

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-2-04

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. V6Z 2N3 CANADA
web site: <http://www.bcuc.com>

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

**An Application by Aquila Networks Canada (British Columbia) Ltd.
for Approval of a Variance from Generally Accepted Accounting Principles
and Approval for Deferral Accounts**

BEFORE: L.A. Boychuk, Panel Chair and
Commissioner)
L.F. Kelsey, Commissioner) January 8, 2004
R. Milbourne, Commissioner)

O R D E R

WHEREAS:

- A. On November 19, 2003, Aquila Networks Canada (British Columbia) Ltd. ("Aquila" or "Company") 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 ("NSP"), pursuant to the Commission's Guidelines, to determine the 2004 Revenue Requirements and the parameters of the Incentive Mechanism. The Company also requested that the 2003 Annual Review of its performance be scheduled prior to the NSP; and
- B. 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
- C. The Application requested, among other significant items, approval for a variance from Generally Accepted Accounting Principles ("GAAP") to treat the lease obligation for the Brilliant Terminal Station agreement as an operating lease, rather than a capital lease, and approval for the establishment of several deferral accounts to record specific expenditures; and
- D. A Pre-hearing Conference was held on Thursday, December 18, 2003, at the Prestige Inn, 1675 Abbott Street, Kelowna, B.C., to discuss certain items in the Application and the proposed regulatory process (as stipulated in Order No. G-79-03); and
- E. In accordance with Commission Order No. G-79-03, a written report summarizing the positions of participants with respect to certain items and the proposed regulatory process was prepared by Commission staff and submitted to the Commission Panel. At the Pre-hearing Conference, participants agreed to the variance from GAAP to treat the lease obligation for the Brilliant Terminal Station agreement as an operating lease, rather than a capital lease, and supported the establishment of the proposed deferral account for the Brilliant Terminal Station Expense for 2004, with further discussions to occur at the revenue requirement

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-2-04

2

proceeding. In addition, participants were given the opportunity to make separate written submissions regarding the above matters to the Commission by December 22, 2003. No further submissions were received; and

- F. The Commission now requires that a determination be made with respect to a variance from GAAP and the establishment of a deferral account.

NOW THEREFORE the Commission orders as follows:

1. The Commission approves for Aquila the variance from GAAP to treat the lease obligation for the Brilliant Terminal Station agreement as an operating lease, rather than a capital lease.
2. Approval is granted to Aquila for the establishment of a deferral account for the Brilliant Terminal Station Expense for 2003 and the recording of \$1.086 million in lease and operating costs, therein. These costs will be examined for prudence during the 2004 revenue requirements review process and their recovery in rates, if any, will be determined at that time.

DATED at the City of Vancouver, in the Province of British Columbia, this 12th day of January, 2004.

BY ORDER

Original signed by:

Lori Ann Boychuk
Panel Chair and
Commissioner