

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
Fiscal 2022 Revenue Requirements Application

Vancouver, B.C.
March 5th, 2021

WEB-BASED REVIEW SESSION

BEFORE:

D.M. Morton, Panel Chair/Commission Chair

R.I. Mason, Commissioner

T.A. Loski, Commissioner

VOLUME 2

APPEARANCES

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William Andrews Thomas Hackney Matthew Jackson	Appearing for BC Sustainable Energy Association (BCSEA)
Matthew Keen Melissa Davies	Appearing for Association of Major Power Customers of British Columbia (AMPC)
Lindsay Thompson Chris Oakley	Appearing for Residential Customer Intervener Group (RCIG)
Leigha Worth Irina Mis	Appearing for British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Tenants Resource and Advisory Centre and Together Against Poverty (BCOAPO)
Christopher Weafer Patrick Weafer David Craig Janet Rhodes	Appearing for Commercial Energy Consumers Association of British Columbia (CEC)
Jim Quail	Appearing for Movement of United Professionals (MOVEUP)
David Austin James Weimer	Appearing for Clean Energy Association of B.C. (CEABC)
Michael Fox	Kwadacha Nation and Tsay Key Dene Nation and Zone II Ratepayers Group (ZONE II RPG)
Roger Bryenton	Appearing for BC Hydro Ratepayers Group

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VANCOUVER, B.C.

March 5th, 2021

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

MR. SANDVE: So I think we're in good shape then.

Commissioner Morton, did you want to kick us off this morning before we go to BC Hydro? I think you may be on mute.

THE CHAIRPERSON: Other than welcoming everyone to day 2, I don't have any words of wisdom to impart. But thank you very much for joining us, and looking forward to some more interesting questions and answers, thank you.

MR. SANDVE: Thank you. We have a couple just initial things before we get going this morning, Mr. Chair, with the questions and answers from BCUC Staff. First up, Mr. Wong, I think you have a couple corrections to the record that you wish to make?

MR. WONG: A: Yeah, thanks. Just there is two corrections that I'd like to highlight. On page 65 of the transcript, in my dialogue with Mr. Keen related to the cost of capital proceedings upcoming. On line 24, it says "I know we would wait," it should say "I know we would not wait for a decision related to the generic cost of capital."

A second clarification I want to make is on page 73 in my dialogue with Mr. Keen related to our

1 liability management strategy on line 2, it should
2 say, "We still have the policy to hedge up to 75
3 percent of total forecast borrowing requirements."

4 Thank you.

5 MR. SANDVE: Great, thank you, Mr. Wong. And Mr.
6 O'Riley, I think you have one correction?

7 MR. O'RILEY: A: Yes, this was with respect to the Huey
8 Lake, and the Coats EPA renewals, so that is on page
9 159, lines 8 to 10, and I said "I think both of these
10 are remote communities," and that is the case for Huey
11 Lake, which is in the Deas Lake non-integrated area,
12 and Coats is actually part of the integrated system.
13 It's a very, very small IPP and the renewal is done
14 for a short term at very modest pricing consistent
15 with the principles established by the BCUC, and I
16 think that application just went in to the Commission,
17 and the Commission will have the opportunity to renew
18 it. So I just want to clarify one was integrated, one
19 -- Coats is on the integrated system, Huey Lake is on
20 the non-integrated system.

21 MR. SANDVE: Thank you, Mr. O'Riley. And then the last
22 item that we had this morning, last evening myself and
23 Mr. O'Riley received an email from Mr. Bryenton with a
24 question that we'd like to take the opportunity to
25 answer this morning. And so I will just read the
26 question into the record, and then turn it over to Mr.

1 O'Riley to answer.

2 **Proceeding Time 9:04 a.m. T2**

3 So Mr. Bryenton's question that he sent by
4 email was,

5 "Given the budget shortfall of approximately 60
6 million out of an overall annual budget of
7 approximately 5 billion or .1 percent and given
8 that the economy is substantially effected by
9 the pandemic with many customers very concerned
10 about affordability, will BC Hydro please find a
11 way to revise the budget to eliminate a
12 projected shortfall of 60 million? This could
13 be accomplished by such measures as deferring
14 projects, delaying or slowing implementation of
15 capital expenditures slightly, increasing DSM
16 implementation, et cetera. I believe that such
17 action would further demonstrate BC Hydro's
18 commitment to both enabling economic recovery
19 out of sensitivity to the economic difficulties
20 from the pandemic."

21 Mr. O'Riley, over to you for an answer.

22 MR. O'RILEY: A: Thank you, Mr. Sandve. So and thanks
23 to Mr. Bryenton for the question and for following up,
24 we really think it's an important question to address.
25 I just want to reiterate again that we believe
26 affordability of our product is -- it's a very

1 important consideration for BC Hydro and for the BCUC
2 of course. It's one of the government's three
3 priorities that they've articulated to us in their
4 mandate letter and was a theme in the government Phase
5 1 Review and the Phase 2 Review and you see it
6 articulated in our service plan.

7 And we recognize the bill impacts, as we
8 talked yesterday, for our customers in all three
9 classes, particularly those hardest hit by COVID and
10 we don't take lightly the increase in the revenue
11 requirement application. At the same time we do have
12 a responsibility as stewards of BC Hydro to meet our
13 service obligations, which increasingly includes
14 strict compliance obligations as we've discussed
15 yesterday.

16 Mr. Bryenton makes several specific
17 suggestions really starting with the \$5 billion
18 revenue requirement. And for those that have been
19 around this for a while will know that a lot of the \$5
20 billion costs are fixed and really go into buckets
21 that are not easily transferred from one to another.
22 And there are fairly strict conventions for how a
23 number of those buckets of costs are determined,
24 whether it's the depreciation costs or the load
25 forecast and revenue costs that result -- or revenues
26 that result or, you know, how we determine trade

1 income and storm costs. And we of course don't
2 believe that we should make tactical adjustments to
3 those conventions for the purpose of driving a rate
4 outcome.

5 We do feel strongly that the revenue
6 requirements application that we put forward balances
7 the question of affordability and -- or the issues of
8 affordability and investment and stewardship, and the
9 investments we put forward specifically in MRS costs,
10 vegetation management, cyber security, and employee
11 training we believe are important and necessary.

12 **Proceeding Time 9:07 a.m. T3**

13 The specific -- other specific suggestions
14 around demand side management investments, they are an
15 important way to achieve bill affordability for
16 customers and while we talk about the rate, percentage
17 rate increases, customers do have the opportunities to
18 manage their bills down through their own actions and
19 by taking advantage of the programs we have. And so I
20 would really encourage Mr. Bryenton to understand the
21 programs and where they might be opportunities for
22 himself in particular to take advantage of.

23 And we are committed to making sure that
24 the customers most affected by the pandemic and those
25 customers who can least afford the bill increases, the
26 rate increases, are -- can avail themselves of these

1 programs. And, of course, as we talked yesterday, we
2 do commit to further considering opportunities around
3 demand side management in the IRP.

4 So, thank you again, Mr. Bryenton for the
5 question.

6 MR. BRYENTON: Thank you very much for the response and
7 taking the time, appreciate that. Thank you.

8 MR. SANDVE: Thank you, Mr. Bryenton, thank you,
9 O'Riley.

10 Mr. Chair, I think we're now ready to
11 proceed to questions from Commission Staff, so I'll
12 turn it over to the Commission.

13 **QUESTIONS BY BCUC STAFF:**

14 MS. LAI: Q: Hello everyone. Good morning, my name is
15 Tanya Lai and I'm part of the BCUC Staff team. With
16 me today are my colleagues, Kathryn Ratelich and
17 Alfred Kiesling, who will also be asking questions on
18 behalf of BCUC Staff during the session. Before I
19 begin I would like to thank BC Hydro for being
20 available this morning to answer our questions, it is
21 much appreciated.

22 The topics that BCUC Staff will be asking
23 questions on today are EV charging stations, the
24 deferral account rate rider, return on equity, cost of
25 energy, capital assets, demand side management,
26 vegetation management and cyber security.

1 I will start with EV charging stations as
2 my first topic. In this revenue requirement
3 application BC Hydro is requesting the recovery of EV
4 charging infrastructure costs, which includes
5 depreciation expenses. Can you please tell me what is
6 the estimated useful life for the EV charging
7 infrastructure that is used to calculate the
8 depreciation expense and how this useful life was
9 determined?

10 MR. LAYTON: A: Good morning, Ms. Lai. This is Ryan
11 Layton speaking, I'll start here and then maybe Mr.
12 Anderson will have more comments on this. I believe
13 it relates -- it depends on the vintage of the
14 charging stations. So we've implemented those in
15 different phases. The ones that are coming in service
16 now are assumed to have a ten-year useful life. As I
17 said, Mr. Anderson may have some more comments on
18 that.

19 MR. ANDERSON: A: No, nothing further, Mr. Layton.

20 MS. LAI: Q: And when this useful life was determined
21 was it compared to other public utilities who own and
22 operate similar EV charging infrastructure?

23 MR. LAYTON: A: I'm not aware of that.

24 MS. LAI: Q: Thank you. Is BC Hydro seeking approval
25 of the depreciation rate in this application or is
26 this more appropriate to address in the EV rate design

1 application?

2 MR. LAYTON: A: I don't believe that we've asked for
3 specific approval of a class, so I'm not sure if we
4 have a depreciation class already that we're using. I
5 will take that away and think about that and perhaps
6 it is -- it probably is something to be discussed in
7 the other application as well. But, yeah, I'm not
8 sure off the top of my head the answer to that.

9 MS. LAI: Q: Okay, thank you.

10 MR. GHIKAS: It's Matt Ghikas. We can revisit that,
11 I'll have discussion offline and just provide you the
12 further answer and we can also deal with it in final
13 argument, if that works, instead.

14 MS. LAI: Q: Okay, thank you. In response to BCUC IR
15 2.1, in Exhibit B-4, BC Hydro states that it considers
16 it owns the eight stations identified as constructed
17 by Community Energy Association and that BC Hydro and
18 Powertech are expected to execute a bill of sale
19 shortly to make it clear that these stations are BC
20 Hydro's assets.

21 **Proceeding Time 9:12 a.m. T4**

22 Can you tell me, are these eight charging
23 stations currently recorded in BC Hydro's books? Or
24 Powertech's books?

25 MR. LAYTON: A: This is Ryan Layton speaking again.
26 Mr. Anderson may have more to add. I believe that

1 until a sale occurs, they would be on Powertech's
2 books, but I'll say subject to check, because I'm not
3 100 percent certain on that.

4 MS. LAI: Q: Okay.

5 MR. ANDERSON: A: Yes, Mr. Layton, I can add some more.
6 I believe that the bill of sale between Powertech and
7 BC Hydro has been completed. I can't tell you
8 anything about whose books they would be recorded in,
9 but I can tell you that part.

10 MS. LAI: Q: Okay, was it completed recently?

11 MR. ANDERSON: A: Yes, just completed recently. I got
12 notice of it a day or two ago.

13 MS. LAI: Q: Okay, and do you know if the costs of
14 these stations were previously recovered from BC
15 Hydro's ratepayers?

16 MR. ANDERSON: A: I'm not aware of that, but I don't
17 know. Mr. Layton, if you're --

18 MR. O'RILEY: A: Could we just caucus for a moment?

19 MS. LAI: Q: Sure.

20 MR. LAYTON: A: Hi, Ms. Lai, this is Ryan Layton
21 speaking again. We'll undertake to get you an answer
22 to your question, and for the record, if we understand
23 it correctly, it is in respect of these particular
24 stations, were they recovered in BC Hydro rates in
25 prior years. Is that a fair representation of your
26 question?

Information Request

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MS. LAI: Q: Yes, that's correct, thank you.

MR. LAYTON: A: Okay, we'll undertake to provide an answer to you.

MS. LAI: Q: Okay, and my next question is, I was wondering what the cost of service for these eight stations for Fiscal '20 to Fiscal '22, is -- what the cost of service BC Hydro is seeking to recover, and I guess you would need to provide this as an undertaking. If you could provide that information by year, broken down by the cost categories? So operating and maintenance, depreciation, cost of energy, and finance if applicable?

Information Request

MR. LAYTON: A: Certainly, and we'll undertake to do that, and we'll provide it in the categories that you mentioned, which are the same categories in BCUC IR 1.1.1. So, if I understood your question correctly, we'll undertake to provide in respect of those eight sections, the costs by fiscal year, for Fiscal 2020, Fiscal 2021 and Fiscal 2022 for those particular eight stations.

MS. LAI: Q: Yes, thank you.

MR. LAYTON: A: Certainly.

Proceeding Time 9:16 a.m. T5

MS. LAI: Q: Okay, in response to BCUC IR 5.6, BC Hydro

1 states that it considers the date of the public
2 utility decides to construct or purchase an eligible
3 charging station as used in section 52(b) of the GGRR
4 at the date when the expenditures associated with the
5 construction or purchase of the eligible charging
6 stations are internally approved via an expenditure
7 authorization request. I was wondering, does an
8 expenditure authorization request identify the
9 eligible charging site of where the station is to be
10 located?

11 MR. LAYTON: A: Hi, Ms. Lai. This is Ryan Layton
12 again. I expect that it would. I haven't -- I can't
13 confirm that in all cases, but I expect that it would.

14 MR. WONG: A: Maybe I'll just add to -- when the
15 expenditure authorization request comes it does get
16 backed up by a business case and various documents and
17 that would incorporate what charging stations would be
18 included.

19 MR. ANDERSON: A: Keith Anderson here as well, I'll add
20 one more piece. It would certainly indicate the
21 number of sites or the number of stations, whether
22 it's -- whether we have selected the individual sites
23 at that point, we would have to go back and check.
24 I'm not sure in all cases that we would have. We
25 would have determined that, you know, there's this
26 many new sites, this many expansions. Certainly we

1 would likely have a good idea of all of them, but we
2 many not have chosen all of the end use sites at that
3 point. We might have chosen for instance a community
4 and still working on the final site location.

5 MS. LAI: Q: Okay, thank you. Are charging stations
6 site specific or can a station be uninstalled from one
7 site and moved to another site?

8 MR. LAYTON: A: Yeah, certainly, you know, we don't
9 want to do that where we can, but as you've seen, you
10 know, on the record, we have to decommission stations,
11 some of the earlier stations, and some of the reasons
12 for that is, you know, as we understood more around,
13 you know, what would make a good site location, safety
14 considerations, amenities nearby, ability to expand.
15 We did have to decommission some. And so the physical
16 capability is there, you can decommission or you can
17 take out a charging unit, if you will, and you can
18 move it to another site at a later date if that's
19 required.

20 MS. LAI: Q: Okay, thank you. So yesterday Mr. Layton
21 and Mr. Austin touched upon the carbon credits with
22 respect to EV charging stations that were transferred
23 to Powerex. I just have a few follow-up questions.
24 What was the value of these carbon credits that were
25 included in Powerex's Fiscal 2020 trade income?

26 MR. LAYTON: A: So this is Ryan Layton speaking. I

1 certainly don't have that information at my
2 fingertips, but I believe in any case it would be
3 confidential and commercially sensitive in as much as
4 it was related to Powerex operations and so forth.
5 MS. LAI: Q: Okay. And yesterday Mr. Layton and Mr.
6 Austin also discussed that these were transferred at
7 zero costs to Powerex. Does that also mean that there
8 were no expenses transferred related to the generation
9 of these carbon credits to Powerex?
10 MR. LAYTON: A: That's correct.
11 MS. LAI: Q: And is there a reason why no expenses were
12 transferred?
13 MR. LAYTON: A: Well, my view would be that if we did
14 transfer any expenses it would have no net effect in
15 as much as it would just reduce Powerex's net income
16 by the same amount of the transfer and, therefore,
17 from a ratepayer perspective it wouldn't drive any
18 different result.
19 MS. LAI: Q: Okay.
20 THE CHAIRPERSON: I wonder if I could just jump in
21 here, Mr. Layton, I just want to clarify. So what we
22 have is we have a transfer of credits from BC Hydro to
23 Powerex, is that correct?
24 MR. LAYTON: A: Correct.
25 THE CHAIRPERSON: But you're saying that that's
26 confidential because it's part of Powerex's business

1 transactions. But it's also part of BC Hydro,
2 correct?

3 MR. LAYTON: A: Yeah. All I'm saying, Commissioner
4 Morton, is that the amounts that Powerex earned from
5 selling those credits we would consider to be
6 confidential.

7 THE CHAIRPERSON: But not the amount of credits that
8 are transferred?

9 MR. LAYTON: A: No, I don't see -- I don't think that
10 would be confidential, no.

11 THE CHAIRPERSON: Okay, thank you. Thank you for that.

12 MR. LAYTON: A: Sure.

13 MS. LAI: Q: And does the EV charging customer receive
14 any direct benefit from the monetization of these
15 credits?

16 **Proceeding Time 9:21 a.m. T6**

17 MR. LAYTON: A: Well, to the extent that they're a BC
18 Hydro ratepayer they -- it would because the benefit
19 of every dollar that Powerex earns from selling those
20 credits results in higher trade income than would
21 otherwise be the case. And as we know that all trade
22 income is to the benefit of ratepayers through either
23 the planned amounts or the trade income deferral
24 account.

25 MS. LAI: Q: Okay, so just to clarify that response,
26 the EV charging customer won't get more benefit than

1 another BC Hydro customer?

2 MR. LAYTON: A: No, I don't think so. I think all BC
3 Hydro customers receive the same benefit from those
4 credits.

5 MS. LAI: Q: Okay, thank you. And could you please
6 describe how these carbon credits work? So, for
7 example, who issues these credits, how does it get
8 monetized and who regulates this activity, if anyone?

9 MR. ANDERSON: A: Yeah, I can take that. So it's
10 regulated through the province, through the Low Carbon
11 Fuel Standard Regulation and we, for all
12 transportation electrification, we measure the
13 electricity consumption that's used for that electric
14 -- that transportation. And then on a regular basis
15 either, you know, quarterly, semi-annually or annually
16 we'll gather all of that information together in a
17 filing with government and to government and request
18 credits based on that electricity consumption.

19 And so they then review our report, request
20 clarification where needed, and then ultimately issue
21 credits pursuant to that Low Carbon Fuel Standard.
22 And so then we receive a certain volume of low carbon
23 fuel credits for all of that transportation
24 electrification activity and then we assign that or
25 transfer that to Powerex to market. And Powerex
26 determines the frequency of the marketing that they do

1 to optimize the value back to Powerex and BC Hydro.
2 MS. LAI: Q: Okay, great, thank you. Now I'd like to
3 switch topics to the deferral account rate rider.
4 Now, here I'm just going to request a few
5 undertakings, if I can. The first undertaking is I
6 would like a table that shows what the DARR rate in
7 each year of the past ten years would have been if the
8 proposed DARR mechanism was used and what the ending
9 balances in the cost of energy variance accounts would
10 have been in each of those years. And also, in that
11 same table, provide what the equivalent rate impact
12 would have been in each of those years if those
13 amounts were amortized into the revenue requirement
14 instead of being recovered through a rate rider.

Information Request

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16 MR. LAYTON: A: Okay, thank you, Ms. Lai. This is Ryan
17 Layton speaking. I think you've very clearly
18 described what you're looking for, I'm not going to
19 try and paraphrase it back. I think the record will
20 show very clearly and we will undertake to do that.

21 MS. LAI: Q: Perfect, thank you. And then as the
22 second undertaking for this topic, I would like
23 another table under a scenario where the cost of
24 energy variance accounts were to be amortized over a
25 three-year period, can BC Hydro please provide a table
26 that shows what the DARR rate would be in fiscal '22

1 and each of the past ten years, as well as the amount
2 amortized in each of the cost of energy variance
3 accounts, the ending balances of the cost of energy
4 variance accounts for each of those years, as well as
5 provide what the equivalent rate impact would have
6 been for those years if those amounts were amortized
7 into the revenue requirement instead of being
8 recovered through the rate rider.

9 **Information Request**

10 MR. LAYTON: A: Okay, maybe -- this is Ryan Layton
11 again, maybe I'll ask just a clarifying question. So,
12 in respect of this undertaking you're looking for it
13 to always be a three-year recovery period regardless
14 of where that falls within test periods?

15 MS. LAI: Q: That's right.

16 MR. LAYTON: A: Okay, I think that's complicated but I
17 think I understand what you're looking for and we'll
18 undertake to do that.

19 **Proceeding Time 9:26 a.m. T7**

20 MS. LAI: Q: Okay, perfect. And then my last
21 undertaking request for this topic, it's the same as
22 the previous undertaking, but instead of using a
23 three-year amortization period, can you use a five-
24 year amortization period?

25 **Information Request**

26 MR. LAYTON: A: Yes, I think we can do that. Maybe

1 just one additional clarification question for you,
2 Ms. Lai, would be as you'll know from our application
3 we've proposed to set the DARR based on forecast
4 balances. I think it may be hard to go back in time
5 and recreate a forecast that wasn't perhaps made at
6 the same time before. So we may make a simplifying
7 assumption like using an actual balance since we have
8 the luxury of knowing what that was at the end of
9 fiscal years.

10 I'm just thinking aloud of some of the
11 complications that may arise from the undertaking.
12 Does that sound a reasonable approach, as long as we
13 clearly articulate our assumptions in so doing,
14 following with your broad principle? Does that sound
15 reasonable?

16 MS. LAI: Q: Yes, that would work, thank you.

17 MR. LAYTON: A: Okay, thank you.

18 MS. LAI: Q: Okay, and now I'd like to switch topics to
19 return on equity. In yesterday's presentation, Mr.
20 Wong explained that BC Hydro is proposing to establish
21 a regulatory account to capture any variance between
22 BC Hydro's proposed return on equity of \$712 million,
23 and any different amount subsequently determined by
24 the BCUC in respect of Fiscal 2022. This variance is
25 for future recovery, or refund to customers. However,
26 under IFRS, only the difference that can be captured

1 -- only if it results in a refund would that
2 difference be captured. Is that a fair summary of
3 what was said?

4 MR. WONG: A: Yeah, that's a fair summary. And under
5 IFRS accounting rules, in this particular type of
6 situation we would only be able to record on our
7 balance sheet the amount that would be returned to
8 ratepayers, under regulatory accounting.

9 MS. LAI: Q: Okay, thank you. And then can you confirm
10 that if a regulatory account is not used, would that
11 then mean that the Fiscal '22 rates would need to be
12 kept as interim until a determination regarding BC
13 Hydro's return on equity is made by the BCUC in order
14 to refund or recover any differences from ratepayers?

15 MR. WONG: A: That is another option the Commission may
16 choose to do in order to manage the return equity for
17 this fiscal year. We -- the proposal with the
18 deferral account actually would allow the Commission
19 to finalize the rates, and that's why we propose that
20 as opposed to keeping interim. But as you say, that's
21 another option, for sure.

22 MS. LAI: Q: Okay, so if it is kept interim, then I
23 guess there is no requirement that only refunds could
24 be given to ratepayers? It could go the other
25 direction, is that correct?

26 MR. WONG: A: That's correct, that's correct.

1 MS. LAI: Q: Okay, thank you. My next question, and I
2 only have two questions related to cost of energy.
3 So, in response to BCUC IR 14.1, BC Hydro explains
4 that there is less net storage into the accounts in
5 Fiscal '22, relative to Fiscal '21 because the
6 forecast balance at the beginning of Fiscal '22 was
7 higher than the forecast balance at the beginning of
8 Fiscal 21, and that there were no differences in the
9 forecast market prices and constraints.

10 I was wondering if you could just explain
11 the concepts of net storage, and how a higher starting
12 account balance would result in less net storage?

13 MR. O'RILEY: A: I could take it. Could I see that
14 please?

15 Okay, I will try to answer your question,
16 Ms. Lai. These storage amounts relate not to the
17 broader system, but to these two coordination
18 agreements that I spoke of yesterday with Mr. Austin.
19 So the Non-Treaty Storage Agreement, and the Libby
20 Coordination Agreement. And these are river
21 coordination, flow coordination agreements between BC
22 Hydro and the downstream entity that manages the flows
23 on the river, which is Bonneville Power, and they give
24 both parties rights to both put energy into storage
25 for later use and to take it out, and there's
26 different sharing mechanisms for the benefits of that

1 and there's different constraints.

2 **Proceeding Time 9:32 a.m. T8**

3 So the amount of storage on a forecast
4 basis that we determine is highly dependent on the
5 starting balance because if it's already full, you can
6 -- or close to full then you can't put very much in.
7 So I think this is really just speaking to the fact
8 that at the start of fiscal -- the accounts ended up
9 the year of fiscal '21 relatively higher than they
10 started, so there was just not really room to put more
11 in or there was only -- there was room to put less in
12 in fiscal '22, so we would be expecting more of a
13 withdrawal in that.

14 So maybe I'll stop there and see if that
15 answers your question.

16 MS. LAI: Q: Yes, it does. Thank you.

17 MR. O'RILEY: A: Okay, great.

18 MS. LAI: Q: Okay, and on page 4-9 of the application
19 it states "that the planned revenue in the fiscal '22
20 plan is higher than the fiscal '21 plan due to the
21 lower amount of plan storage in fiscal '22." Can you
22 explain whether the term "net storage" is different
23 from the term "planned storage"?

24 MR. O'RILEY: A: Could we get the reference?

25 MS. LAI: Q: Yes, it's page 4-9 of the application.

26 MR. O'RILEY: A: I would say that "net storage" and

1 "planned storage" are the same. Yes, I would say
2 that.

3 MS. LAI: Q: Okay, thank you. And now I'd like to move
4 on to another topic, capital additions. So in
5 Appendix I to the application it lists projects over
6 \$5 million with capital expenditures in the test
7 period and this appendix is current as at April 2019.
8 And as a result of that currency date it included
9 expenditures for certain projects that have been
10 cancelled since then.

11 In response to BCUC IR 45.1, BC Hydro
12 stated that it normally updates the capital plan
13 annually to align with the presentation of the five-
14 year financial forecast to the board of directors in
15 January but adjusted the timing of its process to
16 support the revised schedule for this RRA and the next
17 RRA to be submitted in August of this year.

18 Can BC Hydro please confirm whether its
19 board has received updated capital budgets that are
20 more current than the one used to prepare this RRA?

21 MS. DASCHUK: A: No, the board has no more current
22 information than was included in this application.

23 MS. LAI: Q: Okay. So just to clarify, the board --
24 the capital budgets are not more current than April
25 2019?

26 MS. DASCHUK: A: Correct.

1 MS. LAI: Q: Okay, thank you. Okay, then I'd like to
2 move to the demand side management. And I just have
3 two questions for this topic.

4 **Proceeding Time 9:32 a.m. T9**

5 So yesterday morning in an exchange between
6 Mr. Hobson and Mr. Andrews it was noted that the
7 current net levelized utility cost test for the total
8 traditional DSM portfolio is \$19 per megawatt hour and
9 a DSM portfolio with a net levelized cost less than
10 \$33 per megawatt hour would still be cost effective
11 under the utility cost test and would have a positive
12 impact on BC Hydro's revenue requirement.

13 So does it follow that because the overall
14 revenue requirement may be reduced with additional DSM
15 expenditure, that all customer classes would benefit
16 from a reduction in rates?

17 MR. HOBSON: A: Maybe I'll take that one. It's Steve
18 Hobson. The one important thing I think that we've
19 outlined within the moderation strategy is it's a
20 balance of a number of factors and one of the key
21 balances within it is rate impact. And DSM operates a
22 little bit differently than what we might think of
23 with typical expenditures within BC Hydro.

24 So as much as our DSM expenditures can have
25 a downward pressure on the overall cost that BC Hydro
26 has to recover, it doesn't follow necessarily that it

1 has a downward pressure on rates. And so in this
2 surplus environment it doesn't necessarily follow that
3 we have a downward pressure on rates just because we
4 have a downward pressure on revenue requirement.

5 So the \$19 being lower than the 33 is an
6 indication with the utility costs test that we have a
7 lower revenue requirement as a result of our DSM
8 expenditures, but we do have an upward pressure on
9 rates and that was part of the consideration in the
10 moderation strategy going back to the '17 and '19 RRA
11 that was considered and continues to be a
12 consideration for us moving forward.

13 And really it's where -- when we move into
14 the next integrated resource plan there's a number of
15 different things that need to be traded off within a
16 setting of an integrated resources plan, including
17 impacts on revenue requirements and costs of resources
18 and rate impacts that follow from them. And I think
19 that's where we'll take a look at whether or not
20 there's a different level of DSM that makes sense for
21 BC Hydro to pursue.

22 MS. LAI: Q: Okay, thank you. Okay, in response to
23 Clean Energy Association of B.C.'s IR response 9.2 in
24 Exhibit B-5, BC Hydro provided an attachment showing
25 the impact using an avoided cost assumption of \$30 per
26 megawatt hour and \$24 per megawatt hour on the

1 ratepayer impact measure test which shows a portfolio
2 result of 0.3. BC Hydro also noted that subsection
3 4(6) of the DSM regulation states that the BCUC cannot
4 determine that a demand side measure is not cost-
5 effective on the basis of the results of a Ratepayer
6 Impact Measure Test or RIM test.

7 So since the DSM regulation prevents the
8 use of the RIM test for the purpose of cost
9 effectiveness, in BC Hydro's view is there still value
10 in showing these results in the annual DSM report and
11 how does BC Hydro think the BCUC should interpret
12 these RIM test values?

13 MR. HOBSON: A: Okay, well, let me start with -- your
14 question is specific to do we think there's value in
15 providing the RIM test results within the BCUC annual
16 report that we file with DSM?

17 MS. LAI: Q: Yes.

18 MR. HOBSON: A: I don't believe there's a lot of value
19 in it with respect to the information that's provided
20 with the RIM test itself within the report in large
21 part because of the regulation. So we've continued to
22 provide it because the direction that we have that
23 we're responding to with the annual report requires us
24 to provide the information.

25 **Proceeding Time 9:41 a.m. T10**

26 What the Commission chooses to do with that

1 information is I guess more a decision for the
2 Commission. But my view would be there is limited
3 value in it, and I think part of that comes from when
4 you take a look at the ratepayer impact measure as an
5 economic test, you can provide some pretty misleading
6 information in terms of things like magnitude. And
7 you can make some decisions to not move forward with
8 things that while they have a poor result on a RIM
9 test, they actually have very little rate impact and a
10 lot of benefit in other areas in terms of cost
11 reduction.

12 So, I think there is caution if you're
13 going to be looking at a measure like that, and given
14 the regulation, I think there is limited value in us
15 providing it within the annual report.

16 MS. LAI: Q: Okay, thank you. So, the next series of
17 questions are regarding vegetation management with
18 respect to BC Hydro's joint ownership agreement with
19 TELUS. I will now turn it over to my colleague, Ms.
20 Ratelich, who will be asking these questions. Thank
21 you.

22 MS. RATELICH: Q: Perfect, thank you very much, Ms.
23 Lai. As Ms. Lai noted, these questions will focus on
24 the joint ownership agreement with TELUS, and
25 specifically touch on your responses at Exhibit B-4 to
26 the BCUC IR 42 series.

1 The first set of questions focuses on your
2 responses to BCUC IR 42.1.1, and if following
3 electronically, this is PDF page 432 of Exhibit B-4.

4 So, in response to BCUC IR 42.1.1, BC Hydro
5 provides the ownership interest of the jointly owned
6 distribution poles as outlined in the joint ownership
7 agreement with TELUS. BC Hydro also states that the
8 decisions are made jointly between BC Hydro and TELUS
9 within the framework of the joint ownership agreement.

10 My first question is, for those
11 distribution poles that are jointly owned with TELUS,
12 does either BC Hydro or TELUS have control over these
13 poles with respect to managing the physical assets,
14 such as the maintenance, repair and replacement of the
15 poles, and also with respect to access of pole space
16 to third parties?

17 MS. DASCHUK: A: So, the poles in question are jointly
18 owned. So the question is, do we have control? Can
19 you just maybe take the questions one at a time?
20 Because I think there was a bit of nesting there.

21 MS. RATELICH: Q: Yeah, no problem. So, control over
22 the poles with respect to managing. And when I refer
23 to managing, I'm referring to things such as
24 maintenance, repair and replacement of the poles.

25 MS. DASCHUK: A: Okay, so --

26 MR. BYSTROM: It's Chris Bystrom here, counsel for BC

1 Hydro. I just wanted to note there are some
2 confidentiality concerns around these agreements. So
3 I just wanted to just remind everybody not to venture
4 too far into the details, but over to you, Ms.
5 Daschuk.

6 MS. DASCHUK: A: Yeah. I won't speak to the specific
7 terms of the contract, because of the commercial
8 sensitivity, but what I can tell you is that there are
9 certain activities for which either party is deemed to
10 be responsible. BC Hydro is deemed to be responsible
11 for pole replacements and for the maintenance of the
12 poles. TELUS has a separate sent of responsibilities.

13 All of the decisions that we make around
14 the poles are jointly made, but we have at BC Hydro
15 specific accountabilities, such as establishing what
16 we think the right budget is, coming up with the
17 standards that are going to be used to make the
18 decisions, and then through the governance of the
19 agreement, that's where we actually make the decisions
20 as joint owners over what the specific budgets will be
21 for the upcoming year.

22 MS. RATELICH: Q: Okay, perfect. So, just to clarify,
23 I think I heard that there might be control with
24 respect to maintenance that BC Hydro has, and would
25 that also include like the vegetation maintenance?
26 And in terms of costs related to that?

1 MS. DASCHUK: A: Well, I want to be -- the word
2 "control", I'm not sure what the definition of
3 "control" is in this case. So as joint owners, there
4 must be an agreement between the two parties.

5 **Proceeding Time 9:46 a.m. T11**

6 BC Hydro puts forward proposals to the
7 joint use agreement, to the two parties, that are
8 accepted by both parties. No party has unilateral
9 control over maintenance or capital because they are
10 jointly owned. So it is a collaborative decision
11 that's made per the terms of the agreement, which I
12 can't outline because they're confidential.

13 MS. RATELICH: Q: Perfect. No, that helps. The second
14 part of that nesting was with respect to control about
15 access or pole space to third parties.

16 MS. DASCHUK: A: I think that question is probably best
17 answered in the confidential section where we talk --
18 then we're actually getting into the commercial terms
19 of the ownership of the poles.

20 MS. RATELICH: Q: Perfect. And my next question with
21 respect to this IR is, so it was noted that decisions
22 are made jointly between BC Hydro and TELUS. Are
23 there any decisions with respect to the poles that do
24 not have to be made jointly?

25 MS. DASCHUK: A: In general, I'm going to say there are
26 no decisions that we can make unilaterally but I'm

1 happy to go into more detail about the decision making
2 process in the confidential section of the discussion
3 today.

4 MS. RATELICH: Q: Perfect, thank you. Okay, I
5 appreciate that.

6 So with that my next set of questions
7 relate to your responses to BCUC IR 42.4.1 and 42.12.
8 And, again, for those following electronically, we're
9 still in Exhibit B-4 and these IRs are beginning on
10 PDF pages 445 and 462 respectively. So there's an
11 excerpt from each of the responses that I'll read out
12 as preamble and following which I'll pose my
13 questions.

14 So, in response to BCUC IR 42.4.1, BC Hydro
15 states that it performs work not otherwise included
16 within the approved budget. TELUS may not have the
17 obligation to contribute towards the cost of that
18 specific work unless through governance and amendment
19 to the budget is approved. Further, in response to
20 BCUC IR 42.12 BC Hydro states that TELUS has not
21 historically disagreed with expenditure proposals made
22 by BC Hydro provided BC Hydro is able to justify those
23 costs as fair and reasonable through the governance
24 process.

25 So under a scenario where BC Hydro is
26 required to increase its distribution vegetation

1 management budget what is the process and how do you
2 justify these costs to TELUS as being fair and
3 reasonable through the governance process?

4 MS. DASCHUK: A: For me to discuss the governance
5 process and the budgeting process I would be required
6 to disclose some confidential information that's
7 commercially sensitive. So I'm going to ask that --
8 I'll be happy to answer that question in the
9 confidential hearing later today.

10 MS. RATELICH: Q: Perfect, thank you very much. And
11 both of my next questions and if you can just advise
12 the same, that would be great. So if TELUS disagrees
13 who pays the necessary costs or BC Hydro would then --
14 would BC Hydro decide to cut back on costs? I'm
15 assuming this might also be best addressed in the
16 confidential section?

17 MS. DASCHUK: A: Yes, thank you.

18 MS. RATELICH: Q: Okay. I also have a question with
19 respect to whether there's a cap on TELUS'
20 contribution to the distribution vegetation management
21 costs.

22 MS. DASCHUK: A: Again, I'm going to say that that
23 would be part of the terms of the contract which I'd
24 be very happy to talk about later.

25 MS. RATELICH: Q: Thank you very much. And this next
26 one as well, just let me know, are there situations

1 what other types of joint use agreements are in place.

2 MS. RATELICH: Q: Perfect. Can you clarify the
3 benefits and shortcomings of these models as compared
4 to BC Hydro and TELUS' joint ownership model?

5 MS. DASCHUK: A: Well, I think it's important to say --
6 excuse me. I apologize for the Court Reporter, I
7 should have said this is Maureen Daschuk speaking.

8 We haven't done a -- excuse me. We haven't
9 done a benefit analysis of the different options. I
10 think in the confidential session this afternoon I'd
11 be happy to outline some of the work that we have done
12 in looking at the various options, but in so doing I
13 think I might disclose some commercially sensitive
14 information today in the session.

15 MS. RATELICH: Q: Perfect. And with that I'll have
16 another question which I think -- follow on, which I
17 can bring to the confidential section. And I think
18 that might bring me to the end of my questions and
19 I'll bring it up as part of the confidential section.

20 So thank you very much, I appreciate your
21 time. Brings me to the end of my section and I'm
22 going to pass it on to my colleague Mr. Kiesling and
23 he has questions on vegetation management funding. So
24 the floor is your, Mr. Kiesling.

25 MR. KIESLING: Q: Thank you.

26 MR. GHIKAS: Before Mr. Kiesling jumps in, it's Matt

1 Ghikas, I just wanted to clarify one thing that came
2 out of Ms. Lai's questions about the EV. There was an
3 exchange that I had the last time I interjected about
4 EV depreciation rates. We'll treat that as an
5 undertaking and go away and just explain how the
6 depreciation rates are addressed and I just wanted to
7 make sure that was clear on the record.

8 **Information Request**

9 THE CHAIRPERSON: Thank you, Mr. Ghikas.

10 MS. LAI: Thank you.

11 MR. KIESLING: Q: Thank you, Ms. Ratelich. And thank
12 you to BC Hydro for taking my questions. My first
13 questions on vegetation management will refer to the
14 proposed budget on page 5-39 of the application. The
15 table shows that an incremental funding of
16 transmission vegetation management for Fiscal 2022 to
17 be approximately three times greater than the
18 incremental funding for distribution vegetation
19 management.

20 And I'd like to refer to BC Hydro's
21 response to BCUC IR 37.1 where it states that BC Hydro
22 is planning to allocate a significant portion of the
23 incremental funding for vegetation management in
24 Fiscal 2022 to the transmission system in order to
25 address the accumulated vegetation on and around the
26 transmission rights of way. It also states that BC

1 Hydro has allocated funding in Fiscal 2022 to address
2 hazard trees to improve both safety and reliability.

3 My first question is, could you tell me if
4 you consider that the incremental F2022 funding for
5 distribution vegetation management is adequate to
6 achieve a material improvement in reliability of the
7 distribution system?

8 MR. KUMAR: A: Hi, this is Ajay Kumar here. So the
9 amount of funding that we are allocating to
10 distribution, which as shown on page 5-39, is about
11 \$5.4 million, in our mind is significant in terms of
12 the impact that we are looking for in terms of the
13 hazard trees and the additional pruning that we are
14 going to do.

15 So for example, on the hazard tree side
16 with this additional funding we are expecting to clear
17 somewhere around 23,000 hazard trees, which is
18 significantly more than what the forecast for this
19 year is which is about 15,000. So that increased
20 hazard tree budget, it does allow us to reduce and de-
21 risk the system from a reliability standing point.

22 The additional funding for distribution
23 will be allocated to the pruning, which is again going
24 towards the safety and the reliability of the system.
25 So with both the hazard tree increase as well as on
26 the pruning side of distribution we do expect an

1 MR. KIESLING: Q: Okay, thank you very much. And then
2 just one more on the budget. Have you engaged in any
3 third party consultation to inform the F2022
4 operational budgets for vegetation management?

5 MR. KUMAR: A: So the vegetation budget, as Ms. Daschuk
6 talked about in her opening comments, is a \$25 million
7 ask, and that is driven by the fact that we had to de-
8 risk the system for both reliability risk as well as
9 ensuring that we are meeting the standards that apply.
10 And at the same time, ensuring that we have the right
11 level of resources available in the market for us to
12 execute that vegetation budget.

13 We know we have done some benchmarking
14 historically that has been shared as part of the
15 revenue requirement application, in which our budget
16 for vegetation is lower than what the peers are
17 spending. So that gives us an indication that it is
18 time for us to now look for increased funding based on
19 the level of funding we've had over the last ten
20 years, and some of the signals we are getting from the
21 system. So, all in all, I think that is the sort of
22 background of what we are looking for in terms of the
23 additional funding. And we will continue looking at
24 other Canadian utilities.

25 I am part of the TCEAT Council, where we
26 are sharing vegetation best practices and

1 benchmarking. And this is a topic that is actively
2 being discussed with all the T-Council members. And
3 we are expecting actually a report from them in April
4 that outlines how the utilities in Canada should be
5 looking at vegetation.

6 So, through those discussions, we do expect
7 that to inform a long term vegetation management
8 strategy that we talked about yesterday.

9 MR. KIESLING: Q: Thank you, very much. My next
10 question will be about BC Hydro's response to BCUC IR
11 38.1. And this is where BC Hydro provided five years
12 of reliability data based on outages caused by
13 vegetation management issues. In this data, we see
14 that most regions experience the higher system average
15 interruption duration index and system (audio drops)
16 interruption frequency index for the distribution
17 system, versus the transmission system in those years.

18 So, my question on this topic is that,
19 given the distribution system experiences less
20 reliability in general than the transmission system,
21 why is the incremental funding for the distribution
22 system much lower?

23 MR. KUMAR: A: So your observations are absolutely
24 right, that the distribution system actually has a
25 higher contribution towards reliability. And the
26 numbers are actually 72 percent for customer

1 asked previously. So can you tell me how BC Hydro's
2 F2022 proposed operational costs per kilometre of
3 transmission and distribution compare with the CEA or
4 any other relevant benchmarks?

5 MR. KUMAR: A: So we don't have any relevant CEA
6 benchmarking. The benchmarking that we take part in
7 is the first quartile benchmarking, which I believe we
8 shared the results of that in the application as well
9 as in the IR responses. We don't have the most recent
10 F22 numbers from first quartile benchmarking because
11 we are in the process of actually going through that
12 cycle. Suffice to say that if our funding increases
13 for both transportation and distribution, we've looked
14 at our positioning in the historical, I guess, set of
15 data that we have for first quartile and we do expect
16 our position to move from the current quartile to
17 about second quartile with the increased funding that
18 we have allocated.

19 MR. KIESLING: Q: And just one more follow-up question.
20 Do you have a target operational cost per kilometre,
21 operational budget cost per kilometre for transmission
22 and distribution?

23 MR. KUMAR: A: Could you explain what you mean by
24 "operation cost per kilometre"?

25 MR. KIESLING: Q: Basically your dollar spent per
26 kilometre of either transmission or distribution line.

1 MR. KUMAR: A: Yeah. I do have some rough numbers,
2 subject to check. For right of way clearing our
3 average unit costs are about 3500 per hectare, That
4 is subject to check. And for pruning, which is on the
5 distribution side, our dollars per metre of pruning it
6 varies anywhere from \$11 to \$13 per metre.

7 MR. KIESLING: Q: Yeah. But you don't -- do you not
8 measure it on a per kilometre cost basis for the line?

9 MR. KUMAR: A: I think the distribution one can be
10 converted to a kilometre because it's on a per metre
11 basis, so it's easy to convert. The reason we do on
12 the transmission side on a hectare basis is that when
13 you are clearing the right of way under transmission
14 lines it is the amount of hectares that you're
15 clearing that drives you cost for the clearing, not
16 the kilometres, because if you look at a 60 kV
17 transmission line, the right of way can be only 10
18 metres wide. So if you are looking at on a per metre
19 basis you get actually quite a good metric because
20 you're only clearing a 10 metre wide right of way.

21 On a 500 kV line that right of way can be
22 sometimes three to four hundred metres wide depending
23 on how many transmission lines are going through that.
24 So you may be only clearing a short distance from a
25 kilometre standpoint, but you are clearing a lot of
26 hectares.

1 the transmission and distribution could change in the
2 future, and as you're aware, we're doing an extensive
3 review of our transmission system, and depending on
4 how much work that is required in the coming years,
5 and if you feel that the transmission system has been
6 de-risked to the level that requires us to (inaudible)
7 from a standards standpoint, then we'll start looking
8 at the allocation towards distribution.

9 So, absolutely in the coming years, that
10 composition of what we are going to be putting towards
11 the T&D system would be different, and reviewed on an
12 ongoing basis.

13 MR. KIESLING: Q: Okay, thank you very much. My next
14 question is with respect to BCUC IR 36.2, in which BC
15 Hydro states,

16 "The current F2022 proposed vegetation
17 management budget represents the maximum
18 increase in effort that BC Hydro believes it can
19 prudently manage within a single year. Without
20 sufficient time to allow the market to respond
21 to work volume increases, the demand for
22 vegetation effort would surge and pricing would
23 increase in correlation."

24 And in its response, BC Hydro also states,
25 that it estimates that removing the transmission
26 accumulation immediately could cost as much as 60

1 million in additional funding for the base work.

2 So, my question is, in the case where BC
3 Hydro were to accelerate the clearing of the
4 accumulated transmission vegetation at 60 million, can
5 you tell me the average ratepayer impact for F2022?
6 And do you consider this a material amount?

7 MR. KUMAR: A: Maybe I'll just start off with the
8 numbers that we provided in the IR. The 18,000
9 hectares is our best understanding of the accumulation
10 right now. We are in the process of verifying that
11 this year through the patrols that we are doing. So
12 that number may change in the future, so with that I
13 am going to hand it over to Mr. Wong or Mr. Layton to
14 talk about the rate impact.

15 MR. O'RILEY: A: We're just going to caucus for a
16 moment, Mr. Kiesling.

17 MR. KIESLING: Q: Sounds good.

18 MR. WONG: A: Hi there, sorry. So, on a rough basis,
19 rule of thumb, 50 million is around one percent. So
20 it would be a little bit over one percent increase in
21 rates, if we were to add another \$60 million of
22 expenses into Fiscal '22. I just want to pass it back
23 to Ajay there.

24 MR. KUMAR: A: Thank you, Mr. Wong. The other thing I
25 would like to mention with respect to this 60 million
26 number is, we don't have the ability to actually

1 execute that in one year, because there is a lot of
2 requirements that we have to meet in terms of the
3 consultation with our stakeholders, First Nations and
4 others. And also look at the capacity of our
5 suppliers to execute that. And as we've said in that
6 IR response, that we do believe that we've talked to
7 the suppliers, and we've actually taken that into
8 account in developing our requirements for F22, which
9 is the maximum that we can actually manage, both
10 internally, as well as through our external customers
11 for this year. And the ongoing discussions with the
12 suppliers this year will give us an indication for the
13 future years supply capabilities.

14 MR. KIESLING: Q: Okay, thank you very much. So,
15 following along that line, how does BC Hydro balance
16 the risk, the residual reliability risk inherent with
17 the accumulation against that potential cost increase?

18 MR. KUMAR: A: so I think there is a couple of things
19 that we are doing which will help us manage that risk.
20 On the transmission system, we are undertaking a
21 significant amount of patrols, as well as flying LiDAR
22 on our system, which will allow us to figure out which
23 are the critical areas on the transmission system that
24 we should be focusing on in F22. And that will allow
25 us to de-risk the system from a transmission
26 standpoint.

1 caucus for a moment.

2 MR. KIESLING: Q: Okay.

3 MS. DASCHUK: A: Hi, it's Maureen Daschuk. We would
4 not be able to provide the vegetation strategy before
5 the August filing or the planned August filing of the
6 revenue requirements application. It's actually a lot
7 of work that's going into developing a robust strategy
8 and we will -- we're already making a lot of effort
9 internally to accelerate our filing times, as you
10 know. So, for us, we believe that the best approach
11 is to file those two documents together.

12 MR. KIESLING: Q: Okay, thank you very much. My next
13 few questions are about the new vegetation management
14 strategy. Under section 5.7.5.2 of the application BC
15 Hydro states the initial goals of the new vegetation
16 management strategy. So will the new strategy be
17 developed in consultation with third party experts and
18 certified arborists?

19 MR. KUMAR: A: Sorry, could you refer to the page
20 number in the application?

21 MR. KIESLING: Q: It was section 5.7.5 -- sorry, I
22 don't have the page. Oh, sorry, 5-48.

23 MR. KUMAR: A: Sorry, could you repeat the question,
24 please?

25 MR. KIESLING: Q: So will the new vegetation management
26 strategy be developed in consultation with third party

1 expert or certified arborists?

2 MR. KUMAR: A: Absolutely. So we are expecting to have
3 a high level of engagement with the outside community,
4 whether it being other utilities. As I mentioned
5 before, we have started discussions with the CEA
6 utilities that are facing similar issues and
7 challenges on vegetation, as well as with the U.S.
8 counterpart utilities we've had some dialogue on the
9 use of LiDAR and other things that are going to be
10 part of our strategy. Plus we'll be looking at the
11 resources that are available in the market for
12 executing the work because they are the ones who are
13 actually responsible for vegetation management for us.

14 So it's going to be a multiple level
15 engagement with different utilities, as well as
16 suppliers and perhaps with consultants in developing
17 the long-term strategy.

18 MR. KIESLING: Q: Thank you very much. And with the
19 new vegetation management strategy, are there aspects
20 that you believe can be implemented on an accelerated
21 basis that are not currently incorporated into this
22 budget?

23 MS. DASCHUK: A: So, it's Maureen Daschuk speaking. As
24 we've mentioned, we believe that this is the maximum
25 amount of work that we can do in F22 and I'll refer
26 you to page 5-39 of the application where we outline

1 undertaking on the transmission system, we have an
2 understanding of the risk that we can then prioritize
3 in terms of reducing that in the coming years and F22
4 will be the highest risk that will be addressed and so
5 forth.

6 MR. O'RILEY: A: So we're just going to caucus for a
7 moment, Mr. Kiesling.

8 MR. KIESLING: Q: Okay.

9 MR. KUMAR: A: Okay. One thing I wanted to get into a
10 little bit more detail is our use of LiDAR, which Mr.
11 O'Riley talked about yesterday and it's something that
12 we've been discussing with the industry proponent for
13 a number of years and we've used it on our line rating
14 studies. And it basically is flying your plane over
15 the transmission system and using millions of light
16 emitting lasers that reflect back from the vegetation
17 and the conductor and the structures and that allows
18 us to figure out the height and the relative
19 positioning of the vegetation vis-à-vis the conductor
20 and the transmission system. And that is accurate to
21 the point of .08 metres, which is quite highly sort of
22 focused on looking at the vegetation. So that gives
23 us an indication of how the vegetation is growing
24 compared to the transmission system.

25 LiDAR also allows us to actually simulate
26 the sag on the transmission conductor because as you

1 can imagine all through the year there's varying level
2 of load that goes through the transmission system, so
3 there's different levels of sag. So the distance
4 between the transmission conductor and the vegetation
5 is actually a dynamic distance, it's not a static. So
6 that allows us to actually simulate under the
7 different load conditions as well as under different
8 weather conditions. Because if the windstorm comes,
9 the conductor actually sways and can come in contact
10 with vegetation that's on the side.

11 So I think all those things allow us to be
12 modeled from a LiDAR perspective, so once you've
13 launched that program, our ability to actually
14 understand the risk on the transmission system
15 increases quite significantly and that will allow us
16 to actually prioritize where the focus should be in
17 the coming years.

18 On the distribution system we have an
19 inventory of hazards trees, as I mentioned before, and
20 that gives us an indication of where we should be
21 focusing on. And then looking at the performance of
22 1400 feeders, that also give us an indication of where
23 the reliability of those feeders is impacted from a
24 vegetation standpoint.

25 So using those two inputs it allows us to
26 actually develop a very focused distribution

1 supply chain. BC Hydro stated that it has not
2 assessed whether its existing practices align with the
3 Canadian Centre for Cyber Security or other agencies,
4 but that it will be strengthening supply chain cyber
5 security risk management through the adoption and
6 implementation of CIP 013-1. This standard is focused
7 on procurement, control, vendor cyber risk
8 assessments, processes for software integrity and
9 authenticity, and vendor remote access for bulk
10 electric system assets.

11 So, when was -- if you could please tell
12 me, when was BC Hydro's current practice for supply
13 chain risk management adopted?

14 MR. MORISON: A: Well, we have -- we have several
15 things -- it's Kip Morison. We have several things in
16 place right now for cyber security, supply chain, risk
17 management. One is around contractual obligations of
18 our vendors that we supply, we get services from. The
19 second is that we have for procurements that are done
20 through the technology team, we have a self-assessment
21 and attestation that's required by vendors, that was
22 put in place very recently. The contractual part has
23 been in place for several years now, and it is
24 obviously been modified over time as the cyber
25 security risks have increased.

26 And we also have a process for onboarding

1 and dealing with our contract staff, or outsourced
2 staff, which his effectively making them identical to
3 an employee in terms of their requirements for
4 training, and for background checks, et cetera. And
5 that's been in place for a number of years as well.

6 MR. KIESLING: Q: Okay, thank you.

7 MR. MORISON: A: I can say we also recognized that the
8 CIP 13 supply chain standard is designed for the bulk
9 system protection, but our intent is to extend that
10 across our IT and non-MRS environments as well.

11 MR. KIESLING: Q: Okay.

12 MR. WONG: A: And I think -- it's David Wong here.
13 It's important to add that we are continuing to evolve
14 the practices, we are not just waiting for the CIP 13
15 standard to apply, but we continue to do more every
16 day.

17 MR. KIESLING: Q: Thank you. So have your current
18 practices for supply chain risk management been
19 assessed and reviewed by a third party?

20 MR. MORISON: A: They have not, to date.

21 MR. KIESLING: Q: Could you provide a reason?

22 MR. MORISON: A: I think as you've seen through the
23 evidence we've submitted around our audits and
24 maturity assessment, that's been a gap for us in the
25 supply chain area, and we have this year, one of the
26 main focuses of course on the funding we were looking

1 for in the RRA is associated with developing a more
2 competent practice in that area.

3 MR. KIESLING: Q: Okay, thank you. Would you know the
4 cost to complete a third party review of the supply
5 chain risk management practices?

6 MR. MORISON: A: I would not, no.

7 MR. KIESLING: Q: Okay. Thank you. Another question
8 on this, could you please tell me why existing
9 practices have not been assessed against the Canadian
10 Center for Cyber Security practices?

11 MR. MORISON: A: Well, we are certainly aware of those,
12 but we followed the NIST standard as being more of an
13 industry standard, global standard than the Canadian
14 Centre for Cyber Security. And as you saw, we also
15 use the C2M2 Maturity model, but the NIST is emerging
16 as really the industry standard, and we can use that
17 as a better comparator across the industry for us.
18 And I think those aren't far off alignment with the
19 Canadian Centre for Cyber Security requirements.

20 MR. KIESLING: Q: Do you believe those standards align
21 with best practices then?

22 MR. MORISON: A: Yes, I think so.

23 MR. KIESLING: Q: Okay. So, BC Hydro states that it
24 will be strengthening its supply chain risk management
25 through the adoption of CIP 13. Does this -- does the
26 adoption apply to both MRS and non-MRS cyber security

1 assets?

2 MR. MORISON: A: The CIP 13 standard itself applies
3 only to CIP assets, MRS assets, but because we've seen
4 this as being an area that we need to strengthen in
5 our company and given our recent incidents, locally
6 and globally on supply chain risk, we'll be extending
7 that across our domains.

8 **Proceeding Time 10:25 a.m. T19**

9 MR. KIESLING: Q: Okay, thank you. And this is my
10 final question and the final BCUC staff question.
11 Could you detail any residual risks that exist while
12 you're waiting for the adoption of CIP 13? And are
13 there any steps that are being taken to mitigate these
14 risks?

15 MR. O'RILEY: A: We're just going to caucus, Mr.
16 Kiesling, for a moment.

17 MR. KIESLING: Q: Very well.

18 MR. O'RILEY: A: I think we would like to take that in
19 camera.

20 MR. KIESLING: Q: Okay, that's fair. We can pursue it
21 in the next session.

22 MR. O'RILEY: A: Thank you.

23 MR. KIESLING: Q: And that's all for our questions.
24 Thank you BC Hydro for your answers and I'll just pass
25 it on to the Chair. That's the end of the Staff
26 questions.

1 THE CHAIRPERSON: Great, thank you Staff for that. I'm
2 going to -- the panel would like to caucus a little
3 bit before we ask our questions. And in any event, I
4 think it's probably a good time for a break. So can
5 we take 20 minutes then, please? And then we'll come
6 back and ask our questions. So perhaps that brings us
7 to 25, 30 -- quarter to 11:00. Quarter to 11:00, does
8 that sound reasonable, 10:45? Great, thank you.

9 **(PROCEEDINGS ADJOURNED AT 10:27 A.M.)**

10 **(PROCEEDINGS RESUMED AT 10:45 A.M.)** **T20/21**

11 THE CHAIRPERSON: Good morning, Mr. Sandve, I think we
12 should be about ready to go here.

13 MR. SANDVE: Hi, Commissioner Morton, I think we're
14 ready on our side. I see the team boardroom there so,
15 yeah, I think we're ready to go.

16 **QUESTIONS BY COMMISSION PANEL:**

17 THE CHAIRPERSON: Okay, great. Okay, so thank you,
18 thank you all, thanks for the break. We have -- to
19 begin with we have some questions around the EV
20 credit, the carbon credit. And I'm going to start by
21 -- I'm not sure who this question would be directed
22 to, so I'll just direct it to all at this point. The
23 credits that we talked about that are monetized by
24 Powerex, and I appreciate that that's confidential and
25 I doesn't intended to get into that, but I'm looking
26 at the part of the transaction between BC Hydro and

1 Powerex when -- because as I understand it the credit
2 initially goes to BC Hydro, is that correct? Maybe I
3 should clarify that to begin with. It doesn't go
4 directly to Powerex?

5 MR. ANDERSON: A: It's Keith Anderson. That's correct.

6 THE CHAIRPERSON: Correct. So when it goes from BC
7 Hydro to Powerex, does Powerex pay BC Hydro money for
8 that or cash for that or anything, any -- pay
9 something for that? Is there a transfer price
10 involved?

11 MR. LAYTON: A: Hi, Commissioner Morton, this is Ryan
12 Layton speaking. I'll give a correction by way of
13 answering this question and I'd like to just correct
14 something that we talked about yesterday on this. And
15 so I'll refer to page 232 of the transcript from
16 yesterday, particularly lines 21 to 23. The statement
17 I made yesterday was:

18 "They're not transferred under the transfer
19 pricing agreement or any other agreement, I
20 don't believe. They're transferred at zero cost
21 and therefore all the revenues generated by
22 Powerex stay in Powerex and then are reflected
23 in their trade income..."

24 So the way that we describe those transactions, how
25 they work, is correct. However, there is an agreement
26 between BC Hydro and Powerex that stipulates that the

1 low carbon fuel credits are transferred to Powerex at
2 zero cost and this agreement is separate from the
3 transfer pricing agreement.

4 So that's the correction I would offer from
5 our discussions yesterday. But reiterating the answer
6 to your question is that indeed they are transferred
7 at no cost. So there is no transfer price between the
8 entities in respect of these credits.

9 THE CHAIRPERSON: Okay. All right. Is it BC Hydro's
10 view then that those transfer -- okay, sorry, let me
11 rephrase that. So to the extent that any money does
12 flow to BC Hydro, it doesn't flow as a result of that
13 transfer, it flows let's say later after Powerex has
14 had an opportunity to monetize it, and then it flows
15 back through Powerex net income or it has flowed back
16 through Powerex net income. Correct?

17 MR. LAYTON: A: Yes, that's correct.

18 THE CHAIRPERSON: Right. So is it BC Hydro's view then
19 that when it flows back to Powerex -- sorry, when it
20 flows back to BC Hydro from Powerex that that money is
21 -- belongs, as it were, to all ratepayers? I assume
22 it is because you're using it to reduce your revenue
23 requirement.

24 MR. O'RILEY: A: We should just caucus on this for a
25 moment, Mr. Morton.

26 THE CHAIRPERSON: Okay.

1 MR. LAYTON: A: Hi, Chairman Morton, this is Ryan
2 Layton speaking again. Yes, those are provided to --
3 for the benefit of all ratepayer via the trade income
4 deferral account.

5 THE CHAIRPERSON: Okay. So I'm just wondering if you
6 have any comment about how that -- the principle of
7 cost causation and whether that is an appropriate
8 treatment or whether the money from those credits
9 should go to the person with the EV that gave rise to
10 those credits to begin with?

11 **Proceeding Time 10:50 a.m. T22**

12 MR. O'RILEY: A: Chairman Morton, perhaps I could take
13 that. That is a policy question, as we understand.
14 The province set up this regime and had the allocation
15 of the credits going to the fuel supplier. So BC
16 Hydro is the fuel supplier in this case and that's why
17 those credits come to BC Hydro and then Hydro
18 ratepayers get the value of that through the trade
19 income. So we recognize there are different decisions
20 that the government could have made on that, but this
21 is the choice they made with respect to those credits.

22 THE CHAIRPERSON: Thanks, Mr. O'Riley. So if I could
23 just ask a follow-up question to that then, would it
24 -- in your understanding then, it would be in
25 violation of government policy if you were to credit
26 it directly to the EV? In other words, to use that to

1 consumption associated with providing low carbon fuel
2 for transportation and then on application and
3 verification we get the credits awarded back to BC
4 Hydro pursuant to that regulation.

5 COMMISSIONER MASON: And just for the record, which
6 Ministry is that?

7 MR. ANDERSON: A: That actually goes through our
8 Ministry, which just had their name changed, so
9 Energy, Mines and -- what is it?

10 MR. O'RILEY: A: Low Carbon Innovation.

11 MR. ANDERSON: A: Thank you, that's right. EMaLI, is
12 what I was going to say, but there you go.

13 COMMISSIONER MASON: Thanks. And I think you just
14 mention verification, which was going to be my next
15 question. So may I understand a little bit about the
16 verification process, whether it's interval audit or
17 some external body or whatever?

18 MR. ANDERSON: A: Right now it's all internal and so
19 it's basically -- for almost all of the credits we're
20 able to provide records of our metered consumption.
21 So if you think of, you know, Skytrain or the electric
22 busses or the fast charging network, we have meters,
23 smart meters, for that so we're able to just show the
24 actual consumption over the time period that we're
25 applying for those credits and then we submit that
26 into government. So that's the extent, I guess, of

1 the verification at this point.

2 COMMISSIONER MASON: Okay. So there's no -- for
3 context, Powerex to whom you transfer these credits is
4 presumably selling them in some market outside British
5 Columbia, is that reasonable? At least some of them,
6 I've got to assume.

7 MR. ANDERSON: A: No. So the -- and to steal a phrase
8 from Mr. O'Riley yesterday, you'll quickly exhaust my
9 knowledge on this topic but the Low Carbon Fuel
10 Standard Regulation is a provincial regulation, and it
11 regulates fuel suppliers within the province.

12 **Proceeding Time 10:55 a.m. T23**

13 And so BC Hydro is a fuel supplier under that
14 regulation, and because our fuel that we're providing
15 has a low carbon content, electricity, relative to
16 other fuel suppliers who have fossil fuel. So it's
17 really the fossil fuel suppliers of electricity that
18 are encouraged to either buy these credits, or to
19 take, undertake programs themselves to reduce the
20 carbon content of the fuels they are providing. So,
21 Powerex is marketing to provincial fuel suppliers.

22 COMMISSIONER MASON: Okay, so if I've exhausted your
23 knowledge, I've done pretty well so far, but perhaps
24 this is a question for somebody else like Mr. Layton.
25 So, to the extent that I can ask this question, is
26 Powerex merely selling these credits to customers

1 within B.C.? Or is it selling beyond B.C.?

2 MR. O'RILEY: A: I will just -- it is Chris O'Riley

3 here. My understanding is they are being sold within

4 B.C. It's a provincial construct, and they have value

5 in B.C. So they are not something like a -- that you

6 could sell in the United States, so that is my

7 understanding. This is a provincial program, it's not

8 national, it's not international.

9 COMMISSIONER MASON: Thanks, that helps a lot actually.

10 So these appear to my understanding to be a self-

11 standing unit or value, this credit, which may be sold

12 within B.C. It's never recombined with energy and

13 sold as a bundled package, is it? So, for example

14 somebody wanting to sell LNG that otherwise wasn't

15 clean, then looking to add these credits to make it

16 clean energy and to re-sell it as such, that's not how

17 these provincial only credits work, is it?

18 MR. O'RILEY: A: Well, I would say it is, it's bundled

19 with gasoline and diesel as I understand. So it

20 allows high carbon fuel suppliers to comply with

21 provincial regulation.

22 COMMISSIONER MASON: Okay, thank you.

23 MR. O'RILEY: A: Excuse me, Commissioner Mason, we're

24 just going to go on caucus for a moment.

25 COMMISSIONER MASON: Sure.

26 MR. O'RILEY: A: Mr. Mason, I'll just clarify if I left

1 the wrong impression. So, these credits as Mr.
2 Anderson said are purchased by fuel suppliers as part
3 of their step -- one of the steps they can take to
4 meet the requirement of the legislation. So they are
5 in fact bundling it with their product. I just want
6 to be clear, Powerex is not bundling it with a
7 product. It's effectively being bundled with the end-
8 use fuel by the party that's purchasing the credit.

9 COMMISSIONER MASON: Okay. Thank you. Is there any
10 situation in which BC Hydro would be buying those
11 credits? For example, its diesel-run generators or
12 any other kind of energy that BC Hydro is responsible
13 for?

14 MR. O'RILEY: A: We -- the legislation doesn't apply to
15 -- it's a transportation fuel standard. So, and it
16 applies to the seller of the fuel. So, as a buyer of
17 fuel for our vehicles, we're not required to acquire
18 the credits, nor does it apply to natural gas that we
19 purchase for our generation. We pay carbon tax on
20 that, but we don't -- these credits are not involved
21 in that.

22 COMMISSIONER MASON: Okay. Thank you.

23 Mr. Chairman, that's all I have to add on
24 carbon credits. I have a couple of other questions if
25 it is the right time?

26 THE CHAIRPERSON: Let me just check. Commissioner

1 recovering amounts in that account?
2 MR. LAYTON: A: Yeah, thanks, Commission Mason. This
3 is Ryan Layton speaking. Just by way of clarity, I'll
4 mention that there are two regulatory accounts as it
5 relates to pension. The current service pension cost
6 is what I'll call a traditional variance account. And
7 variances in that will relate to prior periods. And
8 those are collected in the next test period. You
9 mentioned the non-current pension costs. Amounts in
10 that regulatory account are collected over the
11 expected average remaining service life, we call it
12 EARSL, and that's over 13 years. And the amounts in
13 that account can be very large indeed and so if they
14 were to be recovered over a test period, that could
15 cause significant concern.

16 So I'll return to your question though
17 about the current service costs and other regulatory
18 accounts for which the test period is used to amortize
19 those. And I will absolutely tell you that when we
20 were preparing this application one of my fears was
21 that what if we have a bunch of variance accounts with
22 a lot of money in there that need to be collected or
23 refunded in one year, would that cause a concern for
24 ratepayers potentially either way. And so that is a
25 concern. I guess I would say that a one-year test
26 period is fairly unusual for us. We don't do those

1 very often and I think though that if we were doing
2 that as a regular practice, I think we would see once
3 in a while a very large rate increase or decrease
4 being caused by that phenomena of recovering those or
5 refunding those costs over a test period.

6 If on the assumption that on a go-forward
7 basis we're going to find ourselves more in two or
8 three-year revenue requirement applications, I think
9 that concern is less. It's not to say it still
10 couldn't be a concern but I will say I think most of
11 those variance accounts that are recovered or
12 collected in a test period tend to be the ones that
13 are not the largest balances. So we've talked about
14 the cost of energy variance accounts for which the
15 deferral account rate rider recovers those over a
16 longer period of time. We talked about the non-
17 current pension just now, that's recovered over a 13-
18 year period.

19 So, absolutely, your point is valid and
20 could be a concern if we found ourselves in shorter
21 test periods going forward. I guess overall my
22 perspective is that because these variances by
23 definition relate to prior periods, from our
24 perspective there's not an ongoing future benefit to
25 ratepayers of those and therefore the test period, in
26 our view, tends to be the right period in which to

1 recover those. Subject perhaps, as I said, to the
2 potential rate shock in a one-year filing where you
3 might have very large amounts at play.

4 COMMISSIONER MASON: Thank you, that's very helpful.

5 So just to pursue that for a moment then, the recovery
6 of a prior period balance in either direction, I think
7 I understand you to say, you would see that being done
8 relatively quickly subject to such considerations as
9 rate shock. Just to understand, you don't see that
10 the recovery period must be just the next test period,
11 is that a fair statement? You could ask for recovery
12 over a three-year period if the next test period was
13 two years, could you not?

14 MR. LAYTON: A: I think that's absolutely correct.

15 Either we as BC Hydro could suggest that, interveners
16 could put that idea forward and/or the Commission
17 could decide to alter at any time, it seems to me,
18 subject only to legislation or regulation, to alter
19 those periods for whatever reason, whether that was
20 specific concern of rates or specific concern on
21 specific balance. I think that's absolutely true.

22 COMMISSIONER MASON: That's great, thanks very much
23 indeed. My next question relates to cyber security
24 and I think in the first instance I'd like to direct
25 it to Mr. Morison. I can assure you it won't be at
26 the level of detail that I think would imperil the

1 bulk electric system, but do tell me if it does.

2 **Proceeding Time 11:05 a.m. T25**

3 I'm interested, Mr. Morison, in your
4 comment yesterday, you said that you are accountable
5 for cyber security, so it was great to hear. I wonder
6 if you can explain how that relates to the
7 accountability of your colleague, Ms. Peck, with
8 relationship to MRS? Because there are MRS standards,
9 as well all know, that relate to cyber security. But
10 I just -- can you just give me a confirmation and a
11 clarification that it is you that is responsible for
12 cyber security and if necessary how that relates to
13 MRS?

14 MR. MORISON: A: Yes, sure. This is Kip Morison. I
15 think I have to remember that cyber security is an
16 enterprise-wide function that covers everything in our
17 enterprise beyond just MRS, so there's an overlap
18 between the compliance domain and cyber security
19 proper. That overlap right now is, for me, is the
20 NERC CIP standard particularly, which Ms. Peck has an
21 assurance role in. I have a role and that as the NERC
22 CIP senior manager, which means I am accountable for
23 ensuring that we implement and sustain the NERC CIP
24 standards in the company as well.

25 So cyber security is an underlay, a
26 requirement that we have cyber security protection at

1 all of our stations that happen to be MRS, under MRS
2 standards, is foundational. That means being able to
3 detect any kinds of incidents, being able to respond
4 and recover. Compliance adds a different layer on top
5 of that and, you know, a more -- a higher test level
6 on top of that which means that we have to be held to
7 those standards that are set out in MRS.

8 So I think my responsibility and
9 accountability of cyber security extends across the
10 entire company. My accountability with regard to MRS
11 is restricted to CIP compliance within the company.

12 I'm not sure that answers your question.
13 Is that clear?

14 COMMISSIONER MASON: I think it does, thank you. So I
15 think that confirms that you're the appropriate person
16 to answer my follow-up question, which is I believe
17 you talked yesterday about the additional staff that
18 you would be hiring to address cyber security, that
19 would be your area of responsibility, would it not?

20 MR. MORISON: A: That's correct. Right.

21 COMMISSIONER MASON: So I think it's quite clear to
22 most people that cyber security is a global issue and
23 that the threats that companies such as BC Hydro are
24 exposed to come from global actors. How can we be
25 sure that you are able to get access to staff that
26 have the skills and ability to deal with "the best

1 hackers in the world," if you will?
2 MR. MORISON: A: Yeah, I think we've tried to address
3 that issue by taking sort of a three layer approach to
4 our cyber security delivery model. So we -- you know,
5 as I referred to in the application, we insourced
6 cyber security from TELUS back in the 2015, '16
7 timeframe. We didn't feel at the time that we were
8 really getting the attention and kind of learnings
9 from those folks that we needed to, so we wanted to
10 bring that in-house as a retained service, we felt
11 that was critical.

12 The model we follow is that our internal
13 staff is really intended to be very strong IT people
14 with very good cyber security skills, but very, very
15 knowledgeable in our domain, knowledgeable about BC
16 Hydro's requirements and being able to understand what
17 services we may need.

18 Commodity based services like looking after
19 firewalls, we outsource that, in fact, we give that to
20 TELUS. And the specialized services that we would
21 have a very difficult time recruiting, either from a
22 cost perspective or from an interest perspective, we
23 outsource those. So special service around things
24 like penetration testing, things around incident
25 response, things around helping us through incidents
26 through coaching, those are all services that we

1 sense rather than to have the sort of boom and bust
2 model of vegetation management, if a more stable level
3 of vegetation management might encourage a more stable
4 volume of capacity for tree clearing in the industry
5 in B.C.?

6 MR. KUMAR: A: Absolutely you're right in terms of the
7 approach that we are planning to take. If you look at
8 the historical spending, it actually reduced in the
9 last ten years based on the extensive clearing we had
10 done in the decade before. Going forward, I think our
11 approach is going to be more looking at finding that
12 equilibrium point that allows us to actually clear at
13 the same rate as what the vegetation is being added on
14 from an accumulation standpoint. So that the backlog
15 doesn't happen, both on the transmission and the
16 distribution system.

17 So that is a utopian approach that we want
18 to take, and hopefully get to that state in the next
19 three to five years as we expand our program. And as
20 Ms. Daschuk has mentioned before, we do expect the
21 spending to increase in the coming years, and then
22 slow down to a point where that equilibrium point has
23 been reached. That's not going to be the \$50 million
24 level that we have spent before, so that is going to
25 be somewhere higher than that, but we do need to
26 address the backlog that currently exists before we

1 can get to that point.

2 And I think the other benefit of getting to
3 that equilibrium point is the fact that it sends the
4 right message to the market, in terms of what is out
5 there from a business standpoint, because a lot of
6 these contractors would move between provinces even if
7 they don't see the future for their business there,
8 and they can't even procure their equipment and
9 resources, and even train their people for that level
10 of spending. So I think it's a beneficial model for
11 all of us in BC Hydro as well as our suppliers to know
12 what that long term approach would be. And that is
13 what we are striving for in the veg management status.

14 COMMISSIONER MASON: That's good to hear, thank you
15 very much. I have no more questions, Mr. Chairman.

16 Mr. Chairman, you might be on mute.

17 THE CHAIRPERSON: No wonder nobody was answering me.
18 Commissioner Loski, do you have any questions?

19 COMMISSIONER LOSKI: No, I do not.

20 THE CHAIRPERSON: No, okay, thanks. I just have one
21 final question for this session, and I think Mr. Wong
22 perhaps if I direct this to you, and if it's more
23 appropriate with someone else, let me know. But going
24 back to the discussion with staff, we just -- you just
25 earlier had concerning how to handle the potential of
26 a change, retroactive change to the return. Or the

1 cost of capital I guess, is probably the better word.
2 You discussed two mechanisms. One is to set the rate
3 now as interim, and the second was through the use of
4 a deferral account. Just broadly speaking, correct,
5 Mr. Wong?

6 MR. WONG: A: That's correct.

7 THE CHAIRPERSON: Correct. So, I understand that
8 setting it as an interim rate essentially allows or is
9 generally accepted method of being able to
10 retroactively change a rate or approve a rate
11 retroactively. But does a deferral account mechanism
12 also allow that?

13 **Proceeding Time 11:14 a.m. T27/28**

14 Will that allow a change to the -- a retroactive
15 change, to the cost of capital or would that not still
16 be considered retroactive rate making?

17 MR. GHIKAS: So, Mr. Chairman, it's Matt Ghikas just
18 chiming in here on this one. I think it's fair to say
19 that the question about retroactive rate making is a
20 legal one in a lot of ways. And so, you know, if we
21 need to address this question in argument we can
22 certainly do that. I think if Mr. Wong wants to deal
23 with it with the accounting, regulatory accounting
24 standpoint, I'm completely fine with that. I just --
25 I get a little nervous when we're talking about legal
26 principles of that nature.

1 THE CHAIRPERSON: Well, Mr. Ghikas, I don't want to
2 make you nervous, so I'm fine if we leave this to
3 final argument, that's fine.

4 But, Mr. Wong, I'm happy to hear any
5 comments you have. I'll leave it up to you.

6 MR. WONG: A: Yeah, I think -- all I just want to say
7 is that there are two proposals and BC Hydro is open
8 to either one in the ultimate decision.

9 THE CHAIRPERSON: Okay. So perhaps if you could
10 address that in final argument, that would be
11 appreciated. Thank you.

12 MR. GHIKAS: I will, thank you.

13 THE CHAIRPERSON: Thanks. I don't have any further
14 questions, so that's it for the panel and at this
15 point then I believe that's it for staff's non-
16 confidential session.

17 So that brings this portion of our
18 activities to a close. So unless BC Hydro has any
19 further comments, I'll just say again, thank you very
20 much. Thank you to all the interveners and to those
21 that came back this morning, much appreciated. And
22 thank you very much to BC Hydro for your indulgence in
23 answering our questions.

24 Again, subject to any comments that Hydro
25 has, so I guess what we'll do is we'll take a break
26 for -- let's say come back in five or ten minutes and

1 come back on the other channel for the confidential
2 round, but I'll turn it over to Mr. Sandve.

3 MR. SANDVE: Thank you, Commissioner Morton. That all
4 sounds fine to me, so I think we will get onto to the
5 other channel and see the panel and Commission staff
6 on that channel. Thank you.

7 THE CHAIRPERSON: Thanks. Okay, bye-bye.

8 **(PROCEEDINGS ADJOURNED AT 11:17 A.M.)**

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I HEREBY CERTIFY THAT THE FORGOING
is a true and accurate transcript
of the proceedings herein, to the
best of my skill and ability.



A.B. Lanigan, Court Reporter

March 5th, 2021