

A2-7



IN THE MATTER OF

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY

AND

F2009 AND F2010 REVENUE REQUIREMENTS

DECISION

March 13, 2009

Before:

L.A. O'Hara, Panel Chair and Commissioner
R.J. Milbourne, Commissioner
A.A. Rhodes, Commissioner

Commission Determination

The Commission Panel notes that BC Hydro is moving to implement the BCUC USoA. The Commission Panel believes that a consistent and standard reporting methodology that does not change from year to year is highly desirable for all stakeholders. The ability to have reported information in a particular year that is comparable without modification to any other year assists in establishing a historical financial record that is transparent, comparable, and consistent. The Commission Panel notes that back-casting information based on a future year format and thus requiring changing prior reported information to make it consistent is both time-consuming and costly.

The Commission Panel further notes that the reporting structure of the BCUC USoA is applicable to both the utility's Annual Report to the Commission and the financial information in revenue requirements applications. The actual financial results in the Annual Reports should provide consistent historical information that is directly relevant and comparable to the financial information presented in revenue requirement applications. An informative Annual Report should provide information that includes explanatory variance analysis, significant changes or events, supporting regulatory schedules, cross-referencing, and reconciliation from the financial statements to the regulatory schedules.

The Commission Panel accepts that BC Hydro is working with Commission staff on developing an informative Annual Report, but is concerned as to the rate of progress.

The Commission Panel directs BC Hydro to adopt the BCUC USoA by no later than the F2012 reporting year. If certain plant accounts already in place cannot be coded to the proper BCUC account, BC Hydro is to make an application for an exemption for these historical amounts. All plant additions commencing as of the date of this Decision should have the ability to be recorded and reported to the appropriate BCUC account codes. BC Hydro may be able to adopt the USoA earlier and it is encouraged to do so. The Commission Panel further directs that if BC Hydro is to

re-platform to a replacement financial system this replacement financial system is to fully incorporate the BCUC USoA.

The Commission Panel further directs BC Hydro to submit an Action Plan within three months of the date of this Decision. The Action Plan should provide the timeline and milestones on how BC Hydro plans to implement the USoA and to develop the new Annual Report for the F2012 reporting year. BC Hydro is required to provide annual progress reports until the plan is fully implemented, which include updates on incorporation of any new financial information system BC Hydro may be considering.

For clarity, the Commission Panel directs that BC Hydro revenue requirement applications filed after January 1, 2011 contain financial information that follows the USoA. The first filed revenue RRA that follows the USoA should also include parallel financial information that transitions from the previous reporting style used in the prior filed RRA.

6.6 Deemed Equity – OIC No. 028

OIC No. 028 amends HC2 to include the concept of “deemed equity”. This concept basically requires a calculation of equity which results in an average equity component of 30 percent. OIC No. 028 also changed the definition of “equity” to accord with GAAP, which was not the case in the past. The GAAP definition of equity resulted in the removal of certain items, such as CIAC, which were previously specifically included in the definition of equity.

Certain intervenors raised concerns regarding the calculation of deemed equity at 30 percent when historic actual equity levels have been less than 20 percent.

Alan Wait argues that “[t]he 30% deemed equity provision in HC2, which allows for double costing on about 10% of the capital structure, is totally inconsistent with the Cost Based Regulation the BCUC applies to privately owned utilities. This amounts to an over charge \$70 million plus per year [sic], and growing each year” (Wait Argument, pp. 7-8).