

BC Hydro 2008 LTAP Hearing

BC HYDRO UNDERTAKING NO. 2

HEARING DATE:

February 20, 2009

TRANSCRIPT REFERENCE:

Volume 4, Page 404, Line 12 to Page 406, Line 24

REQUESTORS: BCOAPO (Mr. Quail) / Commission Panel Chair

QUESTION:

Please provide an estimate of the incremental impact of the amended Return on Equity (ROE) on the Long-Term Rate Increase Forecast (LTRIF), included as Attachment 1 to the response to BCUC IR 1.7.1 (Exhibit B-3).

RESPONSE:

The Amendment to Special Direction HC2 approved by Order in Council 074 dated February 17, 2009 impacts the ROE by increasing the annual return on deemed equity for F2010, F2011 and F2012 by 1.63 per cent.

On a cumulative basis, due to the fact that the increase in ROE (and therefore any rate increase related to it), is temporary in nature, over the longer term it is estimated that the temporary 1.63 per cent increase in the allowed ROE does not have a material impact on the total cumulative rate increases forecast in the LTRIF.

All else remaining equal, compared with the LTRIF, based on an estimated deemed equity of approximately \$3.5 billion in F2010, an increase of 1.63 per cent ROE would result in approximately \$60 million higher required revenue in F2010. This increase will be subject to regulatory account treatment, so there would be no rate impact in F2010, with the increase in required revenue for F2010 deferred and recovered in future years.

For F2011 (all other assumptions and inputs remaining unchanged in the LTRIF), the rate increase, given the amendment to the allowed ROE, would be approximately 2 per cent higher than in the LTRIF. For F2012, it is estimated that the rate increase would not be materially different from the LTRIF. For F2013 (the year following the last year covered by the amended Special Direction HC2), it is estimated that the rate increase would be approximately 2 per cent lower than in the LTRIF. For F2014 and beyond, it is estimated that rate increases would not be significantly different from those in the LTRIF.