

Independent Power Producers of B.C. Information Request No. 3.1.1 Dated: September 8, 2006 British Columbia Hydro & Power Authority Response issued September 29, 2006	Page 1
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1.0 Reference: Exhibit B-1E, page 8-6, Section 8.3, Load Resource Gap

- 3.1.1 This section states that this update includes the effects of the February 2006 Load Forecast Update. Please provide the full detail of the February 2006 Load Forecast in detail similar to Appendix K1 (the 2004 Load Forecast) and Appendix K2 (the 2005 Load Forecast) so that proper comparisons can be made.

RESPONSE:

Table 3-10 (Attachment 3-1) of BC Hydro's F07/08 Revenue Requirement Application explained the differences between the February 2006 Load Forecast Update and the December 2005 Load forecast (Appendix K2 of the 2006 IEP). Table 3-10 is attached to this IR Response.

Relative to the December 2005 Load forecast, the February 2006 Update included changes to the following: 1) Demand Side Management (DSM) estimates, 2) Gross Domestic Product (GDP) growth, and 3) industrial sales.

**Table 3-10 Reconciliation of Adjustments to 2005
Forecast: Total Integrated System
Requirements (including losses) (GWh)**

Fiscal Year	December 2005 Forecast with DSM	DSM Adjustments¹	Adjustments for Revised GDP Estimates²	Adjustments for Variance³	Total Adjustments	February 2006 Update: December 2005 Forecast with DSM Plus Total Adjustments
2006/07	58,111	(114)	82	80	48	58,159
2007/08	58,713	63	96	41	200	58,913
2008/09	59,445	77	59		136	59,581
2009/10	60,358		57		57	60,415
2010/11	61,223		190		190	61,413
2011/12	62,151		196		196	62,347
2012/13	63,111		200		200	63,311
2013/14	64,155		204		204	64,359
2014/15	64,308		208		208	64,516
2015/16	65,423		212		212	65,635
2016/17	66,470		220		220	66,690
2017/18	67,461		223		223	67,684
2018/19	68,393		224		224	68,617
2019/20	69,597		234		234	69,831
2020/21	70,848		241		241	71,089
2021/22	72,268		246		246	72,514
2022/23	73,361		250		250	73,611
2023/24	74,439		252		252	74,691
2024/25	75,518		253		253	75,771
2025/26	76,621		258		258	76,879

¹ DSM adjustments are revisions to the DSM forecast as stated in 2005 Forecast, included with the 2006 IEP, at Appendix K-2, page 49, Table 12-1. These adjustments reflect changes in the expected timing of load displacement projects and include losses.

² Adjustments for revised GDP estimates reflect changes to the 2005 Forecast for revisions to estimates of GDP growth. The 2005 Forecast, as included with the IEP, reflected load projections based on the September 2005 Provincial Budget estimates of GDP growth over the next five years. The above adjustments reflect changes to load projections based on revised estimates of GDP growth as contained in the February 2006 Provincial Budget.

³ Adjustments for variance reflect modifications to the industrial sales forecast to reflect how the 2005 Forecast for F2006 was tracking actual sales.

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1.0 Reference: Exhibit B-1E, page 8-6, Section 8.3, Load Resource Gap

3.1.2 Please explain the changes in assumptions that have caused the differences between the load forecasts.

RESPONSE:

Please refer to the response to IPPBC IR 3.1.1.

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2.0 Reference: Exhibit B-1E, page 8-31 to 32, Section 8.4.5.2, Justification of Alcan LTEPA

3.2.1 Line 16 on page 8-31 states that *“The estimated PV value of the enhanced scheduling rights over the 2007-2014 period is approximately \$15-20 million.”* Please provide the detailed calculations to substantiate this present value estimate.

RESPONSE:

Please refer to the response to BCUC IR 4.445.3.

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2.0 Reference: Exhibit B-1E, page 8-31 to 32, Section 8.4.5.2, Justification of Alcan LTEPA

3.2.2 Lines 6 to 9 on page 8-32 states that *“The value of the payment at a NPV of approximately \$90 million, together with the payments at the current LTEPA pricing for the incremental and reinstated firm supply over the period from 2007 to 2014, is below the mid-point pricing of EPAs awarded under the F2006 Call for a similar product.”* Please explain how this comparison is calculated, since the LTEPA pricing allows for 3% escalation and there is no ‘similar product’ available under the F2006 Call for the period from 2007 to 2014. What is meant by ‘similar product’ when all the product under the F2006 Call is provided for a minimum of 15 years, starting in 2009, and only permitted to escalate at a maximum of 50% of CPI?

RESPONSE:

The reference to “similar product” relates to the ability to shape the Tier 1 (firm) energy supplied by Alcan Inc. (Alcan) under scheduling provisions specified in the Term Sheet (Appendix N, Exhibit B1-E). This shaping is similar to projects that specified an hourly firm delivery profile under F2006 Call, albeit the product is somewhat better in the case of the Amended and Restated Long Term Electricity Purchaser Agreement (LTEPA) as BC Hydro has the scheduling rights.

When the reinstatement fee payments are amortized over the expected incremental firm energy deliveries for the period 2007 to 2014, and added to the current LTEPA pricing, it yields a real levelized price for firm energy of \$71.3/MWh for that period. Please refer to the response to BCUC IR 4.445.1 for more detail with respect to the reinstatement fee. The reinstatement fee payments result in only one energy price being in effect for Alcan energy prior to 2015 (i.e. the current LTEPA price will apply to all Alcan deliveries).

For the period after 2014 the pricing for firm energy is a price stream that escalates at 50% of Consumer Price Index, in line with the provisions of the F2006 Call, and has a real levelized price of \$71.3/MWh.

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3.0 Reference: Exhibit B-1E, Appendix N, Alcan LTEPA Term Sheet

- 3.3.1 Page 9 describes certain scheduling rights of BC Hydro for Tier 1 Electricity. Please confirm that these are the only scheduling rights agreed to between BC Hydro and Alcan. If not, please provide full details of any other scheduling rights. Specifically, please confirm whether the 1978 coordination agreement between Alcan and BC Hydro has been terminated and never replaced.

RESPONSE:

The scheduling rights described at page 9 of the Term Sheet are the only scheduling rights agreed to between Alcan and BC Hydro at this time. The 1978 Exchange Agreement between BC Hydro and Alcan has not yet been terminated, but the Term Sheet contemplates that the 1978 Exchange Agreement will be reviewed and renegotiated to develop a replacement agreement relating to mutually beneficial support and coordination transactions. The replacement agreement is expected to be in place by March 31, 2007.

Please refer to the response to Kitimat IR 3.1.3 for a copy of the 1978 Exchange Agreement.

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3.0 Reference: Exhibit B-1E, Appendix N, Alcan LTEPA Term Sheet

3.3.2 Has BC Hydro, at any time in the past 10 years, purchased or exchanged storage with Alcan? If so, please describe the terms and conditions and pricing.

RESPONSE:

BC Hydro has had some storage exchange transactions with Alcan under the 1978 Exchange Agreement over the last ten years. BC Hydro is not prepared to provide details on these transactions since the information is confidential and is not relevant to the current proceeding.

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3.0 Reference: Exhibit B-1E, Appendix N, Alcan LTEPA Term Sheet

3.3.3 To what extent does the scheduling right described on page 9 allow BC Hydro to turn down Kemano generation, conserving water in the Kemano reservoir, while supplying the smelter's electricity load from alternative sources, through the transmission grid?

RESPONSE:

BC Hydro's scheduling rights consist of specifying the rate of delivery of Tier 1 (firm) energy on any hour up to a maximum limit set at the applicable Tier 1 energy quantity divided by a load factor of 85%. Under the proposed Amended and Restated LTEPA, BC Hydro would have no rights to direct the operation of Kemano generation or to supply the smelter load from alternative sources through the transmission grid.