

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-88-10**



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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
for Approval to Establish a Regulatory Asset Regarding
Liability Provision for Environmental Compliance and Remediation**

BEFORE: D.A. Cote, Commissioner
L.F. Kelsey, Commissioner May 27, 2010

O R D E R

WHEREAS:

- A. On March 31, 2010 the British Columbia Hydro and Power Authority (BC Hydro) submitted an application (the Application) to the British Columbia Utilities Commission (Commission) for approval in respect of a loss provision liability pertaining to both the disposal of chlorobiphenyls (PCBs) and the remediation of environmental contamination at one of BC Hydro's properties (the Property) as required under Generally Accepted Accounting Principles (GAAP) to:
1. Establish a non-rate base, non-interest bearing, non-AFUDC attracting deferral account (regulatory asset) equal to the amount of the loss provision liability being recorded in F2011 financial statements required under GAAP.
 2. Periodically adjust the amount of the regulatory asset to match the change in the loss provision liability as required under GAAP.
 3. Carry forward the regulatory asset, as adjusted from time to time, until the requirement for the loss provision liability is no longer required under GAAP; and
- B. This Application is not seeking any pre-approval from the Commission with respect to the ultimate recovery in rates of the amount of the loss provision liability or related regulatory asset. If and when actual costs are incurred by BC Hydro, it would seek recovery of the actual costs in future proceedings. BC Hydro will address the implications of these costs on 2011 rates through the F2011 Revenue Requirements Application Evidentiary Update; and
- C. The annual cost of complying with the PCB Regulation is expected to be relatively stable, ranging between \$18 million and \$20 million per year for the next 30 or more years; and
- D. In regards to the loss provision liability pertaining to the disposal of PCB's, BC Hydro advised that as a result of the federal PCB Regulations enacted under the *Canadian Environmental Protection Act, 1999* and the resulting increase in future expenditures to dispose of PCBs and products containing PCBs, BC Hydro is obliged under GAAP to record a loss provision liability in BC Hydro's fiscal year 2010 (F2010) financial statements; and

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2

- E. In regards to the loss provision liability pertaining to the Property, BC Hydro sought confidential treatment of the information about the Property because it believes that making the information public at this stage could adversely affect its negotiations with third parties concerning responsibility for the costs of the remediation and advises that, as a result of the contingent liability that has resulted, BC Hydro is obliged under GAAP to record a loss provision liability in BC Hydro's fiscal year 2010 (F2010) financial statements; and
- F. On April 12, 2010 the Commission issued an Information Request and BC Hydro responded on April 19, 2010; and
- G. On April 21, 2010 the Commission invited Interveners to comment on the Application by May 4, 2010; however, no Interveners chose to comment; and
- H. The Commission considers that the Application is in the public interest.

NOW THEREFORE pursuant to section 49(a) of the *Utilities Commission Act*, the Commission orders as follows:

1. BC Hydro is to establish in F2010 a non-rate base, non-interest bearing, non-AFUDC attracting regulatory asset (the Environmental Liabilities Regulatory Asset) in the amount of the loss provision liability BC Hydro recognizes in respect of compliance with the PCB Regulations and remediation of environmental contamination at the Property and reported in BC Hydro's fiscal year 2010 financial statements.
2. Periodically adjust the amounts of the Environmental Liabilities Regulatory Asset to match the changes as required under GAAP in the loss provision liability.
3. Carry forward the Environmental Liabilities Regulatory Asset, as adjusted from time to time, until the requirement for the loss provision liability is no longer required under GAAP.

DATED at the City of Vancouver, in the Province of British Columbia, this 28th day of May 2010.

BY ORDER

Original signed by:

D. A. Cote
Commissioner