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**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER** G-17-08

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

and

**An Application by British Columbia Hydro and Power Authority  
Establishment of a Regulatory Asset Regarding F2008 Procurement Enhancement Initiative Costs**

**BEFORE:** R.H. Hobbs, Chair January 31, 2008

**O R D E R**

**WHEREAS:**

- A. On January 3, 2008 the British Columbia Hydro and Power Authority ("BC Hydro") applied to the British Columbia Utilities Commission ("Commission") pursuant to the Utilities Commission Act (the "Act") for an Order approving the establishment of a regulatory asset in respect of the costs BC Hydro has incurred or will incur during Fiscal 2008 in regard to the Procurement Enhancement Initiative ("PEI") (the "Application") that were not previously included in BC Hydro's approved F2007/F2008 Revenue Requirement ("F07/F08 RRA"); and
- B. BC Hydro advised that it considers these incremental expenditures, totaling approximately \$8.2 million, as necessary to improve BC Hydro's procurement processes and will result in revenue requirements in future years that will be lower than they otherwise would be; and
- C. BC Hydro received approval from BC Hydro's Board of Directors on October 31, 2007 authorizing the continuation of the Procure-to-Pay component of the PEI; and
- D. This Application was contemplated in BC Hydro's F07/F08 RRA Negotiated Settlement Agreement, which was approved by Commission Order No. G-143-06. Paragraph 42 in Appendix A to Order No. G-143-06 states that BC Hydro will either file an application regarding its procurement project, referred to on pages 6-16 and 6-17 of the F07/F08 RRA, prior to December 31, 2006, or will make any necessary accounting adjustments; and
- E. BC Hydro, in its letter dated December 29, 2006, stated that the preliminary business case indicated that the PEI should proceed to a more detailed assessment. Subsequently, BC Hydro prepared its Business Case: Procure-to-Pay Implementation Phase dated September 20, 2007, which has been included in the Application; and

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- F. On page 3 of the Application BC Hydro indicates that costs of \$811,000 for each of F2007 and F2008 were approved in the F07/F08 RRA. BC Hydro expensed additional costs of \$1,102,000 in F2007 and \$800,000 in F2008. The \$8.2 million balance of the PEI costs are proposed to be included in the PEI Regulatory Asset account; and
- G. The Application states that BC Hydro will be seeking orders allowing it to defer the net balance of the PEI costs it expects to incur from F2009 through F2011, and to amortize all the deferred PEI costs over a period reflective of the period in which BC Hydro will realize the benefits of the initiative. As with capitalized costs, the PEI costs would be subject to a prudency review before being included in BC Hydro's rates. The costs for F2008 will be amortized together with the costs for F2009, F2010, and F2011. Finally, BC Hydro states it is expected that amortization will commence in F2012; and
- H. The Commission considers that the Application is in the public interest.

**NOW THEREFORE** the Commission orders that BC Hydro is authorized to establish a regulatory asset (the PEI Regulatory Asset) for the purpose of deferring up to \$8.2 million of expenditures incurred in Fiscal Year 2008, plus interest, arising from its Procurement Enhancement Initiative, as described in BC Hydro's January 3, 2008 Application.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 1<sup>st</sup> day of February 2008.

BY ORDER

*Original signed by*

Robert H. Hobbs  
Chair