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23 November 2004

Mr. Robert J. Pellatt  
Commission Secretary  
Sixth Floor – 900 Howe Street  
Vancouver, BC V6Z 2N3

Dear Mr. Pellatt:

**RE: British Columbia Hydro and Power Authority (“BC Hydro”)  
01 April 2004 Rate Rollback Implementation and Revised Schedules to  
15 November 2004 Submission in Response to G-96-04**

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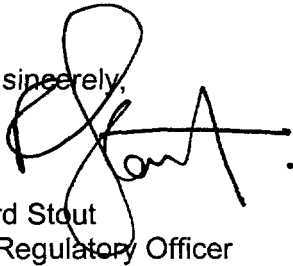
Further to discussions with Commission staff on 22 November 2004 where details concerning the implementation of a rate rollback to 01 April 2004 were requested, we can confirm that the rate rollback process will be as follows:

- Customer bills will reflect the new rate beginning with the billing cycle in early December 2004.
- The actual application of credits to customer accounts as a result of the rate rollback will occur in mid-January 2005. Customers will see the credit on their statement after mid-January, on their normal billing date. As a result, some bi-monthly customers may not be aware of the amount of their credit until mid-March.
- On the invoice the customer will see separate lines indicating the refund based on energy consumption, a PST refund (if applicable), a GST refund and interest on the refund amount.
- There will be one interest rate applied to all credits and it will be a weighted average rate for the entire period. Interest will be applied up to the date that the credit is actually issued to the customer.
- The two PST rates before and after 22 October 2004 will be accounted for.
- The credit adjustment will be applied to the customer's active account. If a customer has an active account, and an account that was recently closed but was open on 01 April 2004, the credit from the closed account will be transferred to the new account.
- For those customers that no longer have an active account, the credit will be applied and remain on the closed account for one year.

- BC Hydro will be providing bill messages and notices in provincial and community newspapers informing customers of the rate rollback. Customers with closed accounts will be informed through these notices.
- Customers with credit balances on closed accounts (and no active account) who contact BC Hydro with a new address will be provided with a refund cheque if the amount of the credit is greater than \$5. For amounts less than \$5 no cheque will be issued and the credit will remain on the closed account for one year unless the customer opens a new account with BC Hydro within that time.
- For customers with closed accounts and a credit of \$25 or greater, BC Hydro will attempt to locate the customer using the forwarding address available. If no address is on the account, BC Hydro will rely on contact by the customer to issue a refund.
- Industrial customers will also be provided a refund by way of a credit to their accounts with interest calculated as noted above. It is unlikely that there will be any closed industrial accounts with credits applied to them. In the event that there is such an account, a refund cheque will be issued to the appropriate address.

In addition and related to BC Hydro's 15 November, 2004 Compliance Filing and rate calculation, BC Hydro is also enclosing with this letter a revised page 4 and revised schedule A-2 - Consolidated Balance Sheet, A-4 Consolidated Statement of Cash Flows and Appendix 2 - Disallowed Load Displacement Costs.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Richard Stout', with a horizontal line extending to the right.

Richard Stout  
Chief Regulatory Officer

Enclosure (4)

**Consolidated Balance Sheet**  
**As at March 31**  
**(\$ millions)**

	A	B	C	D
	F2003	F2004	F2005	F2006
	Actual	Actual	Forecast	Forecast
<b>Capital Assets</b>				
Capital assets in service	\$ 14,940	\$ 15,293	\$ 15,861	\$ 16,262
Less accumulated depreciation	5,816	5,964	6,252	6,540
	9,124	9,329	9,609	9,722
Unfinished construction	669	515	562	827
	9,793	9,844	10,171	10,549
<b>Current Assets</b>				
Temporary investments	4	47	4	4
Accounts receivable and accrued revenue	362	323	435	437
Materials and supplies	88	86	88	88
Prepaid expenses	86	108	87	68
Unrealized gains on mark-to-market transactions	10	104	-	-
	550	668	614	597
<b>Other Assets and Deferred Charges</b>				
Loan receivable	23	2	2	2
Sinking funds	1,037	981	984	844
Demand-Side Management programs	123	161	237	299
Deferred debt costs	385	150	84	51
Regulatory asset - VIGP/GSX (net) <sup>1</sup>	0	0	18	18
	1,568	1,294	1,325	1,214
	\$ 11,911	\$ 11,806	\$ 12,110	\$ 12,360
Long term debt net of sinking funds	\$ 6,853	\$ 6,900	\$ 7,008	\$ 7,401
Sinking funds presented as assets	1,037	981	984	844
<b>Long-Term Debt</b>	7,890	7,881	7,992	8,245
<b>Foreign Currency Contracts</b>	2	63	65	60
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	689	672	536	454
Accrued interest	108	115	117	121
Accrued Payment to the Province	338	73	318	316
Unrealized losses on mark-to-market transactions	10	78	-	-
	1,145	938	971	891
<b>Deferred Credits and Other Liabilities</b>				
Provision for future removal and site restoration costs	174	202	-	-
Asset Retirement Obligation	-	-	19	20
Regulatory liability for FRSR provision <sup>2</sup>	-	-	233	214
Deferred revenue	258	276	293	313
Rate stabilization account	21	-	-	-
Contributions arising from the Columbia River Treaty	203	193	184	175
Contributions in aid of construction	609	619	635	653
	1,265	1,290	1,364	1,375
<b>Retained Earnings</b>	1,609	1,634	1,718	1,789
	\$ 11,911	\$ 11,806	\$ 12,110	\$ 12,360
<b>Debt to Equity Ratio</b>	71.7:28.3	71.6:28.4	71.2:28.8	71.6:28.4

**Notes:**

1. As per Commission directive No. 59 of the October 29, 2004 decision.
2. As per Commission directive No. 50 of the October 29, 2004 decision.

Shaded amounts indicate changes to the test years from the Revised Evidentiary Update.

SCHEDULE A-4 (November 2004 Revised)

**Consolidated Statement of Cash Flows**  
**For the Years ended March 31**  
**(\$ millions)**

	A	B	C	D
	F2003	F2004	F2005	F2006
	Actual	Actual	Forecast	Forecast
<b>Operating Activities</b>				
Net income	\$ 418	\$ 98	\$ 393	\$ 407
Adjustments for:				
Depreciation and amortization	417	539	421	424
Rate stabilization account	(66)	(21)	-	-
Other non-cash items	24	(4)	2	(18)
	793	612	816	813
Working capital changes	1	1	(227)	(61)
Cash provided by operating activities	794	613	589	752
<b>Investing Activities</b>				
Capital asset expenditures	(680)	(606)	(716)	(894)
Contributions in aid of construction	62	56	51	54
Demand side management programs	(45)	(63)	(101)	(93)
Future removal and site restoration costs	(12)	(15)	-	-
Net asset dismantling costs	-	-	(17)	(17)
Loan receivable	(8)	(1)	-	-
Proceeds from property and asset sales	1	10	4	79
Cash used for investing activities	(682)	(619)	(779)	(871)
<b>Financing Activities</b>				
Bonds, notes and debentures				
Issued	1,007	790	600	700
Retired	(1,019)	(450)	(598)	(607)
Revolving borrowings changes	147	(47)	184	179
Sinking funds	48	53	34	185
Deferred debt costs	3	7	-	-
Settlement of financial instruments	22	34	-	-
Cash provided by financing activities	208	387	220	457
Payment to the Province	(333)	(338)	(73)	(318)
Special Dividend to the Province for BCTC	-	-	-	(20)
Increase (decrease) in cash	(13)	43	(43)	-
Cash at beginning of year	17	4	47	4
Cash at end of year	\$ 4	\$ 47	\$ 4	\$ 4

Shaded amounts indicate changes to the test years from the Revised Evidentiary Update.

## Revised Appendix 2 Disallowed Load Displacement Costs

Load Displacement Program Summary (to F2006)	Incentives \$M	Energy GWh
Load Displacement Plan <sup>(1)</sup>	\$67.90	576
Allowed Load Displacement Projects <sup>(2)</sup>	\$65.76	565
Difference between Plan and Allowed Projects	\$2.14 <sup>(3)</sup>	11 <sup>(5,6)</sup>

Summary of Disallowed Load Displacement Costs (\$M)	F2005	F2006	Total
Disallowed Load Displacement Incentives <sup>(3)</sup>	\$2.14	\$0.00	<b>\$2.14</b>
Disallowed Non-Incentive Direct Costs <sup>(4)</sup>	\$1.12	\$0.74	<b>\$1.86</b>
Allocation of Sector Costs <sup>(5)</sup>	\$0.02	\$0.02	<b>\$0.04</b>
Allocation of Portfolio Costs <sup>(6)</sup>	\$0.22	\$0.21	<b>\$0.43</b>
<b>Total Disallowed Load Displacement Costs</b>	<b>\$3.49</b>	<b>\$0.97</b>	<b>\$4.47</b>

**Notes:**

1) Summary information for Load Displacement Incentives (F2004 to F2006) from Power Smart 10 Year Plan, Table 4.4.

2) Total incentives and energy savings for Allowed Load Displacement Projects.

3) Disallowed incentive costs are the difference between the Load Displacement Plan and Allowed Projects.

4) For Load Displacement, the Plan Non-Incentive Direct Costs were \$1.48 M and \$1.01 M for F2005 and F2006, respectively (from Power Smart 10 Year Plan, Table 4.3). The Non-incentive Direct Costs required to complete the Allowed Load Displacement Projects are \$0.36 M and \$0.27 M for F2005 and F2006, respectively. The Disallowed Non-Incentive Direct Costs is the difference between Plan and costs required to complete the Allowed Projects.

5) Allocation of sector costs are based on the ratio of the difference in energy savings between the Allowed Load Displacement Projects and the Plan to the combined incremental industrial sector energy saving targets of 290 GWh and 239 GWh for F2005 and F2006, respectively. Industrial sector enabling costs were \$0.90 M and \$1.04 M for F2005 and F2006, respectively.

6) Allocation of portfolio costs are based on the ratio of the difference in energy savings between the Allowed Load Displacement Projects and the Plan to the combined incremental portfolio energy saving targets of 515 GWh and 453 GWh for F2005 and F2006, respectively. Portfolio costs were \$19.03 M and \$18.47 M for F2005 and F2006, respectively.

1 Notes:

- 2 1. There is no revenue requirement impact for the capital expenditures of \$6.5 million  
 3 for Revelstoke and \$5.5 million for Site C that have been disallowed for F2006 as  
 4 these amounts are not depreciated in the test years. These expenditures may be  
 5 approved in the future following the filing of the 2005 REAP. The capital expenditure  
 6 schedules have not been adjusted to remove these amounts. BC Hydro will remove  
 7 these amounts when it refiles its rate increase for F2006.
- 8 2. Appendix 1 includes a discussion of how BC Hydro has interpreted this directive.
- 9 3. The disallowed Load Displacement projects have been calculated to be \$3.49 million  
 10 and \$0.97 million for F2005 and F2006 respectively. (See Appendix 2). The impact  
 11 on depreciation expenses is less than \$0.5 million.
- 12 4. As indicated in the Application, water rental rates are indexed to BC Hydro's general  
 13 rate increases. Therefore a decrease in general tariff rates will reduce water rental  
 14 expenses.
- 15 5. Finance charges increase as a result of a reduction in cash flows that result from the  
 16 decrease in the rate increase.

17 The changes to BC Hydro's Revenue Requirement are shown in Table 2 and Schedule  
 18 A-19 shows the calculation of BC Hydro's domestic revenues before and after rate  
 19 increases.

20 **Table 2**  
 21 **Changes in BC Hydro's Revenue Requirement**

	F2005	F2006
Revenue Requirement per Revised Evidentiary Update (April 2004). Page 2A-31	\$2,660	\$2,687
Decrease per Commission Directives (Table 1-1)	(98)	(98)
Revised Revenue Requirement (Schedule A-18 attached)	\$2,562	\$2,589

23 The changes to BC Hydro's average rates are shown in Table 3.

24 **Table 3**  
 25 **Average Rates, Before and After Increase**

Customer Class (\$ per MWh)	Previous Rates (before interim April 1, 2004 increase)	F2005	F2006
Residential	61.3	64.3	64.5
Light industrial and commercial	53.2	55.8	56.0
Large industrial	34.0	35.6	35.7

27  
 28 An average BC Hydro customer with a detached house will pay an additional \$34.20 per year, or less than  
 29 \$3 extra per month, after the 4.85% rate increase for F2005. The estimated rebate amount (for the 8 months  
 30 with the 7.23% interim increase) is \$11.20 or