

**Proposal by BC Hydro Regarding a
Heritage Contract, Stepped Rates and Access Principles**

**Joint Industry Electricity Steering Committee
Information Request No. 1**

Changes to Legislation and Regulations

Reference: The fifth recital of the Terms of Reference:

1. This recital states; "Whereas the Energy plan contemplates that the Commission should conduct an inquiry to develop and refine certain policy areas relating to regulation of BC Hydro prior to the commencement of its review of BC Hydro's rates and should submit a report to government describing changes to legislation and regulations that it believes are desirable in that connection;"
 - 1.1 Please provide details of all changes in legislation and regulations necessary to implement BC Hydro's Heritage Contract Proposal and Stepped Rates. Identify the specific legislation or regulation that needs changing, and provide a description of the reason for the change and the proposed wording that is required to implement the change.

Future Revenue Requirements Proceedings

2. In the Heritage Contract Proposal it appears there are multiple relationships between BC Hydro, BC Hydro-Generation and BC Hydro-Distribution, all of which may impact BC Hydro revenue requirements.
 - 2.1 Please provide a description or schematic describing how it is contemplated BC Hydro's costs, which are to be recovered from ratepayers, will come together to determine BC Hydro's revenue requirement.
 - 2.2 Describe any accounting or reporting changes that will be required in order to facilitate regulation of BC Hydro by the Commission under the Heritage Proposal.
 - 2.3 Do any of the deferred credits declared "equity" in Special Direction #8 form part of the equity invested in the assets identified in Schedule A" of the Terms of Reference? If so quantify their impact on the allowance for return on equity contained in BC Hydro's proposal. If not, do the deferred credits otherwise impact the revenue requirement under the Heritage Contract and, if so, to what extent.

Supply Resources

3. Reference: Proposal, Volume 1, Chapter 3, Page 41; Volume 1, Appendix A, Schedule A; Attachment, Slide 24, Heritage Resources

3.1 The JIESC requires additional information on the cost of Heritage and Market supply resources in order to evaluate the alternatives for establishing rates for Tier 1 and Tier 2.

Please provide:

- (a) In the general format of the Attachment Slide 24, the MW capacity, normal/average GWh of energy and cost per GWh for each of the Heritage Resources.
- (b) The current supply resources under long-term contracts for domestic supply with the capacity, energy and cost per GWh. Identification of the supplier is not essential and where confidentiality is necessary contract may be grouped by cost.

Trade Revenues

4. Reference: Proposal, Volume 1, Executive Summary, Page vii, viii; Volume 1, Chapter 2, Page 10, 11

4.1 The Proposal states that the "Terms of Reference request that the Commission recommend the appropriate means to allocate all annual trade income received by BC Hydro below \$200 million" and that "The proposal defines trade income in a way that means annual trade income will rarely fall outside the \$0 to \$200 million range. In addition, a "Heritage Supply Stabilization Account" would be used to stabilize rates and the effects of water levels. The trade revenue from Heritage Resources is an important element of the supply cycle.

Please provide:

- (a) An explanation of how the change in the definition of trade income effects on the total net revenue to customers of BC Hydro.
- (b) A confirmation that all trade revenue will continue to be allocated to customers of BC Hydro.
- (c) An explanation of how and when transmission costs will be charged to Powerex and applied to trade revenue and how the transmission costs will be recorded (against trade revenue).
- (d) Indicate under what circumstances Powerex will purchase firm transmission and non-firm transmission from BC Hydro and when it will purchase firm transmission and non-firm transmission from BCTC.

- (e) A description of how trade revenue would be determined and how it could be applied to each of the cost of Heritage Resources and the cost of market supply.
- (f) An explanation of how market purchases are assigned to BC Hydro for domestic requirements and Powerex for trade.
- (g) A description of how credit support and supply backstopping for Powerex trade activities will be provided.
- (h) An explanation of natural gas trading activities of Powerex, the source/ownership of the supply and capacity and where are the revenues and costs assigned.

Deferral Accounts

5. Reference: Proposal, Volume 1, Chapter 2, Page 12, 13

- 5.1 The Proposal briefly outlines the Heritage Deferral Account. Additional information is required in order to understand how the deferral account would function.

Please provide:

- (a) An explanation and examples of how the Heritage Deferral Account would work, assuming that the annual forecasts would be based on 49,000 GWh and that variances above and below the normal supply and demand would be recorded in the deferral account. Also address how trade revenue, an integral part of Heritage supply, would be handled within the deferral account.
- (b) An explanation of how variances in the cost of market supply and trade revenues related to non-Heritage supply would be identified and handled in the context a deferral account.
- (c) An explanation of why variances resulting from causes other than variances in Heritage supply should not be recorded in a separate short-term deferral account.

Electricity Purchases

Reference: Proposal, Volume 1, Chapter 3, Page 26

6. BC Hydro states that it nets supply and sales transmission capacity and then refers to the Canadian Entitlement and imports.

- 6.1 Please describe who makes the arrangements for the purchase of DSB electricity for BC Hydro domestic customers, how the arrangements are made, and how the price is determined.