

IN THE MATTER OF THE UTILITIES  
COMMISSION ACT, SBC 1980, c. 60

and

IN THE MATTER OF APPLICATIONS BY  
BRITISH COLUMBIA HYDRO AND POWER AUTHORITY  
FOR RATE RELIEF

DECISION

January 19, 1982

Pertaining to the Notices of Motion  
filed on behalf of:

F.M.C. Corporation et al,  
Council of Forest Industries ("COFI")

Before: J.D.V. Newlands, Acting Chairman of Division  
M. W. Mulligan, Deputy Chairman  
F.E. Walden, Commissioner

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APPEARANCES

<u>NAME</u>	<u>APPEARING FOR</u>
D.M.M. Goldie, Esq. Q.C. C.B. Johnson, Esq.	Commission Counsel
K.C. Mackenzie, Esq. D. Duff, Esq.	B.C. Hydro & Power Authority
R.B. Wallace, Esq. J. Haythorne, Esq.	Council of Forest Industries
R.J. Ward, Esq.	F.M.C. Corporation ERCO Industries Ltd. Canadian Occidental Petroleum Ltd.
Ms. H.L. Malkin	Cominco and Fording Coal Ltd.
M. Mason, Esq.	Mining Association of British Columbia
R.J. Gathercole, Esq.	Consumers' Association of Canada, ( B.C. Branch) and The Federation of Anti-Poverty Groups of British Columbia
Ms. A Rounthwaite	Society Promoting Environmental Conservation

## BACKGROUND

The British Columbia Hydro and Power Authority ("B.C. Hydro") applied June 18, 1981 to increase its electric and gas tariff rate schedules.

The Commission by Order No. G-63-81 dated August 5, 1981 approved the increase sought on an interim basis for the Mainland gas division effective August 1, 1981, and April 1, 1982; approved the increase sought for the Victoria gas division effective August 1, 1981, but rejected amendments proposed to be effective April 1, 1982. All approved increases are subject to refund bearing interest at the average prime rate of the principal chartered bank of B.C. Hydro, calculated monthly. The Commission declined to accept for filing the interim increases proposed for electric service in the amount requested.

By Order No. G-63-81 dated August 5, 1981 the Commission established a pre-hearing conference for October 27, 1981, with the public hearing of the Applications to commence on January 19, 1982.

The October 27, 1981 pre-hearing conference was for the purpose of discussing procedures as was the subsequent pre-hearing conference held on November 23, 1981.

MOTIONS

By Orders made the Commission dismissed the motion of FMC Corporation et al that the Commission state a case for the opinion of the Court of Appeal and for an Order directing B.C. Hydro to answer more responsively a question put to it by those Intervenorors, and granted in part a motion by Council of Forest Industries ("COFI") for an Order directing B.C. Hydro to file rate base and rate of return requirements.

B.C. Hydro requested the Division hearing these motions that B.C. Hydro be permitted to amend its presentation in support of its application. A formal Order is not required to grant this request and it is hereby granted.

The motions made December 2, 1981 dealt with one or more aspects of B.C. Hydro's application of June 18, 1981 to amend its rate schedules. These are the reasons for the Commission's decisions on the motions of FMC Corporation et al and COFI.

The request of FMC Corporation et al that the Commission state a case for the opinion of the Court of Appeal was based upon a concern that Special Direction B.C. Hydro No. 1 dated March 19, 1981 was beyond the powers of the Lieutenant-Governor in Council. This concern would arise only if the Special Direction was clearly and unavoidably in conflict with the provisions of the "Utilities Commission Act". The Commission does not

believe there is necessarily such a conflict and it is not, at this stage, prepared to seek the advice of the Court of Appeal on a question that may never arise.

As stated in the Commission's Order, the Motion of FMC Corporation et al for a more responsive answer to one of their questions may be resolved by the additional filed evidence which B.C. Hydro proposed to submit. FMC Corporation et al is free to renew their motion if the evidence to be provided by B.C. Hydro is not satisfactory.

COFI's Motion for an Order that B.C. Hydro be directed to file detailed evidence on rate base and rate of return requirements has been granted in part.

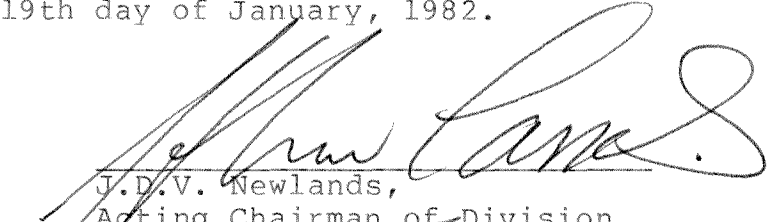
Mr. Wallace submitted that B.C. Hydro was required to submit its Application on the rate base and rate of return method for legal reasons and because of the long-standing adherence to this form of regulation.

Whether rates are insufficient to yield a fair and reasonable compensation would at least appear to require consideration of matters other than interest coverage and debt equity ratio. Whether the continuation of the present rates would adversely affect the nature and quality of B.C. Hydro's service; whether comparisons of rate levels with other utilities can be validly made; whether comparisons within B.C. Hydro itself of its cost levels and the impact of increases upon the sufficiency of the compensation, are examples of questions which would

seem to have some relevance. The Commission considers the limited order made with respect to rate base and rate of return requirements may also assist it in the regulation of a very large utility which has not been subject to regulation in its corporate existence.

The Commission's Order does not call for a full scale rate base rate of return presentation. The evidence B.C. Hydro will be required to file is restricted and is no more than illustrative. Specifically, the Commission is not determining by this Order that the book value of B.C. Hydro's plant in service is the appraised value nor are its depreciation schedules or the accumulated depreciation hereby approved.

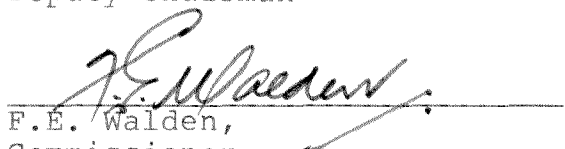
DATED at the City of Vancouver, in the Province of British Columbia this 19th day of January, 1982.



J.D.V. Newlands,  
Acting Chairman of Division



M.W. Mulligan,  
Deputy Chairman



F.E. Walden,  
Commissioner