

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-54-04



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

and

**British Columbia Hydro and Power Authority
Application with Respect to Vancouver Island Generation Project
and Georgia Strait Crossing Costs**

BEFORE: R.H. Hobbs, Chair)
L.A. Boychuk, Commissioner) June 10, 2004
M. Birch, Commissioner)

O R D E R

WHEREAS:

- A. On May 27, 2004, British Columbia Hydro and Power Authority ("BC Hydro") filed an Application for Commission authorization to carry forward in a designated account those costs for which provision is made in respect of the Vancouver Island Generation and Georgia Strait Crossing Projects ("the Projects, the Application"); and
- B. As at March 31, 2004, BC Hydro had spent approximately \$98 million on these Projects and has financed spending by Williams Gas Pipeline Company, LLC, with approximately US\$15 million owing at March 31, 2004; and
- C. On March 12, 2003 Vancouver Island Energy Corporation ("VIEC"), a wholly-owned subsidiary of BC Hydro, applied for a Certificate of Public Convenience and Necessity for the Vancouver Island Generation Project ("VIGP"). After an oral public hearing in Nanaimo, B.C. the Commission found that VIEC had not established that the Vancouver Island Generation Project is the most cost-effective means to reliably meet Vancouver Island power needs, denied the VIEC application, and encouraged BC Hydro to proceed with a Call for Tenders ("CFT") process; and
- D. During fiscal 2004, BC Hydro initiated a CFT process to assess alternative proposals and to determine whether VIGP represents a cost-effective solution. BC Hydro expects that any related approvals from the Commission will occur during fiscal 2005 and, under Generally Accepted Accounting Principles, it has recorded a provision in its fiscal 2004 financial statements to reflect the uncertainties as to the projects proceeding or the costs being recovered; and
- E. Notwithstanding the provision taken in the fiscal 2004 financial statements, BC Hydro has requested approval of an account for the accumulated costs of the Projects in order to preserve flexibility to proceed with the Projects, and to pursue recovery of the costs through future rates; and
- F. On June 1, 2004 and June 7, 2004 BC Hydro responded to Commission Information Requests regarding the Application. BC Hydro responded that Commission approval to establish the designated account (deferral

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account) as requested would not limit in any way the future prudency review and the possibility that all costs and carrying costs in the designated account could be deemed imprudent and not recovered in rates; and

G. The Commission considers that the designated account should be established.

NOW THEREFORE the Commission orders as follows:

In accordance with the Application, the Commission authorizes BC Hydro to carry forward in a designated account those costs for which provision is made in respect of the Projects in the fiscal 2004 financial statements, together with any carrying charges associated with those costs until: (i) the current CFT process in connection with supply to Vancouver Island is complete; (ii) BC Hydro has brought an application providing for the manner in which those costs may be recovered in rates; and (iii) the Commission has made a determination thereon.

DATED at the City of Vancouver, in the Province of British Columbia, this 10th day of June 2004.

BY ORDER

Original signed by:

Robert H. Hobbs
Chair