



VIA EMAIL

bhydroregulatorygroup@bhydro.com

March 22, 2016

**BC HYDRO F2017–F2019
REVENUE REQUIREMENTS EXHIBIT A-2**

Mr. Tom Loski
Chief Regulatory Officer
Regulatory & Rates Group
British Columbia Hydro and Power Authority
16th Floor – 333 Dunsmuir Street
Vancouver, BC V6B 5R3

Dear Mr. Loski:

Re: British Columbia Hydro and Power Authority
F2017 to F2019 Revenue Requirements Application

Further to your February 26, 2016 application for approval of an interim refundable rate increase of 4.0 percent effective April 1, 2016, enclosed please find Commission Order G-40-16 with attached Reasons for Decision.

Yours truly,

Original signed by:

Laurel Ross

kbb



ORDER NUMBER
G-40-16

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

British Columbia Hydro and Power Authority
F2017 to F2019 Revenue Requirements Application

BEFORE:

D. M. Morton, Commissioner / Panel Chair
D. J. Enns, Commissioner
K. A. Keilty, Commissioner

on March 22, 2016

ORDER

WHEREAS:

- A. The British Columbia Hydro and Power Authority (BC Hydro) filed on February 26, 2016 with the British Columbia Utilities Commission (Commission), pursuant to section 9(1) of Direction No. 7 to the Commission (Direction No. 7), sections 58 to 60, 89 and 90 of the *Utilities Commission Act*, and section 15 of the *Administrative Tribunals Act*, an application for approval of an interim refundable rate increase of 4.0 percent effective April 1, 2016 (Interim Rates Application);
- B. In the Interim Rates Application, BC Hydro submits that on the basis of its most recent (October 2015) load and revenue forecasts and financial projections BC Hydro would need a rate increase of 9.7 percent effective April 1, 2016 to have the opportunity to recover its forecast F2017 revenue requirements during the fiscal year; however, pursuant to section 9(1) of Direction No. 7, BC Hydro's rates for F2017 must not be increased by more than 4.0 percent on average;
- C. BC Hydro also advises that its October 2015 forecasts do not account for the impact to forecast industrial load resulting from recent declines in prices for the commodities certain BC Hydro industrial customers produce, the impact to forecast liquefied natural gas (LNG) facility load resulting from recent developments including an announcement to delay a LNG facility final investment decision, and additionally, they do not account for the Government of British Columbia's February 5, 2016 announcement of a program to allow mining companies to defer a portion of their electricity payments, to help mines remain in operation;
- D. BC Hydro submits that these changes have a material impact on the projections underpinning its revenue requirements, and that directionally the recent developments will reduce forecast loads and revenues and increase the forecast revenue shortfall, other things being equal. BC Hydro indicates that it is updating its forecasts however this information will not be complete until summer 2016;
- E. In the circumstances BC Hydro proposes to submit a complete revenue requirements application covering the F2017 to F2019 fiscal years of BC Hydro (F2017 to F2019 Revenue Requirements Application) in

summer 2016, and seeks approval to increase its rates by 4.0 percent, on average, effective April 1, 2016 and on an interim and refundable basis pending the Commission's review and decision on the complete F2017 to F2019 Revenue Requirements Application;

- F. BC Hydro requests that the Commission issue its order by March 28, 2016 to allow BC Hydro time to update its billing system to reflect the decision; and
- G. The Commission has considered the Interim Rates Application and determines that approval of interim rates is warranted. Following the filing of the complete application, the Commission will establish further process for the review of the F2017 to F2019 RRA, including the process to follow for those parties who wish to participate in the proceeding.

NOW THEREFORE pursuant to sections 58 to 60, 89 and 90 of the *Utilities Commission Act* and as set out in the Reasons for Decision attached as Appendix A to this order, the Commission orders as follows:

1. The 4.0 percent interim increase in rates is approved for BC Hydro effective April 1, 2016, to be applied as set out in Appendix D of the Interim Rates Application and reflected on the rate schedules filed with the Interim Rates Application in Appendix E.
2. The rate schedules set out in Appendix E of the Interim Rates Application are accepted for filing.
3. The rates approved by this order will remain interim and subject to refund with interest at BC Hydro's weighted average cost of debt until further order of the Commission.
4. BC Hydro must provide customers with notification of the interim rate increase as soon as is practicable.
5. BC Hydro must provide a copy of this Commission order to all parties who participated in the F2012 to F2014 Revenue Requirements Application proceeding.

DATED at the City of Vancouver, in the Province of British Columbia, this 22nd day of March 2016.

BY ORDER

Original signed by:

D. M. Morton
Commissioner

Attachment

British Columbia Hydro and Power Authority
F2017 to F2019 Revenue Requirements Application

REASONS FOR DECISION

Application and orders sought

BC Hydro and Power Authority (BC Hydro) filed on February 26, 2016 with the British Columbia Utilities Commission (Commission), pursuant to section 9(1) of Direction No. 7 to the British Columbia Utilities Commission (Direction No. 7), sections 58 to 60, 89 and 90 of the *Utilities Commission Act*, and section 15 of the *Administrative Tribunals Act*, an application for approval of an interim refundable rate increase of 4.0 percent effective April 1, 2016 (Interim Rates Application);

In the Interim Rates Application BC Hydro submits information that on the basis of its most recent (October 2015) load and revenue forecasts and financial projections, BC Hydro would need a rate increase of 9.7 percent effective April 1, 2016 to have the opportunity to recover its forecast F2017 revenue requirements during the fiscal year.

Legislative framework

In 2014, the Province of British Columbia issued Order in Council No. 095/2014 which established a new regulatory framework regarding the Commission's oversight of BC Hydro's rates through Direction No. 6 and Direction No. 7. Direction No. 7 applies to Commission regulation going forward including the F2017 revenue requirements. Section 4 of Direction 7 requires the Commission to ensure that in regulating and setting rates for BC Hydro that those rates allow the utility to collect sufficient revenue in each fiscal year to provide reliable electricity service, meet its financial obligations, comply with government policy directives and achieve an annual return on deemed equity. A copy of Direction 7 is attached as Appendix B to this order.

Section 9(1) of Direction No. 7 requires that BC Hydro's rates for F2017 must not be increased by more than 4.0 percent on average (rate cap) and the Commission must order BC Hydro to defer to the Rate Smoothing Regulatory Account portion of the F2017 revenue requirement that is forecast not to be recovered by the rate cap. Section 10 of Direction No. 7 requires that the deferral account rate rider remain at 5 percent.

Regulatory process

The Commission reviewed BC Hydro's Interim Rates Application and supporting material to determine if sufficient evidence was provided to support the expected revenue deficiency of 9.7 percent based on an October 2015 load forecast. The Commission performed its review in a similar manner to its review of BC Hydro's 2004/05 and 2005/06 revenue requirements that are described on page 2 of Letter No. L-13-04:

The Commission does not grant interim increases merely as a convenience to the utility. The Commission considered the comments concerning process made at the pre-hearing conference but determined that it continues to be appropriate, in this instance, for the Commission to follow its practice of granting the requested interim relief under Section 89 without a process or further input from participants. The Commission considered that BC Hydro had put forth *prima facie* evidence that the relief should be granted and the Commission notes, particularly, that the interim award is subject to refund, with interest, after a hearing. As noted by participants at the pre-hearing conference, the Commission cannot and should not fully examine all the issues in a utility rate application prior to granting interim relief. While a number of intervenors supported a limited process with respect to the interim, it was also emphasized that it is important to BC

Hydro customers to have as much notice as possible as to the interim rates to be approved by the Commission.

Commission decision

The Panel approves the 4.0 percent interim increase in rates for BC Hydro effective April 1, 2016, to be applied as set out in Appendix D of the Interim Rates Application and reflected on the rate schedules filed with the Interim Rates Application in Appendix E. BC Hydro has provided evidence that the revenue requirements are expected to require a F2017 rate increase of 9.7 percent and Direction No. 7 limits any F2017 rate increase to 4 percent. The Panel considers this to be sufficient prima facie evidence to justify an interim rate increase of 4 percent without further process.

Following the filing of BC Hydro's complete application, the Commission will establish further process for the review of the F2017 to F2019 RRA, including the process to follow for those parties who wish to participate in the proceeding. The interim rate increase is refundable with interest at BC Hydro's weighted average cost of debt and any excess revenue deficiency over the 4 percent increase is to be transferred to the Rate Smoothing Regulatory Account.

PROVINCE OF BRITISH COLUMBIA
ORDER OF THE LIEUTENANT GOVERNOR IN COUNCIL

Order in Council No. 097 , Approved and Ordered March 05, 2014


Lieutenant Governor

Executive Council Chambers, Victoria

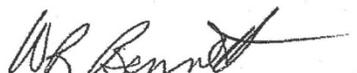
On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and consent of the Executive Council, orders that

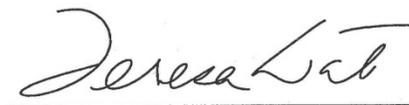
- (a) the Heritage Special Direction No. HC2 to the British Columbia Utilities Commission, B.C. Reg. 158/2005, is repealed, and
- (b) the attached Direction No. 7 to the British Columbia Utilities Commission is made.

DEPOSITED

March 6, 2014

B.C. REG. 28/2014


Minister of Energy and Mines and
Minister Responsible for Core Review


Presiding Member of the Executive Council

(This part is for administrative purposes only and is not part of the Order.)

Authority under which Order is made:

Act and section: *Utilities Commission Act*, R.S.B.C. 1996, c. 473, s. 3;
BC Hydro Public Power Legacy and Heritage Contract Act, S.B.C. 2003, c. 86, s. 4

Other: OIC 1123/2003

February 18, 2014

R/113/2014/27

**DIRECTION NO. 7 TO THE BRITISH COLUMBIA
UTILITIES COMMISSION**

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APPENDIX A

APPENDIX B

Definitions

1 In this direction:

“**Act**” means the *Utilities Commission Act*;

“**asbestos remediation costs**” means the costs that are subject to the asbestos remediation regulatory account;

“**asbestos remediation regulatory account**” means the regulatory account established under commission order G-7-13;

“**base line rate change**” means, for each of F2017, F2018 and F2019, the year-over-year increase in the authority’s average rates that the commission determines it would have ordered but for section 9 (1) of this direction, expressed as a percentage;

“**Burrard costs**” means the costs incurred by the authority in F2014 or a later fiscal year arising from the decommissioning of those portions of Burrard Thermal that are not required for transmission support services, including, without limitation, employee retention costs incurred as a result of the decommissioning, costs incurred as penalties or damages that arise in consequence of the decommissioning, and the net increase in amortization expense in F2015 and F2016 arising from a commission order under section 15 of this direction;

“**Burrard Thermal**” has the same meaning as in the *Clean Energy Act*;

“**California settlements**” means the settlement of litigation between Powerex Corp. and various California parties arising from events and transactions in the

California power market during 2000 and 2001, as approved by the Federal Energy Regulatory Commission (US) on October 4, 2013;

“**debt**” has the same meaning as in Heritage Special Directive No. HC1 to the British Columbia Hydro and Power Authority;

“**deemed equity**” means, for any fiscal year, the product obtained by multiplying the rate base relating to that year by 30%;

“**deferral account rate rider**” means the surcharge, expressed as a percentage, as set out in rate schedule 1901 of the authority;

“**distributable surplus**” has the same meaning as in Heritage Special Directive No. HC1 to the British Columbia Hydro and Power Authority;

“**DSM regulatory account**” means the regulatory account of the authority established under commission order G-55-95;

“**F2014**” means the authority’s fiscal year commencing April 1, 2013 and ending March 31, 2014;

“**F2015**” means the authority’s fiscal year commencing April 1, 2014 and ending March 31, 2015;

“**F2016**” means the authority’s fiscal year commencing April 1, 2015 and ending March 31, 2016;

“**F2017**” means the authority’s fiscal year commencing April 1, 2016 and ending March 31, 2017;

“**F2018**” means the authority’s fiscal year commencing April 1, 2017 and ending March 31, 2018;

“**F2019**” means the authority’s fiscal year commencing April 1, 2018 and ending March 31, 2019;

“**First Nations settlements**” means the settlement of litigation between the authority and the Tsay Keh Dene and Kwadacha First Nations, and the settlement of damages claims by the St’at’imc First Nation against the authority, as agreed to between the authority and the first nation on August 31, 2009, November 27, 2008 and May 10, 2011, respectively;

“**government policy directive**” means a directive in writing to the authority from the minister responsible for the administration of the *Hydro and Power Authority Act*;

“**heritage contract**” means the document attached as Appendix A to this direction;

“**heritage deferral account**” means the Heritage Payment Obligation Deferral Account established under commission order G-96-04 and the direction in section 4.5 of the reasons that accompany that order;

“**heritage energy**” has the same meaning as in the heritage contract;

“**heritage payment obligation**” has the same meaning as in the heritage contract;

“**heritage resources**” has the same meaning as in the heritage contract;

“**non-current pension costs**” means the costs that are subject to the non-current pension costs regulatory account;

“non-current pension costs regulatory account” means the regulatory account established under commission order G-16-09 and the direction in section 5.5.5 of the reasons that accompany that order;

“non-heritage deferral account” means the Non Heritage Deferral Account established under commission order G-96-04 and the direction in section 4.5 of the reasons that accompany that order;

“public awareness program” has the same meaning as in the Demand-Side Measures Regulation;

“rate base” means, in relation to a fiscal year of the authority, the amount determined in accordance with the following equation and notes:

$$RB = WCA + (A+B+C)/2 - (D + E + F)/2$$

where

- RB = rate base;
WCA = working capital amount of \$250 million;
A, B, D, E and F = the sum of an amount the authority forecasts will be listed as follows in the authority’s audited financial statements at the end of the previous fiscal year and the amount the authority forecasts will be similarly listed at the end of the applicable fiscal year:
- A is the amount listed as property, plant and equipment in service, less accumulated amortization;
 - B is the amount listed as intangible assets in service, less accumulated amortization;
 - D is the amount listed as contributions in aid of construction;
 - E is the amount listed as contributions arising from the Columbia River Treaty;
 - F is the amount listed as leased assets included in A, less accumulated amortization;
 - C = the sum of the balance the authority forecasts for DSM regulatory account at the beginning of the fiscal year and the balance the authority forecasts for the same account at the end of the fiscal year.

Notes:

- 1 In determining rate base for a fiscal year, the amounts A, B and F must have subtracted from them any amount included in them that is an expenditure incurred by the authority on or after April 1, 2011, that the commission determines under the Act must not be recovered by the authority in rates.
- 2 In determining rate base for a fiscal year, the amount D must have subtracted from it any amount included in it that is related to an expenditure referred to in note 1;

“rate smoothing regulatory account” means the regulatory account the commission must allow the authority to establish under section 7 (h) (i) of this direction;

“real property sales regulatory account” means the regulatory account the commission must allow the authority to establish under section 7 (h) (ii) of this direction;

“retail access program” has the same meaning as in commission order G-39-12;

“Rock Bay costs” means the costs of the authority in F2014 or a later fiscal year subject to the Rock Bay remediation regulatory account;

“Rock Bay remediation regulatory account” means the regulatory account established under commission order G-75-11;

“Rock Bay settlement” means the settlement of litigation between the authority and the Attorney General of Canada as concluded through the issuance of a consent dismissal order in favour of the authority on June 1, 2012;

“SMI regulatory account” means the regulatory account established under commission order G-64-09;

“specified demand-side measure” has the same meaning as in the Demand-Side Measures Regulation;

“trade income” means,

(a) for all of the authority’s fiscal years except F2014, the greater of the following:

(i) the amount that is equal to the authority’s consolidated net income, less the authority’s net income, less the net income of the authority’s subsidiaries except Powerex Corp., less the amount that the authority’s consolidated net income changes due to foreign currency translation gains and losses on intercompany balances between the authority and Powerex Corp;

(ii) zero, and

(b) for F2014, the amount that is equal to the authority’s consolidated net income, less the authority’s net income, less the net income of the authority’s subsidiaries except Powerex Corp., less the amount that the authority’s consolidated net income changes due to foreign currency transaction gains and losses on intercompany balances between the authority and Powerex Corp.;

“trade income deferral account” means the regulatory account established under commission order G-96-04 and the direction in section 4.6 of the reasons that accompany that order;

“transmission rate customers” means industrial or commercial customers of the authority who are eligible for service under rates designed by the commission under section 3 (1).

Application

2 This direction is issued to the commission under section 3 of the Act.

Consideration in designing rates for transmission rate customers

3 (1) In designing rates for the authority’s transmission rate customers, the commission must ensure that those rates are consistent with recommendations #8

to #15 inclusive in the commission's report and recommendations to the Lieutenant Governor in Council dated October 17, 2003.

- (2) Without limiting subsection (1), the commission must ensure the following:
- (a) the rates for the authority's transmission rate customers are subject to
 - (i) the terms and conditions found in Supplements 5 and 6 to the authority's tariff, and
 - (ii) any other terms and conditions the commission considers appropriate for those rates;
 - (b) customers who own multiple plants under common ownership may engage in load aggregation for energy, if each plant
 - (i) is in operation, and
 - (ii) meets the requirements to be a transmission rate customer that are set out in the authority's electric tariff, or is otherwise authorized by the commission to be treated as a transmission rate customer.

Basis for establishing authority revenue requirements

- 4 Subject to section 7, in regulating and setting rates for the authority, the commission must ensure that those rates allow the authority to collect sufficient revenue in each fiscal year to enable the authority to
- (a) provide reliable electricity service,
 - (b) meet all of its debt service, tax and other financial obligations,
 - (c) comply with government policy directives, including, without limitation, government policy directives requiring the authority to construct, operate or extend a plant or system, and
 - (d) achieve an annual rate of return on deemed equity
 - (i) for F2015, F2016 and F2017, that is equal to 11.84%,
 - (ii) for F2018 and subsequent fiscal years the annual rate of return on deemed equity that would be necessary to yield a distributable surplus in the applicable fiscal year equal to the product of
 - (A) the distributable surplus in the immediately preceding fiscal year, and
 - (B) 100% plus the percentage change in the British Columbia consumer price index in the applicable fiscal year.

Determining the cost of energy

- 5 In setting the authority's rates, the commission
- (a) must treat the heritage contract as if it were a legally binding agreement between 2 arms-length parties,
 - (b) must determine the energy required by the authority to meet its domestic service obligations and must determine the cost to the authority of the portion of that required energy that is in excess of the energy supplied under the heritage contract,

- (c) may employ any mechanism, formula or other method authorized by section 60 (1) (b.1) of the Act, and
- (d) unless a different mechanism, formula or method is employed under paragraph (c), must ensure that electricity used by the authority to meet its domestic service obligations is provided to customers on a cost-of-service basis.

Use of trade income in setting rates

- 6 In setting rates for the authority, the commission must include the net income of the authority's subsidiaries, assuming that the net income of Powerex Corp. equals trade income.

Regulatory accounts

- 7 When regulating and setting rates for the authority, the commission
 - (a) must allow the authority to continue to defer to the heritage deferral account the variances between the actual and forecast heritage payment obligation,
 - (b) must allow the authority to continue to defer to the trade income deferral account the variances between actual and forecast trade income,
 - (c) must, in regard to the non-heritage deferral account, allow the authority to
 - (i) continue to defer to that account the variances between actual and forecast cost of energy arising from differences between actual and forecast domestic customer load, and
 - (ii) defer to that account the Burrard costs,
 - (d) must, in regard to the DSM regulatory account, allow the authority to
 - (i) defer to that account the authority's costs arising from its development, implementation and administration of demand-side measures, including costs arising from specified demand-side measures and public awareness programs, and
 - (ii) amortize from that account in each fiscal year an amount equal to the sum of
 - (A) the amount amortized in the immediately preceding fiscal year less the amortization in that year associated with costs incurred more than 15 fiscal years prior to that year, and
 - (B) the product of the amount deferred to that account in the immediately preceding fiscal year and 1/15,
 - (e) must allow the authority to continue to defer to the Rock Bay remediation regulatory account the Rock Bay costs,
 - (f) must allow the authority to continue to defer to the asbestos remediation regulatory account the variances between actual and forecast asbestos remediation costs,
 - (g) must allow the authority to continue to defer to the non-current pension costs regulatory account the variances between actual and forecast non-current pension costs,
 - (h) must allow the authority to establish the following regulatory accounts:

- (i) an account to defer for recovery in rates in future fiscal years of the authority those portions of the authority's allowed revenue requirement in a particular fiscal year that were not or are not to be recovered in rates in that particular fiscal year;
 - (ii) an account to defer the variances between the authority's actual and forecast real property gain/loss,
- (i) must allow the following regulatory accounts to accrue interest in a fiscal year at the authority's weighted average cost of debt in that year:
 - (i) the first nations costs regulatory account;
 - (ii) the real property sales regulatory account;
 - (j) may allow the authority to establish one or more other regulatory accounts for other purposes, and
 - (k) subject to section 9 (1) of this direction, must set the authority's rates in such a way as to allow the regulatory accounts to be cleared from time to time and within a reasonable period.

Annual distributable surpluses allowed

- 8 When regulating and setting rates for the authority, the commission must ensure that those rates allow the authority to allocate annual distributable surpluses in the manner specified by the Lieutenant Governor in Council under section 4 of the *BC Hydro Public Power Legacy and Heritage Contract Act* or section 35 of the *Hydro and Power Authority Act*.

F2017, F2018 and F2019 rates

- 9 (1) When regulating and setting rates for the authority for F2017, F2018 and F2019, under sections 4, 5, 6, 7, 9 (2), 10 (3) and 11 of this direction, the commission must not allow the rates to increase by more than 4% in F2017, 3.5% in F2018 and 3% in F2019, on average, compared to the rates of the authority immediately before the increase.
- (2) If the base line rate change exceeds 4% in F2017, 3.5% in F2018 or 3% in F2019, the commission must order the authority to defer to the rate smoothing regulatory account the amount that is determined by subtracting the amount in paragraph (b) from the amount in paragraph (a)
 - (a) the forecast revenue that the authority would have earned under a base line rate change, and
 - (b) the forecast revenue that the authority is expected to earn under this direction.

Deferral account rate rider

- 10 (1) The commission must set the deferral account rate rider for F2015 and future fiscal years of the authority at 5%.
- (2) The commission must not order any change to the deferral account rate rider, except on application by the authority.

(3) The commission must allow the authority, in regard to a fiscal year of the authority, to account for the forecast revenue from the deferral account rate rider as follows:

- (i) a portion of the forecast revenue from the deferral account rate rider is to be accounted for as revenue in that fiscal year in accordance with equation 1 and the following table;
- (ii) a portion of the forecast revenue from the deferral account rate rider is to be amortized from the forecast net balance of the heritage deferral account, the non-heritage deferral account and the trade income deferral account at the end of the immediately preceding fiscal year in accordance with equation 2 and the following table:

Equation 1: $DARR (Rev) = DARR - (X/5) \times DARR$

Equation 2: $DARR(DA) = (X/5) \times DARR$

where

$DARR (Rev)$ = the portion of forecast revenue from the deferral account rate rider in the applicable fiscal year of the authority that is to be accounted for as revenue;

$DARR(DA)$ = the portion of forecast revenue from the deferral account rate rider in the applicable fiscal year of the authority that is to be amortized from the net balance of the heritage deferral account, the non-heritage deferral account and the trade income deferral account at the end of the immediately preceding fiscal year;

$DARR$ = forecast revenue from the deferral account rate rider in the applicable fiscal year of the authority;

X = the number in column X of the following table that corresponds to the forecast net balances of the heritage deferral account, the non-heritage deferral account and the trade income deferral account at the end of the immediately preceding fiscal year that is between the values shown in columns A and B of the following table:

Table		
A (\$ million)	B (\$ million)	X
< -500	-500	-5.0
-500	-450	-4.5
-450	-400	-4.0

Table		
A (\$ million)	B (\$ million)	X
-400	-350	-3.5
-350	-300	-3.0
-300	-250	-2.5
-250	-200	-2.0
-200	-150	-1.5
-150	-100	-1.0
-100	-50	-0.5
-50	0	0.0
0	50	0.0
50	100	0.5
100	150	1.0
150	200	1.5
200	250	2.0
250	300	2.5
300	350	3.0
350	400	3.5
400	450	4.0
450	500	4.5
500	> 500	5.0

- (iii) the portion of forecast revenue from the deferral account rate rider in the applicable fiscal year of the authority that is amortized from the net balance of the heritage deferral account, the non-heritage deferral account and the trade income deferral account at the end of the immediately preceding fiscal year must be amortized from the respective balances of those accounts in proportion to the ratios of the balances of those accounts to the net balance of all 3.

Commission reviews

- 11** When setting rates for the authority under the Act, the commission must not disallow for any reason the recovery in rates of the costs that were incurred by the authority or Powerex Corp. in consequence of decisions of either with respect to
- (a) the construction of extensions to the authority's plant or system that come into service before F2017,
 - (b) energy supply contracts entered into before F2017,
 - (c) the Rock Bay settlement,
 - (d) the First Nations settlements,
 - (e) the California settlements,
 - (f) the Burrard costs, and
 - (g) the costs deferred to the SMI regulatory account.

Expenditures for export

- 12 The commission must refrain from performing its duty under section 4 (5) of the *Clean Energy Act* when setting rates for the authority for F2014, F2015, F2016, F2017 and F2018.

Powerex Corp.

- 13 The commission may not exercise any power under Part 3 of the Act in regard to the gas and electricity trading activities of Powerex Corp.

Retail access

- 14 (1) By March 23, 2014, the commission must issue orders as follows:
- (a) the commission must accept a withdrawal by the authority of any obligation to offer unbundled transmission services under the authority's open access transmission tariff to retail customers in British Columbia, and a withdrawal of any obligation to offer such services to those who supply such customers;
 - (b) the commission must order the cancellation of the retail access program.
- (2) Except on application by the authority, the commission must not set rates for the authority that would result in the direct or indirect provision of unbundled transmission services to retail customers in British Columbia, or to those who supply such customers.

Burrard Thermal

- 15 On application by the authority the commission must
- (a) grant permission to the authority under section 41 of the Act to cease operating those portions of Burrard Thermal that are not required for transmission support services, and
 - (b) set depreciation rates for the classes of property, plant and equipment at Burrard Thermal as shown in Appendix B to this direction.

Rates

- 16 (1) The commission may not reconsider, vary or rescind the orders it issues under this direction or Direction No. 6 to the British Columbia Utilities Commission, except on application by the authority.
- (2) For F2014, F2015 and F2016, the commission must not issue any orders in regard to the authority's regulatory accounts, except on application by the authority.
- (3) In setting the authority's rates for F2015, F2016, F2017, F2018 and F2019, the commission must exercise its powers and perform its duties consistently with the orders it issues under Direction No. 6 to the British Columbia Utilities Commission, except on application by the authority.
- (4) Nothing in this section prevents the commission from making determinations on applications made by the authority respecting revenue-cost ratios, rate design and regulatory accounts, including interim rate orders in regard to one or more of the authority's customers.

APPENDIX A – HERITAGE CONTRACT

Definitions

1 In this Agreement:

“**Agreement**” means this Heritage Contract including Schedule A;

“**Ancillary Service Requirements**” means services necessary to deliver energy;

“**BC Hydro**” means the British Columbia Hydro and Power Authority;

“**BCH Distribution**” means BC Hydro’s distribution line-of-business;

“**BCH Generation**” means BC Hydro’s generation line-of-business;

“**Commission**” means the British Columbia Utilities Commission;

“**heritage electricity**” means the capacity, energy and ancillary services that BCH Generation is required to supply to BCH Distribution under this Agreement;

“**heritage energy**” means

- (a) subject to paragraph (b), 49 000 GWh per year less the energy generated for delivery under the Skagit Valley Treaty, or
- (b) the quantity of energy determined by the Commission under section 8 of this Agreement to be heritage energy;

“**heritage payment obligation**” means

- (a) subject to paragraph (b), the annual payment determined in accordance with the procedure set out in Schedule A to this Agreement, or
- (b) the annual payment determined by the Commission under section 8 of this Agreement to be the heritage payment obligation;

“**heritage resources**” means the Electric Facilities and Thermal Facilities described in Schedule A to the Terms of Reference, together with

- (a) the related civil works and plant, and
- (b) potential future investments that increase the capacity, energy or ancillary service capability of such facilities, including potential future units 5 and 6 at Mica and potential future units 5 and 6 at Revelstoke;

“**Order**” means an order of the Commission;

“**Terms of Reference**” means Schedule A, Terms of Reference, to Order in Council 253/2003;

“**Transfer Pricing Agreement**” means the Transfer Pricing Agreement for Electricity and Gas dated April 1, 2003 between BC Hydro and Powerex Corp. as amended from time to time;

“**Year**” means fiscal year.

Electricity supply

- 2 BCH Generation must provide the full capacity of the heritage resources to BCH Distribution on a priority call basis.

Obligation to supply

- 3 BCH Generation must supply to BCH Distribution, in each Year, the heritage energy or such lesser amount of energy as may be required by BCH Distribution.

Obligation to deliver

- 4 BCH Generation will deliver the heritage energy to BCH Distribution at the various points of interconnection of the generating stations included in the heritage resources with the BC Hydro transmission grid or at points of interconnection with other utilities, as appropriate.

Responsibility for obtaining transmission services

- 5 BCH Distribution will be responsible for obtaining transmission services for energy provided to BCH Distribution.

Ancillary services

- 6 The parties may use the capacity available to them under section 2 to deliver energy to meet customer demand and to satisfy the parties' Ancillary Service Requirements, regardless of whether provision for self-supply is made under any tariff.

Payment

- 7 BCH Distribution must, on or before the end of each Year, pay to BCH Generation an amount equal to the heritage payment obligation.

Adjustment

- 8 The parties acknowledge that
- (a) the Commission may, by Order, modify one or both of the definitions of "heritage energy" and "heritage payment obligation" if the Commission is satisfied that a change in circumstances has permanently affected
 - (i) the capability of the heritage resources to provide one or both of capacity and energy, or
 - (ii) the authority's cost of generating the heritage energy, and
 - (b) any such modification will automatically modify the heritage energy or the heritage payment obligation, as the case may be, without further action by the parties.

Information exchange and cooperation

- 9 Each party will continue to freely provide the other with any requested information to facilitate the coordinated and optimal operation of the BC Hydro system.

Dispute resolution

- 10
- (1) The parties will make reasonable efforts to resolve disputes arising in relation to this Agreement at the staff level.
 - (2) As needed, issues may be dealt with by management levels within each party to achieve timely resolution.
 - (3) Issues that cannot be resolved in a timely manner at senior management levels may be referred by either party to the commission for resolution.

Term

- 11** This Agreement commenced on April 1, 2004.

SCHEDULE A TO APPENDIX A – HERITAGE PAYMENT OBLIGATION

- 1** The heritage payment obligation for any Year is the amount determined by
- (a) adding those of the following costs incurred by BCH Generation in the Year that the Commission orders may be included in the heritage payment obligation:
 - (i) cost of energy such as the cost of water rentals and energy purchases, including purchases of gas and electricity, required to supply heritage electricity;
 - (ii) operating costs such as the costs of operating and maintaining the heritage resources, including an allocation of corporate costs;
 - (iii) all costs of owning the heritage resources, including, without limitation, depreciation, interest, finance charges and other asset related expenses;
 - (iv) all costs or payments related to generation-related transmission access required by the heritage resources, and
 - (b) subtracting from the sum obtained under paragraph (a) any revenues BCH Generation receives from other services provided from the heritage resources, including, without limitation,
 - (i) revenues related to Skagit Valley Treaty obligations,
 - (ii) revenues from provision of ancillary services to the transmission operator in respect of third party use of the transmission system, and
 - (iii) revenues from the sale of surplus hydro electricity under section 5 of the Transfer Pricing Agreement.

APPENDIX B - BURRARD DEPRECIATION RATES

Class of Property, Plant and Equipment at Burrard Thermal	F2015 Depreciation Rate (%/year)	F2016 Depreciation Rate (%/year)
C12101 Tracks, Railway	100.0%	N/A
C12401 Drainage System Yard	9.1%	10.0%
C21901 Roofs	9.1%	10.0%
C22001 Plant Concrete Steel	15.8%	18.8%
C22002 Comm Concrete Steel	9.1%	10.0%
C22005 Building, Comp Pool	9.1%	10.0%
C22006 Equipment Shelter	19.0%	23.5%
C22009 Building-HVAC Sys&Cp	10.1%	11.1%
C22101 Off Trailer/Mob Home	9.3%	10.0%
C23801 Cranes	9.1%	10.0%
C24402 Ramp, Boat/Barge	85.7%	100.0%
C25101 Structure Supp Steel	9.1%	10.0%
C25301 Foundations	9.1%	10.0%
C25401 Ducts & Trenches	9.1%	10.0%
C25601 Barriers & Enclos	20.0%	25.0%
C30101 Casing, Boiler	50.0%	100.0%
C30102 Insulation, Boiler	14.3%	16.7%
C30103 Roof, Boiler	50.0%	100.0%
C30203 Superheater HighTemp	50.0%	100.0%
C30204 Superheater Low Temp	54.5%	100.0%
C30205 Reheater, Boiler	50.0%	100.0%
C30301 Header / Drum	50.3%	100.0%
C30401 Valves, Safety	14.5%	17.0%
C30501 Piping, High Press	33.4%	41.5%
C30601 Fan, Forced Draft	50.0%	100.0%
C30602 Breaching / Flue Sys	54.5%	100.0%
C30603 Stack, Flue Gases	50.0%	100.0%
C30605 Burner, Fuel	50.0%	100.0%
C30606 Instrument, Boiler	51.3%	98.6%
C30607 DNU - Asbe Abatement	9.1%	10.0%
C30611 Desuperheater System	50.0%	100.0%
C30612 Refractory, Boiler	54.5%	100.0%
C30613 Boiler, Package	54.5%	100.0%

Class of Property, Plant and Equipment at Burrard Thermal	F2015 Depreciation Rate (%/year)	F2016 Depreciation Rate (%/year)
C30701 Equip, Water Treat	50.0%	100.0%
C30801 Transfer Sys Ammonia	92.3%	100.0%
C30802 Water Sys Ammonia	92.3%	100.0%
C30803 Vapouriser, Ammonia	92.3%	100.0%
C30804 Comp Vapour, Ammonia	92.3%	100.0%
C30805 Piping Sys, Ammonia	50.0%	100.0%
C30901 Monitor Equip, Cem	54.5%	100.0%
C30903 Deliver Sys, Ammonia	55.5%	100.0%
C31001 Water Intk/DisStruct	9.1%	10.0%
C31002 Protection, Cathodic	9.1%	10.0%
C31003 Gates, Inlet/Outlet	9.1%	10.0%
C31005 Conduit, Intake/Disc	9.1%	10.0%
C33001 Heat Exch, Shell Tube	50.0%	100.0%
C33002 Pump And Motor	50.0%	100.0%
C33004 Condenser, Boiler	50.0%	100.0%
C34004 Turbine, Comp Pool	22.2%	28.5%
C34005 Coils, Stator	9.3%	10.3%
C34006 Rotor, Generator	9.1%	10.0%
C34007 Generator, Comp Pool	28.6%	40.1%
C34008 Supervisory Sys Turb	70.9%	55.8%
C34009 Cooling Sys Hydrogen	15.8%	18.7%
C34015 Turbine Blades Sets	31.7%	46.4%
C42004 Major Maint.-Rewedge	25.3%	33.8%
C42102 Exciter, Static	42.7%	74.6%
C46701 Heat Exchanger	50.0%	100.0%
C47201 Turbine, Gas	50.0%	100.0%
C47202 Major Maint.-Gas Tur	80.0%	100.0%
C48003 Generator, Composite	29.7%	42.3%
C48004 Generator, Diesel	25.8%	34.8%
C49001 Pump	44.4%	77.8%
C49002 Motor	12.3%	14.1%
C51001 Condensor, SyncRotary	9.1%	10.0%
C52104 Transformer, <100Mva	50.0%	100.0%
C52105 Transformer, Stn Ser	10.5%	10.0%
C52302 Reactor, Dry Type	99.9%	100.0%
C52405 Transformer, Curr, Com	35.3%	54.6%

Class of Property, Plant and Equipment at Burrard Thermal	F2015 Depreciation Rate (%/year)	F2016 Depreciation Rate (%/year)
C52504 Trans, Volt, Encaps.	9.1%	10.0%
C54101 Breaker, Air/Magnetic	9.1%	10.0%
C54201 Use Ind Disconnect	20.0%	25.0%
C55401 Buswork & StnConduct	9.1%	10.0%
C55501 Grounding Systems	9.1%	10.0%
C56001 Insulators	9.1%	10.0%
C59001 Power Supp Uninterr	39.4%	65.1%
C59101 Regulator FeederCirc	9.1%	10.0%
C59201 Charger System, Batt	13.3%	15.3%
C61001 Fencing	9.1%	10.0%
C61101 Alarm/Security Sys	9.1%	10.0%
C62001 Fire Protection Sys	12.0%	13.6%
C62501 Firefighting Equip	33.3%	50.0%
C65001 Panels/Cubicles, P&C	13.0%	14.9%
C67003 Contain Fac, Concret	9.1%	10.0%
C67005 Oil Spill Containmen	9.1%	10.0%
C68202 Term Unit, Rem(Slave)	23.1%	30.0%
C68204 Distributed Ctrl Sys	30.4%	42.9%
C68301 Radio, MW, Analog	9.1%	10.0%
C68901 Tele Equip, Pbx/Pax	100.0%	N/A
C70104 Instrumentation-Digi	9.1%	10.0%
C74001 Motor-Generator Sets	92.3%	100.0%
C75104 Compressor, Air	18.3%	21.3%
C75201 Tanks, Steel, Air/Fuel	9.1%	10.0%
C75202 Tank, Fibrglas, DblB	9.1%	10.0%
C75301 Water Supply System	9.1%	10.0%
C82504 Loader/Backhoe	8.3%	9.0%
C82513 Manlift	66.7%	100.0%
C82550 Tools/Work EquipMisc	12.3%	14.0%
C82551 DNU - Tools/Work Equ	21.7%	27.1%
C82601 Test/Calibration	43.9%	73.2%
C82603 Manufacturing/Test	24.4%	12.5%
C88002 Lab Equipment, Misc	30.8%	27.3%