Fred James
Chief Regulatory Officer
Phone: 604-623-4046
Fax: 604-623-4407
bchydroregulatorygroup@bchydro.com

February 3, 2020

Mr. Patrick Wruck
Commission Secretary and Manager
Regulatory Support
British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

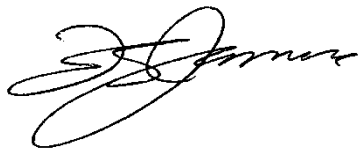
Dear Mr. Wruck:

RE: Project No. 1599046
British Columbia Utilities Commission (BCUC or Commission)
British Columbia Hydro and Power Authority (BC Hydro)
Boralex Ocean Falls Limited Partnership (Boralex LP)
Application for Rates and Terms and Conditions for Service to BC Hydro

BC Hydro writes to provide BC Hydro Information Request (**IR**) No. 1 to Boralex LP with respect to its application for approval of rates and terms and conditions for service to BC Hydro. This submission is in accordance with the current regulatory schedule for this proceeding set out in BCUC Order No. G-3-20.

For further information, please contact Anthea Jubb at 604-623-3545 or by email at bchydroregulatorygroup@bchydro.com.

Yours sincerely,



Fred James
Chief Regulatory Officer

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Enclosure

British Columbia Hydro and Power Authority

Information Request No. 1 to
Boralex Ocean Falls

Project No. 1599046

Boralex Ocean Falls Limited Partnership
Application for Rates and Terms and Conditions for Service to BC Hydro

1.0 Reference: Exhibit B-1, Section 7 – Initial Rate Base: 2009 to 2018, Paragraph:

> **"70. The opening rate base for the Ocean Falls Facilities as at January 1, 2019 has been determined by (i) starting with the historical depreciated cost of the facilities as at December 31, 2008 as accepted by the Commission at the time of the acquisition of the facilities by Boralex LP from CCPC, (ii) adding the cost of capital additions made by Boralex LP from the time of the acquisition to December 31, 2018, and (iii) deducting depreciation expense over this period."**
>
> **BCUC Decision Dated December 5, 2008 regarding Central Coast Power Corporation – Sale and Disposition of Utility Assets of Central Coast Power Corporation to Boralex Ocean Falls Limited Partnership, Page 30:**
>
> > **"Customer rates will only be set based on the historical, depreciated cost of Utility Assets in the event that a customer complaint cannot be resolved by Boralex LP and if the Commission decides to set cost based rates."**

The methodology for determining opening rate base as at January 1, 2019 described in paragraph 70 of the Application appears to have excluded the calculation of depreciation on the assets that Boralex LP acquired as its original rate base at the time of the acquisition of the Central Coast Power Corporation (**CCPC**) facilities on December 31, 2008.

1.1 Please provide the information which Boralex LP provided to the Commission in 2008 to 2009 concerning the Net Book Value of assets that Boralex LP acquired from CCPC.

1.1.1 Please confirm whether Boralex LP has included the effect of depreciation on the rate base of assets acquired from CCPC on December 31, 2008. Based on this depreciation, please confirm that at the time of acquisition in 2008, Boralex LP expected the

acquired assets to have a blended average remaining useful life in excess of 50 years at that time.

1.1.2 Please provide the acquisition price of the Ocean Falls Hydroelectric Facility when it was purchased by CCPC in 1986.

2.0 Reference: Exhibit B-1, Section 8.1 –Forecast Capital Additions; Exhibit B-1, Section 7.2 – Capital Additions: 2009 to 2018 – Table 6

2.1 Please provide Boralex group's corporate policy and governance process documentation for approval of capital expenditures by Boralex LP.

2.1.1 Please provide the completed capital expenditure approval documents as they relate to the seven major capital projects that Boralex LP is planning to undertake during the Application test period.

2.1.2 Please provide the completed capital expenditure approval documents for a capital project recently approved and undertaken by Boralex LP at the Ocean Falls facility.

2.2 Please provide the Ocean Falls 10-year capital plan that covers the period 2020 to 2029.

2.2.1 Please describe how does Boralex LP determines the timing of capital expenditures.

2.2.2 Please describe any major residual risks relating to its utility facilities after 2022, assuming completion of the major capital projects included in the Application.

3.0 Reference: Exhibit B-1, Section 5 – Overview of the Ocean Falls Facilities; Section 8.1 – Forecast Capital Additions:

"82. Although the Ocean Falls facilities are generally in good operating condition, the plant is over 100 years old and, unsurprisingly, some components require replacement or rehabilitation. A number of capital projects are planned for 2019 to 2022 to address asset condition or obsolescence and to satisfy BC Hydro's interconnection standards. Table 11 summarizes the projects comprising the 2019 to 2022 forecast capital expenditures."

3.1 Please explain why Boralex LP did not proceed with any of the identified capital expenditures between 2009 (when Boralex LP acquired the facility) and 2018.

3.2 For each of the seven proposed capital projects please discuss the impact to facility reliability the expenditures were to be delayed beyond 2022?

3.3 Please provide a list of large capital projects undertaken by Boralex LP and demonstrate how these projects relate to the 2014 to 2019 Capital Additions figures shown in Exhibit B-1, Table 6?

3.4 Regarding the seven proposed capital projects, please describe Boralex LP's experience in completing this volume of work on budget and on time?

3.4.1 Would staging this work over a longer period of time allow Boralex LP to better manage project delivery and execution risk?

3.4.2 Is Boralex LP moving forward with these capital projects pending the Commission decision on this Application? If so, please provide an update on the status of the seven capital projects.

3.5 Please provide the date when Boralex LP's existing water license for its Ocean Falls facility expires.

3.5.1 Is there a risk to the current maximum generation of 6 MW could be reduced when the water license is renewed?

3.5.2 What projects does Boralex LP need to complete, if any, to ensure that its water license is renewed without material changes?

"55. The operating practice for the four generating units since the Ocean Falls Facilities were interconnected with the Bella Bella NIA in 1986 has been to alternate operating duty between the units, with typically two of the four units in production at any given time. This operating practice reduces electrical and mechanical loads on the individual machines and balances total service hours between all four units, thereby extending expected machine service lives and increasing the interval between major refurbishment activities such as stator rewinding.

3.6 Since Boralex LP acquired the facility in 2009, please provide by year, the number of occurrences of unit in-service failures and the durations of each occurrence?

3.6.1 Please explain costs and benefits for Boralex LP's customers benefit from having two additional units on standby.

3.7 In coming to the decision to rehabilitate Penstock 2 please discuss whether Boralex LP evaluated the potential redundancy value that could be available through the addition of a second penstock.

3.7.1 If the addition of a second penstock was considered, please provide any planning documentation associated with this alternative.

3.8 Please explain the predominant causes of service interruption and provide reliability indicators for each of the key facilities: Ocean Falls Generation Station, Ocean Falls Switchyard, Shearwater Substation and the transmission line between Ocean Falls and BC Hydro's Bella Bella NIA service territory.

4.0 Reference: Exhibit B-1, Section 8.1.1 – Project 1: Penstock Rehabilitation

On page 9 of its Final Argument of the application for approval of the sale and disposition of Central Coast Power Corporation to Boralex LP dated October 27, 2008 Boralex LP stated that "Boralex LP, with the assistance of CCPC, is investing $3 million to maintain the existing dam. Currently, only one penstock is available to supply water to any of the four units located within the power house. Boralex LP has committed to adding a second penstock in order to obtain redundancy in water supply to the units."1

4.1 Please discuss why Boralex LP had not undertaken the addition of a second penstock as planned in 2008 during the period of 2009 to 2018.

4.2 What activities have been carried out on preventative and/or condition based maintenance on Penstock 2 over the last 10 years?

4.2.1 What were the historic expenditures associated with each of these activities?

4.3 Please discuss the options assessed to protect the interior of Penstock 2 and why an interior lining was chosen over other potential alternative(s). Please provide any documentation or reports regarding the options assessed and the preferred alternative.

4.4 Please discuss the analysis to justify rehabilitating the penstock over multiple years and accepting the costs associated with multiple mobilization and de-mobilization cycles.

4.4.1 Please specifically discuss what alternative delivery approaches were considered and why they are not preferred?

4.4.2 Please provide any documentation or reports regarding the options assessed and the preferred alternative.

4.5 Will there be other capital project(s) occurring during the plant shutdowns when Penstock 2 is under construction?

4.5.1 If yes, please describe these other projects, any dependencies between these capital projects during the shutdowns. Please also provide a description of the risks and risk mitigation plans.

4.6 Please describe Boralex LP's plans over the next 10 years with respect to maintenance and/or capital improvements relating to Penstock 1(a) and 1(b)?

5.0 Reference: Exhibit B-1, Section 8.1.2 – Project 2: Turbine Rehabilitation

> **"91. Project 2 scope involves dismantling the G2, G3 and G4 turbines, removing the shafts, non-destructive testing to locate shaft surface cracks, shaft rehabilitation (repairing cracks, machine and add shaft sleeves at the water bearing locations), replace water bearings, and rehabilitate or replace babbitt bearings, bearing pedestals and bearing housings.**

[1] https://www.bcuc.com/Documents/Arguments/2008/DOC_20143_10-27_CCPC-Boralex_Final-Argument.pdf

One turbine will be rehabilitated in each of 2020 (G3), 2021 (G4) and 2022 (G2). Work on G1 will be undertaken in 2023. Additional work on G4 is also required in 2019 (Q3-Q4) due to bearing issues discovered during investigative work.

5.1 Please discuss the reason(s) for the proposed sequence of rehabilitating the turbines.

5.2 Please discuss the analysis to support rehabilitation of all four units while considering water license restrictions and load requirements.

5.2.1 What are the least cost option(s) to preserve the minimum generating capacity to meet forecast load requirements?

5.2.2 Please provide any documentation or reports regarding the options assessed and the preferred alternative.

5.3 Please discuss the incremental risks and expected impact on unit reliability if the Turbine Rehabilitation project was staged such that the rehabilitation of G1 was completed in 2020 but that the implementation of G2 and G3 rehabilitation were undertaken in 2022 and 2024 respectively.

6.0 Reference: Exhibit B-1, Section 8.1.4 – Project 4: Ocean Falls Switchyard Rehabilitation;
Exhibit B-1, Section 8.1.5 – Project 5: Shearwater Substation Rehabilitation

"105. Oil filled circuit breaker 12CB20 is over 50 years old, is at the end of expected service life, and represents obsolete technology with unacceptably slow clearing times. A new SF6 circuit breaker will be acquired and installed to replace obsolete oil-filled 25CB51 (which presents an unnecessary environmental hazard when compared with new breaker technology).

6.1 Please discuss the health/condition of circuit breakers 25CB51 and 12CB20 including, if any, history of failures.

6.1.1 How has 25CB51/12CB20's slow clearing times impacted the switchyard equipment?

6.1.2 Has Boralex LP investigated other lower cost alternatives to the preferred alternative of replacing the oil filled circuit breakers, such as acquiring emergency spares, to manage the perceived risks?

6.1.3 Please provide any asset condition report if available for these two circuit breakers. Please also provide any documentation or reports regarding the options assessed and the preferred alternative.

6.2 Besides age and "end of service life" please discuss what other health/condition indicators Boralex LP has identified that would lead it to

believe the transformers and circuit breakers will no longer operate reliably?

6.3 What contingencies does Boralex LP have in the case of substation component failure?

> **"107. A number of other obsolete and/or end of service life Shearwater substation components will be upgraded, including the existing revenue metering instrument transformers (which contain polychlorinated biphenyl (PCB) contaminated oil), the Protection & Control (P&C) cabinet and equipment, the communications AC Inverter, and the wet Lead-Acid batteries…"**

6.4 Please discuss the impact of PCB's on Boralex LP's operations, including its plans to phase-out use.

6.4.1 Please provide an estimate of expected costs associated with these activities.

7.0 Reference: Exhibit B-1, Section 8.1.6 – Project 6: Interconnection Line Capital Maintenance;

> **"110. The Ocean Falls to Shearwater 25kV transmission line is situated in rugged terrain and a challenging climatic zone that accelerates deterioration of structures and other line components. Assets are wet almost continuously throughout the year and often exposed to fog and sea spray, which promotes wood rot, metal corrosion and equipment contamination. The line traverses challenging terrain and most of the line length is not accessible to vehicles such as 4x4's or bucket trucks. Inspection, repair and maintenance activities often involve accessing the line structures via a combination of boat, helicopter and on foot. Repairs can require workers to climb poles located in steep and rocky terrain, often with exposure to sheer oceanside cliffs and typically in inclement weather conditions.**

7.1 Please provide the age and a detailed description of the asset condition for the Interconnection Line between Ocean Falls and Shearwater, including all undersea cable segments.

7.1.1 Please provide the most recent asset condition reports that have been completed for the Interconnection Line.

7.2 Please discuss Boralex LP's vegetation management strategy and activities for its transmission and distribution infrastructure serving BC Hydro.

7.2.1 Please provide a copy of Boralex LP's most recent vegetation management plan.

7.3 Please discuss Boralex LP's fire risk management strategy and activities.

7.3.1 Please provide a copy of Boralex LP's fire risk management plan.

8.0 Reference: Exhibit B-1, Section 8.1.7 – Project 7: General Plant Replacements, Additions and Facility Rehabilitation; Exhibit B-3 – Boralex LP Financial Model, Excel Tab "CAPEX Forecast Detail"

8.1 Regarding the proposed Staff Living Quarters Upgrades, please confirm whether Boralex LP incurred the $75K in capital upgrades in Q3/Q4 2019?

8.1.1 If not, please provide additional details on the date these costs were incurred or are expected to be incurred.

9.0 Reference: Exhibit B-1, Section 8.3 – Working Capital Requirements; Exhibit B-4, Appendix A, Section 5, Page A-3 – Audited Financial Statements, Note 5 – Trade and other receivables Page 10, Note 8 – Trade and other payables page 11

The following table was prepared by BC Hydro using information from Boralex LP taken from the documents described in the preamble to this IR.

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Working Capital (1) - (2)	**449**	**483**	**156**	**540**	**1,323**	400	400	400	400
Payables:									
Trade Payables	48	35	0	49	139				
Related party payables	610	615	322	699	1,397				
Accrued liabilities	69	76	81	17	90				
Other payables				34	63				
Total Payables (1)	**727**	**726**	**403**	**799**	**1,689**				
Receivables									
Trade Receivables	266	239	237	247	358				
Other Receivables	12	4	10	12	8				
Total Receivables (2)	**278**	**243**	**247**	**259**	**366**				
				*	*				
Note *: Amounts are transposed in Appendix A Section 5									

9.1 Please complete the table above so that the missing information for 2019 to 2022 is inserted.

9.1.1 For the completed table, please explain the nature, timing and amounts giving rise to related party payables included in the payables component of the working capital requirement. Please expand on the information provided in the table with additional sub-category rows for each related party payable item.

10.0 Reference: Exhibit B-1, Section 9 – Revenue Requirement Components – Paragraphs:

"128. Boralex LP has based its proposed capital structure and allowed rate of return on common equity (ROE) by reference to the benchmark utility used by the Commission to establish the capital structure and

ROE for other utilities regulated by the Commission."

"131. Table 21 is a modified version of the Commission's risk matrix, which compares the risks faced by Boralex LP with those of FEI. Boralex LP's risk for each item is assessed as either "Higher", "Similar" or "Lower" than FEI's risk for the same item."

BC Hydro has observed that the Commission has typically allowed a risk premium of 75 basis points in determining a return on equity to small utilities operating in B.C. BC Hydro is also of the understanding that the highest risk premium the Commission currently allows to any utility is 100 basis points, for the Dockside Green District Energy System Utility, which was a greenfield utility with a number of unique risks including a lack of an established customer base, the use of a number of unique technologies and third-party suppliers of feedstock for energy generation

10.1 Is Boralex LP aware of any other utilities operating in British Columbia that the Commission has awarded a higher common equity rate and a higher deemed equity weighting as a percentage of total capital than that which Boralex LP is proposing in its application?

10.1.1 If yes, please identify the utilities and provide the applicable BCUC Orders.

10.2 Please confirm whether Boralex LP believes that it is the riskiest regulated public utility operating within British Columbia?

10.3 Please provide any and all documentation that the Boralex group prepared at the time of its acquisition of assets from CCPC in regards to risks and opportunities for the Ocean Falls facilities.

Table 21 - Risk Factor 2 – System Performance Risk with Chosen Technology – "Boralex LP both generates and distributes electricity in an isolated and remote location and is dependent on a single non-redundant 45 km transmission line over extremely difficult and hard to access terrain to deliver electricity to its primary load (i.e. – the Bella Bella NIA)."

10.4 Please provide a summary of the actions Boralex LP takes to ensure reliability for the transmission line between Ocean Falls and BC Hydro's Bella Bella service territory.

10.4.1 Does Boralex LP consider that its practices with respect to maintaining the reliability of its transmission infrastructure follow typical utility industry practices?

10.4.1.1 If yes, please discuss the practices that Boralex LP follows.

10.5 Please provide annual reliability statistics for the Ocean Falls Generating Station for the past 10 years.

10.6 Please confirm that Boralex LP's planned capital expenditures, if implemented, will reduce the system performance risk associated with Boralex LP's generation and transmission infrastructure.

Table 21 - Risk Factor 4 – Customer Base – Preamble: Boralex LP's customer base has very low diversity, slow growth and an uncertain industrial load. Approximately 85% of Boralex LP's revenue comes from the Bella Bella NIA with the balance from a small number of retail customers and two industrial customers in Ocean Falls.

10.7 Please confirm or explain otherwise that the rate for service to BC Hydro as proposed by Boralex LP in its application is calculated by taking Boralex LP's total proposed revenue requirement and deducting the revenues from all other customers.

10.8 What are Boralex LP's long term plans in relation to the design of rates for Boralex LP's retail and industrial customers located in the community of Ocean Falls?

10.8.1 Is a change to the current approach of using a rate methodology for Ocean Falls customers that is either tied or capped to BC Hydro rates anticipated?

10.8.2 Please confirm or explain otherwise that Boralex LP's approach of applying for rates for three years for BC Hydro, and then returning for another rate application covering 2023 and beyond, passes on medium to long term customer base risk from Boralex LP to BC Hydro.

Table 21 - Risk Factor 5 – Default risk of customer – "Approximately 15% of Boralex LP's Forecast gross revenue comes from retail and industrial customers in Ocean Falls."

10.9 Please confirm that 85 per cent of Boralex LP's forecast gross revenue comes from BC Hydro.

10.10 Please confirm that BC Hydro, as a crown corporation of the Government of B.C. and customer of Boralex LP, represents a low counter-party credit risk to Boralex LP.

10.11 Please confirm that over the period 2010 to 2017, energy sales to BC Hydro's Bella Bella NIA has been relatively stable, and Boralex LP expects it to grow at an annual rate of 1.6 per cent per year.

10.12 Please complete the following table showing revenue and usage information for Boralex LP's customers directly served by Boralex LP (i.e. – Total Boralex LP load excluding BC Hydro). The period of information requested is intended to cover every year following the Boralex LP acquisition of Central Coast Power Corporation but excludes energy sales and revenues for the industrial blockchain customer, which first took service in 2018.

	Energy Sales (MWh)	Revenues ($'s)
2009		
2010		
2011		
2012		
2013		
2014		
2015		
2016		
2017		
Average Annual Change (%)		

10.12.1 Please confirm that this rate approach is well established, having been originally approved for Central Coast Power Corporation by Commission Orders G-40-86 and G-30-02, and that it has remained in effect since Boralex LP's acquisition of the assets of Central Coast Power Corporation.

Table 21 - Risk Factor 6 – Load Forecast Uncertainty – "Boralex LP is taking all load forecast risk under the energy charge rate with no deferral account. Load Forecasts uncertainty is high because of the small size of Boralex LP's customer base and adverse impact that any loss of industrial load would have on Boralex LP. FEI has no equivalent load forecast uncertainty risk."

10.13 Please confirm that if Boralex LP's revenues attributable to customers other than BC Hydro are higher than anticipated during the test period (2019 to 2022), these higher revenues will not serve as an offset to BC Hydro rates within the test period (2019 to 2022).

Table 21 - Risk Factor 7 – Future Construction Cost Risk – "The remote and extremely harsh environment in which Boralex LP operates is significantly more challenging than that of FEI. The Ocean Falls Facilities are located in an isolated and remote location, where water access is the only reliable year round access, which imposes higher costs and risks in forecasting, planning and executing capital projects. Boralex has no capital-related deferral accounts."

10.14 Given Boralex LP's assessment of future construction cost risk, please Boralex LP's assessment of the merits of using a deferral account to capture any actual vs. forecast variance in Amortization of Capital Additions.

10.15 Given Boralex LP's assessment of future construction cost risk and its impact on equity costs as borne by BC Hydro, please explain whether a capital addition deferral account would allow Boralex LP to also better manage its exposure to construction cost risk during the 2019 to 2022 test period and in future periods.

10.16 Please confirm that the creation and use of a capital addition deferral account would ensure that Boralex LP's regulated rates for service to BC Hydro are better aligned with the actual depreciation costs for the actual capital expenditures that Boralex LP is able to implement and bring into service.

10.17 Use of "Interest During Construction (IDC)" accounting treatment for Construction Work in Progress would allow capitalization of finance charges associated with future construction costs. Given Boralex LP's assessment of future construction cost risk, please discuss whether the IDC approach would reduce risk for Boralex LP and better incent Boralex LP to complete the capital additions it believes are required to serve BC Hydro.

10.18 If IDC accounting treatment was implemented, please confirm the effect that this accounting treatment would have on the proposed rates for service to BC Hydro over the Application test period.

Table 21 - Risk Factor 9 – Operating Cost Risk – "It is also difficult to recruit and retain capable operators for this remote location. Boralex LP has no O&M-related deferral account."

10.19 Please provide historic annual attrition information for operators working at Boralex LP's Ocean Falls facility. Please provide this in table format showing the number of operators each year and the number of operators departing in each year going back to when the facility was acquired in 2009. To the best of Boralex LP's ability, please also identify the reasons why each operator departed.

Table 21 - Risk Factor 14 – Regulatory Uncertainty – "Regulatory uncertainty is exacerbated by the fact that this is Boralex LP's first rate application and by the small size, location, configuration and unique history of the Ocean Falls Facility"

BCUC Decision dated December 8, 2008 regarding the Sale and Disposition of Utility Assets of Central Coast Power Corporation to Boralex Ocean Falls Limited Partnership

> 23. Boralex Inc. will bring to bear its substantial experience in management and ownership of regulated integrated electric utilities and hydroelectric generating facilities. Boralex Inc. has caused Boralex LP to retain and augment its substantial experience in the management and operation of a regulated integrated electric utility in the region in which CCPC conducts its operations.

> 31. In determining whether the acquisition contemplated by the Purchase Agreement should be approved, the Applicants submit that it is appropriate for the Commission to have regard to the following considerations:
>
> (a) Boralex LP is knowledgeable in the management of both regulated integrated electrical utilities and hydroelectric generating facilities;
>
> (b) Boralex LP will assess opportunities for improved efficiency and security in the management of power supply to the utility customers;
>
> (c) Boralex LP has substantial and valuable experience with respect to the operation of regulated electrical distribution utilities;
>
> (d) completion of the acquisition will bring the Utility Assets under the control of a diversified, Canadian electric utility holding company having regulated operations in Canada, the United States and France;
>
> (e) there will be no adverse change in the current capital expenditure program related to the Utility Assets;
>
> (f) Boralex LP expects to retain continuity in CCPC's employees and management;

10.20 Please discuss whether the above qualities of Boralex LP, as quoted from the BCUC decision approving Boralex LP's acquisition of Central Coast Power Corporation, help to mitigate regulatory uncertainty risk.

Table 21 - Risk Factor 15 – Business Development Risk – "Boralex LP's Business Development risks are significantly higher because of the remote and isolated location of Ocean Falls. There is no local economy to provide a basis or foundation to attract and support new customer load."

10.21 Please confirm that Boralex LP serves the communities of Ocean Falls directly and, through BC Hydro, also provides electricity to Bella Bella, British Columbia.

10.22 Please confirm that Boralex LP's rate setting mechanism for its retail and industrial customers is well established, having been approved in 1986 by Commission Order G-40-86 as amended by Commission Order No. G-30-02.

10.23 Please confirm that in 2018 Boralex LP attracted a new industrial load customer to its service territory, which materially increased Boralex LP's total electricity sales.

BC Hydro understands from media announcements in 2018 that BC Ferries has made significant upgrades to its ferry terminal at Ocean Falls, including changes to the ramp allowing a full range of highway vehicles. BC Hydro also understands that BC Ferries has recently announced a year-round ferry service to Ocean Falls, whereby the new Northern Sea Wolf ferry serving Ocean Falls will accommodate about 50 per cent more passengers and about 291 per cent more vehicles per sailing than the ferry, the Nimpkish, which historically served Ocean Falls.

https://www.bcferries.com/files/AboutBCF/publicconsultation/terminal-development/2018-central-coast-tdp-draft-concepts.pdf

10.24 Given the recent improvements made by BC Ferries, is it reasonable to expect that increased tourism to Ocean Falls may contribute to the addition of new loads and/or increases in existing customer load at Ocean Falls during the Application test period?

11.0 Reference: Exhibit B-1, Section 9.5 – Property and School Taxes and Provincial Water Rentals

11.1 Please provide the actual amount paid for Property and School Taxes for 2016, 2017, 2018 and 2019 excluding the one-time, non-recurring costs for appealing the 2016, 2017 and 2018 property tax assessments.

11.2 Please provide the rationale and basis for escalating Property and School Taxes at 3.0 per cent per year.

11.3 Please provide a schedule detailing the calculation of the provincial water rental costs for 2016, 2017, 2018 and 2019 based on actual generation volumes and the Provincial rental costs for 2020, 2021, 2022 based on forecast generation volumes using the annual water license rental rates from the Province of B.C.

12.0 Reference: Exhibit B-1, Section 9.6 – Operating & Maintenance Expenses

12.1 Please confirm whether Boralex LP is bringing forward for recovery in Application test period rates any operating costs incurred prior to the Application test period.

12.2 Please provide the Boralex group's corporate policy and process documentation for capitalization of overheads.

12.2.1 If no policy, procedure or process is available, please confirm that it may be appropriate to allocate a portion of Boralex LP's operating expenditures as capitalized overhead.

12.2.1.1 If confirmed, what percentage of O&M costs may be appropriate to treat as capitalized overheads?

13.0 Reference: Exhibit B-1, Section 9.5 – Property and School Taxes and Provincial Water Rentals - Table 24;
Exhibit B-1, Section 9.6 – Operating & Maintenance Expenses – Table 26;
Exhibit B-1, Appendix C – 2018 Audited Financial Statements – Note 11 – Expenses by Nature page 12 (2018); Exhibit B-4, 2016 and 2017 Audited Financial Statements – Note 11, Expenses by Nature, page 10

The following table was prepared by BC Hydro using figures contained in information provided submitted by Boralex LP as referenced in the preamble to this IR.

	2016	2017	2018	
Boralex LP Rate Application				
Property & School Taxes and Provincial Water Rentals	380	388	149	Table 24
Employee Costs	570	579	630	Table 26
Corporate Services	129	97	110	
Maintenance and Repairs	412	398	382	
Health, Safety and Environment	13	23	13	
Insurance	104	104	94	
Permits and Land Rights	6	8	4	
Third Party Services	28	26	43	
Regulatory Costs	47	134	66	
(1) Total Rate Application	1,690	1,759	1,492	
Boralex LP Audited Financial Statements: Note 11 - Expenses by Nature				
Management fees	470	441	450	
Employee benefits	225	231	288	
Property and school taxes	380	388	149	
Maintenance and repairs	392	379	365	
Insurance	104	-	-	
Professional fees	56	-	-	
Other	46	302	195	
(2) Total Audited Financial Statements	1,673	1,741	1,447	
Difference (1) - (2)	17	18	45	
	1.0%	1.0%	3.1%	

13.1 BC Hydro is unable to reconcile the information submitted by Boralex LP as transposed to the table above. Please provide a reconciliation of the historical Property and School Taxes, Provincial Water Rentals and O&M expenses from the Application (Table 24 and Table 26) with Note 11 – Expenses by Nature Operating and Administrative from the audited Financial Statements for the years 2016, 2017 and 2018. Please explain any differences.

14.0 Reference: Exhibit B-1, Section 9.6 – Operating & Maintenance Expenses – Paragraph:

"145. a) Employees Salaries and Benefits: Due to the impending retirement of three operators, Boralex LP needs to recruit and hire new replacement operators well ahead of the planned retirement dates (resulting in overlapping tenures) to ensure ongoing safe and reliable operation of the Ocean Falls facilities. In addition, while the retiring employees do not have pension entitlements, each of the retiring employees is entitled to a one-time allowance, the total of which exceeds $200,000."

14.1 Please provide the statutory requirement, Boralex group corporate policy documentation or other basis for each of the retiring employees' entitlement to a one-time retiring allowance, the total of which exceeds $200,000.

14.1.1 Please confirm when Boralex LP established this entitlement to this one-time allowance. Please explain whether Boralex LP is legally obligated to pay this one-time allowance and when that obligation was made to each employee. Please also confirm or explain otherwise if Boralex LP accounted for these costs as a future liability in prior years in its financial statements.

The figures in the table below come from Boralex LP's audited financial statements, which were submitted as Exhibit B-4. Figures come from Note 11 – Expenses by Employee Nature (see page 10 in 2015, 2016, 2017 Audited Financial Statements)

Boralex LP – Employee Benefits ($'000's)

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Employee Benefits									
Current salaries and benefits	156	148	127	110					
Other post-employment benefits	58	72	98	121					
Total	214	220	225	231	-	-	-	-	-

14.2 Please provide the missing information in the table provided in the preamble to this IR. Please specifically provide the Current Salaries and Benefits and Other Post-Employment Benefits for each year over the period 2018 to 2022.

14.3 Please confirm that the "other post-employment benefits" are related to costs for retired/retiring employees. Please provide a detailed description of what types of expenditures are included under this descriptor.

14.4 Please explain whether the one-time retiring allowance is included in "other post-employment benefits". Please also explain whether costs included in the Application test period have been previously accrued in prior years.

15.0 Reference: Exhibit B-1, Section 9.6 – Operating & Maintenance Expenses – Paragraph 145. d) – Corporate Services
Exhibit B-1, Section 9.6 – Operating & Maintenance Expenses – Paragraph 145. e) – Engineering and Environment

15.1 Please provide the basis for the allocation of Engineering and Environment, including the number of FTEs by department, estimated costs by department and number of hours by department.

15.2 Please confirm that Engineering and Environment resources O&M costs allocated to Boralex LP are not also included in the cost estimates for the Boralex LP's capital projects expenditures.

16.0 Reference: Exhibit B-1, Section 9.6 – Operating & Maintenance Expenses – Paragraph 145 f) Operations Site Management

16.1 Please provide the basis for the allocation of Operations Site Management costs including the number of FTEs by department, estimated costs by department and number of hours by department.

16.2 Please confirm or explain otherwise that Operations Site Management resources O&M costs allocated to Boralex LP are not also included in the cost estimates for the Boralex LP's capital projects expenditures.

17.0 Reference: Exhibit B-1, Section 9.6 – Operating & Maintenance Expenses – Paragraph:

"145. g) – Regulatory Costs: Regulatory costs include third party consulting and legal costs associated with this Application. These costs, estimated at $300,000 are being amortized evenly over the forecast period."

In Exhibit B-1, paragraph 145. G), Boralex LP provides a description of Regulatory Costs. Costs associated with these O&M categories have been arranged in the following table, with figures taken from Exhibit B-1, Tables 26 and 27 and Exhibit B-4, Appendix A, Section 5, Page A-2.

Boralex LP – Regulatory O&M Expenses ($'000's)

	2016	2017	2018	Q3/Q4 2019	2020	2021	2022
Exhibit B-1, Table 27: Regulatory Costs							
Regulatory Costs	47	134	66	43	87	88	88
Exhibit B-4, Appendix A, Section 3							
Regulatory Affairs					138	142	146

17.1 In respect of the $300,000 in regulatory costs forecast to be incurred over the Application test period and which are described in paragraph 145.g), please explain the extent to which these costs have already been spent and whether these costs are being allocated over the forecast period.

17.1.1 Please provide the accounting treatment for these costs.

17.1.2 Please provide a detailed breakdown of these costs, including a description of the work completed by each service provider and timeframe of the work.

18.0 Reference: Exhibit B-1, Section 10.2 – Non-BC Hydro Revenue Forecast

Boralex LP describes its forecast revenues from non-BC Hydro customers.

18.1 Please discuss any additional revenues Boralex LP will receive or expects to receive over the Application test period beyond revenues from electricity sales. Please specifically explain how Boralex LP considers in its Application the following sources of revenues:

- Contributions in Aid of Construction
- Leased Space
- Technical Services

- Any revenues paid by Boralex LP customers directly to Boralex Inc.

18.2 Are any Boralex LP assets considered to be non-regulated assets for the purposes of Boralex LP's application for rates for service BC Hydro?

19.0 Reference: Exhibit B-1, Section 1 – Overview and Approvals Sought, Paragraph:

> **"8. Boralex LP is seeking Commission approval to establish a deferral account to record any costs incurred by Boralex LP associated with its ongoing relationship building activities with the Heiltsuk Nation in whose traditional territory the Ocean Falls Facilities are located. Any amounts recovered in the deferral account during the period covered by this Application would be disposed of in accordance with a separate future application by Boralex LP to the Commission. Boralex LP is not seeking approval of any other cost or revenue deferral accounts in this application."**

19.1 What are the relationship-building activities Boralex LP proposes?

19.2 How do relationship-building activities relate to the continued operation of Boralex LP facilities used to serve BC Hydro?

19.3 What is the rationale for seeking deferral account treatment for costs associated with relationship-building activities?

19.4 Please provide confidentially to the Commission only, an estimate of costs by activity and a description of each activity by year for the Application test period.

19.5 To allow cost certainty in rates for BC Hydro, would it be appropriate for Boralex LP to seek recovery of relationship building deferred costs for the Application test period in its next rates application for BC Hydro?