



FOR GENERATIONS

Janet Fraser

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July 31, 2013

Ms. Erica Hamilton
Commission Secretary
British Columbia Utilities Commission
Sixth Floor – 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Ms. Hamilton:

**RE: British Columbia Utilities Commission (BCUC)
British Columbia Hydro and Power Authority (BC Hydro)
F2013 Annual Deferral Account Report for the Twelve Months ended
March 31, 2013**

BC Hydro writes to attach its F2013 Annual Deferral Account Report for the twelve-month period ending March 31, 2013, pursuant to Directive No. 17 of the BCUC's Decision on BC Hydro's F2005/F2006 Revenue Requirements Application (BCUC Order No. G-96-04). 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.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Janet Fraser".

(for) Janet Fraser
Chief Regulatory Officer

fj/rh

Enclosure

F2013 Annual Deferral Account Report

For the Twelve Months Ended

March 31, 2013

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F2013 - Annual Report Schedule A

British Columbia Hydro and Power Authority
Summary of Deferral Accounts
For Twelve Months Ended March 31, 2013
(\$ million)

Line No.	Particulars	Reported Opening Balance at March 31, 2012	Adjustment due to conversion to IFRS	Adjusted Opening Balance April 01, 2012	Changes (Schedule B)	Amortization	Interest	Ending Balance at March 31, 2013
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Heritage Deferral Account (HDA)	\$243.8	\$0.0	\$243.8	(\$123.7)	(\$55.8)	\$5.6	\$69.9
2	Non-Heritage Deferral Account (NHDA)	367.0	62.2	429.3	101.9	(84.0)	20.3	467.5
3	Trade Income Deferral Account (TIDA)	174.7	30.2	204.9	14.8	(40.0)	10.5	190.2
4	Total	\$785.6	\$92.4	\$878.0	(\$7.0)	(\$179.8)	\$36.4	\$727.6

7 In the October 29, 2004 BCUC Decision, the BCUC approved the creation of four deferral accounts to capture the differences between forecasts
8 used in setting rates and actuals. By Order No. G-16-11, the BCUC approved the termination of the BCTC Deferral Account.

9
10 On conversion to International Financial Reporting Standards (IFRS) effective at the beginning of F2013, BC Hydro was required to restate its
11 balance sheet as at April 1, 2012. The adjustments relate to the following:

12
13 - an opening adjustment has been made to the NHDA relating to energy purchase agreements assessed as containing embedded leases under
14 IFRS. The net impact is a reduction to retained earnings of \$62.2 million which has been deferred to the NHDA.

15
16 - an opening adjustment of \$30.2 million was also made to the TIDA account on date of transition to IFRS. Under IFRS, Powerex has several
17 financial instruments which require recognition as derivatives at fair value, but were not recognized as such under previous Canadian GAAP. In
18 addition, Powerex recorded adjustments to its foreign exchange gains and losses as result of the change in Powerex's functional currency to US
19 dollars. The net impact on transition to IFRS resulted in a reduction to Powerex retained earnings of \$30.2 million which has been deferred to the
20 TIDA.

21
22 The transfers out of the HDA of \$123.7 million are largely due to released water from BC Hydro's portion of the Non-Treaty Storage Agreement,
23 lower market purchases, as well as higher than plan surplus sales due largely to above average water inflow levels.

24
25 The net increase to NHDA of \$102 million is primarily attributable to the impact of lower customer load and the deferral of the increase in the
26 forecast cost of energy between the original F12-F14 RRA and the Amended F12-F14 RRA. See Note 5 of Sch B for further details. Partly offsetting
27 this increase is lower IPP purchases due to delayed Commercial Operation Date (COD) on several Independent Power Producers (IPPs), plant
28 shutdowns for maintenance work, and lower deliveries as a result of tie-line restrictions and unit outages.

29
30 Revenues collected via the Deferral Account Rate Rider (DARR) are used to amortize (reduce) the deferral account balances. The reduction is
31 allocated to each deferral account based on the proportion of the ending F2012 deferral account balances.

32
33 Interest is calculated on the ending monthly balance (before interest) in each deferral account. The interest rate used is BC Hydro's actual weighted
34 cost of debt for the current period as per Directive (xxv) of BCUC Order G-77-12A pertaining to the Amended F12-F14 RRA.

35
36 Due to minor rounding some totals may not add.

F2013 - Annual Report Schedule B

British Columbia Hydro and Power Authority
Summary of Deferral Account Changes
For Twelve Months Ended March 31, 2013
(\$ million)

Line No.	Particulars (1)	Actual (2)	Approved (3)	Variance (4)	Ref. (5)
1	Heritage Deferral Account				
2	Cost of Energy - Heritage	\$269.4	\$393.8	(\$124.4)	Sch C - Line 9
3	Notional Water Rental (Displaced Hydro)	(6.4)	(1.3)	(5.1)	Sch F - Note 1
4	Skagit Valley Treaty & Ancillary revenue	(14.8)	(14.8)	(0.0)	
5	Costs in Operating / Amortization	19.0	19.2	(0.2)	Note 1
6	Deferred Operating Costs in HDA	7.0	-	7.0	Note 2
7	Other	6.6	7.6	(1.0)	Note 3
8	Total	<u>\$280.8</u>	<u>\$404.5</u>	<u>(\$123.7)</u>	
9					
10					
11	Non-Heritage Deferral Account				
12	Cost of Energy - Total Non-Heritage	\$787.9	\$954.5	(\$166.6)	Sch C - Line 18
13	Notional Water Rental (Displaced Hydro)	6.4	1.3	5.1	Sch F - Note 1
14	F/X (Gains)/ Losses on Powerex Trade	(3.9)	-	(3.9)	Sch F - Note 2
15	Domestic Revenue Variance	176.1	-	176.1	Sch F - Note 3
16	ABSU Founding Partner Benefits	-	(0.4)	0.4	
17	Other	(12.2)	-	(12.2)	Note 4
18	F12-F14 RRA Adjustments	-	(103.2)	103.2	Note 5
19		<u>\$954.3</u>	<u>\$852.3</u>	<u>\$101.9</u>	
20					
21	Trade Income Deferral Account				
22	Powerex Net Income			\$98.2	Note 6
23	Less: Trade Income from the Amended F12-F14 RRA Decision			(113.0)	
24	Total			<u>\$14.8</u>	

Note 1: Costs associated with compensation and mitigation efforts to fund fish and wildlife programs and load curtailment efforts have been reclassified from cost of energy to other line items on the financial statements under IFRS and in conjunction with BC Hydro's implementation of its new financial system. Since the nature of these costs has not changed, these costs continue to be treated as cost of energy for deferral accounting purposes, consistent with Heritage Special Direction No. HC2.

Note 2: Deferred Operating Costs in HDA includes:
1) A variance of \$4.2 million related to the costs associated with maintaining water use plan licenses. 2) Significant unplanned major maintenance costs of \$2.9 million incurred at the GMS Bennett Dam Spillway to repair damage to the contraction and construction joints that require upgrades to prevent any prolonged spill. Total maintenance cost to date to repair the GMS Bennett Dam Spillway is \$7.8 million, of which \$4.9 million was incurred in the prior year.

Note 3: Other amounts deferred in the HDA includes the amortization of unplanned deferred capital cost related to First Nations as per BCUC Order No. G-53-02 for (\$0.8) million, as well as (\$0.2) million pertaining to variable costs related to thermal generation (see Sch F Note 5).

Note 4: Other amounts deferred in the NHDA include the difference between forecast and actual transmission service net costs which were approved in BCUC Order No. G-16-11. The variance from the corresponding intercompany entry on Powerex's financial statements is deferred via the Trade income Deferral Account.

Note 5: As per BCUC Order G-77-12A, BC Hydro was authorized to defer increases in the forecast of net cost of energy between the original Application and the Amended Application that would have otherwise been reflected in the F2013 rates. The total amount approved for F2013 was \$103.2 million as per Directive (xxx) of BCUC Order G-77-12A.

Note 6: Powerex net income reported for regulatory purposes is net of \$2.8 million corporate overhead allocation from BC Hydro to Powerex in accordance with Directive 9 of the F09/F10 RRA Decision.

**F2013 - Annual Report
Schedule C**

British Columbia Hydro and Power Authority
Domestic Cost of Energy
For Twelve Months Ended March 31, 2013
(\$ in million)

Line No.	Particulars	Actual	Approved	Variance	Ref.
	(1)	(2)	(3)	(4)	(5)
1	Heritage Energy:				
2	Water rentals	\$373.1	\$361.2	\$11.9	
3	Non-Treaty Storage Agreement	(56.8)	-	(56.8)	
4	Market electricity purchases	10.1	45.7	(35.6)	
5	Natural gas for thermal generation	17.2	41.0	(23.8)	
6	Domestic Transmission	39.7	15.3	24.4	
7	Surplus Sales	(80.2)	(34.8)	(45.4)	
8	Other	(33.7)	(34.7)	1.0	
9		<u>269.4</u>	<u>393.8</u>	<u>(124.4)</u>	Sch B - Line 2
10					
11	Non-Heritage Energy:				
12	Waneta (water rentals)	8.4	8.3	0.1	
13	IPP's and long-term purchase commitments	760.4	888.9	(128.5)	
14	New Capital Leases Under IFRS	-	8.1	(8.1)	
15	Non-Integrated Areas	26.5	31.4	(4.9)	
16	Gas and Other Transportation	13.7	13.2	0.5	
17	Net purchases / (sales) from / to Powerex (Trade Account)	(21.1)	4.7	(25.8)	Sch F - Note 4
18		<u>787.9</u>	<u>954.5</u>	<u>(166.6)</u>	Sch B - Line 12
19					
20	Total Domestic Cost of Energy	\$1,057.3	\$1,348.3	(\$291.0)	Sch D - Line 15
21					
22	Heritage Energy (GWh):				
23	Water rentals	51,107	45,167	5,940	
24	Net purchases from Powerex (Displaced Hydro)	(883)	(210)	(673)	
25	Market electricity purchases	359	1,419	(1,060)	
26	Natural gas for thermal generation	122	517	(395)	
27	Exchange net	(6,020)	(874)	(5,146)	
28	Surplus Sales	28	(447)	475	
29		<u>44,713</u>	<u>45,572</u>	<u>(859)</u>	
30					
31	Non-Heritage Energy (GWh):				
32	Waneta (water rentals)	1,008	1,008	0	
33	IPP's and long-term purchase commitments	10,673	12,367	(1,694)	
34	Non-Integrated Areas:	113	126	(13)	
35		<u>11,794</u>	<u>13,500</u>	<u>(1,706)</u>	
36					
37	Total sources of supply	56,507	59,072	(2,565)	
38	Less : Line loss and system use	(5,515)	(5,544)	29	
39					
40	Total Domestic Sales Volumes	50,992	53,527	(2,535)	

F2013 - Annual Report Schedule D

British Columbia Hydro and Power Authority
Consolidated Statement of Operations
For Twelve Months Ended March 31, 2013
(\$ in million)

Line No.	Particulars (1)	Actual (2)	Approved (3)	Variance (4)	Ref. (5)
1	REVENUES				
2	Domestic				
3	Residential	\$1,529.6	\$1,579.5	(\$49.9)	
4	Light industrial and commercial	1,368.0	1,341.1	26.9	
5	Large industrial	610.9	735.0	(124.1)	
6	Other energy sales	80.7	109.8	(29.1)	
7	SMI Impact	5.5	5.5	-	
8	Seattle City Light	14.8	14.8	-	
9	Revenue from Deferral Rider	179.7	188.5	(8.8)	
10	Miscellaneous	119.1	110.6	8.5	
11		<u>3,908.3</u>	<u>4,084.8</u>	<u>(176.5)</u>	
12	Intersegment revenues	63.1	39.5	23.6	Sch E - Line 11
13		<u>3,971.4</u>	<u>4,124.3</u>	<u>(152.9)</u>	
14	EXPENSES				
15	Domestic energy costs	1,057.3	1,348.3	(291.0)	Sch C Line 20
16	Operating costs	1,307.8	1,348.1	(40.3)	
17	Depreciation and amortization	635.0	663.5	(28.5)	
18	Taxes	194.1	193.1	1.0	
19	Finance charges	576.3	649.3	(73.0)	
20		<u>3,770.5</u>	<u>4,202.3</u>	<u>(431.8)</u>	
21	DOMESTIC INCOME (LOSS) BEFORE TRANSFER				
22	(TO)/FROM DEFERRAL ACCTS	201.0	(78.0)	279.0	
23					
24	POWEREX NET INCOME (LOSS)	98.2	113.0	(14.8)	Sch B - Line 23 to 24; Note 1
25	POWERTECH NET INCOME (LOSS)	2.9	2.3	0.6	
26					
27	TOTAL INCOME BEFORE TRANSFER (TO)/FROM				
28	DEFERRAL ACCOUNTS	302.1	37.3	264.8	
29					
30	Heritage Deferral Account transfers	(173.9)	(49.5)	(124.4)	
31	Non- Heritage Deferral Account transfers	38.3	32.9	5.3	
32	Trade Income Deferral Account transfers	(14.7)	(31.3)	16.6	
33	Future Removal and Site Restoration Regulatory Account	16.4	20.9	(4.5)	
34	First Nation Costs & Provisions Regulatory Account	10.4	2.0	8.4	
35	Procurement Enhancement Initiative Regulatory Account	-	(0.0)	0.0	
36	Demand Side Management Regulatory Account	94.4	145.5	(51.1)	
37	Site C Regulatory Account	77.3	162.0	(84.6)	
38	Non-Current Pension Cost Regulatory Account	(24.3)	(17.1)	(7.2)	Note 2
39	F2010 ROE Adjustment Regulatory Account	(11.3)	(11.3)	-	
40	Foreign Exchange Gains/Losses Regulatory Account	3.0	0.8	2.2	
41	Finance Charge Regulatory Account	(47.6)	-	(47.6)	
42	Environmental Compliance & Remediation Liability Provision	44.8	(14.6)	59.4	
43	Smart Metering and Infrastructure	99.6	160.5	(60.9)	
44	Waneta	(15.0)	(15.0)	-	
45	IFRS Property Plant & Equipment	192.4	155.5	36.9	
46	IFRS Pension	(38.9)	(38.9)	-	
47	F12-F14 Rate Smoothing	(41.2)	(41.2)	-	
48	Other Regulatory Accounts	(2.5)	22.0	(24.5)	Note 3
49	TOTAL NET INCOME	<u>\$509.3</u>	<u>\$520.2</u>	<u>(\$10.9)</u>	

- 1) Powerex net income reported for regulatory purposes is net of the \$2.8 million corporate overhead costs allocated from BC Hydro to Powerex in accordance with Directive 9 the F09/F10 RRA Decision.
- 2) Included in the Net Income was a regulatory transfer of (\$24.3) million in the Non-Current Pension Cost regulatory account, which consists of (\$17.1) million as amortization of the F10 balance and (\$7.2) million as variance on non-current service costs in F13. Also deferred in the Non-Current Pension Cost regulatory account was (\$191.7) million related to experience gains/losses of non-current pension costs that flow through Other Comprehensive Income instead of the Statement of Operations.
- 3) 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, Taxes, Amortization Variance on Capital Additions, Home Purchase Option Plan, Rock Bay Remediation Costs, Arrow Water Divestiture Costs & Provision, and Asbestos Remediation.

**F2013 - Annual Report
Schedule E**

British Columbia Hydro and Power Authority
Intersegment Revenues
For Twelve Months Ended March 31, 2013
(\$ in million)

Line No.	Particulars (1)	Actual (2)	Approved (3)	Variance (4)	Ref. (5)
1	Point-to-Point wheeling charge to Powerex	\$21.3	\$26.2	(\$4.9)	Note 1
2					
3	Point-to-Point wheeling charge to BCH	35.1	11.1	24.0	Note 2
4					
5	Allocation of BCH Corporate costs to Powerex	2.8	2.8	(0.0)	Note 3
6					
7	Mark to Market Gains (Losses)	3.9	-	3.9	Note 4 and Sch B Line 15
8					
9	Other	-	(0.7)	0.7	Note 5
10					
11	Total	<u>\$63.1</u>	<u>\$39.5</u>	<u>\$23.6</u>	
12					
13					

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.

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 (BCTC OATT Schedule 02) and Scheduling, System Control & Dispatch services (BCTC OATT Schedule 03). These revenues are eliminated against domestic cost of energy on consolidation.

Note 3 These revenues relate to an allocation of corporate overhead costs to Powerex and are eliminated against trade revenues on consolidation.

Note 4 These Mark to Market gains/(losses) consist of (\$0.1) million loss on cashflow hedges with Powerex (see Sch F, Note 2) and \$4 million gain of embedded derivatives on future trades with Powerex. These are unrealized gains recognized from the changes in the value of the embedded derivative component of future trades. These gains are eliminated against trade revenues on consolidation.

Note 5 Other intersegment expense of (\$0.7) million pertains to Expenditures for Export. Please refer to Section 8.10 of and the Amended F12-F14 RRA (Exhibit B-1-3 of the BC Hydro F12-F14 RRA).

**F2013 - Annual Report
Schedule F**

British Columbia Hydro and Power Authority
Explanatory Notes
For Twelve Months Ended March 31, 2013
(\$ in million)

Line No.	Particulars			
	(1)			
1	1 Notional water rentals (Displaced Hydro) relates to water rentals associated with trade income. The notional water rental			
2	mechanism is described in the response to BCUC IR No. 1.2.36 dated January 23, 2004. The transactions relating to the			
3	notional water rental are eliminated on consolidation and there is no net impact on the combined HDA and NHDA as the			
4	transactions are mirrored within each account.			
5				
6	2 This relates to the foreign exchange gain/loss on the Trade Account payable to Powerex. Powerex has a corresponding			
7	loss/gain on their receivable and this loss/gain would be part of Trade Income. Foreign exchange gains/losses arise as the			
8	Trade Account is recorded in \$US. The gain/loss on the BC Hydro side is eliminated against the loss/gain on the Powerex			
9	side of consolidation within the finance charge component. As the mirror entry for Trade Income relating to F/X on the Trade			
10	Account is recorded on the Non-Heritage energy side, there is no net impact on the combined NHDA and TIDA due to these			
11	transactions. Net FX gains include losses related to internal cashflow hedges with Powerex.			
12				
13				
14	3 Load Variance: as per Directive (ix) of the F12-F14 RRA Decision per BCUC Order G-77-12A, BC Hydro is allowed to defer			
15	the net load variance. The net cost of load variance is calculated by adding the domestic revenue variance into the NHDA			
16	deferral account, which nets against the cost of energy variance due to load as included in Schedule B Line 15.			
17				
18	Domestic Revenue Variance	Actual	Approved	Variance
19	Residential (Sch D Line 3)	\$1,529.6	\$1,579.5	\$49.9
20	Light industrial and commercial (Sch D Line 4)	1,368.0	1,341.1	(26.9)
21	Large industrial (Sch D Line 5)	610.9	735.0	124.1
22	Other energy sales (Sch D Line 6)	80.7	109.8	29.1
23	SMI Impact (Sch D Line 7)	5.5	5.5	-
24	Domestic Revenue Variance deferred in NHDA (Sch B Line 15)	<u>\$3,594.7</u>	<u>3,770.9</u>	<u>176.1</u>
25				
26	4 These sales / purchases relate to the return of energy bought by Powerex in prior periods to enable future sales. These			
27	revenues are eliminated against trade cost of energy on consolidation. The transactions between BC Hydro and Powerex			
28	have no net impact on the combined NHDA and the TIDA.			
29				
30	5 Variance from plan related to natural gas for thermal generation - GWh (Schedule C - L26)		GWh	(394.5)
31	Average cost per MWh of additional production		\$/ MWh	\$0.1
32	Total variable cost related to thermal generation (Sch B Note 3)		million	(\$0.2)

**Schedule G
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 proceeding and in response to BCUC Directive No. 19 of the October 29, 2004 Decision, and updated for the F07/F08 RRA NSA and Directives included in the F09/F10 RRA Decision, the F11 RRA NSA, and BCUC’s Decision on the F12-F14 RRA as per BCUC Order No. G-77-12A.

Heritage Deferral Account (HDA)

BCUC 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.¹

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.
- 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.²

2. Variable costs related to thermal generation.¹

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

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.¹

5. Amortization of unplanned deferred capital costs pursuant to BCUC Order No. G-53-02.¹

6. All net revenues from surplus hydro electricity sales.³

7. Skagit Valley Treaty revenues and ancillary services revenues.³

¹ Per F05/F06 RRA Decision Directive 11, amended by the F09F/10 RRA Decision, Directive 31.

² Per F09/F10 RRA Decision, Directive 30.

³ Per F05/F06 RRA Decision, Directive 11.

8. An interest charge/credit⁴ 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, 2011.⁵

⁴ Per F05/F06 RRA Decision Directive 18, amended by the F07/F08 RRA Negotiated Settlement Agreement.
⁵ Per F12-F14 RRA Decision, BCUC Order G-77-12A, Directive (xxv).

Non-Heritage Deferral Account (NHDA)

BCUC 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.¹ 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; and
 - 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.
 - 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.¹
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.¹
4. Founding Partner Benefits and any CIS Credits under the ABS Contract.¹

¹ Per F05/F06 RRA Decision, Directive 12, amended by F09F/10 RRA Decision, Directive 31.

5. Impact of load variance.²
 - 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. An interest charge/credit³ 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, 2011.⁴

² F09/F10 RRA Decision, Directive 31 and F12-F14 RRA Decision, BCUC Order G-77-12A, Directive (ix).

³ Per F05/F06 RRA Decision Directive 18, amended by the F07/F08 RRA Negotiated Settlement Agreement.

⁴ Per F12-F14 RRA Decision, BCUC Order G-77-12A, Directive (xxv).

Trade Income Deferral Account (TIDA)

BCUC 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.

- Any variance between the forecast Trade Income and the actual Trade Income will flow through the TIDA, except where Annual Trade Income is below \$nil. Actual trade Income is after 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.¹
- An interest charge/credit² 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, 2011.³

¹ Refer to Heritage Special Direction No. HC 2.

² Per F05/F06 RRA Decision Directive 18, amended by the F07/F08 RRA Negotiated Settlement Agreement.

³ Per F12-F14 RRA Decision, BCUC Order G-77-12A, Directive (xxv).