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VANCOUVER, B.C. V6Z 2N3 CANADA
web site: <http://www.bcuc.com>



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-79-03

TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

**IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473**

and

**Aquila Networks Canada (British Columbia) Ltd.
Preliminary 2004 Revenue Requirements Application**

BEFORE: L.A. Boychuk, Commissioner)
and Panel Chair)
L.F. Kelsey, Commissioner) November 28, 2003
R. Milbourne, Commissioner)

O R D E R

WHEREAS:

- A. Commission Order No. G-134-99 approved the November 22, 1999 Settlement Agreement (the "Settlement Agreement") for the period beginning January 1, 2000 and ending December 31, 2002, whereby West Kootenay Power Ltd. [now known as Aquila Networks Canada (British Columbia) Ltd. ("Aquila")] is required to file annually with the Commission materials for any rate change effective January 1 of the next year; and
- B. The terms of the Settlement Agreement require that Aquila institute an annual review process whereby the public will be invited to examine the filed material, submit other issues for determination by the Commission and meet to discuss all issues prior to the final rate application being made (the "Annual Review"). Following the Annual Review, unsatisfied customers may initiate a complaint with the Commission; and
- C. On November 15, 2002, Aquila requested that the Settlement Agreement be extended for a period of one year ending December 31, 2003, and filed a Preliminary 2003 Revenue Requirements Application in support; and
- D. Commission Order No. G-83-02 approved a Negotiated Settlement Process to determine rates for 2003, which was concluded with the issuance of Commission Order No. G-10-03; and
- E. In the Settlement Agreement approved by Commission Order No. G-10-03, Aquila agreed to provide a detailed revenue requirement application for 2004 including a full analysis in support of any proposed rebasing of any cost categories; and
- F. On November 19, 2003, Aquila filed a Preliminary 2004 Revenue Requirements Application ("the Application") with the Commission. Aquila applied pursuant to the applicable provisions of the Utilities Commission Act ("the Act") and in particular Sections 58, 60, and 61 for an Order to set rates in accordance with a rate adjustment mechanism for 2004. Aquila recommended a Negotiated Settlement Process, pursuant

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to the Commission's Guidelines, to determine the 2004 Revenue Requirements and the parameters of the Incentive Mechanism; and

- G. Due to the impending sale of the Canadian business of Aquila Networks Canada Corp. to Fortis Inc. and the potential for restructuring, Aquila is proposing a one year extension of the current Settlement Agreement, which expires on December 31, 2003, subject to certain changes as described in the Application; and
- H. The Application includes a request for a 3.4 percent interim refundable rate increase, effective January 1, 2004; and
- I. The Commission, in its desire to deal efficiently with the Application, requires that a Pre-Hearing Conference be established.

NOW THEREFORE the Commission orders as follows:

- 1. A Pre-Hearing Conference for Aquila will be held on Thursday, December 18, 2003, commencing at 9:00 a.m. in the Prestige Inn, 1675 Abbott Street, Kelowna, B.C. V1Y 8S3, to discuss the Application and the proposed regulatory process.
- 2. Following the Pre-Hearing Conference, Commission staff will prepare a report to the Commission, summarizing the positions of the participants. Participants wishing to make separate submissions to the Commission should do so in writing by Monday, December 22, 2003.
- 3. Aquila is to provide a copy of this Order to all Intervenors and Interested Parties who registered for the 2002 Annual Review and the 2003 Negotiated Settlement Process.
- 4. Aquila will arrange for publication of the Notice of Pre-Hearing Conference, attached as Appendix A, as soon as possible in such appropriate local news publications in its service area so as to provide adequate notice to the public.
- 5. The Application and supporting materials will be available for inspection at the following locations:

Aquila Networks Canada (British Columbia) Ltd.
Head Office
1290 Esplanade
Trail, B.C. V1R 4L4

British Columbia Utilities Commission
Sixth Floor, 900 Howe Street
Vancouver, B.C. V6Z 2N3
Telephone: 1-800-663-1385

Public Libraries

Located in Castlegar, Creston, Grand Forks, Kelowna, Oliver, Penticton and Trail, B.C.

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The Application will also be available for viewing on Aquila's web site:

<http://www.aquilanetworks.ca>

6. Intervenors and Interested Parties should inform the Commission, in writing, by Friday, December 12, 2003 of their intention to actively intervene in the proceeding, or become Interested Parties. Registered Intervenors will receive from Aquila copies of the Application, all correspondence and filed documentation. Interested Parties will receive the Application's Executive Summary and copies of all Orders issued.

DATED at the City of Vancouver, in the Province of British Columbia, this 1st day of December 2003.

BY ORDER

Original signed by:

Lori Ann Boychuk
Commissioner and Panel Chair

Attachments



AQUILA NETWORKS CANADA (BRITISH COLUMBIA) LTD. ("Aquila")
PRELIMINARY 2004 REVENUE REQUIREMENTS

NOTICE OF PRE-HEARING CONFERENCE

Date: Thursday, December 18, 2003
Time: 9:00 a.m.
Location: Prestige Inn, 1675 Abbott Street,
Kelowna, B.C. V1Y 8S3

On November 19, 2003, Aquila filed a Preliminary 2004 Revenue Requirements Application ("the Application") with the Commission. Due to the impending sale of the Canadian business of Aquila Networks Canada Corp. to Fortis Inc. and the potential for restructuring, Aquila has applied for a one year extension of the existing Performance Based Rates mechanism, but proposes increases in certain operating and maintenance and capital costs. In addition, Aquila is seeking to defer and amortize other costs, including \$1.086 million in 2003 lease and operating costs related to the Brilliant Terminal Station, and is seeking a variance from Generally Accepted Accounting Principles to record the lease obligation as an operating lease. These cost increases, if approved, would result in an increase in rates. As it is not possible to make a determination on final rates until sometime in 2004, Aquila requests a 3.4 percent interim refundable rate increase, effective January 1, 2004. Aquila has also recommended that a Negotiated Settlement Process, pursuant to the Commission's Guidelines, be held to determine the 2004 Revenue Requirements and the parameters of the Incentive Mechanism.

The Commission will hold a Pre-Hearing Conference on Thursday, December 18, 2003, commencing at 9:00 a.m., in the Prestige Inn, 1675 Abbott Street, Kelowna, B.C. V1Y 8S3. The purpose of the Pre-Hearing Conference will be to solicit input from all participants as to:

- a) the proposed regulatory process to deal with the Application,
- b) the request for a 3.4% interim refundable rate increase,
- c) the request for a variance from Generally Accepted Accounting Principles, and
- d) the request for deferral accounts.

Following the Pre-Hearing Conference Commission staff will prepare a report to the Commission, summarizing the positions of all participants with respect to the above issues. Participants wishing to make separate submissions to the Commission should do so in writing by Monday, December 22, 2003.

Aquila is to provide copies of the Application to all parties wishing to participate in the Pre-Hearing Conference. Those persons wishing to participate are to advise the Commission Secretary of their intention to do so no later than Friday, December 12, 2003. Notification by courier delivery, fax or e-mail is acceptable.

Mail: Sixth Floor
Box 250, 900 Howe Street,
Vancouver, B.C. V6Z 2N3

Email: Commission.Secretary@bcuc.com

Facsimile: (604) 660-1102

The Application and supporting materials will be available for inspection at the following locations:

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1290 Esplanade
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<http://www.aquilanetworks.ca>

For further information, please contact the Commission Secretary Toll Free at 1-800-663-1385 or (604) 660-4700 or Mr. Barry McKinlay, Manager, Rates and Finance at (604)-660-4736.