

August 29, 2018



Dear :

Re: Your request for access to information under Part II of the *Access to Information and Protection of Privacy Act* (File # NR-115-2017)

On August 14, 2018, the Department of Natural Resources received your request for access to the following records/information:

June 2018 Information Note British Columbia Hydro and Power Authority's Review.

I am pleased to inform you that a decision has been made by the Department of Natural Resources, confirmed by the Deputy Minister, to provide access to the requested records. The record is attached.

As set out in section 42 of the Act you may ask the Information and Privacy Commissioner to review the department's decision to provide access to the requested information. A request to the Commissioner must be made in writing within 15 business days of the date of this letter or within a longer period that may be allowed by the Commissioner. Your request should identify your concerns with the department's response and why you are requesting a review.

The request for review may be addressed to the Information and Privacy Commissioner is as follows:

Office of the Information and Privacy Commissioner
2 Canada Drive
P.O. Box 13004, Stn. A
St. John's, NL. A1B 3V8

Telephone: (709) 729-6309
Toll-Free: 1-877-729-6309
Facsimile: (709) 729-6500

Pursuant to section 52 of the Act, you may also appeal directly to the Supreme Court Trial Division within 15 business days after receiving the department's decision.

Please be advised that responsive records will be published following a 72 hour period after the response is sent electronically to you or five business days in the case where records are mailed to you. It is the goal to have the responsive records posted to the Completed Access to Information Requests website within one business day following the applicable period of time. Please note that requests for personal information will not be posted online.

For further details about how an access to information request is processed, please refer to the Access to Information Policy and Procedures Manual at <http://www.atipp.gov.nl.ca/info/index.html>.

If you have any questions, please feel free to contact me at 709-729-0463 or rhynes@gov.nl.ca.

Sincerely,

A handwritten signature in black ink that reads "Rod Hynes". The signature is written in a cursive style with a large initial "R".

Rod Hynes
ATIPP Coordinator

Information Note
Department of Natural Resources

Title: British Columbia Hydro and Power Authority's Review

Issue: The Government of British Columbia (BC) has launched a comprehensive two-phase review of British Columbia Hydro and Power Authority (BC Hydro). The following provides an overview of the review process.

Background and Current Status:

- BC Hydro is a provincial Crown corporation and utility generating and delivering electricity to 95 per cent of the BC population. The British Columbia Utilities Commission (BCUC) regulates BC Hydro under the province's *Utilities Commission Act*.
- According to its website, BC Hydro has two wholly-owned subsidiaries: Powerex Corp, which markets wholesale energy in western Canada, and Powertech Labs Inc., which provides testing, consulting, and research services to the electric and natural gas industries.
- BC Hydro's recent annual report notes that it operates 30 hydroelectric plants, two thermal generating stations, and over 79,000 km of transmission and distribution lines. BC Hydro generates over 43,000 gigawatt hours of electricity annually to supply more than 1.6 million residential, commercial and industrial customers.
- BC Hydro's website notes that it also acquires power from independent power producers (IPPs) to meet demand. IPPs include power production companies, municipalities, First Nations, and customers. They provide approximately 21,425 GWh electricity each year.
- Fortis Incorporated, the parent company of Newfoundland Power, operates a BC subsidiary called Fortis BC. Fortis BC is a gas and electric utility that, according to its website, serves approximately 1.1 million customers with 7,260 kilometres of electric transmission and distribution lines.

Analysis:

- BC Hydro's website states that most of BC's electricity system was built in the 1960s, 70s and 80s, and many of its assets are reaching the end of their expected lifespan. Over the last five years, BC Hydro has completed 540 capital projects costing \$6.4 billion. The company says it needs a capital investment of \$7.2 billion in its generation assets over the next three years. Generally, investment in electricity infrastructure leads to rate increases.
- To lower electricity costs, BC is phasing out the provincial sales tax (PST) on electricity. Following the 50% reduction which began on Jan. 1, 2018 BC will completely eliminate the PST on non-residential electricity on April 1, 2019. Residential electricity is already PST-exempt.

Past BC Hydro Review

- On March 1, 2011 BC Hydro filed its application with the BCUC seeking rate increases of 9.73% for three consecutive years (a cumulative increase of 32%). The application drew significant concerns regarding the impact the rate increase would have on consumers. Then-

Premier Christy Clark's Liberal government undertook a review of the utility at that time. The review provided recommendations and options for minimizing the rate increase.

Current Comprehensive Review

- BC Hydro reports to government through the Minister of Energy Mines & Petroleum Resources. Current BC Premier John Horgan's July, 2017 mandate letter to Minister Michelle Mungall requires the Ministry to freeze rates while undertaking a review of BC Hydro.
- BC Hydro reports that on March 1, 2018 the BCUC rejected a BC Hydro rate freeze and instead ordered a 3 per cent increase effective April 1, 2018, as a result of BCUC's determination that even with a 3 per cent rate increase, BC Hydro is not able to fully recover its revenue requirements in the current fiscal year.
- In accordance with Minister Mungall's Mandate Letter in June, 2018 the BC Government launched a comprehensive review of BC Hydro that will occur in two phases.
- Phase I of the review focuses on BC Hydro's costs and rates including creating a refreshed plan for rates and assisting the utility in preparing a Revenue Requirement Application to be filed with the BCUC in February, 2019.
- An Advisory Group comprising staff from BC Hydro and Ministries of Finance and Energy Mines & Petroleum Resources (the Ministries), with oversight from a Steering Committee, will perform Phase I of the review. The Steering committee comprises Deputy Ministers of the Ministries and the President and Executive Chair, BC Hydro. They will develop options to support a new 10 Year Rates Plan, with the goal of curtailing rates and ensuring sound financial and regulatory oversight of BC Hydro. The advisory group may consult with BCUC staff and will report to a Steering Committee on a monthly basis. The BCUC has no direct role in the review. (Membership of the advisory group and steering committee and time lines for the review process are appended as Annex 1).
- For the Phase I Review, the Advisory Group has identified key components of BC Hydro's revenue requirements comprising revenues/load forecasting, cost of energy, operating costs, ten-year capital plan, regulatory accounts, customer demand management, water rentals, net income and dividends, legal considerations, rates and affordability, Powerex Corp, impact of above-mentioned items on future rates, debt/cash management and enterprise risk management.
- Phase II of the review will start in late 2018. The BC government will establish an expert panel to provide recommendations to ensure BC Hydro is well positioned to maximize energy market opportunities.
- The Steering Committee will provide feedback and advice on options and recommendations to Ministers. A report on the Phase I of the review and Government's response will be released in the fall of 2018. It is anticipated that the panel would deliver its final recommendations to government by summer/fall 2019.

Action Being Taken:

- The Department of Natural Resources will continue to monitor and provide update on the outcome of the review process.

Prepared/Reviewed by: Y. Khan/ M. Janes/J. Cowan
Approved by: Received from Hon. Siobhan Coady

June 21, 2018

Annex 1

Comprehensive Review of BC Hydro

Advisory Group, Steering Committee and Timeline

Advisory Group Co-chairs

- Assistant Deputy Minister, Electricity and Alternative Energy Division, Ministry of Energy, Mines and Petroleum Resources
- A/Chief Financial Officer, BC Hydro

Steering Committee membership

- Deputy Minister, Ministry of Energy, Mines and Petroleum Resources
- Deputy Minister, Ministry of Finance
- President and COO, BC Hydro
- Executive Chair, BC Hydro

Timeline

- The Advisory Group, based on advice from the Steering Committee, will prepare options and recommendations for consideration by Ministers by **summer 2018**.
- A report on phase I of the review and Government's response will be released in the **fall of 2018**.
- The report will also inform BC Hydro's next rate application, which will be filed with the B.C. Utilities Commission (BCUC) in **early 2019**.

Annex 2



July 18, 2017

Honourable Michelle Mungall
Minister of Energy, Mines, and Petroleum Resources
Parliament Buildings
Victoria, British Columbia V8V 1X4

Dear Minister Mungall:

Congratulations on your new appointment as Minister of Energy, Mines, and Petroleum Resources.

It has never been more important for new leadership that works for ordinary people, not just those at the top.

It is your job to deliver that leadership in your ministry.

Our government made three key commitments to British Columbians.

Our first commitment is to make life more affordable. Too many families were left behind for too long by the previous government. They are counting on you to do your part to make their lives easier.

Our second commitment is to deliver the services that people count on. Together, we can ensure that children get access to the quality public education they need to succeed, that families can get timely medical attention, and that our senior citizens are able to live their final years with dignity.

These and other government services touch the lives of British Columbians every day. It is your job as minister to work within your budget to deliver quality services that are available and effective.

Our third key commitment is to build a strong, sustainable, innovative economy that works for everyone, not just the wealthy and the well-connected. Together, we are going to tackle poverty and inequality, create good-paying jobs in every corner of the province, and ensure people from every background have the opportunity to reach their full potential.

These three commitments along with your specific ministerial objectives should guide your work and shape your priorities from day to day. I expect you to work with the skilled professionals in the public service to deliver on this mandate.

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**Office of the
Premier**

Web Site:
www.gov.bc.ca

Mailing Address:
PO Box 9041 Stn Prov Govt
Victoria BC V8W 9E1

Location:
Parliament Buildings
Victoria