

September 19, 2019

Sent by eFile

British Columbia Utilities Commission
Suite 410, 900 Howe St.
Vancouver, BC V6Z 2N3

Attention: Patrick Wruck, Commission Secretary

Norton Rose Fulbright Canada LLP
1800 - 510 West Georgia Street
Vancouver, BC V6B 0M3 CANADA

F: +1 604.641.4949
nortonrosefulbright.com

Matthew D. Keen
+1 604.641.4913
matthew.keen@nortonrosefulbright.com

Assistant
+1 604.641.4527
rosalind.endo@nortonrosefulbright.com

Dear Mr. Wruck:

BC Hydro F2020-F2021 Revenue Requirements Application (RRA)
Association of Major Power Customers of BC (AMPC) Information Request (IR) No. 3

We are legal counsel to AMPC in this matter and write to enclose AMPC's IR No. 3 to BC Hydro. Please contact the writer if you have any questions.

Yours very truly,



Matthew D. Keen

Encl.

CAN_DMS: \129612304\1

Norton Rose Fulbright Canada LLP is a limited liability partnership established in Canada.

Norton Rose Fulbright Canada LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright South Africa Inc and Norton Rose Fulbright US LLP are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients. Details of each entity, with certain regulatory information, are at nortonrosefulbright.com.

Association of Major Power Customers of British Columbia (AMPC)

British Columbia Hydro and Power Authority (BC Hydro)
F2020-F2021 Revenue Requirement Application (RRA) – File 59886

INFORMATION REQUEST (IR) NO. 3 TO BC HYDRO

TABLE OF CONTENTS

1.0	Cost of Energy Forecast	2
2.0	Cost of Energy.....	2
3.0	Revenue Requirements	4
4.0	Cost of Energy.....	5
5.0	Operating Costs – Pension	6
6.0	Operating Costs	8
7.0	OCI Deferred (Pension)	8
8.0	Operating Costs	9
9.0	Implementation of IFRS	10
10.0	Deferral Accounts.....	12
11.0	Subsidiary Net Income	13
12.0	Trade Income Deferral Account	13
13.0	Deferral Accounts and Regulatory Accounts	14
14.0	Debt Management Regulatory Account	14
15.0	Operating Costs	17
16.0	Operating Costs	18
17.0	Capital Expenditures and Additions Variances	18
18.0	Capital Expenditures and Additions Variances	19
19.0	Capital Expenditures and Additions Variances	19
20.0	Transmission Capital Expenditures and Additions Variances	20
21.0	Transmission Capital Expenditures and Additions Variances	22
22.0	Transmission Capital Expenditures and Additions Variances	23
23.0	Site C Project Capital Expenditures and Additions Variances.....	24
24.0	Finance Charges	29
25.0	Finance Charges and Future Debt Hedges	30
26.0	Waneta 2/3 Interest Acquisition	31

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

1.0 Cost of Energy Forecast

Reference: Exhibit B-11, p. 1, pdf p. 35

On pdf p. 35, BC Hydro states: "The Cost of Energy forecast has been updated based on the June 2019 Energy Study (previously October 2018 Energy Study), and is found in Appendix A, Schedule 4.0."

AMPC is seeking a copy of the June 2019 Energy Study in order to understand the basis for the Cost of Energy forecast provided in this Evidentiary Update.

1.1 Please provide a copy of BC Hydro's June 2019 Energy Study.

Reference: Exhibit B-13, AMPC IRs No. 2.48.7, 2.48.8 and 2.49.5 at pdf pp. 246-252 and 262-265

These previous AMPC IRs pertained to flow forecasts and BC Hydro's October Energy Study.

AMPC would like BC Hydro to update its responses to these IRs to reflect any changes that may be required to reflect the findings of the June 2019 Energy Study.

1.2 Please update AMPC IRs No. 2.48.7, 2.48.8 and 2.49.5 for the June 2019 Energy Study results and discuss any weather-driven variability patterns compared to the October 2018 Energy Study used in the original RRA filing.

2.0 Cost of Energy

Reference: Exhibit B-11, p. 8, pdf p. 13 and Appendix A, Schedule 4.0

On pdf p. 13, BC Hydro states:

¹ Dry conditions and lower water inflows have decreased planned hydroelectric
² generation (water rentals) and purchases from IPPs and Long-Term Commitments.
³ In addition, purchases from IPPs and Long-Term Commitments have decreased due
⁴ to delayed IPP commercial operation dates and due to lower forecast IPP deliveries,
⁵ based on updated historical delivery averages. The decrease in hydroelectric
⁶ generation and purchases from IPPs and Long-Term Commitments results in lower
⁷ planned surplus sales and higher planned market electricity purchases.

In Appendix A, Schedule 4.0, BC Hydro provides the following market electricity purchases figures for F2019:

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: 3

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

Cost of Energy (\$ million)			F2019		
Line	Column	Reference	RRA 1	Actual 2	Diff 3 = 2 - 1
Market Energy					
8	Market Electricity Purchases		934	2,035	1,101
9	Surplus Sales		-4,517	-2,230	2,287
10	Net Purchases (Sales) from Powerex		105	647	542
11	Total		-3,478	452	3,930

Cost of Energy (\$ million)			F2019		
Line	Column	Reference	RRA 1	Actual 2	Diff 3 = 2 - 1
31	Gas & Other Transportation		6.1	9.4	3.3
32	Water Rentals (Waneta 2/3)	15.0 L22	0.0	2.4	2.4
33	Total		1,476.5	1,287.9	(188.6)
Market Energy					
34	Market Electricity Purchases		35.9	125.0	89.1
35	Surplus Sales		(129.2)	(115.0)	14.2
36	Net Purchases (Sales) from Powerex		0.7	25.0	24.3
37	Domestic Transmission - Export		29.9	18.5	(11.4)
38	Total		(62.6)	53.5	116.1
39	Total Gross COE	L28+L33+L38	1,762.9	1,518.7	(244.2)

At line 20 of this schedule BC Hydro provided an F2019 actual unit cost of energy for market electricity purchases of \$61.4 per MWh.

Reference: Exhibit B-1, Attachment A, Schedule 4

In the initial Application, at line 20 of this schedule BC Hydro provided an F2019 RRA unit cost of energy for market electricity purchases of \$38.5 per MWh, and an F2019 forecast amount of \$42.9 per MWh.

At lines 9 and 35 of this schedule, BC Hydro provided F2019 Forecast amounts of -2,230 GWh and \$(115.0) million for Surplus Sales.

At Line 8 of this schedule, BC Hydro provided an F2019 Forecast amount of 2,077 GWh for F2019 Market Electricity Purchases.

AMPC is seeking additional information on the figures provided by BC Hydro for its market electricity purchases and surplus sales, in order to understand how the Cost of Energy was determined.

2.1 Please confirm that BC Hydro's actual market electricity purchases in F2019 were lower on a GWh basis than forecast in the original Application. If confirmed, please reconcile this with BC Hydro's statement on pdf p. 13 that "[t]he decrease in hydroelectric

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

generation and purchases from IPPs and Long-Term Commitments results in lower planned surplus sales and higher planned market electricity purchases" [emphasis added]. If not confirmed, please fully explain your response.

2.1.1 Please comment on the impacts of market prices on F2019 actual market electricity purchase costs, specifically addressing BC Hydro's initial F2019 Forecast and the factors that created the extensive price differential (forecast unit costs for 2019 were \$43/MWh compared to actual of \$61.4/MWh).

2.2 Please confirm that F2019 actual amounts for surplus sales in GWh and \$ million provided in the Evidentiary Update are identical to the F2019 Forecast amounts provided in the initial Application. Did BC Hydro neglect to update this figure for F2019 Actuals? If yes, please provide a revised Schedule 4.0 that reflects the updated F2019 actual surplus sales data. If not, please fully explain why the actual and forecast figures are identical.

3.0 Revenue Requirements

Reference: Exhibit B-11, p. 8, pdf p. 13 and Appendix A, Schedule 1.0

On pdf p. 13, BC Hydro states:

¹ Dry conditions and lower water inflows have decreased planned hydroelectric
² generation (water rentals) and purchases from IPPs and Long-Term Commitments.
³ In addition, purchases from IPPs and Long-Term Commitments have decreased due
⁴ to delayed IPP commercial operation dates and due to lower forecast IPP deliveries,
⁵ based on updated historical delivery averages. The decrease in hydroelectric
⁶ generation and purchases from IPPs and Long-Term Commitments results in lower
⁷ planned surplus sales and higher planned market electricity purchases.

Reference: Exhibit B-11, p. 15, pdf p. 20

On pdf p. 20, BC Hydro states:

¹¹ In the Application, Powerex Net Income was forecast to be \$205.3 million in
¹² fiscal 2019. Actual Powerex Net Income in fiscal 2019 was \$435.7 million or
¹³ \$230.4 million higher than the forecast.

In Appendix A, Schedule 1.0, BC Hydro provides the following Powerex Net Income figures for F2019, F2020, and F2021:

Revenue Requirements Summary (\$ million)											
Line	Column	Reference	F2019			F2020			F2021		
			RRA	Actual	Diff	Plan	Update	Diff	Plan	Update	Diff
			1	2	3=2-1	4	5	6=5-4	7	8	9=8-7
Subsidiary Net Income											
17			(115.1)	(435.7)	(320.5)	(120.6)	(120.6)	0.0	(120.6)	(120.6)	0.0
18			(5.1)	(3.5)	1.6	(3.4)	(3.4)	0.0	(3.7)	(3.7)	0.0
19			(120.2)	(439.1)	(318.9)	(124.0)	(124.0)	0.0	(124.3)	(124.3)	0.0

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

AMPC seeks to understand to what extent these conditions, and potential rate effects, can be expected in the future.

- 3.1 Please summarize any relevant market conditions that increased BC Hydro's market purchases and surplus sales and provide any relevant reports supporting this analysis.
- 3.2 Please explain whether the same market conditions identified above are likely to continue to generate higher Powerex Net Income. Please fully explain your response as to why or why not.

4.0 Cost of Energy

Reference: **Exhibit B-11, p. 2, pdf p. 36**

On pdf p. 36, BC Hydro states:

Cost of Heritage Energy is forecast to increase by [REDACTED] million in fiscal 2020 and decrease by [REDACTED] million in fiscal 2021, compared to the Application. This is largely driven by lower water rentals during the test period, and lower Non-Treaty Storage and Libby Coordination Agreement costs in fiscal 2021, partially offset by higher Non-Treaty Storage and Libby Coordination Agreement costs in fiscal 2020.

Reference: **Exhibit B-11, Appendix A, Schedule 4.0**

In Schedule 4.0, BC Hydro provides the following figures for Non-Treaty Storage and Libby Coordination Agreements for F2019, F2020 and F2021:

Cost of Energy (\$ million)		Reference	F2019			F2020			F2021		
			RRA	Actual	Diff	Plan	Update	Diff	Plan	Update	Diff
Line	Column		1	2	3=2-1	4	5	6=5-4	7	8	9=8-7
Cost of Energy (\$ million)											
Heritage Energy											
23	Water Rentals		356.4	363.1	6.7	343.1	[REDACTED]		349.1	[REDACTED]	
24	Natural Gas for Thermal Generation		10.7	7.6	(3.1)	8.1	[REDACTED]		8.5	[REDACTED]	
25	Domestic Transmission - Other		22.1	22.3	0.2	22.5	[REDACTED]		22.4	[REDACTED]	
26	Non-Treaty Storage and Libby Coordination Agreements		(7.2)	(181.9)	(174.7)	3.3	[REDACTED]		(2.5)	[REDACTED]	
27	Remissions and Other		(33.1)	(33.9)	(0.8)	(26.1)	[REDACTED]		(26.8)	[REDACTED]	
28	Total		349.0	177.2	(171.8)	350.9	[REDACTED]		350.8	[REDACTED]	

BC Hydro is seeking additional information on the cost variances for this line item and what steps BC Hydro is taking to ensure there are no similar overruns in the test years.

- 4.1 Please explain:
 - (i) what kind of costs are associated with Non-Treaty Storage and Libby Connection Agreements;
 - (ii) how these costs are forecast, including the methodology and assumptions used;

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

- (iii) why there is a variance of \$174.7 million for F2019. In your response, please explain whether the variances are attributable to BC Hydro or third parties and what steps (if any) BC Hydro is taking to recoup any costs attributable to third parties from those third parties; and
- (iv) what steps (if any) BC Hydro has taken to minimize the risk of major variances in F2020 and F2021. In your response, please identify whether BC Hydro has considered changes to its forecast methodology and if not, why not.
- (v) Please identify past variances over the F2012-F2018 test years.

5.0 Operating Costs – Pension

Reference: **Exhibit B-11, p. 12, pdf p. 17**

On pdf p. 17, BC Hydro identifies a change to the discount rate used to value BC Hydro's pension liability as one of the causes of increased operating costs. It states:

7 First, the discount rate used to value BC Hydro's pension liability has
8 decreased from 3.83 per cent as of September 30, 2018 to 3.33 per cent as of
9 April 1, 2019. The discount rate is driven by market conditions and is
10 determined by BC Hydro's external actuary. It is not controllable by BC Hydro
11 as it is based on 'AA' Canadian Corporate bonds. A decrease in the discount
12 rate results in a higher present value of BC Hydro's pension liability. This
13 increases BC Hydro's current service pension costs by \$15.9 million in
14 fiscal 2020 and \$17.1 million in fiscal 2021.
15 The lower discount rate also increased BC Hydro's fiscal 2019 non-current
16 pension costs. This increase is deferred to the Non-Current Pension Cost
17 Regulatory Account and amortized into rates over a 13-year period, which
18 increases the required recovery by \$40.8 million in both fiscal 2020 and
19 fiscal 2021.

Reference: **Exhibit B-5, BCUC IR No. 1.40.3.1**

In explanation of BC Hydro's non-cash variance accounts, BC Hydro stated that:

Non-Current Pension Costs – additions to this account are driven by changes in market discount rates, rates of return on pension plan assets and significant changes in key actuarial assumptions. The expenditures are managed through the pension management committee, including advice from third party experts. By BCUC Order No. G-47-18, the BCUC approved that the variances transferred to this account be amortized over the expected average remaining service life of the active plan members.

Reference: **ATCO Gas and Pipelines Ltd. v. Alberta (Utilities Commission), 2015 SCC 45, [2015] 3 SCR 219 at paras. 63-65**

In the *ATCO Gas and Pipelines Ltd.* decision referenced above, the Supreme Court of Canada deemed the AUC's rejection of a third party's recommended pension cost of living adjustment

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

(COLA) to be “reasonable”, notwithstanding that ATCO was implementing a third party recommendation.

AMPC is accordingly seeking additional information on the discount rate for BC Hydro’s pension liability, its longer-term implications for BC Hydro’s regulatory accounts, and whether BC Hydro’s proposal to recover increased operating costs from pension liability issues presents a similar issue as in *ATCO Gas and Pipelines Ltd.*

- 5.1 Please provide a copy of both external actuary reports referred to above (September 30, 2018 and April 1, 2019). Please also provide a comparison between the two reports for the adjustments made by the external actuary and/or pension management committee related to rate of return on pension plan assets and significant changes in key actuarial assumptions.
- 5.2 Please explain how frequently BC Hydro’s external actuary adjusts pension liability, and why it is BC Hydro’s practice or policy to adjust pension liability according to that frequency. If it is not BC Hydro’s policy or practice to adjust the pension liability amount every six months or less, please explain why an adjustment was conducted six months after the original.
- 5.3 Please provide a table with the discount rate used to value BC Hydro’s pension liability for the past five years (including the initial RRA filing of a 3.83% discount rate). Please identify in this table where updates for discount rates occurred within RRA applications that impacted test year forecasts, and also include with this table the impact on F2020 and F2021 operating costs, by line item (current pension service costs, non-current pension costs), using each discount rate provided instead of the proposed 3.33%.
- 5.4 Please provide supporting calculations for the \$56.8 million non-current pension regulatory account recovery for the test years F2020 and F2021.
 - 5.4.1 Please confirm BC Hydro’s amortization of this account, of 13 years, is representative of the average remaining service life of the active plan members. If not confirmed, please provide an explanation and supporting calculations of the amortization period chosen.
 - 5.4.2 Was the 13 year amortization period used in the original RRA application for the F2020 and F2021 test years? If not, please provide the amortization period used and explain the rationale for the change.

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

6.0 Operating Costs

Reference: **Exhibit B-11, Appendix A, Schedule 5.7**

In Schedule 5.7, BC Hydro provides the following figures for Corporate Costs for F2019, F2020, and F2021:

Operating Costs - Other (\$ million)			F2019			F2020			F2021		
Line	Column	Reference	RRA	Actual	Diff	Plan	Update	Diff	Plan	Update	Diff
			1	2	3=2-1	4	5	6=5-4	7	8	9=8-7
Operating Costs by KBU											
1		Office of the General Counsel	12.3	11.1	(1.2)	11.7	11.7	0.0	11.8	11.8	0.0
2		Office of the President and Chief Operating Officer	1.0	0.9	(0.1)	0.9	0.9	0.0	0.9	0.9	0.0
3		Site C Project	0.0	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0
4		Corporate Costs	19.7	22.3	2.6	13.0	28.9	15.9	13.0	30.1	17.1
5		Capitalized Costs	(284.6)	(284.8)	(0.2)	(285.8)	(285.8)	0.0	(286.2)	(286.2)	0.0
6		Base Operating Costs			1.0			15.9			17.1
			(251.6)	(250.5)		(260.2)	(244.3)		(260.5)	(243.4)	

6.1 Please confirm that the increases in "Corporate Costs" for F2019, F2020 and F2021 in Schedule 5.7 of Appendix A reflect the increase in BC Hydro's current service pension costs. If not confirmed, please fully explain.

6.2 Please provide details of the discount rate used to value BC Hydro's pension liability for the 2019 RRA and the actual discount rate realized in actual 2019 that resulted in the \$2.6 million Corporate Costs difference shown above.

6.3 Please compare and explain differences in discount rates used to value BC Hydro's pension liability and the resulting impact to the revenue requirements of the 2019 RRA forecast, F2019 actuals and forecasts for F2020 and F2021.

7.0 OCI Deferred (Pension)

Reference: **Exhibit B-1, Appendix A, pdf p. 1215**

In its initial Application, BC Hydro provides the following OCI Deferred (Pension) figures for F2019, F2020, and F2021:

BC Hydro
F20-F21 RRA
Return on Equity
(\$ million)

Line	Reference	Column	F2017			F2018			F2019			F2020	F2021
			RRA	Actual	Diff	RRA	Actual	Diff	RRA	Forecast	Diff	Plan	Plan
			1	2	3=2-1	4	5	6=5-4	7	8	9=8-7	10	11
Shareholder's Equity													
1		Retained Earnings - Beginning of Year	4,458.0	4,458.0	0.0	4,870.0	4,882.5	12.5	5,398.0	5,407.5	11.5	4,924.3	5,835.4
2	Line 32	Gross Return on Equity	884.0	893.5	(0.5)	868.0	884.0	(14.0)	712.0	(424.3)	(1,136.3)	712.0	712.0
3	Line 14	Dividend to Province	(272.0)	(259.0)	13.0	(172.0)	(159.0)	13.0	(72.0)	(59.0)	13.0	0.0	0.0
4		Other Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.8)	0.0
5		Retained Earnings - End of Year	4,870.0	4,882.5	12.5	5,398.0	5,407.5	11.5	6,036.0	4,924.3	(1,111.7)	5,835.4	6,347.4
6		Accum Other Comp Income	42.4	230.0	187.6	42.4	242.7	200.3	42.4	297.5	255.1	49.0	49.0
7		OCI Deferred (Pension)	0.0	(203.2)	(203.2)	0.0	(193.6)	(193.6)	0.0	(248.5)	(248.5)	0.0	0.0
8		Total Shareholder's Equity	4,912.4	4,909.3	(3.1)	5,438.4	5,456.6	18.2	6,078.4	4,973.3	(1,105.1)	5,884.4	6,396.4

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

Reference: Exhibit B-11, Appendix A, Schedule 9.0

In Schedule 9.0 of its Evidentiary Update, BC Hydro provides the following OCI Deferred (Pension) figures for F2019, F2020, and F2021:

Return on Equity (\$ million)			F2019			F2020			F2021		
Line	Column	Reference	RRA	Actual	Diff	Plan	Update	Diff	Plan	Update	Diff
			1	2	3 = 2 - 1	4	5	6 = 5 - 4	7	8	9 = 8 - 7
Shareholder's Equity											
1			5,396.0	5,407.5	11.5	4,924.3	4,995.0	70.7	5,635.4	5,706.2	70.7
2				74.7	74.7		0.0	0.0		0.0	0.0
3		Line 33	712.0	(428.2)	(1,140.2)	712.0	712.0	0.0	712.0	712.0	0.0
4		Line 15	(72.0)	(59.0)	13.0	0.0	0.0	0.0	0.0	0.0	0.0
5			0.0	0.0	0.0	(0.8)	(0.8)	0.0	0.0	0.0	0.0
6			6,036.0	4,995.0	(1,041.0)	5,635.4	5,706.2	70.7	6,347.4	6,418.2	70.7
7			42.4	(220.7)	(263.2)	49.0	23.2	(25.9)	49.0	(46.8)	(95.9)
8			0.0	173.1	173.1	0.0	(70.0)	(70.0)	0.0	0.0	0.0
9			6,078.4	4,947.4	(1,131.1)	5,684.4	5,659.3	(25.1)	6,396.4	6,371.3	(25.1)

AMPC is seeking additional information to understand why the OCI Deferred (Pension) item from BC Hydro's initial Application has changed from -\$248.5 million forecast for F2019 to \$173.1 million in the Evidentiary Update (a difference of \$421.6 million).

- 7.1 Please explain the \$421.6 million change in OCI Deferred (Pension) costs from initial Application to the Evidentiary Update.
- 7.2 Please provide details on how this \$421.6 million change impacts the revenue requirements for F2020 and F2021.

8.0 Operating Costs

Reference: Exhibit B-1, Appendix A, pdf p. 1187

In its initial Application, BC Hydro provides the following information on Customer Service costs for F2019, F2020, and F2021:

People, Customer, Corporate Affairs			Current Operating Costs and Provisions (\$ million)										
Line	Column	Reference	F2017			F2018			F2019			F2020	F2021
			RRA	Actual	Diff	RRA	Actual	Diff	RRA	Forecast	Diff	Plan	Plan
			1	2	3 = 2 - 1	4	5	6 = 5 - 4	7	8	9 = 8 - 7	10	11
Customer Care													
11		5.6.L2	76.2	68.9	(7.3)	73.6	68.7	(4.9)	73.8	65.0	(8.8)	63.1	63.8
12		5.6.L3	0.6	0.6	(0.0)	0.6	0.5	(0.1)	0.6	0.6	(0.0)	0.6	0.6
13		5.6.L4	4.6	4.6	(0.1)	4.7	4.9	0.2	4.8	4.8	(0.0)	4.7	4.7
14		5.6.L13	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0	4.0	5.3	5.3
15			81.5	74.1	(7.4)	78.9	74.1	(4.8)	79.1	74.4	(4.8)	73.7	74.4

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

Reference: Exhibit B-11, Appendix A, Schedule 5.6

In Schedule 5.6, BC Hydro provides the following information on Customer Service costs for F2019, F2020, and F2021:

Operating Costs – People, Customer, Corporate Affairs											
(\$ million)											
Line	Column	Reference	F2019			F2020			F2021		
			RRA	Actual	Diff	Plan	Update	Diff	Plan	Update	Diff
			1	2	3 = 2 - 1	4	5	6 = 5 - 4	7	8	9 = 8 - 7
Operating Costs by KBU											
1			23.3	20.1	(3.2)	21.1	21.1	0.0	21.4	21.4	0.0
2			73.8	59.0	(14.8)	63.1	63.1	0.0	63.8	63.8	0.0
3			0.6	0.5	(0.0)	0.6	0.6	0.0	0.6	0.6	0.0
4			4.8	4.3	(0.5)	4.7	4.7	0.0	4.7	4.7	0.0
5			12.7	13.7	1.0	12.9	12.9	0.0	13.0	13.0	0.0
6			6.2	6.3	0.1	6.3	6.3	0.0	6.4	6.4	0.0
7			0.4	0.8	0.5	1.0	1.0	0.0	1.0	1.0	0.0
8			0.8	0.7	(0.0)	0.8	0.8	0.0	0.8	0.8	0.0
9			122.5	105.5	(17.0)	110.6	110.6	0.0	111.9	111.9	0.0

AMPC is seeking additional information to understand why the Customer Service costs for F2019 were \$59.0 million compared to the \$73.8 million F2019 RRA amount and the \$65.0 million F2019 forecast included in the original Application.

- 8.1 Please explain what caused the reduction observed between the F2019 actual as opposed to the F2019 RRA and the F2019 forecast Customer Service cost identified above.
- 8.2 Please explain if similar reductions should be reflected in F2020 and F2021 fiscal years forecasts. If not, please explain why not.

9.0 Implementation of IFRS

Reference: Exhibit B-11, pp. 14-15, pdf pp. 19-20

On pdf pp. 19-20, BC Hydro identifies increases to amortization and finance charges resulting from the full implementation of IFRS 16. It states:

4 1.4 Amortization Has Increased Due to the Full Implementation of 5 IFRS 16

6 As discussed above, the Evidentiary Update reflects the impacts resulting from the 7 full implementation of IFRS 16, following the completion of BC Hydro's assessment, 8 and subject to the completion of the fiscal 2020 financial statement audit. The 9 implementation of IFRS 16 decreases Cost of Energy while increasing Amortization 10 and Finance Charges. The impact to Amortization is an increase of \$58.8 million in 11 fiscal 2020 and \$59.9 million in fiscal 2021. Amortization is also increasing because 12 actual capital additions in fiscal 2019 were slightly higher than planned. There were 13 no changes to the capital plan as part of the Evidentiary Update.

1 1.5 Finance Charges Have Increased Due to the Full 2 Implementation of IFRS 16

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

3 Finance Charges are also increasing due to the impacts resulting from the full
4 implementation of IFRS 16. The resulting impact to Finance Charges is an increase
5 of \$44.3 million in fiscal 2020 and \$43.3 million in fiscal 2021. This increase is
6 partially offset by lower finance charges on debt that was hedged subsequent to the
7 filing of the Application, at interest rates that were lower than forecast in the
8 Application.

Reference: Exhibit B-11, p. 3, pdf p. 8

BC Hydro states at page 3 of the Evidentiary Update that the impact of IFRS 16 on Electricity Purchase Agreements is “not net neutral because if an Electricity Purchase Agreement is determined to be a lease under IFRS 16, more costs are recognized in the earlier years of the agreement and fewer costs are recognized in the later years of the agreement.”

Reference: Exhibit B-11, Appendix F, pdf p. 50

Appendix F provides a summary overview of the IFRS 16 expenses forecast compared to actual for F2020 and F2021 for Cost of Energy, Amortization and Finance Charges at table F-2. Additionally, Appendix F states that an adjustment has been made to the Non-Heritage Deferral Account of \$82.8 million.

AMPC is seeking additional information on BC Hydro’s implementation of IFRS 16.

- 9.1 Please confirm the total proposed revenue requirement impact on F2020 and F2021 as a result of BC Hydro’s implementation of IFRS 16, specified by revenue requirement line item (referencing Appendix A Schedules). In other words, please provide Table F-2 with gross IFRS 16 impacts in test years (not just the variance currently provided in the Evidentiary Update).
- 9.2 Please explain how BC Hydro’s proposal for recovering IFRS 16-related expenses accounts for the long-term implications of the proposed IFRS 16 implementation on ratepayers and how the proposal avoids intergenerational inequities.
 - 9.2.1 Please fully explain why BC Hydro justifies this approach for rate setting purposes (which may be different than financial reporting purposes). In your response, please include examples of how other past IFRS transition impacts, if any, have been managed.
- 9.3 For BC Hydro’s explanation on page 3 of the Evidentiary Update that “more costs are recognized in the earlier years of the agreement and fewer costs are recognized in the later years of the agreement”, specifically what costs are being shifted, if any, and what is the rationale or reason for the cost shifting? Please fully explain.
 - 9.3.1 Please detail any amortization methodological changes occurring as a result of the above statement by revenue requirement line item.

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

10.0 Deferral Accounts

Reference: **Exhibit B-11, Table 1, p. 5, pdf pp. 10-11**

On pdf p. 10, BC Hydro provides a table that compares BC Hydro's Revenue Requirement from its initial Application to the Evidentiary Update.

Table 1 Revenue Requirement - Application vs. Evidentiary Update - Current View

Cost Component	Appendix A Reference	Fiscal 2020 Difference (\$ million)	Fiscal 2021 Difference (\$ million)	Explanation
Cost of Energy	Schedule 4.0 Line 51	(45.9)	(155.4)	See section 1.2 below
Operating Costs	Schedule 5.0 Line 122	62.9	63.9	See section 1.3 below
Taxes	Schedule 6.0 Line 24	0.0	0.0	
Amortization	Schedule 7.0 Line 32	60.3	59.7	See section 1.4 below
Finance Charges	Schedule 8.0 Line 32	38.3	33.7	See section 1.5 below
Return on Equity	Schedule 9.0 Line 36	0.0	0.0	
Miscellaneous Revenue	Schedule 15.0 Line 42	0.1	0.1	
Inter-Segment Revenue	Schedule 3.0 Line 51	4.1	0.7	Lower transmission charges due to lower Surplus Sales, as discussed in section 1.2

Cost Component	Appendix A Reference	Fiscal 2020 Difference (\$ million)	Fiscal 2021 Difference (\$ million)	Explanation
Subsidiary Net Income	Schedule 3.0 Lines 55/56	(151.6)	(92.6)	As discussed further in section 1.6 below, Subsidiary Net Income is higher in fiscal 2020 and fiscal 2021 because, in the Current View, the favourable difference between forecast and actual Powerex Net Income in fiscal 2019 is recovered in fiscal 2020 and fiscal 2021.
Other Utilities Revenue	Schedule 14.0 Line 18	(0.2)	0.0	
Liquefied Natural Gas Revenue	Schedule 14.0 Line 19	(0.6)	0.0	
Deferral Account Rate Rider Revenue	Schedule 14.0 Line 21	0.0	0.0	
Total	Schedule 1.0 Line 35	(32.5)	(89.9)	Numbers may not add due to rounding
		122.4		

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

AMPC is seeking additional information to assess how changes to BC Hydro's deferral account balances and refunds to customer affect BC Hydro's revenue requirement.

10.1 Please provide a revised table that shows the changes to the cost components of BC Hydro's revenue requirement that would result from assuming that the actual balances of the deferral accounts for F2019 remain at the F2019 forecast level included in BC Hydro's initial Application and the deferral account refunds to customers in F2020 and F2021 remained as forecast in BC Hydro's initial Application.

11.0 Subsidiary Net Income

Reference: Exhibit B-11, Table 1, p. 6, pdf p. 11

In Table 1, BC Hydro states:

Subsidiary Net Income is higher in fiscal 2020 and fiscal 2021 because, in the Current View, the favourable difference between forecast and actual Powerex Net Income in fiscal 2019 is recovered in fiscal 2020 and fiscal 2021.

AMPC is seeking additional information on how Subsidiary Net Income affects F2020 and F2021 forecasts.

11.1 Please confirm that the impacts for Subsidiary Net Income in F2020 and F2021 are solely due to favourable results in actual F2019 compared to forecast and BC Hydro is not proposing to change Powerex Net Income for F2020 and F2021. If not confirmed, please fully explain your response.

12.0 Trade Income Deferral Account

Reference: Exhibit B-11, p. 15, pdf p. 20 and footnote 11

On pdf p. 20, BC Hydro states:

¹¹ In the Application, Powerex Net Income was forecast to be \$205.3 million in
¹² fiscal 2019. Actual Powerex Net Income in fiscal 2019 was \$435.7 million or
¹³ \$230.4 million higher than the forecast. This difference increases the credit balance
¹⁴ in the Cost of Energy Variance Accounts, which BC Hydro has proposed to refund to
¹⁵ ratepayers over the test period. In the Current View, this refund is reflected in
¹⁶ BC Hydro's revenue requirements as Subsidiary Net Income. As a result, Subsidiary
¹⁷ Net Income is \$151.6 million higher in fiscal 2020 and \$92.6 million higher in
¹⁸ fiscal 2021, which decreases BC Hydro's revenue requirements¹¹

Footnote 11 states:

The total increase in refunds in fiscal 2020 and fiscal 2021 is greater than the difference between forecast and actual Powerex Net Income in fiscal 2019, primarily due to variances in interest accrual amounts on the balance in the Trade Income Deferral Account. The refund amount is higher in fiscal 2020 than fiscal 2021 so that BC Hydro's

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

requested rate increase in fiscal 2020 remains unchanged. For further information, refer to section 1.2 above.

AMPC is seeking additional information on how changes to BC Hydro's deferral account balances and refunds to customers affect BC Hydro's revenue requirement.

12.1 Please provide the required rate increases for F2020 and F2021 if the deferral account balance recoveries/refunds as provided in the Evidentiary Update are equally distributed to F2020 and F2021 as proposed by BC Hydro in its initial Application.

13.0 Deferral Accounts and Regulatory Accounts

Reference: Exhibit B-11, Appendix A, Schedules 2.1 and 2.2,

In Schedules 2.1 and 2.2, BC Hydro compares its annual recoveries for F2019 actual to the F2019 RRA amount.

AMPC is seeking additional information on how BC Hydro's deferral account recoveries are determined.

13.1 Please explain how the recoveries for the F2019 actuals are determined for each of the deferral and regulatory accounts, on an account specific basis. In your response, please provide copies of (and/or explanation as appropriate) of any applicable policies, legislative authority or supporting methodology that BC Hydro relies upon in calculating appropriate recovery amounts for these deferral and regulatory accounts.

13.2 Please confirm that the recoveries specified, in appendices 2.1 and 2.2, for the deferral and regulatory accounts F2019 actual amounts column reflect the last approved recovery amount included in rates (from the 2019 RRA). If not confirmed, please discuss why not.

14.0 Debt Management Regulatory Account

Reference: Exhibit B-11, Appendix D, pp. 2-3, pdf pp. 40-41

On pdf pp. 40-41, BC Hydro states:

- "the forecast fiscal 2020 and fiscal 2021 balance in the Debt Management Regulatory Account is higher than in the Application, primarily due to a decrease in forward interest rates, resulting in a decrease in the fair value of financial contracts that hedge the interest rate on future debt issuances" and
- "[a] 1 per cent change in forward interest rates results in an \$800 million to \$900 million increase/decrease in the fair value of the financial contracts that hedge interest rates on future debt issuances. Any realized gains or losses on interest rate hedges are amortized starting in the next test period over the remaining term of the underlying debt (e.g., 10 to 30 years). These financial contracts were not settled prior to the start of the test period. Therefore, the amortization of the Debt Management Regulatory Account for the test period is unchanged from the Application."

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

Reference: Exhibit B-1, Appendix A, Schedule 2.2

In Schedule 2.2 of the initial Application, BC Hydro shows:

- At Line 152, that the F2020 plan did not have any F2020 Plan forecast additions to the Debt Management Regulatory Account.
- At Line 152, that there is a \$(102.4) million Forecast F2019 addition amount for the Debt Management Regulatory Account.

Reference: Exhibit B-11, Appendix A, Schedule 2.2

In Schedule 2.2, BC Hydro shows:

- At Line 152, that there is an F2020 forecast addition to the Debt Management Regulatory Account of \$100.9 million.
- At Line 152, that there an F2019 Actual addition to the Debt Management Regulatory Account of \$321.0 million.
- At Line 154, that, with increased additions in F2019 and F2020, the balance of the Debt Management Regulatory Account balance is forecast to increase from \$0 to \$276.5 million by end of F2020 and increase to \$288.9 million, inclusive of \$12.4 million in recovery in F2021 and F2022.

Reference: B-11, Appendix D, pdf pp. 40-41

In the Evidentiary Update BC Hydro states as follows regarding the Debt Management Regulatory Account:

The forecast fiscal 2020 and fiscal 2021 balance in the Debt Management Regulatory Account is higher than in the Application, primarily due to a decrease in forward interest rates, resulting in a decrease in the fair value of financial contracts that hedge the interest rate on future debt issuances. The increase is mostly non-cash (only a small portion relates to hedges that have realized and were settled in cash) and will be offset by lower finance charges when the hedged future debt is issued at lower interest rates. A 1 per cent change in forward interest rates results in an \$800 million to \$900 million increase/decrease in the fair value of the financial contracts that hedge interest rates on future debt issuances. Any realized gains or losses on interest rate hedges are amortized starting in the next test period over the remaining term of the underlying debt (e.g., 10 to 30 years). These financial contracts were not settled prior to the start of the test period. Therefore, the amortization of the Debt Management Regulatory Account for the test period is unchanged from the Application.

AMPC is seeking additional information on the figures related to BC Hydro's Debt Management Regulatory Account. For instance, the above figures indicate a discrepancy of \$423.4 million between forecast and actual addition amounts to the Debt Management Regulatory Account for F2019.

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

- 14.1 Please provide a detailed explanation of, and justification for, the change in the additions in the Debt Management Regulatory Account for F2019 (from -\$102.4 million to \$321.0 million).
- 14.2 Please provide detailed calculations in MS Excel format showing how the F2019 addition in the Debt Management Regulatory Account was calculated, including the debt amount subject to regulatory account treatment, interest rates and other variables that were used, for both the F2019 forecast addition amount of -\$102.4 million and the F2019 actual addition amount of \$321.0 million.
- 14.3 Please explain why there is an addition in the Debt Management Regulatory Account of \$100.9 million in F2020, yet BC Hydro states that “financial contracts were not settled prior to the start of the test period. Therefore, the amortization of the Debt Management Regulatory Account for the test period is unchanged from the Application.” [Emphasis added.]
- 14.4 Please provide detailed calculations in MS Excel format showing how the addition in the Debt Management Regulatory Account of \$100.9 million for F2020 was calculated, including the debt amounts subject to regulatory account treatment, interest rates and other variables to arrive to \$100.9 million.
- 14.5 Please explain why BC Hydro is proposing \$12.4 million recovery in the Debt Management Regulatory Account in F2020 and F2021 which further increases the regulatory account balance by that amount each year. In your response, please discuss BC Hydro’s plans to pay down the Debt Management Regulatory Account’s balance, and what factors or legal obligations are relevant to that consideration.
- 14.6 Please describe BC Hydro’s hedging strategy and explain how often BC Hydro reviews and updates this policy. Please explain the steps BC Hydro undertakes to analyze changes to its hedging strategy, considering the cost to maintain it, including any analysis undertaken in reviewing the hedging strategy against a status quo borrowing approach.
- 14.7 Given the increase to Debt Management Regulatory Account Additions in F2019 of \$321 million and in F2020 of \$100.9 million, please provide a schedule and explanation to justify BC Hydro’s statement that, “[t]he increase is mostly non-cash (only a small portion relates to hedges that have realized and were settled in cash) and will be offset by lower finance charges when the hedged future debt is issued at lower interest rates.” [emphasis added].
 - 15.7.1 Please specifically provide a schedule that shows the cost of hedging in F2019 and in the F2020 and F2021 test years compared to the long-term expected benefits from lower finance charges as a result of hedging and explain the assumptions made by BC Hydro for this analysis.
 - 15.7.2 Please explain BC Hydro’s hedging approach and the anticipated benefits to ratepayers given the increased costs in F2019 and F2020 largely outweigh the marginal decreases to long-term and short-term debt in the test years.

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

15.0 Operating Costs

Reference: Exhibit B-11, Appendix G, p. 6, pdf p. 59

On pdf p. 59, BC Hydro states:

Variances of \$30.2 million related to net provisions and other were primarily due to:

- Higher capital asset retirements and project write-offs of \$21 million primarily due to partial project costs being written off as a result of scope changes or revisiting leading alternatives on certain projects based on higher project cost estimates. This included \$4.6 million related to the Ruskin Dam and Powerhouse Upgrade Project for the costs of an engineering study, which concluded that \$50 million in crest block reinforcement works were not required and could be removed from the project scope. As the scope was not proceeding, the costs that were already incurred related to it were not capital in nature and needed to be written off;
- Higher litigation costs of \$5.2 million related to a capital project; and
- Other variances, totalling \$4.0 million.

AMPC has concerns about BC Hydro's escalating operating costs and is seeking more information to understand the causes.

15.1 For the \$21 million in higher capital asset retirements and project writeoffs, please provide:

- (a) a detailed breakdown of the retirements and project writeoffs, including a list of the assets and projects captured.
- (b) the underlying business cases and supporting materials justifying the retirements and writeoffs for all retirements and writeoffs above \$1 million.

15.2 For project writeoffs above \$1 million please explain why scope changes were required, why leading alternatives were revisited, why changes to scope and/or alternatives were not identified earlier, and what steps (if any) BC Hydro is taking to recoup costs from third parties.

15.3 For the Ruskin Dam and Powerhouse Upgrade Project, please explain why crest block reinforcement works were included in the original project scope, when they were removed, and why. Please identify what steps (if any) BC Hydro is taking to recoup costs from third parties. Please also provide a copy of the \$4.6M engineering study referenced.

15.4 Please identify the capital project that incurred "higher litigation costs of \$5.2 million" and describe the nature and status of the litigation, including whether additional costs are anticipated, and if so, the quantum. Were these litigation costs identified in BC Hydro's RRA Application? If so, please provide a reference.

15.5 Please provide a detailed breakdown of the "other variances" totalling \$4.0 million.

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

16.0 Operating Costs

Reference: Exhibit B-11, Appendix G, p. 6, pdf p. 59

On pdf p. 59, BC Hydro states:

Variances of \$30.0 million related to regulatory account additions for provisions and other were primarily due to:

- An increase in the Real Property Sales Regulatory Account of \$23.4 million due to surplus property sales being delayed to future years;
- An increase in the Dismantling Costs Regulatory Account of \$11.3 million primarily due to higher transmission and distribution work programs and the associated removal of end of life plant and equipment; and
- Other variances, totalling \$2.4 million.

AMPC has concerns about BC Hydro's escalating operating costs and is seeking more information to understand the causes.

- 16.1 Please explain why surplus property sales are being delayed to future years and provide any relevant supporting documents.
- 16.2 Please provide a detailed breakdown of the "higher transmission and distribution work programs and the associated removal of end of life plant and equipment" costs, including the assets and projects captured. Please also provide any underlying business cases and supporting materials justifying the work programs and removal costs.
- 16.3 Please provide a detailed breakdown of the "other variances" totalling \$2.4 million, including the assets and projects captured.

17.0 Capital Expenditures and Additions Variances

Reference: Exhibit B-11, Appendix G, Tables G-5 and G-6, p. 9, pdf p. 62

In Tables G-5 and G-6, BC Hydro identifies capital expenditure variances of 47% for "Business Support – Fleet/Other" and capital additions variances of 30% and 59% for "Business Support – Properties" and "Business Support – Fleet/Other" for F2019.

AMPC has concerns about BC Hydro's escalating capital expenditures and additions and is seeking more information to understand the causes.

- 17.1 Please provide a detailed explanation of the capital expenditure and additions variances identified above, including any relevant supporting documents (e.g. business cases, agreements, change orders, etc.).

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

18.0 Capital Expenditures and Additions Variances

Reference: Exhibit B-11, Appendix G, pp. 11-12, pdf pp. 64-65

On pdf pp. 64, BC Hydro states:

Fiscal 2019 capital expenditures were \$4.9 million or 693 per cent above the fiscal 2019 RRA Plan. This was primarily because:

- The Mica Unit 5 and Unit 6 Project was \$2.8 million above plan due to remaining work being delayed from fiscal 2018 to fiscal 2019; and
- The Revelstoke Unit 6 Installation Project was \$2 million above plan due to spending related to the Environmental Assessment Certificate and additional Water Licence being delayed to fiscal 2019 because the Environmental Assessment Office and Comptroller of Water Rights required additional time to review the applications.

AMPC has concerns about BC Hydro's escalating capital expenditures and additions and is seeking more information to understand the causes.

18.1 Please explain why the remaining work on the Mica Unit 5 and Unit 6 Project was delayed to F2019.

18.2 For the Revelstoke Unit 6 Installation Project, please provide:

- (a) an explanation of why the permitting delays caused increased costs.
- (b) a detailed explanation of why each of the Environmental Assessment Office and Comptroller of Water Rights required additional time to review the applications. Which delays are attributable to BC Hydro (e.g., BC Hydro requesting/submitted amendments, submitting incomplete information, delays in responding to regulatory requests, etc.)? Which delays are attributable to the Environmental Assessment Office and Comptroller of Water Rights (e.g. staffing/resource issues, delays in responding to BC Hydro requests, etc.)? Please provide any relevant supporting documents.
- (c) the total amount spent by BC Hydro to obtain an Environmental Assessment Certificate.
- (d) the total amount spent by BC Hydro to obtain an additional Water Licence.

18.3 Please confirm that the Environmental Assessment Certificate and Water Licence for the Revelstoke Unit 6 Installation Project have now been issued. If not confirmed, please provide the estimated date when the EAC and Water Licence will be issued.

19.0 Capital Expenditures and Additions Variances

Reference: Exhibit B-11, Appendix G, p. 12, pdf p. 65

On pdf p. 65, BC Hydro states:

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

Fiscal 2019 capital expenditures were \$17.4 million or 14 per cent below the fiscal 2019 RRA Plan. This was primarily because:

- The John Hart Generating Station Replacement project was \$53.3 million below plan due to more work than planned being completed in fiscal 2017 and fiscal 2018;
- The Ruskin Dam and Powerhouse Upgrade project was \$21.5 million above plan due to contractor delays related to construction work on the generating units which had been planned to occur in previous fiscal years and trailing work; and
- The remaining variance of \$14.4 million is due to smaller variances on various projects.

AMPC has concerns about BC Hydro's escalating capital expenditures and additions and is seeking more information to understand the causes.

19.1 For the Ruskin Dam and Powerhouse Upgrade project, please provide:

- (a) a detailed breakdown of the \$21.5 million variance, including any relevant supporting documents (e.g., business cases, agreements, change orders, etc.).
- (b) a detailed explanation of why the delays led to increased costs.
- (c) a detailed explanation of the cause of "contractor delays". Which delays are attributable to BC Hydro (e.g., BC Hydro initiated change orders, scheduling issues, equipment issues, delays in granting licences or responding to contractor requests, etc.)? Which delays are attributable to the contractors (e.g., staffing/resource issues, scheduling issues, equipment issues, delays in responding to BC Hydro requests, etc.)?

19.2 For any delays attributable to the contractors on the Ruskin Dam and Powerhouse Upgrade project, please identify what steps BC Hydro is taking (if any) to recoup additional costs incurred from these contractors (or other third parties) on the Ruskin Dam and Powerhouse Upgrade Project.

19.3 When are these amounts forecast to be capital additions?

20.0 Transmission Capital Expenditures and Additions Variances

Reference: Exhibit B-1, Appendix G, pdf p. 1425

In the initial Application BC Hydro identified "Higher than planned expenditures of \$86 million on the Interior to Lower Mainland Transmission Line Project due to an arbitrator decision on a contractor claim, which increased the cost of the project."

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

Reference: May 16, 2018 Letter from BC Hydro President & COO to BCUC on Interior to Lower Mainland Transmission Line arbitration decision:

https://www.bchydro.com/news/press_centre/news_releases/2018/bchydro-ilm-project-decision.html

In this letter, BC Hydro's COO advised the BCUC of the background to the arbitration decision and its estimated \$86 million impact on the Interior to Lower Mainland Transmission Line project costs.

Reference: Exhibit B-11, Appendix G, p. 18, pdf p. 71

On pdf p. 71, BC Hydro states:

Fiscal 2019 capital additions were \$120.2 million or 15,025 per cent above the fiscal 2019 RRA Plan. This was primarily because:

- The Interior to Lower Mainland Transmission project was \$96.7 million above plan due to an arbitrator decision on a contractor claim; and
- The Peace Region Load Shedding Remedial Action Scheme project was \$25.7 million above plan because the project was put into service in fiscal 2018 but the capital expenditures were not recognized as capital additions until fiscal 2019.

Reference: BC Hydro and Power Authority ~ F2017 to F2019 Revenue Requirements Application ~ Project No. 3698869, Exhibit BC, Supplemental Appendix I-A, pdf p. 6

On pdf p. 6, BC Hydro lists the PEACE Region Load Shedding RAS as a transmission project/program greater than \$5 million with capital expenditures in the test period as at March 31, 2016. The table lists the following information for the project:

- Growth or Sustaining Expenditure: Growth
- Current Forecast ISD: F2017
- Current Start Date of Construction: F2014
- Definition Approval Date: F2014
- Implementation Approval \$: 21.0
- Current Pre-Implementation Cost Estimate: N/A - in Implementation
- Current Authorized Amount: 21.0
- Capital Addition Actuals Prior Years: -
- Capital Addition Forecast F17: -
- Capital Addition Forecast F18: 19.0
- Capital Addition Forecast F19: -
- Capital Addition Forecast >F19: -
- Total Capital Additions (sum of columns M to Q): 19.0

Note B: ISA is in the fiscal year following the ISD because of a 3 month span between project in-service and finalization of the in-service additions by Finance.

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

AMPC has concerns about BC Hydro's escalating capital expenditures and additions and is seeking more information to understand the causes.

20.1 For the Interior to Lower Mainland Transmission project, please provide:

- (a) the Project Completion Report;
- (b) the arbitrator's decision;
- (c) a detailed breakdown and explanation of the \$96.7 million in costs;
- (d) an explanation of why BC Hydro crews replaced contractor crews on the Spuzzum section of the Interior to Lower Mainland Transmission project;
- (e) an explanation of why the replacement of contractor crews with BC Hydro crews on the Spuzzum section led to the \$96 million award; and
- (f) an explanation of the difference between the \$86 million referred to in the exhibit B-1 and the \$96.3 million in exhibit B-11.

20.2 For the Peace Region Load Shedding Remedial Action Scheme Project, please provide:

- (a) an explanation of why the in-service date, anticipated for F2017 in BC Hydro's last revenue requirement application, did not occur until F2018;
- (b) the in-service date, and when Finance finalized the in-service additions; and
- (c) please supplement "Note B" with a detailed explanation of why the project was put into service in F2018 but the capital expenditures were not recognized as capital additions until F2019. Please provide any relevant supporting documents (e.g., BC Hydro or accounting policies).

20.3 Please explain generally how BC Hydro determines when capital expenditures are accounted for as capital additions from a regulatory perspective, and how the Commission is made aware of the change. In providing your response, please identify and discuss the significance of any accounting or regulatory principles that are relevant to this determination.

21.0 Transmission Capital Expenditures and Additions Variances

Reference: Exhibit B-11, Appendix G, p. 19, pdf p. 72

On pdf p. 72, BC Hydro states:

2019 capital additions were \$12.6 million or 17 per cent above the fiscal 2019 RRA Plan. This was primarily because:

- The Arnott Capacity Upgrade project was \$4.5 million above plan because some of the construction work was delayed until fiscal 2019 due to outage constraints;

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

- The Campbell River Substation Capacity Upgrade project was \$26 million above plan due to additional planning and construction time required to address seismic risks which delayed the project's In-Service date; and
- The Westbank Substation Upgrade project was \$23 million below plan (as discussed further in the preceding section).

AMPC has concerns about BC Hydro's escalating capital expenditures and additions and is seeking more information to understand the causes.

21.1 Please provide a detailed explanation of the "outage constraints" on the Arnott Capacity Upgrade project, and explain why the delays led to cost increases. In your response, please identify (i) which delays are attributable to BC Hydro or to third parties; and (ii) what steps (if any) BC Hydro is taking to recoup any additional costs from third parties.

21.2 Please provide a detailed explanation on when the seismic risks for the Campbell River Substation Capacity Upgrade project were identified, why they were not identified earlier, and identify what steps (if any) BC Hydro is taking to recoup the additional costs from third parties.

22.0 Transmission Capital Expenditures and Additions Variances

Reference: Exhibit B-11, Appendix G, p. 20, pdf p. 73

On pdf p. 73, BC Hydro states:

Fiscal 2019 capital expenditures were \$16.8 million or 132 per cent above the fiscal 2019 RRA Plan primarily due to the advancement of the 60 kV Circuit Breaker Replacement and 138kV Circuit Breaker Replacement programs to manage system risks.

Fiscal 2019 capital additions were \$33.9 million or 251 per cent above the fiscal 2019 RRA Plan primarily due to the addition of the Barnard 60 kV Circuit Breaker Relay Building Replacement project and advancement of the 60 kV Circuit Breaker Replacement and 138 kV Circuit Breaker Replacement programs to manage system risks.

AMPC has concerns about BC Hydro's escalating capital expenditures and additions and is seeking more information to understand the causes.

22.1 Please confirm that the capital expenditures and additions of \$16.8 million and \$33.9 million are related to timing changes, and not to project scope changes. If not confirmed, please provide (i) a detailed explanation of the scope changes; and (ii) provide the underlying business cases for the projects and programs listed above. If no business cases exist, please explain why not.

22.2 Please explain BC Hydro's original in-service timeline for these two projects and provide explanation for where cost reductions are incorporated in capital expenditure forecasts as a result of the timing change.

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

22.3 Did BC Hydro realize any cost savings or overruns from the original budgets as a result of advancing these projects? If so, please explain.

23.0 Site C Project Capital Expenditures and Additions Variances

Reference: **Exhibit B-11, Appendix G, pp. 31-32, pdf pp. 84-85**

On pdf pp. 84-85, BC Hydro identified a 35% increase in capital expenditures for the Site C Project above the F2019 RRA Plan:

Table G-21 Fiscal 2019 Site C Project Capital Expenditures Variances

(\$ million)	F2019			
	RRA	Actual	Diff	% Diff
Total Site C	1 829.2	2 1,116.7	3=2-1 287.5	4=3/1 35%

In December 2014, the project was approved for the total Expected Amount of \$8.3 billion. On February 9, 2018 BC Hydro's Board of Directors approved a revised budget of \$10.7 billion, including project reserve.

Fiscal 2019 capital expenditures were \$287.5 million or 35 per cent above the fiscal 2019 RRA Plan, established prior to the revision of the project's budget, primarily due to:

- Main civil works expenditures for unplanned investment in equipment, settlement of claims and incentive payments;
- The transmission line contract being awarded for higher than the planned amount;
- Higher than planned south bank substation costs for major equipment and electric materials;
- Additional infrastructure costs related to the stilling basin;
- Higher than planned construction management and engineering costs due to an increase in required resources and a higher reliance on contractors; and
- Reservoir clearing work incurred in fiscal 2019 that was planned in prior fiscal years.

The increases described above were partially offset by highways work and property purchases being shifted to future fiscal years.

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

Reference: Exhibit B-13, CEC IR 2.101.2 at pdf pp. 750-751

In response to this IR from CEC, BC Hydro stated that “BC Hydro is continuing to forecast that the River Diversion milestone will be achieved in September 2020, and the first power milestone will be achieved in December 2023, as planned.”

AMPC has concerns about BC Hydro’s escalating capital costs on the Site C Project and is seeking more information to understand the causes, any additional anticipated cost increases, and the steps that BC Hydro has taken to seek cost savings or ensure cost discipline.

- 23.1 Please confirm that the \$287.5 million of F2019 capital expenditures is in addition to the \$10.7 billion budget approved by BC Hydro’s Board of Directors in February 2018. If not confirmed, please fully explain your response.
- 23.2 Please provide a detailed breakdown of the \$287.5 million expenditures, including the dollar amounts attributed to each of the six categories of expenditures identified by BC Hydro (i.e., main civil works expenditures, transmission line contract, south bank substation costs, infrastructure costs, construction management and engineering costs, reservoir clearing work).
- 23.3 For the “main civil works expenditures for unplanned investment in equipment ...” please:
 - (a) provide a detailed breakdown of the main civil works expenditures, including a detailed explanation of why there were “unplanned investments”.
 - (b) explain why BC Hydro failed to identify equipment needs for the Site C project at an earlier stage in the planning or construction process.
 - (c) identify how and when BC Hydro discovered additional equipment needs, and what they are.
 - (d) explain what expenditures are attributable to BC Hydro (e.g., planning and scheduling issues, procurement issues, etc.) versus third parties.
 - (e) explain what steps (if any) BC Hydro has undertaken to recover any costs from third parties.
 - (f) explain whether BC Hydro anticipates further additional equipment investment expenditures in the test period or beyond.
 - (g) explain what steps (if any) BC Hydro has undertaken to seek cost savings or control any additional future costs for equipment investments and other civil works expenditures.
- 23.4 For the “main civil works expenditures for ... settlement of claims and incentive payments” please:
 - (a) provide a detailed breakdown of claims and incentive payments.

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

- (b) provide additional details and available supporting documents justifying claims settlement and incentive payments.
 - (c) explain why BC Hydro did not identify these expenditures at an earlier stage in the planning or construction process.
 - (d) identify how and when BC Hydro determined there would be additional expenditures for settlement of claims and incentive payments.
 - (e) explain what expenditures are attributable to BC Hydro (e.g., resulting from its negligence, contractual breaches, etc.) versus third parties.
 - (f) explain what steps (if any) has BC Hydro undertaken to recover these claims settlement and incentive payment costs from third parties.
 - (g) explain whether BC Hydro anticipates further additional claims settlement and incentive payment costs in the test period or beyond.
 - (h) explain what steps (if any) BC Hydro has undertaken to seek cost savings or control any additional future costs for claims settlement and incentive payments.
- 23.5 For the “transmission line contract being awarded for higher than the planned amount” please:
- (a) explain why the transmission line contract award was higher than expected, including identification in your response of the number of participants in the tendering process.
 - (b) provide the relevant supporting internal documents explaining the reasons for awarding the contract to the successful bidder and why the contract awarded exceeds the budgeted amount.
 - (c) explain whether BC Hydro anticipates further transmission line costs in the test period or beyond.
 - (d) explain what steps (if any) BC Hydro has undertaken to seek cost savings or control any additional future transmission line costs.
- 23.6 For the “higher than planned south bank substation costs for major equipment and electric materials” please:
- (a) provide a detailed breakdown of the increased substation costs.
 - (b) identify how and when BC Hydro determined that the substation costs would be higher than planned, and provide the relevant supporting document(s) explaining the higher than substation costs including business cases, change orders, relevant agreements, internal BC Hydro reports, contractor reports, etc.

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

- (c) explain why BC Hydro did not identify these expenditures at an earlier stage in the planning or construction process.
 - (d) explain what increased costs are attributable to BC Hydro (e.g., planning or scheduling issues, delays, changes to scope, changes to bid requirements, etc.) versus third parties.
 - (e) explain what steps (if any) BC Hydro has undertaken to recover those costs from third parties.
 - (f) explain whether BC Hydro anticipates further substation costs in the test period or beyond.
 - (g) explain what steps (if any) BC Hydro has undertaken to seek cost savings or control any additional future substation costs.
- 23.7 For the “additional infrastructure costs related to the stilling basin” please:
- (a) provide a detailed breakdown of the increased infrastructure costs.
 - (b) identify how and when BC Hydro determined that the infrastructure costs would be higher than planned, and provide the relevant supporting document(s) explaining the higher than infrastructure costs including business cases, change orders, relevant agreements, internal BC Hydro reports, contractor reports, etc.
 - (c) explain why BC Hydro did not identify these expenditures at an earlier stage in the planning or construction process.
 - (d) explain what increased costs are attributable to BC Hydro (e.g., planning or scheduling issues, delays, changes to scope, changes to bid requirements, etc.) versus third parties.
 - (e) explain what steps (if any) BC Hydro has undertaken to recover those costs from third parties.
 - (f) explain whether BC Hydro anticipates further infrastructure costs in the test period or beyond.
 - (g) explain what steps (if any) BC Hydro has undertaken to seek cost savings or control any additional future infrastructure costs.
- 23.8 For the “higher than planned construction management and engineering costs due to an increase in required resources and a higher reliance on contractors” please:
- (a) provide a detailed breakdown of the increased management and engineering costs, and explain why BC Hydro did not identify these expenditures at an earlier stage in the planning or construction process.

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

- (b) provide the relevant supporting document(s) explaining the higher than management and engineering costs including business cases, change orders, relevant agreements, internal BC Hydro reports, contractor reports, etc.
 - (c) explain what the “required resources” referred to above include.
 - (d) explain why BC Hydro outsourced more work to contractors.
 - (e) identify how and when BC Hydro determined that the management and engineering costs would be higher than planned.
 - (f) explain what increased costs are attributable to BC Hydro (e.g., planning or scheduling issues, delays, changes to scope, changes to bid requirements, etc.) versus third parties (e.g., planning and scheduling issues, delays, changes to scope, staffing/resources).
 - (g) explain what steps (if any) BC Hydro has undertaken to recover those costs from third parties.
 - (h) explain whether BC Hydro anticipates further management and engineering costs in the test period or beyond.
 - (i) explain what steps (if any) BC Hydro has undertaken to seek cost savings or control any additional future management and engineering costs.
- 23.9 For the “reservoir clearing work incurred in fiscal 2019 that was planned in prior fiscal years” please:
- (a) provide a detailed breakdown of the increased reservoir clearing work costs.
 - (b) identify whether the overall reservoir clearing costs are more or less due to the delay and justify your response.
 - (c) explain what steps (if any) BC Hydro has undertaken to seek cost savings or control any additional future reservoir clearing work costs.
- 23.10 What triggers the requirement for BC Hydro to seek board approval of cost increases for the Site C Project?
- 23.11 What steps (if any) is BC Hydro taking to prevent additional cost escalations and/or seek cost savings?
- 23.12 Please provide an update on the construction schedule and in-service date for the Site C Project, identify the risks of further delays, and quantify the costs associated with any further delays.
- 23.13 What is the most up-to-date budget for the Project? Does BC Hydro expect the total project budget for Site C to increase above \$11 billion?

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

23.14 Please provide any long-term rate impact forecasts that BC Hydro has prepared related to Site C.

23.15 When does BC Hydro intend to assess and consult on potential rate impacts from Site C in-service and what is the proposed approach to addressing rate impacts and potential mitigation?

24.0 Finance Charges

Reference: Exhibit B-11, pdf p. 20

Page 15 of the Evidentiary Update states that “Finance Charges are also increasing due to the impacts resulting from the full implementation of IFRS 16. The resulting impact to Finance Charges is an increase of \$44.3 million in fiscal 2020 and \$43.3 million in fiscal 2021. This increase is partially offset by lower finance charges on debt that was hedged subsequent to the filing of the Application, at interest rates that were lower than forecast in the Application.”

Reference: Exhibit B-11, Appendix A, Schedule 8

Reference: Exhibit B-6, AMPC IR 1.4.7, pdf p. 58

In response to this IR, BC Hydro stated as follows:

BC Hydro’s statement that non-cash provisions are not recovered in rates is accurate.

Accretion costs related to the First Nations Provisions Regulatory Account, the Environmental Provisions Regulatory Account and the Arrow Water Systems Provision Regulatory Account are included in Gross Finance Charges in Appendix A, Schedule 8.0, lines 4 to 6. However, these accretion costs are deferred to the respective regulatory provision accounts. The amounts deferred are included in Appendix A, Schedule 1.0, line 13, and are therefore subtracted when performing the calculation of the total rate revenue requirements for fiscal 2020 and fiscal 2021.

Reference: Exhibit B-13, AMPC IR 2.26.3, pdf pp. 38-40

In response to this IR, which includes the Evidentiary Update amounts, BC Hydro identifies the following borrowings for F2019 and F2020:

- F2019: Lines 24-30, 74 – 76, 78-80
- F2020: Lines 31, 77, 81, 82

AMPC would like to better understand BC Hydro’s finance charges that it claims for F2019-F2021, in relation to what was claimed in the original Application and generally.

24.1 Please confirm that the F2019 and F2020 borrowings identified in BC Hydro’s response to AMPC IR 2.26.3 are the only borrowings for those periods. If not confirmed, please identify additional borrowings.

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

- 24.1.1 Please confirm the actual borrowings for F2019 and F2020 to date were not included in the original RRA filing. If not confirmed, please specify which amounts were included in both.
- 24.1.2 Please explain and compare the impact on the Evidentiary Update of actual F2019 and F2020 borrowings on Weighted Average Term to Maturity and WACD for BC Hydro's test years F2020 and F2021 and on impacted regulatory accounts for F2019 compared to the original RRA Plan.
- 24.2 For Schedule 8.0 Line 17, please provide an explanation for actual expenditures in F2019 related to Non-Current PEB increasing by \$66.8 million from F2019 RRA approved.
- 24.3 For Schedule 8.0 Line 14, please explain what other (Income)/loss includes for F2019 and if this change has any impacts for the F2020 and F2021 test years.
- 24.4 Please confirm that accretion costs related to the non-cash provisions are included in calculation of Weighted Average Cost of Debt (WACD) [Schedule 8.0, Line 52]
 - 24.4.1 Please confirm that inclusion of accretion costs related to the non-cash provisions in calculation of WACD impacts the revenue requirements for 2020 and 2021 years, and indicate the magnitude of this impact.
 - 24.4.2 Please discuss if WACD calculation should exclude accretion costs related to the non-cash provisions as BC Hydro states that those provisions do not impact revenue requirement.

25.0 Finance Charges and Future Debt Hedges

Reference: Exhibit B-11, pdf pp. 7-8

The Evidentiary Update explains that a favorable impact on Finance Charges relates to the replacement of the September 30, 2018 forward interest rates used for future debt hedges in the Application with interest rates as of May 31, 2019.

AMPC would like to better understand the "favorable impact" that BC Hydro refers to, and what it consists of in relation to the prior September 30, 2018 forward interest rates.

- 25.1 Please provide a comparison of the September 30, 2018 forward interest rates used for future debt hedges with the May 31, 2019 rates provided in the Evidentiary Update. Confirm if this applies to short-term and long-term debt borrowings and quantify the difference for the test years.
- 25.2 Please explain the implications of this statement to specific Finance Charges line items that are impacted in F2019 – F2021 provided in Schedule 8.0 of Appendix A.

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

26.0 Waneta 2/3 Interest Acquisition

Reference: Exhibit B-11, Appendix G, page 33, pdf p. 86

BC Hydro's Capital Expenditure and Capital Variance explanation for Waneta states that BC Hydro purchased Teck Resources Ltd.'s two-third interest in the Waneta Dam and Generating Facility in July 2018. This purchase was not included in the fiscal 2019 RRA Plan as it was not contemplated at the time of filing. This acquisition was reviewed by the BCUC and by Order No. G-130-18, the BCUC approved the acquisition on July 18, 2018.

Table G-23 shows capital expenditures of \$1,218.8 million for Waneta 2/3 Interest Acquisition and Table G-24 shows \$1,220.3 million capital additions.

Reference: Exhibit B-1, pdf pp. 261-262

BC Hydro states at 4.7.4 that Teck is responsible for paying all operating costs, including its share of water rentals. These costs are shown as an offset in Miscellaneous Revenues in Appendix A, Schedule 15.0, line 22.

Reference: British Columbia Hydro and Power Authority Waneta 2017 Transaction Application ~ Project No.1598933, Exhibit B-1, pdf pp. 99-100

In BC Hydro's application for approval of its acquisition of the Waneta Acquisition BC Hydro indicated that annual operating/administrative costs were \$240,000/year (increasing at the rate of inflation) and annual lease payments to be BC Hydro were \$74 million per year (escalated at 2 per cent year over year).

AMPC seeks to better understand the financial impacts of BC Hydro's acquisition of the 2/3 interest in the Waneta Dam and Generating Facility, and the proposed regulatory treatment of those financial impacts.

26.1 Please explain the difference between the capital expenditures and capital additions identified in tables G-23 and G-24.

26.2 Please provide a table that outlines all costs and benefits to Actual F2019, F2020 and F2021 as a result of the inclusion of the Waneta Dam acquisition, including:

- The impacts on any deferral/regulatory accounts in F2019 and the test years including the NHDA due to deferral of F2019 lease revenues, the variance between forecast and actual water rentals, and revenue deferral as a result of Teck made capital additions during the Lease term, as approved in Order G-130-18; and
- Impacts to other income (lease payment revenues), cost of energy (by line item), operating/administrative costs, finance charges, amortization.

26.3 Please outline the amortization methods used for the Waneta dam in the evidentiary update by asset class, including added gross book value. If amortization methodology differs from the methods contemplated in the Transaction Application (namely 40-year useful life) please explain.

REQUESTOR NAME: **Association of Major Power Customers of BC (AMPC)**

INFORMATION REQUEST ROUND NO: **3**

TO: **BC Hydro**

DATE: **September 19, 2019**

PROJECT NO: **File 59886**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirement Application**

- 26.4 Please provide details on any sustaining capital expenditures included in the test years related to the Waneta dam.
- 26.5 Please confirm that operating/administrative costs in the test years are still consistent with the \$240,000 (increasing at the rate of inflation) per year estimated in the BC Hydro Waneta Application.
- 26.6 Please explain if annual lease payments to BC Hydro in the test years differ from the \$74 million/year explained in BC Hydro's Waneta Application (escalated at 2 per cent year over year).