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Our File No.: 5497-87

November 4, 2005

BY COURIER AND E-MAIL

Mr. R.J. Pellatt
Commission Secretary
British Columbia Utilities Commission
Box 250, 6th Floor, 900 Howe Street
Vancouver, B.C.
V6Z 2N3

Dear Mr. Pellatt:

Re: Applications by FortisBC Inc. ("FortisBC") and British Columbia Hydro and Power Authority ("BC Hydro") for exemptions pursuant to Section 88(3) of the *Utilities Commission Act* regarding the Canal Plant Agreement, the FortisBC Entitlement Adjustment Agreement and the CPA Subagreement

Please find enclosed, for filing with you, twenty copies of the Applicants' responses to the information requests submitted by the Interior Municipal Electrical Utilities in connection with the above-noted matter.

If you require further information in this matter, please contact FortisBC's Mr. George Isherwood at (250) 368-0313, BC Hydro's Tony Morris at (604) 623-4046 or the writer at (604) 661-9316.

Yours truly,

FARRIS, VAUGHAN, WILLS & MURPHY LLP

Per: "Dean O'Leary"

DOL/fc
Enclosures

Interior Municipal Electric Utilities Information Request No. 1.1.0 Dated: October 24, 2005 FortisBC Inc./British Columbia Hydro & Power Authority Response issued November 4, 2005	Page 1
FortisBC Inc. British Columbia Hydro & Power Authority British Columbia Transmission Corporation Canal Plant Agreements Application	

1.0 Reference: None

Are there any circumstances that may occur with respect to the operation of the four FortisBC plants on the Kootenay River that would adversely affect the ability of Teck Cominco, the Columbia Power Entities or BC Hydro to meet their obligations to each other under the 2005 Canal Plant Agreement?

RESPONSE:

The Applicants believe that this question is outside the scope of the examination the Commission is conducting with respect to the joint Application (as described in the Commission's Order Number G-95-05, dated September 30, 2005). Nevertheless, the Applicants would respond in the following manner.

The Applicants do not believe there are any reasonably foreseeable events or circumstances that could affect the operation of the four FortisBC plants on the Kootenay River in such a way as to affect adversely the ability of Teck Cominco, the Columbia Power Corporation/Columbia Basin Trust Entities or BC Hydro to perform the obligations they respectively owe each other under the 2005 CPA.

Interior Municipal Electric Utilities Information Request No. 1.2.0 Dated: October 24, 2005 FortisBC Inc./British Columbia Hydro & Power Authority Response issued November 4, 2005	Page 1
FortisBC Inc. British Columbia Hydro & Power Authority British Columbia Transmission Corporation Canal Plant Agreements Application	

2.0 Reference: None

Are there any circumstances with the respect to the operation of the Brilliant or Waneta projects that would adversely affect the ability of FortisBC or BC Hydro to meet their obligations to each other under the 2005 Canal Plant Agreement or the Entitlement Adjustment Agreement?

RESPONSE:

The Applicants believe that this question is outside the scope of the examination the Commission is conducting with respect to the joint Application (as described in the Commission's Order Number G-95-05, dated September 30, 2005). Nevertheless, the Applicants would respond in the following manner.

The Applicants do not believe there are any reasonably foreseeable events or circumstances that could affect the operation of the Brilliant Plant or the Waneta Plant in such a way as to affect adversely the ability of FortisBC or BC Hydro to perform the obligations they respectively owe each other under the 2005 CPA or the FortisBC Entitlement Adjustment Agreement.

3.0 Reference: None

What representations were made to the BCUC in past CPCN applications with respect to the benefits that FortisBC customers would receive in return for the capital investments made for upgrades to the “recently upgraded units” referenced in Section 2.5 of the Entitlement Adjustment Agreement? Are benefits that were actually negotiated in the Entitlement Adjustment Agreement for the “recently upgraded units” consistent with the representations made in those CPCN applications?

RESPONSE:

FortisBC believes that this question is outside the scope of the examination the Commission is conducting with respect to the joint Application (as described in the Commission’s Order Number G-95-05, dated September 30, 2005). Nevertheless, FortisBC would respond in the following manner.

FortisBC’s CPCN applications for the now-completed upgrades at UBO 5, SLC 1, and LBO 3 estimated that an increase in capacity of about 8 MW and an increase in energy of about 46 GW.h per year would be achieved as a result of the upgrades.

As explained on page 20 of the joint Application, FortisBC received a net benefit (based on preliminary calculations) of 25 GW.h per year and 6.4 MW as a result of the FortisBC Entitlement Adjustment Agreement and the 2005 CPA. This benefit is comprised of (a) a 20 GW.h reduction in base (i.e. pre-upgrade) entitlement energy, from 1541 GW.h to 1521 GW.h, and a 0 MW reduction in entitlement capacity (but for the FortisBC Entitlement Adjustment Agreement, the new efficiency data absent the upgrades would have reduced FortisBC’s entitlement to 1491 GW.h and 191 MW), and (b) a 45 GW.h and 6.4 MW increase in energy and capacity.

The actual increases (based on final calculations) are 48 GW.h and 7 MW, respectively, and are very close to the figures estimated in the CPCNs, as shown in the table below.

	Pre 2004	Effect of new efficiency data	Base entitlement with EAA	With upgrades, with EAA	Attributable to upgrades	As estimated in CPCNs
Energy (GW.h/yr.)	1541	1491	1521	1569	48	46
Capacity (average MW/yr.)	198	191	198	205	7	8

Interior Municipal Electric Utilities Information Request No. 1.4.0 Dated: October 24, 2005 FortisBC Inc./British Columbia Hydro & Power Authority Response issued November 4, 2005	Page 1
FortisBC Inc. British Columbia Hydro & Power Authority British Columbia Transmission Corporation Canal Plant Agreements Application	

4.0 Reference: None

Mr. Spafford indicated at the September 15 Workshop that the 2005 Canal Plant Agreement contains much more clarity than the original Canal Plant Agreement. Does this “clarity” impose new obligations on FortisBC into the future, and if so, at what cost?

RESPONSE:

For the most part, the improved clarity of the 2005 Canal Plant Agreement results from the parties’ having incorporated language that describes their respective existing rights and obligations with more precision and completeness. For example, the method by which entitlement is determined and the conditions under which it may be re-determined is spelled out in detail in Schedule A to the 2005 CPA, whereas in the Original CPA the relevant methodology was not included at all. The 2005 CPA creates very few new rights or obligations, since one of the parties’ objectives during negotiations was to preserve, as much as possible, the existing balance of benefits and obligations established by the Original CPA.

In certain respects, the improved clarity does reflect the parties’ agreement to stipulate certain new obligations, such as in relation to the sharing of information on a timely basis. However, these new obligations do not require FortisBC to increase its staff levels or otherwise incur any new or additional costs.

In short, FortisBC believes that the improved clarity of the 2005 CPA does not result in the creation of any new contractual obligations for FortisBC that would impose a measurable incremental cost burden on FortisBC.

Interior Municipal Electric Utilities Information Request No. 1.5.0 Dated: October 24, 2005 FortisBC Inc./British Columbia Hydro & Power Authority Response issued November 4, 2005	Page 1
FortisBC Inc. British Columbia Hydro & Power Authority British Columbia Transmission Corporation Canal Plant Agreements Application	

5.0 Reference: None

Section 2.10 of the Entitlement Adjustment Agreement states that BC Hydro has plans to dredge Grohman Narrows. When does BC Hydro plan to implement this, and for what reason?

RESPONSE:

The Applicants believe that this question is outside the scope of the examination the Commission is conducting with respect to the joint Application (as described in the Commission's Order Number G-95-05, dated September 30, 2005). Nevertheless, BC Hydro would respond in the following manner:

Dredging Grohman Narrows has been identified as one of the potential Resource Smart projects available to BC Hydro. If carried out, it is expected to increase the energy benefits available to Kootenay Canal and the other projects on the Kootenay River system and to provide flood control benefits upstream of the project. No decision has been taken by BC Hydro on whether or not to proceed with the project pending more detailed study of its costs, benefits and regulatory requirements.

Interior Municipal Electric Utilities Information Request No. 1.6.0 Dated: October 24, 2005 FortisBC Inc./British Columbia Hydro & Power Authority Response issued November 4, 2005	Page 1
FortisBC Inc. British Columbia Hydro & Power Authority British Columbia Transmission Corporation Canal Plant Agreements Application	

6.0 Reference: None

One of the major benefits that FortisBC received as a result of the original Canal Plant Agreement is the PPA. Why wasn't this benefit extended to match the "evergreen" term of the new 2005 Canal Plant Agreement?

RESPONSE:

The Applicants believe that this question is outside the scope of the examination the Commission is conducting with respect to the joint Application (as described in the Commission's Order Number G-95-05, dated September 30, 2005). Nevertheless, FortisBC would respond in the following manner.

Each of the Canal Plant Agreement and the Power Purchase Agreement deals with fundamentally different issues which have historically been addressed in discrete negotiations. Moreover, the Power Purchase Agreement, in its present form, was negotiated and settled only after several contentious regulatory processes involving BC Hydro and FortisBC. Following a public hearing, the Commission rendered a decision that accompanied BCUC Order G-27-93. In that decision the Commission stated that

The Commission requires that the PPA to accompany modified Rate 3808 have a term of at least 20 years with a provision for negotiated renewals thereafter.

The Power Purchase Agreement, being an energy supply contract, was subsequently filed with and approved by the Commission with a 20 year term.

FortisBC is currently discussing with BC Hydro the possibility of extending the term of the Power Purchase Agreement beyond its current expiry date. If the parties are successful in negotiating such an extension, the term of the extension will be settled in the context of the entire arrangement.