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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-96-04

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**IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473**

and

**British Columbia Hydro and Power Authority
2004/05 and 2005/06 Revenue Requirements Application
and
British Columbia Transmission Corporation
Application for Deferral Accounts**

BEFORE: R.H. Hobbs, Chair)
L.A. Boychuk, Commissioner) October 29, 2004
M.P. Birch, Commissioner)

O R D E R

WHEREAS:

- A. British Columbia Hydro and Power Authority ("BC Hydro") filed on December 15, 2003, pursuant to the Utilities Commission Act ("the Act"), an application to increase its rates by 7.23 percent effective April 1, 2004 and by 2.00 percent effective April 1, 2005 ("the Application"); and
- B. British Columbia Transmission Corporation filed on December 15, 2003, pursuant to the Act, an application for approval of certain deferral accounts ("the BCTC Application"); and
- C. By Letter No. L-1-04 the Commission determined that the BCTC Application would be heard at the same time as BC Hydro's Application and that there would be one record for both Applications; and
- D. Following a Pre-hearing Conference held on January 14, 2004, the Commission issued Order No. G-7-04 which established a regulatory timetable to deal with the Applications; and
- E. By Order No. G-8-04 the Commission approved an increase of 7.23 percent in BC Hydro's revenue requirements and a reduction to certain wholesale customers service rates to be applied to rates on an interim basis as described in Appendix B to the Application effective April 1, 2004, subject to refund with interest; and
- F. On March 29, 2004 BC Hydro revised its Application to seek an additional increase in rates of 1.67 percent (for a total rate increase in 2004 of 8.9 percent) to be effective 30 days after the Commission's Decision on the Application and withdrew the 2.00 percent rate increase requested effective April 1, 2005; and

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- G. On March 31, 2004 BC Hydro filed both its 2004 Integrated Electricity Plan (“IEP”) and its Resource Expenditure and Acquisition Plan (“REAP”); and
- H. On April 6, 2004, the Commission held a second Pre-hearing Conference. By Letter No. L-25-04, the Commission addressed the issues that were raised at the second Pre-hearing Conference and further determinations made by the Commission Panel; and
- I. By Order No. G-42-04 the Commission amended the Regulatory Timetable established by Order No. G-7-04 and made certain procedural orders; and
- J. Participants made Opening Statements on May 12-13, 2004 and a Hearing Issues List was subsequently issued; and
- K. The oral public hearing into the Applications commenced on May 18, 2004 and the oral evidentiary phase concluded on June 10, 2004. Written arguments were filed in accordance with the Regulatory Timetable established by Order No. G-42-04 with oral argument taking place on August 17, 2004 and on August 31, 2004; and
- L. The Commission has considered the Applications and the evidence all as set forth in the Decision issued concurrently with this Order.

NOW THEREFORE the Commission, for the reasons stated in the Decision, orders as follows:

- 1. The applied-for rate increase of 7.23 percent effective April 1, 2004 and the additional increase in rates of 1.67 percent (for a total rate increase in F2005 of 8.9 percent) to be effective 30 days after the Commission’s Decision on the Application and a reduction to certain wholesale customers service rates effective April 1, 2004 are not approved as filed.
- 2. BC Hydro’s Wholesale Transmission Service (“WTS”) rate application and WTS rates are approved as filed, subject to the adjustments required by the Commission’s Decision.
- 3. BC Hydro is to calculate F2005 rates and file financial schedules A to E inclusive of the Application, in accordance with the directives in the Commission’s Decision, by November 15, 2004. In accordance with the Commission’s Decision, the permanent BC Hydro rates for F2005 and F2006 are to be based on BC Hydro’s allowed pre-income tax rate of return on equity for F2005.
- 4. If the F2005 permanent rates are less than the interim rates of 7.23 percent, BC Hydro is to refund to customers the difference in revenue with interest at the average prime rate of the principal bank with which BC Hydro conducts its business. If the F2005 permanent rates exceed the interim rates of 7.23 percent, the interim rates from April 1, 2004 to November 30, 2004 are confirmed as permanent and the increased permanent rates will take effect on December 1, 2004. BC Hydro is to report on the average refund or rate increase by customer class.

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5. Following the determination of the 2005 allowed rate of return on equity and the effective income tax rate for Terasen Gas Inc., BC Hydro is to apply to adjust its F2006 tariff rates based on its allowed pre-tax rate of return on equity for F2006.
6. The Commission will accept, subject to timely filing, amended Electric Tariff Rate Schedules which conform to the Commission's Decision. BC Hydro is to provide all customers, by way of an information notice and media publication, with a notice of the change in rates.
7. BC Hydro's and BCTC's requests for approval of deferral accounts and carrying costs are approved, except for BC Hydro's distribution emergency restoration cost element in the Non-Heritage Deferral Account.
8. BC Hydro and BCTC will comply with all other directives in the Decision accompanying this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 29th day of October 2004.

BY ORDER

Original signed by:

Robert H. Hobbs
Chair