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32.0 Reference: 2005 REAP p. 3-4

BC Hydro states that it is not seeking approval for the precise amount associated with each project or group of projects.

1.32.3 Please describe the criteria and rationale for BC Hydro's intended CPCN filings.

RESPONSE:

BC Hydro has reviewed the Commission's *CPCN Application Guidelines* and the *Act* to develop criteria for CPCN applications so that the regulatory process can proceed as efficiently as possible. The criteria reflect "significant" projects in the context of BC Hydro's operations, the projects' cost and rate impacts, and the burdens placed on all parties of preparing for and participating in the regulatory process usually associated with CPCN applications.

BC Hydro proposes that it would make CPCN applications based on the following criteria:

1. *The project constitutes the construction of a new plant or system or an extension of an existing one and the total project cost is expected to exceed \$50 million. The rate impact of any individual project smaller than that will not normally be sufficiently material to require such an application, or*
2. *At BC Hydro's discretion when the risk associated with a project is considered to be sufficiently high so as to warrant additional pre-expenditure review.*

BC Hydro also recognizes the Commission's discretion to require a CPCN for projects that do not meet the financial threshold or the other CPCN criteria.

BCUC approval for expenditures not requiring a CPCN would normally be obtained pursuant to Subsection 45 (6.2) (b) of the *Act* or in a revenue requirements decision.

For clarity:

- A CPCN would be filed for Growth Projects > \$50 million that are an extension to BC Hydro's existing system (the facility or equipment did not previously exist) such as Revelstoke - Unit 5 but not for Growth Capital Projects (as listed in tables 3-15, 3-16, and 3-22) that simply replace or modify existing equipment or facilities even if incremental capacity or energy is achieved in completing such projects.

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- **A CPCN would not be filed for Facilities and Dam Safety sustaining capital projects (as listed in tables 3-15 and 3-16) as they are not extensions to the BC Hydro system.**

BC Hydro believes that the REAP and RRA processes should eliminate the need for CPCNs with respect to virtually all BC Hydro projects. BC Hydro suggests that exceptions may be made in respect of major projects that have significant potential for cost variation or other unforeseen impacts. In BC Hydro's view, the proposed CPCN criteria set out above reflect this concept.