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Dear Sirs:

BCUC Review – Comments of Lawson Lundell LLP

We write further to the BCUC Review Task Force's October 9, 2014 release of its interim report regarding the British Columbia Utilities Commission (BCUC) and its invitation to provide final comments by October 29, 2014.

We commend the Task Force for its thorough and careful consideration of stakeholder comments, its use of third-party comparative analysis and a well written and persuasive interim report.

For the most part, we fully support the conclusions in the Interim Report and we believe that the Task Force will be able to make clear recommendations arising from those conclusions without further input. We will therefore restrict our comments here to one general point and a few observations that flow from it.

Taken as a whole, the Interim Report offers irrefutable evidence that the Commission as an institution is seriously underfunded. The Task Force has found that the average cost of regulation per capita among jurisdictions surveyed is almost three times as great as the BCUC's. The Task Force has also identified that salaries of BCUC staff and Commissioners are not competitive with those offered by utilities and other tribunals, while pointing out that the BCUC performs an essential public service. The KPMG study indicates that the BCUC's technology, which is limited by funding constraints, is outdated and in need of an upgrade. Among the Task Force's "key findings" based on a consensus of the participants in the review are that the Commission and its staff need to be strengthened. Based on this evidence, we must respectfully disagree with the Task Force's conclusion that that "It is not possible at this time for the Task Force to determine if the Commission has the appropriate amount of resources". While there may be some debate about how large an increase is required and about how an increased budget would best be spent, the evidence the Task Force has developed leaves no room for doubt that more resources are needed.

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The BCUC is a fundamental institution in the context of BC's economy and confidence in it is a key to future investment in the province and to the ratepayer confidence that is necessary to permit utility services to expand to meet the needs of the public. Placed against the possible consequences of underfunding, the incremental cost of providing the BCUC with sufficient funding to do its job well is not material. And since the BCUC is funded through levies, the fact that most stakeholders appear to support a funding increase ¹ to attract experienced Commissioners makes it clear that any increased cost to ratepayers would be more than offset by the benefits of a strengthened commission.

We are not convinced that the increase in funding required need be substantial. We believe the focus of the increase should be on remuneration for Commissioners and senior staff and should be designed to be sufficient to allow the Commission to attract individuals with significant relevant experience to both of these roles.

For Commissioners, we recommend that the Board Resourcing Office and the Ministry responsible for the Commission be made aware of the importance of recruiting Commissioners with material industry experience relating to one or more of engineering, finance, rate design and the legal aspects of the utility industry and that remuneration be set at a level that permits the BCUC to compete with other utility regulators in Canada for candidates. For senior staff, we recommend that the Minister require the BCUC Chair to identify the steps that are necessary to permit the BCUC the flexibility to attract candidates with alternative opportunities in the electric and oil and gas utility sectors.

We again thank the Task Force for this opportunity to comment.

Yours very truly,

LAWSON LUNDELL LLP



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¹ See Interim Task Force Consultation Summary at page 4.