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August 16, 2011

Ms. Alanna Gillis
Acting Commission Secretary
British Columbia Utilities Commission
Sixth Floor – 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Ms. Gillis:

**RE: British Columbia Utilities Commission (BCUC)
British Columbia Hydro and Power Authority (BC Hydro)
Deferral Account Report - F2011 Fourth Quarter (Q4)**

BC Hydro attaches its Deferral Account Report for the 12-month period ending March 31, 2011, pursuant to Directive No. 17 of the BCUC's Decision on BC Hydro's F2005/F2006 Revenue Requirements Application (**F05/F06 RRA**) (Order No. G-96-04). This report contains information on the Heritage Deferral Account (**HDA**), the Non-Heritage Deferral Account (**NHDA**), and the Trade Income Deferral Account (**TIDA**). It also reflects the effect of BCUC Order No. G-16-11, which approved, among other things, the transfer of the remaining balances in the BCTC Deferral Account (**BCTCDA**) to the NHDA, and the termination of the BCTCDA.

For further information, please contact Guy Leroux at 604-623-3696 or by e-mail at bchydroregulatorygroup@bchydro.com.

Yours sincerely,



Janet Fraser
Chief Regulatory Officer

ab/ma

Enclosure (1)



Quarterly Deferral Account Report

For the Twelve Months Ended

March 31, 2011

(F2011 Q4)

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British Columbia Hydro and Power Authority
Summary of Deferral Accounts
For Twelve Months Ended March 31, 2011
(\$ million)

Line No.	Particulars	Opening Balance at April 1, 2010	Changes (Schedule B)	Amortization	Interest	Transfer into NHDA	Ending Balance at March 31, 2011
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Heritage Deferral Account (HDA)	324.9	(27.9)	(62.7)	13.4	-	247.7
2	Non-Heritage Deferral Account (NHDA)	119.5	218.5	(23.5)	7.3	40.4	362.2
3	Trade Income Deferral Account (TIDA)	121.7	80.5	(23.5)	8.8	-	187.5
4	BCTC Deferral Account	18.7	24.3	(3.1)	0.5	(40.4)	-
5	Total	<u>584.8</u>	<u>295.5</u>	<u>(112.9)</u>	<u>30.0</u>	<u>-</u>	<u>797.4</u>

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In the October 29, 2004 BCUC Decision, the BCUC approved the creation of four deferral accounts to capture the differences between forecasts used in setting rates and actuals. The forecast used in this deferral account report is from the F2011 RRA Negotiated Settlement Agreement (**F11 RRA NSA**).

The transfers out of the HDA of \$27.9 million are largely due to lower market electricity purchases due to lower domestic load requirements. A decrease in hydro generation due to lower water inflows also contributed to lower heritage energy costs compared to plan.

The transfer into the NHDA of \$218.5 million is largely due to an adjustment to the baseline in accordance with the terms of the F11 RRA NSA (Appendix B, Schedule 4.0). An annual baseline adjustment of \$223 million was necessary to maintain the rate increase at 6.11 per cent.

The transfers into the TIDA of \$80.5 million are higher than forecast primarily due to lower gross profit as a result of depressed loads, spreads and overall energy prices associated with the economic downturn impacting the Western US economies.

Per Order No. G-16-11 dated February 10, 2011, the BCUC approved the transfer of BC Hydro's portion of the regulatory account balances on the books of BCTC and the remaining balance in BC Hydro's BCTC Deferral Account to the NHDA, and the subsequent termination of the BCTC Deferral Account.

Revenues collected via the Deferral Account Rate Rider (**DARR**) are used to amortize (reduce) the deferral account balances. The reduction is allocated to each deferral account based on the proportion of the ending F2010 deferral account balances.

Interest is calculated on the ending monthly balance (before interest) in each deferral account. The interest rate used is 4.47 per cent, which is BC Hydro's weighted cost of debt for the prior fiscal year-end as agreed to in the F07/F08 RRA Negotiated Settlement Agreement (**F07/F08 RRA NSA**).

Due to minor rounding some totals may not add.

British Columbia Hydro and Power Authority
Summary of Deferral Account Changes
For Twelve Months Ended March 31, 2011
(\$ million)

Line No.	Particulars (1)	Actual (2)	NSA (3)	Variance (4)	Ref. (5)
1	Heritage Deferral Account				
2	Cost of Energy - Total Heritage	466.7	499.7	(33.0)	Sch C - Line 8
3	Notional Water Rental (Displaced Hydro)	7.5	5.9	1.6	Sch F - Note 1
4	Mark to market (gains)/losses on derivatives	1.1	-	1.1	Sch F - Note 2
5	Skagit Valley Treaty & Ancillary revenue	(17.1)	(20.5)	3.4	
6	Costs in Operating / Amortization	18.8	19.3	(0.5)	Note 1
7	Significant unplanned major maintenance costs	0.7	-	0.7	Note 2
8	Amortization of unplanned deferred capital cost per BCUC Order No. G-53-02	5.4	6.5	(1.1)	
9	Variable cost related to thermal generation	(0.1)	-	(0.1)	Sch. F - Note 6
10	Total	<u>483.0</u>	<u>510.9</u>	<u>(27.9)</u>	
11					
12	Non-Heritage Deferral Account				
13	Cost of Energy - Total Non-Heritage	756.6	801.1	(44.5)	Sch C - Line 17
14	Notional Water Rental (Displaced Hydro)	(7.5)	(5.9)	(1.6)	Sch F - Note 1
15	FX (gain) / loss on Powerex trade account	(4.0)	-	(4.0)	Sch F - Note 3
16	Gains (losses) on cash flow hedges with Powerex	1.6	-	1.6	Sch F - Note 3
17	Future Trades - embedded derivatives with Powerex	(13.7)	-	(13.7)	Sch E - Note 6
18	ABSU Founding Partner Benefits	(0.6)	(0.4)	(0.2)	
19	PTP and NITS variances post-integration of BCTC	16.0	-	16.0	Note 3
20	NHDA Baseline Adjustment	-	(222.5)	222.5	Note 4
21	Domestic Revenue Variance	42.4	-	42.4	Sch F - Note 4
22	Total	<u>790.8</u>	<u>572.3</u>	<u>218.5</u>	
23					
24	Trade Income Deferral Account				
25	Powerex Net Income (Loss)			71.5	Note 5
26	Less: Trade Income from RRA NSA			<u>152.0</u>	
27	Total			<u><u>80.5</u></u>	

Note 1: Costs associated with maintaining water licences and water use plans, compensation and mitigation efforts to fund fish and wildlife programs and load curtailment efforts have been reclassified from cost of energy to other line items on the financial statements in preparation for the conversion to IFRS and in conjunction with BC Hydro's implementation of its new financial system. Since the nature of these costs has not changed, these costs continue to be treated as cost of energy for deferral accounting purposes, consistent with Heritage Special Direction No. HC2.

Note 2: Significant unplanned major maintenance costs for F2011 consist of \$0.7 million incurred to repair the T2 transformer that was taken out of service at the Seven Mile Generation Facility. Total maintenance cost to bring the transformer back to service is expected to exceed \$1 million.

Note 3: Per BCUC Order No. G-16-11 dated February 10, 2011, the BCUC approved the deferral of the difference between forecast and actual transmission service revenue into the NHDA.

Note 4: Per BCUC Order No. G-180-10 dated December 2, 2010, BC Hydro transferred an additional \$222.5 million to the NHDA in F2011 in order to maintain the F2011 rate increase at 6.11 per cent.

Note 5: Powerex net income reported for regulatory purposes is net of \$2.8 million corporate overhead allocation from BC Hydro to Powerex in accordance with Directive 9 of the F09/F10 RRA Decision and the F11 RRA NSA.

British Columbia Hydro and Power Authority
Domestic Cost of Energy
For Twelve Months Ended March 31, 2011
(\$ million)

Line No.	Particulars (1)	Actual (2)	NSA (3)	Variance (4)	Ref. (5)
1	Heritage Energy:				
2	Water rentals	314.1	323.5	(9.4)	
3	Market electricity purchases	128.4	148.3	(19.9)	
4	Natural gas for thermal generation	31.2	37.3	(6.1)	
5	Domestic Transmission	15.7	15.7	(0.0)	
6	Surplus Sales	(0.1)	-	(0.1)	
7	Other	(22.6)	(25.1)	2.5	
8		<u>466.7</u>	<u>499.7</u>	<u>(33.0)</u>	Sch B - Line 2
9					
10	Non-Heritage Energy:				
11	Waneta (water rentals)	6.9	7.0	(0.1)	
12	IPPs and long-term purchase commitments	675.1	710.4	(35.3)	
13	Market electricity purchases (transfer from Heritage)	-	-	-	
14	Non-Integrated Areas	23.2	23.6	(0.4)	
15	Gas and Other Transportation	13.9	13.3	0.6	
16	Net purchases / (sales) from / to Powerex (Trade Account)	37.6	46.8	(9.2)	Sch F - Note 5
17		<u>756.6</u>	<u>801.1</u>	<u>(44.5)</u>	Sch B - Line 13
18					
19	Domestic Transmission	85.8	92.4	(6.6)	
20		<u>842.4</u>	<u>893.6</u>	<u>(51.2)</u>	
21					
22	Total Domestic Cost of Energy	<u>1,309.1</u>	<u>1,393.3</u>	<u>(84.2)</u>	Sch D - Line 14
23					
24	Heritage Energy (GWh):				
25	Water rentals	38,295	40,669	(2,374)	
26	Net purchases from Powerex (Displaced Hydro)	1,077	847	230	
27	Market electricity purchases	3,791	3,553	238	
28	Natural gas for thermal generation	251	329	(78)	
29	Exchange net	372	177	195	
30	Surplus Sales	(53)	-	(53)	
31		<u>43,733</u>	<u>45,575</u>	<u>(1,842)</u>	
32					
33	Non-Heritage Energy (GWh):				
34	Waneta (water rentals)	1,008	1,008	(0)	
35	IPP's and long-term purchase commitments	10,805	10,504	301	
36	Market electricity purchases (transfer from Heritage)	-	-	-	
37	Non-Integrated Areas	114	116	(2)	
38		<u>11,927</u>	<u>11,628</u>	<u>299</u>	
39					
40	Total sources of supply	55,660	57,204	(1,544)	
41	Less : Line loss and system use	(5,053)	(5,409)	356	
42					
43	Total Domestic Sales Volumes	<u>50,607</u>	<u>51,794</u>	<u>(1,187)</u>	

British Columbia Hydro and Power Authority
Consolidated Statement of Operations
For Twelve Months Ended March 31, 2011
(\$ million)

Line No.	Particulars (1)	Actual (2)	NSA (3)	Variance (4)	Ref. (5)
1	REVENUES				
2	Domestic				
3	Residential	1,370.1	1,338.0	32.1	
4	Light industrial and commercial	1,209.0	1,214.6	(5.6)	
5	Large industrial	527.3	579.1	(51.8)	
6	Other energy sales	94.0	113.2	(19.2)	
7	F11 Credit Rider	(43.0)	(43.8)	0.8	
8	Revenue from Deferral Rider	112.9	113.9	(1.0)	
9	Miscellaneous	102.4	79.2	23.2	
10		<u>3,372.7</u>	<u>3,394.2</u>	<u>(21.5)</u>	
11	Intersegment revenues	89.2	105.8	(16.6)	Sch E - Line 13
12		<u>3,461.9</u>	<u>3,500.0</u>	<u>(38.1)</u>	
13	EXPENSES				
14	Domestic energy costs	1,309.1	1,393.3	(84.2)	Sch C - Line 22
15	Operating costs	909.7	1,046.7	(137.0)	
16	Depreciation and amortization	501.4	527.1	(25.7)	
17	Taxes	177.4	183.0	(5.6)	
18	Finance charges	495.4	505.7	(10.3)	
19		<u>3,393.0</u>	<u>3,655.8</u>	<u>(262.8)</u>	
20	DOMESTIC INCOME (LOSS) BEFORE TRANSFER				
21	(TO)/FROM DEFERRAL ACCTS	68.9	(155.7)	224.6	
22					
23	POWEREX NET INCOME (LOSS)	71.5	152.0	(80.5)	Sch B - Line 25 & 26; Note 1
24	POWERTECH NET INCOME (LOSS)	0.5	1.0	(0.5)	
25					
26	TOTAL INCOME BEFORE TRANSFER (TO)/FROM				
27	DEFERRAL ACCOUNTS	140.9	(2.7)	143.6	
28					
29	Heritage Deferral Account transfers	(77.2)	(50.2)	(27.0)	
30	Non- Heritage Deferral Account transfers	242.6	248.4	(5.8)	
31	Trade Income Deferral Account transfers	65.8	(18.8)	84.6	
32	BCTC Deferral Account transfers	(18.6)	(18.6)	-	
33	Future Removal and Site Restoration Regulatory Account	19.1	33.9	(14.8)	
34	First Nation Costs Regulatory Account	(0.5)	13.5	(14.0)	
35	Procurement Enhancement Initiative Regulatory Account	(2.3)	(1.8)	(0.5)	
36	Demand Side Management Regulatory Account	63.3	111.0	(47.7)	
37	Site C Regulatory Account	43.9	43.5	0.4	
38	GM Shrum 3 Regulatory Account	1.7	1.9	(0.2)	
39	Net Employment Cost Variance Regulatory Account	61.6	61.6	-	
40	Non-Current Pension Cost Regulatory Account	(14.1)	(17.1)	3.0	
41	ROE Adjustment Regulatory Account	(11.3)	(11.3)	-	
42	Foreign Exchange Gains/Losses Regulatory Account	(5.9)	0.2	(6.1)	
43	Total Finance Charges Regulatory Account	100.1	104.1	(4.0)	
44	Environmental Provisions Regulatory Account	(91.5)	(1.3)	(90.2)	
45	Smart Metering and Infrastructure Regulatory Account	15.5	31.3	(15.8)	
46	Waneta Regulatory Account	30.0	30.0	-	
47	Other Regulatory Accounts	25.9	26.5	(0.6)	Note 2
48	TOTAL NET INCOME	588.9	584.1	4.8	

Note 1: Powerex net income reported for regulatory purposes is net of the \$2.8 million corporate overhead costs allocated from BC Hydro to Powerex in accordance with Directive 9 the F09/F10 RRA Decision.

Note 2: Included in Other Regulatory Accounts are the following regulatory assets and liabilities: F07/F08 RRA Depreciation Study Regulatory Account, Pre-1996 Customer Contributions Regulatory Account, Storm Restoration Costs Regulatory Account, Capital Project Investigation Costs Regulatory Account, Total Taxes Regulatory Account, Amortization on Capital Additions Regulatory Account, the Home Purchase Offer Program Regulatory Account, Rock Bay Environmental Remediation Regulatory Account, Arrow Water Systems Regulatory Account, and Arrow Water Systems Provision.

British Columbia Hydro and Power Authority
Intersegment Revenues
For Twelve Months Ended March 31, 2011
(\$ million)

Line No.	Particulars (1)	Actual (2)	NSA (3)	Variance (4)	Ref. (5)
1	Point-to-Point wheeling charge to Powerex	21.4	38.1	(16.7)	1)
2					
3	Point-to-Point wheeling charge to BCH	54.1	64.8	(10.7)	2)
4					
5	Allocation of BCH Corporate costs to Powerex	2.8	2.8	(0.0)	3)
6					
7	Mark to Market gains/(losses) on energy derivatives with Powerex	(1.1)	-	(1.1)	4)
8					
9	Gains (losses) on cash flow hedges with Powerex	(1.6)	-	(1.6)	5)
10					
11	Future Trades - embedded derivatives with Powerex	13.7	-	13.7	6)
12					
13	Total	<u>89.2</u>	<u>105.8</u>	<u>(16.6)</u>	
14					
15					
16	1) These transmission revenues relate to an allocation of BC Hydro's cost of purchases of point-to-point				
17	transmission within B.C. for export and some import transactions. These revenues are eliminated				
18	against trade cost of energy on consolidation.				
19					
20	2) These transmission revenues relate to an allocation of BC Hydro's cost of purchases of point-to-point				
21	transmission relating to BC Hydro's Skagit Valley Treaty commitment, Canadian Entitlement Agreement				
22	(BCTC OATT Schedule 02) and Scheduling, System Control & Dispatch services (BCTC OATT Schedule 03).				
23	These revenues are eliminated against domestic cost of energy on consolidation.				
24					
25	3) These revenues relate to an allocation of corporate overhead costs to Powerex and are eliminated against trade				
26	revenues on consolidation.				
27					
28	4) This relates to mark-to-market gains on energy derivatives with Powerex. This loss is eliminated				
29	against trade revenues on consolidation. See Schedule F, Note 2, Line 27.				
30					
31	5) See Schedule F, Note 3.				
32					
33	6) The unrealized gains were recognized from the changes in the value of the embedded derivative component of future trades.				
34	These gains are eliminated against trade revenues on consolidation.				

British Columbia Hydro and Power Authority
 Explanatory Notes
 For Twelve Months Ended March 31, 2011
 (\$ millions)

Line
 No.

Particulars

(1)

- 1 1 Notional water rentals (Displaced Hydro) relates to water rentals associated with trade income. The notional water rental
 2 mechanism is described in the response to BCUC IR No. 1.2.36 dated January 23, 2004. The transactions relating to the
 3 notional water rental are eliminated on consolidation and there is no net impact on the combined HDA and NHDA as the
 4 transactions are mirrored within each account.
 5
 6 2 In order to mitigate some of the commodity risk on domestic energy costs, BC Hydro enters into various forward contracts
 7 with Powerex for the purchase of electricity. Powerex can then choose to match these forward contracts with a third party
 8 or can take on the risk/benefits on their own. The transactions between BC Hydro and Powerex are eliminated on
 9 consolidation. With respect to the deferral accounts, any gain or loss on the derivative instruments on the Powerex side
 10 would flow through the TIDA and the corresponding gain/loss on the BC Hydro side would flow through the HDA and
 11 NHDA. While the gain/loss on these derivative instruments are not shown as part of energy costs on the financial
 12 statements due to GAAP reporting requirements, these gains/losses are reclassified for the calculation of deferral account
 13 transfers as they are part of managing the energy purchase costs.
 14
 15 The loss on energy derivatives related to Heritage energy totalled \$1.1 million for the twelve months ended March 31, 2011
 16 with the corresponding loss shown as part of Trade Income. There was no gain/loss on energy derivatives related to
 17 Non-Heritage energy for the twelve months ended March 31, 2011. The gain/loss on BC Hydro's side related to energy
 18 derivatives, excluding foreign exchange gains or losses, is shown as part of intersegment revenues.
 19
 20 In accordance with the terms of the F07/F08 RRA NSA and F11 RRA NSA, BC Hydro will not enter into any forward
 21 market electricity or natural gas purchase arrangements (energy hedges) without the approval of the BCUC.
 22
 23
 24

	Heritage	Non- Heritage	Total
25 Gain / (Loss) on energy derivatives (Sch. E Line 7)	\$ (1.1)	\$ -	\$ (1.1)
26 Foreign Exchange Gain / (Loss) on energy derivatives			-
27 Total Gain/(Loss) on energy derivatives (Sch B Line 4)	<u>\$ (1.1)</u>	<u>\$ -</u>	<u>\$ (1.1)</u>
28			
29 Gain/(Loss) on Electricity	\$ (1.1)	\$ -	\$ (1.1)
30 Gain/(Loss) on Gas	-	-	-
31 Gain/(Loss) on derivatives (Sch. B Line 4)	<u>\$ (1.1)</u>	<u>\$ -</u>	<u>\$ (1.1)</u>
32			
33			

- 34 3 This relates to the foreign exchange gain/loss on the Trade Account payable to Powerex. Powerex has
 35 a corresponding loss/gain on their receivable and this loss/gain would be part of Trade Income. Foreign exchange
 36 gains/losses arise as the Trade Account is recorded in \$US. The gain/loss on the BC Hydro side is eliminated
 37 against the loss/gain on the Powerex side of consolidation within the finance charge component. As the mirror
 38 entry for Trade Income relating to F/X on the Trade Account is recorded on the Non-Heritage energy side,
 39 there is no net impact on the combined NHDA and TIDA due to these transactions. Net FX gains include losses
 40 related to internal cashflow hedges with Powerex.
 41
 42 4 Load Variance: as per Directive 31 in the F09/F10 RRA Decision, BC Hydro is allowed to defer the net load variance.
 43 The net cost of load variance is calculated by adding the domestic revenue variance into the NHDA deferral account,
 44 which nets against the cost of energy variance due to load as included in Schedule B Line 21.
 45
 46

<u>Domestic Revenue Variance</u>	<u>F2011 Actual</u>	<u>F11 RRA NSA</u>	<u>Variance</u>
48 Domestic Revenue (excluding Seattle City Light revenue and Rate Rider Revenue)	3,141.1	3,183.5	42.4
49			
50 5 These sales / purchases relate to the return of energy bought by Powerex in prior periods to enable future sales. 51 These revenues are eliminated against trade cost of energy on consolidation. The transactions between 52 BC Hydro and Powerex have no net impact on the combined NHDA and the TIDA. 53 54 6 Variance from plan related to natural gas for thermal generation - GWh (Schedule C - L28)	GWh		(79.0)
55 Average cost per MWh of additional production	\$/ MWh		\$0.1
56 Total variable cost related to thermal generation	million		(\$0.1)

Schedule G

Deferral Account Rules

The following “rules” are used by BC Hydro for providing clarity in determining the deferral account transfers. These rules are derived from BC Hydro’s interpretation of the evidence and testimony provided during the F05/F06 RRA proceeding and in response to BCUC Directive No. 19 of the October 29, 2004 Decision on BC Hydro’s F05/F06 RRA, and updated for the F07/F08 RRA NSA and Directives included in the F09/F10 RRA Decision as well as the F11 RRA NSA.

Heritage Deferral Account (HDA)

BCUC Decision, October 29, 2004, Page 41:

Commission Findings

The Commission Panel approves the HDA as proposed by BC Hydro, and approves BC Hydro’s forecast of the cost components of the HPO for F2005 and F2006.

Variances between the forecast and the actual cost for the following components of the Heritage Payment Obligation will flow through the HDA:

1. Cost of energy.¹

This item is expanded in greater detail below to provide clarification on the methodology used to determine variances:

- Gains/losses on energy derivatives and financial instruments used to minimize energy costs are included as part of total energy costs.
- The total Heritage Energy (including Skagit/Seattle City Light commitments) is limited to 49,000 GWh in terms of the Heritage contract. If the Heritage Energy including 100 per cent of market electricity purchases exceeds the Heritage Energy limit, the excess purchases are transferred to Non-Heritage Energy in order to reduce the Heritage Energy volumes to the Heritage Contract limit.
- Cost of energy variances resulting from changes to compensation and mitigation costs, water rental remissions, or Skagit energy transportation contracts are eligible for deferral. These are price variances as they do not vary with volume.
- All load curtailment costs are to be included as part of the Heritage Payment Obligation and variance between Actual and Plan is to be included in the HDA.²

2. Variable costs related to thermal generation.¹

3. Significant unplanned major maintenance costs greater than \$1 million related to single event equipment or infrastructure failure or caused by weather related events.¹

4. Significant unplanned major capital expenditures having an incremental annual impact on the Income Statement greater than \$1 million related to single event equipment or infrastructure failure or caused by weather related events.¹

5. Amortization of unplanned deferred capital costs pursuant to BCUC Order No. G-53-02.¹

¹ Per F05/F06 RRA Decision Directive 11, amended by the F09F/10 RRA Decision, Directive 31.

² Per F09/F10 RRA Decision, Directive 30.

6. All net revenues from surplus hydro electricity sales.³
7. Skagit Valley Treaty revenues and ancillary services revenues.³
8. An interest charge/credit⁴ is to be calculated on the ending monthly balance in each deferral account. The interest rate used is BC Hydro's weighted cost of debt for the prior fiscal year-end.

Non-Heritage Deferral Account (NHDA)

BCUC Decision, October 29, 2004, Page 41:

Commission Findings

The Commission Panel approves all elements of the NHDA, except the distribution emergency restoration costs elements, item 4, because it can be forecast with some confidence, unlike unplanned major capital expenditures and unplanned major maintenance expenditures, and because of risk/reward considerations. Given the denial of item 4 of the NHDA, item 3 of the NHDA is to be as set forth in Final Argument. The Commission Panel approves BC Hydro's forecast of the NHDA non-HPO cost of energy for F2005 and F2006.

Variances between the forecast and the actual cost for the following components of the Non-Heritage Cost of Energy will flow through the NHDA:

1. Cost of energy - all non-HPO energy costs.⁵ This item is expanded in greater detail below to provide clarification on the methodology used to determine variances:
 - Any variances relating to fixed price gas transportation contracts would flow through the deferral accounts as they do not vary with volume;
 - Future Trade: when Powerex purchases energy for future trade the cost of the purchase from the external party and the sale to BC Hydro of this energy is recorded in Powerex and is included as part of Trade Income. The BC Hydro side of the entry is shown as part of domestic energy costs (on consolidation, the Powerex revenue from BC Hydro and the BC Hydro energy costs from Powerex are eliminated). The difference between Actual and Plan on the BC Hydro side relating to energy for future trade flows through the Non-Heritage Deferral Account. The Powerex side of the transaction, which is part of Trade Income, flows through the Trade Income Deferral Account. Similar treatment is made when the energy is returned to Powerex; and
 - Future Trade: when Powerex purchases energy for future trade, the Heritage Payment Obligation (HPO) is charged with a notional water rental charge for the use of this energy. The other side of this entry is shown as part of Non-Heritage energy. These entries are eliminated on consolidation. The difference between the Actual and Plan notional water rentals that is part of the HPO flows through the Heritage Deferral Account. The opposite variance relating to the Non-Heritage side of the notional water rental transaction flows through the Non-Heritage Deferral Account.
 - Gains/losses on energy derivatives and financial instruments used to minimize energy costs are included as part of total energy costs.

³ Per F05/F06 RRA Decision, Directive 11.

⁴ Per F05/F06 RRA Decision Directive 18, amended by the F07/F08 RRA NSA.

⁵ Per F05/F06 RRA Decision, Directive 12, amended by F09F/10 RRA Decision, Directive 31.

2. Significant unplanned major maintenance costs greater than \$1 million related to single event equipment or infrastructure failure.⁵
3. Significant unplanned major capital expenditures having an incremental annual impact on the Income Statement greater than \$1 million related to single event equipment or infrastructure failure or caused by weather related events.⁵
4. Founding Partner Benefits and any CIS Credits under the ABS Contract.⁵
5. Impact of load variance.⁶
 - The Net Cost of Energy deferral amount is calculated by subtracting the Gross Load Variance and adding the Net Load Variance to the Gross Cost of Energy deferral amount. In practice, because Net Load Variance equals Gross Load Variance less Domestic Revenue Variance, the Net Cost of Energy Deferral simplifies to the Gross Cost of Energy Deferral minus the Domestic Revenue Variance.
6. An interest charge/credit⁷ is to be calculated on the ending monthly balance in each deferral account. The interest rate used is BC Hydro's weighted cost of debt for the prior fiscal year-end.

Trade Income Deferral Account (TIDA)

BCUC Decision, October 29, 2004, Page 42, Section 4.6:

Commission Findings

The Commission Panel approves the TIDA as proposed by BC Hydro, and approves BC Hydro's forecast of Trade Income for F2005 and F2006.

- Any variance between the forecast Trade Income and the actual trade income⁸ will flow through the TIDA except where Annual Trade Income is below \$Nil and above \$200 million.
- An interest charge/credit⁹ is to be calculated on the ending monthly balance in each deferral account. The interest rate used is BC Hydro's weighted cost of debt for the prior fiscal year-end.

BCTC Deferral Account (BCTC DA)

BCUC Order No. G-180-10 dated December 2, 2010, Appendix B, Page 5, Provision 8:

Commission Findings

The relief sought by BC Hydro in the F11 RRA, as amended by the Evidentiary Update, including the relief requested in section 1.2 of the Evidentiary Update, is accepted subject to the provisions that follow.

As noted in BC Hydro's F2011 Evidentiary Update (section 3.1.2), the BCTC Deferral Account is the mechanism by which the variance between BC Hydro's forecast and actual share of the net balance of the BCTC Regulatory Accounts is amortized into BC Hydro's bundled service rates. However, the need for the BCTC Deferral Account arose solely because of the two companies'

⁶ F09/F10 RRA Decision, Directive 31.

⁷ Per F05/F06 RRA Decision Directive 18, amended by the F07/F08 RRA NSA.

⁸ Per F05/F06 RRA Decision, Directive 13.

⁹ Per F05/F06 RRA Decision Directive 18, amended by the F07/F08 RRA NSA.

separate existence. Given the integration of the two companies that took place on July 5, 2010, the account is no longer needed.

As part of the integration of BCTC and BC Hydro, BC Hydro applied to the BCUC for approval to transfer the remaining balances in the BCTC DA to the NHDA and terminate the BCTC DA. The BCUC approved BC Hydro's application in Order No. G-16-11 issued on February 10, 2011.

The Deferral Account report for the 12 months ending March 31, 2011 reflects the transfer of the remaining balances of the BCTC Regulatory Accounts and the BCTC DA to the NHDA, and the termination of those accounts, in accordance with BCUC Order Nos. G-180-10 and G-16-11.

An interest charge/credit¹⁰ is to be calculated on the ending monthly balance in each deferral account. The interest rate used is BC Hydro's weighted cost of debt for the prior fiscal year-end.

¹⁰ Per F05/F06 RRA Decision Directive 18, amended by the F07/F08 RRA NSA.