REQUESTOR NAME:	**BCOAPO *et al.***
INFORMATION REQUEST ROUND NO:	**1**
TO:	**BRITISH COLUMBIA HYDRO & POWER AUTHORITY**
DATE:	**January 5, 2018**
PROJECT NO:	**1598933**
APPLICATION NAME:	**BC Hydro Waneta 2017 Transaction**

1.0 Reference: Exhibit B-1, page 1-2, lines 9-11

Preamble: The Application states: "Teck's smelter load at Trail can be supplied, on average, by Teck's two-thirds interest in the generation from Waneta."

1.1 How is Teck's smelter load supplied when Teck's two-thirds interest in the generation from Waneta is unable to fully meet the load requirements (i.e., from whom does Teck acquire its electricity needs and via what transmission lines)?

2.0 Reference: Exhibit B-1, page 1-4 (lines 61-12) and page 2-15, Figure 2-3

2.1 Please clarify who currently owns and how the proposed transaction will affect the ownership of the following transmission lines set out in Figure 2-3:
a) Line 18
b) The Line connecting the Emerald Switching Station to the Teck Smelter.

3.0 Reference: Exhibit B-1, page 1-15 (Footnote #35)

Preamble: The footnote states: "Note: BC Hydro will be purchasing the Transmission Assets for $20 million (dollars at the time of purchase) at the end of the Lease Period or at its election following a material breach by Teck. If the Transmission Assets are enhanced or added to, the price will be adjusted to reflect additional costs incurred by Teck and the relative use of the assets."

3.1 Will BC Hydro have any input into whether and under what circumstance the transmission assets would be enhanced or added to?

3.2 Please explain how "the relative use of the assets" would impact any adjustment to the purchase price.

4.0 Reference: Exhibit B-1, pages 1-17 to 1-19

4.1 With respect to Section 1.5.3.1, will BC Hydro incur any finance or amortization expense in fiscal 2019 as a result of the transaction? If yes, will these incremental costs be captured in deferral accounts?

4.2 With respect to Section 1.5.3.2 and the proposed treatment of Teck's portion of the water rentals, please confirm that the effect of BC Hydro's proposal is that Teck's share of actual water rental costs will be fully expensed in the year

incurred and the offsetting revenues from Teck will be fully recognized in the year received.

5.0 Reference: Exhibit B-1, page 2-6 (lines 4-6) and page 3-11 (lines 12-17)

5.1 How do dam safety expectations that the dam and water passage assets are currently operated and maintained to differ from BC Hydro's dam safety expectations?

5.2 How will the determination be made as to whether a future dam upgrade is required to meet existing safety standards (for which the costs would presumably be shared between Teck and BC Hydro) or to meet BC Hydro's safety standards (for which the costs will be entirely BC Hydro's)?

5.3 If an upgrade would have been required to meet existing standards but the upgrade actually made is based on BC Hydro's safety standards, how will the costs of the upgrade be apportioned?

6.0 Reference: Exhibit B-1, pages 1-4 to 1-5 and 2-9 (lines 14-19)

6.1 Why does BC Hydro become responsible for one-third of the costs of operating and maintaining Line 71 after January 1, 2036 when it will not be purchasing the asset until at least 2038 (and potentially not until 2048)?

6.2 Does this provision regarding the payment of operating and maintenance costs after January 1, 2036 apply only to Line 71 or also to the other Transmission assets BC Hydro will eventually be acquiring (e.g., lines 14-17)?

7.0 Reference: Exhibit B-1, page 3-3 (lines 11-15)

7.1 Please explain why BC Hydro was not able to deliver an election pursuant to section 16.1 of the *Income Tax Act*.

8.0 Reference: Exhibit B-1, page 3-20, Footnote #100

8.1 What are the "other transmission rights and assets" referred to in the footnote?

8.2 What is the estimated amount that BC Hydro expects to pay over and above the $20 M?

8.3 Has an allowance for this additional amount been included in the economic analysis and the ratepayer impact analyses discusses at Tab 4 and in Appendix N?

9.0 Reference: Exhibit B-1, page 3-20 (lines 13-18) and page 3-21 (lines12-21)

9.1 Does Teck currently hold options to purchase capacity and/or asset rights on Lines 62, 77 and 79? If yes, what is the timeframe and how much capacity?

9.2 Under the current arrangements, how does BC Hydro gain full access to its share of Waneta when it is not being used to serve smelter load, given that the Waneta capacity exceeds the capacity of Line 71?

9.3 How much of Waneta's capacity can be delivered to the BC Hydro system via these alternative arrangements and what are the limiting factors?

10.0 Reference: Exhibit B-1, pages 4-4 and 4-8
Appendix N, page 14

10.1 What is BC Hydro's current F2019 interest rate forecast?

11.0 Reference: Exhibit B-1, pages 4-9 and 4-19
Appendix N, pages 17 and 38

11.1 What obligation does BC Hydro have to serve Teck's smelter load if requested to do so?

11.2 Is this obligation affected, in any way, by the Waneta transaction?

12.0 Reference: Exhibit B-1, page 4-14

12.1 In Section 4.4.2, please clarify what "base case" is used to determine the incremental benefit (i.e., does the base case assume that the current arrangements established per the Waneta 2010 Transaction would continue (with the new owner-Fortis Inc.) for the 40 year period used in the analysis?).

12.2 Why does BC Hydro consider this to be a reasonable assumption?

13.0 Reference: Exhibit B-1, pages 4-14 and 4-15

13.1 On page 4-14 (lines 25-26) reference is made to the NPV results "where BC Hydro is in surplus and market prices are at the <u>conservative</u> "extrapolated" level" (emphasis added). On page 4-15 (lines 17-18 and 25-26) references are made to NPV results with "LRB in surplus and <u>low</u> "extrapolated" market prices" (emphasis added). Are these references all referring to the same scenario? If not, what are the differences?

13.2 Please confirm that the $54 M decrease referenced (page 4-15, lines 15-18) as the impact of early termination of the Lease is incremental to the $29 M previously referenced on page 4-14 (lines 25-27) such that the overall impact would be negative NPV of $25 M (i.e., $29 M - $54M).

13.3 Please confirm that the $291 M and $6 M decreases referenced (page 4-15, lines 23-26) as the impact of Teck exercising its 10-year lease extension option is incremental to the $1.071 B and $29 M referenced on page 4-14.

14.0 Reference: Exhibit B-1, pages 4-9 to 4-10

Appendix N, pages 38-39

14.1 Under the assumption that BC Hydro completes the transaction, is there a possibility that Teck's smelter load will be served by FortisBC who, in turn, could seek to acquire the required electricity from BC Hydro?

14.2 If yes, how would this affect Figure 4-2.

14.3 Under the assumption that BC Hydro does not complete the transaction, is there a possibility that Teck's smelter load will be served by FortisBC who, in turn, could seek to acquire the required electricity from BC Hydro?

15.0 Reference: Exhibit B-1. Page 4-11
Appendix N, pages 18-20

15.1 Please explain why the detailed projection of the Extrapolated Market Price is considered confidential (Page 4-11, Figure 4-2 and Appendix N, Figure 3).

16.0 Reference: Exhibit B-1, page 4-16
Appendix N, pages 15 and 46-47

16.1 With respect to Appendix N, Figure 1, please revise the figure so as to show the cost of service in each year in millions of dollars.

16.2 Please provide the NPV of the revenue requirement impact for the various risk scenarios set out on page 45 of Appendix N (using both a 6% and a 3.4% discount rate).

17.0 Reference: Exhibit B-1, page 4-17

17.1 What is the basis for choosing 4% and 8% as the discount rate assumptions for the sensitivity analyses?

17.2 Under what conditions might a 4% or 8% discount rate be appropriate?