BC Hydro
Resource Expenditure and Acquisition Plan (2005 REAP)

Joint Industry Electricity Steering Committee
Information Request No. 1

Energy Purchase Agreements & Energy Supply

Q 1. **Reference:** Exh B-1, Page 1-4; Page 2-44; Page 2-44 Rev. 1;

Explanation: BC Hydro explains that "Natural gas prices and exchange rate changes have also led to differences in the contract prices. On average since the RRA the gas prices in terms of C$/GJ have gone up by approximately 11%, increasing the EPA expenditures."

In the original filing dated March 7, 2005, the VICFT information was:

March 7, 2005	F2008	F2009
VICFT/DPP – Expenditures ($ millions)	$158	$166
VICFT/DPP – Energy (GWh)	1,836	2,000
Cost per MWh	$86.06	$83.00
Capacity Factor (est.)	83.2%	90.6%

In the revised schedules filed on March 29, 2005, the VICFT information is:

March 29, 2005	F2008	F2009
VICFT/DPP – Expenditures ($ millions)	$80	$112
VICFT/DPP – Energy (GWh)	534	1,260
Cost per MWh	$149.81	$88.89
Capacity Factor (est.)	24.2%	57.1%

Request:

a. Provide the detailed calculations supporting each of the March 7, 2005 and March 29, 2005 forecasts of VICFT/DPP volume and expenditure projections for F2008 and F2009, including any assumed energy margin, using where possible references to the DPP EPA Appendix 3 and VICFT/DPP EPA proceeding Exhibit C19-23,.

b. Provide an explanation of the reason for the changes in Table 2-6 and Table 2-7 on pages 2-44 and 2-44 Rev. 1.

Q 2. **Reference:** Exh B-1, Page 1-4; Page 2-44; Page 2-44 Rev. 1; Page 2-46, 2-47;

Explanation: BC Hydro has entered into EPAs as a result of Calls. Information on the unit costs is only available on average by dividing the expenditures by the contracted energy.

BC Hydro states that:

- "Natural gas prices and exchange rate changes have also led to differences in the contract prices. On average since the RRA the gas prices in terms of C$/GJ have gone up by approximately 11%, increasing the EPA expenditures."

- "… BC Hydro is concerned about a number of uncertainties, including: supply and demand uncertainties with respect to load, IPP attrition (for example, local municipality interests in re-zoning proposals), the potential phase-out of Burrard, development hurdles for the DPP project, and energy savings from DSM initiatives."

Request:

a. Identify the costs and energy from any contracts that provide service in non-integrated areas.

b. For each call, by fiscal year, provide the range of costs per kWh and the average cost per kWh.

c. Why has BC Hydro not identified gas supply and prices as a concern?

d. How does the Acquisition Plan and F2006 call and the criteria imposed therein take into account the uncertainties identified by BC Hydro and the objective of "an environment which fosters competitive, realistic and disciplined pricing"?

e. Does BC Hydro plan to make an open unrestricted competitive call that would allow large-scale economic generation or supply such as that contemplated by Site C or the Alternative Resource Plans to participate? If so, when?

Q 3. **Reference:** Exh B-1, Page 1-2; Page 1-5; Page 2-14; Page 2-45;

Explanation: BC Hydro states that:

- "The capital and DSM plans incorporate recent information but are based to a large extent on the plans that were thoroughly vetted by the Commission in its review of the RRA."

- "The plans in this REAP have incorporated relevant Commission directives contained in the RRA Decision."

- "In light of the Commission's February 17, 2005 Order No. E-1-105 (the "VICFT Order") accepting the VICFT Agreement as filed as an energy supply contract pursuant to section 71 of the *Act*, the DPP has been added to the resource portfolio."

- "In addition, as part of the RRA Decision (page 117), the Commission approved the costs for F2005 to F2008 associated with all such EPA's except the VICFT agreement."

Request:

a. Does BC Hydro expect that as a result of the REAP process, capital expenditures and energy purchases under EPA's will be excluded from a revenue requirements and rate review? Does a revenue requirements and rate review preclude a review of the REAP?

b. How will BC Hydro customers and the Commission review spending/costs and rates in a comprehensive and meaningful way if the various cost components are dealt with individually in a piece-meal manner?

c. Confirm that management of the EPA supply relative to market alternatives should be regularly reviewed, even after EPA's have been approved? If not, why not.

Q 4. **Reference:** Not Applicable;

Explanation: Statements have recently been made that recommend a policy of energy self-sufficiency for BC. In the past, the policy of BC Hydro was to acquire energy at the least cost, including the market, within certain parameters.

Request:

a. If BC Hydro was self-sufficient at all times (able to meet the winter peak), what would the excess capacity and energy be by month for the each year from F2006 to F2009?

b. What climate, supply and demand conditions affect the supply of energy available from the market throughout the year?

c. Are there economic advantages in trading seasonal energy surpluses? Describe them.

d. What is the current energy supply acquisition policy of BC Hydro?

Q 5. **Reference:** Exh B-1, Page 2-43;

Explanation: BC Hydro sets out three "Alternative Resource Plans".

- STC and NW Wind;
- Earliest Revelstoke/Mica Peaking;
- SE Coal and AB Import.

Request:

a. Does the order and numbering reflect the priority, reliability and cost of the alternatives?

b. How do each of the alternatives relate to the objective of self-sufficiency?

First Nations Negotiations

Q 6. **Reference:** Exh B-1, Page 3-21; BCUC IR 1.37.2, 1.37.3;

Explanation: BC Hydro has not provided the total First Nations negotiation costs as requested by the Commission. The costs of $51.7 million include capacity funding but do not include any financial settlement and relate only to the Peace and Bridge River systems.

Request:

a. Provide the total costs for each of Generation, Transmission and Distribution.

b. Identify increases since the RRA.

c. Provide a breakdown on the total costs between legal, technical, project management, negotiating, capacity funding and other.

d. Provide an explanation of other.

Expenditure Management

Q 7. **Reference:** Not Applicable;

Explanation: At the time of the RRA proceeding, BC Hydro reports expressed no need for expenditure controls due to capital constraints and there was no corporate review, prioritization and rationalization across Lines of Business. The REAP appears to reflect some level of review, prioritization and deferral of expenditures in the Vehicle and IT areas.

Request:

a. Has BC Hydro reviewed the project ranking and prioritization policies and procedures?

b. Has a corporate review been implemented?

c. What changes were made to capital projects as a result of a reviews within the Lines of Business and by Corporate?

Q 8. Reference: Exhibit B-1, Chapter 3;

Explanation: The Generation LoB has provided a comparison to the 2004 REAP with explanations. The Distribution LoB has not followed the same format. In addition, there have been reorganizations and reallocations.

Request:

a. Identify and explain any reorganizations that will affect comparison of capital and OM&A expenditures in future filings and applications.

b. Explain how expenditures described as Plan and REAP relate to expenditures forecast and approved in the RRA. Are the 2004 REAP numbers the same as the RRA? Is Plan the same as the RRA?

c. Is there a corporate policy direction or procedure that guides the LoB's in the presentation and comparison of capital expenditures?

Demand Side Management (DSM)

Q 9. Reference: Exh B-1, Page 4-12; Page 4-28;

Explanation: BC Hydro has identified changes in forecast DSM costs:

- "BC Hydro's forecast costs over the 10 year period from F2003 to F2012 have dropped by $40 million, or 7%."
- "BC Hydro's forecast costs over the 10-year period from F2003 to F2012 have increased by $2 million, reflecting increased costs associated with the additional electricity savings and offsetting reductions in sector enabling and portfolio level costs."
- "BC Hydro's forecast costs in F2006 and F2007 are $36 million higher, reflecting the costs associated with the additional 369 GWh of electricity savings and offsetting reductions in sector-enabling and portfolio level costs."

These statements appear to be in conflict and raise concerns about how expenditures are compared and controlled.

Request:

a. What budget or plan does BC Hydro manage its DSM expenditures against?

b. If a DSM program is delayed or modified, is the budget or plan revised to reflect the changes?

c. If BC Hydro delays, modifies, cancels or adds a DSM program, what are the approval procedures within BC Hydro?

d. Does BC Hydro apply to or notify the Commission of DSM program changes?

Q 10. Reference: Exh B-1, Page 4-13; Page 4-14; BCUC IR 1.73.1;

Explanation: BC Hydro has made the following comments or references:

- "BC Hydro to seek approval for and file tariffs for all new Power Smart programs with a RIM benefit/cost ratio of less than 0.8 and/or a TRC benefit/cost of less than 1.0."
- "No new programs are being proposed in this REAP."
- "Justification is provided in Section 4.2.6 for the continuation of the seven energy efficiency programs having RIM benefit cost ratios less than 0.8."
- "In the RRA Decision, the Commission directed BC Hydro to proceed differently with new programs as opposed to existing programs."
- "The impact on non-participants is small."

Request:

a. Does BC Hydro consider an expanded or modified program or a full implementation from a pilot (e.g. CFL) to be an existing program not requiring a filing with the Commission?

b. Does BC Hydro evaluate and approve programs identified in the RRA differently than programs not previously identified?

c. Is a non-economic expenditure decision that has a small effect on rates a good expenditure by virtue of that criteria?

d. Does BC Hydro consider it important to evaluate the cumulative effect of expenditure decisions on customer rates?

e. How and when does BC Hydro evaluate the cumulative effect of individual small effects of expenditure decisions on rates?

f. Has BC Hydro considered a program to return and recycle unused CFL's?

Q 11. Reference: Exh B-1, Page 4-19, Table 4-6;

Explanation: The overhead costs have been allocated to programs based on kWh savings. This methodology may not be representative of cost drivers and the allocation and resulting benefit/cost ratios may be sensitive to the methodology used.

Request:

a. Provide Table 4-6 with allocation of indirect/portfolio level costs with 50% of costs on customers by class (industrial, commercial, residential) and 50% of costs on kWh sales by class.

Q 12. Reference: Exh B-1, Appendix A, Page 6; Pages 8-9;

Explanation: Table 1 on Page 6 is labeled Net Incremental Electricity Savings at Customer Meter (GWh). Tables 2 and 3 are labeled Net Cumulative Electricity Savings at Customer Meter (GWh).

Request:

a. Do the energy savings provided for each year on pages 8 and 9 represent the savings since program inception or savings in the year?

b. What would the effect be on the benefit/cost ratios if BC Hydro savings were only the cost of energy purchases at $55 per MWh?

Q 13. Reference: BCUC IR 1.9.4.1;

Explanation: BC Hydro has not identified any action or initiative to identify grow-operations. During the RRA a significant potential loss and cost to BC Hydro and its customers was identified and direct and indirect risks related to grow-ops and theft of service exist.

Request:

a. What initiatives have BC Hydro or its contractors undertaken to identify grow-ops and recover lost revenue?

b. Provide copies of all Reports generated since the RRA with respect to Grow-ops.

c. Provide copies of all agreements with Accenture related to sharing of recoveries from Grow-ops. Are any other agreements under discussion or negotiation with Accenture?