

Fred James

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March 29, 2021

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. 1599164
British Columbia Utilities Commission (BCUC or Commission)
British Columbia Hydro and Power Authority (BC Hydro)
Fiscal 2022 Revenue Requirements Application (the Application)**

BC Hydro writes to bring to the attention of the parties that Direction No. 8 to the British Columbia Utilities Commission has been amended by B.C. Reg 88/2021 (Order in Council No. 172), deposited March 22, 2021. A copy of B.C. Reg 88/2021 is attached to this letter.

The amendments to Direction No. 8 are relevant to two matters in this proceeding; however, in both cases, the amendments confirm the forecasts in BC Hydro's revenue requirement and there is no impact to the Application.

First, section 3 of Direction No. 8 has been amended so that, for fiscal 2022 and fiscal 2023, the BCUC must set rates to allow BC Hydro to collect sufficient revenue in each fiscal year to enable BC Hydro to achieve an annual rate of return on deemed equity that would yield a distributable surplus of \$712 million. The forecast revenue requirement in the Application is consistent with this direction. As discussed in Part Eight of its Final Submissions, BC Hydro had proposed a regulatory account to capture any variance between the \$712 million amount in the forecast revenue requirement and the amount flowing from the BCUC's determination in the upcoming BC Hydro cost of capital proceeding. This proposal is no longer required because the amendments to Direction No. 8 mean that the BCUC's determination in the upcoming BC Hydro cost of capital proceeding will not impact BC Hydro's revenue requirements until fiscal 2024, which is beyond the Test Period of the Application.

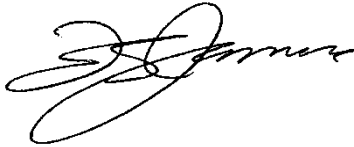
Second, Direction No. 8 has been amended to provide direction to the BCUC with regard to Trade Income. Specifically, in setting rates for BC Hydro, the BCUC must subtract from the costs to be recovered in rates, an amount equal to the net incomes, for the fiscal year, of Powerex Corp. and Powertech Labs Inc., as forecast by BC Hydro for

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that fiscal year. The forecast revenue requirement in the Application is consistent with this direction.

For further information, please contact Chris Sandve at 604-974-4641 or by email at bchydroregulatorygroup@bchydro.com.

Yours sincerely,



Fred James
Chief Regulatory Officer

cs/rh

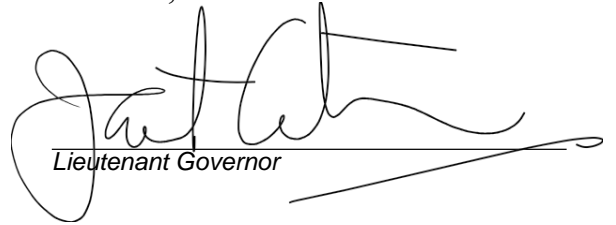
Enclosure

PROVINCE OF BRITISH COLUMBIA

ORDER OF THE LIEUTENANT GOVERNOR IN COUNCIL

Order in Council No. 172

, Approved and Ordered March 22, 2021


Lieutenant Governor

Executive Council Chambers, Victoria

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and consent of the Executive Council, orders that Direction No. 8 to the British Columbia Utilities Commission, B.C. Reg. 24/2019, is amended as set out in the attached Schedule.

DEPOSITED
March 22, 2021
B.C. REG. **88/2021**


Minister of Energy, Mines and Low Carbon Innovation


Presiding Member of the Executive Council

(This part is for administrative purposes only and is not part of the Order.)

Authority under which Order is made:

Act and section: *Utilities Commission Act*, R.S.B.C. 1996, c. 473, s. 3

Other: OIC 51/2019

R10467937

SCHEDULE

1 Section 1 of Direction No. 8 to the British Columbia Utilities Commission, B.C. Reg. 24/2019, is amended by adding the following definitions:

“**F2022**” means the authority’s fiscal year commencing April 1, 2021 and ending March 31, 2022;

“**F2023**” means the authority’s fiscal year commencing April 1, 2022 and ending March 31, 2023;

“**trade income**” has the meaning given to it in section 1.1;

“**trade income deferral account**” means the regulatory account established under commission order G-96-04 and the approval in section 4.6 of the reasons that accompany that order;

“**transfer pricing agreement**” means the energy supply contract effective April 1, 2020 between the authority and Powerex Corp., as amended from time to time.

2 The following section is added:

Meaning of “trade income”

1.1 (1) Trade income for a fiscal year is the greater of the following:

- (a) the amount equal to the authority’s consolidated net income for the fiscal year after adjusting that income in accordance with subsection (2);
- (b) zero.

(2) For the purposes of subsection (1) (a), the authority’s consolidated net income must be adjusted as follows:

- (a) by subtracting the authority’s net income for the fiscal year;
- (b) by subtracting the net income for the fiscal year of every subsidiary of the authority other than Powerex Corp.;
- (c) by subtracting any foreign currency translation gains in the fiscal year on intercompany balances between the authority and Powerex Corp.;
- (d) by adding any foreign currency translation losses in the fiscal year on intercompany balances between the authority and Powerex Corp.

3 Section 3 is amended by striking out “for F2020 and F2021,” and substituting “for F2020, F2021, F2022 and F2023,”.

4 Section 4 is amended by adding the following subsections:

(3) In setting rates for the authority for a fiscal year, the commission must subtract from the costs to be recovered in rates an amount equal to the net incomes, for the fiscal year, of Powerex Corp. and Powertech Labs Inc.

(4) For the purposes of subsection (3),

- (a) the net income of Powerex Corp. for the fiscal year is the amount equal to the trade income forecast by the authority for that fiscal year, and

(b) the net income of Powertech Labs Inc. for the fiscal year is the amount forecast by the authority.

5 *The following sections are added:*

Regulatory account

- 9** In regulating and setting rates for the authority, the commission must allow the authority to continue to defer to the trade income deferral account the variances between actual and forecast trade income.

Transfer pricing agreement

- 10** The commission may not exercise its powers under section 71 (1) (b) and (3) of the Act in respect of the transfer pricing agreement.