



CANADIAN ASSOCIATION  
OF PETROLEUM PRODUCERS

Canada's Oil and Natural Gas Producers

June 12, 2014

BCUC Review Task Force  
Peter Ostergaard, chair  
Michael Costello and  
R. Brian Wallace

via e-mail: [bcucreview@gov.bc.ca](mailto:bcucreview@gov.bc.ca)

Dear Task Force Members:

The Canadian Association of Petroleum Producers (CAPP) represents companies, large and small, that explore for, develop and produce natural gas and crude oil throughout Canada. CAPP's member companies produce about 90 per cent of Canada's natural gas and crude oil. CAPP's associate members provide a wide range of services that support the upstream crude oil and natural gas industry. Together CAPP's members and associate members are an important part of a national industry with revenues of about \$110 billion a year. CAPP's mission, on behalf of the Canadian upstream oil and gas industry, is to advocate for and enable economic competitiveness and safe, environmentally and socially responsible performance.

CAPP welcomes the opportunity to participate in the independent Core Review of the British Columbia Utility Commission (BCUC) announced by Minister Bennett on April 28, 2014. The review is timely and CAPP looks forward to active participation. Many of CAPP's views are previously outlined in our submissions to Industrial Electricity Policy Review (IEPR). We expect to expand our input as the review proceeds but we offer the following high level context and comments today.

The upstream natural gas and oil industry has been industrial consumers of power in BC for many decades; and are amongst the fastest growing industrial consumers in the province today with growing demand growth forecasted. The industry directly employs 12,000 people in BC and contributes significantly to the province's economy and government revenues. Currently the upstream industry invests an average of \$5 billion a year in BC and over the last decade has been the largest contributor of natural resource revenues to the provincial government. With billions of further capital investment pending over the next decade as we serve existing markets in North America and as the potential to serve new markets in emerging economies in Asia the industry is poised to become an even larger and intricate part of the BC economy.

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The relationship between government legislation, policy and the mandate and decisions of the BCUC should provide transparency, fairness and certainty for investors. Decision making bodies such as the BCUC should be independent and their processes and procedural rules public and transparent. These are basic tenets of respected regulatory models in most jurisdictions. Regulatory models in jurisdictions with some or all investor owned utilities (such as those in other provinces in western Canada) will be worth examining carefully as the diversity of interests has, over time, thoroughly tested the models ability to allocate costs fairly and to attract capital.

CAPP previously shared these views on electricity in our submissions to the Task Force for the Industrial Electricity Policy Review in March 2013 and we take this opportunity to restate them in this letter as they remain germane to the current BCUC review.

### ***Key Principles***

*The key principles that underlie CAPP's input to the Policy Review are as follows*

- *Non-Discriminatory Service: Electrical policy and regulation should not be in the game of picking winners and losers at the expense of other customers. Sound electrical policy should be built on non-discriminatory principles supporting open-market forces and the drive for efficiency and competitiveness. Care should be taken to ensure that industrial customers are treated equally, regardless of the type of industry and whether they are new or existing customers. Treating customers unequally risks undermining the overall future health of the economy by supporting uncompetitive businesses at the expense of growing, competitive businesses.*
- *Impacts Shared by All Consumers: The impacts of broad government policy should be shared amongst all customers. For example if government policy mandates sourcing more costly, renewable sources of energy, then all consumers should share the burden of higher costs. The burden should not be assigned to any one class of customers.*
- *Role of Government and Regulator: The government and the regulator have fundamentally different roles in connection with electricity policy. It is a role of the government to set overall policy including determining which industries and behaviours are in the public interest. It is the role of the regulator to regulate the electricity market based on the regulatory principles established by legislation. The government policy should be clear, transparent and easily understandable*

To achieve the goal of effectiveness and efficiency outlined in the Core Review, we believe the regulator should be able to make decisions in a reasonable period of time after considering relevant evidence, advanced by relevant interveners, on matters within its jurisdiction. The BCUC's procedures and rules of practice should be resilient such that timelines and processes are predictable.

The Terms of Reference document hints at several procedural alternatives that could streamline costs and schedules and produce fair outcomes. These include negotiated processes, generic hearings, written hearings and the use of (presumably BCUC) policy and guidelines. CAPP would support the Task Force review of these options and making recommendations toward having the appropriate choices available to the BCUC.

It is noted that the BCUC also has responsibility to regulate British Columbia's natural gas utilities in addition to electricity utilities. Should a LNG export industry develop in BC then the BCUC could have a role as the rate regulator for large diameter natural gas transmission pipelines connecting BC natural gas resources to LNG facilities. CAPP sees such a review of this role as outside the scope of the current review. If there is a separate review to address aspects of the BCUC's role and capacity in this regard, then CAPP would look forward to participating in that process.

In order to efficiently adjudicate matters before it the BCUC Commissioners will require the services of in house staff and legal expertise. This support helps ensure consistent decisions, reduces the prospective of appeals and particularly of successful ones. Consistent decisions rendered in a timely fashion that accord with the legislation and regulation put in place by government create investor confidence. BCUC staffing and compensation policies should be designed to attract and retain sufficient numbers and competencies of legal and technical expertise.

CAPP appreciates the opportunity to provide these initial comments and we look forward to offering more detailed input during the second round of the process.

Sincerely,

A handwritten signature in black ink, appearing to read 'Geoff Morrison', with a long horizontal line extending to the right.

Geoff Morrison  
Manager, BC Operations

Cc: Chris Trumpy, A/Director, Generation and Regulatory, BC Ministry of Energy and Mines