

REQUESTOR NAME: **Morgan Stanley Capital Group Inc.**

INFORMATION REQUEST ROUND NO: **2**

TO: BRITISH COLUMBIA HYDRO & POWER AUTHORITY

DATE: **March 6, 2012**

PROJECT NO: **3698622/Order G-40-11**

APPLICATION NAME: **Amended F12-F14 RRA**

1.0 Topic: Allocation of PTP Charges to Powerex
Reference: BC Hydro Response to MSCG IR 1.1.13

- 1.1 Please explain why there is now an allocation to BCH Distribution for F2012-F2014 and how the allocation amount attributed to Distribution is calculated. (refer also to BCUC IR 1.327.1)

2.0 Topic: Allocation of PTP Charges to Powerex
Reference: Exhibit B-1-3, Appendix 3.4

- 2.1 Please explain, without referring to other IR responses, the variance as between the F2008-to-F2010 PTP Powerex allocation amounts (average \$34.3 million) with the F2011 Actual of \$21.4 million and forecasted F2012-to-F2014 amounts (\$26.2 million) given that the allocation methodology is reportedly unchanged.
- 2.2 For the F2011 Actual period, please provide the total volume of PTP transmission scheduled for purposes of Electricity Trade and the resulting average PTP cost associated with this trade based on the total Powerex PTP allocation.

3.0 Topic: Allocation of PTP Charges to Powerex
Reference: BC Hydro Response to MSCG IR 1.1.1; MSCG 1.1.4; MSCG 1.1.6; BCUC IR 1.327.1.3; AMPC 1.24.1

- 3.1 In response to MSCG IR 1.1.1, BC Hydro stated "the F2011 forecast and F2011 actuals [sic] included amounts for NITS Distribution and Disposition of BCTC Deferral, resulting in a significant increase to BC Hydro PTP charges and to what is described in this IR as "Total PTP Purchases". The NITS Distribution and Disposition of BCTC Deferral both arise from the integration of BCTC and BC Hydro".
- 3.1.1 Please explain why the F2011 **PTP** charges included amounts actually attributable to:
- NITS Distribution; and
 - Disposition of BCTC Deferral.
- 3.1.2 Please reconcile such allocation with the statement in BC Hydro's response to AMPC 1.24.1 that the PTP allocation methodology is *based on actual costs and relative usage* (see also response to MSCG IR 1.3.1) upon which neither of the above two line items appear to have any bearing.

- 3.1.3 Please explain why the F2011 PTP charges include these two amounts which are attributable to the re-integration of BCTC and BC Hydro (refer also to BC Hydro responses to MSCG IR 1.1.4; 1.1.6 and BCUC IR 1.327.1.3), neither of which appear to have anything to do with actual PTP costs (which are based solely on a posted OATT Rate). Please explain why costs outside of a posted PTP Tariff Rate would result in increased actual PTP costs?

4.0 Topic: Allocation of PTP Charges to Powerex
Reference: BC Hydro Response to MSCG IR 1.3.1; AMPC IR 1.21.1

- 4.1 In response to MSCG IR 1.3.1, BC Hydro stated that the allocation is "done retrospectively....and regardless of the original business decision supporting the PTP reservation".
- 4.1.1 Please explain how such an after-the-fact allocation that may no longer be based on the original business decision that supported the procurement/expenditure, results in an appropriate allocation as between the costs to be ultimately borne by the ratepayer and the income of an unregulated subsidiary (refer to BC Hydro response to AMPC IR 1.21.1 regarding Powerex's unregulated subsidiary status).
- 4.1.2 Please explain the rigor/structure that BC Hydro has in place to ensure that such an after-the-fact allocation that may disregard the original business decision upon which the PTP costs were incurred, results in an accurate and appropriate allocation as between the ratepayer and the unregulated subsidiary.
- 4.1.3 Please explain how the after-the-fact allocation methodology takes into account PTP procurement that is made but not used to its full capacity. (i.e. assume a 100MW reservation that is only scheduled 30% of the time). How is this allocation determined, to which entity and why?

5.0 Topic: Allocation of PTP Charges to Powerex
Reference: BC Hydro Response to MSCG IR 1.3.1; MSCG 1.3.2

- 5.1 In response to MSCG IR 1.3.2, BC Hydro stated "Powerex acts as BCH's agent and is responsible for the business decisions supporting the purchase of PTP reservations, subject to certain thresholds".
- 5.1.1 Please reconcile the response above with the response to MSCG IR 1.3.1 where the business decision purportedly may not play a part in the actual allocation of costs as between the ratepayer and the unregulated subsidiary.

6.0 Topic: Allocation of PTP Charges to Powerex
Reference: BC Hydro Response to AMPC IR 1.21.1

- 6.1 In response to AMPC IR 1.21.1, BC Hydro stated "Powerex can only provide benefits to ratepayers".

6.1.1 Please reconcile this statement with the fact that the allocation is made after the fact and regardless of Powerex's original business decision originally justifying the procurement/expenditure. Powerex's original business decision in procuring the PTP transmission as BC Hydro's agent can detrimentally affect the ratepayer if the after-the-fact allocation attributes additional costs to BC Hydro that are not considered at the time the original business decision is made.