

**BC Citizens for Public Power**  
**Information request 2**  
**April 15, 2004**

**Reference**

**A 6.0 and A7.0**

Please clarify if the BCTC expect the \$17.8 million incremental transmission costs identified in the response to BCCPP IR 1.A6.0 to be a reasonable approximation the annual ongoing incremental costs in future fiscal years.

If not, and with the understanding that a further revenue requirement application is expected, can the BCTC approximate an annual incremental transmission cost for future years?

Please clarify if any of the \$17.8 million in incremental transmission costs would have been accrued if the BCTC had not been established. If so, how much?

Please list all consultants, past and present, retained by BC Hydro and/or BCTC for the purpose of establishing the BCTC and/or participation in RTO West.

The answer to question A7.0 is not entirely clear to us. We think it means that in F2001 BC Hydro spent \$5.5 million on upgrades to facilitate handling the extra work associated with third party use of the transmission system.

In F2002, \$12 million of the \$27 million is identified as capital expenditure and \$1.5 million as ongoing staff, technology and license fees. Is the other \$14.5 million a one time expense or is it part of the cost of setting up BCTC which is ongoing?

What expenses were incurred in F2003? Nothing is indicated, but it would seem that something must have been spent. Please clarify

We presume the RTO West expenditures are in addition to the \$17.5 million ongoing BCTC annual costs. Is this correct?

**A8.0**

The response to this IR states: "To the extent that these costs have been incurred during the period following the most recent setting of transmission rates, BC Hydro has borne these costs."

Please clarify what is meant by "BC Hydro has borne these costs."

### **A9.0**

In the table, please clarify why the category “other customer – WTS” has increased so dramatically between F2003 and F2006. Also please clarify what the term “ancillary services – other” includes and indicate why it has increased so much in the same time period.

Please clarify how BC Hydro’s point to point services are distinguished from its domestic load. We assume that the charges levied against BC Hydro are the same as for third party users of the system. Is this correct?

### **A12.0**

Is it correct to assume that BC Transmission Corporation will recoup the entire cost of these connections from the IPPs? If not, please explain why and indicate how costs are allocated.

### **A13.0**

Are these numbers for one time capital expenditures or are there any ongoing costs associated with them? How much will be recouped from IPPs in chargebacks?

### **A14.0**

Please define what is meant by contribution of aid of construction and what is included? Why do IPPs pay for their share of the cost of Network Upgrades over 10 years rather than when they are actually incurred? Does this mean that BC Hydro is effectively financing these upgrades during this period?

### **A15.0**

Does this answer mean that IPPs will not be permitted to use BCTC connections for the purpose of export? If so, please indicate a BC Hydro/BCTC policy or BCUC directive to this effect.

Do any of the current discussions with RTO West contemplate IPP export through a regional transmission system?

Please indicate which IPPs have energy removal certificates. For the IPPs who have energy removal certificates, how do they move their energy to market if not through BCTC investment in transmission?

### **A16.0**

Although BC Hydro gained substantial benefits from electricity trading in the late 1990s, we understand that the projections for trade revenues from electricity trading outside BC will not play such a significant role in contributing to BC Hydro's revenues in future years. Both the trading environment and the experience with deregulation in other jurisdictions suggest that compliance with FERC Order 888 may have significant downsides. In light of the experience of California, Alberta, and more recently Ontario, has BC Hydro reviewed the impact of the BCUC's directive on its cost structure to determine if the benefits of opening the BC market to competition are greater than the costs to BC Hydro of accommodating these changes?

In addition, the BCUC directive seems to imply that BC Hydro should adopt future FERC policies as well, even though the content of these policies is not yet known. Does BC Hydro carry out detailed evaluations of the impact of each major change in FERC policy? If so, please provide these evaluations.

While the BCUC has provided directives for wholesale access, please provide any evidence to suggest that BC Hydro and or/ the BCTC must comply with FERC directives for transmission or generation market design?

BC Hydro and the BCTC have argued that rates need to increase to account for inflationary pressures. Why has there not been an application to revise the WTS tariff?

### **A19.0**

The total for F2006 do not seem to add correctly. For example, costs are described as being incurred in one fiscal year, yet seem to be spread over two. In addition, column figures do not seem to total correctly.

Please clarify (or correct) the numbers on the chart provided.

Please clarify what is meant by "costs not additive in any year beyond F2004."

### **A22.0**

We assume that this answer means that BC Hydro is currently paying the costs. Will the application for recovery be retroactive?

### **A24.0**

Please provide a complete list of consultants retained for the purposes of RTO development and work identified in the response, and provide reports of same.

Please identify exactly what is meant by a “seam”. Please identify and explain the ‘barriers’ that the process is intended to reduce or eliminate. Please explain why these barriers need to be removed.

Please provide any and all analyses and assessments on the development of RTO West as described in the response.

As explained, BC Hydro/BCTC have no plans to join RTO West. If there are no plans to join RTO West, please explain why ongoing costs of \$3 million annually are projected for participation?

Please clarify what “participation” refers to in specific detail. Is participation a contractual relationship? If so, please provide any and all agreements and obligations that the BCTC have already signed, are operating under, or are to be enacted in the near future.

Will these arrangements, contracts and/or participation in RTO West be subject to BCUC approval prior to their institution?

Please clarify what is meant by a “shared marketplace”? Does this mean that the entire Pacific Northwest ( or the catchment area of RTO West) is the “shared marketplace”?

### **A28.0**

What are the major issues under discussion regarding the final mandate, structure, and operation of RTO West?

### **A29.0**

What is meant by participation?

Has BC Hydro or BCTC investigated how the implications of obligations under RTO West participation would be affected by NAFTA?

We are particularly concerned that contracts or commitments undertaken with participation in RTO West could trigger NAFTA obligations with respect to the chapters dealing with Energy, Investor Rights, Financial Services and the activities of State Enterprises.

What, if any, would be the financial implications or liabilities of participation under NAFTA?

Please provide any and all analyses or legal opinions related to RTO participation and NAFTA

**A.30**

Please explain how the estimate of \$105 million has been arrived at if the full scope of the project and the costs for the project have yet to be determined or defined?

**A33.0**

This answer seems to imply that RTO West will not have a role in monitoring reliability standards and system security. Is this a correct interpretation of this answer?

Does this also mean that the role contemplated for RTO West will be primarily – or exclusively - that of a market regulator?

**A42.0**

There is reference to BCTC's "new open access tariff". We are not clear what this means and how it is related to the WTS tariff. Please provide us with an account of its purpose, the authority under which it has been established, its rate structure. Please also describe how it intended to operate.

BCTC and BC Hydro have argued that various inflationary pressures are necessitating this revenue requirement application. Please clarify if BCTC or BC Hydro has applied to adjust the WTS tariff (approved in 1998) to account for these inflationary cost pressures. If not, please explain why not.

**B1.0**

Please clarify if the figures in the table in current dollars. Do they it incorporate inflation or any other factors that may increase costs to BC Hydro during the term of the contracts?

Do these figures represent the outstanding liability to BC Hydro of these contracts? If not, what is the outstanding liability of BC Hydro of these contracts?

What is the net present value of these outstanding contracts?

BC Hydro's system is characterized by years of high precipitation and low precipitation, resulting in major variations in the amount of hydro based generation from year to year. Does BC Hydro have any flexibility to accept or not accept the power from these IPP

contracts during periods when it has high water conditions? Or is it committed to accepting the full amount of the power set out in the contracts each year?

Is BC Hydro committed to buying power at these prices regardless of market conditions or Hydro's own generation capacity?

### **B3.0**

Historically, cost estimates based on Site C have been used to evaluate a range of generation options by BC Hydro. We realize that there have been numerous studies of Site C over the past decades. Please provide us with a list of the major studies that have been done and the dates of these studies. Please provide us with the most recent major study of the costs of generation at Site C.

Please explain why the revenue requirement application preceeded the 2004 Integrated Electricity Plan.

Please explain what happens if a part of the plan is not approved by the BCUC but is approved in the revenue requirement application.

Does the revenue requirement application contemplate Site C as outlined in the Electricity Plan?

### **B5.0**

Since the future projections by consultants are considered proprietary, please prove any and all analyses of market rates for electricity in the Pacific Northwest for the past five fiscal years.

### **B8.0**

We are surprised to learn that three hydro projects have asked to remain confidential. Please explain why ratepayers are not entitled to know where the power they consume comes from or who produces it?

Please identify the companies associated with each of the projects listed and provide a complete list of IPPs operating in BC that are known to BC Hydro.

Please identify the names of the companies that are signatories to the IPP contracts with BC Hydro and the current owners of these contracts if ownership has changed

### **B9.0 and B.10**

Please explain the rationale for not releasing the price and terms of the energy purchase agreements.

Is BC Hydro legally obligated to keep the terms of these agreements secret? If so does BC Hydro voluntarily enter into such confidentiality agreements or is there any statutory basis for such arrangements?

If BC Hydro cannot release the names of the proponents, due to the confidentiality agreements please provide an aggregate table that indicates the average prices and volumes of electricity purchased

### **D1.0**

Please provide copies of any and all studies and/or other evidence that indicates that measures to control credit risk would act as a disincentive for users to access the system.

### **D3.0**

Can BCTC confirm that in determining the appropriate allocation of credit risk, it will exclude BC Hydro from having to pay for this type of insurance?

### **G1.0**

Please clarify that the test years are F2005 and F2006.

Can you envision any circumstance in which there could be a conflict between BCUC regulatory efforts and RTO West policy?

Please clarify by what is meant by a “company rate”.

Please clarify what factors are being considered in the discussions concerning methodology of appropriate embedded costs of the transmission system in establishing company rates?

### **H1.0**

Please explain why costs increased between F2001 and F2002 and F2002 and F2003?

Please specify what is included at the bottom of the table in the categories labeled: bad debt, properties and other. Please clarify the meaning of the term “baseline”.

Please clarify if the plan for F2003 provides the base year for assessing the cost efficiencies for the Accenture contract? If not, what year is used as the base?

