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50.0 Reference: Exhibit B-15, Page 2, Page 12, Page 17

BC Hydro has proposed that the revenue surplus of \$89 million now forecast for F2007 be applied to the deferral accounts. The revised rate increase required for F2007 is approximately 1.39% rather than 4.65%.

BC Hydro further proposes that the F2008 rate increase be revised to 0.63% from 2.71% with a 4 year amortization of the remaining deferral account balance plus interest.

The water rental rate and cost is based on BC Hydro sales rates.

- 3.50.1 Provide the rate increase for F2007 and F2008 and deferral account continuity schedule assuming a 5 year equal annual amount amortization of the deferral account balance commencing in F2008.

RESPONSE:

BC Hydro confirmed that the intended commencement date in the question is F2007.

The revised continuity schedule is provided below. The total recovery in F2007 would be reduced from \$89.0 million (Table 8) to \$62.0 million, a reduction of \$27.0 million. As a result, the forecast F2007 revenue deficiency would also be reduced by \$27.0 million, from \$28.9 million to \$1.9 million. The required rate increase in F2008 would increase from 0.63% to 0.93%.

Continuity Schedule (\$ million)	F2007	F2008	F2009	F2010	F2011	Total
Opening Balance	239.6	191.7	143.8	95.8	47.9	239.6
Interest	14.1	10.7	7.6	4.6	1.5	38.5
Recovery - Principal	(47.9)	(47.9)	(47.9)	(47.9)	(47.9)	(239.6)
Recovery - Interest	(14.1)	(10.7)	(7.6)	(4.6)	(1.5)	(38.5)
Recovery - Total	(62.0)	(58.6)	(55.6)	(52.5)	(49.4)	(278.1)
Closing Balance	191.7	143.8	95.8	47.9	0.0	0.0
Interest Rate	6.75%	6.59%	6.59%	6.59%	6.59%	
Energy Sales (GWh)	52,832	53,531				
Recovery Total (\$/MWh)	1.17	1.10				
Recovery Total (cents/kWh)	0.117	0.110				

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BC Hydro has proposed that the revenue surplus of \$89 million now forecast for F2007 be applied to the deferral accounts. The revised rate increase required for F2007 is approximately 1.39% rather than 4.65%.

BC Hydro further proposes that the F2008 rate increase be revised to 0.63% from 2.71% with a 4 year amortization of the remaining deferral account balance plus interest.

The water rental rate and cost is based on BC Hydro sales rates.

- 3.50.2 Provide the rate increase for F2007 and F2008 and deferral account continuity schedule assuming a 5 year equal annual amount amortization of the deferral account balance commencing in F2008.

RESPONSE:

The revised continuity schedule is provided below. The total recovery in F2007 would be reduced from \$89.0 million (Table 8) to zero. As a result, the forecast F2007 revenue deficiency of \$28.9 million would change to a forecast revenue surplus of \$60.1 million (i.e., a swing of \$89.0 million).

The required rate increase in F2008 would depend upon the disposition of the forecast F2007 revenue surplus of \$60.1 million. If none of the forecast revenue surplus was returned to customers in F2008, the required rate increase in F2008 would increase from 0.63% to 1.18%. If the entire forecast revenue surplus was returned to customers in F2008, the required rate increase in F2008 of 0.63% would change to a required rate decrease of 0.95%.

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Continuity Schedule (\$ million)	F2007	F2008	F2009	F2010	F2011	F2012	Total
Opening Balance	239.6	255.8	204.6	153.5	102.3	51.2	239.6
Interest	16.2	14.7	11.4	8.2	4.9	1.6	57.0
Recovery - Principal	0.0	(51.2)	(51.2)	(51.2)	(51.2)	(51.2)	(255.8)
Recovery - Interest	0.0	(14.7)	(11.4)	(8.2)	(4.9)	(1.6)	(40.8)
Recovery - Total	0.0	(65.8)	(62.6)	(59.3)	(56.0)	(52.8)	(296.6)
Closing Balance	255.8	204.6	153.5	102.3	51.2	(0.0)	0.0
Interest Rate	6.75%	6.59%	6.59%	6.59%	6.59%	6.59%	
Energy Sales (GWh)	52,832	53,531					
Recovery Total (\$/MWh)	0.00	1.23					
Recovery Total (cents/kWh)	0.000	0.123					

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BC Hydro has proposed that the revenue surplus of \$89 million now forecast for F2007 be applied to the deferral accounts. The revised rate increase required for F2007 is approximately 1.39% rather than 4.65%.

BC Hydro further proposes that the F2008 rate increase be revised to 0.63% from 2.71% with a 4 year amortization of the remaining deferral account balance plus interest.

The water rental rate and cost is based on BC Hydro sales rates.

- 3.50.3 Provide the constant rate per kWh that would apply for the deferral account recovery periods above if the recovery were made using a rate rider.

RESPONSE:

The total deferral account recovery per MWh (and in cents per kWh) for F2007 and F2008 is provided in the responses to JIESC IRs 3.50.1 and 3.50.2. The F07/F08 RRA did not include forecasts of energy sales beyond F2008.

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51.0 Reference: Exhibit B-15; Page 5, Page 16

BC Hydro filed an update of the revenue requirements for F2007 and F2008 with no changes in the sales volumes or operating expenses. Capital expenditures were revised only for Aberfeldie.

3.51.1 Did BC Hydro review the sales forecasts?

RESPONSE:

Yes. BC Hydro reviewed the key drivers of sales and the current sales trend and determined that since actuals for the first quarter of F2007 were tracking the forecast reasonably well (within 0.9% of forecast), no change to the Load Forecast included in the F07/F08 RRA was required for the Evidentiary Update.

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51.0 Reference: Exhibit B-15; Page 5, Page 16

BC Hydro filed an update of the revenue requirements for F2007 and F2008 with no changes in the sales volumes or operating expenses. Capital expenditures were revised only for Aberfeldie.

3.51.2 Did BC Hydro review the operating expense forecasts?

RESPONSE:

Yes. BC Hydro reviewed its operating expense forecasts and determined no changes were required from the forecast included in the F07/F08 RRA.

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51.0 Reference: Exhibit B-15; Page 5, Page 16

BC Hydro filed an update of the revenue requirements for F2007 and F2008 with no changes in the sales volumes or operating expenses. Capital expenditures were revised only for Aberfeldie.

- 3.51.3 Provide a comparison of the actual EFTs at June 30, July 31 and August 31, 2006 compared to the forecast for F2007 in the application.

RESPONSE:

The following table shows a comparison of actual FTEs at June, July and August 31, 2006 by LoB along with the F2007 Forecast.

FTEs are calculated using labour hours divided by standard work hours. FTEs can fluctuate throughout the year depending on factors such as when employees take vacation compared to plan and the amount of overtime worked in a particular month compared to plan.

	Jun-06 Actual	Jul-06 Actual	Aug-06 Actual	F2007 Forecast
Corporate	346	314	326	400
Generation	1,047	888	988	796
Distribution	1,536	1,309	1,420	917
Field Services	1,036	890	918	1,907
Engineering	413	351	378	654
	<u>4,378</u>	<u>3,752</u>	<u>4,030</u>	<u>4,674</u>

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51.0 Reference: Exhibit B-15; Page 5, Page 16

BC Hydro filed an update of the revenue requirements for F2007 and F2008 with no changes in the sales volumes or operating expenses. Capital expenditures were revised only for Aberfeldie.

3.51.4 Did BC Hydro review the capital expenditure forecasts?

RESPONSE:

Yes. BC Hydro reviewed its capital expenditure forecast and with the exception of expenditures related to the Aberfeldie project determined no change to its capital expenditure forecast included in the F07/F08 RRA was required for the Evidentiary Update.

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51.0 Reference: Exhibit B-15; Page 5, Page 16

BC Hydro filed an update of the revenue requirements for F2007 and F2008 with no changes in the sales volumes or operating expenses. Capital expenditures were revised only for Aberfeldie.

3.51.5 When does BC Hydro expect to release the Q2 (September 30) financial results?

RESPONSE:

BC Hydro expects to release its Q2 financial results at the end of November 2006.

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51.0 Reference: Exhibit B-15; Page 5, Page 16

BC Hydro filed an update of the revenue requirements for F2007 and F2008 with no changes in the sales volumes or operating expenses. Capital expenditures were revised only for Aberfeldie.

3.51.6 Will the Q2 financial results be filed by BC Hydro as an exhibit in this proceeding?

RESPONSE:

The Q2 financial results are not expected to be released until the end of November 2006. In light of the schedule established by BCUC Order No. G-96-06 for the hearing and except for direct witness testimony and potential rebuttal evidence in accordance with that schedule, BC Hydro does not anticipate filing further evidence in this proceeding after these IR responses.

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52.0 Reference: Exhibit B-15, Page 5, Page 11

BC Hydro has revised the ROE from 13.13% to 13.10% with no change in the Return on Equity in the annual revenue requirements.

The corporate income tax rates effective January 1 of each year are:

Non-Canadian Controlled Private Corporation	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Federal	22.1	22.1	20.5	20.0
Provincial	<u>12.0</u>	<u>12.0</u>	<u>12.0</u>	<u>12.0</u>
Total	<u>34.1</u>	<u>34.1</u>	<u>32.5</u>	<u>32.0</u>

3.52.1 What were the statutory income tax rates (not effective tax rates) used to determine the pre-tax ROE for F2007 (TGVI 2006)?

RESPONSE:

As shown in the attachment to the response to BCUC IR 1.225.1.1, the statutory income tax rate used to determine BC Hydro's pre-tax ROE for F07 (i.e., the statutory income tax rate for Terasen Gas Inc. for 2006) was 34.12%.

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52.0 Reference: Exhibit B-15, Page 5, Page 11

BC Hydro has revised the ROE from 13.13% to 13.10% with no change in the Return on Equity in the annual revenue requirements.

The corporate income tax rates effective January 1 of each year are:

Non-Canadian Controlled Private Corporation	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Federal	22.1	22.1	20.5	20.0
Provincial	<u>12.0</u>	<u>12.0</u>	<u>12.0</u>	<u>12.0</u>
Total	<u>34.1</u>	<u>34.1</u>	<u>32.5</u>	<u>32.0</u>

3.52.2 Provide the calculations and change in revenue requirements using the statutory income tax rates that would apply within BC Hydro's fiscal years.

RESPONSE:

Use of the statutory income tax rate of 34.12% to determine BC Hydro's pre-tax ROE would increase BC Hydro's pre-tax ROE in F2007 from 13.10% to 13.36%:

$$8.8\% / (1 - 34.12\%) = 13.36\%$$

Use of a pre-tax ROE of 13.36% rather than 13.10% would increase BC Hydro's revenue requirements by \$7.9 million and \$8.5 million in F2007 and F2008 respectively.

As indicated in the response to JIESC IR 1.13.1, BC Hydro will update its F2008 pre-tax ROE when the BCUC establishes the 2007 ROE for Terasen.

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53.0 Reference: Exhibit B-15; Page 9-10,

BC Hydro appears to have added \$3 million in generation asset retirements (omitted in error) to depreciation and amortization expense. Normal utility practice is to charge the retirements and any proceeds, other than extra-ordinary items, to accumulated depreciation.

3.53.1 Explain why BC Hydro does not follow normal regulatory practice when recording asset retirements.

RESPONSE:

BC Hydro records disposals of assets in accordance with GAAP. For assets that are tracked on an individual basis, where use is suspended prior to the end of its estimated useful life, the CICA handbook requires that the remaining book value of the asset be expensed.

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54.0 Reference: Exhibit B-15; Page 5, Page 10

BC Hydro has reduced the finance charges by \$19 million in F2007 and \$5 million in F2008. At the present time, BC Hydro does not have a finance/interest cost deferral account.

3.54.1 Provide the forecast/plan finance costs and actual finance costs for each of F2005, F2006 along with the original and revised finance costs for F2007 and F2008.

RESPONSE:

The forecast/plan finance costs and actual finance costs for each of F2005 and F2006, along with the original and revised finance costs for F2007 and F2008 are shown below.

(\$ million)	F2005 RRA	F2005 Actual	F2006 RRA	F2006 Actual	F2007 Plan	F2007 Update	F2008 Plan	F2008 Update
Total Finance Charge	428	435	463	427	475	456	492	488

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55.0 Reference: Exhibit B-15; Page 11, Table 6

The IDC rate in F2007 and F2008 is higher than the effective interest rate on long term debt and short term rates.

- 3.55.1 Provide the calculation of the IDC rate for F2007 and F2008 with reference to the interest rates in Table 6.

RESPONSE:

The IDC rates are not based on the interest rates shown in Table 6.

BC Hydro is proposing to calculate the IDC rate by dividing finance charges by the average long-term debt balance net of sinking funds. The actual IDC rate will depend on actual finance charges and actual average net debt balances. Please refer to the response to BCUC IR 1.4.4 for the derivation of the forecast IDC rates.

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56.0 Reference: Exhibit B-15; Page 13

BC Hydro Trade Income has exceeded the forecast for F2006 and F2007. The forecast for F2008 has not been changed on the basis that market conditions are not expected to continue.

- 3.56.1 Does the revised forecast for F2007 reflect an end to market conditions leading to higher Trade Income effective in the early part of F2007?
Provide the date when market conditions are forecast to change.

RESPONSE:

Please see the response to BCUC IR 3.10.1.

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56.0 Reference: Exhibit B-15; Page 13

BC Hydro Trade Income has exceeded the forecast for F2006 and F2007. The forecast for F2008 has not been changed on the basis that market conditions are not expected to continue.

3.56.2 Market conditions were better than forecast for several years. Why is BC Hydro forecasting a change in market conditions?

RESPONSE:

Please see the response to BCUC IR 3.10.1.

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56.0 Reference: Exhibit B-15; Page 13

BC Hydro Trade Income has exceeded the forecast for F2006 and F2007. The forecast for F2008 has not been changed on the basis that market conditions are not expected to continue.

3.56.3 What corresponding effect did the forecast change in market conditions for Trade Revenue have on Cost of Energy?

RESPONSE:

Please refer to the response to BCUC IR 3.10.1 and to Section 2.1 of the Evidentiary Update.

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57.0 Reference: Exhibit B-15; Page 8, Page 15, Page 16

BC Hydro refers to “Commodity Risk” and “commodity risk cost”.

- 3.57.1 Provide an explanation of commodity risk and how the commodity risk cost is realized and determined.

RESPONSE:

The term Commodity Risk, found on pages 15 and 16 of Exhibit B-15 (no reference was found on page 8) refers to gains/losses (commodity risk benefits/commodity risk cost) associated with transactions entered into by BC Hydro to manage the commodity risk of the domestic energy portfolio.

The commodity risk is currently managed through the use of forward contracts for electricity, gas and currency. Gains/losses on these contracts are recorded as commodity risk. These gains/losses are determined by calculating the change in market value of the contracts from one reporting period to the next and this change is recognized in each reporting period.

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58.0 Reference: Exhibit B-15, Page 17

BC Hydro previously requested a deferral account for the revenue deficiency from April 1, 2006 to June 30, 2006.

- 3.58.1 Confirm that BC Hydro is still requesting a deferral account for the revenue deficiency prior to the rate increase.

RESPONSE:

The Commission approved the establishment of a deferral account to record the F2007 revenue deficiency for the period April 1, 2006 to July 1, 2006, net of any disallowance of the F2007 revenue requirement, in BCUC Order No. G-70-06.

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58.0 Reference: Exhibit B-15, Page 17

BC Hydro previously requested a deferral account for the revenue deficiency from April 1, 2006 to June 30, 2006.

- 3.58.2 Provide the revenue deficiency amount that BC Hydro estimates would be deferred for future recovery.

RESPONSE:

BC Hydro estimates that \$28.9 million will be deferred for future recovery.

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59.0 Reference: Exhibit B-15, Attachment 1, Schedule 2-26; Attachment 6, Schedule 4.0, Page 13

Line losses and system use decrease in F2007 but return to higher levels in F2008.

3.59.1 Explain the decrease and subsequent increase in line losses and system use.

RESPONSE:

Please refer to the response to BCUC IR 3.14.1.

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59.0 Reference: Exhibit B-15, Attachment 1, Schedule 2-26; Attachment 6, Schedule 4.0, Page 13

Line losses and system use decrease in F2007 but return to higher levels in F2008.

3.59.2 Provide an explanation of how line loss and system use are determined and verified to metered supply and sales.

RESPONSE:

The forecast of line losses and system use is based on historical trends of consumption by rate class, BC Hydro generation, imports and exports. Please refer to the response to BCUC IR 1.247.1 in the 2006 IEP & LTAP proceeding (copy attached) for further information on the historical trend of line losses. For F2007 Plan, line loss and system use was understated by 120 GWh in the Evidentiary Update, as described in the response to BCUC IR 3.14.1.

Actual line loss and system use are determined by subtracting metered sales from metered supply.

British Columbia Utilities Commission Information Request No. 1.247.1 Dated: April 21, 2006 British Columbia Hydro & Power Authority Response issued May 11, 2006	Page 1
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247.0 Reference: Exhibit B1-C, Appendix K-2, p. xvii

1.247.1 It is stated that loss factors have been set to fixed numbers to provide estimates that are consistent with historical trends. Are the loss factor chosen historical average or do they represent observable trends, either up or down, in losses as a percentage of sales?

RESPONSE:

The loss factors are based on historical averages. In addition, they are reviewed to reflect observable trends in total losses. Total losses have decreased due to increased import volumes.

	Total Firm Sales	Total System Losses	Total Losses as a Share of Total Firm Sales	Total Gross Requirements
	(GWh)	(GWh)	(%)	(GWh)
1995/96	43,591	5,025	11.5	48,617
1996/97	44,362	5,922	13.4	50,284
1997/98	43,383	4,959	11.4	48,342
1998/99	45,805	5,092	11.1	50,897
1999/00	46,691	4,843	10.4	51,534
2000/01	48,204	4,774	9.9	52,978
2001/02	47,787	4,780	10.0	52,567
2002/03	48,999	4,299	8.8	53,298
2003/04	50,273	4,778	9.5	55,051
2004/05	51,089	4,658	9.1	55,747

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60.0 Reference: Exhibit B-15, Attachment 1, Schedule 2-36

The foreign exchange loss of \$15 million in the F2006 RRA was not realized in F2006 actual results.

3.60.1 Explain why the exchange loss was not realized.

RESPONSE:

Please refer to the response to BCUC IR 3.17.0.

The exchange loss was recognized in F2006 Actual results. The F2006 forecast mark to market foreign exchange loss of \$15 million, as filed in the F07/F08 RRA, was as of the end of February. From the end of February to the end of March 2006, the Canadian dollar weakened relative to the US dollar. As a result, at the end of March, the mark to market foreign exchange loss recognized on BC Hydro's Energy Foreign Exchange Derivatives was reduced to \$8 million.

BC Hydro purchases US dollars through forward contracts to offset its foreign exchange risk on forward commodity contracts. Depreciation of the Canadian dollar produces mark to market gains and conversely, appreciation of the Canadian dollar produces mark to market losses.

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61.0 Reference: Exhibit B-15. Attachment 6, Schedule 5.1, Page 17

BC Hydro has provided schedules showing the costs by LoB. At this time, the JIESC has not received the information requested in JIESC IR 2 and reserves the right to issue further information requests on changes on OM&A expenses.

3.61.1 Provide an explanation of the changes in Other Corporate Costs – Other (Line 26) in F2006 and F2007.

RESPONSE:

Other Corporate Costs shown on line 26 of Schedule 5.1 of Attachment 6 were higher in F2006 than in F2005 and F2007 due to one-time costs that were recorded in F2006. The principal one-time costs recorded in F2006 were as follows:

Correct the accounting for Variable Pay Accrual	\$11.3 million
Settlement of disputes	\$ 6.9 million

In F2006, BC Hydro accrued for its variable pay expense in the year it was earned. This was a change from past practice. As a result, F2006 costs included the variable pay earned in both F2005 and F2006. In the future, variable pay expense will be accrued for in the year earned.

There are no similar significant one-time costs expected in F2007.

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62.0 Reference: Not Applicable

The Application materials do not appear to provide customer statistics.

3.62.1 Provide the actual and RRA forecast customers by category:

	<u>2005</u> <u>RRA</u>	<u>2005</u> <u>Actual</u>	<u>2006</u> <u>RRA</u>	<u>2006</u> <u>Actual</u>	<u>2007</u> <u>RRA</u>	<u>2008</u> <u>RRA</u>
Residential						
Light Industrial & Commercial						
Large Industrial						
Other	_____	_____	_____	_____	_____	_____
Domestic						
Trade	_____	_____	_____	_____	_____	_____
Total	_____	_____	_____	_____	_____	_____

RESPONSE:

The following table provides the actual and RRA forecast customers by category as at March 31 for the periods requested. BC Hydro's only "trade" customer is Powerex.

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	F2005 <u>RRA</u>	F2005 <u>Actual</u>	F2006 <u>RRA</u>	F2006 <u>Actual</u>	F2007 <u>RRA</u>	F2008 <u>RRA</u>
Residential	1,489,254	1,484,339	1,515,170	1,511,435	1,537,724	1,565,838
Light Industrial & Commercial	185,231	187,313	186,214	189,764	192,229	194,653
Large Industrial	136	138	136	146	144	156
Other	<u>3,149</u>	<u>3,265</u>	<u>3,178</u>	<u>3,326</u>	<u>3,439</u>	<u>3,509</u>
Total Domestic	<u>1,677,770</u>	<u>1,675,055</u>	<u>1,704,698</u>	<u>1,704,671</u>	<u>1,733,535</u>	<u>1,764,152</u>