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July 21, 2016

Ms. Laurel Ross  
Acting Commission Secretary  
British Columbia Utilities Commission  
Sixth Floor – 900 Howe Street  
Vancouver, BC V6Z 2N3

Dear Ms. Ross:

**RE: British Columbia Utilities Commission (BCUC or Commission)  
British Columbia Hydro and Power Authority (BC Hydro)  
F2016 Annual Deferral Accounts Report  
for the Twelve Months ended March 31, 2016**

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BC Hydro writes to provide its F2016 Annual Deferral Account Report for the twelve-month period ending March 31, 2016, in compliance with Directive No. 17 of the Commission's Decision on BC Hydro's F2005/F2006 Revenue Requirements Application (Commission Order No. G-96-04) and Commission Order No. G-112-14. This report contains information on the Heritage Deferral Account, the Non-Heritage Deferral Account, and the Trade Income Deferral Account.

For further information, please contact Fred James at 604-623-4317 or by email at [bchydroregulatorygroup@bchydro.com](mailto:bchydroregulatorygroup@bchydro.com).

Yours sincerely,



Tom Loski  
Chief Regulatory Officer

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Enclosure (1)

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## **Deferral Account Report**

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**F2016 Annual Report**

**For the Twelve Months Ended**

**March 31, 2016**

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**F2016 Annual Report**  
**April 1, 2015 to March 31, 2016**  
**Schedule A**

British Columbia Hydro and Power Authority  
Summary of Deferral Accounts  
For the Twelve Months Ended March 31, 2016  
(\$ million)

Line No.	Particulars (Note 1)	Opening Balance at April 1, 2015 (2)	Changes (Schedule B) (3)	Amortization (Note 4) (4)	Interest (Note 5) (5)	Net Change (Appendix 1 Lines 30 - 32) (6) = (3)+(4)+(5)	Ending Balance at March 31, 2016 (7)=(2)+(6)
1	Heritage Deferral Account (HDA)	164.7	(151.9) Note 2	(37.0)	0.3	(188.6)	(23.9)
2	Non-Heritage Deferral Account (NHDA)	524.1	482.9 Note 3	(117.7)	27.5	392.7	916.8
3	Trade Income Deferral Account (TIDA)	244.6	51.3	(54.9)	9.1	5.5	250.0
4	Total	933.4	382.3	(209.5)	36.8	209.6	1,142.9

**Note 1:** In the October 29, 2004 Commission Decision (Order No. G-96-04), the Commission approved the creation of four deferral accounts to capture the differences between forecasts used in setting rates and actual costs. By Order No. G-16-11, the Commission approved the termination of the BCTC Deferral Account.

**Note 2:** The transfers of (\$151.9) million out of the HDA are primarily due to higher than approved surplus sales and lower than approved water rental costs and market electricity purchases. This is partially offset by higher than approved domestic transmission costs. Low market prices through the fall and winter of the prior year resulted in higher reservoir levels at the start of the current fiscal year. Therefore in order to reduce spill risk higher than approved surplus sales were required during the year. In addition, increased generation at Mica was required in the current year to maintain downstream Arrow Reservoir levels and to meet Columbia River Treaty obligations, this also contributed to an increase in surplus sales. Water rental costs were lower than approved as water rental payments in F2016 are based on prior year's generation volume, which was lower than the approved, at current year's rates. Market electricity purchases were lower than approved as there was little need to import energy given the high hydro generation. Higher than approved transmission costs were the result of increased surplus sales in the current year. Please see Schedule B and C for details.

**Note 3:** The transfers into the NHDA of \$482.9 million are primarily due to lower than approved domestic revenues as a result of lower than approved residential revenues and large industrial revenues and higher IPP costs. Lower residential revenues are mainly due to warmer than normal weather and a lower number of customer accounts (compared to the approved). Lower large industrial revenues were primarily driven by lower volumes sold to the oil and gas sectors mainly as a result of lower than planned start-ups, temporary shutdown of one metal mine in the mining sector, and lower than planned new and expansion projects in other sectors. Higher IPP costs are primarily due to higher deliveries from one large IPP, higher biomass IPP output and higher wind IPP deliveries. Please see Schedule B and C for details.

**Note 4:** Revenues collected via the Deferral Account Rate Rider (DARR) are used to amortize (reduce) the deferral account balances. The reduction is allocated to each deferral account based on the proportion of the ending Fiscal 2015 deferral account balances.

**Note 5:** Interest is calculated on the ending monthly balance (before interest) in each deferral account. The interest rate used is BC Hydro's actual weighted cost of debt for the current period as per Directive 1 (xxv) of the F12-F14 RRA Decision in Commission Order No. G-77-12A.

Due to minor rounding some totals may not add.

**F2016 Annual Report**  
**April 1, 2015 to March 31, 2016**  
**Schedule B**

British Columbia Hydro and Power Authority  
Summary of Deferral Account Changes  
For the Twelve Months Ended March 31, 2016  
(\$ million)

Line No.	Particulars	Approved	Actual	Variance	Ref.
	(1)	(2)	(3)	(4) = (3) - (2)	(5)
<b>1</b>	<b>Heritage Deferral Account</b>				
2	Cost of Energy - Heritage	357.6	206.1	(151.5)	Note 10
3	Notional Water Rental (Displaced Hydro)	1.9	0.0	(1.9)	Note 1
4	Skagit Valley Treaty & Ancillary Revenue	(16.5)	(18.2)	(1.7)	
5	Costs in Operating / Amortization	13.0	12.9	(0.1)	Note 2
6	Deferred Operating Costs in HDA	0.0	2.5	2.5	Note 3
7	Other	43.2	44.1	0.9	Note 4
8	<b>Total</b>	<b>399.2</b>	<b>247.3</b>	<b>(151.9)</b>	Schedule A Line 1
9					
<b>10</b>	<b>Non-Heritage Deferral Account</b>				
11	Cost of Energy - Non-Heritage	1,034.1	1,269.5	235.4	Note 10
12	Commodity Risk	-	(0.5)	(0.5)	Note 5
13	Notional Water Rental (Displaced Hydro)	(1.9)	-	1.9	Note 1
14	Domestic Revenue Variance	-	268.9	268.9	Note 6
15	Deferred Operating Costs in NHDA	-	9.0	9.0	Note 7
16	Other	-	(31.7)	(31.7)	Note 8
17	<b>Total</b>	<b>1,032.2</b>	<b>1,515.1</b>	<b>482.9</b>	Schedule A Line 2
18					
<b>19</b>	<b>Trade Income Deferral Account</b>				
20	Trade Income			58.7	Note 9
21	Less: Trade Income from the Approved F15-F16 RRA			(110.0)	
22	<b>Total</b>			<b>51.3</b>	Schedule A Line 3

**Note 1:** Notional water rentals (Displaced Hydro) relates to water rentals associated with trade income. The notional water rental mechanism is described in the response to BCUC IR 1.2.36 dated January 23, 2004. The transactions relating to the notional water rental are eliminated on consolidation and there is no net impact on the combined HDA and NHDA as the transactions are mirrored within each account.

**Note 2:** Costs associated with compensation and mitigation efforts to fund fish and wildlife programs, Water Use Plan amortization, and Water Use Plan license costs were reclassified from cost of energy to other line items on the financial statements under IFRS. Since the nature of these costs has not changed, they continue to be treated as Heritage cost of energy for deferral accounting purposes, pursuant to Schedule A of Appendix A in Special Direction No. 7 regarding the Heritage Payment Obligation.

**Note 3:** Deferred Operating Costs in HDA includes a variance of \$2.6 million related to the costs associated with maintaining water use plan licenses.

**Note 4:** Other amounts in the Heritage Payment Obligation mainly include \$0.6 million of amortization on unplanned costs related to First Nations as per Commission Order No. G-53-02.

**Note 5:** Commodity Risk of (\$0.5) million consists of gains/losses on intercompany transactions that are offset by corresponding transactions in the TIDA. There is no net impact on the combined NHDA and TIDA balances due to these transactions.

**Note 6: Domestic Revenue Variance (\$ million)**

	Approved	Actual	Variance
Residential	1,917.6	1,754.2	163.3
Light industrial and commercial	1,608.5	1,604.7	3.8
Large industrial	826.1	730.0	96.1
Other energy sales	107.7	101.9	5.7
<b>Domestic Revenue Variance deferred in NHDA ( Line 14)</b>	<b>4,459.8</b>	<b>4,190.9</b>	<b>268.9</b>

Load Variance: as per Directive 5 of the F15-F16 RRA Decision per Commission Order No. G-48-14, BC Hydro is allowed to continue to defer in the NHDA the variances between the actual and forecast cost of energy arising from differences between forecast and actual domestic customer load. The net cost of energy variance due to domestic customer load is calculated by adding the domestic revenue variance (Line 14) to the gross cost of energy variance (Line 2 + Line 11) as shown below.

Gross Cost of Energy Variance ((151.5) + 235.4)	83.8
Domestic Revenue Variance	268.9
<b>Net Cost of Energy deferred</b>	<b>352.7</b>

**Note 7:** Deferred Operating Costs in the NHDA includes \$9 million incurred in F2016 as Burrard Costs as defined in Special Direction No. 7 of the F15-F16 RRA Decision and approved in Commission Order No. G-48-14. The \$9 million of Burrard Costs include \$6 million incurred as deferred operating costs and \$3 million incurred as deferred amortization expense.

**Note 8:** Other amounts deferred in the NHDA include (\$31) million related to an EPA that achieved commercial operations during the period. As the EPA was originally planned as a finance lease but is now being accounted for as an operating lease it would have resulted in a favorable increase to net income of \$31 million. As a result of the change in accounting treatment, BC Hydro deferred the favorable variance as Other in the NHDA, with the ratepayer receiving the benefit of the favourable variance. Also included is (\$0.7) million deferred as per Order No. G-16-11, in which the Commission approved the deferral of the difference between forecast an actual transmission service net costs into the NHDA. The variance from the corresponding intercompany entry on Powerex's financial statements is deferred via the TIDA. Total amount deferred in the NHDA includes a variance of (\$1.7) million on PTP wheeling charges with Powerex (via Intersegment Revenues) and a variance of \$1 million on External OATT revenues (via Miscellaneous Revenues).

**Note 9:** Powerex net income (loss) reported for regulatory purposes is net of \$3 million corporate overhead allocation from BC Hydro to Powerex in accordance with Directive 9 of the F09/F10 RRA Decision.

**Note 10:** For further breakdown of Cost of Energy - Heritage please see Schedule C Line 9. For further breakdown of Cost of Energy - Non-Heritage please see Schedule C Line 17.

Due to minor rounding some totals may not add.

**F2016 Annual Report**  
**April 1, 2015 to March 31, 2016**  
**Schedule C**

British Columbia Hydro and Power Authority  
Domestic Cost of Energy  
For the Twelve Months Ended March 31, 2016  
(\$ in million)

Line No.	Particulars	Approved	Actual	Variance	Ref.
	(1)	(2)	(3)	(4) = (3) - (2)	(5)
1	<b>Heritage Energy:</b>				
2	Water rentals	384.5	357.7	(26.8)	
3	Market electricity purchases	56.6	2.8	(53.8)	
4	Natural gas for thermal generation	26.9	20.0	(6.9)	
5	Domestic Transmission	25.7	52.6	26.9	
6	Non-Treaty Storage Agreement	(19.8)	(14.4)	5.4	
7	Surplus Sales	(84.2)	(174.1)	(89.9)	
8	Other	(32.1)	(38.6)	(6.5)	
9		<u>357.6</u>	<u>206.1</u>	<u>(151.5)</u>	Schedule B Line 2
10					
11	<b>Non-Heritage Energy:</b>				
12	Waneta (water rentals)	7.4	7.6	0.2	
13	IPP's and long-term purchase commitments	975.5	1,228.9	253.3	
14	Non-Integrated Areas	34.3	22.6	(11.7)	
15	Gas and Other Transportation	12.1	10.5	(1.6)	
16	Net purchases / (sales) from / to Powerex (Trade Account)	4.8	(0.1)	(4.9)	Note 1
17		<u>1,034.1</u>	<u>1,269.5</u>	<u>235.4</u>	Schedule B Line 11
18					
19	<b>Total Domestic Cost of Energy</b>	<u><b>1,391.7</b></u>	<u><b>1,475.6</b></u>	<u><b>83.9</b></u>	
20					
21	<b>Heritage Energy (GWh):</b>				
22	Water rentals	46,312	48,945	2,633	
23	Net purchases from Powerex (Displaced Hydro)	255	(6)	(261)	
24	Market electricity purchases	1,553	122	(1,431)	
25	Natural gas for thermal generation	301	215	(86)	
26	Surplus Sales	(2,446)	(6,277)	(3,831)	
27	Exchange net	(204)	(976)	(772)	
28		<u>45,771</u>	<u>42,023</u>	<u>(3,749)</u>	
29					
30	<b>Non-Heritage Energy (GWh):</b>				
31	Waneta (water rentals)	594	407	(187)	
32	IPP's and long-term purchase commitments	12,002	14,319	2,317	
33	Non-Integrated Areas:	135	111	(24)	
34		<u>12,731</u>	<u>14,837</u>	<u>2,106</u>	
35					
36	Total sources of supply	58,502	56,859	(1,643)	
37	Less : Line loss and system use	(4,742)	(5,836)	(1,094)	
38					
39	<b>Total Domestic Sales Volumes</b>	<u><b>53,760</b></u>	<u><b>51,023</b></u>	<u><b>(2,737)</b></u>	

**Note 1:** These sales / purchases relate to allocations of energy between BC Hydro and Powerex. These sales / purchases are eliminated against trade cost of energy on consolidation. The transactions between BC Hydro and Powerex have no net impact on the combined NHDA and the TIDA.

**F2016 Annual Report**  
**April 1, 2015 to March 31, 2016**  
**Appendix 1**

British Columbia Hydro and Power Authority  
Consolidated Statement of Operations  
For the Twelve Months Ended March 31, 2016  
(\$ in million)

Line No.	Particulars (1)	Approved (2)	Actual (3)	Variance (4) = (3) - (2)	Ref. (5)
1	<b>REVENUES</b>				
2	Domestic				
3	Residential	1,917.6	1,754.2	(163.4)	
4	Light industrial and commercial	1,608.3	1,604.7	(3.6)	
5	Large industrial	826.1	730.0	(96.1)	
6	Other energy sales	107.7	101.9	(5.7)	
7	Seattle City Light	16.5	18.2	1.7	
8	Revenue from Deferral Rider	223.0	209.6	(13.4)	
9	Miscellaneous	126.6	138.7	12.0	
10		<u>4,825.8</u>	<u>4,557.3</u>	<u>(268.4)</u>	
11	Intersegment revenues	53.5	55.7	2.2	
12		<u>4,879.3</u>	<u>4,613.1</u>	<u>(266.2)</u>	
13	<b>EXPENSES</b>				
14	Domestic energy costs	1,391.7	1,475.6	83.8	Schedule C Line 19
15	Operating costs	1,146.6	1,251.6	105.0	
16	Depreciation and amortization	758.0	739.5	(18.5)	
17	Taxes	224.1	213.1	(11.0)	
18	Finance charges	838.3	746.6	(91.7)	
19		<u>4,358.8</u>	<u>4,426.4</u>	<u>67.6</u>	
20	<b>DOMESTIC INCOME (LOSS) BEFORE TRANSFER</b>				
21	<b>(TO)/FROM DEFERRAL ACCTS</b>	<b>520.5</b>	<b>186.7</b>	<b>(333.9)</b>	
22					
23	<b>POWEREX NET INCOME (LOSS)</b>	<b>110.0</b>	<b>58.7</b>	<b>(51.3)</b>	Schedule B Lines 20 - 22
24	<b>POWERTECH NET INCOME (LOSS)</b>	<b>5.1</b>	<b>4.2</b>	<b>(0.9)</b>	
25					
26	<b>TOTAL INCOME BEFORE TRANSFER (TO)/FROM</b>				
27	<b>DEFERRAL ACCOUNTS</b>	<b>635.6</b>	<b>249.5</b>	<b>(386.1)</b>	
28					
29	Heritage Deferral Account transfers	(15.8)	(188.5)	(172.7)	
30	Non- Heritage Deferral Account transfers	(93.6)	392.7	486.3	
31	Trade Income Deferral Account transfers	(89.7)	5.5	95.2	
32	Future Removal and Site Restoration Regulatory Account	31.2	24.2	(7.0)	
33	First Nation Costs & Provisions Regulatory Account	(15.3)	(22.9)	(7.5)	
34	Demand Side Management Regulatory Account	47.8	65.7	18.0	
35	Site C Clean Energy Project Regulatory Account	16.8	17.0	0.2	
36	Non-Current Pension Cost Regulatory Account	(15.5)	58.5	74.0	Note 1
37	Foreign Exchange Gains/Losses Regulatory Account	0.6	2.3	1.7	
38	Finance Charge Regulatory Account	25.5	(132.5)	(158.1)	
39	Environmental Compliance & Remediation Liability Provision	(8.2)	28.6	36.8	
40	Smart Metering and Infrastructure	(0.7)	(0.8)	(0.1)	
41	IFRS Property Plant & Equipment	114.6	114.6	(0.0)	
42	IFRS Pension	(38.2)	(38.2)	(0.0)	
43	Rate Smoothing	121.2	121.2	-	
44	Other Regulatory Accounts	(64.3)	(41.7)	22.6	Note 2
45	<b>TOTAL NET INCOME</b>	<b>651.9</b>	<b>655.0</b>	<b>3.2</b>	

**Note 1:** Included in the Net Income was a regulatory transfer of \$58.5 million in the Non-Current Pension Cost regulatory account, which consists of (\$15.5) million as amortization of the F11 - F14 balances, \$17.2m million as variance on current service costs as approved per BCUC Order G-148-15, and \$56.8 million as variance on non-current service costs in F16. Also deferred in the Non-Current Pension Cost regulatory account, but not reflected in the table above, was \$68.5 million related to experience losses of non-current pension costs that flow through Other Comprehensive Income instead of the Net Income.

**Note 2:** Included in Other Regulatory Accounts are the following regulatory assets and liabilities: Pre-1996 Contributions in Aid of Construction, Storm Restoration Costs, Capital Project Investigation Costs, Amortization Variance on Capital Additions, Home Purchase Option Plan, Rock Bay Remediation Costs, Arrow Water Divestiture Costs & Provision, Asbestos Remediation, Real Property Sales, and Minimum Reconnection Charge.

**F2016 Annual Report**  
**April 1, 2015 to March 31, 2016**  
**Appendix 2**

British Columbia Hydro and Power Authority  
Intersegment Revenues  
For the Twelve Months Ended March 31, 2016  
(\$ in million)

Line No.	Particulars (1)	Approved (2)	Actual (3)	Variance (4) = (3) - (2)	Reference (5)
1	Point-to-Point wheeling charge to Powerex	29.2	6.1	(23.1)	Note 1
2					
3	Point-to-Point wheeling charge to BCH	21.3	46.1	24.8	Note 2
4					
5	Allocation of BCH Corporate costs to Powerex	3.0	3.0	-	Note 3
6					
7	Mark to Market Gains	-	0.5	0.5	Schedule B Line 12
8					
9	Total	53.5	55.7	2.2	Appendix 1 Line 12

**Note 1:** These transmission revenues relate to an allocation of BC Hydro's cost of purchases of point-to-point transmission within BC for export and some import transactions. These revenues are eliminated against trade cost of energy on consolidation. The variance is deferred in the NHDA, please refer to Schedule B, Line 16 and Note 8.

**Note 2:** These transmission revenues relate to an allocation of BC Hydro's cost of purchases of point-to-point transmission relating to BC Hydro's Skagit Valley Treaty commitment, Canadian Entitlement Agreement (OATT Schedule 01) and Scheduling, System Control & Dispatch services (OATT Schedule 03). These Revenues are eliminated against domestic cost of energy on consolidation. The variance is deferred in the NHDA, please refer to Schedule B, Line 16 and Note 8.

**Note 3:** These revenues relate to an allocation of corporate overhead costs to Powerex and are eliminated against Trade Income.



## **Appendix 3**

### **Deferral Account Rules**

The following “rules” are used by BC Hydro for providing clarity in determining the deferral account transfers. These rules are derived from BC Hydro’s interpretation of the evidence and testimony provided during the F2005/F2006 Revenue Requirement Application (**RRA**) proceeding and in response to Commission Directive No. 19 of the October 29, 2004 Decision. These rules have been updated for the F07/F08 RRA Negotiated Settlement Agreement (**NSA**) and Directives included in the F09/F10 RRA Decision, the F11 RRA NSA, Commission’s Decision on the F12-F14 RRA as per Commission Order No. G-77-12A, and Commission’s issuance of Order No. G-48-14 related to Direction Nos. 6 and 7 issued from the Province to the Commission in regards to BC Hydro’s F15-F16 RRA.

Where a footnote is shown, the referenced language is from the noted Commission decision. Where a footnote is not shown (e.g., the bullet points), the language represents BC Hydro’s interpretation of the evidence and testimony noted above.

## Heritage Deferral Account (HDA)

*Commission Decision, October 29, 2004, Page 41:*

### Commission Findings

***The Commission Panel approves the HDA as proposed by BC Hydro, and approves BC Hydro's forecast of the cost components of the HPO for F2005 and F2006.***

Variances between the forecast and the actual cost for the following components of the Heritage Payment Obligation will flow through the HDA:

1. Cost of energy<sup>1</sup>

This item is expanded in greater detail below to provide clarification on the methodology used to determine variances:

- Gains/losses on energy derivatives and financial instruments used to minimize energy costs are included as part of total energy costs;
- The total Heritage Energy (including Skagit/Seattle City Light commitments) is limited to 49,000 GWh in terms of the Heritage contract. If the Heritage Energy including 100 per cent of market electricity purchases exceeds the Heritage Energy limit, the excess purchases are transferred to Non-Heritage Energy in order to reduce the Heritage Energy volumes to the Heritage Contract limit;
- Variances resulting from changes to compensation and mitigation costs, water rental remissions, or Skagit energy transportation contracts are eligible for deferral. These are price variances as they do not vary with volume; and
- All load curtailment costs are to be included as part of the Heritage Payment Obligation and variance between Actual and Plan is to be included in the HDA.<sup>2</sup>

2. Variable costs related to thermal generation.<sup>1</sup>

3. Significant unplanned major maintenance costs greater than \$1 million related to single event equipment or infrastructure failure or caused by weather related events.<sup>1</sup>

4. Significant unplanned major capital expenditures having an incremental annual impact on the Income Statement greater than \$1 million related to single event equipment or infrastructure failure or caused by weather related events.<sup>1</sup>

5. Amortization of unplanned deferred capital costs pursuant to Commission Order No. G-53-02.<sup>1</sup>

6. All net revenues from surplus hydro electricity sales.<sup>3</sup>

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<sup>1</sup> Per F05/F06 RRA Decision Directive 11, amended by the F09F/10 RRA Decision, Directive 31, as confirmed by Direction 7, section 7(a).

<sup>2</sup> Per F09/F10 RRA Decision, Directive 30.

<sup>3</sup> Per F05/F06 RRA Decision, Directive 11.

7. Skagit Valley Treaty revenues and ancillary services revenues.<sup>3</sup>
8. An interest charge/credit<sup>4</sup> is to be calculated on the ending monthly balance in each deferral account. The interest rate used is BC Hydro's actual weighted cost of debt for its current fiscal year as approved effective April 1, 2011.<sup>5</sup>

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<sup>4</sup> Per F05/F06 RRA Decision Directive 18, amended by the F07/F08 RRA Negotiated Settlement Agreement.  
<sup>5</sup> Per F12-F14 RRA Decision, Commission Order No. G-77-12A, Directive 1 (xxv).

## Non-Heritage Deferral Account (NHDA)

*Commission Decision, October 29, 2004, Page 41:*

### Commission Findings

***The Commission Panel approves all elements of the NHDA, except the distribution emergency restoration costs elements, item 4, because it can be forecast with some confidence, unlike unplanned major capital expenditures and unplanned major maintenance expenditures, and because of risk/reward considerations. Given the denial of item 4 of the NHDA, item 3 of the NHDA is to be as set forth in Final Argument. The Commission Panel approves BC Hydro's forecast of the NHDA non-HPO cost of energy for F2005 and F2006.***

Variances between the forecast and the actual cost for the following components of the Non-Heritage Cost of Energy will flow through the NHDA:

1. Cost of energy - all non-HPO energy costs.<sup>6</sup> This item is expanded in greater detail below to provide clarification on the methodology used to determine variances:
  - Any variances relating to fixed price gas transportation contracts would flow through the deferral accounts as they do not vary with volume;
  - Future Trade: when Powerex purchases energy for future trade the cost of the purchase from the external party and the sale to BC Hydro of this energy is recorded in Powerex and is included as part of Trade Income. The BC Hydro side of the entry is shown as part of domestic energy costs (on consolidation, the Powerex revenue from BC Hydro and the BC Hydro energy costs from Powerex are eliminated). The difference between Actual and Plan on the BC Hydro side relating to energy for future trade flows through the Non-Heritage Deferral Account. The Powerex side of the transaction, which is part of Trade Income, flows through the Trade Income Deferral Account. Similar treatment is made when the energy is returned to Powerex;
  - Future Trade: when Powerex purchases energy for future trade, the Heritage Payment Obligation (HPO) is charged with a notional water rental charge for the use of this energy. The other side of this entry is shown as part of Non-Heritage energy. These entries are eliminated on consolidation. The difference between the Actual and Plan notional water rentals that is part of the HPO flows through the Heritage Deferral Account. The opposite variance relating to the Non-Heritage side of the notional water rental transaction flows through the Non-Heritage Deferral Account; and
  - Gains/losses on energy derivatives and financial instruments used to minimize energy costs are included as part of total energy costs.
2. Significant unplanned major maintenance costs greater than \$1 million related to single event equipment or infrastructure failure.<sup>6</sup>
3. Significant unplanned major capital expenditures having an incremental annual impact on the Income Statement greater than \$1 million related to single event equipment or infrastructure failure or caused by weather related events.<sup>6</sup>

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<sup>6</sup> Per F05/F06 RRA Decision, Directive 12, amended by F09F/10 RRA Decision, Directive 31, as confirmed by Direction 7, section 7 (c)(i).

4. Founding Partner Benefits and any CIS Credits under the ABS Contract.<sup>6</sup>
5. Impact of load variance.<sup>7</sup>
  - The Net Cost of Energy deferral amount is calculated by subtracting the Gross Load Variance and adding the Net Load Variance to the Gross Cost of Energy deferral amount. In practice, because Net Load Variance equals Gross Load Variance less Domestic Revenue Variance, the Net Cost of Energy Deferral simplifies to the Gross Cost of Energy Deferral minus the Domestic Revenue Variance.
6. Costs incurred by the authority in F2014 or a later fiscal year arising from the decommissioning of the Burrard Thermal Plant that are not required for transmission support services, including employee retention costs, penalties or damages that arise as a result of the decommissioning, and the net increase in amortization expense in F2015 and F2016.<sup>8</sup>
7. An interest charge/credit<sup>9</sup> is to be calculated on the ending monthly balance in each deferral account. The interest rate used is BC Hydro's actual weighted cost of debt for its current fiscal year as approved effective April 1, 2011.<sup>10</sup>

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<sup>7</sup> F09/F10 RRA Decision, Directive 31 and F12-F14 RRA Decision, Commission Order No. G-77-12A, Directive 1 (ix).

<sup>8</sup> Pursuant to Commission Order No. G-48-14 Directive 6 and Direction No. 7 to the Commission, section 7 (c)(ii).

<sup>9</sup> Per F05/F06 RRA Decision Directive 18, amended by the F07/F08 RRA Negotiated Settlement Agreement.

<sup>10</sup> Per F12-F14 RRA Decision, Commission Order No. G-77-12A, Directive 1 (xxv).

**Trade Income Deferral Account (TIDA)**

*Commission Decision, October 29, 2004, Page 42, Section 4.6:*

**Commission Findings**

***The Commission Panel approves the TIDA as proposed by BC Hydro, and approves BC Hydro's forecast of Trade Income for F2005 and F2006.***

- Under Direction No. 7 to the Commission, which continues the essential elements of the Heritage Contract framework formerly enshrined in Heritage Special Direction HC2, for F2015 and future years, any variance between the forecast Trade Income and the actual Trade Income will flow through the TIDA, except where Annual Trade Income is below zero;<sup>11</sup>
- Actual Trade Income is determined by excluding the impact on BC Hydro's consolidated net income due to foreign currency translation gains and losses on intercompany balances between BC Hydro and Powerex Corp. The "floor" of zero in the definition of Trade Income was removed for F2014 and reinstated for F2015 and future years;<sup>11</sup> and
- An interest charge/credit<sup>12</sup> is to be calculated on the ending monthly balance in each deferral account. The interest rate used is BC Hydro's actual weighted cost of debt for its current fiscal year as approved effective April 1, 2011.<sup>13</sup>

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<sup>11</sup> Refer to Heritage Special Direction No. HC2 and Direction No. 7 to the Commission – definition of "Trade Income".

<sup>12</sup> Per F05/F06 RRA Decision Directive 18, amended by the F07/F08 RRA Negotiated Settlement Agreement.

<sup>13</sup> Per F12-F14 RRA Decision, Commission Order No. G-77-12A, Directive 1 (xxv).