I'd like to go back  
10 to the real property regulatory account, and I  
11 appreciate that Panel 4 will get inundated with a lot  
12 of questions about this, but I'm hoping that perhaps  
13 we can clarify some of the things. When was this  
14 regulatory account established?

15 MR. LAYTON: A It was established, I believe, in fiscal  
16 2015 which was the first year of the ten year rates  
17 plan.

18 COMMISSIONER LOCKHART: And do you happen to know the  
19 balance for fiscal 2015 or 2016? I see that we've got  
20 the balance for 2017.

21 MR. LAYTON: A Yeah. Just one moment please. I can  
22 find that easily.

23 And just for reference I'm referring to  
24 Table D-2 of appendix D which is the evidentiary  
25 update, and in their on line 10 -- well, unfortunately  
26 on this table, I only have back to fiscal '17 but at

1 the end of fiscal '17 the balance was \$28 million.  
2 Fiscal '18, \$38 million. Fiscal '19, \$49 million.  
3 Happy to get fiscal '15 and '16, I just don't have  
4 those at my fingertips, I don't think.

5 COMMISSIONER LOCKHART: Sure, okay. If you could, I  
6 would appreciate that.

7 **INFORMATION REQUEST**

8 COMMISSIONER LOCKHART: Essentially the 2017, 2018,  
9 2019, those amount represent losses, is that correct?

10 MR. LAYTON: A It essentially represents that we had  
11 what I will call minimal sales during those periods.  
12 So they are not losses per se, they are variances to  
13 plan. So we planned to achieve 10 million in sales  
14 and we didn't and so it essentially represents that  
15 variance plan, which is most of the plan.

16 COMMISSIONER LOCKHART: So if that \$10 million started  
17 out in 2015, then by 2017 we would have had \$30  
18 million you were expecting, and the fact that you've  
19 got \$28 million means there were \$2 million in sales?

20 MR. LAYTON: A Yes, I think that's about correct, yes.

21 COMMISSIONER LOCKHART: I see. And so then in 2019  
22 when we've got \$49 million in there, that was kind of  
23 a net of \$1 million in sales?

24 MR. LAYTON: A No, slightly more than that, but there  
25 has been interest on that account which is why it's at  
26 49 million. So there are a few million more in sales

1           than that.

2   COMMISSIONER LOCKHART:           And then in fiscal '20 \$42  
3           million. So you're expecting that you will have  
4           achieved some more sales to reduce that balance.

5   MR. LAYTON:    A   Yeah, and we have achieved some sales in  
6           fiscal '20. I don't have an up-to-date figure, but Mr.  
7           Leonard coming up in Panel 4 will be able to provide  
8           you with a pretty up-to-date number on that.

9   COMMISSIONER LOCKHART:           And how -- this represents  
10          sales of land as opposed to building, is that right?

11   MR. LAYTON:    A   Correct.

12   COMMISSIONER LOCKHART:           And most of the properties have  
13          buildings on them? Or is that too general a comment?

14   MR. LAYTON:    A   I'm not sure. Again, I think Mr.  
15          Leonard can help you there. He's got the familiarity  
16          on all the properties on that list.

17   COMMISSIONER LOCKHART:           What actually constitutes a  
18          loss? It's a loss on the initial price that was paid?

19   MR. LAYTON:    A   It would be a loss on whatever the  
20          value, the original cost was. So on just a piece of  
21          land that doesn't have anything on it, it would just  
22          simply be whatever it was acquired for. If there were  
23          assets on that land, it could become more complicated.

24   COMMISSIONER LOCKHART:           Except this doesn't represent  
25          any of the assets, or losses on the assets. It's just  
26          the losses on the sales of land?

1 MR. LAYTON: A Well, this just represents the fact that  
2 we've have variances to plan on the sales of land.  
3 So it's essentially saying we haven't had the gains  
4 yet. We're just still working through trying to get  
5 those 100 million gains.

6 COMMISSIONER LOCKHART: How do you determine that, even  
7 though you have had years of losses against plan, that  
8 suddenly something is going to happen and now we're  
9 going to expect gains? How does that come about?

10 MR. LAYTON: A I think, as I mentioned before earlier  
11 this morning, it hasn't been a fast uptake to get  
12 these sales. I think we acknowledge that. We would  
13 have liked to see them come more uniformly and come  
14 sooner, but for the same reasons we talked about  
15 before, whether that's environmental remediation,  
16 whether it's preparing the properties for sale,  
17 whether it's the market conditions, whether it's  
18 consultations with First Nations, all of those factors  
19 have meant that we haven't had the sales occur as fast  
20 as we would have liked.

21 What I said this morning was that we're  
22 absolutely committed to that plan and therefore we're  
23 committed to it by the end of fiscal '24 we will  
24 achieve those sales. And so I think the passage of  
25 time has helped us prepare those properties and now we  
26 are still committed to being able to achieve those

1 sales by the end of Fiscal '24.

2 **Proceeding Time 1:21 p.m. T47**

3 COMMISSIONER LOCKHART: All right, thank you.

4 THE CHAIRPERSON: Can I just ask a follow-up question?

5 MR. LAYTON: A Sure.

6 THE CHAIRPERSON: Given what you've just said, do you  
7 think it's fair to say that continuing this strategy  
8 puts the ratepayer in at least some risk that the  
9 losses will continue?

10 MR. LAYTON: A I think that's fair. Again, our  
11 commitment is to make sure that we achieve our  
12 commitment of \$100 million, but I think your comment  
13 is fair, yes.

14 THE CHAIRPERSON: Thank you.

15 COMMISSIONER MASON: Okay. Mr. Layton, I'll give you a  
16 break and as Ms. Ryan a couple of questions. I'll be  
17 back to you of course.

18 MR. LAYTON: A Okay.

19 COMMISSIONER MASON: Hopefully a fairly easy question.  
20 Ms. Ryan, you mentioned in your earlier testimony that  
21 BC Hydro is adjusting its hiring of apprentices  
22 because of the delayed retirements of some employees  
23 and perhaps receive lower demand in the short-term.  
24 I'm wondering if you can explain – perhaps I missed it  
25 last time – how you're going to be sure that in a few  
26 years' time BC Hydro doesn't have a shortage of



1 qualified employees that could have been taken on as  
2 apprentices in the test period?

3 MS. FRASER: A Maybe I'll start just with a high-level  
4 comment. The apprentice program is actually managed  
5 and administered through our safety and chief  
6 compliance office group, so not under human resources.  
7 But human resources is very much involved in that  
8 process as well are the operations groups who actually  
9 take on those apprentices.

10 And the process that occurs every year is  
11 that there is an analysis and discussion of the  
12 apprentice program, what the resources are required in  
13 the different operations groups for powerline  
14 technicians and et cetera. And what happens is the  
15 group that's responsible for the apprentice program  
16 works with our operations group and the human  
17 resources group to determine, you know, what we should  
18 do from an intake perspective. And they do go out,  
19 subject to check, it's five or ten years out, and so  
20 they are thinking very long-term in terms of --  
21 long-term for what the resource requirements are.

22 COMMISSIONER MASON: Thank you.

23 MS. FRASER: A Does that help?

24 MS. RYAN: A Yeah, that's helpful. Sorry, I'm quite  
25 new to BC Hydro and it's just -- it's not in my area,  
26 so it's something I've just been learning, so I

1 apologize. And thank you to Janet.

2 COMMISSIONER MASON: No, no. Thanks, Ms. Fraser.

3 On Tuesday is response to a question from  
4 Mr. Ince, I believe, Mr. O'Riley mentioned that there  
5 had been some incidence of bullying and harassment,  
6 including sexual harassment at BC Hydro. In addition  
7 to any of the harm done to the victims themselves,  
8 there's obviously a risk of harm to BC Hydro as a  
9 corporation, whether it's financial, reputational and  
10 so on. Mr. O'Riley made mention of a code of conduct  
11 manager and of potentially external investigations  
12 when appropriate.

13 I'd just like to understand the process by  
14 which accusations, whether it's from a victim or from  
15 a whistle-blower, are handled at BC Hydro these days  
16 and how the various parties -- what the various  
17 parties do in their respective role?

18 MS. FRASER: A Sure. I can respond to that. We have a  
19 merits and ethics office and officer that reports  
20 directly to myself. So is separate from the human  
21 resources group and intentionally so to maintain some  
22 separation there, not unlike an internal audit group.  
23 And we have a Code of Conduct. We also have a  
24 respectful workplace policy, and we have a merit based  
25 hiring practice.

26 The role of the merit and ethics office is

1 to hear employees' concerns and inquires around those  
2 three things. When an individual is feeling as though  
3 they are being treated unfairly, or they are being  
4 treated in a way that is unwelcome or inappropriate,  
5 they have a couple of different options on how to  
6 reach out.

7 **Proceeding Time 1:27 p.m. T48**

8 We have an anonymous line where people can  
9 phone and get advice anonymously. They can contact  
10 our ethics office directly. We also tell them that  
11 they should talk to their manager or if they're not  
12 comfortable talking to their manager, maybe go to  
13 another manager within the organization and lastly, to  
14 talk to their HR business partner.

15 So we have a lot of information on our  
16 internal website that tells employees how they can  
17 reach out if they are subjected to any kind of  
18 inappropriate behaviour.

19 When it reaches the ethics office and  
20 becomes an official complaint two things can happen  
21 depending on what the complaint is. It can either be  
22 dealt with through an internal investigation through  
23 the human resources business partners or it can go to  
24 an external investigation and it is the ethics officer  
25 that determines which route it will go.

26 For all matters of sexual harassment, they

1 go through an external investigator, and we have two  
2 of them that are on contract to do this work. They  
3 have this set process they go through independently.  
4 We receive a report and the investigator tells us  
5 whether or not they have found in favour of the  
6 complainant or the respondent, and then management  
7 then determines what the consequence is. And in  
8 sexual harassment cases the final decision makers are,  
9 in all cases, myself and Mr. O'Riley.

10 COMMISSIONER MASON: Okay, thank you. So when the  
11 results of an investigation come, you said, "they come  
12 to us" that means the -- which group is "us", sorry?

13 MS. FRASER: A So, it's set out in our policy who  
14 precisely it goes to. So the investigation report  
15 will go to the chief human resources officer, will go  
16 to -- well, it comes to the ethics office, then it's  
17 distributed to the chief human resources officer, the  
18 executive in charge of that particular area and then a  
19 copy comes to myself and Mr. O'Riley.

20 COMMISSIONER MASON: Is this process anonymous as far  
21 as the complainant or whistleblower is concerned?

22 MS. FRASER: A So, if a complainant comes forward they  
23 agree to the investigation and so the respondent will  
24 know, you know, that the investigation is going on.  
25 They will be -- it's separate from a whistleblower.

26 COMMISSIONER MASON: Okay, so they're two separate

1 processes for you?

2 MS. FRASER: A Two separate.

3 COMMISSIONER MASON: Okay.

4 MS. FRASER: A You can do something anonymously and  
5 therefore that person, the whistleblower, is not  
6 identified by anyone but, you know, we encourage  
7 people to come forward and it's -- for the  
8 investigation, if you can identify specific incidents  
9 that have happened, that is more efficient in getting  
10 to the root of the problem.

11 COMMISSIONER MASON: You haven't mentioned the legal  
12 department in any of your description. Is that  
13 because the investigations, whether anonymous or not,  
14 are conducted entirely by these independent experts?

15 MS. FRASER: A Yeah, and they are lawyers who actually  
16 carry out the investigations and it is completely  
17 separate.

18 COMMISSIONER MASON: Understood.

19 MS. FRASER: A When the report comes in and we're  
20 determining what action we're going to take, we would  
21 obviously involve our internal employment law experts,  
22 depending on the course of action we were taking.

23 **Proceeding Time 1:31 p.m. T49**

24 COMMISSIONER MASON: So, would you characterize these  
25 investigations then as fact finding?

26 MS. FRASER: A Yes. Fact finding, and then the

1           investigators use their techniques to determine  
2           probabilistically who they -- what fact they think is  
3           the accurate fact. So it's a balance of  
4           probabilities.

5   COMMISSIONER MASON:           Do they tend to look -- not tend  
6           to. Do they just look at the specific circumstances?  
7           Or do they make comments also on beyond that, in terms  
8           of BC Hydro's culture? Because I think that was the  
9           context where Mr. O'Riley was making his comments.

10   MS. FRASER:    A    There have been reports where they do  
11           make some other general observations. But it tends to  
12           be focused on exactly the specifics that the complaint  
13           is about.

14   MS. RYAN:    A    If I could add, it is an area where we in  
15           human resources are focusing on going forward around  
16           inclusion and diversity and making sure that everyone  
17           feels safe and comfortable to bring their whole self  
18           to work, and there is a number of initiatives such as  
19           Bystander training that we are supporting to ensure  
20           that we have a safe and holistic culture that everyone  
21           feels welcome.

22   COMMISSIONER MASON:           Great. Thank you. I think I have  
23           -- oh yes, one more HR question, if I may, or HR  
24           related. In the application, and I think you've  
25           referred to this in testimony, BC Hydro estimates  
26           savings of \$8.2 million a year from the repatriation

1 of certain tasks from Accenture.

2 So my question concerns how we can have  
3 confidence that those savings are sustainable.  
4 Firstly, as a background question, is it reasonable to  
5 assume that the tasks or the work that you've  
6 repatriated, you're doing the same work now that  
7 Accenture was doing? So it is comparable?

8 MS. RYAN: A Yes, so that was in customer service, HR,  
9 finance, payroll, and IT, yes. All of that was  
10 brought back in to be done by --

11 COMMISSIONER MASON: So they are doing basically the same  
12 work?

13 MS. RYAN: A Yes.

14 COMMISSIONER MASON: So what I'd like to understand is  
15 how those savings were achieved. So for example, were  
16 they achieved because the costs per person are lower  
17 in BC Hydro than they were in Accenture? Or are you  
18 more efficient than Accenture because you are doing  
19 the same work with fewer people? Or is it some other  
20 factor which is reducing the cost?

21 MS. FRASER: A Well, I can comment on the customer  
22 service group that was brought in, that that was the  
23 largest group, it was our contact centre. And we are  
24 achieving savings for a reduction for sure in  
25 management roles, because we don't have to manage our  
26 contract anymore.





1 test period are related to the salary increases that  
2 we've chatted about, the employer health tax which  
3 will be applied across for every employee and then  
4 just inflationary increases related to the benefits  
5 plans that we have.

6 So I think the savings for the Accenture  
7 are already part of that wholistic picture.

8 MR. LAYTON: A Yeah, and I'll just expand to hopefully  
9 answer your question as well, Commissioner. I think  
10 that it's true that the employees who have repatriated  
11 will see salary increases through higher standard  
12 labour rates in the future, but I think generally when  
13 we have contractors, we see the same thing, which is  
14 to say that most costs tend to increase with inflation  
15 over time and therefore whether insourced or  
16 outsourced, that's a pressure probably either way.  
17 How it actually gets experienced, the deltas and so on  
18 can differ, but it's not something that we avoid by  
19 outsourcing. It's an issue in either situation.

20 COMMISSIONER MASON: I appreciate it's only an  
21 estimate, but your estimate was the same savings in  
22 each year and I was thinking if your costs are going  
23 up, you must be becoming more efficient to overcome  
24 the cost savings. Okay. Thank you.

25 And while I have your attention, Mr.  
26 Layton, I do have one more final financial question.

1       It relates to interest expense costs, and this came up  
2       yesterday. I believe it was Mr. Keen who was  
3       referring to a response that you'd made to one of  
4       their IRs. It's response -- BC Hydro's response to  
5       AMPC IR 1.4.2.2, and you had an attachment and it's  
6       probably not necessary but absolutely fine if you  
7       wanted to find that. It's got a list of debt  
8       instruments, outstanding bonds, Canadian dollar bonds.

9               The question is, as an example, line 2 of  
10       that table shows a bond that's nearly \$600 million in  
11       outstanding debt. It was issued in September 1990,  
12       coupon rate is 10.6 percent, which I think we would  
13       agree is considerably higher than current interest  
14       rates on bond debt.

15               In that table, in that IR response BC Hydro  
16       showed that those interest costs of, I think, 63  
17       million in fiscal 2020, 27 million in 2021. So that's  
18       over \$90 million in interest costs just on that one  
19       bond.

20               It expires in September 2020. So I  
21       appreciate it doesn't have long to live. But that is  
22       a very large amount of interest to be paying on a  
23       bond. Is it something that -- well, I suppose the  
24       first question is, are those interest costs real costs  
25       to BC Hydro in the two fiscal period referred to  
26       there?

1 MR. LAYTON: A Yes, absolutely. That is the bond and  
2 the interest rate that's applicable related to that,  
3 yes.

4 COMMISSIONER MASON: Okay. Is there no way, or has BC  
5 Hydro found some way to offset those interest costs?  
6 Is it not possible to retire the bond? I'm not a  
7 financial expert, but it does seem that there is a  
8 very large amount of interest being paid there.

9 MR. LAYTON: A Yeah. Well, specifically I haven't  
10 looked personally into whether we could retire this  
11 bond, knowing once you enter into long-term debt at a  
12 fixed rate, particularly as interest rates change and  
13 fall like this, it becomes very difficult. Often in  
14 order to get out of that you're going to need to pay  
15 up the present value of all the interest that you  
16 would need to pay in the future. There might be some  
17 discount associated with that.

18 So historically I don't believe BC Hydro  
19 has gone through and look at retiring the debt early  
20 and paying the penalty costs. And certainly that  
21 would be a -- on that current basis, a big shock to  
22 expenses in order to do that. So that's the situation  
23 from that perspective.

24 COMMISSIONER MASON: Okay. So there's no provision  
25 within the bond itself to retire it obviously without  
26 buying it back at the present value.

1 MR. LAYTON: A Yeah. Highly likely there'd be a  
2 significant penalty essentially to retire the bond  
3 early.

4 COMMISSIONER MASON: Okay. Great. I think that  
5 answers my question, thank you.

6 THE CHAIRPERSON: Thank you. A question for Mr.  
7 Morison. I'm looking at these capital projects in B-  
8 29, and in particular on page 4, the next generation  
9 desktop. I think you talked a little bit about that  
10 yesterday.

11 MR. MORISON: A Correct.

12 THE CHAIRPERSON: And that's to upgrade roughly 9,000  
13 personal computers and upgrade them to Windows 10 and  
14 the newer version of office.

15 MR. MORISON: A That's right.

16 THE CHAIRPERSON: Is that right? And it says the  
17 capital cost range is 6.3 million to 11.1. You don't  
18 have any tighter estimate than that? It's --

19 MR. MORISON: A Our current forecast is \$12.7 million.

20 THE CHAIRPERSON: Right. So when I do the math on  
21 that, it seems like that comes to, I don't know, \$1300  
22 dollars a machine, something like that.

23 **Proceeding Time 1:41 p.m. T51**

24 MR. MORISON: A Correct.

25 THE CHAIRPERSON: Yeah. That seemed like a lot to me,  
26 and I realize I might be off base, but I just wondered

1 if you had any comments and can you assure me that  
2 it's not.

3 MR. MORISON: A Yeah, it does seem like a lot at first  
4 blush. You have to recognize that those are 9,000  
5 laptops generally held by individuals that have to be  
6 completely reimaged. Many of them have different  
7 applications on them, so we have to progression test  
8 that in reimaging to ensure that the new operating  
9 system doesn't break any of the applications that are  
10 on those machines.

11 THE CHAIRPERSON: Right, but you don't have to  
12 regression test every single machine, you just have to  
13 regression test every application against the --

14 MR. MORISON: A Every application, but many machines  
15 will have a unique set of those applications so we  
16 found that -- I think the original estimate was under  
17 \$10 million and that rose to over 12, primarily for  
18 two reasons -- well three reasons. One was that we  
19 had more work to do on the security to make sure that  
20 the security was good on those machines with the new  
21 operating system. The second one was that we found  
22 that many of those laptops needed higher touch for  
23 reimaging than we thought. So TELUS is our service  
24 provider reimaging those machines, they have to go and  
25 actually physically touch those machines to reimage  
26 them.

1                   And the third one was we had an upgrade of  
2                   the operating system mid-way in that project so we had  
3                   to actually upgrade the machines involved. So that  
4                   all in all brought that cost up to \$12.7 million.

5 THE CHAIRPERSON:       Okay, thank you. Thank you very  
6                   much.

7 MR. WONG:     A     Just to let you know, there's a lot of  
8                   pressure from my perspective and looking at these  
9                   costs as well and --

10 THE CHAIRPERSON:       Okay.

11 MR. WONG:     A     -- presents to the executive team on these  
12                  things, so we do allow them to push on it.

13 THE CHAIRPERSON:       I understand, thank you. A couple of  
14                  questions for Ms. Fraser. I don't have the transcript  
15                  reference here but I believe that yesterday you  
16                  mentioned in a longer list of things that one of the  
17                  items that pay incentives are tied to or are  
18                  associated with are rates. Did I hear that correctly?  
19                  Keeping rates low, I think, is what you may have said.

20 MS. FRASER:    A     Yes. And it was, I believe, mentioned  
21                  this morning too. So our service plan scorecard  
22                  contains a metric of achieving first quartile for  
23                  residential according to the Hydro Quebec report and  
24                  so the service plan contains a number of metrics,  
25                  that's one of them, and how we achieve all those  
26                  metrics is used for holdbacks for the corporate

1           portion of the holdback.

2   THE CHAIRPERSON:       But basically the metric is whether  
3           you match or come in below Hydro Quebec's rate?

4   MS. FRASER:    A   It's whether you're in first quartile or  
5           not, yeah.

6   THE CHAIRPERSON:       Right. So if government comes along  
7           with a direction to us to set rates at a certain  
8           amount or not increase rates so that that aligns it  
9           with -- and then orders a rate smoothing account, do  
10          your employees still get the benefit of that  
11          incentive?

12   MS. FRASER:    A   They would. They would still get the  
13          benefit. And remember, the holdbacks, I believe Ms.  
14          Ryan said, it's 1 percent of the employee population  
15          that get those holdbacks.

16   MS. RYAN:     A   That's correct.

17   THE CHAIRPERSON:       Understood. But your executive team,  
18          for example, gets --

19   MS. FRASER:    A   Yes.

20   THE CHAIRPERSON:       So that could be described as a bit  
21          of a windfall from a government decision then, one  
22          could describe it that way, couldn't one?

23   MS. FRASER:    A   If they're setting rates to ensure that  
24          -- or if they're making directions to ensure that our  
25          rates are actually in the first quartile, then that's  
26          beneficial from a perspective of the amount of

1 holdback.

2 THE CHAIRPERSON: Right, but you don't have to manage  
3 costs to those rates though. During the rate  
4 smoothing period or during the ten-year rates plan  
5 rates were set but you didn't have to manage cost of  
6 those rates because there was a rate smoothing  
7 deferral account in which costs went. So you're still  
8 getting the benefit of the incentive, presumably,  
9 assuming that those rates put you in that quartile.  
10 You would still get the benefit of the incentive  
11 without having to do the managing costs part of it?

12 MS. FRASER: A Yeah, so during the rates plan period we  
13 were managing costs to the rates plan.

14 THE CHAIRPERSON: Okay, and that's what the incentive  
15 was based on then?

16 MS. FRASER: A No, the incentive was still based, you  
17 know, on the one -- on that metric. But internally we  
18 had to, for government, meet the rates plan.

19 THE CHAIRPERSON: Understood.

20 **Proceeding Time 1:46 p.m. T52**

21 MS. FRASER: A And, you know, there were times during  
22 the -- especially when we saw some closures early on  
23 in the forest industry, that we really had to make  
24 some tough decisions internally to stay on the rate  
25 plan, because that was our commitment to our  
26 shareholder, was to stay on that rates plan, and so we



1           were definitely managing, you know, costs internally  
2           to keep them as low as possible.

3 THE CHAIRPERSON:       But is it fair to say though that --  
4           let's say -- to simplify this let's say there's two  
5           components to the ten-year rates plan. One is the  
6           costs the government asked you to manage to, and the  
7           second are the rates that government ordered us to  
8           impose or to approve.

9                        So if they had only done the former and not  
10           the latter, then -- and there had been no deferral  
11           account, then rates may have been higher and you may  
12           not have been in that quartile and you would then not  
13           have gotten --

14 MS. FRASER:     A    Correct.

15 THE CHAIRPERSON:       Okay.

16 MS. FRASER:     A    Correct.

17 THE CHAIRPERSON:       You would agree with that?

18 MS. FRASER:     A    Correct.

19 THE CHAIRPERSON:       Thank you.

20 MS. FRASER:     A    Depending on what was happening with the  
21           other utilities in that survey.

22 THE CHAIRPERSON:       Understood. Yeah, all else equal,  
23           yeah. Thank you.

24 MS. FRASER:     A    Yeah.

25 THE CHAIRPERSON:       Again this came up yesterday and it  
26           was a discussion of BC Hydro's electrification plan,

1           and I think you brought this up as an example of a  
2           project, and that was promoting the use of electric  
3           vehicles.

4 MS. FRASER:     A     Mm-hmm.

5 THE CHAIRPERSON:       Now, I don't want to pick on that  
6           particular project, but you did bring it up, so let's  
7           use it as an example then.

8 MS. FRASER:     A     Yes. Sure.

9 THE CHAIRPERSON:       So this is then a project that you  
10          consider part of the electrification plan. It's not a  
11          DSM project, is that correct?

12 MS. FRASER:     A     Correct.

13 THE CHAIRPERSON:       Okay. So this is similar to a  
14          question I asked Mr. O'Riley the other day. Do you  
15          keep track of these costs separately or are they just  
16          buried in your -- somewhere in your overall budgets?

17 MS. FRASER:     A     So the way they would be tracked is, as  
18          an example, if we take a public awareness campaign  
19          that perhaps we're doing for electric vehicles, I  
20          think we called the last one Dave's Getaway.

21 THE CHAIRPERSON:       Okay.

22 MS. FRASER:     A     And --

23 THE CHAIRPERSON:       Not after me I don't think, right?

24 MS. FRASER:     A     No, no. And those costs would have been  
25          an initiative that would've arisen out of the  
26          communications department. So the communications

1 department would have a business plan and within that  
2 business plan they have different initiatives for  
3 electric vehicle public awareness. And they would  
4 have a budget for that specific initiative, but it  
5 would be included in their overall operations budget.  
6 But they would know below that what the budget was.

7 THE CHAIRPERSON: So when developing that budget then,  
8 presumably that comes out of a business case of some  
9 sort for this program.

10 MS. FRASER: A Mm-hmm, the business plan for  
11 communication.

12 THE CHAIRPERSON: But the overall program, like the  
13 amount of money that you're going to spend on whatever  
14 this particular promotion for an electric vehicle  
15 program is, you're going to spend a certain amount of  
16 money on it and as a result of that you're going to  
17 achieve some incremental amount of electrification.

18 MS. FRASER: A Yeah.

19 THE CHAIRPERSON: So somebody presumably would put  
20 together a business case with the costs and the  
21 revenue targets, I'm assuming. Is that a correct  
22 assumption?

23 MS. FRASER: A Well, so for the low carbon  
24 electrification programs in the DSM, we do that.  
25 Currently for electric vehicles we do have an overall  
26 plan for the different things that we're doing. I'm

1 just not quite sure if it's detailed at the level  
2 that, you know, you're referring to.

3 THE CHAIRPERSON: Well, from my perspective, you know,  
4 the way I look at this is that BC Hydro, from what  
5 I've heard over the last few days, is involved in a  
6 number of activities involving increased  
7 electrification, or low carbon electrification, or  
8 whatever it may be called. And, you know, that's a  
9 good idea and, you know, obviously there are economic  
10 benefits and environmental benefits that will accrue  
11 from that program.

12 **Proceeding Time 1:51 p.m. T53**

13 So I don't have issues with doing those  
14 activities, but one can do an activity not well, and  
15 one can do an activity well. And one can spend an  
16 awful lot of money on an activity and not get the  
17 benefit either environmental or economic, or one can  
18 do it a different way and get good benefits from it.

19 So my concern is before going into an  
20 activity like this, what do you do? I mean do you  
21 have targets? Do you look at the costs and benefits?  
22 How do you weigh one against the other? Do you inform  
23 the Commission that that's what you're doing?

24 MS. FRASER: A Well, we don't have any targets for low  
25 carbon electrification. We are anticipating that the  
26 decisions that come out of the comprehensive review,

1 phase 2, will advance that discussion.

2 So, the answer to your question is, for --  
3 overall we don't have a target, and we could get there  
4 once we understand what's in that report, and how BC  
5 Hydro is looked at in terms of delivering on the  
6 provincial *CleanBC* plan. But we are advancing  
7 specific initiatives ahead of that because of the  
8 customer demand.

9 So there have been some low carbon  
10 electrification projects. For example, in the oil and  
11 gas sector where there is a business case where we  
12 have to get to a specific net present value. But  
13 there are other initiatives and I would call them more  
14 on the communications side, where it's maybe not as  
15 detailed in terms of the business case around it.

16 But most of it is centered in the demand  
17 side management program as well, and on some of our  
18 capital projects like PRES, so there are specific  
19 business cases.

20 THE CHAIRPERSON: So I understand that there is DSM,  
21 that you treat that differently and there is different  
22 evaluation methodologies and so on, I get that. But I  
23 guess my overall question, and it may be rhetorical,  
24 but the question is, how should the Commission  
25 evaluate these programs? The non-DSM programs. If  
26 there is no clearly defined cost and benefit analysis,

1           and all it is is a spending on a program, and we have  
2           no idea what benefits are expected to accrue, or  
3           planned to accrue. How can the Commission evaluate  
4           that kind of spending?

5                        I mean, we can evaluate spending in other  
6           program areas, because the objectives are a little bit  
7           clearer. Keeping the lights on, for example, keeping  
8           the vegetation maintained, those are a little more  
9           straightforward. But these are highly speculative  
10          spending programs, and there is risk involved with  
11          them, but that can be factored into an analysis. But  
12          there has to be a basic analysis there to begin with.

13 MS. FRASER:    A    Yeah, and I think that -- and I know it  
14           is after the RRA, but we will have those targets I  
15           believe going forward, and be able to demonstrate if  
16           they are not part of DSM.

17                        But if you were to look at specific -- for  
18           example, the electric vehicle public awareness  
19           program, when we do that as well as our safety public  
20           awareness, we use a metric that is our customer  
21           satisfaction, and our reputation scores as well, so  
22           those are our internal measurements.

23                        I think that if the Commission had specific  
24           spending in the RA that if you were concerned about,  
25           perhaps let us know, and then there may be some form  
26           of business case that could give you that information



1 awareness or , it's elsewhere contained in the  
2 application in different places. Is that correct? In  
3 terms of the actual expenditure? There's no specific  
4 line item that says electric vehicle program.

5 MS. FRASER: A Correct. Correct.

6 COMMISSIONER FUNG: And do you regard that as just part  
7 of your strategy to deal with low carbon  
8 electrification?

9 MS. FRASER: A Well, a couple of things, and I'm glad  
10 you asked because I was thinking about something else  
11 after my discussion with Commission Morton. There is  
12 great electrification opportunities in transportation,  
13 electric vehicles, and a couple of things. That helps  
14 us achieve load growth. Second of all, it helps  
15 reduce greenhouse emissions. Third, you know, our  
16 customers' expectations around who they go to to get  
17 information around electric vehicles, they want to be  
18 able to come to BC Hydro.

19 And so all of those things are wrapped up  
20 in why we do these programs and -- so.

21 COMMISSIONER FUNG: Okay, thank you. Now, Ms. Ryan, I  
22 just want to follow up on Commissioner Mason's  
23 question to you about the anti-bullying and anti-  
24 harassment, including sexual harassment initiatives  
25 underway at BC Hydro. I understand from your  
26 introduction that you worked at WorkSafeBC previously.



1 MS. RYAN: A Correct, yes.

2 COMMISSIONER FUNG: So you are well aware that there  
3 are obviously requirements now for a company to have  
4 policies in place addressing those issues.

5 MS. RYAN: A Yes.

6 COMMISSIONER FUNG: Now, we've heard earlier from Ms.  
7 Fraser that there's been various incidents and in fact  
8 we heard this from Mr. O'Riley involving that sort of  
9 behaviour at BC Hydro. I'm just wondering to what  
10 extent that's now been elevated as a risk the  
11 organization needs to address and if so, what exactly  
12 is being done to address it on a systematic basis as  
13 opposed to an investigation by investigation, you  
14 know, private confidential results that are not  
15 disclosed to anybody.

16 MS. RYAN: A Good question. So I think where it came  
17 up in Mr. O'Riley's comments was that it was on our  
18 risk register around workplace culture and that's what  
19 the Commission was asking about and that's how that  
20 conversation came up. So it is something that we have  
21 raised to that level of insuring that the board and --  
22 that we are looking at that as a whole and it's  
23 something that I have to report on every quarter in  
24 front of the HR committee of the board of directors.

25 We are -- our team is partnering with the  
26 executive team and the managers throughout the

1 organization to look at that issue systemically. So  
2 some of the things that we're pursuing is we're having  
3 a workshop in February to talk to all of our leaders  
4 of the executive team at BC Hydro to ensure that we  
5 have -- that we're all united and consistent on the  
6 direction that we want to take with respect inclusion  
7 and diversity. We are partnering with our unions in a  
8 governance. We meet every month in a workplace, a  
9 respectful workplace sort of task force, that we are  
10 meeting to ensure that we are on the same page and  
11 that we are holding employees to account together,  
12 that we're partnering on that issue because it is a  
13 serious issue for all of us.

14 And we are looking at training for our  
15 leaders throughout the organization, as well as  
16 employees. I mentioned the bystander training.

17 **Proceeding Time 2:02 p.m. T55**

18 So we are looking at ways to ensure that  
19 everyone knows that they can speak up if they see  
20 something that isn't what we would expect in the  
21 workplace. And each people leader throughout the  
22 organization has a year specific objective around  
23 making BC Hydro a more inclusive and psychologically  
24 safe work place and the requirement to have that  
25 objective has led to a lot of interest and lot of  
26 invitations from my HR team to come and speak on the

1           topic, educate, train and enable employees and the  
2           people leaders to do things to work toward a more safe  
3           culture in that regard. It's a bit initiative for us  
4           this year.

5   COMMISSIONER FUNG:           And does that get reflected in the  
6           variable compensation or the holdback on either a  
7           personal level or a corporate level?

8   MS. RYAN:    A    It would only show up in an individual  
9           level based on those performance metrics that the --  
10          remember, the holdback is only for the senior people  
11          and that they would set that as a target for their own  
12          performance goals for the year.

13   COMMISSIONER FUNG:           Okay, thank you. Now, Mr. Wong, I  
14          just have one question and clarification perhaps. You  
15          and I had an exchange on the first day, I believe, and  
16          it's at transcript 445. I don't think you need to  
17          refer to it because I can tell you what it was, sir,  
18          with respect to what your understanding was about what  
19          the accounting best practice or the industry best  
20          practice is with respect to the requirements to have  
21          regular depreciation studies.

22                           And then somewhat to my surprise, because  
23          your answer was -- well, you didn't directly answer my  
24          question. What you said was that it's based on your  
25          review as a professional of whether or not there's  
26          been changes or substantive changes in the life cycle

1 or the asset life of various classes of assets.

2 And then when Mr. Keen in Exhibit C-11-21,  
3 which he filed yesterday I believe -- and there's a  
4 depreciation study that was done in 2005 by, I  
5 believe, an expert on behalf of BC Hydro called Gannet  
6 Fleming and that was the last depreciation study, I  
7 believe, that was done at BC Hydro.

8 And then I turned to the bottom of page 9  
9 of 454 and I see, lo and behold, a recommendation  
10 that, "complete depreciation studies which re-evaluate  
11 the depreciation parameters should be performed every  
12 three to five years." Do you disagree with that  
13 recommendation?

14 MR. WONG: A I don't disagree with the recommendation.  
15 I just believe that it's a -- well no, I don't  
16 disagree with the recommendation. It's something that  
17 a utility could undertake to validate its depreciation  
18 rates that it has.

19 COMMISSIONER FUNG: And that was known or at least made  
20 explicit in 2005. So do I take it that the reason  
21 that BC Hydro has chosen not to do that, contrary to  
22 this recommendation, is simply what Mr. O'Riley and  
23 both and you and yourself -- and Mr. O'Riley have both  
24 said which is it's a matter of rationalization of  
25 resources and the Commission simply has not directed  
26 you to do one.

1 MR. WONG: A That was correct. The cost savings, cost  
2 consciousness of the organization and looking at the  
3 various things that we need to do, we felt that that  
4 was one thing based on our experience of our assets  
5 that we didn't think added value to our financial  
6 review, relative to everything else we wanted to do in  
7 the company. And so that is absolutely -- that was a  
8 decision taken and made my management.

9 COMMISSIONER FUNG: But I guess, and it's easier to say  
10 that in hindsight, it's now 15 years later. Would you  
11 agree that it's timely for BC Hydro to undertake a new  
12 depreciation study? Particularly given the changes in  
13 assets that you've experienced recently, particularly  
14 in terms of technology advances, Site C, your aging  
15 assets?

16 **Proceeding Time 2:06 p.m. T56**

17 MR. WONG: A Yeah, no, certainly I am not disagreeing  
18 that there was value in doing a depreciation study,  
19 and something at some point we would like to  
20 undertake. It's just the matter of if we want to  
21 manage our costs, and taking a look at all the things  
22 that we have in front of us to do, that wasn't the  
23 most highest priority thing for us. At some point  
24 absolutely, we should be doing a depreciation study  
25 again.

26 COMMISSIONER FUNG: Thank you.

1 THE CHAIRPERSON: Thank you. Mr. Miller?

2 MR. MILLER: I believe Mr. Quail had a follow up question  
3 to an issue Commission Mason raised

4 THE CHAIRPERSON: Sure. Please go ahead, Mr. Quail.

5 **CROSS-EXAMINATION BY MR. QUAIL (Continued):**

6 MR. QUAIL: Q Yes, just to sort of finish up the  
7 picture in terms of bullying and harassment. Is it  
8 not the case that these situations can trigger  
9 grievances arising under the collective agreements  
10 where there is bargaining members involved?

11 MS. FRASER: A Correct.

12 MR. QUAIL: Q And that might involve either an alleged  
13 violation of the employer obligation to maintain a  
14 harassment free workplace, or if there is  
15 consequential discipline to a bargaining member that  
16 could also be the subject of a grievance, either of  
17 those for example might arise?

18 MS. FRASER: A Correct.

19 MR. QUAIL: Q And potentially in either of those  
20 circumstances could give rise to an arbitration which  
21 could result in damages, reinstatements in the case of  
22 discipline and other remedies?

23 MS. FRASER: A Correct.

24 MR. QUAIL: Q The issue of WorkSafeBC has already been  
25 referred to, I was going to mention that, but it can  
26 also under some circumstances, these situations can

1 trigger proceedings before the Human Rights Tribunal,  
2 is that not the case?

3 MS. FRASER: A Correct.

4 MR. QUAIL: Q Okay, so just finishing up the picture on  
5 that question.

6 THE CHAIRPERSON: Thank you, Mr. Quail. We have  
7 another question.

8 COMMISSIONER LOCKHART: Sorry, I just have one more  
9 follow up question for Mr. Wong in terms of the  
10 depreciation study. I gather from everything we've  
11 heard so far, that but for a direction from BCUC, BC  
12 Hydro is unlikely to initiate a depreciation study?

13 MR. WONG: A That's correct. We don't -- well, we  
14 don't have in our current plan related to what the  
15 finance team is going to do, as a depreciation study  
16 in our, let's say the next couple years plan, business  
17 plan.

18 COMMISSIONER LOCKHART: Thank you.

19 COMMISSIONER FUNG: Now I have a follow up question.  
20 Surely, Mr. Wong, you are not telling me that as a  
21 utility management executive that you rely on the BCUC  
22 to tell you what you ought to be doing as a prudent  
23 operator, and a manager of assets?

24 MR. WONG: A No, absolutely not, and like I said, I  
25 think it's something that we will be doing, it's just  
26 a matter of the timing associated with that. And so I

1 think I mentioned earlier, we do have the return on  
2 capital process we are going to go through. We have  
3 got the performance based ratemaking process that  
4 we're looking through. And those are two heavy things  
5 on our finance team. As well we will be soon coming  
6 up to the next RRA process, and then supporting the  
7 IRP.

8 So when I look at those four collective  
9 things that we need to do as an organization, and the  
10 impact on the finance team, When I add depreciation  
11 study into that, amongst everything, of course, are  
12 the regular day-to-day things that need to be done.  
13 It is just the load of work. And so I do not  
14 disagree. A depreciation study is a valuable thing to  
15 do. It's just a matter of when to put that in a  
16 timing relative to everything that we need to do.

17 COMMISSIONER FUNG: Thank you.

18 THE CHAIRPERSON: Mr. Ghikas, do you have any re-  
19 examination for your panel?

20 MR. GHIKAS: Not re-examination, but I did have -- we  
21 located in the record the information that  
22 Commissioner Lockhart was looking for, so I can just  
23 provide reference to the information, and then if you  
24 have any follow up questions, please feel free.

25 THE CHAIRPERSON: Sure.

26 MR. GHIKAS: So, the questions were with respect to the



1 list, we were talking about the real property sales  
2 regulatory account, and so there is a list of property  
3 sales to date, including net proceeds from those  
4 sales, found in confidential attachment 1 to BCUC IR  
5 3.299.7, and you'll see when you go to that --  
6 obviously it's confidential, because we don't want BC  
7 Hydro's market position on these things to be  
8 revealed.

9 **Proceeding Time 2:11 p.m. T57**

10 But I can say in this forum that BC Hydro  
11 hasn't sold any of those properties at a loss. So  
12 what that account is recording is they were  
13 forecasting gains of a particular amount and they've  
14 -- the gains that they've achieved are lower than the  
15 gains that they were anticipating. It's not a loss in  
16 any of those circumstances.

17 The other one was with respect to the  
18 fiscal '15 and '16 account balances for that  
19 regulatory account. That is found in Appendix A to  
20 the application and it is found in line 143 of  
21 Schedule 2.2, just for the record. And I can give you  
22 the amounts. In Fiscal '15 the amount was 7.9 million  
23 and in Fiscal '16 the amount was 17.7 million.

24 And that concludes all I had to say. So  
25 unless there were follow-up questions based on that, I  
26 think we're finished.

1 COMMISSIONER LOCKHART: I think I will have follow-up  
2 questions, but I need time to digest and it may be  
3 that they end up being Panel 4.

4 MR. GHIKAS: Yes. And, again, it was correct that if  
5 there are specific questions about the properties  
6 themselves, the Panel 4 would be the place to go.

7 THE CHAIRPERSON: All right, so thank you, and unless  
8 there's anything else for the panel I'd like to say  
9 thank you very much. Your answers have been very  
10 helpful. Hopefully it hasn't been too grueling for  
11 you and I hope you enjoy the rest of the day. Thank  
12 you very much again.

13 (PANEL ASIDE)

14 THE CHAIRPERSON: We'll take our break now while the  
15 next panel gets organized. So let's go until twenty-  
16 five after. Mr. Ghikas, is that enough time for you  
17 or do you want to go till 2:30?

18 MR. GHIKAS: No, that should be fine.

19 THE CHAIRPERSON: Twenty-five after. Okay, thank.

20 **(PROCEEDINGS ADJOURNED AT 2:13 P.M.)**

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