



LETTER NO. L-6-00

ROBERT J. PELLATT
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VIA FACSIMILE

January 20, 2000

Mr. R. Brian Wallace
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Mr. Richard Gathercole
Executive Director
B.C. Public Interest Advocacy Centre
#815 - 815 West Hastings Street
Vancouver, B.C. V6C 1B4

Dear Sirs:

Re: British Columbia Hydro and Power Authority ("B.C. Hydro")
Fiscal 2000/01 Revenue Requirements

On December 6, 1999 the Joint Industry Electricity Steering Committee ("JIESC") filed a complaint requesting that the Commission initiate a proceeding prior to March 31, 2000 for a complete review of B.C. Hydro's ongoing revenue requirements, "... so that the Commission will be in the position to reduce B.C. Hydro's rates to all B.C. Hydro's customers effective April 1, 2000". On January 6, 2000 the Consumers' Association of Canada (B.C.) et al. ("CAC (B.C.) et al.") became a party to this complaint. B.C. Hydro has responded to the Commission's directions of December 7 and 23, 1999 by filing with the Commission its submission with respect to next year's revenue requirements on December 31, 1999. The JIESC and the CAC (B.C.) et al. replied to the B.C. Hydro submission on January 12, 2000.

The pro-forma revenue requirement forecast for the 2000/01 fiscal year provided by B.C. Hydro, assumes average water and normal temperature conditions as directed by Special Direction No. 8 and the Commission's direction in Order No. G-89-94. B.C. Hydro forecasts that it would earn approximately 3 percentage points below its allowed return in fiscal 2001 under these conditions. The JIESC replied that the B.C. Hydro materials failed to meet the Commission's directions contained in its letter of December 7, 1999 and that B.C. Hydro must be ordered to comply with the Commission's original directions immediately. The JIESC provided seven reasons why the B.C. Hydro information is inadequate. It recommended that the Commission direct B.C. Hydro to file a proper detailed revenue requirement forecast consistent with the level of detail filed in B.C. Hydro's 1994 Rate Application, a five-year trade forecast, a proper load/resource plan and the Utility's 20-Year System Plan.

The CAC (B.C.) et al. encouraged the Commission to proceed on the assumption that the current rate freeze will not be continued, and to ensure, as soon after March 31, 2000 as possible, that B.C. Hydro's rates are just and reasonable within the meaning of the Utilities Commission Act ("the Act"). CAC (B.C.) et al. submitted that the Commission should commence its regulatory process now, so that customer rates do not remain interim for any longer than necessary after March 31, 2000.

The Commission has reviewed all of the material provided and is sympathetic to the customers' desires that a full review of B.C. Hydro's revenue requirements occurs so that customers may feel confident that their rates are fair, just and reasonable as required by the Act. At the same time, the Commission recognizes that snowpack and other information used in B.C. Hydro's normal planning process for the 2000/01 fiscal year, will not be available until February and March, and that the rate freeze legislation limits the

Commission's ability to alter rates until its effective expiration on March 31, 2000. The Commission will, therefore, not make B.C. Hydro's rates interim and potentially refundable until April 1, 2000 and then only if the rate freeze legislation is not being extended.

In preparation for this future revenue requirements review, the Commission finds that B.C. Hydro's filing of December 31, 1999 is incomplete for the purposes of determining whether next year's revenue requirements could be supported by the current rates. While some of the cost categories can be verified by other material, the information on electricity trade revenue is not substantiated. Similarly, information with respect to rate base additions and future new resource requirements is not currently available. However, as noted in the Commission's December 23, 1999 letter, B.C. Hydro has committed to providing this information on new resource requirements in material to be reviewed by customers at a workshop in February 2000.

The attached letter to B.C. Hydro directs it to provide a full accounting of its electricity trade activities and plans, including disaggregated information for the 1999 calendar year and the 1998/99 fiscal year, as well as a disaggregated forecast of fiscal year 2000/01 electricity trade. This report is to be filed with the Commission by the end of February 2000, so that it will assist all parties in considering B.C. Hydro's overall financial position for fiscal 2000/01 prior to the start of that year.

Yours truly,

Original signed by:

Robert J. Pellatt

WJG/mmc

Attachment

cc: Mr. Ray Aldeguer, Senior Vice President
Legal & Regulatory Affairs & General Counsel
British Columbia Hydro and Power Authority



LETTER NO. L-7-00

ROBERT J. PELLATT
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January 20, 2000

Mr. Ray Aldeguer
Senior Vice President
Legal, Regulatory Affairs and General Counsel
British Columbia Hydro and Power Authority
17th Floor, 333 Dunsmuir Street
Vancouver, B.C. V6B 5R3

Dear Mr. Aldeguer:

**Re: British Columbia Hydro and Power Authority
Fiscal 2000/01 Revenue Requirements**

The attached letter to the Joint Industry Electricity Steering Committee ("JIESC") and the Consumers' Association of Canada (B.C.) et al. ("CAC (B.C.) et al.") responds to their complaints that the Commission should initiate now a full review of B.C. Hydro's 2000/01 revenue requirements. The Commission has determined that it will not make B.C. Hydro's rates interim and potentially refundable until April 1, 2000 and then only if the rate freeze legislation is not being extended.

In preparation for this future revenue requirements review, the Commission finds that B.C. Hydro's filing of December 31, 1999 is incomplete for the purposes of determining whether next year's revenue requirements could be supported by the current rates. While some of the cost categories can be verified by other material, the information on electricity trade revenue is not substantiated. Similarly, information with respect to rate base additions and future new resource requirements is not currently available. However, as noted in the Commission's December 23, 1999 letter, B.C. Hydro has committed to providing this information on new resource requirements in material to be reviewed by customers at a workshop in February 2000.

The Commission, therefore, directs B.C. Hydro to provide a full accounting of its electricity trade activities and plans, to be provided to the Commission before the end of February 2000 so that it will be available in a timely fashion, assuming the rate freeze ends March 31, 2000. For comparative purposes, B.C. Hydro is to disaggregate its electricity trade activities for the 1999 calendar year and the 1998/99 fiscal year to show the revenues and costs of each type of trade transaction. While the Commission does not wish to see B.C. Hydro divulge commercially sensitive information on any single contract, the aggregate of similar contracts is to be provided so that customers may better understand the nature of recent electricity trading activities. For example, the costs and revenues should be shown separately for the aggregate of all firm export contracts. The Commission will also wish to see the revenues and costs related to what B.C. Hydro has called "time shift" trade, where B.C. Hydro acquires electricity from external sources in low priced hours and stores that energy behind the Utility's domestic dams so that it may then export it in high priced hours. A separate category should show any export trade activities that were based entirely on purchasing out-of-province power for resale to out-of-province customers, without any B.C. Hydro value-added components such as temporary storage behind reservoirs.

B.C. Hydro is also to provide a disaggregated forecast of electricity trade revenues and costs for fiscal year 2000/01. That forecast should separate costs and revenues for each category of trade and be consistent with the determinations of the Commission in its 1994 Decision. For example, "time shift" trade should be a separate category demonstrating the maximum net revenue likely under expected market prices and available storage under average water conditions, utilizing the 1994 Decision's interpretation of methodology underpinning the Commission's report to the Lieutenant Governor in Council dated June 30, 1992, as amended, on B.C. Hydro's Energy Removal Certificate application.

With the provision of this material in February, the Commission believes that both customers and the Commission will be adequately informed of B.C. Hydro activities so that the Commission may determine an appropriate course of action immediately upon expiry of the rate freeze.

Yours truly,

Original signed by:

Robert J. Pellatt

WJG/mmc

Attachment

cc: Mr. R. Brian Wallace
Bull, Housser & Tupper Barristers & Solicitors
Mr. Richard Gathercole, Executive Director
B.C. Public Interest Advocacy Centre