

Terms of Reference

2018 Comprehensive Review of BC Hydro – Phase 1

Context

Under the Minister of Energy, Mines and Petroleum Resources' Mandate Letter, the ministry is required to undertake a comprehensive review of BC Hydro, and work with BC Hydro to develop a refreshed plan to keep rates low and predictable over the long-term.

The ministry has received direction to undertake a two-part review. The first part is to focus primarily on BC Hydro's costs and rates, including creating the refreshed plan for rates, and will assist BC Hydro in preparing a Revenue Requirements Application to be filed with the BC Utilities Commission in February 2019.

The second part will focus on transformational aspects to changing energy markets, and respond to the expected Energy Road Map for BC and assist BC Hydro in developing its Integrated Resource Plan in 2019. Terms of reference for this second part will be finalized after the first part of the review has been completed. The remainder of this document focuses on the first part of the review.

Objective

BC Hydro and ministry staff will develop options for consideration to support a new 10 Year Rates Plan, with the ultimate goal of reducing the growth in BC Hydro's electricity rates and ensuring sound financial and regulatory oversight of BC Hydro. The Advisory Group will provide advice and analysis by assessing options and the actions required to achieve them.

Membership

An Advisory Group consisting of staff from BC Hydro, the Ministry of Finance and the Ministry of Energy, Mines and Petroleum Resources (EMPR) will perform the first phase of the review. The Advisory Group may consult with BC Utilities Commission staff.

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

Governance/Accountability

The Advisory Group will report monthly to the Steering Committee. The Steering Committee will provide feedback and advice on options and recommendations to Ministers.

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 the first phase of the review, and Government's response, will be released in the fall of 2018. The report will describe the areas of BC Hydro's finances, programs and operations, that were examined during the review, and decisions by government in response to the Advisory's Group's recommendations.

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. During the BCUC's review of that application, stakeholders and the public will have a further opportunity to see and comment on how the outcomes of the first phase of the BC Hydro review have influenced BC Hydro's finances, and electricity rates.

Areas of Focus

The Advisory Group has identified the following areas of focus, which include the key components of BC Hydro's revenue requirements, known items that need to be resolved, BCUC feedback from their decision of the Fiscal 2017 – Fiscal 2019 Revenue Requirements Application, and other issues that have been identified:

1. Revenues / Load Forecasting
2. Cost of Energy
3. Operating Costs and other issues
4. 10 Year Capital Plan (excluding Site C)
5. Regulatory Accounts
6. Demand-Side Management
7. Water Rentals
8. Net Income and Dividends
9. Legal Considerations
10. Customer Affordability / Rates
11. Powerex
12. Financial Forecasting (i.e., impact of all of the above on future rates)
13. Debt/Cash Management
14. Enterprise Risk Management