



Aquila

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**Via Email**

Mr. Ray Aldeguer  
Senior Vice-President  
Corporate Resources & General Counsel  
BC Hydro and Power Authority  
333 Dunsmuir Street - 17th Floor  
Vancouver, BC V6B 5R3

Dear Mr. Aldeguer:

**Re: *BC Hydro and Power Authority  
Heritage Contract, Stepped Rates and Access Principles***

Please find attached Information Request No. 1 from Aquila Networks Canada (British Columbia) Ltd.

Yours truly,

*(original signed by G. Isherwood)*

George Isherwood  
Regulatory Affairs Executive

cc: R.J. Pellatt, BCUC  
A. Ferreira, BC Hydro  
Registered Intervenors

1. At V1, page v, BC Hydro states that it is proposing a mechanism that maximizes the benefits that all of BC Hydro's ratepayers receive from the low-cost Heritage resources that BC Hydro has built over the last 40 years.

Should this benefit include any new resources that might be built in basins already developed by BC Hydro on behalf of the ratepayer? Why does BC Hydro propose to exclude additional generation at existing sites from the Heritage contract?

2. At V1, page viii, BC Hydro states

*Thus, where trade income exceeds \$200 million per year, BC Hydro **may** keep the excess for payment to the Province. Where trade income is negative, BC Hydro **will** absorb the loss and pass on less income to the Province. (emphasis added)*

Why is the treatment permissive in one case, and mandatory in the other? The Terms of Reference requires that trade income in excess of \$200 million in any year **will** flow to the government.

3. Please calculate trade income using the definition in Volume 1 for each of the last ten years.
4. If, as stated, trade income will rarely be out of the \$0-200 million range why should the shareholder bear the risk of any "truly exceptional circumstances"?
5. Does BC Hydro believe that the same form of stepped rate/shopping credit that will be applicable to large sophisticated industrial customers should be applicable to commercial customers? Will BC Hydro propose mandatory stepped rates for commercial customers of all sizes?
6. What is the appropriate debt/equity ratio for calculating the cost of Heritage Resources?
7. What is the appropriate time period to use in calculating average water conditions? What time period does BC Hydro use to calculate normal weather for load forecasting purposes? If the two time periods are different please explain.
8. At V1 page 4 BC Hydro enunciates the principle that for the Heritage Contract costs should be allocated to follow benefits. Does BC hydro believe this is a general principle of utility rate and contract design or is it specific to the Heritage Contract?
9. What is BC Hydro's approximate total revenue requirement? Using this figure and the trade incomes from Question 3, please calculate the annual percentage rate

- changes that would have and are forecast to result in the absence of a deferral account.
10. How is a deferral account for trade revenues, which to an extent reflect market prices, consistent with the principle that the "proposal should drive economically efficient decisions at the margin for supply, demand, and trade"?
11. At V1, page 7 it is stated that:
- BCH Generation will arrange for the marketing of any surplus capability but at all times will ensure priority is given to the needs of BCH Distribution.*
- For clarity, should this read "first priority"?
12. Does BC Hydro view the recovery of costs associated with the Heritage Contract as being more or less risky than the recovery of costs from other components of BC Hydro's current bundled rates?
13. Does BC Hydro recommend a PBR mechanism be applied to the Heritage Payment Obligations? If so, please describe the mechanism.
14. The WTS Tariffs are not listed under Schedule B of the Terms of Reference as beneficiaries of the Heritage Resources. Why does BC Hydro propose that customers served under these rates receive the benefit of the Heritage Resource?
15. For each of the last 5 years, please provide the energy and capacity BC Hydro has self supplied for ancillary services and the booked value of the services. Please provide the same information for 3rd party use.
16. Please describe what is included in Powerex transaction costs (ref V1, page 26).
17. Please provide the previous definition of Trade Income and highlight the differences from the current definition.
18. At V1, page 27, BC Hydro states:
- ....and therefore the allocation over \$200 million is very unlikely to affect trading behaviour in any material way. To further support this conclusion, BC Hydro will match purchases and sales in the same year in the calculation of Trade Income.

Please elaborate on, and explain the phrase "match purchases and sales".

19. BC Hydro recommends that quarterly trade activities of Powerex be filed with the BCUC. Does BC Hydro recommend that these reports be made public in a timely fashion?
20. For each Heritage Asset, including GTRA, please provide the annual operating expense, depreciation, capital expenditures, and net book value by year for the term of the Heritage Contract.
21. How was the allocation of corporate costs be determined?
22. Why is the GRTA amount fixed for the duration of the contract when the definition of the GRTA may be changed in future BCUC proceedings?
23. At Volume 1, page F5, BC Hydro justifies fixing the GRTA amount for the duration of the contract, in part, because "This approach preserves the rate impact of the 1998 decision ...". Please explain the weight BC Hydro gives to preserving the rate impact of other rate design related BCUC decisions.
24. At Volume 1, page F6 BC Hydro states it recognizes the Skagit revenues at \$25 million CDN, even though cash payments are greater than this amount until 2020. Was this treatment taken to comply with GAAP? If so, has BC Hydro considered applying to the Commission for a GAAP variance to recognize payments on a cash basis for the 10 year term of the Heritage Contract?
25. Please provide BC Hydro's load forecast for the term of the Heritage Contract, and actual loads form 1985 to the present.
26. At Volume 1, Page F7, the equity return is grossed up at BC Gas' effective tax rate. Is it proposed that this gross up change as BC Gas' effective tax rate changes?
27. Effective tax rates are impacted by capital expenditures and the resulting CCA impact, as well as items such as interest during construction, and other non-tax items. Why does BC Hydro believe there is a logical relationship between BC Gas' tax timing differences, and the BC Hydro gross up calculation?
28. Please list the rate schedules to which BC Hydro proposes stepped rates will apply initially, and in the future.