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**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER** G-48-05

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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 for Approval of F2006 Rate of Return on Equity**

**BEFORE:** L.F. Kelsey, Commissioner May 19, 2005

**O R D E R**

**WHEREAS:**

- A. British Columbia Hydro and Power Authority ("BC Hydro") applied on March 1, 2005 for approval of its F2006 allowed return on equity ("ROE") in accordance with Special Direction HC2 and BC Hydro's F2005 and F2006 Revenue Requirements Decision. For F2006, BC Hydro is allowed a pre-tax rate of return based on the allowed 2005 ROE and the 2005 effective income tax rate for Terasen Gas Inc. ("Terasen Gas"), ("the Application"); and
- B. BC Hydro calculated that the allowed 2005 ROE and the 2005 effective income tax rate for Terasen Gas results in an allowed F2006 ROE for BC Hydro of 13.52 percent; and
- C. BC Hydro also calculated that the reduction in allowed ROE from the F2005 BC Hydro allowed ROE of 13.91 percent represents a 0.15 percent reduction in rates and a \$3 million revenue decrease; and
- D. BC Hydro proposes to maintain customer rates at the current levels and transfer the \$3 million in revenue to its existing deferral accounts; and
- E. The 2005 Federal Budget has proposed increases to certain Capital Cost Allowance ("CCA") rates which may impact the 2005 effective income tax rate for Terasen Gas; and
- F. By Letter No. L-23-05, the Commission required Terasen Gas to provide a report on the impact on its 2005 income taxes that would occur if the proposed changes to CCA rates were to take effect; and
- G. By Order No. G-32-05, the BC Hydro Application was approved on an interim basis effective April 1, 2005, subject to adjustment following Terasen Gas' recalculation of its 2005 income taxes, as required by Letter No. L-23-05; and
- H. On April 4, 2005, Terasen Gas reported that, if the Federal Budget is approved, the increase in CCA rates is forecast to increase the CCA deduction by \$123,000 and reduce Terasen Gas' 2005 income taxes by \$43,000. The increase in CCA rates would reduce the allowed F2006 ROE for BC Hydro to 13.51 percent; and

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- I. The Commission has reviewed the BC Hydro Application, Terasen Gas' recalculation of its 2005 income taxes and considers that approval is warranted.

**NOW THEREFORE** the Commission orders as follows:

1. The BC Hydro Application is approved based on an allowed permanent F2006 ROE for BC Hydro of 13.51 percent, effective April 1, 2005.
2. BC Hydro is to confirm the amount of revenue that will be transferred to its existing deferral accounts as a result of the reduction in the allowed permanent F2006 ROE.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 20 day of May 2005.

BY ORDER

*Original signed by:*

L.F. Kelsey  
Commissioner