

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, BC V6Z 2N3 CANADA
web site: <http://www.bcuc.com>



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-7-13

TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

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

and

**Application by British Columbia Hydro and Power Authority
for Approval of Asbestos Remediation Regulatory Accounts**

BEFORE:

L.F. Kelsey, Commissioner
C.A. Brown, Commissioner
N.E. MacMurchy, Commissioner
B.A. Magnan, Commissioner
R.D. Revel, Commissioner
C. van Wermeskerken, Commissioner

January 17, 2013

O R D E R

WHEREAS:

- A. On November 30, 2012, British Columbia Hydro and Power Authority applied to the British Columbia Utilities Commission (Commission), pursuant to sections 59-61 of the *Utilities Commission Act* (Act), for approval to record in BC Hydro's existing Environmental Provisions regulatory account the actual amount of the loss provision liability pertaining to the remediation of asbestos at BC Hydro's facilities that will be recorded in BC Hydro's F2013 financial statements as required under International Financial Reporting Standards (IFRS) (Application);
- B. The establishment of the Environmental Provisions regulatory account was approved by Order G-88-10 on May 17, 2010 and is a non-rate base, non-interest bearing, non-AFUDC attracting regulatory asset;
- C. BC Hydro advises that the need for the asbestos remediation loss provision liability arose as a result of (i) BC Hydro implementing an integrated Asbestos Management Program in response to a 2011 Worksafe BC order, and (ii) BC Hydro's implementation of IFRS;
- D. BC Hydro advises its current estimate of the loss provision liability pertaining to the remediation of asbestos, as at September 30, 2012, is \$38 million, and that it expects the amount will increase by F2013 year end as it identifies and learns more about the asbestos at its facilities;

- E. BC Hydro proposes that recording the amount of the loss provision liability in the existing Environmental Provisions regulatory account is appropriate because the account also relates to non-cash loss provision liabilities;
- F. The Application also seeks approval to establish a new regulatory account, the Asbestos Remediation regulatory account, in which BC Hydro proposes to record its actual incremental operating costs incurred in F2013 and F2014 on asbestos remediation, plus interest at BC Hydro's weighted average cost of debt for its current fiscal year, and carry forward the regulatory account until further Commission order;
- G. BC Hydro states that it is incurring incremental costs to implement the Asbestos Management Program by the deadline set by Worksafe BC and to encapsulate or remove friable asbestos identified by the program as required by WorkSafe BC regulations. BC Hydro states that these costs were not forecast or included in its F2012 to F2014 Revenue Requirements Application;
- H. BC Hydro requests that for F2015 and future years the Asbestos Remediation regulatory account remain in place to record any variance from the amount of asbestos remediation costs included in revenue requirements for the respective test year;
- I. The Application is not seeking any pre-approval from the Commission with respect to the ultimate recovery in rates of the regulatory asset amounts;
- J. The Commission reviewed the Application and finds that approval is reasonable.

NOW THEREFORE pursuant to sections 59-61 of the Act the Commission orders as follows:

1. BC Hydro is authorized to include in the Environmental Provisions regulatory account established pursuant to Commission Order G-88-10, the actual amount of the loss provision liability pertaining to the remediation of asbestos at BC Hydro's facilities that will be recorded in BC Hydro's F2013 financial statements as required under IFRS.
2. BC Hydro is to periodically adjust the amount included in the Environmental Provisions regulatory account in respect of asbestos remediation and carry the amount forward in accordance with the terms of Commission Order G-88-10.
3. BC Hydro must track separately the amount of the loss provision liability pertaining to the remediation of asbestos in the Environmental Provisions regulatory account and show this amount separately when reporting the balance of the Environmental Provisions regulatory account as part of BC Hydro's revenue requirements.

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** **G-7-13**

3

4. BC Hydro is authorized to establish the Asbestos Remediation regulatory account and include in that account actual operating costs incurred in F2013 and F2014 for asbestos remediation as described in the Application, plus interest at BC Hydro's weighted average cost of debt for its current fiscal year.
5. BC Hydro must file for recovery of the F2013 and F2014 asbestos remediation costs as part of BC Hydro's next revenue requirements application.
6. For F2015 and future years, BC Hydro is to apply to the Commission for approval to record in the Asbestos Remediation regulatory account any variance from the amount of asbestos remediation costs included in revenue requirements for the respective test year and the actual asbestos remediation costs incurred, plus interest at BC Hydro's weighted average cost of debt for its current fiscal year.
7. BC Hydro is authorized to carry forward the Asbestos Remediation regulatory account until further Commission order.

DATED at the City of Vancouver, in the Province of British Columbia, this 17th day of January 2013.

BY ORDER

Original Signed by:

L.F. Kelsey
Commissioner