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1.0 Reference Wait IR #1.1.1

Does the proposed new treatment of IDC include the owner's return on equity as part of the calculation of the interest rate?

RESPONSE:

The proposed methodology does not include a return on equity. Please refer to the responses to BCUC IR 1.4.4 and 2.422.0 for further information on IDC.

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2.0 Reference Wait IR #1.1.1

Is it BC Hydro's view, that the cost to ratepayers of borrowing and paying costs over time is less expensive, the same, or more expensive for the ratepayers than paying the full cost at the time the cost is incurred?

Does the method of payment affect business and residential differently?

RESPONSE:

In the current interest rate environment, where the interest rate on new financing is lower than BC Hydro's average embedded cost of debt, the proposed change to the IDC rate would result in lower customer rates in the short term and higher customer rates in the long term.

The converse would be true if the interest rate on new financing were higher than BC Hydro's average embedded cost of debt. In that case, the proposed change to the IDC rate would result in higher customer rates in the short term and lower customer rates in the long term.

In either case, the proposed change to the IDC rate would not have a material impact on the present value of the cost to customers.

Finance charges are allocated in the same manner to business and residential customers.

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3.0 Reference Wait IR #1.1.1

Would the new treatment of IDC increase, decrease or not affect the 2007 or 2008 revenue requirement? By how much?

RESPONSE:

The impact is a reduction in finance charges of \$5.1 million and \$4.2 million for F2007 and F2008, respectively. Please refer to the response to BCUC IR 1.237.3.

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4.0 Reference Wait IR #1.3.1

The intent of IR #1.3.1 was to understand the relative amounts that were going into the Contributions in Aid of Construction. Could you please provide some general information in regards to the total contribution anticipated for subdivisions as well as the number involved, and likewise for industrial connections and IPP connections?

RESPONSE:

Contributions in Aid of Construction are only forecast in total, based on the historical ratio of total contributions to the total capital cost of customer projects. Therefore, a breakdown of the forecast of contributions is not available.

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5.0 Reference Wait IR #1.5.1

Will the sinking fund be eliminated quickly as debt instruments fall due, or will the sinking fund assets be used for capital expenditures rather than taking on new debt?

RESPONSE:

At maturity of the underlying debt issue, sinking fund assets will be used to repay the maturing debt. Any remaining funds will be incorporated into BC Hydro's overall cash balances.

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6.0 Reference Wait IR #1.6.1

The average amortization for CIAC is $(21/1079) = 1.95\%$. Almost all transmission and distribution assets are amortized at 2% or more. Please explain why the amortization of CIAC is below 2%.

RESPONSE:

The F2007 forecast amortization for CIAC (\$21M) reflects a change in rate on pre-1996 Distribution contribution from 25 to 45 years on a prospective basis (see the response to BCUC IR 2.406.01).

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7.0 Reference Wait IR #1.8.1

The referenced BCUC IR #1.284 did not answer the request made in Wait IR #1.8.1. Please provide the table requested showing the yearly total figures for all Powerex trades both with BC Hydro and between other parties where BC Hydro is not involved on one side of the transaction.

RESPONSE:

Information on the volumes and values of Powerex's electricity sales to BC Hydro are shown in the F07/F08 RRA Evidentiary Update Schedule 2-26 Domestic Cost of Energy, Volume and Cost/MWh as "Market electricity purchases" and "Net Purchases from Powerex". Corresponding information for the prior RRA, Schedule A-9-A (Revised) is attached below.

Powerex's Trade Income is shown in the F07/F08 RRA Evidentiary Update Schedule 2-1 Pro Forma Consolidated Statement of Operations. Corresponding information for the prior RRA, Schedule A-1-A (Revised), is attached below.

BC Hydro declines to provide information on Powerex trades with parties other than BC Hydro. As indicated in the response to BCUC IR 1.284.0, it is BC Hydro's position that the appropriate degree of BCUC oversight with respect to Powerex is limited to a review of the significant cost and revenue components of Powerex's income statement. BC Hydro notes that Powerex is not a regulated public utility under the *Utilities Commission Act* and that Powerex can only provide benefits to ratepayers.



SCHEDULE A-9-A (Revised)

Domestic Cost Of Energy					
For the Years Ended March 31					
(\$ millions)					
	A	B	C	D	
	F2003	F2004	F2005	F2006	
	Actual	Forecast	Plan	Plan	Reference
8 Domestic cost of energy :					
9 Water rentals	\$258	\$248	\$258	\$281	D1-2-A
10 Independent Power Producers and					
11 long-term purchase commitments	290	380	380	395	C2-A
12 Market electricity purchases	54	251	183	112	D1-2-A
13 Net Purchases from Powerex (Note 1)	50	14			D1-2-A
14 Natural gas for thermal generation (Note 2)	28	32	36	26	D1-2-A
15 Domestic cost of energy - Non-integrated Areas	14	14	15	15	C4-A
16 Domestic transmission	5	16	16	16	D1-2-A
17 Gas transportation	5	9	13	13	C2-A
18 Cost of market (Note 3)	1	1	1		C3-A
19 Other	3	3	4	7	D1-2-A
20 Total Domestic cost of energy	\$708	\$968	\$906	\$865	
	F2003	F2004	F2005	F2006	
	Actual	Forecast	Plan	Plan	
24 Domestic energy:					
25 GW-h's					
26 Water rentals	47,865	44,882	44,980	46,045	
27 Independent Power Producers and					
28 long-term purchase commitments	4,950	6,165	6,540	6,951	
29 Market electricity purchases	896	5,001	4,266	2,757	
30 Net Purchases from Powerex (Note 1)	1,113				
31 Thermal generation	251	277	338	233	
32 Non-integrated Areas	96	92	105	105	
33 Exchange net	(1,805)	(1,203)	54	199	
34	53,366	55,214	56,283	56,290	
35 Less: Line loss and system use	(4,689)	(5,008)	(5,447)	(5,483)	
36 Net sales to Powerex		(331)	(1,550)	(1,200)	
37 Domestic sales volumes	48,677	49,875	49,286	49,607	
38					
39 \$/MW-h					
40 Water rentals	\$ 5.413	\$ 5.526	\$ 5.736	\$ 6.103	
41 Independent Power Producers and					
42 long-term purchase commitments	58.586	61.638	58.104	56.826	
43 Market electricity purchases	60.268	50.190	42.897	40.624	
44 Net Purchases from Powerex	44.924				
45 Natural gas for thermal generation	111.554	115.523	106.509	111.588	
46 Domestic cost of energy - Non-integrated Areas	145.833	152.174	142.857	142.857	
47					
48 Total weighted average cost (Note 4)	\$ 14.545	\$ 19.409	\$ 18.383	\$ 17.437	

Notes:

- In F2004, Powerex is expected to draw down the trade account by 331 GWh, which is made up of 1,782 GWh out of the trade account and 1,461 GWh into the trade account. The value of the energy going into the trade account is more expensive than the current average cost of the trade account. This difference results in a net cost to domestic cost of energy of \$14 million. (i.e., The revenues BC Hydro would record from Powerex when the trade account is drawn down is less than the cost BC Hydro records from Powerex when the trade account is increased.) This does not have an impact on the Heritage Contract.
- This includes fixed transportation costs of approximately \$10 million related to the Bypass Transportation Agreement between Terasen and BC Hydro.
- Domestic cost of energy transmission which includes congestion management cost.
- Calculated as total cost divided by sales volumes.



SCHEDULE A-1-A (Revised)

1 Consolidated Statement of Operations with Proposed Rate Increases					
2 For the Years Ended March 31					
3 (\$ millions)					
	A	B	C	D	
	F2003	F2004	F2005	F2006	
	Actual	Forecast	Plan	Plan	
4					
5					
6					
7					
8	REVENUES				
9	Domestic				
10	Residential	\$ 923	\$ 974	\$ 1,050	\$ 1,073
11	Light industrial and commercial	893	909	976	996
12	Large industrial	516	513	542	540
13	Other energy sales	88	89	91	92
14	Miscellaneous	55	67	61	55
15		2,475	2,552	2,720	2,756
16	Intersegment revenues	6	81	125	116
17		2,481	2,633	2,845	2,872
18	EXPENSES				
19	Domestic energy costs	708	968	906	865
20	BCTC wholesale transmission service	-	-	-	61
21	BCTC asset management fee	-	-	-	117
22	Operations expense	138	169	171	129
23	Maintenance expense	207	227	244	138
24	Administration expense	161	162	162	140
25	Depreciation and amortization	414	428	470	470
26	Taxes	145	142	145	147
27		1,773	2,096	2,098	2,067
28	INCOME BEFORE FINANCE CHARGES, RESTRUCTURING				
29	COSTS, TRANSFER FROM RSA AND TRADE INCOME	708	537	747	805
30	Finance charges	457	444	430	461
31	INCOME BEFORE RESTRUCTURING COSTS, TRANSFER				
32	FROM RSA AND TRADE INCOME	251	93	317	344
33	Restructuring Costs	37	11	-	-
34	INCOME BEFORE TRANSFER FROM RSA AND TRADE				
35	INCOME	214	82	317	344
36	Transfer from RSA	66	21	-	-
37	DOMESTIC NET INCOME	280	103	317	344
38					
39	TRADE NET INCOME	138	108	89	91
40					
41	TOTAL NET INCOME	\$ 418	\$ 211	\$ 406	\$ 435
42					
43	PAYMENT TO THE PROVINCE	\$ 338	\$ 167	\$ 329	\$ 340
44					
45	ACTUAL/FORECAST RETURN ON EQUITY	15.47%	7.73%	13.25%	13.73%
46	ALLOWED RETURN ON EQUITY	15.47%	14.33%	13.91%	13.91%
47					
48	BALANCE IN RSA	\$ 21	\$ -	\$ -	\$ -
49					
50	RATE INCREASE	0.00%	0.00%	8.90%	0.00%
51	CUMULATIVE RATE INCREASE	0.00%	0.00%	8.90%	8.90%

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8.0 Reference Wait IR #1.14.1

According to the response to Wait IR #1.13.1, BC Hydro will recognize about \$16 mil US in revenue from the Skagit River Treaty for F2007. What portion of that is paid to BCTC for transmission charges and what portion remains with BC Hydro for generation?

RESPONSE:

BC Hydro forecasts to recognize \$18.5 million CAD of revenue under the Skagit Valley Treaty in F2007. As noted on page 3-14, Section 3.2.4.5 of the F07/F08 RRA, transmission costs relating to this Treaty are included in the cost of energy. Transmissions costs are forecast to be \$16.4 million CAD for F2007 with approximately \$11.6 million CAD for wholesale transmission in British Columbia, to be paid to BCTC, and \$4.8 million CAD for wholesale transmission in the United States.

While the Skagit Valley Treaty is not separately recorded as a profit/loss center, the difference between revenues recognized and transmission costs noted above is \$2.1 million CAD.

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9.0 Reference JIESC IR #1.15.1 response

Can BC hydro confirm that when Powerex earns a profit on a sale of energy to BC Hydro, that this profit is included in Powerex's profit cap of \$200 mil?

RESPONSE:

Yes. All Powerex income regardless of how it is derived is included in the calculation of Powerex's net income which is subject, for rate-making purposes, to a floor to ceiling amount of \$0 to \$200 million.

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10.0 Reference JIESC IR #1.19.3.2 response

What effect will the reduced amortization of CIAC have on the revenue requirement for ROE in 2007, 2008, and in future years?

RESPONSE:

From the response to BCUC IR 2.406.2, it can be shown that CIAC amortization has been reduced by \$14 million in F2007 and by \$13 million in F2008.

As a result of these reductions to CIAC amortization, the revenue requirement increases by \$15 million in each of F2007 and F2008. The impact on the revenue requirement is greater than the change in CIAC amortization due to increases in ROE, partly offset by a decrease in finance charges.

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11.0 Reference JIESC IR #1.45.5

Where is the revenue requirement line item in the budget, for donations and community programs? Is the accounting treatment for donations the same for BC Hydro as for Terasen?

RESPONSE:

Table 6-19 on page 6-29 shows the Corporate Communications operating costs including a line item for corporate donations.

Yes, BC Hydro's accounting treatment for donations is the same as Terasen's. Donations are treated as operating costs.