

# LAWSON LUNDELL

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## VIA FAX

Mr. Robert J. Pellatt  
Commission Secretary  
British Columbia Utilities Commission  
P.O. Box 250  
600 – 900 Howe Street  
Vancouver, B.C. V6Z 2N3

Dear Mr. Pellatt:

**RE: British Columbia Hydro and Power Authority ("BC Hydro")  
Project No. 3698360 - Letter No. G-84-03  
Revenue Requirements 2004/05 and 2005/06 Application**

BC Hydro's response to the questions in your letter dated June 22, 2004 is enclosed. We believe the response adequately addresses the concerns raised in our letter dated June 21, 2004.

Yours very truly,

LAWSON LUNDELL



Chris W. Sanderson, Q.C.

CWS/bts

cc: Owen Bird  
Attention: Christopher P. Weafer

cc: All Intervenors

cc: BC Hydro  
Attention: Richard Stout

## BC Hydro's Response to BCUC Letter dated June 22, 2004

### QUESTION

**(a) Would the replacement of "short-term debt" with "short-term debt rate" in Item 2, on page 2, of the BC Hydro letter be consistent with the intended meaning of the sentence?**

### RESPONSE

No, the sentence was intended to refer to the quantum of BC Hydro's short-term debt as distinguished from the quantum of its revolving borrowings. Mr. Craig appears to assume that BC Hydro's "short-term debt" and "revolving borrowings" are the same thing, which appears to have lead him to conclude on page 7 of his June 17<sup>th</sup> evidence that BC Hydro's short-term debt is planned at 8.8% and 10.1% of net bonds, notes and debentures in F2005 and F2006, respectively.

To the contrary, BC Hydro has a benchmark portfolio of 36% short-term (or floating rate) debt, with discretion of +/- 10%, that is moved up or down depending on the circumstances as Ms. Lambert testified at T8: 1156/22-24 and T10: 1415/16-20. Ms. Lambert also testified at T9: 1257/26 that BC Hydro is currently at just under 30% short-term debt.

### QUESTION

**(b) Would the sum of the amounts of the "special arrangements for facilities" referred to by Ms. Lambert at Transcript Volume 8, page 1156, line 11, and the revolving borrowings referred to at Exhibit B1-1, page 2A-22, Schedule A-12-A, line 17 be the total amount of debt that is borrowed in Canadian currency on a floating rate basis? If so, please provide the total amount of such debt for F2005 and F2006. Is the applicable "floating rate" approximately the same as the rate shown on Exhibit B1-1, page 2A-10, Table 2A-10 as "Cdn Short-term Interest Rates"?**

### RESPONSE

The "special arrangements for facilities" referred to by Ms. Lambert are certain long-term debt facilities (longer than one year duration) with a floating rate, and are part of BC Hydro's total revolving borrowing within the Provincially imposed \$1.5 billion limit. Those facilities and revolving borrowings are some of the items that make up the total amount of debt that is borrowed on a floating basis and referred to by BC Hydro as short-term debt. BC Hydro defines short-term debt (or floating-rate debt) as anything subject to interest rate reset within 1 year, including revolving borrowings, long-term floating rate debt, debt maturing in less than 1 year,

and long-term debt that has interest rate reset within 1 year as a result of derivative overlay. The amounts comprising actual and forecast short-term debt for F2004 through F2006 are shown in the table below.

All figures as of fiscal year-end (\$ millions)	F2004 Actual	F2005 Plan	F2006 Plan
Total net debt (1)	\$6,900	\$7,118	\$7,436
<b>Short-term Debt</b>			
Debt maturing within 1 Year (2)	598	609	539
Long-term debt with floating interest rates (3)	905	674	444
Revolving Borrowings (4)	274	578	682
Net derivative transactions (5)	780	1,150	1,250
Short-term debt sinking funds (6)	(523)	(458)	(265)
<b>Total short-term debt</b>	<b>\$2,034</b>	<b>\$2,553</b>	<b>\$2,650</b>
Short-term debt as a % of total net debt	29%	36%	36%

Notes:

- (1) Schedule A-12-A (Revised), line 19.
- (2) Schedule A-12-1-A (Revised), line 18.
- (3) Includes the "special arrangements for facilities" and is part of Schedule A-12-A, line 10.
- (4) Schedule A-12-A (Revised), line 17.
- (5) Derivatives overlaid on portions of Schedule A-12-A (Revised), line 11.
- (6) Part of Schedule A-12-A (Revised), line 13.

The applicable rates for the amounts shown in the table above are the Canadian short-term interest rate forecasts shown in Exhibit B1-1, page 2A-10, Table 2A-10, except for the portions of "long-term debt with floating interest rates" and "net derivative transactions" that are in US dollars. The US short-term interest rate forecasts in Table 2A-10 apply to those amounts.