



ROBERT J. PELLATT  
COMMISSION SECRETARY  
Commission.Secretary@bcuc.com  
web site: <http://www.bcuc.com>

SIXTH FLOOR, 900 HOWE STREET, BOX 250  
VANCOUVER, B.C. CANADA V6Z 2N3  
TELEPHONE: (604) 660-4700  
BC TOLL FREE: 1-800-663-1385  
FACSIMILE: (604) 660-1102

Log No. 9304

**VIA E-MAIL**  
regulatory.group@bchydro.com

March 23, 2005

Mr. Richard Stout  
Chief Regulatory Officer  
British Columbia Hydro and Power Authority  
17<sup>th</sup> Floor, 333 Dunsmuir Street  
Vancouver, B.C. V6B 5R3

Dear Mr. Stout:

Re: British Columbia Hydro and Power Authority  
Application – Interim Approval for Recalculated ROE for FY2006

Further to your March 1, 2005 application for Commission approval to recalculate BC Hydro's FY2006 allowed Return on Equity, we enclose Commission Order No. G-32-05.

Yours truly,

A handwritten signature in black ink, appearing to read "R. Pellatt", written in a cursive style.

Robert J. Pellatt

RJP/yl  
Enclosure  
cc: Mr. Scott Thomson  
Vice President, Finance & Regulatory Affairs  
Terasen Gas Inc.

**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER G-32-05**



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**IN THE MATTER OF  
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473**

**and**

**British Columbia Hydro and Power Authority  
Application for Approval of F2006 Rate of Return on Equity**

**BEFORE:** L.F. Kelsey, Commissioner  
L.A. Boychuk, Commissioner March 17, 2005

**O R D E R**

**WHEREAS:**

- A. British Columbia Hydro and Power Authority ("BC Hydro") applied on March 1, 2005 for approval of its F2006 allowed return on equity ("ROE") in accordance with Special Direction HC2 and BC Hydro's F2005 and F2006 Revenue Requirements Decision. For F2006, BC Hydro is allowed a pre-tax rate of return based on the allowed 2005 ROE and the 2005 effective income tax rate for Terasen Gas Inc. ("Terasen"), ("the Application"); and
- B. BC Hydro calculated that the allowed 2005 ROE and the 2005 effective income tax rate for Terasen results in an allowed F2006 ROE for BC Hydro of 13.52 percent; and
- C. BC Hydro also calculated that the reduction in allowed ROE from the F2005 BC Hydro allowed ROE of 13.91 percent represents a 0.15 percent reduction in rates and a \$3 million revenue decrease; and
- D. BC Hydro proposes to maintain customer rates at the current levels and transfer the \$3 million in revenue to its existing deferral accounts; and
- E. The 2005 Federal Budget has proposed increases to certain capital cost allowance ("CCA") rates which may impact the 2005 effective income tax rate for Terasen; and
- F. By Letter No. L-23-05, the Commission required Terasen to provide a report on the impact on Terasen's 2005 income taxes that would occur if the proposed changes to CCA rates were to take effect; and
- G. The Commission has reviewed the BC Hydro Application and considers that approval is warranted.

**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
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**NOW THEREFORE** the Commission orders that the BC Hydro Application is approved on an interim basis effective April 1, 2005, subject to adjustment following Terasen's recalculation of its 2005 income taxes as required by Letter No. L-23-05.

**DATED** at the City of Vancouver, in the Province of British Columbia, this <sup>21<sup>st</sup></sup> day of March 2005.

**BY ORDER**

  
Lori Ann Boychuk  
Commissioner